



Fiscal Year **2020 Annual Report**

July 1, 2019 – June 30, 2020

Ohio

**Bureau of Workers'
Compensation**

Governor Mike DeWine
Interim Administrator/CEO John Logue

2020 Report

Ohio Bureau of Workers' Compensation

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Letter from the Administrator

Dear Governor DeWine,

I am pleased to present our annual report for the Ohio Bureau of Workers' Compensation for fiscal year 2020.

This past year was a strong one, despite COVID-19's disruption to our daily lives, our operations, and Ohio's economy. In fact, our response to the pandemic illustrated just how strong we are. At your direction, we immediately took steps to mitigate the pandemic's impact on our employer customers and injured workers.

Among several accomplishments highlighted on the pages that follow:

- Our board of directors approved an emergency \$1.54 billion dividend in April to help employers' bottom line under potentially crippling economic forces.
- We twice extended our deadlines for employers who pay monthly premium installments, giving them an extra six months to focus resources on staying in business and keeping their employees safe.
- In late May, we began shipping millions of reusable face coverings to employers around the state so they could protect their workers as businesses began to reopen under your Responsible RestartOhio initiative.

Also this year, we again experienced lower claims, reduced premium rates, implemented more workplace safety programs, and continued to address substance-use disorders affecting our workforce and communities throughout the state.

Like the rest of our state and nation, we were tested in unprecedented ways in fiscal year 2020 with challenges that will likely continue for some time. But thanks to your leadership and the staff at BWC — some of the most talented, dedicated, and agile public servants I've known — I am confident we will meet whatever comes our way in 2021. As we've learned in recent months, we are indeed #InThisTogetherOhio.

Thank you for the opportunity to serve our great state, Governor DeWine. Here's to an even stronger 2021.

Sincerely,



John Logue
Interim Administrator/CEO, Ohio Bureau of Workers' Compensation



Introduction

This report documents actions we took in fiscal year 2020 (FY20) to improve the quality of life for Ohio’s workers and to be a positive influence for economic growth in Ohio. Our focus on preventing workplace accidents, lowering rates, and caring for those injured on the job is making Ohio a better place for businesses and workers. This focus and our commitment to the principles of service, simplicity, and savings helped us operate efficiently during FY20.

Our FY20 administrative cost budget of \$322.2 million was 3.6% less than appropriated by the Ohio General Assembly. With assets of approximately \$28 billion, we are one of the largest state fund workers’ compensation insurance systems in the U.S. In addition, we’re one of the top 10 largest underwriters of workers’ compensation insurance in the nation, covering 249,000 Ohio employers in FY20.

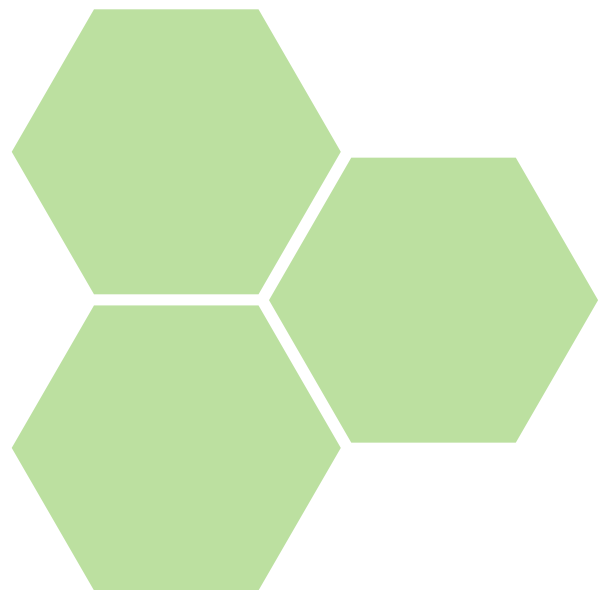
We approved 71,519 new claims in FY20, a decrease of 12,845 from FY19. Contributing reasons for this decrease include:

- Continued safety funding.
- Continued promotion of safe and healthy workplaces.
- More employers putting safety education resources to work.
- COVID-19 and the related economic slowdown.



Accomplishments

Enhanced service and savings for employers



Amid COVID-19's challenges, BWC delivered

As COVID-19 emerged in Ohio, we immediately responded to Governor DeWine's challenge that his Cabinet agencies do all they could to help Ohioans and our business community through this public health crisis.

From workplace to home offices

Thanks to round-the-clock efforts by our IT department in March, BWC quickly transitioned nearly all 1,775 employees into telework and ensured the highly sensitive information we work with daily remained accessible and protected. This included sending computer office equipment home with each employee.

From planning to implementation, the transition took our IT team all of three days to accomplish. Administrator/CEO Stephanie McCloud and our senior team, meanwhile, worked on a myriad of strategies to mitigate COVID-19's impact on our customers.

Nearly \$1.6 billion for Ohio employers

Our board of directors approved an emergency dividend of up to \$1.6 billion in April to help employers' bottom line as they focused on staying in business and keeping their employees safe. This process — from board approval to mailing checks — normally takes months. This time we did it in weeks, and employers had their checks by the end of the month. In the end, the dividend totaled \$1.54 billion and equaled 100% of the premium employers paid in policy year 2018. As in previous years, the dividend was possible because of strong investment returns on employer premiums, a declining number of claims each year, and prudent fiscal management.

In other moves, we twice extended our deadlines for employers who pay their premium installments by the month. This gave our customers an extra six months to pay their premiums, saving them resources they needed to safely reopen during the ongoing pandemic. Our second extension, for instance — deferring June, July, and August due dates until Sept. 1 — kept \$579 million in Ohio's economy.

Protecting Ohio's Workforce – We've Got You Covered

In late May, we began shipping millions of reusable face coverings to employers around the state so they could protect their workers as businesses began to reopen under Governor DeWine's Responsible RestartOhio initiative. While the face coverings don't guarantee protection from COVID-19, public health experts say they weaken the chance of a carrier transmitting the disease to others. We funded the face coverings from our fiscal year 2020 budget. We did not bill our employer customers, and the purchase had no impact on their premiums.

Special team for COVID-19 claims

Generally, communicable diseases like COVID-19 are not workers' compensation claims because people are exposed in a variety of ways, and few jobs have a hazard or risk of getting the diseases in a greater degree or a different manner than the general public.

A pandemic, however, is another matter, and that's why we created a special team to look at COVID-19 claims carefully. We told Ohioans if they work in a job that poses a special hazard or risk and contract COVID-19 from the work exposure, we would investigate and possibly allow their claim.

As we do with any claim, we investigated each COVID-19 claim on a case-by-case basis, examining medical evidence (test results, the support of their physician) and the totality of circumstances involved. By law, we have 28 days to decide a case.

As of June 30, we had received 690 claims from Ohio workers believing they had contracted COVID-19 in the workplace.

- This is since March 11.
- Of those, 557 were from health care and emergency worker sectors,
- 186 – BWC accepted,
- 74 – BWC denied (Most didn't test positive for the virus or lacked a provider's medical opinion.).
- 222 were from employers that are self-insured for workers comp coverage. They reported accepting 111 claims and rejecting 73 claims.

BWC volunteers step up

Time and again our staff demonstrated Ohio's rallying call during the pandemic, "We're all in this together."

- On April 1, 100 of our call center employees volunteered to help the Ohio Department of Job and Family Services handle the crush of calls from newly unemployed Ohioans, which eventually reached an unprecedented 1.3 million people. BWC's call load shrunk at the same time because many businesses were temporarily closed or slowed and injury claims were falling. BWC's Service Desk also worked with ODJFS on IT troubleshooting.
- The Department of Aging's role increased during the pandemic because our state's older population was especially vulnerable to the virus. BWC's communications team worked with Aging to create news releases, stakeholder letters, videos, and other messaging related to Aging's existing and new programs. Another 20 BWC volunteers helped register seniors for one of Aging's new programs, Staying Connected.
- BWC also partnered with the state's Emergency Operations Center, with several of our staff volunteering to transport more than 1 million pieces of essential personal protective equipment to the Department of Rehabilitation and Corrections, the Department of Health, Mid-Ohio Foodbank, the Ohio Pharmacy Association and more.

Excellent customer service

Soon after we moved to teleworking, we surveyed our employees on their experience to see how they were adjusting to the change. Nearly nine in 10 employees participated, with 97% reporting they remained confident in their abilities to provide excellent customer service from their home office.

The feedback from customers confirmed our survey results. We were indeed providing excellent customer service. In letters and social media posts, we received scores of thank you notes and positive messages from employers across the state grateful for our efforts during such difficult times for their businesses. Our \$1.54 billion dividend was a life saver, they told us, and they deeply appreciated the face coverings.

“Between the financial help and the masks, it almost made me want to cry because it shows I’m not forgotten,” said Heather Baines, founder and president of HR Construction Services in Cleveland. “There have been some terrible days — days where I questioned, ‘What am I doing and why am I still doing this?’”

The dividend check meant she could pay her workers, her office rent, purchase jobsite materials, and fund her employees’ benefits.

Employers save with rate reductions

Falling injury claims, increased workplace safety efforts, and our strong fiscal position prompted our board of directors to approve two rate reductions to employer premiums this year.

In January, public employers received a 10% rate cut in their premiums, which followed a 12% cut the previous year, further reducing an already 40-year low in premium rates. In February, the board approved a 13% rate reduction for private employers, effective July 1. The cut marked our agency’s third largest in nearly 60 years and will save private employers more than \$132 million over 2020 premiums.

Combating addiction through employment

We launched our Substance Use Recovery and Workplace Safety Program in October 2018 as a two-year pilot program in Montgomery, Ross, and Scioto counties. Administered by local Alcohol, Drug Addiction, and Mental Health Services boards, the program uses BWC funds to help employers hire, manage, and retain workers in addiction recovery.

In the past fiscal year and with Governor DeWine’s encouragement, we added 20 counties to the program, which has a \$15 million budget in the biennium. In February we announced Clark, Greene, and Madison counties were joining the program.

“The Mental Health & Recovery Board of Clark, Greene & Madison Counties is thrilled to join this effort,” said Greta Mayer, chief executive officer at MHRB. “Our board is investing heavily in workplace and workforce efforts, because we know that it is beneficial for both employers and people in recovery.”

Division of Safety & Hygiene

Popular demand boosts safety grant funding

In February 2020, we increased our safety grants funding to \$70 million for fiscal years 2020 and 2021 because of popular demand. This is up from the \$40 million we originally allocated for the biennium. The grants, up to \$40,000 per employer, provide private and public State Insurance Fund employers funding primarily for equipment intended to reduce the risk of workplace injuries and illnesses.

In FY20, we awarded \$23.8 million in grants to Ohio employers, including first responders, schools, manufacturers, and others. This includes a little more than \$1 million in approved grants for our new **Trench Safety Grant program**.

Our Trench Safety Grant program provides 4-to-1 matching funds, up to \$12,000, to Ohio private and public employers covered by the State Insurance Fund who wish to purchase equipment to substantially reduce or eliminate injuries and illnesses associated with trenching and excavation.

“This type of work poses some of the most severe and deadly hazards in the construction industry,” former BWC Administrator/CEO Stephanie McCloud said when we launched the program. “Fortunately, the injuries and fatalities associated with trenching are preventable with proper training and equipment.”

Ohio Safety Congress & Expo

Our signature workplace safety event, the Ohio Safety Congress & Expo (OSC), routinely draws thousands of Ohio employers and workers to Columbus for three days of free continuing education credits, panel discussions, seminars with national speakers, and safety demonstrations. This year we were on pace to set a new attendance record with more than 8,500 pre-registrations.

The emergence of COVID-19 changed our plans, however, just as we were set to launch our March 11-13 event. We had to cancel our in-person event at the Greater Columbus Convention Center, but our first-ever virtual component to safety congress went on as scheduled.

More than 2,600 attendees participated in eight online sessions and shared their thoughts in a live chat during keynote addresses from NFL Hall of Famer Anthony Munoz and former U.S. Army paratrooper Patrick Nelson.

Safety congress is scheduled to return in March 2021 in a virtual-only format.

Medical and Health Services Division

The vision of our Medical & Health Services division is to ensure and support prompt, quality, comprehensive, cost-effective healthcare for injured workers to support a safe and timely return to work and return to life.

Drug disposal systems to curb prescription opioid abuse

In October, Governor DeWine and RecoveryOhio Director Alisha Nelson joined Administrator McCloud at a local Columbus pharmacy to launch our opioid disposal initiative.

Under the plan, pharmacies provide injured workers with drug disposal bags or powder packets that destroy left-over opioids when mixed with water. The intent is to prevent opioids from falling into the wrong hands for illicit use. We reimburse pharmacies for the cost of the disposal products. The effort targets injured workers receiving an opioid prescription for the first time within the last 12 months.

Pharmacy program: Opioid use and prescription spending continue decline

Our pharmacy program continues to employ policies, protocols, and oversight aimed at reducing injured workers' use of opioids and other dangerous substances and increasing operational efficiencies. (Please note: The following numbers refer to calendar years.)

Our opioid prescriptions decreased 12.7% from 2018 to 144,116. This number is a 70% decrease from 2011. In addition, we spent \$19 million on opioid prescriptions in 2019, a 17% drop from 2018.

Most (90.4%) of the prescriptions dispensed in 2019 were generic, a 2.6% increase from 2018. Our average prescription cost was \$96.30, a near \$20 reduction from 2018. Our overall spending on medications for injured workers fell 22.3% from 2018 to \$53.8 million. Also declining: the number of injured workers receiving a prescription. That number dropped 10.1% from 2018 to 27,848.

New Chief Medical Officer

Bradley J. Lewis, MD, joined BWC in January 2020. Dr. Lewis is a graduate of The Ohio State University, College of Medicine and has an impressive career as a physician. He was both a clinical instructor and assistant professor at The Ohio State University, College of Medicine, and held the position of Franklin County Coroner for eight years. He also owned a primary care practice with his wife Elaine, also a physician. Most recently, he provided medical chart reviews for a sister agency, Opportunities for Ohioans with Disabilities, and was a primary care physician with Central Ohio Primary Care.

New rule for concussion injuries

Ohio Administrative Code 4123-6-34, payment for treatment of concussion injuries, became effective Jan. 1, 2020. This rule supports prompt, effective medical care for injured workers with concussion or concussion-like conditions. Early intervention for the treatment of concussion conditions is imperative to a quicker recovery, timely return-to-work, and quality of life. The rule provides opportunities to address these conditions even without an additional allowance when the condition should be resolved within six months of injury. We also established a process if treatment should go beyond this timeframe.

5-year rule review

As part of our 5-year rule review process, we began reviewing more than 90 Health Partnership Program administrative rules in FY 2020. Our team focused on the purpose, scope, and intent of each rule to ensure clarity and flexibility when needed. We also reviewed the rules to eliminate unnecessary paperwork, duplication, overlap, and conflict with other rules. This process is ongoing and should conclude by the end of calendar year 2020.

Responding to COVID-19

We mobilized an all-hands-on deck strategy to create an innovative approach to address servicing injured worker, employer, and provider needs as a result of the Governor's March 9, 2020 COVID-19 emergency declaration. Division staff quickly evaluated opportunities for flexibility in BWC services, rules, and policies to support the emergency declaration and social distancing directives.

We evaluated and implemented three emergency policies to expand the use of telemedicine.

- **Policy alert 2020-01** announced a more flexible use of telemedicine that expands the site of care delivery to the injured worker's home and relaxes the requirements for using a secure platform of communication. It also reduced some administrative burden to notify or request additional authorization from the managed care organization (MCO) to change the care-delivery method.
- **Policy alert 2020-02** permitted telephonic communication as a temporary substitute for some vocational rehabilitation services.
- **Policy alert 2020-03** expanded the service providers eligible to provide and bill for virtual check in and/or telephone services (audio only).

Our pharmacy program initiated temporary changes to allow injured workers to fill prescriptions early or for an extended day supply up to 60 days. The added flexibility allows injured workers to be prepared in the event they would need prescriptions due to being quarantined or their prescriber becomes unavailable.

We created and posted online a frequently-asked-questions document, *What BWC providers need to know about care during the COVID-19 state of emergency*, to assist providers and MCOs with understanding the policy updates and other issues relative to rendering care to injured workers during the emergency.

We created **Policy alert 2020-04** to address pre-surgical COVID-19 lab testing. Generally, COVID-19 related testing would not be covered or reimbursed unless the condition was allowed in the claim. However, BWC recognized that an injured worker who is positive for COVID-19 may be at greater risk for a negative surgical experience. Therefore, to determine if surgery postponement is appropriate and to prevent greater risk for negative health consequences during or following surgery, one pre-surgical COVID-19 test may be authorized when the injured worker is scheduled for an inpatient or outpatient surgery to be performed at a hospital or Ambulatory Surgical Center (ASC).

MCO open enrollment postponed

Due to COVID-19's impact on Ohio's business community, we postponed our 2020 MCO open enrollment period so employers could focus on keeping their employees safe and their businesses open. Originally scheduled for April 27–May 22, 2020, our new enrollment period is set for May 3 – May 28, 2021.

COVID-19 cancels Medical & Health Symposium

As a precaution to mitigate the spread of COVID-19, we cancelled our 2020 Ohio Workers' Compensation Medical & Health Symposium scheduled for May at the Greater Columbus Convention Center.

Themed "Comprehensive Care for an Injured Worker," our fifth annual symposium was to include education tracks and credits for health care practitioners, their staff and legal professionals. Local and national experts were scheduled to lead learning opportunities on some of the most pressing health and medical issues of our time — substance use disorders, trauma principles, stories of triumph and recovery and more.

We expected a record-breaking number of participants — more than 800 — for this nationally recognized event. All speakers have agreed to return for our 2021 symposium scheduled for April 9–10, 2021, with a pre-conference workshop scheduled for April 8, 2021.

Special investigations

Fraud efforts generate results

Our special investigations department (SID) marked its 27th year of protecting the State Insurance Fund through investigating, detecting and deterring fraud. The department's 121 dedicated members accomplished several impressive results, including:

- \$77.8 million in savings, 19.5% more than last year.
- 1,515 closed cases, a 12.5% decrease from 2019.
- The average closed case identified \$51,323 in savings to our workers' compensation system.

Since its inception in FY 1994, SID has:

- Fielded 128,170 allegations of fraud.
- Secured 2,992 convictions.
- Saved the State Insurance Fund nearly \$2 billion.

Other accomplishments

Inclusion & Diversity

BWC's Inclusion & Diversity Department continued its work in promoting an inclusive workplace. Our highest-profile initiative was implicit bias training, taught in-person by Inclusion & Diversity Director Carolina Thatcher. More than 300 BWC employees, including our senior team and many division leaders, attended the training. Another 400 were planned before the COVID-19 pandemic, which put a pause on travel.

We also established our employee resource group (ERG) program. In May, we welcomed our first ERG, The Pride Connection, which is focused on LGBTQ+ issues. We have also continued our monthly diversity celebrations and education, even after the COVID-19 pandemic; expanded our "lunch and learn" education program; and established a committee to explore better access for people with disabilities through an Americans with Disabilities committee.

Finally, we created an internal online forum for employees to share their thoughts on racism and discrimination following the May killing of George Floyd in Minneapolis by police. The forum, titled "The Conversation Continues," has started a great deal of dialogue at BWC.

Office mergers

This fiscal year we finished one office merger and started planning another. We combined our Garfield Heights Service Office into the Cleveland Service Office in November. In doing so, we reduced our footprint by about 60,000 square feet and saved about \$773,000 in yearly rent. The merger also gave us a prime opportunity to update the Cleveland space to a more modern look.

Our second merger is to move our Ohio Center for Occupational Safety and Health from our Pickerington location to the William Green Building in Downtown Columbus. The COVID-19 pandemic delayed the project, but it is still on track for completion in late 2020 or early 2021. This merger will reduce our footprint by about 41,000 square feet and save about \$633,000 in yearly rent.

Improving communications for customers and staff

- **Correspondence review project.** This fiscal year, we launched a correspondence review project to make our system-generated correspondence to injured workers, employers, and stakeholders more helpful and customer-friendly. We hired an external consultant, Fahlgren Mortine, to work with our staff to review, edit, and rewrite existing letters, emails, and other customer-service communications to give them more clarity and a friendlier voice.
- We prioritized the items to focus on the ones impacting the most customers first. Before the COVID-19 pandemic paused the project, the team had reviewed and improved more than 50 of 200 existing pieces of correspondence.
- **Digital signage to boost internal communications.** In November 2019, we launched our digital signage project to enhance internal communications and foster an engaging, informative experience for BWC employees. The project is one of several initiatives that resulted from joint strategic planning efforts with the BWC Board of Directors and senior team. With the dynamic display of real-time information, digital signage provides another tool to pair with traditional communication methods to improve agency communications.
- We piloted digital signage with a display monitor in our Level 28 elevator lobby of the William Green Building. We have a content generation committee to identify relevant subjects and pertinent information for our employees. Our Communications Division manages internal content via display control software provided by Reach Media Network, a leading provider in digital signage solutions. Additional digital signage displays are in development for BWC service locations and other floors in the William Green Building.

Vision, Mission, and Core Values

We updated our vision, mission, and core values to better reflect who we are, what we're doing, and where we're going. We arrived at the updated language with guidance and input from our board of directors.

Vision: To transform BWC into an agile organization driven by customer success.

Mission: To deliver consistently excellent experiences for each BWC customer every day.

Core Values:

- One Agency. We support each other by embracing inclusion and diversity, recognizing we are all BWC.
- Personal Connection. We humanize BWC by delivering service on a personal level.
- Innovative Leadership. We take calculated risks to tackle barriers with cutting-edge work product.
- Relentless Excellence. We are unyielding in our delivery of outstanding service to our customers and to each other.

BWC year-end statistics

	FY 2020	FY 2019	FY 2018
State Fund Claims Filed			
Lost Time	9,850	11,009	10,662
Medical Only	61,101	72,932	73,967
Occupational Disease	401	255	280
Death	167	168	227
Disallowed or Dismissed	10,344	12,240	12,049
Total	<u>81,863</u>	<u>96,604</u>	<u>97,185</u>
Net Allowed Injuries	71,519	84,364	85,136

NOTE: Every claim is evaluated at 60 days after filing for purposes of claim type, State Fund versus Self-Insured, combine status, and allowance status. Values exclude combined and Self-Insured claims.

Open Claims (Per statute)			
Lost Time	192,664	207,594	223,318
Medical Only	417,301	438,785	448,870
Total	<u>609,965</u>	<u>646,379</u>	<u>672,188</u>

Benefits Paid			
Medical Benefits Paid	\$ 430,417,629	\$ 490,034,666	\$ 526,379,567
Compensation Paid			
Wage Loss	\$ 6,481,308	\$ 6,753,726	\$ 7,525,535
Temporary Total	189,744,611	194,770,873	197,894,421
Temporary Partial	2,693	4,189	3,511
Permanent Partial	19,974,366	22,692,662	23,021,440
% Permanent Partial	52,068,618	57,590,270	57,430,490
Lump Sum Settlement	159,717,230	140,426,459	145,946,543
Lump Sum Advancement	17,990,947	16,648,612	17,456,267
Permanent Total & DWRF	367,284,999	369,525,968	376,041,549
Death	79,249,198	80,666,730	81,210,663
Rehabilitation	23,536,162	24,544,006	26,417,263
Other	3,616,901	3,111,525	4,054,993
Total Compensation Paid	\$ 919,667,034	\$ 916,735,020	\$ 937,002,675
Total Benefits Paid	<u>\$ 1,350,084,663</u>	<u>\$ 1,406,769,686</u>	<u>\$ 1,463,382,242</u>
MCO Fees Paid	\$ 168,764,352	\$ 170,882,589	\$ 170,755,316

Fraud Statistics			
Fraud Dollars Identified	\$ 77,754,230	\$ 65,144,322	\$ 60,098,139
\$\$\$ Saved to \$\$\$ Spent Ratio	5.79 to 1	4.93 to 1	4.81 to 1
Prosecution Referrals	150	189	166

NOTE: Due to improvements in BWC data capture and reporting systems, prior year data may not agree with amounts previously reported.

BWC year-end statistics

	FY 2020	FY 2019	FY 2018
Active Employers By Type			
Private	245,040	244,247	236,591
Public (Local)	3,802	3,796	3,784
Public (State)	114	115	115
Self-Insured	1,139	1,160	1,173
Black Lung	26	26	28
Marine Fund	129	128	121
Total	<u>250,250</u>	<u>249,472</u>	<u>241,812</u>

Starting in FY 2019, policies that lapsed within the fiscal year are treated as active

BWC Personnel	1,753	1,774	1,760
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NOTE: Due to improvements in BWC data capture and reporting systems, prior year data may not agree with amounts previously reported.



2020 Report
Investment Class Annual Report

Portfolio Performance and Valuation Summary

The BWC investment portfolio was valued at \$25.89 billion as of June 30, 2020 compared with \$27.42 billion on June 30, 2019, a decrease in market value of \$1,524 million. The BWC investment portfolio had a FY20 total return (net of management fees) of 7.0% and net investment income of \$1.79 billion.

Asset Allocation Mix

The asset allocation mix of the BWC investment portfolio based on represented fair value on June 30, 2020 was 56.7% bonds, 28.8% equities, 13.4% real estate, and 1.1% cash and equivalents. This asset mix compares to 55.7% bonds, 30.6% equities, 13.0% real estate, and 0.7% cash and equivalents on June 30, 2019.

Bond Portfolio Values and Return

The total fair value of the BWC bond portfolio was \$14.68 billion on June 30, 2020 compared to \$15.27 billion on June 30, 2019. Accounting for net outflows of \$2.15 billion during FY20, the adjusted fair value increase of the BWC bond portfolio was \$1.56 billion. The total net return for FY20 was 11.3%. The largest bond mandate of the BWC portfolio is the SIF long duration credit portfolio. This long credit portfolio provided a FY20 total net return of 14.4% and had a fair value of \$5.67 billion as of June 30, 2020.

Equity Portfolio Values and Return

The total fair value of the BWC equities portfolio was \$7.45 billion on June 30, 2020, a decrease of \$952 million compared to \$8.40 billion on June 30, 2019. The total fair value of the BWC U.S. equities portfolio was \$4.98 billion on June 30, 2020 compared to \$5.72 billion on June 30, 2019. Accounting for net outflows of \$1.03 billion during FY20, the adjusted fair value increase of the U.S. equities portfolio was \$292 million during FY20, which represented a total net return of 6.3%. The total fair value of the BWC non-U.S. equities portfolio was \$2.46 billion on June 30, 2020, a decrease of \$222 million compared to \$2.68 billion on June 30, 2019. Accounting for net outflows of \$81 million, the adjusted fair value decrease of the non-U.S. equities portfolio was \$141 million during FY20, which represented a total net return of -5.0%.

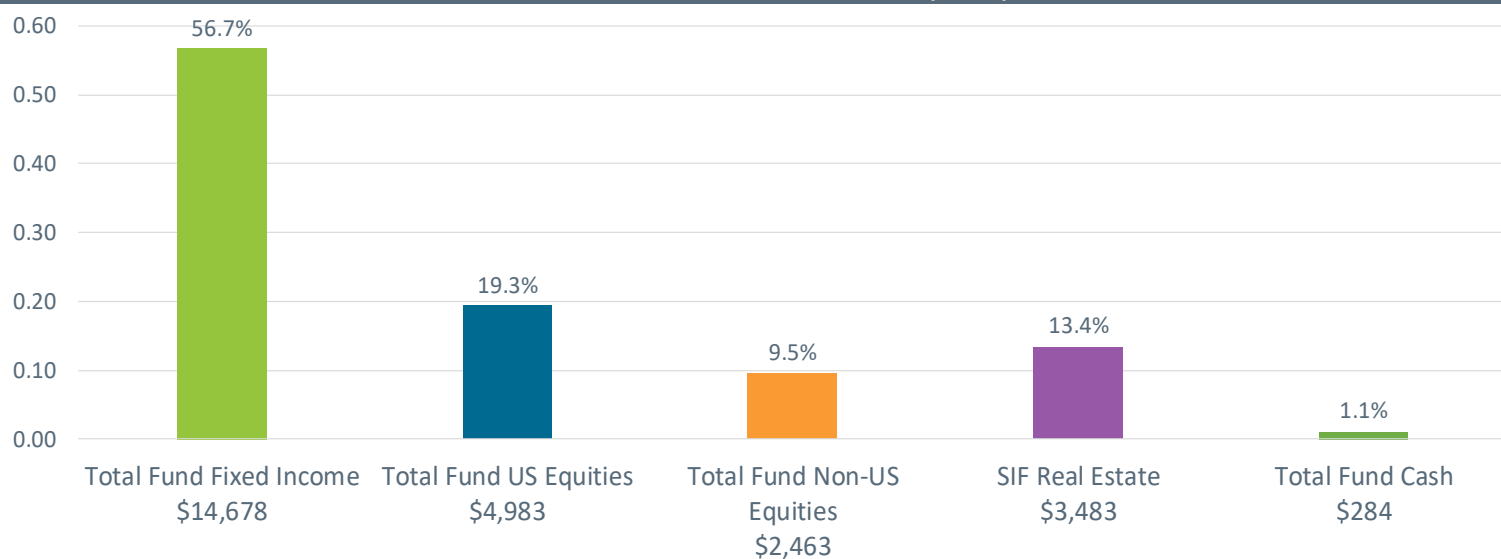
Real Estate Portfolio Values and Return

The total fair value of the BWC real estate portfolio was \$3.48 billion on June 30, 2020 compared to \$3.54 billion on June 30, 2019. Accounting for net outflows of \$113 million during FY20, the adjusted fair value increase of the BWC real estate portfolio was \$55 million. The real estate portfolio provided a FY20 total return net of fees of 1.7%. FY20 net returns were 0.3% for core real estate funds, 3.7% for core plus real estate funds, and 6.9% for value-added real estate funds.

Cash and Cash Equivalents

Total BWC cash and cash equivalents had a fair value of \$284 million on June 30, 2020 compared to \$206 million on June 30, 2019.

Total Fund Asset Allocation (\$MM)



Total Fund Schedule of Investable Assets

Period Ending	Beginning Market Value (\$MM)	Net Cash Flow (\$MM)	Gain/Loss (\$MM)	Ending Market Value (\$MM)	% Return
Fiscal Year 2020	27,415	-3,342	1,818	25,891	7.0

Total Fund Performance

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Total Fund	7.0	8.7	5.1	7.5	5.8	2.1
State Insurance Fund	6.8	8.7	5.2	7.8	6.0	2.2

Performance by Asset Class

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Total Fund Fixed Income	11.3	10.3	-0.1	1.4	10.0	0.5
Total Fund Equity	2.5	6.5	12.8	19.3	-2.4	3.1
Total Fund US Equity	6.3	9.0	15.4	18.8	1.1	6.8
Total Fund Non-US Equity	-5.0	1.2	7.3	20.5	-10.2	-5.3
SIF Real Estate	1.7	6.7	8.4	7.6	10.6	14.0

Performance is shown net of fees. Allocations may not sum up to 100% exactly due to rounding.



