Ohio | Bureau of Workers' Compensation

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:

- Requests that the BWC Board of Directors authorize a one-time dividend 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.
- Asks the Legislature to modernize 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 dividend

Citing the need to continue improving Ohio's business climate, BWC is proposing a $1 billion dividend for private employers and public-taxing districts paying into Ohio's workers' compensation system. Under the proposed dividend, more than 210,000 Ohio private employers and public-taxing districts would receive approximately 56% of their annual premium in the July 1, 2011 to June 30, 2012 policy period. BWC may present the dividend proposal to its Board of Directors as soon as May. If approved by the Board of Directors in May, dividend checks could be mailed as early as June.

Strong financial picture: The ability to provide employers with a dividend is a reflection of BWC's current overall financial picture. 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. BWC has generated a three-year annual return of 11.4 percent, far exceeding the expected 4 percent return.

One way the independent BWC Board of Directors has promoted financial stability is by establishing a target funding ratio of assets to liabilities to ensure there is enough money to pay its obligations to injured workers.

Currently, BWC's $8.3 billion in combined net assets exceeds the target funding ratio of assets to liabilities established by its board in 2008. The guidelines of between 1.15 and 1.35 mean that for every dollar in liabilities, BWC must have between $1.15 and $1.35 in assets. The ratio currently stands at 1.49, a strong indication of financial strength and security, but above the upper range established by the board. This proposal moves BWC to within the established 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 dividend. Each employer's dividend 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).

Private employers must be in an active, reinstated or debtor in possession status as of April 1, 2013; public-taxing districts must be in an active or reinstated status as of March 31, 2013. Employers that do not meet all criteria will not be eligible to receive a dividend.

Employers that have an outstanding balance with BWC will have their dividend payment reduced by the amount of the outstanding balance. If an employer's outstanding balance exceeds the dividend amount, the employer's account will be offset by the amount of the dividend.

History of BWC dividends: 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 proposing to expand 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 will make modifications to the program that will 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." Most recently, 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 follow the lead of most every other insurance company and collect employer premiums for the upcoming policy period. In other words, employers make upfront payments to BWC for their workers' compensation coverage. Theoretically, for example, employers could report estimated payroll and pay their premium in April for the coverage period that begins July 1.

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: BWC hopes to gain legislative approval in 2013 but does not expect to implement prospective billing until mid-2014 at the earliest. If given the authority by the legislature to transition to prospective billing, BWC will request that the BWC Board of Directors authorize a credit for all employers equal to the full amount of their previous six months' premium (their last retrospective payment). This would allow employers to make their first prospective payment without worrying about 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.