

California Commission on Health and Safety and Workers' Compensation



CHSWC 2017 Annual Report

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Department of Industrial Relations

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and Workers' Compensation**

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TABLE OF CONTENTS

ABOUT CHSWC	1
CHSWC MEMBERS REPRESENTING EMPLOYERS.....	2
Daniel Bagan.....	2
Martin Brady.....	2
Mona Garfias.....	3
Sean McNally	3
CHSWC MEMBERS REPRESENTING LABOR	4
Doug Bloch.....	4
Christy Bouma.....	4
Shelley Kessler.....	5
Angie Wei.....	5
STATE OF CALIFORNIA HEALTH AND SAFETY AND WORKERS' COMPENSATION FUNCTIONS.....	6
CHSWC RECOMMENDATIONS.....	7
WORKERS' COMPENSATION INDEMNITY AND MEDICAL BENEFITS AND ADMINISTRATION	7
RETURN-TO-WORK SUPPLEMENT.....	7
WORKERS' COMPENSATION INDEMNITY AND MEDICAL BENEFITS AND ADMINISTRATION	7
MEDICAL CARE IN WORKERS' COMPENSATION.....	8
Monitoring Medical Care and Costs	8
Pharmaceuticals.....	9
ANTI-FRAUD EFFORTS	9
Underground Economy	9
Workers' Compensation Medical Provider Fraud.....	10
Workers' Compensation Payroll Reporting by Employers.....	10
PUBLIC SEFL-INSUREDS.....	10
HEALTH AND SAFETY	11
SPECIAL REPORT: 2017 LEGISLATION AND REGULATIONS ON HEALTH AND SAFETY AND WORKERS' COMPENSATION.....	12
HEALTH AND SAFETY AND WORKERS' COMPENSATION LEGISLATION	12
HEALTH AND SAFETY AND WORKERS' COMPENSATION REGULATIONS	12
Health and Safety Regulations.....	12
Workers' Compensation Regulations.....	13
Administration of Self Insurance Plans Regulations.....	13
SYSTEM COSTS AND BENEFITS OVERVIEW.....	14
<i>Figure: Market Shares Based on Claim Counts Reported to WCIS (2014-2016 average)</i>	<i>14</i>
Method of Estimating the Workers' Compensation System Size	15
<i>Table: Workers' Compensation Claims by Market Share.....</i>	<i>15</i>
<i>Table: Percent Distribution of Workers' Compensation Paid Costs by Sectors (excluding Administrative Expenses) – using public self-insured and state data for FY 2015-2016</i>	<i>16</i>

TABLE OF CONTENTS

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

TABLE OF CONTENTS

Supplemental Job Displacement Benefits Costs.....	32
Supplemental Job Displacement Benefit Vouchers	32
Vocational Rehabilitation and Supplemental Job Displacement Benefit Vouchers Incurred Costs	33
<i>Figure:</i> Vocational Rehabilitation Benefits, Total and as Percent of Total Incurred Losses	33
<i>Figure:</i> Paid Vocational Rehabilitation Benefits, by Insured Employers.....	34
Medical Benefits.....	34
Workers' Compensation Medical Costs vs. Medical Inflation	34
<i>Figure:</i> Growth of Workers' Compensation Medical Costs Compared with Growth of Medical Inflation Since 2004	35
Distribution of Medical Benefits: Where Does the Workers' Compensation Dollar Go?	35
<i>Table:</i> Systemwide Estimated Costs – Medical Benefits Paid	36
Trends in Paid Medical Benefits	37
<i>Figure:</i> Workers' Compensation Paid Medical Benefits by Type, Systemwide Estimated Costs	37
Average Ultimate Total Loss	38
<i>Figure:</i> Estimated Ultimate Total Loss per Indemnity Claim	38
Average Cost per Claim by Type of Injury	39
<i>Figure:</i> Average Cost per Claim by Type of Injury, 2006-2016	39
Changes in Average Medical and Indemnity Costs per Claim by Type of Injury	40
<i>Figure:</i> Percent Change in Average Medical and Indemnity Costs per Claim by Type of Injury	40
MEDICAL-LEGAL EXPENSES.....	41
Workers' Compensation Claims with Medical-Legal Expenses	42
<i>Figure:</i> Workers' Compensation Claims, All and with Permanent Disability, by California Regions	42
<i>Figure:</i> Number of Medical-Legal Reports on PD and All Claims	43
<i>Figure:</i> Medical-Legal Payments on PD and All Claims	43
<i>Figure:</i> WCIRB's Medical-Legal Costs Reported in Calendar vs. Service Years	44
Medical-Legal Evaluations per Claim	45
<i>Figure:</i> Number of Medical-Legal Evaluations per 100 Workers' Compensation Claims (PD and All) in California	45
Medical-Legal Reporting by the California Regions	45
<i>Figure:</i> Average Number of Medical-Legal Evaluations per 100 Claims (PD and All), by Region	45
Average Cost per Medical-Legal Evaluation	46
<i>Figure:</i> Average Cost of a Medical-Legal Evaluation on All and PD Claims, California	46
<i>Figure:</i> Average Cost of a Medical-Legal Evaluation on PD Claim, by Region	46
<i>Table:</i> Distribution of Medical-Legal Reports on PD Claims, by California Regions	47
Medical-Legal Cost Drivers	47
<i>Table:</i> Medical-Legal Evaluation Cost for Dates of Service on or After July 1, 2006	47
<i>Figure:</i> Distribution of Medical-Legal Evaluations on PD Claims by Procedure Code in California and Regions	48
<i>Table:</i> Characteristics of ML-104 coded Reports done on PD Claims in California Regions	49
<i>Figure:</i> Average Cost of a Medical-Legal Evaluation for a PD Claims in California by Procedure Code	49
<i>Table:</i> Rate of Psychiatric Evaluations per 100 PD Reports	50
<i>Table:</i> Rate of Psychologist/Behavioral Health Evaluations per 100 PD Reports	50
<i>Table:</i> Share of Payments for Psychiatric and Psychological Reports in Medical-Legal Payments, by Region	50
WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE.....	51
INTRODUCTION.....	51
WCAB WORKLOAD.....	51
Division of Workers' Compensation Opening Documents.....	51
<i>Figure:</i> DWC Opening Documents.....	52
Mix of DWC Opening Documents	52
<i>Figure:</i> Percentage by Type of Opening Documents	53

TABLE OF CONTENTS

Division of Workers' Compensation Hearings	53
Numbers of Hearings	53
<i>Figure: DWC Labor Code 5502 Hearings Held</i>	54
<i>Figure: DWC Non-5502 Hearings Held</i>	55
<i>Figure: DWC Total Number of Hearings Held (LC 5502 and non-5502)</i>	55
Timeliness of Hearings	56
<i>Figure: Elapsed Time in Days from Request to DWC Hearing (4th Quarter)</i>	56
Division of Workers' Compensation Decisions	57
DWC Case-Closing Decisions	57
<i>Figure: DWC Case-Closing Decisions</i>	57
Mix of DWC Decisions	57
<i>Figure: DWC Decisions: Percent Distribution by Type of Decisions</i>	58
Division of Workers' Compensation Lien Filings and Decisions	58
<i>Table: Numbers of Liens Filed and DWC Lien Decisions, 2011 - 2017</i>	59
DIVISION OF WORKERS' COMPENSATION AUDIT AND ENFORCEMENT PROGRAM.....	59
Background	59
Assembly Bill 749 Changes to the Audit Program.....	59
Overview of Audit Methodology.....	60
Selection of Audit Subjects	60
Audit and Enforcement Unit Data.....	60
<i>Figure: Routine and Targeted Audits</i>	61
Audits by Type of Audit Subject	61
<i>Figure: DWC Audits by Type of Audit Subject</i>	61
Selection of Files to be Audited	61
<i>Figure: Files Audited by Method of Selection</i>	62
Administrative Penalties.....	62
<i>Figure: DWC Audit Unit – Administrative Penalties</i>	62
<i>Figure: Average Amount per Penalty Citation and Average Number of Penalty Citations per Audit Subject</i>	63
Unpaid Compensation Due to Claimants.....	63
<i>Figure: Average Amount of Unpaid Compensation per Claim and Number of Notices Compensation</i>	63
<i>Figure: Distribution of Unpaid Compensation by Type</i>	64
DIVISION OF WORKERS' COMPENSATION DISABILITY EVALUATION UNIT	64
<i>Figure: DEU Written Ratings</i>	Error! Bookmark not defined.
<i>Table: DEU Ratings in 2016 by Type and Rating Schedules in Effect</i>	66
DEU Backlog.....	66
<i>Figure: DEU Backlogs</i>	66
Commutation Calculations	66
Staffing	67
DIVISION OF WORKERS' COMPENSATION MEDICAL UNIT	67
Qualified Medical Evaluator Panels.....	67
<i>Figure: Number of Qualified Medical Evaluator (QME) Panel Requests</i>	68
Utilization Review	69
<i>Table: Status of UR Investigations</i>	70
Independent Medical Review	70
<i>Figure: Quarterly Numbers of Independent Medical Review Requests (IMR) Received and Determinations Completed, 2013 - 2016</i>	71
Independent Bill Review.....	71
<i>Figure: Monthly Numbers of Independent Bill Review Requests and Decisions, 2013 - 2016</i>	72
Medical Provider Networks and Health Care Organizations	72
Medical Provider Networks	72
Background	72

TABLE OF CONTENTS

Application Review Process.....	73
Applications Received and Approved	73
<i>Table:</i> MPN Program Activities from November 1, 2004, to December 31, 2016	74
<i>Figure:</i> Number of MPN Applications Received by Month and Year of Receipt, 2004-2016	74
<i>Figure:</i> Number of MPN Applications Approved by Month, 2004-2016.....	75
Material Modifications	75
<i>Figure:</i> Number of MPN Material Modifications Received by Month, 2005-2016.....	76
Plan for Reapproval Process	76
<i>Table:</i> Expiring MPN Application Plans by Quarter and Year through December 31, 2018	77
<i>Table:</i> MPN Application Plans for Reapproval Received and Approved, by Month through December 31, 2016	77
MPN Applicants	77
<i>Figure:</i> Distribution of Approved MPNs by Number of MPNs per Applicant, 2016.....	78
<i>Table:</i> Names of MPN Applicants with 10 or More Approved MPNs	79
<i>Table:</i> Distribution of Approved MPN Applications by Type of Applicant.....	79
<i>Figure:</i> Distribution of All Approved MPN Applications by Type of Applicant, Total for 2004-2016	80
MPN Plans Using HCO Networks.....	80
<i>Table:</i> Number of MPN Applicants Using HCO Networks.....	80
Status of the MPN Program	80
Health Care Organization Program	81
<i>Table:</i> Currently Certified HCOs by Date of Certification/Recertification	81
HCO Enrollment.....	82
<i>Table:</i> HCOs by Number of Enrollees as of December 2016.....	82
Health Care Organization Program Status	82
DIVISION OF WORKERS' COMPENSATION INFORMATION AND ASSISTANCE UNIT	82
<i>Table:</i> Information & Assistance Unit Workload	82
<i>Table:</i> Spanish Outreach Attendance, 2013	83
<i>Table:</i> DWC Educational Conferences Attendance, 2012-2016	83
<i>Table:</i> Number of Enrollees in DWC Tele-learning Classes for DIR Employees	84
DIVISION OF WORKERS' COMPENSATION INFORMATION SERVICE CENTER	84
<i>Table:</i> 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
<i>Figure:</i> UEBTF Revenues, FY 2007-2008 to FY 2016-2017.....	86
<i>Figure:</i> New UEBTF Cases Opened, FY 2007-2008 to FY 2016-2017.....	86
<i>Figure:</i> UEBTF Total Benefits Paid and Total Revenue Recovered, FY 2007-2008 to FY 2016-2017	87
Costs of the Uninsured Employers Benefits Trust Fund	87
<i>Figure:</i> Number of Uninsured Claims Paid, FY 2007-2008 to FY 2016-2017	87
<i>Figure:</i> UEBTF Amounts Paid and Administrative Costs, FY 2007-2008 to FY 2016-2017.....	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
Data Quality.....	89
Division of Workers' Compensation Electronic Adjudication Management System	90
Carve-Outs: Alternative Workers' Compensation Systems.....	92
CHSWC Study of Carve-Outs.....	92
Impact of Senate Bill 228	92

TABLE OF CONTENTS

Impact of Senate Bill 899	93
Requirements of ADR program reports to DWC under 8 CCR Section 10203	93
<i>Table: Estimated Person-Hours Worked and Payroll, 2006-2016</i>	94
Status of Carve-out Agreements	94
DIVISION OF LABOR STANDARDS ENFORCEMENT, BUREAU OF FIELD ENFORCEMENT	94
<i>Table: DLSE Citations by Category, 2015-2016</i>	95
ANTI-FRAUD ACTIVITIES	96
Background	96
Suspected Fraudulent Claims	96
Workers' Compensation Fraud Suspect Arrests	97
<i>Figure: Suspected Workers' Compensation Fraudulent Claims and Suspect Arrests</i>	97
Workers' Compensation Fraud Suspect Convictions	98
<i>Figure: Workers' Compensation Fraud Suspect Prosecutions and Convictions</i>	98
Workers' Compensation Fraud Investigations	98
Types of Workers' Compensation Fraud Investigations	98
Trends in Workers' Compensation Fraud Investigations	98
<i>Figure: Caseload by Type of Fraud Investigations</i>	99
<i>Figure: Type of Fraud Investigations by Percentage of Total</i>	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
<i>Figure: California Non-fatal Occupational Injuries and Illnesses. Private Industry and State and Local Governments</i>	102
Fatal Occupational Injuries and Illnesses	102
<i>Figure: California Fatal Occupational Injuries and Illnesses. Private Industry and State and Local Governments</i>	102
PRIVATE SECTOR	103
Non-Fatal Occupational Injuries and Illnesses	103
<i>Figure: California Non-fatal Occupational Injuries and Illnesses. Private Industry</i>	103
Fatal Occupational Injuries and Illnesses	103
<i>Figure: California Fatal Occupational Injuries and Illnesses. Private Industry</i>	103
PUBLIC SECTOR – STATE GOVERNMENT	104
Non-Fatal Occupational Injuries and Illnesses	104
<i>Figure: California Non-Fatal Occupational Injuries and Illnesses. State Government</i>	104
Fatal Occupational Injuries and Illnesses	104
<i>Figure: California Fatal Occupational Injuries and Illnesses. State Government</i>	104
PUBLIC SECTOR – LOCAL GOVERNMENT	105
Non-fatal Occupational Injuries and Illnesses	105
<i>Figure: California Non-fatal Occupational Injuries and Illnesses. Local Government</i>	105
Fatal Occupational Injuries and Illnesses	105
<i>Figure: California Fatal Occupational Injuries and Illnesses. Local Government</i>	105
OCCUPATIONAL INJURY AND ILLNESS INCIDENCE RATES	106

TABLE OF CONTENTS

Comparison of Public and Private Sectors.....	106
<i>Figure: California Occupational Injury and Illness Incidence Rates. Private, State and Local</i>	106
Private Sector.....	106
<i>Figure: California Occupational Injury and Illness Incidence Rates. Private Industry</i>	106
Public Sector: State Government.....	107
<i>Figure: California Occupational Injury and Illness Incidence Rates. State Government</i>	107
Public Sector – Local Government.....	107
<i>Figure: California Occupational Injury and Illness Incidence Rates. Local Government</i>	107
CALIFORNIA FATALITY INCIDENCE RATES.....	108
<i>Figure: California Fatal Occupational Injuries – Incidence Rate</i>	108
<i>Figure: California Fatality Rates by Industries 2010, 2015, and 2016</i>	108
COMPARISON OF INCIDENCE RATES IN THE UNITED STATES AND CALIFORNIA	109
<i>Figure: Injury and Illness Incidence Rate per 100 Full-Time Workers. Private Industry – Total Recordable Cases. USA and California</i>	109
<i>Figure: Injury and Illness Incidence Rate per 100 Full-Time Workers. Private Industry – Cases with Days Away from Work. USA and California</i>	109
CHARACTERISTICS OF CALIFORNIA OCCUPATIONAL INJURIES AND ILLNESSES	110
<i>Figure: Injury Rates by Industry, 2016 vs 2006</i>	110
Characteristics of California Non-Fatal Occupational Injuries and Illnesses.....	111
<i>Figure: Number of Non-fatal Occupational Injuries and Illnesses in California by Gender, Private Industry, 2008-2016</i>	111
<i>Figure: California Non-fatal Occupational Injuries and Illnesses Incidence Rates by Gender, Private Industry, 2008-2016</i>	111
<i>Figure: Number of Non-fatal Occupational Injuries and Illnesses in California by Age, Private Industry, 2016</i>	112
<i>Figure: California Non-fatal Occupational Injury and Illness Incidence Rates by Age, Private Industry, 2016</i>	112
<i>Figure: California Non-fatal Occupational Injuries and Illnesses by Race or Ethnic Origin, Private Industry, 2016</i>	113
<i>Figure: California Non-fatal Occupational Injuries and Illnesses by Event and Exposure, Private Industry, 2016</i>	113
<i>Figure: Incidence Rates for Non-fatal Occupational Injuries and Illnesses by Major Body Parts, Private Industry, 2014, 2015, and 2016</i>	114
<i>Figure: Incidence Rates for Non-fatal Occupational Injuries and Illnesses by Body Parts, Private Industry, 2014, 2015, and 2016</i>	114
<i>Figure: Non-Fatal Injuries and Illnesses by Major Occupational Group. Median Days Away from Work, Private Industry, 2016</i>	115
<i>Figure: Non-fatal Injuries and Illnesses by Major Occupational Group. Median Days Away from Work, State Government, 2016</i>	115
<i>Figure: Non-fatal Injuries and Illnesses by Major Occupational Group. Median Days Away from Work, Local Government, 2016</i>	116
<i>Figure: Incidence Rates by Private Sector Occupational Group, 2016</i>	116
<i>Figure: Back Injury Incidence Rates by Private Sector Occupational Group, 2016</i>	117
<i>Figure: Fatal Occupational Injuries by Selected Occupations, All Ownerships, 2016</i>	117
Characteristics of California Fatal Occupational Injuries and Illnesses.....	118
<i>Figure: California Fatal Occupational Injuries and Illnesses by Gender, 2016</i>	118
<i>Figure: California Fatal Occupational Injuries and Illnesses by Age of Worker , 2016</i>	118
<i>Figure: California Fatal Occupational Injuries and Illnesses by Race and Ethnic Origin, 2016</i>	119
<i>Figure: California Fatal Occupational Injuries and Illnesses by Event and Exposure, 2016</i>	119
PROFILE OF OCCUPATIONAL INJURY AND ILLNESS STATISTICS: CALIFORNIA AND THE NATION	120
Incidence Rates.....	120
Duration.....	120

TABLE OF CONTENTS

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
<i>Figure: DOSH Enforcement Activities, CY 2006 – CY 2016</i>	<i>125</i>
<i>Figure: DOSH On-Site Inspections by Type (All-With and Without Violations), CY 2006 - CY 2016</i>	<i>126</i>
<i>Figure: DOSH Inspections (With and Without Violations Cited), CY 2006 - CY 2016.....</i>	<i>127</i>
<i>Figure: DOSH Violations, CY 2006 - CY 2016.....</i>	<i>127</i>
<i>Figure: Serious Violations as a Share of Total DOSH Violations, CY-2006 – CY 2016.....</i>	<i>128</i>
<i>Figure: Average Number of DOSH Violations per Inspection, CY 2006 – CY 2016</i>	<i>128</i>
List: Twenty-Five Most Frequently Cited Title 8 California Code of Regulations Standards in CY 2016	129
<i>Figure: Total DOSH Penalties Assessed and Collected, 2006 - 2016</i>	<i>130</i>
<i>Figure: Distribution of Inspections by Major Industry, CY 2016</i>	<i>131</i>
<i>Figure: Distribution of Violations by Major Industry, CY 2016</i>	<i>131</i>
High Hazard Identification, Consultation and Compliance Programs.....	132
High Hazard Employer Program	132
High Hazard Consultation Program	132
<i>Figure: High Hazard Consultation Program Production by Year</i>	<i>133</i>
High Hazard Enforcement Program.....	133
Table: High Hazard Inspections by NAICS Code, 2015-2016.....	134
Table: Violations Observed During High Hazard Inspections, 2012-2016	134
Table: Enforcement Actions Taken During High Hazard Targeted Inspections, 2012-2016.....	135
Table: Most Frequently Observed Violations During High Hazard Targeted Inspections	135
Safety Inspections	135
Health and Safety Standards	136
Occupational Health and Safety Appeals Board (OSHAB).....	137
<i>Figure: Occupational Safety and Health Appeals Board Workload, 1996-2016.....</i>	<i>137</i>
<i>Figure: Occupational Safety and Health Appeals Board Backlogs, 1996-2016</i>	<i>138</i>
<i>Figure: Occupational Safety and Health Appeals Board: Appeals Docketed and Disposed, 2006-2016.....</i>	<i>138</i>
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	139
Cal/OSHA Consultation	139
Partnership Programs	139
UPDATE: THE CALIFORNIA WORKERS' COMPENSATION INSURANCE INDUSTRY	140
BACKGROUND.....	140
Minimum Rate Law and Open Rating	140
INSURANCE MARKET AFTER ELIMINATION OF MINIMUM RATE LAW	140
Price Competition.....	140

TABLE OF CONTENTS

Insurance Market Changes	141
<i>List: Insurers Liquidated Since 2000</i>	141
Changing Insurers	141
Reinsurance	141
IMPACT OF WORKERS' COMPENSATION REFORMS ON INSURANCE COMPANIES	141
Workers' Compensation Advisory Premium Rates	143
<i>Figure: Percentage changes in Workers' Compensation Advisory Premium Rates compared to Corresponding Industry Average Filed Pure Premium Rate</i>	143
CALIFORNIA WORKERS' COMPENSATION RATE CHANGES	143
<i>Table: California Workers' Compensation Top 10 Insurers Rate Filing Changes</i>	144
Workers' Compensation Premium.....	144
<i>Figure: Workers' Compensation Written Premium</i>	145
Combined Loss and Expense Ratio	145
<i>Figure: California Workers' Compensation Combined Loss and Expense Ratios</i>	146
Policy Holder Dividends	146
<i>Figure: Insurer Policy Holder Dividends as a Percentage of Earned Premium</i>	146
Average Ultimate Total Loss	147
<i>Figure: Estimated Ultimate Total Loss and ALAE per Indemnity Claim</i>	147
Insurer Profit/Loss	148
<i>Figure: Insurer Pre-Tax Underwriting Profit/Loss</i>	148
CURRENT STATE OF THE INSURANCE INDUSTRY.....	148
Market Share	148
<i>Figure: Workers' Compensation Insurance Market Share in California by Type of Insurer</i>	149
September 11, 2001 Impact on Insurance Industry	149
ADVISORY WORKERS' COMPENSATION PURE PREMIUM RATES: A HISTORY SINCE THE 1993 REFORM LEGISLATION.....	150
SPECIAL REPORT: EVALUATION OF SB 863 MEDICAL CARE REFORMS.....	161
INTRODUCTION	161
STUDY OBJECTIVES.....	162
RESEARCH QUESTIONS.....	162
DATA SOURCE.....	162
SUMMARY OF FINDINGS.....	162
OTHER SPECIFIC FEE SCHEDULE CHANGES	163
SUMMARY	164
SPECIAL REPORT: BENEFITS AND EARNINGS LOSSES FOR PERMANENTLY DISABLED WORKERS IN CALIFORNIA: TRENDS THROUGH THE GREAT RECESSION AND IMPACTS OF RECENT REFORMS	165
INTRODUCTION	165
SUMMARY	165
SPECIAL REPORT: JANITORIAL STUDY	167
INTRODUCTION	167
SUMMARY	167

TABLE OF CONTENTS

KEY FINDINGS AND RECOMMENDATIONS	168
SPECIAL REPORT: QUALIFIED MEDICAL EVALUATORS: UPDATING TRENDS IN EVALUATIONS, AVAILABILITY, AND EQUITY	169
EXECUTIVE SUMMARY	169
RECOMMENDATIONS FOR POSSIBLE MODIFICATIONS IN THE QME PROCESS AND FUTURE MONITORING	170
ADVANCING THE DIVISION OF WORKERS' COMPENSATION'S RESEARCH EFFORTS	171
SPECIAL REPORT: AGING IN THE WORKPLACE: PROMOTING SAFE AND HEALTHY WORKPLACES FOR EVERYONE	172
INTRODUCTION	172
RESEARCH AND STATISTICS ON OLDER WORKERS	172
AGE-FRIENDLY WORKPLACE.....	172
RECOMMENDATIONS THAT SUPPORT THE OCCUPATIONAL SAFETY AND HEALTH NEEDS OF OLDER WORKERS	173
CONCLUSION.....	173
LIST OF PROJECTS AND STUDIES	174
I. Permanent Disability and Temporary Disability Studies.....	174
II. Return to Work	175
III. Workers' Compensation Reforms	177
IV. Occupational Safety and Health	179
V. Workers' Compensation Administration.....	183
VI. Information for Workers and Employers	185
VII. Medical Care.....	187
VIII. Community Concerns	190
IX. Insurance Industry and Coverage.....	192
X. Disaster Preparedness and Terrorism	193
XI. CHSWC Issue Papers	193
XII. Other.....	194
CHSWC AND THE COMMUNITY	195
HOW TO CONTACT CHSWC.....	195
CHSWC PUBLICATIONS.....	195
ACKNOWLEDGMENTS	196

TABLE OF CONTENTS

LIST OF FIGURES

FIGURE 1: MARKET SHARES BASED ON CLAIM COUNTS REPORTED TO WCIS (2014-2016 AVERAGE).....	14
FIGURE 2: SYSTEMWIDE PAID BENEFITS, BY YEAR AND TYPE OF PAYMENT (BILLION \$)	18
FIGURE 3: WORKERS' COMPENSATION WRITTEN PREMIUM, AS OF JUNE 30, 2017 (BILLION \$).....	22
FIGURE 4: AVERAGE WORKERS' COMPENSATION INSURER RATE PER \$100 OF PAYROLL, AS OF JUNE 30, 2017 (DOLLAR \$).....	22
FIGURE 5: ESTIMATED NUMBER OF WORKERS COVERED BY WORKERS' COMPENSATION INSURANCE IN CALIFORNIA (MILLIONS)	23
FIGURE 6: WORKERS' COMPENSATION EARNED PREMIUM (BILLION \$).....	23
FIGURE 7: AVERAGE EARNED PREMIUM PER COVERED WORKER.....	24
FIGURE 8: NUMBER OF EMPLOYEES OF PRIVATE SELF-INSURED EMPLOYERS (MILLIONS)	25
FIGURE 9: NUMBER OF INDEMNITY CLAIMS PER 100 EMPLOYEES OF PRIVATE SELF-INSURED EMPLOYERS	25
FIGURE 10: INCURRED COST PER INDEMNITY CLAIM OF PRIVATE SELF-INSURED EMPLOYERS.....	26
FIGURE 11: INCURRED COST PER CLAIM, INDEMNITY AND MEDICAL OF PRIVATE SELF-INSURED EMPLOYERS.....	26
FIGURE 12: NUMBER OF EMPLOYEES OF PUBLIC SELF-INSURED EMPLOYERS (MILLIONS)	27
FIGURE 13: NUMBER OF INDEMNITY CLAIMS PER 100 EMPLOYEES OF PUBLIC SELF-INSURED EMPLOYERS.....	27
FIGURE 14: INCURRED COST PER INDEMNITY CLAIM OF PUBLIC SELF-INSURED EMPLOYERS (IN \$)	28
FIGURE 15: INCURRED COST PER CLAIM—INDEMNITY AND MEDICAL—PUBLIC SELF-INSURED EMPLOYERS (IN \$)	28
FIGURE 16: WORKERS' COMPENSATION COSTS: PERCENT CHANGE BY YEAR COMPARED WITH 2004	29
FIGURE 17: ESTIMATED DISTRIBUTION OF INSURED EMPLOYERS' AND SYSTEMWIDE WORKERS' COMPENSATION PAID COSTS, 2016 (MILLION \$).....	30
FIGURE 18: ESTIMATED DISTRIBUTION OF SYSTEMWIDE WORKERS' COMPENSATION PAID COSTS, 2016 (MILLION \$).....	30
FIGURE 19: WORKERS' COMPENSATION PAID INDEMNITY BENEFIT BY TYPE SYSTEMWIDE ESTIMATED COSTS (MILLION \$)	32
FIGURE 20: VOCATIONAL REHABILITATION BENEFITS*, TOTAL AND AS PERCENT OF TOTAL INCURRED LOSSES, WCIRB FIRST REPORT LEVEL (MILLION \$)	33
FIGURE 21: PAID VOCATIONAL REHABILITATION BENEFITS, BY INSURED EMPLOYERS (MILLION \$).....	34
FIGURE 22: GROWTH OF WORKERS' COMPENSATION MEDICAL COSTS COMPARED WITH GROWTH OF MEDICAL INFLATION	35
FIGURE 23: WORKERS' COMPENSATION PAID MEDICAL BENEFITS BY TYPE, SYSTEMWIDE ESTIMATED COSTS (MILLION \$)	37
FIGURE 24: ESTIMATED ULTIMATE TOTAL LOSS* PER INDEMNITY CLAIM AS OF JUNE 30, 2017.....	38
FIGURE 25: AVERAGE COST PER PD CLAIM BY TYPE OF INJURY, 2006-2016 (THOUSAND \$)	39
FIGURE 26: PERCENT CHANGE IN AVERAGE MEDICAL AND INDEMNITY COSTS PER CLAIM BY TYPE OF INJURY (FROM 2006 THROUGH 2016, FROM 2014 TO 2015, AND FROM 2015 TO 2016).....	40
FIGURE 27: WORKERS' COMPENSATION CLAIMS, ALL AND WITH PERMANENT DISABILITY, BY CALIFORNIA REGIONS, SY 2013-SY 2016	42
FIGURE 28: NUMBER OF MEDICAL-LEGAL REPORTS ON PD AND ALL CLAIMS (THOUSANDS).....	43
FIGURE 29: MEDICAL-LEGAL PAYMENTS ON PD AND ALL CLAIMS (MILLION \$).....	43
FIGURE 30: WCIRB'S MEDICAL-LEGAL COSTS REPORTED IN CALENDAR VS. SERVICE YEARS (MILLION \$)	44
FIGURE 31: NUMBER OF MEDICAL-LEGAL EVALUATIONS PER 100 WORKERS' COMPENSATION CLAIMS (PD AND ALL) IN CALIFORNIA ...	45
FIGURE 32: AVERAGE NUMBER OF MEDICAL-LEGAL EVALUATIONS PER 100 CLAIMS (PD AND ALL), BY REGION	45
FIGURE 33: AVERAGE COST OF A MEDICAL-LEGAL EVALUATION ON ALL AND PD CLAIMS, CALIFORNIA	46

TABLE OF CONTENTS

FIGURE 34: AVERAGE COST OF A MEDICAL-LEGAL EVALUATION ON PD CLAIM, BY REGION	46
FIGURE 35: DISTRIBUTION OF MEDICAL-LEGAL EVALUATIONS ON PD CLAIMS BY PROCEDURE CODE IN CALIFORNIA AND REGIONS.....	48
FIGURE 36: AVERAGE COST OF A MEDICAL-LEGAL EVALUATION FOR A PD CLAIMS IN CALIFORNIA BY PROCEDURE CODE.....	49
FIGURE 37: DWC OPENING DOCUMENTS.....	52
FIGURE 38: PERCENTAGE BY TYPE OF OPENING DOCUMENTS.....	53
FIGURE 39: DWC LABOR CODE 5502 HEARINGS HELD.....	54
FIGURE 40: DWC NON-5502 HEARINGS HELD.....	55
FIGURE 41: DWC TOTAL NUMBER OF HEARINGS HELD (LC 5502 AND NON-5502).....	55
FIGURE 42: ELAPSED TIME IN DAYS FROM REQUEST TO DWC HEARING (4TH QUARTER).....	56
FIGURE 43: DWC CASE-CLOSING DECISIONS	57
FIGURE 44: DWC DECISIONS: PERCENT DISTRIBUTION BY TYPE OF DECISIONS.....	58
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, 2009-2016	65
FIGURE 53: DEU BACKLOGS	66
FIGURE 54: NUMBER OF QUALIFIED MEDICAL EVALUATOR (QME) PANEL REQUESTS* (THOUSAND)	68
FIGURE 55: NUMBER OF QME INITIAL PANELS*, REPLACEMENT PANELS ISSUED AND RETURNED AS PROBLEM REQUESTS (THOUSAND).....	68
FIGURE 56: QUARTERLY NUMBERS OF INDEPENDENT MEDICAL REVIEW REQUESTS (IMR) RECEIVED AND DETERMINATIONS COMPLETED, 2013 - 2016	71
FIGURE 57: QUARTERLY NUMBERS OF INDEPENDENT BILL REVIEW REQUESTS AND DECISIONS, 2013 – 2016	72
FIGURE 58: NUMBER OF MPN APPLICATIONS RECEIVED BY MONTH AND YEAR OF RECEIPT, 2004-2016.....	74
FIGURE 59: NUMBER OF MPN APPLICATIONS APPROVED BY MONTH, 2004-2016	75
FIGURE 60: NUMBER OF MPN MATERIAL MODIFICATIONS RECEIVED BY MONTH, 2005-2016.....	76
FIGURE 61: DISTRIBUTION OF APPROVED MPNs BY NUMBER OF MPNs PER APPLICANT, 2016	78
FIGURE 62: DISTRIBUTION OF ALL APPROVED MPN APPLICATIONS BY TYPE OF APPLICANT	80
FIGURE 63: UEBTF REVENUES, FY 2007-2008 TO FY 2016-2017 (MILLION \$).....	86
FIGURE 64: NEW UEBTF CASES OPENED, FY 2007-2008 TO FY 2016-2017	86
FIGURE 65: UEBTF TOTAL BENEFITS PAID AND TOTAL REVENUE RECOVERED, FY 2007-2008 TO FY 2016-2017	87
FIGURE 66: NUMBER OF UNINSURED CLAIMS PAID, FY 2007-2008 TO FY 2016-2017	87
FIGURE 67: UEBTF AMOUNTS PAID AND ADMINISTRATIVE COSTS, FY 2007-2008 TO FY 2016-2017 (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: CASELOAD BY TYPE OF FRAUD INVESTIGATIONS, FY 2007-2008–FY 2015-2016	99
FIGURE 71: DISTRIBUTION BY TYPE OF FRAUD INVESTIGATIONS, FY 2007-2008–FY 2015-2016	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), 2009, 2014, AND 2015	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, 2016 vs. 2006	110
FIGURE 89: NUMBER OF NON-FATAL OCCUPATIONAL INJURIES AND ILLNESSES IN CALIFORNIA BY GENDER, PRIVATE INDUSTRY, 2008- 2016	111
FIGURE 90: CALIFORNIA NON-FATAL OCCUPATIONAL INJURIES AND ILLNESSES INCIDENCE RATES BY GENDER, PRIVATE INDUSTRY, 2008-2016 (CASES PER 10,000 FULL-TIME EMPLOYEES)	111
FIGURE 91: NUMBER OF NON-FATAL OCCUPATIONAL INJURIES AND ILLNESSES IN CALIFORNIA BY AGE, PRIVATE INDUSTRY, 2016	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, 2016	113
FIGURE 94: CALIFORNIA NON-FATAL OCCUPATIONAL INJURIES AND ILLNESSES BY EVENT AND EXPOSURE, PRIVATE INDUSTRY, 2016	113
FIGURE 95: INCIDENCE RATES FOR NON-FATAL OCCUPATIONAL INJURIES AND ILLNESSES BY MAJOR BODY PARTS, PRIVATE INDUSTRY, 2014, 2015, AND 2016 (PER 10,000 FULL-TIME WORKERS)	114
FIGURE 96: INCIDENCE RATES FOR NON-FATAL OCCUPATIONAL INJURIES AND ILLNESSES BY MAJOR BODY PARTS, PRIVATE INDUSTRY, 2014, 2015, AND 2016 (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, 2016	115
FIGURE 98: NON-FATAL INJURIES AND ILLNESSES BY MAJOR OCCUPATIONAL GROUP: MEDIAN DAYS AWAY FROM WORK, STATE GOVERNMENT, 2016	115

TABLE OF CONTENTS

FIGURE 99: NON-FATAL INJURIES AND ILLNESSES BY MAJOR OCCUPATIONAL GROUP: MEDIAN DAYS AWAY FROM WORK, LOCAL GOVERNMENT, 2016	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, 2016	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, 2016	117
FIGURE 102: FATAL OCCUPATIONAL INJURIES BY SELECTED OCCUPATIONS, ALL OWNERSHIPS, 2016*	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 2006–CY 2016	125
FIGURE 108: DOSH ON-SITE INSPECTIONS BY TYPE (ALL–WITH AND WITHOUT VIOLATIONS), CY 2006–CY 2016	126
FIGURE 109: DOSH INSPECTIONS (WITH AND WITHOUT VIOLATIONS CITED), CY 2006–CY 2016.....	127
FIGURE 110: DOSH VIOLATIONS (SERIOUS AND OTHER THAN SERIOUS), CY 2006 - CY 2016	127
FIGURE 111: SERIOUS VIOLATIONS AS A SHARE OF TOTAL DOSH VIOLATIONS, CY 2006–CY 2016	128
FIGURE 112: AVERAGE NUMBER OF DOSH VIOLATIONS PER INSPECTION, CY 2006–CY 2016.....	128
FIGURE 113: TOTAL DOSH PENALTIES ASSESSED AND COLLECTED, 2006–2016	130
FIGURE 114: DISTRIBUTION OF INSPECTIONS BY MAJOR INDUSTRY, CY 2016.....	131
FIGURE 115: DISTRIBUTION OF VIOLATIONS BY MAJOR INDUSTRY, CY 2016	131
FIGURE 116: HIGH HAZARD CONSULTATION PROGRAM PRODUCTION BY YEAR.....	133
FIGURE 117: OCCUPATIONAL SAFETY AND HEALTH APPEALS BOARD (OSHAB) WORKLOAD, 1996-2016.....	137
FIGURE 118: OCCUPATIONAL SAFETY AND HEALTH APPEALS BOARD BACKLOGS, 1996-2016	138
FIGURE 119: OCCUPATIONAL SAFETY AND HEALTH APPEALS BOARD: APPEALS DOCKETED AND DISPOSED, 2006-2016	138
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	143
FIGURE 121: WORKERS' COMPENSATION WRITTEN PREMIUM AS OF JUNE 30, 2017 (BILLION \$).....	145
FIGURE 122: CALIFORNIA WORKERS' COMPENSATION COMBINED LOSS AND EXPENSE RATIOS*	146
FIGURE 123: INSURER POLICY HOLDER DIVIDENDS AS A PERCENTAGE OF EARNED PREMIUM (BY CALENDAR YEAR)	146
FIGURE 124: ESTIMATED ULTIMATE TOTAL LOSS* AND ALAE PER INDEMNITY CLAIM AS OF JUNE 30, 2017	147
FIGURE 125: INSURER PRE-TAX UNDERWRITING PROFIT/LOSS, 2004-2016 (MILLION \$ AND AS A PERCENTAGE OF EARNED PREMIUM)	148
FIGURE 126: WORKERS' COMPENSATION INSURANCE MARKET SHARE IN CALIFORNIA BY TYPE OF INSURER	149

TABLE OF CONTENTS

LIST OF TABLES

TABLE 1: WORKERS' COMPENSATION CLAIMS (IN 000s) BY MARKET SHARE.....	15
TABLE 2: DISTRIBUTION OF WORKERS' COMPENSATION PAID COSTS BY SECTORS (EXCLUDING ADMINISTRATIVE EXPENSES)—USING PUBLIC SELF-INSURED AND STATE DATA FOR FY 2016-2017	16
TABLE 3: PERCENT DISTRIBUTION OF WORKERS' COMPENSATION PAID COSTS BY SECTORS (EXCLUDING ADMINISTRATIVE EXPENSES)— USING PUBLIC SELF-INSURED AND STATE DATA FOR FY 2015-2016	16
TABLE 4: A CLAIM COUNTS-BASED ESTIMATE OF WORKERS' COMPENSATION SYSTEM SIZE (MILLION \$).....	17
TABLE 5: BREAKDOWN OF EXPENSES (MILLION \$)	17
TABLE 6: WCIRB'S NOVEMBER 2016 EVALUATION OF SENATE BILL (SB) 863 COST IMPACT *	20
TABLE 7: SYSTEMWIDE ESTIMATED COSTS OF PAID INDEMNITY BENEFITS.....	31
TABLE 8: SYSTEMWIDE ESTIMATED COSTS—MEDICAL BENEFITS PAID	36
TABLE 9: DISTRIBUTION OF MEDICAL-LEGAL REPORTS ON PD CLAIMS BY CALIFORNIA REGIONS.....	47
TABLE 10: MEDICAL-LEGAL EVALUATION COST FOR DATES OF SERVICE ON OR AFTER JULY 1, 2006.....	47
TABLE 11: CHARACTERISTICS OF ML-104 CODED REPORTS DONE ON PD CLAIMS IN CALIFORNIA REGIONS	49
TABLE 12: AVERAGE COST OF A PSYCHIATRIC OR PSYCHOLOGICAL/BEHAVIORAL REPORT BY REGION.....	50
TABLE 13: RATE OF PSYCHIATRIC EVALUATIONS PER 100 PD REPORTS.....	50
TABLE 14: RATE OF PSYCHOLOGIST/BEHAVIORAL HEALTH EVALUATIONS PER 100 PD REPORTS.....	50
TABLE 15: SHARE OF PAYMENTS FOR PSYCHIATRIC AND PSYCHOLOGICAL REPORTS IN CALIFORNIA MEDICAL-LEGAL PAYMENTS, BY REGION	50
TABLE 16: NUMBERS OF LIENS FILED AND DWC LIEN DECISIONS, 2011-2016.....	59
TABLE 17: DEU RATINGS IN 2016 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, 2016.....	74
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, 2004–2016	79
TABLE 24: NUMBER OF MPN APPLICANTS USING HCO NETWORKS	80
TABLE 25: CURRENTLY CERTIFIED HCOs BY DATE OF CERTIFICATION/RECERTIFICATION (AS OF JUNE 20, 2016)	81
TABLE 26: HCOs BY NUMBER OF ENROLLEES FOR 2004 THROUGH 2016.....	82
TABLE 27: INFORMATION & ASSISTANCE UNIT WORKLOAD.....	83
TABLE 28: SPANISH OUTREACH ATTENDANCE, 2013	83
TABLE 29: DWC EDUCATIONAL CONFERENCES ATTENDANCE, 2012–2016.....	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 - 2016	94
TABLE 33: DLSE CITATIONS BY CATEGORY, 2015–2016	95
TABLE 34: TWENTY-FIVE MOST FREQUENTLY CITED CCR TITLE 8 STANDARDS IN CY 2016.....	129

TABLE OF CONTENTS

TABLE 35: HIGH HAZARD INSPECTIONS BY NAICS CODE, 2015-2016	134
TABLE 36: VIOLATIONS OBSERVED DURING HIGH HAZARD INSPECTIONS, 2012-2016	134
TABLE 37: ENFORCEMENT ACTIONS TAKEN DURING HIGH HAZARD TARGETED INSPECTIONS, 2012-2016	135
TABLE 38: MOST FREQUENTLY OBSERVED VIOLATIONS DURING HIGH HAZARD TARGETED INSPECTIONS, 2016	135
TABLE 39: CALIFORNIA WORKERS' COMPENSATION TOP 10 INSURERS RATE FILING CHANGES	144

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, information for injured workers and employers, 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 (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.

CHSWC

Serving all Californians

- Created by the 1993 workers' compensation reform legislation.
- Composed of eight members appointed by the Governor, Senate and Assembly to represent employers and labor.
- Charged with examining the health and safety and workers' compensation systems in California and with recommending administrative or legislative modifications to improve their operation.
- Established to conduct a continuing examination of the workers' compensation system and of the State's activities to prevent industrial injuries and occupational diseases and to examine those programs in other states.
- Works with the entire health and safety and workers' compensation community—employees, employers, labor organizations, injured worker groups, insurers, attorneys, medical and disability providers, administrators, educators, researchers, government agencies, and members of the public.
- Brings together a wide variety of perspectives, knowledge, and concerns about various health and safety and workers' compensation programs critical to all Californians.
- Serves as a forum in which the community may come together, raise issues, identify problems, and work together to develop solutions.
- Contracts with independent research organizations for projects and studies designed to evaluate critical areas of key programs. This is done to ensure objectivity and incorporate a balance of viewpoints and to produce the highest-quality analyses and evaluation.

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

ABOUT CHSWC

CHSWC Members Representing Employers

Mona Garfias

Since 1998 Ms. Garfias has been director of claims at DMS Facility Services, a large unionized employer in the janitorial industry with over 1,800 employees. She started her insurance industry career 27 years ago and has held various positions involving workers' compensation claims on both the insurance carrier and insurance brokerage sides.

Ms. Garfias was instrumental in implementing the Ross Pike Memorial Workers' Compensation Carve-Out & Alternative Dispute Resolution (ADR) program and continues to be involved in this program on a daily basis.

Appointed by: Senate Rules Committee



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

ABOUT CHSWC

CHSWC Members Representing Labor

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 chief of staff 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.

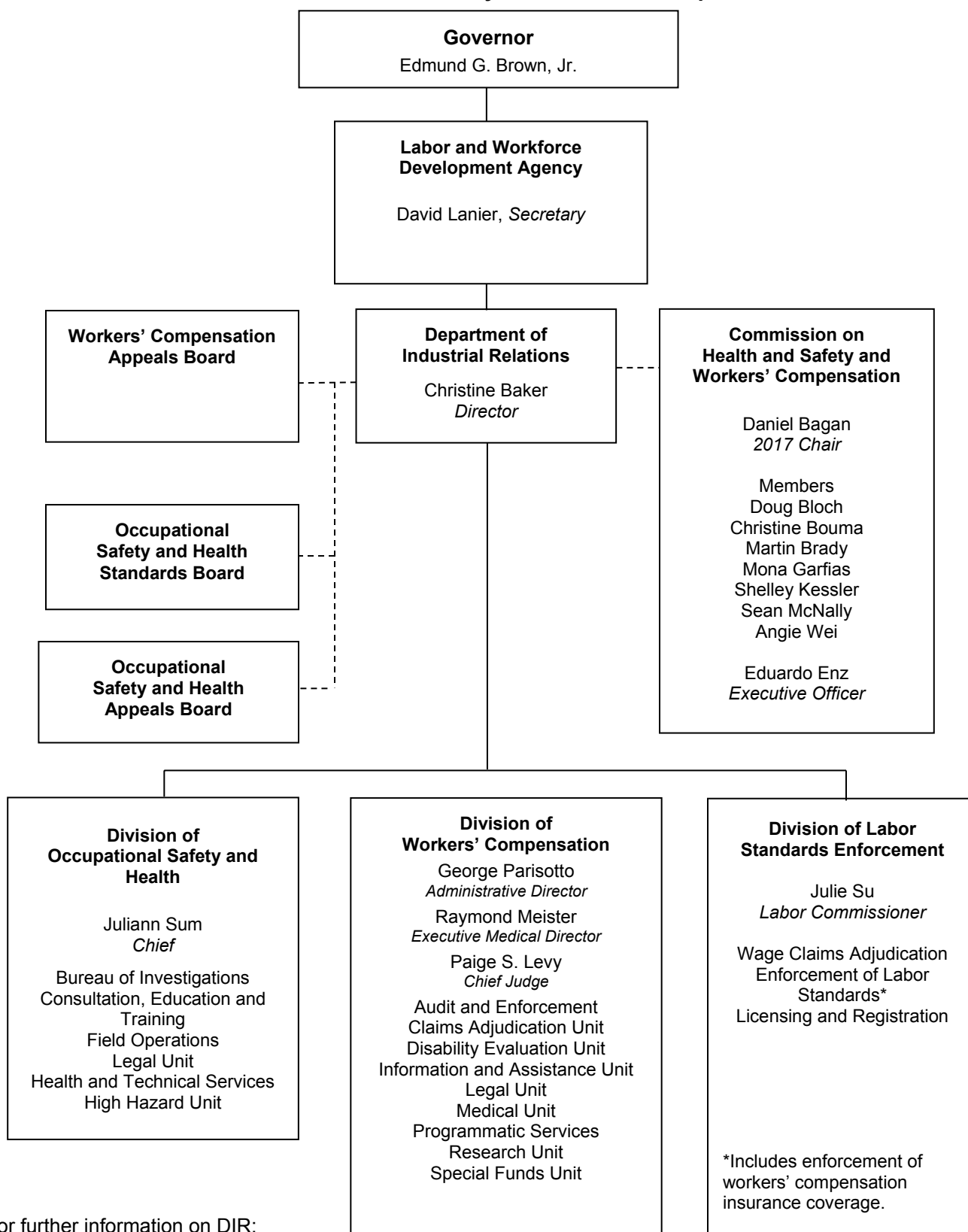
Ms. Wei holds a bachelor's degree in political science and Asian American studies from the University of California, Berkeley, and a master's degree in public policy from the Kennedy School of Government at Harvard University.

Appointed by: Senate Rules Committee



ABOUT CHSWC

State of California Health and Safety and Workers' Compensation Functions



For further information on DIR:
http://www.dir.ca.gov/org_chart/org_chart.pdf.

CHSWC RECOMMENDATIONS

The Commission on Health and Safety and Workers' Compensation (CHSWC) recommends steps to prevent workplace injuries and ensure the adequate and timely delivery of indemnity and medical benefits for injured workers.

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 improvement.

CHSWC will continue to examine the following:

- Wage loss
- Return to Work
- Access to, appropriateness, and timeliness of care
- Fraud detection

RETURN-TO-WORK SUPPLEMENT

Labor Code section 139.48 requires the Department of Industrial Relations' (DIR's) program, the Return-to-Work Supplemental Program (RTWSP), to administer a \$120 million fund for the purpose of making supplemental payments to workers whose permanent disability benefits are disproportionately low in comparison to their earnings losses.¹ According to a CHSWC study by RAND,² this is a highly progressive benefit that greatly assists low-wage workers. However, stakeholders have raised concerns that not all workers who are eligible for supplemental payments from the Return-to-Work (RTW) Fund are applying for these payments, and the appropriate level of the benefit is also a concern.

Recommendation

- Ongoing monitoring of the utilization of this benefit
- Assess the RTW Fund's payments to injured workers and identify any practices and policy changes that would improve administration of the fund.

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

¹ <http://www.dir.ca.gov/rtwsp/rtwsp.html>

² http://www.dir.ca.gov/chswc/Reports/2016/WageLossReport_2016.pdf

CHSWC RECOMMENDATIONS

permanently disabled workers, making the higher benefits provided under the recent reforms particularly important for maintaining adequate levels of wage replacement.

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.

MEDICAL CARE IN WORKERS’ COMPENSATION

Monitoring Medical Care and Costs

In the past, problems in the medical-legal process included delays in selecting evaluators, obtaining examinations, and producing evaluation reports. Deficiencies also 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 DIR to develop a system for the mandatory electronic reporting of UR decisions and the Doctor’s First Report of Injury form.³

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 with and/or convicted of fraud continue to act as QMEs

³ <http://www.dir.ca.gov/dwc/SB1160-AB1244/SB1160.htm>

CHSWC RECOMMENDATIONS

- Whether the QME process is being used to circumvent the UR and IMR processes

Recommendations

- CHSWC will request an update of the study adopted in 2010, “The Frequency, Severity and Economic Consequences of Musculoskeletal Injuries to Firefighters in California,” to reflect current data, including a specific analysis of the return to work rates for firefighters who experience a musculoskeletal injury, compared to injured workers in other job classifications.
- Promote and support the recommendations from the CHSWC study by RAND “Evaluation of SB 863 Medical Care Reforms.”
- 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 go into 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.⁴

Recommendations

- Continue to research ways to identify the underground economy and ensure compliance with workers’ compensation and health and safety laws.

⁴ http://www.edd.ca.gov/payroll_taxes/Underground_Economy_Cost.htm

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 value of liens held by providers charged with 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 fraud from the workers' compensation system and for limiting financial recovery related to fraudulent activity. In particular, Assembly Bill 1244 addresses medical fraud in the workers' compensation system by creating a new adjudication and stay process for dealing with convicted and indicted providers in 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.
- Recommend concepts in the RAND study "[Provider Fraud in California's Workers' Compensation System](#)" to address medical provider 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 in the "[Report on Anti-Fraud Efforts in the California Workers' Compensation System](#)" to address premium fraud.

PUBLIC SELF-INSURED

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

CHSWC RECOMMENDATIONS

administration and performance of the program. CHSWC contracted with Bickmore to assist in fulfilling this requirement.

Recommendation

Monitor implementation of regulations to collect critical information on the public sector.

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.
- Work with DIR Communications to promote and extend the reach of WOSHTEP to ensure effective outreach and promote WOSHTEP messages and services.
- 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).
- Support efforts to develop and create a California Occupational Research Agenda specific to the needs of California's workforce to prevent workplace injuries and illnesses.
- Facilitate the development of a model training curriculum for occupational safety and health training for child-care workers and employers.
- Work with the Office of the Director and the Labor Occupational Health Program to develop a training program for employees and employers in the janitorial services industry to prevent workplace injuries related to sexual harassment and assault.

SPECIAL REPORT: 2017 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 2017/18 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.ca.gov. The chaptered bills go into effect January 1, 2018, 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_Digest2017.pdf.

To research legislation enacted into law last year, see: http://www.dir.ca.gov/OPRL/Leg_Digest2016.pdf or for years 2015 and 2014 insert the desired year in the URL.

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>.

SPECIAL REPORT: 2016 LEGISLATION AND REGULATIONS

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>.

Information about these preliminary activities is available at:

<http://www.dir.ca.gov/Wcjudicial.htm>.

The latest formal rulemaking updates are available at:

www.dir.ca.gov/DWC/dwcrulemaking.html.

DWC Approved Regulations 2017 are available at:

http://www.dir.ca.gov/dwc/rulemaking/dwc_rulemaking_approved.html.

DWC Proposed Regulations 2017 are available at:

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>.

Approved OSIP regulations are at:

http://www.dir.ca.gov/osip/rulemaking/osip_rulemaking_approved.html.

Regulations in Title 8 of the California Code of Regulations (CCR) are at:

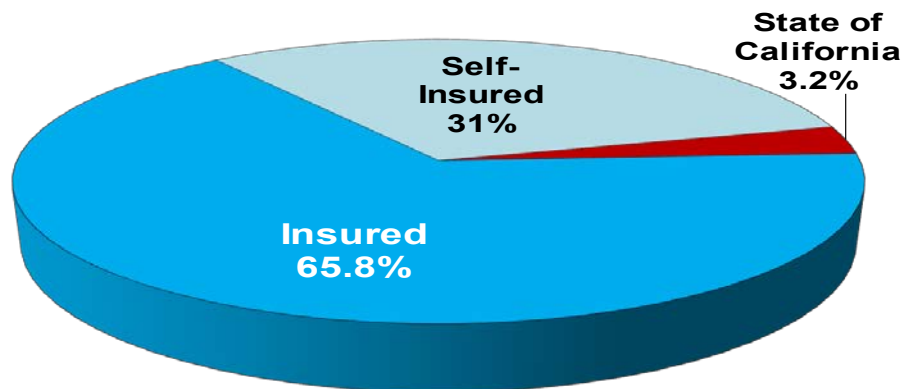
<https://www.dir.ca.gov/osip/lawsandregs.htm>.

SYSTEM COSTS AND BENEFITS OVERVIEW

The California workers' compensation system covers 16,051,000 employees⁵ working for over 968,297 employers⁶ in the State. These employees and employers generated a gross domestic product of \$2,602,672,000,000 (\$2.6 trillion) in 2016.⁷ A total of 621,196 occupational injuries and illnesses were reported for 2016,⁸ ranging from minor medical treatment cases to catastrophic injuries and deaths. The total paid cost to employers for workers' compensation in 2016 was \$24.2 billion. (See the box "Systemwide Cost: Paid Dollars for 2016 Calendar Year" on page 17.)

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), 65.8 percent of injuries occur to employees of insured employers, 31 percent of injuries occur to employees of self-insured employers, and 3.2 percent of injuries occur to employees of the State of California.⁹ (For calculations based on claim counts and paid loss data, see the box "Method of Estimating the Workers' Compensation System Size" on pp. 15-16.)

Figure 1: Market Shares Based on Claim Counts Reported to WCIS (2014-2016 average)



Data Source: DWC - WCIS

⁵ NASI Report: Workers' Compensation Benefits, Coverage, and Costs, 2015. October, 2017.

https://www.nasi.org/sites/default/files/research/NASI_Workers%20Comp%20Report%202017_web.pdf.

⁶ CHSWC estimates are based on an Employment Development Department report, as above, showing 1,498,017 businesses in 2016. Of these, 1,059,439 were businesses with 0 to 4 employees. For this estimate, half of those businesses are assumed to have no employees subject to workers' compensation. $1,498,017 - (1,059,439 / 2) = 968,297$.

http://www.labormarketinfo.edd.ca.gov/LMID/Size_of_Business_Data_for_CA.html.

⁷ California Department of Finance, Economic Research Unit, http://www.dof.ca.gov/Forecasting/Economics/Indicators/Gross_State_Product/.

⁸ 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 13, 2017, http://www.dir.ca.gov/dwc/wcis/WCIS_tables/Table-4/WCIS_Reports-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.

⁹ WCIS, Table 4, "Workers' Compensation Claims by Market Share," June 13, 2017, http://www.dir.ca.gov/dwc/wcis/WCIS_tables/Table-4/WCIS_Reports-Table-4.html.

SYSTEM COSTS AND BENEFITS OVERVIEW

Method of Estimating the Workers' Compensation System Size

The overall system size for 2016 is estimated at 1.52 times the insured sector size. This multiplier is based on claims counts in the Workers' Compensation Information System (WCIS).¹ 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 5.8 percent from 597,734 claims in 2011 to 632,496 claims in 2015. The market share of the insured sector continued its decline from 66 percent in 2011 to a 3-year average of 65.8 percent in 2014 to 2016. The market share of the self-insured sector increased from 29.9 percent in 2011 to an average of 31 percent per year in 2014 through 2016 and the share of the State of California decreased from 4.0 percent in 2011 to a 3-year average of 3.2 percent in 2014 to 2016. In 2016, the three-year average market shares based on claims counts were 65.8 percent insured, 31 percent self-insured, and 3.2 percent state. Using these values, the multiplier for extending the insured sector information to the overall system is $100\%/65.8\% = 1.520$.

Table 1: Workers' Compensation Claims (in 000s) by Market Share

Year	Insured		Self-Insured		State of California	
	Number	Market Share (%)	Number	Market Share (%)	Number	Market Share (%)
2014	412.4	65.5	196.2	31.2	21.0	3.3
2015	415.8	65.7	196.6	31.1	20.0	3.2
2016	410.9	66.1	191.1	30.8	19.2	3.1
Average for 3 years		65.8		31.0		3.2

Source: WCIS.

¹ WCIS Database as of June 13, 2017, http://www.dir.ca.gov/dwc/wcis/WCIS_tables/Table-4/WCIS_Reports-Table-4.html.

(continued on the next page)

SYSTEM COSTS AND BENEFITS OVERVIEW

(continued)

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 67.6 percent of the market is insured, 28.9 percent is self-insured, and 3.5 percent is State. These percentages are stable using 2016 data for the insured and private self-insured sectors and either 2015/2016 or 2016/2017 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 $100\%/67.6\% = 1.48$ (is in the ballpark of estimated 1.52 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 2016-2017

	Indemnity	Medical	Subtotal	% in Total
a. Private Self-Insured ¹ (2016)	\$625,387,071	\$787,771,330		
b. Public Self-Insured ² (2016/2017)	\$1,143,822,475	\$1,046,637,539		
SELF-INSURANCE PLAN (a + b)	\$1,769,209,546	\$1,834,408,869	\$3,603,618,415	28.9%
INSURED (2016)³	\$3,594,618,000	\$4,827,928,000	\$8,422,546,000	67.6%
STATE (2016/2017)⁴	\$185,436,945	\$247,684,621	\$433,121,566	3.5%
Total			\$12,459,285,981	

Table 3: Percent Distribution of Workers' Compensation Paid Costs by Sectors (excluding Administrative Expenses)—using public self-insured and state data for FY 2015-2016

	Indemnity	Medical	Subtotal	% in Total
a. Private Self-Insured ¹ (2016)	\$625,387,071	\$787,771,330		
b. Public Self-Insured ² (2015/2016)	\$1,043,026,906	\$1,097,857,099		
SELF-INSURANCE PLAN (a + b)	\$1,668,413,977	\$1,885,628,429	\$3,554,042,406	28.6%
INSURED (2016)³	\$3,594,618,000	\$4,827,928,000	\$8,422,546,000	67.8%
STATE (2015/2016)⁴	\$180,243,125	\$263,373,905	\$443,617,030	3.6%
Total			\$12,389,989,886	

¹ Private Statewide Summary, <http://www.dir.ca.gov/osip/StatewideTotals.html>.

