California Commission on Health and Safety and Workers’ Compensation

CHSWC 2016 Annual Report

CHSWC Members

Angie Wei (2016 Chair)
Daniel Bagan
Doug Bloch
Christy Bouma
Martin Brady
Shelley Kessler
Sean McNally
Kristen Schwenkmeyer

Executive Officer
Eduardo Enz

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# TABLE OF CONTENTS

ABOUT CHSWC ........................................................................................................................................... 1  

CHSWC MEMBERS REPRESENTING EMPLOYERS.................................................................................. 2  
  Daniel Bagan ........................................................................................................................................... 2  
  Martin Brady .......................................................................................................................................... 2  
  Sean McNally ........................................................................................................................................ 3  

CHSWC MEMBERS REPRESENTING LABOR ....................................................................................... 4  
  Doug Bloch ........................................................................................................................................... 4  
  Christy Bouma .................................................................................................................................... 4  
  Shelley Kessler .................................................................................................................................. 5  
  Angie Wei ......................................................................................................................................... 5  

IN MEMORY OF KRISTEN SCHWENKMEYER .................................................................................... 6  

STATE OF CALIFORNIA HEALTH AND SAFETY AND WORKERS’ COMPENSATION FUNCTIONS ............ 7  

CHSWC RECOMMENDATIONS .............................................................................................................. 8  

WORKERS’ COMPENSATION INDEMNITY AND MEDICAL BENEFITS AND ADMINISTRATION ............... 8  

RETURN-TO-WORK SUPPLEMENT ......................................................................................................... 8  

WORKERS’ COMPENSATION INDEMNITY AND MEDICAL BENEFITS AND ADMINISTRATION ............... 8  

MEDICAL CARE IN WORKERS’ COMPENSATION .................................................................................. 9  
  Monitoring Medical Care and Costs ....................................................................................................... 9  
  Pharmaceuticals .................................................................................................................................... 10  

ANTI-FRAUD EFFORTS ............................................................................................................................. 10  
  Underground Economy ........................................................................................................................... 10  
  Workers’ Compensation Medical Provider Fraud .................................................................................. 10  
  Workers’ Compensation Payroll Reporting by Employers ..................................................................... 11  

PUBLIC SEFL-INSURED ......................................................................................................................... 11  

INFORMATION FOR INJURED WORKERS AND EMPLOYERS ............................................................ 12  

HEALTH AND SAFETY ............................................................................................................................ 12  

INTEGRATION OF WORKERS’ COMPENSATION MEDICAL CARE WITH OTHER SYSTEMS ....................... 12  

SPECIAL REPORT: 2016 LEGISLATION AND REGULATIONS ON HEALTH AND SAFETY AND WORKERS’ COMPENSATION ........................................................................................................... 13  

HEALTH AND SAFETY AND WORKERS’ COMPENSATION LEGISLATION .............................................. 13  

HEALTH AND SAFETY AND WORKERS’ COMPENSATION REGULATIONS ........................................... 13  
  Health and Safety Regulations ............................................................................................................. 13  
  Workers’ Compensation Regulations .................................................................................................. 14  
  Administration of Self Insurance Plans Regulations ............................................................................. 14  

SYSTEM COSTS AND BENEFITS OVERVIEW ........................................................................................ 15  
  Figure: Market Shares Based on Claim Counts Reported to WCIS (2013-2015 average) ......................... 15  
  Method of Estimating the Workers’ Compensation System Size ......................................................... 16
TABLE OF CONTENTS

Table: Workers’ Compensation Claims by Market Share ................................................................. 16
Table: Percent Distribution of Workers’ Compensation Paid Costs by Sectors (excluding Administrative Expenses) – using public self-insured and state data for FY 2014-2015 ...................................................... 17
Table: Percent Distribution of Workers’ Compensation Paid Costs by Sectors (excluding Administrative Expenses) – using public self-insured and state data for FY 2013-2014 ...................................................... 17
Table: A Claim Counts-based Estimate of Workers’ Compensation System Size .................................. 18
Table: Breakdown of Expenses ........................................................................................................ 18
Systemwide Cost: Paid Dollars for 2015 Calendar Year .................................................................. 18
Figure: System-wide Paid Benefits, by Year and Type of Payment ........................................................ 19
Costs Reached a Crisis in 2003 ........................................................................................................... 19
Impact of 2003 and 2004 Reforms ...................................................................................................... 20
Workers’ Compensation Reforms: Changes to the California System .................................................. 20
Table: WCIRB’s November 2016 Evaluation of Senate Bill (SB) 863 Cost Impact ........................................ 21
COSTS OF WORKERS’ COMPENSATION IN CALIFORNIA ........................................................................... 22
Costs Paid by Insured Employers ......................................................................................................... 22
Workers’ Compensation Written Premium ....................................................................................... 23
Figure: Workers’ Compensation Written Premium ............................................................................ 23
Workers’ Compensation Average Premium Rate .............................................................................. 23
Figure: Average Workers’ Compensation Insurer Rate per $100 of Payroll ........................................... 23
Workers Covered by Workers’ Compensation Insurance .................................................................... 24
Figure: Estimated Number of Workers Covered by Workers’ Compensation Insurance in California .......... 24
Total Earned Premium ....................................................................................................................... 24
Figure: Workers’ Compensation Earned Premium ............................................................................. 24
Average Earned Premium per Covered Worker ................................................................................ 24
Figure: Average Earned Premium per Covered Worker ....................................................................... 25
Costs Paid by Self-Insured Private and Public Employers ................................................................. 25
Private Self-Insured Employers .......................................................................................................... 26
Number of Employees ....................................................................................................................... 26
Figure: Number of Employees of Private Self-Insured Employers ...................................................... 26
Indemnity Claims .............................................................................................................................. 26
Figure: Number of Indemnity Claims per 100 Employees of Private Self-Insured Employers ................... 26
Incurred Cost per Indemnity Claim .................................................................................................... 27
Figure: Incurred Cost per Indemnity Claim of Private Self-Insured Employers ...................................... 27
Incurred Cost per Indemnity and Medical Claim ............................................................................... 27
Figure: Incurred Cost per Claim, Indemnity and Medical of Private Self-Insured Employers ................. 27
Public Self-Insured Employers .......................................................................................................... 28
Number of Employees ....................................................................................................................... 28
Figure: Number of Employees of Public Self-Insured Employers ...................................................... 28
Indemnity Claims .............................................................................................................................. 28
Figure: Number of Indemnity Claims per 100 Employees of Public Self-Insured Employers ................... 28
Incurred Cost per Claim ................................................................................................................... 29
Figure: Incurred Cost per Indemnity Claim of Public Self-Insured Employers ...................................... 29
Incurred Cost per Indemnity and Medical Claim ............................................................................... 29
Figure: Incurred Cost per Claim - Indemnity and Medical - Public Self-Insured Employers ................. 29
WORKERS’ COMPENSATION SYSTEM EXPENDITURES: INDEMNITY AND MEDICAL BENEFITS ................. 30
Overall Costs ..................................................................................................................................... 30
Methodology for Estimating .............................................................................................................. 30
Growth of Workers’ Compensation Costs .......................................................................................... 30
Figure: Workers’ Compensation Costs: Percent Change by Year Compared with 2003 ....................... 30
Distribution of Workers’ Compensation Costs by Type ....................................................................... 31
Figure: Estimated Distribution of Insured Employers’ Workers’ Compensation Paid Costs, 2015 .......... 31
Figure: Estimated Distribution of Systemwide Workers’ Compensation Paid Costs, 2015 .................... 31
Indemnity Benefits ............................................................................................................................ 32
TABLE OF CONTENTS

Table: Systemwide Estimated Costs of Paid Indemnity Benefits ................................................................. 32
Trends in Paid Indemnity Benefits .................................................................................................................. 33
Figure: Workers’ Compensation Paid Indemnity Benefit by Type, Systemwide Estimated Costs .................. 33
Supplemental Job Displacement Benefits Costs ............................................................................................ 33
Supplemental Job Displacement Benefit Vouchers ...................................................................................... 33
Vocational Rehabilitation and Supplemental Job Displacement Benefit Vouchers Incurred Costs .......... 34
Figure: Vocational Rehabilitation Benefits, Total and as Percent of Total Incurred Losses ..................... 34
Figure: Paid Vocational Rehabilitation Benefits, by Insured Employers .................................................. 35
Medical Benefits ........................................................................................................................................... 35
Workers’ Compensation Medical Costs vs. Medical Inflation ................................................................. 35
Figure: Growth of Workers’ Compensation Medical Costs Compared with Growth of Medical Inflation Since 2003 ........................................................................................................................................ 36
Distribution of Medical Benefits: Where Does the Workers’ Compensation Dollar Go? ....................... 36
Table: Systemwide Estimated Costs – Medical Benefits Paid ................................................................. 37
Trends in Paid Medical Benefits .................................................................................................................. 38
Figure: Workers’ Compensation Paid Medical Benefits by Type, Systemwide Estimated Costs ............ 38
Average Ultimate Total Loss ......................................................................................................................... 39
Figure: Estimated Ultimate Total Loss per Indemnity Claim ................................................................. 39
Average Cost per Claim by Type of Injury ..................................................................................................... 40
Figure: Average Cost per Claim by Type of Injury, 2005-2015 ................................................................. 40
Changes in Average Medical and Indemnity Costs per Claim by Type of Injury .................................... 41
Figure: Percent Change in Average Medical and Indemnity Costs per Claim by Type of Injury .......... 41
MEDICAL-LEGAL EXPENSES .................................................................................................................. 42
Workers’ Compensation Claims with Medical-Legal Expenses ............................................................... 43
Figure: Workers’ Compensation Claims, All and with Permanent Disability, by California Regions .... 43
Figure: Number of Medical-Legal Reports on PD and All Claims ............................................................ 44
Figure: Medical-Legal Payments on PD and All Claims ............................................................................ 44
Figure: WCIRB’s Medical-Legal Costs Reported in Calendar vs. Service Years .................................... 45
Medical-Legal Evaluations per Claim ........................................................................................................... 46
Figure: Number of Medical-Legal Evaluations per 100 Workers’ Compensation Claims (PD and All) in California ........................................................................................................................................ 46
Medical-Legal Reporting by the California Regions .................................................................................. 46
Figure: Average Number of Medical-Legal Evaluations per 100 Claims (PD and All), by Region ......... 46
Average Cost per Medical-Legal Evaluation ................................................................................................. 47
Figure: Average Cost of a Medical-Legal Evaluation on All and PD Claims, California ............ 47
Figure: Average Cost of a Medical-Legal Evaluation on PD Claim, by Region ................................................. 47
Table: Distribution of Medical-Legal Reports on PD Claims, by California Regions ............................ 48
Medical-Legal Cost Drivers ............................................................................................................................ 48
Table: Medical-Legal Evaluation Cost for Dates of Service on or After July 1, 2006 .............................. 48
Figure: Distribution of Medical-Legal Evaluations on PD Claims by Procedure Code in California and Regions ........................................................................................................................................ 49
Table: Characteristics of ML-104 coded Reports done on PD Claims in California Regions ............... 50
Figure: Average Cost of a Medical-Legal Evaluation for a PD Claims in California by Procedure Code ................................................................................................................................. 50
Table: Average Cost of a Psychiatric or Psychological/Behavioral Report by Region ............................. 50
Table: Rate of Psychiatric Evaluations per 100 PD Reports ................................................................. 51
Table: Rate of Psychologist/Behavioral Health Evaluations per 100 PD Reports ................................... 51
Table: Share of Payments for Psychiatric and Psychological Reports in Medical-Legal Payments, by Region ........................................................................................................................................ 51

WORKERS’ COMPENSATION ADMINISTRATIVE PERFORMANCE ................................................................................. 52
INTRODUCTION ........................................................................................................................................ 52
WCAB WORKLOAD ......................................................................................................................................... 52
TABLE OF CONTENTS

Division of Workers’ Compensation Opening Documents ................................................................. 52
  Figure: DWC Opening Documents ........................................................................................................... 53
Mix of DWC Opening Documents ..................................................................................................... 53
  Figure: Percentage by Type of Opening Documents .............................................................................. 54
Division of Workers' Compensation Hearings .................................................................................... 54
  Numbers of Hearings ................................................................................................................................. 54
    Figure: DWC Labor Code 5502 Hearings Held ...................................................................................... 55
    Figure: DWC Non-5502 Hearings Held ........................................................................................................... 56
    Figure: DWC Total Number of Hearings Held (LC 5502 and non-5502) .................................................... 56
Timeliness of Hearings ....................................................................................................................... 57
    Figure: Elapsed Time in Days from Request to DWC Hearing (4th Quarter) ........................................... 57
Division of Workers’ Compensation Decisions .................................................................................. 58
  DWC Case-Closing Decisions .................................................................................................................. 58
    Figure: DWC Case-Closing Decisions ........................................................................................................... 58
Mix of DWC Decisions ........................................................................................................................... 58
  Figure: DWC Decisions: Percent Distribution by Type of Decisions ......................................................... 59
Division of Workers’ Compensation Lien Filings and Decisions ................................................... 59
  Table: Numbers of Liens Filed and DWC Lien Decisions, 2011 - 2016 ................................................ 59

DIVISION OF WORKERS’ COMPENSATION AUDIT AND ENFORCEMENT PROGRAM ................................................. 60
  Background .................................................................................................................................................. 60
  Assembly Bill 749 Changes to the Audit Program .................................................................................. 60
Overview of Audit Methodology ............................................................................................................ 60
  Selection of Audit Subjects ......................................................................................................................... 60
Audit and Enforcement Unit Data ....................................................................................................... 61
    Figure: Routine and Targeted Audits ........................................................................................................... 61
Audits by Type of Audit Subject ............................................................................................................. 61
    Figure: DWC Audits by Type of Audit Subject ..................................................................................... 61
Selection of Files to be Audited .............................................................................................................. 62
    Figure: Files Audited by Method of Selection .......................................................................................... 62
Administrative Penalties ........................................................................................................................... 62
    Figure: DWC Audit Unit – Administrative Penalties .............................................................................. 62
    Figure: Average Amount per Penalty Citation and Average Number of Penalty Citations per Audit Subject .......................................................................................................................... 63
Unpaid Compensation Due to Claimants ............................................................................................... 63
    Figure: Average Amount of Unpaid Compensation per Claim and Number of Notices Compensation ........................................................................................................................................... 63
    Figure: Distribution of Unpaid Compensation by Type ........................................................................... 64

DIVISION OF WORKERS’ COMPENSATION DISABILITY EVALUATION UNIT .................................................. 64
  Figure: DEU Written Ratings ..................................................................................................................... 65
  Table: DEU Ratings in 2015 by Type and Rating Schedules in Effect ....................................................... 66
DEU Backlog ........................................................................................................................................... 66
    Figure: DEU Backlogs ................................................................................................................................. 66
Commutation Calculations ...................................................................................................................... 66
Staffing ....................................................................................................................................................... 67

DIVISION OF WORKERS’ COMPENSATION MEDICAL UNIT ........................................................................... 67
Qualified Medical Evaluator Panels .................................................................................................. 67
    Figure: Number of Qualified Medical Evaluator (QME) Panel Requests and Problem Requests ........ 68
    Figure: Number of QME Initial Panels and Replacement Panels Issued ............................................... 68
Utilization Review ................................................................................................................................. 69
    Table: Status of UR Investigations ............................................................................................................... 69
Independent Medical Review .................................................................................................................. 70
    Figure: Quarterly Numbers of Independent Medical Review Requests (IMR) Received and Determinations Completed between January 2013 and August 2015 .............................................................. 71
TABLE OF CONTENTS

Independent Bill Review.................................................................................................................. 71
  *Figure:* Monthly Numbers of Independent Bill Review Requests Received between January 2013 and August 2015 ........................................................................................................... 71

Medical Provider Networks and Health Care Organizations ........................................................................... 72
  Medical Provider Networks .................................................................................................................. 72
  Background ........................................................................................................................................... 72
  Application Review Process .................................................................................................................. 73
  Applications Received and Approved ...................................................................................................... 73
  *Table:* MPN Program Activities from November 1, 2004, to December 31, 2015 ........................................... 73
  *Figure:* Number of MPN Applications Received by Month and Year of Receipt, 2004-2015 ...................... 74
  *Figure:* Number of MPN Applications Approved by Month, 2004-2015 .................................................. 75

Material Modifications .......................................................................................................................... 75
  *Figure:* Number of MPN Material Modifications Received by Month, 2005-2015 .......................... 76

Plan for Reapproval Process .................................................................................................................... 76
  *Table:* Expired MPN Application Plans by Quarter and Year through December 31, 2018 ................. 77
  *Table:* MPN Application Plans for Reapproval Received and Approved, by Month through December 31, 2015 .................................................................................................................. 77

MPN Applicants ......................................................................................................................................... 77
  *Figure:* Distribution of Approved MPNs by Number of MPNs per Applicant, 2015 .................................. 78
  *Table:* Names of MPN Applicants with 10 or More Approved MPNs ..................................................... 79
  *Table:* Distribution of Approved MPN Applications by Type of Applicant ............................................ 79
  *Figure:* Distribution of All Approved MPN Applications by Type of Applicant, Total for 2004-2015 .... 80

MPN Plans Using HCO Networks ............................................................................................................ 80
  *Table:* Number of MPN Applicants Using HCO Networks ................................................................. 80

Status of the MPN Program ..................................................................................................................... 81

Health Care Organization Program .......................................................................................................... 81
  *Table:* Currently Certified HCOs by Date of Certification/Recertification ........................................... 82

HCO Enrollment ......................................................................................................................................... 82
  *Table:* HCOs by Number of Enrollees as of December 2015 ............................................................... 82

Health Care Organization Program Status .................................................................................................. 82

DIVISION OF WORKERS’ COMPENSATION INFORMATION AND ASSISTANCE UNIT ......................................................... 83
  *Table:* Information & Assistance Unit Workload ............................................................................... 83
  *Table:* Spanish Outreach Attendance, 2013 ......................................................................................... 83
  *Table:* DWC Educational Conferences Attendance, 2011-2015 ......................................................... 83
  *Table:* Number of Enrollees in DWC Tele-learning Classes for DIR Employees ................................. 84

DIVISION OF WORKERS’ COMPENSATION INFORMATION SERVICE CENTER .................................................. 84
  *Table:* DWC’s Information Service Center Workload ....................................................................... 84

DIVISION OF WORKERS’ COMPENSATION UNINSURED EMPLOYERS BENEFITS TRUST FUND ................................................................. 85
  Introduction ............................................................................................................................................ 85
  Funding Liabilities and Collections ...................................................................................................... 85
  UEBTF Funding Mechanisms .............................................................................................................. 85
  *Figure:* UEBTF Revenues, FY 2006-2007 to FY 2015-2016 ............................................................... 86
  *Figure:* New UEBTF Cases Opened, FY 2006-2007 to FY 2015-2016 .................................................. 86
  *Figure:* UEBTF Total Benefits Paid and Total Revenue Recovered, FY 2006-2007 to FY 2015-2016 .... 87
  Costs of the Uninsured Employers Benefits Trust Fund ...................................................................... 87
  *Figure:* Number of Uninsured Claims Paid, FY 2006-2007 to FY 2015-2016 ................................. 87
  *Figure:* UEBTF Amounts Paid and Administrative Costs, FY 2006-2007 to FY 2015-2016 ...... 88

ADJUDICATION SIMPLIFICATION EFFORTS.................................................................................................. 88
  Division of Workers’ Compensation Information System ................................................................. 88
  Maintenance and Improvements to the System .................................................................................. 89
  New Projects ....................................................................................................................................... 89

Data Extracts ............................................................................................................................................ 89
# TABLE OF CONTENTS

Data Quality .............................................................................................................................. 90
Division of Workers' Compensation Electronic Adjudication Management System ................. 90
Carve-Outs: Alternative Workers' Compensation Systems .......................................................... 91
CHSWC Study of Carve-Outs ...................................................................................................... 92
Impact of Senate Bill 228 ........................................................................................................... 92
Impact of Senate Bill 899 ........................................................................................................... 93
Requirements of ADR program reports to DWC under 8 CCR Section 10203 ......................... 93
Table: Estimated Person-Hours Worked and Payroll, 2006-2015 ........................................... 94
Status of Carve-out Agreements .............................................................................................. 94

DIVISION OF LABOR STANDARDS ENFORCEMENT, BUREAU OF FIELD ENFORCEMENT .............................................................. 94
Table: DLSE Citations by Category, 2014-2015 ........................................................................ 95

ANTI-FRAUD ACTIVITIES ........................................................................................................ 96
Background ................................................................................................................................. 96
Suspected Fraudulent Claims .................................................................................................... 96
Workers’ Compensation Fraud Suspect Arrests ..................................................................... 97
Figure: Suspected Workers’ Compensation Fraudulent Claims and Suspect Arrests ............... 97
Workers’ Compensation Fraud Suspect Convictions .............................................................. 98
Figure: Workers’ Compensation Fraud Suspect Prosecutions and Convictions .................... 98
Workers’ Compensation Fraud Investigations ...................................................................... 98
Types of Workers’ Compensation Fraud Investigations ....................................................... 98
Trends in Workers’ Compensation Fraud Investigations ......................................................... 98
Figure: Caseload by Type of Fraud Investigations ................................................................ 99
Figure: Type of Fraud Investigations by Percentage of Total .................................................. 99
Underground Economy ........................................................................................................... 100
Potential Areas for Improvement in Workers’ Compensation Anti-Fraud Efforts .................. 100

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES......................................................... 101

OCCUPATIONAL INJURY AND ILLNESS PREVENTION EFFORTS ...................................................................................... 101

OCCUPATIONAL INJURIES, ILLNESSES AND FATALITIES .............................................................................................. 101

COMPARISON OF PUBLIC AND PRIVATE SECTORS ............................................................................................ 102
Non-Fatal Occupational Injuries and Illnesses ........................................................................ 102
Figure: California Non-fatal Occupational Injuries and Illnesses. Private Industry and State and Local Governments ......................................................................................................................... 102
Fatal Occupational Injuries and Illnesses ................................................................................ 102
Figure: California Fatal Occupational Injuries and Illnesses. Private Industry and State and Local Governments ......................................................................................................................... 102

PRIVATE SECTOR .................................................................................................................................................. 103
Non-Fatal Occupational Injuries and Illnesses ........................................................................ 103
Figure: California Non-fatal Occupational Injuries and Illnesses. Private Industry .................. 103
Fatal Occupational Injuries and Illnesses ................................................................................ 103
Figure: California Fatal Occupational Injuries and Illnesses. Private Industry ...................... 103

PUBLIC SECTOR – STATE GOVERNMENT ........................................................................................................... 104
Non-Fatal Occupational Injuries and Illnesses ........................................................................ 104
Figure: California Non-Fatal Occupational Injuries and Illnesses. State Government .............. 104
Fatal Occupational Injuries and Illnesses ................................................................................ 104
Figure: California Fatal Occupational Injuries and Illnesses. State Government .................... 104

PUBLIC SECTOR – LOCAL GOVERNMENT ........................................................................................................... 105
TABLE OF CONTENTS

Non-fatal Occupational Injuries and Illnesses ................................................................. 105
  Figure: California Non-fatal Occupational Injuries and Illnesses. Local Government .......... 105
Fatal Occupational Injuries and Illnesses ................................................................. 105
  Figure: California Fatal Occupational Injuries and Illnesses. Local Government ............. 105

OCCUPATIONAL INJURY AND ILLNESS INCIDENCE RATES ........................................ 106
  Comparison of Public and Private Sectors .............................................................. 106
    Figure: California Occupational Injury and Illness Incidence Rates. Private, State and Local 106
  Private Sector ........................................................................................................ 106
    Figure: California Occupational Injury and Illness Incidence Rates. Private Industry ... 106
  Public Sector: State Government .......................................................................... 107
    Figure: California Occupational Injury and Illness Incidence Rates. State Government ... 107
  Public Sector – Local Government ...................................................................... 107
    Figure: California Occupational Injury and Illness Incidence Rates. Local Government ... 107

CALIFORNIA FATALITY INCIDENCE RATES ................................................................. 108
  Figure: California Fatal Occupational Injuries – Incidence Rate .............................. 108
  Figure: California Fatality Rates by Industries 2008, 2013, and 2014 ......................... 108

COMPARISON OF INCIDENCE RATES IN THE UNITED STATES AND CALIFORNIA .......... 109
  Figure: Injury and Illness Incidence Rate per 100 Full-Time Workers. Private Industry – Total Recordable Cases. USA and California ...................................................... 109
  Figure: Injury and Illness Incidence Rate per 100 Full-Time Workers. Private Industry – Cases with Days Away from Work. USA and California ...................................................... 109

CHARACTERISTICS OF CALIFORNIA OCCUPATIONAL INJURIES AND ILLNESSES .......... 110
  Figure: Injury Rates by Industry, 2014 vs 2004 ...................................................... 110
  Characteristics of California Non-Fatal Occupational Injuries and Illnesses .................. 111
    Figure: Number of Non-fatal Occupational Injuries and Illnesses in California by Gender, Private Industry, 2007-2015 ................................................................. 111
    Figure: California Non-fatal Occupational Injuries and Illnesses Incidence Rates by Gender, Private Industry, 2007-2015 ................................................................. 111
    Figure: Number of Non-fatal Occupational Injuries and Illnesses in California by Age, Private Industry, 2015 ................................................................. 111
    Figure: California Non-fatal Occupational Injury and Illness Incidence Rates by Age, Private Industry, 2015 ................................................................. 112
    Figure: California Non-fatal Occupational Injuries and Illnesses by Race or Ethnic Origin, Private Industry, 2015 ................................................................. 112
    Figure: California Non-fatal Occupational Injuries and Illnesses by Event and Exposure, Private Industry, 2015 ................................................................. 113
    Figure: Incidence Rates for Non-fatal Occupational Injuries and Illnesses by Major Body Parts, Private Industry, 2013, 2014, and 2015 ................................................................. 114
    Figure: Incidence Rates for Non-fatal Occupational Injuries and Illnesses by Body Parts, Private Industry, 2013, 2014, and 2015 ................................................................. 114
    Figure: Non-Fatal Injuries and Illnesses by Major Occupational Group. Median Days Away from Work, Private Industry, 2015 ................................................................. 115
    Figure: Non-fatal Injuries and Illnesses by Major Occupational Group. Median Days Away from Work, State Government, 2015 ................................................................. 115
    Figure: Non-fatal Injuries and Illnesses by Major Occupational Group. Median Days Away from Work, Local Government, 2015 ................................................................. 115
    Figure: Incidence Rates by Private Sector Occupational Group, 2015 ......................... 116
    Figure: Back Injury Incidence Rates by Private Sector Occupational Group, 2015 ......................... 117
    Figure: Fatal Occupational Injuries by Selected Occupations, All Ownerships, 2015 ................................................................. 117

Characteristics of California Fatal Occupational Injuries and Illnesses ............................. 118
  Figure: California Fatal Occupational Injuries and Illnesses by Gender, 2015 .................. 118
  Figure: California Fatal Occupational Injuries and Illnesses by Age of Worker, 2015 .... 118
# TABLE OF CONTENTS

*Figure: California Fatal Occupational Injuries and Illnesses by Race and Ethnic Origin, 2015* .......................... 119  
*Figure: California Fatal Occupational Injuries and Illnesses by Event and Exposure, 2015* ......................... 119

## PROFILE OF OCCUPATIONAL INJURY AND ILLNESS STATISTICS: CALIFORNIA AND THE NATION ................................. 120

- Incidence Rates .......................................................................................................................... 120  
- Duration ......................................................................................................................................... 120  
- Industry Data ............................................................................................................................... 120  
- Establishment Size and Type ...................................................................................................... 122  
- Types of Injuries ............................................................................................................................. 122  
- Demographics ................................................................................................................................. 122  
- Occupational Injury and Illness Reporting .................................................................................. 123  
  - OSHA Reporting and Recording Requirements ........................................................................... 123  
  - BLS Annual Survey of Occupational Injuries and Illnesses ...................................................... 123  
  - Non-Fatal Injuries and Illnesses .................................................................................................... 123  
  - Fatal Injuries and Illnesses ............................................................................................................ 123  
  - OSHA Occupational Injury and Illness Survey .......................................................................... 124  

## OCCUPATIONAL INJURY AND ILLNESS PREVENTION EFFORTS .......................................................................................... 124

- Cal/OSHA Program ....................................................................................................................... 124

## PROFILE OF DIVISION OF OCCUPATIONAL SAFETY AND HEALTH (DOSH) ON-SITE INSPECTIONS AND VIOLATIONS CITED ............................................................ 125

*Figure: DOSH Enforcement Activities, CY 2005 – CY 2015* ............................................................. 125  
*Figure: DOSH On-Site Inspections by Type (All–With and Without Violations), CY 2005 - CY 2015* .......... 126  
*Figure: DOSH Inspections (With and Without Violations Cited), CY 2005 - CY 2015* ......................... 127  
*Figure: DOSH Violations, CY 2005 - CY 2015* ................................................................................. 127  
*Figure: Serious Violations as a Share of Total DOSH Violations, CY-2005 – CY 2015* ......................... 128  
*Figure: Average Number of DOSH Violations per Inspection, CY 2005 – CY 2015* ......................... 128  
*List: Twenty-Five Most Frequently Cited Title 8 California Code of Regulations Standards in CY 2015* 129  
*Figure: Total DOSH Penalties Assessed and Collected, 2003 - 2015* ................................................. 130  
*Figure: Distribution of Inspections by Major Industry, CY 2015* .................................................... 131  
*Figure: Distribution of Violations by Major Industry, CY 2015* ...................................................... 131

- High Hazard Identification, Consultation and Compliance Programs .......................................... 132  
  - High Hazard Employer Program .................................................................................................. 132  
  - High Hazard Consultation Program ............................................................................................. 132  
    *Figure: High Hazard Consultation Program Production by Year* .................................................. 133  
  - High Hazard Enforcement Program ............................................................................................. 133  
    *Table: High Hazard Inspections by NAICS Code, 2014-2015* ...................................................... 134  
    *Table: Violations Observed During High Hazard Inspections, 2011-2015* ................................. 134  
    *Table: Enforcement Actions Taken During High Hazard Targeted Inspections, 2012-2015* ...... 135  
    *Table: Most Frequently Observed Violations During High Hazard Targeted Inspections* ...... 135  
- Safety Inspections ......................................................................................................................... 135  
  *Table: Cal/OSHA’s Highest Hazard Industry List, FY 2015-2016* .................................................. 136

- Health and Safety Standards ........................................................................................................... 137

- Occupational Health and Safety Appeals Board (OSHAB) .............................................................. 137  
  *Figure: Occupational Safety and Health Appeals Board Workload, 1995-2015* ......................... 138  
  *Figure: Occupational Safety and Health Appeals Board Backlogs, 1995-2015* ....................... 138  
  *Figure: Occupational Safety and Health Appeals Board: Appeals Docketed and Disposed, 2005-2015* 139

- Educational and Outreach Programs .................................................................................................. 139  
- Worker Occupational Safety and Health Training and Education Program ................................... 139  
- School Action for Safety and Health ............................................................................................... 139  
- The California Partnership for Young Worker Health and Safety ............................................... 140  
- Cal/OSHA Consultation ..................................................................................................................... 140  
- Partnership Programs ..................................................................................................................... 140

viii
# TABLE OF CONTENTS

**UPDATE: THE CALIFORNIA WORKERS’ COMPENSATION INSURANCE INDUSTRY** ............................. 141

**BACKGROUND** ........................................................................................................................................ 141
   Minimum Rate Law and Open Rating ........................................................................................................... 141

**INSURANCE MARKET AFTER ELIMINATION OF MINIMUM RATE LAW** .................................................. 141
   Price Competition ........................................................................................................................................ 141
   Insurance Market Changes ......................................................................................................................... 142
   List: Insurers Liquidated Since 2000 ........................................................................................................... 142
   Changing Insurers ...................................................................................................................................... 142
   Reinsurance .............................................................................................................................................. 142

**IMPACT OF WORKERS’ COMPENSATION REFORMS ON INSURANCE COMPANIES** ...................... 142
   Workers’ Compensation Advisory Premium Rates .................................................................................... 144
   
   *Figure*: Percentage changes in Workers’ Compensation Advisory Premium Rates compared to Corresponding Industry Average Filed Pure Premium Rate .................................................. 144

**CALIFORNIA WORKERS’ COMPENSATION RATE CHANGES** ................................................................. 144
   Table: California Workers’ Compensation Top 10 Insurers Rate Filing Changes ........................................ 145
   Workers’ Compensation Premium ............................................................................................................. 146
   
   *Figure*: Workers’ Compensation Written Premium .............................................................................. 146
   Combined Loss and Expense Ratio ........................................................................................................... 146
   
   *Figure*: California Workers’ Compensation Combined Loss and Expense Ratios ................................. 147
   Policy Holder Dividends .............................................................................................................................. 147
   
   *Figure*: Insurer Policy Holder Dividends as a Percentage of Earned Premium ........................................ 147
   Average Ultimate Total Loss ....................................................................................................................... 148
   
   *Figure*: Estimated Ultimate Total Loss and ALAE per Indemnity Claim ................................................ 148
   Insurer Profit/Loss .................................................................................................................................... 149
   
   *Figure*: Insurer Pre-Tax Underwriting Profit/Loss ............................................................................... 149

**CURRENT STATE OF THE INSURANCE INDUSTRY** ............................................................................... 149
   Market Share ............................................................................................................................................ 149
   
   *Figure*: Workers’ Compensation Insurance Market Share in California by Type of Insurer ................... 150
   September 11, 2001 Impact on Insurance Industry ..................................................................................... 150

**ADVISORY WORKERS’ COMPENSATION PURE PREMIUM RATES: A HISTORY SINCE THE 1993 REFORM LEGISLATION** .................................................................................................................. 151

**SPECIAL REPORT: BENEFITS AND EARNINGS LOSSES FOR PERMANENTLY DISABLED WORKERS IN CALIFORNIA: TRENDS THROUGH THE GREAT RECESSION AND IMPACTS OF RECENT REFORMS** .................................................. 161

**INTRODUCTION** ................................................................................................................................... 161

**SUMMARY** ........................................................................................................................................... 161

**SPECIAL REPORT: JANITORIAL STUDY** ................................................................................................. 163

**INTRODUCTION** ................................................................................................................................... 163

**SUMMARY** ........................................................................................................................................... 163

**SPECIAL REPORT: AGING IN THE WORKPLACE: PROMOTING SAFE AND HEALTHY WORKPLACES FOR EVERYONE** ....................................................................................................................... 164

**INTRODUCTION** ................................................................................................................................... 164

**RESEARCH AND STATISTICS ON OLDER WORKERS** ......................................................................... 164
# TABLE OF CONTENTS

**AGE-FRIENDLY WORKPLACE** ..................................................................................................................................................... 164  
**RECOMMENDATIONS THAT SUPPORT THE OCCUPATIONAL SAFETY AND HEALTH NEEDS OF OLDER WORKERS** .......... 165  
**CONCLUSION** ............................................................................................................................................................................ 165  

**LIST OF PROJECTS AND STUDIES** .............................................................................................................. 166  
   I. Permanent Disability and Temporary Disability Studies ................................................................................................. 166  
   II. Return to Work ............................................................................................................................................................. 167  
   III. Workers’ Compensation Reforms ................................................................................................................................. 169  
   IV. Occupational Safety and Health .................................................................................................................................... 171  
   V. Workers’ Compensation Administration ....................................................................................................................... 175  
   VI. Information for Workers and Employers ......................................................................................................................... 177  
   VII. Medical Care .............................................................................................................................................................. 179  
   VIII. Community Concerns ................................................................................................................................................ 182  
   IX. Insurance Industry and Coverage ................................................................................................................................. 184  
   X. Disaster Preparedness and Terrorism.............................................................................................................................. 185  
   XI. CHSWC Issue Papers ................................................................................................................................................ 185  
   XII. Other .......................................................................................................................................................................... 186  

**CHSWC AND THE COMMUNITY** .................................................................................................................. 187  
   HOW TO CONTACT CHSWC .................................................................................................................................................. 187  
   CHSWC PUBLICATIONS ............................................................................................................................................................ 187  
   ACKNOWLEDGMENTS ................................................................................................................................................................ 188
LIST OF FIGURES

FIGURE 1: MARKET SHARES BASED ON CLAIM COUNTS REPORTED TO WCIS (2013-2015 AVERAGE) ................................................................. 15
FIGURE 2: SYSTEMWIDE PAID BENEFITS, BY YEAR AND TYPE OF PAYMENT (BILLION $) ................................................................................. 19
FIGURE 3: WORKERS’ COMPENSATION WRITTEN PREMIUM, AS OF SEPTEMBER 30, 2016 (BILLION $) ........................................................... 23
FIGURE 4: AVERAGE WORKERS’ COMPENSATION INSURER RATE PER $100 OF PAYROLL, AS OF SEPTEMBER 30, 2016 (DOLLAR $) ..... 23
FIGURE 5: ESTIMATED NUMBER OF WORKERS COVERED BY WORKERS’ COMPENSATION INSURANCE IN CALIFORNIA (MILLIONS) ........ 24
FIGURE 6: WORKERS’ COMPENSATION EARNED PREMIUM (BILLION $) ........................................................................................................ 24
FIGURE 7: AVERAGE EARNED PREMIUM PER COVERED WORKER .................................................................................................................. 25
FIGURE 8: NUMBER OF EMPLOYEES OF PRIVATE SELF-INSURED EMPLOYERS (MILLIONS) ................................................................. 26
FIGURE 9: NUMBER OF INDEMNITY CLAIMS PER 100 EMPLOYEES OF PRIVATE SELF-INSURED EMPLOYERS .................................................. 26
FIGURE 10: INCURRED COST PER INDEMNITY CLAIM OF PRIVATE SELF-INSURED EMPLOYERS .............................................................. 27
FIGURE 11: INCURRED COST PER CLAIM, INDEMNITY AND MEDICAL OF PRIVATE SELF-INSURED EMPLOYERS .............................................. 27
FIGURE 12: NUMBER OF EMPLOYEES OF PUBLIC SELF-INSURED EMPLOYERS (MILLIONS) ................................................................... 28
FIGURE 13: NUMBER OF INDEMNITY CLAIMS PER 100 EMPLOYEES OF PUBLIC SELF-INSURED EMPLOYERS .................................................. 28
FIGURE 14: INCURRED COST PER INDEMNITY CLAIM OF PUBLIC SELF-INSURED EMPLOYERS (IN $) ........................................................... 29
FIGURE 15: INCURRED COST PER CLAIM–INDEMNITY AND MEDICAL–PUBLIC SELF-INSURED EMPLOYERS (IN $) ........................................... 29
FIGURE 16: WORKERS’ COMPENSATION COSTS: PERCENT CHANGE BY YEAR COMPARED WITH 2003 ......................................................... 30
FIGURE 17: ESTIMATED DISTRIBUTION OF INSURED EMPLOYERS’ AND SYSTEMWIDE WORKERS’ COMPENSATION PAID COSTS, 2015 (MILLION $) ........................................................................................................................................................ 31
FIGURE 18: ESTIMATED DISTRIBUTION OF SYSTEMWIDE WORKERS’ COMPENSATION PAID COSTS, 2015 (MILLION $) ................................. 31
FIGURE 19: WORKERS’ COMPENSATION PAID INDEMNITY BENEFIT BY TYPE SYSTEMWIDE ESTIMATED COSTS (MILLION $) ......................... 33
FIGURE 20: VOCATIONAL REHABILITATION BENEFITS*, TOTAL AND AS PERCENT OF TOTAL INCURRED LOSSES, WCIRB FIRST REPORT LEVEL (MILLION $) .............................................................................................................. 34
FIGURE 21: PAID VOCATIONAL REHABILITATION BENEFITS, BY INSURED EMPLOYERS (MILLION $) .......................................................... 35
FIGURE 22: GROWTH OF WORKERS’ COMPENSATION MEDICAL COSTS COMPARED WITH GROWTH OF MEDICAL INFLATION ................................. 36
FIGURE 23: WORKERS’ COMPENSATION PAID MEDICAL BENEFITS BY TYPE, SYSTEMWIDE ESTIMATED COSTS (MILLION $) ......................... 38
FIGURE 24: ESTIMATED ULTIMATE TOTAL LOSS* PER INDEMNITY CLAIM AS OF SEPTEMBER 30, 2016 .............................................................. 39
FIGURE 25: AVERAGE COST PER PD CLAIM BY TYPE OF INJURY, 2005-2015 (THOUSAND $) ................................................................. 40
FIGURE 26: PERCENT CHANGE IN AVERAGE MEDICAL AND INDEMNITY COSTS PER CLAIM BY TYPE OF INJURY (FROM 2005 THROUGH 2015, FROM 2013 TO 2014, AND FROM 2014 TO 2015) ............................................................. 41
FIGURE 27: WORKERS’ COMPENSATION CLAIMS, ALL AND WITH PERMANENT DISABILITY, BY CALIFORNIA REGIONS, SY 2012-SY 2015 ............................................................................................................................................ 43
FIGURE 28: NUMBER OF MEDICAL-LEGAL REPORTS ON PD AND ALL CLAIMS (THOUSANDS) ................................................................. 44
FIGURE 29: MEDICAL-LEGAL PAYMENTS ON PD AND ALL CLAIMS (MILLION $) .......................................................................................... 44
FIGURE 30: WCIRB’S MEDICAL-LEGAL COSTS REPORTED IN CALENDAR VS. SERVICE YEARS (MILLION $) .................................................. 45
FIGURE 31: NUMBER OF MEDICAL-LEGAL EVALUATIONS PER 100 WORKERS’ COMPENSATION CLAIMS (PD AND ALL) IN CALIFORNIA ... 46
FIGURE 32: AVERAGE NUMBER OF MEDICAL-LEGAL EVALUATIONS PER 100 CLAIMS (PD AND ALL), BY REGION ................................................. 46
FIGURE 33: AVERAGE COST OF A MEDICAL-LEGAL EVALUATION ON ALL AND PD CLAIMS, CALIFORNIA ......................................................... 47
TABLE OF CONTENTS

FIGURE 34: AVERAGE COST OF A MEDICAL-LEGAL EVALUATION ON PD CLAIM, BY REGION ................................................................ 47
FIGURE 35: DISTRIBUTION OF MEDICAL-LEGAL EVALUATIONS ON PD CLAIMS BY PROCEDURE CODE IN CALIFORNIA AND REGIONS...... 49
FIGURE 36: AVERAGE COST OF A MEDICAL-LEGAL EVALUATION FOR A PD CLAIM IN CALIFORNIA BY PROCEDURE CODE.................... 50
FIGURE 37: DWC OPENING DOCUMENTS ........................................................................................................................................... 53
FIGURE 38: PERCENTAGE BY TYPE OF OPENING DOCUMENTS............................................................................................................. 54
FIGURE 39: DWC LABOR CODE 5502 HEARINGS HELD...................................................................................................................... 55
FIGURE 40: DWC NON-5502 HEARINGS HELD ..................................................................................................................................... 56
FIGURE 41: DWC TOTAL NUMBER OF HEARINGS HELD (LC 5502 AND NON-5502).............................................................................. 56
FIGURE 42: ELAPSED TIME IN DAYS FROM REQUEST TO DWC HEARING (4TH QUARTER) ..................................................................... 57
FIGURE 43: DWC CASE-CLOSING DECISIONS .................................................................................................................................... 58
FIGURE 44: DWC DECISIONS: PERCENT DISTRIBUTION BY TYPE OF DECISIONS................................................................................... 59
FIGURE 45: ROUTINE AND TARGETED AUDITS .................................................................................................................................... 61
FIGURE 46: DWC AUDITS BY TYPE OF AUDIT SUBJECT ...................................................................................................................... 61
FIGURE 47: FILES AUDITED BY METHOD OF SELECTION ...................................................................................................................... 62
FIGURE 48: DWC AUDIT UNIT—ADMINISTRATIVE PENALTIES (MILLION $)........................................................................................... 62
FIGURE 49: AVERAGE AMOUNT PER PENALTY CITATION AND AVERAGE NUMBER OF PENALTY CITATIONS PER AUDIT SUBJECT .......... 63
FIGURE 50: AVERAGE AMOUNT OF UNPAID COMPENSATION PER CLAIM AND NUMBER OF NOTICES OF COMPENSATION ................. 63
FIGURE 51: DISTRIBUTION OF UNPAID COMPENSATION BY TYPE ......................................................................................................... 64
FIGURE 52: DEU WRITTEN RATINGS, 2009-2015 .............................................................................................................................. 65
FIGURE 53: DEU BACKLOGS ............................................................................................................................................................ 66
FIGURE 54: NUMBER OF QUALIFIED MEDICAL EVALUATOR (QME) PANEL REQUESTS* AND PROBLEM REQUESTS (THOUSAND)........... 68
FIGURE 55: NUMBER OF QME INITIAL PANELS AND REPLACEMENT PANELS ISSUED (THOUSAND)........................................................................ 68
FIGURE 56: QUARTERLY NUMBERS OF INDEPENDENT MEDICAL REVIEW REQUESTS (IMR) RECEIVED AND DETERMINATIONS COMPLETED, 2013 - 2015 ..................................................................................................................................................................... 71
FIGURE 57: QUARTERLY NUMBER OF INDEPENDENT BILL REVIEW REQUESTS RECEIVED BETWEEN JANUARY 2013 AND AUGUST 2015 . 71
FIGURE 58: NUMBER OF MPN APPLICATIONS RECEIVED BY MONTH AND YEAR OF RECEIPT, 2004-2015.......................................................... 74
FIGURE 59: NUMBER OF MPN APPLICATIONS APPROVED BY MONTH, 2004-2015 ................................................................................. 75
FIGURE 60: NUMBER OF MPN MATERIAL MODIFICATIONS RECEIVED BY MONTH, 2005-2015 ......................................................................... 76
FIGURE 61: DISTRIBUTION OF APPROVED MPNs BY NUMBER OF MPNs PER APPLICANT, 2015 ...................................................................... 78
FIGURE 62: DISTRIBUTION OF ALL APPROVED MPN APPLICATIONS BY TYPE OF APPLICANT ................................................................ 80
FIGURE 64: NEW UEBTF CASES OPENED, FY 2006-2007 TO FY 2015-2016 ................................................................................................. 86
FIGURE 65: UEBTF TOTAL BENEFITS PAID AND TOTAL REVENUE RECOVERED, FY 2006-2007 TO FY 2015-2016 ...................................... 87
FIGURE 66: NUMBER OF UNINSURED CLAIMS PAID, FY 2006-2007 TO FY 2015-2016 ................................................................................. 87
FIGURE 67: UEBTF AMOUNTS PAID AND ADMINISTRATIVE COSTS, FY 2006-2007 TO FY 2015-2016 (MILLION $)................................. 88
FIGURE 68: SUSPECTED WORKERS' COMPENSATION FRAUDULENT CLAIMS AND SUSPECT ARRESTS .......................................................... 97
FIGURE 69: WORKERS' COMPENSATION FRAUD SUSPECT PROSECUTIONS AND CONVICTIONS......................................................... 98
## TABLE OF CONTENTS

**Figure 70:** Case Load by Type of Fraud Investigations, FY 2006-2007–FY 2014-2015 ............................................................. 99

**Figure 71:** Type of Fraud Investigations by Percentage of Total, FY 2006-2007–FY 2014-2015 ............................................................. 99

**Figure 72:** California Non-Fatal Occupational Injuries and Illnesses: Private Industry and State and Local Governments ............................................................. 102

**Figure 73:** California Fatal Occupational Injuries and Illnesses—Private Industry and State and Local Governments** ............................................................. 102

**Figure 74:** California Non-Fatal Occupational Injuries and Illnesses: Private Industry (Thousands) ............................................................. 103

**Figure 75:** California Fatal Occupational Injuries and Illnesses—Private Industry ............................................................. 103

**Figure 76:** California Non-Fatal Occupational Injuries and Illnesses: State Government (Thousands) ............................................................. 104

**Figure 77:** California Fatal Occupational Injuries and Illnesses—State Government ............................................................. 104

**Figure 78:** California Non-Fatal Occupational Injuries and Illnesses: Local Government (Thousands) ............................................................. 105

**Figure 79:** California Fatal Occupational Injuries and Illnesses—Local Government ............................................................. 105

**Figure 80:** California Occupational Injury and Illness Incidence Rates: Private, State and Local ............................................................. 106

**Figure 81:** California Occupational Injury and Illness Incidence Rates: Private Industry ............................................................. 106

**Figure 82:** California Occupational Injury and Illness Incidence Rates: State Government ............................................................. 107

**Figure 83:** California Occupational Injury and Illness Incidence Rates: Local Government ............................................................. 107

**Figure 84:** California Fatal Occupational Injuries*—Incidence Rate** (per 100,000 employed) ............................................................. 108

**Figure 85:** California Fatality Rates by Industries (per 100,000 employed), 2008, 2013, and 2014 ............................................................. 108

**Figure 86:** Injury and Illness Incidence Rate per 100 Full-Time Workers: Private Industry, Total Recordable Cases. U.S. and California ............................................................. 109

**Figure 87:** Injury and Illness Incidence Rate per 100 Full-Time Workers: Private Industry Cases with Days Away from Work. U.S. and California ............................................................. 109

**Figure 88:** Injury Rates by Industry, 2015 vs. 2005 ............................................................. 110

**Figure 89:** Number of Non-Fatal Occupational Injuries and Illnesses in California by Gender, Private Industry, 2007-2015 ............................................................. 111

**Figure 90:** California Non-Fatal Occupational Injuries and Illnesses Incidence Rates by Gender, Private Industry, 2007-2015 (cases per 10,000 full-time employees) ............................................................. 111

**Figure 91:** Number of Non-Fatal Occupational Injuries and Illnesses in California by Age, Private Industry, 2015 ............................................................. 112

**Figure 92:** California Occupational Injury and Illness Incidence Rates by Age, Private Industry ............................................................. 112

**Figure 93:** California Non-Fatal Occupational Injuries and Illnesses by Race or Ethnic Origin, Private Industry, 2015 ............................................................. 113

**Figure 94:** California Non-Fatal Occupational Injuries and Illnesses by Event and Exposure, Private Industry, 2015 ............................................................. 113

**Figure 95:** Incidence Rates for Non-Fatal Occupational Injuries and Illnesses by Major Body Parts, Private Industry, 2013, 2014, and 2015 (per 10,000 Full-Time Workers) ............................................................. 114

**Figure 96:** Incidence Rates for Non-Fatal Occupational Injuries and Illnesses by Major Body Parts, Private Industry, 2013, 2014, and 2015 (per 10,000 Full-Time Workers) ............................................................. 114

**Figure 97:** Non-Fatal Injuries and Illnesses by Major Occupational Group: Median Days Away from Work, Private Industry, 2015 ............................................................. 115

**Figure 98:** Non-Fatal Injuries and Illnesses by Major Occupational Group: Median Days Away from Work, State Government, 2015 ............................................................. 115
TABLE OF CONTENTS

FIGURE 99: NON-FATAL INJURIES AND ILLNESSES BY MAJOR OCCUPATIONAL GROUP: MEDIAN DAYS AWAY FROM WORK, LOCAL GOVERNMENT, 2015 ................................................................. 116

FIGURE 100: INCIDENCE RATES BY PRIVATE SECTOR OCCUPATIONAL GROUP (PER 100 FULL-TIME WORKERS) NON-FATAL OCCUPATIONAL INJURIES AND ILLNESSES WITH DAYS AWAY FROM WORK, 2015 ............................................................... 116

FIGURE 101: BACK INJURY INCIDENCE RATES BY PRIVATE SECTOR OCCUPATIONAL GROUP (PER 100 FULL-TIME WORKERS) NON-FATAL OCCUPATIONAL INJURIES AND ILLNESSES WITH DAYS AWAY FROM WORK, 2015 ............................................................... 117

FIGURE 102: FATAL OCCUPATIONAL INJURIES BY SELECTED OCCUPATIONS, ALL OWNERSHIPS, 2015* ................................................ 117

FIGURE 103: CALIFORNIA FATAL OCCUPATIONAL INJURIES AND ILLNESSES BY GENDER, 2015* ......................................................... 118

FIGURE 104: CALIFORNIA FATAL OCCUPATIONAL INJURIES AND ILLNESSES BY AGE OF WORKER, 2015* ................................................ 118

FIGURE 105: CALIFORNIA FATAL OCCUPATIONAL INJURIES AND ILLNESSES BY RACE AND ETHNIC ORIGIN, 2015* ......................... 119

FIGURE 106: CALIFORNIA FATAL OCCUPATIONAL INJURIES AND ILLNESSES BY EVENT AND EXPOSURE, 2015* ............................... 119

FIGURE 107: DOSH ENFORCEMENT ACTIVITIES, CY 2005–CY 2015 ............................................................................................... 125


FIGURE 110: DOSH VIOLATIONS (SERIOUS AND OTHER THAN SERIOUS), CY 2005 - CY 2015 .......................................................... 127

FIGURE 111: SERIOUS VIOLATIONS AS A SHARE OF TOTAL DOSH VIOLATIONS, CY 2005–CY 2015 .................................................. 128

FIGURE 112: AVERAGE NUMBER OF DOSH VIOLATIONS PER INSPECTION, CY 2005–CY 2015 .......................................................... 128

FIGURE 113: TOTAL DOSH PENALTIES ASSESSED AND COLLECTED, 2003–2015 ............................................................................ 130

FIGURE 114: DISTRIBUTION OF INSPECTIONS BY MAJOR INDUSTRY, CY 2015 ........................................................................... 131

FIGURE 115: DISTRIBUTION OF VIOLATIONS BY MAJOR INDUSTRY, CY 2015 ................................................................................ 131

FIGURE 116: HIGH HAZARD CONSULTATION PROGRAM PRODUCTION BY YEAR ................................................................................. 133

FIGURE 117: OCCUPATIONAL SAFETY AND HEALTH APPEALS BOARD (OSHAB) WORKLOAD, 1995-2015 ........................................ 138

FIGURE 118: OCCUPATIONAL SAFETY AND HEALTH APPEALS BOARD BACKLOGS, 1995-2015 ........................................................... 138

FIGURE 119: OCCUPATIONAL SAFETY AND HEALTH APPEALS BOARD: APPEALS DOCKETED AND DISPOSED, 2005-2015 ................... 139

FIGURE 120: PERCENTAGE CHANGES IN WORKERS’ COMPENSATION ADVISORY PREMIUM RATES, WCIRB RECOMMENDATION AND INSURANCE COMMISSIONER’S DECISION COMPARED TO CORRESPONDING INDUSTRY AVERAGE FILED PURE PREMIUM RATE ...................................................................... 144

FIGURE 121: WORKERS’ COMPENSATION WRITTEN PREMIUM AS OF SEPTEMBER 30, 2016 (BILLION $) ............................................. 146

FIGURE 122: CALIFORNIA WORKERS’ COMPENSATION COMBINED LOSS AND EXPENSE RATIOS* .................................................... 147

FIGURE 123: INSURER POLICY HOLDER DIVIDENDS AS A PERCENTAGE OF EARNED PREMIUM (BY CALENDAR YEAR) ..................... 147

FIGURE 124: ESTIMATED ULTIMATE TOTAL LOSS* AND ALAE PER INDEMNITY CLAIM AS OF SEPTEMBER 30, 2016 ......................... 148

FIGURE 125: INSURER PRE-TAX UNDERWRITING PROFIT/LOSS, 2002-2015 (MILLION $ AND AS A PERCENTAGE OF EARNED PREMIUM) .............................................................................. 149

FIGURE 126: WORKERS’ COMPENSATION INSURANCE MARKET SHARE IN CALIFORNIA BY TYPE OF INSURER ................................................. 150
TABLE OF CONTENTS

LIST OF TABLES

TABLE 1: WORKERS’ COMPENSATION CLAIMS (IN 000s) BY MARKET SHARE................................................................. 16

TABLE 2: DISTRIBUTION OF WORKERS’ COMPENSATION PAID COSTS BY SECTORS (EXCLUDING ADMINISTRATIVE EXPENSES)—USING PUBLIC SELF-INSURED AND STATE DATA FOR FY 2015-2016................................................................. 17

TABLE 3: PERCENT DISTRIBUTION OF WORKERS’ COMPENSATION PAID COSTS BY SECTORS (EXCLUDING ADMINISTRATIVE EXPENSES)—USING PUBLIC SELF-INSURED AND STATE DATA FOR FY 2014-2015................................................................. 17

TABLE 4: A CLAIM COUNTS-BASED ESTIMATE OF WORKERS’ COMPENSATION SYSTEM SIZE (MILLION $)................................. 18

TABLE 5: BREAKDOWN OF EXPENSES (MILLION $).................................................................................................................. 18

TABLE 6: WCIRB’s NOVEMBER 2016 EVALUATION OF SENATE BILL (SB) 863 COST IMPACT * ............................................................... 21

TABLE 7: SYSTEMWIDE ESTIMATED COSTS OF PAID INDENMTY BENEFITS .................................................................................. 32

TABLE 8: SYSTEMWIDE ESTIMATED COSTS—MEDICAL BENEFITS PAID .................................................................................. 37

TABLE 9: DISTRIBUTION OF MEDICAL-LEGAL REPORTS ON PD CLAIMS BY CALIFORNIA REGIONS............................................................. 48

TABLE 10: MEDICAL-LEGAL EVALUATION COST FOR DATES OF SERVICE ON OR AFTER JULY 1, 2006 .......................................................... 48

TABLE 11: CHARACTERISTICS OF ML-104 CODED REPORTS DONE ON PD CLAIMS IN CALIFORNIA REGIONS.................................................. 50

TABLE 12: AVERAGE COST OF A PSYCHIATRIC OR PSYCHOLOGICAL/BEHAVIORAL REPORT BY REGION .......................................................... 51

TABLE 13: RATE OF PSYCHIATRIC EVALUATIONS PER 100 PD REPORTS .................................................................................. 51

TABLE 14: RATE OF PSYCHOLOGIST/BEHAVIORAL HEALTH EVALUATIONS PER 100 PD REPORTS ................................................................. 51

TABLE 15: SHARE OF PAYMENTS FOR PSYCHIATRIC AND PSYCHOLOGICAL REPORTS IN MEDICAL-LEGAL PAYMENTS, BY REGION........ 51

TABLE 16: NUMBERS OF LIENS FILED AND DWC LIEN DECISIONS, 2011-2016.................................................................................. 59

TABLE 17: DEU RATINGS IN 2015 BY TYPE AND RATING SCHEDULES IN EFFECT .................................................................................. 66

TABLE 18: STATUS OF UR INVESTIGATIONS ........................................................................................................................... 70

TABLE 19: MPN PROGRAM ACTIVITIES FROM NOVEMBER 1, 2004, TO DECEMBER 31, 2015............................................................... 73

TABLE 20: EXPIRING MPN APPLICATION PLANS BY QUARTER AND YEAR.................................................................................. 77

TABLE 21: MPN APPLICATION PLANS FOR REAPPROVAL RECEIVED AND APPROVED BY MONTH ........................................................... 77

TABLE 22: NAMES OF MPN APPLICANTS WITH 10 OR MORE APPROVED MPNS .................................................................................. 78

TABLE 23: DISTRIBUTION OF APPROVED MPN APPLICATIONS BY TYPE OF APPLICANT, 2004–2015 ......................................................... 79

TABLE 24: NUMBER OF MPN APPLICANTS USING HCO NETWORKS (AS OF JUNE 20, 2016).................................................................................. 80

TABLE 25: CURRENTLY CERTIFIED HCOs BY DATE OF CERTIFICATION/RECERTIFICATION (AS OF JUNE 20, 2016) ................................................................. 82

TABLE 26: HCOs BY NUMBER OF ENROLLEES AS OF DECEMBER 2015.................................................................................. 82

TABLE 27: INFORMATION & ASSISTANCE UNIT WORKLOAD............................................................................................................. 83

TABLE 28: SPANISH OUTREACH ATTENDANCE, 2013 ........................................................................................................................... 83

TABLE 29: DWC EDUCATIONAL CONFERENCES ATTENDANCE, 2011–2015 .................................................................................. 83

TABLE 30: NUMBER OF ENROLLEES IN DWC TELE-LEARNING CLASSES FOR DIR EMPLOYEES ................................................................. 84

TABLE 31: DWC’S INFORMATION SERVICE CENTER WORKLOAD........................................................................................... 84

TABLE 32: ESTIMATED PERSON-HOURS WORKED AND PAYROLL, 2006 - 2015 .................................................................................. 94

TABLE 33: DLSE CITATIONS BY CATEGORY, 2014–2015 ........................................................................................................................... 95

TABLE 34: TWENTY-FIVE MOST FREQUENTLY CITED CCR TITLE 8 STANDARDS IN CY 2015................................................................. 129
TABLE 35: HIGH HAZARD INSPECTIONS BY NAICS CODE, 2014-2015 ................................................................. 134
TABLE 36: VIOLATIONS OBSERVED DURING HIGH HAZARD INSPECTIONS, 2011-2015 ............................................................ 134
TABLE 37: ENFORCEMENT ACTIONS TAKEN DURING HIGH HAZARD TARGETED INSPECTIONS, 2012-2015 ....................................... 135
TABLE 38: MOST FREQUENTLY OBSERVED VIOLATIONS DURING HIGH HAZARD TARGETED INSPECTIONS, 2015 .......................... 135
TABLE 39: CAL/OSHA’S HIGHEST HAZARD INDUSTRY LIST, FY 2015–2016 ................................................................. 136
TABLE 40: CALIFORNIA WORKERS’ COMPENSATION TOP 10 INSURERS RATE FILING CHANGES .................................................. 145
ABOUT CHSWC

The Commission on Health and Safety and Workers’ Compensation (CHSWC) examines the health and safety and workers’ compensation systems in California and makes recommendations to improve their operation.

