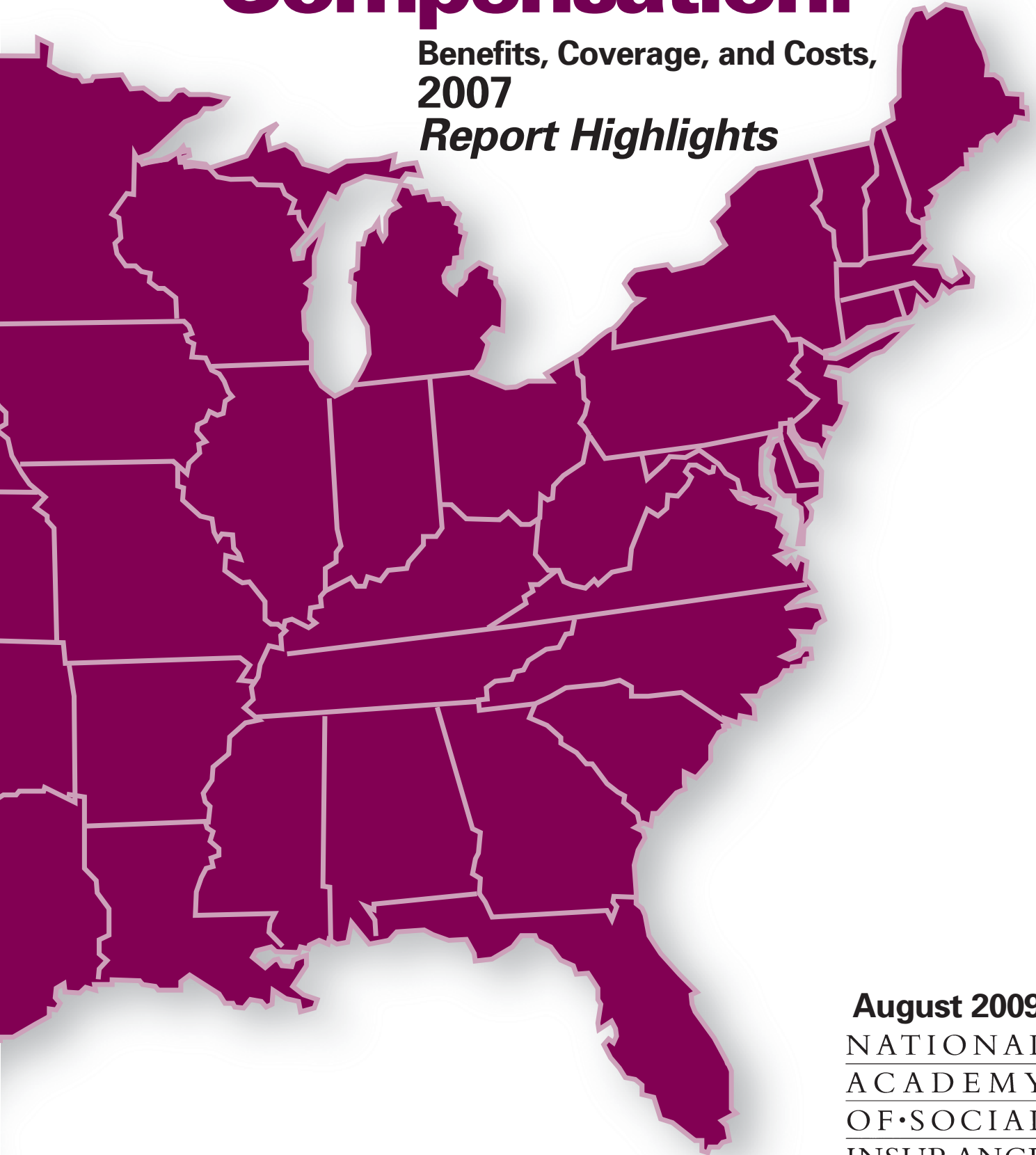


Workers' Compensation:

Benefits, Coverage, and Costs,
2007
Report Highlights



August 2009
NATIONAL
ACADEMY
OF SOCIAL
INSURANCE
Washington, DC

**NATIONAL
ACADEMY
OF SOCIAL
INSURANCE**

Board of Directors

Kenneth S. Apfel, Chair

Janice Gregory, President

Jacob Hacker, Vice President

Jennie Chin Hansen, Secretary

Richard A. Hobbie, Treasurer

Nancy J. Altman

Christine Baker

Kathleen A. Buto

Susan M. Daniels

Judy Feder

Michael Graetz

Lisa Mensah

Jill Quadagno

Joseph Quinn

Gerald Shea

William E. Spriggs

Lawrence H. Thompson

Founding Chair

Robert M. Ball

Executive Vice President

Pamela J. Larson

VP for Income Security

Virginia P. Reno

1776 Massachusetts Ave., NW

Suite 615

Washington, DC 20036-1904

Telephone (202) 452-8097

Facsimile (202) 452-8111

E-mail nasi@nasi.org

Website: www.nasi.org

The National Academy of Social Insurance is a nonprofit, nonpartisan organization made up of the nation's leading experts on social insurance. Its mission is to promote understanding of how social insurance contributes to economic security and a vibrant economy.

