Workers’ Compensation:
Benefits, Coverage, and Costs, 2007

August 2009
NATIONAL ACADEMY OF SOCIAL INSURANCE
Washington, DC
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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.

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Workers’ Compensation: Benefits, Coverage, and Costs, 2007

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.

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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. 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

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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

<table>
<thead>
<tr>
<th>Aggregate Amounts</th>
<th>2006</th>
<th>2007</th>
<th>Change In Percent</th>
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<tr>
<td><strong>United States</strong></td>
<td></td>
<td></td>
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<tr>
<td>Covered workers (in thousands)</td>
<td>130,339</td>
<td>131,734</td>
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<tr>
<td>Covered wages (in billions)</td>
<td>$5,543</td>
<td>$5,855</td>
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<tr>
<td>Workers’ compensation benefits paid (in billions)</td>
<td>54.3</td>
<td>55.4</td>
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<td>Medical benefits</td>
<td>26.3</td>
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<td>Employer costs for workers’ compensation (in billions)</td>
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<td>85.0</td>
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<td>Covered workers (in thousands)</td>
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<td>Covered wages (in billions)</td>
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<td>9.9</td>
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<td>5.4</td>
<td>5.4</td>
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<td>-10.0</td>
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<td>14.6</td>
<td>-14.3</td>
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<td><strong>Outside California</strong></td>
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<td>Covered workers (in thousands)</td>
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<table>
<thead>
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<th>Amount per $100 of Covered Wages</th>
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<td>$0.98</td>
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<td>Employer costs</td>
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<tr>
<td></td>
<td>-$0.03</td>
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<tr>
<td></td>
<td></td>
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<tr>
<td>Benefits paid</td>
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<td>Cash payments to workers</td>
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<td>Employer costs</td>
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<tr>
<td></td>
<td>-$0.10</td>
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<td></td>
<td></td>
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<tr>
<td><strong>Outside California</strong></td>
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<tr>
<td>Benefits paid</td>
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<td>Cash payments to workers</td>
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<tr>
<td>Employer costs</td>
<td>1.46</td>
</tr>
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<td>-$0.02</td>
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# Figures may not add to total due to rounding.
$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 workers – 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Workers (in thousands)</th>
<th>Percent Change</th>
<th>Total Wages (in billions)</th>
<th>Percent Change</th>
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<tr>
<td>1989</td>
<td>103,900</td>
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<td>$2,347</td>
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</tr>
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<td>1990</td>
<td>105,500</td>
<td>1.5</td>
<td>2,442</td>
<td>4.0</td>
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<td>1991</td>
<td>103,700</td>
<td>-1.7</td>
<td>2,553</td>
<td>4.5</td>
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<tr>
<td>1992</td>
<td>104,300</td>
<td>0.6</td>
<td>2,700</td>
<td>5.7</td>
</tr>
<tr>
<td>1993</td>
<td>106,200</td>
<td>1.8</td>
<td>2,802</td>
<td>3.8</td>
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</tr>
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<tr>
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<td>6.3</td>
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<tr>
<td>2007</td>
<td>131,734</td>
<td>1.1</td>
<td>5,855</td>
<td>5.6</td>
</tr>
</tbody>
</table>

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.
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.

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.

Overview of Workers’ Compensation

Workers’ compensation provides benefits to workers who are injured on the job or who contract a work-related illness. Benefits include medical treatment for work-related conditions and cash payments that partially replace lost wages. Temporary total disability benefits are paid while the worker recovers from work. If the condition has lasting consequences even after the worker’s healing period, permanent disability benefits may be paid. In case of a fatality, the worker’s dependents receive survivor benefits. Workers’ compensation benefits are not subject to federal or state income taxes.

Germany enacted the first modern workers’ compensation laws, known as Sickness and Accident Laws, in 1884, following their introduction by Chancellor Otto von Bismarck (Clayton, 2004). The next such laws were adopted in England in 1897. Workers’ compensation was the first form of social insurance in the United States. The first workers’ compensation law in the United States was enacted in 1908 to cover certain federal civilian workers. The first state laws were passed in 1911. The subsequent adoption of state workers’ compensation programs has been
called a significant event in the nation’s economic, legal, and political history.

The adoption of these laws throughout the nation required great efforts by business and labor to reach agreements on the specifics of the benefits to be provided and on which industries and employers would have to provide these benefits. Today, each of the fifty states and the District of Columbia has its own program. A separate program covers federal civilian employees. Other federal programs provide benefits to coal miners with black lung disease, longshore and harbor workers, employees of overseas contractors with the U.S. government, certain energy employees exposed to hazardous material, workers engaged in the manufacturing of atomic bombs, and veterans injured on active duty in the armed forces.

Before workers’ compensation laws were enacted, an injured worker’s only legal remedy for a work-related injury was to bring a tort suit against the employer and prove that the employer’s negligence caused the injury. At the time, employers could use three common-law defenses to avoid compensating the worker: assumption of risk (showing that the injury resulted from an ordinary hazard of employment); the fellow worker rule (showing that the injury was due to a fellow-worker’s negligence); and contributory negligence (showing that, regardless of any fault of the employer, the worker’s own negligence contributed to the accident).

Under the tort system, workers often did not recover damages and experienced delays or high costs when they did. While employers generally prevailed in court, they nonetheless were at risk for substantial and unpredictable losses if the workers’ suits were successful. Litigation created friction between employers and workers. Initial reforms took the form of employer liability acts, which eliminated some of the common-law defenses. Nonetheless, employees still had to prove negligence, which remained a significant obstacle to recovery (Burton and Mitchell, 2003). Ultimately, both employers and employees favored workers’ compensation legislation to ensure that a worker who sustained an occupational injury or disease arising out of and in the course of employment would receive predictable compensation without delay, regardless of who was at fault. As a quid pro quo, the employer’s liability was limited. Under the exclusive remedy concept, the worker accepts workers’ compensation as payment in full and gives up the right to sue.

Workers’ compensation programs vary across states in terms of who is allowed to provide insurance, which injuries or illnesses are compensable, and the level of benefits. Workers’ compensation is financed almost exclusively by employers, although economists argue that workers pay for a substantial portion of the costs of the program in the form of lower wages (Leigh et al., 2000). Workers’ compensation coverage is mandatory in all states but Texas. Generally, state laws require employers who wish to self-insure for workers’ compensation to obtain approval from the state regulatory authority, after demonstrating financial ability to carry their own risk (self-insure). For those employers who purchase insurance, the premiums are based in part on their industry classifications and the occupational classifications of their workers. Many employers are also experience-rated, which results in higher (or lower) premiums for employers whose past experience—evaluated by actuarial formulas that consider injury frequency and aggregate benefit payments—is worse (or better) than the experience of similar employers in the same insurance classification. The employers’ costs of workers’ compensation can also be affected by other factors, such as deviations, schedule rating, and dividends (Thomason, Schmidle, and Burton, 2001). These competitive pricing adjustments vary over the course of the insurance underwriting cycle.

**Covered Employment and Wages**

In 2007, workers’ compensation covered an estimated 131.7 million workers, an increase of 1.1 percent from the 130.3 million workers covered in 2006 (Table 2). Total wages of covered workers were $5.9 trillion in 2007, an increase of 5.6 percent from 2006. Workers’ compensation coverage rules did not change significantly during this period.

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3 As a result, the employers’ liability approach was abandoned in all jurisdictions and industries except the railroads, where it still exists.
Coverage Rules
Every state except Texas requires almost all private employers to provide workers’ compensation coverage (U.S. DOL, 2006). In Texas, coverage is voluntary, but employers not providing coverage are not protected from tort suits. An employee not covered by workers’ compensation insurance or an approved self-insurance plan is allowed to file suit claiming the employer is liable for his or her work-related injury or illness in every state.

Other states exempt employers from mandatory coverage of certain categories of workers, such as those in very small firms, certain agricultural workers, household workers, employees of charitable or religious organizations, or employees of some units of state and local government. Employers with fewer than three workers are exempt from mandatory workers’ compensation coverage in Arkansas, Georgia, Michigan, New Mexico, North Carolina, Virginia, and Wisconsin. Employers with fewer than four workers are exempt in Florida and South Carolina. Those with fewer than five employees are exempt in Alabama, Mississippi, Missouri, and Tennessee.

The rules for agricultural workers vary among states. In eleven states (in addition to Texas), farm employers are exempt from mandatory workers’ compensation coverage altogether. In other states, coverage is compulsory for some or all farm employers.

Method for Estimating Coverage
Because no national system exists for counting workers covered by workers’ compensation, the number of covered workers and their covered wages must be estimated. The Academy’s methods for estimating coverage are described in Appendix A. In brief, we start with the number of workers and total wages in each state that are covered by unemployment insurance (UI). Almost all of U.S. wage and salary workers are covered by UI (NASI, 2002). We subtract from UI coverage the estimates of the workers and wages that are not required to be covered by workers’ compensation because of exemptions for small firms and farm employers and because coverage for employers in Texas is voluntary.

Using these methods we estimate that in 2007, 97.3 percent of all UI–covered workers and wages were covered by workers’ compensation. Self-employed persons are not covered by unemployment insurance or usually by workers’ compensation.

NASI’s coverage estimates seek to count the number of workers who are legally required to be covered under the state laws. The methodology may undercount the number of persons who are actually covered. For example, in some states, self-employers may voluntarily elect to be covered and in those states with numerical exemptions, some small firms may voluntarily purchase workers’ compensation insurance. The NASI methodology may also overestimate the number of workers actually covered by workers’ compensation. Several recent studies have found that actual coverage is less than legally-required coverage because of evasive strategies by employers, such as not reporting employees or misclassifying them as independent contractors (Greenhouse, 2008, FPI, 2007). As a practical matter, NASI lacks the information needed to systematically estimate compliance or non-compliance with state laws.

Changes in State Coverage
Because the primary workers’ compensation coverage rules did not change between 2006 and 2007, differences in growth rates among states generally reflect changes in the states’ overall employment and wages. In Texas, where workers’ compensation is voluntary for employers, coverage decreased from 77 percent of workers in 2006 to 76 percent in 2007 according to surveys of Texas employers. Only Michigan, Ohio and Rhode Island experienced a decline in the number of covered workers due to decline in overall employment. All other jurisdictions experienced an increase in covered jobs in 2007. With regard to wages covered under workers’ compensation, all jurisdictions registered increases in 2007 over 2006 (Table 3).

Cash and Medical Benefits
Types of Workers’ Compensation Benefits
Workers’ compensation pays for medical care immediately and pays cash benefits for lost work time after a three-to-seven-day waiting period. Most workers’ compensation cases do not involve lost work time greater than the waiting period for cash benefits. In
these cases, only medical benefits are paid. “Medical only” cases are quite common, but they represent a small share of benefit payments. Medical-only cases accounted for 77 percent of workers’ compensation cases, but only 6 percent of all benefits paid, according to information about insured employers in forty-one states for policy years spanning 1998–2004 (NCCI, 2008). The remaining 23 percent of cases that involved cash benefits accounted for 94 percent of benefits for cash and medical care combined.

Cash benefits differ according to the duration and severity of the worker’s disability. Temporary total disability benefits are paid when the worker is temporarily precluded from performing the pre-injury job or another job for the employer that the worker could have performed prior to the injury. Most states pay weekly benefits for temporary total disability that replace two-thirds of the worker’s pre-injury wage, subject to a dollar maximum that varies from state to state. In most cases, workers fully recover, return to work, and benefits end. In some cases, they return to work before they reach maximum medical improvement and have reduced responsibilities and lower pay. In those cases, they receive temporary partial disability benefits in most states. Temporary disability benefits are the most common type of cash benefits. They account for 63 percent of cases involving cash benefits and 17 percent of benefits incurred (Figure 3).

If a worker has very significant impairments that are judged to be permanent after he or she reaches maximum medical improvement, permanent total disability benefits might be paid. These cases are relatively rare. Permanent total disabilities, together with fatalities, account for 1 percent of all cases that involve cash benefits, and 17 percent of total cash benefit payments (Figure 3).

Permanent partial disability benefits are paid when the worker has impairments that, although permanent, do not completely limit the worker’s ability to work. States differ in their methods for determining whether a worker is entitled to permanent partial benefits, the degree of partial disability and the amount of benefits to be paid (Barth and Niss, 1999; Burton, 2005). In some states, the permanent partial disability benefit begins after maximum medical improvement has been achieved. In some cases permanent disability benefits can simply be the extension of temporary disability benefits until the disabled worker returns to employment. Cash benefits for permanent partial disability are frequently

**Figure 3**

Types of Disabilities in Workers’ Compensation Cases with Cash Benefits, 2004

<table>
<thead>
<tr>
<th>Percent of Cases</th>
<th>Percent of Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% Permanent Total and Fatalities</td>
<td>17% Permanent Total and Fatalities</td>
</tr>
<tr>
<td>36% Permanent Partial</td>
<td>17% Temporary</td>
</tr>
<tr>
<td>63% Temporary</td>
<td>66% Permanent Partial</td>
</tr>
</tbody>
</table>

Cases classified as permanent partial include cases that are closed with lump sum settlements. Benefits paid in cases classified as permanent partial, permanent total and fatalities can include any temporary total disability benefits also paid in such cases. The data are from the first report from the NCCI Annual Statistical Bulletin.

<table>
<thead>
<tr>
<th>State</th>
<th>Covered Workers (in thousands)</th>
<th>Covered Wages (in millions)</th>
<th>2006-2007 % Change</th>
<th>2006-2007 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>1,698</td>
<td>1,720</td>
<td>1,763</td>
<td>1,797</td>
</tr>
<tr>
<td>Alaska</td>
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<td>279</td>
<td>285</td>
<td>291</td>
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<td>2,438</td>
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<td>1,073</td>
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<td>14,706</td>
<td>14,992</td>
<td>15,256</td>
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<tr>
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<td>1,652</td>
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<td>412</td>
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</tr>
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<td>1,032</td>
<td>1,042</td>
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<td>2,499</td>
<td>2,532</td>
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<tr>
<td>Montana</td>
<td>380</td>
<td>390</td>
<td>400</td>
<td>413</td>
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<tr>
<td>Nebraska</td>
<td>850</td>
<td>866</td>
<td>876</td>
<td>886</td>
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<td>1,127</td>
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<td>605</td>
<td>613</td>
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</tr>
<tr>
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<td>3,812</td>
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<td>8,302</td>
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<td>316</td>
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<td>Ohio</td>
<td>5,202</td>
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<td>5,238</td>
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<td>1,565</td>
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<td>447</td>
<td>468</td>
<td>471</td>
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<td>1,759</td>
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<td>365</td>
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<td>665</td>
<td>673</td>
<td>683</td>
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<td>2,626</td>
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<td>2,679</td>
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<tr>
<td>Wyoming</td>
<td>232</td>
<td>240</td>
<td>247</td>
<td>260</td>
</tr>
<tr>
<td>Total non-federal</td>
<td>121,920</td>
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<td>125,424</td>
<td>127,610</td>
</tr>
<tr>
<td>Federal employees</td>
<td>2,764</td>
<td>2,740</td>
<td>2,734</td>
<td>2,729</td>
</tr>
<tr>
<td>TOTAL</td>
<td>124,685</td>
<td>125,878</td>
<td>128,158</td>
<td>130,339</td>
</tr>
</tbody>
</table>

Source: National Academy of Social Insurance estimates. See Appendix A.
limited to a specified duration or an aggregate dollar limit. Permanent partial disabilities account for 36 percent of cases that involve any cash payments and for 66 percent of benefit payments.

A recent in-depth study examined the likelihood that workers’ compensation claimants would receive permanent partial disability benefits. It focused on individuals in six states who had experienced more than seven days of lost work time. Those who subsequently received permanent partial benefits ranged from about 3 in 10 in one state, to more than half of cases with at least one week of lost work time in two other states (Barth, Helvacian, and Liu., 2002).

Methods for compensating permanent impairments fall into several broad categories (Barth, 2004). About 44 jurisdictions use a schedule—a list of body parts that are covered. Typically, a schedule appears in the underlying statute and lists benefits to be paid for specific losses, for example, the loss of a finger. These losses invariably include the upper and lower extremities and may also include an eye. Most state schedules also include the loss of hearing in one or both ears. Injuries to the spine that are permanently disabling are typically not scheduled, nor are injuries to internal organs, head injuries, and occupational diseases. Historically the schedules were the list of covered injuries and the unscheduled injury methodologies followed later.

For unscheduled conditions, the approaches used can be categorized into four methods:

- **An impairment-based approach**, used in 19 states, is most common. In approximately 14 of these states, a worker with an unscheduled permanent partial disability receives benefits based entirely on the degree of impairment with or without a formula that takes into account the personal characteristics of the injured worker. Any future earnings losses of the worker are not considered.

- **A loss-of-earning-capacity approach** is used in 13 states. This approach links the benefit to the worker’s ability to earn or to compete in the labor market and involves a forecast of the economic impact that the impairment will have on the worker’s future earnings.

- **In a wage-loss approach**, used in 10 states, benefits are paid for the actual or ongoing earnings losses that a worker incurs.

- **In a bifurcated approach** used in ten jurisdictions, the benefit for a permanent disability depends on the worker’s employment status at the time that the worker’s condition is assessed, after the condition has stabilized. If the worker has returned to employment with earnings at or near the pre-injury level, the benefit is based on the degree of impairment. If the worker has not returned to employment, or has returned but at lower wages than before the injury, the benefit is based on the degree of lost earning capacity.

In Massachusetts, Rhode Island, and Oregon (since 2005) injured workers can qualify for two tracks of permanent partial disability benefits paid concurrently, one of which is designed to compensate for work disability and one of which is designed to compensate for noneconomic loss (Burton, 2008b). The noneconomic loss benefits are known as impairment benefits in Oregon and as specific injuries in Massachusetts. Florida also used the concurrent or dual benefits approach from 1979 to 1990, where one track of benefits was based on the extent of actual wage loss and the other on the degree of permanent impairment.

