

WORKERS' COMPENSATION POLICY REVIEW

Vol 5 Issue 5

September/October 2005

In This Issue:

FEATURED TOPICS

Summary of the Contents	1
The Workers' Compensation Policy Review Guide: A Catalogue of Data and Information Services.....	3
Workers' Compensation Benefits and Costs in 2003.....	15
Summary of an Important Publication: Ten Years' Experience Utilizing an Integrated Workers' Compensation Management System to Control Workers' Compensation Costs.....	24

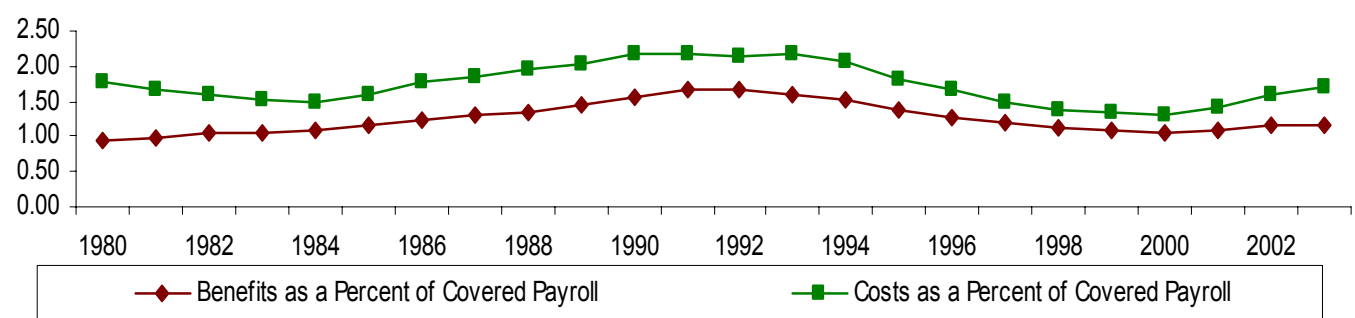
Summary of the Contents

Information and data on workers' compensation programs in the U.S. and Canada are found in a bewildering array of sources, in part due to the large role of sub-national governments (i.e., states and provinces) in both countries. The first article by John Burton catalogues sources of national and multi-jurisdictional information for twelve topics ranging from coverage to statutes. Much of this data is included in the *Workers' Compensation Compendium 2005-06*, described elsewhere in this issue.

The National Academy of Social Insurance (NASI) provides the most comprehensive U.S. workers' compensation data. John Burton analyzes some of NASI's latest national data in the second article. As indicated in Figure A, both benefits paid to workers and costs for employers as a percent of payroll increased between 2000 and 2003 (the latest year with data). Yet it is not clear whether this trend will continue after 2003 because of several conflicting factors that occurred in 2004, including substantial statutory benefit cuts and the re-escalation of employer expenditures for group health insurance.

A publication by Edward J. Bernack and Shan P. Tsai is summarized. They describe an integrated workers' compensation claims management system used for Johns Hopkins University and related entities. The system involved a wide range of medical professionals and professionals from other disciplines. The system was non-adversarial and emphasized goals such as prevention and return to work. The results after ten years include significant reductions in the frequency of workplace injuries and in the cost of workers' compensation benefits.

Figure A
Workers' Compensation Benefits and Employers' Costs as a Percent of Covered Payroll, 1980-2003



Advisory Board Members

(Membership on the Advisory Board does not constitute an endorsement of the contents of the *Workers' Compensation Policy Review*.)

David Appel, Director - Economics Consulting, Milliman, Inc.

Robert M. Aurbach, Chief Executive Officer, Uncommon Approach, Inc.

Christine Baker, Executive Officer, Commission on Health and Safety and Workers' Compensation, State of California

Peter S. Barth, Professor of Economics, Emeritus, University of Connecticut

Keith T. Bateman, Vice President of Workers' Compensation, Property Casualty Insurers Association of America

Monroe Berkowitz, Professor of Economics, Emeritus, Rutgers University

Richard J. Butler, Professor of Economics, Brigham Young University

Alan Clayton, Principal, Bracton Consulting Services PTY LTD, Croydon Hills, Victoria, Australia

Ann Clayton, Ann Clayton and Associates, Lexington, Massachusetts

Robert Collyer, Executive Director, International Workers' Compensation Foundation, Inc.

Donald T. DeCarlo, Attorney, Lake Success, NY

Allard Dembe, Associate Professor, University of Massachusetts Medical School

Donald Elisburg, Attorney, Potomac, MD; former Assistant Secretary of Labor for Employment Standards

James N. Ellenberger, Deputy Commissioner, Virginia Employment Commission

Thomas W. Gleason, Sr., President/CEO, Risk Recovery, Inc.; former President IAIABC

Nortin M. Hadler, M.D., Professor of Medicine and Microbiology/Immunology, University of North Carolina

Hiroko Hayashi, Professor of Law, Fukuoka University, Japan, and Attorney at Law

Jay S. Himmelstein, M.D., Director, Center for Health Policy and Health Services Research, Umass Medical School—Shrewsbury Campus

Larry Holt, Executive Director, National Council of Self-Insurers

Denis Hughes, President, New York State AFL-CIO

H. Allan Hunt, Assistant Executive Director, W.E. Upjohn Institute for Employment Research

William G. Johnson, Professor of Economics, Arizona State University

Gregory Krohm, Executive Director, International Association of Industrial Accident Boards and Commissions (IAIABC)

Alan B. Krueger, Professor of Economics and Public Affairs, Princeton University

Lex K. Larson, President, Employment Law Research, Inc.

John H. Lewis, Attorney and Consultant, Boca Raton, FL; President, USA-Integrated Health, Inc.

Barry L. Llewellyn, Senior Divisional Executive, Regulatory Services, National Council on Compensation Insurance

Jerry L. Mashaw, Sterling Professor of Law and Management, Yale Law School

Paul Mattera, Vice President and Assistant General Counsel, Liberty Mutual

Robert E. McGarrh, Jr., Coordinator for Workers' Compensation, AFL-CIO

Robin R. Obetz, Of Counsel, Vorys, Sater, Seymour & Pease, LLP, Columbus, OH

Eric J. Oxfeld, President, UWC-Strategic Services on Unemployment & Workers' Compensation

Tom Rankin, former President, California Labor Federation, CIO

Virginia P. Reno, Vice President for Income Security, National Academy of Social Insurance

Timothy P. Schmidle, New York State Workers' Compensation Board

Sandra Sinclair, Associate Scientist and Director, Operations, Institute for Work & Health, Canada

Emily Spieler, Dean and Professor of Law, Northeastern University School of Law

Robert B. Steggert, Vice President, Casualty Claims, Marriott International, Inc.; and former President, National Council of Self-Insurers

Terrence J. Sullivan, President and CEO, Cancer Care Ontario

Allyn C. Tatum, Vice President of Claims, Tyson Foods, Inc.; former President IAIABC; former President, National Council of Self-Insurers

W. Frederick Uehlein, President, Insurers' Recovery Group, Inc.

C. John Urling, Jr., Owner, Jack Urling's Publications; Former Commissioner, Pennsylvania Workers' Compensation Appeal Board; Former President IAIABC

Richard A. Victor, Executive Director, Workers Compensation Research Institute

Paul C. Weiler, Henry J. Friendly Professor, Harvard Law School

Edward M. Welch, Director, Workers' Compensation Center, Michigan State University

Melvin S. Witt, Editor, *California Workers' Compensation Reporter*

Bruce C. Wood, Assistant General Counsel, American Insurance Association

Stanley R. Zax, Chairman & President, Zenith Insurance Company

The *Workers' Compensation Policy Review* Guide: A Catalogue of Data and Information Services

by John F. Burton, Jr.

Section A.1. The *Workers' Compensation Policy Review* Guide: Introduction

The types of data and information on U.S. and Canadian workers' compensation programs that are published on a regular basis are summarized in this *Workers' Compensation Policy Review* Guide (*WCPR Guide*). The discussion focuses on data that are either national aggregates or permit comparisons among at least several jurisdictions.

Section A.2 of the *WCPR Guide* lists the available data on twelve topics:

1. coverage of employees;
2. coverage of injuries and diseases;
3. cash benefits prescribed by statute;
4. medical and rehabilitation benefits prescribed by statute, and medical cost containment strategies;
5. cash and medical benefits paid to workers;
6. employers' costs of workers' compensation;
7. workers' compensation insurance;
8. workers' compensation delivery systems, including administrative agencies and litigation;
9. work-related injuries and illnesses;
10. workers' compensation compensable claims
11. the extent of compliance with the nineteen essential recommendations of the National Commission on State Workmen's Compensation Laws; and
12. workers' compensation statutes.

Data pertaining to either a specific federal program or to an individual jurisdiction (as might be included in an annual report on the workers' compensation program for a particular state or province) are not reviewed here. Treatises, law review articles, and other legal analyses that may contain comparative data on state or provincial workers' compensation programs are also not discussed in this *WCPR Guide*.

Section A.3 of the *WCPR Guide* provides full citations and detailed information on the sources of the data and information presented in Section A.2.

Part III of the *WCPR Guide* provide selected tables that include some of the national and multi-state data

information referred to in Section A.2. Part IV of the *WCPR Guide* provides information on state workers' compensation statutes as of January 1, 2005. (Parts III and IV are included in the *Workers' Compensation Compendium 2005-06, Volume Two*.)

The *WCPR Guide* will be expanded and revised next year. Please send suggestions for revisions to John F. Burton, Jr., at the *Workers' Compensation Policy Review* or JBWCR@aol.com.

Section A.2. The *Workers' Compensation Policy Review* Guide: A Catalogue of Sources of Data and Information

(Unless Otherwise Indicated the Entries Pertain to the U.S.)

A. Coverage of Employees

1. The Department of Labor annually publishes three tables showing states' numerical exemptions to coverage, coverage of agricultural workers, and coverage of domestic employment in USDOL - State Laws. The 2005 version of the tables are reprinted in Part IV of the *Workers' Compensation Compendium 2005-06*.

2. The U.S. Chamber of Commerce annually publishes in *USCoC* two charts showing various aspects of the coverage of state workers' compensation programs "coverage of laws," including "employments covered," "exceptions," and "special coverage provisions"; and "coverage of minors."

3. The National Academy of Social Insurance annually publishes national estimates of the number of covered employees and of covered payroll. The estimates for 1989-2003 are in Table 2 of the *NASI Annual Report* for 2003, which is reprinted in Part III Section C of the *Workers' Compensation Compendium 2005-06*. National coverage data for 1940-2001 are in Table 9.B1. of *SSB - ASS*, which is reprinted in Table 14 in Part III Section B of the *Workers' Compensation Compendium 2005-06*. The coverage data for 1989 and later years are not compatible with data for earlier years as discussed in *Burton 2005a*, which is reprinted in Part I. Section M of the *Workers' Compensation Compendium 2005-06*.

4. The National Academy of Social Insurance annually publishes estimates of the number of covered employees and the amount of covered payroll in each state. The estimates for 1999-2003 are in Table 3 of the **NASI Annual Report** for 2003.

5. The Association of Workers' Compensation Boards of Canada (AWCBC) annually publishes **AWCBC - Key Statistical Measures (KSMs)** comparing key financial and statistical indicators of all Canadian provincial and territorial Workers' Compensation Boards using common definitions. The table entitled Percentage of Workforce Covered shows the percentage of the Canadian workforce effectively covered by the compensation system.

6. The Association of Workers' Compensation Boards of Canada (AWCBC) annually publishes **AWCBC - Assessment Publication**. Table VII contains a jurisdictional summary of worker coverage in Canada. The table includes population and employed labor force statistics as well as a comparison of how workers' compensation legislation includes and/or excludes certain workers.

7. The Institute for Work & Health annually publishes **IWH - Facts on Benefits**, which includes data on employed labor force participants, percent of workforce covered by workers' compensation, and number of covered employees for Canada and for ten provinces.

B. Coverage of Injuries and Diseases

1. A table showing the compensability of occupational hearing loss (and the benefits for hearing loss) is published annually in **USDOL - State Laws**. The table is reprinted in Part IV of the **Workers' Compensation Compendium 2005-06**.

2. Two charts showing coverage of occupational diseases and compensability and benefits for hearing loss are published annually in **USCoC**.

3. The **AWCBC - Legislation Publication** reproduces schedules and/or regulations in Canadian workers' compensation programs (by province and territory), which contain recognized diseases/conditions along with the process or industry which is known to cause the particular disease.

C. Cash Benefits Prescribed by Statute

1. Eleven tables showing various aspects of state cash benefits, such as benefits for temporary total dis-

ability, permanent total disability, and selected permanent partial disabilities plus offset provisions between workers' compensation and other types of cash benefits, are published annually in **USDOL - State Laws**. The tables are reprinted in Part IV of the **Workers' Compensation Compendium 2005-06**.

2. A table showing the maximum permanent partial disability benefits payable for the loss of an arm as of January 1, 2005 (dollar amount, state's benefit as a percentage of the U.S. average, and rank among forty jurisdictions) is included in Table 3 in Part III Section B of the **Workers' Compensation Compendium 2005-06**.

