Controlling Workers’ Compensation Costs
# CONTROLLING WORKERS’ COMPENSATION COSTS

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AGENDA

8:30

**Section I**
Introduction

**Section II**
Safety Culture Wheel and Action Plan
- Defining Safety Culture
- Leadership
- Systems and Processes

**Section III**
Cost Effectiveness
Understanding Worker’s Compensation Rates
- Manual Classifications
- Rating Concepts
- Base Rating
- Experience Rating
- Special Programs and Grants
- Additional Rating Plans

11:30
LUNCH

12:30

**Section IV**
Direct and Indirect Costs
Safety Wheel
- Involvement
- Organizational Style

**Section V**
Proactive Claims Management
- Early Intervention
- Transitional Work Strategies
  - Remain at Work
  - Early Return to Work
  - Vocational Rehabilitation
  - Claim Cost Strategies
  - Handicap Reimbursement
  - Settlement
- Fraud

**Section VI**
Safety Wheel
- Measurement
- Accountability
Financial Accountability

4:30
DISMISS
Objectives

You will learn:

- Basic understanding of how workers compensation rates are determined and the costs that drive them;
- The impact of claims costs on your rates;
- Various rating plan options;
- Strategies to control costs, such as loss prevention, administrative, early return-to-work and other claims management controls;
- An overview of the Safety Culture Wheel, with an emphasis on a leadership-supported safety culture, employee involvement, and accident prevention.
Controlling Workers’ Compensation Costs

Suggested Follow-up Activities

• Ask top management to complete the safety culture wheel; follow up with a discussion of the safety culture in our workplace.
• Set up an appointment with the local BWC Employer Service Specialist and my company’s top management to review our claims history, our experience exhibit, and how our rates were set.
• With management cooperation, set up a BWC Dolphin account to review our company’s claim costs.
• Meet with top management at my workplace to discuss commitment to the safety process, creating a safety vision & mission statement, and making safety the responsibility of leadership, managers, supervisors and workers.
• Meet with top management to develop a post injury process and return to work process.
• Create or modify a safety team / committee at my workplace that assures employee involvement. (i.e., training, self auditing, accident investigation).
• Review the existing safety communication process at my workplace and make suggestions to management for improvement through discussion of safety at both management and employee meetings, distribution of newsletters, payroll stuffers, bulletin board, summaries of meetings, and so forth.
• Present to leadership the direct and indirect costs of claims, profitability loss due to claims activities, and make recommendations to reduce claims costs.
• Review the existing new employee orientation process at my workplace and make recommendations to management of how to add safety to this orientation.
• Determine what, if any, safety programs are in place at my workplace. Review current programs to see if they are adequate. Make recommendations to improve them. Draft new programs as needed.
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<th>Activity</th>
<th>Other people involved</th>
<th>Target Deadline</th>
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### Definitions/Acronyms

