

---

THIRD READING

---

Bill No: AB 1048  
Author: Chen (R)  
Amended: 4/10/25 in Assembly  
Vote: 21

---

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 5-0, 7/9/25  
AYES: Smallwood-Cuevas, Strickland, Cortese, Durazo, Laird

ASSEMBLY FLOOR: 76-0, 6/4/25 - See last page for vote

---

**SUBJECT:** Workers' compensation

**SOURCE:** California Orthopedic Association

---

**DIGEST:** This bill provides that certain contract disputes regarding discounts applied to a medical treatment bill may be resolved through the Division of Workers' Compensation (DWC) independent bill review (IBR), as specified.

**ANALYSIS:**

Existing law:

- 1) Establishes a comprehensive system of workers' compensation that provides a range of benefits for an employee who suffers from an injury or illness that arises out of and in the course of employment, regardless of fault. This system requires all employers to insure payment of benefits by either securing the consent of the Department of Industrial Relations (DIR) to self-insure or by obtaining insurance from a company authorized by the state. (Labor Code §§3200-6002)
- 2) Establishes the DWC and Workers' Compensation Appeal Board (WCAB) within DIR and charges them with monitoring the administration of workers' compensation claims and providing administrative and judicial services to assist in resolving disputes that arise in connection with claims for workers' compensation benefits. (Labor Code §3200 et seq.)

- 3) Requires that a provider of services for an injured worker eligible for workers' compensation benefits, as specified, submit its request for payment with an itemization of services provided and the charge for each service, a copy of all reports showing the services performed, any prescription or referral from the primary treating physician, as specified, and any evidence of authorization for the services to the employer, or to the insurer or third-party claims administrator as established through written agreement. (Labor Code §4603.2(b)(1)(A))
- 4) Provides that, if the provider disputes the amount paid, the provider may request a second review within 90 days of the explanation of the review, which the employer must respond to within 14 days with a final written determination on each of the items or amounts in dispute, as specified; and provides that, if the provider contests the amount paid after receipt of the second review, the provider shall request an IBR. (Labor Code §4603.2(e))
- 5) Provides that, if the only dispute between a medical provider and the employer is the amount of payment, and the provider has received a second bill review by the claims administrator that did not resolve the dispute, the provider may request an IBR within 30 calendar days of service of the second review, as specified. (Labor Code §4603.6(a))
- 6) Requires, upon the receipt of a request for IBR and the required fee, the administrative director (AD) of DWC to assign the request to an independent bill reviewer within 30 days, and requires the reviewer to review the materials submitted by the parties and make a written determination of any additional amounts to be paid to the medical provider, and state the reasons for the determination, as specified. (Labor Code §§4603.6(d)-(e))
- 7) Provides that the determination of the IBR is final and binding on all parties unless an aggrieved party files with the WCAB a verified appeal from the medical bill review determination within 20 days of service of the determination; and provides that the determination shall be presumed correct only upon clear and convincing evidence that:
  - a) The AD acted without or in excess of his or her powers;
  - b) The determination was procured by fraud;
  - c) The IBR was subject to a material conflict of interest;
  - d) The determination was the result of bias on the basis of race, national origin, ethnic group identification, religion, age, sex, sexual orientation, color, or disability; or

- e) The determination was the result of a plainly erroneous express or implied finding of fact, provided that the mistake of fact is a matter of ordinary knowledge based on the information submitted for review and not a matter that is subject to expert opinion. (Labor Code §4603.6(f))
- 8) Requires the AD to, after public hearings, adopt and revise periodically an official medical fee schedule (OMFS) that establishes reasonable maximum fees paid for medical services provided to workers' compensation patients. (Labor Code §5307.1)
- 9) Authorizes a medical provider and a contracting agent, employer, or carrier to contract for reimbursement rates that differ from the OMFS, so long as those rates do not exceed the rates established by the OMFS. (Labor Code §5307.11)

This bill:

