

COVID-19's Impacts on California's Workers' Compensation System

Evaluating the Effects of Senate Bill 1159

With coronavirus disease 2019 (COVID-19) cases and deaths in California mounting in 2020, state policymakers were forced to adopt extraordinary policies to cope with the most severe global pandemic in more than 100 years. One of those policies, Senate Bill (SB) 1159, facilitated access to workers' compensation (WC) benefits for select groups of workers with a high risk of COVID-19 exposure.

SB 1159 expanded access to medical care and wage replacement benefits provided by the state's WC system by establishing several rebuttable legal presumptions that COVID-19 is a work-related illness, making it easier for frontline workers and those exposed to a COVID-19 outbreak to get benefits.

Under SB 1159, public safety workers and health care workers who become ill with COVID-19 are covered by one presumption,

KEY FINDINGS

- COVID-19 claim volumes have risen and fallen with statewide COVID-19 case volumes, leading to unprecedented volatility. For example, while COVID-19 claims averaged 15 percent of all claims in the 18 months commencing at the beginning of 2020, COVID-19 claims made up a majority (55 percent) of all claims with December 2020 injury dates.
- Initial denial rates on COVID-19 claims fell after presumptions were adopted, but COVID-19 claims remained more likely to be denied than other WC claims, potentially due to the requirement that a worker show a positive COVID-19 test.
- Extraordinary policy responses taken by the state and federal government likely had a strong influence on workers' use of the WC system for COVID-19. Interview findings indicated that workers who contracted COVID-19 relied first on COVID-19 sick leave mandated by the federal and state governments (as required by SB 1159) before filing a WC claim.
- Dramatically expanded coverage of COVID-19 medical care by public and private health insurers likely contributed to unusually high proportions of COVID-19 WC claims with no paid medical care.
- Employers and claims administrators reported that responding to COVID-19 WC claims added complexity and administrative burden.

which the RAND researchers termed the *frontline* presumption. Other workers are covered by a different presumption that applies when they catch COVID-19 during an outbreak at their workplace—the *outbreak* presumption. Both presumptions require that a worker confirm their diagnosis with a COVID-19 test. These presumptions created by SB 1159 are scheduled to be repealed on January 1, 2023, in the absence of further legislative action.

To provide an early evaluation of SB 1159’s impacts, California’s Commission on Health and Safety and Workers’ Compensation (CHSWC) asked the RAND Corporation to conduct a study addressing a breadth of questions about how COVID-19 claims have affected California’s WC system.

In the resulting report, *COVID-19 in the California Workers’ Compensation System: A Study of COVID-19 Claims and Presumptions Under Senate Bill 1159*, RAND researchers brought to light several challenges that the WC system experienced during the early part of the pandemic (2020 through mid-2021).

For employers, these challenges primarily related to handling a large, fluctuating volume of claims within shortened time frames for claims investigations. For workers, confusion around filing a COVID-19 claim presented challenges, including questions about what occupations were covered and qualified for WC under the presumption and what specific documentation (such as a positive COVID-19 test) was needed.

COVID-19 Claims and the Effects of SB 1159

In response to CHSWC’s request, the researchers framed 17 research questions, analyzed the evidence, offered findings, and provided policy recommendations. These were the major findings:

- Over 18 months from the start of 2020, 142,033 COVID-19 infection WC claims were filed, accounting for 15 percent of all WC claims. COVID-19 claim volume fluctuated drastically month to month, with peak periods creating administrative challenges for claims administrators and employers.
- COVID-19 claims were substantially more likely to be initially denied than the average non-COVID-19 claim, a finding that may reflect that many claims did not meet conditions required for the presumptions to take effect (e.g., showing

a positive COVID-19 test result). Denial rates varied widely across workers covered by either the frontline presumption or the outbreak presumption. Within groups of workers covered by the same presumption, denial rates varied across industries and occupations.

