

Greenbook

LSC Analysis of Enacted Budget for the FY 2018-FY 2019 Biennium

Bureau of Workers' Compensation Ohio Industrial Commission

(H.B. 27 and H.B. 28 of the 132nd General Assembly)

Terry Steele, Senior Budget Analyst
Legislative Service Commission

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Budget Spreadsheet By Line Item

The Workers' Compensation and Industrial Commission Budgets

Bureau of Workers' Compensation – H.B. 27

- Appropriations of \$290.4 million in FY 2018 and \$290.6 million in FY 2019

Ohio Industrial Commission – H.B. 28

- Appropriations of \$51.4 million in FY 2018 and \$52.2 million in FY 2019

OVERVIEW

This Greenbook provides an analysis of the FY 2018-FY 2019 appropriations for the Bureau of Workers' Compensation (BWC) that are contained in H.B. 27 and the Ohio Industrial Commission (OIC) that are contained in H.B. 28. These two state agencies oversee, administer, and adjudicate claims within Ohio's workers' compensation system. H.B. 27 contains several changes that have a bearing on how claims are handled, such as revising eligibility standards for firefighter cancer claims, and clarifying substance abuse thresholds that apply for rebuttable presumption of injury claims. Additionally, H.B. 27 revises the requirements that apply in scheduling medical examinations for individuals seeking disability payments, and the way BWC handles reimbursement of medical service providers in particular situations. The BWC budget also makes some revisions to the Public Employment Risk Reduction Program. H.B. 28, the enacted OIC budget bill, contains only appropriations.

Appropriations for FY 2018-FY 2019

As shown in Table 1 below, the total amount of funding for BWC and OIC is just over \$341.8 million in FY 2018 and nearly \$342.8 million in FY 2019. BWC accounts for approximately 85% of the funding between the two budgets.

Table 1. Appropriations for BWC and OIC, FY 2018-FY 2019

Fund Group	FY 2017*	FY 2018	% change, FY 2017-FY 2018	FY 2019	% change, FY 2018-FY 2019
BWC – H.B. 27	\$283,704,545	\$290,416,264	2.4%	\$290,618,764	0.1%
OIC – H.B. 28	\$45,997,305	\$51,427,815	11.8%	\$52,167,300	1.4%
TOTAL	\$329,701,850	\$341,844,079	3.7%	\$342,786,064	0.3%

*FY 2017 figures represent actual spending.

Unlike the main operating budget, the BWC and OIC budget bills contain no GRF appropriations. Rather, all funding needed to administer the state's workers' compensation system, except for a small amount of federal funding within BWC's budget, is derived from assessments collected alongside employer premiums. The bulk of medical and lost-time benefits owed to injured workers are paid from the State Insurance Fund, a custodial account that is not subject to appropriation by the General Assembly. Benefits are also paid from specific funds that serve injured workers in the coal and maritime industries, as well as a fund that provides cost-of-living increases to certain permanently and totally disabled injured workers.

Bureau of Workers' Compensation

- Funding of \$290.4 million in FY 2018 and \$290.6 million in FY 2019 under H.B. 27
- Net assets of approximately \$8.4 billion among all workers' compensation system funds at the close of FY 2017

OVERVIEW

The Ohio Bureau of Workers' Compensation (BWC) administers the largest exclusive workers' compensation system in the United States. An exclusive system is one in which the state, not private insurers, provides workers' compensation insurance to all public and private employers except those that qualify for self-insurance. However, certain companies, provided that they have sufficient financial and administrative resources, qualify for self-insurance under BWC oversight. BWC-issued policies cover approximately two-thirds of Ohio's workforce, including private, state, and local government employees. In FY 2016, approximately 243,000 employers maintained policies with the Bureau, while nearly 1,200 employers qualified for self-insurance. According to the Department of Administrative Services' monthly employee report, as of June 2017, BWC had 1,787 employees, of which 1,742 were full-time permanent staff.

An 11-member Board of Directors is responsible for the governance of BWC. The members of the Board are appointed by the Governor and represent entities that have an interest in workers' compensation in Ohio, such as employers, employees, labor unions, and so forth. There are five Board subcommittees devoted to oversight of BWC's actuarial, audit, governance, investment, and medical services and safety policies.

FY 2018-FY 2019 Appropriations for BWC Operations

As Table 2 below shows, H.B. 27 appropriates \$290.4 million in FY 2018 and \$290.6 million in FY 2019 for BWC operations across the state.

Fund Group	FY 2017*	FY 2018	% change, FY 2017-FY 2018	FY 2019	% change, FY 2018-FY 2019
Dedicated Purpose	\$281,943,706	\$288,367,260	2.3%	\$288,569,760	0.1%
Federal	\$1,760,839	\$2,049,004	16.4%	\$2,049,004	0.0%
TOTAL	\$283,704,545	\$290,416,264	2.4%	\$290,618,764	0.1%

*FY 2017 figures represent actual spending.

