

Senate Insurance and Financial Institutions Committee

June 12, 2019

Ohio Bureau of Workers' Compensation
Administrator/CEO Stephanie McCloud
House Bill 80

Good morning Chairman Hackett, Vice Chairman Hottinger, Ranking Member Craig, and members of the Senate Insurance and Financial Institutions Committee. My name is Stephanie McCloud, and I am the Administrator and CEO of the Ohio Bureau of Workers' Compensation, or BWC, as we call it. I am here today to provide testimony on House Bill 80, which contains BWC's budget for fiscal years 2020 and 2021.

First, allow me to give you a brief overview of our agency.

With assets totaling approximately \$27 billion, BWC is the largest state-fund workers' compensation insurance system in the United States. We are also one of the top ten largest underwriters of workers' compensation insurance in the nation. We provide insurance coverage to approximately 60% of Ohio's workforce. The remaining workers receive coverage directly through self-insured employers whose size and financial strength allow them to retain the risk for their companies' workers' compensation claims. In fiscal year 2018, BWC provided workers' compensation insurance coverage to 242,000 employers, approved more than 85,000 new claims, and paid \$1.5 billion in wage loss and medical benefits while collecting \$1.2 billion in premium and assessment income.

Our budget for fiscal years 2020 and 2021 supports BWC's mission to protect Ohio's workers and employers through the prevention, care and management of workplace injuries and illnesses at fair rates. It also emphasizes the priorities put forth by Governor Mike DeWine to invest in Ohio's families and future.

First and foremost, the programs and initiatives laid out in this budget reflect an investment in Ohio's future. They make Ohio's workplaces safer, ensuring more Ohio workers return home after their work day safe and sound. Our budget proposal promotes wellness and supports new

options to address the devastating substance use crisis while we continue to ensure those who are injured get the care they need to get better and back to their lives.

This budget also builds BWC's partnership with the business community. It aims to minimize bureaucracy, keep rates low and provide money saving options so employers can focus their attention and dollars on growing Ohio's economy. It also helps local governments focus their resources on items important to their communities.

In addition to what it lets us do, it also impacts how we do it. Governor DeWine and Lieutenant Governor Jon Husted have made it clear Ohioans deserve an efficient government that utilizes data and technology to provide better service. This budget will provide funding to support the employment of data analytics to make informed business decisions, and it allows us to continue investing in technology that ultimately saves money, improves customer service and enhances our relationship with our providers and other business partners.

In comparison to our last budget, this budget reflects an 8.7% increase over the adjusted appropriations for fiscal years 2018 and 2019. This increase can largely be attributed to the 27th additional pay period in fiscal year 2020, the 2.75% increase in wages due to the last collective bargaining agreement and additional support for our Substance Use Recovery and Workplace Safety Program. The increase would support expanding the program to other counties and providing support staff to ensure the program is running efficiently and appropriately.

In total, considering BWC's continued commitment to operate as a world-class workers' compensation system, we are proposing an annual budget of \$319.8 million for fiscal year 2020 and an annual budget of \$324.8 million for fiscal year 2021, totaling \$644.6 million across the biennium.

Over the course of the last biennium, BWC strengthened our commitment to protecting Ohio's workers, improved the lives of injured workers and boosted the state's economic viability.

Among our actions:

We issued \$2.3 billion in dividends to Ohio employers. We issued two dividends over the past two years. In fiscal year 2018, we issued a \$1 billion dividend totaling 66% of the annual premium paid by Ohio employers. In fiscal year 2019, we issued a \$1.3 billion dividend totaling 85% of the annual premium paid. This brings the total dividends paid since fiscal year 2013 to \$4.3 billion, including \$560 million in dividends to local government employers such as schools, cities and counties.

We reduced rates for public and private employers. We have reduced average rates paid by private and public employers to their lowest levels in decades. At the end of fiscal year 2019, we were collecting \$749 million less in premiums than we did in 2010. This includes \$635 million less for private employers and \$114 million less for public employers. This was achieved by reducing average rates for private employers by 35% and for public employers by nearly 42%.