3. Three charts (plus a portion of another) dealing with cash benefits, including waiting periods, benefits for total disability, and scheduled benefits, are published annually in **USCoC**.

4. Maximum weekly benefits for temporary total disabilities, permanent total disabilities, and fatalities, plus each state's average weekly wage, are published every six months in **USDOL - Essential Recommendations**. The January 1, 2004 edition of **USDOL - Essential Recommendations** is reprinted in Part II Section F of the **Workers' Compensation Compendium 2005-06**.

5. Tables showing: 1) maximum weekly benefits for temporary total disability as of January 1, 2005 (dollar amount, dollar amount as a percentage of the state average weekly wage, ranking among fifty-one jurisdictions); and 2) the maximum temporary total disability benefit as a percentage of the state's average weekly wage; weighted and unweighted averages for fifty-one jurisdictions (selected years, 1972-2005) are included in Tables 1 and 2 in Part III Section B of the **Workers' Compensation Compendium 2005-06**.

6. The actuarial values of the statutory generosity of each of 50 states' workers' compensation programs (a single figuring representing all types of cash benefits) as of January 1 of each year between 1992 and 2005 have been published in **Actuarial & Technical Solutions**. The 1992-2004 index numbers for 50 states (District of Columbia data are not available) are reprinted in Table 4 in Part III Section B. of the **Workers' Compensation Compendium 2005-06**.

7. The actuarial values of the statutory generosity of each of 47 jurisdictions' (including the District of Columbia) workers' compensation programs (a single figure representing all types of cash benefits) as of Janu-

ary 1 of each year between 1975 and 1995 are presented in Table D1 of **Thomason, Schmidle, and Burton (2001)**. The actuarial values are in 1995 dollars

8. The national averages of the actuarial values of the statutory generosity of the workers' compensation programs in 51 jurisdictions for January 1 of each year between 1972 and 1998 are presented in **Thomason and Burton (2001)**, which is reprinted in Part I Section F of the **Workers' Compensation Compendium 2005-06**. The actuarial values (which are a single figure representing all types of cash benefits) are in current and in 1998 dollars. The article also contains figures that compare the statutory generosity for four types of cash benefits (temporary total, permanent partial, permanent total, and fatal benefits) for 51 jurisdictions as of January 1998.

9. The National Council on Compensation Insurance (NCCI) annually publishes an exhibit summarizing statutory workers' compensation provisions by state ("benefit provisions by state") for 46 jurisdictions plus the Longshore and Harbor Workers' Act in the **NCCI - Annual Statistical Bulletin**.

10. The results of a survey of states concerning statutory provisions for various aspects of permanent partial disability benefits are included in **NCCI - PPD Benefits**. The report includes *inter alia* information on schedule vs. non-schedule compensation, use of the AMA Guides, benefits, and dispute resolution.

11. Cash benefits in Canadian workers' compensation programs are described in ten tables published annually in **AWCBC - Benefit Comparisons**. The tables *inter alia* provide information on waiting periods, benefits for temporary and permanent disability, fatal benefits, and benefits for dependents.

D. Medical and Rehabilitation Benefits Prescribed by Statute, and Strategies for Medical Cost Containment

1. Two tables dealing with medical benefits and rehabilitation benefits are published annually in **USDoL - State Laws**. The tables are reprinted in Part IV of the **Workers' Compensation Compendium 2005-06**.

2. One chart plus a portion of another dealing with medical and rehabilitation benefits are published annually in **USCoC**.

3. Information of workers' compensation medical cost containment strategies used in each of the fifty

states and the District of Columbia is included in **WCRI - Medical Cost Containment**, which is updated periodically. These strategies, which have been authorized by statute or regulation, include choice of provider, medical fee schedules, regulation of hospital charges, enforcement/administration, and managed care.

4. Medical cost containment strategies for 12 states are included Chapter 5 of **WCRI - Anatomy of Medical Costs and Utilization**.

5. The **AWCBC - Legislation Publication** contains a table with comparisons of rehabilitation services/benefits provided by each Canadian provincial/territorial workers' compensation program. The publication also contains a review of medical examinations and medical aid (including a table of Report and Treatment Fees).

6. The **AWCBC - Benefit Comparisons** provides information on benefits for temporary and permanent disability, fatal benefits, and benefits for dependents for all Canadian provinces and territories. This publication also contains information on maximum earnings covered, waiting periods, vocational rehabilitation services, special allowances (e.g., clothing allowance) and maximum and minimum compensation rates.

E. Cash and Medical Benefits Paid to Workers

1. The National Council on Compensation Insurance annually publishes in Exhibit XII of the **NCCI - Annual Statistical Bulletin** state-specific data on 1) the frequency of four types of injuries paying cash benefits (temporary total, permanent partial, permanent total, and fatal); 2) the frequency of workers' compensation cases paying medical benefits only; and (3) the frequency of all compensable cases receiving cash and/or medical benefits. The state-specific average costs of cash benefits and medical benefits for these injury categories are published in Exhibit XI of the **NCCI - Annual Statistical Bulletin**.

2. Blum and Burton use the NCCI data described in the previous entry (as well as unpublished NCCI data, corrected NCCI data for a few jurisdictions, and data from states not included in the NCCI exhibits) to compute state-specific average costs of cash benefits per 100,000 workers, medical benefits per 100,000 workers, and total (cash plus medical) benefits per 100,000 workers. The Blum and Burton articles reallocate the NCCI data to calendar years (in so far as possible). The latest article in this *Workers' Compensation Policy Review* series, using historical data for earlier policy periods as well as the most recent available data, is

Blum and Burton 2004b. This article is reprinted in Part I Section E of the **Workers' Compensation Compendium 2005-06**.

3. Blum and Burton also use the supplemented and reallocated NCCI data to compute state-specific frequencies, average costs per claim, and total benefits per 100,000 workers for four types of cash benefits and for medical benefits. The latest article in this series is **Blum and Burton 2004c**, which is reprinted in Part I Section E of the **Workers' Compensation Compendium 2005-06**.

4. The **NASI Annual Report**, portions of which are reprinted in Part III Section C of the **Workers' Compensation Compendium 2005-06**, annually publishes national data on payment of cash benefits, medical benefits, and total benefits (cash plus medical) (Table 4) as well as national data on total benefits as a percent of covered payroll (Table 12). The data on total benefits as a percent of payroll for 1940-2001 are included in Table 9.B1. of **SSB - ASS**, which is reprinted in Table 14 in Part III Section B of the **Workers' Compensation Compendium 2005-06**. The data on total benefits as a percent of covered payroll for 1989 and later years are not compatible with data for earlier years as discussed in **Burton 2005a**, which is reprinted in Part I Section M of the **Workers' Compensation Compendium 2005-06**.

5. The **NASI Annual Report**, portions of which are reprinted in Part III Section C of the **Workers' Compensation Compendium 2005-06**, annually publishes state data on payment of cash benefits, medical benefits, and total benefits (cash plus medical) (Table 9), as well as state data on total benefits as a percent of covered payroll (Table 10).

6. **The UWC - Fiscal Data** contains an extensive set of tables on paid workers' compensation benefits based on the data published in the NASI Annual Report. One table (based on NASI data but not published by NASI) provides information on average benefits per covered employee by state for 1993 to 2003.

7. The **WCRI - Anatomy of Medical Costs and Utilization** annually presents data for 12 states on eight measures of medical payment and utilization, including average medical payment per claim, average number of visits per claim, and average price per service by type of provider and medical service.

8. The **WCRI - CompScope Benchmarks** annually presents data for 12 states on a large number of aspects of the benefit costs, duration, and performance

of the delivery system for workers' compensation claims, including total costs per claim, medical payment per claim, time from notice of injury to first payment, duration of temporary disability, benefit delivery expenses per claim, and medical-legal expenses per claim.

9. The **WCRI - Outcomes for Workers** presents data from four states (with more to be added) concerning several consequences for workers of their injuries, including recovery of physical health, return to work, access to health care, and satisfaction with the health care. The data are based on interviews of samples of injured workers.

10. The **RAND Institute for Civil Justice** conducted a project that measured the wage losses due to work-related injuries, the workers' compensation benefits received by the injured workers, and the replacement rates (benefits as a percentage of wages losses) for workers who received permanent partial disability benefits in five states (California, New Mexico, Oregon, Washington, and Wisconsin) and for long-term temporary total disability benefits in four states (New Mexico data are unavailable).

11. The National Council on Compensation periodically publishes **NCCI - Claim Characteristics**, which contains information for 40 states on claims costs and frequencies, durations of benefits, and claimant characteristics.

12. The AWCBC annually publishes the **AWCBC - Key Statistical Measures (KSMs)** comparing key financial and statistical indicators of all Canadian provincial and territorial workers' compensation boards using common definitions. These statistics contain the following information relating to benefits paid to employees: (a) Current Year Benefit Costs Incurred for Assessable/Self-Insured Employers; (b) Benefit Payments for All Years Paid During the Year for Assessable/Self Insured Employers; (c) Benefit Costs Incurred; (d) Total Benefit Liabilities for Assessable/Self-Insured employers.

13. The Institute for Work & Health annually publishes **IWH - Facts on Benefits**, which includes data on payments for cash benefits, medical care and rehabilitations for Canada and for ten provinces. Information is also provided on benefits paid per covered employee.

F. Employers' Costs of Workers' Compensation

1. The **NASI Annual Report**, portions of which are reprinted in Part III Section C of the **Workers' Com-**

Workers' Compensation Compendium 2005-06, publishes national data on the total costs of the workers' compensation program (including benefit payments and administrative expenses) both in dollar amounts from 1987 to 2003 (Table 11) and as a percent of covered payroll from 1989 to 2003 (Table 12). The costs as a percent of payroll for 1940-2001 are included in Table 9.B1. of **SSB - ASS**, which is reprinted in Table 14 in Part III Section B of the **Workers' Compensation Compendium 2005-06**. The data on costs as a percent of covered payroll for 1989 and later years are not compatible with data for earlier years as discussed in **Burton 2005a**, which is reprinted in Part I Section M of the **Workers' Compensation Compendium 2005-06**.

2. The employers' costs of workers' compensation insurance in 47 jurisdictions for each year from 1975 to 1995 are included in **Thomason, Schmidle, and Burton 2001**. The costs are for a representative sample of 71 insurance classes and take account of factors such as experience rating, dividends, deviations, schedule rating, and experience in both the voluntary and assigned risk markets. The adjusted manual rates (premiums per \$100 of payroll) are included in Tables C.17 and C.18, which are reprinted in Table 7 in Part III Section B of the **Workers' Compensation Compendium 2005-06**. The weekly premiums per worker are included in Tables C.21 and C.22 of Thomason, Schmidle, and Burton 2001.

3. The employers' costs of workers' compensation insurance for manufacturing in 45 jurisdictions as of January 1 of each year between 1992 and 2006 have been published in **Actuarial & Technical Solutions**. The costs take account of factors such as experience rating, dividends, deviations, and schedule rating. The Actuarial Solutions' index numbers for these insurance costs for 1992 to 2006 are reprinted in Table 5 in Part III Section B of the **Workers' Compensation Compendium 2005-06**.

4. The employers' costs of workers' compensation insurance in 51 jurisdictions for even-numbered years between 1986 and 2004 are included in the **Oregon Premium Rate Ranking**. The manual rates for 50 NCCI classification codes were used weighted by Oregon payroll. The costs do not take account of factors such as experience rating, dividends, deviations, and schedule rating, but the costs do take account of the manual rates in each state's voluntary and assigned risk markets. The premium rates (per \$100 of payroll) for 1986 to 2004 are reprinted in Table 6 in Part III Section B of the **Workers' Compensation Compendium 2005-06**.

5. National data on the employers' costs of workers' compensation per hour worked for civilian workers; state and local government; and private industry are published in **BLS - Employer Costs**. Employers' cost data for certain industrial and occupational categories, geographic regions, for different establishment sizes, and for union and nonunion establishments are also published.

Blum and Burton used the BLS reports to calculate the employers' costs of workers' compensation insurance as a percent of payroll and as a percent of total remuneration [compensation]. The national data from 1986 to 2004 are presented and analyzed in **Burton 2005b**. The 2003 industrial, occupational, and geographical data are presented and analyzed in **Blum and Burton 2004a**. The 2004 industrial, occupational, and geographical data are presented and analyzed in **Blum and Burton 2005**. Additional information on the BLS data is included in Appendix A to Burton 2005b. Blum and Burton 2004a and Burton 2005b (with Appendix A) are included in Part I Section D of the **Workers' Compensation Compendium 2005-06**.

6. The **AWCBC - Assessment Publication** is divided into six main sections containing information on the twelve Canadian workers' compensation jurisdictions relating to: (1) individually liable employers; (2) industry classifications and assessment rate structure; (3) key assessment rate information; (4) experience rating programs; (5) worker coverage; (6) a listing of all WCB assessment rates for the year. A number of tables summarize key areas, and the assessment rates for all jurisdictions are listed in accordance with the Standard Industrial Classification (SIC) system.

