

program would operate under future conditions that might reasonably be expected to develop

The figures used here are based on the alternative II or "intermediate" assumptions from the 1977 Trustees Reports, including assumptions that

—mortality rates will decline overall by about 18 percent from 1976 to 2050

—the fertility rate will continue to decrease (from its estimated level in 1976 of 1.74 children per woman), going down to 1.65 children per woman in 1980, then the rate is assumed to increase gradually, reaching 2.1 by 2005 and remaining level thereafter

—disability incidence rates will continue increasing, reaching an ultimate level in 1986 that is 33 percent greater than the estimated 1977 level

—labor force participation rates for women will

increase to an ultimate level that is 13 percent greater than the 1976 level

—after 1981, the Consumer Price Index will increase by 4 percent annually

—after 1982, average wages in covered employment will rise by 5¼ percent annually

—the unemployment rate for the total labor force will be 5 percent after 1980

—hospital costs will increase by about 15 percent annually for the next 5 years, after 10 years the annual increase is assumed to be about 10 percent

Assumptions were also made concerning other variables, such as the timing pattern of fertility, migration levels, insured status, disability termination rates, marital status, administrative expenses, and interest rates

Notes and Brief Reports

Workers' Compensation Coverage, Benefits, and Costs, 1976*

Reflecting the improving economy, the number of workers covered by workers' compensation programs in an average week increased to 69.1 million in 1976. This 31-percent rise from the number a year earlier roughly paralleled growth in employment throughout the civilian labor force (3.4 percent) during the same period.

Benefits paid to workers and the cost of the program to employers both rose substantially, as they have for several years. In 1976, benefits totaled nearly \$7.5 billion and program costs, including sales expenses, profits, and costs of administration, amounted to \$10.9 billion. The latter figure represents a notable rise of almost \$2 billion or almost 23 percent over 1975 costs. The increase in costs from 1974 to 1975 was 13 percent. The 1976 rate of growth was more than double the average rate during 1970-75. Most of the growth in costs was explained by the continued rise in statutory benefits payable for

medical care and in indemnity awards and by continued inflation. During 1976, for example, the medical care component of the Consumer Price Index rose 9.5 percent.

COVERAGE

The number of workers protected by workers' compensation laws rose in 1976 by 2.1 million. In 1975, in contrast, it had fallen by 800,000 as a result of the national economic decline that year. In 1976, the proportion of all employed wage and salary workers covered by the laws rose to 88.5 percent, one percentage point higher than in 1975. This proportion has been growing since 1971.

The 1976 advance in coverage was consistent with a turnaround in the economy. Statutory extensions of coverage also had an impact during the year. Though an estimated 200,000 workers were added by law in 1976 to the covered work force, the impetus toward new statutory coverage has clearly slowed down in the past few years. In 1976 (and again in 1977) a few States actually made minor additions to the provisions excluding certain workers from protection. As the proportion of workers protected becomes rather high, of course, those still left out tend to be persons

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who for administrative or other reasons are the most difficult to incorporate into the system

Payrolls covered under workers' compensation laws are estimated each year by the Social Security Administration. For 1976, \$729-\$733 billion was paid to employees covered under workers' compensation laws—9 percent higher than the level for the preceding year. Covered payrolls represented about 84 percent of total civilian wage and salary disbursements. The proportion has fluctuated narrowly (84-86 percent) for at least 18 years.

BENEFITS

The \$7,463 million in cash and medical care benefits paid to injured workers in 1976 represented a 14.5-percent increase over the 1975 figure. This rate of change was 13.1 percent 1 year earlier. Improvements in statutory provisions, higher wage levels, and a continuing rise in the number of protected workers have all been factors in a particularly large increase in aggregate benefits registered during the 1970's.

Another element that has influenced the amount of benefits paid is the extent of work-related disability. The Bureau of Labor Statistics periodically publishes data on lost workdays resulting from occupational injury and illness in private industry.¹ When the number of workdays lost per workday-lost case is computed, a slowly upward moving average is revealed.

