

# Bureau of Workers' Compensation

*Kerry Sullivan, Budget Analyst*

- Transfer of PERRP and OSHA's on-site consultation program from the Department of Commerce to the BWC
- Fast Response Program and Long-Term Care Loan Fund Program established
- Implements numerous changes to investment practices and policies of the BWC

## OVERVIEW

### Duties and Responsibilities

The Ohio Bureau of Workers' Compensation (BWC) administers the largest exclusive workers' compensation system in the United States, with assets of some \$21 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: the BWC as the insurance provider, and the Ohio Industrial Commission (OIC), which adjudicates disputed claims. The BWC provides coverage to about two-thirds of Ohio's workforce (private, state, and local government employees). Other workers may be insured by employers that are large and financially secure enough to qualify to self-insure.

The Governor appoints the administrator of the BWC, who in turn is assisted by an Oversight Commission comprising representatives from business and labor, investment experts, and legislators. The agency is organized into 7 programs consisting of 12 functional divisions. There are 16 BWC service offices statewide and additional regional offices that provide safety education and accident prevention services to Ohio employers.

### Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
2,674	\$321.56 million	\$322.03 million	\$0	\$0	Am. H.B. 67 Am. Sub. H.B. 66

\* Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

### Summary of FYs 2006-2007 Budget Issues

#### H.B. 67 (BWC Appropriations Bill)

#### Transfer of PERRP and OSHA On-site Consultation Program

Under H.B. 67, the Public Employment Risk Reduction Program (PERRP) was transferred from the Department of Commerce to the BWC. The program provides free, on-site safety inspections, safety training, and hazard recognition for all public employees except firefighters, peace officers, EMTs, paramedics, and corrections officers in county and municipal facilities. The program is designed to

identify actual and potential hazardous conditions and prepare a detailed report for the employer to assist in the development of specific program and abatement methods.

In conjunction with PERRP, the federal Occupational Safety and Health Administration's (OSHA) on-site consultation program assists smaller, private employers in providing employees with safe and healthy work environments by conducting free safety and health consultations. Services are provided to employers with fewer than 250 employees at fixed sites and no more than 500 employees corporate-wide. The program is funded through OSHA grant moneys and state match dollars. Under H.B. 67, Fund 349, OSHA Enforcement, was transferred from the Department of Commerce to the BWC. In addition, the functions of the Division of Labor and Worker Safety under the Department of Commerce, together with all employees, assets, liabilities, spending authority, vehicles, equipment, and records that relate to OSHA's on-site consultation program were transferred to the BWC.

#### **Fast Response Program (Auto Adjudication)**

The BWC's pilot program known as Fast Response, or Auto Adjudication, was codified under H.B. 67. The program allows for the electronic review, processing, and approval of claims that are simple in nature, highly predictable, and typically low in cost. Under the pilot program, the BWC identified 49 specific injuries that met these criteria so that, when all conditions were met, the system automatically allowed the claims and provided documentation without manual processing. Under the bill, the Administrator is required to adopt rules that identify specific medical conditions that have a historical record of being allowed whenever included in a claim. The Administrator may then grant immediate allowance and make immediate payment for those medical conditions when they are included in a claim.

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

Also under H.B. 67, the BWC must operate a Long-Term Care Loan Fund Program. The purpose of the program is to make no-interest loans to nursing homes to assist in purchasing "no-lift" equipment that will allow employees of the nursing home to move patients without having to lift them manually. Moneys deposited to the newly established Long-Term Care Loan Fund (Fund 829) are to be transferred by the Director of Budget and Management from the Safety and Hygiene Fund. Details pertaining to loan eligibility, maximum loan amounts, loan periods, and other terms and conditions will be determined in rules.

#### **H.B. 66 (Main Operating Appropriations Bill)**

Numerous changes to investment practices and policies of the BWC were included as amendments to the main operating appropriations bill, Am. Sub. H.B. 66. These changes included:

#### **Chief Investment Officer**

The Bureau is required to employ or designate a current Bureau employee as the Chief Investment Officer for the BWC. The Officer must be chartered by the CFA Institute as a Chartered Financial Analyst and be licensed by the Division of Securities within the Department of Commerce as a "Bureau of Workers' Compensation Chief Investment Officer" (see below). The Officer will be required to supervise employees of the Bureau who handle investment of assets of funds and to implement and enforce written policies and procedures aimed toward preventing violations of state and federal securities laws.

