

John Kasich, Governor
Jodie M. Taylor, *Chairperson*
Kevin R. Abrams, *Member*
Gary M. DiCeglio, *Member*

**The Industrial Commission of Ohio
Biennium Budget Request for
Fiscal Years 2012 & 2013**

Good day, Chairman Hottinger and members of the Insurance Committee. I am Jodie Taylor, Chairperson of the Industrial Commission of Ohio. It is my pleasure to present to you the Industrial Commission's 2012 and 2013 Biennium Budget.

Before I get into the fine details of our budget request, I would like to provide a little background on the Industrial Commission, for the newest members of the Committee.

The Industrial Commission provides a forum for appealing Ohio Bureau of Workers' Compensation (BWC) and self-insured employer decisions. We resolve issues between parties who have a dispute in a workers' compensation claim, determine violations of specific safety requirements, and determine if an injured worker is permanently and totally disabled due to a work-related injury or occupational disease.

Hearings on disputed claims are conducted at three levels within the Commission: the district level (DHO), the staff level (SHO), and the Commission level. The Governor appoints the three-member Commission and the Ohio Senate confirms these appointments. By previous vocation, employment or affiliations, one member must represent employees, one must represent employers and one must represent the public. I am the Commission member that represents employers. The Executive Director manages the agency's day-to-day operations. The Industrial Commission currently conducts hearings at 12 locations, which are shown on page 19 of the budget booklet.

We are an agency with a history of fiscal prudence as our proposed budget for fiscal year 2013 at \$58.4m is actually less than our budget of ten years ago (FY2003) which was \$59.7m. During this ten-year period, we were able to reduce our expenditures even though we absorbed negotiated pay increases, step pay increases, increased medical insurance premiums and other items that were beyond our control. Our proposed budget for fiscal years 2012/2013 is less than the fiscal Year 2010/2011 budget. In fact, the FY-2012 budget is 5.02 percent less than the fiscal year 2011 and the proposed fiscal year 2013 budget is 6.78 percent less than fiscal year 2011. The ten-year history of our budgets is shown on page 9 of our budget booklet and the detail of our proposed FY2012/2013 is shown on page 8.

We would also like to point out that we are a non-general revenue agency and thus we do not receive income tax or sales tax receipts. Our funding comes from an administrative percentage applied to employers' workers compensation premiums. We are pleased to report that our reduction in expenditures has allowed us to decrease our premiums to the employers of Ohio by \$10.7m during the last three years, which is a 17.8 percent decrease. We intend to maintain the current decreased rates through the end of the next biennium budget period.

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What has allowed us to achieve our financial success? The answer is that we invested in the computerization of the hearing process fifteen years ago and we have continued to improve our systems during this period. The million hearing notices we send each year are automatically processed by our computer system. These notices are mechanically folded, stuffed, and mailed resulting in a significant decrease in labor cost. We achieved a similar result with the one million hearing orders that we send out each year. Each hearing order is unique and requires typing but there is a significant savings in typing because a large amount of information in the order is extracted from our computer database. As was the case with hearing notices hearing orders are automatically, folded, stuffed and mailed resulting in significant labor savings. Our most recent improvement in our automation is called 'work flow'. 'Workflow' allows us to assign work to any word processor or claims examiner within the state regardless of their location. This allows us to better utilize our human resources as we can manage our employment for the entire state rather than individual offices. Thus, if a claims examiner leaves employment in Cleveland we may not have to fill the position if we have resources available at other offices to perform this work. The 'work flow' system also allows us to better quantify the expected output for word processors and claims examiners so we can make accurate calculations of our statewide needs for these classifications. With this information in hand, we have been able to significantly reduce our number of employees for these classifications.

Our improved efficiency has resulted in a reduction in our employment during the last three years from 496 to 426. This is a 14.1 percent reduction. Since 1997, our employment has decreased from 643 employees to 426, which is a decrease of 33.7 percent. A graph of our employment level decrease is shown on page 10 of the budget booklet. We are very proud of our accomplishments in reducing our employment and the resultant benefit to the employers of Ohio.

We have also initiated many other cost savings initiatives. For example, we have closed four offices without significantly reducing services, which is saving us \$1.46m per year. We have reduced our office space at several locations resulting in a savings of \$874,000. We have reduced our overtime expense during the last five years from \$96k to \$22k as shown on page 12 of our budget booklet. We have reduced temporary employment expense from \$220,000 to zero and we have reduced our telephone, travel, and supply expense. We are initiating cost savings on all fronts.

Although we have implemented significant cost savings and efficiencies, it has not resulted in a decrease in service as to conducting hearings on a timely basis. We continue to perform hearings well below the legislated mandates. For example, our first level DHO hearings are required to be completed and mailed with 52 days. We now have an average completion time of 33 days. The second level SHO hearings have the same completion mandate but we have averaged a completion time of 31 days including the mailing. Graphs of this performance are shown on pages 21 and 22 of our budget booklet.

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The Industrial Commission has 91 hearing officers—all attorneys—throughout the state. They make the bulk of the legal decisions within the IC. Commissioners also hold hearings.

Our hearing administrators also make decisions on thousands of requests leading up to a hearing. Those statistics can be found on page 23 of our budget booklet. Hearing administrators also help expedite the claims of injured workers by scheduling emergency hearings.

With all the progress we have made in the past few years, we need to maintain our momentum. To do that, we hope to continue to upgrade our technological systems and lay the groundwork for future enhancements, while continuing to build on our history of fiscal prudence.

Your valuable consideration is appreciated. Thank you, Mr. Chairman and members of the Insurance Committee, this concludes my testimony. My staff and I will be happy to answer any questions at this time.