² Public Statewide Summary, <http://www.dir.ca.gov/osip/StatewideTotals.html>.

³ WCIRB, 2016 Losses and Expenses Report, Exhibit 18.1, Released June 28, 2017.

https://www.wcirb.com/sites/default/files/documents/report_on_2016_ca_wc_losses_and_expenses_complete.pdf

⁴ Cost Information, <http://www.calhr.ca.gov/state-hr-professionals/Pages/workers-compensation-program.aspx>.

SYSTEM COSTS AND BENEFITS OVERVIEW

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 1.52 to include estimated amounts paid by self-insured employers and the State.

Systemwide Cost: Paid Dollars for 2016 Calendar Year

Table 4: A Claim Counts-Based Estimate of Workers' Compensation System Size (Million \$)

	<i>Insured</i>	<i>Self-Insured and the State*</i>	<i>All Employers</i>
Indemnity*	\$3,595	\$1,869	\$5,464
Medical*	\$4,828	\$2,511	\$7,339
Changes to Total Reserves	\$2,479	\$1,289	\$3,768
Insurer Pre-Tax Underwriting Profit/Loss	\$1,023	N/A	\$1,023
Expenses (see Table 5 below: Breakdown of Expenses)	\$6,132	\$1,916	\$8,048
TOTAL for 2016	\$18,057	\$7,585	\$24,226

*Include CIGA payments

Source for Insured figures in Tables 4 and 5 is WCIRB Losses and Expenses report released in June, 2017. Self-insured and state expenses are calculated by CHSWC using 0.52 multiplier for equivalent cost components. The equivalent expense components are estimated as in the Table 5:

Table 5: Breakdown of Expenses (Million \$)

	<i>Insured</i>	<i>Self-Insured and State</i>	<i>All Employers</i>
<i>Loss Adjustment Expense</i>	\$2,831	\$1,472	\$4,303
<i>Commissions and Brokerage</i>	\$1,390	N/A	\$1,390
<i>Other Acquisition Expenses</i>	\$676	N/A	\$676
<i>General Expenses</i>	\$854	\$444	\$1,298
<i>Premium and Other Taxes</i>	\$381	N/A	\$381
Total	\$6,132	\$1,916	\$8,048

Estimate of Workers' Compensation System Size Based on Written Premium

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

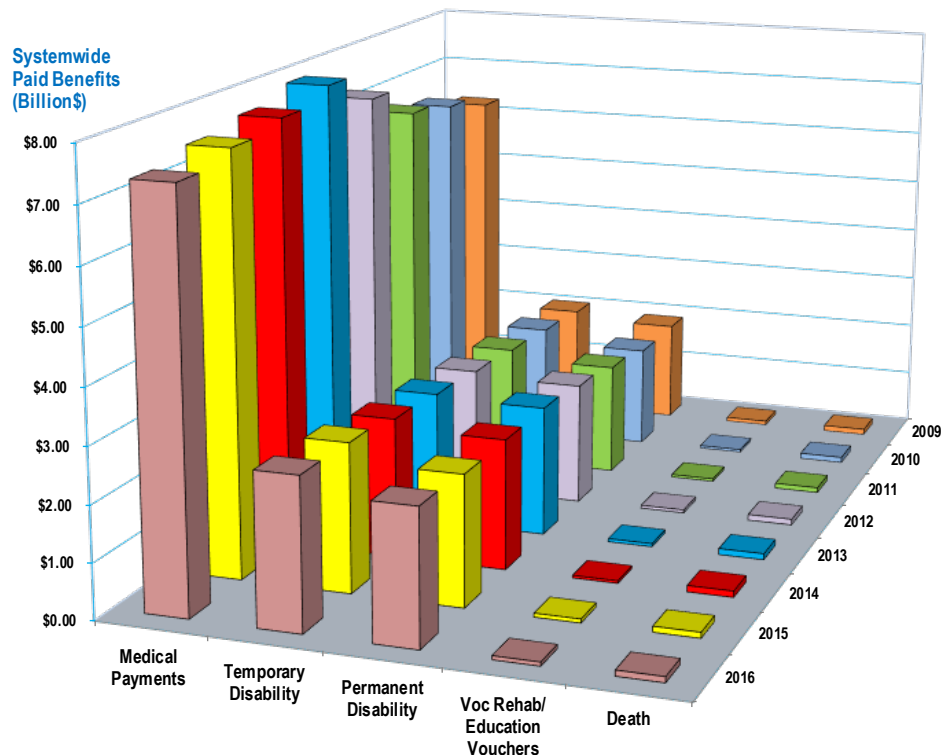
Written premium for insured employers = \$18.1 billion in calendar year 2016.¹⁰

$\$18.1 \text{ billion} \times 1.52 = \$27.5 \text{ billion systemwide costs for employers.}$

¹⁰ WCIRB Report on September 30, 2017, Insurer Experience, released December 19, 2017, Exhibit 1.

SYSTEM COSTS AND BENEFITS OVERVIEW

Figure 2: Systemwide Paid Benefits, by Year and Type of Payment (Billion \$)



* System-wide amounts estimated at 1.52 times the amounts reported by insurers

Data Source: WCIRB

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 2003.¹¹ 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:

- Evidence-based medical treatment guidelines.

¹¹ 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

- 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 retrospective evaluation of SB 863 indicate total annual statewide savings of \$1.34 billion, an increase of \$1.14 billion over the previous projected estimates of \$200 million.¹²

¹² Senate Bill No. 863 WCIRB Cost Monitoring Report—2016 Retrospective Evaluation http://www.wcirb.com/sites/default/files/documents/sb_863_cost_monitoring_report_2016.pdf and WCIRB 2017 report on California's Workers' Compensation System https://www.wcirb.com/sites/default/files/documents/2017_state_of_the_california_workers_compensation_system.pdf

SYSTEM COSTS AND BENEFITS OVERVIEW

Table 6, reproduced from WCIRB's November 2016 evaluation, summarizes WCIRB's estimates using various cost categories.

Table 6: WCIRB's November 2016 Evaluation of Senate Bill (SB) 863 Cost Impact *

November 2016 Evaluation of SB 863 Cost Impact					
	WCIRB Prospective Evaluation		November 2016 Retrospective Evaluation		
	Total Cost Impact (\$ millions)	Total % Impact	General Impact on Cost Savings**	Updated Cost Impact (\$ millions)	Updated Total % Impact
Indemnity Cost Components					
Changes to Weekly PD Min & Max	+\$650	+3.4%	=	+\$650	+3.4%
SJDB Benefits	(\$10)	-0.1%	-	+\$20	+0.1%
Replacement of FEC Factor	+\$550	+2.9%	=	+\$550	+2.9%
Elimination of PD Add-ons	(\$170)	-0.9%	=	(\$170)	-0.9%
Three-Tiered Weekly PD Benefits	(\$100)	-0.5%	=	(\$100)	-0.5%
Ogilvie Decision	(\$210)	-1.1%	-	(\$130)	-0.7%
Med and LAE Cost Components					
Liens	(\$480)	-2.5%	=	(\$480)	-2.5%
Surgical Implant Hardware	(\$110)	-0.6%	+	(\$110)	-0.6%
ASC Fees	(\$80)	-0.4%	=	(\$80)	-0.4%
IMR—Impact of Frictional Costs	(\$180)	-0.9%	-	+\$70	+0.4%
IMR—Impact of TD Duration	(\$210)	-1.1%	-	\$0	0.0%
MPN Strengthening	(\$190)	-1.0%	=	(\$190)	-1.0%
IBR	N/A	N/A	+	—	—
RBRVS Fee Schedule	+\$340	+1.8%	+	(\$330)	-1.7%
Indemnity Claim Frequency	Small Increase	—	=	—	—
Indemnity Severities (Incl. Trend)	Increases	—	=	—	—
Medical Severities (Incl. Trend)	Increases	—	+	(\$1,040)	-5.5%
ALAE and ULAE Severities	Signif. Decline	—	-	—	—
TOTAL ESTIMATE—ALL ITEMS	(\$200)	-1.1%		(\$1,340)	-7.1%

Data Source: WCIRB

* Senate Bill No. 863 WCIRB Cost Monitoring Report—2016 Retrospective Evaluation (Table 1, p. 4).

http://www.wcirb.com/sites/default/files/documents/sb_863_cost_monitoring_report_2016.pdf

** 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.

SYSTEM COSTS AND BENEFITS OVERVIEW

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 2016, workers' compensation insurers' earned premium totaled \$17.9 billion paid by California employers.¹³

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 \$2.47 per \$100 of payroll in the first nine months of 2017 was still 61 percent below the second half of 2003 peak of \$6.29 per \$100 of payroll.¹⁴

¹³ "2016 California's Workers' Compensation Losses and Expenses." WCIRB—June 28, 2017. 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.

¹⁴ WCIRB Report on September 30, 2017, Insurer Experience, released December 19, 2017, Exhibit 2.

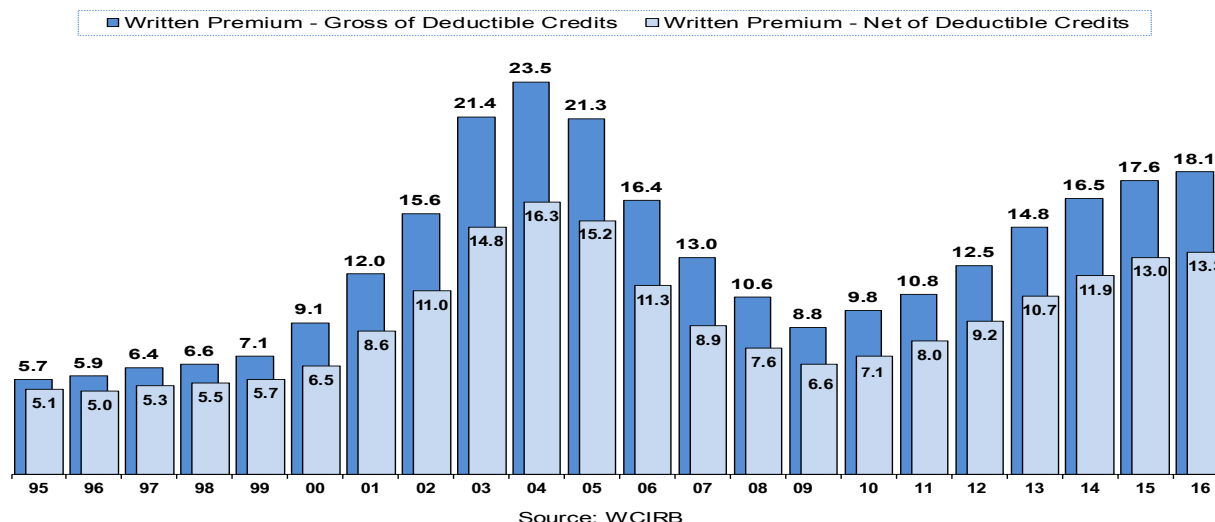
SYSTEM COSTS AND BENEFITS OVERVIEW

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. Written premium more than doubled from 2009 to 2016.

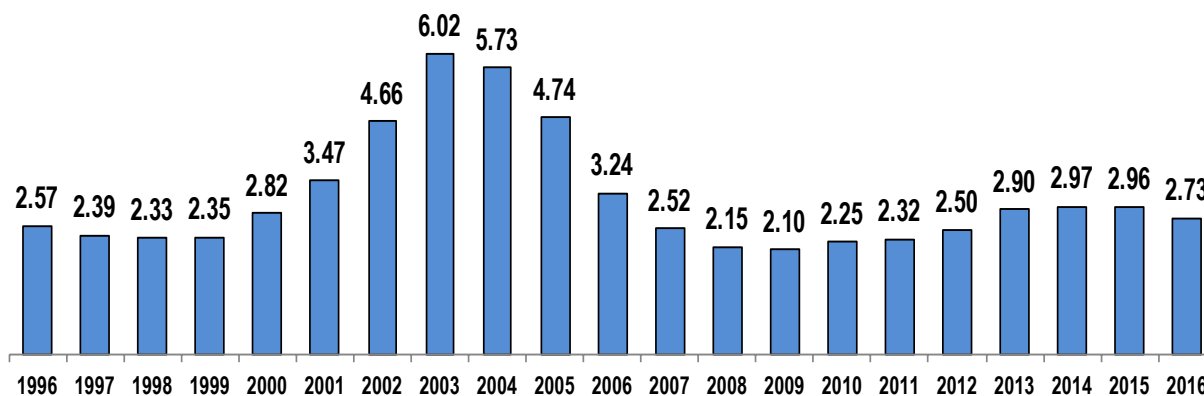
Figure 3: Workers' Compensation Written Premium, as of September 30, 2017 (Billion \$)



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 2014, the average premium rate increased by 41 percent. The average insurer rate decreased by 8 percent from 2014 to 2016. According to WCIRB this decrease is due largely to the significant SB 863 savings.¹⁵

Figure 4: Average Workers' Compensation Insurer Rate per \$100 of Payroll, as of September 30, 2017 (Dollar \$)



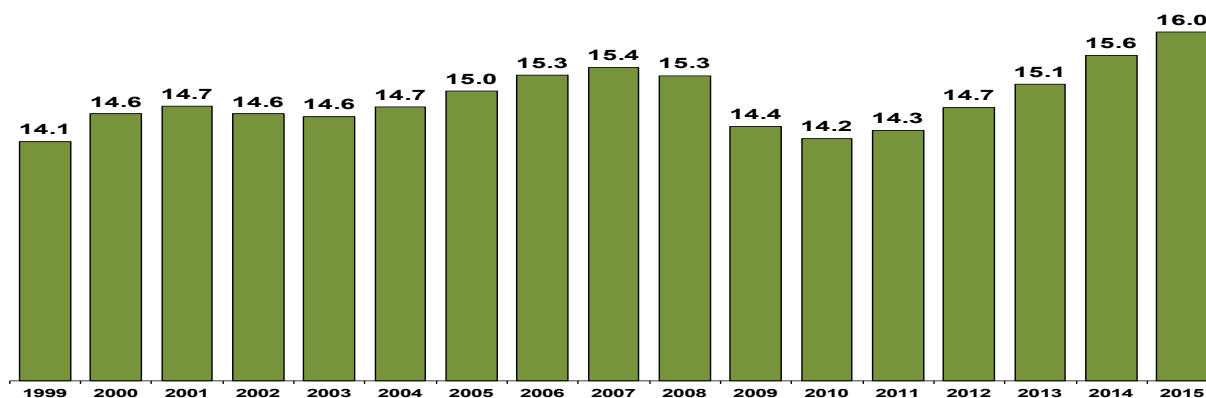
¹⁵ https://www.wcirb.com/sites/default/files/documents/2017_state_of_the_california_workers_compensation_system.pdf

SYSTEM COSTS AND BENEFITS OVERVIEW

Workers Covered by Workers' Compensation Insurance

The estimated number of California workers covered by workers' compensation insurance grew overall by 16 percent from 14.1 million in 1999 to 15.4 million in 2007, decreased by 8 percent from 2007 to 2010, and then increased by about 13 percent from 2010 to 2015.¹⁶

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

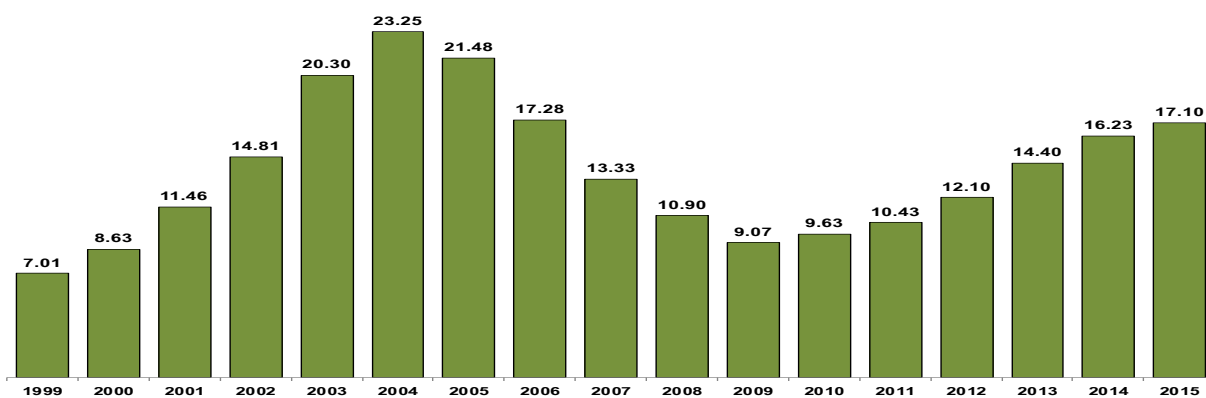


Data Source: National Academy of Social Insurance (NASI)

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 \$)



Data Source: WCIRB

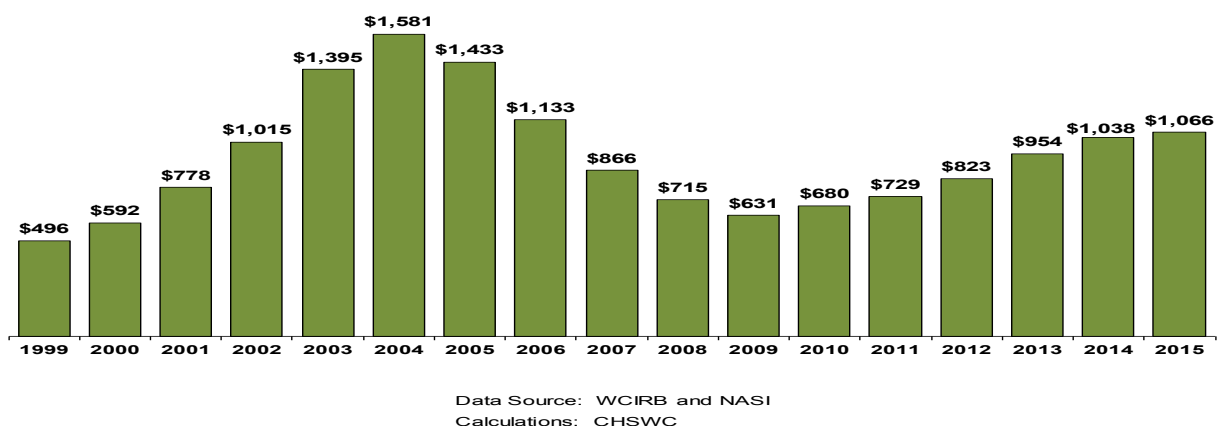
Average Earned Premium per Covered Worker

As shown in Figure 7, the average earned premium per covered worker more than tripled between 1999 and 2004, and then decreased by 60 percent from 2004 to 2009. From 2009 to 2015, the average earned premium per covered worker increased by 69 percent.

¹⁶ Latest available data in 2017 from NASI Report: Workers' Compensation Benefits, Coverage, and Costs, 2015. October 2017. https://www.nasi.org/sites/default/files/research/NASI_Workers_Comp_Report_2017.pdf.

SYSTEM COSTS AND BENEFITS OVERVIEW

Figure 7: Average Earned Premium per Covered Worker



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 over 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.

In 2016, OSIP moved to a more client-oriented culture, in which each employer had one main contact person for all questions and needs. This led to further efficiency and better communication between the stakeholders and OSIP. OSIP continued to realize the savings of the previous few years.

The focus in 2016 and 2017 was two major projects. Enhancements to the E-filing enhancement were rolled out in mid-2017; OSIP has received numerous compliments on the changes made. The regulations changed the requirements on being self-insured from a net worth requirement to a credit-based requirement. This modern approach allows mid-size companies to become self-insured.

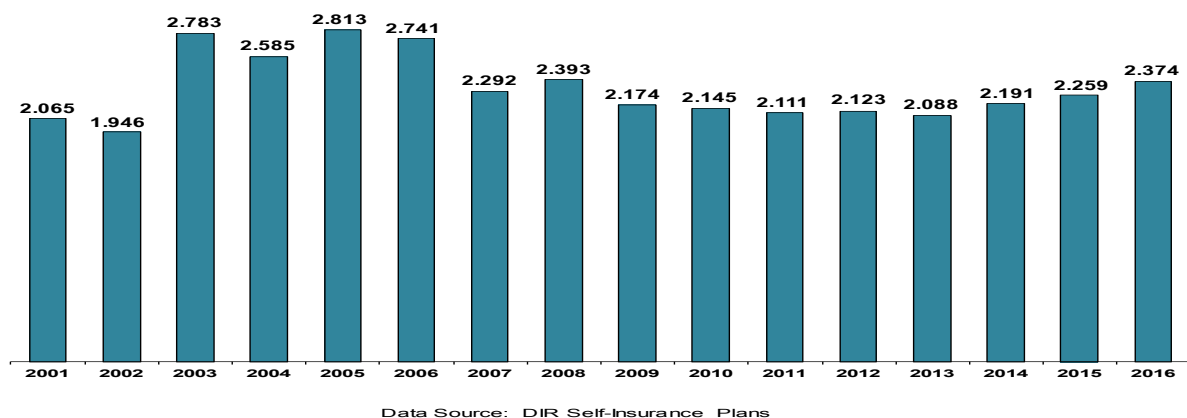
SYSTEM COSTS AND BENEFITS OVERVIEW

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 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 0.52 and an estimated cost to self-insured employers and the State for 2016 of \$7.6 billion (see the box "Systemwide Cost: Paid Dollars for 2016 Calendar Year" on p.17).

Private Self-Insured Employers¹⁷

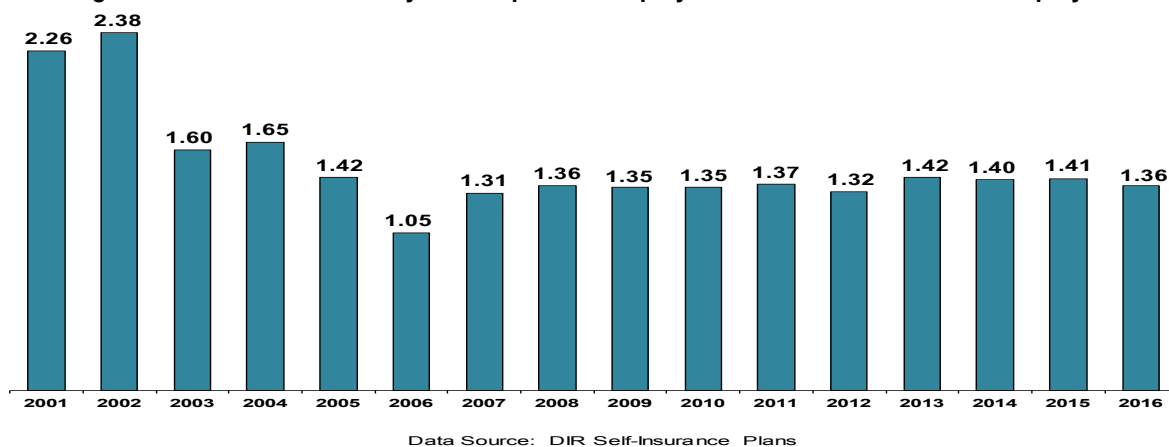
Number of Employees. Figure 8 shows the number of employees working for private self-insured employers between 2001 and 2016. A number of factors may affect the year-to-year changes. One striking comparison is the average cost of insurance per \$100 of payroll for insured employers, as described earlier. When insurance is inexpensive, fewer employers may be attracted to self-insurance, but when insurance becomes more expensive, more employers move to self-insurance.

Figure 8: Number of Employees of Private Self-Insured Employers (Millions)



Indemnity Claims. The rate of indemnity claims per 100 employees of private self-insured employers reflects trends seen throughout the workers' compensation system. The reforms of 2003-2004 produced distinct drops in upward trend starting in 2002.

Figure 9: Number of Indemnity Claims per 100 Employees of Private Self-Insured Employers

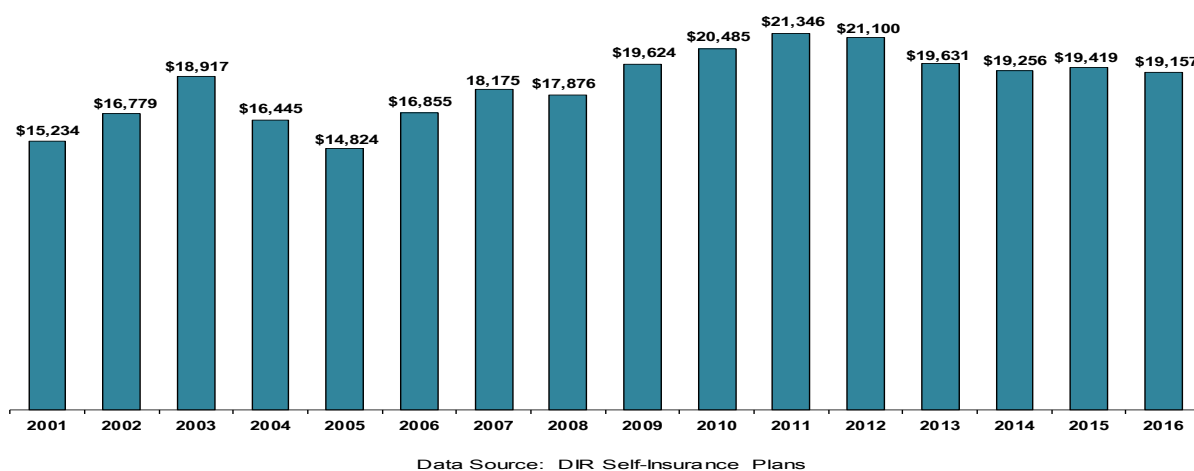


¹⁷ Data for private self-insured employers are from DIR's Office of Self-Insurance Plans correspondence received by CHSWC in June 2017.

SYSTEM COSTS AND BENEFITS OVERVIEW

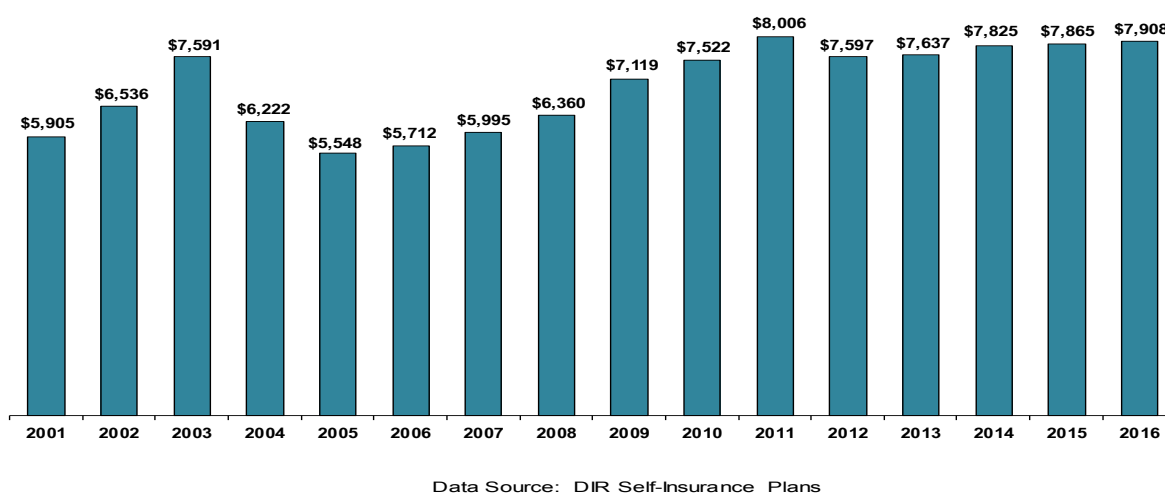
Incurred Cost per Indemnity Claim. Figure 10 shows the incurred cost per indemnity claim for private self-insured employers, which experienced changes similar to the changes for insurance companies. There was a steady rise in the cost per indemnity claim until 2003, when the cost began to drop in response 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 8 percent decrease in average incurred cost per indemnity claim from 2011 to 2013. From 2013 to 2016, incurred cost per indemnity claim started to level off.

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 and medical-only claims, is naturally lower than the average cost of indemnity claims. It also showed a decrease from 2011 to 2012, but starting in 2012, the average cost of all claims, including both indemnity and medical-only claims, showed a slight increase of 4 percent from 2012 to 2016.

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

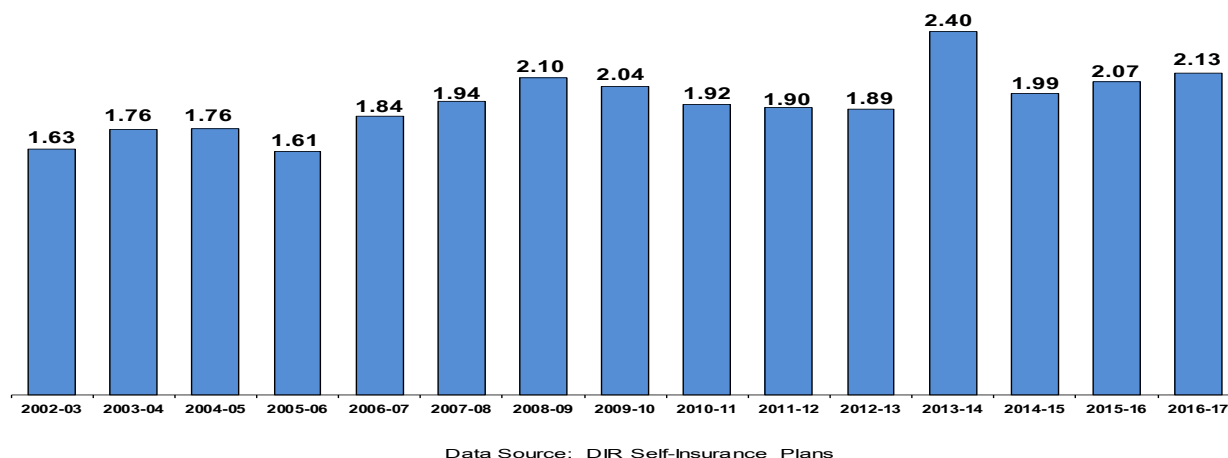


SYSTEM COSTS AND BENEFITS OVERVIEW

Public Self-Insured Employers¹⁸

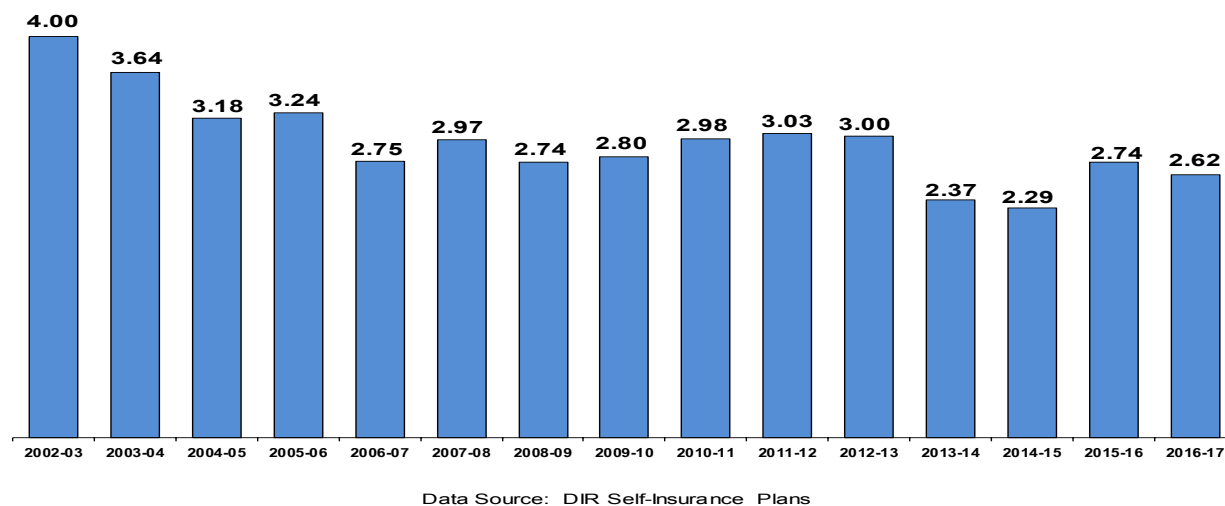
Number of Employees. Figure 12 shows the number of employees of public self-insured employers between fiscal years 2002-2003 and 2016-2017. Between 2002-2003 and 2003-2004, the number of employees working for public self-insured employers grew by 8 percent, then leveled off between 2003-2004 and 2004-2005, declined between 2004-2005 and 2005-2006, and then increased by 30 percent from 2005-2006 to 2008-2009. From 2008-2009 to 2012-2013, the number of employees of public self-insured employers decreased by 10 percent, spiked in 2013-2014, and then decreased by 17 percent from 2013-2014 to 2014-2015. From 2014-2015 to 2016-2017 the number of employees increased by 7 percent.

Figure 12: Number of Employees of Public Self-Insured Employers (Millions)



Indemnity Claims. The rate of indemnity claims per employees working for public self-insured employers decreased by 21 percent from 2002-2003 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. There was a 14 percent increase in the rate from 2014-2015 to 2016-2017.

Figure 13: Number of Indemnity Claims per 100 Employees of Public Self-Insured Employers

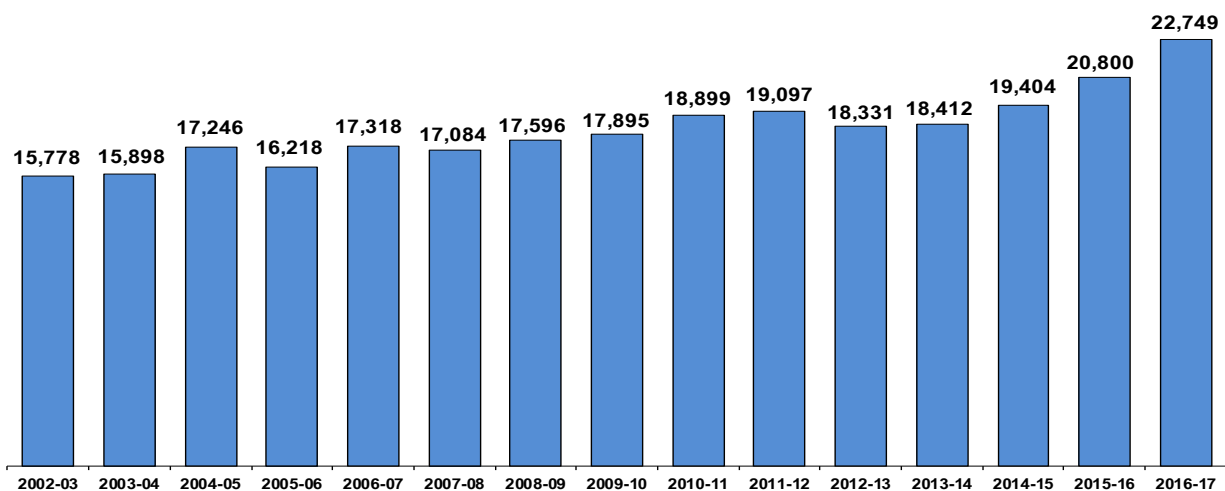


¹⁸ Data for Public Self-Insured Employers are from DIR's Office of Self-Insurance Plans correspondence received by CHSWC in December 2017.

SYSTEM COSTS AND BENEFITS OVERVIEW

Incurred Cost per Claim. Figure 14 shows the incurred cost per indemnity claim for public self-insured employers. Between 2002-2003 and 2016-2017, the incurred cost per indemnity claim increased overall by 44 percent from \$15,778 to \$22,749.

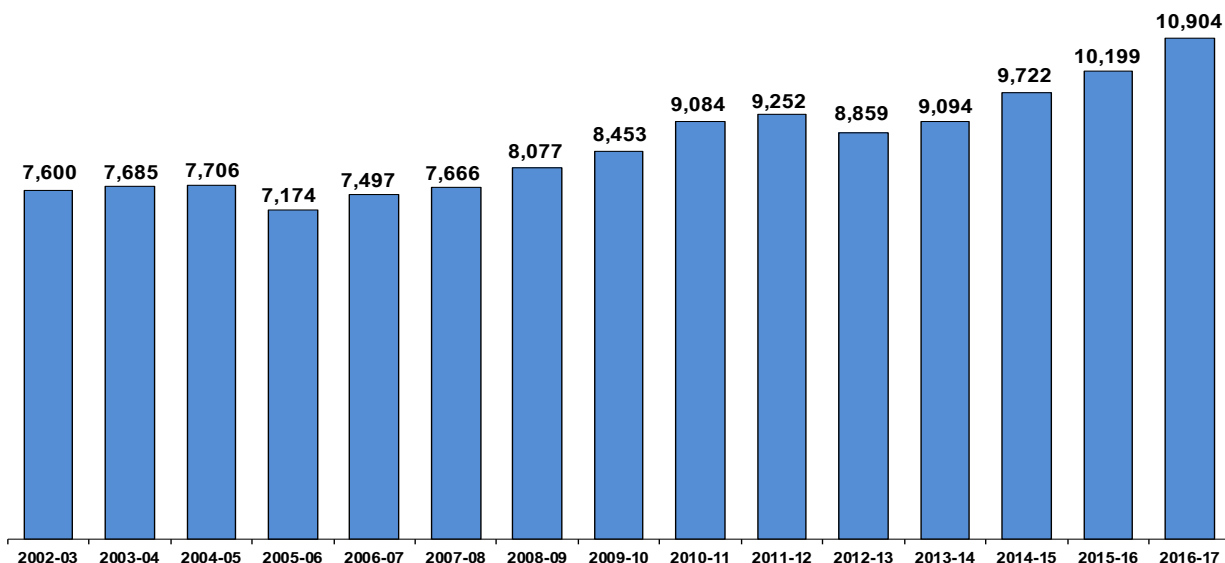
Figure 14: Incurred Cost per Indemnity Claim of Public Self-Insured Employers (in \$)



Data Source: DIR Self-Insurance Plans

Incurred Cost per Indemnity and Medical Claim Figure 15 shows the incurred cost per indemnity and medical claim for public self-insured employers. Between 2002-2003 and 2016-2017, the incurred cost per indemnity and medical claim increased overall by 43 percent from \$7,600 to \$10,904.

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



Data Source: DIR Self-Insurance Plans

SYSTEM COSTS AND BENEFITS OVERVIEW

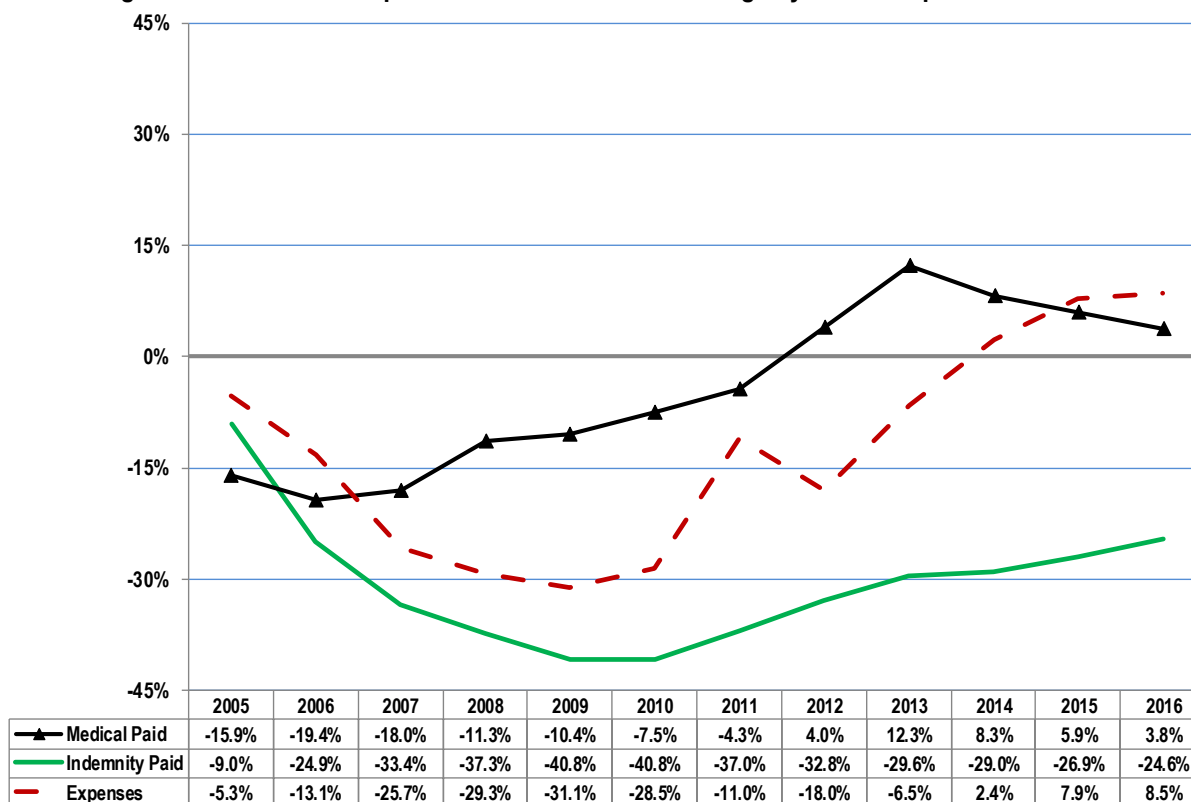
Workers' Compensation System Expenditures: Indemnity and Medical Benefits

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 34.2 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 2004



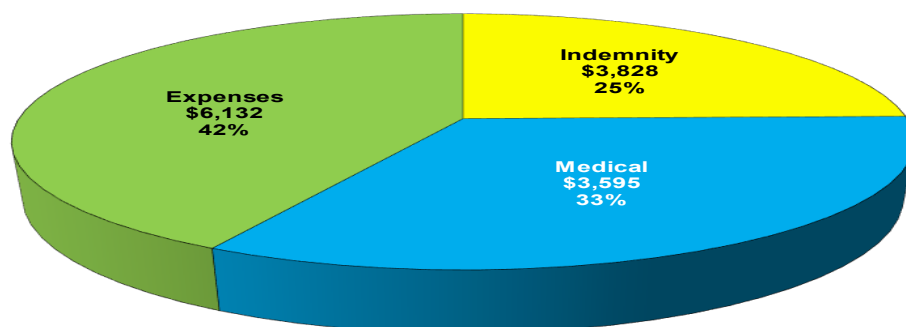
Data Source: WCIRB

SYSTEM COSTS AND BENEFITS OVERVIEW

Distribution of Workers' Compensation Costs by Type.

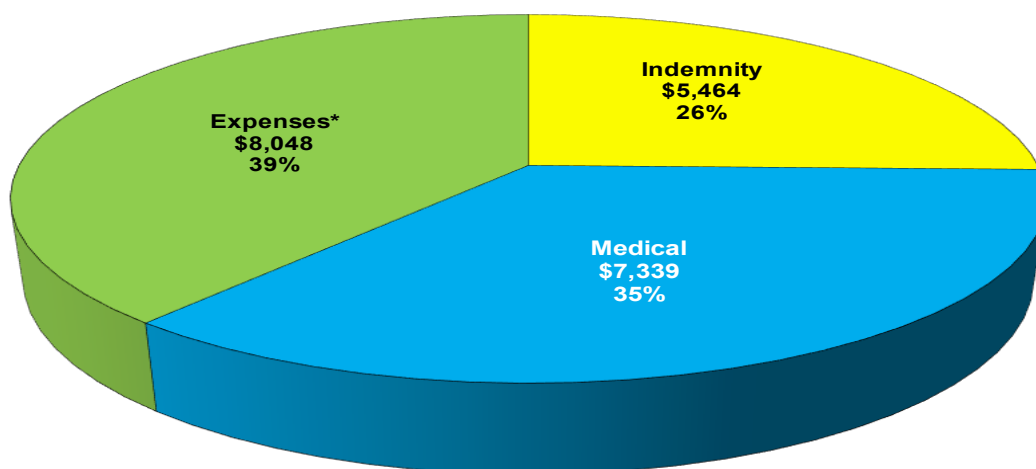
Figures 17 and 18 show the distribution of workers' compensation paid costs for insured employers and systemwide.

Figure 17: Estimated Distribution of Insured Employers' and Systemwide Workers' Compensation Paid Costs, 2016 (Million \$)



Data Source: WCIRB

Figure 18: Estimated Distribution of Systemwide Workers' Compensation Paid Costs, 2016 (Million \$)



* 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.

Data Source: WCIRB with calculations by CHSWC

SYSTEM COSTS AND BENEFITS OVERVIEW

Indemnity Benefits

WCIRB provided data for the cost of indemnity benefits paid by insured employers. Assuming that insured employers comprise approximately 65.8 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

Systemwide, paid by all sectors			
Indemnity Benefits (Thousand \$)	2015	2016	Change
Temporary Disability	\$2,670,112	\$2,711,102	\$40,990
Permanent Total Disability	\$175,884	\$185,341	\$9,457
Permanent Partial Disability	\$2,163,261	\$2,234,592	\$71,331
Death	\$104,296	\$93,749	-\$10,547
Funeral Expenses	\$3,718	\$3,207	-\$511
Life Pensions	\$142,793	\$137,703	-\$5,090
Voc Rehab/Non-transferable Education Voucher	\$70,118	\$98,127	\$28,009
Total	\$5,330,182	\$5,463,821	\$133,639
Paid by Insured Employers			
Indemnity Benefits (Thousand \$)	2015	2016	Change
Temporary Disability *	\$1,745,171	\$1,783,620	\$38,449
Permanent Total Disability *	\$114,957	\$121,935	\$6,978
Permanent Partial Disability *	\$1,413,896	\$1,470,126	\$56,230
Death *	\$68,167	\$61,677	-\$6,490
Funeral Expenses	\$2,430	\$2,110	-\$320
Life Pensions	\$93,329	\$90,594	-\$2,735
Voc Rehab/Non-transferable Education Voucher *	\$45,829	\$64,557	\$18,728
Total	\$3,483,779	\$3,594,619	\$110,840
Paid by Self-Insured Employers and the State**			
Indemnity Benefits (Thousand \$)	2015	2016	Change
Temporary Disability	\$924,941	\$927,482	\$2,541
Permanent Total Disability	\$60,927	\$63,406	\$2,479
Permanent Partial Disability	\$749,365	\$764,466	\$15,101
Death	\$36,129	\$32,072	-\$4,057
Funeral Expenses	\$1,288	\$1,097	-\$191
Life Pensions	\$49,464	\$47,109	-\$2,355
Voc Rehab/Non-transferable Education Voucher	\$24,289	\$33,570	\$9,281
Total	\$1,846,403	\$1,869,202	\$22,799

Sources: Calculated by CHSWC, based on data from WCIRB

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

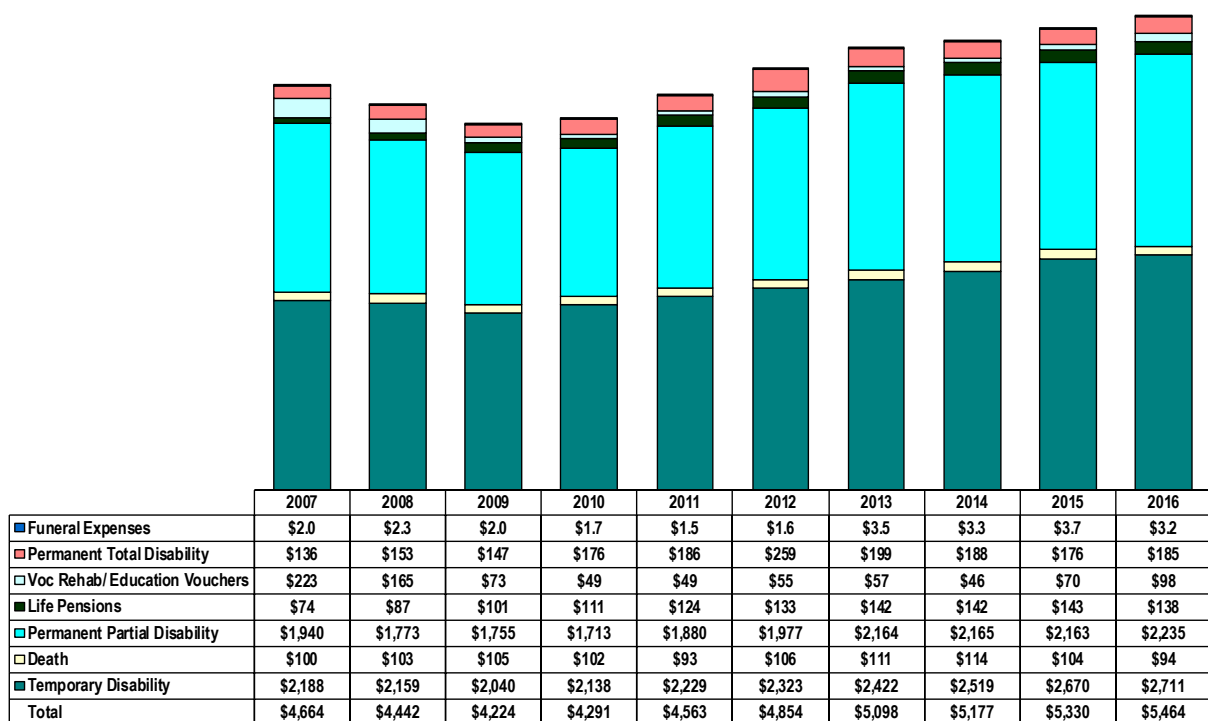
** Figures estimated based on insured employers' costs. Self-insured employers and the State of California are estimated to comprise 34.2 percent of all California workers' compensation claims.

SYSTEM COSTS AND BENEFITS OVERVIEW

Trends in Paid Indemnity Benefits.

The estimated systemwide paid indemnity benefits for the last decade are displayed in Figure 19. Paid indemnity benefits decreased steadily by 9 percent from 2007 to 2009 as the result of 2003 -2004 reforms, when they dropped to below the 2001 levels (\$5 billion). However, from 2009 to 2013, before SB 863 took effect, there was a 21 percent increase in total paid indemnity benefits. From 2013 to 2016, the increase in total paid indemnity benefits slowed down to 7 percent in three years. Payments for permanent partial disability declined by 12 percent from 2007 to 2010 as a result of 2003-2004 reforms. From 2010 to 2013, payments for permanent partial disability increased by 26 percent, stabilized at the 2013 level from 2013 to 2015, and then increased slightly by 3 percent from 2015 to 2016. The TD benefits declined by 7 percent from 2007 to 2009 despite the TD benefit increases of AB 749. From 2009 to 2013, the TD benefits increased by 19 percent, and then grew again by 12 percent from 2013 to 2016.

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



Data Source: WCIRB
Calculations: CHSWC

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

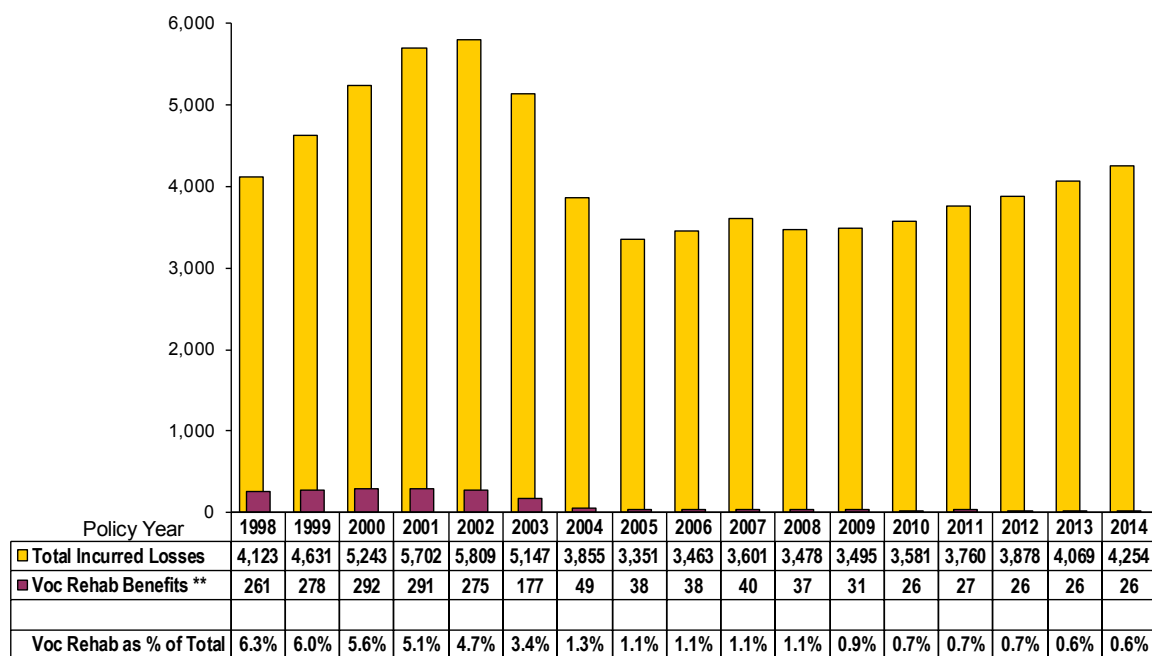
SYSTEM COSTS AND BENEFITS OVERVIEW

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 León 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 2014 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 \$)



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

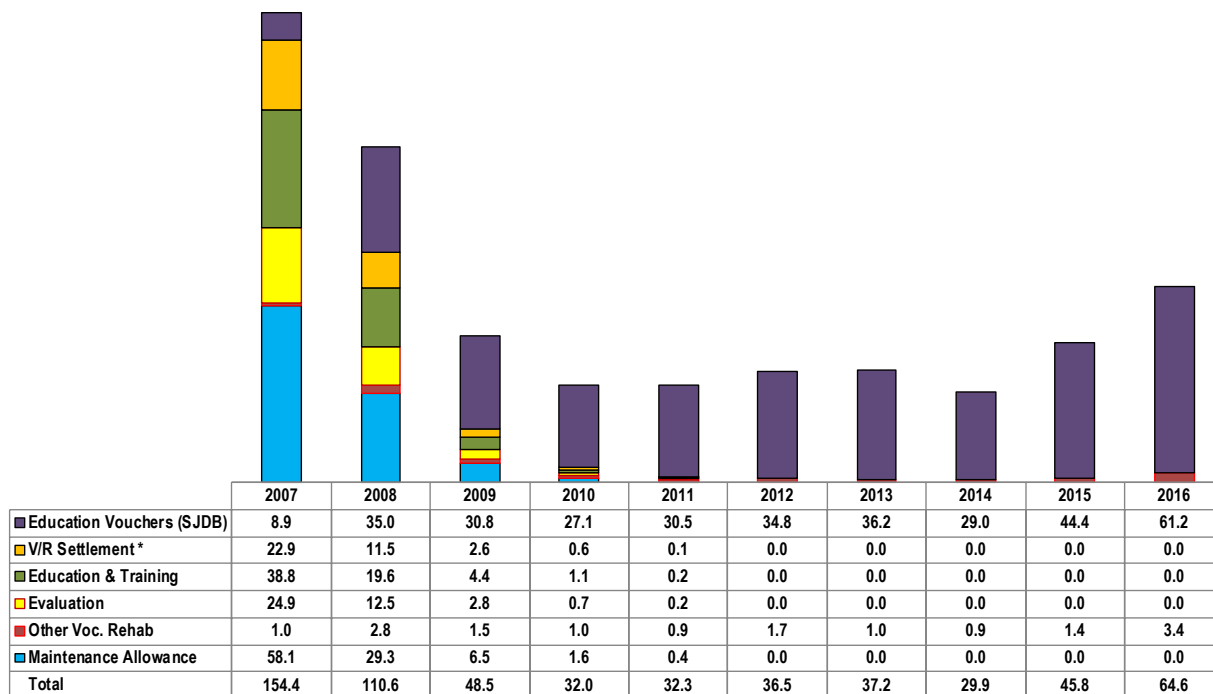
** Policy year 2003 "vocational rehabilitation benefits" contain a mix of vocational rehabilitation costs and non-transferable educational voucher costs. Policy year 2004 and later "vocational rehabilitation benefits" contain mainly non-transferable educational voucher costs.

Data Source: WCIRB

SYSTEM COSTS AND BENEFITS OVERVIEW

Figure 21 shows that the amounts paid for SJDB vouchers increased almost 7 times in 2016 compared to 2007 and the proportion of amounts paid for SJDB vouchers in total Vocational Rehabilitation benefits increased from 6 percent to 96 percent from 2007 to 2016.

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



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

Data Source: WCIRB

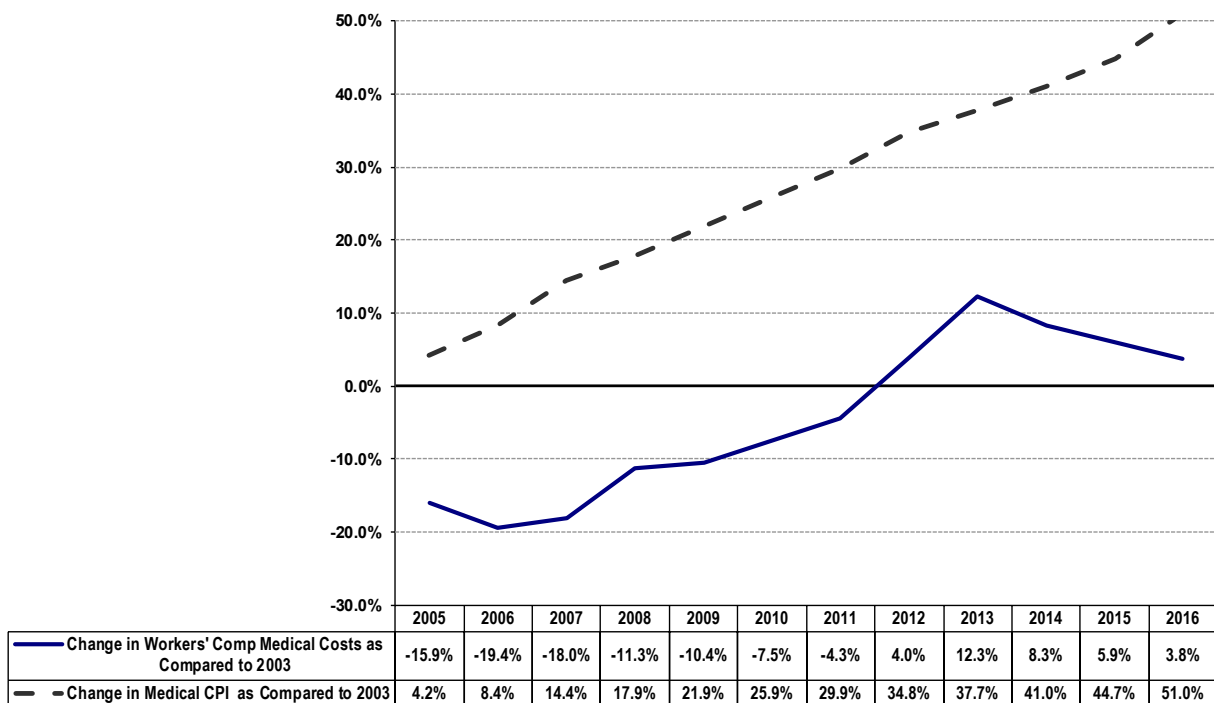
Medical Benefits

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 2004 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 (2004 as a base year)



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 65.8 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.

