

12th Accident Compensation Seminar 2009 Rising to the Challenge

Melbourne 22nd – 24th November 2009



Institute of Actuaries of Australia



ACC Scheme Update

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Accident Compensation Corporation of NZ



Agenda

- Background on ACC
- Snapshot as at 30 June 2009
- Recent Increasing Trends: MV, Work
- Proposals to contain costs



Background to ACC

- Governed by IPRC Act 2001
- Cover from injuries of all causes
- No right to sue for personal injury
- Established in 1972, operational 1974



Cover provided

- 24 hour, no-fault personal injury cover
- At work, at home, on road, at play/sport
- For all New Zealand residents, visitors
- Cover for personal injury includes:

Certain occupational illnesses and diseases (gradual process injuries) – eg hearing loss

Treatment injury – medical mishap

Sensitive claims – criminal sexual offence by another person

Fatal claims



ACC also provides...

- Emergency transport
- Medical treatment (acute, public health acute services, elective surgery)
- Ancillary services – transport, accommodation, pharmaceuticals
- Weekly compensation
- Lump sum compensation for permanent impairment (not common law)
- Certain other grants and payments
- Social rehabilitation – eg attendant care, home help
- Vocational rehabilitation



Organisational snapshot 30 June 2009

Revenue	Assets	Claims Liability
\$4.2 billion	\$11 billion	\$23.8 billion

Our Revenue comes primarily from:

- Levy payers (employers, the self-employed, motor vehicle owners and users, and employees)
- Government (for people not in the paid workforce)
- Investment income



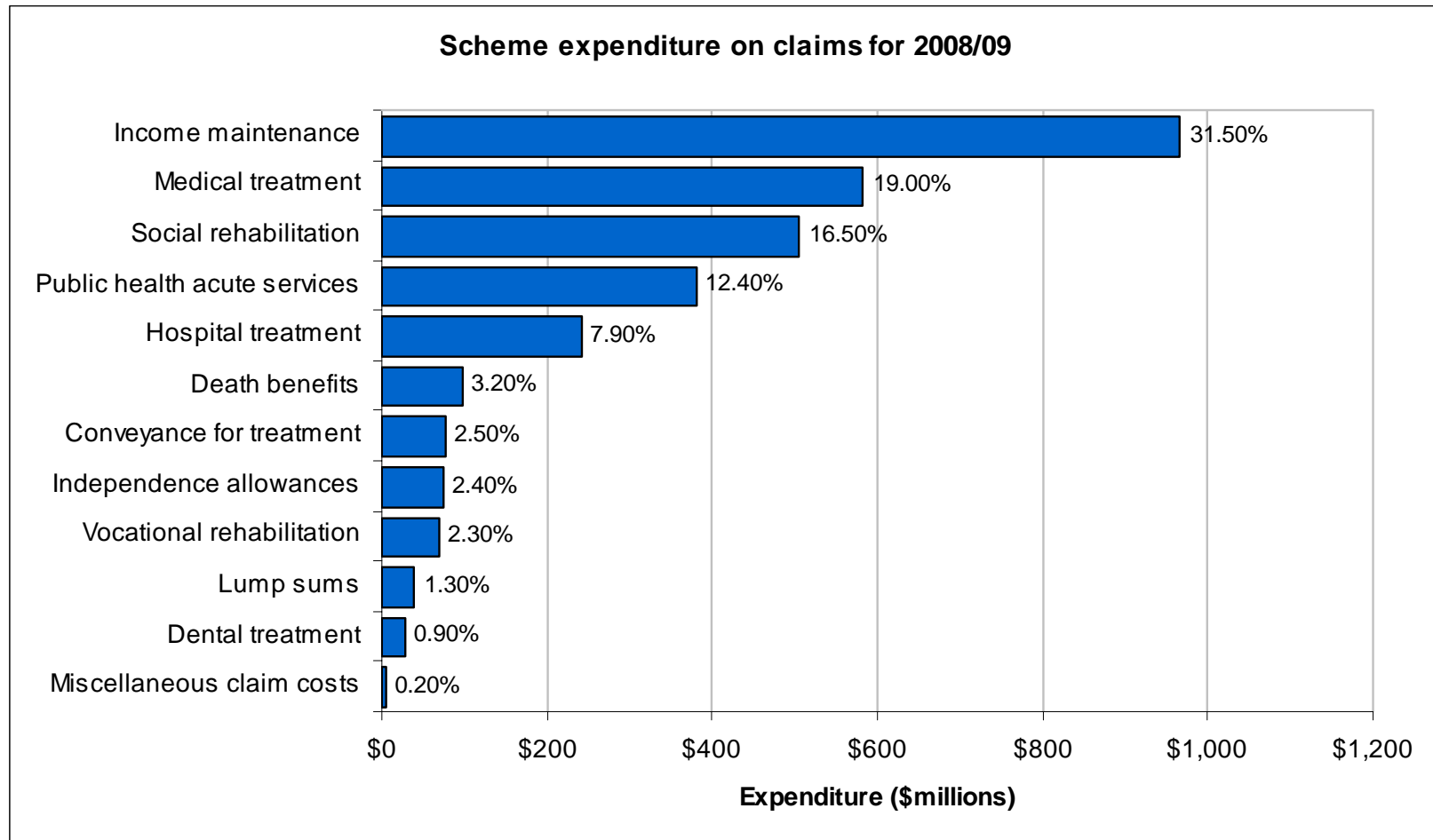
New Claims Registered 2008/09

<i>Account</i>	<i>New Claims Registered</i>	<i>New Entitlement Claims</i>
Work	190,495 (10.9%)	26,355 (21.5%)
Residual Claims	3,573 (0.2%)	3,532 (2.9%)
Motor Vehicle	39,990 (2.3%)	5,829 (4.8%)
Earners	665,070 (38.0%)	57,310 (46.8%)
Non Earners	847,852 (48.4%)	27,527 (22.5%)
Treatment Injury	5,472 (0.3%)	1,910 (1.6%)
Total	1,752,452	122,463



