



Fiscal Year **2019 Annual Report**

Ohio

**Bureau of Workers'
Compensation**

Governor Mike DeWine
Administrator/CEO Stephanie McCloud

2019 Report

Ohio Bureau of Workers' Compensation

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Letter from the Administrator

Dear Governor DeWine:

I am pleased to present our annual report for the Ohio Bureau of Workers' Compensation for fiscal year 2019.

This past year was a strong one. We once again experienced lower claims, implemented more workplace safety programs, secured another robust dividend for employers, and took innovative steps to address our state's opioid and substance-use crisis. I would direct you to the Accomplishments section that follows for an in-depth look at our successes in promoting the health and safety of Ohio workers while giving businesses and our economy opportunities to thrive.

Financially we continued to save Ohio employers money by being good stewards of employer premiums and our assets. Our solid investment returns allowed our Board of Directors to approve our fifth billion-dollar dividend to employers since 2013. The \$1.5 billion dividend was on top of the premium rates we cut for public and private employers to some of the lowest levels in decades.

Our focus on safety brought our first-responders' needs to the fore. We worked closely with your office last year when you were Ohio Attorney General to offer police departments covered by the State Insurance Fund grant dollars to purchase body armor. We also continued to protect firefighters from carcinogens and other harmful toxins with a grant program we started in FY 2018. Thanks to our Firefighter Exposure to Environmental Elements Grant Program, we have provided more than \$6 million to date to help fire departments across the state purchase specialized, life-saving equipment, removing cost as a barrier.

Our new injured-worker claims and open claims continued their trend downward. Our concerted efforts to connect employers, physicians, and managed care organizations to get injured workers back on the job as soon as safely possible have led to better outcomes.

In October we launched a pilot program to connect workers in recovery with employers in Montgomery, Ross, and Scioto counties in conjunction with local Alcohol, Drug Addiction, and Mental Health Services boards. Thanks to your support, we look forward to expanding our Substance Use Recovery and Workplace Safety Program into other counties in FY 2020-21. Helping people return to work while they are in recovery stabilizes families and communities and is one more tool in our fight against this disease.

There is much more to come in FY 2020, including a determined effort to recruit a talented, diverse workforce at our agency as one generation makes way for the next. As always, we will continue to innovate and prioritize health and safety in all we do.

Sincerely,

Stephanie McCloud

Stephanie McCloud, Administrator/CEO
Ohio Bureau of Workers' Compensation





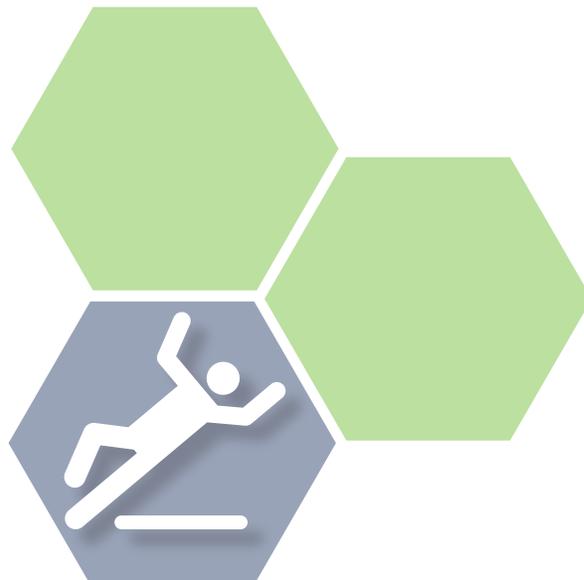
Introduction

This report documents actions we took in fiscal year 2019 (FY19) to improve the quality of life for Ohio's workers and to be a positive influence for economic growth in Ohio. Our focus on preventing workplace accidents, lowering rates, and caring for those injured on the job is making Ohio a better place for businesses and workers. This focus and our commitment to the principles of service, simplicity, and savings helped us operate efficiently during FY19.

Our FY19 administrative cost budget of \$304.1 million was 5.1% less than appropriated by the Ohio General Assembly. With assets of approximately \$29.4 billion, we are the largest state-fund insurance system in the U.S. In addition, we're one of the top 10 largest underwriters of workers' compensation insurance in the nation, covering 249,472 Ohio employers in FY19.

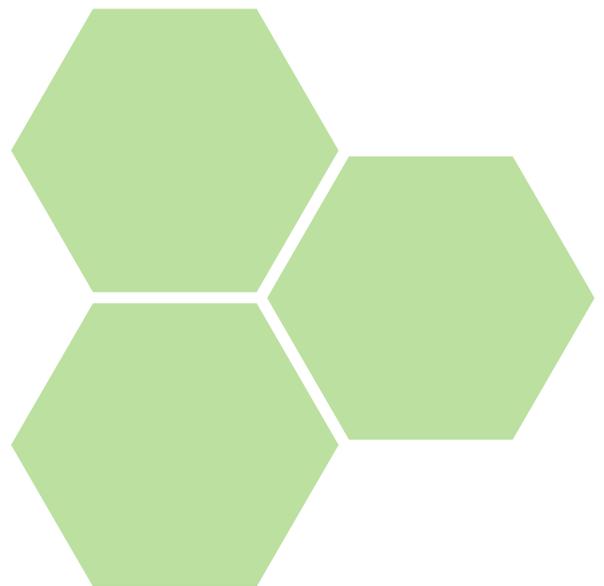
We approved 84,364 new claims in FY19, a decrease of 772 from FY18. Contributing reasons for this decrease include:

- Continued safety funding.
- Continued promotion of safe and healthy workplaces.
- More employers putting safety education resources to work.



Accomplishments

Enhanced service and savings for employers



Nearly \$10 billion returned

Governor DeWine and Administrator McCloud announced a \$1.5 billion dividend to public and private employers in May, due largely to strong investment returns, declining injuries, and decreasing reserves. The dividend equals 88% of the premiums employers paid for the policy year that ended June 30, 2018 (calendar year 2017 for public employers). Of the \$1.5 billion, public employers are due to receive an estimated \$164 million when checks are issued in late September and October, including \$50 million for local schools.

The dividend marks BWC's fifth of \$1 billion or more since 2013. All told, we have saved employers nearly \$10 billion in workers' compensation costs since 2011 through dividends, credits, rate reductions, and greater efficiencies.

Employers save with rate reductions

Falling injury claims, increased workplace safety efforts, and strong investment returns also prompted our Board of Directors to approve two rate reductions to employer premiums this year.

In January, public employers received a 12% rate cut in their premiums, their largest rate cut in at least 30 years. The reduction followed a similar 12% cut for private employers on July 1, 2018, reducing an already 40-year low in premium rates. In February, the board approved a 20% rate reduction for private employers, effective July 1. The cut marked our agency's largest in nearly 60 years and will save private employers more than \$200 million over 2019 premiums.

Combating addiction through employment

In October 2018 we launched the Substance Use Recovery and Workplace Safety Program, a two-year pilot program in Montgomery, Ross, and Scioto counties. Administered by local Alcohol, Drug Addiction, and Mental Health Services boards, the program uses BWC funds to help employers hire, manage, and retain workers in addiction recovery.

We targeted these counties because they are among the hardest-hit for opioid addiction and overdose deaths. Opioid use and abuse costs Ohio between \$6.6 billion and \$8.8 billion annually, according to a 2017 Ohio State University study.

Better You, Better Ohio![®] has a birthday and a breakthrough

Our new safety, health, and wellness program for workers in industries that have a higher risk for on-the-job injuries celebrated its first year in February. Free to workers, and with no administrative burden to employers, Better You, Better Ohio[®] aims to boost employee health, reduce workplace injuries and their severity, and save employers money on medical, legal, and other costs associated with injury claims and poor health. The program originally focused on workers in companies that employ 50 or fewer people, but we increased eligibility to companies with 150 or fewer employees this year. As of June 30, the program had 12,354 workers enrolled, surpassing our goal of 10,000 by the end of calendar year 2019.

Safety grants fund body armor

We approved \$2.5 million to fund 335 law enforcement agencies with new body armor under the Ohio Attorney General's Ohio Law Enforcement Body Armor Program. The first-come, first-served program offers up to \$40,000 per agency with a 25% local match.

Brewers' safety issues lead to unique alliance

We joined the Occupational Safety and Health Administration and a trio of craft brewery associations in the fall to form the Ohio Craft Brewery Alliance. Recognizing the workplace issues unique to brewing, the alliance, which includes the Ohio Craft Brewers Association, the Master Brewers Association of the Americas, and the Colorado-based Brewers Association, will raise awareness and develop safety education and training specific to the industry.

Our Division of Safety & Hygiene and OSHA's On-Site Consultation program work in concert to offer breweries – at no additional cost – an array of resources and safety professionals to assess safety issues and improve processes and procedures.

Ohio ranks fourth in the U.S. in craft beer production, according to the Brewers Association. The industry has an economic impact of \$2.6 billion in Ohio alone.

Medical and Health Services

The Medical & Health Services vision is to ensure and support prompt, quality, comprehensive, cost-effective healthcare for injured workers to support a safe and timely return to work and life.

Multiple medical strategies and initiatives are in progress or planned to support this vision. More information can be found in the Health Partnership Program report.

Pharmacy program: Over the past year, several changes have been made to our pharmacy benefits program and our outpatient medication formulary to ensure we offer safe and effective pharmacological care to injured workers. A few of the key initiatives implemented or started are:

Formulary updates: Oxycontin, a potent opioid medication, and its generic formulations were removed from the outpatient medication formulary. Effective June 1, 2019, these opioid medications are no longer available to newly-injured workers. Those taking them prior to the rule change have been given until Dec. 31, 2019, to wean and switch to another pain medication product. We also added Xtampza ER (oxycodone extended-release) to our formulary as a tier 2, long-acting opioid requiring prior authorization. Xtampza ER uses a more advanced abuse-deterrent technology to reduce diversion and abuse. Coverage for Lyrica, a medication commonly used in the treatment of neuropathic pain, was also revised. Effective June 1, 2019, any injured worker who would like to start treatment with Lyrica must have a documented trial and failure with gabapentin, a comparator medication.

Medication disposal products: We are developing a process that will automatically provide injured workers with a medication disposal product that destroys leftover opioid pills, liquids, and patches. The goal is to provide a product to injured workers filling an opioid prescription for the first time within the last 12 months. These products will keep opioids out of the hands of unintended Ohioans by giving an injured worker a safe way to dispose of unused opioids.

Medication management and pricing: Through effective medication management activities and medication pricing, fewer injured workers received a prescription and we decreased our pharmacy spend. During FY 2019, we experienced a 9% decline in both the number of paid prescriptions and number of claims filling a prescription. Opioid prescriptions declined at a much faster rate, 14% in prescriptions and 22% in expenditures.

Provider education, outreach, and communication: Quality providers meeting the needs of Ohio's injured workers and employers are critical to managing a positive return to work and quality of life. Beginning this year, we focused on several initiatives to reach more providers. For the first time in its history, the Ohio Workers' Compensation Medical & Health Symposium occurred separately from the Ohio Safety Congress & Expo. We also created monthly webinars on industry specific topics and we continued to release a monthly electronic newsletter regarding pertinent policy updates and other relevant provider information.

Medical & Health Symposium: BWC hosted the fourth annual Ohio Workers' Compensation Medical & Health Symposium April 26 – 27, 2019. More than 800 health-care and legal professionals registered for our first ever Friday – Saturday symposium. Registration increased more than 350% from our first symposium in 2015. In keeping with our annual theme, "Comprehensive Care for an Injured Worker," the event offered learning opportunities on several clinical topics, including chemical dependency, chiropractic care, medical marijuana, traumatic brain injuries, opioids, pain management, and patient collaboration/communication. While health-care practitioners were attending clinical lectures, provider office staff attended sessions specific to the administration of workers' compensation. Sessions included legal theories, vocational rehabilitation, our philosophy on provider forms and how to complete them properly, BWC medical initiatives, and proper billing and reimbursement. The 2020 Medical & Health Symposium is scheduled for May 1–2, 2020.

Substance Use Recovery and Workplace Safety Program: We received national recognition for our Substance Use Recovery and Workplace Safety Program (SURWSP). The program supports recovery and our business community by helping businesses hire, better manage, and retain Ohioans in recovery, leading to a stronger and safer workforce for Ohio. This program pays for drug testing and management training and provides a forum for second-chance employers to present their successes. The funding will be managed and reported by local ADAMH boards. Currently, the program is in three pilot areas: Montgomery, Ross, and Scioto counties. Planning is underway to expand the program to additional counties in Ohio.

Special Investigations

Fraud efforts generate results

Our Special Investigations Department (SID) marked its 26th year of protecting the State Insurance Fund through investigating, detecting, deterring, and prosecuting fraud. The department's 121 dedicated members accomplished several impressive results:

- \$65.1 million in savings, 8.37% more than last year.
- 1,732 closed cases, a 6.8% increase over 2018.

Since its inception in FY 1994, SID has:

- Fielded 125,651 allegations of fraud.
- Secured 2,905 convictions.
- Saved the State Insurance Fund \$1.9 billion.

IT and Employer Services

PowerSuite 8

The rollout of PowerSuite 8 was the largest and most complex single project completed by BWC IT during FY 2019. PowerSuite is BWC's primary claims, policy, and billing management application. HR provided training on the system. This upgrade, implemented over the weekend of May 4-5, provides the following benefits:

- A more intuitive and efficient user interface.
- Better user control over the visual display.
- A dashboard that can display favorites, work tasks, or recent items.
- An expanded search facility.
- The capability to export data to Excel.
- Reduced dependence on the vendor for routine changes.
- Performance improvements.
- Reduced batch run times.

Data and analytics analysis

In fall 2018, BWC partnered with SenseCorp to perform a study of the current state and potential future direction for the agency's data and analytics programs. The team conducted meetings with 24 key business stakeholders to identify and document how BWC business areas use data and reports. We discussed the following topics:

- Current systems, reports, and dashboards.
- Pain points associated with sharing data internally and externally.
- Barriers to using data to drive decision-making.

Based on the study, we created a "data office," a permanent organization dedicated to empowering business areas to use data to improve agency effectiveness. The team includes IT and business subject matter experts. They are currently standardizing data definitions and performing data cleanup. The group recently acquired Denodo, a data virtualization tool that enables data from different sources to be combined seamlessly. Upcoming initiatives include additional business dashboards and participation in the State of Ohio big data cluster.

New tech protects our customers' credit card information

We're always looking for new ways to protect our customers' information, which was the primary goal of a recent upgrade to our credit card payment system. On June 12, a third-party vendor began managing our employers' credit card information.

Employers may notice the new automated process when they call our contact center to pay their premium with a credit card. Our representatives still handle the phone calls – they just activate the new, secure payment system when it's time to collect credit card information. Kiosks at each of our service offices now also accommodate those who wish to pay in person with a credit card. The process to pay premiums online at www.bwc.ohio.gov remains the same.

SOCC migration

- Starting in FY 2018, BWC IT partnered with OIT to develop a plan to migrate BWC servers and storage to the State of Ohio Computer Center (SOCC). This solution included a disaster recovery configuration for BWC's critical business applications. Once at SOCC, these systems and services will be managed by OIT.
- We completed six waves during FY18, representing 90% of BWC's test systems. A disaster recovery test using OIT's new Cleveland facility was successful.
- Two waves were completed during FY 2019. Wave 7 was the final batch of test systems; Wave 8 involved 33 production servers. This project is slated to be completed in December 2019.

Desktop PC rollout

We replaced BWC desktop PCs in FY 2019 with the new Dell OptiPlex 7060 model. The new units are about one-quarter the size of the previous desktops, and they're faster and more responsive. It also takes less time to log in.

The operating system was upgraded from Microsoft Windows 7 to Windows 10. This created some visual changes with the log-on and log-off processes as well as how applications are accessed. Training guides were provided to help with the transition.

The new desktop computers were rolled out to the service offices in January and February and then to the floors in the William Green building from March through June.

- The IT field support technicians successfully installed 1,400 desktop PCs.
- Each technician averaged ten installs per day.
- Each install took an average of 45 minutes to complete.

Better communication with companies

We offered employers alternative ways to obtain information and interact with risk management experts within BWC. Since Jan. 1, 2019, we have conducted 48 online webinars covering Monthly Employer Updates, New Employer Grow Ohio Program, Policy Activity Rebate Program and the Better You, Better Ohio! wellness program. In these webinars, 14,573 individuals enrolled to participate from their office or other locations.

We began offering participants of the Individual Retrospective Rating program the ability to download the Annual Evaluation report from the BWC website. This will allow the employer and/or their Third-Party Administrator (TPA) to download and save the report at their leisure and eliminates the need for BWC to manually print, sort, and stuff over 200 hardcopy reports for mailing to employers.

We provided a single location for self-insuring employers to access their policy and claim information. This improved service provides links to many service offerings including policy updates and assessment payments. It also allows for submitting required reports and updating claim information. Over 1,160 employers and their representatives benefit from this enhanced service.

Other states' coverage

We recently achieved a milestone of \$8 million in collected premium since rolling out this program in March 2016. There are now 512 active policies. There have been 55 claims to date with claim payments totaling \$2,033,473.

Inclusion & Diversity

BWC understands and values the richness of a diverse, skilled, and engaged workforce, one that mirrors the community around us. We incorporate inclusion and diversity into our business practices and mission, providing effective, timely, and culturally competent services to Ohio's workers and employers. In service of BWC's strategic goals and mission, we accomplished the following results in FY 2019:

- We received the Ohio Department of Administrative Services' Diversity and Inclusion Award in the large agency category, and Columbus Business First recognized us with its Diversity in Business Award.
- We organized the Inclusion and Diversity track for the 2019 Safety Congress & Expo. We had five sessions with an average attendance of 135. The most-attended session had 260 participants.
- We added the TOWER Award to our employee recognition program. TOWER stands for Treating Others With Equality and Respect. We have had three recipients to date, and our selection committee selects a new winner every quarter. The award recognizes those who embody the tenets of inclusion and diversity.
- Our board of directors approved our inclusion and diversity strategic plan, and we are implementing recommendations.
- Along with the training department, we developed an online tutorial and a three-hour training on inclusion and diversity. Every new employee receives this training.
- We developed a new course on implicit bias and are in the process of training managers and supervisors.
- We started our lunch and learn program, which an employee suggested. We offered five sessions on topics of interest for employees and experienced an average attendance of about 180 people. We continue to solicit feedback from employees and our lunch and learn committee to offer requested topics.
- Human Resources, I&D, and Communications helped produce BWC's first recruitment video, We Are BWC. The video is used at job fairs and on the career portal as part of our talent-recruitment strategy.
- We successfully provided Labor Relations Training to 313 supervisors, managers, and directors.
- We continue to hold monthly diversity celebrations with community leaders to promote cultural competency and shared experiences. Events covered included:
 - Women's history.
 - Black history.
 - Pride.
 - Arab American heritage.
 - Hispanic American heritage.
 - Asian Pacific American heritage.
 - Disability awareness.
- We continue to analyze workforce data for insight on the agency's diversity, retention, and engagement. Some recent trends include:
 - Our millennial population increased from 13% to 16%.
 - Over 40% of applicants to BWC are minority.
 - We are comprised of 61% female employees.

BWC year-end statistics

| | FY 2019 | FY 2018 | FY 2017 |
|--------------------------------|---------------|---------------|---------------|
| State Fund Claims Filed | | | |
| Lost Time | 11,009 | 10,662 | 10,745 |
| Medical Only | 72,932 | 73,967 | 75,030 |
| Occupational Disease | 255 | 280 | 360 |
| Death | 168 | 227 | 155 |
| Disallowed or Dismissed | 12,240 | 12,049 | 11,641 |
| Total | <u>96,604</u> | <u>97,185</u> | <u>97,931</u> |
| Net Allowed Injuries | 84,364 | 85,136 | 86,290 |

NOTE: Every claim is evaluated at 60 days after filing for purposes of claim type, State Fund versus Self-Insured, combine status, and allowance status. Values exclude combined and Self-Insured claims.

| | | | |
|----------------------------------|----------------|----------------|----------------|
| Open Claims (Per statute) | | | |
| Lost Time | 207,594 | 223,318 | 242,778 |
| Medical Only | 438,785 | 448,870 | 461,978 |
| Total | <u>646,379</u> | <u>672,188</u> | <u>704,756</u> |

| | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|
| Benefits Paid | | | |
| Medical Benefits Paid | \$ 490,034,666 | \$ 526,379,567 | \$ 550,569,114 |
| Compensation Paid | | | |
| Wage Loss | \$ 6,753,726 | \$ 7,525,535 | \$ 8,371,994 |
| Temporary Total | 194,770,873 | 197,894,421 | 204,141,166 |
| Temporary Partial | 4,189 | 3,511 | 4,361 |
| Permanent Partial | 22,692,662 | 23,021,440 | 19,632,350 |
| % Permanent Partial | 57,590,270 | 57,430,490 | 55,294,805 |
| Lump Sum Settlement | 140,426,459 | 145,946,543 | 134,602,047 |
| Lump Sum Advancement | 16,648,612 | 17,456,267 | 19,902,247 |
| Permanent Total & DWRF | 369,525,968 | 376,041,549 | 381,508,395 |
| Death | 80,666,730 | 81,210,663 | 83,177,378 |
| Rehabilitation | 24,544,006 | 26,417,263 | 30,083,940 |
| Other | 3,111,525 | 4,054,993 | 4,046,402 |
| Total Compensation Paid | \$ 916,735,020 | \$ 937,002,675 | \$ 940,765,085 |
| Total Benefits Paid | <u>\$ 1,406,769,686</u> | <u>\$ 1,463,382,242</u> | <u>\$ 1,491,334,199</u> |
| MCO Fees Paid | \$ 170,882,589 | \$ 170,755,316 | \$ 170,797,091 |

| | | | |
|------------------------------------|---------------|---------------|---------------|
| Fraud Statistics | | | |
| Fraud Dollars Identified | \$ 65,144,322 | \$ 60,098,139 | \$ 41,764,061 |
| \$\$\$ Saved to \$\$\$ Spent Ratio | 4.93 to 1 | 4.81 to 1 | 3.48 to 1 |
| Prosecution Referrals | 189 | 166 | 163 |

NOTE: Due to improvements in BWC data capture and reporting systems, prior year data may not agree with amounts previously reported.

BWC year-end statistics

| | FY 2019 | FY 2018 | FY 2017 |
|---------------------------------|----------------|----------------|----------------|
| Active Employers By Type | | | |
| Private | 244,247 | 236,591 | 237,249 |
| Public (Local) | 3,796 | 3,784 | 3,796 |
| Public (State) | 115 | 115 | 121 |
| Self-Insured | 1,160 | 1,173 | 1,166 |
| Black Lung | 26 | 28 | 28 |
| Marine Fund | 128 | 121 | 114 |
| Total | <u>249,472</u> | <u>241,812</u> | <u>242,474</u> |

Starting in FY 2019, policies that lapsed within the fiscal year are treated as active

| | | | |
|----------------------|-------|-------|-------|
| BWC Personnel | 1,774 | 1,760 | 1,785 |
|----------------------|-------|-------|-------|

NOTE: Due to improvements in BWC data capture and reporting systems, prior year data may not agree with amounts previously reported.



2019 Report
Investment Class Annual Report

Investment Class Annual Report

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Portfolio Performance and Valuation Summary

The BWC investment portfolio was valued at \$27.42 billion as of June 30, 2019, compared with \$26.95 billion on June 30, 2018, an increase in market value of \$464 million. This increase in assets equates to an FY19 total return (net of management fees) of 8.7%, or net investment income of \$2.19 billion.

Asset Allocation Mix

The asset allocation mix of the BWC investment portfolio based on represented fair value on June 30, 2019, was 55.7% bonds, 30.6% equities, 12.9% real estate, and 0.8% cash and equivalents. This asset mix compares to 49.1% bonds, 34.8% equities, 12.1% real estate, and 4.0% cash and equivalents on June 30, 2018.

Bond Portfolio Values and Return

The total fair value of the BWC bond portfolio was \$15.27 billion on June 30, 2019, compared to \$13.23 billion on June 30, 2018. Adjusted for net inflows, the fair value change of the BWC bond portfolio was an increase of \$1.42 billion. The total net return for FY19 was 10.3%. The largest bond mandate of the BWC portfolio is the State Insurance Fund (SIF) long duration credit portfolio. This long credit portfolio provided an FY19 total net return of 14.9% and had a fair value of \$5.9 billion as of June 30, 2019.

Equity Portfolio Values and Return

The total fair value of the BWC equities portfolio was \$8.40 billion on June 30, 2019, a decrease of \$984 million compared to \$9.38 billion on June 30, 2018. The total fair value of the BWC U.S. equities portfolio was \$5.72 billion on June 30, 2019, compared to \$6.50 billion on June 30, 2018. Accounting for net outflows of \$1.34 billion during FY19, the adjusted fair value increase of the U.S. equities portfolio was \$548 million during FY19, which represented a total net return of 9.0%. The total fair value of the BWC non-U.S. equities portfolio was \$2.68 billion on June 30, 2019, a decrease of \$197 million compared to \$2.88 billion on June 30, 2018. Accounting for net outflows of \$214 million, the adjusted fair value increase of the non-U.S. equities portfolio was \$17 million during FY19, which represented a total net return of 1.2%.

Real Estate Portfolio Values and Return

The total fair value of the BWC real estate portfolio was \$3.54 billion on June 30, 2019, an increase of \$274 million in fair value compared to \$3.27 billion on June 30, 2018. The real estate portfolio provided an FY19 total return net of fees of 6.7%. FY19 net returns were 5.0% for core real estate funds, 9.3% for core plus real estate funds, and 13.9% for value-added real estate funds.

Cash and Cash Equivalents

Total BWC cash and cash equivalents had a fair value of \$206 million on June 30, 2019, compared to \$1.07 billion on June 30, 2018.



2019 Report
**Outcomes and Savings of the Health
Partnership Program**

Outcomes and Savings of the Health Partnership Program

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The Health Partnership Program

The Health Partnership Program (HPP) has operated as BWC's system for providing managed-care services since its implementation in March 1997. Per Ohio Revised Code (ORC) 4121.44 (L)(3), BWC must publish a report on the measures of HPP's outcomes and savings. BWC submits the report to the president of the Senate, the speaker of the House of Representatives, and the governor. BWC prepares the annual report under division (F)(3) of section 4121.12 of the ORC. BWC's chief medical services and compliance officer directs the program under the direction of BWC's chief medical and health officer. The chief medical services and compliance officer coordinates management of the HPP with the chief medical officer and the chief of medical operations, appropriately using and making available a network of providers and managed care organizations (MCOs).

How HPP works

While determining compensability and paying indemnity benefits, BWC contracts with MCOs to manage the medical component of workers' compensation claims. MCOs educate employers and injured workers on HPP. They also process First Report of an Injury, Occupational Disease, or Death (FROI) applications. In addition, MCOs help employers establish transitional/early return-to-work programs. Finally, MCOs process medical bills and make provider payments.

BWC monitors MCOs' managed care performance. For example, it measures MCO effectiveness for return-to-work efforts using the Measurement of Disability (MoD) metric. BWC also measures MCOs' FROI timing, FROI data accuracy, bill timing, and bill data accuracy. The majority of these measures are published in an annual MCO Report Card, available on www.bwc.ohio.gov. BWC encourages employers to view this report before selecting an MCO. Twelve MCOs serve Ohio's employers and injured workers.

BWC Medical Services objectives

BWC strives to ensure prompt, quality, cost-effective health care for injured workers to facilitate their early, safe, and sustained return to work and quality of life. BWC's Medical Services and Compliance Division, the Chief Medical Officer Division, and the Medical Operations Division coordinate health-care delivery through a network of certified providers and MCOs. BWC accomplishes this with management, pricing, and payment strategies that benefit injured workers and employers. Specific supporting responsibilities include:

- Developing, maintaining, and executing quality and cost-effective medical and vocational rehabilitation benefits plans and associated fee schedules;
- Developing and supporting the appropriate managed-care processes, including contract management and training;
- Establishing and maintaining a quality pool of medical and vocational service providers to ensure injured workers have access to quality, cost-effective, and timely care;
- Developing and implementing appropriate medical and vocational policies, rules, and training, which address the management from inception to resolution of all medical and vocational issues from an allowed claim; and
- Evaluating and processing medical bills, guaranteeing proper and timely payment consistent with benefits plan criteria.

During FY19, BWC made positive progress on initiatives to further support existing divisional and BWC enterprise business objectives and strategies. The remainder of this report provides selected highlights of HPP activities and outcomes.

Benefits plan design

Prompt, effective medical care is crucial for those injured on the job. Such care is often the key to a quicker recovery, timely return to work, and quality of life for injured workers. Maintaining the right benefits plan design and service-level reimbursement ensures access to quality, cost-effective service.

Access for injured workers means the availability of appropriate treatment. Having access to appropriate treatment facilitates faster recovery and a prompt, safe return to work. For employers, it also means the availability of appropriate, cost-effective treatment based on medical necessity.

Implementing a sound and effective provider fee schedule is a critical component of maintaining an effective benefits plan. As required by rules and law, and to ensure injured workers access to quality care, BWC establishes discounted yet competitive fee schedules. BWC annually reimburses more than 28,000 providers for medical and vocational services rendered to Ohio's injured workers. An equitable and competitive fee for the right medical service is essential to maintain a quality provider network across the wide range of necessary provider disciplines.

BWC continuously improves its medical, vocational rehabilitation, and pharmaceutical services offerings. This results from executing quality methodologies and protocols for revising benefits plans and their corresponding fee schedules. We strive to review all fee schedules annually.

Table 1 shows a summary of the fee schedules, their effective dates, and projected impacts on the medical and vocational service spend.

Table 1 Reimbursement Schedule

| Fee schedule | Effective date | Board presentation and approval periods | Fee schedule description |
|---|----------------|--|--|
| Medical providers and services | Jan. 1, 2019 | August 2018 September 2018 December 2018 | Covers all medical providers and medical services not covered by any of the other schedules (OAC 4123-6-8) |
| Hospital outpatient | May 1, 2018 | November 2018 December 2018 | Covers facilities for outpatient services (OAC 4123-6-37.2) |
| Hospital inpatient | Feb. 1, 2019 | August 2018 September 2018 | Covers facilities for inpatient services (OAC 4123-6-37.1) |
| Ambulatory surgical centers (ASC) | May 1, 2019 | November 2018 December 2018 | Covers surgical procedures not requiring inpatient hospitalization (OAC 4123-6-37.3) |
| Vocational rehabilitation services | TBD | TBD | Covers all vocational rehabilitation services (OAC 4123-18-09) |

BWC paid providers nearly \$489 million for medical and vocational services during FY19, \$42.2 million less than

FY18. BWC paid \$531 million in FY18, which is \$18.3 million less than payments made in FY17.

BWC has achieved these reductions while continuing to follow four objectives:

1. To maintain stability in the environment and reimbursement methodologies;
2. To ensure injured workers access to quality care;
3. To promote efficiency in the provision of quality services; and
4. To maintain a competitive environment where providers can render safe, effective care.

The objectives continued to guide BWC's evaluation of Ohio's reimbursement methodologies and the development of recommendations for FY19-20. As a result, BWC made minimum changes to most of the agency's reimbursement methodologies and protocols. Per adopted recommendations for FY18 and FY19, BWC expects total medical and vocational services reimbursements to remain relatively stable, depending on injury mix and services utilization mix and rates.

In FY2008, BWC received more than 4.4 million bills for all medical and pharmacy reimbursement. In FY19, BWC received less than half of that volume, or 2.1 million bills. The overall average cost per bill has remained fairly consistent. Reimbursement is influenced by several factors, including the injured worker case mix, number of claims, volume of services, and type of services. The total number of injured workers seeking care has decreased, aligning with an overall decrease in claims. This reduction in injured workers translates to a decrease in overall reimbursement. However, the impact to individual fee schedule spending shows variations in trends, depending on the service and case mix.

For example, as providers focus on non-opioid pain relief treatment options, medication reimbursement may decrease while pain management services in an ambulatory surgical center (ASC), hospital outpatient department, or provider's office may increase. As more services become billable in an ambulatory surgery center, reimbursement for this more convenient, less-costly site of service may increase, while outpatient services may decrease for the same or similar services.

The following charts demonstrate these respective trends. Charts 1, 2, and 3 show the effects of the decreasing number of injured workers receiving treatment for reimbursement, injured worker counts, and invoice counts.

(See next page)

Chart 1: Total reimbursement for all services

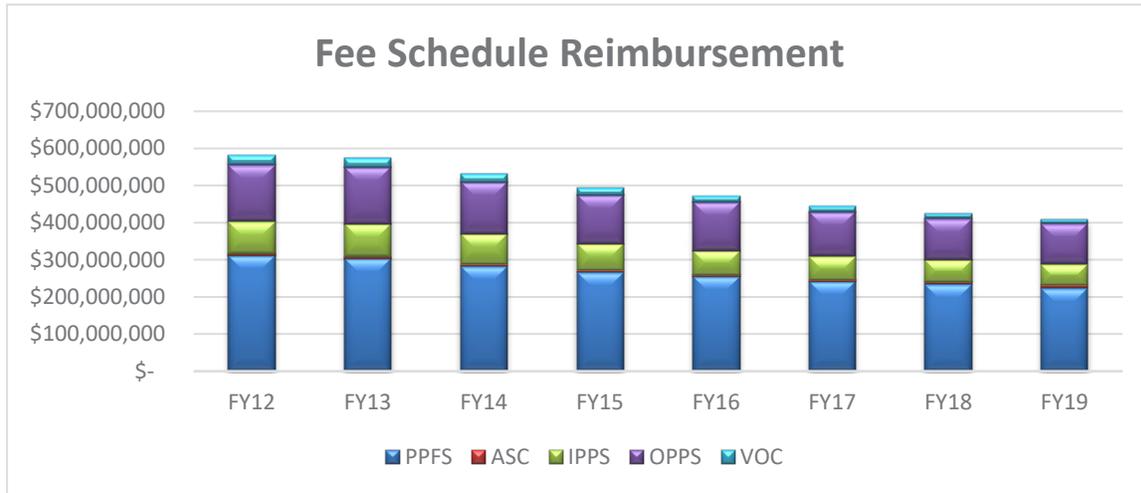


Chart 2: Unique claim count based on fee schedule reimbursement

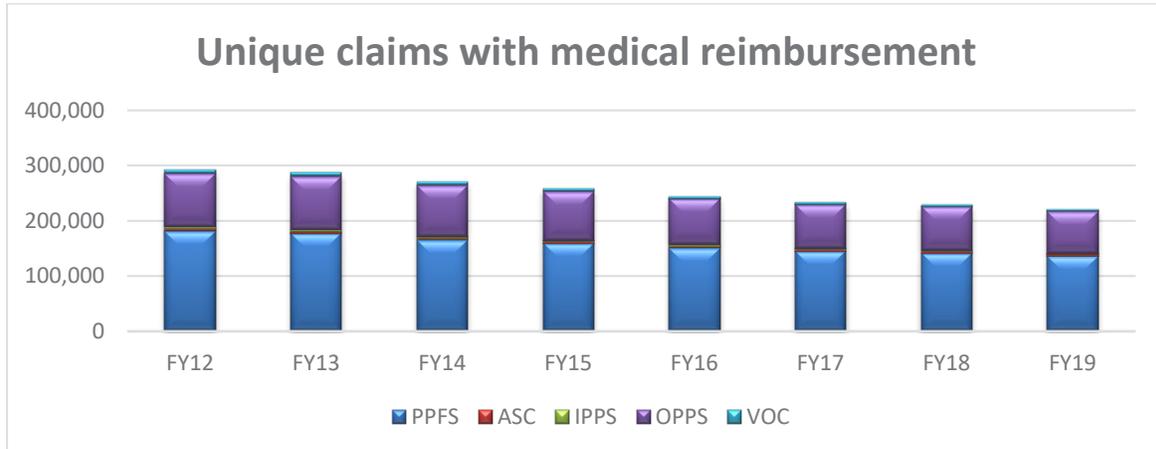
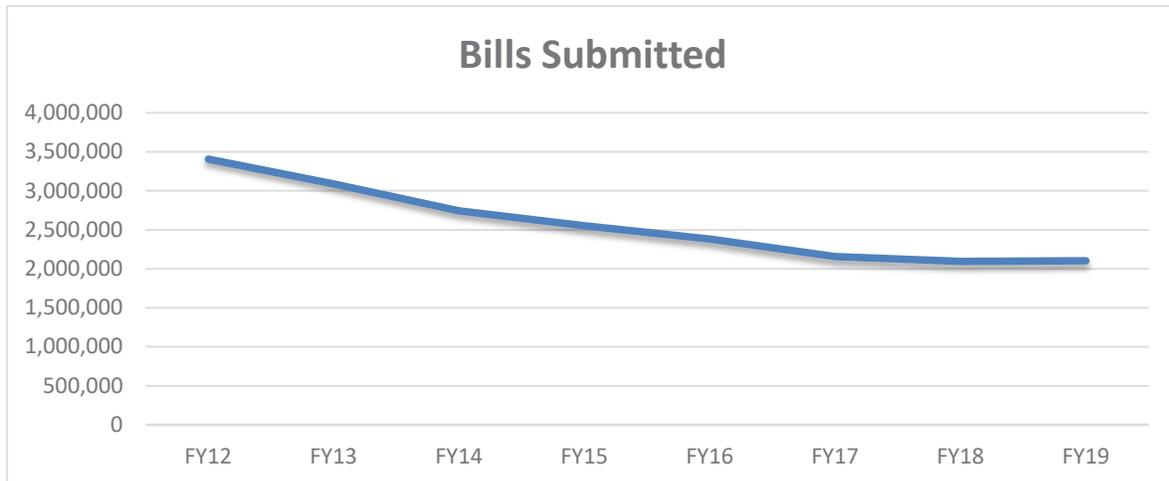


Chart 3: Total bill count for all reimbursement

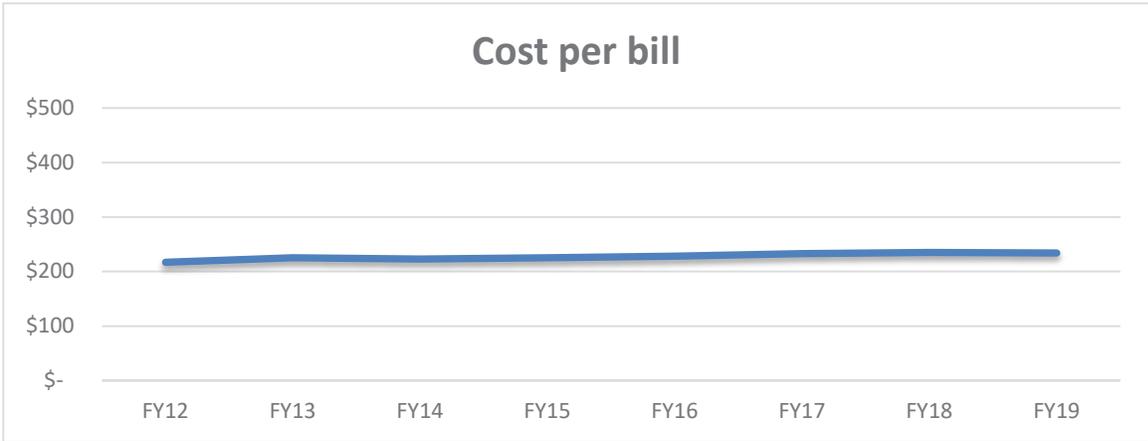


As previously stated, system stability is measured through the maintenance of the average cost of services per claim or bill. The average cost per claim displays a slight decrease for the five main fee schedules (excluding pharmacy). The average cost per bill shows a slight, almost negligible increase and has stabilized over the past three fiscal years.