- Access to state and federal pandemic benefits for medical care and lost wages strongly influenced workers’ decisions to file WC claims for COVID-19.
 - The main factor influencing whether a worker filed a claim was needing more time off than was available through federal and state COVID-19 paid leave.
 - Temporarily expanded coverage of medical care for COVID-19 by public and private payers likely reduced workers’ reliance on WC medical benefits and contributed to unusually high percentages of COVID-19 claims with no medical bills.
- Public health officials offered mixed views of how easier access to WC benefits during the COVID-19 pandemic affected worker safety and disease transmission.
 - Public health officials stated that the SB 1159 presumptions did cover workers at the highest risk for being exposed to and contracting COVID-19, and that using a 14-day window to define an outbreak was in line with knowledge about transmission and exposure.
 - Public health officials were less confident that WC coverage meaningfully reduced transmission; these officials viewed paid sick leave as more important for promoting workplace safety and reducing virus transmission.
- Responding to COVID-19 WC claims added complexity and administrative burdens for claims administrators and employers. They identified the primary burdens as having to adapt information systems to track outbreaks and report cases, deal with shortened claims investigation timelines, and collect information about COVID-19 exposures related to some claims.

These five primary findings are supplemented in the research report by full responses to the 17 questions that the research team framed to respond to the legislature’s request.

Analyzing California's WC Response to COVID-19

The research team conducted a mixed-methods approach that included analyzing claims from the Workers' Compensation Information System (WCIS) and complementing that analysis with a literature review and 32 interviews with workers, employers, claims administrators, and public health officials. The team also convened two meetings of a technical advisory group to inform study priorities and assess stakeholder reaction to the findings.

It must be noted that the time frame and scope of the study precluded the research team from analyzing whether SB 1159's policies were optimal, or whether they resulted in a net improvement on the prepandemic status quo. Furthermore, many important outcomes (such as permanent disability ratings and benefits or the costs of long-term medical care for COVID-19) could not be observed during the time frame of this study.

Analyzing Claim Volumes

To analyze the impact of COVID-19 claims on the system, the research team documented the overall volume of COVID-19 claims to date, their outcomes, and any differences across industries and workers. As shown in Figure 1, COVID-19 claim volume fluctuated drastically month to month, generally following surges in infection rates, as non-COVID-19 claims dipped, partly as a result of workplace closures.

It is important to note that COVID-19 claim volume varied according to the presumption (frontline worker versus outbreak) under which a worker applied for WC benefits. The researchers estimate that 58 percent of COVID-19 claims (82,000 claims) were potentially made under the outbreak presumption. The 42 percent of claims filed under the frontline worker presumption break down across occupational groups as follows: 32 percent of statewide COVID-19 claims were by health care workers covered by the frontline presumption, 6 percent of statewide COVID-19 claims were filed by peace officers covered by the frontline presumption, and 4 percent of statewide COVID-19 claims were filed by firefighters covered by the frontline presumption.