**Method for Estimating Benefits**

Our estimates of workers’ compensation benefits paid are based on three main sources: responses to the Academy’s questionnaire from state agencies, data from the National Association of Insurance Commissioners (NAIC), and data purchased from A.M. Best, a private company that specializes in collecting insurance data and rating insurance companies.

The A.M. Best data used for this report show benefits paid in each state for 2003 through 2007. They include information for all private carriers in every state and for eighteen of the twenty-six state funds, but do not include any information about self-insured employers or benefits paid under deductible arrangements. Under deductible policies written by private carriers or state funds, the insurer pays all of the workers’ compensation benefits, but employers are responsible for reimbursing the insurer for those benefits up to a specified deductible amount. Deductibles may be written into an insurance policy on a per-injury basis, an aggregate basis, or a combination of a per-injury basis with an aggregate cap. States vary in the maximum deductibles they allow.
In return for accepting a policy with a deductible, the employer pays a lower premium.

Appendix C summarizes the kinds of data each state reported. States had the most difficulty reporting amounts of benefits paid under deductible arrangements. The Academy’s methods for estimating these benefits are described in Appendix G. If states were unable to report benefits paid by self-insured employers, these amounts had to be estimated; the methods for estimating self-insured benefits are described in Appendix E. A detailed, state-by-state explanation of how the estimates in this report are produced is provided in Sources and Methods: A Companion to Workers’ Compensation: Benefits, Coverage, and Costs, 2007 on the Academy’s website at www.nasi.org.

**National Trends in Insurance Arrangements**

Private insurance carriers remain the largest source of workers’ compensation benefits (Table 4). In 2007, they accounted for 51.2 percent of benefits paid (Table 5). Private carriers are allowed to sell workers’ compensation insurance in all but four states that have exclusive state funds—Ohio, North Dakota, Washington, and Wyoming. When benefits paid under deductible arrangements are excluded, privately insured benefits account for 37.4 percent of total benefits paid. (Table 5).

Employers are allowed to self-insure for workers’ compensation in all states except North Dakota and Wyoming, which require all employers to obtain insurance from their state funds. In other states, employers may apply for permission from the regulatory authority to self-insure their risk for workers’ compensation benefits if they prove they have the financial capacity to do so. Many large employers choose to self-insure. Some states permit groups of employers in the same industry or trade association to self-insure through group self-insurance. Benefits provided under group self-insurance are included with the self-insured benefits in this report.

The share of benefits provided by state funds declined from 19.6 percent in 2006 to 18.7 percent in 2007. A total of twenty-six states have state funds that provide workers’ compensation insurance. They include the four exclusive state fund states (plus West Virginia, where the former exclusive state fund continued to pay benefits), and twenty-one others in which the state funds compete with private carriers. In general, state funds are established by an act of the state legislature, have at least part of their board appointed by the governor, are usually exempt from federal taxes, and typically serve as the insurer of last resort—that is, provide insurance coverage to employers who have difficulty purchasing it privately. Not all state funds meet all these criteria, however. In some cases, it is not altogether clear whether an entity is a state fund or a private insurer, or whether it is a state fund or a state entity that is self-insuring workers’ compensation benefits for its own employees. Consequently, the Academy’s expert panel decided to classify as state funds all twenty-six entities that are members of the American Association of State Compensation Insurance Funds (AASCIF, 2007). This includes the South Carolina fund, which is the required insurer for state employees and is available to cities and counties to insure their employees, but does not insure private employers.

Federal programs accounted for 6.0 percent of benefits paid in 2007. These benefits include payments under the Federal Employee’ Compensation Act for civilian employees and the portion of the Black Lung benefit program that is financed by employers and paid through the federal Black Lung Disability Trust Fund. Federal benefits also include benefits under the Longshore and Harbor Workers’ Compensation Act that are paid by self-insured employers and by special funds under that Act. More details about federal programs are in Appendix H.

**Trends in Deductibles and Self Insurance**

Prior to the 1990s, policies with deductibles were not common, but their popularity grew in the mid 1990s. In 1992, benefits under deductible policies totaled $1.3 billion, or about 2.8 percent of total benefits (Table 6). By 2000 they had risen to $6.2 billion, or 13.0 percent of total benefits. In 2007
Table 4
Workers’ Compensation Benefits, by Type of Insurer, 1987–2007 (in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Percent Change in Total</th>
<th>Private Carriers</th>
<th>State Funds</th>
<th>Self-Insured</th>
<th>Federal</th>
<th>Medical</th>
<th>Percent Medical</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>$27,317</td>
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<td>$15,453</td>
<td>$4,084</td>
<td>$5,082</td>
<td>$2,698</td>
<td>$9,912</td>
<td>36.3</td>
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<td>17,512</td>
<td>4,687</td>
<td>5,744</td>
<td>2,760</td>
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<td>11.8</td>
<td>19,918</td>
<td>5,205</td>
<td>6,433</td>
<td>2,760</td>
<td>13,424</td>
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<tr>
<td>1990</td>
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<td>22,222</td>
<td>5,873</td>
<td>7,249</td>
<td>2,893</td>
<td>15,187</td>
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<td>24,515</td>
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<td>7,962</td>
<td>2,998</td>
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<tr>
<td>1992</td>
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<td>5.9</td>
<td>24,030</td>
<td>7,829</td>
<td>9,643</td>
<td>3,158</td>
<td>18,664</td>
<td>41.8</td>
</tr>
<tr>
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<td>42,925</td>
<td>-3.9</td>
<td>21,773</td>
<td>8,105</td>
<td>9,857</td>
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<td>18,503</td>
<td>43.1</td>
</tr>
<tr>
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<td>43,482</td>
<td>1.3</td>
<td>21,391</td>
<td>7,398</td>
<td>11,527</td>
<td>3,166</td>
<td>17,194</td>
<td>39.5</td>
</tr>
<tr>
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<td>8,042</td>
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<td>3,066</td>
<td>16,739</td>
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<tr>
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<td>2000</td>
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<td>10,481</td>
<td>2,957</td>
<td>20,933</td>
<td>43.9</td>
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<td>6.6</td>
<td>27,905</td>
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<td>11,839</td>
<td>3,069</td>
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<td>2.9</td>
<td>28,085</td>
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<td>3,154</td>
<td>24,203</td>
<td>46.3</td>
</tr>
<tr>
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<td>54,739</td>
<td>7.7</td>
<td>28,395</td>
<td>10,442</td>
<td>12,717</td>
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<td>25,733</td>
<td>47.0</td>
</tr>
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<td>2.1</td>
<td>28,125</td>
<td>11,003</td>
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<td>3,256</td>
<td>26,266</td>
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</tr>
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<td>13,066</td>
<td>3,258</td>
<td>26,143</td>
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<td>-1.6</td>
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<td>13,327</td>
<td>3,340</td>
<td>27,156</td>
<td>49.0</td>
</tr>
</tbody>
</table>

(a) Estimated benefits paid under deductible provisions are included beginning in 1992. Benefits are payments in the calendar year to injured workers and to providers of their medical care.

(b) In all years, federal benefits includes those paid under the Federal Employees’ Compensation Act for civilian employees and the portion of the Black Lung benefit program that is financed by employers and are paid through the federal Black Lung Disability Trust fund. In years before 1997, federal benefits also include the other part of the Black Lung program that is financed solely by federal funds. In 1997–2007, federal benefits also include a portion of employer-financed benefits under the Longshore and Harbor Workers Compensation Act that are not reflected in state data—namely, benefits paid by self-insured employers and by special funds under the LHWCA. See Appendix H for more information about federal programs.

Source: National Academy of Social Insurance estimates. See Appendices B and H.

deductibles totaled $8.2 billion, which was 14.8 percent of total benefits paid.

In Tables 4 and 5, benefits reimbursed by employers under deductible policies are included with private carrier or state fund benefits, depending on the type of insurer. Table 6 shows separately the estimated dollar amount of benefits that employers paid under deductible provisions with each type of insurance. Employers who have policies with deductibles are, in effect, self-insuring up to the amount of the deductible. That is, they are bearing that portion of the financial risk. Adding deductibles to self-insured benefit payments shows the share of the total market where employers are assuming financial risk. This share of total benefit payments rose from 24.0 percent in 1992 to 34.7 percent in 1995, and then remained between 32 and 36 percent of total bene-
fits through 2001. Between 2003 and 2007 the combined share has stabilized between 38 and 39 percent of benefit payments (Table 5).

The growth in self-insurance and in deductible policies in the early 1990s, as well as the downturn in self-insurance later in the 1990s, probably reflects dynamics of the insurance market that altered the relative cost to employers of purchasing private insurance vis-à-vis self-insuring as well as the rate of change in underlying system costs. Insurers began offering large-deductible policy options as a way to compete with self-insurance even though, in many cases, insurers were providing first dollar claims administration while receiving less than a first dollar premium. There are several factors influencing decisions to purchase insurance or to self-insure. One is that workers compensation losses usually involve a high frequency of low-cost claims and a low frequency of high-cost claims. This characteristic of workers compensation allows large employers to estimate the annual cost generated by these smaller claims so that their cost can be budgeted for should the employer decide to self-insure, while the employer can protect itself from the more unpredictable large claims through some form of insurance arrangement.

### Table 5

**Total Amount and Percentage Distribution of Workers’ Compensation Benefit Payments by Type of Insurer, 1990–2007**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Benefits (in millions)</th>
<th>Private Carriers</th>
<th>State Funds</th>
<th>Self-Insured plus Deductibles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) All Deductibles&lt;sup&gt;a&lt;/sup&gt;</td>
<td>(2) All Deductibles&lt;sup&gt;a&lt;/sup&gt;</td>
<td>(3) Federal&lt;sup&gt;b&lt;/sup&gt;</td>
<td>(4) Self-Insured</td>
<td>(5) (2)+(4)+(6)</td>
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<td>7.1</td>
</tr>
<tr>
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<td>53.8</td>
<td>2.8</td>
<td>17.5</td>
<td>*</td>
</tr>
<tr>
<td>1993</td>
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<td>50.7</td>
<td>4.7</td>
<td>18.9</td>
<td>*</td>
</tr>
<tr>
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<tr>
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<td>47.7</td>
<td>7.3</td>
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<td>50.1</td>
<td>8.3</td>
<td>19.2</td>
<td>0.6</td>
</tr>
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<td>17.1</td>
<td>0.6</td>
</tr>
<tr>
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<td>10.0</td>
<td>16.3</td>
<td>0.6</td>
</tr>
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<td>0.5</td>
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<td>56.3</td>
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<td>0.6</td>
</tr>
<tr>
<td>2001</td>
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<td>54.9</td>
<td>12.0</td>
<td>15.8</td>
<td>0.6</td>
</tr>
<tr>
<td>2002</td>
<td>52,297</td>
<td>53.7</td>
<td>12.9</td>
<td>17.5</td>
<td>0.8</td>
</tr>
<tr>
<td>2003</td>
<td>54,739</td>
<td>51.9</td>
<td>14.4</td>
<td>19.1</td>
<td>0.9</td>
</tr>
<tr>
<td>2004</td>
<td>55,905</td>
<td>50.3</td>
<td>13.7</td>
<td>19.7</td>
<td>0.9</td>
</tr>
<tr>
<td>2005</td>
<td>55,208</td>
<td>50.7</td>
<td>13.6</td>
<td>19.7</td>
<td>0.9</td>
</tr>
<tr>
<td>2006</td>
<td>54,329</td>
<td>50.3</td>
<td>13.8</td>
<td>19.6</td>
<td>0.9</td>
</tr>
<tr>
<td>2007</td>
<td>55,427</td>
<td>51.2</td>
<td>13.8</td>
<td>18.7</td>
<td>0.9</td>
</tr>
</tbody>
</table>

* Negligible
n/a Not available

<sup>a</sup> The percentage of total benefits paid by employers under deductible provisions with this type of insurance.

<sup>b</sup> Reflects federal benefits included in Table 4.

Another is the direction, amount, and potential for rapid changes in premiums insurers charge for insurance. Residual markets, which are available in many states as the market of last resort for employers unable to secure mandatory workers’ compensation coverage in the voluntary market, can also influence such decisions, especially where the regulated price for such coverage is inadequate and employers in the voluntary market may be subject to higher prices needed to fund insurer assessments for residual market losses (a similar experience occurs for policyholders of state funds that are the market of last resort). Also, an employer may decide to self-insure or partially self-insure because it wishes to either administer its own claims or to be free to select a claims administrator other than the insurer. The timing of tax advantages can also make the purchase of insurance attractive—that is, employers can take an immediate tax deduction for premiums they pay for insurance, while when they self-insure, tax deductions accrue only later as they pay claims. For mergers and acquisitions, the surviving enterprise decides how to handle this risk, e.g. either uniformly under a blanket corporate program consistent with their philosophy or by subsidiary corporation based upon unique risk and tolerance levels. All of these factors can impact trends in insurance, self-insurance, and large deductible purchasing decisions although the strength of the relationships undoubtedly vary over time and, in some cases, the causes and effects and timing are complicated and difficult to document.

Since 1999, the share of benefits paid directly by employers (through self-insurance and large deductibles combined) has been rising. In 2007, the share of benefits paid by employers reached 38.8 per-

### Table 6


<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Private Carriers</th>
<th>State Funds</th>
<th>Deductibles as a % of Total Benefits</th>
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<td>$1,250</td>
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</tr>
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<td>2,008</td>
<td>$19</td>
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<tr>
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<td>1996</td>
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<td>3,470</td>
<td>246</td>
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<td>1997</td>
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<td>1998</td>
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<td>4,399</td>
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<td>2002</td>
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<td>6,763</td>
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<td>7,479</td>
<td>506</td>
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<td>2007</td>
<td>8,185</td>
<td>7,661</td>
<td>524</td>
<td>14.8</td>
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</table>

* Negligible

Note: Data on deductible benefits were available from seven states. Five states do not allow policies with deductibles. For twelve states data were computed by subtracting various components from total benefit figures provided. For the other twenty-six states and the District of Columbia, deductible benefits were calculated using a ratio of the manual equivalent premiums.
cent. In 2007 private carrier payments net of deductibles were 37.4 percent of total payments declining from a comparable share of 45.2 percent in 1999 (Table 5).

**State Benefits**

On a national level, total benefits (cash plus medical) were 2.0 percent higher in 2007 than in 2006. This national increase in benefit payments was restrained due to the decline in California's benefit payments (2.2 percent), as shown in Table 1. Outside California, benefits for the nation increased by 3.0 percent.

Table 7 shows annual changes in state benefit payments between 2003 and 2007. In fourteen states, benefits declined between 2006 and 2007 - California, Colorado, Delaware, District of Columbia, Kentucky, Maine, Massachusetts, Mississippi, Nevada, New Hampshire, New York, South Carolina, Tennessee, and Vermont. The rest of the states showed an increase in benefits.

Benefits vary within a state from year to year for many reasons, including:

- Changes in workers' compensation statutes, new court rulings, or new administrative procedures;
- Changes in the mix of occupations or industries, because jobs differ in their rates of injury and illness;
- Fluctuations in employment, because more people working means more people at risk of a job-related illness or injury;
- Changes in wage rates to which benefit levels are linked;
- Variations in health care practice, which influence the costs of medical care;
- Fluctuations in the number and severity of injuries and illnesses for other reasons (for example, in a small state, one industrial accident involving many workers in a particular year can show up as a noticeable increase in statewide benefit payments);
- Changes in reporting procedures (for example, as state agencies update their record keeping systems, the type of data they are able to report often changes, and new legislation can also affect the data state are able to provide); and
- States where procedures or criteria for lump-sum agreements are changed, which may affect the amounts in the agreements classified as indemnity payments or medical benefits, thus altering the share of total benefits reported as medical benefits.

**State Benefits by Type of Insurance Arrangements**

The shares of workers’ compensation benefits by type of insurer vary considerably among the states (Table 8). In the five states with exclusive state funds, the shares accounted for by the state funds vary from 100 percent in North Dakota and 96.8 percent in Wyoming – states that do not allow self-insurance – to 81.4 percent in Ohio and 75.3 percent in Washington – states that allow qualifying employers to self-insure. Private carriers account for a very small percentage of benefits in these states (other than North Dakota). This may be due to policies sold to employers in those states providing multi-state coverage and also some exclusive funds may be restricted to providing state workers’ compensation benefits and might not be permitted to offer employers liability coverage, USL&HW Act coverage, or excess coverage for authorized self-insureds.

West Virginia was in a transition during 2007 from a state with an exclusive state fund that allowed self-insurance to a state that will have private insurance carriers and self-insurance but no state fund. During 2007, the state fund still accounted for 58.9 percent of all benefit payments, in part because workers with injuries prior to 2007 were still receiving their benefits from the state fund in that year.

In the twenty-one states with competitive state funds in 2007, the percentage of benefits accounted for by the state funds varied from 59.5 percent in Arizona to 5.4 percent in South Carolina, where the state fund is restricted to providing coverage to state or local government workers within the state.

The share of self-insurance in states that allow, it varies widely by state, ranging from highs of 50.8 percent in Alabama to lows of 13.3 percent in Rhode Island to 0 percent in North Dakota and Wyoming, which do not allow self-insurance. This wide variation in the share of self-insurance reflects the complex nature of the workers’ compensation insurance market.
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
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<td>$565,013</td>
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* Benefits are payments in the calendar year to injured workers and to providers of their medical care.
1 Deductible data were not available. Deductibles were estimated using the a ratio based on Manual Equivalent premiums.
2 Deductible data were estimated by subtracting the AM Best data from Agency data.
3 Deductible data was given by the Agency.
4 Deductibles not allowed
5 Self-insurance data were not available and were imputed. Method is outlined in Appendix E.
6 Self-Insurance data for some years is imputed using previous years' data.
7 Estimation methodology for the year 2006 may be different from previous years.

