

- The Industrial Commission Operating Fund is created to separate BWC's assessment revenue from OIC's
- The number of service offices will decrease from 21 to 15
- BWC receives no GRF funding

## Workers' Compensation, Bureau of

*Kerry Sullivan, Budget Analyst*

### ROLE

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 is composed of two agencies: BWC as the insurance provider, and the Ohio Industrial Commission (OIC), which adjudicates disputed claims.

The Administrator of BWC is appointed by the Governor. The Administrator is assisted by a nine-member Advisory Commission comprising representatives from business and labor, as well as legislators. In addition to BWC's headquarters, located in downtown Columbus, there are currently 21 BWC service offices and additional regional offices located statewide that provide safety education and accident prevention services to Ohio employers.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
2,775	\$317.0 million	\$317.5 million	\$0	\$0	Sub. H.B. 91

\*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

### OVERVIEW

Appropriations for FY 2004 total \$317,032,074. This amount is \$2,565,087 less than the total appropriated for FY 2003 (a 0.8% decrease) and is \$21,401,889 more than actual expenditures for FY 2003. Appropriations for FY 2005 total \$317,537,074, or \$505,000 more than FY 2004 (a 0.2% increase).

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 assessments are charged to employers to support BWC operations. The Bureau does not receive any General Revenue Fund moneys.

The State Insurance Fund balance for FY 2002 was \$1.9 billion, down from \$4.5 billion in FY 2001. The balance as of December 31, 2002 was \$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 approximately \$14 billion to cover future wage loss and medical benefits to injured workers.

## **BUDGET ISSUES**

### ***INDUSTRIAL COMMISSION OPERATING FUND***

Prior to the passage of Sub. H.B. 91, both BWC and OIC received funding through one assessment added to employer workers' compensation premiums and deposited to the Administrative Cost Fund (Fund 023). Assessment revenue was shared proportionately between BWC and OIC. Sub. H.B. 91 created the Industrial Commission Operating Fund (Fund 5W3) and specified that moneys in the fund were to be used for costs that are solely attributable to the activities of the Commission. Under section 4123.342 of the Revised Code, the Administrator of BWC is to separately calculate employers' assessments for those costs solely attributable to OIC and for those costs solely attributable to BWC, and then is to divide the assessments collected into two separate administrative assessment accounts within the State Insurance Fund. Upon authorization from OIC, the Administrator of BWC is then to transfer moneys from the assessment account designated for the Industrial Commission to the newly created Industrial Commission Operating Fund.

Creating the Industrial Commission Operating 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 assessment goes toward BWC and what portion goes toward OIC.

### **Fund Balance Transfers**

In keeping with the creation of the Industrial Commission Operating Fund, the budget act for BWC includes language that authorizes the Director of Budget and Management to transfer cash balances from the Administrative Cost Fund (Fund 023) to the newly created Industrial Commission Operating Fund (Fund 5W3) and to cancel existing encumbrances in Fund 023 and re-establish those encumbrances in Fund 5W3 on behalf of the Industrial Commission. A separate provision specifically authorizes the Director of Budget and Management to transfer existing encumbrances in OIC's three line items that were formerly part of Fund 023.

### ***BALANCE BILLING***

The budget act for BWC contains a provision that prohibits non-certified health care providers from charging an employee, employer, managed care organization, or BWC any amount for covered services or supplies above the allowed amount paid. Prior law already prohibited this use of "balance billing" by certified health care providers. The provision is likely to result in slight savings for BWC, as it would no longer have to expend staff time and resources investigating employee complaints of balance billing by non-certified health care providers.

### ***RELIGIOUS SECT EXEMPTION***

The budget act for BWC also contains provisions that specify 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, or impairment) may apply to BWC for an exemption from payment of workers' compensation premiums and assessments on account of an employee who is also a member of that religious sect. In the case of a self-insured employer, that employer may apply for exemption from payment of direct compensation and benefits on account of such an employee. In practice, these provisions most readily apply to employers and employees of the Amish community who wish to be exempt from paying workers' compensation premiums and assessments.


### ***SAFETY AND HYGIENE OPERATING***

Sub. H.B. 91 contains a provision requiring the Administrator of BWC to transfer moneys from the State Insurance Fund to guarantee the proper funding of appropriation item 855-609, Safety and Hygiene Operating, during the FY 2004-2005 biennium. The Division of Safety and Hygiene provides employers with a variety of programs geared toward improving workplace safety, preventing accidents, and reducing workers' compensation costs. Employers that implement the Division's programs may reduce the amount they pay in workers' compensation premiums. The Bureau projects that the 1% assessment that is currently attached to employer premiums to fund the Division of Safety and Hygiene will not be sufficient to sustain adequate services levels. This is due, in short, to the effectiveness of the Division's programs. As employer premiums are reduced as a result of increased worker safety, the amount of assessment revenue for the Division also declines. The Bureau is in the process of developing a permanent solution to this funding problem.

### ***SERVICE OFFICE CLOSINGS AND RELOCATIONS***

<b>BWC Service Offices</b>	
<b>Current Location</b>	<b>Future Location</b>
Columbus North Columbus South	Columbus (downtown)
Akron Canton	Canton
Cleveland Independence Richmond Heights	Cleveland Garfield Heights
Warren Youngstown	Youngstown
Bridgeport Zanesville	Cambridge
Cincinnati	Converted to a CFC
Governor's Hill*	Governor's Hill

\*As the downtown Cincinnati office converts to a CFC, a large number of staff members will move into the existing Governor's Hill office.