Year	Days
1973 -----	15.4
1974 -----	15.5
1975 -----	16.8
1976 -----	17.2

To the extent that workers' compensation claims loads have also followed this pattern, aggregate benefits recorded here presumably have also risen.

One component of workers' compensation payments—that is, payments to coal miners and their survivors under the Federal "black lung" program, hit its peak in 1973 and has since leveled off. As the following tabulation shows, the \$981 million paid in black lung benefits in 1976, although still a major component of all workers

[Amounts in millions]

Type of payment	1976	1975	Percentage change
Total	\$7 463	\$6 520	14.5
Regular	6 482	5,563	16.5
Black lung	981	957	2.5
Medical and hospitalization	1 230	1 200	16.5
Compensation	5 133	4 520	13.6
Regular	4 155	3 565	16.6
Black lung	978	955	2.4
Disability	4 328	3 800	13.9
Regular	3 735	3 205	16.5
Black lung	593	595	- .3
Survivor	805	720	11.8
Regular	420	360	16.7
Black lung	385	360	7.0

¹ Includes \$1.8 million in 1975 and \$2.6 million in 1976 paid for medical services under the black lung program.

compensation payments, was just 2.5 percent higher than the 1975 amount. Payments made to miners who filed their claims after June 1973 are the responsibility of the Department of Labor. Relatively few new claims filed since that date have been paid, partly as a result of litigation challenging such awards.

With the relatively stable black lung payments excluded, workers' compensation benefits were 16.5 percent higher in 1976 than in 1975—the second highest annual rate for regular program benefits since the series began in 1939. The tabulation above also shows that regular program benefits for medical care, for disability, and for survivors rose at about the same rate, but most of the proportional growth for black lung benefits (not including the minor amounts for medical care) occurred in the death-benefit segment.

The share of regular benefits devoted to medical care, to cash income for disability, and to income for survivors has been about the same for many years. A little more than one-third has gone for medical care costs, somewhat more than one-half for cash disability benefits, and less than one-tenth for survivor benefits.

Benefits paid by State and by type of insurance carrier in 1975 and 1976 are shown in the accompanying table. The \$3,976 million paid through private insurance accounted for 53 percent of the total in 1976. With the amounts disbursed under the black lung program excluded, insurance payments represented 61 percent of the total, a proportion that has remained about the same for many years. Payments made through State funds (25 percent of the 1976 total) and through self-insured employers (14 percent) also exhibited a rather stable pattern.

¹ For further details, see Department of Labor News Release No. 77-1031, dated December 1, 1977.

State Benefit Patterns

Statutory maximum weekly benefits rose in all but nine jurisdictions in 1976, either through legislation or, as was more often the case, as a result of "flexible" maximum-benefit provisions.² Two of the nine jurisdictions that did not increase benefits in 1976 enacted laws liberalizing benefits effective in 1977 or later.

Not only did the statutory benefit amounts rise, but in at least seven States the formula for determining the maximum amount was liberalized, up to 100 percent of the State average wage in several cases (In 1975, 12 States raised their benefit-wage formula.)

Notable is the contrast in benefit-amount patterns between States that adopted flexible maximum-benefit provisions as of the end of 1976 and those that still relied upon ad hoc legislative amendments to keep benefits abreast of changing wage levels. Thirty-six of the 39 jurisdictions (including the Federal employees' program) with flexible-maximum provisions raised their benefit levels in both 1975 and 1976. The exceptions were two States in which the automatic procedure was not instituted until 1976 and one where the increase in wages required to establish a new weekly benefit amount was not sufficient in 1975.

Both in 1975 and 1976, only four out of the 13 jurisdictions without automatic increase provisions increased benefits. Three of the 13 jurisdictions had adopted flexible provisions by the end of 1977. Among the remaining 10 still relying on ad hoc statutory benefit increases are California and New York, the two with the largest work forces, except for Arizona, all the other States are in the South or Midwest.

