



Senate Insurance Committee

May 3, 2023

Ohio Bureau of Workers' Compensation
Administrator John Logue

Good afternoon, Chairman Hackett, Vice Chairman Lang, Ranking Member Craig, and members of the Senate Insurance Committee. I am John Logue, Administrator of the Ohio Bureau of Workers' Compensation, and I am proud to be here today to provide testimony on BWC's budget for fiscal years 2024 and 2025.

At BWC, we remain committed to keeping Ohioans safe and on the job while providing excellent service for each BWC customer. We continue to care for Ohio's injured workers and help prevent workplace injuries through our safety consultations, grants, and services. Further, we continue to be an agile organization dedicated to supporting Ohio's employers and the economic growth of our state.

BWC's budget is not funded by the General Revenue Fund. Our funds come from the employer community through their premium payments. We proudly serve 254,000 public and private employers – providing essential workers' compensation insurance coverage to both businesses and their employees. Here in Ohio, workers' compensation is exclusively provided by BWC, and with over 1,500 employees statewide, and assets of approximately \$22 billion, BWC is one of the largest state-run workers' compensation insurance systems in the United States.

The funding requested for fiscal years 2024 and 2025 are 1.1 and 1.8 percent more than the fiscal years 2023 and 2024 appropriation levels, respectively. These increases are needed primarily due to inflation, wage increases negotiated in our collective bargaining agreements, and the costs to invest in staff required to reduce the cost of contracted personnel.

You will find this budget is what BWC needs to maintain a first-class workers' compensation system. We will continue to keep costs down for businesses, focus on workforce safety, and continue to innovate and streamline.

Under this administration, BWC has improved the lives of Ohio's employers and injured workers through the following actions:

- **Reduced rates for public and private employers and created a stable workers' compensation cost environment.** BWC's board reduced average rates paid by private and public employers to their lowest levels in more than 60 years. A recent study by the Oregon Department of Consumer & Business Services found the Ohio Bureau of Workers' Compensation had the 5th lowest workers' compensation premium rates among all states and Washington, D.C., through January 1, 2022. This ranking is an improvement from 12th place in the study's 2020 results. More remarkably, it is an

improvement from 2008 where we were nearly the highest state in the study at 47th place, telling us the average cost of workers' compensation coverage in Ohio continues to decline at a faster pace than most other states.

Private employers benefited from significant rate cuts – including an 8 percent rate cut that was approved by the BWC Board of Directors in February and will take effect this July and a 10 percent cut in July 2022. Public employer rates were reduced by 9.9 percent in January 2022, along with a 7.9 percent decrease in January 2021. The trend of decreasing rate levels is projected to continue into the near future. We continue to lower rates while ensuring a stable and predictable workers' compensation cost environment for our employer community.

- **Declining workplace injuries and claims.** Our outreach to employers continues to show results, with the number of employers using BWC safety services growing by 70 percent since 2010. Recent data put Ohio's injury rate at 2.3 injuries per 100 workers in calendar year 2021. This is compared to a national average of 2.9 injuries per 100 workers. Ohio's injury rate is also better than our neighboring states. Our claims have fallen steadily – approximately 70,000 new claims were allowed in fiscal year 2022, down from 260,000 in 2000.
- **Declining medical costs.** Over the last biennial period, BWC paid providers more than \$765 million for medical and vocational services, averaging \$383 million annually. This spending was a decrease from previous years by 17 percent or \$80.61 million.
- **Safety Innovations and Wellness.** We continue to help keep Ohio's workers safe, healthy, and productive by expanding our innovative safety and wellness programs. One of the latest is the Workforce Safety Innovation Center.
- **BWC's Workforce Safety Innovation Center (WSIC).** The WSIC initiative offers \$30 million in grants for research and development of personal protective equipment and personal protective technologies to enhance workplace safety, especially for those employed in fields such as first responders, manufacturing, agriculture, and other sectors requiring additional protection while on the job. Based on data collected from BWC claims, we identified priority areas of focus for technologies and products that will reduce the frequency and severity of on-the-job injuries. The University of Cincinnati received the first two grants – focused on firefighter safety and cooling technology. The Ohio State University received a grant for a wearable biofeedback system.
- **Modernized safety grant programs.** We modernized our safety grant programs, which provide up to \$35 million a year for Ohio employers to make their workplaces safer. These programs provide grants to reduce the frequency of accidents and injuries in the workplace. In addition, they provide specific grants such as body armor for law enforcement officers, gear to reduce the possibility of firefighters contracting cancer, and security equipment to keep schools safe. We eased eligibility requirements to allow more employers to qualify and to make it easier for them to apply. We added new technology to improve the ease of use and accessibility for employers to apply for and receive grants.