Over the course of the next year, the number of BWC service offices will decrease from 21 to 15. In addition, the Bureau will implement a new office concept known as a Customer Focus Center (CFC), in Ashtabula, Bridgeport, and Cincinnati. Each CFC will be staffed by three or four employees. The following chart shows the current and future location of these service offices that are relocating. Service offices in Dayton, Hamilton, Lima, Logan, Mansfield, Portsmouth, Springfield, and Toledo will remain in their current locations. 

- Funding in FY 2004 and FY 2005 is equal to funding for FY 2003
- The Industrial Commission Operating Fund is created to separate OIC's assessment revenue from BWC's
- OIC receives no GRF funding

## Industrial Commission, Ohio

*Kerry Sullivan, Budget Analyst*

### ROLE

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. Commission operations are funded through an assessment that is added to employer workers' compensation premiums and then transferred to the Industrial Commission Operating Fund.

Hearings of disputed claims take place at three levels. Initial hearings take place before district hearing officers, and if disputes remain, at a second level before staff hearing officers. District and staff level hearings take place at Commission offices, located throughout the state, and must occur within 45 days of a claimant or employer filing an appeal. Third-level hearings are held in Columbus before the three-member panel of commissioners. Commission level hearings are held on a discretionary basis only and deal with cases the Commission believes warrant further review. Otherwise, appealed cases proceed to the court system.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
541	\$60.0 million	\$60.0 million	\$0	\$0	Am. H.B. 92

\*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

### OVERVIEW

Appropriations for FY 2004 and FY 2005 total \$59,999,383 each year. This amount is equivalent to the total appropriated in FY 2003 and is \$8,899,559 more than actual expenditures for FY 2003. Funding levels over the 2003-2005 biennium match those requested by the Commission and recommended by the Executive.


## **BUDGET ISSUES**

### ***INDUSTRIAL COMMISSION OPERATING FUND***

Prior to the passage of Sub. H.B. 91, the 2003-2005 biennial budget act for the Bureau of Workers' Compensation, both OIC and BWC received funding through one assessment added to employer workers' compensation premiums and deposited to the Administrative Cost Fund (Fund 023). Assessment revenue was shared proportionately between OIC and BWC. Sub. H.B. 91 created the Industrial Commission Operating Fund (Fund 5W3) and specified that moneys in the fund were to be used for costs that are solely attributable to the activities of the Commission. Under section 4123.342 of the Revised Code, the Administrator of BWC is to separately calculate employers' assessments for those costs solely attributable to OIC and for those costs solely attributable to BWC, and then is to divide the assessments collected into two separate administrative assessment accounts within the State Insurance Fund. Upon authorization from the Commission, the Administrator is then to transfer moneys from the assessment account designated for the Industrial Commission to the newly created Industrial Commission Operating Fund.

Creating the Industrial Commission Operating Fund will allow OIC and BWC 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 assessment goes toward OIC and what portion goes toward BWC.

### **Fund Balance Transfers**

In keeping with the creation of the Industrial Commission Operating Fund, Am. H.B. 92, the 2003-2005 biennial budget act for the Industrial Commission, includes language that requires the Director of Budget and Management to transfer cash balances from the Administrative Cost Fund (Fund 023) to the Industrial Commission Operating Fund (Fund 5W3). The Director is also required to transfer cash from Fund 023 to Fund 5W3 in amounts equal to existing encumbrances in OIC's three line items that were formerly part of Fund 023. 

**FY 2004 - 2005 Final Appropriation Amounts**

**All Fund Group**

**Line Item Detail by Agency**

*FY 2001:*      *FY 2002:*      *FY 2003:*      **FY 2004**      *% Change*      **FY 2005**      *% Change*  
*Appropriations:*      *Appropriations:*      *Appropriations:*      *2003 to 2004:*      *Appropriations:*      *2004 to 2005:*

**Report For: OIC Budget**

**Version: Enacted**

**OIC Ohio Industrial Commission**

5W3	845-321	Operating Expenses	\$ 40,523,001	\$ 42,589,470	\$42,783,719	\$ 50,716,383	18.54%	\$ 50,370,800	-0.68%
5W3	845-402	Rent-William Green Building	\$ 4,729,465	\$ 4,858,461	\$5,058,583	\$ 5,670,883	12.10%	\$ 6,016,466	6.09%
5W3	845-410	Attorney General Payments	\$ 3,020,270	\$ 3,264,855	\$3,152,382	\$ 3,454,984	9.60%	\$ 3,454,984	0.00%
821	845-605	Service Account	\$ 102,369	\$ 4,833	\$105,140	\$ 157,133	49.45%	\$ 157,133	0.00%
<b>Workers' Compensation Fund Group Total</b>			<b>\$ 48,375,104</b>	<b>\$ 50,717,619</b>	<b>\$ 51,099,824</b>	<b>\$ 59,999,383</b>	<b>17.42%</b>	<b>\$ 59,999,383</b>	<b>0.00%</b>
<b>Ohio Industrial Commission Total</b>			<b>\$ 48,375,104</b>	<b>\$ 50,717,619</b>	<b>\$ 51,099,824</b>	<b>\$ 59,999,383</b>	<b>17.42%</b>	<b>\$ 59,999,383</b>	<b>0.00%</b>