

**Testimony of Association for Responsible Alternatives to  
Workers' Compensation (ARAWC) to the National  
Conference of Insurance Legislators (NCOIL) Workers'  
Compensation Insurance Committee**

**February 27, 2016**

Chairman Klein, Vice Chair Quinn and members of NCOIL's Workers' Compensation Insurance Committee, thank you for the opportunity to present the following testimony on behalf of the Association for Responsible Alternatives to Workers' Compensation (ARAWC). ARAWC is a national organization comprised of employers, workers' compensation system providers, and industry experts dedicated to enacting state workers' compensation alternatives (the Option) that deliver better outcomes for employees.

Let me begin by reviewing a few over-arching principles regarding our perspective on workers' compensation and Option plans. ARAWC supports state oversight of workers'

compensation and Option plans. The Association believes traditional workers' compensation plans and Option plans can work side-by-side to ensure employees receive prompt, quality care when injured on the job. ARAWC is committed to a constructive dialogue to increase awareness and understanding of Option plans and their benefits to employees and employers.

ARAWC believes that all employers are obligated to provide employees with an occupational injury benefit system. The Association does not support employers being able to "opt-out" from their obligation to provide occupational injury benefits to their employees. Employers should either provide coverage under a state's existing workers' compensation system or provide coverage through a quality "Option" injury benefit plan such as the approach we are advocating.

The Option is a good risk management program. It provides increased communication with employees regarding the occupational injury benefit plan. If an employee is injured, the

Option provides the employee with prompt access to quality medical care and improved access to quality medical providers. For workers injured on the job, the Option provides benefits equal to or better than existing workers' compensation benefits.

The Option is a voluntary alternative to a traditional workers' compensation program. The Option and traditional workers' compensation plans are complementary and pursue mutually reinforcing objectives, improving the lives of injured workers. Texas and Oklahoma are proof that workers' compensation and Option plans can work side-by-side to promote healthy competition on price and coverage.

ARAWC supports state regulation of the business of insurance. The Association applauds modernization and efficiency efforts underway through individual state insurance departments and state legislatures to ensure worker safety and to improve workers' compensation programs. ARAWC believes

consumer protection is best provided by state regulation of insurance.

ARAWC is working collaboratively with elected officials, state regulators, employers and other stakeholders to develop consensus around Option plans. ARAWC believes that states should continue to play the central role in managing occupational injury benefit systems. For example, the Association supports state laws governing requirements for exemption from workers' compensation, including mandated benefit levels, financial security controls, and an employer qualification system.

State workers' compensation reforms and adoption of an innovative approach like the Option show that states are up to the task of providing quality, competitive occupational injury benefit systems that are better for employees, injured workers, employers and taxpayers.

Enactment of a voluntary alternative to a long standing workers' compensation plan will require time for stakeholders to

better understand the Option and how it can improve a state's existing occupational injury benefit system. Insurance policies, insurance legislation, and insurance regulation are complex matters. ARAWC is prepared to work with state legislators and state insurance regulators to thoroughly review and analyze data on the impact of the Option on workers' compensation stakeholders, with the ultimate goal of providing a better occupational injury benefit plan for both employees and employers.

The Association encourages members of this committee to review The Option Resource Guide available on ARAWC's website. ([www.arawc.org](http://www.arawc.org)) The Guide contains a set of Q&A's which address all of the questions and concerns raised by NCOIL in an earlier press release. This Guide also includes a summary of nine other reports and studies that have evaluated Option programs to date.

ARAWC is committed to a constructive dialogue to increase awareness and understanding of Option plans and their advantages for employees, injured workers, employers and taxpayers. The Association offers NCOIL the benefit of ARAWC members' experiences providing occupational injury benefit programs under both existing workers' compensation law and with alternative programs in Texas and Oklahoma. In addition, ARAWC sees collective data emerging that supports the view that the Option provides better outcomes for injured workers and employers. The Association welcomes the opportunity to share that data with the committee as its investigation moves forward. ARAWC believes both our companies' experiences and collective data will be helpful to NCOIL as it compares the benefits and costs of workers' compensation and the Option approach.

ARAWC is confident that a thorough and fact based examination of Option programs will demonstrate that an Option program provides better medical outcomes, fewer disputes and

lower costs. The Association believes that this committee's investigation and report will reflect these positive outcomes. ARAWC encourages NCOIL members to use these findings to consider adopting an Option program in their own states.

In summary, an Option program complements, and does not replace, state efforts aimed at providing quality occupational injury benefit programs. By enacting the Option, a state can build upon the progress of workers' compensation reforms to ensure a fair and much improved system for all employees and employers (including those employers who make the choice not to elect the Option).

Thank you for the opportunity to be here and start a constructive dialogue regarding Option plans. ARAWC welcomes the opportunity to work with this committee. We are available to answer questions you may have about the Option.