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

AB 1576 (Ortega) - Workers' compensation: Subsequent injuries payments

Version: April 20, 2026
Urgency: No
Hearing Date: June 29, 2026

Policy Vote: L., P.E. & R. 4 - 1
Mandate: No
Consultant: Robert Ingenito

Bill Summary: AB 1576 would make specified changes to the process of filing, evaluating, and paying claims for special additional compensation from the Subsequent Injuries Benefits Trust Fund (SIBTF).

Fiscal Impact:

- The Department of Industrial Relations (DIR) indicates that it would incur annual costs of $7 million (Workers' Compensation Administration Revolving Fund, see Staff Comments).

- To the extent this bill results in a lower payroll surcharge for employers generally, it could result in potential cost savings to the State as a direct employer. The magnitude is unknown (General Fund and special funds).

Background: California's workers' compensation system generally provides medical treatment and disability benefits to employees who suffer work-related injuries or illnesses. Disability benefits are typically based on the degree of permanent impairment attributable to the workplace injury and are financed by employers through workers' compensation insurance or self-insurance arrangements.

Separate from the core workers' compensation system, SIBTF provides additional disability benefits to workers who had a preexisting disability that, when combined with a subsequent industrial injury, results in a substantially greater overall level of disability. Established following World War II, SIBTF was intended to encourage the employment of individuals with disabilities by relieving employers of liability for preexisting impairments while ensuring that injured workers receive compensation reflecting their overall loss of earning capacity. Benefits are funded through assessments on workers' compensation premiums and self-insured employers rather than through the employer responsible for the subsequent injury.

Eligible workers may receive benefits beyond those attributable to the workplace injury alone when statutory thresholds are met, including minimum disability-rating requirements and evidence that the combination of the preexisting disability and subsequent injury results in a significantly higher level of permanent disability. In the most severe cases, SIBTF benefits may include lifetime disability payments.

Historically a relatively small component of California's workers' compensation system, SIBTF has experienced substantial growth in both claims activity and projected liabilities over the past decade. According to analyses cited by the Legislative Analyst's Office

and DIR, annual SIBTF benefit obligations now rival or exceed permanent disability payments made through the traditional workers' compensation system.

In response to this growth, DIR commissioned a study by the RAND Corporation to evaluate the causes of rising claims and assess the long-term fiscal condition of the program. RAND found that annual SIBTF payments increased dramatically between 2010 and 2022 and estimated that pending and future liabilities associated with recent claims could total several billion dollars. The report concluded that, absent policy changes, employer assessments supporting the fund would likely continue to increase significantly in order to meet future obligations.

RAND identified several factors contributing to the program's growth, including ambiguities in existing statutes, evolving interpretations of eligibility requirements, and litigation trends that have expanded the number of claims qualifying for SIBTF benefits. In particular, the report highlighted the impact of the 2020 Workers' Compensation Appeals Board decision in Todd v. SIBTF, which altered the method used to combine disability ratings for purposes of determining eligibility and benefits. According to RAND, this decision substantially increased the number of cases qualifying for enhanced benefits, including lifetime disability awards, and contributed to significant growth in both benefit payments and litigation-related costs.

The RAND report recommended a series of statutory and administrative reforms intended to improve program sustainability, reduce litigation incentives, and align the program more closely with its original purpose. Among other recommendations, RAND suggested integrating SIBTF medical evaluations into the existing Qualified Medical Evaluator (QME) process, clarifying statutory eligibility criteria, and revisiting benefit-calculation methodologies that have contributed to increased liabilities.

This bill incorporates several of those recommendations. Specifically, the bill would require medical-legal evidence in SIBTF claims to be obtained through the QME process, rather than through medical evaluators independently selected by claimants. The bill also directs the Division of Workers' Compensation to establish and maintain a panel of qualified evaluators with expertise in SIBTF matters. Proponents contend these changes would reduce opportunities for inconsistent medical evaluations and help control program costs.

The bill further clarifies statutory eligibility standards by defining the circumstances under which a preexisting permanent disability qualifies for SIBTF consideration and by updating provisions related to the treatment of diminished future earning capacity in disability determinations. Supporters argue these changes would provide greater consistency in claim adjudication and better align eligibility standards with legislative intent.

In addition, the bill would transfer responsibility for administering SIBTF benefit payments from the State Compensation Insurance Fund to DIR. Because DIR already serves as trustee of the fund, the proposed change is intended to simplify administration and eliminate the need for the existing reimbursement structure between the State Fund and the state.