Expenditure on Claim Costs

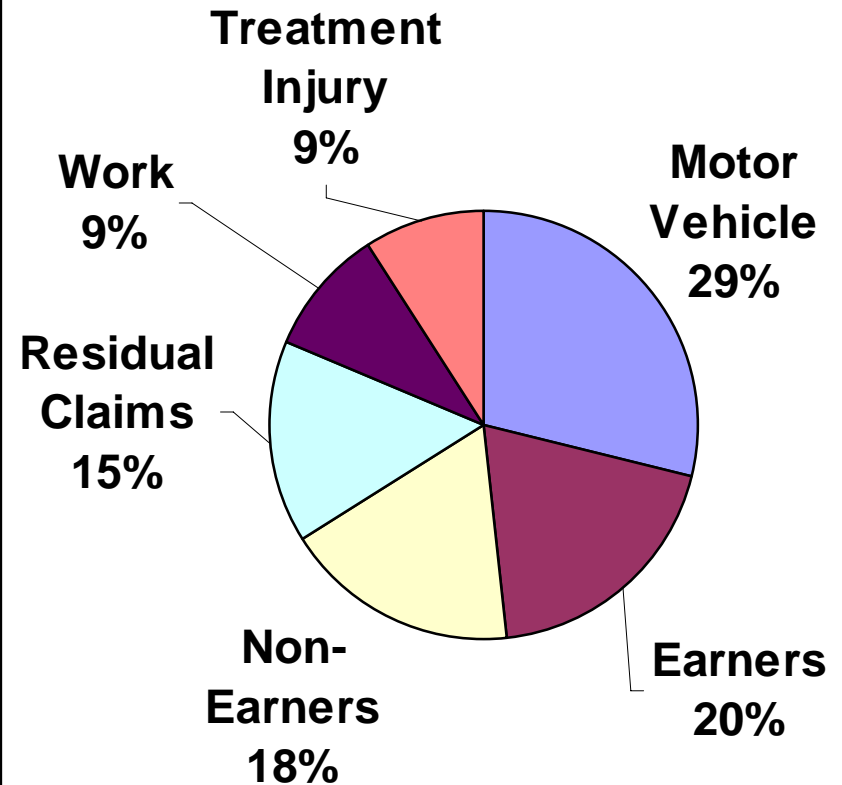
as at 30 June 2009, \$millions





Outstanding Claims Liability as at 30 June 2009

Residual Claims	\$3,619m
Work	\$2,248m
Non-Earners	\$4,245m
Earners	\$4,662m
Motor Vehicle	\$6,845m
Treatment Injury	\$2,167m
<u>Total</u>	<u>\$23,785m</u>





Change in Outstanding Claims Liability from 2008

Outstanding claims liability	\$ million
Provision at 30 June 2008	18,006
Expected increase	1,288
Additional increase due to claims experience and modelling changes	1,349
Additional allowance for future Cabinet and regulated rate increases	1,322
Additional increase due to revised economic assumptions	1,309
Additional increase in risk margin	511
Total as at 30 June 2009	23,785

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Rising to the Challenge

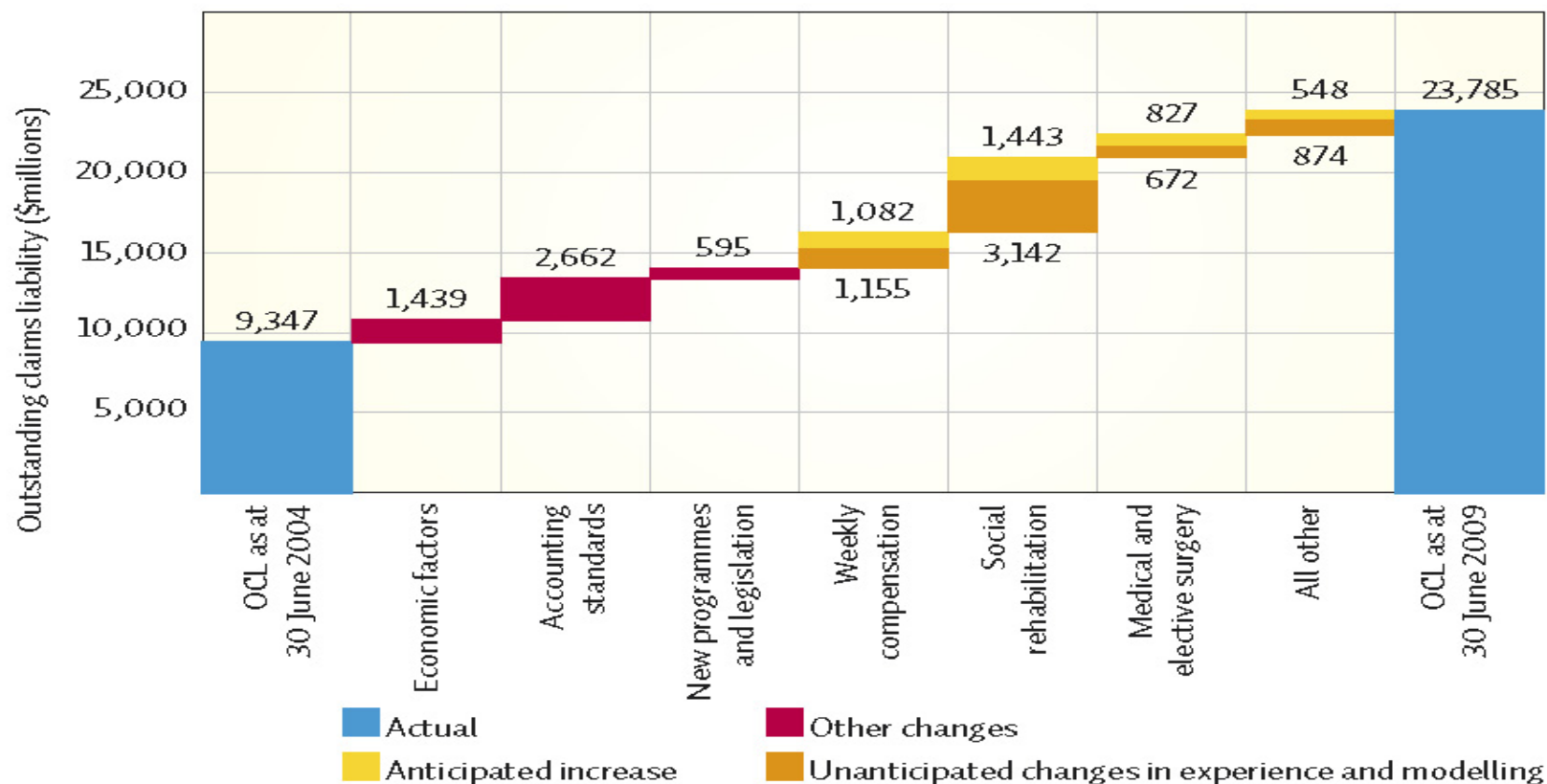
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Components of change from 2004





