

Bureau of Workers' Compensation

House Agriculture Subcommittee

*Kerry Sullivan, Budget Analyst
Legislative Service Commission*

February 25, 2003

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LSC Redbook

for the

Bureau of Workers' Compensation

House Agriculture Subcommittee

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Attachment: LSC Budget Spreadsheet By Line Item

February 25, 2003

Note: The estimated General Revenue Fund (GRF) spending for FY 2003 used in this LSC Redbook reflects the 2.5% reduction made as a result of the Governor's January 22, 2003 budget cut order. The executive reduction was applied across-the-board to FY 2003 GRF appropriations, subject to certain exceptions. Subsequent to such reductions (and not reflected in the Redbook), state agencies were permitted to reallocate the amount that each of their GRF appropriation line items was reduced, while still absorbing the 2.5% budget cut within the total amount of their GRF appropriations.

Bureau of Workers' Compensation

- Recommended funding is at Core Budget Level for all programs
- Total funding for FY 2004 is 0.1% below FY 2003; FY 2005 is 0.2% above FY 2004

OVERVIEW

The Ohio Bureau of Workers' Compensation (BWC) administers the second largest exclusive workers' compensation system in the United States with assets of some \$23 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. Bureau of Workers' 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.

Current annual premium and assessment income from private and public employers throughout the state is approximately \$2 billion. Premium payments cover the cost of workers' compensation insurance and are deposited to the State Insurance Fund. In addition, Administrative Cost Fund (ACF) assessments are charged to employers to support BWC and OIC operations. Neither BWC nor OIC receives general revenue funds.

The State Insurance Fund surplus balance for fiscal year (FY) 2002 is \$1.9 billion, down from \$4.5 billion in FY 2001. The balance as of December 31, 2002 is \$358 million. This balance reflects a series of dividends, credits, and rebates awarded to state fund employers that totaled more than \$1.6 billion in FY 2001 and nearly \$1.5 billion in FY 2002. These were awarded in a deliberate effort to bring the balance of the State Insurance Fund down, since net assets had historically been higher than what the Bureau deemed necessary to cover all of its existing claims. Currently, BWC maintains claims reserves of \$14 billion to cover future wage loss and medical benefits to injured workers.

The Governor appoints the administrator of BWC, who in turn is assisted by a nine-member Advisory Commission comprising representatives from business and labor, as well as legislators. Currently, BWC employs 2,800 people. This is down from approximately 3,095 employees in FY 2000. The Bureau is organized into 5 (current) programs consisting of eleven functional divisions. There are 21 BWC service offices statewide and additional regional offices that provide safety education and accident prevention services to Ohio employers.

The executive funding recommendation for the biennium is \$319,157,074 in FY 2004 and \$319,662,074 in FY 2005.

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 2004	FY 2005
023	855-407	Claims, Risk, and Medical Management	\$141,539,537	\$141,539,537
Total funding: Claims, Risk, and Medical Management			\$141,539,537	\$141,539,537

Claims, Risk, And Medical Management

Program Description: This program series contains funding for several divisions and departments within BWC. These are Medical Management, Field Operations, Employer Services, Business Performance Services, Customer Trend Analysis, Research and Analysis, and Corporate Affairs.

The Medical Management Division is responsible for managing the Health Partnership Program (HPP) and the Qualified Health Plan (QHP) systems. These are managed care programs designed to provide injured workers with cost-effective, quality health care in order to facilitate an early return to work and/or a return to a functional lifestyle.

The Field Operations Division is comprised of 21 service offices located across the state. These offices process all State Insurance Fund claims within the workers' compensation system. Field offices house claims, medical, risk, fraud, legal, and information technology personnel.

The Employer Services Division is responsible for providing Ohio employers with a variety of services, including information related to policies, premiums, and ratings; premium discount programs; training programs, consulting services, and transitional work grant funding; and claims management services.

The Business Performance Services Division manages all policy making and claims technology functions for the Bureau. These include policy design and field implementation, rehabilitation policy, medical policy, and policy quality review. The goal of this Division is to provide BWC staff with personal, professional, and job specific development opportunities so that they in turn, provide BWC customers with better service and reduced costs.

The Customer Trend Analysis Department tracks customer feedback through the use of outbound surveys and survey analysis. The Research and Development Department provides analytical, statistical, and reporting services to BWC staff and to customers. The Corporate Affairs Department coordinates communication between BWC staff and its customers regarding BWC programs and services. The Department sponsors special events and conferences, and facilitates electronic communication via the Bureau's Internet and Intranet systems.

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

Line Item: 855-407

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$141,539,537 in each of FYs 2004 and 2005. At this funding level, the agency will continue support of its claims, risk, and medical management functions at the same funding level recommended in FY 2003.

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 2004	FY 2005
023	855-408	Fraud Prevention	\$11,713,797	\$11,713,797
Total funding: Fraud Prevention Services			\$11,713,797	\$11,713,797

Special Investigations

Program Description: This program series supports BWC's fraud prevention and investigation programs.

Fraud prevention is geared toward detecting and preventing fraudulent claims on the part of employees (claimants), employers, and health care providers. According to the Bureau, employees are responsible for approximately 88% of all fraudulent claims submitted annually. Due to numerous fraud detection devices, like the Automated Detection and Intelligence (AD&I) team, the Cyber Crime Task Force, the Fugitive Task Force, and the Fraud Hotline team, the Special Investigations Department referred a record 312 subjects for criminal prosecution during FY 2002, achieving its third consecutive annual record. These referrals resulted in 127 indictments, 117 convictions and bills of information, and helped identify more than \$200 million in savings for Ohio's workers' compensation system.

Over the current biennium, BWC has focused an increased amount of attention on the areas of cyber crime and fraud in the medical arena. As more of the Bureau's transactions become electronic, it is likely that the amount of cyber crime will increase. In addition, as more focus is directed toward provider and employer fraud, the need for cyber crime expertise within the Special Investigations Department will also increase.

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

Line Item: 855-408

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$11,713,797 in each of FYs 2004 and 2005. At this funding level, the agency will continue support of its special investigations functions at the same funding level recommended in FY 2003.

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 2004	FY 2005
826	855-609	Safety and Hygiene Operating	\$20,130,820	\$20,130,820
826	855-610	Safety Grants Program	\$2,000,000	\$2,000,000
Total funding: Safety and Hygiene			\$22,130,820	\$22,130,820

Specific programs within the Accident Prevention program series on which this analysis will focus include:

- **Safety and Hygiene**
- **Safety Grants**

Safety And Hygiene

Program Description: The Safety and Hygiene Division provides employers with a variety of 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 include on-site consultants, a training center, library services, and the annual Ohio Safety Congress and Expo. In FY 2001, the Division launched a two-year business plan that focused 30% of its resources on 4 preferred markets (public schools, excavators, machine shops, and extended care facilities), resulting in a reduced number of claims in each market. During the FY 2004-2005 biennium, four new markets will receive the Division's focus (plastics, masonry, metals, and public entities).

Funding Source: Safety and Hygiene assessments attached to State Insurance Fund employer premiums (1%)

Line Item: 855-609

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$20,130,820 in each of FYs 2004 and 2005.

Funding at this level will allow the Safety and Hygiene Division to continue training programs designed to reduce employers' premium costs. However, BWC projects that the 1% assessment attached to employer premiums will not be sufficient to sustain adequate service levels. This is due, in short, to the effectiveness of Safety and Hygiene programs. As employer premiums are reduced as a result of increased worker safety, the amount of assessment revenue for the Division also declines. Am. Sub. H.B. 180 of the 123rd General Assembly changed the assessment rate received by the Division, increasing it from 0.5% of private employer premiums and 0.75% of state and local government premiums to a flat 1% of total paid premiums. Ultimately, BWC does not believe this change in formula will do enough to correct the Division's funding shortfall.

Safety Grants

Program Description: Under the SafetyGRANT\$ program, the Safety and Hygiene Division provides 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).

Funding Source: Transfers from the State Insurance Fund

Line Item: 855-610

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$2 million in each of FYs 2004 and 2005.

When the SafetyGRANT\$ program began (approximately 3 years ago), employers could receive 2-to-1 matching grants for Drug-Free Workplace training and materials and 4to-1 matching grants for the research and prevention of CTDs. Currently, the Bureau feels that it has gathered enough data pertaining to CTDs and is planning to end this portion of the grant program. For this reason, the FY 2004 recommended appropriation of \$2 million is \$1 million less than the current FY 2003 appropriation, and \$2.4 million less than FY 2002 expenditures.

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 2004	FY 2005
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	\$693,764	\$693,764
Total funding: Special Purpose Funds			\$839,610	\$839,610

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

- **Disabled Workers Relief Fund (DWRF)**
- **Coal Workers' Fund**
- **Marine Industry Fund**

Coal Workers Pneumo-Coniosis Fund

Program Description: Authority for the fund is provided under R.C. section 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 State Insurance Fund premiums owed by coal operators

Line Item: 855-606

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$91,894 in each of FYs 2004 and 2005. 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 R.C. section 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 State Insurance Fund premiums owed by marine industry employers

Line Item: 855-608

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$53,952 in each of FYs 2004 and 2005. At this funding level, the agency will have sufficient appropriation authority to maintain these benefits as required by federal law.

Disabled Workers Relief Fund

Program Description: Authority for the Disabled Workers' Relief Fund (DWRF) is provided under R.C. section .4123.412. The fund supplements benefits to injured workers receiving Permanent Total Disability (PTD) benefits who receive less than \$1,144 monthly in compensation.

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

Line Item: 855-605

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$693,764 in each of FYs 2004 and 2005. At this level of funding, the agency will have sufficient appropriation authority to maintain these benefits.

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 2004	FY 2005
023	855-401	William Green Lease Payments to OBA	\$18,734,613	\$19,239,613
023	855-409	Administrative Services	\$119,884,053	\$119,884,053
023	855-410	Attorney General Payments	\$4,314,644	\$4,314,644
Total funding: Administrative Support			\$142,933,310	\$142,933,310

Administrative Services

Program Description: The Administrative Cost Fund (Fund 023) was created under H.B. 363 of the 122nd General Assembly. The fund houses all assessments paid by State Insurance Fund employers and is used to fund the operations of BWC (and the Ohio Industrial Commission). Departments and personnel supported through the Administrative Services line item (855-409) include Customer Assistance, Finance, Human Resources, Legal, Internal Audit, Ombudsperson, and Information Technology.

The Customer Assistance Department handles customer contacts, provides forms and benefit information, and assists new employers in obtaining workers' compensation coverage.