2020 Report
**Outcomes and Savings of the Health
Partnership Program**

The Health Partnership Program

The Health Partnership Program (HPP) has operated as BWC's system for providing managed-care services since its implementation in March 1997. Per Ohio Revised Code (ORC) 4121.44 (H)(3), BWC must publish a report on the measures of HPP's outcomes and savings. BWC submits the report to the president of the Senate, the speaker of the House of Representatives, and the governor. BWC prepares the annual report under division (F)(3) of section 4121.12 of the ORC. BWC's chief medical services and compliance officer directs the program under the direction of BWC's chief medical and health officer. The chief medical services and compliance officer coordinates management of the HPP with the chief medical officer and the chief of medical operations, appropriately using and making available a network of providers and managed care organizations (MCOs).

How HPP works

While determining compensability and paying indemnity benefits, BWC contracts with MCOs to manage the medical component of workers' compensation claims. MCOs educate employers and injured workers on HPP. They also process First Report of an Injury, Occupational Disease, or Death (FROI) applications. In addition, MCOs help employers establish transitional/early return-to-work programs. Finally, MCOs process medical bills and make provider payments.

BWC monitors MCOs' managed care performance. For example, it measures MCO effectiveness for return-to-work efforts using the current outcome methodology metric known as Measurement of Disability (MoD). BWC also measures MCOs' FROI timing, FROI data accuracy, bill timing, and bill data accuracy. The majority of these measures are published in an annual MCO Report Card, available on www.bwc.ohio.gov. BWC encourages employers to view this report before selecting an MCO. Twelve MCOs serve Ohio's employers and injured workers.

BWC Medical Services objectives

BWC strives to ensure prompt, quality, cost-effective health care for injured workers to facilitate their early, safe, and sustained return to work and quality of life. The Medical and Health Division through the work of the Medical Services and Compliance Division, the Medical Operations Division, and the Chief Medical Officer Division coordinate health-care delivery through a network of certified providers and MCOs. BWC accomplishes this with management, pricing, and payment strategies that benefit injured workers and employers. Specific supporting responsibilities include:

- Developing, maintaining, and executing quality and cost-effective medical and vocational rehabilitation benefits plans and associated fee schedules.
- Developing and supporting the appropriate managed-care processes, including contract management and training.
- Establishing and maintaining a quality pool of medical and vocational service providers to ensure injured workers have access to quality, cost-effective, and timely care.
- Developing and implementing appropriate medical and vocational policies, rules, and training, which address the management from inception to resolution of all medical and vocational issues from an allowed claim.
- Evaluating and processing medical bills, guaranteeing proper and timely payment consistent with benefits plan criteria.

During FY19, BWC made positive progress on initiatives to further support existing divisional and BWC enterprise business objectives and strategies. The remainder of this report provides selected highlights of HPP activities and outcomes.

Selected External Stakeholder Engagements

The Medical and Health Division collaborated with several provider stakeholder groups over the past fiscal year to review specific reimbursement methodologies and to determine if adjustments are necessary. One such engagement involved meeting with the Ohio HealthCare Association to develop and implement a strategy to address services provides in a skilled nursing facility (SNF). The discussions evaluated barriers which delayed or impeded SNF care. Those discussion led to an improve alignment of SNF reimbursement and coding with the acute needs and care complexity of injured workers needing SNF care, especially post-hospitalization. The post-acute short-term reimbursement realignment debuted on January 1, 2020, within the 2020 professional provider fee schedule. The changes improved administrative efficiency in managing the reimbursement for these services. BWC has experienced a 92% reduction in SNF requests for payment above the established fee schedule for short term post-acute services. The OHCA was appreciative of the involvement and indicate that their membership feel we are good partners.

Division staff also held several meetings beginning in early 2019 and continuing in early 2020, to discuss and develop a strategy to improve functional capacity evaluation (FCE) services. Members from the International Association of Rehabilitation Professionals (IARP), the Ohio Physical Therapy Association (OPTA), and the Ohio Occupational Therapy Association (OOTO) collaborated with BWC staff to identify differences between treatment based and occupationally based FCEs. Valuable insight was gained through these exploratory meetings that allowed BWC to identify a specific strategy to differentiate reimbursement for treatment based and occupationally based FCE services. These reimbursement changes will go into effect with the 2021 professional provider fee schedule.

Multiple meetings were held by the Vocational Rehabilitation Policy Unit with vocational rehabilitation professionals to understand service or coding gaps that could be filled by code changes. BWC recommended updates to the vocational rehabilitation fee schedule which will take effect October 1, 2020 as a result of these meetings.

HPP Rules

Ohio Administrative Code (OAC) 4123-6-34 Payment for treatment of concussion injuries

BWC recognizes that work-related concussion injuries may involve a variety of physical signs, symptoms and recovery trajectories. Therefore, early intervention is key in helping to reduce the duration of disability for these injuries.

Medical Services implemented OAC 4123-6-34 on January 1 to allow BWC to define appropriate services to treat clinical manifestations of concussion injuries. The rule provides early intervention strategies to address documented signs and symptoms within six weeks of the date of injury that may be related to a concussion injury without an additional allowance with the intent of resolving the symptoms within six months. The rule also recognizes if services are required outside the defined timeframes, additional allowances must be requested to address those situations.

BWC concurrently issued a provider policy to clarify the claim eligibility criteria and documentation requirements for the services that may be appropriate to treat documented clinical manifestations of concussion injuries. The rule and policy allow BWC to address two challenging scenarios in the context of Ohio's workers' compensation system:

1. Requests for medical services when concussion is not allowed in the claim.
2. Requests for seemingly unrelated medical services when concussion is allowed in the claim.

Medical Services addressed operational needs by MCOs regarding the systematic implementation of the rule by providing an MCO training session and facilitated discussions with MCO billing representatives through the Billing and Reimbursement Subcommittee.

Ohio Administrative Code (OAC) 4123-18-03 Guidelines for referral to and acceptance into vocational rehabilitation and 4123-18-04 Living maintenance allowance

On Oct. 7, 2019 changes to Ohio Administrative Code (OAC) 4123-18-03 and 4123-18-04 were implemented. The changes seek to simplify the process for acceptance into vocational rehabilitation programs for the injured worker by providing one order allowing or denying participation in the program. The order issued by BWC, combines the feasibility decision of the MCO with the eligibility and living maintenance decisions of the BWC in a single decision. Simplifying the decisions from three letters with three appeal paths into one order with one appeal path reduces maximum potential appeal durations from 14 months to four months. For injured workers, the changes decrease the confusion of receiving multiple letters with multiple decisions. Instead, an injured worker receives one document that approves or denies participation.

Benefits Plan Design

Prompt, effective medical care is crucial for those injured on the job. Such care is often the key to a quicker recovery, timely return to work, and quality of life for injured workers. Maintaining the right benefits plan design and service-level reimbursement ensures access to quality, cost-effective service.

Access for injured workers means the availability of appropriate treatment. Having access to appropriate treatment facilitates faster recovery and a prompt, safe return to work. For employers, it also means the availability of appropriate, cost-effective treatment based on medical necessity.

Implementing a sound and effective provider fee schedule is a critical component of maintaining an effective benefits plan. As required by rules and law, and to ensure injured workers access to quality care, BWC establishes discounted yet competitive fee schedules. BWC annually reimburses more than 28,000 providers for medical and vocational services rendered to Ohio's injured workers. An equitable and competitive fee for the right medical service is essential to maintain a quality provider network across the wide range of necessary provider disciplines.

BWC continuously improves its medical, vocational rehabilitation, and pharmaceutical services offerings. This results from executing quality methodologies and protocols for revising benefits plans and their corresponding fee schedules. We strive to review all fee schedules annually.

BWC paid providers nearly \$437 million for medical and vocational services during FY20, which is \$41 million less than payments made in FY19. For FY19 BWC paid \$477 million, which is \$22 million less than payments made in FY18.

BWC has achieved those reductions while continuing to follow four objectives:

1. To maintain stability in the environment and reimbursement methodologies.
2. To ensure injured workers access to quality care.
3. To promote efficiency in the provision of quality services.
4. To maintain a competitive environment where providers can render safe effective care.

Those four objectives also continued to guide BWC’s evaluation of Ohio’s reimbursement methodologies and the development of recommendations for FY20-21. As a result, BWC made minimum changes to most of the agency’s reimbursement methodologies and protocols. Per adopted recommendations for FY19 and FY20, BWC expects total medical and vocational services reimbursements to remain relatively stable depending on injury mix and services utilization mix and rates.

In FY2008, BWC received more than 4.4 million bills for all medical and pharmacy reimbursement. In FY2020, BWC received less than half of that volume, or 1.9 million bills. The overall average cost per bill has however, remained consistent. Reimbursement is influenced by several factors including the injured worker case mix, number of claims, volume of services and type of services. The total injured workers seeking care has decreased, aligning with an overall decrease in claims. This reduction in injured workers translates to decreases in overall reimbursement. However, the impact to individual fee schedule spending could show variations in trends, depending on the service and case mix.

An example of this is reflected as providers focus on non-opioid pain relief treatment options. Opioid medication reimbursement has decreased 60% since 2012, reflected in Chart 1 below, while alternative pain management services such as nerve stimulation have increased. We continue to see site of service shifts in these services rendered in least costly sites of service, such as an ambulatory surgery center, out of hospital outpatient departments.

Chart 1. Reimbursement trends of selected pain management services.

Service Type	2012	2013	2014	2015	2016	2017	2018	2019
Pharmacy	-10%	-16%	-17%	-31%	-36%	-37%	-48%	-60%
Acupuncture	-6%	7%	-5%	-10%	-20%	-19%	3%	8%
Chiropractic Manipulation	-13%	-24%	-34%	-37%	-44%	-47%	-51%	-54%
Injection	3%	-1%	-12%	-10%	-16%	2%	5%	4%
Nerve Stimulation	17%	-25%	-26%	-46%	21%	-40%	4%	16%
Osteopathic Manipulation	-23%	-38%	-54%	-53%	-67%	-66%	-58%	-60%
Other Therapies	-14%	-18%	-28%	-31%	-33%	-35%	-37%	-40%
Pain pump	34%	29%	41%	33%	39%	7%	23%	-2%
PT/OT	-21%	-30%	-43%	-48%	-49%	-38%	-33%	-36%
Spinal Cord Stimulators	17%	25%	6%	15%	17%	16%	28%	42%

The following charts illustrate selected medical services reimbursement trends. Charts 2 and 3 and 4 show the effects of the decreasing number of injured workers receiving treatment on reimbursement, injured worker counts and invoice counts.

Chart 2: Total reimbursement all services

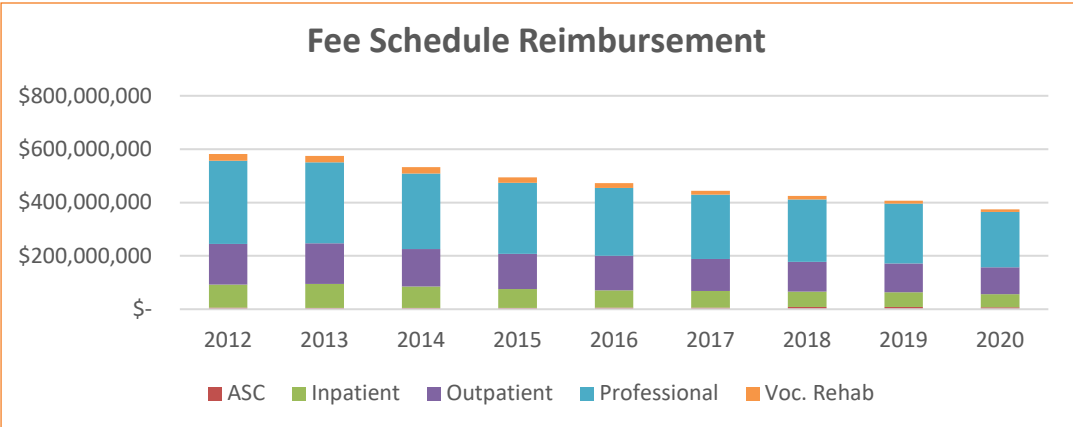


Chart 3: Unique claim count based on fee schedule reimbursement

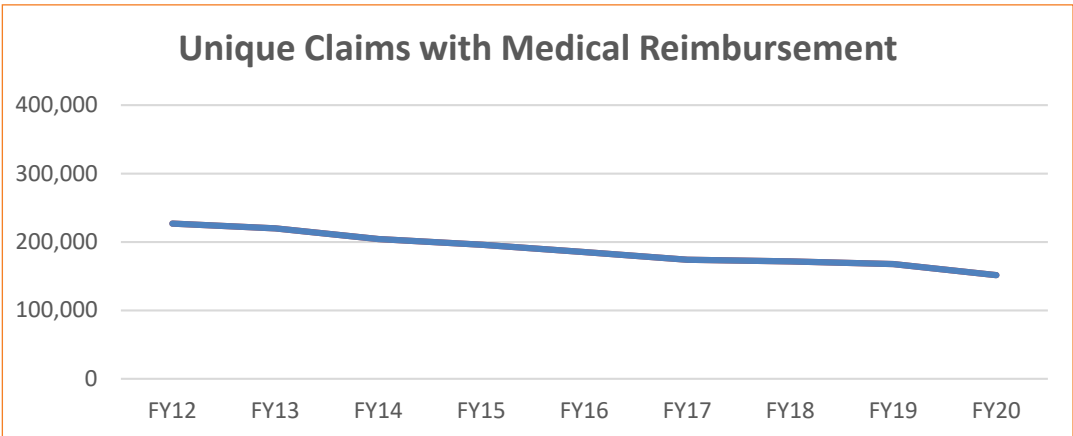
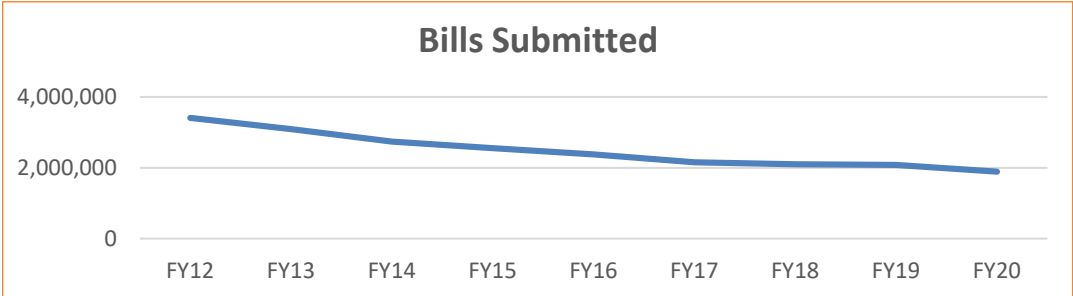


Chart 4: Total bill count for all reimbursement



As mentioned, system stability is measured through the maintenance of the average cost of services per claim or per bill. The average cost per claim has shown a slight decrease when looking at the five main fee schedules (not including pharmacy). The average cost per bill is showing a very slight, almost negligible increase and has stabilized over the past three fiscal years.

Chart 5: Average cost per claim for all reimbursement

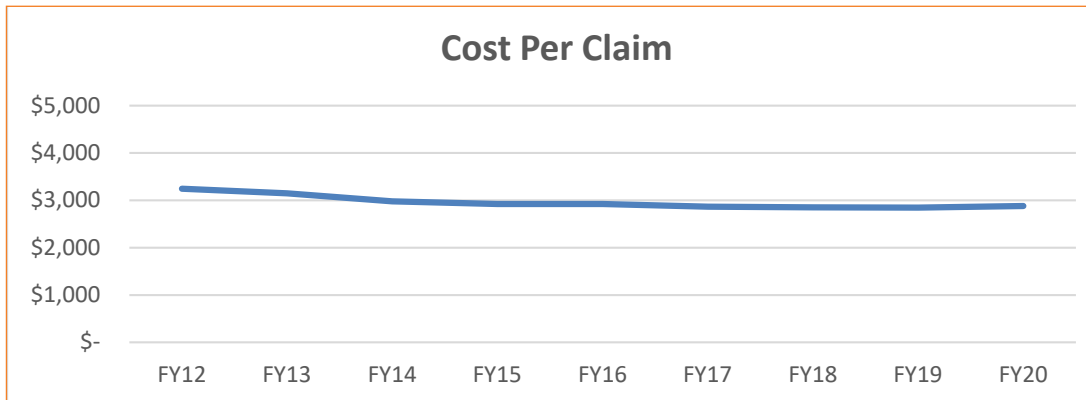
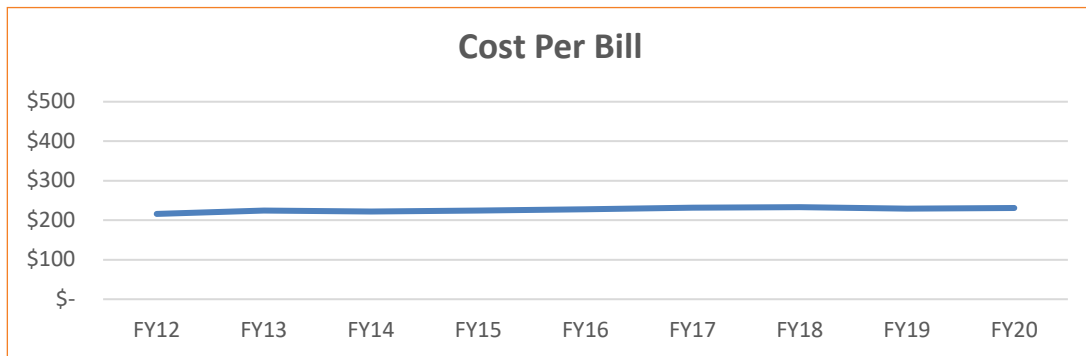


Chart 6: Average cost per bill for all reimbursement



Site of service becomes very important when reviewing these trends. Take for example, the top 5 reimbursed services (excluding inpatient), regardless of location. These 5 services accounts for 18% of the total medical reimbursement (professional provider, outpatient hospital and ASC). In 2013, manual therapy and home health aide services were included in the top 5. In fact, all five of the most frequently reimbursed in 2013 were provided in the physician’s office or the injured worker’s home. From 2015 to current, the distribution of the top 5 changed. One of the top 5 is home health nurses’ aide code for 2020. And another of the top 5 does not reflect a separate service, but instead represents additional system costs when a hospital provides the facilities for an office visit with a provider.

Coronavirus (COVID-19) Pandemic Special Activities

The medical and health division mobilized an all hands-on deck and innovation approach to address servicing injured workers and employers needs as a result of the Governor’s March 9th declaration of the COVID-19 emergency. The staff evaluated opportunities for flexibility in BWC services rules and policies which would support the Governor’s emergency declaration and social distancing directives. The medical and health team as a result immediately took actions to identify and address:

1. Benefits and service provision issues.
2. Along with administrative program initiatives to be changed, delayed, or canceled.

A frequently asked questions document to assist providers and MCOs with understanding the policy updates and other issues relative to rendering care to injured workers during the emergency was drafted and released.

BWC implemented emergency policies which expanded the use of telemedicine. Multiple telehealth policy alerts were released which:

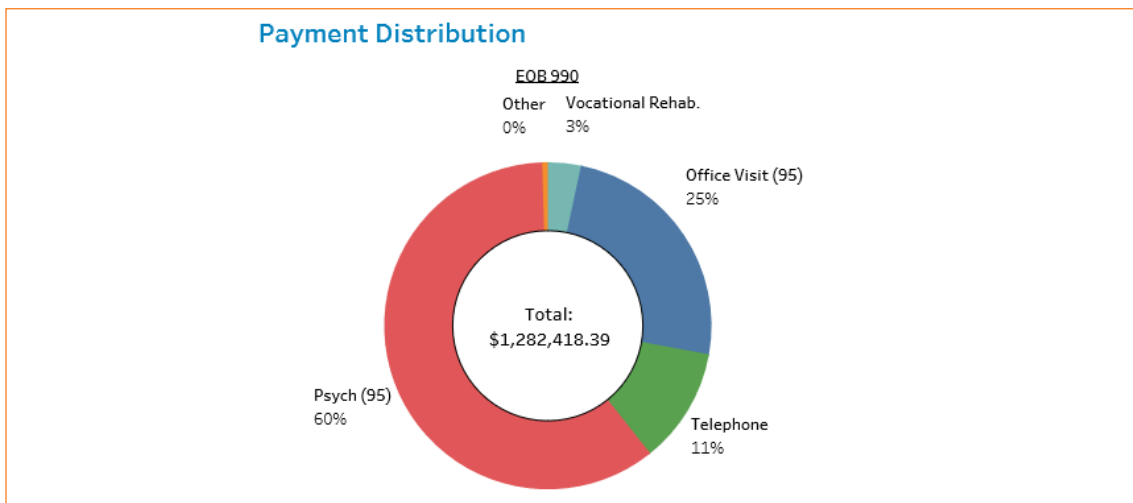
1. Relaxed current BWC policy requirements restricting where telemedicine could be performed, along with associated HIPPA compliant and minimum technology standards.
2. Expanded the application of phone calls in lieu of face-to-face visits when the injured worker or provider would be at a higher risk for unnecessary exposure.
3. Permitted several vocational rehabilitation services to be performed by phone.
4. Expanded the type of providers eligible to make check in calls with injured workers.

The pharmacy program initiated temporary changes to allow injured workers to fill prescriptions early or for an extended day supply up to 60 days. The added flexibility allows injured workers to be prepared in the event they would during this time need to be quarantined or their prescribers becomes unavailable. Injured workers, injured workers’ representatives, or prescribers can under this policy change, initiate a request with BWC pharmacy staff or the pharmacy benefits manager.

BWC created medical dashboards to track COVID-19 related medical reimbursement using business intelligence tools. This allows us to identify key utilization trends related to the policy alerts issued during the state of emergency and communicate areas of needed improvement to the MCOs based on paid services and EOB tracking. As an example, BWC identified a 31% decrease in face to face services in FY20 due to the allowance of telemedicine services rendered to injured workers.

Services rendered during COVID and provided under the policy expansions are identified by the EOB 990 and the distribution is below:

COVID EOB Tracking					
Cumulative Total					
Updated as of 9/14/2020 12:04:24 PM					
EOB	Description	CountD Claims	CountD Invoice	UOS	Paid Amt
EOB 990	SERVICES RENDERED AND PAID UNDER EXPANDED TELEHEALTH GUIDELINES DURING COVID-19 STATE OF EMERGENCY	6,630	14,189	19,635	\$1,282,418.39



Pharmacy Program

The BWC Pharmacy Program consists of a team of 12 nurses, technicians, pharmacists, and other support staff. The pharmacy program is responsible for processing requests for medications from prescribers, reviewing opioid claims for prescriber compliance with BWC rules and requirements, and operating a help desk to aid customers with pharmacy-related issues. The pharmacy program also maintains the outpatient formulary and manages the pharmacy benefits manager (PBM), rebate aggregator, and pricing consultant.

The pharmacy program director is also responsible for chairing a Pharmacy & Therapeutics (P&T) Committee which consists of a diverse group prescribers and pharmacists. The P&T Committee, established by OAC 4123-6-21.2, was created to advise BWC with regard to issues involving medication therapy for injured workers. A request for nominations was issued in February 2020 to fill four vacant positions on the committee, and new members will join the P & T Committee at the October 7, 2020 meeting.

Throughout FY20 changes were made to the pharmacy benefit that will improve safety and lower costs while maintaining access to appropriate and necessary medications. As of January 1, 2020, BWC no longer reimburses for Oxycontin® or its generic formulations. This reflects a formulary change that removed the medication and required all injured workers taking the medication to switch to an alternative by the new year. Another formulary medication, Lyrica® (pregabalin), was released as a generic in July 2019. Pregabalin is an anticonvulsant medication indicated to treat certain types of neuropathic pain. The release of an inexpensive generic formulation brought significant savings to BWC.

The current PBM, Change Healthcare, began adjudicating pharmacy bills for BWC on October 28, 2018. The administrative-payment structure for our PBM is \$15.85 per injured worker per month. This means that BWC pays the PBM the same amount per month for an injured worker filling medication regardless of the number of prescriptions filled. This payment structure prevents incentive to fill a higher number of prescriptions in order to achieve a higher administrative payment. The PBM contract is fully transparent, and requires all money paid to the PBM for medication must be paid to the pharmacy provider.

EnvisionRx is responsible for aggregating rebates on behalf of BWC for all eligible pharmacy claims. During FY20, a total of \$3.1M in pharmacy rebates was collected and submitted to BWC. Under the current contract, EnvisionRx earns an administrative fee of 5% of the total rebate amount collected. BWC also maintains a current contract with HealthPlan Data Solutions to provide reporting related to drug pricing. The reporting allows BWC to ensure fair pharmacy reimbursement rates and monitor performance of the PBM.

The pharmacy department and managed care organizations (MCO) conduct drug utilization reviews (DUR) to ensure medications are appropriate and necessary for the injury, as well as cost appropriate. During a DUR, an independent physician reviews the claim and medications against these criteria to determine if the medication should be approved or denied. During FY20, MCOs requested 779 DURs while the pharmacy department requested an additional 459 DURs based on prior authorization requests.

Through effective medication-management activities and medication pricing, BWC achieved significant reductions in pharmacy spend. Prescription reimbursement totaled \$43.7M during FY20, a decrease of \$18.9M when compared to FY19. The reduction in spend was multifactorial; fewer injured workers who filled a prescription, fewer prescriptions filled, smaller prescription quantities, increased utilization of generic drugs, and more efficient pricing on generic drugs and the maximum allowable cost list all contributed to reduced costs.

The pharmacy department is actively reviewing BWC providers that prescribe opioids to ensure they are in compliance with OAC 4123-6-21.7. This rule outlines documentation requirements for reimbursement of opioids in the subacute and chronic phases of pain. If prescribers are not compliant with the documentation requirements, they are sent a series of letters requesting the missing documentation. After multiple requests, if BWC does not receive the documentation, payment for opioids prescribed by that provider will no longer be reimbursed. The purpose of this rule is to ensure BWC only reimburses for opioid medication when best practices are followed. This keeps the safety and health of our injured workers a top priority. Reviews are performed by industrial rehabilitation nurses within the pharmacy department, and issues of non-compliance may be reviewed by the Pharmacy Director and Chief Medical Officer. The total number of opioid prescriptions BWC reimbursed during FY20 decreased by 13% compared to FY19.

An important program offered to injured workers is the First Fill program. This program allows an injured worker to fill a prescription prior to the initial claim determination. Offering this program allows newly injured workers to receive medication to treat their acute condition instead of paying out-of-pocket and waiting for the claim determination. Medications covered are included on the First Fill Formulary listed in the Appendix to OAC 4123-6-21.6.

The mission of our pharmacy program is to ensure safe and appropriate medication utilization. Formulary management, drug utilization review, our opioid rule, First Fill, outreach, and education all align with this mission. We will continue to improve services offered by our program to provide the best possible care for injured workers.

Managed-Care Processes

During FY20, BWC approved the merger of two MCOs. This brought the number of MCOs under contract with BWC to 11. Throughout any merger process, BWC gives the employers assigned to the non-surviving MCO the option to select a different MCO. This ensures employers maintain their right to select an MCO of their own choice. The surviving MCO inherits the performance of the non-surviving MCO. This also ensures all claims remain actively managed, regardless of whether the claim originated with the surviving MCO or not. The current contractual term covers January 1, 2018, through December 31, 2020.

MCO Report Card

Each year, BWC prepares an MCO Report Card which provides objective data to employers when making a selection of an MCO. In April 2020, BWC finalized the 2020 MCO Report Card and made it publicly available through its website. The 2020 MCO Report contains information that would assist an employer in determining which MCO may best suit the employer's particular line of business and reports on key metrics used by BWC to measure MCO performance. Key performance indicators, such as Return-to-Work services, effectiveness of utilization management, and timeliness and accuracy of First Reports of Injury and medical bills were included in the 2020 MCO Report Card, as were indicators of the MCOs' size and book of business. BWC also conducted an employer satisfaction survey and included the results on the 2020 MCO Report Card. BWC continues to explore ways to improve the MCO Report Card and make the tool valuable for employers in assessing the MCOs.

MCO quarterly training

Under the terms of the BWC-MCO contract, professional, clinical and decision-making MCO staff are required to complete up to ten hours of BWC mandated training during a calendar year. This mandate is in place to ensure that MCO staff are up-to-date with changes in BWC rules or policies and to ensure that MCO staff understand their roles in the Health Partnership Program.

During FY20, BWC conducted training for MCO staff and mandated attendance based on the topics covered. In 3rd Quarter 2020, BWC conducted training on the enrollment and certification of providers, application of the Miller criteria to treatment requests, and handling requests for payment above BWC's fee schedule amount. This presentation was designed to ensure that MCOs follow the requirements for authorizing treatment from properly enrolled and certified providers and that they apply the legal requirements to treatment authorizations by ensuring that only treatments that are related to the injury, reasonably necessary for the treatment of the workplace injury, and are cost effective are approved.

During 4th Quarter 2019, BWC mandated training for all clinical and billing staff at the MCOs on the newly adopted rules on the treatment of concussion injuries. The training, offered in conjunction with BWC's Chief Medical Officer, provided insights into the signs and symptoms of concussion injuries and covered the new rules relating to the approval of treatments when a concussion has not yet been allowed in a claim.

In 1st Quarter 2020, BWC mandated training for all MCO billing staff on the fundamentals of medical billing and adjustments. This training focused on common issues when processing adjustments and provided the MCO billing staff members with specific steps that can be taken to reduce the rejection of adjustment requests.

Finally, in 2nd Quarter 2020, BWC partnered with the Mental Health and Addiction Services Agency to offer a unique training on Trauma Informed Care. This training, which was mandated for all clinical staff at the MCOs, was offered over the course of two 1 ½ hour sessions and delved into the impact of past trauma on both injured workers and on those who work with trauma victims. Nearly 200 individuals participated in the training event.

MCO 2020 open enrollment

Due to the impact of COVID-19 on Ohio's business community, action was taken to allow the Administrator the authority to postpone the 2020 MCO open enrollment period. In order to facilitate the Administrator's authority, rule 4123-6-05.2 HPP employer enrollment and selection of MCO was modified. Under the rule, BWC is required to once every two years, establish an open enrollment period where an employer may change its MCO. The last executed open enrollment period occurred in 2018. Thus, in compliance with the rule's requirements, BWC established a 2020 open enrollment period slated to run from April 27–May 22. Given the COVID-19 emergency and the need to not execute the 2020 open enrollment, BWC modified the rule to provide the BWC Administrator the authority to waive the open enrollment period. The language added to Paragraph G of the rule states: "[t]he administrator may waive the open enrollment period during a state of emergency or disaster declared by the governor of Ohio or the president of the United States." This language was adopted by emergency order of Governor Mike DeWine. The official enrollment period, scheduled for April 27–May 22, will now occur May 3–May 28, 2021.

