



AMERICANS FOR TAX REFORM

LEGISLATIVE ALERT

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Stop the Runaway Cost of Workers' Compensation in California! Support Gov. Schwarzenegger's Reforms in the Special Session!

Workers' compensation reform was one of the central issues in California this year. The cost of the system has skyrocketed: Insurance premiums in the state have doubled since 2000. They reached approximately \$25 billion in 2002 and, and, with a current level of approximately \$30 billion, they are the highest in the country. **In many cases, employers are expected to pay 200%-250% more in premiums than what they paid in 1999.**

The high cost drives many businesses out of California to states with significantly lower premiums for workers' compensation. Take restaurants, for example: In California, out of \$100 payroll, \$7.40 goes to workers' compensation. In Oregon, the respective takeout for workers' compensation lies at \$2.92; Arizona restaurant owners even pay only \$1.73 out of \$100 of payroll. Since the rise in cost depresses profits, raise prices and, many business owners have threatened to pack up and leave the state.

The current system invites abuse and thus encourages runaway cost. California's costs for medical claims range about 75% above the national average, even though unit costs are generally lower in the state. Statistically, California counts 49% more visits to physicians, and 105% more visits to chiropractors. What aggravates the situation, is the fact that not only entitled claimants use the system, but also unentitled claimants, who have learned to profit from the system at the expense of California's employers and employees. California's employers are left with workers' compensation costs that are 2-3 times the national average for similar risks.

Ultimately, it is the people of California who suffer, either since they are laid off by their employers who are no longer able to pay for insurance premiums, or they incur a reduction in wages, since workers' compensation really is a hidden tax taken out of the employees' paychecks. Apart from that, entitled claimants no longer receive the care they would need. **The quality of coverage has suffered since the State Compensation Insurance Fund (SCIF), which now provides 50% of the coverage, has driven private insurers out of the market.**

While workers' compensation ranged high on the agenda throughout California's legislative session of 2003, legislators have not come up with a bill that would substantially reduce the skyrocketed cost of the system.

Governor Schwarzenegger was right to remind the people of California of the problems involved with the current system. Every California Senator and Assemblyman concerned about jobs should support the governor's reforms!