- 1) Provides that a payment dispute, for the purposes of IBR under the workers' compensation system, includes a contract dispute involving a discount or reduction from the OMFS that was applied to a medical treatment bill.
- 2) Requires, if the dispute only involves a percentage discount or reduction that results in IBR upholding the discount or reduction, IBR to provide the rationale for that ruling in a written decision to the medical provider and include the medical provider contract or contracts relied upon to uphold the discount or reduction.
  - a) Requires, if the payer cannot produce a valid medical provider contract or contracts justifying the discount or reduction, the IBR organization to award the medical provider payment for the disputed medical treatment bill that is consistent with the OMFS.
  - b) Specifies the IBR organization is not required to provide the medical provider with a contract to which the medical provider is not a party.

## Background

*Workers' Compensation and the Independent Bill Review Process.* Under the California workers' compensation system, if a worker is injured on a job, the employer must pay for the worker's medical treatment, and provide monetary benefits if the injury is permanent. In return for receiving free medical treatment, the worker surrenders the right to sue the employer for monetary damages in civil court. This simple premise is sometimes referred to as the "grand bargain."

The workers' compensation system has several formal mechanisms for resolving disputes regarding the details of the injury, the medical necessity of aspects of the

treatment plan, or the billing of insurers by medical providers, etc. that involve qualified medical evaluators (QMEs), workers' compensation administrative law judges, and the WCAB, among others. When a medical provider and an employer or insurer disagree on payment for medical services provided, the medical provider can submit the bill to the insurance claims administrator for a second bill review, with any remaining dispute resolved through the IBR process. The only issue addressed during the IBR process is the amount to be paid for the provided medical service.

As the Assembly Committee on Appropriations points out, "DWC contracts with a single organization, Maximus, to provide all independent medical review and IBR services, subject to an IBR fee paid by the requesting medical provider. According to this bill's sponsor, this fee increased from \$180 to \$195 on January 1, 2025. Maximus assigns an independent bill reviewer to examine documents submitted by both parties, identifies the appropriate OMFS, and issues a written determination within 60 days of assignment. If the determination finds any additional amount of money is owed to the medical provider, the determination must also order the claims administrator to pay the additional sum owed and reimburse the provider the amount of the filing fee. The IBR determination is deemed the determination of the DWC and is binding on all parties."

*Official Medical Fee Schedule.* The OMFS establishes the reasonable maximum fees to be paid to a medical provider for medical services provided to a workers' compensation patient. DWC sets and updates the OMFS following a public hearing. However, existing law also authorizes a medical provider and a contracting agent, employer, or insurer to contract for a reimbursement rate that differs from the OMFS, as long as the contracted rate does not exceed the OMFS rate.

Under an arrangement known as a Preferred Provider Organization (PPO), the insurer sends business to the medical provider, and in exchange, the medical provider offers services for a discounted rate to the insurer. However, this system has also given rise to a practice known as "silent PPO discounting," when an intermediary organization network leases to other insurers the network's provider list, including discounted rates the network has brokered on behalf of an insurer to use these providers. A leasing insurer may then "double dip" on discounts by applying the direct discount the insurer has negotiated with the medical provider, as well as the additional discount the network has negotiated with the medical provider.

This bill, AB 1048, allows a medical provider to dispute an additional discount resulting from “silent PPO discounting” through the IBR process, and, if successful, receive payment in the amount set by the OMFS. If the IBR process determines the additional discount is appropriate, this bill requires the medical provider be notified of the relevant contract to which the medical provider is a party that supports the discounted rate.

**Related/Prior Legislation**

SB 668 (Hurtado, 2025) would have authorized the DWC AD to adjust the fee schedule for medical-legal evaluations every two years based on an evaluation of medical practice costs. This bill was held under submission in the Senate Appropriations Committee.

SB 863 (De Leon, Chapter 363, Statutes of 2012) enacted major reforms to the workers’ compensation system, including establishing the independent medical review and IBR processes for resolving disputes.