### **Licensing Requirements, Division of Securities**

The Chief Investment Officer of the BWC must be licensed by the Division of Securities within the Department of Commerce as a Bureau of Workers' Compensation Chief Investment Officer. Upon application to the Division for licensure, the Division may investigate the applicant's business reputation and qualifications. Applicants are required to pass an exam designated by the Division of Securities, or to achieve a specified professional designation, unless both of the following apply: (1) the applicant currently acts as the Chief Investment Officer for the BWC, and (2) the applicant has experience and education acceptable to the Division.

The annual license expires on June 30 of each year and must be renewed. The Division of Securities may refuse, revoke, suspend, or deny renewal of a license if the Division determines the applicant is not of good business reputation, is conducting illegitimate or fraudulent business, or has otherwise violated state laws or conducted business in violation of rules and regulations germane to investment and securities practices.

The Division is authorized to investigate a Bureau of Workers' Compensation Chief Investment Officer on suspicion of illegal practices, fraud, or deception. If a Chief Investment Officer fails to comply with an investigation, the Director of Commerce may apply to a court of common pleas and be granted an injunction that restrains the acts of the Chief Investment Officer. A court may also order the Chief Investment Officer to make restitution to the BWC.

### **Criminal Background Checks**

The Administrator of Workers' Compensation, prior to contracting with an investment manager, is required to obtain a list of all employees of investment managers and business entities who will be investing BWC assets, and to request the Bureau of Criminal Investigation and Identification (BCI & I) to conduct a criminal records check on each employee. Employees that have not been residents of Ohio for at least five years will be subject to an FBI criminal record check. (The BWC is required to pay for each records check it requests. The Superintendent of the BCI & I is authorized to prescribe and charge a reasonable fee for this service, normally around \$15 per transaction.)

The Administrator of Workers' Compensation is prohibited from contracting with an investment manager if any employee who will be making investments on behalf of the Bureau has been convicted of, or has pled guilty to, a financial or investment crime. Additionally, investment managers are prohibited from contracting with any business entity if any employee of that entity who will be making investments on behalf of the Bureau has been convicted of, or has pled guilty to, a financial or investment crime. "Financial or investment crime" means any criminal offense involving theft, receiving stolen property, embezzlement, forgery, fraud, passing bad checks, money laundering, drug trafficking, or any criminal offense involving money or securities.

### **Membership of the Workers' Compensation Oversight Commission**

Membership of the Workers' Compensation Oversight Commission increases from nine to eleven and terms of office decrease from five to three years. The two additional members to the Commission are investment expert members; one appointed by the Treasurer of State and the other jointly appointed by the Speaker of the House and the President of the Senate. The investment experts may not be appointed to more than two full terms and may vote only on investment matters. All members, including the investment experts, are authorized to receive reasonable and necessary expenses and an annual salary that does not exceed \$18,000.

### **Conflicts of Interest**

The voting members of the Workers' Compensation Oversight Commission, the Administrator of BWC, and the BWC Chief Investment Officer are designated as "trustees" of the State Insurance Fund. Members of the Oversight Commission and all Bureau employees are prohibited from having direct or indirect interest in the gains or profits of any investment of the Bureau and persons connected with the BWC are prohibited from borrowing any of the Bureau's funds or from using the funds except to make payments that are authorized by the Administrator.

Additionally, the Bureau is prohibited from doing any business with an individual, partnership, association, or corporation that is owned or controlled by a person who was employed by the agency or by a board member or member of the Oversight Commission within the preceding three years. The Bureau is also prohibited from doing business with a person who, within the preceding three years, was employed by or was an officer holding a fiduciary, administrative, supervisory, or trust position, or any other position that involved decisions affecting the investment policy of the BWC and from which a person would benefit monetarily. Additional requirements placed upon fiduciaries relate to transactions of the Bureau that would constitute a conflict of interest, and each fiduciary of the BWC is required to be bonded or insured for \$1 million for loss by reason of acts of fraud or dishonesty.

