California Workers' Compensation: Careening Toward Crisis

FIX CA WORKERS' COMP NOW

Reforms needed to protect the system for injured workers and California's economy

Cumulative trauma claims are rising rapidly in California's workers' compensation system, driving significant cost increases and placing pressure on employers, public agencies, and the broader economy. Targeted reforms are needed to ensure the system remains sustainable while protecting benefits for workers genuinely injured on the job.

A $24 Billion System Designed to Protect Workers

The California workers' compensation system, which was established over a century ago to protect workers injured on the job, currently covers an estimated 17.7 million employees working statewide.

Workers' compensation is a no-fault insurance program that provides benefits to employees who suffer work-related injuries or illnesses. All California employers are required to carry workers' compensation insurance and employers pay 100 percent of the costs.

Workers' compensation replaces the ability to sue an employer in civil court for workplace injuries and provides:

- Medical treatment
- Wage replacement (for temporary and permanent disability)
- Vouchers for job retraining
- Return-to-work assistance
- Death benefits

Surging Rates of Cumulative Trauma Claims

In recent years, costs within the system have increased exponentially, driven largely by a rise in CT claims and growing medical-legal expenses.

- Cumulative trauma claims accounted for **about 24 percent of indemnity claims in 2024**, roughly twice the rate reported 15 years ago.
- Over the past decade, medical costs associated with indemnity claims have increased by 32 percent, while disability payments have risen by 27 percent, according to WCIRB research.
- Cumulative trauma claims also are often reported late. For cumulative trauma claims, that **average is 262 days – nine times higher than non-cumulative trauma claims,** according to a 2024 CWCI report.

- Attorney involvement also is on the rise for cumulative trauma claims in California. Nearly **82 percent of cumulative trauma claims involved an attorney** in 2024 compared to 75 percent in 2018. Meanwhile, attorney involvement for non-CT cumulative trauma claims was 17.5% in 2024, down from 19.7% in 2018.
- **Cumulative trauma claims are estimated to cost about $7 billion annually.**

The Impact on California, Business and the Economy

California is a national outlier in its treatment of cumulative trauma claims, and the outsized rates are taking a toll on employers and the economy. It's also taking a toll on public agencies, including cities, counties and school districts, which can impact local budgets and limit funding available for public services.

- In September 2025, the California Insurance Commissioner approved an advisory pure premium rate of 8.7%, citing rising medical, medical-legal, and claims-adjusting costs, as well as projected increases in cumulative trauma claims, the first shift in over a decade.
- In a 2024 statewide survey, a majority of employers rated the system as performing poorly and reported increasing complexity and cost pressures.
- Higher workers' compensation costs mean increased costs associated with hiring and retaining employees, **less money for wage increases or business expansion, increased financial pressure, and an increased likelihood of business relocating out of California.**

Higher system costs are impacting:

- Small business operating costs
- Public agency budgets, including schools
- Overall system sustainability
- Employer insurance premiums

Taxpayer-funded budgets

Public sector budgets, which are largely funded by taxpayer dollars and are affected by state budget shortfalls, are being stretched even thinner due to workers' compensation claims. Because local governments are self-insured, there is no insurance company to pay for claims, only taxpayer dollars.

- In a recent analysis of local government data trends by PRISM*, cumulative trauma injuries account for 14 percent of all claims filed, but 29% of the total incurred exposure – about $238 million on average annually.
  - **That is equivalent to funding for 5,000 city/county transit driver positions, 3,400 public health positions, or 1,500 firefighter positions.**
  - If the average cost of cumulative injuries decreased by 10%, that would save nearly $24 million each year. That's equal to 240 positions paying an annual salary of $100,000.

**PRISM is a self-insured risk sharing pool representing 95% of California counties, 75% of cities, and various educational institutions, special districts, fire districts and more.*

- Rising workers' compensation costs are putting increased pressures on city budgets, forcing difficult tradeoffs and reducing resources available for services residents rely upon each day.
  - Over the past 10 years, the City of Los Angeles has seen claims increase by 26% and medical payments have increased by 31%. Every dollar spent on workers' compensation diverts money from critical community investments, including public safety, libraries, parks and youth programs.
- **The increased frequency of claims also shaves money from California school budgets, leaving less resources for teachers, students, and schools.**
  - Consider this: The average cost of one California workers' compensation indemnity claim is $82,638. That's the equivalent of:
    - One midrange teacher salary
    - Funding for about six students ($14,155 each)
    - 25,427 high school student lunch meals

Reforms Needed

A decade ago, lawmakers partnered with the workers' compensation community to enact significant reforms that helped stabilize costs and protect injured workers. As the system evolves, further reforms are needed to address new pressures, safeguard benefits for workers genuinely injured on the job, and protect California's economy.

Reforms should include:

- **Raising the bar for proving cause** so that a claim must be clearly tied to the job. Reducing abuse of workers' compensation claims ensures that those who need it can receive quick and effective care and compensation.
- **Ending 'forever liability' and set a reasonable deadline** for filing cumulative trauma claims. Establishing clear timelines will provide greater certainty for employers while encouraging timely reporting of injuries.
- **Requiring timely medical or work records** made at the time (or soon after) to support the claim. Proper and timely documentation will streamline claims processing and help prevent unnecessary backlogs in the system.
- **Requiring a minimum employment period** before someone can file a cumulative trauma claim. This ensures claims are more likely tied to sustained workplace exposure rather than short-term factors.

Californians for Fair Workers' Compensation is a broad coalition of local governments and public agencies, small businesses, nonprofits and employers across California working to advance commonsense reforms to stop abuse, close legal loopholes and ensure the workers' compensation system continues to deliver benefits to injured workers.

To get in contact with the coalition, scan the QR code.