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BULLETIN

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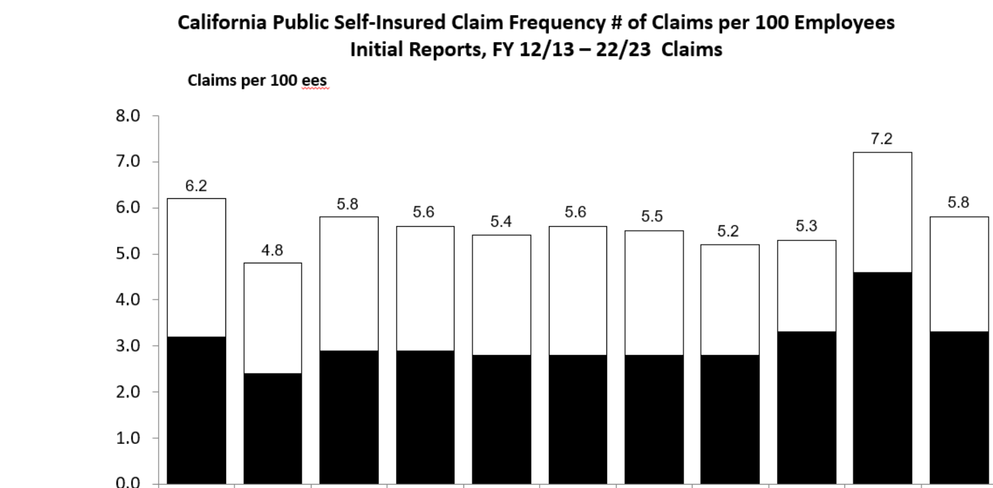
Despite adding 71,138 new jobs in the 12 months ending June 30, 2023, California public self-insured entities reported 24,348 fewer work injury and illness claims than in the prior year – with nearly all of the decline due to a huge drop in indemnity claim volume according to data from the California Office of Self-Insurance Plans (OSIP). Thus, after spiking to a record $585 million as COVID claim volume soared in the second full year of the pandemic, public self-insureds' total paid losses fell 12.8% to $510.3 million last year, while total incurred losses (paid plus reserves) fell 8.5% from $1.68 billion to just under $1.54 billion.

OSIP's summary of public self-insured claims data, posted last week, provides initial data on job injury and illness claims reported to the state by cities and counties; local fire, school, transit, utility and special districts; and joint powers authorities for FY 2022/23, along with updated figures (2nd, 3rd, 4th, and 5th valuations) on claims reported for each of the four prior years. Public self-insured entities included in the summary provided workers' compensation coverage to nearly 2.09 million California workers, an increase of 3.4% from the prior year, when public self-insured employers covered just under 2.02 million workers. Wages and salaries of the employees included in the FY 2022/23 summary totaled almost $162.0 billion, up 11.7% from the $145.1 billion recorded in the first reports from a year earlier.

Even though the number of public self-insured jobs increased last year, public self-insured claim volume fell from 144,676 claims in FY 2021/22 to 120,328 claims in FY 2022/23 (-16.8%). The distribution by claim type shows only a marginal decline in the number of med-only claims (52,456 vs. 52,405), while indemnity claim volume fell 26.3% from 92,220 claims in FY 2021/22 to 67,923 claims in FY 2022/23.



	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
□ Med-Only Claims	3.0	2.4	2.9	2.7	2.6	2.8	2.7	2.4	2.0	2.6	2.5
■ Indemnity Claims	3.2	2.4	2.9	2.9	2.8	2.8	2.8	2.8	3.3	4.6	3.3

Source: OSIP 12/13 –22/23 Summaries of Public Self-Insured Claims Experience

The recent decline in public self-insured claim volume follows a record 35% increase the prior year, when the overall claim count went from 107,149 in FY 2020/2021 to 144,676 in FY 2021/2022. A large percentage of those were COVID-19 claims, as [CWCI's COVID-19/Non-COVID-19 data application] shows public safety/government workers, a subset of the public self-insured population, accounted for 39,846 COVID-19 claims in the 12 months ending June 30 of 2022, which was 33.0% of all COVID-19 claims reported in that fiscal year, and an increase of 18,281 claims from FY 2020/21. As the Institute noted at the time, the surge in COVID-19 claims among the public sector employees in FY 2021/22 was not surprising given that many of these workers had been given a presumption of compensability for COVID-19 and public self-insured entities were particularly hard hit by the waves of coronavirus infections that hit the state between July 2021 and June 2022.