SYSTEM COSTS AND BENEFITS OVERVIEW

Table 8: Systemwide Estimated Costs—Medical Benefits Paid

Medical Benefits (Thousand \$)	2015	2016	Change
Physicians	\$1,984,225	\$1,880,486	-\$103,739
Hospital (Inpatient and Outpatient)	\$960,254	\$892,891	-\$67,363
Medical Supplies and Equipment	\$380,207	\$352,863	-\$27,343
Pharmacy	\$519,567	\$471,658	-\$47,909
Medical-Legal Evaluation	\$524,775	\$517,441	-\$7,333
Payments Made Directly to Patients*	\$1,998,786	\$2,043,611	\$44,825
Medical Cost-Containment Programs**	\$311,558	\$268,873	-\$42,686
Medicare Set-aside (Med payments and Reimbursements)	\$277,069	\$347,747	\$70,678
Capitated Medical	\$27,333	\$17,202	-\$10,132
Other (Med Liens, Dental, Interpreter****, & Copy Services****)	\$552,688	\$541,784	-\$10,904
Total	\$7,536,462	\$7,334,556	-\$201,905
Paid by Insured Employers***			
Medical Benefits (Thousand \$)	2015	2016	Change
Physicians	\$1,296,879	\$1,237,162	-\$59,717
Hospital (Inpatient and Outpatient)	\$627,617	\$587,428	-\$40,189
Medical Supplies and Equipment	\$248,501	\$232,147	-\$16,354
Pharmacy	\$339,586	\$310,301	-\$29,285
Medical-Legal Evaluation	\$342,990	\$340,422	-\$2,568
Payments Made Directly to Patient*	\$1,306,396	\$1,344,481	\$38,085
Medical Cost-Containment Programs**	\$203,633	\$176,890	-\$26,743
Medicare Set-aside (Med payments and Reimbursements)	\$181,091	\$228,781	\$47,690
Capitated Medical	\$17,865	\$11,317	-\$6,548
Other (Med Liens, Dental, Interpreter****, & Copy Services****)	\$361,234	\$356,437	-\$4,797
Total	\$4,925,792	\$4,827,928	-\$97,864
Paid by Self-Insured Employers***			
Medical Benefits (Thousand \$)	2015	2016	Change
Physicians	\$687,346	\$643,324	-\$44,022
Hospital (Inpatient and Outpatient)	\$332,637	\$305,463	-\$27,174
Medical Supplies and Equipment	\$131,706	\$120,716	-\$10,989
Pharmacy	\$179,981	\$161,357	-\$18,624
Medical-Legal Evaluation	\$181,785	\$177,019	-\$4,765
Payments Made Directly to Patient*	\$692,390	\$699,130	\$6,740
Medical Cost-Containment Programs**	\$107,925	\$91,983	-\$15,943
Medicare Set-aside (Med payments and Reimbursements)	\$95,978	\$118,966	\$22,988
Capitated Medical	\$9,468	\$5,885	-\$3,584
Other (Med Liens, Dental, Interpreter****, & Copy Services****)	\$191,454	\$185,347	-\$6,107
Total	\$2,610,670	\$2,509,190	-\$101,479

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

* Med payments made directly to patient include amounts paid directly to injured workers on lump sum settlements for future med expenses; to a much lesser extent they may also include payments for transportation related to medical care.

** Medical cost-containment programs (MCCP) costs on claims covered by incepting July 1, 2010 and beyond are considered Allocated Loss Adjustment Expenses (ALAE). The amount of MCCP costs reported as ALAE for 2016 is \$291 million.

*** Figures estimated are based on insured employers' costs. Self-insured employers and the State of California are estimated to comprise 34.2 percent of all California workers' compensation claims.

**** Based on WCIRB surveys of insurer medical payments.

SYSTEM COSTS AND BENEFITS OVERVIEW

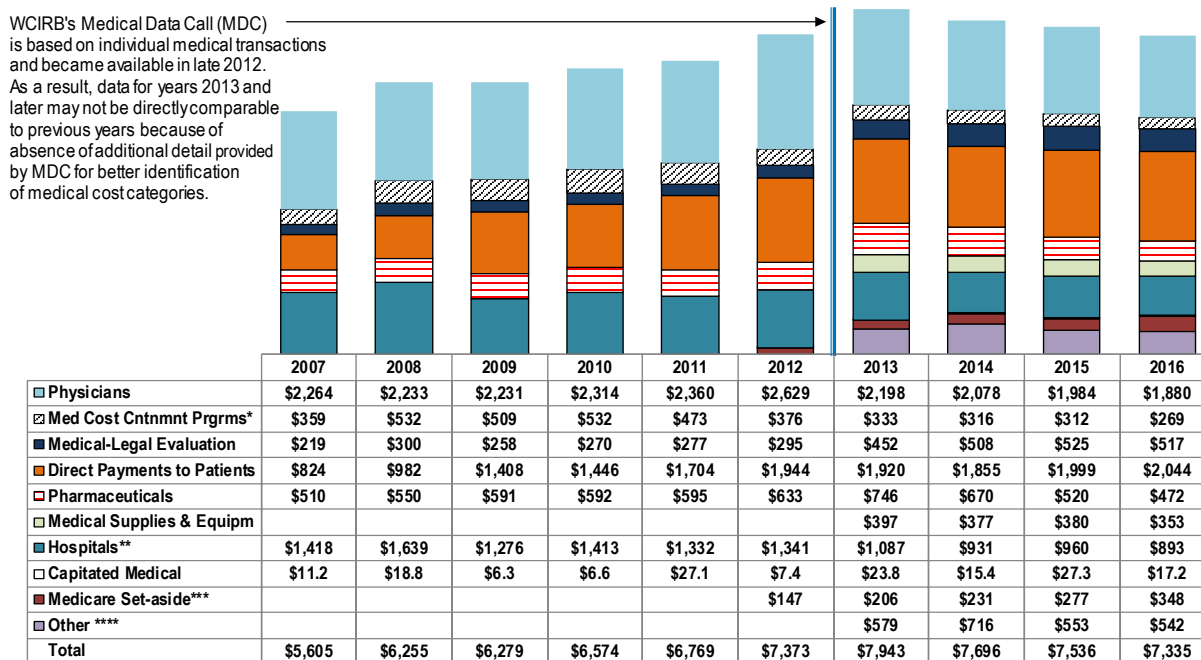
Trends in Paid Medical Benefits

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 32 percent from 2007 to 2012. After reaching its peak of \$7,943 million, based on new transactional data in 2013, the total medical benefit decreased by 8 percent from 2013 to 2016. Payments to physicians decreased by 1 percent from 2007 to 2009 and then increased by 18 percent from 2009 to 2012. From 2013 to 2016, payments to physicians decreased by 14 percent. Pharmacy costs increased by 24 percent from 2007 to 2012. After reaching its peak of \$746 million in 2013, pharmacy costs decreased by 37 percent from 2013 to 2016. Hospital costs increased by 16 percent from 2007 to 2008, decreased by 22 percent from 2008 to 2009, averaged \$1,340 million per year from 2009 to 2012, and then averaged \$970 million per year in 2013 through 2016. Direct payments to patients increased 2.3 times from 2007 to 2012 and then increased overall by 6 percent from 2013 to 2016. Expenditures on medical cost-containment programs increased by 48 percent from 2007 to 2010, decreased by 29 percent from 2010 to 2012, and from 2013 to 2016, they continued to decrease by 19 percent.¹⁹ Medical-legal evaluation costs averaged \$270 million per year from 2007 to 2012. From 2013 to 2016 the medical-legal costs increased overall by 14 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 \$)



Source: WCIRB's MDC (Calculations by CHSWC)

* Medical cost-containment program (MCCP) costs 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 2016 is 291 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.

¹⁹ 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.

SYSTEM COSTS AND BENEFITS OVERVIEW

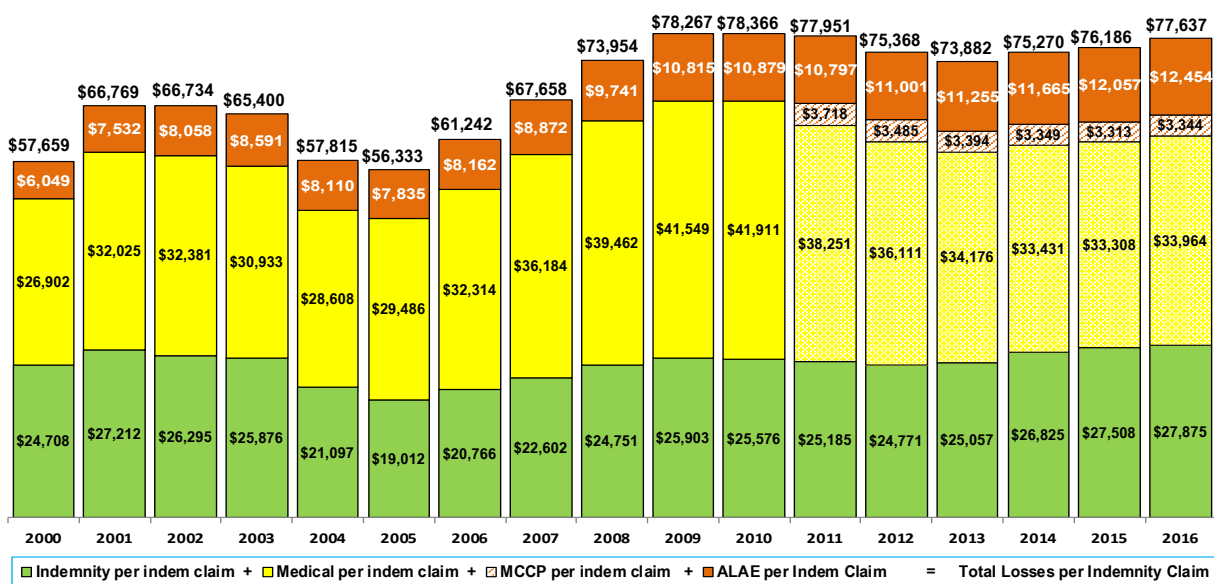
Average Ultimate Total Loss

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.²⁰ 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 2016 indemnity claim to be approximately \$78,000, which is 2 percent higher than the projected severity for 2015.²¹ The projected average indemnity cost of a 2016 indemnity claim increased by 13 percent over that for 2012, 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 2016 indemnity claim is 2 percent above that for 2015, which follows several years of flat to declining medical severities, largely a result of medical cost savings arising from SB 863.²² The projected average ALAE cost of a 2016 indemnity claim, excluding MCCP costs, is 3 percent above that of 2015 and 13 percent higher than the average ALAE severity for 2012.²³

Figure 24: Estimated Ultimate Total Loss* per Indemnity Claim as of September 30, 2017



* 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

²⁰ WCIRB Report on September 30, 2017, Insurer Experience, released December 19, 2017, p. 2.

^{21, 19, 20} WCIRB Report on September 30, 2017, Insurer Experience, released December 19, 2017, Exhibits 8.1 – 8.4.

SYSTEM COSTS AND BENEFITS OVERVIEW

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

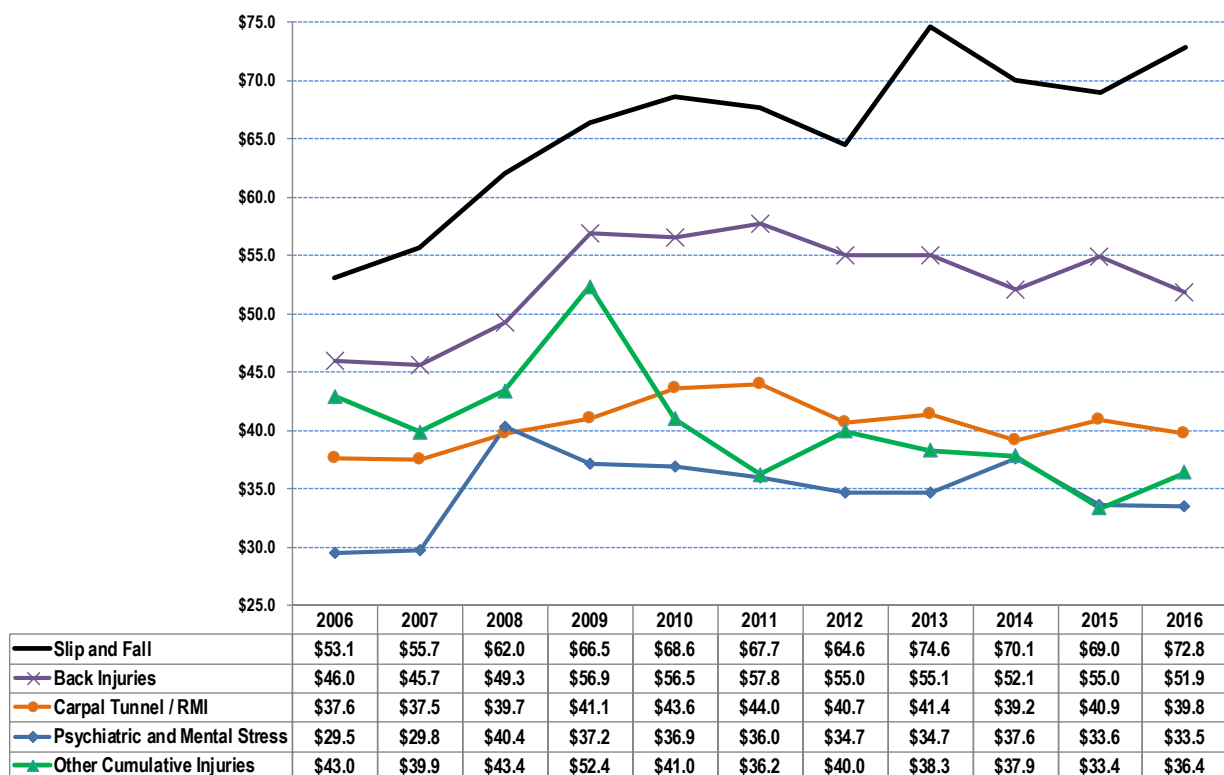
Average Cost per Claim by Type of Injury

As shown in Figure 25, from 2006, the average medical and indemnity costs of permanent disability claims started increasing for all types of injuries, with the exception of a 2006 to 2007 decrease of 7 percent in cost of other cumulative injuries.

The average cost of the most expensive type of injury, the slip and fall, increased overall by 40.5 percent from 2006 to 2013, fell 7.5 percent from 2013 to 2015, and then increased by 6 percent from 2015 to 2016. The average cost of back injuries increased by 24 percent from 2006 to 2009, stabilized at an average cost of \$56,300 from 2009 to 2013, and then fluctuated between \$52,000 and \$55,000 from 2013 to 2016. The average cost of carpal tunnel (RMI) increased by 17 percent from 2006 to 2011, decreased by 7 percent from 2011 to 2012, and then averaged \$40,400 from 2012 and 2016. 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. There was a 9 percent increase in average cost of other cumulative injuries from 2015 to 2016.

The average costs of psychiatric and mental stress claims increased by 37 percent between 2006 and 2008, and then decreased overall by 17 percent from 2008 to 2016.

Figure 25: Average Cost per PD Claim by Type of Injury, 2006-2016 (Thousand \$)



Data Source: WCIRB

SYSTEM COSTS AND BENEFITS OVERVIEW

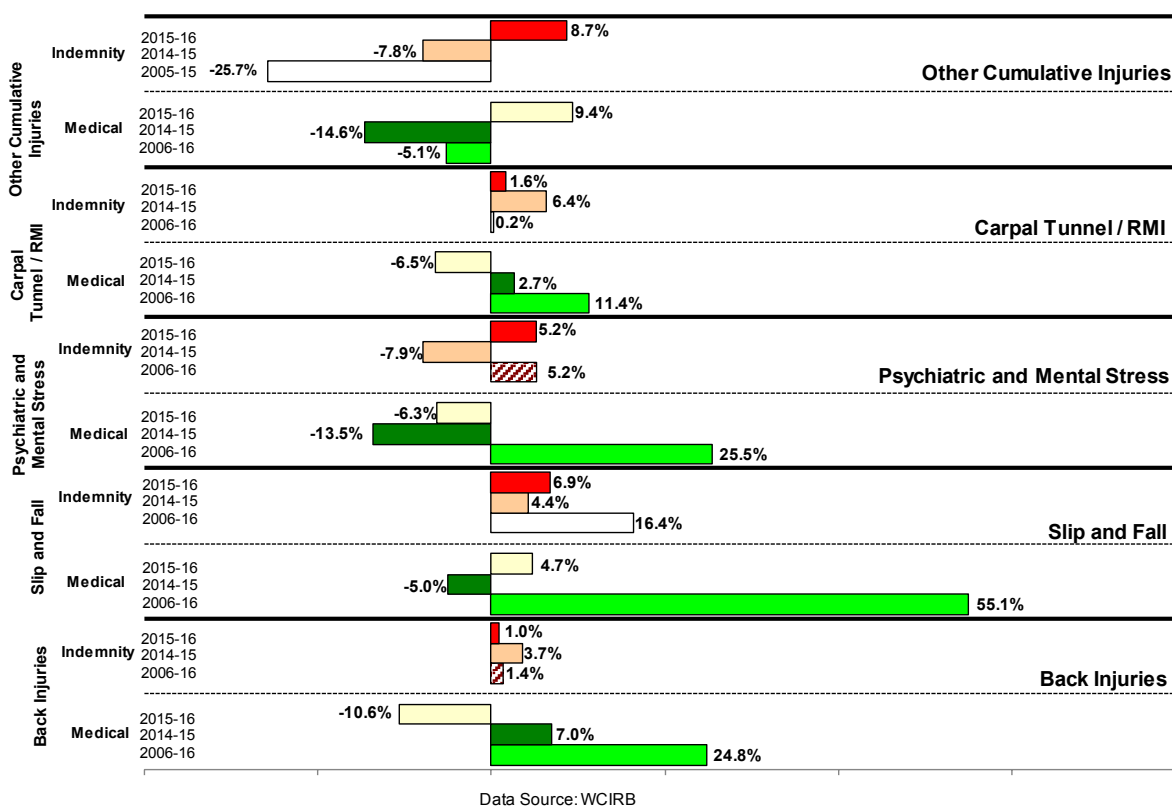
Changes in Average Medical and Indemnity Costs per Claim by Type of Injury

Figure 26 illustrates the impact of the reforms on selected types of injury. The long-term trend from 2006 to 2016 shows increases in medical costs for all types of injuries, except for a 5.1 percent decrease for other cumulative injuries. The same long-term trend for indemnity costs shows increases in indemnity costs for all types of injuries, except for a 25.7 percent decrease for other cumulative injuries. There was a long-term 16.4 percent increase in indemnity costs of slip and fall injuries and a 5.2 percent increase in indemnity costs of psychiatric and mental stress disorders. Slip and fall injuries and psychiatric and mental stress disorders were two categories that showed a significant long-term increase in both average indemnity and medical costs.

From 2014 to 2015, medical costs increased by 7 percent for back injuries and by 2.7 percent for carpal tunnel (RMI) injuries. In the same period, there was a 14.6 percent decrease in the average medical cost of claim for other cumulative injuries, a 13.5 percent decrease for psychiatric and mental stress disorders, and a 5 percent decrease for slips and falls. In the same year, indemnity costs decreased 7.9 percent for psychiatric and mental stress disorders and 7.8 percent for other cumulative injuries. Indemnity costs increased 6.4 percent for carpal tunnel (RMI), 4.4 percent for slip and fall injuries, and 3.7 percent for back injuries, all from 2014 to 2015.

From 2015 to 2016, medical costs decreased 10.6 percent for back injuries and 6.5 and 6.3 percent for carpal tunnel (RMI) and psychiatric and mental stress disorders correspondingly. In the same year, there was a 9.4 increase in other cumulative injuries and a 4.7 percent increase in slip and fall injuries. In the same period, indemnity costs increased in the range from 1 percent to 8.7 percent for all types of injuries.

Figure 26: Percent Change in Average Medical and Indemnity Costs per Claim by Type of Injury (From 2006 through 2016, from 2015 to 2016, and from 2014 to 2015)



SYSTEM COSTS AND BENEFITS OVERVIEW

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 compensability and disability threshold 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 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 and the total share of medical payments generated by medical-legal services have risen each calendar year from 2012 to 2016. According to WCIRB, the most expensive ML-104 report accounted for two-thirds of all medical-legal payments from service year 2013 to 2015, contributing to the increase in medical-legal costs. From 2014 to 2016, the increase in costs was attributable, in part, to an increased use of ML-106, a supplemental medical-legal evaluation report and to a lesser degree by increased usage of the complex ML-104 code.

Beginning from 2016, the analyses in the 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 the CHSWC Annual Report:

<http://www.dir.ca.gov/chswc/allreports.html>

SYSTEM COSTS AND BENEFITS OVERVIEW

Workers' Compensation Claims with Medical-Legal Expenses

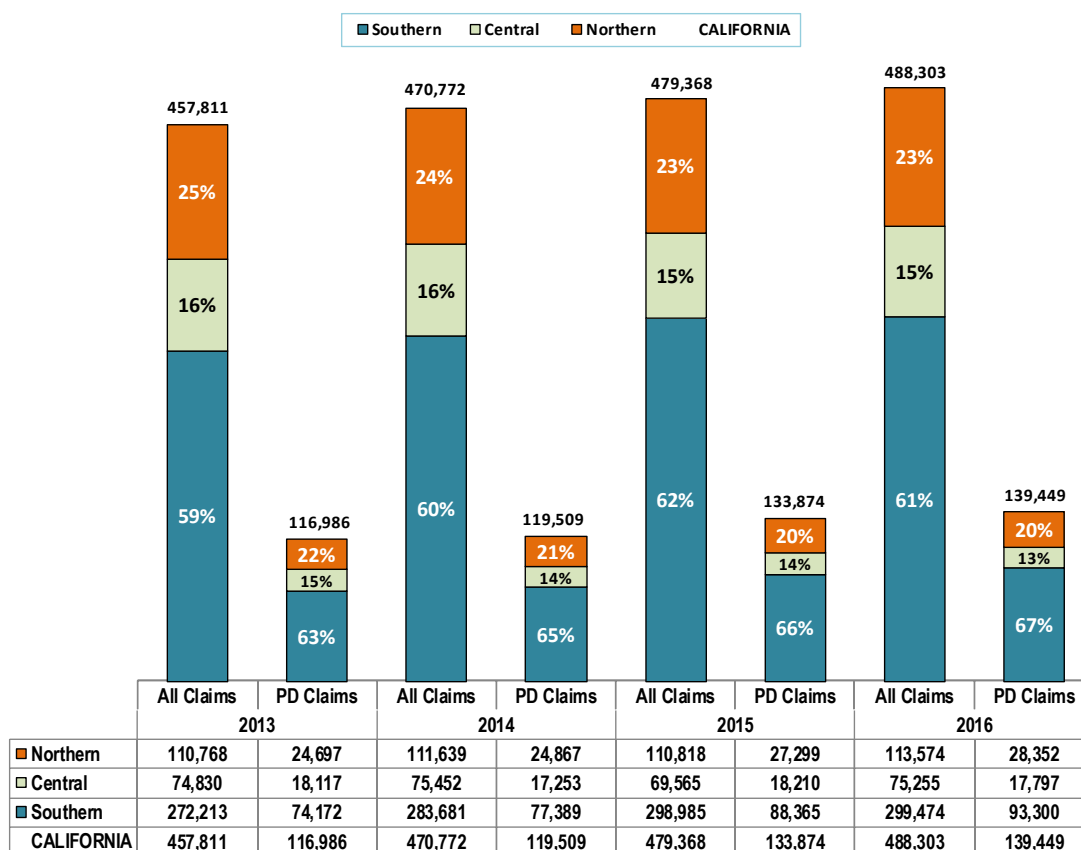
The WCIRB's MDC provides two sets of medical-legal data. The first is for all claims with total and partial disabilities, temporary disabilities, medical only, and denied claims as well. The second set is only for claims with total and permanent partial disability which usually have higher severity and 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.

The data for 2012 are only for six months of medical-legal services provided from July 1, 2012 to December 31, 2012 and are not included in this report.

Figure 27 shows the number of permanent disability (PD) and all claims originating in three California regions in Service Years (SY) 2013 to 2016. From 2013 to 2016, around 25 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 24 percent of all claims and 21 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 2013-SY 2016



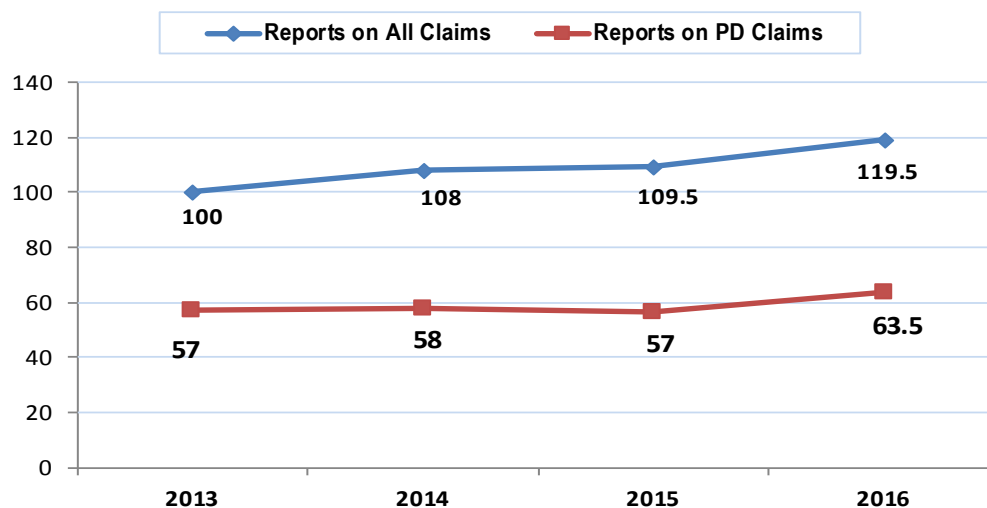
Source: WCIRB

Figure 28 shows the number of medical-legal reports conducted on PD and all claims in California for SY 2013 to SY 2016. On average, around 54 percent of all medical-legal reports in California are conducted

SYSTEM COSTS AND BENEFITS OVERVIEW

on PD claims. The number of medical-legal reports on all claims increased steadily by almost 20 percent from SY 2013 to SY 2016. From 2013 to 2015, this growth could be explained by an increase in non-PD claims with medical-legal reports since the number of medical-legal reports on PD claims did not change in that period. From 2015 to 2016, the number of medical-legal reports on PD claims increased by 11 percent.

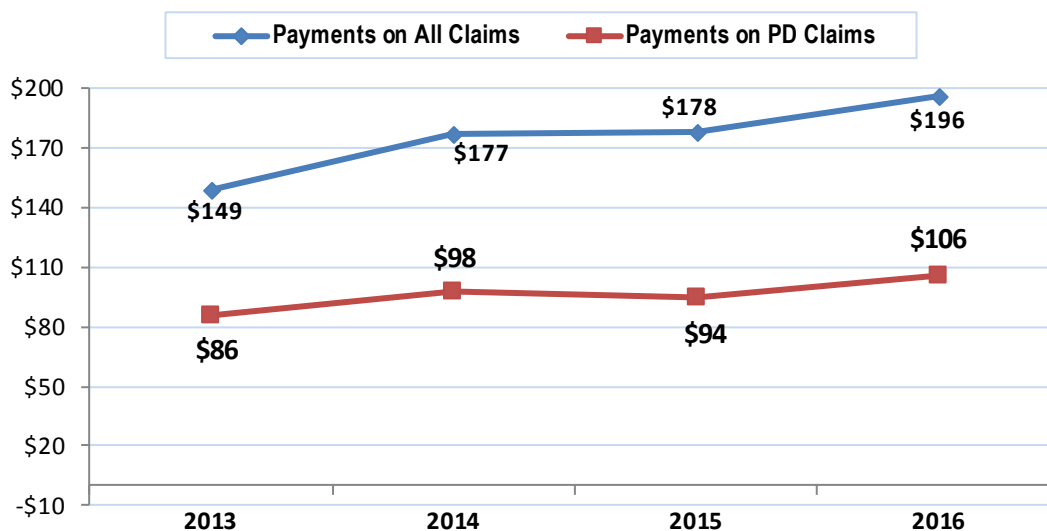
Figure 28: Number of Medical-Legal Reports on PD and All Claims (Thousands)



Source: WCIRB

Figure 29 shows statewide medical-legal payments on PD and all claims in California for SY 2013 to SY 2016. On average, around 55 percent of all yearly medical-legal payments are for PD claims. The medical-legal payments on all claims increased by 32 percent from SY 2013 to SY 2016, based in part on an overall 23 percent increase in medical-legal payments on PD claims during the same time period. This trend also reflects the increase in number of medical-legal evaluations on PD claims from SY 2015 to SY 2016.

Figure 29: Medical-Legal Payments on PD and All Claims (Million \$)

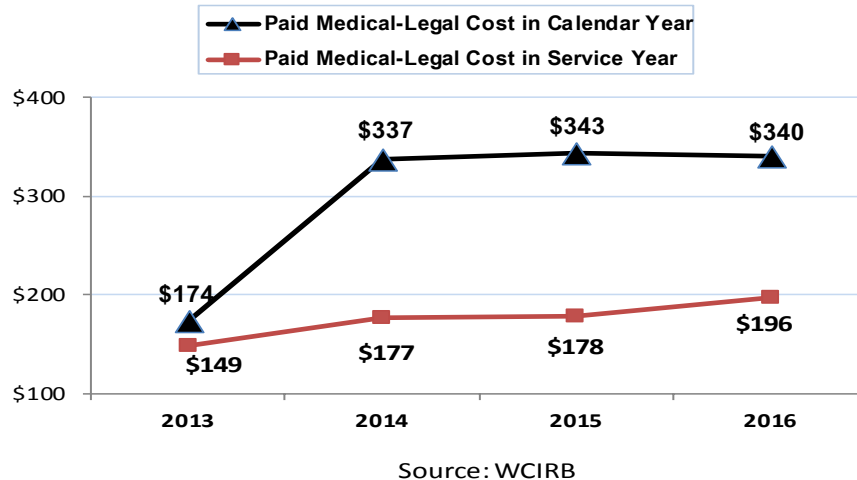


Source: WCIRB

SYSTEM COSTS AND BENEFITS OVERVIEW

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 Report²⁴ 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 calendar year. Figure 30 shows paid medical-legal amounts in CY 2013 to CY 2016 from the Losses and Expenses Report against the medical-legal amounts in SY 2013 to SY 2016 from the current CHSWC report.

Figure 30: WCIRB's Medical-Legal Costs Reported in Calendar vs. Service Years (Million \$)



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 applied (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 that provide a better reporting of payments into specific categories.

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, the average number of medical-legal evaluations per claim, and the average cost of a medical-legal evaluation.

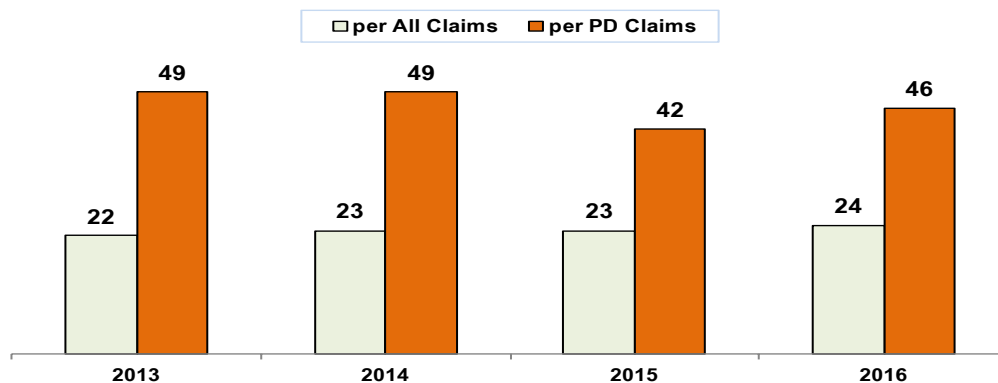
²⁴ WCIRB, 2016 Losses and Expenses Report, Exhibit 1.1, June 28, 2017

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 2013 to SY 2016. The average number of medical-legal evaluations per 100 PD claims is about double of rate for all claims. While the average number of medical-legal evaluations per 100 all claims changed slightly between the SY 2013 and SY 2016, the same rate for PD claims decreased by 10 percent from 49 reports per 100 PD claims in SY 2013 to an average of 44 claims per 100 PD claims in SY 2015 and SY 2016.

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



Source: WCIRB

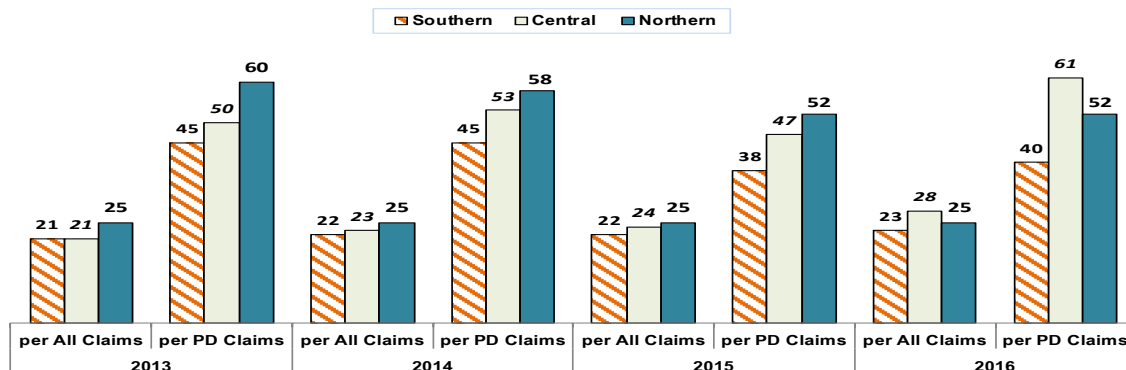
Medical-Legal Reporting by the California Regions

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 2013 to SY 2016.

Between 2013 and 2016, the average number of medical-legal evaluations per 100 PD claims decreased for both Northern and Southern California, with a 13 percent decrease in the North and an 11 percent decrease in the South. The number of medical-legal evaluations per 100 PD claims in Northern California exceeded that in Southern California in all 4 years. 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



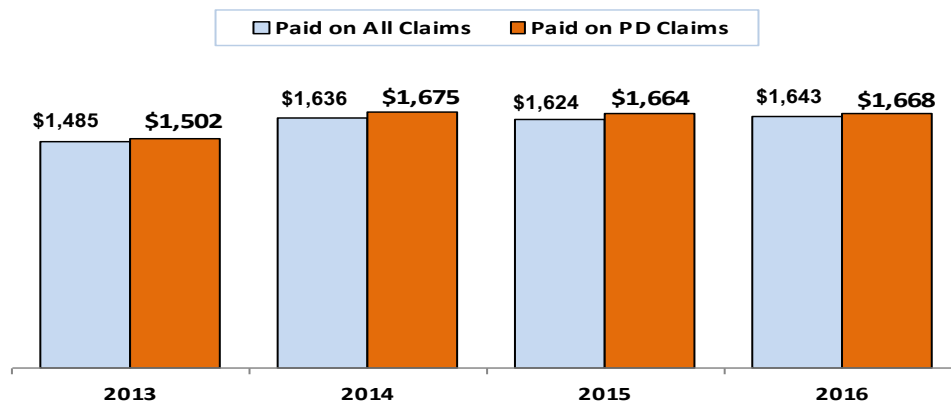
Source: WCIRB

SYSTEM COSTS AND BENEFITS OVERVIEW

Average Cost per Medical-Legal Evaluation

According to Figure 33, after a similar increase at around 10-11 percent in average costs from 2013 to 2014, both the average cost of a medical-legal evaluation on PD claims and the average cost of a medical-legal evaluation on all claims were stable and did not change.

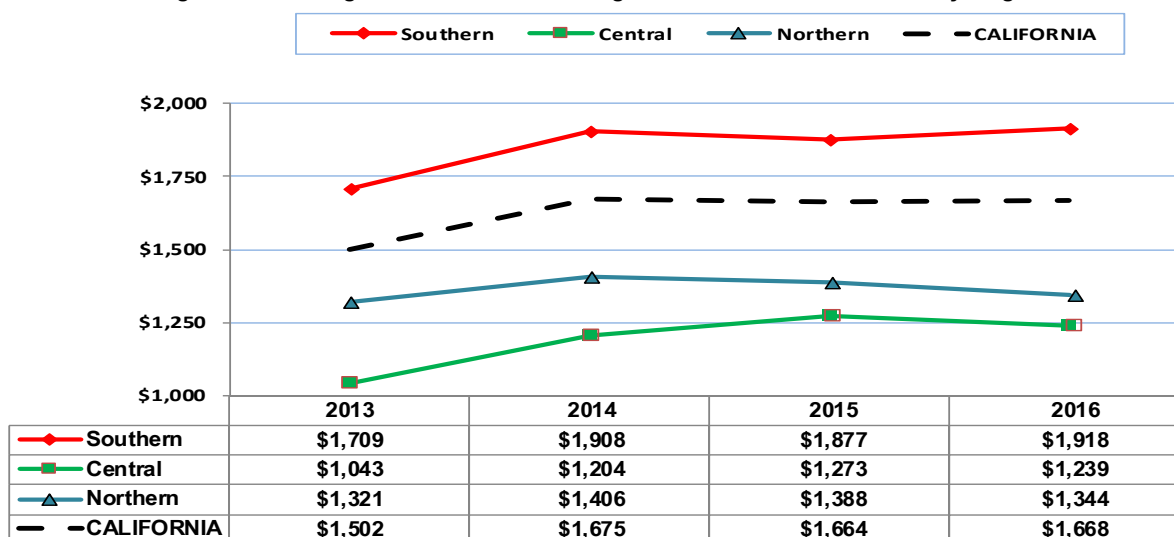
Figure 33: Average Cost of a Medical-Legal Evaluation on All and PD Claims, California



Source: WCIRB

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 increase 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 2016. In that period, a medical-legal evaluation on PD claims averaged \$1,905 per year in Southern and \$1,380 per year in Northern California. 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 2016.

Figure 34: Average Cost of a Medical-Legal Evaluation on PD Claim, by Region



Source: WCIRB

SYSTEM COSTS AND BENEFITS OVERVIEW

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 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 2016, reflecting the similar share of Southern California in workers' compensation claims.

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

	2013	2014	2015	2016
Southern	58%	60%	60%	60%
Central	16%	16%	15%	17%
Northern	26%	25%	25%	23%

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

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

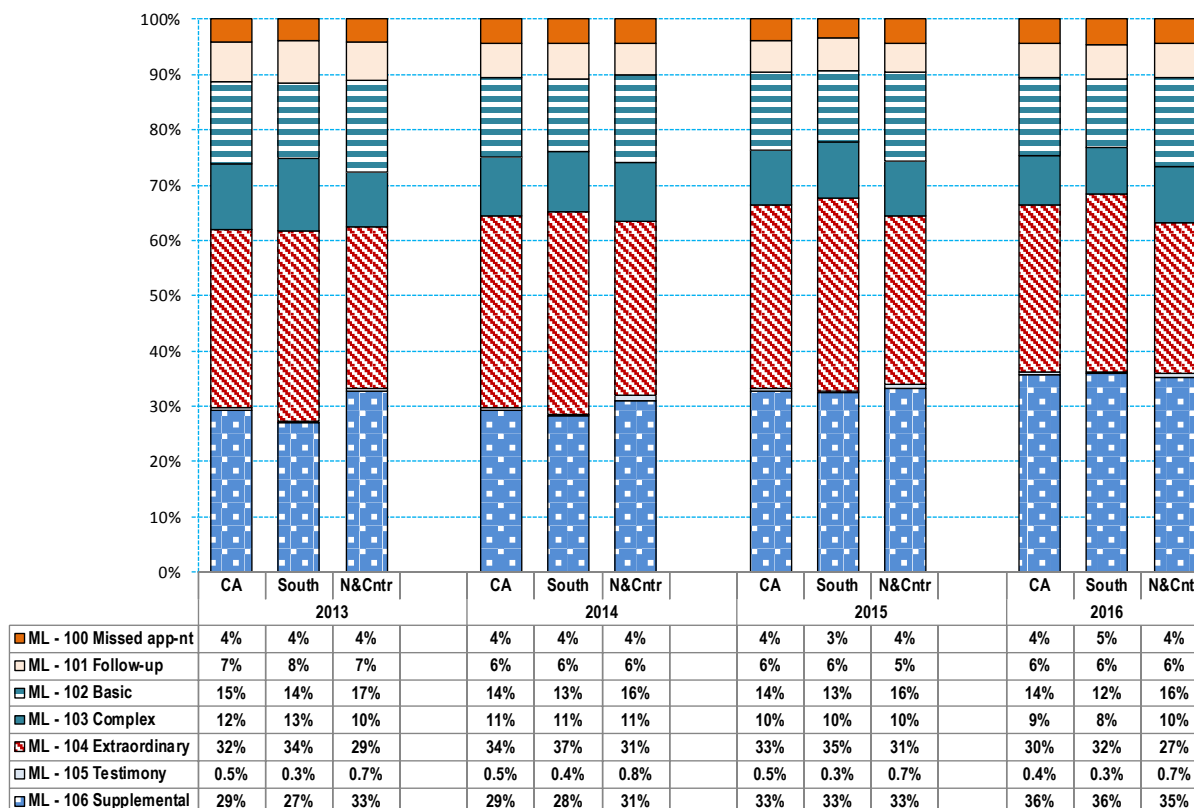
Note: Two categories ML-105 and ML-106, created by CCR Title 8, Sections 9793 & 9795, June 2006, were applicable to 2008 and later claims. The functions of medical testimony and supplemental evaluations were moved into these two new categories from their previous status.

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, Northern, and Central California combined. In 2016, 68 percent of medical-legal evaluations in Northern/Central California and 74 percent in 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.

SYSTEM COSTS AND BENEFITS OVERVIEW

In addition to a higher share of extraordinary evaluations ML-104 compared to other types of medical-legal reports (see Figure 35), the medical-legal evaluations in California have a higher average cost of extraordinary reports (see Figure 36).

**Figure 35: Distribution of Medical-Legal Evaluations on PD Claims by Procedure Code in California and Regions
SY 2013 - SY 2016**



"N&Cntr" - Northern and Central regions

Data Source: WCIRB

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, 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, and according to WCIRB, there was a modest 3 percent increase in payments per transaction between CY 2014 and CY 2016. All these factors explain 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 2016.

SYSTEM COSTS AND BENEFITS OVERVIEW

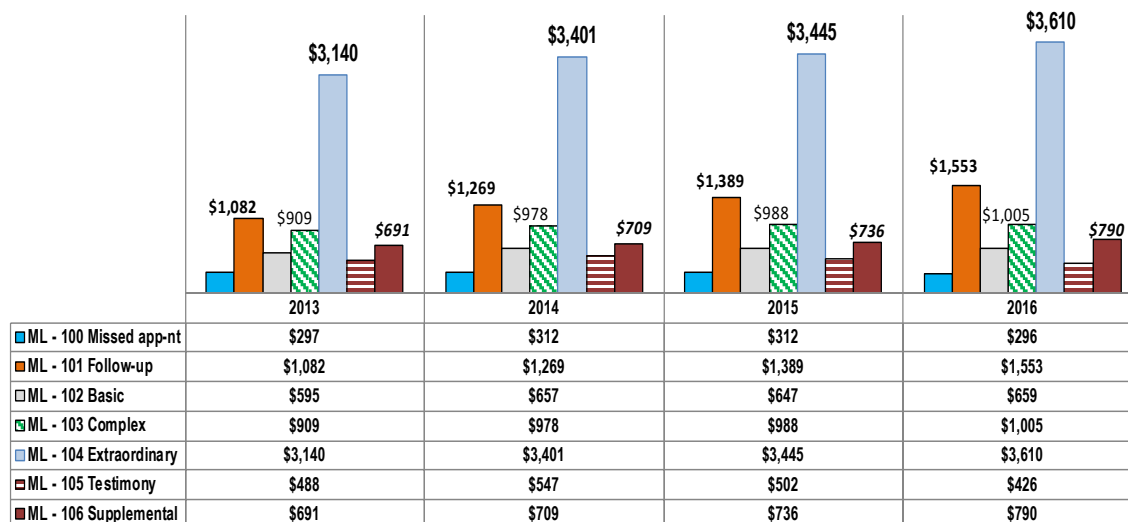
Table 11: Characteristics of ML-104 coded Reports done on PD Claims in California Regions

		2013	2014	2015	2016
Southern	Share of region in Total Med-Legal Payments	66%	68%	68%	67%
	Share of ML-104 in regional payment	69%	72%	69%	66%
	Avg Cost of ML-104 Report	\$3,418	\$3,738	\$3,754	\$3,952
	ML-104 Reports per 100 PD Claims	15	16	13	13
Central	Share of region in Total Med-Legal Payments	11%	11%	12%	13%
	Share of ML-104 in regional payment	63%	66%	64%	63%
	Avg Cost of ML-104 Report	\$2,356	\$2,595	\$2,856	\$2,924
	ML-104 Reports per 100 PD Claims	14	16	14	16
Northern	Share of region in Total Med-Legal Payments	23%	21%	21%	20%
	Share of ML-104 in regional payment	64%	67%	67%	63%
	Avg Cost of ML-104 Report	\$2,868	\$2,955	\$2,955	\$3,081
	ML-104 Reports per 100 PD Claims	18	18	16	14

Source: WCIRB

According to Figure 36, the average cost of all medical-legal evaluations billed under the time-based codes, such as ML-101, ML-104, or ML-106, showed an overall increase from SY 2013 to SY 2016. The cost of an extraordinary report increased by 15 percent from \$3,140 in SY 2013 to \$3,610 in SY 2016.

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 2016 the average cost of a psychiatric evaluation in California increased by 26 percent and the average cost of a psychological/behavioral evaluation increased by 28 percent mirroring a 25 and 26 percent increases in Southern California, correspondingly.

SYSTEM COSTS AND BENEFITS OVERVIEW

Table 12: Average Cost of a Psychiatric or Psychological/Behavioral Report by Region

		2013	2014	2015	2016
Southern	Psychiatry	\$3,157	\$3,503	\$3,617	\$3,952
	Psychologist/Behavioral	\$2,515	\$3,054	\$2,942	\$3,171
Central	Psychiatry	\$2,129	\$2,492	\$2,870	\$2,853
	Psychologist/Behavioral	\$1,933	\$2,685	\$2,761	\$2,717
Northern	Psychiatry	\$2,662	\$2,917	\$3,015	\$3,228
	Psychologist/Behavioral	\$2,268	\$2,589	\$2,612	\$2,841
CALIFORNIA	Psychiatry	\$2,897	\$3,233	\$3,352	\$3,642
	Psychologist/Behavioral	\$2,345	\$2,863	\$2,829	\$3,001

Source: WCIRB

Southern California is the origin of 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 and psychologist/behavioral evaluations in Southern California averaged 5.5 per 100 PD reports and 7 per 100 PD reports yearly from SY 2013 to SY 2016 (Tables 13 and 14).

Table 13: Rate of Psychiatric Evaluations per 100 PD Reports

	2013	2014	2015	2016
Southern	6	6	5	5
Central	5	5	5	4
Northern	5	6	6	4
CALIFORNIA	6	6	5	4

Source: WCIRB

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

	2013	2014	2015	2016
Southern	7	5	6	9
Central	8	6	5	8
Northern	8	7	6	9
CALIFORNIA	7	6	6	9

Source: WCIRB

Table 15 shows that the psychiatric and psychological/behavioral evaluations combined make up about one fifth 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 California Medical-Legal Payments, by Region

	2013	2014	2015	2016
Southern	22%	20%	19%	16%
Central	25%	23%	22%	19%
Northern	25%	24%	24%	19%

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

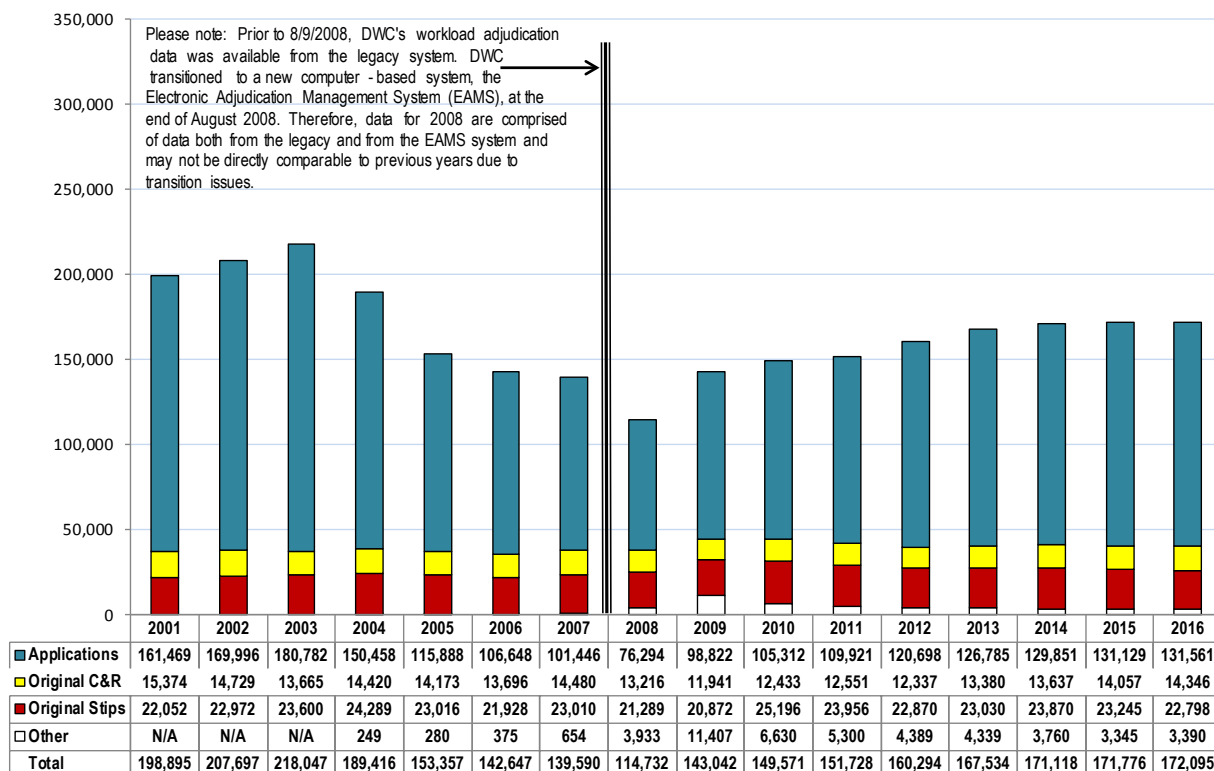
Three types of documents open a Workers' Compensation Appeals Board (WCAB) case. Figure 37 shows the number of Applications for Adjudication of Claim (Applications), Original Compromise and Releases (C&Rs), and Original Stipulations (Stips) received by the Division of Workers' Compensation (DWC).

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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.²⁵

As Figure 37 shows, the total number of Opening Documents increased from 2001 to 2003 by 10 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 2016.

Figure 37: DWC Opening Documents



Data Source: DWC

Mix of DWC Opening Documents

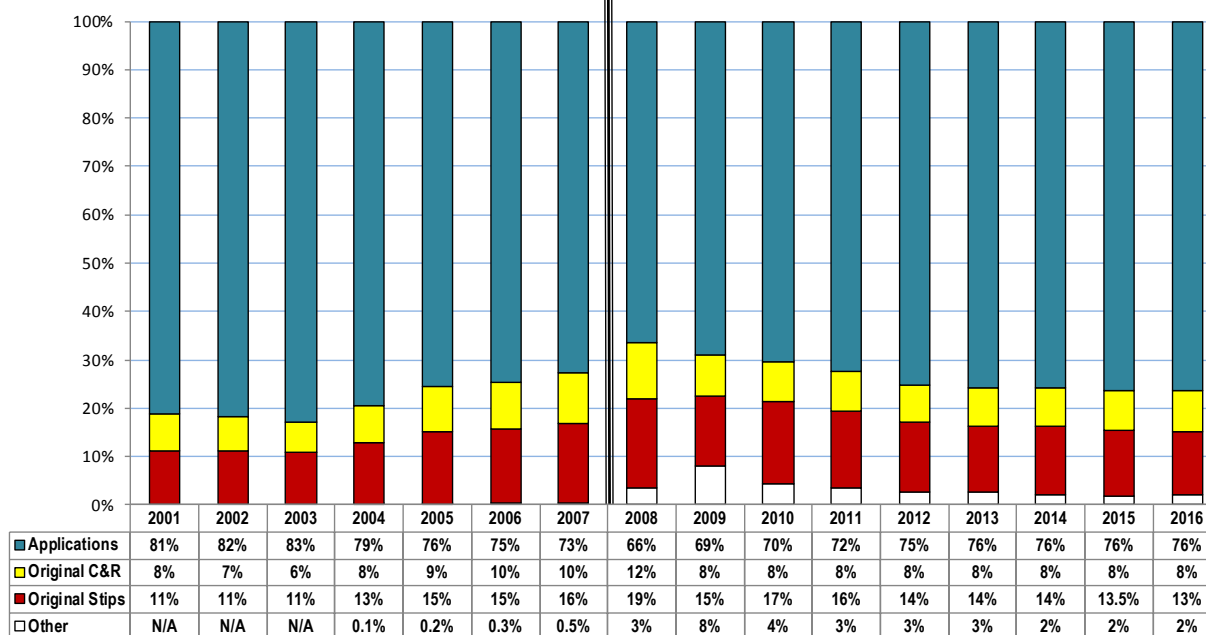
The proportion or mix of the types of case-opening documents received by DWC varied during the first half of the 2000s. As Figure 38 shows, the proportion of Applications rose from 2001 to 2003 and then declined slightly from 2003 to 2007. The proportion of Original (case-opening) Stips was 11 percent yearly from 2001 to 2003 and then increased from 2003 to 2007. The proportion of original C&Rs declined from 2001 to 2003 and then increased from 2003 to 2007. From 2009 to 2016, after the transition to EAMS, the share of Applications increased from 69 to 76 percent, the proportion of original C&Rs remained unchanged at 8 percent, and the proportion of Original Stips decreased by about 3 percentage points.

²⁵ 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.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 38: Percentage by Type of Opening Documents

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 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:

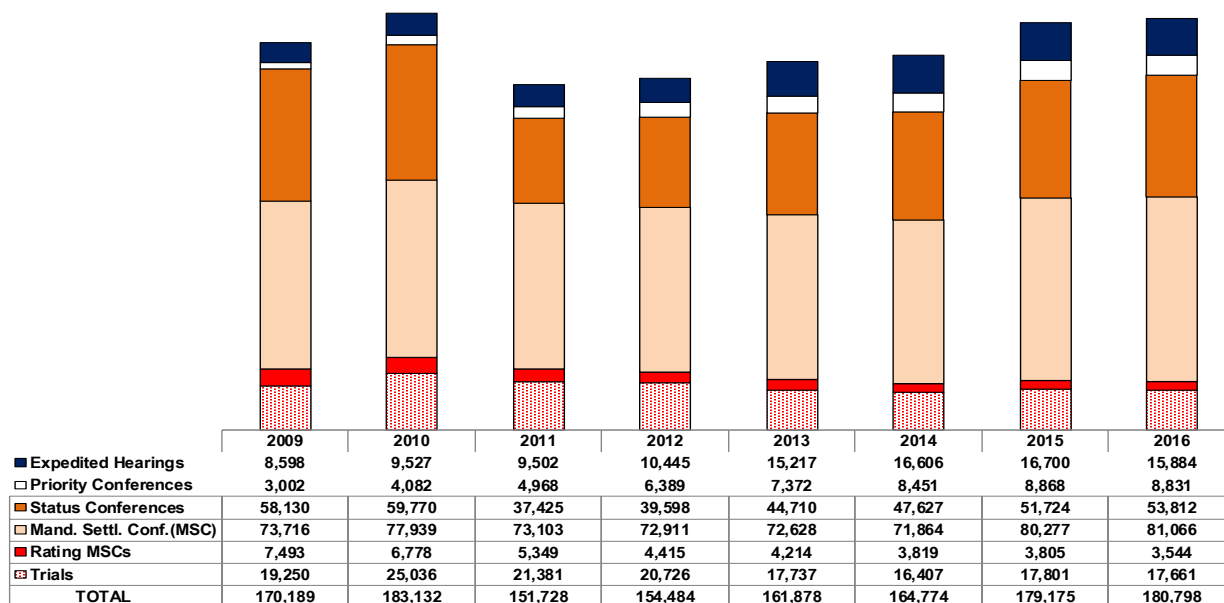
- A. Expedited Hearing and Decision. Labor Code Section 5502(b) directs the Court Administrator to establish a priority calendar for issues requiring an expedited hearing and decision. These cases must be heard and decided within 30 days following the filing of a DOR.
- B. Priority Conferences. Labor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

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

- 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 number of different types of LC 5502 hearings held in DWC from 2009 through 2016. After the 2008 database transition year, the total number of hearings held increased by 8 percent from 2009 to 2010 and then decreased by 17 percent from 2010 to 2011. From 2011 to 2016, the total number of hearings held increased by 19 percent, mirroring changes in the most numerous hearings like mandatory settlement conferences (MSCs) and status conferences. The number of MSCs increased by 6 percent from 2009 to 2010, decreased by 8 percent from 2010 to 2014, and then increased by 13 percent from 2014 to 2016. The number of expedited hearings doubled from 2009 to 2015 and then decreased by 5 percent from 2015 to 2016. The priority conferences almost tripled uninterrupted from 2009 to 2016. The number of status conferences decreased by 37 percent from 2010 to 2011 and then increased by 44 percent from 2011 to 2016. The number of trials increased by 30 percent from 2009 to 2010 and decreased by 29 percent from 2010 to 2016.

Figure 39: DWC Labor Code 5502 Hearings Held



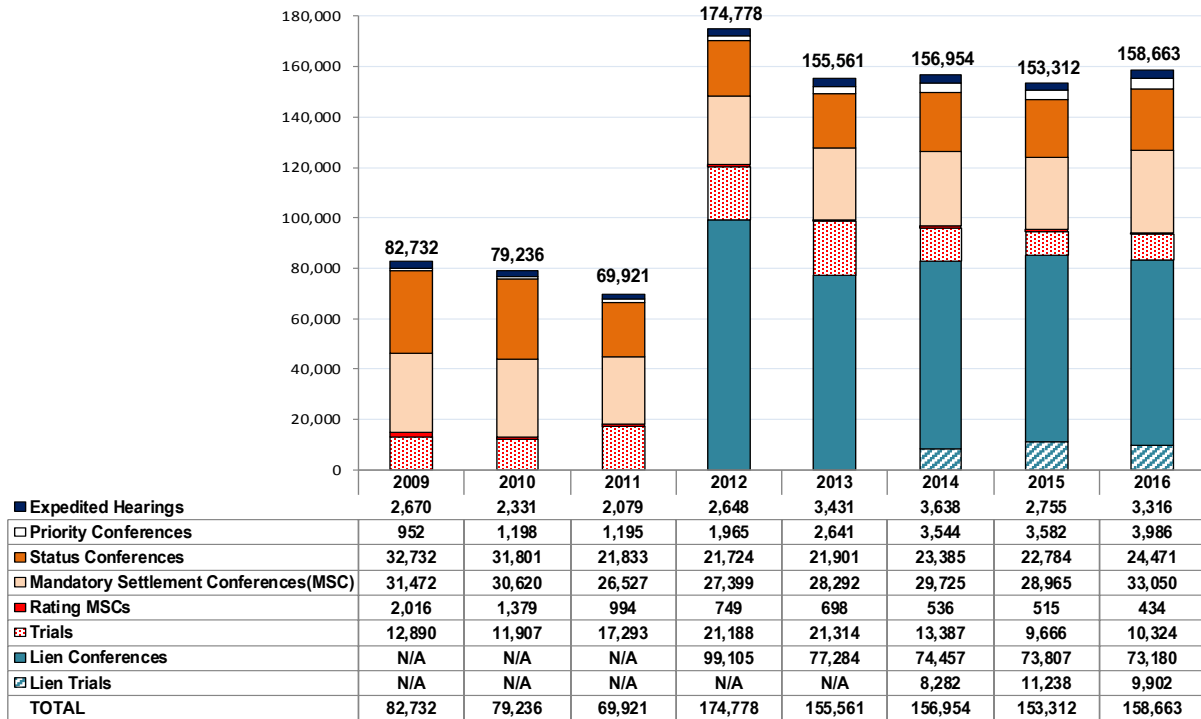
Data Source: DWC

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 2016, after the DWC transitioned to EAMS.