Social insurance encompasses broad-based systems for insuring workers and their families against economic insecurity caused by loss of income from work and the cost of health care. NASI's scope covers social insurance such as Social Security; Medicare; workers' compensation; and unemployment insurance, related public assistance, and private employee benefits.

The Academy convenes study panels that are charged with conducting research, issuing findings, and, in some cases, reaching recommendations based on their analysis. Members of these groups are selected for their recognized expertise and with due consideration for the balance of disciplines and perspectives appropriate to the project.

This research report presents new data and does not make recommendations. It was prepared with the guidance of the Study Panel on National Data on Workers' Compensation. In accordance with procedures of the Academy, it has been reviewed by a committee of the Board for completeness, accuracy, clarity, and objectivity.

This project received financial support from the Social Security Administration, the Centers for Medicare & Medicaid Services, and the Office of Workers' Compensation Programs of the U.S. Department of Labor. It also received in-kind support in data from the National Council of Compensation Insurance, and the National Association of Insurance Commissioners.

© 2009 National Academy of Social Insurance

ISBN: 1-834902-52-9

Workers' Compensation:

**Benefits, Coverage, and Costs,
2007**

Report Highlights

by

Ishita Sengupta, Virginia Reno, and John F. Burton, Jr.

with advice of the

**Study Panel on National Data on
Workers' Compensation**

August 2009

**NATIONAL
ACADEMY
OF SOCIAL
INSURANCE
Washington, DC**

Preface

This is the twelfth report the Academy has issued on workers' compensation national data. Before the National Academy of Social Insurance began the publication, the U.S. Social Security Administration (SSA) produced the only comprehensive national data on workers' compensation benefits and costs with annual estimates dating back to 1946. SSA discontinued the series in 1995 after publishing data for 1992–93. In February 1997, the Academy received start-up funding from The Robert Wood Johnson Foundation to launch a research initiative in workers' compensation with its first task to develop methods to continue the national data series. In December 1997, it published a report that extended the data series through 1995. Today funding for the project comes from the Social Security Administration, the Centers for Medicare & Medicaid Services, and the U.S. Department of Labor. In addition, the National Council on Compensation Insurance and National Association of Insurance Commissioners provide access to important data for the project. Without support from these sources, continuing this vital data series would not be possible.

This is the fifth edition of the report co-authored by Ishita Sengupta, Virginia Reno, and me. Ishita warrants her name being listed first in recognition of the amounts of time and energy she devoted to the publication. This report also benefited from the expertise

of members of the Study Panel on National Data on Workers' Compensation, who gave generously of their time and knowledge in advising on data sources and presentation, interpreting results, and reviewing the draft report. The panel is listed on page ii. We would like to especially acknowledge Barry Llewellyn, Senior Divisional Executive and Actuary with the National Council on Compensation Insurance; Eric Nordman, Director of Research, National Association of Insurance Commissioners; Greg Krohm, Executive Director, International Association of Industrial Accident Boards and Commissions; and Les Boden, Professor, Boston University, who provided the Academy with data and their considerable expertise on many data issues. We also thank Frank Neuhauser, University of California, Berkeley; Allan Hunt, Upjohn Institute; Mike Manley, Oregon Department of Consumer and Business Services; Alex Swedlow, California Workers' Compensation Institute; and Doug Holmes, UWC for their suggestions for this report. This report also benefited from helpful comments during Board review by Bill Johnson, Rene Parent and Hank Patterson.

John F. Burton, Jr.
Chair, *Study Panel on National Data on Workers' Compensation*

National Academy of Social Insurance Workers' Compensation Data Study Panel

John F. Burton, Jr., *Chair*
Professor Emeritus
Labor Studies & Employment
Relations, School of
Management & Labor Relations
Rutgers University

Marjorie Baldwin
Professor, W. P. Carey School of
Business, School of Health
Management and Policy
Arizona State University

Peter S. Barth
Professor of Economics,
Emeritus, University of
Connecticut

Christine Baker
Executive Officer,
CHSWC

Keith Bateman
Vice President, Workers'
Compensation
Property Casualty Insurers
Association of America

Leslie Boden
Professor, School of Public
Health, Boston University

Aaron Catlin
Deputy Director, National
Health Statistics Group,
Office of the Actuary,
Centers for Medicare and
Medicaid Services

James N. Ellenberger
Former Deputy Commissioner
Virginia Employment
Commission

Shelby Hallmark
Director, Office of Workers'
Compensation Programs
U.S. Department of Labor

**Jay S. Himmelstein, M.D.,
MPH**
Professor, Family Medicine and
Community Health
Chief Health Policy Strategist,
Center for Health Policy and
Research, University of
Massachusetts Medical School

Douglas J. Holmes
President, UWC -Strategic
Services on Unemployment
and Workers' Compensation

H. Allan Hunt
Senior Economist
W.E. Upjohn Institute

Kate Kimpan
Vice President, Workers'
Compensation Programs
Dade Moeller & Associates

Gregory Krohm
Executive Director
International Association of
Industrial Accident Boards and
Commissions

Barry Llewellyn
Senior Divisional Executive,
Regulatory Services
National Council on
Compensation Insurance, Inc.

