

## ANALYSIS OF EXECUTIVE PROPOSAL

### CLAIMS, RISK, AND MEDICAL MANAGEMENT

*Program Series 1*

**Purpose** The goal of this program series is to provide cost-effective, quality health care to Ohio's injured workers so that the workers will return to work as soon as possible or alternatively to a functional lifestyle.

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
023	855-407	Claims, Risk, and Medical Management	\$133,919,528	\$141,539,537
<b>Total funding: Claims, Risk, and Medical Management</b>			<b>\$133,919,528</b>	<b>\$141,539,537</b>

**CLAIMS, RISK, AND MEDICAL MANAGEMENT** *Program Description:* This program series contains funding for Claims Field Support, Regional Customer Service offices, Risk Field Support, and Medical Management Cost Containment. These activities are intended to serve the needs of injured workers and employers throughout the state.

*Funding Source:* Administrative Cost Fund (ACF) assessments paid by employers.

*Line Items:* Fund 023 855-407 Claims, Risk, and Medical Management.

*Implication of Recommendation:* The executive budget recommends funding at the Core Budget Level (CBL) of \$131,498,530 in FY2002 and \$139,820,039 in FY 2003, plus supplemental funding of \$1,970,998 in FY2002 and \$1,719,498 in FY2003.

Funding at these levels will allow BWC to realign staff from the BWC Rehabilitation Center to the field Service Offices. The BWC Rehabilitation Center, located in the J.C. Camera Center in Columbus, will be closed in FY2001. Therefore, staff previously paid through line item 855-612, Camera Center-Operating will now be paid through line item 855-407.

**FRAUD PREVENTION SERVICES**

*Program Series 2*

**Purpose** The goal of the fraud prevention program series is to prevent, detect, and investigate cases of suspected fraud, whether it occurs internally or externally to the workers' compensation system.

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
023	855-408	Fraud Prevention	\$10,698,376	\$11,713,797
<b>Total funding: Fraud Prevention Services</b>			<b>\$10,698,376</b>	<b>\$11,713,797</b>

**FRAUD PREVENTION SERVICES** **Program Description:** Activities are geared to prevent and detect fraud perpetrated by claimants, health care providers or BWC/OIC employees.

**Funding Source:** Administrative Cost Fund (ACF) assessments paid by employers.

**Line Items:** Fund 023 855-408 Fraud Prevention.

**Implication of Recommendation:** The executive budget recommends funding at the Core Budget Level (CBL) of \$10,536,579 in FY2002 and \$11,158,620 in FY2003, plus supplemental funding \$161,797 in FY2002 and \$555,177 in FY2003.

Funding at this level will allow BWC to purchase new surveillance and undercover equipment. The new equipment will consist mainly in digital cameras and digital video devices. Such equipment is smaller and therefore easier to conceal than the current equipment used by BWC, most of which was purchased in 1995. Digital cameras also allow for picture development at the scene, opposed to film cameras that require development at a later time. BWC believes this will reduce the time spent on undercover operations and will therefore raise cost-efficiency.

The requested funding will also allow BWC to continue to use private investigators to help support out-of-state investigations. These investigators work in the locality of the person filing the suspicious claim and complete the initial steps of the investigation. Currently, there are 166 open out-of-state cases.

Another project funded by this executive request is the use of consulting from medical providers to corroborate the pre-treatment medical conditions of undercover BWC investigators who are investigating fraud on the part of medical providers. These consultants will also examine the treatment plans offered by the investigated doctor and provide expert testimony in criminal cases resulting from BWC investigations.

Furthermore, the executive proposal will fund BWC's program to investigate fraud against BWC in which a computer is used. Agents will be trained and provided with the necessary equipment to investigate this type of fraud. BWC will also cooperate with other law enforcement agencies.

