



Ohio Employer Workers' Compensation Self-Insurance Modernization Proposal

What can Ohio do to be more competitive?

Workers' compensation self-insurance feasibility studies indicate that employers with the right mix of size, financial strength and management sophistication stand to save hundreds of thousands of dollars, and more, on workers' compensation costs by becoming self-insured over purchasing coverage from the Bureau of Workers' Compensation (BWC)

Currently in Ohio, an employer is required to have a minimum of 500 employees in order to apply for self-insured status.

This proposal would change the statute to allow companies that meet the 500 employee threshold **or** that meet certain criteria defined in rules to apply and qualify for self-insured status.

By establishing rule criteria, self-insurance would be potentially available to financially strong employers that are sophisticated in management practices, but that have fewer than 500 employees.

This modification would recognize the realities of modern manufacturing, in which innovation- and technology-driven productivity gains have reduced requisite numbers of employees.

Criteria would be insurance-based in order to protect the guarantee fund, which exists to pay the claims of self-insured employers that go bankrupt.

Note that currently, an employer can receive a waiver to file a self-insurance application if its number of employees is fewer than 500. (The 500 threshold was not set by insurance standards, but as an arbitrary number at a time when the more employees a company had, the financially stronger it appeared.) Ohio companies with fewer than 500 Ohio employees can and do receive BWC waivers of this policy. Ohio would be more competitive if the statute were amended and these situations were not treated as exceptions.

Self-Insurance Case Study Summary (data based on actual Ohio employers)

	Company A	Company B
Number of employees	350	315
Sales	\$33 million	\$23 million
Founded	1973	1945
Location	Northeast Ohio	Western Ohio
Industry	Supplies auto and HVAC industry	Metalworking
Potential 6-year savings under self-insurance	\$1,323,935	\$1,374,425

Full savings analyses available upon request

Background

What is Ohio's Self-Insurance Program?

All employees in Ohio must be provided with workers' compensation coverage. A self-insuring employer agrees to abide by BWC and Industrial Commission of Ohio rules and regulations as described in OAC 4123-19-03 and ORC 4123.35. The self-insuring employer agrees to provide accurate and timely payments of compensation and benefits subject to the provisions of those rules.

What are the current qualifications for self-insurance?

- A minimum of 500 employees within Ohio;
- Two-years' experience with the state insurance fund;
- Demonstrated financial strength and stability;
- Ability to administer a self-insured program; and
- An account with a financial institution in Ohio (or ability to draw compensation checks from the same account as payroll checks).

What other requirements are needed for self-insurance?

- Participate in the Self-Insured Employers Guaranty Fund (SIEGF)
- Reimburse disabled workers' relief fund (DWRP) payments on a semiannual basis
- Form a BWC-certified Qualified Health Plan (QHP), a managed care program through which medical services are delivered to their employees

Revised Statute: ORC 4123.35 (B)(1)(h) ...The administrator shall adopt rules establishing the criteria that an employer shall meet in order for the administrator to waive the requirements of divisions (B) (1) (a), (b), and (e) of this section.

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