Mike Manley
Research Coordinator
Oregon Department of
Consumer and Business Services

Frank Neuhauser
Research Faculty
University of Berkeley

Eric Nordman
Director of Research
National Association of
Insurance Commissioners

Robert Reville
Director, Institute for Civil
Justice, RAND

John Ruser
Assistant Commissioner for
Safety, Health and Working
Conditions, U.S. Bureau of
Labor Statistics

Emily A. Spieler
Dean and Edwin W. Hadley
Professor of Law, Northeastern
University School of Law

Robert Stegert
Vice President, Casualty Claims,
Marriott International, Inc.

Alex Swedlow
Executive Vice
President/Research
California Workers'
Compensation Institute

Richard A. Victor
Executive Director, Workers'
Compensation Research Institute

Alex Wasarhelyi
Project Officer, Social Security
Administration

Benjamin Washington
Statistician, National Health
Statistics Group, Office of the
Actuary, Centers for Medicare
and Medicaid Services

William J. Wiatrowski
Associate Commissioner
Office of Compensation &
Working Conditions
U.S. Department of Labor,
Bureau of Labor Statistics

Table of Contents (for the full report)

Preface	i
Highlights	1
Need for this Report.....	1
Target Audience	1
Workers' Compensation and Other Disability Benefits	1
Trends in Workers' Compensation Benefits and Costs	3
National Trends With and Without California	5
Overview of Workers' Compensation	6
Covered Employment and Wages	7
Coverage Rules.....	8
Method for Estimating Coverage	8
Changes in State Coverage.....	8
Cash and Medical Benefits	8
Types of Workers' Compensation Benefits	8
Method for Estimating Benefits	12
National Trends in Insurance Arrangements	13
Trends in Deductibles and Self Insurance.....	13
State Benefits	17
State Benefits by Type of Insurance Arrangements.....	17
Medical Benefits by State	24
State Benefits Relative to Wages	24
Employer Costs	27
Trend in Benefits and Costs	30
Work Injuries, Occupational Illness and Fatalities	30
Fatalities at Work	30
Nonfatal Injuries and Illnesses	31
Injury Reporting	31
Comparing Workers' Compensation with Other Disability Benefit Programs	34
Other Disability Benefits	34
Social Security Disability Insurance and Medicare	34
Coordination between Workers' Compensation and Social Security Disability Benefits	35
Trends in Social Security Disability Benefits and Workers' Compensation	36
Incurred Benefits Compared with Paid Benefits	37
Glossary.....	41
Appendix A: Coverage Estimates.....	43
Appendix B: 2007 Survey Questionnaire	47
Appendix C: Data Availability	49
Appendix D: Revised Data for 2003–2006	53
Appendix E: Self-Insurer Benefit Estimates	62
Appendix F: Medical Benefit Estimates.....	64
Appendix G: Deductible Benefit Estimates	65
Appendix H: Federal Programs	66
References.....	73

Tables

Table 1	Workers' Compensation Benefits, Coverage, and Costs, 2006-2007: Summary	2
Table 2	Number of Workers Covered under Workers' Compensation Programs and Total Covered Wages, 1989-2007	4
Table 3	Number of Workers Covered by Workers' Compensation and Total Covered Wages, By State, 2003-2007	10
Table 4	Workers' Compensation Benefits, by Type of Insurer, 1987-2007 (in millions)	14
Table 5	Total Amount and Percentage Distribution of Workers' Compensation Benefit Payments by Type of Insurer, 1990-2007	15
Table 6	Estimated Employer-Paid Benefits under Deductible Provisions for Workers' Compensation, 1992-2007 (in millions)	16
Table 7	Workers' Compensation Benefits by State(in thousands) and Annual Percent Change, 2003-2007	18
Table 8	Workers' Compensation Benefits by Type of Insurer and Medical Benefits, by State, 2007 (in thousands)	20
Table 9	Medical, Cash, and Total Benefits, by State, 2006-2007 (in thousands)	22
Table 10	State Workers' Compensation Benefits Per \$100 of Covered Wages, by State, 2003-2007	26
Table 11	Employer Costs for Workers' Compensation by Type of Insurer, 1987-2007 (in millions)	28
Table 12	Workers' Compensation Benefit and Cost Ratios, 1989-2007	29
Table 13	Number of Fatal Occupational Injuries, 1992-2007	31
Table 14	Private Industry Occupational Injuries and Illnesses: Total Non-fatal Cases and Incidence Rates, 1987-2007	32
Table 15	Number of Workers' Compensation Claims per 100,000 Insured Workers: Private Carriers in Thirty-six Jurisdictions, 1992-2004	33
Table 16	Social Security Disability Insurance (DI) Beneficiaries with Workers' Compensation (WC) or Public Disability Benefit (PDB) Involvement, December 2008	36
Table 17	Comparison of Accident-Year Incurred Benefits with Calendar-Year Benefits Paid by Private Carriers and State Funds in Thirty-six States, 1996-2007	38
Table A1	Documenting Workers' Compensation Coverage Estimates, 2007 Annual Averages	44
Table B	2007 Survey Questionnaire	47
Table C1	Data Sources for 2007	51
Table D1	Workers' Compensation Benefits by Type of Insurer and Medical Benefits, by State, 2006 (in thousands)	54
Table D2	Workers' Compensation Benefits by Type of Insurer and Medical Benefits, by State, 2005 (in thousands)	56
Table D3	Workers' Compensation Benefits by Type of Insurer and Medical Benefits, by State, 2004 (in thousands)	58

