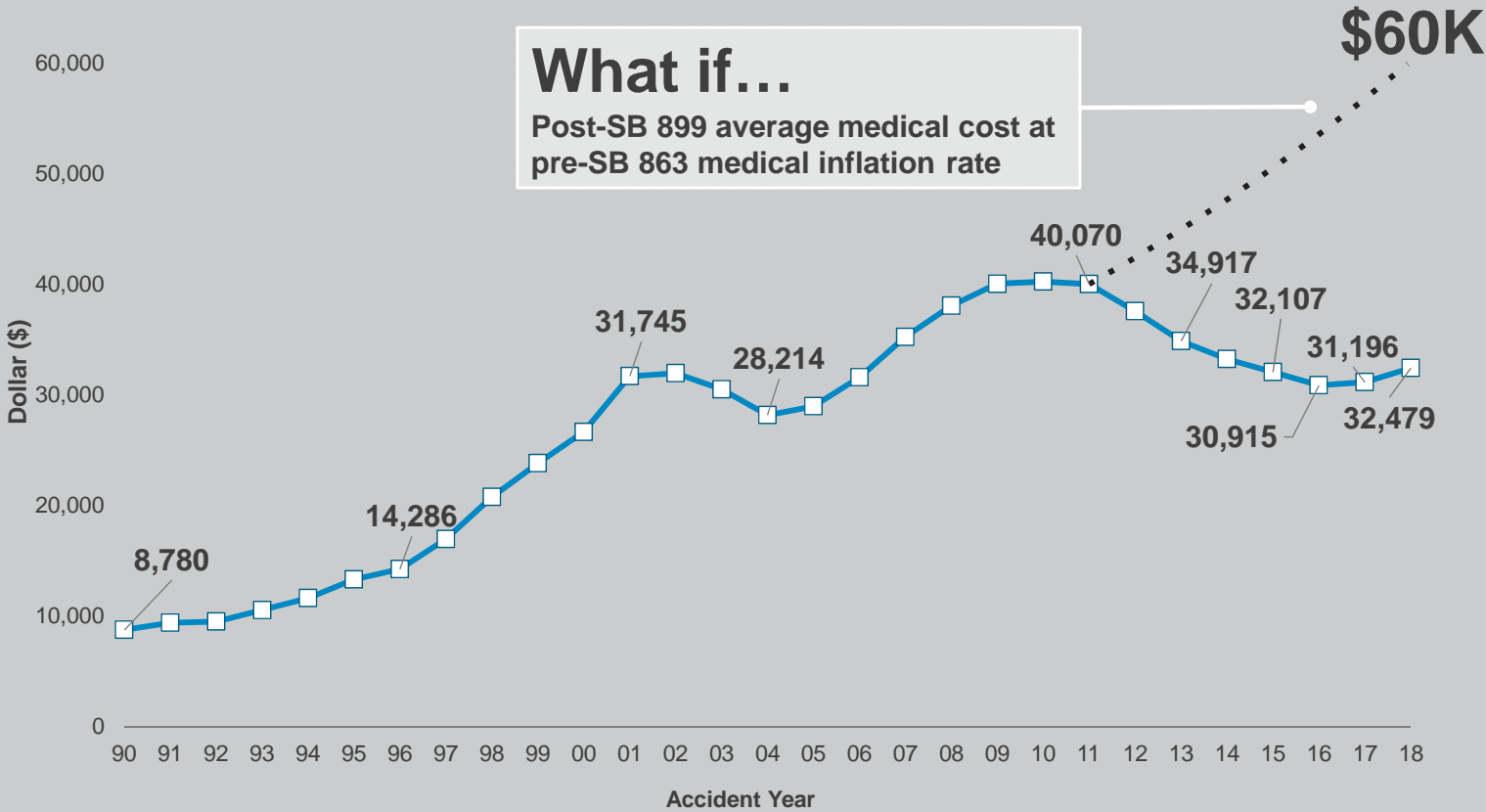


**Chart 23: Average Medical Cost per Indemnity Claim**



**What if...**  
Post-SB 899 average medical cost at pre-SB 863 medical inflation rate

**\$60K**



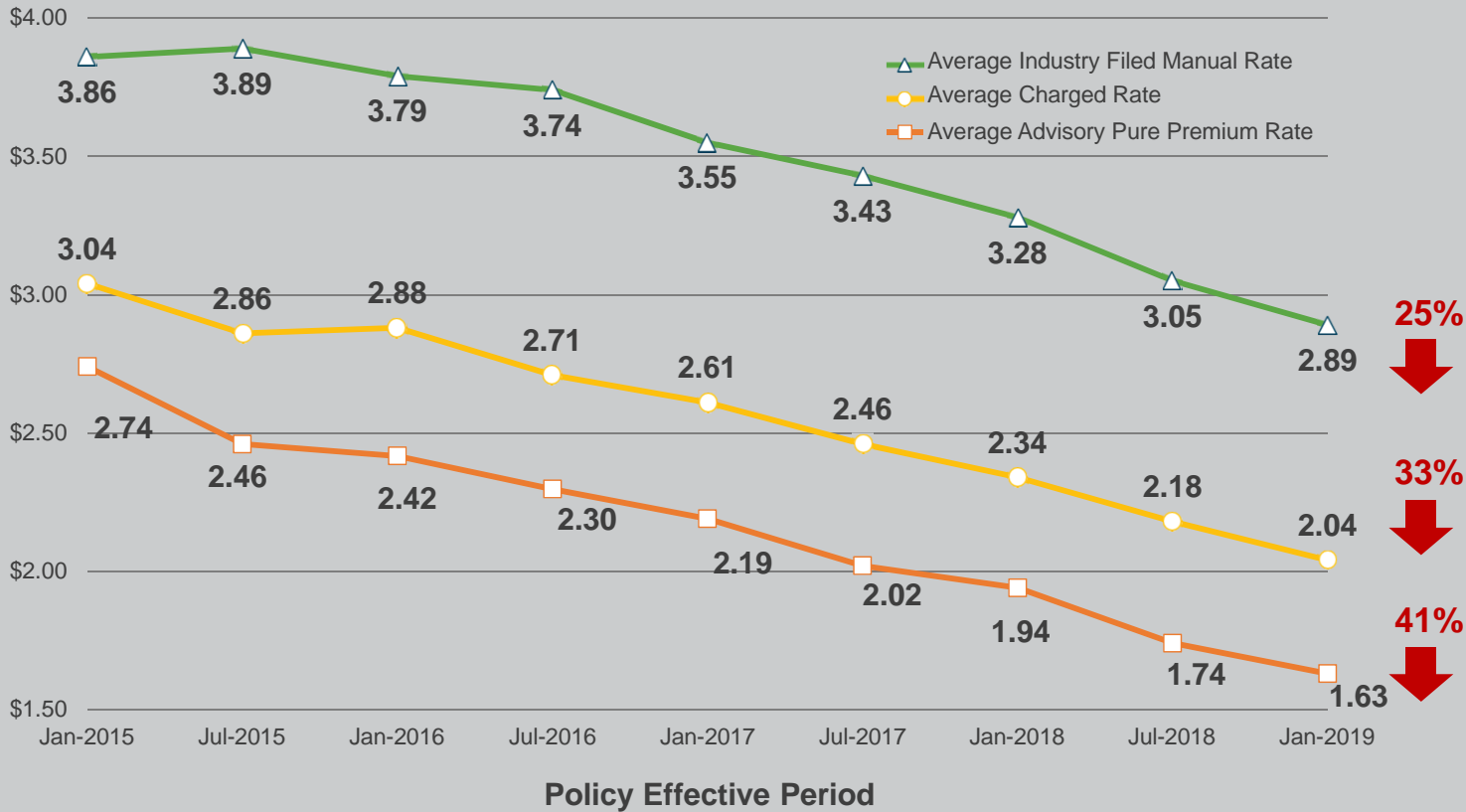
**Insights and Recent Trends**

- Historically, other than during reform periods, average medical cost inflation in California has been significant at 9% per year
- From 2011 to 2016, average medical costs decreased by 5% per year, primarily driven by reforms from SB 863, SB 1160 and AB 1244 as well as efforts to reduce medical provider fraud
- 2017 and 2018 medical severities have emerged relatively flat compared to other post-reform periods
- Absent SB 863, average medical costs would be double in 2018 if they continued to grow at the post-SB 899 rate

[More Info](#)