- **Safety education partnerships.** We continue to expand our safety outreach activities with targeted industries – particularly those that have higher injury rates. For example, we recently established strong partnerships with the agribusiness community through the Agribusiness Alliance and Ohio Farm Bureau to proactively advocate and share safety information.
- **Simplifying our processes.** We implemented a new Straight Through application process that uses technology to allow certain customers to go from application entry to policy issuance in one session. We also recently started offering customers a service that grants the ability to pay premiums for multiple policies simultaneously. If an individual provides services for numerous clients, they can now submit a single payment for all their clients.

For our medical providers, we enhanced the Physician’s Report of Work Ability form, condensing it from four pages to two, with simplified language to reduce any potential roadblocks in getting injured workers healthy and able to return to work.

- **Tackling substance use disorders.** We have taken numerous measures to mitigate the impact of the opioid epidemic on Ohio’s workforce and business community. Among our achievements:
 - We expanded our Substance Use Recovery and Workplace Safety Program (SURWSP) to all 88 counties, up from three in early 2019, ending in fiscal year 2022 with 839 enrolled employers, a 271 percent increase since its inception in 2019. This program supports employers with workers recovering from addiction by paying for drug screenings, special training, and other programs designed to help all involved successfully navigate the challenges around substance use disorders and recovery in the workplace.
 - We removed Oxycontin from our formulary, the drug widely blamed for kickstarting our nation’s substance use epidemic. Instead, we are covering alternative painkillers with stronger abuse-deterrent technology. In fact, the number of opioid prescriptions written has dropped 71 percent since 2014.
 - We have built a premier pharmacy program that is the envy of state workers’ compensation systems. This program has been a driving force in reducing our opioid numbers and the potential abuse or misuse of other dangerous drugs in our system. We accomplished this while significantly reducing our medication costs. During fiscal year 2022, our prescription reimbursement costs totaled \$34.2 million, a decrease of \$2.4 million from fiscal year 2021. This is the result of fewer injured workers filling a prescription, smaller prescription quantities, increased use of generic drugs, and stronger prescription protocols implemented by our Pharmacy and Therapeutics Committee.

The Future of Ohio and BWC

Our budget reflects our commitment to Ohio and its workforce. Our state is a destination for companies across the country, and we are ready to serve them. We aim to increase the capabilities of the agency to provide excellent quality, cost-effective, and timely services to our customers. Our goals for the future include:

- **Strong and Stable Finances**

We will continue to manage the financial and enterprise risks associated with our operations by maintaining an adequate net position through smart investment strategies and prudent financial management. We will continue to review the needed income levels and claim reserve balances using actuarial talent and techniques to ensure we will fulfill our promises to the employers and injured workers in Ohio.

- **Insurance Modernization**

We are requesting to simplify the way we account for the administrative costs of BWC and to align our premium determination process with traditional insurance practices. To accomplish this, we seek to bring our administrative costs and claims benefits together. This request will streamline the workers' compensation system and make it easier to understand for Ohio's employers. This will not change our spending authority as established through the biennial budget process or the transparency our customers and stakeholders expect. Further, this request will not result in an increase to the amount of premiums Ohio's employers will pay in the future.

Currently, BWC's administrative costs are paid by adding an assessment to employers' premiums. This assessment is set on a "pay as you go" structure while the underlying premium is determined under insurance-based principles where a transfer of risk has taken place from the employer to BWC.

