

# **Bureau of Workers' Compensation**

**Senate Insurance, Commerce, and Labor Committee**

*Brian D. Hoffmeister, Budget Analyst  
Legislative Service Commission*

*May 2, 2007*

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# LSC Redbook

## for the

### Bureau of Workers' Compensation

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**ATTACHMENTS:**

- Catalog of Budget Line Items
- LSC Budget Spreadsheet By Line Item: Executive to House Passed
- Comparison Document: Permanent and Temporary Law

*May 2, 2007*

# Bureau of Workers' Compensation

- Creation of new BWC Board of Directors in place of the Workers' Compensation Oversight Commission
- Long Term Care Loan Fund Program
- Continuation of PERRP and OSHA On-Site Consultations

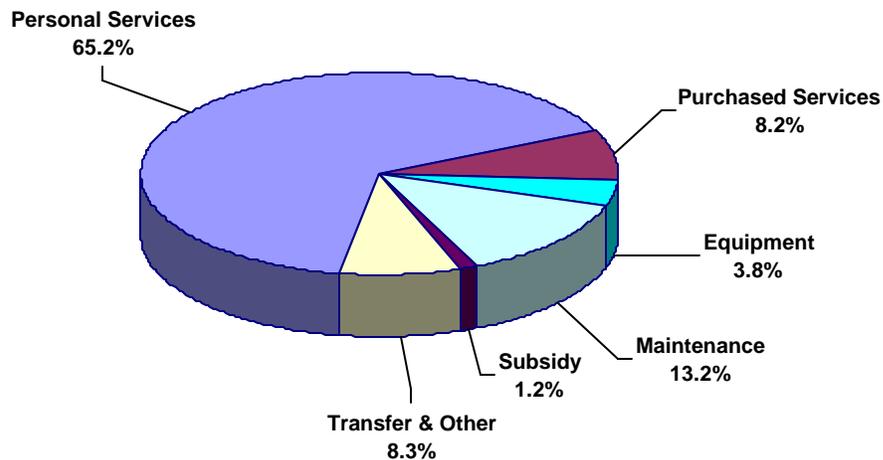
## OVERVIEW

The Ohio Bureau of Workers' Compensation (BWC) administers the largest exclusive workers' compensation system in the United States with assets of over \$18 billion as of the end of calendar year 2006. An exclusive system is one in which only the state, not private insurers, provides workers' compensation coverage to business and industry. Ohio's workers' compensation system comprises two agencies: BWC as the insurance provider, and the Ohio Industrial Commission (OIC), which adjudicates disputed claims. BWC provides coverage to about two-thirds of Ohio's workforce (private, state, and local government employees). Other workers may be insured by employers that are large and financially secure enough to qualify to self-insure.

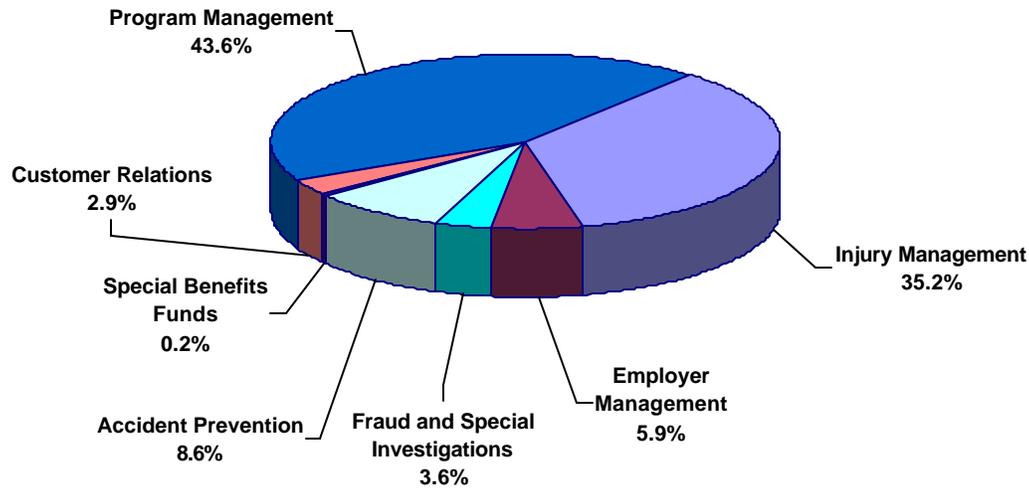
The Governor appoints the BWC administrator, who in turn is assisted by the nine-member Workers' Compensation Oversight Commission comprising representatives from business and labor, as well as legislators. Currently, the BWC's staffing level is approximately 2,628 full-time equivalents (FTEs). The agency is organized into 7 program series across 12 functional divisions. BWC has 17 field service offices and one customer focus center in various locations statewide, and additional regional offices that provide safety education and accident prevention services to Ohio employers.

The executive funding recommendation for the biennium is \$328,956,361 in FY 2008 and \$329,210,479 in FY 2009. The charts below show how the proposed funding is to be allocated by object of expense, then by program series.

**Total Budget by Object of Expense**



### Total Budget by Program Series

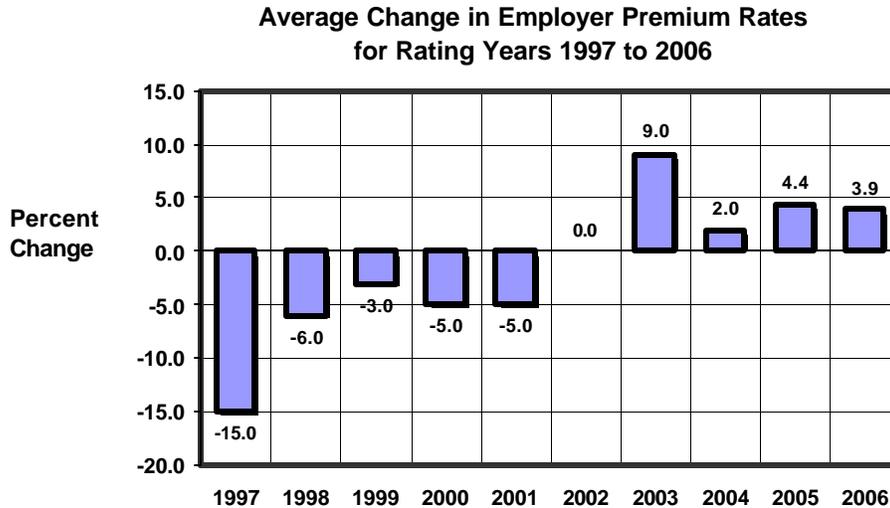


### State Insurance Fund and Administrative Cost Fund

Current annual premium and assessment income from private and public employers throughout the state is approximately \$2.1 billion. Premium payments cover the cost of workers' compensation insurance and are deposited in the State Insurance Fund. In addition, Administrative Cost Fund (ACF) assessments are charged to employers to support Bureau and Commission operations. Neither BWC nor OIC receive general revenue funds.

The unaudited balance of the State Insurance Fund as of December 31, 2006 totaled \$17.9 billion. This figure represents total assets of the fund, which include not only cash and cash equivalents, but also fixed maturities, moneys invested in domestic and international securities and other investments, capital assets, and other assets. BWC's surplus as of December 31, 2006 was \$1.8 billion. This figure represents the total premium collected above what the Bureau projects will be necessary to pay all of its existing claims (for the life of those claims).

In the past, BWC has returned surplus funds to private and public employers in the form of one-time dividends that amounted to as much as 75% of normal premium rates. From July 1996 to June 2003, BWC returned some \$9.3 billion in surplus funds to private and public employers in this fashion. In July 2003, citing a lackluster economy and soaring medical costs, BWC approved a 9% premium rate increase for policy year 2003 and did not grant employers a one-time dividend (requiring instead that employers pay 100% of their premiums). By January 2004, however, better-than-expected investment growth prompted BWC to grant employers another one-time dividend, this time reducing premium rates by 20%. The 20% dividend was granted again for the six-month periods beginning July 2004 and January 2005. BWC has not issued any dividends since the second half of FY 2005. An 8% dividend was recommended in June 2005 but was not approved by the Workers' Compensation Oversight Commission (WCOC), citing the need for further review of the State Insurance Fund before such a decision should be made. Premium rates have also experienced an average increase each year since 2003, rising 2% in 2004, 4.4% in 2005, and 3.9% in 2006. The WCOC held discussions about the possibility of issuing another dividend due to the health of the State Insurance Fund in late 2006, but did not make a recommendation.



## Summary of FYs 2008-2009 Budget Issues

### Improving Finance Performance, Customer Value, and Productivity

The Bureau of Workers' Compensation has spent much of the last year experiencing questions about its accountability and performance. In order to address these concerns, BWC has focused on improving its financial performance, customer service, and enhancing productivity. Four major goals for the 2008-2009 fiscal biennium are:

- Improving investment management;
- Increase revenue and collections;
- Reducing expenses; and
- Giving customers the right service at the right time.

As part of its efforts to this end, BWC established "Agenda 06," a strategic plan for calendar year 2006 that the agency used as a basis to begin acting on its priorities. Agenda 06 contained strategies for the areas of investments, finance, legal, medical, and safety that were designed to work cross-functionally toward meeting the four goals listed above. These strategies include:

- **Investments.** Investments are a priority area for BWC because of the damage caused to the agency's reputation by the coin-investment scandal. BWC's goals for modifying investment practices include establishing a more appropriate asset allocation for the portfolio that focuses more on fixed-income assets with stable returns and reduced investment expenses. Improved investment income is also expected to result directly in greater cash flow. At the end of 2006, BWC hired State Street Global Advisors to handle \$2.5 billion of its approximately \$4.4 billion passive long duration fixed income portfolio. In January 2007, BWC selected Barclays Global Advisors to manage the remaining \$1.5 billion. Also in 2006, the Investments Department was moved out of the Finance Division to become an independent Investments Division, reporting directly to the Administrator.

- **Finance.** By improving premium development practices and premium audit strategies and pursuing outstanding collectibles, BWC believes it can attain increases in revenue and enhance the equitability of the system for Ohio employers. In addition, in 2006 the Internal Audit, MCO Audit, and Quality Assurance departments combined to form one single Audit Division, reporting directly to the Administrator.
- **Legal.** BWC expects to realize reduced, more predictable expenses through a reduction in adverse legal action and an active pursuit of settlements rather than more costly trials. In addition, imposing harsher penalties for workers' compensation fraud has the goal of improving the likelihood of prosecution and making the State Insurance Fund more equitable.
- **Medical.** The medical goals of BWC include reducing health-care costs for injured workers through more competitive fee schedules and drug reimbursement schedules that provide comparable or better care. The areas of medical equipment and drug utilization are also areas of opportunity in which BWC is interested. BWC is also seeking to eliminate duplication of medical services and costs by streamlining its claims management program through contracted managed care organizations (MCOs).
- **Safety.** BWC is seeking to focus risk and safety interventions in the areas where they will have the most impact in order to prevent accidents and control workers' compensation costs. In the last BWC appropriations bill, the Public Employment Risk Reduction Program (PERRP) was shifted from the Department of Commerce to BWC. The program provides services to employers to identify actual and potential hazardous conditions and to review required written programs, then prepare a detailed report for the employer to assist in the development of specific programs and abatement methods.

### **BWC Board of Directors**

The executive proposal replaces the Workers' Compensation Oversight Commission with a new Board of Directors, to consist of 15 members, 11 appointed by the Governor with Senate approval and 4 legislative members. The bill also codifies standing audit, actuarial, and investment committees on the Board. Currently, members of the Oversight Commission are paid a salary of \$18,000 per year for carrying out their duties. Under the changes made by the bill, each member of the Board of Directors, with the exception of the four legislative members, would earn compensation of \$2,500 per month for each month in which they attend a meeting of the Board, for a salary not to exceed \$30,000 per year. The funding source for the Board of Directors does not change from that for the Oversight Commission. Funds are still paid out of line item 855-409, Administrative Services.

### **Long Term Care Loan Fund Program**

The FY 2006-2007 biennial BWC budget bill directed the Bureau of Workers' Compensation to operate a Long Term Care Loan Fund Program under section 4121.48 of the Revised Code. The purpose of the program is to make loans, without interest, to nursing homes to assist them in purchasing "no-lift" equipment that will allow employees of the nursing home to move patients without having to lift the patients manually. In FY 2007, at the request of the Administrator, the initial deposit was made to the Long Term Care Loan Fund via a transfer by the Director of Budget and Management from the Safety and Hygiene Fund. The FY 2008-2009 biennial BWC budget bill provides for this program through line item 855-604, Long Term Care Loan Program (Fund 829) and appropriates \$2,000,000 in each fiscal year for this purpose.

## **PERRP and OSHA On-Site Consultation Program**

Under the provisions of the FY 2006-2007 biennial BWC appropriations bill, the Public Employment Risk Reduction Program (PERRP) was transferred from the Department of Commerce to BWC. Public employers may voluntarily request to participate in the program, which provides free on-site safety inspections, safety training, and hazard recognition for all public employees except firefighters, peace officers, EMTs, paramedics, and corrections officers in county and municipal facilities.