The Finance Department provides investment management, general accounting, actuarial, and internal risk management services for BWC. 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. The Actuarial Department 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. Recently, net asset trends for the State Insurance Fund have been in decline, in part due to volatile market conditions nationwide. However, BWC mitigates much of this risk by maintaining investment portfolios that are well diversified between equity holdings and fixed maturities. Over the last two years, the State Insurance Fund has generated a better return than about 85% of public funds in the United States (according to data supplied by BWC's external investment consultant).

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.

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.

The Internal Audit Department is responsible for monitoring and evaluating the internal control structure of BWC. The Department 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.

The Office of the Ombudsperson answers inquiries and investigates complaints made by employers and claimants related to the processing of claims for workers' compensation benefits. The office also provides necessary information regarding the Bureau, the Industrial Commission, commission hearing officers, and the procedures employed in the processing of claims. The Ombudsperson has a staff of nine associates located in Cleveland and Columbus.

The Information Technology Division is responsible for all computer equipment and software in use at BWC. This includes mainframe computers, workstations, printers, various peripheral equipment, a statewide communications network, and software both developed by BWC and purchased through outside vendors.

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

Line Items: 855-401, 855-409, and 855-410

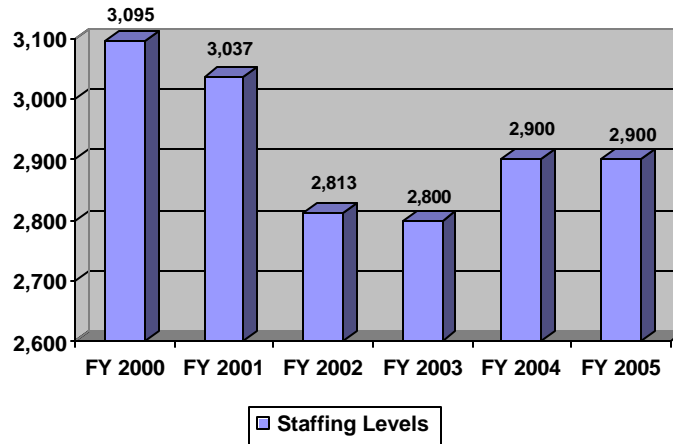
Implication of Recommendation: The executive budget recommends funding at the core budget level of \$142,933,310 in each of FYs 2004 and 2005. At this funding level, the agency will continue support of its administrative functions at the same funding level recommended in FY 2003.

The agency will also pay its share of expenses related to the operation of the Attorney General's Workers' Compensation Section and make lease payments for the William Green Building, BWC's office headquarters located in Columbus. The increase in appropriation between FY 2004 and FY 2005 for the William Green Lease Payments line item represents the only appropriation increase requested by BWC for the biennium. The building is owned by the Ohio Building Authority and was funded by tax-exempt bonds, the principal on which is paid by the building's tenants (BWC and the Ohio Industrial Commission). The amounts of principal payments are identified in the original schedule of bond retirement and have not been changed.

ADDITIONAL FACTS AND FIGURES

BWC Overall Staffing Levels from FY 2000 to FY 2005

The following chart illustrates BWC's total staffing levels between FY 2000 and FY 2005, with the numbers for FY 2004 and FY 2005 being estimates. The table that follows the chart breaks down staffing levels by division. Overall staff has decreased from 3,095 in FY 2000 to 2,800 in FY 2003 (a 9.5% decrease). Staff is expected to increase in FYs 2004 and 2005.



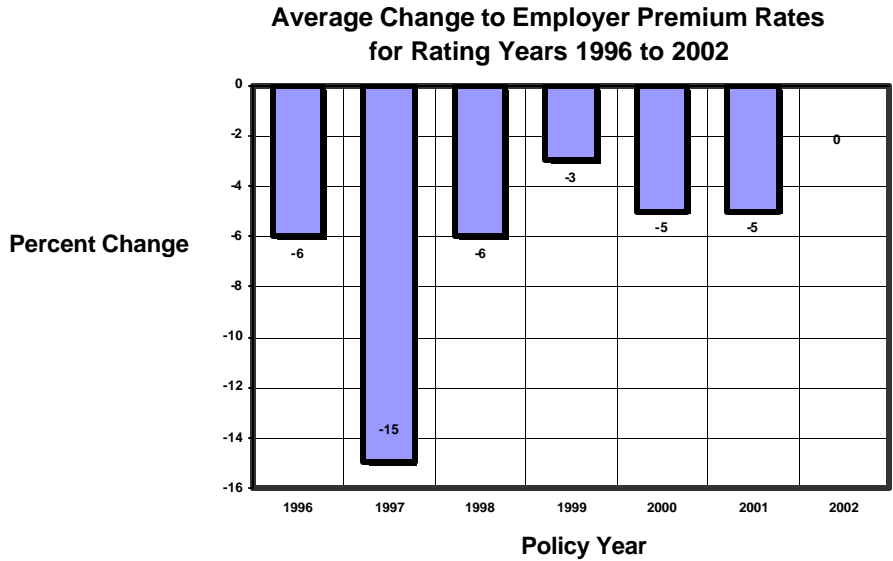
Staffing Levels by Division

Program Series/Division	2000	2001	2002	2003	2004 (estimated)	2005 (estimated)
CEO/Administration	41	44	21	25	26	26
Legal	240	235	219	218	226	226
Finance	183	182	167	114	118	118
Field Operations	1,326	1,368	1,271	1,371	1,420	1,420
Human Resources	46	43	45	94	97	97
Information Technology	259	250	253	258	268	268
Medical Management	151	153	137	133	138	138
Rehabilitation Services	57	46	0	0	0	0
Corporate Affairs	108	38	36	37	38	38
Employer Operations	430	425	418	426	441	441
Policy and Support	254	253	246	124	128	128
Totals	3,095	3,037	2,813	2,800	2,900	2,900

Source: BWC

Employer Premium Rates

This bar chart shows annual percent changes in employer premium rates between 1996 and 2000.

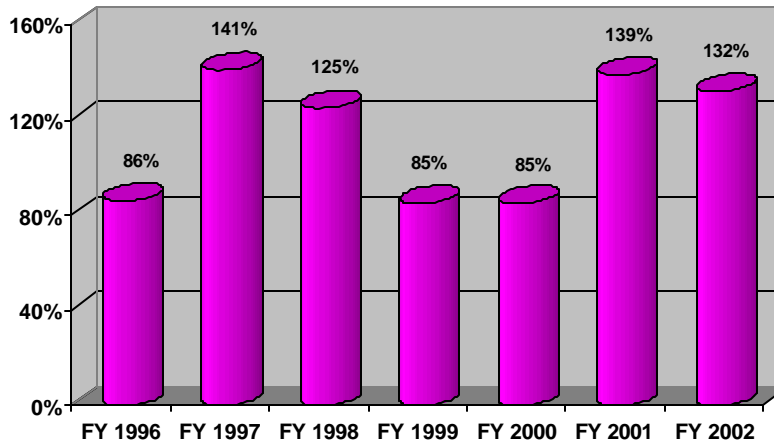


- In FY 2001 and 2002 respectively, BWC awarded approximately \$1.6 billion and \$1.5 billion in dividends, credits, and rebates to state fund employers. For FY 2003, approximately \$600 million in premium reductions has been awarded. These reductions were approved in a deliberate effort to bring the balance of the State Insurance Fund down, since net assets had historically been higher than what the Bureau deemed necessary to cover all of its existing claims.
- Since 1994, Ohio's employers have saved more than \$10.1 billion through rebates, dividends, and rate decreases by the Bureau.

BWC Combined Ratio Trends for Fiscal Years 1996-2000

BWC completed FY 2002 with a combined ratio of 132%. 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 132% means that BWC spends 132 cents for claims and administration for every dollar of premium earned. (Source: Rupp's Insurance and Risk Management Glossary).

Combined Ratio Trends



BWC Dolphin Project

In 2000, BWC launched the Dolphin project, an “e-business” initiative that enables customers to interact with the Bureau 24 hours a day, seven days a week. Using Dolphin, injured workers can file a claim online, receive information about the claims process, change personal information, view payment information and individual claims information, and request services. Employers can obtain workers’ compensation coverage, change company information, select a managed care organization, pay premiums, report payroll, simulate cost-reduction scenarios, manage claims, and access information and services.

Progress with the Dolphin project continues. The infrastructure and e-business applications of the project have been fully operational since April 2001 and are experiencing steady growth. In FY 2002, more than 20,000 workers’ compensation claims were filed online. In the current biennium, Dolphin development continued with the rollout of Wave 5, which included additional functionality for ease of use. Dolphin’s e-business strategy is still being pursued through initiatives such as a document repository, collaborative computing, and other electronic interfaces.

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that may affect the agency's activities during the next biennium.

Permanent Law Provisions

Confidentiality of Information (R.C. section 2305.24)

This provision clarifies that any information, data, report, or record submitted to a quality assurance committee or utilization committee of BWC for the purpose of reviewing the professional qualifications and performance of a medical provider is confidential and is to be used only for the exercise and proper function of the committee. The provision has no fiscal effect.

Industrial Commission Operating Fund (R.C. section 4121.021)

This provision creates the Industrial Commission Operating Fund and specifies that moneys in the fund are to be used for costs that are solely attributable to the activities of the Commission. Under R.C. section 4123.342, as amended by this bill, the Administrator of BWC is to divide the administrative cost assessments collected by BWC into two separate accounts within the State Insurance Fund. (Currently, assessments are deposited into one account, the Administrative Cost Fund, and shared between BWC and the Industrial Commission.) One of these accounts is to consist of assessments collected for the Industrial Commission. This account is the Industrial Commission Operating Fund. Creating this fund will allow BWC and OIC to maintain direct control over their respective operating funds and will more clearly differentiate the costs of the services provided by the two agencies by showing employers what portion of their assessments goes toward BWC and what portion goes toward OIC.

Religious Sect Exemption (R.C. section 4123.15)

This provision specifies that an employer who is a member and adherent of a religious sect that is opposed to accepting public or private insurance benefits related to various events, such as death, disability, impairment, old age, and retirement, may apply to BWC for an exemption from payment of workers' compensation premiums and assessments, or in the case of a self-insured employer, from payment of direct compensation and benefits, on account of an employee who is also a member of such a religious sect. In practice, this provision would apply most readily to employers and employees of the Amish community who wish to be exempt from paying workers' compensation premiums and assessments. The fiscal effect of this provision is likely to be minimal. Although BWC would collect fewer premium and assessment payments from employers to which the Bureau grants an exemption, the Bureau would also not be responsible for paying workers' compensation claims for these employers.

Temporary Law Provisions

William Green Lease Payments (Section 3 of the bill)

This temporary law prescribes the manner in which appropriations in line item 855-401, William Green Lease Payments to OBA, are to be expended. Over the biennium, up to \$37,974,226 is available for this purpose.