Established in 1994, CHSWC has directed its efforts toward projects and studies to identify opportunities for improvement and to provide an empirical basis for recommendations and/or further investigations. CHSWC utilizes its own staff expertise combined with independent researchers with broad experience and highly respected qualifications.

At the request of the Executive Branch, the Legislature and the Commission, CHSWC conducts research, releases public reports, presents findings, and provides information on the health and safety and workers’ compensation systems.

CHSWC activities involve the entire health, safety and workers’ compensation community. Many individuals and organizations participate in CHSWC meetings and fact-finding roundtables and serve on advisory committees to assist CHSWC on projects and studies.

CHSWC projects address several major areas, including permanent disability (PD) ratings and related benefits, State Disability Insurance (SDI), return to work, carve-outs and medical fee schedules. Additional projects address benefits, medical costs and quality, fraud and abuse, streamlining of administrative functions, informational services to injured workers, alternative workers’ compensation systems, and injury and illness prevention. CHSWC also continually examines the impact of workers’ compensation reforms.

The most extensive and potentially far-reaching project undertaken by CHSWC is the ongoing study of workers’ compensation PD ratings. Incorporating public fact-finding hearings with studies by RAND, the CHSWC PD project analyzes major policy issues regarding the way in which California workers are compensated for PD incurred on the job.

CHSWC engages in a number of studies and projects in partnership with state agencies, foundations, and the health and safety and workers’ compensation community including: the Labor and Workforce Development Agency (LWDA); the Department of Industrial Relations (DIR); the Division of Workers’ Compensation 2(DWC); the California Department of Insurance (CDI); the Fraud Assessment Commission (FAC); the Governor’s Office of Homeland Security (OHS); the Bureau of Labor Statistics (BLS); the Department of Fair Employment and Housing (DFEH); the California Health-Care Foundation (CHCF); RAND; the National Academy of Social Insurance (NASI); and the International Association of Industrial Accident Boards and Commissions (IAIABC). CHSWC projects and studies are described in this report.
ABOUT CHSWC

CHSWC Members Representing Employers

Daniel Bagan

Daniel Bagan is the West Region Risk Manager for United Parcel Service (UPS), the world's largest package delivery company and a leading global provider of specialized transportation and logistics services.

He serves on the board of the California Coalition on Workers' Compensation and is an active member of the Workers' Compensation Action Network. He is also a member of United Way’s Alexis de Tocqueville Society.

Appointed by: Speaker of the Assembly

Martin Brady

Martin Brady is executive director at Schools Insurance Authority, where he has worked since 1988.

Mr. Brady is a member of the California Joint Powers Authority, California Coalition on Workers’ Compensation, Public Agency Risk Managers Association, Public School Risk Institute, Association of Governmental Risk Pools and the Public Risk Management Association.

Appointed by: Governor
Sean McNally

Sean McNally is the President of KBA Engineering in Bakersfield, California. He has been certified by the State Bar of California as a specialist in workers’ compensation law. He is a licensed general contractor and serves as a trustee for the Self-Insurer's Security Fund. His community activities include serving on the Board of Directors of the Golden Empire Gleaners and the Board of Trustees for Garces Memorial High School. He is the past Vice President of Corporate and Government Affairs and past Vice President of Human Resources for Grimmway Farms.

Mr. McNally is a graduate of the University of the Pacific McGeorge School of Law and was a partner at the law firm of Hanna, Brophy, MacLean, McAleer and Jensen. He graduated from the University of San Francisco with bachelor’s degrees in English and theology. Following that, he did graduate studies at Hebrew University of Jerusalem, Israel.

Appointed by: Governor
ABOUT CHSWC

CHSWC Members Representing Labor

Doug Bloch

Doug Bloch has been the political director at Teamsters Joint Council 7 since 2010. He was the Port of Oakland campaign director for Change to Win from 2006 to 2010 and a senior research analyst at Service Employees International Union (SEIU) Local 1877 from 2004 to 2006.

Mr. Bloch was the statewide political director at the California Association of Community Organizations for Reform Now (ACORN) from 2003 to 2004 and ran several ACORN regional offices, including those in Seattle and Oakland, from 1999 to 2003. He was an organizer at the Non-Governmental Organization Coordinating Committee for Northeast Thailand from 1999 to 2003.

Appointed by: Governor

Christy Bouma

Christy Bouma is President of Capitol Connection, which she joined in 2000. She was a mathematics and computer science teacher at the Hesperia Unified School District from 1989 to 1999 and an instructor at Victor Valley Community College from 1991 to 1998.

Ms. Bouma has supported the California Professional Firefighters, the California School Employees Association governmental advocacy team, the State Building and Construction Trades Council, and the Service Employees International Union on special legislative projects. She is affiliated with the Institute of Government Advocates, the Leadership California Institute, and the CompScope Advisory Committee of the Workers' Compensation Research Institute. Ms. Bouma holds a master’s degree in computer science.

Appointed by: Governor
Shelley Kessler

Shelley Kessler is the Executive Secretary-Treasurer of the San Mateo County Central Labor Council, which represents 110 affiliated local unions and over 70,000 working member families. She has been at the Labor Council for 29 years, first as the political director and currently as the head of the organization. She is a 32-year member of the International Association of Machinists and Aerospace Workers as well as a vice president of the California State Labor Federation.

Ms. Kessler’s experience in working on the floor at General Motors, Fremont, CA, and Westinghouse Electric, Sunnyvale, CA, compelled her to become involved in worker health and safety issues. She joined the boards of the Santa Clara Center for Occupational Safety and Health, Worksafe, and later, the advisory board of the Labor Occupational Health Program at the University of California (UC), Berkeley, in order to pursue her concerns for worker protections. Ms. Kessler holds two bachelor’s degrees from Sonoma State College.

Appointed by: Speaker of the Assembly

Angie Wei

Angie Wei is the legislative director of the California Labor Federation, the state AFL-CIO Federation. The state Federation represents 1,200 affiliated unions and over two million workers covered by collective bargaining agreements. Previously, Ms. Wei was a program associate for PolicyLink of Oakland, California, and advocated for the California Immigrant Welfare Collaborative, a coalition of four immigrant rights organizations that came together to respond to cuts in public benefits for immigrants as a result of the 1996 federal welfare reform law.

Ms. Wei holds a bachelor’s degree in political science and Asian American studies from the University of California, Berkeley, and a master’s degree in public policy from the Kennedy School of Government at Harvard University.

Appointed by: Senate Rules Committee
A Life Well-Lived

We honor you for whom you were and the special things you’ve done... that made your life so rewarding and made you such a special woman. Your memories are ours to cherish as we fondly remember your ways... keeping you safely tucked in our hearts is where you’ll always stay.

The world will never be the same because of the beautiful difference you’ve made!

Author ~ Beth Pechtel
For further information on DIR:
http://www.dir.ca.gov/org_chart/org_chart.pdf.
The Commission on Health and Safety and Workers’ Compensation (CHSWC) recommends steps to ensure the adequate and timely delivery of indemnity and medical benefits for injured workers and promote a culture of safety to prevent workplace injuries.

WORKERS’ COMPENSATION INDEMNITY AND MEDICAL BENEFITS AND ADMINISTRATION

Senate Bill (SB) 863, the workers’ compensation reform legislation passed in 2012, incorporated many of CHSWC’s previous recommendations for statutory improvements in the workers’ compensation system. The Division of Workers’ Compensation (DWC) is carrying out many of the commission’s recommendations for administrative improvements.

CHSWC will continue examination of the following in light of the passage of SB 863:

- Permanent Disability Compensation
- Return-to-Work
- Medical Care Accessibility and Cost
- Timeliness and Cost of Dispute Resolution

RETURN-TO-WORK SUPPLEMENT

The RAND study “Identifying Permanently Disabled Workers with Disproportionate Earnings Losses for Supplemental Payments” defines workers whose permanent disability benefits are disproportionately low in comparison to their earnings loss. CHSWC concurs with the definition of “disproportionately low” as meaning that actual measured earnings after the disability award are below what is expected, based on the severity of the disability rating, and supports the study’s recommendation to target benefits to these particular workers.

The RAND study “Benefits and Earnings Losses for Permanently Disabled Workers in California: Trends through the Great Recession and Effects of Recent Reforms” found that the Return-to-Work (RTW) Fund benefit has the largest effect on wage replacement rates for the lowest-wage workers.

Recommendation

- Ongoing monitoring of the utilization of this benefit

PERMANENT DISABILITY BENEFITS

Research on the impact of 2012 workers’ compensation reforms on earnings losses suggests that SB 863 is likely to meet its primary objective of restoring adequate wage replacement rates although some inequities in these rates across impairments still exist. The research also determined for the first time that the Great Recession had a severe impact on the earnings of permanently disabled workers, making the higher benefits provided under the recent reforms particularly important for maintaining adequate levels of wage replacement.
**CHSWC RECOMMENDATIONS**

*Recommendations*

- Consider the recommendations of the CHSWC study by RAND “Benefits and Earnings Losses for Permanently Disabled Workers in California: Trends through the Great Recession and Effects of Recent Reforms,” which include:
  - Continue to monitor earnings losses and the adequacy of permanent partial disability (PPD) benefits as economic conditions change.

**MEDICAL CARE IN WORKERS’ COMPENSATION**

*Monitoring Medical Care and Costs*

In the past, problems in the medical-legal process have included delays in selecting evaluators, obtaining examinations, and producing the evaluation reports. Deficiencies also have existed in the content of reports when they failed to comply with the legal standards or omitted necessary components and thus necessitated the submission of supplemental reports. These problems contributed to an increase in frictional costs and delays in resolving disputes and delivering benefits to injured workers.

Significant changes in the medical care process for injured workers have resulted from the reform legislation enacted in 2012. One of the changes is that medical necessity disputes are now resolved using an Independent Medical Review (IMR) process. IMR, which is administered by the DWC Administrative Director, requires that an injured worker’s objection to a utilization review (UR) decision be resolved through an IMR. An in-person qualified medical evaluator (QME) will still be used for impairment ratings in unrepresented cases, and an agreed medical evaluator (AME) or QME will be used in represented cases.

Additional reform legislation relating to medical care, Senate Bill (SB) 1160, was enacted in September 2016. The legislation under Senate Bill 1160 is intended to expedite medical treatment to injured workers within the first 30 days after their injury by exempting conservative treatment from UR, standardizing UR procedures, modernizing data collection in the system to improve transparency, and implementing antifraud measures in the filing and collection of medical treatment liens. SB 1160 also requires the Department of Industrial Relations (DIR) to develop a system for the mandatory electronic reporting of UR decisions and the Doctor’s First Report of Injury form.

In October 2016 the California Legislature requested that CHSWC update a study of the QME process, first done for CHSWC by UC Berkeley in 2010. That study raised several issues about the QME process and made a number of recommendations for improving the efficiency and equity of evaluations. Several statutory and regulatory changes were made in response to the study.

The current legislative request asks for an update of the prior study examining whether the legislative and regulatory responses were sufficient to correct the issues raised in the original report and adds two additional concerns:

- Whether providers charged and/or convicted of fraud continue to act as QMEs
- Whether the QME process is being used to circumvent the UR and IMR processes
CHSWC RECOMMENDATIONS

Recommendations

- Evaluate the overall impact of SB 1160 on medical treatment.
- Monitor the use of UR and IMR in the California workers’ compensation system.
- Conduct a special in-depth follow-up study to review the QME process.

Pharmaceuticals

Labor Code Section 5307.27 requires the DWC Administrative Director to establish a drug formulary using evidence-based medicine no later than July 1, 2017, as part of the medical treatment utilization schedule.

Recommendation

- Collaborate with the DWC to evaluate the impact of the formulary after the regulations are in effect. This should include an assessment of how the formulary affects pharmaceutical utilization, expenses, and access to medically appropriate care for injured workers.

ANTIFRAUD EFFORTS

Underground Economy

Although most California businesses comply with laws regarding health, safety, and workers’ compensation, some businesses do not and thus operate in the “underground economy.” Such businesses may not have all their employees on the official company payroll or may not report wages paid to employees that reflect their real job duties. Businesses in the underground economy are therefore competing unfairly with those that comply with the laws. In addition, the underground economy costs the state economy an estimated $8.5 billion to $10 billion in tax revenues every year.¹

Recommendations

- Continue to research ways to identify the underground economy and ensure compliance with workers’ compensation and health and safety laws.
- Monitor results of DIR’s Labor Enforcement Task Force (LETF).

Workers’ Compensation Medical Provider Fraud

Recent criminal indictments have highlighted the extent of medical provider fraud in the workers’ compensation system. Estimates of the cost of this fraud to participants in the workers’ compensation system range as high as $1 billion per year. The DWC has estimated the dollar amount of liens held by providers charged or convicted of workers’ compensation fraud at $600 million.

Assembly Bill 1244, signed into law in September 2016, provides a mechanism for suspending perpetrators of the fraud from the workers’ compensation system and for limiting financial recovery related to fraudulent activity. In particular, Assembly Bill 1244 addresses medical fraud

within the workers’ compensation system by creating a new adjudication and stay process for dealing with convicted and indicted providers within the system that have medical liens.

Recommendations
- Monitor and evaluate the outcomes of AB 1244 reforms.
- Monitor the extent of medical provider fraud and efforts to eliminate fraud.

Workers’ Compensation Payroll Reporting by Employers

The cost of the workers’ compensation insurance premium is based on an employer’s total payroll. By misreporting payroll costs, some employers avoid the higher premiums they would incur with accurate payroll reporting. Employers can also misreport the total payroll or the number of workers in specific high-risk, high-premium occupation classifications by reporting them in lower-risk, lower-premium occupations. A 2009 follow-up study to a 2007 CHSWC study found that between $15 billion and $68 billion in payroll is underreported annually. A related study on split class codes found that 25 to 30 percent of low-wage payroll is underreported or misreported.

Recommendations
- Consider implementing recommendations from the “Report on Anti-Fraud Efforts in the California Workers’ Compensation System” to address premium fraud.

PUBLIC SELF-INSUREDS

California law requires every employer except the State to secure payment of its workers’ compensation obligations by obtaining either insurance or a certificate of consent to self-insure from the Director of DIR (the Director).

Unlike private self-insurers, public-sector employers are not required by law to post a security deposit, and no guarantee association is established by law to pay benefits to injured employers in the event that a public employer or a Joint Powers Authority defaults on its workers’ compensation obligations.

SB 863 added Labor Code Section 3702.4, which required CHSWC to examine the public-sector self-insured workers’ compensation programs and to make recommendations for improving the administration and performance of the program. CHSWC contracted with Bickmore to assist in fulfilling this requirement.

Recommendation
- Bickmore Public Self-Insured Program Study recommended developing information on public self-insured employers to allow better understanding of the key cost drivers in the workers’ compensation system and facilitate better understanding of the elements affecting injuries and claim costs in public entity self-insurance.
INFORMATION FOR INJURED WORKERS AND EMPLOYERS

Injured workers, employers, and the public need up-to-date and easily accessible information about the workers' compensation system.

Recommendation
• Support the efforts to create the forms, notices, and factsheets in multiple languages for information about the workers' compensation system.

HEALTH AND SAFETY

CHSWC recognizes that injury and illness prevention is the best way to preserve workers' earnings and to limit increases in the cost to employers of workers' compensation coverage.

Recommendations
• Continue support by employers and the health and safety and workers' compensation community for the CHSWC statewide Worker Occupational Safety and Health Training and Education Program (WOSHTEP), one of CHSWC’s most proactive efforts, which trains and educates workers, including young workers, in a wide range of workplaces and in agriculture on proven injury and illness prevention measures.
• Support ongoing partnerships and continued development of training and outreach materials targeted at teaching the importance of implementing the required written Injury and Illness Prevention Plan (IIPP).
• Promote and support the recommendations of the CHSWC study by LOHP “Aging in the Workplace: Promoting Safe and Healthy Workplaces for Everyone: Report from a Roundtable Discussion Convened by the Commission on Health and Safety and Workers,” submitted by the Labor Occupational Health Program at the University of California, Berkeley.

INTEGRATION OF WORKERS’ COMPENSATION MEDICAL CARE WITH OTHER SYSTEMS

Health-care costs have been rising more quickly than inflation and wages. These costs create financial challenges for employers, especially those in industries that already have high workers' compensation costs. Furthermore, group health care and workers' compensation medical care are typically delivered through separate provider systems, resulting in unnecessary, duplicative, and contraindicated treatment and inefficient administration.

Suggestions have been made to integrate workers' compensation medical care with the general medical care provided to patients by group health insurers in order to improve the quality and coordination of care, reduce overall medical expenditure and administrative costs, and derive other efficiencies in care. Research also supports the contention that an integrated 24-hour care system has the potential to create medical cost savings as well as shorten the duration of disability for workers.

Recommendation
• Support efforts to educate unions and employers interested in carve-out programs on integrated care.
SPECIAL REPORT: 2016 LEGISLATION AND REGULATIONS ON HEALTH AND SAFETY AND WORKERS’ COMPENSATION

HEALTH and SAFETY AND WORKERS’ COMPENSATION LEGISLATION

The Office of the Director of the California Department of Industrial Relations (DIR) now produces a Legislative Report, which replaces the summaries in this annual report.

The DIR Legislative Digest describes bills chaptered or vetoed during the first half of the 2016/17 Legislative Session that have some impact on the DIR.

The brief summaries do not purport to provide a complete description of the legislation or go into detail on the measures. The summaries provide a brief overview of the bills’ intent.

Copies of the legislation referenced in this digest, along with information, such as legislative committee analyses, are available on the Legislative Counsel of California website at www.leginfo.legislature.ca.gov. The chaptered bills go into effect January 1, 2017, unless they contain an urgency clause, in which case they took effect immediately upon the Governor’s signature. Alternatively, some measures specify their effective date.

The report is available at: http://www.dir.ca.gov/OPRL/Leg_Digest2016.pdf.

To research legislation enacted into law last year, see: http://www.dir.ca.gov/OPRL/Leg_Digest2015.pdf.

For earlier years, see CHSWC annual reports for prior years at: http://www.dir.ca.gov/chswc/AnnualReportpage1.html.

HEALTH AND SAFETY AND WORKERS’ COMPENSATION REGULATIONS

Health and Safety Regulations

The regulatory activities of the Occupational Safety and Health Standards Board (OSHSB) and any Division of Occupational Safety and Health (DOSH) regulations are available online as noted below. Formal rulemaking is preceded by a notice, the release of a draft rule, and an announcement for a public hearing.

Approved Occupational Safety and Health Standards Board (OSHSB) standards are at: http://www.dir.ca.gov/OSHSB/apprvd.html

Proposed OSHSB standards and rulemaking updates are at: http://www.dir.ca.gov/OSHSB/proposedregulations.html

Approved Division of Occupational Safety and Health (DOSH) regulations are at: http://www.dir.ca.gov/dosh/rulemaking/dosh_rulemaking_approved.html

Proposed Division of Occupational Safety and Health (DOSH) regulations are at: http://www.dir.ca.gov/dosh/doshreg/mainregs.html

Regulations in Title 8 of the California Code of Regulations (CCR) are at: http://www.dir.ca.gov/samples/search/query.htm.

In 2010, the Occupational Safety & Health Standards Board (OSHSB) launched the Title 8 index at: http://www.dir.ca.gov/title8/index/t8index.html
Under CCR, Title 8, Chapter 3.2, DOSH promulgates regulations for the administration of the safety and health inspection program, such as posting, certification, and registration requirements. Under CCR, Title 8, Chapter 4, OSHSB promulgates health and safety orders organized by industry, process, and equipment in subchapters, which are then enforced by DOSH.

**Workers’ Compensation Regulations**

The regulatory activities of the Division of Workers’ Compensation (DWC) to implement the provisions of the recent workers’ compensation reform legislation can be found online. Formal rulemaking is often preceded by the release of a draft rule and the opening of an online forum for interested parties to post comments. Older regulations can be found on the DWC rulemaking page or in previous Commission on Health and Safety and Workers’ Compensation (CHSWC) annual reports, which are available online at:

[http://www.dir.ca.gov/chswc](http://www.dir.ca.gov/chswc).

Information about these preliminary activities is available at:
[http://www.dir.ca.gov/Wcjudicial.htm](http://www.dir.ca.gov/Wcjudicial.htm).

The latest formal rulemaking updates are available at:
[www.dir.ca.gov/DWC/dwcrulemaking.html](http://www.dir.ca.gov/DWC/dwcrulemaking.html).

DWC Approved Regulations 2016 are available at:
[http://www.dir.ca.gov/dwc/rulemaking/dwc_rulemaking_approved.html](http://www.dir.ca.gov/dwc/rulemaking/dwc_rulemaking_approved.html)

DWC Proposed Regulations 2016 are available at:
[http://www.dir.ca.gov/dwc/rulemaking/dwc_rulemaking_proposed.html](http://www.dir.ca.gov/dwc/rulemaking/dwc_rulemaking_proposed.html)

**Administration of Self Insurance Plans Regulations**

Any regulatory activities of the Office of Self Insurance Plans (OSIP) are discussed on the pages listed below.

Proposed OSIP regulations are at:
[http://www.dir.ca.gov/osip/siprule.html](http://www.dir.ca.gov/osip/siprule.html)

Approved OSIP regulations are at:
[http://www.dir.ca.gov/osip/rulemaking/osip_rulemaking_approved.html](http://www.dir.ca.gov/osip/rulemaking/osip_rulemaking_approved.html)

Regulations in Title 8 of the California Code of Regulations (CCR) are at:
[http://www.dir.ca.gov/samples/search/query.htm](http://www.dir.ca.gov/samples/search/query.htm).
SYSTEM COSTS AND BENEFITS OVERVIEW

The California workers’ compensation system covers 15,567,000 employees\(^2\) working for over 936,336 employers\(^3\) in the State. These employees and employers generated a gross domestic product of $2,458,535,000,000 ($2.5 trillion) in 2015.\(^4\) A total of 606,792 occupational injuries and illnesses were reported for 2015,\(^5\) ranging from minor medical treatment cases to catastrophic injuries and deaths. The total paid cost to employers for workers’ compensation in 2015 was $25.1 billion. (See the box “Systemwide Cost: Paid Dollars for 2015 Calendar Year” on page 20.)

Employers range from small businesses with one or two employees to multinational corporations doing business in the State and the state government itself. Every employer in California must secure its liability for payment of compensation, either by obtaining insurance from an insurer licensed by the Department of Insurance (CDI) or by obtaining a certificate of consent to self-insure from the Department of Industrial Relations (DIR). The only lawful exception is the State, which is legally uninsured. According to Figure 1, based on the claim counts reported to the Workers’ Compensation Information System (WCIS), 65.5 percent of injuries occur to employees of insured employers, 31.1 percent of injuries occur to employees of self-insured employers, and 3.4 percent of injuries occur to employees of the State of California.\(^6\) (For calculations based on claim counts and paid loss data, see the box “Method of Estimating the Workers’ Compensation System Size” on pp. 18-19.)

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\(^3\) CHSWC estimates are based on an Employment Development Department report, as above, showing 1,443,371 businesses in 2015. Of these, 1,014,071 were businesses with 0 to 4 employees. For this estimate, half of those businesses are assumed to have no employees subject to workers’ compensation. 1,443,371 – (1,014,071/2) = 936,336. http://www.labormarketinfo.edd.ca.gov/LMID/Size_of_Business_Data_for_CA.html.


\(^5\) The latest year for which Workers’ Compensation Information System (WCIS) reports are reasonably complete. Data are from the Division of Workers’ Compensation (DWC) report from the WCIS database, “Workers’ Compensation Claims by Market Share,” June 7, 2016, http://www.dir.ca.gov/dwc/wcis/WCIS_tables/Table-4/WCIS_Reps-Table-4.html. Due to delayed reporting, the number of claims reported to WCIS for a given year may grow by more than 5 percent between the second and the fourth years after the end of the accident year. Boden, Leslie I. and Al Ozonoff, “Reporting Workers’ Compensation Injuries in California: How Many are Missed?” (2008), CHSWC Report.

\(^6\) WCIS, Table 4, ‘Workers’ Compensation Claims by Market Share,” June 7, 2016, http://www.dir.ca.gov/dwc/wcis/WCIS_tables/Table-4/WCIS_Reps-Table-4.html.
Method of Estimating the Workers' Compensation System Size

The overall system size for 2015 is estimated at 1.53 times the insured sector size. This multiplier is based on claims counts in the Workers' Compensation Information System (WCIS). CHSWC is using a three-year moving average of WCIS claim counts available since 2000 because it blunts the effect of one-time aberrations. Annually revised estimate of the multiplier is based on updated claims data provided by WCIS as well as updated paid loss amounts from the Workers' Compensation Rating Bureau (WCIRB), the Office of Self-Insured Plans (OSIP), and the California Department of Human Resources (CDHR) in order to examine and substantiate its accuracy.

Claim numbers showed a steady decline for all sectors from 2001 to 2011. During this period, the market share of insured employers fell from 69 to 66 percent, the market share of self-insured sector increased from 27 to 30 percent, and the share of the State of California increased from 3.7 to 4 percent. The number of claims for all sectors increased by 2.4 percent from 594,242 claims in 2011 to an average 608,585 claims per year in 2012 through 2015. The market share of the insured sector continued its decline from 66 percent in 2011 to a 3-year average 65.5 percent in 2013 to 2015. The market share of the self-insured sector increased from 29.8 percent in 2011 to an average 31.1 percent per year in 2013 through 2015 and the share of the State of California decreased from 4.0 percent in 2011 to a 3-year average 3.4 percent in 2013 to 2015. In 2015, the three-year average market shares based on claims counts were 65.5 percent insured, 31.1 percent self-insured, and 3.4 percent state. Using these values, the multiplier for extending the insured sector information to the overall system is 100%/65.5% = 1.527 (rounded to system size factor of 1.53).

<table>
<thead>
<tr>
<th>Year</th>
<th>Insured</th>
<th>State of California</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Market Share (%)</td>
</tr>
<tr>
<td>2013</td>
<td>392.9</td>
<td>65.1</td>
</tr>
<tr>
<td>2014</td>
<td>405.8</td>
<td>65.5</td>
</tr>
<tr>
<td>2015</td>
<td>398.9</td>
<td>65.7</td>
</tr>
<tr>
<td>Average for 3 years</td>
<td>65.5</td>
<td>31.1</td>
</tr>
</tbody>
</table>

Source: WCIS.

1 WCIS Database as of June 7, 2016, http://www.dir.ca.gov/dwc/wcis/WCIS_tables/Table-4/WCIS_Reports-Table-4.html.
Method of Estimating the Workers' Compensation System Size

Based on the convergence of market share measurements from two independent methods, the data convincingly demonstrate that the insured market share is 66-68 percent of the workers' compensation system. Depending on the method of measurement, the self-insured sector is 29-31 percent and the State sector is 3 or 4 percent.

Paid loss data indicate that 68 percent of the market is insured, 28.5 percent is self-insured, and 3.5 percent is State. These percentages are stable using 2015 data for insured and private self-insured sectors and either 2014/2015 or 2015/2016 data for the State and public self-insured sector, as shown in Tables 2 and 3. The multiplier for extending insured sector information to the overall system is 100%/68% = 1.47 (is in the ballpark of estimated 1.53 based on claim counts).

Table 2: Distribution of Workers' Compensation Paid Costs by Sectors (excluding Administrative Expenses)—using public self-insured and state data for FY 2015-2016

<table>
<thead>
<tr>
<th></th>
<th>Indemnity</th>
<th>Medical</th>
<th>Subtotal</th>
<th>% in Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Private Self-Insured(^1) (2015)</td>
<td>$596,664,021</td>
<td>$786,278,830</td>
<td>$1,382,942,851</td>
<td></td>
</tr>
<tr>
<td>b. Public Self-Insured(^2) (2015/2016)</td>
<td>$1,043,026,906</td>
<td>$1,097,857,099</td>
<td>$2,140,884,005</td>
<td></td>
</tr>
<tr>
<td>SELF-INSURANCE PLAN (a + b)</td>
<td>$1,639,690,927</td>
<td>$1,884,135,929</td>
<td>$3,523,826,856</td>
<td>28.5%</td>
</tr>
<tr>
<td>INSURED (2015)(^3)</td>
<td>$3,483,779,000</td>
<td>$4,925,792,000</td>
<td>$8,409,571,000</td>
<td>68.0%</td>
</tr>
<tr>
<td>STATE (2015/2016)(^4)</td>
<td>$180,243,125</td>
<td>$263,373,905</td>
<td>$443,617,030</td>
<td>3.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,377,014,886</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Percent Distribution of Workers' Compensation Paid Costs by Sectors (excluding Administrative Expenses)—using public self-insured and state data for FY 2014-2015

<table>
<thead>
<tr>
<th></th>
<th>Indemnity</th>
<th>Medical</th>
<th>Subtotal</th>
<th>% in Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Private Self-Insured(^1) (2015)</td>
<td>$596,664,021</td>
<td>$786,278,830</td>
<td>$1,382,942,851</td>
<td></td>
</tr>
<tr>
<td>b. Public Self-Insured(^2) (2014/2015)</td>
<td>$1,043,346,237</td>
<td>$1,102,679,825</td>
<td>$2,146,026,062</td>
<td></td>
</tr>
<tr>
<td>SELF-INSURANCE PLAN (a + b)</td>
<td>$1,611,010,258</td>
<td>$1,888,958,655</td>
<td>$3,499,968,913</td>
<td>28.4%</td>
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<tr>
<td>INSURED (2015)(^3)</td>
<td>$3,483,779,000</td>
<td>$4,925,792,000</td>
<td>$8,409,571,000</td>
<td>68.2%</td>
</tr>
<tr>
<td>STATE (2014/2015)(^4)</td>
<td>$179,329,143</td>
<td>$247,526,430</td>
<td>$426,855,573</td>
<td>3.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,336,395,486</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Private Statewide Summary, [http://www.dir.ca.gov/osip/StatewideTotals.html](http://www.dir.ca.gov/osip/StatewideTotals.html).
2. Public Statewide Summary, [http://www.dir.ca.gov/osip/StatewideTotals.html](http://www.dir.ca.gov/osip/StatewideTotals.html).
Workers’ compensation is generally a no-fault system that provides statutory benefits for occupational injuries or illnesses. Benefits consist of medical treatment, temporary disability (TD) payments, permanent disability (PD) payments, return-to-work assistance, and death benefits. The overall amounts paid in each of these categories systemwide are shown in Tables 4 and 5. These figures are based on insurer-paid amounts multiplied by 1.53 to include estimated amounts paid by self-insured employers and the State.

<table>
<thead>
<tr>
<th>Table 4: A Claim Counts-Based Estimate of Workers’ Compensation System Size (Million $)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insured</strong></td>
</tr>
<tr>
<td>Indemnity*</td>
</tr>
<tr>
<td>Medical*</td>
</tr>
<tr>
<td>Changes to Total Reserves</td>
</tr>
<tr>
<td>Insurer Pre-Tax Underwriting Profit/Loss</td>
</tr>
<tr>
<td>Expenses (see Table 5 below: Breakdown of Expenses)</td>
</tr>
<tr>
<td><strong>TOTAL for 2015</strong></td>
</tr>
</tbody>
</table>

*Include CIGA payments

Source for Insured figures in Tables 4 and 5 is WCIRB Losses and Expenses report released in June, 2016. Self-insured and state expenses are calculated by CHSWC using 0.53 multiplier for equivalent cost components. The equivalent expense components are estimated as in the Table 5:

<table>
<thead>
<tr>
<th>Table 5: Breakdown of Expenses (Million $)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insured</strong></td>
</tr>
<tr>
<td>Loss Adjustment Expense</td>
</tr>
<tr>
<td>Commissions and Brokerage</td>
</tr>
<tr>
<td>Other Acquisition Expenses</td>
</tr>
<tr>
<td>General Expenses</td>
</tr>
<tr>
<td>Premium and Other Taxes</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Estimate of Workers’ Compensation System Size Based on Written Premium

Another way to calculate systemwide costs for employers is by using written premium.

Written premium for insured employers = $17.6 billion in calendar year 2015.⁷

$17.6 billion * 1.53 = $26.9 billion systemwide costs for employers.

---

Costs Reached a Crisis in 2003

Both the increases in the costs of workers’ compensation benefits and changes in the workers’ compensation insurance industry were factors contributing to a workers’ compensation crisis that peaked in 2003.

The total costs of the California workers’ compensation system more than tripled, growing from $7.8 billion in 1997 to $29.0 billion in 2003. Medical costs, which are the largest single category of workers’ compensation costs, rose most sharply, from $2.6 billion in 1997 to $7.1 billion in 2003. The rate of increase in medical cost per workers’ compensation claim far exceeded the rate of increase in the consumer price index for medical care. Other contributing factors to the increased costs were the increases to the TD and PD benefits that began phasing into effect in 2003 following Assembly Bill (AB) 749 enacted in 2002 and the expansion of workers’ compensation liability.

The crisis propelled reforms enacted in 2003 and 2004 which reduced the cost of benefits and at least initially accomplished control of medical costs and a decrease in the cost of workers’ compensation insurance. Within several years, the average rate for workers’ compensation insurance fell by over 65 percent. These reforms included the following provisions:

* System-wide amounts estimated at 1.5 times the amounts reported by insurers

8 The total cost of the workers’ compensation figures consists of medical care payments and wage replacement benefits to injured workers, along with administrative expenses and adjustments to reserves, as calculated by CHSWC based on insurer data from WCIRB. Annual Reports, San Francisco: WCIRB, 1998, 2004.
SYSTEM COSTS AND BENEFITS OVERVIEW

- Evidence-based medical treatment guidelines.
- Utilization review of medical treatment, systematically applying the guidelines.
- New fee schedule for inpatient hospital, hospital outpatient departments, and ambulatory surgery centers based on the medical fee plus 20 percent.
- Employer control of medical care through medical provider networks (MPNs).
- PD rating based on the AMA Guides prescribed by 2004 legislation, implemented by a Permanent Disability Rating Schedule (PDRS) revision effective January 1, 2005.

Impact of 2003 and 2004 Reforms

The reforms of 2003 and 2004 cut PD benefits by over 50 percent and initially reduced medical costs. However, medical costs began to increase again shortly after the 2004 reforms, and the cost of insurance in recent years has begun to rise once more. The following trends in medical costs and the cost of insurance were noted:

- Paid medical costs increased by over 20 percent from 2007 to 2011, and the average medical cost per claim also grew by over 50 percent from 2005 to 2011. In addition to the increased medical costs, workers’ compensation medical treatment disputes took a very long time to resolve, and the medical provider network system was criticized for not providing sufficient access to care for injured workers.
- The average premium rate dropped every year from the second half of 2003 to 2009, when it was $2.10, a decrease of almost 67 percent from the second half of 2003. From 2009 to the second half of 2012, the average premium rate increased by 23 percent, from $2.10 per $100 of payroll to $2.59 per $100 of payroll, correspondingly, and approximately by 12 percent above the average rate of $2.32 per $100 of payroll charged for 2011.

Workers’ Compensation Reforms: Changes to the California System

California made significant legislative reforms in the workers’ compensation system with the enactment of Senate Bill (SB) 863 in September 2012. The goal of the reform was to improve benefits for injured workers while reducing costs. SB 863 generally makes changes to: the measurement of permanent disability; the compensation for permanent disability; the physician fee schedule; the process to resolve disputes over appropriate medical treatment, medical fees, and billing and collections; the means of ensuring self-insurance program solvency and the methods of securing the payment of compensation by self-insurance; and certain other aspects of the workers’ compensation system.

Many of the provisions of SB 863 were supported by CHSWC research and recommendations. For a summary of the key provisions of the reforms, please see the “Special Report: 2012 Workers’ Compensation Reforms” in the 2012 CHSWC Annual Report. For a summary of past reforms, please see the “System Costs and Benefits Overview” section in the 2011 CHSWC Annual Report.

The Workers’ Compensation Insurance Rating Bureau’s (WCIRB’s) prospective evaluation of SB 863 indicated significant savings from the reforms. WCIRB’s estimates from its November 2016 retrospective evaluation of SB 863 indicate total annual savings of $1.34 billion per year, an increase of $1.14 billion over the previous estimates. The key reasons for the increase include the addition of savings attributed to the reduction in medical severity as well as decreases in physician payments per claim attributed to the implementation of RBRVS. In particular, WCIRB estimates a 10 percent decrease in average medical cost per indemnity claim due to reductions in medical utilization levels resulting from various medical components of SB 863, including changes to liens, IMR, IBR, and MPNs. WCIRB is also retrospectively estimating $330 million in savings from the adoption of RBRVS. 9

9 Senate Bill No. 863 WCIRB Cost Monitoring Report—2016 Retrospective Evaluation
Table 6, that was reproduced from WCIRB’s November 2016 evaluation, summarizes WCIRB’s estimates using various cost categories.

<table>
<thead>
<tr>
<th>Indemnity Cost Components</th>
<th>WCIRB Prospective Evaluation</th>
<th>November 2016 Retrospective Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes to Weekly PD Min &amp; Max</td>
<td>+$650</td>
<td>+$650</td>
</tr>
<tr>
<td>SJDB Benefits</td>
<td>($10)</td>
<td>+$20</td>
</tr>
<tr>
<td>Replacement of FEC Factor</td>
<td>+$550</td>
<td>+$550</td>
</tr>
<tr>
<td>Elimination of PD Add-ons</td>
<td>($170)</td>
<td>($170)</td>
</tr>
<tr>
<td>Three-Tiered Weekly PD Benefits</td>
<td>($100)</td>
<td>($100)</td>
</tr>
<tr>
<td>Ogilvie Decision</td>
<td>($210)</td>
<td>($130)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Med and LAE Cost Components</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liens</td>
<td>($480)</td>
<td>($480)</td>
</tr>
<tr>
<td>Surgical Implant Hardware</td>
<td>($110)</td>
<td>($110)</td>
</tr>
<tr>
<td>ASC Fees</td>
<td>($80)</td>
<td>($80)</td>
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<tr>
<td>IMR—Impact of Frictional Costs</td>
<td>($180)</td>
<td>($180)</td>
</tr>
<tr>
<td>IMR—Impact of TD Duration</td>
<td>($210)</td>
<td>($210)</td>
</tr>
<tr>
<td>MPN Strengthening</td>
<td>($190)</td>
<td>($190)</td>
</tr>
<tr>
<td>IBR N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>RBRVS Fee Schedule</td>
<td>+$340</td>
<td>($330)</td>
</tr>
</tbody>
</table>

** A “+” implies additional savings above those prospectively estimated by the WCIRB, a “-” implies less savings (or additional costs), and a “=” implies savings (or cost) estimates generally consistent with prospective estimates. “TBD” implies that it is too early to retrospectively evaluate the cost component at this time.

Data Source: WCIRB

* Senate Bill No. 863 WCIRB Cost Monitoring Report—2016 Retrospective Evaluation (Table 1, p. 4).
Costs of Workers’ Compensation in California

Employers pay the cost of workers’ compensation either by paying premiums for workers’ compensation insurance or by self-insuring with the consent of the Department of Industrial Relations (DIR). Only the State of California can be legally uninsured as an employer. The cost to insured employers is measured in terms of premium. Premium is measured before discounts that are given for deductibles because there are no adequate data on amounts paid in deductibles by employers. The cost to self-insured employers is measured mostly by incurred claims, similar to the analysis of insurance company losses and expenses. These two aspects of employer cost are discussed in the following pages, and the loss and expense analysis for insurers appears later in this section.

Costs Paid by Insured Employers

In 2015, workers’ compensation insurers’ earned premium totaled $17.1 billion paid by California employers.10

The cost of workers’ compensation insurance in California has undergone dramatic changes in the past ten years due to a combination of factors.

When workers’ compensation premiums were deregulated beginning in 1995, insurers competed by lowering premium rates, in many instances below their actual costs. Costs also increased beyond the amounts foreseen when premiums were determined and collected. Many insurers drew on their reserves to make up the difference, and several insurers became insolvent. Subsequently, the surviving insurers charged higher premium rates in order to meet costs.

The California workers’ compensation legislative reforms in the early 2000s, which were developed to control medical costs, update indemnity benefits and improve the assessment of PD, had significant impact on insurance costs.

These reforms reduced workers’ compensation costs in California, but the cost of insurance began to increase again after 2009. However the cost of $2.65 per $100 of payroll in the second half of 2016 was still 58 percent below the second half of 2003 peak of $6.29 per $100 of payroll.11

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10 “2015 California’s Workers’ Compensation Losses and Expenses.” WCIRB—June 29, 2016. Note that earned premium is not identical to written premium. The two measurements are related, and the choice of which measurement to use depends on the purpose.

**SYSTEM COSTS AND BENEFITS OVERVIEW**

*Workers’ Compensation Written Premium*

WCIRB defines written premium as the premium an insurer expects to earn over the policy period. As shown in Figure 3, workers’ compensation written premium has undergone dramatic changes since 1995. Written premium increased slightly in the latter part of the 1990s, more than tripled from 1999 through 2004, and experienced a significant decline of over 60 percent from 2004 to 2009. There was a twofold increase in written premium from 2009 to 2015.

**Figure 3: Workers’ Compensation Written Premium, as of September 30, 2016 (Billion $)**

*Workers’ Compensation Average Premium Rate*

Figure 4 shows the average workers’ compensation premium rate per $100 of payroll. The average rose significantly from 1998 to the second half of 2003. However, the average premium rate dropped every year from the second half of 2003 to 2009, when it was $2.10, a decrease of almost 67 percent. From 2009 to the first half of 2015, the average premium rate increased by almost 45 percent, and then decreased by 13 percent from the first half of 2015 to second half of 2016.

**Figure 4: Average Workers’ Compensation Insurer Rate per $100 of Payroll, as of September 30, 2016 (Dollar $)**
SYSTEM COSTS AND BENEFITS OVERVIEW

Workers Covered by Workers’ Compensation Insurance

The estimated number of California workers covered by workers’ compensation insurance grew by 7 percent from 13.7 million in 1998 to 14.7 million in 2001. From 2001 to 2005, the number of covered workers in California stabilized, averaging about 14.7 million per year. The estimated number of California workers covered by workers’ compensation insurance grew by about 6 percent from 2003 to 2007, decreased by 8 percent from 2007 to 2010, and then increased again by about 10 percent from 2010 to 2014.\(^{12}\)

Figure 5: Estimated Number of Workers Covered by Workers’ Compensation Insurance in California (Millions)

![Figure 5: Estimated Number of Workers Covered by Workers’ Compensation Insurance in California (Millions)](image)

Data Source: National Academy of Social Insurance (NASI)

Total Earned Premium

WCIRB defines the earned premium as the portion of a premium earned by the insurer for policy coverage already provided.

Figure 6: Workers’ Compensation Earned Premium (Billion $)

![Figure 6: Workers’ Compensation Earned Premium (Billion $)](image)

Data Source: WCIRB

Average Earned Premium per Covered Worker

As shown in Figure 7, the average earned premium per covered worker more than tripled between 1998 and 2004, and then decreased by 60 percent from 2004 to 2009. From 2009 to 2014, the average earned premium per covered worker increased by 64.5 percent.


Costs Paid by Self-Insured Private and Public Employers

The permissible alternatives to insurance are private self-insurance, public self-insurance for government entities either individually or in joint power authorities (JPAs), and legally uninsured State government.

The Office of Self-Insurance Plans (OSIP) is a program within the Department of Industrial Relations (DIR) Director's Office responsible for the oversight, regulation, and administration of the workers' compensation self-insurance marketplace in California. The self-insurance marketplace consists of more than 9,849 employers, employing more than 4 million workers, with a total payroll exceeding $218 billion. One out of every four California workers is covered by self-insured workers' compensation.

During 2014, OSIP continued to expand on its many initiatives from the previous year designed to streamline its operations, reduce fees to California employers, and increase its accountability, transparency, and commitment to provide the public with a high level of responsive customer service. An example of this was the year-long project to expand a successful E-Filing platform enabling self-insured employers and actuaries to electronically file their required employer's actuarial and financial report. In 2015, OSIP worked on further improving e-filing to make it even easier to file an employer's Annual Report.

Another significant accomplishment was the development and implementation of a streamlined process for California employers who wish to become self-insured to accomplish this process in a “speed-of-business” manner. In 2011, the total time required to complete the private self-insured application process and be issued a certificate of authority to self-insure was nearly nine months. In 2012, this was shortened to four to six months, with additional reductions during 2013 to less than 30 days. In 2014, OSIP successfully worked with private employers and completed this process consistently in less than 14 days. In April 2014, OSIP was able to facilitate and complete this process for a major California employer with more than $1 billion in revenues and 26,000+ employees in just nine days.

OSIP was able to achieve these and many other significant accomplishments during 2015 while conserving expenditures, saving 40 percent in its FY 2015-2016 budget.

Part of the cost of workers’ compensation for self-insured employers can be estimated using the amount of benefits paid in a given year and changes in reserves. This method is similar to an analysis done by for the insurance industry, but the data are less comprehensive for self-insured employers than for insurers. The most complete estimate of the cost to self-insured employers is still obtained by calculating a multiple of the cost to insured employers, excluding the cost elements that apply only to insurance. Using this method yields a multiplier of 0.53 and an estimated cost to self-insured employers and the State for 2015 of $7.8 billion (see the box “Systemwide Cost: Paid Dollars for 2015 Calendar Year” on p.20).
Private Self-Insured Employers\textsuperscript{13}

\textit{Number of Employees.} Figure 8 shows the number of employees working for private self-insured employers between 2000 and 2015. A number of factors may affect the year-to-year changes. One striking comparison is the average cost of insurance per $100 of payroll for insured employers, as described earlier. When insurance is inexpensive, fewer employers may be attracted to self-insurance, but when insurance becomes more expensive, more employers move to self-insurance.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{Figure8.png}
\caption{Figure 8: Number of Employees of Private Self-Insured Employers ( Millions)}
\end{figure}

\textit{Indemnity Claims.} The rate of indemnity claims per 100 employees of private self-insured employers reflects trends seen throughout the workers’ compensation system. Although the smaller year-to-year variations, including a two-year upward trend from 2000 through 2002, are not correlated with any short-term variations in the insured market. The reforms of 2003-2004 produced distinct drops in frequency.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{Figure9.png}
\caption{Figure 9: Number of Indemnity Claims per 100 Employees of Private Self-Insured Employers}
\end{figure}

\textsuperscript{13} Data for private self-insured employers are from DIR’s Office of Self-Insurance Plans correspondence received by CHSWC in June 2016.
**Incurred Cost per Indemnity Claim.** Figure 10 shows the incurred cost per indemnity claim for private self-insured employers, which experienced changes similar to the changes for insurance companies. There was a steady rise in the cost per indemnity claim until 2003, when the cost began to drop in response to the reforms of 2003-2004. The upward trend returned in 2006. Although the growth in cost per claim recurred, the starting point for the growth was lower than it would have been without the reforms, and there was an overall 9 percent decrease in average incurred cost per indemnity claim from 2011 to 2015.

