

Board of Directors  
**Executive Summary**

**Prospective Billing:  
Finance and Coverage  
Maintenance Rules**

## **Background**

BWC has transitioned to a prospective billing system ("prospective billing") effective July 1, 2015 for private employers, and effective January 1, 2016 for public employers ("PEC"). The change aligns BWC with standard industry practice and enables the agency to collect premiums before extending coverage.

The switch to prospective billing will provide the following benefits to Ohio employers:

- Overall base rate reduction of 2% for private employers and 4% for public employers;
- Opportunities for more flexible payment options (up to 12 installments);
- Better opportunities for BWC to provide quotes online or via the phone; and
- Increased ability for BWC to detect employer non-compliance and fraud.

On June 16, 2014, Governor Kasich signed substitute House Bill 493 into law, which updated several provisions of Ohio Revised Code Chapter 4123 to allow for the transition to prospective billing. The Board of Directors approved rule changes implementing these statutory changes in August of 2014 and approved additional changes in March of 2015. This rule packet contains additional required updates to BWC rules to fully enable transition to prospective billing.

## **Proposed Changes**

### OAC 4123-14-02, Procedures for the Collection of Premiums from Non-Complying Employers

- Remove language that references a premium security deposit, which BWC will no longer collect from employers with the transition to prospective billing.

### OAC 4123-17-07, Officers of Corporations, Elective Coverage Entities, and Ministers

- Add a cross-reference to OAC 4123-17-14 for clarification.

### OAC 4123-17-14, Reporting of Payroll and Reconciliation of Premium Due

- Change the timeline for sending out invoices for estimated premium because of system constraints.

### OAC 4123-17-14.2, Installment Payments

- Change the date by which PECs must elect to defer installment payments to November 15th.

OAC 4123-19-08, Renewal of self-insuring risks.

- Remove language that references a premium security deposit, which BWC will no longer collect from employers with the transition to prospective billing.

**Stakeholder Feedback**

- Based on feedback from stakeholders, OAC 4123-17-14.2 has been amended since the first reading of these rules. Now, invoices for estimated premium will be sent out to employers at least twenty-three days prior to the due date, increased from eighteen days. Additional feedback to these rules, along with BWC's response, has been provided in a separate document.

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**4123-17-14      Reporting of payroll and reconciliation of premium due.**

**(A) Definitions.**

(1) As used in the rules of this chapter of the Administrative Code:

- (a) "Applied EM" means the experience modifier as set forth in rule 4123-17-03 of the Administrative Code, except where such EM is modified by participation in the group experience rating program set forth in rules 4123-17-61 through 4123-17-66 of the Administrative Code, the one-claim program set forth in rule 4123-17-71 of the Administrative Code, or the EM cap program set forth in rule 4123-17-03.2 of the Administrative Code. In such cases, "applied EM" means the experience modifier resulting from participation in those programs.
- (b) "Current" with respect to payments due the bureau means not more than forty-five days past due.
- (c) "Payments due the bureau" means any premiums, administrative costs, assessments, fines or monies otherwise due to any fund administered by the Ohio bureau of workers' compensation for which the employer has not submitted a dispute of the obligation to the bureau's adjudicating committee as set forth in rule 4123-14-06 of the Administrative Code.
- (d) "Payroll" or "wages" means the entire remuneration allowed by an employer to employees in the employer's service for the applicable period.
- (e) "Public employer taxing district" means an employer as defined in division (B)(2) of section 4123.01 of the Revised Code.
- (f) "Remuneration" has the same meaning as defined in division (H) of section 4141.01 of the Revised Code.
  - (i) The definition of remuneration shall apply to all persons of such employers considered to be employees under the statutes or rules of the bureau of workers' compensation, regardless of whether the employer is required to report payroll or remuneration to the Ohio department of job and family services under Chapter 4141. of the Revised Code or whether the employer reports payroll or remuneration to the Ohio department of job and family services for such persons considered to be employees by the bureau.
  - (ii) For employees who customarily receive tips or gratuities, remuneration includes all actual wages paid and all tips to the extent they are used to supplement federal minimum wage requirements.

(2) All other terms have the same meaning as prescribed in section 4123.01 of the Revised Code.