Table D4	Workers' Compensation Benefits by Type of Insurer and Medical Benefits, by State, 2003 (in thousands) . . . . .	.60
Table E1	Self-Insurer Estimation Results, 2002–2007 . . . . .	.63
Table H1	Federal Employees' Compensation Act, Benefits and Costs, 1997–2007 (in thousands) . . . . .	.67
Table H2	Longshore and Harbor Workers' Compensation Act, Benefits and Costs And Number of DBA Death Claims, 1997–2007 (dollars in thousands) . . . . .	.68
Table H3	Black Lung Benefits Act, Benefits and Costs, 1997–2007 (in thousands) . . . . .	.70
Table H4	Energy Employees Occupational Illness Compensation Program Act, Part B and Part E, Benefits and Costs, 2001-2007 (in thousands) . . . . .	.71
Table H5	Radiation Exposure Compensation Act, Benefits Paid as of March 18, 2009 (benefits in thousands) . . . . .	.72
Table H6	Federal Veterans' Compensation Program, Compensation Paid in Fiscal Year 2007 (benefits in thousands) . . . . .	.72

Figures

Figure 1	Workers' Compensation Benefits and Costs Per \$100 of Covered Wages, 1989–2007 . . . . .	.5
Figure 2	Workers' Compensation Medical and Cash Benefits Per \$100 of Covered Wages, 1989-2007 . . . . .	.6
Figure 3	Types of Disabilities in Workers' Compensation Cases with Cash Benefits, 2004 . . . . .	.9
Figure 4	Social Security Disability Insurance and Workers' Compensation Cash Benefits Per \$100 of Wages, 1980-2007 . . . . .	.37

Highlights

This report provides a benchmark of the coverage, benefits, and costs of workers' compensation to facilitate policymaking and comparisons with other social insurance and employee benefit programs. Workers' compensation pays for medical care, rehabilitation, and cash benefits for workers who are injured on the job or who contract work-related illnesses. It also pays benefits to families of workers who die of work-related causes. Each state has its own workers' compensation program.

Need for this Report

The lack of uniform reporting of states' experiences with workers' compensation makes it necessary to piece together data from various sources to develop estimates of benefits paid, costs to employers, and the number of workers covered by workers' compensation. Unlike other U.S. social insurance programs, state workers' compensation programs have no federal involvement in financing or administration. And, unlike private pensions or employer-sponsored health benefits that receive favorable federal tax treatment, no federal laws set standards for "tax-qualified" plans or require comprehensive reporting of workers' compensation coverage and benefits.¹ The general lack of federally-mandated data means that states vary greatly in the data they have available to assess the performance of workers' compensation programs.

For more than forty years, the research office of the U.S. Social Security Administration produced national and state estimates of workers' compensation benefits, but that activity ended in 1995. In response to requests from stakeholders and scholars in the workers' compensation field, the National Academy of Social Insurance took on the challenge of continuing that data series. This is the Academy's twelfth annual report on workers' compensation benefits, coverage, and costs. This report presents new data on developments in workers' compensation in 2007 and updates estimates of benefits, costs, and coverage for the years 2003–2006. The revised estimates in this report replace estimates in the Academy's prior reports.

Target Audience

The audience for the Academy's reports on workers' compensation includes journalists, business and labor leaders, insurers, employee benefit specialists, federal and state policymakers, and researchers in universities, government, and private consulting firms. The data are published in the *Statistical Abstract of the United States* by the U.S. Census Bureau, *Injury Facts* by the National Safety Council, *Employee Benefit News*, which tracks developments for human resource professionals, and *Fundamentals of Employee Benefit Programs* from the Employee Benefit Research Institute. The U.S. Social Security Administration publishes the data in its *Annual Statistical Supplement* to the *Social Security Bulletin*. The federal Centers for Medicare & Medicaid Services use the data in their estimates and projections of health care spending in the United States. The National Institute for Occupational Safety and Health uses the data to track the cost of workplace injuries in the United States. In addition, the International Association of Industrial Accident Boards and Commissions (the organization of state and provincial agencies that administer workers' compensation in the United States and Canada) uses the information to track and compare the performance of workers' compensation programs in the United States with similar systems in Canada.

The report is produced with the oversight of the members of the Academy's Study Panel on National Data on Workers' Compensation, who are listed in the front of this report. The Academy and its expert advisors are continually seeking ways to improve the report and to adapt estimation methods to track new developments in the insurance industry and in workers' compensation programs.

