



Senate Insurance & Financial Institutions Committee
May 30, 2017
Ohio Bureau of Workers' Compensation
Administrator and CEO Sarah Morrison
Substitute - House Bill 27

Good afternoon Chairman Hottinger, Vice Chairman Hackett, Ranking Member Brown, and members of the Senate Insurance & Financial Institutions Committee. My name is Sarah Morrison, and I am the Administrator and CEO of the Ohio Bureau of Workers' Compensation (BWC). I am here today to provide testimony on Sub-HB 27, which contains BWC's budget for fiscal years 2018 and 2019.

BWC is the largest state-fund workers' compensation insurance system in the nation. Our mission is to protect Ohio's workers and employers through the prevention, care and management of workplace injuries and illnesses at fair rates. While approximately 1,200 employers are self-insured in Ohio, BWC provides workers' compensation insurance to over 244,000 employers. BWC is not funded through general revenue funds; instead, our operations are funded through premiums and assessments charged to all employers. In fiscal year 2016 we collected approximately \$1.6 billion from employers. We have 1,800 employees in 14 locations throughout Ohio. In 2016, we approved more than 88,000 new claims and paid approximately \$1.6 billion in wage loss and medical benefits.

BWC's budget submission of \$566.5 million over the biennium adequately funds operations as constituted today while continuing our commitment to protecting Ohio's workforce, improving the lives of injured workers and helping boost the state's economic vitality. This request is flat from fiscal years 2015/2016 and reflects our commitment to supporting economic growth through prudent fiscal management.

Since my appointment by Governor Kasich in 2016, I have continued the mission set by my predecessor to make BWC a world-class insurance carrier. This means providing the best possible care for our injured workers and exercising prudent fiscal management to reduce costs for our employers. We are guided on this mission by the principles of service, simplicity and savings.

Over the last six years, private employer rates have dropped an average of 28.2%. This means that BWC has collected \$1.7 billion less from employers in the last six years than we would have if we had just held rates steady. Public employer rates have dropped an average of 29.6%, which is \$334 million that we were able to keep in local communities. These decreases in our rates have increased our national standing. We've gone from having the third highest rates in the country in 2008 to the 11th lowest rates in 2016. In addition to these rate cuts, we have already given back over \$2 billion dollars in premium rebates, with another billion slated for this summer. Once the latest rebates have been distributed, BWC will have saved Ohio businesses \$6.3 billion through rebates, credits and rate reductions since the beginning of 2011.

And we continue to look for better ways to serve our customers. This past year, we completed our successful transition to the industry standard of prospective billing for premiums, allowing employers the opportunity to select installment payment schedules for the first time. This transition was accomplished by providing \$1.2 billion in credits to Ohio employers. We also launched our Other States Coverage option, which gives Ohio employers the option to purchase from BWC workers' compensation coverage that covers their employees working outside of Ohio.

Knowing that ‘the best claim is the one that never happens,’ we have continued to promote workplace safety and encourage further investment in protecting Ohio’s workers through the expansion of our Safety Intervention Grant Program. Beginning in fiscal year 2014, the funding for this program was tripled from \$5 million to \$15 million per year. The Safety Grant Program provides 3 to 1 matching funds up to \$40,000 for employers to purchase or fabricate equipment that will substantially reduce or eliminate injuries and illnesses. In fiscal year 2016, 725 grants were awarded to employers for safety intervention, wellness, and drug-free programs.

Continuing our focus on Ohio’s workers, we launched the Ohio Occupational Safety and Health Research Program in fiscal year 2015. This program provides funding for research projects up to \$250,000 per project to institutions researching occupational health and safety issues. We initially approved nine projects totaling \$2 million at six Ohio not-for-profit higher education institutions. In fiscal year 2016, we approved four additional projects totaling \$950,000 at two Ohio not-for-profit higher education institutions.

When a workplace injury does occur, BWC partners with Managed Care Organizations (MCOs) to assist injured workers in medically managing their claims. In recent years, BWC implemented a pay-for-performance approach to encourage MCO competition and innovation, with the expected impact of improving return-to-work outcomes for injured workers. Additionally, we began a new incentive program to encourage MCOs to use innovative ideas to improve in the areas of medical management services, examinations, and recommendations and determinations, as well as to establish onsite case management services and meet exceptional performance goals.

We are also proud of our work with stakeholders representing business, labor, managed care organizations, and the medical community to modernize the bureau’s healthcare-delivery system. Through collaboration, we created the Enhanced Care Program (ECP) as a pilot on July 1, 2015, to find ways to improve injured worker outcomes by identifying and addressing pre-existing conditions that may adversely impact the ability of the injured worker to return to work in a timely manner. From a structural standpoint, there is no other program nationally we are aware of that combines these elements into this type of integrated approach. We created incentives to encourage the coordination of care among workers’ compensation medical providers, primary care physicians, and managed care organizations. In September 2016, BWC contracted with The Ohio State University to evaluate the ECP and to provide guidance and recommendations regarding modifications and improvements to the overall quality of the bureau’s healthcare delivery system. We are encouraged by what we have received back from Ohio State so far, and we are looking forward to receiving a full report from OSU later this summer.