Chart 4: Average cost per claim for all reimbursement



Chart 5: Average cost per bill for all reimbursement



Site of service becomes very important when reviewing these trends. Take for example, the top five reimbursed services (excluding inpatient), regardless of location. These five services accounts for 24% of total medical reimbursement (professional provider, outpatient hospital, and ASC). In 2013, manual therapy and home health aide services were included in the top five. In fact, all five of the most frequently reimbursed in 2013 were provided in the physician’s office or the injured worker’s home. From 2015 to present, the distribution of the top five changed. One example is a surgical procedure safely provided in either the ASC or hospital outpatient surgery center. Another of the top five does not reflect a separate service, but rather represents additional system costs when a hospital provides the facilities for an office visit with a provider.

Chart 6 shows reimbursement for the top five services following the similar downward trend. However, the number of claims receiving these services demonstrate change at varying degrees. The last two years indicated in this chart show the cost per claim increased for the top five services. Because the services include the professional provider’s services in addition to the facility’s service, the average cost per claim will increase.

Chart 6: Top 5 services by total reimbursement compared to the number of claims receiving those services.

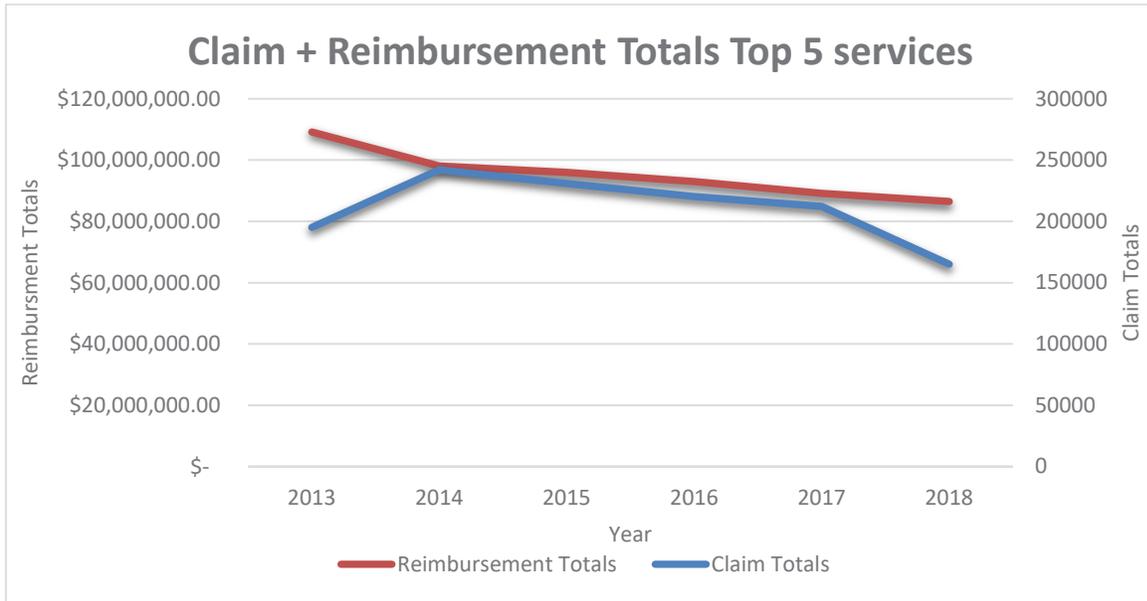


Table 2: Top 5 services average cost per claim compared by site of service

| | | Cost hospital outpatient dept | Cost provider's office |
|---|--|-------------------------------|--------------------------------|
| 1 | THERAP.PROC.EA 15 MIN;THERAPUTIC EXERCIS | \$ 1,028.97 | \$ 920.98 |
| 2 | E/M O.P. EST 15 MINS Level 3* | \$ 704.20 | \$ 315.57 |
| 3 | E/M O.P. EST 25 MINS Level 4* | \$ 780.62 | \$ 391.99 |
| 4 | HOSPITAL OUTPT CLINIC VISIT* | Included above | N/A |
| | * Hospital outpt clinic visit is added to E/M service for outpatient departments | | |
| | | Cost hospital outpatient dept | Cost ambulatory surgery center |
| 5 | SUBCUT PLACE SPINAL STIM RECEIVER COUPLE | \$ 38,949.83 | \$ 24,530.56 |

Table 2 compares the top five services according to location delivered. One of the top five services for all fee schedules is a facility charge for a physician's office visit. The chart demonstrates the injured worker can receive the same quality of care, but the cost of care may increase based on where they receive the service. In the case of office visits, the cost is more than double. Medicare has experienced the same variances in cost and has been taking steps to neutralize the site-of-service differences. BWC has been proactively evaluating site-of-service neutralization opportunities and follows Medicare's efforts to mitigate the fluctuations. BWC has adopted these reimbursement-neutralization approaches for the past several years and is evaluating opportunities to incentivize cost-appropriate choices when quality is the same.

Reimbursement auditing

The Medical Services Division performs routine audits to maintain the integrity of the system, clarifying or adjusting benefits and policies as needed to promote the objectives outlined. The hospital review unit audits approximately 494 hospital bills annually. Approximately 18%, or 89 of the bills, yielded either an error in payment or an omission of data elements. This was a decrease from a nearly 32% error rate in FY18. In FY18, BWC's intervention identified overpayments of \$510,653 resulting from the inaccurate entry or omission of data elements. The team proactively reached out to MCOs and communicated the errors to reduce inaccurate provider payments. While some data-entry errors continued to present themselves in FY19, BWC did not identify instances where the error resulted in a change in payment. The team also audited 86 high-dollar bills (over \$75,000) with no inappropriate payments identified. Finally, the billing system suspended payment of bills submitted with incorrect or missing information. During FY19, 291 bills were suspended for manual review and resolution to ensure the appropriate reimbursement amounts were issued to providers.

Reimbursement policy support

The Reimbursement and Coding Department provides policy support to MCOs, BWC departments, and providers. During the past year, the department addressed 354 inquiries. In addition, it processed another 239 requests for payment above the fee schedule. Payment above fee schedule requests offer BWC the opportunity to consider and provide a second level of authorization for special circumstances when an injured worker has unique needs that require payment above the fee schedule. BWC also uses this opportunity to decide if the factors occur often enough that the fee schedule needs adjusted for the items most frequently requested for above the fee schedule consideration. In support of timely processing when BWC's secondary approval is required for payment above the fee schedule, the team participated in an MCO training Sept. 11, 2019, addressing the critical data capture that must occur to expedite the review process.

The team also identified an increase in the number of times the fee schedule needed to be exceeded for skilled nursing facility care (SNF). In FY19, the team reviewed 127 requests related to short-term SNF care. This raised BWC's awareness regarding an unmet need for a short-term, high-intensity service code not currently accommodated for in the fee schedule. We engaged the Ohio Health Care Association, which represents Ohio's skilled nursing facilities, to discuss reimbursement and standards. We wanted to ensure all planned changes to benefits would remain consistent with usual and customary practices. This discussion led to the team recommending a new local code addition for 2020 to address short-term skilled care needs for when the acute needs exceed the established fee schedule rate. We recognize that the new code will not eliminate all skilled nursing payments above the fee schedule requests. We do, however, anticipate this change will result in the elimination of the administrative requirement for over 80% of the requests.

Reimbursement development actions

To ensure the fee schedule development process adheres to and supports BWC's goals and objectives, BWC includes the recommendations of national Medicare expert consultants to evaluate the appropriateness of the fee schedule strategy. This process occurs in line with the annual rule release by Medicare for the inpatient, outpatient, professional provider, and ambulatory surgical center (ASC) fee schedules. Medicare has made significant advances transitioning to more of a pay for-performance methodology versus straight fee for service. In FY18, BWC began planning for a two-day strategy session with national consultant, Nimmit Consulting, to include developing future strategies BWC could employ to accomplish a transition to more pay for performance. Additionally, this consultant assisted in planning and executing an update to the Medical Services and Safety Committee of the BWC Board of Directors, as well as BWC's internal departments and external stakeholders. We planned this large-scale view of the shifting health-care payment paradigm from volume to value in FY18 and delivered it in early FY19. Value-based strategies include bundles or episodes of care, which incentivize providers to coordinate care across specialties, reduce unnecessary and duplicate testing, and meet cost benchmarks.

Members of the reimbursement and coding department attended national Medicare reimbursement training sessions focused on hospital, ambulatory surgery center, and professional provider strategies to evaluate the alignment of BWC's fee schedules with current Medicare fees. Each team member is responsible for the development of individual fee schedules, therefore, the team identifies specific training geared toward their specialty. In FY19, a team member attended a meeting on Medicare's Skilled Nursing Facility Patient Driven Payment Model to assist the team with recommendations to transition to the updated methodology. Another attended the Medical Group Management Association's Financial Conference in March 2019. This conference had a concentrated session for payer reimbursement contracting and leveraging data analytics to support the contracting. The team also attends local association meetings along with the Ohio Hospital Association's annual meeting and quality summit to gain insight on statewide hospital trends that may affect BWC. This will further solidify our expertise and improve coverage and fee schedule knowledge. We will continue to evaluate the value-based reimbursement strategies, considering the best application for BWC's population, which will continue throughout FY20.

Occasionally, provider groups solicit BWC to reconsider the benefits for a specific service. In FY19, BWC was asked to reconsider Functional Capacity Evaluations (FCE) benefits. BWC engaged relevant stakeholders with a series of meetings dedicated to understanding unique characteristics of the FCE when delivered to Ohio's injured workers. The Ohio Occupational Therapy Association (OOTA), the Ohio Physical Therapy Association (OPTA), the Ohio Athletic Trainers' Association (OATA), as well as practicing therapists participated in these discussions. BWC also conducted extensive research, including a review of other workers' compensation agencies in other states. The current approach to these services remains appropriate based on national coding guidelines and state research. However, BWC has committed to continued meetings with the associations and stakeholders to address future concerns regarding reimbursement.

Managed care organizations (MCOs) are key partners in reimbursing providers. The reimbursement and coding team developed several strategies to help provide real-time feedback and engage with the MCOs. The first strategy was the development of two key reports used to evaluate consistency when applying reimbursement. The team worked with BWC's medical billing system vendor to develop a new system edit to identify instances when the MCO reimbursed a service differently than BWC. Since MCOs are expected to apply reimbursement accurately, BWC's system should confirm payment, rather than identifying inaccurate reimbursement. Another report developed toward the end of FY19 followed the same pattern of identifying instances when the MCO's application of informational explanation of benefit (EOB) codes to providers differed from BWC. This report was developed as part of a Quick Hits effort with MCO participation. The goals of the review were to:

1. Reduce confusion for providers due to MCO variability in communicating reasons for denial or changes to bills by the MCO's use of EOBs;
2. Improve efficiency and reduce administrative burden to providers, MCOs, and BWC with variable application of EOBs or unclear messages (e.g. reducing phone calls); and
3. Improve MCO accountability for appropriate bill adjudication, including ensuring system compliance with reimbursement rules and policies (e.g. front door versus back door).

Both reporting initiatives occurred in FY19. The introduction of the review efforts and resolution activities will occur in FY20.

In FY19, BWC reconvened the MCO Billing and Reimbursement Subcommittee, which included representatives from 10 of the 12 MCOs. The subcommittee meets on a quarterly basis to identify efficiency enhancements to ensure timely and accurate reimbursement. MCOs provided feedback on their top three goals:

1. To revise the EOB list with improved descriptions to alleviate resource costs associated with confusion that may arise from incomplete or generic EOBs;
2. To automate manual adjustments which are resource-intensive and require manual intervention; and
3. To expand bill types to several industry standard types, which will benefit providers and MCOs.

In addition to these projects, the subcommittee reviews reimbursement changes, impacts of the changes, and expectations for MCOs. This subcommittee has been very well-received by MCO participants.

Prosthetics Pricing Workgroup

Medical Services implemented a new prosthetic pricing methodology in 2016. The rule change addressed how BWC's system handles by report codes. By report codes do not have established fees; they require negotiation with the vendors. MCOs must negotiate with vendors to reach an optimal price to pay for associated prosthetic devices. MCOs try to determine a base from which to begin negotiations. In the absence of market pricing to begin negotiations, MCOs obtain the manufacturer's invoice for the base device provided to the injured worker. The reimbursement allows for a mark-up for the extra costs associated with providing these specialized devices.

Since the implementation of this methodology, Medical Services has worked with the Ohio Orthotics and Prosthetics Association and prosthetic service providers to develop a workgroup to assist in developing policies and procedures that will improve the new methodology's execution. Workgroup members included:

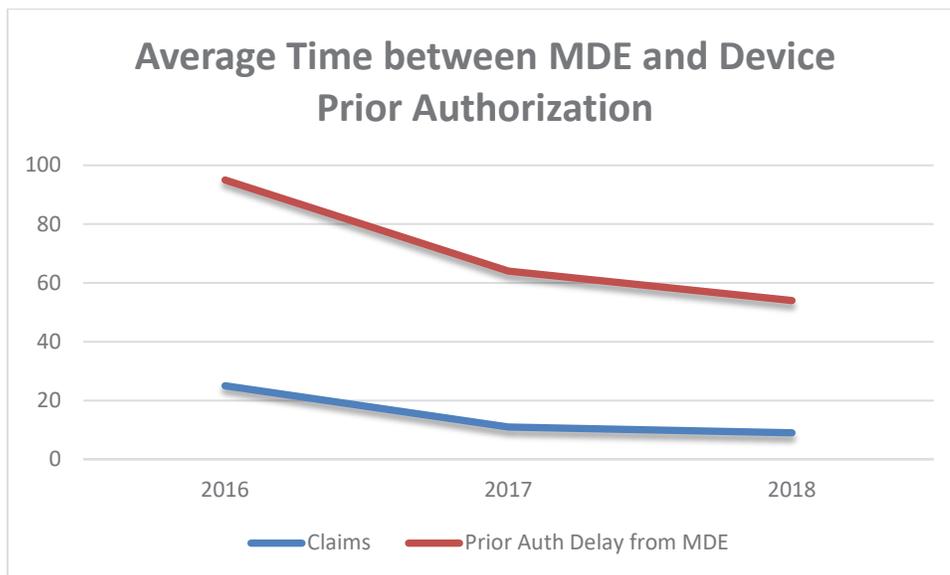
- OSU Orthopedics/Amputee Rehab;
- Optimus Prosthetics;
- Leimkuehler Prosthetics;
- The Ohio Orthopedic and Prosthetics Association;
- Hanger Prosthetics;
- CareWorks MCO;
- CompManagement MCO; and
- 3Hab MCO.

The workgroup agreed to ongoing meetings to continue vetting ideas that improve the delivery of prosthetic devices in the face of increasing speed and a changing prosthetic technology landscape. BWC held one workgroup meeting in FY19 and four in FY18. The discussions focused on cost issues, and the prosthetics providers felt BWC and the MCOs should consider executing the new negotiation methodology. The workgroup efforts resulted in improvements upon delays previously experienced when requesting one of the highly specialized devices.

To drive consistency and expedite approvals (and reimbursement) of high-end prosthetics, we compiled a list of questions to be utilized as tools to facilitate collection of supportive medical documentation. The workgroup vetted both the upper and lower prosthetic tools, which BWC finalized and released in FY18. BWC surveyed MCOs in FY19 to collect feedback on the tools. Ten out of the 12 MCOs responded with positive feedback, including comments such as, "We like having such a comprehensive form," and, "This is a great tool."

As a response to concerns raised during the workgroup meetings, BWC’s reimbursement and coding unit resolved multi-disciplinary evaluation (MDE) billing issues with The Ohio State University and certification issues with a prosthetist. Average time for MDE initiation-to-prior-authorization approval was evaluated for years 2016, 2017, and 2018. Results are shown in Chart 7.

Chart 7



The workgroup was instrumental in reducing wait times for injured workers due to acting upon the concerns raised in group discussions. Wait-time reduction may also be attributed to the reduction of MDE appointments being scheduled as a result of the workgroup’s efforts with an “MDE Questions” document, which included appropriate criteria for MDE referral. Training was also provided to MCOs. This included appropriate scenarios for when injured workers may be referred to an MDE, versus when an MCO uses the documentation to make the determination prior to authorization approval.

Within workgroup meeting discussions, BWC consistently heard concerns from providers regarding the lack of service pricing with the current BWC Prosthetics Methodology. Providers expressed that, like hospital and physician services, prosthetics is an area where medical devices are considered services in their own right. They also expressed that, although the methodology that was implemented in 2016 by BWC improved, it is still not entirely covering costs. Prosthetic providers had not shared cost data with Medicare or BWC in the past. As part of this workgroup analysis, several prosthetic providers discussed labor expenses and the average time spent working with injured workers. Providers estimated that it takes approximately 30 hours of service time (on average) for a lower-limb prosthetic and 51 hours for an upper-extremity device and for lower limbs involving extensive hip involvement (hip disarticulation).

The meetings helped BWC create a reimbursement strategy responsive to concerns raised by providers. BWC developed a base methodology and has been working with the workgroup to understand and appreciate situations that result in payment above the fee schedule. This discussion is leading BWC into developing an option for value-added service payments to high quality providers.

We continue to discuss the best way to clarify items such as:

1. What is included in the base service component of furnishing a prosthetic device and how should that be quantified?
2. What are value-added services provided by prosthetists and how can they be quantified in reimbursement? How does this compare to value-added services provided by other providers with fee schedule limits?
3. What should be considered as part of the negotiation process?
4. What are the most common (non-coded) devices, and can a fee be determined for them?

Performance-based metrics

One of the original goals of HPP was to ensure injured workers receive quality medical care. While costs are also important, the original HPP stakeholders strongly valued safe, effective care, which is more likely to lead to improved health outcomes. Medical Services' goal is to include performance-based metrics embedded in each fee schedule methodology to incentivize providers to improve healthcare quality. Since 2013, BWC has used these metrics for reimbursement of the inpatient prospective fee schedule. Approximately 0.6% of inpatient payments are at risk for quality service performance.

As part of the hospital inpatient reimbursement rule (OAC 4123-6-37.1), BWC adopted the six CMS inpatient, quality focused, incentive programs. BWC determined that the HPP goal to ensure injured workers receive quality medical care aligned closely with the CMS incentives program goals. By adopting these CMS provisions, hospitals experience financial rewards and/or penalties based on their performance. The quality programs developed by CMS and adopted by BWC are summarized below:

- **Quality Reporting** –The CMS Quality Reporting Program requires hospitals to report on specific measures related to the provision of quality care. The goal of collecting this data is to drive quality improvement through measurement and transparency by publicly displaying data. Data collected for selected measures serves as a basis for calculating the quality and efficiency of care in several other performance programs detailed below. Information collected includes data elements, such as cost figures, clinical process of care measures, healthcare-associated infection measures, and patient survey data.
- **Hospitals automatically receive the full CMS annual payment update.** However, the rate is reduced when a hospital does not submit quality data to CMS. For 2020, all of the Ohio hospitals doing business with BWC have reported quality data to CMS, so none will receive payment reductions.
- **Electronic Health Record (EHR) Use** - The CMS EHR Incentive Programs provide financial incentives to eligible hospitals as they demonstrate “meaningful use” of certified EHR technology to help improve quality, safety, and efficiency of patient care. Similar to the Quality Reporting Program, the CMS annual payment update is reduced when the hospital is not a meaningful EHR user. For 2020, all of the Ohio hospitals doing business with BWC are meaningful EHR users, so none will receive payment reductions.
- **Value-Based Purchasing (VBP) Program** - Under this program, CMS rewards hospitals with payments based on either how well they perform on certain quality measures or how much they improve their performance. Key measures for 2020 include clinical outcomes, patient experience, efficiency and cost reduction, and safety.

These bonus payments are funded by a 2% reduction in all payments. Hospital VBP is budget neutral for CMS. This means that the entire 2% reduction must be paid back to participating hospitals. The highest-performing hospitals can earn back bonuses greater than the payment reduction, while others may receive minimal payment increases or no bonus payment at all.

For 2020, 67% of hospitals doing business will experience payment increases and 33% will experience payment decreases as a result of this program.

- Hospital Acquired Conditions (HAC) Program – Hospital acquired conditions are medical conditions or complications that a patient develops during a hospital stay, which were not present at admission. In most cases, hospitals can prevent these conditions when they provide care that follows best practices. Examples include falls occurring within the hospital, infections acquired in the hospital, and blood clots following a hip or knee replacement. Reimbursement is not made for treatment of the hospital-acquired condition under this program.
- Hospital Acquired Conditions (HAC) Reduction Program – CMS reduces payments by 1% to hospitals that rank in the worst-performing 25% of all hospitals, with respect to HAC quality measures described above. In combination, the HAC Program and HAC Reduction Program both penalize the poorest-performing hospitals for hospital-acquired conditions.

The adoption of these programs shows hospitals that BWC is committed to ensuring quality care for injured workers. When CMS, BWC, and other payers adopt these strategies, the financial impacts to hospitals are enhanced, and in turn, they will be more likely to take steps to improve deficiencies in care for all patients.

Chart 8 demonstrates the financial impacts to hospitals from not waiving the penalties associated with quality indicators for inpatient care in 2019 and the proposed impact for 2020.

Chart 8

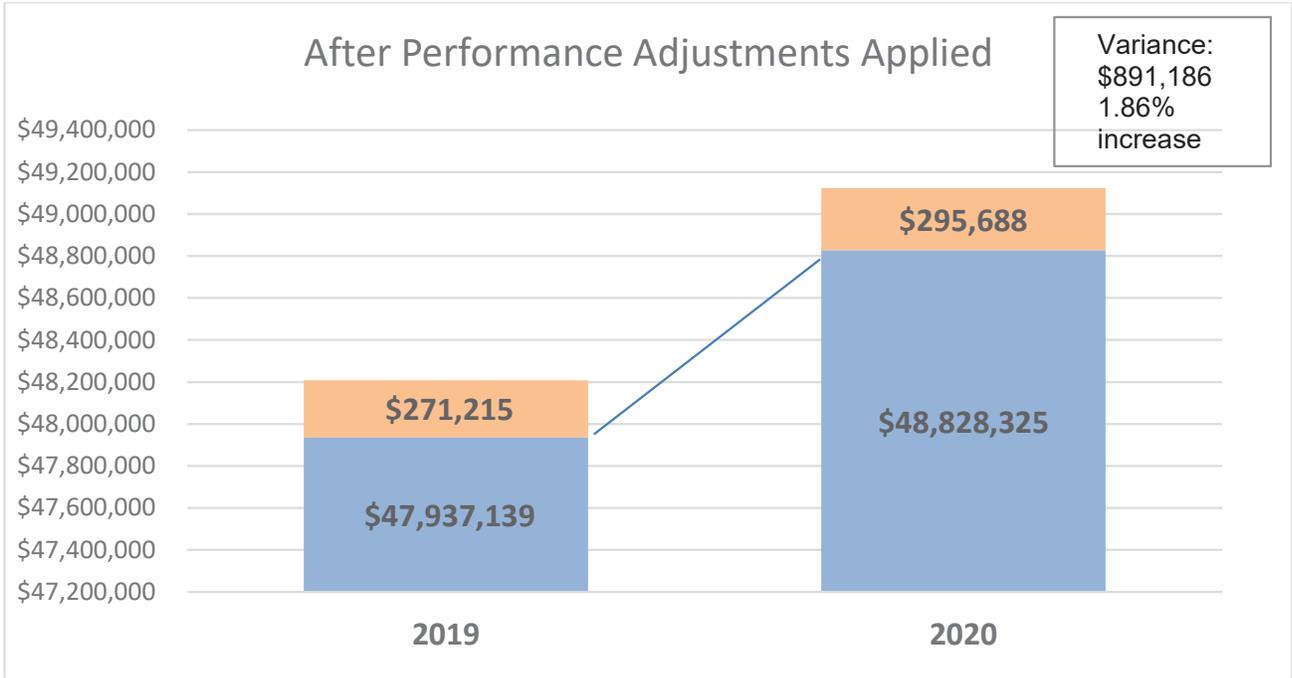


Table 3 includes all relevant quality metrics currently incorporated in the inpatient fee schedule and estimated 2020 impacts.

Table 3

| Program | Description | Incentive Type | Estimated Impact |
|---|---|-----------------------|---------------------------------|
| Inpatient quality reporting | Hospitals must report quality measure or face reduction | Penalty | \$0 reduction for both programs |
| Electronic health record (EHR) meaningful use | Hospitals receive reduction for not adopting EHR technology | Penalty | |
| Value based purchasing | Hospitals rewarded or penalized for quality performance | Reward or penalty | \$48,469 reduction |
| Hospital acquired conditions | Hospitals not paid for treatment of hospital acquired conditions | Penalty | N/A, case based |
| Hospital acquired conditions reduction | Lowest performing hospitals (25%) face additional reduction | Penalty | \$125,600 reduction |
| Hospital readmissions reduction | Hospitals with excess readmissions for certain conditions face reductions on all claims | Penalty | \$121,619 reduction |

BWC also adopted the Ambulatory Surgical Centers’ Quality Reporting (ASCQR) Program in the 2019 ASC fee schedule. The ASCQR program is a pay for-reporting, quality data program, in which ASCs report quality of-care data under standardized measures to receive the full Medicare annual payment update. BWC supports Medicare’s action to require ASCs to report quality metrics to receive full payment for services rendered. BWC adopted this provision in a similar fashion by reducing facility payment by 2% for failure to report metrics. ASCs voluntarily report the measures listed in Table 4. These measures are directly applicable regardless of insurance coverage. If an ASC has a higher incidence of these sentinel events, such as a burn or fall, the quality can be evaluated and benchmarked with other ASCs or benchmark with the same care in the hospital outpatient setting. Once the measurements provide the appropriate data for determination, BWC can incentivize the transition to the ASC site of service. Recognizing quality measures in ASC reimbursement sets the foundation for value-based care.

Table 4

| | |
|-------|---|
| ASC-1 | Patient Burn |
| ASC-2 | Patient Fall |
| ASC-3 | Wrong Site, Wrong Side, Wrong Patient, Wrong Procedure, Wrong Implant |
| ASC-4 | All-Cause Hospital Transfer/Admission |

Policy coordination

The Medical Services Division initiated a process to develop symmetry between the look and feel of reimbursement and coding policies. The Billing and Reimbursement Manual underwent a complete review, which resulted in a re-release in October 2017. Relevant and interested department representatives throughout the organization participated in this update.

The MCO Policy and Reimbursement Guide is also under review to incorporate more appropriate, complementary language. Reducing the risk of contradictory information between the guides is a primary goal.

During the past year, BWC released three policy alerts and topics, which included clarifying max unit updates for cognitive therapy, pass-through billing limitations, and MCO pricing override requirements. Medical Services has continued the quarterly Billing and Reimbursement Manual update schedule that began in FY18. For FY19, this included the development and release of new policies, a preamble to the Billing and Reimbursement Manual, and documentation of timed services policy. The team also made updates to several policies: health behavior assessment and intervention services; lumbar fusion services; nursing home, residential care, and assisted living facilities; outpatient medication prior-authorization program; hospital services; and chronic pain-management programs. BWC continues progress in the development of comprehensive reimbursement policies for skilled nursing facility services and timelines for bill and adjustment submission for FY20 expected release.

Pharmacy Program

The BWC Pharmacy Program consists of a team of 12 nurses, technicians, pharmacists, and other support staff. We process requests for medications from prescribers, aid pharmacies when they encounter billing issues, and resolve medication-related issues for injured workers. The pharmacy program also maintains the outpatient formulary and manages the pharmacy benefits manager (PBM).

Over the past fiscal year, the Pharmacy Department made several changes to the outpatient medication formulary to ensure safe and effective care to injured workers. Formulary changes begin with the Pharmacy & Therapeutics (P&T) Committee. The P&T Committee consists of doctors and pharmacists who make recommendations for any issue related to pharmacy or medication.

At the beginning of 2019, several formulary changes took effect. After Jan. 1, 2019, any antipsychotic requested for the treatment of depression requires prior authorization. The prior-authorization request must provide documentation that at least two antidepressants were tried prior to prescribing an antipsychotic. Any requests thereafter must provide documentation, which shows the prescriber is monitoring for adverse effects using the Abnormal Involuntary Movement Scale (AIMS). Also effective on Jan. 1, coverage for benzodiazepines is limited to one product per month. Concurrent use of multiple benzodiazepines is not reimbursed. The drug, Relistor, was removed from the formulary and Symproic was added. Both are indicated to treat opioid-induced constipation.

Oxycontin, a potent opioid medication, along with its generic formulations, were removed from the outpatient medication formulary on June 1, 2019. Injured workers on this medication prior to June 1 will be given until Dec. 31, 2019 to stop this medication and switch to another product included in the BWC formulary. BWC also added Xtampza ER (oxycodone extended-release) to the formulary as a tier 2, long-acting opioid requiring prior authorization. Xtampza ER uses a more advanced abuse-deterrent technology with the goal of reducing the potential for diversion and abuse of the medication. Coverage for Lyrica, a medication commonly used in the treatment of neuropathic pain, was revised. Effective June 1, 2019, any injured worker that would like to start treatment with Lyrica must have documented a trial and failure of the medication gabapentin.

In 2018, the Pharmacy Department requested proposals for a new PBM, as the current PBM contract was due to expire. A contract was awarded and the new PBM, Change Healthcare, began adjudicating pharmacy bills for BWC on Oct. 28, 2018. The administrative-payment structure for our PBM was modified from \$5.50 per prescription to \$15.85 per injured worker per month. This means that BWC pays the PBM the same amount per month for an injured worker filling medication regardless of the number of prescriptions filled. This removes incentive to fill unnecessary prescriptions to achieve a higher administrative payment. We also have a transparent contract with our PBM that requires all money paid to the PBM for medication must be paid to the pharmacy provider. This prevents the practice of spread pricing.

The contract for BWC’s rebate aggregator, EnvisionRx, also expired in 2018. The new contract was re-awarded to EnvisionRx with a 1% reduction in administrative payment compared to the previous contract. We also renewed our contract with pricing analyst HealthPlan Data Solutions LLC on July 1, 2019.

Dr. Miranda Williams, Pharm.D., R.Ph. became Pharmacy Program Director effective June 23, 2019. Dr. Williams previously served in the BWC Pharmacy Department as Clinical Operations Manager. Over the past year, she has presented on the topics of opioids and the BWC Pharmacy Program at the Middletown Safety Council, Environmental Health and Safety Summit, Safety Congress & Expo, and for BWC provider webinars. On behalf of BWC, the Director also attended the Opiate Conference hosted by the Ohio Association of County Behavioral Health Authorities, and the Opioid Summit in Vancouver, Washington, hosted by Washington Labor & Industries. The Pharmacy Director also participates in the National Governors’ Association Pharmaceutical Learning Collaborative. This is a collaboration between different agencies within our state to address pressing pharmacy issues that impact medication access.

Through effective medication-management activities and medication pricing, we managed to achieve reductions in our pharmacy spend and in the number of injured workers receiving a prescription. During FY19, BWC saw a 9% decline in number of paid prescriptions (Chart 9) as well as a 9% decline in number of claims filling a prescription, when compared to FY18 (Chart 10). Declining at a much faster rate, we saw a 14% reduction in prescriptions for opioids and injured workers receiving an opioid. BWC saw a 22% reduction in our spend on opioids and a 20% reduction in our spend on all prescriptions in 2019 (Chart 11).

Chart 9

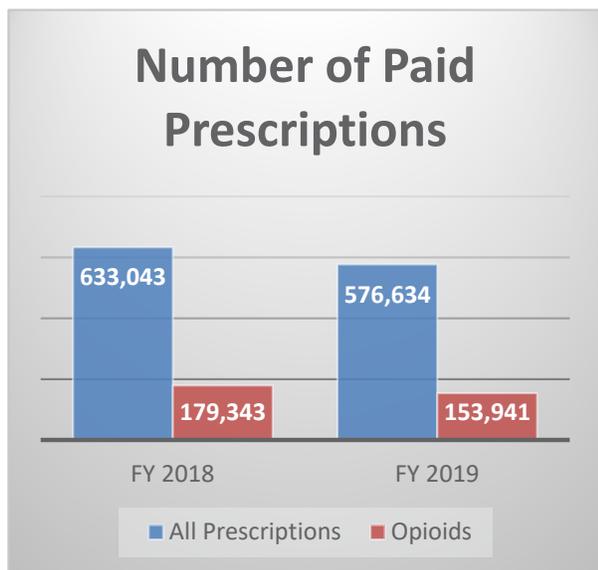


Chart 10

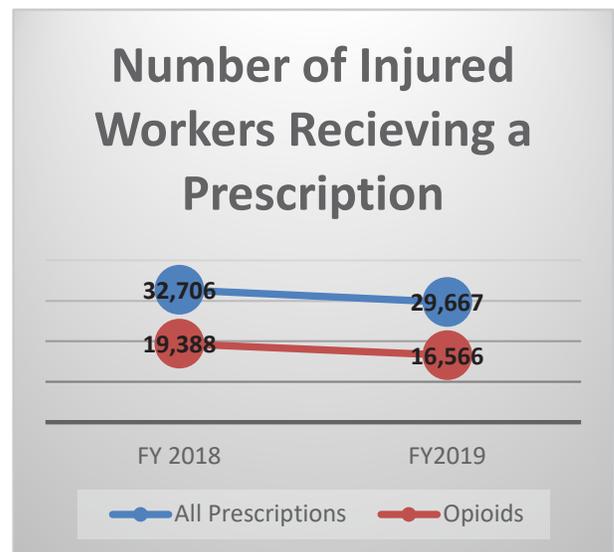
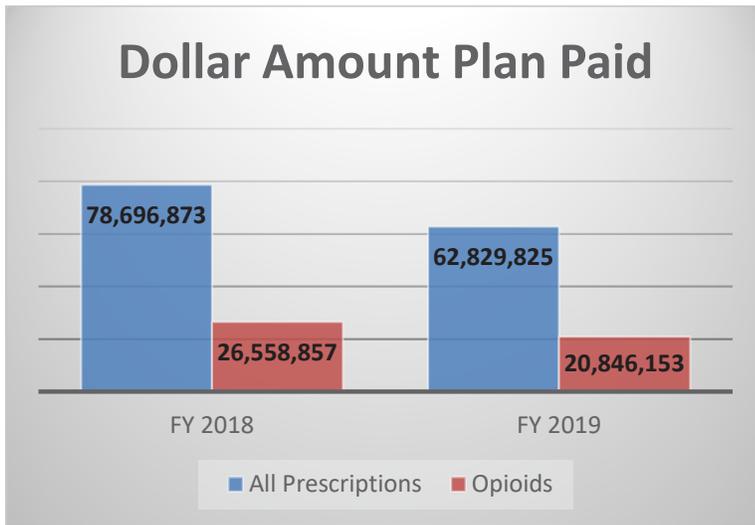


Chart 11



The Pharmacy Department and managed care organizations use drug utilization review (DUR) to ensure medication we pay for is appropriate and necessary for the injury, as well as cost-appropriate. During a DUR, an independent physician reviews the claim and medications against the Miller Criteria. The reviewing physician decides if the medication passes the Miller Criteria and is approved or denied. During FY19, a total of 1,469 drug utilization reviews were requested by the managed care organizations to be completed. The Pharmacy Department also requested an additional 1,103 drug utilization reviews based on prior authorization requests. This amounts to a total of 2,572 drug utilization reviews during that year.

The BWC Pharmacy Department is actively reviewing BWC providers that prescribe opioids to ensure they are in compliance with OAC 4123-6-21.7. This rule outlines documentation requirements for reimbursement of opioids in the subacute and chronic phases of pain. If prescribers are not compliant with the documentation requirements, they are sent a series of letters requesting the missing documentation. After multiple requests, if BWC does not receive the documentation, payment for opioids prescribed by that provider will no longer be reimbursed. The purpose of this rule is to ensure BWC only reimburses for opioid medication when best practices are followed by the prescriber. This keeps the safety and health of our injured workers a top priority. Reviews are performed by industrial rehabilitation nurses within the BWC Pharmacy Department, and issues of non-compliance may be reviewed by the Pharmacy Director and Chief Medical Officer.

