

## ***Workers' Compensation: Coverage, Benefits, and Costs, 1992-93***

*by Jack Schmulowitz\**

Benefit payments under workers' compensation programs in the United States during 1992-93 stabilized in comparison with the experience of prior years, which had been marked by substantial growth. In 1992, the total benefit amount of \$44.7 billion was 5.9 percent higher than the amount in 1991. The 1993 benefit amount of \$42.9 billion represented a 3.9 percent decrease from the amount in 1992. From 1991 to 1993, benefits increased by only 1.8 percent. The payments for 1993 included \$25.4 billion in wage-loss compensation and \$17.5 billion for medical care.

Employer costs of providing workers' compensation was \$55 billion in 1992 and \$57.3 billion in 1993. The cost of protection per covered employee was \$597 in 1993, equal to \$2.30 per \$100 of payroll. In the same year, there were 96.1 million workers covered under Federal and State programs.

This article examines 1992-93 program experience in terms of benefits, costs, and the components of change.

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Benefit payments and employer costs under workers' compensation programs in the United States experienced both growth and decline during the 1991-93 period. Benefits were \$42.2 billion in 1991, \$44.7 billion in 1992, and \$42.9 billion in 1993 (table 1). The 1992 figure represented a 5.9 percent increase over the amount in 1991, while in 1993, there was a 3.9 percent decrease from 1992. Payments in 1993 were only \$756 million higher than those in 1991—a 2-year increase of 1.8 percent.

Employer costs of providing workers' compensation benefits declined by \$224 million from 1991 through 1992 to \$55 billion, and then increased to \$57.3 billion in 1993. The increase over the 2-year period, 1991-93, was 3.8 percent. Employee coverage increased from 93.6 million workers in 1991 to 94.6 million in 1992, and to 96.1 million in 1993, reflecting the growth in the work force during this period.

Workers' compensation programs provide medical and hospital care, and income-maintenance protection to workers whose disabilities are the result of work-related injuries or illnesses. The income-maintenance benefits are intended as partial replacement for lost wages. The programs also provide survivor benefits to the dependents of deceased workers whose deaths result from job-related accidents and/or occupational diseases. Before the enactment of workers' compensation laws, an injured worker could recover damages only if he or she could establish that the incident was due to the negligence of the employer. Currently, proof of employer negligence is not a prerequisite for benefit payment.

The Federal Act of 1908 was the first workers' compensation law in the United States. This legislation provided limited benefits for certain Federal employees engaged in hazardous work. By 1911, workers' compensation legislation had been enacted in nine States and, by 1920, all but seven States had established such programs. However, it was not until 1949 that all States had programs to furnish income-maintenance protection. Today, workers' compensation consists of separate programs in 50 States and the District of Columbia, and 2 Federal programs: the

Federal Employees' Compensation Act, covering civilian Federal Government employees; and the Longshore and Harbor Workers' Compensation Act, covering longshore, harbor, and other maritime workers.<sup>1</sup>

In addition, the Federal Black Lung program, a specialized workers' compensation program, protects coal miners with pneumoconiosis ("black lung" disease). Under this program, enacted into law in 1969, monthly cash benefits are payable to miners disabled by black lung disease and to their dependents or survivors. Medical benefits are also payable for diagnosis of pneumoconiosis and treatment for conditions resulting from the disease. Claims filed prior to July 1973, are paid from general revenues under a program administered by the Social Security Administration (SSA); claims filed after that date are paid from a Department of Labor-administered trust fund financed mainly by an excise tax on coal.

The total amount of benefits received under workers' compensation programs and the Social Security Disability Insurance (DI) program is limited by a Social Security Act offset provision. Under this provision, a reduction in the disabled-worker's benefit (and in family benefits based on the worker's earnings record) may be made for any month to fully or partially offset a worker's compensation benefit received for the same month. This reduction is made only if the total benefits payable to the worker (and dependents) under the Social Security Act, plus those paid to the worker as workers' compensation, exceed the higher of 80 percent of his or her "average current earnings" before onset of disability or the family's total Social Security benefit before the reduction. The disabled-worker's benefit will not be reduced if the workers' compensation law provides for the reduction of that benefit when he or she is entitled to disabled-worker's benefits, if such provision was in effect as of February 1981.

