

# Notes and Brief Reports

## Workmen's Compensation Payments and Costs, 1968\*

Paralleling fairly closely the level of business activity in 1968, cash and medical payments under workmen's compensation programs rose 8 percent during 1968 to a new high of \$2,345 million. The increase was not as great as the 11 percent registered for the previous year and reflects offsetting factors. Though the advances in covered employment and wage levels were greater in 1968 than in 1967, the reverse was true of the costs of hospitalization and medical services. Work-injury rates, after several years of successive increases, showed no change from 1967 to 1968, but this was balanced by statutory liberalizations in benefit provisions, which had a much greater effect in 1968 than in 1967.

The number of workers covered in an average week by State and Federal workmen's compensation laws in the United States is estimated at 56.5-56.7 million in 1968, an increase of 1.8 million from the number in 1967. In the preceding year, the increase had been 1.3 million. One of the contributing factors in the 1968 increase was a reduction in the number of firms exempted because of size in Connecticut, Missouri, New Hampshire, Vermont, and Wisconsin, which resulted in extending coverage to an estimated 100,000 or more workers.

Average wages, on which cash benefits are based, advanced more than 6 percent from 1967 to 1968, compared with a rise of about 4 percent the year before. The combination of higher wage rates and increased coverage resulted in an unprecedented jump of \$34 billion in payrolls in covered employment. The estimated covered payroll of \$374 billion for 1968 was 10 percent larger than the estimate for the preceding year and represented the second greatest proportionate increase since 1951.

The growth in payrolls more than matched the increase in benefits with the result that aggregate benefits as a percentage of payroll dropped from

a ratio of 0.64 in 1967 to 0.63 in 1968. These ratios, however, are the highest reported during the post-World War II period.

Helping to slow down the rate of increase of benefit payments under workmen's compensation programs in 1968 was the trend in medical care prices and injury-frequency rates. According to the consumer price index of the Bureau of Labor Statistics, medical care prices in calendar year 1967 had the largest annual increase since 1948—7.0 percent. In 1968, the increase was 6.1 percent. Injury-frequency rates during 1968, as reported by the Bureau of Labor Statistics, showed no change from 1967. In both years, the number of disabling injuries per million manhours worked in manufacturing was 14.0.

On the other hand, above-average legislative activity in 1967—the full effect of which was not felt until 1968—helped to augment benefit outlays. In 1967, 28 States raised cash benefits and five strengthened medical provisions. The year before—in an off-year legislative session—only seven States had raised maximum weekly benefits for certain or all types of disability or for death. In 1968, in an unusual flurry of activity for another off-year legislative session, 13 States liberalized their laws. New York led the way with a huge 42-percent increase in its maximum weekly benefit—from \$60 to \$85. In addition, it amended its law to provide supplemental allowances, effective July 1, 1969, in certain cases of death or permanent total disability that occurred before July 1, 1960.

Of the total payments of \$2,345 million, 63 percent was paid by private insurance carriers, 23 percent by State insurance funds (including the Federal workmen's compensation programs), and 14 percent by self-insurers. This distribution represented no change from that for 1967.

For almost the entire postwar period, according to data supplied by the National Council on Compensation Insurance, medical and hospital benefits had represented between 33 and 34 percent of total workmen's compensation payments under private policies. Starting in 1965, there has been a relatively greater increase in medical and hospital benefits, and it is now estimated that the latter represent about 35 percent of total outlays. At the same time, the National Council data show a long-term drop in the proportion of total payments that are made in death cases—currently running

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\* Prepared by Alfred M. Skolnik, Division of Economic and Long-Range Studies. Annual estimates of workmen's compensation payments in recent years have appeared in the January issues of the *Bulletin*.

at about 7 percent. With these new ratios, the following distribution of workmen's compensation payments, by type of benefit, was estimated for 1968 and 1967:

[In millions]

Type of payment	1968	1967
Total.....	\$2,345	\$2,171
Medical and hospitalization.....	820	750
Compensation, total.....	1,525	1,421
Disability.....	1,360	1,266
Survivor.....	165	155

### State Variation in Benefit Payments

In 1968, for the first time in the series, every State reported higher benefit payments. The only area to show a drop was the Federal program covering injuries to persons other than Federal civilian employees. This program, the largest part of which concerns death payments to dependents of military reservists who died on active duty during the Korean conflict, is affecting a declining number of persons.