Claims by Industry and Occupation

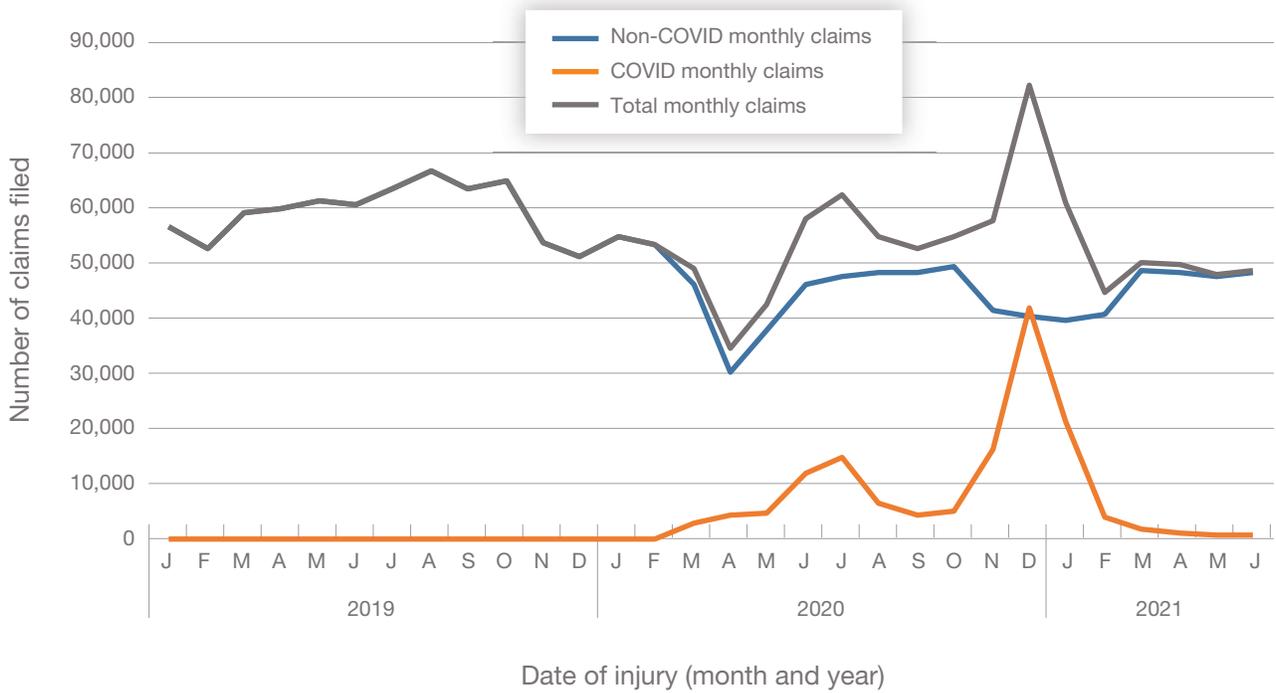
To provide more insight into how claim volumes compared with the size of the workforce in specific industries and occupations within industries, RAND researchers compared the number of COVID-19 claims filed with the number of workers employed at the beginning of the pandemic. Focusing on COVID-19 claims with injury dates between July 6, 2020, and June 30, 2021 (approximately the first year when the frontline and outbreak presumptions were in place), the research team found that the industry sector with the highest rate of claims per 10,000 workers was state and local government (269 claims per 10,000 workers). This was roughly twice the rate of COVID-19 claims filed in health care and social assistance (130 claims per 10,000 workers).

Among industry sectors in which workers are not covered by the frontline presumption, transportation and warehousing had the highest rate of COVID-19 claims (107 claims per 10,000 workers, driven largely by the couriers and messengers industry within the transportation and warehousing sector; couriers and messengers recorded 509 claims per 10,000 workers). That industry sector was followed by retail (80 per 10,000 workers) and manufacturing (63 per 10,000 workers; see Figure 2). Industries with very low rates of COVID-19 claims were a mix of white-collar industries, such as information, and service industries that were subject to widespread closures (and, in some cases, job losses), such as educational services and arts, entertainment, and recreation.

In occupations within industries, high rates of COVID-19 claims were filed by workers covered by the frontline presumption. Claims in state and local government were highest for peace officers (682 claims per 10,000 workers) and firefighters (591 claims per 10,000 workers). COVID-19 claim rates were also high in hospitals (202 claims per 10,000 workers) and skilled nursing facilities (394 claims per 10,000 workers). In both hospitals and skilled nursing facilities, COVID-19 claim rates were higher for health care support occupations (e.g., nursing assistants and health aides) than for health care practitioners and technical occupations (e.g., registered nurses); maids and housekeeping cleaners in these health facilities also had very high COVID-19 claim rates.