The number of MCSs decreased by 16 percent from 2009 to 2011 and increased by 25 percent from 2011 to 2016. The decrease by 34 percent in status conferences from 2009 to 2012 was followed by a 13 percent increase from 2012 to 2016. From 2009 to 2016, the number of priority conferences increased more than four times and the number of expedited hearings increased by 24 percent. The data available for lien conferences from 2012 shows a decrease by 26 percent from 2012 to 2016. Lien trials data available from 2014 shows a 36 percent increase from 2014 to 2015 followed by a 12 percent decrease from 2015 to 2016. The number of trials increased by 65 percent from 2009 to 2013 and then decreased by 52 percent from 2013 to 2016.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

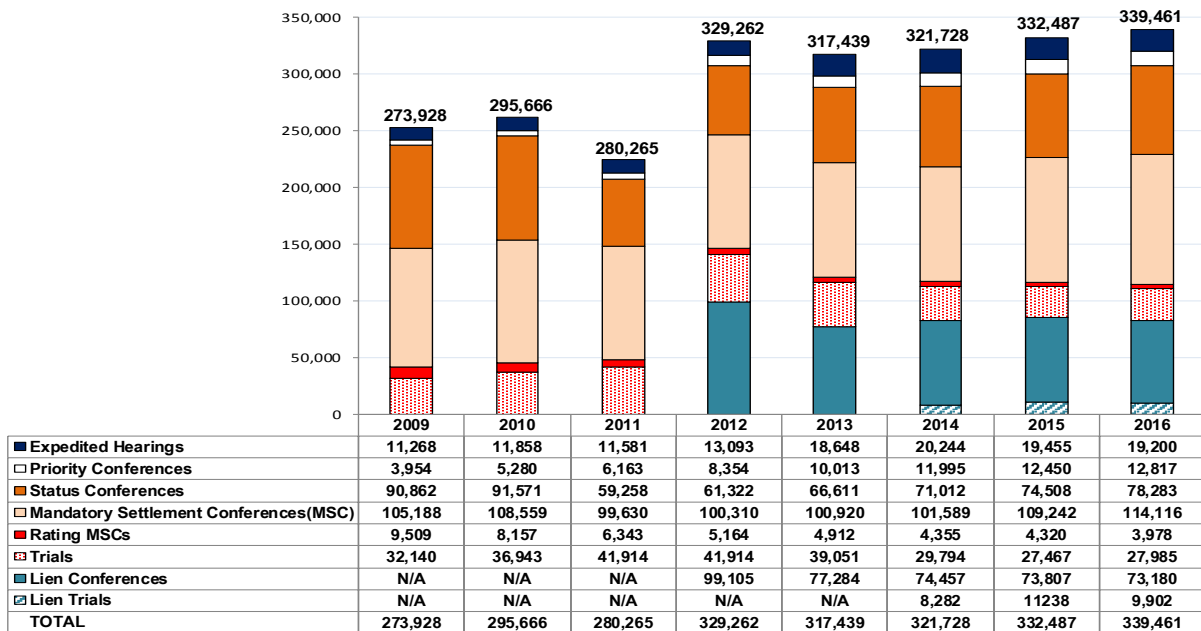
Figure 40: DWC Non-5502 Hearings Held



Data Source: DWC

Figure 41 shows the total hearings held from 2009 to 2016 including Labor Code Section 5502 hearings, non-Section 5502 hearings, and lien conferences.

Figure 41: DWC Total Number of Hearings Held (LC 5502 and non-5502)



Data Source: DWC

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

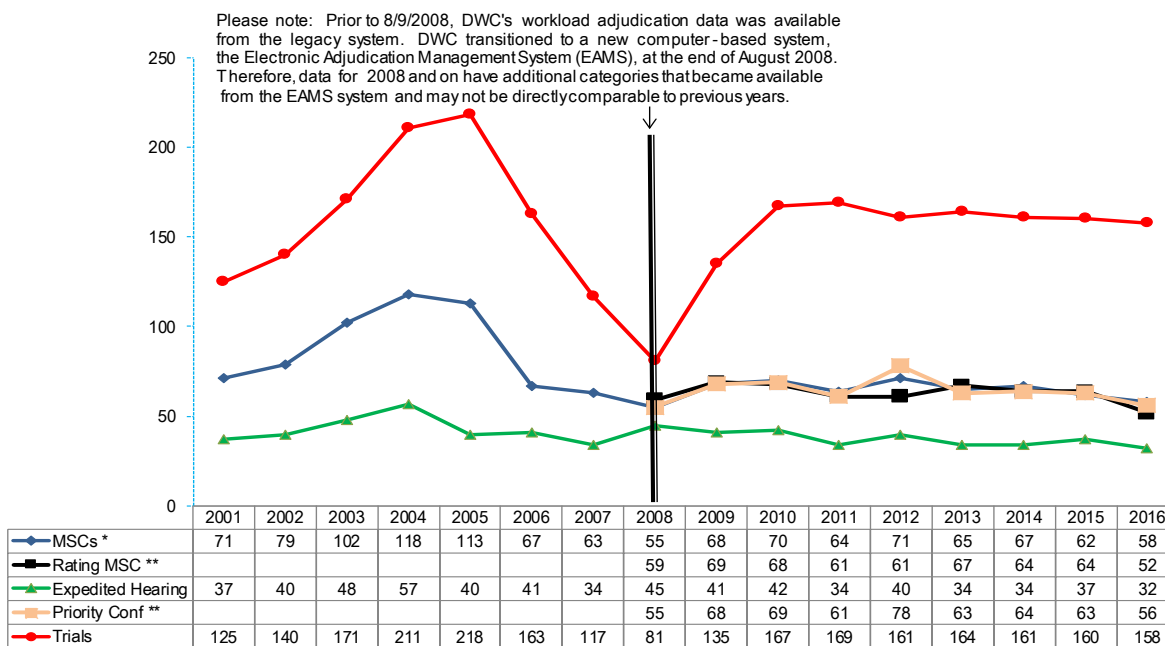
Timeliness of Hearings

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 2001 to 2016. From 2001 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 decreased by 22 percent from 41 days in 2009 to 32 days in 2016 for expedited hearings and returned to the pre-EAMS 2007 level for MSCs and priority conferences. The average elapsed time from a request to a DWC trial increased by 25 percent from 135 days in 2009 to 169 days in 2011, decreased slightly by 5 percent from 2011 to 2012, and then averaged 161 days per year from 2012 to 2016.

Figure 42: Elapsed Time in Days from Request to DWC Hearing (4th Quarter)



* Mandatory Settlement Conferences.

** Data for the period from 2001 to 2007 are unavailable.

Data Source: DWC

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,

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

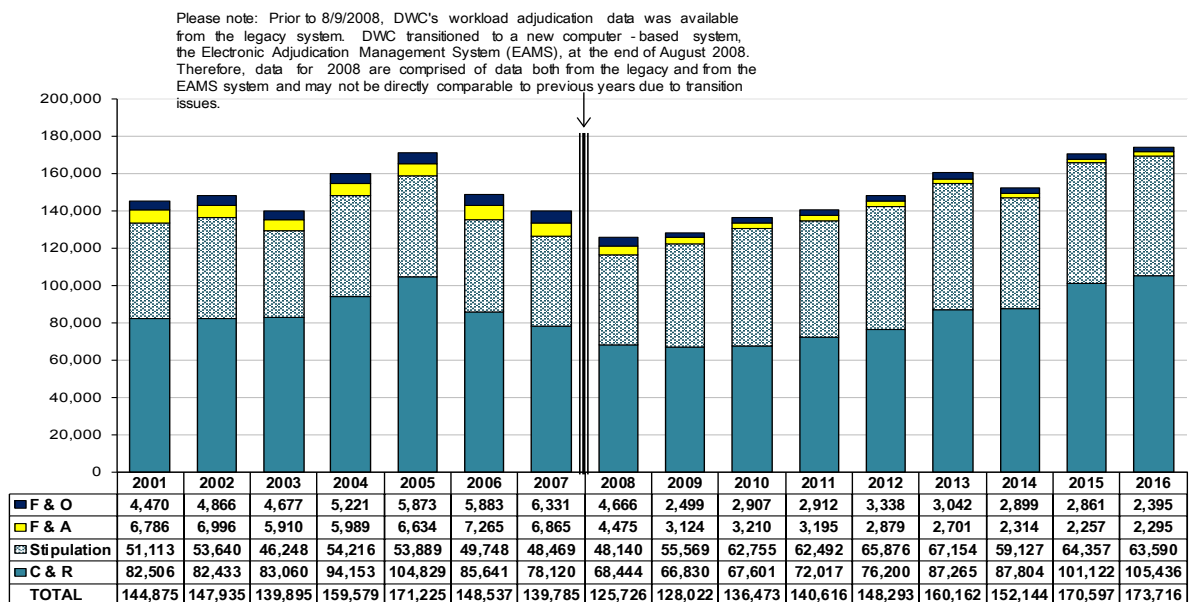
judges and staff were placed on furlough two days a month.²⁶ Effective July 1, 2009, the furloughs were increased to three days per month.²⁷ With just over 20 working days a month, the furloughs represented cuts of, first, 10 percent and, then, 15 percent of available hours for hearing and resolving 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 fluctuated in the 2000s. As Figure 43 shows, the case-closing decisions increased overall from 2001 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 2016, the total number of case-closing decisions increased by 14 percent as a result of a steady 58 percent increase in Compromise and Releases (C&Rs) from 2009 to 2016 and a 7.5 percent increase in Stipulations from 2014 to 2016.

Figure 43: DWC Case-Closing Decisions



Data Source: DWC

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 2001 to 2007, the proportion of Stips averaged 34 percent and the proportion of C&Rs averaged about 58 percent. From 2008 to 2010, the share of Stips increased from 38 to 46 percent and the share of

²⁶ Executive Order S-16-08.

²⁷ Executive Order S-13-09.

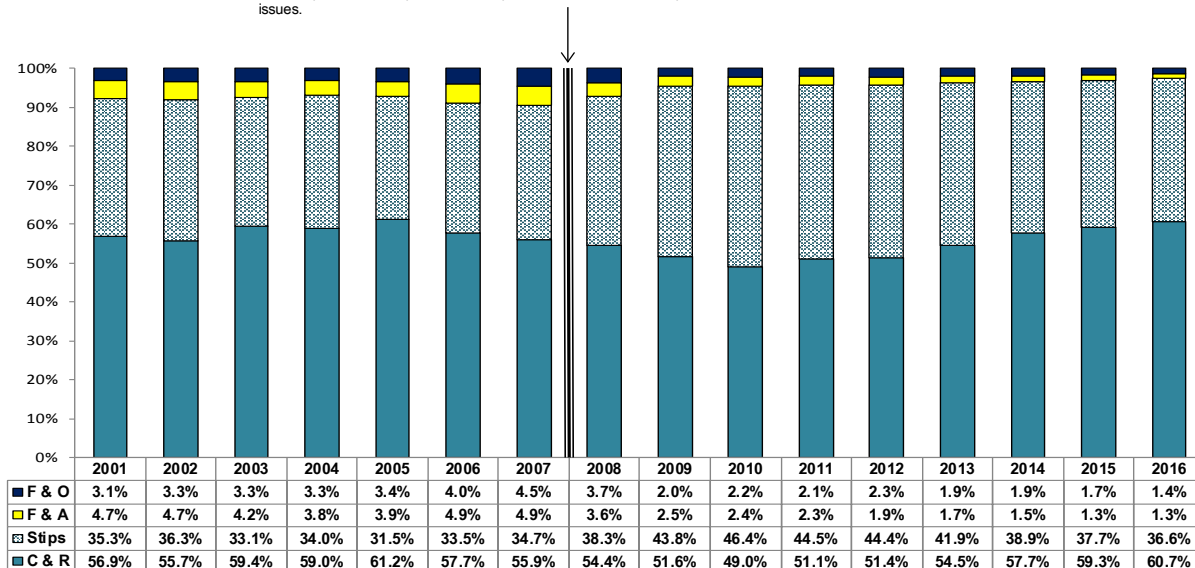
WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

C&R decreased from 54 to 49 percent. This pattern then reversed with a ten-percentage-point decrease in Stips and a twelve-point increase in C&Rs from 2010 to 2016.

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 2008 to 2016.

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

SB 863 became effective January 1, 2013 and introduced changes regarding liens filed against an injured workers' claim, for medical treatment and other services provided in connection with the claim, but not paid for by the employer or insurance carrier. The bill introduced a filing fee of \$150 required for all liens filed after January 1, 2013 and a \$100 activation fee required for liens filed before January 1, 2013. These fees served as tools for dismissal of liens by operation of law after January 1, 2014 if no filing or activation fee has been filed. Other measures included an 18-month statute of limitations for filing liens for services rendered after July 1, 2013 and a 3-year statute of limitations for services provided before then. Assignments of lien claims were also strictly limited and allowed only where the assignor had gone out of business.

Senate Bill 1160 and Assembly Bill 1244, both of which became effective on January 1, 2017, added important new provisions that significantly decreased the number of liens filed in 2017:

- Labor Code section 4615 places an automatic stay on liens filed by or on behalf of physicians and providers who are criminally charged with certain types of fraud. The automatic stay prevents those liens from being litigated or paid while the prosecution is pending.
- Provider suspension activities undertaken pursuant to Labor Code section 139.21 include consolidation and dismissal of all pending lien claims in a special lien proceeding for providers who have been suspended due to conviction of a covered crime. Special Adjudication Unit (SAU) was designed and implemented to conduct lien consolidation proceedings.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

- Labor Code section 4903.05(c), as amended by SB 1160, introduced the lien dismissals by operation of law. This provision requires lien claimants to file a declaration verifying the legitimacy of liens for medical treatment or medical-legal expenses. Claimants who had filed liens between January 1, 2013 and December 31, 2016, were required to file the declarations by July 1, 2017, to avoid having those liens dismissed.

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, followed by more than a twofold decrease from 2016 to 2017.

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 fluctuated. The yearly number of lien decisions constituted more than 25 percent of liens filed in 2013 and 2014. As the lien filings almost doubled from 2014 to 2016, the DWC lien decisions started falling back to 16 and 13 percent of yearly filings in 2015 and 2016. In 2017, the lien decisions accounted for 25 percent of liens filed in the same year, reaching the 2014 level.

Table 16: Numbers of Liens Filed and DWC Lien Decisions, 2011-2017

	2011	2012	2013	2014	2015	2016	2017
Liens Filed	469,190	1,236,704	206,858	229,730	398,940	426,792	206,546
DWC Lien Decisions	41,395	64,300	65,800	58,321	64,360	56,079	52,097

Source: DWC & OIS

See "Report on Liens" (CHSWC, 2011) for a complete description.

http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_LienReport.pdf

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

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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:

- 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.

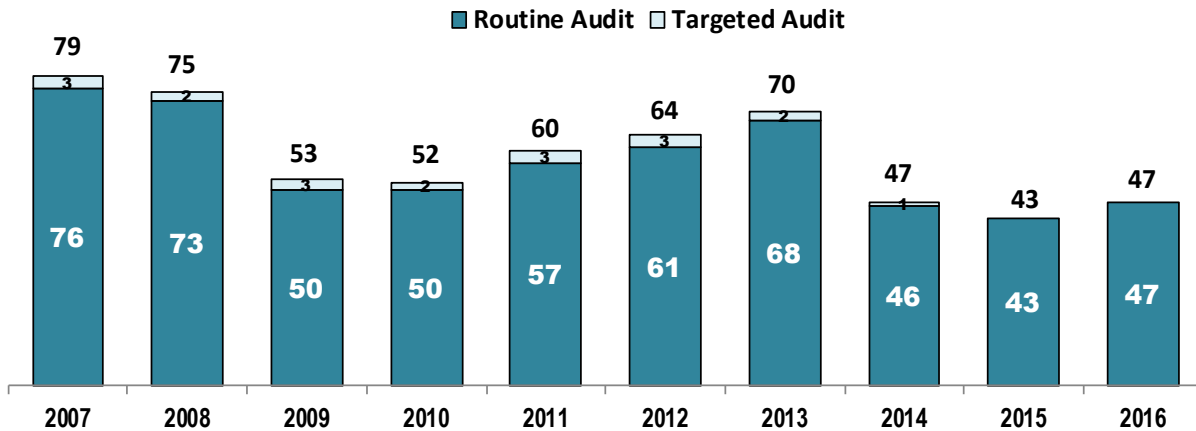
Audit and Enforcement Unit Data

Routine and Targeted Audits

Figures 45 to 51 depict workload data from 2007 through 2016. Figure 45 shows the number of routine and targeted audits and the total number of audits conducted each year.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 45: Routine and Targeted Audits

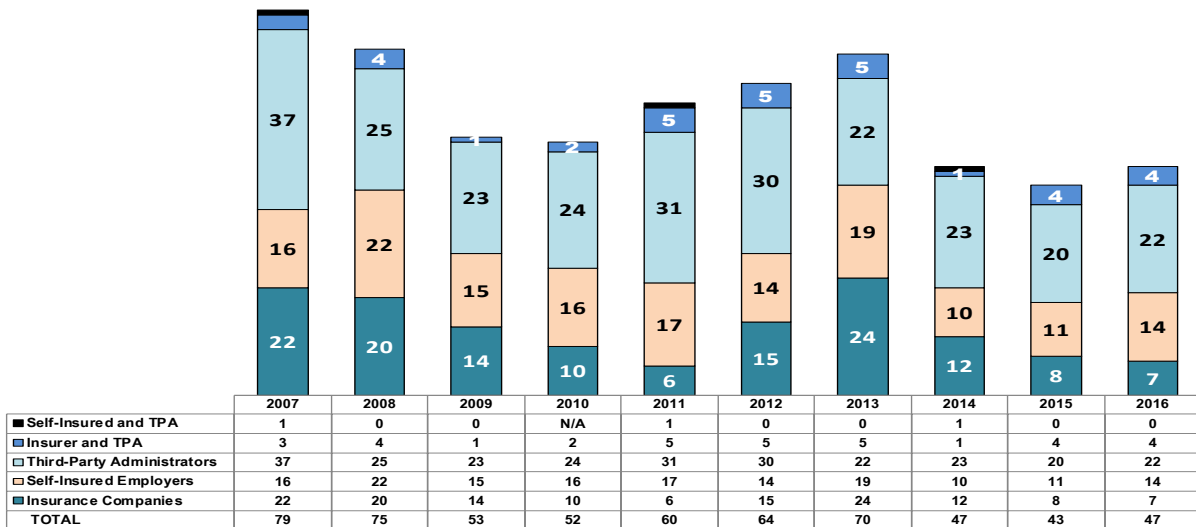


Data Source: DWC Audit and Enforcement Unit

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



Data Source: DWC Audit and Enforcement Unit

Selection of Files to Be Audited

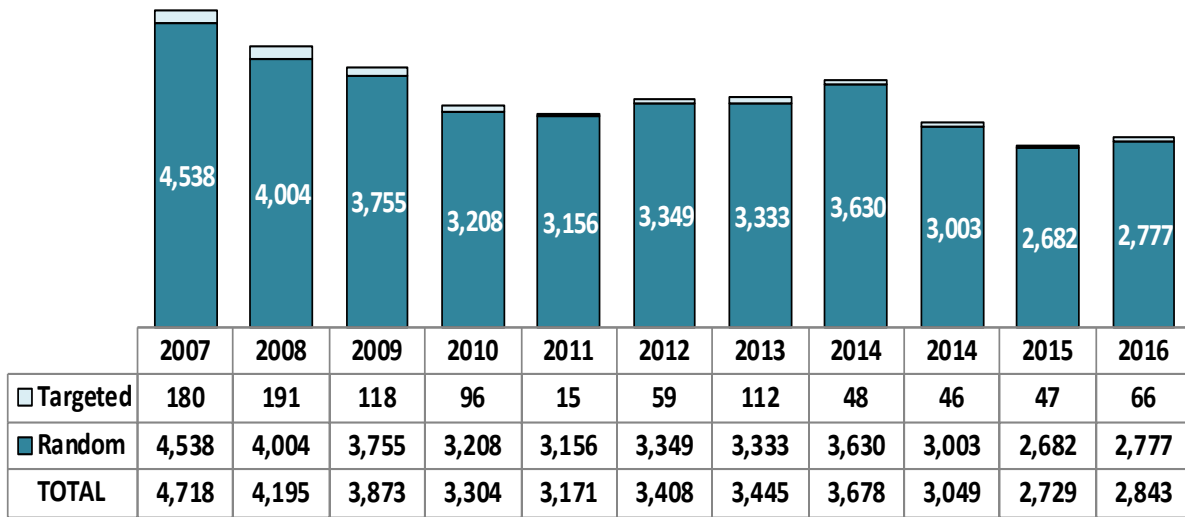
The majority of claim files are selected for audit on a random basis, with the number of indemnity and denied cases selected based on the number of claims in each of those populations of the audit subject:

- 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.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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



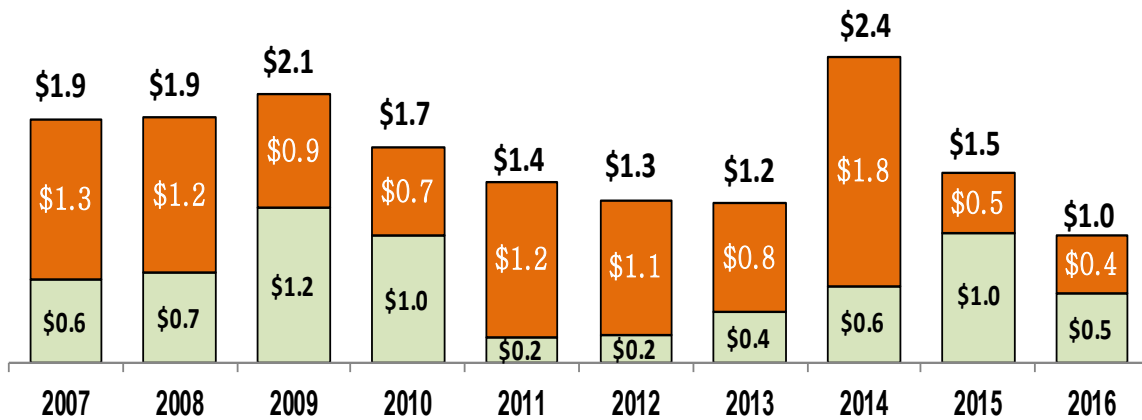
Data Source: DWC Audit and Enforcement Unit

Administrative Penalties

Figure 48 shows the administrative penalties cited from 2007 to 2016.

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

■ Total Administrative Penalties Assessed +
 ■ Penalties Waived per LC§129.5(c) and regulatory authority =
 Administrative Penalties Cited

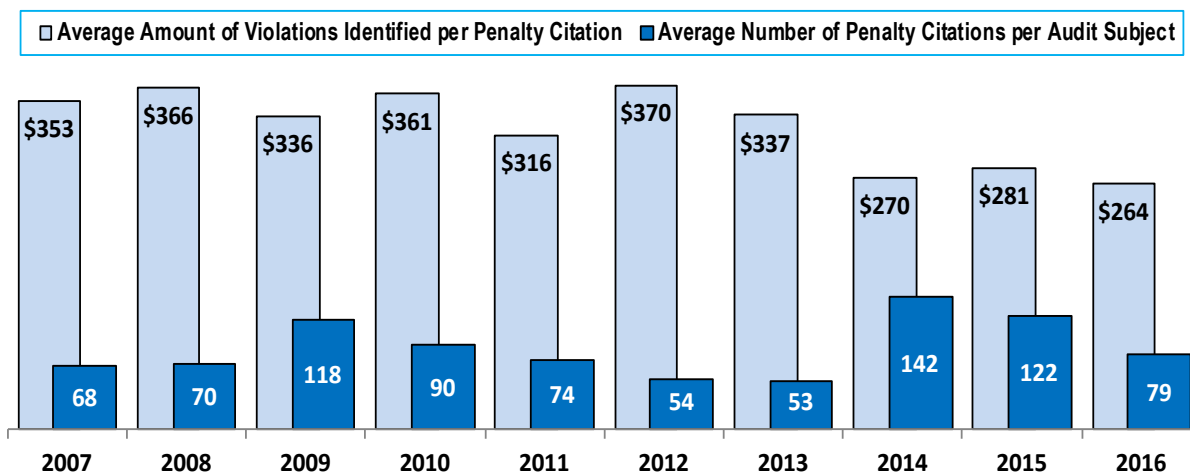


Data Source: DWC Audit and Enforcement Unit

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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



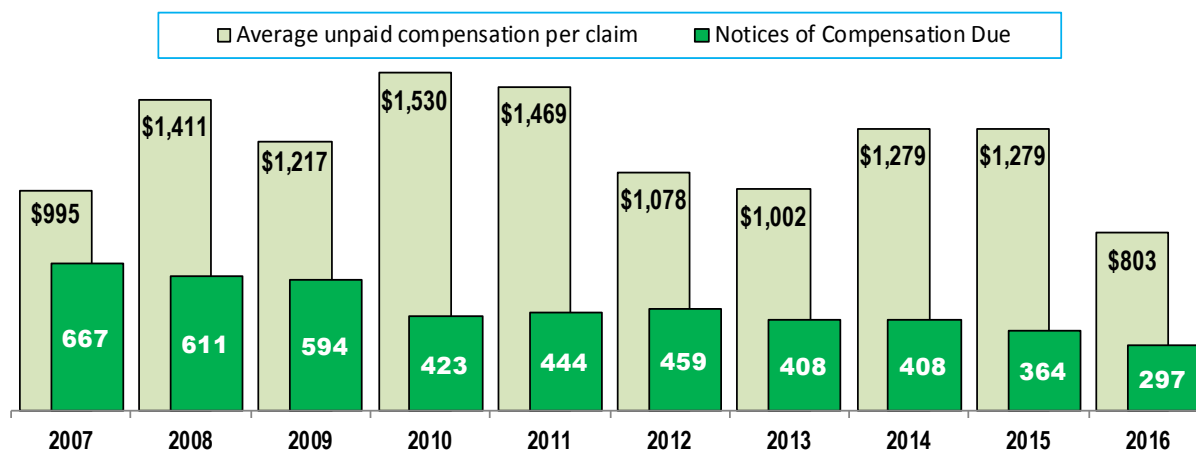
Data Source: Audit and Enforcement Unit

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, an 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

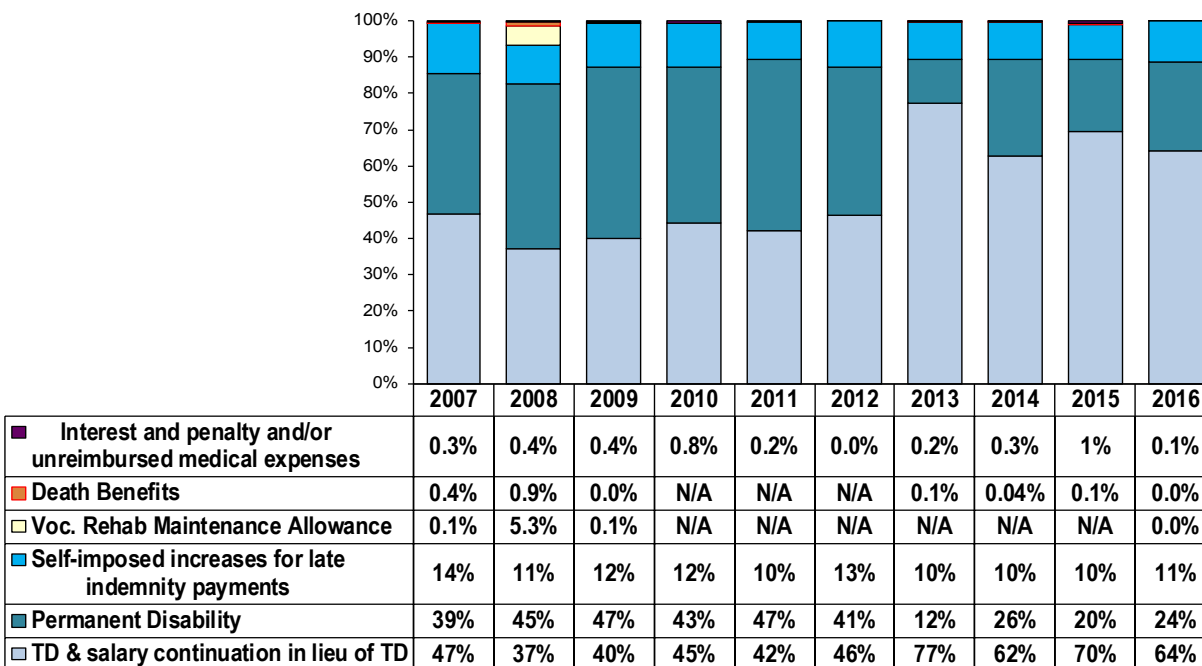


Data Source: Audit and Enforcement Unit

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 51 shows yearly distribution of unpaid compensation by specific type.

Figure 51: Distribution of Unpaid Compensation by Type



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>.

CHSWC "Report on the Division of Workers' Compensation Audit Function" (1998).
<http://www.dir.ca.gov/CHSWC/FinalAuditReport.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:

- Formal Ratings—ratings per workers' compensation judges as part of expert testimony in a litigated case.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

- 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.

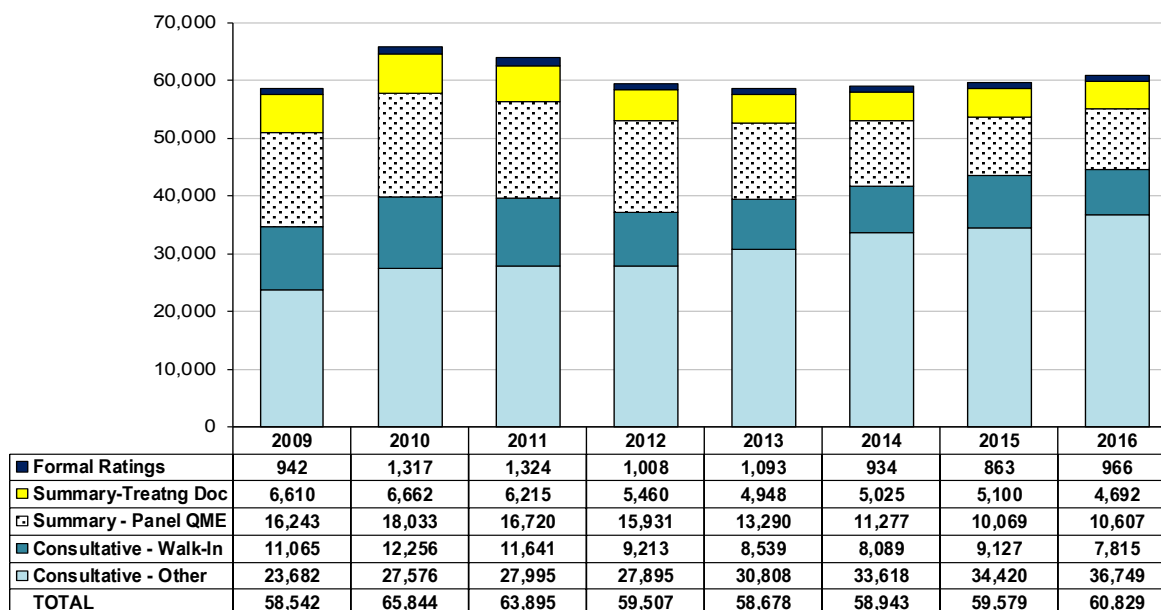
A permanent disability can range from 0 to 100 percent. Zero percent signifies no reduction of earning capacity, while 100 percent represents permanent total disability. A rating between 0 and 100 percent represents a partial loss of earning capacity. Partial permanent disability correlates to the number 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 2010 through 2016 after the transition to an 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 2016. The share of consultative ratings in total ratings increased from 59 percent in 2009 to 73 percent in 2016. 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 2016. Overall from 2009 and 2016, the number of summary ratings by panel QMEs fell by 35 percent, the number of summary ratings by treating doctors decreased by 29 percent, the number of consultative walk-in rates fell by 29 percent, and the number of formal ratings increased by 3 percent.

Figure 52: DEU Written Ratings, 2009-2016



Data Source: DWC Disability Evaluation Unit

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Table 17 shows the number of ratings issued in 1997, 2005, and 2013 by type and rating schedules in effect.

Table 17: DEU Ratings in 2016 by Type and Rating Schedules in Effect

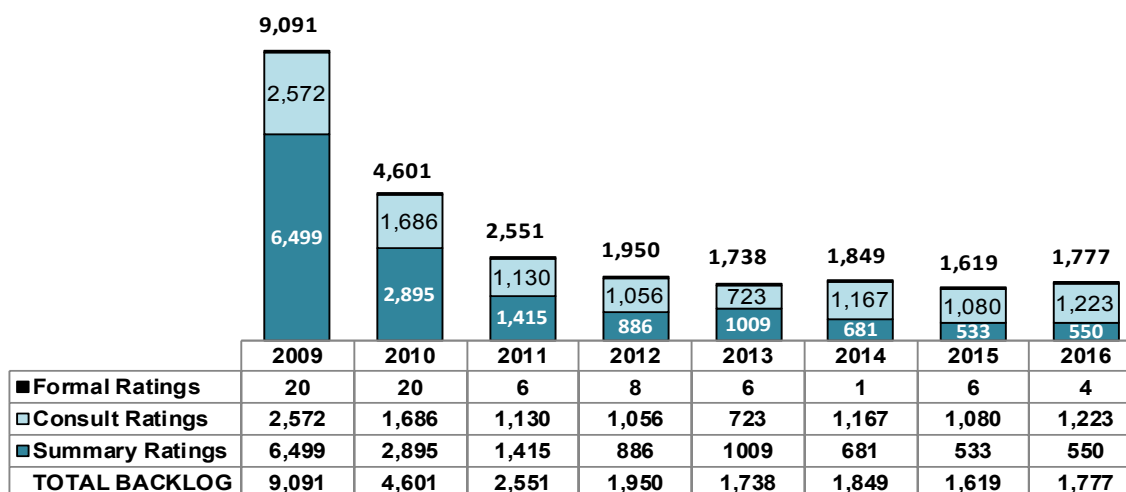
Year that rating schedules went into effect	1997	2005	2013
Summary rating based on QME report	37	7,100	3,470
Summary rating treating based on physician report	9	2,791	1,892
Walk-in consultative ratings	266	5,915	1,634
Other consultative ratings	1,884	25,055	9,810
Formal ratings requested by judge	111	748	111
TOTAL	2,307	41,609	16,917
Percent of each rating schedule in effect in grand total number of ratings (=60,833)	4%	68%	28%

Data Source: DWC Disability Evaluation Unit

DEU Backlog

After the transition year in 2009, DEU decreased the ratings backlog from 4,601 cases in 2010 to an average of 1,745 cases per year from 2013 to 2016, as seen in Figure 53. This represents a 62 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.

Figure 53: DEU Backlogs



Data Source: DWC Disability Evaluation Unit

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

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

increases the complexity of commutation calculations. DEU performed 1,431 commutations, averaging 119.3 commutation calculations per month in 2015 and 1,473 commutations, averaging 122.8 commutation calculations per month in 2016.

Staffing

Current staffing levels are 44 Disability Evaluators (43 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 can select an evaluator to resolve a medical dispute. Before April 19, 2004, only an unrepresented injured worker could request a panel. SB 899, which went into effect April 19, 2004, allowed the claims administrator to request a panel in an unrepresented case if the injured worker failed to do so within 10 days. Likewise, in a represented case, both the applicant's attorney and the defense could request a panel if they could not agree on an AME in cases involving a date of injury on or after January 1, 2005. Although both sides attempt to request the panel in the medical specialty of their choice, the first valid request is processed and subsequent requests are returned as a duplicate.

Effective January 1, 2013, SB 863 no longer requires the parties to confer on using an AME before requesting a panel. Additionally, this reform created a new framework for resolving current medical treatment disputes through an independent medical review (IMR) process. This means that a QME can no longer address current medical treatment disputes. QMEs are also limited to having no more than 10 offices, whereas formerly the number of offices for which they could be certified was unlimited.

An increase in the volume of panel requests has been evident over the past decade because of various legislative reforms, WCAB decisions, and changes in reporting requirements. An online system was implemented on October 1, 2015 to expedite the assignment of initial panels in represented cases. WCAB decisions such as the Romero decision (2007), the Messele decision (2011), and the Navarro decision (2014) also contributed to an increase in panel requests. These changes have contributed to the increase in the number of QME panels, as seen in Figures 54 and 55.

Figure 54 shows the number of all QME Panel Requests including represented initial requests submitted online that became effective on October 1, 2015 and initial, additional, and replacement panel requests received as mailed paper submissions.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 54: Number of Qualified Medical Evaluator (QME) Panel Requests* (Thousand)

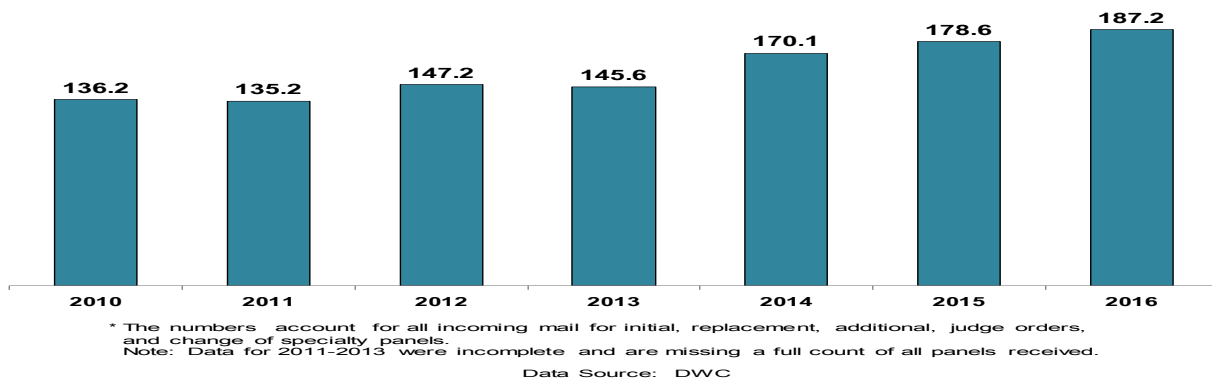
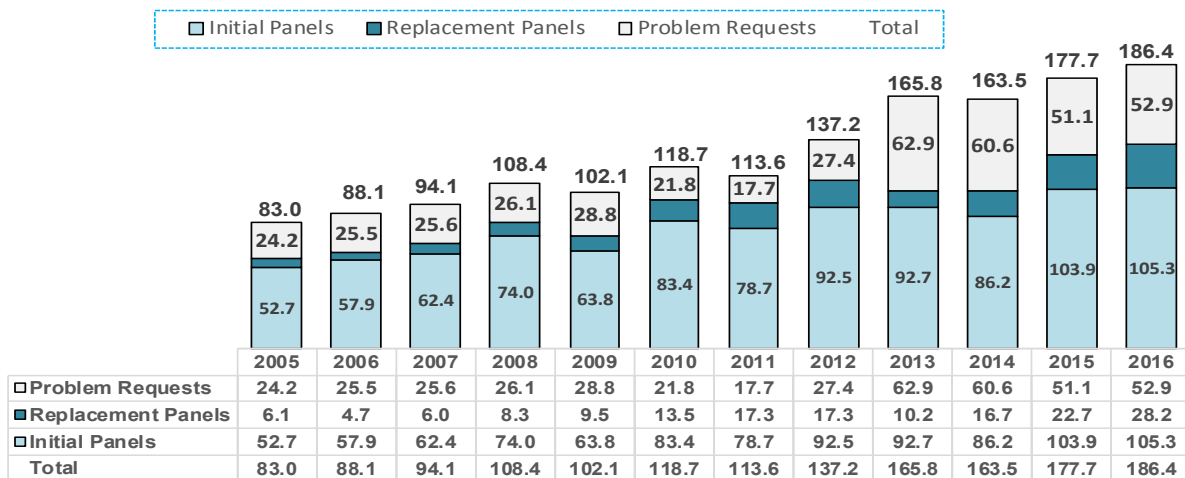


Figure 55 reflects the count of panels issued and returned as problem requests each year. The Medical Unit has 20 business days to issue an initial panel in an unrepresented case and 30 calendar days to issue an initial panel in a represented case. An online panel request system went into effect on October 1, 2015, allowing parties in a represented case to obtain an initial panel immediately upon online submission. Title 8, California Code of Regulations (“CCR”) §31.7 applies to requests for obtaining additional specialty panels under certain specified conditions. Replacement QME panels²⁸ are issued pursuant to 8 CCR§ 31.5 that applies to requests for replacement of one or more QMEs from a panel that meets the conditions specified under this section.

According to Figure 55, the number of QME initial panels increased by 21 percent from an average of 87,000 initial panels per year in 2010 through 2014 to 105,000 initial panels in 2015 and 2016. The replacement panels increased almost 3 times from 2013 to 2016 after a 41 percent decrease from 2011 to 2013. The number of problem requests increased almost 3 times from an average of 22,000 cases per year from 2010 through 2012 to 62,000 cases in 2013 and 2014, and then decreased by 16 percent to an average of 52,000 problem replacements per year in 2015 and 2016.

Figure 55: Number of QME Initial Panels* and Replacement Panels Issued and Returned as Problem Requests (Thousand)



*The numbers account for both initial and additional panels issued.

Note: Data for 2007 were unavailable and are a forecast of previous years.

Data Source: DWC

²⁸ The term “replacement” is referenced as “second” panels in-house to communicate the type of handling needed for the panel request.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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)). The UR plan ensures that UR decisions are consistent with a medical treatment utilization schedule (MTUS). The MTUS, which is adopted by the AD, incorporates evidence-based, peer-reviewed, nationally recognized standards of care. (Labor Code §§ 4610(c) and 5307.27(a)).

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. Investigations to enforce UR requirements have been conducted every five years as required by law. Investigations can be either routine or targeted. Routine 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 targeted 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.
- Other related regulatory requirements are followed.

Files found to have violations are given a set penalty. The entire investigation is given a score, depending on how many violations of certain types 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.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Table 18: Status of UR Investigations

	2013	2014	2015	2016
Number of UR investigations completed	7	6	27	11
Number of UR investigations pending	14	0	0	2
Number of failed investigations	0	0	2	0
Amount of UR penalty assessments	\$20,000	\$0	\$39,000	\$8,000

Source: DWC

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 fourth year. Following an initial ramp-up period, IMR applications held remarkably steady from 2014 to 2016. Figure 56 shows the quarterly numbers of IMR applications with duplicates, the number of unique medical review requests, and IMR determinations between 2014 and 2016.

In 2013, when IMR became effective, the quarterly number of unique IMR requests received increased 426 times from 95 requests in 2013 Q1 to 40,450 in 2013 Q4. The quarterly number of IMR determinations completed increased from 2 determinations in 2013 Q1 to 3,159 determinations in 2013 Q4.

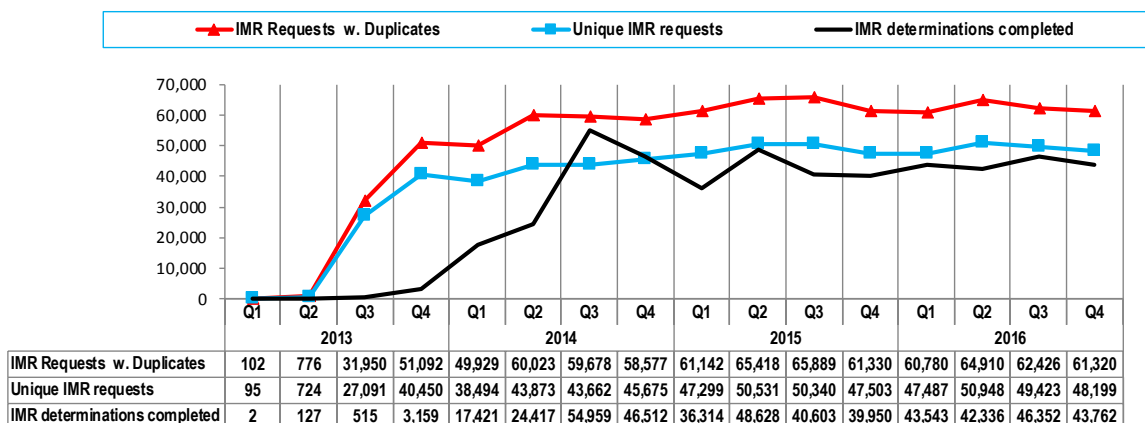
The number of unique IMR requests received from 2013 to 2016 totaled 631,794. The number of IMR determinations completed from 2013 to 2016 totaled 488,600.

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 49,000 unique IMR requests received per quarter in 2016.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

The number of IMR determinations increased 3 times to its peak of 54,959 determinations between 2014 Q1 and 2014 Q3, thereby increasing the average number of IMR determinations completed per quarter in 2014 to 35,800. From 2014 to 2016, the average number of IMR determinations completed per quarter increased by 23 percent, to 44,000.

Figure 56: Quarterly Numbers of Independent Medical Review Requests (IMR) Received and Determinations Completed, 2013 - 2016



Data Source: DWC

For further information ...

DWC "Annual IMR report: Analysis of 2016 Data" (2017).
https://www.dir.ca.gov/dwc/imr/reports/2017_IMR_Annual_Report.pdf

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.

Figure 57 shows the quarterly numbers of IBR requests received and IBR decisions completed between 2013 and 2016. In 2013, when IBR became effective, the quarterly number of IBR requests received increased from 5 in 2013 Q1 to 445 in 2013 Q4. A total of 208 IBR decisions were completed in 2013. As of December 2016, the number of IBR requests received totaled 7,599 and the number of decisions completed totaled 6,697.

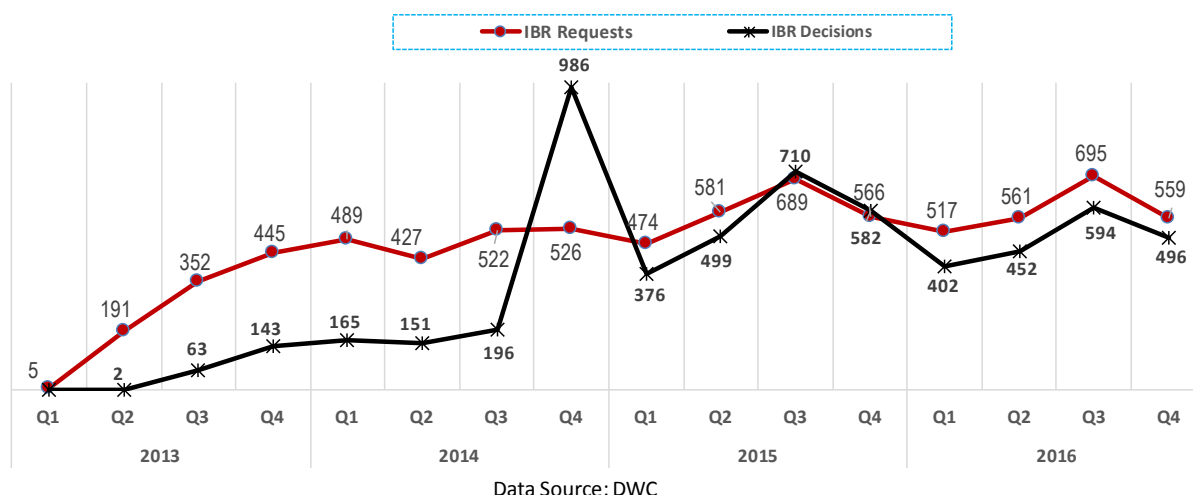
According to the Figure 57, the number of IBR requests received increased by 18 percent from an average of 425 requests per quarter in 2014 to 580 requests per quarter in 2016.

The quarterly numbers of IBR decisions increased from 2 in Q2 to 143 in Q4 of 2013, and then increased almost 7 times from 143 decisions in 2013 Q4 to a peak of almost 1,000 decisions in 2014 Q4. There was another spike of 710 decisions completed in 2015 Q3. From 2016 Q1 to 2016 Q4, the number of IBR

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

decisions completed stabilized at an average of 83 decisions completed per 100 IBR requests received quarterly.

Figure 57: Quarterly Numbers of Independent Bill Review Requests and Decisions, 2013 – 2016



Medical Provider Networks and Health Care Organizations²⁹

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,³⁰ 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.

²⁹ The information in this section was provided by the DWC Medical Unit, with minor edits by CHSWC staff.

³⁰ Based on the WCIRB annual report *California Workers' Compensation Losses and Expenses Report*, prepared pursuant to the California Insurance Code, Section 11759.1.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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 to 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.

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, 2016. During this time, the MPN program received 2,520 MPN applications. Of these, 44 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, 2016, 2,320 applications were approved. Of these, 986 were approved under the emergency regulations, and the remaining 1,334 under the permanent regulations. The DWC revoked 31 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 eighty (280) were withdrawn after approval, and 95 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

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

or that a duplicate application was submitted. One thousand and six (1,006) applications were terminated after approval. The reason for the termination was the applicant's decision to stop using the MPN.

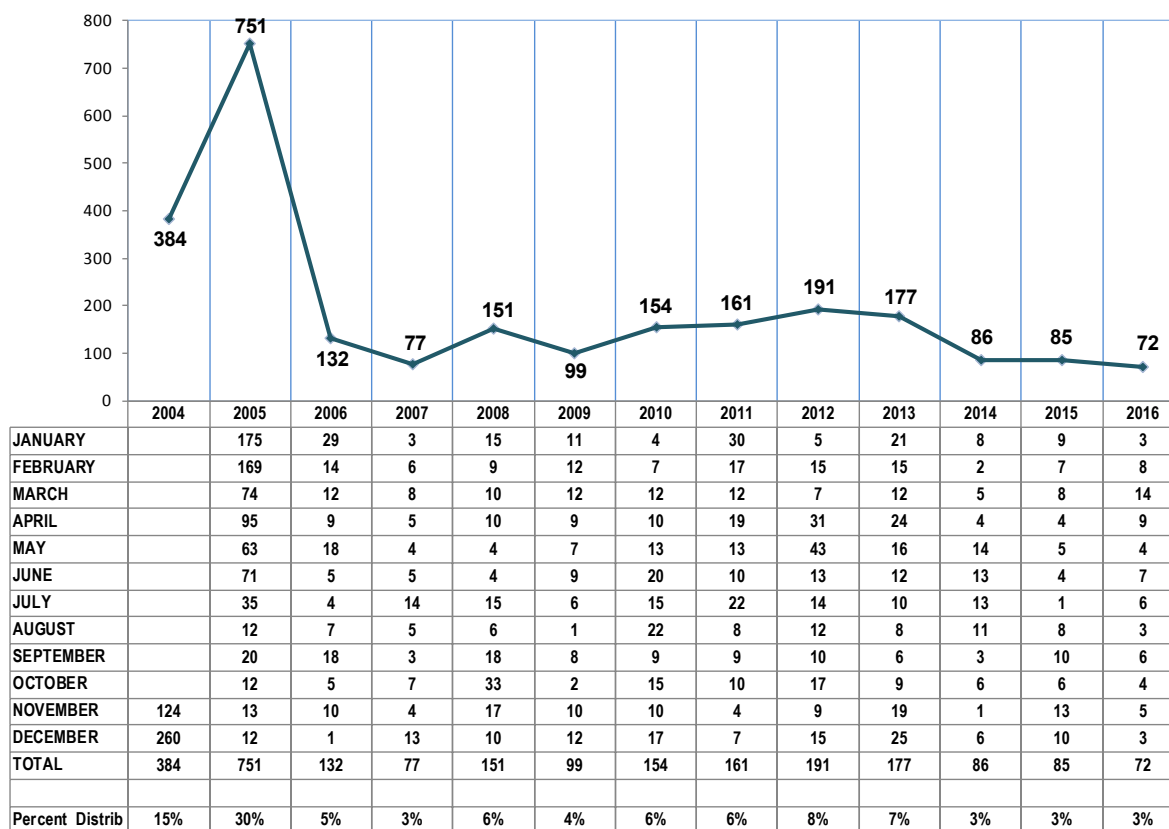
Table 19: MPN Program Activities from November 1, 2004, to December 31, 2016

MPN Application Status:	Number
Received	2,520
Approved	2,320
Material Modifications	3,770
Withdrawn	375
Revoked	31
Ineligible	44
Terminated	1,006

Source: DWC

Figure 58 shows the receipt of MPN applications by month and year. The bulk of applications, 30 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 125 applications per year from 2006 to 2016.

**Figure 58: Number of MPN Applications Received by Month and Year of Receipt, 2004-2016
(Total = 2,520)**

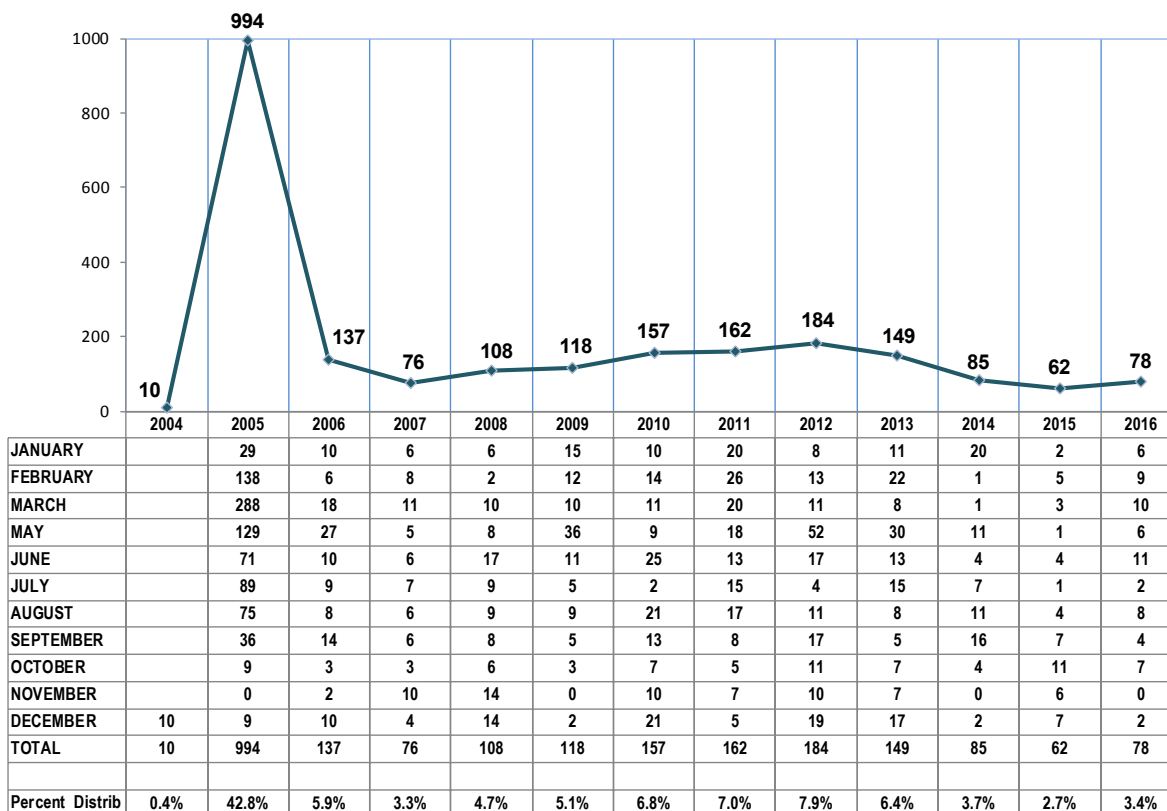


Data Source: DWC

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 59 shows the MPN applications approved by month and year. To recap, 43 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 118 approvals per year from 2006 to 2016.

Figure 59: Number of MPN Applications Approved by Month, 2004-2016
(Total = 2,320)



Data Source: DWC

Material Modifications

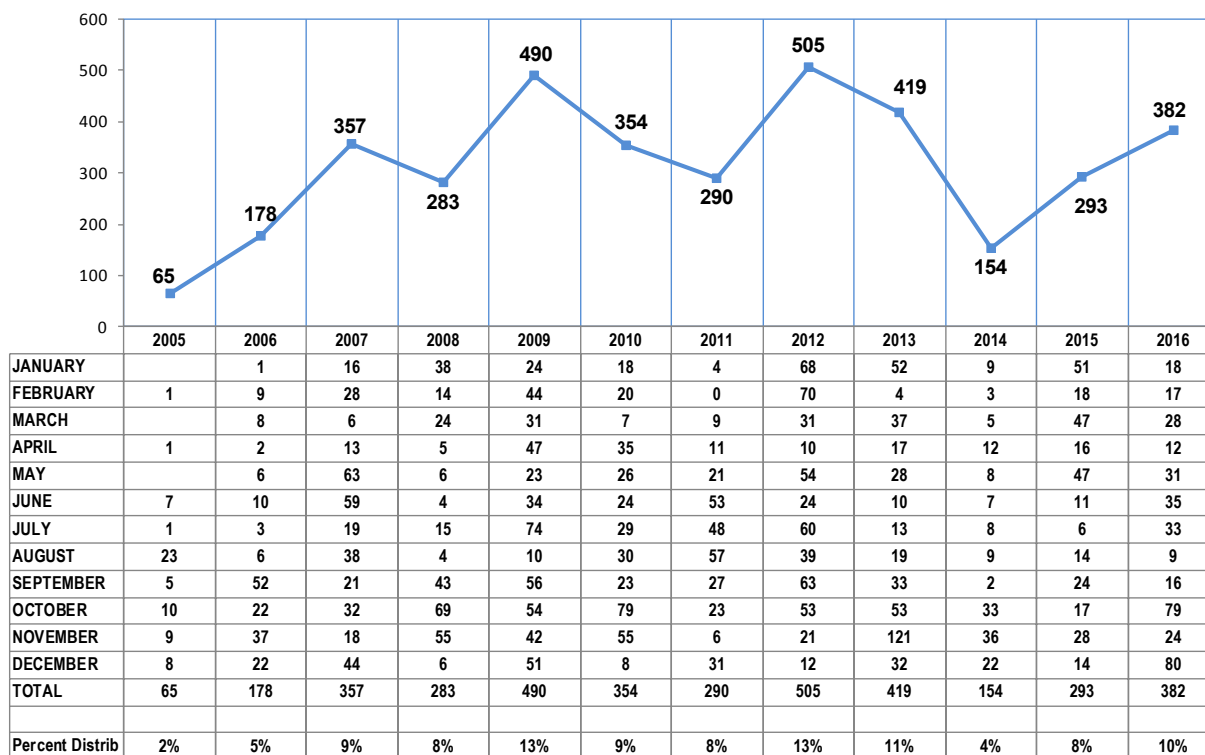
MPN applicants are required by 8 CCR Section 9767.8 to provide notice to the DWC for required material changes to their approved MPN application. Modifications are required when the MPN Liaison or Authorized Individual or employee notification material change, among other reasons. Modifications go through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

As of December 31, 2016, 1,574 applicants had filed material modifications with the DWC. Some applicants had filed more than one material modification. Nine hundred and seven (907) 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 357 from 2005 to 2007 and then fluctuated between 280 and 500 from 2008 to 2016, except for a decrease to 154 material modification filings in 2014.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 60: Number of MPN Material Modifications Received by Month, 2005-2016
(Total = 3,770)



* Monthly data are not available

Data Source: DWC

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.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

As of December 31, 2016, the DWC identified 1,067 approved MPN plans, of which the approval for 165 MPNs expired as of December 31, 2014, and the approval for 42 MPNs expired as of December 31, 2015. The DWC received 306 application plans for reapproval filings between October 20, 2014, and December 31, 2016. Of these filings, 183 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 2020. 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.

**Table 20: Expiring MPN Application Plans by Quarter and Year
Through December 31, 2020 (Total = 1,067)**

Quarter	2014	2015	2016	2017	2018	2019	2020
Q1		6	88	34	11	17	52
Q2		11	45	36	16	33	64
Q3		15	17	36	27	17	61
Q4	165	10	35	156	30	66	19
SUBTOTAL	165	42	185	262	84	133	196

Source: DWC

Table 21 shows the number of MPN application plans for reapprovals received and approved at DWC from 2014 through 2016.