As usual, the States showed marked variation in their rates of increase, though the 1968 variation was not as extreme as that in previous years. The majority of jurisdictions—26 States and the District of Columbia—reported increases in benefit payments of 5.0–9.9 percent. These jurisdictions represented 56 percent of the labor force covered by workmen's compensation. Eleven States and the Federal program for civilian employees, with 22 percent of covered employment, had increases of 10.0–14.9 percent. Increases of less than 5 percent were registered in nine States, with 16 percent of the insured labor force. Only four States reported increases of 15 percent or more; they accounted for about 7 percent of the coverage.

Influencing this pattern, of course, is the fact that 46 percent of covered employment and 47 percent of aggregate benefits paid in 1968 were concentrated in the Nation's half-dozen largest States. California reported only a 2.4-percent increase in benefits, and Michigan had a substantial increase of 18.3 percent, but the other large States (New York, Ohio, Illinois, and Pennsylvania) had increases in the middle range.

Some distinct regional patterns are also revealed by the data. Increases of less than 5 per-

cent were concentrated in the Rocky Mountain and the Plains States. The only Northern States to report such low increases were Wisconsin and New Hampshire. At the other extreme, increases of 10 percent or more were found in several industrial States—New Jersey, Connecticut, Indiana, Michigan and Minnesota. Also registering increases of 10 percent or more were several Southeastern States—Florida, North Carolina, South Carolina, and Alabama. Only three Western States—Arizona, Colorado, and Wyoming—were in this category.

### Cost Relationships

Despite increased benefit payments, employers continued to spend the same proportion of their payrolls to insure or self-insure their risks under workmen's compensation programs. The costs of workmen's compensation hit the \$4 billion mark for the first time in 1968 and represented about \$1.07 per \$100 of covered payroll, the same proportion as in 1967. This rate still remains the highest for the post-World War II period. As recently as 1959, the rate had been as low as \$0.89 and 2 years ago—in 1966—the rate had been \$1.02.

The estimated \$4,015 million spent in 1968 consists of (1) \$2,940 million in premiums paid to private carriers; (2) \$725 million in premiums paid to State funds (for the Federal programs financed through congressional appropriations, these "premiums" are the sum of the benefit payments and the costs of the administrative agency); and (3) about \$350 million as the cost of self-insurance benefits and administration.

In each of the past 2 years, the dollar increase in costs has been close to \$365 million. In contrast, the dollar increase in benefit payments dropped from \$213 million to \$174 million. As a result, the portion of the workmen's compensation premium dollar that was returned to insured workers in the form of medical and cash indemnity benefits fell off from 59.5 percent in 1967 to 58.4 percent in 1968. This is the sixth consecutive year of decline; a ratio this low had not previously been reached since 1954.

For private carriers alone, the ratio of direct losses paid to direct premiums written (the loss ratio) reflected the same experience. The 1968 ratio of 50.4 percent was the lowest recorded since

the 1953 low of 48.8 percent and represented the sixth successive drop. A ratio based on losses incurred (which includes amounts set aside to cover liabilities for future claim payments) would be higher. According to *Spectator* data, losses in-

currred by private carriers represented 62 percent of net premiums earned in 1968.

Reflecting a different trend, State funds showed a slight increase in the ratio of benefits paid to premiums. The 1968 ratio for these funds (ex-

Estimates of workmen's compensation payments, by State and type of insurance, 1968 and 1967 <sup>1</sup>

[In thousands]