Workers' Compensation Fraud Unit (Section 3 of the bill)

The Bureau of Workers' Compensation 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 each of FYs 2004 and 2005, BWC will transfer \$773,151 to the Attorney General's Workers' Compensation Fraud Unit from appropriation item 855-410, Attorney General Payments.

Safety and Hygiene (Section 3 of the bill)

This temporary law provision requires the Administrator of BWC to transfer moneys from the State Insurance Fund to insure that appropriation item 855-609, Safety and Hygiene Operating, is provided \$20,130,820 in each of FYs 2004 and 2005.

Vocational Rehabilitation (Section 3 of the bill)

The Bureau of Workers' Compensation 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 \$587,774 in FY 2004 and \$605,407 in FY 2005.

Fund Balance Transfers (Section 4 of the bill)

This provision directs the Director of Budget and Management to transfer existing encumbrances and balances from the Industrial Commission's portion of Fund 023, Administrative Cost Fund, to Fund 5W3, Industrial Commission Operating Fund, on July 1, 2003. The Industrial Commission appropriation items included in this transfer are 845-321, Operating Expenses; 845-402, Rent – William Green Building; and 845-410, Attorney General Payments.

Renumbering Safety and Hygiene Rules (Section 5 of the bill)

This provision directs the Director of the Legislative Service Commission to renumber BWC's safety and hygiene rules, currently bearing the Administrative Code division level designation of 4121:1, to 4123:1. The renumbering was requested by the Legislative Service Commission and is related to administrative procedures concerning electronic rules filing.

REQUESTS NOT FUNDED

The executive budget recommendation fully funds all program series included in BWC's FY 2004-2005 budget request. Total recommended appropriations are \$319,157,074 for FY 2004, and \$319,662,074 for FY 2005.

Workers' Compensation Fund Group

023 855-401 William Green Lease Payments to OBA

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$15,658,929	\$16,334,646	\$16,974,631	\$18,174,700	\$18,734,613	\$19,239,613
	4.3%	3.9%	7.1%	3.1%	2.7%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Section 5 of Sub. H.B. 75 of the 124th 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 buy the William Green Building for BWC. Appropriations are also used to make lease payments to the Ohio Building Authority.

023 855-407 Claims, Risk & Medical Management

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$121,609,029	\$124,897,904	\$130,722,888	\$141,539,537	\$141,539,537	\$141,539,537
	2.7%	4.7%	8.3%	0.0%	0.0%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Section 5 of Sub. H.B. 75 of the 124th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

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

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$9,980,587	\$9,960,233	\$10,035,424	\$11,713,797	\$11,713,797	\$11,713,797
	-0.2%	0.8%	16.7%	0.0%	0.0%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Section 5 of Sub. H.B. 75 of the 124th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

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

023 855-409 Administrative Services

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$111,226,257	\$109,103,221	\$104,630,149	\$119,884,053	\$119,884,053	\$119,884,053
	-1.9%	-4.1%	14.6%	0.0%	0.0%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Section 5 of Sub. H.B. 75 of the 124th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

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

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$3,690,907	\$3,774,563	\$3,874,918	\$4,314,644	\$4,314,644	\$4,314,644
	2.3%	2.7%	11.3%	0.0%	0.0%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Section 5 of Sub. H.B. 75 of the 124th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

Purpose: This line item funds fifty percent 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.

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

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$247,014	\$0	\$0	\$0	\$0	\$0
		N/A	N/A	N/A	N/A

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

Legal Basis: Discontinued line item (originally established in ORC 4121.62(E))

Purpose: This line was used to make rental payments for the BWC Rehabilitation Center in Columbus.

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

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$7,392,735	\$2,725,970	\$342,798	\$0	\$0	\$0
	-63.1%	-87.4%	-100.0%	N/A	N/A

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

Legal Basis: Discontinued line item (originally established in ORC 4121.62(E) and Section 5 of Sub. H.B. 75 of the 124th G.A.)

Purpose: This line item was used for operating funds for the BWC Rehabilitation Center in Columbus. The Rehabilitation Center closed in FY 2001.

822 855-606 Coal Workers' Fund

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$74,251	\$78,185	\$38,260	\$91,894	\$91,894	\$91,894
	5.3%	-51.1%	140.2%	0.0%	0.0%

Source: WCF: Additional premiums charged to coal mine operators

Legal Basis: ORC 4131.03 and Section 5 of Sub. H.B. 75 of the 124th G.A.

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

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$45,757	\$45,811	\$49,089	\$53,952	\$53,952	\$53,952
	0.1%	7.2%	9.9%	0.0%	0.0%

Source: WCF: Premiums collected from marine industry employers

Legal Basis: ORC 4131.03 and Section 5 of Sub. H.B. 75 of the 124th G.A.

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 Longshoremen's and Harbor Workers' Compensation Act Amendments of 1972.

825 855-605 Disabled Workers Relief Fund

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$582,256	\$629,057	\$691,649	\$693,764	\$693,764	\$693,764
	8.0%	9.9%	0.3%	0.0%	0.0%

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

Legal Basis: ORC 4123.412 and Section 5 of Sub. H.B. 75 of the 124th G.A.

Purpose: This line item is used to pay payroll and operating expenses of the fund, as well as costs related to providing Disabled Workers Relief Fund (DWRF) benefits. 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

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$17,720,519	\$17,076,212	\$17,593,089	\$20,130,820	\$20,130,820	\$20,130,820
	-3.6%	3.0%	14.4%	0.0%	0.0%

Source: WCF: Safety and Hygiene Fund assessments charged to employers and transfer of moneys from State Insurance Fund

Legal Basis: ORC 4121.37 and Section 5 of Sub. H.B. 75 of the 124th G.A.

Purpose: This line item provides all operating funds for the Division of Safety and Hygiene. This fee, which is 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

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$7,471,989	\$10,339,284	\$4,385,870	\$3,000,000	\$2,000,000	\$2,000,000
	38.4%	-57.6%	-31.6%	-33.3%	0.0%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: As-needed line item (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 the Controlling Board when appropriate requests are received from employers.

Holding Account Redistribution Fund Group

R46 855-602 Camera Center Services

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$259,620	\$164,184	\$11,543	\$0	\$0	\$0
	-36.8%	-93.0%	-100.0%	N/A	N/A

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

Legal Basis: Discontinued line item (originally authorized by Controlling Board action beginning in FY 1997)

Purpose: BWC provided billing and collection services for health care providers who are based at the Rehabilitation Center. In exchange, the Center collected a service fee from each of these providers and deposits the revenue in this fund. The fund was set by Controlling Board approval every fiscal year. The Rehabilitation Center is now closed.

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

Fund	ALI	ALI Title	2002	Estimated 2003	Executive 2004	% Change 2003 to 2004	Executive 2005	% Change 2004 to 2005
BWC Bureau of Workers' Compensation								
023	855-401	William Green Lease Payments to OBA	\$ 16,974,631	\$18,174,700	\$ 18,734,613	3.1%	\$ 19,239,613	2.7%
023	855-407	Claims, Risk & Medical Management	\$ 130,722,888	\$141,539,537	\$ 141,539,537	0.0%	\$ 141,539,537	0.0%
023	855-408	Fraud Prevention	\$ 10,035,424	\$11,713,797	\$ 11,713,797	0.0%	\$ 11,713,797	0.0%
023	855-409	Administrative Services	\$ 104,630,149	\$119,884,053	\$ 119,884,053	0.0%	\$ 119,884,053	0.0%
023	855-410	Attorney General Payments	\$ 3,874,918	\$4,314,644	\$ 4,314,644	0.0%	\$ 4,314,644	0.0%
4Y6	855-612	J.L. Camera Center Operating	\$ 342,798	\$0	\$ 0	N/A	\$ 0	N/A
822	855-606	Coal Workers' Fund	\$ 38,260	\$91,894	\$ 91,894	0.0%	\$ 91,894	0.0%
823	855-608	Marine Industry	\$ 49,089	\$53,952	\$ 53,952	0.0%	\$ 53,952	0.0%
825	855-605	Disabled Workers Relief Fund	\$ 691,649	\$693,764	\$ 693,764	0.0%	\$ 693,764	0.0%
826	855-609	Safety & Hygiene Operating	\$ 17,593,089	\$20,130,820	\$ 20,130,820	0.0%	\$ 20,130,820	0.0%
826	855-610	Safety Grants Program	\$ 4,385,870	\$3,000,000	\$ 2,000,000	-33.3%	\$ 2,000,000	0.0%
Workers' Compensation Fund Group Total			\$ 289,338,765	\$ 319,597,161	\$ 319,157,074	-0.1%	\$ 319,662,074	0.2%
R46	855-602	Camera Center Services	\$ 11,543	\$0	\$ 0	N/A	\$ 0	N/A
Holding Account Redistribution Fund Group Total			\$ 11,543	\$ 0	\$ 0	N/A	\$ 0	N/A
Total All Budget Fund Groups			\$ 289,350,308	\$ 319,597,161	\$ 319,157,074	-0.1%	\$ 319,662,074	0.2%

Bureau of Workers' Compensation

Senate Insurance, Commerce, and Labor Committee

*Kerry Sullivan, Budget Analyst
Legislative Service Commission*

March 25, 2003

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LSC Redbook

for the

Bureau of Workers' Compensation

Senate Insurance, Commerce, and Labor Committee

Kerry Sullivan, Budget Analyst

Legislative Service Commission

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March 25, 2003

Note: The estimated General Revenue Fund (GRF) spending for FY 2003 used in this LSC Redbook reflects the 2.5% reduction made as a result of the Governor's January 22, 2003 budget cut order. The executive reduction was applied across-the-board to FY 2003 GRF appropriations, subject to certain exceptions. Subsequent to such reductions (and not reflected in the Redbook), state agencies were permitted to reallocate the amount that each of their GRF appropriation line items was reduced, while still absorbing the 2.5% budget cut within the total amount of their GRF appropriations.

Bureau of Workers' Compensation

- Recommended funding is at Core Budget Level for all programs
- Total funding for FY 2004 is 0.1% below FY 2003; FY 2005 is 0.2% above FY 2004

OVERVIEW

The Ohio Bureau of Workers' Compensation (BWC) administers the second largest exclusive workers' compensation system in the United States with assets of some \$23 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. Bureau of Workers' 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.

Current annual premium and assessment income from private and public employers throughout the state is approximately \$2 billion. Premium payments cover the cost of workers' compensation insurance and are deposited to the State Insurance Fund. In addition, Administrative Cost Fund (ACF) assessments are charged to employers to support BWC and OIC operations. Neither BWC nor OIC receives general revenue funds.

