

Bureau of Workers' Compensation

OVERVIEW

The Ohio Bureau of Workers' Compensation (BWC) administers the largest exclusive workers' compensation system in the United States, with assets of some \$25.2 billion. 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.

The State Insurance Fund balance for fiscal year 2000 is \$6.4 billion, up from \$5.2 billion in fiscal year 1999. Current annual premium and assessment income from private and public employers throughout the state amounts to \$2.1 billion. Premium payments cover the cost of workers' compensation insurance, while the additional Administrative Cost Fund (ACF) assessments charged to employers support BWC and OIC operations. At the moment, BWC maintains claims reserves of \$13.6 billion to cover future wage loss and medical benefits to injured workers. About two-thirds of Ohio's work force (private, state and local government employers) receive their workers' compensation coverage from BWC. Ohio's remaining workers are insured by employers that qualify to self-insure for workers' compensation; self-insured employers pay into a surety fund with BWC to guarantee against losses.

The Governor appoints the administrator, who in turn is assisted by a nine-member Advisory Commission, comprising representatives from business and labor, as well as legislators. Currently, BWC employs 3,095 people. BWC is organized into six programs consisting of ten functional divisions. There are twenty-one BWC service offices statewide, in addition to the Columbus headquarters.

The executive funding recommendations for the biennium are \$303,582,198 in FY 2002, and \$316,597,161 in FY 2003.

ANALYSIS OF EXECUTIVE PROPOSAL

CLAIMS, RISK, AND MEDICAL MANAGEMENT

Program Series 1

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

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

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

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

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

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

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

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

FRAUD PREVENTION SERVICES

Program Series 2

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

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

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

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

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

Line Items: Fund 023 855-408 Fraud Prevention.

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

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

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

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

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

ACCIDENT PREVENTION

Program Series 3

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

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

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

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

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

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

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

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

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

CAMERA REHABILITATION CENTER *Program Series 4*

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

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

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

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

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

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

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

SPECIAL PURPOSE FUNDS

Program Series 5

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Line Items: Fund 823 855-608 Marine Industry.

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

ADMINISTRATIVE SUPPORT

Program Series 6

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

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

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

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

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

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

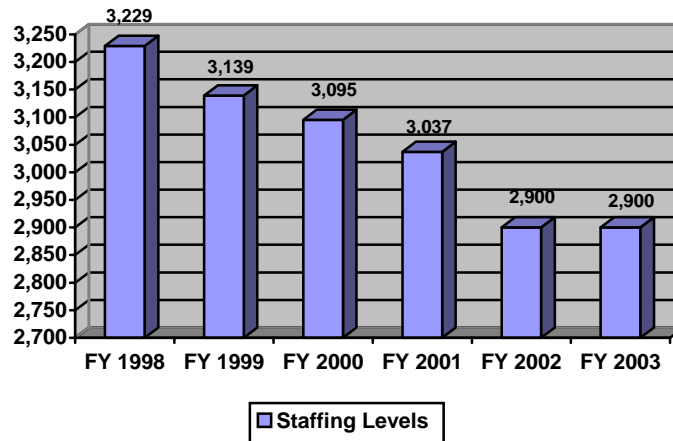
Implication of Recommendation: At the Core Budget level (CBL) recommended, the agency can pay its share of expenses related to the operation of the Attorney General’s Workers’ Compensation Section and make lease payment to OBA for the Bureau’s headquarters in Columbus.

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

ADDITIONAL FACTS AND FIGURES

BWC Overall Staffing Levels, FY 1998-2003

Due to organizational changes made within BWC over the past several years, it is difficult to break down staffing levels by division. This graph illustrates BWC's total staffing levels between FY 1998 and FY 2003, with the numbers for FY 2002 and FY 2003 being estimates. The two charts following this graph break down this overall staffing levels by divisions. Staffing levels decreased from 3,229 in FY 1998, to 3,139 in FY 1999, to 3,095 in FY 2000, to 3,037 in FY 2001, and 2,900 in FY 2002 and FY 2003.



BWC Division Staffing Levels, FY 1998-1999

Program Series/Division	1998	1999
Administrative Areas	129	129
Claims Operations	1,681	1,556
Finance	128	122
Customer Service	83	80
Human Resources	92	86
Investigations	152	166
Legal	80	80
Management Information Systems	258	255
Medical Management, Cost Containment	157	151
Policy and Reporting*	16	19
Risk	154	159
Camera Center	113	137
Safety and Hygiene	176	189
Coal Workers' Pneumoconiosis Fund	1	1
Marine Industry Fund	0	1
DWRF 1 and 2	9	8
Totals	3,229	3,139

Source: BWC Payroll Recap Reports; FY 1999 data current through August 1998. Only estimated total agency staffing levels are available * Policy and Reporting Division created FY 1997.

