

at ages 64 and 65; only about 12,000 men and 8,000 women filed at age 66 or later. Among those who filed at age 65, about 90 percent sought no retroactive entitlement. The vast majority were perhaps still employed and were filing only to establish their eligibility for hospital benefits; for these persons, the date of filing was probably close to the 65th birthday. The average monthly benefit amounts awarded were relatively high: for 86 percent of the men and 72 percent of the women, the PIA's were \$150 or more. Average benefit amounts were highest among those with no retroactive entitlement, and the proportion without any retroactivity was highest among those with PIA's of \$150 or more.

More than 80 percent of the persons who filed after attaining age 66 elected the full 12 months of retroactive entitlement. About 90 percent of those with PIA's of \$150 or more elected 12 months. Some of these beneficiaries may have delayed filing for benefits because they were still working, though they were technically eligible to file earlier. Others may have needed additional quarters of coverage to be eligible. For others, personal reasons may have accounted for the delay in filing.

Workmen's Compensation Payments and Costs, 1973*

Cash and medical payments under workmen's compensation programs in the United States increased in 1973 by more than \$1 billion, or 25 percent. This was by far the largest annual increase both in dollars and in percentage terms since the data for this series were first compiled for 1939. An estimated \$5,064 million was paid in 1973, including \$3,801 million in benefits provided through State programs and \$1,263 million through the various Federal programs. The most prominent Federal expenditure was for the black lung benefit program covering coal miners and their survivors.

The extraordinary rise in benefits during the

* By Daniel N. Price, Division of Retirement and Survivor Studies. For a 4-year review of the program, see Alfred M. Skolnik and Daniel N. Price, "Workmen's Compensation Under Scrutiny," *Social Security Bulletin*, October 1974, pages 3-25.

year was due to a combination of rising wage and employment levels and statutory changes liberalizing coverage and benefit provisions under the State programs and the Federal black lung law. About one-half of the \$1 billion addition to workmen's compensation programs was accounted for by the black lung program.

BLACK LUNG BENEFITS

The black lung program was established to compensate coal miners and their survivors for permanent total disability and death from pneumoconiosis or black lung disease, a respiratory illness contracted from working in coal mines. Payments began under this law in January 1970 and are due to terminate in 1981. Monthly benefits are raised automatically as national wage levels rise. A formula is used that links benefits indirectly to Federal employee salary scales under the Federal Employees' Compensation Act.

In May 1972, amendments to the Federal Coal Mine Health and Safety Act expanded its provisions. The amendments liberalized standards for the adjudication of benefit claims, extended eligibility for black lung benefits to surface coal miners, liberalized the definition of disability, established broader benefit rights for survivors, and allowed previously disallowed claims to be reconsidered under the new provisions.

The effects of these changes are easily seen. In May 1972 there were only about 250,000 black lung beneficiaries; by December 1973 the number had increased to 460,000. Including lump-sum payments for retroactive claims, the dollar amount spent for black lung benefits almost doubled—from \$554 million in 1972 to \$1,045 million in 1973. It is expected that benefit payments under this program peaked in 1973 and so will become a smaller part of workmen's compensation benefit totals in succeeding years as the backlog of claims dwindles.

STATE PROGRAMS

If the black lung program is excluded, the increase in total workmen's compensation benefits for 1973 drops from 25 percent to 15 percent—still an impressive rate and one not exceeded in any other year in the history of the series.

A major cause for the large increase in benefits was State legislation in 1972 and 1973, prompted in large part by the recommendations of the 1971-72 National Commission on State Workmen's Compensation Laws.¹ During 1972 and 1973, 23 State legislatures increased weekly benefits for temporary total disability, the most common type of disability. In another 21 States and in the Federal employees benefits program, the weekly maximums were raised automatically as a result of legislation that tied the maximums to a percentage usually 60 percent or 66 2/3 percent—of their Statewide average wage. Also, three States passed laws in 1973 establishing automatic benefit increases effective after that year.

Besides increases in benefit amounts for temporary total disability, many States increased weekly and total maximum benefits for permanent total disability, permanent partial disability, and death. A number of States increased the percentage of an employee's wage upon which the computation for benefits is based. At the end of 1973, more than four-fifths of the States computed benefits at 65 percent or more of wages for temporary or permanent disability or death. Nine States reduced their waiting period before benefits become payable retroactive to the date of injury (Alabama, California, Colorado, Florida, Maine, Maryland, New Hampshire, Utah, and Vermont).

