

## **Profound Change is Happening in the Workforce – And We’re Part of the Solution**

Jeff Pettegrew is ARAWC’s first Chief Policy Officer. The addition of the nationally-known and widely-respected Pettegrew to the ARAWC team signals a new commitment to engage in discussion about how to care for workers injured on the job. Pettegrew brings a deep and broad background to ARAWC, having spent a third of a century supervising workers’ comp programs covering 40 states. He was recognized for his leadership in designing workers’ comp systems, was named “Risk Manager of the Year” by Business Insurance magazine and both pioneered and chaired that institution’s National Workers’ Compensation & Disability Conference for nine years.

When Pettegrew retired as Executive Director/CEO of the California Self Insured Security Fund (SISF), he rejoined Insurance Thought Leadership as the Chief Imagination Officer. Here he worked with Google and other large employers to foster examination of new technologies that could be applied to risk management and workers’ compensation.

ARAWC spoke to Pettegrew about his latest appointment and his plans to maximize his new role.

***ARAWC Perspectives:* Jeff, ARAWC members and staff are excited by our new association. What do you see as your priority and your top concern?**

***Jeff Pettegrew:*** As someone who has spent a lifetime in risk management, my assignment is to advise ARAWC from an experienced workers’ comp-insider perspective. The discussions about workers’ comp are growing and, with them, a focus on the Texas alternative or so called “nonsubscription” program.

***AP:* Why now?**

***JP:*** After a century, workers’ comp has – in many cases – failed to deliver on its promise to take care of workers injured on the job. It’s become so complex, convoluted and expensive, and the variances between what workers’ comp provides and what the Texas alternative provides are now extensively documented. Second, the nature of work and the workforce have changed and will continue to change. Let me give you just a few statistics on these two subjects. First, it costs almost three times more in administrative expenses to deliver workers’ compensation benefits as it does to deliver Texas injury benefits (whether based on delivery of one dollar in benefit payments or on a per claim basis). That translates directly into how competitive a company can be. Second, it’s well known that the workforce composition has moved away from the job-for-life model to the gig economy. Experts say that in just a few years, over 40 percent of workers in the U.S. will be without workers’ comp coverage – or benefits for on-the-job injuries. This is unacceptable.

***AP:* What’s your strategy for advancing the conversation?**

***JP:*** I plan to attend as many industry conferences as possible. My first goal is to counter the misinformation that’s out there. The so-called investigative media have been neither helpful nor truthful, so one of my first challenges is to be an emphatic voice for the benefits of the Texas alternative both to employees and to employers and to encourage an honest assessment of the alternative’s track record and data. For anyone who truly cares about injured employees – and everyone says they do – this should be the first assignment.

***ARAWC:* You’re part of the ongoing discussion about the actual name of the Texas alternative, which is currently “nonsubscription,” or sometimes, “opt out.” Comments about whether it should be renamed?**

***JP:*** It’s definitely a misnomer. The Texas program is federally and state-compliant and the process of appeal is far greater with “nonsubscription” than with any workers’ comp program in the country. It all flows from the fact that employers can’t hide behind the “exclusive remedy” (the fact that employees

cannot sue their employer). It's quite a dramatic difference. I hope that the name chosen will stress that the program offers quality coverage for handling an employee's injury and that it provides benefits and the very highest level of protection.

**AP: One of the debates is whether some provision needs to exist so that all workers are covered. Your thoughts?**

**JP:** I think we need to take this one step at a time, and the first step is to acquaint law and policy makers, leaders and others with the extraordinary track record of nonsubscription in Texas over three decades. Next, because workers' comp programs vary so much state-by-state, I see the discussion focusing on the changes in the workforce. Whether it's called the "gig economy," the "at-home-workforce" or "independent contractors," employment is changing, and we need to address it – again, with a focus on providing quality care for the injured worker.

**AP: As you mentioned, you spent your career in the workers' comp sector. As you've begun to immerse yourself in the Texas experience, what has surprised you most?**

**JP:** The statistics are remarkable. The average cost per claim in Texas workers' compensation is more than twice the cost under a Texas injury benefit plan. That's a huge disparity. And too many workers' compensation claims require the employee to get an attorney. I want to pay attention to these "frictional" costs, as they have very real implications. When the employer saves money, they can reinvest it in safety, training and better programs for employees.

The next surprise is how quickly workers covered under injury benefit plans are treated versus the amount of time workers' comp takes. Twice as many injured workers receive initial medical care in one day or less under injury benefit plans. There's also the issue of accessible resources. Approximately two-thirds of physicians won't take workers' comp cases not only because of the fee schedule, but also because of the burden of dealing with complaints from insurance companies who argue a procedure is unnecessary or too expensive. Finally, under the workers' comp system the employer isn't part of the solution; they're not even allowed to talk to their own employee. This means there's no flexibility in the workers' comp regulations and there's little that encourages a culture of returning to work, which really should be a key part of treating and rehabilitating the injured worker.

**ARAWC: It sounds like you have a real mission. Welcome to ARAWC. Do you have a title for the presentation you plan on giving as many times as possible?**

PETTEGREW: Right now, I'm calling it "Profound change is happening in the workforce – and we're part of the solution."

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