Medical providers

Education, outreach, and communication

Medical and Health Symposium

As a precaution to mitigate the spread of the coronavirus (COVID-19) on March 13, 2020, the tough decision was made to cancel the 2020 Medical & Health Symposium scheduled for May 1st–2nd with a pre-conference vocational rehabilitation workshop on April 30th. Once this decision was made, the team began planning the messaging and documenting financial implications. By Tuesday, March 17th, all speakers, registrants, the Greater Columbus Convention Center, vendors, exhibitors, and stakeholders were notified via email. The BWC web was updated along with the Symposium's registration site with a message regarding the cancellation. When registration was closed, there were 490 attendees, which was ahead of the 2019 Medical & Health Symposium's registration.

Although the symposium was cancelled and attendees could not visit exhibitors in-person, a Medical & Health Symposium Exhibitor Guide was designed and sent to all 2019 attendees and 2020 registrants. The guide listed each exhibitor and their contact information. Exhibitors are an important component of our event, and for 2020 they represented rehabilitation hospitals, health management, drug disposal systems, as well as managed care, physical therapy, and more. We look forward to virtual exhibitor booths at the 2021 Medical & Health Symposium

A virtual 2021 Medical & Health Symposium is scheduled for April 8 - 10, 2021, where we are anticipating record-breaking attendance. The event is planned to be the first ever all virtual medical symposium for BWC. This virtual only format should not only attract additional attendees but will allow attendees to view from the comfort and safety of their own location, while acquiring continuing education credits and learning about important workers' compensation and medical topics.

Newsletters and webinars

BWC communicates regularly with our providers, professional associations, and other interested parties. We continue to release a monthly Provider electronic newsletter, our *Provider eNews*, to updates and information with our medical and vocational community. We want to keep them abreast of important information related to our policies, processes and rules. Each month's newsletter is posted, along with over a year of past editions which are available on our website. After COVID-19, BWC began sending the provider newsletter to all certified providers, with over 20,000 providers being emailed currently.

In addition, BWC continues to communicate regularly with our provider community through regularly scheduled webinars and meetings. In FY2020, BWC's medical division teams conducted eleven provider webinars sharing topic specific information around policy, billing and other updates. The webinars offer a thorough topic dive to better assist customers to understand changes and new mandates within our environment. They are available on demand in our provider section of our website.

Provided webinars included:

- Highlights of the Second quarter Billing and Reimbursement Manual updates.
- Streamlining Vocational Rehabilitation Participation.
- Medication Approval: When your prescription needs prior authorization.
- Causal Relationship – What a provider needs to know.
- Concussion Care.
- Drug Disposal Bags.
- Highlights: 2020 Hospital Inpatient and Professional Provider Fee Schedules.
- Enhanced Care Program.
- Protocols for Coding Tear and Rupture Injuries in BWC's system.
- Provider Billing Instructions (BRM-26 Webinar).
- Bill Timeliness (BRM-27 Webinar).
- In partnership with the Ohio Hospital Association, Best Practices for providing and billing services to Ohio's injured workers, and upcoming outpatient hospital reimbursement changes.

Provider call center support

BWC has a dedicated branch and option of the toll-free customer contact line to our medical provider community. This department houses four analysts to review inquiries specifically from providers and provide resolution. Many contacts are regarding unresolved billing, policy clarification, or other specific provider related issues. In FY20, the contact center received:

- 16,847 calls.
- 540 website customer chats.
- 200 website-generated emails.
- 307 email inquiries from the separate, public email box.

Since teleworking started in mid-March, and during the transition of many medical offices closing and beginning their telehealth initiatives, BWC's provider contact center began a project to share with providers their online profiles to achieve three goals: first, assure that BWC had a correct email address for provider contact; second, to show providers what the public can see when they are looking for a certified provider; and lastly, to allow providers to send requests for information changes when needed. Over 2,000 emails with provider look-up information were sent from March through the end of the fiscal year, achieving the intended goals. This effort continues.

Network volume and updates

A continued focus of BWC is to support HPP's goal of having and maintaining a strong, effective network of certified providers. BWC's system reflects providers in two ways — certified providers and enrolled providers. Enrolled providers have not taken steps to become BWC-certified or are ineligible types for certification. Certified providers are those eligible to render ongoing medical services or supplies. They have completed the BWC provider application process and have a signed agreement on file, whereby they agree to abide by the Ohio workers' compensation fees, laws, and policies. There are 65,527 certified providers and 43,388 enrolled providers captured in the BWC system for FY20.

In FY20, BWC's provider relations business unit managed the following enrollment / certification provider activities:

■ New provider enrollments:	2,950
■ Re-certified providers:	6,014
■ Providers whose certification lapsed and BWC did not re-certify:	2,651
■ Annual number of providers enrolled and certified in FY19:	9,636

To further promote our goal of excellent customer service, the provider enrollment and credential review areas did not lapse providers during the early months of the COVID-19 pandemic as our offices and many medical providers abruptly closed sending employees' home to work. The personal protection of everyone in the labor force and helping those who fell ill became the priority for us all. Because many providers began care via telehealth methods and mail processes were unable to run as normal, we determined to hold all providers from lapsing certification beginning in mid-March, affecting over 2,300 providers. Instead, we reached out by phone to remind providers who had billed us in the prior year to recertify prior to the determination to reinstate our normal certification lapsing processing.

Over a year ago, we began a multi-year, multi-step plan for modernizing our provider system. The seven-phase approach set goals to enhance the 11-year-old database, beginning with the immediately needed system user updates. This year there have been 21 scheduled system upgrades including eight sections of the network information enhanced this fiscal year. Work has started towards our first online release for enrollment processing.

This will be a phased in approach beginning in FY20. Substantial work is underway to update interfaces linking our providers between internal systems and retirement of the legacy provider numbering system to better secure provider information. Data conversions and file layouts were changed to make way for this new number providers may use in the coming months. This will be further finalized in the coming year. We also updated our website provider information to share provider data now sharing foreign languages, updated board specialty information, and secondary locations of practice.

Ultimately, these improvements will result in an online option for providers to apply for enrollment and certification, as well as other possible BWC specific program options available to providers.

Medical and Vocational Services Administration Support

Catastrophic claims

Sixty-six new catastrophic injuries occurred during FY 2020 in the state-funded population managed by MCOs. This statistic does not include catastrophic injuries that resulted in the death of the injured worker within the first five days following the injury. Catastrophic injuries happen suddenly and have life-changing impacts and long-term consequences for the injured worker and their family. Catastrophic injuries include complex brain and spinal cord injuries, major extremity amputations, severe burns, crush injuries, and multiple trauma injuries. The chart below shows the types of catastrophic injuries that occurred during FY 2020.

Type of injury	Number of claims	Percent of total claims
Traumatic brain injuries (moderate and severe)	22	33%
Spinal cord injuries (quadriplegia, paraplegia)	9	14%
Amputations, major extremity	15	23%
Severe burns	0	0%
Multiple trauma (multiple fractures, crush injuries, gunshot injuries, COVID claims, etc.)	20	30%

Nurse case management involvement is essential in catastrophic claims management. The HPP places emphasis on a consistent, cooperative approach by MCOs and BWC. The MCOs have a designated core group of catastrophic nurse case managers that are knowledgeable of the critical care needs and services required for catastrophically injured workers.

There were several injured workers that tested positive for COVID-19 that met catastrophic claim criteria. The MCOs managed three such injured workers during FY2020 who were hospitalized and on ventilators long term. Sadly, one of the three cases passed away from COVID-19.

Vocational rehabilitation

The Vocational Rehabilitation program seeks to provide an individualized, face-to-face, return-to-work (RTW) program to assist injured employees who, without specialized vocational rehabilitation services beyond standard medical treatment, would be unlikely to return to work or stay at work in a timely, safe, and productive manner.

Vocational rehabilitation programs first seek to have the worker return to the same job whenever possible; if not possible, then a different job with the employer of record. If the employment relationship is severed, the goal is to attempt to assist the worker to return to the same line of work with another employer, or finally to different work with a different employer. The goal is to restore the injured worker's suitable employment for comparable paying work.

During CY 2019, there were 3,511 referrals for vocational rehabilitation initiated in 3,091 claims. Of those referrals, 986, or 28%, initiated a comprehensive, vocational rehabilitation plan or a job retention plan. For vocational rehabilitation plans completed in CY 2019, the average cost of services was \$9,432 per plan.

Table 1 shows the outcome of comprehensive and job retention plans between CY 2015 and 2019. During the period, successful outcomes increased steadily for the first four years and decreased significantly in the last year.

Table 1: Outcome of vocational rehabilitation plans completed by calendar year.

Outcome of Plans	CY 2015		CY 2016		CY 2017		CY 2018		CY 2019	
	Plan Volume	Percent	Plan Volume	Percent	Plan Volume	Percent	Plan Volume	Percent	Plan Volume	Percent
*Successful	989	52.2%	828	53.8%	827	60.9%	742	62.6%	620	57.6%
Unsuccessful	869	47.8%	711	46.2%	530	39.1%	443	37.4%	457	42.4%
Total	1,858	100%	1,539	100%	1357	100%	1,184	100%	1,077	100%

* Successful – person returned to work and remained at least 30 days to a job within the job goal or job family of the job retention or comprehensive plan

During the past several years, we had a decrease in the rate of referral of potentially eligible claims that were referred for vocational rehabilitation (VR) services. In 2015, we averaged a 2% rate of referral, and as seen in Table 2, that rate dropped to 1.4% in CY 2017 and 2018 with slight increase to 1.5% in CY 2019.

Table 2: Eligible claims referral for vocational rehabilitation: 2015-2019

VR Referral Summary	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Claims Potentially Eligible for VR	221,379	227,732	233,087	219,080	200,445
¹ Claims Actually Referred for VR	4,519	4,091	3,316	3,174	3,091
% Eligible Claims Referred for VR	2.0%	1.8%	1.4%	1.4%	1.5%

¹ Potentially eligible indicates the claim was allowed, active, had 8 or more days of lost time, was not settled, and the injured worker was alive for some part of the year.

During FY 2020, the Rehabilitation Policy Unit initiated changes to the process for reviewing and approving vocational rehabilitation plans originally recommended by a joint BWC-MCO workgroup from FY 2015. The change simplifies the process for submission of vocational rehabilitation plans, shifts the responsibility for plan development more directly on the vocational rehabilitation case manager, and requires the MCO vocational rehabilitation coordinator to review a plan or service prior to denial to increase effectiveness of plans.

Interagency cooperation

Since 2015, BWC has maintained a data-sharing agreement with Ohio Department of Jobs and Family Services (ODJFS) and OhioMeansJobs.com (OMJ). The most recent two-year renewal was effective Oct. 1, 2019. Monthly, the agencies share data regarding injured workers' utilization of OMJ resources while they are actively seeking employment through BWC's vocational rehabilitation program. BWC and ODJFS continue to seek ways to improve this partnership. By leveraging the free resources available on OMJ, injured workers are better prepared to return to work and return to life.

Beginning in FY 2020, InnovateOhio, the Governor's Office of Workforce Transformation, and ODJFS, initiated a project with g2o to redesign, align, and onboard the OMJ website and content to the InnovateOhio Platform. The goal of this project is to provide employers and job seekers with an improved ability to use this state resource, and to create a site that is better able to support ongoing improvements and new requirements identified.

Rehabilitation Policy Unit has collaborated as an agency stakeholder in this redesign process to offer input on injured worker utilization of OhioMeansJobs.com resources, and document specific goals and aspirations for future site content and design focused on improving return to work outcomes. Rehabilitation Policy Unit will continue to support efforts of ODJFS to launch the OMJ website redesign in Aug. 2021.

Transitional Work Grant and Bonus Programs

The BWC Transitional Work Grant and Bonus programs are a key initiative an employer can utilize to return injured employees back to return. Employers work with a transitional work developer to create customized policies and procedures specific to their companies' operations. Employers received job analyses performed in the job classification they select, along with training on how to identify appropriate transitional work tasks for which employees can perform based on their medical restrictions.

This year changes to the to OAC 4113-17-55 Transitional Work Development Grant and Performance Bonus are underway. Presently an employer is eligible for no more than one transitional work program development grant per policy number and employers who previously received a grant from the bureau for development of a transitional work program is ineligible to receive a subsequent grant under this rule. The proposed change to the rule is to allow employers to be eligible for a transitional work program grant every five years and allow previous grant employers to receive a grant. This falls in line with the rapidly changing business environment due to advances in technologies and innovation which impacts the growth and operations of businesses.

A change in the reimbursement methodology of the transitional work grant will be implemented in last quarter of 2020. The Transitional Work Grant (TWG) reimburses employers 75% of the cost paid to a transitional work developer for covered services until the balance reaches \$200. This method was developed so employers have a 25% investment in their program. The initial TWG is reimbursed at 3:1 and the remaining grant funds is referred to as implementation fund monies. Employers may access unused implementation fund if the TWG program is available. The new policy will reimburse the employer the full invoiced amount up to the maximum grant amount based on employee size.

At 5 years any unspent grant funds by the employer will be returned to the TWG budget and the employer will be eligible to apply for a new TWG. This will eliminate the accumulation of implementation funds being held indefinitely or until the TWG ends.

Table 3: Transitional work grant activity: 2015-2020

Fiscal Year	Number of TW Grants Paid	Percentage Change
2015	49	-
2016	76	55.10%
2017	50	-34.21%
2018	50	-
2019	28	-44.00%
2020	29	3.57%

The transitional developer reaccreditation class that must be attended by a transitional work developer in two-year intervals to maintain their accreditation is a one-hour webinar that allows providers to attend from their offices, minimizing disruption to their working schedules. Three WebEx developer reaccreditation webinars are being held in 2020.

Table 4: Number of BWC-accredited developers by licensure type: 2015-2020

Developer Certification type counts by year						
	2015	2016	2017	2018	2019	2020
Physical Therapist	17	14	14	13	18	17
Occupational Therapist	12	13	13	10	13	13
Case Managers	43	33	31	30	29	39
Total	72	60	58	53	60	69

Transitional Work Bonus Program

Employers may be eligible to participate in several incentive programs that can help employers improve workplace safety, enhance injured worker care and save money on workers' compensation costs. One of the programs is the Transitional Work Bonus Program (TWBP) that provides up to a 10% bonus for using an established transitional work plan for employee return to work. It is a year-long program in which BWC evaluates all the claims containing injury dates that occur during the program period in which the employer participates. Employers must be willing to accommodate the injured worker's restrictions with appropriate transitional work tasks when released to return to work by his or her physician before returning to full duty.

BWC calculates an employer's performance bonus based upon the percentage of claims eligible and successful in transitional work. BWC multiplies the percentage by a percentage of the employer's pure premium. Table 10 is a summary of the financial successes' employers participating in the TWBP realized since the program began in January 2015.

Table 5

Bonus period	Employers with eligible claims	Employers receiving a TW Bonus	Bonus amount paid in the period	Largest bonus paid to employer	Employers receiving over \$5,000	Employers receiving 10%
January 2015 PEC (PA moved to July 2015)	259	195	\$801,550.65	\$47,076.09	80	99
July 2015 PA	587	490	\$4,043,306.00	\$101,703.00	268	405
January 2016 PEC	113	98	\$1,744,212.00	\$521,554.00	76	84
July 2016 PA	585	434	\$3,981,098.00	\$89,897.00	251	329
January 2017 PEC	114	94	\$1,283,890.00	\$413,759.00	60	61
July 2017(PA)	655	385	\$3,493,565.00	\$86,266.00	220	271
January 2018 (PEC)	144	124	\$3,311,150.00	\$1,992,634.00	84	95
July 2018 (PA)	450	305	\$3,943,537.00	\$203,459.00	248	246
January 2019 (PEC)	87	80	\$2,691,672.00	\$1,755,785.00	66	76
Total			\$41,188,912.40			

Alternative Dispute Resolution Processing

Alternative Dispute Resolution (ADR) is a means of resolving disputes over medical treatment issues that arise between the MCO, BWC, employer, injured worker, and/or provider. These issues arise from the MCO's decision regarding a medical treatment reimbursement request. BWC's ADR department oversees the medical treatment disputes process from appeal of the Request for Medical Service Reimbursement or Recommended for Additional Conditions for Industrial Injury or Occupational Disease (C-9), to the Ohio Industrial Commission's (IC) hearing.

Table 6 illustrates the number of ADR orders issued per year since 2015. A single BWC order may contain multiple appealed issues. BWC must obtain an independent level of medical review, which consists of either a file review or an independent medical examination (IME). The chart also demonstrates the number of appeals processed in relation to the number of IMEs scheduled. BWC's Disability Evaluator Panel network contains a list of medical physicians who perform ADR examinations on an injured worker when medical treatment is in dispute. These examining physicians are reimbursed at a higher rate due to ADR's specific guidelines to more efficiently and timely process a BWC ADR order.

An examination appointment must be available within seven calendar days of the request, and the report must be faxed to the MCO within five calendar days of the examination.

Table 6: Number ADR Orders: 2015-2020

Alternative Dispute Resolution			
Calendar Year	ADR Orders	IMEs scheduled	IMEs as a percentage of ADRs
2015	24,212	3,631	15.00%
2016	26,833	3,727	13.89%
2017	23,123	3,629	15.69%
2018	22,357	3,856	17.25%
2019	21,626	3,891	17.99%
2020*	11,570	1,278	11.05%

* 2020 numbers are as of 8/31/2020.

The COVID-19 pandemic impacted the number of appeals and the number of attended IME's scheduled from the effective date of Ohio's "Stay at Home" order on March 23, 2020 to this report date, August 31, 2020. There is a decrease of injured workers seeking care and treatment and therefore a decrease in Medical Treatment and Reimbursement Requests (C9) being submitted and appealed. Injured workers were reluctant to go to physician examiner's offices for in-person exams. Many physicians discontinued examinations during the "Stay at Home" order. Telemedicine services were not an option for ADR examinations.

Compliance Auditing

The Compliance & Performance Monitoring (CPM) Department conducts routine and non-routine auditing of the managed care organizations (MCO), pharmacy benefits manager (PBM), and pharmacy rebate aggregator. Audit selection is based upon a process risk assessment and specific requests from management. While the majority of the compliance testing is completed in-house through the review of available on-line documentation and system data, on-site testing is performed at each MCO and PBM annually (calendar year), where source documents and systems can be examined and discussed with key staff. As a result of the pandemic, in CY 20 CPM is conducting all the audit testing remotely for each MCO and the PBM in place of the standard on-site audit.

MCO Audits

CPM meets monthly with BWC's senior management team charged with managing MCO activities; and quarterly with senior management from the claims team, and the special investigations health care team. In addition to CPM standard testing for FY20, CPM was able to incorporate selected requests from the various business and management teams into the annual audit plan, including testing for:

- MCOs accuracy in submitting claim type as medical only or lost time.
- Appropriate billing for ambulance services.
- Assurances that an MCO's business processes were functioning properly following a system security incident.
- Documentation supporting adherence to contractual requirements when submitting employers MCO selections to BWC.

Other MCO audits performed during the year included, but were not limited to, ensuring:

- Monies provided by BWC for payment of medical bills and bill adjustments were timely and accurately paid, and the account reconciled for all twelve MCOs. Additionally, CPM completed the closing provider account audit for an MCO that merged into another MCO.
- MCOs properly considered the Miller criteria when evaluating approval for medical treatments requested.
- Outcome payments for vocational rehabilitation providers were appropriate for payment and accurately calculated.
- Interest charges resulting from delayed bill processing by an MCO were recouped from the MCO and reimbursed back to BWC.

Overall, the audit results support that HPP is functioning effectively in accordance with the policies and procedures of the program.

Substance Use Recovery and Workplace Safety Program (SURWSP)

Since 2019, CPM has participated on the multidisciplinary review team for the SURWSP. The program funded by BWC, and administered through county ADAMH boards, provides financial assistance to employers for specific expenses related to hiring or retaining an employee in the workplace who is recovering from an addiction. CPM performed on-site audits to validate that each ADAMH board has adequate policies and procedures in place to ensure the appropriate use and accurate accounting of the funds expended in this program. Although some procedures were not consistent with the policy guidelines, it was determined that the funds were used as intended.

Medical Bill Processing: Adjustment and Subrogation

While during the last quarter of FY20 there was a state of emergency due to COVID19, the Medical Billing & Adjustments (MB&A) unit had to adjust business protocols to meet customer needs. The unit processed just under 60,000 BWC direct pay bills reimbursing nearly \$15.5 million to providers for goods and services, avoiding any delay in income to those providers. This unit also processed 41,000 MCO adjustments with a daily lag averaging 1.9 days, which supersedes the departments goal of a 3-day lag or processing period. Adjustments activities not only reflect additional payments to providers, but also recovery of overpayments to providers, which resulted in the recapture of close to \$87,000 in funds owed to the workers' compensation system.

During this fiscal year, MB&A also effectively expanded subrogation responsibilities. The 2017 Legislation addressing firefighters' cancer/occupational disease claims, has resulted in a number of subrogation claims against the workers' compensation system. MB&A began receiving and processing subrogation requests from employers and other payers who had paid the medical and pharmacy expenses on what are now deemed as valid workers' compensation claims. MB&A reimbursed nearly \$130,000 in medical and prescription drugs on behalf of claims related to those subrogation requests.

While we still look forward to the implementation of automating manual adjustments during FY21-22, MB&A has worked with most MCOs in the efforts to begin submitting claim notes with payment instruction to BWC via the 837 EDI transaction. Those MCOs that actively do these submissions daily reap great benefit. Transferring payment instruction directly into an invoice in the EDI transaction eliminates a hold period and allows MCOs to see a faster turnaround in processing certain bill requests, which too, has afforded a more streamlined process for MB&A.

Selected HPP Measurements

All dollar amounts are shown in \$1,000s. The figures below are limited to the HPP.

The table below reflects a historical trend of selected HPP performance data by Ohio fiscal year. Data for certain measurement variables can be different based on the impact of new information received before or subsequent to the compiling of the data for this report.

Table 7 Selected HPP Measurements

Measurement	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*
Active employers (1)	225,466	225,513	219,840	219,092	221,392	217,887
Active claims (2)	294,326	288,379	262,781	250,211	243,276	233,654
FROI timing (3)	15.18	15.63	16.07	16.55	15.77	16.95
% of FROIs filed within seven days of date of injury (4)	75.17%	74.38%	74.43%	72.29%	72.41%	71.58%
% of claims determined within 14 days of filing date (5)	55.02%	63.71%	71.12%	70.80%	68.41%	66.47%
Bill timing (6)	77.19	75.52	75.27	74.17	74.46	75.41
LDOS–MCO	62.86	61.59	61.43	60.28	60.32	61.49
MCO–BWC	5.82	5.47	5.32	5.36	5.60	5.59
BWC–MCO	7.21	7.15	7.21	7.20	7.21	7.15
MCO–Provider	1.31	1.31	1.31	1.33	1.33	1.18
Total regular medical payments (7)	593,827	559,396	529,619	504,170	468,074	411,137
Payments for file reviews and IMEs (8)	17,569	17,410	16,165	17,567	18,172	15,418
MCO fees (9)	170,688	169,229	170,797	170,755	170,883	168,764
Total medical payments, plus MCO fees	782,084	746,035	716,582	692,493	657,128	595,319
Total indemnity payments (10)	1,019,954	1,009,016	925,928	925,358	905,443	908,282
Grand total (11) Benefits paid (Total regular medical payments, plus MCO fees, plus total indemnity payments)	1,784,469	1,737,641	1,626,344	1,600,283	1,544,400	1,488,183

(1) Average number of employers in an active, reinstated or debtor in possession status assigned to an MCO during the time frames noted.

(2) Average number of active claims (claims with a payment or application submitted to us within a specified length of time) assigned to an MCO during the periods noted.

(3) Average time, in calendar days, from date of injury to date BWC received a FROI for all FROIs received during the time frames noted for claims assigned to an MCO.

(4) Percent of claims assigned to an MCO where BWC receipt of the FROI is within seven calendar days from the date of injury where BWC received the FROI during the periods noted.

(5) Percent of claims assigned to an MCO determined within 14 calendar days of the filing date where the determination was during the time frames indicated regardless of date of injury or filing date. BWC considers a claim determined when we place it in allow/appeal or disallow/appeal status.

During FY16, BWC expanded the list of diagnosis codes that are eligible for automatic claim adjudication. This contributed to the increased percent of claims determined within 14 days.

(6) Average time, in calendar days, between the last date of service being billed (LDOS) to a check being issued to the provider for bills processed by the MCOs. This does not include bills for prescription drugs processed through BWC's pharmacy benefits manager. It is further broken down into the component steps of the process:

- LDOS–MCO: LDOS to MCO receipt.
- MCO-BWC: MCO receipt (for review and payment determination) to BWC receipt.
- BWC-MCO: BWC receipt (for review and final payment determination) to date monies are deposited into the MCO's provider account.
- MCO-Provider: MCO receipt of the final payment information and monies to the MCO issuing the check to the provider.

BWC bases the MCO-Provider information on a desk audit of the MCOs' check issuance timing, which was last updated in CY2019.

(7) Payments for medical services made on claims assigned to an MCO during the time frames noted. Amounts include payments on claims associated with bankrupt self-insured claims assigned to the MCOs. It also includes payments for prescription drugs processed through BWC's pharmacy benefits manager. Regular denotes this category includes payments for physicians, hospitals, therapies, diagnostic testing, etc. It excludes payments made for file reviews and independent medical examinations (IMEs) requested to facilitate administrative decisions in the claim.

(8) Payments made during the time frames noted for file reviews and IMEs requested to facilitate administrative decisions in the claim.

(9) Payments issued to the MCOs during the time frames noted per the MCO Agreement for their services. BWC bases MCO contracts on calendar years. Fluctuations in the amounts paid to the MCOs between fiscal years are attributable to several factors, including:

- Changes in the overall amount available to the MCOs from year to year.
- Timing of different types of payments (administrative payments are monthly, outcome payments are quarterly, and exceptional performance payments are annually).

(10) Payments for salary compensation made on claims assigned to an MCO during the time frames noted. This includes payments for temporary total, living maintenance, wage loss, lump sum settlements, etc. Amounts include payments on claims associated with bankrupt self-insured claims assigned to the MCOs.

(11) Excludes payments for file reviews and IMEs as these are not benefits paid to or on behalf of an injured worker but are conducted to facilitate administrative decisions in the claim.

* FY 2020 numbers are affected by COVID-19 shutdowns starting mid-March 2020. This could affect all the categories in different ways, for example lower than expected number of claims, higher than average processing times, or lower IME/File Review costs due to scheduling delays.



2020 Report
Division of Safety & Hygiene

Division of Safety & Hygiene Financials

BWC's Division of Safety & Hygiene (DSH) operating budget appropriation for Fiscal Year 2020 (FY20) was \$24,079,350. In addition, BWC was appropriated:

- \$6 million for the Better You, Better Ohio!® (BYBO!) health and wellness program.
- \$1.5 million for a safety awareness and education campaign.
- \$35 million for safety grants.
- \$2 million for the Ohio Occupational Safety and Health Research Program.
- \$5 million for the Substance Use Recovery and Workplace Safety Program (SURWSP).
- \$100,000 for the Center of Excellence.

Additional funding came from:

- Two federal Bureau of Labor Statistics (BLS) grants amounting to \$195,104 for the Survey of Occupational Injuries and Illnesses (SOII) and the Census of Fatal Occupational Injuries (CFOI).
- A federal National Institute for Occupational Safety and Health (NIOSH) grant amounting to \$24,995 for research studying injury trends using workers' compensation data.
- A federal Occupational Safety and Health Administration (OSHA) grant amounting to \$1,676,000 for the OSHA On-Site Consultation Program.

The total premium assessment for DSH for FY20 was approximately \$11.7 million. Table A describes FY20 premium assessments according to employer type.

Table A: FY20 DSH premium assessments

Employer type	Assessments (\$)
Private	\$8,521,963
Public taxing districts	\$1,677,049
Public state	\$528,692
Self-insured	\$1,018,741
Total assessments	\$11,746,445

As of June 30, 2020, DSH's operational disbursements and open encumbrances for safety services and programs amounted to about \$22.7 million. Safety grants disbursements and open encumbrances amounted to approximately \$35 million. Disbursements and open encumbrances for the BYBO! Program, safety campaign, SURWSP, and research grants to Ohio higher educational institutions amounted to about \$7.5 million. Disbursements and open encumbrances for the BLS, OSHA On-Site and NIOSH federal grants amounted to about \$1.6 million. DSH safety services, programs, grants, and initiatives include:

- Education and training services in 16 statewide locations.
- Eighty-four safety councils across Ohio.
- Ohio Safety Congress & Expo (OSC).
- Safety grants.
- OSHA On-Site Consultation Program.
- Public Employment Risk Reduction Program (PERRP).
- Field consulting services in occupational safety, industrial hygiene, and ergonomics.
- Specialized occupational safety and health, workers' compensation, and rehabilitation library services.
- BYBO! health and wellness program.
- Safety Leaders Fellowship Program.
- Ohio Occupational Safety and Health Research Program.
- BLS SOII.
- BLS CFOI.
- SURWSP.
- Safety campaign.

Table B provides general description of the DSH disbursements and open encumbrances as of June 30, 2020.

Table B: Division of Safety & Hygiene disbursements and open encumbrances.
(Disbursements in \$). Amounts are rounded to the nearest dollar.