As the following tabulation shows, the rate of increase in total benefit payments from 1975 to 1976 varied considerably among the States. A greater number of States in 1976 than in 1975 had high annual rates of growth in benefit payments (15 percent or more). The distributions in terms of covered workers in these States demonstrates a similar upward pattern. Note that about one-third of the workers under workers' compensation laws are in States that increased their 1976 benefit payments by at least 20 percent over their 1975 payments.

² Under "flexible-maximum" provisions, benefit ceilings are raised automatically, generally as State wage levels rise.

Percentage Increase from preceding year	Number of States ¹		Percentage distribution of covered workers ¹	
	1976	1975	1976	1975
Total	52	52	100 0	100 0
Less than 5 0	1	4	1	9 6
5.0-9 9	11	10	28 0	23 3
10 0-14 9	7	10	12 7	22 4
15 0-19 9	13	10	25 7	22 3
20 0 or more	20	18	33 6	22 5

¹ Includes the program for civilian employees of the Federal Government and the District of Columbia.

As in many other social insurance and related programs, the benefits paid in a few States with the largest number of covered workers accounted for a disproportionate amount of total benefits. Employers in each of six States paid at least \$300 million in benefits in 1976, with California alone paying \$842 million. Payments in these six jurisdictions accounted for more than 41 percent of all workers' compensation benefits among the States (that is, with expenditures for Federal employees and black lung beneficiaries excluded).

On a regional basis, benefits paid in the New England States showed the lowest rate of growth in 1976—9.4 percent—as they had in each of the previous 2 years. In the other parts of the country, annual rates of change in benefit outlays for recent years through 1976 were not notable or consistent.

COST RELATIONSHIPS

The premium cost of workers' compensation was 1.48 percent of covered payroll in 1976. This ratio was 12 percent above the 1975 level—by far the largest 1-year increase since 1940. The cost-to-payroll ratio rose relatively rapidly from 1972 to 1976 (1.13 percent to 1.48 percent), compared with the change in the preceding 4 years (1.07 percent to 1.12 percent). In fact, the change in the 1972-76 period exceeded the combined change for the 31 earlier years for which data have been compiled, both absolutely and relatively. The recent large inflationary spurt in the economy plus the improvements in statutory coverage and benefit provisions have no doubt been the major forces propelling costs upward.

In absolute terms, \$10,852 million was paid by employers in 1976 to protect workers against work-related disability. As would be expected from the rise in payrolls in 1976 and the change

in the cost-payroll relationship, the 1976 premium total represented a 22.5-percent rise over the \$8,857 million 1975 figure—the largest jump in costs since 1948

Costs as defined here refer to the amounts spent by employers as premium payments to private insurance companies and to State insurance funds or as self-insurance benefits (including

Estimates of workers' compensation payments, by State and type of insurance, 1976 and 1975¹

[In thousands]