The issues addressed by this bill have been the subject of extensive legislative and administrative review in recent years. In vetoing similar legislation in 2025 (AB 1329),

the Governor acknowledged the need for significant reform but expressed concern that piecemeal changes would be insufficient to address the program's long-term fiscal challenges. The veto message directed DIR and its Division of Workers' Compensation to develop a comprehensive reform proposal through the 2026-27 budget process.

The Administration subsequently proposed a broader package of reforms that includes many of the concepts examined by RAND. Legislation implementing those budget-related reforms remains under consideration by the Legislature. As a result, this bill overlaps with, but does not encompass, the full scope of the Administration's proposed restructuring of the SIBTF program.

Proposed Law: This bill would do the following:

- Clarify, pursuant to existing law, that “permanent disability” in relation to SII occurring on or after January 1, 2005, and prior to January 1, 2013, is measured by the whole person impairment rating, based on the AMA Guides to the Evaluation of Permanent Impairment, 5th Edition (“AMA Guides”), after adjustment for diminished future earning capacity and without regard to, or adjustment for, the occupation or age of the employee.

- Clarify, pursuant to existing law, that “permanent disability” in relation to SII occurring on or after January 1, 2013, is measured by the whole person impairment rating, also referred to as the impairment standard, based on AMA Guides, after multiplication by the adjustment factor of 4.1, pursuant to existing law, and without regard to, or adjustment for, the occupation or age of the employee.

- Provide that, for compensable SII occurring on or after January 1, 2027, for purposes of determining eligibility for, and the amount of an award of, special additional compensation (i.e. SIBTF benefits), the existence of a prior PPD that existed at the time of the SII shall be determined by substantial evidence, based on medical records, testimony, or other evidence, that the prior PPD predated the SII and that the prior PPD resulted in loss of earnings, interfered with work activities of the employee, or otherwise impacted the ability of the employee to perform work activities or activities of daily living.

- Specify that medical-legal evidence in a proceeding filed for SIBTF benefits may only be obtained in accordance with existing procedures for QMEs applicable to traditional workers’ compensation claims.

- Require the administrative director (AD) of the DWC to create and maintain database of QME physicians who have the necessary training and expertise to perform evaluations for SIBTF claims and specifies this database shall be used by the medical director of DWC to fulfill requests for a panel of QMEs in accordance with existing procedures.

- Authorize the Director of DIR to issue regulations as necessary for the implementation and orderly and effective administration of SIBTF medical evaluations.

- Transfers responsibility for the payment of SIBTF benefits from the State Fund to the Director of DIR.

Related Legislation:

- AB 1329 (Ortega, 2025) is substantially similar to this bill, and would have made various changes to the process of filing, evaluating, and paying claims for special additional compensation from the SIBTF. This bill was vetoed by Governor Newsom.

- 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.

- SB 899 (Poochigian, Chapter 34, Statues of 2004) enacted major reforms to the workers' compensation system, including authorizing medical provider networks, revising the QME process, and adopting a modified Permanent Disability Rating Schedule that incorporated a DFEC modifier.

Staff Comments: As noted previously, this bill is estimated to increase ongoing costs to DIR by $7 million annually. According to DIR, these costs have two primary components. First, DIR expects the bill to increase the number of SIBTF claims and the fund's long-term liabilities. Unlike last year's AB 1329, this bill does not include several cost-containment provisions, such as a statute of limitations for claims or exclusions for specified chronic conditions. As drafted, the bill is estimated to increase DIR's workload by approximately $3 million annually to process additional SIBTF claims. However, under current law, there is no statutory limitations period for filing SIBTF claims and no exclusions for specified chronic conditions. Accordingly, Staff does not anticipate that the bill, by itself, would increase costs relative to current law on these issues.

Second, the bill would require SIBTF claims to utilize the Qualified Medical Evaluator (QME) process. During the Assembly Appropriations Committee review, DIR's Division of Workers' Compensation (DWC) estimated ongoing costs of approximately $1.6 million annually to implement the QME-related provisions. At that time, however, the fiscal estimate did not include additional staffing needed for DIR's legal office. Updated estimates indicate that the combined ongoing costs for DWC and DIR's legal unit to implement and administer the QME provisions would total approximately $4 million annually.

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