<table>
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<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Actual Return to Work</td>
<td>The date the injured worker has returned to employment</td>
</tr>
<tr>
<td>Allowed Condition</td>
<td>A condition recognized as a direct result of a compensable work-related injury or occupational disease.</td>
</tr>
<tr>
<td>Alternate Rating Plan</td>
<td>These are programs that may offer cost savings to employers in exchange for the employers meeting certain parameters. These programs include the Drug-Free Workplace Program, Premium Discount Program, Group Rating, Retrospective Rating, Safety Incentive Program and Self Insurance</td>
</tr>
<tr>
<td>Alternative Work</td>
<td>Employment for the injured worker who is permanently restricted from the job of injury, but has residual capabilities and can be employed</td>
</tr>
<tr>
<td>Appeal</td>
<td>Formal notification of a party’s disagreement with a rendered decision. A notice is filed to take the decision to the next level of formal hearing for further consideration</td>
</tr>
<tr>
<td>Arose out of</td>
<td>The injury must bear a direct relationship to the injured worker’s employment. AKA: Arising Out Of Employment</td>
</tr>
<tr>
<td>Authorized Representative</td>
<td>Person authorized, in writing, by either the injured worker or employer to represent them in a workers’ compensation issue.</td>
</tr>
<tr>
<td>Average Weekly Wage</td>
<td>Average wage earned per week for one year (52 consecutive weeks) prior to the injury</td>
</tr>
<tr>
<td>Award</td>
<td>The payment of compensation and/or medical benefits due to a work related injury/illness</td>
</tr>
<tr>
<td>BC</td>
<td>Business Consultant</td>
</tr>
<tr>
<td>Business Consultant</td>
<td>BWC field consultant responsible for assisting employers enrolled in the Retrospective Rating program</td>
</tr>
<tr>
<td>BWC Certified Provider</td>
<td>A credentialed provider who signs a provider agreement with BWC and has agreed to be medically managed by an employer’s MCO</td>
</tr>
<tr>
<td>Catastrophic</td>
<td>Claims resulting from sudden, traumatic occupational injuries, occupational diseases that are incurred over time, or complications that are secondary to conditions originally allowed in a claim</td>
</tr>
<tr>
<td>Causal Relationship</td>
<td>Causal relationship is a medical issue (which has legal implications) and usually requires a reasoned medical opinion. For <em>initial claim allowances</em> it is the physician of record/treating provider’s opinion that the injury sustained and the mechanism of injury are compatible. For <em>subsequent claim allowance</em> it is the physician of record/treating provider’s opinion that the requested new condition could be the result of original injury and/or previously allowed condition(s)/diagnoses</td>
</tr>
<tr>
<td>Certification</td>
<td>a. Certification by the employer is an agreement to the facts of the injury.</td>
</tr>
<tr>
<td></td>
<td>b. A process by which the bureau approves a provider or MCO for participation in the HPP</td>
</tr>
<tr>
<td><strong>Claimant</strong></td>
<td>One who claims or asserts a right, demand or claim. (see injured worker)</td>
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</tr>
<tr>
<td><strong>Claims Service Specialist</strong></td>
<td>The BWC employee who reviews, analyzes, evaluates and adjudicates claims through the application of BWC laws, rules, policies and guidelines</td>
</tr>
<tr>
<td><strong>Claims Status</strong></td>
<td>Refers to the payment status of a claim after a determination on the claim has been made</td>
</tr>
<tr>
<td><strong>Compensability</strong></td>
<td>The determination, subject to BWC/IC laws and rules, of whether an alleged injury/illness should be allowed based on timely filing, employee/employer relationship, jurisdiction, accidental injury, in the course of, and arising out of employment</td>
</tr>
<tr>
<td><strong>Compensation</strong></td>
<td>Money paid by BWC to an injured worker or dependent in an allowed claim for lost wages and/or medical benefits due to a work related injury or occupational disease</td>
</tr>
<tr>
<td><strong>Course of Employment</strong></td>
<td>The injury must occur while the employee is performing a job duty or assignment for his employer as opposed to a personal duty</td>
</tr>
<tr>
<td><strong>DAS</strong></td>
<td>Department of Administrative Services</td>
</tr>
<tr>
<td><strong>Date of Injury</strong></td>
<td>The date on which the injury occurred</td>
</tr>
<tr>
<td><strong>Dependent</strong></td>
<td>A person who depends on someone else for existence, support, etc. Dependent persons are defined as either wholly dependent, partially dependent or a prospective dependent</td>
</tr>
<tr>
<td><strong>DFWP</strong></td>
<td>Drug-Free Workplace Program</td>
</tr>
<tr>
<td><strong>Disability</strong></td>
<td>An impairment that affects an injured worker’s ability to work</td>
</tr>
<tr>
<td><strong>Disabled Workers’ Relief Fund</strong></td>
<td>A separate supplemental fund established to provide relief to an injured worker who is receiving permanent total disability compensation benefits by raising the cost of living level</td>
</tr>
<tr>
<td><strong>Drug-Free Workplace Program</strong></td>
<td>BWC’s rate program which offers a premium discount to eligible employers that implement a program addressing workplace use and misuse of alcohol and other drugs, including prescription, over-the-counter, and illegal drug use</td>
</tr>
<tr>
<td><strong>DWRF</strong></td>
<td>Disabled Workers’ Relief Fund</td>
</tr>
<tr>
<td><strong>EM</strong></td>
<td>Experience Modifier</td>
</tr>
<tr>
<td><strong>Employee</strong></td>
<td>A person who receives pay or remuneration from an employer for services rendered when the relationship between the employer and employee is created by a contract of hire, expressed or implied, oral or written</td>
</tr>
<tr>
<td><strong>Employer</strong></td>
<td>Every person, firm, and private corporation, including any public service corporation, that has in service one or more employees under any contract of hire, express or implied, oral or written</td>
</tr>
<tr>
<td><strong>Employer Certification</strong></td>
<td>The employer certifies that the facts reported in the claim are correct and valid to the best of their knowledge</td>
</tr>
<tr>
<td><strong>Employer of Record</strong></td>
<td>The employer with whom the injured worker was employed at the time of the injury</td>
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<tr>
<td>Term</td>
<td>Definition</td>
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<tr>
<td>Ergonomics</td>
<td>The science that seeks to adapt work or working conditions to suit the worker</td>
</tr>
<tr>
<td>Ergonomist</td>
<td>A BWC field consultant responsible for assisting employers in identifying and eliminating ergonomic related hazards</td>
</tr>
<tr>
<td>ESS</td>
<td>Employer Service Specialist</td>
</tr>
<tr>
<td>Estimated Return to Work</td>
<td>The anticipated date the injured worker may be able to return to employment</td>
</tr>
<tr>
<td>Experience Modifier</td>
<td>Credit or Penalty applied to the premium base rate</td>
</tr>
<tr>
<td>Experience Period</td>
<td>The oldest four (4) of the latest five (5) calendar years immediately preceding the beginning of the policy year</td>
</tr>
<tr>
<td>Experience Rating</td>
<td>Employers that have $8,000 of expected losses within their four year experience period are subject to experience rating</td>
</tr>
<tr>
<td>First Report of Injury</td>
<td>The BWC form used to report a claim for a workers’ compensation injury</td>
</tr>
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<td>Fraud</td>
<td>In workers’ compensation, an intentional act or series of acts resulting in payments or benefits to a person or entity that is not entitled to receive those payments or benefits</td>
</tr>
<tr>
<td>Fraudulent</td>
<td>Acting with fraud; deceitful; based on or characterized by fraud; done or obtained by fraud</td>
</tr>
<tr>
<td>FROI</td>
<td>First Report of Injury</td>
</tr>
<tr>
<td>Full Weekly Wage</td>
<td>FWW is based on the higher of either wages earned for the six weeks prior to the date of injury (including overtime pay) divided by six, or gross wages earned for the seven days prior to the date of injury (excluding overtime pay) The calculation is used to determine the rate of compensation for the first twelve (12) weeks of Temporary Total compensation paid</td>
</tr>
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<td>Group Rating</td>
<td>An alternative rating program that allows employers who are substantially similar in industry to group together to potentially achieve lower premium rates than they could otherwise achieve as individual employers</td>
</tr>
<tr>
<td>Handicapped Reimbursement</td>
<td>Credit to an employer for injuries and illnesses incurred by employees with pre-existing medical conditions that aggravate or prolong medical recovery of the workplace injury or illness</td>
</tr>
<tr>
<td>Hearing Officer</td>
<td>Decides the matter that is being contested and issues a decision</td>
</tr>
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<td>HPP</td>
<td>Health Partnership Program</td>
</tr>
<tr>
<td>IC</td>
<td>Industrial Commission</td>
</tr>
<tr>
<td>ICD-9 Codes</td>
<td>International Classification of Diseases, ninth revision: A statistical classification system for medical diagnosis of diseases and injuries used by healthcare providers to list condition(s) being treated in a worker’s compensation claim</td>
</tr>
<tr>
<td>IH</td>
<td>Industrial Hygienist</td>
</tr>
<tr>
<td>Industrial Hygienist</td>
<td>A BWC field consultant responsible for assisting employers in identifying and reducing hazards due to chemical exposure or noise exposure</td>
</tr>
<tr>
<td>IME</td>
<td>Independent Medical Examination</td>
</tr>
<tr>
<td>Incarceration</td>
<td>Imprisonment; confinement in a jail or penitentiary</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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<tr>
<td>Independent Medical Examination</td>
<td>An objective medical evaluation conducted by an independent, qualified medical specialist at BWC’s request for the purpose of clarifying an injured worker’s medical and disability status</td>
</tr>
<tr>
<td>Industrial Commission</td>
<td>The claims adjudicative branch of the Ohio workers’ compensation system</td>
</tr>
<tr>
<td>Injured Worker</td>
<td>Any employee who sustains an injury and has filed an application for compensation and/or benefits</td>
</tr>
<tr>
<td>Injury</td>
<td>The term “injury” as used in the Ohio Workers’ Compensation Act includes any injury, whether caused by external accidental means or accidental in character and result, received in the course of and arising out of the injured employee’s employment</td>
</tr>
<tr>
<td>IW</td>
<td>Injured Worker</td>
</tr>
<tr>
<td>Light Duty Work</td>
<td>Work in which the job requirements are performed at reduced physical capabilities. This employment may be temporary or permanent</td>
</tr>
<tr>
<td>Living Maintenance</td>
<td>A type of compensation paid to an injured worker while they are actively participating in an approved rehabilitation plan</td>
</tr>
<tr>
<td>Living Maintenance Wage Loss</td>
<td>A type of compensation payment made to an injured worker who completes a rehabilitation plan and returns to employment, but who suffers a reduction in income compared to the wage he/she was receiving at the time of injury</td>
</tr>
<tr>
<td>LM</td>
<td>Living Maintenance</td>
</tr>
<tr>
<td>LMWL</td>
<td>Living Maintenance Wage Loss</td>
</tr>
<tr>
<td>Local Customer Service Office</td>
<td>Offices of the Ohio Bureau of Workers’ Compensation for the receipt and filing of claim applications or any other documents and for the transaction of any business pertinent to the administration of the workers’ compensation law</td>
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<tr>
<td>Lost Time</td>
<td>A claim filed when eight or more calendar days are lost from the job due to an industrial injury or occupational disease. The days need not be consecutive</td>
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<tr>
<td>Lump Sum Settlement</td>
<td>The agreement of the IW, Employer, and BWC to forever resolve all past, present and future liabilities of the claim</td>
</tr>
<tr>
<td>Managed Care</td>
<td>The coordinated delivery of health care through provider networks using utilization and payment/pricing strategies designed to provide appropriate, effective and efficient health care</td>
</tr>
<tr>
<td>Managed Care Organization</td>
<td>A vendor who contracts with Ohio BWC to provide medical management and cost containment services</td>
</tr>
<tr>
<td>Manual Classification Numbers</td>
<td>Each occupation is rated and given a code, indicating the degree of “risk” associated with that specific occupation</td>
</tr>
<tr>
<td>Maximum Medical Improvement</td>
<td>A treatment plateau in the healing process from which substantial change is not expected, in spite of continuing medical or rehabilitative procedures</td>
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<tr>
<td>MCO</td>
<td>Managed Care Organization</td>
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<tr>
<td>Medical Only Claim</td>
<td>A claim filed when seven or fewer calendar days are lost from the job due to an industrial injury or occupational disease</td>
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<td>Merit Rated</td>
<td>A premium rating method which assigns an employer a credit or penalty rate modification based on the employer’s loss experience during the experience period</td>
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<tr>
<td>Micro Insurance Reserving analysis System</td>
<td>A formal actuarial method to determine total costs of a specific injury based on 100+ criteria points (such as age of injured worker, type of employment, gender, etc.)</td>
</tr>
<tr>
<td>MIRA Micro Insurance Reserving Analysis</td>
<td></td>
</tr>
<tr>
<td>MMI</td>
<td>Maximum Medical Improvement</td>
</tr>
<tr>
<td>Modified Work</td>
<td>Work in which physical barriers that may prohibit performance of the essential job functions are adapted, altered or removed</td>
</tr>
<tr>
<td>NCCI</td>
<td>National Council on Compensation Insurance: an organization collecting and disseminating workers’ compensation data and statistics. Its manual classification system is used by 37 member states</td>
</tr>
<tr>
<td>No Coverage Claim</td>
<td>Claims filed by injured workers’ whose employers have either allowed their coverage to lapse or who have failed to provide workers’ compensation coverage as required by Ohio law</td>
</tr>
<tr>
<td>Non-Complying Employer</td>
<td>An employer who has allowed workers’ compensation coverage to lapse or who has failed to provide coverage as required by Ohio law</td>
</tr>
<tr>
<td>Non-Working Wage Loss</td>
<td>The dollar amount of the diminishment in wages sustained by an injured worker who has not returned to work because he/she has been unable to find suitable employment. However, the extent of the diminishment must be the direct result of physical and/or psychiatric restrictions caused by the impairment that is causally related to an industrial injury or occupational disease in the allowed claim</td>
</tr>
<tr>
<td>NWWL</td>
<td>Non-Working Wage Loss</td>
</tr>
<tr>
<td>OAC</td>
<td>Ohio Administrative Code. Rules set forth by the IC/BWC that were permitted or ordered by the State Legislature based on laws, although laws take precedence over rules</td>
</tr>
<tr>
<td>Occupational Disease</td>
<td>An occupational disease generally contracted in the course of and arising out of employment, usually occurring over a period of time</td>
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<tr>
<td>Ohio State Insurance Fund</td>
<td>Fund to which employers pay workers’ compensation premiums and fund from which claims are paid to injured workers</td>
</tr>
<tr>
<td>On Site Audit</td>
<td>An accounting audit performed at the employer's location by a BWC representative</td>
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<tr>
<td><strong>ORC</strong></td>
<td>Ohio Revised Code. The laws which govern the state of Ohio, including BWC and the IC</td>
</tr>
<tr>
<td><strong>Partial Settlement</strong></td>
<td>Certain conditions, compensation and/or benefits, or combinations thereof, are included in or excluded from the settlement</td>
</tr>
<tr>
<td><strong>Party to the Claim</strong></td>
<td>Party/Parties to the claim are the injured worker, the employer, injured worker authorized representative, employer authorized representative and the Administrator of the Bureau of Workers’ Compensation or designee</td>
</tr>
<tr>
<td><strong>Permanent Partial Disability</strong></td>
<td>A certain amount of permanent damage (called residual damage) may remain as a result of the injury. The percentage of permanent partial award is designed to pay some compensation for residual disability</td>
</tr>
<tr>
<td><strong>Permanent Total Disability</strong></td>
<td>The injured worker’s inability to perform sustained remunerative employment due to the allowed condition(s) in the claim. The purpose of PTD benefits is to compensate the injured worker for impairment of earning capacity. Compensation for PTD is payable for life.</td>
</tr>
<tr>
<td><strong>Policy Number</strong></td>
<td>The identification number assigned to an employer by BWC (formerly known as risk number.)</td>
</tr>
<tr>
<td><strong>Policy Year</strong></td>
<td>Year in which a workers’ compensation policy is in effect</td>
</tr>
<tr>
<td><strong>PPD</strong></td>
<td>Permanent Partial Disability</td>
</tr>
<tr>
<td><strong>Pre-Existing Handicapped Condition</strong></td>
<td>The employer knows the employee has a pre-existing disabling condition prior to his/her employment</td>
</tr>
<tr>
<td><strong>Premium Discount Program Plus</strong></td>
<td>This is a program where enrolled penalty rated employers may receive a discount to their premium for up to four years. The employer agrees to implement the Ten Step Business Plan in exchange for the discount</td>
</tr>
<tr>
<td><strong>Premium Fraud</strong></td>
<td>Intentional misrepresentation of amount of premiums paid, i.e., risk shifting or under-reporting</td>
</tr>
<tr>
<td><strong>Premium Lapses</strong></td>
<td>Periods of time where an employer’s coverage is suspended due to the failure of the employer to pay its premium on a timely basis</td>
</tr>
<tr>
<td><strong>Private Employer</strong></td>
<td>Any employer that is not a public employer taxing district or public employer state agency</td>
</tr>
<tr>
<td><strong>Program Discount</strong></td>
<td>The premium discount that the employer receives in exchange for implementing a drug-free workplace</td>
</tr>
<tr>
<td><strong>Proximate Cause</strong></td>
<td>That which, in a natural and continuous sequence, unbroken by any intervening cause, produces injury, and without which the result would not have occurred</td>
</tr>
<tr>
<td><strong>PTD</strong></td>
<td>Permanent Total Disability</td>
</tr>
<tr>
<td><strong>Public Employers</strong></td>
<td>Public employer taxing districts such as counties, cities, villages and townships and public employer state agencies which include all state agencies, state universities and university hospitals</td>
</tr>
<tr>
<td><strong>REA</strong></td>
<td>Re-employment Advisor</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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<tr>
<td>Re-Employment Advisor</td>
<td>BWC field consultant responsible for assisting employers with return-to-work programs and salary continuation</td>
</tr>
<tr>
<td>Remaın at Work Services</td>
<td>Services to support an injured worker or employee in continued employment where the injured worker is experiencing difficulties performing a job as a result of conditions related to an allowed medical only claim</td>
</tr>
<tr>
<td>Retrospective Rating</td>
<td>This is a program where an employer agrees to assume a portion of the risk in exchange for a reduction in premiums</td>
</tr>
<tr>
<td>Return-to-Work</td>
<td>A formal BWC program to assist employers in returning injured employees back to full and productive employment as quickly and safety as medically possible</td>
</tr>
<tr>
<td>Risk Number</td>
<td>See Policy Number</td>
</tr>
<tr>
<td>RTW</td>
<td>Return to Work</td>
</tr>
<tr>
<td>Safety Consultant</td>
<td>A BWC field consultant responsible for assisting employers in identifying and eliminating physical hazards in the work place and for helping employers develop proactive safety programs</td>
</tr>
<tr>
<td>Salary Continuation</td>
<td>A voluntary program whereby the employer continues to pay the injured employee their full salary and benefits, thereby potentially reducing the workers’ compensation costs, and potentially reducing future premium payments</td>
</tr>
<tr>
<td>SAWW</td>
<td>Statewide Average Weekly Wage</td>
</tr>
<tr>
<td>Scheduled Loss</td>
<td>Includes amputations, loss of use, ankylosis, loss of vision and total loss of hearing</td>
</tr>
<tr>
<td>Self Insuring Employer</td>
<td>Employers who have been granted the privilege by BWC of administering their own workers’ compensation programs and who pay compensation and benefits directly to the injured worker</td>
</tr>
<tr>
<td>State Fund</td>
<td>Monies set aside by state government to finance a mandatory insurance system, such as workers’ compensation</td>
</tr>
<tr>
<td>State Fund Employers</td>
<td>Public and private employers who pay premiums for workers’ compensation coverage</td>
</tr>
<tr>
<td>Statute of Limitations</td>
<td>The date of injury/disability/death compared to the filing and/or payment of claim governs the eligibility for benefits</td>
</tr>
<tr>
<td>Statewide Average Weekly Wage</td>
<td>The average wage of all state workers, used to establish the minimum and maximum levels of workers’ compensation. SAWW changes annually</td>
</tr>
<tr>
<td>Subrogation</td>
<td>In workers’ compensation it is the right of recovery from a third person or party for the cost of benefits paid or to be paid, to or on behalf of an injured worker</td>
</tr>
<tr>
<td>Suitable Employment</td>
<td>Work which is within the injured worker’s physical capabilities, and which may be performed by the claimant subject to all physical, psychiatric, mental, and vocational limitations to which the injured worker is subject at the time of the injury or date of disability which resulted in the allowed conditions in the claim</td>
</tr>
<tr>
<td>Taxing District</td>
<td>A public employer such as a county, city, township or village that funds its operations with tax revenue</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Temporary Partial Disability</td>
<td>A term used to describe compensation paid as the result of an injured workers’ election to receive a compensation award based on impairment of earning capacity. Applies only to injuries on or before 8/22/86</td>
</tr>
<tr>
<td>Temporary Total Disability</td>
<td>Compensation provided to an injured worker who is totally disabled from work on a temporary basis due to the work related injury or occupational disease</td>
</tr>
<tr>
<td>Thousand Dollar Deductible Plan</td>
<td>An option for state fund employers in which an employer can elect to pay the first $1,000 of medical bills for medical only claims</td>
</tr>
<tr>
<td>Transitional Work</td>
<td>A work-site program that provides an individualized interim step in the recovery of an injured worker with job restrictions resulting from the allowed conditions in the claim Developed in conjunction with the employer, injured worker, collective bargaining agent (where applicable), physician of record, and rehabilitation professionals. A transitional work program assists the injured worker in progressively performing the duties of a targeted job</td>
</tr>
<tr>
<td>Violation of Specific Safety Requirements</td>
<td>An award made pursuant to Article II, Section 35, Ohio Constitution, which can pay the injured worker up to an additional 50% of the maximum compensation provided by law if the employer is found to be in violation of a specific safety requirement</td>
</tr>
<tr>
<td>VSSR</td>
<td>Violation of Specific Safety Requirements</td>
</tr>
<tr>
<td>Workers’ Compensation Policy</td>
<td>A contract providing workers' compensation coverage issued by an insurer to an employer</td>
</tr>
<tr>
<td>Working Wage Loss</td>
<td>The dollar amount of the diminishment in wages sustained by the injured worker who has returned to employment which is not his/her former position of employment. However, the extent of the diminishment must be the direct result of physical and/or psychiatric restrictions caused by the impairment that is causally related to an industrial injury or occupational disease in the allowed claim</td>
</tr>
<tr>
<td>WWL</td>
<td>Working Wage Loss</td>
</tr>
</tbody>
</table>
Introduction
CONTROLLING WORKERS’ COMPENSATION COSTS