One very important program offered to injured workers is First Fill. This program allows the first fill of prescription drugs prior to the initial claim determination order. Medications included on the First Fill Formulary (Appendix to OAC 4123-6-21.6) are covered. Offering this allows newly injured workers to receive medication to treat their acute condition instead of paying out-of-pocket and waiting for the claim to be determined.

The mission of our Pharmacy Program is to ensure safe and appropriate medication utilization. Formulary management, drug utilization review, our opioid rule, First Fill, outreach, and education all align with this mission. We will continue to improve services offered by our program to provide the best possible care for injured workers.

Managed-care processes

MCO recertification

Ohio Revised Code Section 4121.44 authorizes BWC to recertify the managed care organizations for two-year periods to ensure the efficiency and effectiveness of the public services provided through the HPP. When the certification of currently contracted MCOs expired on Dec. 31, 2018, BWC began the process of recertifying the MCOs in August 2018. This recertification examined several key areas, including the corporate structure of the MCOs, business continuance plans in the event of an emergency, compliance with equal opportunity requirements, and proper credentials of medical directors, clinical staff, and coding staff. A particular focus in the 2018 recertification period was placed on all subcontractors with which the MCOs have a contractual relationship to ensure that sensitive data is protected and secure.

All 12 MCOs currently under contract with BWC submitted recertification applications and were recertified upon review for the period of Jan. 1, 2019 – Dec. 31, 2020.

MCO Report Card enhancements

Each year, BWC prepares an MCO Report Card that provides objective data to employers when selecting an MCO. In May 2019, BWC finalized the 2019 MCO Report Card and made it publicly available through its website. The 2019 MCO Report contained information that would assist an employer in determining which MCO may best suit the employer's particular line of business, and expanded on the metrics used by BWC to measure MCO performance. Key performance indicators, such as Return-to-Work services and effectiveness of utilization management, were included in the report. It also included timeliness and accuracy of First Reports of Injury and medical bills, along with indicators of the MCOs' size and book of business. BWC also included the results of an employer satisfaction survey it conducted. BWC continues to explore ways to improve the MCO Report Card and make the tool valuable for employers in assessing the MCOs.

MCO quarterly training

Under the terms of the BWC-MCO contract, professional, clinical, and decision-making MCO staff are required to complete up to 10 hours of BWC-mandated training during a calendar year. This mandate ensures MCO staff are up-to-date with changes in BWC rules or policies and understand their roles in the Health Partnership Program.

During FY19, BWC conducted training for MCO staff and mandated attendance based on the topics covered. In 3rd Quarter 2018, BWC conducted training on the newly revised Medical Evidence for Diagnosis Determinations (MEDD) guidelines to ensure that MCO staff understand what medical information is required to support the allowance of a claim and clearly define the role of the MCOs in gathering this information. During 1st Quarter 2019, BWC mandated training for all Alternative Dispute Resolutions (ADR) staff at the MCOs on the newly updated system changes in BWC's claims management system to ensure the MCOs understand their role in entering and tracking all ADR to completion. Finally, in 2nd Quarter 2019, BWC mandated all clinical staff at the MCOs participate in training on the newly revised Lumbar Fusion rules. This training offered not only the requirements of the rule, but also a clinical focus on the medical indicators for a lumbar fusion, assessments and treatments, and ensured informed consent by the injured worker prior to surgery. In addition, the training covered the legal aspects of orders upon appeal of denial of services.

On-site case management

With the execution of the 2018-2020 MCO Agreement, BWC continued to focus on MCOs performing on-site case management visits with injured workers, their families, and providers to further manage the medical portion of claims. The policy, originally adopted in 2016, requires the use of this tool for all catastrophic claims and encourages the use of on-site visits in any claim when barriers to healing or return-to-work have been identified.

For those who are catastrophically injured, BWC recognizes that these injured workers have the greatest risk during transitions from one care setting to another. Ensuring proper resources are made readily available increases the likelihood that a catastrophically injured worker will regain some quality of life following the injury.

BWC's expectations are that effective on-site case management will:

1. Result in an improvement in tracking of injured worker progress and treatment compliance;
2. Facilitate sharing among providers of critical information such as medications, diet, and upcoming medical appointments;
3. Help reduce complications and errors, which cost both time in recovery to the injured worker and increased expenditures to the compensation system; and
4. Identify needs of the injured worker when transitioning from one care setting to another or when transitioning home.

During FY19, BWC funded over 290 on-site case management visits, many of which were with catastrophically injured workers. The visits have successfully identified needs of injured workers that may have otherwise gone undetected, such as a lighter wheelchair for a paraplegic, home modifications needed to ensure safety, or medical equipment replacements that improved function for injured workers.

BWC recognized that not all MCOs have the infrastructure to execute this task in-house. Thus, by administrative rule, the MCOs may outsource this service if the vendor is approved by BWC. MCOs must continue to maintain their requirements to manage the medical part of the claim and execute oversight of the vendor's activities. To gain BWC approval, the MCOs must submit a detailed request to BWC for consideration. At present, two MCOs have requested and received approval to contract for these services through a vendor.

Exceptional performance measures

Continuing the approach initiated in 2016, BWC kept in place a series of exceptional performance measures and added a fifth measure. BWC designed these initiatives to improve the quality of life for an injured worker, reduce the risks associated with medication use, and/or increase the potential for an injured worker to return to the workforce. Under the terms of the 2018-2020 MCO Agreement, MCOs may earn additional monies for exceptional performance in the following five key areas:

1. Medication management – 25% opportunity;
2. Transitional work – 20% opportunity;
3. Vocational rehabilitation – 25% opportunity;
4. Legacy claim management (RTW) – 30% opportunity; and
5. Wellness program participation - \$100 per successful referral up to \$500,000 per year.

The total incentive opportunity available to the MCOs in FY19 was \$5 million dollars. BWC allocated that amount across the five areas based on a consideration of the challenge, impact opportunity, and optimal end-objective.

A summary description below provides additional insight on each of the measures and the overall impact during FY2019.

1. Medication management

Medication management consists of two primary areas of focus: elderly injured workers and injured workers on high-risk drug regimens. In both instances, two expectations drive the incentive measures.

- Ensure injured workers take appropriate medications; and
- Monitor injured workers to ensure the medications that they take are not harmful or place the injured workers at greater risk of death due to overdose.

For elderly injured workers, the population includes those more than 65 years of age who take a medication on the Beers Criteria for Potentially Inappropriate Medication Use in Older Adults (2015) as published by the American Geriatrics Society. To earn incentive payments for this measure, BWC requires MCOs to intervene with prescribers to either eliminate the medication from the injured workers' regimen or provide guidance in the selection of a more suitable medication not on the Beers list.

For injured workers prescribed high-risk drug regimens, the population includes injured workers who take medications in four or more, of eight, Generic Product Identifier (GPI) code groupings known to increase the risk of patient death when taken in combination. To receive incentive payments for this measure, MCOs must work with prescribers to reduce the number of therapeutic classes prescribed to an injured worker to three or fewer, or reduce the dosage amounts by 15% or more. MCOs are also encouraged to work with providers to develop plans to wean injured workers gradually to avoid withdrawal.

Five MCOs earned payment for the medication management measure during FY19. The MCOs efforts resulted in a positive change to injured workers' medication therapy based on over 1,000 interventions with prescribers. During these interventions, MCOs educated and informed the prescribers of the risks noted in each case and, where appropriate, alternative medications that produce less risk to the injured worker.

2. Transitional work

The transitional work measurement consists of two key areas:

- Increasing the award of transitional grants to employers; and
- Increasing the use of transitional return to work.

BWC has a Transitional Work Grant Program. However, the program has not reached its potential. Grant monies are available to employers to increase the likelihood that an injured worker may return to the workforce earlier so long as medical restrictions are honored. Recognizing a need to grow the Transitional Work Grant Program, BWC designed this measure to incentivize MCOs in assisting employers to develop complete, transitional work grant applications, which BWC may approve and award a grant.

The second, key component of the transitional work measurement is the use of transitional return to work, even when an employer does not have an approved transitional work grant program. For this measurement, MCOs work closely with providers to determine whether an injured worker may safely return to work with restrictions. The MCO works with an employer to see that an injured worker returns to work in a light duty/transitional work capacity and remains at work for a sustained period of at least 30 days. As experience has shown, the longer an injured worker remains out of the workforce, the more difficult it becomes for him or her to return to work. BWC designed this measurement to encourage the safe, effective return to work early in the life of a claim and to remove any barriers that may impede an injured worker's ability to return to work.

Eight MCOs earned payment for the transitional work measurement during FY19. That represented the awarding of 17 new transitional work grants. More than 2,100 injured workers returned to work and remained at work in a transitional work setting.

3. Vocational rehabilitation

Unlike the transitional work incentive, BWC aimed the vocational rehabilitation incentive at increasing the use of vocational services when it is unlikely that an injured worker can return to his or her same employer or same job and has been out of the workforce for three years or less. This measurement also has two key areas: appropriate decision-making and positive outcomes.

BWC's noted experience with the use of vocational rehabilitation indicates only about 2% of eligible claims are referred for vocational rehabilitation. BWC wants to see this percentage increase. Therefore, BWC designed this measurement to increase the number of appropriate referrals while ensuring staff assigns referrals to a vocational rehabilitation case manager, resulting in the development of vocational rehabilitation plans. Conversely, BWC does not expect to see an increase in the percentage of pre-plan closures. This would otherwise indicate the injured workers referred were not appropriate for using vocational rehabilitation services.

With appropriate claim selection for referrals, BWC expects the outcomes in those claims will result in more injured workers returning to the workforce for sustained periods of 30 days or more.

Nine MCOs received payment based on their efforts in the vocational rehabilitation measure in FY19. More than 474 injured workers returned to the workforce and remained at work for sustained periods of time.

4. Legacy Claim Return-to-Work

As the last measurement piece on the return-to-work continuum, BWC aimed the Legacy Claim Return-to-Work measure at addressing injured workers who are out of the workforce continuously for three or more years. BWC gives MCOs broad discretion to determine what tools they may best use to assist an injured worker with returning to the workforce. MCOs receive credit for each injured worker that they successfully return to work for a sustained period of at least 30 days. BWC recognizes these claims may be the most difficult to resolve and may require greater application of resources. However, these claims have the greatest impact on the workers' compensation system and on injured workers' lives. The ability to return even one injured worker to the active workforce:

- Reduces the compensation paid;
- Improves the opportunities for the injured worker to increase his or her earnings and receive benefits; and
- Facilitates the injured worker in becoming a productive member of society once again.

For these reasons, this measurement consists of 30% of the possible payments for all exceptional performance payments.

Six MCOs received payment based on their efforts in the Legacy Claim Return-to-Work measure in FY19. More than 190 injured workers who had been out of work for three years or more returned to the workforce and remained at work for sustained periods of time.

5. Wellness program referrals

In March 2018, BWC initiated a fifth Exceptional Performance Measure to support the Better You, Better Ohio!™ wellness initiative. BWC designed this measure to encourage injured workers who had a recent work-related injury to enroll in the wellness program and complete a health risk assessment. With greater emphasis on overall health and encouragement to reduce factors such as smoking and obesity, BWC and the MCOs are working together to create a healthier workforce and to avoid injuries or rebound quicker.

During FY19, more than 50 injured workers were referred to the program, enrolled, and completed a health risk assessment.

Medical providers

Education, outreach, and communication

Medical and Health Symposium

Quality providers meeting the needs of Ohio's injured workers are critical to managing a positive return to work and quality of life. Therefore, BWC separated the previously conjoined employer- focused Ohio Safety Congress (OSC) into two separate conferences. Beginning this year, the Medical and Health Symposium occurred on a separate date from OSC, and it has become an independent event specifically for the professional enrichment of BWC's medical provider community and their teams. Registration increased more than 350% from our first symposium in 2015. More than 500 healthcare and legal professionals registered for the 2019 symposium.

In two full days of educational offerings, physician peers and other industry experts taught and discussed the overarching theme of comprehensive care for injured workers. Our physician and ancillary provider community members, including attorneys, were offered professional credit to come to this free event. Session topics ranged from information on BWC initiatives to medical marijuana, the opioid crisis, and addiction, all real-world issues affecting workers' compensation.

In addition, BWC educational efforts were offered to provider office staff at our Ohio Workers' Compensation Medical & Health Symposium. While professional lectures occurred, office staff attended sessions taught by BWC's subject matter experts. Included were legal theories, vocational rehabilitation, our philosophy with provider forms, and key information needed to complete forms properly. We also shared updates on BWC's medical initiatives and billing and reimbursement.

Newsletters and webinars

BWC communicates regularly with our providers, professional associations, and other interested parties. Each month, we continue to release Provider eNews, a two-to-four-page electronic newsletter, to a provider list-serve containing over 1,600 members and distributed by associations to provider members. BWC distributes the newsletter via email using a just-in-time method to share pertinent updates of policies, processes, rules, or other relevant information to our providers.

In addition, BWC continues to communicate regularly with our provider community through regularly scheduled webinars. This served as a viable replacement to our biannual meeting for stakeholder associations, allowing their members opportunity to hear relevant information first-hand, rather than from a representative. In FY2019, the Reimbursement and Coding Policy team conducted eight provider webinars geared toward what providers and their office staff need to know for medical care bill payment. The webinars offer a deeper dive into new or revised reimbursement policy. These included:

- October 2018 – Clarification of existing policy for documentation of timed services: 319 participants at live session;
- September 2018 – In partnership with the Ohio Hospital Association, 2019 IPPS proposed rule and billing complex workers' compensation cases: 200 participants;
- January 2019 – 4th quarter update highlighting the home health care policy: 62 registrants and 41 participants;
- February 2019 – Introduction of new policy on Documentation for Timed Services: 94 registrants and 63 participants at live session;
- February 2019 – In partnership with the Ohio Hospital Association, best practices for providing and

billing services to Ohio’s injured workers, and upcoming outpatient hospital reimbursement changes: 200 participants;

- April 2019 – Telehealth and BWC billing policy, 1st quarter update: 57 registrants and 32 participants;
- June 2019 – Understanding workers’ compensation ICD coding for the provider office: 90 registrants and 53 participants; and
- July 2019 – 2nd quarter update highlighting: 42 registrants and 36 participants.

Provider call center support

BWC also has a dedicated branch and option of the toll-free customer contact line (1-800-OHIOBWC) to our medical provider community. This department houses four analysts to review inquiries specifically from providers and provide resolution. Many contacts are regarding unresolved billing, policy clarification, or other specific provider-related issues. In FY19, the contact center received:

- 21,608 calls;
- 541 website customer chats;
- 303 website-generated emails; and
- 435 email inquiries from the separate, public email box.

Network volume

A continued focus of BWC is to support HPP’s goal of having and maintaining a strong, effective network of certified providers. BWC’s system reflects providers in two ways — certified providers and enrolled providers. Enrolled providers have rendered service at least once to an injured worker. However, they have not taken steps to become BWC-certified or are ineligible types for certification. Enrolled providers cannot generally render ongoing care to an Ohio injured worker. Certified providers have completed the BWC provider application process and have agreed to abide by the Ohio workers’ compensation fees, laws, and policies. They can render ongoing treatment to an injured worker. There are 61,132 certified providers and 52,364 enrolled providers captured in the BWC system for FY19.

In FY19, BWC’s provider relations business unit managed the following enrollment/certification provider activities:

| | |
|--|-------|
| ■ New provider enrollments: | 3,364 |
| ■ Re-certified providers: | 6,833 |
| ■ Providers whose certification lapsed and BWC did not re-certify: | 5,028 |
| ■ Annual number of providers enrolled and certified in FY19: | 9,575 |

To further promote our goal of becoming world-class, the provider enrollment and credential review areas began a multi-year, multi-step plan for modernizing our provider system, which began in FY18. The seven-phase approach enhanced the 10-year-old database, beginning with the immediately needed system user updates. To date, there have been over one hundred updates for our internal users, paving the way for provider applications online. In addition, substantial work is underway to update interfaces between the provider system, BWC, and other related systems (e.g., pharmacy benefits manager, the Industrial Commission, etc.), the information that our provider master system holds.

Ultimately, these improvements will result in an online option for providers to apply for enrollment and certification, as well as an updated provider-look-up option available for certified providers. These efforts, along with demographic updates and optional provider programs within the HPP will become available for online sign-up in FY20.

These changes will be achieved through a work prioritization method within the IT and enrollment teams, which will allow for shorter, quicker deliverables and a more efficient IT service. Twenty improvement releases have been achieved through FY19.

Stakeholder communications and training

Outreach directors are also involved in agency initiatives and projects to assist with provider education of stakeholder associations and boards. BWC continues to seek opportunities to promote ongoing, transparent, and effective communications with our provider community and hosts routine association meetings, as noted below.

Face-to-face, routine meetings are held with Medical Services and the following stakeholder groups to discuss policy, reimbursement, and other concerns and issues related to members:

- Ohio Physical Therapy Association, including vocational rehabilitation representatives;
- The Ohio State Chiropractic Association; and
- The Ohio Ambulatory Surgery Centers' Association.

In March 2019 and May 2019, various representatives from the Medical and Health Division met with several departments of the Cleveland Clinic hospital system and Firelands Community Hospital, including representatives from patient support services, revenue resolution, and strategic initiatives divisions. Participants discussed ways to improve workflows and communication and identified potential, new initiatives to optimize processes. The meetings provided a forum for hospital providers to succinctly articulate examples of MCO variation in billing and reimbursement practices and to demonstrate resulting impacts on provider resource costs and system frustration.

Three important initiatives resulted from these engagements:

1. Provided support to BWC to fast-track an automation initiative, which will improve system efficiencies and reduce costs for how hospitals, MCOs, and BWC process adjustments to previously paid or partially paid bills. This initiative is slated to begin production Jan. 6, 2020, and will be offered to hospitals and MCOs;
2. Alerted BWC to an opportunity for innovative automation, with efficiency and cost-reduction benefits, by accepting an electronic X12 EDI transaction ('the 275'), which electronically transmits medical documentation and links the documentation to a separately submitted invoice. Because of the resulting impacts to IT, this project requires prioritization for BWC; and
3. Identified the 278 prior authorization X12 EDI transaction as a high priority. This enhancement allows providers and MCOs to exchange electronic transactions in lieu of a paper C-9 form. Coupled with the 275, the provider would submit medical documentation to support the prior authorization request, which also impacts IT.

Medical Reimbursement and Coding Policy supported the Self-Insured Division by presenting training sessions for self-insured employers and their representatives in Columbus and Cincinnati for approximately 100 participants.

Network volume

BWC supports HPP’s goal of having and maintaining a strong, effective network of certified providers. BWC’s system reflects providers in two ways — certified providers and enrolled providers. Enrolled providers have rendered service to an injured worker at least once. However, they have not taken steps to become BWC-certified or are ineligible for certain types of certification. Enrolled providers cannot generally render ongoing care to an Ohio injured worker. Certified providers have completed the BWC provider application process and have agreed to abide by Ohio workers’ compensation fees, laws, and policies; they can also render ongoing treatment to injured workers. There are 61,132 certified and 52,364 enrolled providers in the BWC system for FY18.

In FY18, BWC’s provider relations business unit managed the following enrollment/certification provider activities:

| | |
|--|-------|
| ■ New provider enrollments: | 3,321 |
| ■ Re-certified providers: | 4,650 |
| ■ Providers whose certification lapsed and BWC did not re-certify: | 3,407 |
| ■ Providers who BWC decertified from the system: | 1,594 |
| ■ Annual number of providers enrolled and certified in FY18: | 8,988 |

To further promote our simplicity and service goals for providers, the provider enrollment and credential review areas began a multi-year, multi-step plan for modernizing our provider system. We initiated a seven-phase approach to enhance the 10-year-old database, beginning with urgently needed system user updates. These phases will result in an online option for our providers when applying for enrollment and certification, as well as demographic updates of their information. Optional provider programs within the HPP will also become available for online sign-up. Medical Services is achieving these changes through a work prioritization method within IT that allows shorter, quicker deliverables for a more efficient IT service.

Medical and vocational service administration support

A key focus for BWC during the past year has been increasing the quality of services to injured workers to achieve positive outcomes. This focus underlies BWC’s continued evaluation of the care initiatives, such as the Enhanced Care Pilot Program, catastrophic claims, transitional work, health and wellness support, and others.

Enhanced Care Pilot Program continues

The Enhanced Care Program (ECP) is a strategic initiative developed by BWC and stakeholders in 2015. The pilot program was launched in northeast Ohio for claimants who sustain a knee injury as a result of a workplace accident. This approach allows a full approval of a comprehensive treatment plan after an initial allowance order is issued by BWC and the employer is not contesting the claim. This plan is submitted by participating providers to generate care quicker, thereby allowing earlier return to work.

Expansion of ECP

This pilot program has been extended statewide to further the pilot program study. A consultant evaluation of this program recommended a multi-year (e.g., up to five years) study to properly evaluate outcomes. Initial results have shown promise for allowing a faster return to work, and we have increased the demographic region across Ohio for additional study results.

Provider education and recruitment efforts increased during FY19 and now include two dedicated directors of provider outreach for the north and south regions of the state. Provider enrollment in this program has increased to 408 during FY19 with continued, increasing enrollment. Providers receive a monetary incentive (15% increase in office visits) with participation in this program.

Provider outreach and marketing efforts for ECP have included more than 73 on-site visits in central/south Ohio and many visits in northeast Ohio. These relationships have been very beneficial to providers and BWC, and physicians have reported great satisfaction in having a BWC resource for complex issues. They appreciate the availability of onsite access from dedicated BWC provider staff, which has not been readily available in the past.

Marketing efforts are also being established through leveraging social media accounts, such as LinkedIn, attending BWC/other conferences, and employer education related to the program. MCOs teamed with our provider outreach directors for statewide pilot implementation and to provide ongoing claim management. They also assist in the maintenance of participating providers and the recruitment of new providers for the study.

Catastrophic Claims

Ninety-five new catastrophic injuries occurred during FY19 in the state-funded population managed by MCOs. This statistic does not include catastrophic injuries that resulted in the death of an injured worker within the first five days following an accident. Catastrophic injuries happen suddenly and have life-changing impacts and long-term consequences for injured workers and their families. Catastrophic injuries can include complex brain and spinal cord injuries, major extremity amputations, severe burns, crush injuries, and multiple-trauma injuries. Table 5 shows the types of catastrophic injuries that occurred during FY19.

Table 5: Catastrophic injuries: FY19

| Type of injury | Number of claims | % of total claims |
|--|------------------|-------------------|
| Traumatic brain injuries (moderate and severe) | 42 | 44% |
| Spinal cord injuries (quadriplegia, paraplegia) | 9 | 9% |
| Amputations, major extremity | 17 | 18% |
| Severe burns | 6 | 6% |
| Multiple trauma (multiple fractures, crush injuries) | 21 | 22% |

Nurse case management involvement is essential in catastrophic claims management. HPP places emphasis on a consistent, cooperative approach by MCOs and BWC. MCOs have a designated, core group of catastrophic nurse case managers that are knowledgeable of the critical-care needs and services required for catastrophically injured workers.

Early identification and nurse case manager involvement are essential for effective catastrophic claims management. HPP has a process for quickly determining whether a case is a catastrophic injury, which includes reviewing the case with the assigned BWC catastrophic nurse advocate within one day of notification of a new, potentially catastrophic claim. Together, the nurses review the case and expedite claim allowance to ensure prompt payment of medical and indemnity benefits. During FY19, BWC implemented a new methodology for assigning BWC catastrophic nurses to claims. Claims are now assigned based on the MCO assigned to a claim, as opposed to the previous method of assigning claims based on the service office location of the claim; the MCO immediately knows the appropriate BWC catastrophic nurse. This change has proven to be more efficient and customer focused for both BWC and MCO nurse case managers.

During FY19, the MCO case managers performed onsite case management visits with injured workers, their families, and/or providers for all catastrophic claims, except for a very few cases in which it was determined that an onsite case management visit was not indicated. An example of a recent case that demonstrates the value of onsite case management visits is as follows: a young man who worked as a pizza delivery driver was robbed and assaulted, sustaining severe head trauma. The injured worker and his family are from Morocco. Although they have lived in the United States for a substantial period of time, they had many questions. The MCO case manager met with the injured worker and his family at the acute rehabilitation facility and was able to help them better understand how to navigate the healthcare system, as well as answer questions regarding workers' compensation and the injury their loved one sustained. The case manager also attended the care-planning conference with the clinical team and physician at the acute rehabilitation facility. By attending the care conference, it allowed for the discussion of the injured worker's progress, which enabled them to proactively identify discharge needs that would be needed upon the injured worker's discharge.

Catastrophic claim external vendor: In the FY2017 HPP report, BWC provided an overview of the catastrophic claim program pilot that began in January 2013 and concluded at the end of calendar year 2016. BWC selected Paradigm Management Services as the vendor through a request for proposal process. The pilot concluded in 2016 after BWC's medical leadership determined not to integrate the pilot model into the HPP system. The decision did not impact claims in active Paradigm management. At the end of FY19, there were three claims remaining in Paradigm management.

Clinical Education Director

During FY19, BWC recognized the need for increased education and training for BWC and MCO employees. New technology, medical procedures, and medications are appearing at a rapid rate in today's healthcare system. For example, microprocessor limbs for amputees can help an injured worker with their quality of life, but technologically advanced items are very costly. Therefore, the MCOs and BWC need to be up-to-date with new technology to make informed decisions and ensure the right care and services for each injured worker.

A clinical education director position was approved for hire during FY19. A job offer has been extended to a highly qualified nurse at the time of writing this report. We look forward to providing an update on the clinical education program in next year's HPP annual report.

Vocational Rehabilitation

The Vocational Rehabilitation program seeks to provide an individualized, face-to-face, return-to-work (RTW) program to assist injured employees who, without specialized vocational rehabilitation services beyond standard medical treatment, would be unlikely to return to work or stay at work in a timely, safe, and productive manner. Vocational rehabilitation programs first seek to have the worker return to the same job whenever possible; if not possible, then a different job with the employer of record. If the employment relationship is severed, the goal is to attempt to assist the worker to return to the same line of work with another employer, or finally to different work with a different employer. The goal is to restore the injured worker's suitable employment for comparable-paying work.

Tasked with this mission, the Medical Services/Rehabilitation Policy Unit routinely examines policies and procedures to identify opportunities for process improvement, increase injured worker participation, and increase return-to-work outcomes for our program. Part of this process includes collaboration with MCOs and Vocational Rehabilitation Providers to review our current practices and develop comprehensive recommendations.

During CY 2018, there were 3,607 referrals for vocational rehabilitation initiated in 3,173 claims. Of those referrals, 1,099, or 30%, initiated a comprehensive, vocational rehabilitation plan or a job retention plan. For vocational rehabilitation plans completed in CY 2018, the average cost of services was \$9,985 per plan. Table 6 shows the outcome of comprehensive and job retention plans between CY 2014 and 2018. During this time, there was a steady decrease in the number of plans and a steady increase in successful outcomes.

Table 6: Outcome of vocational rehabilitation plans completed by calendar year.

| Outcome of Plans | CY 2014 | | CY 2015 | | CY 2016 | | CY 2017 | | CY 2018 | |
|------------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | Plan Volume | Percent |
| Successful | 1,151 | 52.2% | 989 | 53.2% | 828 | 53.8% | 827 | 60.9% | 742 | 62.7% |
| Unsuccessful | 1,053 | 47.8% | 869 | 46.8% | 711 | 46.2% | 530 | 39.1% | 442 | 37.3% |
| Total | 2,204 | 100.0% | 1,858 | 100.0% | 1,539 | 100.0% | 1,357 | 100.0% | 1,184 | 100.0% |

* Successful – person returned to work and remained at least 30 days to a job within the job goal or job family of the job retention plan or comprehensive plan.

During FY19, the Rehabilitation Policy Unit initiated two changes to our vocational rehabilitation programs that were recommended by a joint BWC-MCO workgroup. In August 2018, BWC implemented changes to several vocational rehabilitation policies and procedures to remove duplication of efforts between the BWC and MCO, and clarify the roles and responsibilities of each. In the past, vocational rehabilitation program decisions about plans and services were made with required collaboration of BWC, MCO, and the vocational rehabilitation case manager at the individual claim level. The revised policies clarify BWC's primary responsibility for an individual claim to be limited to eligibility and compensation, while the MCO has primary responsibility for feasibility, planning, implementation, and monitoring of individual plan services.

In March 2019, BWC proposed changes to Ohio Administrative Code (OAC) 4123-18-03 and 4123-18-04 to the BWC Board of Directors. The proposed changes simplify the process for acceptance into vocational rehabilitation programs for the injured worker by providing one order allowing or denying participation in the program. The

order, to be issued by BWC, combines the feasibility decision of the MCO with the eligibility and living maintenance decisions of the BWC in a single decision. Simplifying the decisions from three letters with three appeal paths into one order with one appeal path reduces maximum potential appeal durations from 14 months to four months. For injured workers, the changes decrease the confusion of receiving one letter stating one is eligible for services followed by a letter that says one is not feasible. Instead, an injured worker will receive one document that approves or denies participation. The revised process became effective Oct. 7, 2019.

Education and training – Interagency cooperation

Since 2015, BWC has maintained a data-sharing agreement with Ohio Department of Jobs and Family Services (ODJFS) and Ohio Means Jobs (OMJ). Monthly, our agencies share data regarding injured workers' utilization of OhioMeansJobs.com resources while they are actively seeking employment in our vocational rehabilitation program. During FY18, we identified a low percentage of injured workers creating an account with OMJ and even fewer were utilizing the many tools and resources available. To increase utilization, members of BWC's Rehabilitation Policy Unit and ODJFS staff collaborated to create two, unique training seminars geared toward vocational rehabilitation providers in the BWC system. The goal was to enhance vocational rehabilitation provider knowledge, skills, and abilities to utilize OhioMeansJobs.com resources to help injured workers return to work.

The courses were:

- Adding Value for Job Seekers with Labor Market Information (LMI).
- OhioMeansJobs.com – Locating Information & Career Direction and Exploration.

In July 2018, an in-person session for locating information provided an intensive and hands-on learning experience. In August, both courses were offered as webinar sessions. The webinar sessions were made available on BWC's Learning Management System for broader access. Due to the training, a greater percentage of injured workers not only created new accounts with OMJ, but they also increased their utilization of self-assessments and skill-building tools available at OMJ, while also participating in job searches.

BWC and ODJFS will renew the Data Sharing Agreement in FY20 to continue our partnership. By leveraging the free resources available on OhioMeansJob.com, we believe our injured workers are better prepared to return to work.

Education and training

Members of the Rehabilitation Policy Unit, the Chief of Medical Services, and the Chief of Medical Operations participated in a panel discussion about BWC's vocational rehabilitation services in May at the Ohio International Association of Rehabilitation Professional (IARP) organization's education day. Many of BWC's vocational rehabilitation providers belong to Ohio IARP. BWC provided information about proposed vocational rule changes to streamline the initial acceptance into rehabilitation and reviewed the recent statistics concerning vocational rehabilitation services.

Program marketing

During the past two years, we had a significant decrease in percent of potentially eligible claims that were referred for vocational rehabilitation (VR) services. In 2014, we averaged a 2% rate of referral, and as seen in Table 7, that rate dropped to 1.6% in 2017 and 2018.

Table 7: Eligible claims referral for vocational rehabilitation: 2014-2018

| Calendar Year | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------------------------|---------|---------|---------|---------|---------|
| Claims with a VR referral in CY | 4,901 | 4,518 | 4,062 | 3,330 | 3,173 |
| !Claims potentially eligible for VR | 240,507 | 227,834 | 216,323 | 205,544 | 195,587 |
| % Claims with VR referral in CY | 2.0% | 2.0% | 1.9% | 1.6% | 1.6% |

[!] Potentially eligible indicates the claim was allowed, active, had 8 or more days of lost time, was not settled, and the injured worker was alive for some part of the year.

To increase awareness and utilization of Vocational Rehabilitation Services and Programs, Medical Services hired a Manager of Medical Initiatives Implementation to increase awareness of our programs to employers in the state of Ohio. This individual will work closely with our Rehabilitation Policy and Transitional Work Unit staff to create a marketing plan, materials, and presentations.

A great example of our efforts to create new marketing materials is the YouTube video, [“How to get an Injured Employee Back to Work.”](#) Our message focuses on the menu of rehabilitation services and financial incentives available to get employees back to work as quick and safely as possible. We anticipate these efforts will lead to a greater awareness of services and increase the rate of referral for potentially eligible claims.

Transitional Work Grant and Bonus Programs

Employers work with a transitional work developer to develop customized policies and procedures, work with their union, and establish a relationship with health-care providers. Employers received job analyses performed in the job classification they select, along with training on how to identify appropriate transitional work tasks for which workers can perform based on their medical restrictions.

In 2016, the BWC Board of Directors approved a change to OAC 4113-17-55 Transitional Work Development Grant and Performance Bonus. The change removed the requirement of a lost-time claim in the employer’s experience to be eligible for a grant. This requirement discouraged businesses from investing in a transitional work program. In addition, it did not align with BWC’s goal or strategies for early return to work. Prior to the rule change, BWC saw a steady decline in the number of grants paid to employers. After the rule change, transitional work grants paid to employers increased 55.1% from the previous year. In 2017, employers’ interest in BWC’s Transitional Work Grant Program declined again. This decrease may be partly due to the introduction of a vast variety of new grants BWC offered to employers. In August 2018, BWC Employer Programs made a change to the employer policy eligibility regarding combined and predecessor-successor employer policies. Previously, BWC excluded employers’ successor policy numbers from participating in the grant program if the predecessor policy number received a transitional work grant in the past. However, we learned that when a company changes ownership, the transitional work grant program, once-developed, became lost or did not transfer to the new company or owner. By way of an Employer Programs policy change, the new company, which is the successor employer, receives

a new policy number, and that policy number is eligible for a grant. This policy change coincides with a policy change involving the Transitional Work Bonus Program (TWBP). This program rewards employers with premium rebates for using transitional work by making accommodations for their injured workers with restrictions. In this program change, a policy combined or transferred to a successor policy becomes automatically enrolled or eligible to enroll in the TWBP.

To reinvigorate transitional work programs and transitional work services, a marketing person was hired in January 2019. This is a new position in the Medical Programs and Operations Division and the Return to Work Services unit, hence, training is underway and a marketing plan is under development.

Table 8: Transitional work grant activity: 2012-2019

| Fiscal year | Number of TW grants paid | Loss/Gain | Percentage change |
|-------------|--------------------------|-----------|-------------------|
| 2012 | 126 | - | - |
| 2013 | 86 | -40 | -31.75% |
| 2014 | 57 | -29 | -33.72% |
| 2015 | 49 | -8 | -14.04% |
| 2016 | 76 | +27 | +55.10% |
| 2017 | 50 | -26 | -34.21% |
| 2018 | 50 | - | - |
| 2019 | 28 | -22 | -44.00% |

BWC transitional work developers develop the employer’s transitional work grant program. The number of providers qualifying to be BWC-accredited, transitional work developers has gradually declined since 2015. This resulted in fewer providers available to offer grant development services to Ohio employers. A transitional work developer is a vocational rehabilitation case manager, occupational therapist (OT), or a physical therapist (PT). Per 4123-17-55(A)(6), BWC must certify the provider as an HPP provider. He or she also must have verified experience in developing transitional work programs or verified mentoring experience with an accredited transitional work developer. Additionally, the provider must complete a bureau-sponsored, transitional work training prior to delivering transitional work programs, in two-year intervals.

BWC presented a rule change to the BWC Board of Directors Medical Services and Safety Committee on Sept. 27, 2018. This change proposed to eliminate the requirement that a transitional work developer be BWC-certified. Certification of providers allows BWC to pay a provider directly for their services. However, BWC provider enrollment typically does not individually certify those OT and PT providers employed by a facility, such as a hospital or rehabilitation company. These facilities are certified and enrolled as the servicing and pay to provider. Their OT and PT employees do not directly bill BWC, nor does BWC directly pay these providers for services rendered through the facility which employs them.

Based on BWC’s certification policy, a provider’s certification lapses every 18 months for non-activity, requiring extra work by the BWC provider enrollment to re-certify these providers. In the case of this grant program, the employer pays the transitional work developer. The employer receives reimbursement for the developer’s services through their transitional work grant. Therefore, BWC would not require certification.

A second change to the rule eliminates the requirement that a transitional work developer have experience in developing transitional work programs or have mentoring experience with a developer of transitional work services prior to attending the transitional work developer orientation course. OTs, PTs, and case managers do not

possess education in transitional work development, because the program and accreditation are unique to BWC. Finding a mentor in the process of developing a transitional work plan is difficult to coordinate. The pre-training requirement does not have relevance until after the provider takes the BWC-sponsored Transitional Work Developer Accreditation Orientation Class. The goal of this rule change is to allow more providers to become eligible for BWC-accredited transitional work developer status, while BWC provides the necessary education needed to develop transitional work programs for Ohio employers.

Since the inception of the grant program, an all-day, BWC-sponsored transitional work orientation class has taken place at BWC’s training facility, the Ohio Center for Occupational Safety and Health (OCOSH) in Pickerington, Ohio. This year, the class was moved to the appropriate BWC Service Office based on the location of the providers applying to be transitional work developers. On June 27, 2019, a class was held at the Toledo Service Office, and on Sept. 26, 2019, one was held at the Cincinnati Service Office, which added seven additional, accredited developers to the developer list. At the same time, we opened the class to interested providers in the area. The transitional developer reaccreditation class that must be attended by a transitional work developer in two-year intervals to maintain their accreditation is a one-hour webinar that allows providers to attend from their offices, minimizing disruption to their working schedules. Four WebEx developer reaccreditation webinars were held in 2018.