Workers' Compensation and Other Disability Benefits

Workers' compensation is an important part of American social insurance. As a source of support for disabled workers, it is surpassed in size only by Social Security Disability Insurance and Medicare. Workers' compensation programs in the fifty states, the District of Columbia, and federal programs paid

1 There is a new reporting requirement enacted in 2007, Section 111 of S 2499 (now Public Law No. 110-173) that workers' compensation claims administrators must report to the CMS (Centers for Medicare and Medicaid Services) information about workers' compensation recipients who are entitled to Medicare.

Table 1**Workers' Compensation Benefits*, Coverage, and Costs**, 2006–2007, Summary**

Aggregate Amounts	2006	2007	Change In Percent
United States			
Covered workers (in thousands)	130,339	131,734	1.1
Covered wages (in billions)	\$5,543	\$5,855	5.6
Workers' compensation benefits paid (in billions)	54.3	55.4	2.0
Medical benefits	26.3	27.2	3.3
Cash benefits	28.0	28.3	0.8
Employer costs for workers' compensation (in billions)	87.3	85.0	-2.7
California			
Covered workers (in thousands)	15,256	15,395	0.9
Covered wages (in billions)	\$734	\$775	5.5
Workers' compensation benefits paid (in billions)	10.1	9.9	-2.2
Medical benefits	5.1	5.4	5.4
Cash benefits	5.0	4.5	-10.0
Employer costs for workers' compensation (in billions)	17.0	14.6	-14.3
Outside California			
Covered workers (in thousands)	115,083	116,339	1.1
Covered wages (in billions)	\$4,808	\$5,081	5.7
Workers' compensation benefits paid (in billions)	44.2	45.5	3.0
Medical benefits	21.2	21.8	2.8
Cash benefits	23.0	23.7	3.2
Employer costs for workers' compensation (in billions)	70.3	70.4	0.1
Amount per \$100 of Covered Wages			Change In Amount[#]
United States			
Benefits paid	\$0.98	\$0.95	-\$0.03
Medical payments	0.47	0.46	-0.01
Cash payments to workers	0.51	0.48	-0.03
Employer costs	1.58	1.45	-0.13
California			
Benefits paid	\$1.38	\$1.28	-\$0.10
Medical payments	0.70	0.69	-0.01
Cash payments to workers	0.69	0.58	-0.11
Employer costs	2.32	1.88	-0.44
Outside California			
Benefits paid	\$0.92	\$0.90	-\$0.02
Medical payments	0.44	0.43	-0.01
Cash payments to workers	0.48	0.47	-0.01
Employer costs	1.46	1.39	-0.07

Figures may not add to total due to rounding.

Table 1 continued

* Benefits are payments in the calendar year to injured workers and to providers of their medical care.

** Costs are employer expenditures in the calendar year for workers' compensation benefits, administrative costs, and/or insurance premiums. Costs for self-insuring employers are benefits paid in the calendar year plus the administrative costs associated with providing those benefits. Costs for employers who purchase insurance include the insurance premiums paid during the calendar year plus the payments of benefits under large deductible plans during the year. The insurance premiums must pay for all of the compensable consequences of the injuries that occur during the year, including the benefits paid in the current as well as future years.

Source: National Academy of Social Insurance estimates based on Tables 2, 8, 9, 11, 12 and D1.

\$55.4 billion in benefits in 2007. Of the total, \$27.2 billion paid for medical care and \$28.3 billion paid for cash benefits (Table 1).

Workers' compensation differs from Social Security disability insurance and Medicare in important ways. Workers' compensation pays for medical care for work-related injuries beginning immediately after the injury occurs; it pays temporary disability benefits after a waiting period of three to seven days; it pays permanent partial and permanent total disability benefits to workers who have lasting consequences of disabilities caused on the job; in most states it pays rehabilitation and training benefits for those unable to return to pre-injury careers; and it pays benefits to survivors of workers who die of work-related causes. Social Security, in contrast, pay benefits to workers with long-term disabilities of any cause, but only when the disabilities preclude work. Social Security also pays for rehabilitation services and survivor benefits to families of deceased workers. Social Security begins after a five-month waiting period and Medicare begins twenty-nine months after the onset of medically verified inability to work. In 2007, Social Security paid \$95.9 billion in cash benefits to disabled workers and their dependents, while Medicare paid \$57.2 billion for health care for disabled persons under age 65 (SSA, 2008d and CMS, 2008).

Paid sick leave, temporary disability benefits, and long-term disability insurance for non-work-related injuries or diseases are also available to some workers. About 43 percent of all private sector employees are not provided any paid sick leave (BLS, 2007a). Sick leave typically pays 100 percent of wages for a few weeks. Private long-term disability insurance that is

financed, at least in part, by employers covers about 30 percent of private sector employees and is usually paid after a waiting period of three to six months, or after short-term disability benefits end. Long-term disability insurance is generally designed to replace 60 percent of earnings and is reduced if the worker receives workers' compensation or Social Security disability benefits.

Trends in Workers' Compensation Benefits and Costs

Total cash benefits to injured workers and medical payments for their health care were \$55.4 billion in 2007, a 2.0 percent increase from \$54.3 billion in 2006. Medical payments increased by 3.3 percent to \$27.2 billion and cash benefits to injured workers slightly increased, to \$28.3 billion, from the prior year (Table 1).