In conjunction with PERRP, the federal Occupational Safety and Health Administration's (OSHA) on-site consultation program assists smaller, private employers in providing employees with safe and healthy work environments by conducting free safety and health consultations. Services are provided to those employers with fewer than 250 employees at fixed sites and no more than 500 employees corporate-wide. Employers can find out about potential hazards at their workplaces, improve their safety and health management systems, and may even qualify for an exemption from routine OSHA inspections. This program is currently funded through OSHA grant moneys deposited in Fund 349, OSHA Enforcement, and state match General Revenue Fund dollars.

According to BWC, implementation of both of these programs since their transfer from the Department of Commerce has taken some time, however through the collaboration of BWC, MCOs, and safety staff, the programs have been integrated into the workers' compensation system.

## **Auto Adjudication**

During the current biennium BWC's Medical Claims Service Office implemented and refined processes for the auto adjudication of claims, allowing claims to be determined with minimal human intervention. Currently, an average of 1,024 claims are auto adjudicated every week. An average of 688 claims per week require no human intervention for the initial claim determination, while an average of 336 claims per week are adjudicated with minimal human intervention. BWC indicates that auto adjudication frees up staff to focus on medical-only claims that warrant investigation. Auto adjudication currently determines 31% of the medical-only claims filed.

## Calendar Year (CY) 2006-2007 Actual Staffing Levels

Staffing Levels by Division		
Division	July 2, 2006	February 3, 2007
Audit	32	21
CEO/Administration	17	15
Finance	72	80
Human Resources	44	49
Infrastructure & Technology	310	310
Investments	6	8
Legal	218	225
Marketing	38	40
Medical Services	136	150
Total Operations	1,697	1,730
Operations	266	282
Employer Management Services	223	230
Field Operations (Central/SE Region)	372	377
Field Operations (N/NE Region)	458	466
Field Operations (W/SW Region)	378	375
<b>Totals</b>	<b>2,570</b>	<b>2,628</b>

Source: BWC

Note 1: As a result of reorganization, the Internal Audit Division was taken out from under the Chief of Staff and placed under a new Chief of Internal Audit, reporting directly to the Administrator.

Note 2: As a result of reorganization, Regions were created in Field Operations to cater to specific areas of the state.

Note 3: As a result of reorganization, Communications was placed under the Marketing Division.

## MASTER TABLE: EXECUTIVE'S RECOMMENDATIONS FOR FY 2008 AND FY 2009

The following table provides a comprehensive presentation of the Executive's recommendations for each of the agency's line items and the programs each line item supports. Please note that some line items may provide funding for multiple program series and/or programs. See the Analysis of Executive Proposal section for more information on specific program funding.

Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program				
Fund	ALI	Title	FY 2008	FY 2009
<b>Workers' Compensation Fund</b>				
<b>Fund 023</b>	<b>855-401</b>	<b>William Green Lease Payments</b>	<b>\$20,436,600</b>	<b>\$20,686,500</b>
		<u>Program Series 7: Program Management</u>	\$20,436,600	\$20,686,500
		Program: Program Management	\$20,436,600	\$20,686,500
<b>Fund 023</b>	<b>855-407</b>	<b>Claims, Risk, and Medical Management</b>	<b>\$140,367,719</b>	<b>\$140,367,719</b>
		<u>Program Series 1: Injury Management Services</u>	\$115,953,461	\$115,953,461
		Program: Field Office Service Operations	\$96,640,056	\$96,640,056
		Program: Injury Management Services	\$19,313,405	\$19,313,405
		<u>Program Series 2: Employer Management</u>	\$18,698,108	\$18,698,108
		Program: Employer Services	\$14,572,758	\$14,572,758
		Program: Self-Insured Services	\$4,125,350	\$4,125,350
		<u>Program Series 6: Customer Relations</u>	\$5,716,150	\$5,716,150
		Program: Customer Contact Center	\$5,176,850	\$5,176,850
		Program: Ombudsperson	\$539,300	\$539,300
<b>Fund 023</b>	<b>855-408</b>	<b>Fraud Prevention</b>	<b>\$11,772,551</b>	<b>\$11,772,551</b>
		<u>Program Series 3: Fraud Investigations</u>	\$11,772,551	\$11,772,551
		Program: Special Investigations	\$11,356,411	\$11,356,411
		Program: Internal Affairs	\$416,140	\$416,140
<b>Fund 023</b>	<b>855-409</b>	<b>Administrative Services</b>	<b>\$122,962,388</b>	<b>\$122,962,388</b>
		<u>Program Series 2: Employer Management</u>	\$680,861	\$680,861
		Program: Safety Violations Investigative Staff	\$680,861	\$680,861
		<u>Program Series 6: Customer Relations</u>	\$3,941,527	\$3,941,527
		Program: Corporate Affairs/Government/Media Relations	\$3,941,527	\$3,941,527
		<u>Program Series 7: Program Management</u>	\$118,340,000	\$118,340,000
		Program: Program Management	\$118,340,000	\$118,340,000
<b>Fund 023</b>	<b>855-410</b>	<b>Attorney General Payments</b>	<b>\$4,444,085</b>	<b>\$4,444,085</b>
		<u>Program Series 7: Program Management</u>	\$4,444,085	\$4,444,085
		Program: Program Management	\$4,444,085	\$4,444,085
<b>Fund 822</b>	<b>855-606</b>	<b>Coal Workers' Fund</b>	<b>\$91,894</b>	<b>\$91,894</b>
		<u>Program Series 5: Special Benefits Funds</u>	\$91,894	\$91,894
		Program: Special Benefits Funds	\$91,894	\$91,894

<b>Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program</b>				
<b>Fund</b>	<b>ALI</b>	<b>Title</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Fund 823</b>	<b>855-608</b>	<b>Marine Industry Fund</b>	<b>\$53,952</b>	<b>\$53,952</b>
		<u>Program Series 5: Special Benefits Funds</u>	\$53,952	\$53,952
		Program: Special Benefits Funds	\$53,952	\$53,952
<b>Fund 825</b>	<b>855-605</b>	<b>Disabled Workers' Relief Fund</b>	<b>\$488,282</b>	<b>\$492,500</b>
		<u>Program Series 5: Special Benefits Funds</u>	\$488,282	\$492,500
		Program: Special Benefits Funds	\$488,282	\$492,500
<b>Fund 826</b>	<b>855-609</b>	<b>Safety and Hygiene Operating</b>	<b>\$20,734,750</b>	<b>\$20,734,750</b>
		<u>Program Series 4: Accident Prevention</u>	\$20,734,750	\$20,734,750
		Program: Safety and Hygiene	\$20,734,750	\$20,734,750
<b>Fund 826</b>	<b>855-610</b>	<b>Safety Grants Program</b>	<b>\$4,000,000</b>	<b>\$4,000,000</b>
		<u>Program Series 4: Accident Prevention</u>	\$4,000,000	\$4,000,000
		Program: Safety and Hygiene	\$4,000,000	\$4,000,000
<b>Fund 829</b>	<b>855-604</b>	<b>Long Term Care Loan Program</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>
		<u>Program Series 4: Accident Prevention</u>	\$2,000,000	\$2,000,000
		Program: Safety and Hygiene	\$2,000,000	\$2,000,000
<b>Workers' Compensation Fund Subtotal</b>			<b>\$327,352,221</b>	<b>\$327,606,339</b>
<b>Federal Fund Group</b>				
<b>Fund 349</b>	<b>855-601</b>	<b>OSHA Enforcement</b>	<b>\$1,604,140</b>	<b>\$1,604,140</b>
		<u>Program Series 4: Accident Prevention</u>	\$1,604,140	\$1,604,140
		Program: Safety and Hygiene	\$1,604,140	\$1,604,140
<b>Federal Fund Subtotal</b>			<b>\$1,604,140</b>	<b>\$1,604,140</b>
<b>Agency Total Funding</b>			<b>\$328,956,361</b>	<b>\$329,210,479</b>

## ANALYSIS OF EXECUTIVE PROPOSAL

### Program Series

### 1: Injury Management

**Purpose:** The Injury Management program series is a group of departments and initiatives designed to ensure appropriate management of workers' compensation claims, the availability of appropriate cost-effective medical care, and the development and credentialing of a strong provider network.

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

Fund	ALI	Title	FY 2008	FY 2009
<b>Workers' Compensation Fund</b>				
023	855-407	Claims, Risk, and Medical Management	\$115,963,461*	\$115,963,461*
<b>Workers' Compensation Fund Subtotal</b>			<b>\$115,963,461</b>	<b>\$115,963,461</b>
<b>Total Funding: Injury Management</b>			<b>\$115,963,461</b>	<b>\$115,963,461</b>

\* Amount does not reflect total funding because line item is used to fund programs in other program series.

The following programs are within the Injury Management program series:

- **Program 01.01: Field Office Service Operations**
- **Program 01.02: Injury Management Services**

### Program 01.01: Field Office Service Operations

**Program Description:** Field Office Service Operations focuses on claims management from the first report of injury to the ultimate resolution of the claim. There are 17 service offices located in three regions throughout the state, which process all claims filed within the workers' compensation system, and one Customer Focus Center located in Bridgeport. The dividing of field offices into regions took place during the current biennium. The current field office regions are West/Southwest, North/Northeast, and Central/Southeast.

A priority for BWC under this program is the continuing implementation of performance measures to assess filing time, administrative cost per claim, and other measures in order to ensure efficient and effective claim resolution at the lowest possible cost. In particular, the Medical Claims Unit has implemented new performance measurement in the areas of initial claim determinations, auto adjudication, customer satisfaction, work list assessment, claim benefit type changeovers, equitable caseload distribution, and employee performance and feedback.

**Funding Source:** Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

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

**Implication of Executive Recommendation:** The BWC request for Field Operation is fully funded. The program funds 1,274 employees who investigate some 185,000 new injury claims per year, manage over 570,000 total injury claims, settle 18,000 injury claims, and pay over \$1.6 billion to injured workers for health care and lost wages.

## **Program 01.02: Injury Management Services**

**Program Description:** Injury Management Services ensures that cost-effective, quality health care is provided to injured workers in order to facilitate an early return to work or a return to a functional lifestyle. BWC's Health Partnership Program, launched in 1997, is a major component of Injury Management Services. Under the program, BWC and approximately 25 certified private sector managed care organizations (MCOs) work together to provide comprehensive claims management and medical-management services. MCOs are chosen by employers to handle the medical management of workers' compensation claims. BWC also administers a Qualified Health Plan, which allows self-insuring employers to form their own health plans to deliver medical services to their employees.

Additionally, Injury Management Services is responsible for acting as a liaison to health care provider community and professional associations, assisting in the development of these associations, and developing and providing internal and external training on issues that affect the Health Partnership Program and general medical policy.

**Funding Source:** Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

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

**Implication of Executive Recommendation:** The BWC request for Injury Management Services is fully funded. The program funds 215 employees who process some 12,000 disputes regarding medical treatment provided to injured workers and distribute grants to employers that enable injured workers to return to work safely prior to their full recovery from injury.

**Program Series**

**2: Employer Management**

**Purpose:** The Employer Management program series is responsible for providing a link between Ohio's employers and BWC. This series also includes the Self-Insured Services program directed toward large, financially stable employers who retain the financial risk for their companies' workers' compensation claims, as well as BWC's Safety Violations Investigations Unit (SVIU).

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

Fund	ALI	Title	FY 2008	FY 2009
<b>Workers' Compensation Fund</b>				
023	855-407	Claims, Risk, and Medical Management	\$18,698,108*	\$18,698,108*
023	855-409	Administrative Services	\$680,861*	\$680,861*
<b>Workers' Compensation Fund Subtotal</b>			<b>\$19,378,969</b>	<b>\$19,378,969</b>
<b>Total Funding: Employer Management</b>			<b>\$19,378,969</b>	<b>\$19,378,969</b>

\* Amounts do not reflect total funding because line items are used to fund programs in other program series.

The following programs are within the Employer Management program series:

- **Program 02.01: Employer Services**
- **Program 02.02: Self-Insured Services**
- **Program 02.03: Safety Violations Investigative Staff**

**Program 02.01: Employer Services**

**Program Description:** This program provides underwriting and technical support to help employers reduce their workers' compensation costs through accident/illness prevention and various risk management programs. Audits are performed on state fund and public employer programs to ensure compliance with the Workers' Compensation Act and the rules of BWC and/or the Industrial Commission. The program also processes new business applications, assigns manual classifications, processes changes in employer coverage status, and processes semi-annual payroll reports for employers.

Employer Services will continue to partner with the Division of Safety and Hygiene to help customers implement safe work practices and control the risk of harm to employees at no additional cost to premium-paying employers. The program will also continue to oversee the development and oversight of alternative rating plans, such as group rating and retrospective rating plans, as well as the premium discount program for penalty-rated employers who elect to participate in a ten-step plan to create safer work environments, and the Drug-Free Workplace program providing discounts to employers committed to establishing substance-free work environments.

**Funding Source:** Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

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

**Implication of Executive Recommendation:** The BWC request for Employer Services is fully funded. The program funds 178 employees who provide underwriting and technical support to help employers lower employee accidents and illness.

