



# OHIO LEGISLATIVE SERVICE COMMISSION

Terry Steele

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 459 of the 132nd G.A.

**Status:** As Introduced

**Sponsor:** Rep. Henne

**Local Impact Statement Procedure Required:** No

**Subject:** Allows for the creation of self-insured employer groups under workers' compensation law

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### State Fiscal Highlights

- Allowing the formation of employer self-insuring groups to cover workers' compensation claims could potentially reduce the number of employers purchasing coverage from the Bureau of Workers' Compensation (BWC) under the State Insurance Fund. Concurrently, there could also be a decrease in claim payments made from the Fund. BWC collected over \$1.5 billion in premium revenue in FY 2017.
- There were just under 1,200 self-insuring employers and approximately 241,300 employers who maintained coverage through the State Insurance Fund in FY 2017.
- BWC will incur some additional administrative costs to implement a self-insuring group program. These costs would be paid from the Workers' Compensation Fund (Fund 7023) under appropriation item 855407, Claims, Risk, and Medical Management.

## Detailed Fiscal Analysis

The bill could reduce workers' compensation premium payments into the State Insurance Fund, depending on the number of employers that would qualify and opt for group self-insurance. The overall number of employers that could potentially qualify and opt for group self-insurance under the bill will largely depend on the program design. To give some perspective on how employers cover workers' compensation, there were 1,166 self-insuring employers in Ohio in FY 2017, while there were approximately 241,300 State Insurance Fund employers during that same period. BWC collected more than \$1.5 billion in premium payments into the State Insurance Fund in FY 2017. While payments into the State Insurance Fund from employers that currently purchase coverage from BWC may decrease under the bill, there could also be a concurrent decrease in claim payments made from the State Insurance Fund. The net position of the State Insurance Fund is approximately \$8.6 billion.

BWC may also see some additional operating costs for adopting rules and establishing requirements for employers seeking to join a self-insuring group, including a process for transition from State Insurance Fund coverage to group self-insurance. Any such costs would be paid from the Workers' Compensation Fund (Fund 7023) under appropriation item 855407, Claims, Risk, and Medical Management.

Although self-insured employers do not pay premiums for workers' compensation coverage through BWC, they are assessed on a biannual basis for costs that BWC and the Ohio Industrial Commission incur for handling claims involving self-insured employers. That assessment income is deposited into Fund 7023. There is also an assessment that covers the cost of handling claims from defaulted self-insured employers, amounts that are directed to the Self-Insured Employers Guaranty Fund (SIEGF). In addition, self-insured employers pay assessments for services that the Division of Safety and Hygiene provides to self-insured employers. This money is deposited into the Safety and Hygiene Fund (Fund 8260). All of these assessments may have to be adjusted depending on the number of self-insuring groups that form as a result of the bill.