Table 9: Number of BWC-accredited developers by licensure type: 2012-2019

| Developer cert type counts by year | | | | | | | | |
|------------------------------------|------|------|------|------|------|------|------|------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Physical therapist | 13 | 21 | 15 | 17 | 14 | 14 | 13 | 18 |
| Occupational therapist | 13 | 16 | 10 | 12 | 13 | 13 | 10 | 13 |
| Case managers | 32 | 47 | 40 | 43 | 33 | 31 | 30 | 29 |
| Totals | 59 | 84 | 65 | 72 | 60 | 58 | 53 | 60 |

Transitional Work Bonus Program

Destination: Excellence is a bundle of programs that can help employers improve workplace safety, enhance injured worker care, and save money on workers’ compensation costs. BWC created Destination: Excellence to provide employers more choices in developing a comprehensive discount program. The program encourages employers to use BWC’s valuable, complementary safety services and implement strategies that prevent injuries and help injured employees recover faster.

Since its introduction in July 2012, thousands of employers signed up for at least one of the safety or care programs in Destination: Excellence, saving tens-of-millions-of-dollars through incentives. In the future, these employers may save substantially more when premiums decline due to fewer accidents and lower claims costs.

One of the programs of Destination: Excellence, the TWBP, provides up to a 10% bonus for using an established transitional work plan for employee return to work. It is a year-long program in which BWC evaluates all the claims containing injury dates that occur during the program period in which the employer participates. Employers must be willing to accommodate the injured worker’s restrictions with appropriate transitional work tasks when released to return to work by his or her physician before returning to full duty. BWC calculates an employer’s performance bonus based upon the percentage of claims eligible and successful in transitional work. BWC multiplies the percentage by a percentage of the employer’s pure premium. Table 10 is a summary of the financial successes employers participating in the TWBP realized since the program began in July 2012.

Table 10

| Destination: Excellence Transitional Work Bonus Program | | | | | | | |
|---|--------------------|--------------------------------|--------------------------------|---------------------------------|--------------------------------|----------------------------------|-------------------------|
| Bonus period | Eligible employers | Employers with eligible claims | Employers receiving a TW Bonus | Bonus amount paid in the period | Largest bonus paid to employer | Employers receiving over \$5,000 | Employers receiving 10% |
| July 2012 PA | 858 | 447 | 330 | \$3,086,602.13 | \$138,284.66 | 205 | 225 |
| January 2013 PEC and PA | 422 | 232 | 187 | \$1,943,678.91 | \$48,364.90 | 131 | 127 |
| July 2013 PA | 837 | 442 | 357 | \$3,749,979.77 | \$99,768.25 | 245 | 261 |
| January 2014 PEC & PA | 587 | 349 | 291 | \$3,979,045.57 | \$123,690.89 | 201 | 231 |
| July 2014 PA | 731 | 413 | 339 | \$3,135,625.37 | \$121,059.63 | 249 | 245 |
| January 2015 PEC (PA moved to July 2015) | 454 | 259 | 195 | \$801,550.65 | \$47,076.09 | 80 | 99 |
| July 2015 PA | 1,326 | 587 | 490 | \$4,043,306.00 | \$101,703.00 | 268 | 405 |
| January 2016 PEC | 172 | 113 | 98 | \$1,744,212.00 | \$521,554.00 | 76 | 84 |
| July 2016 PA | 987 | 585 | 434 | \$3,981,098.00 | \$89,897.00 | 251 | 329 |
| January 2017 PEC | 188 | 114 | 94 | \$1,283,890.00 | \$413,759.00 | 60 | 61 |
| July 2017 (PA) | 1,003 | 655 | 385 | \$3,493,565.00 | \$86,266 | 220 | 271 |
| January 2018 (PEC) | 215 | 144 | 124 | \$3,311,150.00 | 1,992,634.00 | 84 | 95 |
| | | | | | | | |
| Total | | | | \$34,553,703.40 | | | |

Employers participating in the program receive substantial rebates on their premium for every year they participate in the program. Many employers receive the full 10%.

Table 11 demonstrates a substantial return on their investment for one employer in the heavy construction industry that invested in a transitional work grant program and participated in TWBP from the inception of the program in 2012.

Table 11

Highway Construction Company

- Transitional Work Grant total: \$6,300
- BWC reimbursement to the employer at 75%: \$4,725
- Employer’s out of pocket investment: \$1,575

| Program Year | Program Year Medical- Only Claims | Medical- Only Claims Lost-Time Claims | Eligible | Successful | Bonus Percent | Bonus Amount |
|--------------|-----------------------------------|---------------------------------------|----------|------------|---------------|--------------|
| Jan 2012 | 3 | 0 | 3 | 3 | 10% | \$9,926.35 |
| Jan 2013 | 7 | 1 | 7 | 7 | 10% | \$19,025.44 |
| Jan 2014 | 2 | 1 | 3 | 3 | 10% | \$15,815.72 |
| July 2015 | 6 | 0 | 1 | 1 | 10% | \$10,287.24 |
| 2015 | 5 | 2 | 3 | 2 | 66.67% | \$8,080.00 |
| 2017 | 5 | 4 | 3 | 3 | 10% | \$11,816.00 |
| | | | | | Total | \$74,950.75 |

Table 12 illustrates the return on investment for another employer who invested in a BWC transitional work grant program and subsequently participated in the transitional work bonus program.

Table 12

| Employer | TW grant | BWC reimbursement 75% | Employer contribution 25% | TW bonus | TW bonus payment | Return on investment |
|----------------------|------------|-----------------------|---------------------------|----------|------------------|----------------------|
| Paving company | \$7,800.00 | \$5,850.00 | \$1,950.00 | 10% | \$ 60,922.01 | 3024% |
| Leasing company | \$1,620.00 | \$1,215.00 | \$405.00 | 10% | \$ 45,962.39 | 11248% |
| Construction company | \$6,300.00 | \$ 4,725.00 | \$1,575.00 | 10% | \$33,683.88 | 2038% |

ADR processing

Alternative Dispute Resolution (ADR) is a means of resolving disputes over medical issues that arise between the MCO, BWC, employer, injured worker, and/or provider. These issues arise from the MCO's decision regarding a medical treatment reimbursement request. BWC's ADR department oversees the medical treatment disputes process from appeal of the Request for Medical Service Reimbursement or Recommended for Additional Conditions for Industrial Injury or Occupational Disease (C-9), to the Ohio Industrial Commission's (IC) staff-hearing officer-level outcome, when the treatment may become payable.

The case also interfaces with the IC to capture the case jurisdiction, venue location, notice of hearing date, proceeding type, and date and time of hearings, including cancellations and continuances. The MCO creates the exam scheduling case in the claim when it determines an independent medical exam (IME) is needed to reach the most appropriate decision. When the MCO creates the exam case through PowerSuite, BWC systematically sends the Claimant Notice of Exam letter to the claimant and parties to the claim, which contains details of the exam location, date, and time. Upon professional review completion, the MCO systematically submits the recommended decision to the dispute in Documents in PowerSuite. Twenty-four hours later, BWC batches and mails the letter. This new system integrated more of the appeal process between BWC, the MCOs, and the IC, resulting in greater information sharing and improved efficiency.

On Nov. 15, 2016, BWC launched PowerSuite 7, BWC's new core integration combining BWC's claim and policy management into one system. This change brought about a new ADR application for the MCOs. In April 2019, BWC upgraded to the newest version of PowerSuite 8, which is now called CoreSuite. Some of the benefits include spell check, customized view of the home page, enhanced customer search functionality, and 25 tabs (compared to five previous tabs) able to be open at one time. This system has increased efficiency in tracking treatment-reimbursement decisions appealed throughout the claim life-cycle, from creation to completion. A prerequisite tutorial, MCO ADR manual, and a PowerSuite 8 desk reference, developed by the training department, was provided to the MCO. Mandatory MCO PowerSuite 8 Navigation Training took place by WebEx on March 26, 2019. This training was recorded and saved to the private BWC YouTube account, allowing the tutorial video to be viewed as-needed in the future.

Table 13 illustrates the number of ADR orders issued per year. A single BWC order may contain multiple appealed issues. BWC must obtain an independent level of medical review, which consists of either a file review or an independent medical examination (IME). The chart also demonstrates the number of appeals processed in relation to the number of IMEs scheduled in making a determination. BWC's Disability Evaluator's Panel maintains a list of 238 expert medical providers who perform ADR examinations on an injured worker when medical treatment is in dispute. These examining physicians are reimbursed at a higher rate due to ADR's specific guidelines to more efficiently and timely process a BWC ADR order. An examination appointment must be available within seven calendar days of the request, and the report must be faxed to the MCO within five calendar days of the examination.

Table 13: Number ADR orders: 2012-2019

| Alternative dispute resolution | | | |
|--------------------------------|------------|----------------|------------------------------|
| Calendar year | ADR orders | IMEs scheduled | IMEs as a percentage of ADRs |
| 2012 | 24,723 | 3,825 | 15.47% |
| 2013 | 31,305 | 3,551 | 11.34% |
| 2014 | 28,393 | 4,059 | 14.30% |
| 2015 | 24,212 | 3,631 | 15.00% |
| 2016 | 26,833 | 3,727 | 13.89% |
| 2017 | 23,123 | 3,629 | 15.69% |
| 2018 | 22,357 | 3,856 | 17.25% |
| 2019* | 15,925 | 3,011 | 18.91% |

* 2019 numbers are as of 9/21/2019.

Compliance Auditing

The Compliance & Performance Monitoring (CPM) Department conducts routine and non-routine auditing of the managed care organizations (MCO), pharmacy benefits manager (PBM), and pharmacy rebate aggregator. Audit selection is based upon assessed process risk and specific requests from management. Although the majority of the compliance testing is completed in-house through the review of available on-line documentation and system data, on-site testing is performed at each MCO and PBM annually (calendar year), where source documents and systems can be viewed and discussed with key staff. CPM is the only BWC department that routinely travels on-site to meet with frontline and management staff to review processes and documentation.

During 2018, CPM incorporated bi-weekly meetings with the BWC management team of the MCO Business Unit and quarterly meetings with the BWC claims senior management team to discuss areas of concern impacting timely and efficient processing and overall quality of the work performed. CPM was able to incorporate some of management's concerns into the annual audit plan for CY18, including testing for:

- Timely and accurate submission of documents required for determining additional allowances in a claim;
- Timely follow-up on obtaining diagnostic testing results; and
- Adherence to changes to prosthetic payment authorization procedures.

CPM will continue to adapt our audit testing to include more of management's concerns, so that information can be provided that may lead to a more efficient and effective HPP program for medically managing claims.

Other MCO audits performed during the year included, but were not limited to, ensuring:

- Monies provided by BWC for payment of medical bills and bill adjustments were timely and accurately paid, and the account reconciled;
- Negotiated billing codes were properly authorized and reimbursed;
- Bills for services that were not prior-authorized were denied appropriately; and
- Interest charges resulting from delayed bill processing by an MCO were recouped from the MCO.

The MCO contract requires that the MCOs implement a quality assurance process for specific components of the contract. Bi-annually, CPM identifies and notifies the MCOs of the contract criteria to be tested. At the end of the period, CPM reviews the MCO-submitted QA reports and periodically performs detailed testing to ensure validity.

CPM's staff size increased by two positions in 2018, which allowed us to dedicate resources to performing compliance audits of the PBM and pharmacy rebate aggregator. Primarily during 2018, CPM was able to ensure that the bank account activity for the former PBM was correct. The closing audit of the bank account identified overages due to BWC totaling \$152,511.39. With the change in PBM vendors in November, CPM participated in discussions and met with the new PBM's accounting team to ensure they properly account for payment activity and perform zero-balance account reconciliations. Additionally, an on-site meeting was held at the PBM's home office to walk through the performance guarantee requirements.

Other PBM audits performed during the year included ensuring bills that are considered non-payable were not paid, such as bills for: a) claims not allowed by BWC; b) deceased injured workers, whereby the fill dates were after the date of death; and c) claims of self-insured employers.

Also, as a result of the new PBM contract and a change to the administrative payment methodology, CPM now independently validates the monthly administrative payment to the PBM and other pharmacy vendors. This pre-payment control has been added to help ensure the accuracy of the payment and any related adjustments. CPM has validated the MCO administrative incentive and exceptional performance payments since the beginning of HPP.

During 2018, BWC created an inter-disciplinary team to address processing of rebate monies received from the rebate aggregator. CPM assisted this team in preparing the data files for systematic processing and creating the front-end procedures for routine rebate processing.

Early in 2019, CPM joined the team that developed policies for our newly created Substance Use Recovery and Workplace Safety Program (SURWSP). CPM assisted this team by developing detailed procedures and flowcharts that addressed the roles and responsibilities of the team members. Additionally, CPM developed audit procedures to test the appropriate use of the monies awarded to the ADAMH boards partnering with BWC for this program. CPM met with members from the ADAMH boards for the three pilot counties to discuss expectations and documentation requirements for the quarterly audits of the funds. In 2019, two external auditor positions were created and filled for this purpose.

Medical-bill processing

Adjustment and subrogation

During FY19, the Medical Billing & Adjustments (MB&A) unit processed just under 100,000 provider and medical services bills and 41,000 MCO adjustments with a daily lag averaging 3.9 days. Key supporting activities in the proper payment of submitted bills are timely adjustments to payment errors. Adjustments can reflect either additional payments to providers or recovery of overpayments. Also during FY19, Medical Billing and Adjustments recovered \$36,500 in funds owed back to BWC, which is over 50% more than recovered during the previous reporting period.

As Medical Services remains responsible for the subrogation of Medicare Secondary Payor Act, MB&A has been working closely with Medicare's CRC vendor, Performant, to reduce BWC's exposure amounts. During this timeframe, Medicare and Treasury received just over \$173,000 in reimbursement on claims where BWC is determined to be the primary payer. This team has made great strides in staying on top of the Medicare Secondary Payor subrogation by remaining current on rule and processing changes, especially as work has begun on creating new workflows and new appeal letters for the process.

During this fiscal year, the Billing and Reimbursement Subcommittee, a group made up of subject matter experts in Medical Services, along with the representatives from each of the MCOs, reconvened after a several-year hiatus. MCOs identified how to accept certain bill types that BWC did not previously accept. This project afforded Medical Billing and Adjustments the opportunity to begin working on an initiative to automate manual adjustments. By accepting these new bill types, this will allow the MCOs and BWC to accept electronic bill adjustment transactions instead of hard copies. This will align BWC with the industry standard for electronic bill process; it will also reduce manual processing, timeframes, and costs. Due to the nature of accepting electronic bills, there was also a need for MCOs to utilize the 837 EDI transaction to send notes on individual invoices. MB&A has developed a test plan and completed this testing with four MCOs that now successfully submit invoice notes in their bill transactions. Medical Billing and Adjustments will continue testing until all twelve MCOs can successfully submit invoice notes, which is a key element to the bill expansion/automated adjustments project.

Selected HPP measurements

Note: 000's omitted for all dollar amounts shown.

The figures below are limited to the HPP.

Table 15 reflects a historical trend of selected HPP performance data by Ohio fiscal year. Data for certain measurement variables can differ based on the impact of new information received before or subsequent to the compiling of the data for this report.

Table 15: Selected HPP measurements

| Measurement | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY2018 | FY2019 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Active employers (1) | 227,370 | 225,466 | 225,513 | 219,840 | 219,092 | 221,392 |
| Active claims (2) | 306,268 | 294,326 | 288,379 | 262,781 | 250,211 | 243,276 |
| FROI timing (3) | 14.28 | 15.18 | 15.63 | 16.07 | 16.55 | 15.77 |
| % of FROIs filed within seven days of date of injury (4) | 75.94% | 75.17% | 74.38% | 74.43% | 72.29% | 72.41% |
| % of claims determined within 14 days of filing date (5) | 57.44% | 55.02% | 63.71% | 71.12% | 70.80% | 68.41% |
| Bill timing (6) | 76.01 | 77.19 | 75.52 | 75.27 | 74.17 | 74.46 |
| LDOS-MCO | 61.98 | 62.86 | 61.59 | 61.43 | 60.28 | 60.32 |
| MCO-BWC | 5.46 | 5.82 | 5.47 | 5.32 | 5.36 | 5.60 |
| BWC-MCO | 7.18 | 7.21 | 7.15 | 7.21 | 7.20 | 7.21 |
| MCO-Provider | 1.39 | 1.31 | 1.31 | 1.31 | 1.33 | 1.33 |
| Total regular medical payments (7) | 640,525 | 593,827 | 559,396 | 529,619 | 504,170 | \$468,074 |
| Payments for file reviews and IMEs (8) | 17,754 | 17,569 | 17,410 | 16,165 | 17,567 | \$18,172 |
| MCO fees (9) | 169,581 | 170,688 | 169,229 | 170,797 | 170,755 | \$170,885 |
| Total medical payments, plus MCO fees | 827,859 | 782,084 | 746,035 | 716,582 | 692,493 | \$657,128 |
| Total indemnity payments (10) | 1,048,049 | 1,019,954 | 1,009,016 | 925,928 | 925,358 | \$905,443 |
| Grand total (11) Benefits paid (Total regular medical payments, plus MCO fees, plus total indemnity payments) | 1,858,155 | 1,784,469 | 1,737,641 | 1,626,344 | 1,600,283 | 1,544,400 |

(1) Average number of employers in an active, reinstated, or debtor-in-possession status assigned to an MCO during the time frames noted.

(2) Average number of active claims (claims with a payment or application submitted to us within a specified length of time) assigned to an MCO during the periods noted.

(3) Average time, in calendar days, from date of injury to the date BWC received a FROI for all FROIs received during the time frames noted for claims assigned to an MCO.

(4) Percent of claims assigned to an MCO where BWC receipt of the FROI is within seven calendar days from the date of injury where BWC received the FROI during the periods noted.

(5) Percent of claims assigned to an MCO determined within 14 calendar days of the filing date where the determination was during the time frames indicated, regardless of date of injury or filing date. BWC considers a claim determined when we place it in allow/appeal or disallow/appeal status.

During FY16, BWC expanded the list of diagnosis codes that are eligible for automatic claim adjudication. This contributed to the increased percent of claims determined within 14 days.

(6) Average time, in calendar days, between the last date of service billed (LDOS) to a check issued to the provider for bills processed by the MCOs. This does not include bills for prescription drugs processed through BWC's PBM. It is further broken down into the component steps of the process:

- LDOS–MCO: LDOS to MCO receipt.
- MCO-BWC: MCO receipt (for review and payment determination) to BWC receipt.
- BWC-MCO: BWC receipt (for review and final payment determination) to date monies are deposited into the MCO's provider account.
- MCO-Provider: MCO receipt of the final payment information and monies to the MCO issuing the check to the provider.

BWC bases the MCO-provider information on a desk audit of the MCOs' check issuance timing, updated in CY2014.

(7) Payments for medical services made on claims assigned to an MCO during the time frames noted. Amounts include payments on claims associated with bankrupt, self-insured claims assigned to the MCOs. It also includes payments for prescription drugs processed through BWC's PBM. 'Regular' denotes this category includes payments for physicians, hospitals, therapies, diagnostic testing, etc. It excludes payments made for file reviews and IMEs requested to facilitate administrative decisions in the claim.

(8) Payments made during the time frames noted for file reviews and IMEs requested to facilitate administrative decisions in the claim.

(9) Payments issued to the MCOs during the time frames noted per the MCO Agreement for their services. BWC bases MCO contracts on calendar years. Fluctuations in the amounts paid to the MCOs between fiscal years are attributable to several factors, including:

- Changes in the overall amount available to the MCOs from year to year.
- Timing of different types of payments (administrative payments are monthly, outcome payments are quarterly, and in the past, we made exceptional performance payments annually).

(10) Payments for salary compensation made on claims assigned to an MCO during the time frames noted. This includes payments for temporary total, living maintenance, wage loss, lump sum settlements, etc. Amounts include payments on claims associated with bankrupt, self-insured claims assigned to the MCOs.

(11) Excludes payments for file reviews and IMEs as these are not benefits paid to or on behalf of an injured worker but are conducted to facilitate administrative decisions in the claim.



2019 Report
Division of Safety & Hygiene

Division of Safety & Hygiene

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Division of Safety & Hygiene Financials

BWC's Division of Safety & Hygiene (DSH) budget appropriation for Fiscal Year 2019 (FY19) was \$22,344,775. In addition to the DSH operating budget, BWC was appropriated:

- \$6 million for the Better You, Better Ohio!® (BYBO!) health and wellness program.
- \$1,624,355 for a safety awareness and education campaign.
- \$20 million for safety grants.
- \$2 million for the Ohio Occupational Safety and Health Research Program.
- \$2.5 million for the Substance Use Recovery and Workplace Safety Program (SURWSP).

Additional funding came from:

- Two federal Bureau of Labor Statistics (BLS) grants amounting to \$195,104 for the Survey of Occupational Injuries and Illnesses (SOII) and the Census of Fatal Occupational Injuries (CFOI).
- A federal National Institute for Occupational Safety and Health (NIOSH) grant amounting to \$200,000 for research studying injury trends using workers' compensation data.
- A federal Occupational Safety and Health Administration (OSHA) grant amounting to \$1,676,000 for the OSHA On-Site Consultation Program.

The total premium assessment for DSH for FY19 was approximately \$12.2 million. Table A describes FY19 premium assessments according to employer type.

Table A: FY19 DSH premium assessments

| Employer type | Assessments (\$) |
|-------------------------|------------------|
| Private | \$9,537,077 |
| Public taxing districts | \$1,726,538 |
| Public state | \$479,996 |
| Self-insured | \$487,832 |
| Total assessments | \$12,231,443 |

As of June 30, 2019, DSH's operational disbursements and open encumbrances for safety services and programs amounted to about \$22.4 million. Safety grants disbursements and open encumbrances amounted to approximately \$20 million. Disbursements and open encumbrances for the BYBO! Program, safety campaign, SURWSP, and research grants to Ohio higher educational institutions amounted to about \$7.6 million. Disbursements and open encumbrances for the BLS, OSHA On-Site and NIOSH federal grants amounted to about \$2 million. DSH safety services, programs, grants, and initiatives include:

- Education and training services in 13 statewide locations.
- Eighty-three safety councils across Ohio.
- Ohio Safety Congress & Expo (OSC).
- Safety grants.
- OSHA On-Site Consultation Program.
- Public Employment Risk Reduction Program (PERRP).
- Field consulting services in occupational safety, industrial hygiene, and ergonomics.
- Specialized occupational safety and health, workers' compensation, and rehabilitation library services.
- BYBO! health and wellness program.
- Safety Leaders Fellowship Program.
- Ohio Occupational Safety and Health Research Program.
- BLS SOII.
- BLS CFOI.
- SURWSP.

Table B: Division of Safety & Hygiene disbursements and open encumbrances.
(Disbursements in \$). Amounts are rounded to the nearest dollar.

| Department | Safety admin | Field consultations | Outreach programs and services | Education and training services | Meetings & conventions (councils & congress) | Library | Quality Assurance & Tech Support | OSHA state-fund match (14%) | PERRP | Training over-head (extras) | BLS state-fund matches (50%) | Operating Totals | BYBOI | Safety campaign | SURWSP | Safety grants | Re-search grants | NIOSH federal grant | BLS federal grants (50%) | OSHA federal grant (66%) | Totals including grants/ initiatives |
|-----------------------------|--------------|---------------------|--------------------------------|---------------------------------|--|-----------|----------------------------------|-----------------------------|-------------|-----------------------------|------------------------------|------------------|-------------|-----------------|-----------|---------------|------------------|---------------------|--------------------------|--------------------------|--------------------------------------|
| 10-Payroll | \$916,526 | \$11,774,080 | \$504,048 | \$666,247 | \$486,343 | \$286,816 | \$1,209,786 | \$264,106 | \$951,062 | \$0 | \$135,304 | \$17,194,317 | \$0 | \$0 | \$0 | \$0 | \$0 | \$165,457 | \$135,307 | \$1,579,688 | \$19,074,769 |
| 10-Overtime | \$1,543 | \$1,211 | \$1,104 | \$2,519 | \$747 | \$0 | \$0 | \$26 | \$393 | \$0 | \$729 | \$8,273 | \$0 | \$0 | \$0 | \$0 | \$0 | \$204 | \$729 | \$159 | \$9,366 |
| 13-Purchased services | \$64,007 | \$3,250 | \$202,321 | \$500,709 | \$122,869 | \$2,805 | \$8,279 | \$626 | \$633 | \$0 | \$10,285 | \$915,784 | \$5,235,810 | \$1,353,225 | \$0 | \$0 | \$0 | \$0 | \$10,505 | \$5,817 | \$7,521,141 |
| 15-Other personal svcs | \$64,308 | \$2,974 | \$0 | \$3,412 | \$1,438 | \$4,112 | \$2,894 | \$81 | \$200 | \$23,475 | \$0 | \$102,895 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$499 | \$103,393 |
| Total | \$1,046,385 | \$11,781,514 | \$707,473 | \$1,172,887 | \$611,397 | \$293,733 | \$1,220,959 | \$264,838 | \$952,288 | \$23,475 | \$146,319 | \$18,221,268 | \$5,235,810 | \$1,353,255 | \$0 | \$0 | \$0 | \$165,661 | \$146,541 | \$1,586,163 | \$26,708,669 |
| 20-Edible products | \$0 | \$240 | \$0 | \$0 | \$10,779 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$11,018 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$11,018 |
| 21-Supplies | \$24,848 | \$29,790 | \$2,208 | \$28,086 | \$7,322 | \$88,247 | \$182,353 | \$1,500 | \$8,077 | \$0 | \$1,462 | \$373,892 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,242 | \$7,236 | \$382,369 |
| 22-Vehicle maintenance | \$1,588 | \$67,698 | \$0 | \$1,070 | \$1,437 | \$0 | \$4,529 | \$1,535 | \$7,322 | \$0 | \$0 | \$85,179 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$9,429 | \$94,608 |
| 23-Travel | \$20,035 | \$44,508 | \$479 | \$11,941 | \$50,511 | \$2,021 | \$18,659 | \$1,474 | \$9,355 | \$0 | \$1,767 | \$160,753 | \$0 | \$0 | \$0 | \$0 | \$0 | \$3,584 | \$1,767 | \$29,336 | \$195,441 |
| 24- Communi-cations | \$12,741 | \$56 | \$0 | \$275 | \$25,316 | \$167 | \$6,242 | \$478 | \$86 | \$0 | \$0 | \$45,360 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2,935 | \$48,296 |
| 24-IT Lic Commun | \$177,901 | \$65,584 | \$2,384 | \$25,598 | \$2,795 | \$974 | \$3,612 | \$2,950 | \$10,285 | \$0 | \$409 | \$292,492 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$337 | \$13,444 | \$306,273 |
| 25-Fuel/Utilities | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 26-Maint/ Repairs | \$56,720 | \$51,065 | \$868 | \$43,552 | \$2,625 | \$189 | \$1,306 | \$1,434 | \$17,198 | \$0 | \$0 | \$174,956 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$9,328 | \$184,284 |
| 27-Rentals | \$618,385 | \$478 | \$0 | \$29,996 | \$372,329 | \$0 | \$54 | \$68 | \$204 | \$0 | \$0 | \$1,021,513 | \$1,295 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$420 | \$1,023,228 |
| 27-IS/TV/ Goods/ Svcs | \$193,335 | \$5,633 | \$12,138 | \$58,628 | \$12,213 | \$2,019 | \$1,946 | \$178 | \$5,289 | \$0 | \$68 | \$291,346 | \$14,413 | \$0 | \$0 | \$0 | \$0 | \$331 | \$665 | \$9,201 | \$315,956 |
| 28-Printing/ Advertising | \$6,249 | \$0 | \$330 | \$0 | \$37,246 | \$27,620 | \$0 | \$0 | \$26 | \$0 | \$0 | \$71,471 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$71,471 |
| 29-General other/ Subsidies | \$0 | \$10,290 | \$34,478 | \$0 | \$1,069,575 | \$0 | \$0 | \$486 | \$1,014 | \$3,663 | \$0 | \$1,119,506 | \$0 | \$0 | \$215,582 | \$19,998,661 | \$774,457 | \$0 | \$0 | \$3,036 | \$22,111,242 |
| Total | \$1,111,802 | \$275,241 | \$52,884 | \$199,145 | \$1,592,146 | \$121,236 | \$218,701 | \$10,103 | \$58,856 | \$3,663 | \$3,707 | \$3,647,484 | \$15,708 | \$0 | \$215,582 | \$19,998,661 | \$774,457 | \$3,915 | \$4,011 | \$94,366 | \$24,744,185 |
| 30-Food handling | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 31-Office equipment | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 32-Motor vehicles | \$446,992 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$7,731 | \$0 | \$0 | \$0 | \$454,723 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$47,487 | \$502,210 |
| 34-Commun equip | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 35-Med/Lab/ Therapeut | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 36-Educt/Recr'tl | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 37-Data proc equip | \$29,502 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$29,502 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$29,502 |
| 38-Copy/Print equip | \$0 | \$0 | \$0 | \$0 | \$0 | \$14,300 | \$0 | \$0 | \$0 | \$0 | \$0 | \$14,300 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$14,300 |
| 39-Other equip | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total | \$476,494 | \$0 | \$0 | \$0 | \$0 | \$14,300 | \$0 | \$7,731 | \$0 | \$0 | \$0 | \$498,525 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$47,487 | \$546,012 |
| Grand total | \$2,634,681 | \$12,056,755 | \$760,357 | \$1,372,032 | \$2,203,543 | \$429,269 | \$1,439,660 | \$282,672 | \$1,011,144 | \$27,139 | \$150,025 | \$22,367,278 | \$5,251,518 | \$1,353,225 | \$215,582 | \$19,998,661 | \$774,457 | \$169,576 | \$150,552 | \$1,718,017 | \$51,998,866 |

BWC's Occupational Safety and Health Services

DSH provides a variety of occupational safety and health services to Ohio employers and employees. Primarily, DSH's services include safety education and training, safety councils, OSC, safety grant programs, BYBO!, loss prevention consulting services, PERRP, the OSHA On-Site Consultation Program, and library services. Table C provides general statistics about the number of employers who benefited from these services in FY19.

Table C: FY19 occupational safety and health services statistics by policy type

| Service type | Private employers | Public employers | State agencies | Self-insured | Marine fund | Black lung | Undetermined | Total |
|--|-------------------|------------------|----------------|--------------|-------------|------------|--------------|-------|
| Training and education | 6,717 | 387 | 27 | 214 | 0 | 0 | 11 | 7,356 |
| OSC | 2,365 | 279 | 36 | 350 | 2 | 0 | 4 | 3,036 |
| Safety council | 6,658 | 957 | 6 | 392 | 0 | 1 | 39 | 8,053 |
| Safety grants* | 376 | 552 | 0 | 0 | 0 | 0 | 0 | 928 |
| Video library | 822 | 101 | 10 | 75 | 0 | 0 | 1 | 1,009 |
| Specialized field operations consulting - visit only | 3,281 | 623 | 30 | 217 | 3 | 0 | 0 | 4,154 |
| OSHA On-Site | 469 | 0 | 0 | 0 | 0 | 0 | 0 | 469 |
| PERRP field consulting – visit only | 6 | 222 | 12 | 13 | 0 | 0 | 0 | 253 |
| BYBO! | 1,592 | 289 | 0 | 0 | 0 | 0 | 0 | 1,881 |

* = 994 grants awarded to 928 employers. These totals do not include grants for the Ohio Law Enforcement Body Armor (OLEBA) Grant Program.

Education and training services

BWC's safety education and training services include classroom courses, web-based safety courses, and on-site training. BWC offers classes covering:

- Industrial and construction safety.
- Industrial hygiene.
- Ergonomics.
- Worker wellness.
- Safety training practices.
- Environmental, health, and safety risk management.

Course completions for classroom, web-based, and on-site training totaled 21,256 completions by 13,160 students, representing 7,356 employers. BWC offered 87 courses through 354 classes at 13 locations. These classes resulted in 7,974 completions by students representing 2,988 employers. Field staff conducted 42 additional on-site classes, resulting in 785 completions by students representing 132 employers. BWC's learning management system offered 17 online courses, resulting in 12,497 completions by students representing 4,829 employers.

Safety Council Program

Through monthly meetings, the Ohio Safety Council Program provides a forum for more than 8,000 Ohio employers for promoting:

- Occupational safety and health.
- Loss prevention.
- Workers' compensation cost control and management.
- Health and wellness.
- Networking.

BWC co-sponsors 83 safety councils throughout the state, organized through chambers of commerce, trade and manufacturing associations, safety education providers, and other local community organizations.

BWC provided \$1,058,300 in subsidies toward the direct costs of these councils. In addition, BWC paid \$9 million in premium rebates to employers who met the safety councils' enrollment, active participation, and performance requirements. Beyond subsidies and rebates, BWC presented awards to about 4,250 employers through a program to recognize companies for their efforts in injury and accident prevention. Safety councils held 1,170 meetings during FY19.

Ohio Safety Congress & Expo

The annual OSC continues to be the largest occupational safety and health state conference in the United States. This year's safety congress hosted a record number of participants, 8,087 individuals, representing 3,036 Ohio businesses. This does not include attendees at the Ohio Workers' Compensation Medical & Health Symposium, which was held as a separate event this year. The free, three-day event offered general sessions, workshops, lectures, panel discussions, simulations, and demonstrations. Additionally, the event featured an exposition marketplace and a Safety Innovation Awards Program with cash awards for top contenders.

A record-setting 316 product and service providers participated in the exposition, which sold out for the fifth year running. They provided \$419,185 in event revenue to BWC. These providers displayed the latest advances in safety and health training, equipment, technology, and services. Local and national experts presented 212 educational sessions and workshops.

Of those who attended safety congress, 94% indicated they were completely satisfied or satisfied with the event. In addition, nearly 93% of exhibitors indicated they intend to participate next year. Furthermore, OSC offered 10 types of continuing education credit for professional certifications, as well as discount credit for BWC's programs.

Safety grant programs

The focus of BWC's safety grant programs is to enable employers to afford equipment and other interventions that reduce the risk of injury or illness to their employees. Another major goal is to gather information about best practices and the measurable effectiveness of workplace safety interventions, so we may share the results with Ohio employers.

The grant programs include the Safety Intervention Grant (SIG) Program, Firefighter Exposure to Environmental Elements Grant (FEEEG) Program, Employers Working with Persons with Developmental Disabilities (EWPDD) Grant Program, School Safety and Security Grant (SSSG) Program, Drug-Free Safety Program (DFSP) Grants, and Workplace Wellness Grant Program (WWGP). In FY19, BWC awarded 994 grants totaling \$17,420,391 to 928 employers.

Additionally, BWC collaborated with the office of the Ohio Attorney General to award \$2,578,269 in Ohio Law Enforcement Body Armor (OLEBA) Grant Program grants to 304 applicants.

Safety Intervention Grant Program

The SIG Program, now in its 20th year, provides financial assistance to employers to purchase equipment to make their workplaces safer. The program provides 3-to-1 matching funds, up to a maximum of \$40,000 per an employer's eligibility cycle. The total payroll report for the last full policy year determines the eligibility cycle for an employer. Employers can only use funds toward the purchase or improvement of equipment to significantly reduce or eliminate hazard exposure and thereby, the risk of injury. The program requires employers to evaluate their interventions and share their results with BWC.

In FY19, BWC awarded 374 SIG grants totaling \$9,001,733 to 366 employers. In comparison, BWC awarded 263 SIG grants totaling \$6,364,859 to 259 employers in FY18. Most employers who participated in the program were in the schools (16.4%), townships (15.2%), cities (11.2%), service (11%), and manufacturing (9.7%) industry sectors.

To establish industry best practices in occupational safety and health, employers receiving grant funds through the SIG program must provide one year-end case study and provide quarterly reports to document their experience with the equipment purchased through the grant. BWC uses the collected data to establish baseline best practices in safety, advance knowledge in occupational safety and health, and benefit other employers with similar hazards at their workplaces.

Last fiscal year, 276 safety grant recipients completed their one-year cost benefit analysis report. These companies reported \$4,337,153 in annual productivity savings, \$865,410 in annual claim cost savings and \$1,323,723 in other savings (quality, absenteeism, etc.). The return on investment on the cost of the interventions based on this reported information is 1.43 years.

Firefighter Exposure to Environmental Elements Grant Program

BWC implemented the FEEEG Program on July 1, 2017. BWC uses the FEEEG Program to partner with Ohio fire departments to minimize firefighters' exposures to hazardous environmental contaminants that may include carcinogens. The program is available to eligible Ohio fire departments that wish to purchase diesel exhaust systems, extractors/washing machines for turn-out gear, hoods with barrier protection, and washable gloves for optimal protection against these environmental elements.

Qualified employers with payroll equal to or greater than \$500,000 are eligible for a 5-to-1 matching grant, up to a maximum grant award of \$15,000 for the duration of the FEEEG program. This means BWC gives \$5 for every \$1 the employer contributes. Qualified employers with payroll less than \$500,000 are eligible for a \$15,000 grant for the duration of the FEEEG program. There is no match to the grant for payroll less than \$500,000.

In FY19, BWC awarded 347 FEEEG grants totaling \$3,581,146 to 344 employers. In comparison, BWC awarded 237 FEEEG grants totaling \$2,412,049 to 235 employers in FY18.

Employers Working with Persons with Developmental Disabilities Grant Program

BWC introduced the EWPDD Grant Program on July 1, 2017. BWC uses the EWPDD Grant Program to assist Ohio employers with ensuring the safety of their staff when carrying out the services they provide to developmentally disabled children and adults. The program is available to eligible Ohio employers that wish to purchase training and/or equipment to substantially reduce or eliminate injuries to employees who work with developmentally disabled children and adults.

