

New study on workers' compensation opt-out trends



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A newly released report examines whether or not the ability for employers to opt-out of the Texas workers' compensation system has produced significant results that could help other states solve long-term problems in the current system.

The study entitled "Workers' Compensation Opt-Out: Can Privatization Work?" was completed by the New Street Group and primary researcher Peter Rousmaniere, a well-known workers' compensation consultant and columnist; and sponsored by Sedgwick.

The research showed that employers that choose to become non-subscribers and privatize their workers' compensation see many positive results – loss costs, in many cases, drastically decline; accountability surrounding the treatment of injured workers dramatically improves; and employer concerns about fraud and abuse significantly decrease. Also, the ability to choose a workers' compensation program means the employer can customize their work injury benefits to match the needs of their workforce and location – an option that is not possible with statutory workers' compensation.

"This objective report provides a comprehensive look at non-subscriber programs, and addresses current and future issues within the industry as a whole. The study also provides strategies and critical information necessary for moving forward," said David A. North, president and CEO of Sedgwick.

"This is the first in-depth investigation of what a deregulated alternative to the state-based workers' compensation system can mean to employers, injured workers, insurers, and other stakeholders," Rousmaniere explained.

The report provides an extensive analysis of the claims and medical management process for an opt-out employer. It also contains a comprehensive analysis of a major national retailer's opt-out program. In addition, it describes the unsuccessful effort of the State to adopt an opt-out program in Oklahoma earlier this year.

Some of the major findings in the study include:

- Employer concerns about fraud and abuse virtually disappear
- Medical treatment is more focused with increased emphasis on return-to-work programs
- Disputes are resolved more quickly, in part because workers have restricted legal rights
- Employers redefine work injury benefits using ERISA and other modern employee benefit tools that are prohibited in statutory workers' compensation systems
- The lack of tort protection for employers provided under state workers' compensation systems is less of a problem than commonly feared

"Depending on benefit regulations and employer resources, this type of program has the necessary components to be a viable workers' compensation option for select states in the coming years," added North.

Click [here](#) for a complimentary copy of the study located on the Sedgwick website.

For questions, please contact your Sedgwick client services director.

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Sedgwick Claims Management Services, Inc. • 1100 Ridgeway Loop Road • Memphis, TN 38120 • 800-625-6588