**ACCIDENT PREVENTION**

*Program Series 3*

**Purpose**     Activities included in the Safety and Hygiene program series are directed toward making Ohio’s work places safe through training and consulting services.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

<b>Fund</b>	<b>ALI</b>	<b>Title</b>	<b>FY 2002</b>	<b>FY 2003</b>
826	855-609	Safety and Hygiene Operating	\$18,888,294	\$20,130,820
<b>Total funding: Safety and Hygiene</b>			<b>\$18,888,294</b>	<b>\$20,130,820</b>

**ACCIDENT PREVENTION**     **Program Description:** BWC’s Safety and Hygiene Division offers employers training and consulting services geared toward improving workplace safety.

**Funding Source:** Safety and Hygiene assessments attached to employer premiums.

**Line Items:** Fund 826 855-609 Safety and Hygiene Operating.

**Implication of Recommendation:** At the Core Budget level (CBL), the Safety and Hygiene program series will continue training programs designed to reduce employers’ premium costs. BWC projects that the 1% assessment attached to the employer premiums will not be sufficient to sustain adequate service levels. The budget bill contains a provision directing the administrator of BWC to transfer money from the State Insurance Fund to insure the proper funding of this line item for the biennium. BWC is in the process of developing a more permanent solution to this funding problem.

Safety and Hygiene has been successful in its goal of improving workplace safety. However, when workplace safety is improved, employer premiums will drop, resulting in less employer premium revenue to BWC. As a result of reduced employer premium revenue, Safety and Hygiene receives less money through the assessment attached to employer premiums.

In 1992, BWC received \$2.0 billion in employer premiums. This number dropped to \$1.7 billion in 1998 and was \$2.1 billion in 2000. Am. Sub. H.B. 180 of the 123<sup>rd</sup> General Assembly increased the assessment rate to 1% of total paid premiums from .5% of private employer premiums and .75 percent of state and local government premiums in order to address the decline in employer premium revenues and to bring more revenue to the safety and hygiene fund. However, BWC believes this will not correct the funding problems because employer premium income likely will not grow at the necessary rate to fund Safety and Hygiene adequately.

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**CAMERA REHABILITATION CENTER**      *Program Series 4*

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**Purpose**      Funding included in the Camera Center Rehabilitation program series allows BWC to cover expenses related to the closing of the BWC Rehabilitation Center.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
4Y6	855-612	Camera Center Operating	\$500,000	\$0
<b>Total funding: Camera Center Rehabilitation</b>			<b>\$500,000</b>	<b>\$0</b>

**CAMERA REHABILITATION CENTER**      **Program Description:** The program supported the operations and maintenance of the BWC Rehabilitation Center in Columbus, as well as appropriate rehabilitation care for its clients. The Rehabilitation Center will be closed in FY2001 (probably in April, 2001).

**Funding Source:** Fees received from rehabilitation services provided by BWC-contracted health care providers.

**Line Items:** Fund 4Y6 855-612 J. L. Camera Center Operating.

**Implication of Recommendation:** At the Core Budget level (CBL) requested, BWC can cover expenses associated with the closing of the BWC Rehabilitation Center. Due to the availability of rehabilitation services from various other sources, the Center was not able to receive the business necessary to generate appropriate revenues to cover the Center’s expenses. The property will remain an asset of the State Insurance Fund. BWC will attempt to increase lessees in order to make the Center an earning asset.

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**SPECIAL PURPOSE FUNDS**

*Program Series 5*

**Purpose** The program series consists of three separate funds, all of which are devoted to providing cost-of-living adjustments or supplemental benefits to certain injured workers.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2000	FY 2001
825	855-605	Disabled Workers Relief Fund	\$668,280	\$693,764
822	855-606	Coal Workers' Fund	\$86,465	\$91,894
823	855-608	Marine Industry Fund	\$50,755	\$53,952
<b>Total funding: Special Purpose Funds</b>			<b>\$805,500</b>	<b>\$839,610</b>

Specific programs within the Special Purpose Funds program series that this analysis will focus on include:

- **Disabled Workers Relief Fund (DWRF)**
- **Coal Workers’ Fund**
- **Marine industry Fund**

**DISABLED WORKERS RELIEF FUND** *Program Description:* Authority for the Disabled Workers’ Relief Fund (DWRF) is provided under ORC 4123.412. The fund supplements benefits to injured workers receiving Permanent Total Disability (PTD) benefits who receive less than \$1,144.19 monthly in compensation.