The State Insurance Fund surplus balance for fiscal year (FY) 2002 is \$1.9 billion, down from \$4.5 billion in FY 2001. The balance as of December 31, 2002 is \$358 million. This balance reflects a series of dividends, credits, and rebates awarded to state fund employers that totaled more than \$1.6 billion in FY 2001 and nearly \$1.5 billion in FY 2002. These were awarded in a deliberate effort to bring the balance of the State Insurance Fund down, since net assets had historically been higher than what the Bureau deemed necessary to cover all of its existing claims. Currently, BWC maintains claims reserves of \$14 billion to cover future wage loss and medical benefits to injured workers.

The Governor appoints the administrator of BWC, who in turn is assisted by a nine-member Advisory Commission comprising representatives from business and labor, as well as legislators. Currently, BWC employs 2,800 people. This is down from approximately 3,095 employees in FY 2000. The Bureau is organized into 5 (current) programs consisting of eleven functional divisions. There are 21 BWC service offices statewide and additional regional offices that provide safety education and accident prevention services to Ohio employers.

The executive funding recommendation for the biennium is \$319,157,074 in FY 2004 and \$319,662,074 in FY 2005.

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 2004	FY 2005
023	855-407	Claims, Risk, and Medical Management	\$141,539,537	\$141,539,537
Total funding: Claims, Risk, and Medical Management			\$141,539,537	\$141,539,537

Claims, Risk, And Medical Management

Program Description: This program series contains funding for several divisions and departments within BWC. These are Medical Management, Field Operations, Employer Services, Business Performance Services, Customer Trend Analysis, Research and Analysis, and Corporate Affairs.

The Medical Management Division is responsible for managing the Health Partnership Program (HPP) and the Qualified Health Plan (QHP) systems. These are managed care programs designed to provide injured workers with cost-effective, quality health care in order to facilitate an early return to work and/or a return to a functional lifestyle.

The Field Operations Division is comprised of 21 service offices located across the state. These offices process all State Insurance Fund claims within the workers' compensation system. Field offices house claims, medical, risk, fraud, legal, and information technology personnel.

The Employer Services Division is responsible for providing Ohio employers with a variety of services, including information related to policies, premiums, and ratings; premium discount programs; training programs, consulting services, and transitional work grant funding; and claims management services.

The Business Performance Services Division manages all policy making and claims technology functions for the Bureau. These include policy design and field implementation, rehabilitation policy, medical policy, and policy quality review. The goal of this Division is to provide BWC staff with personal, professional, and job specific development opportunities so that they in turn, provide BWC customers with better service and reduced costs.

The Customer Trend Analysis Department tracks customer feedback through the use of outbound surveys and survey analysis. The Research and Development Department provides analytical, statistical, and reporting services to BWC staff and to customers. The Corporate Affairs Department coordinates communication between BWC staff and its customers regarding BWC programs and services. The Department sponsors special events and conferences, and facilitates electronic communication via the Bureau's Internet and Intranet systems.

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

Line Item: 855-407

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$141,539,537 in each of FYs 2004 and 2005. At this funding level, the agency will continue support of its claims, risk, and medical management functions at the same funding level recommended in FY 2003.

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 2004	FY 2005
023	855-408	Fraud Prevention	\$11,713,797	\$11,713,797
Total funding: Fraud Prevention Services			\$11,713,797	\$11,713,797

Special Investigations

Program Description: This program series supports BWC's fraud prevention and investigation programs.

Fraud prevention is geared toward detecting and preventing fraudulent claims on the part of employees (claimants), employers, and health care providers. According to the Bureau, employees are responsible for approximately 88% of all fraudulent claims submitted annually. Due to numerous fraud detection devices, like the Automated Detection and Intelligence (AD&I) team, the Cyber Crime Task Force, the Fugitive Task Force, and the Fraud Hotline team, the Special Investigations Department referred a record 312 subjects for criminal prosecution during FY 2002, achieving its third consecutive annual record. These referrals resulted in 127 indictments, 117 convictions and bills of information, and helped identify more than \$200 million in savings for Ohio's workers' compensation system.

Over the current biennium, BWC has focused an increased amount of attention on the areas of cyber crime and fraud in the medical arena. As more of the Bureau's transactions become electronic, it is likely that the amount of cyber crime will increase. In addition, as more focus is directed toward provider and employer fraud, the need for cyber crime expertise within the Special Investigations Department will also increase.

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

Line Item: 855-408

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$11,713,797 in each of FYs 2004 and 2005. At this funding level, the agency will continue support of its special investigations functions at the same funding level recommended in FY 2003.

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 2004	FY 2005
826	855-609	Safety and Hygiene Operating	\$20,130,820	\$20,130,820
826	855-610	Safety Grants Program	\$2,000,000	\$2,000,000
Total funding: Safety and Hygiene			\$22,130,820	\$22,130,820

Specific programs within the Accident Prevention program series on which this analysis will focus include:

- **Safety and Hygiene**
- **Safety Grants**

Safety And Hygiene

Program Description: The Safety and Hygiene Division provides employers with a variety of 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 include on-site consultants, a training center, library services, and the annual Ohio Safety Congress and Expo. In FY 2001, the Division launched a two-year business plan that focused 30% of its resources on 4 preferred markets (public schools, excavators, machine shops, and extended care facilities), resulting in a reduced number of claims in each market. During the FY 2004-2005 biennium, four new markets will receive the Division's focus (plastics, masonry, metals, and public entities).

Funding Source: Safety and Hygiene assessments attached to State Insurance Fund employer premiums (1%)

Line Item: 855-609

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$20,130,820 in each of FYs 2004 and 2005.

Funding at this level will allow the Safety and Hygiene Division to continue training programs designed to reduce employers' premium costs. However, BWC projects that the 1% assessment attached to employer premiums will not be sufficient to sustain adequate service levels. This is due, in short, to the effectiveness of Safety and Hygiene programs. As employer premiums are reduced as a result of increased worker safety, the amount of assessment revenue for the Division also declines. Am. Sub. H.B. 180 of the 123rd General Assembly changed the assessment rate received by the Division, increasing it from 0.5% of private employer premiums and 0.75% of state and local government premiums to a flat 1% of total paid premiums. Ultimately, BWC does not believe this change in formula will do enough to correct the Division's funding shortfall.

Safety Grants

Program Description: Under the SafetyGRANT\$ program, the Safety and Hygiene Division provides 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).

Funding Source: Transfers from the State Insurance Fund

Line Item: 855-610

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$2 million in each of FYs 2004 and 2005.

When the SafetyGRANT\$ program began (approximately 3 years ago), employers could receive 2-to-1 matching grants for Drug-Free Workplace training and materials and 4-to-1 matching grants for the research and prevention of CTDs. Currently, the Bureau feels that it has gathered enough data pertaining to CTDs and is planning to end this portion of the grant program. For this reason, the FY 2004 recommended appropriation of \$2 million is \$1 million less than the current FY 2003 appropriation, and \$2.4 million less than FY 2002 expenditures.

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 2004	FY 2005
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	\$693,764	\$693,764
Total funding: Special Purpose Funds			\$839,610	\$839,610

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

- **Disabled Workers Relief Fund (DWRF)**
- **Coal Workers' Fund**
- **Marine Industry Fund**

Coal Workers Pneumo-Coniosis Fund

Program Description: Authority for the fund is provided under R.C. section 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 State Insurance Fund premiums owed by coal operators

Line Item: 855-606

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$91,894 in each of FYs 2004 and 2005. 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 R.C. section 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 State Insurance Fund premiums owed by marine industry employers

Line Item: 855-608

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$53,952 in each of FYs 2004 and 2005. At this funding level, the agency will have sufficient appropriation authority to maintain these benefits as required by federal law.

Disabled Workers Relief Fund

Program Description: Authority for the Disabled Workers' Relief Fund (DWRF) is provided under R.C. section .4123.412. The fund supplements benefits to injured workers receiving Permanent Total Disability (PTD) benefits who receive less than \$1,144 monthly in compensation.

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

Line Item: 855-605

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$693,764 in each of FYs 2004 and 2005. At this level of funding, the agency will have sufficient appropriation authority to maintain these benefits.

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 2004	FY 2005
023	855-401	William Green Lease Payments to OBA	\$18,734,613	\$19,239,613
023	855-409	Administrative Services	\$119,884,053	\$119,884,053
023	855-410	Attorney General Payments	\$4,314,644	\$4,314,644
Total funding: Administrative Support			\$142,933,310	\$142,933,310

Administrative Services

Program Description: The Administrative Cost Fund (Fund 023) was created under H.B. 363 of the 122nd General Assembly. The fund houses all assessments paid by State Insurance Fund employers and is used to fund the operations of BWC (and the Ohio Industrial Commission). Departments and personnel supported through the Administrative Services line item (855-409) include Customer Assistance, Finance, Human Resources, Legal, Internal Audit, Ombudsperson, and Information Technology.

The Customer Assistance Department handles customer contacts, provides forms and benefit information, and assists new employers in obtaining workers' compensation coverage.

The Finance Department provides investment management, general accounting, actuarial, and internal risk management services for BWC. 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. The Actuarial Department 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. Recently, net asset trends for the State Insurance Fund have been in decline, in part due to volatile market conditions nationwide. However, BWC mitigates much of this risk by maintaining investment portfolios that are well diversified between equity holdings and fixed maturities. Over the last two years, the State Insurance Fund has generated a better return than about 85% of public funds in the United States (according to data supplied by BWC's external investment consultant).

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.

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.

The Internal Audit Department is responsible for monitoring and evaluating the internal control structure of BWC. The Department 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.

The Office of the Ombudsperson answers inquiries and investigates complaints made by employers and claimants related to the processing of claims for workers' compensation benefits. The office also provides necessary information regarding the Bureau, the Industrial Commission, commission hearing officers, and the procedures employed in the processing of claims. The Ombudsperson has a staff of nine associates located in Cleveland and Columbus.

The Information Technology Division is responsible for all computer equipment and software in use at BWC. This includes mainframe computers, workstations, printers, various peripheral equipment, a statewide communications network, and software both developed by BWC and purchased through outside vendors.

