



Bureau of Workers' Compensation

Fiscal year 2023

ANNUAL REPORT

July 1, 2022 - June 30, 2023



2023

Table of Contents

Letter from the Administrator.....	3
Introduction	4
Accomplishments	5
BWC year-end statistics	10
Investment Class Comments	12
Outcomes and Savings of the Health Partnership Program	14
Safety Services	33
Ohio Industrial Commission	52
BWC Audited Financial Statements	55



Letter from the Administrator

Dear Governor DeWine,

I am proud to present the Ohio Bureau of Workers' Compensation (BWC) annual report for fiscal year 2023.

Our agency is the exclusive provider of workers' compensation insurance in Ohio, serving nearly 257,000 public and private employers. With 1,600 employees and approximately \$22 billion in assets, BWC is one of the largest state-run insurance systems in the United States.

At BWC, we continue to empower Ohio's businesses and workforce. We are keeping costs down for Ohio's employers by having a low and stable rate environment. Thanks to your leadership, employers are seeing the lowest premium rates in over 60 years. In February 2023, The BWC Board of Directors reduced premium rates by an average of eight percent. This reduction will save private employers \$90 million in premiums.

Our focus remains on protecting Ohioans and the workforce. This past fiscal year, we awarded 1,016 safety grants totaling over \$20 million. This increase follows the reopening of the popular Safety Intervention Grant Program. BWC offers six safety grants in total, including the Safety Intervention Grant. These grants greatly impact and support Ohio's businesses and workforce. You will see throughout this report our customers' admiration for our work and their gratitude for the opportunities we provide.

Thank you for your leadership, Governor DeWine, and thank you for allowing me the opportunity to serve the people of Ohio.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Logue".

John Logue

Administrator/CEO



Introduction

This report documents actions taken by BWC in fiscal year 2023 (FY23) to improve the quality of life for Ohio's workers and positively influence economic growth in Ohio. With assets of approximately \$22 billion, we are one of the largest state-fund workers' compensation insurance systems in the U.S. Our focus on preventing workplace accidents, lowering rates, and caring for those injured on the job is making Ohio a better place for businesses and workers. This focus and our mission to deliver consistently excellent experiences for each BWC customer every day continue to be our priority.

We approved 67,432 new claims in FY23, a decrease of 2,575 from FY22. Contributing reasons for this decrease include:

- Continued safety funding.
- Continued promotion of safe and healthy workplaces.
- More employers putting safety education resources to work.



Accomplishments

Business Modernization

At BWC, we strive to increase the agency's capabilities to provide excellent quality, cost-effective, and timely services to our customers. We continue to elevate our systems and respond to our stakeholders' evolving needs and challenges by streamlining operations, leveraging cutting-edge technologies, and creating a more agile and customer-centric organization.

Enhanced Communication

In Fiscal Year 2023 (FY23), we implemented five new notifications to enhance communication with injured workers regarding claim determinations and Ohio Industrial Commission (IC) referrals. Our Targeted Messaging System (TMS) will now promptly inform injured workers when an initial determination is made on their claim or when a referral is sent to the IC. This immediate notification aims to keep injured workers informed about decisions and actions taken on their claims. Importantly, these notifications will be sent directly to the injured workers.

Injured workers will receive these notifications through their preferred channels of email or text. The claim will also note the respective contact information and copies of the messages sent for future reference.

Electronic Self-Insured Form

In June 2023, the Self-Insured Department launched an electronic form that allows self-insured employers to add newly acquired entities to their existing self-insured policy (SI-6S). This step-by-step tool will replace the form previously on our website. This new online application uses advanced technology to continue our agency down the path of improving customer service while being as touchless as possible.

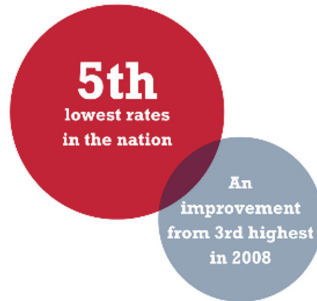
The benefits of this update include 24-hour access, enhanced flexibility, faster delivery, reduced completion time, and allowing the customer to pause applications and come back, all while improving the customer service experience.

Straight Through Application Processing

In Nov. 2021, BWC implemented the Straight Through process for new employer applications. This process uses technology to allow certain customers to go from application entry to policy issuance in one session. The Straight Through process is a user-friendly, redesigned, mobile-friendly, online application that customers can now use.

From implementation through FY23, 26,778 customers immediately received a policy using the new process. The certificate of coverage and other policy information is directly emailed to the employer.

Historically Low Rates



Ohio employers are seeing the lowest premium rates in over 60 years. In addition, the biennial study of workers' compensation rates conducted by the state of Oregon shows that Ohio's rates are now the 5th lowest in the country.

The BWC Board continued decreasing rates in FY23 for private employers by approving an 8% reduction effective July 1, 2023, saving private employers \$90 million over their 2022 premiums. In January 2023, public employers saw a small increase of 0.6% to their premiums, making it only the second increase in the last 15 years to their otherwise historically low rates.

Substance Use Recovery and Workplace Safety Program

The Substance Use Recovery and Workplace Safety Program (SURWSP) aims to minimize the impact of substance use disorders on Ohio's workforce and to promote a safe and healthful workplace. It provides funding to support employers in developing workplaces that are not only safe and productive but also supportive of employees in recovery. Specifically, the program offers employers reimbursement for workplace expenses related to substance use, such as drug testing, developing workplace drug use policies, and training for employees and supervisors. It also provides access to BWC's Better You, Better Ohio!® (BYBO) employee wellness program for employers who would not otherwise qualify for BYBO!

During FY23, year-over-year employer enrollment in the program grew 31%, and year-over-year annual reimbursements paid to employers grew 136%. On Feb. 1, 2023, BWC concluded its partnerships with the ADAMH boards and assumed direct administration of the program statewide. SURWSP is available in all 88 counties, with \$8 million in program funds appropriated for the FY2024 – 2025 biennial budget.

Better You, Better Ohio!®

Better You, Better Ohio!® (BYBO!) continues to serve Ohio and its injured workers by providing innovative health tools and resources. During FY23, a physical activity metric and accompanying incentive were added to the robust list of program resources. This new addition allows participants to earn up to \$250 per program year. Further, dedicated outreach to Ohio injured workers has been well-received, with 3,141 injured workers participating in the program during FY23. Digital health coaching, a popular program component, was also well-received, with 4,221 members engaged in coaching. Lastly, BYBO! continued supporting small employers by hosting 99 on-site biometric events during FY23.



Office of Safety Services

Return of the Safety Intervention Grant Program

After a brief hiatus, BWC's original and most popular grant program relaunched in November 2022 and received significant interest. The Safety Intervention Grant (SIG) Program aims to substantially reduce or

eliminate employee injuries or illnesses and is available to the broadest range of employers across the state. It provides funds on a 3-to-1 matching basis.

With the relaunch, several policy updates were made to streamline and simplify SIG for employers. Most significantly, employer eligibility cycles were reduced from as much as ten years down to three years for all employers. Employers can receive \$40,000 every three years to invest in safety in the workplace. Additionally, we lessened reporting requirements for the application and post-award process and introduced an online Grants Management Portal for document submission.

BWC received approximately 1,000 individual applications from employers of all types in the first seven months after the relaunch.

Ohio Safety Congress & Expo®

The 2023 Ohio Safety Congress & Expo (OSC23®) attracted 7,456 registrants, 5,175 in-person attendees, and 1,053 virtual attendees, far exceeding expectations for the first hybrid event.

In-person attendees experienced a fresh, modern on-site registration area with a streamlined badge printing process, a robust education program with in-demand hot topics, a redesigned exhibit floor to increase traffic flow, and a new BWC booth prominently placed near the expo entrance.

Attendees and exhibitors shared positive feedback regarding the importance of learning, networking, and connecting with safety suppliers in person at OSC23®. OSC24® will continue as a hybrid event from March 27-29, 2024.

Ohio Bureau of Workers' Compensation



Ohio Safety Council In-person Meetings Resume

Following two years of hosting all meetings virtually due to the pandemic, safety councils returned to traditional in-person meetings in July 2022. At the same time, the associated safety council rebate was reinstated. BWC furthered its efforts to modernize and simplify the program by eliminating the rebate eligibility requirement to report Occupational Safety and Health Administration (OSHA) accident statistics and the requirement for CEO attendance at one meeting.

In-person Instructor-led Training Classes Resume

Instructor-led in-person training resumed after a two-and-a-half-year break from in-person training due to the COVID-19 pandemic. This includes in-person classes at training locations across Ohio, on-site classes, and select special events. In FY23, there were 99 class sections from 49 courses, resulting in 2,472 student completions.

Highlights include:

- Thirty-five total OSHA 10/30 industry/construction classes
- A Hazardous Waste Operation and Emergency Response (HAZWOPER) Refresher with hands-on scenarios conducted outside
- Special events for trenching and foundry safety training

Overall, it was a successful relaunch of brick-and-mortar training after a long period of only online training.

Partnership with the Ohio Farm Bureau

In FY23, BWC continued our partnership with the Ohio Farm Bureau to engage Ohio’s agricultural community around BWC’s safety services. We used podcasts, digital advertorials, and ads placed in Farm Bureau’s print, digital, and radio content to engage with agricultural employers. In addition to our regular attendance at the annual Farm Science Review, we staffed a second booth within the Farm Bureau’s building and engaged the agricultural community about hearing protection, ergonomics, and BWC’s safety grants. In FY23, we spent \$87,221 to facilitate the partnership.

National Stand Up for Grain Safety

BWC and OSHA hosted the national kickoff event for the National Stand Up for Grain Safety (SU4GS) week at the Wayne County Fire & Rescue Association Regional Training Facility in Apple Creek, Ohio, on March 27, 2023. OSHA’s National Grain Alliance produces this educational event. The kickoff event was broadcast nationally and dedicated to grain handling safety. Over 200 people attended online and 66 attended in person. Governor Mike DeWine and both the Ohio House and Senate signed proclamations supporting initiatives to improve safety and health in grain handling and storage.

Office of Medical and Health Services

Open Enrollment

Every two years, BWC conducts a Managed Care Organization (MCO) Open Enrollment period to allow state-fund employers to select a new MCO that best meets the employer’s needs. In 2023, Open Enrollment took place from May 1 – May 26. More than 6,200 employers selected a new MCO, impacting over 9,300 active claims. BWC continues managing the claims’ transition to help ensure that key services continue to be provided to injured workers.

Medical & Health Symposium

The 2023 Medical & Health Symposium occurred virtually from May 4-6 with record-breaking attendance. The symposium had over 7,600 registrations from all 50 states and 37 countries, a 31% increase in registrations over the 2022 event. Among attendees, 99% rated the event excellent/good, and over 90% of attendees responded that they had gained new strategies or information to implement at work.

This year, BWC offered 16 sessions featuring 22 speakers, including seven sessions and a panel discussion dealing with mental health challenges in our work and personal lives, emphasizing self-care. These sessions were critical as we know one in five Americans are dealing with mental health struggles every day.

Special Investigations

In FY23, our Special Investigations Department (SID) celebrated its 30th year of protecting the State Insurance Fund by detecting, investigating, and deterring fraud. Our team accomplished incredible results, including:

- Identifying \$73.5 million in savings
- Generating a \$6.08 return on expenditures (ROE)
- Receiving 2,374 allegations:
 - o 66% from BWC staff
 - o 34% from external sources
- Closing 1,362 cases in an average of 230.6 investigative days
- Averaging \$53,984 in savings identified per closed case



Human Resources

Personnel

Our human resources recruiting efforts halted the outflow of agency talent. While 177 full-time, permanent employees separated from BWC, we brought on board 225 new employees for a net gain of 48 employees. With 1,559 employees at the close of FY23, we remained well under our OBM staffing ceiling of 1,691 employees. During FY23, we also internally promoted 168 employees.

During the fiscal year, we migrated to online background checks for the classified hiring process. This significantly reduced turnaround time, subsequently allowing us to fill positions in a more timely manner. It also increased convenience to our applicants as it eliminated the need for in-person collection of fingerprints.

Training

To prepare the agency for the future, we facilitated a two-part succession planning training in May and June 2023. We also administered the six-month Stephanie McCloud Executive Leadership Program for ten participants and the year-long Future Leaders Program with 21 participants.

Inclusion, Diversity, and EEO

In alignment with Governor DeWine's goal of making the State of Ohio a model employer for people with disabilities, we provided training, updated the agency's Americans with Disabilities Act (ADA) policy, revamped the ADA reasonable accommodation process, and provided support to employees with disabilities by removing barriers to work.

Our Employee Resource Group (ERG) program continues to provide a space for employees to unite as a community and benefit BWC with educational resources, recruitment, and driving employee engagement and collaboration. Two new ERGs started operating in 2022, bringing the total to five. This program has become a model for other state agencies.

In partnership with several BWC divisions, we facilitated and presented a Culturally Competent Customer Service Strategic Plan to the Board of Directors. We are working toward the goals with the rollout of a language access policy and revamping new employee training.

BWC year-end-statistics

Fiscal Year Ending June 30,2023

	FY 2023	FY 2022	FY 2021
State Fund Claims Filed			
Lost Time	10,870	10,821	10,706
Medical Only	56,069	58,281	53,683
Occupational Disease	287	751	1,045
Death	206	154	168
Disallowed or Dismissed	10,783	10,674	10,232
Total	<u>78,215</u>	<u>80,681</u>	<u>75,834</u>
Net Allowed Injuries	67,432	70,007	65,602

NOTE: Every claim is evaluated at 60 days after filing for purposes of claim type, State Fund versus Self-Insured, combine status, and allowance status. Values exclude combined and Self-Insured claims.

	FY 2023	FY 2022	FY 2021
Open Claims (Per statute)			
Lost Time	<u>171,857</u>	<u>179,122</u>	<u>185,744</u>
Medical Only	<u>358,069</u>	<u>376,809</u>	<u>393,357</u>
Total	<u>529,926</u>	<u>555,931</u>	<u>579,101</u>

Benefits Paid			
Medical Benefits Paid	\$379,481,783	\$385,836,050	\$352,566,355

Compensation Paid			
Wage Loss	\$3,573,527	\$4,203,613	\$5,928,044
Temporary Total	173,332,976	179,919,262	184,624,581
Temporary Partial	1,004	1,819	3,011
Permanent Partial	20,329,996	23,314,096	22,318,732
% Permanent Partial	42,468,873.28	44,552,760	50,253,261
Lump Sum Settlement	190,256,897	223,734,112	171,625,160
Lump Sum Advancement	13,645,857	15,374,273	14,611,706
Permanent Total & DWRF	352,153,760	353,418,673	355,515,570
Death	77,976,581	77,648,364	77,824,915
Rehabilitation	18,753,770	19,392,389	21,317,274
Other	3,853,653	3,198,573	2,910,028
Total Compensation Paid	<u>\$896,346,895</u>	<u>\$944,757,934</u>	<u>\$906,932,282</u>

Total Benefits Paid	\$1,275,828,678	\$1,330,593,984	\$1,259,498,637
---------------------	-----------------	-----------------	-----------------

MCO Fees Paid	\$165,264,893	\$161,693,729	\$164,987,367
----------------------	---------------	---------------	---------------

Fraud Statistics			
Fraud Dollars Identified	\$73,526,655	\$89,989,982	\$94,378,598
\$\$\$ Saved to \$\$\$ Spent Ratio	6.08 to 1	7.02 to 1	8.46 to 1
Prosecution Referrals	118	123	89

	FY 2023	FY 2022	FY 2021
Active Employers By Type			
Private	253,128	251,816	248,256
Public (Local)	3,805	3,807	3,805
Public (State)	113	114	114
Self-Insured	1,072	1,089	1,110
Black Lung	19	19	20
Marine Fund	126	125	131
Total	<u>258,263</u>	<u>256,970</u>	<u>253,436</u>

Starting in FY 2019, policies that lapsed within the fiscal year are treated as active

BWC Personnel	1,587	1,545	1,634
----------------------	-------	-------	-------

BWC COMBINED FUNDS FINANCIAL DATA (000s omitted)

	Audited FY 2023	Audited FY 2022	Audited FY 2021
Operating Revenues			
Premium & Assessment Income, net of Provision for Uncollectibles and Ceded Premiums”	\$1,391,763	\$1,245,461	\$1,169,595
Other Income	8,858	7,665	7,359
Total Operating Revenues	<u>\$1,400,621</u>	<u>\$1,253,126</u>	<u>\$1,176,954</u>
Operating Expenses			
Workers’ Compensation Benefits and Compensation Adjustment Expenses	\$1,546,974	\$1,405,889	\$526,258
Other Expenses	152,633	116,436	141,493
Total Operating Expenses	<u>\$1,699,607</u>	<u>\$1,522,325</u>	<u>\$667,751</u>
Non-Operating Revenues			
Net Investment Earnings	\$536,871	\$479,562	\$469,028
Increase (Decrease) in Fair Value	52,283	(2,049,566)	2,995,025
Net Investment Income	<u>\$589,154</u>	<u>\$(1,570,004)</u>	<u>\$3,464,053</u>
Net Dividends, Rebates and Credits	\$150	\$28,263	\$6,185,348
Total Assets	\$22,491,441	\$22,289,947	\$24,477,471
Total Liabilities	\$14,706,357	\$14,793,343	\$15,118,553
Total Net Position	\$7,785,084	\$7,496,313	\$9,358,918

Investment Class Annual Report

Portfolio Performance and Valuation Summary

The BWC investment portfolio was valued at \$20.54 billion as of June 30, 2023 compared with \$20.37 billion on June 30, 2022, an increase in market value of \$0.17 billion. The BWC investment portfolio had a FY23 total return (net of management fees) of 3.0% and net investment income of \$0.59 billion.

Asset Allocation Mix

The asset allocation mix of the BWC investment portfolio based on represented fair value on June 30, 2023 was 51.8% bonds, 29.9% equities, 17.6% real estate, and 0.7% cash and equivalents. This asset mix compares to 52.1% bonds, 26.4% equities, 19.8% real estate, and 1.7% cash and equivalents on June 30, 2022.

Bond Portfolio Values and Return

The total fair value of the BWC bond portfolio was \$10.64 billion on June 30, 2023 compared to \$10.61 billion on June 30, 2022. Accounting for net outflows of \$201 thousand during FY23, the adjusted fair value increase of the BWC bond portfolio was \$0.03 billion. The total net return for FY23 was 0.0%. The largest bond mandate of the BWC portfolio is the SIF long duration credit portfolio. This long credit portfolio provided a FY23 total net return of 1.0% and had a fair value of \$3.50 billion as of June 30, 2023.

Equity Portfolio Values and Return

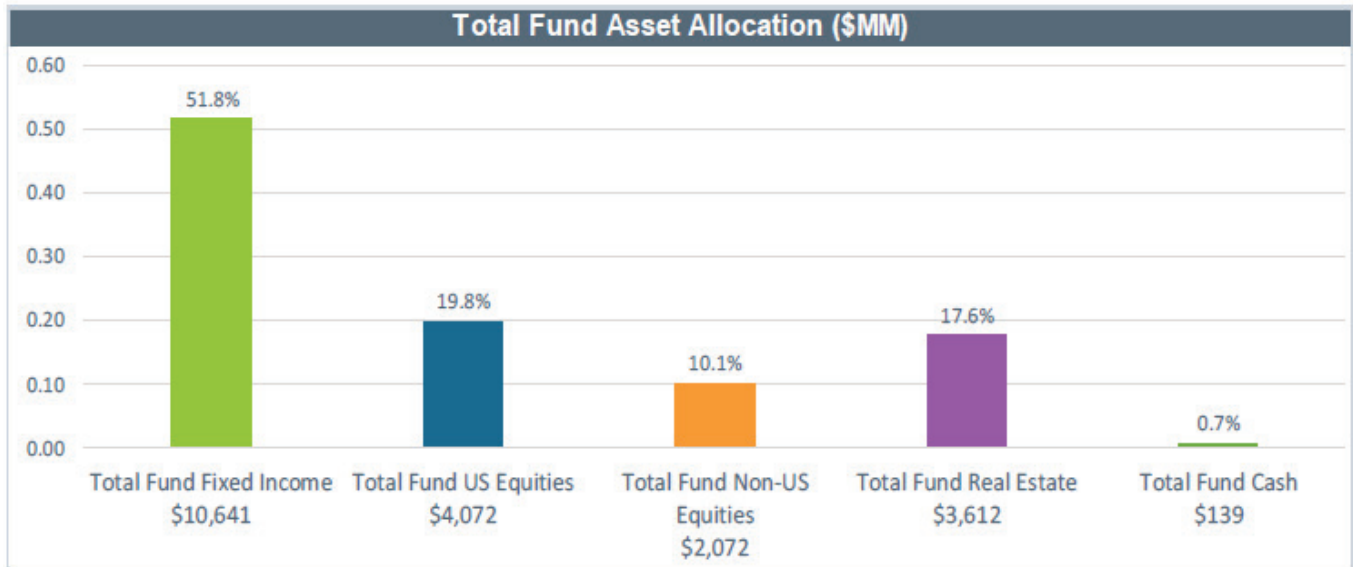
The total fair value of the BWC equities portfolio was \$6.14 billion on June 30, 2023, an increase of \$0.76 billion compared to \$5.38 billion on June 30, 2022. The total fair value of the BWC U.S. equities portfolio was \$4.07 billion on June 30, 2023 compared to \$3.53 billion on June 30, 2022. Accounting for net outflows of \$0.12 billion during FY23, the adjusted fair value increase of the U.S. equities portfolio was \$0.66 billion during FY23, which represented a total net return of 18.9%. The total fair value of the BWC non-U.S. equities portfolio was \$2.07 billion on June 30, 2023, an increase of \$0.22 billion compared to \$1.85 billion on June 30, 2022, which represented a total net return of 13.6%.

Real Estate Portfolio Values and Return

The total fair value of the BWC real estate portfolio was \$3.61 billion on June 30, 2023 compared to \$4.03 billion on June 30, 2022. Accounting for net outflows of \$0.08 billion during FY23, the adjusted fair value decrease of the BWC real estate portfolio was \$0.34 billion. The real estate portfolio provided a FY23 total return net of fees of -8.4%. FY23 net returns were -10.6% for core real estate funds, -6.5% for core plus real estate funds, and -1.9% for value-added real estate funds.

Cash and Cash Equivalents

Total BWC cash and cash equivalents had a fair value of \$0.14 billion on June 30, 2023 compared to \$0.34 billion on June 30, 2022.



Total Fund Schedule of Investable Assets

	Beginning Market Value	Net Cash Flow	Gain/Loss	Ending Market Value	%	
Period Ending	(\$MM)	+	(\$MM)	+	(\$MM) = Value (\$MM)	Return
Fiscal Year 2023	20,367		-419	589	20,537	3.0

Total Fund Performance

	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Total Fund	3.0	-7.2	15.2	7.0	8.7	5.1
State Insurance Fund	2.9	-6.4	15.5	6.8	8.7	5.2

Performance by Asset Class

	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Total Fund Fixed Income	-0.0	-13.1	4.0	11.3	10.3	-0.1
Total Fund Equity	17.0	-14.9	42.1	2.5	6.5	12.8
Total Fund US Equity	18.9	-12.8	45.1	6.3	9.0	15.4
Total Fund Non-US Equity	13.6	-19.5	35.9	-5.0	1.2	7.3
Total Fund Real Estate	-8.4	29.9	9.8	1.7	6.7	8.4

Performance is shown net of fees. Allocations may not sum up to 100% exactly due to rounding.

The Health Partnership Program

The Health Partnership Program (HPP) has operated as BWC's system for providing managed-care services since its implementation in March 1997. Per Ohio Revised Code (ORC) 4121.44 (H)(3), BWC must publish a report on the measures of HPP's outcomes and savings. BWC submits the report to the president of the Senate, the speaker of the House of Representatives, and the governor. BWC prepares the annual report under division (F)(3) of section 4121.12 of the ORC. BWC's chief medical services and compliance officer directs the program under the direction of BWC's chief medical and health officer. The chief medical services and compliance officer coordinates the management of the HPP with the chief medical officer and the chief of medical operations, appropriately using and making available a network of providers and managed care organizations (MCOs).

How HPP works

While determining compensability and paying indemnity benefits, BWC contracts with MCOs to manage the medical component of workers' compensation claims. MCOs educate employers and injured workers on HPP. They also process the First Report of an Injury, Occupational Disease, or Death (FROI) applications. In addition, MCOs help employers establish transitional/early return-to-work programs. Finally, MCOs process medical bills and make provider payments.

BWC monitors MCOs' managed care performance. For example, it measures MCO effectiveness for return-to-work efforts using the current outcome methodology metric known as Measurement of Disability (MoD). BWC also measures MCOs' FROI timing, FROI data accuracy, bill timing, and bill data accuracy. Most of these measures are published in an annual MCO Report Card, available on bwc.ohio.gov. BWC encourages employers to view this report card before selecting an MCO. In FY23, ten MCOs serve Ohio's employers and injured workers.

BWC Medical Services' objectives

BWC strives to ensure prompt, quality, cost-effective health care for injured workers to facilitate their early, safe, and sustained return to work and quality of life. The Medical and Health Division, through the work of the Medical Services and Compliance Division, the Medical Operations Division, and the Chief Medical Officer Division, coordinates healthcare delivery through a network of certified providers and MCOs. BWC accomplishes this with management, pricing, and payment strategies that benefit injured workers and employers.

Specific supporting responsibilities include:

- Developing, maintaining, and executing quality and cost-effective medical and vocational rehabilitation benefits plans and associated fee schedules.
- Developing and supporting the appropriate managed-care processes, including contract management and training.
- Establishing and maintaining a quality pool of medical and vocational service providers to ensure injured workers have access to quality, cost-effective, and timely care.
- Developing and implementing appropriate medical and vocational policies, rules, and training, which address the management from inception to resolution of all medical and vocational issues from an allowed claim.
- Evaluating and processing medical bills, guaranteeing proper and timely payment consistent with benefits plan criteria.

During FY23, BWC made positive progress on initiatives to further support existing divisional and BWC enterprise business objectives and strategies. The remainder of this report provides selected highlights of HPP activities and outcomes.