State	1968				1967				Percentage change in total payments, 1968 from 1967
	Total	Insurance losses paid by private insurance carriers <sup>2</sup>	State fund disbursements <sup>3</sup>	Self-insurance payments <sup>4</sup>	Total	Insurance losses paid by private insurance carriers <sup>2</sup>	State fund disbursements <sup>3</sup>	Self-insurance payments <sup>4</sup>	
Total.....	\$2,345,077	\$1,481,606	\$537,647	\$325,824	\$2,171,233	\$1,362,938	\$509,690	\$298,605	+8.0
Alabama.....	20,509	12,819		7,690	18,030	11,270		6,760	+13.7
Alaska.....	5,078	4,738		340	4,619	4,309		310	+9.9
Arizona.....	27,938	1,944	24,519	1,475	24,576	1,178	22,503	895	+13.7
Arkansas.....	15,633	13,183		2,450	15,120	12,750		2,370	+3.4
California.....	333,248	223,513	70,615	39,120	325,356	215,195	72,071	38,090	+2.4
Colorado.....	19,145	6,002	11,403	1,740	17,388	5,371	10,437	1,580	+10.1
Connecticut.....	30,321	27,946		2,375	26,237	24,137		2,100	+15.6
Delaware.....	4,246	3,421		825	3,840	3,095		745	+10.6
District of Columbia.....	7,589	7,049		550	7,181	6,661		520	+5.8
Florida.....	70,534	62,309		8,225	63,668	56,243		7,425	+10.8
Georgia.....	25,667	21,937		3,730	23,510	20,095		3,415	+9.2
Hawaii.....	10,374	7,561		2,813	9,711	6,834		2,877	+6.8
Idaho.....	5,889	4,000	1,448	441	5,741	3,585	1,736	420	+2.6
Illinois.....	122,441	102,796		19,645	111,437	93,557		17,880	+9.9
Indiana.....	37,448	29,279		8,169	33,857	26,872		6,985	+10.6
Iowa.....	15,666	13,056		2,610	14,550	12,125		2,425	+7.7
Kansas.....	16,101	14,716		1,385	15,629	14,286		1,343	+3.0
Kentucky.....	20,672	17,977		2,695	18,944	16,474		2,470	+9.1
Louisiana.....	51,437	44,727		6,710	48,231	41,941		6,290	+6.6
Maine.....	6,723	5,848		875	5,408	4,703		705	+24.3
Maryland.....	31,955	24,083	2,612	5,260	29,832	22,832	2,500	4,500	+7.1
Massachusetts.....	78,838	73,473		5,365	73,754	68,734		5,020	+6.9
Michigan.....	137,638	80,602	5,691	51,345	116,319	68,859	4,070	43,390	+18.3
Minnesota.....	37,641	31,631		6,010	33,696	28,316		5,380	+11.7
Mississippi.....	14,487	13,342		1,145	13,407	12,347		1,060	+8.1
Missouri.....	34,252	29,427		4,825	32,113	27,588		4,525	+6.7
Montana.....	8,437	2,851	4,219	1,367	8,005	2,574	3,791	1,640	+5.4
Nebraska.....	8,644	7,589		1,055	7,817	6,768		1,049	+10.6
Nevada.....	7,839	23	7,671	145	7,748	61	7,546	141	+1.2
New Hampshire.....	5,455	5,340		115	5,253	5,148		105	+3.8
New Jersey.....	115,133	104,666		10,467	102,227	92,179		10,048	+12.6
New Mexico.....	9,340	8,220		1,120	8,878	7,813		1,065	+5.2
New York.....	236,160	152,310	54,903	28,947	221,471	140,459	54,037	26,975	+6.6
North Carolina.....	24,437	21,437		3,000	21,834	19,154		2,680	+11.9
North Dakota.....	4,208	12	4,196		3,949	27	3,922		+6.6
Ohio.....	152,231	290	108,996	42,945	140,115	390	100,235	39,490	+8.6
Oklahoma.....	23,248	19,268	2,420	1,560	23,174	19,077	2,541	1,556	+0.3
Oregon.....	41,431	13,547	26,639	1,245	38,397	10,974	26,259	1,164	+7.9
Pennsylvania.....	121,648	55,544	39,419	26,685	115,619	50,827	39,582	25,210	+5.2
Rhode Island.....	8,242	7,797		445	7,829	7,409		420	+5.3
South Carolina.....	14,834	13,484		1,350	13,441	12,221		1,220	+10.4
South Dakota.....	2,453	2,133		320	2,335	2,030		305	+5.1
Tennessee.....	28,559	25,963		2,596	26,486	24,036		2,450	+7.8
Texas.....	106,570	106,570			98,478	98,478			+8.2
Utah.....	6,009	1,587	3,422	1,000	5,768	1,562	3,246	960	+4.2
Vermont.....	2,952	2,732		220	2,714	2,514		200	+8.8
Virginia.....	23,612	19,197		4,415	21,499	17,479		4,020	+9.8
Washington.....	53,496	2,450	50,846	200	49,566	2,234	47,142	190	+7.9
West Virginia.....	21,570	36	18,325	3,209	20,123	47	17,254	2,822	+7.2
Wisconsin.....	36,755	31,150		5,605	35,490	30,075		5,415	+3.6
Wyoming.....	2,126	31	2,095		1,770	45	1,725		+20.1
Federal workmen's compensation:									
Civilian employees <sup>6</sup> .....	85,510		85,510		75,966		75,966		+12.6
Other <sup>7</sup> .....	12,698		12,698		13,127		13,127		-3.3

<sup>1</sup> Data for 1968 preliminary. Calendar-year figures, except that data for Montana and West Virginia, for Federal workmen's compensation, and for State fund disbursements in Maryland, Nevada, North Dakota, Oregon, Utah, Washington, and Wyoming represent fiscal years ended in 1967 and 1968. Includes benefit payments under the Longshoremen's and Harbor Workers' Compensation Act and the Defense Base Compensation Act for the States in which such payments are made.