7. The AWCBC annually publishes the **AWCBC - Key Statistical Measures (KSMs)** comparing key financial and statistical indicators of all Canadian provincial and territorial workers' compensation boards using common definitions. These statistics contain the following information relating to employer costs: (a) Current Year Benefit Costs Incurred for Assessable/Self-Insured Employers; (b) Benefit Payments for All Years Paid During the Year for Assessable/Self Insured Employers; (c) Benefit Costs Incurred; (d) Total Benefit Liabilities for Assessable/Self-Insured employers; (e) Administration Costs for Assessable employers; (f) Total OH&S Costs Paid by Boards; and (g) Actual and Provisional Average Assessment Rate for Assessable employers.

8. The Institute for Work & Health annually publishes **IWH - Facts on Benefits**, which includes data

on the average premium rate per \$100 of payroll for Canada and for ten provinces.

G. Workers' Compensation Insurance

1. One table dealing with insurance arrangements (whether employers are able to insure through private carriers, self-insurance, and/or state funds, plus information on whether a state's law is elective or compulsory and whether waivers are permitted) is published annually in **USDoL - State Laws**. The table is reprinted in Part IV of the **Workers' Compensation Compendium 2005-06**.

2. Two charts dealing with insurance arrangements (including "type of law" and "penalties on failure to insure") and second-injury funds are published annually in **USCoC**.

3. One table providing state-specific information on special funds (including, but not limited to, second injury funds) is published annually in **USDoL - Administration Profiles**. This table, which includes data on cash balances; total income; total benefits paid; administration; and financing, is reprinted in Part III Section E of the **Workers' Compensation Compendium 2005-06**.

4. Data on various aspects of the insurance experience of private carriers (and some state insurance funds) are published annually in **NCCI - Annual Statistical Bulletin**, including countrywide and state-specific changes in premium level; actuarial data on changes in benefit levels by state; underwriting experience by state; countrywide insurance expenses; taxes and assessments by state; statutory benefit provisions by state; average weekly wages by state; loss development factors by state; distribution of losses by injury type by state; average cost per case and frequency by injury type by state; and residual market share by state. Countrywide data on workers' compensation premium level changes (1960-2004) from selected editions of the **NCCI - Annual Statistical Bulletin** are reprinted in Tables 8 and 9 in Part III Section B of the **Workers' Compensation Compendium 2005-06**.

5. National and state data on the size of the residual insurance market (for policies not sold in the voluntary market) are published annually in Exhibit XIII of the **NCCI - Annual Statistical Bulletin**. National data on the size of the residual insurance market (1975-2003) are reprinted in Table 10 in Part III Section B of the **Workers' Compensation Compendium 2005-06**.

6. Benefit payments by type of insurer (private carrier, self-insurer, or state fund) nationally and by state are published annually in the **NASI Annual Report**. The national data for 1987 – 2003 are included in Table 4 of the 2005 edition of the report, which is reprinted in Part III Section C of the **Workers' Compensation Compendium 2005-06**. The national distribution of benefit payments by types of insurer for 1940-2002 is included in **SSB - ASS** Table 9.B1, which is reprinted in Tables 14 in Part III Section B of the **Workers' Compensation Compendium 2005-06**.

7. Data on workers' compensation insurance underwriting experience nationally are published annually in **Best's Aggregates and Averages** (Property and Casualty Insurance edition), including incurred losses, loss adjustment expenses, total underwriting expenses, dividends, combined ratio after dividends, net investment gain/loss, and the overall operating ratio. These data for 1973-2003 are analyzed in **Yates and Burton 2004**, which is reprinted in Part I Section H of the **Workers' Compensation Compendium 2005-06**. The data for 1973-2004 are included in Table 11 in Part III Section B of the **Workers' Compensation Compendium 2005-06**.

8. The national underwriting results for workers' compensation carriers and for property & casualty carriers are analyzed in **NCCI – State of the Line**. Calendar-accident year underwriting results for 36 states and the District of Columbia for 1999 to 2003 are presented in **NCCI – Calendar-Accident Year Underwriting Results**. Policy year underwriting results for 36 states and the District of Columbia for 1984 to 2002 are presented in **NCCI – Policy Year Underwriting Results**.

9. The **AWCBC - Assessment Publication** and the **AWCBC - Legislation Publication** contain a table of individually liable employers in Canada.

10. The AWCBC annually publishes the **AWCBC - Key Statistical Measures (KSMs)** comparing key financial and statistical indicators of all Canadian provincial and territorial workers' compensation boards using common definitions. These statistics contain the following information relating to the workers' compensation insurance in Canada: (a) Actual and Provisional Average Assessment Rate for Assessable employers.

H. Workers' Compensation Delivery Systems, including Administrative Agencies and Litigation

1. Three tables pertaining to the delivery system (addressing such topics as attorney fees, method of

payment, and state advisory committees) are published annually in **USDoL - State Laws**. The tables are reprinted in Part IV of the **Workers' Compensation Compendium 2005-06**.

2. Five charts providing information on notice requirements, employer's reports of accidents, administration expenses, appeals provisions, and workers' compensation administrators are published annually in **USCoC**.

3. The **WCRI - Administrative Inventory** is a series of monographs examining the operation of a particular state's workers' compensation program. The most recent (August 2005) publication focused on Arizona, and examined the administrative structure, the types of benefits, the operation of the second-injury fund, the processing and resolving of claims, the dispute resolution mechanisms, and systems outcomes in that state's workers' compensation program.

4. The U.S. Department of Labor annually publishes **USDoL - Administration Profiles**; the latest edition was published in October 2004. The publication contains state-by-state reports on various aspects of workers' compensation administration, including: the workers' compensation agency (with a description of structure and functions); budget and financing; the second-injury fund; insurance requirements; reporting requirements; claims processing and monitoring; contested case handling; medical care and evaluation; rehabilitation; public information and assistance; and the management information system.

There are also four tables providing information on all state programs:

- 1) "Workers' Compensation Agency Information" (including the number of claims filed, the agency staff size, and the agency annual budget);
- 2) "Special Funds Information" (including the method of financing and the amount of benefits paid);
- 3) "Official Responsible for Day-to-Day Administration of the Agency;" and
- 4) "Official Responsible for Day-to-Day Adjudication of Claims."

The first table ("Workers' Compensation Agency Information") is reprinted in Part III Section D of the **Workers' Compensation Compendium 2005-06** and the second table ("Special Funds Information") is reprinted in Part III Section E of the **Workers' Compensation Compendium 2005-06**.

5. The National Council on Compensation periodically publishes **NCCI - Claim Characteristics**, which

contains information for a limited number of states on the percentage of claims with attorney involvement and various aspects of claims administration.

6. The **AWCBC - Legislation Publication** contains information on various administrative matters in Canadian jurisdictions, including: filing, reporting and notice of a claim; structure of boards; compensation principles and presumptions; accident (injury) funds; appeals to court; appeal procedures; worker/employer/legal advisors, rights of action and subrogation in Canadian jurisdictions.

7. The AWCBC annually publishes the **AWCBC - Key Statistical Measures (KSMS)** comparing key financial and statistical indicators of all Canadian provincial and territorial workers' compensation boards using common definitions. These statistics contain the following employer-related information relating to the workers' compensation delivery system: (a) Administration Costs for Assessable employers; and (b) Total OH&S Costs Paid by Boards.

I. Work-related Injuries and Illnesses

1. National data on work-related injuries and illnesses, including injury and illness rates per 100 full-time private sector workers are published by the U.S. Department of Labor, Bureau of Labor Statistics (BLS) and can be obtained from **BLS - IIF Program**. National data on work-related injury and illness incidence rates for 1972-2003 are reprinted in Table 12 in Part III Section B of the **Workers' Compensation Compendium 2005-06**. As discussed in **Wiatrowski 2004**, the Occupational Safety and Health Administration (OSHA) changed the record keeping rules in 2002, which means the data since 2002 cannot be compared to data prior to that year. Some changes will probably reduce the number of reported injuries. For example, under the old recording rules, a recurrence of an injury or illness after 30 days was recorded as a new case. Under the new rule, a time frame is no longer specified, which may cause some employers not to treat a recurrence as a new injury. The BLS statistics on number of days away from work will also not be comparable under the old and new definitions. Prior to 2002, days were counted as workdays away from work. Beginning in 2002, the count is calendar days away from work, which will probably increase the number of reported days away from work.

2. National data on work-related fatalities, including fatal injuries per 100,000 workers, for 1992-2004 are published by the U.S. Department of Labor, Bureau of

Labor Statistics (BLS) and can be obtained from **BLS – IIF program**.

3. State data on work-related injuries and illnesses, including injury and illness rates per 100 full time workers, are available for 44 states and territories through the **BLS – IIF Program**. (The number of states with data varies among years.)

4. State data on work-related fatalities, including fatal injuries per 100,000 workers, are available for all states, territories, and New York City through the **BLS – IIF Program**.

J. Workers' Compensation Compensable Claims

1. The National Council on Compensation Insurance annually publishes in Exhibit XII of the **NCCI - Annual Statistical Bulletin** state-specific and country-wide data on 1) the frequency of four types of injuries paying cash benefits (temporary total, permanent partial, permanent total, and fatal); 2) the frequency of workers' compensation cases paying medical benefits only; and (3) the frequency of all compensable cases receiving cash and/or medical benefits.

2. Some of the NCCI data described in the previous entry is included in the **NASI Annual Report**. National averages of the frequency (claims per 100,000 workers) for policy periods 1992-2000 for temporary total disability claims, permanent partial disability claims, and total claims are included in Table 15 of the **NASI Annual Report**.

3. Blum and Burton use the NCCI data (supplemented and reallocated to calendar years) to compute state-specific data on frequencies of temporary total disability, permanent partial disability, permanent total disability, fatal claims, and total claims. The latest article is **Blum and Burton 2004c**, which is reprinted in Part I Section E of the **Workers' Compensation Compendium 2005-06**.

4. The National Council on Compensation Insurance annually publishes **NCCI – Claim Frequency**. The latest research brief presents aggregate data for 1999 to 2003 for the states in which the NCCI provides ratemaking services. The data include *inter alia* claim frequency by injury type (with some data from 1994), by part of body, by region, and by size of employer payroll.

5. The International Association of Industrial Accident Boards (IAIABC) plans to create a multi-state data base containing information from first reports of injuries filed with workers' compensation agencies. The **IAIABC – Claims Database** will include information on

individual claims, including the worker's age, gender, occupation, and industry as well as the nature and cause of the injury.

6. The **AWCBC - NWISP Publication** contains data on accepted lost-time claims for each Canadian province and territory about the jurisdiction's work-related injuries and fatalities based coded by the various Canadian Workers' Compensation Boards/Commissions and submitted annually to the AWCBC. For each lost time injury or fatality, the following information is available: Nature of Injury (the type of injury or disease); Part of Body affected by the injury or disease; Source of the Injury (immediate cause of the injury); Event (type of accident resulting in the injury, for example, "fall"); Industry in which worker was employed at time of the accident; Occupation of the injured or ill worker; Province or Territory in which the injury, disease or fatality occurred; Gender (sex) and Age (in age groups).

K. Extent of Compliance with the Nineteen Essential Recommendation of the National Commission on State Workmen's Compensation Laws

1. The 1972 *Report of the National Commission on State Workmen's Compensation Laws* delineated nineteen "essential" recommendations for state workers' compensation programs. The extent of each state's compliance with these recommendations is calculated every six months and published in **USDOL - Essential Recommendations**. The compliance scores as of January 1, 2004 are reprinted in Part III Section F of the **Workers' Compensation Compendium 2005-06**.

L. Workers' Compensation Statutes

1. The full text of state workers' compensation statutes (and other information on state programs) can be downloaded from the **Workers' Comp Service Center**.

2. A summary of changes in workers' compensation laws is published annually in **MLR – Changes**.

3. The **UWC – State Workers' Compensation Legislation Bulletin** provides an annual compilation of changes in state workers' compensation statutes and administrative regulations.

4. Excerpts from the Workmen's Compensation and Rehabilitation Law (Revised), sometimes referred to as the Model Act and published by the Council of State Governments in 1974, are reprinted in Part III Section G of the **Workers' Compensation Compendium 2005-06**.

5. The **AWCBC - Legislation Publication** contains information from Canadian Workers' Compensation Acts and Regulations and comparisons of the differences among the legislation of the twelve Canadian Workers' Compensation Boards/Commissions. Major points covered are summarized in tables. The publication also contains: a Glossary of Terms, a summary of definitions extracted from all Canadian Workers' Compensation Acts; and a list of where all Canadian workers' compensation legislation can be found online.

Section A3. The Workers' Compensation Policy Review Guide: Detailed Information on Data Sources

Actuarial & Technical Solutions. Actuarial & Technical Solutions, Inc., *Workers Compensation State Rankings: Manufacturing Industry Rates and Statutory Benefit Provisions*. Annual editions for 1992-2004. Available from: Actuarial & Technical Solutions, Inc., Suite A, 3555 Veterans Memorial Highway, Ronkonkoma, NY 11779 (631/471-8655 or slatanz@actuarialssolutions.com)

AWCBC – Assessment Publication. Association of Workers' Compensation Boards of Canada (AWCBC), *Workers' Compensation Industry Classifications, Assessment Rates, and Experience Rating Programs in Canada (2005)*. The most recent of an annual publication. Available from: Association of Workers' Compensation Boards of Canada, 6551 B Mississauga Road, Mississauga, Ontario L5N 1A6, Canada. (905/542-3633 or www.awcbc.org.)