Qualified employers may receive up to \$20,000 with a 5-to-1 match for equipment or no match for training for the duration of the EWPDD Grant Program.

In FY19, BWC awarded 62 EWPDD grants totaling \$737,548 to 60 employers. In comparison, BWC awarded 16 EWPDD grants totaling \$211,848 to 15 employers in FY18.

School Safety and Security Grant

In November 2018, BWC implemented the SSSG program. The program aids Ohio employers with ensuring the safety of their staff who instruct children throughout the state. The program is available to eligible Ohio employers that wish to purchase equipment to substantially improve the safety and security of facilities, and to reduce or eliminate injuries or illnesses associated with providing educational services to children.

Ohio employers that operate licensed preschool through 12th grade educational facilities are eligible for the program. Eligible employers may receive up to \$40,000 for the duration of the program.

In FY19, BWC awarded 130 SSSG grants totaling \$3,909,258 to 129 employers.

Drug-Free Safety Program Grant

DFSP is BWC's voluntary safety program developed to address workplace use and misuse of alcohol and other drugs. It's designed to help state-fund employers more effectively prevent on-the-job injuries and illnesses by integrating drug-free efforts into their overall workplace safety program. DFSP can help employers achieve both long-range safety and cost-saving benefits.

In FY19, BWC awarded 20 DFSP grants amounting to \$20,730 to 20 employers. In comparison, in FY18, BWC awarded 14 grants amounting to \$13,648 to 14 employers.

Workplace Wellness Grant Program

Designed to assist Ohio employers with the development and implementation of workplace wellness programs, the WWGP is now in its seventh year. The program's goal is to control the escalating cost of workers' compensation claims through addressing health-risk factors. The WWGP's collateral goals are to reduce health-care costs for employers and improve the health of the workforce.

Participating employers may receive \$300 per participating employee during a four-year period, up to a maximum amount of \$15,000 per policy. Employers participating in the WWGP must use wellness grant funds to conduct health-risk assessments (HRAs), biometric screenings, and subsequent activities designed to address the results of the HRAs and biometric screenings. Participating employers receive grant funds after completing the HRAs and biometric screenings, and providing BWC the aggregate results of the HRAs and biometric screenings of the participating employees.

During FY19, BWC approved 27 employers to participate in the WWGP, bringing the participating employers' total to 397. BWC gave \$169,975 to 61 employers in the program during FY19.

Ohio Law Enforcement Body Armor Grant Program

The OLEBA Grant Program, which began in September 2018, is funded by the BWC and administered by the office of the Ohio Attorney General. The program provides money to eligible law enforcement organizations (LEOs) for the purchase of body armor vests to enhance the safety of and prevent injuries among law enforcement officers. Participation in the program is limited to LEOs with, or belonging to, an active Ohio State Insurance Fund policy with BWC.

An eligible local law enforcement agency may request up to \$40,000 of grant money during fiscal years 2019 and 2020 combined for the purchase of body armor vests, with a local match of 25%.

In FY19, in collaboration with the office of the Ohio Attorney General, BWC awarded \$2,578,269 in OLEBA grants to 304 applicants.

Loss Prevention Operations

Loss prevention operations comprises the three safety and health consulting units and the quality assurance and technical support unit. Two of the consulting units serve specific employer populations while the third serves all employers. The three collaborate to provide industrial and construction safety, industrial hygiene, and ergonomics services that help employers develop and become self-sufficient in managing their own safety and health processes. These services include hazard identification, risk assessment and mitigation, safety programming and management system development, training, and the introduction of safety and health interventions in the workplace.

OSHA On-Site Consultation Program

OSHA funded 86% (\$1,718,017) of the OSHA On-Site Consultation Program costs in state FY19 with applicable portions of its federal FY18 and 19 grants. BWC funded the remaining 14% (\$282,672).

The program provides highly specialized services to relatively small employers (worksites with fewer than 250 employees) in high hazard/risk private industries. The program also administers the Safety and Health Achievement Recognition Program (SHARP). This OSHA cooperative program provides recognition and exemptions for small employers with exemplary safety and health management systems. Of the 29 total SHARP locations throughout Ohio, nine renewed their participation in the program in FY19.

Program field consultants conducted 841 visits to Ohio workplaces covering 469 employers with 41,262 total employees. There were 3,159 hazards documented, including 2,591 serious hazards. Employers corrected these serious hazards and eliminated the risks of injury among employees.

Public Employment Risk Reduction Program

PERRP governing statutes in Ohio Revised Code (ORC) chapter 4167 ensure public employees in Ohio have safe and healthful working conditions. PERRP adopts and enforces occupational safety and health standards and conducts enforcement inspections and investigations to ensure compliance. PERRP also provides free voluntary compliance assistance services that explain regulatory requirements and raise awareness of occupational injury and illness risk factors and strategies to reduce risk.

During FY19, PERRP provided 739 on-site services that included safety and health consultations, trainings, and presentations to 253 employers and 292 virtual consultations to 133 employers. PERRP provided 460 compliance assistance activities that resulted in the correction of more than 400 workplace hazards.

PERRP conducted 279 enforcement visits of 63 public employers with 49 being issued citations for violations of safety and health requirements. PERRP citations do not normally result in monetary fines or penalties but seek to ensure timely correction of hazards or other action to bring the workplace into compliance. These investigations were prompted by three fatalities, three refusals to work, 15 employee complaints, six amputations, and 10 hospitalizations, and resulted in the identification and correction of more than 100 workplace hazards.

PERRP performed unannounced inspections of 26 randomly-selected high-hazard workplaces with a focus on work activities that involved trenching and excavation, tree trimming and felling, confined space entry, and roadway traffic control. These inspections resulted in the identification and correction of more than 100 workplace hazards.

PERRP supported other DSH programs by assisting 34 public employers enrolled in the Industry-Specific Safety Program (ISSP) and provided these employers with risk reduction services that qualified for 45 ISSP activity credits.

Effective January 1, 2019, public employers are required to report hospitalizations, amputations, or loss of an eye to PERRP within 24 hours per OAC 4167-6-10.

Specialized field operations consulting services

Specialized consulting services provided through field loss prevention offices help employers:

- Implement safety programs.
- Identify workplace ergonomics, environmental, and physical hazards.
- Develop and execute hazard abatement plans.
- Establish workplace safety and ergonomics committees.
- Use the BWC safety grant programs.

These field activities include thousands of noise surveys for hearing protection, air quality sampling, ergonomic surveys, safety audits, and training in workplaces throughout Ohio. In FY19, BWC's field operations consultants made 9,864 visits to Ohio workplaces belonging to 4,154 employers. They provided consulting services in industrial hygiene, industrial and construction safety, and ergonomics. The consultants provided on-site company-specific safety training, totaling 42 classes at 132 different companies.

Quality assurance and technical support unit

BWC's quality assurance and technical support unit provides specialized technical support to BWC loss prevention operations staff in these areas:

- Industrial and construction safety.
- Ergonomics.
- Industrial hygiene.

The technical advisors serve as subject matter experts in establishing, developing, and maintaining policy relative to the BWC safety programs and services. These include rebate and grant programs such as the ISSP, DFSP, SIG Program, and WWGP. They also serve as members of or liaisons to external organizations such as ASTM Committee F48 on Exoskeletons and Exosuits, AWS Committee SH1 - Fumes & Gases and the CPWR/NIOSH Research-to-Practice partnership. The technical advisors also teach several occupational safety, ergonomics, and industrial hygiene courses.

The unit assists loss prevention operations management staff with reviewing job applications, interviewing candidates, and mentoring new safety, ergonomics, and industrial hygiene field consultants as well as assuring the quality of loss prevention service delivery and work products. They also arrange professional development events and discipline-specific staff meetings. In addition, they lead special projects and safety initiatives, serve as safety congress liaisons, coordinate DSH participation at the Farm Science Review, and review Safety Innovation Awards applications to determine semi-finalists. Technical Advisors coordinated BWC's outreach and involvement during the National Safety Stand-Down to Prevent Falls in Construction, the Stand-Up for Grain Safety Week, and Safe + Sound Week.

This unit also maintains and updates the specific safety rules in the Ohio Administrative Code (OAC). Pursuant to ORC 119.032, in FY19 the Technical Advisors reviewed eight chapters of OAC 4123, encompassing 69 rules, to determine if they should be amended, rescinded, or continued without change. Based on this review, we identified 116 rule changes; most of these changes (103) were in 4123:1-3, Construction. (The BWC Board of Directors approved these rule changes in July 2019.)

Finally, the technical advisors provide technical support for the development and revision of:

- BWC website safety content.
- Safety publications and communication projects (e.g., blog posts).
- Training courses.
- Internal and external presentation material.

Industrial hygiene instrument laboratory

BWC's industrial hygiene instrument laboratory provides a variety of support services to BWC consultants. The laboratory handles the inventory repairs, maintenance, and calibration of more than 900 measurement devices and tools used by DSH staff. Last year, the laboratory performed certified calibration of 509 devices, with estimated savings of approximately \$147,910.

Industrial hygiene analytical laboratory

BWC industrial hygienists, working with an accredited external laboratory, coordinated 7,921 specialized analyses of air quality samples to measure workers' exposures to a variety of chemicals at more than 1,700 Ohio workplaces.

Library services

The BWC library offers access to information, training materials and videos, and experienced librarians to help employers with their workplace safety and health activities, workers' compensation and risk management, and rehabilitation. In addition, BWC librarians provide training on researching web-based and media resources for safety and health, rehabilitation, and public safety information. Additionally, the librarians provide support to BWC departments and researchers. They do this by conducting specialized and detailed literature searches in a variety of literature databases and resources along with preparation of literature summaries. BWC's library is the only library of its kind in Ohio and among a few in the nation with such specialized services.

Library resources include:

- Safety codes and standards.
- Sample charts, forms, templates, and written safety programs.
- Chemical safety information.
- Occupational disease and injury management.
- Research studies and statistics.
- Training resources.
- Historical BWC materials.

Customers of the library services include private businesses, local and state government entities, attorneys, health-care professionals, researchers, representatives of business and labor trade organizations, and students, as well as the public and BWC employees. The library's book collection is part of the statewide OHIOLINK library network. This year the library circulated 246 books and 655 periodicals, acquired and furnished 1,436 scientific articles to customers, and provided 541 detailed, specialized reference and literature search services.

The video library houses a video collection which includes 651 workplace safety and health DVDs and training aids, including many titles in languages besides English. The library is a convenient and popular source for Ohio employers to obtain quality workplace safety and health training aids for their employees. The video library has partnered with a streaming video vendor, offering 236 titles in electronic format for Ohio employers. This year, the video library circulated 3,755 DVDs to 618 employers. In addition, 437 employers and their employees accessed 16,550 online safety and health streaming videos.

Better You, Better Ohio!®

BWC's BYBO! program offers health and wellness services to Ohio workers and injured workers who do not have access to these services through their employers. The program began in FY18, serving specified segments of injured workers and employees of small employers in high-risk industries.

The objective of the BYBO! program is to provide health and wellness resources and services to the workforce in Ohio to improve their health and safety. The program aims to prevent injuries, reduce absenteeism, reduce severity of injury, increase speed of recovery from injury, and reduce time away from work due to injury. This in turn will reduce the costs associated with workers' compensation and medical insurance. The program services include:

- Online health assessments.
- Biometric screening.
- Interactive, digital health, and wellness coaching modules.
- Online health, wellness, and nutrition training resources.
- A health and wellness mobile application.
- Specialized lifestyle and disease management coaching.
- Nurse line services.

BWC implemented BYBO! in February 2018, and from that time through the end of FY18, 833 employers had employees who enrolled in BYBO!. In FY19, 12,598 total workers from 1,048 employers enrolled in the program, with 541 of those being injured workers. Of these workers, there were 5,597 active members in the program at the end of FY19. These active members engaged in online coaching, biometric screening, and/or a health assessment.

For employers with participating workers, nothing is required from employers, though many share information about the program with their employees; BWC handles the administrative work required to run the program. There are no fees associated with the program, and if employers have more than 30 workers willing to participate, BYBO! can offer onsite screenings. In FY19, BWC worked with 94 employers to provide onsite screenings for their employees. (BWC is holding onsite screenings throughout FY20 at employers whose employees participated last year so participants have ongoing access to the program.)

The other population targeted by BYBO! is injured workers. Every worker that is injured and has a claim is automatically invited to join the program if their employer does not offer a health and wellness program. BYBO! gives injured workers help to return to work faster and stay healthy while they are healing.

Safety Leaders Fellowship Program

Launched in FY17, the Safety Leaders Fellowship Program provides recent college graduates in the fields of occupational safety and health, engineering, industrial hygiene, and/or physical/natural sciences an opportunity to receive on-the-job training to build a professional career in the fields of occupational safety and health, ergonomics, industrial hygiene, and risk management. Since its implementation, the program has gained much interest from other BWC divisions and state agencies to serve as a model for recruiting new college graduates to work in state public service.

BWC hired six fellows into the two-year fellowship program in FY17, and they provided valuable contributions to the work of DSH. Four accepted full-time employment offers from BWC at the end of their fellowships while the other two accepted offers elsewhere in the field of occupational safety and health. For its second cycle of the program, DSH hired four fellows in FY19 and one fellow at the beginning of FY20.

DSH initiatives for FY19 and FY20

DSH began several new initiatives in FY19 and FY20 to continue to improve occupational safety and health services to Ohio employers and employees.

Starting in FY18 and continuing into FY19, BWC invested \$2.5 million to fund a statewide safety awareness and educational campaign, \$1,624,355 of which was appropriated for FY19. The campaign was designed to prevent injuries caused by slips, trips, and falls, overexertion, and motor vehicle accidents. Injuries associated with these causations account for more than 60% of workplace injuries. BWC developed the campaign in conjunction with a marketing and communications firm. The effort included television, online, and mobile advertisement as well as training resources that addressed safety at home and at work. The campaign used a classic symbol of protection, guardian angels, and humor to prompt Ohioans to think about their own safety at work and at home.

In FY18 the SURWSP was developed, and a \$2 million pilot program was initiated in Montgomery, Ross, and Scioto counties. The purpose of the program is to lessen the impact of substance disorders on Ohio's workforce and to promote a safe and healthful workplace. The emphasis of the program is to encourage eligible employers to further engage in efforts to assist those in recovery in returning to the workforce. Funding of the program is directed through county Alcohol Drug Addiction and Mental Health Services (ADAMH) boards with focus on reimbursing employers for recovery workforce drug testing, reimbursement for manager/supervisor training specific to better manage and retain workers in recovery, and providing an employer forum for success sharing. (At the start of FY20, BWC expanded the program to include 12 targeted counties with an additional monetary commitment of \$15 million for the biennium ending June 2021.)

BWC has partnered with the Ohio Department of Developmental Disabilities (DODD) to fund online training courses targeted to employers and employees of direct service providers who care for disabled children and adults. In FY19, BWC contributed \$83,422.84, or a 46% share of the cost of the services, to cover the safety and health portions of the training. For FY20, BWC has also agreed to contribute \$146,590, or a 46% share of the cost of the services.

In FY20, BWC is spearheading a trench safety campaign. Workers continue to die or be seriously injured each year in trench collapses. These incidents can be prevented through the application of proper trench safety measures. The campaign will be multi-faceted, and will feature the following components:

- Trench safety summit to gain stakeholder input on solutions.
- Trench safety consulting, with visits to active trenching operations.
- Education and prevention outreach.
- Trench safety grant to assist employers engaged in trenching activities.
- Trench safety website to tie together all elements of the campaign and provide easily accessible safety resources for employers and employees.

Research Activities and Initiatives

DSH administers the Ohio Occupational Safety and Health Research Program. The program is a competitive research program. It emphasizes maximizing the impact of research efforts in the areas of occupational safety and health on the overall safety, health, productivity, and competitiveness of Ohio's workforce. BWC modeled the program, with minor modifications, after the NIOSH National Occupational Research Agenda (NORA). The program provides funding for research projects, up to \$250,000, per project. BWC limits the duration of each research project to 12 to 24 months.

The program is an open competition for researchers in Ohio's not-for-profit higher education institutions and research organizations. BWC funded four projects in FY19 addressing the following research areas:

- Safe treatment and opioid management.
- Identifying ergonomics best practices currently used by grocery distribution centers.
- Protecting home health-care workers using an interactive video-based app.
- Spine kinematic metrics as an indicator of safe return to work.

In FY19, BWC and NIOSH continued to collaborate and use their respective strengths and resources on projects that improve public policy. BWC and NIOSH achieve this goal by using workers' compensation data as part of research that informs public policy for preventing occupational injuries and illnesses and improving workers' compensation systems.

During FY19, BWC renewed a grant from NIOSH to expand efforts to study injury trends using workers' compensation data. The cooperative agreement compiles, analyzes, and disseminates workers' compensation data to promote the prevention of occupational injuries, illnesses, fatalities, and exposures to hazards within Ohio and throughout the nation.

BWC and NIOSH co-authored a journal article published in October 2018 in the American Journal of Industrial Medicine titled, Workers' Compensation Injury Claims Among Workers in the Private Ambulance Services Industry—Ohio, 2001–2011. The study examined workers' compensation claims data for state-insured private-industry ambulance service workers. Evaluation of 5,882 claims showed that most claims from these workers were medical-only, that sprains and strains accounted for 60% of all injuries, and that overexertion from patient handling was the leading cause of injury. The injury claim rate was 12.1 per 100 full-time equivalent.

BWC and NIOSH co-authored a journal article that was accepted for publication in June 2019 in the Journal of Occupational and Environmental Medicine titled, Degree of Integration Between Occupational Safety and Health Programs and Wellness Programs: First-Year Results from an Insurer-Sponsored Wellness Grant for Smaller Employers. The aim of this study was to describe levels of integration between occupational safety and health (OSH) and workplace wellness programs/practices/policies ("programs") among participants in an insurer-sponsored wellness grant program. At least half of the employers (N = 220) reported some level of integration within five of seven categories of OSH-wellness integration. Employers sometimes considered ergonomics, safety, or substance exposure hazards while designing their wellness program (15%) or reduced such hazards to support their wellness program (24%).

Additionally, safety and health experts from BWC serve on various NORA industry sectors and cross-sector councils assembled by NIOSH. NORA councils bring together occupational safety and health research leaders with representatives from businesses and industry and labor organizations to define the national occupational safety and health research needs and priorities in the various economic sectors.

Survey of Occupational Injuries and Illnesses

BWC renewed a grant from the BLS to administer the SOII program in Ohio for FY19. The grant is under a cooperative agreement between BWC and the BLS. The survey is the only comprehensive measure of work-related injuries and illnesses in U.S. workplaces. The agreement allows BWC to continue to administer the survey in Ohio.

The BLS developed this federally mandated survey as part of the Occupational Safety and Health Act of 1970. The BLS provides 50% of the funding and BWC provides 50%.

The survey provides information on the number and frequency of non-fatal injuries and illnesses occurring in workplaces. It also provides demographic and case characteristics information for serious injuries requiring time away from work. The BLS uses the information gathered through this report to generate state and national benchmarks for incidence of occupational injuries and illnesses. The report is a valuable research tool for the development of prevention policies and training toward improving safety standards in workplaces at both state and national levels.

The survey gathered data on occupational injuries and illnesses for the 2018 calendar year. The BLS randomly selected 4,600 establishments (both private and public) as a representative sample for the entire Ohio workforce. The survey achieved a 98% response rate with more than 5,300 cases of occupational injuries and illnesses reported. This number includes a sampling of cases with job restriction and transfer and all recordable cases involving days away from work. BWC coded all reported cases using the Occupational Injury and Illness Classification System and the Standard Occupational Classification System for comparison and analysis.

The BLS and BWC make comprehensive statistics and publishable data available to the public in November or December each year. In preparation for FY20 survey cycle, the BLS pre-notified 4,640 establishments of their inclusion in the SOII program. The FY20 survey will gather occupational injury and illness data for the 2019 calendar year.

Last year, the program successfully published the survey statistics available from the BLS survey for calendar year 2017 for Ohio. Results from the survey for the past six years show lower incidence rates of occupational injury and illness in Ohio compared to the nation and Ohio's neighboring states.

To ensure accessibility of the survey data, BWC created a webpage for the program at www.bwc.ohio.gov. BWC updates the page with educational articles on safety and prevention using results from the survey.

The department facilitated an educational presentation related to the Survey of Occupational Injuries and Illnesses (SOII) at the 2019 OSC. The presentation provided information on injury and illness statistics in the Ohio construction industry. BWC will offer this presentation and more at the upcoming 2020 OSC.

Census of Fatal Occupational Injuries

BWC renewed a grant from the BLS to administer the CFOI program in Ohio for FY19. The grant is under a cooperative agreement between BWC and the BLS. It requires commitment from both agencies to split the cost of administration equally with the expectation that the parties will meet all defined deliverables within the agreement. CFOI is an occupational health and safety surveillance program. It's designed to identify, verify, and meticulously document important variables associated with cases of fatal occupational injuries with the goal of providing robust and aggregated statistics. The program produces comprehensive, accurate, and timely counts of fatal workplace injuries at state and national levels. CFOI runs on federal-state collaborative efforts. Since 1992, all 50 states and the District of Columbia have implemented CFOI.

CFOI is the most complete count of fatal occupational injuries in the United States. The census uses multiple data sources such as death certificates, workers' compensation reports, media reports, and federal and state agency administrative reports to identify and verify fatal occupational injury cases. BWC obtains information about each workplace fatality such as deceased worker's occupation and other characteristics, equipment involved, and causation variables by cross-referencing multiple sources of information. BWC substantiates all cases included in the census with at least two independent source documents or a source document and a follow-up questionnaire.

The BLS designed the census to provide information on rate and number of fatal traumatic occupational injuries occurring across the nation. It also provides demographic and case characteristics details on fatal workplace injuries. The BLS uses information acquired through the census to estimate benchmarks for incidence of fatal injuries in workplaces at state and national levels. It also provides industry and occupation-specific information that serve as tools for developing and evaluating:

- Occupational safety standards.
- Preventive interventions.
- Policies.
- Training toward improving safety in workplaces across the nation.

The FY19 census gathered data on all cases of occupational fatal traumatic injuries for the 2018 calendar year. The program scope includes the entire workforce population in Ohio and the nation. It also includes cases of fatal occupational injuries that occurred in Ohio within this time frame. BWC coded all identified cases using the Occupational Injury and Illness Classification System and the Standard Occupational Classification System for comparison and analysis. The BLS and BWC will make comprehensive statistics and publishable data available to the public in December 2019.

Results from this program expand BWC's research effort into occupational safety and health. It is also a resource for assessing workplace safety in Ohio. In addition, it offers opportunities for identifying areas to further focus preventive efforts. BWC renews the program annually and expects it to continue into the foreseeable future.

Ohio occupational fatalities

Self-insured employers, private employers, and public employers in Ohio report fatality claims to BWC. Six hundred-forty (640) fatalities from occupational injuries and occupational disease were reported to BWC from calendar year 2014 to Sept. 3, 2019 (the date we ran this report).

In calendar year 2018, 123 fatalities occurred, including 77 from occupational injuries and 46 from occupational disease. Of the occupational injury fatalities:

- Forty-nine workers died on the date of their injury.
- Nineteen workers died after the day of their injury in calendar year 2018.
- Nine workers died in calendar year 2018 from injuries sustained in a previous calendar year.

Comparison of occupational injury fatalities for calendar years 2014 through Sept. 3, 2019

Figure 1 provides a comparison by year of the 439 occupational injury fatalities reported to BWC during calendar years 2014 through Sept. 3, 2019. The chart does not include fatalities that resulted from occupational diseases.

For each year, the chart depicts:

- Fatalities where the worker died on the date of injury.
- Fatalities where the worker died on a date after the date of injury during the same year.
- Fatalities where the worker died in that year from injuries sustained in an earlier year.

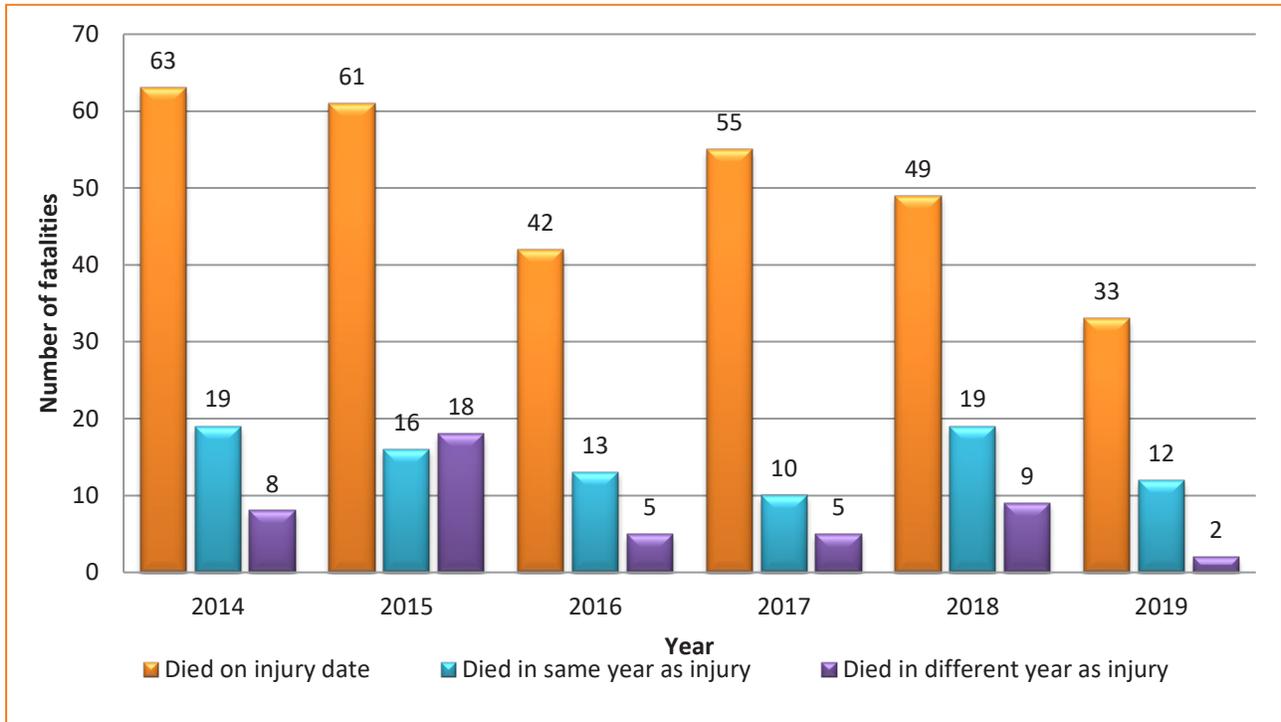


Figure 1: Ohio fatalities from occupational injuries (not occupational disease) for calendar years 2014 through Sept. 3, 2019

Occupational injury fatalities in 2018 (77) were lower than they were in 2014 (90) and 2015 (95). There was a low of 60 occupational injury fatalities in 2016. However, there was an increase to 70 occupational injury fatalities in 2017 and a further increase to 77 occupational injury fatalities in 2018.

2018 fatalities according to source of injury/illness (causation)

Figure 2 provides a summary of the primary causations for fatalities from occupational injuries and occupational diseases for calendar year 2018. The chart depicts the number and percentage of fatalities by causation. BWC determines causations by various criteria, primarily based on a review of:

- First Report of an Injury, Occupational Disease or Death (FROI) documents.
- Medical records.
- Coroner reports.
- Police reports.
- Ohio Industrial Commission determinations.
- U.S. Department of Labor data.
- Physician reviews.
- Other BWC determinations.

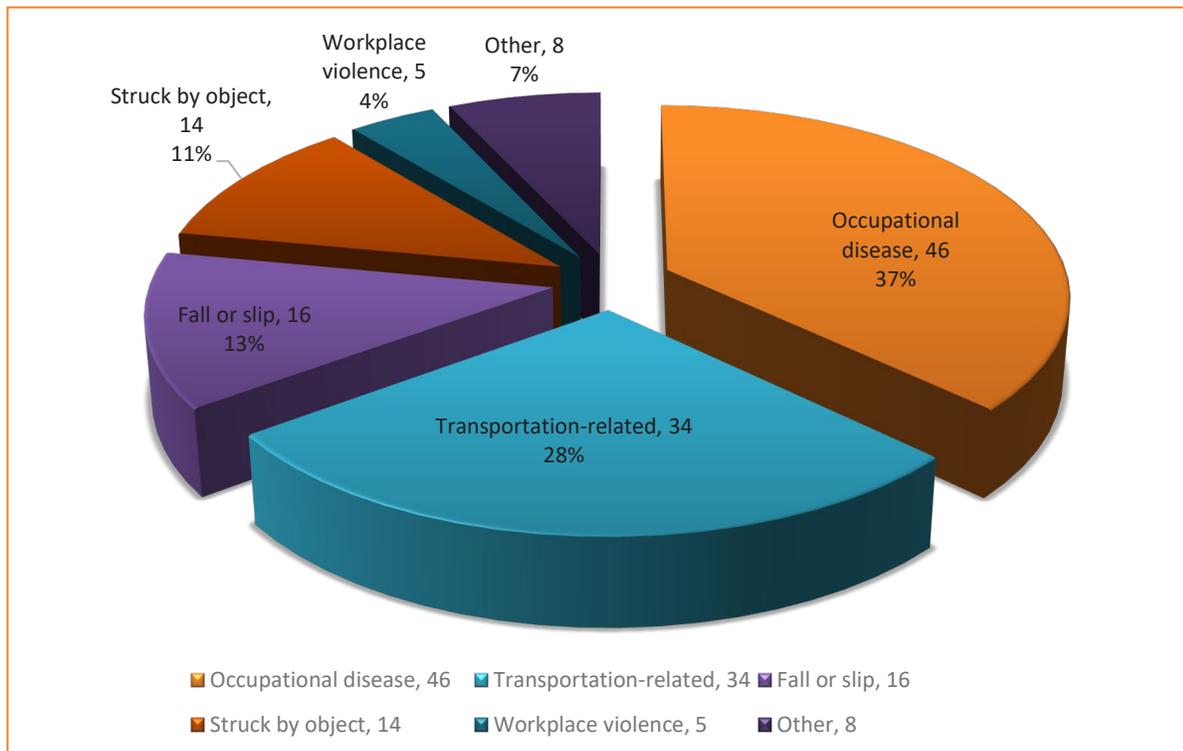


Figure 2: Calendar year 2018 fatalities by causation

In 2018, the primary cause of work-related fatalities was occupational disease. Occupational disease-related fatalities increased to 46 in 2018 from 28 in 2017. This is a 64% increase.

For fatalities from occupational injuries, transportation-related accidents continued to be the leading cause. Transportation-related fatalities remained the same in both 2017 and 2018 with 34 in each year. Of these transportation-related deaths:

- Twenty-seven workers died in motor vehicle accidents as a driver or passenger.
- Three workers died when a vehicle struck them while working on or by a roadway.
- Two workers died in accidents involving an aircraft.
- One worker died as a pedestrian hit by a vehicle.
- One worker died in an accident related to forklifts or construction equipment.

The second leading cause of occupational injury fatalities was slips and/or falls. These fatalities increased to 16 in 2018 as compared to 12 in 2017.

The third leading cause of occupational injury fatalities was deaths caused by being struck by an object. Struck by fatalities increased to 14 in 2018 from 12 in 2017.

The remaining coded causations for calendar year 2018 occupational injury fatalities are as follows:

- Five workers died because of workplace violence.
- Four workers died because of engulfment.
- Two workers died from being caught in, on, or between a machine or machine parts.
- Two workers died because of electrocution.

Occupational injury fatalities by industry sector for calendar years 2014 through Sept. 3, 2019

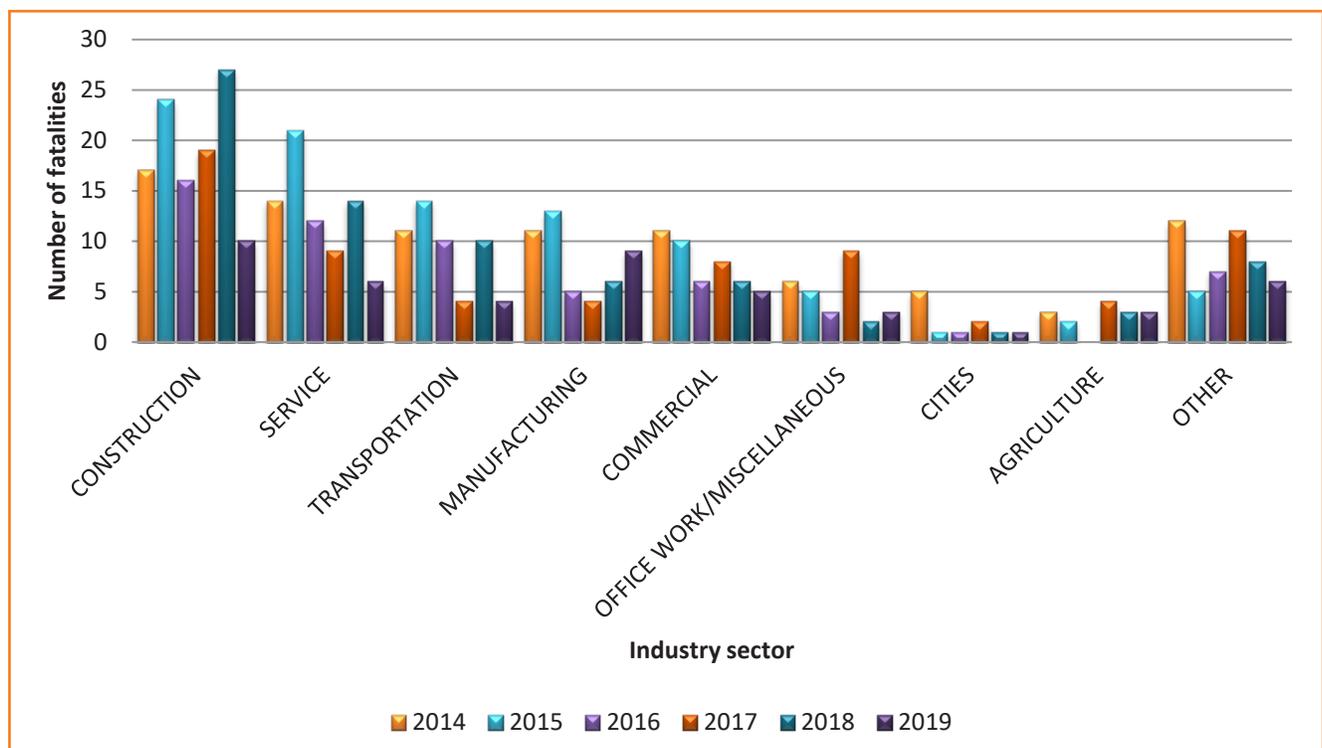


Figure 3: Fatalities from occupational injuries by employer industry sector from calendar year 2014 through Sept. 3, 2019

The industry sector with the most fatalities in 2018 was construction with 27 fatalities as compared to 19 in 2017. The primary cause of these fatalities was slips and/or falls.

The second highest sector was the service industry with 14 fatalities as compared to nine in 2017. The leading cause of fatalities in this sector was motor vehicle accidents

The transportation industry sector came in third with 10 fatalities, an increase over the four fatalities in 2017. The leading cause of fatalities in this sector was motor vehicle accidents.



2019 Report
Ohio Industrial Commission

Ohio Industrial Commission

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Letter from the Chairman

It is my pleasure to present the Ohio Industrial Commission's Annual Report for Fiscal Year (FY) 2019.

Our agency has adjudicated more than 111,000 workers' compensation appeals throughout the state during the previous fiscal year, while executing numerous innovative ideas to better serve our customers.

Under the leadership of Governor Mike DeWine, the Ohio Industrial Commission (IC) is committed to being an exemplary state agency. This report details our agency's accomplishments and demonstrates that the IC continues to put customer service and fiscal responsibility at the forefront of everything we do.

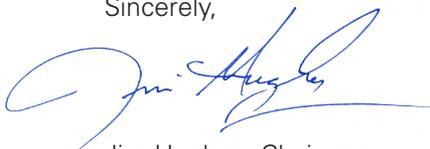
A few of our fiscal year highlights:

- Implemented a process to allow injured worker self-service password recovery within the Industrial Commission Online Network (ICON);
- Improved performance for large document upload for representatives within ICON;
- Installed a process to allow all parties to request additional time for scheduled hearings within ICON;
- Upgraded ICON to date stamp documents uploaded through the system;
- Upgraded our agency's internal website with a new design and easier navigation, which improves communication and allows our employees to perform their job duties more efficiently;
- Implemented a Case Manager solution for the permanent total disability process;
- Reduced the amount of outstanding subpoenas from the 2018 high of 29 to a current low of five;
- Undertook a comprehensive review of nearly 350 outstanding resolutions, policy statements and internal memoranda, which stretched back nearly 75 years. We were able to identify and ultimately rescind 201 documents, modify 17, and promulgate eight;
- Decreased mandamus complaints during FY 17-18 by 13 percent and decreased writ grants by the Court of Appeals by over 70 percent;
- Replaced the front counter in the Cleveland Regional Office to enhance customer service;
- Created an additional exit in the lobby of the Youngstown District Office to improve public safety; and
- Worked alongside the Ohio Bureau of Workers' Compensation to complete renovations in the Lima, Mansfield and Portsmouth District Offices.

In the next fiscal year, the IC will continue our dedication to excellent customer service and fiscal accountability.