HPP General Actions

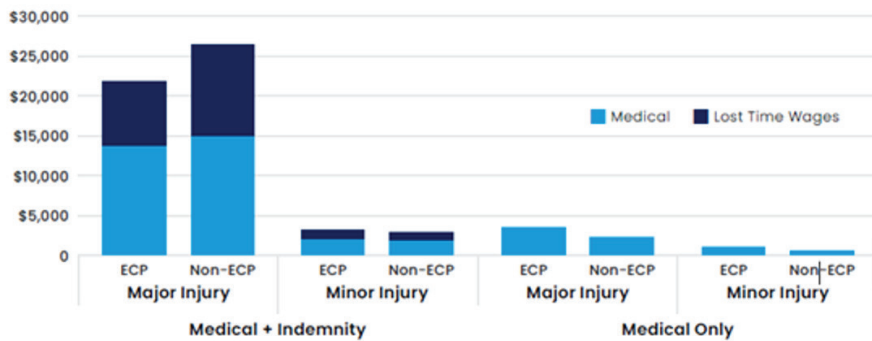
Enhanced Care Program

The Enhanced Care Program (ECP) began as a pilot in 2015 for state-fund claimants with knee-only injuries. ECP is designed to empower physicians of record (POR) to treat both allowed conditions in the claim and those injuries the POR believes are causally related to the workplace injury. The program encourages the POR to begin care immediately without fear of nonpayment so long as the POR treats within the boundaries of the Official Disability Guidelines.

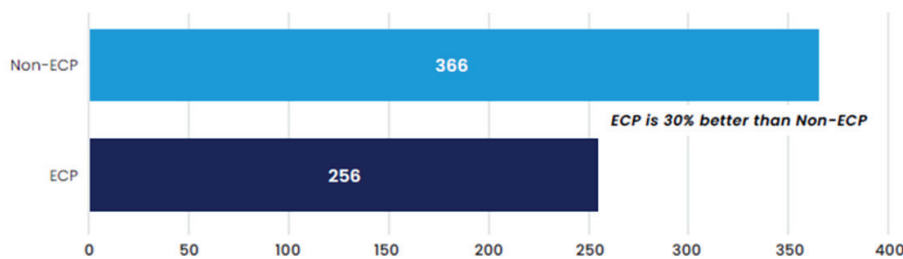
On January 1, 2023, the ECP officially transitioned from a pilot to a program. There are currently 454 providers enrolled in ECP. The Regional Directors of Provider Engagement are actively conducting site visits to recruit new ECP providers and train providers and office staff to recognize an ECP-qualified claim and the proper protocols to follow once identified.

The ECP was featured in an article in the First Quarter 2023 edition of The Journal of Total Rewards entitled “Ohio Pilot Program Steps Up Workers’ Compensation Effectiveness.” The article highlighted the successes of the ECP pilot as identified via a study conducted by The Ohio State University, College of Public Health:

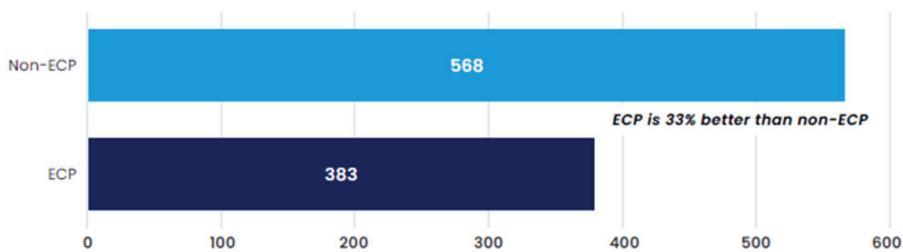
- ECP is 18.8% better in cost than non-ECP in the most significant category by far: major injuries with medical and indemnity costs



- ECP is 30% better than non-ECP claims in days to return to work



- ECP is 33% better than non-ECP in return to work of employees with a major injury with medical and indemnity who received opioid treatment



Benefits Plan Design

Prompt, effective medical care is crucial for those injured on the job. Such care is often the key to a quicker recovery, timely return to work, and quality of life for injured workers. Maintaining the right benefit plan design and service level reimbursement also ensures access to quality, cost-effective service.

Access for injured workers means the availability of appropriate treatment. Access to proper treatment facilitates faster recovery and a prompt, safe return to work. For employers, it also means the availability of appropriate, cost-effective treatment provided based on medical necessity.

Implementing a sound and effective provider fee schedule is a critical component of maintaining an effective benefit plan. Pursuant to required rules and law, and to ensure injured workers' access to quality care, BWC establishes discounted yet competitive fee schedules. BWC annually reimburses over 31,000 providers for medical and vocational services rendered to Ohio's injured workers. An equitable and competitive fee for the right medical service is essential to maintain a quality provider network across the wide range of necessary provider disciplines.

BWC continuously improves its medical, vocational rehabilitation, and pharmaceutical services offerings. This improvement is a result of quality methodologies and protocols executed in the annual revisions to benefits plans and corresponding fee schedules. Four objectives continue to guide the evaluation of the annual reimbursement methodologies and the development of recommendations for annual fee schedule changes. Those objectives are:

1. To maintain stability in the environment and reimbursement methodologies.
2. To ensure injured workers' access to quality care.
3. To promote efficiency in the provision of quality services.
4. To maintain a competitive environment where providers can render safe, effective care.

During the past fiscal year, five provider fee schedules were researched, analyzed, and updated. The projected impact of the proposed changes is that total medical services and provider reimbursements will over the next 12 months increase by 2%. There was more than \$382 million in reimbursement for medical services and provider reimbursement in FY23. The FY23 payments decreased by 0.65% from the \$389M experienced in FY22. The number of injured workers seeking care decreased by 1.7%. While the change in reimbursement is strongly correlated with the decrease in the number of injured workers seeking care, the average cost per claim did increase by 1%, from \$2,863 to \$2,894 for the five provider fee schedules. This change occurred due to case mix variations, the type of care sought, and the overall fee schedule reimbursement rates being increased.

Compared to trending medical reimbursement reductions, BWC's bill volume is also decreasing. The number of bills submitted decreased by 4.25% from last FY for the services reimbursed under the five provider fee schedules. The decrease is proportionately greater than the 1.7% decrease in injured workers seeking care. However, this decrease does not represent a decrease in services to injured workers. The average number of units reimbursed is 38 in both years. The bill reduction is believed to demonstrate an improvement in provider education and clean bill submission. Providers are submitting fewer bills due to the higher percentage of bills accepted by MCOs with the first submission. Bill denials have decreased overall by 2% from FY22. This trend will continue to be evaluated to determine the overall impact on services.

Pharmacy Program

BWC's pharmacy benefits program covers outpatient medications prescribed to treat conditions related to an injured worker's claim. Under BWC's program, pharmacies can electronically submit drug bills directly to BWC at the point of service through BWC's pharmacy benefit manager (PBM). The pharmacy department is responsible for maintaining the relationship with our PBM to ensure injured workers receive appropriate medications. Additionally, the department is responsible for all manual medication prior authorization requests, development, and maintenance of BWCs closed formulary, review of prescriber trends to ensure compliance with our Opioid prescribing rule, and chairing the Pharmacy and Therapeutics Committee for medication utilization monitoring and formulary updates.

With the assistance of the PBM, the pharmacy department monitors the program closely and meets quarterly to review and adjust the outpatient medication formulary as necessary. In addition, the BWC

Pharmacy & Therapeutics committee reviews our closed formulary quarterly to add and remove medications as necessary.

During April 2023, the pharmacy director presented the pharmacy department's CY2022 annual report. Report highlights include:

- The number of injured workers with a prescription decreased by 10.5%
- Total prescription paid amount decreased by 9.3%
- Total prescriptions filled decreased by 13.4%
- The number of injured workers with an opioid prescription decreased by 10.3%

Managed-Care Processes

MCO Contract

BWC and the MCOs executed a contract that became effective on January 1, 2021 and remains in effect through December 31, 2024. The terms of the contract continue to build on the work begun under the prior BWC-MCO contracts and reflect the following BWC goals:

- Ways to better mainstream with standard health care delivery and medical management.
- Increasing the focus of MCOs on actively medically managing claims from day one of a workplace injury.
- Identifying ways to reduce legislating to bad behavior and focusing on better performance metrics.
- Aligning MCO reimbursement to reflect success on high-valued returns in performance measures.

The current BWC-MCO contract is for a 4-year term. Although there were no significant changes in MCO services, efforts have been underway to refine and improve the outcome performance measures to focus on lost time claims and measure the medical costs that drive a claim. The new Measurement of Disability 2.0 model will provide a more defined approach to measuring performance on those claims involving four or more days of absence where the MCO directly impacts managing return-to-work services. BWC engaged a private consulting firm to analyze the new model's design and test for any potential weaknesses. After a thorough review, the consulting firm determined that the design of the new model was sound and made further recommendations for setting performance expectations. The work on the new model is continuing and is expected to be implemented in 2024.

BWC has also worked to develop a process to automate the development of benchmarks for the outcome performance measure, thus allowing for the continuous updating of the benchmarks to current state-wide experience. This will keep the model current and measure performance on near real-time data.

MCO Recertification

Pursuant to Section 4121.44, ORC, MCOs must submit an application for recertification to operate as a managed care organization in Ohio every two years. In 2022, BWC provided a recertification application to the ten certified MCOs. The application required MCOs to provide documentation on key business operations, provider network coverage, appropriate credentialing of certain staff members such as medical directors and case managers, and verification that the MCO has maintained current URAC accreditation. After thorough review and evaluation, all ten MCOs were recertified from January 1, 2023, to December 31, 2024.

Open Enrollment

Every two years, BWC conducts an MCO Open Enrollment period to allow state-fund employers to select a new MCO that best meets the employer's needs. In 2023, Open Enrollment was conducted from May 1st – May 26th. More than 6,200 employers selected a new MCO, impacting over 9,300 active claims. BWC continues managing the claims' transition to help ensure that key services continue to be provided to injured workers.

MCO Report Card

Each year, BWC prepares an MCO Report Card, which provides objective data to employers when selecting an MCO. In April 2023, BWC finalized the 2023 MCO Report Card and made it publicly available through its website. The 2023 MCO Report Card contains information that assists an employer in determining which MCO may best suit the employer's particular line of business and reports on key metrics used by BWC to measure MCO performance. Key performance indicators, such as timeliness and accuracy of First Reports of Injury and medical bills, were included in the 2023 MCO Report Card, as were indicators of the MCOs' size and book of business. BWC also conducted an employer satisfaction survey, which was included in the 2023 MCO Report Card results. More than 4,400 employers responded to the survey, and the statewide satisfaction rating was 4.34 out of 5.00.

MCO quarterly training

Under the terms of the BWC-MCO contract, professional, clinical, and decision-making MCO staff are required to complete up to ten hours of BWC-mandated training during a calendar year. This mandate is in place to ensure that MCO staff are up-to-date with changes in BWC rules or policies and to ensure that MCO staff understand their roles in the Health Partnership Program. Throughout FY23, BWC worked to secure continuing education credits for training offered and continued to offer the training in a virtual environment. BWC has also built a library of prior training programs in the BWC Learning Center, making the content available to MCO staff members who were unable to attend the live events. Continuing education credits remain available through the BWC Learning Center for up to a full year after the live event.

During FY23, BWC conducted training for MCO staff and mandated attendance based on the topics covered. In 3rd Quarter 2022, BWC conducted training on Home Health Services. This presentation was designed to ensure that MCOs follow the regulatory requirements governing home health services and collect the necessary information to determine the level of service that an injured worker may need. The training also focused on the process for submitting requests when home health services exceed the standard authorization. More than 480 individuals have completed this training.

BWC also conducted a targeted training during 4th Quarter 2022 on a standard set of control objectives that each MCO must meet in an annual independent audit. These control objectives focus on the security of data, both physically and logically, the performance of key service requirements under the BWC–MCO Agreement, and critical financial controls. The training was mandatory for all MCO leadership and was opened to the independent auditing firms with which the MCOs engage each year. One hundred seven individuals from both the MCOs and independent auditing firms across Ohio attended this event or completed the training in the BWC Learning Center.

Also, in 4th Quarter 2022, BWC conducted training for MCOs on the alternative dispute resolution process and hearing processes at the Industrial Commission. Emphasis was placed on ways that MCOs should properly document treatment decisions. Five hundred seventy-five individuals have completed this training.

During 1st Quarter 2023, BWC mandated training for all claims intake and MCO case managers on current claims management procedures, emphasizing how the MCOs’ involvement supports the successful management of claims. Over 600 individuals have completed this mandatory training to date.

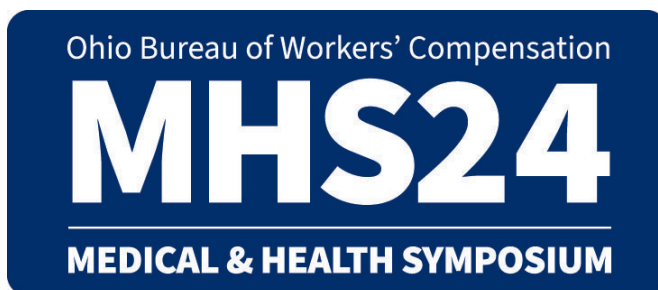
In 2nd Quarter 2023, BWC mandated training for all MCO clinical staff on medication management and the role of the MCO. Over 460 individuals have taken this training, and BWC expects additional attendees to complete the training through the BWC Learning Center course.

Medical providers: Education, outreach, and communication

Medical & Health Symposium

The 2023 Medical & Health Symposium, “Comprehensive Care for an injured worker,” was broadcast live from Columbus May 4-6, 2023. The symposium provides cost-effective, live-streamed educational sessions presented by physicians, industry experts, and mental health advocates discussing some of the most pressing health topics impacting all of us.

The BWC mission is to deliver consistently excellent experiences for each customer every day; therefore, BWC developed the symposium to address the most pressing health topics, the latest in workers’ compensation, and increase the frequency and exposure of BWC’s programs. It is developed for providers, office staff, attorneys, or anyone seeking to improve workers’ compensation.



The 2023 symposium set records with over 7,600 registrations from all 50 states and 37 countries, a 31% increase in registrations over the 2022 event. Among attendees, 99% rated the event excellent/good, and over 90% responded that they had gained new strategies or information to implement at work.

This year, BWC offered 16 sessions featuring 22 speakers, including seven sessions and a panel discussion dealing with mental health challenges in our work and personal lives, emphasizing self-care. These sessions were timely as we know one in five Americans are dealing with mental health struggles every day. By prioritizing high-quality content, the symposium serves the continuing education needs of many of Ohio’s medically related licensed professionals that would otherwise pay for educational credits. In 2023, BWC increased the number of approved continuing education credit types offered by 32% to a total of 25 different continuing education types. Licensed nurses lead attendance by license type, followed by social workers, physicians, therapists, and counselors.

This year, BWC live-streamed a rotator cuff surgery by Dr. Kenneth Westerheide, preceded by Dr. Greg Belisari, offering insights on recovery and return to work. The symposium also featured two days devoted to mental health issues, including the 20th Surgeon General, Jerome Adams, presenting an “Examining the Mental Health Crisis” session. This session was followed by a panel discussion with The Ohio State University (OSU) Head Football Coach Ryan Day, moderated by Tony Coder, executive director of the Ohio Suicide Prevention Foundation.

For the first time, BWC offered a two-part on-demand series titled “Balancing the Effects of Mental Health, a Personal and Professional Story.” During these on-demand sessions, Head Coach Anthony Grant, University of Dayton men’s basketball program, discussed how mental health has impacted him personally and professionally, including the battles that he’s seen within our young adults over the years.

The next Medical & Health Symposium will be offered October 2-4, 2024.

Provider Communications and Updates

BWC communicates regularly with providers, professional associations, and other interested parties via telephone, email, and virtual meeting opportunities. In-person meetings are held via the MCO Medical Directors, Health Care Quality Assurance Advisory Committee (HCQAAC), and Pharmacy and Therapeutics (P&T) committee meetings.

The provider electronic newsletter, Provider Update, is published monthly with just-in-time updates and information for the medical and vocational community. This is a primary source of information related to medical/vocational policies, processes, and rules. The provider e-newsletter is sent to 56,000 provider emails.

This year, a provider-specific webinar series on pertinent educational topics was offered monthly throughout the winter (November through March). These sessions were recorded and are now available on BWC’s website video page for on-demand viewing. Topics include Authorizations, BWC Lingo, First Report of Injury, Fraud, and Vocational Rehabilitation.

In-person meetings with providers and provider office staff have occurred regularly this year, with onsite meetings focused on specialty providers such as orthopedic practices. Common topics for these trainings include BWC forms for providers and the Enhanced Care Program.

Provider Contact Center

BWC has a dedicated toll-free customer contact line for the medical provider community. The call center consists of four analysts who respond to inquiries from providers and provider offices.

In addition to answering provider questions, call center staff have undertaken a project to update the “accepting new patient status” on the BWC website’s provider lookup tool. This project is key in providing the public and MCOs with an up-to-date list of available providers who are accepting new patients. A three-pronged approach was followed:

- Call center staff called providers to verify if they were accepting new patients.
- Call center staff ask incoming callers (providers or office staff) about new patient status before the call ends.
- A formal survey was implemented. The survey was initiated in June with a full analysis of responses and ongoing updates.

In FY23, the contact center received:

- 29,564 calls
- 583 website customer chats
- 210 website-generated emails
- 447 email inquiries from the separate, public email box

Network Volume

A continued focus of BWC is to support HPP's goal of having and maintaining a strong and effective network of certified providers. BWC's system reflects providers in two ways — certified providers and enrolled providers. Enrolled-only providers have not taken steps to become certified or are ineligible for certification. Certified providers are those eligible to render ongoing medical services or supplies. They have completed the BWC provider application process and have a signed agreement on file, whereby they agree to abide by the Ohio workers' compensation fee schedule, laws, and policies.

There are 54,496 certified providers and 37,351 enrolled providers captured in BWC's network for FY23. In FY23, BWC's provider relations business unit managed the following enrollment and certification provider activities:

- New Providers enrolled only: 1,486
- New Providers enrolled and certified: 11,238
- Re-certified providers: 7,469

Provider Applications now online

In FY23, a multi-step plan to modernize the provider system continued. The seven-phase approach included goals to enhance the provider network application process into a more user-friendly system for internal users and online real-time updates for current providers. This was done through BWC provider portal, My Provider Info. The online e-account allows providers to access their profile information and claims data for injured workers they are treating. In FY23, utilization of e-accounts nearly tripled from the previous year.

FY23 saw the implementation of both public network enrollment applications made available for paperless submission via the website. The Application for Provider Enrollment Non-Certification (MEDCO 13A) form was released online in September, and the Application for Provider Enrollment and Certification (MEDCO 13) form was released in December. Since implementation, 552 MEDCO 13 apps and 34 MEDCO 13A apps were submitted online.

Medical and Vocational Services Administration Support

Fifty-four (54) new catastrophic injuries occurred during FY23 in the State-Funded population managed by MCOs. This statistic does not include catastrophic injuries that resulted in the death of the injured worker within the first five days following the date of injury. Catastrophic injuries have life-changing impacts and long-term consequences for the injured worker and their family. Catastrophic injuries include complex brain and spinal cord injuries, major extremity amputations, severe burns, crush injuries, and complex multiple trauma injuries. The number of catastrophic injuries/illnesses increased in 2023 by 8% from 2022.

Private employers (PA) accounted for 48 or 89% of the total catastrophic injuries, public employers (PEC and PES) accounted for 5 or 9%, and Bankrupt Self-Insured accounted for 1 or 2%.

A breakdown of the 54 catastrophic claims by injury type for FY23 is noted below:

Type of injury	Number of claims	Percent of total claims
Traumatic brain injuries (moderate and severe)	25	46%
Amputations, major extremity	11	20%
Spinal Cord injuries (quadriplegia, paraplegia)	7	13%
Multiple trauma (multiple fractures, crush injuries, gunshot injuries, COVID claims, etc.)	7	13%
Severe burns	3	6%
Total Blindness	1	2%

A review of the employer industry job codes for catastrophic injuries for FY23 identified that the top 6 made up 65% of all catastrophic claims. In FY23, the following were the top 6 industry codes that had catastrophic injuries:

Industry Type	Number of claims	Percent of total
Construction/Carpentry/Roofing/Masonry	9	17%
Trucking/Driver/Bus Driver/Towing	9	17%
Excavation	5	9%
Sheet Metal Mfg./Heat Treating Metal	4	7%
City/Township/Local School	4	7%
Store/Warehouse/Clerical Office	4	7%

Vocational Rehabilitation

The Vocational Rehabilitation program seeks to provide an individualized, face-to-face, return-to-work (RTW) program to assist injured employees who, without specialized vocational rehabilitation services beyond standard medical treatment, would be unlikely to return to work or stay at work in a timely, safe, and productive manner.

During the past several years, a slight decrease has been seen in the percentage of referrals of potential eligible claims for vocational rehabilitation services. In CY 2022, the percentage of referrals of potential eligible claims slightly decreased to 1.2%.

Eligible claims referral for vocational rehabilitation: 2018-2022

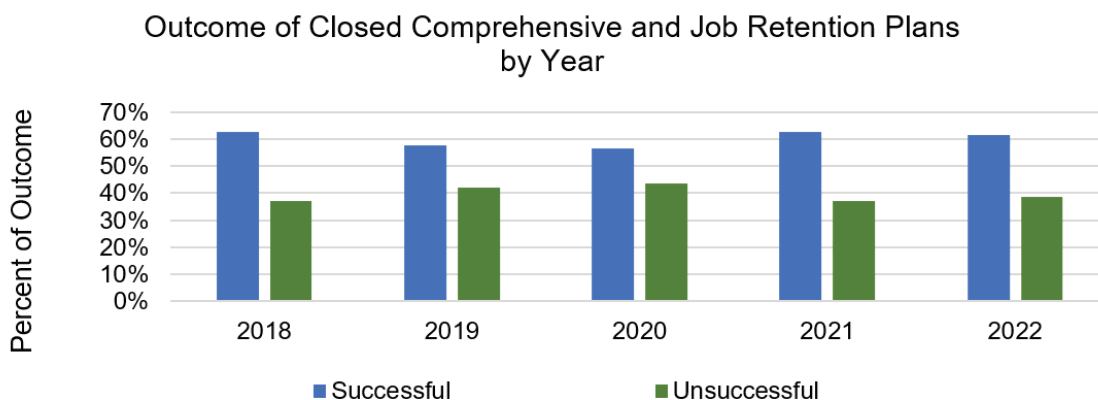
VR Referral Summary	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
! Claims Potentially Eligible for VR	219,080	200,445	183,868	174,302	164,968
Claims Actually Referred for VR	3,174	3,094	2,422	2,213	2,053
% Eligible Claims Referred for VR	1.4%	1.5%	1.3%	1.3%	1.2%

! Potentially eligible indicates the claim was allowed, active, had eight or more days of lost time, was not settled, and the injured worker was alive for some part of the year.

During CY 2022, there were 2,228 new referrals for vocational rehabilitation initiated in 2,053 claims. Of those referrals, 34.2% initiated a comprehensive vocational rehabilitation plan or a job retention plan, an increase from 30.8% in the past five calendar years.

For vocational rehabilitation plans completed in CY 2022, the average cost of services was \$9,306.31 per plan, an increase from \$8,674.00 per plan in CY 2021.

The table below shows the outcome of comprehensive and job retention plans between CY 2018 and CY 2022.



Successful – person returned to work and remained at least 30 days to a job within the job goal or job family of the job retention or comprehensive plan.

In CY 2022, 49 claims were referred for job retention services. This program keeps injured workers experiencing difficulties on the job who returned to work on modified duty after a period of lost time for which they received temporary total compensation or salary compensation. Of the 32 injured workers approved for participation in a job retention plan, 19 job retention plans were initiated, and 17, or 89.4%, were successful in either remaining at the same job or a different job with the same employer.

During FY23, the rules that govern vocational rehabilitation, Ohio Administrative Code 4123-18, were reviewed for unnecessary regulatory language. The process was completed, and the amended rules were effective May 15, 2023.

Transitional Work Grant

The BWC Transitional Work Grant program assists employers in developing a transitional work plan that's right for their business and employees. Transitional work is a key tool an employer can utilize to return injured employees back to work following a workplace injury. Employers work with a transitional work developer to create customized policies and procedures specific to their companies' operations. As a part of the plan, employers receive job analyses performed in their selected job classification. They also receive training on identifying appropriate transitional work tasks that employees can perform based on their medical restrictions.

An employer's grant amount is based on the number of employees reported to BWC. Effective July 1, 2023, the transitional work grant increased based on the increase in the reimbursement of job analyses from \$200 to \$350 per job analysis. This essential tool is what providers and employers use to bring an injured worker back to work. It identifies essential job functions and describes the physical demands of required tasks, work conditions, knowledge, and skilled experience needed to perform a job.

The table below illustrates the increase in grant amounts based on number of employees.

Number of employees	Past	Effective July 1, 2023
11-49	\$2,900	\$3,700
50-199	\$5,200	\$6,800
>200	\$6,300	\$8,200

During FY22, changes were made to the reimbursement methodology. Prior to FY22, employers were reimbursed 75% of the cost paid to a transitional work developer for covered services. As of June 1, 2021, employers are reimbursed 100% of the cost of their transitional work program, up to the maximum grant amount, as noted in the table above. There is no out-of-pocket cost for the employer.

Additionally, changes to the OAC 4113-17-55, Transitional Work Development Grant and Bonus became effective on June 1, 2021. Before FY22, employers were only eligible for one transitional work grant per policy number. The rule change allows employers to be eligible for a transitional work grant every five years. At the end of five years, unused grant funds are returned to the grant fund, and the employer may apply for a new Transitional Work Grant.

During FY23, \$190,000.00 was paid in grants. The remaining \$640,500.00 not used by those employers stay with the employer for five years for additional services that may include:

- Updating and creating new job analyses
- Training management, supervisors, and/or workers
- Improving the grant plan
- Just-in-time training: Assist the employer in implementing their plan

As of the end of FY23, \$952,187.18 was returned to the fund to be utilized again by employers.

The modernization of the Transitional Work Grant Program significantly impacted Ohio employer’s participation in the grant program, resulting in many injured workers benefiting from early return-to-work. The table below shows the change in the number of grant applications received by fiscal year.

Fiscal Year	Number of TW Grant Applications	Percentage Change
2015	48	-
2016	73	52.08%
2017	119	63.01%
2018	26	-78.15%
2019	59	126.92%
2020	17	-71.19%
2021	58	241.18%
2022	281	384.48%
2023	187	-33.45%

The table below represents the number of grants paid and the total awarded grants from 2015 – 2023.

