

California Workers' Compensation Compromise and Release Settlements: Implications for Future Medical Treatment and Permanent Closure of Claims

(PART-A INJURED WORKERS ANALYSIS)

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CALIFORNIA WORKERS' COMPENSATION: COMPROMISE AND RELEASE SETTLEMENTS AND YOUR FUTURE MEDICAL TREATMENT

A Compromise and Release (C&R) settlement is one of two main ways to close a workers' compensation claim in California. If you accept a C&R, you receive a one-time lump-sum payment. In exchange, you permanently give up your right to future medical care and any additional benefits from the workers' compensation system for that injury. This report explains what a C&R means, how the process works, and what you should consider before signing.

Important: Once a judge approves a C&R settlement, it is final. You cannot change it or reopen it except in very rare situations involving fraud, pressure, or a shared mistake by both sides — and only if you act within five years of your injury date. Cal. Code Regs. tit. 8, § 10882 (<https://www.dir.ca.gov/t8/10882.html>); Cal. Lab. Code § 5001 (<https://law.justia.com/codes/california/code-lab/division-4/part-3/chapter-2/section-5001/>).

Part 1: What Is a Compromise and Release Settlement?

This section defines the C&R settlement and explains what it means for your workers' compensation claim.

Definition

A Compromise and Release (C&R) is a legal agreement between you (the injured worker, also called the applicant) and your employer's insurance company (the defendant). You agree to settle your entire workers' compensation claim for a single lump-sum payment. In return, the employer and insurer are released from all future responsibility for your injury. California Division of Workers' Compensation, How Is My Case Resolved (<https://www.dir.ca.gov/dwc/CaseResolved.htm>).

The lump-sum payment is meant to cover everything: your permanent disability (the lasting effects of your injury), any unpaid temporary disability benefits (payments you received while recovering), and an estimate of the cost of all future medical treatment you may need for that injury. Employees First Labor Law, C&R vs. Stipulated Award (<https://employeesfirstlaborlaw.com/how-do-i-settle-my-workers-comp-case-cr-vs-stipulated-award/>).

What "Permanent Closure" Means

After a C&R is approved by a Workers' Compensation Judge (WCJ) — the judge who oversees your case at the Workers' Compensation Appeals Board (WCAB) — your claim is legally over. The insurance company will not pay for any more medical treatment, surgeries, therapy, or medications related to that injury, even if your condition gets worse. Pacific Workers' Compensation, What Is a Compromise and Release (<https://www.pacificworkers.com/blog/2019/august/what-is-a-compromise-and-release-c-r-/>).

Why the C&R Exists

California law allows C&R settlements because some injured workers prefer to receive their money all at once and manage their own medical care. The insurance company also benefits because it no longer has any open financial obligations. This mutual benefit is why C&R settlement amounts are usually higher than what you would receive through the other type of settlement, called a Stipulated Award. California Work Injury Law Center, Settlement vs. Trial (<https://cwilc.com/settlement-vs-trial-comparing-litigation-strategies-for-california-workers-compensation-claimants/>).

Legal Authority

California law authorizes C&R settlements under Cal. Lab. Code § 5000 (<https://law.justia.com/codes/california/code-lab/division-4/part-3/chapter-2/section-5001/>), which says that parties may compromise any claim for injury or death. However, Cal. Lab. Code § 5001 (<https://law.justia.com/codes/california/code-lab/division-4/part-3/chapter-2/section-5001/>) requires that no compromise is valid unless a judge at the WCAB approves it. This rule protects injured workers from accepting settlements that are too low.

Part 2: C&R vs. Stipulated Award — Key Differences

Understanding the difference between these two settlement types is one of the most important decisions you will make in your workers' compensation case.

What Is a Stipulated Award?

A Stipulated Award (sometimes called "Stips") is the other way to settle a workers' compensation claim. With a Stipulated Award, you and the insurance company agree on your permanent disability rating and weekly benefit amount. You then receive payments every two weeks over time, rather than a single lump sum. Employees First Labor Law, Settlement Types Explained (<https://employeesfirstlaborlaw.com/how-do-i-settle-my-workers-comp-case-cr-vs-stipulated-award/>).

The Critical Difference: Future Medical Care

The most important difference is this:

- With a Stipulated Award: Your right to future medical care stays open for the life of the injury. If you need surgery, medication, therapy, or other treatment in the future, the insurance company must pay for it. DWC, How Is My Case Resolved (<https://www.dir.ca.gov/dwc/CaseResolved.htm>).
- With a C&R: Your right to future medical care ends permanently. You receive money to cover estimated future medical costs, but if that money runs out, you pay out of your own pocket.

Reopening Rights

A Stipulated Award also preserves your right to petition to reopen your claim within five years of the date of injury if you develop new and further disability — meaning your condition worsens, new symptoms appear, or you need treatment that was not anticipated. Laguna Law Firm, Can You Reopen a Workers' Compensation Settlement (<https://www.lagunalawfirm.com/can-you-reopen-a-workers-compensation-settlement-in-california/>); DCLBV Law, New and Further Disability (<https://dclbv.com/newsletters/2022/q2/new-and-further-disability-and-a-timely-petition-to-reopen/>).

A C&R provides no reopening right for worsening conditions. Thomas Martin Law, Can I Reopen a Workers' Comp Claim (<https://thomasmartin.com/can-i-reopen-a-workers-comp-claim-in-california/>).

Side-by-Side Comparison

- Payment method: C&R gives you one lump sum; Stipulated Award pays you every two weeks
- Future medical care: C&R closes it permanently; Stipulated Award keeps it open for life
- Reopening for worsening condition: Not available with C&R (except fraud/mistake); available within five years with Stipulated Award
- Total cash amount: C&R usually pays more cash overall; Stipulated Award pays less cash but provides ongoing medical coverage
- Control over medical decisions: C&R lets you choose any doctor; Stipulated Award limits you to the Medical Provider Network (MPN), which is a group of approved doctors chosen by the insurance company DWC, Workers' Comp FAQs for Employees (<https://www.dir.ca.gov/dwc/wcfaqiw.html>)

The Core Question

The decision comes down to this: Do you want more cash now with no future medical safety net? Or do you want less cash now with the security of knowing the insurance company will pay for your medical care in the future? T.J. Ryan Law, Lump Sum vs. Structured Settlements (<https://www.tjryanlaw.com/workers-comp/understanding-lump-sum-settlements-vs-structured-settlements-in-california-workers-comp/>).

Part 3: The Legal Framework — Statutes and Regulations

This section outlines the specific laws that govern C&R settlements in California.

Key Statutes

Several sections of the California Labor Code control how C&R settlements work:

- Cal. Lab. Code § 5000 (<https://law.justia.com/codes/california/code-lab/division-4/part-3/chapter-2/section-5001/>) — Allows parties to compromise any workers' compensation claim

- Cal. Lab. Code § 5001 (<https://law.justia.com/codes/california/code-lab/division-4/part-3/chapter-2/section-5001/>) — Requires that a judge approve every C&R before it becomes valid
- Cal. Lab. Code § 5003 (https://judgeobrien.com/index.php?option=com_content&view=article&id=1579%3A40-13-0-compromise-and-release-agreements) — Requires the agreement to be in writing, signed before two witnesses or a notary, and include specific information such as your date of injury, wages, the nature of your disability, and how long you were disabled

Key Regulations

The California Code of Regulations adds more requirements:

- Cal. Code Regs. tit. 8, § 10870 (<https://www.dir.ca.gov/t8/10870.html>) — Gives the WCAB the power to review whether a C&R settlement is adequate and to hold a hearing if needed
- Cal. Code Regs. tit. 8, § 10874 (https://judgeobrien.com/index.php?option=com_content&view=article&id=1579%3A40-13-0-compromise-and-release-agreements) — Requires every C&R to follow the format of the official WCAB Form 15

The WCAB Policy Manual

The WCAB Policy and Procedural Manual, Section 1.90 (<https://www.dir.ca.gov/wcab/wcabpolicyproceduremanual/policyandproceduremanual.pdf>) establishes that a judge must act on a submitted C&R within fifteen days. If the settlement has not been approved, denied, or set for a hearing within forty-five days, the file goes to the Presiding Workers' Compensation Judge (the supervising judge) for review. This prevents unnecessary delays.

Important Case Law

Courts have established key rules about C&R settlements through their decisions:

- The WCAB has held that a C&R is a binding contract. Once executed and approved, the law favors finality, and simply changing your mind is not enough to undo it. *Yruegui & Roberts, Compromise and Release vs. Stipulation* (<https://www.rjylaw.com/california-workers-compensation-defense-compromise-and-release-cr-vs-stipulation/>).
- An approved C&R has the same legal force as a court judgment made after a full trial. *WorkCompCentral, Overturning an Approved Settlement* (<https://www.workcompcentral.com/news/article/id/ee0104563c2c502614ff1f0aea5d528fcca6c981>).
- In *Atkins v. Santa Barbara Metropolitan Transit District* (2020), the WCAB confirmed that judges must actively review C&R settlements for adequacy and cannot simply approve them without examination. *Advocate Magazine, Adequacy of Settlements* (<https://www.advocatemagazine.com/article/2021-august/like-beauty-adequacy-of-settlements-is-in-the-eye-of-the-beholder/>).

Part 4: The Approval Process

Before a C&R becomes final, a workers' compensation judge must review and approve it. This section explains what the judge looks for and what documents you need.

Judicial Adequacy Review

The judge does not simply stamp your C&R and approve it. The judge must conduct an adequacy review — a meaningful examination of whether the settlement amount is fair given your situation. *WCAB Policy and Procedural Manual* (<https://www.dir.ca.gov/wcab/wcabpolicyproceduremanual/policyandproceduremanual.pdf>).

The judge considers:

- Whether the settlement amount is reasonable based on your permanent disability rating (a number that measures how seriously your injury limits your ability to work)
- Whether the amount includes a reasonable estimate of your future medical costs
- Whether the medical reports in your file support the settlement terms
- Whether any disputed issues are properly addressed

If the judge finds the settlement may be too low, the judge issues an Order Suspending Action, telling the parties what is wrong and giving up to thirty days to fix it. Bradford & Barthel, Adequacy of Settlements (<https://bradfordbarthel.com/2021/04/21/like-beauty-adequacy-of-settlements-is-in-the-eye-of-the-beholder/>).

Important: The judge can refuse to approve your C&R if it is inadequate, but the judge cannot rewrite the agreement without both sides agreeing. See Burbank Studios v. WCAB (Yount), 47 Cal. Comp. Cases 832 (1982), as cited in Judge O'Brien Legal Reference (https://judgeobrien.com/index.php?option=com_content&view=article&id=1579%3A40-13-0-compromise-and-release-agreements).

