

# **LSC Greenbook**

**Analysis of the Enacted Budget**

**Bureau of Workers' Compensation**

**and**

**Workers' Compensation Council**

**(H.B. 15 of the 128th General Assembly)**

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## **ATTACHMENT:**

Budget Spreadsheet By Line Item

# Bureau of Workers' Compensation

- Appropriations of \$328.8 million in FY 2010 and \$328.6 million in FY 2011
- Implementation of comprehensive review results in FY 2010-FY 2011

## Agency Overview

The Ohio Bureau of Workers' Compensation (BWC) administers the largest exclusive workers' compensation system in the United States. An exclusive system is one in which the state, not private insurers, provides workers' compensation insurance to all public and private employers except those who qualify for self-insurance. Such companies are deemed by BWC to have sufficient financial and administrative resources to cover all of their workers' compensation claims independent of BWC insurance and are authorized to do so with BWC oversight. Ohio's workers' compensation system is comprised of two agencies: BWC as the insurance provider and the Ohio Industrial Commission (OIC), which adjudicates disputed claims. Employers pay premiums to BWC to cover the cost of compensating and administering claims. BWC covers approximately two-thirds of Ohio's workforce (private, state, and local government employees); the rest are covered by self-insured employers.

At the beginning of FY 2009, BWC had assets of \$22.5 billion and claims liabilities of \$20.3 billion. FY 2008 revenue, including both premium and asset income, was approximately \$2.4 billion. According to the Department of Administrative Services' monthly employee report, as of June 16, 2009, BWC had a head count of 2,352 employees.

## Appropriation Overview

**Table 1. Appropriations by Fund Group, FY 2010-FY 2011**

| Fund Group              | FY 2009              | FY 2010              | % change, FY 2009-FY 2010 | FY 2011              | % change, FY 2010-FY 2011 |
|-------------------------|----------------------|----------------------|---------------------------|----------------------|---------------------------|
| Federal Special Revenue | \$1,338,307          | \$1,604,140          | 15.6%                     | \$1,604,140          | 0%                        |
| Workers' Compensation   | \$284,338,419        | \$327,217,625        | 15.1%                     | \$326,998,625        | (0.1%)                    |
| <b>TOTAL</b>            | <b>\$285,726,726</b> | <b>\$328,821,765</b> | <b>15.1%</b>              | <b>\$328,602,765</b> | <b>(0.07%)</b>            |

Total H.B. 15 appropriations for BWC are \$328.8 million in FY 2010, a 15.1% increase over FY 2009 expenditures of \$285.7 million. Appropriations for FY 2011 are \$328.6 million, a 0.1% decrease from the FY 2010 amount. Almost all of BWC appropriations are made from the Workers' Compensation Fund (Fund 7023) and are used to cover BWC's costs for administering the state's workers' compensation system.

The fund consists of revenues derived from assessments paid by employers. Those that use more BWC resources pay higher rates and vice versa. Total anticipated receipts from this source are approximately \$289 million for each year of the FY 2010-FY 2011 biennium. Uncodified language in H.B. 15 requires that any unencumbered cash balance in excess of \$45 million in Fund 7023 as of June 30 of each fiscal year be used to reduce the administrative assessments charged to employers for BWC programs. A small amount of BWC appropriations are related to either workplace safety initiatives or special compensation benefits required by federal law. Insurance premiums paid by state fund employers are deposited into, and compensation awarded to injured workers for lost time and medical claims are paid out of, the State Insurance Fund (SIF). Because it is a custodial fund, the SIF is not subject to legislative appropriation.

H.B. 15 also contains appropriations for the recently created Workers' Compensation Council. This legislative agency is responsible for reviewing the soundness of Ohio's workers' compensation system and monitoring legislation affecting workers' compensation policy. H.B. 15 provisions concerning the Council are described in a separate section within this Greenbook.

## **Issues of Interest**

### **Comprehensive Study**

One of the studies mandated by H.B. 100, the budget act for BWC and OIC for the FY 2008-FY 2009 biennium, was an independent review of BWC's base rates and all rating programs. The study also covered BWC's use of dividends, standards of subrogation, its system of injury claims management through BWC-certified Managed Care Organizations, use of reinsurance, adequacy of net assets, and self-insurance processes. This study was completed in December of 2008 at a cost of approximately \$2.1 million.