Another element contributing to the growth in aggregate benefits during 1973 was the larger number of workers protected by workmen's compensation. Coverage under workmen's compensation was estimated for an average week in 1973 as 65.7-66.1 million wage and salary workers. About 3.8 million—or 6 percent—more workers were covered in 1973 than in 1972. This increase is the largest annual expansion recorded since World War II. Most of this growth stemmed from the increase in the employed labor force over the year; part is attributable to statutory extensions of coverage that brought in about 400,000 workers.

Sixteen States enacted laws in 1972 and 1973 affecting the number of covered workers in 1973. Eleven States added employees of smaller firms to coverage. Eight of these (Arizona, Florida,

Kentucky, Maine, Massachusetts, Ohio, Texas, and Vermont) now cover firms with one worker. The other notable additions to coverage were changes away from elective coverage to compulsory coverage in 6 States and inclusion of various farm-worker groups in 5 States.

The effects of increased wage levels and higher medical costs on total workmen's compensation benefits in 1973 were moderate compared with the major effects of the larger numbers of workers protected and the new liberalized benefit provisions. Average wages, to which cash benefits are related, increased by 6 percent for the second year in a row. Hospital and medical care prices rose by 3.9 percent, roughly the same rate of change as in the previous year, and well below the annual changes of 6-7 percent for the years 1967-71.

As shown in the following tabulation, medical and hospital care benefits in 1973 are estimated at \$1,430 million, almost \$200 million more than in 1972. Medical care benefits dropped to 28

[In millions]

Type of payment	1973	1972
Total.....	\$5,064	\$4,039
Medical and hospitalization.....	1,430	1,240
Compensation, total.....	3,634	2,799
Disability.....	2,964	2,339
Survivor.....	670	460

percent of all workmen's compensation benefits in 1973. But, if black lung benefits (none of which are for medical care²) are excluded, medical care comprised almost 36 percent of the total, about the same proportion that it has been for several years. Black lung benefits also affect the relative shares that disability and survivor compensation are of the total because survivors receive a very high proportion of all black lung benefits—\$395 million or about two-fifths of the total in 1973. In contrast, excluding the black lung program, it is estimated that in 1973 about \$275 million or only 7 percent of workmen's compensation benefits were cash payments to survivors.

As in recent years, the distribution of benefits in 1973 by type of insurance was stable if the black lung program is excluded. Private insurers

¹ See *The Report of the National Commission on State Workmen's Compensation Laws*, July 1972.

² Under regulations promulgated in 1973, certain medical services can be provided to black lung beneficiaries beginning January 1, 1974.

accounted for 63 percent of benefits, government funds 23 percent, and self-insurers more than 14 percent. Because black lung payments assumed such a large part of the total in 1973, benefits through private insurers were reduced to 50 percent of all workmen's compensation payments including black lung payments.

State Variation in Benefit Payments

The 10 largest States each paid at least \$100 million in benefits, and together they accounted for 61 percent of all workmen's compensation payments in 1973 (excluding black lung benefits). This proportion is only slightly higher than might be expected, since 56 percent of all workers covered by workmen's compensation are employed in these States. Examination of individual State data, however, makes it clear that the amount of benefit payments made by a State is affected not only by the number of workers covered but by other factors such as the liberality of benefit provisions and the industrial composition of the work force. Michigan, for example, with 4.3 percent of the Nation's work force under workmen's compensation laws, accounted for 6.8 percent of the benefits paid (excluding black lung payments), but Illinois, with 6.2 percent of covered employment, had just 4.4 percent of the 1973 payments. Altogether the 10 States that paid the lowest aggregate amounts (ranging from \$3.0 million to \$13.4 million) paid 2.1 percent of total benefits and accounted for 2.7 percent of covered employment.

The tabulation below demonstrates that the high average rate of increase in benefits nationally from 1972 to 1973 was widely distributed among

the States. No State paid lower benefits in 1973 than in 1972, and, for the first time in 30 years, none reported benefit increases of less than 5 percent.

The highest benefit increase from 1972 to 1973 among the State programs was almost 33 percent—in Arkansas—and the lowest was 5 percent—in New Jersey. Following patterns of recent years, the geographical area with the lowest rate of increase in benefit payments was the Middle Atlantic States,³ with a 9.7-percent growth, and the area having the highest was the South Central Atlantic States,⁴ with more than twice that percentage increase, 21.0 percent.

COST RELATIONSHIPS

The total cost of workmen's compensation to employers was estimated at \$6,722 million in 1973, an increase of 16 percent from 1972. At the same time, payrolls in covered employment rose by just 9.7 percent to an estimated \$563 billion. As a result, costs in terms of aggregate payroll jumped to \$1.19 per \$100 of payroll—one of the highest ratios in the history of the series. This ratio had stood fast at \$1.12–\$1.13 for the previous 3 years.