State workers' compensation programs generally are administered by industrial commissions or special units within each State's department of labor, and the Federal programs are adminis-

tered by the Department of Labor. The District of Columbia administers its own workers' compensation program. Although all programs are based on the principle of compensation without regard to fault, the enactment of a different law in each jurisdiction and repeated subsequent amendments to these laws result in many variations among State programs.

### Coverage

An estimated 96.1 million persons were covered under workers' compensation programs in 1993. This figure represents a 2.7 percent increase over the 93.6 million workers covered in 1991, reflecting the recovery from the economic downturn of the prior year. Coverage during the 1988-93 period was as follows (in millions):

Year	Number of workers covered
1988.....	91.3
1989.....	93.7
1990.....	95.1
1991.....	93.6
1992.....	94.6
1993.....	96.1

Many programs exempt from coverage employees of nonprofit, charitable, or religious institutions, and some programs limit coverage to workers in hazardous occupations. Among the most common exemptions are domestic service, agricultural employment, casual labor, and State and local government. In addition, not all workers employed in small firms (less than five employees) are covered. Seven States exempt employers with fewer than three employees, three States exempt those with fewer than four employees, and four States exempt those firms with fewer than five employees.

Coverage is compulsory for most private employment, except in New Jersey, South Carolina, and Texas. In these three States, workers' compensation programs are elective—that is, employers may accept or reject coverage under the law; but, if they reject such coverage, they lose the customary common-law defenses against suits filed by employees.<sup>2</sup>

Wage and salary payroll of workers covered by workers' compensation totaled \$2.5 trillion in 1993, about 82 percent of all civilian wage and salary disbursements in that year. Covered payroll was about 3.8 percent higher than that in 1992 and 8.4 percent higher than that in 1991.

### Benefit Payments

During 1992-93, benefit payments under workers' compensation programs stabilized in comparison with the experience of prior years. Benefits of \$44.7 billion in 1992 represented a 5.9 percent increase over the \$42.2 billion amount in 1991. However, the 1993 figure of \$42.9 billion was a 3.9 percent decrease from that in 1992 (table 1). Compared with 1991, benefits in 1993 increased only by 1.8 percent during the 2-year period. From 1986 through 1991, benefit levels rose by more than 10 percent in each year (table 2).

Table 1.—Estimates of workers' compensation benefit payments, by type of benefit, 1992-93

Type of benefit	[In millions]	
	1992	1993
Total.....	\$44,660	\$42,925
Medical and hospitalization.....	18,252	17,521
Compensation.....	26,408	25,403
Disability.....	24,410	23,450
Survivor.....	1,998	1,952
Regular programs, total.....	43,264	41,569
Medical and hospitalization.....	18,130	17,409
Compensation.....	25,134	24,160
Disability.....	23,857	22,930
Survivor.....	1,277	1,229
Black Lung program, total.....	1,396	1,355
Medical and hospitalization.....	122	112
Compensation.....	1,274	1,243
Disability.....	553	520
Survivor.....	721	723

Table 2.—Workers' compensation benefit payments, by type of insurer, selected years, 1952-93

[In millions]

Year	Total	Private carriers	State funds	Federal programs	Self-insurers
1952.....	\$785	\$491	\$157	\$36	\$101
1957.....	1,062	661	215	56	130
1962.....	1,489	924	307	64	194
1967.....	2,189	1,363	449	75	303
1972.....	4,061	2,179	837	542	504
1977.....	8,630	4,629	1,230	1,520	1,251
1982.....	16,407	8,647	2,196	2,572	2,993
1986.....	24,647	13,827	3,541	2,707	4,572
1987.....	27,318	15,453	4,084	2,698	5,082
1988.....	30,733	17,512	4,687	2,760	5,744
1989.....	34,316	19,918	5,205	2,760	6,433
1990.....	38,238	22,222	5,873	2,893	7,249
1991.....	42,169	24,515	6,713	2,998	7,944
1992.....	44,660	24,030	7,829	3,158	9,643
1993.....	42,925	21,773	8,105	3,189	9,857

Benefit estimates are for actual cash payments and for the cost of medical care provided in a year. The SSA series is for direct losses paid rather than for incurred losses. Private carrier benefits are from a national data-collection organization for private insurance. However, some modifications have been made on the basis of State agency information. State fund benefit payments are from reports of the State funds and from the data-collection organization that provides private carrier figures. Information on Federal programs is based on reports of the Department of Labor and the Social Security Administration.