Fiscal Year	Number of TW Grants Paid	Percentage Change	Total Grants	Percentage change of Paid Grants
2015	49	-	\$ 151,970.00	-
2016	76	55.10%	\$ 113,048.13	-25.61%
2017	50	-34.21%	\$ 191,527.50	69.42%
2018	50	-	\$ 129,178.75	-32.55%
2019	28	-44.00%	\$ 98,411.88	-23.82%
2020	29	3.57%	\$ 91,372.50	-7.15%
2021	7	-75.86%	\$ 22,415.00	-75.47%
2022	95	1,257.14%	\$ 356,752.00	1,491.58%
2023	132	38.95%	\$ 498,613.75	39.76%

To create a transitional work plan and apply for a Transitional Work Grant, employers hire a BWC-accredited transitional work developer. The developer works with the employer one-on-one to design a customized program. BWC offers a two-day developer orientation class to authorize providers as a BWC-accredited developer. Current BWC-accredited transitional work developers must attend a reaccreditation class at two-year intervals to maintain their accreditation. Three reaccreditation webinars were held in FY23 for the 32 developers requiring reaccreditation.

Number of BWC-accredited developers by licensure type: 2015-2023

Transitional Work Developer Certification				
	Physical Therapist	Occupational Therapist	Case Managers	Totals
2015	17	12	43	72
2016	14	13	33	60
2017	14	13	31	58
2018	13	10	30	53
2019	18	13	29	60
2020	17	13	39	69
2021	21	18	44	83
2022	26	24	48	98
2023	18	21	37	76

Alternative Dispute Resolution Processing

Alternative Dispute Resolution (ADR) is a means of resolving disputes over medical treatment issues that arise between the MCO, BWC, employer, injured worker, and/or provider. These issues arise from the MCO’s decision regarding a medical treatment reimbursement request. BWC’s ADR department oversees the medical treatment disputes process from the appeal of the Request for Medical Service Reimbursement or Recommendation for Additional Conditions for Industrial Injury or Occupational Disease (C-9) to the Ohio Industrial Commission’s (IC) hearing.

The table below illustrates the number of ADR orders issued per year since 2015. A single BWC order may contain multiple appealed issues. BWC must obtain an independent medical review, consisting of either a file review or an independent medical examination (IME). The chart also demonstrates the number of appeals processed in relation to the number of IMEs scheduled. BWC’s Disability Evaluator Panel network contains a list of medical physicians who perform ADR examinations on an injured worker when medical treatment is in dispute. These examining physicians are reimbursed at a higher rate due to ADR’s specific guidelines to process a BWC ADR order more efficiently and timely. An examination appointment must be available within seven calendar days of the request, and the report must be faxed to the MCO within five calendar days of the examination.

Alternative Dispute Resolution			
Fiscal Year	ADR Orders	IMEs Scheduled	Percent of IMEs to ADRs
2015	28,132	3,848	13.68%
2016	27,787	3,763	13.54%
2017	25,583	3,501	13.68%
2018	22,751	3,514	15.45%
2019	22,134	3,568	16.12%
2020	19,434	2,654	13.66%
2021	15,810	1,985	12.56%
2022	14,765	2,064	13.98%
2023	13,716	1,677	12.23%

*The IME count is for the total of scheduled exams and includes exam cancellations and/or no-shows that have been rescheduled multiple times.

MCO Audits

The Compliance Performance and Monitoring (CPM) staff meets monthly with BWC's senior management teams charged with managing MCO and PBM activities, semi-annually with senior management from the claims team, and quarterly with the special investigations health care team. In addition to standard audits, CPM performs periodic monitoring and monthly validation testing. During FY23, CPM was able to incorporate selected requests from the various business and management teams into the annual audit plan, including the following:

- Processing of prosthetic by-report code bills to ensure timeliness and compliance with BWC policies and procedures, including documentation requirements.
- MCOs submission of selected data elements from the First Report of Injury (FROI) forms were accurately and timely reported to BWC.
- Verification that FROIs were appropriately submitted by MCOs through electronic EDI transmissions or BWC web (if appropriate).
- Assessment of notable actions or services provided in a vocational rehabilitation plan that may increase the likelihood of a successful return to work outcome.
- Verification of appropriate processing of injured worker prescriptions not picked up by the injured worker.

Other MCO audits performed during the year included, but were not limited to, ensuring:

- The accounts that BWC funds for payment of provider and pharmacy bills were timely and accurately reconciled for all ten MCOs and the PBM.
- Controls were in place at the PBM Data Center to safeguard BWC data.
- Rebate monies collected were properly processed within BWC's systems.
- Provider payment services for an MCO were effectively and efficiently returned to the MCO from a vendor, ensuring accountability for all BWC funds.
- MCOs update and apply fee schedule changes timely and accurately.
- MCOs had implemented general IT-related controls for employees working remotely.
- MCO disaster recovery plans and business continuity plans were current and addressed concerns identified from BWC's review of submitted SOC 1 reports.
- MCO access to the BWC website via e-accounts was appropriately and timely managed.
- Medical and pharmacy bills were paid for eligible bills and excluded those where a claim was in a non-allowed status, self-insured, or a prescription fill date was after the claimant's date of death.
- Interest charges resulting from delayed bill processing by an MCO were recouped from the MCO and reimbursed back to BWC.

Overall, the audit results support that HPP was functioning effectively in accordance with the policies and procedures of the program.

Selected HPP Measurements: All dollar amounts are shown in \$1,000s.

The figures below are limited to the HPP.

The table below reflects a historical trend of selected HPP performance data by fiscal year. Data for cer-

tain measurement variables can be different based on the impact of new information received before or subsequent to the compiling of the data for this report.

Table 1 Selected HPP Measurements:

Measure	FY 2018	FY 2019	FY 2020*	FY 2021*	FY 2022	FY 2023
Active employers (1)	219,092	221,392	217,887	220,738	218,155	215,618
Active claims (2)	250,211	243,276	233,654	208,490	192,103	192,233
FROI timing (3)	16.55	15.77	16.95	17.04	19.24	19.79
% of FROIs filed within seven days of the date of injury (4)	72.29%	72.41%	71.58%	67.61%	65.18%	64.12%
% of claims determined within 14 days of the filing date (5)	70.80%	68.41%	66.47%	59.99%	56.84%	55.98%
Bill timing (6)	74.17	74.46	75.41	81.39	85.75	83.10
LDOS-MCO	60.28	60.32	61.49	66.90	71.38	71.41
MCO-BWC	5.36	5.60	5.59	6.24	6.05	6.25
BWC-MCO	7.20	7.21	7.15	7.18	7.24	4.37
MCO-Provider	1.33	1.33	1.18	1.07	1.07	1.07
Total regular medical payments (7)	\$504,170	\$468,074	\$411,137	\$333,659	\$369,017	\$363,016
Payments for file reviews and IMEs (8)	\$17,567	\$18,172	\$15,418	\$15,413	\$13,474	\$12,979
MCO fees (9)	\$170,755	\$170,883	\$168,764	\$164,988	\$161,694	\$165,265

Total medical payments, plus MCO fees	\$692,493	\$657,128	\$595,319	\$514,060	\$544,185	\$541,260
Total indemnity payments (10)	\$925,358	\$905,443	\$908,282	\$897,159	\$934,701	\$887,095
Grand total (11)						
Benefits paid (total regular medical payments, plus total indemnity payments)	\$1,600,283	\$1,544,400	\$1,488,183	\$1,395,805	\$1,465,412	\$1,415,376

1. Average number of employers in an active, reinstated, or debtor in possession status assigned to an MCO during the time frames noted.
2. Average number of active claims (claims with a payment or application submitted to BWC within a specified length of time) assigned to an MCO during the periods noted.
3. Average time, in calendar days, from date of injury to date BWC received a FROI for all FROIs received during the time frames noted for claims assigned to an MCO.
4. Percent of claims assigned to an MCO where BWC receives the FROI within seven calendar days from the date of injury where BWC received the FROI during the periods noted.
5. Percent of claims assigned to an MCO determined within 14 calendar days of the filing date where the determination was during the time frames indicated regardless of date of injury or filing date. BWC considers a claim determined when we place it in allow/appeal or disallow/appeal status.
6. Average time, in calendar days, between the last date of service being billed (LDOS) to a check being issued to the provider for bills processed by the MCOs. This does not include bills for prescription drugs processed through BWC's pharmacy benefits manager. It is further broken down into the component steps of the process:
 - LDOS-MCO: LDOS to MCO receipt.
 - MCO-BWC: MCO receipt (for review and payment determination) to BWC receipt.
 - BWC-MCO: BWC receipt (for review and final payment determination) to date monies are deposited into the MCO's provider account.
 - MCO-Provider: MCO receipt of the final payment information and monies to the MCO issuing the check to the provider.

BWC bases the MCO-Provider information on a desk audit of the MCOs' check issuance timing, which was last updated in CY2021.

7. Payments for medical services made on claims assigned to an MCO during the time frames noted. Amounts include payments on claims associated with bankrupt self-insured claims assigned to the MCOs. It also includes payments for prescription drugs processed through BWC's pharmacy benefits manager. Regular denotes this category includes payments for physicians, hospitals, therapies, diagnostic testing, etc. It excludes payments made for file reviews and independent medical examinations (IMEs) requested to facilitate administrative decisions in the claim.
8. Payments made during the time frames noted for file reviews and IMEs requested to facilitate administrative decisions in the claim.
9. Payments issued to the MCOs during the time frames noted per the MCO Agreement for their services. BWC bases MCO contracts on calendar years. Fluctuations in the amounts paid to the MCOs between fiscal years are attributable to several factors, including:
 - Changes in the overall amount available to the MCOs from year to year.
 - Timing of different types of payments (administrative payments are monthly, outcome payments are quarterly, and exceptional performance payments are annual).
10. Payments for salary compensation made on claims assigned to an MCO during the time frames noted. This includes payments for temporary total, living maintenance, wage loss, lump sum settlements, etc. Amounts include payments on claims associated with bankrupt self-insured claims assigned to the MCOs.
11. Excludes payments for file reviews and IMEs as these are not benefits paid to or on behalf of an injured worker but are conducted to facilitate administrative decisions in the claim.

* FY20 and FY21 numbers are affected by COVID-19 shutdowns starting mid-March 2020. This could affect all the categories in different ways, for example, lower than expected number of claims, higher than average processing times, or lower IME/File Review costs due to scheduling delays.

In FY23, BWC created the Office of Safety Services consisting of the Workforce Health, Wellness & Special Programs (Health & Wellness), the Workforce Safety Innovation Center (WSIC), and the Division of Safety & Hygiene (DSH). These teams are primarily responsible for:

- Health & Wellness: Management of BWC's Better You, Better Ohio!® (BYBO!) program offering health and wellness services to Ohio workers without access to these services through their employers.
- WSIC: Providing funds for future safety initiatives through research and development of innovative projects to enhance workplace safety and reduce the frequency and severity of on-the-job injuries.
- DSH: Providing occupational safety and health services to Ohio employers, including safety education and training, safety councils, the Ohio Safety Congress & Expo® (OSC®), safety grant-programs, loss prevention consulting services, Public Employment Risk Reduction Program (PERRP), OSHA On-Site Consultation Program, and library services.

These three teams provide a holistic approach to improving the safety and well-being of workers and mitigating the risks of injuries to Ohio employers.

Additionally, field operations teams were consolidated into five regions to align with BWC's employer operations' regional structure. This enhances further collaboration between employer services and safety operations.

Safety Services financials

Safety Services' operating budget appropriation for Fiscal Year 2023 (FY23) was \$25,865,017. In addition, BWC was appropriated:

- \$35 million for safety grants
- \$15 million for WSIC
- \$4 million for the Substance Use Recovery and Workplace Safety Program (SURWSP)
- \$3 million for BYBO!
- \$1.5 million for safety awareness and educational marketing
- \$1 million for the Ohio Occupational Safety and Health Research Program

Additional funding came from:

- Two federal Bureau of Labor Statistics (BLS) grants amounting to \$195,104 for the Survey of Occupational Injuries and Illnesses (SOII) and the Census of Fatal Occupational Injuries (CFOI).
- A federal Occupational Safety and Health Administration (OSHA) grant amounting to \$1,732,400 for the OSHA On-Site Consultation Program.

The total premium assessment for Safety Services for FY23 was approximately \$10.4 million. Table A describes FY23 premium assessments according to employer type.

Table A: FY23 Safety Services premium assessments

Employer type	Assessments (\$)
Private	\$7,789,083
Public taxing districts	\$1,353,914
Public state	\$586,074
Self-insured	\$679,560
Total assessments	\$10,408,631

As of June 30, 2023, Safety Services operational disbursements and open encumbrances for programs and operations amounted to approximately \$20.3 million. Additionally, other disbursements and open encumbrances include:

- BYBO!, \$3 million
- WSIC, \$3.9 million
- Safety grants, \$21.9 million
- Safety awareness and educational marketing, \$0.2 million
- SURWSP, \$0.8 million
- Research grants to Ohio higher educational institutions, \$1 million
- BLS federal grants, \$0.2 million
- OSHA On-Site federal grant, \$1.7 million

Better You, Better Ohio!®

BYBO! was implemented in FY18. This health and wellness program focuses on enhancing the health and well-being of Ohio’s injured workers, small employers (250 employees or less) in high-risk industries, and their workforce members. The employee limit is also waived for employers participating in the SURWSP, giving employees additional support on their journey to recovery.

Our unique position enables us to positively impact the quality of life and health for Ohio’s workforce and improve the efficiency of Ohio’s businesses. A healthy workforce allows employers to focus on their businesses and better manage their workers’ compensation and health-care costs. The BYBO! program works to prevent injuries by:

- Improving workforce health
- Helping reduce the severity of an injury, thereby increasing the speed of recovery from an injury

- Ultimately reducing time away from work due to an injury

Employers with participating workers do not have to administer the program. There are no fees or costs associated with BYBO! for employers or employees. BWC and BYBO! staff provide the administrative scaffolding and support to employers and injured workers.

Key components of BYBO! include:

- Biometric assessment
- Digital and telephonic health risk assessment
- Individual, group, and digital health and wellness coaching
- Monthly webinars
- Physical activity trackers
- Recipes and food ideas
- Reliable health information
- Reward administration

In FY23, 27,903 Ohioans were enrolled in BYBO!, with 3,141 injured workers. During FY23, the health and wellness coaching modalities of the BYBO! program were expanded to include individual, group, and digital coaching. In FY23, 4,221 members participated in one or more online health coaching programs. Further, 4,201 members participated in at least one health and wellness program activity (e.g., biometric screening, health risk assessment, and/or coaching) for FY23. BYBO! also provided 99 on-site biometric screenings from employers during FY23.

Workforce Safety Innovation Center

WSIC offers up to \$15 million in funding for the research and development of innovative personal protective equipment (PPE) and personal protective technology (PPT) projects to enhance workplace safety and reduce the frequency and severity of on-the-job injuries.

WSIC funding opportunities are modeled after NIOSH's NORA and the National Science Foundation Partnerships for Innovation Program, with priority areas of focus for technologies and products based on data collected from BWC claims. WSIC provides grants up to \$1.5 million in base funding with a non-budgeted deliverable schedule for reimbursement per approved project. The duration of each project is limited to 12 months per track (track one is for a proof-of-concept, track two is for a prototype). This grant is limited to not-for-profit higher education institutions and research organizations located in Ohio.

During FY23, WSIC initiated three projects:

- A team from the Ohio State University (OSU) led by Dr. Katherine Quatman-Yates developed the Buckeye Pause Bundle (BPB) technological ecosystem. The BPB is a working prototype for three components: Mindfulness in Motion application, biofeedback-based prompting system, and respite pod. The team engaged in iterative proof-of-concept and technology refinement with participants across four different health systems (OSU, Holzer, Kettering, and Akron Children's). Through their proof-of-concept testing and market scans, they determined the BPB is feasible as an innovation to support proactive and protective mind-body resilience building in workplace environments, specifically acute health care settings.
- A team from the University of Cincinnati (UC), led by Ashley Kubley, designed and produced a Carbon Nanotube Active Textile coat (AT) intervention and tested it across multiple sub-studies. The studies showed that AT cooling system integration is viable as it improves physical comfort, strength, and flexibility regarding materials and sensation. It reduces exposure to hyperthermic levels of core body temperature, shields from electromagnetic radiation and harmful toxins firefighters are exposed to on the job, and therefore has the potential to reduce injuries among firefighters.
- A second team from UC, led by Dr. Jun Wang, established a pathway to enable real-time exposure assessment and respiratory protection monitoring by developing an Exposure-Protection Integrated Communicator (EPIC). EPIC comprises a series of sensors housed in a modular design package with highly customizable algorithms to monitor environmental concentrations, personal exposures, and respirator workplace protection factors. Preliminary lab and field assessments were conducted, and the device met the design goal to provide an easy-to-use and intuitive interface for workers and researchers to access information.

Division of Safety and Hygiene

Occupational safety and health services are provided to Ohio employers and employees. Primarily, these services include research activities and initiatives and providing Ohio occupational fatality statistics.

Occupational safety and health services

DSH provides a variety of occupational safety and health services to Ohio employers and employees. Primarily, DSH's services include safety education and training, safety councils, OSC[®], safety grant programs, loss prevention consulting services, PERRP, OSHA On-Site Consultation Program, and library services. Table B provides general statistics about the number of employers who benefited from these services in FY23.

Table B: FY23 occupational safety and health services statistics by policy type

Service type	Private employers	Public employers	State agencies	Self-insured	Marine fund	Black lung	Undetermined	Total
Training and Education	5,232	439	14	133	0	0	9	5,827
OSC [®]	2,129	248	37	334	3	0	5	2,756
Safety council	6,432	981	1	495	0	1	0	7,910
Safety grants*	503	295	0	0	0	0	0	798
Video library	479	49	8	33	0	0	0	569
Specialized field operations consulting	2,294	358	17	46	0	0	0	2,715
OSHA On-Site	421	0	0	0	0	0	0	421
PERRP	14	135	20	18	0	0	0	187

* This total does not include grants for the Ohio Law Enforcement Body Armor (OLEBA) Grant Program.

The total combined number of employers who benefited from our services in FY23 was 14,390.

Education and training services

BWC’s safety education and training services include instructor-led training with both in-person and virtual classroom courses, online e-courses, safety webinars, and on-site training. BWC offers classes covering:

- Industrial and construction safety
- Industrial hygiene
- Ergonomics
- Worker health and wellness
- Safety training practices
- Environmental, health, and safety risk management

Instructor-led in-person training resumed after a two-and-a-half-year break due to the COVID-19 pandemic. There were 86 class sessions from 36 courses. These resulted in 1,949 student completions by 1,583 unique students representing 775 employers. Onsite and special event training also resumed. There were 13 unique in-person onsite and special event courses, resulting in 523 student completions representing 91 employers. It was a successful re-launch of brick-and-mortar training after a long period of only online training.

We continued to offer instructor-led virtual training courses. There were 40 unique virtual training courses with 50 class sessions. These resulted in 1,314 completions by 843 students representing 712 employ-

ers. BWC's Learning Center offered 22 Safety Services online on-demand e-courses. There were 11,816 online e-course completions by 6,015 students representing 4,349 employers. Safety Services continued to offer safety webinars. Webinar e-assessments provided 813 completions, reaching 542 students representing 477 employers. Lastly, Safety Services made past safety webinars available within the BWC Learning Center, resulting in 1,695 views of 88 webinar replays by 777 students representing 622 employers. All training events combined had 19,601 completions by 9,203 students representing 5,827 employers. CEUs and/or program credits were available for most training offerings.

Safety Council Program

The Ohio Safety Council Program provides access to education, networking, and resource-sharing on occupational safety and health, risk management, and health and wellness to Ohio employers in their local communities. BWC co-sponsors safety councils throughout the state in coordination with chambers of commerce, trade and manufacturing associations, safety education providers, and other local community organizations.

In FY23, sponsors returned to hosting exclusively in-person meetings. Eighty-three sponsors hosted 1,092 meetings with 60,155 individuals in attendance. The rebate associated with active participation was reinstated with modifications to simplify the program for employers and sponsors.

BWC provided nearly \$970,000 in subsidies toward the direct and indirect costs of administering monthly safety council meetings.

Ohio Safety Congress & Expo®

OSC23® was held as a hybrid event on March 8-10, 2023, offering in-person and live-streamed educational sessions, two keynote presentations, and the Expo Marketplace. The three-day conference offered 95 educational sessions and workshops and 16 live-streamed sessions.

Two hundred and sixty-four safety product companies exhibited in the Expo Marketplace, where they networked and conducted product demonstrations with event participants.

Both in-person and virtual attendance were strong for the first OSC® in-person event in three years. For the event, 7,456 individuals registered, 5,175 attended in person, and 1,053 attended the live-streamed sessions.

Participants were complimentary of the fresh, new event layout and the extremely smooth onsite registration and badge printing procedure. They were equally positive about the overall event experience and educational offerings.

Safety grant programs

The focus of BWC's safety grant programs is assisting employers in purchasing equipment and other interventions that reduce the risk of injury or illness to their employees. We also gather information about best practices and the measurable effectiveness of workplace safety interventions so we may share the results with Ohio employers.

The grant programs include:

- The Safety Intervention Grant (SIG) Program
- Firefighter Exposure to Environmental Elements Grant (FEEEG) Program

- Employers Working with Persons with Developmental Disabilities (EWPDD) Grant Program
- School Safety and Security Grant (SSSG) Program
- School Safety and Security Grant-HVAC (SSSG-HVAC) Program
- Drug-Free Safety Program (DFSP) Grants
- Workplace Wellness Grant Program (WWGP)
- Trench Safety Grant (TSG) Program

In FY23, BWC disbursed \$17,254,289.24 for 877 grants.

Additionally, BWC collaborated with the office of the Ohio Attorney General to award \$1,769,344.65 in Ohio Law Enforcement Body Armor (OLEBA) Grant Program grants to 309 applicants.

Safety Intervention Grant Program

The SIG Program, which began in 1999, provides financial assistance to employers to purchase equipment to make their workplaces safer. The program provides 3-to-1 matching funds, up to a maximum of \$40,000 per employer per eligibility cycle. Employers can only use funds to purchase or improve equipment to significantly reduce or eliminate hazard exposure and the risk of injury. The program requires employers to evaluate their interventions and share their results with BWC.

In FY23, BWC paid out 392 SIG grants totaling \$10,882,999.18 to 375 employers.

To establish industry best practices in occupational safety and health, employers receiving grant funds through the SIG program must provide claims reports and a year-end case study to document their experience with the equipment purchased through the grant. BWC uses the collected data to establish baseline best practices in safety, advance knowledge in occupational safety and health, and to benefit other employers with similar hazards at their workplaces.

In FY23, 153 safety grant recipients completed their year-end case study. These companies reported \$1,428,481 in annual productivity savings, \$211,176 in annual claim cost savings, and \$2,119,098 in other savings (quality, absenteeism, etc.). Based on this reported information, the payback period on the cost of the interventions is 1.55 years.

Firefighter Exposure to Environmental Elements Grant Program

BWC implemented the FEEEG Program on July 1, 2017. BWC uses the FEEEG Program to partner with Ohio fire departments to minimize firefighters' exposure to hazardous environmental contaminants that may include carcinogens. The program is available to eligible Ohio fire departments to purchase diesel exhaust systems, extractors/washing machines for turnout gear, hoods with barrier protection, and washable gloves for optimal protection against these environmental elements.

Qualified employers with payroll equal to or greater than \$500,000 are eligible for a 5-to-1 matching grant, up to a maximum grant award of \$15,000 for the duration of the FEEEG program. This means BWC gives \$5 for every \$1 the employer contributes. Qualified employers with payroll less than \$500,000 are eligible for a \$15,000 grant with no match for the duration of the FEEEG program.

In FY23, BWC paid out 54 FEEEG grants totaling \$391,903.30 to 54 employers.

Employers Working with Persons with Developmental Disabilities Grant Program

BWC introduced the EWPDD Grant Program on July 1, 2017. BWC uses the EWPDD Grant Program to assist Ohio employers with ensuring the safety of their staff when carrying out the services they provide to developmentally disabled children and adults. The program is available to eligible Ohio employers who want to purchase training and/or equipment to substantially reduce or eliminate injuries to employees who work with developmentally disabled children and adults.

Qualified employers may receive up to \$20,000 with a 5-to-1 match for equipment or no match for training for the duration of the EWPDD Grant Program.

In FY23, BWC paid out 29 EWPDD grants totaling \$272,796.16 to 27 employers. The EWPDD grant program was sunset at the end of FY23.

School Safety and Security Grant

In November 2018, BWC implemented the SSSG program. The program aids Ohio employers with ensuring the safety of their staff who instruct children. The program is available to eligible Ohio employers to purchase equipment to substantially improve the safety and security of facilities and to reduce or eliminate injuries or illnesses associated with providing educational services to children.

Ohio employers that operate licensed preschool through 12th grade educational facilities are eligible for the program. Eligible employers may receive up to \$40,000 for the duration of the program.

In FY23, BWC paid out 86 SSSG grants totaling \$1,672,974.03 to 80 employers.

School Safety and Security Grant-HVAC

The SSSG-HVAC, which was introduced in 2022, is an expansion of the SSSG program. This program covers the cost of inspections, assessments, maintenance, and improvements to indoor heating, ventilation, and air conditioning (HVAC) systems, as well as the purchase of other secondary devices to control the spread of airborne contaminants, including viruses, for eligible applicants.

This additional funding of \$15,000 is available to any qualifying entity under the SSSG program policy. A list of qualifying equipment can be found on the application. This offering is available to employers with no matching amount required. Eligible applicants may apply even if they have exhausted all previously available SSSG funds.

In FY23, BWC paid out 220 SSSG-HVAC grants totaling \$3,137,208.95 to 220 employers.

Drug-Free Safety Program Grant

DFSP is BWC's voluntary safety program developed to address workplace use and misuse of alcohol and other drugs. It's designed to help state-fund employers more effectively prevent on-the-job injuries and illnesses by integrating drug-free efforts into their overall workplace safety program. DFSP can help employers achieve both long-range safety and cost-saving benefits.

In FY23, BWC paid out one DFSP grant amounting to \$400 to one employer.