**Table 21: MPN Application Plans for Reapproval Received and Approved by Month
Through December 31, 2016**

		Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Total
2014	Received	0	0	0	0	0	0	0	0	0	15	17	42	74
	Approved	0	0	0	0	0	0	0	0	0	0	0	30	30
2015	Received	25	14	3	30	2	6	1	0	4	4	29	23	141
	Approved	6	3	1	27	3	1	4	0	2	5	37	22	111
2016	Received	12	13	10	8	5	10	11	8	9	1	4	0	91
	Approved	0	2	4	0	8	1	4	11	9	1	1	1	42

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 74 percent of all MPNs, including 636 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 77 MPNs, followed by Zurich American Insurance Company with 46 MPNs, and National Union Fire Insurance Company of Pittsburgh, PA with 41 MPNs.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 61: Distribution of Approved MPNs by Number of MPNs per Applicant, 2016

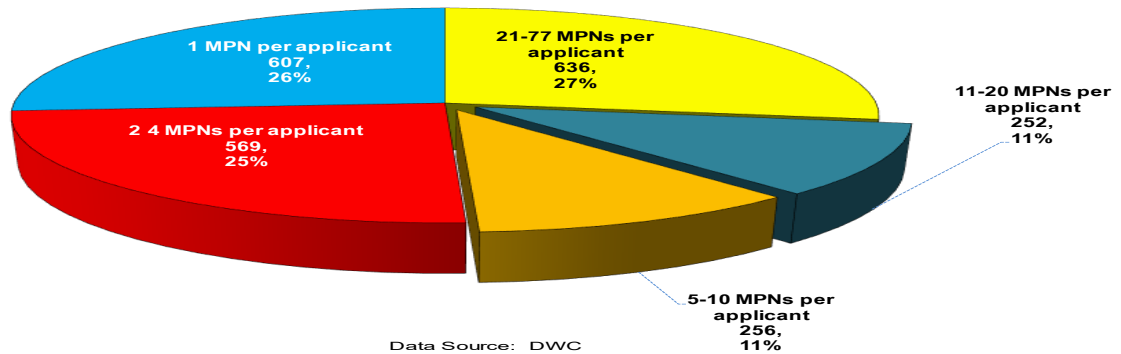


Table 22: Names of MPN Applicants with 10 or More Approved MPNs

Name of Applicant	Number of MPNs
ACE American Insurance Company	77
Zurich American Insurance Company	46
National Union Fire Insurance Company of Pittsburgh, PA	41
American Home Assurance Company	40
Federal Insurance Company	35
The Insurance Company of the State of Pennsylvania	35
Safety National Casualty Corporation	35
Old Republic Insurance Company	32
Fidelity and Guaranty Insurance Company	32
New Hampshire Insurance Company	31
ARCH Insurance Company	29
OCM Coastal Acquisition Co., LLC	29
Discover Property & Casualty Insurance Company	27
Hartford Accident and Indemnity Company	26
United States Fidelity and Guaranty Company	26
Fidelity and Guaranty Insurance Underwriters, Inc.	25
XL Specialty Insurance Company	25
American Zurich Insurance Company	24
Hartford Insurance Company of the Midwest	21
Commerce and Industry Insurance Company	19
AIG Property Casualty Company	18
Travelers Property Casualty Company of America	17
Twin City Fire Insurance Company	16
American Guarantee and Liability Insurance Company	16
Granite State Insurance Company	15
Hartford Underwriters Insurance Company	15
Continental Casualty Company	15
Hartford Fire Insurance Company	14
Praetorian Insurance Company	14

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Name of Applicant	Number of MPNs
United States Fire Insurance Company	13
Greenwich Insurance Company	13
Landmark Insurance Company	12
Indemnity Insurance Company of North America	11
Sentinel Insurance Company, Ltd.	11
The North River Insurance Company	11
American Casualty Company of Reading, Pennsylvania	11
Zurich American Insurance Company of Illinois	11
SPARTA Insurance Company	10
Tokio Marine & Nichido Fire Insurance Co., Ltd.	10
St. Paul Fire and Marine Insurance Company	10
Sparta American Insurance Company	10

Source: DWC

Table 23 shows the number of MPN applicants by type of applicant. The majority (63 percent) of MPN applications were filed by insurers, followed by self-insured employers (28 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, 2004–2016

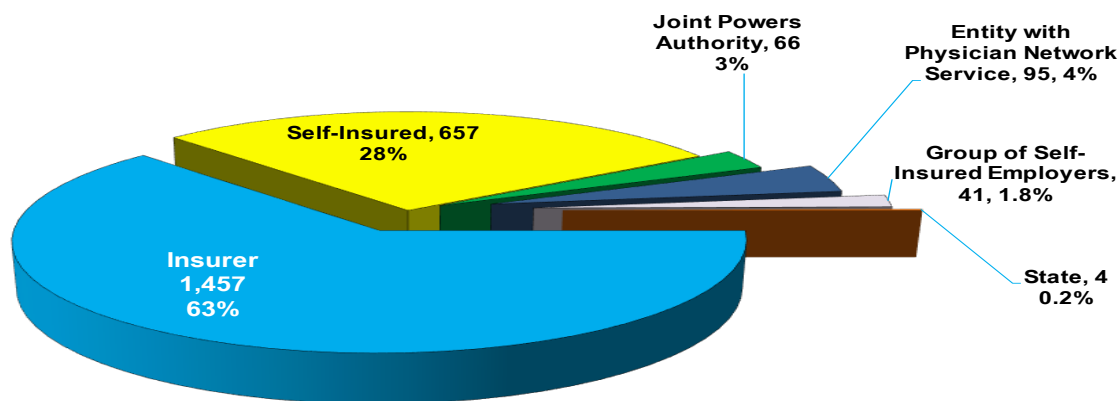
Type of Applicant	2004-2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Insurer	613	68	32	79	90	118	122	145	110	39	17	24	1,457
Self-Insured	344	56	37	24	20	28	36	32	37	29	9	5	657
Joint Powers Authority	38	3	4	3	2	4	2	0	0	3	3	4	66
State	3	0	0	0	0	0	1	0	0	0	0	0	4
Group of Self-Insured Employers	2	10	3	2	6	7	1	7	2	0	1	0	41
Entity with Physician Network	4	0	0	0	0	0	0	0	0	14	32	45	95
Total	1004	137	76	108	118	157	162	184	149	85	62	78	2,320

Source: DWC

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 62 shows the distribution of MPN applications approved from 2004 to 2016 by the type of applicant.

Figure 62: Distribution of All Approved MPN Applications by Type of Applicant
(Total for 2004 through 2016 = 2,320)



Data Source: DWC

MPN Plans Using HCO Networks

Health Care Organizations (HCOs) networks are used by 322 (13.9 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. CompAmerica (First Health) HCO has an MPN market share of 5.5 percent, followed by Corvel HCO, which has a share of 4.7 percent, and Medex, which has a share of 3.4 percent.

Table 24: Number of MPN Applicants Using HCO Networks

Name of HCO	Approved MPN Plans Using HCO Network	Percentage of Applications Received	Percentage of Applications Approved
CompAmerica (First Health)	128	5.1%	5.5%
Corvel	109	4.3%	4.7%
Medex	80	3.2%	3.4%
CompPartners	4	0.2%	0.2%
Promesa	1	0.0%	0.0%
Net-Work	0	0.0%	0.0%
Total Using HCO	322	12.8%	13.9%

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.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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 (WCHPO) 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)

Name of HCO	Date of Certification/Recertification
CompPartners	07/24/2008
Corvel Corporation	12/30/2011
First Health/ CompAmerica Primary	10/05/2016
First Health/ CompAmerica Select	10/05/2016
Kaiser On The Job HCO	12/03/2015
MedeEx Health Care	03/16/2010
MedEx 2 Health Care	10/10/2009
Network HCO	04/16/2010
Promesa Inc. HCO	04/12/2010

Source: DWC

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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 2016.

Table 26: HCOs by Number of Enrollees for 2004 through 2016

	Medex/Me dex 2	Kaiser- on-the- Job	CompPart ners	Promesa	CorVel	Intracorp	NetWork	First Health CompA merica Primary/ Select (First Health)	Prudent Buyer (Blue Cross	Sierra	Total
2004	62,154	30,086	60,935	na	100,080	6,329	1,204	218,919	1,390	240	481,337
2005	66,304	67,147	61,403	na	20,403	3,186	0	2,403	0	0	220,846
2006	46,085	66,138	53,279	na	3,719	2,976	0	0	0	0	172,197
2007	69,410	69,602	13,210	na	3,050	2,870	0	0	0	0	158,142
2008	69,783	77,567	1,765	21,197	3,384	0	0	0	0	0	173,696
2009	34,378	72,469	1,729	16,467	1,983	0	0	0	0	0	127,026
2010	46,838	74,223	2,884	17,602	435	0	0	0	0	0	141,982
2011	61,442	76,263	4,200	19,041	467	0	0	0	0	0	161,413
2012	67,606	75,253	11,561	23,772	405	n/a	0	0	n/a	n/a	178,597
2013	75,183	74,122	554	28,222	0	n/a	0	0	n/a	n/a	178,081
2014	86,550	73,939	396	30,701	0	n/a	0	0	n/a	n/a	191,586
2015	145,352	77,521	422	29,448	0	n/a	0	0	n/a	n/a	252,743
2016	182,034	84,637	486	26,397	0	0	0	0	n/a	n/a	293,554
TOTAL	1,013,119	918,967	212,824	212,847	133,926	15,361	1,204	221,322	1,390	240	2,437,646

Source: DWC

Health Care Organization Program Status

HCO enrollment increased approximately 16 percent between 2015 and 2016. 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; Medex; Medex 2; NetWork; and Promesa.

For further information ...

www.dir.ca.gov/dwc and http://www.dir.ca.gov/dwc/MPN/DWC_MPN_Main.html

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, fact sheets, or guides.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Table 27: Information & Assistance Unit Workload

Number of:	2010	2011	2012	2013	2014	2015	2016
Calls from public handled	312,511	296,983	301,517	300,515	308,221	307,242	311,473
Outgoing calls placed	37,905	33,649	35,985	33,965	33,015	34,017	31,985
Settlements reviewed and assisted	14,757	12,743	13,515	13,055	14,129	14,535	13,988
Face-to-face meetings with walk-ins	26,219	23,218	25,911	24,588	25,105	26,858	25,715
Injured Worker Workshop presentations	219	254	217	243	239	245	229
Workshops for injured workers attended	3,191	3,875	3,215	3,013	2,615	2,377	2,714
Correspondence written	12,713	10,899	12,983	13,005	12,996	11,557	13,511
Conference with Workers' Comp Judge to resolve issue or settlement	NA	NA	NA	NA	9,125	9,334	9,313
Audit Unit referrals	NA	NA	NA	NA	70	58	NA

Source: DWC

Spanish Outreach Attendance data by type of outreach was available only for 2013 (see Table 28). In 2016, the bilingual staff of I&A Unit participated in 69 workshops, fairs, farmworker breakfasts, and consulate presentations sometimes solo and sometimes with other DIR staff such as Labor Commissioners. No attendance figures are available for 2016, as many of these presentations were organized by other entities.

Table 28: Spanish Outreach Attendance, 2013

	Number of Events	Average Number of Attendees per Event
Mexican Consulates	42	40–60
Radio	46	NA
Workshops	9	50–75
Farmworker-related fairs/events	15	500–900

Source: DWC

Table 29: DWC Educational Conferences Attendance, 2012–2016

	Los Angeles					Oakland				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Attendees	1,015	1,091	1,058	1,162	1,191	939	762	740	836	878
Exhibitors	64	87	85	89	95	59	53	53	61	59

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.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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 follows:

Table 30: Number of Enrollees in DWC Tele-Learning Classes for DIR employees

Courses	2014	2015	2016
Disability Management/RTW	Not offered	12	10
Basic Claims	24	23	23
Basic PD	6	12	16
Medical Management	27	Not offered	9
Advanced Claims	Not offered	17	16
Advanced PD	15	3	5
Total	72	67	79

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

Activities	2013	2014	2015	2016
Incoming calls	131,628	174,398	180,144	198,232
Outgoing calls*	4,100	5,325	3,532	184
Calls in Spanish	8,695	13,359	14,908	13,465
Calls transferred to district offices	31,158	27,365	33,191	47,271
EAMS Help Desk emails	11,925	20,222	21,000	16,208
Correspondence mailed out	5,076	5,233	5,346	5,492
NOR-related questions processed	39,123	39,524	47,548	30,243
VEST/Issue tracker of EAMS related problems	278	103	53	18

* Decrease in manual outgoing calls due to new phone system.

Source: DWC

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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."³¹

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 \$40.7 million for fiscal year (FY) 2014-2015, \$24.2 million for FY 2015-2016, and \$23.3 million for FY 2016-2017.

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

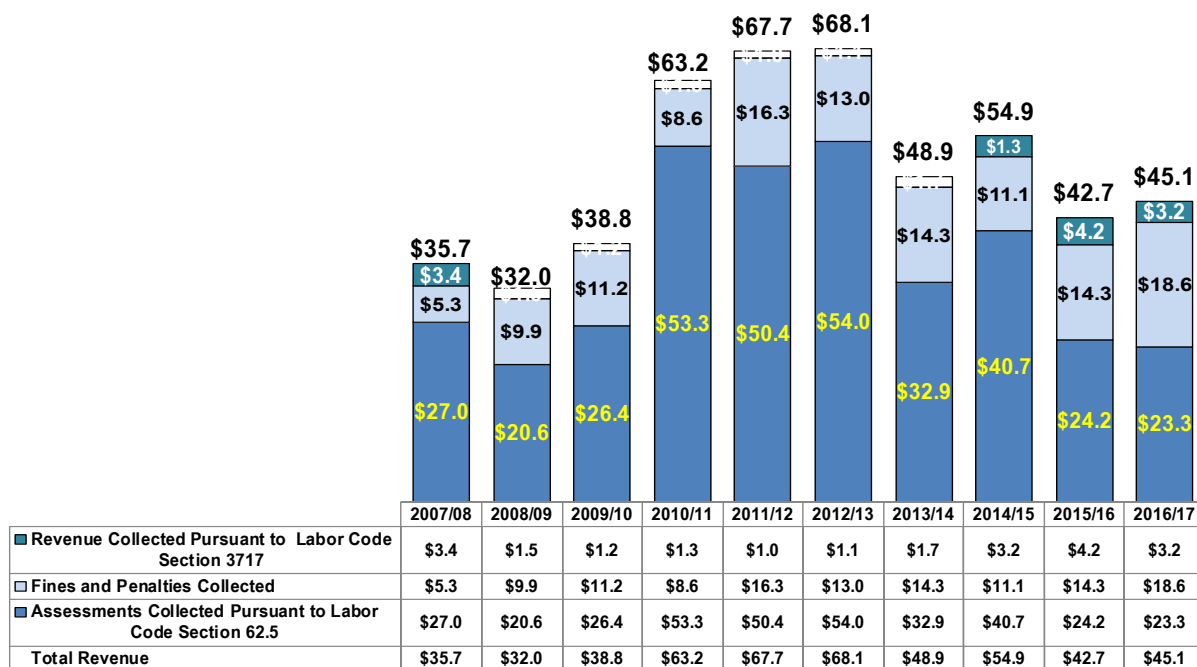
- Fines and penalties collected by DIR. These include both the Division of Labor Standards Enforcement (DLSE) penalties as well as Labor Code Section 3701.7 penalties on self-insured employers.
- Recoveries from illegally uninsured employers per Labor Code Section 3717.

³¹ 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.³²

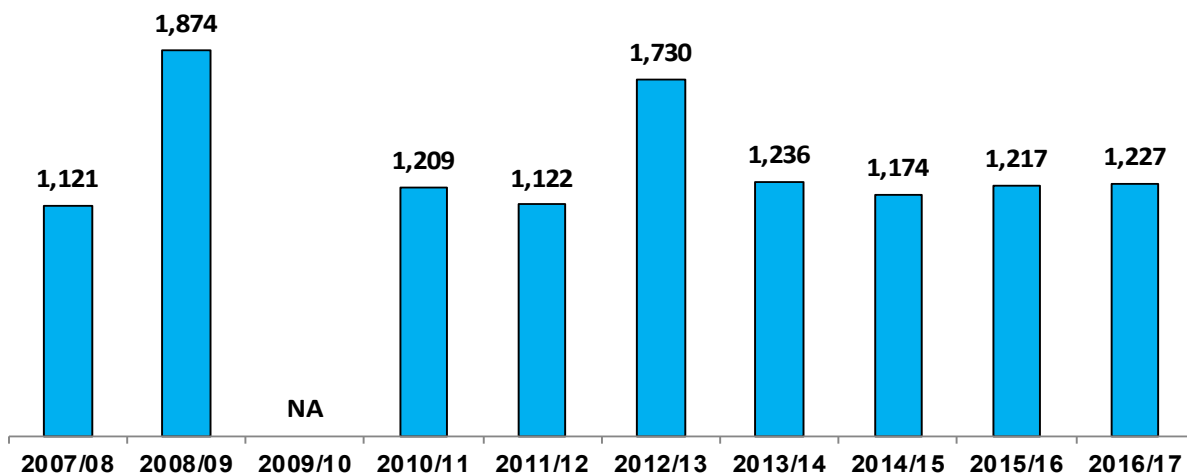
Figure 63: UEBTF Revenues, FY 2007-2008 to FY 2016-2017 (Million \$)



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 2007-2008 to FY 2016-2017

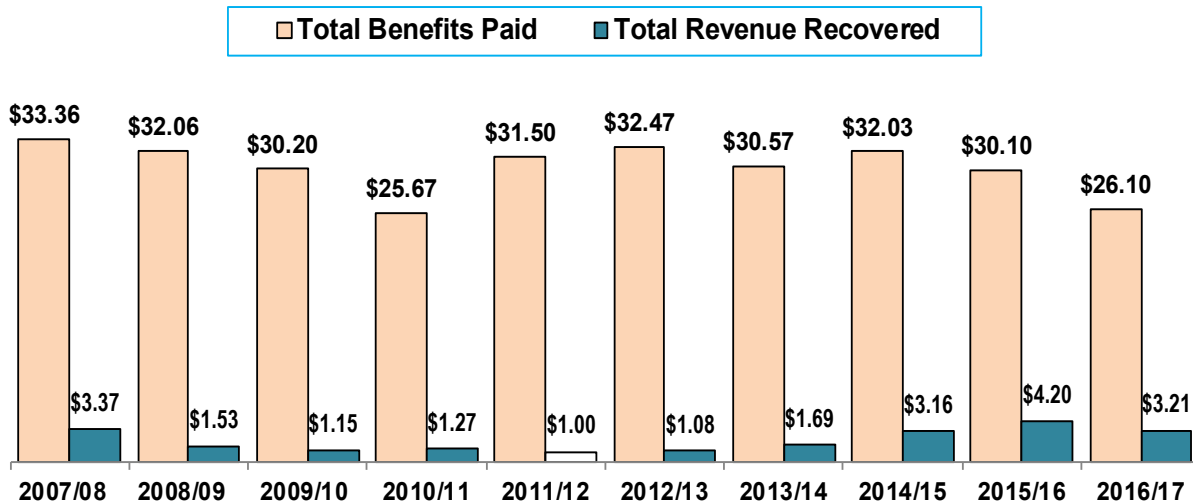


Data Source: DWC

³² 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.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 65: UEBTF Total Benefits Paid and Total Revenue Recovered, FY 2007-2008 to FY 2016-2017
(Million \$)

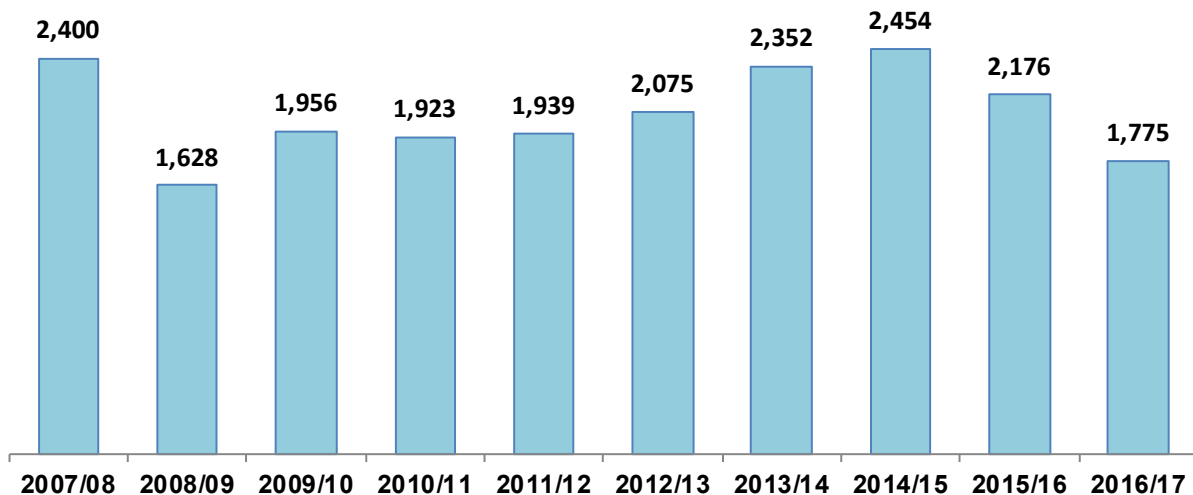


Data Source: DWC

Costs of the Uninsured Employers Benefits Trust Fund

According to Figure 66, the number of uninsured claims paid 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 almost 28 percent from FY 2014-2015 to FY 2016-2017.

Figure 66: Number of Uninsured Claims Paid, FY 2007-2008 to FY 2016-2017

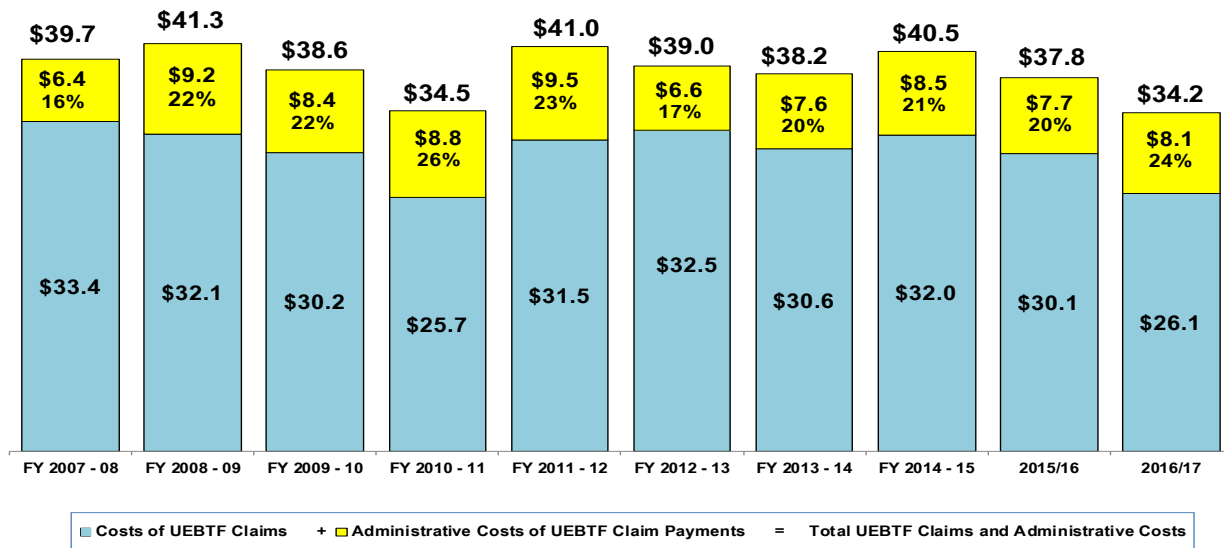


Data Source: DWC

Figure 67 shows that the cost of claims decreased 23 percent from FY 2007-2008 to FY 2010-2011, increased by 26 percent from FY 2010-2011 to FY 2012-2013, and then averaged around \$32 million from FY 2012-2013 to FY 2014-2015. From FY 2014-2015 to FY 2016-2017, the cost of claims decreased by 19 percent. Administrative costs associated with claim payment activities fluctuated between \$6.5 and \$9.5 million from FY 2007-2008 to FY 2016-2017.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 67: UEBTF Amounts Paid and Administrative Costs, FY 2007-2008 to FY 2016-2017 (Million \$)



Data Source: DWC

The most recent available projected UEBTF annual program cost for FY 2011-2012 is \$40.4 million.³³ 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.

The WCIS's medical billing data collection underwent a major change in 2016. As of April 6, 2016, the WCIS adopted the IAIABC Medical Bill Data Reporting Implementation Guide (Release 2.0, February 2014). This change made it possible to collect medical bill data using the same standard as adopted in DWC e-billing regulations. WCIS is actively receiving medical data from 57 senders (claims administrators and bill review companies sending data on behalf of claims administrators).

³³ 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.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Since the adoption of the new CA Medical Version 2.0 standard in 2016, the WCIS Medical Bill Payment data collection system has collected 22,244,736 lines of data. Including data collected in the old CA Version 1.1 standard, the WCIS currently has over 400 million bill lines of data.

Maintenance and Improvements to the System

Following the adoption of new reporting regulations and a new implementation guide on March 27, 2017, WCIS FROI and SROI completed all the Change Requests (CRs) required for the adoption of the new system. The new system will take effect March 27, 2018.

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

New Projects

With the adoption of CA Medical Version 2.0, the WCIS initiated the use of the ANSI file translator developed by the DIR Office of Information (OIS). This tool removed WCIS's reliance on an outside vendor for the translation of incoming and outgoing ANSI files and gave OIS employees the ability to maintain the system internally.

The WCIS and OIS continue to monitor the accuracy and completeness of the WCIS data. To this end, medical bill data senders received reports listing the types and volume of errors. The WCIS medical team is developing a report to indicate outstanding errors pending correction. In addition, other reports are in development that are tailored to each data sender, illustrating the completeness and specific characteristics of data elements.

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 studies on Medical Access and the formulary also used the WCIS data. The University of California at Berkeley also received 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 California at San Francisco
- University of California at Los Angeles
- 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.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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>.

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.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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.

In 2017, DIR began implementation of Assembly Bill 1244 and Senate Bill 1160.

2017 activities:

- The special Adjudication Unit (SAU) was designed and implemented to conduct lien consolidation proceedings.
- Processes were created to identify liens of medical providers that have been criminally indicted or suspended in EAMS. Those changes are displayed in EAMS and in the Lien Search results of the Public Information Search Tool.
- DIR revised the electronically filed Notice and Request for Allowance of Lien form to include medical provider information, created the Supplemental Lien Form and Section 4903.05(c) Declaration and updated DWC Document Cover and Separator Sheets to allow submission of SAU case documents into EAMS.
- In August, DIR processed liens that were dismissed by operation of law that did not meet the statutory requirements of Labor Code Section 4903.05.
- DIR improved SIBTF and UEBTF business analytics.

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 ...

How to Create a Workers' Compensation Carve-out in California: Practical Advice for Unions and Employers, CHSWC (2006).

<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.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

- 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

As Table 32 shows, for calendar year 2016, 34 of 39 reporting programs reported payroll and person-hours. Carve-out programs reported that for the 2016 calendar year, they covered 159 million work hours

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

and \$3.2 billion in payroll. The reported average wage per carve-out FTE is \$20 per hour.

Table 32: Estimated Person-Hours Worked and Payroll, 2006 - 2016

Calendar Year (Reporting Year)	Reporting Programs	Employers	Payroll (Million\$)	Person-Hours Worked (Millions)	FTE (estimated)	Average Hourly Wage
2006	19	981	\$1,378	56	28,000	\$25
2007	16	1,087	\$1,777	56	28,000	\$32
2008	19	1,274	\$2,782	93	46,500	\$30
2009	21	876	\$3,393	100	50,000	\$34
2010	19	1,177	\$1,976	67	33,500	\$29
2011	22	1,586	\$2,418	78	39,000	\$31
2012	25	1,508	\$1,849	69	34,500	\$27
2013	22	1,815	\$1,226	51	25,600	\$24
2014	27	1,901	\$3,255	122	60,900	\$27
2015	23	1,552	\$2,553	89	44,600	\$29
2016	34	NA	\$3,203	159	79,400	\$20

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>.

How to Create a Workers' Compensation Carve-out in California: Practical Advice for Unions and Employers. CHSWC (2006).

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

Carve-outs: A Guidebook for Unions and Employers in Workers' Compensation. CHSWC (2004).

<http://www.dir.ca.gov/chswc/CARVEOUTSGuidebook2004.pdf>.

Carve-Outs' in Workers' Compensation: An Analysis of Experience in the California Construction Industry (1999). <http://www.dir.ca.gov/CHSWC/CarveOutReport/Carveoutcover.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

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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 2015-2016 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, 2015–2016

Citation Category	Number of Citations	Penalties Assessed	Penalties Collected
Workers' Compensation	859	\$19,278,262	\$3,563,390
Itemized Statement	449	\$4,229,225	\$2,013,975
Non-registration*	141	\$1,058,400	\$402,739
Overtime	192	\$678,107	\$127,480
Rest and Meal Period	103	\$297,375	\$80,253
Minimum Wage	180	\$520,178	\$71,438
Child Labor	59	\$84,000	\$68,150
Unlicensed Construction Contractor	39	\$283,200	\$46,566
Garment	37	\$87,500	\$13,983
Unlicensed Farm Labor Contractor	5	\$42,600	\$12,600
Misclassification	2	\$17,000	\$0
Other	6	\$40,950	\$10,045
Subtotal	2,072	\$26,616,798	\$6,410,618
Public Works	636	\$25,078,769**	\$5,344,426
<i>LESS citations dismissed/modified</i>		<i>(\$8,354,480)</i>	
TOTAL	2,708	\$43,341,087	\$11,755,044
* "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>

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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 (CWCII).

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:³⁴

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

³⁴ 2014 Annual Report of the Insurance Commissioner, August 1, 2015.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

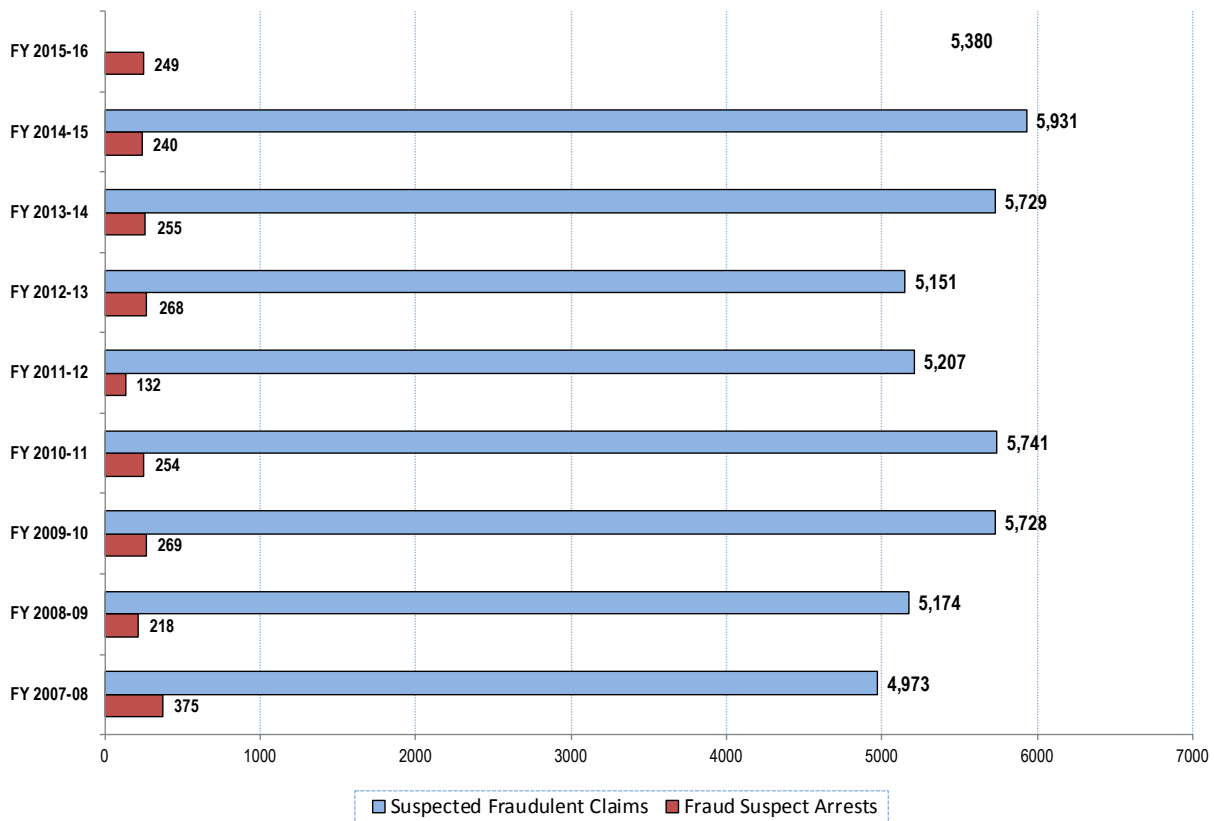
- Changing submission of SFCs by filling out the FD-1 Form electronically on the Internet.
- Promulgating new regulations to help insurance carriers step up their anti-fraud efforts and become more effective in identifying, investigating and reporting workers' compensation fraud. A work plan to increase 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 2015-2016, the total number of SFCs reported is 5,380.

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



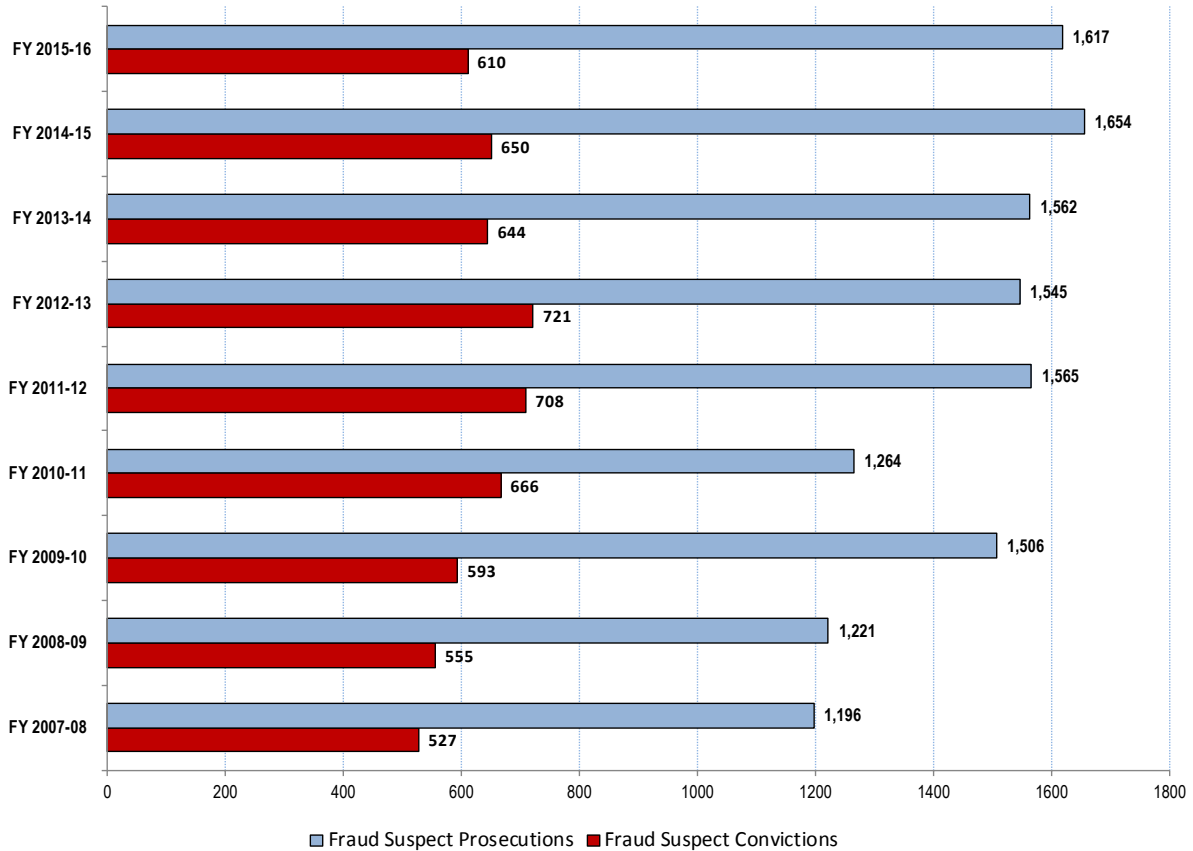
Data Source: CDI - Fraud Division and CWCI

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

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



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 type 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.

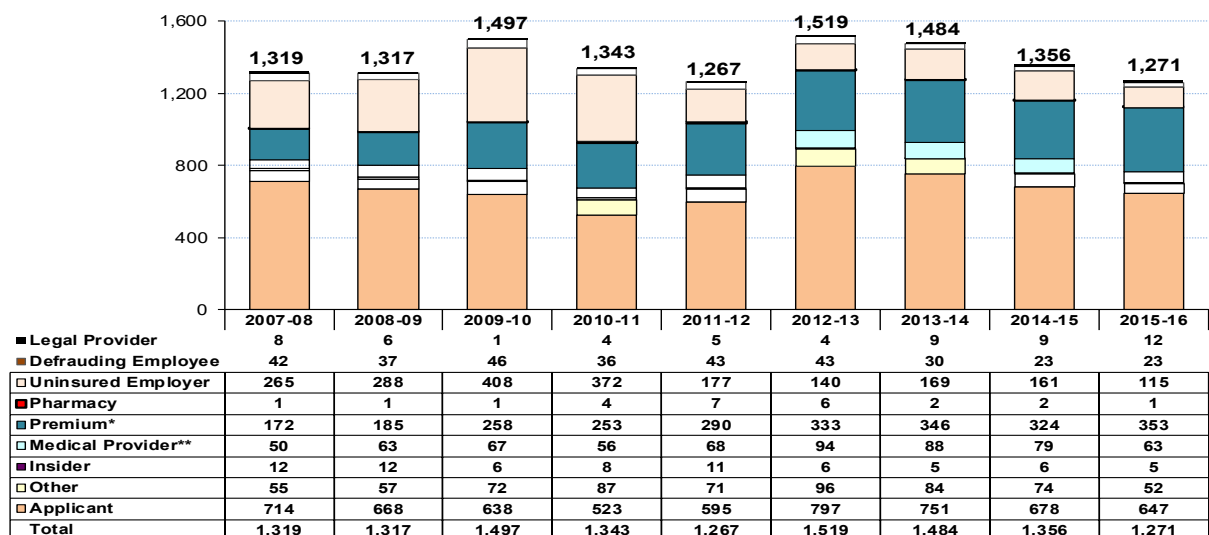
Some of the categories for fraud-related investigations were changed in FY 2005-2006, FY 2006-2007, and FY 2007-2008. In FY 2008-2009, two new categories, Legal Provider and Pharmacy, were introduced as separate categories.

Trends in Workers' Compensation Fraud Investigations

Figure 70 shows that the number of workers' compensation fraud investigations averaged 1,350 from FY 2007-2008 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 16 percent from FY 2012-2013 to FY 2015-2016.

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

Figure 70: Caseload by Type of Fraud Investigations, FY 2007-2008–FY 2015-2016



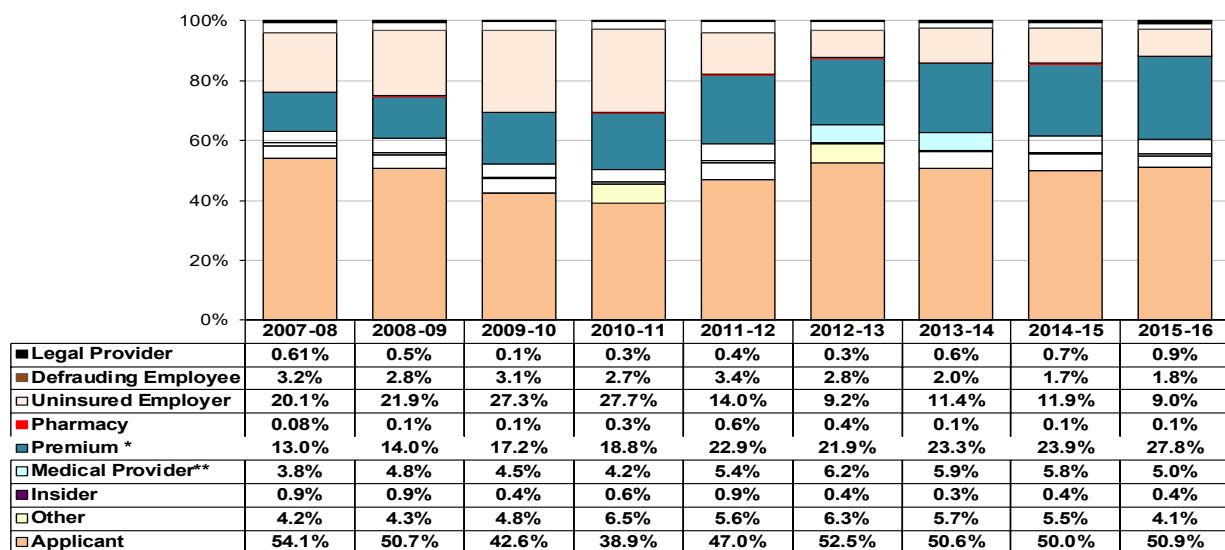
* From 2007-2008 on, Includes Misclassification, Underreported Wages, and X-Mod Evasion

** From FY 2005-06, includes Capping and Fraud Rings that had been separate categories before, and for 2006-07, includes Legal Provider and Treatment frauds

Data Source: California Department of Insurance, Fraud Division

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 2007-2008 to 39 percent in FY 2010-2011. During the same period, the percentage of investigations of premium and uninsured employer fraud increased. From FY 2010-2011 to FY 2015-2016, investigations of applicant fraud increased again to its FY 2008-2009 level, premium fraud increased fifteen-percentage-points from FY 2007-2008 to FY 2015-2016, and investigations of uninsured employers fell from 28 percent in FY 2010-2011 to 9 percent in FY 2015-2016.

Figure 71: Distribution by Type of Fraud Investigations, FY 2007-2008–FY 2015-2016



* From FY 2006-2007 on, Includes Misclassification, Underreported Wages, and X-Mod evasion

** From FY 2005-06, includes Capping and Fraud Rings that had been separate categories before, and for 2006-07, includes Legal Provider and Treatment frauds

Data Source: California Department of Insurance, Fraud Division

WORKERS' COMPENSATION ADMINISTRATIVE PERFORMANCE

In addition, the *2016 Annual Report of the Insurance Commissioner* notes that the majority of suspected fraudulent claims in calendar year 2016 came from Los Angeles County (1,554, or 34.5 percent of total cases) followed by Orange County (514, or 11 percent) and San Diego County (332, 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.³⁵

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. More information on the Department of Industrial Relations (DIR) efforts related to AB 1244 and SB 1160 can be found at http://www.dir.ca.gov/fraud_prevention/.

³⁵ <http://www.bettzedek.org/wp-content/uploads/voicesfromtheunderground.pdf>.

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 2015 (latest available year in 2017) 135.6 million workers were covered by workers’ compensation in the U.S., including 16.1 million in California.

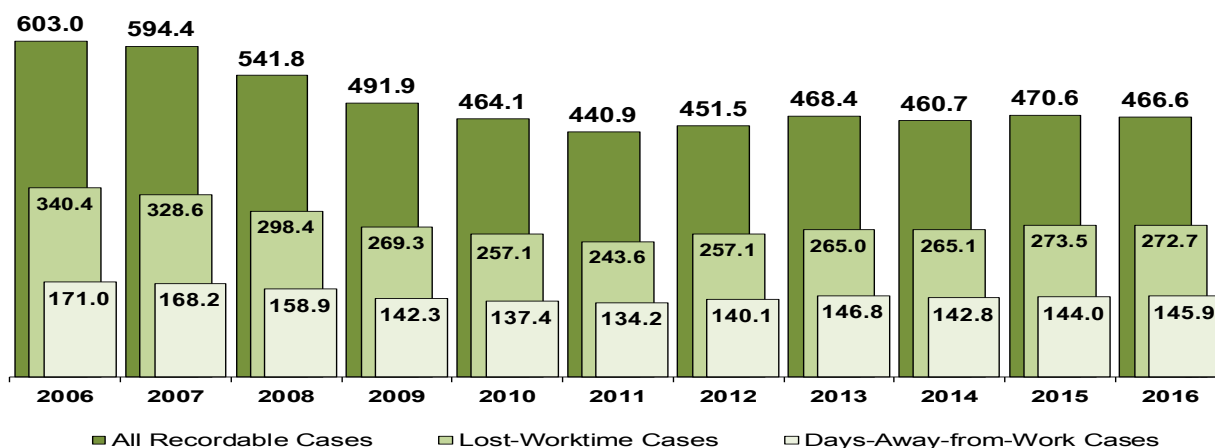
WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

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 2006 to 2011, and then increased overall by 6, 12, and 9 percent respectively from 2011 to 2016.

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

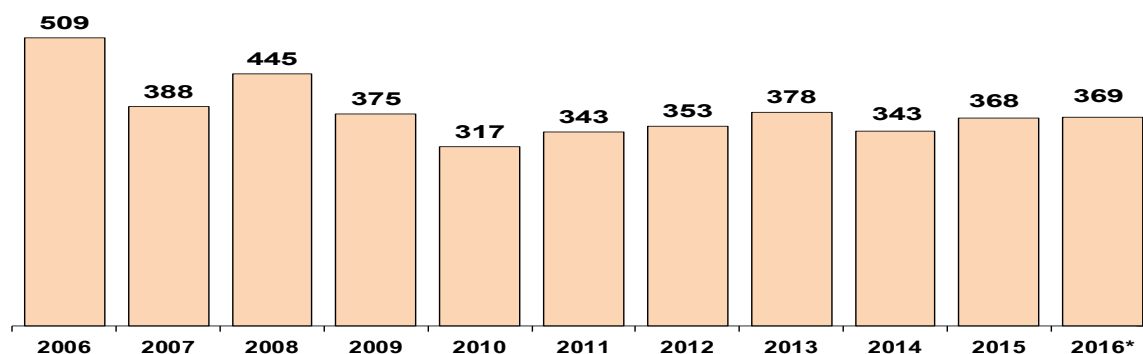


Source: DIR, Director's Office of Policy, Research and Legislation

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 reached its peak in 2006, decreased 23.8 percent from 2006 to 2007, increased 14.7 percent from 2007 to 2008, and then decreased by 29 percent from 2008 to 2010. The number of fatal injuries in California increased by 19 percent from 2010 to 2013, decreased by 9 percent from 2013 to 2014, and then increased by 0.8 percent from 2015 to 2016.

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



* Preliminary data.

** Total, excluding Federal Government.

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

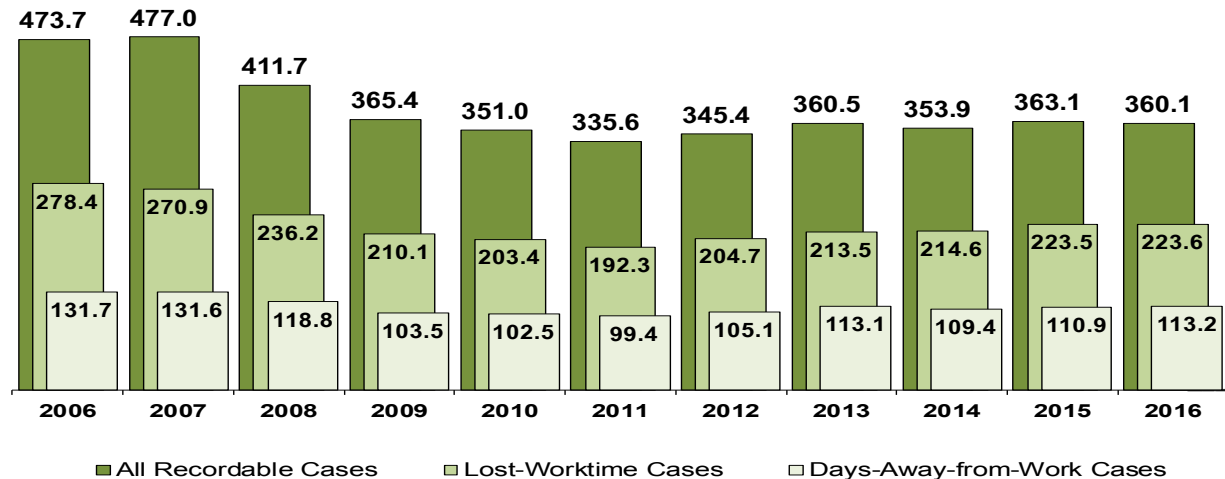
WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Private Sector

Non-Fatal Occupational Injuries and Illnesses

A significant decrease in occupational injuries and illnesses in California's private industry from 2006 to 2011 was followed by an increase starting in 2012. The total number of recordable injury and illness cases dropped overall by 29 percent, the number of lost-work-time cases declined by 31 percent, and the number of days-away-from-work cases decreased by 24.5 percent, all from 2006 to 2011, and then increased overall by about 7, 16, and 14 percent respectively from 2011 to 2016.

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

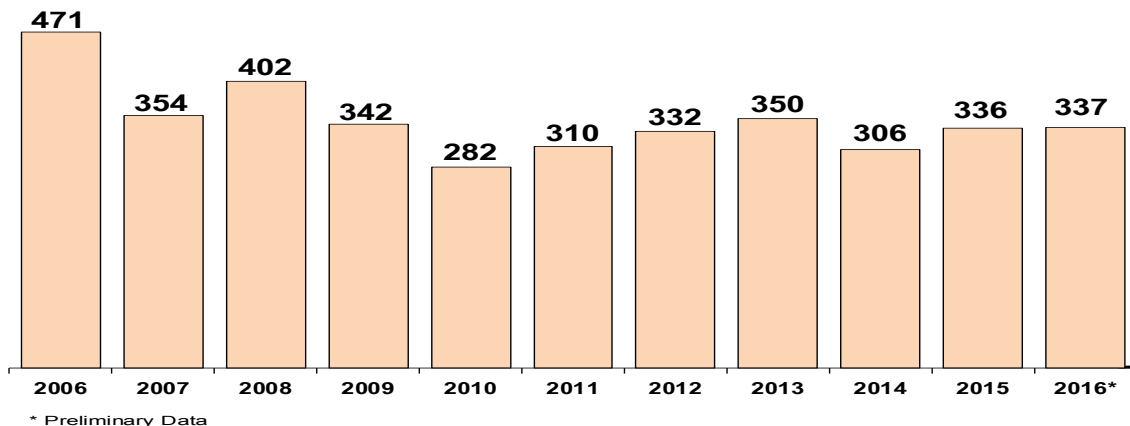


Source: DIR, Director's Office of Policy, Research and Legislation

Fatal Occupational Injuries and Illnesses

Fatal occupational injuries and illnesses in California private industry reached its peak in 2006, 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 almost no change from 2015 to 2016.

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



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

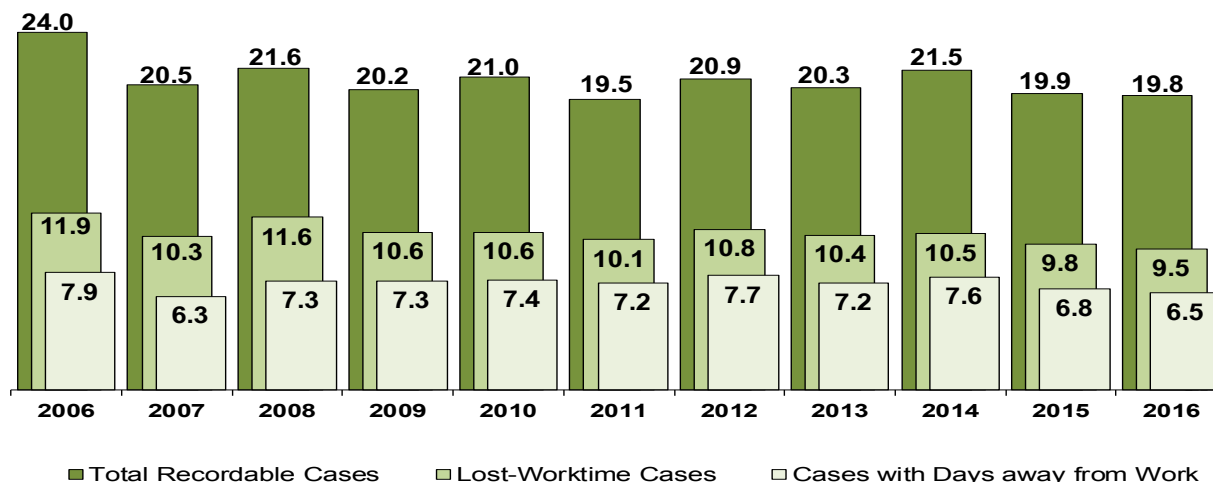
WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Public Sector: State Government

Non-Fatal Occupational Injuries and Illnesses

The number of recordable injury and illness cases in California state government declined by about 15 percent between 2006 and 2007, and then averaged 20,500 cases per year from 2007 to 2016. 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)

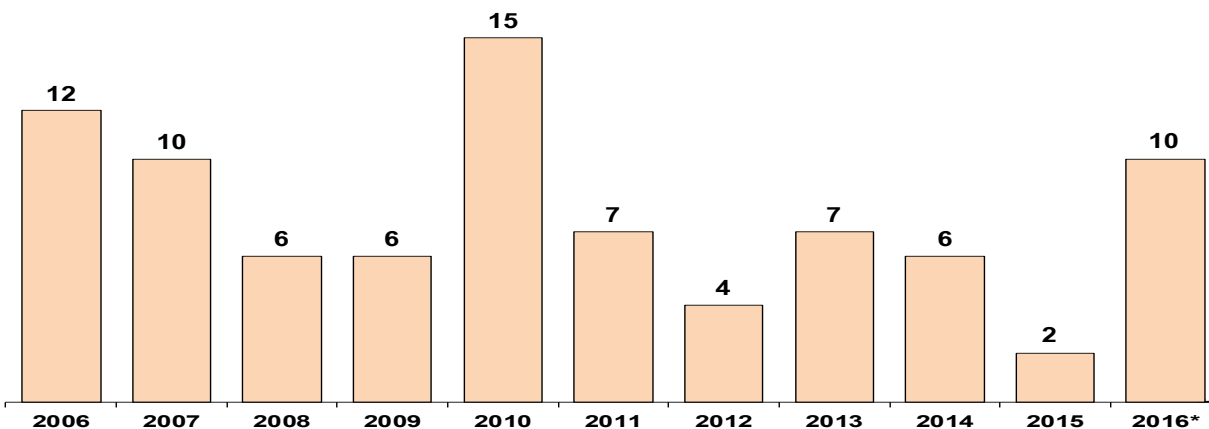


Source: DIR, Director's Office of Policy, Research and Legislation

Fatal Occupational Injuries and Illnesses

Fatal occupational injuries and illnesses in California state government decreased from 12 in 2006 to 6 in 2008, and then averaged 6 fatalities for most years from 2008 through 2016, except for a spike of 15 fatalities in 2010.

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



* Preliminary Data.

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

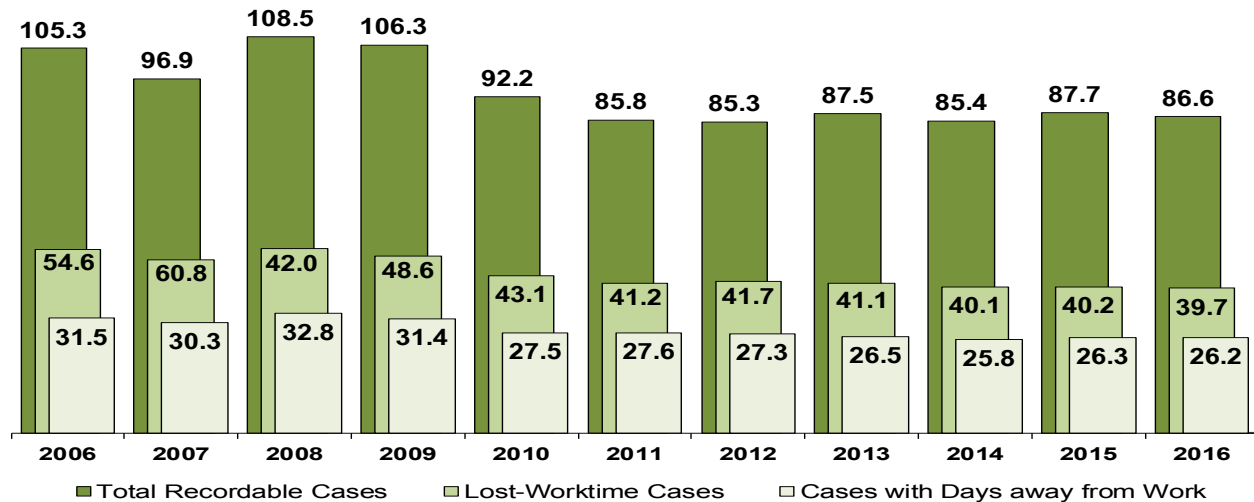
WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Public Sector: Local Government

Non-Fatal Occupational Injuries and Illnesses

The total number of non-fatal occupational injuries and illnesses in local government experienced a 12 percent increase from 2007 to 2008 after an 8 percent decrease from 2006 to 2007. From 2008 to 2011, the number of injuries and illnesses in this sector decreased steadily by 21 percent and then averaged 86,400 non-fatal occupational injuries and illnesses per year between 2011 and 2016.

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

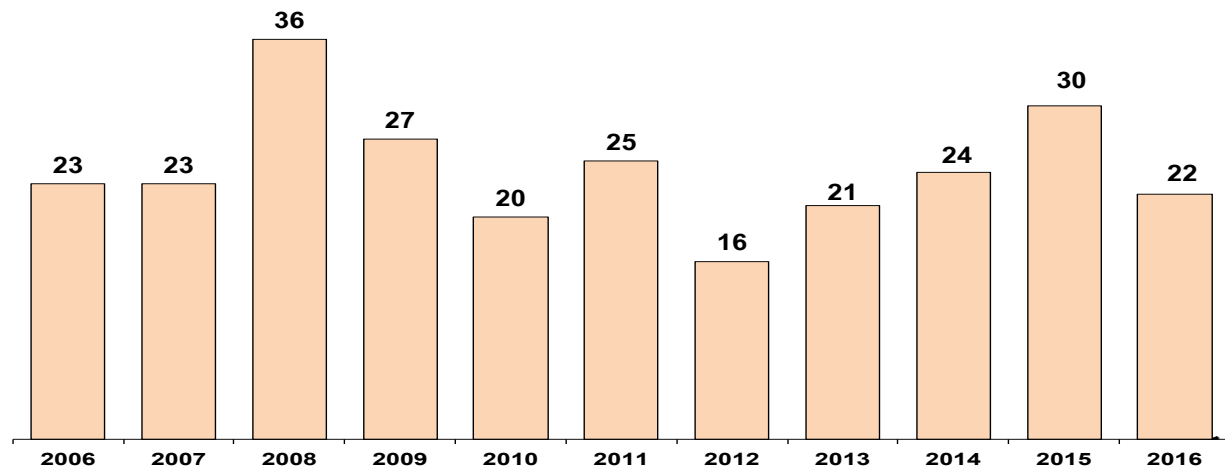


Source: DIR, Director's Office of Policy, Research and Legislation

Fatal Occupational Injuries and Illnesses

The number of fatal occupational injuries and illnesses in California's local governments averaged 22 fatalities between 2006 and 2016 with a spike of 36 fatalities in 2008 and an increase to 30 fatalities in 2015.

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



* Preliminary Data

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

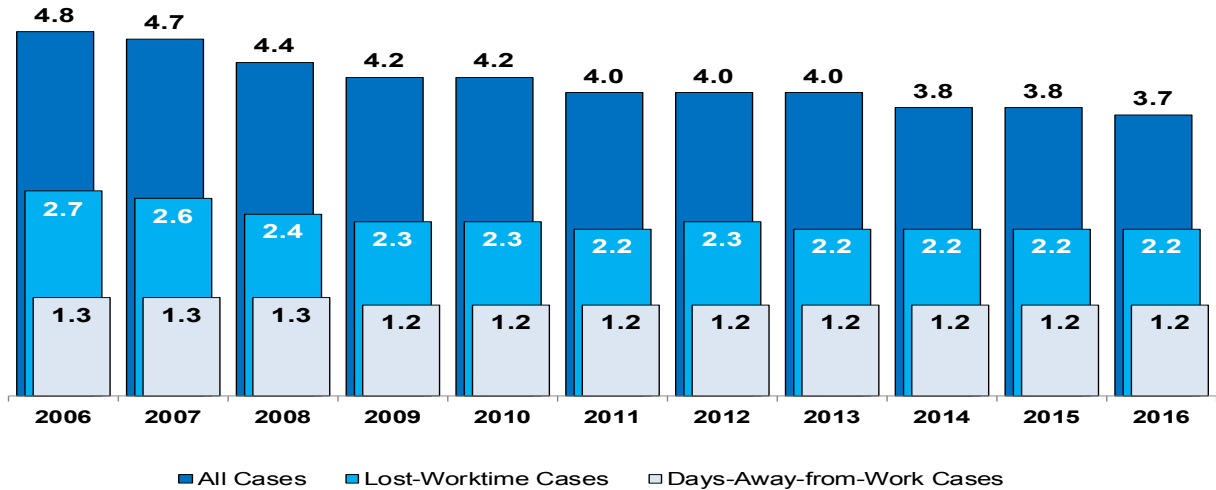
WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

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 2006 to 2016.