We reduced workplace injuries and claims. Our efforts to reach out to Ohio employers and create a culture of safety in this state are working. We've seen the number of employers using BWC safety services grow by 70% since 2010. Recently released data puts Ohio's injury rate at 2.7 injuries per 100 workers in 2017. That's compared to a national average of 3.1 injuries per 100 workers. Ohio's injury rate is also better than each of our neighboring states.

Meanwhile, our claims have fallen steadily — approximately 85,000 new claims were allowed in fiscal year 2018, down from 104,000 in 2010. Last year we launched a statewide safety campaign to encourage Ohioans to be safe at home and at work, raising awareness about the most common injuries in both places — slips, trips and falls, over-exertions and driving safety.

We established programs to protect those who serve others. Since 2011, BWC has grown its Safety Intervention Grant program from \$4 million to \$20 million annually. In doing so, we have also targeted dollars for workers that serve others at a risk to themselves. Over the past year, we have awarded 456 grants totaling \$4.7 million for protective equipment for firefighters. We have also awarded 50 grants totaling \$587,000 to reduce injuries among individuals who work with people with disabilities. Based on the success of those programs, we set aside \$4 million for protective equipment for law enforcement and \$4 million to improve safety in our schools.

We created a wellness program for employees of small businesses. Knowing an individual's health and wellness plays a role in both preventing and recovering from injuries, BWC created "Better You, Better Ohio!" This wellness program provides resources and services to employees who work for small employers in high-risk industries. The program, with 10,000 enrollees in its first year, allows workers to take ownership of their health and well-being, providing incentives for things like health assessments, biometric screenings and health coaching.

We continued to address Ohio’s substance use epidemic. Since 2011, BWC has been a leader in reducing the abuse of prescription opioids, putting in place rules and controls to curb opioid misuse.

Between 2011 and 2018, the number of opioid doses prescribed in the BWC system fell 66 percent. These decreases are also reflected in our drug costs. The department's total drug costs fell to \$86 million in 2017, 35% less than in 2011. That includes \$24 million less on opioids. A series of rules, including requiring best practices in prescribing and considering conservative treatment related to back injuries, have helped. In addition, this year our board voted to remove OxyContin and generic sustained-release oxycodone from our formulary and replaced it with an abuse-deterrent form of the drug.

Last fall we launched a \$2.5 million project in Montgomery, Scioto and Ross counties to encourage employers to hire and retain workers in recovery. Our Substance Use Recovery and Workplace Safety Program pays for pre-employment, random and reasonable suspicion drug testing and provides training to help employers manage those in recovery. This budget reflects a \$5 million commitment to this program in 2020 and a \$10 million commitment for 2021 so we can expand the program to other areas of the state. We know having a good job is critical to a successful recovery and helping those in recovery work safely in the workplace keeps everyone safe. Additionally, we are considering a program to reduce the opioid medication left over in medicine cabinets across Ohio by providing an opioid neutralization bag with every “first fill” prescription.

Our budget request for 2020 and 2021 reflects our commitment to Ohio’s future. It will allow us to not only fulfill our mission of protecting Ohio’s workers and employers, but also to be a catalyst for a safe, healthy, and prosperous Ohio. Management staff and our Board of Directors have outlined the following goals to ensure BWC is well-positioned for the future:

Talent Management

Talent management is critical for BWC to continue its progress toward becoming a world-class organization. We must attract, retain, and develop quality employees while offering a vibrant, positive workplace culture that makes BWC an employer-of-choice.

To that end, we are working on strategies to improve recruitment, retention, and succession planning. We will use education and training to engage and empower our workforce. We will also continue BWC’s Leadership Development Program, which is designed to allow front-line staff the opportunity to build on their competencies and grow them into future BWC leaders

Communications and Outreach

BWC will elevate communications and outreach activities to support operations, strengthen customer and partner relationships, and advance our strategic plan framework.

