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Source: Ohio Bureau of Workers' Compensation

Governor Kasich Announces \$1 Billion Workers' Compensation Rebate

Governor John Kasich announced plans Thursday to give Ohio employers a \$1 billion rebate from the Ohio Bureau of Workers' Compensation (BWC) and another \$900 million in credits as the agency revamps its payment system.

"I would call this one of the most important economic stimulus measures you can see. We're actually going to do cash rebates," the governor said during a news conference at a small T-shirt shop in Columbus. "Being able to give \$1 billion in cash means there's going to be a heck of a lot more money floating around inside the state of Ohio and it will be of significant benefit to employers, particularly small business people," he added.

The governor and BWC Administrator Steve Buehrer said they would submit the rebate proposal to BWC's Board of Directors for approval at their next meeting in late May.

"We're very confident this will happen. Employers will likely see rebate checks in June or July," the governor said.

The governor said the total \$1.9 billion proposal was due largely to growth in the bureau's investments, which yielded a return of about 11% over last year.

Mr. Buehrer said the bureau's "careful investment approach" has increased net assets to about \$8.3 billion, which was separate from the money needed to pay workers' compensation claims and far in excess of the reserve guidelines the board established in 2009.

"Therefore, it's only right that we give (the money) back to the people that paid, the employers of Ohio," he said.

A separate plan to convert the payment system to a prospective schedule, rather than billing in arrears, will require legislative approval, Mr. Buehrer said. Under this proposal, BWC would issue \$900 million in credits to employers to offset transition costs, while lowering premium rates another two percent for private employers and four percent for public entities.

The surplus will enable BWC to modernize its payment system, Buehrer said, noting the barrier has always been that BWC would have to charge premiums for both the past six months and the future six months at the same time. "Because of the strong net asset position we'll be able to do a one-time forgiveness, likely in July of 2014 when we make this conversion," he said.

BWC's board has recommended a ratio for assets to liabilities at a range of 1.15 to 1.35, the administrator said. The proposed \$1 billion dividend and the \$900 million credit will bring the current 1.49 ratio closer to 1.35. The administration opted to pay dividends instead of focusing on reducing premium rates because it didn't want to "set off the kind of roller coaster that Ohio has had too often, with BWC rates going up and down based on a cash balance," Buehrer said. He also noted that private insurers often pay dividends when cash assets accumulate.

"This is a one-time deal in terms of a big dividend. We will always continue to monitor our net asset position and make appropriate decisions as time goes along. But this is what we have today," Buehrer added.

Senate President Keith Faber (R-Celina), who joined the governor at the event, said the legislature was prepared to enact whatever changes were necessary to implement the plan.

In addition, BWC will triple the Safety and Wellness Grant program from \$5 million to \$15 million, officials said.

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