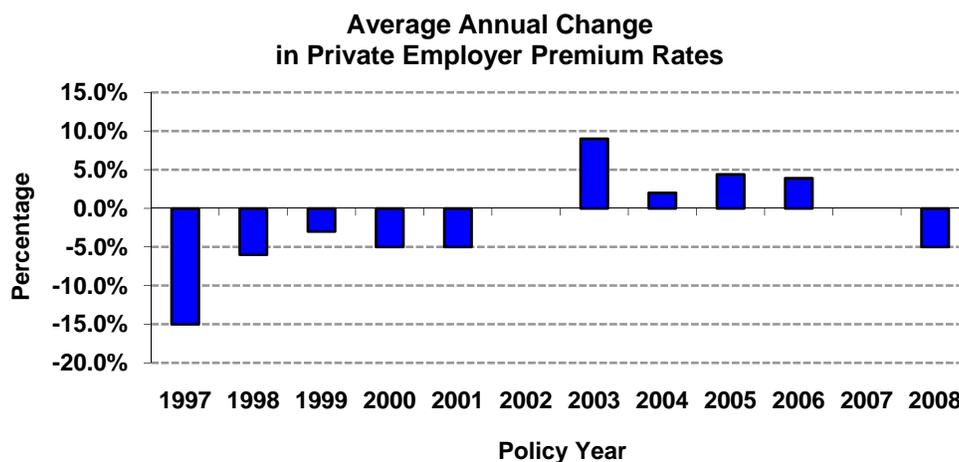
One particular aspect of BWC's system that is being considered for overhaul as a result of the study is the way that BWC sets premium rates for employers. There are several options regarding new rate-setting processes, one of which is to offer employers performance-based safety incentives in the form of dividends or discounts. Another possibility is implementing a smaller cap on rate changes (the cap is currently 30%) to lessen the financial impact on employers when an injury occurs.

### **Premium Rates and Revenues**

The Bureau is currently in a trend of reducing premium rates for employers to match falling amounts paid out in claims. As a result, BWC has approved a series of rate changes for both public and private employers: an average 5.0% decrease for local government employers, an average 3.75% decrease in rates for state agencies, an

average 9.6% increase for private group employers, and an average 25.3% decrease for private nongroup employers.

Additionally, during policy year (PY) 2008, employers' premium rates were an average of 5% lower than the previous year's rates. As the chart below shows, this was the first average rate reduction for all private employers since PY 2001. As with the state fiscal year, the policy year runs from July 1 to June 30. However, the naming convention differs. For example, the period of July 1, 2008 through June 30, 2009 is FY 2009 and PY 2008.



BWC collected approximately \$2.5 billion in premiums and paid a little more than \$2.0 billion in compensation benefits in FY 2008. Of benefits paid, \$1.22 billion (53.9%) was for indemnity, or lost time, benefits and \$839 million (40.7%) was for medical benefits. From FY 2006 to FY 2008, premium collections exceeded benefits paid by a total of \$1.27 billion. Citing recent claim trends, BWC anticipates that the number of claims will decrease in the FY 2010-FY 2011 biennium, correspondingly reducing premiums collected and benefits paid.

## Vetoed Provisions

### Workplace Safety and Drug-Free Workplace Premium Discount Programs

During FY 2009, the Bureau ceased allowing employers to combine premium discount programs if they were participating in a group rating discount program. H.B. 15 included requirements that the Bureau offer the Drug-Free Workplace and the Workplace Safety Program to employers with an associated discount of not less than 2%, regardless of whether or not they already participated in a group rating program. These requirements were vetoed on the grounds that they would result in an incongruity between premiums collected from, and liabilities attributable to, group employers.

### **Merger Notifications**

H.B. 15 included a requirement that the Bureau – if it received a notice from one or more employers involved in a group rating plan of a pending merger of operations between those employers – provide a written notice of the merger to the organization that sponsors the group and the third-party administrator that administers the group plan in which an employer who is involved in the pending merger participates. This provision was vetoed.

### **Notification of Discount Programs**

H.B. 15 included a requirement that the Bureau supply an employer, at the time the employer institutes coverage and first selects a Managed Care Organization under the Health Partnership Program, with a list of all groups participating in the group rating program and a list of all premium discount programs offered by the Administrator. This provision was also vetoed.

### **Adoption of Rules Affecting Premium Rates**

The final veto related to a provision requiring that BWC, when adopting new rules that would affect premium rates linked to discount programs, provide an estimated discount for programs or alternative premium plans no later than the first day of September prior to the policy year in which the new premium rate is to be in effect. The provision also included a requirement that the Bureau set the actual discount for programs or alternative premium plans no later than the first day of January of the year in which the discount was to be in effect, except for the policy year starting July 1, 2010, in which case the rule that sets the estimate was not to be adopted.