## **Program 02.02: Self-Insured Services**

**Program Description:** The Self-Insured Services program is responsible for investigating all inquiries/complaints, providing underwriting activities, and auditing self-insuring employers for compliance with the Workers' Compensation Act and the rules of BWC and the Industrial Commission. Approximately one-third of Ohio's workforce is employed by self-insuring employers. The goals of the program are to ensure that self-insuring employers meet the necessary criteria to remain self-insured and that they comply with necessary legal requirements associated with a self-insured program.

**Funding Source:** Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

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

**Implication of Executive Recommendation:** The BWC request for Self-Insured Services is fully funded. The program funds 56 employees who provide for the audit of 1,130 employer self-insured programs, covering approximately 33% of all workers in Ohio, to ensure compliance with appropriate rules and laws.

## **Program 02.03: Safety Violations Investigative Staff**

**Program Description:** This program, encompassing the Safety Violations Investigations Unit, is responsible for investigations and preparing impartial, fact-finding summary reports for the Industrial Commission for all safety violation allegations in Ohio concerning workers' compensation. Staff are required to be technical specialists in the research and interpretation of Ohio Safety Codes and OSHA Standards, and all types of machinery, equipment, and environmental concerns.

**Funding Source:** Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

**Line Items:** 855-409, Administrative Services

**Implication of Executive Recommendation:** The BWC request for the Safety Violations Investigations Unit is fully funded. The program funds ten employees who investigate and prepare reports for the Industrial Commission on all safety violation allegations concerning workers' compensation.

**Program Series**

**3: Fraud Investigations**

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**Purpose:** The role of the Fraud Investigations program series is the proactive prevention of loss through fraud, from both operational and resource standpoints, for external and internal customers. These programs are designed to investigate, detect, and deter fraud, and also work closely with local and state prosecutors to prosecute persons suspected of committing workers' compensation fraud.

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

Fund	ALI	Title	FY 2008	FY 2009
<b>Workers' Compensation Fund</b>				
023	855-408	Fraud Prevention	\$11,772,551	\$11,772,551
<b>Workers' Compensation Fund Subtotal</b>			<b>\$11,772,551</b>	<b>\$11,772,551</b>
<b>Total Funding: Fraud Prevention</b>			<b>\$11,772,551</b>	<b>\$11,772,551</b>

The Fraud Investigations program series includes:

- **Program 03.01: Special Investigations**
- **Program 03.02: Internal Affairs**

**Program 03.01: Special Investigations**

**Program Description:** The mission of Special Investigations is to prevent, detect, investigate, and prosecute fraudulent behavior affecting the workers' compensation system. *Special Investigations Units* have focused on employer fraud, health care provider fraud, efficiency, and training. The *Health Care Provider Team* concentrates solely on identifying fraudulent activities of various health care providers that provide medical and/or pharmaceutical services to injured workers. The *Cyber Crime Investigations Team* is responsible for analyzing computer data and the Internet to secure evidence of fraud committed against the Bureau.

In FY 2006, the Special Investigations programs closed 3,482 cases, identifying over \$90 million in total savings during FY 2006, including \$30 million pertaining to drug-related fraud. During FYs 2008 and 2009, the department will implement a central allegation intake team to reduce costs of processing new allegations, as well as expand teleworking by field investigators to reduce operating costs.

**Funding Source:** Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

**Line Items:** 855-408, Fraud Prevention

**Implication of Executive Recommendation:** The BWC request for Special Investigations is fully funded. The program funds 137 employees who work to ensure that employees and employers do not take fraudulent advantage of the workers' compensation system.

## **Program 03.02: Internal Affairs**

***Program Description:*** Internal Affairs is responsible for investigating all allegations of criminal violation, abuse of office, or misconduct on the part of BWC or Industrial Commission employees. Department staff are trained in interviewing and interrogation, in conducting internal investigations, scientific interrogation, and preventing workplace violence.

***Funding Source:*** Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

***Line Items:*** 855-408, Fraud Prevention

***Implication of Executive Recommendation:*** The BWC request for Internal Affairs is fully funded. The program funds four employees who investigate allegations of criminal abuse or misconduct by BWC or Industrial Commission employees.

**Program Series**

**4: Accident Prevention**

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**Purpose:** The Accident Prevention program series is directed toward making Ohio's workplaces safe through training and consulting services.

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

Fund	ALI	Title	FY 2008	FY 2009
<b>Workers' Compensation Fund</b>				
826	855-609	Safety and Hygiene Operating	\$20,734,750	\$20,734,750
826	855-610	Safety Grants Program	\$4,000,000	\$4,000,000
829	855-604	Long Term Care Loan Program	\$2,000,000	\$2,000,000
<b>Workers' Compensation Fund Subtotal</b>			<b>\$26,734,750</b>	<b>\$26,734,750</b>
<b>Federal Special Revenue Fund</b>				
349	855-601	OSHA Enforcement	\$1,604,140	\$1,604,140
<b>Federal Special Revenue Fund Subtotal</b>			<b>\$1,604,140</b>	<b>\$1,604,140</b>
<b>Total Funding: Accident Prevention</b>			<b>\$28,338,890</b>	<b>\$28,338,890</b>

There is one program funded within the Accident Prevention program series:

■ **Program 04.01: Safety and Hygiene**

**Program 04.01: Safety and Hygiene**

**Program Description:** This program encompasses several different programs geared toward improving workplace safety, preventing accidents, and reducing workers' compensation costs. A portion of employer premiums pays for these safety and health services, which are available to employers at no additional fee. Services offered by the Division of Safety and Hygiene include on-site consultants, a training center, library services, and the annual Ohio Safety Congress and Expo.

Examples of the Division's work include: targeted visits to employers with poor safety records and those with penalty-ratings to assist and educate them in risk, claims, and safety strategies; efforts to promote BWC's Drug Free Workplace program; continuation of the Safety Grants program; and holding classes, seminars, and workshops specializing in occupational safety and health. The Division also oversees the federally funded OSHA Enforcement activities and the Public Employee Risk Reduction Program (PERRP), both transferred from the Department of Commerce during the current biennium. Additionally, the Division is working on creating an Industrial Hygiene Database to track the causation of accidents and gain access to other safety-related information libraries so that Safety and Hygiene can better service employers.

**Safety Grants**

Under the Safety Grants program, the Safety and Hygiene Division has provided focused grants to Ohio employers for the research and prevention of cumulative trauma disorders (CTDs) and to defray the cost of educational training and materials for instituting BWC's Drug-Free Workplace Program (or a comparable program). Safety grants have also been given out in the past year in the form of an automotive safety intervention grant program as part of former Governor Taft's Ohio Automotive Revitalization Initiative.

## Long Term Care Loan Program

The BWC budget bill for the current biennium directed the Bureau to operate a Long Term Care Loan Fund Program to make no-interest loans to nursing homes for the purchase of "no-lift" equipment that will allow employees of the nursing home to move patients without having to lift the patients themselves. The goal is to encourage Ohio nursing homes to adopt policies that prohibit employees from lifting patients manually.

## OSHA Enforcement

Federal funds are used to administer OSHA's on-site consultation program, which was transferred to BWC from the Department of Commerce during the current biennium. The program assists smaller, private employers in providing employees with safe and healthy work environments by conducting free safety and health consultations. BWC has incurred additional costs with the transfer of this program, mostly personnel costs and costs associated with travel to and from consultation sites.

**Funding Source:** Workers' Compensation Fund programs are funded by Safety and Hygiene assessments paid by State Insurance Fund employers together with their overall premium payments. OSHA Enforcement is funded by federal grant moneys and Safety and Hygiene operating dollars.

**Line Items:** 855-609, Safety and Hygiene Operating; 855-610, Safety Grants; 855-604, Long Term Care Loan Program; 855-601, OSHA Enforcement

**Implication of Executive Recommendation:** The BWC request for Safety and Hygiene is fully funded. The program funds 206 employees who investigate and help prevent industrial accidents and disease.

## Temporary Law Provisions

**Safety and Hygiene.** The provision requires transfers, if needed, from the State Insurance Fund to the Safety and Hygiene Operating Fund (Fund 826) to assure funding of \$20,734,750 in each fiscal year.

**OSHA On-Site Consultation Program.** The provision allows the administrator to designate a portion of line item 855-609, Safety and Hygiene Operating, as a match for federal funding for the OSHA On-Site Consultation Program.

**Program Series**

**5: Special Benefits Funds**

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**Purpose:** The Special Benefits Funds 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 the Special Benefits Funds program series, as well as the Governor's recommended funding levels.

<b>Fund</b>	<b>ALI</b>	<b>Title</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Workers' Compensation Fund</b>				
822	855-606	Coal Workers' Fund	\$91,894	\$91,894
823	855-608	Marine Industry Fund	\$53,952	\$53,952
825	855-605	Disabled Workers' Relief Fund	\$488,282	\$492,500
<b>Workers' Compensation Fund Subtotal</b>			<b>\$634,128</b>	<b>\$634,128</b>
<b>Total Funding: Special Benefits Funds</b>			<b>\$634,128</b>	<b>\$634,128</b>

The program series houses the Special Benefits Funds. Specifically, these are the Disabled Workers' Relief Fund, the Coal Workers' Pneumoconiosis Fund, and the Marine Industry Fund. Each of these is described below:

■ **Program 05.01: Special Benefits Funds**

**Program 05.01: Special Benefits Funds**

**Coal Workers' Fund**

**Program Description:** The Coal Workers' Pneumoconiosis Fund was established to provide benefits for injured workers who are entitled to receive benefits under the federal Coal Mine Health and Safety Act of 1969. The fund is maintained through premiums and other payments of employers who elect to participate in the fund to insure payment of benefits required by this act.

**Funding Source:** An additional premium charge attached to State Insurance Fund premiums owed by coal operators

**Line Items:** 855-606, Coal Workers' Fund

**Marine Industry Fund**

**Program Description:** This fund was established to provide benefits for injured workers who are entitled to receive benefits under the federal Longshoremen's and Harbor Workers' Act, as amended in 1972. The fund is maintained through premiums and other payments of marine industry employers who apply to BWC for permission to subscribe to the fund to insure the payment of benefits required by the federal act.

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

**Line Items:** 855-608, Marine Industry Fund

## **Disabled Workers' Relief Fund**

**Program Description:** The fund provides supplemental cost-of-living benefits to injured workers receiving Permanent Total Disability (PTD) benefits who receive less than a prescribed amount in monthly compensation.

**Funding Source:** An additional charge of \$0.10 per \$100 of payroll and 0.1% of State Insurance Fund employer premiums

**Line Items:** 855-605, Disabled Workers' Relief Fund

## **Implication of Executive Recommendation**

BWC requests for the Coal Workers' Fund and the Marine Industry Fund are fully funded. The Disabled Workers' Relief Fund is not fully funded. BWC requested an additional \$205,482 in FY 2008 and \$201,264 in FY 2009 that were not appropriated. The programs fund eight employees, who provide benefits to more than 27,000 permanently and totally disabled persons annually.

**Program Series**

**6: Customer Relations**

**Purpose:** The Customer Relations program series addresses the needs and concerns of Ohio's employers, injured workers, and other interested parties. This is accomplished by resolving customer concerns; providing clear, accurate, and timely information; and assisting injured workers and employers in matters dealing with BWC and the Industrial Commission.

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

<b>Fund</b>	<b>ALI</b>	<b>Title</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Workers' Compensation Fund</b>				
023	855-407	Claims, Risk, and Medical Management	\$5,716,150*	\$5,716,150*
023	855-409	Administrative Services	\$3,941,527*	\$3,941,527*
<b>Workers' Compensation Fund Subtotal</b>			<b>\$9,657,677</b>	<b>\$9,657,677</b>
<b>Total Funding: Customer Relations</b>			<b>\$9,657,677</b>	<b>\$9,657,677</b>

\* Amount does not reflect total funding because line item is used to fund programs in other program series.

This analysis focuses on the following specific programs within the Customer Relations program series:

- **Program 06.01: Customer Contact Center**
- **Program 06.02: Corporate Affairs, Government, and Media Relations**
- **Program 06.03: Ombudsperson**

**Program 06.01: Customer Contact Center**

**Program Description:** This multi-site program handles customer (employer, injured worker, provider, MCO) contacts via phone, e-mail, walk-in, and written correspondence, and provides forms and benefit option information regarding BWC processes, law, policies, and procedures. This department also assists new employers in obtaining BWC coverage, issuing certificates of coverage, and helping established employers with policy account information. BWC has instituted new performance benchmarks for the Customer Contact Center in the last fiscal year, including measures for the productivity of customer service representatives, calls handled, web site e-mail responses, web chats handled, average speed of answers, and the percentage of calls answered within 20 seconds.

**Funding Source:** Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

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

**Implication of Executive Recommendation:** The BWC request for the Customer Contact Center is fully funded. The program funds 87 employees who handle an average of 56,500 information inquiries from the public every month.

