

PRESS RELEASE

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CONTACT: Jill Braunstein

(202) 452-8097 or jillbraun@nasi.org

DROP IN CALIFORNIA SPENDING LOWERS U.S. WORKERS' COMPENSATION BENEFITS AND COSTS

WASHINGTON, DC—U.S. workers' compensation payments for medical care and cash benefits for workers disabled by workplace injuries or diseases declined in 2005, according to a [study](#) released today by the National Academy of Social Insurance (NASI). The drop in payments in 2005 (the most recent year with data) reflects large declines in California payments, as reforms enacted in 2003 and 2004 took effect.

Nationally, workers' compensation payments for injured workers fell by 1.4 percent to \$55.3 billion in 2005. The payments include \$26.2 billion to providers of medical care and \$29.1 billion in cash wage replacement benefits for injured workers.

California payments fell by 12.2 percent; a change made up of a 16.0 percent decline in medical payments and an 8.6 percent decline in cash payments. "The reduced spending for benefits and medical care reflects the initial stages of cost containment measures that were put in place in 2003 and 2004 reforms to the California system," according to NASI member Christine Baker, who directs the California Commission on Health and Safety and Workers' Compensation, a nonpartisan labor-management group that advises state policymakers.

Because it is a large state – accounting for nearly 20 percent of national benefit payments in 2005 – California altered national trends. Outside California, total workers' compensation payments rose by 1.7 percent, an increase driven by a 4.1 percent increase in payments to medical providers. Cash payments to injured workers outside California showed a small decline (0.3 percent).

The costs to employers for workers' compensation are what they pay each year. For employers who buy insurance, costs are premiums they pay to insurance companies plus benefits they pay under deductible arrangements in their insurance policies. For employers who insure their own workers, costs are the benefits they pay plus administrative costs. In 2005, employers paid a total of \$88.8 billion nationwide for workers' compensation. A sharp drop in California employers' costs (of 9.8 percent) held down the national increase in employer costs to 2.3 percent. Outside California, employer costs for workers' compensation rose by 6.5 percent.

Workers' Compensation Spending, 2005

Type of spending	Billions of dollars	Percent change
United States		
Total benefits paid	\$55.3	-1.4
Medical payments	26.2	-0.5
Cash benefits	29.1	-2.1
Employer costs	88.8	2.3
California		
Total benefits paid	\$10.9	-12.2
Medical payments	5.1	-16.0
Cash benefits	5.8	-8.6
Employer costs	20.4	-9.8
United States outside California		
Total benefits paid	\$44.4	1.7
Medical payments	21.1	4.1
Cash benefits	23.3	-0.3
Employer costs	68.4	6.5
Source: National Academy of Social Insurance, 2007.		

The [new report](#) tracks trends since 1989 in workers' compensation benefits and employer costs relative to total wages of workers covered by the program. Relative to wages, cash benefits in 2005 were the lowest in 17 years (\$0.56 per \$100 of wages).

Nationally, total benefits (cash plus medical) and employer costs fell relative to wages in 2005. Cash and medical benefits combined were \$1.06 per \$100 of covered wages in 2005, a drop of \$0.07 from 2004, while employer costs were \$1.70 per \$100 of wages in 2005, down \$0.05 from 2004.

Outside California, benefits per \$100 of wages fell by a smaller amount (\$0.03) and employer costs per \$100 of wages rose slightly (by \$0.02). According to John F. Burton, Jr., chair of the panel that oversees the study, "The relative stability of benefits outside the Golden State reflects a rough balance between the declining frequency of workplace injuries and higher expenditures for medical benefits."

The new report, [Workers' Compensation: Benefits, Coverage and Costs, 2005](#), is the tenth in a NASI series that provides the only comprehensive national data that covers all types of employers. The study provides estimates of workers' compensation cash and medical payments for each state, the District of Columbia, and federal programs.

NOTE TO REPORTERS AND EDITORS: The full report is available from the Academy's website at www.nasi.org. For a copy of the *printed* report, media can contact Jill Braunstein at (202) 452-8097 or by e-mail at jillbraun@nasi.org. All others should contact Ishita Sengupta at isengupta@nasi.org.

NATIONAL EXPERTS TO CONTACT:

Ishita Sengupta
National Academy of Social
Insurance
(202) 452-8097
isengupta@nasi.org

John F. Burton, Jr.
Study Panel Chair
Rutgers University
(732) 274-0600
JFBurtonJR@aol.com

Virginia Reno
National Academy of Social
Insurance
(202) 452-8097
vreno@nasi.org

CALIFORNIA EXPERTS TO CONTACT:

Christine Baker
California Commission on
Health and Safety and
Workers' Compensation
(510) 622-3964
cbaker@dir.ca.gov

Frank Neuhauser
University of California
Berkeley
(510) 643-0667
frankn@berkeley.edu

Tom Rankin
(labor view)
Worksafe
(510) 499-8284
trankin@worksafe-cosh.org

Scott Hauge
(business view)
Small Business California
(415) 680-2188
shauge@cal-insure.com

The National Academy of Social Insurance (NASI) is a nonprofit, nonpartisan organization made up of the nation's leading experts on social insurance. Its mission is to promote understanding and informed policymaking on social insurance and related programs through research, public education, training, and the open exchange of ideas.

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