



Opting Out: Are Alternative Workers' Comp Programs Viable?

News

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The article, “Opting Out: Are Alternative Workers’ Comp Programs Viable?” featured in *SHRM*, discussed how several states are exploring laws that could transform how employers cover on-the-job injuries.

Joe Gagnon weighed in on opt-out workers’ compensation plans in Texas and the importance of choosing a plan that fits your company’s needs and circumstances.

“These plans provide wage replacement and medical benefits that are tailored by the company to meet what it perceives as the needs of the workforce,” said Joe. “The plan could be tailored based on the most likely injuries, what the company can absorb financially and a number of other different factors.”

Many Texas employers with opt-out plans self-insure them, Joe noted. In addition, they often use third-party claims administrators to manage the program on a day-to-day basis, a job that includes deciding whether an injury is reimbursable by the plan based on its terms and covered injury definitions, determining when an injured worker has reached maximum medical recovery, and figuring out when to terminate plan benefits for each injured worker.

In some cases, remaining in the traditional workers’ compensation system will make more sense than developing an opt-out plan. For example, if the nature of the company’s work makes the risk and severity of potential injuries higher or if the employer could not absorb significant losses given the state of its financials and cash flow, an opt-out plan likely isn’t the best idea. A hospital that generally deals with soft-tissue-based worker injuries related to lifting would have very different feasibility considerations than a petrochemical plant, where the likelihood of a catastrophic injury is much higher, Joe noted.

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