

# SERVICES FOR SELF-INSURED EMPLOYERS

## Guide to Electing Self-Insurance

### 1. Question: What is a self-insured workers' compensation program?

**Answer:** A self-insured workers' compensation program is one which the employer assumes the financial risk for providing workers' compensation benefits to its employees. In practical terms, self-insured employers pay the cost of each claim "out of pocket" as they are incurred instead of paying a fixed premium to the state fund or an insurance company.

### 2. Question: How many Ohio employers are self-insured?

**Answer:** There are approximately 1,350 Ohio employers that are self-insured and more than 6,000 corporations and their subsidiaries nationwide that operate self-insured workers' compensation programs.

### 3. Can any employer become self-insured for workers' compensation coverage?

**Answer:** No. In Ohio, the requirements for self-insured employers are controlled by the Ohio Bureau of Workers' Compensation. Currently OBWC requires the following:

- Have a minimum of 500 employees in Ohio;
- Have 2 years experience with the state insurance fund;
- Operate a BWC-certified Qualified Health Plan (QHP);
- Demonstrate strong financial stability;
- Possess the ability to administer workers' compensation insurance;
- Maintain an account with a financial institution in Ohio, or draw compensation checks from the same account as the payroll checks.

An employer wishing to become self-insured must complete an application and submit it to BWC. The application must include:

- All financial records, documents and data necessary to provide a full financial disclosure (as audited by a certified public accountant);
- A balance sheet and a profit and loss statement for the year and the previous four years;
- An organizational plan for claims processing;
- A proposed plan to inform employees of the change from state fund to self-insured including procedures employees are to follow when filing for compensation and benefits.

Applications for self-insurance are heard by the Self-Insured Review Panel. Once a decision is made the panel signs a resolution either approving or denying the request. If approved, BWC assigns a new policy number to the employer. This number should then be used on all future correspondence with BWC.

### 4. Question: What are the benefits of becoming self-insured?

**Answer:** Employers select self-insurance primarily to control costs and ensure their injured workers receive proper medical care. Self-insured employers also pay claims as they are incurred rather than paying costs up front in the form of a premium to OBWC or an insurance company. This type of "pay as you go" allows the employer to maximize cash flow. In addition to improved cash flow, employers generally improve loss experience through more effective loss prevention, loss control and managed care programs; savings from reduced administrative costs; savings by earning interest income on premium dollars and the potential for dividend returns from loss-and-expense fund surpluses.

### 5. Question: Is self-insurance the best option for every employer?

**Answer:** No. Being self-insured means that the employer assumes the risk of paying the workers' compensation claim costs for its employees. It must have the financial resources to meet this obligation, which may be unpredictable. Therefore, small employers and other employers with poor cash flow may find that self-insurance is not a viable option. It should be noted, however, that there are many smaller employers that maintain viable self-insured workers' compensation programs without difficulty.

### 6. Question: How can an employer protect themselves against unpredicted and catastrophic claims?

**Answer:** The largest self-insured employers have sufficient financial reserves to cover virtually any amount of workers' compensation claim costs. Most self-insured employers purchase

excess liability insurance to reimburse them for claims costs at a specified dollar amount. This excess liability insurance picks up the additional costs above the employers premium deductible.

### 7. Question: Who administers claims for self-insured employers?

**Answer:** Self-insured employers can either administer the claims in house or subcontract this service to a Third Party Administrator (TPA) like Benefit Management Services of Ohio, Inc. BMSO can help employers with setting up their self-insured program and coordinate excess liability coverage, utilization review process, preferred provider network, payment of medical bills and compensation benefits.

### 8. Question: What services will BMSO provide to my self-insured company?

**Answer:** There are many. BMSO services include the following for self-insured employers:

- Advanced claims administration services;
- Technological access to claims;
- Accurate and timely payment of compensation benefits;
- Accurate and timely payment of medical expenses;
- Utilization review of medical services for appropriateness;
- Cost containment services;
- Preferred provider discount network;
- Subrogation services;
- Excess liability insurance carriers;
- Excellent reporting capabilities;
- Development of claims reserves;
- Independent medical examiners network;
- Hearing representation;
- Claims costs and risk management analysis reports;
- Assist in the development and implementation of safety programs;
- Safety audits, training and analysis of current programs.

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