

Welcome to the March 2014 PEO Forum

Stephen Buehrer
Administrator/CEO

Introduction

Kevin R. Abrams

Chief of Employer Services

Why Are We Here?

- Early 2011: Senate Bill 139 introduced; “clean-up” or continuation of House Bill 183, effective Nov. 5, 2004, which established ORC Chapter 4125.
- Sept. 1, 2011, and Dec. 1, 2011: First and second self-insured PEO forums.
 - Concern with consistent application of self-insured requirements.
 - BWC sought feedback and subsequently met with each self-insured PEO.
 - Announced policy resulting from first forum.

Why Are We Here?

- March 22, 2013, and April 1, 2013: Effective dates of Senate Bill 139 – significant revisions to ORC Chapter 4125.
 - Emphasis on financial responsibility – Generally Accepted Accounting Principles (GAAP) audited financials
 - Rules required
- July 1, 2013: Five-year rule review due for OAC 4123-17-15
- Feb. 17, 2014: Effective date for rule revisions

Full Agenda

- Registration requirements
- Reporting requirements
- Prospective billing
- Self-insured PEOs

PEO Registration

Todd Gropper

Supervisor, PEO Unit

State Fund PEO Registration Details

- Consistent with other state's initiatives sponsored by the National Association of Professional Employer Organizations
- Impacts 200 State Fund PEOs, representing approximately 2,600 State Fund client employers

Registration: Application

PEOs must provide all of the following with the application.

- Generally Accepted Accounting Principles (GAAP) financial statement
- List of the PEO's corporate officers
- List of related corporate entities
- An attestation of the accuracy from the CEO of the PEO
- Current client employer listing
- Security required under Ohio Administrative Code (OAC) 4123-17-15.3
- BWC may now require additional security within 90 days of the PEO providing BWC with notice of a new or changed PEO agreement.

Registration: Financials

- Financial statements prepared according to GAAP and submitted electronically
- Must be audited by an independent CPA. Auditor's report cannot include:
 - A qualification or disclaimer of opinion as to adherence to GAAP;
 - A statement expressing substantial doubt about the ability of the PEO to continue as a going concern.
- PEOs must submit GAAP-audited financial statements to BWC within 180 days of the close of the PEO's fiscal year.
 - Initial application no older than 13 months at the time of submission

Due Dates: Financials

End of Fiscal Year	Deadline to Submit Financials
Jan. 31, 2014	July 31, 2014
Feb. 28, 2014	Aug. 31, 2014
March 31, 2014	Sept. 30, 2014
April 30, 2014	Oct. 31, 2014
May 31, 2014	Nov. 30, 2014
June 30, 2014	Dec. 31, 2014
July 31, 2014	Jan. 31, 2015
Aug. 31, 2014	Feb. 28, 2015
Sept. 30, 2014	March 31, 2015
Oct. 31, 2014	April 30, 2015
Nov. 30, 2014	May 31, 2015
Dec. 31, 2014	June 30, 2015

Registration: Financials Review, Working Capital

- PEOs must maintain positive working capital at the time of initial registration and annual review.
 - Current assets over current liabilities (as determined by GAAP)
- If a PEO shows a deficit in working capital when it submits its financial statements, the PEO must:
 - Submit a quarterly financial statement for each calendar quarter during which there is a deficit, accompanied by an attestation of the CEO that the PEO has paid all its wages, taxes, workers' compensation premiums, and employee benefits, and;
 - Provide to BWC a bond or letter of credit with a minimum market value in an amount sufficient to cover the deficit in working capital.

Registration: PEO Reporting Entities

Defined as: two or more PEOs that are majority owned or commonly controlled by the same entity, parent, or controlling person and that satisfy reporting entity control rules as defined by the financial accounting standards board and under GAAP.

Registration: PEO Reporting Entities

The PEO reporting entity must submit all of the following with its initial registration.

- A list of each of the PEOs for which the PEO reporting entity will complete financial reporting requirements
- The name or names under which the PEO reporting entity conducts business
- The address of the PEO reporting entity's principal place of business and the address of each office it maintains in Ohio
- The PEO reporting entity's taxpayer or employer identification number

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Registration: PEO Reporting Entities

The PEO reporting entity must submit all of the following with its registration.