We will also remain committed to our mission: Providing Ohio's injured workers and employers with timely, impartial resolution of their workers' compensation appeals in an environment of fairness and compassion.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jim Hughes". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jim Hughes, Chairman

About the IC

The Ohio Industrial Commission (IC) conducts more than 111,000 hearings each fiscal year, and most of these hearings take place within 45 days of the original claim appeal. This time frame means you may expect first-rate customer service as the IC provides a forum for appealing Ohio Bureau of Workers' Compensation (BWC) and self-insuring employer decisions. Since 1912, the IC has resolved issues between parties who have a dispute in a workers' compensation claim. With each claim, the agency is dedicated to providing information and resources to help customers navigate through the appeals process.

The IC conducts hearings on disputed claims at three levels: the District level, the Staff level, and the Commission level. The Governor appoints the three-member Commission, and the Ohio Senate confirms these nominations. By previous vocation, employment or affiliation, it is mandated that one member of the Commission represents employees, one represents employers and one represents the public.

During this fiscal year, Chairman Thomas H. Bainbridge represented the employees; Jodie M. Taylor represented employers; and Karen L. Gillmor represented the public. Jim Hughes was appointed by Governor Mike DeWine to be the chairman and employee member for a term that began on July 1, 2019.

FY 2019 highlights

In addition to the Commissioners, there are 79 hearing officers — all attorneys — in five regional and seven district offices throughout the state.

In fiscal year (FY) 2019, the Industrial Commission (IC) heard 111,316 claims at all adjudicatory levels. District Hearing Officers (DHOs) heard 77,387 claims, while Staff Hearing Officers (SHOs) heard 33,730 claims, and the Commission heard 199 claims.

The IC consistently adjudicated claims within the timeframes mandated by R.C. 4123.511 throughout this fiscal year. The statutory requirement from the filing of a motion or appeal to the date of a hearing timeframe is set at 45 days. For Filing to Hearing, both Allowance and Appeal docket issues averaged 35 days. The agency performance benchmark for the filing of a motion or appeal to the mailing of an order is set at 52 days. For Filing to Mailing, Allowance docket issues averaged 39 days while Appeal docket issues averaged 40 days.

The Industrial Commission Online Network (ICON) has made it easy for parties to file motions and appeals online. First level motions and appeals filed on ICON this fiscal year totaled 47,578. Second level and above ICON filings, inclusive of appeals filed to DHO and SHO orders, totaled 51,151 in FY 2019.

Customer Service received and responded to 1,047 AskIC submissions during the fiscal year. AskIC@ic.ohio.gov is the e-mail address where IC customers can submit their questions or requests directly to the Customer Service Department. The department also provided 1,221 interpreters for injured workers hearings. In addition, our toll-free customer line and two local customer service lines received 7,564 calls during this time frame. Staff personnel assisted 20,302 people at our Columbus office. Customer Service also processed 40,205 documents.

Commission performance highlights — FY 2019

Formal hearings and administrative reviews account for the majority of Industrial Commission (IC) activity. In FY 2019, the IC made approximately 149,978 decisions on issues arising from workers' compensation claims.

During FY 2019, the IC performed 38,662 administrative reviews and heard a total of 111,316 claims across all adjudicatory levels. Claims heard is inclusive of hearings at the DHO, SHO, Deputy, and Commission venues. Administrative reviews incorporate issues that do not initially require formal adjudication via hearing (Hearing Administrator issues, Commission requests, etc.). These issues receive review and processing at the claims examining, word processing, and hearing officer levels but are not typically reflected in routine production reports under DHO or SHO dockets. These issues may subsequently result in a hearing under the normal adjudicatory processes and are reflected accordingly under respective hearing venues.

The total DHO hearing volume accounts for 70 percent of the overall hearings during FY 2019 at 77,387 claims heard, while the SHO volume is recorded at 33,730 claims heard. Deputy venue claims heard totaled 54 in FY 2019 while the Commission venue recorded 145 claims heard. Total claims heard is inclusive of continuances, referrals, dismissals, and other final determinations made as a result of a hearing.

Regionally, the distribution of FY 2019 claims heard at DHO and SHO hearing levels is as follows: Columbus at 33 percent; Cleveland at 22 percent; Akron and Cincinnati at 18 percent each; and Toledo at 9 percent.

DHO and SHO hearings were conducted on 244 days during FY 2018. An average of 455 claims were heard per hearing day at the DHO and SHO hearing levels. District Hearing Officers averaged 317 claims heard per day while Staff Hearing Officers averaged 137 claims heard per day.

Ohio Industrial Commission (IC) mandated hearing timeframes for DHO, SHO, and Commission hearing venues are required by R.C. 4123.511. On average, all IC offices and venues performed within the statutory limits requiring a claim to be heard within 45 days of a motion or appeal filing. The IC benchmark for Filing to Mailing is set at 52 days; this performance measure is based on the entirety of the hearing process and combines the two statutory periods Filing to Hearing (45 days) and Hearing to Mailing (7 days).

DHO performance

DHOs conduct hearings on two types of formal dockets – Allowance (primarily injury allowance, compensation, and treatment issues) and C-92 (permanent partial disability issues). Only Allowance docket issues fall under timeframe requirements outlined in R.C. 4123.511. DHOs heard a total of 61,274 Allowance docket claims during FY 2019. Of those, 43,982 qualified for inclusion in time studies. Per statute, appeals or motions heard on DHO Allowance dockets must be heard within 45 days of filing. In FY 2019, Allowance dockets averaged 35 days for the statutory Filing to Hearing period. On average, the DHO Allowance process (Filing to Mailing) was completed within 39 days during FY 2019.

SHO performance

SHOs conduct hearings on five types of formal dockets:

- Appeal (primarily injury allowance, compensation, and treatment issues),
- Permanent Total Disability,
- Reconsideration (permanent partial disability issues),
- Violations of Specific Safety Requirements,
- Miscellaneous (other issues not designated to a pre-defined docket type).

Only appeal docket issues fall under timeframe requirements outlined in O.R.C. 4123.511. SHOs heard a total of 28,893 appeal claims during FY 2019. Of those, 24,787 qualified for inclusion in time studies. Per statute, staff hearing level appeals must be heard within a 45-day period. In FY 2019, SHO appeal processes averaged 35 days for the statutory filing to hearing period.

2019 Report
BWC Audited Financial Statements

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

FINANCIAL STATEMENTS

June 30, 2019 and 2018

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Columbus, Ohio

FINANCIAL STATEMENTS
June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio
A Department of the State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio (BWC/IC), a department of the State of Ohio (State), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the BWC/IC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the BWC/IC, as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the BWC/IC are intended to present the financial position, changes in financial position, and cash flows of the BWC/IC. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2019 and 2018, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, supplemental revenue and reserve development information, the schedule of proportionate share of the net pension liability (asset), the schedule of employer pension contributions, the schedule of proportionate share of the net OPEB liability, and the schedule of employer OPEB contributions on Pages 3-8, 46, 48, 49, 50 and 51, respectively, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the BWC/IC's basic financial statements. The supplemental schedule of net position and schedule of revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule of net position and schedule of revenues, expenses and changes in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019 on our consideration of BWC/IC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BWC/IC's internal control over financial reporting and compliance.



Crowe LLP

Columbus, Ohio
September 27, 2019

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Ohio Bureau of Workers' Compensation's (BWC's) and the Industrial Commission of Ohio's (IC's) financial performance for fiscal years ended June 30, 2019, 2018, and 2017. BWC and IC are collectively referred to as BWC/IC. This information is based on BWC/IC's financial statements, which begin on Page 9.

Financial highlights

- BWC/IC's total assets at June 30, 2019 were \$29.4 billion, an increase of \$491 million or 1.7% compared to June 30, 2018.
- BWC/IC's total liabilities at June 30, 2019 were \$18.2 billion, a decrease of \$791 million or 4.2% compared to June 30, 2018.
- BWC/IC's total operating revenues for fiscal year 2019 were \$1.3 billion, an increase of \$107 million or 9% compared to fiscal year 2018.
- BWC/IC's total operating expenses for fiscal year 2019 were \$939 million, a decrease of \$18 million or 1.9% from fiscal year 2018.
- BWC/IC had \$1.2 billion in policy holder dividend expenses in fiscal year 2019.
- BWC's non-operating revenues for fiscal year 2019 were \$2.2 billion, compared to \$1.3 billion for fiscal year 2018.
- BWC/IC's net position at June 30, 2019 was \$11.3 billion, an increase of \$1.4 billion or 14% compared to June 30, 2018.

Financial statement overview

BWC/IC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Management's discussion and analysis is intended to serve as an introduction to BWC/IC's financial statements, which are prepared using the accrual basis of accounting and the economic resources measurement focus.

- **Statement of Net Position** - This statement is a point-in-time snapshot of BWC/IC's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at fiscal year-end. Net position represents the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. The statement is categorized by current and noncurrent assets and liabilities. For the purpose of the accompanying financial statements, current assets and liabilities are generally defined as those assets and liabilities with immediate liquidity or those that are collectible or due within 12 months of the statement date.
- **Statement of Revenues, Expenses and Changes in Net Position** - This statement reflects the operating revenues and expenses, as well as non-operating revenues and expenses, for the fiscal year. Major sources of operating revenues are premium and assessment income. Major sources of operating expenses are workers' compensation benefits and compensation adjustment expenses. Revenues and expenses related to capital and investing activities are reflected in the non-operating component of this statement.
- **Statement of Cash Flows** - The statement of cash flows is presented using the direct method of reporting, which reflects cash flows from operating, noncapital financing, capital and related financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

**OHIO BUREAU OF WORKERS' COMPENSATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

- Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of BWC/IC's financial position and results of operations presented in the financial statements. The notes present information about accounting policies and disclose material risks, subsequent events, and contingent liabilities, if any, that may significantly impact BWC/IC's financial position.
- Supplemental Information –The financial statements include the following supplemental information schedules:
 - Required supplemental information that presents 10 years of BWC/IC's revenue and reserve development information;
 - Required supplemental information that presents BWC/IC's proportionate share of the Ohio Public Employees Retirement System (OPERS) net pension liability;
 - Required supplemental information that presents BWC/IC's contribution to pension based on statutory requirements;
 - Required supplemental information that presents BWC/IC's proportionate share of the OPERS net OPEB liability;
 - Required supplemental information that presents BWC/IC's contribution to OPEB based on statutory requirements; and
 - Optional supplemental schedules presenting the statement of net position and the statement of revenues, expenses and changes in net position for the individual accounts administered by BWC/IC.

**OHIO BUREAU OF WORKERS' COMPENSATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial analysis

Components of BWC/IC's Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position as of June 30, 2019, 2018, and 2017, and for the fiscal years then ended were as follows (000's omitted):

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|----------------------|
| Current assets | \$ 1,110,224 | \$ 1,873,364 | \$ 1,387,617 |
| Noncurrent assets | 28,262,787 | 27,008,766 | 27,530,615 |
| Total assets | <u>\$ 29,373,011</u> | <u>\$ 28,882,130</u> | <u>\$ 28,918,232</u> |
| Deferred outflows of resources | 137,416 | 66,462 | 90,259 |
| | <u>\$ 137,416</u> | <u>\$ 66,462</u> | <u>\$ 90,259</u> |
| Current liabilities | \$ 4,312,046 | \$ 4,328,724 | \$ 4,000,419 |
| Noncurrent liabilities | 13,841,739 | 14,615,631 | 15,240,224 |
| Total liabilities | <u>\$ 18,153,785</u> | <u>\$ 18,944,355</u> | <u>\$ 19,240,643</u> |
| Deferred inflows of resources | 61,116 | 77,373 | 9,777 |
| | <u>\$ 61,116</u> | <u>\$ 77,373</u> | <u>\$ 9,777</u> |
| Net investment in capital assets | \$ 116,659 | \$ 135,770 | \$ 154,075 |
| Unrestricted net position | 11,178,867 | 9,791,094 | 9,603,996 |
| Total net position | <u>\$ 11,295,526</u> | <u>\$ 9,926,864</u> | <u>\$ 9,758,071</u> |
| Net premium and assessment income, including provision for uncollectibles | \$ 1,290,499 | \$ 1,183,068 | \$ 1,558,336 |
| Other income | 9,396 | 9,407 | 10,016 |
| Total operating revenues | <u>\$ 1,299,895</u> | <u>\$ 1,192,475</u> | <u>\$ 1,568,352</u> |
| Workers' compensation benefits and compensation adjustment expenses | \$ 760,096 | \$ 804,021 | \$ 1,199,363 |
| Other expenses | 179,137 | 153,472 | 143,572 |
| Total operating expenses | <u>\$ 939,233</u> | <u>\$ 957,493</u> | <u>\$ 1,342,935</u> |
| Policy holder dividend expense | \$ (1,182,817) | \$ (1,298,778) | \$ (1,094,850) |
| Legal settlement / loss contingency | - | (75) | (3,735) |
| Operating transfers out | (425) | (425) | (425) |
| Net investment income | 2,191,121 | 1,336,579 | 1,877,645 |
| Gain (loss) on disposal of capital assets | 121 | (175) | 134 |
| Increase in net position | <u>\$ 1,368,662</u> | <u>\$ 272,108</u> | <u>\$ 1,004,186</u> |
| Cumulative effect of GASB75 implementation | \$ - | \$ (103,315) | \$ - |

(Continued)

**OHIO BUREAU OF WORKERS' COMPENSATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

BWC/IC's net position increased by \$1.4 billion during fiscal year 2019, compared to a \$272 million increase during fiscal year 2018.

- Premium and assessment income exceeded workers' compensation benefits and compensation adjustment expenses by \$530 million in fiscal year 2019 and \$379 million in fiscal year 2018.
- Fiscal year 2019 premium and assessment income reflects an overall reduction of 12% in premium rates for the majority of Ohio's private employers for the policy period beginning July 1, 2018 and public employer taxing districts (PECs) for the policy period beginning January 1, 2019. PECs include counties, cities, villages, townships, schools, libraries, and special taxing districts. Fiscal year 2018 premium and assessment income reflects no change in rates for private employers for the policy period beginning July 1, 2017, and a 6.1% reduction in rates for PECs for the policy period beginning January 1, 2018. The establishment of the group retrospective credit payable during fiscal year 2018 resulted in a reduction of approximately \$459 million to premium and assessment income.
- Workers' compensation benefits and compensation adjustment expenses were as follows in fiscal years 2019, 2018, and 2017.

| (\$ in millions) | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|-----------------|
| Net benefit payments | \$ 1,325 | \$ 1,367 | \$ 1,420 |
| Payments for compensation adjustment expenses | 242 | 220 | 235 |
| Managed Care Organization administrative payments | 171 | 171 | 171 |
| Change in reserves for compensation and compensation adjustment expenses | <u>(978)</u> | <u>(954)</u> | <u>(627)</u> |
| | <u>\$ 760</u> | <u>\$ 804</u> | <u>\$ 1,199</u> |

- The discounted liabilities for workers' compensation benefits and compensation adjustment expenses as of June 30, 2019 are \$978 million lower than the June 30, 2018 discounted liabilities. Historically, BWC recorded reserves based on the estimated unpaid losses from the contracted actuarial consulting firm's quarterly analysis of estimated ultimate losses and unpaid losses for all accident years. Beginning in March 2018, BWC has recorded estimated reserves based on BWC management's review of further analysis and estimates from BWC's Actuarial division.
- State Insurance Fund (SIF) benefit payments for all accident years were \$32 million or 2.5% lower than expected during fiscal year 2019. Medical and indemnity benefits were each \$16 million lower than expected. During the past 11 fiscal years, SIF annual payments have been on a consistent decline, ranging from a low of \$1.3 billion in fiscal year 2019 to a high of \$1.9 billion in fiscal year 2008.
- The SIF net position has continued to grow primarily as a result of better than expected investment returns and declines in the reserves for compensation and compensation adjustment expenses for prior years' claims. The net position has exceeded the guidelines in the Net Asset Policy established by the Board. A dividend to reduce the net position in SIF was approved by the Board on June 28, 2019. Private employers were granted a dividend equivalent to 88% of billed premiums for the July 1, 2017 through June 30, 2018 policy period, while PECs were granted the same percentage dividend of premiums for the January 1, 2017 through December 31, 2017 policy period. This action resulted in policy holder dividend expense of \$1.2 billion in fiscal year 2019. In fiscal year 2018, a dividend to reduce the net position in SIF was approved by the Board on May 24, 2018. Private employers were granted a dividend equivalent to 85% of premiums for the July 1, 2016 through June 30, 2017 policy period and the PECs were granted the same percentage dividend for premiums for the January 1, 2016 through December 31, 2016 period. This action resulted in policy holder dividend expense of \$1.3 billion in fiscal year 2018.

(Continued)

**OHIO BUREAU OF WORKERS' COMPENSATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

- In fiscal year 2019, BWC/IC recorded net investment income of \$2.2 billion, compared to \$1.3 billion in fiscal year 2018. The investment portfolio earned a net return, after management fees, of 8.7% during fiscal year 2019 compared to 5.1% in fiscal year 2018.
- During fiscal year 2018, BWC completed an asset allocation study and related analysis of the SIF investment portfolio. The study determined that revisions to the portfolio target asset allocations of the SIF asset classes would improve and optimize the return versus risk balance for the SIF investment portfolio. The Board approved the following:
 - The target asset allocation of SIF long duration fixed income assets reduced to 22% from 32% of total SIF assets by (a) eliminating the 4% target asset allocation to passive managed long duration U.S. government bonds and by (b) reducing the active managed long duration credit fixed income target asset allocation from 28% to 22%;
 - A new 4% passive managed intermediate duration U.S. Treasury bond allocation replaced the eliminated long duration U.S. government bond allocation;
 - The 6% target asset allocation reduction of the long duration credit fixed income mandate replaced by (a) increasing the target asset allocation of the active managed intermediate duration U.S. Aggregate core plus fixed income mandate to 18% from 15% and (b) increasing the core real estate fund target allocation to 9% from 7% and increasing the core plus real estate fund target allocation to 4% from 3%, leaving the value-added real estate fund target allocation at 2%;
 - The total SIF real estate fund target asset allocation increased to 15% from 12%. BWC liquidated the long duration U.S. government bonds during fiscal year 2018. The remaining reallocations were completed in fiscal year 2019.
- In fiscal year 2018, BWC/IC implemented the provisions of Governmental Accounting Standards Board (GASB) Statement Number 75 related to the measurement and reporting of the annual costs and long-term obligations associated with the OPEB benefits provided to employees. This standard requires BWC/IC to record a proportionate share of the net OPEB liability of OPERS. OPEB expense is based on the full cost of OPEB benefits being provided to an employee during the year that the employee is providing services to BWC/IC. The statutorily required contributions to OPERS are not impacted by the new GASB pronouncement.

Conditions expected to affect financial position or results of operations

BWC/IC's guiding principles of prevention and care drive our commitment to keep Ohio workers safer on the job; help injured workers recover and return to their lives – at work and home; and keep costs down for Ohio businesses.

- Private employer statewide average base rates will decrease an average of 20% for the July 1, 2019 policy year, producing estimated savings for these employers of \$244.1 million based on projected policy year 2019 payroll levels of \$127.4 billion. PEC average base rates will decrease 10% for the January 1, 2020 policy year, producing estimated savings for the PEC employers of \$17.8 million based on projected 2020 payroll levels of \$20.1 billion.
- Businesses that invest in workplace safety and health are able to reduce fatalities, injuries, and illnesses, resulting in lower medical and legal expenses as well as lower costs to train replacement employees. BWC offers numerous financial assistance opportunities for employers to invest in workplace safety.
 - Grants are available to purchase safety equipment, promote health and wellness, implement drug-free workplaces, minimize firefighters' exposure to dangerous environmental elements, purchase body armor for first responders, and assist people that work with developmentally disabled children and adults.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

- The Better You, Better Ohio! health and wellness program provides health and wellness resources and services to employees of small employers in high-risk industries. The program encourages workers to take ownership of their health and well-being and proactively pursue a healthier lifestyle. Services include health risk assessments, biometric screenings, lifestyle management and coaching, and chronic disease management. Employers can benefit from this program as it helps to manage and reduce costs for workers' compensation and health care by having a healthier workforce.
- BWC launched a pilot program in October 2018 to support employers willing to hire workers struggling to overcome an addiction to opioids and other dangerous substances. BWC provides funding to local Alcohol, Drug and Mental Health (ADAMH) Boards in selected counties to administer the Substance Use Recovery and Workplace Safety Program. The program provides reimbursement and training to help employers in three Ohio counties with hiring, managing, and retaining workers in addiction recovery. This program will be expanded into additional counties during fiscal years 2020 and 2021.
- BWC's net position policy contains the business rationale, methodology, and guiding principles with respect to maintaining a prudent net position to protect the SIF against financial and operational risks that may threaten the ability to meet future obligations. An economic capital model has been developed to quantify the potential financial risk related to the investment portfolio, the carried loss reserves, the policy pricing and catastrophic event exposure. Based upon review and discussion of the output of the model, the Administrator established guidelines for a Simple Funding Ratio (total assets divided by total liabilities) and a Net Leverage Ratio (premium income plus reserves for compensation and compensation adjustment expense divided by net position). Over the last several fiscal years, the net position has continued to increase, primarily as a result of excess investment returns and lower than expected claims costs. The fiscal year 2019 dividend marks BWC's fifth of \$1 billion or more since 2013. BWC has saved employers nearly \$10 billion in workers' compensation costs since 2011 through dividends, credits, rate reductions, and greater efficiencies. As part of the Board's Strategic Plan, a work group has been formed to develop a plan to maintain an adequate net position that will ensure that BWC can manage the financial and enterprise risks associated with operations. Net position will continue to be monitored and the plan will be adjusted as needed based on market changes, new economic models, and other appropriate factors.

The SIF ratios for the end of each fiscal year are presented in the following table:

| | 2019 | 2018 | 2017 | Guideline |
|----------------------|------|------|------|--------------|
| Simple Funding Ratio | 1.77 | 1.66 | 1.63 | 1.30 to 1.50 |
| Net Leverage Ratio | 1.11 | 1.29 | 1.46 | 3.0 to 7.0 |

- From time to time, BWC/IC is involved in judicial proceedings arising in the ordinary course of its business. BWC/IC will vigorously defend these suits and expects to prevail; however, there can be no assurance that BWC/IC will be successful in its defense.

**OHIO BUREAU OF WORKERS' COMPENSATION
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STATEMENTS OF NET POSITION

June 30, 2019 and 2018

(000's omitted)

| | <u>2019</u> | <u>2018</u> | | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|---|----------------------|----------------------|
| ASSETS | | | LIABILITIES | | |
| Current assets: | | | Current liabilities: | | |
| Cash and cash equivalents (Note 2) | \$433,914 | \$1,316,896 | Reserve for compensation (Note 4) | \$ 1,424,703 | \$ 1,477,596 |
| Collateral on loaned securities (Note 2) | 2,375 | 1,574 | Reserve for compensation adjustment expenses (Note 4) | 428,824 | 399,521 |
| Premiums recorded not yet due | 15,708 | 18,123 | Policy holder dividend payable (Note 7) | 1,296,000 | 1,236,212 |
| Assessments recorded not yet due | 1,847 | 2,179 | Unearned premium and assessments | 431,129 | 500,082 |
| Premiums in course of collection | 6,464 | 7,426 | Legal settlement | 4,500 | 4,500 |
| Assessments in course of collection | 13,364 | 13,684 | Warrants payable | 29,726 | 165,095 |
| Accounts receivable, net of allowance for uncollectibles of \$1,216,259 in 2019; \$1,185,762 in 2018 | 286,541 | 261,258 | Group retrospective credit payable (Note 5) | 231,626 | 156,693 |
| Retrospective premiums receivable | 29,234 | 35,801 | Investment trade payables | 396,284 | 311,908 |
| Investment trade receivables | 195,199 | 85,124 | Accounts payable | 16,087 | 33,816 |
| Accrued investment income | 124,978 | 130,699 | Obligations under securities lending (Note 2) | 2,375 | 1,574 |
| Other current assets | 600 | 600 | Other current liabilities (Note 5) | 50,792 | 41,727 |
| Total current assets | <u>1,110,224</u> | <u>1,873,364</u> | Total current liabilities | <u>4,312,046</u> | <u>4,328,724</u> |
| Noncurrent assets: | | | Noncurrent liabilities: | | |
| Fixed maturities, at fair value (Note 2) | 15,168,181 | 13,121,779 | Reserve for compensation (Note 4) | 11,773,857 | 12,676,113 |
| Domestic equity securities, at fair value - common stock (Note 2) | 5,711,396 | 6,499,001 | Reserve for compensation adjustment expenses (Note 4) | 1,307,176 | 1,359,079 |
| Domestic equity securities, at fair value - preferred stock (Note 2) | 1,058 | 922 | Net pension liability (Note 8) | 278,560 | 162,718 |
| Non-U.S equity securities, at fair value - common stock (Note 2) | 2,681,443 | 2,877,499 | Net OPEB liability (Note 9) | 130,796 | 111,078 |
| Investments in real estate funds (Note 2) | 3,523,291 | 3,249,812 | Group retrospective credit payable (Note 5) | 325,287 | 280,385 |
| Unbilled premiums receivable | 1,001,631 | 1,060,685 | Other noncurrent liabilities (Note 5) | 26,063 | 26,258 |
| Retrospective premiums receivable | 58,460 | 62,479 | Total noncurrent liabilities | <u>13,841,739</u> | <u>14,615,631</u> |
| Capital assets (Note 3) | 116,659 | 135,770 | Total liabilities | <u>\$ 18,153,785</u> | <u>\$ 18,944,355</u> |
| Net pension asset (Note 8) | 668 | 819 | | | |
| Total noncurrent assets | <u>28,262,787</u> | <u>27,008,766</u> | DEFERRED INFLOW OF RESOURCES (Note 8 and 9) | 61,116 | 77,373 |
| Total assets | <u>\$ 29,373,011</u> | <u>\$ 28,882,130</u> | Total liabilities and deferred inflow of resources | <u>\$ 18,214,901</u> | <u>\$ 19,021,728</u> |
| DEFERRED OUTFLOW OF RESOURCES (Note 8 and 9) | 137,416 | 66,462 | NET POSITION | | |
| Total assets and deferred outflow of resources | <u>\$ 29,510,427</u> | <u>\$ 28,948,592</u> | Net investment in capital assets | 116,659 | 135,770 |
| | | | Unrestricted net position | 11,178,867 | 9,791,094 |
| | | | Total net position (Note 12) | <u>\$ 11,295,526</u> | <u>\$ 9,926,864</u> |

The accompanying notes are an integral part of the financial statements.

**OHIO BUREAU OF WORKERS' COMPENSATION
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**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

For the fiscal years ended June 30, 2019 and 2018

(000's omitted)

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|---------------------|
| Operating revenues: | | |
| Premium and assessment income net of ceded premium (Note 6) | \$1,322,274 | \$ 1,222,645 |
| Provision for uncollectibles | (31,775) | (39,577) |
| Other income | 9,396 | 9,407 |
| Total operating revenues | <u>1,299,895</u> | <u>1,192,475</u> |
| Operating expenses: | | |
| Workers' compensation benefits (Note 4) | 369,563 | 438,553 |
| Compensation adjustment expenses (Note 4) | 390,533 | 365,468 |
| Personal services | 91,216 | 79,009 |
| Other administrative expenses | 87,921 | 74,463 |
| Total operating expenses | <u>939,233</u> | <u>957,493</u> |
| Net operating income before policy holder dividends and loss contingency | <u>360,662</u> | <u>234,982</u> |
| Policy holder dividend expense (Note 7) | 1,182,817 | 1,298,778 |
| Loss contingency | - | 75 |
| Total policy holder dividends and loss contingency | <u>1,182,817</u> | <u>1,298,853</u> |
| Net operating loss | (822,155) | (1,063,871) |
| Non-operating revenues: | | |
| Net investment income (Note 2) | 2,191,121 | 1,336,579 |
| Gain (loss) on disposal of capital assets | 121 | (175) |
| Total non-operating revenues | <u>2,191,242</u> | <u>1,336,404</u> |
| Transfers out | <u>(425)</u> | <u>(425)</u> |
| Increase in net position | 1,368,662 | 272,108 |
| Net position, beginning of year | <u>9,926,864</u> | <u>9,654,756</u> |
| Net position, end of year | <u>\$ 11,295,526</u> | <u>\$ 9,926,864</u> |

The accompanying notes are an integral part of the financial statements.

**OHIO BUREAU OF WORKERS' COMPENSATION
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STATEMENTS OF CASH FLOWS

For the fiscal years ended June 30, 2019 and 2018

(000's omitted)

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|---------------------|
| Cash flows from operating activities: | | |
| Cash receipts from premiums and assessments net of reinsurance | \$ 1,723,185 | \$ 1,994,922 |
| Cash receipts - other | 34,119 | 32,484 |
| Cash disbursements for claims | (1,574,451) | (1,632,432) |
| Cash disbursements to employees for services | (217,489) | (206,017) |
| Cash disbursements for other operating expenses | (115,803) | (101,189) |
| Cash disbursements for employer refunds | (1,574,017) | (1,265,407) |
| Net cash used for operating activities | <u>(1,724,456)</u> | <u>(1,177,639)</u> |
| Cash flows from noncapital financing activities: | | |
| Transfers out | (425) | (425) |
| Net cash used by noncapital financing activities | <u>(425)</u> | <u>(425)</u> |
| Cash flows from capital and related financing activities: | | |
| Purchase of capital assets, net of retirements | (1,834) | (2,911) |
| Net cash used in capital and related financing activities | <u>(1,834)</u> | <u>(2,911)</u> |
| Cash flows from investing activities: | | |
| Investments sold | 20,202,374 | 14,564,688 |
| Investments purchased | (20,027,914) | (13,299,559) |
| Interest and dividends received | 721,697 | 733,408 |
| Investment expenses | (52,424) | (53,830) |
| Net cash provided by investing activities | <u>843,733</u> | <u>1,944,707</u> |
| Net (decrease) increase in cash and cash equivalents | (882,982) | 763,732 |
| Cash and cash equivalents, beginning of year | <u>1,316,896</u> | <u>553,164</u> |
| Cash and cash equivalents, end of year | <u>\$ 433,914</u> | <u>\$ 1,316,896</u> |

The accompanying notes are an integral part of the financial statements.

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STATEMENTS OF CASH FLOWS, Continued

For the fiscal years ended June 30, 2019 and 2018

(000's omitted)

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------------|-----------------------------|
| Reconciliation of net operating loss to net cash used for operating activities: | | |
| Net operating loss | \$ (822,155) | \$ (1,063,871) |
| Adjustments to reconcile net operating loss to net cash used for operating activities: | | |
| Provision for uncollectible accounts | 31,775 | 39,577 |
| Depreciation | 21,066 | 21,041 |
| Pension and other postemployment benefits | 48,500 | 20,712 |
| (Increases) decreases in assets and increases (decreases) in liabilities: | | |
| Premiums and assessments recorded not yet due | 2,747 | (5,772) |
| Premiums and assessments in course of collection | 1,282 | 1,232 |
| Unbilled premiums receivable | 59,054 | 14,631 |
| Accounts receivable | (57,058) | 42,681 |
| Retrospective premiums receivable | 10,586 | 20,103 |
| Reserves for compensation and compensation adjustment expenses | (977,749) | (954,301) |
| Unearned premiums and assessments | (68,953) | (35,238) |
| Group retrospective credit payable | 119,835 | 437,078 |
| Warrants payable | (135,369) | 143,573 |
| Accounts payable | (17,729) | (220) |
| Policy holder dividend payable | 59,788 | 141,376 |
| Other liabilities | (76) | (241) |
| | <u> </u> | <u> </u> |
| Net cash used for operating activities | <u>\$ (1,724,456)</u> | <u>\$ (1,177,639)</u> |
| Noncash investing, capital, and financing activities | | |
| Change in fair values of investments | \$ 1,536,515 | \$ 668,680 |

The accompanying notes are an integral part of the financial statements.

**OHIO BUREAU OF WORKERS' COMPENSATION
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NOTES TO THE FINANCIAL STATEMENTS

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1. Organization Background and Summary of Significant Accounting Policies

The Ohio Bureau of Workers' Compensation (BWC) and the Industrial Commission of Ohio (IC) were created in 1912 and 1925, respectively, and are the exclusive providers of workers' compensation insurance to private and public employers in Ohio that have not been granted the privilege of paying compensation and medical benefits directly (self-insured employers). BWC and IC are collectively referred to herein as BWC/IC. BWC/IC was created and is operated pursuant to Chapters 4121, 4123, 4127, and 4131 of the Ohio Revised Code (the Code).

The Governor of the State of Ohio (the State) with the advice and consent of the Senate and nominating committee appoints the BWC Administrator, the three members of the IC, and the 11-member BWC Board of Directors (Board). All members have full voting rights. The BWC Administrator, with the advice and consent of the Board, is responsible for the operations of the workers' compensation system, while the IC is responsible for administering claim appeals.

BWC/IC is a department of the primary government of the State and is a proprietary operation for purposes of financial reporting. The accompanying financial statements include all accounts, activities, and functions of BWC/IC and are not intended to present the financial position, results of operations, or cash flows of the State taken as a whole. The financial information presented herein for BWC/IC will be incorporated within the State's financial statements.

Basis of Presentation

BWC/IC has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America as applicable to government organizations. Accordingly, these financial statements were prepared using the accrual basis of accounting and the economic resources measurement focus.

For internal reporting purposes, BWC/IC maintains separate internal accounts as required by the Code. For external financial reporting purposes, BWC/IC has elected to report as a single column business-type activity, since the individual accounts do not have external financial reporting accountability requirements. All significant interaccount balances and transactions have been eliminated.

BWC/IC administers the following accounts:

- State Insurance Fund (SIF)
- Disabled Workers' Relief Fund (DWRF)
- Coal-Workers Pneumoconiosis Fund (CWPF)
- Public Work-Relief Employees' Fund (PWREF)
- Marine Industry Fund (MIF)
- Self-Insuring Employers' Guaranty Fund (SIEGF)
- Administrative Cost Fund (ACF)

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Description of the Accounts

SIF, CWPF, PWREF, and MIF provide workers' compensation benefits for qualifying employees sustaining work-related injuries or diseases.

DWRF provides supplemental cost-of-living benefits to persons who are permanently and totally disabled and are receiving benefits from SIF or PWREF. The maximum benefit levels are changed annually based on the United States Department of Labor National Consumer Price Index.

SIEGF provides for the payment of compensation and medical benefits relating to injuries sustained after 1987 by employees of self-insured employers that are bankrupt or in default.

ACF provides for the payment of administrative and operating costs of all accounts except DWRF, CWPF, and MIF, which pay such costs directly. ACF also includes the portion of premiums paid by employers earmarked for the safety and loss prevention activities performed by the Safety & Hygiene Division.

Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenues are primarily derived from premiums and assessments. Operating expenses include the costs of claims, premium dividends, and related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents in the accompanying statements of net position and for the purposes of the statements of cash flows include cash and all highly liquid debt instruments purchased with a maturity of three months or less. Cash equivalents consist of money market funds and commercial paper.

Investments

BWC/IC's investments consist of fixed maturities, domestic equity securities, commingled bond index funds, commingled U.S. equity index funds, commingled non-U.S. equity index funds, U.S. real estate funds, bond funds and collateral on securities lending.

Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fixed income securities, domestic equity securities, and bond funds are valued based on published market prices and quotations from national security exchanges and securities pricing services. The fair value of the commingled bond index funds, commingled domestic equity funds, commingled non-U.S. equity funds, and U.S. real estate funds are based on the value of the underlying net assets of the fund. Dividends, interest earnings, the net increase (decrease) in the fair value of investments (which includes both the change in fair value and realized gains and losses), and investment expenses are aggregated and reported as net investment income in the statements of revenues, expenses and changes in net position. The cost of securities sold is determined using the average cost method. Purchases and sales of investments are recorded as of the trade date.

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Premium Income

Premiums are based on rates that are approved by the Board and on the employers' payroll, except self-insured employer assessments, which are based on paid compensation. SIF rates for private and public taxing district employers meeting certain size criteria are adjusted based on their own claims experience.

Premium income for SIF, CWPF, PWREF, and MIF is recognized over the coverage period. It is billed in advance of the coverage period, except for CWPF, which is billed and collected in subsequent periods. Premiums earned but not yet invoiced are reflected as premiums in course of collection in the statements of net position. Estimated annual premiums recorded but not yet invoiced are reflected as premiums recorded not yet due and unearned premium in the statements of net position.

In addition to the standard base and experience rated plans, BWC/IC offers the following alternative rating plans:

Group experience rating plans allow employers who operate within similar industries to group together to potentially achieve lower premium rates than they could individually.

Retrospective rating plans are offered to qualified employers on an individual basis. SIF recognizes estimated ultimate premium income on retrospectively rated businesses during the coverage period. Retrospective rating adjustments related to the coverage period are collected in subsequent periods, as experience develops related to injuries incurred during the coverage period. The estimated future retrospective rating adjustments are reflected in the statements of net position as retrospective premiums receivable.

Employers participating in group retrospective rating plans pay experience or base rated premiums as if they were individually rated at the beginning of the policy year. If the group's claims experience is better than expected at evaluation periods 12, 24, and 36 months after the close of the policy year, a portion of the group's premium is returned to employers participating in the group. If the group's claims experience is worse than expected at those intervals, additional premiums are levied on the employers participating in the group. The estimated future group retrospective rating plan credits are reflected in the statements of net position as group retrospective credit payable and in the statements of revenues, expenses and changes in net position as a reduction of premium income.

The deductible plan is offered to qualified employers. This plan is similar to that of other insurance deductible plans where an employer agrees to pay the portion of a workers' compensation injury claim that falls below their selected deductible level. For taking on this degree of risk, the employer receives a premium credit.