Source: National Academy of Social Insurance estimates based on data from state agencies, A.M. Best, National Association of Insurance Commissioners (NAIC), the U.S. Department of Labor and the Social Security Administration.
Table 8

Workers’ Compensation Benefits* by Type of Insurer and Medical Benefits, by State, 2007
(in thousands)

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<th>State</th>
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<th>State Funds</th>
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* Benefits are payments in the calendar year to injured workers and to providers of their medical care.

a States with exclusive funds (Ohio, North Dakota, Washington, and Wyoming) may have small amounts of benefits paid in the private carrier category. This result from the fact that some employers doing business in states with exclusive state funds may need to obtain coverage from private carriers under the USL &FW Act or employers liability coverage which the state fund is not authorized to provide. In addition, private carriers may provide excess compensation coverage in some of these states.

b Self-insurance includes individual self-insurers and group self-insurance.

c For further details see Appendix C1.

d West Virginia completed the transition from monopolistic state fund to competitive insurance status on July 1, 2008.

e Federal benefits include: those paid under the Federal Employees’ Compensation Act for civilian employees; the portion of the Black Lung benefit program that is financed by employees; and a portion of benefits under the Longshore and Harbor Workers’ Compensation Act that are not reflected in state data, namely, benefits paid by self-insured employers and by special funds under the LHWCA. See Appendix H for more information about federal programs.

f Included in the Federal benefits total.

g These data may not include second injury fund for all states and may be an understatement of total payments data.

Source: National Academy of Social Insurance estimates based on data received from state agencies, the U.S. Department of Labor, A.M. Best, and the National Council on Compensation Insurance.
Table 9
Medical, Cash and Total Benefits, by state, 2006-2007\(^a\)
(in thousands)

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Source: National Academy of Social Insurance estimates based on data from state agencies and A.M. Best.
Medical Benefits by State
The share of benefits for medical care varies among states (Table 8). In 2007, the share of benefit spending for medical care ranged from lows of less than 40 percent—in the District of Columbia, Massachusetts, Michigan, New York, Rhode Island, and Washington—to highs of over 60 percent in Alabama, Alaska, Arizona, Arkansas, Florida, Idaho, Indiana, Kansas, Nebraska, New Hampshire, South Dakota, Texas, Utah and Wisconsin.

Many factors in a state can influence the relative share of benefits for medical care as opposed to cash benefits. Among them are:

- Differences in waiting periods for cash benefits and levels of earnings replacement provided by cash benefits, which meant that, all else being equal, states with more generous cash benefits have a lower share of benefits used for medical care;
- Differences in medical costs, medical practices, and the role of workers’ compensation programs in regulating allowable medical costs;
- Differences in prevalence of lump-sum settlements which can obscure ultimate medical cost.
- Differences in the role of the state agency, statutes and case law in defining the limits of medical necessity; and
- Differences in the industry mix in each state, which influences the types of illnesses and injuries that occur, and thus the level of medical costs.

Medical benefits were estimated based on information from the National Council on Compensation Insurance (NCCI) for most states and where NCCI data were not available medical benefits were based on reports from the states. Methods for estimating medical benefits are described in Appendix F.

Over time, the share of benefits for medical care as opposed to cash benefits in each state is affected by the growth rates for these categories of benefits in the state. Among the 51 states (including the District of Columbia), on average from 2006 to 2007, medical benefits increased by 3.2 percent, cash benefits by 0.8 percent, and total (cash plus medical) benefits by 2.0 percent (Table 9).

These averages may be misleading because they include disparate experiences among the states. Among the 37 states with positive total benefit increases (exceeding 0.0 percent), 20 states had increases in medical benefits that exceeded the change in cash benefits, for example, in Missouri, medical benefits increased by 9.9 percent and cash benefits increased by only 0.8 percent; and in Alabama, medical benefits increased by 7.0 percent while cash benefits decreased by 2.0 percent. In the other 17 states with positive total benefit increases (exceeding 0.0 percent), cash benefits increased more rapidly than medical benefits, in Arizona, for example, cash benefits were up 7.7 percent and medical benefits were up 5.9 percent.

Among the 14 states with negative total benefit changes, 5 states had medical benefits that declined more rapidly than cash benefits, such as Colorado, where medical benefits dropped by 7.0 percent while cash benefits dropped by 0.4 percent. However, 4 states had medical benefits that declined less rapidly than cash benefits, such as Nevada, where medical benefits were down 2.9 percent and cash benefits were down 5.0 percent.

While the long-term national trend has been for medical benefits to grow more rapidly than cash benefits (as shown in Figure 2) experience varies greatly among states and from year to year.

State Benefits Relative to Wages
One way to standardize state benefit payments to take account of states’ differing sizes of their labor forces is to divide each state’s total benefits by total wages of covered workers, which takes account of the number of workers and prevailing wage levels in the state. The measure of benefits as a percentage of covered wages helps show whether large growth in benefits payments may be due to growth in the state’s population of covered workers and covered payroll or due to other factors.

Benefits per $100 of covered payroll by state in 2003 through 2007 are shown in Table 10. In 2007 nationally, covered payroll rose by 5.6 percent (Table 3). In five jurisdictions covered payroll rose more than eight percentage points—Louisiana, Montana, New York, Utah, and Wyoming. When benefits are standardized relative to covered payroll, the state patterns of change are somewhat different from those
revealed by looking only at dollar changes in benefits. There are 20 states where there was a decrease in benefits relative to covered payroll, in contrast to an increase in the total dollar amount of benefits. An example is Alaska, where between 2006 and 2007 there was a 1.1 percent increase in the total benefits but benefits per $100 of covered wages decreased by eight cents.

Although benefit payments that are standardized relative to wages in a state provide a useful perspective for looking at changes within particular states over time, the data do not provide meaningful comparisons of the adequacy of benefits across states. Measures of benefit adequacy would compare benefits injured workers received with their wage loss or other effects of their injuries on their well-being. A state with relatively high payments as indicated in Table 10 may in fact be replacing a relatively low portion of injured workers’ earnings losses.

Alternatively, a state with relatively low benefits as indicated in Table 10 may be replacing a relatively high portion of earnings losses. By the same token, these figures do not show the comparative cost to employers of locating their business in one state versus another. Some reasons why it is inappropriate to use these data to compare the adequacy of benefits for workers or the costs to employers across states are set out below.

**Caveats on comparing benefit adequacy across states.** As discussed in the Academy’s study panel report *Adequacy of Earnings Replacement in Workers’ Compensation Programs* (Hunt, 2004), an appropriate study of adequacy compares the benefits disabled workers actually receive with the wages they lose because of their injuries or occupational diseases. Such data are not available for most states. Aggregate benefits relative to aggregate covered wages could be high or low in a given state for a number of reasons unrelated to the adequacy of benefits that injured workers receive.

*First,* states with more workers in high-risk industries—such as mining or construction—may pay more benefits simply because they have a higher proportion of injured workers and more workers with serious, permanent disabilities that occurred on the job, which resulted in high earnings losses.

*Second,* states differ considerably in their compensability rules—that is, the criteria they use for determining whether an injury is work-related and therefore will be paid by the workers’ compensation program. A state with a relatively lenient compensability threshold might pay more cases, and therefore have higher aggregate benefits relative to the total number of workers in the state, yet pay below average benefits to workers with serious injuries.

*Third,* injured workers may have their benefits reduced by litigation costs for which they are responsible. The amount of these costs will vary from state to state depending on the state’s level of litigation, the magnitude of these costs, and the proportion of the costs for which the worker is responsible.

*Fourth,* in some states, features of the workers’ compensation system, employer programs, or labor relations conditions may lead to more effective returns to productive employment for injured workers. Other things equal, a state with better returns to work will have more adequate benefits than another state that pays the same benefits per injured worker.

**Caveats on using benefits data to compare employer costs across states.** These are benefits paid to workers, not necessarily employer costs in a given year. An employer’s costs for workers’ compensation in different states is best compared by knowing the premiums that comparable employers are charged in each state (Thomason, Schmidle, and Burton, 2001). These premiums would be affected by the employer’s insurance classification and its own experience with past injury rates and the severity of injuries its workers sustained. Data on aggregate benefits per worker, or benefits relative to total wages in the state do not provide this information for the following reasons.

*First,* a company in a high-risk industry would not necessarily experience lower costs if it moved to a state with predominantly low-risk industries, since the migrating company would still be in the high-risk insurance classification.

*Second,* changes in state statutes would affect new employers, but these changes are not fully reflected in our data on benefits relative to wages. Premiums charged to employers in a given year are based on the costs of injuries it is expected to incur in that year under policies in effect that year. If a state had
## Table 10
Workers’ Compensation Benefits Per $100 of Covered Wages, by State, 2003–2007

<table>
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<td>$0.88</td>
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</table>

continued on p.27
changed its statutes either to lower future benefits or to make future benefits more adequate, those policies would not be fully reflected in benefits currently being paid to workers in that state as shown in Table 10. For example, a state that tightened its rules would be expected to have lower future costs for new employers, yet it would not show lower benefits per worker immediately because it would continue to pay workers who were permanently disabled in the past under the old rules.

Third, employers’ costs for workers’ compensation nationally exceed the benefits paid to workers because of factors such as administrative costs and profits (or losses) of private carriers. The relationship of employers’ costs relative to workers’ benefits varies among states because of various factors, such as the extent of competition in the workers’ compensation insurance market and the administrative complexity of different state systems.

In brief, state-level benefits paid per worker or relative to total wages in the state are a way to standardize aggregate benefit payments between large and small states. However, much more refined data and analyses are needed to assess the adequacy of benefits that individual workers receive or the costs that particular employers would incur in different states.

### Employer Costs

Employer costs for workers’ compensation in 2007 were $85.0 billion, a decrease of 2.7 percent from $87.3 billion in 2006 (Table 11). Relative to total wages of covered workers, employer costs decreased by 13 cents to $1.45 per $100 of covered wages in 2007 from $1.58 per $100 of covered wages in 2006 (Table 12).

For self-insured employers, the costs include benefit payments made during the calendar year and the administrative costs associated with providing those benefits. Because self-insured employers often do not separately record administrative costs for workers’ compensation, their administrative costs must be estimated. The costs are assumed to be the same share of benefits as are administrative costs reported by private insurers to the National Association of Social Insurance.

#### Table 10 continued

**Workers’ Compensation Benefits Per $100 of Covered Wages, by State, 2003–2007**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>South Dakota</td>
<td>0.79</td>
<td>0.78</td>
<td>0.83</td>
<td>0.98</td>
<td>1.01</td>
<td>0.03</td>
<td>0.22</td>
</tr>
<tr>
<td>Tennessee</td>
<td>0.96</td>
<td>0.94</td>
<td>0.90</td>
<td>0.91</td>
<td>0.76</td>
<td>-0.15</td>
<td>-0.19</td>
</tr>
<tr>
<td>Texas</td>
<td>0.76</td>
<td>0.61</td>
<td>0.54</td>
<td>0.44</td>
<td>0.42</td>
<td>-0.02</td>
<td>-0.34</td>
</tr>
<tr>
<td>Utah</td>
<td>0.61</td>
<td>0.67</td>
<td>0.68</td>
<td>0.62</td>
<td>0.62</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>Vermont</td>
<td>1.31</td>
<td>1.28</td>
<td>1.22</td>
<td>1.19</td>
<td>1.10</td>
<td>-0.10</td>
<td>-0.22</td>
</tr>
<tr>
<td>Virginia</td>
<td>0.60</td>
<td>0.59</td>
<td>0.62</td>
<td>0.57</td>
<td>0.69</td>
<td>0.12</td>
<td>0.09</td>
</tr>
<tr>
<td>Washington</td>
<td>1.80</td>
<td>1.80</td>
<td>1.70</td>
<td>1.63</td>
<td>1.56</td>
<td>-0.07</td>
<td>-0.24</td>
</tr>
<tr>
<td>West Virginia</td>
<td>4.39</td>
<td>3.81</td>
<td>3.38</td>
<td>2.96</td>
<td>3.08</td>
<td>0.12</td>
<td>-1.31</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>0.96</td>
<td>0.99</td>
<td>1.25</td>
<td>1.06</td>
<td>1.07</td>
<td>0.01</td>
<td>0.11</td>
</tr>
<tr>
<td>Wyoming</td>
<td>1.67</td>
<td>1.63</td>
<td>1.44</td>
<td>1.25</td>
<td>1.21</td>
<td>-0.04</td>
<td>-0.46</td>
</tr>
<tr>
<td>Total non-federal</td>
<td>1.13</td>
<td>1.10</td>
<td>1.03</td>
<td>0.95</td>
<td>0.92</td>
<td>-0.03</td>
<td>-0.21</td>
</tr>
<tr>
<td>Federal Employees(a)</td>
<td>1.57</td>
<td>1.54</td>
<td>1.50</td>
<td>1.45</td>
<td>1.46</td>
<td>0.01</td>
<td>-0.11</td>
</tr>
<tr>
<td>Total</td>
<td>1.16</td>
<td>1.13</td>
<td>1.06</td>
<td>0.98</td>
<td>0.95</td>
<td>-0.03</td>
<td>-0.21</td>
</tr>
</tbody>
</table>

a includes FECA only.

Source: National Academy of Social Insurance estimates based on Tables 3, 8, D1, D2, D3 and D4.

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Workers’ Compensation: Benefits, Coverage, and Costs, 2007  •  27
Insurance Commissioners. These administrative costs include expenses for direct defense and cost containment, taxes, licenses, and fees. For more information on the self-insurance costs estimates, see Appendix C. For the federal employee program, employer costs are benefits paid plus administrative costs (U.S. DOL, 2008a). For employers who purchase insurance from private carriers and state funds, costs consist of premiums written in the calendar year plus payments of benefits made under deductible provisions. The growing use of large deductible policies complicates the measurement of benefits and costs. As mentioned before, under deductible policies, the insurer pays all of the workers’ compensation insured

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>% Change</th>
<th>Private Carriers</th>
<th>State Funds</th>
<th>Federal</th>
<th>Self-Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td>% of total</td>
<td>Total</td>
<td>% of total</td>
</tr>
<tr>
<td>1987</td>
<td>$38,095</td>
<td>*</td>
<td>$25,448</td>
<td>66.8</td>
<td>$5,515</td>
<td>14.5</td>
</tr>
<tr>
<td>1988</td>
<td>43,284</td>
<td>13.6</td>
<td>28,538</td>
<td>65.9</td>
<td>6,660</td>
<td>15.4</td>
</tr>
<tr>
<td>1989</td>
<td>47,955</td>
<td>10.8</td>
<td>31,853</td>
<td>66.4</td>
<td>7,231</td>
<td>15.1</td>
</tr>
<tr>
<td>1990</td>
<td>53,123</td>
<td>10.8</td>
<td>35,054</td>
<td>66.0</td>
<td>8,003</td>
<td>15.1</td>
</tr>
<tr>
<td>1991</td>
<td>55,216</td>
<td>3.9</td>
<td>35,713</td>
<td>64.7</td>
<td>8,698</td>
<td>15.8</td>
</tr>
<tr>
<td>1992</td>
<td>57,395</td>
<td>3.9</td>
<td>34,539</td>
<td>60.2</td>
<td>9,608</td>
<td>16.7</td>
</tr>
<tr>
<td>1993</td>
<td>60,819</td>
<td>6.0</td>
<td>35,596</td>
<td>58.5</td>
<td>10,902</td>
<td>17.9</td>
</tr>
<tr>
<td>1994</td>
<td>60,517</td>
<td>-0.5</td>
<td>33,997</td>
<td>56.2</td>
<td>11,235</td>
<td>18.6</td>
</tr>
<tr>
<td>1995</td>
<td>57,089</td>
<td>-5.7</td>
<td>31,554</td>
<td>55.3</td>
<td>10,512</td>
<td>18.4</td>
</tr>
<tr>
<td>1996</td>
<td>55,293</td>
<td>-3.1</td>
<td>30,453</td>
<td>55.1</td>
<td>10,190</td>
<td>18.4</td>
</tr>
<tr>
<td>1997</td>
<td>53,544</td>
<td>-3.2</td>
<td>29,862</td>
<td>55.8</td>
<td>8,021</td>
<td>15.0</td>
</tr>
<tr>
<td>1998</td>
<td>53,431</td>
<td>-0.2</td>
<td>30,377</td>
<td>56.9</td>
<td>7,926</td>
<td>14.8</td>
</tr>
<tr>
<td>1999</td>
<td>55,835</td>
<td>4.5</td>
<td>33,422</td>
<td>59.9</td>
<td>7,484</td>
<td>13.4</td>
</tr>
<tr>
<td>2000</td>
<td>60,655</td>
<td>7.6</td>
<td>35,673</td>
<td>59.4</td>
<td>8,823</td>
<td>14.7</td>
</tr>
<tr>
<td>2001</td>
<td>65,705</td>
<td>9.4</td>
<td>37,768</td>
<td>57.5</td>
<td>10,598</td>
<td>16.1</td>
</tr>
<tr>
<td>2002</td>
<td>72,577</td>
<td>10.5</td>
<td>41,295</td>
<td>56.9</td>
<td>13,698</td>
<td>18.9</td>
</tr>
<tr>
<td>2003</td>
<td>80,557</td>
<td>11.0</td>
<td>45,276</td>
<td>56.2</td>
<td>16,414</td>
<td>20.4</td>
</tr>
<tr>
<td>2004</td>
<td>85,197</td>
<td>5.8</td>
<td>47,921</td>
<td>56.2</td>
<td>17,494</td>
<td>20.5</td>
</tr>
<tr>
<td>2005</td>
<td>86,949</td>
<td>2.1</td>
<td>50,805</td>
<td>58.4</td>
<td>16,532</td>
<td>19.0</td>
</tr>
<tr>
<td>2006</td>
<td>87,316</td>
<td>0.4</td>
<td>51,715</td>
<td>59.2</td>
<td>15,815</td>
<td>18.1</td>
</tr>
<tr>
<td>2007</td>
<td>84,959</td>
<td>-2.7</td>
<td>50,812</td>
<td>59.8</td>
<td>14,334</td>
<td>16.9</td>
</tr>
</tbody>
</table>

a In all years, federal costs include those paid under the Federal Employees’ Compensation Act for civilian employees and the portion of the Black Lung benefit program that is financed by employers and are paid through the federal Black Lung Disability Trust Fund, including interest payments on past Trust Fund advances from the U.S. Treasury. In years before 1997, federal costs also include the other part of the Black Lung program that is financed solely by federal funds. In 1997–2007, federal costs also include a portion of employer-financed benefits under the Longshore and Harbor Workers Compensation Act that are not reflected in state data—namely, costs paid by self-insured employers and by special funds under the LHWCA. See Appendix H for more information about federal programs.

