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# California State Senate



**SENATOR**  
**JOHN M. W. MOORLACH, CPA (INACTIVE)**  
THIRTY-SEVENTH SENATE DISTRICT

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JOINT COMMITTEE ON RULES  
JOINT LEGISLATIVE  
AUDIT COMMITTEE

February 4, 2019

The Honorable Assemblymember Rudy Salas, Chair  
Joint Legislative Audit Committee  
Legislative Office Building  
1020 N Street, Room 107  
Sacramento, CA 95814

FEB 04 2019

Dear Chair Salas:

While a supervisor at the County of Orange, we created a Workers' Compensation Closing Project as an aggressive process of clearing out workers' compensation claims. The goal was to expedite and satisfy our legal obligations to our injured workers, but also to limit costs to the county, resulting in reducing the obligation for reserve funds by \$42 million. The project was very successful and I desire to see that our state's agencies and departments are doing their best to appropriately mitigate their workers' compensation costs.

To that end, I would like to determine if there is another opportunity to do a Closing Project with some of our state agencies. Therefore, I respectfully request that the Joint Legislative Audit Committee (JLAC) approve an audit to examine the Workers' Compensation Program administered by the State Compensation Insurance Fund (State Fund) and any other third-party administrators on behalf of the following state entities: California Department of Forestry and Fire Protection (CalFire), California Highway Patrol (CHP), the California Department of Transportation (Caltrans), and the Department of Social Services (DSS).

The goal is simple, to determine their ability to manage accounts and examine the effectiveness of their programs. This request could help California create best practice systems throughout the workers compensation programs statewide.

Determining whether or not these agencies are, or are not, effectively managing their workers' compensation program is also rather simple. Specifically, I would like them to provide the following three lists:

1. A complete Loss Run (showing Total Incurred, Total Paid and Outstanding Reserves) on all OPEN claims;

2. A Loss Run on all OPEN claims that have been open for more than one year;
3. A Loss Run on all OPEN claims that have been open for more than two years.

Additionally, please perform the following at the State Fund and the participating departments to help the legislature better understand their workers' compensation practices:

1. Identify and evaluate the intake process for an employee in need of workers' compensation.
2. Identify any best practices that have been implemented for setting reserves.
3. Determine whether these agencies are effectively and efficiently caring for employees that are on workers' compensation.
4. Determine whether workers' compensation claims are being cleared in a timely and appropriate manner.
5. Compare and contrast the departments' policies and practices to identify the most effective ways to handle workers' compensation claims.
6. Calculate the average rate of completion of cases and determine how this compares to industry standards.
7. Determine the extent to which these departments outsourced duties to professionals in the workers compensation industry. If they have, evaluate the departments' oversight of their performance.
8. Determine whether the departments and State Fund are complying with key standards related to handling workers' compensation claims.

Thank you for your consideration of this request. Should you have any questions or desire additional information, please do not hesitate to contact Lance Christensen at (916) 651-4037.

Very truly yours,



John M. W. Moorlach  
Senator, 37<sup>th</sup> District