AWCBC – Benefit Comparisons. Association of Workers' Compensation Boards of Canada (AWCBC), *Workers' Compensation Benefit Comparisons (2005)*. The most recent of an annual publication. Available from: Association of Workers' Compensation Boards of Canada, 6551 B Mississauga Road, Mississauga, Ontario L5N 1A6, Canada. (905/542-3633 or www.awcbc.org.)

AWCBC – Key Statistical Measures (KSMS). Association of Workers' Compensation Boards of Canada (AWCBC), published annually on AWCBC website at http://www.awcbc.org/english/board_data.asp. Available from: Association of Workers' Compensation Boards of Canada, 6551 B Mississauga Road, Mississauga, Ontario L5N 1A6, Canada. (905/542-3633 or www.awcbc.org.)

AWCBC – Legislation Publication. Association of Workers' Compensation Boards of Canada

(AWCBC), *Comparison of Works' Compensation Legislation in Canada (2004)*. The most recent of an annual publication. Available from: Association of Workers' Compensation Boards of Canada, 6551 B Mississauga Road, Mississauga, Ontario L5N 1A6, Canada. (905/542-3633 or www.awcbc.org.)

AWCBC – NWISP Publication. Association of Workers' Compensation Boards of Canada (AWCBC), *National Work Injury and Disease Statistics 2001-2003*. The most recent of an annual publication. Available from: Association of Workers' Compensation Boards of Canada, 6551 B Mississauga Road, Mississauga, Ontario L5N 1A6, Canada. (905/542-3633 or www.awcbc.org.)

Best's Aggregates and Averages. A.M. Best Company, *Best's Aggregates and Averages*. Property and Casualty Insurance edition. Available from: A.M. Best Company, Inc., Order Entry Department, Ambest Road, Oldwick, NJ 08858 (908/439-2200).

BLS - Employer Costs. The Bureau of Labor Statistics of the U.S. Department of Labor conducts a quarterly survey of employer expenditures on wages, salaries, and employee benefits. The latest publication is *Employer Costs for Employee Compensation – March 2005*. The publications are available from the U.S. Department of Labor, Office of Information, Washington, D.C. 20210 (202/606-6199) and can be downloaded from <http://www.bls.gov/ncs/ect/home.htm>.

BLS – IIF Program. The Bureau of Labor Statistics of the U.S. Department of Labor maintains a website dealing with *Occupational Injuries, Illnesses, and Fatalities*. Information is available on the injury and illnesses collected under the Occupational Safety and Health Administration's recording keeping requirements. Information on fatalities is collected from the Census of Fatal Occupational Injuries. The data are available from <http://www.bls.gov/iif/home.htm>.

Blum and Burton 2004a. Florence Blum and John F. Burton, Jr. "Workers' Compensation Costs in 2003: Regional, Industrial, and Other Variations." *Workers' Compensation Policy Review*, Vol. 4, No. 2 (March/April 2004): 13-23, reprinted in Part I Section D of the **Workers' Compensation Compendium 2005-06**.

Blum and Burton 2004b. Florence Blum and John F. Burton, Jr. "Workers' Compensation Incurred Benefits: 1985 to 2000." *Workers' Compensation Policy Review*, Vol. 4, No. 3 (May/June 2004): 3-23, reprinted with extra tables in Part I Section E of the **Workers' Compensation Compendium 2005-06**.

Blum and Burton 2004c. Florence Blum and John F. Burton, Jr. "Workers' Compensation Benefits: Frequencies and Amounts 1995-2000." *Workers' Compensation Policy Review*, Vol. 4, No. 5 (September/October 2004): 19-39, reprinted in Part I Section F of the **Workers' Compensation Compendium 2005-06**.

Blum and Burton 2005. Florence Blum and John F. Burton, Jr. "Workers' Compensation Costs in 2004: Regional, Industrial, and Other Variations." *Workers' Compensation Policy Review*, Vol. 5, No. 3 (May/June 2005): 2-13.

Boden, Reville, and Biddle 2005. Leslie I. Boden, Robert T. Reville, and Jeff Biddle. 2005. "The Adequacy of Workers' Compensation Cash Benefits" in Karen Roberts, John F. Burton, Jr., and Matthew M. Bodah, eds., *Prevention and Compensation of Workplace Injuries and Diseases: Essays in Honor of Terry Thomason*. Kalamazoo, MI: W.E. Upjohn Institute for Employment Relations.

Burton 2005a. John F. Burton, Jr., "The Methodology for Estimating Costs and Benefits as a Percentage of Payroll, 1980-1988." *Workers' Compensation Policy Review*, Vol. 5, no. 1 (January/February 2005): 25-27, reprinted in Part I Section M of the **Workers' Compensation Compendium 2005-06**.

Burton 2005b. John F. Burton, Jr., "Workers' Compensation Costs for Employers 1986-2004." *Workers' Compensation Policy Review*, Vol. 5, No. 2 (March/April 2005): 15-31, reprinted in Part I Section D of the **Workers' Compensation Compendium 2005-06**.

IAIABC – Claims Database. International Association of Industrial Accident Boards and Commissions (IAIABC), *Public Access Workers' Compensation Database*. Database derived from first reports of injuries submitted to state workers' compensation agencies and provided to IAIABC, which will make data available to researchers through the National Institute for Occupational Safety and Health (NIOSH). Preliminary plans are to make data for 2004 injuries available to researchers in 2006. Information is available from Gregory Krohm, Executive Director, IAIABC, Suite 24, 5610 Medical Circle, Madison, WI 53711. (608/663-6355) (gkrohm@iaiaabc.org)

IWH – Facts on Benefits. Institute for Work & Health, *The Facts on Compensation Benefits Paid Across Canada – 2003*. (Revised annually.) Available from Institute for Work & Health, Suite 800, 481 University Avenue, Toronto, Ontario M5G 2E9 Canada.

(416/927-2027). This report can be downloaded from www.iwh.on.ca/media/briefings.php.

MLR – Changes. The *Monthly Labor Review* published an annual article summarizing changes in state workers' compensation laws. The most recent article is Glenn Whittington, "Changes in Workers' Compensation Laws in 2004," *Monthly Labor Review*, Vol. 128, No. 1 (January 2005): 28-32, reprinted in Part I Section B of the **Workers' Compensation Compendium 2005-06**.

NASI Annual Report. Cecili Thompson Williams, Virginia P. Reno, and John F. Burton, Jr. *Workers' Compensation: Benefits, Coverage, and Costs, 2002* (Revised annually.) Available from National Academy of Social Insurance, Suite 615, 1776 Massachusetts Avenue, NW, Washington, DC 20036-1904. (202/452-8097). This report can be downloaded from www.NASI.org.

NCCI - Annual Statistical Bulletin. National Council on Compensation Insurance, *Annual Statistical Bulletin, 2004 Edition*. (Revised annually.) Available from: National Council on Compensation Insurance, Order Processing Department, 901 Peninsula Corporate Circle, Boca Raton, FL 33487 (800/622-4123).

NCCI - Claim Characteristics. National Council on Compensation Insurance, *Workers Compensation Claim Characteristics – 2004 Update*. Available from: National Council on Compensation Insurance, Order Processing Department, 901 Peninsula Corporate Circle, Boca Raton, FL 33487 (800/622-4123).

NCCI – Claim Frequency. *National Council on Compensation Insurance, Workers Compensation Claim Frequency Down Again*. NCCI Research Brief (June 2005). Available from: National Council on Compensation Insurance, 901 Peninsula Corporate Circle, Boca Raton, FL 33487 (800/622-4123). The results can be downloaded without charge from <http://www.ncci.com/NCCI/web/News/research/research-claim-frequency.htm>.

NCCI – PPD Benefits. National Council on Compensation Insurance, *Permanent Partial Disability Benefits*. The NCCI conducts periodic surveys of states, of which the most recent was conducted in 2004. Available from: National Council on Compensation Insurance, 901 Peninsula Corporate Circle, Boca Raton, FL 33487 (800/622-4123). The survey results can be downloaded without charge from <http://www.ncci.com/nccisearch/industry/permanen/ppd.htm>.

NCCI – State of the Line. National Council on Compensation Insurance, *State of the Line* (May 2005). Available from: National Council on Compensation Insurance, 901 Peninsula Corporate Circle, Boca Raton, FL 33487 (800/622-4123). The presentation can be downloaded without charge from http://www.ncci.com/media/pdf/SOL_2005.pdf.

NCCI – Calendar-Accident Year Underwriting Results. National Council on Compensation Insurance, *2003 Calendar-Accident Year Underwriting Results by State*. Available from: National Council on Compensation Insurance, 901 Peninsula Corporate Circle, Boca Raton, FL 33487 (800/622-4123). The publications can be downloaded without charge from <http://www.ncci.com/nccisearch/industry/actuarial/cay.htm>.

NCCI – Policy Year Underwriting Results. National Council on Compensation Insurance, *2003 Policy Year Underwriting Results by State*. Available from: National Council on Compensation Insurance, 901 Peninsula Corporate Circle, Boca Raton, FL 33487 (800/622-4123). The publication can be downloaded without charge from <http://www.ncci.com/nccisearch/industry/actuarial/py.htm>.

Oregon Premium Rate Ranking. A bi-annual publication of the Information Management Division of the Oregon Department of Consumer & Business Services. The latest edition is *Oregon Workers' Compensation Premium Rate Ranking Calendar Year 2004*, published in May 2005. Available from Oregon Department of Consumer & Business Services, Information Management Division, Room 300, 350 Winter Street, NE, P.O. Box 14480, Salem, OR 97309-0405 (503/378-8254).

Rand Institute for Civil Justice. The RAND results concerning adequacy of benefits in five states is examined in Boden, Reville, and Biddle 2005. The RAND results concerning the adequacy and equity of the PPD benefits in California are examined in Reville, Seabury, Neuhauser, Burton, and Greenberg 2005.

Reville, Seabury, Neuhauser, Burton, and Greenberg 2005. Robert T. Reville, Seth A. Seabury, Frank Neuhauser, John F. Burton, Jr., and Michael D. Greenberg. *An Evaluation of California's Permanent Disability Rating System*. Santa Monica, CA: RAND Institute for Civil Justice.

SSB - ASS. Social Security Administration, *Annual Statistical Supplement, 2004, to the Social Security Bulletin*. Available from: Superintendent of Documents,

U.S. Government Printing Office, Washington, D.C. 20402 (202/512-1800).

Thomason, Schmidle, and Burton 2001. Terry Thomason, Timothy P. Schmidle, and John F. Burton, Jr. 2001. *Workers' Compensation: Benefits, Costs, and Safety under Alternative Insurance Arrangements*. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

Thomason and Burton 2001. Terry Thomason and John F. Burton, Jr., "The Adequacy of Cash Benefits Prescribed by Workers' Compensation Statutes," *Workers' Compensation Policy Review* 1, no. 6 (November/December 2001): 17-31, reprinted in Part I Section F of the **Workers' Compensation Compendium 2005-06**.

USCoC. U.S. Chamber of Commerce. *2005 Analysis of Workers' Compensation Laws*. (Revised annually and updated during the year.) Available from: U.S. Chamber of Commerce, Accounts Receivable, P.O. Box 1200, Washington, D.C. 20013-1200 (800/638-6582).

USDOL - Administration Profiles. U.S. Department of Labor, *State Workers' Compensation Administration Profiles*, October 2004. Updated annually. Available from: U.S. Department of Labor, Employment Standards Administration, Office of Workers' Compensation Programs, 200 Constitution Avenue, N.W., Room S-3522, Washington, D.C. 20210 (202/219-6808).

USDOL - State Laws. U.S. Department of Labor, *State Workers' Compensation Laws*, January 2004. (Revised annually.) Available from: U.S. Department of Labor, Employment Standards Administration, Office of Workers' Compensation Programs, 200 Constitution Avenue, N.W., Room S-3522, Washington, D.C. 20210 (202/219-6808).

USDOL - Essential Recommendations. U.S. Department of Labor, *State Workers' Compensation Laws in Effect on January 1, 2004 Compared with the 19 Essential Recommendations of the National Commission on State Workmen's Compensation Laws*. Available from: U.S. Department of Labor, Employment Standards Administration, Office of Workers' Compensation Programs, 200 Constitution Avenue, N.W., Room S-3522, Washington, D.C. 20210 (202/219-6808). This publication can be downloaded without charge from www.workerscompresources.com and is reprinted Part III Section F of the **Workers' Compensation Compendium 2005-06**.

UWC – State Workers’ Compensation Legislation Bulletin. The latest edition is *State Workers’ Compensation Legislation and Related Changes Adopted in 2004*. Available from UWC – Strategic Services on Unemployment & Workers’ Compensation, Suite 600, 1331 Pennsylvania Avenue, N.W., Washington, D.C. 20004-1790 (202/637-3465 and www.UWCStrategy.org).

