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BULLETIN

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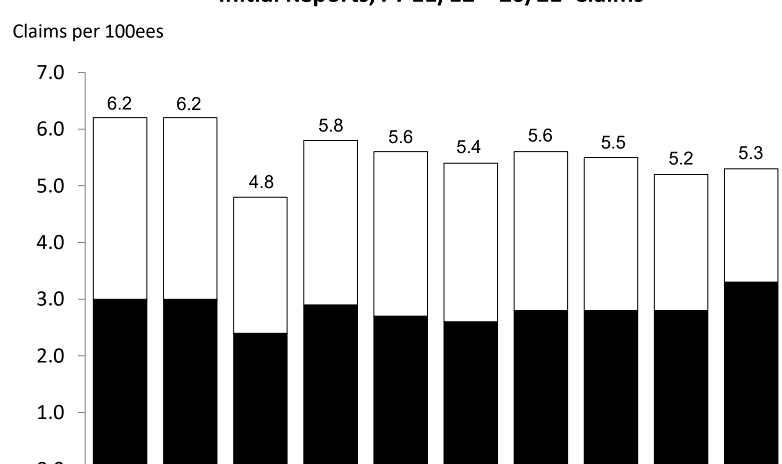
The California Office of Self-Insurance Plans' (OSIP) initial summary of public self-insured workers' comp claims from fiscal year 2020/21 – the first full year's worth of data on public self-insured claims that occurred during the pandemic – shows that even though the public self-insured workforce declined by 4.4% compared to a year earlier, the number of reported claims fell less than 1%, as a 19.7% decline in relatively inexpensive medical-only claims was largely offset by a 15.5% increase in more costly indemnity claims. A CWCI review of the data shows that the growth in lost-time claims, combined with double-digit increases in average paid and incurred indemnity, drove public self-insureds' total paid losses up by 7.3% to a record $445 million, while total incurred losses (paid plus reserves) rose 5.8% to more than $1.4 billion.

The OSIP summary, issued last week, offers an initial look at public self-insured claims experience for FY 2020/21 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, 2021. The summary also updates data (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. Public self-insured entities included in the new report covered nearly 2 million employees in FY 2020/21, or 92,429 fewer workers than were in FY 2019/20, though total wages and salaries paid by the public self-insured employers rose by $1.87 billion to $139.1 billion.

Despite last year's 4.4% drop in public self-insured employment, public self-insured workers' compensation claim volume only edged down 0.85% from 108,090 claims in FY 2019/20 to 107,161 claims in FY 2020/21. To control for the effect of year-to-year fluctuations in the public self-insured work force on claim volume, including last year's relatively steep decline, CWCI calculated 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 for each of those years. As shown in the chart below, there was a notable drop in public self-insured claim frequency in FY 2013/14, immediately following enactment of SB 863, the 2012 reform bill, but since then overall claim frequency in the public sector has been fairly stable, with relatively minor fluctuations in the medical-only and indemnity claim rates.

California Public Self-Insured Claim Frequency
# of Claims per 100 Employees
Initial Reports, FY 11/12 – 20/21 Claims



	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
□ Med-Only Claims	3.2	3.2	2.4	2.9	2.9	2.8	2.8	2.7	2.4	2.0
■ Indemnity Claims	3.0	3.0	2.4	2.9	2.7	2.6	2.8	2.8	2.8	3.3

Source: OSIP FY 11/12 – 20/21 Summaries of Public Self-Insured Claims Experience

While the latest results show only a minor increase in the overall claim rate for public self-insureds in FY 2020/21, the distribution by claim type shows markedly different results for med-only and indemnity claim rates. The incidence of med-only claims registered the sharpest decline since the post-SB 863 decline, falling from 2.4 to 2.0 claims per 100 employees, while indemnity claim frequency jumped from 2.8 to 3.3 claims per 100 employees -- the biggest increase since the FY 2014/15 rebound from the post-SB 863 low.

The sharp increase in the public self-insured indemnity claim rate in FY 2020/21 is likely due, at least in part, to the addition of COVID-19 claims to the claim mix, as the public self-insured sector includes many essential workers such as police, firefighters, prison guards, and state hospital workers who have been particularly hard hit by COVID, and all of whom have a presumption of compensability if they contract the virus.

The initial payment data on the FY 2020/21 public self-insured claims show total paid losses rose by more than $30 million (+7.3%) to $445 million, which was completely driven by a $40.1 million increase in total paid indemnity, as total paid medical declined by $9.9 million. As noted below, this was the second largest increase in the past decade and marked the seventh year in a row that public self-insureds' total payments at first report increased.

California Public Self-Insured Paid & Incurred Losses (FY 2011/12 – FY 2020/21 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
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
20/21	107,161	$284.3	$160.7	$445.0	$2,653	$1,500	$4,152	$733.8	$673.8	$1,407.6	$6,847	$6,316	$13,135

Breaking down the average paid amounts per claim by benefit type shows average medical payments fell for the third year in a row in FY 2020/21, declining from $1,578 to $1,500 (-5.2%), which was the largest decrease since the post-SB 863 decline recorded a decade ago. In contrast, average indemnity payments climbed 17.4% to $2,653 in FY 2020/21, which is likely the combined effect of longer TD durations due to some treatment delays and reduced levels of medical care during the pandemic; increased salary continuation payments made to public safety officers and others pursuant to LC §4800 and §4850; and increased death benefit payments as the number of death claims in the public self-insured sector more than doubled from 104 claims in FY 2019/20 to 220 in FY 2020/21. The sharp increase in average indemnity payments more than offset the relatively small decrease in average medical payments, so overall the average amount paid on all public self-insured claims at first report rose 8.2% to a record $4,152.

The OSIP data also show average incurred medical per public self-insured claim fell in FY 2020/21, declining by $168 (2.6%) to a 5-year low of $6,316. But at the same time, average incurred indemnity rose by $1,022 (17.5%) to $6,847, producing a net increase of 6.7% in the average incurred loss per claim, which climbed to a record $13,135. Thus, even with the marginal decline in public self-insured claim volume and the slight decline in average incurred medical, the sharp increase in average incurred indemnity pushed public self-insured employers' first report total incurred losses for FY 2020/21 claims up by $77.3 million (5.8%) to an all-time high of more than $1.4 billion.

OSIP's Annual Summaries of Public Self-Insured Employers' Statewide Totals provide 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 Summary of FY 2020/21 Public Self-Insured Statewide Totals, along with annual summaries dating back to FY 2000/01 are available online at www.dir.ca.gov/SIP/StatewideTotals.html.

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