Except for approximately \$2.0 million in federal funding each fiscal year, BWC operations are entirely supported by assessments paid by employers in conjunction with their premium payments. These assessments are deposited into the Workers' Compensation Fund (Fund 7023). A separate assessment is collected for BWC's Safety and Hygiene Division, and is calculated as a percentage of the employer's premium. These amounts are subsequently deposited into the Safety and Hygiene Fund (Fund 8260) for workplace safety programming. Employers in the coal and marine industries pay amounts that are deposited into specific funds to cover benefits to injured workers as prescribed by federal law. Insurance premiums paid by state fund employers are deposited into the State Insurance Fund and are not subject to appropriation by the General Assembly. Budget appropriations for BWC operations are shown in Table 2 above.

Workers' Compensation Claims Statistics

Table 3 below shows claim and compensation statistics for FY 2016 (the latest data available as of the date of this publication) and the two prior fiscal years. Overall, the amount of benefits paid over this period decreased nearly 7%, from approximately \$1.7 billion in FY 2014 to just over \$1.6 billion in FY 2016. The number of new claims allowed also declined, from 97,572 in FY 2014 to 88,170 in FY 2016, a 9.6% drop. The total number of open claims (including medical and lost time) fell from 858,773 in FY 2014 to 752,312 in FY 2016, or almost 12.4%.

Table 3. Workers' Compensation Claims Statistics, FY 2014-FY 2016			
	FY 2014	FY 2015	FY 2016
Benefits Paid			
Medical	\$660,912,037	\$614,375,366	\$580,294,319
Lost Time	\$1,061,339,481	\$1,033,055,714	\$1,021,602,467
TOTAL	\$1,722,251,518	\$1,647,431,080	\$1,601,896,786
Number of New Allowed Claims			
TOTAL	97,572	93,936	88,170
Number of Open Claims			
TOTAL	858,773	791,638	752,312

Statutory Changes under H.B. 27

H.B. 27 contains various statutory changes that affect programs and administrative functions within BWC. The changes that have the most significant impact on BWC operations are discussed below. A comprehensive list of the permanent law and uncodified law provisions, as well as a summary of their fiscal effects, can be reviewed in the LSC Comparison Document for H.B. 27 and H.B. 28.

Firefighter Cancer Presumptions

The bill makes two primary changes with respect to the law pertaining to firefighter cancer presumptions. First, the bill adds working wage loss (WWL) to the types of compensation or benefits a firefighter may receive under the presumption in Workers' Compensation Law. This could potentially increase the benefits paid from the State Insurance Fund. WWL benefits apply when an injured worker returns to work in some capacity other than his or her former job, including the same employer or a new employer, at less pay or fewer hours as a result of the injured workers' physical restrictions.

Secondly, the bill specifies that the presumption that a firefighter who is disabled due to cancer incurred the cancer while performing official duties as a firefighter may be rebutted if there is evidence that shows, by a preponderance of scientific evidence, that exposure to the type of carcinogen alleged did not or could not have caused the cancer. This provision could potentially reduce the number of these types of firefighter claims approved. It could affect both payments made by BWC and those made by the Ohio Police and Fire Pension Fund

Drug Tests – Rebuttable Presumption

First, the bill revises the list of controlled substance levels to match those used by the U.S. Department of Transportation drug testing program under the rebuttable presumption standard for injury claims under current law. Rebuttable presumption refers to an injured worker's right to dispute an assumption that the use of drugs not prescribed by a doctor or alcohol was the main cause of an injury. If the new U.S. Department of Transportation drug limit thresholds are stricter than current BWC limits, one possible outcome is that more injury claims will be rejected.

Medical Exams – Permanent Partial Disability Claims

Another provision of the bill requires the dismissal of permanent partial disability (PPD) claims if an injured employee fails to schedule and attend a medical examination. This provision would apply to all claims filed after the provision's effective date. If more PPD applications are rejected because of this requirement, then there will be a potential reduction in payments from the State Insurance Fund. PPD claims accounted for just over 5% of all benefits paid from the State Insurance Fund in FY 2016.

Payment to Medical Service Providers – Reimbursement of Secondary Payers

Among administrative changes, H.B. 27 contains a provision that allows for the reimbursement of secondary payers for medical services to come into compliance with the federal Medicaid Secondary Payer Program. The provision allows the BWC Administrator, based on the assessment of an employee's claim file, to pay

reimbursements up to \$500 to the Centers of Medicare and Medicaid Services, the Ohio Department of Medicaid, or a medical assistance provider.

Handicap Reimbursement Program

H.B. 27 contains a provision that requires the Administrator of Workers' Compensation to adopt a rule allowing an employer who settles a claim to participate in the Handicap Reimbursement Program, which previously had been prohibited. Participation in the program allows an employer to have a percentage of costs associated with a claim to be charged to, or refunded from the Statutory Surplus Fund. There could be a few more such employers eligible for the program as a result of this change.