www.ohiobwc.com

BWC is the seventh largest underwriter of workers’ compensation in the country.

At $22 billion, Ohio’s workers’ compensation system has the largest exclusive state fund in the nation.

Source: Best’s Review, BWC

2007

275,000 Active Policies

1.5 Million Open Claims

87% of injured employees return to jobs within 1 week
The Ohio Workers’ Compensation Act

- Ohio law established exclusive state fund in 1913.
- The act provides no-fault insurance.
- It protects employers and their employees.

Ohio Revised Code

“Sections 4123.01 to 4123.94, inclusive, of the Revised Code shall be liberally construed in favor of employees and the dependents of deceased employees”

Compensability Criteria

- Employer / Employee Relationship
- Physical Injury
- In Course Of / Arising Out Of Employment
- Jurisdiction
Intentional Tort

- Workers' compensation is sole remedy for workplace injuries unless:
  1. Employer knew there was a hazard to the employee AND
  2. Employer did not protect the employee AND
  3. Employer knew with certainty that the employee would be injured or killed
Controlling Workers’ Compensation Costs

Section 2

Safety Culture Wheel

Safety Culture?

Why are we concerned about safety when discussing controlling workers’ compensation costs?
Safety Culture Wheel Instructions
- Consider the questions in each category.
- Rate your company on a scale from 0 to 3.
  0 = Weakness
  1 = Some aspects covered
  2 = Could be improved
  3 = Strength
- Total the points under each category.
- Plot the totals onto the corresponding axis.
- Connect the plotted points from axis to adjacent axis.