Source: National Academy of Social Insurance estimates of costs for private carriers and state funds are based on information from A.M. Best and direct contact with state agencies. Costs for federal programs are from the Department of Labor and the Social Security Administration. Self-insured administrative costs are based on information from the National Association of Insurance Commissioners.
benefits, but employers are responsible for reimbursing the insurers for those benefits up to a specified deductible amount. In return for accepting a policy with a deductible, the employer pays a lower premium. Our insurance industry sources of data do not provide separate information on deductibles and many states lack data on deductible payments. Consequently, these benefits had to be estimated, as described in Appendix G.

According to these estimates, costs for employers insuring through private carriers were $50.8 billion in 2007, or approximately 59.8 percent of total costs. Self-insurers accounted for 18.3 percent of total employer costs, state funds represented 16.9 percent of costs, and federal programs were 5.0 percent (Table 11).

### Table 12

**Workers’ Compensation Benefit* and Cost**<sup>**</sup> **Ratios, 1989–2007**

<table>
<thead>
<tr>
<th>Year</th>
<th>Employer Costs per $100 of Wages</th>
<th>Benefits per $100 of Wages</th>
<th>Benefits per $1 in Employer Cost</th>
<th>Medical Benefits per $100 of Wages</th>
<th>Cash Benefits per $100 of Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>$2.04</td>
<td>$1.46</td>
<td>$0.71</td>
<td>$0.57</td>
<td>$0.89</td>
</tr>
<tr>
<td>1990</td>
<td>2.18</td>
<td>1.57</td>
<td>0.70</td>
<td>0.62</td>
<td>0.94</td>
</tr>
<tr>
<td>1991</td>
<td>2.16</td>
<td>1.65</td>
<td>0.76</td>
<td>0.66</td>
<td>0.99</td>
</tr>
<tr>
<td>1992</td>
<td>2.13</td>
<td>1.65</td>
<td>0.78</td>
<td>0.69</td>
<td>0.96</td>
</tr>
<tr>
<td>1993</td>
<td>2.17</td>
<td>1.53</td>
<td>0.71</td>
<td>0.66</td>
<td>0.87</td>
</tr>
<tr>
<td>1994</td>
<td>2.05</td>
<td>1.47</td>
<td>0.72</td>
<td>0.58</td>
<td>0.89</td>
</tr>
<tr>
<td>1995</td>
<td>1.83</td>
<td>1.35</td>
<td>0.74</td>
<td>0.54</td>
<td>0.81</td>
</tr>
<tr>
<td>1996</td>
<td>1.66</td>
<td>1.26</td>
<td>0.76</td>
<td>0.50</td>
<td>0.76</td>
</tr>
<tr>
<td>1997</td>
<td>1.49</td>
<td>1.17</td>
<td>0.78</td>
<td>0.48</td>
<td>0.68</td>
</tr>
<tr>
<td>1998</td>
<td>1.38</td>
<td>1.13</td>
<td>0.82</td>
<td>0.48</td>
<td>0.65</td>
</tr>
<tr>
<td>1999</td>
<td>1.35</td>
<td>1.12</td>
<td>0.83</td>
<td>0.48</td>
<td>0.63</td>
</tr>
<tr>
<td>2000</td>
<td>1.34</td>
<td>1.06</td>
<td>0.79</td>
<td>0.47</td>
<td>0.60</td>
</tr>
<tr>
<td>2001</td>
<td>1.43</td>
<td>1.10</td>
<td>0.77</td>
<td>0.50</td>
<td>0.60</td>
</tr>
<tr>
<td>2002</td>
<td>1.57</td>
<td>1.13</td>
<td>0.72</td>
<td>0.52</td>
<td>0.61</td>
</tr>
<tr>
<td>2003</td>
<td>1.71</td>
<td>1.16</td>
<td>0.68</td>
<td>0.55</td>
<td>0.61</td>
</tr>
<tr>
<td>2004</td>
<td>1.72</td>
<td>1.13</td>
<td>0.66</td>
<td>0.53</td>
<td>0.60</td>
</tr>
<tr>
<td>2005</td>
<td>1.67</td>
<td>1.06</td>
<td>0.63</td>
<td>0.50</td>
<td>0.56</td>
</tr>
<tr>
<td>2006</td>
<td>1.58</td>
<td>0.98</td>
<td>0.62</td>
<td>0.47</td>
<td>0.51</td>
</tr>
<tr>
<td>2007</td>
<td>1.45</td>
<td>0.95</td>
<td>0.65</td>
<td>0.46</td>
<td>0.48</td>
</tr>
</tbody>
</table>

* 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, 4, and 11.
Trends in Benefits and Costs

Table 12 shows the trend in benefits paid and employer costs per $100 of covered wages over the last 19 years. Since 2004, workers’ compensation benefits and employers’ cost relative to covered wages have been on the decline and continued to fall in 2007. Nationally, employer costs of $1.45 per $100 of covered wages in 2007 remained above their lowest point at $1.34 per $100 of wages in 2000, but were well below their 1990 level of $2.18 per $100 of wages. The benefits paid per $1 of employer costs is $0.65 in 2007, an increase by three cents from 2006.

What accounts for the difference between benefits paid to workers and costs to employers? For self-insured employers (or the federal employee program), the difference reflects our estimates of administrative costs (or actual reported costs in the case of the federal program). For these employers, the costs in a calendar year pertain to benefits paid in the same year.

For insured benefits, employer costs are largely determined by premiums paid in the year. Premiums paid by employers do not necessarily match benefits received by workers in a given year for a number of reasons. First, premiums in a calendar year 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. Thus, the premiums for 2007 include benefit payments during the year for 2007 injuries, plus reserves for payment of benefits for the 2007 injuries in 2008 and after. In addition, premiums must cover expenses such as administrative and loss adjustment costs, taxes, profits or losses of insurance carriers, and contributions for special funds, which can include the support of workers’ compensation agencies.

From the insurer’s perspective, the premiums reflect all future costs the insurer expects to incur for injuries that occur in the year. Thus, an increase in expected liabilities could lead to an increase in premiums and a decline in expected liabilities could lead to a decline in premiums. Second, premiums can be influenced by insurers’ past and anticipated investment returns on reserves that they set aside to cover future liabilities. Thus, a decline in investment returns could contribute to an increase in premiums, while an improvement in investment returns could lead to a decline in premiums. Finally, premiums reflect insurers’ profits (or losses), since profitability (or lack thereof) will affect the extent of dividends, schedule ratings, and deviations offered by the insurers. Burton (2008a) indicated that “the underwriting results for the workers’ compensation insurance industry deteriorated in 2007, but remained highly profitable by historical standards according to results from A.M. Best”.

Work Injuries, Occupational Illness and Fatalities

National data are not available on the number of persons who file workers’ compensation claims or receive benefits in a given year, but trends can be seen in related data series: the Bureau of Labor Statistics collects information about work-related fatalities and nonfatal work injuries or occupational illnesses; and NCCI has information on privately insured workers’ compensation claims in forty-one states (NCCI, 2008b).

Fatalities at Work

A total of 5,657 fatal work injuries occurred in 2007 (Table 13), which is a 3.1 percent decrease from the number reported in 2006. Only 2002 and 2003 had lower fatality totals than the final 2007 count. Transportation incidents continued to be the leading cause of on-the-job fatalities in 2007, accounting for 39.5 percent of the total. Contact with objects and equipment, assault and violent acts (homicides, and self-inflicted injuries), and falls were the other leading causes of death, accounting for 16.2 percent, 14.8 percent, and 14.7 percent respectively (U.S. DOL, 2008b).

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5 As noted earlier, the national decline in employer costs was driven by a sharp decline in employer costs in California. If California is excluded, employer costs fell seven cents per $100 of covered wages (Table 1).
Table 13
Number of Fatal Occupational Injuries, 1992–2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Fatalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>6,217</td>
</tr>
<tr>
<td>1993</td>
<td>6,331</td>
</tr>
<tr>
<td>1994</td>
<td>6,632</td>
</tr>
<tr>
<td>1995</td>
<td>6,275</td>
</tr>
<tr>
<td>1996</td>
<td>6,202</td>
</tr>
<tr>
<td>1997</td>
<td>6,238</td>
</tr>
<tr>
<td>1998</td>
<td>6,055</td>
</tr>
<tr>
<td>1999</td>
<td>6,054</td>
</tr>
<tr>
<td>2000</td>
<td>5,920</td>
</tr>
<tr>
<td>2001</td>
<td>8,801</td>
</tr>
<tr>
<td>September 11 events</td>
<td>2,886</td>
</tr>
<tr>
<td>Other</td>
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<tr>
<td>2002</td>
<td>5,534</td>
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<tr>
<td>2003</td>
<td>5,575</td>
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<td>2004</td>
<td>5,764</td>
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<tr>
<td>2005</td>
<td>5,734</td>
</tr>
<tr>
<td>2006</td>
<td>5,840</td>
</tr>
<tr>
<td>2007</td>
<td>5,657</td>
</tr>
</tbody>
</table>


Nonfatal Injuries and Illnesses

The Bureau of Labor Statistics reports a total of 4.0 million nonfatal workplace injuries and illnesses in private industry workplaces during 2007, resulting in a rate of 4.2 cases per one hundred full-time equivalent workers (U.S. DOL, 2008d). Many of these cases involved relatively minor injuries that did not result in lost workdays. The frequency of reported non-fatal occupational injuries and illnesses (incidence rates) has declined every year since 1992 (Table 14).

A total of 1.2 million workplace injuries or illnesses that required recuperation away from work beyond the day of the incident were reported in private industry in 2007 (U.S. DOL, 2008d). The rate of such reported injuries or illnesses per one hundred full-time workers declined from 3.0 in 1992 to 1.2 in 2007 (Table 14). Some of the most common workplace injuries and illnesses are: Sprains and strains (38.7 percent); bruises and contusions (8.7 percent); cuts and lacerations (7.9 percent); fractures (8.2 percent); heat burns (1.5 percent); carpal tunnel syndrome (1.0 percent); and tendonitis, chemical burns and amputations (1.4 percent) (U.S. DOL, 2008e).

NCCI reports on the frequency of workers’ compensation claims for privately insured employers and some state funds in thirty-six states (Table 15). These data show declining trends similar to national trends in workplace injuries reported by the Bureau of Labor Statistics. Temporary total disability claims are those in which days away from work exceeded the three-to-seven-day waiting period. The frequency of these claims per 100,000 insured workers declined by 49.9 percent between 1992 and 2004. This decline is very similar to the decline in injuries reported by the BLS that involved days away from work. Between 1992 and 2004, the incidence of injuries that involved days away from work declined by about 53 percent (from 3.0 per one hundred full-time workers in 1992 to 1.4 per one hundred full-time workers in 2004) (Table 14). The frequency of total workers’ compensation claims—including medical-only cases that involve little or no lost work time—declined by about 44.9 percent between 1992 and 2004. This rate of decline is similar to the 46.1 percent decline in the incidence rate for all injuries reported to the BLS in the same period (from 8.9 to 4.8 per one hundred full-time workers between 1992 and 2004).

Injury Reporting

Studies during the past several decades have consistently concluded that various systems — including the BLS Survey of Occupational Injuries and Illnesses and state workers’ compensation programs — undercount both workplace injuries and illnesses. However, if the extent of under-reporting remained constant over time, the undercounting does not explain trends in reported injury rates. Hensler et al. (1991) report that 60 percent of those with work-related injuries involving medical care or lost worktime received workers’ compensation benefits. A study by Lakdawalla and Reville based on the National Longitudinal Survey of Youth indicates that 55 percent of reported occupational injuries result in workers’ compensation claims. Smith et al. (2005)
used National Health Interview Survey (NHIS) data and derived injury rates for private industry that are 1.4 times the BLS estimates. Using data from the 2002 Washington State Behavioral Risk Factor Surveillance System survey, Fan et al. (2006) estimate that only 52 percent of injured workers filed a workers’ compensation claim. In another recent study, Rosenman et al. (2006) conclude that BLS and workers’ compensation data account respectively for 32 percent and 66 percent of workplace injuries and illnesses in Michigan. Boden and Ozonoff (2008) studied six other states. Their upper-bound estimates suggest that the BLS captures between 51 percent and 76 percent of lost-time injuries in these states, while workers’ compensation captures 65 percent to 93 percent. Less conservative estimates suggest ranges of 37 percent to 71 percent and 52 percent to 85 percent respectively.

Table 14

<table>
<thead>
<tr>
<th>Yeara</th>
<th>Number of Cases (in millions)</th>
<th>Incidence Rateb</th>
<th>Number of Cases (in millions)</th>
<th>Incidence Rateb</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cases with Any Days</td>
<td></td>
<td>Cases with Any Days</td>
<td></td>
</tr>
<tr>
<td></td>
<td>All Cases Away from Work</td>
<td></td>
<td>All Cases Away from Work</td>
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</tr>
<tr>
<td>1987</td>
<td>6.0</td>
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<td>4.7</td>
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<td>1988</td>
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<tr>
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<td>6.6</td>
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<td>6.6</td>
<td>8.1</td>
<td>4.2</td>
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<tr>
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</tr>
<tr>
<td>2002c</td>
<td>4.7</td>
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<td>2006</td>
<td>4.1</td>
<td>4.4</td>
<td>4.0</td>
<td>1.2</td>
</tr>
<tr>
<td>2007</td>
<td>4.0</td>
<td>4.2</td>
<td>4.0</td>
<td>1.2</td>
</tr>
</tbody>
</table>

a Data after 1991 exclude fatal work-related injuries and illnesses.
b The incidence rate is the number of cases per one hundred full-time workers.
c Data for 2002 and beyond are not strictly comparable to prior year data due to changes in OSHA recordkeeping requirements.

Source: U.S. DOL 2008d.

Further studies are underway to assess the accuracy of BLS data and to help understand whether certain injuries or illnesses are more likely to be underreported. The BLS conducted a quality assurance study and verified that its Survey of Occupational Injuries and Illnesses accurately reflected the information reported by employers on logs required under federal Occupational Safety and Health Administration (OSHA) rules. But the survey is as complete as the employer reports. For example, employers may not record cases that are in dispute. Also, long-latency occupational diseases and cases of unknown or disputed etiology would not find their way into OSHA logs. Further, there may be some scope differences between the cases that appear in workers’ compensation and those that appear on OSHA logs.

Azaroff et al. (2002) provide a review of many studies of injury reporting and a discussion of reasons for underreporting. Workers may not report compensable injuries because, for example, they do not know that they are covered by workers’ compensation, they believe that obtaining benefits can be difficult and stressful (Strunin and Boden 2004), or they think that benefits are not worth the risks of filing (Fricker 1999). Workers may also not report workplace injuries or file for workers’ compensation benefits because they fear employer retaliation (Pransky et al. 1999). Workers normally cannot sue their employer for workplace injuries because of the exclusive-remedy doctrine and, if discharged, normally cannot sue their employers because of the employment-at-will doctrine. However, courts in many states now allow lawsuits for wrongful discharge in violation of public policy, such as exercising a statutory right, of which the “classic example” is filing a claim for workers’ compensation benefits (Willborn et al. 2007). Low-wage and temporary workers may be least likely to file for these reasons (Shannon and Lowe 2002). For injuries and illnesses that take time to develop, like carpal tunnel syndrome and silicosis, the worker may not be aware of the workplace connection, and therefore will not report. Studies have typically shown much less reporting for such conditions (Stanbury et al. 1995, Biddle et al. 1998, Morse et al. 1998, Milton et al.1998).

### Table 15

Number of Workers’ Compensation Claims per 100,000 Insured Workers: Private Carriers in Thirty-Six Jurisdictions, 1992-2004

<table>
<thead>
<tr>
<th>Policy Period</th>
<th>Temporary Total</th>
<th>Permanent partial</th>
<th>Total (including medical only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>1,358</td>
<td>694</td>
<td>8,504</td>
</tr>
<tr>
<td>1993</td>
<td>1,331</td>
<td>644</td>
<td>8,279</td>
</tr>
<tr>
<td>1994</td>
<td>1,300</td>
<td>565</td>
<td>7,875</td>
</tr>
<tr>
<td>1995</td>
<td>1,217</td>
<td>459</td>
<td>7,377</td>
</tr>
<tr>
<td>1996</td>
<td>1,124</td>
<td>419</td>
<td>6,837</td>
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<tr>
<td>1997</td>
<td>1,070</td>
<td>414</td>
<td>6,725</td>
</tr>
<tr>
<td>1998</td>
<td>977</td>
<td>452</td>
<td>6,474</td>
</tr>
<tr>
<td>1999</td>
<td>927</td>
<td>461</td>
<td>6,446</td>
</tr>
<tr>
<td>2000</td>
<td>870</td>
<td>437</td>
<td>6,003</td>
</tr>
<tr>
<td>2001</td>
<td>798</td>
<td>422</td>
<td>5,503</td>
</tr>
<tr>
<td>2002</td>
<td>755</td>
<td>415</td>
<td>5,143</td>
</tr>
<tr>
<td>2003</td>
<td>717</td>
<td>405</td>
<td>4,893</td>
</tr>
<tr>
<td>2004</td>
<td>680</td>
<td>385</td>
<td>4,686</td>
</tr>
</tbody>
</table>

Percent decline, 1992–2004: -49.9, -44.5, -44.9

Source: NCCI 1996–2008
Other research suggests that tighter eligibility standards and claims filing restrictions for workers’ compensation may explain part of the decline in injury rates. The primary impact of such restrictions is likely to be on workers’ compensation claims. Still, fewer cases entered into the workers’ compensation system could result in fewer injuries reported to the BLS. Boden and Ruser (2003) find that between 7.0 and 9.4 percent of the decline in injury rates measured by BLS between 1991 and 1997 is an indirect result of tighter eligibility standards and claims filing restrictions for workers’ compensation.