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

Line Items: 855-401, 855-409, and 855-410

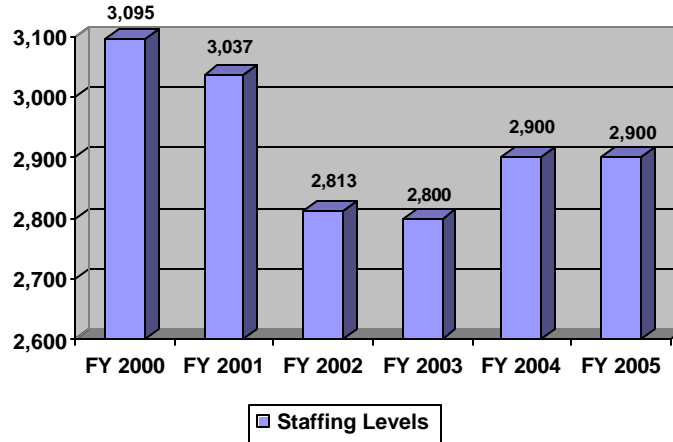
Implication of Recommendation: The executive budget recommends funding at the core budget level of \$142,933,310 in each of FYs 2004 and 2005. At this funding level, the agency will continue support of its administrative functions at the same funding level recommended in FY 2003.

The agency will also pay its share of expenses related to the operation of the Attorney General's Workers' Compensation Section and make lease payments for the William Green Building, BWC's office headquarters located in Columbus. The increase in appropriation between FY 2004 and FY 2005 for the William Green Lease Payments line item represents the only appropriation increase requested by BWC for the biennium. The building is owned by the Ohio Building Authority and was funded by tax-exempt bonds, the principal on which is paid by the building's tenants (BWC and the Ohio Industrial Commission). The amounts of principal payments are identified in the original schedule of bond retirement and have not been changed.

ADDITIONAL FACTS AND FIGURES

BWC Overall Staffing Levels from FY 2000 to FY 2005

The following chart illustrates BWC's total staffing levels between FY 2000 and FY 2005, with the numbers for FY 2004 and FY 2005 being estimates. The table that follows the chart breaks down staffing levels by division. Overall staff has decreased from 3,095 in FY 2000 to 2,800 in FY 2003 (a 9.5% decrease). Staff is expected to increase in FYs 2004 and 2005.



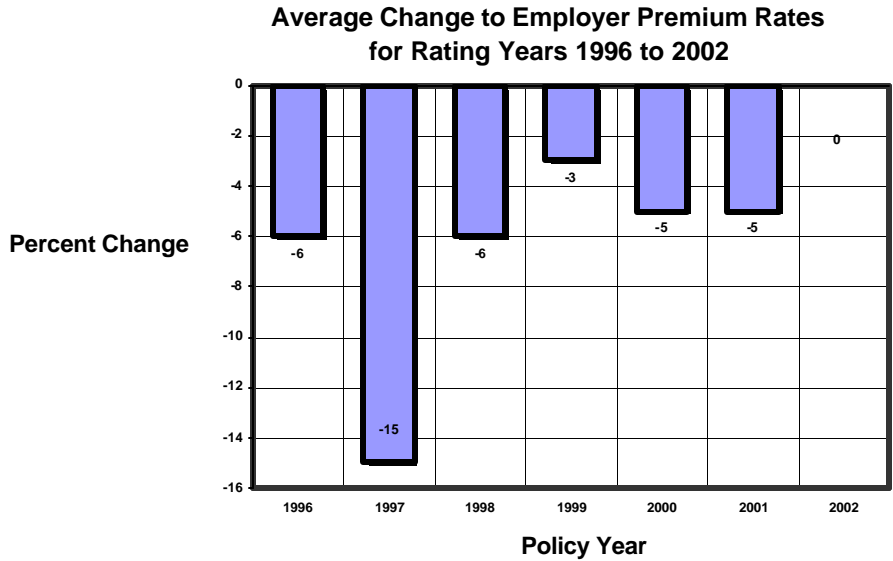
Staffing Levels by Division

Program Series/Division	2000	2001	2002	2003	2004 (estimated)	2005 (estimated)
CEO/Administration	41	44	21	25	26	26
Legal	240	235	219	218	226	226
Finance	183	182	167	114	118	118
Field Operations	1,326	1,368	1,271	1,371	1,420	1,420
Human Resources	46	43	45	94	97	97
Information Technology	259	250	253	258	268	268
Medical Management	151	153	137	133	138	138
Rehabilitation Services	57	46	0	0	0	0
Corporate Affairs	108	38	36	37	38	38
Employer Operations	430	425	418	426	441	441
Policy and Support	254	253	246	124	128	128
Totals	3,095	3,037	2,813	2,800	2,900	2,900

Source: BWC

Employer Premium Rates

This bar chart shows annual percent changes in employer premium rates between 1996 and 2000.

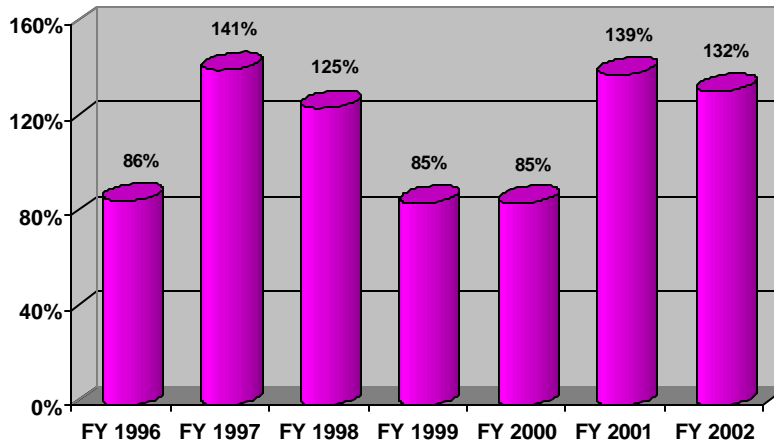


- In FY 2001 and 2002 respectively, BWC awarded approximately \$1.6 billion and \$1.5 billion in dividends, credits, and rebates to state fund employers. For FY 2003, approximately \$600 million in premium reductions has been awarded. These reductions were approved in a deliberate effort to bring the balance of the State Insurance Fund down, since net assets had historically been higher than what the Bureau deemed necessary to cover all of its existing claims.
- Since 1994, Ohio's employers have saved more than \$10.1 billion through rebates, dividends, and rate decreases by the Bureau.

BWC Combined Ratio Trends for Fiscal Years 1996-2000

BWC completed FY 2002 with a combined ratio of 132%. 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 132% means that BWC spends 132 cents for claims and administration for every dollar of premium earned. (Source: Rupp's Insurance and Risk Management Glossary).

Combined Ratio Trends



BWC Dolphin Project

In 2000, BWC launched the Dolphin project, an “e-business” initiative that enables customers to interact with the Bureau 24 hours a day, seven days a week. Using Dolphin, injured workers can file a claim online, receive information about the claims process, change personal information, view payment information and individual claims information, and request services. Employers can obtain workers’ compensation coverage, change company information, select a managed care organization, pay premiums, report payroll, simulate cost-reduction scenarios, manage claims, and access information and services.

Progress with the Dolphin project continues. The infrastructure and e-business applications of the project have been fully operational since April 2001 and are experiencing steady growth. In FY 2002, more than 20,000 workers’ compensation claims were filed online. In the current biennium, Dolphin development continued with the rollout of Wave 5, which included additional functionality for ease of use. Dolphin’s e-business strategy is still being pursued through initiatives such as a document repository, collaborative computing, and other electronic interfaces.

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that may affect the agency's activities during the next biennium.

Permanent Law Provisions

Confidentiality of Information (R.C. section 2305.24)

This provision clarifies that any information, data, report, or record submitted to a quality assurance committee or utilization committee of BWC for the purpose of reviewing the professional qualifications and performance of a medical provider is confidential and is to be used only for the exercise and proper function of the committee. The provision has no fiscal effect.

Industrial Commission Operating Fund (R.C. section 4121.021)

This provision creates the Industrial Commission Operating Fund and specifies that moneys in the fund are to be used for costs that are solely attributable to the activities of the Commission. Under R.C. section 4123.342, as amended by this bill, the Administrator of BWC is to divide the administrative cost assessments collected by BWC into two separate accounts within the State Insurance Fund. (Currently, assessments are deposited into one account, the Administrative Cost Fund, and shared between BWC and the Industrial Commission.) One of these accounts is to consist of assessments collected for the Industrial Commission. This account is the Industrial Commission Operating Fund. Creating this fund will allow BWC and OIC to maintain direct control over their respective operating funds and will more clearly differentiate the costs of the services provided by the two agencies by showing employers what portion of their assessments goes toward BWC and what portion goes toward OIC.

Religious Sect Exemption (R.C. section 4123.15)

This provision specifies that an employer who is a member and adherent of a religious sect that is opposed to accepting public or private insurance benefits related to various events, such as death, disability, impairment, old age, and retirement, may apply to BWC for an exemption from payment of workers' compensation premiums and assessments, or in the case of a self-insured employer, from payment of direct compensation and benefits, on account of an employee who is also a member of such a religious sect. In practice, this provision would apply most readily to employers and employees of the Amish community who wish to be exempt from paying workers' compensation premiums and assessments. The fiscal effect of this provision is likely to be minimal. Although BWC would collect fewer premium and assessment payments from employers to which the Bureau grants an exemption, the Bureau would also not be responsible for paying workers' compensation claims for these employers.

Temporary Law Provisions

William Green Lease Payments (Section 3 of the bill)

This temporary law prescribes the manner in which appropriations in line item 855-401, William Green Lease Payments to OBA, are to be expended. Over the biennium, up to \$37,974,226 is available for this purpose.

Workers' Compensation Fraud Unit (Section 3 of the bill)

The Bureau of Workers' Compensation 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 each of FYs 2004 and 2005, BWC will transfer \$773,151 to the Attorney General's Workers' Compensation Fraud Unit from appropriation item 855-410, Attorney General Payments.

Safety and Hygiene (Section 3 of the bill)

This temporary law provision requires the Administrator of BWC to transfer moneys from the State Insurance Fund to insure that appropriation item 855-609, Safety and Hygiene Operating, is provided \$20,130,820 in each of FYs 2004 and 2005.

Vocational Rehabilitation (Section 3 of the bill)

The Bureau of Workers' Compensation 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 \$587,774 in FY 2004 and \$605,407 in FY 2005.

Fund Balance Transfers (Section 4 of the bill)

This provision directs the Director of Budget and Management to transfer existing encumbrances and balances from the Industrial Commission's portion of Fund 023, Administrative Cost Fund, to Fund 5W3, Industrial Commission Operating Fund, on July 1, 2003. The Industrial Commission appropriation items included in this transfer are 845-321, Operating Expenses; 845-402, Rent – William Green Building; and 845-410, Attorney General Payments.

Renumbering Safety and Hygiene Rules (Section 5 of the bill)

This provision directs the Director of the Legislative Service Commission to renumber BWC's safety and hygiene rules, currently bearing the Administrative Code division level designation of 4121:1, to 4123:1. The renumbering was requested by the Legislative Service Commission and is related to administrative procedures concerning electronic rules filing.