Department	Safety admin	Field consultations	Outreach programs and services	Education and training services	Meetings & conventions (councils & congress)	Library	Quality Assurance & Tech Support	OSHA state-fund match (14%)	PERRP	Training over-head (extras)	BLS state-fund matches (50%)	Operating Totals	Voyager (Fuel)	BYBO!	Safety campaign	SURWSP	Safety grants	Re-search grants	NIOSH federal grant	BLS federal grants (50%)	OSHA federal grant (86%)	Totals including grants/initiatives
10-Payroll	\$1,539,743	\$11,563,352	\$643,583	\$633,997	\$489,830	\$312,604	\$1,054,074	\$270,697	\$1,033,080	\$0	\$149,801	\$17,690,762	\$0	\$0	\$0	\$0	\$0	\$0	\$15,977	\$149,806	\$1,272,935	\$19,129,481
10-Overtime	\$904	\$1,656	\$229	\$996	\$379	\$0	\$36	\$20	\$0	\$0	\$519	\$4,738	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$519	\$120	\$5,377
13-Purchased services	\$112,678	\$149	\$211,777	\$278,995	\$125,981	\$5,103	\$2,869	\$5,570	\$903	\$0	\$18,855	\$762,879	\$0	\$5,347,884	\$1,500,000	\$0	\$0	\$0	\$0	\$19,245	\$34,217	\$7,664,226
15-Other personal svcs	\$45,401	\$3,588	\$0	\$4,140	\$570	\$3,517	\$1,690	\$50	\$0	\$8,443	\$0	\$67,399	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$67,399
Total	\$1,698,727	\$11,568,745	\$855,589	\$918,127	\$616,760	\$321,224	\$1,058,669	\$276,337	\$1,033,983	\$8,443	\$169,175	\$18,525,779	\$0	\$5,347,884	\$1,500,000	\$0	\$0	\$0	\$15,977	\$169,570	\$1,307,273	\$26,866,483
20-Edible products	\$0	\$39	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$39	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$39
21-Supplies	\$51,095	\$17,541	\$756	\$31,663	\$4,540	\$66,979	\$197,175	\$630	\$8,480	\$0	\$421	\$379,280	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$31	\$3,867	\$383,178
22-Vehicle maintenance	\$3,939	\$51,543	\$0	\$173	\$944	\$0	\$4,094	\$1,097	\$5,606	\$0	\$0	\$67,396	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,176	\$73,572
23-Travel	\$16,741	\$18,947	\$57	\$4,376	\$20,338	\$1,894	\$19,960	\$1,400	\$7,176	\$0	\$0	\$90,891	\$0	\$0	\$0	\$0	\$0	\$0	\$162	\$0	\$12,253	\$103,306
24-Communications	\$11,840	\$41	\$0	\$1,160	\$18,142	\$5,000	\$4,442	\$342	\$7	\$0	\$0	\$40,973	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,098	\$43,072
24-IT Lic Commun	\$207,837	\$53,409	\$2,748	\$25,338	\$1,985	\$1,086	\$2,728	\$2,014	\$6,801	\$0	\$516	\$304,460	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$516	\$12,511	\$317,488
25-Fuel/Utilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26-Maint/Repairs	\$5,955	\$28,982	\$0	\$42,952	\$2,979	\$0	\$791	\$844	\$8,746	\$0	\$0	\$91,249	\$29,907	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,182	\$126,338
27-Rentals	\$637,070	\$0	\$0	\$20,188	\$183,107	\$0	\$1,081	\$0	\$0	\$0	\$0	\$841,446	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$841,446
27-ISTV/ Goods/ Svcs	\$237,729	\$3,427	\$13,477	\$80,032	\$13,100	\$2,956	\$1,681	\$139	\$2,666	\$0	\$1,720	\$356,928	\$0	\$1,248	\$0	\$0	\$0	\$0	\$0	\$1,720	\$857	\$360,752
28-Printing/Advertising	\$1,843	\$28	\$0	\$10	\$22,868	\$31,489	\$0	\$0	\$0	\$0	\$0	\$56,238	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$56,238
29-General other/ Subsidies	\$20	\$8,829	\$0	\$0	\$1,081,243	\$0	\$0	\$312	\$1,177	\$0	\$0	\$1,091,580	\$0	\$0	\$0	\$160,319	\$34,996,710	\$449,588	\$0	\$0	\$1,905	\$36,700,102
Total	\$1,174,069	\$182,786	\$17,038	\$205,892	\$1,349,245	\$109,404	\$231,951	\$6,778	\$40,659	\$0	\$2,657	\$3,320,480	\$29,907	\$1,248	\$0	\$160,319	\$34,996,710	\$449,588	\$162	\$2,267	\$44,851	\$39,005,530
30-Food handling	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
31-Office equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
32-Motor vehicles	\$371,698	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$371,698	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$371,698
34-Commun equip	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
35-Med/Lab/ Therapeut	\$0	\$0	\$0	\$0	\$0	\$0	\$471,954	\$843	\$0	\$0	\$0	\$472,797	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,178	\$477,975
36-Educatl/Recrftl	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
37-Data proc equip	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
38-Copy/Print equip	\$0	\$0	\$0	\$0	\$0	\$0	\$1,997	\$0	\$0	\$0	\$0	\$1,997	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,270	\$14,267
39-Other equip	\$0	\$0	\$0	\$2,186	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,186	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,186
Total	\$371,698	\$0	\$0	\$2,186	\$0	\$0	\$471,954	\$2,840	\$0	\$0	\$0	\$848,678	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,448	\$866,125
Grand total	\$3,244,494	\$11,751,530	\$872,627	\$1,126,205	\$1,966,005	\$430,628	\$1,762,574	\$285,955	\$1,074,642	\$8,443	\$171,832	\$22,694,936	\$29,907	\$5,349,132	\$1,500,000	\$160,319	\$34,996,710	\$449,588	\$16,139	\$171,837	\$1,369,571	\$66,738,138

BWC's Occupational Safety and Health Services

DSH provides a variety of occupational safety and health services to Ohio employers and employees. Primarily, DSH's services include safety education and training, safety councils, OSC, safety grant programs, BYBO!, loss prevention consulting services, PERRP, the OSHA On-Site Consultation Program, and library services. Table C provides general statistics about the number of employers who benefited from these services in FY20.

Table C: FY20 occupational safety and health services statistics by policy type

Service type	Private employers	Public employers	State agencies	Self-insured	Marine fund	Black lung	Undetermined	Total
Training and education	4,472	308	23	182	0	0	11	4,996
OSC	1,454	175	22	170	0	0	5	1,826
Safety council	6,545	953	6	396	0	1	0	7,901
Safety grants*	462	567	0	0	0	0	0	1,029
Video library	742	95	11	65	0	0	1	914
Specialized field operations consulting – includes in-person and virtual visits	4,357	878	26	201	3	0	4	5,469
OSHA On-Site	432	0	0	0	0	0	0	432
PERRP field consulting – includes in-person and virtual visits	11	197	14	13	0	0	1	236
BYBO!	1,848	410	0	0	0	0	0	2,258

* = 1,111 grants awarded to 1,029 employers. These totals do not include grants for the Ohio Law Enforcement Body Armor (OLEBA) Grant Program.

In FY20, the delivery of DSH services was impacted by the COVID-19 pandemic. Beginning in March 2020 through June 2020, DSH did not hold in-person training classes, safety council meetings, in-person safety consultations, or on-site BYBO! screening events. The in-person portion of OSC was also cancelled. Instead, DSH shifted its focus towards providing virtual services, including virtual safety consultations and a virtual OSC event. DSH will continue to expand its virtual offerings in FY21. Some of these expanded options include virtual training classes and virtual safety council meetings.

Education and training services

BWC's safety education and training services include classroom courses, web-based safety courses, and on-site training. BWC offers classes covering:

- Industrial and construction safety.
- Industrial hygiene.
- Ergonomics.
- Worker wellness.
- Safety training practices.
- Environmental, health, and safety risk management.

Course completions for classroom, web-based, and on-site training totaled 16,114 completions by 9,402 students, representing 4,996 employers. BWC offered 67 courses through 206 classes at 16 locations. These classes resulted in 4,214 completions by students representing 1,992 employers. Field staff conducted 45 additional on-site classes, resulting in 861 completions by students representing 168 employers. BWC's learning management system offered 26 online courses, resulting in 11,039 completions by students representing 3,358 employers.

Approximately 35% of all in-person classroom classes in FY20 were cancelled due to the COVID-19 pandemic. Instead DSH began offering weekly safety webinars in May to continue to keep employers engaged.

Safety Council Program

Through monthly meetings, the Ohio Safety Council Program provides a forum for approximately 8,000 Ohio employers for promoting:

- Occupational safety and health.
- Loss prevention.
- Workers' compensation cost control and management.
- Health and wellness.
- Networking.

BWC co-sponsors 84 safety councils throughout the state, organized through chambers of commerce, trade and manufacturing associations, safety education providers, and other local community organizations.

BWC provided \$1,081,000 in subsidies toward the direct costs of these councils. In addition, BWC paid \$8.45 million in premium rebates to employers who met the safety councils' enrollment, active participation, and performance requirements. The in-person meeting year was interrupted by the COVID-19 pandemic. Prior to the pandemic, 715 safety council meetings were held. Meetings in March through June 2020 were canceled, and a waiver was given to employers whose participation to that point in the year warranted a rebate. The recognition awards traditionally presented to employers for their efforts in injury and accident prevention were also impacted, although 4,000 recognition certificates were printed and sent to sponsors for distribution to recipients as circumstances in their community allowed.

Ohio Safety Congress & Expo

The 2020 OSC was the 90th in history for BWC. OSC is the largest free occupational safety and health conference in the U.S. The event was scheduled for March 11-13, 2020, with more than 8,000 individuals and 316 exhibitors expected to attend.

For the first time ever, OSC offered an online virtual attendance option to further increase reach of audience. Although the in-person event was cancelled due to the COVID-19 pandemic, the virtual event was offered as scheduled.

At the virtual event, 2,624 individuals from 1,826 employers attended, with an average of 1,105 participants in each of the ten online sessions. During the sessions, the chat box was active with an average of 1,146 chats per session and 42 questions per session. Participants eagerly shared information about themselves and forged new relationships as a result of the online experience. The OSC online event offered continuing education credit for professional certifications, as well as discount credit for BWC's programs. Participants were quick to praise BWC for offering the online education as an alternative after the cancellation of the in-person event.

Safety grant programs

The focus of BWC's safety grant programs is to enable employers to afford equipment and other interventions that reduce the risk of injury or illness to their employees. Another major goal is to gather information about best practices and the measurable effectiveness of workplace safety interventions, so we may share the results with Ohio employers.

The grant programs include the Safety Intervention Grant (SIG) Program, Firefighter Exposure to Environmental Elements Grant (FEEEG) Program, Employers Working with Persons with Developmental Disabilities (EWPDD) Grant Program, School Safety and Security Grant (SSSG) Program, Drug-Free Safety Program (DFSP) Grants, Workplace Wellness Grant Program (WWGP), and Trench Safety Grant (TSG). In FY20, BWC awarded 1,111 grants totaling \$23,770,405 to 1,029 employers.

Additionally, BWC collaborated with the office of the Ohio Attorney General to award \$2,089,409 in Ohio Law Enforcement Body Armor (OLEBA) Grant Program grants to 256 applicants.

Safety Intervention Grant Program

The SIG Program, now in its 21st year, provides financial assistance to employers to purchase equipment to make their workplaces safer. The program provides 3-to-1 matching funds, up to a maximum of \$40,000 per an employer's eligibility cycle. The total payroll report for the last full policy year determines the eligibility cycle for an employer. Employers can only use funds toward the purchase or improvement of equipment to significantly reduce or eliminate hazard exposure and thereby, the risk of injury. The program requires employers to evaluate their interventions and share their results with BWC.

In FY20, BWC awarded 345 SIG grants totaling \$8,637,208 to 339 employers. In comparison, BWC awarded 374 SIG grants totaling \$9,001,733 to 366 employers in FY19.

To establish industry best practices in occupational safety and health, employers receiving grant funds through the SIG program must provide one year-end case study and provide quarterly reports to document their experience with the equipment purchased through the grant. BWC uses the collected data to establish baseline best practices in safety, advance knowledge in occupational safety and health, and benefit other employers with similar hazards at their workplaces.

Last fiscal year, 295 safety grant recipients completed their one-year cost benefit analysis report. These companies reported \$4,436,480 in annual productivity savings, \$815,243 in annual claim cost savings and \$2,633,579 in other savings (quality, absenteeism, etc.). The return on investment on the cost of the interventions based on this reported information is 1.33 years.

Firefighter Exposure to Environmental Elements Grant Program

BWC implemented the FEEEG Program on July 1, 2017. BWC uses the FEEEG Program to partner with Ohio fire departments to minimize firefighters' exposures to hazardous environmental contaminants that may include carcinogens. The program is available to eligible Ohio fire departments that wish to purchase diesel exhaust systems, extractors/washing machines for turn-out gear, hoods with barrier protection, and washable gloves for optimal protection against these environmental elements.

Qualified employers with payroll equal to or greater than \$500,000 are eligible for a 5-to-1 matching grant, up to a maximum grant award of \$15,000 for the duration of the FEEEG program. This means BWC gives \$5 for every \$1 the employer contributes. Qualified employers with payroll less than \$500,000 are eligible for a \$15,000 grant for the duration of the FEEEG program. There is no match to the grant for payroll less than \$500,000.

In FY20, BWC awarded 120 FEEEG grants totaling \$1,134,121 to 117 employers. In comparison, BWC awarded 347 FEEEG grants totaling \$3,581,146 to 344 employers in FY19.

Employers Working with Persons with Developmental Disabilities Grant Program

BWC introduced the EWPDD Grant Program on July 1, 2017. BWC uses the EWPDD Grant Program to assist Ohio employers with ensuring the safety of their staff when carrying out the services they provide to developmentally disabled children and adults. The program is available to eligible Ohio employers that wish to purchase training and/or equipment to substantially reduce or eliminate injuries to employees who work with developmentally disabled children and adults.

Qualified employers may receive up to \$20,000 with a 5-to-1 match for equipment or no match for training for the duration of the EWPDD Grant Program.

In FY20, BWC awarded 52 EWPDD grants totaling \$622,615 to 52 employers. In comparison, BWC awarded 62 EWPDD grants totaling \$737,548 to 60 employers in FY19.

School Safety and Security Grant

In November 2018, BWC implemented the SSSG program. The program aids Ohio employers with ensuring the safety of their staff who instruct children throughout the state. The program is available to eligible Ohio employers that wish to purchase equipment to substantially improve the safety and security of facilities, and to reduce or eliminate injuries or illnesses associated with providing educational services to children.

Ohio employers that operate licensed preschool through 12th grade educational facilities are eligible for the program. Eligible employers may receive up to \$40,000 for the duration of the program.

In FY20, BWC awarded 431 SSSG grants totaling \$12,199,029 to 407 employers. In comparison, BWC awarded 130 SSSG grants totaling \$3,909,258 to 129 employers in FY19.

Drug-Free Safety Program Grant

DFSP is BWC's voluntary safety program developed to address workplace use and misuse of alcohol and other drugs. It's designed to help state-fund employers more effectively prevent on-the-job injuries and illnesses by integrating drug-free efforts into their overall workplace safety program. DFSP can help employers achieve both long-range safety and cost-saving benefits.

In FY20, BWC awarded two DFSP grants amounting to \$1,890 to two employers. In comparison, in FY19, BWC awarded 20 grants amounting to \$20,730 to 20 employers.

Workplace Wellness Grant Program

Designed to assist Ohio employers with the development and implementation of workplace wellness programs, the WWGP is now in its seventh year. The program's goal is to control the escalating cost of workers' compensation claims through addressing health-risk factors. The WWGP's collateral goals are to reduce health-care costs for employers and improve the health of the workforce.

Participating employers may receive \$300 per participating employee during a four-year period, up to a maximum amount of \$15,000 per policy. Employers participating in the WWGP must use wellness grant funds to conduct health-risk assessments (HRAs), biometric screenings, and subsequent activities designed to address the results of the HRAs and biometric screenings. Participating employers receive grant funds after completing the HRAs and biometric screenings and providing BWC the aggregate results of the HRAs and biometric screenings of the participating employees.

During FY20, BWC approved 11 employers to participate in the WWGP, bringing the participating employers' total to 408. BWC gave \$139,475 to 63 employers in the program during FY20.

Trench Safety Grant

In February 2020, BWC implemented the TSG program as part of its Trench Safety Campaign. The program aids Ohio employers with ensuring the safety of their staff who perform trenching or excavating work throughout the state. The program is available to eligible Ohio employers that wish to purchase equipment to substantially reduce or eliminate injuries associated with trenching operations.

Eligible employers may receive up to \$12,000 for the duration of the TSG Program. This is a 4-to-1 matching grant, which means BWC provides \$4 for every \$1 an employer invests in the intervention.

In FY20, BWC awarded 98 TSG grants totaling \$1,036,065 to 98 employers.

Ohio Law Enforcement Body Armor Grant Program

The OLEBA Grant Program, which began in September 2018, is funded by the BWC and administered by the office of the Ohio Attorney General. The program provides money to eligible law enforcement organizations (LEOs) for the purchase of body armor vests to enhance the safety of and prevent injuries among law enforcement officers. Participation in the program is limited to LEOs with, or belonging to, an active Ohio State Insurance Fund policy with BWC.

An eligible local law enforcement agency may request up to \$40,000 of grant money during fiscal years 2020 and 2021 combined for the purchase of body armor vests, with a local match of 25%.

In FY20, in collaboration with the office of the Ohio Attorney General, BWC awarded \$2,089,409 in OLEBA grants to 256 applicants. In comparison, in FY19, BWC awarded \$2,578,269 to 304 applicants.

Loss Prevention Operations

Loss prevention operations comprises the three safety and health consulting units and the quality assurance and technical support unit. Two of the consulting units serve specific employer populations while the third serves all employers. The three collaborate to provide industrial and construction safety, industrial hygiene, and ergonomics services that help employers develop and become self-sufficient in managing their own safety and health processes. These services include hazard identification, risk assessment and mitigation, safety programming and management system development, training, and the introduction of safety and health interventions in the workplace.

OSHA On-Site Consultation Program

OSHA funded 86% (\$1,676,000) of the OSHA On-Site Consultation Program costs in state FY20 with applicable portions of its federal FY19 and 20 grants. Actual OSHA expenditures totaled \$1,369,571 due to the hiring freeze and travel restrictions in response to the COVID-19 pandemic. BWC funded the remaining 14% (\$285,955).

The program provides highly specialized services to relatively small employers (worksites with fewer than 250 employees) in high hazard/risk private industries. The program also administers the Safety and Health Achievement Recognition Program (SHARP). This OSHA cooperative program provides recognition and exemptions for small employers with exemplary safety and health management systems. Of the 28 total SHARP locations throughout Ohio, four renewed their participation in the program in FY20.

Program field consultants conducted 537 visits to Ohio workplaces before workplace visits were curtailed in March 2020 during the COVID-19 pandemic. These covered 432 employers with 47,656 total employees. An additional 18 consultations were conducted virtually after teleworking began. There were 1,680 hazards documented, including 1,354 serious hazards. Employers corrected these serious hazards and eliminated the risks of injury among employees.

Public Employment Risk Reduction Program

PERRP governing statutes in Ohio Revised Code chapter 4167 ensure public employees in Ohio have safe and healthful working conditions. PERRP adopts and enforces occupational safety and health standards and conducts enforcement inspections and investigations to ensure compliance. PERRP also provides free voluntary compliance assistance services that explain regulatory requirements and raise awareness of occupational injury and illness risk factors and strategies to reduce risk.

During FY20, PERRP provided services to 236 public employers. Three hundred sixty-eight compliance assistance visits were conducted that included safety and health consultations, trainings, discovery visits, and SIG visits. Of the compliance assistance visits, 197 were conducted on-site and 171 were conducted virtually. These visits resulted in the correction of more than 260 workplace hazards. PERRP conducted 344 enforcement investigation/inspection visits that resulted in the identification and correction of 142 hazards. Of the enforcement investigation/inspection visits, 196 were conducted on-site and 148 were conducted virtually. These enforcement visits were prompted by one fatality, two refusal to work investigations, six amputation investigations, 16 hospitalization investigations, 13 focus four inspections, and five complaint investigations.

The top ten most common hazards that were found pertained to the following OSHA/PERRP standards:

- Electrical Equipment.
- Electrical, Wiring Methods, Components, and Equipment for general use.
- Hazard Communication.
- Machinery and Machine Guarding.
- Recording and Reporting Occupational Injuries & Illnesses.
- Personal Protective Equipment.
- General Duty Clause.
- Walking-Working Surfaces.
- Abrasive Wheel Machinery.
- Permit-Required Confined Spaces.

Due to COVID-19 all on-site visits were suspended from March 2020 through June 30, 2020, and virtual visits were conducted instead to assist employers with compliance assistance and enforcement investigations.

Specialized field operations consulting services

Specialized consulting services provided through field loss prevention offices help employers:

- Implement safety programs.
- Identify workplace ergonomics, environmental, and physical hazards.
- Develop and execute hazard abatement plans.
- Establish workplace safety and ergonomics committees.
- Use the BWC safety grant programs.

These field activities include thousands of noise surveys for hearing protection, air quality sampling, ergonomic surveys, safety audits, and training in workplaces throughout Ohio. In FY20, BWC's field operations consultants made 5,309 visits to Ohio workplaces belonging to 2,947 employers. They provided consulting services in industrial hygiene, industrial and construction safety, and ergonomics. After on-site visits were halted in March 2020 due to COVID-19, virtual consulting services were provided to an additional 2,522 employers.

Quality assurance and technical support unit

BWC's quality assurance and technical support unit provides specialized technical support to BWC loss prevention operations staff in these areas:

- Industrial and construction safety.
- Ergonomics.
- Industrial hygiene.

The technical advisors serve as subject matter experts in establishing, developing, and maintaining policy relative to the BWC safety programs and services. These include rebate and grant programs such as the ISSP, DFSP, SIG Program, and WWGP. They also serve as members of or liaisons to external organizations such as the American Society for Testing and Materials (ASTM) Committee F48 on Exoskeletons and Exosuits, American Welding Society (AWS) Committee SH1 - Fumes & Gases, and the Center for Construction Research & Training / National Institute for Occupational Safety and Health (CPWR/NIOSH) Research-to-Practice partnership. The technical advisors also teach several occupational safety, ergonomics, and industrial hygiene courses.

The unit assists loss prevention operations management staff with reviewing job applications, interviewing candidates, and mentoring new safety, ergonomics, and industrial hygiene field consultants as well as assuring the quality of loss prevention service delivery and work products. They also arrange professional development events and discipline-specific staff meetings. In addition, they lead special projects and safety initiatives, serve as subject-matter experts during the live chat feature during virtual presentation of Ohio Safety Congress, and review Safety Innovation Awards applications to determine finalists. Technical Advisors coordinated BWC's outreach and involvement during the National Safety Stand-Down to Prevent Falls in Construction, the Stand-Up for Grain Safety Week, and Safe + Sound Week.

This unit also maintains and updates the specific safety rules in the Ohio Administrative Code (OAC). There were no rules scheduled for review in FY20

Finally, the technical advisors provide technical support for the development and revision of:

- BWC website safety content.
- Safety publications and communication projects (e.g., blog posts).
- Training courses, safety talks, and sample written programs.
- Internal and external presentation material.

BWC-DSH instrument laboratory

BWC-DSH's instrument laboratory provides a variety of support services to field consultants. The laboratory houses the inventory and repairs, maintains, and calibrates more than 900 measurement devices and tools used by BWC staff. Last year, the laboratory performed calibration and maintenance for 389 devices, with estimated savings of approximately \$87,950 versus the benchmark cost of returning the instruments to the manufacturer.

Industrial hygiene analytical laboratory

BWC industrial hygienists, working with an accredited external laboratory, coordinated 4,029 specialized analyses of air quality samples to measure workers' exposures to a variety of chemicals at more than 960 Ohio workplaces.

The number of instrument calibrations and industrial hygiene visits with chemical analyses are significantly lower than previous years' due to on-site customer visit restrictions caused by COVID-19 travel restrictions and a slight reduction in field staff (primarily retirements).

Library services

The BWC library offers access to information, training materials and videos, and experienced librarians to help employers with their workplace safety and health activities, workers' compensation and risk management, and rehabilitation. In addition, BWC librarians provide training on researching web-based and media resources for safety and health, rehabilitation, and public safety information. Additionally, the librarians provide support to BWC departments and researchers. They do this by conducting specialized and detailed literature searches in a variety of literature databases and resources along with preparation of literature summaries. BWC's library is the only library of its kind in Ohio and among a few in the nation with such specialized services.

Library resources include:

- Safety codes and standards.
- Sample charts, forms, templates, and written safety programs.
- Chemical safety information.
- Occupational disease and injury management.
- Research studies and statistics.
- Training resources.
- Historical BWC materials.

The BWC library houses the BWC Archive. A part of the collection is digitized and available on the Ohio Memory website. The collections consist of publications and images produced by DSH under BWC and the Industrial Commission of Ohio, with the goal of preventing workplace accidents and injuries and reducing workers' compensation costs. In FY20 the library digitized The Ohio Monitor, also called the Ohio Industrial Commission Monitor, OIC Monitor, or simply The Monitor, a monthly bulletin published under the direction of DSH for the Industrial Commission of Ohio from 1928-1990 and BWC from 1990-1997 to highlight topics in workplace safety, Ohio workers' compensation law, and safety practices and programs of Ohio businesses.

Customers of the library services include private businesses, local and state government entities, attorneys, health-care professionals, researchers, representatives of business and labor trade organizations, and students, as well as the public and BWC employees. The library's book collection is part of the statewide OHIOLINK library network. This year the library circulated 189 books and 431 periodicals, furnished 1,121 scientific articles to customers, and provided 597 detailed, specialized reference and literature search services.

Beginning in March 2020 with the onset of the COVID-19 pandemic, the library continued research/reference services to both internal and external customers through use of purchased databases and those available through the OhioLINK program, as well as through print materials from our collection. Many of our customers were not working at this time, which reduced the volume of reference work performed.

The video library houses a video collection which includes 583 workplace safety and health DVDs and training aids, including many titles in languages besides English. The library is a convenient and popular source for Ohio employers to obtain quality workplace safety and health training aids for their employees. The video library has partnered with a streaming video vendor, offering 258 titles in electronic format for Ohio employers. This year, the video library circulated 2,583 DVDs to 468 employers. In addition, 553 employers and their employees accessed 22,476 online safety and health streaming videos.

Beginning in March of 2020, the library increased use of our streaming video services. Use of the streaming video service was up as compared to FY19, while DVD loans were down due to our inability to provide that service during the pandemic.

Better You, Better Ohio!®

BWC's BYBO! program offers health and wellness services to Ohio workers and injured workers who do not have access to these services through their employers. The program began in FY18, serving specified segments of injured workers and employees of small employers in high-risk industries. It has since expanded to include employers with less than 150 employees and is offered to all employers that elect to participate in the SURWSP, regardless of other eligibility requirements.

The objective of the BYBO! program is to provide health and wellness resources and services to the workforce in Ohio to improve their health and safety. The program aims to prevent injuries, reduce absenteeism, reduce severity of injury, increase speed of recovery from injury, and reduce time away from work due to injury. This in turn will reduce the costs associated with workers' compensation and medical insurance. The program services include:

- Online health assessments.
- Biometric screening.
- Interactive, digital health, and wellness coaching modules.
- Online health, wellness, and nutrition training resources.
- A health and wellness mobile application.
- Specialized lifestyle and disease management coaching.
- Nurse line services.
- Employer challenges.
- Stress management education.

In FY20, 7,406 total workers from 377 new employers enrolled in the program, with 291 of those being injured workers. At the end of FY20, there were a total of 20,004 Ohioans enrolled in the program. Of these workers, there were 9,386 active members in the program at the end of FY20. These active members engaged in online coaching, biometric screening, and/or a health assessment.

For employers with participating workers, nothing is required from employers, though many share information about the program with their employees; BWC handles the administrative work required to run the program. There are no fees associated with the program, and if employers have more than 30 workers willing to participate, BYBO! can offer onsite screenings. In FY20, BWC worked with 114 employers to provide onsite screenings for their employees; this included a three-month stop in on-site screening events due to restrictions and regulations associated with COVID-19 (BWC is holding onsite screenings throughout FY21 at employers whose employees participated last year so participants have ongoing access to the program).

The other population targeted by BYBO! is injured workers. Every worker that is injured and has a claim is automatically invited to join the program if their employer does not offer a health and wellness program. BYBO! gives injured workers help to return to work faster and stay healthy while they are healing.

Safety Leaders Fellowship Program

Launched in FY17, the Safety Leaders Fellowship Program provides recent college graduates in the fields of occupational safety and health, engineering, industrial hygiene, and/or physical/natural sciences an opportunity to receive on-the-job training to build a professional career in the fields of occupational safety and health, ergonomics, industrial hygiene, and risk management. Since its implementation, the program has gained much interest from other BWC divisions and state agencies to serve as a model for recruiting new college graduates to work in state public service.

For its second cycle of the two-year fellowship program, DSH hired four fellows in FY19 and one fellow at the beginning of FY20 and they were soon making valuable contributions to the work of DSH.

DSH initiatives for FY20 and FY21

DSH had several special initiatives in FY20 and FY21 to continue to improve occupational safety and health services for Ohio employers and employees.

Starting in FY18 and continuing into FY20 and FY21, BWC has invested funds towards statewide safety awareness and educational marketing, \$1.5 million of which was appropriated for FY20, with another \$1.5 million planned for FY21. The FY20 funds were spent on a public awareness campaign aimed at COVID-19 prevention measures and the impact they have on the well-being of Ohioans and our state's economy. The campaign is called "Up to All of Us" and features Dr. Laura Espy-Bell, an OhioHealth Emergency Medicine Physician, and Gary Callicoat, a restaurant owner and operator. They discuss the importance of Ohioans taking proper precautions, like maintaining social distance and washing hands, in order to get Ohioans back to work, and our economy working again.

In FY18 the SURWSP was initiated in Montgomery, Ross, and Scioto counties. The purpose of the program is to lessen the impact of substance disorders on Ohio's workforce and to promote a safe and healthful workplace. The emphasis of the program is to encourage eligible employers to further engage in efforts to assist those in recovery in returning to the workforce. Funding of the program is directed through county Alcohol Drug Addiction and Mental Health Services (ADAMH) boards and focuses on reimbursing employers for recovery workforce drug testing, reimbursement for manager/supervisor training specific to better manage and retain workers in recovery, and providing an employer forum for success sharing. During FY20, BWC continued expansion of the program to include 18 targeted counties with a monetary commitment of \$15 million for the biennium ending June 2021. Expansion efforts continue towards making the program available in the future to all 88 Ohio counties.

BWC has partnered with the Ohio Department of Developmental Disabilities (DODD) to fund online training courses targeted to employers and employees of direct service providers who care for disabled children and adults. In FY20, BWC contributed \$146,590, or a 46% share of the cost of the services, to cover the safety and health portions of the training. For FY21, BWC has also agreed to contribute \$152,254.02, or a 46% share of the cost of the services.

In FY20, BWC spearheaded a trench safety campaign. Workers continue to die or be seriously injured each year in trench collapses. These incidents can be prevented through the application of proper trench safety measures. The multi-faceted campaign featured the following components:

- Trench safety summit to gain stakeholder input on solutions.
- Trench safety consulting, with visits to active trenching operations.
- Education and prevention outreach.
- Trench safety grant to assist employers engaged in trenching activities.
- Trench safety website to tie together all elements of the campaign and provide easily accessible safety resources for employers and employees.

Also, in FY20, BWC sent 23 million face coverings to employers and workers across the state to weaken the impact of the ongoing COVID-19 pandemic on the safety and health of Ohioans. The plan, called Protecting Ohio's Workforce — We've Got You Covered, provided for shipments of non-medical-grade face coverings targeted towards Ohio employers covered by BWC that are in good standing and report payroll to the agency. The \$8.7 million for this initiative was paid for out of safety grants funding. This initiative continues into FY21.

Though \$100,000 was appropriated for the Center of Excellence for FY20, this money was not spent due to COVID-19 related budget cuts.

Research Activities and Initiatives

DSH administers the Ohio Occupational Safety and Health Research Program. The program is a competitive research program. It emphasizes maximizing the impact of research efforts in the areas of occupational safety and health on the overall safety, health, productivity, and competitiveness of Ohio's workforce. BWC modeled the program, with minor modifications, after the NIOSH National Occupational Research Agenda (NORA). The program provides up to \$250,000 in funding per project for safety and health research. BWC limits the duration of each research project to 12 to 24 months.