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

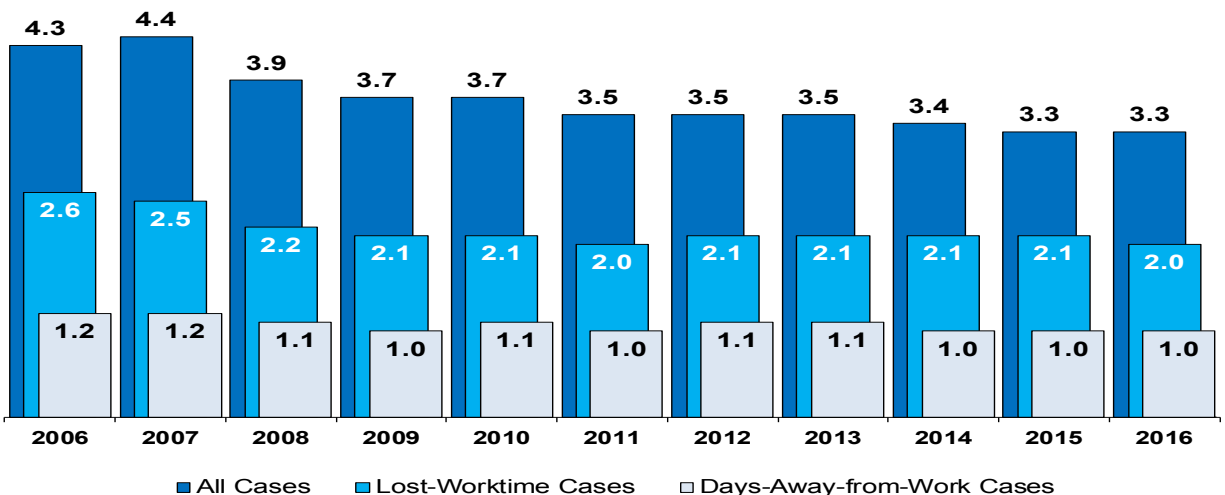


Data Source: DIR, Director's Office of Policy, Research and Legislation

Private Sector

From 2006 to 2016, the occupational injury and illness incidence rate for all cases in California's private industry declined from 4.3 to 3.3, a decrease of 23 percent; the incidence rate for lost-time cases dropped by 15 percent, from 2.6 to 2.0; and days-away-from-work cases fluctuated between 1.0 and 1.2 cases.

**Figure 81: California Occupational Injury and Illness Incidence Rates: Private Industry
(Cases per 100 Full-Time Employees)**



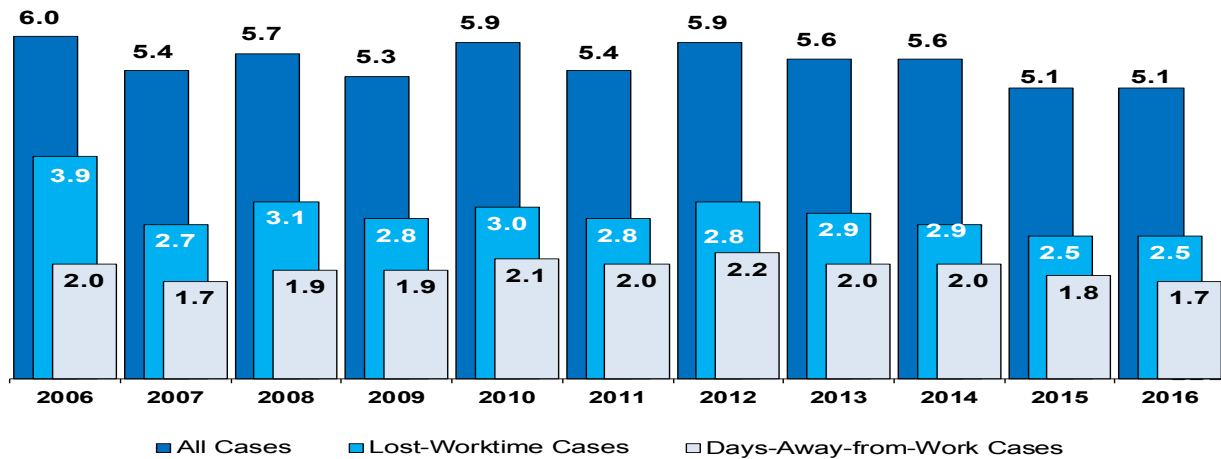
Data Source: DIR, Director's Office of Policy, Research and Legislation

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Public Sector: State Government

California state government occupational injury and illness incidence rates for all cases fluctuated between 6.0 and 5.3 cases per 100 full-time employees between 2006 and 2012, and then decreased by 13.6 percent from 2012 to 2016. After 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 2016. The changes of incidence rate for days-away-from-work cases remained within the narrow range of 1.7 and 2.2 cases per 100 full-time employees from 2006 to 2016.

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

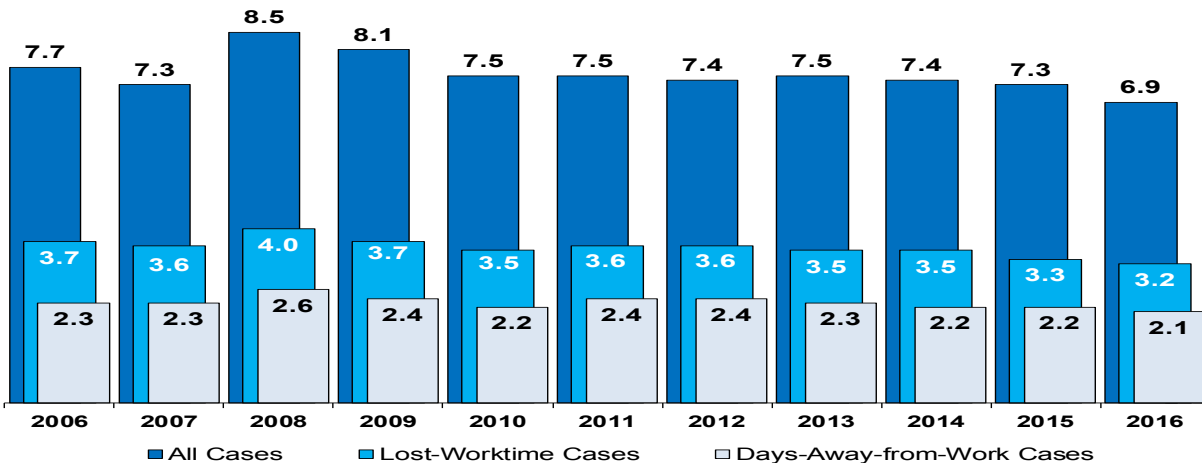


Source: DIR, Director's Office of Policy, Research and Legislation

Public Sector: Local Government

Local government occupational injury and illness incidence rates for all cases increased by 16 percent from 2007 to 2008 after a slight decrease from 2006 to 2007, and then decreased overall by 19 percent from 2008 to 2016. The incidence rate for lost-time cases increased by 8 percent from 2006 to 2008 and then decreased by 20 percent from 2008 to 2016. The incidence rate for days-away-from-work cases were 2.3 cases annually in 2006 and 2007, increased by 13 percent from 2007 to 2008, averaged 2.4 cases per 100 employees from 2008 to 2012, and then decreased by about 13 percent from 2012 to 2016.

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



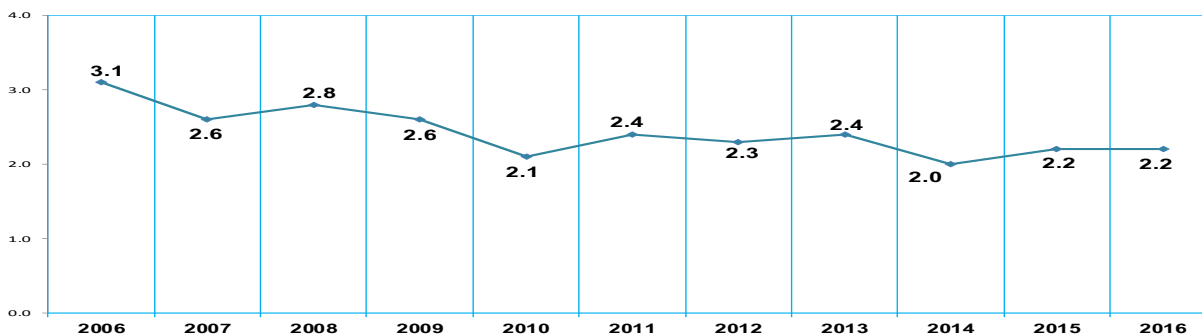
Source: DIR, Director's Office of Policy, Research and Legislation

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

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 2006 to 2016, the fatality rates in California fluctuated between 2.0 and 3.1 per 100,000 full-time workers.³⁶

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



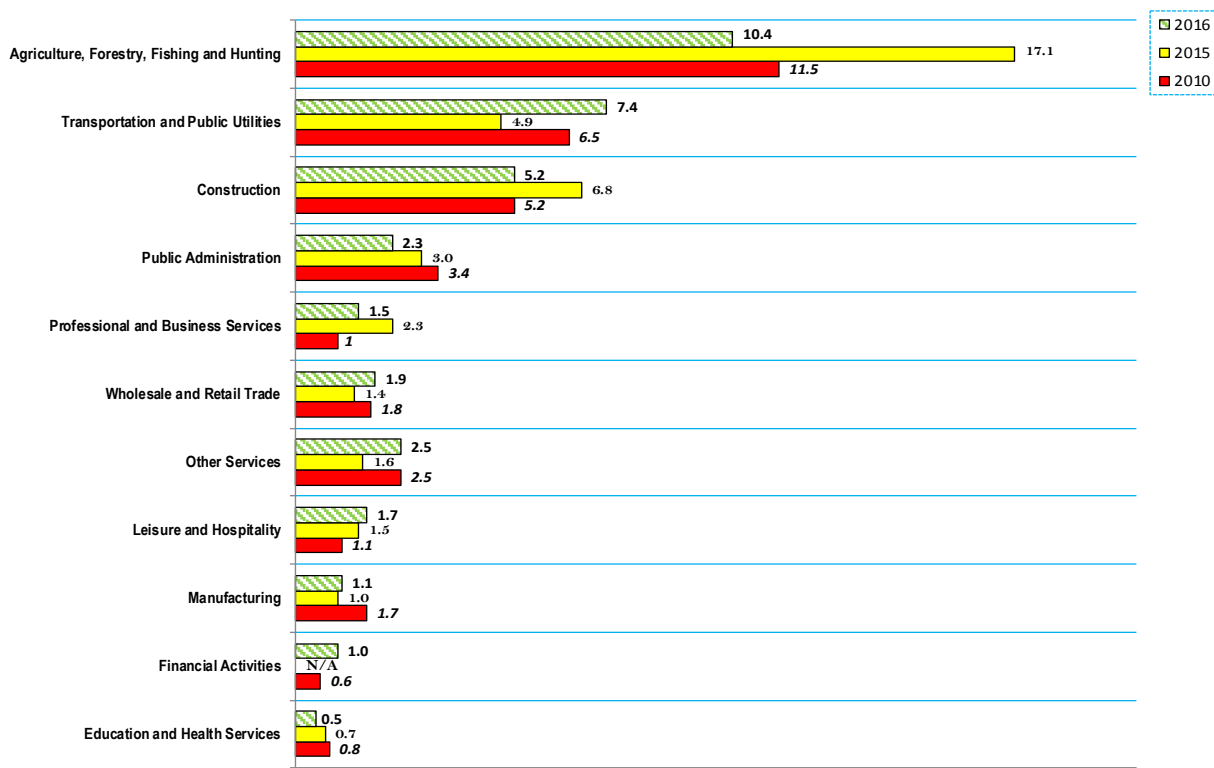
* California Fatal Occupational Injuries exclude military personnel and workers under age 16 and include all self-employed, family business, and wage and salary workers.

** 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 2010, 2015, and 2016.

Figure 85: California Fatality Rates by Industries (per 100,000 employed), 2010, 2015, and 2016



* 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

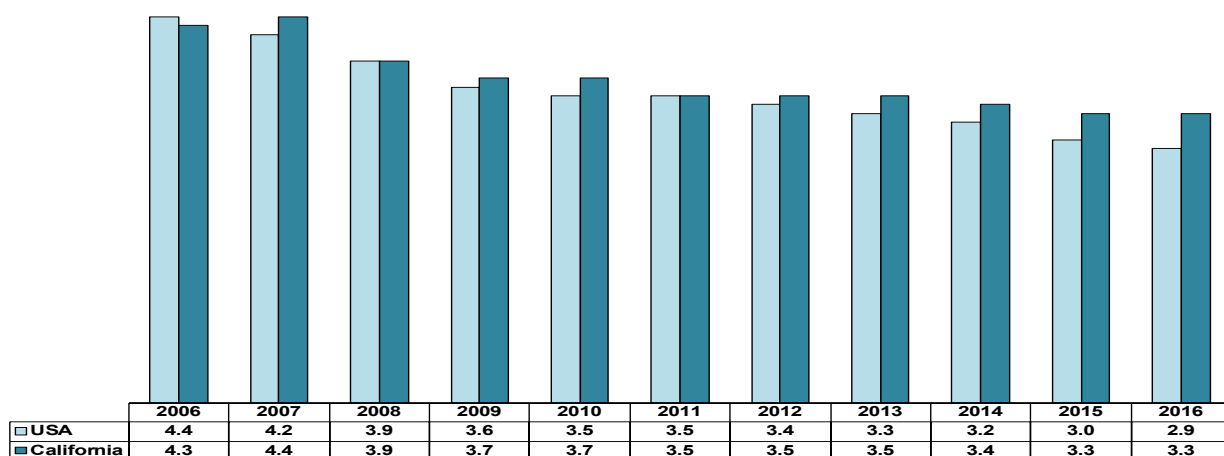
³⁶ 2015 was the latest year for which fatality incidence rates were available in 2017.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

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 2006 through 2016. During that time, U.S. incidence rates dropped by 34 percent, and California incidence rates dropped by 23 percent. Since 2006, the incidence rate in California has been slightly above the national average for the majority of this period.

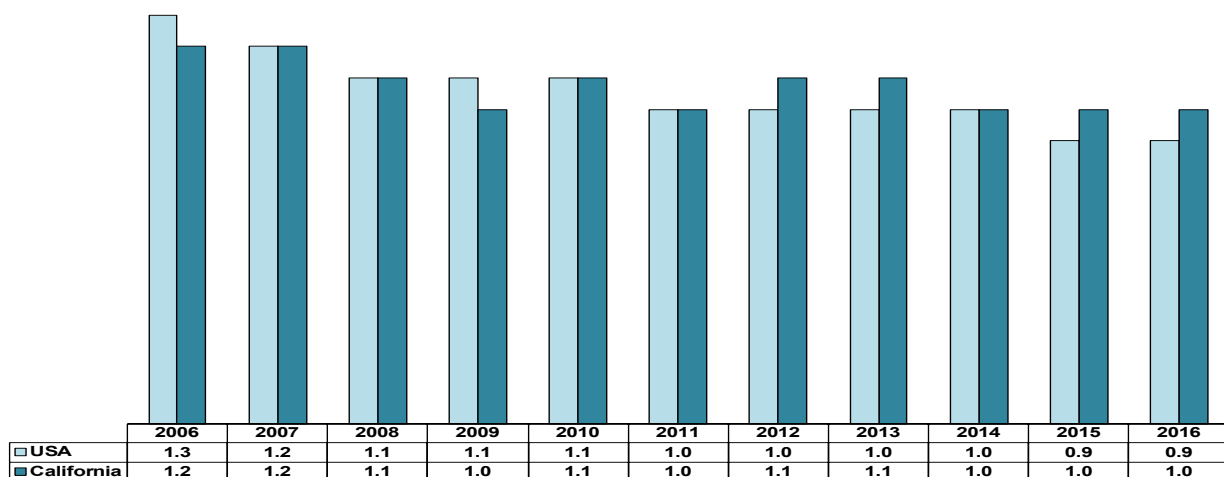
Figure 86: Injury and Illness Incidence Rate per 100 Full-Time Workers: Private Industry, Total Recordable Cases. U.S. and California



Source: US Department of Labor, Bureau of Labor Statistics

The incidence rate of occupational injury and illness days-away-from-work cases also declined in both the U.S. and California, from 1.3 and 1.2, respectively, to 0.9 and 1.0 from 2006 to 2016. During that period, U.S. incidence rates for cases with days away from work dropped by 31 percent, while the California rates declined by 17 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



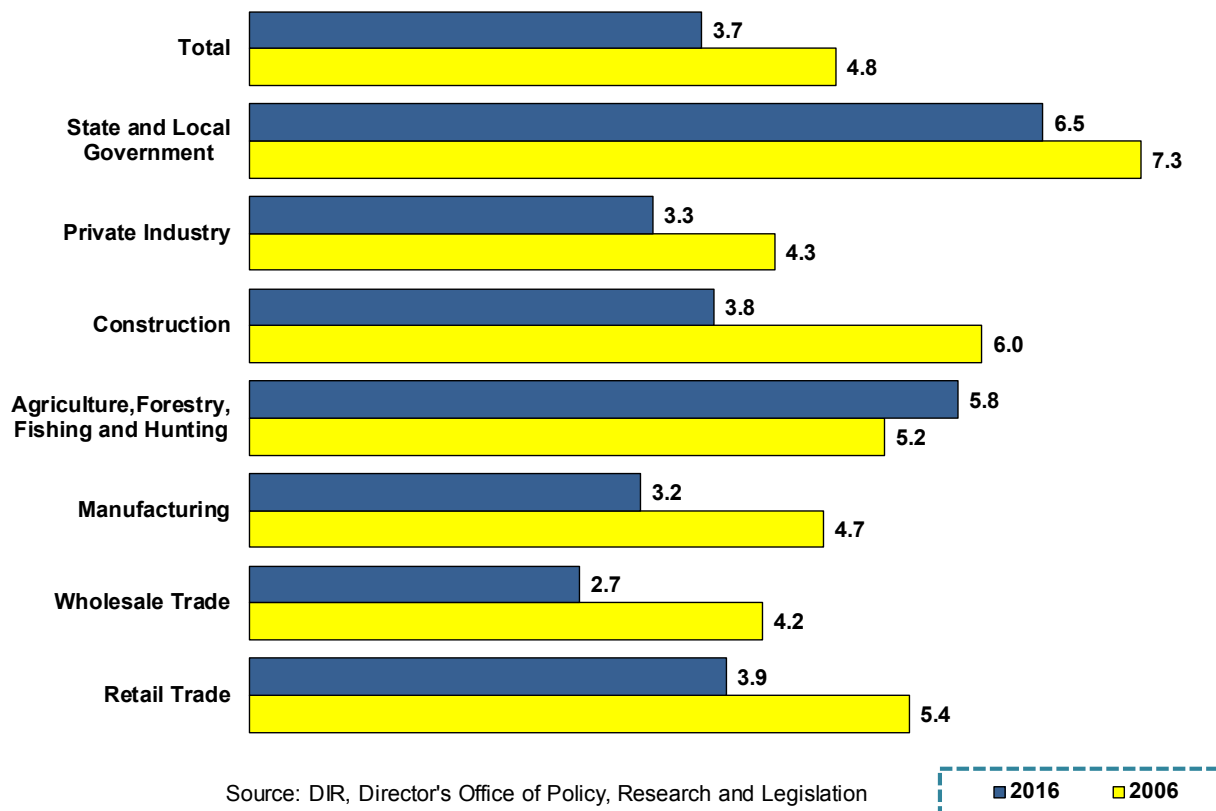
Source: US Department of Labor, Bureau of Labor Statistics

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Characteristics of California Occupational Injuries and Illnesses

This section compares incidence rates by industry in 2006 with those in 2016. Figure 88 compares incidence rates for total recordable cases in 2006 and 2016 by the type of major industry, including state and local governments. The overall California occupational injury and illness incidence rates for all industries including State and local government declined by 23 percent from 2006 to 2016. The incidence rates in major industries, excluding agriculture, forestry, fishing, and hunting, also declined. The biggest decline in incidence rates (37 percent) was in construction.

Figure 88: Injury Rates by Industry, 2016 vs. 2006



WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Characteristics of California Non-Fatal Occupational Injuries and Illnesses

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, 2008-2016

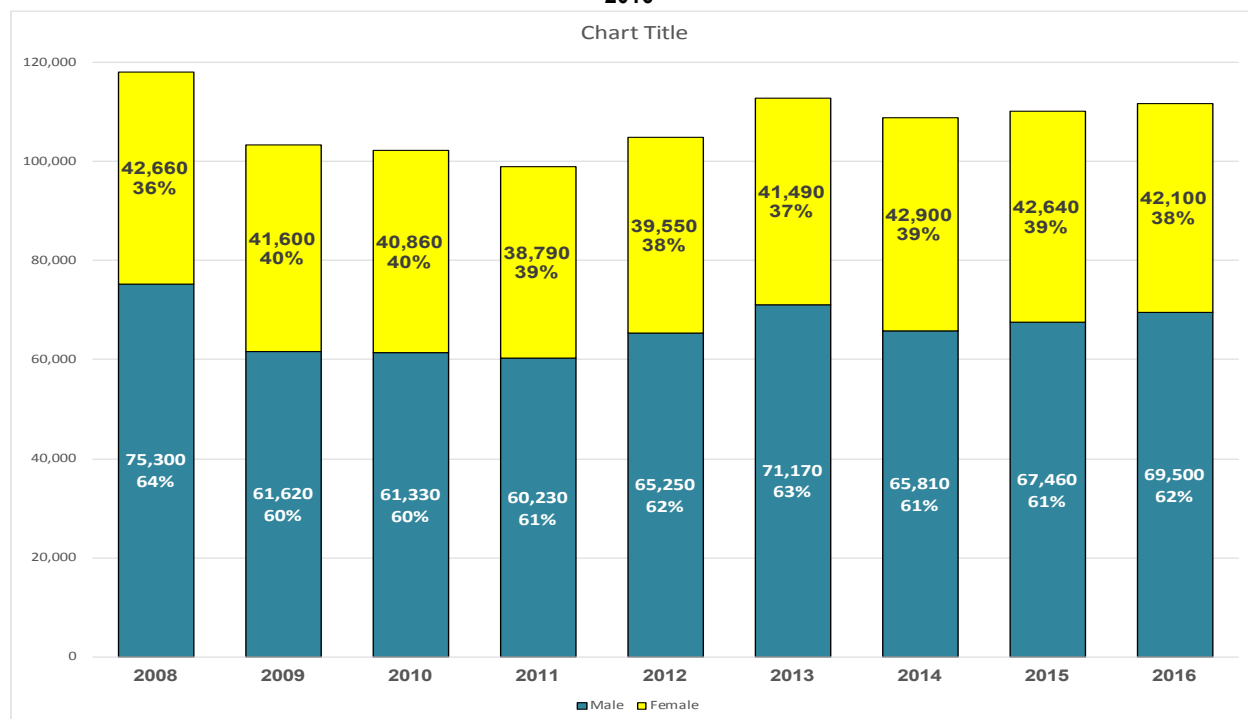
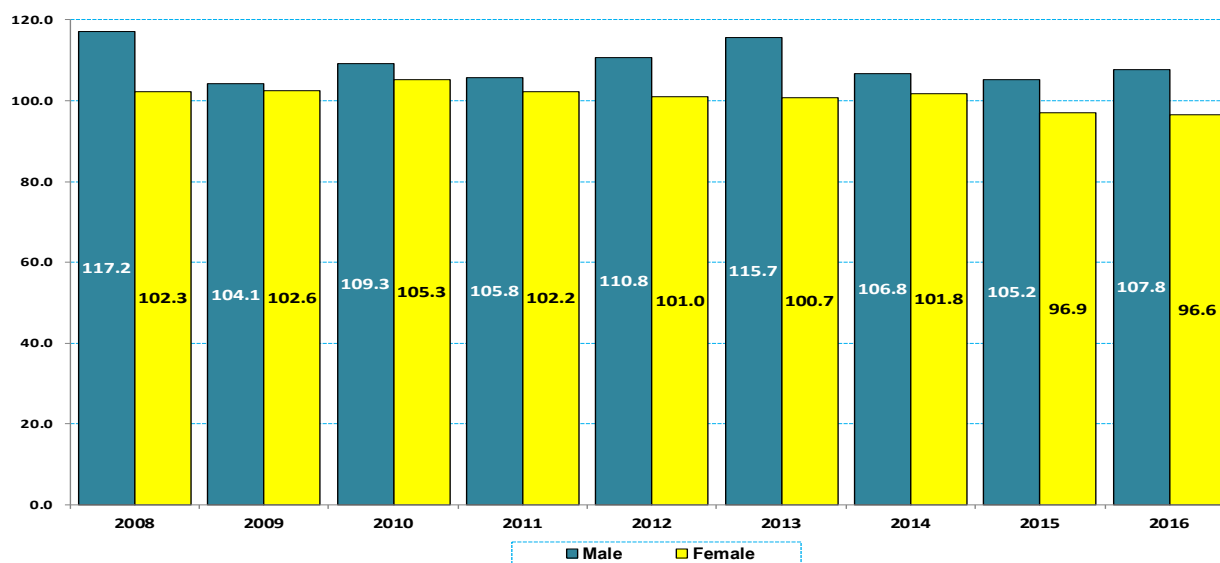


Figure 90: California Non-Fatal Occupational Injuries and Illnesses Incidence Rates by Gender, Private Industry, 2008-2016 (Cases per 10,000 full-time employees)

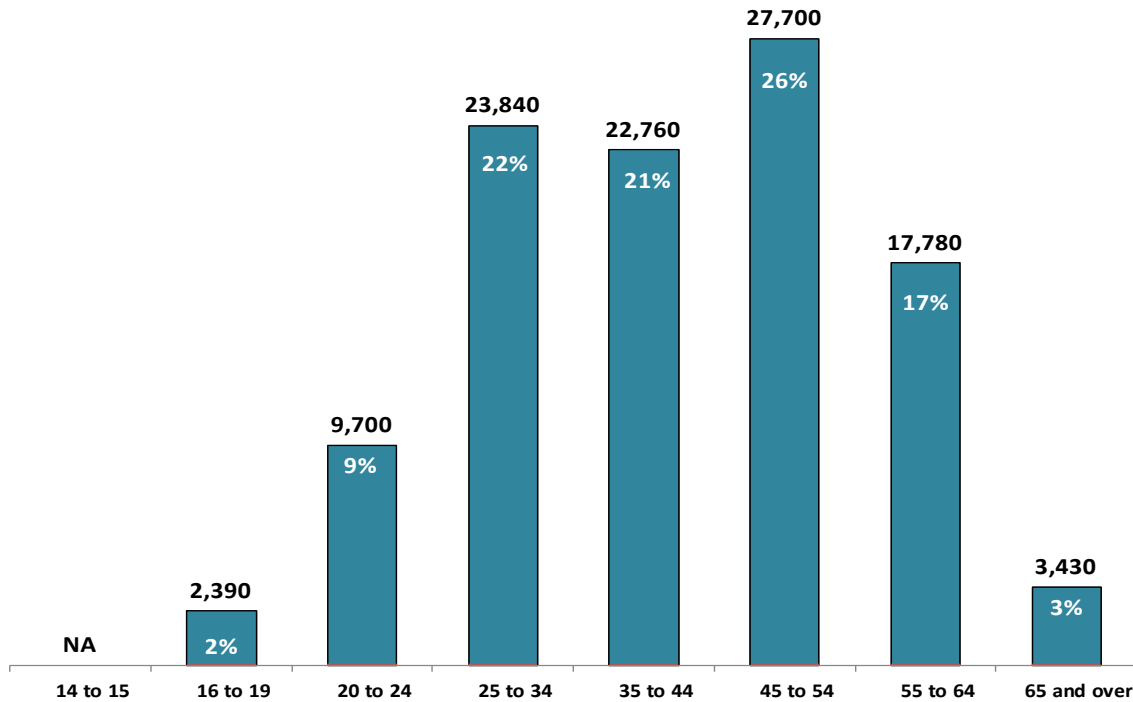


* With days away from work with or without job transfer or restriction.

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

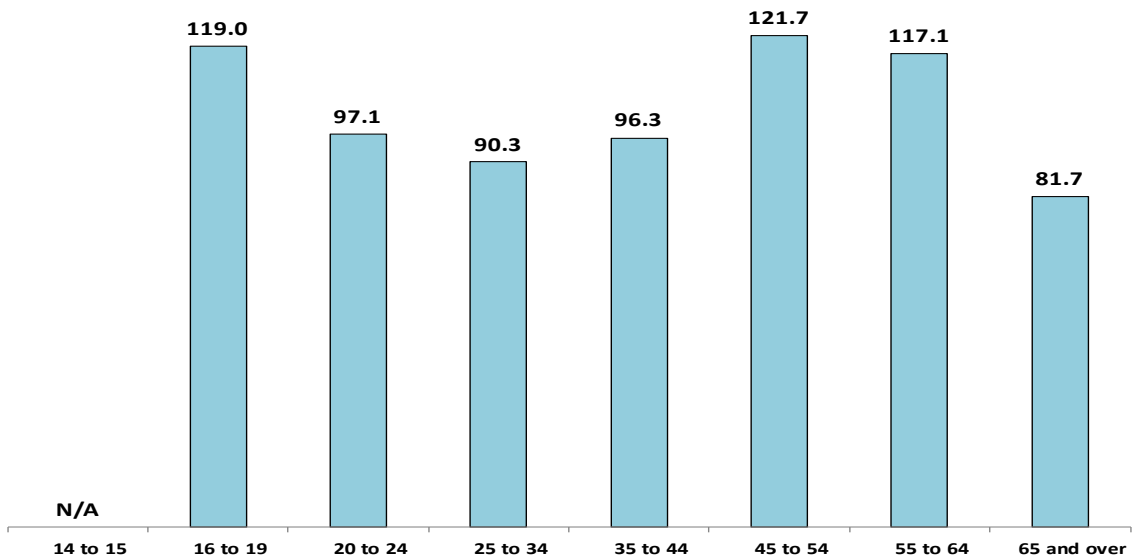
WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Figure 91: Number of Non-Fatal Occupational Injuries and Illnesses in California by Age, Private Industry, 2016



Data Source: DIR, Director's Office of Policy, Research and Legislation

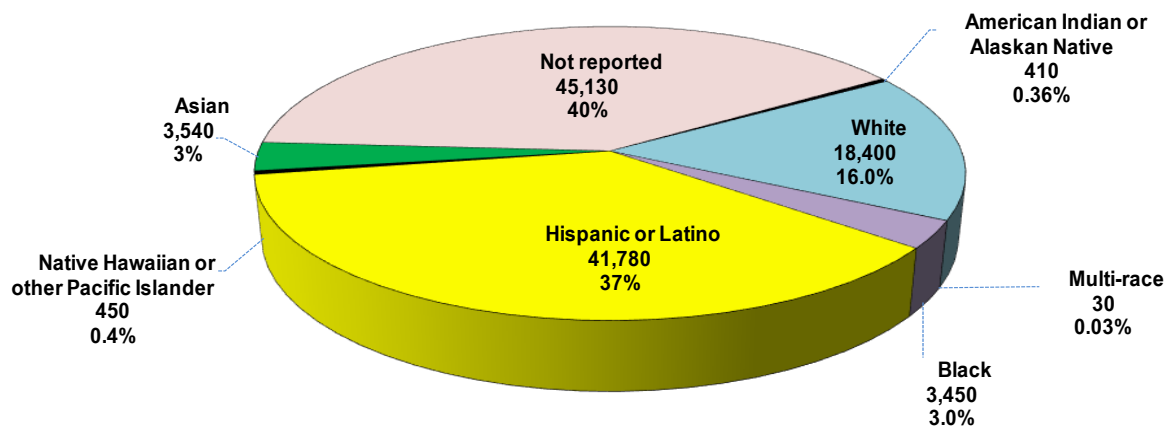
Figure 92: California Occupational Injury and Illness Incidence Rates by Age, Private Industry 2016 (per 10,000 Full-Time Workers)



Data Source: BLS, Department of Labor, Survey of Occupational Injuries and Illnesses in cooperation with participating State Agencies

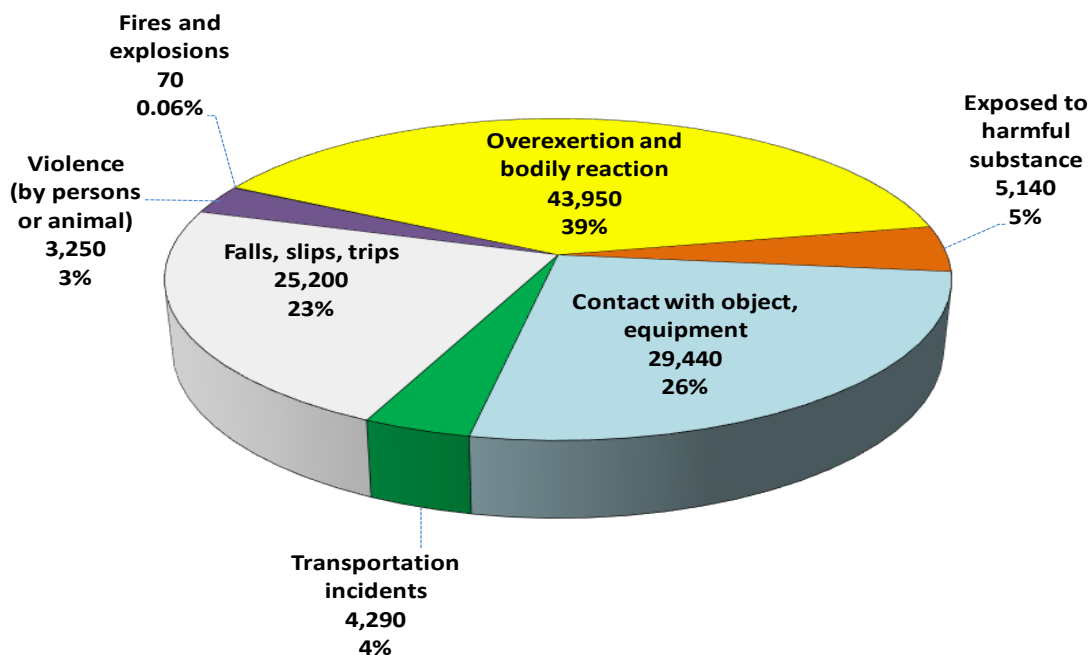
WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Figure 93: California Non-Fatal Occupational Injuries and Illnesses by Race or Ethnic Origin, Private Industry, 2016



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, 2016

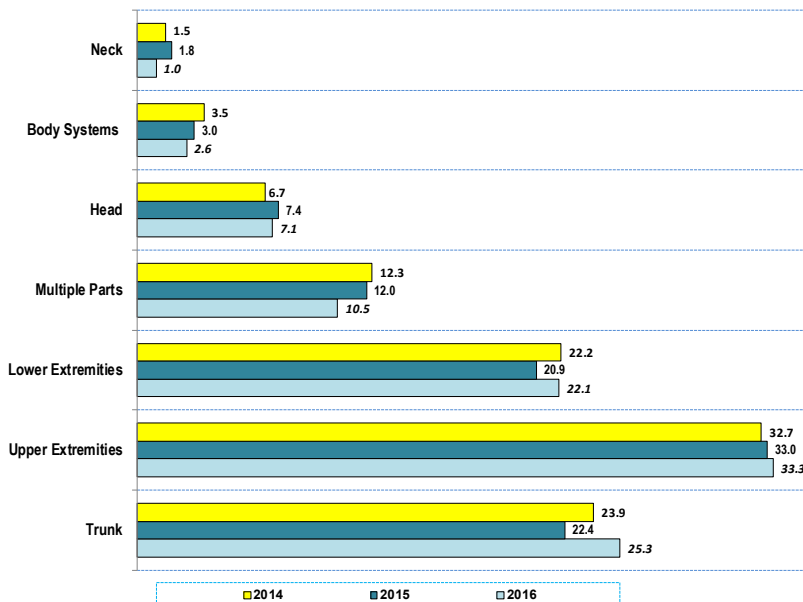


Data Source: DIR, Director's Office of Policy, Research and Legislation

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Figure 95 shows that the upper extremities and trunk were the major body parts with the highest incidence rates in 2014, 2015, and 2016.

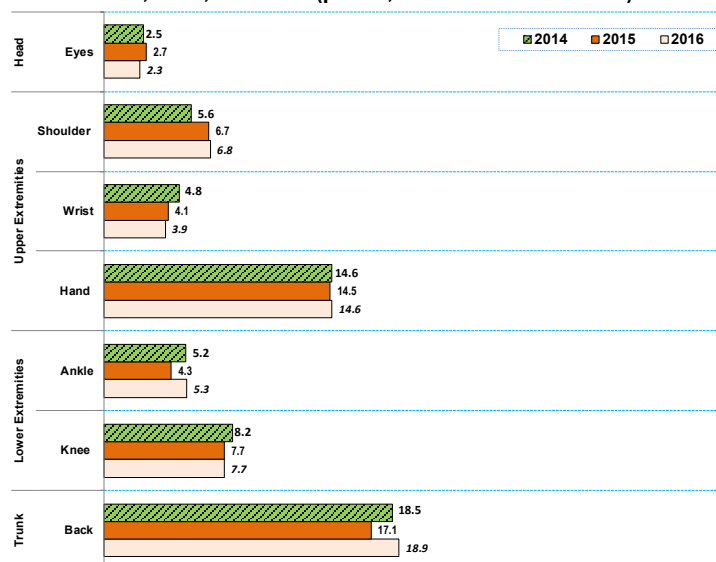
Figure 95: Incidence Rates for Non-Fatal Occupational Injuries and Illnesses by Major Body Parts, Private Industry, 2014, 2015, and 2016 (per 10,000 Full-Time Workers)



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 2014, 2015, and 2016.

Figure 96: Incidence Rates for Non-Fatal Occupational Injuries and Illnesses by Major Body Parts, Private Industry, 2014, 2015, and 2016 (per 10,000 Full-Time Workers)

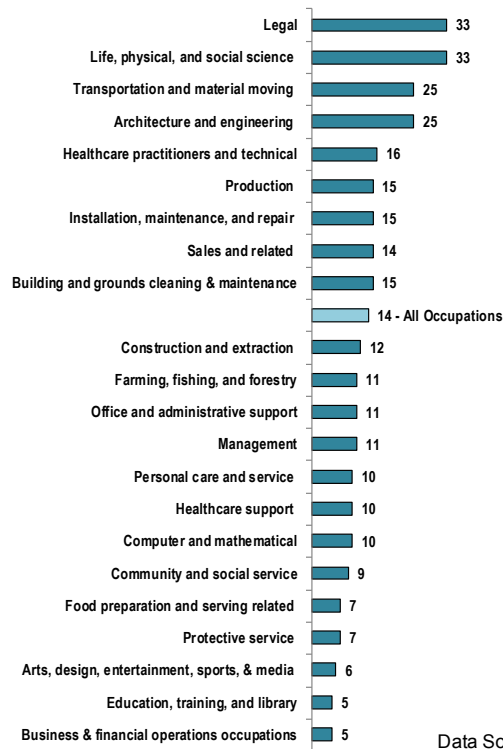


Data Source: BLS, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses (SOII) in cooperation with participating State agencies.

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 2016.

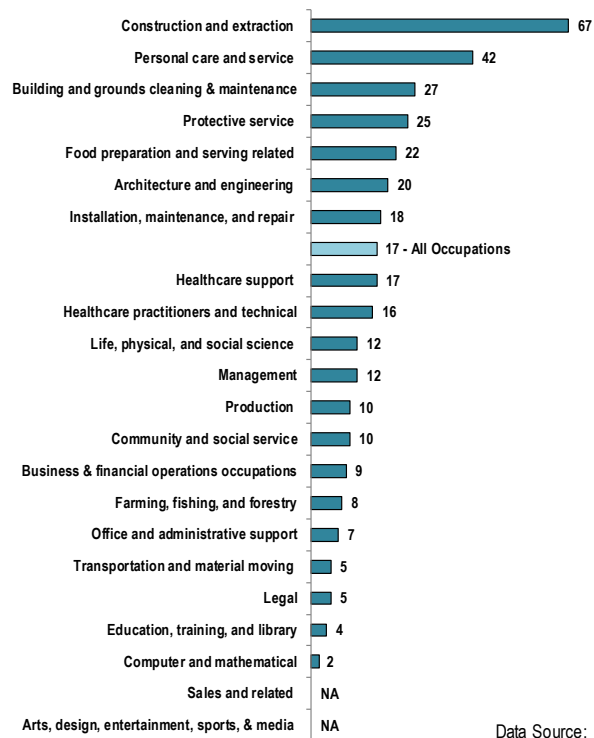
WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Figure 97: Non-Fatal Injuries and Illnesses by Major Occupational Group: Median Days Away from Work, Private Industry, 2016



Data Source: Director's Office of Policy, Research & Legislation

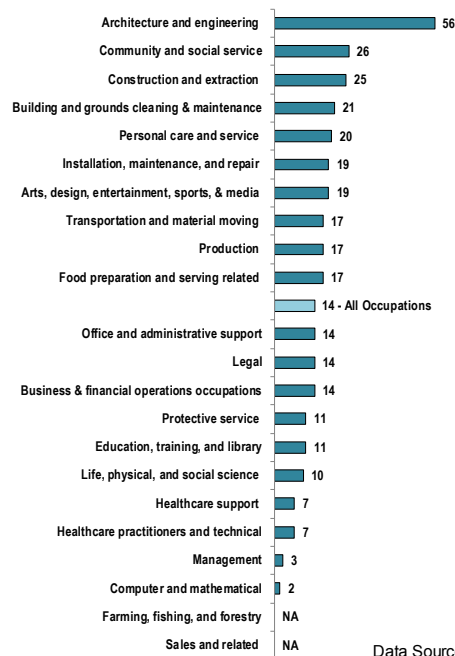
Figure 98: Non-Fatal Injuries and Illnesses by Major Occupational Group: Median Days Away from Work, State Government, 2016



Data Source: Director's Office of Policy, Research & Legislation

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

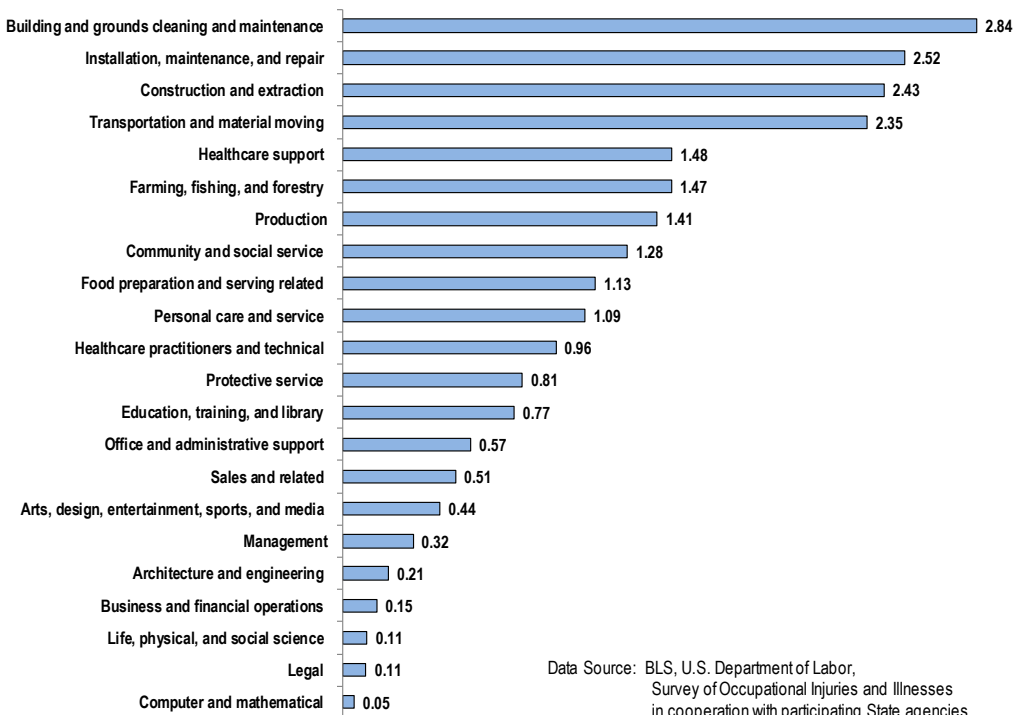
Figure 99: Non-Fatal Injuries and Illnesses by Major Occupational Group: Median Days Away from Work, Local Government, 2016



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 2016, followed by the transportation and material moving occupations.

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, 2016



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

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

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, 2016

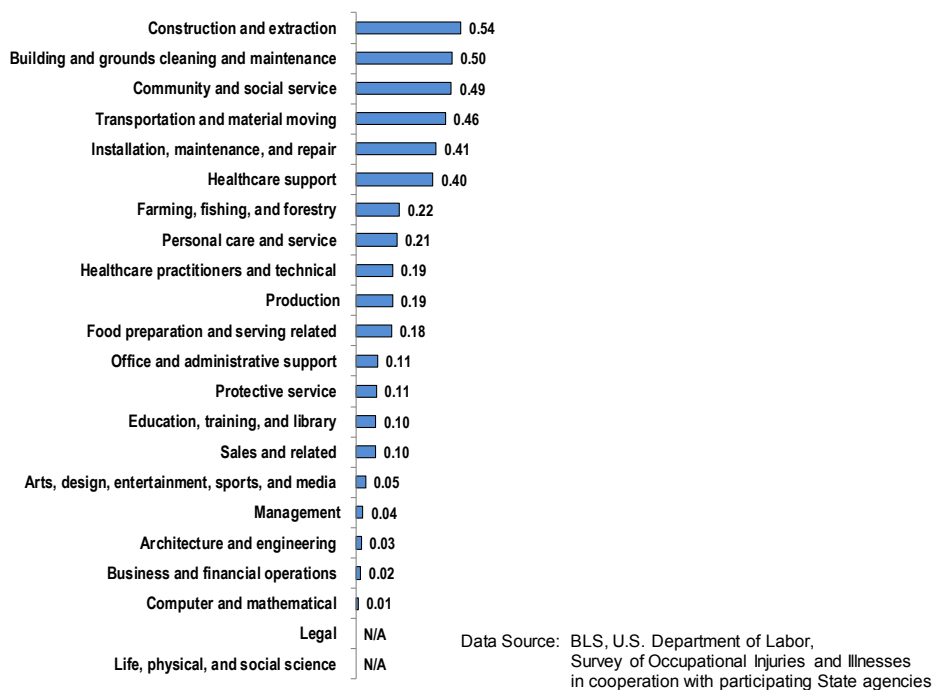
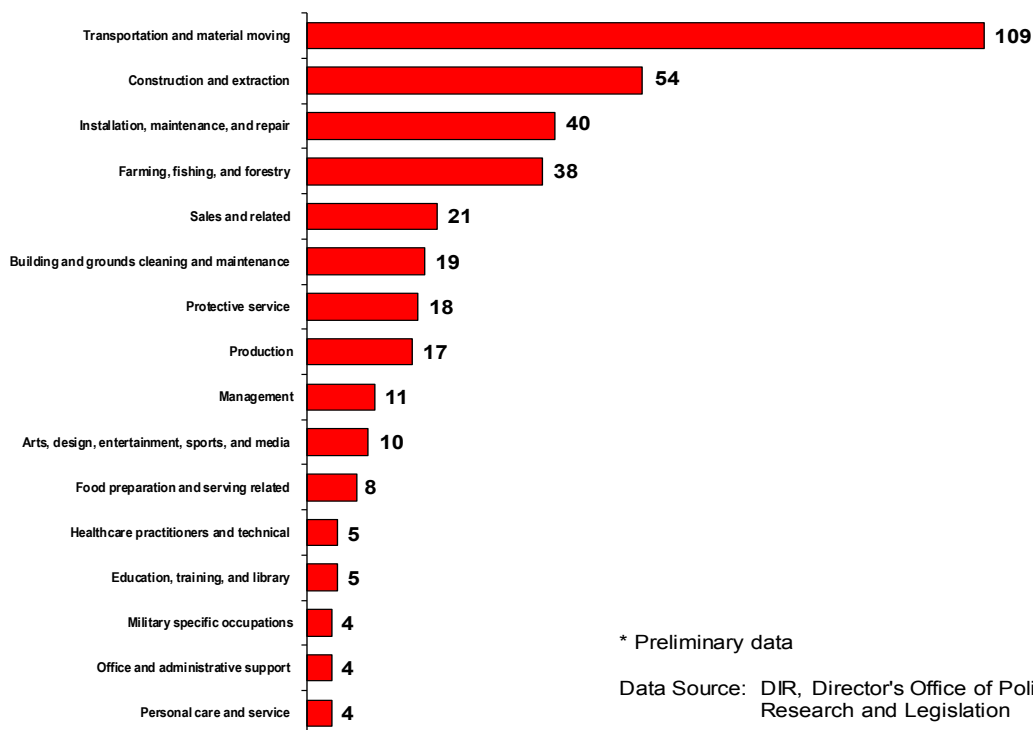


Figure 102 compares the number of fatalities for various occupations. The transportation and material-moving occupation had the highest number of fatalities in 2016, followed by the construction and extraction occupations.

Figure 102: Fatal Occupational Injuries by Selected Occupations, All Ownerships, 2016*

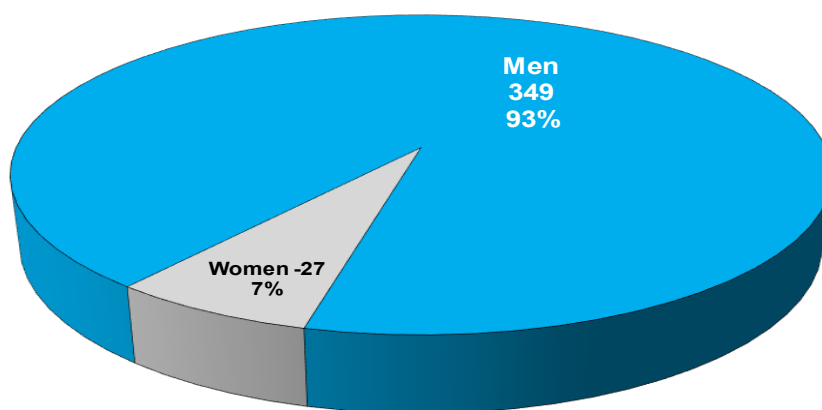


WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

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.

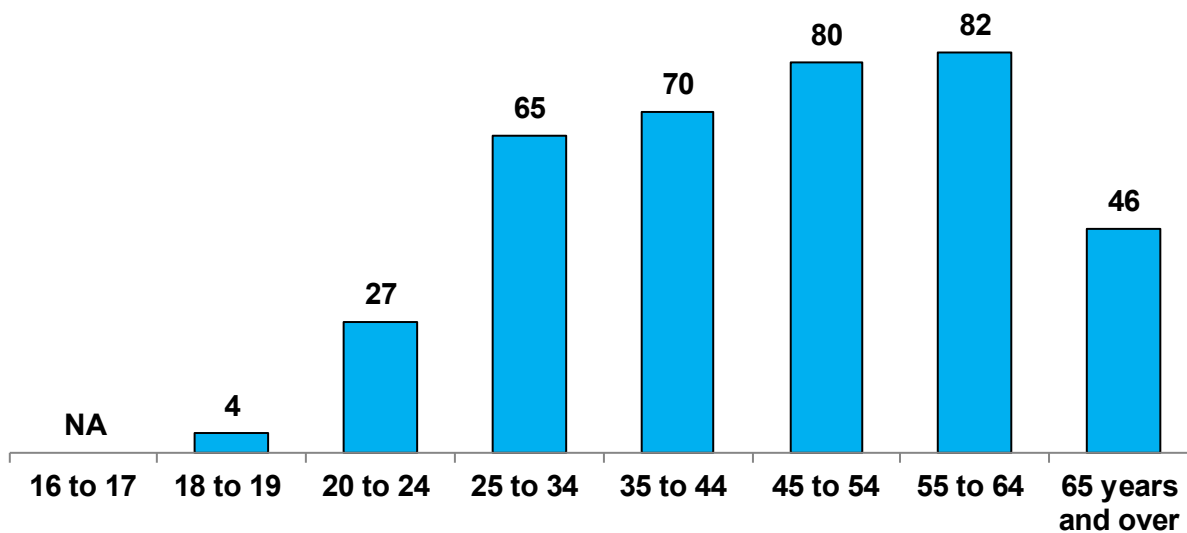
Figure 103: California Fatal Occupational Injuries and Illnesses by Gender, 2016*



* Preliminary data

Data Source: BLS

Figure 104: California Fatal Occupational Injuries and Illnesses by Age of Worker, 2016*

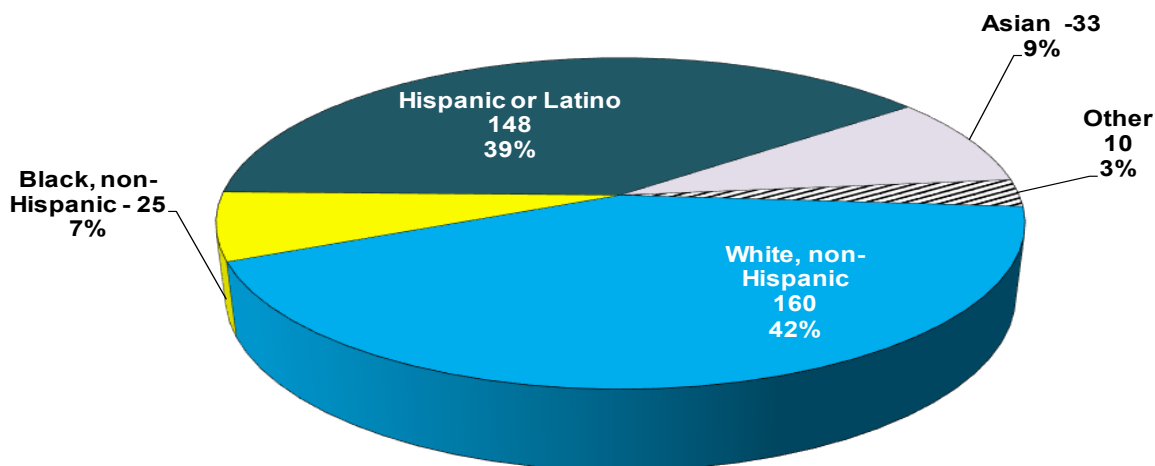


* Preliminary data

Source: BLS

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

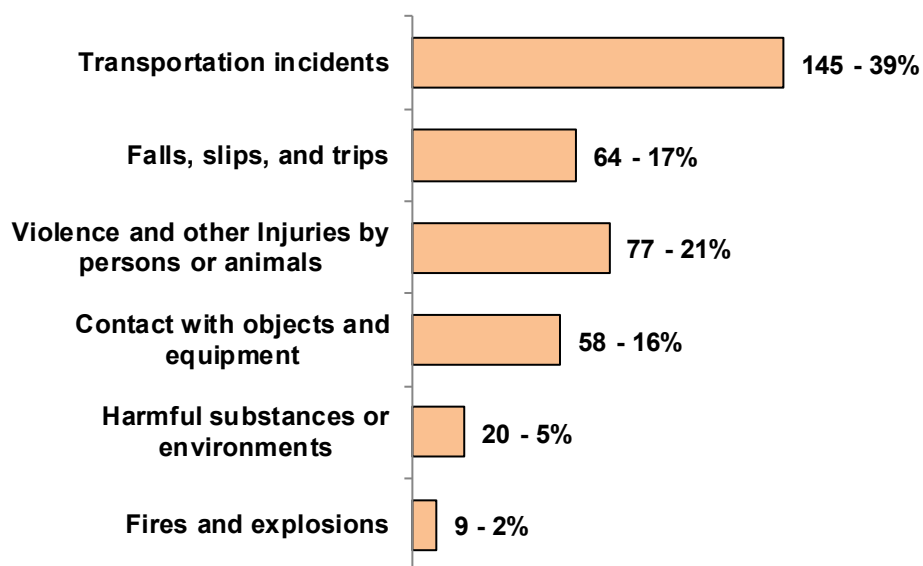
Figure 105: California Fatal Occupational Injuries and Illnesses by Race and Ethnic Origin, 2016*



* Preliminary data

Data Source: BLS

Figure 106: California Fatal Occupational Injuries and Illnesses by Event and Exposure, 2016*



* Preliminary data

Source: BLS

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

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 2016 indicate a non-fatal injury and illness rate of 3.3 cases per 100 full-time employees in the private sector. This is a 31 percent decline from the 2006 level of 4.8 and no change from the previous year's rate of 3.3.
- The trend in California mirrors a national trend. DOL figures for private employers show that from 2006 to 2016, the work injury and illness rate across the U.S. fell from 4.4 to 2.9 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 2016 is 6.5 cases per 100 full-time employees. This is an 11 percent decline from the 2006 rate of 7.3. At the same time, the state and local government rate in California is almost 28 percent higher than the national rate of 4.7 for state and local government.
- The national fatality rate decreased by 8 percent between 2006 and 2016 from 3.9 to 3.6 cases per 100,000 employed, and California's fatality rate decreased from 3.1 to 2.2 cases per 100,000 employed during the same period.³⁷ This was a 29 percent decline from the 2006 level and no change from 2015.
- Among the Western region states (Alaska, Arizona, California, Hawaii, Nevada, Oregon, and Washington), Arizona's (2.9), California's (3.3), and Hawaii's (3.5) private industry rates in 2016 for non-fatal occupational injuries and illnesses were the lowest.³⁸

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 1.2 to 1.0 case per 100 full-time employees from 2006 to 2016. This also mirrors the national trend, in which the number of days-away-from-work cases fell from 1.3 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 2016 did not change from the 2015 rate. Similarly, California's days-away-from-work rate in 2016 did not change from the 2015 rate.

Industry Data

- In 2016, injury and illness incidence rates varied greatly among private industries ranging from 1.0 injury/illness per 100 full-time workers in the professional, scientific, and technical services industries to 5.8 in agriculture, forestry, fishing and hunting. 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 (5.8 and 6.1), manufacturing (3.2 and 3.6), and wholesale trade (2.7 and 2.8).
- The California private industry total case rate for non-fatal injuries did not change in 2016 from 3.3 per 100 full-time worker injuries in 2015, and the rate for the public sector (state and local government) decreased from 6.8 in 2015 to 6.5 in 2016.
- 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 educational services, from 2.5 to 2.0 and wholesale

³⁷ 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.

³⁸ The comparisons of industry rates have not been adjusted for industry mix in each state.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

trade, from 3.3 to 2.7, per 100 full-time worker injuries in 2015 and 2016 respectively, followed by a decrease in real estate and rental and leasing from 3.6 to 3.1 per 100 full-time worker injuries in 2015 and 2016, and by a decrease in accommodation and food services, from 4.3 to 4.0 per 100 full-time worker injuries in 2015 and 2016³⁹

- According to the Director's Office of Policy, Research and Legislation, the largest increase in injury and illness by industry sectors was in the mining, quarrying, and oil and gas extraction industry, from 0.7 to 1.5 per 100 full-time worker injuries in 2015 and 2016 respectively, followed by utilities, with an increase from 1.8 to 2.4 and finance and insurance, with an increased from 0.9 to 1.2 per 100 full-time worker injuries in 2015 and 2016, and management of companies and enterprises, from 1.7 to 2.2 between 2015 and 2016.⁴⁰
- From 2006 to 2016, the number of fatal injuries⁴¹ declined by 27.5 percent, from 509 to 369.⁴² From 2015 to 2016, there was no change in the number of fatal injuries. In 2016, the highest number of fatal injuries was in transportation and warehousing (66), followed by construction (55) and agriculture, forestry, fishing and hunting (38).
- In private industry, the top ten occupations with the most non-fatal injuries and illnesses in 2016 were: laborers and freight, stock, and material movers, hand; heavy and tractor-trailer truck drivers; farm workers and laborers, crop, nursery, and greenhouse; stock clerks and order fillers; janitors and cleaners, except maids and housekeeping cleaners; maids and housekeeping cleaners; retail salespersons; light truck or delivery services drivers; maintenance and repair workers, general; carpenters.
- In California state government, the top ten occupations with the most non-fatal injuries and illnesses in 2016 were: correctional officers and jailers; psychiatric technicians; janitors and cleaners, except maids and housekeeping cleaners; firefighters; police and sheriff's patrol officers; registered nurses; laborers and freight, stock, and material movers, hand; licensed practical and licensed vocational nurses; office clerks, general; first-line supervisors of correctional officers.
- In local government, the top ten occupations with the most non-fatal injuries and illnesses in 2016 were: police and sheriff's patrol officers; janitors and cleaners, except maids and house-keeping cleaners; firefighters; teacher assistants; elementary school teachers, except special education; landscaping and grounds-keeping workers; first-line supervisors of fire fighting and prevention workers; bus drivers, transit and intercity; maintenance and repair workers, general; first-line supervisors of police and detectives.
- Transportation and material moving (109), construction and extraction (54), and installation, maintenance, and repair (40) occupations accounted for 54 percent of the fatal injuries in 2016. Farming, fishing, and forestry (38), sales and related occupations (21), building and grounds cleaning and maintenance (19), protective service (18); and production (17) were the other occupations with the most number of fatal injuries in 2016. Transportation and material-moving occupations were the number one cause of fatal injuries accounting for 29 percent of fatal injuries in 2016.
- Transportation incidents (including the Federal government) accounted for 38.5 percent of fatal injuries in 2016 and were a major cause of fatalities among: transportation and material moving (71); farming, fishing, and forestry (18); and installation, maintenance, and repair (12) occupations.

³⁹ 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, 2015, 2016.