## ANALYSIS OF ENACTED BUDGET

### Introduction

This section provides an analysis of the enacted appropriations for each appropriation item in BWC's enacted budget. In this analysis, BWC's line items are grouped into five major categories. For each category a table is provided listing the appropriation in each fiscal year of the biennium. Following the table, a narrative provides a description of the use of each appropriation. The five categories used in this analysis are as follows:

1. Claims, Risk, and Medical Management;
2. Administration;
3. Safety Program;
4. Special Benefits; and
5. Lease and Debt Service Payments.

To aid the reader in finding each item in the analysis, the following table shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order the line items appear in the budget bill.

The appropriation for the Workers' Compensation Council is described in a separate section in the back of this analysis.

| <b>Categorization of BWC's Appropriation Line Items for Analysis of H.B. 15</b> |                     |                                      |   |
|---|---------------------|--------------------------------------|---|
| <b>Fund</b>   | <b>ALI and Name</b> |                                      | <b>Category</b>                         |
| <b>Workers' Compensation Fund Group</b>   |                     |                                      |   |
| 7023  | 855401              | William Green Lease Payments to OBA  | 5: Lease and Debt Service Payments      |
| 7023  | 855407              | Claims, Risk, and Medical Management | 1: Claims, Risk, and Medical Management |
| 7023  | 855408              | Fraud Prevention                     | 1: Claims, Risk, and Medical Management |
| 7023  | 855409              | Administrative Services              | 2: Administration                       |
| 7023  | 855410              | Attorney General Payments            | 2: Administration                       |
| 8220  | 855606              | Coal Workers' Fund                   | 4: Special Benefits                     |
| 8230  | 855608              | Marine Industry                      | 4: Special Benefits                     |
| 8250  | 855605              | Disabled Workers' Relief Fund        | 4: Special Benefits                     |
| 8260  | 855609              | Safety and Hygiene Operating         | 3: Safety Programs                      |
| 8260  | 855610              | Gear Program                         | 3: Safety Programs                      |
| 8290  | 855604              | Long Term Care Loan Program          | 3: Safety Programs                      |
| <b>Federal Special Revenue Fund Group</b>                                       |                     |                                      |   |
| 3490  | 855601              | OSHA Enforcement                     | 3: Safety Programs                      |

## Category 1: Claims, Risk, and Medical Management

Appropriation items in this category ensure that claims are handled as required in the Revised Code. These items also fund oversight and communications with Managed Care Organizations, or groups of medical practitioners that meet injured workers' medical needs.

| Appropriations for Claims, Risk, and Medical Management    |              |                                      |                      |                      |
|--|--------------|--------------------------------------|----------------------|----------------------|
| Fund   | ALI and Name |                                      | FY 2010              | FY 2011              |
| <b>Workers' Compensation Fund Group</b>                    |              |                                      |                      |                      |
| 7023   | 855407       | Claims, Risk, and Medical Management | \$138,129,873        | \$142,659,528        |
| 7023   | 855408       | Fraud Prevention                     | \$12,546,239         | \$13,101,761         |
| <b>Total Funding: Claims, Risk, and Medical Management</b> |              |                                      | <b>\$150,676,112</b> | <b>\$155,761,289</b> |

### Claims, Risk, and Medical Management (855407)

H.B. 15 appropriations for this line item are \$138.1 million for FY 2010, a 6.3% increase from FY 2009 expenditures of \$130.0 million, and \$142.7 million for FY 2011, a 3.3% increase over the FY 2010 amount. This line item funds personnel, maintenance, and equipment costs for the programs listed below.

#### Field Operations

A substantial portion of this appropriation is for field operations handled by the 17 service offices around the state and a Customer Focus Center in Bridgeport. These offices handle injury and lost-time claims from the first report of injury to the resolution of the claim. In the FY 2010-FY 2011 biennium, Field Operations is making plans to centralize and consolidate several of its functions, including the receipt and distribution of faxes, the processing of permanent total disability and death claims, the testing of system enhancements, and a statewide pooling of nursing staff.

#### Injury Management Services

A portion of the appropriation is also slated for Injury Management Services. Funding in this area is for the oversight of the Bureau's medical, pharmaceutical, and vocational rehabilitation providers, as well as the managed care organizations (MCOs) certified to manage injury claims. This includes oversight of contracts and the training of certain service providers.