Defining Safety Culture
(#660065 in catalog)
- What are the attitudes of top managers?
- Why do you think they felt this way?
- What is the most powerful safety tool ever invented?
- What was the bad water, bad fish thing about?

Line Management

- President
- V.P. of H.R.
  - Safety
- V.P. of Mfg.
  - Quality & Production
    - Supervisors
    - Employees
- V.P. of Sales
  - Customer Service
**Effective Line Management**

- President
- V.P. of Sales
- V.P. of Mfg.
- V.P. of H.R.
- Quality & Production
- Supervisors
- Employees
- Customer Service

---

**Safety Culture Wheel**

- Leadership
- Measurement & Accountability
- Systems & Processes
- Organizational Style
- Involvement

---

**Leadership**

- Leadership commitment to safety is active, visible and lively.
- A clear and inspiring vision has been established for safe performance.
- Safety is viewed and treated as a line management responsibility.
- Safety is clearly perceived as an organizational value on the same level with productivity and quality.
Team Exercise

If great safety is zero accidents, do you believe every accident can be prevented?

Safety Culture Wheel

Leadership
Measurement & Accountability
Organizational Style
Involvement

Systems & Processes

- Supervisors and workers partner to find and correct systems causes of incidents.
- Communication systems are abundant, effective and flow well in all directions.
- Training systems deliberately and systematically create competency for the right people at the right time.
- Safe operating procedures and policies are clearly defined and communicated. (By Who?)
**Safety Culture Wheel**

The Ohio Division of Safety & Hygiene

Leadership Consulting Group

**INSTRUCTIONS:**
1. Consider the questions in each category
2. Rate your company on a scale from 0 to 3
   - 0 = Weakness
   - 1 = Some aspects covered
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---

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TOTAL = 

---

**Measurement & Accountability**

- All levels of the organization have safety goals and process responsibilities clearly defined
- The process of achieving results is a key safety measure
- Performance reviews include accountability for safe performance at all levels
- Supervision is accountable to perform safety observations and feedback

TOTAL = 

---

**Organizational Style**

- Trust & openness are the norm
- Positive reinforcement is used regularly
- Bureaucratic obstacles are removed
- There is formal and informal recognition for great performance at all levels

TOTAL = 

---

**Involvement**

- Workers are skilled at problem solving & decision making
- Labor and management work together to address safety systems issues
- Team orientation achieves involvement and cooperation
- Innovation, participation and suggestions are encouraged at all levels

TOTAL = 

---

**Systems & Processes**

- Supervisors and workers partner to find & correct systems causes of incidents
- Communication systems are abundant, effective and flow well in all directions
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TOTAL =
INSTRUCTIONS:
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TOTAL = ___

Revised July 2003
<table>
<thead>
<tr>
<th>Action Plan</th>
<th>Action step</th>
<th>Other people involved</th>
<th>Deadline</th>
</tr>
</thead>
</table>

25
Leadership

Safety Culture Wheel

Leadership
Measurement & Accountability
Systems & Processes
Organizational Style
Involvement

Current Situation

Desired State

Comments
Systems & Processes

Safety Culture Wheel

Leadership

Measurement & Accountability

Organizational Style

Involvement

Current Situation

Desired State

Comments

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

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________________________________________________________________________

________________________________________________________________________
Ratemaking

The main question is....

◆ How does BWC determine what an employer pays in premium?
  ➢ BWC must collect enough money in premium to pay claims costs
  ➢ Costs must be equitably divided among all employers

Simply put...

**CLAIMS COSTS** drive **RATES**
BWC Rating Concept

Compare

**ACTUAL**
CLAIMS
COSTS

and

**EXPECTED**
CLAIMS
COSTS

Claims Costs

1. **MEDICAL COSTS**
   Money paid for doctor bills, diagnostic tests, drugs, etc.

2. INDEMNITY

3. RESERVES
Claims Costs

INDEMNITY (compensation)
- Money paid to injured workers to compensate for lost wages
- Money paid to injured workers to compensate for permanent damage

Reserves

Reserve – The anticipated future cost in a claim
A reserve is set only on claims that are designated as lost-time claims

BWC Reserves
- Reserves set using MIRA II (Micro Insurance Reserving Analysis System) (effective July 1, 2008)
- MIRA is built using data from 5.9 million Ohio claims
- Allows employers to see what factors are driving the Reserves
- Weekly listing of claims with changed Reserves
BWC Reserves

MIRA assigns Reserves to claims based on over 180 individual characteristics of each claim.

Why are individual claim characteristics important?

Two employees with identical broken legs
- One is 22 year old office worker
- Other is 55 year old construction worker

1. Which one will go back to work sooner (receive less in compensation)?
2. Which one will heal faster (less medical)?

<table>
<thead>
<tr>
<th>Individual Claim Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of injury</td>
</tr>
<tr>
<td>Manual Classification</td>
</tr>
<tr>
<td>Age of injured worker</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Locality</td>
</tr>
<tr>
<td>Prescriptions</td>
</tr>
<tr>
<td>Return-to-Work date</td>
</tr>
</tbody>
</table>
**Reserve Example**

- Injured worker, male, age 25, injury – sprain/strain of lumbar region of spine
- $1,500 medical
- $2,500 compensation
- $150,000 reserve (future costs on claim)
- $154,000 total claim value

**Result**

- A large reserve has a significant impact on the value of a claim
- Claims with large reserves can be the driving factor in an employer’s rates

**Max Value Claim**

- Each employer is assigned a maximum value for each individual claim
- Based on employer size (determined by expected losses)
- Prevents large claims from negatively impacting small employers
- Injured employee receives all benefits due
- Amounts over Max Value are assigned to Surplus Fund (a shared liability)
4-year Calculation

Private Employers*

- Each year, the oldest year drops off and a new year is added.

*Public employers’ rating year begins on January 1st

Expected Claims Costs

- Amount of claims costs an employer is expected to have, based on business pursuit and payroll level.
- This value is also a four-year figure, based on the same time period as the claims cost figure.

BWC Ratemaking

- Once actual claims costs and expected claims costs are obtained, BWC uses that information to determine the rate that the employer will pay
- Note that the BWC is “revenue neutral” when it comes to ratemaking
Base Rating

- If a company has less than $8,000 in expected claims costs, it will be base-rated.
- The company will pay the base rate established for its manual classification, regardless of the amount of claims costs it has. Experience Modifier (EM) is always 1.00.

Experience Rating

- When an employer has expected losses in excess of $8,000, it is experience-rated.
- Premium costs are driven by the level of claims costs.
- An employer can be credit-rated or penalty-rated.

Credit-rated
An employer has less claims cost than BWC would expect. The experience modifier (EM) is less than 1.00.

Penalty-rated
An employer has more claims cost than BWC would expect. The EM is greater than 1.00.
Experience Rating

- There is a limit on credit rating. Currently, an employer can be no more than 85% credit-rated.
- There is no limit to penalty rating (surcharge) for an employer.
- The higher the surcharge, the higher the premium paid by an employer.

Savings through Discount Programs and Optional Rating Plans*

- Group Rating
- Drug Free (DFWP)
- Premium Discount Program (PDP)
- Retrospective Rating
- Self-Insurance
- Safety Grants
- Safety Council Rebates
- $15K Program
- One Claim Program

*Note: These programs are currently under review and may be revised.

Group Rating

- Allows an employer with low claims experience to earn an attractive discount.
- Groups combine payroll and experience of the members to earn a significant discount.
  Discounts up to 35%
Drug-Free Workplace Program

- Can stack discount with Group Rating up to maximum cap of 85%
- Can stack with PDP up to a maximum cap of 10%

Potential Discounts for Qualifying Employers

Additional Incentives for Drug-Free EZ Small Employers

**Premium Rebate**

- 15% claim severity reduction 10%
- 15% claim frequency reduction 5%
- Bonus for meeting both 5%

**Total** 20%

**Premium Rebate**
Drug-Free Workplace Safety Grants

- Available to employers enrolled in BWC’s DFWP or DF-EZ
- Private Employer: 2-1 matching grant ($10K BWC / $5K employer)
- Public Employer: 3-1 matching grant ($15K BWC / $5K employer)
- Funds can be used for:
  - Legal review of policy
  - Employee education
  - Supervisor training

*Note: Funds cannot be used for substance testing

Note

Under Ohio law (House Bill 80), construction contractors and subcontractors are required to have a drug-free workplace program (a BWC program or comparable program) to bid on or provide labor services on a State of Ohio construction site.

Premium Discount Program Plus

- 3 year program w/ 2 year extension
- For employers with EM of 0.90 or greater (not in group rating)
  - 10% premium discount in years 1 and 2
  - 5% premium discount in year 3

2 year extension
- Must successfully complete first 3 years
- 2 years between first 3 years and extension
- Year 4 = 10% discount. Year 5 = 5% discount
Premium Discount Program Plus

Additional Incentives

<table>
<thead>
<tr>
<th>Incentive</th>
<th>Rebate</th>
</tr>
</thead>
<tbody>
<tr>
<td>15% Claim severity reduction</td>
<td>10%</td>
</tr>
<tr>
<td>15% Claim frequency Reduction</td>
<td>5%</td>
</tr>
<tr>
<td>Bonus for meeting both requirements</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>20%</td>
</tr>
</tbody>
</table>

Retrospective Rating

- Semi-self-insured program
- Employer selects:
  - an individual claim limit
  - a maximum premium (ceiling of claim costs)
- Employer receives up-front discount on their rates.
- Employer is responsible for 10 years of claim costs, up to a per claim limit (deductible).