For this series, estimates of self-insurance payments have been made from a variety of sources. Data derived from administrative records are not available for a number of States, therefore, State agency estimates are used. These estimates may be based on the amount of the assessment paid by the insurer, the number of closed cases, or the number of persons employed by self-insured employers.

Self-insured payment estimates used in 1990-91 were based on State agency reports received in 1988-89. For the 1992-93 update, it was considered necessary to secure new self-insurance estimates from the State

agencies that administer the programs. Contacts were made with each State that permits self-insurance and, for the most part, current estimates were secured.

The effect of this revision in self-insurance may be seen by comparing data for 1991 to that for 1992. In 1991, self-insurance payments were \$7.9 billion and in 1992, payments were \$9.6 billion. The 1993 increase, to nearly \$9.9 billion, reflects the initial availability of self-insurance in Texas.

Benefit payments under deductible policies present a data-collection problem. Under these policies, written by insurance carriers, the deductible is the amount that an employer is required to pay on a per accident or aggregate basis. The deductible can also be a combination per accident with an aggregate cap. The insurer is required to pay the full claim and then seek reimbursement from the employer for amounts within the deductible limits. Benefit amounts under deductible provisions are not available in the data source used by the collection organization that provides the carrier information for this series.

Deductible policies play an important role in Texas, where they first became available in 1992. It is estimated that 70 percent of the \$1.4 billion decline in written premiums from 1991 to 1992

was attributable to employer selection of deductible provisions. The popularity of deductible policies in 1992 may be attributable to the unavailability of self-insurance in Texas prior to January 1993. In other States, employers of large companies would have adopted self-insurance.<sup>3</sup> Benefits under deductible provisions from one State are included with private carrier payments in this article.

### *Insurer Experience*

Workers' compensation programs vary according to the methods used to assure that compensation will be paid when due. Employers generally insure workers for the required protection by three different methods: (1) private insurance, (2) publicly operated State funds, where available, or (3) self-insurance (used primarily by employers who have a large number of employees and who are able to provide proof of their financial ability to carry their own risk).

Insurance options are limited for employers in North Dakota and Wyoming because employers must insure through an exclusive State fund. In four other States—Nevada, Ohio, Washington, and West Virginia—employers must either self-insure or provide protection through an exclusive State-insurance fund. Federal employees are provided protection through a system that is federally financed and operated, the Federal Employees' Compensation program. In 1993, \$21.8 billion (50.7 percent) of benefits was paid by private insurers; \$8.1 billion (18.9 percent) by State funds; \$3.2 billion (7.4 percent) by Federal programs; and \$9.9 billion (23 percent) by self-insurers (table 2).

Payments by private insurance carriers, which increased annually in prior years, declined by \$500 million between 1991 and 1992. In 1993, these payments decreased further by nearly \$2.3 billion, from \$24 billion in 1992 to \$21.8 billion.

From 1991 to 1993, insurance carrier payments dropped in most States. California and Massachusetts each accounted for \$200 million in decreases, while

carrier payments in Texas were lower by nearly \$1 billion. However, \$450 million of the Texas benefit decrease may be attributable to the implementation of self-insurance in 1993 and the State-insurance fund in 1992. Also, payments under deductible policies, for which data are not available (see discussion earlier) are also a factor in the carrier experience.

From 1991 to 1993, payments made by State funds increased by nearly \$1.4 billion, of which \$250 million represented those by the Texas fund. During the same period, self-insurance payments rose by \$1.9 billion, generally reflecting improved data resulting from the recent reevaluation of this area. The initiation of self-insurance in Texas resulted in 1993 benefits of \$251 million. Self-insurers accounted for \$9.9 billion (23 percent) of all workers' compensation in 1993, compared with \$7.9 billion (18.8 percent) in 1991.

### Types of Payments

Medical and hospital care accounted for 41 percent of the total amount of benefits paid to covered workers in 1992 and 1993. The cost of this care was \$18.3 billion in 1992 and \$17.5 billion in 1993 (table 1). Medical and hospital care includes first-aid treatment, physician services, surgical and hospital services, nursing services, medical drugs and supplies, and appliances and prosthetic devices.

Compensation or income-maintenance payments comprised the remaining 59 percent of program expenditures during the 2-year period. Compensation payments were \$26.4 billion in 1992 and \$25.4 billion in 1993. Of the total cost of compensation for both years, 92 percent was paid to disabled workers and the remaining 8 percent to survivors of deceased workers. Most programs provide weekly or monthly payments to the spouses of deceased workers for life or until remarriage, while all programs provide payments to children up to age 18 (later, if incapacitated or a student). Under the regular workers' compensation programs (excluding the Black Lung program), survivor payments for both

1992 and 1993 were only 5 percent of total compensation.