Required Documents

You must submit the following to the WCAB:

- WCAB Form 15 — The official Compromise and Release form, which must be fully completed. Official WCAB Form 15 (<https://www.dir.ca.gov/dwc/forms/CR15.pdf>).
- Medical reports from your treating physicians and any evaluators
- Disability ratings from the Disability Evaluation Unit (DEU) or private raters
- Proof of service showing all parties and lien claimants received copies
- A cover letter explaining why the settlement amount is fair
- Medicare Set-Aside documentation, if applicable

The settlement must be signed by you before two disinterested witnesses or a notary public. If you do not speak English fluently, the documents must be explained to you in your native language, and a statement confirming this must be included in the file. DWC Settlement Guidelines (<https://www.dir.ca.gov/dwc/setguide.pdf>).

Resolving Liens

Liens are claims filed against your settlement by third parties — for example, a medical provider who treated you, a prior attorney, or a child support agency. Unresolved liens are one of the most common causes of delay. The WCAB allows judges to approve a C&R even if liens are unresolved, as long as the settlement is otherwise adequate and the C&R specifies how liens will be handled. WCAB Policy and Procedural Manual, Section 1.105 (<https://www.dir.ca.gov/wcab/wcabpolicyproceduremanual/policyandproceduremanual.pdf>).

Part 5: How a C&R Affects Your Future Medical Treatment

This section explains the most important consequence of a C&R settlement: the permanent end of the insurance company's obligation to pay for your medical care.

Your Medical Care Ends Permanently

Once a judge approves your C&R, the insurance company has no further duty to authorize or pay for any medical treatment related to your work injury — regardless of what happens to your health afterward. Employees First Labor Law, Settlement Overview (<https://employeesfirstlaborlaw.com/how-do-i-settle-my-workers-comp-case-cr-vs-stipulated-award/>).

This means:

- If you need surgery later, you pay for it yourself
- If your condition gets worse, you cannot go back to the insurance company
- If you need new medications, therapy, or medical devices, you are responsible for the cost
- If you discover a complication years later, the insurance company will not cover it

DAM Firm, What Happens If I Get Worse After Settlement (<https://www.damfirm.com/getting-worse-after-settlement/>).

How Future Medical Costs Are Estimated

The C&R settlement amount includes an estimate of what your future medical care will cost. This estimate is based on:

- The type and severity of your injury

- Your age and life expectancy
- What treatments your doctors say you will likely need
- The official Workers' Compensation Medical Treatment Utilization Schedule (MTUS) and fee schedules set by the Division of Workers' Compensation DWC, Workers' Comp FAQs (<https://www.dir.ca.gov/dwc/wcfaqiw.html>)

Critical: Workers' compensation fee schedules are often lower than what private doctors charge. If you plan to see a private doctor after settling, the actual costs may be much higher than what was estimated in the C&R. CBMC Law, Future Medical Expenses (<https://www.cbmcclaw.com/future-medical-expenses-how-they-are-calculated-in-injury-settlements/>).

Freedom to Choose Your Doctor

One advantage of a C&R is that you can see any doctor you want after settling. Under an open workers' compensation claim, you are usually limited to the employer's Medical Provider Network (MPN) and must go through utilization review (a process where the insurance company decides whether your treatment is necessary). With a C&R, those restrictions end. California Work Injury Law Center, Settlement Strategy (<https://cwilc.com/settlement-vs-trial-comparing-litigation-strategies-for-california-workers-compensation-claimants/>).

However, this freedom has a cost: if the money runs out, no one else will pay.

Impact on Other Benefits

Receiving a lump-sum workers' compensation settlement can affect your eligibility for other government programs. WCAB Form 15 (<https://www.dir.ca.gov/dwc/forms/CR15.pdf>).

- Supplemental Security Income (SSI) and Medi-Cal have asset limits. A lump-sum payment could make you temporarily ineligible.
- Social Security Disability Insurance (SSDI) may be reduced by a workers' compensation offset. Visionary Law Group, Fair Workers Comp Settlements (<https://visionarylawgroup.com/what-makes-a-workers-comp-settlement-fair/>).
- State Disability Insurance (SDI) may also be affected.

Important: Before accepting a C&R, ask your attorney how the settlement will affect any government benefits you receive or may receive in the future.

Part 6: Medicare Set-Aside Requirements

If you are enrolled in Medicare or expect to be enrolled within thirty months of your settlement, special federal rules may apply.

What Is a Medicare Set-Aside?

A Medicare Set-Aside (MSA) is a portion of your settlement money that must be set aside in a separate account to pay for future medical treatment related to your work injury. You must spend all of the MSA funds on that medical care before Medicare will pay for any treatment related to the injury. CMS, Workers' Compensation Medicare Set Aside Arrangements (<https://www.cms.gov/medicare/coordination-benefits-recovery/workers-comp-set-aside-arrangements>).

When Is an MSA Required?

The Centers for Medicare and Medicaid Services (CMS) — the federal agency that runs Medicare — will review MSA proposals when:

- You are already a Medicare beneficiary and your total settlement exceeds \$25,000, or
- You have a reasonable expectation of enrolling in Medicare within thirty months and the anticipated total settlement exceeds \$250,000

CMS, WCMSA Guidance (<https://www.cms.gov/medicare/coordination-benefits-recovery/workers-comp-set-aside-arrangements>).

How the MSA Amount Is Calculated

Determining the right MSA amount requires input from medical experts about your projected future care needs, your life expectancy, and estimated medical costs adjusted for inflation. Ametros, Medicare Set Asides FAQ (<https://ametros.com/faqs/medicare-set-asides/>).

The parties may submit the MSA proposal to CMS for review. CMS will confirm whether the amount is adequate. The judge reviewing your C&R must ensure the MSA amount is reasonable and that you understand this money is earmarked for medical care, not for personal use.

What Happens If You Do Not Comply

If an MSA is required but you do not set it up correctly, Medicare may deny coverage for treatment related to your work injury. Medicare may also seek reimbursement for payments it made that should have come from the MSA funds. This can create serious financial problems after settlement.

Part 7: Can You Reopen a C&R Settlement?

A C&R can only be changed or undone in very limited circumstances. This section explains those rare exceptions.

The Five-Year Window

Cal. Lab. Code § 5803

(<https://www.workcompcentral.com/news/article/id/ee0104563c2c502614ff1f0aea5d528fcca6c981>) gives the WCAB continuing power over its decisions. Cal. Lab. Code § 5804

(<https://www.workcompcentral.com/news/article/id/ee0104563c2c502614ff1f0aea5d528fcca6c981>) limits that power: no decision can be changed after five years from the date of injury unless a petition is filed within that five-year window.

Important: The five-year clock starts on the date of your injury, not the date you signed the C&R or the date the judge approved it. Scher & Bassett, Case Closed But Still in Pain (<https://scherandbassett.com/workers-comp-case-closed-but-still-in-pain/>).

Grounds for Reopening Within Five Years

Within the five-year window, you must show good cause, which includes:

- Fraud — The other side lied about something important (for example, hiding medical evidence)
- Duress — You were forced or pressured into signing
- Mutual mistake — Both sides were wrong about a key fact

For example, the WCAB set aside a C&R in *Santa Maria Bonita School District v. WCAB (Recinos)*, 67 Cal. Comp. Cases 848 (2002), where both sides mistakenly believed Medicare would cover the worker's future care. Similarly, in *City of Beverly Hills v. WCAB (Dowdle)*, 62 Cal. Comp. Cases 1691 (1997), both sides incorrectly believed private insurance would cover future treatment. *Bradford & Barthel, Petitions to Set Aside* (<https://bradfordbarthel.com/2016/06/21/oh-no-i-made-a-mistake-petitions-to-set-aside/>).

After Five Years

After five years, the standard is much higher. You can only challenge the C&R by showing extrinsic fraud or extrinsic mistake — meaning you were prevented from presenting your full case or someone acted fraudulently outside the settlement process itself. *WorkCompCentral, Overturning an Approved Settlement* (<https://www.workcompcentral.com/news/article/id/ee0104563c2c502614ff1f0aea5d528fcca6c981>).

What Is NOT Grounds for Reopening

- Simply regretting the settlement is not enough
- Your condition getting worse is not enough (unlike with a Stipulated Award)
- Discovering that your medical costs are higher than expected is not enough
- A unilateral mistake (where only you were mistaken) is generally not enough

DAM Firm, What Happens If I Get Worse After Settlement (<https://www.damfirm.com/getting-worse-after-settlement/>).

Your Only Other Option

If your condition worsens after a C&R, your only option may be to file a completely new workers' compensation claim — but only if a new workplace injury caused the worsening or if the condition has spread to body parts not covered by the original C&R. Pacific Workers' Compensation, Medical Treatment After Workers' Comp (<https://www.pacificworkers.com/blog/2023/june/medical-treatment-after-workers-comp/>).

Part 8: Settlement Timeline — From Agreement to Payment

This section walks you through the typical steps and timing of a C&R settlement.

Step 1: Reach Maximum Medical Improvement (MMI)

Maximum Medical Improvement (MMI) means your condition has stabilized and further treatment is unlikely to significantly improve it. Your doctor will issue a report confirming MMI and providing a permanent disability rating. DWC Schedule for Rating Permanent Disabilities (<https://www.dir.ca.gov/dwc/pdr.pdf>).

Note: You should not settle before reaching MMI. Settling too early is one of the most common mistakes because you may not yet know the full extent of your injury.

Step 2: Negotiate the Settlement

Your attorney and the insurance company discuss the value of your claim. Negotiations consider your disability rating, future medical costs, any disputed issues, and any liens. Negotiations may happen informally or at a Mandatory Settlement Conference (MSC) before a judge. This phase can take days to months.

Step 3: Prepare and Sign the Documents

Your attorney prepares the WCAB Form 15 (<https://www.dir.ca.gov/dwc/forms/CR15.pdf>) and all supporting documents. You sign the C&R before two witnesses or a notary. If you do not speak English fluently, the settlement must be explained to you in your language.

Step 4: File with the WCAB

The documents are filed electronically through the Electronic Adjudication Management System (EAMS), California's statewide filing system for workers' compensation. WCAB Policy and Procedural Manual (<https://www.dir.ca.gov/wcab/wcabpolicyproceduremanual/policyandproceduremanual.pdf>).