The program is an open competition for researchers in Ohio's not-for-profit higher education institutions and research organizations. BWC continued funding for four projects in FY20 that were initiated in FY19 addressing the following research areas:

- Safe treatment and opioid management.
- Identifying ergonomics best practices currently used by grocery distribution centers.
- Protecting home health-care workers using an interactive video-based app.
- Spine kinematic metrics as an indicator of safe return to work.

In FY20, BWC and NIOSH continued to collaborate and use their respective strengths and resources on projects that improve public policy. BWC and NIOSH achieve this goal by using workers' compensation data as part of research that informs public policy for preventing occupational injuries and illnesses and improving workers' compensation systems.

BWC and NIOSH co-authored five journal articles:

- Investigating Physical Violence against Classroom and Other School Personnel Using Ohio Workers' Compensation Data: 2001–2012, *Occupational Health Science* (2020) 4:43–62.
- Workers' Compensation Claims for Traumatic Brain Injuries Among Private Employers—Ohio, 2001-2011, *American Journal of Industrial Medicine* (2019) 63: 156-169.
- Comparative Analyses of Workers' Compensation Claims of Injury Among Temporary and Permanent Employed Workers in Ohio, *American Journal of Industrial Medicine* (2020) 63: 3-22.
- Review of Construction Employer Case Studies of Safety and Health Equipment Interventions, *Journal of Construction Engineering and Management* (2020) 146.
- Degree of Integration Between Occupational Safety and Health Programs and Wellness Programs: First-year Results from an Insurer-Sponsored Wellness Grant for Smaller Employers, *Journal of Occupational Environmental Medicine* (2019) 61: 704-717.

Additionally, safety and health experts from BWC serve on various NORA industry sectors and cross-sector councils assembled by NIOSH. NORA councils bring together occupational safety and health research leaders with representatives from businesses and industry and labor organizations to define the national occupational safety and health research needs and priorities in the various economic sectors.

Survey of Occupational Injuries and Illnesses

BWC renewed a grant from the BLS to administer the SOII program in Ohio for FY20. The grant is under a cooperative agreement between BWC and the BLS. The survey is the only comprehensive measure of work-related injuries and illnesses in U.S. workplaces. The agreement allows BWC to continue to administer the survey in Ohio.

The BLS developed this federally mandated survey as part of the Occupational Safety and Health Act of 1970. The BLS provides 50% of the funding and BWC provides 50%.

The survey provides information on the number and frequency of non-fatal injuries and illnesses occurring in workplaces. It also provides demographic and case characteristics information for serious injuries requiring time away from work. The BLS uses the information gathered through this report to generate state and national benchmarks for incidence of occupational injuries and illnesses. The report is a valuable research tool for the development of prevention policies and training toward improving safety standards in workplaces at both state and national levels.

The survey gathered data on occupational injuries and illnesses for the 2019 calendar year. The BLS randomly selected 4,634 establishments (both private and public) as a representative sample for the entire Ohio workforce. The survey achieved an 88% response rate with more than 4,900 cases of occupational injuries and illnesses reported. This number includes a sampling of cases with job restriction and transfer and all recordable cases involving days away from work. BWC coded all reported cases using the Occupational Injury and Illness Classification System and the Standard Occupational Classification System for comparison and analysis.

The BLS and BWC make comprehensive statistics and publishable data available to the public in November or December each year. In preparation for FY21 survey cycle, the BLS pre-notified 4,600 establishments of their inclusion in the SOII program. The FY21 survey will gather occupational injury and illness data for the 2020 calendar year.

Last year, the program successfully published the survey statistics available from the BLS survey for calendar year 2018 for Ohio. Results from the survey for the past seven years show lower incidence rates of occupational injury and illness in Ohio compared to the nation and Ohio's neighboring states.

To ensure accessibility of the survey data, BWC created a webpage for the program at www.bwc.ohio.gov. BWC updates the page with educational articles on safety and prevention using results from the survey.

Census of Fatal Occupational Injuries

BWC renewed a grant from the BLS to administer the CFOI program in Ohio for FY20. The grant is under a cooperative agreement between BWC and the BLS. It requires commitment from both agencies to split the cost of administration equally with the expectation that the parties will meet all defined deliverables within the agreement. CFOI is an occupational health and safety surveillance program. It's designed to identify, verify, and meticulously document important variables associated with cases of fatal occupational injuries with the goal of providing robust and aggregated statistics. The program produces comprehensive, accurate, and timely counts of fatal workplace injuries at state and national levels. CFOI runs on federal-state collaborative efforts. Since 1992, all 50 states and the District of Columbia have implemented CFOI.

CFOI is the most complete count of fatal occupational injuries in the United States. The census uses multiple data sources such as death certificates, workers' compensation reports, media reports, and federal and state agency administrative reports to identify and verify fatal occupational injury cases. BWC obtains information about each workplace fatality such as deceased worker's occupation and other characteristics, equipment involved, and causation variables by cross-referencing multiple sources of information. BWC substantiates all cases included in the census with at least two independent source documents or a source document and a follow-up questionnaire.

The BLS designed the census to provide information on rate and number of fatal traumatic occupational injuries occurring across the nation. It also provides demographic and case characteristics details on fatal workplace injuries. The BLS uses information acquired through the census to estimate benchmarks for incidence of fatal injuries in workplaces at state and national levels. It also provides industry and occupation-specific information that serve as tools for developing and evaluating:

- Occupational safety standards.
- Preventive interventions.
- Policies.
- Training toward improving safety in workplaces across the nation.

The FY20 census gathered data on all cases of occupational fatal traumatic injuries for the 2019 calendar year. The program scope includes the entire workforce population in Ohio and the nation. It also includes cases of fatal occupational injuries that occurred in Ohio within this time frame. BWC coded all identified cases using the Occupational Injury and Illness Classification System and the Standard Occupational Classification System for comparison and analysis. The BLS and BWC will make comprehensive statistics and publishable data available to the public in December 2020.

Results from this program expand BWC's research effort into occupational safety and health. It is also a resource for assessing workplace safety in Ohio. In addition, it offers opportunities for identifying areas to further focus preventive efforts. BWC renews the program annually and expects it to continue into the foreseeable future.

Ohio occupational fatalities

Our data analysts collect BWC workplace fatality information on work-related deaths for employers operating in Ohio.

This annual fatality study has traditionally reported data on a calendar year basis, analyzing the current year plus five previous calendar years. This year, to align with other data sets used for this report, the date range is changed to report fiscal year data.

In fiscal year 2020, 96 fatalities occurred, including 48 from occupational injuries and 48 from occupational disease. Of the occupational injury fatalities:

- Thirty-one workers died on the date of their injury.
- Thirteen workers died after the day of their injury in FY20.
- Four workers died in FY20 from injuries sustained in a previous fiscal year.

Comparison of occupational injury fatalities for FY15 through FY20

Figure 1 provides a comparison by year of the 430 verified occupational injury fatalities reported to BWC during FY15 through FY20. The chart does not include fatalities that resulted from occupational diseases.

For each year, the chart depicts:

- Fatalities where the worker died on the date of injury.
- Fatalities where the worker died within a year from injury.
- Fatalities where the worker died in that year from injuries sustained in an earlier year.

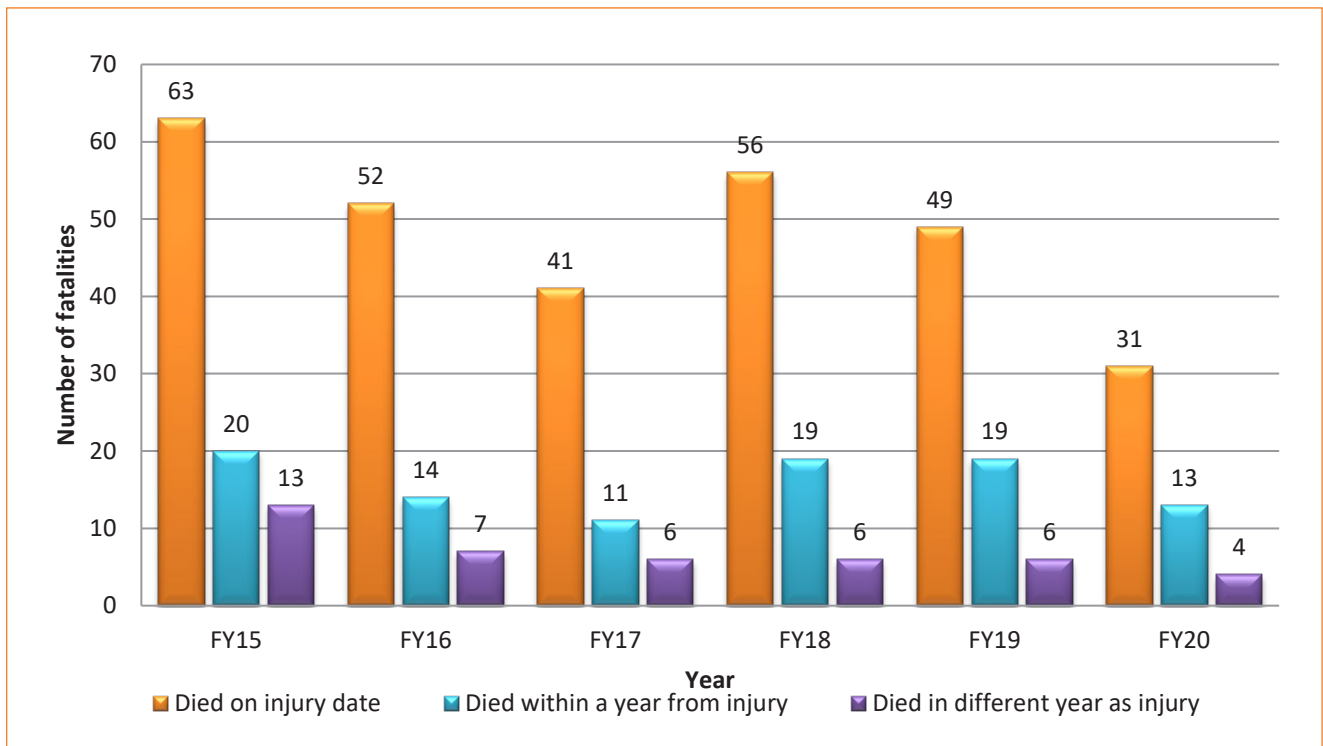


Figure 1: Ohio fatalities from occupational injuries (not occupational disease) for FY15 through FY20

Following a slight uptick in occupational fatalities in FY18 and FY19, the FY20 fatality total continued the overall downward trend begun in FY15 to FY17. Some of this decline may be attributed to the economic slowdown in the last quarter of FY20 due to the COVID-19 pandemic. Claim filing delays may also account for some of the decline, since a claimant has one year to file a notice of injury or death.

FY20 fatalities according to source of injury/illness (causation)

Figure 2 provides a summary of the primary causations for fatalities from occupational injuries and occupational diseases for FY20. The chart depicts the number and percentage of fatalities by causation. BWC determines causations by various criteria, primarily based on a review of:

- First Report of an Injury, Occupational Disease or Death (FROI) documents.
- Medical records, including physician reviews.
- Coroner reports.
- Police reports.
- Ohio Industrial Commission determinations.
- U.S. Department of Labor data.
- Other BWC determinations.

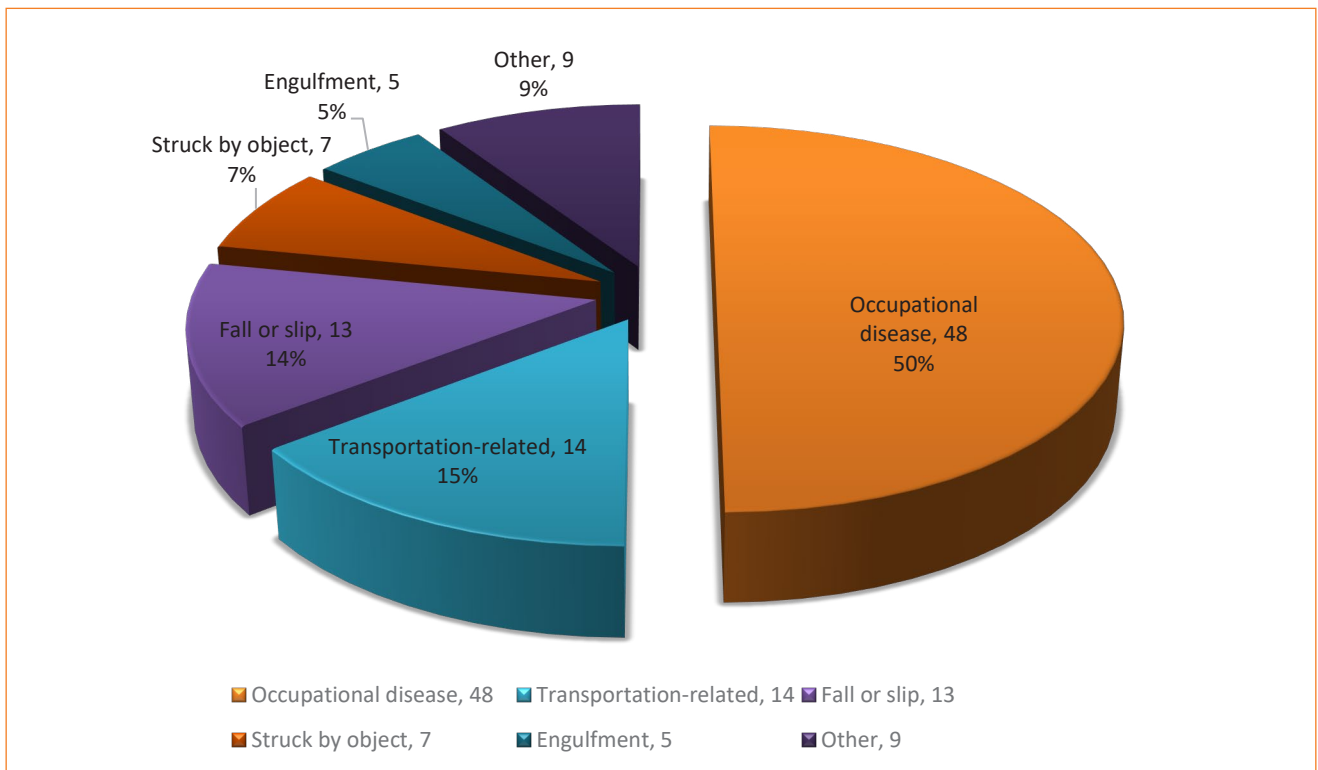


Figure 2: FY20 fatalities by causation

Occupational disease-related fatalities decreased to 48 in FY20 from 50 in FY19.

For fatalities from occupational injuries, transportation-related accidents continued to be the leading cause. Transportation-related fatalities significantly decreased to 14 this year compared to last year's total of 34. Of these transportation-related deaths:

- Nine workers died in motor vehicle accidents as a driver or passenger.
- Four workers died when a vehicle struck them while working on or by a roadway.
- One worker died as a pedestrian hit by a vehicle.

The second leading cause of occupational injury fatalities was slips and/or falls. There were 13 fatalities due to slips and/or falls in both FY20 and FY19.

The third leading cause of occupational injury fatalities was being struck by an object, with seven fatalities in FY20 as compared to 10 in FY19.

The remaining coded causations for FY20 occupational injury fatalities are as follows:

- Five workers died because of engulfment.
- Three workers died from being caught in, on, or between a machine or machine parts.
- Two workers died because of workplace violence.
- Two workers died because of electrocution.
- Two workers died because of fire or hot environmental conditions.

Occupational injury fatalities by industry sector for FY15 through FY20

Figure 3 depicts the number of occupational injury fatalities by industry sector from FY15 through FY20. The chart does not include fatalities that resulted from occupational diseases.

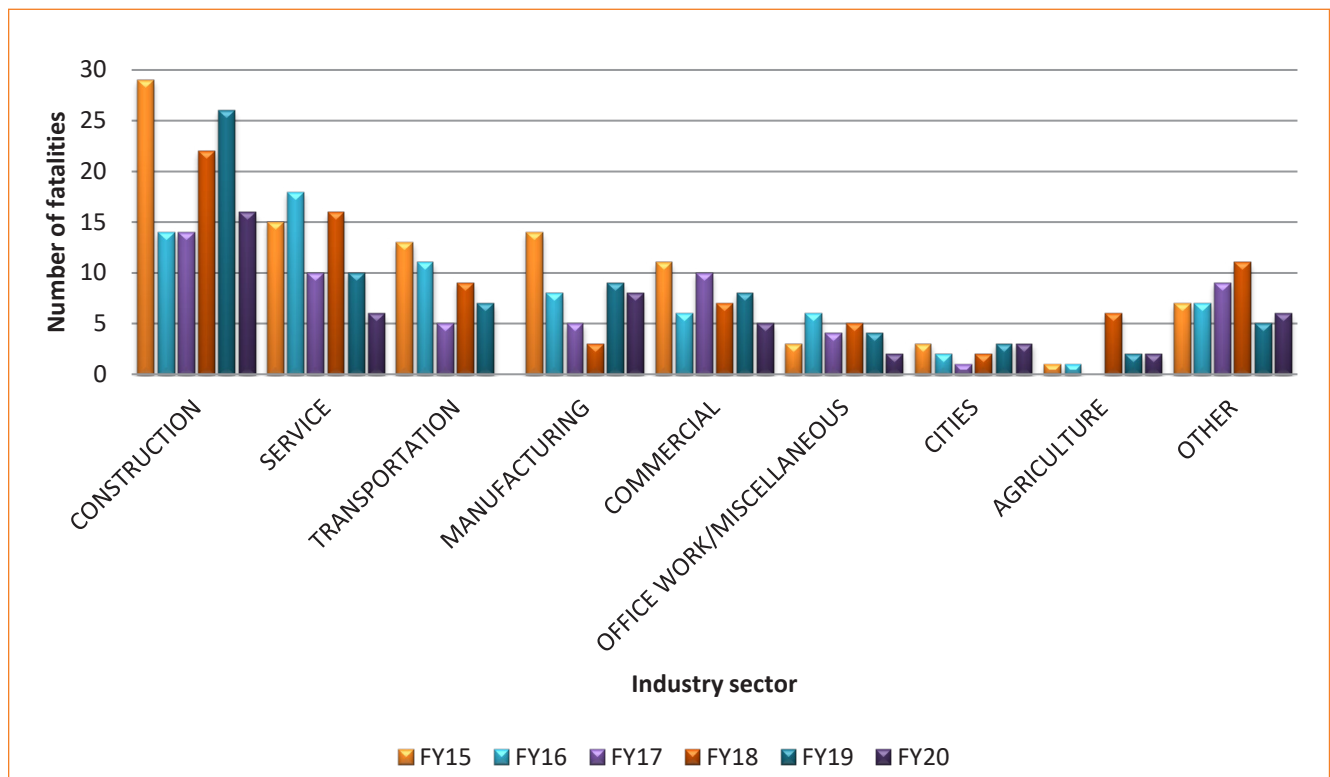


Figure 3: Fatalities from occupational injuries by employer industry sector from FY15 through FY20

The industry sector with the most fatalities in FY20 was construction with 16 fatalities, as compared to 26 in FY19. The primary cause of these fatalities was slips and/or falls.

The second highest sector was the manufacturing industry with eight fatalities, as compared to nine in FY19. The leading causes of fatalities in this sector were slips and/or falls (two) and being caught in, on, or between a machine or machine parts (two).

The service industry sector was third with six fatalities, as compared to ten fatalities in FY19. The leading cause of fatalities in this sector was motor vehicle accidents.



2020 Report
Ohio Industrial Commission

Letter from the Chairman

I am pleased to present the Ohio Industrial Commission's Annual Report for Fiscal Year (FY) 2020.

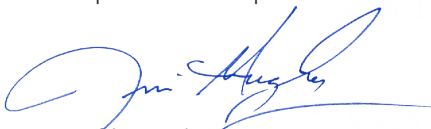
The COVID-19 pandemic has created challenging times for every Ohioan and state agency. However, during the previous fiscal year, the Ohio Industrial Commission has adjudicated more than 111,000 workers' compensation appeals throughout Ohio, while finding many ways to improve the customer services we offer to Ohio's employers and injured workers.

This report demonstrates that we are an agency that proudly strives to achieve excellent customer service while making sensible and fiscally responsible financial choices. Under the guidance of Governor Mike DeWine, the Ohio Industrial Commission (IC) is accomplishing both of those goals.

A few of our fiscal year highlights:

- Created an online environment that follows all cyber security protocols to allow IC employees throughout the state to telework safely throughout the COVID-19 pandemic.
- Implemented Microsoft Teams agency wide to allow for enhanced collaboration for IC employees and stakeholders outside of the normal office environment due to the pandemic.
- Migrated all agency server infrastructure to the State of Ohio Computer Center in advance of the required date set forth by Governor DeWine's Executive Order 15-D. This has allowed for the restructuring of technical staff to better support infrastructure-based applications agency-wide.
- Maintained our annual total expenditure level within a narrow 3.5% variance band that started in FY 2013. Expenditures in FY 2020 totaled \$46.6MM remaining with the \$45.1 to \$46.7MM range over the 8-year period.
- Preserved a well-funded Administrative Cost Fund (ACF) reserve through long range forecasting and cost containment. Employer ACF rate change impacts have been minimized by leveraging base rate reductions into our funding needs. These efforts significantly reduce the risk of fund depletion during challenging economic periods.
- Achieved a Minority Business Enterprise (MBE) Set-Aside rate of 32.4% versus the 15% statutory threshold in FY 2020. The Encouraging Diversity, Growth, and Equality (EDGE) compliance rate is 27.4% vs. the 5% policy requirement for the same period.
- Renovated and updated the workspace reconfiguration of levels 9 and B2 in the William Green Building in Columbus.
- Vacated 8,251 square feet of warehouse space, which will provide an annual rental savings of \$109,083. Items previously stored in this warehouse have been consolidated and stored in the William Green Building at no additional cost to the agency.
- Updated all signage at our office locations throughout the state, including outside, front door and interior signage.

I am proud to lead an agency that has responded to this global pandemic with innovation, dedication and courage. In the next fiscal year, the IC will continue to provide injured workers and employers with outstanding customer service with timely, impartial resolution of their workers' compensation appeals while remaining on a path of fiscal prudence.



Sincerely,
Jim Hughes, Chairman

About the IC

The IC conducts more than 111,000 hearings each fiscal year, and most of these hearings take place within 45 days of the original claim appeal. This time frame means you may expect first-rate customer service as the IC provides a forum for appealing Ohio Bureau of Workers' Compensation (BWC) and self-insuring employer decisions. Since 1912, the IC has resolved issues between parties who have a dispute in a workers' compensation claim. With each claim, the agency is dedicated to providing information and resources to help customers navigate through the appeals process. The IC conducts hearings on disputed claims at three levels: the District level, the Staff level, and the Commission level. The Governor appoints the three-member Commission, and the Ohio Senate confirms these nominations. By previous vocation, employment or affiliation, it is mandated that one member of the Commission represents employees, one represents employers and one represents the public. During this fiscal year, Chairman Jim Hughes represented the employees; Jodie M. Taylor represented employers; and Karen L. Gillmor represented the public.

FY 2020 Highlights

In addition to the Commissioners, there are 81 hearing officers — all attorneys — in five regional and seven district offices throughout the state. In FY 2020, the IC heard 95,536 claims at all adjudicatory levels. District Hearing Officers (DHOs) heard 66,268 claims, while Staff Hearing Officers (SHOs) heard 29,088 claims, and the Commission heard 180 claims. The IC consistently adjudicated claims within the timeframes mandated by Ohio Revised Code 4123.511 throughout this fiscal year. The statutory requirement from the filing of a motion or appeal to the date of a hearing timeframe is set at 45 days. For Filing to Hearing, Allowance docket issues averaged 36 days, while Appeal docket issues averaged 35 days. The agency performance benchmark for the filing of a motion or appeal to the mailing of an order is set at 52 days. For Filing to Mailing, both Allowance and Appeal docket issues averaged 39 days. The Industrial Commission Online Network (ICON) has made it easy for parties to file motions and appeals online. First level motions and appeals filed on ICON this fiscal year totaled 42,864. Second level and above ICON filings, inclusive of appeals filed to DHO and SHO orders, totaled 44,780 in FY 2020. Customer Service received and responded to 1,258 AskIC submissions during this fiscal year. The department also scheduled 1,333 interpreters for injured workers hearings. In addition, our toll-free customer service line and two local customer service lines received 5,065 calls this fiscal year. Staff personnel assisted 12,910 people at our Columbus office. Customer Service also processed 29,609 documents.

Commission Performance Highlights — FY 2020

Formal hearings and administrative reviews account for the majority of IC activity. In FY 2020, the IC made approximately 111,243 decisions on issues arising from workers' compensation claims. During FY 2020, the IC performed 15,707 administrative reviews and heard a total of 95,536 claims at all adjudicatory levels. Claims heard is inclusive of hearings at the DHO, SHO, Deputy, and Commission venues. Administrative reviews incorporate issues that do not initially require formal adjudication via hearing (Hearing Administrator issues, Commission requests, etc.). These issues receive review and processing at the claims examining, word processing, and hearing officer levels but are not typically reflected in routine production reports under DHO or SHO dockets. These issues may subsequently result in a hearing under the normal adjudicatory processes and are reflected accordingly under respective hearing venues.

The total DHO hearing volume accounts for 69 percent of the overall hearings during FY 2020 at 66,268 claims heard, while the SHO volume is recorded at 29,088 claims heard. Deputy venue claims heard totaled 62 in FY 2020 while the Commission venue recorded 118 claims heard. Total claims heard is inclusive of continuances, referrals, dismissals, and other final determinations made as a result of a hearing.

Regionally, the distribution of FY 2020 claims heard at DHO and SHO hearing levels is as follows: Columbus at 33 percent; Cleveland at 23 percent; Akron and Cincinnati at 18 percent each; and Toledo at 9 percent.

DHO and SHO hearings were conducted on 244 days during FY 2020. An average of 391 claims were heard per hearing day at the DHO and SHO hearing levels. District level hearings averaged 272 claims heard per day while Staff level hearings averaged 119 claims heard per day.

IC hearing timeframes for DHO, SHO, and Commission hearing venues are mandated by Ohio Revised Code 4123.511. On average, all IC offices and venues performed within the statutory limits requiring a claim to be heard within 45 days of a motion or appeal filing. The IC benchmark for Filing to Mailing is set at 52 days; this performance measure is based on the entirety of the hearing process and combines the two statutory periods Filing to Hearing (45 days) and Hearing to Mailing (7 days).

DHO Performance

DHOs conduct hearings on two formal docket types – Allowance (primarily injury allowance, compensation, and treatment issues) and C-92 (permanent partial disability issues). Only Allowance docket issues fall under timeframe requirements outlined in Ohio Revised Code 4123.511. DHOs heard a total of 52,354 Allowance docket claims during FY 2020. Of those, 36,062 qualified for inclusion in time studies. Per statute, appeals or motions heard on DHO Allowance dockets must be heard within 45 days of filing. In FY 2020, Allowance dockets averaged 36 days for the statutory Filing to Hearing period. On average, the DHO Allowance process (Filing to Mailing) was completed within 39 days during FY 2020.

SHO Performance

SHOs conduct hearings on five formal docket types – Appeal (primarily injury allowance, compensation, and treatment issues), PTD (permanent total disability), Reconsideration (permanent partial disability issues), VSSR (violations of specific safety requirements), and Misc. (other issues not designated to a pre-defined docket type). Only Appeal docket issues fall under timeframe requirements outlined in Ohio Revised Code 4123.511. SHOs heard a total of 24,785 appeal claims during FY 2020. Of those, 21,017 qualified for inclusion in time studies. Per statute, Staff hearing level appeals must be heard within a 45-day period. In FY 2020, SHO Appeal processes averaged 35 days for the statutory Filing to Hearing period.

2020 Report

BWC Audited Financial Statements

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

FINANCIAL STATEMENTS

June 30, 2020 and 2019

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Columbus, Ohio

FINANCIAL STATEMENTS
June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio
A Department of the State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio (BWC/IC), a department of the State of Ohio (State), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the BWC/IC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the BWC/IC, as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the BWC/IC are intended to present the financial position, changes in financial position, and cash flows of the BWC/IC. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, supplemental revenue and reserve development information, the schedule of proportionate share of the net pension liability (asset), the schedule of employer pension contributions, the schedule of proportionate share of the net OPEB liability, and the schedule of employer OPEB contributions on Pages 3-8, 46, 48, 49, 50 and 51, respectively, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the BWC/IC's basic financial statements. The supplemental schedule of net position and schedule of revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule of net position and schedule of revenues, expenses and changes in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020 on our consideration of BWC/IC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BWC/IC's internal control over financial reporting and compliance.



Crowe LLP

Columbus, Ohio
September 29, 2020

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Ohio Bureau of Workers' Compensation's (BWC's) and the Industrial Commission of Ohio's (IC's) financial performance for fiscal years ended June 30, 2020, 2019, and 2018. BWC and IC are collectively referred to as BWC/IC. This information is based on BWC/IC's financial statements, which begin on Page 9.

Financial highlights

- BWC/IC's total assets at June 30, 2020 were \$27.8 billion, a decrease of \$1.6 billion or 5.4% compared to June 30, 2019.
- BWC/IC's total liabilities at June 30, 2020 were \$16.2 billion, a decrease of \$2 billion or 10.8% compared to June 30, 2019.
- BWC/IC's total operating revenues for fiscal year 2020 were \$1.3 billion, a decrease of \$42 million or 3.3% compared to fiscal year 2019.
- BWC/IC's total operating expenses for fiscal year 2020 were \$1.4 billion, an increase of \$498 million or 53% from fiscal year 2019.
- BWC/IC had \$1.3 billion in policy holder dividend expenses in fiscal year 2020.
- BWC's non-operating revenues for fiscal year 2020 were \$1.8 billion, compared to \$2.2 billion for fiscal year 2019.
- BWC/IC's net position at June 30, 2020 was \$11.6 billion, an increase of \$268 million or 2.4% compared to June 30, 2019.

Financial statement overview

BWC/IC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Management's discussion and analysis is intended to serve as an introduction to BWC/IC's financial statements, which are prepared using the accrual basis of accounting and the economic resources measurement focus.