The Bureau of Labor Statistics (BLS) reported a 1993 workplace injury and illness incidence rate of 8.5 cases per 100 full-time equivalent private industry workers. The incidence rate for lost workday cases was 3.8. The incidence rates for 1989-93 are shown in table 3.

The total number of private sector workplace injuries and illnesses in 1993 was 6.7 million. Of these, nearly 3 million involved lost workdays. These findings are from the Survey of Occupational Injuries and Illnesses. A full-time equivalent employee is defined on the basis of working 40 hours-per-week for 50 weeks-per-year.<sup>4</sup>

In 1993, the BLS Census of Fatal Occupational Injuries<sup>5</sup> reported 6,271 fatalities resulting from on-the-job injuries. Of these cases, 4,981 were wage and salary workers and 1,290 were self-employed. Highway-related incidents accounted for 20 percent of fatal occupational injuries; and homicides, the second leading cause of job-related deaths, comprised 17 percent. The 1992 BLS findings indicated 6,217 job-related deaths.

Under the Black Lung benefits program, a total of 292,000 beneficiaries (miners, widows, other principal beneficiaries, and dependents) received payments, as shown in the following tabulation:

	Number of beneficiaries
Total.....	291,578
Type of beneficiary	
Miners.....	72,530
Widows.....	147,437
Other principal beneficiaries.....	1,280
Dependents.....	70,331
Administrative agency	
Social Security Administration <sup>1</sup> ....	168,365
Department of Labor <sup>2</sup> .....	123,213

<sup>1</sup> Data for December 1993.

<sup>2</sup> Data for September 1993.

Effective January 1994, the basic black lung benefit for a miner or a widow without dependents was \$427.40 monthly. The maximum family benefit

Table 3.—Workplace injury and illness incidence rate per 100 full-time private industry workers: Total cases and lost workday cases, 1989-93

Year	Total cases	Lost workday cases
1989.....	8.6	4.0
1990.....	8.8	4.1
1991.....	8.4	3.9
1992.....	8.9	3.9
1993.....	8.5	3.8

payable to a miner or a widow with three or more dependents was \$854.80.

Black lung benefits are paid regardless of the age of the miner or dependent (other than a child) or the length of time from which the miner's disability began or death occurred. Benefit payments are reduced if the beneficiary is also receiving payments for disability (due to black lung) under a State workers' compensation program. Black lung benefits are not considered workers' compensation payments for purposes of applying the workers' compensation offset provisions under the Social Security DI program, and thus are not reduced due to receipt of DI benefits.

### State Variations

Each year, there are substantial differences both in the amount of benefits paid in each State and in the amount of benefits paid, by type of insurance. This range reflects a number of influences, such as the variation in State benefit formulas and maximum benefit amounts, the differences in methods of administration, the extent of litigation, the occupational distributions and incidence of disability, and, most importantly, the overall size of the labor force.

Workers' compensation benefits in California were \$7.6 billion in 1993, and represented 19 percent of the amount paid under all State programs in that year. As shown in table 4, four States accounted for benefit payments of \$2 billion or more: Pennsylvania—\$2.6

Table 4.—Estimates of workers' compensation payments, by State and type of insurance, 1992-93<sup>1</sup>

[Amounts in thousands]