We will strive to better understand customer expectations while empowering staff with the authority and flexibility to meet those expectations.

We are considering the possibility of a new name and evolution of the brand for BWC. We are reviewing whether our name reflects who we are, what we do, or what we want to become – we provide much more than compensation to injured workers. We are safety, prevention, health and wellness; we provide security to Ohio’s employers; and we contribute to the economic well-being of the State. Our name should reflect this great work.

We will continue to grow and refine two annual events that provide education to thousands of Ohio employers and providers. Combined, the Ohio Safety Congress and Expo and the Ohio Workers’ Compensation Medical and Health Symposium draw more than 8,000 safety and medical experts annually and offer hundreds of courses that make workplaces safer and improve care for injured workers.

Strong and Stable Finances

BWC will manage the financial and enterprise risks associated with its operations by maintaining an adequate net position.

We continue to focus on completing efforts related to the replacement of the individual claims reserving system that produces data used to develop base rates, expected loss rates, and experience modification factors. This will provide us with better data related to rate-making, claims management and the lump-sum settlement process.

Innovation and Technology

Under innovation and technology, we will focus on efforts to increase operational efficiencies and improve the customer experience. Major targeted functions include robotic process automation, continued enhancements to our web site user experience, and developing new customer portals. We also plan functional and technical improvements to our core business system and updates to our digital storage and imaging systems. Upgrades or replacements are also planned for our Rates & Payments applications and Managed Care Organization outcome analytics. We will also implement a new analytics roadmap system, paperless options for employers, and augmented intelligent fraud detection capabilities.

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

Safety and Wellness

In 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 are considering a **Safety and Health Center of Excellence** to position BWC as a thought leader in providing valuable resources to Ohio employers and workers.

Our **Ohio Occupational Safety and Health Research Program** will continue to provide funding for research projects up to \$250,000 per project over a duration of 12 to 24 months with Ohio not-for-profit higher education institutions.

We will continue **Safety Intervention Grant** funding at \$20 million in each year of the biennium.

Our **Enhanced Care Pilot Program (ECP)** will continue for 18 months to gather more data and measure its efficacy. This program explores a health care delivery model where the injured worker's physician of record addresses the work injury while coordinating with other physicians to address comorbidities and other barriers to recovery. This ongoing study is limited to knee-injury claims for now.

The pharmacy department will develop a **Medication Therapy Management (MTM) program** to more effectively review injured-worker medication regimens. This program will include a pharmacist review of the complete medication list for an injured worker with recommendations for additions, discontinuations and new medication or dose changes.

We will establish a review and strategic plan for the Health Partnership Program (HPP) based on the fiscal year 2019 study of the Managed Care Organizations' impact on the HPP system.

Nimble and Agile

We strive to be a nimble and agile organization so we can respond quickly to changing customer needs and make meaningful service improvements. We will employ the strategic use of data analytics and other innovative practices to continue our progress on that goal.

As our use of data analytics matures, we will move toward predictive modeling to increase operational quality and excellence.

We will create a cross-functional innovation team to explore potential new products, services, processes, and business models to meet the changing needs of Ohio's workforce and the new technology driven economy to foster an innovative workplace culture.

Conclusion

In summary, between these initiatives and many others that reflect BWC's commitment to operating a world-class workers' compensation system, we are proposing an annual budget of \$319.8 million for fiscal year 2020 and an annual budget of \$324.8 million for fiscal year 2021. Costs for our payroll projections are consistent with BWC's workforce plan and personnel ceilings. Provisions have been made to account for an additional pay period in fiscal year 2020 and for salary increases per the approved union contracts for both fiscal years of the biennium.

We are submitting this budget request in accordance with OBM's budget guidelines. On behalf of BWC, I appreciate your consideration and look forward to further discussions relative to this submission. Thank you for your time. I am happy to answer any questions you might have.

Sincerely,

Stephanie B. McCloud
Administrator/CEO