



**WORKERS' COMPENSATION IN PENNSYLVANIA:
A COMPARATIVE STUDY**

prepared by
Milliman & Robertson, Inc.
Actuaries and Consultants

**WORKERS' COMPENSATION IN PENNSYLVANIA:
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prepared for
Pennsylvania Orthopaedic Society

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REPORT

EXECUTIVE SUMMARY

A. OVERVIEW

The Pennsylvania Orthopaedic Society requested Milliman & Robertson (M&R) to conduct a comparison of Workers' compensation insurance programs in states with similar economies and insurance programs to Pennsylvania. The study was designed to address two broad questions:

- Are employer costs of Workers' compensation high in Pennsylvania, both in absolute terms and relative to other states?
- Are Pennsylvania's costs consistent with its Workers' compensation benefit structure?

To perform this study, M&R selected four states comparable in size and industrial mix to Pennsylvania. The four states were Illinois, Michigan, New Jersey, and New York. We used data from published sources, state agencies, and Workers' compensation organizations to identify similarities and differences across the Workers' compensation insurance programs and the results from these programs.

The results from this study are presented in three parts.

- The first part is a general discussion of the labor markets in the five states and the coverage of the Workers' compensation insurance programs.
- The second part is an overview of the state Workers' compensation insurance programs, with special attention to the (a) statutory benefit and administrative programs for medical and wage replacement benefits, scheduled benefits for permanent partial disabilities, and rehabilitation services, (b) medical fee schedules, (c) provisions for adjudicating claims and attorney fees, and (d) recommendations by the National Commission on State Workmen's Compensation Laws.
- The third part concerns profitability, employer costs, and average statutory benefit provisions in the five states.

B. SUMMARY OF FINDINGS

1. Statutory Provisions for Medical Coverage, Medical Fee Schedule, and Indemnity Benefits

The following points concern the statutory provisions for medical coverage, medical fee schedule, and indemnity benefits.

- In each of the states in the study group, the employer is responsible for all medical benefits. Pennsylvania is one of three states in the study group that permits the employer to choose the physician.
- The comparisons of the Pennsylvania Workers' compensation fee schedule with other medical indices and other states indicate that the fee schedule in Pennsylvania generally is more restrictive than the fee schedules in other states.

On average, rates permitted under the Pennsylvania fee schedule are 59% of the charges under other insurance programs. This average reimbursement is lower than the average reimbursement in Michigan (77%) and New York (72%), the other two states in the study group with fee schedules for Workers' compensation. This situation arises partially because of the relatively higher average charges for medical services in Pennsylvania (132% of the national Workers' compensation median fee schedule) and partially because of the restrictiveness of the Workers' compensation fee schedule in Pennsylvania (78% of the national Workers' compensation median).

- A significant difference between Pennsylvania and the four comparison states concerns the minimum weekly benefits for temporary total, permanent total, and survivor benefits. In each instance, the minimum weekly benefit for Pennsylvania is higher, and typically more than twice the minimum benefit of the other states in the study group. Given the level of the minimum benefit and the distribution of wages, approximately 45% of all Workers' (accounting for approximately 25% of total wages) earn a weekly wage that would be subject to Pennsylvania's minimum benefit provision.
- A second important difference is that the maximum weekly benefit is a larger proportion of the state average weekly wage in Pennsylvania than in the other states. In Pennsylvania, the state average weekly wage is the maximum weekly benefit;

however, for most benefit types in the four other states, the maximum weekly benefit is less than the state average weekly wage.

2. Lost-Time Injury Reports and Claim Disputes in Pennsylvania

The following points summarize our investigation concerning the outcomes of the Pennsylvania Workers' compensation insurance program.

- While the frequency of lost-time injuries appears to be declining in Pennsylvania, the number of petitions filed with the state Workers' compensation agency in Pennsylvania has increased.
- The two major areas giving rise to claim disputes in Pennsylvania appear to be the multiple approaches for determining an injured worker's pre-injury wage and the requirement that an employer or insurer accept or deny a claim within 21 days from the notice of injury.
- The statutory provisions for involving an attorney and the allowed fees conform with provisions for the other states in the study group, and consequently do not appear to be a noteworthy cause for the level of claim disputes in Pennsylvania.

3. Measuring State Workers' Compensation Insurance Programs Against the Essential Recommendations of the National Commission on State Workmen's Compensation Laws

In 1972, the National Commission on State Workmen's Compensation Laws issued 19 "essential" recommendations for a state Workers' compensation insurance program. Based on information available through January 1, 1995, the U.S. Department of Labor assessed the state programs against these recommendations. The result from the DOL's assessment are presented in Table 12.

- The program in Pennsylvania conforms with more of the 19 recommendations than the programs in Michigan, New Jersey, and New York. The exception is Illinois, which has adopted 15 of the 19 recommendations. However, the differences between the Pennsylvania and Illinois programs in this evaluation were two provisions for

death benefits, which do not account for a significant number of claims or cost to the state Workers' compensation insurance programs.

4. Changes in Insurance Rates and Statutory Benefits Since January 1, 1990

The following points summarize the findings concerning changes in insurance rates since January 1, 1990.

- Between January 1, 1990 and the end of 1992, Workers' compensation insurance rates increased by 64% in Pennsylvania, which was much larger than the cumulative increases for Illinois (32%), Michigan (24%), and New Jersey (20%). Only New York, with an increase of 73% was comparable to Pennsylvania.
- Since January 1, 1993, Pennsylvania and New York have continued to experience similar changes in premium rates; in both states, rates have decreased by 2%. By contrast, rates have decreased by 7% in Illinois, virtually no change in Michigan, and increased by 36% in New Jersey. For both Pennsylvania and New York, major reforms to their statutory benefit provisions can be cited as the principal reason for the lower rate increases.

The following points summarize the findings concerning changes in statutory benefits since January 1, 1990.

- Compared with the January 1, 1990 benefit provisions, the statutory provisions in Pennsylvania were almost 10% lower on January 1, 1995.
- By contrast, compared with January 1, 1990 levels, the statutory benefit provisions in each of the study states were higher on January 1, 1995: Illinois, 2.5%; Michigan, 2.3%; New Jersey, 14.3%; and New York, 35.9%.

5. Employer Costs, Statutory Provisions for Indemnity Benefits, and Insurer Profitability

The following points summarize the most noteworthy findings concerning insurance profitability and the comparisons of net insurance costs and the statutory provisions for indemnity benefits.

- Despite the substantial increases in insurance rates and reductions in statutory benefit provisions, the provisions for indemnity benefits in Pennsylvania are slightly more generous than the provisions in other states. As of January 1, 1995, for manufacturing employers, statutory benefits appeared to be 25% above the countrywide average while insurance rates were 19% above average.
- The profitability of Workers' compensation insurance in Pennsylvania deteriorated during the latter half of the 1980s and beginning of the 1990s. Following significant rate increases in 1991 and 1992 and a major benefit reform in 1993, the profitability of this line improved in 1993 and 1994. From the most recent reports, Pennsylvania Workers' compensation insurance appears to be generating profits that are slightly below the countrywide average for this line and close to the all-industry average in the U.S.

C. LIMITATIONS AND DISTRIBUTION

For this report, we relied on historical data and other quantitative and qualitative information from the U.S. Department of Labor's Occupational Safety and Health Administration and the Bureau of Labor Statistics, the Pennsylvania Department of Labor and Industry, the National Association of Insurance Commissioners, the 1996 Workers' Compensation Year Book, OneSource, the National Council on Compensation Insurance, and the Workers' Compensation Research Institute. Although we reviewed the information in these publications for reasonableness and internal consistency, we did not perform a detailed audit of this information. Errors in the information we relied on may give rise to errors in our analysis.

This report is being provided to the Pennsylvania Orthopaedic Society. We understand that the report may be distributed publicly. We require that the entire report be distributed rather than excerpts, and that all recipients be made aware that Milliman & Robertson is available to answer any questions regarding this report.

II. WORKERS' COMPENSATION IN PENNSYLVANIA: A COMPARATIVE STUDY

The Pennsylvania Orthopaedic Society requested Milliman & Robertson (M&R) to conduct a comparison of Workers' compensation insurance programs in states with similar economies and insurance programs to Pennsylvania. The study was designed to address two broad questions:

- Are employer costs for Workers' compensation insurance high in Pennsylvania, both in absolute terms and relative to other states?
- Are costs in Pennsylvania consistent with the statutory benefit provisions?

To perform this study, M&R selected four states comparable in size and industrial mix to Pennsylvania. The four states were Illinois, Michigan, New Jersey, and New York. In the following discussion, we refer to Pennsylvania and the other four states as the "study" group, and Illinois, Michigan, New Jersey, and New York as the "comparison" states or group.

We used data from published sources, state agencies, and Workers' compensation organizations to identify the similarities and differences across the Workers' compensation insurance programs and the results from these programs. These sources included publications of the U.S. Department of Labor's (DOL) Occupational Safety and Health Administration (OSHA) and the Bureau of Labor Statistics (BLS), the Pennsylvania Department of Labor and Industry, the National Association of Insurance Commissioners (NAIC), the 1996 Workers' Compensation Year Book, OneSource, the National Council on Compensation Insurance (NCCI), and the Workers' Compensation Research Institute (WCRI).

The results from the comparative study are presented in three parts.

- The first part presents an overview of the number of employed Workers' and industrial mix for the five states in the study group and the Workers' compensation insurance requirements and alternative means of coverage.
- The second part is an overview of the state Workers' compensation insurance programs, with special attention to the (a) statutory benefit and administrative programs for medical and wage replacement benefits, scheduled benefits for permanent partial disabilities, and rehabilitation services, (b) medical fee schedules,

(c) provisions for adjudicating claims and attorney fees, and (d) recommendations by the National Commission on State Workmen's Compensation Laws.

- The third part presents a discussion of the profitability of Workers' compensation insurance in the five states, with comparisons to the countrywide average and other industries, the average cost of Workers' compensation insurance in the five states, and the average statutory benefit provisions in these states.

III. LABOR MARKETS AND WORKERS' COMPENSATION INSURANCE COVERAGE IN FIVE SELECTED STATES

To evaluate the performance of the Pennsylvania Workers' compensation insurance program, we began by selecting four Midwest and Mid-Atlantic states comparable in size and industrial mix to Pennsylvania-Illinois, Michigan, New Jersey, and New York. In the following discussion, we refer to Pennsylvania and the other four states as the "study" group, and Illinois, Michigan, New Jersey, and New York as the "comparison" states or group.

A. NUMBER OF EMPLOYED PERSONS AND DISTRIBUTION BY INDUSTRY

The number and percentage of persons employed, for all industries and by major industry group, are presented in Table 1.

- In terms of total employment, Pennsylvania was the third largest among the five states in the study group. In 1995, 5.5 million persons were employed in Pennsylvania. By comparison, fewer persons were employed in Michigan and New Jersey, while more persons were employed in Illinois and New York. The following chart and Figure 1 present the total number of employed persons in all industries.

**Chart 1
NUMBER OF EMPLOYED PERSONS, 1995**

	Number of Employed Persons, 1995 (000)
Pennsylvania	5,466
Illinois	5,853
Michigan	4,471
New Jersey	3,816
New York	7,951

- The service industry accounts for the largest share of employed persons in each state (between 25% and 32%), followed by wholesale and retail trade (between 21% and 23%) and the manufacturing sector (between 12% and 21%). In Pennsylvania, the share of employed persons in service (29%), wholesale and retail trade (22%), and manufacturing (17%) sectors are between the smallest and largest shares among the five states (Figure 2).