Jurisdiction	1992				1993				Percent change in total payments
	Total	Insurance losses paid by private insurance <sup>2</sup>	State and Federal fund disbursements <sup>3</sup>	Self insurance payments <sup>4</sup>	Total	Insurance losses paid by private insurance <sup>2</sup>	State and Federal fund disbursements <sup>3</sup>	Self insurance payments <sup>4</sup>	
U. S. ....	\$44,660,001	\$24,029,837	\$10,987,473	\$9,642,691	\$42,926,519	\$21,773,000	\$11,296,383	\$9,857,136	-3.9
Alabama.....	480,980	314,650	...	166,330	460,693	269,781	...	190,912	-4.2
Alaska.....	127,170	102,770	...	24,400	122,145	97,545	...	24,600	-4.0
Arizona.....	398,815	164,367	159,190	75,258	402,165	154,365	177,122	70,678	.8
Arkansas.....	243,510	196,193	...	47,317	223,915	168,960	...	54,955	-8.0
California.....	7,907,451	4,280,764	1,348,998	2,277,689	7,625,062	4,074,854	1,201,452	2,348,756	-3.6
Colorado.....	721,601	292,348	282,053	147,200	682,604	260,998	280,307	141,299	-5.4
Connecticut.....	783,381	570,902	...	212,479	798,213	566,671	...	231,542	1.9
Delaware.....	88,782	63,657	...	25,125	84,473	60,567	...	23,906	-4.9
District of Columbia.....	125,667	75,435	...	50,232	122,461	70,877	...	51,584	-2.6
Florida.....	1,860,758	1,163,280	...	697,478	1,704,939	1,065,867	...	639,072	-8.4
Georgia.....	1,004,168	643,672	...	360,496	910,534	583,652	...	326,882	-9.3
Hawaii.....	288,004	211,844	13,323	62,837	323,763	242,066	11,200	70,497	12.4
Idaho.....	123,219	62,236	49,901	11,082	125,489	62,275	52,125	11,089	1.8
Illinois.....	1,749,914	1,277,438	...	472,476	1,667,748	1,217,456	...	450,292	-4.7
Indiana.....	375,027	330,617	...	44,410	363,572	320,519	...	43,053	-3.1
Iowa.....	258,940	218,545	...	40,395	240,061	202,545	...	37,516	-7.3
Kansas.....	297,396	239,369	...	58,027	306,536	230,273	...	76,263	3.1
Kentucky.....	475,364	332,755	...	142,609	457,464	320,225	...	137,239	-3.8
Louisiana.....	516,669	413,159	194	103,316	403,382	303,842	23,560	75,980	-21.9
Maine.....	429,185	326,748	...	102,437	340,547	252,543	6,613	81,391	-20.7
Maryland.....	565,140	312,218	108,811	144,111	547,750	283,852	114,910	148,988	-3.1
Massachusetts.....	1,205,116	1,058,092	...	147,024	976,304	864,178	...	112,126	-19.0
Michigan.....	1,428,083	691,371	119,780	616,932	1,436,909	666,871	114,460	655,578	.6
Minnesota.....	743,338	456,758	131,870	154,710	734,023	437,607	137,039	159,377	-1.3
Mississippi.....	246,968	164,481	...	82,487	213,603	142,048	...	71,555	-13.5
Missouri.....	698,109	453,771	...	244,338	655,569	426,120	...	229,449	-6.1
Montana.....	259,569	31,349	208,598	19,622	209,958	29,935	157,745	22,278	-19.1
Nebraska.....	156,533	128,983	...	27,550	160,361	127,968	...	32,393	2.4
Nevada.....	529,454	3,802	433,730	91,922	552,753	4,435	432,535	115,783	4.4
New Hampshire.....	206,493	167,879	...	38,614	194,015	157,734	...	36,281	-6.0
New Jersey.....	956,060	817,972	...	138,088	967,519	827,776	...	139,743	1.2
New Mexico.....	216,108	151,708	...	64,400	182,479	117,879	...	64,600	-15.6
New York.....	2,316,968	969,354	844,832	502,782	2,369,823	967,004	909,896	492,923	2.3
North Carolina.....	704,649	455,203	...	249,446	670,681	433,260	...	237,421	-4.8
North Dakota.....	70,800	...	70,800	...	60,274	74	60,200	...	-14.9
Ohio.....	2,364,434	15,663	1,863,900	484,871	2,352,971	18,519	1,834,769	499,683	-.5
Oklahoma.....	476,081	225,528	148,229	102,324	492,979	213,516	182,589	96,874	3.5
Oregon.....	476,050	232,047	161,646	82,357	468,459	224,950	162,466	81,043	-1.6
Pennsylvania.....	2,530,586	1,745,343	241,167	544,076	2,550,606	1,721,915	280,342	548,349	.8
Rhode Island.....	265,929	183,491	...	82,438	184,752	127,479	...	57,273	-30.5
South Carolina.....	349,716	229,064	...	120,652	343,910	225,577	...	118,333	-1.7
South Dakota.....	68,585	60,355	...	8,230	72,472	63,775	...	8,697	5.7
Tennessee.....	521,627	474,067	...	47,560	486,930	442,534	...	44,396	-6.7
Texas.....	2,682,475	2,625,934	56,541	...	2,118,714	1,617,313	251,393	250,008	-21.0
Utah.....	219,049	50,524	117,925	50,600	247,958	56,609	134,069	57,280	13.2

See footnotes at end of table.

