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BULLETIN

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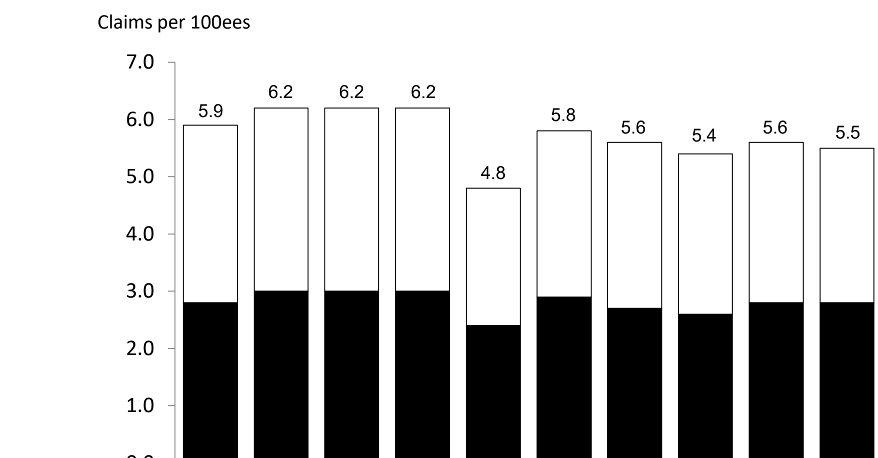
Last week the California Office of Self-Insurance Plans (OSIP) posted its initial data summary on public self-insured workers' compensation claims from fiscal year 2018/19 which shows that while the public self-insured covered workforce increased 1.5 percent in the 12 months ending June 30, the number of reported claims edged down by 0.3 percent. At the same time, average paid benefits on the 2018/2019 claims rose to $3,573, which was up 1.8 percent from the prior year, so first report total paid benefits hit an all-time high of $412.7 million, while incurred losses (paid plus reserves) on the FY 2018/19 public self-insured claims climbed to a record $1.33 billion.

OSIP's latest summary of public self-insured claims data offers the first glimpse at public self-insured claims experience based on 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, 2019. The summary also updates results (2nd, 3rd, 4th and 5th valuations) on claims reported for each of the four prior years, and consolidated results on public self-insured claims reported prior to FY 2014/15 that were still open as of June 30 of this year. The public self-insured entities included in the FY 2018/19 summary covered about 2.11 million employees, or 32,161 more workers than were in the FY 2017/18 initial report, with wages and salaries of those covered employees totaling nearly $131.2 billion.

While the number of employees covered by public self-insured plans increased by 1.5 percent last year, the number of workers' compensation claims reported by public self-insured entities showed a marginal decline, falling to 115,517 claims, 363 fewer than in the FY 2017/18 first reports. To control for the effect of year-to-year changes in the public self-insured work force on claim volume, CWCI calculated the claim frequency rates (number of public self-insured claims per 100 employees) for each of the past 10 years using the initial summary data reported for each of those years. The sharpest decline in public self-insured claim frequency was in FY 2013/14, immediately following the enactment of the 2012 reforms (SB 863), though frequency rebounded sharply the following year. Over the past five years, medical-only claim frequency has edged down from 2.9 to 2.7 claims per 100 employees, while indemnity claim frequency initially fell from 2.9 claims per 100 employees in FY 2014/15 to 2.6 claims per 100 employees in FY 2016/17, then climbed back up to a rate of 2.8 in each of the past two years, so overall claim frequency for public self-insureds has remained relatively flat, ranging between 5.4 and 5.8 claims per 100 employees.

California Public Self-Insured Claim Frequency
# of Claims per 100 Employees
Initial Reports, FY 09/10 – 18/19 Claims



	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
□ Med-Only Claims	3.1	3.2	3.2	3.2	2.4	2.9	2.9	2.8	2.8	2.7
■ Indemnity Claims	2.8	3.0	3.0	3.0	2.4	2.9	2.7	2.6	2.8	2.8

Source: OSIP FY 09/10 – 18/19 Summaries of Public Self-Insured Claims Experience

The initial data on public self-insured benefit payments on FY 2018/19 claims show aggregate payments of $412.7 million, up $6.1 million (1.5 percent) from the comparable figure for FY 2017/18, and $98.4 million (31.3 percent) higher than the post-SB 863 low noted five years earlier in the FY 2013/14 first reports. Total indemnity and medical benefits paid per FY 2018/19 public self-insured claim in the first report averaged $3,573, or 1.8 percent more than the $3,509 average noted in the first report for the prior year, and 31.3 percent more than the post-SB 863 low of $2,722 noted in the initial report for FY 2012/13 claims. The following table compares 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 2009/10 – FY 2018/19 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
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
17/18	115,870	$216.1	$190.5	$406.6	$1,865	$1,644	$3,509	$588.2	$741.0	$1,329.2	$5,076	$6,396	$11,472
18/19	115,517	$223.3	$189.4	$412.7	$1,934	$1,639	$3,573	$606.2	$762.6	$1,368.8	$5,248	$6,602	$11,850

Breaking down the public self-insured first report payments by benefit type shows that average medical payments, which had increased by more than 10 percent in FY 2017/18, were flat in FY 2018/19, edging down from $1,644 to $1,639 (-0.3 percent). On the other hand, average indemnity payments rose 3.7 percent to $1,934, though at least some of that can be ascribed to the statutory increases in weekly TD rates, which are tied to increases in the State Average Weekly Wage. Although FY 2018/19 marked the first time in five years that the first report average medical payments on public self-insured claims declined, it also marked the sixth consecutive year that average indemnity payments increased, so once again the overall average benefit payment per claim hit a record high. Since the brief decline in the wake of SB 863, average medical payments have risen 24.3 percent from their post-reform low, while average indemnity payments have increased 38.3 percent.

The public self-insured first report incurred results (paid plus reserves for future payments) show incurred losses on FY 2018/19 claims climbed to nearly $1.368 billion -- $39.6 million (3.0 percent) more than the first report total incurred from the prior year, and $335.0 million (32.4 percent) more than the post-reform low of $1.034 billion recorded in the FY 2012/2013 first reports. The first report average incurred losses per public self-insured claim have now been trending up for six years, though claim volume has shown little change, fluctuating by less than 1,500 claims over that span, with claim counts declining over the past two years, indicating that the post-reform increases in the total paid and total incurred losses since FY 2013/14 have been primarily driven by rising claim severity. The biggest increase in public self-insured incurred losses over the past six years has been on the indemnity side, as average incurred indemnity at the first report level has increased 47.7 percent from the FY 2012/13 level, more than twice the 22.7 percent increase in average incurred medical noted over that same period.

OSIP's Public Self-Insurer Annual Report provides the initial data on new claims reported in 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 2018/19 Public Self-Insurer Annual Report, along with reports dating back to FY 2000/2001 are available online at www.dir.ca.gov/SIP/StatewideTotals.html.

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