Chart 2
PERCENTAGES OF EMPLOYED PERSONS, 1995

	Manufacturing	Wholesale & Retail Trade	Services
Pennsylvania	17%	22%	29%
Illinois	16	23	27
Michigan	21	23	25
New Jersey	13	23	28
New York	12	21	32

B. WORKERS' COMPENSATION INSURANCE REQUIREMENTS AND ALTERNATIVE MEANS OF COVERAGE

Table 2 presents the Workers' compensation insurance requirements and alternative means for employers covering their Workers' compensation liabilities.

- With the exception of New Jersey, Workers' compensation insurance is compulsory in each of the five states. However, as a practical matter, coverage is treated as compulsory in New Jersey, for no employer currently has elected the opt-out provision in the state's statutes.

- In Pennsylvania, employers can cover their Workers' compensation liabilities through a policy with the state fund, a private insurer or a self-insurance program.

Each of the other four states permits coverage through a private insurer or a self-insurance program.

- Employers in Michigan and New York also can obtain coverage from a state fund.
- Employers in Illinois, Michigan, and New York can participate in group self-insurance programs.

While the five states in the study group are similar in size and industrial mix, there is considerable variation in the market shares covered by private insurers, a state fund, and through self-insurance. Table 3 presents the amount and distribution of Workers' compensation payments by type of insurer and Chart 3 and Figure 3 summarize the distribution of payments.

Chart 3
DISTRIBUTION OF WORKERS' COMPENSATION PAYMENTS,
BY TYPE OF INSURER: 1993

	Private Insurance	State and Federal Funds	Self Insurance
Illinois	73%	0%	27%
Michigan	46	8	46
New Jersey	86	0	14
New York	41	38	21
Pennsylvania	68	10	22

The following points summarize the distribution of payments.

- In Pennsylvania, slightly more than two-thirds (68%) of the market is covered by private insurers, with the state fund accounting for 10% of the market and selfinsured employers accounting for approximately one-quarter of the market.¹
- In Illinois and New Jersey, states which have no state fund, private insurers account for substantial portions of the market--73% and 86%, respectively. The balance of the market is covered through self-insured programs.
- Although Michigan, New York, and Pennsylvania have state funds, the market shares for private insurers, the state funds, and self-insured employers vary considerably across the three states.
 - In Michigan, the state fund's market share is close to the market share for the Pennsylvania fund; however, the self-insured market in Michigan accounts for a much larger share than the self-insured market in Pennsylvania.
 - By contrast, self-insurance accounts for approximately the same market shares in New York and Pennsylvania (approximately 20%) while the state fund in New York accounts for a much larger share of the market (38%) than the Pennsylvania fund (10%).

In sum, the study group is composed of five large states in the Midwest and Mid-Atlantic regions in which Workers' compensation insurance can be considered compulsory and employers have at least two means for covering their Workers' compensation insurance liabilities. Although the principal means of coverage are similar across the states, there are significant differences in the use of the alternative approaches.

1

¹ We reviewed data for 1994 from the Pennsylvania Bureau of Workers' Compensation and found the distribution of market shares to be very similar to the shares for 1993. We elected to present the 1993 data in Table 3 for consistency in making comparisons with the other states in the study group.

IV. STATE WORKERS' COMPENSATION INSURANCE PROGRAMS

In this section, we present an overview of the statutory benefit provisions for the Workers' compensation insurance programs in the five states in the study group. This overview is presented in five parts:

- Provisions for medical care and medical fee schedules.
- Statutory benefit and administrative provisions for wage replacement benefits, permanent partial disabilities, and rehabilitation services.
- Statutory provisions for adjudicating claims and attorney

fees. A. COVERAGE

Table 4 presents the provisions concerning the coverage of medical and indemnity benefits, including the waiting and retroactive periods for indemnity benefits, and whether there are any statutory provisions or regulatory rules concerning managed care programs.

- In each state, the employer is responsible for all medical benefits. (The \$100 threshold in New Jersey appears to be used very infrequently.)
- Pennsylvania is very similar to the other states in its use of a 7-day waiting period before an injured worker receives indemnity benefits and a 14-day retroactive period.
- Pennsylvania is one of three states in the study group that permits the employer to choose the physician; however, after a specified period of time, the employee can choose the physician.

B. PROVISIONS FOR MEDICAL CARE AND MEDICAL FEE SCHEDULES

A significant feature of the 1993 reform legislation in Pennsylvania was the introduction of a medical fee schedule for services covered by Workers' compensation insurance. As a result of the 1993 reform, the allowed payments for medical services covered by the state's Workers' compensation program are restrictive in comparison with average charges under other health insurance programs and to Workers' compensation medical fee schedules in other states.

1. Percentage of Charges Covered by Medical Fee Schedules

Recently, the WCRI presented the results from a study that analyzed Workers' compensation medical fee schedules. Table 5 presents the results for the three states in the study group that have implemented medical fee schedules--Pennsylvania, Michigan, and New York.

- The Pennsylvania fee schedule has a much broader coverage than the schedules in Michigan and New York. While the Pennsylvania schedule covers almost all types of medical services, the schedules in Michigan and New York cover approximately 80% and 75%, respectively, of all services.

Chart 4
Percentage of Charges Covered by Workers' Compensation
Medical Fee Schedules

	Pennsylvania	Michigan	New York
Percent of Charges Covered	99.7%	81.1%	75.3%
General Medicine	100.0	73.5	98.4
Radiology	98.0	64.1	53.8
Surgery	100.0	95.8	88.6
Physical Medicine	100.0	88.5	51.6

2. Comparisons of Workers' Compensation Medical Fee Schedules with Other Indices

Table 5 presents comparisons of the Workers' compensation fee schedules with three indices:

the average charges for medical services under insurance programs other than Workers' compensation insurance,
an index of the national median fee schedule for Workers' compensation,
and rates under the Medicare program.¹

These comparisons are presented in Table 5 and Chart 5. In each comparison, the Pennsylvania Workers' compensation fee schedule imposes a greater limit on medical fees than the medical fee schedules in Michigan and New York.

**Chart 5
COMPARISON OF WORKERS' COMPENSATION MEDICAL FEE SCHEDULES
WITH THREE INDICES**

	Pennsylvania	Michigan	New York
Average Charges for Non-WC Insurance as a % of National WC Median Fee Schedule	132%	118%	162%
Charges Allowed Under WC Fee Schedule as a % of the National WC Median Fee Schedule	78	91	117
WC Fee Schedule as a % of Average Charges Under Non-WC Programs	59	77	72

- In each of the three states, average charges for non-Workers' compensation insurance programs are higher than the national median fee schedule for workers

² The source of the comparisons in this section is Philip Burstein, Benchmarks for Designing Workers' Compensation Medical Fee Schedules 1994-1995 (Workers' Compensation Research Institute, 1994).

compensation.³ In Pennsylvania, average charges outside the Workers' compensation program are 32% above the national median fee schedule for Workers' compensation, compared to 18% in Michigan and 62% in New York.

- However, while charges permitted under Pennsylvania's Workers' compensation fee schedule are below the national median, charges permitted in Michigan and New York are closer to or above the national median. The Pennsylvania fee schedule limits charges to 78% of the national median, while the Michigan fee schedule is 91 % of the national median and New York fee schedule is 117% of the national median.

The preceding two points provide an indication of the difference between the average charges for non-Workers' compensation services and the Workers' compensation fee schedule.

- In Pennsylvania, the Workers' compensation fee schedule is only 59% of non-Workers' compensation average charges, compared with 77% in Michigan and 72% in New York. In sum, there is a greater difference between the charges for Workers' compensation and non-Workers' compensation medical services in Pennsylvania than in Michigan and New York.
- Another indication of the restrictiveness of the Pennsylvania fee schedule is the percentage of charges that are restricted by the Workers' compensation medical fee schedule. Compared with the other two states, Pennsylvania has the most restrictive fee schedule. In Pennsylvania, the Workers' compensation fee schedule restricts 69% of the charges for medical services, compared with 30% in Michigan and 52% in New York.⁴

3 The non-Workers' compensation insurance charges were for all services for all patients of the providers throughout each state.

4 The WCRI study found the Pennsylvania fee schedule was the third most restrictive among the 35 states with fee schedules. Only the fee schedules in Massachusetts and Florida were found to be more restrictive.

The implication of the preceding comparisons of the Pennsylvania Workers' compensation fee schedule with other medical indices and other states is that the fee schedule in Pennsylvania generally is more restrictive than the fee schedules in other states.

C. STATUTORY BENEFITS AND ADMINISTRATIVE PROVISIONS 1.

Wage Replacement Benefits

For each state in the study group, Table 6 presents the following statutory wage replacement ("indemnity") benefit provisions for temporary total, permanent partial, and permanent total disabilities, and survivor benefits:

- the wage replacement rates,
- the minimum and maximum weekly payments (including their relationship to the state average weekly wage), and
- the maximum period for receiving benefits.

The following points summarize the comparisons across states and the findings from our investigations into the implementation and impact of the statutory provisions.

- Generally speaking, the statutory provisions in each state call for indemnity benefits to replace approximately two-thirds of the worker's pre-injury wage.
 - Pennsylvania statutes describe several methods for calculating the pre-injury weekly wage and permit the method most favorable to the injured worker to be used for computing indemnity benefits. This feature of the Pennsylvania statutes has been considered to have the effect of creating additional litigation.⁵

⁵ Duncan S. Ballantyne and Carol A. Telles, Workers' Compensation in Pennsylvania: Administrative Inventory, (Workers' Compensation Research Institute, December 1991).

- A significant difference between Pennsylvania and the four comparison states concerns the minimum weekly benefits for temporary total, permanent total, and survivor benefits. In each instance, the minimum weekly benefit for Pennsylvania is higher, and typically more than twice the minimum benefit of the other states in the study group. Approximately 45% of all Workers' in Pennsylvania earn a weekly wage that would be subject to Pennsylvania's minimum benefit provision.'

**Chart 6
MINIMUM WEEKLY INDEMNITY BENEFITS**

	Pennsylvania	Illinois	Michigan	New Jersey	New York
Temporary Total	\$292.78, or 90% of average wage if less	\$100.90 to \$124.30, or worker's average wage if less	----	\$128 (20% of SAWW)	\$40, or actual wage if less
Permanent Partial	----	\$80.90 to \$96.90, or worker's average wage if less	\$145.35 (25% of SAWW; for scheduled injuries only)	\$128 (20% of SAWW)	\$40, or actual wage if less
Permanent Total	\$292.78, or 90% of average wage if less	\$285.19 (50% of SAWW)	\$145.35 (25% of SAWW)	\$128 (20% of SAWW)	\$40, or actual wage if less

SAWW -- State Average Weekly Wage

- Furthermore, the maximum weekly benefit is a larger proportion of the state average weekly wage in Pennsylvania than in the other states. In Pennsylvania, the state average weekly wage is the maximum weekly benefit; however, for most benefit types in the four other states, the maximum weekly benefit is less than the state

⁶ This inference is drawn from minimum benefit of \$292.78, state average weekly wage of \$527.00, and the 1994 Standard Wage Distribution Table. If the worker's pre-injury wage is less than \$439 per week, then the weekly indemnity benefit will be 90% of the worker's weekly wage.

average weekly wage. (An exception to the last statement is the maximum weekly benefit for temporary total and permanent total benefits in Illinois, which is 33.3% above the state weekly average.)