*Figure 10: Incurred Cost Per Indemnity Claim of Private Self-Insured Employers*

**Incurred Cost per Indemnity and Medical Claim.** The average cost of all claims, including both indemnity claims and medical-only claims, is naturally lower than the average cost of indemnity claims. Although it is lower, it shows a pattern similar to the trends for indemnity claims, except for a slight increase from 2012 to 2015.

*Figure 11: Incurred Cost per Claim, Indemnity and Medical of Private Self-Insured Employers*
Public Self-Insured Employers


Indemnity Claims. The number of indemnity claims by employees working for public self-insured employers decreased by 28 percent from 2000-2001 to 2004-2005, and then fluctuated between 2004-2005 and 2008-09. From 2008-2009 to 2011-2012, the number of indemnity claims by employees working for public self-insured employers increased by 10.5 percent, and then decreased again by 24 percent from 2011-2012 to 2014-2015.

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14 Data for Public Self-Insured Employers are from DIR’s Office of Self-Insurance Plans correspondence received by CHSWC in December 2015.
**SYSTEM COSTS AND BENEFITS OVERVIEW**

*Incurred Cost per Claim.* Figure 14 shows the incurred cost per indemnity claim for public self-insured employers. Between 2000-2001 and 2014-2015, the incurred cost per indemnity claim increased overall by 41 percent from $13,787 to $19,404.

**Figure 14: Incurred Cost per Indemnity Claim of Public Self-Insured Employers (in $)**

*Incurred Cost per Indemnity and Medical Claim* Figure 15 shows the incurred cost per indemnity and medical claim for public self-insured employers. Between 2000-2001 and 2014-2015, the incurred cost per indemnity and medical claim increased overall by 52 percent from $6,388 to $9,722.

**Figure 15: Incurred Cost per Claim–Indemnity and Medical–Public Self-Insured Employers (in $)**

Data Source: DIR Self-Insurance Plans
**Workers’ Compensation System Expenditures: Indemnity and Medical Benefits**

**Overall Costs**

*Methodology for Estimating.* The estimated percentages of total system costs are based on insured employer costs provided by WCIRB. The assumption is that these data apply also to self-insureds. Since self-insured employers and the State are estimated to account for 34.5 percent of total California workers’ compensation claims, the total system costs are calculated by increasing WCIRB data for insured employers to reflect that proportion.

**Growth of Workers’ Compensation Costs**

![Figure 16: Workers’ Compensation Costs: Percent Change by Year Compared with 2003](chart)

<table>
<thead>
<tr>
<th>Year</th>
<th>Medical Paid</th>
<th>Indemnity Paid</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>-6.5%</td>
<td>2.1%</td>
<td>9.6%</td>
</tr>
<tr>
<td>2005</td>
<td>-21.4%</td>
<td>-7.1%</td>
<td>3.7%</td>
</tr>
<tr>
<td>2006</td>
<td>-24.6%</td>
<td>-23.4%</td>
<td>-4.8%</td>
</tr>
<tr>
<td>2007</td>
<td>-23.3%</td>
<td>-32.0%</td>
<td>-18.6%</td>
</tr>
<tr>
<td>2008</td>
<td>-17.0%</td>
<td>-36.0%</td>
<td>-22.5%</td>
</tr>
<tr>
<td>2009</td>
<td>-16.2%</td>
<td>-39.5%</td>
<td>-24.5%</td>
</tr>
<tr>
<td>2010</td>
<td>-13.5%</td>
<td>-39.5%</td>
<td>-21.7%</td>
</tr>
<tr>
<td>2011</td>
<td>-10.6%</td>
<td>-35.7%</td>
<td>-2.5%</td>
</tr>
<tr>
<td>2012</td>
<td>-2.7%</td>
<td>-31.3%</td>
<td>-10.2%</td>
</tr>
<tr>
<td>2013</td>
<td>5.0%</td>
<td>-28.1%</td>
<td>2.4%</td>
</tr>
<tr>
<td>2014</td>
<td>1.2%</td>
<td>-27.5%</td>
<td>12.2%</td>
</tr>
<tr>
<td>2015</td>
<td>-0.9%</td>
<td>-25.4%</td>
<td>18.2%</td>
</tr>
</tbody>
</table>

*Data Source: WCIRB*
Distribution of Workers’ Compensation Costs by Type.

Figures 17 and 18 show the distribution of workers’ compensation paid costs for insured employers and systemwide.

**Figure 17: Estimated Distribution of Insured Employers’ and Systemwide Workers’ Compensation Paid Costs, 2015 (Million $)**

- **Indemnity**: $3,484 (24%)
- **Medical**: $4,926 (34%)
- **Expenses**: $6,095 (42%)

Data Source: WCIRB

**Figure 18: Estimated Distribution of Systemwide Workers’ Compensation Paid Costs, 2015 (Million $)**

- **Indemnity**: $5,330 (25%)
- **Medical**: $7,536 (36%)
- **Expenses**: $8,155 (39%)

Data Source: WCIRB with calculations by CHSWC

* The distribution shown in this chart includes both insured and self-insured employers’ costs. For insured costs, Expenses include allocated loss adjustment expenses, unallocated loss adjustment expenses, commissions and brokerage, other acquisition expenses, and premium taxes. Self-insured employers would not encounter some of those types of expenses.
Indemnity Benefits

WCIRB provided data for the cost of indemnity benefits paid by insured employers. Assuming that insured employers comprise approximately 65.5 percent of total California workers’ compensation claims, estimated indemnity benefits are shown in Table 7 for the total system, insured employers, self-insured employers, and the State of California.

Table 7: Systemwide Estimated Costs of Paid Indemnity Benefits

<table>
<thead>
<tr>
<th>Indemnity Benefits (Thousand $)</th>
<th>2014</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Disability</td>
<td>$2,524,688</td>
<td>$2,670,112</td>
<td>$145,424</td>
</tr>
<tr>
<td>Permanent Total Disability</td>
<td>$188,650</td>
<td>$175,884</td>
<td>-$12,766</td>
</tr>
<tr>
<td>Permanent Partial Disability</td>
<td>$2,170,030</td>
<td>$2,163,261</td>
<td>-$6,769</td>
</tr>
<tr>
<td>Death</td>
<td>$113,935</td>
<td>$104,296</td>
<td>-$9,640</td>
</tr>
<tr>
<td>Funeral Expenses</td>
<td>$3,264</td>
<td>$3,718</td>
<td>$454</td>
</tr>
<tr>
<td>Life Pensions</td>
<td>$142,172</td>
<td>$142,793</td>
<td>$622</td>
</tr>
<tr>
<td>Voc Rehab/Non-transferable Education Voucher</td>
<td>$45,848</td>
<td>$70,118</td>
<td>$24,270</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5,188,588</td>
<td>$5,330,182</td>
<td>$141,594</td>
</tr>
</tbody>
</table>

Paid by Insured Employers

<table>
<thead>
<tr>
<th>Indemnity Benefits (Thousand $)</th>
<th>2014</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Disability *</td>
<td>$1,650,123</td>
<td>$1,745,171</td>
<td>$95,048</td>
</tr>
<tr>
<td>Permanent Total Disability *</td>
<td>$123,301</td>
<td>$114,957</td>
<td>-$8,344</td>
</tr>
<tr>
<td>Permanent Partial Disability *</td>
<td>$1,418,320</td>
<td>$1,413,896</td>
<td>-$4,424</td>
</tr>
<tr>
<td>Death *</td>
<td>$74,468</td>
<td>$68,167</td>
<td>-$6,301</td>
</tr>
<tr>
<td>Funeral Expenses</td>
<td>$2,133</td>
<td>$2,430</td>
<td>$297</td>
</tr>
<tr>
<td>Life Pensions</td>
<td>$92,923</td>
<td>$93,329</td>
<td>$406</td>
</tr>
<tr>
<td>Voc Rehab/Non-transferable Education Voucher *</td>
<td>$29,966</td>
<td>$45,829</td>
<td>$15,863</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,391,234</td>
<td>$3,483,779</td>
<td>$92,545</td>
</tr>
</tbody>
</table>

Paid by Self-Insured Employers and the State**

<table>
<thead>
<tr>
<th>Indemnity Benefits (Thousand $)</th>
<th>2014</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Disability</td>
<td>$874,565</td>
<td>$924,941</td>
<td>$50,376</td>
</tr>
<tr>
<td>Permanent Total Disability</td>
<td>$65,349</td>
<td>$60,927</td>
<td>-$4,422</td>
</tr>
<tr>
<td>Permanent Partial Disability</td>
<td>$751,710</td>
<td>$749,365</td>
<td>-$2,345</td>
</tr>
<tr>
<td>Death</td>
<td>$39,468</td>
<td>$36,129</td>
<td>-$3,339</td>
</tr>
<tr>
<td>Funeral Expenses</td>
<td>$1,131</td>
<td>$1,288</td>
<td>$157</td>
</tr>
<tr>
<td>Life Pensions</td>
<td>$49,249</td>
<td>$49,464</td>
<td>$215</td>
</tr>
<tr>
<td>Voc Rehab/Non-transferable Education Voucher</td>
<td>$15,882</td>
<td>$24,289</td>
<td>$8,407</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,797,354</td>
<td>$1,846,403</td>
<td>$49,049</td>
</tr>
</tbody>
</table>

Sources: Calculated by CHSWC, based on data from WCIRB

* Single Sum Settlement and Other Indemnity payments have been allocated to the benefit categories.

** Figures estimated based on insured employers’ costs. Self-insured employers and the State of California are estimated to comprise 34.5 percent of all California workers’ compensation claims.
Trends in Paid Indemnity Benefits.

The estimated systemwide paid indemnity benefits for the last decade are displayed in Figure 19. After the reforms of 2003-2004, paid indemnity benefits decreased steadily by 19 percent from 2006 to 2009, when they dropped to below the 2001 levels ($5 billion). However, from 2009 to 2015, there was a 26 percent increase in total paid indemnity benefits. After the reforms, payments for permanent partial disability, which peaked in 2004 to $2.9 billion had one of the biggest declines: 71 percent, from 2004 to 2010. From 2010 to 2013, payments for permanent partial disability increased by 26 percent to $2,164 million and then stabilized at that level from 2013 to 2015. The TD benefits steadily declined from 2006 to 2009 (11 percent) despite the TD benefit increases of AB 749 and the impact of the two-year limit not taking effect until April 2006. From 2009 to 2015, the TD benefits increased by 31 percent.

Figure 19: Workers’ Compensation Paid Indemnity Benefit by Type Systemwide Estimated Costs (Million $)

Supplemental Job Displacement Benefits Costs

The reforms of 2003 eliminated vocational rehabilitation (VR) for injuries arising on or after January 1, 2004, and replaced it with a supplemental job displacement benefit (SJDB). The VR statutes were repealed as of January 1, 2009. Consequently, the expenditures for VR decreased rapidly, as the remaining pre-2004 cases were addressed. SJDB expenditures were made, but at a much lower level.

Supplemental Job Displacement Benefit Vouchers

Assembly Bill (AB) 227 (Vargas, 2003) created a system of non-transferable educational vouchers effective for injuries that occurred on or after January 1, 2004. WCIRB’s estimate of the cost of education vouchers is based on information compiled from its most current Permanent Disability Claim Survey. In total, 18.3 percent of accident year 2004 PD claims involved education vouchers, and the average cost of the education vouchers was approximately $5,900. For the 2005 accident year, at first survey level, 20.7
percent of sampled PD claims were reported as involving education vouchers, with an estimated average cost of approximately $5,600. SB 863 (De Léon 2012) revises the SJDB for injuries that occurred on or after January 1, 2013, while preserving the concept of a voucher for education or training for an injured worker who does not have an opportunity to return to work for the at-injury employer.

**Vocational Rehabilitation and Supplemental Job Displacement Benefit Vouchers (SJDB) Incurred Costs**

AB 227, enacted in 2003, in combination with clean-up language in SB 899 enacted in 2004, repealed the workers’ compensation VR benefit for dates of injury on or after January 1, 2004. VR benefits were available only to eligible workers injured before 2004 and were available only through December 31, 2008. VR has essentially ended, although some litigation continues over the wind-up of VR under particular circumstances. Figure 20 presents the most recent data available through 2013 on VR costs, including SJDB vouchers (non-transferable education vouchers) beginning in policy year 2003. Effective with injuries that occurred on or after January 1, 2013, Labor Code Section 4658.5 was modified, and Labor Code Section 4658.7, which modified the system of supplemental job displacement benefits, was created by Senate Bill 863 (2012).

**Figure 20: Vocational Rehabilitation Benefits*, Total and as Percent of Total Incurred Losses, WCIRB First Report Level (Million $)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Incurred Losses</th>
<th>Voc Rehab Benefits **</th>
<th>Voc Rehab as % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>3,744</td>
<td>253</td>
<td>6.8%</td>
</tr>
<tr>
<td>1998</td>
<td>4,123</td>
<td>261</td>
<td>6.3%</td>
</tr>
<tr>
<td>1999</td>
<td>4,631</td>
<td>278</td>
<td>6.0%</td>
</tr>
<tr>
<td>2000</td>
<td>5,243</td>
<td>292</td>
<td>5.6%</td>
</tr>
<tr>
<td>2001</td>
<td>5,702</td>
<td>291</td>
<td>5.1%</td>
</tr>
<tr>
<td>2002</td>
<td>5,809</td>
<td>275</td>
<td>4.7%</td>
</tr>
<tr>
<td>2003</td>
<td>5,147</td>
<td>177</td>
<td>3.4%</td>
</tr>
<tr>
<td>2004</td>
<td>3,855</td>
<td>49</td>
<td>1.3%</td>
</tr>
<tr>
<td>2005</td>
<td>3,351</td>
<td>38</td>
<td>1.1%</td>
</tr>
<tr>
<td>2006</td>
<td>3,463</td>
<td>38</td>
<td>1.1%</td>
</tr>
<tr>
<td>2007</td>
<td>3,601</td>
<td>38</td>
<td>1.1%</td>
</tr>
<tr>
<td>2008</td>
<td>3,495</td>
<td>40</td>
<td>1.1%</td>
</tr>
<tr>
<td>2009</td>
<td>3,478</td>
<td>37</td>
<td>0.9%</td>
</tr>
<tr>
<td>2010</td>
<td>3,581</td>
<td>31</td>
<td>0.7%</td>
</tr>
<tr>
<td>2011</td>
<td>3,760</td>
<td>26</td>
<td>0.7%</td>
</tr>
<tr>
<td>2012</td>
<td>3,878</td>
<td>27</td>
<td>0.7%</td>
</tr>
<tr>
<td>2013</td>
<td>4,069</td>
<td>26</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

* The Vocational Rehabilitation statutes are repealed entirely effective January 1, 2009, and replaced with Supplemental Job Displacement Benefits.

** Policy year 2003 “vocational rehabilitation benefits” contain a mix of vocational rehabilitation costs and non-transferable educational voucher costs. Policy year 2004 and later “vocational rehabilitation benefits” contain mainly non-transferable educational voucher costs.

Data Source: WCIRB
Figure 21 shows that the amounts paid for SJDB vouchers increased almost 6 times in 2015 compared to 2006 and the proportion of amounts paid for SJDB vouchers in total Vocational Rehabilitation benefits increased from 3 percent to 97 percent from 2006 to 2015.

**Figure 21: Paid Vocational Rehabilitation Benefits, by Insured Employers (Million $)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ed. Vouchers (SJDB)</td>
<td>8.0</td>
<td>8.9</td>
<td>35.0</td>
<td>30.8</td>
<td>27.1</td>
<td>30.5</td>
<td>34.8</td>
<td>36.2</td>
<td>29.0</td>
</tr>
<tr>
<td>V.R. Settlement *</td>
<td>37.0</td>
<td>22.9</td>
<td>11.5</td>
<td>2.6</td>
<td>0.6</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Ed. &amp; Training</td>
<td>62.8</td>
<td>38.8</td>
<td>19.6</td>
<td>4.4</td>
<td>1.1</td>
<td>0.2</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Evaluation</td>
<td>40.3</td>
<td>24.9</td>
<td>12.5</td>
<td>2.8</td>
<td>0.7</td>
<td>0.2</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other Voc. Rehab</td>
<td>0.6</td>
<td>1.0</td>
<td>2.8</td>
<td>1.5</td>
<td>1.0</td>
<td>0.9</td>
<td>1.7</td>
<td>1.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Maintenance Allow.</td>
<td>94.0</td>
<td>58.1</td>
<td>29.3</td>
<td>6.5</td>
<td>1.6</td>
<td>0.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>242.7</td>
<td>154.4</td>
<td>110.6</td>
<td>48.5</td>
<td>32.0</td>
<td>32.3</td>
<td>36.5</td>
<td>37.2</td>
<td>29.9</td>
</tr>
</tbody>
</table>

* Vocational Rehabilitation Settlements were allowed on injuries occurring on or after January 1, 2003, pursuant to Assembly Bill No.749

Data Source: WCIRB

**Medical Benefits**

**Workers’ Compensation Medical Costs vs. Medical Inflation**

Figure 22 compares the percent growth of California’s workers’ compensation medical costs paid by insurers and self-insured employers in each consecutive year from 2003 with the percent growth of the medical component of the Consumer Price Index (CPI) in each consecutive year from the same base year. The medical component of the CPI is also known as the “Medical CPI,” an economic term used to describe price increases in health care services. After 2013 the growth of workers’ compensation medical costs has started to decrease.
**SYSTEM COSTS AND BENEFITS OVERVIEW**

**Figure 22: Growth of Workers’ Compensation Medical Costs Compared with Growth of Medical Inflation**
(2003 as a base year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Change in Workers' Comp Medical Costs as Compared to 2003</th>
<th>Change in Medical CPI as Compared to 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>-6.5%</td>
<td>4.4%</td>
</tr>
<tr>
<td>2005</td>
<td>-21.4%</td>
<td>8.8%</td>
</tr>
<tr>
<td>2006</td>
<td>-24.4%</td>
<td>13.2%</td>
</tr>
<tr>
<td>2007</td>
<td>-23.3%</td>
<td>18.2%</td>
</tr>
<tr>
<td>2008</td>
<td>-17.0%</td>
<td>22.5%</td>
</tr>
<tr>
<td>2009</td>
<td>-16.2%</td>
<td>26.4%</td>
</tr>
<tr>
<td>2010</td>
<td>-13.5%</td>
<td>30.7%</td>
</tr>
<tr>
<td>2011</td>
<td>-10.6%</td>
<td>34.7%</td>
</tr>
<tr>
<td>2012</td>
<td>-2.7%</td>
<td>39.7%</td>
</tr>
<tr>
<td>2013</td>
<td>5.0%</td>
<td>43.1%</td>
</tr>
<tr>
<td>2014</td>
<td>1.2%</td>
<td>46.5%</td>
</tr>
<tr>
<td>2015</td>
<td>-0.9%</td>
<td>50.4%</td>
</tr>
</tbody>
</table>

Data Source: WCIRB; Bureau of Labor Statistics

**Distribution of Medical Benefits: Where Does the Workers’ Compensation Dollar Go?**

WCIRB provided data for the cost of medical benefits paid by insured employers. Assuming that insured employers comprise approximately 66 percent of total California workers’ compensation claims, estimated medical benefits are shown in Table 8 for the total system, insured employers, self-insured employers, and the State of California.
## Table 8: Systemwide Estimated Costs—Medical Benefits Paid

<table>
<thead>
<tr>
<th>Medical Benefits (Thousand $)</th>
<th>2014</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physicians</td>
<td>$2,077,918</td>
<td>$1,984,225</td>
<td>-$93,693</td>
</tr>
<tr>
<td>Hospital (Inpatient and Outpatient)</td>
<td>$931,215</td>
<td>$960,254</td>
<td>$29,039</td>
</tr>
<tr>
<td>Medical Supplies and Equipment</td>
<td>$377,104</td>
<td>$380,207</td>
<td>$3,103</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>$669,551</td>
<td>$519,567</td>
<td>-$149,985</td>
</tr>
<tr>
<td>Medical-Legal Evaluation</td>
<td>$507,935</td>
<td>$524,775</td>
<td>$16,839</td>
</tr>
<tr>
<td>Payments Made Directly to Patients</td>
<td>$1,854,734</td>
<td>$1,998,786</td>
<td>$144,052</td>
</tr>
<tr>
<td>Medical Cost-Containment Programs*</td>
<td>$315,536</td>
<td>$311,558</td>
<td>-$3,977</td>
</tr>
<tr>
<td>Medicare Set-aside (Med payments and Reimbursements)</td>
<td>$230,880</td>
<td>$277,069</td>
<td>$46,189</td>
</tr>
<tr>
<td>Capitated Medical</td>
<td>$15,932</td>
<td>$27,333</td>
<td>$11,411</td>
</tr>
<tr>
<td>Other (Med Liens, Dental, Interpreter***, and Copy Services***</td>
<td>$715,727</td>
<td>$552,688</td>
<td>-$163,039</td>
</tr>
<tr>
<td>Total</td>
<td>$7,695,992</td>
<td>$7,536,462</td>
<td>-$159,530</td>
</tr>
</tbody>
</table>

**Paid by Insured Employers**

<table>
<thead>
<tr>
<th>Medical Benefits (Thousand $)</th>
<th>2014</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physicians</td>
<td>$1,358,116</td>
<td>$1,296,879</td>
<td>-$61,237</td>
</tr>
<tr>
<td>Hospital (Inpatient and Outpatient)</td>
<td>$608,637</td>
<td>$627,617</td>
<td>$18,980</td>
</tr>
<tr>
<td>Medical Supplies and Equipment</td>
<td>$246,473</td>
<td>$248,501</td>
<td>$2,028</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>$437,615</td>
<td>$339,586</td>
<td>-$98,029</td>
</tr>
<tr>
<td>Medical-Legal Evaluation</td>
<td>$331,984</td>
<td>$342,990</td>
<td>$11,006</td>
</tr>
<tr>
<td>Payments Made Directly to Patient</td>
<td>$1,212,244</td>
<td>$1,306,396</td>
<td>$94,152</td>
</tr>
<tr>
<td>Medical Cost-Containment Programs*</td>
<td>$206,232</td>
<td>$203,633</td>
<td>-$2,599</td>
</tr>
<tr>
<td>Medicare Set-aside (Med payments and Reimbursements)</td>
<td>$150,902</td>
<td>$181,091</td>
<td>$30,189</td>
</tr>
<tr>
<td>Capitated Medical</td>
<td>$10,060</td>
<td>$17,865</td>
<td>$7,805</td>
</tr>
<tr>
<td>Other (Med Liens, Dental, Interpreter***, and Copy Services***</td>
<td>$467,796</td>
<td>$361,234</td>
<td>-$106,562</td>
</tr>
<tr>
<td>Total</td>
<td>$5,030,060</td>
<td>$4,925,792</td>
<td>-$104,268</td>
</tr>
</tbody>
</table>

**Paid by Self-Insured Employers**

<table>
<thead>
<tr>
<th>Medical Benefits (Thousand $)</th>
<th>2014</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physicians</td>
<td>$719,802</td>
<td>$687,346</td>
<td>-$32,456</td>
</tr>
<tr>
<td>Hospital (Inpatient and Outpatient)</td>
<td>$322,578</td>
<td>$332,637</td>
<td>$10,059</td>
</tr>
<tr>
<td>Medical Supplies and Equipment</td>
<td>$130,631</td>
<td>$131,706</td>
<td>$1,075</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>$231,936</td>
<td>$179,981</td>
<td>-$51,955</td>
</tr>
<tr>
<td>Medical-Legal Evaluation</td>
<td>$175,951</td>
<td>$181,785</td>
<td>$5,833</td>
</tr>
<tr>
<td>Payments Made Directly to Patient</td>
<td>$642,490</td>
<td>$692,390</td>
<td>$49,900</td>
</tr>
<tr>
<td>Medical Cost-Containment Programs*</td>
<td>$109,303</td>
<td>$107,925</td>
<td>-$1,378</td>
</tr>
<tr>
<td>Medicare Set-aside (Med payments and Reimbursements)</td>
<td>$79,978</td>
<td>$95,978</td>
<td>$16,000</td>
</tr>
<tr>
<td>Capitated Medical</td>
<td>$5,332</td>
<td>$9,468</td>
<td>$4,137</td>
</tr>
<tr>
<td>Other (Med Liens, Dental, Interpreter***, and Copy Services***</td>
<td>$247,932</td>
<td>$191,454</td>
<td>-$56,478</td>
</tr>
<tr>
<td>Total</td>
<td>$2,665,932</td>
<td>$2,610,670</td>
<td>-$55,262</td>
</tr>
</tbody>
</table>

Sources: Calculated by CHSWC, based on WCIRB’s Medical Data Call (MDC).

* Medical cost-containment programs (MCCP) costs on claims covered by policies incepting prior to July 1, 2010 are considered medical loss; those on claims covered by policies incepting July 1, 2010 and beyond are considered Allocated Loss Adjustment Expenses (ALAE). The amount of MCCP costs reported as ALAE for calendar year 2015 is $307 million.

** Figures estimated are based on insured employers’ costs. Self-insured employers and the State of California are estimated to comprise 34.5 percent of all California workers’ compensation claims.

*** Based on WCIRB surveys of insurer medical payments.
Trends in Paid Medical Benefits

The estimated systemwide paid medical costs for the past several years are shown in Figure 23. The following trends may result from the impact of recent workers’ compensation reforms and economic recession.

The cost of the total medical benefit increased by 35 percent from 2006 to 2012 and then, after reaching its peak of $7,943 million, based on new transactional data in 2013, decreased by 5 percent from 2013 to 2015. Payments to physicians decreased by 2 percent from 2006 to 2009, increased by 18 percent from 2009 to 2012, and then after decreasing to pre-2010 level in 2013 measurements, decreased by 10 percent from 2013 to 2015. Pharmacy costs increased by 16 percent from 2006 to 2012 and, after reaching its peak of $746 million, based on new transactional data in 2013, decreased by 30 percent from 2013 to 2015. Hospital costs increased by 40 percent from 2006 to 2008, decreased by 22 percent from 2008 to 2009, averaged $1,340 million per year from 2009 to 2012, and then fell by 25 percent to an average of $1,000 million per year in 2013 through 2015. Direct payments to patients averaged $900 million per year from 2006 to 2008, doubled from 2008 to 2012, and then decreased slightly in 2013 measurements. From 2013 to 2015, the direct payments to patients increased by 4 percent. Expenditures on medical cost-containment programs increased 1.6 times from 2006 to 2010, decreased by 29 percent from 2010 to 2012, and from 2013 to 2015, they decreased by 7 percent. Medical-legal evaluation costs averaged $265 million from 2006 to 2012, increased by 71 percent in new 2013 measurements, and from 2013 to 2015 the medical-legal costs increased again by 16 percent.

The apparent increases in the medical payments made to injured workers and medical-legal evaluation costs were in part the result of availability of more detailed reporting of payments into specific recipient/payee categories.

Figure 23: Workers’ Compensation Paid Medical Benefits by Type, Systemwide Estimated Costs (Million $)

* Medical cost-containment program (MCCP) costs on claims covered by policies incepting prior to July 1, 2010, are considered Medical Loss , and those covered by policies incepting July 1, 2010, and beyond are considered Allocated Loss Adjustment Expenses (ALAE). The amount of MCCP costs reported as ALAE for calendar year 2015 is $307 million.
** Hospitals include Outpatient and Inpatient services that became separately identifiable beginning from 2013.
*** Medicare Set-aside Payments include Medical Payments and Reimbursements.
**** Other includes Medical Liens, Dental, Interpreter, and Copy services.

---

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Physicians</td>
<td>$2,283</td>
<td>$2,264</td>
<td>$2,233</td>
<td>$2,231</td>
<td>$2,314</td>
<td>$2,360</td>
<td>$2,629</td>
<td>$2,198</td>
<td>$2,078</td>
</tr>
<tr>
<td>Med Cost Cntnmnt Prgrms*</td>
<td>$329</td>
<td>$359</td>
<td>$532</td>
<td>$509</td>
<td>$532</td>
<td>$473</td>
<td>$376</td>
<td>$333</td>
<td>$316</td>
</tr>
<tr>
<td>Medical-Legal Evaluation</td>
<td>$230</td>
<td>$219</td>
<td>$300</td>
<td>$298</td>
<td>$270</td>
<td>$227</td>
<td>$296</td>
<td>$296</td>
<td>$242</td>
</tr>
<tr>
<td>Direct Payments to Patients</td>
<td>$903</td>
<td>$824</td>
<td>$982</td>
<td>$1,408</td>
<td>$1,446</td>
<td>$1,704</td>
<td>$1,944</td>
<td>$1,920</td>
<td>$1,855</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>$548</td>
<td>$510</td>
<td>$550</td>
<td>$591</td>
<td>$592</td>
<td>$595</td>
<td>$633</td>
<td>$746</td>
<td>$670</td>
</tr>
<tr>
<td>Medical Supplies &amp; Equipm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitals**</td>
<td>$1,172</td>
<td>$1,418</td>
<td>$1,639</td>
<td>$1,276</td>
<td>$1,413</td>
<td>$1,332</td>
<td>$1,341</td>
<td>$1,087</td>
<td>$931</td>
</tr>
<tr>
<td>Capitated Medical</td>
<td>$11.0</td>
<td>$11.2</td>
<td>$18.8</td>
<td>$6.3</td>
<td>$6.6</td>
<td>$27.1</td>
<td>$7.4</td>
<td>$23.8</td>
<td>$15.4</td>
</tr>
<tr>
<td>Medicare Set-aside***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$147</td>
<td>$206</td>
</tr>
<tr>
<td>Other ****</td>
<td>$579</td>
<td>$716</td>
<td>$553</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$5,475</td>
<td>$5,605</td>
<td>$6,255</td>
<td>$6,279</td>
<td>$6,574</td>
<td>$6,769</td>
<td>$7,373</td>
<td>$7,943</td>
<td>$7,696</td>
</tr>
</tbody>
</table>

Source: WCIRB’s MDC (Calculations by CHSWC)

---

15 Medical cost-containment program costs on claims covered by policies incepting prior to July 1, 2010, are considered medical loss, and those covered by policies incepting July 1, 2010, and beyond are considered allocated loss adjustment expenses.
**Average Ultimate Total Loss**

Figure 24 shows changes in indemnity and medical components of the projected ultimate total loss per workers’ compensation indemnity claim.

Beginning with claims incurred on policies incepting on or after July 1, 2010, the cost of medical cost containment programs (MCCP) is reported to WCIRB as allocated loss adjustment expenses (ALAE) rather than as medical loss. As a result, a portion of MCCP costs for accident years 2010 and 2011 was reported as medical loss, and a portion was reported as ALAE. In order to facilitate consistent comparison from year to year of medical losses and ALAE, accident year 2010 MCCP costs reported as ALAE were shifted to medical loss, and the estimated amount of accident year 2011 MCCP costs reported as medical loss were shifted to ALAE. In order to provide consistent comparisons across years in Figure 24, to the extent appropriate, the amounts and ratios shown represent the combined cost of losses and ALAE, with MCCP amounts shown separately.

WCIRB projects the average cost or “severity” of a 2015 indemnity claim to be approximately $80,700, which is about 3 percent higher than the projected severity for 2014. The projected average indemnity cost of a 2015 indemnity claim increased by 4 percent over that for 2014, primarily a result of SB 863 increases to permanent disability benefits effective in 2013 and 2014. The projected average medical cost—including MCCP costs—of a 2015 indemnity claim is slightly above that for 2014 but is 10 percent below the projected average medical cost for 2011, largely a result of medical cost savings arising from SB 863. Despite the enactment of SB 863, which was forecast to decrease ALAE costs, the projected average ALAE cost of a 2015 indemnity claim, excluding MCCP costs, is 9 percent above that of 2014 and approximately 20 percent higher than the average ALAE severity for 2012.

**Figure 24: Estimated Ultimate Total Loss* per Indemnity Claim as of September 30, 2016**

![Chart showing estimated ultimate total loss per indemnity claim from 1999 to 2016](chart.png)

* Excluded medical-only

Note: Before July 1, 2010, the costs of Medical Cost Containment Program (MCCP) that could be allocated to a particular claim were reported as medical losses. After July 1, 2010, MCCP is reported as ALAE. The Medical per indemnity claim data starting 2011 and on exclude the MCCP costs.

Source: WCIRB

Please note that WCIRB’s estimates of average indemnity claim costs have not been indexed to take into account wage increases and medical inflation.

---

Average Cost per Claim by Type of Injury

As shown in Figure 25, from 2005 to 2007, the average costs declined overall for all types of injuries, with the exception of psychiatric and mental stress. The average cost of other cumulative injuries decreased by 20 percent, and the average cost of back injuries decreased by 14 percent, followed by a 9 percent decrease in the average cost of carpal tunnel or repetitive motion injury (RMI) injuries. The average cost of slip and fall injuries decreased by 13 percent from 2005 to 2006.

The average cost of the most expensive type of injury, the slip and fall, increased overall by 40.5 percent from 2006 to 2013 and then fell 7.5 percent from 2013 to 2015. The average cost of back injuries increased by 24 percent from 2007 to 2009, stabilized at an average cost of $56,300 from 2009 to 2013, and then after a decrease of 5 percent from 2013 to 2014, it returned to 2013 level. The average cost of carpal tunnel (RMI) increased by 17 percent from 2007 to 2011, decreased by 7 percent from 2011 to 2012, and then averaged $40,500 from 2012 and 2015. The average cost of other cumulative injuries increased by 31 percent from 2007 to 2009, decreased by 31 percent from 2009 to 2011, increased by 10 percent from 2011 to 2012, and then decreased again by 16 percent from 2012 to 2015.

The average costs of psychiatric and mental stress claims increased by 47 percent between 2005 and 2008, and then decreased overall by 17 percent from 2008 to 2015.

Figure 25: Average Cost per PD Claim by Type of Injury, 2005-2015 (Thousand $)

Data Source: WCIRB
Changes in Average Medical and Indemnity Costs per Claim by Type of Injury

Figure 26 illustrates the impact of the reforms on selected types of injury. The long-term trend from 2005 to 2015 shows increases in medical costs for all types of injuries, except for other cumulative injuries. The same trend for indemnity costs shows a 42 percent decrease for other cumulative injuries, more than 18 percent decrease for back injuries, an 14.6 percent decrease for carpal tunnel injuries, and a 11 percent decrease for slip and fall injuries. There was a long-term 11 percent increase in indemnity costs of psychiatric and mental stress disorders. Psychiatric and mental stress disorders was the only category that showed a significant long-term increase in both average indemnity and medical costs.

From 2013 to 2014, medical costs increased by 21.2 percent for psychiatric and mental stress disorders and by 3.8 percent for other cumulative injuries. In the same period, there was a 6.4 percent decrease in the average medical cost of claim for carpal tunnel (RMI) injuries, a 5.5 percent decrease for back injuries, and a 4.8 percent decrease for slips and falls. In the same year, indemnity costs decreased for all types of injuries: slips and falls (8 percent), other cumulative injuries (7.6 percent), back injuries (5.4 percent), carpal tunnel (RMI) injuries (4.2 percent), and psychiatric and mental stress disorders (2 percent).

From 2014 to 2015, medical costs increased 7 percent for back injuries and about 3 percent for carpal tunnel (RMI) injuries. In the same year, medical costs decreased 14.6 percent for other cumulative injuries, 13.5 percent for psychiatric and mental stress disorders, and 5 percent for slip and fall injuries. From 2014 to 2015, indemnity costs decreased for psychiatric and mental stress disorders and other cumulative injuries. In the same year, indemnity costs increased for carpal tunnel (RMI), slip and fall, and back injuries.

Figure 26: Percent Change in Average Medical and Indemnity Costs per Claim by Type of Injury (From 2005 through 2015, from 2013 to 2014, and from 2014 to 2015)
Medical-Legal Expenses

In California’s workers' compensation system, the medical-legal evaluations result in medical-legal reports addressing specific medical and legal questions based on review of all the medical information concerning a work-related injury. The medical-legal examinations do not provide any medical treatment and the medical treatment-related evaluations for resolving disputes are outside its scope. A medical-legal report is conducted to determine multiple disability threshold and compensability issues:

- Worker’s eligibility for benefits: Arising out of Employment (AOE)/Course of Employment (COE).
- Permanent and stationary status of injured worker.
- Existence and extent of permanent and temporary disabilities.
- Apportionment.
- Ability to return to work.
- Injured worker's ability to engage in his/her usual occupation.
- Need for future medical treatment in cases that are settled by Compromise and Release.

SB 863, which took effect January 1, 2013, did not directly address the medical-legal process, but its several provisions introduced a significant change to medical-legal evaluations in how medical treatment disputes are resolved. As of January 1, 2013, for injuries occurring on or after that date, and as of July 1, 2013, for all dates of injury, disagreements about a specific course of medical treatment recommended by the treating physician can be resolved only through a process called independent medical review (IMR). In this environment, medical-legal evaluations by QME and AME are limited to disagreements about whether a claim is covered by workers’ compensation (compensability) and disability threshold issues.

According to the DWC, under the former system, it typically took 9 to 12 months to resolve a dispute over the treatment needed for an injury. The process required: (1) negotiating over the selection of an agreed medical evaluator, (2) obtaining a panel, or list, of state-certified medical evaluators if agreement could not be reached, (3) negotiating over the selection of the state-certified medical evaluator, (4) making an appointment, (5) awaiting the examination, (6) awaiting the evaluator's report, and then, if the parties still disagree, (7) awaiting a hearing with a workers’ compensation judge, and (8) awaiting the judge’s decision on the recommended treatment. In many cases, the treating physician could also rebut or request clarification from the medical evaluator, and the medical evaluator could be required to follow up with supplemental reports or answer questions in a deposition.

SB 863 replaced those eight steps with an IMR process similar to the one used in group health plans, which takes approximately 40 (or fewer) days to arrive at a determination to obtain appropriate treatment.

By the WCIRB’s estimates, the number of medical-legal reports was expected to be reduced by the IMR, lien, medical provider network (MPN), and independent bill review (IBR) provisions of SB 863. The retrospective medical-legal payments showed that utilization measured as number of transactions per claim declined only modestly subsequent to SB 863, while amounts paid per transaction have steadily climbed since 2012. This report also shows that the most expensive ML-104 report accounted for two-thirds of all medical-legal payments from service year (SY) 2013 to SY 2015 and experienced a 14 percent increase in cost per unit SY 2012.

The analyses in the 2016 CHSWC Annual Report are based on the WCIRB’s medical transaction data from its Medical Data Call (MDC). The MDC began with mandatory medical transactions in the third quarter of 2012 that were reported to the WCIRB by December 31, 2012.

The historical medical-legal analysis ending in 2015 and based on the WCIRB’s Permanent Disability Survey data for 2012, the latest one available, can be found in CHSWC Annual Report:

http://www.dir.ca.gov/chswc/allreports.html
SYSTEM COSTS AND BENEFITS OVERVIEW

**Workers’ Compensation Claims with Medical-Legal Expenses**

The WCIRB’s MDC provides two sets of medical-legal data. The first is for all claims with total and partial disabilities, temporary disabilities, medical only, and denied claims as well. The second set is only for claims with total and permanent partial disability which usually have higher severity and a longer life cycle. Claims reported to MDC include claims with any medical transaction and, for this report, are grouped by the service year of a transaction.

In this report, all the data for 2012 are only for six months of medical-legal services provided from July 1, 2012 to December 31, 2012.

Figure 27 shows the numbers of permanent disability (PD) and all claims originating in three California regions in SY 2012 to 2015. From 2013 to 2015, around 26 percent of claims statewide involved a permanent disability.

Around 60 percent of all claims and 66 percent of PD claims originated in Southern California and 21 percent of all claims and 24 percent of PD claims originated in Northern California. Different regions in California have different patterns of medical-legal reporting. Regions with a higher share of workers’ compensation claims in the system have a bigger impact on both the average number of medical-legal evaluations per claim and the average cost of medical-legal evaluations statewide.

**Figure 27: Workers’ Compensation Claims, All and with Permanent Disability, by California Regions, SY 2012-SY 2015**

<table>
<thead>
<tr>
<th></th>
<th>All Claims</th>
<th>PD Claims</th>
<th>All Claims</th>
<th>PD Claims</th>
<th>All Claims</th>
<th>PD Claims</th>
<th>All Claims</th>
<th>PD Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 (6 months)</td>
<td>2013</td>
<td>2014</td>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>69,987</td>
<td>21,462</td>
<td>110,768</td>
<td>111,639</td>
<td>110,818</td>
<td>27,299</td>
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<td>Central</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45,489</td>
<td>15,679</td>
<td>74,830</td>
<td>75,452</td>
<td>69,965</td>
<td>18,210</td>
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<td></td>
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<tr>
<td>Southern</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>167,780</td>
<td>60,126</td>
<td>272,213</td>
<td>283,681</td>
<td>298,985</td>
<td>88,365</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CALIFORNIA</td>
<td>283,257</td>
<td>97,267</td>
<td>457,811</td>
<td>470,772</td>
<td>479,368</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: WCIRB
Figure 28 shows the number of medical-legal reports conducted on PD and all claims in California for SY 2012 to SY 2015. On average, around 54 percent of all medical-legal reports in California are conducted on PD claims.

![Figure 28: Number of Medical-Legal Reports on PD and All Claims (Thousands)](image)

Source: WCIRB

Figure 29 shows statewide medical-legal payments on PD and all claims in California for SY 2012 to SY 2015. On average, around 55 percent of all yearly medical-legal payments are for PD claims. The medical-legal payments on all claims increased by 19 percent from SY 2013 to SY 2014, based in part on a 14 percent increase in payments on PD claims stabilizing at the same level from SY 2014 to SY 2015 when the payments on PD claims decreased by 4 percent. This trend also reflects a stabilized number of medical-legal evaluations on PD claims from SY 2013 to SY 2015 (see Figure 28).

![Figure 29: Medical-Legal Payments on PD and All Claims (Million $)](image)

Source: WCIRB
The total medical-legal cost is reported by the WCIRB as a component of the total medical cost. The WCIRB’s widely used and referenced Losses and Expenses Report\(^\text{20}\) has estimates of the “paid medical-legal amount” or amounts paid in a certain calendar year (CY). The WCIRB’s MDC, on which the total amounts in Figure 29 are based, covers medical-legal evaluations only for a certain service year. Payments reported for a calendar year are for medical-legal services with service dates in different years and therefore cover more services, while payments discussed in this report are limited to services during the same service year. Figure 30 shows paid medical-legal amounts in CY 2013 to CY 2015 from the Losses and Expenses Report against the medical-legal amounts in SY 2013 to SY 2015 from the current CHSWC report.

![Figure 30: WCIRB’s Medical-Legal Costs Reported in Calendar vs. Service Years (Million $)](image)

The total medical-legal expenses could be of different amounts for different organizations and even within the same organization, depending on how the data are collected, the type of reporting year used (calendar, accident, service, or fiscal), methods of estimation, and on inclusion or exclusion of insured, self-insured, and legally uninsured employers.

The Losses and Expenses Report estimated amounts paid for medical services before CY 2014 ($174 million in Figure 30) based on the WCIRB’s Aggregate Indemnity and Medical Costs Call and Call for California Workers’ Compensation Calendar Year Experience. These medical payments were segregated into categories, including the medical-legal category, based on the type of medical provider receiving payment and not necessarily the procedures performed, as is done in the MDC. Starting in CY 2014, the amounts paid for medical services are based on the WCIRB’s Aggregate Indemnity and Medical Costs Call, Call for California Workers’ Compensation Calendar Year Experience, and MDC.

Another consideration when the dollar amounts of medical-legal reports are estimated as a share of medical bills is that the bill review data are based on the fee schedules and not all medical costs are captured in the data-bases, especially medical costs not covered by the fee schedule.

Also, the methods for calculating medical expenses could differ by the inclusion or exclusion of different categories of medical expenses, such as medical cost containment program (MCCP) expenses, thereby increasing or decreasing the total.

The changes in total medical-legal cost for insurers reflect changes in its three components: the number of workers’ compensation claims (described on page 45), the average number of medical-legal evaluations per claim, and the average cost of a medical-legal evaluation.

\(^{20}\) WCIRB, 2016 Losses and Expenses Report, Exhibit 1.1, June 29, 2016
**SYSTEM COSTS AND BENEFITS OVERVIEW**

**Medical-Legal Evaluations per Claim**

Figure 31 compares the frequency of medical-legal reports for all claims and PD claims statewide from SY 2012 to SY 2015. The average number of medical-legal evaluations per 100 PD claims is about a double of the rate for all claims. While the average number of medical-legal evaluations per 100 all claims did not change between the SY 2013 and SY 2015, the same rate for PD claims decreased by 14 percent in the same period.

**Figure 31: Number of Medical-Legal Evaluations per 100 Workers’ Compensation Claims (PD and All) in California**

![Chart showing medical-legal evaluations per 100 claims for all and PD claims from SY 2012 to SY 2015.](chart.png)

**Medical-Legal Reporting by the California Regions**

The different regions in California are often thought to have different patterns of medical-legal reporting.

Figure 32 compares the frequency of medical-legal reports for all claims and PD claims in three California regions from SY 2012 to SY 2015.

Between 2013 and 2015, the average number of medical-legal evaluations per 100 PD claims decreased for both Northern and Southern California, with a 13 percent decrease in North and a 15.5 percent decrease in South. The number of medical-legal evaluations per 100 PD claims in Northern California exceeded that in both Southern and Central California. In the same period, the average number of medical-legal evaluations per 100 all claims did not change in both regions, the origin of the majority of PD claims and medical-legal evaluations.

**Figure 32: Average Number of Medical-Legal Evaluations per 100 Claims (PD and All), by Region**

![Chart showing medical-legal evaluations per 100 claims by region from SY 2012 to SY 2015.](chart2.png)
Average Cost per Medical-Legal Evaluation

According to Figure 33, the average cost of a medical-legal evaluation on PD claims increased by 11 percent from 2013 to 2015 and the average cost of a medical-legal evaluation on all claims increased by 9 percent in the same period.

![Figure 33: Average Cost of a Medical-Legal Evaluation on All and PD Claims, California](image)

According to Figure 34, from 2013 to 2014, the average cost of a medical-legal evaluation on PD claims increased in all three regions, with an increase of 12 percent in Southern California and a 6 percent in Northern California. The historical data show that, on average, medical-legal evaluations in Southern California have always been substantially more expensive. Both Southern and Northern California showed no change in the average cost of a medical-legal evaluation on PD claims from 2014 to 2015. The statewide changes in the average cost of a medical-legal evaluation on PD claims mirrored the pattern in Southern California, with an increase of 11 percent from 2013 to 2014 and no change from 2014 to 2015.

![Figure 34: Average Cost of a Medical-Legal Evaluation on PD Claim, by Region](image)

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Source: WCIRB
Trends in both the average number of medical-legal evaluations per claim and the average cost of an evaluation in California are being driven by medical-legal evaluations in the Southern California, as seen in Figure 34 and Table 9. About 60 percent of medical-legal evaluations originated in Southern California in SY 2013 to SY 2015, reflecting the similar share of Southern California in workers’ compensation claims.

### Table 9: Distribution of Medical-Legal Reports on PD Claims by California Regions

<table>
<thead>
<tr>
<th>Region</th>
<th>2012 (6 months)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern</td>
<td>56%</td>
<td>58%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Central</td>
<td>18%</td>
<td>16%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Northern</td>
<td>26%</td>
<td>26%</td>
<td>25%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: WCIRB

### Medical-Legal Cost Drivers

The primary cost driver for California and its Southern region is not the price paid for specific types of evaluations. Rather, the mix of codes used for billing the evaluations continues the historical pattern of including a higher percentage of the most complex and expensive evaluations and a lower percentage of the least expensive type. The Medical-Legal Fee schedule adopted by the Administrative Director in 2006 increased the cost per medical-legal evaluation for dates of services on or after July 1, 2006. Table 10 shows the costs and description from the Medical-Legal Fee Schedule.

### Table 10: Medical-Legal Evaluation Cost for Dates of Service on or After July 1, 2006

<table>
<thead>
<tr>
<th>Evaluation Type</th>
<th>Amount Presumed Reasonable</th>
</tr>
</thead>
<tbody>
<tr>
<td>ML-100 Missed Appointment</td>
<td>Some claims administrators will not pay</td>
</tr>
<tr>
<td>ML-101 Follow-up</td>
<td>$62.50/15 minutes or $250/hr.</td>
</tr>
<tr>
<td>ML-102 Basic (flat rate)</td>
<td>$625</td>
</tr>
<tr>
<td>ML-103 Complex (flat rate)</td>
<td>$937.50</td>
</tr>
<tr>
<td>ML-104 Extraordinary</td>
<td>$62.50/15 minutes or $250/hr.</td>
</tr>
<tr>
<td>ML-105 Testimony</td>
<td>$62.50/15 minutes or $250/hr.</td>
</tr>
<tr>
<td>ML-106 Supplemental</td>
<td>$62.50/15 minutes or $250/hr.</td>
</tr>
</tbody>
</table>

Note: Two categories ML-105 and ML-106, created by CCR Title 8, Sections 9793 & 9795, June 2006, were applicable to 2008 and later claims. The functions of medical testimony and supplemental evaluations were moved into these two new categories from their previous status.

The distribution of medical-legal evaluations by categories of “fee schedule type” in Figure 35 show that, on average, one-third of medical-legal evaluations are classified as Extraordinary (ML-104), in both Southern California and Northern and Central California combined. In 2015, 69 percent of medical-legal evaluations in Northern/Central California and 74 percent in the Southern California were billed under the time-based codes, such as ML-101, ML-104, or ML-106, which are priced at $62.50 for every 15 minutes for QMEs or $78.13 for every 15 minutes for AMEs. Some medical-legal evaluation activities are not billable separately under all medical-legal fee codes. For example, reviewing medical-legal consultation reports could not be billed separately under flat-rated codes as ML-102 or ML-103, as opposed to time-based codes. This makes billing a medical-legal evaluation under a time-based code more profitable in the majority of evaluations.
In addition to a higher share of extraordinary evaluations, the medical-legal evaluations in California have a higher average cost of extraordinary reports (see Figure 36).

The Table 11 shows that every year, around two-thirds of medical-legal payments were spent on the most highly reimbursed Medical Legal procedure (ML104) in all three regions. ML104 involves claims with four or more complexities and is reimbursed at a rate of over $3,000 per report (see Figure 36) and increases costs on a per-transaction basis as well. The average cost of a medical-legal report per transaction increased by 10 percent from CY 2013 to CY 2015. This explains why the average cost of a medical-legal evaluation on PD claims did not show a decrease in the last three years covered in this report. Also, the extraordinary report has the highest frequency among other procedure codes, from 13 to 18 per 100 PD claims in SY 2013 to SY 2015.
Table 11: Characteristics of ML-104 coded Reports done on PD Claims in California Regions

<table>
<thead>
<tr>
<th></th>
<th>Share of region in Total Med-Legal Payments</th>
<th>Share of ML-104 in regional payment</th>
<th>Avg Cost of ML-104 Report</th>
<th>ML-104 Reports per 100 PD Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern</td>
<td>65%</td>
<td>67%</td>
<td>$3,376</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>66%</td>
<td>69%</td>
<td>$3,418</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>68%</td>
<td>72%</td>
<td>$3,738</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>68%</td>
<td>69%</td>
<td>$3,754</td>
<td>13</td>
</tr>
<tr>
<td>Central</td>
<td>13%</td>
<td>61%</td>
<td>$2,198</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>11%</td>
<td>63%</td>
<td>$2,356</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>11%</td>
<td>66%</td>
<td>$2,595</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>12%</td>
<td>64%</td>
<td>$2,856</td>
<td>14</td>
</tr>
<tr>
<td>Northern</td>
<td>23%</td>
<td>61%</td>
<td>$2,735</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>23%</td>
<td>64%</td>
<td>$2,868</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>21%</td>
<td>67%</td>
<td>$2,955</td>
<td>18</td>
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<tr>
<td></td>
<td>21%</td>
<td>67%</td>
<td>$2,955</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: WCIRB

According to Figure 36, the average cost of all types of medical-legal evaluations billed under the fee schedule codes showed an overall increase from SY 2012 to SY 2015. The cost of an extraordinary report increased by about 14 percent from $3,030 in SY 2012 to $3,445 in SY 2015.

Figure 36: Average Cost of a Medical-Legal Evaluation for a PD Claims in California by Procedure Code

Source: WCIRB

Another possible explanation for the differing trends in the average cost per evaluation and the increasing frequency of the most complex evaluations in California could be both the frequency and the number of psychiatric and psychological/behavioral evaluations per claim.

On average, psychiatric and psychological/behavioral evaluations are around $3,000, the most expensive evaluations by specialty of provider, and are nearly always billed under the ML-104 code. Table 12 shows that from SY 2013 to SY 2015 the average cost of a psychiatric evaluation in California increased by 16 percent and the average cost of a psychological/behavioral evaluation increased by 21 percent.
Southern California is the origin for about 68 percent of the psychiatric and 67 percent of the psychological/behavioral evaluations in California and has the biggest impact on both the frequency and cost of medical-legal evaluations statewide. The frequency of psychiatric evaluations in Southern California averaged 6 per 100 PD reports yearly from SY 2012 to SY 2015 (Tables 13 and 14).

Table 13: Rate of Psychiatric Evaluations per 100 PD Reports

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Central</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Northern</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>CALIFORNIA</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: WCIRB

Table 14: Rate of Psychologist/Behavioral Health Evaluations per 100 PD Reports

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern</td>
<td>6</td>
<td>7</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Central</td>
<td>8</td>
<td>8</td>
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<td>Northern</td>
<td>8</td>
<td>8</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>CALIFORNIA</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: WCIRB

Table 15 shows that the psychiatric and psychological/behavioral evaluations combined make up about one fourth of total medical-legal payments in California, which makes them important cost drivers of California’s medical-legal expenses.