### **Limitations on Campaign Contributions**

The Administrator of Workers' Compensation and all BWC employees are prohibited from awarding any contract (other than through competitive bidding) for the purchase of goods or the purchase of services that totals more than \$500 to any individual, partnership, association, estate, or trust if that individual (or that individual's spouse), or any partner, shareholder, administrator, executor, or trustee (or their spouses) made one or more contributions within the previous two calendar years that totaled more than \$1,000 to the political campaigns of Governor, Lieutenant Governor, or to any candidate for Governor or Lieutenant Governor.

Additionally, the Administrator and all BWC employees are prohibited from awarding any such contract for goods or services (except through competitive bidding) that totals more than \$500 to any corporation or business trust (except to a professional association organized under Chapter 1785. of the Revised Code) if an owner of more than 20% of the corporation or trust (or the owner's spouse) made, as an individual, one or more contributions to the political campaigns of Governor, Lieutenant Governor, or to any candidate for Governor or Lieutenant Governor that totaled more than \$1,000 during the previous two calendar years.

### **Annual Certified Public Audits of All Funds**

An actuarial audit of the State Insurance Fund must be made at least once each year (rather than once every two years, as provided under former law). This audit requirement also applies to all funds established and administered pursuant to the Workers' Compensation Law. The audits must be certified by recognized insurance actuaries and copies must be made available to the public at cost.

### **Independent Audit of the BWC's Investment Program**

The Workers' Compensation Oversight Commission is required to have an independent auditor conduct a fiduciary performance audit of the investment program of the BWC at least once every ten years. A copy of this audit must be provided to the Auditor of State. Additionally, the BWC must employ an internal auditor who is to report directly to the Commission on investment matters.

### **Inspector General Independent Fiduciary Review**

The Inspector General is required to contract with an independent firm to conduct a fiduciary review of the investments of the assets of BWC funds. A copy of the fiduciary review must be submitted to the Governor, the Attorney General, the Auditor of State, and the General Assembly. Up to \$750,000 in FY 2006 is earmarked for this purpose under the budget of the Office of the Inspector General.

### **Investment Objectives, Policies, and Criteria**

Requires the Workers' Compensation Oversight Commission, in its responsibility to establish objectives, policies, and criteria for the administration of the BWC's investment program, to prohibit the following investments: coins, artwork, horses, jewelry or gems, stamps, antiques, artifacts, collectibles, memorabilia, or similar unregulated investments that are not commonly part of an institutional portfolio, that lack liquidity, and that lack readily determinable valuation.

Additionally, the Administrator of Workers' Compensation may invest in an investment class only if the Commission – by majority vote – opens that class. The Commission must adopt due diligence standards for employees of the BWC when investing in a class, and must establish policies and procedures to review and monitor the performance and valuation of each investment class.

### **Consolidated Prescription Drug Purchasing Program**

The BWC, together with the Departments of Mental Health, Rehabilitation and Correction, Youth Services, and any other agency that purchases prescription drugs (other than the Department of Job and Family Services for purposes of the Medicaid program) are required to design a consolidated drug purchasing program based upon their studies of other states' programs and their findings of potential cost-savings and other advantages resulting from the consolidation of drug purchasing programs. The agencies must submit a report of their findings, including a cost analysis, no later than January 1, 2006. The Department of Mental Health is responsible for leading the study.

## ANALYSIS OF THE ENACTED BUDGET

### Program Series 1

### Injury Management

**Purpose:** To ensure the appropriate management of workers' compensation claims, the availability of appropriate cost-effective medical care, and the development and credentialing of a strong provider network.

The following table shows the line item that is used to fund the Injury Management program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
<b>Workers' Compensation Fund</b>				
023	855-407	Claims, Risk, and Medical Management	\$110,987,369*	\$111,150,324*
<b>Workers' Compensation Fund Subtotal</b>			<b>\$110,987,369</b>	<b>\$111,150,324</b>
<b>Total Funding: Injury Management</b>			<b>\$110,987,369</b>	<b>\$111,150,324</b>

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

This analysis focuses on the following specific programs within the Injury Management program series:

- **Field Operations**
- **Injury Management Services**
- **Quality Assurance/Performance Review**

#### Field Operations

**Program Description:** Field Operations focuses on claims management from the first report of injury to the ultimate resolution of the claim. There are 16 service offices located throughout the state that process all claims filed within the workers' compensation system, and two Customer Focus Centers located in Ashtabula and Bridgeport.