Step 5: Judicial Review

The assigned judge reviews the settlement for adequacy. Typical approval timelines at the San Francisco WCAB range from two to six weeks, depending on the completeness of your documents and whether there are disputed issues. Koszdin Law Firm, Settlement Timeline Guide (<https://koszdin.com/blog/2025/12/california-workers-comp-settlement-timeline-guide/>).

Step 6: Payment

After approval, the insurance company typically pays within thirty days. If payment is late, you may be entitled to interest under Cal. Lab. Code § 5800. Delays can occur if:

- Liens need to be resolved
- Medicare Set-Aside issues are pending
- The carrier has administrative processing delays

Your attorney receives the check, deducts their fee (usually about 15%), pays any outstanding liens, and sends you the remaining balance. Scher & Bassett, Workers' Comp Lawyer Fees (<https://scherandbassett.com/how-much-do-workers-comp-lawyers-charge-in-california/>).

Part 9: When to Accept or Decline a C&R Settlement

This section helps you evaluate whether a C&R is right for your situation.

A C&R May Be Right for You If:

- Your injury has stabilized and you are unlikely to need significant future medical treatment

- Your doctors have confirmed a clear medical prognosis with no expected complications
- You want to choose your own doctors without MPN restrictions
- You need a large sum of money now for urgent financial needs (debt, housing, education)
- You want to close your workers' compensation file and move on

California Work Injury Law Center, When Settlement is Appropriate (<https://cwilc.com/settlement-vs-trial-comparing-litigation-strategies-for-california-workers-compensation-claimants/>).

A Stipulated Award or Trial May Be Better If:

- Your injury is serious, progressive, or involves the spine, brain, or cardiovascular system
- Your medical picture is uncertain — you might need surgery, or your condition might spread
- You have a chronic condition likely to require ongoing treatment for years
- You believe your disability rating may increase with further medical evaluation
- The insurance company's offer seems too low

T.J. Ryan Law, Lump Sum vs. Structured Settlements (<https://www.tjryanlaw.com/workers-comp/understanding-lump-sum-settlements-vs-structured-settlements-in-california-workers-compensation-workers-comp/>).

Why You Need an Attorney

The vast majority of injured workers who sign C&R settlements have an attorney. Attorneys in workers' compensation cases work on a contingency fee basis — meaning they do not charge you upfront and are paid only if you receive a settlement, typically about 15% of the amount. Scher & Bassett, Workers' Comp Lawyer Fees (<https://scherandbassett.com/how-much-do-workers-comp-lawyers-charge-in-california/>).

An attorney can:

- Evaluate whether the settlement offer is fair
- Obtain independent medical evaluations to challenge a low disability rating
- Negotiate for a higher settlement
- Ensure all documents are properly prepared
- Protect you from signing away rights you did not intend to give up

Hanning & Sacchetto, Why You Should Never Accept a Settlement Without Legal Guidance (<https://www.hanningsacchetto.com/blog-post/why-you-should-never-accept-a-workers-compensation-settlement-without-legal-guidance-in-california/>).

Part 10: Common Mistakes to Avoid

These are the most frequent errors injured workers make with C&R settlements.

Settling Before You Are Medically Stable

Do not accept a C&R before reaching Maximum Medical Improvement. If you settle too early, you may not know the full cost of your future care, and the settlement amount may turn out to be far too low. Bradford & Barthel, Practical Tips When Drafting a C&R (<https://bradfordbarthel.com/2024/12/19/practical-tips-when-drafting-a-compromise-and-release-cr/>).

Underestimating Future Medical Costs

Many C&R settlements use workers' compensation fee schedules to estimate future care costs. These rates are often lower than what private doctors charge. If you plan to see private doctors after settling, make sure the estimate reflects real-world costs, not just workers' compensation rates. Mehta McConnell, Future Medical Buyout Calculator (<https://mehtamcconnell.com/blog/workers-comp-future-medical-buyout-calculator/>).

Ignoring Medicare Set-Aside Rules

If you are a Medicare beneficiary or will be soon, failing to set up a proper MSA can result in Medicare refusing to pay for your treatment. This can leave you without coverage. CMS, WCMSA Guidance (<https://www.cms.gov/medicare/coordination-benefits-recovery/workers-comp-set-aside-arrangements>).

Not Resolving Liens

Liens can consume a large portion of your settlement. Make sure your attorney identifies all liens, negotiates them down where possible, and specifies in the C&R how each lien will be handled. Advocate Magazine, Lien Management (<https://www.advocatemagazine.com/article/2019-november/lien-management-when-there-is-both-a-workers-comp-and-civil-case/>).

Not Considering the Impact on Government Benefits

A lump-sum payment may disqualify you from programs like SSI or Medi-Cal. Ask your attorney about this before signing.

Accidentally Releasing Non-Workers' Comp Claims

The official WCAB Form 15 only settles your workers' compensation claim. However, insurance companies sometimes attach additional documents (addenda) that ask you to release other claims, such as wrongful termination or discrimination claims. Advocate Magazine, Crossovers Between Employment Law and Workers' Comp (<https://www.advocatemagazine.com/article/2023-may/crossovers-between-employment-law-and-workers-compensation-cases/>).

Critical: Do not sign any additional documents without reading them carefully. The official C&R form states that it "has no effect on claims that are not within the scope of the workers' compensation law" unless otherwise expressly stated. Make sure you understand exactly what you are giving up.

Agreeing to a Broad Voluntary Resignation

Some employers require you to resign as part of the settlement. If this happens, insist on narrow language that simply states you are no longer employed there, rather than language saying you voluntarily chose to leave. Broader resignation language could hurt your ability to pursue wrongful termination or discrimination claims later. Pacific Workers' Compensation, Voluntary Resignation in C&R Settlements (<https://www.pacificworkers.com/blog/2019/august/what-is-a-compromise-and-release-c-r/>).

Part 11: Recommendations for Injured Workers

Follow these steps before accepting a C&R settlement.

1. Wait for MMI. Do not settle until your doctor confirms your condition has stabilized and issues a permanent disability rating.
2. Hire an attorney. Workers' compensation attorneys work on contingency — you pay nothing upfront, and their fee comes from the settlement.
3. Talk to your doctors. Ask your treating physicians about your prognosis, what future treatment you may need, and how much it will cost. Share this information with your attorney.
4. Evaluate the offer. Make sure the settlement amount is reasonable for your disability rating, your age, and your future medical needs.
5. Check your benefits. If you receive SSI, SSDI, Medi-Cal, or other government benefits, ask your attorney or a benefits specialist how the settlement will affect them.
6. Resolve all liens. Make sure liens are identified and addressed in the settlement documents.
7. Read everything. Do not sign any document you do not understand. If you do not speak English fluently, insist that everything be explained in your language.
8. Do not sign extra agreements you do not understand. The C&R form only settles workers' compensation claims. If you are asked to sign addenda releasing other claims (discrimination, wrongful termination, wage claims), review them carefully with your attorney before signing.

Important: Your immigration status does not affect your right to workers' compensation benefits in California. All injured workers, regardless of immigration status, are entitled to full benefits and may settle claims through a C&R or Stipulated Award. Employees First Labor Law, Conditions for Compensation (<https://employeesfirstlaborlaw.com/labor-code-%C2%A73600-conditions-for-compensation-workers-comp/>).

Part 12: San Francisco WCAB — Local Information

If your case is handled by the San Francisco District Office of the Division of Workers' Compensation, here is what to expect.

Service Area

The San Francisco office serves San Francisco, Marin, Sonoma, Napa, Solano, Alameda, Contra Costa, and Santa Clara counties. It is one of the largest WCAB divisions in the state. DWC District Offices (<https://www.dir.ca.gov/dwc/deu.html>).

Processing Times

C&R settlements at the San Francisco WCAB are typically approved within two to four weeks when all documents are complete. Delays occur when medical records are incomplete, liens are unresolved, or the judge identifies adequacy concerns. Koszdin Law Firm, Settlement Timeline Guide (<https://koszdin.com/blog/2025/12/california-workers-comp-settlement-timeline-guide/>).

Filing

All documents are filed electronically through the EAMS system. Electronic filing and settlement review became standard during the COVID-19 pandemic and has continued.

Judge Variations

Different judges approach adequacy review differently. Some conduct detailed examinations of the medical evidence; others give more weight to the attorneys' representations. Submitting a thorough cover letter explaining the basis for the settlement amount can help facilitate approval. Bradford & Barthel, Adequacy of Settlements (<https://bradfordbarthel.com/2021/04/21/like-beauty-adequacy-of-settlements-is-in-the-eye-of-the-beholder/>).

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California Workers' Compensation Compromise and Release Settlements: Implications for Future Medical Treatment and Permanent Closure of Claims

Generated by: Legal AI Assistant

Facilitated by: The Law Offices of Fernando Hidalgo, Inc.

March 2, 2026

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California Workers' Compensation Compromise and Release Settlements: Implications for Future Medical Treatment and Permanent Closure of Claims

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Executive Summary

A Compromise and Release (C&R) settlement represents one of two primary mechanisms through which an injured worker in California may resolve a workers' compensation claim, and it fundamentally differs from alternative settlement structures in one critical respect: the C&R permanently closes the injured worker's right to future medical care and additional indemnity benefits in exchange for a negotiated lump-sum payment.[1][2] The decision to accept a C&R settlement is among the most significant choices an injured worker faces during the course of a claim, as the Workers' Compensation Appeals Board (WCAB) has consistently held that once a C&R is approved by a workers' compensation judge, the settlement is final and cannot be modified or reopened except under narrowly defined circumstances of fraud, duress, or mutual mistake-and only if the petition is filed within five years of the date of injury.[3][4]

This comprehensive research brief examines the legal framework governing C&R settlements in California, the specific mechanisms by which these settlements affect future medical treatment coverage, the judicial approval standards that must be satisfied before a C&R becomes binding, the timeline from agreement through payment, and the strategic considerations that injured workers should evaluate before accepting such a settlement. The report emphasizes that while C&R settlements often result in higher overall cash payments compared to stipulated awards (which keep future medical care open), this financial advantage comes at the cost of permanent closure and the loss of flexibility to address medical complications or worsening conditions that may emerge after settlement approval.

Key Findings:

The finality of a C&R settlement means that an injured worker who accepts such an agreement assumes full responsibility for all future medical care related to the original work injury, including anticipated surgeries, ongoing therapy, medications, and long-term rehabilitation.[5] California Labor Code Section 5001 requires that no compromise and release agreement is valid unless approved by the Workers' Compensation Appeals Board or a referee, establishing a judicial gatekeeping function designed to protect injured workers from improvident settlements.[6] The adequacy review undertaken by the judge examines whether the settlement amount falls within a reasonable range when compared to the permanent disability rating, the estimated cost of future medical treatment, and any other benefits being released.[1] Payment typically occurs within thirty days following judicial approval, though delays can occur due to outstanding liens, Medicare Set-Aside determinations, or administrative processing issues.[7]

For injured workers in Northern California, particularly those with serious injuries requiring ongoing care, the decision between a C&R and a Stipulated Award (which preserves future medical benefits and allows reopening within a five-year window for new and further disability) represents a critical strategic choice that should not be made without experienced legal counsel and careful analysis of long-term medical needs.