Claims costs rising unsustainably

	2004/05	2008/09	Increase \$	Increase %
Physiotherapy	\$73 m	\$144 m	\$71 m	97%
Elective surgery	\$128 m	\$240 m	\$112 m	87%
X-rays/MRI/CT scans	\$44 m	\$97 m	\$53 m	120%
Counselling	\$16 m	\$20 m	\$4 m	25%
Public hospital costs	\$289 m	\$380 m	\$91 m	31%
Personal support	\$159 m	\$285 m	\$126 m	79%
Income replacement	\$655 m	\$966 m	\$311 m	47%
Hearing loss assessment and aids and appliances	\$44 m	\$59 m	\$17 m	37%
Suicides & self-inflicted	\$2 m	\$14 m	\$12 m	590%



Increased costs due to...

- Falling rehabilitation performance – people having more time off work than before
- Rising healthcare costs eg elective surgery, high tech imaging and physio
- Rising personal support costs eg home help, housing modifications



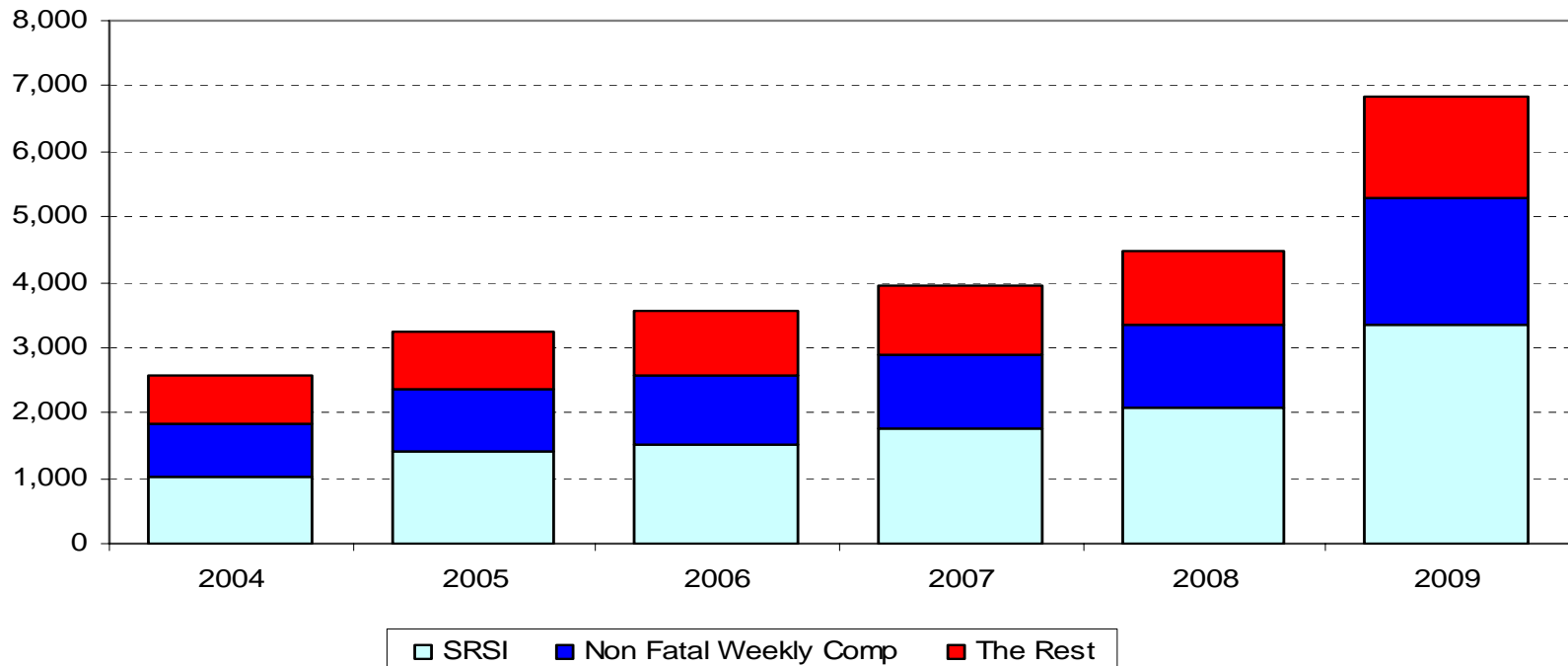
Account trends

- Motor Vehicle Account



Outstanding Claims Liabilities MV Account

ACC's Outstanding Claims Liabilities for MV



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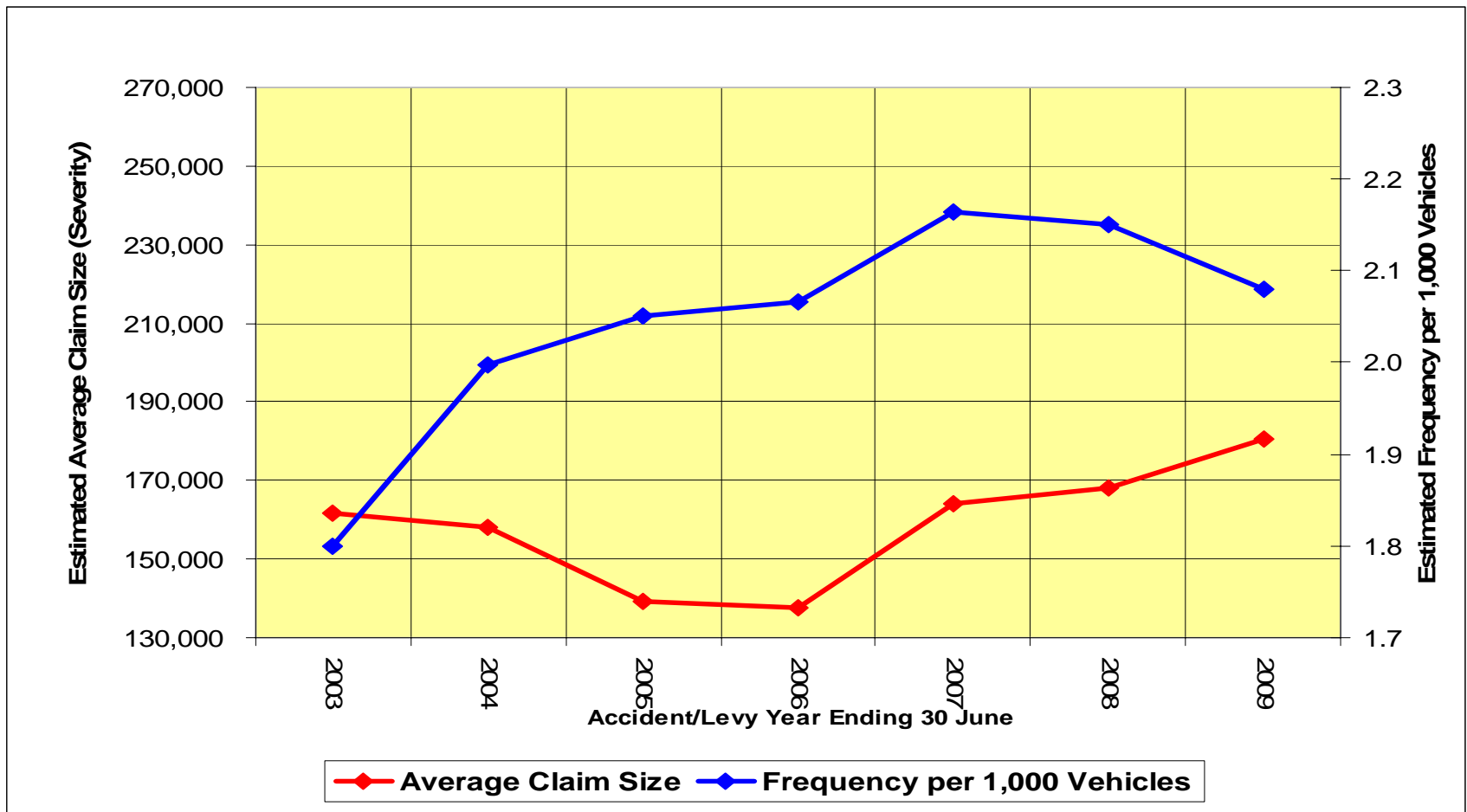
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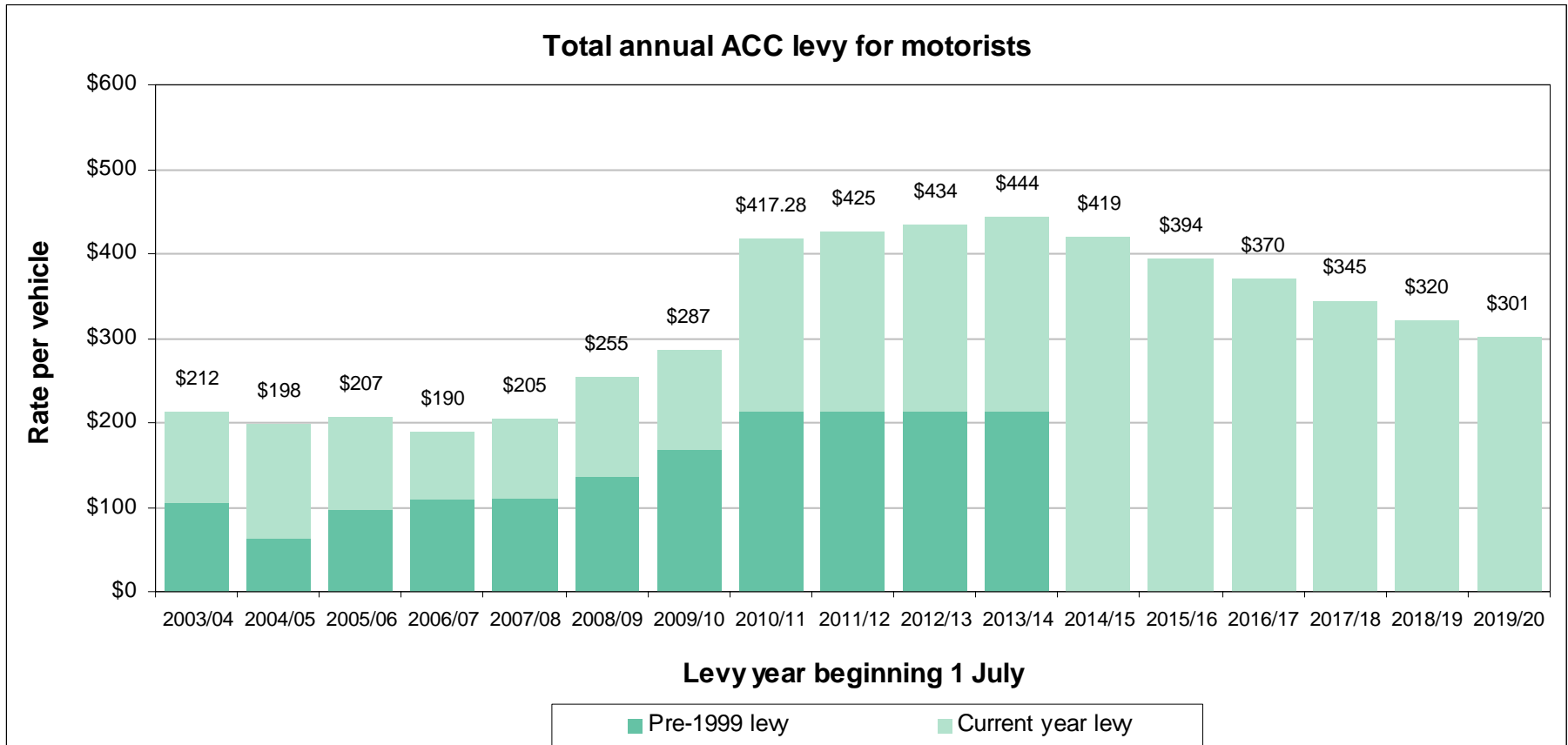