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

**Implication of the Enacted Budget:** The Field Operations program, which is fully funded, supports approximately 1,325 employees who investigate some 207,000 workers' compensation claims per year; manage over 189,000 injury claims per year; and pay over \$2 billion to injured workers for health care and lost wages.

#### Injury Management Services

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

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

**Implication of the Enacted Budget:** The Injury Management Services program is fully funded. The program funds 183 employees who process approximately 18,000 disputes regarding medical treatment provided to injured workers and distribute over \$5 million in grants that enable injured workers to return to work safely prior to their full recovery from injury.

### Quality Assurance/Performance Review

**Program Description:** The Quality Assurance/Performance Review program was established in 2004 and is designed to ensure that proper support is in place for claims and medical policies to operate efficiently and appropriately. Goals of the program include the completion of quarterly audit plans, adjusted to reflect the changing needs and risks of the business; determination of data integrity, program compliance and reliability of information, internal controls, and managerial controls; and determination of error rates and report outcomes.

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

**Implication of the Enacted Budget:** The Quality Assurance/Performance Review program is fully funded. The program funds three employees who perform quarterly audits to ensure data integrity and program compliance.

## Program Series 2

## Employer Management

**Purpose:** The Employer Management program series is responsible for providing a link between Ohio's employers and BWC, including a program directed toward large, financially stable employers who retain the financial risk for their companies' workers' compensation claims (self-insured employers) and the investigation of potential safety violations.

The following table shows the line items that are used to fund the Employer Management program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
<b>Workers' Compensation Fund</b>				
023	855-407	Claims, Risk, and Medical Management	\$20,114,027*	\$20,160,525*
023	855-409	Administrative Services	\$593,982*	\$605,861*
<b>Workers' Compensation Fund Subtotal</b>			<b>\$20,708,009</b>	<b>\$20,766,386</b>
<b>Total Funding: Employer Management</b>			<b>\$20,708,009</b>	<b>\$20,766,386</b>

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

This analysis focuses on the following specific programs within the Employer Management program series:

- **Employer Services**
- **Self-Insured Services**
- **Safety Violations Investigation Unit**
- **Other Program Departments**

### **Employer Services**

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

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

**Implication of the Enacted Budget:** The Employer Services program is fully funded and supports approximately 167 employees who provide underwriting and technical support to help employers lower employee accidents and illness.

### **Self-Insured Services**

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

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

**Implication of the Enacted Budget:** The Self-Insured Services program is fully funded and supports approximately 59 employees who audit 1,100 self-insured programs to ensure compliance with appropriate rules and laws.

### **Safety Violations Investigation Unit**

**Program Description:** This program is responsible for investigations and preparing impartial, fact-finding summary reports for the Industrial Commission for all safety violation allegations in Ohio concerning workers' compensation.

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



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

### **Other Program Departments**

**Program Description:** The *Customer Trend Analysis Department* is responsible for tracking customer feedback from injured workers, employers, and medical providers via outbound surveys and analysis of survey results. The *Research and Analysis Department* provides analytical, statistical, and reporting services to both internal and external customers. This includes research associated with the BWC's Employer Open Enrollment Report Card, MCO Incentive Payments, and other MCO statistics.

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

**Implication of the Enacted Budget:** These programs are fully funded and support approximately 46 employees who track, monitor, and communicate various program results.

### **Program Series 3**

### **Fraud Investigations**

**Purpose:** To investigate, detect, and deter fraud, and work closely with local and state prosecutors to prosecute persons suspected of committing workers' compensation fraud; to prevent loss through fraud, from both operational and resource standpoints, for external and internal customers.

The following table shows the line item that is used to fund the Fraud Investigations program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
<b>Workers' Compensation Fund</b>				
023	855-408	Fraud Prevention	\$11,713,797	\$11,713,797
<b>Workers' Compensation Fund Subtotal</b>			<b>\$11,713,797</b>	<b>\$11,713,797</b>
<b>Total Funding: Fraud Prevention</b>			<b>\$11,713,797</b>	<b>\$11,713,797</b>

This analysis focuses on the following specific programs within the Fraud Investigations program series:

- **Special Investigations**
- **Internal Affairs**

### **Special Investigations**

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

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

**Implication of the Enacted Budget:** The Special Investigations program is fully funded and supports approximately 139 employees.