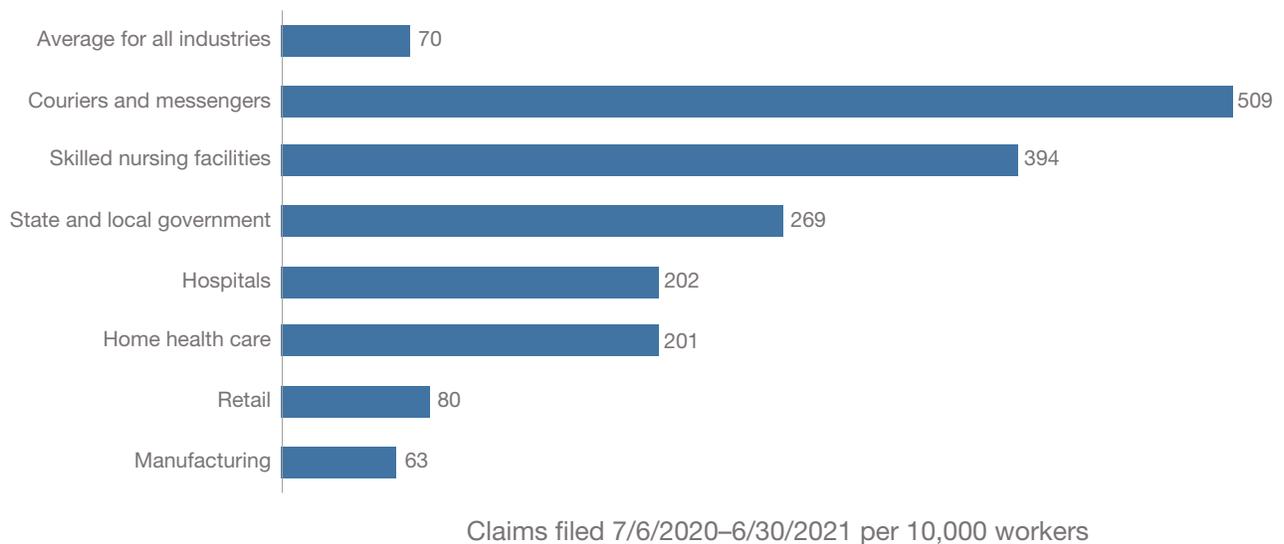
Note that this analysis could not incorporate data on job losses during the pandemic, hours worked, or the prevalence of work-from-home arrangements. All these factors are likely to drive differences across major

FIGURE 1
 COVID-19 and non-COVID-19 Claim Volumes, by Month of Injury



NOTES: Estimates in table reflect unweighted counts and proportions of claims reported to WCIS with nonmissing date of injury and valid codes for cause of injury and nature of injury reported on the First Report of Injury (FROI). 13 reported COVID-19 claims with 2019 injury dates were excluded.

FIGURE 2
 Select Industries' COVID-19 WC Claim Rates



NOTE: Employment figures used to generate these rates reflect employment as of May 2020, so changes in hours and employment during the pandemic are not captured in the rates reported here. Workers classified using industry code on WCIS FROI. State and local government = NAICS 92, excluding federal government. Hospitals = NAICS 622. Skilled nursing facilities = NAICS 6231. Home health care = NAICS 6216. Couriers and messengers = NAICS 492. Retail = NAICS 44–45. Manufacturing = NAICS 31–33. See Quigley et al., *COVID-19 in the California Workers' Compensation System: A Study of COVID-19 Claims and Presumptions Under Senate Bill 1159*, Santa Monica, Calif.: RAND Corporation, RR-A1430-1, 2022, Chapters 2 and 4, for further details.

industries in the rate of COVID-19 claims per 10,000 workers, especially in a comparison of the public safety and health care workers covered by the frontline presumption with those in other industries.

From the interviews, the researchers found that several factors influenced workers' propensity to file a claim. The main factor was needing more time off than what was available through federal and state COVID-19 paid leave. SB 1159 stipulated that workers needed to exhaust these other paid leave programs before receiving time off through WC. Thanks to the extraordinary state and federal policy response, many workers who might generally face challenges accessing medical care were often able to access medical care for COVID-19 without using WC. That suggests that WC medical care benefits were not critical to help most workers receive needed care. WC benefits, however, were used to cover high-cost medical care or hospitalization.

Analyzing Claim Outcomes

Based on the stakeholder interviews, responding to COVID-19 WC claims added complexity and administrative burdens for claims administrators and employers. They identified the primary burdens as having to adapt information systems to track outbreaks and report cases, deal with shortened COVID-19 claims investigation timelines, and collect information about COVID-19 exposures related to some claims.

Typically, a claims administrator makes an initial decision as to whether a claim was work-related or not; if the administrator determines that the claim was not work-related, they issue an initial denial. That denial can be challenged and reconsidered later. According to WC claims data, employers initially denied COVID-19 claims more often than non-COVID-19 claims.

Depending on the period analyzed, statewide initial denial rates on COVID-19 claims have varied from 44 percent (for claims filed before any presumptions were in effect) to 26 percent (during the period that a temporary presumption was in effect prior to the passage of SB 1159) and 34 percent (after the outbreak and frontline presumptions took effect).

