California Workers' Compensation Institute

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BULLETIN

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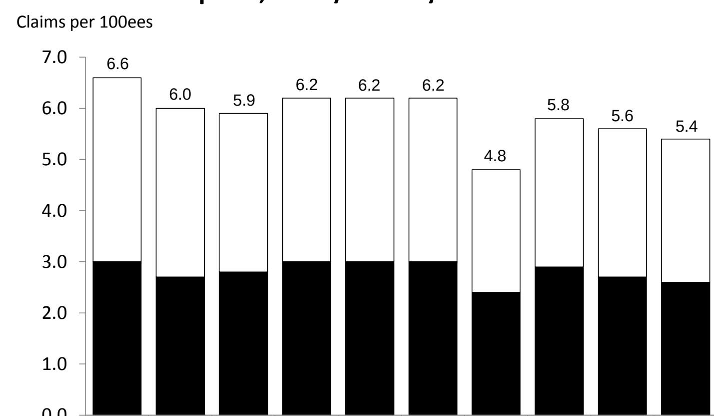
Initial data on California public self-insured workers' comp claims from fiscal year 2016/17 show that despite a 2.9 percent increase in covered employees, total claim volume rose less than 0.4 percent compared to the corresponding data from the prior year. At the same time, however, the average paid loss per claim increased by $177, pushing aggregate loss payments up 6.3 percent to a record $372.1 million, while first report incurred losses (paid plus reserves) on the FY 2016/17 public self-insured claims hit an all-time high of nearly $1.27 billion.

The California Office of Self-Insurance Plans' (OSIP) summary of public self-insured claims data provides the first measure of public self-insured claims experience based on claims data reported to the state by cities and counties; local fire, school, transit, utility and special districts; and joint powers authorities for the 12 months ending June 30, 2017, as well as updated figures (2nd, 3rd, 4th and 5th valuations) on claims reported for each of the 4 prior years. Public self-insured entities included in the FY 2016/17 summary covered about 2.13 million California workers, or almost 60,000 more employees than in the FY 2015/16 initial report, with wages and salaries of those covered employees totaling nearly $121.2 billion.

Even with public sector employment on the rise, public self-insured entities reported just 116,251 claims last year, only 421 more than in the FY 2015/16 first reports (+0.4 percent). To control for the effect that year-to-year fluctuations in the public self-insured work force have had on claim volume over time, the Institute calculated the claim frequency rates (number of public self-insured claims per 100 employees) for each of the 10 years. The most significant decline in the public self-insured claim frequency rate was in FY 2013/14, immediately following the enactment of SB 863, though frequency rebounded sharply the following year. Last year, with claim volume flat and the covered worker force up nearly 3 percent, public self-insured claim frequency fell to 5.4 claims per 100 employees (2.8 medical only + 2.6 indemnity), continuing the decline that began in FY 2015/16.

California Public Self-Insured Claim Frequency
# of Claims per 100 Employees
Initial Reports, FY 07/08 – 16/17 Claims



	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
□ Med-Only Claims	3.6	3.3	3.1	3.2	3.2	3.2	2.4	2.9	2.9	2.8
■ Indemnity Claims	3.0	2.7	2.8	3.0	3.0	3.0	2.4	2.9	2.7	2.6

Source: OSIP FY 07/08 – 16/17 Summaries of Public Self-Insured Claims Experience

The marginal increase in public self-insured claim volume and the decline in claim frequency in the FY 2016/17 first reports did not translate to a reduction in total paid losses due to increases in average medical and indemnity payments. Aggregate first report losses on the FY 2016/17 claims were $372.1 million, up $21.9 million (6.3 percent) from the comparable figure for FY 2015/16, and $57.8 million (18.4 percent) higher than the post-reform low noted three years earlier in the FY 2013/14 first reports. The Institute calculates that the average amount paid for all FY 16/17 public self-insured claims (med-only and indemnity) in the FY 2016/17 first report was $3,201, or 5.9 percent higher than the $3,023 average noted in the first report for the prior year, and 17.6 percent more than the post-SB 863 low of $2,722 noted in the initial report for FY 12/13 claims. The following table summarizes California public self-insured paid and incurred losses at first report for claims from the past decade.