### **Internal Affairs**

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

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

**Implication of the Enacted Budget:** The Internal Affairs program is fully funded and supports five employees who investigate allegations of criminal abuse or misconduct by BWC or Industrial Commission employees.

### **Program Series 4**

### **Accident Prevention**

**Purpose:** To make Ohio's work places safe through training and consulting services.

The following table shows the line items that are used to fund the Accident Prevention program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
<b>Workers' Compensation Fund</b>				
023	855-609	Safety and Hygiene	\$20,130,820	\$20,130,820
023	855-610	Safety Grants Program	\$4,000,000	\$4,000,000
<b>Workers' Compensation Fund Subtotal</b>			<b>\$24,130,820</b>	<b>\$24,130,820</b>
<b>Federal Special Revenue Fund</b>				
349	855-601	OSHA Enforcement	\$1,527,750	\$1,604,140
<b>Federal Special Revenue Fund Subtotal</b>			<b>\$1,527,750</b>	<b>\$1,604,140</b>
<b>Total Funding: Accident Prevention</b>			<b>\$25,658,570</b>	<b>\$25,734,960</b>

This analysis focuses on the following specific programs within the Accident Prevention program series:

- **Safety and Hygiene**
- **Safety Grants**
- **OSHA Enforcement**

## **Safety and Hygiene**

**Program Description:** 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. 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. Examples of the Division's work include: targeted visits to employers with poor safety records and those with penalty-ratings to assist and educate them in risk, claims, and safety strategies; efforts to promote the BWC's Drug Free Workplace program; continuation of the Safety Grants program; holding classes, seminars, and workshops specializing in occupational safety and health.

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

**Implication of the Enacted Budget:** The Division of Safety and Hygiene is fully funded and supports approximately 180 employees who investigate and help prevent industrial accidents and disease.

## **Safety Grants**

**Program Description:** Under the Safety Grants 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

**Implication of the Enacted Budget:** The Safety Grants program is fully funded at \$4 million per fiscal year.

## **OSHA Enforcement**

**Program Description:** Federal dollars will be used to administer OSHA's on-site consultation program, which has been transferred to the BWC from the Department of Commerce. The program assists smaller, private employers in providing employees with safe and healthy work environments by conducting free safety and health consultations.

**Funding Sources:** OSHA grant moneys and Safety and Hygiene operating dollars (assessments paid by State Insurance Fund employers together with their overall premium payments)

**Implication of the Enacted Budget:** The program funds 14 employees (transferred from the Department of Commerce) who provide on-site consultation to small, private employers with respect to safe and healthy work environments.

**Program Series 5****Special Benefits Funds**

**Purpose:** To provide cost-of-living adjustments or supplemental benefits to certain injured workers.

The following table shows the line items that are used to fund the Special Benefits Funds program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
<b>Workers' Compensation Fund</b>				
822	855-606	Coal Workers' Fund	\$91,894	\$91,894
823	855-608	Marine Industry Fund	\$53,952	\$53,952
825	855-605	Disabled Workers' Relief Fund	\$693,764	\$693,764
<b>Workers' Compensation Fund Subtotal</b>			<b>\$839,610</b>	<b>\$839,610</b>
<b>Total Funding: Special Benefits Funds</b>			<b>\$839,610</b>	<b>\$839,610</b>

This analysis focuses on the following specific programs within the Special Benefits Funds program series:

- **Coal Workers' Fund**
- **Marine Industry Fund**
- **Disabled Workers' Relief Fund**

**Coal Workers' Fund**

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

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

**Marine Industry Fund**

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

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

### Disabled Workers' Relief Fund

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

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

**Implication of the Enacted Budget:** Each Special Benefits fund program is fully funded. The programs support nine BWC employees who provide benefits to more than 27,000 permanently and totally disabled persons annually.

