

Workers' compensation state rankings and comparisons

Base rates don't tell the whole story for new employers in Ohio

When a business decides to expand to a new state, there are many factors to consider. This paper examines one of those factors: the cost of workers' compensation insurance. It shows how Ohio's costs compare nationally in a generic sense, and specifically for certain industry segments with surrounding states.

It can be challenging to do a true comparison of insurance rates between states because benefits provided vary, and available studies do not typically factor rating plans and other program incentives into the base rates. This can lead to significant differences between a base rate, and what employers actually pay for their insurance. This is especially true in states that offer special workers' compensation programs that encourage economic development. Ohio offers such an incentive through the Grow Ohio Incentive Program.

This paper attempts to tell "the rest of the story" by incorporating Grow Ohio into the comparisons. Studies ignore the effect of discounts and rating plans because they are typically dependant on the individual characteristics of a company. However, Grow Ohio is available to all new and new-to-Ohio companies; it is dependent on their status as a new¹ company, not on individual characteristics. For this reason, we feel it is valid to incorporate Grow Ohio into the numbers when comparing base rates for new companies.

This paper focuses on workers' compensation costs that a new company will incur during its first two years in Ohio. It also touches on how an employer can continue to maintain low costs and enjoy similar savings if they maintain a good safety and claims record. In fact, more than half of Ohio employers enjoy some type of reduction on their premiums.

Grow Ohio Incentive Program

In 2010, BWC created the [Grow Ohio Incentive Program](#) to provide incentives to new companies for bringing jobs to the state. These companies are immediately eligible to participate in group rating, receiving up to a 53-percent credit on their base rates. They can choose this group option, or they can choose to remain base-rated, and receive a 25-percent discount for their first two years.

Oregon study – 2012 State rankings – workers' compensation base rate

Oregon recently released its 2012 study on workers' compensation base rates². The study calculates a premium index rate to obtain a single number that ranks the 50 states and District of Columbia by highest workers' compensation insurance costs. Table 1 shows Ohio's ranking as it is in the study. It also details Ohio's ranking after incorporating Grow Ohio options into the premium index rate calculations. The Oregon study ranking is by highest workers' compensation costs; a higher ranking is good, and translates to a lower cost for insurance. Since this might lead to confusion, we added the last column to convert the rankings to lowest or best costs from a customer's perspective. The % of study median column compares Ohio's premium index rate to the study median.

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1. In this paper we are defining new companies as companies that are initiating their initial workers' compensation policy with Ohio Bureau of Workers' Compensation. These could be brand new companies, or existing companies that are creating their initial presence in Ohio.
 2. Source of data: 2012 Oregon Workers' Compensation Premium Rate ranking study

Table 1: Oregon Workers' Compensation study incorporating Grow Ohio

Ohio	2012 ranking by highest base rates	Premium index rate	% of study median	Ranking by lowest base rates
Oregon Study : Ohio	28th out of 51	1.84	98%	23rd least expensive
Grow Ohio Program option: Default option: 25% discount	43th out of 51	1.38	73%	8th least expensive
Grow Ohio program option: Group rating option: 53% credit	51 out of 51	0.86	46%	Least expensive

Neighboring state comparison of bases rates in specific industries

The Oregon study calculates a single number to create its ranking. However, not all companies or industries pay that rate. To give better clarity on how Ohio ranks versus neighboring states, BWC did a study to enable comparisons in several representative industries. The original study did not include the effect of discounts or rating plans based on individual characteristics of companies. Since the Grow Ohio options are available to ALL new Ohio companies, we have incorporated these options into the comparisons as well.

Group-rating option (up to a 53-percent credit off of base rates)

Trade associations, in conjunction with third-party administrators (TPAs) create groups that bundle the claims experience of multiple companies together. Group-rating³ sponsors create groups based on one of 10 industry categories. Since BWC adjusts rates for group members taken as a whole – as if the group was one big company – a company’s claim “experience” is a leading factor that TPAs use when creating a group. The companies with the best experience can generally join the groups that enjoy the highest credit (currently 53 percent off of base rates).

BWC uses Ohio claims with dates of injury occurring in the oldest four of the last five calendar years in its “experience” calculation. This means a company’s “experience” in 2013 is based upon the cost of claims occurring in 2011, 2010, 2009 and 2008. A new company, with no history in Ohio, would have a clean experience. It would not be until 2015 that a 2013 claim would be included in the “experience” calculation. Because of Grow Ohio, a new company is eligible to join a group immediately after initiating coverage. Their clean “experience” would also allow them to stay in a group for at least the subsequent year.

Table 2 shows the comparison of a new Ohio company pursuing the group option at the 53-percent credit level with the base rates of surrounding states. Please note that when incorporating the Grow Ohio group option, Ohio ranks No. 1 in all categories.

3. TPAs decide who will be invited to a join a specific group. Their primary criterion for that decision is a company’s experience.

