



House Finance Committee

May 12, 2021

Ohio Bureau of Workers' Compensation

Interim Administrator/CEO John Logue

House Bill 75

Good morning Chairman Oelslager, Vice Chairman Plummer, Ranking Member Crawley, and members of the House Finance Committee. My name is John Logue, and I am the Interim Administrator and CEO of the Ohio Bureau of Workers' Compensation. I am here today to provide testimony on House Bill 75, which contains BWC's budget for fiscal years 2022 and 2023.

This proposal supports our mission to deliver consistently excellent experiences for each BWC customer every day as we work to prevent, care for, and manage workplace injuries and illnesses at fair rates. It also supports our continued effort to transform BWC into an agile organization driven by customer success. In addition, this proposal reflects our ongoing commitment to supporting economic growth in Ohio through prudent fiscal management and innovative services that create safer workplaces and lower workers' compensation costs for Ohio employers.

As outlined in the attached schedule, funding for fiscal year 2022 is \$353.2 million (or a 13.2% decrease from fiscal year 2021). Funding for fiscal year 2023 is \$361.9 million (or a 2.5% increase from fiscal year 2022). We note these funds are collected from the employer community through their annual premiums and assessments and from transfers from the State Insurance Fund and not from tax collections of the General Revenue Fund.

Ohio's workers' compensation system was founded in 1912. We are one of the largest state-operated providers of workers' compensation insurance in the United States. With assets of approximately \$25 billion (as of Dec. 31, 2020), BWC provides insurance coverage to more than half of Ohio's workforce. (The remaining workers are covered by their self-insured employers.) In fiscal year 2020, we provided workers' compensation insurance coverage to 249,000 employers, approved 71,519 new injury claims, and paid \$1.35 billion in wage loss and medical benefits. We also earned \$1.8 billion in investment income, a 7% return.

This budget will allow BWC to maintain an effective and efficient workers' compensation system that lets businesses focus on growing, preventing workplace injuries, and getting injured workers healthy and back to work. We will do this by:

- **Focusing on workplace safety and prevention** through safety education, training, grant programs, and best practices to help prevent workplace injuries and occupational illnesses.
- **Continuing to innovate and streamline** service offerings to ensure consistently excellent customer service experiences.

- **Keeping costs down for businesses** by having a low and stable rate environment,
- **Partnering with RecoveryOhio** and our local partners to combat the substance use crisis.

Consider our track record over the course of the current biennium. We strengthened our commitment to protecting Ohio's workers, improving the lives of injured workers, and building BWC into an economic asset for Ohio through several actions. They include:

- At the request of Governor DeWine, BWC issued four dividends over fiscal years 2020-21, totaling \$9.2 Billion, including three in calendar year 2020 aimed at easing COVID-19's economic impact. For perspective, we bill employers approximately \$1.3 billion annually. We issued dividends of nearly \$8 billion in CY2020 alone. This includes nearly \$1 billion for local government employers, such as schools, cities and counties.

BWC has reduced average rates paid by private and public employers to their lowest levels in decades. Private employers benefited from significant rate cuts instituted by our Board of Directors – a 20% cut in July 2019 (our largest rate reduction in 60 years) and a 13% reduction in July 2020. We reduced public employer rates by 12% in January 2019 along with an additional 10% decrease in both January 2020 and January 2021. This rate level decrease trend is projected to continue into the near future. We prudently lower rates while ensuring stable and predictable workers' compensation costs for Ohio's employers.
- Our efforts to reach out to Ohio employers and create a culture of safety are showing results. We've seen the number of employers using BWC safety services grow by 70% since 2010. Recent data put Ohio's injury rate at 2.4 injuries per 100 workers in calendar year 2018. That's compared to a national average of 3.1 injuries per 100 workers. Ohio's injury rate is also better than in each of our neighboring states. Meanwhile our claims have fallen steadily – approximately 71,000 new claims (including COVID-19 claims) were allowed in fiscal year 2020, down from 104,000 in fiscal year 2010. The full impact of COVID-19 will likely show up in our FY 21 results – in both claim filings as well as claims filed as COVID-19 related workplace illnesses.
- Our strong financial position allows us to assist Ohio employers, including providing facial coverings for their workers to weaken the spread of COVID-19. As of today, we have distributed over **40 million masks** to employers around the state. To do so, BWC asked the Controlling Board, which approved our request, to provide additional appropriation to our Safety Grant line item. Our goal is 46 million by the end of this fiscal year. We have partnered with companies in Northeast Ohio to manufacture the masks, also creating jobs for Ohioans.
- Our Safety Grant programs continue to provide funding and resources to employers to assist in providing safe workplaces. The Safety Intervention Grants continue to help reduce the frequency of workplace accidents and injuries. We have designed safety grants for specific purposes – **body armor** for law enforcement officers, gear to reduce the possibility of **firefighters** contracting cancer, and security equipment to keep schools safe. We also offer grants to help reduce injuries among individuals who work with people with disabilities. We introduced a **Trench Safety Grant** and trainings to assist Ohio employers in addressing an increase in fatal and serious trench-related injuries.
- As our agency pivoted to manage the pandemic, we took on a federally funded **Indoor Air Quality program** to mitigate the virus' spread in nursing homes and other facilities serving older Ohioans. As

of April, 837 applications have been approved or in progress for nearly \$9.4M in total funding. This amounts to an average of approximately \$11,200 per application.

