

Most occupational injury and illness costs are paid by the government and private payers

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UC Davis researchers have found that workers' compensation insurance is not used nearly as much as it should be to cover the nation's multi-billion dollar price tag for workplace illnesses and injuries. Instead, almost 80 percent of these costs are paid by employer-provided health insurance, Medicare, Medicaid, Social Security and other disability funds, employees and other payers.

Authors of the study, published in the April issue of the [Journal of Occupational and Environmental Medicine](#), said this cost shifting leads to artificially low workers' compensation premiums that should be used to cover wage replacement and medical care for employees injured on the job.

"This is a classic example of what we call a 'negative externality' in economics -- where prices do not accurately reflect costs that spill over to others and have negative social outcomes," said Paul Leigh, lead author of the study and a UC Davis professor of public health sciences affiliated with the UC Davis Center for [Healthcare Policy](#). "Workers' injuries and illnesses cost much more than what current workers' compensation payments suggest, and the resulting low premiums provide little incentive for companies to promote workplace safety."

In a study he published last year, Leigh, an expert in health and [labor economics](#), found that total annual costs for occupational injuries and illnesses in 2007 were nearly \$250 billion: \$67.09 billion related to medical care and \$182.54 billion related to lost productivity.

In the current cost-of-illness study, Leigh showed that just 21 percent -- or \$51.7 billion -- of those costs were covered by workers' compensation. He also identified who pays for the extra \$198 billion -- or 79 percent.

By combining 2007 data from several government and nonprofit organizations, including the [Bureau of Labor Statistics](#) and National Council on Compensation Insurance, Leigh found that the [medical costs](#) for occupational injuries and illnesses were primarily paid by these sources:

- Workers' compensation: \$29.86 billion
- Other non-workers' compensation health insurance: \$14.22 billion
- Workers and their families: \$10.38 billion
- Medicare: \$7.16 billion
- Medicaid: \$5.47 billion

He also found that only \$21.86 billion in lost productivity costs are paid by workers' compensation insurers, with the remaining \$160.68 billion covered by other sources, including workers and their families, the Social Security Disability fund and state disability funds.

"Cost-shifting affects everyone, because we're all paying higher Medicare and income taxes to help cover that 79 percent," said Leigh.

Leigh suggests three changes in current workers' compensation and employee health practices to reduce cost shifting and overall costs and to help ensure [workplace safety](#):

1. Eliminate the stigma often associated with filing workers'

- compensation claims by openly acknowledging the legitimacy of using workers' compensation insurance for [occupational injuries](#).
2. Encourage more states to adopt single-payer government-managed workers' compensation systems to save administrative costs.
 3. Link premiums with company-specific injury experience rather than industry-wide estimates, which would encourage companies to lower premiums by reducing workplace hazards.

"The ultimate goals should be to comprehensively address the way occupational health is managed and establish cultures of safety for workers," said Leigh.

More information: James Marcin, a UC Davis professor of pediatrics affiliated with the UC Davis Center for Healthcare Policy, was the co-author of "Workers' Compensation Benefits and Shifting Costs for Occupational Injury and Illness."

Provided by Queen's University Belfast

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