- A list of all corporate officers of the PEO reporting entity
- The PEO reporting entity's most recent financial statement, prepared and audited by an independent CPA.
- The financial statement must be no older than 13 months at the time it is submitted to BWC.
- PEO reporting entities must maintain positive working capital at the time of initial registration and annual renewal.
 - Working capital deficit requirements are the same as an individual PEO entity.

Registration: Fees

- Initial registration fee = \$1,000
- Renewal registration fee = \$250 per year
- Effective Feb. 17, 2014

Eligibility for Limited Registration

The PEO must provide documentation to show it satisfies these four requirements.

- The PEO is domiciled outside of Ohio and does not maintain an office in the state.
- The PEO is licensed or registered as a PEO in another state.
- The PEO does not solicit client employers located or domiciled in Ohio.
- The PEO has 50 or fewer shared employees employed or domiciled in Ohio on any given day.

Registration: Limited Registration

To apply for limited registration, the PEO:

- Must provide all of items specified in OAC 4123-17-15(A)(2)(a) through (j);
- Pay a registration fee of \$100.

Questions?

PEO Reporting

Rex Blateri

Director of Underwriting & Premium Audit

PEO Reporting: Payroll

- BWC will follow federal tax reporting to identify shared employees
- Workers' compensation reporting must mirror the manner that wages are reported to the Internal Revenue Service for federal tax purposes.
- Fundamental reporting requirement

PEO Reporting: Part Lease

- Again, BWC will follow federal tax reporting to identify shared employees.
- Shared employees are those that are reported under the PEOs fed tax ID.
 - BWC is not eliminating part lease agreements, just defining
- Part leases may not split employees within a manual classification between the PEO and client employer.

PEO Reporting: Payroll Under Client

- Where wages are reported for federal tax purposes, so goes for workers' compensation
- Shared employees are those that are reported under the PEO's federal tax ID...thus reported under the PEO's workers' compensation policy
- There will be no lease agreements permitted where the PEO is reporting "payroll under client policy."
 - "All under client" is no longer permitted

Changes to PEO Requirements (Transfer of Employees)

- PEOs and PEO reporting entities must report transfer of employees between related entities within 14 days of transfer.

PEO Reporting: Client Data

- PEOs must provide a semi-annual report of its client employers and total workforce to BWC.
- PEOs must report employer payroll, claims and manual classification data at the client employer level.

Client Requests for Data

A PEO must, within 45 days, provide all of the following upon written request from a client employer.

- All premiums and payroll associated with the client employer
- All workers' compensation claims, including:
 - Claim cost associated with each claim for the client employer;
 - Reserves established for each claim.
- Any other information available to the PEO from BWC regarding the client employer.

Questions?

Overview of Prospective Billing for PEOs as Proposed in House Bill 493

Kim Kline

Chief of Strategic Direction

Private Employer (PA) Proposal Overview

- Implement PA prospective payment effective July 1, 2015; will move to annual policy period.
- Employers will pay in February 2015 as normal.
- To avoid employers needing to make a double payment, BWC will provide a transition credit to cover the Jan. 1, 2015, to June 30, 2015, premium due. However, employers must still file the payroll report in August 2015.
 - FlexPay will end February 2015 and all PEOs will be transitioned to the six-month reporting cycle for the Jan. 1, 2015, to June 30, 2015, reporting cycle.

Implementing PA Prospective Payment for PEOs

- BWC will require PEOs to report actual payroll from the previous month and make their premium payment for that payroll by the 15th of each month.
 - The transition credit also covers the July and August premium for 2015.
 - The first payment under this model will occur by Oct. 15 for the September payroll.
- BWC will not require PEOs to make an annual true-up, like the rest of the private employers, since they will be paying premium based on actual payroll monthly.

