SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1048 (Chen) - Workers' compensation

Version: June 15, 2026
Policy Vote: L., P.E. & R. 5 - 0, L., P.E. & R. 5 - 0
Urgency: No
Mandate: No
Hearing Date: June 29, 2026
Consultant: Robert Ingenito

Bill Summary: AB 1048 would make specified changes within the workers' compensation medical billing and payment processes.

Fiscal Impact:

- The Department of Industrial Relations (DIR) indicates that it would incur first-year costs of $3.8 million, second-year costs of $3.5 million, and $3.1 million annually thereafter, to implement the provisions of the bill (Workers Compensation Administration Revolving Fund).

- This bill would result in increased costs to the State as direct employer. The magnitude is unknown but could reach the tens of millions of dollars annually (General Fund and special funds, see Staff Comments).

Background: California's workers' compensation system requires employers to provide medical treatment and disability benefits to employees who suffer work-related injuries or illnesses. Medical treatment is generally provided through employer-approved medical provider networks, and disputes regarding medical treatment, disability determinations, and provider reimbursement are resolved through administrative processes administered by DIR's Division of Workers' Compensation (DWC), including independent medical and billing review procedures.

Medical providers treating injured workers are reimbursed in accordance with the Official Medical Fee Schedule (OMFS), which establishes the maximum allowable reimbursement for workers' compensation medical services. Although providers generally bill their customary charges, claims administrators must adjust payments to reflect either the applicable OMFS rate or a separately negotiated contractual rate. When payments are adjusted, insurers must provide an Explanation of Review identifying the basis for the reimbursement.

Many insurers contract with Medical Provider Networks (MPNs) and Preferred Provider Organizations (PPOs) to obtain discounted reimbursement rates from participating providers. Existing law permits these negotiated discounts but also establishes safeguards intended to ensure transparency when provider contracts are sold, leased, or otherwise made available to additional payors through network leasing arrangements.

These provisions were enacted to address the practice commonly referred to as "silent PPO discounting," in which a provider's negotiated reimbursement rates are applied by

insurers or other payors without the provider's knowledge or authorization. Current law requires contracting agents to disclose network leasing arrangements to participating providers and requires payors to identify the contractual basis for any discounted payment. Upon request, a payor must also demonstrate its contractual authority to apply the negotiated reimbursement rate. If the payor is unable to establish that authority within specified statutory timeframes, the provider is entitled to reimbursement at the applicable fee schedule or billed amount, as provided by law. Questions remain, however, regarding the extent to which these disclosure requirements are consistently followed in practice.

Proposed Law: This bill, among other things, would do the following:

- Require the explanation of review or explanation of benefits to include the state assigned medical provider network identification number and an email address that the rendering medical provider may use to request a copy of the underlying contract (as specified) that entitles them to take the preferred rate.

- State that disclosure of a medical provider network does not satisfy the above requirement.

- Require the payor, upon request, to provide the rendering provider or their agent with a copy of the underlying contract once per 365-day period.

- Require all requests for authorization (RFAs) to bear the signature of the requesting physician and would expressly authorize RFAs to be submitted by mail, facsimile, or specified electronic methods.

Related 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 on the Suspense File of this 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.

Staff Comments: Established in 1914, State Compensation Insurance Fund (State Fund) is California's largest provider of workers' compensation insurance and serves as the State's insurer of last resort. Amongst its other duties, State Fund directly administers claims and legal representation for almost all State of California agencies and departments. As a self-supporting entity, it processes these claims directly, dictating the ultimate cost of workplace injury payouts to the State and managing how much the state pays into the workers compensation pool.

State Fund indicates that, under this bill, all California employers (including the State itself) would experience increased cost of providing employees with workers compensation medical benefits. Specifically, the bill's provisions governing the documentation required to support payment of negotiated reimbursement rates could substantially limit the continued use of existing PPO and network leasing arrangements.

State Fund indicates that its provider networks generally rely on contractual relationships between providers and PPOs, rather than direct contracts between providers and medical provider networks. As a result, State Fund contends it may be unable to satisfy the bill's documentation requirements to demonstrate its entitlement to negotiated reimbursement rates, causing many medical services to instead be reimbursed at the higher OMFS rates.

Based on its analysis of 2025 claims experience, State Fund estimates that the loss of negotiated provider discounts would increase workers' compensation claim costs for state agencies by $27.5 million annually. State Fund further indicates that applying the bill's provisions to existing claims could increase outstanding workers' compensation liabilities by hundreds of millions of dollars.

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