Statute of Limitations for Injury or Death Claims

The bill contains a provision that decreases the amount of time a person has to initiate a workers' compensation claim based on an employee's injury or death to one year after the employee sustains the injury or dies, from two years. This could potentially reduce the amount of benefit payments made from the State Insurance Fund.

Public Employment Risk Reduction Program Changes

Finally, the bill includes firefighters, emergency medical technicians, and certain corrections officers as public employers for purposes of inclusion in the Public Employment Risk Reduction Program (PERRP). The bill makes other administrative changes to the operation of the program as well. Since this provision expands the number of participants in the PERRP, it could increase costs to the Safety and Hygiene Division, and consequently, the Safety and Hygiene Fund (Fund 8260).

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of BWC appropriations under H.B. 27 for the 14 line items that make up BWC's budget. The analysis groups BWC's line items into four major categories corresponding to agency operations. For each category a table is provided listing the appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any statutory or uncodified law changes affecting the appropriation. The four categories used in this analysis are as follows:

1. Claims Management;
2. Administration;
3. Safety and Hygiene Programs; and
4. Special Benefit Funds.

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

Categorization of BWC's Appropriation Line Items for Analysis			
Fund	ALI and Name		Category
Dedicated Purpose Fund Group			
7023	855407	Claims, Risk, and Medical Management	1: Claims Management
7023	855408	Fraud Prevention	1: Claims Management
7023	855409	Administrative Services	2: Administration
7023	855410	Attorney General Payments	2: Administration
8220	855606	Coal Workers' Fund	4: Special Benefit Funds
8230	855608	Marine Industry	4: Special Benefit Funds
8250	855605	Disabled Workers' Relief Fund	4: Special Benefit Funds
8260	855609	Safety and Hygiene Operating	3: Safety and Hygiene Programs
8260	855610	Safety Grants	3: Safety and Hygiene Programs
8260	855611	Health and Safety Initiative	3: Safety and Hygiene Programs
8260	855612	Safety Campaign	3: Safety and Hygiene Programs
Federal Special Revenue Fund Group			
3490	855601	OSHA Enforcement	3: Safety and Hygiene Programs
3FW0	855614	BLS SOII Grant	3: Safety and Hygiene Programs
3FW0	855615	NIOSH Grant	3: Safety and Hygiene Programs

Category 1: Claims Management

This grouping of line items funds BWC's claims management functions. These items also fund oversight and communications related to the Bureau's managed care system under which medical claims are handled. In addition, this category includes funding for BWC's claimant and medical provider fraud prevention and detection efforts.

Appropriation Amounts for Claims Management				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
7023	855407	Claims, Risk, and Medical Management	\$115,598,050	\$118,300,550
7023	855408	Fraud Prevention	\$12,791,260	\$12,791,260
Total Funding: Claims Management			\$128,389,310	\$131,091,810

Claims, Risk, and Medical Management (855407)

The appropriation for this line item is \$115.6 million in FY 2018, a slight decrease from FY 2017 spending of \$118.4 million, and rises to \$118.3 million in FY 2019, a 2.3% increase over FY 2018 appropriations. The various functions funded by the appropriation, as well as the funding levels for each, are listed in the table below.

Table 4. Uses of Appropriation 855407, Claims, Risk, and Medical Management				
Function	FY 2018	% of Total	FY 2019	% of Total
Field Operations	\$73,166,160	63.3%	\$75,033,902	63.4%
Injury Management Services	\$18,548,637	16.1%	\$18,710,790	15.8%
Employer Services	\$14,595,038	12.6%	\$15,009,836	12.7%
Customer Contact Center	\$4,664,638	4.0%	\$4,828,408	4.1%
Self-Insured Services	\$2,454,193	2.1%	\$2,489,377	2.1%
Safety Violations Investigations	\$977,098	0.9%	\$1,000,203	0.8%
Ombudsperson	\$678,739	0.6%	\$699,333	0.6%
Special Investigations*	\$513,547	0.4%	\$528,701	0.5%
TOTAL	\$115,598,050	100.0%	\$118,300,550	100.0%

*Additional funding for the Special Investigations unit is under line item 855408, Fraud Prevention.

Field Operations

Field Operations is responsible for providing claims services to injured workers and employers. In addition to providing initial determinations of claims, Field Operations handles additional allowances in medical-only claims and processes requests for claims to receive hearings by the Ohio Industrial Commission.

Injury Management Services

This area oversees the Bureau's medical, pharmaceutical, and vocational rehabilitation providers, including managed care organizations (MCOs) currently certified to manage injury claims. The program serves roughly 250,000 individuals annually.