Table 4.—Estimates of workers' compensation payments, by State and type of insurance, 1992-93<sup>1</sup>—Continued

[Amounts in thousands]

Jurisdiction	1992				1993				Percent change in total payments
	Total	Insurance losses paid by private insurance <sup>2</sup>	State and Federal fund disbursements <sup>3</sup>	Self insurance payments <sup>4</sup>	Total	Insurance losses paid by private insurance <sup>2</sup>	State and Federal fund disbursements <sup>3</sup>	Self insurance payments <sup>4</sup>	
Vermont.....	\$73,318	\$67,318	...	\$6,000	\$73,270	\$67,270	...	\$6,000	-0.1
Virginia.....	542,348	434,963	...	107,385	538,674	434,171	...	104,503	-7
Washington.....	1,252,926	19,437	\$1,047,230	186,259	1,346,040	13,549	\$1,127,507	204,984	7.4
West Virginia.....	455,575	1,985	355,519	98,071	475,828	3,068	378,087	94,673	4.4
Wisconsin.....	598,061	519,812	...	78,249	607,990	528,951	...	79,039	1.7
Wyoming.....	65,790	616	65,174	...	76,022	1,182	74,840	...	15.6
Federal.....	3,158,062	...	3,158,062	...	3,189,164	...	3,189,164	...	1.0
Civilian employee program <sup>5</sup>	1,751,393	...	1,751,393	...	1,822,339	...	1,822,339	...	4.1
Black Lung program <sup>6</sup>	1,395,910	...	1,395,910	...	1,355,628	...	1,355,628	...	-2.9
Other <sup>7</sup>	10,759	...	10,759	...	11,197	...	11,197	...	4.1

<sup>1</sup> Calendar-year figures (except Montana, Nevada, and West Virginia) for Federal civilian employees and "other" Federal workers' compensation programs; and for State fund disbursements in Maryland, North Dakota, and Wyoming, represent fiscal years ending in 1992 and 1993. Includes benefit payments under the Longshore and Harbor Workers' Compensation Act and extensions for the States in which such payments are made.

<sup>2</sup> Net cash and medical payments paid during calendar year by private insurance carriers under standard workers' compensation policies. Data primarily from A.M. Best Company, a national data-collecting agency for private insurance.

<sup>3</sup> Net cash and medical benefits paid by State funds compiled from State reports (published and unpublished); estimated for some States.

<sup>4</sup> Cash and medical benefits paid by self-insurers, plus the value of medical benefits paid by employers carrying workers' compensation policies that do not include standard medical coverage. Estimated from available State data.

<sup>5</sup> Payments to civilian Federal employees and to their dependents under the Federal Employees' Compensation Act.

<sup>6</sup> Includes \$573,410,000 in 1992 and \$561,328,000 in 1993 paid by the Department of Labor.

<sup>7</sup> Primarily, payments made to dependents of reservists who died while on duty in the Armed Forces, to individuals under the War Hazards Act, War Claims Act, and Civilian War Benefits Act, and to Civil Air Patrol and Reserve Officers Training Corps personnel, persons involved in maritime war risks, and to law enforcement officers (P.L. 90-921).

billion; New York and Ohio—\$2.4 billion each; and Texas—\$2.1 billion. These four States accounted for 24 percent of State program benefits in 1993.

### Employer Costs

Premiums paid by employers (including for the self-insured, the sum of benefits and estimated administrative costs—hypothetical premiums) totaled \$57.3 billion in 1993. This amount represented a \$2.3 billion increase from the 1992 figure of \$55 billion. The 1993 cost represented a 3.8 percent increase over the 2-year period, 1991-93. From 1991-92, employer costs declined by \$224 million.

In 1993, the total cost for each worker covered by workers' compensation programs was \$597, compared with \$587 in 1992 and \$590 in 1991 (table 5). The premium consists of the amount needed to pay benefits and to administer

the insurance operation, including sales and operating costs, claims administration, rehabilitation costs, profits, taxes, and reserves for future benefits.