The Code permits State employers to pay into SIF on a terminal funding (pay-as-you-go) basis. Since BWC/IC has the statutory authority to assess premiums against the State employers in future periods, an unbilled premiums receivable equal to the State's share of the discounted reserve for compensation and compensation adjustment expenses, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net position.

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Assessment Income

DWRF I (DWRF benefits awarded for injuries incurred prior to January 1, 1987) assessments are based on employers' payroll and rates approved by the Board within a statutory range. DWRF II (DWRF benefits awarded for injuries incurred on or after January 1, 1987) and ACF assessments are based on rates that are approved by the Board and on employers' premiums, except for ACF assessments of self-insured employers, which are based on paid workers' compensation benefits. SIEGF assessments are based on paid compensation benefits with the exception of new self-insured employers, which are based on a percentage of prior losses as SIF employers.

Assessment income is recognized over the coverage period and is billed in advance of the coverage period. DWRF I and ACF assessment income is recognized over the period for which the assessment applies. These assessments earned but not yet invoiced were reflected as assessments in course of collection in the statements of net position. Estimated annual assessments recorded but not yet invoiced and unearned assessments are reflected as assessments recorded not yet due in the statements of net position.

In September 2015, the Board approved the funding of DWRF I benefits from SIF investment income for private and public taxing district employers rather than levying assessments against these employers. The annual change in funding commitment has been recorded in SIF and DWRF I as adjustments to the respective premium and assessment income in the statements of revenue, expenses and changes in net position for fiscal years 2019 and 2018. The commitment is reviewed annually and is subject to adjustment based on changes in the estimated DWRF I discounted reserves for compensation and compensation adjustment expenses.

The Code permits employers to pay into DWRF and SIEGF on a terminal funding (pay-as-you-go) basis. As BWC/IC has the statutory authority to assess employers in future periods, an unbilled premiums receivable equal to the discounted reserve for compensation and compensation adjustment expenses for DWRF I public state employers and SIEGF, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net position. SIEGF assessments received or in the course of collection, but not yet recognized, are reflected as a reduction to unbilled premiums receivable.

The year-end balances of the DWRF II cash and investment balances and the DWRF II discounted reserve for compensation and compensation adjustments expenses are compared annually to determine when BWC/IC has an unbilled premiums receivable. At June 30, 2019 and 2018, the total DWRF II cash and investment balances exceeded the DWRF II discounted reserve for compensation and compensation adjustment expenses, thus no unbilled premiums receivable is recorded for DWRF II.

Allowance for Uncollectible Accounts

BWC/IC provides an allowance for uncollectible accounts by charging operations for estimated receivables that will not be collected. The adequacy of the allowance is determined by management based on a review of aged receivable balances and historical loss experience.

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Capital Assets

Capital assets are carried at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

| <u>Description</u> | <u>Estimated Useful Lives (Years)</u> |
|------------------------|---------------------------------------|
| Buildings | 30 |
| Intangible assets | 10 |
| Furniture and fixtures | 10 |
| Vehicles and equipment | 5 |

When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statements of revenues, expenses and changes in net position. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

Expenditures for the design, software configuration, software interfaces, coding, hardware, hardware installation, data conversion to the extent necessary for the operation of the new software, testing, and licensure on internally generated software exceeding \$1 million are capitalized as an intangible asset. Intangible assets are depreciated upon implementation of the software. The useful lives of intangible assets varies and is determined upon completion of each project.

Reserves for Compensation and Compensation Adjustment Expenses

The reserve for compensation includes actuarial unpaid loss estimates for both reported claims and claims incurred but not reported (IBNR). The reserve for compensation adjustment expenses is determined by estimating future expenses to be incurred in settlement of the claims. The reserve for compensation is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claim reserves. The reserve for compensation adjustment expenses is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, and the reserve for compensation. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period. The reserves for compensation and compensation adjustment expenses are discounted at 4.0% at June 30, 2019 and 2018 to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on "A" rated corporate bonds and United States government securities with a duration similar to the expected claims underlying BWC/IC's reserves.

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Management believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses and related expenses. While management and their consultants use available information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency, severity, persistency, and inflationary trends for medical claim reserves.

Reinsurance

BWC/IC purchases workers' compensation excess of loss reinsurance to include coverage for catastrophic events and terrorism. Ceded reinsurance transactions are accounted for based on estimates of their ultimate cost. Reserves for compensation and compensation adjustment expenses are reported gross of reinsured amounts. Reinsurance premiums are reflected as a reduction of premium income.

Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension liability, net pension asset, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension expense, and OPEB expense, information about the fiduciary net position of the Ohio Public Employee's Retirement System's (OPERS) Plans and additions to / deductions from the OPERS Plans' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, OPERS records deductions when the liability is incurred and recognizes revenues when earned in accordance with benefit terms. OPERS' investments are reported at fair value.

Use of Estimates

In preparing the financial statements BWC/IC's management and pension/OPEB plans are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain fiscal year 2018 financial statement and note disclosure amounts have been reclassified in order to conform to their fiscal year 2019 presentations. There was no impact to the fiscal year 2018 amounts reported for net position and change in net position as a result of these reclassifications.

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2. Cash and Investments

BWC/IC is authorized by Section 4123.44 of the Code to invest using an investment policy established by the Board, which uses the prudent person standard. The prudent person standard requires investments be made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

The composition of cash and investments held at June 30, 2019 and 2018 is presented below (000's omitted):

| | 2019 <u>Fair Value</u> | 2018 <u>Fair Value</u> |
|---|---------------------------|---------------------------|
| Fixed maturities | | |
| U.S. corporate bonds | \$ 5,079,118 | \$ 5,463,217 |
| U.S. treasury inflation protected securities | 2,386,311 | 1,961,498 |
| U.S. government obligations | 2,348,274 | 980,137 |
| Non-U.S. corporate bonds | 1,248,603 | 1,306,520 |
| U.S. government agency mortgages | 852,258 | 556,361 |
| Commingled U.S. treasury inflation protected securities | 755,107 | 696,557 |
| Commingled U.S. Long Government / Credit Fixed Income | 637,413 | 543,658 |
| Asset backed securities | 544,142 | 384,678 |
| U.S. state and local government agencies | 358,503 | 445,247 |
| Commercial mortgage backed securities | 348,100 | 232,270 |
| Non-U.S. government and agency bonds | 214,040 | 216,476 |
| Commingled U.S. aggregate indexed fixed income | 149,232 | 134,091 |
| Bond funds | 73,255 | 49,861 |
| U.S. government agency bonds | 62,265 | 44,343 |
| Preferred securities | 45,767 | 45,811 |
| Commingled U.S. intermediate duration fixed income | 44,367 | 40,322 |
| Bank loans | 18,022 | 17,500 |
| Supranational issues | 3,404 | 3,232 |
| Total fixed maturities | <u>15,168,181</u> | <u>13,121,779</u> |
| Domestic equity securities - common stocks | 5,297,711 | 6,063,060 |
| Domestic equity securities - preferred stocks | 1,058 | 922 |
| Commingled domestic equity securities - common stocks | 413,685 | 435,941 |
| Commingled Non-U.S. equity securities - common stocks | 2,681,443 | 2,877,499 |
| Commingled investments in real estate | 3,523,291 | 3,249,812 |
| Securities lending short-term collateral | 2,375 | 1,574 |
| Cash and cash equivalents | | |
| Cash | 31,317 | 59,246 |
| Commercial Paper | - | 1,015 |
| Short-term money market fund | 402,597 | 1,256,635 |
| Total cash and cash equivalents | <u>433,914</u> | <u>1,316,896</u> |
| | <u>\$ 27,521,658</u> | <u>\$ 27,067,483</u> |

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Net investment income for the fiscal years ended June 30, 2019 and 2018 is summarized as follows (000's omitted):

| | | |
|--|--------------------|--------------------|
| | <u>2019</u> | <u>2018</u> |
| Fixed maturities | \$ 483,230 | \$ 513,425 |
| Equity securities | 99,428 | 100,329 |
| Real estate | 132,061 | 113,209 |
| Cash equivalents | <u>8,712</u> | <u>6,162</u> |
| | 723,431 | 733,125 |
| | | |
| Increase (decrease) in fair value of investments | 1,536,515 | 668,680 |
| Investment expenses | <u>(68,825)</u> | <u>(65,226)</u> |
| | <u>\$2,191,121</u> | <u>\$1,336,579</u> |

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, BWC/IC's deposits might not be recovered. Banks must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 102% of the total public monies on deposit at the institution. At June 30, 2019 and 2018, the carrying amount of BWC/IC's cash deposits were \$31.3 million and \$59.2 million, respectively, and the bank balances were \$6.8 million and \$23.7 million, respectively. Differences between the carrying amount and bank balances are primarily due to in transit credit card and online payments. Of the June 30, 2019 and 2018 bank balances, \$250 thousand were insured by the FDIC. The remaining cash balance on deposit with the bank was collateralized by pledges held by the trustee of either a surety bond or securities with a sufficient market value and was not exposed to custodial credit risk. Any pledged securities are held by the Federal Reserve, the Federal Home Loan Bank, or an insured financial institution serving as agent of the Treasurer of the State of Ohio.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of a counterparty to a transaction, BWC/IC will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. BWC/IC's investments are not exposed to custodial credit risk and are held in BWC/IC's name at either JP Morgan, in commingled account types, or are fixed maturity bank loans, which by definition, are not exposed to custodial credit risk. Commingled bond funds are held in the custody of State Street. The underlying securities in the short-term money market fund are high-quality, short-term debt securities issued or guaranteed by the U.S. government or by U.S. government agencies or instrumentalities, and repurchase agreements fully collateralized by U.S. Treasury and U.S. government securities.

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Fair Value Measurements

BWC/IC's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 - Investments reflect prices quoted in active markets and are valued directly from a primary external pricing vendor.
- Level 2 - Investments reflect prices that are observable either directly or indirectly. Inputs may include quoted prices in markets that are not considered active or inputs other than quoted prices that are observable such as interest rates, yield curves, implied volatilities, credit spreads or market-corroborated inputs. These investments are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.
- Level 3 - Investments reflect prices based upon unobservable sources. Asset backed securities, commercial mortgage backed securities, and bank loans are classified in Level 3 and are valued using an internal fair value as provided by the investment manager or other unobservable pricing source.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

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| | Quoted Prices Level 1 | Observable Inputs Level 2 | Unobservable Inputs Level 3 | 2018 Fair Value Total |
|---|-----------------------------|---------------------------------|-----------------------------------|-----------------------------|
| Fixed Maturities | | | | |
| U.S. corporate bonds | \$ - | \$ 5,463,217 | \$ - | \$ 5,463,217 |
| U.S. treasury inflation protected securities | 1,961,498 | - | - | 1,961,498 |
| U.S. government obligations | 895,311 | 84,826 | - | 980,137 |
| Non-U.S. corporate bonds | - | 1,306,520 | - | 1,306,520 |
| U.S. government agency mortgages | - | 556,361 | - | 556,361 |
| Asset backed securities | - | 283,371 | 101,307 | 384,678 |
| U.S. state and local government agencies | - | 445,247 | - | 445,247 |
| Commercial mortgage backed securities | - | 218,172 | 14,098 | 232,270 |
| Non-U.S. government and agency bonds | - | 216,476 | - | 216,476 |
| U.S. government agency bonds | - | 44,343 | - | 44,343 |
| Preferred securities | - | 45,811 | - | 45,811 |
| Bond funds | 20,285 | - | - | 20,285 |
| Bank loans | - | - | 17,500 | 17,500 |
| Supranational issues | - | 3,232 | - | 3,232 |
| Domestic equity securities - common stocks | 6,063,060 | - | - | 6,063,060 |
| Domestic equity securities - preferred stocks | 922 | - | - | 922 |
| Securities lending short-term collateral | - | 1,574 | - | 1,574 |
| | <u>\$ 8,941,076</u> | <u>\$ 8,669,150</u> | <u>\$ 132,905</u> | <u>\$ 17,743,131</u> |

Investments measured at net asset value:

| | |
|---|---------------------|
| Commingled U.S. aggregate indexed fixed income | 134,091 |
| Commingled U.S. Long Government / Credit Fixed Income | 543,658 |
| Commingled U.S. treasury inflation protected securities | 696,557 |
| Commingled U.S. intermediate duration fixed income | 40,322 |
| Investment in Bond Fund | 29,576 |
| Commingled domestic equity securities - common stocks | 435,941 |
| Commingled Non-U.S. equity securities - common stocks | 2,877,499 |
| Commingled investments in real estate | 3,249,812 |
| | <u>\$ 8,007,456</u> |

Cash and Cash Equivalents: \$ 1,316,896

Total Investments: \$ 27,067,483

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For the investments below which do not have a readily determinable fair value, net asset value per unit is used as a practical expedient for establishing fair value. The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the tables below (000's omitted).

Investments Measured at the NAV
FY 2019

| Investment Strategy | Fair Value | Unfunded Commitments | Redemption Frequency (If currently eligible) | Redemption Notice Period |
|---|--------------|----------------------|--|--------------------------|
| Commingled U.S. aggregate indexed fixed income | \$ 149,232 | \$ - | Daily | 5 days |
| Commingled U.S. Long Government / Credit Fixed Income | 637,413 | - | Daily | 5 days |
| Commingled U.S. treasury inflation protected securities | 755,107 | - | Daily | 5 days |
| Commingled U.S. intermediate duration fixed income | 44,367 | - | Daily | 5 days |
| Investment in Bond Fund | 43,357 | - | Bi-Monthly | 15 days |
| Commingled domestic equity securities - common stocks | 413,685 | - | Daily | 5 days |
| Commingled Non-U.S. equity securities - common stocks | 2,681,443 | - | Daily | 5 days |
| Commingled investments in real estate: | | | | |
| Core Real Estate | 2,361,391 | - | Quarterly | 1 quarter |
| Core Plus Real Estate | 875,345 | - | Quarterly | 1 quarter |
| Value Added Real Estate | 286,555 | 308,319 | Illiquid | |
| Total Commingled investments in real estates: | \$ 3,523,291 | \$ 308,319 | | |

Investments Measured at the NAV
FY 2018

| Investment Strategy | Fair Value | Unfunded Commitments | Redemption Frequency (If currently eligible) | Redemption Notice Period |
|---|--------------|----------------------|--|--------------------------|
| Commingled U.S. aggregate indexed fixed income | \$ 134,091 | \$ - | Daily | 5 days |
| Commingled U.S. Long Government / Credit Fixed Income | 543,658 | - | Daily | 5 days |
| Commingled U.S. treasury inflation protected securities | 696,557 | - | Daily | 5 days |
| Commingled U.S. intermediate duration fixed income | 40,322 | - | Daily | 5 days |
| Investment in Bond Fund | 29,576 | - | Bi-Monthly | 15 days |
| Commingled domestic equity securities - common stocks | 435,941 | - | Daily | 5 days |
| Commingled Non-U.S. equity securities - common stocks | 2,877,499 | - | Daily | 5 days |
| Commingled investments in real estate: | | | | |
| Core Real Estate | 2,248,927 | - | Quarterly | 1 quarter |
| Core Plus Real Estate | 721,523 | 206,056 | Quarterly | 1 quarter |
| Value Added Real Estate | 279,362 | 238,027 | Illiquid | |
| Total Commingled investments in real estates: | \$ 3,249,812 | \$ 444,083 | | |

Commingled fixed maturities, domestic equity, and non-U.S. equity funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments. Investment in the bond fund is valued monthly per the fund manager.

BWC/IC invests in real estate through limited partnerships, commingled funds, and commingled real estate investment trusts. Core and Core Plus real estate funds owned are open-ended funds that offer each investor the right to redeem all or a portion of their investment ownership interest once every quarter at the stated unit net asset value of the fund. Value-added real estate funds owned are close-ended funds and do not offer such redemption rights and, therefore, can be considered to be illiquid investments. The real estate funds provide BWC/IC with quarterly valuations based on the most recent capital account balances. Individual properties owned by the funds are valued by an outside independent certified real estate appraisal firm at least once a year, and are adjusted as often as every quarter if material

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market or operational changes have occurred. Each asset is also valued internally on a quarterly basis by each fund. The internal and external valuations of properties owned are subject to oversight and review by an independent valuation advisor firm. Debt obligations of each fund receive market value adjustments by the fund every quarter, generally with the assumption that such positions will be held to maturity. Annual external audits of the funds include a review of compliance with the fund's valuation policies.

Interest Rate Risk – Fixed-Income Securities

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. BWC/IC manages the exposure to fair value loss arising from increasing interest rates by requiring that each fixed-income portfolio be invested with duration characteristics that are within a range consistent with Bloomberg Barclays Fixed Income Index ranges.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flow, weighted for those cash flows as a percentage of the investment's full price. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments such as callable bonds, prepayments, and variable-rate debt. The effective duration measures the sensitivity of the market price to parallel shifts in the yield curve.

At June 30, 2019 and 2018, the effective duration of BWC's fixed-income portfolio is as follows (000's omitted):

| <u>Investment Type</u> | <u>June 30, 2019</u> | | <u>June 30, 2018</u> | |
|--|----------------------|---------------------------|----------------------|---------------------------|
| | <u>Fair Value</u> | <u>Effective Duration</u> | <u>Fair Value</u> | <u>Effective Duration</u> |
| Commingled U.S. Long Government / Credit Fixed Income | \$ 637,413 | 15.66 | \$ 543,658 | 14.90 |
| U.S. corporate bonds | 5,079,118 | 12.34 | 5,463,217 | 12.32 |
| U.S. state and local government agencies | 358,503 | 12.25 | 445,247 | 12.24 |
| Non-U.S. government and agency bonds | 214,040 | 10.94 | 216,476 | 11.64 |
| Non-U.S. corporate bonds | 1,248,603 | 9.66 | 1,306,520 | 10.21 |
| U.S. treasury inflationary protected securities | 2,386,311 | 7.99 | 1,961,498 | 8.20 |
| U.S. government obligations | 2,348,274 | 7.94 | 980,137 | 10.25 |
| Commingled U.S. treasury inflationary protected securities | 755,107 | 7.62 | 696,557 | 7.73 |
| U.S. government agency bonds | 62,265 | 6.14 | 44,343 | 4.93 |
| Commingled U.S. aggregate indexed fixed income | 149,232 | 5.74 | 134,091 | 6.01 |
| Commercial mortgage backed securities | 348,100 | 4.22 | 232,270 | 4.52 |
| Preferred securities | 45,767 | 4.05 | 45,811 | 4.12 |
| Commingled U.S. intermediate duration fixed income | 44,367 | 3.94 | 40,322 | 3.94 |
| U.S. government agency mortgages | 852,258 | 3.19 | 556,361 | 5.24 |
| Supranational issues | 3,404 | 2.48 | 3,232 | 3.31 |
| Asset backed securities | 544,142 | 1.64 | 384,678 | 1.42 |
| Bank loans | 18,022 | 0.25 | 17,500 | 0.23 |
| Bond funds | 73,255 | 0.15 | 49,861 | 0.68 |
| Total fixed maturities | <u>\$ 15,168,181</u> | | <u>\$ 13,121,779</u> | |

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Although the short-term money market fund is generally less sensitive to interest rate changes than are funds that invest in longer-term securities, changes in short-term interest rates will cause changes to its yield resulting in some interest rate risk.

Credit Risk – Fixed-Income Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. U.S. government obligations, U.S. treasury inflation protected securities, and commingled U.S. treasury inflation protected securities are all rated AA by Standard and Poor's (S&P) in fiscal years 2019 and 2018. Obligations of the U.S. government are explicitly guaranteed by the U.S. government. BWC/IC's fixed-income securities were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P rating scale (000's omitted):

| Quality Rating | 2019 <u>Fair Value</u> | 2018 <u>Fair Value</u> |
|--|---------------------------|---------------------------|
| <u>Credit risk debt quality</u> | | |
| AAA | \$ 624,456 | \$ 527,027 |
| AA | 1,206,021 | 1,231,620 |
| A | 2,270,814 | 2,794,654 |
| BBB | 4,086,518 | 3,818,248 |
| BB | 399,172 | 375,380 |
| B | 126,364 | 106,130 |
| CCC | 41,468 | 18,070 |
| CC | 3,442 | 3,899 |
| C | 128 | 2,242 |
| NR | 5,583 | 5,613 |
| Total credit risk debt securities | <u>8,763,966</u> | <u>8,882,883</u> |
| U.S. government agency bonds | | |
| AAA | 10,179 | 5,456 |
| AA | 52,086 | 38,887 |
| Total U.S. government agency bonds | <u>62,265</u> | <u>44,343</u> |
| U.S. government agency mortgages | | |
| AAA | 137,818 | 83,553 |
| AA | 711,936 | 467,319 |
| A | 2,240 | 3,413 |
| BBB | 264 | 1,755 |
| BB | - | 321 |
| Total U.S. government agency mortgages | <u>852,258</u> | <u>556,361</u> |
| U.S. government obligations (AA) | 2,348,274 | 980,137 |
| U.S. treasury inflation protected securities (AA) | 2,386,311 | 1,961,498 |
| Commingled U.S. treasury inflation protected securities (AA) | 755,107 | 696,557 |
| Total fixed maturities | <u>\$ 15,168,181</u> | <u>\$ 13,121,779</u> |

The short-term money market fund carries an AAA credit rating.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of BWC/IC's investment in a single issuer. In 2019 and 2018, there is no single issuer that comprises 5% or more of the overall portfolio with the exception of BWC/IC's investments in the U.S. government.

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Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BWC's exposure to foreign currency risk as of June 30, 2019 and 2018 is as follows (000's omitted):

| <u>Currency</u> | 2019 <u>Fair Value</u> | 2018 <u>Fair Value</u> |
|-----------------------------------|---------------------------|---------------------------|
| Argentine Peso | \$ 2,014 | \$ - |
| Australian Dollar | 125,142 | 133,893 |
| Bermudian Dollar | 2,893 | 3,157 |
| Brazilian Real | 53,718 | 41,608 |
| British Pound | 256,912 | 293,344 |
| Canadian Dollar | 182,274 | 190,024 |
| Caymanian Dollar | 559 | - |
| Chilean Peso | 6,468 | 7,990 |
| Chinese Renminbi | 200,274 | 210,195 |
| Colombian Peso | 2,995 | 3,416 |
| Czech Koruna | 1,086 | 1,186 |
| Danish Krone | 30,558 | 32,483 |
| Egyptian Pound | 1,010 | 985 |
| Euro | 609,963 | 687,765 |
| Hong Kong Dollar | 88,633 | 90,559 |
| Hungarian Forint | 2,089 | 2,000 |
| Indian Rupee | 63,029 | 61,408 |
| Indonesian Rupiah | 14,963 | 13,594 |
| Israeli Shekel | 10,332 | 10,144 |
| Japanese Yen | 421,388 | 470,149 |
| Macau Pataca | 2,096 | 2,778 |
| Malaysian Ringgit | 14,913 | 16,696 |
| Manx Pound | 1,011 | 1,501 |
| Mexican Peso | 18,096 | 21,365 |
| New Zealand Dollar | 4,452 | 4,132 |
| Norwegian Krone | 11,897 | 14,486 |
| Pakistani Rupee | 220 | 568 |
| Papua New Guinean Kina | 831 | 1,289 |
| Peruvian Nuevo Sol | 443 | 375 |
| Philippines Peso | 7,938 | 6,900 |
| Polish Zloty | 7,883 | 7,996 |
| Qatari Rial | 6,545 | 5,905 |
| Russian Ruble | 28,801 | 25,152 |
| Saudi Riyal | 9,919 | - |
| Singapore Dollar | 23,876 | 24,899 |
| South African Rand | 40,957 | 45,958 |
| South Korean Won | 87,052 | 104,043 |
| Swedish Krona | 43,880 | 49,805 |
| Swiss Franc | 172,745 | 165,462 |
| Taiwan Dollar | 76,071 | 82,979 |
| Thailand Baht | 20,962 | 15,413 |
| Turkish Lira | 3,524 | 5,436 |
| United Arab Emirates Dirham | 4,896 | 4,580 |
| Exposure to foreign currency risk | 2,665,308 | 2,861,618 |
| United States Dollar | 16,135 | 15,881 |
| Total international securities | \$ 2,681,443 | \$ 2,877,499 |

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Securities Lending

At June 30, 2019 and 2018, BWC/IC had no securities out on loan. BWC/IC has been allocated with cash collateral of \$2.4 million in 2019 and \$1.6 million in 2018 from the securities lending program administered through the Treasurer of State's Office based on the amount of cash equity in the State's common cash and investment account.

3. Capital Assets

Capital asset activity and balances as of and for the fiscal years ended June 30, 2019 and 2018 are summarized as follows (000's omitted):

| | Balance at 6/30/2017 | Increases | Decreases | Balance at 6/30/2018 | Increases | Decreases | Balance at 6/30/2019 |
|---|-------------------------|-------------|-----------|-------------------------|-------------|-----------|-------------------------|
| Capital assets not being depreciated | | | | | | | |
| Land | \$ 9,466 | \$ - | \$ - | \$ 9,466 | \$ - | \$ - | \$ 9,466 |
| Subtotal | 9,466 | - | - | 9,466 | - | - | 9,466 |
| Capital assets being depreciated | | | | | | | |
| Buildings | 205,831 | - | - | 205,831 | - | - | 205,831 |
| Building improvements | 3,579 | 29 | - | 3,608 | - | - | 3,608 |
| Furniture and equipment | 31,240 | 3,076 | (4,756) | 29,560 | 1,982 | (4,457) | 27,085 |
| Subtotal | 240,650 | 3,105 | (4,756) | 238,999 | 1,982 | (4,457) | 236,524 |
| Accumulated depreciation | | | | | | | |
| Buildings | (179,320) | (6,787) | - | (186,107) | (6,787) | - | (192,894) |
| Building improvements | (1,107) | (177) | - | (1,284) | (177) | - | (1,461) |
| Furniture and equipment | (23,630) | (2,659) | 4,387 | (21,902) | (2,684) | 4,430 | (20,156) |
| Subtotal | (204,057) | (9,623) | 4,387 | (209,293) | (9,648) | 4,430 | (214,511) |
| Capital assets being amortized | | | | | | | |
| Intangible assets - definite useful lives | 115,789 | - | - | 115,789 | - | - | 115,789 |
| Accumulated amortization | (7,773) | (11,418) | - | (19,191) | (11,418) | - | (30,609) |
| Subtotal | 108,016 | (11,418) | - | 96,598 | (11,418) | - | 85,180 |
| Net capital assets | \$ 154,075 | \$ (17,936) | \$ (369) | \$ 135,770 | \$ (19,084) | \$ (27) | \$ 116,659 |

4. Reserves for Compensation and Compensation Adjustment Expenses

The reserve for compensation consists of reserves for indemnity and medical claims resulting from work-related injuries or illnesses. The recorded liability for compensation and compensation adjustment expenses are BWC management's selection based on estimates by BWC's independent consulting actuary and BWC's Actuarial division staff. Management believes that the recorded liability makes for a reasonable and appropriate provision for expected future losses and expenses; however, the ultimate liability may vary from the amounts provided.

All reserves have been discounted at 4.0% at June 30, 2019 and 2018. A decrease in the discount rate to 3.0% would result in the reserves for compensation and compensation adjustment expenses increasing to \$16.8 billion at June 30, 2019, while an increase in the rate to 5.0% would result in the reserves for compensation and compensation adjustment expenses decreasing to \$13.6 billion. The undiscounted reserves for compensation and compensation adjustment expenses were \$24.6 billion at June 30, 2019 and \$26.6 billion at June 30, 2018.

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The changes in the reserves for compensation and compensation adjustment expenses for the fiscal years ended June 30, 2019, 2018, and 2017 are summarized as follows (000,000's omitted):

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|------------------|
| Reserves for compensation and compensation adjustment expenses, beginning of period | \$ 15,912 | \$ 16,866 | \$ 17,493 |
| Incurred: | | | |
| Provision for insured events of current period | 1,465 | 1,507 | 1,635 |
| Net decrease in provision for insured events of prior periods net of discount accretion of \$636 in 2019, \$675 in 2018, and \$700 in 2017. | <u>(705)</u> | <u>(703)</u> | <u>(436)</u> |
| Total incurred | 760 | 804 | 1,199 |
| Payments: | | | |
| Compensation and compensation adjustment expenses attributable to insured events of current period | 348 | 341 | 347 |
| Compensation and compensation adjustment expenses attributable to insured events of prior period | <u>1,390</u> | <u>1,417</u> | <u>1,479</u> |
| Total payments | 1,738 | 1,758 | 1,826 |
| Reserves for compensation and compensation adjustment expenses, end of period | <u>\$ 14,934</u> | <u>\$ 15,912</u> | <u>\$ 16,866</u> |

5. Long-Term Obligations

Activity for long-term obligations (excluding the reserves for compensation and compensation adjustment expenses – see Note 4) for the fiscal years ended June 30, 2019 and 2018 is summarized as follows (000's omitted):

| | Balance at 6/30/2017 | Increases | Decreases | Balance at 6/30/2018 | Due Within One Year |
|------------------------------------|-------------------------|-------------------|---------------------|-------------------------|------------------------|
| Net pension liability | \$ 240,665 | \$ - | \$ (77,947) | \$ 162,718 | \$ - |
| Net OPEB liability | - | 111,078 | - | 111,078 | - |
| Group retrospective credit payable | - | 437,078 | - | 437,078 | 156,693 |
| Other liabilities | 63,809 | 108,035 | (103,859) | 67,985 | 41,727 |
| | <u>\$ 304,474</u> | <u>\$ 656,191</u> | <u>\$ (181,806)</u> | <u>\$ 778,859</u> | <u>\$ 198,420</u> |
| | Balance at 6/30/2018 | Increases | Decreases | Balance at 6/30/2019 | Due Within One Year |
| Net pension liability | \$ 162,718 | \$ 115,842 | \$ - | \$ 278,560 | \$ - |
| Net OPEB liability | 111,078 | 19,718 | - | 130,796 | - |
| Group retrospective credit payable | 437,078 | 371,618 | (251,783) | 556,913 | 231,626 |
| Other liabilities | 67,985 | 127,453 | (118,583) | 76,855 | 50,792 |
| | <u>\$ 778,859</u> | <u>\$ 634,631</u> | <u>\$ (370,366)</u> | <u>\$ 1,043,124</u> | <u>\$ 282,418</u> |

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6. Reinsurance

BWC/IC purchases catastrophic reinsurance for risks in excess of its retention limits on workers' compensation insurance policies written. Management is not aware of any catastrophes during the coverage periods listed below, and BWC/IC has not recorded any reinsurance recoveries.

In every policy period reported below, Section Two covers BWC's remaining liability under the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA). TRIPRA is in effect for losses up to \$1 billion. Certain provisions frame the coverage under TRIPRA and they are the following:

- The aggregate losses from an occurrence must exceed \$100 million. This minimum increases \$20 million per year from 2016 to 2020.
- Each insurer will have an annual aggregate retention equal to 20% of its prior year's direct earned premiums.
- Each insurer will be responsible for 15% of losses otherwise recoverable that exceed its TRIPRA retention. This percentage increases 1% per year from 2016 to 2020.

Coverage for policies is provided under the following terms:

- Section One – Other than Acts of Nuclear, Biological, Chemical, or Radiological (NBCR) Terrorism - 50% of \$250 million in excess of \$100 million per Loss Occurrence - Maximum loss of \$10 million of any one person
- Section Two – Only for Acts of Terrorism including NBCR Terrorism - \$100 million in excess of \$350 million per Loss Occurrence - Maximum loss of \$10 million of any one person

The following premiums ceded for reinsurance coverage have been recorded in the accompanying basic financial statements for the fiscal years ended June 30, 2019 and 2018 (000's omitted):

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Premium and assessment income | \$ 1,325,821 | \$ 1,226,356 |
| Ceded premiums | <u>(3,547)</u> | <u>(3,711)</u> |
| Total premium and assessment income net of ceded premiums | <u>\$ 1,322,274</u> | <u>\$ 1,222,645</u> |

Should the reinsurers be unable to meet their obligations under the reinsurance contracts, BWC/IC would remain liable for coverage ceded to its reinsurers. Reinsurance contracts do not relieve BWC/IC of its obligations, and a failure of the reinsurer to honor its obligations could result in losses to BWC/IC. BWC/IC evaluates and monitors the financial condition of its reinsurers to minimize its exposure to loss from reinsurer insolvency. BWC/IC management believes its reinsurers are financially sound and will continue to meet their contractual obligations.

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BWC/IC's reinsurers had the following AM Best ratings at June 30, 2019 and 2018:

| <u>Reinsurer</u> | <u>2019</u> | <u>2018</u> |
|-----------------------------------|-------------|-------------|
| Allied World Assurance Co. Ltd. | A | A |
| Axis Specialty Ltd. | A+ | A+ |
| Brit Global Specialty [Syn. 2987] | A | A |
| Hannover Re (Bermuda) Ltd. | A+ | A+ |
| Cincinnati Ins Co | A+ | A+ |
| London Markets | A | A |
| Markel Global Re Co | A | A |
| Renaissance Re | A+ | A++ |

Other States Coverage

BWC provides access to optional insurance coverage for Ohio companies who meet BWC's underwriting criteria and have out of state workers' compensation exposures. This optional policy offers coverage for workers' compensation gaps and protects employers from penalties and stop-work orders in other states. Zurich American Insurance Company acts as the fronting carrier of the Other States Coverage policies. Acrisure LLC, dba United States Insurance Services Inc, acts as the exclusive fronting agency. The SIF provides 100% reinsurance for the policies in this program.

7. Policy Holder Dividend

BWC's net asset policy contains the business rationale, methodology, and guiding principles with respect to maintaining a prudent net position to protect SIF against financial and operational risks that may threaten the ability to meet future obligations.

The Board approved a dividend to reduce the net position in SIF at the June 2019 board meeting. As a result, the private employers were granted a dividend equivalent to 88% of billed premiums for the July 1, 2017 through June 30, 2018 policy period, while PEC employers were also granted a dividend equivalent to 88% of premiums for the January 1, 2017 through December 31, 2017 policy period. This action resulted in premium dividend expense of \$1.2 billion in fiscal year 2019.

In fiscal year 2018 the Board approved a dividend for both private and PEC employers of 85% of billed premiums for the July 1, 2016 through June 30, 2017 policy period and January 1, 2016 through December 31, 2016 policy period, respectively. As a result, premium dividend expense for fiscal year 2018 totaled \$1.3 billion.

These policy holder dividends reduce the SIF net position, but preserve a prudent net position while maintaining the ability to meet future obligations for the fund.

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8. Pension Plans

General Information

BWC/IC employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer public employee retirement system. OPERS administers three pension plans:

- The Traditional Plan - a defined benefit plan.
- The Combined Plan – a combination of a defined benefit plan and a defined contribution plan. This plan invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Plan benefit. Member contributions are self-directed by the members and accumulate retirement assets in a manner similar to the Member-Directed Plan.
- The Member-Directed Plan – a defined contribution plan. Under this plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings thereon.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Benefits are established and may be amended by State statute. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a publicly available financial report that includes financial statements, required supplementary information, information about the pension plan's fiduciary net position, and the Plan Statement with pension plan details. The report is available by visiting <https://www.opers.org/financial/reports.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377. As of June 30, 2019, the most recent report issued by OPERS is for the calendar year ended December 31, 2018.

Funding Policy

Chapter 145 of the Ohio Revised Code provides statutory authority for employee and employer contributions. During fiscal years 2019 and 2018, the employee contribution rate was 10% and the employer contribution rate was 14% of covered payroll for all three plans. BWC/IC's contractually required employer contributions were \$20.1 million for calendar year 2018 and \$18.7 million for calendar year 2017.

Measurement Date

The measurement dates for the net pension assets and liabilities, deferred inflows and outflows of resources, and pension expense were December 31, 2018 for fiscal year 2019 and December 31, 2017 for fiscal year 2018. OPERS total pension assets and liabilities that were used to calculate the net pension asset and liability were also based on an actuarial valuation as of these dates.

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Proportionate Share

BWC/IC's proportionate shares of the net pension assets and liabilities are determined as BWC/IC's share of contributions to the pension plan relative to the total employer contributions from all participating OPERS employers. Member and employer contributions included in OPERS' Statement of Changes in Fiduciary Net Position are used to calculate proportionate share. At December 31, 2018 and 2017, BWC/IC's proportions were as follows:

| | <u>December 2018</u> | <u>December 2017</u> |
|------------------|----------------------|----------------------|
| Traditional Plan | 1.017089% | 1.037211% |
| Combined Plan | 0.597195% | 0.601759% |

Pension Assets, Deferred Outflows of Resources, Pension Liabilities, Deferred Inflows of Resources, and Pension Expense

At June 30, 2019 and 2018, BWC/IC reported \$668 thousand and \$819 thousand, respectively, for its proportionate share of the Combined Plan's net pension asset and a liability of \$278.6 million and \$162.7 million, respectively, for its proportionate share of the Traditional Plan's net pension liability.

For the fiscal years ended June 30, 2019 and 2018, BWC/IC recognized pension expense of \$38.9 million and \$12.8 million, respectively.

At June 30, 2019 and 2018, BWC/IC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (000's omitted):

| | <u>June 2019</u> | | <u>June 2018</u> | |
|---|---|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Difference between expected and actual experience | \$ 14 | \$ 3,954 | \$ 170 | \$ 3,450 |
| Net difference between projected and actual earnings on pension plan investments | 83,059 | 45,307 | 26,733 | 60,761 |
| Changes in proportion and differences between BWC/IC contributions and proportionate share of contributions | 2,152 | 3,863 | 1,679 | 4,887 |
| Assumption changes | 24,460 | - | 19,938 | - |
| BWC/IC contributions subsequent to the measurement date | 11,093 | - | 8,993 | - |
| Total | \$ 120,778 | \$ 53,124 | \$ 57,513 | \$ 69,098 |

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In 2019 and 2018, deferred outflows of resources related to pensions resulting from BWC/IC's contributions subsequent to the measurement date of \$11.1 million and \$9 million, respectively, will be recognized as a reduction of net pension liability in the fiscal years ended June 30, 2020 and 2019, respectively.