Costs to employers fell by 2.7 percent in 2007 to \$85.0 billion. Costs for self-insured employers are the benefits they pay plus their administrative costs. For employers who buy insurance, costs are the premiums they pay in the year plus benefits they pay under deductible arrangements in their insurance policies. From an insurance company's perspective, premiums received in a year are not expected to match up with benefits paid that year. Rather the premiums are expected to cover all future liabilities for injuries that occur in the year.

NASI measures of benefits and employer costs are designed to reflect the aggregate experience of two stakeholder groups – workers who rely on compensation for workplace injuries and employers who pay the bills. The NASI measures are not designed to assess the performance of the insurance industry or

insurance markets. Other organizations analyze insurance trends.²

For long-term trends, it is useful to consider workers' compensation benefits and employer costs relative to aggregate wages of covered workers. In a steady state, one might expect benefits to keep pace with covered wages. This would be the case with no change in the frequency or severity of injuries and if wage replacement benefits for workers and medical payments to providers tracked the growth of wages in the economy generally. However, in reality, benefits and costs relative to wages vary significantly over the years.

In 2007, aggregate wages of covered workers rose by 5.6 percent (Table 2). This increase was the combined effect of 1.1 percent increase in covered work-

ers – due to job growth in the economy – and a 4.5 percent increase in the workers' average wages.

When measured relative to the wages of covered workers, both employer costs and benefits for workers fell in 2007 (Table 1). Total payments on workers' behalf fell by three cents to \$0.95 per \$100 of covered wages: medical payments fell from \$0.47 per \$100 of wages in 2006 to \$0.46 in 2007, while wage-replacement benefits fell by three cents per \$100 of wages to \$0.48. The cost to employers fell by thirteen cents per \$100 of covered wages, to \$1.45 in 2007 from \$1.58 in 2006.

Figure 1 shows the trends in employer costs and in cash and medical benefits combined as a share of covered wages over the past 19 years. Benefits and

Table 2

Number of Workers Covered under Workers' Compensation Programs and Total Covered Wages, 1989–2007

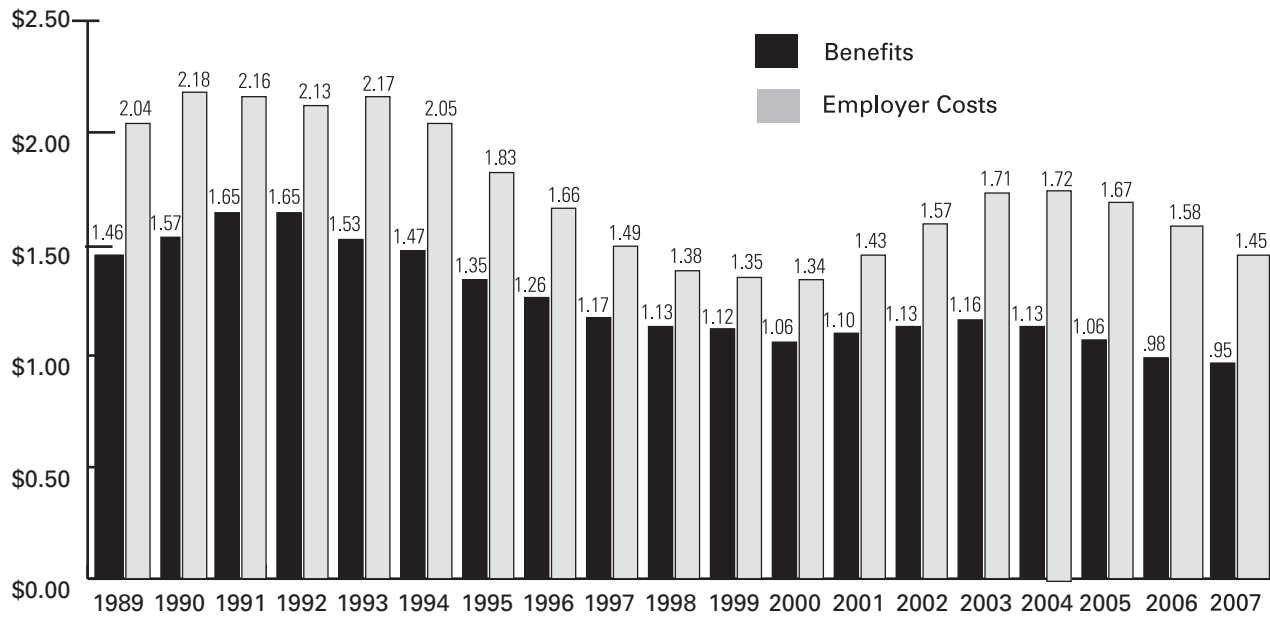
Year	Total Workers		Total Wages	
	(in thousands)	Percent Change	(in billions)	Percent Change
1989	103,900		\$ 2,347	
1990	105,500	1.5	2,442	4.0
1991	103,700	-1.7	2,553	4.5
1992	104,300	0.6	2,700	5.7
1993	106,200	1.8	2,802	3.8
1994	109,400	3.0	2,949	5.2
1995	112,800	3.1	3,123	5.9
1996	114,773	1.7	3,337	6.9
1997	118,145	2.9	3,591	7.6
1998	121,485	2.8	3,885	8.2
1999	124,349	2.4	4,151	6.8
2000	127,141	2.2	4,495	8.3
2001	126,972	-0.1	4,604	2.4
2002	125,603	-1.1	4,615	0.2
2003	124,685	-0.7	4,717	2.2
2004	125,878	1.0	4,953	5.0
2005	128,158	1.8	5,212	5.2
2006	130,339	1.7	5,543	6.3
2007	131,734	1.1	5,855	5.6

Source: National Academy of Social Insurance estimates. See Appendix A.