Comparing Workers’ Compensation with Other Disability Benefit Programs

Other sources of support for disabled workers include sick leave, short-term and long-term disability benefits, Social Security disability insurance, and Medicare. Unlike workers’ compensation, these programs are not limited to injuries or illnesses caused on the job.

Other Disability Benefits

Sick leave is the common form of wage replacement for short-term absences from work due to illness or injury. Benefits pay 100 percent of wages for a few weeks. State laws require short-term disability insurance in five states: California, Hawaii, New Jersey, New York, and Rhode Island. These state programs pay benefits that replace half of the worker’s lost earnings, subject to a maximum weekly benefit. Most programs pay benefits for up to twenty-six weeks, although California pays for up to fifty-two weeks. In California and Rhode Island, the benefits are financed solely by employee contributions. In Hawaii, New Jersey, and New York, employers also contribute. Workers in other states may have short-term disability insurance that is offered and financed, at least in part, by employers. The methods used for providing coverage may vary depending on the state. In order to limit benefits, a worker must have a specified amount of past employment or earnings to qualify for benefits. Benefits usually last for up to twenty-six weeks and typically replace about half of the worker’s prior earnings. Weekly benefits are related to a claimant’s earnings while in covered employment. Both employers and employees may be required to contribute to the cost of the short-term disability insurance (EBRI, 2009). About 39 percent of private sector employees were covered by short-term disability insurance in 2008 (U.S. DOL, 2008c).

Long-term disability insurance that is financed, at least in part, by employers covers about 30 percent of private sector employees. Such coverage is most common among management, professional, and related workers. About 56 percent of management and professional related, 32 percent of workers in sales and office, and 12 percent of service workers had this coverage as of March 2007 (U.S. DOL, 2007a). Long-term disability insurance benefits are 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, although replacement rates of between 50 percent and 66 percent are also common. Almost all long-term disability insurance is coordinated with Social Security disability benefits and workers’ compensation benefits. That is, the private long-term disability benefits are reduced dollar for dollar by the social insurance benefits. For example, if Social Security benefits replaced 40 percent of the worker’s prior earnings, the long-term disability benefit would pay the balance to achieve a 60 percent replacement. Long-term disability insurance is also sold in individual policies, typically to high-earning professionals. Such individual policies are not included in these data. Retirement benefits may also be available to workers who become disabled. Most defined benefit pension plans have some disability provision; benefits may be available at the time of disability or may continue to accrue until retirement age. Defined contribution plans will often make funds in the employee’s account available to a disabled worker without penalty, but do not have the insurance features of defined benefit pensions or disability insurance. In addition Supplemental Security Income and Medicaid provide cash and medical assistance to disabled individuals who have low incomes. These means-tested benefits are based on need rather than work experience and are not covered in this report.

Social Security Disability Insurance and Medicare

Workers’ compensation is surpassed in size only by the federal Social Security disability insurance pro-
gram and the accompanying Medicare program in providing cash and medical benefits to disabled workers.

While Social Security disability benefits and workers' compensation are the nation's two largest work-based disability benefit programs, the two programs differ in many respects. Workers are eligible for workers' compensation benefits from their first day of employment, while Social Security disability benefits require workers to have a substantial work history. Workers' compensation provides benefits for both short-term and long-term disabilities, and for partial as well as total disabilities. These benefits cover only those disabilities arising out of and in the course of employment. Social Security disability benefits are paid only to workers who have long-term impairments that preclude any gainful work. Social Security disability benefits are provided whether the disability arose on- or off-the-job. By law, the benefits are paid only to workers who are unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that is expected to last a year or result in death. Social Security disability benefits begin after a five-month waiting period. Medicare coverage begins for those on Social Security disability benefits after a further twenty-four-month waiting period, or twenty-nine months after the onset of disability.

Many who receive Social Security disability benefits have impairments associated with aging. The share of insured workers who receive benefits rises sharply at older ages, from less than 1 percent of the youngest insured workers to about 15 percent of insured workers age 60–64 (Reno and Eichner, 2000). Relatively few individuals who receive Social Security disability benefits return to work. Typically, they leave the disability benefit rolls when they die or reach retirement age and shift to Social Security retirement benefits.

Workers' compensation paid $28.3 billion in cash benefits and $27.2 billion for medical care in 2007.

In that year, Social Security paid $95.9 billion in wage replacement benefits to disabled workers and their dependents and Medicare paid $57.2 billion for medical and hospital care for disabled persons under age 65 (SSA 2008d and CMS, 2008). Thus, aggregate workers' compensation cash benefits were about one third of the total amount of Social Security disability benefits, and workers' compensation medical benefits were just over half of the total amount paid by Medicare. Medicare benefits are less comprehensive than medical care under workers' compensation. Medicare requires beneficiary cost sharing in the form of deductibles and co-insurance, and it does not cover certain services. At the same time, Medicare covers all medical conditions, not just work-related injuries or illnesses. When a worker receiving workers' compensation benefits is also Medicare eligible, Medicare is the secondary payer for care related to the occupational injury under the Medicare Secondary Payer Act.

**Coordination between Workers’ Compensation and Social Security Disability Benefits**

If a worker becomes eligible for both workers’ compensation and Social Security disability benefits, one of the programs will limit benefits in order to avoid excessive payments relative to the worker's past earnings. The Social Security amendments of 1965 required that Social Security disability benefits be reduced so that the combined total of workers' compensation and Social Security disability benefits would not exceed 80 percent of the workers' prior earnings.6 States, however, were allowed to establish reverse offset laws, whereby workers' compensation payments would be reduced if the worker received Social Security disability benefits. The reverse offset shifts costs to Social Security that would otherwise fall upon the workers' compensation employer or insurer. Legislation in 1981 eliminated the states' option to adopt reverse offset laws, but the few states that already had such laws were allowed to keep them.7

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6 The cap remains at 80 percent of the worker's average indexed earnings before disability, except that, in the relatively few cases when Social Security disability benefits for the worker and dependents exceed 80 percent of prior earnings, the benefits are not reduced below the Social Security amount. This cap also applies to coordination between Social Security disability insurance and other public disability benefits (OPDB) derived from jobs not covered by Social Security—such as state or local government jobs where the governmental employer has chosen not to cover its employees under Social Security.


---

As of December 2008, about 7.4 million disabled workers and 1.8 million of their dependents received Social Security disability benefits (Table 16). About 1.4 million of these individuals (or 15.5 percent) had some connection to workers’ compensation or some other public disability benefits. Of these, 0.7 million (or 7.2 percent of the total) had their social security benefits previously reduced because of the offset.

### Trends in Social Security Disability Benefits and Workers’ Compensation

Figure 4 illustrates the long-term trend in Social Security disability benefits and workers’ compensation cash benefits as a share of covered wages. Social Security disability benefits grew rapidly in the early 1970s and then declined through the 1980s, after policy changes in the late 1970s and early 1980s reduced benefits and tightened eligibility rules. From 1990 to 1996, Social Security benefits again rose as claims and allowances increased, particularly during the economic recession of 1990–1991. Between 1996–2001, disability insurance benefits relative to covered wages leveled off and then rose again following the recession of 2001.


The opposite trends in workers’ compensation and Social Security disability benefits during much of the last twenty-five years raise the question of whether retrenchments in one program increase demands placed on the other, and vice versa. The substitutability of Social Security disability benefits and workers’ compensation for workers with severe, long-term disabilities that are, at least arguably, work related or might be exacerbated by the demands of work, has received little attention by researchers and is not well understood (Burton and Spieler, 2001). A

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### Table 16

Social Security Disability Insurance (DI) Beneficiaries with Workers’ Compensation (WC) or Public Disability Benefit (PDB)¹ Involvement, December 2008

<table>
<thead>
<tr>
<th>Type of Case</th>
<th>Total</th>
<th></th>
<th>Workers</th>
<th></th>
<th>Dependents</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>All disability insurance beneficiaries</td>
<td>9,272,786</td>
<td>100.0</td>
<td>7,426,691</td>
<td>100.0</td>
<td>1,846,095</td>
<td>100.0</td>
</tr>
<tr>
<td>Total with some connection to WC or PDB</td>
<td>1,434,595</td>
<td>15.5</td>
<td>1,093,417</td>
<td>14.7</td>
<td>341,178</td>
<td>18.5</td>
</tr>
<tr>
<td>Current connection to WC or PDB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DI reduced by cap</td>
<td>766,439</td>
<td>8.3</td>
<td>583,923</td>
<td>7.9</td>
<td>182,516</td>
<td>9.9</td>
</tr>
<tr>
<td>DI not reduced by cap</td>
<td>360,615</td>
<td>3.9</td>
<td>287,213</td>
<td>3.9</td>
<td>73,402</td>
<td>4.0</td>
</tr>
<tr>
<td>Reverse jurisdiction</td>
<td>57,709</td>
<td>0.6</td>
<td>44,748</td>
<td>0.6</td>
<td>12,961</td>
<td>0.7</td>
</tr>
<tr>
<td>Pending decision on WC or PDB</td>
<td>185,047</td>
<td>2.0</td>
<td>140,614</td>
<td>1.9</td>
<td>44,433</td>
<td>2.4</td>
</tr>
<tr>
<td>DI previously offset of WC or PDB</td>
<td>668,156</td>
<td>7.2</td>
<td>509,494</td>
<td>6.9</td>
<td>158,662</td>
<td>8.6</td>
</tr>
</tbody>
</table>

¹ Social Security disability benefits are offset against workers’ compensation and certain other public disability benefits (PDB). In general, the PDB offset applies to disability benefits earned in state, local, or federal government employment that is not covered by Social Security.

SOURCE: Social Security Administrations’ Office of Disability, unpublished tabulations (SSA 2008b)
recent study finds that work-related disabilities are much more common than might previously have been thought, both among older persons in general and among recipients of Social Security disability benefits in particular (Reville and Schoeni, 2006). Based on reports in the 1992 Health and Retirement Study, more than one third (36 percent) of 51-61 year olds whose health limits the amount of work they can do became disabled because of an accident, injury, or illness at work. Of those receiving Social Security disability insurance, a similar portion (37 percent) attributed their disability to an accident, injury or illness at work. The study also finds that the 51–61 year olds who attribute their disabling conditions to their jobs are far more likely to receive Social Security disability insurance (29.0 percent) than to report ever having received workers’ compensation (12.3 percent). A recent study by Guo and Burton (2008) provides the first empirical evidence that retrenchment in workers’ compensation in the 1990s helps explain the increase in Social Security disability insurance applications during the period.

### Incurred Benefits Compared with Paid Benefits

The National Academy’s estimates of workers’ compensation benefits in this report are the amounts paid to workers in a calendar year regardless of whether the injuries occurred in the current year or a past year. This measure, calendar year paid benefits, is commonly used in reporting about other social insurance, private employee benefits, and other income security programs. A different measure, accident year incurred losses, which is equivalent to accident year incurred benefits, is commonly used for workers’ compensation insurance that is purchased from private carriers and some state funds. It measures benefit liabilities incurred by the insurer for injuries that occur in a particular year, regardless of whether the benefits are paid in the current year or a future year. (The term losses and benefits are used interchangeably because benefits to the worker are losses to the insurer.) Both measures, calendar year paid benefits and accident year incurred benefits, reveal important information8.

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8 A fuller discussion of these measures is in Thomason, Schmidle, and Burton, 2001, Appendix B.
For the purpose of setting insurance premiums, it is vital to estimate the incurred benefits that the premiums are to cover. When an employer purchases workers’ compensation insurance for a particular year, the premiums cover current and future benefit liabilities for all injuries that occur during the policy year. State rating bureaus and the National Council on Compensation Insurance, which provides advisory ratemaking and statistical services in thirty-six states, focus on accident year (or policy year) incurred benefits.

Accident year incurred benefits are considered more sensitive than calendar year paid benefits at picking up the ultimate amount of benefits that will be owed to newly injured workers in response to policy changes. For example, if a state lowered benefits or tightened compensability rules for new injuries as of a given date, then future benefits would be expected to decline. Similarly, if a state raised benefits or expanded the range of injuries that would be compensated by workers’ compensation, then future benefits would be expected to increase. The policy change would show up immediately in estimates of accident year incurred benefits, but it would show

### 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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Accident year incurred benefits&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Calendar year benefits paid&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Billions of Dollars</td>
<td>Percent Change</td>
</tr>
<tr>
<td>1996</td>
<td>9.3</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>9.9</td>
<td>6.5</td>
</tr>
<tr>
<td>1998</td>
<td>10.8</td>
<td>9.1</td>
</tr>
<tr>
<td>1999</td>
<td>11.8</td>
<td>9.6</td>
</tr>
<tr>
<td>2000</td>
<td>12.0</td>
<td>1.6</td>
</tr>
<tr>
<td>2001</td>
<td>12.3</td>
<td>2.4</td>
</tr>
<tr>
<td>2002</td>
<td>12.2</td>
<td>-0.9</td>
</tr>
<tr>
<td>2003</td>
<td>12.6</td>
<td>3.3</td>
</tr>
<tr>
<td>2004</td>
<td>12.9</td>
<td>2.6</td>
</tr>
<tr>
<td>2005</td>
<td>13.3</td>
<td>2.9</td>
</tr>
<tr>
<td>2006</td>
<td>14.0</td>
<td>4.8</td>
</tr>
<tr>
<td>2007</td>
<td>14.7</td>
<td>5.4</td>
</tr>
</tbody>
</table>

Cumulative % change from 1996-2007 47.3 25.3

<sup>a</sup> These data are for the thirty-six states reported in the *Calendar-Accident Year Underwriting Results* of the National Council on Compensation Insurance, page 17. They include private carrier and state fund (where relevant) losses incurred in Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, the District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, Oklahoma, Oregon, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, and Virginia. The data for 1996-1999 include thirty-five states as Nevada is excluded.

Accident year data exclude benefits paid under the following categories: underground coal mining, F-classification, national defense project, and excess business. The accident year data also exclude benefits paid under deductible policies.

<sup>b</sup> Based on National Academy of Social Insurance data in this report for the states listed in note (a). These data are for private carriers and states funds (where relevant) and excludes benefits paid under deductible policies.

Source: NCCI 2008 and calendar year benefits estimated by the National Academy of Social Insurance.
up more slowly in measures of calendar year paid benefits because the latter measure includes payments for past injuries that would not be affected by the policy change.

A disadvantage of relying solely on accident year incurred benefits is that it takes many years before the losses from a particular year are actually known; in the meantime, estimates for the losses for that accident year are updated annually. The National Council on Compensation Insurance updates accident year incurred benefits for sixteen years before the data for a particular year are considered final. In contrast, calendar year paid benefits are final at the end of the calendar year.

Accident year incurred benefits are estimated for insurance policies purchased from private carriers and from some state funds, but this information is not routinely available for other state funds and for self-insured employers. In addition, accident year data exclude benefits under large deductible policies and all benefits of certain categories of privately insured employers. For the years 1996 through 2007, Table 17 compares accident year incurred benefits reported by NCCI and calendar year paid benefits estimated by NASI for private carriers and state funds in the thirty-six states included in the NCCI data.
Glossary

AASCIF: The American Association of State Compensation Insurance Funds (AASCIF) is an association of workers’ compensation insurance entities – loosely referred to as state funds – that specialize in writing workers’ compensation insurance in a U.S. state or Canadian province. For more information, visit www.aascif.org.

Accident Year: The year in which an injury occurred or the year of onset of an illness. Accident year incurred benefits refer to the benefits associated with all injuries and illnesses occurring in that year, regardless of the year they were actually paid.

BLS: The Bureau of Labor Statistics (BLS) in the U.S. Department of Labor is a statistical agency that collects, processes, analyzes, and disseminates statistical data about the labor market. For more information, visit www.bls.gov.

Calendar Year Paid Benefits: Benefits paid to workers in a given year, regardless of when the injury or illness occurred.

Covered Employment: Jobs that are covered by workers’ compensation programs.

Deductibles: Under deductible policies written by private carriers or state funds, the insurer pays all of the workers’ compensation benefits, but employers are responsible for reimbursing the insurer for those benefits up to a specified deductible amount. Deductibles may be written into an insurance policy on a per injury basis, or an aggregate basis, or a combination of a per injury basis with an aggregate cap.

DI: Disability insurance from the Social Security program. See SSDI.

FECA: The Federal Employees’ Compensation Act (FECA) provides workers’ compensation coverage to federal civilian and postal workers around the world for employment related injuries and occupational diseases.

Incurred Losses (Incurred Benefits): Benefits paid to date plus liabilities for future benefits for injuries that occurred in a specified period.

Loss Adjustment Expenses: Salaries and fees paid to adjusters, as well as other expenses incurred from adjusting claims.