UWC - Fiscal Data. The latest edition is *Fiscal Data for State Workers’ Compensation Systems 1993-2003*. Available from UWC – Strategic Services on Unemployment & Workers’ Compensation, Suite 600, 1331 Pennsylvania Avenue, N.W., Washington, D.C. 20004-1790 (202/637-3465 and www.UWCStrategy.org).

WCRI - Administrative Inventory. A series of almost 40 publications. The most recent is Duncan S. Ballantyne, *Workers’ Compensation in Arkansas: Administrative Inventory*, published in August 2005. Available from: Workers Compensation Research Institute, 955 Massachusetts Avenue, Cambridge, MA 02139 (617/661-9274 and www.wcrinet.org).

WCRI – Anatomy of Medical Costs and Utilization. An annual study of 12 states (with the number scheduled to increase in coming years.). The most recent edition is Stacey M. Eccleston and Xiaoping Zhao, *The Anatomy of Workers’ Compensation Medical Costs and Utilization: Trends and Interstate Comparisons, 1996-2000*, published in July 2003. Available from: Workers Compensation Research Institute, 955 Massachusetts Avenue, Cambridge, MA 02139 (617/661-9274 and www.wcrinet.org).

WCRI – CompScope Benchmarks. A series of publications for 12 states (with the number scheduled to increase in coming years.). The most recent publications include Carol A. Telles, Dongchun Wang, and Ramona P. Tanabe, *CompScope Benchmarks for California, 5th Edition*, published in February 2005. The 12 states include California, Connecticut, Florida, Illinois, Indiana, Louisiana, Massachusetts, North Carolina, Pennsylvania, Tennessee, Texas, and Wisconsin. Available from: Workers Compensation Research Institute, 955 Massachusetts Avenue, Cambridge, MA 02139 (617/661-9274 and www.wcrinet.org).

WCRI - Medical Cost Containment. A series of studies beginning with in 1990 covering all states. The most recent edition is Ramona P. Tanabe and Susan M. Murray, *Managed Care and Medical Cost Containment in Workers’ Compensation: A National Inventory, 2001-2002*, published in December 2001. Available from: Workers Compensation Research Institute, 955

Massachusetts Avenue, Cambridge, MA 02139 (617/661-9274 and www.wcrinet.org).

WCRI – Outcomes for Workers. A series of studies measuring outcomes for injured workers who receive medical care and income benefits from workers’ compensation programs. The most recent is Richard A. Victor, Peter S. Barth, and Te-Chun Liu, *Outcomes for Injured Workers in California, Massachusetts, Pennsylvania, and Texas*, published in December 2003. Available from: Workers Compensation Research Institute, 955 Massachusetts Avenue, Cambridge, MA 02139 (617/661-9274 and www.wcrinet.org).

Wiatrowski 2004. William J. Wiatrowski. “Occupational Injury and Illness: New Recordkeeping Requirements.” *Monthly Labor Review*, Vol. 127, No. 12 (December 2004): 10-24.

Workers’ Compensation Compendium 2005-06. The first is what is expected to be an annual publication. John F. Burton, Jr., ed., *Workers’ Compensation Compendium 2005-06, Volume One and Volume Two*. Available from Workers’ Disability Income Systems, Inc., 56 Primrose Circle, Princeton, NJ 08540 (FAX 732/274-0678 or www.workerscompresources.com).

Workers’ Comp Service Center. A website with full text of state workers’ compensation statutes is offered by ‘Workers (sic) Compensation – The Workers’ Comp Service Center.’ The address is: <http://www.workerscompensation.com>.

Yates and Burton 2004. Elizabeth Yates and John F. Burton, Jr. “Workers’ Compensation Insurance Industry Returns to Profitability in 2003.” *Workers’ Compensation Policy Review*, Vol. 4, No. 5 (September/October 2004): 2-8, reprinted in Part I Section H of the **Workers’ Compensation Compendium 2005-06**.

Workers' Compensation Benefits and Costs in 2003

by John F. Burton, Jr.

The National Academy of Social Insurance (NASI) released the 2003 data on the coverage, benefits, and costs of the workers' compensation program in July 2005 (Sengupta, Reno, and Burton 2005). The NASI report is the most comprehensive source of national data on benefits and costs since data are presented for employers with all types of insurance arrangements, including self-insuring employers as well as employers who purchase insurance from private carriers or state funds. The NASI report also reports data on benefit payments and coverage by state. This article focuses on national data on workers' compensation benefits paid to workers and on the costs of the program for employers.

The 2003 Developments in Perspective

Benefits Paid to Workers. The workers' compensation benefits paid to workers in selected years between 1960 and 2003 are shown in Table 1. Benefits in current dollars in 2003 were \$54,871 million (or \$54.871 billion), which is the seventh consecutive year that benefits in current dollars increased. Benefits in current dollars increased every year from 1980 to 1992, when the total payments reached \$45.668 billion. Then benefits dropped for four years, before bottoming out at \$41.837 billion in 1996. Benefits paid to workers then began to increase and reached a record amount of \$54.871 billion in 2003.

Another way to assess developments in benefits paid to workers is to compare the benefits to the wages paid to workers covered by the workers' compensation program. This comparison not only reflects (at least roughly) changes in the general level of prices and average wages, but also the changes in the total of wage payments resulting from increases (or decreases) in employment. The increases in the dollars of benefits paid to workers did not keep up with the increases in wages between 1992 and 2000. As shown in Table 1, Column (2), workers' compensation benefits as a percentage of wages peaked at 1.68 percent of payroll in 1992 and then declined every year until 2000, when benefits were equal to 1.04 percent of wages. The eight-year decline in benefits paid relative to wages is the longest stretch of dropping benefits since 1946 (when annual data for the program are first available) and brought benefit payments relative to wages to a level not seen since the 1970s.

Table 1
Workers' Compensation Benefits in Current Dollars

Year	Benefits in Current Dollars (Millions) (1)	Benefits in Current Dollars as Percent of Covered Payroll (2)
1960	1,295	0.59
1970	3,031	0.66
1980	13,618	0.96
1981	15,054	0.97
1982	16,407	1.04
1983	17,575	1.05
1984	19,685	1.09
1985	22,217	1.17
1986	24,613	1.23
1987	27,317	1.29
1988	30,703	1.34
1989	34,316	1.46
1990	38,238	1.57
1991	42,169	1.65
1992	45,668	1.68
1993	45,330	1.61
1994	44,586	1.51
1995	43,373	1.38
1996	41,837	1.26
1997	42,314	1.18
1998	43,278	1.11
1999	45,581	1.10
2000	46,908	1.04
2001	49,485	1.07
2002	53,168	1.15
2003	54,871	1.16

Sources: Benefits in Current Dollars (column 1): 1960-86 data from Social Security Administration (2005), Table 9.B1; 1987-2003 data from Sengupta, Reno, and Burton (2005), Table 4.

Benefits as Percent of Covered Payroll (column 2): 1960-70 data from Social Security Administration (2004), Table 9.B1; 1980-88 data from Burton (2005), Table A.2; 1989-2003 data from Sengupta, Reno, and Burton (2005), Table 12.

Benefits paid to workers as a percent of payroll increased beginning in 2001 and reached 1.16 percent of payroll in 2003. The increases in these years in part resulted from the slowdown of the economy, which resulted in sluggish growth of employment and wages while benefit payments for injuries from previous years continued. Even with the increase of benefits in 2003 to 1.16 percent of payroll, this measure of benefits is lower than in any year between 1985 and 1997.

Still another way to measure benefits paid to workers is in constant dollars, which is current dollars

adjusted for changes in the consumer price index (CPI). This approach was not used in the NASI report and so represents a contribution of this article. Table 2 presents information on benefits in current and constant dollars for both cash benefits and medical benefits, as well as for total (cash plus medical) benefits in constant dollars.

Cash benefits in current dollars reached a record \$29.263 billion in 2003 (Table 2, column (1)). However, when adjusted by the CPI for non-medical items (Table 2, column (2)), cash benefits in constant dollars (1982-84 dollars) declined from \$16.544 billion in

Table 2
Workers' Compensation Benefits in Constant Dollars

Year	Cash Benefits Current Dollars (Millions) (1)	Consumer Price Index (1982-84=100) (Non-Medical) (2)	Cash Benefits in 1982-84 Dollars (Millions) (3)	Medical Benefits in Current Dollars (Millions) (4)	Consumer Price Index (1982-84=100) (Medical) (5)	Medical Benefits in 1982-84 Dollars (Millions) (6)	Total Benefits in 1982-84 Dollars (Millions) (7)
1960	860	30.2	2,848	435	22.3	1,951	4,798
1970	1,981	39.2	5,054	1,050	34.0	3,088	8,142
1980	9,671	82.8	11,680	3,947	74.9	5,270	16,950
1981	10,623	91.4	11,623	4,431	82.9	5,345	16,968
1982	11,349	96.8	11,724	5,058	92.5	5,468	17,192
1983	11,894	99.6	11,942	5,681	100.6	5,647	17,589
1984	13,261	103.7	12,788	6,424	106.8	6,015	18,803
1985	14,719	107.2	13,730	7,498	113.5	6,606	20,337
1986	15,971	108.8	14,679	8,642	122.0	7,084	21,763
1987	17,405	112.6	15,457	9,912	130.1	7,619	23,076
1988	19,196	117.0	16,407	11,507	138.6	8,302	24,709
1989	20,892	122.4	17,069	13,424	149.3	8,991	26,060
1990	23,051	128.8	17,897	15,187	162.8	9,329	27,225
1991	25,337	133.8	18,936	16,832	177.0	9,510	28,446
1992	27,004	137.5	19,639	18,664	190.1	9,818	29,457
1993	26,827	141.2	18,999	18,503	201.4	9,187	28,186
1994	27,392	144.7	18,930	17,194	211.0	8,149	27,079
1995	26,640	148.6	17,927	16,733	220.5	7,589	25,516
1996	25,270	152.8	16,538	16,567	228.2	7,260	23,798
1997	25,008	156.3	16,000	17,306	234.6	7,377	23,377
1998	25,157	158.6	15,862	18,121	242.1	7,485	23,347
1999	26,522	162.0	16,372	19,059	250.6	7,605	23,977
2000	26,487	167.3	15,832	20,421	260.8	7,830	23,662
2001	27,352	171.9	15,912	22,133	272.8	8,113	24,025
2002	28,836	174.3	16,544	24,332	285.6	8,520	25,063
2003	29,263	178.1	16,431	25,608	297.1	8,619	25,050

Sources: Cash Benefits in Current Dollars (column 1): 1960-1986 data from Social Security Administration (2005), Table 9.B1; 1987-2003 data from Sengupta, Reno, and Burton (2005), Table 4 (Total Benefits minus Medical Benefits).

Consumer Price Index, Non-Medical (column 2): *Economic Report of the President*, February 2005, Table B-62, All items less medical care.

Medical Benefits in Current Dollars (column 4): 1960-1986 data from Social Security Administration (2005), Table 9.B1; 1987-2003 data from Sengupta, Reno, and Burton (2005), Table 4.

Consumer Price Index, Medical (column 5): *Economic Report of the President*, February 2005, Table B-60, Medical care.

Entries in columns (3), (6), and (7) calculated by Florence Blum.

2002 to \$16.431 billion in 2003, as shown in Table 2, column (3). Moreover, measured in constant dollars, the 2003 cash benefits were below the cash benefits paid in every year between 1989 and 1996, and were down 16 percent from the peak year of 1992, when cash benefits in constant dollars were \$19.639 billion.

Medical benefits in current dollars reached a record \$25.608 billion in 2003 (Table 2, column (4)). However, when adjusted by the CPI for medical items (Table 2, column (5)), the 2003 medical benefits were below the medical benefits paid in every year between 1989 and 1993. The 2003 medical benefits of \$8.619 billion in constant dollars were down 12 percent from the peak year of 1992, when medical benefits were \$9.818 billion in 1982-84 dollars.

Total benefits paid to workers (cash plus medical) reached a new record of \$54.871 billion in current dollars in 2003, as previously discussed in connection with Table 1. However, measured in constant dollars (Table 2, column (7)), total benefits declined from \$25.063 billion in 2002 to \$25.050 billion in 2003. In addition, total benefits in 2003 in constant dollars were lower than the amounts in every year between 1989 and 1995, and the 2003 figure of \$25.050 billion was almost 15 percent lower than in the peak year of 1992, when total benefits were \$29.457 billion.