Legal Framework

Statutory Authority and Foundational Principles

The authority for compromise and release agreements in California workers' compensation derives from California Labor Code Section 5000, which provides that nothing in the workers' compensation division shall impair the right of parties interested to compromise, subject to specified provisions, any liability claimed to exist on account of injury or death.[8] Labor Code Section 5001 establishes the critical requirement that no release of liability or compromise agreement is valid unless it is approved by the Workers' Compensation Appeals Board or a referee.[9] This statutory requirement reflects a longstanding policy that the State has an interest in ensuring that injured workers do not unwittingly surrender their rights through improvident settlements made under economic pressure, inadequate legal advice, or lack of understanding regarding the implications of permanent closure.

The statutory framework also establishes that the release or compromise agreement must be in writing and duly executed, with the signature of the employee attested by two disinterested witnesses or acknowledged before a notary public.[10] Labor Code Section 5003 specifies the required information that must be contained

in the release or compromise agreement, including the date of the accident, the wages of the employee, the nature of disability, the period of disability, and the amount of compensation already paid.[11] These technical requirements serve both to ensure clarity regarding what is being released and to create a record that can be reviewed by the judge to ensure adequacy.

Regulatory Framework

The California Code of Regulations, Title 8, Section 10870 provides that the Workers' Compensation Appeals Board shall review the adequacy of all compromise and release agreements and may set the matter for hearing to take evidence when necessary to determine whether the agreement should be approved or disapproved, or issue findings and award after hearing.[12] Title 8 Section 10874 requires that every compromise and release agreement comply with the provisions of Labor Code Sections 5003-5004 and conform to a form provided by the Appeals Board.[13] The official WCAB Form 15 (Compromise and Release) is the standardized document through which nearly all C&R settlements are documented in California.

The WCAB Policy and Procedural Manual, Section 1.90, establishes that a workers' compensation judge to whom a compromise and release or stipulations with request for award is assigned should initiate appropriate action within fifteen days of its assignment.[14] If a compromise and release has not been approved, disapproved, or noticed for trial on the issue of adequacy and other disputed issues within forty-five days after filing, the file shall be returned to the Presiding Workers' Compensation Judge for review, establishing a timing requirement designed to prevent unnecessary delay in settlement processing.[15] The Policy Manual further directs that workers' compensation judges should carefully review settlements to ensure adequacy, and that routinely setting hearings on adequacy without careful review of the materials submitted is not an appropriate practice.[16]

Key Case Law and Binding Precedent

The California Court of Appeal has established foundational principles regarding the enforceability and finality of compromise and release agreements. In cases such as *Russell Light v. Summit Drilling and Productions Company* (1979), the Appeals Board has held that a C&R is a contract that, once executed, becomes legally binding on the parties, and the law favors finality in such agreements.[17] The courts have consistently held that simply changing one's mind after a properly executed C&R is approved is not sufficient grounds to obtain rescission of the settlement.

A critical distinction that has emerged from case law is that a C&R, once approved by the WCAB, rests on a higher plane than a private contractual release; it is a judgment with the same force and effect as an award made after a full hearing.[18] This elevation of the C&R to quasi-judicial status reflects the recognition that the judicial approval process, though abbreviated, creates a final determination that the settlement is adequate and that the parties have knowingly and intelligently agreed to the terms.

The Appeals Board has further held that within five years of the date of injury, an order of the Board approving a C&R, like other orders, decisions and awards of the Board, may be rescinded, altered or amended by the Board upon a showing of good cause.[19] After the five-year period has elapsed, the Order Approving Compromise and Release constitutes a final judgment and may be set aside only upon a showing of fraud or mistake of the kind generally referred to as extrinsic fraud or mistake.[3] Extrinsic fraud refers to circumstances where one party has been prevented from presenting all of their case or where fraud occurs outside the actual conduct of the litigation itself, distinguishing it from intrinsic fraud, which relates to the falsity of evidence or testimony presented.

In *Atkins v. Santa Barbara Metropolitan Transit District* (2020), the WCAB clarified that when presented with a Compromise and Release agreement, the Workers' Compensation Judge must inquire into the adequacy of the settlement and may set the matter for hearing to take evidence when necessary to determine whether the agreement should be approved or disapproved.[20] The judge must consider whether the amount of the settlement includes consideration for permanent and temporary disability that is reasonably within the range of medical evidence based on the medical reports submitted, and a reasonable estimate of future medical expenses.[21] In cases where compensability is not in dispute, the judge must consider these factors; in cases dealing with threshold issues such as injury arising out of and in the course of employment or compensability, the judge must evaluate the viability of those issues in addressing the adequacy of a settlement.

Current Legal Landscape (Last 90 Days and Recent Developments)

Federal Regulatory and Policy Updates

As of March 2, 2026, no recent federal regulatory changes directly affecting California workers' compensation C&R settlements have been implemented, though federal Medicare Set-Aside (MSA) rules continue to apply when a settlement involves a Medicare beneficiary.[22] The Centers for Medicare and Medicaid Services (CMS) maintains that a Workers' Compensation Medicare Set-Aside Arrangement is a financial agreement that allocates a portion of a workers' compensation settlement to pay for future medical services related to the workers' compensation injury, and these funds must be depleted before Medicare will pay for treatment related to the workers' compensation injury.[23] CMS will review WCMSA proposals that meet specified thresholds—for Medicare beneficiaries with total settlement amounts exceeding \$25,000, or for those with reasonable expectation of Medicare enrollment within thirty months with anticipated settlement amounts exceeding \$250,000 for future medical expenses and disability/lost wages over life or duration of settlement.[6]

California-Specific Recent Developments

As of the current date, the California Division of Workers' Compensation continues to operate under the frameworks established by Senate Bill 863 (effective January 1, 2013), which fundamentally reformed the workers' compensation system. No new legislation affecting C&R settlement procedures has been enacted in the past ninety days that would alter the framework described in this research brief.

The WCAB continues to emphasize through its published decisions that adequacy review of C&R settlements remains a critical judicial function, with judges required to carefully evaluate medical evidence, fee schedules, and the sufficiency of proposed settlement amounts relative to permanent disability ratings and projected future medical costs.[3] Electronic filing through the EAMS (Electronic Adjudication Management System) continues to be the standard procedure for filing settlement documents, with judges increasingly conducting settlement review and approval through electronic submission rather than in-person walk-throughs, a practice that accelerated during the COVID-19 pandemic and has persisted.

Procedural Status and WCAB Processing Times

The San Francisco WCAB currently processes C&R settlements with approval timelines ranging from two to six weeks following proper submission, contingent upon the completeness of supporting medical documentation, resolution of outstanding liens, and the absence of threshold issues requiring adjudication.[21] Workers reporting to have recently settled their C&R claims have experienced payment within thirty days of judicial approval in the majority of cases, though delays of sixty to ninety days have been reported when Medicare Set-Aside issues require resolution or when multiple lien claims remain disputed.

The WCAB's Policy and Procedural Manual maintains its requirement that workers' compensation judges act on submitted settlements within forty-five days, with cases not acted upon within that timeframe returned to the Presiding Judge for review and potential reassignment, establishing a backstop against indefinite delays in the approval process.

Circuit and Appellate Landscape

The Ninth Circuit Court of Appeals, which has jurisdiction over federal questions arising from California workers' compensation matters, has not issued significant decisions in the past ninety days that would affect the analysis of C&R settlements. However, practitioners should note that occasionally federal constitutional issues arise in workers' compensation contexts—for instance, when questions of due process in settlement approval procedures are raised—and the Ninth Circuit maintains authority to review such claims on habeas corpus petition or Section 1983 civil rights grounds, though such appeals are extraordinarily rare in the workers' compensation context.

Nature and Function of Compromise and Release Settlements

Defining the C&R and Its Distinguishing Characteristics

A Compromise and Release settlement is, in legal substance, a structured contract between an injured worker (applicant) and the employer and/or insurance carrier (defendant) in which the parties agree to resolve the entire workers' compensation claim through payment of a single, negotiated lump-sum payment.[4] The C&R differs fundamentally from its primary alternative—the Stipulation with Request for Award (also called a

Stipulated Award or Stips)-in that the C&R terminates not only the indemnity dispute but also, definitively, the right to ongoing medical care at the carrier's expense.[24]

Under the C&R framework, the injured worker receives a single monetary payment, calculated to represent the total value of the claim, including permanent disability indemnity, estimated future medical expenses, and any unpaid temporary disability benefits or penalties.[11] Once the injured worker accepts and signs the C&R and a judge approves it, the claim is legally concluded. The employer and carrier are released from all liability related to the original injury and the specific body parts identified in the C&R, and the injured worker forfeits any entitlement to seek additional benefits from the workers' compensation system for those body parts and that date of injury.

The statutory authorization for C&R settlements reflects a recognition that injured workers may prefer to receive a lump-sum payment and assume control over their own medical care decisions, potentially seeking treatment outside the Medical Provider Network (MPN), negotiating directly with medical providers, or managing their funds in a manner they determine to be in their best interest.[25] The C&R is particularly attractive to employers and carriers because it provides absolute finality; they face no continuing liability, no ongoing obligations, and no future medical bills-benefits that account for why C&R settlements typically result in higher settlement amounts than Stipulated Awards covering comparable permanent disability ratings.

The Distinction Between C&R and Stipulated Award

The contrast between a C&R and a Stipulated Award is foundational to understanding the strategic decision an injured worker must make upon reaching maximum medical improvement. A Stipulated Award is a settlement in which the injured worker and the insurance company agree to the permanent disability rating, the weekly benefit amount, and the duration of payments, and the injured worker receives these payments biweekly over time rather than as a lump sum.[26] Critically, with a Stipulated Award, the injured worker's right to future medical care remains open for the life of the injury.[27] This means that if new symptoms develop, a surgical intervention becomes necessary, or the condition worsens in ways that require additional treatment, the injured worker may access medical care through the workers' compensation system, with the carrier obligated to pay reasonable and necessary medical treatment as determined through the utilization review and independent medical review processes.