Workplace Wellness Grant Program

The WWGP, introduced in 2012, is designed to help Ohio employers start workplace wellness programs. The program aims to control the escalating cost of workers' compensation claims by addressing health-risk factors. The WWGP's collateral goals are to reduce health-care costs for employers and improve the health of the workforce.

Participating employers may receive \$300 per participating employee during a four-year period, up to a maximum amount of \$15,000 per policy. Employers participating in the WWGP must use wellness grant funds to conduct health-risk assessments (HRAs), biometric screenings, and subsequent activities designed to address the results of the HRAs and biometric screenings. Participating employers receive grant funds after completing the HRAs and biometric screenings and providing BWC with the aggregate results of participating employees.

During FY23, BWC approved three employers to participate in the WWGP, bringing the participating employers' total to 420. BWC paid out seven grants totaling \$12,189 to seven employers in the program during FY23. The WWGP was sunset at the end of FY23.

Trench Safety Grant

In February 2020, BWC implemented the TSG program as part of its Trench Safety Campaign. The program aids Ohio employers with ensuring the safety of their staff who perform trenching or excavating work. The program is available to eligible Ohio employers to purchase equipment to substantially reduce or eliminate injuries associated with trenching operations.

Eligible employers may receive up to \$12,000 for the duration of the TSG Program. This is a 4-to-1 matching grant, which means BWC provides \$4 for every \$1 an employer invests in the intervention.

In FY23, BWC paid out 88 TSG grants totaling \$883,818.62 to 87 employers.

Ohio Law Enforcement Body Armor Grant Program

The OLEBA Grant Program, which began in September 2018, is funded by BWC and administered by the office of the Ohio Attorney General. The program provides money to eligible law enforcement organizations (LEOs) to purchase body armor vests to enhance safety and prevent injuries among law enforcement officers. Participation in the program is limited to LEOs with, or belonging to, an active Ohio State Insurance Fund policy with BWC.

An eligible local law enforcement agency may request up to \$40,000 of grant money to purchase body armor vests, with a local match of 25%.

In FY23, in collaboration with the office of the Ohio Attorney General, BWC paid out \$1,769,344.65 in OLEBA grants to 309 applicants.

Loss Prevention Operations

Loss prevention operations (LPO) comprises the three safety and health consulting units and the quality assurance and technical support unit. Two of the consulting units (OSHA On-Site Consultation Program and PERRP) serve specific employer populations, while the third (Specialized field operations consulting services) serves all employers. The three collaborate to provide industrial and construction safety, industrial hygiene, and ergonomics services to help employers develop and become self-sufficient in managing their own safety and health processes. These services include hazard identification, risk assessment and mitigation, safety programming and management system development, training, and introducing safety and health interventions in the workplace.

OSHA On-Site Consultation Program

OSHA funded an average of 74% (\$1,706,862) of the OSHA On-Site Consultation Program costs in state FY23 with applicable portions of its federal FY22 and 23 grants. BWC funded the remaining 26% (\$601,112).

The program provides consultation services to private employers, prioritizing worksites with fewer than 250 employees in high-hazard/risk industries. The program also administers the Safety and Health Achievement Recognition Program (SHARP). This OSHA cooperative program provides recognition and exemptions for 27 workplaces with exemplary safety and health management systems. Employers who obtain SHARP certification have had comprehensive health and safety visits and abated all identified hazards. Additionally, these locations have implemented robust safety management systems and submitted action plans designed to encourage continuous improvement. One new location was SHARP-certified, and eight sites were renewed in FY23.

Program field consultants conducted 623 site visits and 34 virtual visits to 421 Ohio workplaces. During these visits, 2,032 hazards, including 1,578 serious hazards, were identified and abated, removing 39,982 employees from exposure. An additional 96 compliance assistance activities were conducted.

Public Employment Risk Reduction Program

PERRP governing statutes in Ohio Revised Code chapter 4167 ensure public employees in Ohio have safe and healthful working conditions. PERRP adopts and enforces occupational safety and health standards and conducts enforcement inspections and investigations to ensure compliance. PERRP also provides free voluntary compliance assistance services that explain regulatory requirements, raise awareness of occupational injury and illness risk factors, and suggest strategies to reduce risk.

During FY23, PERRP provided services to 187 public employers. PERRP conducted 94 onsite and virtual compliance assistance visits, including safety and health consultations and training. These visits resulted in the identification of 161 hazards. During FY23, PERRP verified the correction of 221 hazards in public employer workplaces.

PERRP conducted 57 enforcement investigations/inspections that required 289 onsite or virtual visits. These visits resulted in the identification of 94 hazards. During FY23, PERRP verified the correction of 102 hazards in public employer workplaces. PERRP conducted one fatality investigation, four refusal to work investigations, six amputation investigations, 13 hospitalization investigations, one injury investigation, 20 high-hazard emphasis inspections, and 12 complaint investigations.

PERRP reviewed 122 complaints, reportable injuries, and fatalities that did not result in a formal investigation. These were conducted through abatement verification received from the employer and reviewed administratively. One Safety Partnership Agreement applicant is going through the approval process.

Specialized field operations consulting services

Specialized consulting services provided through field loss prevention offices help employers:

- Implement safety programs
- Identify workplace ergonomic, environmental, and physical hazards
- Develop and execute hazard abatement plans
- Establish workplace safety and ergonomics committees
- Use the BWC safety grant programs

These field activities include consulting with employers to assist with noise surveys for hearing protection, air quality sampling, ergonomic surveys, safety audits, and training in workplaces throughout Ohio. We provided consulting services in industrial hygiene, industrial and construction safety, and ergonomics. In FY23, BWC's field operations consultants provided consulting services to 2,715 Ohio employers.

As part of these services, BWC industrial hygienists, working with an accredited external laboratory, coordinated 5,180 specialized analyses of air quality samples to measure workers' exposures to a variety of chemicals at more than 693 Ohio workplaces.

Quality assurance and technical support unit

BWC's quality assurance and technical support unit provides specialized technical support to BWC loss prevention operations staff in these areas:

- Industrial and construction safety
- Ergonomics
- Industrial hygiene

The technical advisors serve as subject matter experts in establishing, developing, and maintaining policies relative to BWC safety programs and services. These include rebate, grant, and assistance programs such as the Industry-Specific Safety Program (ISSP), SIG, FEEEG, and WSIC grants. They also serve as members of or liaisons to external organizations, such as the Center for Construction Research & Training/National Institute for Occupational Safety and Health (CPWR/NIOSH) Research-to-Practice partnership, American Industrial Hygiene Association Ohio Valley Local Section (AIHA OVS), and American National Standards Institute Z359 Fall Restraint Standards Committee. Technical advisors also teach several occupational safety, ergonomics, and industrial hygiene courses.

The unit assists loss prevention operations management staff with assessing the technical capabilities of job candidates, mentoring new safety, ergonomics, and industrial hygiene field consultants, and assuring the quality of loss prevention service delivery and work products. They also arrange professional development events and discipline-specific staff meetings. In addition, they lead special projects and safety initiatives, provide event support, and serve as liaisons for OSC®. Technical Advisors coordinated BWC's outreach and involvement during the National Safety Stand-Down to Prevent Falls in Construction, Stand-Up for Grain Safety Week, Stand Down for Trench Safety, and Farm Science Review. This unit also maintains and updates the specific safety rules in the Ohio Administrative Code (OAC).

Finally, the technical advisors provide support for the development and revision of:

- BWC website safety content
- Safety publications and communication projects (e.g., blog posts)
- Training courses, safety talks, and sample written programs
- Internal and external presentation material

BWC's Safety Services instrument laboratory

BWC's Safety Services instrument laboratory provides a variety of support services to field consultants. The laboratory houses the inventory and repairs, maintains, and calibrates more than 552 measurement devices and tools used by BWC staff. Last year, the laboratory performed calibration and maintenance for 320 devices, with estimated savings of approximately \$71,350 versus the benchmark cost of returning the instruments to the manufacturer. Additionally, seven measurement devices purchased in FY23 were distributed to BWC staff.

Library services

The BWC Library offers access to information, training materials, and videos. Experienced librarians help private businesses, local and state government entities, attorneys, health care professionals, researchers, representatives of business and labor trade organizations, students, the public, and BWC employees with their questions on workplace safety and health, workers' compensation, risk management, and rehabilitation. BWC librarians provide training on researching web-based and media resources. The BWC Library, with its special collection, is the only library of its kind in Ohio and among a few in the nation with such specialized services.

Library staff furnished 556 articles/journals/books to customers and performed 343 detailed, specialized reference and/or literature searches for 90 requesters.

The video library houses a collection of 683 workplace safety and health DVDs and training aids, including many titles in languages other than English. The library features streaming video services through our vendor partner while continuing to loan training DVDs to customers. Use of the streaming video service continues to grow, while DVD loan numbers remained steady from the previous year. Streaming videos were expanded in FY23 from just under 260 videos to 850 titles. This year, the video library circulated 1,245 DVDs to 198 employers. Additionally, 469 employers and their employees accessed 36,997 streaming videos.

The BWC Library houses the BWC Archive. The collection consists of publications and images produced by Safety Services under BWC and the Industrial Commission of Ohio, with the goal of preventing workplace accidents and injuries and reducing workers' compensation costs. Cataloging and digitization of the collection is an ongoing project. In FY23, the BWC Library added a new collection of digitized Specific Safety Requirements (SSRs) in the form of Bulletins, Industrial Commission (IC) codes, and Ohio Administrative Codes (OAC) from the IC and BWC to the Ohio Memory website. The collection covers 1924 to the early 2000s.

Substance Use Recovery and Workplace Safety Program

The Substance Use Recovery and Workplace Safety Program (SURWSP) aims to minimize the impact of substance use disorders on Ohio's workforce and to promote a safe and healthful workplace. It provides funding to support employers in developing workplaces that are not only safe and productive but also supportive of employees in recovery. Specifically, the program offers employers reimbursement for workplace expenses related to substance use, such as drug testing, developing workplace drug use policies, and training for employees and supervisors.

It also provides access to BWC's Better You, BetterOhio!® (BYBO) employee wellness program for employers who would not otherwise qualify for BYBO! During FY23, year-over-year employer enrollment in the program grew 31%, and year-over-year annual reimbursements paid to employers grew 136%. On Feb. 1, 2023, BWC concluded its partnerships with the ADAMH boards and assumed direct administration of the program statewide. SURWSP is available in all 88 counties, with \$8 million in program funds appropriated for the FY2024 – 2025 biennial budget.

Safety Services initiatives for FY23 and FY24

Safety Services had several special initiatives in FY23 and FY24 to create and improve occupational safety and health services for Ohio employers and employees.

Starting in FY18 and continuing into FY23, BWC invested funds in statewide safety awareness and educational marketing. In FY23, Safety Services spent \$87,221 to partner with the Ohio Farm Bureau to market BWC's safety services to Ohio's agricultural community. We used podcasts, digital advertorials, and ads placed in Farm Bureau's print, digital, and radio content to engage with agricultural employers. Also, in addition to our regular attendance at the annual Farm Science Review, we staffed a second booth within the Farm Bureau's building and engaged the agricultural community about hearing protection, ergonomics, and BWC's safety grants.

In addition to the partnership with the Ohio Farm Bureau, towards the end of FY23, we spent \$100,000 to partner with the Ohio Department of Transportation on safety marketing, which will be rolled out during FY24. We also used safety awareness and educational marketing funds to support several smaller initiatives, such as providing materials for events.

BWC is partnering with the Ohio Department of Developmental Disabilities (DODD) to fund online training courses targeted to employers and employees of direct service providers who care for children and adults with disabilities. In FY23, BWC contributed \$164,421.02, 46% of the cost of the services, to cover the safety and health portions of the training. For FY24, BWC has also agreed to contribute \$173,498.66, 46% of the cost of the services.

In late FY23, Safety Services launched two initiatives to emphasize improving safety in two high-risk industries – construction and nursing homes. Safety Services will develop programs and resources for employers in these industries and will also work with employers directly to provide safety consulting and training.

In FY24, FEEEG program will be expanded to fund turnout gear for volunteer firefighters and other equipment. Eligibility cycles for FEEEG and SSSG will be reduced to three years.

Research activities and initiatives

Research activities and initiatives include the Ohio Occupational Safety and Health Research Program, BWC/NIOSH Partnership, the Survey of Occupational Injuries and Illnesses (SOII), and the Census of Fatal Occupational Injuries (CFOI). Safety Services also provides a yearly analysis of Ohio occupational fatalities.

Additionally, safety and health experts from BWC serve on various National Occupational Research Agenda (NORA) industry sectors and cross-sector councils assembled by NIOSH. NORA councils bring together occupational safety and health research leaders with representatives from businesses and industry and labor organizations to define the national occupational safety and health research needs and priorities in the various economic sectors.

Ohio Occupational Safety and Health Research Program

Safety Services administers the Ohio Occupational Safety and Health Research Program. The program is a competitive research program that emphasizes maximizing the impact of research efforts in the areas of occupational safety and health on the overall safety, health, productivity, and competitiveness of Ohio's workforce. BWC modeled the program, with minor modifications, after NIOSH's NORA. The program provides up to \$300,000 in funding per project for safety and health research. BWC limits the duration of each research project to 12 to 24 months. The program is an open competition for researchers in Ohio's not-for-profit higher education institutions and research organizations.

During FY23, Safety Services initiated three projects that addressed the following research areas:

- Resiliency and health of law enforcement personnel
- Occupational low back injury risk assessment
- Prevention of nursing injuries using eastern therapy principles

BWC/NIOSH partnership

In FY23, BWC and NIOSH continued to collaborate and use their respective strengths and resources on projects that improve public policy. BWC and NIOSH use workers' compensation data as part of research that informs public policy for preventing occupational injuries and illnesses and improving workers' compensation systems. BWC and NIOSH co-authored three journal articles:

- "The Role of Worker Age in Ohio Workers' Compensation Claims in the Landscaping Services Industry." *Journal of occupational and environmental medicine* 64.9 (2022): 766-776.
- "Workers' compensation injury claims among firefighters in Ohio, 2001–2017." *Journal of safety research* (2023).
- "Case studies of robots and automation as health/safety interventions in small manufacturing enterprises." *Human Factors and Ergonomics in Manufacturing & Service Industries* 33.1 (2023): 69-103.

Survey of Occupational Injuries and Illnesses

BWC renewed a grant from the BLS to administer the SOII program in Ohio for FY23. The grant is under a cooperative agreement between BWC and the BLS. The survey is the only comprehensive measure of work-related injuries and illnesses in U.S. workplaces. The agreement allows BWC to continue to administer the survey in Ohio.

The BLS developed this federally mandated survey as part of the Occupational Safety and Health Act of 1970. The BLS and BWC each provide 50% of the funding.

The survey provides information on the number and frequency of non-fatal injuries and illnesses occurring in workplaces. It also provides demographic and case characteristics for serious injuries requiring time away from work. The BLS uses this report to generate state and national benchmarks for incidence of occupational injuries and illnesses. The report is a valuable research tool for developing prevention policies and training toward improving safety standards in workplaces at both state and national levels.

The survey gathered data on occupational injuries and illnesses for CY22. The BLS randomly selected 4,646 establishments (both private and public) as a representative sample for the entire Ohio workforce. The survey achieved an 87% response rate, with more than 5,200 cases of occupational injuries and illnesses reported. This number includes a sampling of cases with job restrictions, job transfer, and all recordable cases involving days away from work. For comparison and analysis, BWC coded all reported cases using the Occupational Injury and Illness Classification System and the Standard Occupational Classification System. BWC will publish the survey data on our website after it is released in November 2023.

In preparation for the FY24 survey cycle, the BLS pre-notified 4,600 establishments of their inclusion in the SOII program. The FY24 survey will gather occupational injury and illness data for the 2023 calendar year.

Census of Fatal Occupational Injuries

BWC renewed a grant from the BLS to administer the CFOI program in Ohio for FY23. The grant is under a cooperative agreement between BWC and BLS. CFOI is an occupational health and safety surveillance program. It's designed to identify, verify, and meticulously document important variables associated with cases of fatal occupational injuries to provide robust and aggregated statistics. The program produces comprehensive, accurate, and timely counts of fatal workplace injuries at state and national levels.

CFOI runs on federal-state collaborative efforts. Since 1992, all 50 states and the District of Columbia have implemented CFOI.

CFOI is the most complete count of fatal occupational injuries in the United States. The census uses multiple data sources such as death certificates, workers' compensation reports, media reports, and federal and state agency administrative reports to identify and verify fatal occupational injury cases. BWC obtains information about each workplace fatality, such as the deceased worker's occupation and other characteristics, equipment involved, and causation variables by cross-referencing multiple sources of information. BWC substantiates all cases included in the census with at least two independent source documents or a source document and a follow-up questionnaire.

BLS designed the census to provide information on the rate and number of fatal traumatic occupational injuries occurring across the nation. It also provides demographic and case characteristic details on fatal workplace injuries. BLS uses information acquired through the census to estimate benchmarks for the incidence of fatal injuries in workplaces at the state and national levels. It also provides industry and occupation-specific information that serves as a tool for developing and evaluating:

- Occupational safety standards
- Preventive interventions
- Policies
- Training toward improving safety in workplaces across the nation

The FY23 census gathered data on all cases of occupational fatal traumatic injuries for CY22. The program scope includes the entire workforce population in Ohio and the nation. It also includes cases of fatal occupational injuries that occurred in Ohio within this time frame. For comparison and analysis, BWC coded all identified cases using the Occupational Injury and Illness Classification System and the Standard Occupational Classification System. The BLS and BWC will make comprehensive statistics and publishable data available to the public in December 2023.

Results from this program expand BWC's research effort into occupational safety and health and are a resource for assessing workplace safety in Ohio. CFOI offers opportunities for identifying areas to further focus preventive efforts. BWC renews the program annually and expects it to continue indefinitely.

Ohio occupational fatalities

Safety Services data analysts collect BWC workplace fatality information on work-related deaths for employers operating in Ohio.

In FY23, 113 fatalities occurred, including 78 from occupational injuries and 35 from occupational disease. Of the occupational injury fatalities:

- Fifty-eight workers died on the date of their injury.
- Thirteen workers died after the day of their injury in FY23.
- Seven workers died in FY23 from injuries sustained in a previous fiscal year.

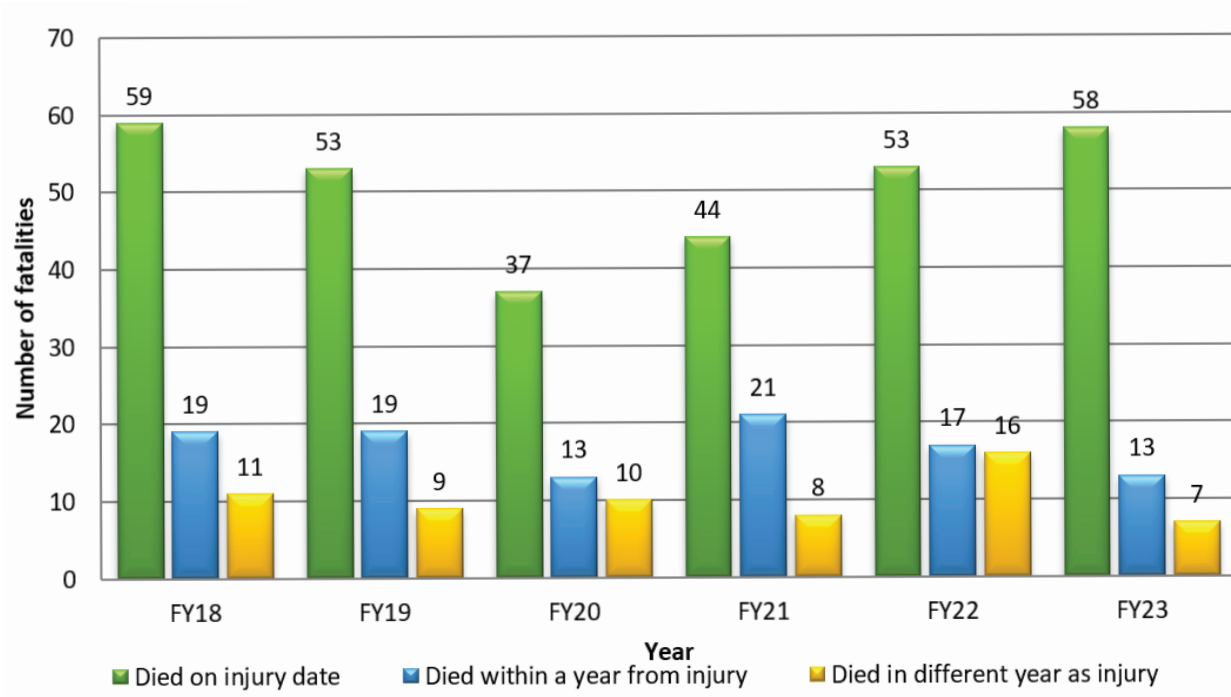
Comparison of occupational injury fatalities for FY18 through FY23

Figure 1 compares by year of the 467 verified occupational injury fatalities reported to BWC during FY18 through FY23. The chart does not include fatalities that resulted from occupational diseases.

For each year, the chart depicts:

- Fatalities where the worker died on the date of injury
- Fatalities where the worker died within a year from injury
- Fatalities where the worker died in that year from injuries sustained in an earlier year

Figure 1: Ohio fatalities from occupational injuries (not occupational disease) for FY18 through FY23



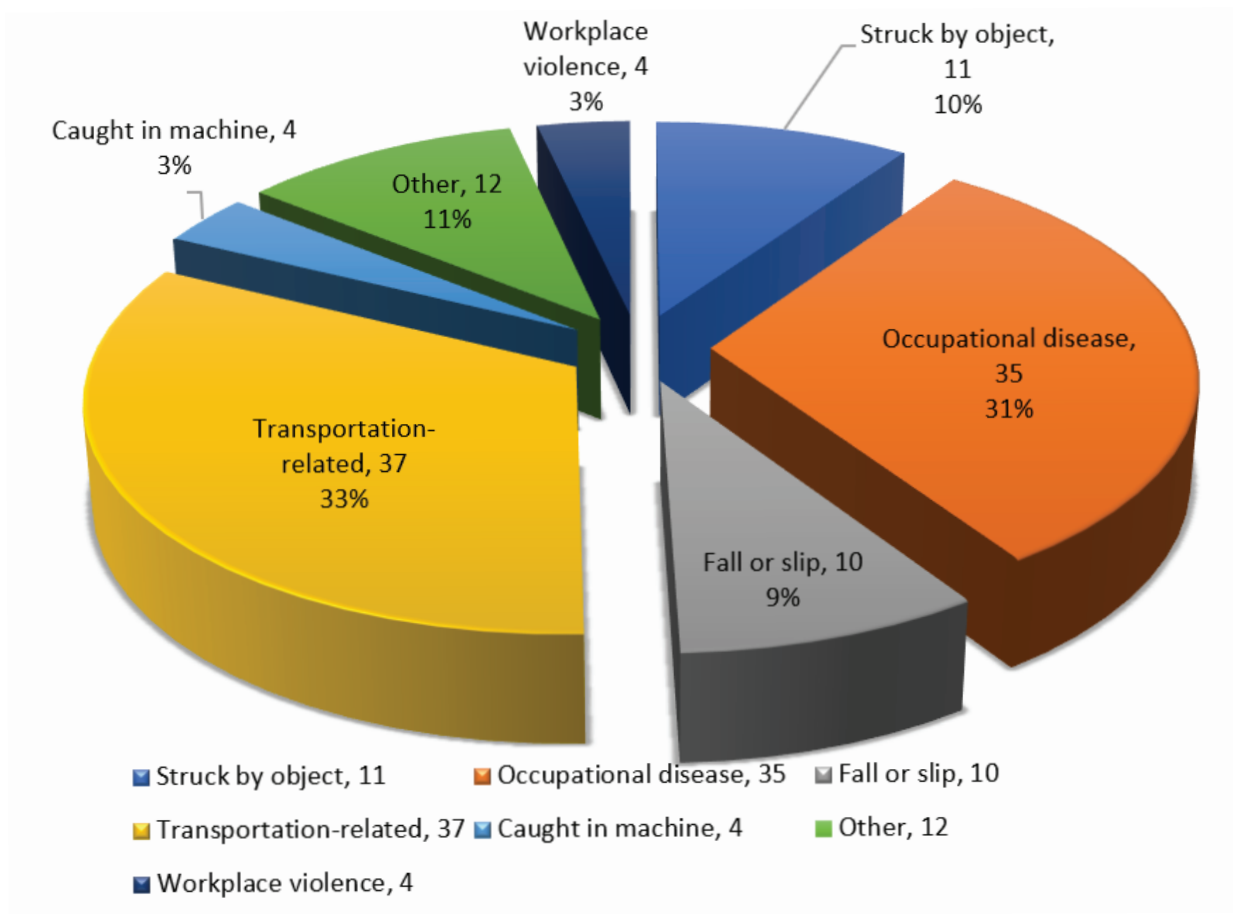
There was a decrease in occupational injury fatalities this year compared to last, from 86 in FY22 to 78 in FY23. Note that the yearly total could rise primarily due to delayed claim filing. The FY22 and FY23 counts represent an increase over the totals in FY20 and FY21.

FY23 fatalities according to the source of injury/illness (causation)

Figure 2 summarizes the primary causes for fatalities from occupational injuries and occupational diseases for FY23. The chart depicts the number and percentage of fatalities by causation. BWC determines causation by various criteria, primarily based on a review of the following:

- First Report of an Injury, Occupational Disease or Death (FROI) documents
- Medical records, including physician reviews
- Coroner reports
- Police reports
- Ohio Industrial Commission determinations
- U.S. Department of Labor data
- Other BWC determinations

Figure 2: FY23 fatalities by causation



Total occupational disease-related fatalities declined significantly, from 66 in FY22 to 35 in FY23. Included as part of the 35 occupational disease-related fatalities, there was one recorded COVID-19 death claim for FY23. Note that the yearly total could rise primarily due to delayed claim filing.

For fatalities from occupational injuries, transportation-related accidents continued to be the leading cause of death. Transportation-related fatalities decreased to 37 this year compared to last year's total of 38. Of these transportation-related deaths:

- Twenty-eight workers died in motor vehicle accidents as a driver or passenger.
- Five workers died in accidents involving forklifts, earthmoving equipment, tractors, etc.
- Three workers died when a vehicle struck them while working on or by a roadway.
- One worker died as a pedestrian hit by a vehicle.