Must pay at least $25,000 premium/year to qualify.

Self-Insurance

- Large employers (500+ employees)
- Pay assessments to BWC
- Pay all of claim costs
- BWC grants employers this privilege based on:
  - Profit margin
  - Debt structure
  - Self-insured readiness
Safety Intervention Grants

- 4 to 1 matching safety grant for private/public employers
- Up to $40,000 from BWC, matched by $10,000 from employer
- Used to purchase equipment to reduce/eliminate risk of injury or illness
- Must have at least 1 claim in last 2 years from task / equipment involved

See www.ohiobwc.com for details.

Examples of Approved Grants

- Hoisting equipment
- In-floor scales
- Automatic lid sealer machine
- Counterbalanced drills
- Automatic feed machine
- Cranes mounted in pickups
- Motorized bleachers in gyms
- RF readers for gas meters
- Powered equipment to replace manual operations

Items Not Authorized

- Floor/ceiling patient lifting devices, electric beds
- Forklifts, powered dolly equipment
- Skid steerers, front-end loaders, bobcats
- All earth-moving equipment
- Weaponry, including tasers
- Vehicles, including cars and trucks
- Exercise equipment
- Patient bathing and toileting chairs
- Personal protective equipment
Safety Council Rebate

- Current fiscal year (July 2008 – June 2009), safety council members can receive up to a 4% rebate on premiums
- Check with local safety council in March 2009 for information on next year’s rebate availability

For list of safety councils:
www.ohiobwc.com
Safety Services / Safety Councils

$15,000 Medical-Only Program

- Employer is medical manager of claim in which IW is off no more than 7 days.
- Employer pays bills within 30 days.
- Employer keeps record of the injury.
- Effective with claims of Sep 10, 2007 or later

See www.ohiobwc.com for details.
Employer Services / Programs

One Claim Program (40% discount)

- State-fund employers only
- Single significant claim entering experience from Green Year that caused removal from group
- Up to 3 medical-only claims in experience period
- Attend Workers’ Comp. University each year + one additional class
June 2007
Policy No.
Fed. ID No.

Dear Employer:

To help you plan your budget, the Ohio Bureau of Workers’ Compensation (BWC) has enclosed the calculations supporting the premium rates BWC will bill you for the payroll reporting period July 1, 2007 to June 30, 2008. This is not a bill, but rather a notice of rate(s) BWC will use to calculate your premiums due in 2008. There is not action required of you at this time.

Section I describes the calculations for each manual classification’s premium rates. Section II describes the experience modification percent (EM%) calculation and how it applies to the premium rate calculation. Section III describes the claims used to calculate the total modified losses.

To have an impact upon your premium rate calculation, you can control your losses through programs that increase safety while reducing the frequency and severity of workers’ compensate on claims. To find out more about BWC programs or if you have questions regarding your rates, visit ohiobwc.com, call 1-800-OHIOBWC and press 2, or contact your employer service representative at your local customer service office.

Sincerely,

Marsha P. Ryan
Administrator
Section I. Calculation of the Premium Rate(s):

These rates are subject to adjustments as revised experience period information (handicap reimbursements, claims cost protests, audits, payroll adjustments, etc.) becomes available. You can calculate a sample payment by using the rate(s) listed in column (i).

<table>
<thead>
<tr>
<th>Manual Number</th>
<th>Base Rate</th>
<th>Non-Group Discount Factor</th>
<th>EM%</th>
<th>Modified Prem. Rate [(b) * (c) * (d)] / 100</th>
<th>Administrative Cost [(15.26) * (e)] / 100</th>
<th>DWRF (0.10)</th>
<th>Additional DWRF (0.001) * (b)</th>
<th>(g)</th>
<th>(h)</th>
<th>Premium Rate per $1 of Payroll Reported [(e) + (f)] + (g) + (h) / 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>1438 RN</td>
<td>15.17</td>
<td>0.930</td>
<td>143</td>
<td>20.18</td>
<td>3.0795</td>
<td>0.10</td>
<td>0.0152</td>
<td>0.10</td>
<td>0.0020</td>
<td>0.233747</td>
</tr>
<tr>
<td>3027 RN</td>
<td>2.00</td>
<td>0.930</td>
<td>143</td>
<td>2.66</td>
<td>0.4059</td>
<td>0.10</td>
<td>0.0020</td>
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<td>0.0075</td>
<td>0.031679</td>
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<td>7380 RN</td>
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<td>0.0075</td>
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<tr>
<td>7720 RN</td>
<td>3.86</td>
<td>0.930</td>
<td>143</td>
<td>5.13</td>
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<td>0.0039</td>
<td>0.10</td>
<td>0.0003</td>
<td>0.060167</td>
</tr>
<tr>
<td>8810 RN</td>
<td>0.28</td>
<td>0.930</td>
<td>143</td>
<td>0.37</td>
<td>0.0565</td>
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<td>0.0003</td>
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</tr>
<tr>
<td>9082 RN</td>
<td>3.39</td>
<td>0.930</td>
<td>143</td>
<td>4.50</td>
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<tr>
<td>9083 RN</td>
<td>3.42</td>
<td>0.930</td>
<td>143</td>
<td>4.55</td>
<td>0.6943</td>
<td>0.10</td>
<td>0.0034</td>
<td>0.10</td>
<td>0.0034</td>
<td>0.053477</td>
</tr>
</tbody>
</table>

Note: The premium rate(s) in column (i) are per $1 unit of payroll.

Definitions:

Non-Group Discount Factor: The discount factor that applies to all employers that are not included in a group for experience-rating purposes.

DWRF: The Disabled Workers' Relief Fund is a fund created to provide cost of living increases to permanently and totally disabled workers with injury dates prior to 1987. By law, the maximum assessment rate is $0.10 per $100 of payroll.

Additional DWRF: The Additional Disabled Workers' Relief Fund is a fund created to provide cost of living increases to permanently and totally disabled injured workers with injury dates in 1987 and after.

Premium Rate: The premium rate is the sum of the modified premium rate, administrative cost, DWRF and additional DWRF.

Administrative Cost: The policy year 2005 assessment rate that is applied to the modified premium rate that funds the operations of the Bureau of Workers' Compensation (13.35 percent) and the Industrial Commission (1.71 percent) is 15.26 percent. The following administrative cost breakdown below represents that which is used in the calculation of your premium rate above.

<table>
<thead>
<tr>
<th>Manual Number</th>
<th>BWC Administrative Cost</th>
<th>WC Administrative Cost</th>
<th>Total Rate (b) + (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1438 RN</td>
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</tr>
<tr>
<td>3027 RN</td>
<td>0.3604</td>
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<td>7380 RN</td>
<td>1.3509</td>
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<td>1.5214</td>
</tr>
<tr>
<td>7720 RN</td>
<td>0.6951</td>
<td>0.0877</td>
<td>0.7828</td>
</tr>
<tr>
<td>8810 RN</td>
<td>0.0502</td>
<td>0.0663</td>
<td>0.0565</td>
</tr>
<tr>
<td>9082 RN</td>
<td>0.6098</td>
<td>0.0769</td>
<td>0.6867</td>
</tr>
<tr>
<td>9083 RN</td>
<td>0.6165</td>
<td>0.0778</td>
<td>0.6943</td>
</tr>
</tbody>
</table>

Section II. Calculation of the individual experience modification percentage (EM%):

A. The following is the calculation of the limited losses to be used in the application of the experience rating formula. The figures below represent the total anticipated limited losses for an average employer of your size and industry pursuit.
(a) | (b) | (c) Expected Loss Rate (per $100 Unit of Payroll) | (d) Expected Losses [(b)*(c) / 100] | (e) Limited Loss Ratio | (f) Total Limited Losses \[(d) \times (e)\]
---|---|---|---|---|---
1438 RN | $32,193.00 | 4.46 | $1,435.81 | 0.2834 | $406.91
3632 RN | $70,411.00 | 1.63 | $1,147.70 | 0.3474 | $398.71
4828 RN | $29,264.00 | 2.58 | $755.01 | 0.3474 | $262.29
7380 RN | $4,160.00 | 3.16 | $131.46 | 0.2498 | $32.84
7720 RN | $326,146.00 | 1.81 | $5,903.24 | 0.2927 | $1,727.88
8380 RN | $45,199.00 | 1.62 | $732.22 | 0.3173 | $232.33
8742 RN | $657,752.00 | 0.15 | $986.63 | 0.3152 | $310.99
8810 RN | $3,384,283.00 | 0.11 | $3,722.71 | 0.3152 | $1,173.40
9083 RN | $90,031.00 | 1.39 | $1,251.43 | 0.3327 | $416.35

TOTAL | $4,961.70

B. The following is the application of the experience rating formula:

| (a) Total Modified Losses | (b) Total Limited Losses | (c) \[\frac{(a)-(b)}{(b)}\] | (d) Credibility Percent | (e) EM\% \[\frac{(c) \times (d) \times 100}{100}\] Rounded]
---|---|---|---|---|
$26,330.88 | $4,961.70 | 4.3068 | 10% | 143

Definitions:

Total Modified Losses (TML): The total experience period losses charged to your company. The individual claim losses that make up this value are found in Section III.