Motor Vehicle Account



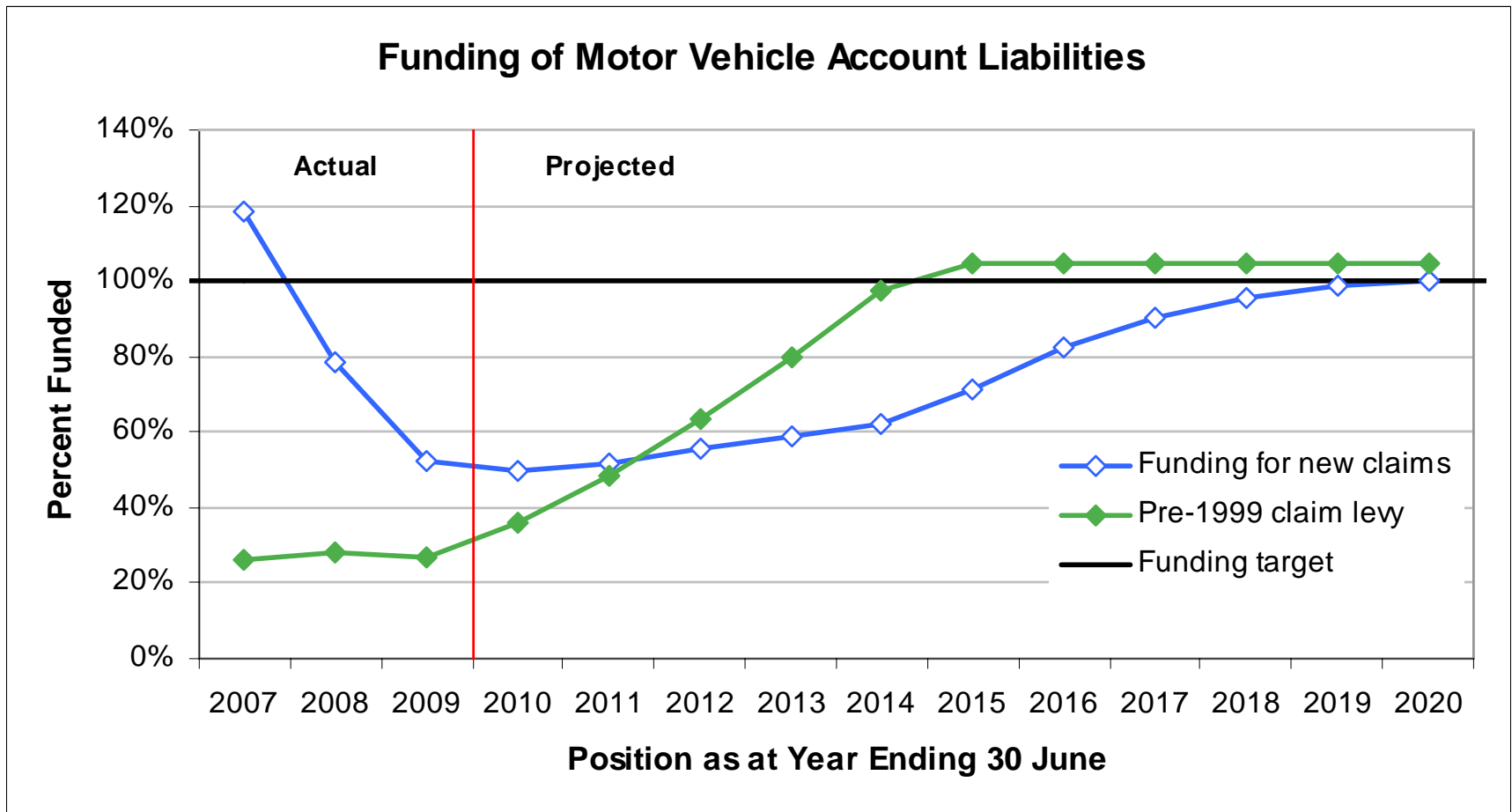


Motor Vehicle Account levies





Motor Vehicle Account funding



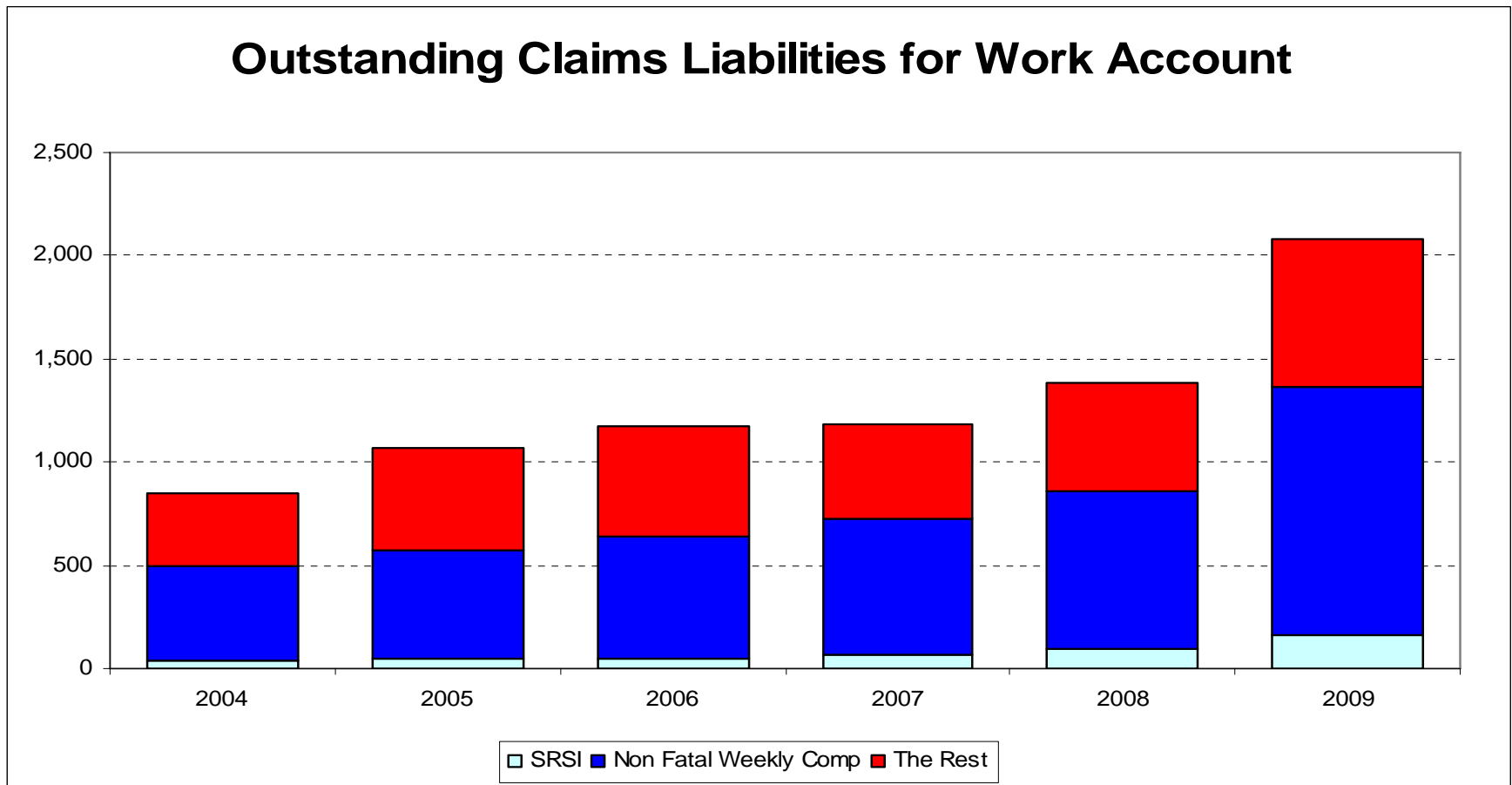