## **Program 06.02: Corporate Affairs, Government, and Media Relations**

**Program Description:** Through research, planning, implementation, and evaluation, this program ensures that internal and external customers receive appropriate, timely, and accurate information about Bureau programs, services, initiatives, and progress. Services include writing and design support for every department within the agency, research and statistical analysis, internal and external customer surveys, and employer and stakeholder outreach. The program supports the Marketing division, created in FY 2006, to handle several of these duties as well as coordinating special events such as the Workers' Comp University, Public Employer Summits, MCO Summits, Open Enrollment, and Governor's Excellence Awards.

**Funding Source:** Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

**Line Items:** 855-409, Administrative Services

**Implication of Executive Recommendation:** The BWC request for Corporate Affairs, Government, and Media Relations is fully funded. The program funds 43 employees who administer special events and provide information about Bureau programs, services, initiatives, and progress, and funds special events such as Workers' Compensation University and public employer summits.

## **Program 06.03: Ombudsperson**

**Program Description:** The function of the Ombudsperson is to assist injured workers and employers in matters dealing with BWC and the Industrial Commission. This Ombudsperson Office answers inquiries and investigates complaints made by employers or injured workers as they relate to the processing of a claim for workers' compensation benefits. The Chief Ombudsperson must annually assemble a report on the activities of the Office, along with recommendations for change or improvement in the operation of the workers' compensation system.

**Funding Source:** Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

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

**Implication of Executive Recommendation:** The BWC request for Ombudsperson is fully funded. The program funds seven employees who handle more than 9,600 general inquiries and process over 2,900 complaints annually.

**Program Series**

**7: Program Management**

**Purpose:** Within the Program Management program series, a continued effort is in place to ensure internal support functions are efficient and cost-effective. Ongoing evaluation of department activities, via quality team analysis, internal functional analysis, and budgetary review, occurs throughout the biennium.

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

<b>Fund</b>	<b>ALI</b>	<b>Title</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Workers' Compensation Fund</b>				
023	855-401	William Green Lease Payments	\$20,436,600	\$20,686,500
023	855-409	Administrative Services	\$118,340,000*	\$118,340,000*
023	855-410	Attorney General Payments	\$4,444,085	\$4,444,085
<b>Workers' Compensation Fund Subtotal</b>			<b>\$143,220,685</b>	<b>\$143,470,585</b>
<b>Total Funding: Program Management</b>			<b>\$143,220,685</b>	<b>\$143,470,585</b>

\* Amount does not reflect total funding because line item is used to fund programs in other program series.

The Program Management program series houses a single program:

■ **Program 07.01: Program Management**

**Program 07.01: Program Management**

**Program Description:** Under Program Management exist a number of operational programs, including the expenses of the current Workers' Compensation Oversight Commission. In the FY 2008-2009 biennial BWC budget bill, the Commission is replaced by a new Board of Directors, whose salaries and administrative costs will also be paid from this program series.

Program Management also encompasses most of the administrative functions of the Bureau, which have been significantly reorganized in the current biennium. There are several main divisions that handle the overall management of BWC:

- **Finance.** The Finance Department provides fiscal management, general accounting, and internal risk management services for BWC.
- **Actuarial.** The Actuarial Division is responsible for calculating and promulgating premium rates for all employer groups and for all funds for all rating plans, as well as calculating fund reserves for the State Insurance Fund and other related funds.
- **Investments.** The Investments Division is responsible for managing the investment of State Insurance Fund moneys in fixed-income securities and equities markets in order to ensure the growth and continued solvency of the fund. The Division was formed in its own right as a response to the recent investment scandal, and works with competitively selected outside investment managers to handle the Bureau's portfolio. The long-term goal with respect to the State Insurance Fund is to generate investment returns that meet or exceed BWC's actuarial investment return assumption over appropriate periods of time.

- **Human Resources.** Human Resources 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.
- **Legal.** The Legal Division provides advice and assistance to BWC management regarding matters related to claims procedures, policies, appeals lodged on behalf of the State Insurance Fund, bankruptcy and foreclosure matters, and other issues such as ethics and legislation.
- **Internal Audit.** The Internal Audit Division is responsible for monitoring and evaluating the internal control structure of BWC. The Division provides independent assessments of the efficiency of departmental operations, the accuracy of financial and managerial reports, and the level of compliance with internal policies and procedures.
- **Infrastructure and Technology.** The Infrastructure and Technology Division is responsible for all computer equipment and software in use at BWC, as well as facilities and office management. This includes mainframe computers, workstations, printers, various other peripheral equipment, a statewide communications network, and software both developed by BWC and purchased through outside vendors.

**Funding Source:** Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

**Line Items:** 855-401, William Green Lease Payments; 855-409, Administrative Services; 855-410, Attorney General Payments

**Implication of Executive Recommendation:** The BWC request for Program Management is fully funded. The program funds 580 employees who provide administrative support for the BWC's programs.

## **Permanent Law Provisions**

**BWC Board of Directors (R.C. 4121.12).** The bill, by amending section 4121.12 of the Revised Code, abolishes the Workers' Compensation Oversight Commission in favor of a new Board of Directors, to be appointed by the Governor. The bill also codifies standing actuarial, audit, and investment committees to oversee those aspects of BWC operations. Under the changes made by the bill, each member of the Board of Directors, with the exception of the four legislative members, would earn compensation of \$2,500 per month for each month in which they attend a meeting of the Board, for a salary not to exceed \$30,000 per year. The funding source for the Board of Directors does not change from that for the Oversight Commission. Funds are still paid out of line item 855-409, Administrative Services.

## **Temporary Law Provisions**

**William Green Lease Payments.** The provision is for the continuation of payments to the Ohio Building Authority for lease of the William Green Building.

**Workers' Compensation Fraud Unit.** This earmarks \$796,346 of line item 855-410, Attorney General Payments, in each fiscal year to fund expenses of the Workers' Compensation Fraud Unit of the Attorney General's Office.

**Fund Balance.** The provision requires any unencumbered cash balance in excess of \$45 million in the Workers' Compensation Fund (Fund 023) as of June 30 of each fiscal year to be used to reduce the administrative cost rate charged to employers for BWC operations.

***Holding Account.*** This abolishes the Camera Center Fund (Fund R46) and requires the remaining cash balance to be transferred to Fund 023.

***Vocational Rehabilitation.*** The provision earmarks \$605,407 in each fiscal year from the State Insurance Fund to be used for vocational rehabilitation services in accordance with an interagency agreement between BWC and the Rehabilitation Services Commission.

***Reimbursement Rate for Managed Care Organizations and Group Rating Audit and Assessment.*** The bill also requires the Administrator to carry out assessments on both the Health Partnership Program and the Bureau's group rating program and permits the use of outside consultants for both. The assessment for the Health Partnership Program is to address the adequacy and appropriateness of BWC's relationships with MCOs, the scope and quality of service provided by MCOs, and the effectiveness of the program at reducing claim costs and returning employees to work. The group rating assessment is to address the actuarial soundness of the group rating program, its impact on business and base rates, and its effectiveness at treating employers equitably.

## REQUESTS NOT FUNDED

With the exception of the Disabled Workers' Relief Fund and the extended program requests submitted with BWC's proposal, the Governor's recommendations fully fund all of BWC's line items for FYs 2008 and 2009. These exceptions are listed in the table below.

The original base request for the Disabled Workers' Relief Fund (Fund 825), supported by appropriation item 855-605, was for \$693,764 in each of FYs 2008 and 2009. The Governor's recommendation for this line item is \$488,282 in FY 2008 and \$492,500 in FY 2009. The amount appropriated does not include the Bureau's extended request for \$20,816 per fiscal year to cover additional overhead costs, nor an additional \$205,482 requested for this fund in FY 2008 and \$201,264 requested for FY 2009.

The table below shows the extended amounts not funded and their proposed uses.

<b>ALI/Title</b>	<b>Extended Amount Requested</b>	<b>Detail</b>
855-408, Fraud Prevention (Fund 023)	\$351,229 per fiscal year	Would have funded FTE payroll and strategic initiatives to support ongoing Special Investigations operations.
855-409, Administrative Services (Fund 023)	\$3,688,877 per fiscal year	<ul style="list-style-type: none"> <li>• \$20,429 in each FY for Safety Violations Investigations Unit service expansion</li> <li>• \$118,248 in each FY for three strategic marketing initiatives</li> <li>• \$3,550,200 in each FY for IT software, Human Resources, and accounting system changes</li> </ul>
855-605, Disabled Workers' Relief Fund (Fund 825)	\$20,816 per fiscal year	3% increase for variable costs (employee health care, supplies, office space, travel)
855-606, Coal Workers' Fund (Fund 822)	\$2,756 per fiscal year	3% increase for variable costs (employee health care, supplies, office space, travel)
855-608, Marine Industry Fund (Fund 823)	\$1,618 per fiscal year	3% increase for variable costs (employee health care, supplies, office space, travel)

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## Federal Special Revenue Fund Group

### 349 855-601 OSHA Enforcement

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$0	\$0	\$1,294,709	\$1,604,140	<b>\$1,604,140</b>	<b>\$1,604,140</b>
		N/A	23.9%	<b>0.0%</b>	<b>0.0%</b>

**Source:** FED: Occupational Safety and Health Administration; CFDA 17.504, OSHA Consultation Agreements

**Legal Basis:** Section 3 of Am. H.B. 67 of the 126th G.A.

**Purpose:** These funds are used to support OSHA's on-site consultation program, which provides small, private employers with services relating to work place safety and health. Services are provided to employers with fewer than 250 employees at fixed sites and with no more than 500 employees corporate-wide. Under the program, employers can learn about potential hazards at their workplaces, improve their safety and health management systems, and may qualify for an exemption from routine OSHA inspections. The program was transferred to the BWC from the Department of Commerce beginning in FY 2006.

## Workers' Compensation Fund Group

### 023 855-401 William Green Lease Payments to OBA

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$6,160,704	\$11,835,185	\$19,552,046	\$20,125,900	<b>\$20,436,600</b>	<b>\$20,686,500</b>
	92.1%	65.2%	2.9%	<b>1.5%</b>	<b>1.2%</b>

**Source:** WCF: Assessments paid by employers and deposited to the Administrative Cost Fund

**Legal Basis:** ORC 4123.443; Section 3 of Am. H.B. 67 of the 126th G.A. (originally established by Sub. S.B. 218 of the 119th G.A.)

**Purpose:** This line item is used to pay debt service on bonds the Ohio Building Authority issued to purchase the William Green Building for the BWC. Appropriations are also used to make lease payments to the Ohio Building Authority.

**023 855-407 Claims, Risk & Medical Management**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$128,601,926	\$126,856,522	\$130,447,315	\$140,052,103	<b>\$140,367,719</b>	<b>\$140,367,719</b>
	-1.4%	2.8%	7.4%	<b>0.2%</b>	<b>0.0%</b>

**Source:** WCF: Assessments paid by employers and deposited to the Administrative Cost Fund

**Legal Basis:** Section 3 of Am. H.B. 67 of the 126th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

**Purpose:** The line item funds personnel, maintenance, and equipment costs associated with the BWC's claims, risk, and medical management programs. Programs under the Injury Management, Employer Management, and Customer Service program series are included within this line item.

**023 855-408 Fraud Prevention**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$10,095,250	\$10,471,626	\$10,918,394	\$11,713,797	<b>\$11,772,551</b>	<b>\$11,772,551</b>
	3.7%	4.3%	7.3%	<b>0.5%</b>	<b>0.0%</b>

**Source:** WCF: Assessments paid by employers and deposited to the Administrative Cost Fund

**Legal Basis:** Section 3 of Am. H.B. 67 of the 126th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

**Purpose:** This line item funds personnel, maintenance, and equipment costs associated with the BWC's Fraud Investigation program series. Fraud investigation is geared toward detecting and preventing fraudulent claims on the part of employees (claimants), employers, and health care providers.

**023 855-409 Administrative Services**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$107,523,483	\$107,687,344	\$115,941,445	\$119,246,554	<b>\$122,962,388</b>	<b>\$122,962,388</b>
	0.2%	7.7%	2.9%	<b>3.1%</b>	<b>0.0%</b>

**Source:** WCF: Assessments paid by employers and deposited to the Administrative Cost Fund

**Legal Basis:** Section 3 of Am. H.B. 67 of the 126th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

**Purpose:** This line item funds personnel, maintenance, and equipment costs associated with three programs: the Safety Violations Investigations Unit; Corporate Affairs, Government, and Media Relations; and Program Management. Corporate Affairs, Government, and Media Relations is responsible for disseminating appropriate, timely, and accurate information about BWC programs, services, and initiatives. Program Management program series. Program Management includes Finance, Human Resources, Legal, Internal Audit, and Information Technology.

**023 855-410 Attorney General Payments**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$3,872,666	\$3,985,666	\$4,058,101	\$4,314,644	<b>\$4,444,085</b>	<b>\$4,444,085</b>
	2.9%	1.8%	6.3%	<b>3.0%</b>	<b>0.0%</b>

**Source:** WCF: Assessments paid by employers and deposited to the Administrative Cost Fund

**Legal Basis:** Section 3 of Am. H.B. 67 of the 126th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

**Purpose:** This line item funds 50% of the costs related to the legal services of the Attorney General's Workers' Compensation Unit, which includes expenses related to workers' compensation fraud investigation. The Ohio Industrial Commission pays the remaining portion. Both agencies make alternating quarterly payments during the fiscal year.