BWC Division Staffing Levels, FY 2000-2003

Program Series/Division	2000	2001	2002	2003
CEO/Administration	41	44		
Legal	240	235		
Finance	183	182		
Field Operations	1,326	1,368		
Human Resources	46	43		
Information Technology	259	250		
Medical Management	151	153		
Rehabilitation Services	57	46		
Corporate Affairs	108	38		
Employer Operations	430	425		
Policy and Support	254	253		
Totals	3,095	3,037	2,900	2,900

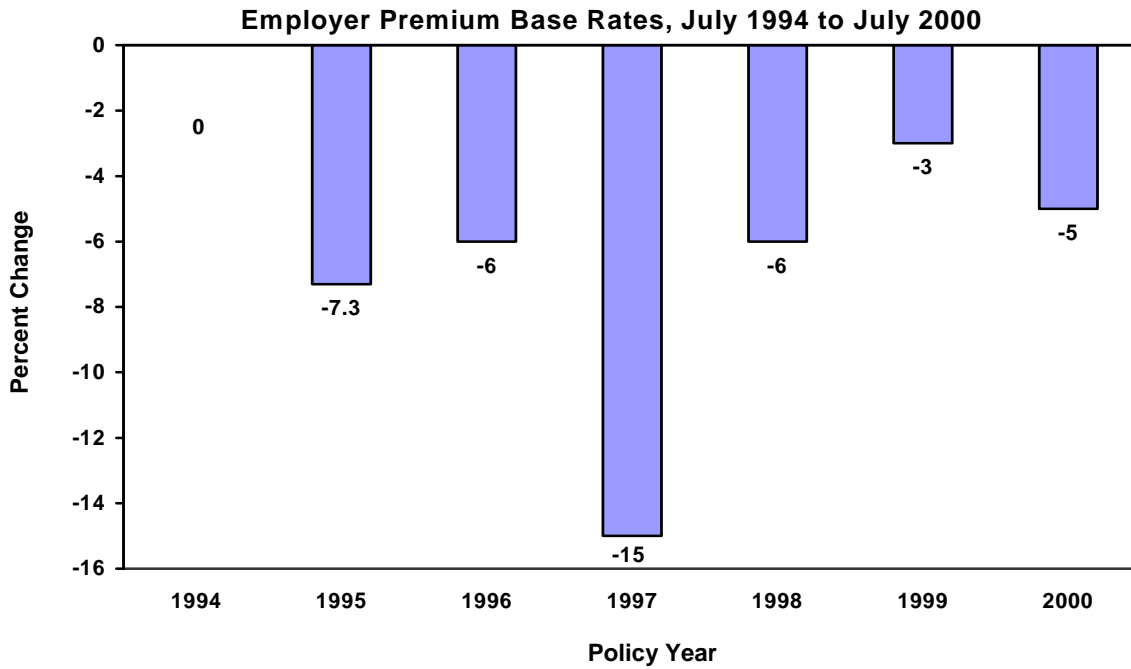
Source: BWC; Only estimated total agency staffing levels are available for FY 2002 and FY 2003.

- BWC has reorganized several times, resulting in the two charts with different staffing breakdowns per division. Some of the reorganization includes a transfer of Training employees from Human Resources to a new department named Policy and Support. Customer Service employees are now a part of the Employer Operations division, formerly known as the Risk division. However, some employees who work in communications used to be considered part of Customer Service but are now placed within Corporate Affairs.
- The table above shows BWC staffing levels by division or program. Staffing levels at BWC have decreased by 6% since 1998. Through an early retirement program and other ongoing strategies, BWC expects the workforce to be further reduced to 2,900 in the next biennium.
- The greatest staffing reductions at BWC have occurred in the claims-processing area. Between FY 1996 and FY 1999, staffing has decreased by 18 percent, from 1,894 to 1,556.

Personal Services Costs vs. Purchased Services Costs, FY 2000-2003

BWC intends to reduce staffing levels to the 2,900 mark by the end of the 2002-2003 biennium. Even with a decrease in staffing levels, BWC still estimates that personal services expenditures, which are devoted to employee compensation and benefits, will go from some \$177.5 million in FY 2000 to an estimated \$195.7 million in FY 2003.

BWC estimates that it will spend some \$25 million on purchased services in FY 2003, a decrease of 17.5 percent over actual FY 2000 spending of \$30.1 million. Agency officials have indicated that many of the agency's projects, including a contract with CARE Systems Corporation to help administer the Health Partnership Program (HPP), required BWC to contract with firms that offer specialized knowledge. Some projects, especially those in the information technology area, were also short-term, and thus BWC deemed it unnecessary to add staff to the agency payroll over the long term. These projects required BWC to hire more consultants in the last biennium than normally needed. For example, spending on purchased services in FY 1998 was \$22.3 million, some 35% less than was spent in FY 2000.

