



Workers' Compensation Insurance

Some State Agencies Are Paying Millions of Dollars More Than Necessary to Provide Benefits to Their Employees

Background

Similar to other California employers, state agencies must provide workers' compensation benefits to their employees who are injured or disabled in the course of their employment. Almost 90 percent (190 agencies) of state agencies choose to use a master agreement that California Department of Human Resources (CalHR) negotiated on their behalf with the State Compensation Insurance Fund (State Fund). Under this agreement, state agencies reimburse State Fund—a nonprofit entity that also provides workers' compensation insurance to private businesses—for the actual cost of workers' compensation claims rather than paying for insurance or maintaining a workers' compensation reserve. Another 32 agencies—or units within agencies—opted to purchase insurance from State Fund.

Key Recommendations

CalHR should provide each agency that purchases workers' compensation insurance with a cost-benefit analysis every five years comparing the cost of purchasing insurance through State Fund with the cost of obtaining coverage through the master agreement.

State Fund should create and follow a policy to provide settlement requests to agencies at least 30 days before settlement conferences to ensure state agencies have sufficient time to review requests.

Key Findings

- Some state agencies that purchase insurance directly from State Fund pay more in insurance premiums than they would have had they instead used State Fund to administer their claims under the master agreement.
 - » The 10 state agencies that have 90 or more employees collectively paid an average of \$4.1 million more per year in premiums over a five-year period than they would have paid under the master agreement.
 - » The State could have saved over \$20 million if the 10 agencies had used the master agreement from fiscal year 2013–14 through fiscal year 2017–18.
- CalHR and State Fund do not assess the cost-effectiveness of or assist agencies in using the master agreement instead of an insurance policy.
- Although the four agencies we reviewed that provide workers' compensation benefits through the master agreement each failed to meet the required deadlines for providing forms to injured workers or State Fund, those workers received timely medical care.
- Some injured workers may have faced delays in resolving benefits because there are not enough qualified medical evaluators (medical evaluators) to resolve complaint disputes—almost half of all replacements of medical evaluators during fiscal year 2017–18, was due to the shortage of medical evaluators.
- When State Fund and an injured employee attempt to reach an agreement to resolve a claim and avoid a trial, State Fund does not always provide state agencies with enough time to review settlement requests before the mandatory settlement conferences, which could delay the process and lead to agencies' having to pay additional expenses if the cases go to trial.