- **Statement of Net Position** – This statement is a point-in-time snapshot of BWC/IC's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at fiscal year-end. Net position represents the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. The statement is categorized by current and noncurrent assets and liabilities. For the purpose of the accompanying financial statements, current assets and liabilities are generally defined as those assets and liabilities with immediate liquidity or those that are collectible or due within 12 months of the statement date.
- **Statement of Revenues, Expenses and Changes in Net Position** – This statement reflects the operating revenues and expenses, as well as policy holder dividend expense and non-operating revenues and expenses, for the fiscal year. Major sources of operating revenues are premium and assessment income. Major sources of operating expenses are workers' compensation benefits and compensation adjustment expenses. Policy holder dividend and loss contingency expenses are included as part of the operating gain or loss calculation. Revenues and expenses related to capital and investing activities are reflected in the non-operating component of this statement.
- **Statement of Cash Flows** – The statement of cash flows is presented using the direct method of reporting, which reflects cash flows from operating, noncapital financing, capital and related financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of BWC/IC's financial position and results of operations presented in the financial statements. The notes present information about accounting policies and disclose material risks, subsequent events, and contingent liabilities, if any, that may significantly impact BWC/IC's financial position.
- Supplemental Information – The financial statements include the following supplemental information schedules:
 - Required supplemental information that presents BWC/IC's revenue and reserve development information;
 - Required supplemental information that presents BWC/IC's proportionate share of the Ohio Public Employees Retirement System (OPERS) net pension liability;
 - Required supplemental information that presents BWC/IC's contribution to pension based on statutory requirements;
 - Required supplemental information that presents BWC/IC's proportionate share of the OPERS net other post-employment benefits (OPEB) liability;
 - Required supplemental information that presents BWC/IC's contribution to OPEB based on statutory requirements; and
 - Optional supplemental schedules presenting the statement of net position and the statement of revenues, expenses and changes in net position for the individual accounts administered by BWC/IC.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial analysis

Components of BWC/IC's Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position as of June 30, 2020, 2019, and 2018, and for the fiscal years then ended were as follows (000's omitted):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 1,146,478	\$ 1,110,224	\$ 1,873,364
Noncurrent assets	26,635,369	28,262,787	27,008,766
Total assets	<u>\$ 27,781,847</u>	<u>\$ 29,373,011</u>	<u>\$ 28,882,130</u>
Deferred outflows of resources	45,563	137,416	66,462
	<u>\$ 45,563</u>	<u>\$ 137,416</u>	<u>\$ 66,462</u>
Current liabilities	\$ 2,915,700	\$ 4,312,046	\$ 4,328,724
Noncurrent liabilities	13,280,208	13,841,739	14,615,631
Total liabilities	<u>\$ 16,195,908</u>	<u>\$ 18,153,785</u>	<u>\$ 18,944,355</u>
Deferred inflows of resources	67,525	61,116	77,373
	<u>\$ 67,525</u>	<u>\$ 61,116</u>	<u>\$ 77,373</u>
Net investment in capital assets	\$ 97,207	\$ 116,659	\$ 135,770
Unrestricted net position	11,466,770	11,178,867	9,791,094
Total net position	<u>\$ 11,563,977</u>	<u>\$ 11,295,526</u>	<u>\$ 9,926,864</u>
Net premium and assessment income, including provision for uncollectibles	\$ 1,248,759	\$ 1,290,499	\$ 1,183,068
Other income	8,670	9,396	9,407
Total operating revenues	<u>\$ 1,257,429</u>	<u>\$ 1,299,895</u>	<u>\$ 1,192,475</u>
Workers' compensation benefits and compensation adjustment expenses	\$ 1,260,821	\$ 760,096	\$ 804,021
Other expenses	176,282	179,137	153,472
Total operating expenses	<u>\$ 1,437,103</u>	<u>\$ 939,233</u>	<u>\$ 957,493</u>
Policy holder dividend expense	\$ (1,343,613)	\$ (1,182,817)	\$ (1,298,778)
Legal settlement / loss contingency	-	-	(75)
Operating transfers out	(1,425)	(425)	(425)
Net investment income	1,792,931	2,191,121	1,336,579
Gain (loss) on disposal of capital assets	232	121	(175)
Increase in net position	<u>\$ 268,451</u>	<u>\$ 1,368,662</u>	<u>\$ 272,108</u>
Cumulative effect of GASB75 implementation	\$ -	\$ -	\$ (103,315)

(Continued)

**OHIO BUREAU OF WORKERS' COMPENSATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

BWC/IC's net position increased by \$268 million during fiscal year 2020, compared to a \$1.4 billion increase during fiscal year 2019.

- Fiscal year 2020 premium and assessment income of \$1.26 billion reflects an overall reduction of 20% in premium rates for Ohio's private employers for the policy period beginning July 1, 2019, and an overall decrease of 10% and 12% in premium rates for public taxing district (PEC) employers for the policy periods beginning January 1, 2020, and January 1, 2019, respectively. (PEC employers include counties, cities, villages, townships, schools, libraries, and special taxing districts.) Fiscal year 2019 premium and assessment income of \$1.32 billion reflects a 12% decrease in rates for private employers for the policy period beginning July 1, 2018, and PEC employers for the policy period beginning January 1, 2019, and a 6.1% decrease in rates for PEC employers for the policy period beginning January 1, 2018. Refer to Note 1 – Organization Background and Summary of Significant Accounting Policies for more information about premium and assessment income.
- Workers' compensation benefits and compensation adjustment expenses were as follows in fiscal years 2020, 2019, and 2018.

(\$ in millions)	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net benefit payments	\$ 1,271	\$ 1,325	\$ 1,367
Payments for compensation adjustment expenses	237	242	220
Managed Care Organization administrative payments	169	171	171
Change in reserves for compensation and compensation adjustment expenses	<u>(416)</u>	<u>(978)</u>	<u>(954)</u>
	<u>\$ 1,261</u>	<u>\$ 760</u>	<u>\$ 804</u>

- State Insurance Fund (SIF) benefit payments for all accident years were \$23 million or 2% lower than expected during fiscal year 2020. Medical benefits were \$32 million lower than expected. Indemnity benefits were \$8 million higher than expected due to an increase in lumpsum settlement payments during fiscal year 2020. During the past 12 fiscal years, SIF annual payments have been on a consistent decline, ranging from a low of \$1.3 billion in fiscal year 2020 to a high of \$1.9 billion in fiscal year 2008.
- The discounted reserves for workers' compensation benefits and compensation adjustment expenses as of June 30, 2020 are \$416 million lower than the June 30, 2019 discounted liabilities. The recorded liabilities for reserves are management's selection based on estimates calculated by BWC's independent consulting actuary and BWC's Actuarial division staff. Note 1 – Organization Background and Summary of Significant Accounting Policies and Note 4 – Reserves for Compensation and Compensation Adjustment Expenses provide a more detailed discussion of BWC's liabilities for reserves.
- The SIF net position has continued to grow primarily as a result of better than expected investment returns and declines in the reserves for compensation and compensation adjustment expenses for prior years' claims. The net position has exceeded the guidelines in the Net Asset Policy established by the Board. Dividends for private and PEC employers were approved by the Board in April 2020 and June 2019. Dividend expense of \$1.3 billion and \$1.2 billion reduced net position in fiscal years 2020 and 2019, respectively. Refer to Note 12 – Net Position for additional detail regarding BWC/IC's net position and Note 7 – Policy Holder Dividend for additional information on the policy holder dividends.
- Although the investment portfolio was exposed to the market volatility and other economic impacts of the coronavirus (COVID-19) pandemic during the last half of fiscal year 2020, the portfolio's performance for fiscal year 2020 resulted in net investment income of \$1.8 billion, compared to \$2.2 billion in fiscal year 2019. The portfolio earned a net return, after management fees, of 7% during fiscal year 2020 compared to 8.7% in fiscal year 2019.

(Continued)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Conditions expected to affect financial position or results of operations

BWC/IC's guiding principles of prevention and care drive our commitment to keep Ohio workers safer on the job; help injured workers recover and return to their lives – at work and home; and keep costs down for Ohio businesses.

- The COVID-19 pandemic has led to significant economic disruptions that will likely continue for the foreseeable future. Due to the volatility in the financial markets, BWC/IC's investment portfolio has experienced significant fluctuations in value. In response to the economic impacts to BWC/IC's operations and financial position and the economic challenges that BWC/IC's customers are facing, BWC/IC has taken the following actions:
 - negotiated cost reductions with current suppliers and continue to limit non-critical purchases in compliance with Governor DeWine's Executive Orders, budgetary guidance from the Office of Budget and Management, and purchasing guidance from the Department of Administrative Services;
 - reduced private employer estimated annual payroll by 20% for policy year July 1, 2020 through June 30, 2021;
 - allowed deferral of private and PEC employer unpaid premium installment amounts due for the six-month period from March 2020 through August 2020 to September 1, 2020;
 - continued to ship masks to Ohio employers as part of Protecting Ohio's Workforce—We've Got You Covered and received approval to begin a second round of shipments beginning in the fall; and
 - approved the distribution of a policy holder dividend up to \$1.5 billion to private and PEC employers beginning in late October 2020. The dividend is based on the premium paid by private and PEC employers for policy year 2019.
- Private employer statewide average base rates will decrease an average of 13% for the July 1, 2020 policy year. PEC average base rates will decrease 10% for the January 1, 2021 policy year.
- Businesses that invest in workplace safety and health are able to reduce fatalities, injuries, and illnesses, resulting in lower medical and legal expenses as well as lower costs to train replacement employees. BWC offers numerous financial assistance opportunities for employers to invest in workplace safety.
 - Grants are available to purchase safety equipment, promote health and wellness, implement drug-free workplaces, minimize firefighters' exposure to dangerous environmental elements, purchase body armor for first responders, and assist people that work with developmentally disabled children and adults.
 - The Better You, Better Ohio! health and wellness program provides health and wellness resources and services to employees of small employers in high-risk industries. The program encourages workers to take ownership of their health and well-being and proactively pursue a healthier lifestyle. Services include health risk assessments, biometric screenings, lifestyle management and coaching, and chronic disease management. Employers can benefit from this program as it helps to manage and reduce costs for workers' compensation and health care by having a healthier workforce.
 - BWC launched a pilot program in October 2018 to support employers willing to hire workers struggling to overcome an addiction to opioids and other dangerous substances. BWC provides funding to local Alcohol, Drug and Mental Health (ADAMH) Boards in selected counties to administer the Substance Use Recovery and Workplace Safety Program. The program provides reimbursement and training to help employers with hiring, managing, and retaining workers in addiction recovery.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

- BWC's net position policy contains the business rationale, methodology, and guiding principles with respect to maintaining a prudent net position to protect the SIF against financial and operational risks that may threaten the ability to meet future obligations. An economic capital model has been developed to quantify the potential financial risk related to the investment portfolio, the carried loss reserves, the policy pricing and catastrophic event exposure. Based upon review and discussion of the output of the model, the Administrator established guidelines for a Simple Funding Ratio (total assets divided by total liabilities) and a Net Leverage Ratio (premium income plus reserves for compensation and compensation adjustment expense divided by net position). Over the last several fiscal years, the net position has continued to increase, primarily as a result of excess investment returns and lower than expected claims costs. The dividend approved by the Board in September 2020 marks BWC's seventh of \$1 billion or more since 2013. BWC has saved employers nearly \$12 billion in workers' compensation costs since 2011 through dividends, credits, rate reductions, and greater efficiencies. As part of the Board's Strategic Plan, a work group has been meeting on the plan to maintain an adequate net position that will ensure that BWC can manage the financial and enterprise risks associated with operations. Net position will continue to be monitored and the plan will be adjusted as needed based on market changes, new economic models, and other appropriate factors.

The SIF ratios for the end of each fiscal year are presented in the following table:

	2020	2019	2018	Guideline
Simple Funding Ratio	1.89	1.77	1.66	1.30 to 1.50
Net Leverage Ratio	1.05	1.11	1.29	3.0 to 7.0

- From time to time, BWC/IC is involved in judicial proceedings arising in the ordinary course of its business. BWC/IC will vigorously defend these suits and expects to prevail; however, there can be no assurance that BWC/IC will be successful in its defense.

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STATEMENTS OF NET POSITION

June 30, 2020 and 2019

(000's omitted)

	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>
ASSETS			LIABILITIES		
Current assets:			Current liabilities:		
Cash and cash equivalents (Note 2)	\$486,892	\$433,914	Reserve for compensation (Note 4)	\$ 1,364,331	\$ 1,424,703
Collateral on loaned securities (Note 2)	4,167	2,375	Reserve for compensation adjustment expenses (Note 4)	430,404	428,824
Premiums recorded not yet due	14,053	15,708	Unearned premium and assessments	335,968	431,129
Assessments recorded not yet due	2,202	1,847	Legal settlement	4,500	4,500
Premiums in course of collection	5,559	6,464	Warrants payable	75,307	29,726
Assessments in course of collection	13,315	13,364	Group retrospective credit payable (Note 5)	119,073	231,626
Accounts receivable, net of allowance for uncollectibles of \$1,227,683 in 2020; \$1,216,259 in 2019	165,264	286,541	Policy holder dividend payable (Note 7)	7,651	1,296,000
Retrospective premiums receivable	26,672	29,234	Investment trade payables	506,106	396,284
Investment trade receivables	322,223	195,199	Accounts payable	18,576	16,087
Accrued investment income	105,531	124,978	Obligations under securities lending (Note 2)	4,167	2,375
Other current assets	600	600	Other current liabilities (Note 5)	49,617	50,792
Total current assets	<u>1,146,478</u>	<u>1,110,224</u>	Total current liabilities	<u>2,915,700</u>	<u>4,312,046</u>
Noncurrent assets:			Noncurrent liabilities:		
Restricted cash (Note 2)	736	-	Reserve for compensation (Note 4)	11,404,323	11,773,857
Fixed maturities, at fair value (Note 2)	14,590,831	15,168,181	Reserve for compensation adjustment expenses (Note 4)	1,319,096	1,307,176
Domestic equity securities, at fair value - common stock (Note 2)	4,982,702	5,711,396	Net pension liability (Note 8)	198,148	278,560
Domestic equity securities, at fair value - preferred stock (Note 2)	673	1,058	Net OPEB liability (Note 9)	136,667	130,796
Non-U.S equity securities, at fair value - common stock (Note 2)	2,459,620	2,681,443	Group retrospective credit payable (Note 5)	193,546	325,287
Investments in real estate funds (Note 2)	3,468,319	3,523,291	Other noncurrent liabilities (Note 5)	28,428	26,063
Unbilled premiums receivable	983,031	1,001,631	Total noncurrent liabilities	<u>13,280,208</u>	<u>13,841,739</u>
Retrospective premiums receivable	51,020	58,460	Total liabilities	<u>\$ 16,195,908</u>	<u>\$ 18,153,785</u>
Capital assets (Note 3)	97,207	116,659	DEFERRED INFLOW OF RESOURCES (Note 8 and 9)	67,525	61,116
Net pension asset (Note 8)	1,230	668	Total liabilities and deferred inflow of resources	<u>\$ 16,263,433</u>	<u>\$ 18,214,901</u>
Total noncurrent assets	<u>26,635,369</u>	<u>28,262,787</u>	NET POSITION		
Total assets	<u>\$ 27,781,847</u>	<u>\$ 29,373,011</u>	Net investment in capital assets	97,207	116,659
DEFERRED OUTFLOW OF RESOURCES (Note 8 and 9)	45,563	137,416	Unrestricted net position	<u>11,466,770</u>	<u>11,178,867</u>
Total assets and deferred outflow of resources	<u>\$ 27,827,410</u>	<u>\$ 29,510,427</u>	Total net position (Note 12)	<u>\$ 11,563,977</u>	<u>\$ 11,295,526</u>

The accompanying notes are an integral part of the financial statements.

**OHIO BUREAU OF WORKERS' COMPENSATION
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**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

For the fiscal years ended June 30, 2020 and 2019

(000's omitted)

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Premium and assessment income net of ceded premium (Note 6)	\$1,263,961	\$ 1,322,274
Provision for uncollectibles	(15,202)	(31,775)
Other income	8,670	9,396
Total operating revenues	<u>1,257,429</u>	<u>1,299,895</u>
Operating expenses:		
Workers' compensation benefits (Note 4)	841,312	369,563
Compensation adjustment expenses (Note 4)	419,509	390,533
Personal services	86,008	91,216
Other administrative expenses	90,274	87,921
Total operating expenses	<u>1,437,103</u>	<u>939,233</u>
Net operating (loss) income before policy holder dividends	(179,674)	360,662
Policy holder dividend expense (Note 7)	<u>1,343,613</u>	<u>1,182,817</u>
Net operating loss	<u>(1,523,287)</u>	<u>(822,155)</u>
Non-operating revenues:		
Net investment income (Note 2)	1,792,931	2,191,121
Gain (loss) on disposal of capital assets	232	121
Total non-operating revenues	<u>1,793,163</u>	<u>2,191,242</u>
Transfers out	<u>(1,425)</u>	<u>(425)</u>
Increase in net position	268,451	1,368,662
Net position, beginning of year	<u>11,295,526</u>	<u>9,926,864</u>
Net position, end of year	<u>\$ 11,563,977</u>	<u>\$ 11,295,526</u>

The accompanying notes are an integral part of the financial statements.

**OHIO BUREAU OF WORKERS' COMPENSATION
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STATEMENTS OF CASH FLOWS

For the fiscal years ended June 30, 2020 and 2019

(000's omitted)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash receipts from premiums and assessments net of reinsurance	\$ 1,425,410	\$ 1,723,185
Cash receipts - other	32,420	34,119
Cash disbursements for claims	(1,522,468)	(1,574,451)
Cash disbursements to employees for services	(219,767)	(217,489)
Cash disbursements for other operating expenses	(117,823)	(115,803)
Cash disbursements for employer refunds	(2,915,148)	(1,574,017)
Net cash used for operating activities	<u>(3,317,376)</u>	<u>(1,724,456)</u>
Cash flows from noncapital financing activities:		
Transfers out	(1,425)	(425)
Net cash used by noncapital financing activities	<u>(1,425)</u>	<u>(425)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets, net of retirements	(1,541)	(1,834)
Net cash used in capital and related financing activities	<u>(1,541)</u>	<u>(1,834)</u>
Cash flows from investing activities:		
Investments sold	20,166,996	20,202,374
Investments purchased	(17,394,557)	(20,027,914)
Interest and dividends received	658,034	721,697
Investment expenses	(56,417)	(52,424)
Net cash provided by investing activities	<u>3,374,056</u>	<u>843,733</u>
Net (decrease) increase in cash and cash equivalents	53,714	(882,982)
Cash and cash equivalents, beginning of year	433,914	1,316,896
Cash and cash equivalents, end of year	<u>\$ 487,628</u>	<u>\$ 433,914</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENTS OF CASH FLOWS, Continued

For the fiscal years ended June 30, 2020 and 2019

(000's omitted)

	<u>2020</u>	<u>2019</u>
Reconciliation of net operating loss to net cash used for operating activities:		
Net operating loss	\$ (1,523,287)	\$ (822,155)
Adjustments to reconcile net operating loss to net cash used for operating activities:		
Provision for uncollectible accounts	15,202	31,775
Depreciation	21,225	21,066
Pension and other postemployment benefits	23,159	48,500
(Increases) decreases in assets and increases (decreases) in liabilities:		
Premiums and assessments recorded not yet due	1,300	2,747
Premiums and assessments in course of collection	954	1,282
Unbilled premiums receivable	18,600	59,054
Accounts receivable	106,075	(57,058)
Retrospective premiums receivable	10,002	10,586
Reserves for compensation and compensation adjustment expenses	(416,406)	(977,749)
Unearned premiums and assessments	(95,161)	(68,953)
Group retrospective credit payable	(244,294)	119,835
Warrants payable	45,581	(135,369)
Accounts payable	2,489	(17,729)
Policy holder dividend payable	(1,288,349)	59,788
Other liabilities	<u>5,534</u>	<u>(76)</u>
Net cash used for operating activities	<u>\$ (3,317,376)</u>	<u>\$ (1,724,456)</u>
Noncash investing, capital, and financing activities		
Change in fair values of investments	\$ 1,206,417	\$ 1,536,515

The accompanying notes are an integral part of the financial statements.

**OHIO BUREAU OF WORKERS' COMPENSATION
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NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2020 and 2019

1. Organization Background and Summary of Significant Accounting Policies

The Ohio Bureau of Workers' Compensation (BWC) and the Industrial Commission of Ohio (IC) were created in 1912 and 1925, respectively, and are the exclusive providers of workers' compensation insurance to private and public employers in Ohio that have not been granted the privilege of paying compensation and medical benefits directly (self-insured employers). BWC and IC are collectively referred to herein as BWC/IC. BWC/IC was created and is operated pursuant to Chapters 4121, 4123, 4127, and 4131 of the Ohio Revised Code (the Code).

The Governor of the State of Ohio (the State) with the advice and consent of the Senate and nominating committee appoints the BWC Administrator, the three members of the IC, and the 11-member BWC Board of Directors (Board). All members have full voting rights. The BWC Administrator, with the advice and consent of the Board, is responsible for the operations of the workers' compensation system, while the IC is responsible for administering claim appeals.

BWC/IC is a department of the primary government of the State and is a proprietary operation for purposes of financial reporting. The accompanying financial statements include all accounts, activities, and functions of BWC/IC and are not intended to present the financial position, results of operations, or cash flows of the State taken as a whole. The financial information presented herein for BWC/IC will be incorporated within the State's financial statements.

Basis of Presentation

BWC/IC has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America as applicable to government organizations. Accordingly, these financial statements were prepared using the accrual basis of accounting and the economic resources measurement focus.

For internal reporting purposes, BWC/IC maintains separate internal accounts as required by the Code. For external financial reporting purposes, BWC/IC has elected to report as a single column business-type activity, since the individual accounts do not have external financial reporting accountability requirements. All significant interaccount balances and transactions have been eliminated.

BWC/IC administers the following accounts:

- State Insurance Fund (SIF)
- Disabled Workers' Relief Fund (DWRF)
- Coal-Workers Pneumoconiosis Fund (CWPF)
- Public Work-Relief Employees' Fund (PWREF)
- Marine Industry Fund (MIF)
- Self-Insuring Employers' Guaranty Fund (SIEGF)
- Administrative Cost Fund (ACF)

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NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2020 and 2019

Description of the Accounts

SIF, CWPF, PWREF, and MIF provide workers' compensation benefits for qualifying employees sustaining work-related injuries or diseases.

DWRF provides supplemental cost-of-living benefits to persons who are permanently and totally disabled and are receiving benefits from SIF or PWREF. The maximum benefit levels are changed annually based on the United States Department of Labor National Consumer Price Index.

SIEGF provides for the payment of compensation and medical benefits relating to injuries sustained after 1987 by employees of self-insured employers that are bankrupt or in default.

ACF provides for the payment of administrative and operating costs of all accounts except DWRF, CWPF, and MIF, which pay such costs directly. ACF also includes the portion of premiums paid by employers earmarked for the safety and loss prevention activities performed by the Safety & Hygiene Division.

Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenues are primarily derived from premiums and assessments. Operating expenses include the costs of claims, premium dividends, and related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents in the accompanying statements of net position and for the purposes of the statements of cash flows include cash and all highly liquid debt instruments purchased with a maturity of three months or less. Cash equivalents consist of money market funds and commercial paper.

Investments

BWC/IC's investments consist of fixed maturities, domestic equity securities, commingled bond index funds, commingled U.S. equity index funds, commingled non-U.S. equity index funds, U.S. real estate funds, bond funds and collateral on securities lending.

Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fixed income securities, domestic equity securities, and bond funds are valued based on published market prices and quotations from national security exchanges and securities pricing services. The fair value of the commingled bond index funds, commingled domestic equity funds, commingled non-U.S. equity funds, and U.S. real estate funds are based on the value of the underlying net assets of the fund. Dividends, interest earnings, the net increase (decrease) in the fair value of investments (which includes both the change in fair value and realized gains and losses), and investment expenses are aggregated and reported as net investment income in the statements of revenues, expenses and changes in net position. The cost of securities sold is determined using the average cost method. Purchases and sales of investments are recorded as of the trade date.

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NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2020 and 2019

Premium Income

Premiums are based on rates that are approved by the Board and on the employers' payroll, except self-insured employer assessments, which are based on paid compensation. SIF rates for private and public taxing district employers meeting certain size criteria are adjusted based on their own claims experience.

Premium income for SIF, CWPF, PWREF, and MIF is recognized over the coverage period. It is billed in advance of the coverage period, except for CWPF, which is billed and collected in subsequent periods. Premiums earned but not yet invoiced are reflected as premiums in course of collection in the statements of net position. Estimated annual premiums recorded but not yet invoiced are reflected as premiums recorded not yet due and unearned premium in the statements of net position.

In addition to the standard base and experience rated plans, BWC/IC offers the following alternative rating plans:

Group experience rating plans allow employers who operate within similar industries to group together to potentially achieve lower premium rates than they could individually.

Retrospective rating plans are offered to qualified employers on an individual basis. SIF recognizes estimated ultimate premium income on retrospectively rated businesses during the coverage period. Retrospective rating adjustments related to the coverage period are collected in subsequent periods, as experience develops related to injuries incurred during the coverage period. The estimated future retrospective rating adjustments are reflected in the statements of net position as retrospective premiums receivable.

Employers participating in group retrospective rating plans pay experience or base rated premiums as if they were individually rated at the beginning of the policy year. If the group's claims experience is better than expected at evaluation periods 12, 24, and 36 months after the close of the policy year, a portion of the group's premium is returned to employers participating in the group. If the group's claims experience is worse than expected at those intervals, additional premiums are levied on the employers participating in the group. The estimated future group retrospective rating plan credits are reflected in the statements of net position as group retrospective credit payable.

The deductible plan is offered to qualified employers. This plan is similar to that of other insurance deductible plans where an employer agrees to pay the portion of a workers' compensation injury claim that falls below their selected deductible level. For taking on this degree of risk, the employer receives a premium credit.

The Code permits State employers to pay into SIF on a terminal funding (pay-as-you-go) basis. Since BWC/IC has the statutory authority to assess premiums against the State employers in future periods, an unbilled premiums receivable equal to the State's share of the discounted reserve for compensation and compensation adjustment expenses, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net position.

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Assessment Income

DWRF I (DWRF benefits awarded for injuries incurred prior to January 1, 1987) assessments are based on employers' payroll and rates approved by the Board within a statutory range. DWRF II (DWRF benefits awarded for injuries incurred on or after January 1, 1987) and ACF assessments are based on rates that are approved by the Board and on employers' premiums, except for ACF assessments of self-insured employers, which are based on paid workers' compensation benefits. SIEGF assessments are based on paid compensation benefits with the exception of new self-insured employers, which are based on a percentage of prior losses as SIF employers.

Assessment income is recognized over the coverage period and is billed in advance of the coverage period. DWRF I and ACF assessment income is recognized over the period for which the assessment applies. These assessments earned but not yet invoiced were reflected as assessments in course of collection in the statements of net position. Estimated annual assessments recorded but not yet invoiced and unearned assessments are reflected as assessments recorded not yet due in the statements of net position.

In September 2015, the Board approved the funding of DWRF I benefits from SIF investment income for private and public taxing district employers rather than levying assessments against these employers. The annual change in funding commitment has been recorded in SIF and DWRF I as adjustments to the respective premium and assessment income in the statements of revenue, expenses and changes in net position for fiscal years 2020 and 2019. The commitment is reviewed annually and is subject to adjustment based on changes in the estimated DWRF I discounted reserves for compensation and compensation adjustment expenses.

The Code permits employers to pay into DWRF and SIEGF on a terminal funding (pay-as-you-go) basis. As BWC/IC has the statutory authority to assess employers in future periods, an unbilled premiums receivable equal to the discounted reserve for compensation and compensation adjustment expenses for DWRF I public state employers and SIEGF, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net position. SIEGF assessments received or in the course of collection, but not yet recognized, are reflected as a reduction to unbilled premiums receivable.

The year-end balances of the DWRF II cash and investment balances and the DWRF II discounted reserve for compensation and compensation adjustments expenses are compared annually to determine when BWC/IC has an unbilled premiums receivable. At June 30, 2020 and 2019, the total DWRF II cash and investment balances exceeded the DWRF II discounted reserve for compensation and compensation adjustment expenses, thus no unbilled premiums receivable is recorded for DWRF II.

Allowance for Uncollectible Accounts

BWC/IC provides an allowance for uncollectible accounts by charging operations for estimated receivables that will not be collected. The adequacy of the allowance is determined by management based on a review of aged receivable balances and historical loss experience.

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Capital Assets

Capital assets are carried at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Useful Lives (Years)</u>
Buildings	30
Intangible assets	10
Furniture and fixtures	10
Vehicles and equipment	5

When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statements of revenues, expenses and changes in net position. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

Expenditures for the design, software configuration, software interfaces, coding, hardware, hardware installation, data conversion to the extent necessary for the operation of the new software, testing, and licensure on internally generated software exceeding \$1 million are capitalized as an intangible asset. Intangible assets are depreciated upon implementation of the software. The useful lives of intangible assets varies and is determined upon completion of each project.

Reserves for Compensation and Compensation Adjustment Expenses

The reserve for compensation includes actuarial unpaid indemnity and medical loss estimates for both reported claims and claims incurred but not reported (IBNR). The reserve for compensation adjustment expenses is determined by estimating future expenses to be incurred in settlement of the claims. The reserve for compensation is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, duration, and inflationary trends for medical claim reserves. The reserve for compensation adjustment expenses is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, and the reserve for compensation. The reserves for compensation and compensation adjustment expense do not contemplate future changes due to judicial or legislative actions that cannot be reasonably estimated. The methods and assumptions used in developing such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. The reserves for compensation and compensation adjustment expenses are discounted at 4.0% at June 30, 2020 and 2019 to reflect the present value of future benefit payments. The selected discount rate approximates an average expected investment yield on BWC/IC's investment portfolio that supports the future payment of the underlying BWC/IC's reserves.

Management believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses and related expenses. While management and their consultants use currently available

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information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on actual future claims experience and changing claims frequency, severity, duration, and inflationary trends for medical claim reserves.

Reinsurance

BWC/IC purchases workers' compensation excess of loss reinsurance to include coverage for catastrophic events and terrorism. Ceded reinsurance transactions are accounted for based on estimates of their ultimate cost. Reserves for compensation and compensation adjustment expenses are reported gross of reinsured amounts. Reinsurance premiums are reflected as a reduction of premium income. The current contract covers the fiscal years ended June 30, 2020 and 2019 and has been discontinued at the end of this contract.

Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension liability, net pension asset, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension expense, and OPEB expense, information about the fiduciary net position of the Ohio Public Employee's Retirement System's (OPERS) Plans and additions to / deductions from the OPERS Plans' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, OPERS records deductions when the liability is incurred and recognizes revenues when earned in accordance with benefit terms. OPERS' investments are reported at fair value.

Use of Estimates

In preparing the financial statements BWC/IC's management and pension/OPEB plans are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could and very likely will differ from those estimates due to unforeseeable events or circumstances.