Total Limited Losses: The experience period limited losses your company is anticipated to incur based upon your size and industrial pursuit. These losses are found in Section II.

Credibility Percent: A statistical measure of the size of your entity, using total expected losses as the measurement base.

EM\% (Experience Modification): The total experience modification percent that is applied to the base rate to determine your modified premium rate found in Section I. If your EM\% is less than 100, it indicates that you had fewer losses than were anticipated and you will receive a credit against the base rate. If, however, the EM\% is greater than 100, it indicates that you had more losses than were anticipated and there will be a penalty applied to the base rate. By rule, the minimum EM is five percent.

Section III. Experience Period Losses:

In this section you will find the claim costs for all claims.

The following are injuries occurring from January 1, 2000, through December 31, 2003, with compensation and medical costs totaled as of December 31, 2004, and reserves whose calculation is based upon activity through December 31, 2004. Claim costs have been limited to a maximum of $12,500.00 per claim.

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<tr>
<th>Claim Number</th>
<th>Injured Worker Name</th>
<th>Claim Type</th>
<th>Comp Payments</th>
<th>Medical Payments</th>
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**TOTAL**  $26,330.88
Direct and Indirect Costs
Controlling Workers’ Compensation Costs

Section 4
Direct and Indirect Costs

Accident-related Costs

- **Insured - Direct Costs**
- **Uninsured - Indirect Costs**

INDIRECT COST

4 TIMES

THE DIRECT COST
Direct versus Indirect Costs
◆ Medical costs
◆ Compensation costs
◆ BWC reserves
◆ Hiring/training replacements
◆ Overtime (lost work)
◆ Legal expenses
◆ Product / tool damage
◆ Production delays

Other Indirect Costs
◆ Morale
◆ Admin time
  ➢ Claims handling
  ➢ Supervisory duties
  ➢ Accident analysis
◆ J.I.T. operations
◆ OSHA
◆ Loss of business (customer goodwill)
◆ VSSR

Violation of a Specific Safety Requirement (VSSR)
حياة An injured worker may receive additional compensation if employer is found to have violated a specific safety requirement that led to an injury.
حياة Award can be 15% to 50% of compensation paid (minors = 100%)
حياة Out-of-pocket expense for employer

www.legislature.state.oh.us/laws.cfm
Ohio Administrative Codes
4123:1 Division of Safety & Hygiene
If Indirect Costs are 4 Times Your Company’s BWC Insured Direct Costs

Medical and compensation costs........... $1,500
Compensation reserve........................ $3,500
Total insured cost............................ $5,000

Total insured (direct costs) multiplied by 4
$5,000 x 4 = $20,000 (indirect costs)

Total insured (direct costs) + (indirect costs)
$5,000 + $20,000 = $25,000

Profitability and Your Bottom Line

- Direct Costs totaled $5,000
- Direct Costs + Indirect costs totaled $25,000
- Your company’s Profit Margin is 5% from sales

Your company’s sales department must generate $500,000 to compensate for this loss.

1% Company Profit Margin = .... $2,500,000
2% Company Profit Margin = .... $1,250,000
5% Company Profit Margin = .... $ 500,000

Do the math for your CEO!

Your medical and comp. costs
Your compensation reserves +
BWC direct Insured Cost =

Direct cost + (4X direct cost) = Your Total

Your total costs / your profit margin equals sales required to cover your losses
Traditional Safety versus Contemporary Safety

- Compliance focused
- Enforced by mgmt.
- Punish unsafe behavior
- Top down decision making
- Dictate policy / procedures
- Rigid, consistent
- Confrontational

- Values focused
- Exemplified by mgmt.
- Positive reinforcement of safe behavior
- Shared decision making (ownership)
- Delegate and empower
- Flexible, innovative
- Confidence and trust

Safety Culture Wheel

- Leadership
- Measurement & Accountability
- Systems & Processes
- Organizational Style
- Involvement

Involvement

- Workers are skilled at problem solving and decision making.
- Labor and management work together to address safety systems issues.
- Team orientation achieves involvement and cooperation.
- Innovation, participation and suggestions are encouraged at all levels.
**Safety Culture Wheel**

<table>
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<tr>
<th>Leadership</th>
<th>Systems &amp; Processes</th>
<th>Organization Style</th>
<th>Involvement</th>
<th>Measurement &amp; Accountability</th>
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</thead>
</table>

### Organizational Style

- Trust and openness are the norm.
- Positive reinforcement is used regularly. Not negative!
- Bureaucratic obstacles are removed.
- There is formal and informal recognition for great performance at all levels.
Involvement

Safety Culture Wheel

- Leadership
- Measurement & Accountability
- Systems & Processes
- Organizational Style
- Involvement

Current Situation

Desired State

Comments
Organizational Style

Safety Culture Wheel Summary

Leadership
Measurement & Accountability
Systems & Processes
Involvement

Organizational Style

Current Situation

Desired State

Comments
Controlling Workers’ Compensation Costs

Section 5
Risk Management Strategies

Hearing Process

- Receipt of Claim by Administrator
- Customer Service Team
- District Hearing Level (DHO)
- Staff Hearing Level (SHO)
- Industrial Commission Level (IC)
- Judicial System
  - Court of Common Pleas

Who are the players?

- Employer
- Managed Care Organization (MCO)
- BWC
- Third Party Administrator (TPA)
The Employer's Role

- Employer and/or MCO reports claim timely
- Investigates accident promptly
- Decides to certify or reject the claim

*When an employer certifies a claim, they are stating that:*
1. An injury occurred at work
2. The injured person was their employee

The Employer's Role

- Follows up with their injured worker
- Coordinates remain-at-work / return-to-work strategies with MCO, medical providers, and BWC

---

**MCO Role**

- Every employer has an MCO
- Paid by BWC
- Manage medical
- Approve medical treatment
- Drive return-to-work programs

**BWC Role**

- Investigate and determine claim allowance
- Manage lost time benefits
- Adjudicate additional conditions
- Determine eligibility for Rehab
- Assist with bringing the claim to resolution

---

Every employer has an MCO

Paid by BWC

Manage medical

Approve medical treatment

Drive return-to-work programs

Investigate and determine claim allowance

Manage lost time benefits

Adjudicate additional conditions

Determine eligibility for Rehab

Assist with bringing the claim to resolution
Third Party Administrator

- Employer not required to have TPA
- Private contract between employer and TPA
- Manage claims for employer
- Settle claims and pursue handicap reimbursements
- Represent employer at I.C. hearings

Claim Management

"REMAIN AT WORK"
"RETURN TO WORK"
"TRANSITIONAL WORK"

Plan Now!

Remain At Work

- Accommodate injured worker’s restrictions so they can remain at work.
- Services are provided to injured workers experiencing difficulties.

(Physician must approve release of injured worker to participate.)
What is Transitional Work?

Transitional work is any job, task, function or combination of tasks or functions that a worker with restrictions may perform safely, for remuneration and without the risk of re-injury.

Benefits of Transitional Work

- Eliminate/decrease time away from work.
- Eliminate/decrease temporary total.
- Increase productivity.

Can Employers Save With Rehab?

Living Maintenance and Living Maintenance Wage Loss are not included in claims costs.

Ask your MCO and BWC Claims Specialist (CSS) if rehabilitation is an appropriate direction for the injured worker. The injured worker must be medically stable to participate.
Focus On Remain-at-Work or Return-To-Work Policy

Lost Time Claim = reserve
Salary continuation and/or followed by Living Maintenance = zero reserve
BWC pays TT followed by Living Maintenance = 50% reduction of reserve

Other Control Strategies For Claims Management

- Timely reporting of claim
- Wage/Salary Continuation
- Claim settlement
- Handicap reimbursement
- Subrogation
- Recreational Waiver
- Fraud Control

Timely Reporting of Claims

◆ Company policy to report injuries on same work shift?
◆ Immediate reporting of claim allows faster / more appropriate treatment
◆ Reporting more than 7 days = increased costs\(^1\)
  \[ \begin{align*}
  11 & \text{ to } 20 \text{ days} = 29\% \text{ increase} \\
  21 & \text{ to } 30 \text{ days} = 39\% \text{ increase} \\
  \text{Over } 30 \text{ days} & = 50\% \text{ increase}
  \end{align*} \]
◆ More than 31 days = 113\% increase in litigation (i.e. attorney involvement)\(^2\)

\(^1\) Kemper Insurance – 1993
\(^2\) International Assoc. of Ind. Accident Boards & Commissions
Wage/Salary Continuation

- Continue to pay employee their normal wage
- Reserves are suppressed
- Employee continues to accrue seniority, retirement, leave, etc.
- Health insurance continues, if employer provides it

Settlement*

- A formal agreement should be completed at least 30 days before the experience period snapshot. Submit by Nov. 15 for private employers, Submit by May 15 for public employers.
- 30 days must be allowed for Industrial Commission approval.
- Reserve drops to zero.
  * Money for settlements comes from BWC, not the employer