The second leading cause of occupational injury fatalities was being struck by objects, with 11 fatalities in FY23 as compared to 11 in FY22.

The third leading cause of occupational injury fatalities was falls and/or slips, with ten fatalities in FY23 as compared to 21 in FY22.

- Falls to or from a different level decreased from 14 in FY22 to eight in FY23.
- Falls and slips on the same level decreased from seven in FY22 to two in FY23.

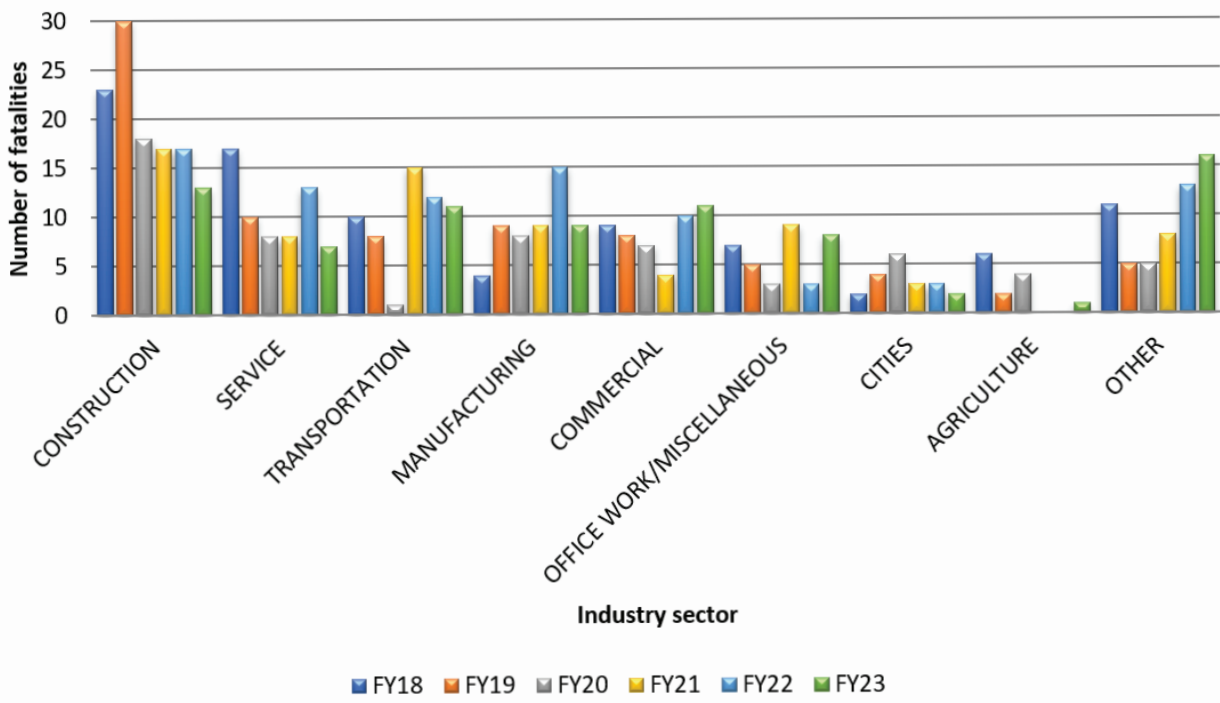
The remaining coded causations for FY23 occupational injury fatalities are as follows:

- Four workers died due to being caught in or between machine parts
- Four workers died due to workplace violence
- Three workers died from an explosion
- Two workers died of electrocution
- One worker died from engulfment
- Six workers died from other type of injuries

Occupational injury fatalities by industry sector for FY18 through FY23

Figure 3 depicts the number of occupational injury fatalities by industry sector from FY18 through FY23. The chart does not include fatalities that resulted from occupational diseases.

Figure 3: Fatalities from occupational injuries by employer industry sector from FY18 through FY23



The industry sector with the most fatalities in FY23 was construction with 13 fatalities, compared to 17 in FY22. The primary causes of these fatalities were transportation-related accidents and falls.

The second-highest sectors were the transportation and commercial industries with 11 fatalities each, compared to 12 and 10 respectively in FY22. Both sectors’ leading cause of fatalities was being a driver or passenger in a motor vehicle accident.

The manufacturing industry sector was next with nine fatalities, compared to 15 in FY22. The leading cause of fatalities in this sector was being struck by a falling or flying object.

Ohio Industrial Commission

Letter from the Chairman

I am pleased to present the Ohio Industrial Commission's Annual Report for Fiscal Year (FY) 2023.

Under the leadership of Governor Mike DeWine, the Ohio Industrial Commission (OIC) is dedicated to providing outstanding service to the injured workers and employers of Ohio. In the past fiscal year, our agency adjudicated more than 87,000 disputed workers' compensation claims across our 12 offices located throughout Ohio.

As this report demonstrates, we are an agency that proudly strives to achieve excellent customer service while making sensible and fiscally responsible financial choices.

A few of our recent agency highlights include:

- Welcomed Commissioner Cheri L. Hottinger as the public member of the OIC on July 1, 2023.
- Maintained the agency's annual total expenditure level within a narrow 3.5% variance band that started in FY 2013.
- Kept FY23 expenditures within the \$44.7MM to \$46.9MM range over a ten-year period.
- Preserved a well-funded Administrative Cost Fund (ACF) reserve through long range forecasting and cost containment.
- Minimized employer ACF rate change impacts by factoring base rate reductions into our funding needs, and matched ACF rates to agency resource usage rates for each employer group within +/-1 percent.
- Achieved a Minority Business Enterprise (MBE) rate of 38.89 percent as of July 2023 versus the 15 percent statutory threshold in FY23. The Encouraging Diversity, Growth and Equality (EDGE) compliance rate is 33.64 percent versus the 5 percent policy requirement for the same period.
- Instituted numerous technological advances to enhance OIC staff's ability to provide first-rate service in a hybrid environment.
- Complied with all R.C. 4123.511 statutory timeframes.
- Sustained very high court affirmation rates for final hearing orders appealed to court.

It is a privilege to lead an agency that is dedicated to honoring our core mission of serving injured workers and Ohio employers through expeditious and impartial resolution of issues arising from workers' compensation claims, and through the establishment of adjudicating policy. We strive to provide outstanding customer service to ensure fair, compassionate, and professional hearings for all concerned parties.

Sincerely

A handwritten signature in blue ink, appearing to read "Jim Hughes".

Jim Hughes, Chairman

About the OIC

The OIC conducts more than 87,000 hearings each fiscal year, and most of these hearings take place within 45 days of the original claim appeal.

Ohio | Industrial Commission

This timeframe means you may expect first-rate customer service as the OIC provides a forum for appealing Ohio Bureau of Workers' Compensation (BWC) and self-insuring employer decisions. Since 1912, the OIC has resolved issues between parties who have a dispute in a workers' compensation claim. With each claim, the agency is dedicated to providing information and resources to help customers navigate through the appeals process.

The OIC conducts hearings on disputed claims at three levels: the District level, the Staff level, and the Commission level. The Governor appoints the three-member Commission, and the Ohio Senate confirms these nominations. By previous vocation, employment or affiliation, it is mandated that one member of the Commission represents employees, one represents employers and one represents the public.

During this fiscal year, Chairman Jim Hughes represented the employees; Daniel J. Massey represented employers; and Karen L. Gillmor represented the public. Cheri L. Hottinger was appointed by Governor Mike DeWine to be the public member for a term that began on July 1, 2023.

FY23 Highlights

In addition to the Commissioners, there are 85 hearing officers — all attorneys — in five regional and seven district offices throughout the state. In FY23, the OIC heard 87,146 claims at all adjudicatory levels. District Hearing Officers (DHOs) heard 61,306 claims, while Staff Hearing Officers (SHOs) heard 25,738 claims, and the Commission heard 102 claims. The statutory requirement from the filing of a motion or appeal to the date of a hearing timeframe is set at 45 days. For Filing to Hearing, Allowance and Appeal docket issues both averaged 35 days. The agency performance benchmark for the filing of a motion or appeal to the mailing of an order is set at 52 days. For Filing to Mailing, Allowance docket issues averaged 39 days, while Appeal docket issues averaged 38 days. The Industrial Commission Online Network (ICON) has made it easy for parties to file motions and appeals online. First level motions and appeals filed on ICON this fiscal year totaled 34,990. Second level and above ICON filings, inclusive of appeals filed to DHO and SHO orders, totaled 41,208 in FY23. During this fiscal year, Customer Service scheduled approximately 1,570 interpreters for injured workers hearings. In addition, our toll-free customer service line and two local customer services lines received 3,160 calls in FY23.

Commission Performance Highlights — FY23

Formal hearings and administrative reviews account for the majority of OIC activity. In FY23, the OIC made approximately 144,565 decisions on issues arising from workers' compensation claims. During FY23, the OIC performed 12,867 administrative reviews and heard a total of 87,146 claims at all adjudicatory levels. Claims heard is inclusive of hearings at the DHO, SHO, Deputy, and Commission venues. Administrative reviews incorporate issues that do not initially require formal adjudication via hearing (Hearing Administrator issues, Commission requests, etc.). These issues receive review and processing at the claims examining, word processing, and hearing officer levels but are not typically reflected in routine production reports under DHO or SHO dockets. These issues may subsequently result in a hearing under the normal adjudicatory processes and are reflected accordingly under respective hearing venues. The total DHO hearing volume accounts for 70 percent of the overall hearings during FY23 at 61,306 claims

heard, while the SHO volume is recorded at 25,738 claims heard. Deputy venue claims heard totaled 30 in FY23, while the Commission venue recorded 72 claims heard. Total claims heard is inclusive of continuances, referrals, dismissals, and other final determinations made as a result of a hearing. Regionally, the rounded distribution of FY23 claims heard at DHO and SHO hearing levels is as follows: Columbus at 31 percent; Cleveland at 24 percent; Akron and Cincinnati each at 18 percent; and Toledo at 10 percent. DHO and SHO hearings were conducted on 249 days during FY23. An average of 350 claims were heard per hearing day at the DHO and SHO hearing levels. District level hearings averaged 246 claims heard per day (rounded), while Staff level hearings averaged 103 claims heard per day (rounded). OIC hearing timeframes for DHO, SHO, and Commission hearing venues are mandated by R.C. 4123.511. On average, all OIC offices performed within the statutory limits requiring a claim to be heard within 45 days of a motion or appeal filing. The OIC benchmark for Filing to Mailing is set at 52 days; this performance measure is based on the entirety of the hearing process and combines the two statutory periods Filing to Hearing (45 days) and Hearing to Mailing (7 days).

DHO Performance

DHOs conduct hearings on two formal docket types – Allowance (primarily injury allowance, compensation, and treatment issues) and C-92 (permanent partial disability issues). Only Allowance docket issues fall under timeframe requirements outlined in R.C. 4123.511. DHOs heard a total of 50,136 Allowance docket claims during FY23. Of those, 35,338 qualified for inclusion in time studies. Per statute, appeals or motions heard on DHO Allowance dockets must be heard within 45 days of filing. In FY23, Allowance dockets averaged 35 days for the statutory Filing to Hearing period. On average, the DHO Allowance process (Filing to Mailing) was completed within 39 days during FY23.

SHO Performance

SHOs conduct hearings on five formal docket types – Appeal (primarily injury allowance, compensation, and treatment issues), PTD (permanent total disability), Reconsideration (permanent partial disability issues), VSSR (violations of specific safety requirements), and Miscellaneous (other issues not designated to a pre-defined docket type). Only Appeal docket issues fall under timeframe requirements outlined in R.C. 4123.511. SHOs heard a total of 22,434 appeal claims during FY23. Of those, 19,376 qualified for inclusion in time studies. Per statute, Staff hearing level appeals must be heard within a 45-day period. In FY23, SHO Appeal processes averaged 35 days for the statutory Filing to Hearing period.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

FINANCIAL STATEMENTS
June 30, 2023 and 2022

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Columbus, Ohio

FINANCIAL STATEMENTS
June 30, 2023 and 2022

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	9
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	10
STATEMENTS OF CASH FLOWS.....	11
NOTES TO THE FINANCIAL STATEMENTS	13
REQUIRED SUPPLEMENTARY INFORMATION	
REVENUE AND RESERVE DEVELOPMENT INFORMATION.....	48
SCHEDULE OF BWC/IC'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	50
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS.....	51
SCHEDULE OF BWC/IC'S PROPORTIONATE SHARE OF THE NET OPEB (ASSET) LIABILITY	52
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS.....	53
SUPPLEMENTARY INFORMATION	
SCHEDULE OF NET POSITION.....	54
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	56
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	57

INDEPENDENT AUDITOR'S REPORT

Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio
A Department of the State of Ohio

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio (BWC/IC), a department of the State of Ohio (State), as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the BWC/IC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the BWC/IC, as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the BWC/IC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements of the BWC/IC are intended to present the financial position, changes in financial position, and cash flows of the BWC/IC. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 12 to the financial statements, the entity adopted new accounting guidance as set forth by the Government Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, during the year ended June 30, 2023. This Statement requires recognition of certain assets and liabilities for long-term arrangements that previously were classified as operating agreements and payments were expensed when made. Our opinion is not modified with respect to this matter.

(Continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BWC/IC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BWC/IC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BWC/IC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, supplemental revenue and reserve development information, the schedule of proportionate share of the net pension liability (asset), the schedule of employer pension contributions, the schedule of proportionate share of the net OPEB liability, and the schedule of employer OPEB contributions on pages 4-8, 48, 50, 51, 52 and 53, respectively be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the BWC/IC's basic financial statements. The supplemental schedule of net position and schedule of revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule of net position and schedule of revenues, expenses and changes in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023 on our consideration of BWC/IC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BWC/IC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BWC/IC's internal control over financial reporting and compliance.



Crowe LLP

Columbus, Ohio
September 28, 2023

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Ohio Bureau of Workers' Compensation's (BWC's) and the Industrial Commission of Ohio's (IC's) financial performance for fiscal years ended June 30, 2023, 2022, and 2021. BWC and IC are collectively referred to as BWC/IC. This information is based on BWC/IC's financial statements, which begin on Page 9.

Financial highlights

- BWC/IC's total assets at June 30, 2023 were \$22.4 billion, an increase of \$115 million or 0.5% compared to June 30, 2022.
- BWC/IC's total liabilities at June 30, 2023 were \$14.7 billion, an increase of \$50 million or 0.3% compared to June 30, 2022.
- BWC/IC's total operating revenues for fiscal year 2023 were \$1.4 billion, an increase of \$147 million or 11.8% compared to fiscal year 2022.
- BWC/IC's total operating expenses for fiscal year 2023 were \$1.7 billion, an increase of \$177 million or 11.6% from fiscal year 2022.
- BWC's non-operating revenues for fiscal year 2023 were \$589 million, compared to negative \$1.6 billion for fiscal year 2022.
- BWC/IC's net position at June 30, 2023 was \$7.8 billion, an increase of \$289 million or 3.9% compared to June 30, 2022.

Financial statement overview

BWC/IC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Management's discussion and analysis is intended to serve as an introduction to BWC/IC's financial statements, which are prepared using the accrual basis of accounting and the economic resources measurement focus.

- **Statement of Net Position** – This statement is a point-in-time snapshot of BWC/IC's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at fiscal year-end. Net position represents the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. The statement is categorized by current and noncurrent assets and liabilities. For the purpose of the accompanying financial statements, current assets and liabilities are generally defined as those assets and liabilities with immediate liquidity or those that are collectible or due within 12 months of the statement date.
- **Statement of Revenues, Expenses and Changes in Net Position** – This statement reflects the operating revenues and expenses, as well as policy holder dividend expense and non-operating revenues and expenses, for the fiscal year. Major sources of operating revenues are premium and assessment income. Major sources of operating expenses are workers' compensation benefits and compensation adjustment expenses. Policy holder dividend and loss contingency expenses are included as part of the operating gain or loss calculation. Revenues and expenses related to capital and investing activities are reflected in the non-operating component of this statement.
- **Statement of Cash Flows** – The statement of cash flows is presented using the direct method of reporting, which reflects cash flows from operating, noncapital financing, capital and related financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of BWC/IC's financial position and results of operations presented in the financial statements. The notes present information about accounting policies and disclose material risks, subsequent events, and contingent liabilities, if any, that may significantly impact BWC/IC's financial position.
- Supplemental Information – The financial statements include the following supplemental information schedules:
 - Required supplemental information that presents BWC/IC's revenue and reserve development information;
 - Required supplemental information that presents BWC/IC's proportionate share of the Ohio Public Employees Retirement System (OPERS) net pension liability;
 - Required supplemental information that presents BWC/IC's contribution to pension based on statutory requirements;
 - Required supplemental information that presents BWC/IC's proportionate share of the OPERS net other post-employment benefits (OPEB) liability / asset;
 - Required supplemental information that presents BWC/IC's contribution to OPEB based on statutory requirements; and
 - Optional supplemental schedules presenting the statement of net position and the statement of revenues, expenses and changes in net position for the individual accounts administered by BWC/IC.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial analysis

Components of BWC/IC's Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position as of June 30, 2023, 2022, and 2021, and for the fiscal years then ended were as follows (000's omitted):

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 1,062,517	\$ 1,259,411	\$ 1,419,170
Noncurrent assets	21,310,224	20,998,135	23,038,218
Total assets	<u>\$ 22,372,741</u>	<u>\$ 22,257,546</u>	<u>\$ 24,457,388</u>
Deferred outflows of resources	118,700	32,401	20,083
	<u>\$ 118,700</u>	<u>\$ 32,401</u>	<u>\$ 20,083</u>
Current liabilities	\$ 2,680,040	\$ 2,845,956	\$ 2,881,334
Noncurrent liabilities	12,020,099	11,804,297	12,116,551
Total liabilities	<u>\$ 14,700,139</u>	<u>\$ 14,650,253</u>	<u>\$ 14,997,885</u>
Deferred inflows of resources	6,218	143,090	120,668
	<u>\$ 6,218</u>	<u>\$ 143,090</u>	<u>\$ 120,668</u>
Net investment in capital assets	\$ 70,275	\$ 80,267	\$ 83,181
Unrestricted net position	7,714,809	7,416,046	9,274,551
Total net position	<u>\$ 7,785,084</u>	<u>\$ 7,496,313</u>	<u>\$ 9,357,732</u>
Net premium and assessment income, including provision for uncollectibles	\$ 1,391,763	\$ 1,245,461	\$ 1,169,595
Other income	8,858	7,665	7,359
Total operating revenues	<u>\$ 1,400,621</u>	<u>\$ 1,253,126</u>	<u>\$ 1,176,954</u>
Workers' compensation benefits and compensation adjustment expenses	\$ 1,546,974	\$ 1,405,889	\$ 526,258
Other expenses	152,633	116,436	141,493
Total operating expenses	<u>\$ 1,699,607</u>	<u>\$ 1,522,325</u>	<u>\$ 667,751</u>
Policy holder dividend expense	\$ (150)	\$ (28,263)	\$ (6,185,348)
Operating transfers (out) in	(1,425)	6,150	6,828
Net investment income	589,154	(1,570,004)	3,464,053
Gain (loss) on disposal of capital assets	178	188	205
(Decrease) increase in net position	<u>\$ 288,771</u>	<u>\$ (1,861,128)</u>	<u>\$ (2,205,059)</u>
Cumulative effect of GASB96 and 87 on beginning balances in Fiscal Years 2023 and 2022, respectively	\$ -	\$ (291)	\$ (1,186)

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

BWC/IC's net position increased by \$289 million during fiscal year 2023, compared to a \$1.9 billion decrease during fiscal year 2022.

- Fiscal year 2023 premium and assessment income of \$1.4 billion reflects an overall reduction of 10% in premium rates for Ohio's private employers for the policy period beginning July 1, 2022, and an overall 0% and 15% decrease in premium rates for public taxing district (PEC) employers for the policy periods beginning January 1, 2023 and January 1, 2022, respectively. (PEC employers include counties, cities, villages, townships, schools, libraries, and special taxing districts.) Fiscal year 2022 premium and assessment income of \$1.3 billion reflects a 15% decrease in rates for private employers for the policy period beginning July 1, 2021, and an overall decrease of 15% and 10% in premium rates for PEC employers for each of the policy periods beginning January 1, 2022 and January 1, 2021, respectively. Refer to Note 1 – Organization Background and Summary of Significant Accounting Policies for more information about premium and assessment income.
- Workers' compensation benefits and compensation adjustment expenses were as follows in fiscal years 2023, 2022, and 2021.

(\$ in millions)	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net benefit payments	\$ 1,198	\$ 1,268	\$ 1,229
Payments for compensation adjustment expenses	209	142	112
Managed Care Organization administrative payments	165	161	165
Change in reserves for compensation and compensation adjustment expenses	<u>(25)</u>	<u>(165)</u>	<u>(980)</u>
	<u>\$ 1,547</u>	<u>\$ 1,406</u>	<u>\$ 526</u>

- State Insurance (SIF) Benefit payments for all accident years were \$71 million or 5.8% lower than expected during fiscal year 2023. Total Medical Benefits \$2 million higher than expected while Indemnity benefits were \$73 million lower than expected. The Total Medical benefits being higher than expected was driven by Medical Only claims, which were \$4 million higher than expected. At the beginning of the fiscal year, we anticipated a slight increase in benefit payments. We had seen an increase in benefit payments from fiscal year 2021 to fiscal year 2022 due to the rebound of payments from the Covid-19 affected fiscal year 2021. We initially thought that the rebound would continue to a lesser degree for fiscal year 2023, however we saw a decrease in indemnity benefits. This decrease was seen in almost all of the Indemnity benefits, but especially Lump Sum Settlement. Total Lump Sum Settlements paid have been larger for the past two fiscal years than historically. The fiscal year 2023 Lump Sum Settlement benefits decreased from fiscal year 2022. We anticipate Lump Sum Settlement payments will return to levels more consistent with levels before fiscal year 2022.
- The changes from year to year in payments for compensation adjustment expenses is primarily due to the adjustments required for the OPEB and Pension assets and liabilities during the fiscal year end process.
- The discounted reserves for workers' compensation benefits and compensation adjustment expenses as of June 30, 2023 are \$25 million lower than the June 30, 2022 discounted liabilities. The recorded liabilities for reserves are management's selection based on estimates calculated by BWC's Actuarial division staff for all funds except Coal Workers Pneumoconiosis, which is calculated by BWC's independent consulting actuary. Note 1 – Organization Background and Summary of Significant Accounting Policies and Note 4 – Reserves for Compensation and Compensation Adjustment Expenses provide a more detailed discussion of BWC's liabilities for reserves.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The SIF net position has increased this past fiscal year as a result of higher investment returns, increase as a result of changes in reserve for compensation and compensation adjustment expense liabilities, and changes in deferred inflows and outflows as a result of yearend pension and OPEB audit adjustments. In fiscal year 2022, the eligibility requirements of the November 2020 dividend were revised which resulted in recognizing an additional \$150 thousand in fiscal year 2023 and \$28 million in policyholder dividend expense in fiscal year 2022. In fiscal year 2021 the net position had exceeded the guidelines in the Net Asset Policy established by the Board and dividends for private and PEC employers were approved by the Board in September 2020 and November 2020. Dividend expense of \$6.2 billion reduced net position in fiscal year 2021. Refer to Note 11 – Net Position for additional detail regarding BWC/IC's net position and Note 6 – Policy Holder Dividend for additional information on the policy holder dividends.
- In fiscal year 2023, BWC/IC recorded net investment income of \$589 million, compared to loss of \$1.6 billion in fiscal year 2022. The portfolio earned a net return, after management fees, of 3% during fiscal year 2023 compared to a negative return of 7.2% in fiscal year 2022.

Conditions expected to affect financial position or results of operations

BWC/IC's vision, mission, and core values drive our commitment to keep Ohio workers safer on the job; help injured workers recover and return to their lives – at work and home; and keep costs down for Ohio businesses.

- Base rates will decrease an average of 8% for the July 1, 2023 policy year for private employers and 1% for the January 1, 2024 policy year for PEC employers.
- Businesses that invest in workplace safety and health are able to reduce fatalities, injuries, and illnesses, resulting in lower medical and legal expenses as well as lower costs to train replacement employees. BWC offers numerous financial assistance opportunities for employers to invest in workplace safety.
- BWC/IC's Board and management are closely monitoring investment trends and economic conditions that could negatively impact the value of BWC's investment portfolio. BWC's Investment division and the Board's Investment consultant have had an investment policy in place that has continued to protect BWC's stable financial position through difficult economic times.