**01**  
Employer Costs

**Chart 4: Changes in Average Rates Since 2015**

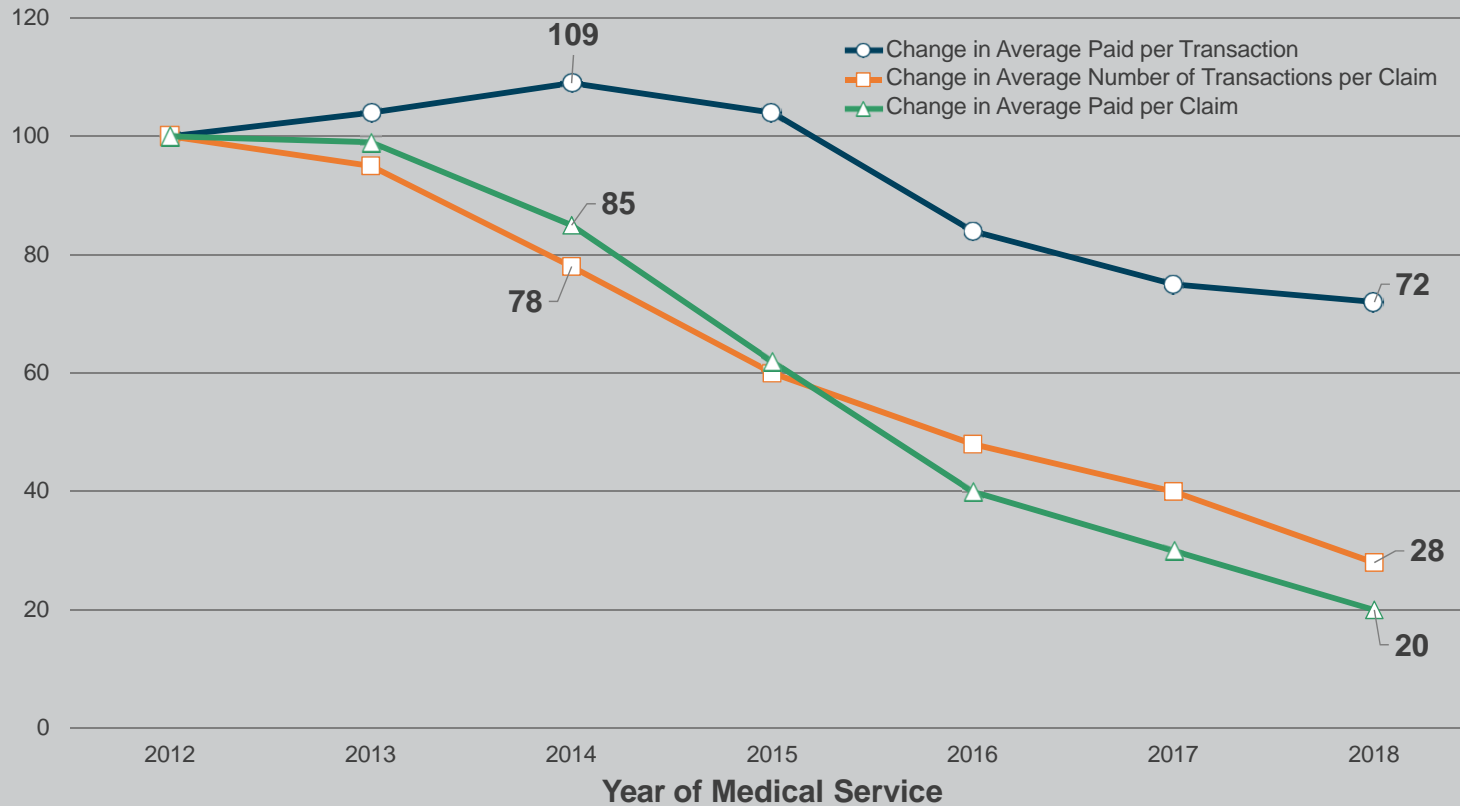


**Insights and Recent Trends**

- The Insurance Commissioner has approved 8 consecutive advisory pure premium rate decreases since 2015 totaling 41%
- Declines in average charged rates have followed the Insurance Commissioner's approved decreases in advisory pure premium rates
- Average manual rates are significantly above the rates charged to employers indicating that insurers are, on average, applying significant pricing discounts to their filed rates