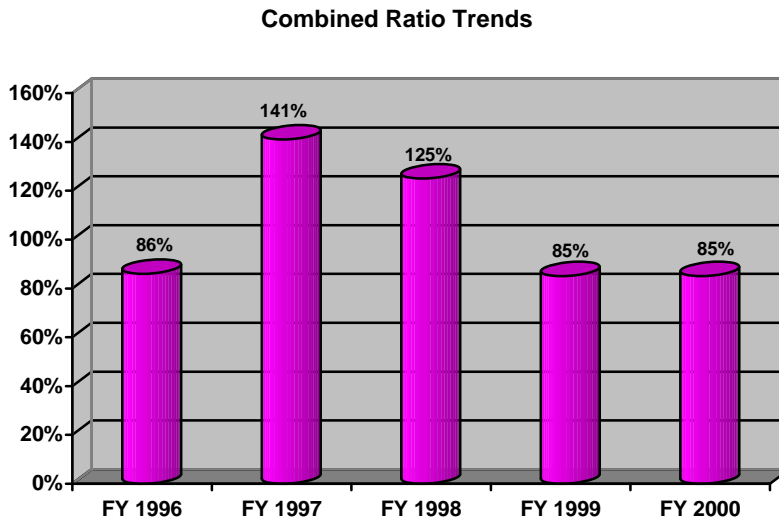


The bar chart above shows the annual percentage change in employer premium rates between 1994 and 2000.

- The good investment climate in recent years has boosted the State Insurance Fund balance from \$3.26 billion in FY 1996 to \$6.45 billion in FY 2000.
- Since 1994, Ohio’s employers have saved more than \$6.2 billion through rebates, dividends, and rate decreases by the Bureau.

BWC Combined Ratio Trends For Fiscal Years 1996-2000

- BWC finished FY 2000 with a combined ratio of 85%. Combined ratio is a formula used by insurance companies to relate their premium income to the expenses of their claims, administration and dividend expenses. It is calculated by dividing the sum of incurred losses and expenses by earned premium. Combined ratio does not take into account investment income. A combined ratio of 85% means that BWC spends 85 cents for claims and administration for each dollar of earned premium. (Source: Rupp's Insurance and Risk Management Glossary).



PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the department's activities during the next biennium. This section analyzes all law changes known to LSC at the time of printing. It is possible that more permanent law changes will be added to the budget bill. If more changes are added, an addendum to this section analyzing those changes will be prepared.

Permanent Law Provisions

Modification of Penalty for Employer Failure to Report Proper Premium (ORC 4123.25)

Currently, an employer that misrepresents to BWC the amount of payroll upon which the workers' compensation premium is to be paid is liable to the state ten times the difference of the premium paid and the premium that should have been paid. The change would require that the employer *knowingly* misrepresent the amount or classification of payroll. The administrator of BWC with the advice and consent of the BWC Oversight Commission shall make rules for the assessment of a fine or penalty against employers for violations of this division *up to* ten times the difference of the premium paid and the premium that should have been paid.

Current law reads that a self-insuring employer that misrepresents the amount of their paid compensation shall be liable to the state in an amount determined by the self-insuring employers evaluation board or ten times the difference between the assessment paid and the amount of the assessment that should have been paid. This change would give the BWC administrator the authority to determine the amount of the employer's liability to the state *up to* ten times the difference between the assessment paid and the assessment that should have been paid.

Due to the inflexibility of the current statute in so far as it requires the penalty to be ten times the difference between the compensation premiums that should have been paid and those actually paid, BWC limits its use. This change will allow BWC some flexibility in the penalty and will therefore most likely be implemented more often.

Permits BWC to Establish Rules to Pay Certain Medical Conditions Without Prejudice (ORC 4123.511)

Current law requires BWC to investigate the facts concerning an injury or occupational disease surrounding any claims. This change would allow the BWC Administrator to establish rules so that certain medical conditions can be determined and paid promptly without medical evidence. If the allowance were to be contested by the employer and disallowed, the medical bills would be charged to and paid from the surplus fund. BWC has identified approximately 175 conditions that may qualify for this change.

Such a change would lead to quicker payments to certain injured workers and less time spent by staff investigating these cases. An unknown number of such cases would be disallowed and therefore slightly impact the surplus fund.

Time Limit for Employer Protests of BWC Decisions to the Adjudicating Committee (ORC 4123.291)

Under current law, there is no time limit for employers wishing to file a request, protest or petition to the adjudicating committee. This change would place a 180-day time limit on employers wishing to file any of the above with the adjudicating committee. The 180-day period would commence from the time the BWC made a determination on any of the six matters specified in ORC Section 4123.291 (B) (1) to (6).

Eliminate the Camera Center Fund Following the Closure of the Facility (ORC 4121.62)

BWC plans to close the BWC Rehabilitation Center before the end of FY 2001. This change will eliminate the fund used to support the Rehab Center.