REQUESTS NOT FUNDED

The executive budget recommendation fully funds all program series included in BWC's FY 2004-2005 budget request. Total recommended appropriations are \$319,157,074 for FY 2004, and \$319,662,074 for FY 2005.

Workers' Compensation Fund Group

023 855-401 William Green Lease Payments to OBA

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$15,658,929	\$16,334,646	\$16,974,631	\$18,174,700	\$18,734,613	\$19,239,613
	4.3%	3.9%	7.1%	3.1%	2.7%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Section 5 of Sub. H.B. 75 of the 124th 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 buy the William Green Building for BWC. Appropriations are also used to make lease payments to the Ohio Building Authority.

023 855-407 Claims, Risk & Medical Management

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$121,609,029	\$124,897,904	\$130,722,888	\$141,539,537	\$140,052,037	\$140,052,037
	2.7%	4.7%	8.3%	-1.1%	0.0%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Section 5 of Sub. H.B. 75 of the 124th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$9,980,587	\$9,960,233	\$10,035,424	\$11,713,797	\$11,713,797	\$11,713,797
	-0.2%	0.8%	16.7%	0.0%	0.0%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Section 5 of Sub. H.B. 75 of the 124th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

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

023 855-409 Administrative Services

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$111,226,257	\$109,103,221	\$104,630,149	\$119,884,053	\$119,246,553	\$119,246,553
	-1.9%	-4.1%	14.6%	-0.5%	0.0%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Section 5 of Sub. H.B. 75 of the 124th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$3,690,907	\$3,774,563	\$3,874,918	\$4,314,644	\$4,314,644	\$4,314,644
	2.3%	2.7%	11.3%	0.0%	0.0%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Section 5 of Sub. H.B. 75 of the 124th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

Purpose: This line item funds fifty percent 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.

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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$247,014	\$0	\$0	\$0	\$0	\$0
		N/A	N/A	N/A	N/A

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

Legal Basis: Discontinued line item (originally established in ORC 4121.62(E))

Purpose: This line was used to make rental payments for the BWC Rehabilitation Center in Columbus.

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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$7,392,735	\$2,725,970	\$342,798	\$0	\$0	\$0
	-63.1%	-87.4%	-100.0%	N/A	N/A

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

Legal Basis: Discontinued line item (originally established in ORC 4121.62(E) and Section 5 of Sub. H.B. 75 of the 124th G.A.)

Purpose: This line item was used for operating funds for the BWC Rehabilitation Center in Columbus. The Rehabilitation Center closed in FY 2001.

822 855-606 Coal Workers' Fund

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$74,251	\$78,185	\$38,260	\$91,894	\$91,894	\$91,894
	5.3%	-51.1%	140.2%	0.0%	0.0%

Source: WCF: Additional premiums charged to coal mine operators

Legal Basis: ORC 4131.03 and Section 5 of Sub. H.B. 75 of the 124th G.A.

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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$45,757	\$45,811	\$49,089	\$53,952	\$53,952	\$53,952
	0.1%	7.2%	9.9%	0.0%	0.0%

Source: WCF: Premiums collected from marine industry employers

Legal Basis: ORC 4131.03 and Section 5 of Sub. H.B. 75 of the 124th G.A.

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 Longshoremen's and Harbor Workers' Compensation Act Amendments of 1972.

825 855-605 Disabled Workers Relief Fund

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$582,256	\$629,057	\$691,649	\$693,764	\$693,764	\$693,764
	8.0%	9.9%	0.3%	0.0%	0.0%

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

Legal Basis: ORC 4123.412 and Section 5 of Sub. H.B. 75 of the 124th G.A.

Purpose: This line item is used to pay payroll and operating expenses of the fund, as well as costs related to providing Disabled Workers Relief Fund (DWRF) benefits. 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$17,720,519	\$17,076,212	\$17,593,089	\$20,130,820	\$20,130,820	\$20,130,820
	-3.6%	3.0%	14.4%	0.0%	0.0%

Source: WCF: Safety and Hygiene Fund assessments charged to employers and transfer of moneys from State Insurance Fund

Legal Basis: ORC 4121.37 and Section 5 of Sub. H.B. 75 of the 124th G.A.

Purpose: This line item provides all operating funds for the Division of Safety and Hygiene. This fee, which is 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$7,471,989	\$10,339,284	\$4,385,870	\$3,000,000	\$2,000,000	\$2,000,000
	38.4%	-57.6%	-31.6%	-33.3%	0.0%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: As-needed line item (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 the Controlling Board when appropriate requests are received from employers.

Holding Account Redistribution Fund Group

R46 855-602 Camera Center Services

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$259,620	\$164,184	\$11,543	\$0	\$0	\$0
	-36.8%	-93.0%	-100.0%	N/A	N/A

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

Legal Basis: Discontinued line item (originally authorized by Controlling Board action beginning in FY 1997)

Purpose: BWC provided billing and collection services for health care providers who are based at the Rehabilitation Center. In exchange, the Center collected a service fee from each of these providers and deposits the revenue in this fund. The fund was set by Controlling Board approval every fiscal year. The Rehabilitation Center is now closed.

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

<i>Fund ALI ALI Title</i>	Estimated 2003	As Introduced 2004	House Sub Bill 2004	% Change Est. 2003 to House 2004	As Introduced 2005	House Sub Bill 2005	% Change House 2004 to House 2005
<i>BWC Bureau of Workers' Compensation</i>							
023 855-401 William Green Lease Payments to OBA	\$18,174,700	\$ 18,734,613	\$ 18,734,613	3.1%	\$ 19,239,613	\$ 19,239,613	2.7%
023 855-407 Claims, Risk & Medical Management	\$141,539,537	\$ 141,539,537	\$ 140,052,037	-1.1%	\$ 141,539,537	\$ 140,052,037	0.0%
023 855-408 Fraud Prevention	\$11,713,797	\$ 11,713,797	\$ 11,713,797	0.0%	\$ 11,713,797	\$ 11,713,797	0.0%
023 855-409 Administrative Services	\$119,884,053	\$ 119,884,053	\$ 119,246,553	-0.5%	\$ 119,884,053	\$ 119,246,553	0.0%
023 855-410 Attorney General Payments	\$4,314,644	\$ 4,314,644	\$ 4,314,644	0.0%	\$ 4,314,644	\$ 4,314,644	0.0%
4Y6 855-612 J.L. Camera Center Operating	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
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	\$ 693,764	\$ 693,764	0.0%	\$ 693,764	\$ 693,764	0.0%
826 855-609 Safety & Hygiene Operating	\$20,130,820	\$ 20,130,820	\$ 20,130,820	0.0%	\$ 20,130,820	\$ 20,130,820	0.0%
826 855-610 Safety Grants Program	\$3,000,000	\$ 2,000,000	\$ 2,000,000	-33.3%	\$ 2,000,000	\$ 2,000,000	0.0%
Workers' Compensation Fund Group Total	\$ 319,597,161	\$ 319,157,074	\$ 317,032,074	-0.8%	\$ 319,662,074	\$ 317,537,074	0.2%
R46 855-602 Camera Center Services	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
Holding Account Redistribution Fund Group Total	\$ 0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
<i>Total All Budget Fund Groups</i>							
	\$ 319,597,161	\$ 319,157,074	\$ 317,032,074	-0.8%	\$ 319,662,074	\$ 317,537,074	0.2%

Ohio Industrial Commission

House Agriculture Subcommittee

*Kerry Sullivan, Budget Analyst
Legislative Service Commission*

February 26, 2003

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LSC Redbook for the Ohio Industrial Commission

House Agriculture Subcommittee

*Kerry Sullivan, Budget Analyst
Legislative Service Commission*

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Attachment: LSC Budget Spreadsheet By Line Item

February 26, 2003

Note: The estimated General Revenue Fund (GRF) spending for FY 2003 used in this LSC Redbook reflects the 2.5% reduction made as a result of the Governor's January 22, 2003 budget cut order. The executive reduction was applied across-the-board to FY 2003 GRF appropriations, subject to certain exceptions. Subsequent to such reductions (and not reflected in the Redbook), state agencies were permitted to reallocate the amount that each of their GRF appropriation line items was reduced, while still absorbing the 2.5% budget cut within the total amount of their GRF appropriations.

Ohio Industrial Commission

- Recommended funding is at core budget level for all programs
- Total funding for each fiscal year is equal to 2003 appropriations
- OIC is implementing a new Document Management System

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. Ohio Industrial Commission operations, as well as those of BWC, are funded through an Administrative Cost Fund (ACF) assessment that is added to employer workers' compensation premiums. Neither OIC nor BWC receives general revenue funds.

The Commission's proceedings are quasi-judicial in nature and provide an opportunity for all parties to be heard before a decision is made. The hearing process is comprised of three levels of adjudication. Claimants or employers make first 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 45 days of a claimant or employer filing an appeal with the Commission. Third-level appeals are held in Columbus with the three-member panel of commissioners. A Commission level hearing is conducted on a discretionary basis. Typically, commissioners hear unresolved cases that deal with an issue of policy or special circumstance that they believe warrants further consideration. If an injured worker or employer disagrees with the Commission's decision, the issue can be further adjudicated in the court system.

Between fiscal years (FYs) 1996 and 2002, hearings conducted at all levels declined from 231,733 to 196,546, a 15% decline. Since 1996, total staffing levels at the Commission have fallen from 643 to the current level of 537. This decline was realized through retirement, attrition, and without any layoffs or buyouts.

The executive funding recommendation for the upcoming biennium is \$59,999,383 in each of FYs 2004 and 2005.

ANALYSIS OF EXECUTIVE PROPOSAL

Ohio Industrial Commission

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 16 offices statewide and in 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 2004	FY 2005
023	845-321	Operating Expenses	\$50,716,383	\$50,370,800
023	845-402	Rent-William Green Building	\$5,670,883	\$6,016,466
023	845-410	Attorney General Payments	\$3,454,984	\$3,454,984
821	845-605	Service Account	\$157,133	\$157,133
Total funding: OHIO INDUSTRIAL COMMISSION			\$59,999,383	\$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 Fund 023 are supported by Administrative Cost Fund (ACF) assessments charged to state insurance fund employers. Assessment revenue is shared proportionately between OIC and BWC. Fund 821 is supported by conference income, income received from coin copiers, and the sale of publications.

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

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$59,999,383 in each of FYs 2004 and 2005. At this funding level, the agency will continue support of its adjudicatory functions at the same funding level recommended in FY 2003.