**822 855-606 Coal Workers' Fund**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$81,251	\$83,156	\$84,837	\$91,894	<b>\$91,894</b>	<b>\$91,894</b>
	2.3%	2.0%	8.3%	<b>0.0%</b>	<b>0.0%</b>

**Source:** WCF: Additional premium charges attached to State Insurance Fund premiums owed by coal mine operators

**Legal Basis:** ORC 4131.03; Section 3 of Am. H.B. 67 of the 126th G.A.

**Purpose:** This line item funds the administrative costs of the Coal Workers' Pneumoconiosis Fund, which is in the custody of the Treasurer of State. The fund provides benefits as directed by the Federal Coal Mine Health and Safety Act of 1969.

**823 855-608 Marine Industry**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$51,456	\$52,476	\$53,186	\$53,952	<b>\$53,952</b>	<b>\$53,952</b>
	2.0%	1.4%	1.4%	<b>0.0%</b>	<b>0.0%</b>

**Source:** WCF: Additional premium charges attached to State Insurance Fund premiums owed by marine industry employers

**Legal Basis:** ORC 4131.13; Section 3 of Am. H.B. 67 of the 126th G.A.

**Purpose:** This line item funds the administrative costs of the Marine Industry Fund, which is in the custody of the Treasurer of State. The fund provides benefits as prescribed by the Longshoremen's and Harbor Workers' Compensation Act, as amended in 1972.

**825 855-605 Disabled Workers' Relief Fund**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$547,459	\$478,696	\$514,992	\$693,764	<b>\$488,282</b>	<b>\$492,500</b>
	-12.6%	7.6%	34.7%	<b>-29.6%</b>	<b>0.9%</b>

**Source:** WCF: Assessments paid by employers and deposited to the Disabled Workers' Relief Fund

**Legal Basis:** ORC 4123.412; Section 3 of Am. H.B. 67 of the 126th G.A.

**Purpose:** This line item is used to pay payroll and operating expenses of the Disabled Workers' Relief Fund (DWRF), as well as costs related to providing benefits from the fund. The fund is in the custody of the Treasurer of State. DWRF assessments are calculated at \$0.10 per \$100 of payroll and 0.01% of the basic premium rate. DWRF benefits are cost-of-living adjustments granted to permanently and totally disabled workers.

**826 855-609 Safety & Hygiene Operating**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$17,600,253	\$17,012,153	\$19,818,014	\$20,130,820	<b>\$20,734,750</b>	<b>\$20,734,750</b>
	-3.3%	16.5%	1.6%	<b>3.0%</b>	<b>0.0%</b>

**Source:** WCF: Safety and Hygiene Fund assessments charged to employers; transfers of moneys from the State Insurance Fund when necessary

**Legal Basis:** ORC 4121.37

**Purpose:** This line item provides all operating funds for the Division of Safety and Hygiene. The Safety and Hygiene Fund assessment, which is charged in addition to employers' premium assessments, was once statutorily limited to an additional 0.5% of total premiums for private employers and 0.75% of total premiums for state and local government employers. Am. Sub. H.B. 180 of the 123rd G.A increased the private employer assessment rate to 1% of paid premiums.

**826 855-610 Safety Grants Program**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$3,463,855	\$3,928,941	\$3,724,967	\$4,000,000	<b>\$4,000,000</b>	<b>\$4,000,000</b>
	13.4%	-5.2%	7.4%	<b>0.0%</b>	<b>0.0%</b>

**Source:** WCF: Transfers from the State Insurance Fund

**Legal Basis:** As needed line item (originally established by Am. Sub. H.B. 107 of the 120th G.A.)

**Purpose:** Under the Safety Grants program, the Division of Safety and Hygiene provides grants to Ohio employers for the research and prevention of cumulative trauma disorders and to defray the cost of educational training and materials for instituting the BWC's Drug-Free Workplace Program.

**829 855-604 Long Term Care Loan Program**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$0	\$0	\$0	\$2,000,000	<b>\$2,000,000</b>	<b>\$2,000,000</b>
			N/A	<b>0.0%</b>	<b>0.0%</b>

**Source:** WCF: Transfer from the Safety and Hygiene Operating Fund

**Legal Basis:** ORC Section 4121.48; Section 3 of H.B. XX of the 127th G.A. (originally established by Am. Sub. H.B. 67 of the 126th G.A.)

**Purpose:** The Long Term Care Loan Fund is used to make no-interest loans to nursing homes for the purchase and installation of "no-lift" equipment such as sit-to-stand floor lifts, ceiling lifts, other lifts, and fast electric beds, in addition to providing education and training for nursing home employees for the purpose of implementing a facility-wide policy of not manually lifting residents.

## LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	Estimated 2007	As Introduced 2008	House Passed 2008	% Change Est. 2007 to House 2008	As Introduced 2009	House Passed 2009	% Change House 2008 to House 2009
<b><i>BWC Workers' Compensation, Bureau of</i></b>									
349	855-601	OSHA Enforcement	\$1,604,140	\$ 1,604,140	\$ 1,604,140	0.0%	\$ 1,604,140	\$ 1,604,140	0.0%
<b>Federal Special Revenue Fund Group Total</b>			<b>\$ 1,604,140</b>	<b>\$ 1,604,140</b>	<b>\$ 1,604,140</b>	<b>0.0%</b>	<b>\$ 1,604,140</b>	<b>\$ 1,604,140</b>	<b>0.0%</b>
023	855-401	William Green Lease Payments to OBA	\$20,125,900	\$ 20,436,600	\$ 20,436,600	1.5%	\$ 20,686,500	\$ 20,686,500	1.2%
023	855-407	Claims, Risk & Medical Management	\$140,052,103	\$ 140,367,719	\$ 140,367,719	0.2%	\$ 140,367,719	\$ 140,367,719	0.0%
023	855-408	Fraud Prevention	\$11,713,797	\$ 11,772,551	\$ 11,772,551	0.5%	\$ 11,772,551	\$ 11,772,551	0.0%
023	855-409	Administrative Services	\$119,246,554	\$ 122,962,388	\$ 122,962,388	3.1%	\$ 122,962,388	\$ 122,962,388	0.0%
023	855-410	Attorney General Payments	\$4,314,644	\$ 4,444,085	\$ 4,444,085	3.0%	\$ 4,444,085	\$ 4,444,085	0.0%
822	855-606	Coal Workers' Fund	\$91,894	\$ 91,894	\$ 91,894	0.0%	\$ 91,894	\$ 91,894	0.0%
823	855-608	Marine Industry	\$53,952	\$ 53,952	\$ 53,952	0.0%	\$ 53,952	\$ 53,952	0.0%
825	855-605	Disabled Workers' Relief Fund	\$693,764	\$ 488,282	\$ 488,282	-29.6%	\$ 492,500	\$ 492,500	0.9%
826	855-609	Safety & Hygiene Operating	\$20,130,820	\$ 20,734,750	\$ 20,734,750	3.0%	\$ 20,734,750	\$ 20,734,750	0.0%
826	855-610	Safety Grants Program	\$4,000,000	\$ 4,000,000	\$ 4,000,000	0.0%	\$ 4,000,000	\$ 4,000,000	0.0%
829	855-604	Long Term Care Loan Program	\$2,000,000	\$ 2,000,000	\$ 2,000,000	0.0%	\$ 2,000,000	\$ 2,000,000	0.0%
<b>Workers' Compensation Fund Group Total</b>			<b>\$ 322,423,428</b>	<b>\$ 327,352,221</b>	<b>\$ 327,352,221</b>	<b>1.5%</b>	<b>\$ 327,606,339</b>	<b>\$ 327,606,339</b>	<b>0.1%</b>
<b><i>Total All Budget Fund Groups</i></b>			<b>\$ 324,027,568</b>	<b>\$ 328,956,361</b>	<b>\$ 328,956,361</b>	<b>1.5%</b>	<b>\$ 329,210,479</b>	<b>\$ 329,210,479</b>	<b>0.1%</b>

## As Introduced (Executive)

## As Passed by the House

**(CD-855-BWC) Deputy Inspector General for BWC and IC**

R.C. 121.51, Section 512.40

- (1) Creates the Office of the Deputy Inspector General for the Bureau of Workers' Compensation and Industrial Commission in the Office of the Inspector General. Requires that the Deputy Inspector General be hired by and serve at the pleasure of the Inspector General, and requires that the Deputy Inspector General have the same qualifications as those specified for the Inspector General. Requires that funding for the Deputy Inspector General be provided by the Administrator of Workers' Compensation.
- (2) Transfers the duties of the Internal Security Committee of the Workers' Compensation System to the Office of the Deputy Inspector General. Requires the Deputy Inspector General to investigate all claims or cases of criminal violations, abuse of office, or misconduct on the part of employees of the BWC or Industrial Commission and requires the Deputy Inspector General to conduct a program of random review of the processing of workers' compensation claims.

R.C. 121.52, 121.53, 121.55, 121.56, 4121.40, Section 512.40

- (1) Adds requirement that the Director of Budget and Management, after certification of costs incurred by the Deputy Inspector General, transfer the certified amount from BWC administrative funds to the Deputy Inspector General for the BWC Fund to be used to pay costs incurred by the Deputy Inspector General.
- (2) Specifies duties of the Deputy Inspector General to:
- Investigate wrongful acts or omissions committed by officers or employees of BWC or IC;
  - Perform the same duties prescribed to the State Inspector General under sections 121.42 and 121.45 of the Revised Code, only for BWC and IC employees and officers;
  - Investigate fraud activities;
  - Report suspected acts of fraud to the Inspector General;
  - Receive complaints alleging wrongful acts and omissions by BWC or IC employees and officers;
  - Investigation of complaints after verification of reasonable cause; and
  - Exercise of the same powers and duties as those in section 121.43 of the Revised Code for the Inspector General.

Requires the Inspector General to report any allegation of fraud from the Deputy Inspector General to the Administrator of Workers' Compensation or the Industrial

## As Introduced (Executive)

(3) Requires members of the Board of Directors and BWC committees, the Industrial Commission, the Administrator, and all employees of the BWC and IC to cooperate with and provide assistance to the Deputy Inspector General in the performance of any investigation, including making premises, equipment, personnel, books, records, and papers readily available. Permits the Deputy Inspector General to question any of the above individuals and any person conducting business with the IC, BWC, or its boards and committees, and permits the Deputy Inspector General to inspect any of the aforementioned materials while maintaining confidentiality of information in those materials that are confidential under the law. Requires the Deputy Inspector General to avoid interfering with the normal operations of the entities under investigation, except insofar as is reasonably necessary to successfully complete the investigation.

(4) Requires the Deputy Inspector General to deliver to the Board of Directors, Administrator, Industrial Commission, and the Governor any case for which remedial action is

## As Passed by the House

Commission only if the Inspector General believes the report has the potential to stop fraud.

Defines "participants of the workers' compensation system" for the purposes of the Inspector General's jurisdiction as:

- An employer subject to the Workers' Compensation Law;
  - A claimant for compensation under the Workers' Compensation Law;
  - A health care provider or managed care organization providing service under the Workers' Compensation Law;
- and
- A person investing the assets of any of the workers' compensation funds.

(3) Same as the Executive.

(4) Specifies that delivery of cases by the Deputy Inspector General take place at the conclusion of investigations.

**As Introduced (Executive)**

necessary, and to maintain a public record of all activities to the extent permitted under the bill, ensuring that the rights of all parties are protected.

Requires the Deputy Inspector General to report every six months to the Governor, the General Assembly, the Board, the Administrator, and the Industrial Commission any findings and subsequent corrective actions taken in cases considered by the Deputy Inspector General.

(5) Prohibits any person from disclosing any information that is designated confidential in accordance with the bill or any confidential information that is acquired in the course of an investigation conducted under the bill to any person who is not legally entitled to disclosure of that information.

(6) No provision.

**As Passed by the House**

Removes the reporting requirements for the Deputy Inspector General and requires instead that the Inspector General include a summary of the Deputy Inspector General's activities in the annual report required under section 121.48 of the Revised Code.

(5) Same as the Executive.

(6) Permits complaints to the Deputy Inspector General for suspected wrongful acts or omissions committed by BWC and IC employees or officers, and for suspected acts of fraud by participants in the workers' compensation system. Requires that complaints include:

- The identity of the person making the report;
- The identity of the officer, employee, or participant suspected of wrongdoing;
- A description of the act; and
- An explanation of how the person reporting came to a reasonable cause to believe the wrongdoing had occurred or is occurring.

Specifies that the complaint to the Deputy Inspector General is in addition to any other report that may be required by law.

Requires the Inspector General to prescribe a form for complaints under this section and provide the form to any

**As Introduced (Executive)**

(7) No provision.

**Fiscal effect: Potentially increases expenditures from BWC operating appropriations for the operation of the new Deputy Inspector General's Office.**

**As Passed by the House**

person free of charge, and specifies that a complaint may not be held defective if it is not submitted on that form.