⁴⁰ Ibid.

⁴¹ BLS preliminary data.

⁴² The number of fatalities excludes those for the Federal government.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Establishment Size and Type

- The lowest rate for the total recordable non-fatal cases in 2016 was experienced by the smallest private employers. Employers with 1 to 10 and 11 to 49 employees had incidence rates of 1.5 and 2.8 cases, respectively, per 100 full-time employees. Employers with 1 to 10 employees experienced a 12 percent decrease from 2015 to 2016. The incidence rates for employers with 11 to 49 employees experienced a 7 percent decrease from 2015 and 2016.
- Establishments with 1,000 or more employees reported the highest rate of 4.5 per 100 full-time employees, followed by 4.3 cases per 100 full-time employees for both types of establishments with 50 to 249 and 250 to 999 employees in 2016. Establishments with 50 to 249 and 250 to 999 employees experienced increases in incidence rates from 4.0 to 4.3 and 3.8 to 4.3 cases per 100 full-time employees respectively from 2015 to 2016.

Types of Injuries

- All types of work injuries, excluding heat burns, bruise, contusions, and fractures, declined from 2006 to 2016 in the private sector. The number of sprains, strains, and tears declined by 19 percent from 2006 to 2016; however, these injuries remain by far the most common type of work injury accounting for 35 percent of days-away-from-work cases in the private sector in 2016. The biggest decline (63 percent) from 2006 to 2016 was in amputations. Tendonitis and multiple injuries experienced declines of 62 and 48 percent, respectively, and chemical burns and corrosions experienced a decrease of 47 percent between 2006 and 2016. Bruise, contusions and heat burns experienced an increase of 10 and 6 percent respectively between 2006 and 2016.
- In the private sector, overexertion and bodily reaction were the leading causes of days-away-from-work injuries, cited in 39 percent of cases in 2016. 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 19 percent of days-away-from-work cases, respectively, in 2016.
- In local government, the main causes of injury were overexertion and bodily reaction and falls, slips, and trips, accounting for 41 and 27 percent of days-away-from-work cases, respectively, in 2016.
- The most frequently injured body part was the back, accounting for about 11 percent of the cases in state government and 17 percent of the cases in local government in 2016. In the private sector, back injuries account for about 18 percent of the non-fatal cases.

Demographics

- Over the period from 2006 to 2016 in the California private sector, the number of days-away-from-work cases for women decreased by 3 percent. Days-away-from-work cases for men decreased by 21 percent.
- Between 2006 and 2016, 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 (37 percent) occurred among 16 to 19-year-old workers. The 20–24 age group experienced a 36 percent decline, the 25–34 age group experienced a 28 percent decline, the 35–44 age group experienced a 31 percent decrease, and the 45–54 age group experienced a 3 percent decrease. The age groups 65 and over and 55 to 64 experienced a 57 and 29 percent increase, respectively, in the numbers of cases with days away from work.
- In 2016, out of 376 fatalities (including the Federal government), approximately 93 percent were male and 7 percent were female. Compared to 2006, the biggest decrease in the number of fatalities (71 percent) was in the 18-19 age group (from 14 to 4 cases), followed by a 41 percent decrease in the 20–24 age group (from 46 to 27 cases), a decrease of 40 percent from 116 to 70 cases in the 35-44

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

age group, a 39 percent decrease from 132 to 80 in the 45-54 age group, and a 37 percent decrease in age group 25-34 age group (from 103 to 65). There was a 5 percent decrease in the number of fatalities in age group 55-64. The age groups that experienced an increase in the number of fatalities was the 65 and over (31 percent increase) from 35 to 46 cases.

- The highest number of fatalities by race or ethnic origin categories in 2016 was experienced by “White, non-Hispanic” and “Hispanic or Latino” groups, accounting for 43 and 40 percent of the fatalities respectively. From 2006 to 2016, there was a decrease in fatal injuries for “Hispanic or Latino” and “White, non-Hispanic” ethnic groups. The highest decrease in fatal injuries, 36 percent, was in the “Hispanic or Latino” group (from 231 to 148 cases), followed by a 33 percent decrease in the “White, non-Hispanic” group (from 239 to 160 cases). There were increases from 23 to 25 cases in the “Black, non-Hispanic” group, from 31 to 33 cases in the “Asian” group, from 0 to 4 in “American Indian or Alaska Native” group, and from 0 to 3 cases in “Native Hawaiian or Pacific Islander” 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.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

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.

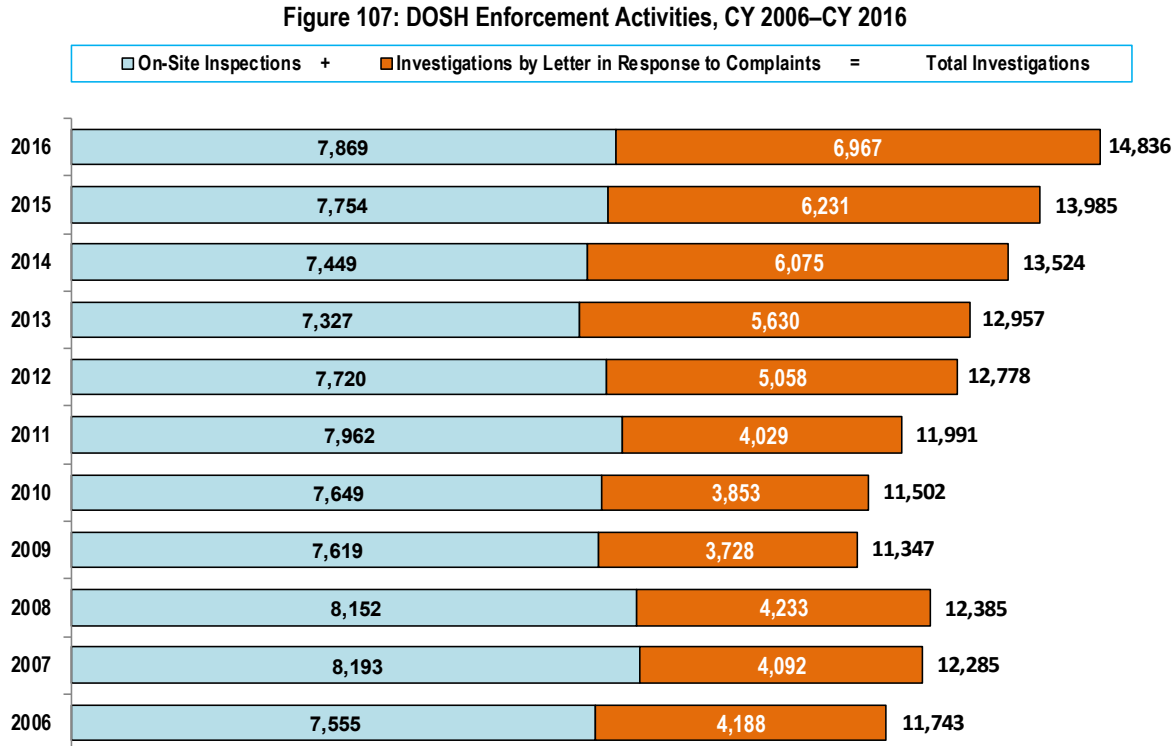
Other specialized units, such as the Crane Certifier Accreditation Unit, the Asbestos Contractors' Registration Unit, the Asbestos Consultant and Site Surveillance Technician Unit, and the Asbestos Trainers Approval Unit, are responsible for enforcing regulations on crane safety and the prevention of 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.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Profile of Division of Occupational Safety and Health (DOSH) On-Site Inspections and Violations Cited

Figure 107 shows the number of on-site inspections and investigations by letter in response to complaints for the period from calendar year (CY) 2006 to CY 2016.⁴³ The on-site inspections averaged 7,840 per year from 2006 to 2012, decreased by 7 percent from 2012 to 2013, and then increased by 8 percent to 7,869 from 2013 to 2016. Investigations by letter in response to complaints decreased by 11 percent from 2006 to 2009 and then increased 1.9 times from 2009 to 2016. Accordingly, reflecting DOSH enforcement activities, the total number of investigations increased by 5 percent from 2006 to 2008, decreased by 11 percent from 2008 to 2009, and then increased by 31 percent from 2009 through 2016.



Source: DOSH

Figure 108 shows the distribution of DOSH on-site inspections with and without violations from 2006 through 2016.

Unprogrammed inspections triggered by accidents decreased from 27 percent of all programmed and unprogrammed inspections in 2006 to 22 percent in 2009 and then increased by 10 percentage points from 2009 to 32 percent in 2016.

Unprogrammed inspections triggered by complaints comprised on average 27 percent of all programmed and unprogrammed inspections per year from 2006 to 2009, increased to 33 percent from 2009 to 2012, and then decreased to an average of 29 percent per year from 2013 to 2016.

Programmed inspections increased from 35 percent of all inspections in 2006 to 42 percent in 2009 and then steadily decreased to 20 percent of all programmed and unprogrammed inspections from 2009 to

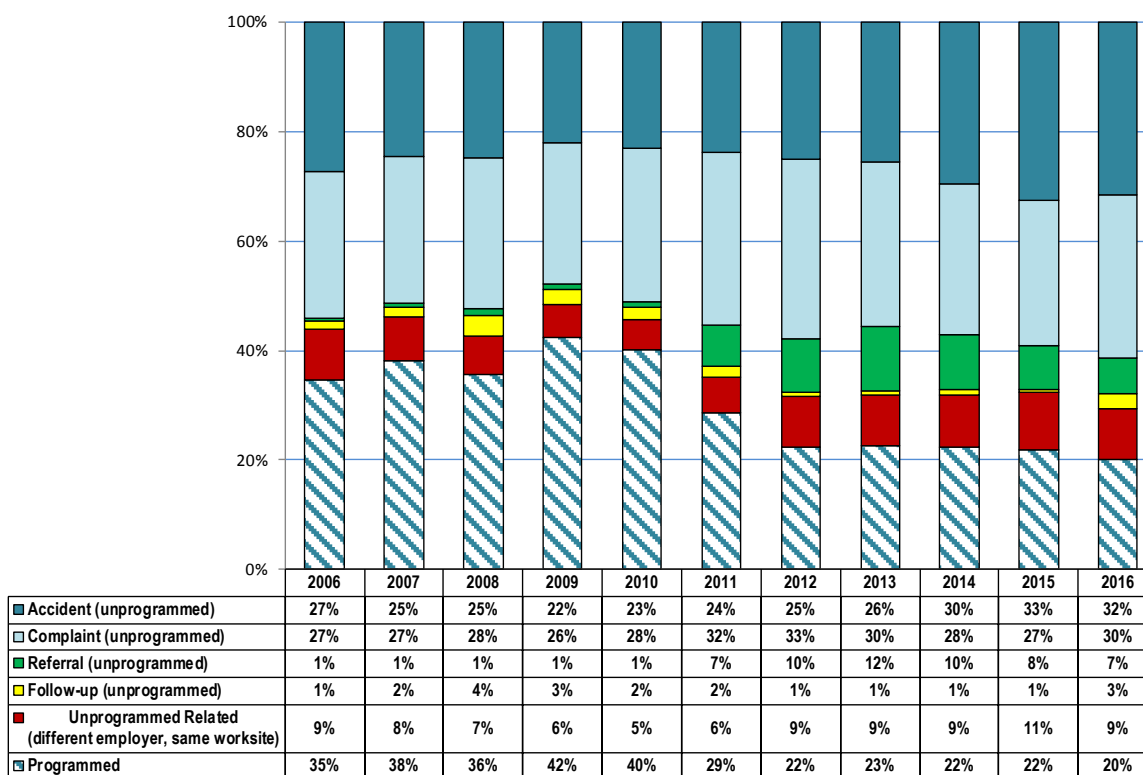
⁴³ The number of investigations, on-site inspections, and violations for calendar years could differ from those in fiscal years below in this section.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

2016. This trend in programmed inspections took place as the share of unprogrammed inspections triggered by accidents and complaints increased in around the same period.

The trends in types of inspections have varied in the past decade, with Accidents and Complaints being consistently predominant before FY 2006. However, from FY 2006 to FY 2010, Programmed Inspections reached the same as or higher levels than Accidents and Complaints, before falling back to lower levels.

Figure 108: DOSH On-Site Inspections by Type (All-With and Without Violations), CY 2006–CY 2016

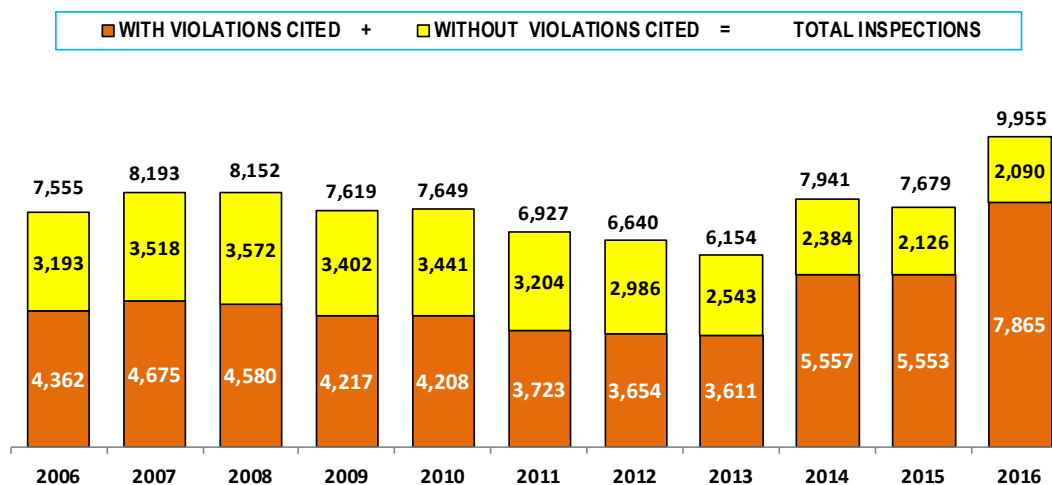


Source: DIR - DOSH-IMIS

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

According to Figure 109, the number of inspections without violations increased by 9 percent from 3,193 in 2006 to an average of 3,480 per year from 2007 to 2010. From 2010 to 2016, the number of inspections without violations decreased by 39 percent. The number of inspections with violations cited increased by 7 percent from 2006 to 2007, decreased by 23 percent from 2007 to 2013, and then more than doubled from 2013 to 2016. The share of DOSH inspections that resulted in violations cited was around 54 to 59 percent of all inspections from 2006 to 2013 and then sharply increased to 70 percent in 2014. From 2014 to 2016, the share of DOSH inspections that resulted in violations cited increased from 70 to 79 percent.

Figure 109: DOSH Inspections (With and Without Violations Cited), CY 2006–CY 2016

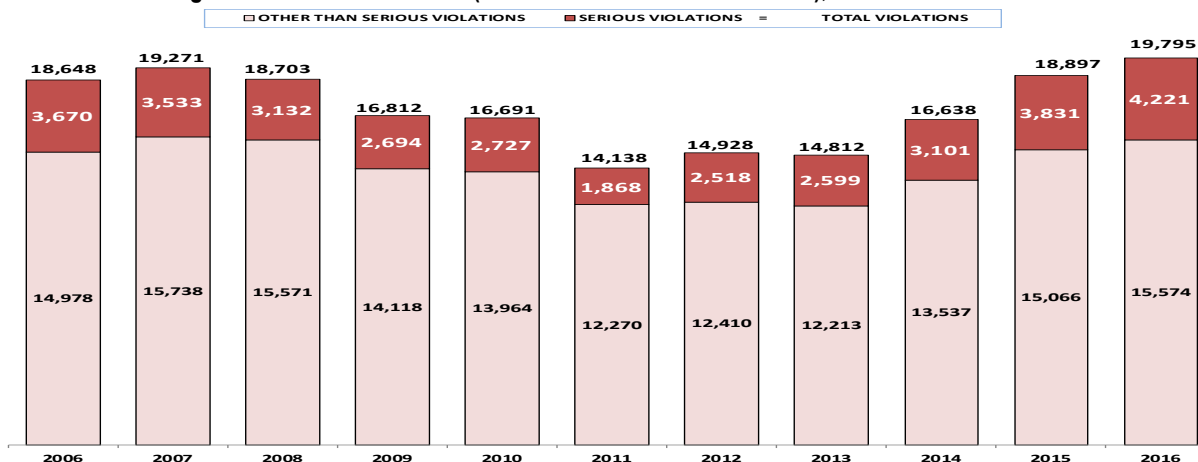


Data Source: DOSH - IMIS

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 2006 to 2016 are shown in Figure 110. The number of all violations increased slightly from 2006 to 2007, decreased overall by 27 percent from 2007 to 2011, and then increased by 40 percent from 2011 to 2016.

The number of serious violations decreased by 49 percent from 2006 to 2011 and more than doubled from 2011 to 2016. (See Figures 117-119 for OSHAB statistics on the number of appeals of DOSH violations that were filed and resolved.)

Figure 110: DOSH Violations (Serious and Other Than Serious), CY 2006 - CY 2016

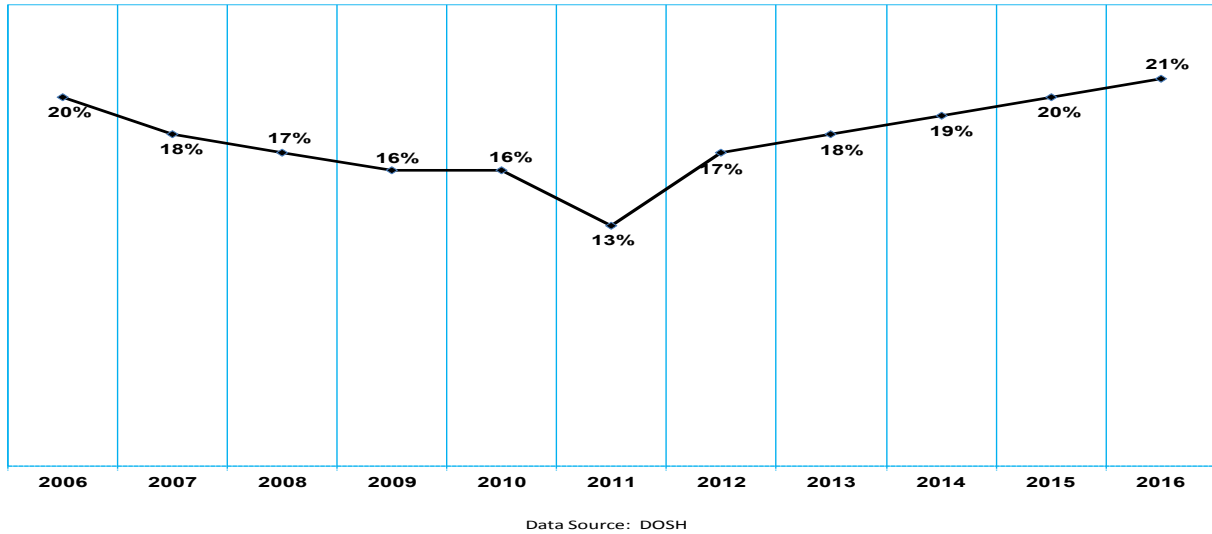


Data Source: DOSH

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

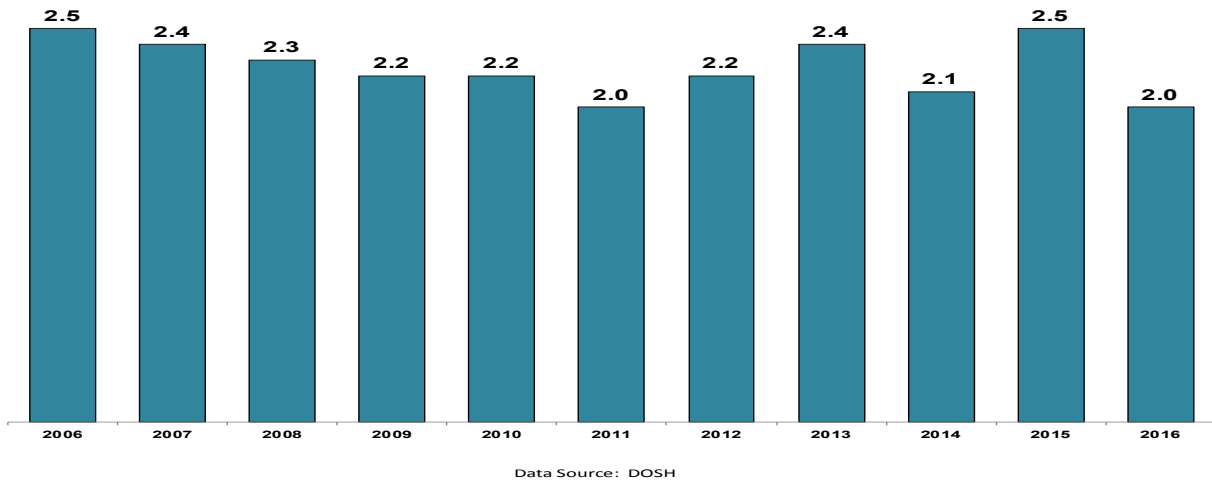
Figure 111 shows the trend in serious DOSH violations as a share of all violations from 2006 to 2016. The share of serious DOSH violations gradually decreased from 20 percent in 2006 to 13 percent in 2011. From 2011 to 2016, serious violations as a share of all violations increased to 21 percent.

Figure 111: Serious Violations as a Share of Total DOSH Violations, CY 2006–CY 2016



The average number of DOSH violations per inspection averaged 2.3 from 2006 to 2016, going from a low of 2.0 to 2.5 violations per inspection. From 2006 to 2011, the average number of DOSH violations per inspection decreased steadily each year and then started growing from 2011 through 2013. Between 2013 and 2016, the average number of DOSH violations per inspection fluctuated between 2.0 and 2.5 inspections per violation.

Figure 112: Average Number of DOSH Violations per Inspection, CY 2006–CY 2016



WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Table 34: Twenty-Five Most Frequently Cited CCR Title 8 Standards in CY 2016

Standard	Description	Total Violations	Serious Violations	Percent Serious
3203	Injury and Illness Prevention Program	2,187	171	7.8%
3395	Heat Illness Prevention	2,014	240	11.9%
1509	Construction Injury and Illness Prevention Program	1,192	69	5.8%
3314	Clean, Repair, Service, Set-up and Adjust Prime Movers, Machinery and Equipment	843	356	42.2%
5194	Hazard Communication	586	15	2.6%
342	Reporting Work-Connected Fatalities and Serious Injuries	547	5	0.9%
5144	Respiratory Protection	432	21	4.9%
6151	Portable Fire Extinguishers	420	1	0.2%
5162	Emergency Eyewash and Shower Equipment	349	129	37.0%
461	Permits to Operate Air Tanks	334	0	0.0%
2340.16	Work Space About Electric Equipment	319	1	0.3%
3276	Portable Ladders	319	97	30.4%
1512	Construction: Emergency Medical Services	285	9	3.2%
3650	Industrial Trucks: General Requirements	275	83	30.2%
3668	Powered Industrial Truck Operator Training	231	26	11.3%
3328	Safe Practices, Personal Protection: Machinery and Equipment	219	77	35.2%
1670	Personal Fall Arrest Systems, Personal Fall Restraint Systems and Positioning Devices	176	129	73.3%
4650	Compressed Gas and Air Cylinders: Storage, Handling, and Use	173	31	17.9%
3400	Medical Services and First Aid	159	3	1.9%
14300.29	Employer Records of Occupational Injury or Illness: Forms	158	0	0.0%
2500.8	Flexible Electrical Cords and Cables: Uses not Permitted	155	2	1.3%
3210	Guardrails at Elevated Locations	145	84	57.9%
4002	Moving Parts of Machinery or Equipment	142	103	72.5%
1529	Asbestos	141	40	28.4%
3380	Personal Protective Device	140	20	14.3%

Source: DOSH Budget and Program Office.

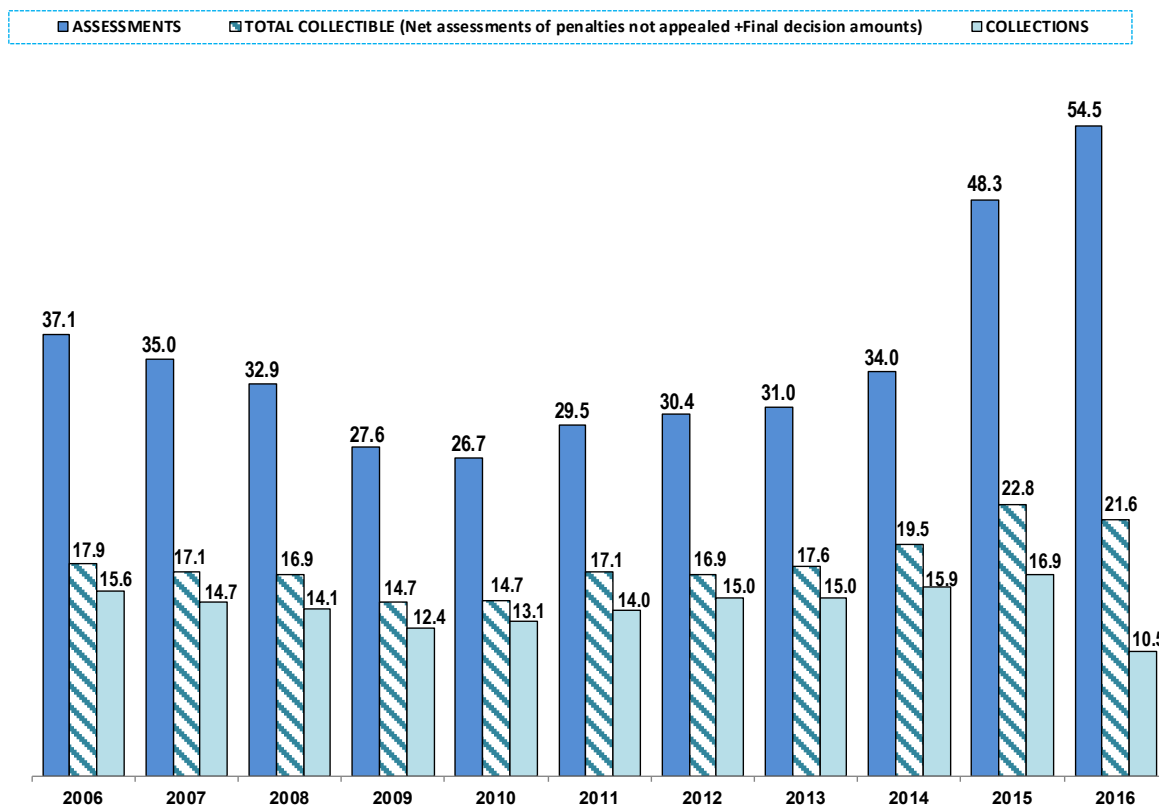
Note: "Serious" includes Serious, Willful, and Repeat Violations.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Figure 113 demonstrates the trends in penalties and collections. Total penalties assessed were \$54.5 million in 2016. 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 \$10.5 million in 2016.

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, 2006–2016
(Million \$)

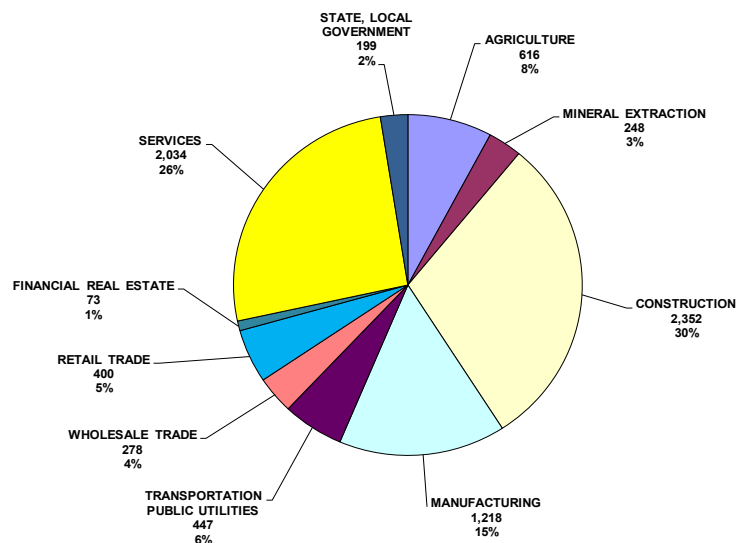


Data Source: DOSH

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

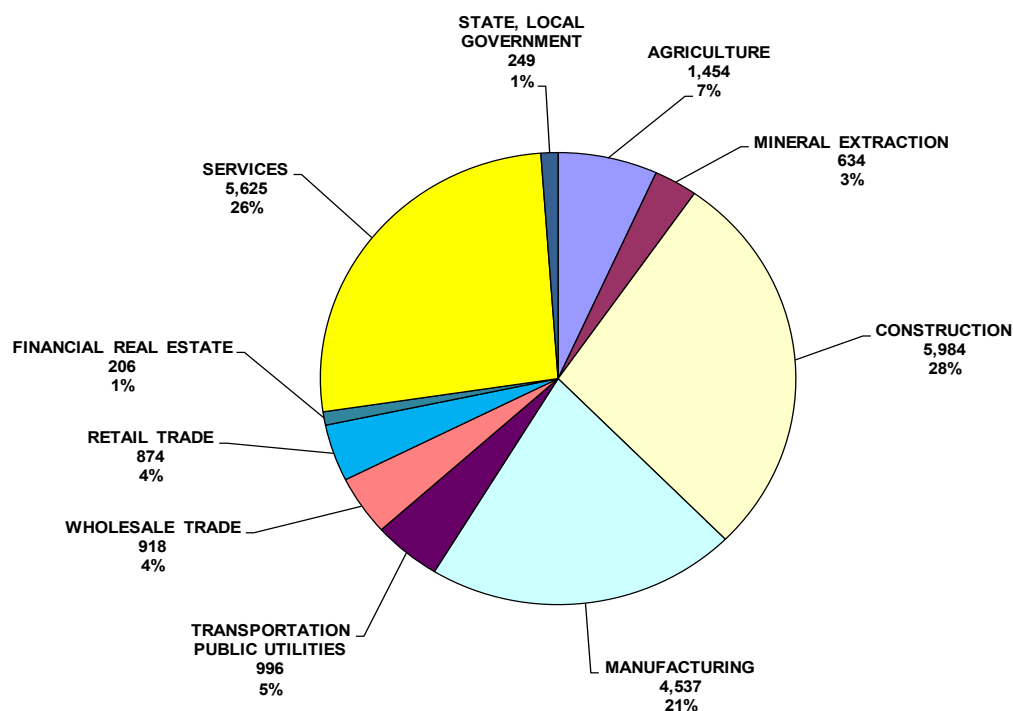
Figure 114 illustrates the proportion of inspections in major industrial groups. Of the 7,865 workplace health and safety inspections conducted in 2016, 2,352 (30 percent) were in construction and 5,513 (70 percent) were in non-construction.

Figure 114: Distribution of Inspections by Major Industry, CY 2016
(Total Inspections = 7,865)



As shown in Figure 115, corresponding to the fact that the highest percentage of inspections was in construction, the highest percentage (28 percent) of violations was also found in construction.

Figure 115: Distribution of Violations by Major Industry, CY 2016
(Total Violations = 21,477)



WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

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.

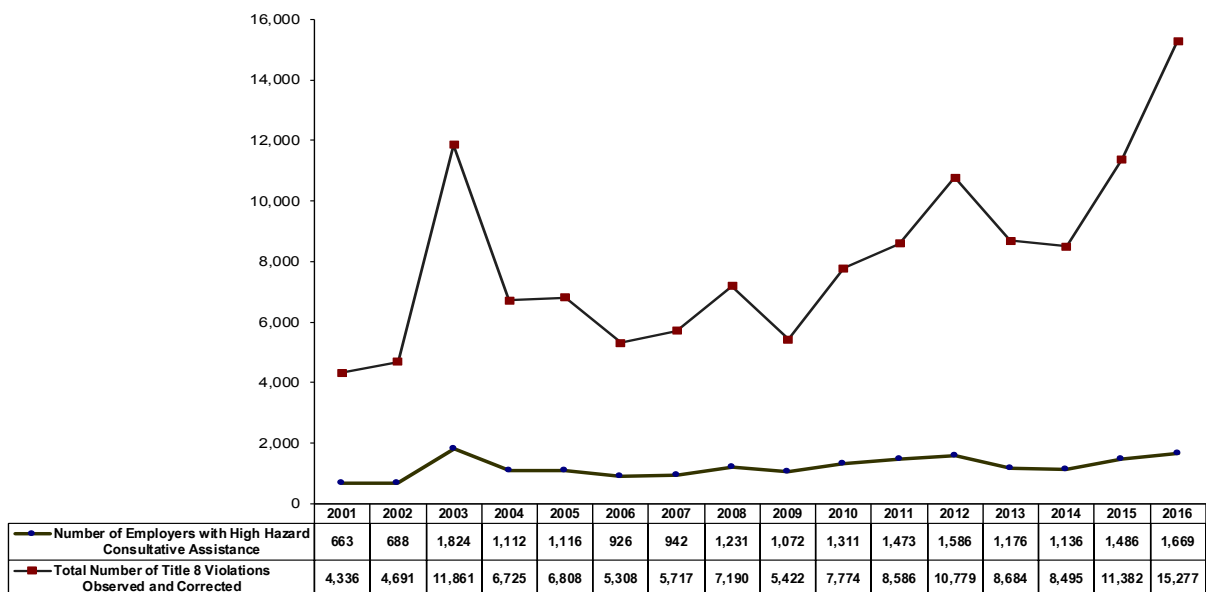
The Cal/OSHA Consultation Services Branch reports that in 2016, it provided on-site high hazard consultative assistance to 1,669 employers. During consultation with these employers, 15,277 Title 8 violations were observed and corrected as a result of the provision of consultative assistance (see Figure 116).

Since 1994, 23,848 employers have been provided direct on-site consultative assistance, and 149,100 Title 8 violations have been observed and corrected. Of these violations, 33 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.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

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



Data Source: Division of Occupational Safety and Health

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 2016, the High Hazard Unit opened 289 inspections and Regions 1-4 opened 54 inspections. The majority of inspections 282 (82 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 2,181 violations were identified and cited during inspections. Violations were identified in 90 percent of the inspections conducted. The violation per inspection ratio for targeted programmed-planned inspections in 2016 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 2015 and 2016 are shown in Table 35.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Table 35: High Hazard Inspections by NAICS Code, 2015-2016

NAICS code and Description	2015		2016	
	Number	%	Number	%
11 Agriculture, Forestry, Fishing and Hunting	66	19.8%	52	15%
21 Mining, Quarrying, and Oil and Gas Ext.	0	0%	0	0%
22 Utilities	0	0%	1	0%
23 Construction	15	4.5%	3	1%
31-33 Manufacturing	202	60.5%	158	46%
42 Wholesale Trade	12	3.6%	9	3%
44-45 Retail Trade	6	1.8%	3	1%
48-49 Transportation and Warehousing	0	0%	4	1%
51 Information	0	0%	0	0%
52 Finance and Insurance	0	0%	0	0%
53 Real Estate and Rental/Leasing	0	0%	0	0%
54 Professional, Scientific, and Technical Services	0	0%	3	1%
56 Admin and Support and Waste Management and Remediation	30	9.0%	104	30%
61 Educational Services	0	0%	0	0%
62 Health Care and Social Assistance	1	0.3%	0	0%
71 Arts, Entertainment, and Recreation	1	0.3%	0	0%
81 Other Services	0	0%	6	2%
92 Public Administration	1	0.3%	0	0%
Total	334		343	

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, 2012-2016

Targeted Inspections	2012		2013		2014		2015		2016	
	Number	%	Number	%	Number	%	Number	%	Number	%
Serious, Willful, Repeat	586	33%	443	28%	429	21%	535	25%	510	23%
Other Than Serious	1,187	67%	1,122	72%	1,653	79%	1,621	75%	1,671	77%
Total	1,773		1,565		2,082		2,156		2,181	
Instances not included in previous reports	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 2012–2016.

Table 37: Enforcement Actions Taken During High Hazard Targeted Inspections, 2012-2016

Types of enforcement actions	2012	2013	2014	2015	2016
Warrants	0	0	0	0	0
Order Prohibiting Use	75	20	0	8	12
Information Memorandums	15	53	75	71	25
Violations	1,773	1,565	2,082	2,156	2,181

Source: DOSH

Table 38 shows the most frequently observed violations during high hazard inspections in 2016.

Table 38: Most Frequently Observed Violations During High Hazard Targeted Inspections, 2016

Title 8 Section	Description
3203	Injury and Illness Prevention Program
5144	Respiratory Protection Program
461	Permits to Operate (Air Tanks)
6151	Portable Fire Extinguishers
3314	The Control of Hazardous Energy (Lockout/Tagout)
5194	Hazard Communication
2340.16	Work Space About Electric Equipment
2473.1	Conductors Entering Boxes, Cabinets, or Fittings
3668	Powered Industrial Truck Operator training
5162	Eyewash and Shower

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.⁴⁴
- The Pressure Vessel Unit conducts public safety inspections of boilers and pressure vessels to ensure their safe operation in places of employment.

⁴⁴ For a list of conveyances, please see <http://www.dir.ca.gov/Title8/sub6.html>.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

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, serving as a basis for FY 2017-2018 High Hazard Industry threshold, was 2.1. Accordingly, the high hazard industry threshold for that fiscal year is 4.2.

For further information ...

Cal/OSHA's Highest Hazard Industry List for FY 2017–2018.

<http://www.dir.ca.gov/dosh/documents/hhu-list-2017-2018.pdf>

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>

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Occupational Health and Safety Appeals Board (OSHAB)

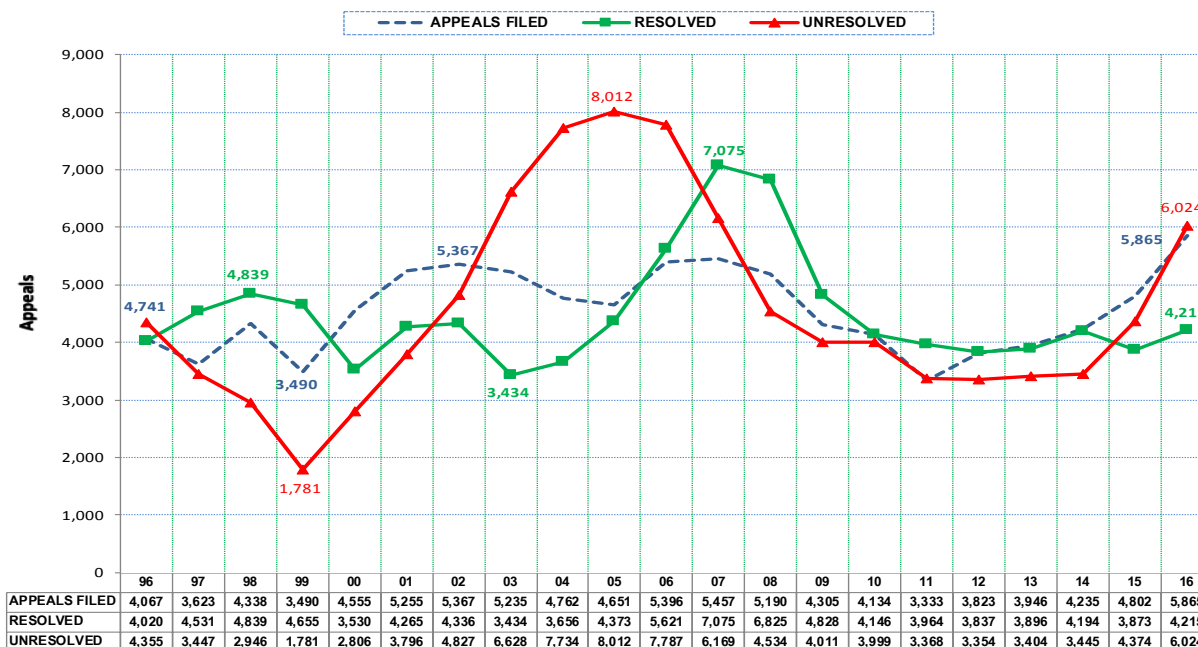
The Occupational Safety and Health Appeals Board (OSHAB) consists of three members appointed by the governor for four-year terms. By statute, the members are selected from among management, labor, and the general public. The chairman is selected by the governor.

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. In 15 years, from 1996 to 2010, the number of appeals filed yearly stabilized at an average of 4,655 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 76 percent from 2011 to 2016.

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 of 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 of 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 and 72 percent in 2016.

Figure 117: Occupational Safety and Health Appeals Board (OSHAB) Workload, 1996-2016

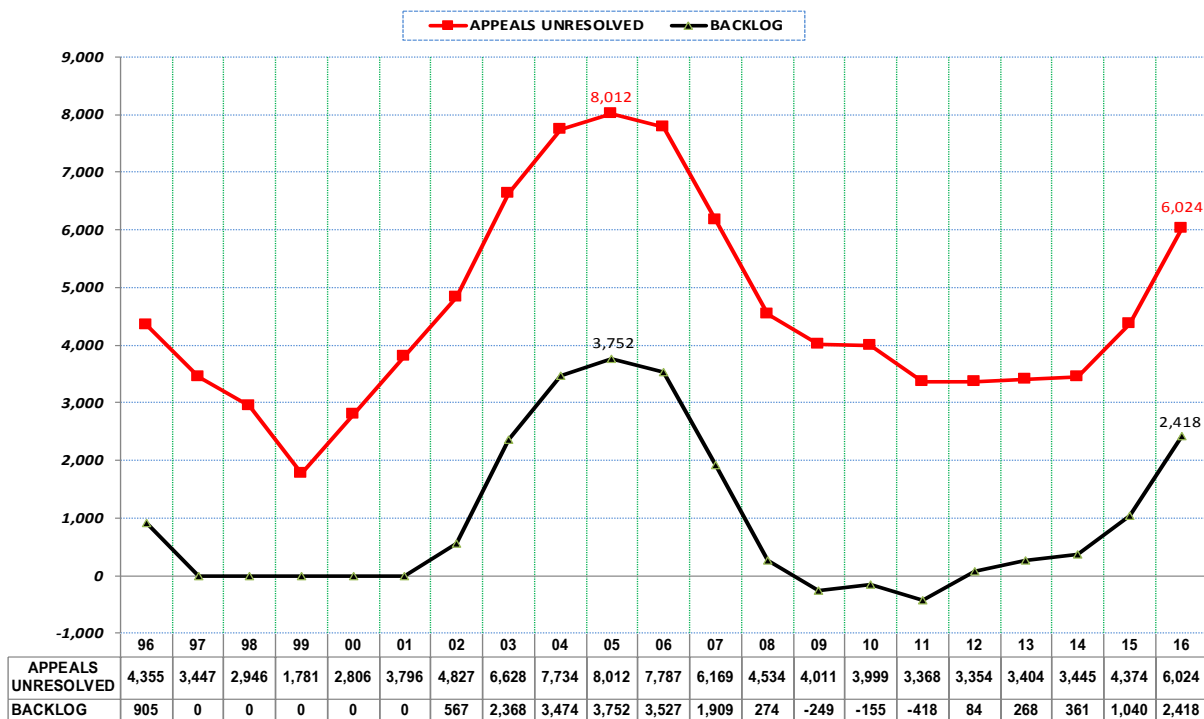


Data Source: OSHAB

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.

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Figure 118: Occupational Safety and Health Appeals Board Backlogs, 1996-2016

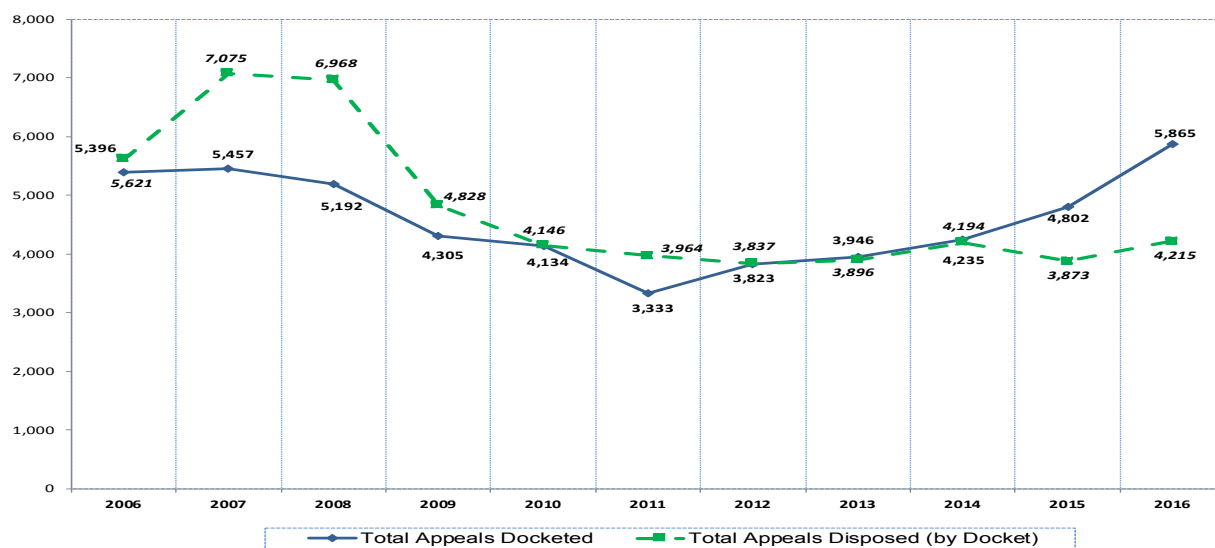


Data Source: OSHAB

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 2,418 cases in 2016. This growth in the backlog was the result of the filed appeals outpacing the level of resolved cases in 2016 (see Figure 119), and an increase in the number of unresolved cases from 2012 to 2016.

Figure 119 shows the total number of citation appeals docketed and disposed from 2006 to 2016. In 2016, 72 percent of appeals were resolved.

Figure 119: Occupational Safety and Health Appeals Board: Appeals Docketed and Disposed, 2006-2016



Data Source: OSHAB

WORKPLACE HEALTH AND SAFETY PERFORMANCE MEASURES

Educational and Outreach Programs

In conjunction and in 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.

Insurers Liquidated Since 2000

2000

California Compensation Insurance Company
Combined Benefits Insurance Company
Commercial Compensation Casualty Insurance Company
Credit General Indemnity Company
LMI Insurance Company
Superior National Insurance Company
Superior Pacific Insurance Company

2001

Credit General Insurance Company
Great States Insurance Company
HIH America Compensation & Liability Insurance Company
Amwest Surety Insurance Company
Sable Insurance Company
Reliance Insurance Company
Far West Insurance Company
Frontier Pacific Insurance Company
Tower Insurance Company

2002

PHICO
National Auto Casualty Insurance Company
Paula Insurance Company
Alistar Insurance Company
Western Specialty Insurance Company
America Horizon Insurance Company

2003

Western Growers Insurance Company
Legion Insurance Company
Villanova Insurance Company
Home Insurance Company
Fremont Indemnity Corporation
Wasatch Crest Insurance Co. (No WC policies)
Pacific National Insurance Company
Miller Insurance Company

2004

Protective National Insurance Company
Holland-America Insurance Company
Casualty Reciprocal Exchange
Commercial Casualty Insurance Company
American Bonding Company
American Growers Insurance Company

(continues)

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.⁴⁵

Changing Insurers⁴⁶

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.

Reinsurance⁴⁷

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 insolvencies in this decade.

⁴⁵ 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, 2017.

⁴⁶ Source: <http://www.dir.ca.gov/CHSWC/StateInsuranceIndustry2002/Stateinsuranceindustry042002.html>.

⁴⁷ Ibid.

(continued)

Insurers Liquidated Since 2000

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

2017

CastlePoint National Insurance Company

Source: CIGA

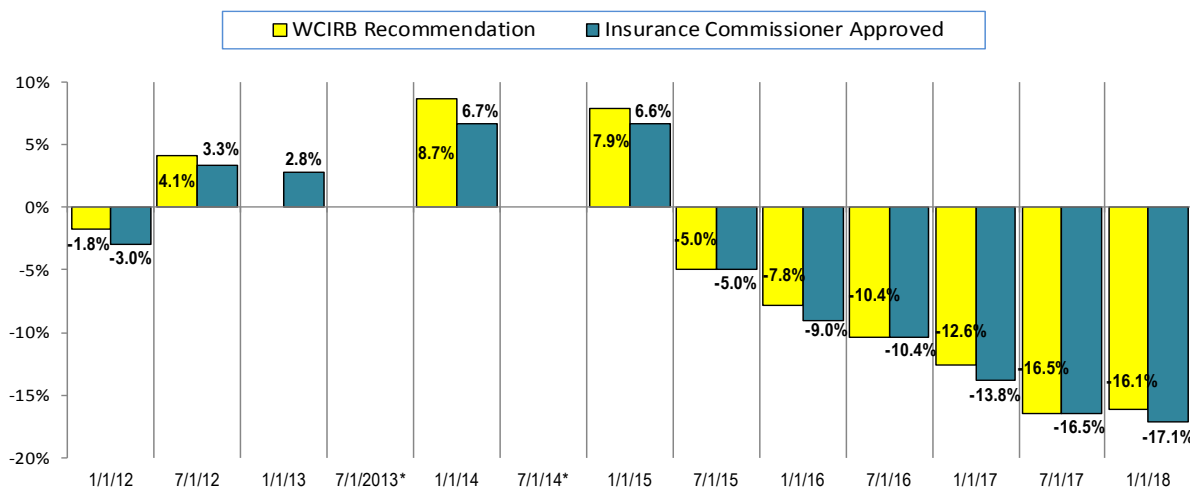
The study has been completed and includes recommendations to contain the risk of future insolvencies. (See "California's Volatile Workers' Compensation Insurance Market: Problems and Recommendations for Change.")

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 six consecutive periods beginning from July 1, 2015 to January 1, 2018.

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



* 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 39).

WCIRB reports that the projected industry average charged rate per \$100 of payroll for policies incepting in the first nine months of 2017 is \$2.47. This is 10 percent below the average rate charged in 2016 and 17 percent below the average rate charged in 2015. The approved January 1, 2018 advisory pure premium rates are on average approximately 30 percent below the January 1, 2015 advisory pure premium rates.⁴⁸

Since the first reform package was chaptered in 2003, 97 new insurers have filed to enter the California market and existing private insurers have increased their underwritings. The significant rate reductions,

⁴⁸ WCIRB Report on September 30, 2017, Insurer Experience, released December 19, 2017, Exhibit 2.

UPDATE: THE CALIFORNIA WORKERS' COMPENSATION INSURANCE INDUSTRY

totaling 28 percent since the first reforms were enacted, and SCIF's declining market share from its peak of 53 percent in 2003 to 13 percent in 2015 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 2011,⁴⁹ 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 2015 was down to 94 percent and it remains at 94 percent in 2016.⁵⁰ 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, 2016 averaged \$2.30 per \$100 of payroll and were 10.4 percent less than the average of the approved January 1, 2016 advisory pure premium rates of \$2.42. Approved pure premium rates effective January 1, 2017 averaged \$2.19 per \$100 of payroll and were 5.6 percent lower than the approved July 1, 2016 pure premium rate of \$2.30 per \$100 of payroll.

Table 39: California Workers' Compensation Top 10 Insurers Rate Filing Changes

COMPANY NAME	GROUP NAME	Market Share 2016	Cumulative Rate Change 1-04 to 4-17	1Q 2017 % Filed Rate Change*	4-1-2016 % Filed Rate Change*	4-1-2015 % Filed Rate Change*	7-1-2014 % Filed Rate Change*
State Compensation Insurance Fund		12.44%	-42.14%	-9.50%	0.02%	9.00%	5.70%
Insurance Company of the West	American Assets Group	5.97%	-38.67%	-10.32%	-5.60%	0.00%	2.50%
Travelers Property Casualty Company of America	Travelers Group	5.43%	-35.71%	-5.20%	-4.00%	1.03%	4.00%
Security National Insurance Company**	AmTrust NGH Group	3.97%	41.05%	-0.80%	-2.30%	3.00%	6.96%
Zurich American Insurance Company	Zurich Ins Group	3.17%	-41.78%	-8.73%	0.00%	4.20%	3.40%
Cypress Insurance Company	Berkshire Hathaway Grp	3.06%	-48.65%	-5.00%	0.00%	2.60%	6.08%
Zenith Insurance Company	Fairfax Financial Grp	2.96%	-9.44%	-0.40%	-1.30%	4.50%	4.30%
Everest National Insurance Company	Everest Reins Holdings Grp	2.65%	-33.50%	-12.40%	-4.80%	1.30%	12.10%
California Insurance Company	Berkshire Hathaway Grp	2.56%	-40.83%	-5.00%	-8.00%	2.20%	7.60%
Ace American Insurance Company	ACE Ltd Grp	2.30%	-77.65%	-9.08%	-10.80%	1.50%	-15.12%

* Indicated % filed rate change reflects cumulative rate change(s) in effect as of that date from the rates in effect on the preceding date.

** Security National Insurance Company entered the California market in 2008.

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

⁴⁹ Ibid., Exhibit 6.

⁵⁰ Ibid.

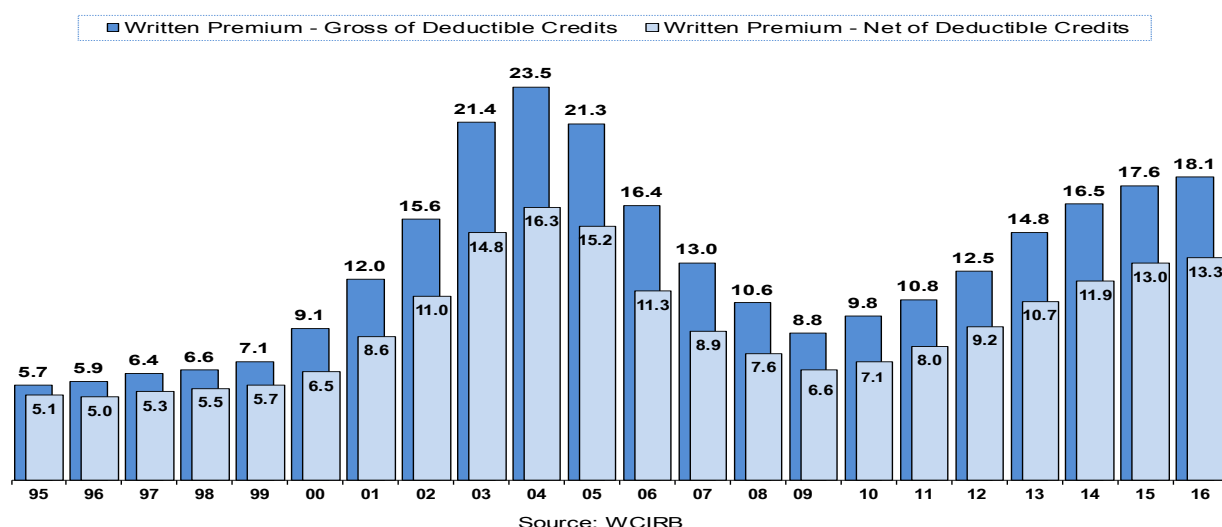
UPDATE: THE CALIFORNIA WORKERS' COMPENSATION INSURANCE INDUSTRY

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 2016, the written premium more than 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, 2017 (Billion \$)⁵¹



Combined Loss and Expense Ratio

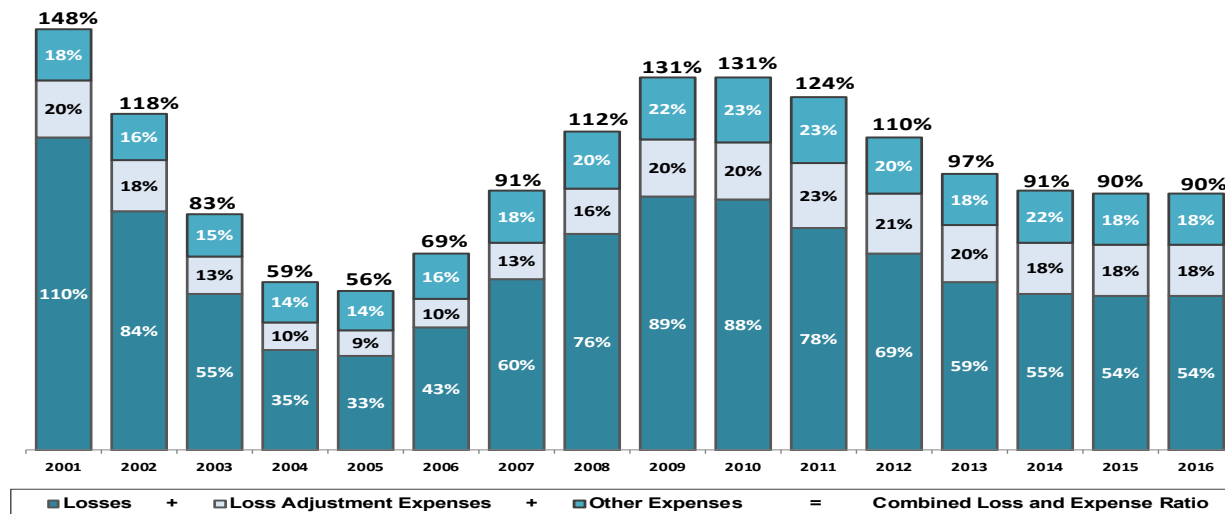
The accident year combined loss and expense ratio, which measures workers' compensation claims payments and administrative expenses against the earned premium declined from 2000 to 2005, and increased annually from 2006 to 2010 and 2011. The combined loss and expense ratio decreased from 131 percent to 90 percent from 2010 to 2016.

⁵¹ WCIRB Report on September 30, 2017, Insurer Experience, released December 19, 2017, Exhibit 2.

UPDATE: THE CALIFORNIA WORKERS' COMPENSATION INSURANCE INDUSTRY

In accident year 2017, insurers' claim costs and expenses amounted to \$0.90 for every dollar of premium collected.

Figure 122: California Workers' Compensation Combined Loss and Expense Ratios*
(Projected accident year, as of September 30, 2017)



* The cost of medical cost containment programs is reflected in LAE for accident years 2011 and subsequent. It is reflected in losses for all other accident years.

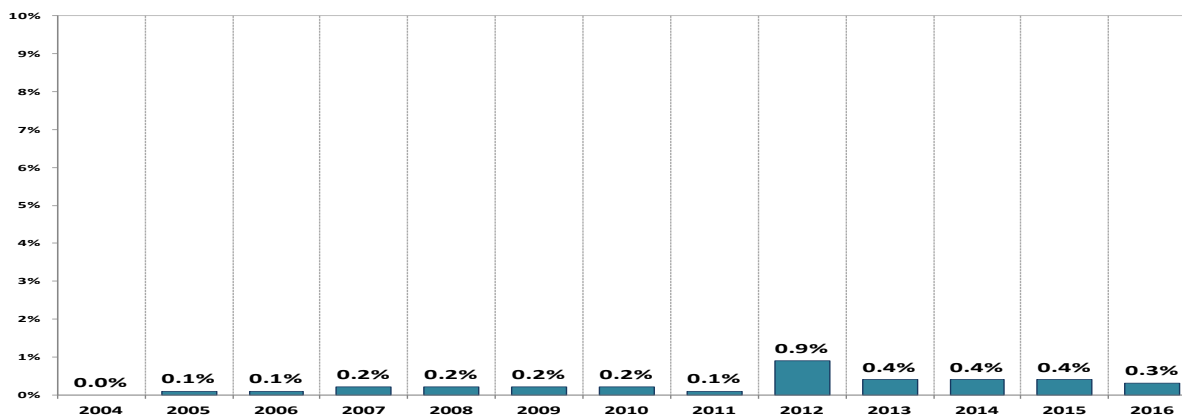
Source: WCIRB

WCIRB estimates that the total cost of benefits for injuries occurring prior to January 1, 2017, was approximately \$5.4 billion less than insurer-reported loss amounts.⁵²

Policy Holder Dividends

Dividends to policyholders were not paid in 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 2016 with a slight decrease in 2016.

Figure 123: Insurer Policy Holder Dividends as a Percentage of Earned Premium (by Calendar Year)



Data Source: WCIRB

⁵² WCIRB Report on September 30, 2017, Insurer Experience, released December 19, 2017, Exhibit 9.