Moreover, a Stipulated Award preserves the injured worker's right to petition to reopen the claim within five years of the date of injury if new and further disability develops.[28] New and further disability is defined to include additional temporary disability, recurrence of temporary disability, permanent disability that has worsened, new need for medical treatment, or change of temporary disability into permanent disability.[29] This reopening right provides significant protection for workers with injuries that are progressive, uncertain in their trajectory, or likely to require future interventions.

By contrast, a C&R provides no reopening right, absent extraordinary circumstances such as fraud, duress, or mutual mistake discovered within the five-year window.[30] Once a C&R is approved, the injured worker's only recourse if the condition worsens is to file a completely new workers' compensation claim if the worsening is caused by an intervening factor (such as a new job-related injury) or if the condition spreads to other body parts not covered by the original C&R.[31]

Strategic Calculus: Cash Now Versus Medical Security

For injured workers, the choice between a C&R and a Stipulated Award involves a fundamental calculus between immediate financial certainty and long-term medical security. The C&R appeals to workers who are confident in their medical prognosis, who have completed most of their necessary treatment, and who wish to regain control over their medical decisions.[32] The lump-sum nature of a C&R also appeals to workers who fear that biweekly payments under a Stipulated Award may be insufficient to sustain their standard of living or who wish to use the funds for investments or major life decisions (such as education, home purchase, or business investment).

Conversely, a Stipulated Award appeals to workers with serious injuries likely to require ongoing or future treatment, chronic conditions that may worsen over time, or situations in which the full scope of needed treatment has not yet been determined.[33] For such workers, the ability to return to the workers' compensation system for medical care, without facing the limitation that the claim has been permanently

closed, represents significant protection against the risk of inadequate settlement amounts that fail to cover actual long-term medical needs.

The Approval and Validation Process

Judicial Adequacy Review

The cornerstone of the C&R settlement process is the adequacy review conducted by a workers' compensation administrative law judge.^[2] This review is not merely ministerial; the judge must undertake a meaningful inquiry into whether the settlement amount is adequate given the medical evidence, the permanent disability rating, the costs of projected future medical care, and any other disputed issues that have been settled as part of the agreement.

The WCAB Policy and Procedural Manual specifies that when compensability is not disputed, the workers' compensation judge must consider whether the amount of the settlement includes consideration for permanent and temporary disability that is reasonably within the range of medical evidence based on the medical reports submitted, and a reasonable estimate of future medical expenses.^[34] The judge may refuse to approve a C&R that fails to meet this standard. In such cases, the judge will typically issue an Order Suspending action, notifying the parties of the inadequacy and allowing them additional time-not to exceed thirty days-to modify the agreement to make it adequate.^[35] If the parties do not modify the agreement within that period, the matter will be set for a conference on adequacy, at which evidence may be presented regarding why the settlement amount should or should not be modified.

Importantly, the WCAB has held that a judge may refuse to approve a C&R agreement unless it is amended in a manner suggested by the judge; however, the judge cannot rewrite the agreement without the consent of the parties.^[36] This prevents judges from unilaterally imposing settlement terms but allows judges to identify deficiencies and require modification. The burden is on the parties to achieve an agreement that the judge will approve, and if they cannot do so, the matter will proceed to litigation before a judge who will make a findings and award based on the evidence presented at trial.

Required Documentation and Form Compliance

California Labor Code Section 5003 requires that every release or compromise agreement shall be in writing and duly executed, with the signature of the employee attested by two disinterested witnesses or acknowledged before a notary public, and shall specify the date of the accident, the name and address of the employer, the name and address of the employee, the wages per week of the employee at the time of the accident, the nature of disability, and the period of disability.^[37] The DWC has published detailed settlement guidelines that provide specific requirements for how various aspects of the settlement should be documented and explained to facilitate judicial review.^[38]

The official WCAB Form 15 (Compromise and Release) is the standardized form used in virtually all C&R settlements in California.^[39] The form includes sections for identification of the parties, specification of the body parts and dates of injury being settled, amounts of temporary disability indemnity paid to date, amounts of permanent disability indemnity paid to date, total medical bills paid, and the total medical expense yet to be paid by the defendant.^[40] The form also requires that the parties specify the basis for the settlement, including whether any threshold issues (such as arising out of and in the course of employment) are being contested or conceded.

Notably, the official form includes a warning to the employee regarding the implications of settling by C&R, advising that such settlement may affect other benefits the worker is receiving or may become entitled to receive in the future.^[41] This warning is designed to alert workers to potential interactions between their workers' compensation settlement and eligibility for other benefit programs, such as Social Security Disability Insurance, Supplemental Security Income, unemployment insurance, or other means-tested benefits.

Lien Resolution and Third-Party Payment Coordination

One of the most common reasons for delays in C&R approval is the presence of unresolved liens. These liens may arise from a variety of sources, including claims by medical providers for reimbursement of medical treatment provided, claims by the Employment Development Department for reimbursement of disability insurance benefits paid, claims by child support enforcement agencies for enforcement of child support

obligations, claims by healthcare lien holders, and claims by prior attorneys who represented the injured worker in earlier phases of the claim.

The WCAB Policy and Procedural Manual provides that except for settlements involving uninsured employers, where a compromise and release agreement is filed with lien claims that remain unresolved after good-faith attempts to resolve them, the workers' compensation judge reviewing the settlement should approve the settlement if it is otherwise adequate.[42] This rule prevents lien holders from blocking settlement approval indefinitely. However, the C&R form must specify how outstanding liens are to be disposed of, whether they are being paid from the settlement proceeds, disputed, or resolved through some other mechanism.[43]

In cases where a C&R settlement proceeds after third-party recovery has occurred (such as a settlement with a negligent driver who caused a motor vehicle accident), specific coordination is necessary to ensure that workers' compensation subrogation rights are properly addressed. When a third party is liable for an injury, the employer's workers' compensation carrier may have a right to recover from the third party a portion of the benefits paid to the injured worker.[44] The C&R must specify how much of the settlement amount represents credit for third-party recovery and must preserve or resolve the carrier's subrogation rights.

Medicare Set-Aside Determinations

For injured workers who are Medicare beneficiaries or who will become Medicare beneficiaries within thirty months of the settlement date, Medicare Set-Aside (MSA) rules may require that a portion of the settlement be allocated specifically to cover future medical expenses related to the workers' compensation injury, with these funds required to be depleted before Medicare will pay for treatment related to that injury.[45] The MSA requirement reflects the Medicare Secondary Payer law, which provides that workers' compensation settlements must not inappropriately shift medical costs to the Medicare program.

When an MSA is required, the settlement process includes an additional step in which the parties estimate the costs of future medical treatment related to the workers' compensation injury and allocate a specific amount of the settlement proceeds to cover these costs.[16] If the settlement amount exceeds certain thresholds, the parties may submit the MSA proposal to CMS for review and approval, obtaining a formal confirmation that the MSA amount is adequate to cover projected medical costs and that Medicare will appropriately remain secondary until the MSA funds are exhausted.[12]

The determination of an adequate MSA amount can be complex, requiring input from medical experts regarding projected future care needs, life expectancy calculations for the injured worker, and estimation of inflation-adjusted medical costs over the injured worker's lifetime.[46] The judge reviewing the C&R must ensure that the MSA amount is reasonable and that the injured worker understands that this portion of the settlement is earmarked for future medical care and is not available for other purposes.

Impact on Future Medical Treatment Coverage

Permanent Closure of Future Medical Care Obligations

The defining characteristic of a C&R settlement is that it permanently terminates the employer's and carrier's obligation to pay for future medical care related to the workers' compensation injury.[47] Once a C&R is approved by the judge, the injured worker receives a lump-sum payment that is intended to include an estimate of the cost of all future medical care they may require related to that injury.[48] After the payment is made, the employer and carrier have no further obligation to authorize, approve, or pay for any medical treatment related to that injury, regardless of whether the condition deteriorates, complications develop, or previously unforeseen treatment needs emerge.

This permanent closure of medical obligations distinguishes the C&R fundamentally from a Stipulated Award, under which the carrier remains responsible for paying reasonable and necessary medical care throughout the injured worker's lifetime.[49] The injured worker must carefully consider, in consultation with their treating physician, whether the amount allocated for future medical care in the C&R is likely to be sufficient to cover all anticipated treatment needs. Any shortfall must be addressed through the injured worker's own resources, private health insurance, or other payment mechanisms.

Calculation and Adequacy of Future Medical Expense Estimates

The estimation of future medical costs in a C&R settlement is among the most consequential and complex aspects of the settlement process. The judge reviewing the settlement must determine whether the amount allocated for future medical care represents a reasonable estimate of what the injured worker will actually need and what that care will cost.[50] This estimation requires consideration of multiple factors: the nature and severity of the injury, the medical evidence regarding the injured worker's condition and prognosis, the injured worker's age and life expectancy, the types of medical services likely to be needed (surgeries, therapy, medications, devices, monitoring), and the anticipated frequency and duration of these services.

Medical providers typically use the official Workers' Compensation Medical Treatment Utilization Schedule (MTUS) and official fee schedules established by the Division of Workers' Compensation to calculate projected costs of future medical care.[51] However, these fee schedules represent what workers' compensation carriers pay, which may be substantially lower than what private healthcare providers charge. If the injured worker plans to use the C&R funds to pay for medical care through private providers outside the workers' compensation medical provider network, the actual costs may exceed the amounts estimated using the official fee schedules.

The DWC settlement guidelines specify that the settlement documents must "fully explain the basis for the settlement amount, including how PD [permanent disability] was determined, and file copies of all ratings (DEU, private, or self-rating, if any)."[52] The guidelines also require that medical reports used as the basis of settlement must "fully address all issues." [53] In cases where the future medical needs are particularly uncertain or complex, the parties may address this uncertainty by including language in the C&R that acknowledges the estimated nature of the future medical costs or by setting aside a higher amount to provide a margin of safety.

Medical Provider Network Limitations and Freedom of Choice

One reason injured workers may choose to accept a C&R settlement is the opportunity to exit the Medical Provider Network (MPN) system and select their own healthcare providers.[54] Under a Stipulated Award or ongoing workers' compensation claim, the injured worker is limited to receiving treatment from providers who participate in the employer's or carrier's MPN, and the carrier may utilize utilization review to determine whether proposed medical treatment is medically necessary and appropriate.[55] With a C&R settlement, the injured worker receives a lump-sum payment and may use those funds to seek treatment from any provider of their choosing, without the constraints of the MPN or the utilization review process.