Employer Services

Employer Services is responsible for developing and implementing workers' compensation insurance products and providing underwriting and technical support for employers, including Destination: Excellence, a discount rating plan that allows employers to choose among several programs intended to promote workplace wellness, return to work strategies, and accident prevention. Employer Services also oversees the BWC group rating discount program for private and public employers.

Customer Contact Center

The Customer Contact Center provides information regarding BWC's processes, law, policies, and procedures to employers, injured workers, health care providers, and MCOs. It also assists new employers in obtaining BWC coverage and helps employers that already have coverage with policy account information regarding invoices, payroll data, and so forth.

Self-Insured Services

Self-Insured Services is responsible for auditing self-insuring employers for compliance with the Workers' Compensation Law and BWC administrative rules. Additionally, this section processes assessment invoices for self-insured employers and assumes responsibility for the administrative process of claims in cases of default or bankruptcy of self-insured employers. Just fewer than 1,200 employers self-insured against workers' compensation liability in FY 2016.

Safety Violations and Ombudsperson

The Safety Violations Program prepares reports concerning alleged safety violations that the Industrial Commission uses to determine Violations of Specific Safety Requirements (VSSRs) and actions required to correct any violations. The BWC Ombudsperson's Office answers inquiries and investigates complaints made by employers, injured workers, and medical providers as they relate to processing workers' compensation claims.

Fraud Prevention (855408)

The funding for this line item under H.B. 27 is \$12.8 million for both FY 2018 and FY 2019, an increase of approximately 2.5% over FY 2017 spending of just under \$12.5 million. This line item supports the Special Investigations Department, which is responsible for detecting, investigating, and deterring fraud committed by employers,

injured workers, or medical service providers. The Special Investigations staff works closely with local and state prosecutors, including the Ohio Attorney General. The line item also provides for security services at BWC's 15 statewide offices.

There are three regional claimant fraud investigative units working out of service offices across the state. There are also separate health care provider and employer fraud units, as well as a unit that investigates safety violations. Finally, the intelligence and digital forensics units operate from BWC's central office in Columbus. According to information provided in BWC's Annual Report for FY 2016, drug cases, working while improperly receiving benefits, and complaints against employers continue to be the three most investigated types of complaints. In FY 2016, 1,503 fraud cases were closed. Of those closed cases, 668 (44.4%) were classified as "closed founded," which means the original allegation of the case was proven. Ultimately, of those 668 cases, 198 (29.6%) of them were referred to the Attorney General for prosecution, with 119 resulting indictments and 127 convictions as of this writing. BWC estimates the average "closed founded" case identified \$84,687 in savings for the workers' compensation system in FY 2016.

Category 2: Administration

Funding included in this category covers the administrative functions related to overseeing sound actuarial and investment strategies to ensure the integrity of the State Insurance Fund and other funds that support injured workers. These appropriations chiefly cover six areas: finance, actuarial, investments, human resources, legal, and infrastructure and technology. This category also includes appropriations for payments that BWC makes to cover the operating expenses of the Workers' Compensation Section within the Attorney General's Office.

Appropriations for Administration				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
7023	855409	Administrative Services	\$109,472,100	\$109,472,100
7023	855410	Attorney General Payments	\$4,621,850	\$4,621,850
Total Funding: Administration			\$114,093,950	\$114,093,950

Administrative Services (855409)

The appropriation for this line item is \$109.5 million in both FY 2018 and FY 2019, a 3.3% decrease when compared to FY 2017 spending of \$113.1 million in this area. Overall, this line item accounts for approximately 39% of BWC's total recommended budget in each fiscal year. General administrative duties within the Bureau are broken down into seven separate divisions: (1) Fiscal and Planning, (2) Actuarial, (3) Investments, (4) Human Resources, (5) Legal, (6) Infrastructure and Technology, and (7) Internal Audit.

The Fiscal and Planning Division oversees fiscal management, general accounting, payroll, and other fiscal functions for BWC. It is also responsible for receipt and distribution of agency funds including benefits payable to injured workers. The Actuarial Division maintains the stability of the State Insurance Fund by setting premium rates and claims reserves and assists Employer Services in the creation of ratings plans. The Investments Division is responsible for investing the assets of the State Insurance Fund according to investment policy established by BWC's Board of Directors. The Human Resources Division provides leadership and guidance to BWC management and staff in areas of equal employment opportunity, employee and labor relations, payroll and benefits, and quality services. The Legal Division provides legal advice to BWC on claims procedures and policy, and represents the State Insurance Fund in administrative appeals. The Infrastructure and Technology Division is responsible for all computer equipment and software maintenance. Internal Audit evaluates the effectiveness of BWC's internal controls, validates agency compliance with policies, applicable laws, and regulations, and evaluates business processes to ensure

that risks are mitigated and agency objectives can be met. There are approximately 430 employees funded under this appropriation item.