[More Info](#) →

**Chart 28: Pharmaceutical Cost Level Indexed to 2012**



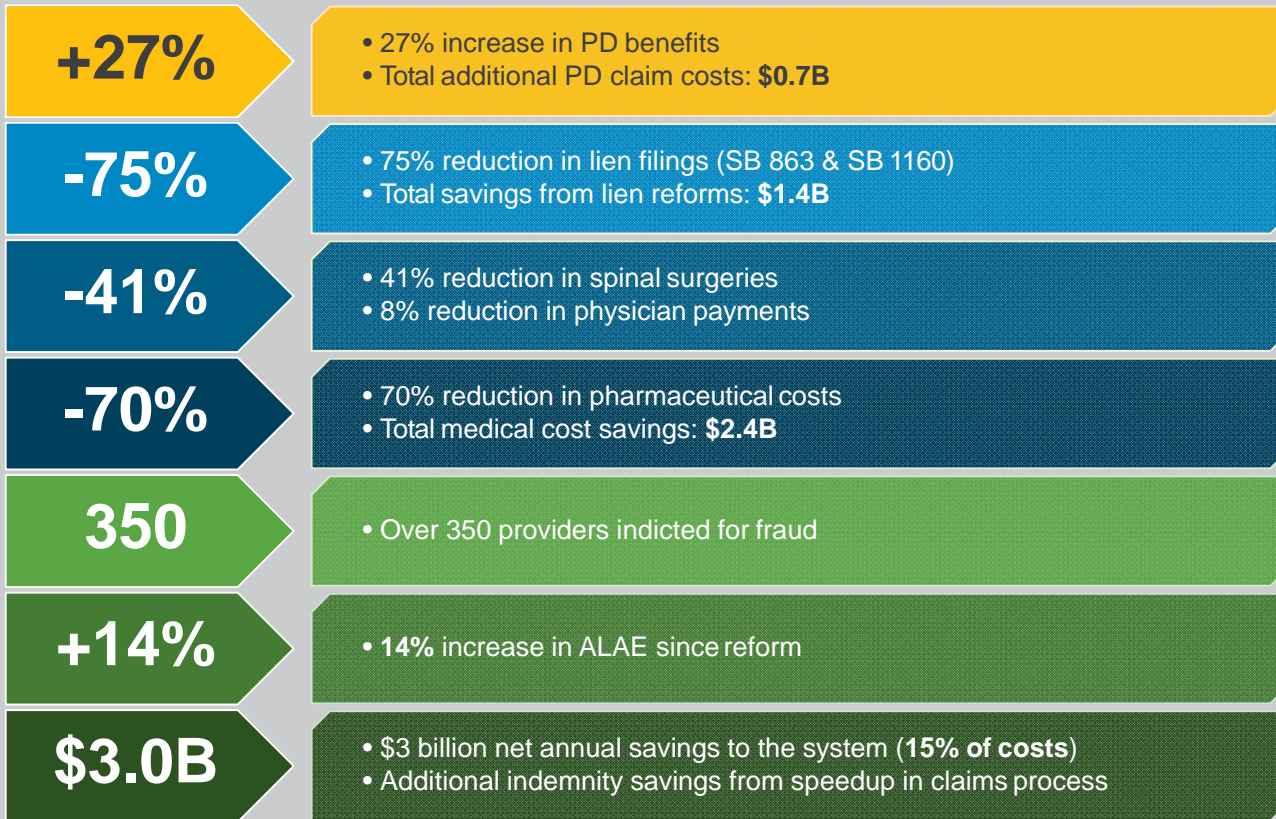
**Insights and Recent Trends**

- Average pharmaceutical cost paid per transaction decreased by 26% from 2015 to 2017, due largely to changes in federal government pricing of drugs
- Key factors driving the over 70% decrease in pharmaceutical transactions per claim since 2012 include:
  - Independent medical review (IMR)
  - Reduced spinal surgeries
  - Anti-fraud efforts
  - National trends toward reduced opioid use ([Chart29](#))
  - The new drug formulary
- In total, pharmaceutical costs per claim in 2018 are only one-fifth of the 2012 level



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## Chart 43: WCIRB Cost Evaluation of Reforms Since 2012