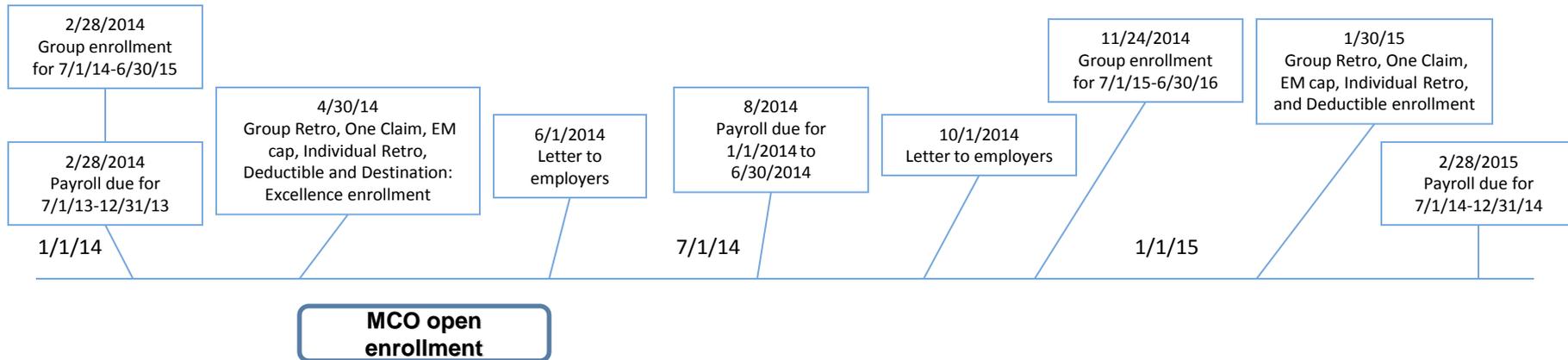
Client Employer Impacts

- Client employers will need to true-up for partial payroll period if they enter into a PEO agreement during the policy year.
- Client employers exiting a PEO agreement will need to prospectively pay remainder of policy year.

PA Rating Plans and Destination: Excellence Impacts

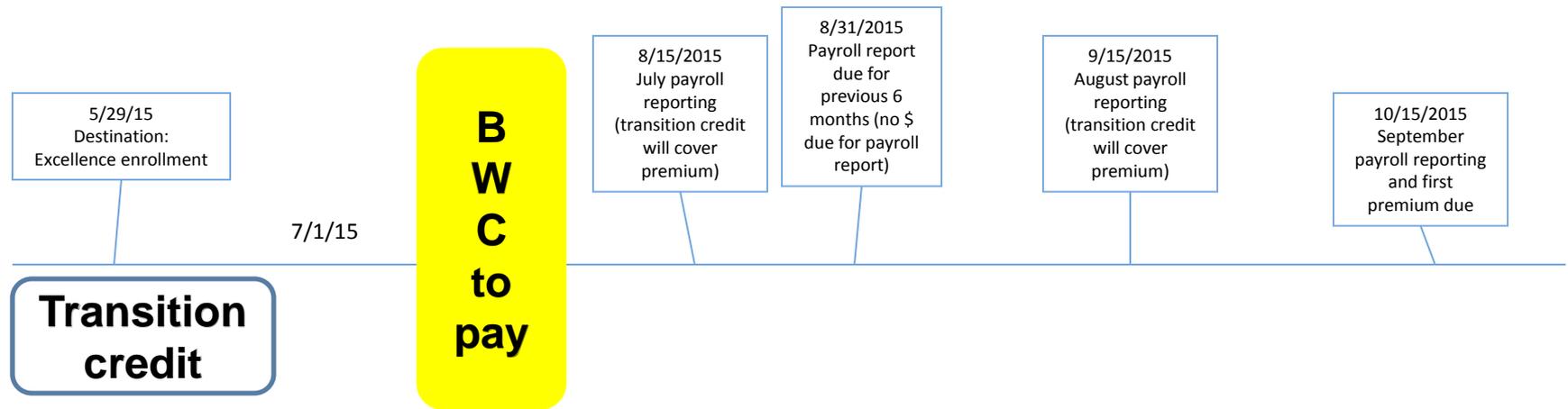
- Group experience rating – Monday before Thanksgiving
- Group retrospective, One Claim Program, EM cap, Deductible and individual retro – last business day of January
- Destination: Excellence programs – last business day of May

