

Written Public Comments to the
Commission on Health and Safety and Workers' Compensation
May 30, 2025 CHSWC Meeting

April 15, 2025

An Open Letter to CHSWC re: UR Abuse (CC: Governor Newsom)



CALIFORNIA

The **California Division of Workers' Compensation (CA DWC)** has failed to monitor and manage abuses of the **Utilization Review (UR) system**.

Instead of complying with state laws ordering the CA DWC to regulate UR, the agency oversees a system that lets claims administrators **run wild**—and offers taxpayer money for a contractor to "study" the mess it created.

Read our open letter to the **California Commission on Health and Safety and Workers' Compensation**, and see why the UR mess needs real state intervention now.

An Open Letter to CHSWC re: UR Abuse (cc: Governor Newsom)

April 15, 2025 ⌚ 4 min read

By: the daisyNews Team



To the Members of the Commission on Health and Safety and Workers' Compensation (CHSWC)

CC: Governor Gavin Newsom

RE: California's Broken Utilization Review System Demands Immediate Oversight

California employers and injured workers urgently need your intervention.

The **California Division of Workers' Compensation (CA DWC)** is failing in its core duty to monitor and regulate the workers' compensation Utilization Review (UR) system, which is intended to ensure appropriate, timely treatment.

Without essential regulatory oversight by the CA DWC, employers' claims administrators have weaponized UR to prevent injured workers from accessing medical care.

Unlike other major states, California requires physicians to seek **prior authorization** from employers' claims administrators for **every** recommended treatment—even care that complies with the state's Medical Treatment Utilization Schedule (MTUS) and is delivered by providers in the employer or insurer's Medical Provider Network (MPN). Employers' claims administrators must respond to these prior authorization requests with a UR decision approving or denying the recommended care.

The CA DWC has abdicated its responsibility to oversee UR decisions, allowing this uniquely burdensome prior authorization system to become an **economic tool** for denying and delaying treatment rather than providing accountability or protection from unnecessary treatment.

Despite clear legislative mandates, the CA DWC has failed to establish the most basic infrastructure to monitor UR practices, enforce legal standards, or collect the data necessary to identify abuse. The consequences of the CA DWC's neglect are real—and harmful.

Injured workers are left waiting for care, sometimes indefinitely, and California employers pay billions into a workers' comp system riddled with dysfunction from an unmonitored prior authorization system.

This is happening because the CA DWC refuses to comply with multiple California laws demanding that it provide meaningful and transparent oversight of claims administrators' UR practices.

Sedgwick: A Case Study in Profiting from Denial

In California, doctors who treat injured workers must assign staff to navigate an administrative maze that requires them to **fax requests and medical documents** to employers' claims administrators to obtain prior authorization for all recommended treatments (x-rays, splints, lab tests, specialist referrals, etc.).

Subsequently, many of these claims administrators simply ignore the requests or issue nonsensical UR decisions denying medically necessary and appropriate care.

As a case study for how claims administrators use UR to delay or deny care, California's largest third-party administrator, Sedgwick Claims Management Services, Inc., recently boasted on its website that it did not approve **54% of all providers' treatment requests**. It markets this statistic as a selling point for potential clients and promises a **five-to-one "return on investment."**

This brazen admission reflects a broken prior authorization system that isn't focused on appropriate care but on financial gain. California legislators tried to prevent this kind of abuse by passing laws that require transparency and oversight.

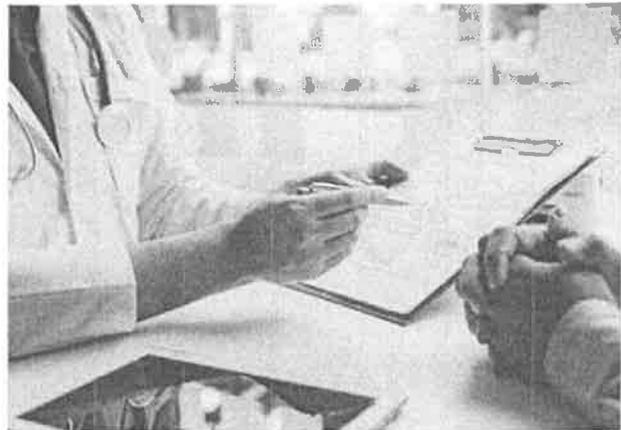
The CA DWC has ignored those laws.



