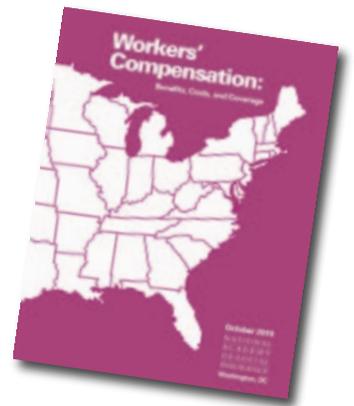


Workers' Compensation: Benefits, Costs, and Coverage (2017 Data) **Executive Summary**

Workers' compensation insures millions of workers and their families against the risks associated with lost wages and medical costs in the event of injury on the job, work-related illness and, in extreme cases, the death of a worker. It is the only social insurance (SI) system run almost entirely by states, with no federal guidelines.

Despite being a core component of the U.S. social insurance system, workers' compensation often receives less attention than other SI programs, like Social Security and Medicare, in part because it has no federal aspect.¹ To fill part of this gap, the National Academy of Social Insurance produces an annual report on state and federal workers' compensation program benefits, costs, and coverage. *This latest report provides new data for 2017, with comparison data for the five-year period from 2013 to 2017.*



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History

Workers' compensation is the oldest social insurance program in the U.S. The first states to pass workers' compensation laws did so in the 1910s. At that time, the many workers who were injured on the job, often badly, rarely received any compensation. Suing employers was costly, and employers could invoke legal defenses that defeated workers' arguments in the majority of cases. Meanwhile, employers faced uncertainty and potentially heavy liability, because it was very difficult to predict when employees would win such suits and how much they would be awarded. The laws that were passed in response to this situation are sometimes referred to as the "Grand Bargain" due to the combination of benefits for and compromises made by each of these parties.

State workers' compensation systems guarantee compensation for lost wages and medical care for injured or ill workers, regardless of negligence. Because they are the sole avenue of redress for those workplace accidents, they also shield employers from excessive liability. Workers who are covered cannot sue, nor can they recover for pain and suffering or other costs beyond wages and medical care. Employers whose workers are covered are required to purchase workers' compensation insurance from private providers or state funds.² All states but North Dakota and Wyoming allow larger employers to self-insure. Workers' compensation laws, which initially covered only more serious injuries in specific occupations, have evolved over the past century to cover the vast majority of workers and work-related injuries and illnesses.

Highlights

- **Workers' compensation covered employment and wages increased in almost every state between 2013 and 2017, albeit at a slower rate than in the past few years.**
 - The number of U.S. workers covered by Workers' Compensation continues to grow, with that growth slowing slightly from 4.2 percent between 2013 and 2015 to 3.2 percent between 2015 and 2017. A similar trend is seen with respect to covered wages, which grew by 10.7 percent 2013-2015, and then by 8.0 percent in the two subsequent years.

1 There are also federal workers' compensation programs that cover workers in specific high-risk occupations, like a Black Lung fund for critically ill former miners.

2 State funds that offer insurance to private employers exist in twenty states.

- Covered jobs increased in all jurisdictions except Alaska, North Dakota, West Virginia, and Wyoming. (The volatile nature of the oil, gas, and coal industries may explain why those four fossil-fuel heavy states were the only ones to experience such a decline.) The largest percentage increase in covered jobs (14.4%) occurred in Nevada.
- Covered wages increased in all jurisdictions except Wyoming. The largest percentage increase occurred in Washington (30.5%). Six other states saw increases of at least 25%.

■ **Benefits paid to injured workers and their health care providers continued to decline in almost all states.**

- While we also report the absolute dollar amount of total benefits paid (and employer costs accrued), the more meaningful metric is that of benefits/costs per \$100 of covered wages.
- In 2017, workers' compensation total benefits paid were \$62.0 billion, a decrease of 2.2 percent from 2013. Adjusted for the increase in coverage, however, total benefits were \$0.80 per \$100 of covered wages in 2017, a decrease of \$0.18 since 2013. This reflects a decline in medical benefits of 19.6 percent, and of cash benefits of 16.9 percent.
- Benefits per \$100 of covered wages decreased in all jurisdictions except Missouri and Hawaii, where they increased by \$0.09 and \$0.04, respectively. Much of the increase in Missouri may be attributable to the payment of a backlog of disability claims that the state had been unable to pay for several years, due to 2005 changes in the state's workers' compensation law that led to the severe depletion of the relevant fund. (The law was partially reversed in 2013, and the fund has begun to build up again.)
- The largest percent decrease occurred in Tennessee, where standardized benefits declined by 38.2 percent between 2013 and 2017. Legal changes the state put in place starting in 2014 that limit both eligibility for benefits and the types of medical treatment available help explain the sharp declines in both cash and medical benefits in recent years.

■ **Employer costs increased in total, but decreased as a percentage of covered wages in almost every state.**

- In 2017, employers' costs for workers' compensation were \$97.2 billion, a 9.1 percent increase since 2013. Adjusting for the increase in covered wages, however, employers' costs were \$1.25 per \$100 of covered wages, down \$0.12 (8.8%) from 2013.
- Costs per \$100 of covered wages, or standardized costs, decreased in all but five jurisdictions, with the largest percent decrease (38.3 percent) in Oklahoma. Among those with increases, the largest were in Hawaii and Missouri (up 7.3 percent and 5.6 percent, respectively), the same two states that experienced increases in worker benefits.

■ **Declines in standardized benefits and costs are substantial:**

Although both declines (a \$0.18 decline in benefits and a \$0.12 decline in costs) may seem small, the former represents a decline of nearly 20% in standardized benefits over five years, and the latter an 8.8 percent decline in standardized costs.

Moreover, as the full report documents, these trends represent the continuation of longer-term declines in employer costs and worker benefits. While coverage has increased fairly steadily over the past two decades, employer costs have fallen from just over \$1.50 per \$100 of covered wages in 1997 to \$1.25 in 2017. Worker benefits decreased even more, from \$1.17 twenty years ago to \$0.80 per \$100 of covered wages.

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