2. Cash and Investments

BWC/IC is authorized by Section 4123.44 of the Code to invest using an investment policy established by the Board, which uses the prudent person standard. The prudent person standard requires investments be made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

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The composition of cash and investments held at June 30, 2020 and 2019, is presented below (000's omitted):

	2020 <u>Fair Value</u>	2019 <u>Fair Value</u>
Fixed maturities		
U.S. corporate bonds	\$ 5,316,999	\$ 5,079,118
U.S. treasury inflation protected securities	2,019,188	2,386,311
U.S. government obligations	1,818,801	2,348,274
Non-U.S. corporate bonds	1,179,031	1,248,603
U.S. government agency mortgages	949,759	852,258
Commingled U.S. treasury inflation protected securities	817,779	755,107
Commingled U.S. Long Government / Credit Fixed Income	685,847	637,413
Asset backed securities	507,797	544,142
Commercial mortgage backed securities	384,644	348,100
U.S. state and local government agencies	331,606	358,503
Non-U.S. government and agency bonds	217,086	214,040
Commingled U.S. aggregate indexed fixed income	160,960	149,232
Bond funds	81,812	73,255
Commingled U.S. intermediate duration fixed income	47,557	44,367
Preferred securities	34,143	45,767
U.S. government agency bonds	29,185	62,265
Bank loans	6,307	18,022
Supranational issues	2,330	3,404
Total fixed maturities	<u>14,590,831</u>	<u>15,168,181</u>
Domestic equity securities - common stocks	4,528,490	5,297,711
Domestic equity securities - preferred stocks	673	1,058
Commingled domestic equity securities - common stocks	454,212	413,685
Commingled Non-U.S. equity securities - common stocks	2,459,620	2,681,443
Commingled investments in real estate	3,468,319	3,523,291
Securities lending short-term collateral	4,167	2,375
Restricted cash	736	-
Cash and cash equivalents		
Cash	50,456	31,317
Short-term money market fund	436,436	402,597
Total cash and cash equivalents	<u>486,892</u>	<u>433,914</u>
	<u>\$ 25,993,940</u>	<u>\$ 27,521,658</u>

Net investment income for the fiscal years ended June 30, 2020 and 2019, is summarized as follows (000's omitted):

	<u>2020</u>	<u>2019</u>
Fixed maturities	\$ 422,414	\$ 483,230
Equity securities	95,557	99,428
Real estate	126,247	132,061
Cash equivalents	5,991	8,712
	<u>650,209</u>	<u>723,431</u>
Increase (decrease) in fair value of investments	1,206,417	1,536,515
Investment expenses	(63,695)	(68,825)
	<u>\$1,792,931</u>	<u>\$2,191,121</u>

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Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, BWC/IC's deposits might not be recovered. Banks must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 102% of the total public monies on deposit at the institution. At June 30, 2020 and 2019, the carrying amount of BWC/IC's cash deposits were \$50.5 million and \$31.3 million, respectively, and the bank balances were \$12.8 million and \$6.8 million, respectively. Differences between the carrying amount and bank balances are primarily due to in transit credit card and online payments. Of the June 30, 2020 and 2019, bank balances, \$250 thousand were insured by the FDIC. The remaining cash balance on deposit with the bank was collateralized by pledges held by the trustee of either a surety bond or securities with a sufficient market value and was not exposed to custodial credit risk. Any pledged securities are held by the Federal Reserve, the Federal Home Loan Bank, or an insured financial institution serving as agent of the Treasurer of the State of Ohio.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of a counterparty to a transaction, BWC/IC will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. BWC/IC's investments are not exposed to custodial credit risk and are held in BWC/IC's name at either JP Morgan, in commingled account types, or are fixed maturity bank loans, which by definition, are not exposed to custodial credit risk. Commingled bond and U.S. equity funds are held in the custody of State Street. The commingled non-U.S. equity fund is held in the custody of JP Morgan. The underlying securities in the short-term money market fund are high-quality, short-term debt securities issued or guaranteed by the U.S. government or by U.S. government agencies or instrumentalities, and repurchase agreements fully collateralized by U.S. Treasury and U.S. government securities.

Fair Value Measurements

BWC/IC's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 - Investments reflect prices quoted in active markets and are valued directly from a primary external pricing vendor.
- Level 2 - Investments reflect prices that are observable either directly or indirectly. Inputs may include quoted prices in markets that are not considered active or inputs other than quoted prices that are observable such as interest rates, yield curves, implied volatilities, credit spreads or market-corroborated inputs. These investments are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

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Level 3 - Investments reflect prices based upon unobservable sources. Asset backed securities, commercial mortgage backed securities, and bank loans are classified in Level 3 and are valued using an internal fair value as provided by the investment manager or other unobservable pricing source.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The fair value measurement of investments held at June 30, 2020 and 2019, is presented below (000's omitted):

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	2020 Fair Value Total
Fixed Maturities				
U.S. corporate bonds	\$ 6,757	\$ 5,310,242	\$ -	\$ 5,316,999
U.S. treasury inflation protected securities	2,019,188	-	-	2,019,188
U.S. government obligations	1,697,605	121,196	-	1,818,801
Non-U.S. corporate bonds	-	1,179,031	-	1,179,031
U.S. government agency mortgages	-	940,883	8,876	949,759
Asset backed securities	-	387,874	119,923	507,797
U.S. state and local government agencies	-	328,948	2,658	331,606
Commercial mortgage backed securities	-	352,484	32,160	384,644
Non-U.S. government and agency bonds	-	217,086	-	217,086
U.S. government agency bonds	-	29,185	-	29,185
Preferred securities	-	34,143	-	34,143
Bond funds	29,463	-	-	29,463
Bank loans	-	-	6,307	6,307
Supranational issues	-	2,330	-	2,330
Domestic equity securities - common stocks	4,528,490	-	-	4,528,490
Domestic equity securities - preferred stocks	540	133	-	673
Securities lending short-term collateral	-	4,167	-	4,167
	<u>\$ 8,282,043</u>	<u>\$ 8,907,702</u>	<u>\$ 169,924</u>	<u>\$ 17,359,669</u>

Investments measured at net asset value:

Commingled U.S. aggregate indexed fixed income	160,960
Commingled U.S. Long Government / Credit Fixed Income	685,847
Commingled U.S. treasury inflation protected securities	817,779
Commingled U.S. intermediate duration fixed income	47,557
Investment in Bond Fund	52,349
Commingled domestic equity securities - common stocks	454,212
Commingled Non-U.S. equity securities - common stocks	2,459,620
Commingled investments in real estate	3,468,319
	<u>\$ 8,146,643</u>

Restricted Cash : \$ 736

Cash and Cash Equivalents: \$ 486,892

Total Investments: \$ 25,993,940

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	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	2019 Fair Value Total
Fixed Maturities				
U.S. corporate bonds	\$ -	\$ 5,079,118	\$ -	\$ 5,079,118
U.S. treasury inflation protected securities	2,386,311	-	-	2,386,311
U.S. government obligations	2,170,761	177,513	-	2,348,274
Non-U.S. corporate bonds	-	1,247,387	1,216	1,248,603
U.S. government agency mortgages	-	852,258	-	852,258
Asset backed securities	-	410,278	133,864	544,142
U.S. state and local government agencies	-	358,503	-	358,503
Commercial mortgage backed securities	-	323,546	24,554	348,100
Non-U.S. government and agency bonds	-	214,040	-	214,040
U.S. government agency bonds	-	62,265	-	62,265
Preferred securities	-	45,767	-	45,767
Bond funds	29,898	-	-	29,898
Bank loans	-	-	18,022	18,022
Supranational issues	-	3,404	-	3,404
Domestic equity securities - common stocks	5,297,711	-	-	5,297,711
Domestic equity securities - preferred stocks	888	170	-	1,058
Securities lending short-term collateral	-	2,375	-	2,375
	<u>\$ 9,885,569</u>	<u>\$ 8,776,624</u>	<u>\$ 177,656</u>	<u>\$ 18,839,849</u>

Investments measured at net asset value:	
Commingled U.S. aggregate indexed fixed income	149,232
Commingled U.S. Long Government / Credit Fixed Income	637,413
Commingled U.S. treasury inflation protected securities	755,107
Commingled U.S. intermediate duration fixed income	44,367
Investment in Bond Fund	43,357
Commingled domestic equity securities - common stocks	413,685
Commingled Non-U.S. equity securities - common stocks	2,681,443
Commingled investments in real estate	3,523,291
	<u>\$ 8,247,895</u>

Cash and Cash Equivalents: \$ 433,914

Total Investments: \$ 27,521,658

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For the investments below which do not have a readily determinable fair value, net asset value per unit is used as a practical expedient for establishing fair value. The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the tables below (000's omitted).

Investments Measured at the NAV
FY 2020

Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Commingled U.S. aggregate indexed fixed income	\$ 160,960	\$ -	Daily	5 days
Commingled U.S. long government / credit fixed income	685,847	-	Daily	5 days
Commingled U.S. treasury inflation protected securities	817,779	-	Daily	5 days
Commingled U.S. intermediate duration fixed income	47,557	-	Daily	5 days
Investment in Bond Fund	52,349	-	Bi-Monthly	15 days
Commingled domestic equity securities - common stocks	454,212	-	Daily	5 days
Commingled Non-U.S. equity securities - common stocks	2,459,620	-	Daily	5 days
Commingled investments in real estate:				
Core real estate	2,256,773	-	Quarterly	1 quarter
Core plus real estate	905,542	-	Quarterly	1 quarter
Value added real estate	306,004	317,971	Illiquid	
Total Commingled investments in real estates:	\$ 3,468,319	\$ 317,971		

Investments Measured at the NAV
FY 2019

Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Commingled U.S. aggregate indexed fixed income	\$ 149,232	\$ -	Daily	5 days
Commingled U.S. long government / credit fixed income	637,413	-	Daily	5 days
Commingled U.S. treasury inflation protected securities	755,107	-	Daily	5 days
Commingled U.S. intermediate duration fixed income	44,367	-	Daily	5 days
Investment in Bond Fund	43,357	-	Bi-Monthly	15 days
Commingled domestic equity securities - common stocks	413,685	-	Daily	5 days
Commingled Non-U.S. equity securities - common stocks	2,681,443	-	Daily	5 days
Commingled investments in real estate:				
Core real estate	2,361,391	-	Quarterly	1 quarter
Core plus real estate	875,345	-	Quarterly	1 quarter
Value added real estate	286,555	308,319	Illiquid	
Total Commingled investments in real estates:	\$ 3,523,291	\$ 308,319		

Commingled fixed maturities, domestic equity, and non-U.S. equity funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments. Investment in the bond fund is valued monthly per the fund manager.

BWC/IC invests in real estate through limited partnerships, commingled funds, and commingled real estate investment trusts. Core and Core Plus real estate funds owned are open-ended funds that offer each investor the right to redeem all or a portion of their investment ownership interest once every quarter at the stated unit net asset value of the fund. Value-added real estate funds owned are close-ended funds and do not offer such redemption rights and, therefore, can be considered to be illiquid investments. The real estate funds provide BWC/IC with quarterly valuations based on the most recent capital account balances. Individual properties owned by the funds are valued by an outside independent certified real estate appraisal firm at least once a year and are adjusted as often as every quarter if material

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market or operational changes have occurred. Each asset is also valued internally on a quarterly basis by each fund. The internal and external valuations of properties owned are subject to oversight and review by an independent valuation advisor firm. Debt obligations of each fund receive market value adjustments by the fund every quarter, generally with the assumption that such positions will be held to maturity. Annual external audits of the funds include a review of compliance with the fund's valuation policies.

Interest Rate Risk – Fixed-Income Securities

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. BWC/IC manages the exposure to fair value loss arising from increasing interest rates by requiring that each fixed-income portfolio be invested with duration characteristics that are within a range consistent with Bloomberg Barclays Fixed Income Index ranges.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flow, weighted for those cash flows as a percentage of the investment's full price. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments such as callable bonds, prepayments, and variable-rate debt. The effective duration measures the sensitivity of the market price to parallel shifts in the yield curve.

At June 30, 2020 and 2019, the effective duration of BWC's fixed-income portfolio is as follows (000's omitted):

<u>Investment Type</u>	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	<u>Fair Value</u>	<u>Effective Duration</u>	<u>Fair Value</u>	<u>Effective Duration</u>
U.S. corporate bonds	\$ 5,316,999	13.10	\$ 5,079,118	12.34
U.S. treasury inflationary protected securities	2,019,188	8.29	2,386,311	7.99
U.S. government obligations	1,818,801	8.91	2,348,274	7.94
Non-U.S. corporate bonds	1,179,031	10.35	1,248,603	9.66
U.S. government agency mortgages	949,759	2.81	852,258	3.19
Commingled U.S. treasury inflationary protected securities	817,779	7.90	755,107	7.62
Commingled U.S. Long Government / Credit Fixed Income	685,847	16.75	637,413	15.66
Asset backed securities	507,797	1.59	544,142	1.64
Commercial mortgage backed securities	384,644	3.88	348,100	4.22
U.S. state and local government agencies	331,606	12.85	358,503	12.25
Non-U.S. government and agency bonds	217,086	11.44	214,040	10.94
Commingled U.S. aggregate indexed fixed income	160,960	6.05	149,232	5.74
Bond funds	81,812	1.62	73,255	0.15
Commingled U.S. intermediate duration fixed income	47,557	4.10	44,367	3.94
Preferred securities	34,143	3.31	45,767	4.05
U.S. government agency bonds	29,185	14.72	62,265	6.14
Bank loans	6,307	0.34	18,022	0.25
Supranational issues	2,330	1.70	3,404	2.48
Total fixed maturities	<u>\$ 14,590,831</u>		<u>\$ 15,168,181</u>	

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Although the short-term money market fund is generally less sensitive to interest rate changes than are funds that invest in longer-term securities, changes in short-term interest rates will cause changes to its yield resulting in some interest rate risk.

Credit Risk – Fixed-Income Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. U.S. government obligations, U.S. treasury inflation protected securities, and commingled U.S. treasury inflation protected securities are all rated AA by Standard and Poor's (S&P) in fiscal years 2020 and 2019. Obligations of the U.S. government are explicitly guaranteed by the U.S. government. BWC/IC's fixed-income securities were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P rating scale (000's omitted):

Quality Rating	2020	2019
<u>Credit risk debt quality</u>	<u>Fair Value</u>	<u>Fair Value</u>
AAA	\$ 625,120	\$ 624,456
AA	1,239,332	1,206,021
A	2,650,148	2,270,814
BBB	3,772,603	4,086,518
BB	439,379	399,172
B	179,427	126,364
CCC	39,363	41,468
CC	4,193	3,442
C	789	128
D	5,765	-
NR	-	5,583
Total credit risk debt securities	<u>8,956,119</u>	<u>8,763,966</u>
U.S. government agency bonds		
AAA	10,033	10,179
AA	19,152	52,086
Total U.S. government agency bonds	<u>29,185</u>	<u>62,265</u>
U.S. government agency mortgages		
AAA	193,782	137,818
AA	753,905	711,936
A	-	2,240
BBB	715	264
BB	1,167	-
B	190	-
Total U.S. government agency mortgages	<u>949,759</u>	<u>852,258</u>
U.S. government obligations (AA)	1,818,801	2,348,274
U.S. treasury inflation protected securities (AA)	2,019,188	2,386,311
Commingled U.S. treasury inflation protected securities (AA)	817,779	755,107
Total fixed maturities	<u>\$ 14,590,831</u>	<u>\$ 15,168,181</u>

The short-term money market fund carries an AAA credit rating.

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Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of BWC/IC's investment in a single issuer. In 2020 and 2019, there is no single issuer that comprises 5% or more of the overall portfolio with the exception of BWC/IC's investments in the U.S. government.

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BWC's exposure to foreign currency risk as of June 30, 2020 and 2019, is as follows (000's omitted):

<u>Currency</u>	2020 <u>Fair Value</u>	2019 <u>Fair Value</u>
Argentine Peso	\$ 172	\$ 2,014
Australian Dollar	105,368	125,142
Bermudian Dollar	1,681	2,893
Brazilian Real	36,121	53,718
British Pound	203,240	256,912
Canadian Dollar	159,040	182,274
Caymanian Dollar	1,163	559
Chilean Peso	4,138	6,468
Chinese Renminbi	267,345	200,274
Colombian Peso	1,280	2,995
Czech Koruna	712	1,086
Danish Krone	37,144	30,558
Egyptian Pound	759	1,010
Euro	529,517	609,963
Hong Kong Dollar	71,801	88,633
Hungarian Forint	1,667	2,089
Indian Rupee	56,103	63,029
Indonesian Rupiah	10,297	14,963
Israeli Shekel	10,113	10,332
Japanese Yen	403,018	421,388
Macau Pataca	1,484	2,096
Malaysian Ringgit	12,415	14,913
Manx Pound	864	1,011
Mexican Peso	12,129	18,096
New Zealand Dollar	5,145	4,452
Norwegian Krone	8,215	11,897
Pakistani Rupee	171	220
Papua New Guinean Kina	513	831
Peruvian Nuevo Sol	234	443
Philippines Peso	5,809	7,938
Polish Zloty	5,034	7,883
Qatari Rial	5,858	6,545
Russian Ruble	22,295	28,801
Saudi Riyal	18,668	9,919
Singapore Dollar	17,725	23,876
South African Rand	25,898	40,957
South Korean Won	81,185	87,052
Swedish Krona	45,784	43,880
Swiss Franc	169,246	172,745
Taiwan Dollar	84,910	76,071
Thailand Baht	15,737	20,962
Turkish Lira	2,989	3,524
United Arab Emirates Dirham	3,678	4,896
Exposure to foreign currency risk	<u>2,446,665</u>	<u>2,665,308</u>
United States Dollar	12,955	16,135
Total international securities	<u>\$ 2,459,620</u>	<u>\$ 2,681,443</u>

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Securities Lending

At June 30, 2020 and 2019, BWC/IC had no securities out on loan. BWC/IC has been allocated with cash collateral of \$4.2 million in 2020 and \$2.4 million in 2019 from the securities lending program administered through the Treasurer of State's Office based on the amount of cash equity in the State's common cash and investment account.

3. Capital Assets

Capital asset activity and balances as of and for the fiscal years ended June 30, 2020 and 2019, are summarized as follows (000's omitted):

	Balance at 6/30/2018	Increases	Decreases	Balance at 6/30/2019	Increases	Decreases	Balance at 6/30/2020
Capital assets not being depreciated							
Land	\$ 9,466	\$ -	\$ -	\$ 9,466	\$ -	\$ -	\$ 9,466
Subtotal	9,466	-	-	9,466	-	-	9,466
Capital assets being depreciated							
Buildings	205,831	-	-	205,831	-	-	205,831
Building improvements	3,608	-	-	3,608	-	-	3,608
Furniture and equipment	29,560	1,982	(4,457)	27,085	1,788	(3,710)	25,163
Subtotal	238,999	1,982	(4,457)	236,524	1,788	(3,710)	234,602
Accumulated depreciation							
Buildings	(186,107)	(6,787)	-	(192,894)	(6,947)	-	(199,841)
Building improvements	(1,284)	(177)	-	(1,461)	(177)	-	(1,638)
Furniture and equipment	(21,902)	(2,684)	4,430	(20,156)	(2,844)	3,695	(19,305)
Subtotal	(209,293)	(9,648)	4,430	(214,511)	(9,968)	3,695	(220,784)
Capital assets being amortized							
Intangible assets - definite useful lives	115,789	-	-	115,789	-	-	115,789
Accumulated amortization	(19,191)	(11,418)	-	(30,609)	(11,257)	-	(41,866)
Subtotal	96,598	(11,418)	-	85,180	(11,257)	-	73,923
Net capital assets	\$ 135,770	\$ (19,084)	\$ (27)	\$ 116,659	\$ (19,437)	\$ (15)	\$ 97,207

4. Reserves for Compensation and Compensation Adjustment Expenses

The reserve for compensation consists of reserves for indemnity and medical claims resulting from work-related injuries or illnesses. The recorded liabilities for compensation and compensation adjustment expenses are BWC management's selection based on estimates by BWC's independent consulting actuary and BWC's Actuarial division staff. Management believes that the recorded liabilities make for a reasonable and appropriate provision for expected future losses and expenses; however, the ultimate liabilities may vary from the amounts provided.

All reserves have been discounted at 4.0% at June 30, 2020 and 2019. A decrease in the discount rate to 3.0% would result in the reserves for compensation and compensation adjustment expenses increasing to \$16.2 billion at June 30, 2020, while an increase in the rate to 5.0% would result in the reserves for compensation and compensation adjustment expenses decreasing to \$13.3 billion. The undiscounted reserves for compensation and compensation adjustment expenses were \$23.7 billion at June 30, 2020, and \$24.6 billion at June 30, 2019.

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The changes in the reserves for compensation and compensation adjustment expenses for the fiscal years ended June 30, 2020, 2019, and 2018, are summarized as follows (000,000's omitted):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Reserves for compensation and compensation adjustment expenses, beginning of period	\$ 14,934	\$ 15,912	\$ 16,866
Incurred:			
Provision for insured events of current period	1,414	1,465	1,507
Net (decrease) increase in provision for insured events of prior periods net of discount accretion of \$597 in 2020, \$636 in 2019, and \$675 in 2018.	<u>(153)</u>	<u>(705)</u>	<u>(703)</u>
Total incurred	1,261	760	804
Payments:			
Compensation and compensation adjustment expenses attributable to insured events of current period	330	348	341
Compensation and compensation adjustment expenses attributable to insured events of prior period	<u>1,347</u>	<u>1,390</u>	<u>1,417</u>
Total payments	1,677	1,738	1,758
Reserves for compensation and compensation adjustment expenses, end of period	<u>\$ 14,518</u>	<u>\$ 14,934</u>	<u>\$ 15,912</u>

5. Long-Term Obligations

Activity for long-term obligations (excluding the reserves for compensation and compensation adjustment expenses – see Note 4) for the fiscal years ended June 30, 2020 and 2019, is summarized as follows (000's omitted):

	<u>Balance at 6/30/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 6/30/2019</u>	<u>Due Within One Year</u>
Net pension liability	\$ 162,718	\$ 115,842	\$ -	\$ 278,560	\$ -
Net OPEB liability	111,078	19,718	-	130,796	-
Group retrospective credit payable	437,078	371,618	(251,783)	556,913	231,626
Other liabilities	67,985	127,453	(118,583)	76,855	50,792
	<u>\$ 778,859</u>	<u>\$ 634,631</u>	<u>\$ (370,366)</u>	<u>\$ 1,043,124</u>	<u>\$ 282,418</u>
	<u>Balance at 6/30/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 6/30/2020</u>	<u>Due Within One Year</u>
Net pension liability	\$ 278,560	\$ -	\$ (80,412)	\$ 198,148	\$ -
Net OPEB liability	130,796	5,871	-	136,667	-
Group retrospective credit payable	556,913	247,142	(491,436)	312,619	119,073
Other liabilities	76,855	128,127	(126,937)	78,045	49,617
	<u>\$ 1,043,124</u>	<u>\$ 381,140</u>	<u>\$ (698,785)</u>	<u>\$ 725,479</u>	<u>\$ 168,690</u>

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6. Reinsurance

BWC/IC purchased catastrophic reinsurance for the fiscal years ended June 30, 2020 and 2019, for risks in excess of its retention limits on workers' compensation insurance policies written. Management is not aware of any catastrophes during the coverage periods listed below, and BWC/IC has not recorded any reinsurance recoveries. BWC/IC discontinued the reinsurance contract as of the end of the current contract June 30, 2020.

In every policy period reported below, Section Two covers BWC's remaining liability under the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA). TRIPRA is in effect for losses up to \$1 billion. Certain provisions frame the coverage under TRIPRA and they are the following:

- The aggregate losses from an occurrence must exceed \$100 million. This minimum increases \$20 million per year from 2016 to 2020.
- Each insurer will have an annual aggregate retention equal to 20% of its prior year's direct earned premiums.
- Each insurer will be responsible for 15% of losses otherwise recoverable that exceed its TRIPRA retention. This percentage increases 1% per year from 2016 to 2020.

Coverage for policies is provided under the following terms:

- Section One – Other than Acts of Nuclear, Biological, Chemical, or Radiological (NBCR) Terrorism - 50% of \$250 million in excess of \$100 million per Loss Occurrence - Maximum loss of \$10 million of any one person
- Section Two – Only for Acts of Terrorism including NBCR Terrorism - \$100 million in excess of \$350 million per Loss Occurrence - Maximum loss of \$10 million of any one person

The following premiums ceded for reinsurance coverage have been recorded in the accompanying basic financial statements for the fiscal years ended June 30, 2020 and 2019 (000's omitted):

	<u>2020</u>	<u>2019</u>
Premium and assessment income	\$ 1,267,508	\$ 1,325,821
Ceded premiums	(3,547)	(3,547)
Total premium and assessment income net of ceded premiums	\$ 1,263,961	\$ 1,322,274

Should the reinsurers be unable to meet their obligations under the reinsurance contracts, BWC/IC would remain liable for coverage ceded to its reinsurers. Reinsurance contracts do not relieve BWC/IC of its obligations, and a failure of the reinsurer to honor its obligations could result in losses to BWC/IC. BWC/IC evaluates and monitors the financial condition of its reinsurers to minimize its exposure to loss from reinsurer insolvency. BWC/IC management believes its reinsurers are financially sound and will continue to meet their contractual obligations.

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BWC/IC's reinsurers had the following AM Best ratings at June 30, 2020 and 2019:

<u>Reinsurer</u>	<u>2020</u>	<u>2019</u>
Allied World Assurance Co. Ltd.	A	A
Arch Reinsurance Co	A+	*
Axis Specialty Ltd.	A	A+
Brit Global Speciality [Syn. 2987]	*	A
Hannover Re (Bermuda) Ltd.	A+	A+
Cincinnati Ins Co	A+	A+
London Markets	A	A
Markel Global Re Co	A	A
MS Almin AG	A	*
Renaissance Re	A+	A+

*Reinsurer not under contract

Other States Coverage

BWC provides access to optional insurance coverage for Ohio companies who meet BWC's underwriting criteria and have out of state workers' compensation exposures. This optional policy offers coverage for workers' compensation gaps and protects employers from penalties and stop-work orders in other states. Zurich American Insurance Company acts as the fronting carrier of the Other States Coverage policies. Acrisure LLC, dba United States Insurance Services Inc, acts as the exclusive fronting agency. The SIF provides 100% reinsurance for the policies in this program.

7. Policy Holder Dividend

BWC's net asset policy contains the business rationale, methodology, and guiding principles with respect to maintaining a prudent net position to protect SIF against financial and operational risks that may threaten the ability to meet future obligations.

The Board approved a dividend to reduce the net position in SIF at the April 2020 board meeting. As a result, the private employers were granted a dividend equivalent to 100% of billed premiums for the July 1, 2018, through June 30, 2019, policy period, while PEC employers were also granted a dividend equivalent to 100% of premiums for the January 1, 2018, through December 31, 2018, policy period. This action resulted in premium dividend expense of \$1.3 billion and a reduction of the group retrospective credit payable balance of \$215 million in fiscal year 2020.

In fiscal year 2019 the Board approved a dividend for both private and PEC employers of 88% of billed premiums for the July 1, 2017, through June 30, 2018, policy period and January 1, 2017, through December 31, 2017, policy period, respectively. As a result, premium dividend expense for fiscal year 2019 totaled \$1.2 billion.

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These policy holder dividends reduce the SIF net position, but preserve a prudent net position while maintaining the ability to meet future obligations for the fund.

8. Pension Plans

General Information

BWC/IC employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer public employee retirement system. OPERS administers three pension plans:

- The Traditional Plan - a defined benefit plan.
- The Combined Plan – a combination of a defined benefit plan and a defined contribution plan. This plan invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Plan benefit. Member contributions are self-directed by the members and accumulate retirement assets in a manner similar to the Member-Directed Plan.
- The Member-Directed Plan – a defined contribution plan. Under this plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings thereon.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Benefits are established and may be amended by State statute. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a publicly available financial report that includes financial statements, required supplementary information, information about the pension plan's fiduciary net position, and the Plan Statement with pension plan details. The report is available by visiting <https://www.opers.org/financial/reports.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377. As of June 30, 2020, the most recent report issued by OPERS is for the calendar year ended December 31, 2019.

Funding Policy

Chapter 145 of the Ohio Revised Code provides statutory authority for employee and employer contributions. During fiscal years 2020 and 2019, the employee contribution rate was 10% and the employer contribution rate was 14% of covered payroll for all three plans. BWC/IC's contractually required employer contributions were \$20.5 million for calendar year 2019 and \$20.1 million for calendar year 2018.

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Measurement Date

The measurement dates for the net pension assets and liabilities, deferred inflows and outflows of resources, and pension expense were December 31, 2019, for fiscal year 2020 and December 31, 2018, for fiscal year 2019. OPERS total pension assets and liabilities that were used to calculate the net pension asset and liability were also based on an actuarial valuation as of these dates.

Proportionate Share

BWC/IC's proportionate shares of the net pension assets and liabilities are determined as BWC/IC's share of contributions to the pension plan relative to the total employer contributions from all participating OPERS employers. Member and employer contributions included in OPERS' Statement of Changes in Fiduciary Net Position are used to calculate proportionate share. At December 31, 2019 and 2018, BWC/IC's proportions were as follows:

	<u>December 2019</u>	<u>December 2018</u>
Traditional Plan	1.002487%	1.017089%
Combined Plan	0.589865%	0.597195%

Pension Assets, Deferred Outflows of Resources, Pension Liabilities, Deferred Inflows of Resources, and Pension Expense

At June 30, 2020 and 2019, BWC/IC reported \$1.2 million and \$668 thousand, respectively, for its proportionate share of the Combined Plan's net pension asset and a liability of \$198.1 million and \$278.6 million, respectively, for its proportionate share of the Traditional Plan's net pension liability.

For the fiscal years ended June 30, 2020 and 2019, BWC/IC recognized pension expense of \$8.8 million and \$38.9 million, respectively.

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At June 30, 2020 and 2019, BWC/IC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (000's omitted):

	June 2020		June 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,808	\$ 14	\$ 3,954
Net difference between projected and actual earnings on pension plan investments	-	39,946	83,059	45,307
Changes in proportion and differences between BWC/IC contributions and proportional share of contributions	2,148	3,445	2,152	3,863
Assumption changes	10,864	-	24,460	-
BWC/IC contributions subsequent to the measurement date	10,582	-	11,093	-
Total	<u>\$ 23,594</u>	<u>\$ 46,199</u>	<u>\$ 120,778</u>	<u>\$ 53,124</u>

In 2020 and 2019, deferred outflows of resources related to pensions resulting from BWC/IC's contributions subsequent to the measurement date of \$10.6 million and \$11.1 million, respectively, will be recognized as a reduction of net pension liability in the fiscal years ended June 30, 2020 and 2019, respectively.