Account trends

- Work Account



Outstanding Claims Liabilities Work Account



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Rising to the Challenge

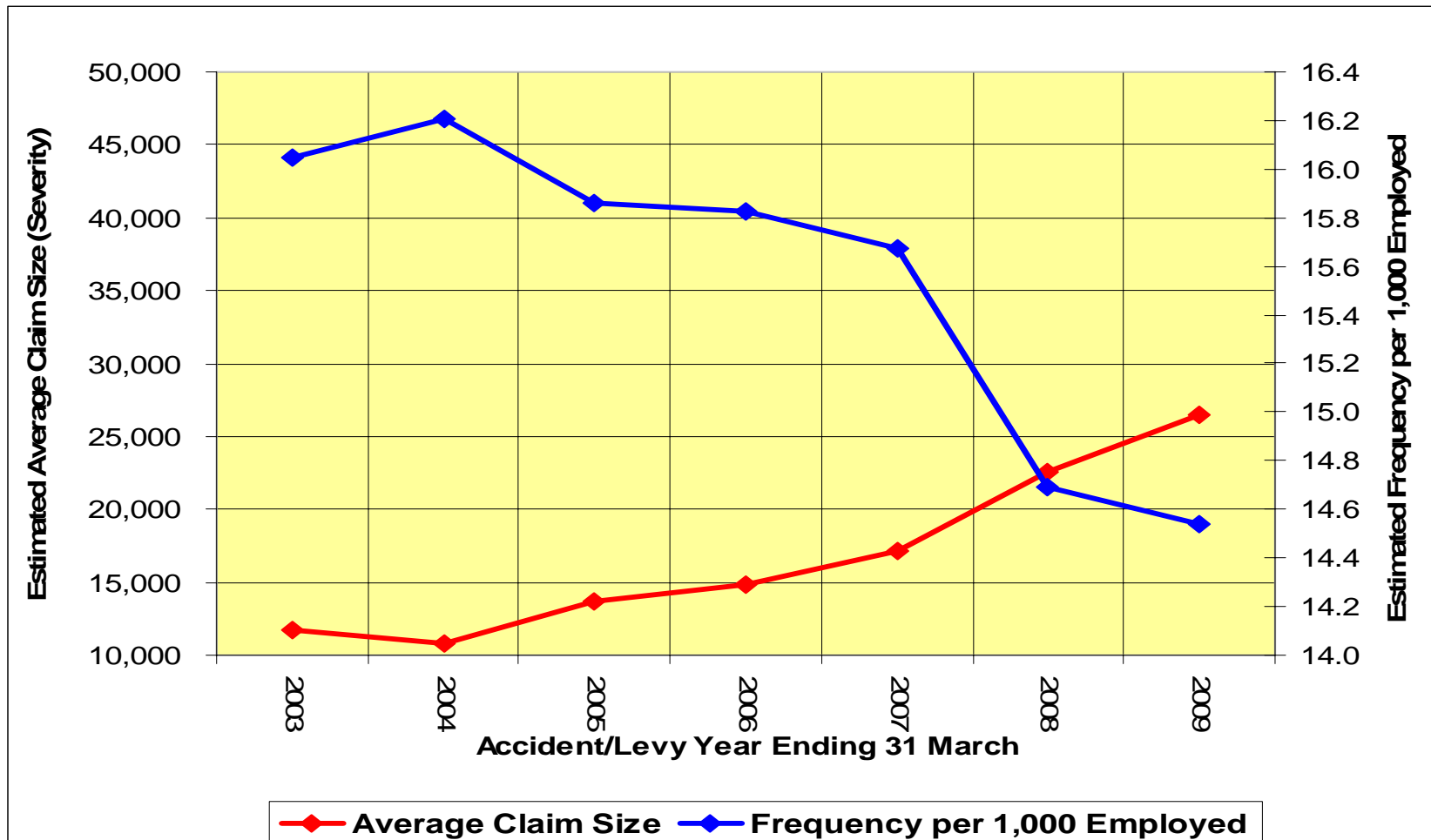
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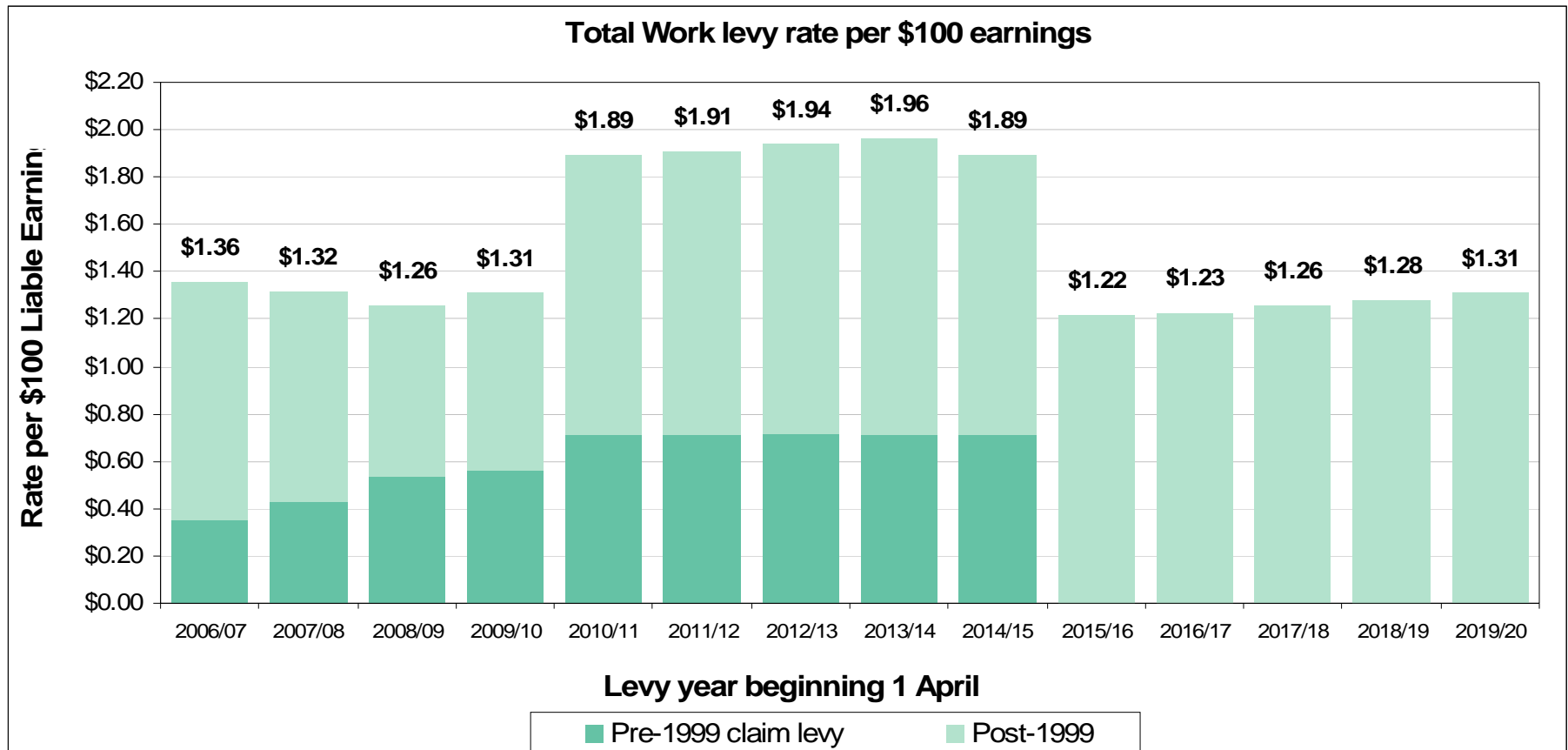