To expand on this, the administrative costs "pay as you go" basis means the administrative assessments collected in a year are used to pay for the costs to administer claims in the year they are serviced, regardless of how far in the past the claim occurred. The proposed legislation would change assessments to an "insurance" basis, which means administrative assessments would be billed to administer the claims in the year they occur and for the duration of those claims, regardless of how far into the future those administrative costs may be incurred.

The proposed legislation will bring our practices in line with the standard across the insurance industry. This request will ensure continued rate stability for Ohio's employers into the future.

- **Prioritizing Safety**

One of our ongoing goals is for workers to go home to their families healthy and safe at the end of the day. We will continue to keep Ohio's workers safe by expanding our outreach to

employers and sharing information about our programs that benefit Ohio's employers and workers.

- We will expand the outreach of our new Workforce Safety Innovation Center. We look forward to this program driving a deliberate maturation of concepts from ideation to prototype, thus transforming ideas into viable technical and commercial workforce solutions that can be produced in Ohio and utilized around the world.
- We will continue safety grant funding at \$35 million each year of the biennium.
- Our Ohio Occupational Safety and Health Research Program will continue to provide funding for research projects of up to \$300,000 per project over a duration of 12 to 24 months with Ohio not-for-profit higher education institutions.
- We have made our Enhanced Care Program for knee-only injuries a permanent treatment program beginning January 1, 2023.
- We will continue to aggressively manage medical spending while ensuring the availability of quality benefit services to address the results of workplace injuries. Specific focus will be targeted to appropriate rate setting for innovative services such as telemedicine, non-pharmacological pain management care, and prosthetics.

- **Talent Management**

To achieve these goals, we must maintain and develop quality employees that bring the best to offer our customers and contribute to the positive culture we have at BWC. To do this, we have implemented our Succession Planning initiative. This will better position us to inspire our young future leaders while maintaining the top-talent employees that are critical to our success in the workers' compensation insurance field.

- **Communication and Outreach**

Our focus is to improve the customer experience. We are working on updating our external website and simplifying how our customers interact with integral touch points at our agency. This new and dynamic site will feature stories, the latest programs, news, and a more intuitive navigation structure. The new website will also include options for customers to self-select a variety of information based on their interests.

We have launched a project to review our most utilized customer correspondence to ensure it is written in a clear, concise, and user-friendly format. Moving forward, our goal is to explore creative and engaging ways to communicate and interact with our customers and stakeholders. We will continue to use tools such as social media, texts, and automatic notifications to reach our users while trying to simplify our methods.

For events, we transitioned the Ohio Safety Congress & Expo to a hybrid event and had over 7,000 registered attendees and 265 exhibiting companies at our event in March. We also changed our Medical and Health Symposium to an interactive virtual experience, while

still offering continuing education credits and a forum for vendors to display their newest products and innovations.

- **Innovation, Technology, and Becoming a Data Driven Agency**

Our agency will continue to utilize and embrace innovative technology to increase operational efficiencies and improve the customer experience. During the current biennium, we focused efforts on implementing robotic process automation in key areas and enhancing the website user experience. We recently modernized our data warehouse by moving to a cloud-based solution, increasing speed, and reducing processing times. We have several planned enhancements including moving applications from the mainframe, contact center enhancements, automated system testing, streamlining processes, and a new document management system. Additionally, improvements to our core business system, CoreSuite, will support business customers and advance new agency initiatives.

We will continue to expand our analytics efforts by exploring new technologies such as Machine Learning and Artificial Intelligence. These initiatives will assist us in analyzing data to gain a better understanding of the risks and trends impacting Ohio's Workers' Compensation system.

In each of the above, we aim to increase the capabilities of the agency to provide excellent quality, cost-effective, and timely services to our customers.

Conclusion

In conclusion, we want to be a driving factor in the success of Ohio's workforce and the economic development of our state. Our goal is to keep costs low for our employers and keep their employees safe while on the job. We continue to be in a great financial position which allows us to reduce rates and provide grants to employers that will boost business and the economic success of Ohio. Since our founding in 1912, we have grown to be one of the largest state-operated providers of workers' compensation, and we will continue to improve and do better for our customers.

Thank you for your consideration of this budget summary and I look forward to further discussion on our budget.

I am happy to take your questions.