

April 16, 2008

The Honorable Don Perata
California State Senate
State Capitol, Room 205
Sacramento, CA 95814

**RE: SB 1717 (Perata) – Workers' Compensation: Permanent Disability Benefits
OPPOSE**

Dear Senator Perata:

The above represented public and private employers respectfully **OPPOSE** your **SB 1717**, which would roll back historic workers compensation reforms and increase costs for employers by doubling permanent disability benefits by 1/1/2011. While there has been a clear decline in permanent disability benefits because of the application of objective medical evaluations through AMA, the appropriate use of apportionment, the reduction of weeks for low ratings, and return-to-work adjustments; there is no statistically valid and objective evidence that this situation warrants an increase in benefits.

Prior to the recent reforms, California's workers' compensation system was out of control. It harmed employees by creating an adversarial system focused on litigation and disability instead of reasonable and appropriate medical treatment and return-to-work, and it did so at incredible cost to employers. The economic harm to both employees and employers should be evident when you consider that workers' compensation premiums and system costs tripled from 1999 to 2003. Outside of the high cost of operating in California, skyrocketing workers' compensation premiums negatively impacted businesses and local governments to the point where expansion of the workforce came at a high price and public services suffered.

According to the Public Policy Institute of California, one of the major reasons for skyrocketing costs was the increasing number of PD claims. Prior to SB 899, PD claims were filed at a rate of three times the national average, and California was 20% higher than the next highest state. A subjective system of work preclusions led to injured workers getting higher permanent disability rates, and litigation that preyed on this subjectivity compounded the situation.

While there has been evidence of a drop in benefits, California should take a data driven approach to reviewing the available information prior to considering a permanent disability increase, let alone doubling benefits. Measuring the adequacy of permanent disability ratings under the current system by comparing them against the old system is simply irrational. The Division of Workers' Compensation is currently in the process of reviewing the relevant data and working through the policy issues involved in this issue. In fact, there have been two stakeholder meetings that include public employer, private employers, applicant attorneys, labor representatives, legislative staffers, injured workers, and staff from the Commission on Health and Safety and Workers'

Compensation. This process should be allowed to proceed down the path of data driven revisions to the PDRS.

Premiums have come down, objectivity has been established, and a sense of balance has been returned to California's workers' compensation system. California's private and public employers stand ready to resolve any inequities that have resulted from recent reforms; however, we can not proceed on a path that will lead us back to the days of skyrocketing premiums, adversarial litigation, and an unbalanced system.

With budget pressures weighing heavily on local governments, and economic concerns weighing on private businesses, this is not the time to arbitrarily increase costs on California's public and private sector.

For these reasons, the above referenced organizations are **OPPOSED** to **SB 1717**.