**FISCAL EFFECT:** Appropriation: No    Fiscal Com.: Yes    Local: No

**SUPPORT:** (Verified 8/18/25)

California Orthopedic Association (Source)  
California Medical Association  
California Podiatric Medical Association  
Peace Officers Research Association of California  
Western Occupational & Environmental Medical Association

**OPPOSITION:** (Verified 8/18/25)

American Association of Payers Administrators and Networks  
American Property Casualty Insurance Association  
California Association of Joint Powers Authorities  
California Chamber of Commerce  
California Coalition on Workers Compensation  
California Food Producers  
California League of Food Producers  
Public Risk Innovation, Solutions, and Management  
Schools Excess Liability Fund  
Urban Counties of California

**ARGUMENTS IN SUPPORT:**

According to the sponsors, the California Orthopaedic Association:

“The [IBR] process was designed to provide a streamlined, impartial method for resolving billing disputes between medical providers and payors. However, current law does not clearly authorize providers to challenge reimbursement reductions stemming from unauthorized or ‘silent’ Preferred Provider Organization (PPO) discounts—particularly those applied without the provider’s knowledge or consent. These discounts can undercut the Official Medical Fee Schedule and, in some cases, result in payments even lower than Medicare rates. For example, an orthopedic surgeon in San Diego was reimbursed significantly below the scheduled rate for a procedure, without any prior agreement to the discount. These opaque reimbursement practices discourage provider participation in the system, leading to diminished access to care for injured workers—especially specialty services. AB 1048 addresses this gap by clarifying that the IBR can address all payment disputes as we believe it was always intended. This clarification is critical to ensuring consistent and efficient resolution of payment disputes. Importantly, AB 1048 would impose little to no cost to the state. The IBR process is entirely funded by medical providers, who pay a \$195 filing fee to initiate a review by a third-party contractor (currently the company, Maximus). If Maximus determines that the provider is owed even a single penny more, the payor must reimburse both the underpayment and the \$195 fee. The Division of Workers’ Compensation (DWC) incurs no cost, regardless of the outcome. In fact, by allowing these disputes to remain within IBR rather than being escalated to the Workers’ Compensation Appeals Board (WCAB), AB 1048 could reduce state costs by alleviating burdens on the appeals system. By restoring financial transparency and predictability, AB 1048 will encourage more providers to remain in—or return to—the Workers’ Compensation system, ultimately improving access to timely, high-quality care for injured workers.”

**ARGUMENTS IN OPPOSITION:**

According to the opponents, which includes the American Property Casualty Insurance Association, and a large coalition of businesses, cities, counties, schools, and public entities:

“Employers are broadly supportive of the IBR process because it reduces unnecessary litigation on simple billing disputes. IBR typically addresses issues related to coding, bundling of services, and application of the official medical fee schedule. Under AB 1048, however, IBR would also be asked to resolve complicated contract disputes related to billing. IBR reviewers are typically

insurance and billing professionals who are quite good at resolving routine billing issues. IBR is not, however, staffed by attorneys and judges who are able to resolve legal disputes around contract application.

Many of the contracts subject to IBR under AB 1048 have binding dispute resolution provisions that would be interfered with by funneling the disputes into IBR. These provisions can include internal appeals processes, arbitration, and/or venue selection for dispute resolution. In fact, Labor Code Section 5275(b) specifically allows parties in the workers' compensation system to agree to arbitration to resolve disputes. From our perspective it is bad public policy to move these disputes from qualified arbitrators or judges and into the IBR system.

AB 1048 ignores contracted dispute resolution provisions and instead forces these disputes into an IBR process that isn't built for contract disputes."

ASSEMBLY FLOOR: 76-0, 6/4/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Lee, Macedo, Ta

Prepared by: Jazmin Marroquin / L., P.E. & R. / (916) 651-1556  
8/20/25 23:28:46

\*\*\*\* END \*\*\*\*