Costs as defined here refer to the amounts spent by employers as premium payments to private insurance companies and State insurance funds or as self-insurance benefits (including administrative costs, estimated at 5–10 percent of self-insurance benefits). In 1973, costs for each type of insurer amounted to an estimated: (1) \$4,869 million in premiums paid to private carriers; (2) \$1,226 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) about \$628 million as the cost of self-insurance benefits and administration.

As would be expected from the unusually high rate of increase in benefits, benefit payments as a percent of payroll also rose during 1973. Excluding black lung benefits and the small amount of State benefits that are funded from general

Percentage change in benefits	Number of States ¹		Percentage distribution of covered workers ¹	
	1972 to 1973	1971 to 1972	1972 to 1973	1971 to 1972
Total.....	52	52	100.0	100.0
Decrease.....	0	3	0	.9
Increase:				
Less than 5.....	0	8	0	18.6
5.0–9.9.....	9	14	21.6	40.5
10.0–14.9.....	15	17	23.9	24.8
15.0–19.9.....	15	4	28.9	12.1
20.0 or more.....	13	6	25.7	3.2

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

³ New Jersey, New York, and Pennsylvania.

⁴ Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia.

revenues, the \$4.0 billion paid in medical and cash benefits amounted to 71 cents for every \$100 of covered payroll in 1973, compared with 67 cents

in 1972. The 1973 benefit-payroll ratio was the highest since 1940 when the rate was estimated at 72 cents per \$100 of payroll.

Estimates of workmen's compensation payments by State and type of insurance, 1973 and 1972¹

[In thousands]

State	1973				1972				Percentage change in total payments, 1973 from 1972
	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.....	\$5,063,611	\$2,513,552	\$1,966,005	\$584,054	\$4,038,811	\$2,178,618	\$1,357,923	\$502,270	25.4
Alabama.....	35,054	24,174	-----	10,880	30,771	20,511	-----	10,260	13.9
Alaska.....	10,468	9,783	-----	685	9,170	8,570	-----	600	14.1
Arizona.....	56,232	25,014	26,818	4,400	50,675	21,031	25,444	4,200	11.0
Arkansas.....	28,777	24,277	-----	4,500	21,713	18,313	-----	3,400	32.5
California.....	548,696	357,995	123,231	67,370	469,363	306,032	105,361	57,790	16.9
Colorado.....	29,989	11,882	15,382	2,725	27,063	10,014	14,589	2,480	10.8
Connecticut.....	52,161	47,771	-----	4,390	47,327	43,342	-----	3,985	10.2
Delaware.....	7,938	5,988	-----	1,950	7,415	5,695	-----	1,820	7.1
District of Columbia.....	12,860	12,110	-----	750	9,946	9,186	-----	760	29.3
Florida.....	160,935	144,205	-----	16,730	126,636	113,471	-----	13,165	27.1
Georgia.....	50,982	43,572	-----	7,410	43,674	37,329	-----	6,345	16.7
Hawaii.....	19,500	15,000	-----	4,500	16,301	12,481	-----	3,820	19.6
Idaho.....	14,448	10,084	2,581	1,783	10,543	7,699	2,064	790	37.0
Illinois.....	178,798	150,108	-----	28,690	155,272	130,362	-----	24,910	15.2
Indiana.....	51,693	40,413	-----	11,280	47,838	37,403	-----	10,435	8.1
Iowa.....	24,698	20,498	-----	4,100	21,399	17,534	-----	3,865	14.9
Kansas.....	28,319	21,409	-----	1,910	20,839	19,136	-----	1,703	11.9
Kentucky.....	39,972	34,762	-----	5,210	34,298	29,823	-----	4,475	16.5
Louisiana.....	83,235	72,375	-----	10,860	77,572	67,452	-----	10,120	7.3
Maine.....	13,694	11,904	-----	1,790	11,065	9,620	-----	1,445	23.8
Maryland.....	58,668	44,935	3,913	9,820	49,615	37,668	3,577	8,370	18.2
Massachusetts.....	122,347	114,027	-----	8,320	104,424	97,819	-----	7,105	17.2
Michigan.....	273,530	168,141	9,759	105,630	242,784	140,677	8,362	93,745	12.7
Minnesota.....	62,769	52,739	-----	10,030	57,631	48,431	-----	9,200	8.9
Mississippi.....	21,507	19,807	-----	1,700	17,823	16,413	-----	1,410	20.7
Missouri.....	51,612	44,062	-----	7,450	48,112	41,157	-----	6,955	7.1
Montana.....	13,361	5,634	6,146	1,581	11,306	3,636	6,121	1,549	18.2
Nebraska.....	13,564	12,114	-----	1,450	11,610	10,365	-----	1,245	16.8
Nevada.....	18,027	55	17,657	315	15,763	99	15,339	315	14.4
New Hampshire.....	11,532	11,282	-----	250	9,328	9,128	-----	200	23.6
New Jersey.....	156,719	142,209	-----	14,510	149,300	135,481	-----	13,819	5.0
New Mexico.....	15,456	13,606	-----	1,850	13,127	11,557	-----	1,470	17.7
New York.....	342,374	218,002	81,012	43,360	321,346	205,049	75,602	40,695	6.5
North Carolina.....	40,555	35,415	-----	5,140	35,587	31,082	-----	4,505	14.0
North Dakota.....	5,726	18	5,710	-----	5,223	29	5,194	-----	9.6
Ohio.....	280,125	594	202,571	78,060	232,102	502	187,835	63,765	20.7
Oklahoma.....	39,970	32,448	4,632	2,890	34,399	27,935	3,974	2,490	16.2
Oregon.....	78,465	26,528	47,490	4,447	61,271	20,834	37,857	2,580	28.1
Pennsylvania.....	178,903	96,983	35,140	46,780	147,285	76,860	33,130	37,295	21.5
Rhode Island.....	14,792	13,992	-----	800	13,141	12,431	-----	710	12.6
South Carolina.....	21,842	19,502	-----	2,340	18,623	16,628	-----	1,995	17.3
South Dakota.....	4,428	3,848	-----	580	3,600	3,130	-----	470	23.0
Tennessee.....	45,449	44,049	-----	4,400	42,608	38,918	-----	3,890	13.2
Texas.....	227,057	227,057	-----	-----	188,432	188,432	-----	-----	20.5
Utah.....	10,998	2,743	6,425	1,830	10,062	2,250	6,127	1,675	9.4
Vermont.....	4,695	4,345	-----	350	3,980	3,665	-----	295	18.1
Virginia.....	45,050	35,470	-----	9,580	37,528	29,548	-----	7,980	20.0
Washington.....	87,124	3,447	75,187	8,490	76,641	2,730	69,666	4,245	13.7
West Virginia.....	48,479	79	36,502	11,898	40,669	45	30,925	9,699	19.2
Wisconsin.....	56,469	47,059	-----	9,410	49,630	41,360	-----	8,270	13.8
Wyoming.....	3,010	40	2,970	-----	2,514	55	2,469	-----	19.7
Federal workmen's compensation:									
Civilian employees ⁵	207,904	-----	207,904	-----	179,845	-----	179,845	-----	15.6
"Black lung" benefits.....	1,045,162	-----	1,045,162	-----	554,359	-----	554,359	-----	58.5
Other ⁶	9,803	-----	9,803	-----	10,113	-----	10,113	-----	-3.1