Figure 3 reports initial denial rates for COVID-19 and non-COVID-19 claims, with rates reported separately for health care and public safety workers covered by the frontline presumption and other workers potentially covered by the outbreak presumption. These results need to be interpreted with caution for several reasons. Among other complications, it was difficult to

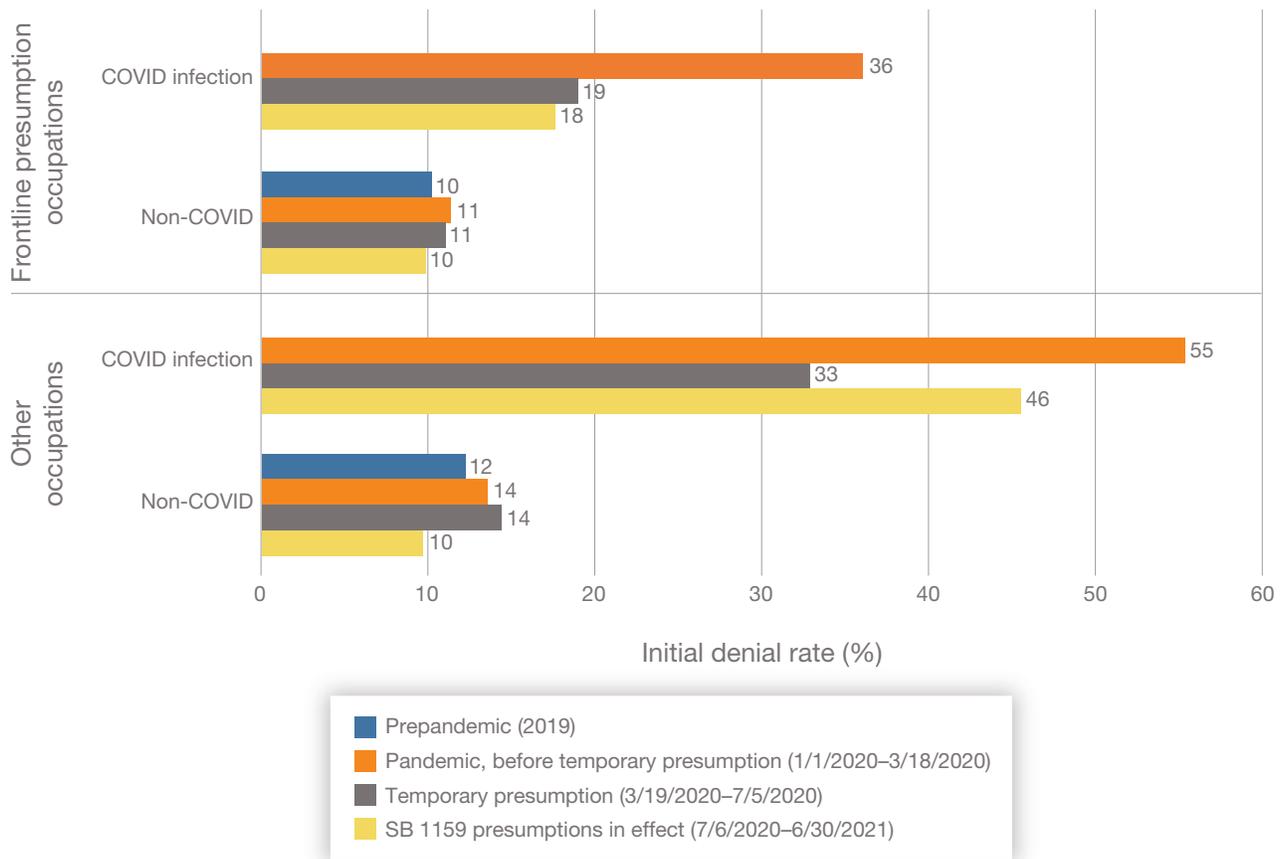
disentangle the effects of the changing presumptions from the many other factors that drove case volumes and denial rates.