Facilitate Settlement

- Settlement efforts should be on-going.
- Create a system in which Human Resources automatically contacts your TPA or attorney when an employee departs.
EXAMPLE
Impact of $5,000 Claim Settlement

◆ Current EM  1.11
◆ Current premium  
$129,551

Impact of $5,000 Claim Settlement

◆ Total medical costs  $ 40,873
◆ Total indemnity costs  $ 28,961
◆ Reserve  $164,839

Impact of $5,000 Claim Settlement

◆ Total medical costs  $ 40,873
◆ Total indemnity costs  $ 28,961
◆ Settlement  $ 5,000
Impact of $5,000 Claim Settlement

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<tr>
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<th>EM before settlement</th>
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Impact of $5,000 Claim Settlement

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<td>$114,056</td>
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<tr>
<td>Net savings</td>
<td>$ 15,495</td>
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Handicap Reimbursement

- 25 Allowed Conditions
- Discount based on relationship to injury
  - Prolongs healing process
  - Contributes to the injury
- The % of discount is charged to the surplus fund
Impact of 50% Handicap Reimbursement

- Current EM 1.11
- Current premium $129,551

Impact of 50% Handicap Reimbursement

- EM before handicap reimbursement 1.11
- EM after handicap reimbursement .99

Impact of 50% Handicap Reimbursement

- Premium before reimbursement $129,551
- Premium after reimbursement $116,131
- Net savings $ 13,420
Subrogation

- The right to recover benefits from a third party because of negligence.

- Senate Bill 227 effective for claims with a date of injury on or after April 9, 2003.

Most Common Third-Party Accidents

- Motor vehicle accidents
- Malfunctioning products
- Medical malpractice
- Exposure to toxic fumes
- Machinery accidents
- Animal bites

Group Discussion

Your boss asks you to help organize a company picnic on a Saturday. This will be during non-working hours and attendance is voluntary by all employees.

During a softball game, you slide into second base and break your leg.

Is this a workers’ compensation claim?
Recreational Waiver

Legal liability vs. workers’ compensation claim

When does your workday BEGIN and END?

Group Discussion

One of your employees is off on temporary total disability, which means he cannot work at all.

His co-workers report to you that they have observed him riding his Harley Davidson motorcycle over the weekend.

Is this fraud?

Fraud versus Abuse

- Requires “Knowledge & Intent”
- Overt Act
- Intentional Omission

- Excessive use or misuse of workers’ compensation system
- Abuse can not be criminally prosecuted under the law
- Dealt with through administrative channels (IC)
Red Flag Indicators Of Injured Worker Fraud

- Injured worker can’t be reached.
- Tips from co-workers.
- No witnesses to accident.
- Cross-outs, white-outs and erasures on forms.
- Date, time and place of accident unknown.
- Specific details of injury not recalled.

Red Flag Indicators Of Medical Provider Fraud

- Billing for services not provided
- High cost of medical care relative to injury
- Length of treatment inconsistent with injury or disability
- Injured worker receives an unusually high number of prescriptions.

Red Flag Indicators Of Employer Fraud

- No workers’ compensation coverage
- Misreporting payroll (Excessive payroll reported to clerical manual)
- Current Certificate of Coverage but system indicates lapsed coverage
Handicap Reimbursement

Pre-existing conditions
1. Epilepsy
2. Diabetes
3. Cardiac Disease
4. Arthritis
5. Amputated foot, leg, arm or hand
6. Loss of sight of one or both eyes or partial loss of uncorrected vision of more than 75% bilaterally
7. Residual disability from poliomyelitis
8. Cerebral palsy
9. Multiple sclerosis
10. Parkinson’s disease
11. Cerebral vascular accident
12. Tuberculosis
13. Silicosis
14. Psycho-neurotic disability following treatment in a recognized medical or mental institution
15. Hemophilia
16. Chronic osteomyelitis
17. Ankylosis of joints
18. Hyper Insulinism
19. Muscular dystrophies
20. Arterio-sclerosis
21. Thrombo-plebitis
22. Varicose veins
23. Cardiovascular and pulmonary diseases of a firefighter employed by municipal corporation or township as a regular member of a lawfully constituted fire department
24. Coal miners pneumoconiosis
25. Disability with respect to which an individual has completed a rehabilitation program for a previous injury or claim (ORC 4121.6-69)
26. Service connected injury (see ORC 4123.63)
Controlling Workers’ Compensation Costs

Section 6

Accountability

- Define expectations
- Provide the tools and skills
- Measure performance
- Reward
Accountability

- Measure and reward activities, not just results.
- If we achieve the desired results, how did we get there?

Measurement and Accountability

- All levels of the organization have safety goals and process responsibilities clearly defined.
- The process of achieving results is a key safety measure.
- Performance reviews include accountability for safe performance at all levels.
- Supervision is accountable to perform safety observations and feedback.

Does Upper Management Know the Cost?

- The Premium
- Cost by department?
- Accident trends by department?
Personal Impact Makes A Difference

- Are department budgets impacted by their claims and costs? (charge backs)
- Or, are the overall costs equally divided among departments?

So what options does an employer have to control workers’ compensation costs?

What are Your Options?

- PDP
- DFWP
- Settlement
- Subrogation
- Rehabilitation
- DFWP Grants
- Return-to-Work
Options (continued)

- Remain-at-Work
- Fraud Awareness
- Wage Continuation
- One Claim Program
- Recreational Waivers
- Handicap Reimbursement
- Physician Knows Job Requirements

Options (continued)

- Group Rating
- Written Policies
- Attend IC Hearings
- Performance Reviews
- Employee Involvement
- Positive Reinforcement
- Safety Council Rebates
- Safety Intervention Grants

Options (continued)

- Obstacles are Removed
- Supervisor Accountability
- Improving Your Safety Culture
- Investigate All Accidents / Incidents
- Establish “Values” and not “Compliance”
Safety Culture Wheel Summary

Leadership
Measurement & Accountability
Organizational Style
Involvement
Systems & Processes

Take the score from each “spoke” and plot it on the Culture Wheel. Connect the dots to see where your strengths are and where your weaknesses are.

Safety Culture Wheel

Leadership
Measurement & Accountability
Organizational Style
Involvement
Systems & Processes

Does your wheel look like this?

Or This?
Thank you for attending.
Please drive safely.
Measurement & Accountability

Safety Culture Wheel

Current Situation

Desired State

Comments
## Ohio Bureau of Workers’ Compensation

### Governor, Ted Strickland

### Administrator/CEO Marsha P. Ryan

### Focus on
Ohio Employers

### Form: (BWC Forms) - Employer Forms Home

#### Employer Forms

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Adobe Reader is required to view/print forms, click here.

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<td>Waiver of Workers’ Compensation Benefits for Recreational</td>
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Live support available Monday through Friday 7:30 a.m. - 5:30 p.m. Click here to get help!
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Ohio Bureau of Workers’ Compensation
Governor, Ted Strickland
Administrator/CEO Marsha P. Ryan

Form: (BWC Forms) - Injured Worker Forms Home

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C-230  Authorization to Receive Workers’ Compensation Check

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C-240  Settlement Agreement and Application for Approval of Settlement Agreement

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C-241-A  Amended Settlement Agreement and Release

FROI  First Report of an Injury, Occupational Disease or Death

FROI-ES  First Report of an Injury, Occupational Disease or Death (En Español)

Reporting fraud

IC-167-T  Objection to Tentative Order Awarding Permanent Partial Disability Compensation

MEDCO-31  Request for Prior Authorization of Medication Form

MEDCO-32  Request for Prior Authorization of NON-PREFERRED Medication Form

OD-58-22  Application for Adjustment of Claim in Case of Death Due to Occupational Disease

OSHA-1204  PERRP Complaint Form

R-2  Injured Worker Authorized Representative

RH-1  Rehabilitation Agreement

RH-6  On-the-Job Training Agreement

RH-7  Loan/Release Agreement for Tool and Equipment

RH-10  Injured Worker's Record of Job Search Contacts

RH-24  Gradual Return to Work Contract Reimbursement Method

SI-28  Filing of Allegation Against a Self-Insured Employer

SI-42  Self Insured Joint Settlement Agreement and Release

SI-43  Acknowledgement of the Self-Insured Joint Settlement Agreement and Release

Subrogation Referral Form
Resources Available from the Division of Safety & Hygiene (DSH) Libraries
(800) 644-6292      (614) 466-7388
library@bwc.state.oh.us
www.ohiobwc.com

Safety training:
- Safety talks, outlines and scripts - DSH Safety leader’s discussion guide, Training
  Center’s One-hour safety presentations, reference books, web resources
- Videos – hundreds of safety and health topics
- Books and articles on training techniques

Machine and equipment safety:
- Safety standards (ANSI, NFPA, CGA)
- Books and articles on power presses, material handling equipment, lockout/tagout, etc.