Losses: Benefits paid or incurred by insurers.

NAIC: The National Association of Insurance Commissioners (NAIC) is the national organization of insurance regulators in each state. It assists state insurance regulators, individually and collectively, to achieve insurance regulatory goals. For more information, visit www.naic.org.

NCCI: National Council on Compensation Insurance, Inc. (NCCI) is a national organization that assists private carriers and insurance commissioners in setting workers’ compensation rates in thirty-seven states. For more information, visit www.ncci.com.

Overall Operating Ratio: The combined ratio after dividends minus net investment gain/loss and other income.

Permanent Partial Disability (PPD): A disability that, although permanent, does not completely limit a person’s ability to work.

Permanent Total Disability (PTD): A permanent disability that precludes all work.

Residual Market: The mechanism used to provide insurance for employers who are unable to purchase insurance in the voluntary private market. In some states the state fund is the “insurer of last resort”. In others, there is a separate pool financed by assessments of private insurers, which is also known as an assigned risk pool.

SSA: The U.S. Social Security Administration (SSA) administers the Social Security program, which pays retirement, disability, and survivors’ benefits to workers and their families, and the federal Supplemental Security Income program that provides income support benefits to low-income aged and disabled individuals. For more information, visit www.ssa.gov.
SSDI: Social Security Disability Insurance (SSDI) pays benefits to insured workers who sustain severe, long-term work disabilities of any cause. Also, DI.

Temporary Partial Disability (TPD): A temporary disability that does not completely limit a person’s ability to work.

Temporary Total Disability (TTD): A disability that temporarily precludes a person from performing the pre-injury job or another job at the employer that the worker could have performed prior to the injury.

Underwriting Expenses: Commissions, brokerage expenses, general expenses, taxes, licenses, and fees.

Underwriting Results/Overall operating Ratio: The sum of losses, loss adjustment expenses, underwriting expenses, and dividends to policy holders.

Unemployment Insurance (UI): Federal/state program that provides cash benefits to workers who become unemployed through no fault of their own and who meet certain eligibility criteria set by the states.

USDOL: The U.S. Department of Labor administers a variety of federal labor laws including those that guarantee workers’ rights to safe and healthful working conditions, a minimum hourly wage and overtime pay, freedom from employment discrimination, unemployment insurance, and other income support. For more information, visit www.dol.gov.

WC: Workers’ compensation.

Work-Related Injury/Illness: An injury or illness that arises out of and in the course of employment. The definition of a work-related injury or disease that is compensable under a state’s workers’ compensation program can be quite complex and varies across states.
Appendix A: Coverage Estimates

The National Academy of Social Insurance’s estimates of workers’ compensation coverage start with the number of workers in each state who are covered by Unemployment Insurance (UI) (U.S. DOL, 2008e). Those who are not required to be covered include: some farm and domestic workers who earn less than a threshold amount from one employer; some state and local employees, such as elected officials; employees of some non-profit entities, such as religious organizations, for whom coverage is optional in some states; unpaid family workers; and railroad employees who are covered under a separate unemployment insurance program. Railroad workers are also not covered by state workers’ compensation because they have other arrangements (NASI, 2002).

The largest groups of workers who are not covered under either unemployment insurance or workers’ compensation are self-employed individuals who have not incorporated their businesses.

All U.S. employers who are required to pay unemployment taxes must report quarterly to their state employment security agencies information about their employees and payroll covered by unemployment insurance. These employer reports are the basis for statistical reports prepared by the U.S. Bureau of Labor Statistics, known as the ES-202 data. These data are a census of the universe of U.S. workers who are covered by unemployment insurance.

Key assumptions underlying the NASI estimates of workers’ compensation coverage, shown in Table A1, are:

1. Workers whose employers do not report that they are covered by UI are not covered by workers’ compensation.
2. Workers that are reported to be covered by UI are generally covered by workers’ compensation as well, except in the following cases:
   a. Workers in small firms (which are required to provide UI coverage in every state) are not covered by workers’ compensation if the state law exempts small firms from mandatory workers’ compensation coverage.
   b. Employees in agricultural industries (who may be covered by UI) are not covered by workers’ compensation if the state law exempts agricultural employers from mandatory workers’ compensation coverage.
   c. In Texas, where workers’ compensation coverage is elective for almost all employers, estimates are based on periodic surveys conducted by the Texas Research and Oversight Council.

All federal employees are covered by workers’ compensation, regardless of the state in which they work.

Small Firm Exemptions. NASI assumes that workers are not covered by workers’ compensation if they work for small firms in the thirteen states that exempt small employers from mandatory coverage. Private firms with fewer than three employees are exempt from mandatory coverage in seven states: Arkansas, Georgia, Michigan, New Mexico, North Carolina, Virginia, and Wisconsin. Those with fewer than four employees are exempt in two states: Florida, and South Carolina. Finally, firms with fewer than five employees are exempt from mandatory coverage in Alabama, Mississippi, Missouri, and Tennessee (U.S. DOL, 2006).

The number of employees in small firms is estimated using data from the U.S. Small Business Administration for each state, which show the proportion of employees in all private firms who worked for firms with fewer than five employees in 2006 (the most recent year for which data are available). Those percentages for the thirteen states with numerical exemptions are: Alabama, 4.5 percent; Arkansas, 4.9 percent; Florida, 5.9 percent; Georgia, 4.7 percent; Michigan, 4.7 percent; Mississippi, 5.2 percent; Missouri, 4.8 percent; New Mexico, 5.6 percent; North Carolina, 4.8 percent; South Carolina, 4.9 percent; Tennessee, 4.0 percent; Virginia, 4.7 percent; and Wisconsin, 4.3 percent (U.S. SBA, 2008).

To estimate the proportion of workers in firms with fewer than three or four employees, we used national data on small firms from the U.S. Census Bureau (U.S. Census Bureau, 2005). Of workers in firms with fewer than five employees, 79.0 percent worked in firms with fewer than four employees and 56.7...
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<thead>
<tr>
<th>State</th>
<th>UI Covered Jobs</th>
<th>Workers' Compensation Exemptions</th>
<th>WC Covered Jobs</th>
<th>WC as a % of UI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total (1)</td>
<td>Private, non-farm firms (2)</td>
<td>Small Firm (3)</td>
<td>Agriculture (4)</td>
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<td>Vermont</td>
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<td>Washington</td>
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<td>West Virginia</td>
<td>684,192</td>
<td>568,999</td>
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<tr>
<td>Wisconsin</td>
<td>2,751,715</td>
<td>2,384,708</td>
<td>58,070</td>
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<tr>
<td>Wyoming</td>
<td>270,467</td>
<td>214,781</td>
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</tr>
<tr>
<td>U.S. non-federal</td>
<td>132,641,245</td>
<td>113,252,489</td>
<td>1,153,839</td>
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<tr>
<td>Federal</td>
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</tr>
<tr>
<td>U.S. TOTAL</td>
<td>135,367,549</td>
<td>113,252,489</td>
<td>1,153,839</td>
<td>68,819</td>
</tr>
</tbody>
</table>

a UI-covered employment reported in the ETA-202 data produced by the United States Bureau of Labor Statistics (U.S. DOL, 2008e)
b Data not available for 2006, used the 2005 data.
percent worked in firms with fewer than three employees. These ratios were applied to the percentage of workers in firms with fewer than five employees in the respective states. For example, the proportion of Arkansas private sector workers in firms with fewer than three employees is: \((4.9\text{ percent}) \times (56.7\text{ percent}) = 2.8\text{ percent}\). These ratios are applied to the number of UI covered workers in private, non-farm firms in each state. In the fourteen States together, we estimate that 1.2 million workers were excluded from workers' compensation coverage in 2007 because of the small employer exclusion from mandatory coverage.

**Agricultural Exemptions.** We estimate agricultural workers to be excluded from workers' compensation coverage if they work in the twelve states where agricultural employers are exempt from mandatory coverage. These states are: Alabama, Arkansas, Indiana, Kansas, Kentucky, Mississippi, Nevada, New Mexico, North Dakota, South Carolina, South Dakota and Tennessee. In each of these jurisdictions, we subtract from UI coverage those workers employed in agricultural industries.

**Texas.** In Texas, where workers' compensation coverage is elective for almost all employers, the NASI estimate of coverage is based on periodic surveys conducted by the Texas Workers’ Compensation Research Institute and the Texas Department of Insurance, which found 76 percent of Texas employees were covered in 2007 (TDI et al, 2008). This ratio was applied to all UI-covered Texas employees other than federal government workers (who were not included in the Texas surveys).
Appendix B: 2007 Survey Questionnaire

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<th>Annual Data Survey - Project on National Data for Workers’ Compensation, National Academy of Social Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your Name:</td>
</tr>
<tr>
<td>State:</td>
</tr>
<tr>
<td>Agency/Organization:</td>
</tr>
<tr>
<td>E-mail:</td>
</tr>
<tr>
<td>Phone:</td>
</tr>
<tr>
<td>Fax:</td>
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</tbody>
</table>

**Calendar Year Paid Data** -- Please provide the information requested below for calendar years 2003-2007. Calendar year paid data refer to all payments made that year, regardless of accident year and regardless of whether the case was closed or remains open. If you are unable to report calendar year data, please indicate the 12-month period of the data you are reporting. Please be sure to list benefits paid, not incurred. If your agency does not have the data to fill out this questionnaire, please send NASI the contact information for the entity or person in your state that may have the information.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>1) INDIVIDUAL SELF-INSURERS</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Payments:</td>
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<td></td>
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<tr>
<td>Cash Payments:</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Compromise lump sum settlements (if not included above)</td>
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</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Is Group Self-Insurance allowed in your state?</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>Does the total above include Group Self Insured?</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>If not, fill in 2)</td>
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</table>

| 2) GROUP SELF-INSURERS |                   |                   |                   |                   |
| Medical Payments:       |                   |                   |                   |                   |
| Cash Payments:          |                   |                   |                   |                   |
| Compromise lump sum settlements (if not included above) |                   |                   |                   |                   |
| TOTAL                   |                   |                   |                   |                   |

| 3) PRIVATE CARRIERS |                   |                   |                   |                   |
| Medical Payments:    |                   |                   |                   |                   |
| Cash Payments:       |                   |                   |                   |                   |
| Compromise lump sum settlements (if not included above) |                   |                   |                   |                   |
| TOTAL                 |                   |                   |                   |                   |

| Are deductibles allowed for private carriers? | yes | no | yes | no | yes | no | yes | no | yes | no | yes | no |
| Does the amount above include deductible payments by employers? | yes | no | yes | no | yes | no | yes | no | yes | no | yes | no |
| How much was paid under the deductible amounts? |

| 4) STATE FUNDS (if state has compulsory or exclusive fund) |                   |                   |                   |                   |
| Medical Payments:                                        |                   |                   |                   |                   |
| Cash Payments:                                           |                   |                   |                   |                   |
| Compromise lump sum settlements (if not included above)  |                   |                   |                   |                   |
| TOTAL                                                    |                   |                   |                   |                   |
| Are deductibles allowed for the state fund?              | yes | no | yes | no | yes | no | yes | no | yes | no | yes | no |
| Does the amount above include deductible payments by employers? | yes | no | yes | no | yes | no | yes | no | yes | no | yes | no |
| How much was paid under the deductible amounts?          |
|---------------|------------------|------------------|------------------|------------------|------------------|
| Medical Payments |                  |                  |                  |                  |                  |
| Cash Payments  |                  |                  |                  |                  |                  |
| Compromise lump sum settlements (if not included above) |      |                  |                  |                  |                  |
| **TOTAL**      |                  |                  |                  |                  |                  |

Is this amount included in items 3 and/or 4?  
Yes [ ], No [X]  
Yes [ ], No [X]  
Yes [ ], No [X]  
Yes [ ], No [ ]  
Yes [ ], No [ ]

Is so, which and how much?

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<td>Cash Payments</td>
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<tr>
<td>Compromise &quot;lump sum settlements&quot; (if not included above)</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td>Cash Payments</td>
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<tr>
<td>Compromise &quot;lump sum settlements&quot; (if not included above)</td>
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**A Calendar Year Total Benefits Paid**  
(Should equal the sum of items 1-7)

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<tr>
<td><strong>TOTAL</strong></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

Are you attaching additional information?

---

Please e-mail your response to NASI at isengupta@nasi.org or fax to 202-482-8111 by January 19, 2009.

For more information contact Ishita Sen Gupta by e-mail at isengupta@nasi.org or by phone at 202-482-8887.
Appendix C: Data Availability

Estimates of benefits paid and employer costs for workers’ compensation by the National Academy of Social Insurance (NASI) rely on two main sources: responses to the NASI survey questionnaire from state agencies and data purchased from A.M. Best, a private company that specializes in collecting insurance data and rating insurance companies.

The A.M. Best data show the experience of private carriers in every state, but do not include any information about self-insured employers or about benefits paid under deductible arrangements. The A.M. Best data show total “direct losses” (that is, benefits) paid in each state in 2003–2007, by private carriers and by twenty-one entities that we classify as state funds, based on their membership in the American Association of State Compensation Insurance Funds. A.M. Best did not provide information on the competitive state funds in Missouri and South Carolina, or on the exclusive state funds in Ohio, North Dakota, Washington, West Virginia, and Wyoming.

The 2007 NASI survey questionnaire for state agencies asked states to report data for five years, from 2003 through 2007. These historical data were used to revise and update estimates for these past years. Table C1 describes the sources of data available for each state used in the data report.

Private Carrier Benefits

Of the fifty-one jurisdictions, forty-seven allow private carriers to write workers’ compensation policies. Of these, seventeen jurisdictions were able to provide data on the amount of benefits paid by private carriers. In the other states, A.M. Best data were used to estimate private carrier benefits. An estimate of benefits paid under deductible policies were added to benefits paid reported by A.M. Best to estimate total private carrier benefits in these states. Methods for estimating deductible amounts are described in Appendix G.

State Fund Benefits

Twenty-six states had a state fund that paid workers’ compensation benefits in 2007. Of these, eleven were able to provide benefit data. A.M. Best data and NAIC (National Association of Insurance Commissioners) data were used to estimate state fund benefits in states unable to provide the data. An estimate of benefits paid under deductible policies was added to benefits reported by A.M. Best to estimate total state fund benefits in these states.

Self-Insured Benefits

All jurisdictions except North Dakota and Wyoming allow employers to self-insure. Twenty-eight of these jurisdictions were able to provide data on benefits paid by self-insurers. Prior years’ self-insured benefit ratio to total benefits were used to estimate the self-insurance data for seven states. Self-insurance benefits were imputed for the twelve states that were unable to provide data. The self-insurance imputation methods are described in Appendix E.

Benefits under Deductible Policies

Forty-six jurisdictions allow carriers to write deductible policies for workers compensation. Of these jurisdictions, seven were able to provide the amount of benefits paid under deductible policies. Benefits under deductible arrangements were estimated for another twelve states by subtracting A.M. Best data on benefits paid (which do not include deductible benefits) from data reported by the state agency (which, in these cases, included deductible benefits). Deductible benefits in the remaining states were estimated using a ratio of Manual Equivalent Premiums, as described in Appendix G.

Medical Benefits

The state workers’ compensation agency data and rating bureau data for medical share were used in twelve states. The National Council on Compensation Insurance estimates of the medical share of the benefits were used in thirty-seven jurisdictions. Other methods were used for two states for which no information was available from the state or NCCI. More detail on methods to estimate medical benefits is in Appendix F.

Employer Costs

NASI estimates of employer costs for benefits paid under private insurance and state funds are the sum of “direct premiums written” as reported by A.M. Best and the NAIC, plus our estimate of benefits paid under deductible arrangements (which are not reflected in premiums). In some cases, data provided by state agencies are used instead of A.M. Best data.
State fund premium data for North Dakota, Ohio and Washington were provided by the state agencies.

For self-insured employers, the costs include benefit payments and administrative costs. Because self-insured employers often do not separately record administrative costs for workers’ compensation, their administrative costs must be estimated. The costs are assumed to be the same share of benefits as administrative costs reported by private insurers to the National Association of Insurance Commissioners (NAIC, 1998-2007). These administrative costs include direct defense and cost containment expense paid\(^9\) and expenses for taxes, licenses, and fees\(^10\). The ratios of these administrative costs to direct losses paid by private insurers were:

- 2003: 17.1 percent
- 2004: 16.2 percent
- 2005: 18.7 percent
- 2006: 19.9 percent
- 2007: 19.1 percent

---

9 Direct Defense and Cost Containment Expense Paid: In 1999, as part of a clarification effort, this line was renamed from “Direct Allocated Loss Adjustment Expenses” to “Direct Defense and Cost Containment Expenses”. It includes defense, litigation and medical cost containment expenses, whether internal or external. The fees charged for insurer employees should include overhead, just as an outside firm’s charges would include. The expenses exclude expenses incurred in the determination of coverage.

10 Taxes, Licenses, & Fees: State and local insurance taxes deducting guaranty association credits, insurance department licenses and fees, gross guaranty association assessments, and all other (excluding federal and foreign income and real estate).
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<th>Private Carrier</th>
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<th>Self-Insured</th>
<th>Second Injury Fund</th>
<th>PC Deductible</th>
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In preparing the 2007 estimates for workers’ compensation benefits, the National Academy of Social Insurance reviewed and revised all data for calendar years 2003-2006. These revised data are shown in Tables D1 to D4. The revision process began by requesting historical data from state workers’ compensation agencies and from AM Best. The revised benefit estimates are reported in the following tables. Revisions to the historical data increase consistency in historical methodology and enhance comparability between years. The following are key revisions made to the historical data:

- Revised data consistently use the same medical benefit estimation methodology described in Appendix F.
- Self-insurance benefit imputations were revised using historical data as reported in Appendix E.
- Revised data consistently use the same deductible estimation methodology described in Appendix G.
- Changes in data reported by state agencies were captured by the revised data questionnaire and are reflected in the revised estimates.
- Administrative costs for self-insurance were re-estimated based on updated information from the National Association of Insurance Commissioners as described in Appendix C.