Table 15: Share of Payments for Psychiatric and Psychological Reports in Medical-Legal Payments, by Region

<table>
<thead>
<tr>
<th></th>
<th>2012 (6 months)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern</td>
<td>22%</td>
<td>22%</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Central</td>
<td>24%</td>
<td>25%</td>
<td>23%</td>
<td>22%</td>
</tr>
<tr>
<td>Northern</td>
<td>25%</td>
<td>25%</td>
<td>24%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Source: WCIRB
WORKERS’ COMPENSATION ADMINISTRATIVE PERFORMANCE

INTRODUCTION

The Commission on Health and Safety and Workers’ Compensation (CHSWC) examines the overall performance of the health and safety and workers’ compensation systems to determine whether they meet the State’s constitutional objective to “accomplish substantial justice in all cases expeditiously, inexpensively, and without encumbrance of any character.”

In this section, CHSWC has attempted to provide performance measures to assist in evaluating the system impact on everyone participating in the workers’ compensation system, particularly workers and employers.

Through studies and comments from the community, as well as administrative data, CHSWC has compiled the following information pertaining to the performance of California’s systems for health and safety and workers’ compensation. Explanations of the data are included with the figures and tables.

Workers’ Compensation Appeals Board (WCAB) Workload
  Division of Workers’ Compensation (DWC) Opening Documents
  DWC Hearings
  DWC Decisions
  DWC Lien Filings and Decisions
DWC Audit and Enforcement Program
DWC Medical Unit (MU)
DWC Disability Evaluation Unit
DWC Medical Provider Networks and Health Care Organizations
DWC Information and Assistance Unit
DWC Uninsured Employers Benefits Trust Fund
DWC Adjudication Simplification Efforts
  DWC Information System (WCIS)
  DWC Electronic Adjudication Management System (EAMS)
  Carve-outs—Alternative Workers’ Compensation Systems
Division of Labor Standards Enforcement (DLSE)
Anti-Fraud Efforts

WCAB WORKLOAD

Division of Workers’ Compensation Opening Documents

Three types of documents open a Workers’ Compensation Appeals Board (WCAB) case. Figure 37 shows the number of Applications for Adjudication of Claim (Applications), Original Compromise and Releases (C&Rs), and Original Stipulations (Stips) received by the Division of Workers’ Compensation (DWC).
Prior to August 2008, DWC workload adjudication data were available from the legacy system. After August 2008, DWC transitioned to a new computer-based system, the Electronic Adjudication Management System (EAMS). Therefore, data for 2008 are comprised of data from both the legacy system and from EAMS and may not be directly comparable to previous years because of the transition.21

As Figure 37 shows, the total number of Opening Documents increased from 2000 to 2003 by 12 percent and then decreased by 36.4 percent from 2003 to 2007. The total number of Opening Documents after the 2008 transition returned to the pre-EAMS level from 2009 to 2015.

**Figure 37: DWC Opening Documents**

The proportion or mix of the types of case-opening documents received by DWC varied during the second half of the 1990s. As Figure 38 shows, the proportion of Applications rose from 2000 to 2003 and then declined slightly from 2003 to 2007. The proportion of Original (case-opening) Stips was 11 percent yearly from 2000 to 2003 and then increased from 2003 to 2007. The proportion of original C&Rs declined from 2000 to 2003 and then increased from 2003 to 2007. From 2009 to 2015, after the transition to EAMS, the share of Applications increased from 69 percent to 76 percent, the proportion of original C&Rs decreased by 6 points, and the proportion of Original Stips decreased by 7 points.

**Mix of DWC Opening Documents**

The proportion or mix of the types of case-opening documents received by DWC varied during the second half of the 1990s. As Figure 38 shows, the proportion of Applications rose from 2000 to 2003 and then declined slightly from 2003 to 2007. The proportion of Original (case-opening) Stips was 11 percent yearly from 2000 to 2003 and then increased from 2003 to 2007. The proportion of original C&Rs declined from 2000 to 2003 and then increased from 2003 to 2007. From 2009 to 2015, after the transition to EAMS, the share of Applications increased from 69 percent to 76 percent, the proportion of original C&Rs decreased by 6 points, and the proportion of Original Stips decreased by 7 points.

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21 Analysis of trends for WCAB workload data include 2009 and 2010 EAMS calendar year data only for aggregate numbers, but the same analysis for categories within major types of WCAB workload use only legacy data available through 2007. Analysis of trends using both EAMS and legacy data within major types of WCAB workload through 2010 was not possible due to several reasons, including the introduction of new categories in EAMS and the redefinition of previously existing categories.
Division of Workers' Compensation Hearings

Numbers of Hearings

Labor Code Section 5502 hearings are the first hearings only. The hearings covered are expedited hearings, status, priority, and mandatory settlement conferences, and trials that follow a mandatory settlement conference (MSC). The timelines are measured from the filing of a Declaration of Readiness to Proceed (DOR) to the hearing. The time frames for each of these hearings are prescribed as follows:

A. Expedited Hearing and Decision. Labor Code Section 5502(b) directs the Court Administrator to establish a priority calendar for issues requiring an expedited hearing and decision. These cases must be heard and decided within 30 days following the filing of a DOR.

B. Priority Conferences. Labor Code Section 5502(c) directs the Court Administrator to establish a priority conference calendar for cases when the employee is represented by an attorney and the issues in dispute are employment or injury arising out of employment (AOE) or in the course of employment (COE). The conference shall be conducted within 30 days after the filing of a DOR to proceed.

C. For cases in which the employee is represented by an attorney and the issues in dispute are employment or injury arising out of employment or in the course of employment and good cause is shown why discovery is not complete for trial, then status conferences shall be held at regular intervals.
D. MSC and Ratings MSC. Labor Code Section 5502(e) establishes time frames to schedule MSCs and trials in cases involving injuries and illnesses occurring on and after January 1, 1990. MSCs are to be conducted not less than 10 days and not more than 30 days after filing a DOR.

E. Trials. Labor Code Section 5502(e) mandates that if the dispute is not resolved at the MSC, a trial is to be held within 75 days after filing the DOR.

Figure 39 indicates the numbers of different types of LC 5502 hearings held in DWC from 2009 through 2015. After the 2008 database transition year, the total number of hearings held averaged 166,500 per year from 2009 to 2015. From 2009 to 2015 overall, the number of mandatory settlement conferences (MSCs) increased by 9 percent, the number of expedited hearings almost doubled, and the priority conferences almost tripled. During the same period, the number of status conferences decreased by 11 percent and the number of trials decreased by 8 percent.

Figure 39: DWC Labor Code 5502 Hearings Held

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expedited Hearings</td>
<td>8,598</td>
<td>9,527</td>
<td>9,502</td>
<td>10,445</td>
<td>15,217</td>
<td>16,606</td>
<td>16,700</td>
</tr>
<tr>
<td>Priority Conferences</td>
<td>3,002</td>
<td>4,082</td>
<td>4,968</td>
<td>6,389</td>
<td>7,372</td>
<td>8,451</td>
<td>8,868</td>
</tr>
<tr>
<td>Status Conferences</td>
<td>58,130</td>
<td>59,770</td>
<td>37,425</td>
<td>39,598</td>
<td>44,710</td>
<td>47,627</td>
<td>51,724</td>
</tr>
<tr>
<td>Mand. Settl. Conf.(MSC)</td>
<td>73,716</td>
<td>77,939</td>
<td>73,103</td>
<td>72,911</td>
<td>72,628</td>
<td>71,864</td>
<td>80,277</td>
</tr>
<tr>
<td>Rating MSCs</td>
<td>7,493</td>
<td>6,778</td>
<td>5,349</td>
<td>4,415</td>
<td>4,214</td>
<td>3,819</td>
<td>3,805</td>
</tr>
<tr>
<td>Trials</td>
<td>19,250</td>
<td>25,036</td>
<td>21,381</td>
<td>20,726</td>
<td>17,737</td>
<td>16,407</td>
<td>17,801</td>
</tr>
<tr>
<td>TOTAL</td>
<td>170,189</td>
<td>183,132</td>
<td>151,728</td>
<td>154,484</td>
<td>161,878</td>
<td>164,774</td>
<td>179,175</td>
</tr>
</tbody>
</table>

Data Source: DWC

The non-Section 5502 hearings are continuances or additional hearings after the first hearing. Figure 40 shows non-Section 5502 hearings held from 2009 to 2015, after the DWC transitioned to EAMS.

From 2009 to 2015, the number of status conferences decreased by 30 percent, trials by 25 percent, mandatory settlement conferences (MSCs) by 8 percent, and rating MSCs by 74 percent. During the same period, the number of priority conferences increased almost four times and the number of expedited hearings increased by 3 percent. The data available for lien conferences from 2012 shows a decrease by 25.5 percent from 2012 to 2015. Lien trials data available for 2014 and 2015 shows a 36 percent increase in one year.
Figure 40: DWC Non-5502 Hearings Held

Figure 41 shows the total hearings held from 2009 to 2015 including Labor Code Section 5502 hearings, non-Section 5502 hearings, and lien conferences.

Data Source: DWC

Data Source: DWC
**Timeliness of Hearings**

California Labor Code Section 5502 specifies the time limits for various types of hearings conducted by DWC on WCAB cases. In general:

- An expedited hearing must be held within 30 days of the receipt of a DOR.
- The conference shall be conducted within 30 days after the filing of a DOR.
- MSCs, rating MSCs, and priority conferences are required to be held within 30 days of the receipt of a request in the form of a DOR.
- A trial must be held within 75 days of the request if a settlement conference has not resolved the dispute.

Figure 42 shows the average elapsed time from a request to a DWC hearing in the fourth quarter of each year, from 2000 to 2015. From 2000 to 2004, all the average elapsed times increased from the previous year’s quarter, and none were within the statutory requirements. However, between 2005 and 2007, the average elapsed time from the request to a trial decreased by 46 percent, the average elapsed time for conferences by 44 percent, and the average time for expedited hearings by 15 percent. After the 2008 transition, the average elapsed times from a request to a DWC hearing returned to the pre-EAMS level for MSCs and expedited hearings from 2009 to 2015. The average elapsed time from a request to a DWC trial was at the 2006 level from 2010 to 2015.

From 2008 through 2011, the longer waiting times for regular trials (top red line) coincided with the reduction in available court hours due to hiring freezes and furloughs. Governor Arnold Schwarzenegger’s July 31, 2008, Executive Order froze hiring and barred the use of retired annuitants. Beginning February
1, 2009, judges and staff were placed on furlough two days a month. Effective July 1, 2009, the furloughs were increased to three days per month. With just over 20 working days a month, the furloughs represented cuts of, first, 10 percent and, then, 15 percent of available hours for hearing and resolving cases. The fact that the time to expedited hearing (bottom green line) grew shorter from 2008 through 2011 shows that the courts gave priority to scheduling the urgent issues that are statutorily designated for expedited hearing. After 2008, the waiting time for MSCs and related hearings (rating and priority) was mostly within mandatory timelines.

Division of Workers’ Compensation Decisions

DWC Case-Closing Decisions

The number of decisions made by DWC considered case-closing declined during the second half of the 1990s. As Figure 43 shows, the case-closing decisions increased overall from 2000 to 2005, and then decreased by 18.4 percent from 2005 to 2007. The total number of case-closing decisions increased to the 2004 level from 2009 to 2013, after the transition period to EAMS in 2008, and then decreased by 5 percent from 2013 to 2014. This decrease in the number of case-closing decisions was due to decreases in Findings & Award (F&A) from 2010 to 2014, in Findings & Order (F&O) from 2012 to 2014, and in Stipulations from 2013 to 2014. From 2014 to 2015, the total number of case-closing decisions increased by 12 percent as a result of a 15 percent increase in Compromise and Releases (C&Rs) and a 9 percent increase in Stipulations in the same period.

Figure 43: DWC Case-Closing Decisions

Mix of DWC Decisions

As shown in the previous figures and in the figure below, again, the vast majority of the case-closing decisions rendered during the 2000s were in the form of a WCAB judge’s approval of Stips and C&Rs, which were originally formulated by the case parties.

From 2000 to 2007, the proportion of Stips averaged 34 percent and the proportion of C&Rs averaged about 58 percent. From 2008 to 2011, the share of Stips increased from 34 to 46 percent and the share of

22 Executive Order S-16-08.
23 Executive Order S-13-09.
C&R decreased from 56 to 49 percent. This pattern then reversed with a seven-percentage-point decrease in Stips and a nine-point increase in C&Rs from 2011 to 2015.

In the figure that follows, only a small percentage of case-closing decisions evolved from a Findings & Award (F&A) or Finding & Order (F&O) issued by a WCAB judge after a hearing. That pattern continued with an overall decrease for both types of decisions from 2009 to 2015.

Figure 44: DWC Decisions: Percent Distribution by Type of Decisions

Please note: Prior to 8/9/2008, DWC's workload adjudication data was available from the legacy system. DWC transitioned to a new computer-based system, the Electronic Adjudication Management System (EAMS), at the end of August 2008. Therefore, data for 2008 are comprised of data both from the legacy and from the EAMS system and may not be directly comparable to previous years due to transition issues.

Data Source: DWC

Division of Workers’ Compensation Lien Filings and Decisions

As Table 16 shows, the number of liens filed from 2011 to 2012 increased more than 2.5 times in expectation of lien filing fees introduced by SB 863. The number of liens filed decreased by over 50 percent between 2011 and 2014 due to the introduction of SB 863 lien provisions. Between 2014 and 2016, there was an 86 percent increase in lien filings.

The number of decisions regarding liens filed on WCAB cases showed a significant increase of 59 percent from 2011 to 2013, thereby increasing concomitant expenditure of DWC staff resources on resolution of those liens. Between 2013 and 2016, the number of DWC lien decisions was fluctuating. From 2013 to 2014, there was an 11 percent decrease in DWC lien decisions, followed by a 10 percent increase from 2014 to 2015 and a 13 percent decrease from 2015 to 2016.

Table 16: Numbers of Liens Filed and DWC Lien Decisions, 2011-2016

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liens Filed</td>
<td>469,190</td>
<td>1,236,704</td>
<td>206,858</td>
<td>229,730</td>
<td>398,940</td>
<td>426,792</td>
</tr>
<tr>
<td>DWC Lien Decisions</td>
<td>41,395</td>
<td>64,300</td>
<td>65,800</td>
<td>58,321</td>
<td>64,360</td>
<td>56,015</td>
</tr>
</tbody>
</table>

Source: DWC

See “Report on Liens” (CHSWC, 2011) for a complete description.
DIVISION OF WORKERS' COMPENSATION AUDIT AND ENFORCEMENT PROGRAM

Background

The 1989 California workers' compensation reform legislation established an audit function within the Division of Workers' Compensation (DWC) to monitor the performance of workers’ compensation insurers, self-insured employers, and third-party administrators to ensure that industrially injured workers are receiving proper benefits in a timely manner.

The purpose of the audit and enforcement function is to provide incentives for the prompt and accurate delivery of workers’ compensation benefits to industrially injured workers and to identify and bring into compliance those insurers, third-party administrators, and self-insured employers who do not deliver benefits in a timely and accurate manner.

Assembly Bill 749 Changes to the Audit Program

Assembly Bill (AB) 749, effective January 1, 2003, resulted in major changes to California workers’ compensation law and mandated significant changes in the methodologies for file selection and assessment of penalties in the audit program.

Labor Code Sections 129 and 129.5 were amended to ensure that each audit unit will be audited at least once every five years and that good performers will be rewarded. A profile audit review (PAR) of every audit subject will be done at least every five years. Any audit subject that fails to meet a profile audit standard established by the Administrative Director (AD) of the DWC will be given a full compliance audit (FCA). Any audit subject that fails to meet or exceed the FCA performance standard will be audited again within two years. Targeted PARs or FCAs may also be conducted at any time based on information indicating that an insurer, self-insured employer or third-party administrator is failing to meet its obligations.

To reward good performers, profile audit subjects that meet or exceed the PAR performance standard will not be liable for any penalties but will be required to pay any unpaid compensation. FCA subjects that meet or exceed standards will be required to pay penalties only for unpaid or late paid compensation.

Labor Code Section 129.5(e) was amended to provide for civil penalties up to $100,000 if an employer, insurer, or third-party administrator has knowingly committed or (rather than “and”) has performed with sufficient frequency to indicate a general business-practice act discharging or administering its obligations in specified improper manners. Failure to meet the FCA performance standards in two consecutive FCAs will be rebuttably presumed to be engaging in a general business practice of discharging and administering compensation obligations in an improper manner.

Review of the civil penalties assessed is obtained by written request for a hearing before the WCAB rather than by application for a writ of mandate in the Superior Court. Judicial review of the WCAB’s F&O is as provided in Sections 5950 et seq.

Penalties collected under Section 129.5 and unclaimed assessments for unpaid compensation under Section 129 are credited to the Workers’ Compensation Administration Revolving Fund (WCARF).

Overview of Audit Methodology

Selection of Audit Subjects

Audit subjects, including insurers, self-insured employers and third-party administrators, are selected randomly for routine audits.

The bases for selecting audit subjects for targeted audits are specified in California Code of Regulations (CCR) 8, Section 10106.1(c), effective January 1, 2003:

60
• Complaints regarding claims handling received by DWC.
• Failure to meet or exceed FCA performance standards.
• A high number of penalties awarded pursuant to Labor Code Section 5814.
• Information received from the Workers’ Compensation Information System (WCIS).
• Failure to provide a claim file for a PAR.
• Failure to pay or appeal a Notice of Compensation Due ordered by the Audit Unit.

**Audit and Enforcement Unit Data**

**Routine and Targeted Audits**

Figures 45 to 51 depict workload data from 2006 through 2015. Figure 45 shows the number of routine and targeted audits and the total number of audits conducted each year.

**Figure 45: Routine and Targeted Audits**

![chart showing routine and targeted audits for 2006 to 2015]

Data Source: DWC Audit and Enforcement Unit

**Audits by Type of Audit Subject**

Figure 46 depicts the total number of audit subjects each year, broken down by whether the subject is an insurance company (insurer), a self-insured employer, or a third-party administrator.

**Figure 46: DWC Audits by Type of Audit Subject**

![chart showing audits by type of audit subject for 2006 to 2015]

Data Source: DWC Audit and Enforcement Unit
Selection of Files to Be Audited

The majority of claim files are selected for audit on a random basis, with the number of indemnity and denied cases selected based on the number of claims in each of those populations of the audit subject:

- Targeted files are selected because they have attributes that the audits focus on.
- Additional files include claims chosen based on criteria relevant to a targeted audit but for which no specific complaints had been received.
- The number of claims audited is based upon the total number of claims at the adjusting location and the number of complaints received by DWC related to claims-handling practices. Types of claims include indemnity, medical-only, denied, complaint, and additional.

Figure 47 shows the total number of files audited each year broken down by the method used to select them.

**Figure 47: Files Audited by Method of Selection**

<table>
<thead>
<tr>
<th>Year</th>
<th>Targeted</th>
<th>Random</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>228</td>
<td>2,940</td>
<td>3,168</td>
</tr>
<tr>
<td>2007</td>
<td>180</td>
<td>4,538</td>
<td>4,718</td>
</tr>
<tr>
<td>2008</td>
<td>191</td>
<td>4,004</td>
<td>4,195</td>
</tr>
<tr>
<td>2009</td>
<td>118</td>
<td>3,755</td>
<td>3,873</td>
</tr>
<tr>
<td>2010</td>
<td>96</td>
<td>3,208</td>
<td>3,304</td>
</tr>
<tr>
<td>2011</td>
<td>15</td>
<td>3,156</td>
<td>3,171</td>
</tr>
<tr>
<td>2012</td>
<td>59</td>
<td>3,349</td>
<td>3,408</td>
</tr>
<tr>
<td>2013</td>
<td>112</td>
<td>3,333</td>
<td>3,445</td>
</tr>
<tr>
<td>2014</td>
<td>48</td>
<td>3,630</td>
<td>3,678</td>
</tr>
<tr>
<td>2014</td>
<td>46</td>
<td>3,003</td>
<td>3,049</td>
</tr>
<tr>
<td>2015</td>
<td>47</td>
<td>2,682</td>
<td>2,729</td>
</tr>
</tbody>
</table>

Data Source: DWC Audit and Enforcement Unit

Administrative Penalties

Figure 48 shows the administrative penalties cited from 2006 to 2015.

**Figure 48: DWC Audit Unit—Administrative Penalties (Million $)**

Data Source: DWC Audit and Enforcement Unit
Figure 49 shows the average number of penalty citations per audit subject each year and the average dollar amount per penalty citation.

**Figure 49: Average Amount per Penalty Citation and Average Number of Penalty Citations per Audit Subject**

Data Source: Audit and Enforcement Unit

*Unpaid Compensation Due to Claimants*

Audits identify claim files in which injured workers were owed unpaid compensation. The administrator is required to pay these employees within 15 days after receipt of a notice advising the administrator of the amount due, unless a written request for a conference is filed within 7 days of receipt of the audit report. When employees due unpaid compensation cannot be located, the unpaid compensation is payable by the administrator to WCARF. In these instances, application by an employee can be made to DWC for payment of monies deposited by administrators into this fund.

Figure 50 depicts the average number of claims per audit where unpaid compensation was found and the average dollar amount of compensation due per claim.

**Figure 50: Average Amount of Unpaid Compensation per Claim and Number of Notices of Compensation**

Data Source: Audit and Enforcement Unit
Figure 51 shows yearly distribution of unpaid compensation by specific type.

![Figure 51: Distribution of Unpaid Compensation by Type](chart)

- Interest and penalty and/or unreimbursed medical expenses: 0.3% (2006), 0.4% (2007), 0.4% (2008), 0.8% (2009), 0.2% (2010), 0.0% (2011), 0.2% (2012), 0.3% (2013), 1% (2014), 0.1% (2015).
- Death Benefits: 0.0% (2006), 0.4% (2007), 0.9% (2008), 0.0% (2009), N/A (2010), N/A (2011), N/A (2012), 0.1% (2013), 0.04% (2014), 0.1% (2015).
- Voc. Rehab Maintenance Allowance: 5.9% (2006), 0.1% (2007), 5.3% (2008), 0.1% (2009), N/A (2010), N/A (2011), N/A (2012), N/A (2013), N/A (2014), N/A (2015).

Note: Due to rounding, percentages may exceed 100%.

Data Source: DWC Audit and Enforcement Unit

For further information …

DWC Annual Audit Reports are available at [http://www.dir.ca.gov/dwc/audit.html](http://www.dir.ca.gov/dwc/audit.html).


DIVISION OF WORKERS’ COMPENSATION DISABILITY EVALUATION UNIT

The DWC Disability Evaluation Unit (DEU) determines permanent disability ratings by assessing physical and mental impairments presented in medical reports. Physical impairments for injuries after 2005 are described in accordance with the AMA Guide, 5th ed., and disability is determined in accordance with the 2005 Permanent Disability Rating Schedule (PDRS). A final permanent disability rating (PDR) is obtained only after the whole person impairment rating obtained from a treating physician is adjusted for diminished future earning capacity (FEC), occupation and age at the time of injury. For injuries prior to 2005 and after April 1, 1997, the 1997 PDRS or an earlier edition is utilized, depending on date of injury. For injuries that occur on or after January 1, 2013, the FEC modifier has been replaced with a 1.4 modifier in accordance with changes to Labor Code Section 4660.1 as a result of SB 863.

The DEU’s mission is to prepare timely and accurate ratings to facilitate the resolution of workers’ compensation cases. Ratings are used by workers’ compensation judges, injured workers, insurance claims administrators and attorneys to determine appropriate permanent disability benefits. DEU prepares three types of ratings:
WORKERS’ COMPENSATION ADMINISTRATIVE PERFORMANCE

- Formal Ratings—ratings per workers’ compensation judges as part of expert testimony in a litigated case.
- Consultative Ratings—ratings on litigated cases at the request of an attorney, DWC Information & Assistance Officer, or other party to the case in order to advise parties to the level of permanent disability.
- Summary Ratings—ratings on non-litigated cases done at the request of a claims administrator or injured worker.

A permanent disability can range from 0 to 100 percent. Zero percent signifies no reduction of earning capacity, while 100 percent represents permanent total disability. A rating between 0 and 100 percent represents a partial loss of earning capacity. Partial permanent disability correlates to the number of weeks that an injured employee is entitled to permanent disability (PD) benefits, according to the percentage of PD.

In addition to written ratings, DEU provides oral consultations on PD issues and commutations to determine the present value of future indemnity payments to assist in case settlements.

Figure 52 illustrates DEU’s workload from 2009 through 2015 after the transition to a new electronic adjudication management system (EAMS) performed in 2008 and shows the total ratings and ratings by type.

The total number of DEU written ratings averaged around 61,000 yearly between 2009 and 2015. The share of consultative ratings in total ratings increased from 59 percent in 2009 to 73 percent in 2015. The combined share of summary ratings by panel QMEs and treating doctors in all ratings decreased from 39 percent in 2009 to 25 percent in 2015. Overall from 2009 and 2015, the number of summary ratings by panel QMEs fell by 38 percent, the number of summary ratings by treating doctors decreased by 23 percent, the number of consultative walk-in rates fell by 18 percent, and the number of formal ratings decreased by 8 percent.

Figure 52: DEU Written Ratings, 2009-2015

Data Source: DWC Disability Evaluation Unit
Table 17 shows the number of ratings issued in 1997, 2005, and 2013 by type and rating schedules in effect.

<table>
<thead>
<tr>
<th>Year that rating schedules went into effect</th>
<th>1997</th>
<th>2005</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary rating based on QME report</td>
<td>60</td>
<td>7,412</td>
<td>2,597</td>
</tr>
<tr>
<td>Summary rating treating based on physician report</td>
<td>10</td>
<td>3,427</td>
<td>1,663</td>
</tr>
<tr>
<td>Walk-in consultative ratings</td>
<td>456</td>
<td>7,724</td>
<td>947</td>
</tr>
<tr>
<td>Other consultative ratings</td>
<td>2,274</td>
<td>26,796</td>
<td>5,350</td>
</tr>
<tr>
<td>Formal ratings requested by judge</td>
<td>150</td>
<td>671</td>
<td>42</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,950</td>
<td>46,030</td>
<td>10,599</td>
</tr>
</tbody>
</table>

Percent of each rating schedule in effect in grand total number of ratings (=59,579) 5% 77% 18%

Data Source: DWC Disability Evaluation Unit

DEU Backlog

After the transition year 2009, DEU decreased the ratings backlog from 4,601 cases in 2010 to 1,619 cases in 2015, as seen in Figure 53. This represents a 65 percent reduction, including a 49 percent decrease from 2009 to 2010. The reduction in the backlog provides quicker delivery of benefits to injured workers and resolution of workers’ compensation cases. From 2013 to 2014, there was a 6.4 percent increase in the ratings backlog.

Commutation Calculations

DEU also performs commutations of future indemnity payments involving present-value calculations. These commutation calculations assist parties in the resolution of claims involving lump-sum settlements, including calculation of attorney fees on litigated cases.

For injuries that occurred on or after January 1, 2003, life pension and total PD payments are increased according to the annual increase of the state average weekly wage (SAWW) starting January 1 after the
payment commences and each January thereafter. The increase in benefits based upon annual SAWW increases the complexity of commutation calculations. DEU performed 1,346 commutations, averaging 112.2 commutation calculations per month in 2014 and 1,431 commutations, averaging 119.3 commutation calculations per month in 2015.

The rating schedule has a profound impact on both employees and employers, as it forms the basis on which workers are compensated for the permanent effects of work-related injuries. Since the adoption of a new rating schedule effective January 1, 2005, DWC continues to collect data regarding the results of the new rating schedule.

**Staffing**

Current staffing levels are 42 Disability Evaluators (41 WCC and 1 WCA positions) with two vacancies in the hiring process, 3 supervisors, and 1 unit manager. DEU is supported clerically by staff assigned to the Adjudication Unit.

**DIVISION OF WORKERS’ COMPENSATION MEDICAL UNIT**

The Medical Unit is responsible for the oversight of the physicians who perform disability evaluations in the workers’ compensation system, educating physicians on medical-legal issues, and advising the Administrative Director on various medical issues. The Medical Unit sets standards and issues regulations governing Qualified Medical Evaluators (QMEs) and enforces the regulations governing QME disciplinary actions. The Medical Unit issues panels of three randomly selected QMEs to both represented and unrepresented injured workers who need a medical/legal evaluation in order to resolve a claim.

The Medical Unit also reviews, certifies, monitors, and evaluates Health Care Organizations (HCOs) and Medical Provider Networks (MPNs). Additionally, the Medical Unit reviews utilization review (UR) plans from insurers and self-insured employers and develops and monitors treatment guidelines. The unit also participates in studies to evaluate access to care, medical quality, treatment utilization, and costs. Finally, the Medical Unit recommends reasonable fee levels for various medical fee schedules.

**Qualified Medical Evaluator Panels**

DWC assigns panels composed of three QMEs, from which an injured worker without an attorney selects an evaluator for a medical dispute. Beginning in 2005, a similar process became effective for cases where the worker has an attorney. This resulted in an increased number of QME panels. The changes contributed to a larger percentage of problems with the panel assignments.

Figure 54 indicates the number of QME Panel Requests issued each year and the number of problems with the original QME panel, which necessitated a replacement list. Some of the problems with panel assignment include parties not submitting documentation or submitting inadequate documentation, parties being ineligible for a QME panel, or DWC needing additional information to determine panel eligibility.
Figure 54: Number of Qualified Medical Evaluator (QME) Panel Requests* and Problem Requests (Thousand)

Figure 55 shows the number of initial QME panels issued pursuant to the California Code of Regulations (CCR), Sections 30 and 31.7. Section 30 panel requests are submitted on Form 105 for unrepresented injured workers and on Form 106 for represented injured workers, requiring additional documentation to meet conditions under this section. Section 31.7 applies to requests to obtain additional specialty panels under certain specified conditions and is applicable only after the “initial” QME panel has been issued. Replacement QME panels24 are issued pursuant to CCR, Section 31.5, which applies to requests to replace one or more QMEs from an “initial” panel that meets the conditions specified under this section.

The number of QME initial panels increased by 20 percent from an average 87,000 initial panels per year in 2010 through 2014 to 104,000 initial panels in 2015. In 2015, the replacement panels increased 1.5 times from an average 15,000 replacement panels per year in 2010 through 2014. The significant increases in the number of QME initial panels in 2015 is due to a steady growth of panels over the past few years and the introduction of the DWC’s Medical Unit online system for requesting QME panels effective October 1, 2015 for dates of injuries on or after January 1, 2005.

Figure 55: Number of QME Initial Panels and Replacement Panels Issued (Thousand)

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24 The term “replacement” is referenced as “second” panels in-house to communicate the type of handling needed for the panel request.
Utilization Review

The utilization review (UR) process includes utilization management functions that prospectively, retrospectively, or concurrently review and approve, modify, delay, or deny, based in whole or in part on medical necessity to cure or relieve treatment recommendations by physicians, as defined in Labor Code Section 3209.3, prior to, retrospectively, or concurrent with the provision of medical treatment services pursuant to Labor Code Section 4600. UR begins when the completed DWC Form RFA (request for authorization of medical treatment) accepted as complete under 8 CCR Section 9792.9.1(c)(2) is first received by the claims administrator or, in the case of prior authorization, when the treating physician satisfies the conditions described in the UR plan for prior authorization (§ 9792.6.1(y)).

A UR plan is the written plan filed with the Administrative Director (AD) pursuant to Labor Code Section 4610, setting forth the policies and procedures and a description of the UR process (Section 9792.6.1(x)).

Effective January 1, 2004, each employer is required to file a UR plan with the AD. UR is a review of the treating physician’s requests for treatment (RFAs) and the decisions made about the medical necessity of the requests. The Utilization Review Organization (URO) can be an internal or external group (from the claims administrator or employer) that performs most of the UR. The UR regulations (8 CCR Section 9792.6 et seq.) were adopted on September 22, 2005, and UR enforcement regulations were adopted on June 7, 2007. The enforcement regulations (8 CCR Section 9792.11–9792.15) gave the DWC the authority to investigate all UROs that have submitted a UR plan. New regulations were introduced as Emergency Regulations on January 1, 2013, and adopted on February 12, 2014, in response to the adoption of SB 863. These new regulations include the enforcement sections 9792.11, .12, and .15. Sections 9792.13 and .14 were not changed and therefore are not found in the newly adopted regulations, but are still considered part of the UR enforcement regulations, just as Section 9792.8 is still considered viable, even though it is also not included in the newly adopted regulations. Currently, the DWC Medical Unit UR Program Section has finished an investigation of all UROs that were active when the Enforcement Regulations were adopted. In 2014, the DWC began repeat routine investigations on the UROs that were first investigated in 2007 and 2008 and continues to do so today. Investigations are conducted by randomly selecting files from all UR requests that the specific URO has received within a three-month period. The period selected is the previous three full months from the start of the investigation. The DWC notifies the URO by sending a Notice of Utilization Review Investigation (NURI); generally these also say "Routine," unless performing a specific target investigation. After the DWC has the information requested, including a list of all requests for authorization (RFAs) for the three-month period, files are randomly selected for review and a list of those files is sent to the URO with the Notice of Investigation Commencement (NIC). The URO has 14 days from receipt of the NIC to provide copies of each selected file. When the correct number of UR files is obtained, they are reviewed to determine whether:

- The requests were answered on time.
- Decisions were made with the required criteria and rationale.
- The decision is communicated on time and to the appropriate parties.
- Independent Medical Review (IMR) application is sent to appropriate parties with all denial or modification decisions.
- The 2013 Emergency regulations and the 2014 adopted regulations are followed.

Files found to have violations are given a set penalty. The entire investigation is given a score, depending on how many violations are cited. The passing score is 85 percent or higher. After the score is determined, the URO is notified through a Preliminary Report with all exhibits to verify how the score was compiled and any next steps to be taken. The URO may request a post-investigation conference and may send further documentation to verify that it actually performed the UR correctly. After the conference and review of additional documentation, the DWC completes the Final Investigation Report. If the URO has a failing score or has any mandatory violation (Sections 9792.12(a)(1-17) and (c)(1-4)), DWC also sends an Order to Show Cause (OSC) and a Stipulation and Order, with the Final Report.
SB 1160 was signed into law in September 2016. Among other provisions, it revises and recasts provisions relating to UR with regard to injuries occurring on or after January 1, 2018. The bill sets forth the medical treatment services that would be subject to prospective UR. It authorizes retrospective UR for treatment provided under limited circumstances. The bill also establishes procedures for prospective and retrospective UR. On and after January 1, 2018, the bill establishes new procedures for reviewing determinations regarding the medical necessity of medication prescribed pursuant to the drug formulary adopted by the Administrative Director.

In addition, commencing July 1, 2018, the bill requires each UR to be accredited by an independent, nonprofit organization to certify that it meets specified criteria, including timeliness in issuing a UR decision and the scope of medical material used in issuing a UR decision.

The bill also requires the Administrative Director to develop a system for electronic reporting of documents related to UR performed by each employer, to be administered by the division.

Text of the bill is at:
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB1160/

The rulemaking process related to SB 1160 is described at:
http://www.dir.ca.gov/dwc/DWCWCABForum/1.asp#DWC/
http://www.dir.ca.gov/dwc/rulemaking/dwc_rulemaking_proposed.html

Independent Medical Review

Senate Bill (SB) 863 adopted several provisions that affect how medical necessity determinations are made for medical care provided to injured workers. One of the key provisions was putting in place the Independent Medical Review (IMR) process for resolving medical treatment disputes. Effective January 1, 2013, for injuries occurring on or after that date, and effective July 1, 2013, for all dates of injury, IMR is being used to decide medical necessity disputes for injured workers. The DWC administers the IMR program with costs borne by the employer, and it is similar to the group health process for medical treatment dispute resolution.

The IMR program is now in its third year. Following an initial ramp-up period, IMR applications held remarkably steady from 2014 to 2015. Figure 59 shows the quarterly numbers of IMR applications with duplicates, the number of unique medical review requests, and IMR determinations between 2013 and 2015. The number of unique IMR requests received from 2013 to 2015 totaled 463,647. The number of IMR determinations completed from 2013 to 2015 totaled 313,251.

Figure 56 shows the quarterly number of IMR requests and IMR determinations completed in 2013, when IMR became effective, to 2015. The quarterly number of unique IMR requests received increased 426 times from 95 requests in 2013 Q1 to 40,450 in 2013 Q4. In 2014 the number of unique IMR requests received averaged around 42,900 requests per quarter and then increased by 14 percent to an average of 48,900 unique IMR requests received per quarter in 2015.

The quarterly number of IMR determinations completed increased from 2 determinations in 2013 Q1 to 3,159 determinations in 2013 Q4. The number of IMR determinations increased 17-fold to its peak of

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Table 18: Status of UR Investigations

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<td>4</td>
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<tr>
<td>Number of failed investigations</td>
<td>0</td>
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<td>Amount of UR penalty assessments</td>
<td>$20,000</td>
<td>$0</td>
<td>$10,800</td>
<td>$1,000</td>
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</table>

Source: DWC
54,959 determinations between 2013 Q4 and 2014 Q3, thereby increasing the average number of IMR determinations completed per quarter in 2014 to 35,800. From 2014 to 2015, the average number of IMR determinations completed per quarter increased by about 16 percent, to 41,370.

Figure 56: Quarterly Numbers of Independent Medical Review Requests (IMR) Received and Determinations Completed, 2013 - 2015

![Graph showing IMR requests over time]

Data Source: DWC

**Independent Bill Review**

Senate Bill (SB) 863 adopted several provisions to provide a quick, efficient way of resolving disputes over medical billing and eliminate litigation at the appeals board over billing disputes. One of the key provisions was putting in place the Independent Bill Review (IBR) process for resolving medical treatment and medical-legal billing disputes. Effective January 1, 2013, for medical services provided on or after that date and in cases in which the fee was determined by a fee schedule established by the DWC, the IBR is used to decide disputes when a medical provider disagrees with the amount paid by a claims administrator. The DWC administers the IBR program, which refers applicants to an independent bill review organization (IBRO). The reasonable fees for IBR are paid by the applying physician. If the independent bill reviewer determines that the claims administrator owes the physician additional payment on the bill, the claims administrator must reimburse the physician for the review fee.

The number of IBR requests received as of August 2015 totaled 4,444. According to Figure 57, the quarterly number of IBR requests received increased from 5 in 2013 Q1 to 445 in 2013 Q4. From 2013 Q4 to 2015 Q2, the number of IBR requests received fluctuated in the range of 425 to 580 requests per quarter.

Figure 57: Quarterly Number of Independent Bill Review Requests Received between January 2013 and August 2015

![Graph showing IBR requests over time]

Data Source: DWC
Medical Provider Networks and Health Care Organizations

Medical Provider Networks

Background

Between 1997 and 2003, the California workers’ compensation system had significant increases in medical costs. During that period, workers’ compensation medical treatment expenses in California increased by an estimated 138 percent, outpacing the cost of equivalent medical treatment in non-industrial settings. To slow this rise in costs, major reforms were enacted in 2003 and 2004. One such effort was the passage of Senate Bill (SB) 899 in April 2004. A major component of SB 899 was the option to establish a medical provider network (MPN), as promulgated in Labor Code Section 4616 et seq. MPNs were implemented beginning January 1, 2005. On September 18, 2012, another round of major workers’ compensation reforms was signed into law in SB 863. SB 863 incorporates significant changes to MPNs, including but not limited to: expanding who can qualify to become an MPN applicant; limiting the MPN approval period to four years and requiring MPN plans to be reapproved; providing the right to petition for MPN suspension or revocation; and authorizing the adoption of administrative penalties to ensure that MPN applicants comply with regulations. Most of these changes took effect on January 1, 2014.

On October 6, 2015, SB 542 was signed into law with additional changes, including: clarifying the MPN independent medical review process from the independent medical review process that resolves UR disputes; requiring every MPN to post on its website information on how to contact the MPN, on medical access assistance and how to obtain a copy of any notification regarding the MPN that is required to be given to an employee by regulations; creating efficiencies for approving MPNs when a modification is made during a four-year approval period; clarifying who provides for the completion of treatment when there is a continuity-of-care issue; and giving a statutory definition of an entity that provides physician network services. These changes took effect on January 1, 2016.

An MPN is a network of providers established by an insurer, a self-insured employer, a Joint Powers Authority (JPA), the State, a group of self-insured employers, a self-insurer security fund, or the California Insurance Guarantee Association (CIGA), or entities that provide physician network services to treat work-related injuries.

The establishment of an MPN gives employers significant medical control. With the exception of employees who have a predesignated physician, according to California Labor Code Section 4600, employers that have established an MPN control the medical treatment of employees injured at work for the life of the claim, as opposed to 30 days of employer medical control they had prior to the passage of SB 899. Having an MPN means the employer has more control with regard to who is in the network and whom the injured worker sees for care for the life of the claim. The employer chooses whom the injured worker goes on the first visit; after the first visit, the injured worker can go to a doctor of his/her choice in the MPN.

Before the implementation of an MPN, insurers, employers or entities that provide physician network services are required to file an MPN application with the DWC for review and approval, pursuant to 8 CCR Section 9767.1 et seq.

The DWC provides all the data on MPNs in this section.

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25 The information in this section was provided by the DWC Medical Unit, with minor edits by CHSWC staff.
26 Based on the WCIRB annual report California Workers’ Compensation Losses and Expenses Report, prepared pursuant to the California Insurance Code, Section 11759.1.
Application Review Process

California Labor Code Section 4616(b) mandates that the Division of Workers’ Compensation (DWC) review and either approve or disapprove MPN plans submitted within 60 days of their submission. If the DWC does not act on the plan within 60 days, the plan is deemed approved by default.

Upon receipt of an MPN application, the DWC does an initial cursory review of all applications received. The result of the review is communicated to each applicant in a letter indicating whether the application is “complete” or “incomplete,” as applicable. Applicants with incomplete sections in their application will be asked to fill in the missing part(s). Applicants with a complete application will receive a “complete” letter, indicating the target date for completion of the full review of their application. The 60-day time frame within which the DWC should act starts the day a complete application is received by the DWC.

The full review of an application involves thorough scrutiny, using a standard checklist, to see whether the application followed the statutory and regulatory requirements set forth in California Labor Code Section 4616 et seq. and CCR Sections 9767.1 et seq. The full review culminates with an approval letter if no deficiency is discovered in the submitted application. Applicants with deficient applications are sent a disapproval letter, listing deficiencies that need to be corrected. This process is repeated until the application is approved or withdrawn.

Material modification filings go through a review process similar to the one for an initial application. Except in cases in which an MPN application was approved prior to January 1, 2014, the material modification must include all updates to ensure that the MPN complies with the current regulations.

Applications Received and Approved

Table 19 summarizes the number of MPN activities from their inception in November 1, 2004, to December 31, 2015. During this time, the MPN program received 2,448 MPN applications. Of these, 41 were ineligible, as they were erroneously submitted by employers, insurers, or other entities that, under the MPN regulations, are not eligible to set up an MPN. As of December 31, 2015, 2,242 applications were approved. Of these, 986 were approved under the emergency regulations, and the remaining 1,256 under the permanent regulations. The DWC revoked thirty (30) approved applications. The reason for revocation was the applicants’ erroneous reporting of their status as self-insured when in fact they were insured entities or an insurer no longer eligible to transact workers’ compensation in California. Two hundred and seventy-three (273) were withdrawn after approval, and 83 were withdrawn before approval. Withdrawn MPNs have never been implemented. The reasons for the withdrawals were either that the applicant decided not to pursue an MPN or that a duplicate application was submitted. Five hundred and forty-three (543) applications were terminated after approval. The reason for the termination was the applicant’s decision to stop using the MPN.

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</tr>
<tr>
<td>Terminated</td>
<td>543</td>
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</table>

Source: DWC
Figure 58 shows the receipt of MPN applications by month and year. The bulk of applications, 31 percent, were received in 2005 (751). The number of applications decreased by 82 percent from 751 in 2005 to 132 in 2006 and then averaged 131 applications per year from 2006 to 2015.

Figure 58: Number of MPN Applications Received by Month and Year of Receipt, 2004-2015
(Total = 2,448)

Data Source: DWC
WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 59 shows the MPN applications approved by month and year. To recap, 48 percent (994) of MPN applications were approved in 2005. The number of MPN applications approved decreased by 86 percent from 994 in 2005 to 137 in 2006 and then averaged 124 approvals per year from 2006 to 2015.

**Figure 59: Number of MPN Applications Approved by Month, 2004-2015**

(Total = 2,242)

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| Percent Distrib | 0.4% | 44% | 6% | 3% | 5% | 5% | 7% | 7% | 8% | 7% | 4% | 3% |

Data Source: DWC

**Material Modifications**

MPN applicants are required by 8 CCR Section 9767.8 to provide notice to the DWC for required material changes to their approved MPN application. Modifications are required when the MPN Liaison or Authorized Individual or employee notification material change, among other reasons. Modifications go through a review, and an approval process similar to the one for a new application, within the same regulatory time frame.

As of December 31, 2015, 1,431 applicants had filed material modifications with the DWC. Some applicants had filed more than one material modification. Eight hundred and eight (808) applicants had filed 2 or more material modification filings, and 1 applicant had 39 filings.

Figure 60 shows the number of material modification filings received by the DWC. The number of material modifications received increased from 65 to 356 from 2005 to 2007 and then fluctuated between 280 and 500 from 2008 to 2015, except for a decrease to 154 material modification filings in 2014.
Plan for Reapproval Process

Beginning January 1, 2014, SB 863 introduced the four-year approval period for existing and newly approved MPN plans. The MPN applicant is required to submit a complete plan to the DWC for reapproval at least six months before the expiration of the four-year approval period. The amended MPN regulations that became effective August 27, 2014, set the expiration date for those MPN plans with a most recent application or material modification approval date prior to January 1, 2011, to December 31, 2014. For all plans with an application approval date on or after January 1, 2014, the expiration date is four years from the application approval date.

The MPN application plan for reapproval review is similar to the application review process except that the Administrative Director has 180 days rather than 60 to act from the date an MPN application plan for reapproval is received by the DWC.

As in the original application review process, a full review of a plan for a reapproval application involves thorough scrutiny, using a standard checklist, to see whether the application followed the statutory and regulatory requirements set forth in California Labor Code Section 4616 et seq. and CCR Sections 9767.1 et seq. The full review culminates in an approval letter if no deficiency is discovered in the submitted application; if deficiencies are identified, the MPN applicant is sent a disapproval letter, listing the deficiencies that need to be corrected. A correct and complete resubmission is required to ensure that the MPN approval does not expire, which will result in corrective action initiated by the DWC for a noncompliant plan.
As of December 31, 2015, the DWC identified 1,282 approved MPN plans, of which the approval for 188 MPNs expired as of December 31, 2014, and the approval for 77 MPNs expired as of December 31, 2015. The DWC received 215 application plans for reapproval filings between October 20, 2014, and December 31, 2015. Of these filings, 141 were approved.

A discrepancy in the numbers exists because the DWC anticipates that many of the existing approved MPNs have been and will be consolidated into the new approved MPN plans created by the entities that provide physician network services. This consolidation includes the process to end coverage under the existing MPN and begin or transfer coverage into the new MPN. After the consolidation is complete, the MPN applicant will submit a request to terminate the existing MPN, which will eliminate the requirement to file a plan for reapproval.

Table 20 shows the number of MPN approved plans that will require a filing for a plan for reapproval through 2019. These numbers are expected to change as approved MPNs are terminated because of consolidation into new approved MPNs created by entities that provide physician network services. In addition, these numbers may change because MPN applicants will proactively ensure that the MPN is reapproved more than six months before the plan’s expiration.

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<tr>
<td>SUBTOTAL</td>
<td>188</td>
<td>77</td>
<td>362</td>
<td>386</td>
<td>104</td>
<td>165</td>
</tr>
</tbody>
</table>

Source: DWC

Table 21 shows the number of MPN application plans for reapprovals received and approved at DWC in 2014 and 2015.

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>July</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>74</td>
</tr>
<tr>
<td>Received</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approved</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>141</td>
</tr>
<tr>
<td>Received</td>
<td>25</td>
<td>14</td>
<td>3</td>
<td>30</td>
<td>2</td>
<td>6</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>29</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Approved</td>
<td>6</td>
<td>3</td>
<td>1</td>
<td>27</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>37</td>
<td>22</td>
<td>111</td>
</tr>
</tbody>
</table>

Source: DWC

**MPN Applicants**

MPN applicants are allowed to have more than one MPN. As a result, MPN applicants with more than one approved MPN account for 71 percent of all MPNs, including 19 applicants with 21 to 71 MPNs (see Figure 61). The names of MPN applicants with 10 or more approved MPNs are shown in Table 22. ACE American Insurance Company leads with 72 MPNs, followed by Zurich American Insurance Company with 46 MPNs, and American Home Assurance Company with 41 MPNs.
Figure 61: Distribution of Approved MPNs by Number of MPNs per Applicant, 2015

Table 22: Names of MPN Applicants with 10 or More Approved MPNs

<table>
<thead>
<tr>
<th>Name of Applicant</th>
<th>Number of MPNs</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACE American Insurance Company</td>
<td>72</td>
</tr>
<tr>
<td>Zurich American Insurance Company</td>
<td>46</td>
</tr>
<tr>
<td>American Home Assurance Company</td>
<td>41</td>
</tr>
<tr>
<td>National Union Fire Insurance Company of Pittsburgh, PA</td>
<td>39</td>
</tr>
<tr>
<td>Federal Insurance Company</td>
<td>35</td>
</tr>
<tr>
<td>The Insurance Company of the State of Pennsylvania</td>
<td>35</td>
</tr>
<tr>
<td>Safety National Casualty Corporation</td>
<td>33</td>
</tr>
<tr>
<td>Fidelity and Guaranty Insurance Company</td>
<td>32</td>
</tr>
<tr>
<td>Old Republic Insurance Company</td>
<td>32</td>
</tr>
<tr>
<td>New Hampshire Insurance Company</td>
<td>29</td>
</tr>
<tr>
<td>ARCH Insurance Company</td>
<td>29</td>
</tr>
<tr>
<td>Discover Property &amp; Casualty Insurance Company</td>
<td>27</td>
</tr>
<tr>
<td>Hartford Accident and Indemnity Company</td>
<td>26</td>
</tr>
<tr>
<td>United States Fidelity and Guaranty Company</td>
<td>26</td>
</tr>
<tr>
<td>Fidelity and Guaranty Insurance Underwriters, Inc.</td>
<td>25</td>
</tr>
<tr>
<td>XL Specialty Insurance Company</td>
<td>25</td>
</tr>
<tr>
<td>American Zurich Insurance Company</td>
<td>24</td>
</tr>
<tr>
<td>Hartford Insurance Company of the Midwest</td>
<td>21</td>
</tr>
<tr>
<td>OCM Coastal Acquisition Co., LLC</td>
<td>21</td>
</tr>
<tr>
<td>Commerce and Industry Insurance Company</td>
<td>19</td>
</tr>
<tr>
<td>AIG Property Casualty Company</td>
<td>18</td>
</tr>
<tr>
<td>American Guarantee and Liability Insurance Company</td>
<td>16</td>
</tr>
<tr>
<td>Travelers Property Casualty Company of America</td>
<td>16</td>
</tr>
<tr>
<td>Twin City Fire Insurance Company</td>
<td>16</td>
</tr>
<tr>
<td>Continental Casualty Company</td>
<td>15</td>
</tr>
<tr>
<td>Granite State Insurance Company</td>
<td>15</td>
</tr>
<tr>
<td>Hartford Underwriters Insurance Company</td>
<td>15</td>
</tr>
<tr>
<td>Hartford Fire Insurance Company</td>
<td>14</td>
</tr>
<tr>
<td>Praetorian Insurance Company</td>
<td>14</td>
</tr>
</tbody>
</table>
Table 23 shows the number of MPN applicants by type of applicant. The majority (64 percent) of MPN applications were filed by insurers, followed by self-insured employers (29 percent). SB 863 added the option for the MPN applicant to change the type of applicant to an entity that provides physician network services, which is reflected in the numbers reported in this table.

Table 23: Distribution of Approved MPN Applications by Type of Applicant, 2004–2015

<table>
<thead>
<tr>
<th>Type of Applicant</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurer</td>
<td>7</td>
<td>607</td>
<td>68</td>
<td>32</td>
<td>79</td>
<td>90</td>
<td>118</td>
<td>122</td>
<td>145</td>
<td>110</td>
<td>39</td>
<td>17</td>
<td>1,434</td>
</tr>
<tr>
<td>Self-Insured</td>
<td>3</td>
<td>341</td>
<td>55</td>
<td>37</td>
<td>20</td>
<td>28</td>
<td>36</td>
<td>32</td>
<td>37</td>
<td>29</td>
<td>9</td>
<td>652</td>
<td></td>
</tr>
<tr>
<td>Joint Powers Authority</td>
<td>38</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group of Self-Insured Employers</td>
<td>2</td>
<td>10</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>7</td>
<td>1</td>
<td>7</td>
<td>2</td>
<td>0</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entity with Physician Network</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>994</td>
<td>136</td>
<td>108</td>
<td>118</td>
<td>157</td>
<td>162</td>
<td>184</td>
<td>149</td>
<td>85</td>
<td>62</td>
<td>2,242</td>
<td></td>
</tr>
</tbody>
</table>

Source: DWC
Figure 62 shows the distribution of MPN applications approved from 2004 to 2015 by the type of applicant.

**Figure 62: Distribution of All Approved MPN Applications by Type of Applicant**
*(Total for 2004 through 2015 = 2,242)*

*MPN Plans Using HCO Networks*

Health Care Organizations (HCOs) networks are used by 354 (15.8 percent) of the approved MPNs. This number excludes MPNs that were revoked, terminated, or withdrawn after approval. The distribution of MPNs by HCOs is shown in Table 24. First Health HCO has an MPN market share of 7.0 percent, followed by Corvel HCO, which has a share of 4.7 percent, and Medex, which has a share of 3.9 percent.

**Table 24: Number of MPN Applicants Using HCO Networks (as of June 20, 2016)**

<table>
<thead>
<tr>
<th>Name of HCO</th>
<th>Approved MPN Plans Using HCO Network</th>
<th>Percentage of Applications Received</th>
<th>Percentage of Applications Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>CompAmerica (First Health)</td>
<td>156</td>
<td>6.4%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Corvel</td>
<td>106</td>
<td>4.3%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Medex</td>
<td>87</td>
<td>3.6%</td>
<td>3.9%</td>
</tr>
<tr>
<td>CompPartners</td>
<td>4</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Promesa</td>
<td>1</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Net-Work</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total Using HCO</strong></td>
<td><strong>354</strong></td>
<td><strong>14.5%</strong></td>
<td><strong>15.8%</strong></td>
</tr>
</tbody>
</table>

Source: DWC
Status of the MPN Program

The MPN program is in its eleventh year and continues to develop as more MPNs are being used. The MPN plan monitoring and review processes have evolved with the regulations and as agency resources permit. SB 863 brought about important changes to the MPNs to improve efficiencies, promote greater accuracy, and ensure regulatory compliance. Effective January 1, 2016, SB 542 has added clarifying information regarding MPN requirements.