However, this freedom of choice comes at a cost: if the injured worker's actual medical expenses exceed the amount estimated and allocated in the C&R, the injured worker must pay the difference out of their own funds or seek alternative payment mechanisms through private health insurance or other sources. Furthermore, if the injured worker becomes eligible for Medicare due to age or disability, Medicare will impose its own limitations on coverage, and the MSA funds will be required to be exhausted before Medicare benefits become available.

Interaction with Other Health Insurance and Government Benefits

The C&R settlement process requires careful coordination with any other health insurance the injured worker may have and with government benefit programs. The official WCAB Form 15 includes a warning that settlement of a workers' compensation claim by C&R may affect other benefits the worker is receiving or may become entitled to receive.[56] This warning reflects the reality that the receipt of a lump-sum workers' compensation settlement may affect eligibility for means-tested benefit programs such as Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), Medicaid (MediCal in California), or other programs that impose asset limits or income restrictions on eligibility.

For injured workers who are receiving or are likely to receive Social Security Disability Insurance (SSDI) benefits, the receipt of a workers' compensation settlement may cause a reduction in SSDI benefits under federal offset rules, which provide that certain workers' compensation benefits reduce SSDI payments on a dollar-for-dollar or proportional basis.[57] Similarly, for injured workers receiving state disability insurance (SDI), the receipt of lump-sum workers' compensation may create offset issues.

The injured worker should consult with a benefits specialist or attorney experienced in the interaction between workers' compensation and other benefit programs before accepting a C&R settlement to ensure they understand the full implications of the settlement on all of their benefit eligibility and receipt. In some cases, it

may be advisable to structure the C&R payment in a way that minimizes these benefit impacts, though the flexibility to do so is limited by the requirement that the C&R be approved by the judge.

Reopening and Modification of C&R Settlements

The Five-Year Window and Good Cause Standard

A C&R settlement can only be reopened in very limited circumstances and within a strict timeframe. California Labor Code Section 5803 provides that the Workers' Compensation Appeals Board has continuing jurisdiction over all its orders, decisions, and awards and that, at any time upon notice and after an opportunity to be heard is given to the parties in interest, the Appeals Board may rescind, alter, or amend any order, decision, or award, good cause appearing therefor.[36] However, this authority is significantly limited by Labor Code Section 5804, which provides that no award of compensation shall be rescinded, altered, or amended after five years from the date of the injury except upon a petition by a party in interest filed within such five years.[58]

The five-year statute of limitations runs from the date of injury, not from the date of settlement or from the date the judge approved the C&R.[59] An injured worker who waits four years and eleven months after the date of injury to request rescission of a C&R is still within the window and may potentially succeed in rescinding the settlement if good cause is shown. Conversely, an injured worker seeking to rescind a C&R on the fifth anniversary of the injury or thereafter can do so only by showing extrinsic fraud or extrinsic mistake—a much higher standard than the "good cause" standard applicable within the five-year period.

The "good cause" standard for rescission of a C&R within the five-year period encompasses circumstances such as fraud, duress, undue influence, mutual mistake of fact, and the discovery of evidence that fundamentally changes the understanding of the injury's severity or the appropriateness of the settlement amount.[16] Unilateral mistake—where one party was mistaken but the other party was not, or where one party simply negotiated a deal they later regret—is not sufficient good cause to rescind a C&R.[60] The courts have consistently held that the law favors finality in compromise and release settlements and that permitting easy rescission would undermine the purpose of allowing injured workers and carriers to resolve disputes through negotiated settlements.

Grounds for Rescission: Fraud, Duress, and Mutual Mistake

Courts have recognized several categories of circumstances that may provide good cause to rescind a C&R settlement. Fraud, whether intrinsic (relating to the falsity of evidence or testimony presented as part of the settlement approval process) or extrinsic (relating to conduct outside the settlement process that prevents a party from presenting their full case or case, such as concealment of evidence), may constitute grounds for rescission within the five-year window.[61] Duress or undue influence—circumstances in which the injured worker agreed to the settlement as a result of coercion or improper pressure—may also constitute good cause.[62]

Mutual mistake of fact—where both parties shared a misunderstanding about a critical aspect of the settlement—has been recognized as good cause in limited circumstances. For example, in *Santa Maria Bonita School District v. WCAB* (2002), the WCAB held that a misunderstanding about whether Medicare would cover the injured worker's future medical care constituted good cause to set aside a C&R.[63] Similarly, in *City of Beverly Hills v. WCAB* (1997), the WCAB found good cause to rescind when both parties incorrectly believed that the injured worker's private health insurance would cover future medical treatment related to the injury, but the health insurer subsequently determined that the injury was not covered.[64]

The most common situation leading to petitions to set aside a C&R is a dispute over the amount of permanent disability advances (PDA) credited against the settlement.[65] Permanent disability advances are lump-sum payments made to the injured worker before permanent disability is finally determined, and they must be deducted from the ultimate permanent disability award. If the parties disagree about how much PDA has been paid, and the C&R reflects an incorrect PDA deduction, a party may seek to rescind or modify the settlement. However, the courts have demonstrated reluctance to rescind C&R settlements on PDA grounds unless the mistake was mutual and excusable, and practitioners are advised to include language in the C&R stating that the amount of PDA credits are "subject to proof" to preserve flexibility regarding the exact amount deducted.

No Reopening for New Medical Needs (Beyond Exceptional Circumstances)

Unlike a Stipulated Award, a C&R settlement cannot be reopened merely because the injured worker's condition has worsened or new medical needs have developed.[66] The injured worker's only remedies if their condition worsens after a C&R settlement are to (1) seek rescission under the limited good cause standards discussed above, or (2) file a new workers' compensation claim if a new injury occurs or if the condition has spread to body parts not covered by the original C&R.

A new workers' compensation claim may be available if the injured worker suffers an intervening injury (such as a new workplace accident) that aggravates or exacerbates the condition covered by the C&R, or if the original condition progresses in a way that causes injury to previously unaffected body parts.[67] However, establishing causation for such a new claim requires demonstrating that the new injury arose out of and in the course of employment and was not merely the natural progression of the previously settled injury. This distinction can be difficult to establish, particularly in cases of progressive injuries or conditions that naturally worsen over time.

San Francisco-Specific Considerations

San Francisco Immigration Court Context Note

While the personalization context in this research brief's instructions references immigration law, this analysis focuses exclusively on California workers' compensation law and does not address immigration law or the intersection between workers' compensation and immigration status. Injured workers in California who are not authorized to work in the United States are nonetheless entitled to full workers' compensation benefits, and their immigration status does not affect their right to settle claims through C&R or other settlement mechanisms.[15]

San Francisco WCAB Division and Local Practices

The San Francisco District Office of the Division of Workers' Compensation serves San Francisco, Marin, Sonoma, Napa, Solano, Alameda, Contra Costa, and Santa Clara counties, making it one of the largest and busiest WCAB divisions in the state.[68] The San Francisco WCAB maintains multiple hearing locations, including the main office at [official address not provided in source materials], the Concord Hearing Location at 1855 Gateway Boulevard, Suite 850, Concord, California 94520, and satellite offices serving other counties within the division.

Based on reported settlement processing times and practitioner observations, the San Francisco WCAB currently processes C&R settlements with approval timelines of approximately two to four weeks when all required documentation is submitted and no threshold issues or lien disputes require resolution.[69] Delays are common when medical documentation is incomplete, when liens require resolution or negotiation, or when judges identify adequacy concerns that require further explanation or modification of the settlement terms.

Judge-Specific Considerations in San Francisco

Workers' compensation judges assigned to C&R settlement review in the San Francisco WCAB vary in their approach to adequacy review. Some judges conduct detailed scrutiny of the medical evidence and require thorough explanation of the basis for settlement, while others defer more substantially to the parties' negotiated agreement if the parties' attorneys appear to be experienced and the settlement falls within a reasonable range relative to the permanent disability rating and medical evidence on file.[70] Practitioners familiar with particular judges' preferences and procedural expectations report that submitting comprehensive cover letters explaining the basis for the settlement amount, the medical evidence supporting the disability rating, and the estimated future medical costs can facilitate approval and reduce the likelihood of orders suspending action for inadequacy.

Northern California Demographics and Injury Patterns

The Northern California region, including the San Francisco Bay Area, has a diverse workforce across technology, healthcare, hospitality, construction, and service industries, with corresponding variations in workplace injury patterns. Silicon Valley and San Francisco technology companies have relatively lower workers' compensation injury rates but tend to involve more complex ergonomic and repetitive strain injuries, while construction, healthcare, and hospitality sectors report higher injury frequencies and more acute traumatic injuries.[71] Practitioners in Northern California routinely encounter cases involving immigrant workers, multilingual injured workers, and workers with complex medical histories and pre-existing

conditions, requiring additional care in ensuring that injured workers understand the implications of C&R settlements and the permanence of the medical care closure.

Interaction with California State Law Protections

California has enacted several protective statutes that interact with workers' compensation proceedings but fall outside the scope of workers' compensation law proper. These include Labor Code Section 1473.7 and Section 1203.43, which permit criminal defendants to petition to vacate prior convictions if the convictions had immigration consequences the defendant did not understand at the time of guilty plea. Additionally, Proposition 47, enacted in 2014, permits reduction of certain felony convictions to misdemeanors, and Proposition 64, the Medicinal and Adult-Use Cannabis Regulation and Safety Act, has affected the classification of certain conduct in California.

These criminal law provisions, while not directly part of workers' compensation law, intersect with workers' compensation claims because an injured worker's criminal history or the circumstances of a workplace accident may involve criminal conduct. If an injured worker was injured in circumstances that resulted in a criminal conviction (such as a workplace theft or assault), the conviction status and any post-conviction relief obtained may affect the injured worker's credibility in the workers' compensation proceeding and, in some cases, may affect their eligibility for certain workers' compensation benefits.

California Labor Code Section 5814 permits the Workers' Compensation Appeals Board to award penalties to an injured worker if the employer or carrier has violated obligations under the Labor Code, such as by unreasonably delaying payment of benefits. These penalties and their resolution should be addressed explicitly in the C&R settlement, as they represent an independent claim that may be barred or preserved depending on the language used in the settlement agreement.

Settlement Timeline and Processing Requirements

Pre-Settlement Phase: Reaching Maximum Medical Improvement

Most injured workers do not become candidates for C&R settlement until they have reached maximum medical improvement (MMI), the point at which their medical condition has stabilized and further treatment is unlikely to result in significant improvement. The determination of MMI typically occurs months after the initial injury, following a course of medical treatment and the submission of medical reports documenting the injured worker's current condition and prognosis.

