

AMENDED IN ASSEMBLY MARCH 26, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1513**

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**Introduced by Committee on Insurance**

March 5, 2015

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An act to repeal ~~Section 77.7~~ Sections 77.7, 127.6, and 138.65 of the Labor Code, relating to workers' compensation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1513, as amended, Committee on Insurance. Workers' compensation: studies.

Existing law establishes a workers' compensation system, administered by the Administrative Director of the Division of Workers' Compensation, to compensate an employee for injuries sustained in the course of his or her employment.

Existing law requires the Commission on Health and Safety and Workers' Compensation to undertake a specified study examining the causes of the number of insolvencies among workers' compensation insurers to be conducted by an independent research organization, and requires the commission and the Department of Industrial Relations, no later than July 1, 2009, to publish the report of the study on its Internet Web site and to inform the Legislature and the Governor of the availability of the report.

*Existing law requires the administrative director, in consultation with the commission and other entities, to conduct a study of medical treatment provided to workers who have sustained industrial injuries and illness, and to report and make recommendations to the Legislature on or before July 1, 2004.*

*Existing law requires the administrative director, after consultation with the Insurance Commissioner, to contract with a qualified organization to study the 2003 and 2004 legislative reforms on insurance rates, and to submit the study to the Governor and Legislature. Existing law requires the Governor and the Insurance Commissioner to review that study and make recommendations, and authorizes them to submit proposals to the Legislature.*

This bill would repeal these obsolete workers’ compensation study requirements.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 77.7 of the Labor Code is repealed.  
2 SEC. 2. Section 127.6 of the Labor Code is repealed.  
3 ~~127.6. (a) The administrative director shall, in consultation~~  
4 ~~with the Commission on Health and Safety and Workers’~~  
5 ~~Compensation, other state agencies, and researchers and research~~  
6 ~~institutions with expertise in health care delivery and occupational~~  
7 ~~health care service, conduct a study of medical treatment provided~~  
8 ~~to workers who have sustained industrial injuries and illnesses.~~  
9 ~~The study shall focus on, but not be limited to, all of the following:~~  
10 ~~(1) Factors contributing to the rising costs and utilization of~~  
11 ~~medical treatment and case management in the workers’~~  
12 ~~compensation system.~~  
13 ~~(2) An evaluation of case management procedures that contribute~~  
14 ~~to or achieve early and sustained return to work within the~~  
15 ~~employee’s temporary and permanent work restrictions.~~  
16 ~~(3) Performance measures for medical services that reflect~~  
17 ~~patient outcomes.~~  
18 ~~(4) Physician utilization, quality of care, and outcome~~  
19 ~~measurement data.~~  
20 ~~(5) Patient satisfaction.~~  
21 ~~(b) The administrative director shall begin the study on or before~~  
22 ~~July 1, 2003, and shall report and make recommendations to the~~  
23 ~~Legislature based on the results of the study on or before July 1,~~  
24 ~~2004.~~

1 ~~(e) In implementing this section, the administrative director~~  
2 ~~shall ensure the confidentiality and protection of patient-specific~~  
3 ~~data.~~

4 *SEC. 3. Section 138.65 of the Labor Code is repealed.*

5 ~~138.65. (a) The administrative director, after consultation with~~  
6 ~~the Insurance Commissioner, shall contract with a qualified~~  
7 ~~organization to study the effects of the 2003 and 2004 legislative~~  
8 ~~reforms on workers' compensation insurance rates. The study shall~~  
9 ~~do, but not be limited to, all of the following:~~

10 ~~(1) Identify and quantify the savings generated by the reforms.~~

11 ~~(2) Review workers' compensation insurance rates to determine~~  
12 ~~the extent to which the reform savings were reflected in rates.~~  
13 ~~When reviewing the rates, consideration shall be given to an~~  
14 ~~insurer's premium revenue, claim costs, and surplus levels.~~

15 ~~(3) Assess the effect of the reform savings on replenishing~~  
16 ~~surpluses for workers' compensation insurance coverage.~~

17 ~~(4) Review the effects of the reforms on the workers'~~  
18 ~~compensation insurance rates, marketplace, and competition.~~

19 ~~(5) Review the adequacy and accuracy of the pure premium rate~~  
20 ~~as recommended by the Workers' Compensation Insurance Bureau~~  
21 ~~and the pure premium rate adopted by the Insurance Commissioner.~~

22 ~~(b) Insurers shall submit to the contracting organization premium~~  
23 ~~revenue, claims costs, and surplus levels in different timing~~  
24 ~~aggregates as established by the contracting organization, but at~~  
25 ~~least quarterly and annually. The contracting organization may~~  
26 ~~also request additional materials when appropriate. The contracting~~  
27 ~~organization and the commission shall maintain strict~~  
28 ~~confidentiality of the data. An insurer that fails to comply with the~~  
29 ~~reporting requirements of this subdivision is subject to Section~~  
30 ~~11754 of the Insurance Code.~~

31 ~~(c) The administrative director shall submit to the Governor,~~  
32 ~~the Insurance Commissioner, and the President pro Tempore of~~  
33 ~~the Senate, the Speaker of the Assembly, and the chairs of the~~  
34 ~~appropriate policy committees of the Legislature, a progress report~~  
35 ~~on the study on January 1, 2005, and July 1, 2005, and the final~~  
36 ~~study on or before January 1, 2006. The Governor and the~~  
37 ~~Insurance Commissioner shall review the results of the study and~~  
38 ~~make recommendations as to the appropriateness of regulating~~  
39 ~~insurance rates. If, after reviewing the study, the Governor and the~~  
40 ~~Insurance Commissioner determine that the rates do not~~

1 ~~appropriately reflect the savings and the timing of the savings~~  
2 ~~associated with the 2003 and 2004 reforms, the Governor and the~~  
3 ~~Insurance Commissioner may submit proposals to the Legislature.~~  
4 ~~The proposals shall take into consideration how rates should be~~  
5 ~~regulated, and by whom. In no event shall the proposals unfairly~~  
6 ~~penalize insurers that have properly reflected the 2003 and 2004~~  
7 ~~reforms in their rates, or can verify that they have not received any~~  
8 ~~cost savings as a result of the reforms.~~  
9 ~~(d) The cost of the study shall be borne by the insurers up to~~  
10 ~~one million dollars (\$1,000,000). The cost of the study shall be~~  
11 ~~allocated to an insurer based on the insurer's proportionate share~~  
12 ~~of the market.~~