**(B) Private employers: invoice and notice of estimated premium.**

Except as otherwise provided in paragraph (E) of this rule, the bureau will provide private employers with a notice of estimated premium due no later than May 31, 2015, for the policy year commencing July 1, 2015, and no later than the first day of May preceding the policy year for which such premium is due for all policy years commencing on or after July 1, 2016.

(1) The notice shall include all of the following:

- (a) The estimated payroll used by the bureau to calculate the employer's estimated premium due;
- (b) The manual classifications in which the employer's payroll is segregated and the base rates for each of



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the manual classifications identified;

(c) The employer's applied EM used in determining premium due; and

(d) The employer's estimated premium due for the applicable policy year.

(2) An employer may revise the estimated payroll amount used to calculate estimated premium due for the policy year for good cause shown, as determined by bureau policy.

(a) The estimated premium will be revised for the policy year and the balance of installments for the remainder of the policy year will be adjusted to reflect the new estimated premium amount.

(b) Requests will not be accepted to revise payroll for a policy year after the last business day of March in that policy year; the adjustment to premium due will be upon the employer's report of actual payroll pursuant to paragraph (D) of this rule.

(C) Private employers: estimated premium payments.

Except as otherwise provided in paragraph (E) of this rule, the bureau will provide private employers with an invoice for estimated premium at least ~~twenty-nine~~ twenty-three days prior to the date on which such payment of estimated premium is due.

(1) For the policy year commencing July 1, 2015, the bureau will provide private employers with the invoice no later than August 1, 2015. For policy years commencing on or after July 1, 2016, the bureau will provide private employers with the invoice no later than the first day of June immediately preceding the policy year for which the estimated premium is charged.

(2) Unless the employer participates in an installment payment plan pursuant to rule 4123-17-14.2 of the Administrative Code, payment of the invoice will be due as follows:

(a) For the policy year commencing July 1, 2015, no later than August 31, 2015.

(b) For policy years commencing on or after July 1, 2016, no later than the last day of June immediately preceding the policy year for which the estimated premium is charged.

(3) The administrator may assess penalties and late fees on payments received after the deadlines set forth in paragraph (C)(2) of this rule, pursuant to rule 4123-17-16 of the Administrative Code.

(D) Private employers: payroll report and reconciliation of premium due.

Except as otherwise provided in paragraph (E) of this rule, after the conclusion of each policy year, every private employer shall submit a payroll report to the bureau. The payroll report shall contain the number of employees employed within each of the employer's assigned manual classifications and the aggregate amount of wages paid to such employees over the relevant time period. For the policy years concluding June 30, 2016 and thereafter:

(1) The bureau shall establish an electronic payroll reconciliation process to address the difference between estimated gross payroll and actual gross payroll immediately upon the filing of the payroll report.

(2) The payroll report shall report data for the full policy year. The report must be filed by and any balance due the bureau paid by the fifteenth day of August immediately following the conclusion of the policy year. Any balance due the employer shall be credited to the employer's account.

(3) An employer may elect to provide payment other than through the electronic reconciliation process,

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provided payment is received by the fifteenth day of August immediately following the conclusion of the policy year.

(E) Professional employer organizations:

Each employer that is recognized by the administrator as a professional employer organization ("PEO"), as defined in section 4125.01 of the Revised Code, shall submit payroll reports as follows:

- (1) For the policy year concluding June 30, 2015, the PEO shall report data for the six month period commencing January 1, 2015 and concluding June 30, 2015. Such payroll report shall be submitted no later than August 31, 2015.
- (2) For the policy years commencing July 1, 2015 and thereafter, the PEO shall submit a monthly payroll report.
  - (a) The PEO shall electronically report data for each month no later than the fifteenth day after the last day of the month for which payroll is being reported.
  - (b) All monthly premium and assessments must be paid concurrently with the filing of the monthly payroll report.
- (3) If a PEO fails to make timely payment of premiums and assessments as required by this rule, coverage will lapse and the administrator shall proceed to revoke the PEO's registration pursuant to section 4125.06 of the Revised Code.

(F) Public employer taxing districts: invoice and notice of estimated premium.