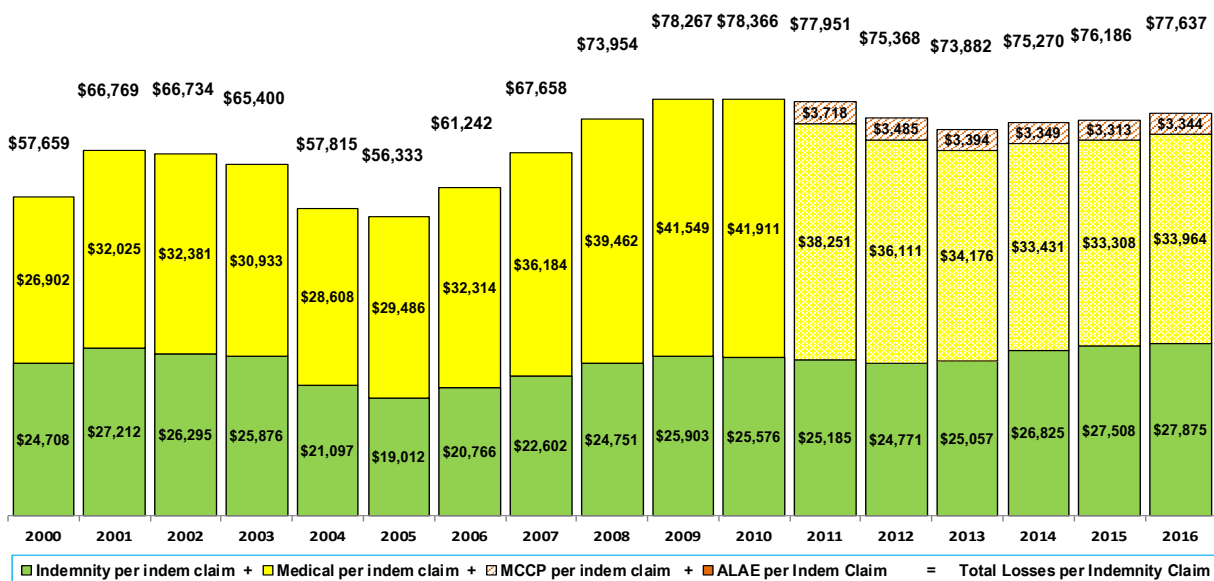
Average Ultimate Total Loss

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 loss. 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.⁵³ In order to provide consistent comparisons across years in Figure 124, 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 16 percent from 2000 to 2001 and then decreased by 16 percent from 2001 to 2005, reflecting the impact of AB 227, SB 228, and SB 899. The projected 2016 average loss and ALAE severity reflects an increase of 38 percent since 2005. The projected average indemnity cost of a 2016 indemnity claim increased by 13 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 2016 indemnity claim decreased by 11 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 2016 indemnity claim, excluding MCCP costs, is 3 percent above that of 2015 and approximately 13 percent higher than the average ALAE severity for 2012, despite forecast reductions in ALAE costs expected to arise from SB 863.⁵⁴

Figure 124: Estimated Ultimate Total Loss* and ALAE per Indemnity Claim as of September 30, 2017⁵⁵



* 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

⁵³ WCIRB Report on September 30, 2017, Insurer Experience, released December 19, 2017, p. 1.

⁵⁴ Ibid., p. 2.

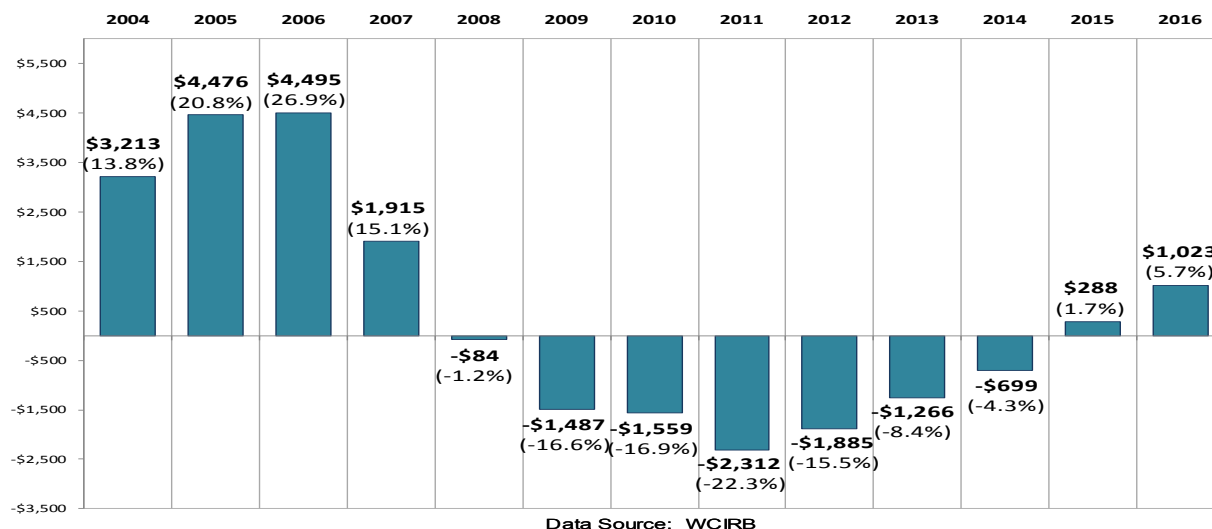
⁵⁵ Ibid., Exhibits 8.1 – 8.4.

UPDATE: THE CALIFORNIA WORKERS' COMPENSATION INSURANCE INDUSTRY

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. In 2016, the underwriting profits increased 4 percentage points from 1.7 percent.

Figure 125: Insurer Pre-Tax Underwriting Profit/Loss, 2004-2016 (Million \$ and as a Percentage of Earned Premium)



Current State of the Insurance Industry

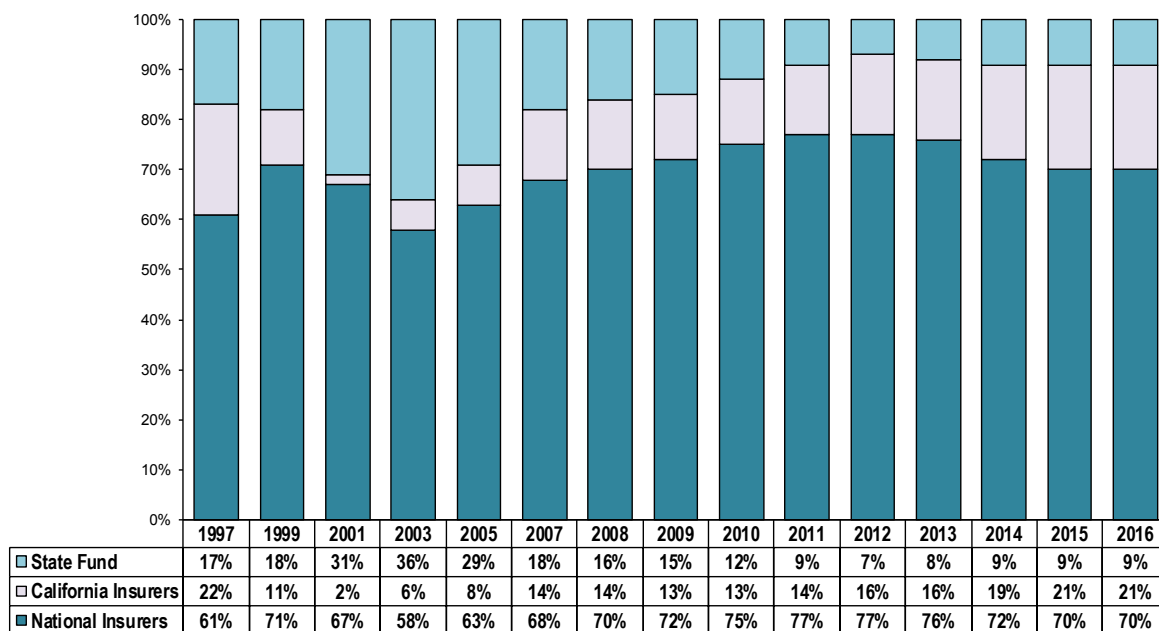
Market Share

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 2016, 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 and 2016, reached its highest level, of 21 percent, since 1997, when it was 22 percent.

UPDATE: THE CALIFORNIA WORKERS' COMPENSATION INSURANCE INDUSTRY

**Figure 126: Workers' Compensation Insurance Market Share in California by Type of Insurer
Based on Written Premium Prior to Deductible Credits**



Source: WCIRB aggregate financial data calls

Please note that totals may not equal to 100 percent due to rounding.

"California Insurers" are defined as private insurers who write at least 80 percent of their workers' compensation business in California.

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:

On January 16, 2002, the WCIRB submitted recommended changes to the California Workers' Compensation Uniform Statistical Reporting Plan—1995, effective March 1, 2002, and the California Workers' Compensation Experience Rating Plan—1995, effective April 1, 2002, related to insolvent insurers and losses associated with the September 11, 2001, terrorist actions. No increase in advisory premium rates was proposed.

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.

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.

July 1, 2017

WCIRB recommendations:

On April 11, 2017, the WCIRB submitted its July 1, 2017, Pure Premium Rate Filing to the California Insurance Commissioner. The pure premium rates proposed to be effective July 1, 2017, averaged \$2.02 per \$100 of payroll. The average proposed rate is 16.5 percent less than the corresponding industry average filed pure premium rate of \$2.42 as of January 1, 2017 and 7.8 percent less than the average approved January 1, 2017 advisory pure premium rate of \$2.19.

Insurance Commissioner action:

On May 22, 2017, the Insurance Commissioner issued a decision regarding the WCIRB's July 1, 2017, Pure Premium Rate Filing, approving advisory pure premium rates that averaged \$2.02 per \$100 of payroll. The approved advisory pure premium rates were, on average, 16.5 percent less than the corresponding industry average filed pure premium rate as of January 1, 2017, of \$2.42 and 7.8 percent less than the average of the approved January 1, 2017, advisory pure premium rates of \$2.19 per \$100 of payroll.

January 1, 2018

WCIRB recommendations:

On August 18, 2017, the WCIRB submitted its January 1, 2018, Pure Premium Rate Filing to the California Insurance Commissioner. The pure premium rates proposed to be effective January 1, 2018, averaged \$2.01 per \$100 of payroll. On September 8, 2017, the WCIRB submitted an amended January 1, 2018 Pure Premium Rate Filing. The proposed amended rate average \$1.96 and is 16.1 percent less than the corresponding industry average filed pure premium rate of \$2.00 as of July 1, 2017 and 2 percent less than the average approved July 1, 2017 advisory pure premium rate of \$2.00.

Insurance Commissioner action:

On October 26, 2017, the Insurance Commissioner issued a decision regarding the WCIRB's January 1, 2018, Pure Premium Rate Filing, approving advisory pure premium rates that averaged \$1.94 per \$100 of payroll. The approved pure premium rate was, on average, 17.1 percent less than the industry average filed pure premium rate as of July 1, 2017, of \$2.34 and 3 percent less than the average of the approved July 1, 2017, advisory pure premium rates of \$2.00 per \$100 of payroll..

Source: WCIRB.

SPECIAL REPORT: EVALUATION OF SB 863 MEDICAL CARE REFORMS

Introduction

California's workers' compensation (WC) program provides medical care and wage-replacement benefits to workers who suffer on-the-job injuries and illnesses. Injured workers are entitled to receive all medical care reasonably required to cure or relieve the effects of their injury with no deductibles or copayments. Over the years, WC medical care expenses have fluctuated. Total medical expenses increased by 24 percent from 2007 to 2011, with particularly significant increases in medical cost containment expenses and medical-legal costs. The latest WC medical care reforms were enacted by Senate Bill (SB) 863 in 2012.

The intention of SB 863 provisions was to constrain the rate of increase in medical expenses through a combination of measures designed to improve the quality, efficiency, and timeliness of medical care given to injured workers through improvements in the fee schedules and dispute resolution processes and increased accountability and oversight.

Key SB 863 provisions include:

- **Fee Schedule Changes.** Changes in the Official Medical Fee Schedule (OMFS) were designed to promote the efficient delivery of medical care. These changes include modifications to the inpatient hospital and ambulatory surgery facility fee schedules effective January 1, 2013, replacement of the existing OMFS for physician services with a Resource-Based Relative Value System (RBRVS) fee schedule effective January 1, 2014, and development of new fee schedules for home health care, copying services, and interpreter fees.
- **Medical Provider Networks (MPN).** SB 863 aimed to improve the operation and oversight of medical provider networks (MPNs). Since January 1, 2004, injured workers of employers with MPNs have been required to use network providers throughout the course of the treatment. The SB 863 provisions, including medical access assistants for injured workers, written contracts between MPNs and providers including language that providers will follow Medical Treatment Utilization Schedule (MTUS) guidelines, and additional oversight by the Division of Workers' Compensation (DWC) over MPN lists of providers, took effect January 1, 2014.
- **Medical-Legal Evaluations.** Improving the process of medical-legal evaluation included addressing deficiencies in the composition of qualified medical evaluator (QME) panels, streamlining the process and timelines for evaluations by agreed medical evaluators (AME) and QMEs, and increasing DWC oversight of the evaluators and their decisions; these regulatory changes took effect September 16, 2013. With respect to medical necessity disputes, the Independent Medical Review (IMR) process replaced the AME/QME process. Effective July 1, 2013, an evaluator no longer provides an opinion on any disputed medical treatment issue; evaluators continue to be needed to provide an opinion about whether the injured worker will require future medical care to mitigate the effects of an industrial injury.
- **Independent Medical Review (IMR).** Replacing the existing dispute resolution process with IMR was intended to improve the quality and timeliness of the process for resolving medical necessity determinations. The IMR process took effect January 1, 2013, for injuries that occurred in 2013 and

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SPECIAL REPORT: EVALUATION OF SB 863 MEDICAL CARE REFORMS

on July 1, 2013, for any adverse utilization review (UR) decisions communicated on or after that date, regardless of the year in which the injury took place.

- *Independent Bill Review (IBR)*. SB 863 provisions established requirements for bill submissions and processing to improve the timeliness of payment for medical treatment and implemented the IBR process to resolve payment disputes. The IBR process was effective for services furnished on or after January 1, 2013.

Study Objectives

The report used two types of analyses. The first type includes analyses of specific SB 863 provisions, for example, specific fee schedule changes, with the goal of describing how the provision in question is related to changes in WC-paid medical care utilization and spending. The second type includes analyses of SB 863 as a whole. These “consolidated” analyses rely on pre-post comparisons with control groups to identify changes in medical care utilization, medical care spending, and work-related outcomes.

Research Questions

The report addresses the following main research questions:

1. How has medical care utilization and spending changed over the SB 863 implementation period in terms of both overall levels (i.e., utilization and spending per injury) and the mix of services?
2. How have utilization and spending changed for specific medical care services affected by the implementation of RBRVS? What are the overall impacts of the transition to RBRVS?
3. Did other specific fee schedule changes introduced in SB 863—including changes to inpatient hospital and ambulatory surgery center services and the medical-legal fee schedule—change utilization and spending on these and related services?
4. How did changes in the IMR process affect IMR and UR frequency and other outcomes?
5. Was SB 863 associated with changes in earnings and return to work for injured workers, after unrelated trends through comparison to control workers are controlled for?
6. Was SB 863 associated with changes in medical care utilization and spending for injured workers, after unrelated trends through comparison to control patients are controlled for?

Data Source

The primary data source for the study come from the Workers’ Compensation Information System (WCIS) database maintained by the DWC for services provided from 2007 to 2015.

Summary of Findings

Medical care utilization and spending. RAND found significant changes in utilization and spending medical services affected by SB863.

Spending on evaluation and management (E&M) office visits (per injured worker within 12 months of injury) increased by 37 percent from 2013 to 2014, as higher payment rates under RBRVS for these services went into effect and as providers started billing for consultation visits using these codes. Utilization for the same E&M services measured in the same way increased by 11 percent. When all E&M services are combined, however, the increases from 2013 to 2014 were smaller: spending increased 24 percent, and volume rose 3 percent.

SPECIAL REPORT: EVALUATION OF SB 863 MEDICAL CARE REFORMS

RBRVS implementation and transition. After the RBRVS is fully implemented in 2017, payments under RBRVS will be set at 120% of Medicare payment rates in July 1, 2012, before application of an inflation factor and a relative value scale adjustment factor.

The transition to RBRVS increased payments for E&M services, which are commonly delivered by general practitioners, and lowered payments for specialists. From the perspective of an individual provider, the net impact of the transition to RBRVS depends on the provider's mix of services before the transition and the change in rates for these services. The transition to RBRVS from 2013 to 2014 shifted the distribution of payments and volume of WC services in California. E&M visits accounted for a larger share of total payments and spending in 2013 and 2014.

The change in volume and payment for medical services varied significantly from 2013 to 2014 across different types of services. Payments for E&M services accounted for a larger share of total payments in 2014 than in 2013 (36.2 percent versus 29.5 percent). The volume for E&M services increased much more modestly (by less than one percentage point), which suggests that the increase in payment was driven by higher prices under RBRVS.

Other Specific Fee Schedule Changes

Inpatient hospital schedule. RAND found a reduction in inpatient hospital stays per claim beginning in 2011. Spending per claim peaked in 2011 at \$269.44 and fell each successive year. In 2014, spending per claim for inpatient hospital services was \$196.62, or 73 percent of the level in 2011. Across all inpatient stays in acute care hospitals subject to the OMFS for inpatient hospital services, from 2012 to 2014 total discharges decreased 12.6 percent, whereas total allowances decreased 5.0 percent.

Ambulatory Surgery Center (ASC) schedule. The fee schedule comparison also highlights the generosity of the OMFS ASC facility allowances relative to other Medicare-based fee schedules. In addition to the overall finding that estimated payments are 138 percent of the Medicare ASC allowances, the differences across types of procedures are of concern. SB 863 reduced the aggregate allowance for ASC facility services to 80 percent of the Medicare's hospital outpatient prospective payment system (OPPS) rate.

The Medicare ASC fee schedule is designed to create neutral incentives regarding where services are rendered. In contrast, the current OMFS provides incentives that are inconsistent with the efficient delivery of medically appropriate services in the least costly setting. These incentives drive device-intensive procedures to take place in the hospital and shift services commonly performed in an office setting to ASCs. Both incentives potentially increase WC expenditures for ambulatory surgery.

RAND analyzed the potential alternatives to current policies on OMFS facility fees for ASC surgical services. It considered the following options for refining the OMFS:

- Continue to pay using the OPPS framework, including the Comprehensive Ambulatory Payment Classifications (C-APC) bundling policies. This represents no change in OMFS policies for ASC facility fees.
- Continue to pay using the OPPS framework but determine allowances for procedures without the C-APC bundling policies. This would continue to use the current OMFS policies to determine the other factors that affect the allowances and represents the smallest change from pre-C-APC policies.
- Determine the allowances for ASC services based on 120 percent of the Medicare fee schedule for ASC facility services. This would conform the OMFS allowances for ASC facility services to the Medicare ASC fee schedule.

Medical-Legal Fee Schedule. The medical-legal (ML) fee schedule has not been updated since 2007, whereas estimated payments for E&M services were projected to increase when the RBRVS was fully implemented, before further adjustments for inflation. Instead, RAND found that the cost of \$250 per hour used to determine the ML allowances is significantly higher than the allowances for E&M services that consist of similar activities after the full transition to RBRVS in 2017. Although this might lead to the

SPECIAL REPORT: EVALUATION OF SB 863 MEDICAL CARE REFORMS

conclusion that no changes are needed in the ML fee schedules until the RBRVS fee schedule levels catch up to the ML fee schedule, RAND concluded that doing so would not be appropriate in light of the increase in the number of ML 104 evaluations and the number of units per evaluation. Despite these increases, the number of subsequent follow-up evaluations has also increased significantly. Together, the trends suggest that the allowances for extraordinarily complex evaluations should be restructured.

RAND discusses several considerations that might motivate the efficient completion of high-quality evaluations, including flat rates for complex ML 104 evaluations, limitation of supplemental reports, performing all diagnostic testing before an evaluation, and orderly control over medical documentation.

Medical Necessity Dispute Resolution Process and IMR and UR frequency. The medical necessity dispute resolution process begins with UR of medical care provided to an injured worker. Only a physician can issue an adverse UR decision to modify or deny the requested treatment. SB 863 streamlined the medical necessity dispute resolution process and shifted responsibility for resolving the disputes from WC administrative law judges to medical experts. The DWC contracted with Maximus to perform the independent medical review organization functions.

The issues that occurred when the IMR process was implemented have largely been addressed. Maximus has eliminated the initial backlog of IMR reviews and is issuing IMR decisions in a timely fashion after the supporting documentation is submitted by the claims administrator. Effective January 1, 2018, SB 1160 revises the Labor Code to require that the employer electronically submit the required medical documentation within 10 days of being notified that a request for IMR has been approved and has been assigned to the independent medical review organization, with copies to the employee and the requesting physician. The penalties for not complying with the IMR notice and reporting requirements were also strengthened.

Most claims administrators are processing UR requests in a timely way, but some claims administrators are not doing so or issuing UR decisions for a significant percentage of their UR requests, and the same is true for some UROs. Claims administrator practices vary widely in terms of the proportion of requests for authorization approved at the claims adjuster level, and prior authorization policies are fairly limited. Both policies have implications for administrative costs and medical cost containment expenses.

The SB 1160 provision requiring the electronic submission of UR documents to the DWC offers an opportunity to introduce more performance accountability to the system and more transparency about how the UR process actually functions.

Earnings Losses and Return to Work after Medical Delivery Reforms in SB 863. SB 863 included several modifications to the system for assigning disability ratings to injured workers and the law governing the level of benefits paid to a worker with a given disability rating. Some adjustment factors were increased substantially, meaning that most workers would receive higher permanent disability (PD) ratings for a given impairment rating. Also, the minimum and maximum weekly permanent partial disability (PPD) benefits were increased for the first time since 2006. RAND also points out that the Return to Work benefit avoids creating a work disincentive for employees (as might be the case if eligibility were simply tied to the worker's post-injury earnings).

RAND modeled several methods to examine employment and earnings. It found that economic outcomes for injured workers trended downward between 2010 and 2012. For injuries that occurred in 2013 and 2014, a clear trend break is apparent, with better outcomes for injuries in 2013 and a flatter trajectory for earnings and employment, compared to a downward trend prior to the enactment of SB 863.

Recommendations

(To be updated when available)

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).

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

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 ...

"Benefits and Earnings Losses for Permanently Disabled Workers in California: Trends through the Great Recession and Impacts of Recent Reforms," RAND, 2016.

http://www.dir.ca.gov/chswc/Reports/2016/WageLossReport_2016.pdf

The link to the Research Brief is as follows:

http://www.dir.ca.gov/chswc/Reports/2016/Wage_Loss_Research_Brief.pdf

SPECIAL REPORT: JANITORIAL STUDY

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 the Institute for the Study of Societal Issues (ISSI) at UC Berkeley and a qualitative component by the Labor Occupational Health Program (LOHP) at UC Berkeley.

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Summary

The quantitative part of the janitorial study conducted by Frank Neuhauser at ISSI uses data from a variety of sources, including the Workers' Compensation Insurance Rating Bureau (WCIRB), the Office of Self-Insured Plans (OSIP), the Workers' Compensation Information System (WCIS), the 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
- Detailed 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 includes findings from focus groups conducted with janitorial workers and gathers 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 culminated in written reports for CHSWC.

SPECIAL REPORT: JANITORIAL STUDY

Key Findings and Recommendations:

Quantitative Study

- Janitors at unionized firms have lower injury rates, and those injury rates are trending downward, at least as quickly as, if not more than, at non-unionized firms.
- Medical cost per claim is lower at unionized firms, which may indicate that unionized firms have fewer and less severe injuries.
- Despite having a much better safety experience and lower costs per claim, unionized firms paid insurance rates similar to those at non-unionized firms. The ratio of premium/losses for unionized firms was consistently 40% higher than at non-unionized firms, even though these ratios should be nearly equal.
- Although the safety and claims experience are much better at unionized firms than at their non-unionized counterparts, unionized firms appear to be subsidizing the workers' compensation insurance costs of non-unionized firms.
- Unionized employers have several options for avoiding the higher premium rates observed in this report: (1) high-deductible policies; (2) group self-insurance, (3) retrospective insurance, (4) have the WCIRB develop a separate class code for unionized firms.

Qualitative Study

- Janitors with over 10 years in the industry reported an increased workload over time, with more than half describing that their workload had doubled.
- The excess workload is manifested in myriad ways, including how work is scheduled, an increased number and complexity of tasks, an unrealistic quantity of tasks for hours worked and number of hours distributed among fewer workers.
- Workers described how a high workload environment reinforces tense employer-worker and interworker dynamics, and how an increased workload affects physical health, resulting in physical injury and work-related stress as well as mental health issues and extends to relationships with children and partners.
- Ergonomic injuries and risk factors should be investigated in light of increased workload and equipment.
- The extent to which workers are provided with accommodations and light-duty work should be explored.
- Systems need to be created to calculate a realistic workload based on the nature of tasks and the number of workers.
- Assessment is needed as to whether the green cleaning supplies in use are the best available for the janitorial sector, and practices should be instituted to enable contractors and building owners to meet environmental goals while also ensuring realistic workload expectations.
- Further investigation is needed of reports of wage and hour violations, particularly in the non-union sector, and ways to influence workload demands in the non-union sector need to be identified.

For further information...

"California's Janitorial Industry: Does Higher Compensation for Unionized Workers Lead to Greater Production Pressure and Higher Injury Rates?," UC Berkeley, 2017.

http://www.dir.ca.gov/chswc/Reports/2017/Janitors_Study_Final_Report_03-17_Neuhauser.pdf

"Excessive Workload in the Janitorial Industry, An Emerging Health and Safety Concern," Labor Occupational Health Program, UC Berkeley, 2017.

http://www.dir.ca.gov/chswc/Reports/2017/Janitor_Report_LOHP_3-10-17.pdf

SPECIAL REPORT: QUALIFIED MEDICAL EVALUATORS: UPDATING TRENDS IN EVALUATIONS, AVAILABILITY, AND EQUITY

Executive Summary

The Qualified Medical Examiner (QME) process is at the heart of the California workers' compensation dispute resolution process. The current process is the result of a series of reforms over the past 15 years that were meant to improve the delivery of medical-legal evaluations expeditiously and equitably for both parties.

This QME report updates the original 2010 review of the QME process for the Commission. The update was requested by Senate Committee on Labor and Industrial Relations Chair Tony Mendoza on October 17, 2016, and was approved by the Commission on December 9, 2016. The report examines how the QME process has changed over the past decade (2007-2017), with special attention on the issues raised in the previous report.

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UC-Berkeley used extensive electronic administrative data made available by the Division of Workers' Compensation (DWC) Medical Unit and Disability Evaluation Unit (DEU), supplemented with summary data from several sources. The study covers the period from 2007 through 2017, during which much of the evolution occurred after the 2004 reforms, which introduced utilization and treatment guidelines, a new permanent disability rating schedule based on the AMA Guides, and changes in how parties in represented cases can select QMEs. Subsequently, SB 863 made additional important changes, including the Independent Medical Review (IMR) process, which was anticipated to replace the need for medical-legal exams to decide treatment issues. SB 863 also imposed restrictions on the number of locations at which QMEs could schedule exams.

Key Findings in This Study

- The number of providers registered as QMEs continues to decline (17% since 2007), but less rapidly than it did prior to 2007.
- The number of requests for QME panels has increased rapidly, 87 percent since 2007.
- The decline in QMEs and increase in panel requests means that the number of requests per QME has doubled (+101%).
- Coupled with a continuing increase in the average paid amount for QME reports, the average QME earns 240 percent more from panel reports now than in 2007.
- All the increase in panel requests is from represented track cases, up 400 percent despite the elimination of panels for most medical treatment issues (replaced by the IMR process). This increase was equally driven by requests from both applicants and defendants.
- Panel requests for unrepresented cases declined 55 percent, driven entirely by a decline in requests by injured workers. The number of requests by claims administrators in unrepresented cases changed little.
- The DWC began collecting the reasons for panel requests on represented cases in 2015. Those data show that the primary reasons for panels are: compensability (42.5%), permanent disability (21.4%), and Permanent & Stationary (P&S) status (11.4%).

In response to the earlier study, SB 863 placed limits on the number of locations (10) at which QMEs can be registered. This has had the effect of distributing QME panels more evenly and widely among registered providers.

SPECIAL REPORT: QUALIFIED MEDICAL EVALUATORS: UPDATING TRENDS IN EVALUATIONS, AVAILABILITY, AND EQUITY

- Very-high-volume QMEs (with 11-100+ registered locations) have been eliminated.
- However, a high proportion of panel assignments (55%-60%) are still assigned to the busiest 10 percent of QMEs, nearly all of whom have exactly 10 offices and are in orthopedic specialties.
- Unlike the very-high-volume QMEs studied earlier, the top 10 percent and 5 percent of QMEs by the number of panels in the current system produce reports that show less bias. Even the top 5 percent of QMEs by volume give ratings that are only slightly more conservatively than average.

Access to QMEs does not appear to be an important current problem, but some signs indicate that delays in getting an evaluation may be developing.

- Orthopedic specialties are under-represented among registered QMEs relative to requests.
- The number of panels for which a subsequent panel is requested because the QME was not available within 60 days (a measure of access), while still low, has increased from 1 percent to 2.8 percent for unrepresented cases and 0.7 percent to 4.7 percent for represented cases. Almost all of this increase took place from 2013 to 2016.

The DWC has made an effort to eliminate providers who are accused or convicted of fraudulent activity or violations of professional standards from the workers' compensation system. This study examined the activity of these doctors in the QME process and how their suspension may affect QME evaluations. This study found:

- Of providers suspended or restricted under Labor Code sections 139.21 and 4615, 41 were registered as QMEs at least one year between 2007 and 2016.
- They represented a small minority of all QMEs (1.6%) and were assigned to a minority of the three-doctor panels (4.6%).
- Although these percentages are low overall, in some areas problem providers appear to be concentrated and present a special problem. The pain specialties (PAP, MAA, & MPP) stood out, and 40-50 percent of QME panels include at least one restricted or suspended provider.
- The more general pain category (MPA), which is more commonly used now, as well as Physical Medicine and Rehabilitation (PM&R) and Internal Medicine-Hematology (MMH) had 15-17 percent of panels with a restricted or suspended provider.
- Overall, the restricted and suspended doctors gave much more generous evaluations to injured workers than the average QME: higher ratings, less frequent use of apportionment, and more frequent Almaraz ratings.

Recommendations for Possible Modifications in the QME Process and Future Monitoring

- The DWC could use QME registration data linked with WCIS medical-legal payment data to examine whether the increases observed in average cost of medical-legal reports is driven primarily by providers acting through aggregators.
- The very high concentration of restricted and suspended doctors in the pain specialties suggests that the DWC could examine the costs and benefits of maintaining separate pain specialties in the QME system. If the specialties are retained, the DWC could concentrate special monitoring and outreach to this community of providers and related professional associations. This could involve additional testing and/or other restrictions on registering for these specialties
- The number of QMEs who are unavailable in the 60-day period is still small, but the recent increase suggests the need for continued close monitoring by the DWC, with special attention on the orthopedic specialties.

SPECIAL REPORT: QUALIFIED MEDICAL EVALUATORS: UPDATING TRENDS IN EVALUATIONS, AVAILABILITY, AND EQUITY

The DWC should consider eliminating the requirement that unrepresented workers serve the claims administrator with notice and confirm the proof of service under penalty of perjury. This may be intimidating workers and reducing their use of the QME process when challenging the primary treating physician's (PTP's) findings. The DWC could supply notice to the claims administrator and eliminate the need for workers to do so.

Advancing the Division of Workers' Compensation's Research Efforts

The Division is hampered in evaluating how efficient and equitable the QME system is in evaluating issues of compensability, permanent disability (PD), and future medical because of substantial gaps in the data on which claimants are evaluated by QMEs and which of those evaluations are rated by the DEU.

- The DWC should consider drawing a random sample of initial workers' compensation first reports of injury and examine how they are resolved, including issues of compensability and permanent disability. Key questions could include:
 - What are the characteristics of claims and claimants using the QME process vs. resolving disputes based on the PTP's report?
 - What are the characteristics of PD claims and claimants who are rated by the DEU vs. other sources such as the claims administrator in unrepresented cases and private raters or the parties in represented cases?
- The DWC should consider identifying more information about the operation of aggregators managing the QME location and appointment process. The consolidation of QMEs under a small number of aggregators with a substantial share of the market may be having an impact on the system.
- The DWC should collect electronically the reason for panel requests in unrepresented cases, similar to the data collected on represented cases. The main reasons for requesting a QME panel are already included on the documentation submitted by workers and claims administrators.

For further information...

"Qualified Medical Evaluators: Updating Trends in Evaluations, Availability, and Equity."
University of California, Berkeley, 2017.

http://www.dir.ca.gov/chswc/reports/2017/QME_2017_Trends.pdf

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 (21percent). 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

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

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...

"Aging in the Workplace: Promoting Safe and Healthy Workplaces for Everyone: A Report from a Roundtable Discussion Convened by the Commission on Health and Safety and Workers' Compensation," prepared and submitted by the Labor Occupational Health Program at the University of California at Berkeley, November, 13, 2015.

<http://www.dir.ca.gov/chswc/Reports/2016/AgingWorkforce.pdf>

LIST OF PROJECTS AND STUDIES

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).

<http://www.dir.ca.gov/CHSWC/Reports/MemoOnRatingsThruJan2007.pdf>

"Permanent Disability Rating Schedule Analysis" (2006).

<http://www.dir.ca.gov/CHSWC/Reports/CHSWC-PD-Report-Feb23-2006.pdf>

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:

"Identifying Permanently Disabled Workers with Disproportionate Earnings Losses for Supplemental Payments," RAND, February 2014.

http://www.dir.ca.gov/chswc/Reports/2014/Earnings_Losses_2014.pdf

Initial Wage Loss Analyses

Status: Completed

CHSWC Reports:

"Compensating Permanent Workplace Injuries: A Study of the California System," RAND (1998).

http://www.rand.org/pubs/monograph_reports/MR920

"Findings and Recommendations on California's Permanent Partial Disability System—Executive Summary," RAND (1997).

<http://www.dir.ca.gov/CHSWC/Reports/PPDFindingsAndRecommendations.pdf>

Enhancement of Wage Loss Analysis—Private Self-Insured Employers

Status: Completed

CHSWC Report:

"Permanent Disability at Private Self-Insured Firms: A Study of Earnings Loss, Replacement, and Return to Work for Workers' Compensation Claimants," RAND (2003).

<http://www.dir.ca.gov/CHSWC/Reports/PD-Study.pdf>

Impact of Local Economic Conditions on Wage Loss

Status: Completed

"Trends in Earnings Loss from Disabling Workplace Injuries in California—The Role of Economic Conditions," RAND (2001).

<http://www.dir.ca.gov/CHSWC/Reports/TrendsInEarningsLoss-EcoCondition.pdf>

LIST OF PROJECTS AND STUDIES

Permanent Disability Rating Tool

Status: Completed

CHSWC Reports:

"An Evaluation of California's Permanent Disability Rating System," Summary, RAND (2005).

http://www.dir.ca.gov/CHSWC/Reports/Eval_Of_CA_PD_System_Summary.pdf

"An Evaluation of California's Permanent Disability Rating System," Full Report, RAND (2005).

http://www.dir.ca.gov/CHSWC/Reports/Eval_Of_CA_PD_System.pdf

"Evaluation of California's Permanent Disability Rating Schedule," Interim Report, RAND (2003).

<http://www.dir.ca.gov/CHSWC/Reports/PermanentDisabilityRatingSchedule-InterimReport.pdf>

Apportionment

Status: Completed

CHSWC Reports:

"Understanding the Effect of SB 899 (Stats 2004, Chap 34) on the Law of Apportionment" (April 2007).

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/FinalApportionmentPaper.pdf>

"Background Paper on Workers' Compensation Causation and Apportionment" (May 2004).

http://www.dir.ca.gov/CHSWC/Causation_and_Apportionment_Final_May_2004.pdf

II. RETURN TO WORK

Return to Work

Status: Completed

"Workers' Compensation Reform and Return to Work: The California Experience," RAND (2011). Summary

http://www.dir.ca.gov/chswc/Reports/2010/RAND_RTW2011_sum.pdf

Full Document

<http://www.dir.ca.gov/chswc/Reports/2010/WCReformandReturntoWork.pdf>

Return-to-Work Programs

Status: Completed

CHSWC Reports:

"Identifying Permanently Disabled Workers with Disproportionate Earnings Losses for Supplemental Payments," RAND (February 2014).

http://www.dir.ca.gov/chswc/Reports/2014/Earnings_Losses_2014.pdf

"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/Reports/2010/CHSWC_RTWReport.pdf

<http://www.dir.ca.gov/chswc/Reports/2009/ReimbursementProgramRecommendations2009.pdf>

"Best Practices in Returning an Injured Employee to Work: Factsheet for Employers," February 2010.

http://www.dir.ca.gov/chswc/CHSWC_FactsheetRTW_2010.pdf

Helping Injured Employees Return to Work: Practical Guidance Under Workers' Compensation and Disability Rights Laws in California, February 2010.

http://www.dir.ca.gov/chswc/Reports/2010/HandbookRTW_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).

http://www.dir.ca.gov/chswc/Reports/2010/HandbookRTW_2010.pdf

"Best Practices in Returning an Injured Employee to Work: Factsheet for Employers" (February 2010).

http://www.dir.ca.gov/chswc/CHSWC_FactsheetRTW_2010.pdf

"Summary of December 9, 2008 Return-to-Work/FEHA/ADA Advisory Group Meeting" (April 2009).

http://www.dir.ca.gov/chswc/Reports/2009/CHSWC_SummaryRTWFEHAADAGuidebookRoundtable2009.pdf.

Evaluation of Return-to-Work Reforms

Status: Completed

"Workers' Compensation Reform and Return to Work: The California Experience" (November 2010).

<http://www.dir.ca.gov/chswc/Reports/2010/WCReformandReturntoWork.pdf>

Return-to-Work Roundtable

Status: Completed

CHSWC Report:

"Summary of November 17, 2006 CHSWC Return-to-Work Roundtable" (April 2007).

<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).

<http://www.dir.ca.gov/CHSWC/Reports/RTW-AB1987.pdf>

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:

"Physical Workplace Factors and Return to Work After Compensated Low-Back Injury: A Disability Phase-Specific Analysis," *JOEM* (March 2000).

http://journals.lww.com/joem/Abstract/2000/03000/Physical_Workplace_Factors_and_Return_to_Work.15.aspx

LIST OF PROJECTS AND STUDIES

Predictors and Measures of Return to Work

Status: Completed

CHSWC Report:

“Determinants of Duration of Disability and Return to Work After Work-Related Injury and Illness: Challenges for Future Research” (April 2001).

<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).

<http://www.dir.ca.gov/Chswc/Reports/CHSWCRptonSummarySystemChangesDRAFTFeb%202008.pdf>

Assembly Bill 749 Analysis

Status: Completed

CHSWC Summaries:

“CHSWC and AB 749 as Amended” (October 2002).

<http://www.dir.ca.gov/CHSWC/749Report/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).

http://www.dir.ca.gov/CHSWC/Reports/Reforms_of_2003-AB227.pdf

“Reforms of 2003, SB 228” (October 2003).

http://www.dir.ca.gov/CHSWC/Reports/Reforms_of_2003-SB228.pdf

Senate Bill 899 Analysis

Status: Completed

CHSWC Summaries:

“Summary of Workers' Compensation Reform Legislation” (2004).

<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:

“CHSWC Report on the Division of Workers' Compensation Audit Function” (1998).

<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/Vocrehabreform2000.pdf>

"Vocational Rehabilitation Benefit: An Analysis of Costs, Characteristics, and the Impact of the 1993 Reforms" (August 1997).

<http://www.dir.ca.gov/CHSWC/rehab/rehabcover.html>

Evaluation of Treating Physician Reports and Presumption

Status: Completed

CHSWC Report:

"Report on the Quality of the Treating Physician Reports and the Cost-Benefit of Presumption in Favor of the Treating Physician" (August 1999).

<http://www.dir.ca.gov/CHSWC/Report99/TPhysician.html>

Update of Treating Physician Reports and Presumption Study

Status: Completed

CHSWC Report:

"Doctors and Courts: Do Legal Decisions Affect Medical Treatment Practice"? (November 2002).

<http://www.dir.ca.gov/CHSWC/CHSWCLegalDecAffectMedTreatPractice/ptpfinalrpt.html>

Evaluation of Labor Code Section 5814 Penalty Provisions

Status: Completed

CHSWC Reports:

"Issue Paper on Labor Code Section 5814" (April 2000).

<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:

"Preliminary Evidence on the Implementation of 'Baseball Arbitration' in Workers' Compensation" (November 1999).

<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>

"Summary Estimating the Workers' Compensation Reform Impact on Employer Costs and Employee Benefits" (August 1999).

<http://www.dir.ca.gov/chswc/Summary.htm>

Cost Trends 1985-2005

Status: Completed

NASI Brief:

"Workers' Compensation in California and in the Nation: Benefit and Employer Cost Trends, 1989-2005" (April 2008).

<http://www.dir.ca.gov/chswc/Reports/CAWorkersCompensationBrief2008.pdf>

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

"Infection Risk from 'Sharps' Injuries for Non-Healthcare Workers" (March 2015).

https://www.dir.ca.gov/chswc/Reports/2015/sharps_3-25-15.pdf

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 Impact of Experience Rating on Small Employers: Would Lowering the Threshold for Experience Rating Improve Safety?" RAND (2012).

http://www.dir.ca.gov/chswc/Reports/2013/SmallEmployerXModStudy_2013.pdf

The Injury and Illness Prevention Program (IIPP)

Status: Completed

"An Evaluation of the California Illness and Injury Prevention Program," Full Report and Summary, RAND (2012).

<http://www.dir.ca.gov/chswc/reports/2012/IIPPEvaluation.pdf>

<http://www.dir.ca.gov/chswc/reports/2012/IIPPEvaluationSummary.pdf>

"Requirement for Insurer Review of Employer's IIPP," (January 2012).

http://www.dir.ca.gov/chswc/Reports/2012/CHSWC_RequirementForInsurerReviewOfEmployer'sIIPP.pdf

LIST OF PROJECTS AND STUDIES

Cal/OSHA Inspections

Status: Completed

“Are There Unusually Effective Occupational Safety and Health Inspectors and Inspection Practices?” RAND (2012).

<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).

http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_AgingWorkforceOccupationalInjuryIllnessCost.pdf

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).

<http://www.dir.ca.gov/CHSWC/reports/CHSWCReportHealthandSafetyResearchAgendaFeb2008.pdf>

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:

“Quality Management and Job Quality: How the ISO 9001 Standard for Quality Management Systems Affects Employees and Employers” (August 2008).

http://www.dir.ca.gov/chswc/Reports/ISO_9001_2008_August.pdf

Occupational Safety and Health for Public Safety Employees

Status: Completed

CHSWC Report:

“Occupational Safety and Health for Public Safety Employees: Assessing the Evidence and the Implications for Public Policy” (2008).

http://www.dir.ca.gov/CHSWC/Reports/CHSWC_PublicSafetyEmployeesReport2008.pdf

Musculoskeletal Injuries to Firefighters in California

Status: Completed

CHSWC Report:

“The Frequency, Severity, and Economic Consequences of Musculoskeletal Injuries to Firefighters in California,” RAND (2010).

<http://www.dir.ca.gov/chswc/Reports/2010/FirefightersMusculoskeletal.pdf>

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>

SASH Factsheets, Tools, Tip Sheets, Resource List, Worksheets, and IIPP Guide and Template.

<http://www.dir.ca.gov/chswc/SASH/index.htm>

SASH Online Resource Guide

<http://www.lohp.org/docs/projects/sash/sashonlineresourceguideweb.pdf>

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

<http://www.dir.ca.gov/chswc/WOSHTEP/Publications/WOSHTEP%20Brochures.English.2009.06.09.pdf>

2004-2014 WOSHTEP Advisory Board Annual Reports

<http://www.dir.ca.gov/chswc/woshtep.html>

“Workplace Health and Safety Worker Training Materials: An Electronic Multilingual Resource List”
(November 2013).

<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

“Excessive Heat at Work: How to Prevent Indoor Heat Illness Participants Handouts,” English and Spanish (December 2012).

<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>

Heat Hazards in Agriculture: A Guide for Employers to Carry out Tailgate Training for Workers (2008).

http://www.dir.ca.gov/chswc/Reports/CHSWC_HeatAgricultureEnglish.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>

The Whole Worker: Integrating Wellness & Occupational Health and Safety Programs (2010).

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>

Small Business Restaurant Supervisor Safety Training Materials (Industry-specific) (July 2009).
<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/RestaurantTrainingGuide_Spanish.pdf
http://www.dir.ca.gov/chswc/WOSHTEP/Publications/RestaurantWorkbook_Korean.pdf

Small Business Janitorial Health and Safety Training Materials (Industry-specific) (July 2009).
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
<http://www.dir.ca.gov/chswc/WOSHTEP/Publications/DairyTrainingGuide.pdf>
http://www.dir.ca.gov/chswc/WOSHTEP/Publications/DairyTrainingGuide_Spanish.pdf

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>

Teens Working in Agriculture: Activities for High School ESL Classes (2009).
<http://www.dir.ca.gov/chswc/WOSHTEP/Publications/ESLCurriculumActivitiesBooklet.pdf>

Teens Speak Out for Safety on the Job: Lessons from the Young Worker Leadership Academy (2008).
<http://www.youngworkers.org/downloads/pdf/TeensSpeakOut.pdf>

Workplace Wellness

Status: Completed

CHSWC Booklet and Report:

The Whole Worker: Integrating Wellness & Occupational Health and Safety Programs (2010).
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:

“Protecting and Educating Young Workers: Report of the California Study Group on Young Worker Health and Safety” (March 1998).

<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:

“Electronic Adjudication Management System (EAMS) Information Technology Needs Assessment Report” (June 2011).

http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_EAMS_AssessmentReport.pdf

Stakeholder public comments about EAMS Needs Assessment Report.

http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_EAMS_AssessmentReport_publicReport.pdf

Liens

Status: Completed

“Liens Report” (January 2011).

http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_LienReport.pdf

Stakeholder Public Comments About Lien Report, Volume 1.

http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_LienReportVolume1.pdf

Stakeholder Public Comments About Lien Report, Volume 2.

http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_LienReportVolume2.pdf

System Monitoring

Status: Completed

“Memo on System Monitoring” (January 2011).

http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_MemoOnSystemMonitoring.pdf

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).

http://www.dir.ca.gov/chswc/Reports/2010/CHSWC_DEUDelaysandSupplementalQMEReports.pdf

Report on Benefit Notices and Recommendations, July 2010

Status: Completed

CHSWC Report:

"Report on Benefit Notices and Recommendations" (July 2010).

<http://www.dir.ca.gov/chswc/Reports/2010/BenefitNoticesRecommendationspdf.pdf>

Selected Indicators in Workers' Compensation

Status: Completed

CHSWC Reports:

"Selected Indicators in Workers' Compensation: A Report Card for California," 2004-2011.

<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:

"Background Paper on Uninsured Employers Benefits Trust Fund" (April 2007).

<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:

"Improving Dispute Resolution for California's Injured Workers," Summary, RAND (2003).

<http://www.dir.ca.gov/CHSWC/Reports/ImprovingDisputeResolution-Summary.pdf>

"Improving Dispute Resolution for California's Injured Workers," Full Report, RAND (2003).

<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:

"Preliminary Evidence on the Implementation of Baseball Arbitration" (November 1999).

<http://www.dir.ca.gov/chswc/BasebalArbFinal.htm>

LIST OF PROJECTS AND STUDIES

Evaluation of the DWC Audit Function (Special Study at the Request of the Legislature)

Status: Completed

CHSWC Reports:

"CHSWC Report on the Workers' Compensation Audit Function" (December 1998).

<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).

<http://www.dir.ca.gov/chswc/Reports/2011/UninsuredEmployers.pdf>.

Spanish version: http://www.dir.ca.gov/chswc/Reports/2011/UninsuredEmployers_Spanish.pdf

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).

http://www.dir.ca.gov/chswc/Reports/2010/HandbookRTW_2010.pdf

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

"Summary of December 9, 2008 Return-to-Work/FEHA/ADA Advisory Group Meeting" (April 2009).

http://www.dir.ca.gov/chswc/Reports/2009/CHSWC_SummaryRTWFEHAADAGuidebookRoundtable2009.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>

"Navigating the California Workers' Compensation System: The Injured Workers' Experience" (July 1996).

<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:

Workers' Compensation in California: A Guidebook for Injured Workers, fifth edition (July 2014).

<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 Update: New Law Extends Period for Temporary Disability Payments to Injured Workers" (April 2008).

<http://www.dir.ca.gov/chswc/Reports/WorkersCompUpdate-2008.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:

How to Create a Workers' Compensation Carve-Out in California: Practical Advice for Unions and Employers (2006).

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

Workers' Compensation Carve-Out Guidebook

Status: Completed

CHSWC Report:

Carve-Outs: A Guidebook for Unions and Employers in Workers' Compensation (May 2004).

<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).

http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_MedicalCareReformsandOpps_2011.pdf

Separate Appendices

http://www.rand.org/content/dam/rand/pubs/monographs/2011/RAND_MG1144.appendixes.pdf

Identifying Risky Opioid Prescribing Practices

Status: Completed

CHSWC Report:

Identifying Risky Opioid Prescribing Practices, UCLA (2012).

http://www.dir.ca.gov/chswc/Reports/2012/Identifying%20Risky%20Opioid%20Prescribing%20Practices_2012.pdf

Memorandum on Evaluation of Opioid Prescribing Guidelines Using AGREE II, UCLA 2012

http://www.dir.ca.gov/chswc/Reports/2012/Memorandum%20on%20Opioid%20Guidelines%20Evaluation_2012.pdf

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:

"Use of Compound Drugs, Medical Foods, and Co-Packs in California's Workers' Compensation Program: An Overview of the Issues," RAND (January 2011).

http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_UseofCompoundDrugsMedicalFoodsCo-Packs.pdf

Pay for Performance Study

Status: Completed

CHSWC Report:

"Working Paper: Pay-for-Performance in California's Workers' Compensation Medical Treatment System," RAND (August 2007).

http://www.dir.ca.gov/chswc/Reports/Pay_for_Performance_Report_2007.pdf

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_MedCareProvidedCAIW.pdf

LIST OF PROJECTS AND STUDIES

Quality-of-Care Indicators: A Demonstration Project Using Carpal Tunnel Syndrome

Status: Completed

RAND/UCLA Quality-of-Care Measures for Carpal Tunnel Syndrome: Tools for Assessing Quality of Care and Appropriateness of Surgery (RAND, 2011).

Summary

http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_QualityofCareMeasuresforCarpalTunnel_summary_2011.pdf

Full report:

http://www.dir.ca.gov/chswc/Reports/2011/CHSWC_QualityofCareMeasuresforCarpalTunnel_Tools_2011.pdf

Appendices

http://www.rand.org/pubs/technical_reports/TR809.html

CHSWC Study on Spinal Surgery Second-Opinion Process

Status: Completed

CHSWC Report:

"Report and Recommendations on the Spinal Surgery Second-Opinion Process" (April 2007).

<http://www.dir.ca.gov/chswc/Reports/SSSOP-Final.pdf>

State Disability Insurance Integration Project

Status: In process

CHSWC Draft Report:

"The Impact of Occupational Injury and Illness on Pricing an Integrated Disability Benefit" (October 2008).

http://www.dir.ca.gov/chswc/Reports/SDI_paper_final_draft_2008_Oct_29.pdf

Medical Treatment Studies

Status: Completed.

CHSWC Reports:

"Inpatient Hospital Services: An Update on Services Provided Under California's Workers' Compensation Program Report," RAND (January 2009).

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).

<http://www.dir.ca.gov/chswc/Reports/2009/FacilityServicesforAmbulatorySurgery.pdf>

"Hospital Emergency Department Services Furnished Under California's Workers' Compensation Program," RAND (April 2009).

<http://www.dir.ca.gov/chswc/Reports/2009/EmergencyDepartmentServices.pdf>

"Regulatory Actions that Could Reduce Unnecessary Medical Expenses Under California's Workers' Compensation Program," RAND (July 2009).

<http://www.dir.ca.gov/chswc/Reports/2009/RANDpaper.pdf>

CHSWC Study on Medical Treatment Protocols

Status: Completed

CHSWC Reports:

"Evaluating Medical Treatment Guideline Sets for Injured Workers in California," Full Report, RAND (April 2006).

http://www.dir.ca.gov/CHSWC/Reports/Evaluating_med_tx_guideline.pdf

"Evaluating Medical Treatment Guideline Sets for Injured Workers in California," Summary, RAND (April 2006).

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/CHSWC_Med%20Treat_Nov2004.pdf

"Estimating the Range of Savings from Introduction of Guidelines Including ACOEM" (October 2003).

<http://www.dir.ca.gov/CHSWC/ACOEMGuideline.pdf>

Health Care Organizations

Status: Completed

CHSWC Staff Report:

"A Report on Health Care Organizations (HCOs) in Workers' Compensation" (April 2006).

<http://www.dir.ca.gov/CHSWC/Reports/HCO-WC-Apr2006.pdf>

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).

<http://www.dir.ca.gov/CHSWC/WR-263.Burn050525.pdf>

California Research Colloquium on Workers' Compensation Medical Benefit Delivery and Return to Work

Status: Completed

CHSWC Report:

LIST OF PROJECTS AND STUDIES

“California Research Colloquium on Workers’ Compensation Medical Benefit Delivery and Return to Work,” RAND (2006).

http://www.dir.ca.gov/chswc/Reports/2009/MedBenefit_and_RTW_2006.pdf

Integrating Occupational and Non-Occupational Medical Treatment

Status: Completed

CHSWC Report and Factsheet:

http://www.dir.ca.gov/chswc/Reports/CHSWC_IntegrationofCareFactsheet.pdf

http://www.dir.ca.gov/chswc/Reports/SummaryOandNO_ICR2008.pdf

Occupational and Non-Occupational Integrated Care (ONIC) Roundtables

Status: Completed

CHSWC Report:

“Summary of Occupational and Non-Occupational Integrated Care Roundtables” (December 2008).

http://www.dir.ca.gov/chswc/Reports/SummaryOandNO_ICR2008.pdf

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:

“Workers’ Compensation Medical Payment Systems: A Proposal for Simplification and Administrative Efficiency, Prepared for the Honorable Richard Alarcón, Chair, California Senate Committee on Labor and Industrial Relations” (2003).

http://www.dir.ca.gov/CHSWC/CHSWC_WCMedicalPaymentSystem/CHSWC_WCMedicalPaymentSystem.pdf

“Adopting Medicare Fee Schedules: Considerations for the California Workers’ Compensation Program,” RAND (2003).

<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).

http://www.dir.ca.gov/chswc/Reports/Analysis_of_proposed_WCIRB_2009_pure_premium_rates-20080923.pdf

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

"CHSWC Issue Paper on Public Access to Workers' Compensation Insurance Coverage Information" (April 2005).

<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:

"CHSWC Issue Paper on the United States Longshore and Harbor Workers' Compensation Market in California" (April 2005).

<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:

"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>

"Summary Estimating the Workers' Compensation Reform Impact on Employer Costs and Employee Benefits" (August 1999).

<http://www.dir.ca.gov/CHSWC/Summary.htm>

CHSWC 1998-99 Annual Report incorporates this report.

Workers' Compensation Anti-fraud Activities

Status: Completed

CHSWC/Fraud Assessment Commission (FAC) Study:

"Workers' Compensation Medical Payment Accuracy Study" (June 2008).

http://www.dir.ca.gov/chswc/Reports/2009/Navigant_Medical_Payment_Report.pdf

"Reporting Workers' Compensation Injuries in California: How Many are Missed?" (August, 2008).

<http://www.dir.ca.gov/chswc/Reports/ReportingWorkersCompensationInjuriesinCalifornia2008August.pdf>

"Fraud in Workers' Compensation Payroll Reporting: How Much Employer Fraud Exists? What is the Impact on Honest Employers?" (August 2007).

http://www.dir.ca.gov/chswc/Reports/Fraud_in_WC_payroll_Report_Aug_14_2007.pdf

"Split Class Codes: Evidence of Fraudulent Payroll Reporting" (August 2007).

http://www.dir.ca.gov/chswc/Reports/Split_Class_Codes_13Aug2007.pdf

"Report on the Workers' Compensation Anti-Fraud Program" (August 2001).

<http://www.dir.ca.gov/CHSWC/Finalfraudreport0801.html>

LIST OF PROJECTS AND STUDIES

Report on the Campaign Against Workers' Compensation Fraud" (May 2000).

<http://www.dir.ca.gov/CHSWC/Fraud/Fraudcover.html>.

"Workers' Compensation Anti-Fraud Activities—Report on the CHSWC Public Fact-Finding Hearing" (September 1997).

<http://www.dir.ca.gov/CHSWC/Fraud/Fraudreport.html>

Illegally Uninsured Employers Study

Status: Completed

CHSWC Reports:

"Uninsured Employers Benefits Trust Fund," Background Paper (April 2007).

<http://www.dir.ca.gov/CHSWC/Reports/UEBTF-Final.pdf>

"Employers Illegally Uninsured for Workers' Compensation—CHSWC Recommendations to Identify Them and Bring Them Into Compliance" (December 1998).

<http://www.dir.ca.gov/CHSWC/uefcover.html>

IX. INSURANCE INDUSTRY AND COVERAGE

Insurance Insolvency Study

Status: Completed

CHSWC Report:

"California's Volatile Workers' Compensation Insurance Market: Problems and Recommendations for Change," RAND (December 2009).

<http://www.dir.ca.gov/chswc/Reports/2009/InsolvencyReport.pdf>

Self-Insurance Groups

Status: Completed

CHSWC Reports:

"Report on Self-Insurance Groups" (December 2009).

http://www.dir.ca.gov/chswc/Reports/2009/CHSWC_SIGReport.pdf

"Issue Paper on Tax Status of Self-Insured Groups (SIGs)" (April 2006).

<http://www.dir.ca.gov/CHSWC/Reports/SIG-TaxStatus.pdf>

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).

http://www.dir.ca.gov/chswc/Reports/2009/CHSWC_TrainingCertificationClaimsAdjusters.pdf.

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:

"Study of the California Workers' Compensation Insurance Market Study" (September 2003).

http://www.dir.ca.gov/CHSWC/Reports/CA_InsuranceMarketStudy.pdf

"State of the California Workers' Compensation Insurance Industry," Background Paper (April 2002).

<http://www.dir.ca.gov/CHSWC/StateInsuranceIndustry2002/Stateinsuranceindustry042002.html>

LIST OF PROJECTS AND STUDIES

X. DISASTER PREPAREDNESS AND TERRORISM

Impact of Terrorism on Workers' Compensation

Status: Completed

CHSWC Issue Paper:

"CHSWC Background Paper on the Impact of Terrorism and California Workers' Compensation" (April 2006).

<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:

"A Report on the Forum on Catastrophe Preparedness: Partnering to Protect Workplaces" (April 2006).

http://www.dir.ca.gov/CHSWC/Reports/Report_On_Catastrophe_Preparedness.pdf

<http://www.dir.ca.gov/chswc/forum2006.html>

XI. CHSWC ISSUE PAPERS

Study of Labor Code Section 132a

Status: Completed

CHSWC Memorandum:

"Update on Labor Code Section 132a and Employer Termination of Health Insurance Coverage: Calif. Supreme Court Decision in *State of California, Dept of Rehab v. WCAB (Lauher)*" (July 2003).

<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

http://www.dir.ca.gov/chswc/CHSWCReport_IMCDisciplinaryrevJuly2003.pdf

CHSWC White Paper on Cost/Benefit of Implementing Electronic Deposit for Unemployment and Disability Benefits in the State of California

Status: Completed

CHSWC Paper:

"CHSWC White Paper on Cost/Benefit 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 or

http://www.dir.ca.gov/chswc/CHSWC_Accesstofunds.doc

Strategic Plan

Status: Completed

CHSWC Report:

"CHSWC Strategic Plan" (November 2002).

<http://www.dir.ca.gov/CHSWC/StratPlanReport2002/Stratplan2002.html>

LIST OF PROJECTS AND STUDIES

XII. OTHER

Pending Final Disposition:

"Comparing the Costs of Delivering Medical Benefits Under Group Health and Workers' Compensation—Could Integration Pay for Covering the Working Uninsured?" (October 2009).
http://www.dir.ca.gov/chswc/Reports/2009/Medical_Overhead_Cost_Comparision_2009.pdf

CHSWC AND THE COMMUNITY

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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

CHSWC AND THE COMMUNITY

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CHSWC AND THE COMMUNITY

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The Honorable Anthony Rendon, Speaker of the Assembly

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CHSWC AND THE COMMUNITY

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Western Occupational & Environmental Medicine Association

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Sachin Kapoor, D.O., President Elect

CHSWC AND THE COMMUNITY

Members of the Public

Participants in CHSWC meetings, fact-finding hearings, and public forums
Participants in CHSWC project advisory committees

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