(7) Removes the responsibility for the service directors of each BWC service office to recommend to the Administrator appropriate action regarding allegations of misconduct, abuse, or fraud in the service offices.

**Fiscal effect: Requires administrative costs incurred by the Deputy Inspector General to be transferred from BWC administrative funds to the newly established Deputy Inspector General for the BWC Fund in order to cover costs of the Deputy Inspector General.**

## As Introduced (Executive)

## As Passed by the House

**(CD-848-BWC) Creation of BWC Board of Directors****R.C. 4121.12, Section 512.10**

(1) Creates the Bureau of Workers' Compensation Board of Directors to replace the Workers' Compensation Oversight Commission. Requires the Board to be composed of 15 members, 11 of whom are to be appointed by the Governor with the advice and consent of the Senate. Requires that the 11 appointed members consist of the following:

- One individual representing employees;
- Two individuals representing employee organizations, at least one of which must be a member of the executive committee of the largest statewide labor federation;
- Three individuals representing industry (one representing self-insured employers, and two with experience as non-self-insured employers of which one must be an employer of 100 or more employees and one must be an employer of less than 100 employees);
- Two individuals who are investment and securities experts with experience with state workers' compensation funds or state pension funds;
- One individual who is a certified public accountant;
- One individual who is an actuary and a member in good standing with the American Academy of Actuaries or an associate or fellow with the Society of Actuaries; and
- One individual representing the public who shall not, on account of previous vocation, employment, or affiliation, be considered a representative of employees or industry.

(2) Requires the additional four members of the Board to be the chairpersons and ranking minority members, or their designees, of the standing House and Senate committees

**R.C. 4121.12, Section 512.10**

(1) Reduces the total number of Board members from 15 to 11, all appointed by the Governor with the advice and consent of the Senate.

Specifies that the Board members who are investment and securities experts shall have direct experience in the management, analysis, supervision, or investment of assets and requires that they be residents of Ohio.

Changes the Board members who represent industry to members who represent employers and requires that those two members who are not representing self-insured employers be state fund employers.

Removes the requirement that the member of the Board representing the public not be a representative of either employees or industry. Adds a requirement that that member be a person who has received compensation or benefits under the Workers' Compensation Law.

Specifies that Board members serve at the pleasure of the Governor and may be removed by the Governor.

(2) No provision.

**As Introduced (Executive)**

to which legislation concerning Chapters 4121., 4123., 4127., and 4131. of the Revised Code are normally referred.

(3) Requires that none of the 11 members of the Board, within three years preceding their appointment, shall have been employed by the BWC or by any person, partnership, or corporation that has provided financial or investment services to the BWC.

(4) Requires the Governor to appoint the initial members of the Board no later than 60 days after the bill's effective date and allows members to be reappointed when their three-year terms have expired.

(5) Provides for the compensation of the 11 appointed Board members at a rate of \$2,500 in every month in which a member attends a Board meeting, with no compensation for months in which a member did not attend a meeting, and caps the maximum compensation for a Board member at \$30,000 per year.

(6) Requires that each appointed Board member take an oath of office as required by sections 3.22 and 3.23 of the Revised Code and file in the Secretary of State's office the bond required under section 4121.127 of the Revised Code.

**Fiscal effect: Potentially increases expenditures from BWC administrative costs by up to \$330,000 in order to pay compensation to members of the Board of Directors.**

**As Passed by the House**

(3) Changes the three-year prohibition on former BWC employees or employees of affiliated businesses or partners to serve as Board members to one year.

(4) Same as the Executive.

(5) Increases the cap on Board member compensation to \$60,000 per year and provides for Board members who also serve on the Workers' Compensation Audit Committee, Workers' Compensation Actuarial Committee, and Workers' Compensation Investment Committee to receive \$2,500 per month for each month in which they attend committee meetings and no payment during any month in which they do not attend a committee meeting. Specifies that members may not receive more than \$30,000 per year for attending committee meetings.

(6) Same as the Executive.

**Fiscal effect: Potentially increases BWC administrative expenses for Board member compensation by \$300,000 for those members who also serve on any of the working committees of the Board.**

## As Introduced (Executive)

## As Passed by the House

**(CD-849-BWC) New Duties of BWC Board of Directors****R.C. 4121.12, R.C. 4121.121**

(1) Requires the BWC Board of Directors to establish the overall administrative policy of the BWC, transfers existing duties of the Workers' Compensation Oversight Commission to the Board, and places new requirements on the Board.

(2) Requires the Board to contract with all of the following:

- An independent actuarial firm to assist the Board in determining premium rates;
- An outside investment counsel to assist the Workers' Compensation Investment Committee in fulfilling its duties; and

- An independent fiduciary counsel to assist the Board in the performance of its duties;

(3) Requires the Board to approve the investment policy developed by the Investment Committee if the policy satisfies the requirements specified in section 4123.442 of the Revised Code, to publish the policy no less than annually, and to prohibit any investments deemed to be contrary to the policy. Requires the Board to vote to open each investment class and allow the Administrator to invest only in classes opened by the Board. Permits the Board to vote to close any investment class.

(4) Requires the Board to meet with the Governor annually to discuss the Administrator of Workers' Compensation's performance and specifies that such a meeting shall be considered a meeting regarding the employment of the Administrator.

(5) Permits the Board to create any committees in addition to the Workers' Compensation Audit Committee, Workers'

**R.C. 4121.12, 4121.121, 4121.123, 4121.125**

(1) Same as the Executive.

(2) Restores the ability for the Board to make recommendations to the Administrator regarding premium rates based on the independent actuarial recommendations.

(3) Same as the Executive.

(4) Same as the Executive.

(5) Same as the Executive.

**As Introduced (Executive)**

Compensation Actuarial Committee, and Workers' Compensation Investment Committee that the Board determines are necessary to assist in performing its duties.

(6) No provision.

No provision.

No provision.

**As Passed by the House**

(6) Requires the Board to develop and participate in a BWC Board of Directors' education program that consists of:

- Orientation for new members,
- Continuing education for members who have served at least one year, and
- A curriculum that includes education about each of the following topics:

- (1) Member duties and responsibilities,
- (2) Compensation and benefits paid pursuant to the Workers' Compensation Law,
- (3) Ethics,
- (4) Governance processes and procedures,
- (5) Actuarial soundness,
- (6) Investments, and
- (7) Any other subject matter the Board believes is reasonably related to a member's duties.

Requires any classes and sessions pursuant to these requirements to be held in Ohio.

(7) Requires the Board to adopt all rules except those concerning adjudicatory matters, classifications of occupations or industries, the overall premium and contribution rates and the revision of those rates, and the overall assessment rates.

(8) Requires the Board to:

- Contract annually with an actuary for a report on the actuarial valuation of the assets, liabilities, and funding requirements of the State Insurance Fund and other workers' compensation funds and submit that report to the

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**As Introduced (Executive)****As Passed by the House**

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Workers' Compensation Council and the standing committees of the House and Senate dealing with workers' compensation matters;

- Have an actuary, every five years, conduct an actuarial investigation of the experience of employers, mortality, service, and injury rate of employees, and the payment of disability benefits to update the actuarial assumptions used in the actuarial valuation report, and submit that report to the Council and the standing committees of the House and Senate dealing with workers' compensation matters; and

- Have an actuarial analysis performed on any legislation expected to have a measurable financial impact on the workers' compensation system and submit that report to the Legislative Service Commission, the Council, and the standing committees of the House and Senate dealing with workers' compensation matters.

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**As Introduced (Executive)****As Passed by the House****(CD-850-BWC) New Duties of the Administrator of Workers' Compensation****R.C. 4121.121**

Requires the Administrator of Workers' Compensation to keep an accurate account of the money paid in premiums by each class of occupations or industries specified by the Board of Directors, as well as the loss of such funds on account of injuries, occupational disease, and death of employees.

Requires the Administrator to keep an account of the money received from each individual employer and the amount of losses incurred against the State Insurance Fund on account of injuries, occupational disease, and death of the employees of each employer.

Requires the Administrator to submit an annual internal operating budget to the Board of Directors for approval.

**R.C. 4121.121**

Same as the Executive.

## As Introduced (Executive)

## As Passed by the House

**(CD-851-BWC) Committees of the Board of Directors****R.C. 4121.123, Section 512.20, Section 512.30**

(1) Creates the Workers' Compensation Audit Committee, consisting of at least three members. Requires one member to be a member of the Board of Directors who is a certified public accountant. Requires the Board to appoint two additional Board members to serve on the committee, permits the Board to appoint additional members who are not Board members. Requires the Audit Committee to (1) recommend an accounting firm to perform annual audits under section 4123.47 of the Revised Code, (2) recommend an auditing firm for the board to use for audits under section 4121.125 of the Revised Code, (3) review the results of each annual audit and management review and assess the appropriate course of action and develop a plan to correct any problems, (4) monitor the implementation of those plans, and (5) review all internal audit reports on a regular basis.

(2) Creates the Workers' Compensation Actuarial Committee, consisting of at least three members. Requires one member to be a member of the Board of Directors who is an actuary. Requires the Board to appoint two additional members of the Board to serve on the committee, and permits the Board to appoint additional members who are not Board members. Requires the Actuarial Committee to (1) recommend actuarial consultants for the board to use for the funds specified in chapters 4121., 4123., 4127., and 4131. of the Revised Code; (2) review calculations on rate schedules and performance prepared by the actuarial consultants with whom the board enters into a contract; and (3) make recommendations to the board regarding classifications of

**R.C. 4121.123, Section 512.20, Section 512.30**

(1) Same as the Executive, but requires that if the Audit Committee holds a meeting on the same day the Board holds a meeting, no member shall be compensated for more than one meeting held on that day.

(2) Same as the Executive, but requires that if the Actuarial Committee holds a meeting on the same day the Board holds a meeting, no member shall be compensated for more than one meeting held on that day.

**As Introduced (Executive)**

occupations or industries, premium rates and contributions, the amount to be credited to the surplus fund, and rules and systems of rating, rate revisions, and merit rating.

(3) Creates the Workers' Compensation Investment Committee, consisting of at least four members. Requires two of the members to be members of the Board of Directors who serve as the investment and securities experts on the Board. Requires the Board of Directors to appoint two additional members of the Board to serve on the committee, and permits the Board to appoint additional members who are not Board members. Requires each additional member to have experience with managing another state's pension or workers' compensation funds, representing an employee organization, or possessing special expertise that the Board deems appropriate to making investment decisions. Requires the Investment Committee to (1) develop the investment policy of the workers' compensation funds in accordance with section 4123.442 of the Revised Code, (2) submit the policy to the board for approval, (3) monitor the implementation of the policy by the Administrator and chief investment officer, (4) recommend outside investment counsel, and (5) review the chief investment officer's performance and the performance of any outside investment consultants to assure that investments are made in accordance with the policy and that the best possible return on investment is achieved.

(4) Permits the Board, by majority vote, to remove any member of any working committee except for the certified public accountant on the Audit Committee, the actuary on the Actuarial Committee, or the investment and securities experts on the Investment Committee.

**As Passed by the House**

(3) Same as the Executive, but requires that if the Investment Committee holds a meeting on the same day the Board holds a meeting, no member shall be compensated for more than one meeting held on that day.

(4) Same as the Executive.

## As Introduced (Executive)

## As Passed by the House

**(CD-852-BWC) Transfer of Duties from the Oversight Commission to the Board of Directors**

R.C. 4121.125, 3345.12, 4121.12, 4121.121, 4121.123, 4121.126, 4121.128, 4121.37, 4121.441, 4121.48, 4121.61, 4121.67, 4121.70, 4123.123, 4123.125, 4123.25, 4123.311, 4123.44, 4123.442, 4123.50, 4123.511, 4123.66, 4127.07, 4131.04, 4131.14, 4167.02, 4167.07, 4167.08, 4167.11, 4167.14

R.C. 4121.125, 3345.12, 4121.12, 4121.121, 4121.123, 4121.126, 4121.128, 4121.37, 4121.441, 4121.48, 4121.61, 4121.67, 4121.70, 4123.123, 4123.125, 4123.25, 4123.311, 4123.44, 4123.442, 4123.50, 4123.511, 4123.66, 4127.07, 4131.04, 4131.14, 4167.02, 4167.07, 4167.08, 4167.11, 4167.14

Transfers duties and responsibilities currently carried out by the Workers' Compensation Oversight Commission to the Board of Directors, including:

- (1) Establish the investment policy for the funds specified in the Workers' Compensation Law (developed by the Investment Committee);
- (2) Contract with actuarial firms to perform audits as deemed necessary (requires recommendations of the Actuarial Committee);
- (3) Have an independent auditor conduct a fiduciary performance audit of the BWC investment program and the investment policy;
- (4) Establish the fee for applications for a temporary variance from a Public Employment Risk Reduction Program standard;
- (5) Review progress of the BWC in meeting cost and quality objectives and in compliance with the Workers' Compensation Law;
- (6) Issue an annual report on the cost and quality objectives of the BWC to the President of the Senate, the Speaker of the House, and the Governor;
- (7) Review all independent financial audits of the BWC;
- (8) Study issues as requested by the Administrator or the Governor;

Same as the Executive.