- (1) For policy years commencing on or after January 1, 2016, the bureau will provide public employer taxing districts with a notice of estimated premium due according to the following schedule:
  - (a) For the policy year commencing January 1, 2016, no later than the first day of January.
  - (b) For policy years commencing on or after January 1, 2017, no later than the last day of October preceding the start of the policy year.
- (2) The notice shall include all of the following:
  - (a) The estimated payroll used by the bureau to calculate the employer's estimated premium due;
  - (b) The manual classifications in which the employer's payroll is segregated and the base rates for each of the manual classifications identified;
  - (c) The employer's applied EM; and
  - (d) The employer's estimated premium due for the applicable policy year.
- (3) An employer may revise the estimated payroll amount used to calculate estimated premium due for the policy year for good cause shown, as determined by bureau policy.
  - (a) The estimated premium will be revised for the policy year and the balance of installments for the rest of the year will be adjusted to reflect the new estimated premium amount.
  - (b) Requests will not be accepted to revise payroll for a policy year after the last business day of September in that policy year; the adjustment to premium due will be upon the employer's report of



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actual payroll pursuant to paragraph (H) of this rule.

(G) Public employer taxing districts: estimated premium payments.

(1) For policy years commencing on or after January 1, 2016, the bureau will provide public employer taxing districts with an invoice for estimated premium at least ~~thirty~~ twenty-three days prior to the date on which payment of such estimated premium is due.

(a) For the policy year commencing January 1, 2016, the bureau will provide public employer taxing districts with the invoice no later than March 31, 2016.

(b) For policy years commencing on or after January 1, 2017, the bureau will provide public employer taxing districts with the invoice no later than the first day of December immediately preceding the policy year for which the estimated premium is charged.

(2) Payment of the invoice will be due as follows:

(a) For the policy year commencing January 1, 2016:

(i) On or before May 15, 2016, no less than fifty per cent of the estimated premium due.

(ii) On or before September 1, 2016, no less than the total estimated premium due.

(b) For policy years commencing on or after January 1, 2017, unless the employer participates in an installment payment plan pursuant to rule 4123-17-14.2 of the Administrative Code, no later than the last day of December immediately preceding the policy year for which the estimated premium is charged.

(3) The administrator may assess penalties and late fees on payments received after the deadlines set forth in paragraph (G)(2) of this rule pursuant to rule 4123-17-16 of the Administrative Code.

(H) Public employer taxing districts: payroll report and reconciliation of premium due.

After the conclusion of each policy year, every public employer taxing district employer shall submit a payroll report to the bureau. The payroll report shall contain the number of employees employed within each of the employer's assigned manual classifications and the aggregate amount of wages paid to such employees over the policy year.

(1) For the policy years concluding on or before December 31, 2015, in the January immediately following the conclusion of the policy year, the bureau will furnish the county auditor of each county and the chief fiscal officer of each public employer taxing district in each county with forms showing premium rates on which to report the actual payroll expended in the conduct of the employer's operations for the preceding twelve calendar months. Such report shall be completed and the premium calculated on the report, and each such employer shall return the report and remit the amount of premium due to the bureau as follows:

(a) For the policy year concluding December 31, 2014:

(i) On or before May 15, 2015, no less than forty-five per cent of the premium due.

(ii) On or before September 1, 2015, no less than the total premium due.

(b) For the policy year concluding December 31, 2015:

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(i) On or before May 15, 2016, no less than fifty per cent of the premium due.

(ii) On or before September 1, 2016, no less than the total premium due.

- (2) For the policy years concluding on or after December 31, 2016, the employer shall submit its payroll report electronically and pay any balance due the bureau no later than the fifteenth day of February immediately following the conclusion of the policy year. Immediately upon receipt of the payroll report, the bureau shall adjust the premium and assessments charged to each employer for the difference between estimated gross payrolls and actual gross payrolls. At the conclusion of the payroll and premium reconciliation, each employer shall pay any balance due. If the reconciled premium results in a credit, the bureau shall post such credit to the employer's account.