State	1976				1975				Percentage change in total payments from 1975 to 1976
	Total	Insurance losses paid by private insurance carriers ²	State and Federal fund disbursements ³	Self insurance payments ⁴	Total	Insurance losses paid by private insurance carriers ²	State and Federal fund disbursements ³	Self insurance payments ⁴	
Total	\$7,462,222	\$3,975,796	\$2,588,775	\$898,061	\$6,519,790	\$3,411,712	\$2,323,663	\$784,415	14.5
Alabama	58,824	42,024	-	16,800	48,680	34,760	-	13,900	20.9
Alaska	34,267	32,027	-	2,240	18,461	17,261	-	1,200	85.6
Arizona	74,775	38,261	31,364	5,150	69,788	35,399	29,549	4,850	7.1
Arkansas	42,506	35,806	-	6,700	37,940	31,990	-	5,950	12.0
California	841,798	557,880	176,918	107,000	723,067	472,406	156,161	94,500	10.4
Colorado	51,709	21,219	25,990	4,500	44,183	38,396	-	4,000	17.1
Connecticut	68,237	62,487	-	5,750	64,004	58,604	-	5,400	6.6
Delaware	11,915	8,990	-	2,920	10,281	7,761	-	2,520	15.9
District of Columbia	36,768	32,918	-	3,850	26,730	23,950	-	2,780	37.6
Florida	278,284	244,964	-	33,320	254,090	223,690	-	30,400	9.5
Georgia	93,668	80,088	-	13,610	77,475	66,225	-	11,250	20.9
Hawaii	28,623	21,523	-	7,100	27,129	20,399	-	6,730	5.5
Idaho	23,433	16,567	3,986	2,900	20,209	14,550	3,159	2,500	16.1
Illinois	305,636	256,636	-	49,000	238,672	200,472	-	38,200	28.1
Indiana	60,071	54,821	-	10,250	59,735	50,335	-	9,400	8.9
Iowa	46,158	35,458	-	7,700	37,446	31,196	-	6,250	23.3
Kansas	39,436	36,216	-	3,220	33,667	30,917	-	2,750	17.1
Kentucky	7,591	65,731	-	9,860	60,480	52,585	-	7,900	25.0
Louisiana	138,014	120,014	-	18,000	114,564	99,654	-	14,900	20.5
Maine	25,074	21,774	-	3,300	19,677	17,677	-	2,000	27.4
Maryland	86,354	69,484	4,320	12,550	73,441	59,098	3,673	10,670	17.6
Massachusetts	153,701	143,201	-	10,500	145,950	136,000	-	9,900	5.3
Michigan	384,364	222,754	13,200	148,400	333,710	193,410	11,500	128,800	15.2
Minnesota	107,978	92,278	-	15,700	85,965	73,455	-	12,500	25.6
Mississippi	29,515	27,175	-	2,340	26,711	24,591	-	2,120	10.5
Missouri	71,817	62,342	-	9,475	63,612	55,222	-	8,390	12.9
Montana	18,565	7,790	8,121	2,654	10,292	6,441	7,349	2,502	14.0
Nebraska	21,769	19,439	-	2,330	17,899	15,979	-	1,920	21.6
Nevada	31,635	163	30,972	500	25,176	60	24,716	395	25.7
New Hampshire	19,969	19,539	-	430	16,611	16,251	-	360	20.2
New Jersey	216,246	196,766	-	19,480	194,763	176,733	-	18,030	11.0
New Mexico	24,572	21,672	-	2,900	21,072	18,572	-	2,500	16.6
New York	447,180	282,226	108,234	56,630	406,807	261,417	93,890	61,500	9.9
North Carolina	62,040	54,190	-	7,850	50,828	44,378	-	6,450	22.0
North Dakota	9,546	106	9,440	-	7,627	65	7,562	-	25.2
Ohio	476,177	939	343,238	132,000	444,711	922	312,089	131,700	7.1
Oklahoma	72,341	51,199	12,355	8,830	59,735	46,549	5,896	7,290	21.1
Oregon	160,560	50,776	99,000	10,784	137,351	44,242	83,884	9,220	16.9
Pennsylvania	278,250	188,819	40,073	49,358	200,419	139,387	34,151	31,881	35.5
Rhode Island	23,082	21,842	-	1,240	18,627	17,627	-	1,000	23.9
South Carolina	36,075	32,215	-	3,860	31,058	27,738	-	3,320	16.2
South Dakota	6,436	5,596	-	840	5,548	4,828	-	720	16.0
Tennessee	73,459	66,779	-	6,680	61,649	56,049	-	5,600	19.2
Texas	400,058	400,038	-	-	360,333	360,333	-	-	11.0
Utah	17,797	5,067	9,760	2,970	16,274	4,063	9,501	2,710	9.4
Vermont	6,846	6,296	-	550	6,427	5,917	-	510	6.5
Virginia	80,414	63,314	-	17,100	65,902	51,902	-	14,000	22.0
Washington	179,174	5,909	149,415	23,800	157,625	4,347	133,818	19,460	13.7
West Virginia	81,407	131	59,996	21,280	75,866	55	55,979	19,832	7.3
Wisconsin	83,004	69,154	-	13,850	70,066	58,356	-	11,650	18.6
Wyoming	4,461	158	4,303	-	4,318	43	4,275	-	3.3
Federal work injury programs									
Civilian employees ⁵	465,981	-	465,981	-	368,825	-	358,825	-	29.9
Black lung benefits ⁷	980,817	-	980,817	-	957,200	-	957,200	-	2.5
Other ⁸	11,197	-	11,197	-	8,719	-	8,719	-	28.4