To implement the important changes brought about by the passage of SB 863, the MPN regulations were amended, and these amendments took effect August 27, 2014. The changes in the MPN regulations include a more efficient streamlined application process that allows electronic submission of MPN applications, modifications, and reapprovals. The regulatory amendments also include the requirements for an MPN to qualify as an entity that provides physician network services. Allowing these entities to qualify as an MPN applicant better aligns legal with operational responsibility. Additional changes in the MPN regulations include the assignment of unique MPN identification numbers to each MPN in order to easily identify a specific MPN. The amended MPN regulations establish the standards MPNs must meet with the MPN Medical Access Assistants to properly assist injured workers to find and schedule medical appointments with MPN physicians. The amended regulations clarify access standards and now require an MPN to have at least three available physicians from which an injured worker can choose, and if the time and location standards are not met, MPNs shall have a written policy permitting out-of-network treatment. Moreover, the amended MPN regulations set forth the physician acknowledgment requirements to ensure physicians in the MPN have affirmatively elected to be a member of the network and a streamlined process for obtaining acknowledgments from medical groups. To promote greater accuracy and ensure statutory and regulatory compliance, MPNs are approved for a period of four years and must file a reapproval before the expiration of this four-year period. Finally, the DWC's oversight of MPNs is strengthened with the formal complaint process, the Petition for Suspension or Revocation of MPNs, the ability to conduct random reviews of MPNs and the authority to assess administrative penalties against MPNs to ensure regulatory compliance.

Health Care Organization Program

Health Care Organizations (HCOs) were created by the 1993 workers' compensation reforms. The laws governing HCOs are California Labor Code, Sections 4600.3 through 4600.7, and 8 CCR Sections 9770 through 9779.8.

HCOs are managed care organizations established to provide health care to employees injured at work. A health-care service plan (HMO), disability insurer, workers' compensation insurer, or a workers' compensation third-party administrator can be certified as an HCO.

Qualified employers who contract with an HCO can direct treatment of injured workers from 90 to 180 days.

An HCO must file an application and be certified by the DWC according to Labor Code Section 4600.3 et seq. and 8 CCR Sections 9770 et seq. Due to regulatory changes in 2010, HCOs now pay a fee of $2,500 at the time of initial certification and a fee of $1,000 at the time of each three-year certification thereafter. In addition, HCOs are required to pay an annual assessment of $250, $300, or $500 based on their enrollments of covered employees as of December 31 of each year.

Currently, the HCO program has nine certified HCOs, only five of them have enrollees; the rest are keeping their certification and using their HCO provider network as a deemed network for MPNs. Certified HCOs and their most recent certification/recertification date are listed in Table 25.
### Table 25: Currently Certified HCOs by Date of Certification/Recertification (as of June 20, 2016)

<table>
<thead>
<tr>
<th>Name of HCO</th>
<th>Date of Certification/Recertification</th>
</tr>
</thead>
<tbody>
<tr>
<td>CompPartners</td>
<td>07/24/2008</td>
</tr>
<tr>
<td>Corvel Corporation</td>
<td>12/30/2011</td>
</tr>
<tr>
<td>First Health/ CompAmerica Primary</td>
<td>10/05/2010</td>
</tr>
<tr>
<td>First Health/ CompAmerica Select</td>
<td>10/05/2010</td>
</tr>
<tr>
<td>Kaiser On The Job HCO</td>
<td>12/03/2012</td>
</tr>
<tr>
<td>MedEx Health Care</td>
<td>03/16/2010</td>
</tr>
<tr>
<td>MedEx 2 Health Care</td>
<td>10/10/2009</td>
</tr>
<tr>
<td>Network HCO</td>
<td>04/16/2010</td>
</tr>
<tr>
<td>Promesa Inc. HCO</td>
<td>04/12/2010</td>
</tr>
</tbody>
</table>

Source: DWC

### HCO Enrollment

At its peak in mid-2004, HCOs had approximately half a million enrollees. However, with the enactment of MPNs, employee enrollment under the large HCOs, such as First Health and Corvel, declined considerably. Compared to enrollment in 2004, First Health lost 100 percent of its enrollees, while Corvel’s enrollment declined by 96.6 percent, to 3,384 by December 2008. As of December 2011, the total employee enrollment under HCOs fell by 66.4 percent to 161,413 from 481,337 in 2004. Table 26 shows the number of enrollees as of December 31 of each year from 2004 through 2015.

### Table 26: HCOs by Number of Enrollees as of December 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CompPartners</td>
<td>60,935</td>
<td>61,403</td>
<td>53,279</td>
<td>13,210</td>
<td>1,765</td>
<td>1,729</td>
<td>2,884</td>
<td>4,200</td>
<td>11,561</td>
<td>554</td>
<td>396</td>
<td>422</td>
</tr>
<tr>
<td>CorVel/ Corvel Select</td>
<td>100,080</td>
<td>20,403</td>
<td>3,719</td>
<td>3,050</td>
<td>3,384</td>
<td>1,983</td>
<td>435</td>
<td>467</td>
<td>405</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>CompAmerica Primary/ Select</td>
<td>218,919</td>
<td>2,403</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Intracorp</td>
<td>6,329</td>
<td>3,186</td>
<td>2,976</td>
<td>2,870</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Kaiser</td>
<td>30,086</td>
<td>67,147</td>
<td>66,138</td>
<td>69,602</td>
<td>77,567</td>
<td>72,469</td>
<td>74,223</td>
<td>76,263</td>
<td>75,253</td>
<td>74,122</td>
<td>73,939</td>
<td>77,521</td>
</tr>
<tr>
<td>Medex/ Medex 2</td>
<td>62,154</td>
<td>66,304</td>
<td>46,085</td>
<td>69,410</td>
<td>69,783</td>
<td>34,378</td>
<td>46,838</td>
<td>61,442</td>
<td>67,606</td>
<td>75,183</td>
<td>86,550</td>
<td>145,352</td>
</tr>
<tr>
<td>NetWork HCO</td>
<td>1,204</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Promesa na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>21,197</td>
<td>16,467</td>
<td>17,602</td>
<td>19,041</td>
<td>23,772</td>
<td>28,222</td>
<td>30,701</td>
</tr>
<tr>
<td>Prudent Buyer (Blue Cross)</td>
<td>1,390</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Sierra</td>
<td>240</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>TOTAL</td>
<td>481,337</td>
<td>220,846</td>
<td>172,197</td>
<td>158,142</td>
<td>173,696</td>
<td>126,593</td>
<td>138,504</td>
<td>161,413</td>
<td>178,597</td>
<td>178,081</td>
<td>191,190</td>
<td>252,743</td>
</tr>
</tbody>
</table>

Source: DWC

### Health Care Organization Program Status

HCO enrollment increased approximately 31 percent between 2014 and 2015. HCOs are still being certified for use of their networks as deemed networks for MPNs. The DWC is attempting to complete recertification of the following HCOs: CompPartners; CorVel; First Health CompAmerica Primary; First Health CompAmerica Select; Medex; Medex 2; NetWork; and Promesa.

For further information …  
[www.dir.ca.gov/dwc](http://www.dir.ca.gov/dwc) and [http://www.dir.ca.gov/dwc/MPN/DWC_MPN_Main.html](http://www.dir.ca.gov/dwc/MPN/DWC_MPN_Main.html)

82
**DIVISION OF WORKERS’ COMPENSATION INFORMATION & ASSISTANCE UNIT**

The DWC Information & Assistance (I&A) Unit provides information and assistance to employees, employers, labor unions, insurance carriers, physicians, attorneys and other interested parties concerning rights, benefits and obligations under California’s workers’ compensation laws. The I&A Unit, often the first DWC contact for injured workers, plays a major role in reducing litigation before the WCAB. The Unit gets approximately 1,500 calls a week on its toll-free line, 800-736-7401, or 78,000 calls a year. These callers get prerecorded messages in English and Spanish about the workers’ compensation system and can request forms and fact sheets.

<table>
<thead>
<tr>
<th>Table 27: Information &amp; Assistance Unit Workload</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of:</strong></td>
</tr>
<tr>
<td>Calls from public handled</td>
</tr>
<tr>
<td>Outgoing calls placed</td>
</tr>
<tr>
<td>Settlements reviewed and assisted</td>
</tr>
<tr>
<td>Face-to-face meetings with walk-ins</td>
</tr>
<tr>
<td>Injured Worker Workshop presentations</td>
</tr>
<tr>
<td>Workshops for injured workers attended</td>
</tr>
<tr>
<td>Correspondence written</td>
</tr>
<tr>
<td>Conference with Workers’ Comp Judge to resolve issue or settlement</td>
</tr>
<tr>
<td>Audit Unit referrals</td>
</tr>
</tbody>
</table>

Source: DWC

Spanish Outreach Attendance data by type of outreach was available only for 2013 (see Table 28). In 2015, the bilingual staff of I&A Unit participated in 69 workshops, fairs, and consulate presentations. No attendance figures are available for 2015, as many of these presentations were organized by other entities.

<table>
<thead>
<tr>
<th>Table 28: Spanish Outreach Attendance, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Events</strong></td>
</tr>
<tr>
<td>Mexican Consulates</td>
</tr>
<tr>
<td>Radio</td>
</tr>
<tr>
<td>Workshops</td>
</tr>
<tr>
<td>Farmworker-related fairs/events</td>
</tr>
</tbody>
</table>

Source: DWC

<table>
<thead>
<tr>
<th>Table 29: DWC Educational Conferences Attendance, 2011–2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Los Angeles</strong></td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>2012</td>
</tr>
</tbody>
</table>

Source: DWC

After the enactment of SB 899 in April 2004, DWC held a special three-day statewide training seminar for all I&A officers, as well as other DWC staff, to provide early guidance on implementing the new reform law.

The I&A Unit provides the DWC Tele-Learning classes on different workers’ compensation issues for the Department of Industrial Relations (DIR) employees. The enrollment numbers in these classes are as following:
Table 30: Number of Enrollees in DWC Tele-Learning Classes for DIR employees

<table>
<thead>
<tr>
<th>Courses</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disability Management/RTW</td>
<td>Not offered</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Basic Claims</td>
<td>24</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Basic PD</td>
<td>6</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Medical Management</td>
<td>27</td>
<td>Not offered</td>
<td>9</td>
</tr>
<tr>
<td>Advanced Claims</td>
<td>Not offered</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>Advanced PD</td>
<td>15</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>72</td>
<td>67</td>
<td>79</td>
</tr>
</tbody>
</table>

Source: DWC

DIVISION OF WORKERS’ COMPENSATION INFORMATION SERVICE CENTER

The DWC Information Service Center (ISC) is located in San Bernardino. The main function of the ISC is to screen all incoming calls for all 24 DWC District offices. Any combination of a district office’s main number and I&A Unit, Disability Evaluation Unit, and Rehabilitation Unit lines are directed through ISC, which answers questions and provides information in both English and Spanish on workers’ compensation and EAMS issues for the general public. In addition, all EAMS help desk emails and Notice of Representation (NOR) questions go through ISC. ISC staff members monitor and resolve questions sent via email to the EAMS Help Desk, process NOR updates received through the e-File system, and answer Virtual EAMS Support Team (VEST Issue Tracker) questions sent by both internal and external users. In September 2014, some members of DWC ISC’s staff started participating in the new DIR Cloud call center several days a week. No statistics are available yet on DIR Cloud call center’s workload.

Table 31: DWC’s Information Service Center Workload

<table>
<thead>
<tr>
<th>Activities</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incoming calls</td>
<td>131,628</td>
<td>174,398</td>
<td>180,144</td>
</tr>
<tr>
<td>Outgoing calls</td>
<td>4,100</td>
<td>5,325</td>
<td>3,532</td>
</tr>
<tr>
<td>Calls in Spanish</td>
<td>8,695</td>
<td>13,359</td>
<td>14,908</td>
</tr>
<tr>
<td>Calls transferred to district offices</td>
<td>31,158</td>
<td>27,365</td>
<td>33,191</td>
</tr>
<tr>
<td>EAMS Help Desk emails</td>
<td>11,925</td>
<td>20,222</td>
<td>21,000</td>
</tr>
<tr>
<td>Correspondence mailed out</td>
<td>5,076</td>
<td>5,233</td>
<td>5,346</td>
</tr>
<tr>
<td>NOR-related questions processed</td>
<td>39,123</td>
<td>39,524</td>
<td>47,548</td>
</tr>
<tr>
<td>VEST/Issue tracker of EAMS related problems</td>
<td>278</td>
<td>103</td>
<td>53</td>
</tr>
</tbody>
</table>

Source: DWC
DIVISION OF WORKERS' COMPENSATION UNINSURED EMPLOYERS BENEFITS TRUST FUND

Introduction

All California employers except the State are required to provide workers’ compensation coverage for their employees through the purchase of workers’ compensation insurance or by being certified by the State as permissibly self-insured. However, not all employers comply with the law to obtain workers’ compensation coverage for their employees.

The Uninsured Employers Benefits Trust Fund (UEBTF) was established to provide payment of workers' compensation benefits to injured employees of illegally uninsured employers. Labor Code Sections 3710-3732 describe the operation of the Fund, and Labor Code Section 62.5 describes the funding mechanism for UEBTF.

The director of the Department of Industrial Relations (DIR) administers the UEBTF. Claims are adjusted for the DIR director by the Special Funds Unit in DWC. UEBTF pursues reimbursement of expenditures from the responsible employers through all available avenues, including filing liens against their property. Litigation for UEBTF is conducted in the name of the director of DIR represented by the Office of the Director Legal Unit.

Funding Liabilities and Collections

UEBTF Funding Mechanisms

UEBTF funding comes from annual assessments on all insured and self-insured employers, from fines and penalties imposed on illegally uninsured employers when they get caught, and from recoveries from illegally uninsured employers when the UEBTF has paid benefits and is able to obtain reimbursement from responsible employers. According to Labor Code Section 62.5(e), the “total amount of the assessment is allocated between the employers in proportion to the payroll paid in the most recent year for which payroll information is available.”

The assessment for insured employers is based on a percentage of the premium, while the percentage for self-insured employers is based on a percentage of indemnity paid during the most recent year. The total assessment collected pursuant to Labor Code Section 62.5 was $32.9 million for fiscal year (FY) 2013-2014, $40.7 million for FY 2014-2015, and $24.2 for FY 2015-2016.

Apart from the assessments on employers required by Labor Code Section 62.5, UEBTF is funded by two other sources:

- Fines and penalties collected by DIR. These include both the Division of Labor Standards Enforcement (DLSE) penalties as well as Labor Code Section 3701.7 penalties on self-insured employers.
- Recoveries from illegally uninsured employers per Labor Code Section 3717.

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27 Prior to the workers’ compensation reforms of 2004, the funding for UEBTF came from the General Fund.
WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 63 shows monies collected by the source of the revenue.28

**Figure 63: UEBTF Revenues, FY 2006-2007 to FY 2015-2017 (Million $)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue Collected Pursuant to Labor Code Section 3717</th>
<th>Fines and Penalties Collected</th>
<th>Assessments Collected Pursuant to Labor Code Section 62.5</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/07</td>
<td>$19.1</td>
<td>$3.5</td>
<td>$10.8</td>
<td>$35.7</td>
</tr>
<tr>
<td>2007/08</td>
<td>$35.7</td>
<td>$5.3</td>
<td>$27.0</td>
<td>$67.0</td>
</tr>
<tr>
<td>2008/09</td>
<td>$32.0</td>
<td>$9.9</td>
<td>$20.6</td>
<td>$62.5</td>
</tr>
<tr>
<td>2009/10</td>
<td>$38.8</td>
<td>$11.2</td>
<td>$26.4</td>
<td>$86.4</td>
</tr>
<tr>
<td>2010/11</td>
<td>$63.2</td>
<td>$8.6</td>
<td>$53.3</td>
<td>$125.1</td>
</tr>
<tr>
<td>2011/12</td>
<td>$67.7</td>
<td>$16.3</td>
<td>$50.4</td>
<td>$134.4</td>
</tr>
<tr>
<td>2012/13</td>
<td>$68.1</td>
<td>$13.0</td>
<td>$54.0</td>
<td>$135.1</td>
</tr>
<tr>
<td>2013/14</td>
<td>$48.9</td>
<td>$14.3</td>
<td>$32.9</td>
<td>$96.2</td>
</tr>
<tr>
<td>2014/15</td>
<td>$54.9</td>
<td>$11.1</td>
<td>$40.7</td>
<td>$106.7</td>
</tr>
<tr>
<td>2015/16</td>
<td>$42.7</td>
<td>$14.3</td>
<td>$24.2</td>
<td>$81.2</td>
</tr>
</tbody>
</table>

Data Source: DWC

The number of new UEBTF cases and dollar amounts associated with new opened claims are shown in Figures 64 and 65.

**Figure 64: New UEBTF Cases Opened, FY 2006-2007 to FY 2015-2016**

<table>
<thead>
<tr>
<th>Year</th>
<th>New UEBTF Cases Opened</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/07</td>
<td>1,267</td>
</tr>
<tr>
<td>2007/08</td>
<td>1,121</td>
</tr>
<tr>
<td>2008/09</td>
<td>NA</td>
</tr>
<tr>
<td>2009/10</td>
<td>1,209</td>
</tr>
<tr>
<td>2010/11</td>
<td>1,122</td>
</tr>
<tr>
<td>2011/12</td>
<td>1,730</td>
</tr>
<tr>
<td>2012/13</td>
<td>1,236</td>
</tr>
<tr>
<td>2013/14</td>
<td>1,174</td>
</tr>
<tr>
<td>2014/15</td>
<td>1,217</td>
</tr>
<tr>
<td>2015/16</td>
<td></td>
</tr>
</tbody>
</table>

Data Source: DWC

28 The data in Figure 63 found at the DWC/Special Funds Unit/UEBTF website are updated on an ongoing basis, http://www.dir.ca.gov/dwc/UEF/UEF_LC3716_1.pdf.
According to Figure 66, the number of uninsured claims paid increased by 6.5 percent from FY 2006-2007 to FY 2007-2008, decreased by 32 percent from FY 2007-2008 to FY 2008-2009, and then increased by 51 percent from FY 2008-2009 to FY 2014-2015. The number of uninsured claims paid decreased by 11 percent from FY 2014-2015 to FY 2015-2016.

Figure 67 shows that the cost of claims decreased 23 percent from FY 2006-2007 to FY 2010-2011, increased by 22.5 percent from FY 2010-2011 to FY 2011-2012, and then averaged around $40 million from FY 2011-2012 to FY 2014-2015. Administrative costs associated with claim payment activities fluctuated between $6.5 and $9.5 million from FY 2006-2007 to FY 2015-2016.
The most recent available projected UEBTF annual program cost for FY 2011-2012 is $40.4 million.\(^2\) This cost includes the administrative costs associated with claims-payment activities, as well as the payout on claims filed by injured workers of illegally uninsured employers.

**ADJUDICATION SIMPLIFICATION EFFORTS**

**Division of Workers’ Compensation Information System**

California’s Workers’ Compensation Information System (WCIS) uses electronic data interchange (EDI) to collect comprehensive information from claims administrators to help oversee the state’s workers’ compensation system. The information collected facilitates evaluation of the system and helps measure the adequacy of benefits for injured workers and their dependents and provides statistical data for internal and external research. Electronic transmission of first reports of injury (FROI) was required beginning March 1, 2000, and electronic versions of benefit notices (subsequent reports of injury, SROI) were mandated as of July 1, 2000. Electronic reporting of medical billing data was required for medical services beginning September 22, 2006.

WCIS operates with joint efforts from DIR’s Office of Information Services (OIS) staff and DIR/DWC’s Research Unit staff. The OIS staff provides technical support while the Research Unit staff provides business knowledge and research support.

WCIS accepts FROI/SROI transactions from 157 public, private, insured and self-insured claim administrators.

Currently, WCIS is actively receiving medical bill data from 52 senders (claims administrators and bill review companies sending data on behalf of claims administrators). An additional 21 senders are in the

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\(^2\) Division of Workers’ Compensation, “Report of the Uninsured Employers Benefit Trust Fund in Compliance with Labor Code Section 3716.1(c) for Fiscal Year 2008-09” at [http://www.dir.ca.gov/dwc/UEF/UEF_LC3716_1.pdf](http://www.dir.ca.gov/dwc/UEF/UEF_LC3716_1.pdf).
process of testing to start reporting. As of December 2015, electronic reports have been received for approximately 300 million medical bill lines/services.

**Maintenance and Improvements to the System**

System improvement continued. The development work for 12 change requests (CRs) to improve system operation and efficiency has been completed and tested and is now in production.

A plan to switch file transfer from FTP (file transfer protocol) to SFTP (secure file transfer protocol) commences in 2016. The development work for this started in 2014.

The WCIS team updated the California EDI Implementation Guide for FROI/SROI Reporting to version 3.1 to simplify FROI/SROI reporting and worked with the DWC legal team on updating the proposed regulations. The proposed regulations are slated for submission to the Office of Administrative Law (OAL) by January 2017. Fifty percent of the CRs for the proposed regulation have been completed.

**New Projects**

On April 6, 2016 the WCIS successfully transitioned from California Version 1.1 standard to California Version 2.0 standard for collecting medical bill payment data. California Version 2.0 is based on the IAIABC Medical Release 2.0. Version 2.0 allows the Department to collect medical bill data using ANSI X12 837 5010 standard formats, in sync with the DWC electronic bills regulations, which also adopted ANSI X12 837 5010 standard formats for electronic medical billing.

The DIR OIS WCIS team replaced GENTRAN, an off-the-shelf ANSI file translator, with an in-house developed translator doing the processing. This removed the reliance of WCIS on the support of an outside vendor for translating incoming and outgoing ANSI files and developed the necessary skill to internally maintain the system by OIS employees.

Prior to the launch of Version 2.0 the WCIS team organized a webinar to train data senders on the requirements of the new standard.

**Data Extracts**

In 2016, WCIS data extracts were provided to several state organizations, researchers in academia, and other government organizations.

The WCIS continues to supply regular data extracts for the California Division of Occupational Safety and Health (Cal/OSHA), the California Department of Public Health, and the California Department of Health Care Services. The WCIS also provided data to the DIR Directors Office on several subjects related to legislative efforts.

The RAND Corporation studies on the Evaluation of SB 863 Medical Care Reform Study, and Disability Evaluation and Medical Treatment in California used the WCIS data.

The medical data was also provided to the public pursuant to the California Public Records Act.

The WCIS data was also provided to numerous research organizations and the public at large. Organizations that received WCIS data include:

- The University of San Francisco
- The University of California–San Francisco
- The University of Oregon
- The Workers’ Compensation Insurance Rating Bureau of California
- The Kaiser Foundation Health Plan, Inc.


**Data Quality**

In order to improve the quality of incoming data, California Medical Version 2.0 implemented a more stringent data validation program. In addition the WCIS team also sent out individual data quality reports to each sender and discussed data quality issues with data reporters at the DWC Education Conference and at the WCIS advisory meeting.

The WCIS team continues to work on improving the quality and completeness of data being reported by claims administrators. To this end, the WCIS team developed reports to send out to data senders and communicated with them using meetings and electronic media. WCIS holds an annual advisory meeting to discuss trends, issues, and proposed system changes with trading partners and other stakeholders. WCIS staff have continued to answer data sender questions, distribute Online Training Bulletins, and provide one-on-one training to trading partners to improve their FROI/SROI reporting. During the coming year, WCIS staff will be working with DWC’s legal unit to develop, draft, and engage in the regulatory process to implement WCIS penalty provisions.

*For further information…*

[http://www.dir.ca.gov/dwc/WCIS.htm](http://www.dir.ca.gov/dwc/WCIS.htm)

**Division of Workers’ Compensation Electronic Adjudication Management System**

Senate Bill (SB) 863 requires electronic lien filing as well as electronic payment of filing or activation fees on some liens. The Division of Workers’ Compensation (DWC)/Department of Industrial Relations (DIR) Electronic Adjudication Management System (EAMS) team successfully deployed the lien filing and activation fee processes to e-Forms, Jet, and Public Search on January 1, 2013.

Upgrades to the new payment processes, including a shopping cart function and increased capacity, were rolled out in March, April, and June 2013. Improvements to these processes are continuing.

The electronic Notice and Request for Allowance of Lien and the Declaration of Readiness forms have been revised, and a new form, the Request for Factual Correction of an Unrepresented Panel Qualified Medical Examiner (QME) Report, was created.

EAMS regulations for e-Form filing, Jet filing, and lien fees were approved. Due to a preliminary injunction ordered by a federal district judge in Angelotti Chiropractic, Inc., et al. v. Baker, et al., effective November 19, 2013, the DWC/DIR EAMS team suspended the collection of activation fees for liens filed before January 1, 2013. An appeal of the injunction and other aspects of the judge’s ruling are pending. Through EAMS, DWC continues to collect the filing fee for liens filed after January 1, 2013.

Check processing for the Uninsured Employers Benefit Trust Fund (UEBTF) shifted from DIR Accounting to the State Controller’s Office.

Check processing for the Subsequent Injuries Benefit Trust Fund (SIBTF) shifted from DIR Accounting to the State Controller’s Office.

To better track Senate Bill (SB) 863 changes, modifications were made to Expedited Hearings, Liens, and reasons for filing Liens.

Tools were created to reschedule multiple court hearings at the same time and change Uniform Assigned Name addresses on multiple cases. The improved Notice of Hearing data mailer shows all cases set for hearing when companion cases are scheduled.

New software tools enable EAMS staff to systematically add or change law firms and claims administrators on multiple cases.
Venue adjustments made allow case assignment and hearing scheduling at the Santa Barbara satellite district office.

The upgraded EAMS Case Participants list shows internal and external users the complete addresses of all case parties on a single page.

The EAMS staff is working to better incorporate other portions of SB 863, including Independent Medical Review (IMR) and Independent Bill Review (IBR). Many requests for changes to improve EAMS have been implemented.

In 2015 and 2016, DIR created a more robust and secure network for EAMS by refreshing servers, adding security features, and updating infrastructure software and Cognos reporting software.

2015 activities:

- DIR enriched workflows for document processing for judge review, lien processing (to systematically add the lien claimant and lien claimant representative as case participants), and expanded workflows for the Uninsured Employers Benefits Trust Fund (UEBTF). Document processing was improved by adding document titles and updating classifications for case participants to our current needs. The ability to match a new case to a previously injured worker was improved by adding a portion of the worker's first name in the matching criteria.

- In November, we made changes in the Declaration of Readiness and resumed the collection of lien activation fees in compliance with a ruling issued by Judge George Wu of the US District Court for the Central District of California in Angelotti Chiropractic, Inc., et al. v. Baker, et al.

- In December, DIR implemented changes to halt the collection of lien activation fees, in compliance with the ruling issued in Angelotti Chiropractic, Inc., et al. v. Baker, et al.

2016 activities:

- DIR enlarged the comment fields in EAMS, created additional case participant roles, and enhanced the Public Information Search Tool. DIR streamlined the workflow for settlement notification to the judges. JET filing internal processes were improved. DIR enhanced document processing by updating zip code lists, adding more document titles and enforcing the lien claimant UAN (Uniform Assigned Name) on all lien submissions.

- DIR streamlined the process for setting hearings before judges and developed new UEBTF and Subsequent Injuries Benefits Trust Fund (SIBTF) processes for those hearings. We improved UEBTF document processing, data reliability, and communication templates.

- On January 1, 2017, we began implementation of Assembly Bill 1244 and Senate Bill 1160 by revising the electronically filed Notice and Request for Allowance of Lien form and creating the Supplemental Lien Form and Section 4903.05(c) Declaration. The liens of lien claimants who have been criminally indicted have been stayed and can be viewed in the Lien Search results of the Public Information Search Tool.

**Carve-Outs: Alternative Workers’ Compensation Systems**

A provision of the workers’ compensation reform legislation in 1993, implemented through Labor Code Section 3201.5, allowed construction contractors and unions, via the collective bargaining process, to establish alternative workers’ compensation programs, also known as carve-outs. In 2003, the Legislature extended the program to cover alternative dispute resolution labor-management agreements outside the construction industry. This is codified in LC 3201.7.

CHSWC is monitoring the carve-out program, which is administered by DWC.
CHSWC Study of Carve-Outs

CHSWC engaged in a study to identify the various methods of alternative dispute resolution (ADR) which are being employed in California carve-outs and to begin the process of assessing their efficiency, effectiveness and compliance with legal requirements.

Since carve-out programs have operated only since the mid-1990s, the data collected are preliminary. The study team found indications that: the most optimistic predictions about the effects of carve-outs on increased safety, lower dispute rates, far lower dispute costs, and significantly more rapid return to work (RTW) have not occurred; and that the most pessimistic predictions about the effect of carve-outs on reduced benefits and access to representation have not occurred.

For further information …

http://www.dir.ca.gov/CHSWC/carve-out1.pdf

Impact of Senate Bill 228 (2003)

Senate Bill (SB) 228 (2003) added Labor Code Section 3201.7, establishing the creation of a new carve-out program for any unionized industry that meets the requirements. This was in addition to the existing carve-out program in the construction industry (already covered under Labor Code Section 3201.5).

Only the union may initiate the carve-out process by petitioning the Administrative Director (AD). The AD will review the petition according to the statutory requirements and issue a letter allowing each employer and labor representative a one-year window for negotiations. The parties may jointly request a one-year extension to negotiate the labor-management agreement.

In order to be considered, the carve-out must meet several requirements including:

- The union has petitioned the AD as the first step in the process.
- A labor-management agreement has been negotiated separate and apart from any collective bargaining agreement covering affected employees.
- The labor-management agreement has been negotiated in accordance with the authorization of the AD between an employer or groups of employers and a union that is recognized or certified as the exclusive bargaining representative that establishes any of the following:
  - An ADR system governing disputes between employees and employers or their insurers that supplements or replaces all or part of those dispute resolution processes contained in this division, including, but not limited to, mediation and arbitration. Any system of arbitration shall provide that the decision of the arbiter or board of arbitration is subject to review by the Appeals Board in the same manner as provided for reconsideration of a final order, decision, or award made and filed by a workers' compensation administrative law judge.
  - The use of an agreed list of providers of medical treatment that may be the exclusive source of all medical treatment provided under this division.
  - The use of an agreed, limited list of Qualified Medical Evaluators (QMEs) and Agreed Medical Evaluators (AMEs) that may be the exclusive source of QMEs and AMEs under this division.
  - A joint labor-management safety committee.
  - A light-duty, modified job or return-to-work program.
  - A vocational rehabilitation or retraining program utilizing an agreed list of providers of rehabilitation services that may be the exclusive source of providers of rehabilitation services under this division.
The minimum annual employer premium for the carve-out program for employers with 50 employees or more is $50,000, and the minimum group premium is $500,000.

Any agreement must include right of counsel throughout the ADR process.

**Impact of Senate Bill 899 (2004)**

In 2004, construction industry carve-outs were amended per Labor Code Section 3201.5 and carve-outs in other industries were amended per Labor Code Section 3201.7 to permit the parties to negotiate any aspect of the delivery of medical benefits and the delivery of disability compensation to employees of the employer or group of employers who are eligible for group health benefits and non-occupational disability benefits through their employer.

Recognizing that many cities and counties, as well as private industries, were interested in knowing more about carve-outs and about health and safety training and education within a carve-out, CHSWC hosted a conference devoted to carve-outs/alternative dispute resolution on August 2, 2007, in Emeryville, California. The conference was for all stakeholders in the workers’ compensation system including: those in existing carve-outs; those considering establishing a carve-out; unions and employers; risk managers; government agencies; third-party administrators; insurers; policymakers; attorneys; and health care providers.

The conference provided an opportunity for the health and safety and workers’ compensation communities and the public to share ideas for establishing carve-outs which have the potential to: improve safety programs and reduce injury and illness claims; achieve cost savings for employers; provide effective medical delivery and improved quality of medical care; improve collaboration between unions and employers; and increase the satisfaction of all parties.

**Requirements of ADR program reports to DWC under 8 CCR Section 10203**

The ADR data reporting requirements, initially adopted by DWC in 1996, can be found in the California Code of Regulations, Title 8, Section 10203. Section 10203 requires that every employer subject to either Labor Code Section 3201.5 or 3201.7 shall provide the DWC with the required information for the previous calendar year on or before March 31 of each year. For each claim with a date of injury on or after January 1, 2004, the information shall be updated annually for the previous four calendar years, thereby allowing longer-term claims trajectories and costs to be determined. In order to fulfill the reporting requirement, groups of employers must, on behalf of their members, either submit data directly to the DWC, or “(a)(2)(B) provide the Administrative Director with written authorization to collect the information from the appropriate claims administrator. However, if the Administrative Director is unable to obtain the information with the written authorization, the employer shall remain responsible for obtaining and submitting the information.” Employers are required to submit data using the Aggregate Employer Annual Report (DWC Form GV-1) (8 CCR Section 10103.1) and the Individual Employer Annual Report (DWC Form GV-2) (8 CCR Section 10103.2).

**Person hours and payroll covered by agreements filed**

For calendar year 2015, 23 of 29 reporting programs reported payroll and person-hours. Carve-out programs reported that for the 2015 calendar year, they covered 89 million work hours and $2.5 billion in payroll. The reported average wage for per carve-out FTE is $29 per hour.
WORKERS’ COMPENSATION ADMINISTRATIVE PERFORMANCE

Table 32: Estimated Person-Hours Worked and Payroll, 2006 - 2015

<table>
<thead>
<tr>
<th>Calendar Year (Reporting Year)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting Programs</td>
<td>19</td>
<td>16</td>
<td>19</td>
<td>21</td>
<td>19</td>
<td>22</td>
<td>25</td>
<td>22</td>
<td>27</td>
<td>23</td>
</tr>
<tr>
<td>Employers</td>
<td>981</td>
<td>1,087</td>
<td>1,274</td>
<td>876</td>
<td>1,177</td>
<td>1,586</td>
<td>1,508</td>
<td>1,815</td>
<td>1,901</td>
<td>1,552</td>
</tr>
<tr>
<td>Payroll (Millions $)</td>
<td>$1,378</td>
<td>$1,777</td>
<td>$2,782</td>
<td>$3,393</td>
<td>$1,976</td>
<td>$2,418</td>
<td>$1,849</td>
<td>$1,226</td>
<td>$3,255</td>
<td>$2,553</td>
</tr>
<tr>
<td>Person-Hours Worked (Millions)</td>
<td>56</td>
<td>56</td>
<td>93</td>
<td>100</td>
<td>67</td>
<td>78</td>
<td>69</td>
<td>51</td>
<td>122</td>
<td>89</td>
</tr>
<tr>
<td>FTE (estimated)</td>
<td>28,000</td>
<td>28,000</td>
<td>46,500</td>
<td>50,000</td>
<td>33,500</td>
<td>39,000</td>
<td>34,500</td>
<td>25,600</td>
<td>60,900</td>
<td>44,600</td>
</tr>
<tr>
<td>Avg. Hourly Wage</td>
<td>$25</td>
<td>$32</td>
<td>$30</td>
<td>$34</td>
<td>$29</td>
<td>$31</td>
<td>$27</td>
<td>$24</td>
<td>$27</td>
<td>$29</td>
</tr>
</tbody>
</table>

Data Source: DWC

Status of Carve-out Agreements

The following websites are updated regularly and show the current status of carve-out agreements pursuant to Labor Code Sections 3201.5 and 3201.7, as reported by DWC.

Construction Industry Carve-out Participants Labor Code Section 3201.5
http://www.dir.ca.gov/dwc/Carveout/ConstructionCarveOut.htm

Non-Construction Industry Carve-out Participants Labor Code Section 3201.7
http://www.dir.ca.gov/dwc/Carveout/NonConstructionCarveOut.htm

For further information …

The latest information on carve-outs may be obtained at:
http://www.dir.ca.gov/dwc/carveout.html


DIVISION OF LABOR STANDARDS ENFORCEMENT BUREAU OF FIELD ENFORCEMENT

The Bureau of Field Enforcement (BOFE) in the Division of Labor Standards Enforcement (DLSE) is responsible for investigation and enforcement of statutes covering workers’ compensation insurance coverage, child labor, cash pay, unlicensed contractors, and Industrial Welfare Commission orders, as well as group claims involving minimum wage and overtime claims. BOFE also handles criminal investigations involving these group claims.
Table 33 lists the citations from 2014-2015 enforcement actions. It illustrates the Bureau’s performance inclusive of all special programs, such as non-public works field enforcement and prevailing wage enforcement through the Public Works Unit.

Table 33: DLSE Citations by Category, 2014–2015

<table>
<thead>
<tr>
<th>Citation Category</th>
<th>Number of Citations</th>
<th>Penalties Assessed</th>
<th>Penalties Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers’ Compensation</td>
<td>1,025</td>
<td>$20,687,512</td>
<td>$4,034,951</td>
</tr>
<tr>
<td>Itemized Statement</td>
<td>562</td>
<td>$5,979,790</td>
<td>$2,627,935</td>
</tr>
<tr>
<td>Non-registration*</td>
<td>192</td>
<td>$1,426,100</td>
<td>$353,532</td>
</tr>
<tr>
<td>Overtime</td>
<td>190</td>
<td>$1,115,802</td>
<td>$279,314</td>
</tr>
<tr>
<td>Rest and Meal Period</td>
<td>171</td>
<td>$1,104,085</td>
<td>$214,603</td>
</tr>
<tr>
<td>Minimum Wage</td>
<td>170</td>
<td>$958,485</td>
<td>$147,390</td>
</tr>
<tr>
<td>Child Labor</td>
<td>67</td>
<td>$136,000</td>
<td>$67,665</td>
</tr>
<tr>
<td>Unlicensed Construction Contractor</td>
<td>60</td>
<td>$445,400</td>
<td>$43,712</td>
</tr>
<tr>
<td>Garment</td>
<td>36</td>
<td>$96,800</td>
<td>$41,320</td>
</tr>
<tr>
<td>Unlicensed Farm Labor Contractor</td>
<td>11</td>
<td>$76,700</td>
<td>$40,500</td>
</tr>
<tr>
<td>Misclassification</td>
<td>1</td>
<td>$5,000</td>
<td>$0</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>$12,400</td>
<td>$1,750</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>2,488</td>
<td>$32,044,074</td>
<td>$7,852,672</td>
</tr>
<tr>
<td>Public Works</td>
<td>479</td>
<td>$20,052,916**</td>
<td>$4,247,454</td>
</tr>
<tr>
<td>LESS citations dismissed/modified</td>
<td>($13,016,351)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,967</td>
<td>$39,080,639</td>
<td>$12,100,126</td>
</tr>
</tbody>
</table>

* “Non-registration” includes penalties for non-registration issued for car washes and garment manufacturers.
** Includes Labor Code Section 1777.7 penalty assessments.

Source: DLSE

For further information …

https://www.dir.ca.gov/dlse/DLSEReports.htm
ANTI-FRAUD ACTIVITIES

Background

During the past decade, there has been a dedicated and rapidly growing campaign in California against workers’ compensation fraud. This report on the nature and results of that campaign is based primarily on information obtained from the California Department of Insurance (CDI) Fraud Division, as well as applicable Insurance Code and Labor Code sections, and data published in periodic Bulletin[s] of the California Workers’ Compensation Institute (CWCI).

The former Insurance Commissioner Steve Poizner convened an Advisory Task Force on Insurance Fraud in May 2007 to address major issues relating to insurance fraud. Former Executive Officer of CHSWC Christine Baker, currently the director of DIR, chaired the Task Force’s Workers’ Compensation Expert Working Group. The Task Force completed a comprehensive review of the anti-fraud insurance programs and identified 18 recommendations to consider in reducing insurance fraud in California.

The recommendations are consolidated into the following five categories identified by the Task Force:

- Organization and Efficiency of the CDI Fraud Division Enforcement Branch.
- Industry Role in Fighting Fraud.
- Public Role in Fighting Fraud.
- Fraud Statutes and Regulations.
- Technologies.

The Fraud Division is currently implementing the following recommendations:

- Placing personnel in existing fusion centers in the State so that law enforcement can share information more efficiently and quickly identify emerging trends and crime patterns.
- Developing and providing better training for the Special Investigation Units (SIU) on the recognition, documentation and reporting of suspected insurance fraud claims.
- Recognizing insurance companies that go beyond compliance for their greater commitment to fighting fraud.
- Increasing the CDI’s outreach efforts about the consequences of fraud and how the public can recognize and report it.

Suspected Fraudulent Claims

Suspected Fraudulent Claims (SFCs) are reports of suspected fraudulent activities received by CDI from various sources, including insurance carriers, informants, witnesses, law enforcement agencies, fraud investigators, and the public. The number of SFCs represents only a small portion reported by the insurers and does not necessarily reflect the whole picture of fraud since many fraudulent activities have not been identified or investigated.

According to CDI Fraud Division data, the quality of SFCs continues to improve each fiscal year. Several reasons for this trend include:

- The extensive efforts to provide training to the insurance claim adjusters and SIU personnel by the Fraud Division and District Attorneys.

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WORKERS’ COMPENSATION ADMINISTRATIVE PERFORMANCE

- Changing submission of SFCs by filling out the FD-1 Form electronically on the Internet.

- Promulgating new regulations to help insurance carriers step up their anti-fraud efforts and become more effective in identifying, investigating and reporting workers’ compensation fraud. A work plan to increase the number of audits performed by the Fraud Division SIU Compliance Unit was established and continues with an aggressive outreach plan to educate the public on anti-fraud efforts and how to identify and report fraud. This has ensured a more consistent approach to the oversight and monitoring of the SIU functions with the primary insurers as well as the subsidiary companies.

- CDI is strengthening its working relationship with the Workers’ Compensation Insurance Rating Bureau (WCIRB) to support the Department's anti-fraud efforts.

For fiscal year 2014-2015, the total number of SFCs reported is 5,931.

Workers’ Compensation Fraud Suspect Arrests

After a fraud referral, an investigation must take place before any warrants are issued or arrests are made. The time for investigation ranges from a few months to a few years depending on the complexity of the caseload. For this reason, the number of arrests does not necessarily correspond to the number of referrals in a particular year (see Figure 68).

Figure 68: Suspected Workers’ Compensation Fraudulent Claims and Suspect Arrests

Data Source: CDI - Fraud Division and CWCI
Workers’ Compensation Fraud Suspect Convictions

Based on information from the Fraud Division and CWCI Bulletin(s), the number of workers’ compensation fraud suspects convicted annually while many cases are still pending in court is reported in Figure 69.

![Figure 69: Workers’ Compensation Fraud Suspect Prosecutions and Convictions](image)

Data Source: CDI - Fraud Division and CWCI

Workers’ Compensation Fraud Investigations

**Types of Workers’ Compensation Fraud Investigations**

Figures 70 and 71 indicate the number and types of investigations opened and carried from fiscal years FY 2006-2007 to FY 2014-2015 reported by district attorneys. Applicant fraud appears to be the area generating the most cases followed by premium fraud and uninsured employer fraud.

Some of the categories for fraud-related investigations were changed in FY 2005-2006, FY 2006-2007, and FY 2007-2008 as reflected in Figures 70 and 71. In 2008, two new categories, Legal Provider and Pharmacy, were introduced as separate categories.

**Trends in Workers’ Compensation Fraud Investigations**

Figure 70 shows that the number of workers’ compensation fraud investigations averaged 1,365 from FY 2006-2007 to FY 2011-2012. The workers’ compensation fraud investigations increased by 20 percent from FY 2011-2012 to FY 2012-2013 and then decreased by 11 percent from FY 2012-2013 to FY 2014-2015.
As seen in Figure 71, the focus of the investigations has been different in different periods. Applicant fraud investigations dropped from 54 percent of the total in FY 2006-2007 to 39 percent in FY 2010-2011. During the same period, the percentage of investigations of premium and uninsured employer frauds increased. From FY 2010-2011 to FY 2014-2015, investigations of applicant fraud increased again to its FY 2006-2007 level, premium fraud continued an overall increase from the previous period, and investigations of uninsured employers fell from 28 to 12 percent.
In addition, the 2015 Annual Report of the Insurance Commissioner notes that the majority of suspected fraudulent claims in calendar year 2015 came from Los Angeles County (2,282, or 39 percent of total cases) followed by Orange County (536, or 9 percent) and San Diego County (404, or 7 percent).

**Underground Economy**

Although most California businesses comply with health, safety, and workers’ compensation regulations, some do not and operate in the “underground economy.” Such businesses may not have all their employees on the official company payroll or may not report wages paid to employees that reflect their real job duties. Businesses in the underground economy are therefore competing unfairly with those that comply with the laws. According to the Employment Development Department (EDD), the California underground economy is estimated at $60 to $140 billion annually.31

**Potential Areas for Improvement in Workers’ Compensation Anti-Fraud Efforts**

CHSWC has conducted many studies that focus on improving workers’ compensation anti-fraud efforts and co-chaired stakeholder meetings on fraudulent activity in the workers’ compensation system. In September 2016, Governor Brown signed Assembly Bill 1244 and Senate Bill SB 1160 that provide a mechanism for suspending perpetrators of fraud from the workers’ compensation system and for limiting financial recovery related to fraudulent activity.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

OCCUPATIONAL INJURY AND ILLNESS PREVENTION EFFORTS

Workplace health and safety are of primary importance and the shared goal of all Californians. Ongoing cooperative efforts among workers, employers, employer, and labor organizations, government agencies, health and safety professionals, independent researchers, and the public have resulted in significant reductions in workplace injuries, illnesses and deaths.

This section discusses the number and incidence rate of occupational injuries and illnesses, injuries and illnesses by occupation and other factors, and the efforts to prevent occupational injuries and illnesses. Also included is an overview of the requirements and methods to record and report occupational injuries and illnesses in the United States and California.

Where data are available, comparisons among private industry and state and local government are also included.

Occupational Injuries, Illnesses, and Fatalities

The number of occupational injuries, illnesses, and fatalities in the private sector (private industry) and the public sector (state and local government) for the past several years are listed and discussed in this subsection. Fatality statistics for 2014 are preliminary; the latest fatality rates are available for 2014.

Please note that "lost-work-time" occupational injury and illness cases involve days away from work, job transfer, or days of restricted work activity, and that days-away-from-work cases involve days away from work, regardless of whether there is also job transfer or restricted work activity.

The National Academy of Social Insurance (NASI) estimated that in 2014 (latest available year) 132.7 million workers were covered by workers’ compensation in the U.S., including 15.6 million in California.
Comparison of the Public and Private Sectors

Non-Fatal Occupational Injuries and Illnesses

Figure 72 shows the number of occupational injuries and illnesses in California’s private industry and state and local government. Occupational injuries and illnesses in California have decreased noticeably in the eleven years depicted below. As shown in Figure 72, the number of recordable cases for occupational injury and illness, lost-work-time, and days-away-from-work declined from 2005 to 2011, and then increased overall by 7 percent, 12 percent, and 7 percent respectively from 2011 to 2015.

Figure 72: California Non-Fatal Occupational Injuries and Illnesses: Private Industry and State and Local Governments (Thousands)

Fatal Occupational Injuries and Illnesses

Fatal occupational injuries and illnesses in California have also decreased overall, as shown in Figure 73. Fatal occupational injuries and illnesses in California stabilized at an average of 445 from 2003 to 2005, and then increased by 13 percent from 2005 to its peak in 2006. Fatal injuries decreased 23.8 percent from 2006 to 2007, increased 14.7 percent from 2007 to 2008, and then decreased by 33.7 percent from 2008 to 2010. The number of fatal injuries in California increased by 19 percent from 2010 to 2013, decreased by 14 percent from 2013 to 2014, and then increased by 7 percent from 2014 to 2015.

Figure 73: California Fatal Occupational Injuries and Illnesses—Private Industry and State and Local Governments**

* Preliminary data.
** Total, excluding Federal Government.
Private Sector

Non-Fatal Occupational Injuries and Illnesses

A significant decrease in occupational injuries and illnesses in California's private industry from 2005 to 2011 was followed by an increase starting in 2012. The total number of recordable injury and illness cases dropped overall by 33 percent, the number of lost-work-time cases declined by 33.5 percent, and the number of days-away-from-work cases decreased by 30 percent, all from 2005 to 2011, and then increased overall by about 8 percent, 16 percent, and 12 percent respectively from 2011 to 2015.

Figure 74: California Non-Fatal Occupational Injuries and Illnesses: Private Industry (Thousands)

Fatal Occupational Injuries and Illnesses

Fatal occupational injuries and illnesses in California private industry stabilized at an average of 413 from 2003 to 2005, and then increased by 12 percent from 2005 to 2006. Fatal injuries decreased by 25 percent from 2006 to 2007, increased 13.6 percent from 2007 to 2008, and then decreased by 30 percent from 2008 to 2010. A 24 percent increase in the number of fatal injuries in California from 2010 to 2013 was followed by a 15 percent decrease from 2013 to 2014 and a 10 percent increase from 2014 to 2015.

Figure 75: California Fatal Occupational Injuries and Illnesses—Private Industry

* Preliminary Data
Public Sector: State Government

Non-Fatal Occupational Injuries and Illnesses

The number of recordable injury and illness cases in California state government declined by 19 percent between 2005 and 2007, and then averaged 20,600 cases per year from 2007 to 2015. It should be noted that many state and local government occupations are high risk, such as law enforcement, firefighting, rescue, and other public safety operations.

Figure 76: California Non-Fatal Occupational Injuries and Illnesses: State Government (Thousands)

Fatal Occupational Injuries and Illnesses

Fatal occupational injuries and illnesses in California state government averaged 6 fatalities for most years from 2003 through 2015, except for increases in 2006 and 2007 to an average of 11 fatalities and in 2010 to 15 fatalities.

Figure 77: California Fatal Occupational Injuries and Illnesses—State Government

* Preliminary Data.
WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Public Sector: Local Government

Non-Fatal Occupational Injuries and Illnesses

The total number of non-fatal occupational injuries and illnesses in local government experienced fluctuations from 2005 to 2008. From 2008 to 2011, the number of injuries and illnesses in this sector decreased by 21 percent and then averaged 86,300 non-fatal occupational injuries and illnesses per year between 2011 and 2015.

Figure 78: California Non-Fatal Occupational Injuries and Illnesses: Local Government (Thousands)

Fatal Occupational Injuries and Illnesses

The number of fatal occupational injuries and illnesses in California’s local governments averaged 24 fatalities between 2003 and 2011, except for an increase to 36 fatalities in 2008. After a decrease from 25 to 16 fatalities from 2011 to 2012, local government fatalities increased steadily from 2012 to 2015.

Figure 79: California Fatal Occupational Injuries and Illnesses—Local Government

Source: BLS and DIR, Director’s Office of Policy, Research and Legislation

* Preliminary Data
**Occupational Injury and Illness Incidence Rates**

*Comparison of Public and Private Sectors*

Overall, the incidence rate for all three types of cases in California—all cases, lost-work-time, and days-away-from-work—declined from 2005 to 2015.

![Figure 80: California Occupational Injury and Illness Incidence Rates: Private, State and Local (Cases per 100 Full-Time Employees)]

**Private Sector**

From 2005 to 2015, the occupational injury and illness incidence rate for all cases in California's private industry declined from 4.7 to 3.3, a decrease of 30 percent; the incidence rate for lost-time cases dropped by 22 percent, from 2.7 to 2.1; and days-away-from-work cases decreased by 23 percent.

![Figure 81: California Occupational Injury and Illness Incidence Rates: Private Industry (Cases per 100 Full-Time Employees)]
Public Sector: State Government

California state government occupational injury and illness incidence rates for all cases declined by 16 percent, from 6.4 cases in 2005 to 5.4 cases per 100 full-time employees in 2007, and then fluctuated between 5.3 and 5.9 from 2007 to 2013. From 2012 to 2015, the incidence rates for all cases declined by 13.5 percent. After an 18 percent increase from 2005 to 2006 and a 31 percent decrease from 2006 to 2007, the incidence rate for lost-time cases fluctuated between 2.5 and 3.1 between 2007 and 2015. The incidence rate for days-away-from-work cases dropped from 2.3 in 2005 to 1.7 in 2007, increased to 2.2 in 2012, and then decreased to 1.8 in 2015.

Figure 82: California Occupational Injury and Illness Incidence Rates: State Government
(Cases per 100 Full-Time Employees)

Public Sector: Local Government

Local government occupational injury and illness incidence rates for all cases averaged 7.5 annually in most years between 2005 and 2015, except for increasing to an average of 8.3 in 2008 and 2009. The incidence rate for lost-time cases increased by 25 percent from 2005 to 2008 and then decreased by 17.5 percent from 2008 to 2015. The incidence rate for days-away-from-work cases averaged 2.3 cases annually from 2005 to 2015, except for an increase to 2.6 cases per 100 employees in 2008.

Figure 83: California Occupational Injury and Illness Incidence Rates: Local Government
(Cases per 100 Full-Time Employees)
California Fatality Incidence Rates

Fatality per employment rates can be used to compare the risk of incurring injury among worker groups with varying employment levels. From 2005 to 2014, the fatality rates in California fluctuated between 2.0 and 3.1 per 100,000 full-time workers.\textsuperscript{32}

Figure 84: California Fatal Occupational Injuries—Incidence Rate (per 100,000 employed)

![Graph showing fatality rates from 2005 to 2014.](image)

*California Fatal Occupational Injuries exclude military personnel and workers under age 16 and include all self-employed, family business, and wage and salary workers.

**Incidence Rates for Fatal Occupational Injuries computed using estimates of civilian workers (age 16 and older) from the Current Population Survey (CPS) and are expressed as the number of fatalities per 100,000 employed.

Data Source: U.S. Department of Labor, BLS, in cooperation with State and Federal agencies, Census of Fatal Occupational Injuries.

Figure 85 shows the fatality incidence rates by major industries in 2008, 2013, and 2014.