Attorney General Payments (855410)

The appropriation for this line item is \$4.6 million in both fiscal years, which equals FY 2017 spending. This line item funds half of the cost related to the legal services of the Attorney General's Workers' Compensation Section. The remaining half is paid by the Ohio Industrial Commission. The Workers' Compensation Section provides legal counsel to BWC and OIC. Most cases are appeals of workers' compensation claims filed in county common pleas courts. In addition, temporary law included within the budget requires that up to \$828,200 be used specifically to pay the expenses of the Workers' Compensation Fraud Unit of the Attorney General's Office. In contrast to other costs split with OIC, the Bureau pays all costs associated with the Fraud Unit.

Category 3: Safety and Hygiene Programs

The line items within this area provide funding for BWC programs geared toward ensuring that employers meet applicable safety standards and laws. The funding is also used to provide safety training to employers. The bulk of operating revenue for the Division of Safety and Hygiene, which oversees the various programs within this category of appropriations, comes from an assessment charged to employers that is calculated as a percentage of paid premiums. Those amounts are 1.0% of paid premiums for private employers and .75% of paid premiums for public employers. The Division also operates using a small portion of federal funding.

Appropriation Amounts for Safety and Hygiene Programs				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
8260	855609	Safety and Hygiene Operating	\$22,000,000	\$22,000,000
8260	855610	Safety Grants	\$15,000,000	\$15,000,000
8260	855611	Health and Safety Initiative	\$6,000,000	\$6,000,000
8260	855612	Safety Campaign	\$2,500,000	\$0
Dedicated Purpose Fund Group Subtotal			\$45,500,000	\$43,000,000
Federal Special Revenue Fund Group				
3490	855601	OSHA Enforcement	\$1,653,900	\$1,653,900
3FW0	855614	BLS SOII Grant	\$195,104	\$195,104
3FW0	855615	NIOSH Grant	\$200,000	\$200,000
Federal Special Revenue Fund Group Subtotal			\$2,049,004	\$2,049,004
Total Funding: Safety and Hygiene Programs			\$47,549,004	\$45,049,004

Safety and Hygiene Operating (855609)

Under H.B. 27, appropriation item 855609, Safety and Hygiene Operating, receives \$22.0 million in each year of the FY 2018-FY 2019 biennium, an increase of 7.6% over FY 2017 spending of \$20.4 million.

The Division is responsible for ensuring that employers offer safe work environments through the investigation of industrial accidents and occupational disease and through programs designed to prevent these problems. The Division's responsibilities include: (1) making targeted visits to employers with high frequency of accidents to educate them in risk and safety management, (2) providing safety and health consultative services to Ohio's public employers, (3) administering the Safety Grants Program (see line item 855610, Safety Grants, below) that assists employers with the cost of implementing programs designed to reduce cumulative stress disorder and other injuries, and (4) supporting local safety councils, which offer educational resources for safety and health in the workplace.

The Division also provides specific services to public employers under the Public Employment Risk Reduction Program (PERRP). The goal of the program is to ensure that public employers in Ohio are operating safe workplaces pursuant to state and federal law. Requirements include reporting hospitalizations and deaths from serious workplace injuries to BWC. PERRP also has the authority to investigate complaints about unsafe work conditions and issue citations when needed. In addition to this enforcement element, the Safety and Hygiene Division also offers public employers consultation and training designed to reduce workplace hazards and eliminate unsafe conditions.

H.B. 27 changes affecting PERRP

H.B. 27 makes permanent law changes that affect PERRP. One of these changes is defining firefighters, emergency medical technicians, and certain corrections officers as public employees for purposes of inclusion in PERRP. It also eliminates the ability of a public employer to apply to BWC for an exemption from participation in the program. Another change is having BWC adopt rules concerning an effective safety partnership agreement that promotes voluntary public employer compliance. Concerning site inspections, H.B. 27 specifies that BWC be authorized to make "scheduled" inspections in accordance with rules. This would be in addition to the current process where these inspections be made only pursuant to complaint or a public employees refusal to work based on unsafe working conditions. Overall, while the bill does not impose any new duties on BWC, it does expand the number of participants in PERRP, which could increase costs to the Safety and Hygiene Division. The costs of the program, however, are paid from assessments on public employer premiums that are deposited into the Safety and Hygiene Fund (Fund 8260).

OSHA Enforcement (855601)

A portion of the Division of Safety and Hygiene's budget is funded by the federal government under an agreement with the Occupational Safety and Health Administration (OSHA) and is accounted for under appropriation item 855601, OSHA Enforcement. This represents the federal share of money to support the OSHA On-Site Consultation Program, focusing on small, high-hazard, private-sector employers. Services are provided to employers with fewer than 250 employees at fixed sites and no more than 500 business-wide. The types of services offered to qualifying employers include safety and health surveys, air and noise monitoring, and safety and health consultations. These services are provided by BWC safety and health consultants and industrial hygienists at no charge to the employer. H.B. 27 authorizes funding of nearly \$1.7 million in each fiscal year, a decrease of 4.0% from FY 2017 spending of nearly \$1.6 million for these various purposes.