**(I) Segregation of payroll.**

- (1) If an employer elects under section 4123.292 of the Revised Code to obtain other-states' coverage directly from an other-states' insurer for employment relationships localized in Ohio, the employer shall, in writing, notify the bureau of the election on a form prescribed by the bureau. The employer shall provide the bureau with a copy of the other-states' coverage policy.
- (2) An employer that elects to obtain other-states' coverage directly from an other-states' insurer under section 4123.292 of the Revised Code shall include on the payroll report required by this rule only the remuneration for work the employees performed in Ohio and other work not covered by the other-states' policy. On a separate form to be submitted to the bureau with the payroll report described in this rule, the employer shall report the amount of remuneration paid to its employees for work performed outside of Ohio and covered by the other-states' policy. The bureau shall make forms available to employers for fulfilling the notification and reporting requirements of this paragraph.

**(J) Federal longshore and harbor workers.**

- (1) If an employer employs an employee covered under the federal Longshore and Harbor Workers' Compensation Act, Chapter 4121., and Chapter 4123. of the Revised Code, the employer shall, in writing, notify the bureau of the identity of the insurer providing the federal Longshore and Harbor Workers' Compensation Act coverage.
- (2) For premium purposes, the employer shall include on the payroll report the remuneration for work the employees performed in Ohio for which the employees are eligible to receive compensation and benefits under Chapters 4121. and 4123. of the Revised Code.
- (3) For informational purposes, the employer shall include remuneration for work performed covered under the federal Longshore and Harbor Workers' Compensation Act for which the employees are insured by an entity other than the bureau. The bureau will not assign a premium rate to such payroll.

### Proposed Installment Billing Schedule

| Invoice<br>Posted to<br>BWC web | Schedule<br>Bill Date | Due Date   | Printing<br>Completed/<br>Mail Date | Days<br>Between<br>Mailing and<br>Due Date |
|---------------------------------|-----------------------|------------|-------------------------------------|--|
| 5/20/2016                       | 6/1/2016              | 7/1/2016   | 5/27/2016                           | 35   |
| 6/24/2016                       | 7/1/2016              | 8/1/2016   | 7/1/2016                            | 31   |
| 7/29/2016                       | 8/1/2016              | 8/31/2016  | 8/5/2016                            | 26   |
| 8/26/2016                       | 9/1/2016              | 10/3/2016  | 9/2/2016                            | 31   |
| 9/30/2016                       | 10/1/2016             | 10/31/2016 | 10/7/2016                           | 24   |
| 10/28/2016                      | 11/1/2016             | 12/1/2016  | 11/4/2016                           | 27   |
| 11/25/2016                      | 12/1/2016             | 1/3/2017   | 12/2/2016                           | 32   |
| 12/23/2016                      | 1/1/2017              | 1/31/2017  | 1/3/2017                            | 28   |
| 1/27/2017                       | 2/1/2017              | 3/3/2017   | 2/3/2017                            | 28   |
| 2/24/2017                       | 3/1/2017              | 3/31/2017  | 3/3/2017                            | 28   |
| 3/31/2017                       | 4/1/2017              | 5/1/2017   | 4/7/2017                            | 24   |
| 4/28/2017                       | 5/1/2017              | 5/31/2017  | 5/5/2017                            | 26   |
| 5/19/2017                       | 6/1/2017              | 7/3/2017   | 5/26/2017                           | 38   |
| 6/23/2017                       | 7/1/2017              | 7/31/2017  | 6/30/2017                           | 31   |
| 7/28/2017                       | 8/1/2017              | 8/31/2017  | 8/4/2017                            | 27   |
| 8/25/2017                       | 9/1/2017              | 10/2/2017  | 9/1/2017                            | 31   |
| 9/29/2017                       | 10/1/2017             | 10/31/2017 | 10/6/2017                           | 25   |
| 10/27/2017                      | 11/1/2017             | 12/1/2017  | 11/3/2017                           | 28   |
| 11/24/2017                      | 12/1/2017             | 1/2/2018   | 12/1/2017                           | 32   |
| 12/29/2017                      | 1/1/2018              | 1/31/2018  | 1/8/2018                            | 23   |
| 1/26/2018                       | 2/1/2018              | 3/5/2018   | 2/2/2018                            | 31   |
| 2/23/2018                       | 3/1/2018              | 4/2/2018   | 3/2/2018                            | 31   |
| 3/30/2018                       | 4/1/2018              | 5/1/2018   | 4/6/2018                            | 25   |
| 4/27/2018                       | 5/1/2018              | 5/31/2018  | 5/4/2018                            | 27   |