#### Employers' Services and Self-Insured Services

The appropriation is also used for risk management services provided to employers and for overseeing employers who qualify for self-insurance. BWC encourages employers to lower their compensation costs by having workers participate in accident/illness prevention and various risk management programs. The Bureau also

develops the courses, subsidizes the cost of providing the courses, and provides technical support for employers. This program also oversees the development and oversight of alternative rating programs, including the group rating program, which has undergone considerable review recently.

Approximately one-third of Ohio's workforce is employed by a self-insured employer. BWC audits all self-insured employers to ensure that they are in compliance with Ohio compensation laws and BWC rules and investigates all complaints made against self-insured employers. BWC also takes over responsibility for managing defaulted claims of bankrupt self-insuring employers. In the FY 2010-FY 2011 biennium, the Self-Insured Department intends to implement a new funding mechanism for the Self-Insured Employers Guaranty Fund from which defaulted self-insured claims are paid. Currently, self-insured employers pay an administrative assessment to BWC to defray the cost of providing oversight. A portion of this assessment is deposited in the Guaranty Fund. Approximately \$28.0 million was deposited in the Guaranty Fund in FY 2008. The amount paid out was \$21.2 million. Fines levied against self-insured employers when they are in violation of a rule or a law are also deposited into the Guaranty Fund. BWC collected \$415,000 in fines from this source during FY 2008. Similar to the State Insurance Fund, the Guaranty Fund is a custodial fund and requires no appropriation for amounts to be disbursed.

#### **Customer Contact Center**

Of the remaining amount of the appropriation, a portion is devoted to customer service and the Customer Contact Center. The Center provides information regarding BWC's processes, law, policies, and procedures, and directs customers to the corresponding forms. It also assists new employers in obtaining BWC coverage and helps employers that already have coverage with policy account information regarding invoices, payroll data, etc. The 87 employees in this area handle an average of 56,000 queries per month.

#### **Other Items**

In addition to the activities described above, the appropriation includes support for two other functions. First, it funds BWC's Safety Violations Program, which prepares reports concerning alleged safety violations that the Industrial Commission uses to determine Violations of Specific Safety Requirement (VSSRs) and actions required to correct any violations. Second, the appropriation also funds the BWC Ombudsperson's Office, which answers inquiries and investigates complaints made by employers, injured workers, and medical providers as they relate to processing workers' compensation claims.

**Fraud Prevention (855408)**

H.B. 15 appropriations for this line item are \$12.5 million for FY 2010, a 13.8% increase over FY 2009 actual expenditures of \$11.0 million, and \$13.1 million for FY 2011, a 4.4% increase over FY 2010 levels. The entirety of this line item supports the Special Investigations Department, the mission of which is to detect, investigate, and deter fraud committed by employers, injured workers, or medical service providers. The Special Investigations staff works closely with local and state prosecutors, including the Ohio Attorney General. During FY 2008, 2,965 investigations were conducted. In the FY 2010-FY 2011 biennium, the Special Investigations Department will give significant focus to crimes committed using the Internet.

## Category 2: Administration

Appropriation items in this category fund administrative services that support the operations of BWC and the integrity of the State Insurance Fund and other funds that support injured workers. These appropriations chiefly cover six areas: finance, actuarial, investments, human resources, legal, and infrastructure and technology.

| Appropriations for Administration       |              |                           |                      |                      |
|---|--------------|---------------------------|----------------------|----------------------|
| Fund                                    | ALI and Name |                           | FY 2010              | FY 2011              |
| <b>Workers' Compensation Fund Group</b> |              |                           |                      |                      |
| 7023                                    | 855409       | Administrative Services   | \$124,674,772        | \$120,192,995        |
| 7023                                    | 855410       | Attorney General Payments | \$4,621,850          | \$4,621,850          |
| <b>Total Funding: Administration</b>    |              |                           | <b>\$129,296,622</b> | <b>\$124,814,845</b> |

### Administrative Services (855409)

H.B. 15 appropriations for this line item are \$124.7 million in FY 2010, a 29.9% increase from FY 2009 expenditures of \$96.0 million, and \$120.2 million in FY 2011, a 3.6% reduction from FY 2010 appropriations. As stated previously, the Bureau is currently in the process of determining how to best implement the results of the Deloitte Consulting study – a substantial portion of the FY 2009-FY 2010 appropriation increase will be used to carry out any policy or administrative changes once they are made final.