**As Introduced (Executive)****As Passed by the House**

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- (9) Review and publish the investment policy no less than annually and make copies available to interested parties;
- (10) Prohibit, on a prospective basis, any specific investment it finds contrary to the investment policy;
- (11) Vote to open each investment class and allow investment in a class only if the Board has approved it;
- (12) Adopt rules establishing due diligence standards for BWC employees to follow when investing in an investment class and establish policies and procedures for review and monitoring the performance and value of each investment class;
- (13) Submit an annual report on the performance and value of each investment class to the Governor, the President and Minority Leader of the Senate, and the Speaker and Minority Leader of the House; and
- (14) Advise and consent on specified rules and provisions the Administrator adopts regarding programs and functions of the BWC or the Administrator, including:
- (A) The Health Partnership Program and Qualified Health Plan System;
  - (B) Loans from the Long-Term Care Loan Fund and transfers from the Safety and Hygiene Fund to the Long-Term Care Loan Fund;
  - (C) Rehabilitation programs;
  - (D) Specification of acts or omissions that constitute a violation of the prohibition against misrepresenting payroll and the penalties for such violations;
  - (E) Utilization of direct deposit;
  - (F) Treatment of employers who violate the prohibition against causing an employer to fail to pay the employer's premium or assessment when due;
  - (G) Identification of medical records that have an historical record being allowed whenever included in a claim;

**As Introduced (Executive)****As Passed by the House**

(H) Furnishing medical, nurse, and hospital service and medicine to injured employees;

(I) Employment of persons who are blind and the inspection of their places of employment;

(J) Requirement of a professional employer organization to provide security in the form of a bond or a line of credit assignable to BWC; and

(K) Declining to adopt a federal Occupational Health and Safety Administration rule for the Public Employment Risk Reduction Program and adopting emergency standards.

(L) Employing the Superintendent of the Division of Safety and Hygiene and directing the Superintendent and Division employees in conducting investigations regarding preventing industrial accidents and promoting safe practices;

(M) Adopting rules, taking measures, and making expenditures to aid claimants to return to work or assist in lessening or removing any resulting handicap;

(N) Adjusting the rate of disbursements from the Public Work-Relief Employees' Compensation Fund; and

(O) Determining when premiums for the Marine Industry Fund and the Coal Workers' Pneumoconiosis Fund must be paid.

## As Introduced (Executive)

## As Passed by the House

**(CD-858-BWC) Failure to Pay Premiums or Assessments****R.C. 4121.321, 4121.32**

Requires the Administrator of Workers' Compensation, with the advice and consent of the Board of Directors, to adopt a rule specifying that an employer is covered under the Workers' Compensation Law if the employer pays its premium and premium security deposit when due, and requires employers to pay administrative assessments and other obligations under the law. Specifies that employers may be subject to a penalty, including a late fee penalty, for nonpayment of premium.

Requires the Administrator, with the advice and consent of the Board of Directors, to adopt rules that permit the Administrator, in addition to any other remedies permitted under the Workers' Compensation Law, to discontinue coverage of an employer other than the state, a state university or college, or a state hospital if the employer fails to pay the employer's premium to the Administrator on or before its due date. Requires the Administrator, with the advice and consent of the Board, to adopt a rule specifying that if after a final adjudication it is determined that an employer has failed to pay an obligation, billing, account, or assessment greater than \$1,000 on or before its due date, the Administrator may discontinue the employer's coverage in addition to any other remedies permitted in the Workers' Compensation Law.

**R.C. 4121.321, 4121.32**

Same as the Executive, but adds the requirement that the administrator shall not discontinue an employer's coverage prior to a final adjudication regarding the employee's failure to pay obligations, billings, accounts, or assessments on or before its due date.

## As Introduced (Executive)

## As Passed by the House

**(CD-918-BWC) Hospitals in Long-Term Care Loan Fund**

No provision.

**R.C. 4121.48**

Adds hospitals as eligible recipients of funds under the Long-Term Care Loan Fund Program.

**Fiscal effect: Potentially increases expenditures from the Long-Term Care Loan Fund.**

**(CD-860-BWC) Labor-Management Advisory Council**

**R.C. 4121.70**

Requires the Labor-Management Advisory Council to advise the Board of Directors (instead of the Oversight Commission) and the Administrator of Workers' Compensation on the quality and effectiveness of rehabilitation services and make recommendations pertaining to the BWC's rehabilitation program and the operations of the program.

**R.C. 4121.70**

Same as the Executive.

## As Introduced (Executive)

## As Passed by the House

**(CD-885-BWC) Workers' Compensation Council**

No provision.

**R.C. 4121.75, 111.15, 4121.03, 4121.12. 4121.1: 4121.125, 4121.32**

(1) Creates the Workers' Compensation Council, to consist of the following:

- Three members of the Senate, appointed by the President of the Senate, not more than two of whom may be from the same party;
- Three members of the House, appointed by the Speaker of the House, not more than two of whom may be from the same party;
- Three members jointly appointed by the President and the Speaker, not more than two of whom may be members of the same party, one of whom shall represent employers, one of whom shall represent employees, and one of whom has received compensation or benefits under the Workers' Compensation Law or is an attorney who represents such employees, and at least one of whom shall have investment expertise; and
- The chair of the Industrial Commission and Administrator of Workers' Compensation as nonvoting ex officio members.

No provision.

(2) Requires meetings of the Council to be called subject to rules adopted by the Council. Specifies that a majority of the members constitutes a quorum and that the Council shall vote to select a chairperson and vice-chairperson, to rotate between members of the two legislative houses, and any other officers deemed necessary. Requires the Council to establish offices in Columbus separate from those of the BWC and Industrial Commission. Requires members to take an oath of office. Prohibits members from receiving compensation, but permits reimbursement

## As Introduced (Executive)

## As Passed by the House

No provision.

to non-legislative and non-ex officio members of the Council for expenses incurred in performing official duties.

(3) Specifies permitted duties of the Council as:

- Appointing a staff director;
- Appointing professional, technical, and clerical employees as necessary, as well as employees or consultants for actuarial, legal, investment, or other technical services;
- Fix the compensation of the director and other employees;
- Require members of the Industrial Commission, BWC Board of Directors and working committees, Administrator of Workers' Compensation, and BWC and IC employees to provide any necessary information to the Council for performing its duties;
- Administer oaths and hold public hearings;
- Establish regular reporting requirements for reports required to be submitted to the Council;
- Request that the Auditor of State perform or contract for a financial or special audit of the BWC; and
- Request that the Auditor of State perform or contract for a special or fiduciary audit of the workers' compensation system.

No provision.

(4) Specifies required duties of the Council as:

- Review the Workers' Compensation Law and recommend changes to the General Assembly;
- Report annually to the Governor and General Assembly on the operations of the BWC and IC and the funds administered by them;
- Study changes to the Workers' Compensation Law proposed by the General Assembly and report on probable costs, actuarial implications, and desirability;
- Review the BWC investment policy;

## As Introduced (Executive)

No provision.

## As Passed by the House

- Summarize findings for the investment policy review and report to the General Assembly and Governor;
- Review all financial, actuarial, and fiduciary audits on funds under the Workers' Compensation Law and the actuarial policies of the BWC;
- Contract with an independent actuary at least once every ten years for an actuarial review of actuarial valuations and investigations prepared by the BWC Board of Directors;
- Submit to the Governor and General Assembly a report on the actuarial review;
- Contract with an independent auditor at least once every ten years for a fiduciary performance audit of the workers' compensation system; and
- Review proposed rules submitted to the Council and submit recommendations to the Joint Committee on Agency Rule Review.

(5) Requires any compensation paid to employees of the Council and other expenses of the Council to be approved by the director and chairperson of the Council and paid by the Administrator of Workers' Compensation.

Requires the Council to establish competitive purchasing practices for goods and services.

**Fiscal effect: Potentially increases administrative expenses of the Bureau of Workers' Compensation in order to pay the costs of staffing the Workers' Compensation Council.**

As Introduced (Executive)

As Passed by the House

(CD-853-BWC) Transfer of Duties from the Administrator of Workers' Compensation to the Board of Directors

R.C. 4123.29, 119.01, 1707.01, 4121.123, 4123.025, 4123.291, 4123.32, 4123.34, 4123.341, 4123.342, 4123.35, 4123.351, 4123.39, 4123.40, 4123.41, 4123.411, 4123.419, 4123.441, 4123.47, 4123.512, 4123.57, 4123.65, 4123.66, 4123.75, 4123.4127.07, 4131.04, 4131.13, 4131.14

R.C. 4123.29, 119.01, 1707.01, 4121.123, 4123.025, 4123.291, 4123.32, 4123.34, 4123.341, 4123.342, 4123.35, 4123.351, 4123.39, 4123.40, 4123.41, 4123.411, 4123.419, 4123.441, 4123.47, 4123.512, 4123.57, 4123.65, 4123.66, 4123.75, 4123.4127.07, 4131.04, 4131.13, 4131.14

Transfers certain duties and responsibilities currently carried out by the Administrator of Workers' Compensation, some of which are currently performed with the advice and consent of the Workers' Compensation Oversight Commission, to the Board of Directors, including:

- (1) Safeguarding and maintaining the solvency of the State Insurance Fund;
- (2) Classifying occupations and industries for the purpose of determining employer premium rates;
- (3) Fixing premium rates based upon the classes of occupation and industry (requires recommendations of the Actuarial Committee);
- (4) Revising basic employer premium rates and adopting rules governing rate revision (requires recommendations of the Actuarial Committee);
- (5) Adopting rules to establish employer premium security deposits (requires recommendations of the Actuarial Committee);
- (6) Classifying the state and its departments, agencies, and instrumentalities to determine public employer contributions to the State Insurance Fund (requires recommendations of the Actuarial Committee);
- (7) Establishing the total amount of contributions made to the State Insurance Fund by the state and counties within the state (requires recommendations of the Actuarial

Makes the Board co-responsible with the Administrator to maintain the solvency of the Workers' Compensation Fund.

Restores the following duties to the Administrator as under current law:

- (6) Classifying the state and its departments, agencies, and instrumentalities to determine public employer contributions to the State Insurance Fund;
- (7) Establishing the total amount of contributions made to the State Insurance Fund by the state and counties within the state;
- (8) Establishing self-insuring employer assessment rates;
- (9) Establishing the total assessment allocation for the administrative costs of the Board of Directors, BWC, and Industrial Commission;
- (11) Transferring money from the State Insurance Fund to the Surplus Fund and maintaining the Surplus Fund;
- (12) Establishing and transferring funds into the Premium Security Fund;
- (13) Establishing contribution rates for the Self-Insuring Employer Guaranty Fund;
- (18) Granting a premium discount to employers who have certain safety programs;
- (21) Adopting rules regarding successor employer liability;

**As Introduced (Executive)**

- Committee);
- (8) Establishing self-insuring employer assessment rates;
- (9) Establishing the total assessment allocation for the administrative costs of the Board of Directors, BWC, and Industrial Commission (requires recommendations of the Actuarial Committee);
- (10) Establishing the Disabled Worker Relief Fund assessment rate and the amount of annual contributions from employers (requires recommendations of the Actuarial Committee);
- (11) Transferring money from the State Insurance Fund to the Surplus Fund and maintaining the Surplus Fund (requires recommendations of the Actuarial Committee);
- (12) Establishing and transferring funds into the Premium Security Fund;
- (13) Establishing contribution rates for the Self-Insuring Employer Guaranty Fund (requires recommendations of the Actuarial Committee);
- (14) Establishing alternative premium plans, including retrospective rating, group rating, and the one-claim program (requires recommendations of the Actuarial Committee);
- (15) Electing to adopt rules to grant a discount to employers who pay their semiannual premium at least one month before it is due (requires recommendations of the Actuarial Committee);
- (16) Adopting rules to provide employer premium rebates and dividends (requires recommendations of the Actuarial Committee);
- (17) Establishing a merit rate system for employer premiums (requires recommendations of the Actuarial Committee);
- (18) Granting a premium discount to employers who have certain safety programs (requires recommendations of the

**As Passed by the House**

- and
- (22) Appointing members of the Adjudicating Committee.
- Restores the following duties to the Administrator requiring the advice and consent of the Board:
- (2) Classifying occupations and industries for the purpose of determining employer premium rates;
- (3) Fixing premium rates based upon the classes of occupation and industry;
- (4) Revising basic employer premium rates and adopting rules governing rate revision;
- (5) Adopting rules to establish employer premium security deposits;
- (10) Establishing the Disabled Worker Relief Fund assessment rate and the amount of annual contributions from employers;
- (14) Establishing alternative premium plans, including retrospective rating, group rating, and the one-claim program;
- (15) Electing to adopt rules to grant a discount to employers who pay their semiannual premium at least one month;
- (16) Adopting rules to provide employer premium rebates and dividends; and
- (17) Establishing a merit rate system for employer premiums.
- Requires the Board of Directors to adopt a rule, based on the recommendations of the Actuarial Committee, providing that there is always a larger-than-necessary surplus in the Workers' Compensation Fund as of the date of any premium rate revision and allowing for the Board to

**As Introduced (Executive)**

Actuarial Committee);  
 (19) Selecting an accounting firm for the annual audit of the funds specified in the Workers' Compensation Law (requires recommendations of the Audit Committee);  
 (20) Electing to purchase reinsurance for the State Insurance Fund and other specified funds;  
 (21) Adopting rules regarding successor employer liability (requires recommendations of the Actuarial Committee);  
 and  
 (22) Appointing members of the Adjudicating Committee (requires recommendations of the Actuarial Committee).

