

<p> California Chamber of Commerce California Coalition on Workers' Compensation California Grocers Association Acclamation Insurance Management Services Allied Managed Care American Insurance Association Association of California Insurance Companies Associated General Contractors California Fence Contractors' Association California Independent Grocers Association California Joint Powers Authority California Landscape Contractors Association California Retailers Association Chambers of Commerce Alliance of Ventura and Santa Barbara Counties Dowdle and Sons Mechanical, Inc. El Dorado Hills Chamber of Commerce Engineering Contractors' Association Flasher Barricade Association Fullerton Chamber of Commerce Golden State Builders Exchanges Greater Bakersfield Chamber of Commerce Greater Riverside Chamber of Commerce Marin Builders Association Marriott International, Inc. National Federation of Independent Business North Bay Schools Insurance Authority Rural County Representatives of California Safety National San Bernardino County Santa Clara Chamber of Commerce and Convention and Visitors Bureau Sedgwick Claims Management Services Simi Valley Chamber of Commerce Valley Industrial and Commerce Association Western Growers Association </p>	
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January 7, 2014

TO: Members, Senate Committee on Labor and Industrial Relations

SUBJECT: SB 626 (BEALL) WORKERS' COMPENSATION
SET FOR HEARING – JANUARY 15, 2014
OPPOSE – AS AMENDED APRIL 18, 2013

The above named organizations, are **OPPOSED** to **SB 626 (Beall)** because it would severely undercut the workers' compensation reform deal agreed to by labor unions and employers in 2012 and would result in dramatic cost increases to California employers.

The goal of this reform package was to provide injured workers with needed benefit increases, but offset these increased costs by closing certain loopholes and making California's workers' compensation

system operate more efficiently with fewer disputes and litigation. The reforms were projected to achieve this balance – guaranteeing injured workers nearly \$1 billion in benefit increases while reducing costs elsewhere in the system after regulatory implementation. The proposals contained in this reform were forged and vetted by representatives of both labor and employers through a multi-year process of research, discussion and extensive negotiations. The resulting legislation - SB 863 (De Leon, 2012) - was overwhelmingly approved on a bipartisan basis.

SB 626 distorts the entire balance of the deal and would decimate provisions anticipated to deliver hundreds of millions of dollars of costs savings, which were promised to be redirected to injured workers in the form of higher benefits. Already, important cost-saving reforms under SB 863 have been placed in doubt as a result of litigation from system vendors. Additionally, full regulatory implementation has not been completed creating uncertainty over whether the savings will materialize. Meanwhile, California employers continue to see their workers' compensation costs increase, due to higher medical treatment costs and an increase in the rate of claims filed.

SB 626 would make these implementation challenges worse by rolling-back reforms dealing with timely, high-quality medical treatment and a more predictable – and less litigious – permanent disability system.

SB 626 assaults the reforms on many fronts:

- It eliminates a cornerstone cost saving provision contained in SB 863 – independent medical review (IMR). Under **SB 626**, IMR decisions would be fully appealable to the WCAB taking medical necessity decisions away from physicians and putting them back in the hands of judges. It would also result in treatment delays for injured workers. The projected savings associated with IMR are estimated at around \$400 million.
- It repeals a provision in SB 863 that eliminates impairment ratings for psychiatric add-ons in some, but not all, cases. Numerous data driven analyses demonstrated applicant attorneys had abused this add-on to artificially inflate permanent disability ratings.
- It repeals a provision in SB 863 that prohibits a chiropractor from being a primary treating physician once the maximum number of chiropractic treatments has been received.
- It unnecessarily limits utilization review and Independent Medical Review by requiring that the reviewing physician hold the same license as the physician requesting treatment. Current law requires reviewers to be competent to evaluate the specific clinical issues involved in the medical treatment and utilize relevant, evidence-based medical treatment guidelines, which are not state-specific.

SB 626 leaves California employers worse off than they were before the reforms. Not only will they face pre-reform escalating costs, they will be burdened by an additional \$1 billion in benefit increases with no expectation that this cost will be offset by projected system savings. **SB 626** is a giant step backwards for California employers during the current fragile economic recovery. Additionally, **SB 626** reverses a bipartisan labor-employer compromise. These types of agreements between key stakeholders that enjoy overwhelmingly bipartisan approval should be encouraged and protected, not attacked and diluted.

For these reasons and more, the above named organizations are **OPPOSED** to **SB 626 (Beall)** and ask that you vote “**NO**” when it comes before the Senate Labor and Industrial Relations Committee.

cc: The Honorable James Beall, Jr.
Martha Guzman-Aceves, Office of the Governor
Gideon Baum, Senate Labor and Industrial Relations Committee
Cory Botts, Senate Republican Caucus
Senate Floor Analyses
District Offices, Members, Senate Labor and Industrial Relations Committee

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