Chart 7
MAXIMUM WEEKLY INDEMNITY BENEFITS AND MAXIMUM
AS A PERCENT OF THE STATE AVERAGE WEEKLY WAGE

	Pennsylvania	Illinois	Michigan	New Jersey	New York
Temporary Total	\$527.00 (100%)	\$760.51 (133 1/3%)	\$524.00 (90%)	\$480.00 (75%)	\$400.00 (NA)
Permanent Partial	\$527.00 (100%)	\$410.43 (NA)	\$524.00 (90%)	\$480.00 (75%)	\$400.00 (NA)
Permanent Total	\$527.00 (100%)	\$760.51 (133 1/3%)	\$524.00 (90%)	\$480.00 (75%)	\$400.00 (NA)

The influence of the high minimum weekly benefit in Pennsylvania has been measured and reported in a study published by the Workers' Compensation Research Institute.⁷ The results from that study found that, on average, workers in Pennsylvania earn a higher percentage of their pre-injury weekly wage than workers in other states. Table 7 presents the distribution of workers according to the percentage of their pre-injury wage they would earn in the event of a workplace injury. The replacement rates in Table 7 are on a post-tax basis; that is, although absent the minimum and maximum benefit provisions injured workers receive two-thirds of their pre-injury wage, these benefits are non-taxable income. Consequently, on a post-tax basis, the indemnity benefits replace more than two-thirds of an injured worker's pre-injury wage. The distributions in Table 7 are summarized in Chart 8.

⁷ Workers' Compensation Research Institute, "Income Replacement in Pennsylvania," WCRI Research Brief, Volume 9, No. 3S (September 1993). The WCRI study was based on the statutory benefit provisions prior to the 1993 reform legislation (Act 44). Despite the reform legislation, the minimum benefits in Pennsylvania continue to be high in comparison with other states in the study group. Consequently, the results from the 1993 WCRI study continue to be pertinent to the current Workers' compensation program in Pennsylvania.

Chart 8

INCOME REPLACEMENT RATES AND POST-TAX PRE-INJURY WAGES

Indemnity Benefits as a % of Post-Tax Pre Injury Wage	Percentage of Workers				
	Pennsylvania	Illinois	Michigan	New Jersey	New York
Greater than 100%	33%	17%	5%	6%	6%
80% to 100%	59	78	91	76	78
Less than 80%	8	5	3	18	16

- The statutory provisions for replacing pre-injury wages are much more favorable to injured workers in Pennsylvania than in the other states.
- In Pennsylvania,
 - one-third of the workers would receive more than their pre-injury wage,
 - approximately 60% would receive between 80% and 100% of their pre-injury wage, and
 - less than 10% would receive less than 80% of their pre-injury wage.

As indicated in Table 7, the high minimum benefit in Pennsylvania accounts for most of the workers who would receive more than their pre-injury wage.

- By contrast, in the other states, a lower share of workers would receive more than their pre-injury wage. In Illinois only 17%, and in the other three states less than 10%, of injured workers would receive more than their pre-injury wage.

2. **Schedule Benefits for Permanent Partial Disabilities**

Table 8 presents the statutory benefit provisions for permanent partial disabilities subject to scheduled benefits.

- Generally speaking, scheduled benefits in Pennsylvania are greater than the scheduled benefits in the four comparison states.
- In Pennsylvania, as in most of the other four states, scheduled benefits can be paid in addition to temporary total benefits and are not reduced if temporary total benefits are received.

3. **Rehabilitation Services**

Table 9 presents the statutory provisions for rehabilitation services.

- As with the other states in the study group, the Pennsylvania statutes address physical rehabilitation services; however, unlike the other states, the Pennsylvania statutes are silent on vocational rehabilitation services.
- There is no state agency in Pennsylvania specifically assigned to monitor rehabilitation services. Illinois and New Jersey also do not have state agencies for rehabilitation programs, while Michigan and New York do have such agencies.

D. STATUTORY PROVISIONS FOR ADJUDICATING CLAIMS AND ATTORNEY FEES

Employers, insurers, and claimants can challenge the compensability of a Workers' compensation claim and the amount of an award. In some states, these challenges can add a considerable cost to the Workers' compensation insurance program. There are two general considerations concerning the cost of these challenges: (i) the incidence of the challenges, in which high incidence rates are often attributed to vague or complex provisions in the statutes, and (ii) the provisions for compensating attorneys who represent claimants.

In state Workers' compensation insurance programs, there is no single provision that can be considered the bellwether for whether the program will experience a significant number of challenges. Often, high attorney representation is due to a special peculiarity or aberration in the state's program. In Pennsylvania, the peculiarity appears to be the procedures for calculating a worker's wage at the time of injury.

- According to a 1991 study conducted by WCRI, the complicated procedure for calculating an injured worker's wage under the Pennsylvania statute increases the incidence of attorney representation in this state. The Pennsylvania statute permits five methods for calculating the worker's average weekly wage. WCRI found that employers and insurers indicate the methods distort compensation rates for some workers, and that employees' representatives indicate additional payments for overtime and bonuses may not be included in the wage calculation!

Under the Pennsylvania Workers' compensation statutes, an employer must file an injury report immediately after the employee has notified the employer of the injury, whether or not the employee has lost time from work. The insured or self-insured employer has 21 days from the date the employer is notified of an injury to accept or deny the claim or begin compensation (even if the employer or insurer eventually challenge the claim). An employer or insurer can begin compensation voluntarily. By filing this notice, the employer or insurer unilaterally acknowledges the injury as compensable. To deny a claim, the insurer or employer must file a Notice of Workers' Compensation Denial. If an injured worker wishes to pursue the claim, the employee must file an "Employee's Claim Petition for Compensation" with the bureau. Petitions are assigned to a Workers' compensation judge, who will schedule and conduct a hearing and render a decision. Appeals then can be made to the Workmen's Compensation Appeal Board, a Commonwealth Court, and the state's Supreme Court. A graphic illustration of the claim flow process is presented in Figure 4.⁹

Table 10 presents summary information at different points in the claim flow process in Pennsylvania.

- Column (1) presents the number of nonagricultural employers in the state, and Columns (2) and (3) present the number of lost-time injury reports and the number

⁸ Ballantyne and Telles, *ibid.*

⁹ A detailed description of the claim flow process through the Pennsylvania Workers' compensation system is presented in Pennsylvania Bureau of Workers' Compensation, Annual Report Fiscal Year 1994-95.

of lost-time injuries per 100 employed workers. Lost-time injuries appear to have decreased in Pennsylvania during the early 1990s. From 3 lost-time injuries per 100 workers in the late 1980s and early 1990s, the more recent experience indicates approximately 2.5 injuries per 100 workers.

- Columns (4) and (5) present the number of Notices of Compensation Payable filed by employers and insurers and the number of notices as a percent of lost-time injury reports. During the late 1980s and early 1990s, it appears that approximately 70% of lost-time injuries were receiving Notices of Compensation Payable. More recently, it appears these Notices have fallen to slightly under 65% of lost-time injury reports.
- Columns (6) and (7) present the number of petitions filed by injured workers and the number of petitions as a percent of lost-time injury reports. The most dramatic trend in Table 10 is the increase in the number of petitions. In the late 1980s, one of approximately every 200 workers filed a petition with the Pennsylvania Bureau of Workers' Compensation. The incidence of these petitions increased over the ten years covered in Table 10. In 1995, approximately one of approximately every 75 workers filed a petition with the state agency. Figure 5 illustrates the experience in Pennsylvania in which the increase in frequency of petitions filed has occurred during a period of decreasing frequency of lost-time reports.

The preceding discussion has considered recent trends and reasons for disputing a claim for benefits under Pennsylvania's Workers' compensation insurance program. A related issue, which has been considered a cause for increasing the level of litigation in a state, concerns the provisions for involving an attorney in a disputed claim and the fees attorneys receive for representing injured workers. Table 11 presents the statutory provisions covering the fees for attorneys who represent claimants. The following points summarize the provisions for Pennsylvania.

- Attorney fees are 20% of an award to a claimant.
- An attorney's fees are in addition to the claimant's award-that is, the claimant's award is not reduced by the fees. Upon approval, these fees become liens against awards.
- It is not unlawful for an attorney to accept unapproved fees.

Generally, these statutory provisions are not noticeably different from the provisions in other states.

E. MEASURING STATE WORKERS' COMPENSATION INSURANCE PROGRAMS AGAINST THE ESSENTIAL RECOMMENDATIONS OF THE NATIONAL COMMISSION ON STATE WORKMEN'S COMPENSATION LAWS

In 1972, the National Commission on State Workmen's Compensation Laws issued 19 "essential" recommendations for a state Workers' compensation insurance program. The National Commission was established by the Occupational Safety and Health Act of 1970 to review the state Workers' compensation insurance programs and make recommendations to Congress. In its report, the National Commission found "the inescapable conclusion is that State workmen's compensation laws in general are inadequate and inequitable." The National Commission reduced an initial list of eighty-four specific recommendations for state Workers' compensation programs to 19 "essential" recommendations.

The 19 recommendations provide a set of goals for evaluating a state's Workers' compensation insurance program. The 19 recommendations include coverage, indemnity benefit, and medical service considerations. Based on information available through January 1, 1995, the U.S. Department of Labor assessed the state programs against these recommendations. The result from the DOL's assessment are presented in Table 12.

- The program in Pennsylvania conforms with more of the 19 recommendations than the programs in Michigan, New Jersey, and New York. While the Pennsylvania program embodies 13.75 of the recommendations, the other three states have adopted approximately 10 recommendations. The exception is Illinois, which has adopted 15 of the 19 recommendations.
- The differences between the Pennsylvania and Illinois programs concern two provisions for death benefits.

F. SUMMARY

The following points summarize our investigation concerning the outcomes of the Pennsylvania Workers' compensation insurance program.

- While the frequency of lost-time injuries appears to be declining in Pennsylvania, the number of petitions filed with the state Workers' compensation agency in Pennsylvania has increased.
- The two major areas giving rise to claim disputes in Pennsylvania appear to be the multiple approaches for determining an injured worker's pre-injury wage and the requirement that an employer or insurer accept or deny a claim within 21 days from the notice of injury.
- The statutory provisions for involving an attorney and the allowed fees conform with provisions for the other states in the study group, and consequently do not appear to be a noteworthy cause for the level of claim disputes in Pennsylvania.

V. WORKERS' COMPENSATION EMPLOYER COSTS, AVERAGE STATUTORY BENEFIT PROVISIONS, AND INSURANCE PROFITABILITY

In this section, we present a general discussion concerning certain financial outcomes of the Workers' compensation program in the comparison group. The following discussion is presented in four parts.

- The impact of changes in insurance rates since January 1, 1990 on premium levels.
- The impact of changes in the statutory benefit provisions since January 1, 1990 on insurance rates.
- The net insurance costs and average statutory provisions for indemnity benefits as of January 1, 1995.
- The rates of return and loss ratios for the Workers' compensation line for the years 1985 through 1994.

A. CHANGES IN INSURANCE RATES SINCE JANUARY 1, 1990

Significant increases in the rates charged for Workers' compensation insurance and the major benefit reform in 1993 can be considered the principal reasons for the improved performance of the Workers' compensation market in Pennsylvania during the mid-1990s. Prior to December 1, 1993, it was necessary for rates to be approved by the Pennsylvania insurance regulatory authorities before they can be used by insurers. Since December 1, 1993, Pennsylvania has operated under a "competitive rating" law, in which the rate bureau files advisory rates and insurers add an expense loading.

The rate increases in Table 13 are the product of changes in the underlying experience for Workers' compensation in a state (because of changes in injury frequency and use of an existing benefit program), changes in the statutory benefit provisions (e.g., increases in the maximum weekly benefit, introduction of a medical fee schedule), and miscellaneous considerations (e.g., expense allowances).

Table 13 presents the changes in premium levels since January 1, 1990. In this table, for rate changes prior to December 1, 1993, we used the changes to the rates fully loaded for expenses; for

changes after this date, we used changes in the loss costs rates, which do not include expense provisions.

