



Senate Transportation, Commerce and Labor Committee
April 15, 2015
Ohio Bureau of Workers' Compensation
Administrator/CEO Stephen Buehrer
House Bill 52

Good morning Chairwoman Manning, Vice Chairman Patton, Ranking Member Cafaro, and members of the Senate Transportation, Commerce, and Labor Committee. My name is Steve Buehrer, and I am the Administrator and CEO of the Ohio Bureau of Workers' Compensation (BWC). I am here today to provide testimony on HB 52, which contains BWC's budget for fiscal years 2016 and 2017.

BWC is the largest state-fund workers' compensation insurance system in the nation. Our mission is to protect Ohio's workers and employers through the prevention, care and management of workplace injuries and illnesses at fair rates. While approximately 1,200 employers are self-insured in Ohio, BWC provides workers' compensation insurance to over 254,000 customers. BWC is not funded through general revenue funds; instead, our operations are funded through premiums and assessments charged to all employers, which is approximately \$2 billion annually. We have nearly 1,900 employees in 14 locations throughout Ohio. In 2014, we approved over 97,000 new claims and paid approximately \$2 billion in wage loss and medical benefits.

Our budget submission must adequately fund operations as constituted today while continuing our commitment to protecting Ohio's workers, improving the lives of injured workers and helping boost the state's economic vitality. I respectfully submit that our proposed budget of \$552.4 million over the biennium achieves that objective. This request is a 4 percent decrease from the previous biennium, saving Ohio employers over \$23 million and reflects our commitment to supporting economic growth through prudent fiscal management.

Since my appointment by Governor Kasich in 2011, my mission has been to better understand and work with our stakeholders to improve service to employers and injured workers. As of today, I have participated in over 250 speaking engagements and meetings to develop a partnership with our stakeholders to improve the workers' compensation system in Ohio. These partnerships have made our successes possible and allow us to continue to building on our accomplishments.

Prudent management and smart investing allowed *A Billion Back* in 2013 and *Another Billion Back* last year, which returned \$2 billion to Ohio private and public employer taxing districts. The rebates were made possible by investments that outperformed expectations, with a return of 13.4 percent in fiscal year 2014 alone and an annualized return of 8.9% over the past three fiscal years.

At the same time, employers have benefitted from lower rates. Private employers workers' compensation base rates are trending down with a 2.1 percent rate decrease in 2013, a further reduction of 6.3 percent in 2014 and last week, the BWC Board of Directors approved a 10.8 percent overall rate reduction effective

July 1 of this year. This most recent cut is expected to bring a decrease in projected annual premium of \$153 million, and bring private employer rate levels 21.4 percent lower than those in place in 2011.

We have also reduced average rates for public employers to their lowest level in more than 30 years. Local governments received an average base rate reduction of 1.6 percent for policy year 2014. In October, the board approved another rate reduction of 9.1 percent effective January 1, 2015. These reductions are combining to decrease local government rates by nearly 20 percent since 2011.

In the year ahead, thanks to our partnership with many of you on the passage of House Bill 493 during the last General Assembly, employers will see a \$1.2 billion transition credit as BWC moves to a prospective billing system. This change aligns BWC with standard industry practice and enables us to collect premiums before extending coverage. This conversion is part of our ongoing efforts to modernize our operations and provide better service to Ohio's employers. Not only will the move result in a credit to employers but will offer more flexible payment options, an overall base rate reduction and increased ability to detect non-compliance.

At BWC, we know improving the system involves much more than dollar savings for employers. Ohio workers deserve safe workplaces. That's why BWC is also investing in the state's most important asset — its workforce. We expanded statewide efforts to promote workplace safety and encourage further investment in protecting Ohio's workers through the expansion of the Safety Intervention Grant Program, which assists employers in purchasing equipment that will improve safety in their workplaces. Beginning in fiscal year 2014, as part of *Another Billion Back*, we tripled the funding for this program from \$5 million to \$15 million per year. We match every employer \$1 with \$3 up to a maximum of \$40,000 per eligibility cycle. As a result of the program expansion, we awarded \$15 million in grants to 535 employers during fiscal year 2014 and a most recent update shows we have approved \$11 million in grants with almost \$3 million in pending grant applications for 2015. At this rate, we will reach the \$15 million in funding, announced as a part of *Another Billion Back*, in the near future.