The SIF ratios for the end of each fiscal year are presented in the following table:

	2023	2022	2021	Guideline
Simple Funding Ratio	1.61	1.58	1.71	1.30 to 1.50
Net Leverage Ratio	1.56	1.63	1.30	3.0 to 7.0

- On June 30, 2023, House Bill 31 of the 135th General Assembly (HB 31) was signed into law by Governor Mike Dewine. HB 31 modifies various statutes in Ohio Revised Code Chapter 4123 to allow for the inclusion of administrative costs in the premium calculation. It goes into effect with the policy year beginning July 1, 2024 for private employers, and for the policy year beginning on January 1, 2025 for public taxing districts. In addition, it provides for administrative costs to be paid from the State Insurance Fund, effectively collapsing the Administrative Cost Fund in to the State Insurance Fund. Refer to Note 13 – Subsequent Events for additional information on this legislative change.
- From time to time, BWC/IC is involved in judicial proceedings arising in the ordinary course of its business. BWC/IC will vigorously defend these suits and expects to prevail; however, there can be no assurance that BWC/IC will be successful in its defense.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

STATEMENTS OF NET POSITION

June 30, 2023 and 2022

(000's omitted)

	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>
ASSETS			LIABILITIES		
Current assets:			Current liabilities:		
Cash and cash equivalents (Note 2)	\$389,676	\$635,363	Reserve for compensation (Note 4)	\$ 1,283,589	\$ 1,340,799
Collateral on loaned securities (Note 2)	2,595	2,452	Reserve for compensation adjustment expenses (Note 4)	458,559	456,016
Premiums recorded not yet due	7,312	2,298	Unearned premium and assessments	408,354	372,042
Assessments recorded not yet due	1,554	1,573	Legal settlement	4,500	4,500
Premiums in course of collection	3,907	3,334	Warrants payable	19,295	26,463
Assessments in course of collection	16,482	16,260	Group retrospective credit payable (Note 5)	58,922	113,201
Accounts receivable, net of allowance for uncollectibles of \$1,308,019 in 2023; \$1,279,073 in 2022	375,317	305,726	Investment trade payables	337,559	414,528
Retrospective premiums receivable	19,385	18,977	Accounts payable	17,947	9,700
Investment trade receivables	146,129	187,039	Obligations under securities lending (Note 2)	2,595	2,452
Accrued investment income	100,160	86,389	Other current liabilities (Note 5)	88,720	106,255
Total current assets	<u>1,062,517</u>	<u>1,259,411</u>	Total current liabilities	<u>2,680,040</u>	<u>2,845,956</u>
Noncurrent assets:			Noncurrent liabilities:		
Restricted cash (Note 2)	736	736	Reserve for compensation (Note 4)	10,425,510	10,399,094
Fixed maturities, at fair value (Note 2)	10,568,780	10,548,764	Reserve for compensation adjustment expenses (Note 4)	1,180,341	1,177,284
Domestic equity securities, at fair value - common stock (Note 2)	4,069,664	3,528,694	Net pension liability (Note 7)	273,939	83,541
Domestic equity securities, at fair value - preferred stock (Note 2)	128	714	Net OPEB liability (Note 8)	5,816	-
Non-U.S equity securities, at fair value - common stock (Note 2)	2,072,001	1,852,011	Group retrospective credit payable (Note 5)	96,737	104,611
Investments in real estate funds (Note 2)	3,587,807	4,016,085	Other noncurrent liabilities (Note 5)	37,756	39,767
Unbilled premiums receivable	899,296	894,218	Total noncurrent liabilities	<u>12,020,099</u>	<u>11,804,297</u>
Retrospective premiums receivable	40,140	44,614	Total liabilities	<u>\$ 14,700,139</u>	<u>\$ 14,650,253</u>
Capital assets (Note 3)	70,275	80,267	DEFERRED INFLOW OF RESOURCES (Note 7 and 8)	6,218	143,090
Net OPEB asset (Note 8)	-	29,790	Total liabilities and deferred inflow of resources	<u>\$ 14,706,357</u>	<u>\$ 14,793,343</u>
Net pension asset (Note 7)	1,397	2,242			
Total noncurrent assets	<u>21,310,224</u>	<u>20,998,135</u>	NET POSITION		
Total assets	<u>\$ 22,372,741</u>	<u>\$ 22,257,546</u>	Net investment in capital assets	70,275	80,267
DEFERRED OUTFLOW OF RESOURCES (Note 7 and 8)	118,700	32,401	Unrestricted net position	7,714,809	7,416,046
Total assets and deferred outflow of resources	<u>\$ 22,491,441</u>	<u>\$ 22,289,947</u>	Total net position (Note 11)	<u>\$ 7,785,084</u>	<u>\$ 7,496,313</u>

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

For the fiscal years ended June 30, 2023 and 2022

(000's omitted)

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Premium and assessment income	\$1,427,518	\$ 1,268,024
Provision for uncollectibles	(35,755)	(22,563)
Other income	8,858	7,665
Total operating revenues	<u>1,400,621</u>	<u>1,253,126</u>
Operating expenses:		
Workers' compensation benefits (Note 4)	1,167,416	1,115,044
Compensation adjustment expenses (Note 4)	379,558	290,845
Personal services	75,241	53,310
Other administrative expenses	77,392	63,126
Total operating expenses	<u>1,699,607</u>	<u>1,522,325</u>
Net operating loss before policy holder dividends	(298,986)	(269,199)
Policy holder dividend expense (Note 6)	<u>150</u>	<u>28,263</u>
Net operating loss	<u>(299,136)</u>	<u>(297,462)</u>
Non-operating revenues:		
Net investment income (Note 2)	589,154	(1,570,004)
Gain (loss) on disposal of capital assets	178	188
Total non-operating revenues	<u>589,332</u>	<u>(1,569,816)</u>
Transfers (out) In	<u>(1,425)</u>	<u>6,150</u>
Increase (Decrease) in net position	288,771	(1,861,128)
Net position, beginning of year	<u>7,496,313</u>	<u>9,357,732</u>
Cumulative effect of GASB 96 Implementation	<u>-</u>	<u>(291)</u>
Net Position, beginning of year as restated	<u>7,496,313</u>	<u>9,357,441</u>
Net position, end of year	<u>\$ 7,785,084</u>	<u>\$ 7,496,313</u>

The accompanying notes are an integral part of the financial statements.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

STATEMENTS OF CASH FLOWS

For the fiscal years ended June 30, 2023 and 2022

(000's omitted)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from premiums and assessments	\$ 1,497,306	\$ 1,545,869
Cash receipts - other	27,186	27,155
Cash disbursements for claims	(1,396,571)	(1,492,329)
Cash disbursements to employees for services	(200,615)	(201,799)
Cash disbursements for other operating expenses	(130,867)	(115,827)
Cash disbursements for employer refunds	(213,748)	(196,872)
Net cash used for operating activities	<u>(417,309)</u>	<u>(433,803)</u>
Cash flows from noncapital financing activities:		
Transfers (out) in	<u>(1,425)</u>	<u>6,150</u>
Net cash used by noncapital financing activities	<u>(1,425)</u>	<u>6,150</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets, net of retirements	<u>(1,516)</u>	<u>(141)</u>
Net cash used in capital and related financing activities	<u>(1,516)</u>	<u>(141)</u>
Cash flows from investing activities:		
Investments sold	12,765,216	11,286,586
Investments purchased	(13,101,104)	(11,350,135)
Interest and dividends received	564,134	568,468
Investment expenses	(53,683)	(59,175)
Net cash provided by investing activities	<u>174,563</u>	<u>445,744</u>
Net (decrease) increase in cash and cash equivalents	(245,687)	17,950
Cash and cash equivalents, beginning of year	<u>636,099</u>	<u>618,149</u>
Cash and cash equivalents, end of year	<u>\$ 390,412</u>	<u>\$ 636,099</u>

The accompanying notes are an integral part of the financial statements.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

STATEMENTS OF CASH FLOWS, Continued

For the fiscal years ended June 30, 2023 and 2022

(000's omitted)

	<u>2023</u>	<u>2022</u>
Reconciliation of net operating loss to net cash used for operating activities:		
Net operating loss	\$ (299,136)	\$ (297,462)
Adjustments to reconcile net operating loss to net cash used for operating activities:		
Provision for uncollectible accounts	35,755	22,563
Depreciation	17,224	17,229
Pension and other postemployment benefits	3,678	(68,595)
(Increases) decreases in assets and increases (decreases) in liabilities:		
Premiums and assessments recorded not yet due	(4,995)	4,414
Premiums and assessments in course of collection	(795)	(1,831)
Unbilled premiums receivable	(5,078)	58,944
Accounts receivable	(105,346)	(11,260)
Retrospective premiums receivable	4,066	383
Other assets	-	600
Reserves for compensation and compensation adjustment expenses	(25,194)	(165,418)
Unearned premiums and assessments	36,312	(4,704)
Group retrospective credit payable	(62,153)	45,622
Warrants payable	(7,168)	(15,920)
Accounts payable	8,247	(14,722)
Other liabilities	<u>(12,726)</u>	<u>(3,646)</u>
Net cash used for operating activities	<u>\$ (417,309)</u>	<u>\$ (433,803)</u>
Noncash investing, capital, and financing activities		
Change in fair values of investments	\$ 52,283	\$ (2,049,566)

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

1. Organization Background and Summary of Significant Accounting Policies

The Ohio Bureau of Workers' Compensation (BWC) and the Industrial Commission of Ohio (IC) were created in 1912 and 1925, respectively, and are the exclusive providers of workers' compensation insurance to private and public employers in Ohio that have not been granted the privilege of paying compensation and medical benefits directly (self-insured employers). BWC and IC are collectively referred to herein as BWC/IC. BWC/IC was created and is operated pursuant to Chapters 4121, 4123, 4127, and 4131 of the Ohio Revised Code (the Code).

The Governor of the State of Ohio (the State) with the advice and consent of the Senate and nominating committee appoints the BWC Administrator, the three members of the IC, and the 11-member BWC Board of Directors (Board). All members have full voting rights. The BWC Administrator, with the advice and consent of the Board, is responsible for the operations of the workers' compensation system, while the IC is responsible for administering claim appeals.

BWC/IC is a department of the primary government of the State and is a proprietary operation for purposes of financial reporting. The accompanying financial statements include all accounts, activities, and functions of BWC/IC and are not intended to present the financial position, results of operations, or cash flows of the State taken as a whole. The financial information presented herein for BWC/IC will be incorporated within the State's financial statements.

Basis of Presentation

BWC/IC has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America as applicable to government organizations. Accordingly, these financial statements were prepared using the accrual basis of accounting and the economic resources measurement focus.

For internal reporting purposes, BWC/IC maintains separate internal accounts as required by the Code. For external financial reporting purposes, BWC/IC has elected to report as a single column business-type activity, since the individual accounts do not have external financial reporting accountability requirements. All significant interaccount balances and transactions have been eliminated.

BWC/IC administers the following accounts:

- State Insurance Fund (SIF)
- Disabled Workers' Relief Fund (DWRF)
- Coal-Workers Pneumoconiosis Fund (CWPF)
- Public Work-Relief Employees' Fund (PWREF)
- Marine Industry Fund (MIF)
- Self-Insuring Employers' Guaranty Fund (SIEGF)
- Administrative Cost Fund (ACF)

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO**
(A DEPARTMENT OF THE STATE OF OHIO)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Description of the Accounts

SIF, CWPF, PWREF, and MIF provide workers' compensation benefits for qualifying employees sustaining work-related injuries or diseases.

DWRF provides supplemental cost-of-living benefits to persons who are permanently and totally disabled and are receiving benefits from SIF or PWREF. The maximum benefit levels are changed annually based on the United States Department of Labor National Consumer Price Index.

SIEGF provides for the payment of compensation and medical benefits relating to injuries sustained after 1987 by employees of self-insured employers that are bankrupt or in default.

ACF provides for the payment of administrative and operating costs of all accounts except DWRF, CWPF, and MIF, which pay such costs directly. ACF also includes the portion of premiums paid by employers earmarked for the safety and loss prevention activities performed by the Safety & Hygiene Division.

Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenues are primarily derived from premiums and assessments. Operating expenses include the costs of claims, premium dividends, and related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents in the accompanying statements of net position and for the purposes of the statements of cash flows include cash and all highly liquid debt instruments purchased with a maturity of three months or less. Cash equivalents consist of money market funds.

Investments

BWC/IC's investments consist of fixed maturities, domestic equity securities, commingled bond index funds, commingled U.S. equity index funds, commingled non-U.S. equity index funds, U.S. real estate funds, bond funds and collateral on securities lending.

Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fixed income securities, domestic equity securities, and bond funds are valued based on published market prices and quotations from national security exchanges and securities pricing services. The fair value of the commingled bond index funds, commingled domestic equity funds, commingled non-U.S. equity funds, and U.S. real estate funds are based on the value of the underlying net assets of the fund. Dividends, interest earnings, the net increase (decrease) in the fair value of investments (which includes both the change in fair value and realized gains and losses), and investment expenses are aggregated and reported as net investment income in the statements of revenues, expenses and changes in net position. The cost of securities sold is determined using the average cost method. Purchases and sales of investments are recorded as of the trade date.

Continued

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Premium Income

Premiums are based on rates that are approved by the Board and on the employers' payroll, except self-insured employer assessments, which are based on paid compensation. SIF rates for private and public taxing district employers meeting certain size criteria are adjusted based on their own claims experience.

Premium income for SIF, CWPF, PWREF, and MIF is recognized over the coverage period. Premiums earned but not yet invoiced are reflected as premiums in course of collection in the statements of net position. Estimated annual premiums recorded but not yet invoiced are reflected as premiums recorded not yet due and unearned premium in the statements of net position.

In addition to the standard base and experience rated plans, BWC/IC offers the following alternative rating plans:

Group experience rating plans allow employers who operate within similar industries to group together to potentially achieve lower premium rates than they could individually.

Retrospective rating plans are offered to qualified employers on an individual basis. SIF recognizes estimated ultimate premium income on retrospectively rated businesses during the coverage period. Retrospective rating adjustments related to the coverage period are collected in subsequent periods, as experience develops related to injuries incurred during the coverage period. The estimated future retrospective rating adjustments are reflected in the statements of net position as retrospective premiums receivable.

Employers participating in group retrospective rating plans pay experience or base rated premiums as if they were individually rated at the beginning of the policy year. If the group's claims experience is better than expected at evaluation periods 12, 24, and 36 months after the close of the policy year, a portion of the group's premium is returned to employers participating in the group. If the group's claims experience is worse than expected at those intervals, additional premiums are levied on the employers participating in the group. The estimated future group retrospective rating plan credits are reflected in the statements of net position as group retrospective credit payable.

The deductible plan is offered to qualified employers. This plan is similar to that of other insurance deductible plans where an employer agrees to pay the portion of a workers' compensation injury claim that falls below their selected deductible level. For taking on this degree of risk, the employer receives a premium credit.

The Code permits State employers to pay into SIF on a terminal funding (pay-as-you-go) basis. Since BWC/IC has the statutory authority to assess premiums against the State employers in future periods, an unbilled premiums receivable equal to the State's share of the discounted reserve for compensation and compensation adjustment expenses, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net position.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO**
(A DEPARTMENT OF THE STATE OF OHIO)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Assessment Income

DWRF I (DWRF benefits awarded for injuries incurred prior to January 1, 1987) assessments are based on employers' payroll and rates approved by the Board within a statutory range. DWRF II (DWRF benefits awarded for injuries incurred on or after January 1, 1987) and ACF assessments are based on rates that are approved by the Board and on employers' premiums, except for ACF assessments of self-insured employers, which are based on paid workers' compensation benefits. SIEGF assessments are based on paid compensation benefits with the exception of new self-insured employers, which are based on a percentage of prior losses as SIF employers.

Assessment income is recognized over the coverage period and is billed in advance of the coverage period. DWRF I and ACF assessment income is recognized over the period for which the assessment applies. These assessments earned but not yet invoiced were reflected as assessments in course of collection in the statements of net position. Estimated annual assessments recorded but not yet invoiced and unearned assessments are reflected as assessments recorded not yet due in the statements of net position.

In September 2015, the Board approved the funding of DWRF I benefits from SIF investment income for private and public taxing district employers rather than levying assessments against these employers. The annual change in funding commitment has been recorded in SIF and DWRF I as adjustments to the respective premium and assessment income in the statements of revenue, expenses and changes in net position for fiscal years 2023 and 2022. The commitment is reviewed annually and is subject to adjustment based on changes in the estimated DWRF I discounted reserves for compensation and compensation adjustment expenses.

The Code permits employers to pay into DWRF and SIEGF on a terminal funding (pay-as-you-go) basis. As BWC/IC has the statutory authority to assess employers in future periods, an unbilled premiums receivable equal to the discounted reserve for compensation and compensation adjustment expenses for DWRF I public state employers and SIEGF, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net position. SIEGF assessments received or in the course of collection, but not yet recognized, are reflected as a reduction to unbilled premiums receivable.

The year-end balances of the DWRF II cash and investment balances and the DWRF II discounted reserve for compensation and compensation adjustments expenses are compared annually to determine when BWC/IC has an unbilled premiums receivable. At June 30, 2023 and 2022, the total DWRF II cash and investment balances exceeded the DWRF II discounted reserve for compensation and compensation adjustment expenses, thus no unbilled premiums receivable is recorded for DWRF II.

Allowance for Uncollectible Accounts

BWC/IC provides an allowance for uncollectible accounts by charging operations for estimated receivables that will not be collected. The adequacy of the allowance is determined by management based on a review of aged receivable balances and historical loss experience.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO**
(A DEPARTMENT OF THE STATE OF OHIO)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Capital Assets

Capital assets maintains two categories: tangible capital assets and intangible right-to-use assets. Tangible capital assets are carried at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Useful Lives (Years)</u>
Buildings	30
Intangible assets	10
Furniture and fixtures	10
Vehicles and equipment	5

When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statements of revenues, expenses and changes in net position. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

Intangible right-to-use assets, subscription-based information technology agreements (SBITAs), and related liabilities are recorded at the commencement date of the related contract. The lease and SBITA liability, reflected on the Statement of Net Position and included in other liabilities is measured at the present value of expected payments over the contract term. The intangible right-to-use and SBITA assets are reflected in capital assets and are based on the initial measurement of the liability, plus any payments made to the vendor at or before the commencement of the contract term. Intangible right-to-use assets and SBITAs are amortized over the shorter of the term of the contract or the useful life of the underlying asset. Interest expense is recognized ratably over the contract term.

Expenditures for the design, software configuration, software interfaces, coding, hardware, hardware installation, data conversion to the extent necessary for the operation of the new software, testing, and licensure on internally generated software exceeding \$1 million are capitalized as an intangible asset. Intangible assets are depreciated upon implementation of the software. The useful lives of intangible assets varies and are determined upon completion of each project.

Reserves for Compensation and Compensation Adjustment Expenses

The reserve for compensation consists of reserves for indemnity and medical claims resulting from work-related injuries or illnesses. The reserve for compensation is based upon BWC's internal actuarial unpaid indemnity and medical loss estimates for both reported claims and claims incurred but not reported (IBNR). The reserve for compensation adjustment expenses is based upon the BWC's internal actuaries' estimates of future expenses to be incurred in settlement of the claims. The reserve for compensation is based on the estimated ultimate cost of settling the claims, including the potential effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, duration, and inflationary cost trends for medical claim reserves. The reserve for compensation

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO**
(A DEPARTMENT OF THE STATE OF OHIO)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

adjustment expenses is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, the estimated costs of the Pharmacy Benefit Manager, and the reserve for compensation. The reserves for compensation and compensation adjustment expense do not contemplate future changes due to judicial or legislative actions that cannot be reasonably estimated. The methods and assumptions used in developing such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. The reserves for compensation and compensation adjustment expenses are discounted at 4.0% at June 30, 2023 and 2022 to reflect the present value of future benefit payments at those dates. The selected discount rate approximates an average expected investment yield on BWC/IC's investment portfolio that supports the future payment of the underlying BWC/IC's reserves.

Management believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future loss and related expense payments on events that have occurred on or prior to June 30, 2023. While management and the BWC internal actuarial staff use currently available information to estimate the unpaid amounts for compensation and compensation adjustment expenses, future changes to the estimates and reserves for compensation and compensation adjustment expenses for those events may be necessary based on actual future claims experience and changing claims frequency, severity, duration, and inflationary trends for medical claim reserves.

Other States Coverage

BWC provides access to optional insurance coverage for Ohio companies who meet BWC's underwriting criteria and have out of state workers' compensation exposures. This optional policy offers coverage for workers' compensation gaps and protects employers from penalties and stop-work orders in other states. Zurich American Insurance Company acts as the fronting carrier of the Other States Coverage policies. Acrisure LLC, dba United States Insurance Services Inc, acts as the exclusive fronting agency. The SIF provides 100% reinsurance for the policies in this program.

Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension liability, net pension asset, net OPEB asset, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension expense, and OPEB expense, information about the fiduciary net position of the Ohio Public Employee's Retirement System's (OPERS) Plans and additions to / deductions from the OPERS Plans' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, OPERS records deductions when the liability is incurred and recognizes revenues when earned in accordance with benefit terms. OPERS' investments are reported at fair value.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Use of Estimates

In preparing the financial statements BWC/IC's management and pension/OPEB plans are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could and very likely will differ from those estimates due to unforeseeable events or circumstances.

2. Cash and Investments

BWC/IC is authorized by Section 4123.44 of the Code to invest using an investment policy established by the Board, which uses the prudent person standard. The prudent person standard requires investments be made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

The composition of cash and investments held at June 30, 2023 and 2022, is presented below (000's omitted):

	2023	2022
	<u>Fair Value</u>	<u>Fair Value</u>
Fixed maturities		
U.S. corporate bonds	\$ 3,185,869	\$ 3,148,974
U.S. government obligations	1,848,754	1,776,637
U.S. treasury inflation protected securities	1,693,518	1,705,297
Commingled U.S. treasury inflation protected securities	832,432	844,340
U.S. government agency mortgages	689,801	640,239
Non-U.S. corporate bonds	651,715	715,028
Commingled U.S. Long Government / Credit Fixed Income	558,273	572,707
Asset backed securities	334,258	319,509
Commercial mortgage backed securities	239,216	254,557
U.S. state and local government agencies	165,056	180,435
Commingled U.S. aggregate indexed fixed income	150,603	152,032
Non-U.S. government and agency bonds	103,093	107,777
Commingled U.S. intermediate duration fixed income	43,957	44,016
Bond funds	34,032	59,927
U.S. government agency bonds	28,176	5,018
Preferred securities	7,500	14,139
Bank loans	2,527	8,132
Total fixed maturities	<u>10,568,780</u>	<u>10,548,764</u>
Domestic equity securities - common stocks	3,583,891	3,085,390
Domestic equity securities - preferred stocks	128	714
Commingled domestic equity securities - common stocks	485,773	443,304
Commingled Non-U.S. equity securities - common stocks	2,072,001	1,852,011
Commingled investments in real estate	3,587,807	4,016,085
Securities lending short-term collateral	2,595	2,452
Restricted Cash	736	736
Cash and cash equivalents		
Cash	31,166	37,559
Repurchase agreements	2,000	-
Short-term money market fund	356,510	597,804
Total cash and cash equivalents	<u>389,676</u>	<u>635,363</u>
	<u>\$ 20,691,387</u>	<u>\$ 20,584,819</u>

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Net investment income for the fiscal years ended June 30, 2023 and 2022, is summarized as follows (000's omitted):

	<u>2023</u>	<u>2022</u>
Fixed maturities	\$ 388,567	\$ 389,024
Equity securities	56,907	58,730
Real estate	117,736	133,485
Cash equivalents	14,695	1,249
	577,905	582,488
Unrealized and realized gains (losses) on investments	52,283	(2,049,566)
Investment expenses	(41,034)	(102,926)
	\$ 589,154	\$(1,570,004)

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, BWC/IC's deposits might not be recovered. Banks must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 102% of the total public monies on deposit at the institution. At June 30, 2023 and 2022, the carrying amount of BWC/IC's cash deposits were \$31.2 million and \$37.6 million, respectively, and the bank balances were \$6.5 million and \$24.4 million, respectively. Differences between the carrying amount and bank balances are primarily due to in transit credit card and online payments. Of the June 30, 2023 and 2022, bank balances, \$250 thousand were insured by the FDIC. The remaining cash balance on deposit with the bank was collateralized by pledges held by the trustee of either a surety bond or securities with a sufficient market value and was not exposed to custodial credit risk. Any pledged securities are held by the Federal Reserve, the Federal Home Loan Bank, or an insured financial institution serving as agent of the Treasurer of the State of Ohio.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of a counterparty to a transaction, BWC/IC will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. BWC/IC's investments are not exposed to custodial credit risk and are held in BWC/IC's name at either JP Morgan, in commingled account types, or are fixed maturity bank loans, which by definition, are not exposed to custodial credit risk. Commingled bond and U.S. equity funds are held in the custody of State Street. The commingled non-U.S. equity fund is held in the custody of JP Morgan. The underlying securities in the short-term money market fund are high-quality, short-term debt securities issued or guaranteed by the U.S. government or by U.S. government agencies or instrumentalities, and repurchase agreements fully collateralized by U.S. Treasury and U.S. government securities.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Fair Value Measurements

BWC/IC's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 - Investments reflect prices quoted in active markets and are valued directly from a primary external pricing vendor.
- Level 2 - Investments reflect prices that are observable either directly or indirectly. Inputs may include quoted prices in markets that are not considered active or inputs other than quoted prices that are observable such as interest rates, yield curves, implied volatilities, credit spreads or market-corroborated inputs. These investments are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.
- Level 3 - Investments reflect prices based upon unobservable sources. Asset backed securities, commercial mortgage backed securities, and bank loans are classified in Level 3 and are valued using an internal fair value as provided by the investment manager or other unobservable pricing source.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Fiscal Year 2022	Prices Level 1	Inputs Level 2	Inputs Level 3	Fair Value Total
Fixed Maturities				
U.S. corporate bonds	\$ -	\$ 3,148,974	\$ -	\$ 3,148,974
U.S. government obligations	1,711,234	65,403	-	1,776,637
U.S. treasury inflation protected securities	1,705,297	-	-	1,705,297
Non-U.S. corporate bonds	-	715,028	-	715,028
U.S. government agency mortgages	-	640,239	-	640,239
Asset backed securities	-	242,520	76,989	319,509
Commercial mortgage backed securities	-	241,968	12,589	254,557
U.S. state and local government agencies	-	180,435	-	180,435
Non-U.S. government and agency bonds	-	107,777	-	107,777
Bond funds	22,641	-	-	22,641
Preferred securities	-	14,139	-	14,139
Bank loans	-	510	7,622	8,132
U.S. government agency bonds	-	5,018	-	5,018
Domestic equity securities - common stocks	3,085,390	-	-	3,085,390
Domestic equity securities - preferred stocks	542	-	172	714
Securities lending short-term collateral	-	2,452	-	2,452
	<u>\$ 6,525,104</u>	<u>\$ 5,364,463</u>	<u>\$ 97,372</u>	<u>\$ 11,986,939</u>

Investments measured at net asset value:	
Commingled U.S. aggregate indexed fixed income	152,032
Commingled U.S. Long Government / Credit Fixed Income	572,707
Commingled U.S. treasury inflation protected securities	844,340
Commingled U.S. intermediate duration fixed income	44,016
Investment in Bond Fund	37,286
Commingled domestic equity securities - common stocks	443,304
Commingled Non-U.S. equity securities - common stocks	1,852,011
Commingled investments in real estate	4,016,085
	<u>\$ 7,961,780</u>

Restricted Cash :	\$ 736
Cash and Cash Equivalents:	\$ 635,363

Total Investments: \$ 20,584,819

For the investments below which do not have a readily determinable fair value, net asset value per unit is used as a practical expedient for establishing fair value. The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the tables below (000's omitted).

