



## California Association for the Retarded

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September 15, 2004

The Honorable John Garamendi  
Insurance Commissioner  
ATTN: Larry C. White, Senior Staff Counsel  
45 Fremont Street, 24<sup>th</sup> Floor  
San Francisco, CA 94105

Dear Commissioner Garamendi:

We received your letter of June 10 in which you updated us on the reforms made to the California's workers' compensation system. We very much appreciate your taking the time to follow up on our inquiry. As you will remember, I am the President of the California Association for the Retarded, a statewide, nonprofit organization based in Sacramento.

We also appreciate your efforts in securing and enacting legislation to reduce workers' compensation premiums. Unfortunately, many of our community programs, administered by the Department of Developmental Services through regional centers, continue to be in crisis. Much of this is due to the fact that their rates have been frozen or reduced in the last few years. Part of it, however, also stems from the fact that workers' compensation premiums continue to increase at a staggering pace.

For example, one of CAR's local units, the Association for Retarded Citizens – Long Beach, had the workers' compensation premiums for its programs increase by 560 percent between 2001 and 2004. This occurred at the same time as state rates of reimbursement for program costs have decreased.

This program's situation typifies what many other community programs are experiencing. The fact is the state's method for computing rates does not take into account the cost of doing business including increased workers' compensation premiums. Nor are these programs able to pass along their increased costs to their consumers.

Now we have learned of another challenge – advisory premium rates proposed by the Workers' Compensation Insurance Rating Bureau (WCIRB) for certain new and renewal policies. According to WCIRB, these new rates are, on

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average, 3.5 percent greater than the rates that you approved in 2004. We also learned that WCIRB proposes to make changes to the standard classification system that could lead to rate increases of 25 percent each year for four to six years for certain programs in our field.

We are concerned that rate increases such as these will have the effect of reducing rather than enhancing employee safety. Many workers in these programs already are struggling with salaries that are at or close to minimum wage. Redirection of limited resources to cover higher premium rates will cause even greater staff turn-over and limit a program's ability to provide adequate staff training.

We urge you to examine these unintended but very real consequences to community programs serving people with developmental disabilities. We also urge you to continue to work with the Legislature, the Governor, the State Compensation Insurance Fund, and the Division of Workers' Compensation to reduce premium costs. Many programs for people with developmental and other disabilities are on the verge of bankruptcy. Unless the state implements more comprehensive reforms, and quickly, these programs will be forced to close their doors.

Sincerely,

Marion Lieberman  
President