



PCI's California voice.

Hot Issue: Workers Compensation—Proper Implementation is Key to Achieving Savings from Reforms

In 2002, California's workers compensation system was on the verge of collapse. California's workers compensation costs were the highest in the nation. Businesses were paying \$6.46 per \$100 of payroll for workers compensation coverage. This caused many businesses to leave California, taking jobs with them.

Injured workers were not being well served by the broken system. In addition to being costly, medical treatment lacked standards that assured effectiveness. Workers were not being returned to work. And disability payments failed to fairly compensate seriously injured workers.

Insurers were not faring any better. Even though insurance premiums were increasing, premiums could not keep pace with ever-increasing costs. From 2000 to 2004, 27 workers compensation insurance companies in California went insolvent.

During 2003 and 2004, the Legislature took bold action to reform the workers compensation system. The reforms eliminated unnecessary costs, established standards for effective medical treatment, specified a process for making reasonable, objective decisions about disabilities and created incentives for getting injured workers back to their jobs.

The 2003 and 2004 reforms reduced premiums by 50 percent and gave injured workers objective, quality medical care. In the few years following these reforms, costs went down significantly. However, increasing medical costs crept back into the system and several court decisions eroded the reforms. In 2012, the California Legislature and Gov. Brown joined forces to pass new, significant reforms to the workers compensation system.

The 2012 package gives injured workers an increase in permanent disability benefits that will be phased in over two years. To balance the benefit increase, policymakers approved systemic reforms to better control costs including creating independent medical review, independent bill review, fee schedules for interpreters and home health services. The reforms also put processes in place to curb abuse of the medical lien process. Medical cost increases have been significant and insurers are paying a combined ratio of \$1.39 for every \$1.00 they take in.

ACIC POSITION

ACIC is pleased that the 2012 reforms gave injured workers a needed benefit increase. However, it will be crucial to properly implement the needed emergency and long term regulations necessary to achieve the projected cost savings from the recent reforms. Without the expected cost savings, California's system will continue to struggle under the ongoing medical cost pressures. It is also vital that legislation and litigation which erode the new reforms is avoided. ACIC also strongly urges legislators and regulators to find solutions to the growing epidemic of opioid over prescription which is driving up costs, but more importantly, harming injured workers.