- Between January 1, 1990 and the end of 1992, Workers' compensation insurance rates increased by 64% in Pennsylvania, which was much larger than the cumulative increases for Illinois (32%), Michigan (24%), and New Jersey (20%). Only New York, with an increase of 73% was comparable to Pennsylvania.
- Since January 1, 1993, Pennsylvania and New York have continued to experience similar changes in premium rates; in both states, rates have decreased by 2%. By contrast, rates have decreased by 7% in Illinois, virtually no change in Michigan, and increased by 36% in New Jersey. For both Pennsylvania and New York, major reforms to their statutory benefit provisions can be cited as the principal reason for the lower rate increases.
- Figures 6 and 7 present the premium rates changes in graphic illustrations.
 - Figure 6 presents the premium rate changes in each state by year. Two notable noticeable findings in this figure are (1.) the double-digit premium increases employers in the comparison states were experiencing in the early 1980s began to subside in 1994, and (2) while employers in Pennsylvania experienced large premium increases between 1990 and 1992, there has been virtually no change in premium rates since 1992.
 - Figure 7 presents the cumulative premium increases since January 1, 1990. Although through 1996, the cumulative premium increase in Pennsylvania has been among the three highest increases in the comparison group, it is important to keep in mind that the 61 % cumulative increase in Pennsylvania occurred by the end of 1992.

B. CHANGES IN STATUTORY BENEFITS SINCE JANUARY 1, 1990

Given the special interest in the present study with statutory benefit provisions, we assembled the influence that changes in these provisions have had on Workers' compensation insurance rates for the five states in the study group. For the period since January 1, 1990, Table 14 presents the impact of changes in the statutory benefit provisions on Workers' compensation rates. The impact of each

change is presented with the cumulative impact of all changes since January 1, 1990. Figure 8 presents a graphical illustration of the changes since January 1, 1990.

- Between January 1, 1990 and January 1, 1993, the Pennsylvania statutory benefit provisions for Workers' compensation insurance increased by 3.1 %, mostly due to the increases in the minimum and maximum indemnity benefits that were indexed to changes in the state average weekly wage.
- On September 1, 1993, however, the statutory provisions decreased by 13.1%, and through January 1, 1995, were 12.4% below pre-reform levels. Compared with the January 1, 1990 benefit provisions, the statutory provisions in Pennsylvania were almost 10% lower on January 1, 1995.
- By contrast, compared with January 1, 1990 levels, the statutory benefit provisions in each of the study sates were higher on January 1, 1995: Illinois, 2.5%; Michigan, 2.3%; New Jersey, 14.3%; and New York, 35.9%.

C. COMPARISONS OF NET INSURANCE COSTS AND AVERAGE STATUTORY INDEMNITY BENEFITS

Despite the substantial increases in insurance rates during the first half of the 1990s (Table 13), insurance rates in Pennsylvania continue to be below the benefit provisions relative to the rates and benefit provisions in other states. For employers in manufacturing industries, Table 15 presents the net costs of Workers' compensation insurance and the statutory provisions for indemnity benefits indexed to a countrywide averages.'

- For Pennsylvania, net insurance costs are 19% above average and the state is ranked 32nd among 44 states included in the analysis (Table 15 and Figure 9), while average statutory benefit provisions for indemnity benefits are 25% above

10 The findings in this section are based on the results reported in Actuarial & Technical Solutions, Inc., Workers' Compensation State Rankings: Manufacturing Industry Rates and Statutory Benefit Provisions, 1995 Edition.

- Net insurance costs are the manual rates for Workers' compensation insurance adjusted for (i) premium taxes and assessments, (ii) payroll rules, (iii) expense constants, (iv) the experience rating plan, (v) premium discounts, (vi) retrospective rating plans, (vii) schedule rating plans, (viii) rate deviations, and (ix) policyholder dividends.
- The average statutory benefit provision for each state is derived by (i) determining the average weekly benefit paid for each major type of injury, (ii) estimating the duration of benefits for each injury type, (iii) determining the average statutory claim cost by injury type, and (iv) deriving the average claim cost over all indemnity claims.

In sum, the purpose of the adjustments to the manual rates and steps in the derivation of the average benefit provision is to make it possible to compare insurance costs and statutory benefits across states.

- Illinois and Michigan have similar circumstances to Pennsylvania--the index of insurance costs is less than the index of statutory benefits. By contrast, in New Jersey and New York, insurance rates are high relative to statutory benefit provisions--that is, the index for the cost of Workers' compensation insurance exceeds the index for average statutory benefit provisions.
 - Among the four states in the comparison group, on average insurance rates in Michigan are closest to the rates in Pennsylvania (indexes of 1.21 and 1.19, respectively). However, the statutory benefits in Michigan are much higher than the statutory provisions in Pennsylvania (3.54 and 1.25, respectively).
 - Among the same group, on average statutory benefit provisions in New York are closest to the statutory provisions in Pennsylvania (1.29 and 1.25, respectively). However, the insurance rates in NY are higher than the rates in Pennsylvania (1.57 and 1.19, respectively).

In sum, the insurance rates and average statutory benefit provisions indexes indicate that rates and benefit levels in Pennsylvania currently are closer to parity than rates and statutory benefit provisions in the other states in the comparison group.

D. WORKERS' COMPENSATION PROFITABILITY

For the present analysis on Workers' compensation insurance profitability, we gathered the results for two principal means for calculating insurer profitability.

- The "loss ratio" is a measure of profitability that is specific to the insurance industry. The loss ratio is the ratio of incurred losses divided by premium, where incurred losses are the payments made by an insurer plus expected future payments for a set of policies. The loss ratio is useful for determining the proportion of premium that will be used to pay for medical services and lost earnings because the injured worker is unable to work (commonly referred to as "indemnity benefits.")

Higher loss ratios are an indicator of larger amounts of payments for medical services and lost wages to a premium base, and consequently lower profitability levels, while lower loss ratios are an indicator of smaller amounts of payments.

- The return on net worth is a more general measure of profitability that permits comparisons across industries. The return on net worth is the total return to insurers, including profits or losses from the underwriting income plus income from investing reserves, divided by the insurers' net worth. The return net worth can be compared with the returns to companies in other industries.

1. Loss Ratios

Workers' compensation loss ratios for the five states in the study group and the U.S. are presented in the bottom panel of Table 16 and in Figures 11 and 12.

- For the present study, we gathered the loss ratio experiences for Pennsylvania and the U.S. for the most recent ten years that have been published by the NAIC.
 - Between 1985 and 1992, loss ratios for Workers' compensation insurance in the U.S. were between 83 and 86, and then decreased to 61 through 1994.
 - In Pennsylvania, the loss ratio was 74 in 1985, increased to 97 in 1992, and has since decreased to 68 in 1994.

- Over the last ten years, however, the trend in the Pennsylvania loss ratios was not unique among the five states (Figure 12). While the loss ratio for Pennsylvania increased 23 percentage points between 1985 and 1992 (from 74 to 97), the loss ratios for New Jersey and New York increased by more than 30 percentage points (Table 16).
- Principally because of the impact of the significant premium increases in 1991 and 1992 and the major benefit reform in 1993, loss ratios in Pennsylvania decreased between 1992 and 1994. Although the loss ratio in Pennsylvania (68) was still above the 1994 countrywide average (61), it was below the 1985 loss ratio (74) and held the middle position among the five states in the study group.

2. Returns on Net Worth

In the mid-1980s, the profitability of Workers' compensation insurance in Pennsylvania exceeded the countrywide returns for this line and the returns in other industries in the United States. Beginning in the mid-1980s, the returns in Pennsylvania began falling, and by the end of the decade returns on net worth were below the countrywide average for the Workers' compensation insurance line and the returns of other industries.

The top panel of Table 16 and Figure 13 present returns on net worth for the five states in the study group, the countrywide Workers' compensation experience, and other industries in the U.S.

- Although in 1985 the return on net worth in Pennsylvania (22.5%) was next-to-lowest among the states in the study group, this return exceeded the countrywide average for the Workers' compensation line (11.8%) and the average returns for other industries in the U.S. (12.7%).
- By 1990 and through the early 1990s, the returns in Pennsylvania had decreased to levels that were below the countrywide average for the Workers' compensation line and for other industries in the U.S.
- Because of significant rate increases in 1991 and 1992 and the major benefit reform in 1993, recently the rates of return began increasing in Pennsylvania. By 1994, the latest year data are available, the return in Pennsylvania (9.9%) held the median

position in the study group, and was closer to the countrywide average (14.4%) and the returns for other industries (12.6%) than in previous years.

E. SUMMARY

The following points summarize the discussion in this section.

- Despite the substantial increases in insurance rates and reductions in statutory benefit provisions, from a comparison of rates and benefit provisions across states, the provisions for indemnity benefits in Pennsylvania are slightly more generous than the provisions in other states. As of January 1, 1995, for manufacturing employers, statutory benefits appeared to be 25% above the countrywide average while insurance rates were 19% above average.
- The profitability of Workers' compensation insurance in Pennsylvania deteriorated during the latter half of the 1980s and beginning of the 1990s. Following significant rate increases in 1991 and 1992 and a major benefit reform in 1993, the profitability of this line improved in 1993 and 1994. From the most recent reports, Pennsylvania Workers' compensation insurance appears to be generating profits that are slightly below the countrywide average for this line and close to the all-industry average in the U.S.

VI. FINAL COMMENT

Milliman & Robertson, Inc. has appreciated the opportunity to perform this study for the Pennsylvania Orthopedic Society. M&R welcomes the opportunity to respond to any comments or questions concerning this report.

TABLES

Table 1

NUMBER AND PERCENTAGE OF EMPLOYED PERSONS, BY MAJOR INDUSTRY GROUP

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Pennsylvania		Illinois		Michigan		New Jersey		New York	
	Number of Employed Persons (000s)	Percent of Total								
All Industry Group	5,466.4	100%	5,852.8	100%	4,470.9	100%	3,815.5	100%	7,951.2	100%
Mining	20.8	0%	14.2	0%	7.9	0%	2.0	0%	5.5	0%
Construction	214.8	4%	227.1	4%	166.9	4%	135.6	4%	264.0	3%
Manufacturing	948.9	17%	963.8	16%	958.0	21%	494.9	13%	951.2	12%
Trans. and Pub. Util.	277.7	5%	326.3	6%	166.5	4%	248.4	7%	403.8	5%
Wholesale and Retail Trade	1,195.0	22%	1,325.9	23%	1,030.3	23%	877.7	23%	1,644.1	21%
Finance, Insur, Real Estate	309.7	6%	393.6	7%	195.9	4%	230.7	6%	728.2	9%
Services	1,584.9	29%	1,556.7	27%	1,126.5	25%	1,083.6	28%	2,575.9	32%
Government	736.1	13%	808.4	14%	663.9	15%	578.5	15%	1,396.3	18%

Source: U. S. Department of Labor, Employment and Earnings, January 1996.

Table 2

STATUTORY BENEFIT AND ADMINISTRATIVE PROVISIONS COVERAGE

	(1) Pennsylvania	(2) Illinois	(3) Michigan	(4) New Jersey	(5) New York
Type of law:	Compulsory	Compulsory	Compulsory	Elective (while NJ is technically an elective State, no employer has elected to be out from under the Workers' compensation statute which requires that the election be made in writing prior to an accident).	Compulsory
Employer to insure through:					
- state fund:	competitive	no	competitive	no	competitive
- private carrier:	yes	yes	yes	yes	yes
- self-insurance through					
- individual employer:	yes	yes	yes	yes	yes
- group of employers:	no	yes	yes	no (permits 10 or more employers licensed by the State as hospitals to group self-insure)	yes

Source: US Department of Labor, State Workers' Compensation Laws, January 1996.

