The purpose of this study was to investigate the association between health risks and workers' compensation (WC) costs. The 4-year study used Health Risk Appraisal data and focused on 1996-to-1999 WC costs among Xerox Corporation's long-term employees. High WC costs were related to individual health risks, especially Health Age Index (a measure of controllable risks), smoking, poor physical health, physical inactivity, and life dissatisfaction. WC costs increased with increasing health risk status (low-risk to medium-risk to high-risk). Low-risk employees had the lowest costs. In this population, 85% of WC costs could be attributed to excess risks (medium- or high-risk) or non-participation. Among those with claims, a savings of $1238 per person per year was associated with Health Risk Appraisal participation. Addressing WC costs by focusing on employee health status provides an important additional strategy for health promotion programs.