Costs to Employers. The employers' costs of workers compensation for selected years between 1960 and 2003 are shown in Table 3. Costs in current dollars were \$80,783 million (or \$80.783 billion) in 2003, which is the sixth consecutive year that costs in

Table 3
Workers' Compensation Costs in Current and Constant Dollars

Year	Costs in Current Dollars (Millions) (1)	Consumer Price Index (1982-84=100) (2)	Costs in 1982-84 Dollars (Millions) (3)	Costs in Current Dollars as Percent of Covered Payroll (4)
1960	2,055	29.6	6,943	0.93
1970	4,898	38.8	12,624	1.11
1980	22,256	82.4	27,010	1.76
1981	23,014	90.9	25,318	1.67
1982	22,765	96.5	23,591	1.58
1983	23,048	99.6	23,141	1.53
1984	25,122	103.9	24,179	1.49
1985	29,185	107.6	27,124	1.60
1986	33,964	109.6	30,989	1.79
1987	38,095	113.6	33,534	1.86
1988	43,284	118.3	36,588	1.94
1989	47,955	124.0	38,673	2.04
1990	53,123	130.7	40,645	2.18
1991	55,216	136.2	40,540	2.16
1992	57,395	140.3	40,909	2.12
1993	60,819	144.5	42,089	2.16
1994	60,517	148.2	40,835	2.05
1995	57,089	152.4	37,460	1.82
1996	55,293	156.9	35,241	1.66
1997	53,544	160.5	33,361	1.49
1998	54,431	163.0	33,393	1.38
1999	55,386	166.6	33,245	1.33
2000	59,512	172.2	34,560	1.32
2001	65,414	177.1	36,936	1.42
2002	73,723	179.9	40,980	1.59
2003	80,783	184.0	43,904	1.71

Sources: Costs in Current Dollars (column 1): 1960-86 data from Nelson (1992), Table 7; 1987-2003 data from Sengupta, Reno, and Burton (2005), Table 11.

Consumer Price Index (1982-84=100) (column 2): *Economic Report of the President*, February 2005. Table B-60; all items.

Costs in 1982-84 Dollars (column 3) = (column 1)/(column 2).

Costs as Percent of Covered Payroll (column 4): 1960-70 data from Social Security Administration (2005) Table 9.B1; 1980-88 data from Burton (2005), Table A.2; 1989-2003 data from Williams, Reno, Burton (2005), Table 12.

current dollars have increased (Table 3, column (1)). For the third year in a row, the costs in 2003 in current dollars set a record for employers' costs.

An alternative measure of employers' costs, namely expenditures measured in constant dollars (adjusted for changes in the consumer price index since 1982-84) increased from \$40.980 billion in 2002 to \$43.904 billion in 2003 (Table 3, column (3)). The 2003 employers' costs in constant dollars broke the previous record of \$42.089 billion, which had been set in 1993.

A third measure of employers' costs relates employers' expenditures on workers' compensation to the wages received by workers covered by the program. There was an extraordinary decline in this measure of employers' costs during the 1990s, as shown in Table 3, column (4). Employer costs peaked at 2.18 percent of payroll in 1990, and then declined almost every year during the decade before reaching a low of 1.32 percent of payroll in 2000. This multi-year decline in the employers' costs of workers' compensation as a percent of payroll was unprecedented in magnitude and duration since at least 1946.

Workers' compensation costs as a percent of payroll began to increase from the recent low of 1.32 percent of payroll in 2000 and reached 1.71 percent of payroll in 2003. This is a significant increase, but still left costs as a percent of payroll in 2003 below this measure of costs for all of the years between 1986 and 1995.

Sources of Insurance Coverage. Workers' com-

pensation benefits are provided by four sources of insurance coverage, and the relative importance of the sources has varied in recent years, as shown in Table 4. Private carriers are permitted to sell workers' compensation insurance in all but the five states that have exclusive state funds – Ohio, North Dakota, Washington, West Virginia, and Wyoming. The share of all benefit payments accounted for by private carriers was at least 50 percent from 1990 to 1994 and from 1997 to 2003. In recent years, the share accounted for by private carriers declined from 56.4 percent in 1999 to 52.3 percent in 2003.

In addition to the five states with exclusive state funds, there are 21 other states that operate state funds that compete with private carriers. Between 1990 and 2003, the share accounted for by state funds has fluctuated within a relatively narrow range of 15 to 19 percent of all benefit payments. Recently, the share accounted for by state funds increased from 15.1 percent in 1999 to 18.9 percent in 2003. In addition to funds operated by the states, the federal government also pays benefits to civilian employees and certain other workers. The federal share of benefit payments has slowly but steadily declined from 7.6 percent in 1990 to 5.8 percent in 2003.

The final source of benefits is self-insuring employers, an option that is available to qualifying employers in all states but North Dakota and Wyoming. Self-insuring employers increased their share of benefit payments from 19.0 percent in 1990 to 25.9 percent in 1994 and 1995. Since then, the relative importance of self-insurance has declined in most years, although there was a rebound in 2003 that increased the share to 22.9 percent of all benefit payments.

An Overview of Costs and Benefits Since 1985

Thomason, Schmidle, and Burton (2001) provide an overview of workers' compensation costs and benefits since 1960, and divided 1960 to 1998 into five subperiods. An updated version of a portion of the book is Burton (2004). I summarize here the analysis of the subperiods since 1985, since they are interrelated.

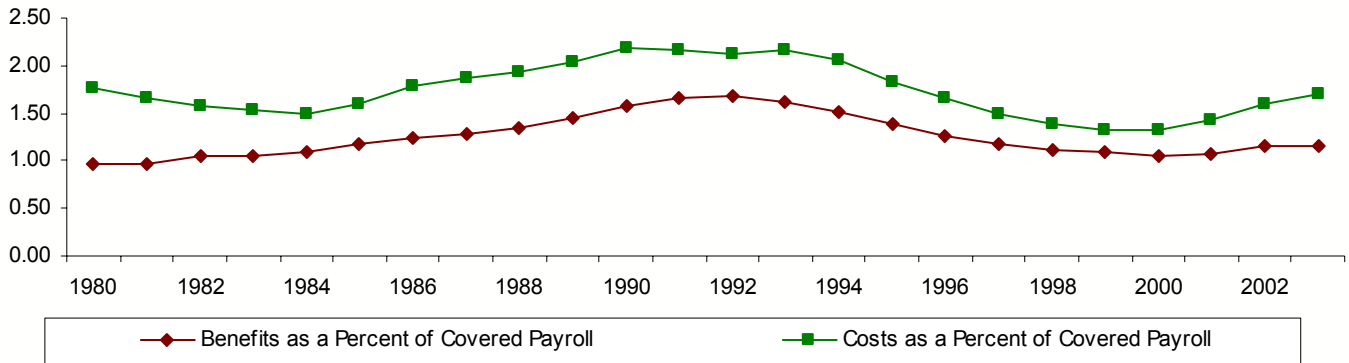
The Seeds for Neo-Reform Are Sown: 1985-91. Workers' compensa-

Table 4
Sources of Workers' Compensation Benefits

Year	Private Carriers	State Funds	Federal	Self-Insured Employers	Total
1990	58.1	15.4	7.6	19.0	100.0
1991	58.1	15.9	7.1	18.8	100.0
1992	55.4	16.4	6.9	21.3	100.0
1993	53.2	16.3	7.0	23.4	100.0
1994	50.0	17.0	7.1	25.9	100.0
1995	48.8	18.2	7.2	25.9	100.0
1996	48.7	18.2	7.3	25.8	100.0
1997	51.2	17.2	6.6	25.1	100.0
1998	53.1	16.7	6.6	23.6	100.0
1999	56.4	15.1	6.3	22.2	100.0
2000	55.8	15.6	6.3	22.3	100.0
2001	54.8	15.9	6.2	23.1	100.0
2002	54.4	17.3	5.9	22.3	100.0
2003	52.3	18.9	5.8	22.9	100.0

Source: Senupta, Reno, And Burton (2005), Table 5.

Figure A
Workers' Compensation Benefits and Employers' Costs as a Percent of Covered Payroll, 1980-2003

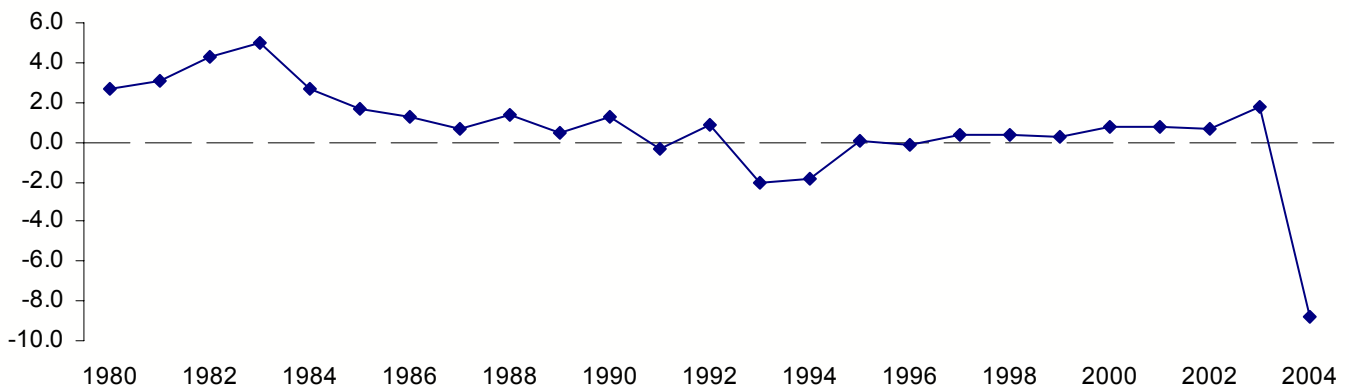


Source: Benefits as a Percent of Covered Payroll: Table 1, Column (2).
 Employers' Costs as a Percent of Covered Payroll, Table 3, Column (4).

tion payments for medical benefits increased at 14.6 percent per year between 1985 and 1991, more rapidly than both the annual increases of 11.0 percent in cash benefits and the generally high rate of medical cost inflation elsewhere in the economy. A partial explanation for the high rate of medical cost increases in workers' compensation was the relatively limited use of managed care (such as health management organizations (HMOs) and preferred provided organizations (PPOs) in workers' compensation). The result of the higher payments for both cash and medical benefits is that benefits increased from 1.09 percent of payroll in 1984 to 1.65 percent of payroll in 1991 (Figure A).

The rapid increase in benefit payments was the major contributor to the increasing costs of workers' compensation employers, which rose from 1.49 percent of payroll in 1984 to 2.16 percent of payroll in 1991 (Figure A). As this period progressed, the workers' compensation insurance industry declared itself in a crisis mode. Several factors contributed to the industry's problems. Benefit payments increased rapidly, but in many states, insurance carriers were unable to gain approval from regulators for rate filings with the significant premium increases the industry felt were justified. As a result, the workers' compensation insurance industry lost money every year between 1984 and 1991, even considering investment income.

Figure B
Workers' Compensation Insurance Premium Level Changes Due to Changes in Benefits, 1980-2004



Source: Table 5.

The Neo-Reform Era: 1992-2000. As previously noted, the multi-year decline in benefits between 1992 and 2000 (shown in Figure A) was unprecedented in duration and magnitude since at least 1946. The employers' costs of workers' compensation also declined sharply between 1992 and 2000. As benefits and costs declined in the 1990s, insurer profitability quickly improved. The period from 1994 to 1997 was the most profitable period in at least twenty years for workers' compensation insurance.

The developments between 1992 and 2000 can best be understood as a reaction to the escalating costs in the period from 1985 to 1991, which galvanized political opposition from employers and insurers to compensation programs that had been liberalized in the 1970s and 1980s. Over half of the state legislatures passed major amendments to workers compensation laws between 1989 and 1996, generally reducing benefits and attempting to contain health care costs. Eligibility rules for workers' compensation were tightened in many states, making it harder for workers to qualify for benefits. The statutory levels of cash benefits were reduced in a number of jurisdictions, especially permanent partial disability benefits (paid to workers with long-term consequences of their injuries). The workers' compensation health care delivery system was transformed, including in many jurisdictions the introduction of managed care and the shift of control for the choice of the treating physician from workers to employers. In addition to precipitating these statutory changes in workers' compensation programs, the higher workers' compensation costs of the late 1980s resulted in increased efforts at prevention and disability management by employers during the 1990s. These developments are examined in Spieler and Burton (1998), Burton and Spieler (2000), Thomason and Burton (2001), and Burton and Spieler (2004).

A New Era of Increasing Benefits and Costs: 2001- ? Benefits as a percent of payroll and costs as a percent of payroll both increased in 2001 for the first time in a decade, and continued their climb through 2003 (Figure A). Do these recent developments mean we have entered a new era of increasing benefits and costs? There is no clear answer to this question because of conflicting factors influencing costs and/or benefits.

First, the increase in employers' costs between 2000 and 2003 were due in part to the workers' compensation insurance industry increasing premiums more rapidly than incurred losses (benefits). The incurred loss ratio (losses as a percent of premium) declined from 73.5 in 2000 to 72.0 in 2003 (Yates and Burton 2005). These developments suggest that the

Table 5
Workers' Compensation Insurance Premium Level Changes Due to Changes in Benefits, 1980-2004

Year	Benefit Change (Percent)
1980	2.7
1981	3.1
1982	4.3
1983	5.0
1984	2.7
1985	1.7
1986	1.3
1987	0.7
1988	1.4
1989	0.5
1990	1.3
1991	-0.3
1992	0.9
1993	-2.0
1994	-1.8
1995	0.1
1996	-0.1
1997	0.4
1998	0.4
1999	0.3
2000	0.8
2001	0.8
2002	0.7
2003	1.8
2004	-8.8

Source: John F. Burton, Jr. and Florence Blum, *Workers' Compensation Compendium 2005-06, Volume 2*, Table 9, pg. 47.