Table 3'

WORKERS' COMPENSATION INSURANCE LOSSES PAID, BY TYPE OF INSURER: 1993

	(2)	(3)	(4)	(5)	
	Pennsylvania (4)	Illinois	Michigan	New Jersey	New York
Amount of Losses Paid (\$000)					
Total	2,774,24	1,667,748	1,436,909	967,519	2,369,823
Private Insurance	1,895,43 ⁶	1,217,456	666,871	827,776	967,004
State and Federal Fund Disbursement	280,342 ¹	0	114,460	0	909,896
Self-insurance	598,474	450,292	655,578	139,743	492,923
Distribution of Payments					
Total	100%	100%	100%	100%	100%
Private Insurance	68%	73%	46%	86%	41%
State and Federal Fund Disbursement	10%	0%	8%	0%	38%
Self-insurance	22%	27%	46%	14%	21

Source:

John F. Burton, Jr. (Editor), Workers' Compensation Year Book, 1996.

Table 4

**STATUTORY BENEFIT AND ADMINISTRATIVE PROVISIONS MEDICAL
AND INDEMNITY BENEFITS COVERAGES**

	(1) Pennsylvania	(2) Illinois	(3) Michigan	(4) New Jersey	(5) New York
Covered Medical Benefits	full medical benefits (no time or monetary limitations)	full medical benefits (no time or monetary limitations)	full medical benefits (no time or monetary limitations)	employer liability ceases after \$100 has been paid for medical care; employee must petition for further treatment	full medical benefits (no time or monetary limitations)
Methods of Physician Selection	employer initial selection: after specified periods stated in law, employee has free choice	employee choice of physician: initial choice	employer initial selection: after specified periods stated in law, employee has free choice	employer selection of physician	employee choice of physician: selection from list prepared by State Agency
Waiting Period for Indemnity Benefits	7 days (no waiting period for scheduled injuries)	3 days	7 days	7 days	7 days
Compensation Retroactive If Disability Continues for Period Indicated from Date of	14 days or more	14 days or more	2 weeks (retroactive from day of injury if death results)	7 days	more than 14 days
Law, Rule or Regulation Facilitating the Use of Managed Care:	yes. Enacted 1994.	no.	no.	yes.	yes. Enacted 1993. Pilot program to 1997.
Statutory Citation:	Statutory citation: 77 PS. 531.1.			There is no managed care law. Authority lies in the rules.	126.
Rule / Regulation Citation:	Rule/regulation citation: 28 PA Code Ch. 9.			Administrative Code 11:6-2.	Parts 730-731, and Subchapter C, Subpart 325-7.

Source: US Department of Labor, State Workers' Compensation Laws, January 1996.

Table 5

MEDICAL FEE SCHEDULES

	(1)	(2)	(3)	(4)	(5)
	Pennsylvania	Illinois	Michig	New Jerse	New York
Medical Fee Schedule			–		
Year Implemented	1993				1986
% of Charges Covered					
General Medicine	99.7%		81.1%		75.3%
Radiology	100.0%		73.5%		98.4%
Surgery	98.0%		64.1%		53.8%
Physical Medicine	100.0%		95.8%		88.6%
			88.5%		51.6%
Average Charges for Non-Workers' Compensation Insurance Programs as a Percent of the National Workers' Compensation Median Fee Schedule	132%	125%	118%	138%	162%
Charges Allowed Under Workers' Compensation Fee Schedule as a Percent of the National Workers' Compensation Median Fee Schedule	78%		91%		117%
General Medicine	93%		70%		104%
Radiology	63%		88%		156%
Surgery	63%		95%		130%
Physical Medicine	79%		107%		112%
Workers' Compensation Fee Schedule as a Percent of Average Charges Under Non-Workers' Compensation Programs	59%		77%		72%
Medicare Rates as a Percent of the National Workers' Compensation Median Fee Schedule	69%		73%		76%
Percent of Charges Under Non-Workers' Compensation Programs Greater than Charges Under Workers' Compensation Fee Schedule	69%		30%		52%

Source: Philip Burstein, WCRI, Benchmarks for Designing Workers' Compensation Medical Fee Schedules 1994-1995.

Table 6 (Page 1 of 4)

**STATUTORY BENEFIT AND ADMINISTRATIVE PROVISIONS
MEDICAL AND WAGE REPLACEMENT BENEFITS**

	(1) Pennsylvania	(2) Illinois	(3) Michigan	(4) New Jersey	(5) New York
Temporary Total Disability					
of Worker's Wage:	66 2/3	66 2/3	80% spendable earnings	70	66 2/3
Payments per Week:	\$292.78 or 90% of AWW if less	\$100.90 to \$124.30 or worker's average wage if less, according to number of dependents	--	\$128(20% of SAWW)	\$40 or actual wage if less
- Min:					
- Max:	\$527.00	\$760.51	\$524.00	\$480.00	\$400.00
- % of SAWW':	100	133 1/3	90	75	NA
Maximum Period:	duration of disability	duration of disability	duration of disability	400 weeks	duration of disability
			<i>notes: WC benefits subject to reduction by UI and Social Security benefits, and by those under an employer disability, retirement, or pension plan</i>		

Source: US Department of Labor, State Workers' Compensation Laws, January 1996.

'SAWW: State's Average Weekly Wage.

Table 6 (Page 2 of 4)

**STATUTORY BENEFIT AND ADMINISTRATIVE PROVISIONS
MEDICAL AND WAGE REPLACEMENT BENEFITS**

	(1) Pennsylvania	(2) Illinois	(3) Michigan	(4) New Jersey	(5) New York
Permanent Partial Disability					
or Worker's Wage:	66 2/3	60	80% spendable earnings	70	66 2/3
Payments per Week:	--	\$80.90 to \$96.90 or worker's average wage if less, according to number of dependents	\$145.35(25% of SAWW) for scheduled injury only	\$128(20% of SAWW)	\$40 or actual wage if less
- Min:					
- Max:	\$527.00	\$410.43	\$524.00	\$480.00	\$400.00
- % of SAWW:	100	NA	90	75	NA
Maximum Period:	500 weeks	500 weeks (worker able to pursue usual work duties); - duration of disability (worker unable to pursue usual work duties)	duration of disability	600 weeks	duration of disability
	<i>notes:</i> WC for nonscheduled awards is determined at 66 2/3% of the difference between the wages of the injured employee and the earning power of the employee, there after up to the SAWW	<i>notes:</i> max WC for amputation of a member or enucleation of an eye is 133 1/3% of SAWW (\$712.97)	<i>notes:</i> WC benefits subject to reduction by UI	<i>notes:</i> benefits set in accordance with "wage and compensation schedule"	

Table 6 (Page 3 of 4)

**STATUTORY BENEFIT AND ADMINISTRATIVE PROVISIONS
MEDICAL AND WAGE REPLACEMENT BENEFITS**

	(1) Pennsylvania	(2) Illinois	(3) Michigan	(4) New Jersey	(5) New York
Permanent Total Disability					
or Worker's Wage:	66 2/3	66 2/3	80% of worker's spendable earnings	70	66 2/3
Payments per Week:					
- Min:	\$292.78 or 90% of SAWW if less	\$285.19 (50% of SAWW)	\$145.35(25% SAWW)	\$128(20% of SAWW)	\$40 or actual wage if less
- Max:	\$527.00	\$760.51	\$524.00	\$480.00	\$400.00
- % of SAWW:	100	133 1/3	90	75	NA
Maximum Period:	duration of disability	life	duration of disability	450 weeks: in some cases benefits are payable for life	duration of disability
			<i>notes:</i> WC benefits subject to reduction by UI	<i>notes:</i> after 450 weeks, if worker has accepted prescribed rehabilitation, benefits may continue conditionally; supplemental benefits for PTD subject to social security, black lung, or disability pension benefit offsets	

Table 6 (Page 4 of 4)

**STATUTORY BENEFIT AND ADMINISTRATIVE PROVISIONS
MEDICAL AND WAGE REPLACEMENT BENEFITS**

	(1) Pennsylvania	(2) Illinois	(3) Michigan	(4) New Jersey -	(5) New York
Death Benefits for Surviving Spouses and Children					
% of Employee' Wage					
- Spouse Only:	51	66 2/3	80% of worker's spendable earnings	50	66 2/3
- Spouse and Children:	66 2/3	66 2/3	80% of worker's spendable earnings	70	66 2/3
Payments per Week:					
- Min:	\$292.78 or 90% of AWW if less	\$285.19(50% of SAWW)	\$290.70(50% of SAWW)	\$128(20% of SAWW)	\$40
- Max:	\$527.00	\$760.51	\$524.00	\$480.00	\$400.00
- % of SAWW:	100	133 1/3	90	75	NA
Maximum Period:	widow/widower-hood; children until 18 <i>notes: two-year lump sum payable to widows upon remarriage. children receive benefits beyond 18 if disabled, or until age 23 if full-time student</i>	widow / widower-hood; children until 18, or for not less than 6 years if orphan child is under age 18 ²	500 weeks <i>notes: children receive benefits until 16,18 if full-time student, or longer if disabled, not withstanding the 500-week limit</i>	widow / widower-hood; children until 18	widow / widower hood; children until 18'

²Children receive benefits beyond age 18 if physically or mentally disabled. Two-year lump sum payable upon remarriage in cases where there are no children. Children may receive benefits until age 25 if full-time students. Total maximum payable in any case is \$250,000 or 20 years of compensation, whichever is greater.

³Two-year lump sum payable upon remarriage. Children receive benefits beyond age 18 if disabled, or until age 23 if full-time students. WC payments subject to social security benefit offsets.

Table 7

**INCOME REPLACEMENT RATES BY STATE AND BENEFIT FEATURE RESPONSIBLE
PERCENTAGE OF WORKERS**

Replacement Rates: Workers' Compensation Indemnity Benefits / Post-tax Pre-injury Wage	(1)	(2)	(3)	(4)	(5)
	Pennsylvania	Illinois	Michigan	New Jersey	New York
	01/01/93	01/01/88	01/01/88	01/01/92	07/01/92
Above 100% (Indemnity Benefits Exceed Post-tax Pre-Injury Wage)	33	17	5	6	6
because of					
Minimum Benefit	24	4		2	
Maximum Benefit	9	13	5	4	5
80% to 100% (Indemnity Benefits are 80% to 100% of Post-tax Pre-Injury Wage)	59	78	91	76	78
Below 80% (Indemnity Benefits are less than 80% of Post-Tax Pre-Injury Wage)	8	5	3	18	16
because of					
Low Gross Replacement Rate		5		4	10
Low Maximum Benefit	7		3	14	5

Source: WCRI, Income Replacement in Pennsylvania, 1993.

Table 8 (Page 1 of 2)

**STATUTORY BENEFIT AND ADMINISTRATIVE PROVISIONS
SCHEDULE BENEFITS FOR PERMANENT PARTIAL DISABILITIES**

	(1) Pennsylvania	(2) Illinois	(3) Michigan	(4) New Jersey	(5) New York
Maximum Benefit Payments/ Number of Weeks for Selected Permanent Partial Disabilities Scheduled Injuries'				member amputated: additional 30% is added to the award.	
- Arm at Shoulder:	\$216,070/410	\$228,153/300	\$140,956/269	\$116,160/330	\$124,800/312
- Hand:	187,085/355	144,496/190	112,660/215	70,560/245	97,600/244
- Leg at Hip:	216,070/410	209,140/275	112,660/215	110,880/315	115,200/288
- Foot:	131,750/250	117,879/155	84,888/162	58,880/230	82,000/205
- Eye:	144,925/275	121,681/160	84,888/162	44,880/200	64,000/160
Hearing					
- Both Ears:	137,020/260	152,102/200	no provision	44,880/200	60,000/150
- One Ear:	31,620/60	38,025/50	no provision	7,680/60	24,000/60
Non-Scheduled Injuries:	263,500	no max	no max	288,000	no max
Methods of Payments of Scheduled Awards					
Are Scheduled Awards Paid in Addition to TTD ² Benefits?	yes	yes	no	yes	yes
Are Scheduled Awards Paid upon Termination of TTD Benefits?	yes	yes	no - paid directly after accident	yes	yes
Are Scheduled Awards Reduced Because of Receipt of TTD Benefits?	no	no	NA	no	yes -under certain conditions

¹Source: US Department of Labor, State Workers' Compensation Laws, January 1996.