Deferred outflows of resources includes the BWC/IC's proportionate share of the effects of changes in assumptions resulting from OPERS experience study for the period 2011 through 2015. Information from this study led to changes in both demographic and economic assumptions. The long-term pension investment return assumption for the defined benefit investments was reduced over the last two years from 7.5% to 7.2%. These assumption changes as well as other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future years as follows (000's omitted):

Year ended June 30:	As of June 30, 2020		As of June 30, 2019	
	2021	\$ (5,780)	2020	\$ 24,168
	2022	(13,434)	2021	11,591
	2023	1,858	2022	3,223
	2024	(15,785)	2023	17,623
	2025	(19)	2024	(20)
	Thereafter	\$ (27)	Thereafter	\$ (24)

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Actuarial Assumptions

The total pension liabilities in the December 31, 2019 and 2018, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

December 2019

	Traditional Pension Plan	Combined Plan
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)	3.25% - 8.25% (includes wage inflation at 3.25%)
Cost of living Adjustments	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 1.40% Simple through 2020, then 2.15% Simple	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 1.40% Simple through 2020, then 2.15% Simple

December 2018

	Traditional Pension Plan	Combined Plan
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)	3.25% - 8.25% (includes wage inflation at 3.25%)
Cost of living Adjustments	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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The actuarial assumptions used in the December 31, 2019 and 2018, valuations were based on the results of an actuarial experience study for a 5 year period ended December 31, 2015. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected best estimates of arithmetical rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The table below displays the OPERS Board approved asset allocation policy for December 2019 and 2018 and the expected real rates of return.

Asset Class	<u>December 2019</u>		<u>December 2018</u>	
	Target Allocation	Weighted Average Longterm Expected Real Rate of Return	Target Allocation	Weighted Average Longterm Expected Real Rate of Return
Fixed income	25.00%	1.83%	23.00%	2.79%
Domestic equity	19.00%	5.75%	19.00%	6.21%
International equity	21.00%	7.66%	20.00%	7.83%
Real estate	10.00%	5.20%	10.00%	4.90%
Private equity	12.00%	10.70%	10.00%	10.81%
Other Investments	13.00%	4.98%	18.00%	5.50%
Total	100.00%	5.61%	100.00%	5.95%

Discount Rate

The discount rate used to measure the total pension liability for both the Traditional Pension Plan and the Combined Plan was 7.2% for 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan and Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity to Changes in the Discount Rate

For the years 2019 and 2018, the following tables present BWC/IC's proportionate share of the net pension liability calculated using the discount rate of 7.2%, as well as BWC/IC's proportionate share of the net pension liability using a discount rate that is 1% lower or 1% higher than the current rate (000's omitted):

December 2019

	<u>1% Decrease - 6.2 %</u>	<u>Current Discount Rate - 7.2%</u>	<u>1% Increase - 8.2%</u>
Traditional Plan:			
Total Net Pension Liability	326,811	198,148	82,485
Combined Plan:			
Total Net Pension (Asset)	(743)	(1,230)	(1,581)

December 2018

	<u>1% Decrease - 6.2 %</u>	<u>Current Discount Rate - 7.2%</u>	<u>1% Increase - 8.2%</u>
Traditional Plan:			
Total Net Pension Liability	411,514	278,560	168,074
Combined Plan:			
Total Net Pension (Asset)	(221)	(668)	(991)

Defined Contribution Plans

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five year period, at a rate of 20% each year. BWC/IC recognized \$581 thousand and \$558 thousand in pension expense for defined contribution plans in fiscal years 2020 and 2019, respectively. At retirement, members may select one of the several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the annuitization of their benefit (which includes joint and survivor options), partial lump sum payments (subject to limitations), a rollover of the vested account

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balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

9. Other Post-Employment Benefit (OPEB)

OPERS administers the 115 Health Care Trust, a cost-sharing, multiple-employer defined benefit post-employment health care trust. OPERS health care program includes medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement for qualifying benefit recipients of both the Traditional Pension and the Combined plans. Currently, Medicare eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Although participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional and Combined plans, a portion of employer contributions is allocated to a retiree medical account. Upon retirement or separation, participants may be reimbursed for qualified medical expenses from these accounts.

All benefits of the System, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145. OPERS Board has elected to maintain funds to provide health care coverage to eligible Traditional Pension Plan and Combined Plan retirees and survivors of members. Health care coverage does not vest and is not required. As a result, coverage may be reduced or eliminated at the discretion of OPERS. To qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must be at least age 60 with 20 or more years of qualifying Ohio service. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

OPERS issues a publicly available financial report that includes financial statements, required supplementary information, information about the OPEB plan's fiduciary net position, and the Plan Statement with OPEB plan details. This report is available by visiting <https://www.opers.org/financial/reports.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377. As of June 30, 2020, the most recent report issued by OPERS is for the calendar year ended December 31, 2019.

Funding Policy

Beginning in 2018, Traditional Pension Plan and Combined Plan employer contributions are no longer allocated to health care. Employer contributions as a percent of covered payroll deposited for the Member-Directed Plan participants' health care accounts was 4.0% for both 2019 and 2018. Based upon the portion of each employer's contribution to OPERS set aside for funding OPEB as described above, BWC/IC's contribution allocated to OPEB for the 12 months ended December 31, 2019 and 2018, was approximately \$232 thousand and \$223 thousand respectively.

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The measurement dates for the net OPEB liabilities, deferred inflows and outflows of resources, and OPEB expense were December 31, 2019, for fiscal year 2020 and December 31, 2018, for fiscal year 2019. For fiscal years 2020 and 2019, OPERS total OPEB assets and liabilities that were used to calculate the net OPEB liability were based on an actuarial valuation of December 31, 2018, with a rollforward measurement date of December 31, 2019, and December 31, 2017, with a rollforward measurement date of December 31, 2018, respectively.

Proportionate Share

BWC/IC's proportionate shares of the net OPEB assets and liabilities are determined as BWC/IC's share of contributions to the plan relative to the total employer contributions from all participating OPERS employers. Member and employer contributions included in OPERS' Statement of Changes in Fiduciary Net Position are used to calculate proportionate share. At December 31, 2019 and 2018, BWC/IC's proportions were as follows:

	<u>December 2019</u>	<u>December 2018</u>
OPEB	0.989436%	1.003218%

Net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and OPEB Expense

At June 30, 2020 and 2019, BWC/IC reported \$136.7 million and \$130.8 million, respectively, for its proportionate share of the net OPEB liability.

For the fiscal years ended June 30, 2020 and 2019, BWC/IC recognized OPEB expense of \$13.9 million and \$11 million, respectively.

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At June 30, 2020 and 2019, BWC/IC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (000's omitted):

	<u>June 2020</u>		<u>June 2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 4	\$ 12,501	\$ 45	\$ 355
Net difference between projected and actual earnings on OPEB plan investments	-	6,970	12,083	6,206
Changes in proportion and differences between BWC/IC contributions and proportionate share of contributions	320	1,855	212	1,431
Assumption changes	21,645	-	4,298	-
Total	<u>\$ 21,969</u>	<u>\$ 21,326</u>	<u>\$ 16,638</u>	<u>\$ 7,992</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (000's omitted):

	As of June 30, 2020		As of June 30, 2019	
Year ended June 30:				
	2021	\$ 2,346	2020	\$ 4,123
	2022	1,224	2021	573
	2023	47	2022	930
	2024	(2,974)	2023	3,020

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 and 2018, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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December 2019

	OPEB
Actuarial Assumptions:	
Single Discount Rate	3.16%
Investment Rate of Return	6.00%
Wage Inflation	3.25%
Municipal Bond Rate	2.75%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Health Care Cost Trend Rate	10% initial, 3.5% ultimate in 2030

December 2018

	OPEB
Actuarial Assumptions:	
Single Discount Rate	3.96%
Investment Rate of Return	6.00%
Wage Inflation	3.25%
Municipal Bond Rate	3.71%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Health Care Cost Trend Rate	10% initial, 3.25% ultimate in 2029

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates

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for a calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the December 31, 2019 and 2018, valuations were based on the results of an actuarial experience study for a 5-year period ended December 31, 2015. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

The long-term expected rate of return on the health care investment assets was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected best estimates of arithmetical rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The table below displays the OPERS Board approved asset allocation policy for December 2019 and 2018 and the expected real rates of return.

Asset Class	December 2019		December 2018	
	Target Allocation	Weighted Average Longterm Expected Real Rate of Return	Target Allocation	Weighted Average Longterm Expected Real Rate of Return
Fixed income	36.00%	1.53%	34.00%	2.42%
Domestic equity	21.00%	5.75%	21.00%	6.21%
International equity	23.00%	7.66%	22.00%	7.83%
Real estate	6.00%	5.69%	6.00%	5.98%
Other Investments	14.00%	4.90%	17.00%	5.57%
Total	100.00%	4.55%	100.00%	5.16%

Discount Rate

The single discount rate used to measure the OPEB liability at the measurement date of December 31, 2019 and 2018, was 3.16% and 3.96%, respectively. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). These single discount rates

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for 2019 and 2018 were based on an expected rate of return on the health care investment portfolio of 6.00%, and a municipal bond rate of 2.75% and 3.71%, respectively. The projection of cash flows used to determine these single discount rates assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the 2019 and 2018 health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034 and 2031, respectively. As a result, the 2019 and 2018 long-term expected rates of return on health care investments were applied to projected costs through the year 2034 and 2031, respectively, and the municipal bond rates were applied to all health care costs after these dates.

Sensitivity to Changes in the Discount Rate

For December 2019 and December 2018, the following tables present BWC/IC's proportionate share of the net OPEB liability calculated using the discount rate of 3.16 and 3.96%, respectively, as well as BWC/IC's proportionate share of the net OPEB liability using a discount rate that is 1.0% lower or 1.0% higher than the current rate (000's omitted):

December 2019

	<u>1% Decrease - 2.16 %</u>	<u>Single Discount Rate - 3.16%</u>	<u>1% Increase - 4.16%</u>
OPEB:			
Total Net OPEB Liability	178,850	136,667	102,891

December 2018

	<u>1% Decrease - 2.96 %</u>	<u>Single Discount Rate - 3.96%</u>	<u>1% Increase - 4.96%</u>
OPEB:			
Total Net OPEB Liability	167,337	130,796	101,726

Sensitivity to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following tables present BWC/IC's proportionate share of the net OPEB liability calculated using the assumed trend rates and the expected net OPEB liability using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate for December 2019 and December 2018 (000's omitted):

December 2019

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
OPEB:			
Total Net OPEB Liability	132,634	136,667	140,648

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December 2018

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
OPEB:			
Total Net OPEB Liability	125,723	130,796	136,638

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the starting trend in 2020 and 2019 is 10.5% and 10.0%, respectively. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

10. Risk Management

BWC/IC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these risks, BWC/IC maintains commercial insurance and property insurance. There were no reductions in coverage in either fiscal years 2020 or 2019. Claims experience over the past three years indicates there were no instances of losses exceeding insurance coverage. Additionally, BWC/IC provides medical benefits for its employees on a fully insured basis with independent insurance companies or the State's self-insured benefit plan.

11. Contingent Liabilities

BWC/IC is a party in various legal proceedings and is also involved in other claims and legal actions arising in the ordinary course of business. Although the outcome of certain legal proceedings is not quantifiable or determinable at this time, an unfavorable outcome in any one of them could have a material effect on the financial position of BWC/IC.

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12. Net Position

Individual fund net position (deficit) balances at June 30, 2020 and 2019, were as follows (000's omitted):

	<u>2020</u>	<u>2019</u>
SIF	\$11,449,826	\$11,329,842
SIF Surplus Fund Account	46,036	42,551
SIF Premium Payment Security Fund	143,642	143,642
Total SIF Net Position	11,639,504	11,516,035
DWRF	617,109	454,582
CWPF	311,655	288,094
PWREF	17,694	16,194
MIF	27,931	25,896
SIEGF	33,882	33,039
ACF	(1,083,798)	(1,038,314)
Total Net Position	\$11,563,977	\$11,295,526

As mandated by the Code, the SIF net position is separated into three separate funds; the main fund, the Surplus Fund Account (Surplus Fund), and the Premium Payment Security Fund (PPSF).

The SIF Surplus Fund is established by the Code and is financed by a portion of all SIF premiums paid by private and public employers (excluding State employers) and assessments paid by self-insured employers. The Surplus Fund has been appropriated for specific charges, including compensation related to claims of handicapped persons or employees of noncomplying employers, and the expense of providing rehabilitation services, counseling, training, living maintenance payments, and other related charges to injured workers. The Surplus Fund may also be charged on a discretionary basis as ordered by BWC/IC, as permitted by the Code. Prior to the passage of House Bill 15 in 2009, contributions to the Surplus Fund were limited to 5% of premiums. The BWC administrator now has the authority to transfer money from SIF necessary to meet the needs of the Surplus Fund.

The SIF PPSF is established by the Code and is financed by a percentage of all premiums paid by private employers. Amounts are charged to the PPSF when the employer's premium due for a payroll period is determined to be uncollectible by the Attorney General of Ohio.

The ACF fund deficit is a result of recognizing the actuarially estimated liabilities in accordance with accounting principles generally accepted in the United States of America, even though the funding for ACF is on a terminal funding basis in accordance with the Code. Consequently, the incurred expenses are not fully funded.

DWRF is operated on a terminal funding basis in accordance with the Code, however, the actuarially estimated liabilities are recognized in accordance with accounting principles generally accepted in the United States of America. While BWC has the statutory authority to assess employers in future periods for amounts needed to fund DWRF II cost of living benefits, cash and investment balances are currently sufficient to fund the estimated DWRF II liabilities.

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13. Adoption of New Accounting Principles

The GASB has recently issued the following new accounting pronouncements that will be effective in future years and may be relevant to BWC/IC:

- GASB No. 87, "Leases" (effective fiscal year 2022)
- GASB No. 92, "Omnibus 2020" (effective fiscal year 2022)
- GASB No. 93, "Replacement of Interbank Offered Rate" (effective fiscal year 2023)
- GASB No. 96, "Subscription-Based Information Technology Arrangements" (effective fiscal year 2023)

Management has not yet determined the impact that these recently issued GASB Pronouncements will have on BWC/IC's financial statements.

14. Subsequent Events

Subsequent to fiscal year end June 30, 2020, the Board approved a dividend to reduce the net position in SIF at the September 2020 meeting. This proposed dividend is possible due to BWC's investment returns, prudent fiscal management, and the good work of employers who pay their BWC premiums and look out for the health and safety of their employees. As a result, the private employers may be granted a dividend equivalent to 100% of billed premiums for the July 1, 2019, through June 30, 2020, policy period, while PEC employers may also be granted a dividend equivalent to 100% of premiums for the January 1, 2019, through December 31, 2019, policy period. This action is anticipated to result in premium dividend expense of up to \$1.5 billion in fiscal year 2021 and may decrease the group retrospective credit payable balance as of June 30, 2021.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the coronavirus (COVID-19) pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the BWC/IC. The impact on BWC/IC's future operating costs and revenues cannot be estimated.

SUPPLEMENTARY INFORMATION

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**REQUIRED SUPPLEMENTAL REVENUE AND RESERVE
DEVELOPMENT INFORMATION**
(See Accompanying Independent Auditors' Report)
For the fiscal years ended June 30, 2020 and 2019

GASB Statement No. 30, "Risk Financing Omnibus," requires the presentation of ten years of supplemental revenue and reserve development information, if available.

The table on the following page illustrates how BWC/IC's gross premium revenues and investment income compare to related costs of workers' compensation benefits (compensation) and other expenses incurred by BWC/IC as of the end of each of the last ten and one-half reporting periods. The rows of the table are defined as follows: (1) This line shows the total of each period's gross premium revenues and investment income. (2) This line shows each period's operating expenses, including overhead and compensation adjustment expenses not allocable to individual claims. (3) This line shows nominal and discounted incurred compensation and allocated compensation adjustment expenses (both paid and accrued) as originally reported at the end of the first period in which the injury occurred. (4) This section of eleven rows shows the cumulative amounts paid as of the end of successive periods for each period. (5) This section of ten rows shows how each period's estimated incurred compensation increased or decreased as of the end of successive periods. (6) This line compares the latest re-estimated incurred compensation amount to the amount originally established (line 3) and shows whether this latest estimate of compensation cost is greater or less than originally estimated. As data for individual periods mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred compensation currently recognized in less mature periods. The columns of the table show data for successive periods on an undiscounted basis for the fiscal years ended June 30, 2010 through 2020.

Continued

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REQUIRED SUPPLEMENTAL REVENUE AND RESERVE
DEVELOPMENT INFORMATION, UNAUDITED, Continued
(See Accompanying Independent Auditors' Report)
(In Millions of Dollars)

	Fiscal Years Ended June 30										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1. Required premiums, assessments, and investment income earned	\$ 3,124	\$ 3,586	\$ 2,628	\$ 3,517	\$ 1,378	\$ 2,552	\$ 5,194	\$ 2,453	\$ 4,044	\$ 4,356	\$ 4,206
Ceded premiums	4	4	4	4	4	4	4	6	6	6	1
Net earned	3,120	3,582	2,624	3,513	1,374	2,548	5,190	2,447	4,038	4,350	4,205
2. Unallocated expenses	240	248	219	205	170	163	150	140	129	131	139
3. Estimated incurred compensation and compensation adjustment expense, end of period	1,414	1,465	1,507	1,635	1,731	1,853	1,854	1,720	1,800	1,863	1,870
Discount	578	590	656	781	806	874	872	830	967	974	985
Gross liability as originally estimated	1,992	2,054	2,163	2,416	2,538	2,727	2,726	2,549	2,767	2,837	2,854
4. Net paid (cumulative) as of :											
End of period	330	348	341	347	327	331	337	380	386	400	384
One year later		530	531	531	531	548	563	600	620	641	639
Two years later			637	641	644	669	689	731	756	773	775
Three years later				718	724	748	776	822	857	879	883
Four years later					789	815	839	893	935	964	973
Five years later						874	900	952	1,002	1,040	1,055
Six years later							951	1,005	1,057	1,102	1,124
Seven years later								1,049	1,102	1,148	1,179
Eight years later									1,141	1,186	1,222
Nine years later										1,219	1,260
Ten years later											1,293
5. Re-estimated incurred compensation and compensation adjustment expenses (gross):											
One year later		1,893	1,915	2,039	2,257	2,346	2,476	2,494	2,501	2,680	2,701
Two years later			1,868	1,913	2,052	2,219	2,265	2,397	2,450	2,470	2,596
Three years later				1,862	1,883	2,024	2,144	2,234	2,361	2,438	2,425
Four years later					1,821	1,869	1,974	2,119	2,226	2,340	2,426
Five years later						1,812	1,858	2,002	2,135	2,236	2,342
Six years later							1,810	1,891	2,044	2,168	2,246
Seven years later								1,844	1,933	2,082	2,189
Eight years later									1,886	1,974	2,109
Nine years later										1,934	2,021
Ten years later											1,988
6. Decrease in gross estimated incurred compensation and compensation adjustment expenses from end of period		(161)	(295)	(554)	(717)	(915)	(916)	(705)	(881)	(903)	(866)

Ultimate incurred compensation and compensation adjustment expense excludes liability associated with active working miners within the CWPF since they are not yet assignable to fiscal accident year. The June 30, 2020 active miners nominal and discounted liability is approximately \$32.1 million and \$7.4 million, respectively.

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Required Supplementary Information
Schedule of BWC/IC's Proportionate Share of the Net Pension Liability
Last 6 fiscal years*
(000's omitted)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
BWC/IC's Proportion						
Net Pension Liability	1.002%	1.017%	1.037%	1.060%	1.080%	1.115%
Net Pension Asset	0.590%	0.597%	0.602%	0.578%	0.549%	0.586%
 BWC/IC's Proportionate share of the net pension liability	 \$196,918	 \$277,892	 \$161,899	 \$240,344	 \$186,771	 \$134,254
BWC/IC's covered payroll	\$160,253	\$154,397	\$152,774	\$155,963	\$149,562	\$149,652
 Proportionate share of the net pension liability as a percentage of its covered payroll	 122.879%	 179.985%	 105.973%	 154.103%	 124.879%	 89.711%
 Plan fiduciary net position as a percentage of the total pension liability						
Traditional Pension Plan	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%
Combined Plan	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%

* - The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year. This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

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Required Supplementary Information
Schedule of Employer Pension Contributions
(See Accompanying Independent Auditors' Report)
Last 6 fiscal years*
(000's omitted)

	2020	2019	2018	2017	2016	2015
BWC/IC's Statutorily Required Employer Contributions	\$ 20,504	\$ 21,357	\$ 20,713	\$ 20,428	\$ 19,752	\$ 19,688
Amount of contributions recognized by the pension plan in relation to the statutory contributions	20,504	21,357	20,713	20,428	19,752	19,688
Contributions deficiency (excess)	-	-	-	-	-	-
Employer's covered payroll	162,037	161,974	153,211	152,963	151,275	148,683
Amount of contributions recognized by the pension plan as a percentage of employers' covered payroll	12.65%	13.19%	13.52%	13.35%	13.06%	13.24%

* - This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

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Required Supplementary Information
Schedule of BWC/IC's Proportionate Share of the Net OPEB Liability
Last 3 fiscal years*
(000's omitted)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
BWC/IC's Proportion of the OPEB liability	0.989%	1.003%	1.023%
BWC/IC's Proportionate share of the OPEB liability	\$136,667	\$130,796	\$111,078
BWC/IC's covered payroll	\$160,253	\$154,397	\$152,774
Proportionate share of the OPEB liability as a percentage of its covered payroll	85.282%	84.714%	72.707%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.33%	54.14%

* - The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year. This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

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Required Supplementary Information
Schedule of Employer OPEB Contributions
(See Accompanying Independent Auditors' Report)
Last 3 fiscal years*
(000's omitted)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
BWC/IC's Statutorily Required Employer Contributions	\$ 232	\$ 223	\$ 2,384
Amount of contributions recognized by the OPEB plan in relation to the statutory contributions	232	223	2,384
Contributions deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Employer's covered payroll	\$ 162,037	\$ 161,974	\$ 153,211
Amount of contributions recognized by the OPEB plan as a percentage of employers' covered payroll	0.14%	0.14%	1.56%

* - This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

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SUPPLEMENTAL SCHEDULE OF NET POSITION
(See Accompanying Independent Auditors' Report)
June 30, 2020
(000's omitted)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work- Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 390,150	\$ 10,849	\$ 779	\$ 136	\$ 412	\$ 55,556	\$ 29,010	\$ -	\$ 486,892
Collateral on loaned securities	-	-	-	-	-	-	4,167	-	4,167
Premiums recorded not yet due	13,703	-	132	218	-	-	-	-	14,053
Assessments recorded not yet due	-	-	-	-	-	-	2,202	-	2,202
Premiums in course of collection	5,559	-	-	-	-	-	-	-	5,559
Assessments in course of collection	-	261	-	-	-	-	13,054	-	13,315
Accounts receivable, net of allowance for uncollectibles	140,045	10,733	145	-	2	449	13,890	-	165,264
Retrospective premiums receivable	26,672	-	-	-	-	-	-	-	26,672
Interfund receivables	8,848	422,435	1	1	-	47	138,625	(569,957)	-
Investment trade receivables	322,223	-	-	-	-	-	-	-	322,223
Accrued investment income	105,526	-	-	-	1	4	-	-	105,531
Other current assets	600	-	-	-	-	-	-	-	600
Total current assets	<u>1,013,326</u>	<u>444,278</u>	<u>1,057</u>	<u>355</u>	<u>415</u>	<u>56,056</u>	<u>200,948</u>	<u>(569,957)</u>	<u>1,146,478</u>
Non-current assets:									
Restricted Cash	736	-	-	-	-	-	-	-	736
Fixed maturities	12,878,686	1,341,239	323,349	18,946	28,611	-	-	-	14,590,831
Domestic equity securities:									
Common stock	4,528,491	400,030	54,181	-	-	-	-	-	4,982,702
Preferred stocks	673	-	-	-	-	-	-	-	673
Non-U.S equity securities - common stock	2,238,497	193,048	28,075	-	-	-	-	-	2,459,620
Investments in real estate funds	3,468,319	-	-	-	-	-	-	-	3,468,319
Unbilled premiums receivable	514,292	11,306	-	-	-	384,065	73,368	-	983,031
Retrospective premiums receivable	51,020	-	-	-	-	-	-	-	51,020
Capital assets	17,445	22	-	-	-	-	79,740	-	97,207
Net pension asset	-	-	-	-	-	-	1,230	-	1,230
Total noncurrent assets	<u>23,698,159</u>	<u>1,945,645</u>	<u>405,605</u>	<u>18,946</u>	<u>28,611</u>	<u>384,065</u>	<u>154,338</u>	<u>-</u>	<u>26,635,369</u>
Total assets	<u>24,711,485</u>	<u>2,389,923</u>	<u>406,662</u>	<u>19,301</u>	<u>29,026</u>	<u>440,121</u>	<u>355,286</u>	<u>(569,957)</u>	<u>27,781,847</u>
DEFERRED OUTFLOW OF RESOURCES									
Total assets and deferred outflow of resources	<u>\$ 24,711,485</u>	<u>\$ 2,389,923</u>	<u>\$ 406,662</u>	<u>\$ 19,301</u>	<u>\$ 29,026</u>	<u>\$ 440,121</u>	<u>\$ 400,849</u>	<u>\$ (569,957)</u>	<u>\$ 27,827,410</u>

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF NET POSITION, Continued
(See Accompanying Independent Auditors' Report)
June 30, 2020
(000's omitted)**

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work- Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
LIABILITIES									
Current liabilities:									
Reserve for compensation	\$ 1,238,613	\$103,742	\$ 2,155	\$ 102	\$ 194	\$19,525	\$ -	\$ -	\$ 1,364,331
Reserve for compensation adjustment expenses	169,367	118	106	-	36	764	260,013	-	430,404
Unearned premium and assessments	280,196	1	131	58	76	-	55,506	-	335,968
Legal settlement	4,500	-	-	-	-	-	-	-	4,500
Warrants payable	75,307	-	-	-	-	-	-	-	75,307
Group retrospective credit payable	119,073	-	-	-	-	-	-	-	119,073
Policy holder dividend payable	7,651	-	-	-	-	-	-	-	7,651
Investment trade payables	506,106	-	-	-	-	-	-	-	506,106
Accounts payable	1,076	-	240	37	-	-	17,223	-	18,576
Interfund payables	559,399	7,511	185	9	13	2,839	1	(569,957)	-
Obligations under securities lending	-	-	-	-	-	-	4,167	-	4,167
Other current liabilities	33,073	102	51	3	6	-	16,382	-	49,617
Total current liabilities	<u>2,994,361</u>	<u>111,474</u>	<u>2,868</u>	<u>209</u>	<u>325</u>	<u>23,128</u>	<u>353,292</u>	<u>(569,957)</u>	<u>2,915,700</u>
Noncurrent liabilities:									
Reserve for compensation	9,279,541	1,660,058	84,545	1,398	706	378,075	-	-	11,404,323
Reserve for compensation adjustment expenses	604,533	1,282	7,594	-	64	5,036	700,587	-	1,319,096
Net pension liability	-	-	-	-	-	-	198,148	-	198,148
Net OPEB liability	-	-	-	-	-	-	136,667	-	136,667
Group retrospective credit payable	193,546	-	-	-	-	-	-	-	193,546
Other noncurrent liabilities	-	-	-	-	-	-	28,428	-	28,428
Total noncurrent liabilities	<u>10,077,620</u>	<u>1,661,340</u>	<u>92,139</u>	<u>1,398</u>	<u>770</u>	<u>383,111</u>	<u>1,063,830</u>	<u>-</u>	<u>13,280,208</u>
Total liabilities	<u>13,071,981</u>	<u>1,772,814</u>	<u>95,007</u>	<u>1,607</u>	<u>1,095</u>	<u>406,239</u>	<u>1,417,122</u>	<u>(569,957)</u>	<u>16,195,908</u>
DEFERRED INFLOW OF RESOURCES									
Total liabilities and deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,525</u>	<u>-</u>	<u>67,525</u>
Total liabilities and deferred inflow of resources	<u>13,071,981</u>	<u>1,772,814</u>	<u>95,007</u>	<u>1,607</u>	<u>1,095</u>	<u>406,239</u>	<u>1,484,647</u>	<u>(569,957)</u>	<u>16,263,433</u>
NET POSITION (DEFICIT)									
Net investment in capital assets	17,445	22	-	-	-	-	79,740	-	97,207
Surplus fund	46,036	-	-	-	-	-	-	-	46,036
Premium payment security fund	143,642	-	-	-	-	-	-	-	143,642
Unrestricted net position (deficit)	11,432,381	617,087	311,655	17,694	27,931	33,882	(1,163,538)	-	11,277,092
Total net position (deficit)	<u>\$ 11,639,504</u>	<u>\$ 617,109</u>	<u>\$ 311,655</u>	<u>\$ 17,694</u>	<u>\$ 27,931</u>	<u>\$ 33,882</u>	<u>\$ (1,083,798)</u>	<u>\$ -</u>	<u>\$ 11,563,977</u>

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
(See Accompanying Independent Auditors' Report)
For the fiscal year ended June 30, 2020
(000's omitted)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work- Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
Operating revenues:									
Premium and assessment income net of ceded premium	\$936,040	\$27,523	\$519	\$129	\$588	\$9,315	\$289,847	\$ -	\$1,263,961
Provision for uncollectibles	(14,442)	249	2	-	-	(102)	(909)	-	(15,202)
Other income	4,055	-	-	-	-	-	4,615	-	8,670
Total operating revenues	925,653	27,772	521	129	588	9,213	293,553	-	1,257,429
Operating expenses:									
Workers' compensation benefits	773,791	56,208	2,757	(98)	396	8,258	-	-	841,312
Compensation adjustment expenses	158,951	(49)	519	-	10	759	259,319	-	419,509
Personal services	-	115	135	-	42	-	85,716	-	86,008
Other administrative expenses	19,178	-	2	-	30	-	71,064	-	90,274
Total operating expenses	951,920	56,274	3,413	(98)	478	9,017	416,099	-	1,437,103
Net operating (loss) income before policy holder dividend	(26,267)	(28,502)	(2,892)	227	110	196	(122,546)	-	(179,674)
Policy holder dividend expense	1,343,613	-	-	-	-	-	-	-	1,343,613
Net operating (loss) income	(1,369,880)	(28,502)	(2,892)	227	110	196	(122,546)	-	(1,523,287)
Non-operating revenues:									
Net investment income	1,565,124	191,029	27,453	1,273	1,925	647	5,480	-	1,792,931
Gain on disposal of capital assets	-	-	-	-	-	-	232	-	232
Total non-operating revenues	1,565,124	191,029	27,453	1,273	1,925	647	5,712	-	1,793,163
Net transfers out	(71,775)	-	(1,000)	-	-	-	71,350	-	(1,425)
Increase (decrease) in net position (deficit)	123,469	162,527	23,561	1,500	2,035	843	(45,484)	-	268,451
Net position (deficit), beginning of year	11,516,035	454,582	288,094	16,194	25,896	33,039	(1,038,314)	-	11,295,526
Net position (deficit), end of year	\$11,639,504	\$617,109	\$311,655	\$17,694	\$27,931	\$33,882	\$(1,083,798)	\$ -	\$11,563,977

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio
A Department of the State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio (BWC/IC), a department of the State of Ohio, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the BWC/IC's basic financial statements and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BWC/IC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BWC/IC's internal control. Accordingly, we do not express an opinion on the effectiveness of BWC/IC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BWC/IC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CROWE LLP". The letters are in all caps and have a cursive, slightly slanted appearance.

Crowe LLP

Columbus, Ohio
September 29, 2020