Deferred outflows of resources includes the BWC/IC's proportionate share of the effects of changes in assumptions resulting from OPERS experience study for the period 2011 through 2015. Information from this study led to changes in both demographic and economic assumptions. The long-term pension investment return assumption for the defined benefit investments was reduced over the last two years from 8.0% to 7.5% and then to 7.2%. These assumption changes as well as other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future years as follows (000's omitted):

| | As of June 30, 2019 | | As of June 30, 2018 | |
|---------------------|---------------------|-----------|---------------------|-----------|
| Year ended June 30: | | | | |
| | 2020 | \$ 24,168 | 2019 | \$ 13,446 |
| | 2021 | 11,591 | 2020 | (4,021) |
| | 2022 | 3,223 | 2021 | (15,483) |
| | 2023 | 17,623 | 2022 | (14,429) |
| | 2024 | (20) | 2023 | (29) |
| | Thereafter | \$ (24) | Thereafter | \$ (62) |

Actuarial Assumptions

The total pension liabilities in the December 31, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

December 2018

| | Traditional Pension Plan | Combined Plan |
|----------------------------|--|--|
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.20% | 7.20% |
| Wage Inflation | 3.25% | 3.25% |
| Projected Salary Increases | 3.25% - 10.75% (includes wage inflation at 3.25%) | 3.25% - 8.25% (includes wage inflation at 3.25%) |
| Cost of living Adjustments | Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple | Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple |

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December 2017

| | Traditional Pension Plan | Combined Plan |
|----------------------------|--|--|
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.50% | 7.50% |
| Wage Inflation | 3.25% | 3.25% |
| Projected Salary Increases | 3.25% - 10.75% | 3.25% - 8.25% |
| | (includes wage inflation at 3.25%) | (includes wage inflation at 3.25%) |
| Cost of living Adjustments | Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple | Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple |

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the December 31, 2018 and 2017 valuations were based on the results of an actuarial experience study for a 5 year period ended December 31, 2015. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected best estimates of arithmetical rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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The table below displays the OPERS Board approved asset allocation policy for December 2018 and 2017 and the expected real rates of return.

| Asset Class | <u>December 2018</u> | | <u>December 2017</u> | |
|----------------------|----------------------|--|----------------------|--|
| | Target Allocation | Weighted Average Longterm Expected Real Rate of Return | Target Allocation | Weighted Average Longterm Expected Real Rate of Return |
| Fixed income | 23.00% | 2.79% | 23.00% | 2.20% |
| Domestic equity | 19.00% | 6.21% | 19.00% | 6.37% |
| International equity | 20.00% | 7.83% | 20.00% | 7.88% |
| Real estate | 10.00% | 4.90% | 10.00% | 5.26% |
| Private equity | 10.00% | 10.81% | 10.00% | 8.97% |
| Other Investments | 18.00% | 5.50% | 18.00% | 5.26% |
| Total | <u>100.00%</u> | 5.95% | <u>100.00%</u> | 5.66% |

Discount Rate

The discount rate used to measure the total pension liability for both the Traditional Pension Plan and the Combined Plan was 7.2% for 2018 and 7.5% for 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan and Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity to Changes in the Discount Rate

For the years 2018 and 2017, the following tables present BWC/IC's proportionate share of the net pension liability calculated using the discount rate of 7.2% and 7.5%, respectively, as well as BWC/IC's proportionate share of the net pension liability using a discount rate that is 1% lower or 1% higher than the current rate (000's omitted):

December 2018

| | 1% Decrease - 6.2 % | Current Discount Rate - 7.2% | 1% Increase - 8.2% |
|-----------------------------|---------------------|---------------------------------|--------------------|
| Traditional Plan: | | | |
| Total Net Pension Liability | 411,514 | 278,560 | 168,074 |
| Combined Plan: | | | |
| Total Net Pension (Asset) | (221) | (668) | (991) |

December 2017

| | 1% Decrease - 6.5 % | Current Discount Rate - 7.5% | 1% Increase - 8.5% |
|-----------------------------|---------------------|---------------------------------|--------------------|
| Traditional Plan: | | | |
| Total Net Pension Liability | 288,946 | 162,718 | 57,482 |
| Combined Plan: | | | |
| Total Net Pension (Asset) | (445) | (819) | (1,077) |

Defined Contribution Plans

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five year period, at a rate of 20% each year. BWC/IC recognized \$558 thousand and \$535 thousand in pension expense for defined contribution plans in fiscal years 2019 and 2018, respectively. At retirement, members may select one of the several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the annuitization of their benefit (which includes joint and survivor options), partial lump sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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9. Other Post Employment Benefit (OPEB)

OPERS administers the 115 Health Care Trust, a cost-sharing, multiple-employer defined benefit post-employment health care trust. OPERS health care program includes medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement for qualifying benefit recipients of both the Traditional Pension and the Combined plans. Currently, Medicare eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Although participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional and Combined plans, a portion of employer contributions is allocated to a retiree medical account. Upon retirement or separation, participants may be reimbursed for qualified medical expenses from these accounts.

All benefits of the System, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145. OPERS Board has elected to maintain funds to provide health care coverage to eligible Traditional Pension Plan and Combined Plan retirees and survivors of members. Health care coverage does not vest and is not required. As a result, coverage may be reduced or eliminated at the discretion of OPERS. To qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must be at least age 60 with 20 or more years of qualifying Ohio service. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

OPERS issues a publicly available financial report that includes financial statements, required supplementary information, information about the OPEB plan's fiduciary net position, and the Plan Statement with OPEB plan details. This report is available by visiting <https://www.opers.org/financial/reports.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377. As of June 30, 2019, the most recent report issued by OPERS is for the calendar year ended December 31, 2018.

Funding Policy

Beginning in 2018, Traditional Pension Plan and Combined Plan employer contributions are no longer allocated to health care. During 2017, 1.0% of Traditional Pension Plan and Combined Plan employer contributions were allocated to health care. Employer contributions as a percent of covered payroll deposited for the Member-Directed Plan participants' health care accounts was 4.0% for both 2018 and 2017. Based upon the portion of each employer's contribution to OPERS set aside for funding OPEB as described above, BWC/IC's contribution allocated to OPEB for the 12 months ended December 31, 2018 and 2017, was approximately \$223 thousand and \$1.6 million, respectively.

Measurement Date

The measurement dates for the net OPEB liabilities, deferred inflows and outflows of resources, and OPEB expense were December 31, 2018 for fiscal year 2019 and December 31, 2017 for fiscal year 2018. For fiscal years 2019 and 2018, OPERS total OPEB assets and liabilities that were used to calculate the net OPEB liability were based on an actuarial valuation of December 31, 2017 with a rollforward measurement date of December 31, 2018 and December 31, 2016 with a rollforward measurement date of December 31, 2017, respectively.

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Proportionate Share

BWC/IC's proportionate shares of the net OPEB assets and liabilities are determined as BWC/IC's share of contributions to the plan relative to the total employer contributions from all participating OPERS employers. Member and employer contributions included in OPERS' Statement of Changes in Fiduciary Net Position are used to calculate proportionate share. At December 31, 2018 and 2017, BWC/IC's proportions were as follows:

| | <u>December 2018</u> | <u>December 2017</u> |
|------|----------------------|----------------------|
| OPEB | 1.003218% | 1.022887% |

Net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and OPEB Expense

At June 30, 2019 and 2018, BWC/IC reported \$130.8 million and \$111.1 million, respectively, for its proportionate share of the net OPEB liability.

For the fiscal years ended June 30, 2019 and 2018 BWC/IC recognized OPEB expense of \$11 million and \$7.9 million, respectively.

At June 30, 2019 and 2018, BWC/IC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (000's omitted):

| | <u>June 2019</u> | | <u>June 2018</u> | |
|---|---|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Difference between expected and actual experience | \$ 45 | \$ 355 | \$ 87 | \$ - |
| Net difference between projected and actual earnings on OPEB plan investments | 12,083 | 6,206 | - | 8,275 |
| Changes in proportion and differences between BWC/IC contributions and proportionate share of contributions | 212 | 1,431 | - | - |
| Assumption changes | 4,298 | - | 8,088 | - |
| BWC/IC contributions subsequent to the measurement date | - | - | 774 | - |
| Total | \$ 16,638 | \$ 7,992 | \$ 8,949 | \$ 8,275 |

In 2018, deferred outflows of resources related to OPEB resulting from BWC/IC's contributions subsequent to the measurement date of \$774 thousand were recognized as a reduction of net OPEB liability in the fiscal year ended June 30, 2019.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (000's omitted):

| | As of June 30, 2019 | | As of June 30, 2018 | |
|---------------------|---------------------|----------|---------------------|----------|
| Year ended June 30: | 2020 | \$ 4,123 | 2019 | \$ 1,839 |
| | 2021 | 573 | 2020 | 1,839 |
| | 2022 | 930 | 2021 | (1,710) |
| | 2023 | 3,020 | 2022 | (2,068) |

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

December 2018

| | OPEB |
|-----------------------------|--|
| Actuarial Assumptions: | |
| Single Discount Rate | 3.96% |
| Investment Rate of Return | 6.00% |
| Wage Inflation | 3.25% |
| Municipal Bond Rate | 3.71% |
| Projected Salary Increases | 3.25% - 10.75% (includes wage inflation at 3.25%) |
| Health Care Cost Trend Rate | 10% initial, 3.25% ultimate in 2029 |

December 2017

| | OPEB |
|-----------------------------|--|
| Actuarial Assumptions: | |
| Single Discount Rate | 3.85% |
| Investment Rate of Return | 6.50% |
| Wage Inflation | 3.25% |
| Municipal Bond Rate | 3.31% |
| Projected Salary Increases | 3.25% - 10.75% (includes wage inflation at 3.25%) |
| Health Care Cost Trend Rate | 7.5% initial, 3.25% ultimate in 2028 |

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Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the December 31, 2018 and 2017 valuations were based on the results of an actuarial experience study for a 5-year period ended December 31, 2015. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

The long-term expected rate of return on the health care investment assets was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected best estimates of arithmetical rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The table below displays the OPERS Board approved asset allocation policy for December 2018 and 2017 and the expected real rates of return.

| Asset Class | December 2018 | | December 2017 | |
|----------------------|-------------------|--|-------------------|--|
| | Target Allocation | Weighted Average Longterm Expected Real Rate of Return | Target Allocation | Weighted Average Longterm Expected Real Rate of Return |
| Fixed income | 34.00% | 2.42% | 34.00% | 1.88% |
| Domestic equity | 21.00% | 6.21% | 21.00% | 6.37% |
| International equity | 22.00% | 7.83% | 22.00% | 7.88% |
| Real estate | 6.00% | 5.98% | 6.00% | 5.91% |
| Other Investments | 17.00% | 5.57% | 17.00% | 5.39% |
| Total | <u>100.00%</u> | 5.16% | <u>100.00%</u> | 4.98% |

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Discount Rate

The single discount rate used to measure the OPEB liability at the measurement date of December 31, 2018 and 2017 was 3.96% and 3.85%, respectively. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). These single discount rates for 2018 and 2017 were based on an expected rate of return on the health care investment portfolio of 6.00% and 6.50%, respectively, and a municipal bond rate of 3.71% and 3.31%, respectively. The projection of cash flows used to determine these single discount rates assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the 2018 and 2017 health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031 and 2034, respectively. As a result, the 2018 and 2017 long-term expected rates of return on health care investments were applied to projected costs through the year 2031 and 2034, respectively, and the municipal bond rates were applied to all health care costs after these dates.

Sensitivity to Changes in the Discount Rate

For December 2018 and December 2017, the following tables present BWC/IC's proportionate share of the net OPEB liability calculated using the discount rate of 3.96 and 3.85%, respectively, as well as BWC/IC's proportionate share of the net OPEB liability using a discount rate that is 1.0% lower or 1.0% higher than the current rate (000's omitted):

December 2018

| | <u>1% Decrease - 2.96 %</u> | Single Discount Rate - 3.96% | <u>1% Increase - 4.96%</u> |
|--------------------------|-----------------------------|---------------------------------|----------------------------|
| OPEB: | | | |
| Total Net OPEB Liability | 167,337 | 130,796 | 101,726 |

December 2017

| | <u>1% Decrease - 2.85 %</u> | Single Discount Rate - 3.85% | <u>1% Increase - 4.85%</u> |
|--------------------------|-----------------------------|---------------------------------|----------------------------|
| OPEB: | | | |
| Total Net OPEB Liability | 147,572 | 111,078 | 81,555 |

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Sensitivity to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following tables present BWC/IC's proportionate share of the net OPEB liability calculated using the assumed trend rates and the expected net OPEB liability using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate for December 2018 and December 2017 (000's omitted):

December 2018

| | <u>1% Decrease</u> | <u>Current Health Care Cost Trend Rate Assumption</u> | <u>1% Increase</u> |
|--------------------------|--------------------|---|--------------------|
| OPEB: | | | |
| Total Net OPEB Liability | 125,723 | 130,796 | 136,638 |

December 2017

| | <u>1% Decrease</u> | <u>Current Health Care Cost Trend Rate Assumption</u> | <u>1% Increase</u> |
|--------------------------|--------------------|---|--------------------|
| OPEB: | | | |
| Total Net OPEB Liability | 106,278 | 111,078 | 116,036 |

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the starting trend in 2019 and 2018 is 10.0% and 7.5%, respectively. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

10. Risk Management

BWC/IC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these risks, BWC/IC maintains commercial insurance and property insurance. There were no reductions in coverage in either fiscal years 2019 or 2018. Claims experience over the past three years indicates there were no instances of losses exceeding insurance coverage. Additionally, BWC/IC provides medical benefits for its employees on a fully insured basis with independent insurance companies or the State's self-insured benefit plan.

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11. Contingent Liabilities

BWC/IC is a party in various legal proceedings and is also involved in other claims and legal actions arising in the ordinary course of business. Although the outcome of certain legal proceedings is not quantifiable or determinable at this time, an unfavorable outcome in any one of them could have a material effect on the financial position of BWC/IC.

12. Net Position

Individual fund net position (deficit) balances at June 30, 2019 and 2018 were as follows (000's omitted):

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|--------------|--------------|
| SIF | \$11,329,842 | \$10,156,011 |
| SIF Surplus Fund Account | 42,551 | 43,984 |
| SIF Premium Payment Security Fund | 143,642 | 143,642 |
| Total SIF Net Position | 11,516,035 | 10,343,637 |
| DWRF | 454,582 | 158,611 |
| CWPF | 288,094 | 270,831 |
| PWREF | 16,194 | 15,214 |
| MIF | 25,896 | 23,646 |
| SIEGF | 33,039 | 31,508 |
| ACF | (1,038,314) | (916,583) |
| Total Net Position | \$11,295,526 | \$ 9,926,864 |

As mandated by the Code, the SIF net position is separated into three separate funds; the main fund, the Surplus Fund Account (Surplus Fund), and the Premium Payment Security Fund (PPSF).

The SIF Surplus Fund is established by the Code and is financed by a portion of all SIF premiums paid by private and public employers (excluding State employers) and assessments paid by self-insured employers. The Surplus Fund has been appropriated for specific charges, including compensation related to claims of handicapped persons or employees of noncomplying employers, and the expense of providing rehabilitation services, counseling, training, living maintenance payments, and other related charges to injured workers. The Surplus Fund may also be charged on a discretionary basis as ordered by BWC/IC, as permitted by the Code. Prior to the passage of House Bill 15 in 2009, contributions to the Surplus Fund were limited to 5% of premiums. The BWC administrator now has the authority to transfer money from SIF necessary to meet the needs of the Surplus Fund.

The SIF PPSF is established by the Code and is financed by a percentage of all premiums paid by private employers. Amounts are charged to the PPSF when the employer's premium due for a payroll period is determined to be uncollectible by the Attorney General of Ohio.

The ACF fund deficit is a result of recognizing the actuarially estimated liabilities in accordance with accounting principles generally accepted in the United States of America, even though the funding for ACF is on a terminal funding basis in accordance with the Code. Consequently, the incurred expenses are not fully funded.

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DWRF is operated on a terminal funding basis in accordance with the Code, however, the actuarially estimated liabilities are recognized in accordance with accounting principles generally accepted in the United States of America. While BWC has the statutory authority to assess employers in future periods for amounts needed to fund DWRF II cost of living benefits, cash and investment balances are currently sufficient to fund the estimated DWRF II liabilities.

13. Adoption of New Accounting Principles

The GASB has recently issued the following new accounting pronouncement that will be effective in future years and may be relevant to BWC/IC:

- GASB No. 87, "Leases" (effective fiscal year 2021)

Management has not yet determined the impact that this recently issued GASB Pronouncement will have on BWC/IC's financial statements.

SUPPLEMENTARY INFORMATION

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**REQUIRED SUPPLEMENTAL REVENUE AND RESERVE
DEVELOPMENT INFORMATION**
(See Accompanying Independent Auditors' Report)
For the fiscal years ended June 30, 2019 and 2018

GASB Statement No. 30, "Risk Financing Omnibus," requires the presentation of ten years of supplemental revenue and reserve development information, if available.

The table on the following page illustrates how BWC/IC's gross premium revenues and investment income compare to related costs of workers' compensation benefits (compensation) and other expenses incurred by BWC/IC as of the end of each of the last ten and one-half reporting periods. The rows of the table are defined as follows: (1) This line shows the total of each period's gross premium revenues and investment income. (2) This line shows each period's operating expenses, including overhead and compensation adjustment expenses not allocable to individual claims. (3) This line shows incurred compensation and allocated compensation adjustment expenses (both paid and accrued) as originally reported at the end of the first period in which the injury occurred. (4) This section of ten rows shows the cumulative amounts paid as of the end of successive periods for each period. (5) This section of ten rows shows how each period's incurred compensation increased or decreased as of the end of successive periods. (6) This line compares the latest re-estimated incurred compensation amount to the amount originally established (line 3) and shows whether this latest estimate of compensation cost is greater or less than originally estimated. As data for individual periods mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred compensation currently recognized in less mature periods. The columns of the table show data for successive periods on an undiscounted basis for the fiscal years ended June 30, 2009 through 2019.

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REQUIRED SUPPLEMENTAL REVENUE AND RESERVE
DEVELOPMENT INFORMATION, UNAUDITED, Continued
(See Accompanying Independent Auditors' Report)
(In Millions of Dollars)**

| | Fiscal Years Ended June 30 | | | | | | | | | | |
|--|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| 1. Required premiums, assessments, and investment income earned | \$3,586 | \$2,628 | \$ 3,517 | \$ 1,378 | \$ 2,552 | \$ 5,194 | \$ 2,453 | \$ 4,044 | \$ 4,356 | \$ 4,206 | \$ 2,296 |
| Ceded premiums | 4 | 4 | 4 | 4 | 4 | 4 | 6 | 6 | 6 | 1 | - |
| Net earned | 3,582 | 2,624 | 3,513 | 1,374 | 2,548 | 5,190 | 2,447 | 4,038 | 4,350 | 4,205 | 2,296 |
| 2. Unallocated expenses | 248 | 219 | 205 | 170 | 163 | 150 | 140 | 129 | 131 | 139 | 97 |
| 3. Estimated incurred compensation and compensation adjustment expense, end of period | 1,465 | 1,507 | 1,635 | 1,731 | 1,853 | 1,854 | 1,720 | 1,800 | 1,863 | 1,870 | 2,139 |
| Discount | 590 | 656 | 781 | 806 | 874 | 872 | 830 | 967 | 974 | 985 | 1,472 |
| Gross liability as originally estimated | 2,054 | 2,163 | 2,416 | 2,538 | 2,727 | 2,726 | 2,549 | 2,767 | 2,837 | 2,854 | 3,611 |
| 4. Net paid (cumulative) as of : | | | | | | | | | | | |
| End of period | 348 | 341 | 347 | 327 | 331 | 337 | 380 | 386 | 400 | 384 | 458 |
| One year later | | 530 | 531 | 531 | 548 | 563 | 600 | 620 | 641 | 639 | 711 |
| Two years later | | | 641 | 644 | 669 | 689 | 731 | 756 | 773 | 775 | 868 |
| Three years later | | | | 724 | 748 | 776 | 822 | 857 | 879 | 883 | 979 |
| Four years later | | | | | 815 | 839 | 893 | 935 | 964 | 973 | 1,083 |
| Five years later | | | | | | 900 | 952 | 1,002 | 1,040 | 1,055 | 1,179 |
| Six years later | | | | | | | 1,005 | 1,057 | 1,102 | 1,124 | 1,263 |
| Seven years later | | | | | | | | 1,102 | 1,148 | 1,179 | 1,327 |
| Eight years later | | | | | | | | | 1,186 | 1,222 | 1,380 |
| Nine years later | | | | | | | | | | 1,260 | 1,425 |
| Ten years later | | | | | | | | | | | 1,466 |
| 5. Re-estimated incurred compensation and compensation adjustment expenses (gross): | | | | | | | | | | | |
| One year later | | 1,915 | 2,039 | 2,257 | 2,346 | 2,476 | 2,494 | 2,501 | 2,680 | 2,701 | 2,865 |
| Two years later | | | 1,913 | 2,052 | 2,219 | 2,265 | 2,397 | 2,450 | 2,470 | 2,596 | 2,794 |
| Three years later | | | | 1,883 | 2,024 | 2,144 | 2,234 | 2,361 | 2,438 | 2,425 | 2,730 |
| Four years later | | | | | 1,869 | 1,974 | 2,119 | 2,226 | 2,340 | 2,426 | 2,585 |
| Five years later | | | | | | 1,858 | 2,002 | 2,135 | 2,236 | 2,342 | 2,668 |
| Six years later | | | | | | | 1,891 | 2,044 | 2,168 | 2,246 | 2,586 |
| Seven years later | | | | | | | | 1,933 | 2,082 | 2,189 | 2,485 |
| Eight years later | | | | | | | | | 1,974 | 2,109 | 2,442 |
| Nine years later | | | | | | | | | | 2,021 | 2,375 |
| Ten years later | | | | | | | | | | | 2,286 |
| 6. Decrease in gross estimated incurred compensation and compensation adjustment expenses from end of period | | (248) | (503) | (655) | (858) | (868) | (658) | (834) | (863) | (833) | (1,325) |

Ultimate incurred compensation and compensation adjustment expenses excludes liability associated with active working miners within the CWPF since they are not yet assignable to fiscal accident year. The June 30, 2019 active miners nominal and discounted liability is approximately \$28.7 million and \$6.8 million, respectively.

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Required Supplementary Information
Schedule of BWC/IC's Proportionate Share of the Net Pension Liability
Last 5 fiscal years*
(000's omitted)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|
| BWC/IC's Proportion of the net pension | | | | | |
| Net Pension Asset | 1.017% | 1.037% | 1.060% | 1.080% | 1.115% |
| Net Pension Liability | 0.597% | 0.602% | 0.578% | 0.549% | 0.586% |
| BWC/IC's Proportionate share of the net pension liability | \$277,892 | \$161,899 | \$240,344 | \$186,771 | \$134,254 |
| BWC/IC's covered payroll | \$154,397 | \$152,774 | \$155,963 | \$149,562 | \$149,652 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 179.985% | 105.973% | 154.103% | 124.879% | 89.711% |
| Plan fiduciary net position as a percentage of the total pension liability | | | | | |
| Traditional Pension Plan | 74.70% | 84.66% | 77.25% | 81.08% | 86.45% |
| Combined Plan | 126.64% | 137.28% | 116.55% | 116.90% | 114.83% |

* - The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year. This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Required Supplementary Information
Schedule of Employer Pension Contributions
(See Accompanying Independent Auditors' Report)
Last 5 fiscal years*
(000's omitted)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-----------|-----------|-----------|-----------|-----------|
| BWC/IC's Statutorily Required Employer Contributions | \$ 21,357 | \$ 20,713 | \$ 20,428 | \$ 19,752 | \$ 19,688 |
| Amount of contributions recognized by the pension plan in relation to the statutory contributions | 21,357 | 20,713 | 20,428 | 19,752 | 19,688 |
| Contributions deficiency (excess) | - | - | - | - | - |
| Employer's covered payroll | 161,974 | 153,211 | 152,963 | 151,275 | 148,683 |
| Amount of contributions recognized by the pension plan as a percentage of employers' covered payroll | 13.19% | 13.52% | 13.35% | 13.06% | 13.24% |

* - This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Required Supplementary Information
Schedule of BWC/IC's Proportionate Share of the Net OPEB Liability
Last 2 fiscal years*
(000's omitted)

| | 2019 | 2018 |
|--|-----------|-----------|
| BWC/IC's Proportion of the OPEB liability | 1.003% | 1.023% |
| BWC/IC's Proportionate share of the OPEB liability | \$130,796 | \$111,078 |
| BWC/IC's covered payroll | \$154,397 | \$152,774 |
| Proportionate share of the OPEB liability as a percentage of its covered payroll | 84.714% | 72.707% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 46.33% | 54.14% |

* The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year. This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Required Supplementary Information
Schedule of Employer OPEB Contributions
(See Accompanying Independent Auditors' Report)
Last 2 fiscal years*
(000's omitted)

| | 2019 | 2018 |
|--|------------|------------|
| BWC/IC's Statutorily Required Employer Contributions | \$ 223 | \$ 2,384 |
| Amount of contributions recognized by the OPEB plan in relation to the statutory contributions | 223 | 2,384 |
| Contributions deficiency (excess) | - | - |
| Employer's covered payroll | \$ 161,974 | \$ 153,211 |
| Amount of contributions recognized by the OPEB plan as a percentage of employers' covered payroll | 0.14% | 1.56% |

* This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF NET POSITION
(See Accompanying Independent Auditors' Report)
June 30, 2019
(000's omitted)

| | State Insurance Fund Account | Disabled Workers' Relief Fund Account | Coal-Workers Pneumoconiosis Fund Account | Public Work- Relief Employees' Fund Account | Marine Industry Fund Account | Self-Insuring Employers' Guaranty Fund Account | Administrative Cost Fund Account | Eliminations | Totals |
|---|---------------------------------|---|--|---|------------------------------------|--|--|---------------------|----------------------|
| ASSETS | | | | | | | | | |
| Current assets: | | | | | | | | | |
| Cash and cash equivalents | \$ 367,944 | \$ 5,461 | \$ 392 | \$ 183 | \$ 379 | \$ 51,792 | \$ 7,763 | \$ - | \$ 433,914 |
| Collateral on loaned securities | - | - | - | - | - | - | 2,375 | - | 2,375 |
| Premiums recorded not yet due | 15,538 | - | - | 170 | - | - | - | - | 15,708 |
| Assessments recorded not yet due | - | - | - | - | - | - | 1,847 | - | 1,847 |
| Premiums in course of collection | 6,464 | - | - | - | - | - | - | - | 6,464 |
| Assessments in course of collection | - | 415 | - | - | - | - | 12,949 | - | 13,364 |
| Accounts receivable, net of allowance for uncollectibles | 247,784 | 10,839 | 106 | - | 3 | 314 | 27,495 | - | 286,541 |
| Retrospective premiums receivable | 29,234 | - | - | - | - | - | - | - | 29,234 |
| Interfund receivables | 9,656 | 462,830 | 208 | 3 | 4 | 53 | 127,711 | (600,465) | - |
| Investment trade receivables | 195,199 | - | - | - | - | - | - | - | 195,199 |
| Accrued investment income | 124,862 | 17 | 1 | - | - | 98 | - | - | 124,978 |
| Other current assets | 600 | - | - | - | - | - | - | - | 600 |
| Total current assets | <u>997,281</u> | <u>479,562</u> | <u>707</u> | <u>356</u> | <u>386</u> | <u>52,257</u> | <u>180,140</u> | <u>(600,465)</u> | <u>1,110,224</u> |
| Non-current assets: | | | | | | | | | |
| Fixed maturities | 13,582,063 | 1,242,576 | 299,175 | 17,675 | 26,692 | - | - | - | 15,168,181 |
| Domestic equity securities: | | | | | | | | | |
| Common stock | 5,297,710 | 360,919 | 52,767 | - | - | - | - | - | 5,711,396 |
| Preferred stocks | 1,058 | - | - | - | - | - | - | - | 1,058 |
| Non-U.S equity securities - common stock | 2,471,107 | 180,823 | 29,513 | - | - | - | - | - | 2,681,443 |
| Investments in real estate funds | 3,523,291 | - | - | - | - | - | - | - | 3,523,291 |
| Unbilled premiums receivable | 528,084 | 12,000 | - | - | - | 391,767 | 69,780 | - | 1,001,631 |
| Retrospective premiums receivable | 58,460 | - | - | - | - | - | - | - | 58,460 |
| Capital assets | 18,048 | 21 | - | - | - | - | 98,590 | - | 116,659 |
| Net pension asset | - | - | - | - | - | - | 668 | - | 668 |
| Total noncurrent assets | <u>25,479,821</u> | <u>1,796,339</u> | <u>381,455</u> | <u>17,675</u> | <u>26,692</u> | <u>391,767</u> | <u>169,038</u> | <u>-</u> | <u>28,262,787</u> |
| Total assets | <u>26,477,102</u> | <u>2,275,901</u> | <u>382,162</u> | <u>18,031</u> | <u>27,078</u> | <u>444,024</u> | <u>349,178</u> | <u>(600,465)</u> | <u>29,373,011</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | | | | | | | |
| | - | - | - | - | - | - | 137,416 | - | 137,416 |
| Total assets and deferred outflow of resources | <u>\$ 26,477,102</u> | <u>\$ 2,275,901</u> | <u>\$ 382,162</u> | <u>\$ 18,031</u> | <u>\$ 27,078</u> | <u>\$ 444,024</u> | <u>\$ 486,594</u> | <u>\$ (600,465)</u> | <u>\$ 29,510,427</u> |

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF NET POSITION, Continued
(See Accompanying Independent Auditors' Report)
June 30, 2019
(000's omitted)

| | State Insurance Fund Account | Disabled Workers' Relief Fund Account | Coal-Workers Pneumoconiosis Fund Account | Public Work- Relief Employees' Fund Account | Marine Industry Fund Account | Self-Insuring Employers' Guaranty Fund Account | Administrative Cost Fund Account | Eliminations | Totals |
|--|---------------------------------|---|--|---|------------------------------------|--|--|--------------|---------------|
| LIABILITIES | | | | | | | | | |
| Current liabilities: | | | | | | | | | |
| Reserve for compensation | \$ 1,295,876 | \$104,572 | \$ 2,233 | \$ 257 | \$ 132 | \$21,633 | \$ - | \$ - | \$ 1,424,703 |
| Reserve for compensation adjustment expenses | 170,038 | 109 | 101 | - | 35 | 773 | 257,768 | - | 428,824 |
| Policy holder dividend payable | 1,296,000 | - | - | - | - | - | - | - | 1,296,000 |
| Unearned premium and assessments | 340,312 | 25,491 | 208 | 72 | 68 | - | 64,978 | - | 431,129 |
| Legal settlement | 4,500 | - | - | - | - | - | - | - | 4,500 |
| Warrants payable | 29,726 | - | - | - | - | - | - | - | 29,726 |
| Group retrospective credit payable | 231,626 | - | - | - | - | - | - | - | 231,626 |
| Investment trade payables | 396,284 | - | - | - | - | - | - | - | 396,284 |
| Accounts payable | 7,150 | - | 231 | 54 | - | - | 8,652 | - | 16,087 |
| Interfund payables | 589,154 | 8,130 | 179 | 8 | 8 | 2,985 | 1 | (600,465) | - |
| Obligations under securities lending | - | - | - | - | - | - | 2,375 | - | 2,375 |
| Other current liabilities | 36,669 | 97 | 50 | 3 | 6 | - | 13,967 | - | 50,792 |
| Total current liabilities | 4,397,335 | 138,399 | 3,002 | 394 | 249 | 25,391 | 347,741 | (600,465) | 4,312,046 |
| Noncurrent liabilities: | | | | | | | | | |
| Reserve for compensation | 9,625,483 | 1,681,529 | 83,967 | 1,443 | 868 | 380,567 | - | - | 11,773,857 |
| Reserve for compensation adjustment expenses | 612,962 | 1,391 | 7,099 | - | 65 | 5,027 | 680,632 | - | 1,307,176 |
| Net pension liability | - | - | - | - | - | - | 278,560 | - | 278,560 |
| Net OPEB liability | - | - | - | - | - | - | 130,796 | - | 130,796 |
| Group retrospective credit payable | 325,287 | - | - | - | - | - | - | - | 325,287 |
| Other noncurrent liabilities | - | - | - | - | - | - | 26,063 | - | 26,063 |
| Total noncurrent liabilities | 10,563,732 | 1,682,920 | 91,066 | 1,443 | 933 | 385,594 | 1,116,051 | - | 13,841,739 |
| Total liabilities | 14,961,067 | 1,821,319 | 94,068 | 1,837 | 1,182 | 410,985 | 1,463,792 | (600,465) | 18,153,785 |
| DEFERRED INFLOW OF RESOURCES | | | | | | | | | |
| Total liabilities and deferred inflow of resources | 14,961,067 | 1,821,319 | 94,068 | 1,837 | 1,182 | 410,985 | 1,524,908 | (600,465) | 18,214,901 |
| NET POSITION (DEFICIT) | | | | | | | | | |
| Net investment in capital assets | 18,047 | 22 | - | - | - | - | 98,590 | - | 116,659 |
| Surplus fund | 42,551 | - | - | - | - | - | - | - | 42,551 |
| Premium payment security fund | 143,642 | - | - | - | - | - | - | - | 143,642 |
| Unrestricted net position (deficit) | 11,311,795 | 454,560 | 288,094 | 16,194 | 25,896 | 33,039 | (1,136,904) | - | 10,992,674 |
| Total net position (deficit) | \$ 11,516,035 | \$ 454,582 | \$ 288,094 | \$ 16,194 | \$ 25,896 | \$ 33,039 | \$ (1,038,314) | \$ - | \$ 11,295,526 |

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
(See Accompanying Independent Auditors' Report)
For the fiscal year ended June 30, 2019
(000's omitted)

| | State Insurance Fund Account | Disabled Workers' Relief Fund Account | Coal-Workers Pneumoconiosis Fund Account | Public Work- Relief Employees' Fund Account | Marine Industry Fund Account | Self-Insuring Employers' Guaranty Fund Account | Administrative Cost Fund Account | Eliminations | Totals |
|---|---------------------------------|---|--|---|------------------------------------|--|--|--------------|--------------|
| Operating revenues: | | | | | | | | | |
| Premium and assessment income net of ceded premium | \$1,052,130 | \$31,960 | \$538 | \$182 | \$541 | \$3,021 | \$233,902 | \$ - | \$1,322,274 |
| Provision for uncollectibles | (30,844) | (459) | (2) | - | - | 152 | (622) | - | (31,775) |
| Other income | 4,612 | - | - | - | - | - | 4,784 | - | 9,396 |
| Total operating revenues | 1,025,898 | 31,501 | 536 | 182 | 541 | 3,173 | 238,064 | - | 1,299,895 |
| Operating expenses: | | | | | | | | | |
| Workers' compensation benefits | 486,276 | (124,572) | 5,585 | 349 | (76) | 2,001 | - | - | 369,563 |
| Compensation adjustment expenses | 153,675 | (21) | 726 | - | 24 | 782 | 235,347 | - | 390,533 |
| Personal services | - | 92 | 128 | - | 37 | - | 90,959 | - | 91,216 |
| Other administrative expenses | 19,377 | 1 | 2 | - | 30 | - | 68,511 | - | 87,921 |
| Total operating expenses | 659,328 | (124,500) | 6,441 | 349 | 15 | 2,783 | 394,817 | - | 939,233 |
| Net operating income (loss) before policy holder dividend | 366,570 | 156,001 | (5,905) | (167) | 526 | 390 | (156,753) | - | 360,662 |
| Policy holder dividend expense | 1,182,817 | - | - | - | - | - | - | - | 1,182,817 |
| Total policy holder dividend | 1,182,817 | - | - | - | - | - | - | - | 1,182,817 |
| Net operating (loss) income | (816,247) | 156,001 | (5,905) | (167) | 526 | 390 | (156,753) | - | (822,155) |
| Non-operating revenues: | | | | | | | | | |
| Net investment income | 2,018,285 | 139,970 | 23,168 | 1,147 | 1,724 | 1,141 | 5,686 | - | 2,191,121 |
| Gain on disposal of capital assets | - | - | - | - | - | - | 121 | - | 121 |
| Total non-operating revenues | 2,018,285 | 139,970 | 23,168 | 1,147 | 1,724 | 1,141 | 5,807 | - | 2,191,242 |
| Net transfers out | (29,640) | - | - | - | - | - | 29,215 | - | (425) |
| Increase (decrease) in net position (deficit) | 1,172,398 | 295,971 | 17,263 | 980 | 2,250 | 1,531 | (121,731) | - | 1,368,662 |
| Net position (deficit), beginning of year | 10,343,637 | 158,611 | 270,831 | 15,214 | 23,646 | 31,508 | (916,583) | - | 9,926,864 |
| Net position (deficit), end of year | \$11,516,035 | \$454,582 | \$288,094 | \$16,194 | \$25,896 | \$33,039 | \$(1,038,314) | \$ - | \$11,295,526 |

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio
A Department of the State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio (BWC/IC), a department of the State of Ohio, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the BWC/IC's basic financial statements and have issued our report thereon dated September 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BWC/IC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BWC/IC's internal control. Accordingly, we do not express an opinion on the effectiveness of BWC/IC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BWC/IC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and slightly slanted to the right.

Crowe LLP

Columbus, Ohio
September 27, 2019