Note: The benefits change refers to adjustments in premium levels to account for statutory benefit changes adopted by state legislatures, as well as changes in medical fee schedules and hospital rates.

rapid increases in the employer' costs of workers' compensation between 2000 and 2003 were partially due to the increased spread between incurred losses (benefits) and premiums. The incurred loss ratio further dropped to 68.4 in 2004, while the overall operating ratio (which considers all expenses and revenue, including investment income) declined to 93.7. The relatively profitable underwriting experience in 2004 may

result in slower increases in insurance rates for the next few years.

Second, presumably the states that were the easiest to “reform” had their benefits cut and eligibility tightened during the 1990s, which suggests that similar reforms should be harder to achieve in the current era, thereby making benefit reductions of the magnitude achieved in the 1990s less likely in the current era. However, as shown in Figure B and Table 5, the National Council on Compensation Insurance (NCCI) reported that benefits were reduced more in 2004 than in any year in the 1990s (and indeed in any year since the NCCI series began in 1960). The NCCI data reflect statutory benefit changes adopted by state legislatures (mainly involving cash benefits) plus changes in medical fee schedules and hospital rates. Presumably these changes in statutory provisions and fee schedules will result in lower payments of workers’ compensation benefits in subsequent years.

While the first two factors suggest that benefit payments and costs may have slower rates of increase (or possibly even declines) in the next few years, a third factor is likely to result in higher benefit payments and employers’ costs. Employers’ expenditures on group health insurance and the payments of medical benefits by the workers’ compensation program generally move in a roughly parallel fashion, as shown in Figure C and Table 6. During the 1980s, for example, employers’ expenditures on group health insur-

Table 6
Employers' Expenditures on Medical Benefits, 1980-2004

Year	Group Health Insurance (Billions) (1)	Group Health Annual Rate of Increase (Percent) (2)	Workers' Compensation Medical (Billions) (3)	Workers' Compensation Annual Rate of Increase (Percent) (4)
1979	52.6	--	3.5	--
1980	61.0	16.1%	3.9	12.1%
1981	71.7	17.5%	4.4	12.3%
1982	82.6	15.3%	5.1	14.2%
1983	91.5	10.7%	5.7	12.3%
1984	100.3	9.7%	6.4	13.1%
1985	110.0	9.7%	7.5	16.7%
1986	117.4	6.7%	8.6	15.3%
1987	126.2	7.5%	9.9	14.7%
1988	142.3	12.7%	11.5	16.2%
1989	158.6	11.5%	13.4	16.5%
1980's Averages	101.3	11.7%	7.3	14.3%
1990	176.9	11.5%	15.2	13.1%
1991	192.8	9.0%	16.8	10.8%
1992	215.7	11.9%	18.7	10.9%
1993	234.3	8.6%	18.5	-0.9%
1994	246.0	5.0%	17.2	-7.1%
1995	242.8	-1.3%	16.7	-2.7%
1996	242.9	0.0%	16.6	-1.0%
1997	246.1	1.3%	17.3	4.5%
1998	267.6	8.7%	18.1	4.7%
1999	294.1	9.9%	19.1	5.2%
1990's Average	235.9	6.5%	17.4	3.8%
2000	331.4	12.7%	20.4	7.1%
2001	353.3	6.6%	22.1	8.4%
2002	386.5	9.4%	24.3	9.9%
2003	424.1	9.7%	25.6	5.2%
2004	482.5	13.8%		

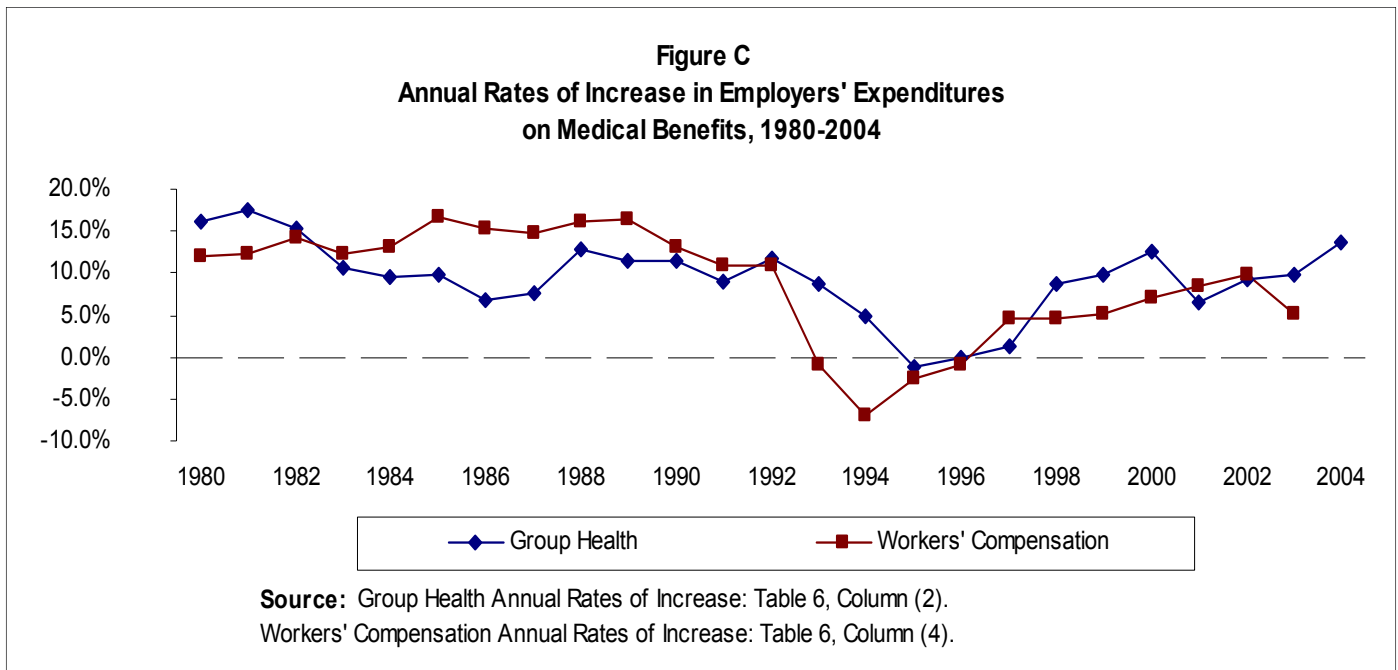
Sources: Column (1): Private Group Health Insurance, National Income and Product Accounts Table 7.8 Supplements to Wages and Salaries by Type, Bureau of Economic Activity, Department of Commerce, downloaded August 31, 2004 from www.bea.doc.gov/bea/dn/nipaweb/TableView.asp.
Column (3): Williams, Reno, and Burton (2004, Table 7).
Columns (2) and (4): calculated from data in columns (1) and (3).

ance increased 11.7 percent a year, while workers' compensation medical benefits increased by 14.3 percent a year. In the 1990s, both types of expenditures declined from the previous decade: employers' expenditures on group health insurance increased 6.5 percent a year, while workers' compensation medical benefits increased by 3.8 percent a year.

The results shown in Figure C and Table 6 make clear that the employers' expenditures on group health insurance and payments of medical benefits do not exactly track each other, and that the paths in expenditures can diverge for a few years. Nonetheless, over time there is a rough correspondence between the two types of medical care paid for by employers. What is particularly disturbing is that employer expenditures on group health insurance increased by 13.8 percent in

2004, the highest annual rate of increase since 1982. One possible scenario is that the relatively modest increase of 5.2 percent in workers' compensation health care in 2003 is an aberration and that when NASI issues its report next year, we will find that workers' compensation medical care expenditures accelerated in 2004.

Because of the uncertain net effect of the three factors discussed in this section plus possible other factors influential but unknown, it is not clear whether the surge in benefits and costs in the workers' compensation program since 2001 will continue, moderate, or accelerate. Stay subscribed for further data and analysis!



References

Burton, John F., Jr. 2004. "A Primer on Workers' Compensation." *Workers' Compensation Policy Review*, Vol. 4, No. 6 (November/December): 2-16. Reprinted in Burton, Blum, and Yates (2005): 1-16.

Burton, John F. Jr. 2005. "The Methodology for Estimating Costs and Benefits as a Percentage of Payroll, 1980-1988." *Workers' Compensation Policy Review*, Vol. 5, No. 1 (January/February): 25-26.

Burton, John F., Jr. and Emily A. Spieler. 2000. "Workers' Compensation and Older Workers." In Peter P. Burdett, Richard V. Burkhauser, Janice M. Gregory, and H. Allan Hunt, eds. *Ensuring Health and Income Security for an Aging Workforce*. Kalamazoo, MI: W. E. Upjohn Institute for Employment Research.

Burton, John F., Jr. and Emily A. Spieler. 2004. "Workers' Compensation and Older Workers." *IAIABC Journal*, Vol. 41, No. 2 (Fall): 26-30. Reprinted in Burton, Blum, and Yates (2005): 244-45.

Burton, John F., Jr., Florence Blum, and Elizabeth H. Yates. 2005. *Workers' Compensation Compendium 2005-06, Volume One*. Princeton, NJ: Workers' Disability Income Systems, Inc.

Nelson, William J. 1992. "Workers' Compensation: 1984-88 Benchmark Revisions." *Social Security Bulletin*, Vol. 55, No. 3 (Fall): 41-58.

Sengupta, Ishita, Virginia Reno, and John F. Burton, Jr. 2005. *Workers' Compensation: Benefits, Coverage, and Costs, 2003*. Washington, DC: National Academy of Social Insurance.

ance. The publications can be downloaded at no charge from: www.nasi.org.

Social Security Administration, Office of Policy, Office of Research, Evaluation, and Statistics. 2005. *Annual Statistical Supplement, 2004, to the Social Security Bulletin*. Washington, DC: Social Security Administration.

Spieler, Emily A. and John F. Burton, Jr. 1998. "Compensation for Disabled Workers: Workers' Compensation." In Terry Thomason, Douglas E. Hyatt, and John F. Burton, Jr., eds. *New Approaches to Disability in the Workplace*. Ithaca, New York: Cornell University Press and Industrial Relations Research Association. Excerpts reprinted in Burton, Blum, and Yates (2005): 229-243.

Thomason, Terry, Timothy P. Schmidle, and John F. Burton, Jr. 2001. *Workers' Compensation: Benefits, Costs, and Safety under Alternative Insurance Arrangements*. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

Thomason, Terry and John F. Burton, Jr. 2001. "The Effects of Changes in the Oregon Workers' Compensation Program on Employees' Benefits and Employers' Costs." *Workers' Compensation Policy Review*, Vol. 1, No. 4 (July/August): 7-23. Reprinted in Burton, Blum, and Yates (2005): 387-405.

Yates, Elizabeth and John F. Burton, Jr. 2005. "Workers' Compensation Insurance Industry Increases Profitability in 2004." *Workers' Compensation Policy Review*, Vol. 5, No. 4 (July/August): 3-9.

Two Books of Possible Interest to Subscribers

The July 2005 publication of the Industrial Relations Section of Princeton University entitled *Noteworthy Books In Industrial Relations and Labor Economics, 2004*, contains this review of *The Accidental Republic: Crippled Workingmen, Destitute Widows, and the Remaking of American Law* by John Fabian Witt.

This book is a historical analysis of American industrialization and the attendant crises of workplace accidents that shaped the New Deal, twentieth-century American tort doctrine, workers' compensation, and U.S. social policy in general. Witt documents the contingent clash of social, cultural and political forces involving the courts, corporations, and state and federal government that resulted in a paradigm shift from the ideology of free labor -- based on individual autonomy and freedom of contract -- to our current conceptions of insurance based on shared risk. By highlighting the accidental features of the evolution of the law of accidents, the author provides a reassessment of the development of American tort law that complicates historically deterministic accounts based on rational, formal models. He concludes by outlining the impact of this history on contemporary accident-law issues concurring mass torts, class actions and catastrophic risks.

311 pages. \$52.50 hard cover. ISBN 0-674-01267-4. Published 2004. Available from the Harvard University Press, 100 Maple Ridge Drive, Cumberland, RI 02864.

Workplace Injuries and Diseases: Prevention and Compensation: Essays in Honor of Terry Thomason has been published by the W.E. Upjohn Institute for Employment Research. The volume, edited by Karen Roberts, John F. Burton, Jr., and Matthew M. Bodah, is based on a conference held at the University of Rhode Island in honor of Terry Thomason, who was a distinguished scholar of workers' compensation, workplace safety, and collective bargaining before his untimely death in 2002.

The book contains 11 chapters, including "Economic Incentives and Workplace Safety" by Terry Thomason, which is an insightful review of the literature on topics such as the effect of experience rating in workers' compensation on safety. "The Adequacy of Workers' Compensation Cash Benefits" by Leslie I. Boden, Robert T. Reville, and Jeff Biddle documents the inadequacy of permanent partial disability benefits in California, New Mexico, Oregon, Washington, and Wisconsin. "Health Care and Workers Compensation" by Cameron Mustard and Sandra Sinclair examines the relatively low cost of health care for injured workers in Canada compared to the U.S. Peter Barth, in "Revisiting Black Lung: Can the Feds Deliver Workers' Compensation for Occupational Disease?", examines the role of the Federal Government in providing benefits to workers who arguably have not been well served by state workers' compensation programs. Karen Roberts explores "The Structure of and Incentives from Workers' Compensation Pricing" in her chapter. John Burton, in "Permanent Partial Disability Benefits," proposes five criteria for evaluating PPD benefits, including delivery system efficiency and affordability.

