

Focus On : Workers Compensation Reform

In late 2003, Supervisor Knabe directed widespread reforms to the County's workers' compensation benefit system which are resulting in dramatic cost savings today. For several years leading up to these reforms, the County's workers compensation costs had been spiraling out of control, growing at double-digit increases annually and costing taxpayers millions of dollars every year.

Since the reforms were completed, the County has realized tens of millions of dollars a year in cost savings and that figure is projected to grow to nearly half a billion dollars in savings before the end of the decade.

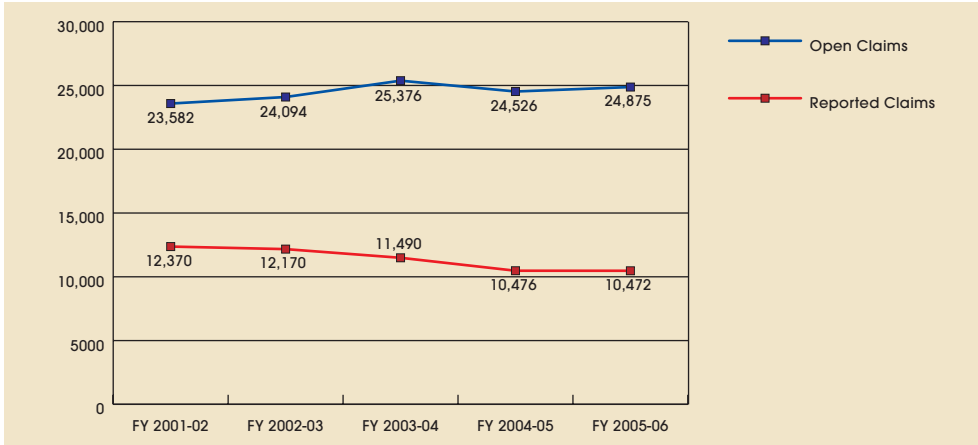
For example, in the 2004-2005 Annual Budget, the County of Los Angeles had set aside \$414 million to cover anticipated workers' compensation costs within that fiscal year. Thanks to the reforms, coupled with a new Consolidated Risk Management Program established by the County in 2001, the actual costs turned out to be 34 percent less than anticipated. That translated into a savings to taxpayers of \$141 million, money that was invested back into the community in the form of new or expanded services, rather than being dedicated to the ballooning costs of workers' compensation.

The long-term impacts are even more impressive. At the peak of the workers' compensation crisis, the County projected it would be paying more than \$1.1 billion in the year 2010. Today, those projected costs have dropped to \$400 million – a \$700 million savings to local taxpayers.

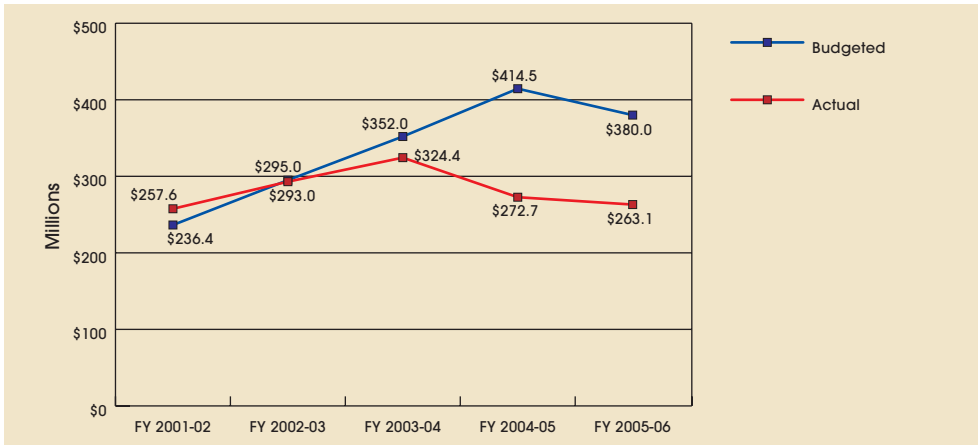
Besides the fact that the reforms are yielding enormous benefits for local taxpayers, the reformed system also included the critical goal of being an even greater benefit to injured workers. The reforms were crafted so that injured workers are, for the first time, treated according to standard medical guidelines. These guidelines are helping to ensure that workers get the most appropriate medical care, not simply the most expensive care, which was too common under the old system.

All told, the County is anticipating savings of well over \$1 billion before the end of the decade thanks to these reforms -- \$1 billion that can be redirected for parks, libraries, law enforcement and other critical public services.

County of Los Angeles Workers' Compensation Claim Inventory
 Open Claims and Claims Reported
 As of June 30, FY 2001-02 through FY 2005-06



County of Los Angeles Compensation Trust Fund Budgeted vs. Actual Paid
 FY 2001-02 through FY 2005-06



County of Los Angeles Projected Annual Workers' Compensation Expense
 Anticipated Impact of 2003 and 2004 Workers' Compensation Reforms

