



**FOR IMMEDIATE RELEASE**  
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## **California's Workers' Comp System 2<sup>nd</sup> Most Expensive in U.S.**

*Despite positive impact of reforms, CA system still plagued by more claims, higher costs*

SACRAMENTO, Calif. – Despite legislative efforts to control costs by reducing fraud and other “frictional” expenses in California’s workers’ compensation system, the state still ranks as the second-most expensive in the nation for employers behind New York, according to a new report.

The 2018 edition of the report, which has been published every two years since 1988 by the Oregon Department of Consumer and Business Services, marks the first time since 2012 that California has not ranked number one. The report applies Oregon’s mix of industries to all 50 states to produce a consistent comparison for the average costs to procure workers’ compensation insurance coverage per \$100 of payroll. California’s “Index Rate” of \$2.87 is 169% of the national median, according to the report.

“By many measures, California’s workers’ compensation system is working better for employers and injured workers, thanks to efforts by Governor Brown and lawmakers to increase disability benefits, control costs and weed out fraud and abuse,” said Jerry Azevedo, spokesperson for the Workers’ Compensation Action Network. “Still, California’s system remains more expensive than virtually every other state in the nation because our claims cost more, drag on longer and are vastly more expensive to manage due to the complexity of our system, litigation and fraud.”

Among the positive developments cited by WCAN:

- The recommended advisory rate for average workers’ compensation insurance premiums has declined by 40% since 2015, largely due to a decline in medical treatment costs.
- Average insurance premiums have declined even though payments to injured workers have increased for disability benefits.
- Opioid use is down by 80% since 2013.
- The rate of new claim filings has decreased for the first time since 2010 and claims are settling more quickly.

**(more)**

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- Lien filings have declined, and more than 450 medical providers have been suspended from treating in California's workers' compensation system. Payments to providers who have been indicted or convicted of fraud has declined from 7% of all medical payments in 2012 to less than 2% of payments in 2017.

WCAN also noted ongoing concerns in California's system:

- California's rate of claims for "permanent disability" (PD) is by far the highest in the nation; in the Los Angeles Basin, the rate of PD claims is triple the national average.
- A growing proportion of disability claims are for "Cumulative Trauma" claims, in which a worker claims a degenerative injury has occurred over a prolonged period of time. These claims are uniquely focused among lower-wage workers in Southern California, are filed much later than typical claims, are frequently filed post-employment, are costlier, take longer to resolve and involve a much higher rate of litigation than typical claims.
- Ongoing fraudulent activity is estimated at \$4 billion per year in California's system.
- Due to system complexity, fraud and litigation, California spends more than double the national average on benefit delivery expenses.

"The good news is that California's system is stable and not teetering on another crisis," said Azevedo. "The bad news is that California's system is still plagued by inefficiencies and abusive practices that needlessly drive up costs and divert money away from investment in job creation, pay and benefits. We look forward to working with the next governor and state lawmakers to keep our system trending in the right direction for employers and injured workers."

### Premium Rate Ranking Report

<https://www.oregon.gov/dcbs/reports/Documents/general/prem-sum/18-2082.pdf>

### About WCAN

*The Workers' Compensation Action Network (WCAN) is a statewide, broad-based coalition representing California employers, insurers and brokers/agents on issues relating to the state's workers' compensation system. WCAN educates policymakers, the media and members of the business community on problems affecting the efficiency, fairness and cost of the system for employers and injured workers and helps build the public case for specific legislative or regulatory reforms to improve the system and California's overall employment climate. WCAN does this through development of educational materials, outreach to the news media, direct communications to its employer and broker grassroots members, co-sponsorship of an annual legislative day, presentations by members of its speakers' bureau, and online engagement through its website and social media properties.*