²TTD: temporary total disability.

Table 8 (Page 2 of 2)

**STATUTORY BENEFIT AND ADMINISTRATIVE PROVISIONS
SCHEDULE BENEFITS FOR PERMANENT PARTIAL DISABILITIES**

	(1) Pennsylvania	(2) Illinois	(3) Michigan	(4) New Jersey	(5) New York
Jurisdictions Providing Disfigurement Benefits					
Nature of Disfigurement:	serious and permanent of head, face, or neck	serious and permanent to hand, head, face, neck, arm, leg, below knee or chest above axillary line	NA	NA	serious facial, head, neck, or chest
Compensation Received:	66-2/3 percent of employee's average weekly wage	60 percent of the employee's average weekly wage, except if benefits are otherwise payable for permanent disability			maximum \$20,000
Maximum Period:	275 weeks	150 weeks			NA

Table 9

**STATUTORY BENEFIT AND ADMINISTRATIVE PROVISIONS
REHABILITATION BENEFITS**

	(1)	(2)	(3)	(4)	(5)
	Pennsylvania	Illinois	Michigan	New Jersey	New York
Rehabilitation Statutes':					
- Physical	Yes	Yes	Yes	Yes	Yes
- Vocational	No	Yes	Yes	Yes	Yes
WC Rehab Unit:	No	No	Yes	No	Yes
Rehab Unit Services:	No	No	Yes	No	No
- Direct					
- Referral	No	No	Yes	No	Yes
- Monitor	No	No	Yes	No	No
Employer/Carrier Responsibilities:	NA	VR ³ Costs; PR&VR Maintenance Expenses	Costs of VR for Max 104 Weeks; Costs of Travel & Expenses During VR; May Be Required to Offer VR by WC Bureau	May Be Required by Courts to Pay VR Costs; Otherwise, Paid by Vocational Rehabilitation under L&I	Contribute to State VR Fund: Fund Pays VR Costs, Except TTD
Employee Responsibilities:	Accept PRZ	Accept PR	Accept PR&VR	Accept VR & PR	
Penalties to Employees:	No Compensation for Increased Disability During Refusal Period	Compensation Reduced or Suspended	Compensation Reduced	Compensation Suspended	
Employee Benefits During Vocational Rehabilitation:	None	TTD plus Incidental Maintenance Expenses	Compensation for "Wage-Loss". plus Travel & Necessary Expenses	TTD	TTD plus Maximum \$30/Week Maintenance

¹Source: U.S. Department of Labor, State Workers' Compensation Laws, January 1996.

²PR: Physical Rehabilitation

³VR: Vocational Rehabilitation

Table 10

**NONAGRICULTURAL EMPLOYMENT IN PENNSYLVANIA AND
PETITIONS FILED, LOST-TIME INJURY REPORTS, AND NOTICES OF COMPENSATION PAYABLE
REPORTED TO THE PENNSYLVANIA BUREAU OF WORKERS' COMPENSATION**

Year	(1) Nonagricultural Employment	(2) Lost Time Injury Reports Filed	(3) Lost-Time Reports per 100 Workers	(4) Notices of Compensation Payable	(5) Notices of Compensation Payable as a % of Lost-Time Injury Reports	(6) Petitions Filed	(7) Petitions Filed per 100 Workers
1986	4,791,000	138,168	2.9	95,250	68.9%	22,495	0.5
1987	4,915,000	139,706	2.8	99,241	71.0%	25,712	0.5
1988	5,042,000	146,461	2.9	101,723	69.5%	28,164	0.6
1989	5,139,000	148,445	2.9	107,231	72.2%	31,549	0.6
1990	5,170,000	158,030	3.1	108,485	68.6%	37,208	0.7
1991	5,084,000	145,667	2.9	111,662	76.7%	40,511	0.8
1992	5,076,000	143,268	2.8	99,341	69.3%	54,159	1.1
1993	5,123,000	136,769	2.7	88,580	64.8%	57,794	1.1
1994	5,187,800	130,093	2.5	82,635	63.5%	61,430	1.2
1995	5,221,000	118,313	2.3	76,280	64.5%	68,211	1.3

Sources:

Pennsylvania Department of Labor and Industry, letter to Senator Mowery, 03/21/96.

Pennsylvania Bureau of WC, Annual Report Fiscal Year 94/95.

U.S. Bureau of Labor Statistics, Employment and Earnings (monthly), May issues and all issues in 1995-1996 for 1995 data.

Table 11
ATTORNEY FEES IN WORKERS' COMPENSATION

	(1) Pennsylvania	(2) Illinois	(3) Michigan	(4) New Jersey	(5) New York
Attorney Fees In Workers' Compensation					
Attorney Fees Established by Statute, Rule, Operating Policy, or on Individual Case Basis:	20%, statute	20%, statute	30%, rule; up to time of trial, 15% first \$25,000; 10% balance on redemption settlements	20%, statute	individual case basis
Determined by:	agency	agency	agency	agency	agency
Statutory Provision Whereby Attorney Fees Are Added to Award in Certain Cases:	yes	yes	none	yes	none
Statutory Provision Making Unlawful Acceptance of Unapproved Fees:	none	none	none	yes	yes
Laypersons Permitted to Represent Claimants:	no	no	no	no	yes
Attorney Fees, upon Approval, become liens against awards:	yes	no	no	yes	yes

Source: US Department of Labor, State Workers' Compensation Laws, January 1996.

This table refers only to attorney fees for claimants. Attorney fees for employers and insurance carriers are not regulated by state statutes or regulations.

Table 12 (Page 1 of 3)

**COMPARISON OF STATE WORKERS' COMPENSATION LAWS TO THE
ESSENTIAL RECOMMENDATIONS OF THE NATIONAL COMMISSION
ON STATE WORKMEN'S COMPENSATION LAWS¹**

Recommendation #	(1) Pennsylvania	(2) Illinois	(3) Michigan	(4) New Jersey	(5) New York
2.1(a)	X	X	X	-	X
2.1(b)	X	X	-	X	X
2.2	X	X	-	X	X
2.4	-	-	-	X	-
2.5	-	-	-	-	-
2.6	-	-	X	X	-
2.7	-	-	-	X	-
2.11	X	X	-	X	-
2.13	X	X	X	X	X
3.7	X	X	X	X	X
3.8	X	X	-	-	-
3.11	X	X	X	X	X
3.12	X	X	X	X	X
3.15	X	X	-	-	-
3.17	X	X	X	-	X
3.21	-	X	X	-	X
3.23	X	X	-	-	-
3.25(a)	X	X	-	X	X
3.25(b)	X	X	-	-	X
3.25(c)	X	X	X	X	X
3.25(d)	-	X	-	-	-
4.2	X	X	X	-	X
4.4	X	X	X	-	X
TOTAL	13.75	15	9.75	10	10.75
COVERAGE (2.1 - 2.13)	4	4	2.5	6.5	3
BENEFITS (3.7 - 3.25)	7.75	9	5.25	3.5	5.75
MEDICAL (4.2 - 4.4)	2	2	2	0	2

¹Source: John F. Burton, Jr. (Editor), Workers' Compensation Year Book, 1996.

²X: the law meets the recommended standard.

³---: the law does not meet the recommended standard.

TABLE 12 (Page 2 of 3)

**COMPARISON OF STATE WORKERS' COMPENSATION LAWS TO THE
ESSENTIAL RECOMMENDATIONS OF THE NATIONAL COMMISSION
ON STATE WORKMEN'S COMPENSATION LAWS**

	Recommendation
2.1	Coverage by workmen's compensation laws be compulsory and that no waivers be permitted.
2.1a	Coverage is compulsory for private employments generally.
2.1b	No waivers are permitted.
2.2	Employers not be exempted from workmen's compensation coverage because of the number of their employees.
2.4	A two-stage approach to the coverage of farmworkers. First, as of July 1, 1973, each agriculture employer who has no annual payroll that in total exceeds \$1,000 be required to provide workmen's compensation coverage to all of his employees. As a second stage, as of July 1, 1975, farmworkers be covered on the same basis as all other employees.
2.5	As of July 1, 1975, household workers and all casual workers be covered under workmen's compensation at least to the extent they are covered by Social Security.
2.6	Workmen's compensation coverage be mandatory for all government employees.
2.7	There be no exemptions for any class of employees, such as professional athletes or employees of charitable organizations.
2.11	An employer or his survivor be given the choice of filing a workmen's compensation claim in the State where the injury or death occurred, or where the employment was principally localized, or where the employee was hired.
2.13	All States provide full coverage for work-related diseases.
3.7	Subject to the State's maximum weekly benefit, temporary total disability benefits be at least 66 2/3 percent of the worker's gross weekly wage.
3.8	As of July 1, 1973, the maximum weekly benefit for temporary total disability be at least 66 2/3 percent of the State's average weekly wage, and that as of July 1, 1975, the maximum be at least 100 percent of the State's average weekly wage.

TABLE 12 (Page 3 of 3)

**COMPARISON OF STATE WORKERS' COMPENSATION LAWS TO THE
ESSENTIAL RECOMMENDATIONS OF THE NATIONAL COMMISSION
ON STATE WORKMEN'S COMPENSATION LAWS**

	Recommendation
3.11	The definition of permanent total disability used in most States be retained. However, in those few States which permit the payment of permanent total disability benefits to workers who retain substantial earning capacity, the benefit proposals be applicable only to those cases which meet the test of permanent and total disability used in most States.
3.12	Subject to the State's maximum weekly benefit, permanent total disability benefits be at least 66 2/3 of the worker's gross weekly wage.
3.15	As of July 1, 1973, the maximum weekly benefit for permanent total disability be at least 66 2/3 percent of the State's average weekly wage, and that as of July 1, 1975, the maximum be at least 100 percent of the State's average weekly wage.
3.17	Total disability benefits be paid for the duration of the worker's disability, or for life, without any limitations as to dollar amount or time.
3.21	Subject to the State's maximum weekly benefit, death benefits be at least 66 2/3 percent of the worker's gross weekly wage.
3.23	As of July 1, 1973, the maximum weekly death benefit be at least 66 2/3 percent of the State's average weekly wage, and that as July 1, 1975, the maximum be at least 100 percent of the State's average weekly wage.
3.25	(a) Death benefits be paid to a widow or widower for life or until remarriage, and (b) in the event of remarriage, two years' benefits be paid in a lump sum to the widow or widower. (c) Benefits for a dependent child be continued at least until the child reaches 18, or beyond such age if actually dependent, or (d) at least until age 25 if enrolled as a full-time student in any accredited educational institution.
4.2	There be no statutory limits of time or dollar amount for medical care or physical rehabilitation services for any work-related impairment.
4.4	The right to medical and physical rehabilitation benefits not terminated by the mere passage of time.