Additionally, BWC is leading the way in workplace safety with several new and innovative safety initiatives that were also included in the *Another Billion Back* plan. These include a number of new programs that will ultimately enhance the safety, health and wellness of Ohio's workforce. Some of these safety initiatives include additional training for firefighters to improve their safety, preparedness and response time during emergencies, and a research to practice program that invests in advanced research in workplace safety and health. The latter program is geared toward research organizations and higher-education institutions to promote innovation in areas of workplace safety and health such as overexertion; slips, trips, and falls; and musculoskeletal disorders. We recently announced the winners and will award just over \$2 million for research proposals submitted by OSU, Case Western University, University of Cincinnati, Cleveland State University, Bowling Green State University and Ohio University.

These new initiatives, along with all of our safety services, are helping employers prevent costly accidents and have played a significant role in reducing new claims. However, we understand on-the-job injuries do happen and we are a partner in helping Ohio workers recover so they can return to their families and communities. That's why we convened a landmark Health Care Summit and subsequent meetings with stakeholders from all areas to have meaningful discussions about a more injured worker-focused approach to workers' compensation care. Participants included labor and attorney representatives, employers, providers, managed care organizations and BWC executives. The insights of all involved are crucial to establishing a plan for improving care. We'll continue this conversation in the

coming year, and work to implement suggestions into a pilot this summer to improve quality and better coordinate care for claimants at risk of poor outcomes.

We also improved pharmacy management to ensure workers are being prescribed drugs that help, not hinder, their recovery. Since the creation of BWC's first-ever formulary there has been an ongoing reduction in prescriptions for commonly overused drugs, and total drug costs were lowered by more than \$20 million. Opioid doses have decreased by 11.4 million since 2010, and prescriptions for opioids dropped by 29 percent in 2014, compared to 2010. Also thanks to your partnership in HB 493, the brand new "first-fill" rule became effective in February. The rule allows BWC to provide care to injured workers more quickly following an injury, and ensures they receive necessary medications while the future of their claims is being determined. This new rule is significant for injured workers in Ohio, especially those who do not have health insurance or are otherwise unable to foot the prescription bill while awaiting claim approval. All injured workers should have the same access to immediate treatment, which in some cases is a matter of life and death.

We've seen significant progress over the past four years and continue heading in the right direction. Yet, we know there are opportunities for greater successes on the horizon. The proposed budget will allow BWC to continue its endeavors to enhance the safety of Ohio's workforce and quality of life for injured workers while promoting economic success for Ohio's employers. HB 52 does not contain major reforms but has proposals to streamline business, alleviate costs for nonprofits and employers and ensure benefits for those in need.

First, BWC proposes to ensure mentally or physically incapacitated adult dependents remain eligible for death benefits while participating in a sheltered workshop. Today, adult dependents with disabilities have opportunities to participate in work programs focused on rehabilitating activity and promoting a higher functioning life. BWC wishes to make clear this activity should not have an impact on any death benefits they are receiving.

Additionally, current law requires BWC to treat corporate officers of nonprofit organizations as if they were earning an income regardless of whether they are receiving remuneration. This places a cost and burden on charitable organizations that in turn could create a barrier to their humanitarian business or mission. BWC proposes to remove this mandate so any officer who is a true volunteer would not be mandated to have workers' compensation coverage.

Also included in HB 52 is a proposal to fund the Disabled Workers Relief Fund I (DWRF I). Employers currently pay into DWRF I, a fund that provides relief to a worker whose injuries occurred prior to January 1, 1987, and whose regular benefits have not kept pace with inflation. BWC is seeking authority to use funds from its current net position to cover the unfunded liabilities of this fund. Injured workers would continue to receive this benefit and employers would benefit from lower future rates with removal of the burden of covering costs associated with claims that may have occurred prior to their time in business. Finally, we are proposing to streamline the administrative process for employer appeals. The adjudicating process currently requires employers to appear in-person at two separate hearings when appealing BWC policies and decisions. BWC's proposal to make the last level optional for employers supports greater efficiency and will simplify the process, without compromising the employer's right to an in-person hearing if the employer desires.

BWC believes this budget bill and continued partnership with its stakeholders will yield positive improvements to Ohio's workers' compensation system. BWC can be a partner in making a difference – at keeping employees safe and premiums low and stable so businesses can prosper and Ohio can continue its economic recovery. I stand before you today confident in our efforts to date. This budget will establish

a solid foundation for improving outcomes for injured workers and providing value to employers in a way that will help grow our economy for the benefit of all Ohioans.

HB 52 received proponent testimony from Ohio Manufacturers' Association, Ohio National Federation of Independent Business and the Ohio Chamber. There was no opposition to the bill and it was voted out of the House unanimously.

Thank you for your time, I will be happy to answer any questions you might have in regards to the budget or BWC.