Connecting Findings to Policy

This research project did provide a foundation for considering SB 1159's effects to date on the WC system's policy goals. The evidence showed that SB 1159 did support some of those goals, but the overall impact of the law is mixed and varies by stakeholders' perspective. Select policy implications from the report are as follows:

- If one goal of the SB 1159 presumptions was to encourage WC claiming and facilitate access to benefits for workers at high risk of COVID-19, the policy appears to have succeeded in that respect. The presumptions helped workers obtain benefits for work-related illness from the WC system, promoting broad coverage of workers and health conditions.
- Employers and claims administrators cited challenges that they faced in implementing the outbreak tracking required to apply SB 1159's outbreak presumption, as well as the extremely high, fluctuating volumes of COVID-19 claims. Whether these challenges had a meaningful impact on the efficiency goal of the WC system or its expenses was unclear from the quantitative data.
- SB 1159 shortened claims investigation time frames for employers from the normal 90 days to 30 to 45 days for claims covered by its presumptions. Shortened timelines and quicker initial decisions did not appear to meaningfully assist workers per the WC system's normal goals. This is likely because workers were able to get paid leave and access medical care through other policies.
- Other federal and state policies that were in effect during the study period likely did more than SB 1159 to support the WC system's goals of protecting workers from medical spending and risk of lost income. Many of these policies and actions have ended, however, suggesting that WC may be more important to workers in the future. Although paid sick leave was viewed as more important in the majority of cases, the findings of the study do not rule out the possibility that WC benefits for permanent disability

FIGURE 3
Initial Denial Rates, by Presumption and Period



NOTES: Initial claim denial rate = proportion of claims with a full denial reported on the FROI, indicating denial before payment of any benefits. Estimates use sampling weights to correct for casewise deletion of incomplete records, for exclusion of data from unreliable claims administrators, and for exclusion of claims that could not be assigned occupation codes. See Chapter Two and Appendix B for details and definition of frontline presumption occupations.

or death could be very important to workers who experience the worst outcomes from COVID-19.

Concern about the impact of COVID-19 claims on the WC system persists as of the time of the report’s publication. Although effective vaccines have become available, COVID-19’s variants continue to surge, and workers employed outside the home—including health care workers, firefighters, and peace officers, as well as other workers—still have high risk of exposure on the job. Thus, the report’s findings and their implications for policymakers have potential to inform not only analysis of the effectiveness of SB 1159, but potential policy responses to future pandemics. Care must be taken, however, to not apply lessons learned in

the COVID-19 pandemic inappropriately to different contexts.

Remaining Unknowns and Research Priorities

The nature of the COVID-19 pandemic and policy responses to it were and are extraordinary and unique. Thus, the relevance of the research report’s findings to other stages of the COVID-19 pandemic or to future pandemics will depend on the context.

Given that so much remains unknown about the unequal risk of exposure to COVID-19 that occurred at workplaces across California, a number of research

needs that emerged in the course of this study are highlighted here:

- examination of how COVID-19 exposure rates, volume of COVID-19 claims, and claim outcomes vary across California and by industry and occupation
- investigation into what workers—across California and by industry and occupation—who contracted COVID-19 did to maintain their income, stay safe, and seek medical care when needed
- estimation of long-term medical costs, temporary and permanent disability costs, and litigation costs related to both SB 1159 presumptions
- analysis of how COVID-19 claims outcomes (i.e., acceptance, denial, reversal, conditional denial, and litigation and settled outcomes) changed over the course of a given claim, as well as how COVID-19 claims outcomes and processes varied during the different surges of COVID-19 over time.

This brief describes work done in RAND Institute for Civil Justice Program and documented in *COVID-19 in the California Workers' Compensation System: A Study of COVID-19 Claims and Presumptions Under Senate Bill 1159*, Santa Monica, Calif.: RAND Corporation, RR-A1430-1, 2022 (available at www.rand.org/t/RR-A1430-1). To view this brief online, visit www.rand.org/t/RBA1430-1. The RAND Corporation is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors. **RAND**[®] is a registered trademark.

Limited Print and Electronic Distribution Rights: This document and trademark(s) contained herein are protected by law. This representation of California Department of Industrial Relations intellectual property is provided for noncommercial use only. Unauthorized posting of this publication online is prohibited; linking directly to this product page is encouraged. Permission is required from California Department of Industrial Relations to reproduce, or reuse in another form, this research document for commercial purposes. For information on reprint and reuse permissions, please visit www.rand.org/pubs/permissions.

© 2022 State of California Department of Industrial Relations