California Public Self-Insured Paid & Incurred Losses (FY 07/08 – FY 2016/17 Claims at 1st Report)

		Total Paid ($ millions)			Avg Paid/Claim			Total Incurred ($ millions)			Avg Incurred/Claim		
Fiscal Year	# of Claims	Indem	Medical	Total	Indem	Medical	Total	Indem	Medical	Total	Indem	Medical	Total
07/08	128,402	$145.9	$153.5	$299.4	$1,137	$1,195	$2,332	$399.1	$585.2	$ 984.3	$3,108	$4,558	$ 7,666
08/09	126,029	$149.1	$161.9	$311.0	$1,183	$1,285	$2,468	$393.7	$619.8	$1,013.5	$3,124	$4,918	$ 8,042
09/10	121,353	$150.8	$167.3	$318.1	$1,242	$1,379	$2,622	$408.3	$617.5	$1,025.8	$3,364	$5,088	$ 8,452
10/11	119,007	$167.4	$175.4	$342.8	$1,406	$1,474	$2,880	$453.3	$645.7	$1,099.0	$3,658	$5,426	$ 9,084
11/12	118,612	$170.9	$168.6	$339.5	$1,441	$1,422	$2,863	$440.4	$657.0	$1,097.4	$3,713	$5,539	$ 9,252
12/13	116,701	$163.1	$154.6	$317.7	$1,398	$1,325	$2,722	$405.7	$628.1	$1,033.8	$3,476	$5,382	$ 8,859
13/14	115,121	$162.4	$151.9	$314.3	$1,411	$1,319	$2,730	$422.2	$624.6	$1,046.8	$3,667	$5,426	$ 9,093
14/15	114,795	$178.0	$159.2	$337.2	$1,550	$1,387	$2,937	$465.2	$651.0	$1,116.2	$4,052	$5,671	$ 9,723
15/16	115,830	$181.3	$168.9	$350.2	$1,565	$1,458	$3,023	$501.4	$680.0	$1,181.4	$4,329	$5,871	$10,200
16/17	116,251	$198.9	$173.2	$372.1	$1,711	$1,490	$3,201	$556.8	$710.8	$1,267.6	$4,790	$6,115	$10,905

Further analysis of the first report payments on FY 2016/17 public self-insured claims by benefit type shows average medical payments increased to $1,490, up 2.2 percent from the FY 2015/16 first report level, while average indemnity payments rose 9.3 percent to $1,711. That made last year the third consecutive year in which first report average medical payments increased, and the fourth year in a row that average indemnity payments increased, pushing the average benefit payment per claim to a record high. Since declining briefly in the wake of SB 863, average medical payments have risen 13.0 percent from their post-reform low, while average indemnity payments have increased 22.4 percent.

The public self-insured first report incurred results (paid plus reserves for future payments) show the same trend as the paid data. First report incurred losses on FY 2016/17 claims topped $1.267 billion, or $86.2 million (7.3 percent) more than the first report total incurred from the prior year, and nearly $234 million more than the post-reform low of $1.034 billion recorded in the FY 2012/2013 first reports. While the public self-insureds' average incurred losses per claim have been trending up over the past four years, the number of claims has been relatively stable, fluctuating less than 1.0 percent over that period, so the post-reform increases in the total paid and total incurred losses that began in FY 2013/14 can be ascribed to rising claim severity. The biggest increase in public self-insured incurred losses over the past four years has been on the indemnity side, as average incurred indemnity at the first report level is up 37.9 percent from the FY 2012/13 level, while average incurred medical over that same time frame has increased 13.6 percent.

The public self-insured first report data provide an initial look at new claims reported within the most recent fiscal year, and are the most current, yet least developed, data on public self-insured claims experience for a given year. Growth patterns for public self-insureds' average paid and incurred losses can also be determined from more developed data on older claims. OSIP's FY 16/17 public self-insured summary and summaries dating back to FY 2000/2001 are posted on the Department of Industrial Relations' website, www.dir.ca.gov/SIP/StatewideTotals.html.

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