Eliminate the Occupational Safety Loan Fund (ORC 4121.47, 4121.48, 4121.37)

Under current law, BWC operates an occupational safety loan program. Money received from penalties collected for violations within twenty-four months of an employer's last violation are deposited into the occupational safety loan fund. These fines can be up to \$50,000. Current law also grants authority to the administrator of BWC, with the advice and consent of the oversight commission, to transfer funds from the safety and hygiene fund to the occupational safety loan fund. This change will eliminate the occupational safety loan program and the occupational safety loan fund. Presently, there is \$1.3 million in the fund. It also eliminates the \$50,000 fining authority of a hearing officer for employer violations occurring within twenty-four months of the employer's last violation.

Temporary Law Provisions

Safety and Hygiene

This temporary law provision requires the Administrator to transfer moneys from the State Insurance Fund to insure that Fund 826 855-609 Safety and Hygiene Operating is provided \$18,888,294 in FY 2002 and \$20,130,820 in FY 2003. Safety and Hygiene funds available could fall below this level should premium receipts not match expectations.

Occupational Safety Loan Fund

The administrator of BWC is directed, by no later than January 1, 2002, to transfer the cash balance remaining in the occupational safety loan fund to the safety and hygiene fund. Presently, there is \$1.3 million in the occupational safety loan fund.

Workers' Compensation Fraud Unit Earmark

BWC makes quarterly payments to the Attorney General to offset costs related to the operation of that agency's Workers' Compensation Section, Fund 195, as well as the Workers' Compensation Fraud Unit. This provision stipulates that in FY 2002, BWC will transfer \$751,694 to the Attorney General's Workers' Compensation Fraud Unit from Fund 023 855-410 Attorney General Payments. For FY 2003, the amount is \$773,151.

William Green Lease Payments

This temporary law prescribes the manner in which appropriations in Fund 023 855-401 William Green Lease Payments to OBA are to be expended. Over the biennium, up to \$35,745,400 is available for this purpose.

Camera Center

Appropriation line item 855-611, J.L. Camera Center Rent is not funded. It was used to pay rent for the J. Leonard Camera Rehabilitation Center in Columbus. In the past, appropriation line item 855-612, J.L. Camera Center Operating was used for all other expenses for the Rehabilitation Center. Now, it will be used for expenses related to the closing of the Center. Furthermore, the Director of Budget and Management is to transfer, on January 1, 2002, or as soon thereafter as possible, the cash balance in the Camera Center Fund (Fund 4Y6) to the Administrative Fund (Fund 023). Any encumbrances against appropriation items 865-611 and 855-612, relating to the Camera Center shall be cancelled and reestablished against appropriation line item 855-409, Administrative Services Fund.

Vocational Rehabilitation

BWC enters into an interagency agreement with the Rehabilitation Services Commission for the provision of vocational rehabilitation services and staff for mutually eligible clients. For this purpose, BWC shall provide from the State Insurance Fund \$554,033 in FY 2002 and \$570,654 in FY 2003.

REQUESTS NOT FUNDED

The executive budget recommendation fully funds all six program series included in BWC's FY 2002-2003 budget request. Total recommended appropriations are \$303,582,198 for FY 2002, and \$316,597,161 for FY 2003.

Workers' Compensation Fund Group

023 855-100 Personal Services

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$263,171	\$0	\$0	\$0	\$0	\$0
	-100.0%	N/A	N/A	N/A	N/A

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: ORC 4121.12 and 4121.37

Purpose: Until FY1998 this line item was used to pay personal services costs agency-wide. For FY1998 and FY1999, personal services funding for four major programs are included in separate operating expenses line items. Programs appropriated funds in this manner are: 1) Claims, Risk, and Medical Management; 2) Fraud Prevention; 3) Administrative Services; and 4) Attorney General Payments.

023 855-200 Maintenance

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$244,855	\$0	\$0	\$0	\$0	\$0
	-100.0%	N/A	N/A	N/A	N/A

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: ORC 4121.12 and 4121.37

Purpose: Until FY1998 this line item was used to pay maintenance costs for programs agency-wide. For FY1998-FY1999, maintenance funding for four of the agency's major programs are included in separate operating expenses accounts. These programs are: 1) Claims, Risk, and Medical Management; 2) Fraud Prevention; 3) Administrative Services; and 4) Attorney General Payments.

023 855-300 Equipment

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$519,756	\$0	\$0	\$0	\$0	\$0
	-100.0%	N/A	N/A	N/A	N/A

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: ORC 4121.12 and 4121.37

Purpose: This line item was used to pay equipment costs. For FY1998-FY1999, equipment funding for four major programs are contained in separate operating expenses line items. These programs are: 1) Claims, Risk, and Medical Management; 2) Fraud Prevention; 3) Administrative Services; and 4) Attorney General Payments. 855-300 Equipment no longer exists.