<table>
<thead>
<tr>
<th>Industry</th>
<th>2008</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>N/A</td>
<td>N/A</td>
<td>24</td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing and Hunting</td>
<td>8.7</td>
<td>9.9</td>
<td>21.4</td>
</tr>
<tr>
<td>Transportation and Public Utilities</td>
<td>7.8</td>
<td>9.1</td>
<td>9.1</td>
</tr>
<tr>
<td>Construction</td>
<td>4.5</td>
<td>6.2</td>
<td>7.4</td>
</tr>
<tr>
<td>Public Administration</td>
<td>2.2</td>
<td>2.5</td>
<td>4.3</td>
</tr>
<tr>
<td>Professional and Business Services</td>
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<td>3.0</td>
<td>4.3</td>
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<td>Wholesale and Retail Trade</td>
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<td>4.4</td>
</tr>
<tr>
<td>Other Services</td>
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<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>Information</td>
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<td>1.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>1.1</td>
<td>1.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Manufacturing</td>
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<td>2.0</td>
<td>2.8</td>
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<td>Financial Activities</td>
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<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Education and Health Services</td>
<td>0.3</td>
<td>0.6</td>
<td>0.6</td>
</tr>
</tbody>
</table>

*From 2003, classified by NAICS. Because of substantial differences between NAICS and SIC used for prior years, comparisons between prior years and 2003 and on should not be made.

Data Source: BLS, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses in cooperation with participating State agencies.

\textsuperscript{32} 2014 was the latest year for which fatality incidence rates were available in 2016.
Comparison of Incidence Rates in the United States and California

Both the U.S. and California experienced a decrease in occupational injury and illness incidence rates from 2005 through 2015. During that time, U.S. incidence rates dropped by 35 percent, and California incidence rates dropped by 30 percent. Since 2005, the incidence rate in California has been slightly above the national average for the majority of this period.

Figure 86: Injury and Illness Incidence Rate per 100 Full-Time Workers: Private Industry, Total Recordable Cases. U.S. and California

The incidence rate of occupational injury and illness days-away-from-work cases also declined in both the U.S. and California, from 1.4 and 1.3, respectively, to 0.9 and 1.0 from 2005 to 2015. During that period, U.S. incidence rates for cases with days away from work dropped by 36 percent, while the California rates declined by 23 percent.

Figure 87: Injury and Illness Incidence Rate per 100 Full-Time Workers: Private Industry Cases with Days Away from Work. U.S. and California

Source: US Department of Labor, Bureau of Labor Statistics
Characteristics of California Occupational Injuries and Illnesses

This section compares incidence rates by industry in 2005 with those in 2015. The overall California occupational injury and illness incidence rates for all industries including State and local government declined by 25.5 percent from 2005 to 2015. The incidence rates in major industries, excluding agriculture, forestry, fishing, and hunting, also declined. The biggest decline in incidence rates was in construction. Figure 88 compares incidence rates for total recordable cases in 2005 and 2015 by the type of major industry, including state and local governments.

Figure 88: Injury Rates by Industry, 2015 vs. 2005

<table>
<thead>
<tr>
<th>Industry</th>
<th>2005</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>5.1</td>
<td>3.8</td>
</tr>
<tr>
<td>State and Local Government</td>
<td>6.8</td>
<td>7.4</td>
</tr>
<tr>
<td>Private Industry</td>
<td>4.7</td>
<td>3.3</td>
</tr>
<tr>
<td>Construction</td>
<td>7.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing and Hunting</td>
<td>5.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.8</td>
<td>3.2</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>4.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>5.6</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Source: DIR, Director's Office of Policy, Research and Legislation
Characteristics of California Non-Fatal Occupational Injuries and Illnesses (TO BE DONE)

Figures 89-94 illustrate various demographic characteristics of non-fatal occupational injuries and illnesses in private industry in California.

**Figure 89: Number of Non-Fatal Occupational Injuries and Illnesses in California by Gender, Private Industry, 2007-2015**

![Graph showing number of non-fatal injuries and illnesses by gender, 2007-2015](image)

Data Source: DIR, Director’s Office of Policy, Research and Legislation

**Figure 90: California Non-Fatal Occupational Injuries and Illnesses Incidence Rates by Gender, Private Industry, 2007-2015 (Cases per 10,000 full-time employees)**

![Graph showing incidence rates by gender, 2007-2015](image)

Data Source: BLS, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses in cooperation with participating State agencies.

* With days away from work with or without job transfer or restriction.
Figure 91: Number of Non-Fatal Occupational Injuries and Illnesses in California by Age, Private Industry, 2015

Figure 92: California Occupational Injury and Illness Incidence Rates by Age, Private Industry
2015 (per 10,000 Full-Time Workers)

Data Source: DIR, Director's Office of Policy, Research and Legislation

Data Source: BLS, Department of Labor, Survey of Occupational Injuries and Illnesses in cooperation with participating State Agencies
Figure 93: California Non-Fatal Occupational Injuries and Illnesses by Race or Ethnic Origin, Private Industry, 2015

- American Indian or Alaskan Native: 220, 0.2%
- White: 20,950, 19.0%
- Hispanic or Latino: 37,330, 33.7%
- Black: 3,670, 3.3%
- Not reported: 42,570, 38.4%
- Multi-race: 580, 0.5%
- Native Hawaiian or other Pacific Islander: 540, 0.5%
- Asian: 5,060, 4.6%

Data Source: DIR, Director's Office of Policy, Research and Legislation

Figure 94: California Non-Fatal Occupational Injuries and Illnesses by Event and Exposure, Private Industry, 2015

- Overexertion and bodily reaction: 40,960, 37%
- Falls, slips, trips: 23,350, 21%
- Contact with object, equipment: 28,800, 26%
- Transportation incidents: 5,270, 5%
- Exposed to harmful substance: 6,210, 6%
- Violence (by persons or animal): 4,740, 4%
- Fires and explosions: 40, 0.04%

Data Source: DIR, Director's Office of Policy, Research and Legislation
Figure 95 shows that the upper extremities and trunk were the major body parts with the highest incidence rates in 2013, 2014, and 2015.

Figure 95: Incidence Rates for Non-Fatal Occupational Injuries and Illnesses by Major Body Parts, Private Industry, 2013, 2014, and 2015 (per 10,000 Full-Time Workers)

Data Source: BLS, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses (SOII) in cooperation with participating State agencies.

Figure 96 shows that the back was the body part with the highest incidence rate in 2013, 2014, and 2015.

Figure 96: Incidence Rates for Non-Fatal Occupational Injuries and Illnesses by Major Body Parts, Private Industry, 2013, 2014, and 2015 (per 10,000 Full-Time Workers)

Data Source: BLS, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses (SOII) in cooperation with participating State agencies.

Figures 97 to 99 compare the median days away from work for private industry and state and local government occupations. Legal occupations for private industry, production for state government, and architecture and engineering occupations for local government had the greatest median days away from work in 2015.
Figure 97: Non-Fatal Injuries and Illnesses by Major Occupational Group: Median Days Away from Work, Private Industry, 2015

- Legal: 57
- Architecture and engineering: 45
- Arts, design, entertainment, sports, and media: 31
- Transportation and material moving: 20
- Management: 16
- Production: 15
- Farming, fishing, and forestry: 14
- Building and grounds cleaning and maintenance: 14
- Business and financial operations: 14
- Office and administrative support: 12
- Construction and extraction: 11
- Sales and related: 11
- Healthcare practitioners and technical: 11
- Healthcare support: 10
- Computer and mathematical: 10
- Installation, maintenance, and repair: 8
- Food preparation and serving related: 7
- Community and social service: 7
- Personal care and service: 5
- Protective service: 3
- Education, training, and library: 2
- Life, physical, and social science: 2

Data Source: Director's Office of Policy, Research & Legislation

Figure 98: Non-Fatal Injuries and Illnesses by Major Occupational Group: Median Days Away from Work, State Government, 2015

- Production: 86
- Community and social service: 48
- Personal care and service: 40
- Healthcare support: 40
- Healthcare practitioners and technical: 31
- Business and financial operations: 30
- Construction and extraction: 27
- Management: 24
- Building and grounds cleaning and maintenance: 23
- Protective service: 22
- Installation, maintenance, and repair: 18
- Transportation and material moving: 13
- Life, physical, and social science: 12
- Architecture and engineering: 12
- Food preparation and serving related: 11
- Office and administrative support: 8
- Sales and related: 8
- Farming, fishing, and forestry: 4
- Computer and mathematical: 3
- Arts, design, entertainment, sports, and media: NA
- Education, training, and library: NA
- Legal: NA

Data Source: Director's Office of Policy, Research & Legislation
Figures 100 and 101 compare the injury and illness incidence rates, including back injury, for various occupations. The building and ground cleaning and maintenance occupations had the highest incidence rate in 2015, followed by the transportation and material moving occupations.

Data Source: Director's Office of Policy, Research & Legislation

Data Source: BLS, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses in cooperation with participating State agencies
Figure 101: Back Injury Incidence Rates by Private Sector Occupational Group (per 100 Full-Time Workers) Non-Fatal Occupational Injuries and Illnesses with Days Away from Work, 2015

| Occupational Group                                   | Rate  
|------------------------------------------------------|--------
| Installation, maintenance, and repair                | 0.49   
| Transportation and material moving                   | 0.44   
| Building and grounds cleaning and maintenance        | 0.41   
| Healthcare support                                   | 0.36   
| Personal care and service                            | 0.32   
| Construction and extraction                          | 0.30   
| Education, training, and library                     | 0.28   
| Healthcare practitioners and technical               | 0.27   
| Food preparation and serving related                 | 0.21   
| Production                                           | 0.20   
| Farming, fishing, and forestry                       | 0.16   
| Office and administrative support                    | 0.09   
| Protective service                                   | 0.07   
| Sales and related                                    | 0.07   
| Community and social service                         | 0.06   
| Business and financial operations                    | 0.02   
| Management                                           | 0.02   
| Arts, design, entertainment, sports, and media       | 0.02   
| Architecture and engineering                         | 0.01   
| Computer and mathematical                            | N/A    
| Legal                                                | N/A    
| Life, physical, and social science                   | N/A    

Data Source: BLS, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses in cooperation with participating State agencies

Figure 102 compares the number of fatalities for various occupations. The transportation and material-moving occupation had the highest number of fatalities in 2014, followed by the construction and extraction occupations.

Figure 102: Fatal Occupational Injuries by Selected Occupations, All Ownerships, 2015*

<table>
<thead>
<tr>
<th>Occupational Group</th>
<th>Fatalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation and material moving</td>
<td>81</td>
</tr>
<tr>
<td>Construction and extraction</td>
<td>69</td>
</tr>
<tr>
<td>Farming, fishing, and forestry</td>
<td>46</td>
</tr>
<tr>
<td>Building and grounds cleaning and maintenance</td>
<td>29</td>
</tr>
<tr>
<td>Installation, maintenance, and repair</td>
<td>25</td>
</tr>
<tr>
<td>Healthcare practitioners and technical</td>
<td>20</td>
</tr>
<tr>
<td>Protective service</td>
<td>18</td>
</tr>
<tr>
<td>Production</td>
<td>17</td>
</tr>
<tr>
<td>Sales and related</td>
<td>14</td>
</tr>
<tr>
<td>Military specific occupations</td>
<td>14</td>
</tr>
<tr>
<td>Office and administrative support</td>
<td>11</td>
</tr>
<tr>
<td>Management</td>
<td>10</td>
</tr>
<tr>
<td>Food preparation and serving related</td>
<td>6</td>
</tr>
<tr>
<td>Business and financial operations</td>
<td>4</td>
</tr>
<tr>
<td>Education, training, and library</td>
<td>3</td>
</tr>
<tr>
<td>Architecture and engineering</td>
<td>N/A</td>
</tr>
<tr>
<td>Arts, design, entertainment, sports, and media</td>
<td>N/A</td>
</tr>
<tr>
<td>Community and social service</td>
<td>N/A</td>
</tr>
<tr>
<td>Computer and mathematical</td>
<td>N/A</td>
</tr>
<tr>
<td>Healthcare support</td>
<td>N/A</td>
</tr>
<tr>
<td>Legal</td>
<td>N/A</td>
</tr>
<tr>
<td>Life, physical, and social science</td>
<td>N/A</td>
</tr>
<tr>
<td>Personal care and service</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Preliminary data

Data Source: DIR, Director's Office of Policy, Research and Legislation
Characteristics of California Fatal Occupational Injuries and Illnesses

Figures 103 and 104 illustrate various characteristics of fatal occupational injuries and illnesses in private industry and federal, state, and local governments in California.

Figure 103: California Fatal Occupational Injuries and Illnesses by Gender, 2015*

* Preliminary data

Data Source: BLS

Figure 104: California Fatal Occupational Injuries and Illnesses by Age of Worker, 2015*

* Preliminary data

Source: BLS
Figure 105: California Fatal Occupational Injuries and Illnesses by Race and Ethnic Origin, 2015*

Data Source: BLS

* Preliminary data

Figure 106: California Fatal Occupational Injuries and Illnesses by Event and Exposure, 2015*

Transportation incidents: 150 - 39%
Falls, slips, and trips: 77 - 20%
Violence and other Injuries by persons or animals: 77 - 20%
Contact with objects and equipment: 39 - 10%
Harmful substances or environments: 33 - 9%
Fires and explosions: 10 - 3%

* Preliminary data

Source: BLS
Profile of Occupational Injury and Illness Statistics: California and the Nation

Data for the following analyses, except where noted, came from the Department of Industrial Relations (DIR), Director's Office of Policy, Research, and Legislation (OPRL) and the U.S. Department of Labor (DOL) Bureau of Labor Statistics (BLS).

Incidence Rates

- California’s work injury and illness statistics for 2015 indicate a non-fatal injury and illness rate of 3.3 cases per 100 full-time employees in the private sector. This is a 39 percent decline from the 2003 level of 5.4 and a 3 percent decline from the previous year’s rate of 3.4.
- The trend in California mirrors a national trend. DOL figures for private employers show that from 2003 to 2015, the work injury and illness rate across the U.S. fell from 5.0 to 3.0 cases per 100 employees in the private sector. The reduced incidence of job injuries is likely due to factors including a greater emphasis on job safety and the shift from manufacturing to service jobs.
- In contrast to the private sector rates, California’s public sector decline has not been nearly as dramatic, and the incidence rates are significantly higher than in the private sector. California’s state and local government rate for 2015 is 6.8 cases per 100 full-time employees. This is a 19 percent decline from the 2003 rate of 8.4. At the same time, the state and local government rate in California is almost 25 percent higher than the national rate of 5.1 for state and local government.
- The national fatality rate decreased by 11 percent between 2008 and 2014 from 3.7 to 3.3 cases per 100,000 employed, and California’s fatality rate decreased from 2.8 to 2.0 cases per 100,000 employed during the same period. This was a 28.5 percent decline from the 2008 level and about a 17 percent decrease from 2013.
- Among the Western region states (Alaska, Arizona, California, Hawaii, Nevada, Oregon and Washington), Arizona’s (2.9), California’s (3.3), and Hawaii’s (3.4) private industry rates in 2015 for non-fatal occupational injuries and illnesses were the lowest.

Duration

- Days-away-from-work cases in the private sector, including those that result in days away from work with or without a job transfer or restriction, dropped from 1.3 to 1.0 case per 100 full-time employees from 2005 to 2015. This also mirrors the national trend, in which the number of days-away-from-work cases fell from 1.4 to 0.9 cases in the private sector during the same period. Some of this overall decline, according to BLS, can be attributed to economic factors, including a decrease in employment and total hours worked, particularly in construction and manufacturing.
- Nationally, the overall days-away-from-work rate in 2015 declined 10 percent from the 2014 rate. California’s days-away-from-work rate in 2015 did not change from the 2014 rate.

Industry Data

- In 2015, injury and illness incidence rates varied greatly among private industries ranging from 0.7 injuries/illnesses per 100 full-time workers in the mining, quarrying, and oil and gas extraction industries to 5.7 in transportation and warehousing. California’s private industry rates for total cases were higher than the national rates in every major industry division, except for agriculture, forestry, fishing, and hunting (5.7 and 5.6), mining, quarrying, and oil and gas extraction (1.4 and 0.7), manufacturing (3.8 and 3.2), and utilities (2.2 and 1.8).
- The California private industry total case rate for non-fatal injuries decreased from 3.4 per 100 full-time worker injuries in 2014 to 3.3 in 2015, and the rate for the public sector (state and local government) decreased from 7.0 in 2014 to 6.8 in 2015.

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33 Beginning in 2007, the Census of Fatal Occupational Injuries (CFOI) adopted hours worked estimates to measure fatal injury risk per standardized length of exposure, which is generally considered more accurate than previously used employment-based rates.

34 The comparisons of industry rates have not been adjusted for industry mix in each state.
According to the Director's Office of Policy, Research, and Legislation, the largest decrease in injury and illness by major industry category was in the construction industry, from 4.8 to 3.3 and utilities industry, from 2.6 to 1.8, per 100 full-time worker injuries in 2014 and 2015 respectively, followed by a decrease in mining, quarrying, and oil and gas extraction from 1.0 to 0.7 per 100 full-time worker injuries in 2014 and 2015, and by a decrease in finance and insurance, from 1.1 to 0.9 per 100 full-time worker injuries in 2014 and 2015.  

According to the Director's Office of Policy, Research and Legislation, the largest increase in injury and illness by industry sectors was in the educational services industry, from 1.8 to 2.5 per 100 full-time worker injuries in 2014 and 2015 respectively, followed by wholesale trade, with an increase from 2.8 to 3.3 per 100 full-time worker injuries in 2014 and 2015, and transportation and warehousing, from 5.2 to 5.7 between 2014 and 2015.  

From 2005 to 2015, the number of fatal injuries declined by 19 percent, from 454 to 368. From 2014 to 2015, the number of fatal injuries increased by 9.5 percent. In 2015, the highest number of fatal injuries was in construction (75), followed by trade, transportation and utilities (71) and natural resources and mining (56).  

In private industry, the top ten occupations with the most non-fatal injuries and illnesses in 2015 were: laborers and freight, stock, and material movers, hand; heavy and tractor-trailer truck drivers; stock clerks and order fillers; maids and housekeeping cleaners; farm workers and laborers, crop, nursery, and greenhouse; retail salespersons; light truck or delivery services drivers; janitors and cleaners, except maids and housekeeping cleaners; registered nurses; personal care aides.  

In California state government, the top ten occupations with the most non-fatal injuries and illnesses in 2015 were: correctional officers and jailers; psychiatric technicians; police and sheriff's patrol officers; firefighters; janitors and cleaners, except maids and housekeeping cleaners; registered nurses; forest and conservation workers; licensed practical and licensed vocational nurses; maintenance and repair workers, general; landscaping and grounds keeping workers.  

In local government, the top ten occupations with the most non-fatal injuries and illnesses in 2015 were: police and sheriff's patrol officers; janitors and cleaners, except maids and housekeeping cleaners; teacher assistants; firefighters; maintenance and repair workers, general; bus drivers, transit and intercity; landscaping and grounds-keeping workers; first-line supervisors of firefighting and prevention workers; highway maintenance workers; first-line supervisors of police and detectives.  

Transportation and material moving (81), construction and extraction (69), and farming, fishing, and forestry (46) occupations accounted for 48 percent of the fatal injuries in 2015. Building and grounds cleaning and maintenance (29), installation, maintenance, and repair (25); healthcare practitioners and technical (20); protective service (18); and production (17) were the other occupations with the most number of fatal injuries in 2015. Transportation and material-moving occupations were the number one cause of fatal injuries accounting for 22 percent of fatal injuries in 2015.  

Transportation incidents (including the Federal government) accounted for 39 percent of fatal injuries in 2015 and were a major cause of fatalities among: transportation and material moving (52); farming, fishing, and forestry (32); and construction and extraction (13) occupations.

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35 DIR, Director's Office of Policy, Research and Legislation, Table 1: Incidence rates of non-fatal occupational injuries and illnesses by selected industries and case types, 2014, 2015.  
36 Ibid.  
37 BLS preliminary data.  
38 The number of fatalities excludes those for the Federal government.
Establishment Size and Type

- The lowest rate for the total recordable non-fatal cases in 2015 was experienced by the smallest private employers. Employers with 1 to 10 and 11 to 49 employees had incidence rates of 1.7 and 3.0 cases, respectively, per 100 full-time employees. Employers with 1 to 10 employees experienced a 6 percent increase from 2014 to 2015. The incidence rates for employers with 11 to 49 employees experienced the same rate 3.0 in both 2014 and 2015.

- Establishments with 50 to 249 and 250 to 999 employees reported the highest rates, 4.0 and 3.8 cases per 100 full-time employees, respectively, followed by 3.5 cases per 100 full-time employees for establishments with 1,000 and more employees in 2015. Establishments with 50 to 249 and 250 to 999 employees experienced decreases in incidence rates from 4.2 to 4.0 and 3.9 to 3.8 cases per 100 full-time employees respectively from 2014 to 2015.

Types of Injuries

- All types of work injuries, excluding heat burns and cuts, lacerations, and punctures, declined from 2005 to 2015 in the private sector. The number of sprains, strains, and tears declined by 24 percent from 2005 to 2015; however, these injuries remain by far the most common type of work injury accounting for 34 percent of days-away-from-work cases in the private sector in 2015. The biggest decline (58 percent) from 2005 to 2015 was in amputations. Carpal tunnel syndrome and multiple injuries experienced declines of 54 and 51 percent, respectively, and tendonitis experienced a decrease of 48 percent between 2005 and 2015. Heat burns and cuts, lacerations, and punctures experienced an increase of 26 and 8 percent respectively between 2005 and 2015.

- In the private sector, overexertion and bodily reaction were the leading causes of days-away-from-work injuries, cited in 37 percent of cases in 2015. Contact with objects and equipment was the second common cause of injury, accounting for 26 percent of injuries.

- In California state government, the two main causes of injury were overexertion and bodily reaction and falls, slips, and trips, accounting for about 40 and 16 percent of days-away-from-work cases, respectively, in 2015.

- In local government, the main causes of injury were overexertion and bodily reaction and falls, slips, and trips, accounting for 44 and 20 percent of days-away-from-work cases, respectively, in 2015.

- The most frequently injured body part was the back, accounting for about 13 percent of the cases in state government and 16 percent of the cases in local government in 2015. In the private sector, back injuries account for about 17 percent of the non-fatal cases.

Demographics

- Over the period from 2005 to 2015 in the California private sector, the number of days-away-from-work cases for women decreased by 2 percent. Days-away-from-work cases for men decreased by 31 percent.

- Between 2005 and 2015, in private industry, all age groups, except for groups older than 54, experienced a decline in the numbers of cases with days away from work. The biggest decline (47 percent) occurred among 16 to 19-year-old workers. The 20–24 age group experienced a 26 percent decline, the 25–34 age group experienced a 35 percent decline, the 35–44 age group experienced a 34 percent decrease, and the 45–54 age group experienced a 31 percent decrease. The age groups 65 and over and 55 to 64 experienced a 20 and 17 percent increase, respectively, in the numbers of cases with days away from work.

- In 2015, out of 388 fatalities (including the Federal government), approximately 93 percent were male and 7 percent were female. Compared to 2005, the biggest decrease in the number of fatalities (33 percent) was in the 35–44 age group (from 113 to 76 cases), followed by a 26 percent decrease in the 45–54 age group (from 110 to 81 cases), a decrease of 22 percent from 36 to 28 cases in the
20–24 age group and a 14 percent decrease from 86 to 74 in the 25–34 age group. The age groups that experienced an increase in the number of fatalities were the 65 and over (44 percent increase) from 32 to 46 cases and the 55–64 age group (5 percent increase) from 76 to 80.

- The highest number of fatalities by race or ethnic origin categories in 2015 was experienced by “Hispanic or Latino” and “white, non-Hispanic” groups, accounting for 46 and 44 percent of the fatalities respectively. From 2005 to 2015, there was a decrease in fatal injuries for all ethnic groups. The highest decrease in fatal injuries, 56 percent, was in the “black or African-American (non-Hispanic)” group (from 27 to 12 cases), followed by a 21 percent decrease in the “white, non-Hispanic” group (from 212 to 167 cases), a 19 percent decrease (from 32 to 26 cases) in the “Asian” group, and a 6 percent decrease (from 190 to 178) in the “Hispanic or Latino” group.

**Occupational Injury and Illness Reporting**

Occupational injury and illness information is the responsibility of BLS in the U.S. and DOL and the Director's Office of Policy, Research, and Legislation in the California DIR. Occupational injuries and illnesses are recorded and reported by California employers through several national surveys administered by DOL with DIR assistance.

**OSHA Reporting and Recording Requirements**

The U.S. Occupational Safety and Health Act (OSH Act) of 1970 requires covered employers to prepare and maintain records of occupational injuries and illnesses. It provides specific recording and reporting requirements that comprise the framework for the nationwide occupational safety and health recording system. The Occupational Safety and Health Administration (OSHA) in DOL administers the OSH Act recordkeeping system.

Although some employers are exempt from keeping Cal/OSHA injury and illness records, all California employers must report injuries to the Director's Office of Policy, Research and Legislation. Every employer must also report any serious occupational injuries, illnesses or deaths to California OSHA (Cal/OSHA) in DIR.

The data assist employers, employees, and compliance officers in analyzing the safety and health environment at the employer's establishment and are the source of information for the BLS Annual Survey of Occupational Injuries and Illnesses and the OSHA Occupational Injury and Illness Survey.

**BLS Annual Survey of Occupational Injuries and Illnesses**

To estimate the number of occupational injuries and illnesses in the U.S., BLS established a nationwide annual survey of employers’ occupational injuries and illnesses. The state-level statistics on non-fatal and fatal occupational injuries and illnesses come from this survey. In California, the DIR Director's Office of Policy, Research, and Legislation conducts the survey for BLS.

**Non-fatal Injuries and Illnesses**

The BLS Annual Survey develops frequency counts and incidence rates by industry and also profiles worker and case characteristics of non-fatal workplace injuries and illnesses that result in lost work time. Each year, BLS collects employer reports from about 173,800 randomly selected private industry establishments.

**Fatal Injuries and Illnesses**

The estimates of fatal injuries are compiled through the Census of Fatal Occupational Injuries (CFOI), which is part of the BLS occupational safety and health statistics program. CFOI uses diverse state and federal data sources to identify, verify, and profile fatal work injuries.
OSHA Occupational Injury and Illness Survey

Federal OSHA administers the annual Occupational Injury and Illness Survey. OSHA utilizes this collection of employer-specific injury and illness data to improve its ability to identify and target agency interventions to employers that have serious workplace problems. For this survey, OSHA collects data from 80,000 non-construction establishments and from up to 15,000 construction establishments.

Occupational Injury and Illness Prevention Efforts

Efforts to prevent occupational injury and illness in California take many forms, but all are derived from cooperative efforts between the public and private sectors. This section describes consultation and compliance programs, health and safety standards, and education and outreach designed to prevent injuries and illnesses in order to improve worker health and safety.

Cal/OSHA Program

The Cal/OSHA Program is responsible for enforcing California’s laws and regulations pertaining to workplace health and safety and for providing assistance to employers and workers about workplace safety and health issues.

The Cal/OSHA Enforcement Unit conducts inspections of workplaces in California based on worker complaints, accident reports, and high hazard industries. Twenty-two Cal/OSHA Enforcement Unit district offices are located throughout California. Specialized enforcement units, such as the High Hazard Compliance Unit, augment the efforts of district offices in protecting California’s workers from workplace hazards in high hazard industries.

Other specialized units, such as the Crane Certifier Accreditation Unit, the Asbestos Contractors' Registration Unit, the Asbestos Consultant and Site Surveillance Technician Unit, and the Asbestos Trainers Approval Unit, are responsible for enforcing regulations on crane safety and the prevention of exposure to asbestos.

The Cal/OSHA Consultation Service provides assistance to employers and workers about workplace safety and health issues through on-site assistance, high hazard consultation, and other programs with a particular emphasis. The Consultation Service also develops educational materials on workplace safety and health topics.
Profile of Division of Occupational Safety and Health (DOSH) On-Site Inspections and Violations Cited

Figure 107 shows the total number of on-site inspections and investigations by letter in response to complaints for the period from calendar year (CY) 2005 to CY 2015. They increased by 19 percent from 2005 to 2007, decreased by 25 percent from 2007 to 2013, and increased by 25 percent from 2013 to 2015; they stabilized at an average of 4,000 investigations from 2005 to 2011 and then increased by 55 percent from 2011 to 2015. Accordingly, reflecting DOSH enforcement activities, the total number of investigations increased by 10 percent from 2005 to 2008, decreased by 8 percent from 2008 to 2009, and then averaged around 11,500 investigations per year from 2009 through 2013, when these two types of inspections took opposite directions, before increasing by around 19 percent from 2013 to an average of 14,000 investigations per year in 2014 and 2015, when both types of inspections started increasing.

Figure 107: DOSH Enforcement Activities, CY 2005–CY 2015

<table>
<thead>
<tr>
<th>Year</th>
<th>On-Site Inspections</th>
<th>Investigations by Letter</th>
<th>Total Investigations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>7,679</td>
<td>6,231</td>
<td>13,910</td>
</tr>
<tr>
<td>2014</td>
<td>7,941</td>
<td>6,075</td>
<td>14,016</td>
</tr>
<tr>
<td>2013</td>
<td>6,154</td>
<td>5,630</td>
<td>11,784</td>
</tr>
<tr>
<td>2012</td>
<td>6,640</td>
<td>5,058</td>
<td>11,698</td>
</tr>
<tr>
<td>2011</td>
<td>6,927</td>
<td>4,029</td>
<td>10,956</td>
</tr>
<tr>
<td>2010</td>
<td>7,649</td>
<td>3,853</td>
<td>11,502</td>
</tr>
<tr>
<td>2009</td>
<td>7,619</td>
<td>3,728</td>
<td>11,347</td>
</tr>
<tr>
<td>2008</td>
<td>8,152</td>
<td>4,233</td>
<td>12,385</td>
</tr>
<tr>
<td>2007</td>
<td>8,193</td>
<td>4,092</td>
<td>12,285</td>
</tr>
<tr>
<td>2006</td>
<td>7,555</td>
<td>4,188</td>
<td>11,743</td>
</tr>
<tr>
<td>2005</td>
<td>6,870</td>
<td>4,417</td>
<td>11,287</td>
</tr>
</tbody>
</table>

Source: DOSH

Figure 108 shows that the number of inspections increased from 6,870 in 2005 to 8,193 in 2007, decreased to 6,154 in 2013, and then increased again to 7,679 inspections in 2015. From 50 to 60 percent of inspections are triggered by accidents and complaints, and from 20 to 40 percent are programmed by DOSH. On average, every year, from 80 to 90 percent of total inspections consist of programmed inspections and inspections triggered by complaints and accidents.

39 The number of investigations, on-site inspections, and violations for calendar years could differ from those in fiscal years below in this section.
Inspections triggered by accidents averaged 2,020 per year from 2005 to 2008 and, after a 17 percent decrease from 2008 to 2009, averaged 1,660 inspections per year from 2009 to 2013. From 2013 to 2015, inspections triggered by accidents increased by 59 percent.

Inspections triggered by complaints averaged 2,130 inspections per year from 2004 to 2015, except for 2013, when the number of inspections decreased by 15 percent to 1,846 from 2012.

Programmed inspections increased by 75 percent from 2005 to 2009, thereby increasing its share of inspections from 27 percent in 2005 to 42 percent in 2009. From 2009 to 2013, the number of programmed inspections decreased by 57 percent, thereby decreasing the share of this type of inspection of total inspections to the 2005 level (23 percent), and then increased again by 20 percent from 2013 to 2015, although without a change in its share of total inspections due to a simultaneous increase in two types of inspections triggered by accidents and complaints.

The trends in types of inspections have varied in the past decade, with Accidents and Complaints being consistently predominant before fiscal year (FY) 2006. However, from FY 2006 to FY 2011, Programmed Inspections reached the same as or higher levels than Accidents and Complaints, before falling back to lower levels from FY 2012 to FY 2015.
According to Figure 109, the number of inspections without violations averaged 3,370 from 2005 to 2011 and then decreased by 33.5 percent from 2011 to 2015. The number of inspections with violations cited increased by 30 percent from 2005 to 2007, decreased by 23 percent from 2007 to 2013, and then increased sharply by 54 percent from 2013 to 2015. The share of DOSH inspections that resulted in violations cited increased from 52 percent in 2005 to 58 percent in 2006, gradually decreased to 56 percent in 2008, and then stabilized at an average of 55 percent from 2009 through 2012. From 2012 to 2014, the share of DOSH inspections that resulted in violations increased from 55 to 72 percent.

The number of violations exceeds that of inspections because most inspections of places where violations occur yield more than one violation. Violations are further broken down into serious and other-than-serious. The number of DOSH violations and their breakdown by type from 2005 to 2015 are shown in Figure 110. The number of all violations increased by 23.5 percent from 2005 to 2007, decreased overall by 23 percent from 2007 to 2013, and then increased by 27.5 percent from 2013 to 2015.

The number of serious violations decreased by 20 percent from an average 3,360 serious violations per year from 2005 to 2008 to an average 2,700 serious violations per year in 2009 and 2010. After a 31 percent decrease from 2010 to 2011, the number of serious violations more than doubled from 2011 to 2015. (See pp. 141 - 143 for OSHAB statistics on the number of appeals of DOSH violations that were filed and resolved.)
Figure 111 shows the trend in serious DOSH violations as a share of all violations from 2005 to 2015. The share of serious DOSH violations gradually decreased from 20 percent in 2005 to 13 percent in 2011. From 2011 to 2015, serious violations as a share of all violations went back to 20 percent.

**Figure 111: Serious Violations as a Share of Total DOSH Violations, CY 2005–CY 2015**

![Graph showing the trend in serious DOSH violations as a share of total DOSH violations from CY 2005 to CY 2015. The share decreased from 20% in 2005 to 13% in 2011, then went back to 20% in 2015.]

The average number of DOSH violations per inspection averaged 2.3 from 2005 to 2015, from a low of 2.0 in 2011 to 2.5 in 2006 and 2015.

**Figure 112: Average Number of DOSH Violations per Inspection, CY 2005–CY 2015**

![Bar graph showing the average number of DOSH violations per inspection from CY 2005 to CY 2015. The average was 2.3 from 2005 to 2015, with a low of 2.0 in 2011 and highs of 2.5 in 2006 and 2015.]

Data Source: DOSH
### Table 34: Twenty-Five Most Frequently Cited CCR Title 8 Standards in CY 2015

<table>
<thead>
<tr>
<th>Standard</th>
<th>Description</th>
<th>Total Violations</th>
<th>Serious Violations</th>
<th>Percent Serious</th>
</tr>
</thead>
<tbody>
<tr>
<td>3203</td>
<td>Injury and Illness Prevention Program</td>
<td>1946</td>
<td>130</td>
<td>6.7%</td>
</tr>
<tr>
<td>3395</td>
<td>Heat Illness Prevention</td>
<td>1769</td>
<td>121</td>
<td>6.8%</td>
</tr>
<tr>
<td>1509</td>
<td>Construction Injury and Illness Prevention Program</td>
<td>1239</td>
<td>42</td>
<td>3.4%</td>
</tr>
<tr>
<td>3314</td>
<td>Clean, Repair, Service, Set-up and Adjust Prime Movers, Machinery and Equipment</td>
<td>667</td>
<td>230</td>
<td>34.5%</td>
</tr>
<tr>
<td>342</td>
<td>Reporting Work Fatality or Serious Injury</td>
<td>537</td>
<td>1</td>
<td>0.2%</td>
</tr>
<tr>
<td>5194</td>
<td>Hazard Communication</td>
<td>449</td>
<td>19</td>
<td>4.2%</td>
</tr>
<tr>
<td>5144</td>
<td>Respiratory Protection</td>
<td>402</td>
<td>23</td>
<td>5.7%</td>
</tr>
<tr>
<td>6151</td>
<td>Portable Fire Extinguishers</td>
<td>382</td>
<td>1</td>
<td>0.3%</td>
</tr>
<tr>
<td>461</td>
<td>Permits to Operate Air Tanks</td>
<td>362</td>
<td>2</td>
<td>0.6%</td>
</tr>
<tr>
<td>1512</td>
<td>Construction: Emergency Medical Services</td>
<td>327</td>
<td>6</td>
<td>1.8%</td>
</tr>
<tr>
<td>3276</td>
<td>Portable Ladders</td>
<td>323</td>
<td>87</td>
<td>26.9%</td>
</tr>
<tr>
<td>3668</td>
<td>Powered Industrial Truck Operator Training</td>
<td>267</td>
<td>21</td>
<td>7.9%</td>
</tr>
<tr>
<td>2340.16</td>
<td>Work Space About Electric Equipment</td>
<td>253</td>
<td>3</td>
<td>1.2%</td>
</tr>
<tr>
<td>5162</td>
<td>Emergency Eyewash and Shower Equipment</td>
<td>232</td>
<td>68</td>
<td>29.3%</td>
</tr>
<tr>
<td>3650</td>
<td>Industrial Trucks: General Requirements</td>
<td>230</td>
<td>63</td>
<td>27.4%</td>
</tr>
<tr>
<td>3328</td>
<td>Safe Practices, Personal Protection: Machinery and Equipment</td>
<td>198</td>
<td>50</td>
<td>25.3%</td>
</tr>
<tr>
<td>1670</td>
<td>Personal Fall Arrest Systems, Personal Fall Restraint Systems and Positioning Devices</td>
<td>176</td>
<td>125</td>
<td>71.0%</td>
</tr>
<tr>
<td>3457</td>
<td>Field Sanitation</td>
<td>151</td>
<td>10</td>
<td>6.6%</td>
</tr>
<tr>
<td>2500.8</td>
<td>Flexible Electrical Cords and Cables: Uses Not Permitted</td>
<td>151</td>
<td>3</td>
<td>2.0%</td>
</tr>
<tr>
<td>1527</td>
<td>Washing Facilities, Food Handling and Temporary Sleeping Quarters</td>
<td>151</td>
<td>1</td>
<td>0.7%</td>
</tr>
<tr>
<td>4300.1</td>
<td>Table Saws (Manual Feed)</td>
<td>146</td>
<td>107</td>
<td>73.3%</td>
</tr>
<tr>
<td>4650</td>
<td>Compressed Gas and Air Cylinders: Storage, Handling, and Use</td>
<td>145</td>
<td>37</td>
<td>25.5%</td>
</tr>
<tr>
<td>3400</td>
<td>Medical Services and First Aid</td>
<td>144</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>3577</td>
<td>Use, Care, and Protection of Abrasive Wheels: Protection Devices</td>
<td>142</td>
<td>52</td>
<td>36.6%</td>
</tr>
<tr>
<td>4070</td>
<td>Belt and Pulley Drive, Guarding</td>
<td>137</td>
<td>100</td>
<td>73.0%</td>
</tr>
</tbody>
</table>

Source: DOSH Budget and Program Office.
Figure 113 demonstrates the trends in penalties and collections. Total penalties assessed were $47.3 million in 2015. Many employers appeal those “recommended” penalties at the Cal/OSHA Appeals Board, and they may be ordered to pay in full, pay a reduced amount, or have penalties eliminated due to procedural issues. Because of the appeals process, penalties collected are almost always less than the initial recommended penalties assessed. Total collections were $12.4 million in 2015.

Although Figure 113 demonstrates the trends in penalties and collections, it cannot be viewed entirely as an indicator of progress in health and safety at places of employment, due to related impacts on the data from DOSH staffing changes and resource changes from year to year, as well as activities at the Appeals Board. Nevertheless, the data give a sense of the general magnitude and accounting of penalties and collections, as well as provide a starting point for further analysis.

Figure 113: Total DOSH Penalties Assessed and Collected, 2003–2015
(Million $)

Data Source: DOSH
WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Figure 114 illustrates the proportion of inspections in major industrial groups. Of the 7,692 workplace health and safety inspections conducted in 2015, 2,576 (33 percent) were in construction and 5,116 (67 percent) were in non-construction.

Figure 114: Distribution of Inspections by Major Industry, CY 2015
(Total Inspections = 7,692)

As shown in Figure 115, corresponding to the fact that the highest percentage of inspections was in construction, the highest percentage (31 percent) of violations was also found in construction.

Figure 115: Distribution of Violations by Major Industry, CY 2015
(Total Violations = 18,848)
High Hazard Identification, Consultation, and Compliance Programs

Even though a statutory mandate no longer exists, the Division of Occupational Safety and Health (DOSH) reports annually on the activities of the constituent parts of the High Hazard Employer Program, specifically the High Hazard Consultation Program and the High Hazard Enforcement Program.

The 1993 reforms of the California workers’ compensation system required Cal/OSHA to focus its consultative and compliance resources on “employers in high hazardous industries with the highest incidence of preventable occupational injuries and illnesses and workers' compensation losses.”

High Hazard Employer Program

The High Hazard Employer Program (HHEP) is designed to:

- Identify employers in hazardous industries with the highest incidence of preventable occupational injuries and illnesses and workers' compensation losses.
- Offer and provide consultative assistance to those employers to eliminate preventable injuries and illnesses and workers’ compensation losses.
- Inspect those employers on a random basis to verify that they have made appropriate changes in their health and safety programs.
- Develop appropriate educational materials and model programs to aid employers in maintaining a safe and healthful workplace.

In 1999, the passage of Assembly Bill (AB) 1655 gave DIR the statutory authority to levy and collect assessments from employers to support the targeted inspection and consultation programs on an ongoing annual basis. The collection of Targeted Inspection Consultation Fund ceased with the passage of Assembly Bill (AB) 1389.

In 2008, the passage of Assembly Bill (AB) 1389 gave DIR the statutory authority to levy and collect assessments from employers to fund DOSH’s operations.

For FY 2015-2016, DOSH was granted additional funding for 40 new enforcement positions, 14 of which are dedicated to conducting programmed inspections of high hazard employers. Under the current structure, four of these positions are directly in the High Hazard North Unit office in Oakland and the remaining positions are in Regions 1-4.

High Hazard Consultation Program

Using workers’ compensation data, the Cal/OSHA Consultation Services Branch identifies employers in hazardous industries with the highest incidence of preventable occupational injuries and illnesses and workers’ compensation losses. “Hazardous industries” are identified using published annual workers’ compensation pure premium rates. Individual employers are identified using workers’ compensation experience modification (ExMod) rate data.

The Cal/OSHA Consultation Services Branch reports that in 2015, it provided on-site high hazard consultative assistance to 1,486 employers. During consultation with these employers, 11,382 Title 8 violations were observed and corrected as a result of the provision of consultative assistance.

Since 1994, 22,179 employers have been provided direct on-site consultative assistance, and 133,823 Title 8 violations have been observed and corrected. Of these violations, 32.4 percent were classified as "serious." It should be noted that for 2002 and 2003, all Consultative Safety and Health Inspection Projects (SHIPs) were included in the High Hazard Consultation Program figures. Effective 2004, only employers with ExMod rates of 125 percent and above are included in the High Hazard Consultation Program figures.
The Cal/OSHA Consultation Services Branch conducts annual surveys to measure the efficacy of the services provided. One of the efficacy measures is the comparison of employer lost-and-restricted-workday data (DART) before and after receiving on-site consultative assistance. The other efficacy measure compares individual employer’s workers’ compensation ExMod rate data again before and after receiving onsite consultative assistance.

**Figure 116: High Hazard Consultation Program Production by Year**

The efficacy of High Hazard Consultation is measured by comparing employer lost-and-restricted-workday data. In 2001, Log 300 replaced Log 200 as the source for lost-and-restricted-workday data. The use of the Lost Work Day Case Incidence (LWDI) rate was replaced with the Days Away, Restricted, or Transferred (DART) rate. Additionally, High Hazard Consultation uses ExMod rates to measure efficacy.

**High Hazard Enforcement Program**

It is the policy of DOSH to protect California’s workers from serious injury and illness and to establish and implement a program for inspecting high hazard businesses operating in California. The High Hazard Unit, which consists of two offices (Northern and Southern) and a regional office, is dedicated to conducting targeted programmed inspections in “High Hazard Industries” throughout California.

In 2015, the High Hazard Unit opened 333 inspections and Regions 1-4 opened 1 inspection. The majority of inspections 251 (75 percent) were targeted programmed-planned. Other types of inspections opened by the High Hazard Unit were programmed-related, follow-up, accidents, complaints, and referrals. A total of 2,156 violations were identified and cited during inspections. Violations were identified in 89 percent of the inspections conducted. The violation per inspection ratio for targeted programmed-planned inspections in 2015 was 7.1.

The high hazard enforcement program activity measures are shown in Tables 35-38.

The distributions of high hazard targeted inspections by North American Industrial Classification System (NAICS) in 2014 and 2015 are shown in Table 35.
### Table 35: High Hazard Inspections by NAICS Code, 2014-2015

<table>
<thead>
<tr>
<th>NAICS code and Description</th>
<th>2014 Number</th>
<th>2014 %</th>
<th>2015 Number</th>
<th>2015 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 Agriculture, Forestry, Fishing and Hunting</td>
<td>17</td>
<td>4.4%</td>
<td>66</td>
<td>19.8%</td>
</tr>
<tr>
<td>21 Mining, Quarrying, and Oil and Gas Ext.</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>22 Utilities</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>23 Construction</td>
<td>50</td>
<td>13.0%</td>
<td>15</td>
<td>4.5%</td>
</tr>
<tr>
<td>31-33 Manufacturing</td>
<td>276</td>
<td>71.7%</td>
<td>202</td>
<td>60.5%</td>
</tr>
<tr>
<td>42 Wholesale Trade</td>
<td>6</td>
<td>1.6%</td>
<td>12</td>
<td>3.6%</td>
</tr>
<tr>
<td>44-45 Retail Trade</td>
<td>9</td>
<td>2.3%</td>
<td>6</td>
<td>1.8%</td>
</tr>
<tr>
<td>48-49 Transportation and Warehousing</td>
<td>1</td>
<td>0.3%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>51 Information</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>52 Finance and Insurance</td>
<td>1</td>
<td>0.3%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>53 Real Estate and Rental/Leasing</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>54 Professional, Scientific, and Technical Services</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>56 Admin and Support and Waste Management and Remediation</td>
<td>25</td>
<td>6.4%</td>
<td>30</td>
<td>9.0%</td>
</tr>
<tr>
<td>61 Educational Services</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>62 Health Care and Social Assistance</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>0.3%</td>
</tr>
<tr>
<td>71 Arts, Entertainment, and Recreation</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>0.3%</td>
</tr>
<tr>
<td>81 Other Services</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>92 Public Administration</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>385</td>
<td>334</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: DOSH

Violations observed during high hazard targeted inspections are divided into two categories: “serious, willful, and repeat (SWR)” and “other than serious” violations.

### Table 36: Violations Observed During High Hazard Inspections, 2011-2015

<table>
<thead>
<tr>
<th>Targeted Inspections</th>
<th>2011 Number</th>
<th>2011 %</th>
<th>2012 Number</th>
<th>2012 %</th>
<th>2013 Number</th>
<th>2013 %</th>
<th>2014 Number</th>
<th>2014 %</th>
<th>2015 Number</th>
<th>2015 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serious, Willful, Repeat</td>
<td>549</td>
<td>28%</td>
<td>586</td>
<td>33%</td>
<td>443</td>
<td>28%</td>
<td>429</td>
<td>21%</td>
<td>535</td>
<td>25%</td>
</tr>
<tr>
<td>Other Than Serious</td>
<td>1,390</td>
<td>72%</td>
<td>1,187</td>
<td>67%</td>
<td>1,122</td>
<td>72%</td>
<td>1,653</td>
<td>79%</td>
<td>1,621</td>
<td>75%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,939</td>
<td>1,773</td>
<td>1,565</td>
<td>2,082</td>
<td>2,156</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Instances not included in previous reports: 7,164, 4,953, NA, NA

Source: DOSH
WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Table 37 shows the distribution of enforcement actions taken during high hazard inspections by type in 2012–2015.

**Table 37: Enforcement Actions Taken During High Hazard Targeted Inspections, 2012-2015**

<table>
<thead>
<tr>
<th>Types of enforcement actions</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warrants</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Order Prohibiting Use</td>
<td>75</td>
<td>20</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Information Memorandums</td>
<td>15</td>
<td>53</td>
<td>75</td>
<td>71</td>
</tr>
<tr>
<td>Violations</td>
<td>1,773</td>
<td>1,565</td>
<td>2,082</td>
<td>2,156</td>
</tr>
</tbody>
</table>

Source: DOSH

Table 38 shows the most frequently observed violations during high hazard inspections in 2015.

**Table 38: Most Frequently Observed Violations During High Hazard Targeted Inspections, 2015**

<table>
<thead>
<tr>
<th>Title 8 Section</th>
<th>Description</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3577/3578</td>
<td>Protection Devices[Grinders]</td>
<td>Protection Devices[Grinders]</td>
</tr>
<tr>
<td>461</td>
<td>Permits to Operate (Air Tanks)</td>
<td>Permits to Operate (Air Tanks)</td>
</tr>
<tr>
<td>3203</td>
<td>Injury and Illness Prevention Program.</td>
<td>Injury and Illness Prevention Program.</td>
</tr>
<tr>
<td>3668</td>
<td>Powered Industrial Truck Operator training</td>
<td>Powered Industrial Truck Operator training</td>
</tr>
<tr>
<td>5144</td>
<td>Respiratory Protection Program</td>
<td>Respiratory Protection Program</td>
</tr>
<tr>
<td>6151</td>
<td>Portable Fire Extinguishers</td>
<td>Portable Fire Extinguishers</td>
</tr>
<tr>
<td>5162/5185</td>
<td>Eyewash and Shower</td>
<td>Eyewash and Shower</td>
</tr>
<tr>
<td>14300 et seq</td>
<td>Employer Records of Occupational Injury or Illness</td>
<td>Employer Records of Occupational Injury or Illness</td>
</tr>
<tr>
<td>3314</td>
<td>The Control of Hazardous Energy (Lockout/Tagout)</td>
<td>The Control of Hazardous Energy (Lockout/Tagout)</td>
</tr>
<tr>
<td>2500.8</td>
<td>Uses Not Permitted (Flexible Cords)</td>
<td>Uses Not Permitted (Flexible Cords)</td>
</tr>
</tbody>
</table>

Source: DOSH

Safety Inspections

DOSH has three major public safety programs devoted to conducting inspections to protect the public from safety hazards:

- The Amusement Ride and Tramway Unit conducts public safety inspections of amusement rides, both portable and permanent, and aerial passenger tramways and ski lifts.
- The Elevator Unit conducts public safety inspections of different conveyances, including power-cable driven passenger and freight elevators, manlifts, and escalators.
- The Pressure Vessel Unit conducts public safety inspections of boilers and pressure vessels to ensure their safe operation in places of employment.

Cal/OSHA’s Highest Hazard Industries List

Pursuant to Labor Code 6401.7(e)(3)(A), Cal/OSHA issues the Highest Hazard Industry List annually. The methodology for Cal/OSHA’s High Hazard Industry threshold is based on >200 percent of the annual private sector average DART (Days Away, Restricted, and Transferred) rate. The DART rate in 2015 was 2.1. Accordingly, the high hazard industry threshold in 2015 was 4.2. Table 39 shows the highest hazard industries in California for FY 2015-2016.

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40 For a list of conveyances, please see [http://www.dir.ca.gov/Title8/sub6.html](http://www.dir.ca.gov/Title8/sub6.html).
Table 39: Cal/OSHA’s Highest Hazard Industry List, FY 2015–2016

<table>
<thead>
<tr>
<th>Industry Group</th>
<th>NAICS</th>
<th>Industry Activity</th>
<th>DART *</th>
<th>Establishment</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>1114</td>
<td>Greenhouse and Nursery Production</td>
<td>4.6</td>
<td>1,004</td>
<td>27,178</td>
</tr>
<tr>
<td></td>
<td>112</td>
<td>Animal Production and Aquaculture</td>
<td>5.2</td>
<td>2,601</td>
<td>28,288</td>
</tr>
<tr>
<td>Construction</td>
<td>23813</td>
<td>Framing Contractors</td>
<td>4.5</td>
<td>672</td>
<td>13,407</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>31161</td>
<td>Animal slaughtering and processing</td>
<td>5.1</td>
<td>308</td>
<td>21,690</td>
</tr>
<tr>
<td></td>
<td>31211</td>
<td>Soft Drink and Ice</td>
<td>6.5</td>
<td>167</td>
<td>12,417</td>
</tr>
<tr>
<td></td>
<td>314**</td>
<td>Textile Product Mills</td>
<td>4.4</td>
<td>607</td>
<td>8,653</td>
</tr>
<tr>
<td></td>
<td>316</td>
<td>Leather and Allied Product</td>
<td>6.8</td>
<td>161</td>
<td>3,313</td>
</tr>
<tr>
<td></td>
<td>32111</td>
<td>Sawmills and Wood Preservation</td>
<td>5.0</td>
<td>77</td>
<td>4,010</td>
</tr>
<tr>
<td></td>
<td>3219*</td>
<td>Other Wood Product</td>
<td>4.5</td>
<td>786 (459)</td>
<td>14,327 (7,592)</td>
</tr>
<tr>
<td></td>
<td>3272</td>
<td>Glass and Glass Product</td>
<td>5.8</td>
<td>232</td>
<td>6,879</td>
</tr>
<tr>
<td></td>
<td>33151</td>
<td>Ferrous metal foundries</td>
<td>4.3</td>
<td>85</td>
<td>3,515</td>
</tr>
<tr>
<td></td>
<td>3362</td>
<td>Motor Vehicle Body and Trailer</td>
<td>4.3</td>
<td>146</td>
<td>4,599</td>
</tr>
<tr>
<td></td>
<td>3379**</td>
<td>Other Furniture Related Product</td>
<td>5.4</td>
<td>130</td>
<td>3,828</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>4412**</td>
<td>Other Motor Vehicle Dealers</td>
<td>4.9</td>
<td>1,056</td>
<td>11,290</td>
</tr>
<tr>
<td>Transportation and</td>
<td>481**</td>
<td>Air transportation</td>
<td>5.1</td>
<td>499</td>
<td>43,755</td>
</tr>
<tr>
<td>Warehousing</td>
<td>492</td>
<td>Couriers and messengers</td>
<td>5.7</td>
<td>1,656</td>
<td>58,840</td>
</tr>
<tr>
<td></td>
<td>493</td>
<td>Warehousing and storage</td>
<td>4.3</td>
<td>1,683</td>
<td>75,418</td>
</tr>
<tr>
<td>Waste Management</td>
<td>562**</td>
<td>Waste Management and Remediation Service</td>
<td>4.8</td>
<td>1,885</td>
<td>44,517</td>
</tr>
<tr>
<td></td>
<td>562**</td>
<td>Waste Treatment and Disposal</td>
<td>6.6</td>
<td>313</td>
<td>12,265</td>
</tr>
<tr>
<td>Accommodation and Food</td>
<td>721**</td>
<td>Accommodation</td>
<td>4.6</td>
<td>6,099</td>
<td>206,043</td>
</tr>
</tbody>
</table>

Source: DOSH

* Within the “Other Wood Product Manufacturing” industry group listed above (NAICS code 3219), the millwork industry (NAICS code 32191) will not be targeted because its DART rate is 2.7, which is ≤200% of the private sector average.