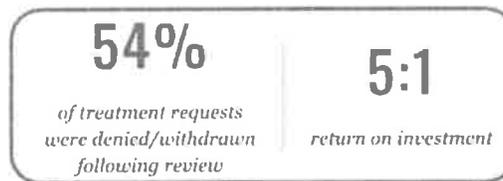
SOLUTIONS | CASUALTY | WORKERS' COMPENSATION |
MANAGED CARE

Utilization review

Our nurses ensure treatment is appropriate and helps injured employees recover and return to work.



Results



Sedgwick touted low treatment approval rates as a “return on investment” for clients

Following public exposure by daisyNews, Sedgwick removed the statistic from their website. But the implied message remains clear.

CA DWC to Injured Workers: “Use Your Own Health Insurance”

The CA DWC not only fails to prevent UR abuse—it effectively *enables* it.

For the first 90 days after an injury is reported, an employer’s claims administrator can refuse to conduct UR while investigating liability. Despite legal mandates requiring employers to authorize up to \$10,000 in medical treatment within one working day of a claim filing, the DWC-1 form instructs

injured workers to seek alternative care when the employer's claims administrator refuses.

Rather than assisting the injured worker to obtain care, the CA DWC instructs them to "talk to" their employer and to use their own health insurance if care is denied:

"If the employer or claims administrator does not authorize treatment right away, **talk to** your supervisor, someone else in management, or the claims administrator. Ask for treatment to be authorized right now, while waiting for a decision on your claim. If the employer or claims administrator will **not authorize treatment, use your own health insurance to get medical care.**"

If no insurance is available, the CA DWC instructs the worker to **find a doctor to treat them for free.**

For the first 90 days after an injury, workers must navigate a workers' comp system that seems rigged to deny them care. These instructions do not provide guidance from a state agency that considers injured workers' interests.

Instead, the CA DWC tacitly admits that it does not enforce state law.

Legislative Mandates Ignored

California lawmakers have repeatedly passed legislation requiring oversight and transparency in the UR system, but the CA DWC has ignored **all** of these mandates:

- Labor Code Section 4610(o) - Requires the CA DWC to establish a system for **mandatory electronic reporting** of all UR activity. **Status: No system implemented.**
- Labor Code Section 4610(q) - Requires the CA DWC to commission a comprehensive report evaluating medical treatment in the first 30 days post-

injury by **July 1, 2023**. **Status: No report published.**

- Labor Code **Section 138.8(a)** - Requires the CA DWC to publish provider treatment and UR denial data by **January 1, 2024**, and annually thereafter. **Status: No data published.**

A Sham Study in Place of Real Oversight

Instead of complying with these laws, the CA DWC has now agreed to pay RAND \$300,000 to study UR impacts using data it never bothered to collect. Without UR data, this “study” will be nothing more than a publicly funded performance piece designed to give the appearance of action while maintaining the status quo.

With no regulatory oversight from the CA DWC:

- **Employers** fund a broken UR system with their workers’ comp premiums.
- **Injured workers** face constant obstacles to timely, necessary care.
- **Legislative mandates** exist only on paper and are routinely ignored.

This is a systemic failure of oversight. That failure lies squarely with the CA DWC.

Until the CA DWC implements the mandated electronic reporting system and publishes comprehensive UR data, the system will continue to function as an unregulated profit engine—at the expense of injured workers, responsible employers, and the integrity of the entire workers’ comp system.

We urge CHSWC to demand accountability from the CA DWC and Governor Newsom to ensure California’s laws are passed **and** enforced.

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