Sample written programs:
- DSH program profiles and sample written programs
- Reference books
- Internet resources

Illness and injury statistics:
- Statistics from the U.S. Bureau of Labor Statistics
- National Safety Council’s Injury Facts
- National Institute of Occupational Safety & Health (NIOSH) studies

Hazard communication and chemical safety:
- Chemical safety information
- Material safety data sheets (MSDSs)
- Sample written programs
- Videos
- Internet resources

Safety standards
- American National Standards Institute (ANSI) standards (including standards for
  construction, machinery and equipment, personal protective equipment)
- National Fire Protection Association (NFPA) fire codes (including the Life Safety Code
  and the National Electrical Code)
- Compressed Gas Association (CGA) standards

Other topics of interest (books, articles, magazines, videos and standards):
- Confined spaces
- Electrical safety
- Job safety analysis
- New employee orientation
- Powered industrial trucks
- Respiratory protection
- Safety culture
- Scaffolds

Directories and lists of vendors of safety equipment

Occupational Safety & Health Administration (OSHA) regulations

Manual of Uniform Traffic Control Devices (MUTCD)

Recommendations of useful Internet sites

BWC publications
Saving You Time and Research

Requests for copies of OSHA standards, information on starting a safety committee, a video on accident investigation techniques -- these are some of the thousands of inquiries BWC’s Division of Safety & Hygiene (DSH) libraries receive each year.

DSH has two libraries to serve you:

• The central library in the William Green Building in downtown Columbus;
• The resource center and video library located at the Ohio Center for Occupational Safety and Health (OCOSH) in Pickerington.

Both libraries are open 8 a.m. to 4:45 p.m., Monday through Friday. Your need for information does not require a visit to the library. You can phone, fax, or e-mail your requests and receive a quick response.

The central library provides free information services on the topics of occupational safety and health, workers’ compensation and rehabilitation.

The OCOSH resource center provides similar services for those who visit OCOSH for meetings and training center classes.

The video library offers an extensive collection of videotapes to supplement your organization’s safety and health training program. It is a convenient and popular source for Ohio employers to borrow quality occupational safety- and health-related training aids.


Central Library
30 W. Spring St., Third Floor
Columbus OH 43215-2256
1-800-OHIOBWC
(614) 466-7388
(614) 644-9634 (fax)
library@bwc.state.oh.us

OCOSH Resource Center
13430 Yarmouth Drive
Pickerington OH 43147-8310
1-800-OHIOBWC
Resource center (614) 728-6464
Video library (614) 644-0018
INTERNET WEB SITES
for
OCCUPATIONAL SAFETY & HEALTH INFORMATION
May 2008

The Ohio Bureau of Workers’ Compensation provides a variety of safety tools and resources on our web site, www.ohiobwc.com. Click on Safety Services to find out more about what BWC’s Division of Safety & Hygiene offers online. Tools and resources include lifting guidelines, recordkeeping spreadsheets, sample OSHA program guides, and training materials. You’ll also find a longer version of this list of web sites.

GENERAL

CANADIAN CENTRE FOR OCCUPATIONAL HEALTH & SAFETY (CCOHS)
http://ccohs.ca
This Canadian government site has an extensive Internet directory. There is also a unique feature called “OSH Answers” and a guide to safety-related acronyms.

NATIONAL SAFETY COUNCIL
http://www.nsc.org
Visit this web site for information on safety in the workplace, at home, on the road and in the community.

NYCOSH
http://www.nycosh.org
The New York Committee for Occupational Safety & Health offers news releases, links to helpful safety resources, strategies for safer workplaces, information on workplace hazards, workers’ compensation and much more.

OCCUPATIONAL HAZARDS
http://www.occupationalhazards.com
The online version of the magazine Occupational Hazards is filled with today’s headlines, articles, white papers, case studies, and product news.

OKLAHOMA STATE UNIVERSITY
http://www.pp.okstate.edu/ehs
The Department of Environmental Health & Safety at OSU has an online safety resource library with topics from A-Z. Go to the "Links Library" option.

OREGON HEALTH & SCIENCE UNIVERSITY
http://www.croetweb.com
This site consists of information on occupations & industries, chemical hazards, workplace safety issues, ergonomic issues, biological hazards, and includes materials in Spanish.
VERMONT SIRI
http://hazard.com
Contains a wide variety of resources: MSDSs, an online library of graphics, articles and PowerPoint presentations, e-mail discussion list archives, and a list of safety & health consultants.

FEDERAL GOVERNMENT

AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY
http://www.atsdr.cdc.gov
Look for information on hazardous substances, emergency response and hazardous waste sites.

BUREAU OF LABOR STATISTICS, SAFETY & HEALTH
http://www.bls.gov/bls/safety.htm
Find national statistics on work-related injuries and illnesses and fatalities.

CENTERS FOR DISEASE CONTROL & PREVENTION (CDC)
http://www.cdc.gov
A good resource for general public health issues throughout the United States. Health topics from A-Z give an in-depth look at most communicable diseases as well as topics such as safe driving, violence, and air pollution.

ENVIRONMENTAL PROTECTION AGENCY (EPA)
http://www.epa.gov
The EPA’s web site provides a wealth of information on a wide range of topics. Of particular interest: resources on lead, asbestos, indoor air quality, mold, and school environmental issues.

FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)
http://www.fema.gov
For information on disasters and emergencies nationwide, access this web site. Publications include options for emergency preparedness and prevention, response and recovery, disaster fact sheets, and public awareness information.

MINE SAFETY AND HEALTH ADMINISTRATION (MSHA)
http://www.msha.gov
Features information on mine safety and health, including noise, dust, statistics, safety hazard alerts and talks, training, regulations, and rescue.

NATIONAL INSTITUTE FOR OCCUPATIONAL SAFETY & HEALTH (NIOSH)
http://www.cdc.gov/niosh
NIOSH’s site describes their services and research activities and provides information on many workplace safety and health topics. Most of their publications are available online.
NATIONAL LIBRARY OF MEDICINE (NLM)
The world’s largest medical library: a reliable source for medical, health and chemical hazard information.

OCCUPATIONAL SAFETY & HEALTH ADMINISTRATION (OSHA)
http://www.osha.gov
OSHA’S web site includes compliance assistance resources, online publications, statistics, OSHA standards & directives, and a very useful A-Z site index.

OHIO

OHIO DEPT. OF HEALTH
http://www.odh.state.oh.us
Provides a wide variety of public health information, including occupational and environmental health, women's health, and health resources.

OHIO EPA
http://www.epa.state.oh.us
Use the “Topic Index” to find Ohio EPA regulations and information on permits, hazardous waste, pollution prevention, wastewater, wetlands, and much more.

STATE LIBRARY OF OHIO/OHIOLINK
http://slonet.state.oh.us
Search the State Library of Ohio’s online catalog which includes BWC’s Division of Safety & Hygiene library books.

SPECIFIC (BY SUBJECT)

CONSTRUCTION
http://www.cdc.gov/elcosh
eLCOSH is a comprehensive library of construction safety information presented in both English and Spanish with items searchable by trade, hazard, job site, etc.

DRUG-FREE WORKPLACE
http://www.dol.gov/workingpartners
Working Partners for an Alcohol- and Drug-Free Workplace. Provides guidelines on establishing a workplace substance abuse program. Search the Substance Abuse Information Database. From the U.S. Dept. of Labor.

EMERGENCY MANAGEMENT GUIDE FOR BUSINESS & INDUSTRY
http://www.fema.gov/business/guide
Presents a step-by-step approach to emergency planning, response, and recovery for companies of all sizes. From the Federal Emergency Management Agency.

ERGONOMICS
**http://www.ergoweb.com**
Ergoweb’s site offers ergonomics news, a buyer’s guide and case studies, in addition to sources for software and services.

**FIRE CODES**
**http://www.nfpa.org**
The National Fire Protection Association (NFPA) codes can be viewed full-text online.

**HAZARDOUS MATERIALS AND HAZARDOUS WASTE**
**http://tools.niehs.nih.gov/wetp**
The National Clearinghouse for Worker Safety and Health Training is a resource for workers and trainers who are involved in the handling of hazardous waste or in responding to emergency releases of hazardous materials and terrorist actions.

**INDOOR AIR QUALITY**
**http://sis.nlm.nih.gov/enviro/indoorairpollution.html**
Compiled by the National Library of Medicine, this web page provides information on a variety of indoor air topics as well as glossaries, database searches and web pages in Spanish.

**MSDS**
**http://www.ilpi.com/msds**
Touted as “Where to find material safety data sheets on the Internet”, this site offers links to 100 free sites as well as news, FAQs, and an MSDS glossary.

**SAFETY MANUALS & SAMPLE WRITTEN PROGRAMS**

**ILLOINOIS ONSITE SAFETY & HEALTH CONSULTATION PROGRAM**
**http://www2.illinoisbiz.biz/osha/resource.htm**
At this site you will find sample written programs on a variety of topics. Also available are checklists and safety guide books, some in Spanish.

**OSHA**
**http://www.osha.gov/dcsp/compliance_assistance/sampleprograms.html**
OSHA provides sample written programs for employers to use as guidance when developing their own customized programs tailored to their specific workplaces.

Ohio Bureau of Workers’ Compensation, Div. of Safety & Hygiene Libraries
(800) 644-6292
(614) 466-7388   (614) 644-9634 (fax)
E-Mail: library@bwc.state.oh.us
www.ohiobwc.com