

EMPLOYMENT SERVICES ALERT

5/3/13

Ohio Governor Proposes a \$1 Billion Workers' Compensation Rebate to Public and Private Employers

Ohio Governor John Kasich has proposed a one-time dividend of \$1 billion (yes, billion with a B) for private and public employers who are state-funded for purposes of workers' compensation coverage in Ohio. The Governor's proposal is three-fold:

- Requests that the Bureau of Workers' Compensation (BWC) Board of Directors authorize a one-time dividend of \$1 billion for private employers and public-taxing districts.
- Expands the agency's successful Safety Grant Program from \$5 million to \$15 million to support expanded statewide efforts to promote workplace safety and encourage further investment in protecting Ohio's workers.
- Asks the Legislature to modernize the premium collection model by authorizing BWC to move toward a prospective-payment system and subsequently requesting the board issue an additional \$900 million to mitigate transition costs.

Under the Governor's proposal, qualifying Ohio employers (both private and public) would receive approximately 56% of the annual premium, calculated in the July 1, 2011 to June 30, 2012 rating year for private employers and from January 1, 2011 through December 31, 2011 for public employers. As such, if an employer's premium for that time period was \$100,000, the employer would be entitled to receive a dividend of \$56,000 should the proposal be approved by the BWC Board of Directors. Depending on when the proposal is presented to the BWC Board, and assuming it is approved – the next Board meeting occurs this month – dividend checks could be issued as early as June 2013. In order to be eligible for the proposed dividend, employers who qualify must have active and current policies. If an employer has an unpaid, outstanding balance owed the BWC, any dividend would be reduced by the amount of the balance owed.

The proposed dividend is not related to, or impacted by, the pending lawsuit regarding the allegations surrounding the BWC's prior Group Rating programs that impacted close to 270,000 Ohio employers who were charged higher premiums. A Cuyahoga County Court of Common Pleas judge awarded plaintiffs over \$850 million in refunds as a result of the Bureau's "flawed" group rating programs in effect from 2001 through 2008. That decision and award has been appealed by the Bureau.

The second proposal increases the Safety Grant Programs. These programs provide matching grants of up to \$40,000 for employers to do such things as increase employee wellness programs and/or purchase equipment that is designed to reduce workplace injuries.

Finally, the Governor has proposed a prospective payment plan. Currently, Ohio employers pay their workers' compensation coverage retrospectively. Private employers pay premium twice a year, in February for coverage from July 1 of the preceding year through the end of that year, and in August to cover January 1 through June 30. The Governor's proposal would call for prospective payments of workers' compensation coverage. If passed this would allow employers to better budget their workers' compensation premium payments. This would have to be approved legislatively.

Bottom-line, this is good news for Ohio employers and does not negatively impact Ohio workers. There is no offset or reduction in compensation rates for those injured on the job. The goal is to allow employers to pump the dividends back into their operations, hire more people and continue to grow Ohio's economy.

Should you have any questions about the Governor's proposal and how it might affect you as an Ohio employer, please contact any of the following Roetzel attorneys:

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