### Program Series 6

### Customer Relations

**Purpose:** To address the needs and concerns of Ohio's employers, injured workers, and other interested parties.

The following table shows the line item that is used to fund the Customer Relations program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
<b>Workers' Compensation Fund</b>				
023	855-407	Claims, Risk, and Medical Management	\$8,950,641*	\$8,741,188*
<b>Workers' Compensation Fund Subtotal</b>			<b>\$8,950,641</b>	<b>\$8,741,188</b>
<b>Total Funding: Customer Relations</b>			<b>\$8,950,641</b>	<b>\$8,741,188</b>

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

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

- **Customer Contact Center**
- **Corporate Affairs, Government, and Media Relations**
- **Ombudsperson**

### Customer Contact Center

**Program Description:** This program handles customer (employer, injured worker, provider, MCO) contacts via phone, e-mail, walk-in, and written correspondence, and provides forms and benefit option information regarding BWC processes, law, policies, and procedures. This department also assists new employers in obtaining BWC coverage, issuing certificates of coverage, and helping established employers with policy account information.

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

**Implication of the Enacted Budget:** The Customer Contact Center is fully funded and supports approximately 76 employees who handle information inquiries from the public.

### Corporate Affairs, Government, and Media Relations

**Program Description:** Through research, planning, implementation, and evaluation, this program ensures that internal and external customers receive appropriate, timely, and accurate information about Bureau programs, services, initiatives, and progress. The program also supports special events such as the Workers' Comp University, Public Employer Summits, MCO Summits, Open Enrollment, and Governor's Excellence Awards.

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

**Implication of the Enacted Budget:** The Corporate Affairs, Government, and Media Relations programs are fully funded. These programs support approximately 33 employees who administer special events and provide information about Bureau programs, services, initiatives, and progress.

### Ombudsperson

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

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

**Implication of the Enacted Budget:** The Office of the Ombudsperson is fully funded and supports seven employees who handle more than 7,000 general inquiries and process over 2,400 complaints.

**Program Series 7****Program Management**

**Purpose:** To provide the Bureau with centralized leadership and support.

The following table shows the line items that are used to fund the Program Management program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
<b>Workers' Compensation Fund</b>				
023	855-401	William Green Lease Payments	\$19,736,600	\$20,125,900
023	855-409	Administrative Services	\$118,652,571*	\$118,640,692*
023	855-410	Attorney General Payments	\$4,314,644	\$4,314,644
<b>Workers' Compensation Fund Subtotal</b>			<b>\$142,703,815</b>	<b>\$143,081,236</b>
<b>Total Funding: Program Management</b>			<b>\$142,703,815</b>	<b>\$143,081,236</b>

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

**Program Description:** Under Program Management exist a number of operational programs, including:

- **Finance.** The Finance Department provides investment management, general accounting, actuarial, and internal risk management services for the 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.
- **Legal.** The Legal Division provides advice and assistance to BWC management regarding matters related to claims procedures, policies, appeals lodged on behalf of the State Insurance Fund, bankruptcy and foreclosure matters, and other issues.
- **Internal Audit.** 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.
- **Information Technology**
- **Human Resources**

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

**Implication of the Enacted Budget:** The Program Management program is fully funded and supports approximately 558 employees who provide administrative support for the BWC's programs.

# Ohio Industrial Commission

*Kerry Sullivan, Budget Analyst*

- Appropriations in FY 2006 and FY 2007 equal those made in FYs 2003 to 2005
- Technological advances at the Industrial Commission are making the hearing process more efficient and less expensive

## OVERVIEW

### Duties and Responsibilities

The Ohio Industrial Commission (OIC) hears worker and employer appeals of workers' compensation claims decisions made by the Bureau of Workers' Compensation (BWC).

The Governor appoints the three commissioners who lead the Industrial Commission. Each commissioner must have at least six years experience in workers' compensation and at least one member must be licensed to practice law in Ohio. By reason of previous vocation, employment, or affiliation, one member must represent employees, one must represent employers, and one must represent the public. Each commissioner serves a six-year term.

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 begins when the Commission assumes jurisdiction of an issue after an appeal of a BWC order. The hearing process consists of three levels of adjudication. Claimants or employers make first-level appeals before District Hearing Officers. Second-level appeals are conducted by 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 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.

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

### Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
523	\$60.0 million	\$60.0 million	\$0	\$0	H.B. 65

\*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.



## ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Ohio Industrial Commission is considered a single program series agency and its activities are not subdivided into separate programs.