*Funding Source:* An additional charge of \$0.10 per \$100 payroll and one tenth of one percent of employer premiums.

*Line Items:* Fund 825 855-605 Disabled Workers Relief Fund.

*Implication of Recommendation:* At the Core Budget level (CBL) recommended, the agency will have sufficient appropriation authority to maintain these benefits.

**COAL WORKERS PNEUMO-CONIOSIS FUND** *Program Description:* Authority for the fund is provided under ORC 4131.03. The fund provides benefits as directed by the Federal Coal Mine Health and Safety Act of 1969.

*Funding Source:* An additional premium charge attached to premiums owed by coal operators.

*Line Items:* Fund 822 855-606 Coal Workers Fund.

*Implication of Recommendation:* The executive budget recommends funding at the Core Budget level (CBL) of \$85,640 in FY2002 and \$91,018 in FY2003 plus supplemental funding of \$825 in FY2002 and \$876 in FY2003. At this funding level, the agency will have sufficient appropriation authority to maintain these benefits. The supplemental funds will allow the Bureau to compensate long-term employees assigned to the Coal Workers Fund.

**MARINE INDUSTRY FUND** *Program Description:* Authority for the fund is provided under ORC 4131.13. The fund provides benefits as prescribed by the Federal Longshoremen’s and Harbor Workers’ Act, as amended in 1972.

**Funding Source:** An additional premium charge attached to premiums owed by marine industry employers.

**Line Items:** Fund 823 855-608 Marine Industry.

**Implication of Recommendation:** At the Core Budget level (CBL) recommended, the agency will have sufficient appropriation authority to maintain these benefits as required by federal law.

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**ADMINISTRATIVE SUPPORT**

*Program Series 6*

Purpose The program series includes funding for the Customer Service, Human Resources, Management Information Systems, Finance, Law, and Policy and Reporting divisions.

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2000	FY 2001
023	855-409	Administrative Services	\$117,121,527	\$119,884,053
023	855-410	Attorney General Payments	\$4,078,273	\$4,314,644
023	855-401	William Green Lease Payments to OBA	\$17,570,700	\$18,174,700
<b>Total funding: Administrative Support</b>			<b>\$138,770,500</b>	<b>\$142,373,397</b>

**ADMINISTRATIVE SERVICES** *Program Description:* Fund 023 855-409 Administrative Services is an account created by H.B. 363 of the 122<sup>nd</sup> General Assembly, as is Fund 023 855-410 Attorney General Payments. Authority for Fund 023 855-401 William Green Lease Payments is contained in ORC 4123.443, permanent law established by H.B. 743 of the 118<sup>th</sup> General Assembly.

*Funding Source:* All three funds are supported through Administrative Cost Fund (ACF) assessments in addition to premiums paid by employers.

*Line Items:* Fund 023 855-409 Administrative Services; 855-410 Attorney General Payments; and 855-401 William Green Lease Payments.

*Implication of Recommendation:* At the Core Budget level (CBL) recommended, the agency can pay its share of expenses related to the operation of the Attorney General's Workers' Compensation Section and make lease payment to OBA for the Bureau's headquarters in Columbus.

Supplemental funds in the amount of \$5,417,441 in FY2002 and \$3,661,839 in FY2003 will support BWC's continued implementation of the Dolphin project. The Dolphin initiative is BWC's effort to provide better service to its clients through the Internet. Currently, the Dolphin initiative's four initial releases aimed at consumers will be completed by April 2001. These supplemental funds will allow BWC to focus on providing services through better technology to businesses. It will target third party administrators, legal representatives, medical providers and managed care organizations. A goal of the Dolphin initiative is to allow collaboration between these various organizations and the Bureau.