BWC continues to be a nationally recognized leader regarding prescription drugs. In the past two years, the pharmacy department enhanced formulary utilization that led to a reduction in the use of opiates and other controlled substances by 48 percent from the time the formulary was first enacted in September 2011. These changes have led to an overall reduction in prescription expenditures of over \$46 million since fiscal year 2011, even though there has been an average annual CPI drug inflation rate of 9.6 percent over that time.

In October of last year, BWC led the charge on opioid prescribing guidelines by becoming the first workers’ compensation carrier in the country to seek to prevent opioid dependence by requiring appropriate prescribing by BWC certified physicians. Our goal is to ensure best practices are followed at the onset of an injury and throughout the course of treatment. When best practices aren’t followed, we will hold physicians accountable, up to removing them from our network of approved providers.

BWC has made great strides in modernizing our operations and we are continually looking for ways to improve the system. The proposed budget will allow us to continue our efforts to increase the safety of Ohio's workforce and quality of life for injured workers while promoting economic success for Ohio's employers. To that end, the executive budget that was introduced did not contain major reforms but it did include proposals to streamline business and provide faster benefits for those in need.

First, BWC proposes to ensure that injured workers deemed eligible for temporary total disability (TTD) receive their compensation in a timely manner, without the bureaucracy that threatens to put workers who live paycheck to paycheck into financial trouble. Currently, if an employee is awarded TTD, he or she is required to provide documentation of current wages and of all wages over the past year so we can calculate the appropriate compensation award. In some cases, this information is not readily available or gathering the wages can be time consuming and burdensome for the injured worker. While this data is necessary to determine the accurate amount, it can take weeks and even months for some injured workers to contact previous employers to obtain the information they need. As the law is currently written, BWC cannot start paying compensation until the worker has completed this process. Our budget proposes to expedite the process by allowing us to pay minimum calculable TTD payments to an injured worker until the calculation can be completed to determine the proper amount. BWC will adjust TTD to the accurate amount once determined.

Also included in Sub-HB 27 are several proposals to streamline business operations at BWC, with the first being to end the unnecessary backlog of more than 20,000 applications for permanent partial disability (PPD), so called "C-92" applications. To receive PPD benefits, an injured worker must first file an application and then attend a medical examination scheduled by the bureau to determine the extent of any permanent partial disability. Under current law, if an injured worker fails to attend the appointment without notice or reason and does not reschedule, the bureau can suspend the application. A suspension does not occur without the bureau making three attempts, over the course of a month, to contact the injured worker to schedule the appointment. Our employees reach out to the injured worker using phone and mail, and try to contact the injured workers' attorney. When all attempts fail, their application is suspended. The application is also suspended when the injured worker misses 2 doctor's appointments with no call and no attempt to reschedule.

Currently, there is no mechanism to dismiss the C-92 application other than death of the injured worker. This has caused a build-up of nearly 20,000 suspended applications. On average these 20,000 applications have been suspended for more than 10 years, with no activity on the part of the claimant. The budget proposal would enable BWC to dismiss these applications and future applications when BWC is unable to schedule the injured workers' appointment or the injured worker misses 2 appointments with no notice. Injured workers with an application in the group of 20,000 will be given two years to re-file his or her application. The budget provision will allow future applicants to re-file a dismissed application subject to the continuing jurisdiction of the Industrial Commission under the Workers' Compensation law. As with current practice, BWC would dismiss an application only after numerous failed attempts to contact the worker or multiple no-shows.

Sub-HB 27 also helps BWC modernize our business practices by recognizing that many of our customers are paperless. We have worked with stakeholders to determine outdated methods of communications that are required in BWC code to identify better ways to keep them informed. For example, physicians are currently required to contact BWC by mail if they have a patient they believe has contracted an occupational disease. We want to allow a physician to choose the communication method that works best for him or her. Similarly, BWC has included proposals to update our communication practices with third party administrators and employers.

After reviewing our initial budget proposal, members of the House made amendments that are designed to strengthen BWC. While many of these changes were not initiatives from BWC, I appreciate that the members have taken an interest in helping us to achieve the previously-stated goal of making BWC a world-class insurance carrier.

I believe this budget bill and our continued partnership with stakeholders will continue to yield positive improvements to Ohio's workers' compensation system. BWC can be a partner in making a difference – we can keep employees safe and premiums low and stable so businesses can prosper and Ohio can continue its economic recovery.

I am proud of our efforts over the past 6 years. This budget ensures BWC can continue to improve outcomes for injured workers and provide value to employers in a way that will benefit all Ohioans.

Thank you for your time. I am happy to answer any questions you might have.