Safety Grants and BLS SOII Grant (855610 and 855614)

Combined, the budget for these line items is nearly \$15.2 million in both FY 2018 and FY 2019. These appropriation items support the Safety Grants Program, which includes BWC's Safety Intervention Grant Program, the Drug-Free Safety Program Grant, and the Workplace Wellness Grant Program. The Safety Grants Program offers private and public State Insurance Fund employers funding for training, wellness programs, and equipment intended to reduce workplace injuries and illnesses. The Safety Grants Program is supported by annual transfers of \$15.0 million from the State Insurance Fund (a custodial account not subject to appropriation by the General Assembly) to the state treasury to the credit of the Safety and Hygiene Fund (Fund 8260). A portion of the funding for the program, \$195,104 in each fiscal year, is provided through a federal Bureau of Labor Statistics Survey on Occupational Injury and Illness (SOII) Grant. In FY 2016, BWC awarded 528 grants totaling almost \$14.6 million to 511 employers.

Health and Safety Initiative (855611)

This line item was created under H.B. 27. It will be used for the purpose of creating and operating a health and wellness program. The budget bill appropriates \$6.0 million in each fiscal year for these purposes. In order to fund the program, H.B. 27 requires the Treasurer of State to remit \$6.0 million in each fiscal year from the State Insurance Fund to the state treasury to the credit of the Safety and Hygiene Fund (Fund 8260) to be used for these purposes. Currently, any health and wellness program grants or operations are paid for directly from appropriation item 855610, Safety Grants.

Safety Campaign (855612)

This line item was also created under H.B. 27. It will be used for the purpose of creating and operating a statewide safety awareness and education campaign. The budget bill appropriates \$2.5 million in FY 2018 for these purposes. The safety campaign is to be funded through a transfer from the State Insurance Fund, of \$2.5 million in FY 2018 only.

NIOSH Grant (855615)

This line item was established by the Controlling Board on September 7, 2016 as a result of a cooperative agreement with and an award of money from the federal government. Specifically, BWC entered into an agreement with the National Institute for Occupational Safety and Health (NIOSH) to use claim and policy data systems for surveillance and prevention of occupational injuries, illnesses, fatalities, and exposures to occupational hazards. This study will be used to develop rates of injury per FTEs by employer size and industry sector according to the North American Industry Classification System. BWC anticipates that it will receive an award of \$200,000 in each fiscal year of the upcoming biennium to conduct this study.

Category 4: Special Benefit Funds

Appropriations in this category are used to provide benefits to employers with additional workers' compensation coverage required by federal law, particularly coal workers and maritime workers. In addition, the Disabled Workers Relief Fund provides cost-of-living supplements for permanently and totally disabled workers.

Appropriation Amounts for Special Benefit Funds				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
8220	855606	Coal Workers' Fund	\$154,000	\$154,000
8230	855608	Marine Industry	\$57,000	\$57,000
8250	855605	Disabled Workers Relief Fund	\$173,000	\$173,000
Total Funding: Special Benefit Funds			\$384,000	\$384,000

Coal Workers' Fund (855606)

The appropriation for this line item is \$154,000 for FY 2018 and FY 2019. It is used to pay operating costs associated with the Coal Workers' Pneumoconiosis Fund (Fund 8220), which provides benefits for workers who are disabled due to pneumoconiosis, or "black lung" disease, as dictated by the federal Coal Mine Health and Safety Act of 1969. The fund is maintained through a premium charge, in addition to regular State Insurance Fund premiums, paid by coal operators who elect to insure payment of benefits required by the federal Act. Total revenues to the fund for FY 2017 were \$146,537; disbursements from the fund were \$141,882.

Marine Industry (855608)

The appropriation for this line item is \$57,000 for both FY 2018 and FY 2019 under H.B. 27. This line item is used to pay operating costs associated with the Marine Industry Fund (Fund 8230), which provides benefits to injured dock workers and other maritime employees that are not seamen, as required by the Longshoreman's and Harbor Workers' Compensation Act Amendments of 1972. The fund is maintained through a premium charge, in addition to regular State Insurance Fund premiums, that is paid by marine industry employers who elect to insure payment of benefits required by this Act. During FY 2017, total revenues to the fund were \$46,351; disbursements from the fund were \$45,703.

Disabled Workers Relief Fund (855605)

The appropriation for this line item is \$173,000 in both FY 2018 and FY 2019. This line item pays operating costs associated with the Disabled Workers Relief Fund (DWRF). DWRF provides supplemental cost-of-living benefits to permanently and totally disabled workers. During FY 2017, total revenues to the fund were \$79,201; disbursements from the fund were \$69,723.