The revised data in this appendix should be used in place of previously published data. Historical data displayed in the body of this report incorporate these revisions.
## Table D1

Workers' Compensation Benefits* by Type of Insurer and Medical Benefits, by State, 2006
(in thousands)

<table>
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<th>State</th>
<th>Private Carriers&lt;sup&gt;a&lt;/sup&gt;</th>
<th>State Funds</th>
<th>Self-Insured&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Total</th>
<th>Percent Medical</th>
<th>Medical&lt;sup&gt;c&lt;/sup&gt;</th>
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<td>$282,599</td>
<td>$562,632</td>
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</table>

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

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b Self-insurance includes individual self-insurers and group self-insurance.

c For further details see Appendix C1.

d Federal benefits include: those paid under the Federal Employees’ Compensation Act for civilian employees; the portion of the Black Lung benefit program that is financed by employers and a portion of benefits under the Longshore and Harbor Workers’ Compensation Act that are not reflected in state data, namely, benefits paid by self-insured employers and by special funds under the LHWCA. See Appendix H for more information about federal programs.

e Included in the Federal benefits total.

Source: National Academy of Social Insurance estimates based on data received from state agencies, the U.S. Department of Labor, A.M. Best, and the National Council on Compensation Insurance.
Table D2
Workers’ Compensation Benefits by Type of Insurer and Medical Benefits, by State, 2005
(in thousands)

<table>
<thead>
<tr>
<th>State</th>
<th>Private Carriers</th>
<th>State Funds</th>
<th>Self-Insured</th>
<th>Total</th>
<th>Percent Medical</th>
<th>Medicalc</th>
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<td>104,839</td>
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</tbody>
</table>

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<table>
<thead>
<tr>
<th>State</th>
<th>Private Carriers&lt;sup&gt;a&lt;/sup&gt;</th>
<th>State Funds</th>
<th>Self-Insured&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Total</th>
<th>Percent Medical</th>
<th>Medical&lt;sup&gt;c&lt;/sup&gt;</th>
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* Benefits are payments in the calendar year to injured workers and to providers of their medical care.

a States with exclusive funds (Ohio, North Dakota, Washington, West Virginia, and Wyoming) may have small amounts of benefits paid in the private carrier category. This results from the fact that some employers doing business in states with exclusive state funds may need to obtain coverage from private carriers under the USL &HW act or employers liability coverage which the state fund is not authorized to provide. In addition, private carriers may provide excess compensation coverage in some of these states.

b Self-insurance includes individual self-insurers and group self-insurance.

c For further details see Appendix C1.

d Federal benefits include: those paid under the Federal Employees’ Compensation Act for civilian employees; the portion of the Black Lung benefit program that is financed by employers; and a portion of benefits under the Longshore and Harbor Workers’ Compensation Act that are not reflected in state data, namely, benefits paid by self-insured employers and by special funds under the LHWCA. See Appendix H for more information about federal programs.

e Included in the Federal benefits total.

Source: National Academy of Social Insurance estimates based on data received from state agencies, the U.S. Department of Labor, A.M. Best, and the National Council on Compensation Insurance.
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<td>Rhode Island</td>
<td>37,616</td>
<td>81,154</td>
<td>118,770</td>
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<tr>
<td>South Carolina</td>
<td>441,662</td>
<td>103,832</td>
<td>545,494</td>
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<tr>
<td>South Dakota</td>
<td>63,857</td>
<td>10,383</td>
<td>74,241</td>
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<tr>
<td>Tennessee</td>
<td>637,758</td>
<td>140,914</td>
<td>778,672</td>
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<tr>
<td>Texas</td>
<td>1,303,814</td>
<td>292,037</td>
<td>1,595,851</td>
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<tr>
<td>Utah</td>
<td>51,049</td>
<td>109,995</td>
<td>161,044</td>
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<tr>
<td>Vermont</td>
<td>105,208</td>
<td>15,000</td>
<td>120,208</td>
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<tr>
<td>Virginia</td>
<td>541,701</td>
<td>171,166</td>
<td>712,867</td>
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<td>Washington</td>
<td>26,671</td>
<td>1,309,550</td>
<td>464,330</td>
<td>1,800,551</td>
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<tr>
<td>West Virginia*</td>
<td>3,274</td>
<td>702,884</td>
<td>117,142</td>
<td>823,290</td>
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<tr>
<td>Wisconsin</td>
<td>707,535</td>
<td>125,470</td>
<td>833,005</td>
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<tr>
<td>Wyoming*</td>
<td>2,169</td>
<td>112,083</td>
<td>114,252</td>
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<tr>
<td>Non-federal total</td>
<td>$28,394,722</td>
<td>$10,442,190</td>
<td>$12,717,377</td>
<td>$51,554,290</td>
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<td></td>
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<tr>
<td>Federal**</td>
<td>3,184,685</td>
<td>26.5</td>
<td>842,779</td>
<td></td>
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<tr>
<td>Federal employees</td>
<td>2,367,757</td>
<td>28.3</td>
<td>669,484</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total</td>
<td>54,738,975</td>
<td>47.0</td>
<td>25,732,849</td>
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</tbody>
</table>

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

** States with exclusive funds (Ohio, North Dakota, Washington, West Virginia, and Wyoming) may have small amounts of benefits paid in the private carrier category. This results from the fact that some employers doing business in states with exclusive state funds may need to obtain coverage from private carriers under the USL &HWCA act or employ liability coverage which the state fund is not authorized to provide. In addition, private carriers may provide excess compensation coverage in some of these states.

b Self-insurance includes individual self-insurers and group self-insurance.

c For further details see Appendix C1.

d Federal benefits include those paid under the Federal Employees’ Compensation Act for civilian employees, the portion of the Black Lung benefit program that is financed by employers, and a portion of benefits under the LHWCA that are not reflected in state data, namely, benefits paid by self-insured employers and by special funds under the LHWCA. See Appendix H for more information about federal programs.

e Included in the Federal benefits total.

Source: National Academy of Social Insurance estimates based on data received from state agencies, the U.S. Department of Labor, A.M. Best, and the National Council on Compensation Insurance.
Appendix E: Self-Insurer Benefits Estimates

This report uses a methodology that incorporates historical data to estimate self-insurance benefits in states that were not able to provide recent information. That methodology is as follows:

Step A: Calculate the share of payroll that is self-insured (in states where we can).

1) Use NASI estimates of total covered payroll for calendar year 2007. This procedure is outlined in Appendix A.

2) Obtain total payroll for workers insured by private carriers and competitive state funds for calendar years from NCCI. This information is available for a subset of states (about 37-39 states), which we call “NCCI states.”

3) For each of the NCCI states, use [1] and [2] to estimate the payroll covered by self-insurers. This is given by [1]-[2].


Step B: Calculate the share of benefits that is self-insured (in states where we can); and

5) Compile state-reported data on self insured benefits where we can.

6) Estimate total benefits in states that report self-insured benefits.

7) Calculate the share of total benefits that is self-insured in states where we can by dividing self-insured benefits by total benefits.[5] / [6].

Step C: In states where we have both shares described above, calculate the average relationship between the two shares.

8) For each state where we have a self-insured share of payroll [4] and a self-insured share of benefits [7], calculate the ratio between the two shares. This ratio is [7] / [4].

9) Determine the number of states where we have both shares. There were 27 such states in 2007.

10) Calculate the average ratio between the two shares for the 27 states. The average ratio in 2007 is 63.7 percent (Table E1). That is, on average, the share of benefits that is self insured is about 63.7 percent of the share of payroll that is self-insured in states where we have both pieces of information.

Step D: For those states where we have prior years’ data on self-insured benefits, use the latest available year’s self-insured payroll ratio to estimate the self-insured benefits for 2007.

11) The self-insurance data has been imputed using previous years’ data in 7 (out of which 6 were NCCI states and one was a non-NCCI state) states where they were available. Use the ratio of self-insured benefit ratio of the state to the total self-insured benefit ratio

\[
\frac{\text{State Self Insured Benefits}}{\text{State Total Benefits}} = \frac{\text{Total available Self Insured Benefits}}{\text{Total Benefits}}
\]

(in available years) to impute the ratio in the later years when data was not available.

Step E: Use the average relationship between the two shares to estimate the share of benefits that is self-insured in states where we lack that information but have an estimate of the share of payroll that is self insured.

12) For each of the NCCI states where we lack self-insured benefit data (39-27=12 states), multiply [4] the percentage of payroll covered by self-insurers by the average ratio in [10].

13) The ratio in [12] is used to estimate self-insured benefits in those 11 states. We get the self-insured benefits by multiplying

\[
\left(\frac{\text{Private Carrier + State Fund Benefits}}{(\text{1-Ratio in [12]})}\right)
\]
Table E1
Self-Insurer Estimation Results, 2003–2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>65.1</td>
</tr>
<tr>
<td>2004</td>
<td>65.2</td>
</tr>
<tr>
<td>2005</td>
<td>64.5</td>
</tr>
<tr>
<td>2006</td>
<td>61.9</td>
</tr>
<tr>
<td>2007</td>
<td>63.7</td>
</tr>
</tbody>
</table>

Step F: For states where we lack both ratios described in A and B (above), use the average share of total benefits that is self-insured in the rest of the states.

For 2007, 28 states reported self-insured benefits. For 12 other states, we imputed self-insured benefits using NCCI payroll data. For 7 states we used prior year’s data to estimate self-insured benefit payments in 2007. Two exclusive state fund states – North Dakota and Wyoming – do not allow self insurance. For the remaining 2 states – New Jersey and New York – we can estimate self-insured benefits based on the average of the other states where we have reported or imputed data.
Appendix F: Medical Benefit Estimates

Estimates by the National Academy of Social Insurance (NASI) of the percent of total benefits paid that were for medical care are based on reports from state agencies and from estimates provided by the National Council on Compensation Insurance (NCCI).

For 2007, we used the NCCI data for the medical share for thirty-seven states.

The National Council on Compensation Insurance (NCCI) is a private organization that assists private carriers, competitive state funds, and insurance commissioners in setting workers’ compensation rates in selected states. NCCI provided NASI estimates of the percent of private carrier benefits paid that were for medical care in thirty-seven states. For seven states we used the agency information on medical share given to NASI by the state agencies. For California, Delaware, New Jersey, New York, and Pennsylvania, we used data on calendar year paid medical benefits data provided by rating bureaus.

For two states, West Virginia and Wyoming, neither state reports nor NCCI estimates of medical benefits were available. For these states, the weighted average of the share of total benefits that were for medical care in the other forty-nine jurisdictions was used.
NASI has five methods for estimating deductible benefits and total benefits, depending on what is reported by the state.

**Method A:**
State reports deductible amounts.

Method: Use deductible amount reported by state agencies or rating bureaus.

Seven States: Arizona, Delaware, Minnesota, North Dakota, Oregon, Pennsylvania, and South Carolina.

**Method B:**
States say deductibles are included in their totals, but do not report amounts of deductibles.

Method: Estimate deductibles by subtracting Net Losses Paid as reported by A.M. Best from state report.

Twelve States: Alabama, Alaska, California, Hawaii, Michigan, Missouri, Montana, Nevada, New Jersey, New Mexico, South Dakota and Virginia.

Note: Before using A.M. Best data, state fund and private carrier data are separated out from both data reported by A.M. Best and state agencies (where necessary, i.e., where A.M. Best or the state agency classify as private carrier an entity that we classify as a state fund).

**Method C:**
Deductibles are not allowed in the state.

Method: Use state reports as totals. Deductibles equal zero.


**Method D:**
State does not report benefit amounts. Deductibles are allowed.

Method: Use Net Losses Paid as reported by A.M. Best and add estimated deductibles, based on the ratio of Manual Equivalent Premiums.


**Method E:**
State does not report benefit amounts. Deductibles are allowed. Manual Equivalent Premiums are not available.

Method: Estimate the average ratio of Manual Equivalent Premiums from those states where it is available. Use this average with the Net Losses paid as reported by A.M. Best to impute deductibles.

Three States: Massachusetts, New York and Texas.
Various federal programs compensate certain categories of workers for disabilities caused on the job and provide benefits to dependents of workers who die of work-related causes. Each program is described briefly below along with an explanation of whether and how it is included in our national totals of workers’ compensation benefits. Our aim in this report is to include in national totals for workers’ compensation those federally administered programs that are financed by employers and that are not otherwise included in workers’ compensation benefits reported by states, such as the benefits paid under the Federal Employees’ Compensation Act. Programs that cover private sector workers and are financed by federal general revenues, such as the Radiation Exposure Compensation Act, are not included in our national totals for workers’ compensation benefits and employer costs. More detail on these programs is given below.

**Federal Employees.** The Federal Employees’ Compensation Act of 1916, which superseded previous workers’ compensation laws for federal employees, provided the first comprehensive workers’ compensation program for federal civilian employees. In 2007, total benefits were $2,587 million, of which 29 percent were for medical care. The share of benefits for medical care is lower than in most state programs because federal cash benefits, particularly for higher-wage workers, replace a larger share of pre-injury wages than is the case in most state programs. Administrative costs of the program were $144 million in calendar year 2007, or 5.6 percent of total benefits (U.S. DOL, 2008a). Table H-1 reports benefits and administrative costs for federal civilian employees under the Federal Employees’ Compensation Act in 1997 through 2007. These benefits to workers and costs to the federal government as employer are included in national totals in this report, and are classified with federal programs.

**Longshore and Harbor Workers.** The Longshore and Harbor Workers’ Compensation Act (LHWCA) requires employers to provide workers’ compensation protection for longshore, harbor, and other maritime workers. The original program, enacted in 1927, covered maritime employees injured while working over navigable waters because the Supreme Court held that the Constitution prohibits states from extending coverage to such individuals. The program also covers other workers who fall outside the jurisdiction of state programs, such as employees on overseas military bases, those working overseas for private contractors of the United States, and private employees engaged in offshore drilling enterprises.

Private employers cover longshore and harbor workers by purchasing private insurance or self-insuring. In fiscal year 2007, about 540 self-insured employers and insurance companies reported a total of 33,395 lost-time injuries to the federal Office of Workers’ Compensation Programs. Total benefits paid under the Act in 2007 were $923 million, which included $457 million paid by private insurance carriers, $326 million paid by self-insured employers, $131 million paid from the federally administered special fund for second injuries and other purposes, and $10 million for the District of Columbia Workers’ Compensation Act (DCCA) Fund. Federal direct administrative costs were $12.7 million or about 1.4 percent of benefits paid (Table H2). The Academy’s data series on benefits and costs of workers’ compensation includes at least part of the benefits paid by private carriers under the LHWCA in the states where the companies operate. The benefits are not identified separately in the information provided by A.M. Best and state agencies. Benefits paid by private employers who self-insure under the Longshore and Harbor Workers’ Compensation Act are not reported by states or A.M. Best. Consequently, these benefits and employer costs are included with federal programs in this report.

Table H-2 shows benefits reported to the U.S. Department of Labor by insurers and self-insured employers under the Longshore and Harbor Workers’ Compensation Act in 1997 through 2007. Ideally, benefits and employer costs under the LHWCA would be counted in the states where the employee is located, because our estimates of covered employment and covered workers count these workers and wages in the states where they work. We believe that at least part of LHWCA benefits paid through private insurance carriers are included in state data that are reported to us by A.M. Best or the states. At the same time, self-insured employers under the LHWCA are not included in A.M. Best data and are unlikely to be included in state reports;
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Total Benefits</td>
<td>$1,900,779</td>
<td>$2,009,862</td>
<td>$1,999,915</td>
<td>$2,118,859</td>
<td>$2,223,088</td>
<td>$2,317,325</td>
<td>$2,367,757</td>
<td>$2,445,077</td>
<td>$2,462,059</td>
<td>$2,454,861</td>
<td>$2,586,700</td>
</tr>
<tr>
<td>Compensation Benefits</td>
<td>1,440,867</td>
<td>1,536,430</td>
<td>1,474,168</td>
<td>1,576,354</td>
<td>1,600,031</td>
<td>1,651,947</td>
<td>1,698,273</td>
<td>1,749,397</td>
<td>1,791,003</td>
<td>1,767,926</td>
<td>1,833,958</td>
</tr>
<tr>
<td>Medical Benefits</td>
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<td>473,432</td>
<td>525,747</td>
<td>542,505</td>
<td>623,057</td>
<td>665,378</td>
<td>669,484</td>
<td>695,680</td>
<td>671,056</td>
<td>686,935</td>
<td>752,742</td>
</tr>
<tr>
<td>% Medical</td>
<td>24</td>
<td>24</td>
<td>26</td>
<td>26</td>
<td>28</td>
<td>29</td>
<td>28</td>
<td>28</td>
<td>27</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Direct Administrative Costs</td>
<td>80,893</td>
<td>80,235</td>
<td>87,425</td>
<td>91,532</td>
<td>109,326</td>
<td>115,226</td>
<td>130,672</td>
<td>131,920</td>
<td>128,536</td>
<td>137,386</td>
<td>143,768</td>
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<tr>
<td>Total Costs</td>
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<td>2,090,097</td>
<td>2,087,340</td>
<td>2,210,391</td>
<td>2,332,414</td>
<td>2,432,551</td>
<td>2,498,429</td>
<td>2,576,997</td>
<td>2,590,595</td>
<td>2,592,247</td>
<td>2,730,468</td>
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<td>Indirect Administrative Costs</td>
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<td>5,584</td>
<td>6,197</td>
<td>5,056</td>
<td>4,596</td>
<td>4,806</td>
<td>4,587</td>
<td>5,494</td>
<td>7,619</td>
<td>6,774</td>
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</table>