¹ Data for 1976 preliminary Calendar year figures, except that data for Montana and West Virginia, for Federal civilian employees and other Federal workers compensation, and for State fund disbursements in Maryland, Nevada, North Dakota, Utah, Washington, and Wyoming represent fiscal years ended in 1975 and 1976. Includes benefit payments under the Longshoremen's and Harbor Workers Compensation Act and Defense Bases Compensation Act for the States in which such payments are made.

² Net cash and medical benefits paid during the 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.

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

⁴ 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 the standard medical coverage. Estimated from available State data.

⁵ Includes payment of supplemental pensions from general funds.
⁶ Payments to civilian Federal employees (including emergency relief workers) and their dependents under the Federal Employees Compensation Act.

⁷ Includes \$9,461,000 in 1975 and \$17,550,000 in 1976 paid by U S Department of Labor.

⁸ 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 Acts and Civilian War Benefits Act and to cases involving Civil Air Patrol and Reserve Officers Training Corps personnel, maritime war risks, and law enforcement officers under P L 90-921.

administrative costs, estimated at 5-10 percent of self-insurance benefits) Excluded are costs associated with benefits financed through general revenues The largest item of this type is the cost of the Federal black lung benefits program

In 1976, estimated costs for each type of insurer amounted to: (1) \$7,832 million in premiums paid to private carriers, (2) \$1,530 million in premiums paid to State funds (for the Federal employees' programs financed through congressional appropriations, these "premiums" are the sum of the benefit payments and the costs of the administrative agency), and (3) \$898 million for self-insurance benefits and administration

The share of payroll devoted to benefits reflects the upward trend in costs in recent years In 1976, benefit expenditures were 0.88 percent of total covered payroll, compared with 0.67 percent in 1972 In cash terms, the 1976 figure was 88 cents of benefits paid for each \$100 of payroll, 21 cents higher than the 1972 amount From 1948 to 1972 the rise was 16 cents

A measure of the effectiveness of the workers' compensation system in delivering cash and medical care benefits for occupational disability is the ratio of benefits to premiums (loss ratio)

When benefits financed through general revenues are excluded, the loss ratio for all carriers in terms of direct premiums written fell from 62 percent in 1975 to 59 percent in 1976 This ratio has remained fairly stable, varying by no more than 3.4 percentage points in the period 1970-76

The loss ratio for private carriers was 50 percent in 1976 Corresponding loss ratios for the State-operated insurance funds have always been higher than those for private carriers The ratio of losses paid to premiums written for this group was 74 percent in 1976 Unlike the pattern for private carriers, the figures for State funds indicate a notable rise in the loss ratio in each of the past few years up to 1975 From 1975 to 1976 the ratios for both private carriers and State funds dropped several points

Comparisons between private carriers and State funds should take into account the premium income returned to employers as dividends but not provided for in the reported data, particularly with respect to private carriers Available data indicate that dividends, when related to total premium payments for both dividend-paying and non-dividend-paying companies, generally average 4-6 percent