023 855-401 William Greene Lease Payments

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$14,048,605	\$14,802,729	\$15,658,929	\$16,914,613	\$17,570,700	\$18,174,700
	5.4%	5.8%	8.0%	3.9%	3.4%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: 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 buy the building from BWC. Appropriations are also used to make lease payments to the Ohio Building Authority.

023 855-407 Claims, Risk, & Medical Mgt.

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$119,689,778	\$108,794,081	\$121,609,029	\$123,976,161	\$133,919,528	\$141,539,537
	-9.1%	11.8%	1.9%	8.0%	5.7%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: originally established by Am. Sub. H.B. 363 of the 122nd G.A., the BWC budget act for FY 1998-FY1999

Purpose: The line item funds the personnel, maintenance, and equipment costs for BWC's Claims, Risk, and Medical Management program.

023 855-408 Fraud Prevention

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$7,698,103	\$8,681,536	\$9,980,587	\$9,733,674	\$10,698,376	\$11,713,797
	12.8%	15.0%	-2.5%	9.9%	9.5%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: originally established by Am. Sub. H.B. 363 of the 122nd G.A., the BWC budget act for FY 1998-FY1999

Purpose: This line item funds the personnel, maintenance, and equipment costs associated with BWC's Fraud Prevention program.

023 855-409 Administrative Services

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$104,347,541	\$111,875,204	\$111,226,257	\$109,171,402	\$117,121,527	\$119,884,053
	7.2%	-0.6%	-1.8%	7.3%	2.4%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: originally established by Am. Sub. H.B. 363 of the 122nd G.A., the BWC budget act for FY1998-FY1999

Purpose: This operating expenses line item funds the personnel, maintenance, and equipment costs associated with BWC's Administrative Services program.

023 855-410 Attorney General Payments

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$3,066,832	\$3,227,422	\$3,690,907	\$3,774,563	\$4,078,273	\$4,314,644
	5.2%	14.4%	2.3%	8.0%	5.8%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: originally established by Am. Sub. H.B. 363 of the 122nd G.A, the BWC budget act for FY1998-FY1999

Purpose: This line item funds BWC'S 50 percent share of the operating costs of the Attorney General's Workers' Compensation Unit, which include expenses related to workers' compensation fraud investigation. The Ohio Industrial Commission funds the remaining 50 percent of attorneys' costs. Both agencies make these payments at the beginning of each quarter of the fiscal year.

4Y6 855-611 J.L. Camera Center-Rent

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$146,666	\$494,028	\$247,014	\$1,000,000	\$0	\$0
	236.8%	-50.0%	304.8%	-100.0%	N/A

Source: WCF: fees charged for medical and rehabilitation services provided by doctors at the Center

Legal Basis: ORC 4121.62(E)

Purpose: This line was used to make rental payments for the BWC Rehabilitation Center in Columbus. Operating payments are funded through a separate account, 855-612 J.L. Camera Center-Operating.

4Y6 855-612 J.L. Camera Center-Operating

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$6,363,959	\$8,114,661	\$7,392,735	\$3,600,000	\$500,000	\$0
	27.5%	-8.9%	-51.3%	-86.1%	-100.0%

Source: WCF: fees charged for medical and rehabilitation services provided by doctors at the Center

Legal Basis: ORC 4121.62(E)

Purpose: This line item was used for operating funds for the BWC Rehabilitation Center in Columbus. The Rehabilitation Center will close before the end of FY 2001 and the funds will be used for expenses associated with the closing of the center. Rental payments were funded through a separate account, 855-611 J. L. Camera Center-Rent.

822 855-606 Coal Workers Fund

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$67,680	\$64,533	\$74,251	\$78,597	\$86,465	\$91,894
	-4.6%	15.1%	5.9%	10.0%	6.3%

Source: WCF: additional premiums charged to coal mine operators

Legal Basis: ORC 4131.03

Purpose: This line item pays the administrative costs of the Coal Workers' Pneumoconiosis Fund 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

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$39,879	\$41,641	\$45,757	\$47,654	\$50,755	\$53,952
	4.4%	9.9%	4.1%	6.5%	6.3%

Source: WCF: premiums collected from marine industry employers

Legal Basis: ORC 4131.03

Purpose: This line item provides funding for the administrative costs of the Marine Industry Fund in the custody of the Treasurer of State. The fund provides benefits as prescribed by the Longshoremens' Harbor Workers' Compensation Act Amendments of 1972.