Source: U.S. DOL 2008a
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<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Total Benefits</td>
<td>$617,927</td>
<td>$642,321</td>
<td>$659,800</td>
<td>$671,991</td>
<td>$689,149</td>
<td>$700,563</td>
<td>$716,218</td>
<td>$747,321</td>
<td>$795,466</td>
<td>$879,508</td>
<td>$923,045</td>
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<td>Insurance Carriers</td>
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<td>232,778</td>
<td>249,671</td>
<td>236,726</td>
<td>246,603</td>
<td>262,753</td>
<td>278,887</td>
<td>325,027</td>
<td>367,625</td>
<td>456,773</td>
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<td>Self-Insured Employers</td>
<td>263,255</td>
<td>261,559</td>
<td>283,991</td>
<td>278,952</td>
<td>307,708</td>
<td>310,940</td>
<td>309,843</td>
<td>322,520</td>
<td>325,694</td>
<td>368,744</td>
<td>325,544</td>
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<td>LHWCA Special Fund</td>
<td>123,772</td>
<td>129,777</td>
<td>131,152</td>
<td>131,564</td>
<td>133,374</td>
<td>131,684</td>
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<td>135,073</td>
<td>134,230</td>
<td>132,933</td>
<td>130,673</td>
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<td>DCCA Special Fund</td>
<td>11,548</td>
<td>12,521</td>
<td>11,879</td>
<td>11,804</td>
<td>11,341</td>
<td>11,336</td>
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<td>10,841</td>
<td>10,515</td>
<td>10,206</td>
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<td>DBA benefits</td>
<td>6,108</td>
<td>7,691</td>
<td>5,452</td>
<td>8,583</td>
<td>9,411</td>
<td>7,582</td>
<td>11,338</td>
<td>30,079</td>
<td>59,797</td>
<td>115,758</td>
<td>170,231</td>
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<td>Number of DBA Death Claims</td>
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<td>3</td>
<td>3</td>
<td>5</td>
<td>7</td>
<td>56</td>
<td>231</td>
<td>284</td>
<td>338</td>
<td>426</td>
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<td>Total Annual Assessments</td>
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<td>122,000</td>
<td>141,300</td>
<td>145,700</td>
<td>145,000</td>
<td>136,000</td>
<td>135,800</td>
<td>148,500</td>
<td>146,500</td>
<td>135,500</td>
<td>135,000</td>
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<tr>
<td>LHWCA</td>
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<td>111,000</td>
<td>130,000</td>
<td>133,000</td>
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<td>125,000</td>
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<td>137,000</td>
<td>135,000</td>
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<tr>
<td>DCCA</td>
<td>11,300</td>
<td>11,000</td>
<td>11,300</td>
<td>12,700</td>
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<td>11,000</td>
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<td>11,500</td>
<td>11,500</td>
<td>10,500</td>
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<td>Administrative Expensesb</td>
<td>9,356</td>
<td>9,821</td>
<td>10,822</td>
<td>11,144</td>
<td>11,713</td>
<td>11,970</td>
<td>12,314</td>
<td>12,514</td>
<td>12,563</td>
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<td>12,725</td>
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<td>General Revenue</td>
<td>8,378</td>
<td>8,596</td>
<td>8,947</td>
<td>9,373</td>
<td>9,807</td>
<td>9,988</td>
<td>10,297</td>
<td>10,495</td>
<td>10,547</td>
<td>10,672</td>
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<td>Trust Fund</td>
<td>978</td>
<td>1,225</td>
<td>1,875</td>
<td>1,771</td>
<td>1,906</td>
<td>1,982</td>
<td>2,017</td>
<td>2,019</td>
<td>2,016</td>
<td>2,028</td>
<td>2,026</td>
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<td>Indirect Administrative Costsc</td>
<td>1,799</td>
<td>2,107</td>
<td>2,247</td>
<td>1,787</td>
<td>2,207</td>
<td>2,514</td>
<td>2,347</td>
<td>2,396</td>
<td>2,019</td>
<td>2,115</td>
<td>2,437</td>
</tr>
</tbody>
</table>

a Included in Total Benefits. Defense Base Act benefits are paid for injuries or deaths of employees working overseas for companies under contract with the U.S. government.

b Longshore program administrative funding is divided between two sources. Industry oversight and claims activities are funded from general tax revenues. The program also exercises fiduciary responsibility for a Special Fund, which draws its revenue primarily from annual industry assessments based on anticipated benefit liabilities. This Fund makes direct benefit payments for certain categories of claims and provides funding for the program’s rehabilitation staff and Special Fund oversight activities.


Source: U.S. DOL 2008a
benefits paid from the LHWCA special funds are not included in state data. Thus, for 1997–2007 data, our estimates of total federal benefits include benefits paid by self-insured employers and the special funds under the LHWCA. Unless otherwise specified, we assume that privately insured benefits under the program are included in state reports. Whether and how LHWCA benefits can be reflected in state reports is a subject for analysis.

Total benefits under the Longshore and Harbor Workers’ Compensation Act include benefits paid under the Defense Base Act (DBA). Under the DBA, benefits are paid for injuries or deaths of employees (of any nationality) working overseas for companies under contract with the United States government. These benefits are also shown separately in Table H2. Total payments rose from about $8 million in 2002 to $170 million in 2007. The number of DBA death claims per year rose from single digits prior to 2003, to 426 in 2007. The increase reflects, in large part, claims and deaths of employees of companies working under contract for the U.S. government in the war zones in Iraq and Afghanistan.

Coal Miners with Black Lung Disease. The Black Lung Benefits Act, enacted in 1969, provides compensation for coal miners with pneumoconiosis, or black lung disease, and their survivors. The program has two parts. Part B is financed by federal general revenues, and was administered by the Social Security Administration until 1997 when administration shifted to the U.S. Department of Labor. Part C is paid through the Black Lung Disability Trust Fund, which is financed by coal-mine operators through a federal excise tax on coal that is mined and sold in the United States. In this report, only the Part C benefits that are financed by employers are included in national totals of workers’ compensation benefits and employer costs in 1997–2007. Total benefits in 2007 were $564 million, of which $277 million was paid under Part B and $287 million was paid under Part C. Part C benefits include $39 million for medical care.

Medical benefits are available only to Part C beneficiaries and only for diagnosis and treatment of black lung disease. Medical benefits are a small share of black lung benefits because many of the recipients of benefits are deceased coal miners’ dependents, whose medical care is not covered by the program. Federal direct administrative costs were $39 million or about 6.9 percent of benefit payments.

Table H-3 shows benefits under the Black Lung Benefit program in 1997 through 2007 for both parts of the program. Its benefits are paid directly by the responsible mine operator or insurer, from the federal Black Lung Disability Trust Fund, or from federal general revenue funds. No data are available on the experience of employers who self-insure under the Black Lung program. Any such benefits and costs are not reflected in Table H-3 and are not included in national estimates.

Energy Employees. The Energy Employees Occupational Illness Compensation Program Act (EEOICPA) provides lump-sum payments up to $150,000 to civilian workers (and/or their survivors) who became ill as a result of exposure to radiation, beryllium, or silica in the production or testing of nuclear weapons. This is Part B of the program, which went into effect in July 2001. It provides smaller lump-sum payments to individuals previously found eligible for an award under the Radiation Exposure Compensation Act. Medical benefits are awarded for the treatment of covered conditions. Total benefits in 2007 were $562 million, of which $490 million were paid as compensation benefits (U.S. DOL, 2008a). The EEOICPA originally included a Part D program that required the Department of Energy (DOE) to establish a system for contractor employees and eligible survivors to seek DOE assistance in obtaining state workers’ compensation benefits for work-related exposure to toxic substances at a DOE facility. In October 2004 Congress abolished Part D, creating a new Part E program to be administered by the Department of Labor. Part E provides benefit payments up to $250,000 for DOE contractor employees, eligible survivors of such employees, and uranium miners, millers, and ore transporters. Wage-loss, medical, and survivor benefits are also provided under certain conditions. Total Part E benefits in 2007 were $409 million. Benefits under both Part B and Part E are financed by general revenues and are not included in our national totals. Table H-4 provides information on both Part B and Part E of the EEOICPA, as amended.

Workers Exposed to Radiation. The Radiation Exposure Compensation Act of 1990 provides lump-
## Table H3

(in thousands)

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<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Benefits</td>
<td>$1,095,585</td>
<td>$1,000,383</td>
<td>$982,787</td>
<td>$927,973</td>
<td>$866,069</td>
<td>$821,625</td>
<td>$769,137</td>
<td>$714,045</td>
<td>$664,295</td>
<td>$610,570</td>
<td>$563,513</td>
</tr>
<tr>
<td>Part C Compensation</td>
<td>388,656</td>
<td>373,707</td>
<td>360,470</td>
<td>346,903</td>
<td>332,620</td>
<td>316,585</td>
<td>303,724</td>
<td>289,699</td>
<td>276,413</td>
<td>262,026</td>
<td>248,375</td>
</tr>
<tr>
<td>Part C Medical Benefits</td>
<td>92,041</td>
<td>80,450</td>
<td>74,776</td>
<td>69,322</td>
<td>61,136</td>
<td>65,756</td>
<td>59,739</td>
<td>52,992</td>
<td>49,244</td>
<td>41,552</td>
<td>38,545</td>
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<tr>
<td>Part B Compensation</td>
<td>614,888</td>
<td>546,226</td>
<td>547,541</td>
<td>511,748</td>
<td>472,313</td>
<td>439,284</td>
<td>405,764</td>
<td>371,354</td>
<td>338,638</td>
<td>306,992</td>
<td>276,593</td>
</tr>
<tr>
<td>Total Direct Administrative Costs</td>
<td>25,759</td>
<td>31,030</td>
<td>33,246</td>
<td>32,866</td>
<td>34,657</td>
<td>36,123</td>
<td>37,393</td>
<td>38,062</td>
<td>37,930</td>
<td>38,463</td>
<td>38,709</td>
</tr>
<tr>
<td>Part C (DOL)</td>
<td>25,759</td>
<td>26,698</td>
<td>29,023</td>
<td>28,591</td>
<td>29,897</td>
<td>31,488</td>
<td>31,991</td>
<td>32,157</td>
<td>32,724</td>
<td>33,182</td>
<td>33,374</td>
</tr>
<tr>
<td>Part B (SSA)</td>
<td>*</td>
<td>4,332</td>
<td>4,223</td>
<td>4,275</td>
<td>4,760</td>
<td>4,635</td>
<td>5,402</td>
<td>5,905</td>
<td>5,206</td>
<td>5,281</td>
<td>5,335</td>
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<tr>
<td>Trust Fund Advances from U.S. Treasury</td>
<td>370,000</td>
<td>360,000</td>
<td>402,000</td>
<td>490,000</td>
<td>505,000</td>
<td>465,000</td>
<td>525,000</td>
<td>497,000</td>
<td>446,000</td>
<td>445,000</td>
<td>426,000</td>
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<tr>
<td>Interest Payments on Past Advances</td>
<td>470,635</td>
<td>494,726</td>
<td>515,016</td>
<td>541,117</td>
<td>567,814</td>
<td>595,589</td>
<td>620,582</td>
<td>650,579</td>
<td>674,894</td>
<td>694,964</td>
<td>717,214</td>
</tr>
<tr>
<td>Coal Tax Revenues Received by the Black Lung Trust Fund</td>
<td>635,342</td>
<td>634,270</td>
<td>569,704</td>
<td>512,799</td>
<td>511,520</td>
<td>588,000</td>
<td>480,080</td>
<td>577,575</td>
<td>620,420</td>
<td>598,520</td>
<td>650,432</td>
</tr>
</tbody>
</table>

* Information not available

a Total Trust Fund debt (cumulative advances) at the end of CY 2007 was $10,057,557,000. In the recent past, most, if not all, of these advances were necessary to pay interest charges on past debt.

b Includes legal and investigative support from the Office of the Solicitor and the Office of the Inspector General, services provided by the Department of the Treasury, and costs for the Office of Administrative Law Judges (OALJ) and the Benefits Review Board (BRB). (Note: OALJ and BRB costs are not included for any other program, but cannot be separately identified for Coal Mine Workers’ Compensation).

sum compensation payments to individuals who contracted certain cancers and other serious diseases as a result of exposure to radiation released during above ground nuclear weapons tests or during employment in underground uranium mines. The lump-sum payments are specified in law and range from $50,000 to $100,000. From the beginning of the program through March 2009, 20,750 claims were paid for a total of $1,389 million, or roughly $66,940 a claim (U.S. DOJ, 2009). The program is financed with federal general revenues and is not included in national totals in this report. Table H-5 shows cumulative payments under the Radiation Exposure Compensation Act since its enactment in 1990.

Veterans of Military Service. U.S. military personnel are covered by the federal veterans’ compensation program of the Department of Veterans Affairs, which provides cash benefits to veterans who sustained total or partial disabilities while on active duty. In the fiscal year 2007, 2.8 million veterans were receiving monthly compensation payments for service-connected disabilities. Of these, 55 percent of the veterans had a disability rating of 30 percent or less, while the others had higher-rated disabilities. Total monthly payments for the disabled veterans and their dependents were $2.3 billion in 2007, or about $28.0 billion on an annual basis (U.S. Department of Veterans Affairs, 2007). Veterans’ compensation is not included in our national estimates of workers’ compensation.

### Table H4

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Benefits Part B</strong></td>
<td>$67,341</td>
<td>369,173</td>
<td>303,981</td>
<td>275,727</td>
<td>392,503</td>
<td>502,636</td>
<td>561,824</td>
</tr>
<tr>
<td>Medical Benefitsa</td>
<td>11</td>
<td>5,502</td>
<td>15,707</td>
<td>25,604</td>
<td>33,752</td>
<td>42,142</td>
<td>71,735</td>
</tr>
<tr>
<td><strong>Direct Administrative Costsb</strong></td>
<td>30,189</td>
<td>69,020</td>
<td>65,941</td>
<td>94,158</td>
<td>106,818</td>
<td>104,872</td>
<td>107,417</td>
</tr>
<tr>
<td><strong>Total Benefits Part Ec</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>268,635</td>
<td>270,598</td>
<td>409,100</td>
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<tr>
<td>Compensation Benefits</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>268,586</td>
<td>269,558</td>
<td>407,277</td>
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<tr>
<td>Medical Benefitsd</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>49</td>
<td>1,040</td>
<td>1,823</td>
</tr>
<tr>
<td><strong>Direct Administrative Costsb</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>39,295</td>
<td>55,088</td>
<td>61,671</td>
</tr>
</tbody>
</table>

a Medical payments made for claimants eligible under Part B only and claimants eligible under both Part B and Part E.
b Part B costs for 2002-07 include funding for the Department of Health and Human Services/National Institute for Occupational Safety and Health’s conduct of dose reconstructions and Special Exposure Cohort determinations. For 2002, these costs were $32.7 million; 2003, $26.8 million; 2004, $51.7 million; 2005, $50.5 million; 2006, $58.6 million; and 2007, $55.0 million. Part E costs for 2005-07 include funding for an Ombudsman position. For 2005, these costs were $0.3 million; 2006, $0.6 million; and 2007, $0.8 million.
c The Energy Part E benefit program was established in October 2004.
d Medical payments made for claimants eligible under Part E only.

Table H-6 provides information on the Veterans’ Compensation program. This program is somewhat similar to workers’ compensation in that it is financed by the employer (the federal government) and compensates for injuries or illness caused on the job (the armed forces). It is different from other workers’ compensation programs in many respects. With cash benefits of about $28.0 billion in 2007, veterans’ compensation is about 98.9 percent of the size of total cash benefits in other workers’ compensation programs, which were $28.3 billion in 2007. Because it is large and qualitatively different from other programs, veterans’ compensation benefits are not included in national totals to measure trends in regular workers’ compensation programs.

<table>
<thead>
<tr>
<th>Claim Type</th>
<th>Claims</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downwinder</td>
<td>12,971</td>
<td>648,520</td>
</tr>
<tr>
<td>Onsite Participant</td>
<td>1,288</td>
<td>92,106</td>
</tr>
<tr>
<td>Uranium Miner</td>
<td>5,024</td>
<td>501,675</td>
</tr>
<tr>
<td>Uranium Miller</td>
<td>1,216</td>
<td>121,600</td>
</tr>
<tr>
<td>Ore transporter</td>
<td>251</td>
<td>25,100</td>
</tr>
<tr>
<td>TOTAL</td>
<td>20,750</td>
<td>$1,389,001</td>
</tr>
</tbody>
</table>

Source: U.S. DOJ 2009

Table H5

Radiation Exposure Compensation Act, Benefits Paid as of March 18, 2009
(benefits in thousands)

<table>
<thead>
<tr>
<th>Claim Type</th>
<th>Claims</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downwinder</td>
<td>12,971</td>
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<td>1,216</td>
<td>121,600</td>
</tr>
<tr>
<td>Ore transporter</td>
<td>251</td>
<td>25,100</td>
</tr>
<tr>
<td>TOTAL</td>
<td>20,750</td>
<td>$1,389,001</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Veterans Affairs 2007

Finally, federal laws specify employee benefits for railroad workers involved in interstate commerce and merchant seamen. The benefits are not workers’ compensation benefits and are not included in our national totals. Instead, these programs provide health insurance and short-term and long-term cash benefits for ill or injured workers whether or not their conditions are work-related. Under federal laws, these workers also retain the right to bring tort suits against their employers for negligence in the case of work-related injuries or illness (Williams and Barth, 1973).

This report includes in national totals for workers’ compensation those federal programs that are financed by employers and that are not otherwise included in workers’ compensation benefits reported by states in 1997 through 2007. The accompanying tables provide detailed information on federally administered programs, including some that are not included in national totals in this report.
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