2 Rating bureaus, for example, assess insurance developments in the states and advise regulators and insurers on system changes.

Figure 1

Workers' Compensation Benefits* and Costs Per \$100 of Covered Wages, 1989–2007**



Source: National Academy of Social Insurance estimates.

* Benefits are payments in the calendar year to injured workers and to providers of their medical care.

** Costs are employer expenditures in the calendar year for workers' compensation benefits, administrative costs, and/or insurance premiums. Costs for self-insuring employers are benefits paid in the calendar year plus the administrative costs associated with providing those benefits. Costs for employers who purchase insurance include the insurance premiums paid during the calendar year plus the payments of benefits under large deductible plans during the year. The insurance premiums must pay for all of the compensable consequences of the injuries that occur during the year, including the benefits paid in the current as well as future years.

costs declined sharply from their peaks in the early 1990s, reached a low in 2000, rebounded somewhat after 2000, and then declined in the last few years. As a share of covered wages, benefits in 2007 were at their lowest point in the last nineteen years at \$0.95 per \$100 of wages in 2007 (discussed in detail later in the report). Figure 2 shows the trend in medical and cash payments separately. In 2007, both medical and cash benefits per \$100 of wages were at their lowest point in the past 19 years, at 0.46 and \$0.48 per \$100 of wages respectively.

National Trends With and Without California

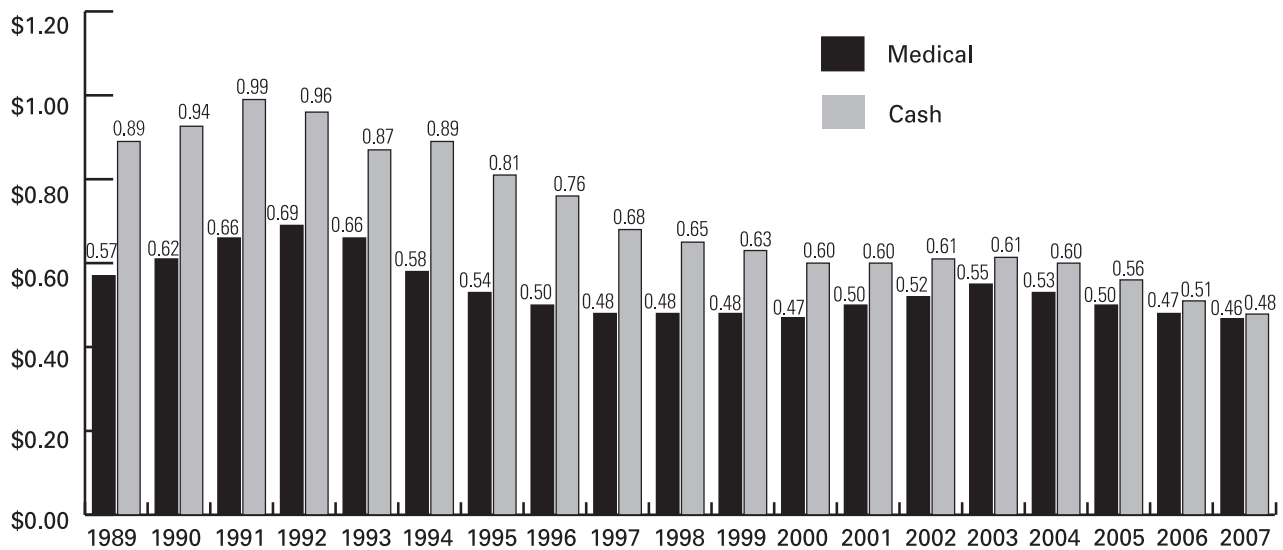
California's workers' compensation program has changed significantly over the past few years. Because it is a big state (with 13.2 percent of national payroll and 17.8 percent of total benefits in 2007), California's large shifts in benefits and employer costs have altered the course of national trends. For this

reason, it is useful to examine national trends outside of California.

Unprecedented growth in California workers' compensation costs in 2001-2003 led to major reforms in 2003 and 2004. The comprehensive changes sought to limit spending by introducing evidence-based medical treatment guidelines, creating medical provider networks, setting time limits on temporary disability benefits, establishing a more objective rating schedule for permanent disability, and setting transparent fee schedules for outpatient surgery centers, hospitals, and pharmaceuticals. A new Academy brief, *Workers' Compensation in California and the Nation: Benefit and Employer Cost Trends, 1989-2005*, tracks the California changes through 2005 (Sengupta et al., 2008). California benefits paid to workers and costs to employers continued to decline in 2007.