825 855-605 Disabled Workers Relief Fund

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$608,299	\$572,353	\$582,256	\$689,059	\$668,280	\$693,764
	-5.9%	1.7%	18.3%	-3.0%	3.8%

Source: WCF: employer assessments paid to the Disabled Workers' Relief Fund

Legal Basis: ORC 4123.412

Purpose: This line item is used to pay payroll and operating expenses of the fund, as well as those costs related to providing the benefits. The Fund is in the custody of the Treasurer of State. DWRF assessments are calculated at \$0.10 per \$100 payroll and .01 percent 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

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$16,445,727	\$16,082,126	\$17,720,519	\$18,491,102	\$18,888,294	\$20,130,820
	-2.2%	10.2%	4.3%	2.1%	6.6%

Source: WCF: Safety and Hygiene Fund assessments charged to employers

Legal Basis: ORC 4121.37

Purpose: This line item provides all operating funds for the Division of Safety and Hygiene. This fee, which is in addition to the employers' premium assessment, was once statutorily limited to an additional .5 percent of total premium for private employers and .75 percent of total premiums for state and local government employers. Am. Sub. H.B. 180 of the 123rd G.A., the BWC budget act for FY 2000-FY2001, increased the private employer assessment rate to 1 percent of paid premium.

826 855-610 GEAR PROGRAM

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$7,471,989	\$8,000,000	\$0	\$0
	N/A	N/A	7.1%	-100.0%	N/A

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Originally established by Am. Sub. H.B. 107 of the 120th G.A.

Purpose: This line item funds BWC's Safety Grants program. These grants go to employers to help them implement safety programs within their business. BWC will request appropriation authority through Controlling Board when appropriate requests are received from employers.

Holding Account Redistribution Fund Group

R46 855-602 Camera Center Services

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$120,453	\$101,776	\$259,620	\$350,000	\$0	\$0
	-15.5%	155.1%	34.8%	-100.0%	N/A

Source: 090: fees for managing the accounts of physicians contracted by BWC

Legal Basis: Authorized by Controlling Board action every fiscal year since FY 1997

Purpose: BWC provides billing and collection services for health care providers who are based at the Rehabilitation Center. In exchange, the Center collects a service fee from each of these providers and deposits the revenue in this fund. The fund is set by Controlling Board approval every fiscal year. The Rehabilitation Center will be closed before the end of FY 2001.

LSC Budget Spreadsheet by Line Item, FY 2002 - FY 2003

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2000</i>	<i>Estimated 2001</i>	<i>Executive 2002</i>	<i>% Change 2001 to 2002</i>	<i>Executive 2003</i>	<i>% Change 2002 to 2003</i>
<i>BWC Bureau of Workers' Compensation</i>								
023	855-401	William Greene Lease Payments	\$ 15,658,929	\$16,914,613	\$ 17,570,700	3.9%	\$ 18,174,700	3.4%
023	855-407	Claims, Risk, & Medical Mgt.	\$ 121,609,029	\$123,976,161	\$ 133,919,528	8.0%	\$ 141,539,537	5.7%
023	855-408	Fraud Prevention	\$ 9,980,587	\$9,733,674	\$ 10,698,376	9.9%	\$ 11,713,797	9.5%
023	855-409	Administrative Services	\$ 111,226,257	\$109,171,402	\$ 117,121,527	7.3%	\$ 119,884,053	2.4%
023	855-410	Attorney General Payments	\$ 3,690,907	\$3,774,563	\$ 4,078,273	8.0%	\$ 4,314,644	5.8%
4Y6	855-611	J.L. Camera Center-Rent	\$ 247,014	\$1,000,000	\$ 0	-100.0%	\$ 0	N/A
4Y6	855-612	J.L. Camera Center-Operating	\$ 7,392,735	\$3,600,000	\$ 500,000	-86.1%	\$ 0	-100.0%
822	855-606	Coal Workers Fund	\$ 74,251	\$78,597	\$ 86,465	10.0%	\$ 91,894	6.3%
823	855-608	Marine Industry	\$ 45,757	\$47,654	\$ 50,755	6.5%	\$ 53,952	6.3%
825	855-605	Disabled Workers Relief Fund	\$ 582,256	\$689,059	\$ 668,280	-3.0%	\$ 693,764	3.8%
826	855-609	Safety & Hygiene Operating	\$ 17,720,519	\$18,491,102	\$ 18,888,294	2.1%	\$ 20,130,820	6.6%
826	855-610	GEAR PROGRAM	\$ 7,471,989	\$8,000,000	\$ 0	-100.0%	\$ 0	N/A
Workers' Compensation Fund Group Total			\$ 295,700,230	\$ 295,476,825	\$ 303,582,198	2.7%	\$ 316,597,161	4.3%
R46	855-602	Camera Center Services	\$ 259,620	\$350,000	\$ 0	-100.0%	\$ 0	N/A
Holding Account Redistribution Fund Group Total			\$ 259,620	\$ 350,000	\$ 0	-100.0%	\$ 0	N/A
<i>Total All Budget Fund Groups</i>			\$ 295,959,850	\$ 295,826,825	\$ 303,582,198	2.6%	\$ 316,597,161	4.3%

Ohio Industrial Commission

OVERVIEW

The Ohio Industrial Commission (OIC) hears worker and employer appeals of workers' compensation claims decisions made by the Bureau of Workers' Compensation (BWC). Disputed claims typically involve conflicts over medical decisions or lost time benefits. OIC operations as well as those of BWC are funded through an Administrative Cost Fund (ACF) assessment that is added to employers' workers compensation premiums. Neither OIC nor BWC receives general revenue funds.