** Within other industry groups and industry subsectors listed above, the following individual industries may be exempt from Cal/OSHA programmed inspections if they meet the requirements under the federal Appropriations Act (https://www.osha.gov/pls/oshaweb/owadisp.show_document?p_table=DIRECTIVES&p_id=1519):

- 314121 Curtain and Drapery Mills
- 441210 Recreational Vehicle Dealers
- 481219 Other Nonscheduled Air Transportation
- 562910 Remediation Services
- 314911 Textile Bag Mills
- 481211 Nonscheduled Chartered Passenger Air Transportation
- 562211 Hazardous Waste Treatment and Disposal
- 721191 Bed-and-Breakfast Inns
- 337920 Blind and Shade Manufacturing
- 481212 Nonscheduled Chartered Freight Air Transportation
- 562213 Solid Waste Combustors and Incinerators
- 721199 All Other Traveler Accommodation
**Health and Safety Standards**

The Occupational Safety and Health Standards Board (OSHSB), a seven-member body appointed by the Governor, is the standards-setting agency within the Cal/OSHA program. The mission of OSHSB is to promote, adopt, and maintain reasonable and enforceable standards that will ensure a safe and healthy workplace for California workers.

To meet the DIR Goal 1 to ensure that California workplaces are lawful and safe, the Board shall pursue the following goals:

- Adopt and maintain effective occupational safety and health standards.
- Evaluate petitions to determine the need for new or revised occupational safety and health standards.
- Evaluate permanent variance applications from occupational safety and health standards to determine if equivalent safety will be provided.

OSHSB also has the responsibility to grant or deny applications for variances from adopted standards and respond to petitions for new or revised standards. The OSHSB safety and health standards provide the basis for Cal/OSHA enforcement.

*For further information …*  
[http://www.dir.ca.gov/oshsb/apprvd.html](http://www.dir.ca.gov/oshsb/apprvd.html)

**Occupational Health and Safety Appeals Board (OSHAB)**

The Occupational Safety and Health Appeals Board (OSHAB) consists of three members appointed by the governor for four-year terms. By statute, the members are selected from among management, labor, and the general public. The chairman is selected by the governor.

The mission of OSHAB is to resolve appeals and to provide clear, consistent guidance to the public, thereby promoting workplace health and safety fairly, efficiently, and in a timely manner. OSHAB handles appeals from private and public sector employers regarding citations issued by DOSH for alleged violations of workplace health and safety laws and regulations.

Figure 117 shows the OSHAB workload: appeals filed, resolved, and unresolved. From 1995 to 2009, the number of appeals filed yearly stabilized at an average of 4,695 cases, with a maximum of 5,457 appeals filed in 2007. The number of appeals filed yearly decreased by 39 percent from 2007 to 2011 and then increased by 44 percent from 2011 to 2015.

From 1994 to 1996, on average 81 percent of filed appeals were resolved each year. From 1997 to 2000, OSHAB processed appeals in less time (10 months) than the federal OSHA standard, averaging 123 percent of cases filed yearly; therefore, the number of unresolved appeals reached its minimum in 1999. From 2000 to 2006, the processing of appeals slowed down again because an average 83 percent of filed appeals was resolved each year, increasing the number of unresolved cases to its maximum of 8,012 cases in 2005. From 2005 to 2012, the number of unresolved cases decreased by 58 percent because an average 110 percent of cases filed yearly was resolved in 2009, 2010, and 2011. In 2013, unresolved cases increased for the first time since their peak in 2005, when resolved appeals as a share of yearly filed appeals decreased from 100.4 percent in 2012 to 99 percent in 2014. Resolved appeals as a share of yearly filed appeals dropped to 81 percent in 2015.
The trend and level of backlogged citation appeals reflect changes in unresolved cases as they accumulate from previous years. As Figure 118 shows, the pattern of backlog repeats the pattern of unresolved cases described above.

Data Source: OSHAB
Figure 118 shows that in 2012, the downward trend in backlogged appeals experienced from 2005 to 2011 reversed, and the number of backlogged appeals increased from 84 in 2012 to 1,040 cases in 2015. This growth in the backlog was the result of the filed appeals outpacing the level of resolved cases in 2015 (see Figure 119), and an increase in the number of unresolved cases from 2012 to 2015.

Figure 119 shows the total number of citation appeals docketed and disposed from 2005 to 2015. In 2015, 81 percent of appeals were resolved.

Educational and Outreach Programs

In conjunction and cooperation with the health and safety and workers’ compensation community, DIR administers and participates in several major efforts to improve occupational health and safety through education and outreach programs.

Worker Occupational Safety and Health Training and Education Program

The Commission on Health and Safety and Workers’ Compensation (CHSWC) is mandated by Labor Code Section 6354.7 to maintain the Worker Occupational Safety and Health Training and Education Program (WOSHTEP). The purpose of WOSHTEP is to promote injury and illness prevention programs. For further information about WOSHTEP and its activities, see the “Projects and Studies” section of this report.

School Action for Safety and Health

Per the mandate set forth in the Labor Code 6434, CHSWC is to assist inner-city schools or any school or district in implementing effective occupational injury and illness prevention programs (IIPPs). CHSWC has established a model program, California’s School Action for Safety and Health (SASH) program, to help schools statewide improve their injury and illness prevention programs. For further information about SASH and its activities, see the “Projects and Studies” section of this report.
The California Partnership for Young Worker Health and Safety

CHSWC has convened the California Partnership for Young Worker Health and Safety. The Partnership is a statewide task force that brings together government agencies and statewide organizations representing educators, employers, parents, job trainers, and others. The Partnership develops and promotes strategies to protect youth at work and provides training, educational materials, technical assistance, and information and referrals to help educate young workers. See the "Projects and Studies" section of this report for further information about the Partnership.

Cal/OSHA Consultation

Consultative assistance is provided to employers through on-site visits, telephone support, publications and educational outreach. All services provided by Cal/OSHA Consultation are provided free of charge to California employers.

Partnership Programs

California has developed several programs that rely on industry, labor, and government to work as partners in encouraging and recognizing workplace health and safety programs that effectively prevent and control worker injuries and illnesses. These partnership programs include the Voluntary Protection Program (VPP), Golden State, SHARP, Golden Gate, and special alliances formed among industry, labor, and OSHA.
UPDATE: THE CALIFORNIA WORKERS’ COMPENSATION INSURANCE INDUSTRY

Background

In California, approximately two-thirds of the total State payroll is covered for workers’ compensation through insurance policies, while the remainder is through self-insurance. There are more than 200 private for-profit insurers and one public nonprofit insurer, the State Compensation Insurance Fund (SCIF).

The California Department of Insurance (CDI) oversees these insurers. To accomplish its principal objective to protect insurance policyholders in the State, CDI examines insurance companies to ensure that operations are consistent with Insurance Code requirements.

Minimum Rate Law and Open Rating

In 1993, workers’ compensation reform legislation repealed California’s 80-year-old minimum rate law and in 1995 replaced it with an open-competition system of rate regulation, in which insurers set their own rates based on “pure premium advisory rates” developed by the Workers’ Compensation Insurance Rating Bureau (WCIRB). These rates, approved by the Insurance Commissioner (IC) and subject to annual adjustment, are based on historical loss data for more than 500 job categories.

Under this “open rating” system, these recommended, non-mandatory pure premium rates are intended to cover the average costs of benefits and loss-adjustment expenses for all employers in an occupational class and thus provide insurers with benchmarks for pricing their policies. Insurers typically file rates intended to cover other costs and expenses, including unallocated loss-adjustment expenses, as well as an operating profit.

Insurance Market After Elimination of Minimum Rate Law

Subsequent to the repeal of the minimum rate law effective January 1995, changes were noted in the actions of insurers and employers.

Price Competition

Open rating apparently spurred competition among insurers seeking to retain or add to their market share. Some insurers attempted to increase their market share by writing coverage at low prices that eventually proved to be below loss costs. This deregulated market kept premium rates near their historic lows throughout the second half of the 1990s, even though losses were no longer declining.

As the link between the price of insurance and loss costs became more and more tenuous, some insurers left the State, others ceased underwriting workers’ compensation or merged with or were acquired by other carriers, and still others, including several of the State’s largest insurers, became insolvent and had to be taken over or supervised by the State. As a result, the workers’ compensation market became much more concentrated than in the past. Aside from SCIF, only a few large national carriers accounted for the largest portion of the statewide premium.
UPDATE: THE CALIFORNIA WORKERS’ COMPENSATION INSURANCE INDUSTRY

Insurance Market Changes
Since 2000, a significant number of workers’ compensation insurance companies have experienced problems with payment of workers’ compensation claims. Fifty-six insurance companies underwent liquidation, and 26 companies withdrew from offering workers’ compensation insurance after that year. However, since 2004, 91 insurance/reinsurance companies have entered the California workers’ compensation market, while only 23 companies withdrew from the market.41

Changing Insurers42
WCIRB estimated that before open rating, about 25 percent of California employers with experience modifications (Ex-mods) changed insurance carriers each year. After open rating, about 35 percent of these employers did so. However, in many post-open rating situations, employers had no choice but to change insurers, as the market had deteriorated to the point that many carriers, including several of the State’s largest workers’ compensation insurers went out of business or stopped offering workers’ compensation in California.

Reinsurance43
After open rating, many carriers shifted the risk of their workers’ compensation claims to other insurance companies, some of which were inexperienced with the California workers’ compensation insurance market. It was reported that many carriers used reinsurance aggressively in order to mitigate the risk of having to make large future payoffs. Some primary workers’ compensation carriers offered extremely low rates that proved to be inadequate in the face of soaring losses. Some reinsurance companies also sold off their risk to other reinsurers in a process called “retrocession.” During 1999, several major reinsurance pools experienced financial difficulty and ceased operations.

Impact of Workers’ Compensation Reforms on Insurance Companies
Workers’ compensation reform legislation in 2003 and 2004, Senate Bill (SB) 228, Assembly Bill (AB) 227, and SB 899, were enacted with the intention of controlling costs and improving the benefit-delivery process in the workers’ compensation system.

In 2007, SB 316 eliminated a duplicative reserve requirement that was inadvertently not removed when risk-based capital requirements went into effect for workers’ compensation insurers in 2002. That same bill also mandated a study by the Commission on Health and Safety and Workers’ Compensation (CHSWC) of the causes of many of the insolventcies in this decade.

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41 The information on the companies that have withdrawn and entered the market since 2004 are based on data provided by CDI and cover period through October 31, 2015.
43 Ibid.
The study has been completed and includes recommendations to contain the risk of future insolvencies. (See “California’s Volatile Workers’ Compensation Insurance Market: Problems and Recommendations for Change.”)

<table>
<thead>
<tr>
<th>Year</th>
<th>Insurers Liquidated Since 2000</th>
</tr>
</thead>
</table>
| 2005 | Cascade National Insurance Company/Washington  
South Carolina Insurance Company/South Carolina  
Consolidated American Insurance Company/South Carolina |
| 2006 | Vesta Fire Insurance Company  
Hawaiian Insurance & Guaranty Company  
Municipal Mutual Insurance Company |
| 2010 | Insurance Corporation of New York (The) |
| 2011 | Atlantic Mutual Insurance Co./New York  
Centennial Insurance Company/New York  
Reinsurance Company of America/Illinois |
| 2012 | Frontier Insurance Company of New York |
| 2013 | Lumbermens Mutual Casualty Group of Illinois  
Tokio Marine & Nichido Fire Insurance Co., Ltd.  
Ullico Casualty Company/Delaware |
| 2014 | Freestone Insurance Company/Delaware  
Red Rock Insurance Company/Oklahoma |
| 2015 | Lincoln General Insurance Company |
| 2016 | Affirmative Insurance Company  
Lumbermen’s Underwriting Alliance |

Source: CIGA
Workers’ Compensation Advisory Premium Rates

As a result of the 2003 legislative reforms, WCIRB recommended changes and the Insurance Commissioner (IC) approved either decreases or no changes in the pure premium advisory rates between January 1, 2004, and July 1, 2012, with the exception of January 1, 2009, filing. When decisions have been issued, the IC approved increases for all periods from July 1, 2012, to January 1, 2015, filings. The IC approved decreases in the pure premium advisory rates in four consecutive periods beginning from July 1, 2015 to January 1, 2017.

The WCIRB did not submit its January 1, 2013, pure premium rate filing to the California IC. On November 30, 2012, the Commissioner issued a decision approving new advisory pure premium rates effective January 1, 2013, that averaged $2.56 per $100 of payroll, which was 2.8 percent higher than the industry average filed pure premium rate of $2.49 per $100 of payroll as of November 9, 2012. Also, WCIRB did not submit July 1, 2013, and July 1, 2014, pure premium rate filings, and the IC did not issue the interim advisory rates for these periods. (A history of pure premium rates since 1993 appears later in this section.)

Figure 120: Percentage Changes in Workers’ Compensation Advisory Premium Rates, WCIRB Recommendation and Insurance Commissioner’s Decision Compared to Corresponding Industry Average Filed Pure Premium Rate

![Percentage Changes in Workers’ Compensation Advisory Premium Rates](image)

* WCIRB and/or Insurance Commissioner did not take actions.

Source: WCIRB

California Workers’ Compensation Rate Changes

Workers’ compensation legislative reforms enacted in 2003 and subsequent decisions by the IC on advisory claims cost benchmarks and pure premium rates led insurers to file a series of significant manual rate reductions from 2004 through 2008. Despite recent manual rate increases filed by insurers, which helped lead to additional legislative reforms passed in 2012 (SB 863), the top ten California workers’ compensation insurers still maintain greatly reduced filed manual rates from those in 2003 (see Table 40).

As of April 1, 2016, the cumulative premium weighted average manual rate filed by insurers with the CDI since the enactment of the 2003 reforms is approximately 28 percent for all underwriters, including the State Compensation Insurance Fund (SCIF). Eight consecutive advisory benchmark rate reductions occurred as a result of the passage of AB 227, SB 228, and SB 899, and insurers filed cumulative manual rate reductions averaging 56 percent from January 2004 through July 2008. The first post-2003 reform advisory benchmark rate increase occurred effective January 1, 2009 (+5.0 percent),44

44 California Department of Insurance, RFLA3 Rate Filing Bureau.
WCIRB reports that the average rate charged for January-June 2015 policies is approximately 52 percent less and for June-December 2015 policies is approximately 55 percent less than the average rate charged prior to the enactment of AB 227, SB 228, and SB 899 in 2003. The average rate per $100 of payroll fell from $6.29 in the second half of 2003 to $3.01 for January-June 2015 policies and to $2.86 for June-December 2015 policies.45

Since the first reform package was chaptered in 2003, 91 new insurers have filed to enter the California market and existing private insurers have increased their underwritings. The significant rate reductions, totaling 28 percent since the first reforms were enacted, and SCIF’s declining market share from its peak of 53 percent in 2003 point to the dramatic initial success of the 2003 cost containment reforms and a stabilizing market with increased capacity and greater rate competition.

However, the projected ultimate accident year combined loss and expense ratios from 2009 to 2011, when the ratio hit 141 percent in 2009, 140 percent in 2010, and 139 percent in 2011,46 reflect an erosion of the effectiveness of the 2003 cost containment reforms over time. Nonetheless, recent loss trends are encouraging, as the projected ultimate accident year combined loss and expense ratio for 2014 was down to 102 percent and it remains at 102 percent in 2015.47 Further, the impact or savings from the latest reform, SB 863 passed in 2012 and effective January 1, 2013 are starting to materialize as the advisory pure premium rates effective July 1, 2015 were 10.2 percent less than the average of the approved January 1, 2015 advisory pure premium rates and the January 1, 2016 approved pure premium rates are on average 2.0 percent lower than the approved July 1, 2015 advisory pure premium rates.

### Table 40: California Workers’ Compensation Top 10 Insurers Rate Filing Changes

<table>
<thead>
<tr>
<th>COMPANY NAME</th>
<th>GROUP NAME</th>
<th>Market Share 2015</th>
<th>Cumulative Rate Change 1-04 to 4-16</th>
<th>1Q 2016 % Filed Rate Change*</th>
<th>4-1-2015 % Filed Rate Change*</th>
<th>7-1-2014 % Filed Rate Change*</th>
<th>4-1-2013 % Filed Rate Change*</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Compensation Insurance Fund</td>
<td></td>
<td>13.29%</td>
<td>-36.07%</td>
<td>0.02%</td>
<td>9.00%</td>
<td>5.7%</td>
<td>-7.00%</td>
</tr>
<tr>
<td>Travelers Property Casualty</td>
<td>Travelers Group</td>
<td>5.95%</td>
<td>-32.19%</td>
<td>-4.00%</td>
<td>1.03%</td>
<td>4.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Company of America</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Company of the West</td>
<td>American Assets Group</td>
<td>5.47%</td>
<td>-31.61%</td>
<td>-5.60%</td>
<td>0.00%</td>
<td>2.50%</td>
<td>n/a</td>
</tr>
<tr>
<td>Security National Insurance</td>
<td>AmTrust NGH Group</td>
<td>4.00%</td>
<td>42.19%</td>
<td>-2.30%</td>
<td>3.00%</td>
<td>6.96%</td>
<td>9.70%</td>
</tr>
<tr>
<td>Company**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zurich American Insurance</td>
<td>Zurich Ins Group</td>
<td>3.22%</td>
<td>-36.21%</td>
<td>0.00%</td>
<td>4.20%</td>
<td>3.40%</td>
<td>8.50%</td>
</tr>
<tr>
<td>Company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cypress Insurance Company</td>
<td>Berkshire Hathaway Grp</td>
<td>3.20%</td>
<td>-45.95%</td>
<td>0.00%</td>
<td>2.60%</td>
<td>6.08%</td>
<td>2.00%</td>
</tr>
<tr>
<td>California Insurance Company</td>
<td>Berkshire Hathaway Grp</td>
<td>3.08%</td>
<td>-37.71%</td>
<td>-8.00%</td>
<td>2.20%</td>
<td>7.60%</td>
<td>n/a</td>
</tr>
<tr>
<td>Everest National Insurance</td>
<td>Everest Reins Holdings</td>
<td>2.94%</td>
<td>-24.90%</td>
<td>-4.80%</td>
<td>1.30%</td>
<td>12.10%</td>
<td>10.10%</td>
</tr>
<tr>
<td>Company</td>
<td>Grp</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zenith Insurance Company</td>
<td>Fairfax Financial Grp</td>
<td>2.93%</td>
<td>-9.08%</td>
<td>-1.30%</td>
<td>4.50%</td>
<td>4.30%</td>
<td>1.80%</td>
</tr>
<tr>
<td>Ace American Insurance Company</td>
<td>ACE Ltd Grp</td>
<td>2.03%</td>
<td>-75.42%</td>
<td>-10.80%</td>
<td>1.50%</td>
<td>-15.12%</td>
<td>5.40%</td>
</tr>
</tbody>
</table>

* Indicated % filed rate change reflects cumulative rate change(s) in effect as of that date from the rates in effect on the preceding date.


46 Ibid., Exhibit 6.
47 Ibid.
Workers’ Compensation Premium

After elimination of the minimum rate law, the total written premium declined from a high of $8.9 billion in 1993 to a low of $5.7 billion ($5.1 billion net of deductible) in 1995. The written premium grew slightly from 1996 to 1999 due to growth of insured payroll, an increase in economic growth, movement from self-insurance to insurance, and other factors, rather than due to increased rates. However, even with well over a million new workers covered by the system, the total premium paid by employers remained below the level seen at the beginning of the 1990s.

At the end of 1999, the IC approved an 18.4 percent pure premium rate increase for 2000, and the market began to harden after five years of open rating, though rates remained less than two-thirds of the 1993 level. Since then, the market has continued to firm, with the IC approving a 10.1 percent increase in the advisory rates for 2001 and a 10.2 percent increase for 2002. The total written premium increased by 37 percent to $21.4 billion from 2002 to 2003 and increased by about 10 percent to a peak of $23.5 billion from 2003 to 2004. The written premium declined by almost 63 percent from $23.5 billion to $8.8 billion between 2004 and 2009 due to rate decreases. From 2009 to 2015, the written premium doubled.

Figure 121 shows the California workers’ compensation written premium before and after the application of deductible credits. Note that these amounts exclude dividends.

Figure 121: Workers’ Compensation Written Premium as of September 30, 2016 (Billion $)48

<table>
<thead>
<tr>
<th>Year</th>
<th>Written Premium - Gross of Deductible Credits</th>
<th>Written Premium - Net of Deductible Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>95</td>
<td>5.7</td>
<td>5.1</td>
</tr>
<tr>
<td>96</td>
<td>5.9</td>
<td>5.0</td>
</tr>
<tr>
<td>97</td>
<td>6.4</td>
<td>5.3</td>
</tr>
<tr>
<td>98</td>
<td>6.6</td>
<td>5.5</td>
</tr>
<tr>
<td>99</td>
<td>7.1</td>
<td>5.7</td>
</tr>
<tr>
<td>00</td>
<td>8.6</td>
<td>6.1</td>
</tr>
<tr>
<td>01</td>
<td>11.0</td>
<td>7.6</td>
</tr>
<tr>
<td>02</td>
<td>15.6</td>
<td>9.8</td>
</tr>
<tr>
<td>03</td>
<td>21.4</td>
<td>10.8</td>
</tr>
<tr>
<td>04</td>
<td>23.5</td>
<td>12.5</td>
</tr>
<tr>
<td>05</td>
<td>21.3</td>
<td>14.8</td>
</tr>
<tr>
<td>06</td>
<td>16.4</td>
<td>16.3</td>
</tr>
<tr>
<td>07</td>
<td>13.0</td>
<td>15.2</td>
</tr>
<tr>
<td>08</td>
<td>10.6</td>
<td>11.3</td>
</tr>
<tr>
<td>09</td>
<td>8.9</td>
<td>11.1</td>
</tr>
<tr>
<td>10</td>
<td>7.8</td>
<td>8.9</td>
</tr>
<tr>
<td>11</td>
<td>10.8</td>
<td>8.0</td>
</tr>
<tr>
<td>12</td>
<td>12.5</td>
<td>10.7</td>
</tr>
<tr>
<td>13</td>
<td>14.8</td>
<td>11.9</td>
</tr>
<tr>
<td>14</td>
<td>16.4</td>
<td>13.0</td>
</tr>
<tr>
<td>15</td>
<td>17.6</td>
<td>13.0</td>
</tr>
<tr>
<td>16</td>
<td>14.1</td>
<td>10.4</td>
</tr>
</tbody>
</table>

Source: WCIRB

Combined Loss and Expense Ratio

The accident year combined loss and expense ratio, which measures workers’ compensation claims payments and administrative expenses against the earned premium declined from 2000 to 2005, and increased annually from 2006 to 2010 and 2011. The combined loss and expense ratio decreased from 138 percent to 97 percent from 2011 to 2015.

In accident year 2015, insurers’ claim costs and expenses amounted to $0.97 for every dollar of premium collected.

**Figure 122: California Workers’ Compensation Combined Loss and Expense Ratios* (Projected accident year, as of September 30, 2016)**

WCIRB estimates that the total cost of benefits for injuries occurring prior to January 1, 2016, was approximately $1.7 billion more than insurer-reported loss amounts. These estimates are somewhat below those presented in recent prior summaries as a result of favorable loss development experienced in recent quarters.

**Policy Holder Dividends**

Dividends to policyholders were not paid in 2003 and 2004, and then reinstated from 2005 through 2011 at a very low rate. Dividends paid to policyholders increased up to 0.9 percent in 2012 and then decreased to 0.4 percent and stabilized at that level from 2013 to 2015.

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49 Ibid., Exhibit 9.
Average Ultimate Total Loss

Figure 124 shows changes in indemnity and medical components of the projected ultimate total loss per workers' compensation indemnity claim.

Beginning with claims incurred on policies incepting on or after July 1, 2010, the cost of medical cost containment programs (MCCP) is reported to WCIRB as allocated loss adjustment expenses (ALAE) rather than as medical cost. As a result, some portion of MCCP costs for accident years 2010 and 2011 has been reported as medical loss and some portion has been reported as ALAE. In order to facilitate a consistent year-to-year comparison of medical losses and ALAE, accident year 2010 MCCP costs reported as ALAE were shifted to medical loss, and the estimated accident year 2011 MCCP costs reported as medical loss were shifted to ALAE.50 In order to provide consistent comparisons across years in Figure 132, to the extent appropriate, the amounts and ratios shown represent the combined cost of losses and ALAE, with MCCP amounts shown separately.

The total average cost of indemnity claims increased by 27 percent from 1999 to 2002 and then decreased by 15 percent from 2002 to 2005, reflecting the impact of AB 227, SB 228, and SB 899. The projected 2015 average loss and ALAE severity reflects an increase of 42 percent since 2005. The projected average indemnity cost of a 2015 indemnity claim increased by 12 percent from that for 2012, primarily a result of SB 863 increases to permanent disability benefits in 2014. The projected average medical cost—including MCCP costs—of a 2015 indemnity claim decreased by 10 percent from 2011. Please note that WCIRB’s estimates of average indemnity claim costs have not been indexed to take into account wage increase and medical inflation. The projected average ALAE cost of a 2015 indemnity claim, excluding MCCP costs, is 9 percent above that of 2014 and approximately 20 percent higher than the average ALAE severity for 2012, despite forecast reductions in ALAE costs expected to arise from SB 863.51

Figure 124: Estimated Ultimate Total Loss* and ALAE per Indemnity Claim as of September 30, 201652

* Excluded medical-only

Note: Before July 1, 2010, the costs of Medical Cost Containment Program (MCCP) that could be allocated to a particular claim were reported as medical losses. After July 1, 2010, MCCP is reported as ALAE. The Medical per indemnity claim data starting 2011 and on exclude the MCCP costs.

Source: WCIRB

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50 Ibid., p. 1.
51 Ibid., p. 2.
52 Ibid., Exhibits 8.1 – 8.4.
Insurer Profit/Loss

Workers’ compensation insurers experienced large fluctuations in profits and losses during the past decade, as measured by actual dollars and percentage of earned premium. From the implementation of the reforms of 2004 until 2008, insurer underwriting profits were uncharacteristically high. Investment income typically was the main source of insurer profits, but underwriting profits from policies was a new development. In 2008, workers’ compensation insurers experienced losses for the first time since 2004. The pre-tax underwriting losses increased to 17 percent in both 2009 and 2010, reached 22.3 percent of earned premium in 2011, and then declined steadily from 2011 to 2014. In 2015, insurers experienced the underwriting profits of 1.7 percent after 7 years of losses.

Figure 125: Insurer Pre-Tax Underwriting Profit/Loss, 2002-2015 (Million $ and as a Percentage of Earned Premium)

Current State of the Insurance Industry

Market Share

A number of California insurers left the market or reduced their underwritings as a result of the decrease in profitability, contributing to a major redistribution of market share among insurers since 1993. Figure 126 shows changes in the workers’ compensation insurance market share from 1995 to 2015.

According to WCIRB, from 2002 through 2004, SCIF attained about 35 percent of the California workers’ compensation insurance market, double the market share it had in the 1990s. However, between 2004 and 2015, SCIF’s market share decreased to 9 percent. The market share of California domestic insurers, excluding SCIF, increased from 6 percent in 2003 to 14 percent in 2007 and then, in 2015, reached its highest level, of 21 percent, since 1997, when it was 22 percent.
**Impact of September 11, 2001, on Insurance Industry**

The problems in the reinsurance market caused by the tragic events of September 11, 2001, have significantly affected the cost and availability of catastrophe reinsurance and, correspondingly, have a significant effect on the cost of workers' compensation insurance. This effect extends to more than acts of terrorism and is a critical component of any evaluation of the California workers' compensation insurance marketplace. The insurance industry has remained concerned about the renewal of the Terrorism Risk Insurance Act, often known as TRIA, which was reauthorized in 2007 to extend to December 2014. Now known as TRIPRA, the Terrorism Risk Insurance Program Reauthorization Act of 2015 amends the expiration date of the Terrorism Risk Insurance Program (TRIP) to December 31, 2020.
Advisory Workers’ Compensation Pure Premium Rates  
A History Since the 1993 Reform Legislation

1993
Insurance Commissioner action:  
Pure premium rate reduction of 7 percent effective July 16, 1993, due to a statutory mandate.

1994
WCIRB recommendation:  
No change in pure premium rates.
Insurance Commissioner action:  
Two pure premium rate decreases: a decrease of 12.7 percent effective January 1, 1994; and a second decrease of 16 percent effective October 1, 1994.

1995
WCIRB recommendation:  
A 7.4 percent decrease from the pure premium rates that were in effect on January 1, 1994.
Insurance Commissioner action:  
A total of 18 percent decrease to the premium rates in effect on January 1, 1994, approved effective January 1, 1995 (including the already approved 16 percent decrease effective October 1, 1994).

1996
WCIRB recommendation:  
An 18.7 percent increase in pure premium rates.
Insurance Commissioner action:  
An 11.3 percent increase effective January 1, 1996.

1997
WCIRB recommendation:  
A 2.6 percent decrease in pure premium rates.
Insurance Commissioner action:  
A 6.2 percent decrease effective January 1, 1997.

1998
WCIRB recommendation:  
The initial recommendation for a 1.4 percent decrease was later amended to a 0.5 percent increase.
Insurance Commissioner action:  
A 2.5 percent decrease effective January 1, 1998.

1999
WCIRB recommendation:  
The WCIRB initial recommendation of a 3.6 percent pure premium rate increase for 1999 was later amended to a recommendation for a 5.8 percent increase.
Insurance Commissioner action:  
No change in pure premium rates in 1999.
2000

WCIRB recommendation:
An 18.4 percent increase in the pure premium rate for 2000.

Insurance Commissioner action:
An 18.4 percent increase effective January 1, 2000.

2001

WCIRB recommendations:
The WCIRB initial recommendation of a 5.5 percent increase in the pure premium rate was later amended to a recommendation for a 10.1 percent increase.

Insurance Commissioner action:
A 10.1 percent increase effective January 1, 2001.

January 1, 2002

WCIRB recommendations:
The WCIRB initial recommendation of a 9 percent increase in the pure premium rate was later amended to a recommendation for a 10.2 percent increase effective January 1, 2002.

Insurance Commissioner action:
The Insurance Commissioner approved a 10.2 percent increase effective January 1, 2002.

April 1, 2002

WCIRB recommendations:

Insurance Commissioner action:
The Insurance Commissioner approved the WCIRB’s requests effective April 1, 2002.

July 1, 2002

WCIRB recommendation:
The WCIRB filed a mid-term recommendation that pure premium rates be increased by 10.1 percent effective July 1, 2002, for new and renewal policies with anniversary rating dates on or after July 1, 2002.

Insurance Commissioner action:
On May 20, 2002, the Insurance Commissioner approved a mid-term increase of 10.1 percent effective July 1, 2002.

January 1, 2003

WCIRB recommendations:
On July 31, 2002, the WCIRB proposed an average increase in pure premium rates of 11.9 percent for 2003. On September 16, 2002, the WCIRB amended the proposed 2003 pure premium rates submitted to the California Department of Insurance (CDI). Based on updated loss experience valued as of June 30, 2002, the WCIRB proposed an average increase of 13.4 percent in pure premium rates to be effective on January 1, 2003, and later policies.
January 1, 2003

Insurance Commissioner action:
On October 18, 2002, the Insurance Commissioner approved a 10.5 percent increase in pure premium rates applicable to policies with anniversary rating dates in 2003. This increase takes into account the increases in workers' compensation benefits enacted by AB 749 for 2003.

July 1, 2003

WCIRB recommendation:
The WCIRB filed a mid-term recommendation on April 2, 2003, that pure premium rates be increased by 10.6 percent effective July 1, 2003, for policies with anniversary dates on or after July 1, 2003.

Insurance Commissioner action:
The Insurance Commissioner approved a 7.2 percent increase in pure premium rates applicable to new and renewal policies with anniversary rating dates on or after July 1, 2003.

January 1, 2004

WCIRB recommendations:
On July 30, 2003, the WCIRB proposed an average increase in advisory pure premium rates of 12.0 percent to be effective on January 1, 2004, for new and renewal policies with anniversary rating dates on or after January 1, 2004.

The original WCIRB filing of an average increase of 12 percent on July 30, 2003, was later amended on September 29, 2003, to an average decrease of 2.9 percent to reflect the WCIRB's initial evaluation of AB 227 and SB 228.

In an amended filing made on November 3, 2003, the WCIRB recommended that pure premium rates be reduced, on average, from 2.9 percent to 5.3 percent.

Insurance Commissioner action:
On November 7, 2003, the Insurance Commissioner approved a 14.9 percent decrease in advisory pure premium rates applicable to new and renewal policies with anniversary rating dates on or after January 1, 2004.

July 1, 2004

WCIRB recommendation:
On May 13, 2004, the WCIRB proposed advisory pure premium rates that are a 2.9 percent decrease from the January 1, 2004, approved pure premium rates. These rates reflect the WCIRB's analysis of the impact of provisions of SB 899 on advisory pure premium rates.

Insurance Commissioner action:
In a decision issued May 28, 2004, the Insurance Commissioner approved a 7.0 percent decrease in pure premium rates, effective July 1, 2004, with respect to new and renewal policies, as compared to the approved January 1, 2004, pure premium rates.

January 1, 2005

WCIRB recommendation:
On July 28, 2004, the WCIRB proposed advisory premium rates applicable to new and renewal policies with anniversary rating dates on or after January 1, 2005, that are, on average, 3.5 percent greater than the July 1, 2004, advisory pure premium rates approved by the Insurance Commissioner.

Insurance Commissioner action:
In a decision issued November 17, 2004, the Insurance Commissioner approved a total 2.2 percent decrease in advisory pure premium rates applicable to new and renewal policies with anniversary rating dates on or after January 1, 2005.
July 1, 2005

**WCIRB recommendations:**

On March 25, 2005, the WCIRB submitted a filing to the California Insurance Commissioner recommending a 10.4 percent decrease in advisory pure premium rates effective July 1, 2005, on new and renewal policies. On May 19, 2005, in recognition of the cost impact of the new Permanent Disability Rating Schedule adopted pursuant to SB 899, the WCIRB amended its recommendation. In lieu of the 10.4 percent reduction originally proposed in March, the WCIRB recommended a 13.8 percent reduction in pure premium rates effective July 1, 2005. In addition, the WCIRB recommended a 3.8 percent reduction in the pure premium rates effective July 1, 2005, with respect to the outstanding portion of policies incepting January 1, 2005, through June 30, 2005.

**Insurance Commissioner action:**

On May 31, 2005, the Insurance Commissioner approved an 18 percent decrease in advisory pure premium rates effective July 1, 2005, applicable to new and renewal policies with anniversary rating dates on or after July 1, 2005. As a result of the change in pure premium rates, the experience rating eligibility threshold was reduced to $23,288. The Insurance Commissioner also approved a 7.9 percent decrease in pure premium rates, effective July 1, 2005, applicable to policies that are outstanding as of July 1, 2005. The reduction in pure premium rates applicable to these policies reflects the estimated impact on the cost of benefits of the new Permanent Disability Rating Schedule.

January 1, 2006

**WCIRB recommendations:**

On July 28, 2005, the WCIRB submitted to the California Insurance Commissioner a proposed 5.2 percent average decrease in advisory pure premium rates as well as changes to the California Workers’ Compensation Uniform Statistical Reporting Plan—1995 and the California Workers’ Compensation Experience Rating Plan—1995.

On September 15, 2005, the WCIRB amended its filing to propose an average 15.9 percent decrease in pure premium rates based on insurer loss experience valued as of June 30, 2005, and a re-evaluation of the cost impact of the January 1, 2005, Permanent Disability Rating Schedule.

**Insurance Commissioner action:**

On November 10, 2005, the Insurance Commissioner approved an average 15.3 percent decrease in advisory pure premium rates effective January 1, 2006, applicable to new and renewal policies with anniversary rating dates on or after January 1, 2006. As a result of the change in pure premium rates, the experience rating eligibility threshold was reduced to $20,300.

July 1, 2006

**WCIRB recommendations:**

On March 24, 2006, the WCIRB submitted a rate filing to the California Department of Insurance recommending a 16.4 percent decrease in advisory pure premium rates to be effective on policies incepting on or after July 1, 2006. The recommended decrease in pure premium rates is based on an analysis of loss experience valued as of December 31, 2005. The WCIRB filing also includes an amendment to the California Workers' Compensation Experience Rating Plan-1995, effective July 1, 2006, to adjust the experience rating eligibility threshold to reflect the proposed change in pure premium rates. A public hearing on the matters contained in the WCIRB's filing was held April 27, 2006.

**Insurance Commissioner action:**

On May 31, 2006, the Insurance Commissioner approved a 16.4 percent decrease in advisory pure premium rates effective July 1, 2006, applicable to new and renewal policies as of the first anniversary rating date of a risk on or after July 1, 2006. In addition, the experience rating eligibility threshold was reduced to $16,971 to reflect the decrease in pure premium rates.
January 1, 2007

**WCIRB recommendation:**
On October 10, 2006, the WCIRB recommended a 6.3 percent decrease in advisory pure premium rates decrease for California policies incepting January 1, 2007.

**Insurance Commissioner action:**
On November 2, 2006, the Insurance Commissioner approved an average 9.5 percent decrease in advisory pure premium rates effective January 1, 2007, applicable to new and renewal policies with anniversary rating dates on or after January 1, 2007. As a result of the change in pure premium rates, the experience rating eligibility threshold was reduced to $16,000.

July 1, 2007

**WCIRB recommendation:**
On March 30, 2007, the WCIRB recommended an 11.3 percent decrease in advisory pure premium rates for California to be effective on policies incepting on or after July 1, 2007.

**Insurance Commissioner action:**
On May 29, 2007, the Insurance Commissioner approved an average 14.2 percent decrease in advisory pure premium rates effective July 1, 2007, applicable to new and renewal policies with anniversary rating dates on or after July 1, 2007. As a result of the change in pure premium rates, the experience rating eligibility threshold was reduced to $13,728.

January 1, 2008

**WCIRB recommendations:**
On September 23, 2007, the WCIRB recommended 4.2 percent increase in advisory pure premium rates for California to be effective on policies incepting on or after January 1, 2008.

On October 13, 2007, the Governor signed Assembly Bill (AB) 338 which extends the time period for which temporary disability payments may be taken. On October 19, 2007, the WCIRB amended its January 1, 2008 pure premium rate filing to propose an overall 5.2 percent increase in pure premium rates in lieu of 4.2 percent to incorporate the impact of AB 338.

**Insurance Commissioner action:**
On November 28, 2007, the Insurance Commissioner approved no overall change to the advisory pure premium rates effective January 1, 2008.

July 1, 2008

**WCIRB recommendation:**
On March 26, 2008, accepting a recommendation made by the WCIRB Actuarial Committee, the WCIRB Governing Committee decided that the WCIRB would not propose a change in advisory pure premium rates for California to be effective on policies incepting on or after July 1, 2008.
January 1, 2009

WCIRB recommendations:
On August 13, 2008, the WCIRB recommended a 16 percent increase in advisory pure premium rates for California to be effective on policies incepting on or after January 1, 2009. See the WCIRB website below for further details and updates to this information.

At its September 10, 2008, meeting, the Governing Committee agreed that the WCIRB's January 1, 2009, pure premium rate filing should be amended to reflect the most recent accident year experience valued as of June 30, 2008, as well as a revised loss development methodology. The original filing should be supplemented to include a recommendation that the proposed January 1, 2009, pure premium rates be adjusted to reflect (a) the impact of the Division of Workers' Compensation proposed changes to the Permanent Disability Rating Schedule (+3.7%) if adopted as proposed and (b) the impact of SB 1717 (+9.3%) if signed into law by the Governor.

Insurance Commissioner action:
On October 24, 2008, the Insurance Commissioner approved a 5 percent increase in pure premium rates effective January 1, 2009, applicable to new and renewal policies with anniversary rating dates on or after January 1, 2009.

July 1, 2009

WCIRB recommendations:
On March 27, 2009, WCIRB recommended a 24.4 percent increase in advisory pure premium rates for California to be effective on policies incepting on or after July 1, 2009.

WCIRB amended its filing on April 23, 2009, to reflect the revised aggregate financial data calls recently submitted by an insurer to WCIRB. These revisions reduced the indicated July 1, 2009, increase in the claims cost benchmark from 24.4 percent to 23.7 percent.

Insurance Commissioner action:
On July 8, 2009, the Insurance Commissioner approved no change to the pure premium rates effective July 1, 2009, applicable to new and renewal policies with anniversary rating dates on or after July 1, 2009.

January 1, 2010

WCIRB recommendation:
On August 18, 2009, the WCIRB submitted a pure premium rate filing to the California Insurance Commissioner recommending a 22.8 percent increase in advisory pure premium rates with respect to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2010.

Insurance Commissioner action:
On November 9, 2009, the Insurance Commissioner approved no change to the pure premium rates effective January 1, 2010, applicable to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2010.
UPDATE: THE CALIFORNIA WORKERS' COMPENSATION INSURANCE INDUSTRY

July 1, 2010

WCIRB recommendations:
On April 7, 2010, WCIRB voted not to submit a pure premium rate filing for July 1, 2010. The WCIRB’s analysis of pure premium and loss experience valued as of December 31, 2009, showed that the indicated July 1, 2010, change in pure premium rates was essentially unchanged from the indication reflected in the January 1, 2010 filing.

Insurance Commissioner action:
The Insurance Commissioner did not issue an interim advisory rate for this period.

January 1, 2011

WCIRB recommendation:
On August 18, 2010, the WCIRB submitted a pure premium rate filing to the California Insurance Commissioner recommending a 29.6 percent increase in advisory pure premium rates with respect to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2011. On September 27, 2010, the WCIRB amended its January 1, 2011, filing to propose a change in the claims cost benchmark of +27.7 percent in lieu of the +29.6 percent reflected in its August 18, 2010, filing.

Insurance Commissioner action:
On November 18, 2010, the Insurance Commissioner approved no change to the pure premium rates effective January 1, 2011, applicable to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2011. Other proposed changes to the USRP, ERP and Miscellaneous Regulations were approved as filed with the exception that the experience rating eligibility was increased to $16,700 to reflect the 0 percent approved change in the Claims Cost Benchmark.

July 1, 2011

WCIRB recommendations:
On May 19, 2011, the WCIRB decided not to submit a pure premium rate filing for July 1, 2011. The WCIRB noted that a decision on a mid-year filing would likely not be available prior to the WCIRB's January 1, 2012, Advisory Pure Premium Rate Filing in mid-August, and two pending filings with the CDI had the potential to create a confusion.

Insurance Commissioner action:
The Insurance Commissioner did not issue an interim advisory rate for this period.

January 1, 2012

WCIRB recommendations:
On August 22, 2011, the WCIRB submitted its January 1, 2012, pure premium rate filing to the California Insurance Commissioner. The pure premium rates proposed in this filing are benchmarked to the average insurer filed pure premium rate. The average of 494 classification pure premium rates is $2.33 per $100 of payroll and 1.8 percent less than the corresponding average of insurer filed pure premium rates for July 1, 2011.

Insurance Commissioner action:
On November 4, 2011, the Commissioner issued a decision approving new advisory pure premium rates effective January 1, 2012, which average $2.30 per $100 of payroll.
July 1, 2012

**WCIRB recommendations:**

On April 12, 2012, the WCIRB submitted its July 1, 2012, pure premium rate filing to the California Insurance Commissioner recommending an increase in advisory pure premium rates effective July 1, 2012. The advisory pure premium rates proposed for the 494 standard classifications currently in effect average $2.51, which is 4.1 percent more than the corresponding industry average filed pure premium rate of $2.41 as of January 1, 2012.

**Insurance Commissioner action:**

On May 29, 2012, the Commissioner issued a decision approving new advisory pure premium rates effective July 1, 2012, which average $2.49 per $100 of payroll.

January 1, 2013

**WCIRB recommendations:**

On October 1, 2012, the WCIRB submitted its January 1, 2013, pure premium rate filing to the California Insurance Commissioner. The WCIRB did not recommend a January 1, 2013, increase in the advisory pure premium rate level. Instead, the WCIRB proposed January 1, 2013, pure premium rates that average $2.38 per $100 of payroll, which is the industry average filed pure premium rate as of July 1, 2012. The amended January 1, 2013, Pure Premium Rate Filing incorporated new proposed advisory pure premium rates as well as proposed changes to the reporting requirements of the California Workers' Compensation Uniform Statistical Reporting Plan—1995 and to the eligibility threshold of the California Workers' Compensation Experience Rating Plan—1995.

**Insurance Commissioner action:**

On November 30, 2012, the Commissioner issued a decision approving new advisory pure premium rates effective January 1, 2013, that average $2.56 per $100 of payroll which is 2.8 percent higher than the industry average filed pure premium rate of $2.49 per $100 of payroll as of November 9, 2012.

July 1, 2013

**WCIRB recommendations:**

On April 3, 2013, after some discussion, the WCIRB Governing Committee unanimously agreed not to submit a July 1, 2013, Pure Premium Rate Filing. Instead, the Actuarial Committee agreed to continue reviewing insurer experience in preparation for the regular January 1, 2014, Pure Premium Rate Filing to be submitted in August.

**Insurance Commissioner action:**

The Insurance Commissioner did not issue an interim advisory rate for this period.

January 1, 2014

**WCIRB recommendations:**

On October 23, 2013, the WCIRB and public members voted unanimously to amend the WCIRB’s January 1, 2014, Pure Premium Rate Filing to propose an additional 1.8 percent increase in pure premium rates to reflect the increased costs of the new physician fee schedule recently adopted by the Division of Workers' Compensation (DWC). With this amendment, the WCIRB proposed January 1, 2014, advisory pure premium rates that average $2.75 per $100 of payroll which is 8.7 percent greater than the industry average pure premium rate of $2.53 as of July 1, 2013. (The original Filing submitted on September 13, 2013, proposed an industry average pure premium rate of $2.70, which is 6.9 percent higher than the July 1, 2013, industry average pure premium rate.)
Insurance Commissioner action:

On November 22, 2013, the California Department of Insurance (CDI) issued a decision regarding the WCIRB's January 1, 2014, Pure Premium Rate Filing approving advisory pure premium rates effective January 1, 2014, that average $2.70 per $100 of payroll, which is 6.7 percent higher than the average filed pure premium rate as of July 1, 2013.

July 1, 2014

WCIRB recommendations:

On April 3, 2014, after some discussion, the WCIRB Governing Committee unanimously agreed not to submit a July 1, 2014, Pure Premium Rate Filing.

Insurance Commissioner action:

The Insurance Commissioner did not issue a decision with respect to the pure premium rate for this period.

January 1, 2015

WCIRB recommendations:

On September 4, 2014, the WCIRB voted to amend the WCIRB's January 1, 2015, Pure Premium Rate Filing to propose advisory pure premium rates that average $2.77 per $100 payroll in lieu of the advisory pure premium rates averaging $2.86 per $100 of payroll that were proposed in the WCIRB's initial August 19, 2014, Filing. The new proposed average pure premium rate of $2.77 is 7.9 percent higher than the corresponding industry average filed pure premium rate of $2.57 as of July 1, 2014.

Insurance Commissioner action:

On November 14, 2014, the Insurance Commissioner issued a decision regarding the WCIRB's January 1, 2015, Pure Premium Rate Filing approving advisory pure premium rates effective January 1, 2015, that average $2.74 per $100 of payroll, which is 6.6 percent higher than the average filed pure premium rate as of July 1, 2014, of $2.57 per $100 of payroll and 2.2 percent above the average approved January 1, 2014, pure premium rate of $2.68 per $100 of payroll.

July 1, 2015

WCIRB recommendations:

On April 6, 2015, the WCIRB submitted a July 1, 2015, Pure Premium Rate Filing to the California Department of Insurance (CDI) proposing advisory pure premium rates effective July 1, 2015, that average $2.46 per $100 of payroll. The average proposed advisory pure premium rate is 5.0 percent lower than the corresponding industry average filed pure premium rate of $2.59 as of January 1, 2015, and 10.2 percent less than the approved average January 1, 2015, advisory pure premium rate of $2.74.

Insurance Commissioner action:

On May 7, 2015, the Commissioner approved the WCIRB's proposed advisory pure premium rates that average $2.46 per $100 of payroll. The approved pure premium rates are, on average, 5.0 percent less than the industry average filed pure premium rate as of January 1, 2015, of $2.59 and 10.2 percent less than the average of the approved January 1, 2015, advisory pure premium rates of $2.74. The approved advisory pure premium rates are effective July 1, 2015, for new and renewal policies.
January 1, 2016

**WCIRB recommendations:**
On August 19, 2015, the WCIRB submitted its January 1, 2016, Pure Premium Rate Filing to the California Insurance Commissioner. The pure premium rates for the 491 standard classifications proposed to be effective January 1, 2016, average $2.45 per $100 of payroll, which is $0.21, or 7.8 percent, less than the corresponding industry average filed pure premium rate of $2.66 as of July 1, 2015, and $0.02 or 0.8 percent less than the average approved July 1, 2015, advisory pure premium rate of $2.47.

**Insurance Commissioner action:**
On October 20, 2015, the Insurance Commissioner issued a decision regarding the WCIRB’s January 1, 2016, Pure Premium Rate Filing, approving advisory pure premium rates that averaged $2.42 per $100 of payroll. The approved pure premium rates were, on average, 9.0 percent less than the industry average filed pure premium rate as of July 1, 2015, of $2.66 and 2.0 percent less than the average of the approved July 1, 2015, advisory pure premium rates of $2.47.

July 1, 2016

**WCIRB recommendations:**
On April 11, 2016, the WCIRB submitted its July 1, 2016, Pure Premium Rate Filing to the California Insurance Commissioner. The pure premium rates proposed to be effective July 1, 2016, average $2.30 per $100 of payroll, which is 10.4 percent lower than the corresponding industry average filed pure premium rate of $2.57 as of January 1, 2016, and 5.0 percent less than the average approved January 1, 2016, advisory pure premium rate of $2.42.

**Insurance Commissioner action:**
On May 31, 2016, the Insurance Commissioner issued a decision regarding the WCIRB’s July 1, 2016, Pure Premium Rate Filing, approving advisory pure premium rates that averaged $2.30 per $100 of payroll. The approved pure premium rates were, on average, 10.4 percent less than the industry average filed pure premium rate as of January 1, 2016, of $2.57 and 5.0 percent less than the average of the approved January 1, 2016, advisory pure premium rates of $2.42.

January 1, 2017

**WCIRB recommendations:**
On August 19, 2016, the WCIRB submitted its January 1, 2017, Pure Premium Rate Filing to the California Insurance Commissioner. The pure premium rates proposed to be effective January 1, 2017, averaged $2.26 per $100 of payroll. On October 3, 2016, after completing evaluations of June 30, 2016 experience, the WCIRB submitted an amended advisory pure premium rate averaging $2.22 per $100 of payroll. The proposed rate is 12.6 percent less than the corresponding industry average filed pure premium rate of $2.54 as of July 1, 2016 and 4.3 percent less than the average approved July 1, 2016 advisory pure premium rate of $2.32.

**Insurance Commissioner action:**
On October 27, 2016, the Insurance Commissioner issued a decision regarding the WCIRB’s January 1, 2017, Pure Premium Rate Filing, approving advisory pure premium rates that averaged $2.19 per $100 of payroll. The approved pure premium rates were, on average, 13.8 percent less than the industry average filed pure premium rate as of July 1, 2016, of $2.54 and 5.6 percent less than the average of the approved July 1, 2016, advisory pure premium rates of $2.32 per $100 of payroll.

Source: WCIRB.
SPECIAL REPORT: BENEFITS AND EARNINGS LOSSES FOR PERMANENTLY DISABLED WORKERS IN CALIFORNIA: TRENDS THROUGH THE GREAT RECESSION AND IMPACTS OF RECENT REFORMS

Introduction

CHSWC asked RAND to study the impact of Senate Bill (SB) 863. SB 863 raised the minimum and maximum weekly wage used for calculating benefits. The reforms also effectively eliminated the future earning capacity (FEC) adjustment, used to adjust the disability ratings for certain types of injuries. Finally, SB 863 created the Return-to-Work (RTW) Fund, which offers a supplemental payment to workers who do not receive a qualified RTW offer from their employer. Although these changes would clearly increase benefits, the provisions had the potential to affect groups differently and to interact in complex ways. The ultimate effect of SB 863 on the generosity of benefits was impossible to predict without detailed analysis.

Summary

According to the report “Benefits and Earnings Losses for Permanently Disabled Workers in California: Trends through the Great Recession and Impacts of Recent Reforms,” by RAND researchers, California workers’ compensation law, which is intended to help permanently disabled workers replace lost earnings, is likely succeeding in providing additional benefits. The RAND team also determined that the Great Recession had a severe impact on the earnings of permanently disabled workers, making the higher benefits provided under the recent reforms particularly important for maintaining adequate levels of wage replacement.