- BWC adopted several emergency policy changes to facilitate flexibility and safety when providing medical, vocational rehabilitation, and pharmacology care for Ohio’s injured workers. The relevant policy modifications expanding the use of telehealth services maintained a providers’ ability to deliver services to injured workers while preventing unnecessary COVID-19 exposure for both parties. These changes are effective until the COVID-19 state of emergency is lifted within the state where the injured worker resides.
- We have taken measures to mitigate the impact of the opioid epidemic on Ohio’s labor force and business community. Among our achievements:
 - **We’ve expanded our Substance Use Recovery and Workplace Safety Program (SUR-WSP) to over 30 counties**, up from just three in early 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’re covering alternative painkillers with stronger abuse-deterrent technology.
 - **We’ve built a first-class pharmacy program** that’s the envy of state workers’ comp systems, and it’s 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 FY20, our prescription reimbursement costs totaled \$43.7 million, a decrease of \$18.9 million from FY19. 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.

Moving Forward

Our budget request reflects our commitment to continuing this important work and providing consistently excellent experiences to each BWC customer. BWC Management and the BWC Board of Directors have outlined the following goals to ensure BWC is well-positioned for the future.

- **Talent Management**

It is important for BWC to attract, retain, and develop quality employees while offering a vibrant, positive workplace culture that makes BWC an employer-of-choice. With the implementation of our Succession Planning initiative, we are better positioned to retain and grow our top talent and allow them to become our next generation of leaders. Improved recruitment, retention, and succession planning are critical to success in this area.

- **Strong and Stable Finances**

We will manage the financial and enterprise risks associated with our operations by maintaining an adequate net position through smart investment strategies (\$1.8 billion earned in FY20) and prudent fiscal management.

BWC will continue to review the needed income levels and claim reserve balances using actuarial talent and techniques to ensure that we will fulfill our promises to the employers and injured workers in Ohio.

- **Innovation and Technology**

We will continue to increase operational efficiencies and improve the customer experience through innovative technology. Major targeted functions include robotic process automation and enhanced website user experience. We will develop new customer portals, improve our core business system (CoreSuite), update current digital storage and imaging systems, provide new paperless options for employers, and augment our intelligent fraud detection capabilities. The IT Optimization project will remain a focus for BWC. To date, that effort has included migrating its primary servers to the State of Ohio Computer Center (SOCC) and adopting the statewide disaster recovery solution as a part of the IT Optimization effort.

- **Communications and Outreach**

We aim to improve the overall customer satisfaction rating as measured by surveys by at least 10 percent in FY 2022-23 as compared to the previous biennium. In addition, we transitioned two of our signature events – the Ohio Safety Congress & Expo and our Medical and Health Symposium into interactive virtual experiences, while still offering CE credits and a forum for vendors to display their newest products and innovations.

- **Safety and Wellness**

We will keep Ohio’s workers safe, healthy, and productive by expanding our innovative safety and wellness programs while reducing the cost of on-the-job injuries and illnesses. We will:

- Create a Center of Excellence to establish a PPE Research and Development Center, focusing on the commercialization of PPE to be manufactured in Ohio. Using Ohio-specific injury and illness data to prioritize efforts in industries with biggest needs and biggest opportunities to improve workforce health and safety.
- Continue through our Ohio Occupational Safety and Health Research Program to provide funding for research projects of up to \$250,000 per project over a duration of 12 to 24 months with Ohio not-for-profit higher education institutions.
- Continue Safety Grant funding at \$35 million in each year of the biennium.
- Develop a Medication Therapy Management (MTM) program to deliver medication therapy management to injured workers with a goal of improving health outcomes and preventing chronic opioid use and opioid misuse.

- **Become a Data Driven Agency**

We will continue to invest in and upgrade our data collection and data warehouse efforts. Improved data along with development and usage of tools to assist in analyzing the data will help BWC gain a better understanding of risks that affect certain industries.

We created a cross-functional innovation team to explore new products, services, processes, and business models to meet the changing needs of Ohio's workforce.

Conclusion

We have reduced rates and returned dividends to Ohio employers of more than \$15 billion over the last decade – this includes at least \$9.2 billion since 2019.

We truly want to be a partner in the economic success of our state and want to do all we can to keep costs as low as possible for our employers, while maintaining the best workers' comp services this country has to offer. Our strong financial position allows us to issue dividends, cut rates, and provide grant opportunities to assist employers with maintaining a safe workplace. We will continue to practice sound fiscal management to ensure we can pay workers' comp claims, provide cost savings to employers, and position BWC as an economic asset to Ohio.

On behalf of BWC, I appreciate your consideration of this budget summary and look forward to further discussions relative to this submission.

Thank you and I am happy to take your questions.