General administrative duties within the Bureau are broken down into five separate divisions: Fiscal and Planning, Actuarial, Investments, Human Resources, Legal, and Infrastructure and Technology. The Fiscal and Planning Division provides fiscal management, general accounting, payroll, and other fiscal functions for BWC. The Actuarial Division maintains the stability of the State Insurance Fund by setting premium rates and claims reserves. The Investments Division is responsible for investing the assets of the State Insurance Fund. The Human Resources Division provides leadership and guidance to BWC management and staff in areas of Equal Employment Opportunity, Employee/Labor Relations, Payroll/Benefits and Personnel, and Quality Services. The Legal Division provides legal advice to BWC on claims procedures and policy and represents the State Insurance Fund in administrative appeals. The Infrastructure and Technology Division is responsible for all computer equipment and software maintenance.

### Deputy Inspector General for BWC and OIC

This line item will also be used to fund the Deputy Inspector General of BWC and OIC that was created in H.B. 100, the BWC and OIC budget act for the FY 2008-FY 2009 biennium. Prior to H.B. 15, there was no formal method of reimbursing the

Inspector General for expenses related to the Bureau. H.B. 15 changes this by setting up a regular payment schedule between the two agencies in uncodified law.

H.B. 15 establishes the Deputy Inspector General for the BWC and OIC Fund (Fund 5FT0) and makes an initial transfer of \$212,500 to it from the Workers' Compensation Fund (Fund 7023); requires the Office of Budget and Management to make additional transfers of the same amount on January 1, 2010, July 1, 2010, and January 1, 2011. These amounts are reflected in the main operating budget which makes an appropriation of \$425,000 under the Inspector General in each fiscal year. Should additional amounts be necessary, H.B. 15 requires the Inspector General to seek Controlling Board approval for any needed increase in funding.

Investigations of fraud or mismanagement inside BWC were previously handled by the Internal Affairs Program. H.B. 100 effectively eliminated this program and replaced it with a program headed by the Deputy Inspector General for BWC and OIC, who is appointed by the Inspector General. Overall, the role of the Deputy Inspector General for BWC and OIC is to investigate allegations concerning improper conduct by BWC and OIC officers and employees, as well as allegations of fraud committed by participants in the workers' compensation system.

#### **Attorney General Payments (855410)**

H.B. 15 appropriations for this line item are \$4.6 million in both fiscal years, a 9.4% increase over FY 2009 expenditures. This line item funds half of the costs related to the legal services of the Attorney General's Workers' Compensation Unit; the remaining half of costs are paid by the Industrial Commission. The Attorney General provides investigative services in fraud cases and represents BWC in certain legal proceedings. In addition, H.B. 15 provides for up to \$828,200 in each fiscal year to be used to pay the expenses related to fraud investigations of the Workers' Compensation Fraud Unit of the Attorney General's Office.

### Category 3: Safety Programs

Appropriations in this category provide funding that allows BWC to ensure that employers meet applicable safety standards and laws. It also allows BWC to provide safety training to employers.

| Appropriations for Safety Programs                 |        |                              |                     |                     |
|--|--------|------------------------------|---------------------|---------------------|
| Fund   |        | ALI and Name                 | FY 2010             | FY 2011             |
| <b>Workers' Compensation Fund Group</b>            |        |                              |                     |                     |
| 8260   | 855609 | Safety and Hygiene Operating | \$20,734,750        | \$20,734,750        |
| 8260   | 855610 | Gear Program                 | \$4,000,000         | \$4,000,000         |
| 8290   | 855604 | Long Term Care Loan Program  | \$2,000,000         | \$2,000,000         |
| <b>Workers' Compensation Fund Group Subtotal</b>   |        |                              | <b>\$26,734,750</b> | <b>\$26,734,750</b> |
| <b>Federal Special Revenue</b>                     |        |                              |                     |                     |
| 3490   | 855601 | OSHA Enforcement             | \$1,604,140         | \$1,604,140         |
| <b>Federal Special Revenue Fund Group Subtotal</b> |        |                              | <b>\$1,604,140</b>  | <b>\$1,604,140</b>  |
| <b>Total Funding: Safety Programs</b>              |        |                              | <b>\$28,338,890</b> | <b>\$28,338,890</b> |

#### Safety and Hygiene Operating and OSHA Enforcement (855609 and 855601)

H.B. 15 funding for appropriation item 855609 is \$20.7 million for FY 2010 and FY 2011, a 13.8% increase over FY 2009 expenditures of \$18.2 million. Funding for appropriation item 855601 is \$1.6 million in both FY 2010 and FY 2011, a 15.6% increase over FY 2009 expenditures of \$1.4 million. Both line items fund the operations of the Division of Safety and Hygiene. The Division is responsible for creating safe work environments through the investigation and prevention of industrial accidents and disease. The Division's primary activities include:

- Making targeted visits to employers with high frequency of accidents to educate them in risk and safety management;
- Providing safety and health consultative services to Ohio's public employers;
- Administering the Safety Grants Program which assists employers with the cost of implementing programs designed to reduce cumulative stress disorder and other injuries;
- Supporting local safety councils, which offer educational resources for safety and health in the workplace.

