

# PRESS RELEASE

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## DROP IN CALIFORNIA'S CASH SPENDING LOWERS U.S. WORKERS' COMPENSATION BENEFIT SPENDING IN 2006

WASHINGTON, DC—U.S. workers' compensation payments for medical care and cash benefits for workers disabled by workplace injuries or diseases declined in 2006, according to a [study released today](#) by the National Academy of Social Insurance (NASI). The drop in payments in 2006 (the most recent year with complete data) reflects large declines in California payments for workers' compensation cash benefits as reforms enacted in 2003 and 2004 took effect.

Nationally, workers' compensation payments for injured workers fell by 1.5 percent to \$54.7 billion in 2006. The payments include \$26.5 billion to providers of medical care and \$28.2 billion in cash wage replacement benefits for injured workers.

California payments fell by 7.2 percent; due mainly to a 13.4 percent drop in payments for cash benefits. California medical spending changed little in 2006, after recording a 16.0 percent drop in 2005. "The reduced spending for cash benefits in 2006 and for both medical care and cash benefits in 2005 reflect the cost containment measures that were put in place in 2003 and 2004 reforms to the California workers' compensation 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. For more on the California reforms see NASI Brief, [Workers' Compensation in California and in the Nation: Benefit and Employer Cost Trends, 1989-2005](#).

Because it is a large state – accounting for 18.6 percent of national benefit payments in 2006 –California altered national trends. Outside California, total workers' compensation payments were almost unchanged in 2006 (\$44.5) compared to the prior year (\$44.6).

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 2006, employers paid a total of \$87.6 billion nationwide

### Workers' Compensation Spending, 2006

Type of spending	Billions of dollars	Percent change
<b>United States</b>		
Total benefits paid	\$54.7	-1.5
Medical payments	26.5	0.7
Cash benefits	28.2	-3.5
Employer costs	87.6	-1.5
<b>California</b>		
Total benefits paid	\$10.1	-7.2
Medical payments	5.1	-0.1
Cash benefits	5.0	-13.4
Employer costs	17.0	-16.6
<b>United States outside California</b>		
Total benefits paid	\$44.5	-0.1
Medical payments	21.4	1.0
Cash benefits	23.2	-1.0
Employer costs	70.5	3.0

*Source: National Academy of Social Insurance, 2008.*

for workers' compensation. A sharp drop in California employers' costs (of 16.6 percent) led to a small drop for the nation (1.5 percent). Outside California, employer costs for workers' compensation rose by 3.0 percent.

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, total payments for cash and medical care were the lowest in 18 years (\$0.99 per \$100 of wages). Employer costs also declined relative to wages in 2006 -- to \$1.58 per 100 of covered wages.

Strong wage growth in 2006 helped account for the decline in benefits and costs as a share of wages. Covered wage growth was 6.3 percent in 2006, the highest since 2000.

The [new report](#) compares the trend 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' compensation cash payments to workers 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 difference in the trends in workers' compensation and Social Security disability insurance payments suggest that retrenchment in one program may cause injured workers to turn to the other program for benefits to replace their lost wages.

The new report, [Workers' Compensation: Benefits, Coverage and Costs, 2006](#), is the eleventh in a NASI series that provides the only comprehensive national data covering 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](http://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](mailto:jillbraun@nasi.org). All others should contact Ishita Sengupta at [isengupta@nasi.org](mailto:isengupta@nasi.org).

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