

# Prospective billing overview for state-fund PEOs

Effective until Dec. 31, 2015

## What?

- BWC is transitioning to a prospective billing system that will provide more flexibility for private employers while reducing overall systems cost. This change aligns us with standard industry practice and enables us to collect premiums before extending coverage.
- The change includes going from a biannual reporting system to a policy year, which will also provide employers flexible payment options.
- **Professional employer organizations (PEOs), however, will be required to report actual payroll and pay premium on a monthly basis.**
- Monthly reporting will replace the requirement for state-fund PEOs to provide security to BWC in most cases.
- BWC will mail certificates of coverage at the beginning of the policy year. They cannot, therefore, reflect lapse or reinstatement occurrences within a policy year.

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## When?

- This transition is effective July 1, 2015.
  - BWC will grant PEOs the transition credit for January through August 2015, provided the PEOs timely report payroll. No premium payment will be due for those months.
  - Only after the payroll has been timely reported will the transition credit be applied to the account.

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## How?

- The following requirements must be met to receive the transition credit.
  - PEOs must have an active policy as of July 1, 2015.
  - PEOs must report all payroll for the Jan. 1, 2015 – June 30, 2015, period online by Aug. 31, 2015, either on [www.bwc.ohio.gov](http://www.bwc.ohio.gov) or by submittal of the payroll report.

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## PEO reporting and payment responsibilities

- PEOs will be required to report the previous month's payroll and pay premium monthly only through a service offering on [www.bwc.ohio.gov](http://www.bwc.ohio.gov). This service offering will be very similar to FlexPay.
  - Payroll reporting and premium payment for the previous month is due the 15th of each month beginning October 2015.
  - If the 15th falls on a weekend or holiday, the due date is the next business day.
  - The PEO will have a lapse in coverage if it misses a due date. The potential to lapse 12 times a year exists due to the monthly reporting requirement. **Therefore, it is imperative to report and pay timely.**
  - We will notify clients whenever their PEO has a lapse in coverage status.
  - All late reporting and premium payments will be subject to late penalties.
  - Because PEO employers are reporting **actual** wages, no payroll true-up is required.

- PEOs reporting zero payroll are subject to the yearly minimum premium of \$120. This applies to PEO employers whose client relationship(s) are established as reportable under the client policy, and the PEO has no employees reportable to Ohio.
    - The PEO will report zero payroll on [www.bwc.ohio.gov](http://www.bwc.ohio.gov) and pay \$10 per month for the policy year. This will add up to the \$120 minimum premium for the policy year.
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## Client employer reporting responsibilities

- PEO relationships established where the reporting of payroll and claims is under the client policy will follow the installment schedule established at the beginning of the policy year. **The clients will receive the Notice of Estimated Annual Premium for their 12-month premium prior to the start of the policy year.**
    - Under the new prospective billing system, client employers that are not in a PEO reporting relationship will default to a bi-monthly (six installments) payment plan for the first year of prospective billing. The client employer can change this option prior to their first installment payment.
  - If the PEO lease is **full reporting under the PEO policy**, the client's installment billings will stop as of the effective date of the lease agreement.
    - Client employer installments will begin immediately as of the effective date of a lease termination.
  - If a part lease exists between the PEO and client employer, the installment schedule will remain in place for the portion of payroll reportable by the client employer.
    - When a PEO and a client employer create a part lease, we will recalculate the client's estimated annual premium to account for the remaining manual classification(s) on the client policy.
    - When the PEO or client employer terminates a part lease, we will recalculate the client's estimated annual premium as of the date of termination.
  - All client employers will be responsible for reconciling their payroll through the payroll true-up policy at the end of each policy year. This may be submitted on [www.bwc.ohio.gov](http://www.bwc.ohio.gov), by phone at 1-800-644-6292 or in person at a BWC customer service office.
    - **Client employers who are reporting all under the PEO policy are placed in the one installment, minimum premium option with \$0 exposure. The minimum premium payment is paid at the beginning of the policy year and confirmed at true-up.**
    - The client's payroll true-up must include all actual reportable payroll that is reportable under the client employer's policy pursuant to the PEO agreement.
    - Client employers must complete a payroll true-up within 45 days of the end of the policy year.
    - Failure to complete a payroll true-up by the due date will render the client employer ineligible for participation in future rating plans or discount programs until all outstanding payroll true-ups are submitted.
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## PEO rates and experience transfer

- While all other state-fund employers will have just one experience modifier (EM) for the policy year, PEO employers will continue to have two EMs that apply to their rates, (July 1 and Jan. 1).
  - **This is a change to the original announcement of quarterly experience modifiers.** We based this on feedback received concerning the logistics of quarterly EMs, re-rates and fluctuations of premium rates for billing purposes.
- We will continue to recalculate EMs for PEO policies to account for changes to the client base or experience adjustments throughout the policy year and apply those experience changes to the appropriate period.