During the FY 2008-FY 2009 biennium, Safety and Hygiene instructors provided classroom instruction, seven on-line courses, and on-site training. Specialized instruction and training was provided to construction companies, nursing homes, public employers, and temporary agencies, which have been shown to have higher than average incidents of injury. The amounts provided for FY 2010-FY 2011 will allow BWC

to maintain current service levels and target high-risk employers for specialized training and education.

The Division also operates OSHA's On-Site Consultation Program. The primary focus of this program is small, high-hazard, private-sector employers. The program operates under a Cooperative Agreement that is established yearly between the state of Ohio and the U.S. Department of Labor. Ninety percent of the program's operating costs are paid for through a grant made by the federal government. Uncodified law in the bill permits BWC to use a portion of line item 855609, Safety Hygiene Operating, to be used as the state match for the program.

#### **Gear Program (855610)**

H.B. 15 appropriations for this line item are \$4.0 million in both FY 2010 and FY 2011, a 3.5% increase over FY 2009 expenditures of \$3.9 million. The appropriation item funds the Safety Grants Program, available to any State Insurance Fund or public employer who wishes to purchase equipment to substantially reduce or eliminate injuries and illnesses associated with a particular task or operation. Within this program, private and public employers can also apply for a four-to-one matching grant, up to a maximum BWC contribution of \$40,000, to acquire equipment that will reduce the occurrence of workplace injury or illness.

#### **Long Term Care Loan Program (855604)**

H.B. 15 appropriations for this line item are \$2.0 million in both FY 2010 and FY 2011. This appropriation item supports BWC's Long Term Care Loan Program, which reimburses long-term care facilities (such as nursing homes or hospitals) for interest paid on loans used to purchase no-manual lift devices. Manually lifting patients is a common source of injury claims, and so these devices could potentially reduce lift-related injuries at facilities. Under the program, BWC will reimburse interest on loans of up to \$100,000. The reimbursable interest rate on loans is capped at prime plus 2.5%. The program began in FY 2007. Three long-term care facilities participated in the program during FY 2009. As of January 2009, total loans taken out under the program since inception were \$228,475. BWC is taking steps to increase awareness of the program amongst long-term care facilities and anticipates greater participation in the program during the FY 2010-FY 2011 biennium.

## Category 4: Special Benefits

Appropriations in this category are used to provide additional benefits to employers with additional workers' compensation coverage required by federal law.

| Appropriations for Special Benefits     |              |                              |                  |                  |
|---|--------------|------------------------------|------------------|------------------|
| Fund                                    | ALI and Name |                              | FY 2010          | FY 2011          |
| <b>Workers' Compensation Fund Group</b> |              |                              |                  |                  |
| 8220                                    | 855606       | Coal Workers' Fund           | \$91,894         | \$91,894         |
| 8230                                    | 855608       | Marine Industry              | \$53,952         | \$53,952         |
| 8250                                    | 855605       | Disabled Workers Relief Fund | \$492,500        | \$492,500        |
| <b>Total Funding: Special Benefits</b>  |              |                              | <b>\$638,346</b> | <b>\$638,346</b> |

### Coal Workers' Fund (855606)

H.B. 15 appropriations for this line item are \$91,894 for both FY 2010 and FY 2011, a 7.8% increase over FY 2009 expenditures of \$85,232. This line item is used to pay operating costs associated with the Coal Workers' Pneumoconiosis Fund (Fund 8220), which provides benefits for workers who are disabled due to pneumoconiosis or "black lung" disease, as dictated by the Federal Coal Mine Health and Safety Act of 1969. The fund is maintained through a premium charge, in addition to regular State Insurance Fund premiums, that is paid by coal operators who elect to insure payment of benefits required by that Act. Total revenues to the fund for FY 2009 were \$85,181; disbursements from the fund were \$85,232. Anticipated revenues for FY 2010 and FY 2011 are \$91,500 in each year.

### Marine Industry (855608)

H.B. 15 appropriations for this line item are \$53,952 for each fiscal year, a 17.5% increase over FY 2009 expenditures of \$45,913. This line item is used to pay operating costs associated with the Marine Industry Fund (Fund 8230), which provides benefits to injured dock workers and other maritime employees that are not seamen, as required by the Longshoreman's and Harbor Workers' Compensation Act Amendments of 1972. The fund is maintained through a premium charge, in addition to regular State Insurance Fund premiums, that is paid by marine industry employers who elect to insure payment of benefits required by this Act. Total revenues to the fund for FY 2009 were \$50,223; disbursements from the fund were \$45,913. Anticipated revenues for FY 2010 and FY 2011 are \$53,900 in each year.