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Investments Measured at the NAV
FY 2023

Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Commingled U.S. aggregate indexed fixed income	150,603		Daily	5 days
Commingled U.S. Long Government / Credit Fixed Income	558,273		Daily	5 days
Commingled U.S. treasury inflation protected securities	832,432		Daily	5 days
Commingled U.S. intermediate duration fixed income	43,957		Daily	5 days
Investment in Bond Fund	19,067		Bi-Monthly	15 days
Commingled domestic equity securities - common stocks	485,773		Daily	5 days
Commingled Non-U.S. equity securities - common stocks	2,072,001		Daily	5 days
Commingled investments in real estate:				
Core Real Estate	2,020,727	-	Quarterly	1 quarter
Core Plus Real Estate	1,116,564	-	Quarterly	1 quarter
Value Added Real Estate	450,516	155,563	Illiquid	
Total Commingled investments in real estates:	3,587,807	155,563		

Investments Measured at the NAV
FY 2022

Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Commingled U.S. aggregate indexed fixed income	152,032		Daily	5 days
Commingled U.S. Long Government / Credit Fixed Income	572,707		Daily	5 days
Commingled U.S. treasury inflation protected securities	844,340		Daily	5 days
Commingled U.S. intermediate duration fixed income	44,016		Daily	5 days
Investment in Bond Fund	37,286		Bi-Monthly	15 days
Commingled domestic equity securities - common stocks	443,304		Daily	5 days
Commingled Non-U.S. equity securities - common stocks	1,852,011		Daily	5 days
Commingled investments in real estate:				
Core Real Estate	2,328,340	-	Quarterly	1 quarter
Core Plus Real Estate	1,236,236	-	Quarterly	1 quarter
Value Added Real Estate	451,509	202,522	Illiquid	
Total Commingled investments in real estates:	4,016,085	202,522		

Commingled fixed maturities, domestic equity, and non-U.S. equity funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments. Investment in the bond fund is valued monthly per the fund manager.

BWC/IC invests in real estate through limited partnerships, commingled funds, and commingled real estate investment trusts. Core and Core Plus real estate funds owned are open-ended funds that offer each investor the right to redeem all or a portion of their investment ownership interest once every quarter at the stated unit net asset value of the fund. Value-added real estate funds owned are close-ended funds and do not offer such redemption rights and, therefore, can be considered to be illiquid investments. The real estate funds provide BWC/IC with quarterly valuations based on the most recent capital account balances. Individual properties owned by the funds are valued by an outside independent certified real estate appraisal firm at least once a year and are adjusted as often as every quarter if material market or operational changes have occurred. Each asset is also valued internally on a quarterly basis by each fund. The internal and external valuations of properties owned are

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO**
(A DEPARTMENT OF THE STATE OF OHIO)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

subject to oversight and review by an independent valuation advisor firm. Debt obligations of each fund receive market value adjustments by the fund every quarter, generally with the assumption that such positions will be held to maturity. Annual external audits of the funds include a review of compliance with the fund's valuation policies.

Interest Rate Risk – Fixed-Income Securities

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. BWC/IC manages the exposure to fair value loss arising from increasing interest rates by requiring that each fixed-income portfolio be invested with duration characteristics that are within a range consistent with Bloomberg Barclays Fixed Income Index ranges.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flow, weighted for those cash flows as a percentage of the investment's full price. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments such as callable bonds, prepayments, and variable-rate debt. The effective duration measures the sensitivity of the market price to parallel shifts in the yield curve.

At June 30, 2023 and 2022, the effective duration of BWC's fixed-income portfolio is as follows (000's omitted):

Duration Footnote

<u>Investment Type</u>	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
	<u>Fair Value</u>	<u>Effective Duration</u>	<u>Fair Value</u>	<u>Effective Duration</u>
U.S. corporate bonds	3,185,869	11.69	3,148,974	11.86
U.S. government obligations	1,848,754	8.53	1,776,637	8.53
U.S. treasury inflationary protected securities	1,693,518	6.73	1,705,297	6.98
Commingled U.S. treasury inflationary protected securities	832,432	6.64	844,340	6.96
U.S. government agency mortgages	689,801	6.11	640,239	5.93
Non-U.S. corporate bonds	651,715	8.58	715,028	8.84
Commingled U.S. long government / credit fixed income	558,273	14.28	572,707	15.03
Asset backed securities	334,258	2.02	319,509	1.65
Commercial mortgage backed securities	239,216	2.55	254,557	2.76
U.S. state and local government agencies	165,056	11.73	180,435	11.95
Commingled U.S. aggregate indexed fixed income	150,603	6.29	152,032	6.40
Non-U.S. government and agency bonds	103,093	11.58	107,777	11.80
Commingled U.S. intermediate duration fixed income	43,957	3.80	44,016	3.93
Bond funds	34,032	0.16	59,927	0.13
U.S. government agency bonds	28,176	2.14	5,018	14.61
Preferred securities	7,500	1.17	14,139	2.06
Bank loans	2,527	0.11	8,132	0.25
Total fixed maturities	<u>\$ 10,568,780</u>		<u>\$ 10,548,764</u>	

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO**
(A DEPARTMENT OF THE STATE OF OHIO)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Although the short-term money market fund is generally less sensitive to interest rate changes than are funds that invest in longer-term securities, changes in short-term interest rates will cause changes to its yield resulting in some interest rate risk

Credit Risk – Fixed-Income Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. U.S. government obligations, U.S. treasury inflation protected securities, and commingled U.S. treasury inflation protected securities are all rated AA by Standard and Poor's (S&P) in fiscal years 2023 and 2022. Obligations of the U.S. government are explicitly guaranteed by the U.S. government. BWC/IC's fixed-income securities were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P rating scale (000's omitted):

Quality Rating	2023 <u>Fair Value</u>	2022 <u>Fair Value</u>
<u>Credit risk debt quality</u>		
AAA	\$ 351,124	\$ 374,142
AA	596,815	575,088
A	1,993,199	1,830,160
BBB	2,137,892	2,351,870
BB	280,819	323,997
B	77,235	91,459
CCC	24,464	24,229
CC	10,385	5,154
C	166	710
D	2,041	424
NR	1,959	-
Total credit risk debt securities	<u>5,476,099</u>	<u>5,577,233</u>
U.S. government agency bonds		
AAA	1,390	1,430
AA	26,786	3,588
Total U.S. government agency bonds	<u>28,176</u>	<u>5,018</u>
U.S. government agency mortgages		
AAA	2,527	45,900
AA	671,524	578,703
A	623	1,521
BBB	3,024	1,982
BB	10,838	11,099
B	1,265	1,034
Total U.S. government agency mortgages	<u>689,801</u>	<u>640,239</u>
U.S. government obligations (AA)	1,848,754	1,776,637
U.S. treasury inflation protected securities (AA)	1,693,518	1,705,297
Commingled U.S. treasury inflation protected securities (AA)	832,432	844,340
Total fixed maturities	<u>\$ 10,568,780</u>	<u>\$ 10,548,764</u>

The short-term money market fund carries an AAA credit rating.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO**
(A DEPARTMENT OF THE STATE OF OHIO)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of BWC/IC's investment in a single issuer. In 2023 and 2022, there is no single issuer that comprises 5% or more of the overall portfolio with the exception of BWC/IC's investments in the U.S. government.

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BWC's exposure to foreign currency risk as of June 30, 2023 and 2022, is as follows (000's omitted):

	2023	2022
<u>Currency</u>	<u>Fair Value</u>	<u>Fair Value</u>
Australian Dollar	132,811	88,219
Bermudian Dollar	523	502
Brazilian Real	-	26,624
British Pound	269,512	175,831
Canadian Dollar	216,143	148,368
Caymanian Dollar	-	449
Chilean Peso	-	2,798
Chinese Renminbi	311	182,400
Colombian Peso	-	811
Czech Koruna	-	882
Danish Krone	56,453	31,494
Egyptian Pound	-	325
Euro	625,341	356,816
Hong Kong Dollar	44,285	49,596
Hungarian Forint	-	919
Indian Rupee	-	69,819
Indonesian Rupiah	-	9,998
Israeli Shekel	11,403	8,658
Japanese Yen	413,694	254,368
Kuwaiti Dinar	-	4,515
Macau Pataca	990	496
Malaysian Ringgit	-	8,022
Manx Pound	1,219	964
Mexican Peso	-	11,556
New Zealand Dollar	5,129	2,632
Norwegian Krone	11,609	9,081
Peruvian Nuevo Sol	-	855
Philippines Peso	-	4,005
Polish Zloty	-	3,135
Qatari Rial	-	5,697
Russian Ruble	-	2
Saudi Riyal	-	23,460
Singapore Dollar	25,682	16,976
South African Rand	-	18,972
South Korean Won	-	61,942
Swedish Krona	55,695	36,721
Swiss Franc	199,855	126,409
Taiwan Dollar	-	78,491
Thailand Baht	-	10,433
Turkish Lira	-	1,520
United Arab Emirates Dirham	-	6,916
Exposure to foreign currency risk	2,070,655	1,841,677
United States Dollar	1,346	10,334
Total international securities	\$ 2,072,001	\$ 1,852,011

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Securities Lending

At June 30, 2023 and 2022, BWC/IC had no securities out on loan. BWC/IC has been allocated with cash collateral of \$2.6 million in 2023 and \$2.5 million in 2022 from the securities lending program administered through the Treasurer of State's Office based on the amount of cash equity in the State's common cash and investment account.

3. Capital Assets

Capital asset activity and balances as of and for the fiscal years ended June 30, 2023 and 2022, are summarized as follows (000's omitted):

	Balance at 6/30/2021	Increases	Decreases	Balance at 6/30/2022	Increases	Decreases	Balance at 6/30/2023
Capital assets not being depreciated							
Land	\$ 9,466	\$ -	\$ -	\$ 9,466	\$ -	\$ -	\$ 9,466
Subtotal	9,466	-	-	9,466	-	-	9,466
Capital assets being depreciated							
Buildings	205,831	-	-	205,831	-	-	205,831
Building improvements	3,608	-	-	3,608	-	-	3,608
Furniture and equipment	24,649	329	(2,987)	21,991	1,728	(2,221)	21,498
Subtotal	234,088	329	(2,987)	231,430	1,728	(2,221)	230,937
Accumulated depreciation							
Buildings	(200,443)	(602)	-	(201,045)	(602)	-	(201,647)
Building improvements	(1,815)	(177)	-	(1,992)	(177)	-	(2,169)
Furniture and equipment	(20,781)	(1,696)	2,984	(19,493)	(1,188)	2,186	(18,495)
Subtotal	(223,039)	(2,475)	2,984	(222,530)	(1,967)	2,186	(222,311)
Capital assets being amortized							
Intangible assets - definite useful lives	115,789	21,804	-	137,593	8,525	-	146,118
Accumulated amortization	(53,123)	(14,754)	(7,815)	(75,692)	(15,257)	(2,986)	(93,935)
Subtotal	62,666	7,050	(7,815)	61,901	(6,732)	(2,986)	52,183
Net capital assets	\$ 83,181	\$ 4,904	\$ (7,818)	\$ 80,267	\$ (6,971)	\$ (3,021)	\$ 70,275

4. Reserves for Compensation and Compensation Adjustment Expenses

The reserve for compensation consists of reserves for indemnity and medical claims resulting from work-related injuries or illnesses. The recorded liabilities for compensation and compensation adjustment expenses are BWC management's selection based on estimates by BWC's Actuarial division staff. Management believes that the recorded liabilities make for a reasonable and appropriate provision for expected future losses and expense payments on events that have occurred on or prior to June 30, 2023; however, the ultimate liabilities for those events may vary from the amounts provided.

All reserves have been discounted at 4.0% at June 30, 2023 and 2022. A decrease in the discount rate to 3.0% would result in the reserves for compensation and compensation adjustment expenses increasing to \$14.7 billion at June 30, 2023, while an increase in the rate to 5.0% would result in the reserves for compensation and compensation adjustment expenses decreasing to \$12.3 billion. The undiscounted reserves for compensation and compensation adjustment expenses were \$21.4 billion at June 30, 2023, and \$21.3 billion at June 30, 2022.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

The changes in the reserves for compensation and compensation adjustment expenses for the fiscal years ended June 30, 2023 and 2022, are summarized as follows (000,000's omitted):

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Reserves for compensation and compensation adjustment expenses, beginning of period	\$ 13,373	\$ 13,539	\$ 14,518
Incurred:			
Provision for insured events of current period	1,263	1,261	1,228
Net (decrease) increase in provision for insured events of prior periods net of discount accretion of \$535 in 2023, \$542 in 2022 and \$581 in 2021	<u>284</u>	<u>139</u>	<u>(702)</u>
Total incurred	1,547	1,400	526
Payments:			
Compensation and compensation adjustment expenses attributable to insured events of current period	322	315	304
Compensation and compensation adjustment expenses attributable to insured events of prior period	<u>1,250</u>	<u>1,251</u>	<u>1,201</u>
Total payments	1,572	1,566	1,505
Reserves for compensation and compensation adjustment expenses, end of period	<u>\$ 13,348</u>	<u>\$ 13,373</u>	<u>\$ 13,539</u>

5. Long-Term Obligations

Activity for long-term obligations (excluding the reserves for compensation and compensation adjustment expenses – see Note 4) for the fiscal years ended June 30, 2023 and 2022, is summarized as follows (000's omitted):

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

	Balance at 6/30/2021	Increases	Decreases	Balance at 6/30/2022	Due Within One Year
Net pension liability	\$ 149,065	\$ -	\$ (65,524)	\$ 83,541	\$ -
Net OPEB liability	-	-	-	-	-
Group retrospective credit payable	172,190	115,610	(69,988)	217,812	113,201
Other liabilities	95,969	177,645	(127,592)	146,022	106,255
	<u>\$ 417,224</u>	<u>\$ 293,255</u>	<u>\$ (263,104)</u>	<u>\$ 447,375</u>	<u>\$ 219,456</u>
	Balance at 6/30/2022	Increases	Decreases	Balance at 6/30/2023	Due Within One Year
Net pension liability	\$ 83,541	\$ 190,398	\$ -	\$ 273,939	\$ -
Net OPEB liability	-	5,816	-	5,816	-
Group retrospective credit payable	217,812	45,049	(107,202)	155,659	58,922
Other liabilities	146,022	109,697	(129,243)	\$ 126,476	88,720
	<u>\$ 447,375</u>	<u>\$ 350,960</u>	<u>\$ (236,445)</u>	<u>\$ 561,890</u>	<u>\$ 147,642</u>

6. Policy Holder Dividend

BWC's net asset policy contains the business rationale, methodology, and guiding principles with respect to maintaining a prudent net position to protect SIF against financial and operational risks that may threaten the ability to meet future obligations.

The Board approved one-time dividend payments to reduce the net position in SIF at the September 2021 board meeting for certain eligibility requirement revisions of the previously approved fiscal year 2021 dividends for some private and public employer taxing districts. These actions resulted in dividend expense of \$150 thousand in fiscal year 2023 and \$28.2 million in fiscal year 2022.

7. Pension Plans

General Information

BWC/IC employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer public employee retirement system. OPERS administers three pension plans:

- The Traditional Plan - a defined benefit plan.
- The Combined Plan – a combination of a defined benefit plan and a defined contribution plan. This plan invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Plan benefit. Member contributions are self-directed by the members and accumulate retirement assets in a manner similar to the Member-Directed Plan. This option is no longer available to new employees.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO**
(A DEPARTMENT OF THE STATE OF OHIO)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

- The Member-Directed Plan – a defined contribution plan. Under this plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings thereon.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Benefits are established and may be amended by State statute. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a publicly available financial report that includes financial statements, required supplementary information, information about the pension plan's fiduciary net position, and the Plan Statement with pension plan details. The report is available by visiting <https://www.opers.org/financial/reports.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377. As of June 30, 2023, the most recent report issued by OPERS is for the calendar year ended December 31, 2022.

Funding Policy

Chapter 145 of the Ohio Revised Code provides statutory authority for employee and employer contributions. During fiscal years 2023 and 2022, the employee contribution rate was 10% and the employer contribution rate was 14% of covered payroll for all three plans. BWC/IC's contractually required employer contributions were \$20.8 million for calendar year 2022 and \$20.7 million for calendar year 2021.

Measurement Date

The measurement dates for the net pension assets and liabilities, deferred inflows and outflows of resources, and pension expense were December 31, 2022, for fiscal year 2023 and December 31, 2021, for fiscal year 2022. OPERS total pension assets and liabilities that were used to calculate the net pension asset and liability were also based on an actuarial valuation as of these dates.

Proportionate Share

BWC/IC's proportionate shares of the net pension assets and liabilities are determined as BWC/IC's share of contributions to the pension plan relative to the total employer contributions from all participating OPERS employers. Member and employer contributions included in OPERS' Statement of Changes in Fiduciary Net Position are used to calculate proportionate share. At December 31, 2022 and 2021, BWC/IC's proportions were as follows:

	<u>December 2022</u>	<u>December 2021</u>
Traditional Plan	0.927348%	0.960196%
Combined Plan	0.592736%	0.569109%

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Pension Assets, Deferred Outflows of Resources, Pension Liabilities, Deferred Inflows of Resources, and Pension Expense

At June 30, 2023 and 2022, BWC/IC reported \$1.4 million and \$2.2 million, respectively, for its proportionate share of the Combined Plan's net pension asset and a liability of \$274 million and \$83.5 million, respectively, for its proportionate share of the Traditional Plan's net pension liability.

For the fiscal years ended June 30, 2023 and 2022, BWC/IC recognized \$14.3 million in pension expense and \$40.2 million in pension benefit, respectively.

At June 30, 2023 and 2022, BWC/IC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (000's omitted)

	<u>June 2023</u>		<u>June 2022</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,226	\$ 197	\$ 4,272	\$ 2,178
Net difference between projected and actual earnings on pension plan investments	74,557	-	-	101,289
Changes in proportion and differences between BWC/IC contributions and proportional share of contributions	2,769	3,325	2,039	4,179
Assumption changes	3,088	-	10,563	-
BWC/IC contributions subsequent to the measurement date	10,361	-	10,302	-
Total	<u>\$ 100,001</u>	<u>\$ 3,522</u>	<u>\$ 27,176</u>	<u>\$ 107,646</u>

In 2023 and 2022, deferred outflows of resources related to pensions resulting from BWC/IC's contributions subsequent to the measurement date of \$10.4 million and \$10.3 million, respectively, will be recognized as a reduction of net pension liability in the fiscal years ended June 30, 2023 and 2022, respectively.

Deferred outflows of resources includes the BWC/IC's proportionate share of the effects of changes in assumptions resulting from OPERS experience study for the period 2016 through 2020 and 2011 through 2015, for the years ended 2022 and 2021 respectively. Information from this study led to changes in both demographic and economic assumptions. The long-term pension investment return assumption for the defined benefit investments was reduced in 2021 over the last year from 7.2% to 6.9%. These assumption changes as well as other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future years as follows (000's omitted):

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

	As of June 30, 2023		As of June 30, 2022
Year ended June 30:			
2024	\$ 7,876	2023	\$ (14,976)
2025	17,210	2024	(36,046)
2026	22,571	2025	(23,859)
2027	38,466	2026	(15,897)
2028	(3)	2027	(2)
Thereafter	\$ (2)	Thereafter	\$ 8

Actuarial Assumptions

The total pension liabilities in the December 31, 2022 and 2021, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

December 2022

	Traditional Pension Plan	Combined Plan
Actuarial Assumptions:		
Investment Rate of Return	6.90%	6.90%
Wage Inflation	2.75%	2.75%
Projected Salary Increases	2.75% - 10.75% (includes wage inflation at 2.75%)	2.75% - 8.25% (includes wage inflation at 2.75%)
Cost of living Adjustments	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2023, then 2.05% Simple	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2023, then 2.05% Simple

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

December 2021

	<u>Traditional Pension Plan</u>	<u>Combined Plan</u>
Actuarial Assumptions:		
Investment Rate of Return	6.90%	6.90%
Wage Inflation	2.75%	2.75%
Projected Salary Increases	2.75% - 10.75% (includes wage inflation at 2.75%)	2.75% - 8.25% (includes wage inflation at 2.75%)
Cost of living Adjustments	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2022, then 2.05% Simple	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2022, then 2.05% Simple

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the December 31, 2022 and 2021, valuations were based on the results of an actuarial experience study for 5-year period ended December 31, 2020, and December 31, 2015, respectively. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected best estimates of arithmetical rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

The table below displays the OPERS Board approved asset allocation policy for December 2022 and 2021 and the expected real rates of return.

Asset Class	<u>December 2022</u>		<u>December 2021</u>	
	Target Allocation	Weighted Average Longterm Expected Real Rate of Return	Target Allocation	Weighted Average Longterm Expected Real Rate of Return
Fixed income	22.00%	2.62%	24.00%	1.03%
Domestic equity	22.00%	4.60%	21.00%	3.78%
International equity	21.00%	5.51%	23.00%	4.88%
Real estate	13.00%	3.27%	11.00%	3.66%
Risk Parity	2.00%	4.37%	5.00%	2.92%
Private equity	15.00%	7.53%	12.00%	7.43%
Other Investments	5.00%	3.27%	4.00%	2.85%
Total	100.00%		100.00%	4.21%

Discount Rate

The discount rate used to measure the total pension liability for both the Traditional Pension Plan and the Combined Plan was 6.9% for 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan and Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in the Discount Rate

For the years 2022 and 2021, the following tables present BWC/IC's proportionate share of the net pension liability calculated using the discount rate of 6.9%, as well as BWC/IC's

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

proportionate share of the net pension liability using a discount rate that is 1% lower or 1% higher than the current rate (000's omitted):

December 2022

	1% Decrease - 5.9 %	Current Discount Rate - 6.9%	1% Increase - 7.9%
Traditional Plan:			
Total Net Pension Liability	410,351	273,939	160,468
Combined Plan:			
Total Net Pension (Asset)	(729)	(1,397)	(1,926)

December 2021

	1% Decrease - 5.9 %	Current Discount Rate - 6.9%	1% Increase - 7.9%
Traditional Plan:			
Total Net Pension Liability	220,259	83,541	30,227
Combined Plan:			
Total Net Pension (Asset)	(1,673)	(2,242)	(2,686)

Defined Contribution Plans

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five year period, at a rate of 20% each year. BWC/IC recognized \$726 thousand and \$637 thousand in pension expense for defined contribution plans in fiscal years 2023 and 2022, respectively. At retirement, members may select one of the several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the annuitization of their benefit (which includes joint and survivor options), partial lump sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO**
(A DEPARTMENT OF THE STATE OF OHIO)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

8. Other Post-Employment Benefit (OPEB)

OPERS administers the 115 Health Care Trust, a cost-sharing, multiple-employer defined benefit post-employment health care trust. OPERS health care program includes medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement for qualifying benefit recipients of both the Traditional Pension and the Combined plans. Currently, Medicare eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Effective January 1, 2022 the Combined Plan is no longer available for member selection. Although participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional and Combined plans, a portion of employer contributions is allocated to a retiree medical account. Upon retirement or separation, participants may be reimbursed for qualified medical expenses from these accounts.

All benefits of the System, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145. The OPERS Board has elected to maintain funds to provide health care coverage to eligible Traditional Pension Plan and Combined Plan retirees and survivors of members. Health care coverage does not vest and is not required. As a result, coverage may be reduced or eliminated at the discretion of OPERS. To qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must be at least age 60 with 20 or more years of qualifying Ohio service or 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

OPERS issues a publicly available financial report that includes financial statements, required supplementary information, information about the OPEB plan's fiduciary net position, and the Plan Statement with OPEB plan details. This report is available by visiting <https://www.opers.org/financial/reports.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377. As of June 30, 2023, the most recent report issued by OPERS is for the calendar year ended December 31, 2022.

Funding Policy

Beginning in 2018, Traditional Pension Plan and Combined Plan employer contributions are no longer allocated to health care. Employer contributions as a percent of covered payroll deposited for the Member-Directed Plan participants' health care accounts was 4.0% for both 2022 and 2021. Based upon the portion of each employer's contribution to OPERS set aside for funding OPEB as described above, BWC/IC's contribution allocated to OPEB for the 12 months ended December 31, 2022 and 2021, was approximately \$283 thousand and \$254 thousand respectively.

Measurement Date

The measurement dates for the net OPEB liabilities, deferred inflows and outflows of resources, and OPEB expense were December 31, 2022, for fiscal year 2023 and December 31, 2021,

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

for fiscal year 2022. For fiscal years 2023 and 2022, OPERS total OPEB liabilities that were used to calculate the net OPEB liability were based on an actuarial valuation of December 31, 2021, with a rollforward measurement date of December 31, 2022, and December 31, 2020, with a rollforward measurement date of December 31, 2021, respectively.

Proportionate Share

BWC/IC's proportionate shares of the net OPEB liabilities are determined as BWC/IC's share of contributions to the plan relative to the total employer contributions from all participating OPERS employers. Member and employer contributions included in OPERS' Statement of Changes in Fiduciary Net Position are used to calculate proportionate share. At December 31, 2022 and 2021, BWC/IC's proportions were as follows:

	<u>December 2022</u>	<u>December 2021</u>
OPEB	0.922331%	0.951098%

Net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and OPEB Expense

At June 30, 2023 BWC/IC reported \$5.8 million for its proportionate share of the net OPEB net liability. At June 30, 2022 BWC/IC reported \$29.8 million for its proportionate share of the net OPEB asset.

For the fiscal years ended June 30, 2023 and 2022, BWC/IC recognized negative OPEB expense of \$10.7 million and negative OPEB expense of \$28.1 million, respectively.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

At June 30, 2023 and 2022, BWC/IC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (000's omitted):

	<u>June 2023</u>		<u>June 2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,455	\$ -	\$ 4,698
Net difference between projected and actual earnings on OPEB plan investments	11,004	-	-	14,416
Changes in proportion and differences between BWC/IC contributions and proportionate share of contributions	2,015	-	2,204	39
Assumption changes	5,680	482	-	12,530
Total	<u>\$ 18,699</u>	<u>\$ 1,937</u>	<u>\$ 2,204</u>	<u>\$ 31,683</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (000's omitted):

	As of June 30, 2023	As of June 30, 2022
Year ended June 30:		
2024	\$ 3,070	2023 \$ (18,242)
2025	4,573	2024 (6,048)
2026	3,540	2025 (3,150)
2027	5,579	2026 (2,039)

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 and OPEB asset in 2021, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

December 2022

	OPEB
Actuarial Assumptions:	
Single Discount Rate	5.22%
Investment Rate of Return	6.00%
Wage Inflation	2.75%
Municipal Bond Rate	4.05%
Projected Salary Increases	2.75% - 10.75% (includes wage inflation at 2.75%)
Health Care Cost Trend Rate	5.5% initial, 3.5% ultimate in 2036

December 2021

	OPEB
Actuarial Assumptions:	
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Wage Inflation	2.75%
Municipal Bond Rate	1.84%
Projected Salary Increases	2.75% - 10.75% (includes wage inflation at 2.75%)
Health Care Cost Trend Rate	5.5% initial, 3.5% ultimate in 2034

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

and then established the base year as 2015 for males and 2010 for females. Mortality rates for a calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the December 31, 2022 and 2021, valuations were based on the results of an actuarial experience study for a 5-year period ended December 31, 2020. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

The long-term expected rate of return on the health care investment assets was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected best estimates of arithmetical rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The table below displays the OPERS Board approved asset allocation policy for December 2022 and 2021 and the expected real rates of return.