The Commission's hearing process comprises three levels of adjudication. Claimants or employers first make appeals before district hearing officers. Second-level appeals are conducted by staff hearing officers. District and staff level hearings take place at OIC offices located throughout the state, and must occur within 52 days after a claimant or employer files an appeal with the Commission. The three-member panel of commissioners in Columbus hears unresolved cases that members believe warrant further consideration.

Between years 1996 and 2000, hearings conducted at all levels declined from 231,733 to 184,000, a twenty percent decline. Since 1996, total staffing levels at the Commission have fallen from 643 in 1996 to 571 presently. This decline was realized in part because of attrition, and also because the OIC was no longer required to retain staff at all BWC service centers.

The executive funding recommendation for the 2002-2003 biennium is \$56,980,710 in FY 2002 and \$59,999,383 in FY 2003.

ANALYSIS OF EXECUTIVE PROPOSAL

OHIO INDUSTRIAL COMMISSION

Program Series 1

Purpose The Ohio Industrial Commission strives to adjudicate disputed workers’ compensation claims in an expedient, fair, and impartial manner. Hearings take place in the agency’s sixteen offices statewide, as well its headquarters in Columbus.

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

Fund	ALI	Title	FY 2002	FY 2003
023	845-321	Operating Expenses	\$48,397,439	\$51,055,568
023	845-402	Rent-William Green Building	\$5,165,116	\$5,331,698
023	845-410	Attorney General Payments	\$3,264,855	\$3,454,984
821	845-605	Service Account	\$153,300	\$157,133
Total funding: OHIO INDUSTRIAL COMMISSION			\$56,980,710	\$59,999,383

INDUSTRIAL COMMISSION *Program Description:* All funding for the agency is directed toward adjudicating workers’ compensation claims disputes and administering the hearing process at all three levels of the Commission.

Funding Source: Line items within the 023 fund group are supported by Administrative Cost Fund (ACF) assessments that the Bureau of Workers’ Compensation charges state-insured employers. ACF assessment revenue is shared proportionately between BWC and the OIC. Fund 821 is supported by conference income, as well as income received from coin copiers and the sale of publications.

Line Items: Fund 023 845-321 Operating Expenses; 023 845-402 Rent-William Green Building; 023 845-410 Attorney General Payments; Fund 821 845-605 Service Account.

Implication of Recommendation: At the recommended funding level, OIC will have sufficient funding to continue its current level of service. Due to OIC’s reduced need for personnel, a small adjustment in Core Budget Level (CBL) was made between the line item for rent at the William Green Building and Personal Services in the Operating Expenses line.

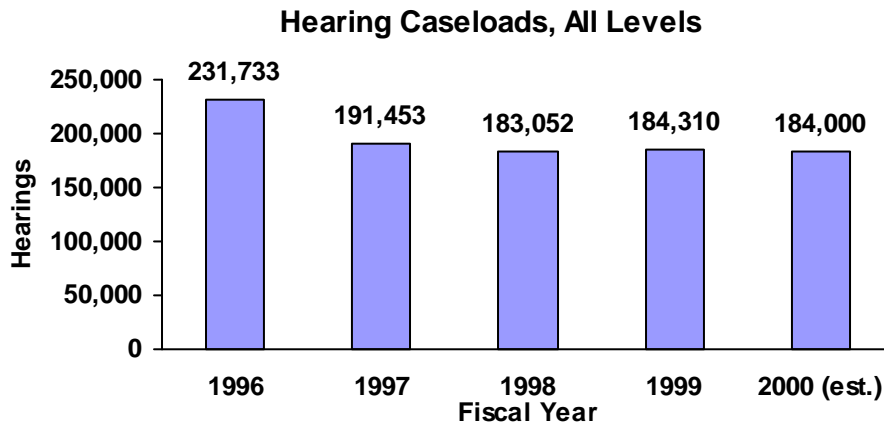
ADDITIONAL FACTS AND FIGURES

Industrial Commission Staffing Levels, Calendar Years 1998 to 2003

Program Series/Division	1998	1999	2000	2001	2002*	2003*
Industrial Commission	591	587	571	587	500-570	500-570
Totals	591	587	571	571	500-570	500-570

Source: OIC. *Estimated figures

Hearing Caseloads, 1996 to 2000



- According to Industrial Commission data, the total number of hearings held between 1996 and 2000 has dropped from 231,733 to an estimated 184,000, a 20.6 percent decrease in workload. This accounts for hearings at the: 1) District Hearing Officer (DHO); 2) Staff Hearing Officer (SHO); and 3) Commission levels.
- OIC has a mandate to hear claims and issue an order at the District level within 52 days. If this decision is appealed, OIC has another 52 days to conduct the second level hearing and issue an order. In the last four quarters (4th quarter of 1999 through 3rd quarter of 2000), OIC compiled a 94% compliance rate at the District Hearing Officer level and a 92% compliance rate at the Staff Hearing Officer level.
- Monthly case backlogs declined from a range of 38,000 to 53,000 in FY 1995, to a range of 28,000 to 29,100 in FY 1998. Currently, OIC has no backlog of claims.