### Disabled Workers Relief Fund (855605)

H.B. 15 appropriations for this line item are \$492,500 for both FY 2010 and FY 2011, a 48.7% increase over FY 2009 expenditures of \$331,211. This line item pays operating costs associated with the Disabled Workers Relief Fund (DWRF), which

provides supplemental cost-of-living benefits to approximately 30,000 permanently and totally disabled persons receiving benefits from the State Insurance Fund or the Public Work-Relief Employee's Fund. The fund is maintained by an additional premium charge of \$0.10 per \$100 of payroll and 0.1% of State Insurance Fund employer premiums. Total revenues to the fund for FY 2009 were \$351,471; disbursements from the fund were \$331,211. Anticipated revenues for FY 2010 and FY 2011 are \$493,000 in each year.

### Category 5: Lease and Debt Service Payments

The appropriation below is used to make debt service and lease payments to the Ohio Building Authority for the William Green Building.

| Appropriations for Lease and Debt Service Payments |              |                                     |              |              |
|--|--------------|-------------------------------------|--------------|--------------|
| Fund   | ALI and Name |                                     | FY 2010      | FY 2011      |
| <b>Workers' Compensation Fund Group</b>            |              |                                     |              |              |
| 7023   | 855401       | William Green Lease Payments to OBA | \$19,871,795 | \$19,049,395 |

#### William Green Lease Payments to OBA (855401)

H.B. 15 appropriations for this line item are \$19.9 million in FY 2010, a 3.4% reduction from FY 2009 expenditures of \$20.6 million, and \$19.0 million in FY 2011, a 4.1% reduction compared to the FY 2010 appropriation. This appropriation item is used to make debt service payments on bonds issued to purchase the William Green Building and make lease payments to the Ohio Building Authority.

# Workers' Compensation Council

- Legislative agency whose mission is to review soundness of workers' compensation system
- Appropriation of \$471,200 in each fiscal year

## Agency Overview

H.B. 100 of the 127th General Assembly, the FY 2008-FY 2009 budget act for the Bureau of Workers' Compensation and the Industrial Commission, created the Ohio Workers' Compensation Council (WCC). The mission of the Council is to review the soundness of the workers' compensation system and legislation involving or affecting the workers' compensation system. However, the Council is not involved in the daily operations and oversight of the Bureau of Workers' Compensation or the Industrial Commission.

The WCC is an agency in the legislative branch of state government overseen by a panel of 13 members: three appointed by the President of the Senate; three appointed by the Speaker of the House; five members representing different constituencies in the workers' compensation system; and, as *ex officio* appointees, the Chair of the Industrial Commission, and the Administrator of Workers' Compensation. All employees of the Council are in the unclassified civil service. Although the Director has been appointed and an executive assistant hired, the Council intends to fill openings for a staff attorney and a research associate.

| Appropriations for the Workers' Compensation Council |              |                       |           |           |
|--|--------------|-----------------------|-----------|-----------|
| Fund   | ALI and Name |                       | FY 2010   | FY 2011   |
| <b>Workers' Compensation Fund Group</b>              |              |                       |           |           |
| 5FV0   | 321600       | Remuneration Expenses | \$471,200 | \$471,200 |

## Remuneration Expenses (321600)

H.B. 15 appropriations for this line item are \$471,200 in each fiscal year. FY 2009 expenditures from this line item were roughly \$130,000. This appropriation was newly created in December of 2008 by H.B. 79 of the 127th General Assembly and is used to pay all expenses related to the WCC's staff. As mentioned above, the Council currently employs an executive director and an executive assistant. However, the Council

anticipates hiring an attorney and a fiscal research associate as soon as possible to fulfill its research and oversight responsibilities.

### **Actuarial Evaluation**

H.B. 100, the previous BWC-OIC budget act, required the Workers' Compensation Council to contract with an independent actuary to perform an evaluation of the assets, liabilities, and funding requirements of the funds specified in the Workers' Compensation Law. H.B. 15 changes this provision to allow, rather than require, the WCC to contract with an actuary for such an evaluation. Furthermore, the bill provides that the requirement can be met by reviewing an existing actuarial evaluation. This allows the Council to review the comprehensive study conducted by Deloitte Consulting that was completed in December of 2008. The Council has not yet determined whether or not it will conduct its own separate study. If the Council decides to undertake such a study, that cost would be paid not from this appropriation, but from a custodial fund that is used to pay those of the Council's expenses that are not directly related to personnel, such as rent, office equipment, etc.