Figure 2

Workers' Compensation Medical and Cash Benefits Per \$100 of Covered Wages, 1989–2007



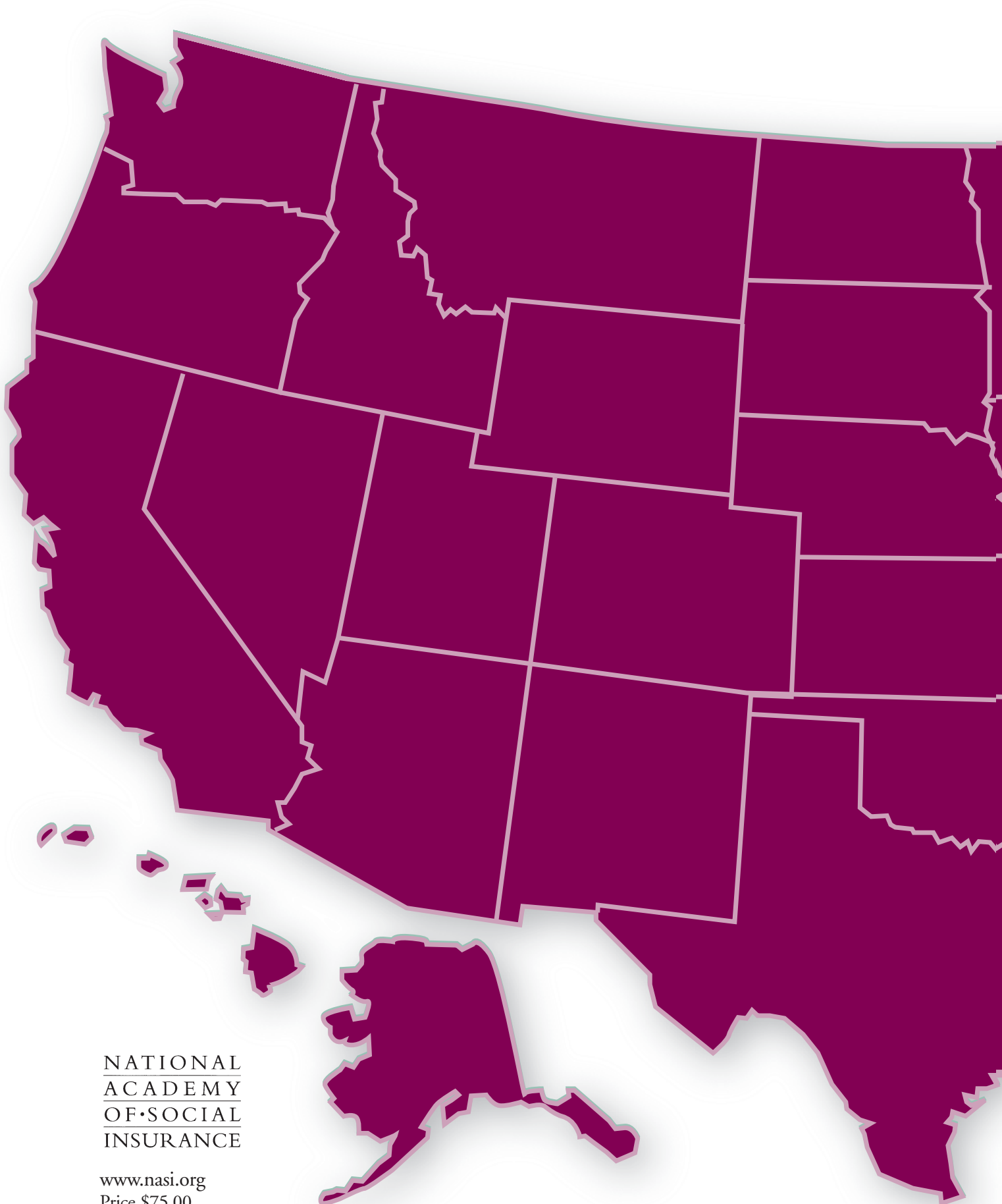
Source: National Academy of Social Insurance estimates.

Table 1 shows the 2007 changes in California and in the rest of the nation outside California. California's cash benefit payments dropped 10.0 percent in 2007. California medical benefit payments increased in 2007 after recording a 16 percent drop in 2005 and no change in 2006. Costs to California employers fell 14.3 percent in 2007, after showing a 16.6 percent drop in 2006.

When California is excluded, total benefit payments in the rest of the nation increased by 3.0 percent (in contrast with a 2.0 percent increase when California is included). Employer costs outside California

increased slightly by 0.1 percent (in contrast with a drop of 2.7 percent when California is included).

When changes in California are shown relative to aggregate wages of covered workers, medical payments per \$100 of covered wages fell by one cent to \$0.69 while cash benefits fell by 11 cents to \$0.58. Outside California medical and cash benefits both fell by one cent to \$0.43 and \$0.47 per \$100 of wages, and employer costs fell by seven cents to \$1.39 per \$100 of covered wages.



NATIONAL
ACADEMY
OF • SOCIAL
INSURANCE

www.nasi.org

Price \$75.00

ISBN: 1-834902-52-9

<union bug>