

Members of the California Senate
 Members of the California Assembly

August 28, 2012

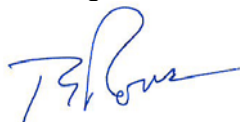
State Compensation Insurance Fund (State Fund) has completed a preliminary review of SB 863 (DeLeon), which seeks to reform the California workers' compensation system. We applaud the Department of Industrial Relations and the Administration for their efforts in working with the central stakeholders in this issue – labor and management – to hammer out a balanced, meaningful proposal.

We believe this legislation in its current form would have an immediate and positive impact on the system resulting in the following major changes and estimated yearly costs/savings to the system:

Increased Permanent Disability benefits	+ \$600 million
Elimination of sleep/sex/psych add-ons	- \$110 million
Liens (savings related to filing fees & reduced legal/administrative costs)	- \$600 million
Independent Medical Review (IMR)	- \$152 million
Elimination of duplicate surgery implant costs	- \$128 million
Ambulatory surgery centers	<u>- \$153 million</u>
Net Savings	\$543 million

If the current version of SB 863 (amended 8/27/12) were enacted, we believe there would be benefit sufficient for State Fund to recommend a reduction in our filed rates in the range of 5% to 7%. Final determinations would be based on an evaluation of enacted language, and while we project a 1st Quarter 2013 action, the effective date of rate relief is subject to consideration by our board and the California Department of Insurance.

Best regards,



Tom Rowe
 President, CEO
 State Compensation Insurance Fund

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