

A Billion Back

A three part plan for making workers' comp work for Ohio

Reiterating his administration's singular focus on creating jobs and improving Ohio's economy, Governor Kasich endorsed three specific actions proposed by BWC Administrator/CEO Steve Buehrer with respect to managing the portion of net assets that exceeds the board-approved ratios.

The proposal:

- Provides a one-time rebate of \$1 billion for private employers and public-taxing districts.
- Expands the agency's successful Safety Grant Program from \$5 million to \$15 million to support expanded statewide efforts to promote workplace safety and encourage further investment in protecting Ohio's workers.
- Modernizes the premium collection model by authorizing BWC to move toward a prospective-payment system and subsequently requesting the board issue an additional \$900 million to mitigate transition costs. This switch would also result in rate reductions of 2 percent for private employers and 4 percent for public employers.

\$1 billion rebate

During its May 2013 meeting, the BWC Board of Directors authorized a \$1 billion rebate for private employers and public-taxing districts paying into Ohio's workers' compensation system. During June and July 2013, BWC issued rebates to most of Ohio's eligible employers. Each rebate equaled 56% of the employers' annual premium (see below for details).

Strong financial picture: The ability to provide employers with a rebate is a reflection of BWC's current overall financial strength. BWC's combined funds, including the State Insurance Fund that pays for the care of Ohio's injured workers, are in a strong position as a result of prudent management and a careful, conservative investment strategy. At the time of the rebate, BWC had generated a three-year annual return of 11.4 percent, far exceeding the expected 4 percent return. The result was net assets surpassing \$8 billion and a funding ratio far exceeding the target guidelines set by the BWC Board of Directors. The three aspects of this plan are expected to move BWC's net assets to within its funding ratio guidelines.

Eligibility: Private employers and public-taxing districts that pay premium into the State Insurance Fund and have active, up-to-date policies will be eligible for the rebate. Each employer's rebate will reflect 56% of what they were billed during the last policy period (July 1, 2011 to June 30, 2012 for private employers; January 1, 2011 to December 31, 2011 for public taxing districts).

To be eligible, private employers must have been in an active, reinstated, combined or debtor in possession status as of April 1, 2013; public-taxing districts must have been in an active or reinstated status as of March 31, 2013.

Employers with an outstanding BWC balance had their rebate first applied to that balance.

Employers who report through a Professional Employer Organization should have received their rebate from their PEO, which is required to pass a portion of the rebate on to their members. Private employer group retrospective participants will receive their rebate after their annual review this fall.

History of BWC rebates: Between 1996 and 2005, BWC issued multiple dividends or rebates for private employers totaling \$6.6 billion and an additional \$1.4 billion for public-taxing districts. BWC last granted a dividend for the first half of the July 1, 2004 policy year equal to 20 percent of premiums. The largest dividend ever granted was 75 percent which reduced premiums by approximately \$1.3 billion.

The safety campaign

Investing in workplace safety generates a return on investment for everyone. A dollar spent on improving workplace safety results in \$3 savings in accident and injury costs. Arguably more important, however, is that grant recipients see an average reduction in claims of 66 percent. That means Ohio workers are less likely to be injured and more likely to return home safely each day to their family, their friends, and their community. That's why BWC is expanding the program's budget from \$5 million to \$15 million for the July 1, 2013 policy year.

The Safety Grants Program: The Safety Grants Program provides matching funds up to \$40,000 for employers to purchase equipment that will substantially reduce or eliminate injuries and illnesses. The program was further expanded in 2012 to include wellness and encourage employers to improve the overall health and wellbeing of their employees. In addition to accepting new applications, BWC has modified the program to allow prior recipients to apply for additional grants. Additionally, BWC will now match every dollar spent by an employer with three dollars, up to \$40,000.

Eligibility: There are four main criteria:

- The applicant must be an employer that pays into the State Insurance Fund.
- The applicant must be current on monies owed to BWC.
- The applicant must maintain active coverage.
- The applicant must not have previously purchased the equipment proposed in the application or otherwise have started a program similar to what's requested in the grant application.

Prospective payment

BWC currently bills its employers "retrospectively." Ohio employers pay their workers' compensation premium for the previous six months of coverage, or in "arrears." For example, private employers paid in February 2013 for the July 1, 2012 to December 31, 2012 coverage period.

Prospective billing is an industry standard and builds upon ongoing efforts by BWC to modernize its operation. Under prospective billing, BWC would, like most insurance companies, collect employer premiums for the upcoming policy period. In other words, employers make upfront payments to BWC for their workers' compensation coverage.

The benefits of prospective payment: A switch to a prospective billing system could provide the following benefits to Ohio employers:

- Opportunities for more flexible payment options (e.g., monthly, quarterly, yearly) with possible discounts for those who pay a year in advance for example
- Ability to better anticipate budgetary impacts of workers' compensation coverage, especially for public-taxing districts
- Better opportunities for BWC to provide quotes online or via phone
- Fewer costs from employers who either don't pay premiums timely or have workers injured without coverage being mutualized among employers in good standing

Moving to prospective payment also increases BWC's ability to detect employer non-compliance and fraud.

Transition: The legislature has given BWC the authority to pursue prospective billing, meaning the switch could occur as early as late 2014. Prior to switching, BWC will ask its Board of Directors to authorize a credit for all employers equal to the full amount of six months' premium. This would allow employers to make their first prospective payment without worrying about also having to pay their last retrospective payment. This would equate to an estimated \$900 million savings to businesses. In addition, this switch would result in rate reductions of 2 percent for private employers and 4 percent for public employers.