

N E W S R E L E A S E

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Report on Workers' Comp Reforms Shows Progress, Benefits for Injured Workers, Employers

Oakland—The Department of Industrial Relations (DIR) and its Division of Workers' Compensation (DWC) today released their 2016 [report](#) on the progress in implementing Governor Brown's 2012 workers' compensation reforms. The report updates the efforts to improve benefits for injured workers while moderating rapidly increasing costs for employers.

"The primary goals of the 2012 workers' compensation reforms were to increase benefits and improve medical care for injured workers, and to control costs for employers," said Labor and Workforce Development Secretary David M. Lanier. "While significant progress toward meeting the goals sought by the Governor and the Legislature has been achieved, the department is pushing ahead to further reduce costs in the system by developing an evidence-based drug formulary and improved anti-fraud efforts."

["SB 863: Assessment of Workers' Compensation Reforms"](#) is DIR's third annual report since the law took effect on January 1, 2013. The changes in SB 863 (De León) include the use of evidence-based medicine to guide treatment decisions, treatment dispute settlements by independent medical reviewers, and improved workers' access to network physicians. This year's update includes:

- Savings continue to be realized. Updated annual estimates of savings from reforms by the Workers' Compensation Insurance Rating Bureau (WCIRB) are about \$600 million greater than initially estimated. In May, the California Insurance Commissioner approved the advisory pure premium rates proposed by the WCIRB, rates that average \$2.30 per \$100 of payroll, effective July 1. These rates are, on average, 5 percent less than the industry average for filed pure premium rates as of January 1, 2016, and 10.4 percent less than the average of the approved January 1, 2016, advisory pure premium rates of \$2.57.
- Projected average medical costs per claim (excluding medical cost containment expenses) decreased by about 8 percent between 2011 and 2015.

- Benefits for workers also improved. Permanent disability benefits to injured workers increased approximately 30 percent, and more than \$41 million in Return to Work supplemental payments has been disbursed to eligible workers whose benefits are disproportionately low in comparison to their earnings losses.
- A focus on evidence-based medicine has had wide-ranging impact, reducing costs and unnecessary treatment and creating an efficient Independent Medical Review (IMR) to resolve disputes. Further refinements are planned in this area.

Among SB 863's goals was the implementation of evidence-based medicine guidelines for treatment decisions. Evidence of opioid abuse prompted legislation mandating the adoption of an evidence-based workers' compensation drug formulary by July 1, 2017. DWC is engaged in efforts to promulgate regulations for a formulary, consistent with California's Medical Treatment Utilization Schedule (MTUS), for medications prescribed in the workers' compensation system. Other rulemaking is under way for home healthcare and interpreter services, and to extend the deadline for Return to Work supplement payments.

"Stakeholders have had valuable input at every stage in this process," said DIR Director Christine Baker. "DIR looks forward to continuing our work with the stakeholders on these important reforms."

DIR and DWC are also working to streamline the utilization review process, improve the MTUS to ensure it reflects current science and best practices, and exploring options for electronic submission of medical records to increase efficiency.

Starting this fall, DWC will launch an educational project to teach healthcare providers on the MTUS and the use of evidence-based medicine. This program will be available at no cost and will provide continuing medical educational credits for those who complete the course. Additional educational courses are planned beginning in the 4th quarter.

At the direction of Secretary Lanier, DIR is leading an effort to identify and address strategies for improved anti-fraud efforts in the workers' compensation system. DIR and the Department of Insurance convened working groups in June to gather stakeholder input and evidence of fraudulent activity in the system, and the Department will be preparing a report on its policy recommendations to the Governor and the Legislature by no later than spring of 2017.

[The Division of Workers' Compensation](#) (DWC) monitors the administration of workers' compensation claims, and provides administrative and judicial services to assist in resolving disputes that arise in connection with claims for workers' compensation benefits.

DWC's [Information and Assistance Unit](#), often the first DWC contact for injured workers, also provides assistance in English and [Spanish](#) to employers, labor unions, insurance

carriers, physicians, attorneys and other interested parties regarding rights, benefits and obligations under California's workers' compensation laws.

Members of the press may contact Erika Monterroza or Peter Melton at (510) 286-1161, and are encouraged to [subscribe to get email alerts](#) on DIR's press releases, DWC newslines updates, or other departmental notifications.

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