PEO Prospective Transition Timeline



- Employer pays in February and August of 2014 and February of 2015 as normal.
- BWC will send two letters. First one will be sent in June to indicate the change in rating plan sign-up deadlines; second letter will be mailed to employers in October explaining the upcoming changes, and reminding them not forget about rating plan deadlines.
- Group rosters due Feb. 28, 2014, for policy year 2014 and Nov. 24, 2014, for policy year 2015.
- Rating plan deadlines are the end of April for 2014 and end of January for 2015

PEO Prospective Transition Timeline



- BWC mails notice for estimated premium in May.
- Policy year begins July 1 with BWC paying first two months.
- Payroll report due/no money due.
- PEOs will still need to report payroll for the July and August 2015 months, but will not be required to submit payment.

Other Prospective Issues

- PEOs who do not report their payroll and make their monthly payments:
 - Will be lapsed;
 - BWC will begin process to revoke registration.
- BWC will run recalculations of the EM on a quarterly basis to account for the changes in the PEO client base.

Timeline for Legislation/Rules

- Legislation
 - Introduced in House Bill 493
- First rules went to the BWC Board of Directors in February
 - Program deadlines
- All other rules to the BWC Board of Directors in the July/August/September timeframe

Questions?

Self-Insured PEOs

Paul Flowers

Director, Self-Insured Department

Self-Insured PEO

Codification of current self-insured PEO policy into rule

- A PEO granted the privilege of self-insured status must:
 - Provide security at no less than 100% of outstanding claim liability, as determined by BWC;
 - Submit an independent actuarial estimate of unpaid losses every two years;
 - Submit quarterly reports of all active PEO clients and all claims details associated with the self-insured policy as well as corresponding reserves;
 - Pay semi-annual assessments based on paid compensation of the PEO and its client employers;
 - Reimburse for Disabled Workers' Relief Fund on claims for which the PEO or its client employers are the employer of record.

All requirements are effective Feb. 17, 2014.

Self-Insured PEO

Requirements for self-insured PEO when reporting wages

- BWC will follow federal tax reporting to identify shared employees. Shared employees are those that are reported under the PEOs fed tax ID.
 - OAC 4123-17-15(D)(7) – The PEO must maintain workers' compensation coverage under its workers' compensation risk number for all payroll reported under its tax ID for federal tax purposes.
 - OAC 4123-17-15.5 (A)(1)(b)(ii) – All client employers' wages shall be paid and reported under the tax ID of the PEO for tax reporting purposes.
- Must reconcile any existing lease agreements. BWC will evaluate all client agreements at the next renewal period to ensure compliance.
- All lease agreements entered into after Feb. 17, 2014, must comply immediately.

Self-Insured PEO

Partial lease agreements

- A self-insured PEO cannot enter into a partial lease agreement with a client employer.
- BWC does not permit partial self-insurance; “all under client” reporting not permitted.
- PEO must reconcile any existing lease agreements. BWC will evaluate all client agreements at the next renewal period to ensure compliance.
- All lease agreements entered into after Feb. 17, 2014, must comply immediately.

Self-Insured PEO

- Application and renewal fees
 - Renewal fees for all PEOs increases to \$250 annually.
 - Fee will be effective with the next renewal process

- Self-insured and State Fund PEO
 - A PEO that has been granted the privilege of self-insurance cannot obtain State Fund PEO status.

Questions?

Question & Answer Session

Panel Discussion

Paul Flowers, director of self-insured

Phone: 614-728-7605

Email: Paul.Flowers@bwc.state.oh.us

Rex Blateri, director of underwriting & premium audit

Phone: 614-644-5992

Email: Rex.Blateri@bwc.state.oh.us

Todd Gropper, supervisor of PEO unit

Phone: 614-752-4178

Email: Todd.Gropper@bwc.state.oh.us