CHANGES IN PREMIUM LEVELS DUE TO RATE INCREASES SINCE JANUARY 1, 1990

Year	(1) (2) (3) Pennsylvania			(4) (5) (6) Illinois			(7) (8) (9) Michigan			(10) (11) (12) New Jersey			(13) (14) (15) New York		
	Date of Change	Approved Change in Premium	Cumulative Change	Date of Change	Approved Change in Premium	Cumulative Change	Date of Change	Approved Change in Premium	Cumulative Change	Date of Change	Approved Change in Premium	Cumulative Change	- Date of Change	Approved Change in Premium	Cumulative Change
1990	01/01/90	7.5%	7.5%	01/01/90	10.0%	10.0%	01/01/90	12.2%	12.2%	01/01/90	4.0%	4.0%	07/01/90	29.4%	29.4%
	08/01/90	8.5%	16.6%	09/01/90	1.2%	11.3%									
1991	01/01/91	13.2%	32.0%	01/01/91	8.5%	20.8%	01/01/91	-3.8%	7.9%	01/01/91	4.8%	9.0%	07/01/91	15.3%	49.2%
1992				01/01/92	9.1%	31.8%	01/01/92	15.0%	24.1%	01/01/92	9.8%	19.7%			
	12/01/92	24.3%	64.0%										07/01/92	15.6%	72.5%
1993	12/01/93	-2.0%	60.8%	01/01/93	5.7%	39.3%	01/01/93	11.6%	38.5%	01/01/93	24.3%	48.8%	10/01/93	14.4%	97.3%
1994				01/01/94	9.6%	52.7%	01/01/94	11.5%	54.5%	01/01/94	7.2%	59.5%	04/01/94	-15.4%	66.9%
													10/01/94	1.4%	69.3%
1995				01/01/95	-6.7%	42.4%	01/01/95	-9.6%	39.6%	01/01/95	6.0%	69.0%			
1996				01/01/96	-13.6%	23.1%	01/01/96	-10.7%	24.7%	01/01/96	-3.6%	62.9%	10/01/95	-8.4%	55.0%

Source: National Council on Compensation Insurance, Annual Statistical Bulletin, 1996 edition.

Table 14

CHANGES IN STATUTORY BENEFIT PROVISIONS SINCE JANUARY 1, 1990

Year	(1) Pennsylvania			(4) Illinois			(7) Michigan			(10) New Jersey			(13) New York		
	(2) Date of Change	(3) Impact on Insurance Rates	(6) Cumulative Change	(5) Date of Change	(8) Impact on Insurance Rates	(9) Cumulative Change	(7) Date of Change	(8) Impact on Insurance Rates	(9) Cumulative Change	(10) Date of Change	(11) Impact on Insurance Rates	(12) Cumulative Change	(13) Date of Change	(14) Impact on Insurance Rates	(15) Cumulative Change
1990	01/01/90	1.08%	1.1%	01115/90 07/01/90 07/15/90	0.03% 0.4% 0.03%	0.03% 0.4% 0.5%	01/01/90	0.3%	0.3%	01/01/90	2.7%	2.7%	07/01/90	21.4%	21.4%
1991	01/01/91	0.75%	1.8%	01/01/91 07/01/91 07/15/91	0.1% 0.3% 0.1%	0.6% 0.9% 1.0%	01/01/91	0.4%	0.7%	01/01/91	1.6%	4.3%	07/01/91	5.8%	28.4%
1992	01/01/92	0.68%	2.5%	01/01/92 07/01/92 07/01/92 07/15/92	0.1% 0.5% 0.03% 0.1%	1.1% 1.6% 1.6% 1.7%	01/01/92 02/19/92	0.0% 1.0%	0.7% 1.7%	01/01/92	2.3%	6.7%	07/01/92	5.4%	35.4%
1993	01/01/93 09/01/93	0.53% -13.10%	3.1% -10.4%	01/01/93 07/01/93 07/15/93	0.1% 0.6% 0.1%	1.8% 2.4% 2.5%	01/01/93	0.6%	2.3%	01/01/93	2.3%	9.2%	10/01/93	1.0%	36.7%
1994	01/01/94	0.52%	-10.0%	01/01/94 07/01/94 07/15/94	0.01% 0.4% 0.1%	2.5% 2.9% 3.0%	01/01/94	0.3%	2.6%	01/01/94	2.8%	12.3%	01/01/94 10/01/94	-1.9% 0.8%	34.1% 35.2%
1995	01/01/95	0.31%	-9.7%	01/01/95 02/14/95 07/01/95 07/15/95	0.1% -0.7% 0.02% 0.1%	3.1% 2.4% 2.4% 2.5%	01/01/95	0.4%	3.0%	01/01/95	0.8%	13.2%	10/01/95	0.5%	35.9%
1995							01/01/96	-0.7%	2.3%	01/01/96	1.0%	14.3%			

Source: National Council on Compensation Insurance, Annual Statistical Bulletin, 1996 edition.

Table 15

WORKERS' COMPENSATION INSURANCE COSTS AND AVERAGE STATUTORY BENEFIT PROVISIONS

	(1) U.S. Average	(2) Pennsylvania	(3) Illinois	(4) Michigan	(5) New Jersey	(6) New York
Net Cost of Workers' Compensation Insurance						
Net Cost per \$100 of Payroll	5.39	6.41	5.50	6.50	4.57	8.46
Index	1.00	1.19	1.02	1.21	0.85	1.57
Rank (Range: 1-44; Lowest = 1)		32	25	35	18	43
Average Statutory Provisions for Indemnity Benefits						
Index	1.00	1.25	1.32	3.54	0.64	1.29
Rank (Range: 1-50; Lowest = 1)		38	43	50	5	39

Source: Actuarial & Technical Solutions, Inc., Workers' Compensation State Rankings: Manufacturing Industry Rates and Statutory Benefit Provisions, **1995 edition**.

Table 16

WORKERS' COMPENSATION INSURANCE PROFITABILITY: 1985-1994

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Return on Net Worth (%): Workers' Compensation										
U.S.	11.8	11.1	10.1	4.3	5.5	5.0	4.9	8.6	13.3	14.4
Pennsylvania	22.5	18.4	14.0	6.6	5.7	2.7	0.6	2.6	2.3	9.9
Illinois	15.9	20.7	18.9	16.8	12.9	11.4	13.8	15.4	16.8	14.4
Michigan	23.7	17.9	18.9	11.2	11.8	7.7	-0.1	10.1	15.4	17.2
New Jersey	24.7	17.6	20.3	13.0	12.6	0.6	-0.4	-1.3	5.5	7.7
New York	28.7	24.9	21.2	14.9	15.2	11.7	4.7	0.9	4.6	5.4
Return on Net Worth (%): All Industries In U.S.										
Forbes Magazine	12.7	13.0	13.6	14.1	14.4	12.1	9.9	10.7	11.7	12.6
Loss Ratios: Workers' Compensation										
US.	83.1	84.8	83.1	85.7	85.7	85.2	85.9	83.1-	73.0	60.8
Pennsylvania	74.0	80.3	81.4	88.3	90.4	92.0	93.3	97.2	89.6	67.8
Illinois	83.3	75.2	73.6	73.1	77.9	76.3	72.9	71.5	64.7	56.3
Michigan	74.9	81.6	76.6	84.2	81.0	88.6	99.7	85.3	70.3	55.9
New Jersey	63.3	73.6	67.8	74.3	74.0	92.5	96.9	102.4	90.4	75.5
New York	64.3	69.5	71.8	78.4	78.2	81.4	85.2	96.3	86.6	78.1

Source: National Association of Insurance Commissioners, Report on Profitability by Line by State, 1994.