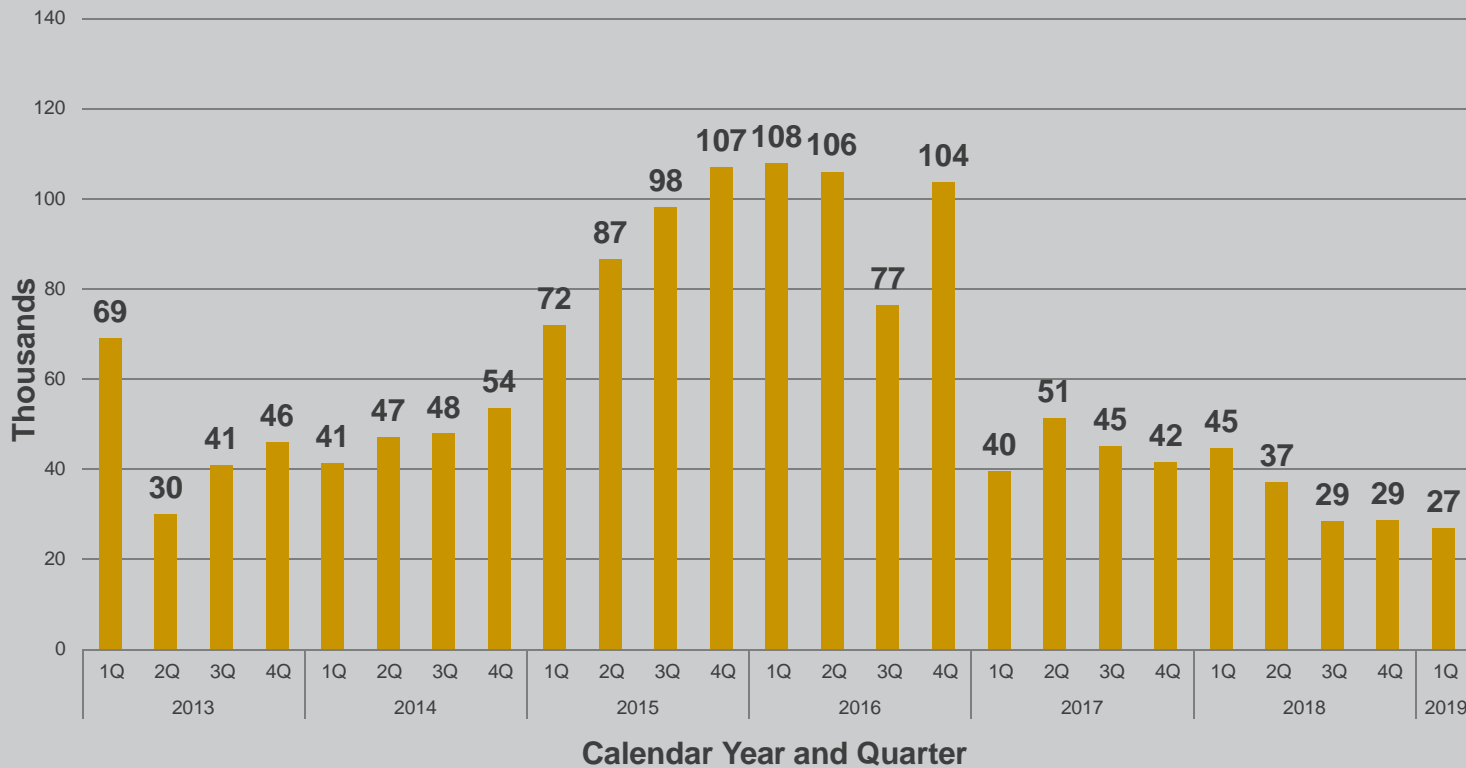
### Insights and Recent Trends

- SB 863 increases to permanent disability benefits have emerged as projected
- SB 1160 and AB 1244 reforms related to liens have resulted in an additional 60% reduction in lien filings on top of the SB 863 reductions to lien filings
- IMR, independent bill review, reductions to spinal surgery reimbursements, changes to the physician fee schedule, efforts to fight medical provider fraud and other SB 863 and later reforms have dramatically reduced medical costs
- High utilization of the IMR process and continued usage of other dispute mechanisms have resulted in no significant frictional cost savings
- In total, reforms since 2012 have saved \$3 billion annually



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**Chart 46: Lien Filings by Quarter**



**Insights and Recent Trends**

- SB 1160 and AB 1244 were implemented in 2017 and included several reforms to the lien filing process
- Since the implementation of SB 1160 and AB 1244, lien filings per quarter have been down 60%
- Although lien filings in California are at a historically low rate of 29,000 per quarter, they are virtually nonexistent in other workers' compensation systems



[More Info](#) →