The study sought to:

- Pose three questions: How large were earnings losses for permanently disabled workers under SB 899? How did Permanent Partial Disability (PPD) benefits under SB 899 compare with earnings losses? Finally, would the increase in benefits under SB 863 lead to adequate wage replacement?
- Answer these questions, by estimating earnings losses for permanently disabled workers injured during the eight years leading up to SB 863 (2005 – 2012), when benefits were determined according to SB 899 and other prior laws.
- Analyze SB 899’s impact on wage replacement by simulating what those same workers would have received if SB 863 had been in place. Comparing these simulated benefit levels with actual data on earnings losses allowed the research team to describe how SB 863 is likely to change the wage replacement rate (the most commonly used measure for evaluating benefit adequacy).
Key Findings and Recommendations:

- Permanently disabled workers have large and persistent earnings losses.
- Earnings losses grew much more rapidly than PPD benefits during the Great Recession, and, as a result, wage replacement rates fell.
- SB 863 raised wage replacement rates by more than 21 percentage points from 58.8 percent under SB 899 to 80.2 percent under SB 863. The researchers’ analysis suggests that SB 863 is likely to meet its primary objective of restoring adequate wage replacement rates.
- The Return-to-Work (RTW) Fund is especially important for low-wage workers, for whom the RTW benefit had the largest benefit. RAND researchers found that the RTW Fund is highly progressive, both because the value of the benefit is fixed regardless of the workers’ income level and because low-wage workers experience worse RTW outcomes than higher-wage workers do. From a policy perspective, the effect of the business cycle on earnings losses may provide an additional rationale for targeting benefits toward more vulnerable groups.
- Permanently disabled workers experienced much more severe earnings losses if they were injured after the beginning of the Great Recession than before it, which suggests that the economic downturn affected injured workers more than uninjured workers.

For further information …


The link to the Research Brief is as follows:

Introduction

Across all industries and occupations, workers, employers, and Cal/OSHA have been successful at reducing the incidence and rate of serious occupational injuries and illnesses. Concern has been raised about the possibility that occupational safety conditions have deteriorated recently for janitors, putting them at risk for serious injuries. California’s contracted janitorial industry has seen a severe increase in workload since the industry was first organized through the SEIU’s Justice for Janitors campaign in the 1980s. Over the past 20 years, tens of thousands of contracted janitors in California’s major metropolitan areas have made dramatic strides in wages, benefits, and health-care coverage. In general, contractors have balanced the gains made through collective bargaining by increasing workloads, commonly through reductions in staffing, mandated out-of-classification assignments, and the cross-use of staffing for “above-scope work” or special projects not originally accounted for during initial pricing. Increasing rates of injuries and illnesses have been reported among janitors as their workload has increased. Given these concerns, CHSWC commissioned a Janitorial Study with both a quantitative component by UC Berkeley and a qualitative component by LOHP.

Summary

The quantitative part of the janitorial study conducted by Frank Neuhauser at UC Berkeley uses data from a variety of sources, including the Workers’ Compensation Insurance Rating Bureau (WCIRB), Office of Self-Insured Plans (OSIP), Workers’ Compensation Information System (WCIS), American Community Survey (ACS), and the Current Population Survey (CPS). It focuses primarily on three research areas:

- An overview examining the makeup, pay, hours, and demographics of janitorial workers
- Detailing injury rates among janitorial workers, including the number and cost of reported injuries
- Greater detail on the types of injuries and illnesses sustained by janitorial workers.

Meanwhile, the qualitative part of the study by Suzanne Terán at LOHP will conduct focus groups with janitorial workers and gather qualitative data to better understand:

- Participants’ experiences with changes in workload in recent years,
- Extent and types of changes they have experienced
- Impact of increased workload on the physical and mental health of workers
- Workers’ concerns with respect to workload and their health.

Both the quantitative and qualitative components of the Janitorial Study will culminate in written reports for CHSWC.

Key Findings: In Process
SPECIAL REPORT: AGING IN THE WORKPLACE: PROMOTING SAFE AND HEALTHY WORKPLACES FOR EVERYONE

Introduction

The Commission on Health and Safety and Workers’ Compensation (CHSWC) convened a roundtable discussion on Health and Safety and the Aging Workforce on November 13, 2015, facilitated by the Labor Occupational Health Program (LOHP) at the University of California, Berkeley.

The purpose of the roundtable was to promote model programs, best practices, and messages that promote the health and safety of the aging workforce, use the experiences of older workers to promote workplaces that are healthy and safe for everyone, promote return-to-work policies that bring injured older workers back into the workforce, and develop recommendations and policies that help achieve age-friendly workplaces. Participants included representatives from unions, community organizations, private businesses, employer associations, insurance agencies, universities, and state agencies.

Research and Statistics on Older Workers

A review of research found that older workers represent a significant and increasing percentage of the workforce. As the older worker population continues to grow, ensuring the health and safety of older workers will be increasingly important. In order to promote the well-being of the aging workforce, the health and safety issues facing older workers need to be addressed.

Although older workers in general are not at a higher risk of occupational injury, the relationship between age and nonfatal occupational injury and illness is complex, and the average trends may not apply to a particular occupational class, industry, or injury type. For example, farming is more risky for older workers, and older female workers experience a higher rate of injury than their male counterparts. Older workers tend to incur bruises and contusions, fractures, and multiple traumatic injuries at higher rates than younger workers and workers overall.

Although older workers may have lower overall rates of nonfatal occupational injuries, injuries among older workers are much more likely to be fatal. The workplace fatality rate among workers age 65 and over is nearly three times that of workers under 65. The majority of fatalities among older workers are the result of primarily of transportation incidents (43 percent) and secondarily by falls, slips, and trips (21 percent). Recovery time following a nonfatal workplace injury also tends to increase with age.

Because the frequency of nonfatal injuries among older workers is relatively low and older workers do not dominate the workforce, the increase in workers’ compensation costs resulting from an older workforce is expected to be modest.

Age-Friendly Workplace

An age-friendly workplace is one that promotes and preserves the ability to work safely among all workers as they age. This is done through workplace practices and policies that match the work to the worker and that create a culture of health throughout the workplace. Age-friendly workplaces employ strategies that take advantage of older workers’ strengths, such as their experience and institutional knowledge, while finding workable solutions to their challenges, such as diminished physical capacity. Employers that establish age-friendly workplaces stand to benefit from the increased safety, productivity, and competitiveness of their workforce.

According to the report authors, the most comprehensive framework for designing an age-friendly workplace comes from a curriculum developed by the University of Washington (www.agefriendlyworkplace.org). To develop an age-friendly workplace that preserves the capacity of workers to work safely and effectively as they age, the University of Washington recommends employers...
focus on enhancing four workplace variables: work environment, health promotion and disease prevention, work arrangements, and community social support.

An age-friendly work environment is an environment in which the jobs, equipment, tools, and workstations are designed to match the physical and psychological needs of workers. Age-friendly enhancements to workplace health promotion and disease prevention focus on integrating health and safety programs with workplace wellness programs and promoting a culture of health that incorporates strategies across homes, communities, and the workplace. Establishing age-friendly work arrangements involves developing human resource policy options that adapt a worksite to the interwoven demands of family, life, and work that change as people age. Age-friendly community social support refers to strategies for influencing the larger community environment through public policies and programs that support older workers in the workplace. The curriculum includes examples from BMW, Scripps Health, a Dutch construction company, Accenture, BP, GE, IBM, and Procter & Gamble.

**Recommendations That Support the Occupational Safety and Health Needs of Older Workers**

Companies can voluntarily choose to design age-friendly workplaces, but the promotion of age-friendly workplaces on a broader scale will likely require legislative or regulatory action.

During the roundtable discussion, small groups met to brainstorm policy, education, and research recommendations for initiatives the state could take to promote safe and healthful, age-friendly workplaces. Policy recommendations included universal design, workload standards, training programs, family and sick leave, age privacy/blindness in workers’ compensation underwriting, and integration with health-care programs. Among the education/outreach recommendations were a needs assessment, communications strategy and campaign, and an information clearinghouse on the aging workforce. Research recommendations comprised improved data sharing among state agencies, addressing underreporting of injuries and illnesses, and evaluating production standards for health impacts on the aging worker.

**Conclusion**

These recommendations in the areas of policy, education, and research not only promote the health and safety of older workers but help protect the health and safety of all workers. The authors write that, because CHSWC is charged with examining health and safety and workers’ compensation systems in California and recommending administrative or legislative modifications to improve their operation, the Commission is in a unique position to play a leadership role in bringing about the recommended initiatives.

*For further information*…

I. PERMANENT DISABILITY AND TEMPORARY DISABILITY STUDIES

Permanent Disability Schedule Analysis
Status: Completed
CHSWC Reports and Memoranda:

“Impact of the Adoption of AMA-based Permanent Disability Rating Schedule in California” (January 2012).
http://www.dir.ca.gov/chswc/Reports/2012/CHSWC_ImpactOfAMABasedPDSchedule.pdf

“Stakeholder Public Comments About the Permanent Disability Rating Schedule Report”
http://www.dir.ca.gov/chswc/Reports/2012/CHSWCPDReportComments012612.pdf

Memorandum to Christine Baker, Executive Officer of CHSWC regarding “Analysis of Ratings Under the New PD Schedule Through June 2007” (August 2007).
http://www.dir.ca.gov/chswc/Reports/memo_on_new_ratings_through_june_30_07_revised_aug_9.pdf

Memorandum to Christine Baker, Executive Officer of CHSWC regarding “Analysis of ratings under the new PD schedule, through January 2007” (February 2007).


Impact of Changes to the Temporary Disability Benefits
Status: Completed
CHSWC Memorandum:

“Evaluate and Identify Impact of Changes to the Temporary Disability Benefit” (2007).
http://www.dir.ca.gov/CHSWC/Reports/Memo_On_TD_Benefits_Beyond_2Years.pdf

Wage Loss
Status: Completed
CHSWC Report:


Initial Wage Loss Analyses
Status: Completed
CHSWC Reports:

http://www.rand.org/pubs/monograph_reports/MR920

http://www.dir.ca.gov/CHSWC/Reports/PPDFindingsAndRecommendations.pdf

Enhancement of Wage Loss Analysis—Private Self-Insured Employers
Status: Completed
CHSWC Report:

http://www.dir.ca.gov/CHSWC/Reports/PD-Study.pdf

Impact of Local Economic Conditions on Wage Loss
Status: Completed

http://www.dir.ca.gov/CHSWC/Reports/TrendsInEarningsLoss-EcoCondition.pdf
Permanent Disability Rating Tool
   Status: Completed
   CHSWC Reports:
   http://www.dir.ca.gov/CHSWC/Reports/Eval_Of_CA_PD_System_Summary.pdf
   http://www.dir.ca.gov/CHSWC/Reports/Eval_Of_CA_PD_System.pdf
   http://www.dir.ca.gov/CHSWC/Reports/PermanentDisabilityRatingSchedule-InterimReport.pdf

Apportionment
   Status: Completed
   CHSWC Reports:
   http://www.dir.ca.gov/chswc/CHSWC_ApportionmentPaper.pdf
   “Understanding the Effect of SB 899 (Stats 2004, Chap 34) on the Law of Apportionment” (October 2005).
   http://www.dir.ca.gov/CHSWC/CHSWC_FinalApportionmentPaper.pdf
   “Background Paper on Workers’ Compensation Causation and Apportionment” (May 2004).

II. RETURN TO WORK

Return to Work
   Status: Completed
   Summary
   Full Document

Return-to-Work Programs
   Status: Completed
   CHSWC Reports:
   “How Effective are Employer Return to Work Programs?” RAND (February 2010).
   http://www.dir.ca.gov/chswc/Reports/2010/CHSWC_RANDRTW.pdf
   “Report on the Return-To-Work Program Established in Labor Code Section 139.48.”
   http://www.dir.ca.gov/chswc/CHSWC_FactsheetRTW_2010.pdf

International Forum on Disability Management (IFDM) 2010
   Status: Completed
   http://www.dir.ca.gov/chswc/Conferences/IFDM/IFDM.html
LIST OF PROJECTS AND STUDIES

RTW/FEHA/ADA—Coordination and Interaction
Status: Completed
CHSWC Booklet, Factsheet and Report:
Helping Injured Employees Return to Work: Practical Guidance Under Workers’ Compensation and Disability Rights Laws in California (February 2010).
“Best Practices in Returning an Injured Employee to Work: Factsheet for Employers” (February 2010).
http://www.dir.ca.gov/chswc/CHSWC_FactsheetRTW_2010.pdf

Evaluation of Return-to-Work Reforms
Status: Completed
“Workers’ Compensation Reform and Return to Work: The California Experience” (November 2010).

Return-to-Work Roundtable
Status: Completed
CHSWC Report:
http://www.dir.ca.gov/CHSWC/Reports/ReturnToWorkRoundtable-Final.pdf

Assembly Bill 1987 and Return to Work
Status: Completed
CHSWC Report:
“AB 1987 and Return-to-Work Incentives and Alternatives” (April 2006).

Review of Literature on Modified Work
Status: Completed
CHSWC Report:
“Does Modified Work Facilitate Return to Work for Temporarily or Permanently Disabled Workers?” (August 1997).
http://www.dir.ca.gov/CHSWC/Modified_Work_Krause.html

Policies and Strategies to Help Injured Workers Return to Sustained Employment
Status: Completed
CHSWC Report:
“Return to Work in California: Listening to Stakeholders’ Voices” (July 2001).
http://www.dir.ca.gov/CHSWC/RTWinCA0701.html

Primary Treating Physician Effectiveness in Return to Work (RTW) After Low-Back Injuries
Status: Completed
CHSWC Report:
http://journals.lww.com/joem/Abstract/2000/03000/Physical_Workplace_Factors_and_Return_to_Work_15.aspx

168
LIST OF PROJECTS AND STUDIES

Predictors and Measures of Return to Work
Status: Completed
CHSWC Report:
http://www.dir.ca.gov/chswc/Determinants.pdf

III. WORKERS’ COMPENSATION REFORMS

Evaluation of System Changes
Status: Completed
CHSWC Summary:
“CHSWC Summary of System Changes in California Workers’ Compensation” (February 2008).

Assembly Bill 749 Analysis
Status: Completed
CHSWC Summaries:
“CHSWC and AB 749 as Amended” (October 2002).
http://www.dir.ca.gov/CHSWC/Reports/AB749asamended112202.html
“CHSWC and AB 749” (February 2002).
http://www.dir.ca.gov/CHSWC/ab749.html

Assembly Bill 227 and Senate Bill 228 Analysis
Status: Completed
CHSWC Summary:
“Reforms of 2003, AB 227” (October 2003).
“Reforms of 2003, SB 228” (October 2003).

Senate Bill 899 Analysis
Status: Completed
CHSWC Summaries:
http://www.dir.ca.gov/CHSWC/Summary-of-SB899.doc
“Section-by-Section Review of SB 899” (2004).
http://www.dir.ca.gov/CHSWC/Section-by-section-Review-of-SB899.doc

Evaluation of the Division of Workers’ Compensation (DWC) Audit Function
(Special Study at the Request of the Legislature)
Status: Completed
CHSWC Reports:
http://www.dir.ca.gov/CHSWC/FinalAuditReport.html
“CHSWC Study of the Division of Workers’ Compensation Audit Function” (December 1998).
http://www.dir.ca.gov/CHSWC/AuditSummaryCover.html
LIST OF PROJECTS AND STUDIES

Medical-Legal Study
Status: Ongoing
CHSWC Reports:
“Evaluating the Reforms of the Medical-Legal Process Using the WCIRB Permanent Disability Survey” (July 1997).
http://www.dir.ca.gov/CHSWC/DisabilityReport/data_and_methodology.html
“Evaluating the Reforms of the Medical-Legal Process Using the WCIRB Permanent Disability Survey” Executive Summary (July 1997).
http://www.dir.ca.gov/CHSWC/DisabilitySummary/execsummary.html

Vocational Rehabilitation Study
Status: Completed
CHSWC Reports:
“Vocational Rehabilitation Reform Evaluation” (March 2000).
http://www.dir.ca.gov/CHSWC/rehab/rehabcover.html

Evaluation of Treating Physician Reports and Presumption
Status: Completed
CHSWC Report:
http://www.dir.ca.gov/CHSWC/Report99/TPhysician.html

Update of Treating Physician Reports and Presumption Study
Status: Completed
CHSWC Report:
http://www.dir.ca.gov/CHSWC/CHSWCLegalDecAffectMedTreatPractice/ptpfinalrpt.html

Status: Completed
CHSWC Reports:
http://www.dir.ca.gov/CHSWC/LC5814Cvr.html
“Background Paper on Labor Code Section 5814” (February 1999).
http://www.dir.ca.gov/CHSWC/LC5814.htm

“Baseball Arbitration” Provisions of Labor Code Section 4065
Status: Completed
CHSWC Report:
http://www.dir.ca.gov/chswc/Baseballarbfinal%27rptcover.htm

CHSWC Response to Questions from the Assembly Committee on Insurance
Status: Completed
CHSWC Report:
“CHSWC Response to Questions from the Assembly Committee on Insurance” (2001).
LIST OF PROJECTS AND STUDIES

Evaluation of Workers’ Compensation Cost and Benefit Changes Since the Beginning of the Reforms (Special Study at the Request of the Legislature)
Status: Completed
CHSWC Report:
“Workers’ Compensation Costs and Benefits After the Implementation of Reform Legislation” (August 1999).
http://www.dir.ca.gov/chswc/Report.htm
“Executive Summary Impact of the 1993 Reforms on Payments of Temporary and Permanent Disability” (August 1999).
http://www.dir.ca.gov/chswc/ExecutiveSummary.htm
http://www.dir.ca.gov/chswc/Summary.htm

Cost Trends 1985-2005
Status: Completed
NASI Brief:

Temporary Disability Payments Beyond the Two-Year Restriction
Status: Completed
CHSWC Memorandum:
“Impact of Relaxing Restrictions on Eligibility for Temporary Disability Payments Beyond the Current Two Years From Commencement of Benefit Payment” (January 2007).
http://www.dir.ca.gov/CHSWC/Reports/Memo_On_TD_Benefits_Beyond_2Years.pdf

IV. OCCUPATIONAL SAFETY AND HEALTH

HIV, HBV, or HCV Infection Risk from “Sharps” Injuries for Non-Health-Care Workers
Status: Completed

Inspection Targeting Issues for the Division of Occupational Safety and Health
“Inspection Targeting Issues for the California Department of Industrial Relations, Division of Occupational Safety and Health,” RAND, October 2013.
http://www.dir.ca.gov/chswc/Reports/2013/DOSH_Inspection_Targeting.pdf

Experience Rating Impacts on Safety
Status: Completed

The Injury and Illness Prevention Program (IIPP)
Status: Completed
http://www.dir.ca.gov/chswc/reports/2012/IIPPEvaluation.pdf
http://www.dir.ca.gov/chswc/reports/2012/IIPPEvaluationSummary.pdf
http://www.dir.ca.gov/chswc/Reports/2012/CHSWC_RequirementForInsurerReviewOfEmployer’sIIPP.pdf
LIST OF PROJECTS AND STUDIES

Cal/OSHA Inspections
Status: Completed
http://www.dir.ca.gov/chswc/Reports/2012/OccSafetyHealthInspectors.pdf

Aging Workforce
Status: Completed
“Working Safer or Just Working Longer? The Impact of an Aging Workforce on Occupational Injury and Illness Costs” (February 2011).

Research Agenda for Improving Workplace Health and Safety in California
Status: Report completed; individual studies ongoing.
CHSWC Report:
“Research Agenda for Improving Workplace Health and Safety in California” (February 2008).

California Occupational Safety and Health Programs
Status: Completed
CHSWC Report:
“Background Report on California Occupational Safety and Health Programs” (February 2008).
http://www.dir.ca.gov/CHSWC/reports/CHSWCBackgroundReportonCaliforniaHealthsafetyProgramsFeb2008.pdf

ISO 9001
Status: Completed
CHSWC Report:

Occupational Safety and Health for Public Safety Employees
Status: Completed
CHSWC Report:

Musculoskeletal Injuries to Firefighters in California
Status: Completed
CHSWC Report:

School Action for Safety and Health Program
Status: Ongoing
CHSWC Report and Materials:
SASH Brochure
http://www.dir.ca.gov/chswc/SASH/Publications/SASH_brochure.pdf
SASH Flyer
http://www.dir.ca.gov/chswc/SASH/Publications/SASH_Flier.pdf
LIST OF PROJECTS AND STUDIES

Injury and Illness Prevention Program Template
http://www.dir.ca.gov/chswc/SASH/index.htm
http://www.dir.ca.gov/chswc/SASH/index.htm
SASH Online Resource Guide
SASH Poster
http://www.dir.ca.gov/chswc/SASH/Publications/SASH_Poster.pdf
“Summary of the June 29, 2008 Schools Injury and Illness Prevention Program Roundtable” (December 2008).
http://www.dir.ca.gov/chswc/Reports/CHSWC_SummarySchoolsInjuryIllnessPreventionProgramRoundtable.pdf

Project: Worker Occupational Safety and Health Training and Education Program (WOSHTEP)
Status: Ongoing
CHSWC Reports and Materials:
WOSHTEP Brochure
2004-2014 WOSHTEP Advisory Board Annual Reports
http://www.dir.ca.gov/chswc/CHSWC/WOSHTEP.html
http://www.dir.ca.gov/CHSWC/MultilingualGuide/MultilingualGuideMain.html
Taking Action for Safety and Health: Developing Your Workplace Injury and Illness Prevention Program for the General Industry
http://www.dir.ca.gov/chswc/WOSHTEP/iipp/#1
Taking Action for Safety and Health: Developing Your Workplace Injury and Illness Prevention Program for Small Business
http://www.dir.ca.gov/chswc/WOSHTEP/iipp/#2
Taking Action for Safety and Health: Developing Your Workplace Injury and Illness Prevention Program for the Agriculture Industry
http://www.dir.ca.gov/chswc/WOSHTEP/iipp/#3
Spray Polyurethane Foam (SPF) and Hazards When Applying
http://www.dir.ca.gov/chswc/WOSHTEP/Publications/Spray_Polyurethane.pdf
http://www.dir.ca.gov/chswc/WOSHTEP/SpecialistCourseMaterials/WOSHTEPIndoorHeatIllnessPreventionParticipantsHandoutsforWebFINAL.pdf
http://www.dir.ca.gov/chswc/WOSHTEP/SpecialistCourseMaterials/WOSHTEPIndoorHeatPreventionMaterialsParticipantsHandoutsSPANFINAL.pdf
“Indoor Heat Illness Checklist,” (December 2012), English and Spanish
http://www.dir.ca.gov/chswc/WOSHTEP/SpecialistCourseMaterials/IndoorHeatIllnessChecklistFINAL.pdf
http://www.dir.ca.gov/chswc/WOSHTEP/SpecialistCourseMaterials/IndoorHeatIllnessChecklistSPANFINAL.pdf
http://www.dir.ca.gov/chswc/Reports/CHSWC_HeatAgricultureSpanish.pdf
Construction Case Study Training Guide (January 2010).
http://www.dir.ca.gov/chswc/WOSHTEP/Publications/ConstructionCaseStudyTraining.pdf
http://www.dir.ca.gov/chswc/WOSHTEP/Publications/WOSHTEP_TheWholeWorker.pdf
LIST OF PROJECTS AND STUDIES

“WOSHTEP NEEDS ASSESSMENT REPORT: Opportunities to Integrate Worker Health and Safety Education into Building Trades Apprenticeship Program” (March 11).
http://www.dir.ca.gov/chswc/WOSHTEP/Publications/ApprenticeshipNeedsAssessment.pdf

NISH Occupational Health and Safety Course Flier
http://www.dir.ca.gov/chswc/WOSHTEP/Publications/NISHGenericFlier.pdf

Awareness Session: “Preventing Workplace Injuries and Illnesses” (2010).
Guide—English and Spanish
http://www.dir.ca.gov/chswc/WOSHTEP/Awareness/AwarenessModuleEnglish.pdf
http://www.dir.ca.gov/chswc/WOSHTEP/Awareness/AwarenessModuleSpanish.pdf

Training Cards—English and Spanish
http://www.dir.ca.gov/chswc/WOSHTEP/Awareness/CardsEnglish.pdf
http://www.dir.ca.gov/chswc/WOSHTEP/Awareness/CardsSpanish.pdf

Small Business Health and Safety Training Materials (General) (July 2009).
http://www.dir.ca.gov/chswc/WOSHTEP/SBMRhealthandsafety.htm

http://www.dir.ca.gov/chswc/SBMRMaterials.htm (English and Spanish)

“Protecting the Safety and Health of Restaurant Workers: A Workbook for Employees,” English, Spanish, and Korean
http://www.dir.ca.gov/chswc/WOSHTEP/Publications/RestaurantWorkbook.pdf
http://www.dir.ca.gov/chswc/WOSHTEP/Publications/RestaurantWorkbook_Korean.pdf

http://www.dir.ca.gov/chswc/WOSHTEP/SBMR_Janitorial.htm (English and Spanish)

Small Business Health and Safety Materials for the Dairy Industry—English and Spanish
Training Guide

Fotonovela (Picturebook)
http://www.dir.ca.gov/chswc/WOSHTEP/Publications/DairySafetyFotonovela.pdf
http://www.dir.ca.gov/chswc/WOSHTEP/Publications/DairySafetyFotonovela_Spanish.pdf

“Motor Vehicle Safety Programs Fact Sheet”
http://www.dir.ca.gov/chswc/WOSHTEP/Publications/MotorVehicleSafety.pdf

http://www.dir.ca.gov/chswc/WOSHTEP/Publications/ESLCurriculumActivitiesBooklet.pdf


Workplace Wellness
Status: Completed
CHSWC Booklet and Report:

http://www.dir.ca.gov/chswc/WOSHTEP/Publications/WOSHTEP_TheWholeWorker.pdf

“Summary of the July 16, 2008 Workplace Wellness Roundtable” (December 2008).
http://www.dir.ca.gov/chswc/Reports/CHSWC_SummaryWorkplaceWellnessRoundtable.pdf

Patterns of Work-Related Injury and Common Injury Experiences of Workers in the Low-Wage Labor Market
Status: Completed

“Patterns of Work-Related Injury and Common Injury Experiences of Workers in the Low-Wage Labor Market” LOSH at UCLA (March 2015).
http://www.dir.ca.gov/chswc/Reports/2015/Patterns_Work_Related_Injury.pdf
LIST OF PROJECTS AND STUDIES

Low-Wage Workers—Barriers to Occupational Health
Status: Completed
CHSWC Report:
“Barriers to Occupational Health Services for Low-Wage Workers in California” (April 2006).
http://www.dir.ca.gov/CHSWC/Reports/Barriers_To_OHS.pdf

California Partnership for Young Worker Health and Safety
Status: Ongoing
CHSWC Report:
http://www.dir.ca.gov/chswc/studgrp.html
www.youngworkers.org for the California Partnership for Young Worker Health and Safety, providing information for teens, teen workers in agriculture, employers, and educators

V. WORKERS’ COMPENSATION ADMINISTRATION

California Public Sector Self-Insured Workers’ Compensation Program
“Examination of the California Public Sector Self-Insured Workers’ Compensation Program,”
Bickmore, October 2014
http://www.dir.ca.gov/chswc/Reports/2014/Public_Sector_Self_Insured_WC.pdf

Formulating a Copy Services Fee Schedule
Status: Completed
CHSWC Report:
“Formulating a Copy Services Fee Schedule,” Berkeley Research Group, October 2013
http://www.dir.ca.gov/chswc/Reports/2013/Copy_Services_2013.pdf
Public Comments and Feedback on “Formulating a Copy Service Fee Schedule,” Berkeley Research Group, October 2013
http://www.dir.ca.gov/chswc/Meetings/2013/PublicCommentsFromPublicOctober2013.pdf

EAMS
Status: Completed
CHSWC Report:
Stakeholder public comments about EAMS Needs Assessment Report.

Liens
Status: Completed
“Liens Report” (January 2011).

System Monitoring
Status: Completed
“Memo on System Monitoring” (January 2011).
LIST OF PROJECTS AND STUDIES

Review of Disability Evaluation Delays and Supplemental QME Reports
Status: Completed
CHSWC Report:
“Review of Disability Evaluation Delays and Supplemental QME Reports” (June 2010).

Report on Benefit Notices and Recommendations, July 2010
Status: Completed
CHSWC Report:
“Report on Benefit Notices and Recommendations” (July 2010).

Selected Indicators in Workers’ Compensation
Status: Completed
CHSWC Reports:
http://www.dir.ca.gov/chswc/AnnualReportpage1.html

The System of Access to Benefits for Injured Employees When Employer May Not Be Insured
Status: Completed
CHSWC Report:
http://www.dir.ca.gov/CHSWC/Reports/UEBTF-Final.pdf

Electronic Deposit of Benefits
Status: Completed
CHSWC Report:
“Costs and Benefits of Implementing Electronic Deposit for Unemployment and Disability Benefits in the State of California” (November 2004).
http://www.dir.ca.gov/chswc/chswc_accesstofunds.pdf

Workers’ Compensation Court Management and Judicial Function Study
Status: Completed
CHSWC Reports:
http://www.dir.ca.gov/CHSWC/Reports/ImprovingDisputeResolution-Summary.pdf
http://www.dir.ca.gov/CHSWC/Reports/ImprovingDisputeResolution.pdf

Court Technology Project
Status: Completed
CHSWC Reports:
“Improving Dispute Resolution for California’s Injured Workers” (2003).
Full Report
http://www.dir.ca.gov/CHSWC/Reports/ImprovingDisputeResolution.pdf
Summary
http://www.dir.ca.gov/CHSWC/Reports/ImprovingDisputeResolution-Summary.pdf

Final Offer Arbitration in Determining a Permanent Disability Rating Under Labor Code 4065
Status: Completed
CHSWC Reports:
http://www.dir.ca.gov/chswc/BasebalArbFfinal.htm
LIST OF PROJECTS AND STUDIES

Evaluation of the DWC Audit Function
(Special Study at the Request of the Legislature)
Status: Completed
CHSWC Reports:
http://www.dir.ca.gov/chswc/FinalAuditReport.html
“Executive Summary—CHSWC Study of the Division of Workers’ Compensation Audit Function” (December 1998).
http://www.dir.ca.gov/chswc/AuditSummaryCover.html
“Project Description Study of Workers Compensation Audit Function” (1998).
http://www.dir.ca.gov/chswc/Auditfunctiondesc.html

Uninsured Employers Benefits Trust Fund Educational Booklet
Status: Completed
If Your Employer Is Illegally Uninsured: How to Apply for Workers’ Compensation Benefits (June 2011).

Workers’ Compensation and Disability Rights Laws in California: RTW, FEHA, and the Interactive Process
Status: Completed
Helping Injured Employees Return to Work: Practical Guidance Under Workers’ Compensation and Disability Rights Laws in California (February 2010).

VI. INFORMATION FOR WORKERS AND EMPLOYERS

“Best Practices in Returning an Injured Employee to Work: Factsheet for Employers” (February 2010).
http://www.dir.ca.gov/chswc/CHSWC_FactsheetRTW_2010.pdf


Medical Booklet and Fact Sheet
Status: Completed
CHSWC Booklet and Fact Sheet:
The Basics About Medical Care for Injured Workers (2006).
http://www.dir.ca.gov/CHSWC/Reports/MedicalCareFactsheet.pdf
Getting Appropriate Medical Care for Your Injury (2006).
http://www.dir.ca.gov/CHSWC/Reports/MedicalCareBooklet.pdf

Benefit Notices Simplification Project
Status: Completed
CHSWC Reports:
“Project to Improve Laws and Regulations Governing Information for Workers Recommendations: Information for Injured Workers” (May 2000).
http://www.dir.ca.gov/CHSWC/IWCover.html
http://www.dir.ca.gov/CHSWC/navigate/navigate.html
LIST OF PROJECTS AND STUDIES

Workers’ Compensation Information Prototype Materials
Status: Completed
CHSWC Report, Fact Sheets, and Video:
“Project to Augment, Evaluate, and Encourage Distribution of the Prototype Educational Materials for Workers” (2000).

Workers’ Compensation Introduction
Status: Completed
Fact Sheets and a Video, “Introduction to Workers’ Compensation” (1998)
http://www.dir.ca.gov/chswc/wcvideo.html and
http://www.dir.ca.gov/chswc/Injured_Worker_Factsheets.html

Workers’ Compensation Information for Injured Workers
Status: English and Spanish versions completed.
CHSWC Reports:
http://www.dir.ca.gov/InjuredWorkerGuidebook/InjuredWorkerGuidebook.pdf (English)
http://www.dir.ca.gov/InjuredWorkerGuidebook/Spanish/InjuredWorkerGuidebook.pdf (Spanish)
“Workers Compensation Update: Predesignating a Medical Group” (March 2007).
http://www.dir.ca.gov/chswc/Reports/WorkersCompUpdateMarch2007d.pdf

Workers’ Compensation Medical Care in California Fact Sheets
Status: Completed
Fact Sheets:
‘Workers’ Compensation Medical Care in California: Quality of Care, Costs, Access to Care, System Overview” (August 2003).
http://www.dir.ca.gov/chswc/CHSWC_WCFactSheets.htm

Workers’ Compensation Carve-Out Booklet
Status: Completed
CHSWC Report:
http://www.dir.ca.gov/CHSWC/carve-out1.pdf

Workers’ Compensation Carve-Out Guidebook
Status: Completed
CHSWC Report:
http://www.dir.ca.gov/CHSWC/CARVEOUTSGuidebook2004.doc

Carve-Outs—Alternative Workers’ Compensation Systems
Status: Completed
CHSWC Report:
Carve-outs in Workers’ Compensation: An Analysis of Experience in the California Construction Industry (September 1999).
http://www.dir.ca.gov/CHSWC/CarveOutReport/Carveoutcover.html
LIST OF PROJECTS AND STUDIES

VII. MEDICAL CARE

California Safety Officer Workers’ Compensation Cancer Presumption

“California Safety Officer Workers’ Compensation Cancer Presumption—Impact of AB 1035 (using 420 weeks and signed into law),” Bickmore, September 2014.
http://www.dir.ca.gov/chswc/Reports/2014/BickmoreSafetyOfficerPresumption_AB1035.pdf

“California Safety Officer Workers’ Compensation Cancer Presumption—DRAFT (Impact of AB 1373, using 480 weeks),” Bickmore, March 2014
http://www.dir.ca.gov/chswc/Reports/2014/BickmoreSafetyOfficerPresumption_AB1373.pdf

Medical Care Provided Under California Workers’ Compensation Program

Status: Completed
CHSWC Report:

“Medical Care Provided Under California’s Workers’ Compensation Program: Effects of the Reforms and Additional Opportunities to Improve the Quality and Efficiency of Care,” RAND (2011).
Separate Appendices

Identifying Risky Opioid Prescribing Practices

Status: Completed
CHSWC Report:


Public Comments to the Identifying Risky Opioid Prescribing Practices Report and the Memorandum on Evaluation of Opioid Prescribing Guidelines Using AGREE II and the Author’s Replies
http://www.dir.ca.gov/chswc/Reports/2012/Comments%20and%20Response_v2.pdf

Use of Compound Drugs, Medical Foods, and Co-Packs in California Workers’ Compensation Program

Status: Completed
CHSWC Report:


Pay for Performance Study

Status: Completed
CHSWC Report:


Medical Care Provided California’s Injured Workers

Status: Completed
CHSWC Report:

“Medical Care Provided California’s Injured Workers: An Overview of the Issues,” RAND (September 2007)
http://www.dir.ca.gov/chswc/CHSWC_MedCareProvidedCAIWs.pdf
LIST OF PROJECTS AND STUDIES

Quality-of-Care Indicators: A Demonstration Project Using Carpal Tunnel Syndrome
Status: Completed
Summary
Full report:
Appendices
http://www.rand.org/pubs/technical_reports/TR809.html

CHSWC Study on Spinal Surgery Second-Opinion Process
Status: Completed
CHSWC Report:
http://www.dir.ca.gov/chswc/Reports/SSSOP-Final.pdf

State Disability Insurance Integration Project
Status: In process
CHSWC Draft Report:

Medical Treatment Studies
Status: Completed.
CHSWC Reports:
http://www.dir.ca.gov/chswc/Reports/CHSWC_InpatientHospitalServices.pdf

“Inpatient Hospital Fee Schedule and Outpatient Surgery Study,” RAND (February 2002).
http://www.dir.ca.gov/CHSWC/HospitalFeeSchedule2002/HospfeeschedulePage1.html

“Ambulatory Surgery Facility Services Provided to California’s Injured Workers,” RAND (March 2009).

“Hospital Emergency Department Services Furnished Under California's Workers' Compensation Program,” RAND (April 2009).


CHSWC Study on Medical Treatment Protocols
Status: Completed
CHSWC Reports:
http://www.dir.ca.gov/CHSWC/Reports/Evaluating_med_tx_guideline.pdf

http://www.dir.ca.gov/CHSWC/Reports/Eval_med_tx_guideline_summary.pdf
LIST OF PROJECTS AND STUDIES

“Updated and Revised CHSWC Recommendations to DWC on Workers’ Compensation Medical Treatment Guidelines” (April 2006).
http://www.dir.ca.gov/CHSWC/Reports/Medical_Treatment_Recommendations_Final_040606.pdf

“CHSWC Recommendations to DWC on Workers’ Compensation Medical Treatment Guidelines” (November 2004).

http://www.dir.ca.gov/CHSWC/ACOEMGuideline.pdf

Health Care Organizations
Status: Completed
CHSWC Staff Report:

Repackaged Drugs Study
Status: Completed
CHSWC Issue Paper:
“Paying for Repackaged Drugs Under the California Workers’ Compensation Official Medical Fee Schedule” (May 2005).
http://www.dir.ca.gov/CHSWC/WR260-1050525_Repack.pdf

Pharmacy Reporting Impact Study
Status: Completed
CHSWC Report:
“Impact of Physician-Dispensing of Repackaged Drugs on California Workers’ Compensation, Employers’ Cost, and Workers’ Access to Quality Care” (July 2006).
http://www.dir.ca.gov/CHSWC/Reports/Physician-Dispensend-Pharmaceuticals.pdf

Workers’ Compensation Pharmaceutical Costs Study
Status: Completed
CHSWC Reports:
“Study of the Cost of Pharmaceuticals in Workers’ Compensation” (June 2000).
http://www.dir.ca.gov/CHSWC/Pharmacy/pharmacover.html
“Study of the Cost of Pharmaceuticals in Workers’ Compensation,” Executive Summary (June 2000).
http://www.dir.ca.gov/CHSWC/Pharmacy/ExecSumPharmaRpt.html

Payment for Hardware Study
Status: Completed
CHSWC Report:
“Payment for Hardware Used in Complex Spinal Procedures Under California’s Official Medical Fee Schedule for Injured Workers,” RAND (September 2005).
http://www.dir.ca.gov/CHSWC/Hardware_comp9.pdf

Burn Diagnosis-Related Groups (DRGs) Study
Status: Completed
CHSWC Report:
“Payments for Burn Patients under California’s Official Medical Fee Schedule for Injured Workers,” RAND (May 2005).

California Research Colloquium on Workers’ Compensation Medical Benefit Delivery and Return to Work
Status: Completed
CHSWC Report:

Integrating Occupational and Non-Occupational Medical Treatment
Status: Completed
CHSWC Report and Factsheet:
http://www.dir.ca.gov/chswc/Reports/CHSWC_IntegrationofCareFactsheet.pdf

Occupational and Non-Occupational Integrated Care (ONIC) Roundtables
Status: Completed
CHSWC Report:
“Summary of Occupational and Non-Occupational Integrated Care Roundtables” (December 2008).

CHSWC Study on 24-Hour Care
Status: Completed
CHSWC Reports:
“24-Hour Care Roundtable,” Summary (December 2006).
http://www.dir.ca.gov/CHSWC/Reports/24-Hour-Care-Final.pdf
“Assessment of 24-Hour Care Options for California” (2004).
http://www.dir.ca.gov/CHSWC/Reports/24HourCare.pdf
“CHSWC Background Paper: Twenty-four Hour Care” (October 2003).
http://www.dir.ca.gov/CHSWC/CHSWC_24hCare.pdf

Workers’ Compensation Medical Payment Systems
Status: Completed
CHSWC Staff Reports:
http://www.dir.ca.gov/CHSWC/CHSWC_WCMedicalPaymentSystem/CHSWC_WCMedicalPaymentSystem.pdf
http://www.dir.ca.gov/CHSWC/Reports/AdoptingMedicareFeeSchedules-summary.pdf

VIII. COMMUNITY CONCERNS

Analysis of WCIRB Pure Premium Rates
Status: Completed
CHSWC Report:
“Analysis of Proposed WCIRB 2009 Pure Premium Rates Submitted to the California Department of Insurance” (September 2008).

Public Access to Workers’ Compensation Insurance Coverage Information
Status: Completed
CHSWC Reports:
“Workers’ Compensation Compliance and Proof of Coverage” (February 2006).
http://www.dir.ca.gov/CHSWC/Papers/ProofOfCoverage2006.pdf
LIST OF PROJECTS AND STUDIES

http://www.dir.ca.gov/CHSWC/ProofofCoverage.pdf

DWC Workers’ Compensation Audits
Status: In process
CHSWC Report:
“Draft CHSWC Response to Community Concerns Regarding DWC Workers’ Compensation Audits” (February 2007).
http://www.dir.ca.gov/CHSWC/Reports/DWC_Audits_022107.pdf

U.S. Longshore and Harbor Workers’ Compensation Market in California
Status: Completed
CHSWC Report:
http://www.dir.ca.gov/CHSWC/USLongshoreAndHarborPaper.pdf

Workers’ Compensation and the California Economy
Status: Completed
CHSWC Report:
“Update—Workers’ Compensation and the California Economy” (April 2000).
http://www.dir.ca.gov/CHSWC/CalEconomy/CalEconomyCover.html

Evaluation of Workers’ Compensation Cost and Benefit Changes Since the Beginning of the 1989 and 1993 Reforms
(Special Study at the Request of the Legislature)
Status: Completed
CHSWC Reports:
http://www.dir.ca.gov/CHSWC/Report.htm
“Executive Summary Impact of the 1993 Reforms on Payments of Temporary and Permanent Disability” (August 1999).
http://www.dir.ca.gov/CHSWC/ExecutiveSummary.htm
http://www.dir.ca.gov/CHSWC/Summary.htm

Workers’ Compensation Anti-fraud Activities
Status: Completed
CHSWC/Fraud Assessment Commission (FAC) Study:
“Workers’ Compensation Medical Payment Accuracy Study” (June 2008).
“Reporting Workers’ Compensation Injuries in California: How Many are Missed?” (August, 2008).
“Split Class Codes: Evidence of Fraudulent Payroll Reporting” (August 2007).
http://www.dir.ca.gov/CHSWC/Finalfraudreport0801.html

183
LIST OF PROJECTS AND STUDIES

Report on the Campaign Against Workers' Compensation Fraud” (May 2000).
http://www.dir.ca.gov/CHSWC/Fraud/Fraudcover.html

http://www.dir.ca.gov/CHSWC/Fraud/Fraudreport.html

Illegally Uninsured Employers Study
Status: Completed
CHSWC Reports:
http://www.dir.ca.gov/CHSWC/Reports/UEBTF-Final.pdf
http://www.dir.ca.gov/CHSWC/uefcover.html

IX. INSURANCE INDUSTRY AND COVERAGE

Insurance Insolvency Study
Status: Completed
CHSWC Report:

Self-Insurance Groups
Status: Completed
CHSWC Reports:

Training of Claim Adjusters and Bill Reviewers
Status: Completed
CHSWC Report:
“Revised Claims Adjuster and Bill Reviewer Training and Certification by Insurers Report” (April 2009).

Proof of Coverage
Status: Completed
CHSWC Background Paper:
“Workers’ Compensation Compliance and Proof of Coverage” (February 2006).
http://www.dir.ca.gov/CHSWC/Papers/ProofOfCoverage2006.pdf

State of the California Workers’ Compensation Insurance Industry
Status: Completed
CHSWC Background Papers:
http://www.dir.ca.gov/CHSWC/StateInsuranceIndustry2002/Stateinsuranceindustry042002.html
X. DISASTER PREPAREDNESS AND TERRORISM

Impact of Terrorism on Workers’ Compensation
Status: Completed
CHSWC Issue Paper:
http://www.dir.ca.gov/CHSWC/Reports/ImpactTerrorism-WC.pdf

Forum on Catastrophe Preparedness: Partnering to Protect Workplaces (April 2006)
Status: Completed
CHSWC Staff Report:
http://www.dir.ca.gov/chswc/forum2006.html

XI. CHSWC ISSUE PAPERS

Study of Labor Code Section 132a
Status: Completed
CHSWC Memorandum:
http://www.dir.ca.gov/chswc/Lauher132aUpdate.pdf

Information on Industrial Medical Council (IMC) Disciplinary Actions Taken on Qualified Medical Evaluators (QMEs)
Status: Completed
CHSWC Background Paper:
“Recommendations for Improvement of the IMC’s Protection of Injured Workers and Regulation of QMEs” (July 2003).
http://www.dir.ca.gov/chswc/CHSWCReport_IMCDisciplinaryrevJuly2003.doc or

CHSWC White Paper on Cost/Benefit of Implementing Electronic Deposit for Unemployment and Disability Benefits in the State of California
Status: Completed
CHSWC Paper:
http://www.dir.ca.gov/CHSWC/CHSWC_AccesstoFunds.pdf or
http://www.dir.ca.gov/chswc/CHSWC_Accesstofunds.doc

Strategic Plan
Status: Completed
CHSWC Report:
“CHSWC Strategic Plan” (November 2002).
XII. OTHER

Pending Final Disposition:


CHSWC AND THE COMMUNITY

For Information about the Commission on Health and Safety and Workers’ Compensation (CHSWC) and its activities:

Write:

DIR-CHSWC
1515 Clay Street, 17th Floor
Oakland, CA 94612

Phone: 510-622-3959    FAX: 510-286-0499   Email: chswc@dir.ca.gov

Internet:

In 2012, most government departments and agencies were asked by Governor Brown’s Office to redesign their public website so that information can be located more efficiently. CHSWC participated in the redesign process and, according to its mandate, continues to post useful information for the public and related stakeholders.

Check out www.dir.ca.gov/chswc for:

- What’s New
- Research Studies and Reports by Topic and by Year
- Information Bulletins
- Commission Members
- Meeting Schedules and Minutes
- DIR/CHSWC Young Workers’ Program
- Information for Workers and Employers
- Worker Occupational Safety and Health Training and Education Program (WOSHTEP)
- Past Conferences
- Public Comments and Feedback
- Injury and Illness Prevention Program (IIPP) Resources
- School Action for Safety and Health (SASH) Program
- Other Resources

CHSWC Publications

In addition to the many reports listed in the CHSWC List of Projects and Studies section of this report, CHSWC has published:

CHSWC Annual Reports, 1994–2015

CHSWC Strategic Plan, 2002
Acknowledgments

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Boeing
   Christine Coakley, Regulatory and Legislative Analyst

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   Leslie I. Boden, Ph.D., Professor, School of Public Health

California Applicants’ Attorneys Association (CAAA)
   Karen L. Locke, Executive Director
   Bert Arnold, President
   Mark Gerlach, Consultant

California Chamber of Commerce (CCC)
   Allan Zaremberg, President and Chief Executive Officer
   Marti Fisher, Policy Advocate
   Jeremy Merz, Policy Advocate

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   Paul J. Yoder, Managing Director
   Jason Schmelzer, Legislative Advocate

California Department of Human Resources (CalHR)
   Tracy Caldwell, Workers’ Compensation Program Trainer
   Keith Mentzer, Benefit Program Administrator

California Small Business Association
   Betti Jo Toccoli, President

California Department of Industrial Relations (DIR)
   Christine Baker, Director
   Amy Coombe, Chief of Staff
   Christopher Jagard, Chief Counsel
   John Cumming, Special Counsel
   Victoria Hassid, Deputy Director of Legislation and Policy
   Glenn Shor, Policy Advisor
   Erika Monterroza, Deputy Director of Communications
   Irina Nemirovsky, Research Specialist III
   Dominic Forrest, Chief, Labor Enforcement Task Force
   Office of the Director staff

Cal/OSHA Appeals Board
   Art Carter, Chair
   Han Ha, Acting Executive Officer
Division of Administration (DOA)
  Cliff Okamoto, Chief
  Lourdes Cole, Chief of Human Resources
  Greg Edwards, Chief Financial Officer Budget Unit
  DOA staff

Division of Apprenticeship Standards (DAS)
  Diane Ravnik, Chief
  DAS staff

Division of Labor Standards & Enforcement (DLSE)
  Julie Su, Labor Commissioner
  DLSE staff

Division of Occupational Safety & Health (DOSH)
  Juliann Sum, Chief
  Cora Gherga, Assistant Chief, Enforcement Administration
  Wende Carleson, Regional Manager, Region VI
  Gene Murphy, Senior Safety Engineer, High Hazard Unit
  Eugene Glendenning, Acting Program Manager, Consultation Services
  Dorothy Humphrey, Associate Goverment Program Analyst
  Nancy Lopez, Associate Government Program Analyst
  DOSH staff

Division of Workers’ Compensation (DWC)
  George Parisotto, Acting Administrative Director
  Paige Levy, Chief Judge
  Raymon Meister, M.D., Executive Medical Director
  Yvonne Hauscarriague, Acting Chief Counsel
  Denise Vargas, Chief of Programmatic Services
  Tess Gormley, Special Advisor to the Director
  Cora Lee, Compliance Manager
  Barry Knight, Manager Disability Evaluation Unit
  Melissa Hicks, Manager Medical Unit
  Kathy Patterson, Manager, EAMS
  Bob Wong, Manager, Information & Assistance Unit
  Mike Hernandez, Manager Information Services Center
  Mark Fudem, Project Manager, EAMS
  DWC staff

Occupational Safety and Health Standards Board (OSHSB)
  Dave Thomas, Chair
  Marley Hart, Executive Officer
  Peter Healy, Industrial Relations Counsel III

Office of Information Services (DIR)
  Jim Culbeaux, Chief Information Technology Officer
  Jack Chu, Chief, Enterprise Systems
  Elizabeth Nisperos, Associate Programmer Analyst
  Manny Ortiz, Data Processing Manager III
  Deepali Potnis, DIR Business Intelligence
  IT staff

Office of Policy, Research, and Legislation (DIR)
  Maria Robbins, Deputy Chief
  Jessica Nguyen, Research Manager
CHSWC AND THE COMMUNITY

Tim Stahlheber, Research Manager
OPRL Staff

Self-Insurance Plans (SIP)
Lynn Asio-Booz, Chief
Jamie Lynn Meyers, Compliance Supervisor
Tina Freese, Workers’ Compensation Compliance Officer
SIP staff

Workers’ Compensation Appeals Board (WCAB)
Vacnat, Chair
Frank M. Brass, Member
Deidra E. Lowe, Member
José H. Razo, Member
Marguerite Sweeney, Member
Katherine Zalewski, Member
Richard Newman, Secretary
Cristine Gondak, Assistant Secretary
Anne Schmitz, Assistant Secretary
WCAB staff

California Department of Insurance (DOI or CDI)
Dave Jones, Insurance Commissioner
Chris Citko, Senior Staff Counsel

California Health-Care Foundation (CHCF)
Sandra R. Hernández, President & Chief Executive Officer

California Association of Joint Powers Authorities (CAJPA)
David Clovis, President

California Labor Federation, AFL-CIO
Angie Wei, Chief of Staff

California Legislature
The Honorable Kevin De León, President pro Tempore, California Senate
The Honorable Anthony Rendon, Speaker of the Assembly

California Manufacturers and Technology Association (CMTA)
Dorothy Rothrock, President
Michael Shaw, Vice President, Government Relations

California Schools Insurance Authority
Martin Brady, Executive Director

California Self-Insurers Association (CSIA)
Philip Millhollon, Executive Director

California Workers’ Compensation Institute (CWCI)
Alex Swedlow, President
Ellen Sims Langille, General Counsel
Rena David, Senior Vice President & Research and Operations
Brenda Ramirez, Director, Claims and Medical

Employers’ Fraud Task Force
John Maloch, National Chair
Laura Clifford, Executive Director
Harvard Business School
   Michael Toffel, Professor

International Association of Industrial Accident Boards and Commissions (IAIABC)
   Jennifer Wolf Horejsh, Executive Director
   Greg Krohm, Consultant
   IAIABC staff

Kaiser Permanente
   Roman Kownacki, MD., Medical Director, Regional Occupational Health for Northern California

Kammerer and Company
   Lori Kammerer Donohue, Lobbyist

Safeway, Inc.
   Anita Weir, Director, Medical and Disability Management
   Mel Belsky, M.D., Medical Director, Corporate Workers’ Compensation

Small Business California
   Scott Hauge, President

State Building & Construction Trades Council of California (SBCTC)
   Robbie Hunter, President
   Laura Boatman, Program Coordinator

State Compensation Insurance Fund (SCIF)
   Vernon Steiner, President/Chief Executive Officer
   Dinesh Govindarao, Medical Director
   Kate Smith, Chief Actuarial Officer

University of California (UC), Berkeley
Institute for the Study of Societal Issues/Center for the Study of Social Insurance
   Frank Neuhauser, Senior Researcher, Public Policy

Labor Occupational Health Program (LOHP)
   Laura Stock, Director, LOHP
   Robin Dewey, Program Coordinator
   Diane Bush, Coordinator of Public Programs

University of California (UC), Davis
Western Center for Agricultural Health and Safety (WCAHS)
   Marc Schenker, Center Director
   Teresa Andrews, WCAHS Education and Outreach Specialist

University of California, Los Angeles (UCLA)
Labor Occupational Safety and Health Program (LOSH)
   Linda Delp, Director
   Deogracia Cornelio, Associate Director of Education
   Héctor W. Flores, Worker Health and Safety Educator/Coordinator

University of Southern California
   Seth Seabury, Ph.D., Associate Professor of Research

Western Occupational & Environmental Medicine Association
   Robert C. Blink, MD, President
   Sachin Kapoor, D.O., President Elect
Members of the Public
Participants in CHSWC meetings, fact-finding hearings, and public forums
Participants in CHSWC project advisory committees

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Irina Nemirovsky, Research Program Specialist III, DIR/CHSWC
Nabeela Khan, Research Program Specialist II
Nurgul T. Toktogonova, Research Program Specialist II
Chris Bailey, Research Program Specialist I
Debra Soled, Associate Governmental Program Analyst, DIR/CHSWC
Oliva Artadi, Associate Governmental Program Analyst
Chellah A. Yanga, Staff Services Manager