To account for the effect of changes in the size of the work force on public self-insured claim volume, including last year's 3.4% increase, CWCI calculated claim frequency rates (number of public self-insured claims per 100 employees) for FY 2012/13 through FY 2022/23, using OSIP's initial summary data reported for each year. As noted in the chart above, public self-insured claim frequency dropped sharply in FY 2013/14, following enactment of the 2012 reform bill (SB 863), but from FY 2014/2015 through FY 2019/2020, public self-insured medical-only and indemnity claim frequency was fairly stable. After the pandemic was declared in March 2020, there was a notable shift toward indemnity claims, which may reflect the large number of public sector employees who contracted COVID and were required to stay off work for more than 3 days. In FY 2020/21, the first full year of the pandemic, indemnity claim frequency jumped from 2.8 to 3.3 claims per 100 public sector employees, then hit a record 4.6 claims per 100 employees in FY 2021/22. The indemnity claim frequency rate fell back to 3.3 claims per 100 employees in FY 2022/23, but that is still well above the rate in each of the 7 years following implementation of SB 863. Medical-only claim frequency per 100 public self-insured employees fell from a rate of 2.4 to 2.0 in FY 2020/21, rebounded to 2.6 in FY 2021/22, then stabilized at 2.5 last year, resulting in an overall public self-insured claim frequency rate of 5.8 claims per 100 employees in FY 2022/23, down sharply from the prior year, but still the second highest level in the past decade.

Initial payment data on the FY 2022/23 public self-insured claims show total paid losses fell by $74.7 million (-12.8%) to $510.3 million, as total indemnity payments in the first reports declined by $67.0 million and total medical payments declined by $7.7 million. As shown in the table below, this followed a $140 million increase in public self-insured first report paid losses in FY 2021/22 (by far the largest increase in the past decade) and represented only the second decline in public self-insureds' first report total payments since the 2012 reforms took effect.

California Public Self-Insured Paid & Incurred Losses (FY 2012/2013 – FY 2022/2023 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
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
21/22	144,676	$384.1	$200.9	$585.0	$2,654	$1,389	$4,043	$869.9	$809.4	$1,679.3	$6,013	$5,595	$11,608
22/23	120,328	$317.1	$193.2	$510.3	$2,636	$1,605	$4,241	$779.3	$757.6	$1,537.0	$6,477	$6,297	$12,774

Source: OSIP FY 12/13 – 22/23 Summaries of Public Self-Insured Claims Experience

The breakdown of average first report payments by benefit type shows that average indemnity payments dipped slightly last year, falling 0.7% from $2,654 in FY 2021/22 to $2,636 in FY 2022/23, marking the first decline in over a decade. However, average medical payments at first report, which had declined 15.5% from $1,644 in FY 2017/18 to $1,389 in FY 2021/22, reversed course last year and increased 15.6% to $1,605. The marginal decline in average indemnity payments last year, combined with the 15.6% increase in average medical payments means the average total amount paid on all public self-insured claims at first report rose 4.9% in FY 2022/23 to $4,241.

A review of the first report average incurred amounts per public self-insured claim shows that average incurred indemnity, which had increased 17.5% to a record $6,847 in FY 2020/2021 then declined 12.2% to $6,013 in FY 2021/22, was back up again last year, increasing 7.7% to $6,477 in FY 2022/23. At the same time, average incurred medical, which had declined 11.4% from $6,316 in FY 2020/21 to an 8-year low of $5,595 in FY 2021/22, also rebounded, climbing 12.5% to $6,297 last year, resulting in an overall increase of 10.0% in the average incurred loss per claim, which rose to $12,774.

The increases in both the average paid and average incurred losses per claim, however, failed to offset the 16.8% decline in public self-insured claim volume – especially because nearly all of the decline involved indemnity claims – so the first report total paid losses on FY 2022/23 claims fell by $75.3 million (12.8%) from the FY 2021/22 level, dropping to $510.3 million, while the total incurred fell by $142.3 million (8.5%) to $1.537 billion. Despite those significant declines, public self-insureds' total paid and incurred amounts for FY 2022/23 were the second highest in the post-SB 863 era.

OSIP Summaries of Public Self-Insured Employers' Statewide Totals provide initial data on claims reported in the latest fiscal year, and are the most current, but 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 Summaries of Public Self-Insured Statewide Totals dating back to FY 2000/01 are here.

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