FIGURES

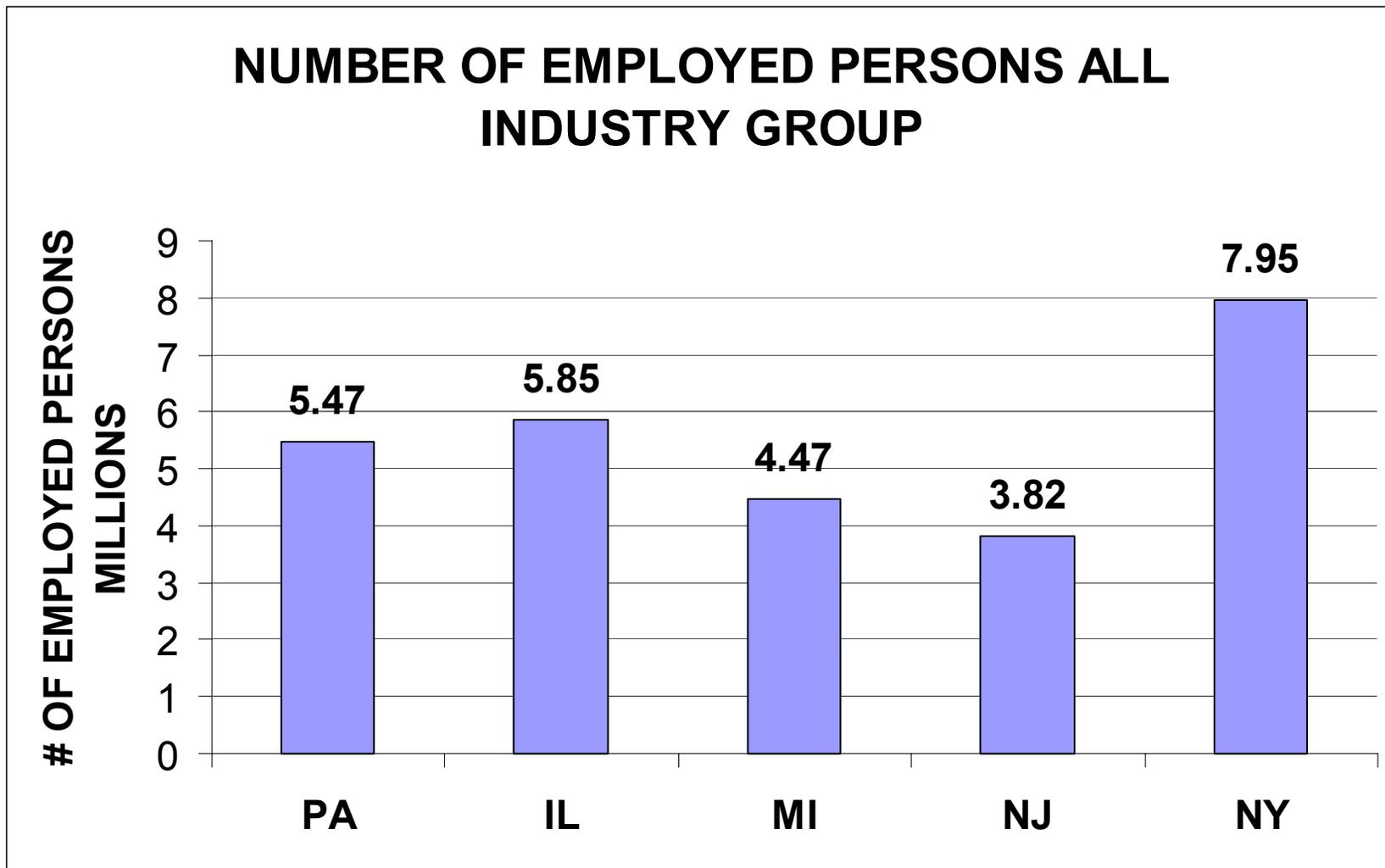


Figure 1

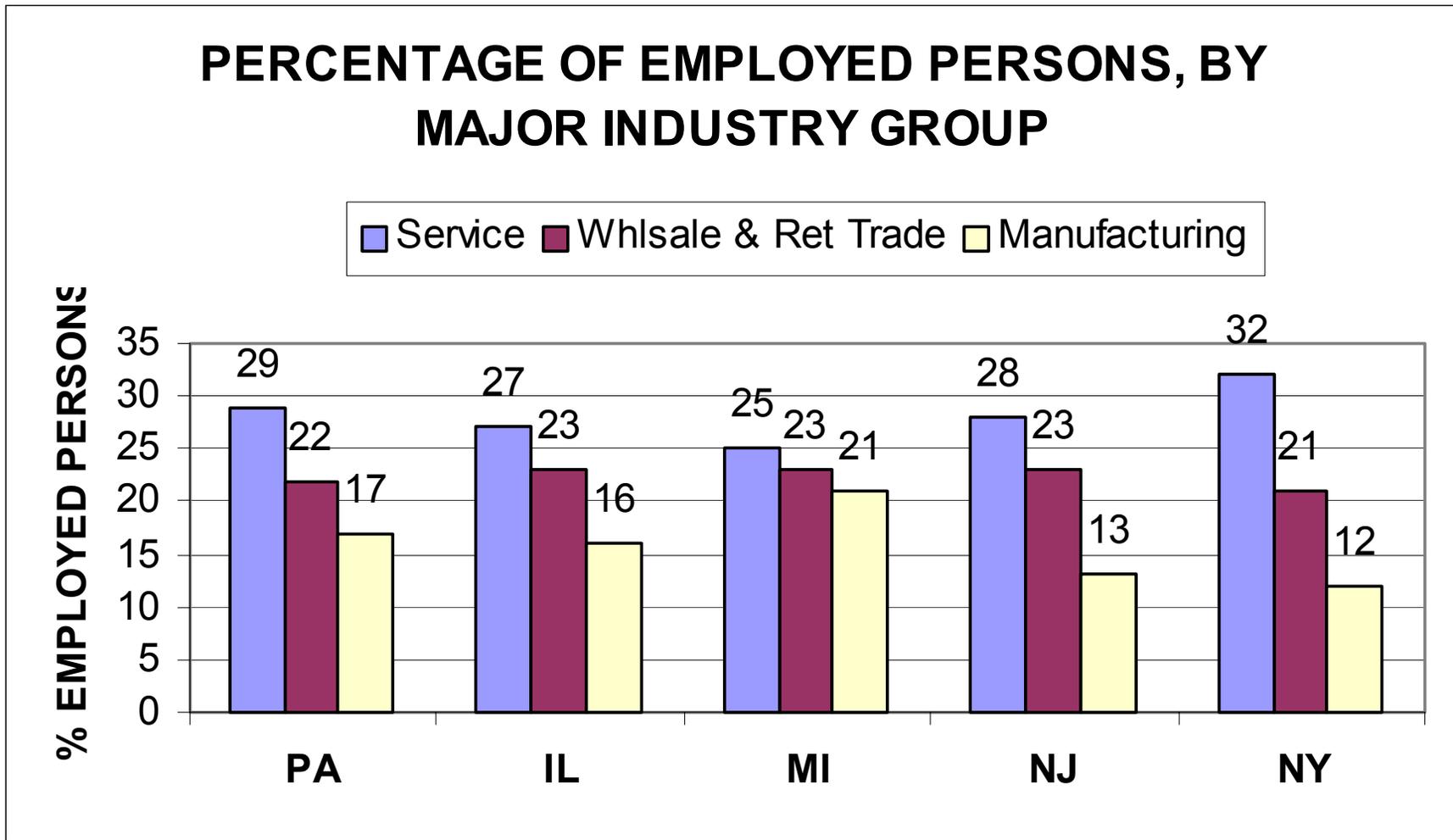
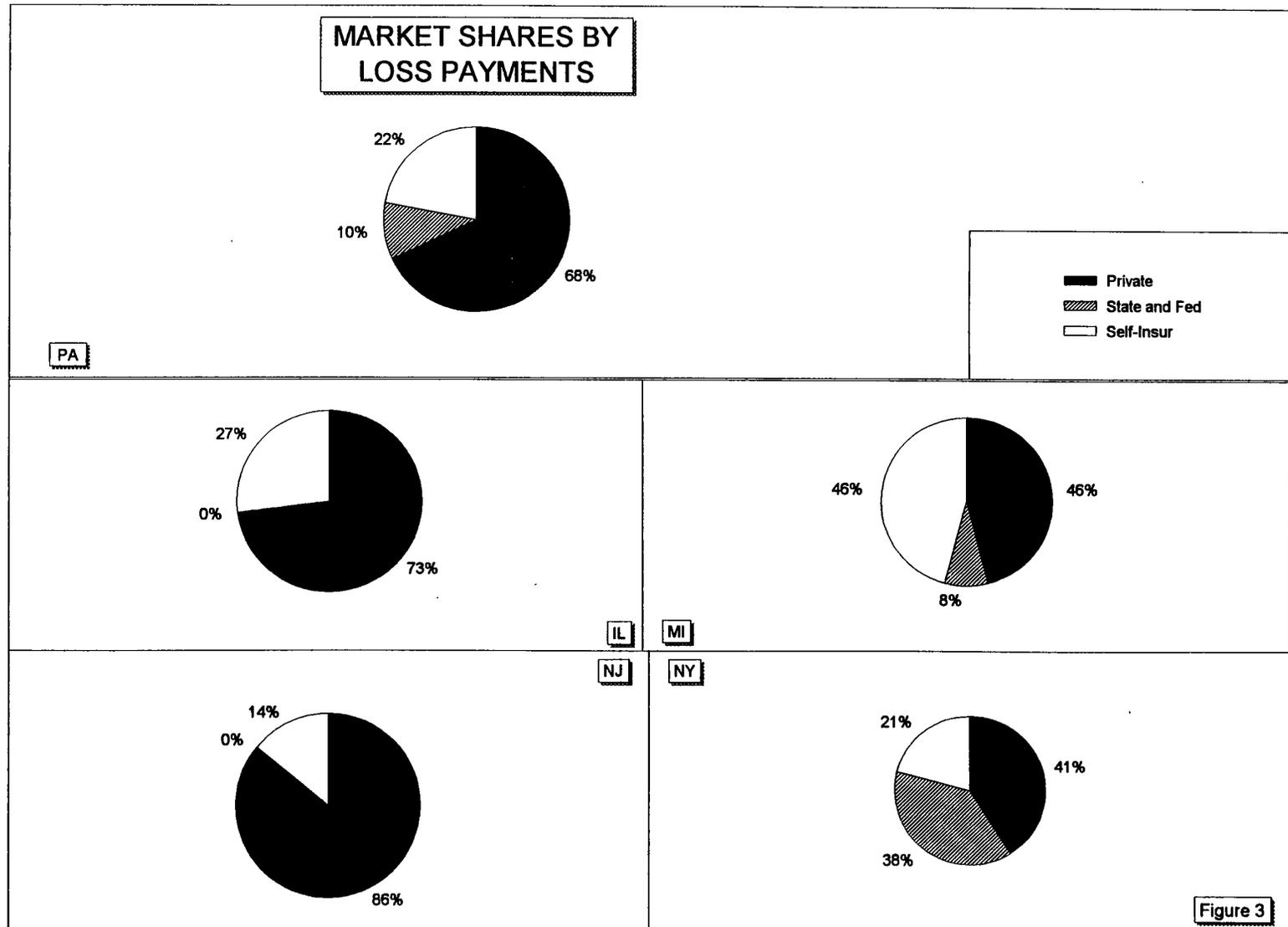
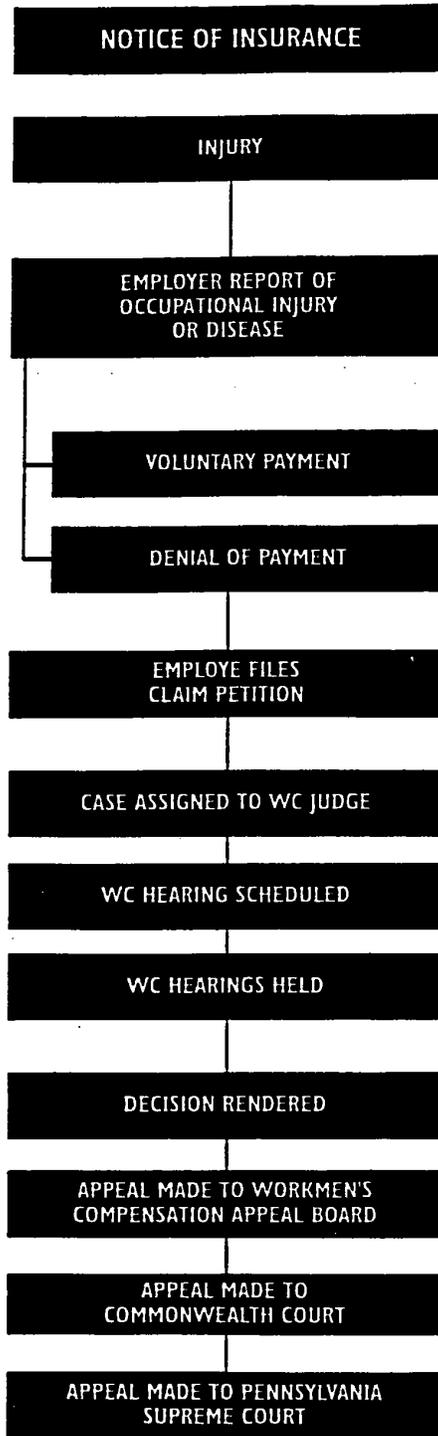


Figure 2



**THE FLOW OF A PENNSYLVANIA WORKERS'
COMPENSATION CLAIM**



Employers are required to post LIBC-500 to inform employees of the name, address and phone number of their workers' compensation insurance company, their third-party administrator or internal workers' compensation contact person.

Must be reported to employer within 21 days; if not reported within 120 days from date of injury, no compensation is allowed (except for cases involving progressive diseases).

Employers are required to immediately report all employee injuries to their insurer or, if self-insured, to report them to the person responsible for management of the employees workers' compensation program. Employers are also required to file with the Department of Labor and Industry, a report of injury within forty-eight hours for every injury resulting in death, and within seven days after the date-of injury for all other injuries which result in disability of more than a day, shift or turn of work.

Within 21 days from the date the employee provides notification of an injury, the employee/carrier accepts liability for the injury and issues a Notice of Compensation Payable.

Within 21 days from the date the employee provides notification of an injury, the employee/carrier denies liability and issues a Notice of Workers' Compensation Denial to the employee.

Employee/claimant has 3 years from the date of injury to file a Claim Petition. The law also provides that injured workers may reopen their claim within 3 years from the last date an indemnity payment was made on a claim. (Mere paying of medical payments would not be the same as reopening your claim.)

Workers' Compensation Petitions are assigned to a Workers' Compensation Judge by the Bureau according to the county in which the employee lives.

Once assigned, all parties involved in the case are notified in writing as to the date, time and place of hearing.

A Workers' Compensation Judge hears evidence presented by both the defendant (employer/insurer) and claimant at one or more hearings that may be prolonged by the need to obtain medical evidence and hear other witnesses.

A written decision is circulated to involved parties after a case is closed (all evidence has been submitted and the Judge has everything necessary to render a decision). No further action is taken.

Either party has 20 days from the date the Workers' Compensation Judge's decision is circulated to all parties to file an appeal with the Workmen's Compensation Appeal Board.

Either party has 30 days from the date of circulation of the Workmen's Compensation Appeal Board's decision to file an appeal with the Commonwealth Court.

Either party has 30 days from the date of circulation of the Commonwealth Court's decision to file a Petition for Allowance of an Appeal.

NOTE: Statutory time periods are reflected in the above process.
Source: Pennsylvania Bureau of Workers Compensation, Annual Report Fiscal Year 1994-95.

