

PRESS RELEASE

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DROP IN CALIFORNIA'S WORKERS' COMPENSATION SPENDING SLOWS GROWTH IN NATIONAL SPENDING IN 2007

WASHINGTON, DC—U.S. workers' compensation payments for medical care and cash benefits for workers injured on the job increased 2.0 percent to \$55.4 billion in 2007, according to a [study released today](#) by the National Academy of Social Insurance (NASI). The modest growth in national spending in 2007 (the most recent year with complete data) reflects large declines in California cash benefit payments that followed reforms enacted in 2003 and 2004.

A 10 percent decline in California's cash payments to injured workers in 2007 followed declines in 2006 and 2005, as well. "The reduced spending for cash benefits reflects the continuing effects of cost containment reforms that were put in place in 2003 and 2004," said 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. For more on the California reforms see NASI Brief, [Workers' Compensation in California and in the Nation: Benefit and Employer Cost Trends, 1989-2005](#).

Nationally, workers' compensation payments of \$55.4 billion in 2007 include \$27.2 billion for medical care (an increase of 3.3 percent over the prior year) and \$28.3 billion in wage replacement benefits for injured workers (an increase of 0.8 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 2007, employers paid a total of \$85.0 billion nationwide for workers' compensation. A sharp drop in California employers' costs (of 14.3 percent) led to a small drop for the nation (2.7 percent). Outside California, employer costs for workers' compensation were almost unchanged, (up 0.1 percent).

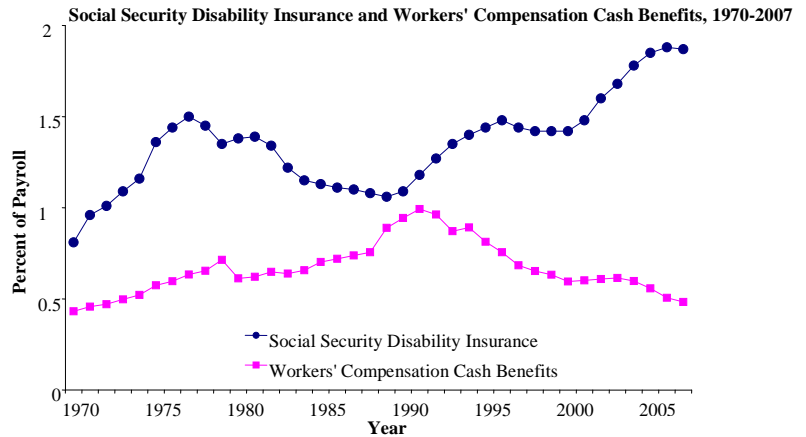
The [new report](#) compares trends in workers' compensation cash benefits and Social Security disability insurance benefits, each as a share of payrolls covered by each program. Trends in the two programs have moved in opposite directions since 1980. When workers' compensation cash payments rose in the 1980s, Social Security disability benefits declined as a share of payroll. After 1990, workers'

Workers' Compensation Spending, 2007

Type of spending	Billions of dollars	Percent change
United States		
Total benefits paid	\$55.4	2.0
Medical payments	27.2	3.3
Cash benefits	28.3	0.8
Employer costs	85.0	-2.7
California		
Total benefits paid	\$9.9	-2.2
Medical payments	5.4	5.4
Cash benefits	4.5	-10.0
Employer costs	14.6	-14.3
United States outside California		
Total benefits paid	\$45.5	3.0
Medical payments	21.8	2.8
Cash benefits	23.7	3.2
Employer costs	70.4	0.1

Source: National Academy of Social Insurance, 2009.

compensation cash payments declined and Social Security disability insurance payments rose as a share of payroll. According to John F. Burton, Jr., chair of the panel that oversees the study, “The different trends suggest that retrenchment in one program may cause injured workers to turn to the other program for benefits to replace their lost wages.” NASI is sponsoring [a policy research seminar on November 18, 2009](#) to look further into how developments in workers’ compensation affect Social Security disability insurance.



The new report, [Workers’ Compensation: Benefits, Coverage and Costs, 2007](#), is the twelfth in the NASI series that provides the only comprehensive national data on 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 NASI’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.

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

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