Asset Class	<u>December 2022</u>		<u>December 2021</u>	
	Target Allocation	Weighted Average Longterm Expected Real Rate of Return	Target Allocation	Weighted Average Longterm Expected Real Rate of Return
Fixed income	34.00%	2.56%	34.00%	0.91%
Domestic equity	26.00%	4.60%	25.00%	3.78%
International equity	25.00%	5.51%	25.00%	4.88%
Real estate	7.00%	4.70%	7.00%	3.71%
Risk Parity	2.00%	4.37%	2.00%	2.92%
Other Investments	6.00%	1.84%	7.00%	1.93%
Total	<u>100.00%</u>		<u>100.00%</u>	2.93%

Discount Rate

The single discount rate used to measure the OPEB liability at the measurement date of December 31, 2022 and OPEB asset in 2021 was 5.22% and 6%, respectively. Projected benefit payments are required to be discounted to their actuarial present value using a single

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). These single discount rates for 2022 and 2021 were based on an expected rate of return on the health care investment portfolio of 6.00%, and a municipal bond rate of 4.05% and 1.84%, respectively. The projection of cash flows used to determine these single discount rates assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the 2022 and 2021 health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054 and 2121, respectively. As a result, the 2022 and 2021 long-term expected rates of return on health care investments were applied to projected costs through the year 2054 and 2121, respectively, and the municipal bond rates were applied to all health care costs after these dates.

Sensitivity to Changes in the Discount Rate

For December 2022 and December 2021, the following tables present BWC/IC's proportionate share of the net OPEB liability and asset calculated using the discount rate of 5.22% and 6% respectively, as well as BWC/IC's proportionate share of the net OPEB liability and asset using a discount rate that is 1.0% lower or 1.0% higher than the current rate (000's omitted):

December 2022

	1% Decrease - 4.22 %	Single Discount Rate - 5.22%	1% Increase - 6.22%
OPEB:			
Total Net OPEB Liability	19,793	5,816	(5,718)

December 2021

	1% Decrease - 5 %	Single Discount Rate - 6%	1% Increase - 7%
OPEB:			
Total Net OPEB Asset	(17,519)	(29,790)	(39,975)

Sensitivity to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability and asset. The following tables present BWC/IC's proportionate share of the net OPEB liability and asset calculated using the assumed trend rates and the expected net OPEB liability and asset using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate for December 2022 and December 2021 (000's omitted):

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

December 2022

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
OPEB:			
Total Net OPEB Liability	5,451	5,816	6,226

December 2021

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
OPEB:			
Total Net OPEB Asset	(30,112)	(29,790)	(29,408)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the starting trend in 2023 and 2022 is 5.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

9. Risk Management

BWC/IC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these risks, BWC/IC maintains commercial insurance and property insurance. There were no reductions in coverage in either fiscal years 2023 or 2022. Claims experience over the past three years indicates there were no instances of losses exceeding insurance coverage. Additionally, BWC/IC provides medical benefits for its employees on a fully insured basis with independent insurance companies or the State's self-insured benefit plan.

10. Contingent Liabilities

BWC/IC is a party in various legal proceedings and is also involved in other claims and legal actions arising in the ordinary course of business. Although the outcome of certain legal proceedings is not quantifiable or determinable at this time, an unfavorable outcome in any one of them could have a material effect on the financial position of BWC/IC.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

11. Net Position

Individual fund net position (deficit) balances at June 30, 2023 and 2022, were as follows (000's omitted):

	<u>2023</u>	<u>2022</u>
SIF	\$ 7,308,901	\$ 7,049,983
SIF Surplus Fund Account	55,396	55,604
Total SIF Net Position	<u>7,364,297</u>	<u>7,105,587</u>
DWRF	626,704	688,526
CWPF	317,856	312,083
PWREF	16,420	16,526
MIF	25,701	25,914
SIEGF	36,568	34,680
ACF	(602,462)	(687,003)
Total Net Position	<u>\$ 7,785,084</u>	<u>\$ 7,496,313</u>

As mandated by the Code, the SIF net position is separated into two separate funds; the main fund and the Surplus Fund Account (Surplus Fund).

The Surplus Fund is established by the Code and is financed by a portion of all SIF premiums paid by private and public employers (excluding State employers) and assessments paid by self-insured employers. The Surplus Fund has been appropriated for specific charges, including compensation related to claims of handicapped persons or employees of noncomplying employers, and the expense of providing rehabilitation services, counseling, training, living maintenance payments, and other related charges to injured workers. The Surplus Fund may also be charged on a discretionary basis as ordered by BWC/IC, as permitted by the Code. Prior to the passage of House Bill 15 in 2009, contributions to the Surplus Fund were limited to 5% of premiums. The BWC administrator now has the authority to transfer money from SIF necessary to meet the needs of the Surplus Fund.

The ACF fund deficit is a result of recognizing the actuarially estimated liabilities in accordance with accounting principles generally accepted in the United States of America, even though the funding for ACF is on a terminal funding basis in accordance with the Code. Consequently, the incurred expenses are not fully funded. See also Note 13 regarding upcoming legislation impacting ACF net position.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

DWRF is operated on a terminal funding basis in accordance with the Code, however, the actuarially estimated liabilities are recognized in accordance with accounting principles generally accepted in the United States of America. While BWC has the statutory authority to assess employers in future periods for amounts needed to fund DWRF II cost of living benefits, cash and investment balances are currently sufficient to fund the estimated DWRF II liabilities.

12. Adoption of New Accounting Principles

For the fiscal year ended June 30, 2023, the BWC/IC implemented the provisions of GASB Statement No. 96 "Subscription-Based Information Technology Arrangements (SBITA)" to result in greater consistency in practice and reduce diversity and improve comparability in financial reporting in governments. As a result, the SBITA asset is reflected in capital assets and the SBITA liability is reflected in other current and noncurrent liabilities.

Net position as of July 1, 2021 has been restated as follows for the implementation of GASB Statement No. 96.

Net Position as previously reported at June 30, 2021:	\$ 9,357,732
Cumulative effect of GASB 96 implementation:	
Net SBITA liability	(291)
Net Position as restated at July 1, 2021	\$ 9,357,441

The GASB has recently issued the following new accounting pronouncements that will be effective in future years and may be relevant to BWC/IC:

- GASB No. 100 "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62" (effective fiscal year 2024)
- GASB No. 101, "Compensated Absences" (effective fiscal year 2024)

Management has not yet determined the impact that these recently issued GASB Pronouncements will have on BWC/IC's financial statements.

13. Subsequent Events

On June 30, 2023, House Bill 31 of the 135th General Assembly (HB 31) was signed into law by Governor Mike DeWine. HB 31 modifies various statutes in Ohio Revised Code Chapter 4123 to allow for the inclusion of administrative costs in the premium calculation. For private employers and public employer taxing districts, the administrative costs contemplated in the premium calculation are the amounts needed to administer the claims incurred in that policy year for the duration of those claims, regardless of how long the claims are open. This differs from the current terminal funding (pay-as-you-go) basis, in which the administrative assessments collected in policy year are used to pay the costs to administer claims in that year, regardless of when the claims were incurred. These changes go into effect with the policy year

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

beginning July 1, 2024 for private employers, and for the policy year beginning on January 1, 2025 for public taxing districts.

HB 31 further provides for administrative costs to be paid from the State Insurance Fund, effectively collapsing the Administrative Cost Fund into the State Insurance Fund. This change goes into effect on October 1, 2023. Accordingly, the consolidated financial statements will no longer include a separate column for the Administrative Cost Fund, as it will be part of the State Insurance Fund in future periods.

SUPPLEMENTARY INFORMATION

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO**
(A DEPARTMENT OF THE STATE OF OHIO)

**REQUIRED SUPPLEMENTAL REVENUE AND RESERVE
DEVELOPMENT INFORMATION**
(See Accompanying Independent Auditors' Report)
For the fiscal years ended June 30, 2023 and 2022

GASB Statement No. 30, "Risk Financing Omnibus," requires the presentation of ten years of supplemental revenue and reserve development information, if available.

The table on the following page illustrates how BWC/IC's gross premium revenues and investment income compare to related costs of workers' compensation benefits (compensation) and other expenses incurred by BWC/IC as of the end of each of the last ten and one-half reporting periods. The rows of the table are defined as follows: (1) This line shows the total of each period's gross premium revenues and investment income. (2) This line shows each period's operating expenses, including overhead and compensation adjustment expenses not allocable to individual claims. (3) This line shows nominal and discounted incurred compensation and allocated compensation adjustment expenses (both paid and accrued) as originally reported at the end of the first period in which the injury occurred. (4) This section of eleven rows shows the cumulative amounts paid as of the end of successive periods for each period. (5) This section of ten rows shows how each period's estimated incurred compensation increased or decreased as of the end of successive periods. (6) This line compares the latest re-estimated incurred compensation amount to the amount originally established (line 3) and shows whether this latest estimate of compensation cost is greater or less than originally estimated. As data for individual periods mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred compensation currently recognized in less mature periods. The columns of the table show data for successive periods on an undiscounted basis for the fiscal years ended June 30, 2013 through 2023.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
REQUIRED SUPPLEMENTAL REVENUE AND RESERVE
DEVELOPMENT INFORMATION, UNAUDITED, Continued
(See Accompanying Independent Auditors' Report)
(In Millions of Dollars)**

	Fiscal Years Ended June 30										
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
1. Required premiums, assessments, and investment income earned	\$ 2,057	\$ (200)	\$ 4,735	\$ 3,124	\$ 3,586	\$ 2,628	\$ 3,517	\$ 1,378	\$ 2,552	\$ 5,194	\$ 2,453
Ceded premiums	0	0	0	4	4	4	4	4	4	4	6
Net earned	2,057	(200)	4,735	3,120	3,582	2,624	3,513	1,374	2,548	5,190	2,447
2. Unallocated expenses	193	219	215	240	248	219	205	170	163	150	140
3. Estimated incurred compensation and compensation adjustment expense, end of period	1,263	1,261	1,228	1,264	1,465	1,507	1,635	1,731	1,853	1,854	1,720
Discount	490	484	553	578	590	656	781	806	874	872	829
Gross liability as originally estimated	1,753	1,745	1,781	1,842	2,054	2,163	2,416	2,537	2,727	2,726	2,549
4. Net paid (cumulative) as of :											
End of period	322	315	304	330	348	341	347	327	331	337	380
One year later		478	454	484	530	531	531	531	548	563	600
Two years later			546	579	630	637	641	644	669	689	731
Three years later				647	701	704	718	724	748	776	822
Four years later					762	762	773	789	815	839	893
Five years later						820	831	841	874	900	952
Six years later							881	895	921	951	1,005
Seven years later								933	968	990	1,049
Eight years later									1,000	1,029	1,081
Nine years later										1,058	1,112
Ten years later											1,139
5. Re-estimated incurred compensation and compensation adjustment expenses (gross):											
One year later		1,762	1,718	1,747	1,893	1,915	2,039	2,257	2,346	2,476	2,494
Two years later			1,732	1,737	1,800	1,868	1,913	2,052	2,219	2,265	2,397
Three years later				1,755	1,771	1,753	1,862	1,883	2,024	2,144	2,234
Four years later					1,773	1,727	1,821	1,821	1,869	1,974	2,119
Five years later						1,723	1,712	1,696	1,812	1,858	2,002
Six years later							1,705	1,689	1,694	1,810	1,891
Seven years later								1,683	1,690	1,687	1,844
Eight years later									1,685	1,666	1,727
Nine years later										1,674	1,691
Ten years later											1,711
6. Decrease in gross estimated incurred compensation and compensation adjustment expenses from end of period		17	(49)	(87)	(281)	(440)	(711)	(854)	(1,042)	(1,052)	(838)

Ultimate incurred compensation and compensation adjustment expense excludes liability associated with active working miners within the CWPF since they are not yet assignable to fiscal accident year. The June 30, 2023 active miners nominal and discounted liability is approximately \$25.7 million and \$7.4 million, respectively.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Required Supplementary Information
Schedule of BWC/IC's Proportionate Share of the Net Pension Liability
Last 9 fiscal years*
(000's omitted)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
BWC/IC's Proportion of the net pension									
Net Pension Liability	0.927%	0.960%	1.007%	1.002%	1.017%	1.037%	1.060%	1.080%	1.115%
Net Pension Asset	0.593%	0.569%	0.570%	0.590%	0.597%	0.602%	0.578%	0.549%	0.586%
 BWC/IC's Proportionate share of the net pension liability	 \$272,542	 \$81,299	 \$147,421	 \$196,918	 \$277,892	 \$161,899	 \$240,344	 \$186,771	 \$134,254
BWC/IC's covered payroll	\$155,908	\$155,328	\$160,867	\$160,253	\$154,397	\$152,774	\$155,963	\$149,562	\$149,652
 Proportionate share of the net pension liability as a percentage of its covered payroll	 174.810%	 52.340%	 91.642%	 122.879%	 179.985%	 105.973%	 154.103%	 124.879%	 89.711%
 Plan fiduciary net position as a percentage of the total pension liability									
Traditional Pension Plan	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%
Combined Plan	137.14%	169.88%	157.67%	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%

* - The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year. This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Required Supplementary Information
Schedule of Employer Pension Contributions
(See Accompanying Independent Auditors' Report)
Last 9 fiscal years*
(000's omitted)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
BWC/IC's Statutorily Required Employer Contributions	\$ 20,772	\$ 20,712	\$ 20,107	\$ 20,504	\$ 21,357	\$ 20,713	\$ 20,428	\$ 19,752	\$ 19,688
Amount of contributions recognized by the pension plan in relation to the statutory contributions	20,772	20,712	20,107	20,504	21,357	20,713	20,428	19,752	19,688
Contributions deficiency (excess)	-	-	-	-	-	-	-	-	-
Employer's covered payroll	157,362	156,801	155,358	162,037	161,974	153,211	152,963	151,275	148,683
Amount of contributions recognized by the pension plan as a percentage of employers' covered payroll	13.20%	13.21%	12.94%	12.65%	13.19%	13.52%	13.35%	13.06%	13.24%

* - This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
 (A DEPARTMENT OF THE STATE OF OHIO)
 Required Supplementary Information
Schedule of BWC/IC's Proportionate Share of the Net OPEB Liability / Asset
 Last 6 fiscal years*
 (000's omitted)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
BWC/IC's Proportion of the OPEB Liability / (Asset)	0.922%	0.951%	0.993%	0.989%	1.003%	1.023%
BWC/IC's Proportionate share of the OPEB Liability / (Asset)	\$5,816	(\$29,790)	(\$17,694)	\$136,667	\$130,796	\$111,078
BWC/IC's covered payroll	\$155,908	\$155,328	\$160,867	\$160,253	\$154,397	\$152,774
Proportionate share of the OPEB Liability / (Asset) as a percentage of its covered payroll	3.730%	-19.179%	-10.999%	85.282%	84.714%	72.707%
Plan fiduciary net position as a percentage of the total OPEB Liability / (Asset)	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%

* - The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year. This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Required Supplementary Information
Schedule of BWC/IC's Net OPEB Contributions
Last 6 fiscal years*
(000's omitted)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
BWC/IC's Statutorily Required Employer Contributions	\$ 283	\$ 254	\$ 236	\$ 232	\$ 223	\$ 2,384
Amount of contributions recognized by the OPEB plan in relation to the statutory contributions	283	254	236	232	223	2384
Contributions deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Employer's covered payroll	157,362	156,801	155,358	162,037	161,974	153,211
Amount of contributions recognized by the OPEB plan as a percentage of employers' covered payroll	0.18%	0.16%	0.15%	0.14%	0.14%	1.56%

* - The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year. This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF NET POSITION
(See Accompanying Independent Auditors' Report)
June 30, 2023
(000's omitted)**

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work- Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 306,021	\$ 11,553	\$ 344	\$ 19	\$ 426	\$ 57,222	\$ 14,091	\$ -	\$ 389,676
Collateral on loaned securities	-	-	-	-	-	-	2,595	-	2,595
Premiums recorded not yet due	6,665	-	427	220	-	-	-	-	7,312
Assessments recorded not yet due	-	-	-	-	-	-	1,554	-	1,554
Premiums in course of collection	3,907	-	-	-	-	-	-	-	3,907
Assessments in course of collection	-	152	-	-	-	-	16,330	-	16,482
Accounts receivable, net of allowance for uncollectibles	291,797	9,430	1,257	27	2	407	72,397	-	375,317
Retrospective premiums receivable	19,385	-	-	-	-	-	-	-	19,385
Interfund receivables	13,650	289,182	-	73	-	97	414,073	(717,075)	-
Investment trade receivables	146,129	-	-	-	-	-	-	-	146,129
Accrued investment income	99,915	5	-	-	2	238	-	-	100,160
Total current assets	<u>887,469</u>	<u>310,322</u>	<u>2,028</u>	<u>339</u>	<u>430</u>	<u>57,964</u>	<u>521,040</u>	<u>(717,075)</u>	<u>1,062,517</u>
Non-current assets:									
Restricted Cash	736	-	-	-	-	-	-	-	736
Fixed maturities	8,983,515	1,229,194	312,114	17,420	26,537	-	-	-	10,568,780
Domestic equity securities:									
Common stock	3,583,891	424,269	61,504	-	-	-	-	-	4,069,664
Preferred stocks	128	-	-	-	-	-	-	-	128
Non-U.S equity securities - common stock	1,823,643	215,076	33,282	-	-	-	-	-	2,072,001
Investments in real estate funds	3,587,807	-	-	-	-	-	-	-	3,587,807
Unbilled premiums receivable	511,861	7,144	-	-	-	312,510	67,781	-	899,296
Retrospective premiums receivable	40,140	-	-	-	-	-	-	-	40,140
Capital assets	15,640	22	-	-	-	-	54,613	-	70,275
Net pension asset	-	-	-	-	-	-	1,397	-	1,397
Total noncurrent assets	<u>18,547,361</u>	<u>1,875,705</u>	<u>406,900</u>	<u>17,420</u>	<u>26,537</u>	<u>312,510</u>	<u>123,791</u>	<u>-</u>	<u>21,310,224</u>
Total assets	<u>19,434,830</u>	<u>2,186,027</u>	<u>408,928</u>	<u>17,759</u>	<u>26,967</u>	<u>370,474</u>	<u>644,831</u>	<u>(717,075)</u>	<u>22,372,741</u>
DEFERRED OUTFLOW OF RESOURCES									
Total assets and deferred outflow of resources	<u>\$ 19,434,830</u>	<u>\$ 2,186,027</u>	<u>\$ 408,928</u>	<u>\$ 17,759</u>	<u>\$ 26,967</u>	<u>\$ 370,474</u>	<u>\$ 763,531</u>	<u>\$ (717,075)</u>	<u>\$ 22,491,441</u>

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF NET POSITION, Continued**

(See Accompanying Independent Auditors' Report)

June 30, 2023

(000's omitted)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work- Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
LIABILITIES									
Current liabilities:									
Reserve for compensation	\$ 1,160,174	\$102,960	\$ 2,281	\$ 162	\$ 337	\$17,675	\$ -	\$ -	\$ 1,283,589
Reserve for compensation adjustment expenses	167,010	122	81	-	30	900	290,416	-	458,559
Unearned premium and assessments	314,866	1	85	30	51	-	93,321	-	408,354
Legal settlement	4,500	-	-	-	-	-	-	-	4,500
Warrants payable	19,295	-	-	-	-	-	-	-	19,295
Group retrospective credit payable	58,922	-	-	-	-	-	-	-	58,922
Investment trade payables	337,559	-	-	-	-	-	-	-	337,559
Accounts payable	4,253	-	231	-	-	-	13,463	-	17,947
Interfund payables	701,812	12,129	209	206	13	2,705	1	(717,075)	-
Obligations under securities lending	-	-	-	-	-	-	2,595	-	2,595
Other current liabilities	72,391	92	47	2	3	-	16,185	-	88,720
Total current liabilities	2,840,782	115,304	2,934	400	434	21,280	415,981	(717,075)	2,680,040
Noncurrent liabilities:									
Reserve for compensation	8,601,025	1,442,640	72,619	938	663	307,625	-	-	10,425,510
Reserve for compensation adjustment expenses	531,990	1,378	15,519	-	170	5,000	626,284	-	1,180,341
Net pension liability	-	-	-	-	-	-	273,939	-	273,939
Net OPEB liability	-	-	-	-	-	-	5,816	-	5,816
Group retrospective credit payable	96,737	-	-	-	-	-	-	-	96,737
Other noncurrent liabilities	-	-	-	-	-	-	37,756	-	37,756
Total noncurrent liabilities	9,229,752	1,444,018	88,138	938	833	312,625	943,795	-	12,020,099
Total liabilities	12,070,534	1,559,322	91,072	1,338	1,267	333,905	1,359,776	(717,075)	14,700,139
DEFERRED INFLOW OF RESOURCES									
	-	-	-	-	-	-	6,218	-	6,218
Total liabilities and deferred inflow of resources	12,070,534	1,559,322	91,072	1,338	1,267	333,905	1,365,994	(717,075)	14,706,357
NET POSITION (DEFICIT)									
Net investment in capital assets	15,640	22	-	-	-	-	54,613	-	70,275
Surplus fund	55,396	-	-	-	-	-	-	-	55,396
Unrestricted net position (deficit)	7,293,261	626,682	317,856	16,420	25,701	36,568	(657,075)	-	7,659,413
Total net position (deficit)	\$ 7,364,297	\$ 626,704	\$ 317,856	\$ 16,420	\$ 25,701	\$ 36,568	\$ (602,462)	\$ -	\$ 7,785,084

**OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

(See Accompanying Independent Auditors' Report)

For the fiscal year ended June 30, 2023

(000's omitted)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work- Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
Operating revenues:									
Premium and assessment income	\$996,493	\$31,137	\$35	\$23	\$386	\$17,699	\$381,745	\$ -	\$1,427,518
Provision for uncollectibles	(33,292)	(419)	-	-	-	(94)	(1,950)	-	(35,755)
Other income	4,779	-	-	-	-	-	4,079	-	8,858
Total operating revenues	<u>967,980</u>	<u>30,718</u>	<u>35</u>	<u>23</u>	<u>386</u>	<u>17,605</u>	<u>383,874</u>	<u>-</u>	<u>1,400,621</u>
Operating expenses:									
Workers' compensation benefits	989,702	165,153	(4,758)	112	400	16,807	-	-	1,167,416
Compensation adjustment expenses	165,980	124	8,188	-	163	988	204,115	-	379,558
Personal services	-	152	37	-	13	-	75,039	-	75,241
Other administrative expenses	17,150	-	-	-	15	-	60,227	-	77,392
Total operating expenses	<u>1,172,832</u>	<u>165,429</u>	<u>3,467</u>	<u>112</u>	<u>591</u>	<u>17,795</u>	<u>339,381</u>	<u>-</u>	<u>1,699,607</u>
Net operating (loss) income before policy holder dividend	<u>(204,852)</u>	<u>(134,711)</u>	<u>(3,432)</u>	<u>(89)</u>	<u>(205)</u>	<u>(190)</u>	<u>44,493</u>	<u>-</u>	<u>(298,986)</u>
Policy holder dividend expense	150	-	-	-	-	-	-	-	150
Net operating (loss) income	<u>(205,002)</u>	<u>(134,711)</u>	<u>(3,432)</u>	<u>(89)</u>	<u>(205)</u>	<u>(190)</u>	<u>44,493</u>	<u>-</u>	<u>(299,136)</u>
Non-operating revenues:									
Net investment income	489,057	72,889	10,205	(17)	(8)	2,078	14,950	-	589,154
Gain on disposal of capital assets	-	-	-	-	-	-	178	-	178
Total non-operating revenues	<u>489,057</u>	<u>72,889</u>	<u>10,205</u>	<u>(17)</u>	<u>(8)</u>	<u>2,078</u>	<u>15,128</u>	<u>-</u>	<u>589,332</u>
Net transfers out	<u>(25,345)</u>	<u>-</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,920</u>	<u>-</u>	<u>(1,425)</u>
Increase (decrease) in net position (deficit)	<u>258,710</u>	<u>(61,822)</u>	<u>5,773</u>	<u>(106)</u>	<u>(213)</u>	<u>1,888</u>	<u>84,541</u>	<u>-</u>	<u>288,771</u>
Net position (deficit), beginning of year	7,105,587	688,526	312,083	16,526	25,914	34,680	(686,712)	-	7,496,604
Cumulative effect of GASB 96 implementations	-	-	-	-	-	-	(291)	-	(291)
Net Position (deficit), beginning of year as restated	<u>7,105,587</u>	<u>688,526</u>	<u>312,083</u>	<u>16,526</u>	<u>25,914</u>	<u>34,680</u>	<u>(687,003)</u>	<u>-</u>	<u>7,496,313</u>
Net position (deficit), end of year	<u>\$7,364,297</u>	<u>\$626,704</u>	<u>\$317,856</u>	<u>\$16,420</u>	<u>\$25,701</u>	<u>\$36,568</u>	<u>\$(602,462)</u>	<u>\$ -</u>	<u>\$7,785,084</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio
A Department of the State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio (BWC/IC), a department of the State of Ohio as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise BWC/IC's basic financial statements, and have issued our report thereon dated September 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BWC/IC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BWC/IC's internal control. Accordingly, we do not express an opinion on the effectiveness of BWC/IC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BWC/IC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

(Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Columbus, Ohio
September 28, 2023