



## Workers' Compensation Costs

### *Is Relief Finally On The Way?*

By Meredith Clark, CIS President

Following years of shocking increases in workers' compensation insurance premiums, 2004 brought California nonprofits higher rates again. In fact, according to the California Chamber of Commerce, on average rates have climbed 136 percent since 2000, and some businesses have seen their premiums increase as much as 200–300 percent. But some relief may finally be on the way.

Changes to California's workers' compensation system went into effect on April 19, when Governor Arnold Schwarzenegger signed SB 899. As a result of this legislation, the Workers' Compensation Insurance Bureau of California (WCIRB) is recommending rate reductions of 13–15 percent for workers' compensation policies beginning on or after July 1. (The WCIRB is a state agency which independently gathers data on all workers' compensation premiums, claims and administrative costs and recommends rates to the Department of Insurance and insurance carriers.)

To what degree these recommended reductions will be passed on to your organization, will depend on your insurance carrier. Most workers' compensation insurance carriers seriously depleted reserves and lost money over the past few years, with more than a dozen carriers shutting their doors. Given these recent experiences, many carriers may be cautious in their decreases.

State Comp Insurance Fund (State Fund), which insures most of California's nonprofit organizations, announced a 7 percent rate decrease on new and renewal policies with an effective date on or after July 1, 2004. This follows an average 2.9 percent rate decrease that was effective January 1, 2004. According to State Fund, policyholders with July through December renewal dates will see an average decrease close to 10 percent from their expiring policies. However, they're also quick to add that policyholders will also be impacted by changes in individual class experience and by updated policyholder experience modifications, so some policyholders will see less, while others will see more than the average decrease.

State Fund Executive Vice President, Jim Neary, said, "This rate decision prudently balances the needs of State Fund's policyholders for immediate rate relief, the uncertainties of estimating some reform savings, and the need for State Fund to further strengthen its surplus position. Perhaps the best news is the potential for further rate reductions going forward".

As a result of the numerous complaints from California employers, the Legislature began reform of the workers' compensation system in 2003. These reforms included updating medical fee schedules, modifying vocational rehabilitation, reducing chiropractic and physical therapy abuse, and implementing medical utilization controls.

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**Key changes in the newest reform, SB 899, include:**

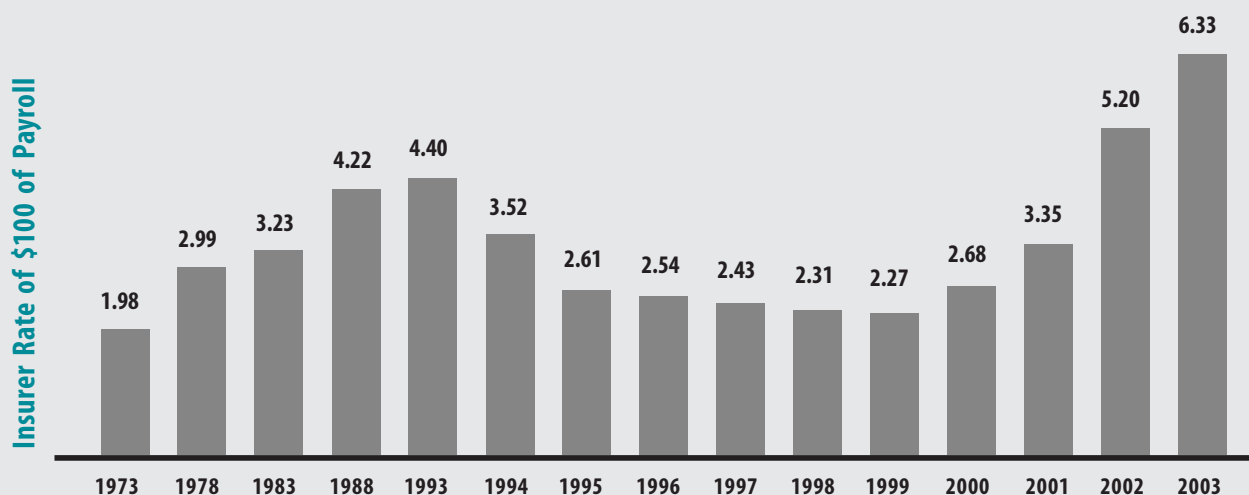
- Reduced penalties for certain delays in providing benefits.
- Allowances for employers and insurers to contract with approved provider networks for treating work-related injury and illness beginning January 1, 2005 and thus control treatment indefinitely.
- Employees may seek second and third opinions from their choice of doctors within the network.
- An injured worker who is unsatisfied with network doctors' recommendations may appeal to an Independent Medical Reviewer (IMR).
- If the IMR agrees with the injured worker, the injured worker may seek treatment from a doctor of his or her own choosing, and the employer loses medical control.
- Specifies that employees may only pre-designate treating physicians if the employer offers a health benefits plan.
- Limits temporary disability (TD) payments to 24 months from the first payment. Certain injuries have extended TD periods of up to 240 weeks within five years from the date of injury.
- Encourages good faith reporting of fraud and protects the reporting party from civil liability.
- Promotes return-to-work programs by providing employers of fewer than 50 employees with subsidies for workplace modifications and special equipment.
- Provides incentives to employers of 50 or more employees who return disabled employees to work.
- Excludes most workers' compensation laws from penalty enforcement under SB 796, the new "sue your boss" law.

California law requires that all businesses with employees maintain workers' compensation insurance. Keeping the cost of workers' compensation reasonable is a combined effort of legislators, insurance carriers and employers.

Contact CIS for a copy of "Managing Your Workers' Compensation Costs".

For more information on workers' compensation reform, visit [http://www.dir.ca.gov/DWC/dwc\\_home\\_page.htm](http://www.dir.ca.gov/DWC/dwc_home_page.htm). ■

## Average Insurer Rate per \$100 of Payroll



Source: Workers' Compensation Insurance Rating Bureau