The agency will also pay its share of expenses related to the operation of the Attorney General's Workers' Compensation Section and make lease payments for the William Green Building, OIC's office headquarters located in Columbus. The increase in appropriation between FY 2004 and FY 2005 for the William Green Lease Payments line item represents the only appropriation increase requested by OIC for the biennium. The building is owned by the Ohio Building Authority and was funded by tax-exempt bonds, the principal on which is paid by the building's tenants (OIC and BWC). The amounts of principal payments are identified in the original schedule of bond retirement and have not been changed.

ADDITIONAL FACTS AND FIGURES

Overall Staffing Levels from Calendar Years 2000 to 2005

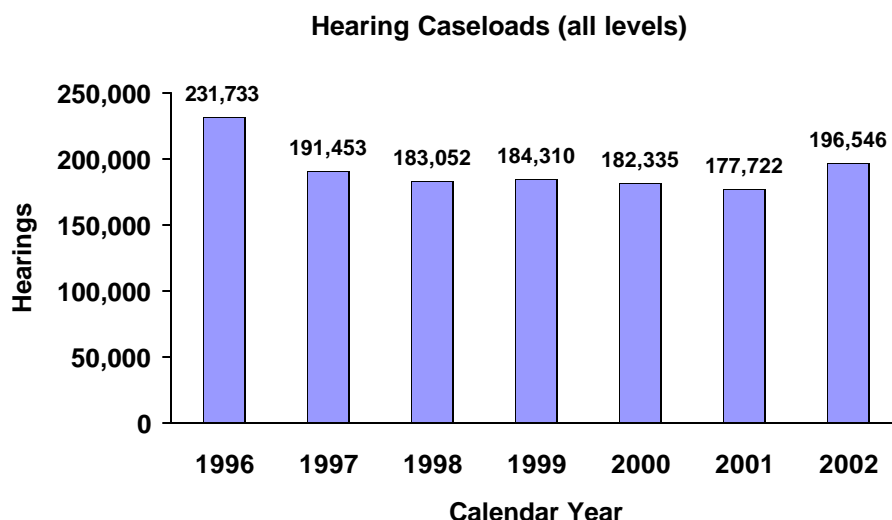
The following chart illustrates OIC's total staffing levels between FY 2000 and FY 2005, with the numbers for FY 2004 and FY 2005 being estimates.

Program Series/Division	2000	2001	2002	2003	2004 (estimated)*	2005 (estimated)*
Industrial Commission	571	560	545	537	554	554
Totals	571	560	545	537	554	554

Source: Ohio Industrial Commission

* Estimated figures are maximum funded positions under Office of Budget and Management recommendations. Currently in FY 2003, OIC has approximately 40 funded positions unfilled.

Hearing Caseloads from Calendar Year 1996 to 2002



- According to Industrial Commission data, the total number of hearings held between 1996 and 2002 has dropped from 231,733 to 196,546, a 15% decrease in workload. This accounts for hearings at the District Hearing Officer level, Staff Hearing Officer level, and Commission Hearing level. Over the last several years, hearing load has stabilized at approximately 183,000 per year.
- The Ohio Industrial Commission is required to hear claims and issue orders at the District level within 52 days (45 days to hear the claim, and 7 days to issue the order). If a decision is appealed, OIC has another 52 days to conduct a second-level hearing and issue an order. In the last four quarters for which data are available (third quarter of 2001 through second quarter of 2002), OIC compiled a 91% compliance rate at the District Hearing Officer level and a 93% compliance rate at the Staff Hearing Officer level.

Technology at the Ohio Industrial Commission

During the current biennium, OIC implemented several technological enhancements in order to provide customers with better service and more online options. The Commission's enhanced website was launched in 2001. The newest feature of the website is called ICON (Industrial Commission Online Network). The feature allows customers to file most appeals online, and allows injured workers, employers, and their representatives to view specific workers' compensation claim information easily. This information includes hearing times and schedules, notices of hearings, hearing orders, continuance letters, and other related correspondence. Currently, an average of 1,300 online appeals and motions are being filed weekly via ICON.

In another area of technological development, OIC has developed the work processes and technology necessary to implement the first phase of its new Document Management System (DMS). The system is an electronic imaging system, intended to provide OIC staff and its customers with paperless, remote access to claim files and to all imaged documents contained within claim files. Currently, printing and paper costs comprise major expenses for the Commission. Average daily paper use totals some 42,000 sheets per day. In order to dispose of this paper, the Commission contracts with a commercial paper pulverizing company. Implementation of the DMS should provide numerous benefits, including better file integrity, more uniform and complete files, immediate and simultaneous access to claim file information, significant decreases in the amount of paper used by the Commission, and decreased staff time currently being spent preparing claim files for hearings.

Due to budgetary constraints, the Commission has slowed the full implementation of the DMS. Currently, the Commission is considering whether it needs to issue a Request for Proposals (RFP) for development of the software required to run the system, or whether a program purchased off-shelf would suffice (thereby reducing system expenses and the need for programmers).

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the agency's activities and spending decisions during the next biennium.

Permanent Law Provisions

There are no permanent law provisions contained in the Industrial Commission appropriations bill.

Temporary Law Provisions

Rent – William Green

This language specifies that appropriation line item 845-402, Rent – William Green, be used for the rent and operating expenses for the space occupied by the Industrial Commission in the William Green Building. The building is owned by the Ohio Building Authority and was funded by tax-exempt bonds, the principal on which is paid by the building's tenants, OIC and BWC.

Service Account

This language specifies that appropriation line item 845-605, Service Account, be used for expenses related to revenues collected and deposited in Fund 821. These expenses include the purchase of copiers, copier maintenance, and related supplies, coin changer purchases, expenses related to conferences, publications, and replacement of furniture and equipment.

REQUESTS NOT FUNDED

The executive budget recommendation fully funds all programs included in OIC's FY 2004-2005 budget request. Total recommended appropriations are \$59,999,383 in each of FYs 2004 and 2005.

Workers' Compensation Fund Group

023 845-321 Operating Expenses

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$40,216,494	\$40,523,001	\$42,589,470	\$51,055,568	\$50,716,383	\$50,370,800
	0.8%	5.1%	19.9%	-0.7%	-0.7%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Section 3 of Sub. H.B. 74 of the 124th G.A. (originally established by Am. Sub. H.B. 362 of the 122nd G.A.)

Purpose: This line item funds personal services, maintenance, and equipment costs involved with commission operations.

023 845-402 Rent-William Green Building

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$4,591,819	\$4,729,465	\$4,858,461	\$5,331,698	\$5,670,883	\$6,016,466
	3.0%	2.7%	9.7%	6.4%	6.1%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: ORC 4123.443 and Section 3 of Sub. H.B. 74 of the 124th G.A.

Purpose: This account is used to pay rent and miscellaneous maintenance costs for the commission's offices at the William Green Building.

023 845-410 Attorney General Payments

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$2,955,394	\$3,020,270	\$3,264,855	\$3,454,984	\$3,454,984	\$3,454,984
	2.2%	8.1%	5.8%	0.0%	0.0%

Source: WCF: Administrative Cost Fund assessments charged to employers

Legal Basis: ORC 4123.92 and Section 3 of Sub. H.B. 74 of the 124th G.A.

Purpose: This line item funds fifty percent of the costs related to the legal services of the Attorney General's Workers' Compensation unit. BWC pays the remaining portion. Both agencies make alternating quarterly payments during the fiscal year.

821 845-605 Service Account

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$86,309	\$102,369	\$4,833	\$157,133	\$157,133	\$157,133
	18.6%	-95.3%	3151.3%	0.0%	0.0%

Source: WCF: Revenues from such sources as coin copiers, pay telephones, publications sold, and income from conferences

Legal Basis: ORC 4121.03, ORC 131.32 and Section 3 of Sub. H.B. 74 of the 124th G.A.

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 2004 - FY 2005

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2002</i>	<i>Estimated 2003</i>	<i>Executive 2004</i>	<i>% Change 2003 to 2004</i>	<i>Executive 2005</i>	<i>% Change 2004 to 2005</i>
<i>OIC Ohio Industrial Commission</i>								
023	845-321	Operating Expenses	\$ 42,589,470	\$51,055,568	\$ 50,716,383	-0.7%	\$ 50,370,800	-0.7%
023	845-402	Rent-William Green Building	\$ 4,858,461	\$5,331,698	\$ 5,670,883	6.4%	\$ 6,016,466	6.1%
023	845-410	Attorney General Payments	\$ 3,264,855	\$3,454,984	\$ 3,454,984	0.0%	\$ 3,454,984	0.0%
821	845-605	Service Account	\$ 4,833	\$157,133	\$ 157,133	0.0%	\$ 157,133	0.0%
Workers' Compensation Fund Group Total			\$ 50,717,619	\$ 59,999,383	\$ 59,999,383	0.0%	\$ 59,999,383	0.0%
Total All Budget Fund Groups			\$ 50,717,619	\$ 59,999,383	\$ 59,999,383	0.0%	\$ 59,999,383	0.0%

Ohio Industrial Commission

Senate Insurance, Commerce, and Labor Committee

*Kerry Sullivan, Budget Analyst
Legislative Service Commission*

March 25, 2003

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LSC Redbook for the Ohio Industrial Commission

Senate Insurance, Commerce, and Labor Committee

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Attachment: LSC Budget Spreadsheet By Line Item

March 25, 2003

Note: The estimated General Revenue Fund (GRF) spending for FY 2003 used in this LSC Redbook reflects the 2.5% reduction made as a result of the Governor's January 22, 2003 budget cut order. The executive reduction was applied across-the-board to FY 2003 GRF appropriations, subject to certain exceptions. Subsequent to such reductions (and not reflected in the Redbook), state agencies were permitted to reallocate the amount that each of their GRF appropriation line items was reduced, while still absorbing the 2.5% budget cut within the total amount of their GRF appropriations.

Ohio Industrial Commission

- Recommended funding is at core budget level for all programs
- Total funding for each fiscal year is equal to 2003 appropriations
- OIC is implementing a new Document Management System

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. Ohio Industrial Commission operations, as well as those of BWC, are funded through an Administrative Cost Fund (ACF) assessment that is added to employer workers' compensation premiums. Neither OIC nor BWC receives general revenue funds.

The Commission's proceedings are quasi-judicial in nature and provide an opportunity for all parties to be heard before a decision is made. The hearing process is comprised of three levels of adjudication. Claimants or employers make first 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 45 days of a claimant or employer filing an appeal with the Commission. Third-level appeals are held in Columbus with the three-member panel of commissioners. A Commission level hearing is conducted on a discretionary basis. Typically, commissioners hear unresolved cases that deal with an issue of policy or special circumstance that they believe warrants further consideration. If an injured worker or employer disagrees with the Commission's decision, the issue can be further adjudicated in the court system.