Imaging Process Model

The Ohio Industrial Commission is considering an imaging process system modeled after an imaging process system implemented by the New York State Workers' Compensation Board (NYS Board). This program will take several years to implement. The system would be paperless and allow for greater flexibility among OIC hearing officers. The system would replace paper-filled files and be immediately accessible to hearing officers throughout the state without the requirement of transporting paper files to the proper destination. OIC will work in conjunction with the Bureau of Workers' Compensation to ensure that the system will be compatible with BWC technology.

PERMANENT AND TEMPORARY LAW

The executive budget contains no proposed changes in permanent law or temporary law related to the operations of the Industrial Commission.

REQUESTS NOT FUNDED

All OIC requests were fully funded. The executive recommendation calls for FY 2002 appropriations of \$56,980,710, and FY 2003 appropriations of \$59,999,383.

Workers' Compensation Fund Group

023 845-321 Operating Expenses

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$36,543,093	\$38,750,234	\$40,216,494	\$45,040,356	\$48,397,439	\$51,055,568
	6.0%	3.8%	12.0%	7.5%	5.5%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: originally established by Am. Sub. H.B. 362, the OIC budget act for FY1998-FY1999

Purpose: This new line item funds personal services, maintenance, and equipment costs involved with Commission operations. The combined account replaces the previous 100 Personal Services, 200 Maintenance, and 300 Equipment accounts.

023 845-402 Rent-William Green Building

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$4,218,885	\$4,386,886	\$4,591,819	\$4,982,679	\$5,165,116	\$5,331,698
	4.0%	4.7%	8.5%	3.7%	3.2%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: ORC 4123.443

Purpose: This account is used to pay rental costs for the Commission's offices at the William Green Building.

023 845-410 Attorney General Payments

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$2,358,762	\$2,551,421	\$2,955,394	\$3,020,270	\$3,264,855	\$3,454,984
	8.2%	15.8%	2.2%	8.1%	5.8%

Source: WCF: Administrative Cost Fund assessments charged to employers

Legal Basis: ORC 4123.92

Purpose: This line item funds 50 percent of the costs related to legal costs of the Attorney General's Workers' Compensation unit. BWC pays the remaining portion. Both agencies make these payments to the Attorney General at the beginning of each quarter of the fiscal year. Previously the Commission had paid these costs from the 845-200 Maintenance account.

Ohio Industrial Commission - Catalog of Budget Line Items

821 845-605 Service Account

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$91,243	\$33,817	\$86,309	\$150,000	\$153,300	\$157,133
	-62.9%	155.2%	73.8%	2.2%	2.5%

Source: WCF: revenues from coin copiers, pay telephones, publications sold, and income from conferences

Legal Basis: ORC 4121.03 and 131.32

Purpose: This line item pays for expenses related to photocopiers, replacement of office equipment and furniture, and conferences sponsored by the Commission.

LSC Budget Spreadsheet by Line Item, FY 2002 - FY 2003

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2000</i>	<i>Estimated 2001</i>	<i>Executive 2002</i>	<i>% Change 2001 to 2002</i>	<i>Executive 2003</i>	<i>% Change 2002 to 2003</i>
<i>OIC Ohio Industrial Commission</i>								
023	845-321	Operating Expenses	\$ 40,216,494	\$45,040,356	\$ 48,397,439	7.5%	\$ 51,055,568	5.5%
023	845-402	Rent-William Green Building	\$ 4,591,819	\$4,982,679	\$ 5,165,116	3.7%	\$ 5,331,698	3.2%
023	845-410	Attorney General Payments	\$ 2,955,394	\$3,020,270	\$ 3,264,855	8.1%	\$ 3,454,984	5.8%
821	845-605	Service Account	\$ 86,309	\$150,000	\$ 153,300	2.2%	\$ 157,133	2.5%
Workers' Compensation Fund Group Total			\$ 47,850,016	\$ 53,193,305	\$ 56,980,710	7.1%	\$ 59,999,383	5.3%
Total All Budget Fund Groups			\$ 47,850,016	\$ 53,193,305	\$ 56,980,710	7.1%	\$ 59,999,383	5.3%