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BULLETIN

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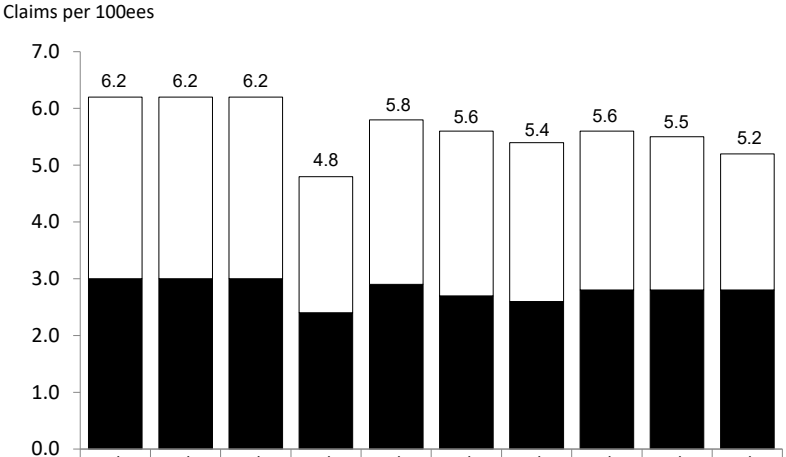
The California Office of Self-Insurance Plans' (OSIP) initial summary of public self-insured workers' comp claims from fiscal year 2019/20 – including claims from the first six months of the pandemic – shows that while the public self-insured covered workforce declined by 1 percent in the 12 months ending June 30, the number of reported claims fell 6.4 percent, with almost all of that decline due to a big drop in the number of medical-only claims. Meanwhile, a sharp increase in average indemnity payments pushed total benefits paid per claim up by 7.4 percent to $3,838, driving first report aggregate benefit payments up to a record $414.9 million, though with claim volume and medical reserves down, incurred losses (paid plus reserves) on the FY 2019/20 public self-insured claims fell 2.8 percent to $1.33 billion.

OSIP summaries of public self-insured claims data provide a first look at public self-insured claims experience for a given year 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. The summaries also update 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 from prior years that were still open as of June 30. The public self-insured entities included in the FY 2018/19 summary covered just over 2.09 million employees, or 22,035 fewer workers than were in the FY 2018/19 initial report, with wages and salaries of those covered employees totaling more than $137.2 billion.

California Public Self-Insured Claim Frequency
# of Claims per 100 Employees
Initial Reports, FY 10/11 – 19/20 Claims



	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20
□ Med-Only Claims	3.2	3.2	3.2	2.4	2.9	2.9	2.8	2.8	2.7	2.4
■ Indemnity Claims	3.0	3.0	3.0	2.4	2.9	2.7	2.6	2.8	2.8	2.8

Source: OSIP FY 10/11 – 19/20 Summaries of Public Self-Insured Claims Experience

Although the number of employees covered by public self-insured plans fell 1.0 percent last year, the number of workers' comp claims reported by public self-insured entities showed an even bigger decline, falling to 108,080 claims, 7,437 fewer than in the FY 2018/19 first reports (-6.4 percent). To control for the effect of the year-to-year fluctuations 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 OSIP's initial summary data reported from each of those years. The most significant decline in public self-insured claim frequency was in FY 2013/14, immediately following the enactment of SB 863 in 2012, but that decline was short-lived, as both the medical-only and indemnity claim rates increased sharply in FY 2014/15. Over the next four years, both the medical-only and indemnity claim rates remained fairly stable, showing only minor year-to year fluctuations. That remained the case for the indemnity claims rate in FY 2019/20, as it held steady at 2.8 claims per 100 employees, where it had been in each of the prior two years, but as shown in the chart above, medical-only claim frequency fell from 2.7 to 2.4 claims per 100 employees last year, which pushed the overall claim frequency for public self-insureds to a 6-year low of 5.2 claims per 100 employees.

Initial payment data on the FY 2019/20 public self-insured claims show that despite the 6.4 percent decline in claim volume, for the sixth consecutive year, total benefit payments increased, edging up by $2.2 million (0.5 percent) to $414.9 million, which is $100.6 million more than the post-SB 863 low noted six years earlier in the FY 2013/14 first reports. 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 2010/11 – FY 2019/20 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
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
19/20	108,080	$244.3	$170.6	$414.9	$2,260	$1,578	$3,838	$629.6	$700.7	$1,330.3	$5,825	$6,484	$12,309

The distribution of the public self-insured first report payments by benefit type shows average medical payments, which showed almost no change in FY 2018/19, fell from $1,639 to $1,578 (-3.7 percent) in FY 2019/20, which was the most significant drop since the brief decline that occurred in the wake of SB 863. Average indemnity payments, however, increased 16.9 percent to $2,260 in FY 2019/20, at least some of which may be linked to longer TD durations due to treatment delays and reduced levels of medical care during the pandemic. The sharp increase in average indemnity payments more than offset the relatively small decline in average medical payments, so overall the average amount paid on public self-insured claims at first report rose increased by 7.4 percent to a record $3,838.

The public self-insured first report incurred results (paid plus reserves for future payments) show incurred losses on FY 2019/20 claims fell to $1.330 billion -- $38.5 million (2.8 percent) less than the first report total incurred from the prior year, but $296.5 million (28.7 percent) more than the post-reform low of $1.034 billion recorded in the FY 2012/2013 first reports. As with the paid data, the average incurred medical per claim fell in the latest report, declining by 1.8 percent to $6,468, while the average incurred indemnity rose 11.0 percent to $5,825, the combined effect of which was a 3.9 percent increase in the average incurred loss per claim, which hit a record $12,309. Until the latest OSIP report, the increases in total paid and incurred losses since FY 2013/14 were primarily driven by rising claim severity, as total claim volume fluctuated by fewer than 1,500 claims during that span. However, with the public self-insured claim count suddenly declining by 7,437 claims in FY 2019/20, claim volume had a much greater impact on total incurred losses in FY 2019/20, combining with the reduced medical reserves to push the public self-insured's total incurred down for the first time in seven years.

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 2019/20 Public Self-Insurer Annual Report, along with reports dating back 20 year are available online at www.dir.ca.gov/SIP/StatewideTotals.html.

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