### Program Series 1

### Adjudication of Workers' Compensation Claims

**Purpose:** To provide fair and impartial resolutions to disputes in workers' compensation claims through an easily accessible hearing process that is completed within specified time frames established by the legislature.

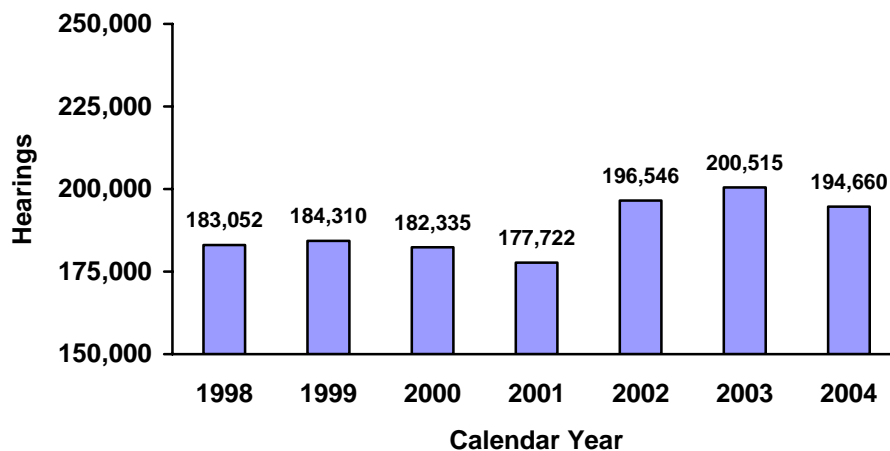
The following table shows the line items that are used to fund the adjudication of workers' compensation claims, as well as the enacted funding levels contained in H.B. 65.

Fund	ALI	Title	FY 2006	FY 2007
<b>Workers' Compensation Fund</b>				
5W3	845-321	Operating Expenses	\$50,270,800	\$50,270,800
5W3	845-402	Rent – William Green Building	\$6,116,466	\$6,116,466
5W3	845-410	Attorney General Payments	\$3,454,984	\$3,454,984
821	845-605	Service Account	\$157,133	\$157,133
<b>Workers' Compensation Fund Subtotal</b>			<b>\$59,999,383</b>	<b>\$59,999,383</b>
<b>Total Funding: Ohio Industrial Commission</b>			<b>\$59,999,383</b>	<b>\$59,999,383</b>

### Adjudication of Workers' Compensation Claims

**Program Description:** The Ohio Industrial Commission serves injured workers and employers through expeditious and impartial resolutions of issues arising from workers' compensation claims and through establishment of adjudication policy. The hearing process begins when the Commission assumes jurisdiction of an issue after an appeal of a BWC order. The following chart provides information relative to the total number of cases (at all hearing levels) heard annually by the Industrial Commission from 1998 to 2004. The 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, the OIC has another 52 days to conduct a second-level hearing and issue an order.

### Hearing Caseloads (all levels)



### Telecommunications and Computer Services Contracts

Enacted under section 125.021 of H.B. 65, the Department of Administrative Services is precluded from operating, superintending, or making contracts on behalf of the Industrial Commission for telephone, other telecommunication, or computer services. The Industrial Commission is therefore permitted discretion with respect to contracting for these services itself, or opting to have the Department of Administrative Services contract on its behalf. Other agencies that have this authority under existing law are the military department, the General Assembly, the Bureau of Workers' Compensation, and institutions administered by boards of trustees.

**Funding Sources:** Line items within Fund 5W3 are supported by administrative assessments paid by State Insurance Fund employers together with their overall premium payments. Fund 821 is supported by conference income, income received from coin copiers, and the sale of publications.

**Implication of the Enacted Budget:** Appropriations for FY 2006 and FY 2007 total \$59,999,383 each year. This amount is equivalent to the total appropriated in FYs 2003 to 2005 and will allow the agency to continue adjudicating workers' compensation claims at current service levels. Funding will also allow for the implementation of future phases of the OIC's electronic hearing process, referred to as the Enterprise Content Management (ECM) system, and various other program enhancements that are directed toward making the OIC and the hearing process more efficient and less expensive. Full implementation of the ECM system is expected to result in decreased travel expenses to review files at separate locations, lower paper and related printing costs, and better file integrity.