

California Hospital Workers' Compensation Survey Indicates Moderating Losses, Higher Adjustment Expenses

Keenan HealthCare and Milliman Announce Findings of Their Third Annual Workers' Compensation and Payroll Benchmarking Survey of California Hospitals and Health Care Systems

Keenan HealthCare and Milliman, one of the world's largest independent actuarial consulting firms, have released the 2017 results of their California Hospital Workers' Compensation and Payroll Benchmarking Survey. The report provides industry-wide benchmarks to drive informed decisions and support fundamental considerations related to workers' compensation.

The 2017 survey includes data from 18 hospital systems and over 44 individual facilities within California. In aggregate, they provided data on over 4,300 annual claims. The survey analysis also relied on payroll and medical utilization information obtained from the California Office of Statewide Health Planning and Development (OSHPD) website.

The 2017 survey identified the following key workers' compensation trends in the hospital sector:

- Projected loss cost for accidents occurring during 2016 and 2017 at \$2.10 per \$100 of payroll. Average losses paid per indemnity claim increased 2.9% annually over the past 10 years.
- Medical loss trends abated in recent years. Indemnity loss trends are less than long-term averages. Combined, these have resulted in a lower annual rate of severity increase as compared to prior versions of this study.
- However, annual Allocated Loss Adjustment Expenses (ALAE) increased significant during this time period, representing an increasing share of the total cost of claims.

"Looking forward, we expect longer term trend rates closer to 5% or 6% to prevail, with stronger medical and indemnity loss trends than the recent past, and ALAE trends remaining high," says Bill Poland, Marketing Director, Property & Casualty for Keenan. "We believe these key indicators will be valuable in developing plans to modify or adjust programs where necessary with the goal of improving results."

"California's workers' compensation environment is complex and always changing, and there are many challenges that employers and hospitals must contend with," said Richard Lord, Principal and Consulting Actuary with Milliman. "The information in this report can help both employers and hospitals make more informed decisions regarding workers' compensation and can help them develop plans to improve their overall results."

Hospitals have applied the findings of the Keenan-Milliman California Hospital Workers' Compensation and Payroll Benchmarking Survey toward strategic and tactical approaches in their loss prevention and claims management.

For information on Milliman property and casualty actuarial services contact Richard.Lord@Milliman.com or Stephen.Koca@Milliman.com, or visit their website at Milliman.com.

For more information about California Hospital Workers' Compensation trends, services and products contact Bill Poland (BPoland@keen.com) or Dan Mattioli (DMattioli@keen.com).

About Milliman

Milliman is among the largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit www.milliman.com

About Keenan

Keenan has a 45-year track record of serving California schools, community colleges, health care organizations and public agencies. Keenan recently joined the AssuredPartners group of independent brokers, currently ranked as the 13th largest U.S. brokerage. Keenan will serve as AP's California hub to expand its innovative employee benefits, health benefit management services, workers' compensation, risk management, and property and liability programs throughout the country. Keenan has a staff of more than 725 insurance specialists with local offices in Torrance, Riverside, San Clemente, Oakland, San Jose, Rancho Cordova, Redwood City, Pleasanton and Eureka. For more information, call 800-654-8102 or 310-212-3344, email info@keenand.com or visit www.keenanand.com.