¹ Data for 1973 preliminary. Calendar-year figures, except that data for Montana and West Virginia, for Federal civilian employees and "other" Federal workmen's compensation, and for State fund disbursements in Maryland, Nevada, North Dakota, Oregon (1972 only), Utah, Washington, and Wyoming represent fiscal years ended in 1972 and 1973. 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 workmen's 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 workmen's 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 Primarily payments made to dependents of reservists who died while on active duty in the Armed Forces, to individuals under the War Hazards Act, War Claims Act, 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. 90-291.

With both benefit payments and costs rising at almost the same rate, loss ratios (benefits as percent of premiums) showed little change in 1973. Again excluding benefits financed through general revenues, the proportion of the premium dollar that was returned to insured workers in the form of cash payments and medical services for all types of insurance combined was 59.3 percent. That rate was virtually identical to that of 1972 and well within the 57-64 percent range that encompasses most of the years since 1950.

For private carriers alone, the ratio of direct losses paid to premiums written was 51.6 percent, slightly lower than the 52.1 percent for 1972. The 1973 results bring the rate down from a high of 53.5 percent reached in 1971 to the 50-52 percent rate that had prevailed from 1966 until then. Similarly, private carrier data based on incurred losses (which include amounts set aside to cover liabilities from future claims payments) show

a 1973 loss ratio of 68.8 percent, down 1 percentage point from 1972 (which in turn is just one point above the 1971 ratio).

Reflecting similar experience, State insurance funds reported the same relationship of benefits paid to premiums written in 1973 as in 1972—69.1 percent. This stability was somewhat of a turnabout from the gradual rise previously noted between 1967 (67 percent) and 1971 (71 percent).

The loss ratios for private carriers and, to some extent, for State funds do not take into account the premium income that is returned to employers in the form of dividends. Data secured from State insurance commissions reveal that dividends under private workmen's compensation policies in the 1960's amounted to 4-6 percent of premiums in the jurisdictions reporting this information. If the loss ratios mentioned above were adjusted to allow for dividends, they would be increased by about 3 percentage points.