Between fiscal years (FYs) 1996 and 2002, hearings conducted at all levels declined from 231,733 to 196,546, a 15% decline. Since 1996, total staffing levels at the Commission have fallen from 643 to the current level of 537. This decline was realized through retirement, attrition, and without any layoffs or buyouts.

The executive funding recommendation for the upcoming biennium is \$59,999,383 in each of FYs 2004 and 2005.

ANALYSIS OF EXECUTIVE PROPOSAL

Ohio Industrial Commission

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 16 offices statewide and in 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 2004	FY 2005
023	845-321	Operating Expenses	\$50,716,383	\$50,370,800
023	845-402	Rent-William Green Building	\$5,670,883	\$6,016,466
023	845-410	Attorney General Payments	\$3,454,984	\$3,454,984
821	845-605	Service Account	\$157,133	\$157,133
Total funding: OHIO INDUSTRIAL COMMISSION			\$59,999,383	\$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 Fund 023 are supported by Administrative Cost Fund (ACF) assessments charged to state insurance fund employers. Assessment revenue is shared proportionately between OIC and BWC. Fund 821 is supported by conference income, income received from coin copiers, and the sale of publications.

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

Implication of Recommendation: The executive budget recommends funding at the core budget level of \$59,999,383 in each of FYs 2004 and 2005. At this funding level, the agency will continue support of its adjudicatory functions at the same funding level recommended in FY 2003.

The agency will also pay its share of expenses related to the operation of the Attorney General's Workers' Compensation Section and make lease payments for the William Green Building, OIC's office headquarters located in Columbus. The increase in appropriation between FY 2004 and FY 2005 for the William Green Lease Payments line item represents the only appropriation increase requested by OIC for the biennium. The building is owned by the Ohio Building Authority and was funded by tax-exempt bonds, the principal on which is paid by the building's tenants (OIC and BWC). The amounts of principal payments are identified in the original schedule of bond retirement and have not been changed.

ADDITIONAL FACTS AND FIGURES

Overall Staffing Levels from Calendar Years 2000 to 2005

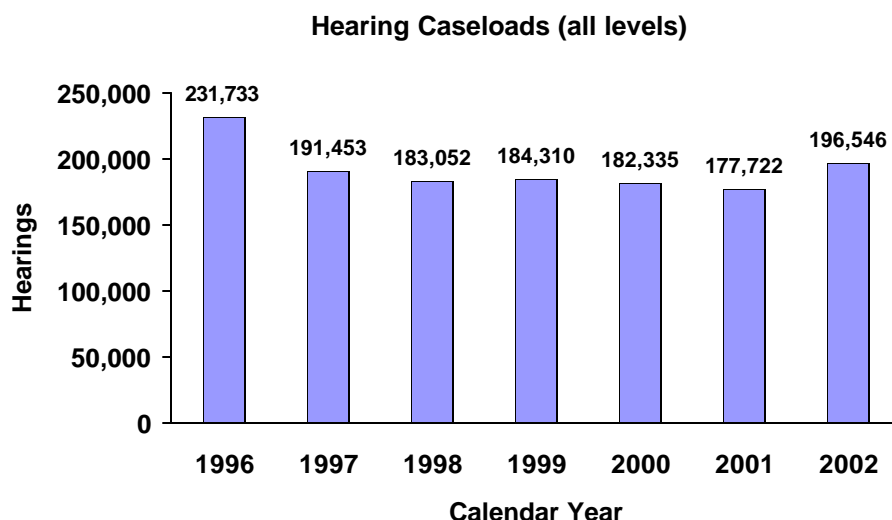
The following chart illustrates OIC's total staffing levels between FY 2000 and FY 2005, with the numbers for FY 2004 and FY 2005 being estimates.

Program Series/Division	2000	2001	2002	2003	2004 (estimated)*	2005 (estimated)*
Industrial Commission	571	560	545	537	554	554
Totals	571	560	545	537	554	554

Source: Ohio Industrial Commission

* Estimated figures are maximum funded positions under Office of Budget and Management recommendations. Currently in FY 2003, OIC has approximately 40 funded positions unfilled.

Hearing Caseloads from Calendar Year 1996 to 2002



- According to Industrial Commission data, the total number of hearings held between 1996 and 2002 has dropped from 231,733 to 196,546, a 15% decrease in workload. This accounts for hearings at the District Hearing Officer level, Staff Hearing Officer level, and Commission Hearing level. Over the last several years, hearing load has stabilized at approximately 183,000 per year.
- The Ohio Industrial Commission is required to hear claims and issue orders at the District level within 52 days (45 days to hear the claim, and 7 days to issue the order). If a decision is appealed, OIC has another 52 days to conduct a second-level hearing and issue an order. In the last four quarters for which data are available (third quarter of 2001 through second quarter of 2002), OIC compiled a 91% compliance rate at the District Hearing Officer level and a 93% compliance rate at the Staff Hearing Officer level.

Technology at the Ohio Industrial Commission

During the current biennium, OIC implemented several technological enhancements in order to provide customers with better service and more online options. The Commission's enhanced website was launched in 2001. The newest feature of the website is called ICON (Industrial Commission Online Network). The feature allows customers to file most appeals online, and allows injured workers, employers, and their representatives to view specific workers' compensation claim information easily. This information includes hearing times and schedules, notices of hearings, hearing orders, continuance letters, and other related correspondence. Currently, an average of 1,300 online appeals and motions are being filed weekly via ICON.

In another area of technological development, OIC has developed the work processes and technology necessary to implement the first phase of its new Document Management System (DMS). The system is an electronic imaging system, intended to provide OIC staff and its customers with paperless, remote access to claim files and to all imaged documents contained within claim files. Currently, printing and paper costs comprise major expenses for the Commission. Average daily paper use totals some 42,000 sheets per day. In order to dispose of this paper, the Commission contracts with a commercial paper pulverizing company. Implementation of the DMS should provide numerous benefits, including better file integrity, more uniform and complete files, immediate and simultaneous access to claim file information, significant decreases in the amount of paper used by the Commission, and decreased staff time currently being spent preparing claim files for hearings.

Due to budgetary constraints, the Commission has slowed the full implementation of the DMS. Currently, the Commission is considering whether it needs to issue a Request for Proposals (RFP) for development of the software required to run the system, or whether a program purchased off-shelf would suffice (thereby reducing system expenses and the need for programmers).

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the agency's activities and spending decisions during the next biennium.

Permanent Law Provisions

There are no permanent law provisions contained in the Industrial Commission appropriations bill.

Temporary Law Provisions

Rent – William Green

This language specifies that appropriation line item 845-402, Rent – William Green, be used for the rent and operating expenses for the space occupied by the Industrial Commission in the William Green Building. The building is owned by the Ohio Building Authority and was funded by tax-exempt bonds, the principal on which is paid by the building's tenants, OIC and BWC.

Service Account

This language specifies that appropriation line item 845-605, Service Account, be used for expenses related to revenues collected and deposited in Fund 821. These expenses include the purchase of copiers, copier maintenance, and related supplies, coin changer purchases, expenses related to conferences, publications, and replacement of furniture and equipment.

REQUESTS NOT FUNDED

The executive budget recommendation fully funds all programs included in OIC's FY 2004-2005 budget request. Total recommended appropriations are \$59,999,383 in each of FYs 2004 and 2005.

Workers' Compensation Fund Group

5W3 845-321 Operating Expenses

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$40,216,494	\$40,523,001	\$42,589,470	\$51,055,568	\$50,716,383	\$50,370,800
	0.8%	5.1%	19.9%	-0.7%	-0.7%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: Section 3 of Sub. H.B. 74 of the 124th G.A. (originally established by Am. Sub. H.B. 362 of the 122nd G.A.)

Purpose: This line item funds personal services, maintenance, and equipment costs involved with commission operations.

5W3 845-402 Rent-William Green Building

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$4,591,819	\$4,729,465	\$4,858,461	\$5,331,698	\$5,670,883	\$6,016,466
	3.0%	2.7%	9.7%	6.4%	6.1%

Source: WCF: Administrative Cost Fund assessments paid by employers

Legal Basis: ORC 4123.443 and Section 3 of Sub. H.B. 74 of the 124th G.A.

Purpose: This account is used to pay rent and miscellaneous maintenance costs for the commission's offices at the William Green Building.

5W3 845-410 Attorney General Payments

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$2,955,394	\$3,020,270	\$3,264,855	\$3,454,984	\$3,454,984	\$3,454,984
	2.2%	8.1%	5.8%	0.0%	0.0%

Source: WCF: Administrative Cost Fund assessments charged to employers

Legal Basis: ORC 4123.92 and Section 3 of Sub. H.B. 74 of the 124th G.A.

Purpose: This line item funds fifty percent of the costs related to the legal services of the Attorney General's Workers' Compensation unit. BWC pays the remaining portion. Both agencies make alternating quarterly payments during the fiscal year.

821 845-605 Service Account

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$86,309	\$102,369	\$4,833	\$157,133	\$157,133	\$157,133
	18.6%	-95.3%	3151.3%	0.0%	0.0%

Source: WCF: Revenues from such sources as coin copiers, pay telephones, publications sold, and income from conferences

Legal Basis: ORC 4121.03, ORC 131.32 and Section 3 of Sub. H.B. 74 of the 124th G.A.

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 2004 - FY 2005

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	Estimated 2003	<i>As Introduced 2004</i>	<i>House Bill 2004</i>	<i>% Change Est. 2003 to House 2004</i>	<i>As Introduced 2005</i>	<i>House Bill 2005</i>	<i>% Change House 2004 to House 2005</i>
<i>OIC Ohio Industrial Commission</i>									
5W3	845-321	Operating Expenses	\$51,055,568	\$ 50,716,383	\$ 50,716,383	-0.7%	\$ 50,370,800	\$ 50,370,800	-0.7%
5W3	845-402	Rent-William Green Building	\$5,331,698	\$ 5,670,883	\$ 5,670,883	6.4%	\$ 6,016,466	\$ 6,016,466	6.1%
5W3	845-410	Attorney General Payments	\$3,454,984	\$ 3,454,984	\$ 3,454,984	0.0%	\$ 3,454,984	\$ 3,454,984	0.0%
821	845-605	Service Account	\$157,133	\$ 157,133	\$ 157,133	0.0%	\$ 157,133	\$ 157,133	0.0%
Workers' Compensation Fund Group Total			\$ 59,999,383	\$ 59,999,383	\$ 59,999,383	0.0%	\$ 59,999,383	\$ 59,999,383	0.0%
Total All Budget Fund Groups			\$ 59,999,383	\$ 59,999,383	\$ 59,999,383	0.0%	\$ 59,999,383	\$ 59,999,383	0.0%