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**FY 2010 - 2011 Final Appropriation Amounts**

**All Fund Groups**

| <i>Line Item Detail by Agency</i>                   |        |                                     | <i>FY 2008</i>          | <i>FY 2009</i>        | <i>FY 2010<br/>Appropriations</i> | <i>% Change<br/>FY09 - FY10</i> | <i>FY 2011<br/>Appropriations</i> | <i>% Change<br/>FY10 - FY11</i> |
|---|--------|-------------------------------------|-------------------------|-----------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| <b>Report For: BWC Budget</b>                       |        |                                     | <b>Version: Enacted</b> |                       |                                   |                                 |                                   |                                 |
| <b><i>BWC Bureau of Workers' Compensation</i></b>   |        |                                     |                         |                       |                                   |                                 |                                   |                                 |
| 3490  | 855601 | OSHA Enforcement                    | \$ 1,343,249            | \$ 1,388,307          | \$ 1,604,140                      | 15.55%                          | \$ 1,604,140                      | 0.00%                           |
| <b>Federal Special Revenue Fund Group Total</b>     |        |                                     | <b>\$ 1,343,249</b>     | <b>\$ 1,388,307</b>   | <b>\$ 1,604,140</b>               | <b>15.55%</b>                   | <b>\$ 1,604,140</b>               | <b>0.00%</b>                    |
| 7023  | 855401 | William Green Lease Payments to OBA | \$ 20,237,720           | \$ 20,571,723         | \$ 19,871,795                     | -3.40%                          | \$ 19,049,395                     | -4.14%                          |
| 7023  | 855407 | Claims, Risk and Medical Management | \$ 124,950,724          | \$ 129,972,257        | \$ 138,129,873                    | 6.28%                           | \$ 142,659,528                    | 3.28%                           |
| 7023  | 855408 | Fraud Prevention                    | \$ 11,133,024           | \$ 11,025,170         | \$ 12,546,239                     | 13.80%                          | \$ 13,101,761                     | 4.43%                           |
| 7023  | 855409 | Administrative Services             | \$ 115,756,351          | \$ 95,977,840         | \$ 124,674,772                    | 29.90%                          | \$ 120,192,995                    | -3.59%                          |
| 7023  | 855410 | Attorney General Payments           | \$ 4,099,303            | \$ 4,224,601          | \$ 4,621,850                      | 9.40%                           | \$ 4,621,850                      | 0.00%                           |
| 8220  | 855606 | Coal Workers' Fund                  | \$ 80,912               | \$ 85,232             | \$ 91,894                         | 7.82%                           | \$ 91,894                         | 0.00%                           |
| 8230  | 855608 | Marine Industry                     | \$ 45,101               | \$ 45,913             | \$ 53,952                         | 17.51%                          | \$ 53,952                         | 0.00%                           |
| 8250  | 855605 | Disabled Workers Relief Fund        | \$ 432,432              | \$ 331,211            | \$ 492,500                        | 48.70%                          | \$ 492,500                        | 0.00%                           |
| 8260  | 855609 | Safety and Hygiene Operating        | \$ 19,696,991           | \$ 18,228,554         | \$ 20,734,750                     | 13.75%                          | \$ 20,734,750                     | 0.00%                           |
| 8260  | 855610 | Gear Program                        | \$ 3,707,753            | \$ 3,866,297          | \$ 4,000,000                      | 3.46%                           | \$ 4,000,000                      | 0.00%                           |
| 8290  | 855604 | Long Term Care Loan Program         | \$ 1,725                | \$ 9,620              | \$ 2,000,000                      | 20,690.30%                      | \$ 2,000,000                      | 0.00%                           |
| <b>Workers' Compensation Fund Group Total</b>       |        |                                     | <b>\$ 300,142,037</b>   | <b>\$ 284,338,419</b> | <b>\$ 327,217,625</b>             | <b>15.08%</b>                   | <b>\$ 326,998,625</b>             | <b>-0.07%</b>                   |
| <b><i>Bureau of Workers' Compensation Total</i></b> |        |                                     | <b>\$ 301,485,286</b>   | <b>\$ 285,726,726</b> | <b>\$ 328,821,765</b>             | <b>15.08%</b>                   | <b>\$ 328,602,765</b>             | <b>-0.07%</b>                   |