301 Pages. \$20.00 paper. ISBN 0-88099-324-3. Published July 2005. Available from the W. E. Upjohn Institute for Employment Research, 300 S. Westnedge Avenue, Kalamazoo, MI 49007-4686. Phone: 888-227-8569. Fax: 269-343-7310. Online: <http://www.upjohninstitute.org/publications/titles/wid.html>

Summary of an Important Publication: Ten Years' Experience Utilizing an Integrated Workers' Compensation Management System to Control Workers' Compensation Costs

by Edward J. Bernacki and Shan P. Tsai

Published in the *Journal of Occupational and Environmental Medicine*, Vol. 45, No. 5 (May 2003): 508-516.

Available from: The full text of the article is reprinted in the *Workers' Compensation Compendium 2005-06, Volume One*. Information on the *Compendium* is provided on pages 26-27.

Digest. Bernacki and Tsai report on ten years of experience in the use of the Johns Hopkins Workers' Compensation Program (JHWCP), which is an integrated workers' compensation claims management system. The system ultimately covered 39,000 employees of seven entities: a university, three hospitals, a cleaning service, a security company, a home health care agency, and a physician practice company. The JHWCP was self-insured and self-administered, although a law firm reserved cases and represented the institutions at the Maryland Workers' Compensation Commission and Appellate Courts.

The claims payment and adjudication process was integrated with the safety and occupational medicine functions for the entities. As a result, claims management was not limited to adjusters and attorneys. Rather, all individuals who were stakeholders (e.g., safety professionals, employees, supervisors, human resource professionals, medical and nursing professionals, adjusters, and attorneys) were active participants in the claims process. The program was non-adversarial and encouraged early reporting, patient advocacy, facilitation of medical care, and prevention as primary strategies in managing claims.

Specialty medical care was provided by a PPO Network that consisted of eight to ten full-time Johns Hopkins faculty physicians. The PPO physicians constructed and utilized medical management guidelines and return-to-work protocols. A multi-disciplinary medical management workgroup (MMW) met twice a month to develop a coordinated treatment plan for each worker. A claims management group (CMW), which included both medical professionals and other practitioners, such as safety and human resource professionals, met once a month to formulate plans for all workers who lost time from work. The plans placed special emphasis on returning employees back to work as soon as possible through an extensive use of jobs with restricted or modified duties. The CMW also reviewed accident trends and recommended new loss prevention efforts.

A full-time nurse case manager (NCM) was added to the program in 2000. The NCM managed the cases handled by the PPO and also tracked cases for workers who received care from a non-PPO physician. Maryland is a state where the employee can choose his or her own physician, and so injured employees were free to select a doctor outside the PPO Network. The NCM reviewed the files for all cases and referred the employee to a PPO physician if there was a question about whether the injury was work-related or about the appropriateness of medical treatment. The NCM was responsible for authorizing diagnostic testing, medical treatment, surgery, and the purchase of durable equipment.

... workers' compensation costs can be reduced over a multi-year period utilizing a small network of clinically skilled health care providers ... where communication between all parties (e.g., medical care providers, supervisors, and injured employees, etc.) is constantly maintained.

During the ten years covered by the study, the frequency of lost-time claims decreased 73 percent and the frequency of medical-only claims dropped 61 percent. The number of days of temporary total disability benefits paid per 100 employees decreased from 163 in 1992 to 37 in 2002. Total workers' compensation expenses, including all medical, indemnity, and administrative costs, decreased from \$0.81 per \$100 of payroll in 1992 to \$0.37 per \$100 of payroll in 2002, a 54 percent decrease.

Bernacki and Tsai concluded their abstract for the article with this passage:

These data suggests that workers' compensation costs can be reduced over a multi-year period utilizing a small network of clini-

cally skilled health care providers who address an individual worker's psychological, as well as physical needs, and where communication between all parties (e.g., medical care providers, supervisors, and injured employees, etc.) is constantly maintained. Furthermore, these results can be obtained in an environment in which the employer pays the full cost of medical care and the claimant has free choice of medical provider at all times.

Editor's Comments. The article is particularly noteworthy because of the credentials of the authors. Edward Bernacki is a physician with a master's degree in public health. He is an Associate Professor of Medicine and Director of the Division of Occupational and

Environmental Medicine in the Department of Medicine at Johns Hopkins University. Shan P. Tsai has a Ph.D. and is a Senior Health Specialist and Manager of Epidemiology for the Shell Oil Company.

Controlling medical costs has been a major concern of the workers' compensation program for the last 20 years. Many of the efforts at reform have focused on fee schedules, limits on the employee's choice of treating physician, and variants of managed care. This article suggests that a better way to control costs, while also improving the outcomes for injured workers, is the use of a non-adversarial health care delivery system that integrates the expertise of all the parties concerned with effective care, reemployment of workers, and prevention of additional injuries,

The Workers' Compensation Policy Review

ISSN 1532-9984

Annual Subscription (6 issues) \$197/ yr.

Government entities, nonprofit organizations, academic institutions, and individuals paying by check \$137/ yr.

Individual Issues \$50 each

Surcharge for international subscribers \$10

While supplies last, subscribers will receive a free custom binder for storing and organizing issues.

Subscribers are also able to download back issues in PDF format.

Order now by calling toll free: **888-580-8673**.

WORKERS' COMPENSATION POLICY REVIEW is published by Workers' Disability Income Systems, Inc., 56 Primrose Circle, Princeton, NJ 08540-9416, tel 732-274-0600/ fax 732-274-0678 or editor@workerscompresources.com. Copyright 2005 Workers' Disability Income Systems, Inc. Fulfillment is by M. Lee Smith Publishers LLC, 5201 Virginia Way, P.O. Box 5094, Brentwood, TN 37024-5094, 1-800-274-6774 or custserv@mleesmith.com or <http://www.mleesmith.com>. Photocopying or reproducing in any form in whole or in part is a violation of federal copyright law and is strictly prohibited without the publisher's consent. Editorial inquiries should be directed to John F. Burton, Jr., Editor; Elizabeth H. Yates, Assoc. Editor; or Florence Blum, Production Coordinator at 56 Primrose Circle, Princeton, NJ 08540-9416 732-274-0600; fax 732-274-0678; email: editor@workerscompresources.com.

WORKERS' COMPENSATION POLICY REVIEW is not intended to be and should not be used as a substitute for specific legal advice, since legal opinions may only be given in response to inquiries regarding specific factual situations. If legal advice is required, the services of counsel should be sought.

WORKERS' COMPENSATION COMPENDIUM 2005-06

The **Workers' Compensation Compendium 2005-06** is the first edition of an annual publication designed to serve several audiences:

(1) *workers' compensation practitioners*, such as state and federal administrators and adjudications, employers, union officials, insurers, attorneys, who need current information about the benefit levels, coverage provisions, costs, and other aspects of workers' compensation programs in various states;

(2) *workers' compensation policymakers* who want analyses of significant issues, such as the policies that may control workers' compensation medical costs and the challenges to the exclusive remedy provision, which limits the right of injured workers' to bring tort suits against their employers; and

(3) *researchers* who need information about recent studies and program developments in order to improve their own analyses.

The *2005-06 Compendium* consists of six parts published in two volumes.

Volume One contains Parts I and II of the 2005-06 Compendium.

Part I includes reprints of significant articles from the first 26 issues of the *Workers' Compensation Policy Review*, spanning the issues from January/February 2001 through March/April 2005, as well as some material that will appear in subsequent issues.

Part I also includes significant articles, chapters, and reports that were originally published elsewhere but that warrant reprinting in the *2005-06 Compendium*. The articles originally appeared in the *Monthly Labor Review*, *The Millbank Quarterly*, the *Journal of the American Medical Association*, the *Journal of Occupational and Environmental Medicine*, and the *IAIABC Journal*. The chapters and reports originally appeared in the *International Encyclopedia of Business & Management* and in publications of the Workers Compensation Research Institute, the Labor and Employment Relations Association (formerly the Industrial Relations Research Association), the RAND Institute for Civil Justice and Health, and the California Commission on Health and Safety and Workers' Compensation.

Part II contains a detailed Subject Index plus a Jurisdiction Index to the articles, chapters, and reports contained in Part I.

Volume One Examines a Variety of Topics Pertaining to Workers' Compensation.

There are 45 separate entries (articles, chapters, and reports) and 422 pages in Part I. The Table of Contents can be examined at the Web site www.workerscompresources.com under *Workers' Compensation Compendium*. A brochure with more information on the *Compendium* can be obtained by calling 732-274-0600 or by faxing a request to 732-274-0678.

The *Workers' Compensation Compendium Volume One* can be ordered through any bookstore using the 10-digit ISBN: 0-9769257-0-2 or the 13-digit ISBN: 978-0-9769257-0-5 at the price of \$69.95. An order form is included on the back page of this issue of the *Workers' Compensation Policy Review*, which includes a special rate for subscribers to the *Policy Review*.

Volume Two contains Parts III to VI of the 2005-06 Compendium.

Part III, Section A contains *The Workers' Compensation Policy Review Guide to U.S. and Canadian National and Multi-Jurisdictional Data and Information on Workers' Compensation Programs*. The *Guide to Data and Information* includes a catalogue of sources of available data and information on eleven topics, including *inter alia* coverage of employees and employers, cash benefits prescribed by statute, medical benefits prescribed by statute, the costs of workers' compensation, and workers' compensation insurance arrangements.

The *Guide to Data and Information* also contains detailed information on the sources from which data can be obtained,

Part III, Section B includes a set of 13 tables with extensive information on workers' compensation programs, including extensive historical data on the costs of workers' compensation insurance and on the statutory adequacy of cash benefits.

Part III, Section C includes selected tables from the latest report by the National Academy of Social Insurance on the coverage, benefits, and costs of U.S. workers' compensation programs.

Part III, Section D includes information on state workers' compensation agencies.

Part III, Section E provides information on special funds that operated as part of the workers' compensation programs in many states.

Part III, Section F documents the extent of state compliance with the 19 essential recommendations of the National Commission on State Workmen's Compensation Laws.

Part III, Section G includes excerpts from the Model Workers' Compensation Law published by the Workmen's Council of State Governments.

Part IV reproduces the 20 tables from the January 2005 edition of *State Workers' Compensation Laws*, which is published by the Office of Workers' Compensation Programs, Employment Standards Administration of the U.S. Department of Labor. We have found this to be the most reliable and comprehensive source of information on current U.S. workers' compensation programs. We appreciate the assistance of Shelby Hallmark of the U.S. Department of Labor in making this publication available to us on a timely basis.

Part V provides descriptions of three organizations that conduct and sponsor research on workers' compensation and workplace safety and health. They are the Workers Compensation Research Institute, the California Commission on Health and Safety and Workers' Compensation, and the Institute for Work and Health.

Part VI is an index to the material contained in Parts III to V.

Volume Two provides a plethora of information and data on workers' compensation programs.

There are 319 pages in Parts III to V plus the index on Part VI. The Table of Contents can be examined at the Web site www.workerscompresources.com under *Workers' Compensation Compendium*. A brochure with more information on the *Compendium* can be obtained by calling 732-274-060 or by faxing a request to 732-274-0678.

The *Workers' Compensation Compendium Volume Two* can be ordered through any bookstore using the 10 digit ISBN: 0-9769257-1-0 or the 13 digit ISBN: 978-0-9769257-1-2 at the price of \$59.95. An order form is included on the back page of this issue of the *Workers' Compensation Policy Review*, which includes a special rate for subscribers to the *Policy Review*.

Order Form for *Workers' Compensation Compendium 2005-06*

with Special Pricing for Subscribers to the Workers' Compensation Policy Review Valid until December 31, 2005

Workers' Compensation Compendium Volume One

_____ Copies at \$69.95

Workers' Compensation Compendium Volume Two

_____ Copies at \$59.95

Total for Volumes

Sales Tax: Add 6% if Shipped to New Jersey

Shipping and Postage

\$12 per Volume in US; \$15 per Volume outside US

Shipping and Postage - NO CHARGE - if both Volumes

ordered concurrently

Total

Fax Orders: Send this Form to 732-274-0678

E-Mail Orders: www.workerscompresources.com and click on
Workers' Compensation Compendium

Mail Orders: Send this form to:
Workers' Disability Income Systems, Inc. (or WDIS, Inc.)
56 Primrose Circle
Princeton, NJ 08540

Telephone Orders: Call 732-274-0600

Name: _____ Title: _____

Company: _____

Address: _____

City: _____ State: _____ Zip Code: _____

Fax: _____ E-Mail: _____

Check enclosed

Credit Card # _____ Exp. Date: ____/____

Bill Me VISA Master Card AMEX

Signature: _____

Please make checks payable to WDIS, Inc.

Compendium 29 WCPR