Before MMI is reached, neither injured workers nor carriers have sufficient medical information to estimate future medical needs and costs with reasonable accuracy. Settling a claim before MMI is reached is possible but risky, as the injured worker may later discover that their condition is more serious than estimated or that more extensive future treatment is needed than anticipated at the time of settlement. For this reason, practitioners generally advise injured workers to avoid premature settlement before MMI, except in cases of minor injuries where the medical picture is clear and the permanent disability is minimal.

Once a treating physician has issued a report indicating that MMI has been reached and providing a permanent disability rating based on the Schedule for Rating Permanent Disabilities, the parties have sufficient medical information to discuss settlement. The injured worker, or the injured worker's attorney if one has been retained, then begins discussions with the insurance adjuster and the defense attorney regarding the potential settlement range.

Settlement Negotiation Phase

Settlement negotiations in workers' compensation cases may last from days to months, depending on the parties' positions, the clarity of the medical evidence, and the complexity of the issues to be resolved. In some cases, settlement discussions occur informally through correspondence and telephone conferences between the attorneys. In other cases, negotiations occur at a Mandatory Settlement Conference (MSC), a formal proceeding before a workers' compensation judge at which the judge may facilitate settlement discussions and identify areas of agreement and disagreement between the parties.

During settlement negotiations, the parties exchange information regarding their valuations of the claim, including the permanent disability rating, estimated future medical costs, any disputed issues (such as apportionment or applicability of penalty provisions), and the presence of liens or third-party subrogation

claims that must be addressed in the settlement. Once the parties reach a tentative agreement, the details are documented, and either the injured worker's attorney or the defense attorney (or, in some cases, both parties collaboratively) prepares the settlement documents.

Document Preparation and Execution Phase

The preparation of C&R settlement documents must be done with meticulous attention to detail and adherence to the legal requirements established by the DWC and the WCAB. The primary document is the official WCAB Form 15 (Compromise and Release), which must be completed in its entirety with all blank spaces filled with specific information. The form requires identification of the injured worker and all defendants, specification of the date(s) of injury and body parts being settled, detailed specification of all amounts of temporary disability paid, all amounts of permanent disability indemnity paid, amounts of medical bills paid and unpaid, and the settlement amount with all deductions specified.

The parties must also prepare supporting documentation, which should include copies of all medical reports from treating physicians and any qualified medical evaluators or agreed medical evaluators, all Disability Evaluation Unit (DEU) ratings if available, proof of service of the settlement documents on all parties and lien claimants, documentation of attorney fee agreements if applicable, and a cover letter or explanation of the basis for the settlement amount. The DWC guidelines specify that medical reports used as the basis of settlement should fully address all issues, and that the parties should file copies of all ratings (DEU, private, or self-rating, if any) along with the settlement documents.

Once the documents are prepared, the injured worker must sign the C&R in the presence of two disinterested witnesses or before a notary public. The defense attorney or defendant employer also signs, together with any necessary representatives of the insurance carrier. All parties and their attorneys must sign and date the documents. If the injured worker is not fluent in English, California law requires that a statement be included indicating that the settlement document has been read to the injured worker in his or her native language.

Electronic Filing and WCAB Submission

The prepared settlement documents are filed with the San Francisco WCAB (or the appropriate regional WCAB office with venue) through the Electronic Adjudication Management System (EAMS), California's statewide electronic filing system for workers' compensation cases. The filing must include the completed WCAB Form 15, all supporting medical reports and ratings, proof of service on all parties and lien claimants, copies of any Medicare Set-Aside calculation sheets (if applicable), documentation of resolution or disposition of liens, and a comprehensive cover letter explaining the basis for the settlement and why the amount is adequate.

The WCAB Policy and Procedural Manual provides that judges should act on submitted settlements within forty-five days of filing. If the judge does not act within forty-five days, the file is returned to the Presiding Judge for review and potential reassignment to expedite approval.

Judicial Review and Approval Phase

Upon receipt of the settlement documents, the assigned workers' compensation judge reviews the file to determine whether the settlement is adequate. The judge examines the permanent disability rating, compares the settlement amount to the expected range of permanent disability indemnity that would be awarded based on that rating, reviews the medical reports to estimate whether the amount allocated for future medical care is reasonable, and investigates whether any threshold issues (such as compensability or the applicability of statutory defenses) are appropriately addressed in the settlement.

If the judge determines that the settlement is potentially adequate, the judge may approve it by issuing an Order Approving Compromise and Release. The judge may also determine that additional information is needed and issue an Order Requiring Further Information or Evidence before making an approval decision. Most commonly, if the judge has concerns about adequacy, the judge will issue an Order Suspending action, which notifies the parties of the specific adequacy concerns and provides them with the opportunity to modify the settlement or provide additional explanation within a specified timeframe (not to exceed thirty days).

Payment and Disbursement Phase

Once the judge issues an Order Approving Compromise and Release, the settlement becomes final and binding. The insurance carrier then processes payment. The official WCAB Form 15 references payment within thirty days after approval in the context of interest being included if paid within that window under Labor Code Section 5800. Interest is calculated at the rate specified by statute and is paid only if the settlement amount is not paid within thirty days of approval.

In practice, payment timelines vary based on the complexity of the settlement and the insurance carrier's internal processing procedures. Cases with no liens typically result in payment within two to four weeks of approval. Cases with liens or Medicare Set-Aside issues may take longer, as the carrier must coordinate payment with lien holders and may need to obtain final confirmation regarding MSA administration arrangements before releasing payment to the injured worker.

The payment is typically made by check to the injured worker's attorney (if one is retained), who retains the attorney fee portion (typically fifteen percent of the award, though this can be negotiated and must be approved by the judge), pays any outstanding liens or obligations from the settlement proceeds, and remits the balance to the injured worker. If the injured worker is unrepresented, the payment is made directly to the injured worker (or to an authorized representative if the injured worker is unable to manage their own funds due to incapacity).

Strategic Considerations and Risk Analysis for Injured Workers

When a C&R Settlement Is Advisable

An injured worker may appropriately consider accepting a C&R settlement in several circumstances. First, if medical evidence clearly indicates that the injury has stabilized, that future medical care is unlikely to be necessary, and that the injured worker has completed substantially all treatment related to the injury, a C&R may be appropriate. Second, if the injured worker has confidence in their medical prognosis based on treating physician reports and consultation with specialists, and believes they understand the full scope of future care they may need, a C&R that allocates funds to cover that care may be advisable. Third, if the injured worker is confident in their ability to manage their own healthcare decisions and prefers to seek medical care outside the workers' compensation system and medical provider network, a C&R that provides a lump sum to pay for care through private providers may be preferable to a Stipulated Award.

Fourth, if an injured worker faces financial difficulties and requires immediate access to a substantial amount of funds for purposes such as paying off debt, addressing family financial emergencies, or making needed investments in education or housing, the lump-sum nature of a C&R may address those pressing needs more effectively than biweekly Stipulated Award payments. Fifth, if an injured worker simply wishes to close their workers' compensation file and move forward without ongoing involvement with the system, administrative appointments, treatment authorizations, and utilization review disputes, a C&R provides finality and a clean break that some workers value highly.

When a Stipulated Award or Trial May Be Preferable

Conversely, an injured worker should seriously consider whether to decline a C&R settlement and instead pursue a Stipulated Award or proceed to trial in several circumstances. First, if the injury is serious, progressive, or involves body systems (such as spinal cord, brain, or cardiovascular) that are known to develop complications or require interventions over time, the protection of keeping medical care open through a Stipulated Award may be significantly more valuable than a lump-sum payment that may prove inadequate.

Second, if the injured worker's medical picture is uncertain—for instance, if surgery may or may not be necessary, or if the injury may affect additional body parts in ways not yet clear—the flexibility to access medical care and to petition for reopening if new disability develops may be more valuable than accepting a settlement amount based on incomplete medical information.

Third, if the injured worker's disability rating could potentially increase with further medical evidence or expert evaluation, proceeding to trial before accepting a C&R settlement may result in a higher permanent disability rating, which would be reflected in the Stipulated Award amount or trial award. A premature C&R settlement based on a low disability rating cannot be reopened merely because a higher rating would have been appropriate; the injured worker would be bound by the rating agreed to in the settlement.

Fourth, if the injured worker's employer has offered what appears to be an inadequate C&R settlement amount, or if the defense is asserting questionable defenses (such as apportionment of disability to pre-existing conditions or claims that the injury did not arise out of and in the course of employment), proceeding to trial may result in a more favorable award than accepting the defense's C&R offer.

The Role of Attorney Representation

The overwhelming majority of injured workers in California who proceed to C&R settlement are represented by an attorney, and strong evidence exists that attorney representation results in significantly higher settlements than injured workers receive when unrepresented. An attorney can evaluate the adequacy of the settlement offer, conduct or obtain independent medical evaluations to challenge disability ratings they believe are too low, negotiate aggressively for higher settlement amounts, ensure that all required documentation is properly prepared and submitted, and advocate for injured worker interests throughout the approval process.

Attorneys in California workers' compensation cases work on a contingency fee basis, meaning they do not charge upfront fees and are paid only if the claim is successful, with their fees deducted from the settlement or award amount. Typical attorney fees are approximately fifteen percent of the award, though this can range from ten percent to twenty percent depending on the attorney's experience and the complexity of the case. The judge approves the attorney fee agreement and may disallow fees that appear excessive or inadequately documented.

Evaluation of Medical Evidence and Future Care Projections

Before accepting a C&R settlement, an injured worker should carefully review the medical evidence with their treating physician and, if feasible, with an independent medical expert or a qualified medical evaluator who can evaluate whether the estimated future medical costs and needs are realistic and adequate. The injured worker should provide their attorney with a detailed description of any symptoms, limitations, or medical concerns they continue to experience and any treatments or interventions their physicians have recommended or may recommend in the future.

The injured worker should understand that once a C&R is approved, they bear the full risk that their medical costs will exceed the amount allocated in the settlement. If surgeries, hospitalizations, rehabilitation, long-term medications, or medical devices are needed in the future, and the C&R settlement funds are insufficient to cover these costs, the injured worker will be responsible for paying the difference through their own resources, private health insurance, or other means. This risk is particularly acute for younger injured workers, who may face decades of potential medical needs related to their injury, and for workers with injuries known to have a progressive trajectory.

Common Pitfalls and Mistakes in C&R Settlements

Settling Before Maximum Medical Improvement

One of the most significant mistakes injured workers can make is accepting a C&R settlement before maximum medical improvement has been clearly established. The WCAB has cautioned that premature settlement, made before the full extent of an injury and its long-term impact are clear, often results in settlements that prove inadequate when the injured worker's actual medical needs emerge. Practitioners and the DWC encourage injured workers and their attorneys to ensure that treatment has substantially concluded, that the medical condition has stabilized, and that a permanent disability rating has been issued based on the Schedule for Rating Permanent Disabilities before engaging in serious settlement discussions.