**(CD-876-BWC) Third-Party Administrator Invoice**

No provision.

**As Passed by the House**

return excess surplus to subscribers in the form of cash refunds or premium reductions, regardless of when premium obligations have accrued.

**R.C. 4123.29**

Requires the Administrator, at the time of premium rate revisions, if the premium rate of an employer participating in a group rating plan changes from the rate established for the previous year, to send an invoice to both the employer and to the third-party administrator for the employer's group plan.

**(CD-877-BWC) Sponsoring Organization Applications for Group Rating**

No provision.

**R.C. 4123.29**

Permits organizations sponsoring more than one employer group participating in group rating plans to submit a single application supplying all information for each group of employers the organization wishes to sponsor.

## As Introduced (Executive)

## As Passed by the House

**(CD-878-BWC) Provider Rates for the \$5,000 Medical-Only Program**

No provision.

**R.C. 4123.29**

Requires certified health care providers to extend employers participating in the \$5,000 Medical-Only Program the same rates for services rendered to employees of that employer as the provider bills the Administrator for the same type of medical claim processed by the BWC.

**(CD-856-BWC) Complete Employer Applications for Coverage**

**R.C. 4123.321**

Requires the Administrator of Workers' Compensation, with the advice and consent of the Board of Directors, to adopt a rule requiring all employers to submit applications for workers' compensation coverage that provide all information required for the Administrator to establish coverage, and specifies that the failure of an employer to do so may be grounds for denial of coverage.

**R.C. 4123.321**

Same as the Executive.

**(CD-857-BWC) Public Employer Security Deposit/Premium Payment**

**R.C. 4123.37**

Requires the Administrator of Workers' Compensation, with regard to public employers other than the state, a state university or college, or a state hospital, to follow existing procedures specified for private employers subject to the Workers' Compensation Law with respect to nonpayment of the employer's premium and premium security deposit.

**R.C. 4123.37**

Same as the Executive.

**As Introduced (Executive)****As Passed by the House****(CD-859-BWC) Employer's Experience Rating****R.C. 4123.511, 4123.512**

Requires the Administrator of Workers' Compensation to charge an employer's experience immediately upon the payment of compensation or medical benefits, subject to any adjustment made to the employer's experience upon adjudicatory determination that the claimant was not entitled to compensation or medical benefits.

**R.C. 4123.511, 131.02, 4123.512**

Removes executive provisions and requires that the Administrator charge an employer's experience only after the employer has exhausted all administrative appeals or waived the employer's right to an administrative appeal.

**(CD-917-BWC) Death Benefits Not Charged to Employer's Experience**

No provision.

**R.C. 4123.592**

Specifies that an employer's experience will not be charged if the death of an employee is caused by a third party through no fault of the employee.

Requires the Administrator to submit an annual report to the General Assembly evaluating the actuarial impact of payments under this provision.

**(CD-867-BWC) Holding Account****Section: 201.10**

Requires the Director of Budget and Management, on July 1, 2007, or as soon as possible thereafter, to transfer the remaining cash balance in the Camera Center Fund (Fund R46) to the Workers' Compensation Fund (Fund 023), and abolishes the Camera Center Fund after the transfer.

**Section: 201.10**

Same as the Executive.

**As Introduced (Executive)****As Passed by the House****(CD-862-BWC) Workers' Compensation Fraud Unit****Section: 201.10**

Requires that the Workers' Compensation Section Fund (Fund 195) receive payments from the Bureau of Workers' Compensation at the beginning of each quarter of each fiscal year to fund expenses of the Workers' Compensation Fraud Unit of the Attorney General's Office, and earmarks \$4,444,085 in each fiscal year from appropriation item 855-410, Attorney General Payments, for this purpose.

**Section: 201.10**

Same as the Executive, but decreases the earmark to \$796,346 in each fiscal year.

**(CD-866-BWC) Fund Balance****Section: 201.10**

Requires any unencumbered cash balance in excess of \$45,000,000 in the Workers' Compensation Fund (Fund 023) on June 30 of each fiscal year to be used to reduce the administrative cost rate charged to employers to cover BWC operating appropriations.

**Section: 201.10**

Same as the Executive.

## As Introduced (Executive)

## As Passed by the House

**(CD-854-BWC) Group Rating Audit and Assessment****Section: 201.10**

Requires the Administrator of Workers' Compensation to conduct assessments of the Group Rating Program and permits contracts with outside consultants to perform the assessments. Permits the Administrator to work with the working committees of the Board of Directors and requires the Administrator to provide a summary of the assessments and present recommendations to the Board not later than 90 days after the last initial Board member is appointed.

Requires the Group Rating assessment to include assessments of all of the following:

- (1) The actuarial soundness of the program;
- (2) The impact of the program on all Ohio businesses, participating and nonparticipating;
- (3) The rating equity of the program;
- (4) The impact of the program on the State Insurance Fund; and
- (5) The impact of the program on base rates.

No provision.

As Introduced (Executive)

As Passed by the House

**(CD-868-BWC) Health Partnership Program Audit and Assessment****Section: 201.10**

Requires the Administrator of Workers' Compensation to conduct assessments of the Health Partnership Program (HPP) and permits contracts with outside consultants to perform the assessments. Permits the Administrator to work with the working committees of the Board of Directors and requires the Administrator to provide a summary of the assessments and present recommendations to the Board not later than 90 days after the last initial Board member is appointed.

Requires the HPP assessment to include assessments of all of the following:

- (1) The adequacy and appropriateness of the compensation arrangement between BWC and managed care organizations (MCOs),
- (2) The scope and quality of MCO services,
- (3) The achieved claim cost avoidance, and
- (4) The increased return to work ratios.

No provision.

**As Introduced (Executive)****As Passed by the House****(CD-861-BWC) William Green Lease Payments****Section: 201.10**

Requires appropriation item 855-401, William Green Lease Payments, to be used for lease payments to the Ohio Building Authority to meet all payments at the times they are required to be made during fiscal years 2008 and 2009 under leases and agreements made under chapter 152. of the Revised Code and section 6 of Am. Sub. H.B. 743 of the 118th General Assembly. Specifies that up to \$41,123,100 shall be restricted for lease rental payments to the Ohio Building Authority and provides for additional appropriations to be made as necessary for the purpose of the appropriation item.

Requires all other tenants of the William Green Building not funded by the Workers' Compensation Fund (Fund 023) to pay their fair share of the costs of lease payments into the Workers' Compensation Fund by intrastate transfer voucher.

**Section: 201.10**

Same as the Executive.

**(CD-864-BWC) OSHA On-Site Consultation****Section: 201.10**

Allows the BWC to designate a portion of appropriation item 855-609, Safety and Hygiene Operating, to be used to match federal funding for the federal Occupational and Health Administration's (OSHA) on-site consultation program.

**Section: 201.10**

Same as the Executive.

**As Introduced (Executive)****As Passed by the House****(CD-863-BWC) Safety and Hygiene****Section: 201.10**

Requires the Administrator of Workers' Compensation to transfer moneys from the State Insurance Fund so that appropriation item 855-609, Safety and Hygiene Operating, is provided \$20,734,750 in each fiscal year.

**Section: 201.10**

Same as the Executive.

**(CD-865-BWC) Vocational Rehabilitation****Section: 201.10**

Requires the BWC and the Rehabilitation Services Commission to enter into an interagency agreement for the provision of vocational rehabilitation services and staff to mutually eligible clients. Requires the BWC to provide \$605,407 in each fiscal year from the State Insurance Fund for vocational rehabilitation services and staff in accordance with the interagency agreement.

**Section: 201.10**

Same as the Executive.

**As Introduced (Executive)****As Passed by the House****(CD-869-BWC) Abolish Workers' Compensation Oversight Commission****Section: 512.10**

Prohibits the Governor from appointing any individual who is a member of the Workers' Compensation Oversight Commission on this section's effective date to the BWC Board of Directors.

Abolishes the Oversight Commission on the date the Governor appoints the last member of the Board and requires that the Board supersede the Oversight Commission and its members and assume all duties, powers, and obligations of the Oversight Commission and its members. Specifies that the Board is the legal continuation and successor of the Oversight Commission and specifies that all rules, actions, determinations, commitments, resolutions, decisions, and agreements pertaining to the duties, powers, obligations, functions, and rights in force or in effect on the effective date of this section apply to the Board. Specifies that all references to the Oversight Commission or its members in any provision of the law shall be construed to refer to the Board.

Requires all authorized obligations and supplements of the Oversight Commission to be transferred and made binding on the Board, and specifies that nothing in this act impairs the obligations or rights thereunder or under any contract. Specifies that the abolition of the Oversight Commission and the transfer of its duties shall not affect the validity of agreements or obligations made by the Oversight Commission or its members under any provision of law.

Transfers all real property and interest in the Oversight

**Section: 512.10**

Same as the Executive.

**As Introduced (Executive)****As Passed by the House**

Commission and its duties, powers, obligations, and functions to the Board, including documents, books, money, papers, records, machinery, furnishings, office equipment, furniture, and all other property over which the Oversight Commission has control, and transfers the rights of the Oversight Commission to enforce or receive any of the aforesaid to the Board.

Transfers all appropriations or reappropriations made to the Oversight Commission for the purposes of the performance of its duties, powers, and obligations to the Board to the extent of the remaining unexpended or unencumbered balance, whether allocated or unallocated, and whether obligated or unobligated.

**(CD-870-BWC) Abolish Internal Security Committee****Section:**

Abolishes the Internal Security Committee of the Workers' Compensation System and requires BWC employees who assisted the committee to be transferred to the Office of the Deputy Inspector General for the BWC and Industrial Commission beginning the first pay period after the effective date of section 121.51 of the Revised Code.

**Section: 512.40**

Same as the Executive, but removes the requirement that employees who provided assistance to the Internal Security Committee be transferred to the Deputy Inspector General's Office.

## As Introduced (Executive)

## As Passed by the House

**(CD-883-BWC) Actuarial Valuation**

No provision.

**Section: 512.45**

Requires the Workers' Compensation Council to contract with an independent actuary for an actuarial valuation of the assets, liabilities, and funding requirements of the funds specified in the Workers' Compensation Law. Requires the actuary under contract to report on the valuation in accordance with standards of the Actuarial Standards Board of the American Academy of Actuaries and to submit the report to the Council.

Requires the report to include all of the following:

- A summary of compensation and benefit provisions evaluated;
- A summary of the census data and financial information used in the valuation;
- A description of actuarial assumptions, actuarial cost method, and asset valuation method used; and
- A summary of the findings that includes a statement of the actuarial accrued compensation and benefit liabilities and unfounded actuarial accrued compensation and benefit liabilities.

Requires the Council to submit a report summarizing the valuation to the Governor and General Assembly within two years after the effective date.

## As Introduced (Executive)

## As Passed by the House

**(CD-881-BWC) Review of Premiums and Rating Programs**

No provision.

**Section: 512.50**

Requires the Administrator of Workers' Compensation to commission an outside consulting firm that the BWC has not previously retained in the previous five years to conduct a comprehensive review of the base rate of premiums paid by employers and all of the rating programs used to determine employers' premium rates.

Requires the Administrator, in conducting the review, to:

- Compare rates and programs to those of other states;
- Study the effect of rates in reducing the number and severity of claims in Ohio;
- Study the effect that saving money has had on workplaces in Ohio; and
- Identify rate setting and reserving methods that could make those processes more transparent for employers and employees.

Requires the Administrator to commission an outside consulting firm not retained in the previous five years to perform a comprehensive review of the adequacy of the Surplus Fund.

Requires the Administrator to provide a summary of these reviews and present recommendations to the General Assembly and the BWC Board of Directors within two years after the effective date of this section.

Subjects this section to the referendum, allowing a petition against this section of law.

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**As Introduced (Executive)****As Passed by the House**

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**(CD-879-BWC) Drug Free Workplace Program**

No provision.

**Section: 512.60**

Prohibits the Administrator of Workers' Compensation from placing a limit on how long an employer may participate in the Drug Free Workplace Program unless rules are adopted in accordance with Chapter 119 of the Revised Code for the purpose of establishing such a time limit.

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**(CD-880-BWC) Prohibition on Using MIRA**

No provision.

**Section: 512.70**

Prohibits the Administrator of Workers' Compensation from using the Micro Insurance Reserve Analysis (MIRA) system for determining reserves for use in establishing premium rates after June 30, 2007. Specifies that any contract between the Administrator and a vendor for the system shall expire in accordance with the terms of the contract and that the Administrator shall not renew or extend the contract.

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