As presented in table 6, the \$57.3 billion expended by employers in 1993 included:

- (1) \$33.6 billion to private carriers;
- (2) \$13.1 billion to State funds and for Federal programs (the Federal Employees' Compensation program and that part of the Federal Black Lung program financed by employers); and
- (3) \$10.6 billion in the cost of self-insurance (benefits paid by self-insurers in addition to estimated administrative expenses).

During the past 5 years, the relationship of costs to benefits—also called the loss ratio when expressed as a percent—has ranged between 70 percent in 1988

and 79 percent in 1992. The loss ratio was 73 percent for 1993. This relationship permits an examination of the percent of the employer contribution that is being paid as benefits to disabled workers and their dependents or survivors.<sup>6</sup> Costs may also be related to payroll covered under workers' compensation. This measure provides a perspective in relation to workers' compensation as a component of labor costs. In 1993, the premium cost per \$100 of covered payroll was \$2.30.

The wide differences that exist among individual employers are, of course, hidden by these overall cost ratios. The major factors in the differences are the employer's industrial classification and the hazards of that industry as modified by experience rating. The premium rate that an employer pays for industrial classification in one State, in comparison with the rate for the same classification in another State, also

Table 5.—Workers' compensation cost ratios for selected years, 1952-93

Year	Cost per covered employee	Cost per \$100 of payroll	Benefits per \$1 in costs <sup>1</sup>
1952.....	\$33	\$0.94	\$0.59
1957.....	39	.91	.62
1962.....	49	.96	.65
1967.....	67	1.07	.59
1972.....	93	1.14	.60
1977.....	195	1.71	.54
1982.....	296	1.75	.67
1987.....	430	2.06	.69
1988.....	475	2.16	.69
1989.....	510	2.27	.70
1990.....	560	2.36	.70
1991.....	590	2.40	.76
1992.....	587	2.31	.79
1993.....	597	2.30	.73

<sup>1</sup> Excludes programs financed from general revenues—most Federal Black Lung benefits, and in a few States, supplemental pensions.

Table 6.—Workers' compensation costs, by type of insurer, selected years, 1952-93

[In millions]

Year	Total	Private carriers	State funds	Federal programs <sup>1</sup>	Self-insurers
1952.....	\$1,333	\$956	\$229	\$40	\$108
1957.....	1,734	1,234	301	59	140
1962.....	2,323	1,651	395	68	209
1967.....	3,655	2,640	592	97	325
1972.....	5,832	4,181	899	211	542
1977.....	14,151	9,920	2,297	589	1,346
1982.....	22,764	15,398	2,640	1,509	3,217
1987.....	38,095	25,448	5,515	1,728	5,404
1988.....	43,284	28,538	6,660	1,911	6,175
1989.....	47,955	31,853	7,231	1,956	6,915
1990.....	53,123	35,054	8,003	2,156	7,910
1991.....	55,216	35,713	8,698	2,128	8,677
1992.....	54,992	32,789	9,608	2,229	10,366
1993.....	57,328	33,588	10,884	2,260	10,596

<sup>1</sup> Includes the Federal employee compensation program and that portion of the Federal Black Lung program financed from employer contributions.

reflects the level of benefits provided in the employer's jurisdiction and the method used to insure—commercial carrier, exclusive or competitive State fund, or self-insurance.

The relative stability of costs and benefits in 1992-93, compared with the increases of prior years appears to reflect

changes to reduce costs in State workers' compensation programs in recent years. These changes included implementation of managed health care plans, the improvement of workplace safety, provisions designed to reduce fraud, and the strengthening of procedures and guidelines for evaluation of impairments.

## Notes

<sup>1</sup> Data for the programs in Puerto Rico and the Virgin Islands are not included in this article.

<sup>2</sup> While New Jersey is technically an elective State, no employer has elected exemption from the workers' compensation statute, which requires that this election be made in writing prior to an accident.

<sup>3</sup> Joseph Shields and Annette Gula, "Texas Workers' Compensation Insurance Deductibles: A Descriptive Analysis of 1992 Policies." Texas Workers' Compensation Research Center, Austin, TX, 1994, pp. 1 and 6.

<sup>4</sup> Bureau of Labor Statistics, "Workplace Injuries and Illnesses in 1993," Release USDL 94-600, December 21, 1994.

<sup>5</sup> Guy Toscano and Janice Windav, "The Changing Character of Fatal Work Injuries," *Monthly Labor Review*, October 1994, pp. 17-28.

<sup>6</sup> These benefit estimates exclude amounts paid from general revenues, which cover most Federal Black Lung program benefits.