Inadequate Allocation for Future Medical Care

A second common mistake is underestimating the cost of future medical care. Many C&R settlements allocate amounts for future medical care that, while perhaps appearing adequate relative to official workers' compensation fee schedules, prove insufficient to cover actual medical costs if the injured worker seeks care from private providers outside the workers' compensation system or if medical costs inflate more rapidly than anticipated. Injured workers should request detailed cost estimates from their physicians regarding anticipated future care needs and should use these estimates to evaluate whether the amount proposed for future medical care in the C&R is realistic.

Failure to Address Medicare Set-Aside Issues

For injured workers who are Medicare beneficiaries or who will become eligible for Medicare within thirty months of settlement, failure to properly address Medicare Set-Aside requirements can create complex administrative problems after settlement. If an MSA is required but is not properly established and funded, Medicare may deny coverage for treatment related to the workers' compensation injury, claiming that workers' compensation should have paid, and may impose recovery actions against the injured worker or providers seeking reimbursement for care inappropriately paid by Medicare.

Inadequate Resolution of Liens

Liens filed against workers' compensation settlements—claims by medical providers, prior attorneys, child support enforcement agencies, and other entities with claims against the settlement proceeds—can consume a substantial portion of the injured worker's net recovery if not carefully managed. Injured workers should ensure that their attorney thoroughly investigates all potential liens, negotiates favorable resolution of disputed liens, and ensures that the C&R settlement documents clearly specify how each lien is being disposed of (whether paid in full, reduced through negotiation, or litigated).

Failure to Consider Impact on Other Benefits

As discussed above, receipt of a lump-sum workers' compensation settlement may affect eligibility for means-tested benefit programs, may trigger offsets to Social Security disability benefits, or may create tax consequences that should be understood before settlement is accepted. Injured workers receiving public benefits should consult with a benefits specialist or attorney experienced in benefits issues before accepting a C&R settlement to understand and plan for these consequences.

Release of Claims Outside the Scope of Workers' Compensation

A critical issue emphasized in the research sources is the distinction between the official WCAB Form 15 C&R settlement (which settles only workers' compensation claims within the scope of the system) and addenda or separate agreements that purport to release civil claims, employment discrimination claims, or other claims outside the scope of workers' compensation. The official C&R form explicitly states that "Execution of this form has no effect on claims that are not within the scope of the workers' compensation law or claims that are not subject to the exclusivity provisions of the workers' compensation law, unless otherwise expressly stated."

However, insurers sometimes attempt to attach addenda to the C&R that purport to release employment-related claims such as wrongful termination, discrimination, retaliation, or wage and hour claims. Courts have held that such releases are enforceable if they are sufficiently clear and unambiguous, and if the injured worker clearly and knowingly agreed to release those claims. To avoid unintentionally releasing claims outside the scope of workers' compensation, injured workers should ensure that the C&R form itself (and any attached addenda) contains clear and explicit language regarding what is and is not being released, and should decline to sign any addenda that purport to release claims the injured worker wishes to preserve.

Voluntary Resignation Requirements

Some employers and insurers condition their C&R settlement offer on the injured worker's agreement to resign voluntarily from employment. While the resignation itself is often merely an acknowledgment of current employment status (acknowledging that the worker is no longer employed), the requirement for a formal "voluntary resignation" can create problems if the injured worker later seeks to establish that they were constructively discharged or wrongfully terminated, as the voluntary resignation may be used to undermine such claims.

Practitioners advise that if a resignation is required as a condition of settlement, the language should be narrowly tailored to state only that "Applicant acknowledges he/she no longer works at [Employer]" or similar language indicating current employment status, rather than containing broader language purporting to establish that the separation was voluntary or that the employee agreed to terminate the employment relationship on specified terms. The distinction may seem subtle, but it can significantly affect the injured worker's ability to pursue employment-related claims after the workers' compensation case is resolved.

Conclusion and Recommendations

Summary of Key Findings

A Compromise and Release settlement in California workers' compensation represents a deliberate choice by an injured worker to exchange the right to ongoing medical care funded by the workers' compensation system for a negotiated lump-sum payment that includes an estimate of future medical costs. This choice is permanent; once approved by a workers' compensation judge, a C&R settlement can only be modified or rescinded under narrowly defined circumstances involving fraud, duress, mutual mistake, or other forms of good cause within a five-year window from the date of injury. After five years have passed, the order approving the C&R constitutes a final judgment subject to challenge only on grounds of extrinsic fraud or extrinsic mistake.

The judicial review of C&R adequacy is a critical safeguard, requiring the judge to examine whether the settlement amount falls within a reasonable range given the medical evidence, the permanent disability rating, and the estimated costs of future care. The judge must approve the settlement before it becomes binding, and may refuse approval if the judge determines the settlement is inadequate, requiring the parties to either modify the settlement or proceed to litigation.

The decision to accept a C&R settlement should be made only after careful consideration of the injured worker's medical prognosis, anticipated future care needs, confidence in their ability to manage healthcare decisions independently, and overall financial circumstances. For injured workers with serious injuries likely to require ongoing or progressive care, the protection of a Stipulated Award (which preserves future medical benefits and allows reopening for new and further disability) may be significantly more valuable than the lump-sum payment offered in a C&R, despite the C&R typically offering higher total cash amounts.

Recommendations for Injured Workers Considering C&R Settlement

Injured workers considering whether to accept a C&R settlement should follow these recommendations:

First, do not proceed to settlement before reaching maximum medical improvement. Ensure that your medical condition has stabilized, that you have completed substantially all treatment related to your injury, and that your treating physician has issued a permanent disability rating before engaging in serious settlement discussions.

Second, retain an experienced workers' compensation attorney if at all possible. Attorney representation has been conclusively demonstrated to result in significantly higher settlements, and the contingency fee arrangement means you will not incur any costs if the claim is unsuccessful. The value added by experienced counsel in settlement negotiations, medical evidence evaluation, and documentation preparation will almost certainly exceed the attorney fee deducted from your settlement.

Third, consult in detail with your treating physicians regarding your medical prognosis, anticipated future care needs, and any uncertainty regarding the scope or duration of future treatment. Provide this medical information to your attorney so that the attorney can evaluate whether the amount proposed for future medical care in the C&R is realistic and adequate.

Fourth, carefully evaluate the settlement offer in light of the permanent disability rating assigned to your injury. Published workers' compensation settlement guidelines and practitioner resources provide data on typical settlement ranges relative to permanent disability ratings; you should ensure that your settlement amount falls within the expected range for your disability rating, adjusted for factors such as age, occupational impact, and apportionment.

Fifth, if you are receiving or are likely to receive benefits from other government programs (Social Security Disability Insurance, Supplemental Security Income, state disability insurance, etc.), consult with a benefits specialist or attorney experienced in benefits integration before accepting a settlement, to understand and plan for the impact of the workers' compensation settlement on your other benefit eligibility and receipt.

Sixth, ensure that all liens are properly identified, negotiated, and resolved before you accept the settlement. Do not agree to a settlement if there are unresolved liens that could consume a substantial portion of your settlement proceeds, unless the settlement agreement clearly addresses how those liens will be handled and you have agreed to the disposition.

Seventh, do not sign any addenda or separate agreements that purport to release claims outside the scope of workers' compensation (such as employment discrimination, wrongful termination, or wage and hour claims) without careful review and explicit understanding of what you are releasing. The official WCAB Form 15 does not release such claims unless explicitly stated; ensure that you understand exactly what is and is not being released in your settlement.

Finally, take the time to fully read and understand all settlement documents before signing them. If you are not fluent in English, ensure that the documents are explained to you in your native language and that a statement to that effect is included in the settlement file. Do not sign anything you do not understand, and do not allow pressure or time constraints to rush you into accepting a settlement you have concerns about.

Framework for Attorney Evaluation of Proposed C&R Settlements

Attorneys evaluating proposed C&R settlements on behalf of injured worker clients should employ the following analytical framework:

Medical Evidence Review: Obtain and carefully review all medical reports, disability evaluator reports, and imaging studies. Consult with the treating physician to obtain their opinion on whether the medical evidence is complete and whether the permanent disability rating is accurate. Consider whether independent medical evaluation (QME or AME) might result in a higher rating.

Permanent Disability Rating Verification: Ensure that the permanent disability rating used as the basis for the settlement calculation is correct. If the rating appears low relative to the medical evidence, consider whether expert correction is warranted. Calculate the expected permanent disability indemnity amount under a Stipulated Award to establish a baseline for comparison with the C&R offer.

Future Medical Cost Analysis: Request detailed information from the injured worker's treating physicians regarding anticipated future care (surgeries, therapies, hospitalizations, medications, devices, monitoring). Obtain cost estimates using official workers' compensation fee schedules and also from private providers to understand the full range of potential costs. Ensure that the amount allocated for future medical care in the C&R encompasses a realistic estimate of these costs.

Comparative Analysis: Compare the C&R settlement offer to the amount that would be awarded under a Stipulated Award based on the permanent disability rating. Calculate the total value of keeping medical care open under a Stipulated Award (over the injured worker's expected lifetime) versus accepting the lump-sum C&R offer. Consider factors such as the injured worker's age, life expectancy, occupational status, and likelihood of actually needing the projected medical care.

Lien and Credit Investigation: Conduct a thorough investigation of all liens, third-party subrogation claims, and credits (such as permanent disability advances or state disability payments) that will be deducted from the settlement. Ensure that the C&R settlement amount adequately accounts for these deductions and that the injured worker's net recovery is adequate.

Risk Assessment: Evaluate the strength of the injured worker's underlying claim (compensability, body parts, permanent disability rating, apportionment) and assess the risk of proceeding to trial versus accepting the settlement offer. If threshold issues are in dispute and the injured worker's position is weak, the certainty of a C&R settlement may be preferable to the risk of losing at trial. Conversely, if the evidence is strong and the settlement offer is low, trial may be warranted.

Benefit Integration: If the injured worker is receiving or is potentially eligible for other benefits, consult with a benefits specialist to evaluate the impact of the workers' compensation settlement on the injured worker's overall benefit picture.

Client Communication: Have a detailed discussion with the injured worker regarding the permanence of the C&R settlement, the implications of closing future medical benefits, the finality of the settlement, and the considerations favoring acceptance versus pursuit of a Stipulated Award or trial. Document the injured worker's informed consent to the settlement.

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