Table 2: Base rate comparisons assuming Grow Ohio group option at 53-percent credit level

Base rate comparisons assuming Grow Ohio group option at 53-percent credit level	Ohio	Indiana	Kentucky	Michigan	Pennsylvania	West Virginia	Ohio rank
Advanced materials & polymers	\$1.94	\$2.35	\$2.52	\$3.68	\$3.77	\$2.39	1
Bioscience	\$0.51	\$0.57	\$0.80	\$1.03	\$1.11	\$0.66	1
Manufacturing	\$1.86	\$2.38	\$2.96	\$3.95	\$4.08	\$2.59	1
Distribution and logistics	\$4.33	\$4.42	\$5.88	\$6.89	\$9.15	\$5.12	1
Agribusiness & food processing	\$1.85	\$2.80	\$3.17	\$4.09	\$4.52	\$2.97	1
Professional & financial services	\$0.17	\$0.27	\$0.37	\$0.38	\$0.46	\$0.32	1
Motor vehicle MFG & parts distribution centers	\$1.98	\$2.55	\$3.16	\$4.36	\$4.16	\$2.97	1

Grow Ohio default option (up to a 25-percent discount off of base rates)

In some cases, a company may decide to remain base-rated. If it chooses this option⁴, it still enjoys a default 25-percent discount for the first two years. Table 3 shows the comparison of neighboring states, assuming the 25-percent default Grow Ohio option. Using this option, Ohio still rates favorably in many of the categories.

Table 3: Base rate comparisons assuming the default Grow Ohio option at 25-percent discount level

Base rate comparisons assuming the default Grow Ohio option at 25-percent discount level	Ohio	Indiana	Kentucky	Michigan	Pennsylvania	West Virginia	Ohio rank
Advanced materials & polymers	\$3.10	\$2.35	\$2.52	\$3.68	\$3.77	\$2.39	4th
Bioscience	\$0.82	\$0.57	\$0.80	\$1.03	\$1.11	\$0.66	4th
Manufacturing	\$2.96	\$2.38	\$2.96	\$3.95	\$4.08	\$2.59	Tied 3rd
Distribution and logistics	\$6.91	\$4.42	\$5.88	\$6.89	\$9.15	\$5.12	4th
Agribusiness & food processing	\$2.96	\$2.80	\$3.17	\$4.09	\$4.52	\$2.97	2nd
Professional & financial services	\$0.27	\$0.27	\$0.37	\$0.38	\$0.46	\$0.32	Tied 1st
Motor vehicle MFG & parts distribution centers	\$3.16	\$2.55	\$3.16	\$4.36	\$4.16	\$2.97	Tied 3rd

4. To remain eligible for the Grow Ohio Incentive Program, a new company must submit a safety survey.

Destination: Excellence to lower costs

Grow Ohio is not the only opportunity that new Ohio companies have to lower their workers' compensation costs. Companies may also enroll in one of the programs in Destination: Excellence. [Destination: Excellence](#) is a portfolio of programs that provides incentives to an employer to use:

- Safety services and risk-management strategies to increase safety in the workplace;
- Claims-management strategies to enable injured workers to return to work and recover faster;
- Policy-management options to lower administrative costs.

BWC designed these programs to prevent accidents and lower overall claims costs, which can lower premiums over time. Successful participation in these programs provides additional credits/discounts/rebates to the reduced premiums an employer would already enjoy because of Grow Ohio. Eligible companies in a compatible rating framework can participate in these programs as well.

Table 4: Destination: Excellence programs

Category	Program	Description	Incentive
Safety/risk management	Industry-Specific Safety Program	Incentive to use BWC safety services (training, consulting, Safety Congress) to prevent accident and improve safety	3%
	Drug-Free Safety Program	Incentive to implement a drug- and alcohol-testing program	Basic level (4%); Advanced level (7%)
	Safety councils	Incentive to participate, and benefit from monthly safety meetings	Participation (2%); Performance (2%)
Claims management	Transitional Work Bonus	Incentive to successfully use a formal transitional work plan to enable an injured worker with restrictions to return to work in limited duty	Up to 10% of pure premium
	Vocational rehabilitation	Reimbursements to off-set some of the costs of helping an injured worker return to work in some capacity	Varies – case-by-case basis
Policy management	Go-green	Incentive to transact electronically with BWC (pay online, submit payroll)	1% of premium, up to \$1K, every six months
	Lapse-free	Incentive to consistently pay on time	1% of premium, up to \$1K, every six months

Grants to provide funding

BWC also offers grants that may help offset at least some of the costs of implementing the risk- and claims-management strategies BWC recommends. Table 5 highlights some of the main ones.

Table 5: Grants available from the Ohio Bureau of Workers' Compensation

Program	Description	Incentive
Drug-Free Safety Grant	Reimbursements to offset some of the costs associated with a drug- and alcohol-testing program	Up to \$4,850
Transitional Work Grant	Reimbursements to offset the cost of creating a transitional work plan	Up to \$6,300
Wellness Grant	Reimbursements to offset the cost of implementing a wellness program	Up to \$15,000 over four years
Safety Grants	BWC provides \$3 for every \$1 invested to help employers buy eligible safety equipment	Up to \$40,000

Third year and beyond

Grow Ohio can help your company through the first two years it exists in Ohio. For the third year and beyond, there are rating plans and programs that can help to lower your costs. Grow Ohio highlights group rating because it allows a new company the option of joining a group immediately after initiating coverage. Group rating is available to existing companies, and if your company maintains a good safety and claims record, it may be able to stay in the same group, or enroll in a different one. Other alternative rating options include: Deductible, group retrospective and self-insurance.

Existing, eligible employers can typically participate in Destination: Excellence's options and other BWC programs. Successful participation provides a financial incentive, may help prevent accidents and can lower overall claims costs. The point being, there are rating plans and programs available that can help minimize a company's workers' compensation costs long after their first few years in Ohio.