



Gavin Newsom
Governor

Impact of Revising the Definition of a Single Disability Benefit Period

A Report to the California Legislature

EMPLOYMENT DEVELOPMENT DEPARTMENT
January 1, 2020

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Employment Development Department

January 1, 2020

The Honorable Members of the California State Legislature
California State Senate and Assembly
State Capitol
Sacramento, CA 95814

Dear Members of the California State Legislature:

Senate Bill (SB) 667 (Jackson, Chapter 357, Statutes of 2015) requires the Employment Development Department (EDD) to issue a report on the bill's changes to the Disability Insurance program. This letter summarizes that report.

The Disability Insurance program provides monetary benefits to covered workers who are unable to work due to an illness, non-work related injury, or pregnancy. Eligible claimants serve a seven day non-payable waiting period before receiving initial benefit payments. Senate Bill 667 made technical changes to the program with the intent of reducing the likelihood that claimants with serious chronic illnesses would be required to serve more than one waiting period for the same or a related cause or condition. These changes became effective July 1, 2016.

The EDD has determined that SB 667 has reduced the number of waiting periods served by customers with serious chronic illnesses. Between 2016 and 2018, the Department observed a 50 percent decrease in the average number of claimants serving multiple waiting periods for the same disability, from 2,396 to 1,160.

A complete copy of the EDD's report on SB 667 will be sent to the California Legislature. Copies of this report are available to any legislative member upon request.

Sincerely,

/s/ PATRICK W. HENNING
Director

EXECUTIVE SUMMARY

Senate Bill (SB) 667 (Jackson, Chapter 357, Statutes of 2015) requires the Employment Development Department (EDD) to report to the Legislature by January 1, 2020, on the effects of changing the waiting period for continuous claims for Disability Insurance (DI) benefits. This report satisfies that requirement.

The DI program provides monetary benefits to covered workers who are unable to work due to an illness, non-work related injury, or pregnancy. Eligible DI claimants are required to serve a seven day non-payable waiting period before receiving initial benefit payments for a new claim. Prior to SB 667, periods of disability separated by more than 14 days were considered new claims, requiring another seven day waiting period.

Senate Bill 667 made technical changes to the DI program with the intent of reducing the likelihood that claimants with serious chronic illnesses would be required to serve more than one waiting period for the same or a related cause or condition. This was accomplished by increasing the timeframe for a continuous period of disability from 14 days to 60 days. Under this new law, periods of disability separated by more than 60 days are considered new claims.

The EDD has determined that SB 667 has accomplished its goal. From July 1, 2012 to June 30, 2016, the average number of claimants serving multiple waiting periods for the same disability in the same year represented 0.4 percent of all initial claims. A review of the most recent estimates shows this claimant group now represents 0.2 percent of all initial claims, a 50 percent reduction.

STATE DISABILITY INSURANCE PROGRAM OVERVIEW

The State Disability Insurance (SDI) program encompasses both the DI and Paid Family Leave (PFL) programs. The DI program was created in 1946 to provide benefits to workers experiencing a wage loss due to a non-work related injury or illness, or due to pregnancy or childbirth. In 2004, California was the first state in the nation to implement a PFL program that provides benefits to workers who need to take time off to care for a seriously ill family member, or to bond with a new child either from birth, adoption, or foster care placement. The SDI program provides eligible workers with approximately 60 to 70 percent of their earnings and is financed solely by workers through payroll deductions.

DISABILITY INSURANCE WAITING PERIOD AND SB 667

Before an eligible worker can receive DI benefits for a new claim, they must serve a seven day non-payable waiting period. The first payable day is the eighth day of the claim. As with other types of insurance, the waiting period serves as a deductible and preserves the long-term DI Fund solvency. This requirement was instituted to discourage individuals from filing claims for less than eight days of disability due to short-term common health conditions such as the cold and flu. Prior to SB 667, periods of disability separated by more than 14 days were considered new claims, requiring another seven day waiting period.

Senate Bill 667 increased the number of days allowed between two consecutive disability periods from 14 days to 60 days, with the intent of reducing the likelihood that claimants with serious chronic illnesses who establish subsequent claims for the same or similar disability would be required to serve more than one waiting period. The bill also specified that the seven day waiting period requirement would not apply to claimants who file a subsequent claim for the same or similar medical condition within 60 days of the initial disability period. These changes became effective July 1, 2016.

METHODOLOGY

To study the effects of SB 667, the EDD obtained data on the average number of First Claims Paid each year beginning in 2012 through 2018. Data was provided by the EDD's Fiscal Programs Division, Program Estimates and Automation Group. To track the average number of claimants who benefitted from SB 667, EDD identified claimants who established more than one valid claim effective date over a period of approximately 12 to 13 months for the same disability.

For claim filing purposes, physicians and practitioners provide one or more International Classification of Diseases (ICD) codes to describe a disabling condition. For example, there are different ICD codes that can be used to generically indicate a back injury while other ICD codes describe a specific type of back injury.

The EDD was able to capture aggregate data for claimants who filed multiple claims that included the same ICD code. Claimant medical conditions were tracked by matching the same ICD codes on initial versus subsequent claims.

IMPACT OF SB 667

Modifying the definition of what constitutes a single disability benefit period for SDI program purposes has benefited claimants who in some cases were previously required to serve more than one unpaid waiting period as a result of an intermittent, but serious chronic disability.

The following chart provides data on the average number of established DI claims as compared to the average number of claimants who established multiple claims in a single state fiscal year (SFY) for the same medical condition for SFYs 2012 through 2018.

SFYs Pre/Post SB 667 Implementation*	Average Number of All DI First Claims Paid	Average Number of Claimants Serving Multiple Waiting Periods for the Same Disability in a SFY
2012 - 2016	631,574	2,396
2016 - 2018	645,124	1,160

*Note: SB 667 was implemented on July 1, 2016

Since the July 1, 2016 implementation of SB 667, the average number of claimants who were required to file a new subsequent claim and serve an additional waiting period as a result of intermittent periods of disability for a single medical condition has decreased by approximately 50 percent.



Gavin Newsom
Governor
STATE OF CALIFORNIA

Julie A. Su
Secretary
LABOR AND WORKFORCE DEVELOPMENT AGENCY

Patrick W. Henning
Director
EMPLOYMENT DEVELOPMENT DEPARTMENT