<sup>2</sup> 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.

<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 workmen's compensation policies that do not include the standard medical coverage. Estimated from available State data.

<sup>5</sup> Includes payment of supplemental pensions from general funds.

<sup>6</sup> Payments to civilian Federal employees (including emergency relief workers) and their dependents under the Federal Employees' Compensation Act.

<sup>7</sup> 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 and maritime war risks.

cluding the Federal program) was 65.3 percent, compared with 65.0 percent in 1967. These ratios are the lowest registered in a decade.

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 available from State insurance commissions indicate that dividends generally average about 4-6 percent of premiums.

### Concurrent Receipt of OAA Payments and OASI Benefits\*

Two programs are the major public source of financial support for the aged in the United States: Old-age assistance (OAA) and the old-age and survivors insurance (OASI) segment of the old-age, survivors, disability, and health insurance program. The recipient and beneficiary rolls of these programs were about the same size in 1950. By 1968, however, the number of OAA recipients had declined from nearly 3 million to slightly more than 2 million and the number of OASI beneficiaries aged 65 and over had risen to more than 16 million. One aged person in 10 was receiving OAA in 1968. Eight in 10 were receiving monthly OASI benefits in that year.

The growth in OASI benefits undoubtedly contributed to the decline in OAA payments as the proportion of aged persons eligible under the OASI program rose. The number of persons receiving payments concurrently under both programs has been steadily increasing, however—from 276,000 in 1950 to 1,154,000 in 1968. As a proportion of all OAA recipients, these beneficiary-recipients grew from 10 percent of the total in 1950 to 57 percent in 1968. The proportion of all OASI beneficiaries aged 65 and over who also were receiving OAA was higher than 12 percent in 1950 but had declined to 7 percent by 1958. Since 1958 the proportion of OASI beneficiaries receiving OAA has remained about the same, with the number receiving both types of payments rising as the number of OASI beneficiaries has risen.

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A study of OAA recipients who had been receiving assistance less than a year has been conducted to explore the relationship between the two programs indicated by this concurrent receipt of program payments. Data were available from the most recent national survey of OAA recipients,<sup>1</sup> conducted by the Bureau of Family Services of the then Welfare Administration in 1965, and from earnings and benefit records of the Social Security Administration. The study is based on a sample of more than 5,000 persons who were granted OAA in the 12 months ending with June 1965.

### BENEFICIARY STATUS OF OAA RECIPIENTS

Of the 2,119,000 persons receiving OAA in June 1965, 46 percent were OASI beneficiaries. Of the 237,000 of these recipients who had received assistance less than a year—the universe for this study—69 percent were beneficiaries. The higher proportion of beneficiaries among the recent recipients implies the continuing increase in the proportion of assistance recipients who also receive OASI.

Two out of 3 of the beneficiaries among the recent recipients were drawing benefits as retired

TABLE 1.—OASI beneficiary status of recipients recently approved for OAA as of June 1965, by sex

OASI beneficiary status	Total	Men	Women
Total number (in thousands).....	237	95	142
Total percent.....	100	100	100
Beneficiaries.....	69	81	61
Retired worker.....	46	74	27
Auxiliary.....	7	(1)	12
Survivor.....	9	(1)	15
Unknown.....	7	7	7
Nonbeneficiaries.....	31	19	39

<sup>1</sup> Less than 0.5 percent.

workers on their own work records, 1 out of 10 was an auxiliary beneficiary, and slightly more than 1 out of 10 were survivor beneficiaries

<sup>1</sup> The survey was based on a sample of nearly 45,000 persons representing all recipients on the OAA rolls. These data were weighted by inflation factors based on the proportion of each State's total OAA population that was included in the sample. For data from this survey, see Bureau of Family Services, *Findings of the 1965 Survey of Old-Age Recipients: Part I, May 1967; Part II, September 1967; and Part III, April 1968.*