Ohio Industrial Commission

- Funding of \$51.4 million in FY 2018 and \$52.2 million in FY 2019 under H.B. 28
- OIC handles roughly 150,000 claim appeals annually

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 the extent of medical services provided or lost-time (otherwise known as indemnity) benefits. OIC operations are funded through an administrative assessment that is added to employers' workers' compensation premiums. The Commission is led by a panel of three commissioners, all of whom are appointed by the Governor. As of June 2017, OIC employed a staff of 364.

Overall, OIC staffing levels have decreased from 413 in FY 2012 to 364 in June 2017, mostly through a combination of attrition and early retirement incentives. OIC has indicated that the agency's total employee count has a potential retirement rate of 39.4% over the upcoming biennium. Under H.B. 28, OIC will be able to maintain a staffing level of approximately 380 employees, a transition strategy that will allow the Commission to bring on additional employees before those eligible to retire leave state service.

FY 2018-FY 2019 Appropriations for OIC Operations

Table 5 below shows the amounts appropriated for OIC operations during the FY 2018-FY 2019 biennium under H.B. 28. For FY 2018, the OIC budget is \$51.4 million, about 11.8% over FY 2017 spending of almost \$46.0 million. Funding for FY 2019 is just under \$52.2 million, a 1.4% increase compared to the amount appropriated for FY 2018. All OIC appropriations for FY 2018 and FY 2019 are supported by receipts in the Industrial Commission Operating Fund (Fund 5W30). As mentioned above, Fund 5W30 consists of revenues derived from administrative cost assessments collected by BWC that are subsequently transferred to OIC.

Table 5. Appropriations for OIC by Fund Group, FY 2018-FY 2019

Fund Group	FY 2017*	FY 2018	% change, FY 2017-FY 2018	FY 2019	% change, FY 2018-FY 2019
Dedicated Purpose	\$45,997,305	\$51,427,815	11.8%	\$52,167,300	1.4%
TOTAL	\$45,997,305	\$51,427,815	11.8%	\$52,167,300	1.4%

*FY 2017 figures represent actual spending.

ANALYSIS OF ENACTED BUDGET

OIC Claims Adjudication

The OIC budget consists of three line items, all of which are supported by administrative assessments paid by Ohio employers that are applied alongside workers' compensation premium payments. Assessments are collected by BWC and transferred upon receipt to the Industrial Commission Operating Fund (Fund 5W30).

Appropriation Amounts for OIC Claims Adjudication				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
5W30	845321	Operating Expenses	\$46,484,165	\$47,223,650
5W30	845402	Rent – William Green Building	\$1,150,000	\$1,150,000
5W30	845410	Attorney General Payments	\$3,793,650	\$3,793,650
Total Funding: OIC Claims Adjudication			\$51,427,815	\$52,167,300

Operating Expenses (845321)

The appropriation for this line item is \$46.5 million for FY 2018, about 12.9% over FY 2017 spending of \$41.2 million. The appropriation for FY 2019 is \$47.2 million, a 1.6% increase over the amount provided for FY 2018. Overall, these appropriations account for 90.5% of OIC's total recommended funding for the biennium. The entirety of this appropriation supports the claims adjudication function within the state's workers' compensation system. Disputed claims typically involve the extent of medical services provided or lost-time benefits. The Commission's operations are organized geographically within five regions: Akron, Cincinnati, Cleveland, Columbus, and Toledo. Within these regions, there are district offices at 12 locations.

Disputed claims can go through three levels of hearings. Injured workers or employers make an initial appeal to district hearing officers (DHOs). Second-level appeals are conducted by staff hearing officers (SHOs). Hearings at these levels are conducted at the 12 OIC offices (seven district and five regional) located throughout the state. Third-level appeals are conducted in Columbus by OIC's three-member panel of commissioners. Adjudication of third-level appeals is discretionary, based on criteria set forth in an OIC resolution. Typically, the panel hears unresolved cases that involve an issue of policy or special circumstances that the Commission members believe warrant further consideration. Further appeals are made in the court system.

Although there are some exceptions, OIC is required by statute to adjudicate all first- and second-level appeals (i.e., at District Hearing Officer and Staff Hearing Officer levels) within 45 days of the filing of an appeal and issue an order within seven days of holding a hearing. These hearings take place at the five regional and seven district

offices across the state. As mentioned previously, injured workers that disagree with orders issued by OIC are able to present their claims in a court of law. However, many of these cases are resolved out of court. In these situations, a claimant typically initiates court proceedings and then settles before a judge can issue an official opinion.

OIC conducted hearings on claims involving 32,777 various private and public-sector employers in FY 2016. Employers with State Insurance Fund coverage accounted for 69,159 (54.5%) of the hearings, while hearings involving claims related to self-insured employers made up 35,521 (28.0%) of all hearings held. The remaining 22,200 (17.5%) of hearings involved local and state public employers.

