



The Business Council of New York State, Inc.

# COMP WATCH '06

## Could New York be the next workers' comp success story?

Workers' compensation costs continue to be a driving factor in business decisions here in the Empire State—driving businesses *out*, mainly. And it's easy to see why. Forty-two other states have capped their permanent partial disability benefits, whose uncapped costs account for 81% of all losses in New York State. We also boast an overall average cost-per-case that's 84% above the national median, while other states have significantly reduced their employers' costs. In many cases, other states' comprehensive reforms have increased benefits to injured workers too. (Of course, New York has a long record of refusing to follow the example of other states, unless what they're doing is a mistake!)

With no comprehensive reforms in ten years, New York is now closing in on one title we'd rather not like to claim: the highest average cost-per-case for workers' compensation claims in the country. The National Council on Compensation Insurance reports that in 2001, California held the number one spot, with an average cost per case of \$21,087. New York came in second, with an average of \$16,114 for every comp case.

One might look at those numbers and wonder how we could catch a state with such a huge gap between those whopping figures. But New York is likely to take the unwanted crown, thanks to reforms Cali-

fornia has enacted that aren't reflected in the data—yet.

As noted above, there's a lag in NCCI data. The most recent figures are from 2001. But California passed major workers' comp reform legislation in 2002, 2003 and 2004. And the California Department of Industrial Relations just released a study, performed by an outside consultant under a legislative requirement, showing that costs there are down by 46% in recent years. New limits on permanent-partial disability claims and adoption of medical guidelines are just a few reasons for the drop.

New York's businesses could certainly use a reduction like that. And it's not so far-fetched if one looks at where California was coming from, pre-reforms. In 2000, California's overall premium and claim costs were the highest in the nation and the benefits paid to injured workers near the lowest. (Sound familiar?) Regulatory changes increased premium costs even more, sent insurers heading for the hills—refusing to write comp policies—and bankrupted 28 insurers. (Sound like the 240/241 "Scaffold Law" situation?)

Reforms began passing in 2002-03, and continued with significant changes under a new governor and a unified argument that the comp system was a serious threat to California's economic climate.

The result: California's outlook today

### California's cost savings

★ Permanent disability reforms account for 40% of an estimated \$15 billion in claims cost savings

★ Approved insurance rates have dropped 46% in three years—from an average of \$4.81 per \$100 of payroll in 2003 to \$2.59 per \$100 of payroll in 2006

★ The average insurer-charged rate per \$100 of payroll dropped 68% through 2005, since peaking in 2003

Source: State of California Department of Industrial Relations Division of Workers' Compensation, January 2006

is much different. According to the study, *primarily due to the reforms, it is projected that the approved insurance rates have decreased by 46% (from average rates of \$4.81 per hundred dollars of payroll to \$2.59 from July 1, 2003 to January 1, 2006, a three year period. Rates are now below where they were in 1996.*

New York has an opportunity here. It has the benefit of learning from one state's success story—from a very familiar starting point—at a time when comprehensive comp reform proposals have already been introduced and discussed in Albany. Now's the time for the Legislature to act so our businesses and jobs become part of another success story.

#### AHEAD:

More voices for reform **May 1**

A win-win for employers and workers **May 15**

## More real-cost perspectives

The Buffalo News recently reported on one company's call for reforms to the system—and what that company could be saving if it left New York:

*Curtis Screw Company LLC executive John Hoskins Jr. said his West Seneca-based company pays out \$2 per labor hour to cover state-mandated worker's compensation costs. "We spend \$1 million a year out-of-pocket for our Buffalo workers, but our worker's compensation costs at our North Carolina plant are \$150,000," Hoskins said, citing a prime reason why businesses choose to pull up stakes and leave New York for fairer business climates.*