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Other view: Workers' comp costs must be addressed

Bee Editorial Staff

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California's workers' compensation system is in a crisis that demands immediate attention.

The escalating cost of the system is one of the most significant problems facing policy-makers because it impacts every business; city and county government; school district; special district; public safety entity; and employee in California.

Recently, workers' comp attorney Marc Marcus wrote in The Bee regarding the workers' compensation crisis and used information -- out of context -- from the California Chamber of Commerce concerning



problems in the system

before new benefit increases went into effect ("Look to insurers for work comp resolution," April 25). Readers need a more up-to-date and accurate picture.

Workers' compensation now costs businesses more than ever, and the new benefits law, which went into effect Jan. 1, 2003, has made a bad problem even worse. The state's employers are expected to pay between \$15 billion and \$20 billion for insurance premiums in 2003. According to the California Workers Compensation Insurance Rating Bureau, the new law accounts for an almost 10 percent increase in what California's employers will pay for workers' comp benefits. But that's only part of the story.

The Chamber of Commerce voiced a strong opinion during the debate last year that increased benefits were long overdue, but that a system-wide crisis would result without concurrent implementation of essential cost-saving reforms. However, those reforms were watered down, and now we are all paying the price. Unfortunately, businesses will continue to face higher and higher costs unless the Legislature and the governor fix the flawed benefit delivery system.

When the economy was booming, the workers' comp insurance carriers subsidized out-of-control system costs. However, with the dramatic economic downturn, insurers' premiums now must mirror actual system costs, and self-insured companies are watching their costs go through the roof.

Three areas must be addressed immediately in order to save California's small businesses from workers' comp costs that are doubling, even tripling, annually.

* Medical treatment costs must be controlled. According to the California Workers Compensation Institute, medical costs have nearly tripled in a decade - in 1991, medical costs per claim were \$8,780; by 2001, they had jumped to \$24,235.

* The permanent disability schedule should be more objective and progressive, shifting dollars to more severely injured workers and reducing litigation costs in the system.

* We must reform the mandatory vocational rehabilitation program by making it voluntary, and eliminating the ability to "cash out" of the system. The new law allows injured workers to receive a \$10,000 cash payment (but only if they are represented by an applicant attorney) in lieu of participating in a rehabilitation program -- a clear admission that the program doesn't work.

Numerous proposals are moving through the Legislature to address these issues, and their bipartisan nature illustrates the desperate need for immediate workers' compensation system reform. The current system is completely unbalanced -- making the need for a complete overhaul clear. We must address this crisis now, or risk further harm to our stagnant economy.

Allan Zaremborg is president of the California Chamber of Commerce. He can be reached at allan.zaremborg@calchamber.com or www.calchamber.com. Jeanne Cain is vice president of the American Insurance Association. She can be reached at jcain@we.aiadc.org or www.aiadc.org.

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