Rent – William Green Building (845402)

This line item is used to pay rent and miscellaneous maintenance costs for the Commission's offices located in the William Green Building. The appropriation for this line item is just under \$1.2 million in FY 2018, approximately 11.3% over the \$1.1 million spent on rent and maintenance in FY 2017. The amount provided for these costs in FY 2019 is also \$1.2 million. The additional amounts appropriated reflect anticipated increases in utility and other costs, not increases in rental rates charged by BWC, the owner of the building.

Attorney General Payments (845410)

The funding for this line item is \$3.8 million in both FY 2018 and FY 2019, equivalent to the amount spent for this purpose in FY 2017. This line item provides OIC's portion of the costs related to the legal services of the Attorney General's Workers' Compensation Section. The remaining portion of the cost is paid by BWC. The Attorney General provides investigative and other legal services related to workers' compensation cases.

FY 2018 - FY 2019 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
Report For BWC Budget			Version: As Enacted					
BWC Bureau of Workers' Compensation								
7023	855407	Claims, Risk and Medical Management	\$ 109,998,334	\$ 118,442,711	\$ 115,598,050	-2.40%	\$ 118,300,550	2.34%
7023	855408	Fraud Prevention	\$ 11,902,835	\$ 12,481,838	\$ 12,791,260	2.48%	\$ 12,791,260	0.00%
7023	855409	Administrative Services	\$ 102,818,206	\$ 113,147,556	\$ 109,472,100	-3.25%	\$ 109,472,100	0.00%
7023	855410	Attorney General Payments	\$ 4,578,464	\$ 4,621,650	\$ 4,621,850	0.00%	\$ 4,621,850	0.00%
8220	855606	Coal Workers' Fund	\$ 128,544	\$ 141,882	\$ 154,000	8.54%	\$ 154,000	0.00%
8230	855608	Marine Industry	\$ 45,014	\$ 45,703	\$ 57,000	24.72%	\$ 57,000	0.00%
8250	855605	Disabled Workers Relief Fund	\$ 83,195	\$ 69,723	\$ 173,000	148.13%	\$ 173,000	0.00%
8260	855609	Safety and Hygiene Operating	\$ 19,463,721	\$ 20,440,613	\$ 22,000,000	7.63%	\$ 22,000,000	0.00%
8260	855610	Safety Grants	\$ 14,999,277	\$ 12,552,030	\$ 15,000,000	19.50%	\$ 15,000,000	0.00%
8260	855611	Health and Safety Initiative	\$0	\$0	\$ 6,000,000	N/A	\$ 6,000,000	0.00%
8260	855612	Safety Campaign	\$0	\$0	\$ 2,500,000	N/A	\$ 0	-100.00%
Dedicated Purpose Fund Group Total			\$ 264,017,589	\$ 281,943,706	\$ 288,367,260	2.28%	\$ 288,569,760	0.07%
3490	855601	OSHA Enforcement	\$ 1,547,792	\$ 1,590,121	\$ 1,653,900	4.01%	\$ 1,653,900	0.00%
3FW0	855614	BLS SOII Grant	\$ 103,752	\$ 115,613	\$ 195,104	68.76%	\$ 195,104	0.00%
3FW0	855615	NIOSH Grant	\$0	\$ 55,105	\$ 200,000	262.94%	\$ 200,000	0.00%
Federal Fund Group Total			\$ 1,651,545	\$ 1,760,839	\$ 2,049,004	16.37%	\$ 2,049,004	0.00%
Bureau of Workers' Compensation Total			\$ 265,669,134	\$ 283,704,545	\$ 290,416,264	2.37%	\$ 290,618,764	0.07%

FY 2018 - FY 2019 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			Appropriation	FY 2017 to FY 2018	Appropriation	FY 2018 to FY 2019		
			FY 2016	FY 2017	FY 2018	% Change	FY 2019	% Change
Report For OIC Budget			Version: As Enacted					
OIC Ohio Industrial Commission								
5W30	845321	Operating Expenses	\$ 40,248,632	\$ 41,170,394	\$ 46,484,165	12.91%	\$ 47,223,650	1.59%
5W30	845402	Rent - William Green Building	\$ 1,022,101	\$ 1,033,262	\$ 1,150,000	11.30%	\$ 1,150,000	0.00%
5W30	845410	Attorney General Payments	\$ 3,793,650	\$ 3,793,650	\$ 3,793,650	0.00%	\$ 3,793,650	0.00%
Dedicated Purpose Fund Group Total			\$ 45,064,384	\$ 45,997,305	\$ 51,427,815	11.81%	\$ 52,167,300	1.44%
Ohio Industrial Commission Total			\$ 45,064,384	\$ 45,997,305	\$ 51,427,815	11.81%	\$ 52,167,300	1.44%