Work Account



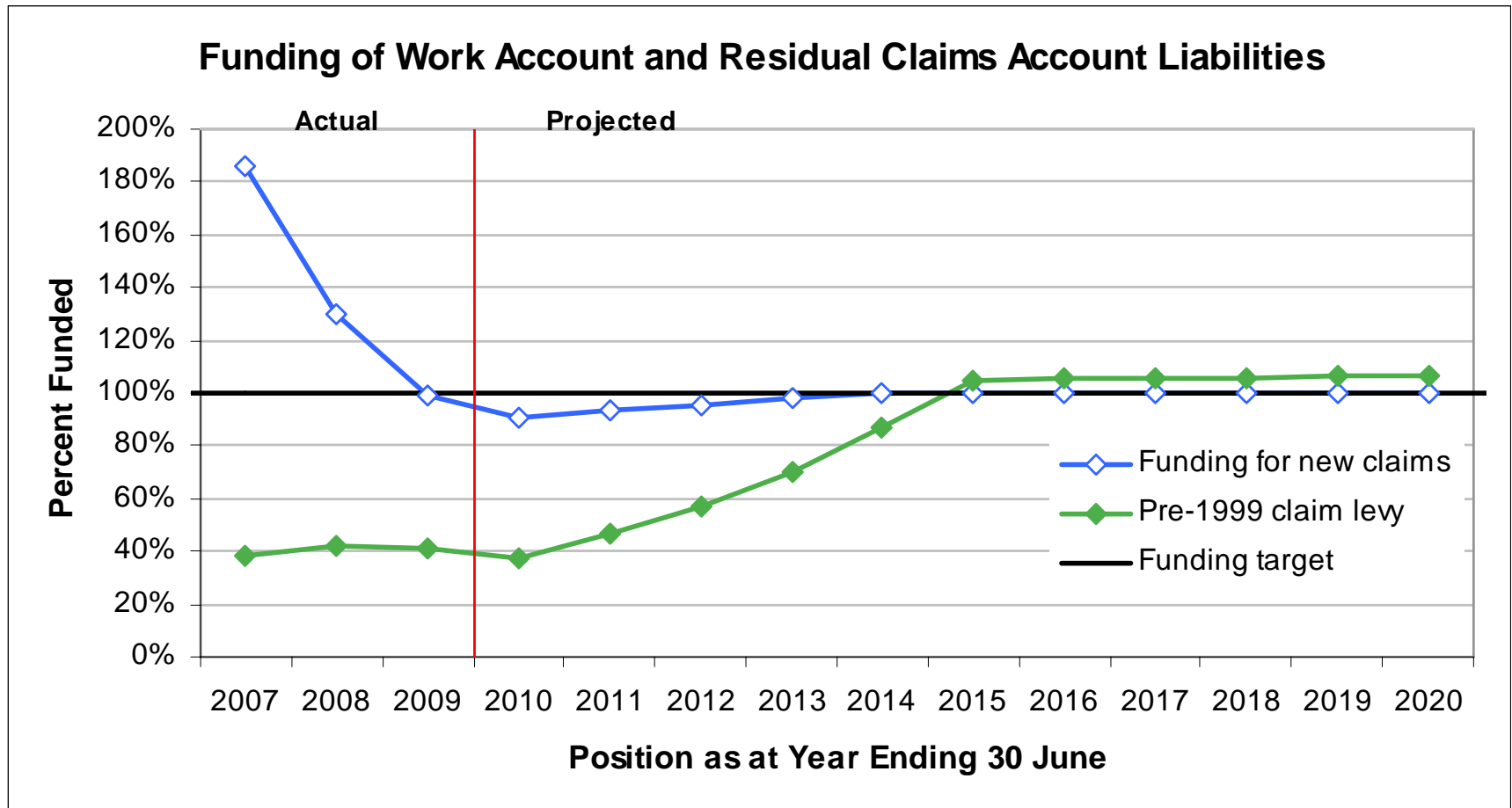


Work Account levies





Work Account funding





- What are the initiatives proposed to stop this increasing trend?
 - Legislation
 - Regulations
 - Operational Processes



Proposed Legislative Amendments

- Cost containment:
 - Reverse 2008 income compensation extensions covering casuals, part-timers, non-earners and abatement for holiday pay
 - Reverse Vocational Rehabilitation changes
 - Introduce 6% hearing loss threshold
 - Reverse entitlements for wilfully self-inflicted injury and suicide
 - Strengthen disentitlements for criminals



Proposed Legislative Amendments

continued...

- **Ease Funding Pressures:**
 - Extend full funding date from 2014 to 2019
 - Enable safety incentives for employers and vehicles
 - Allow petrol levy to fund residual claims



Proposed Regulatory Amendments

- Elective Surgery
- Home and community support services
- Cost of treatment regulations
- Provider terms and conditions for the payment of treatment costs under regulations
- Housing and vehicle modifications



Health Purchasing Increases

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Operational Measures

- Health Purchasing
 - Physiotherapy purchasing
 - Radiology and High Tech Imaging purchasing
 - Increased resource for Elective Surgery decisions
 - Hearing loss services



Operational Measures *continued...*

- Operational Efficiency
 - New treatment guidelines for counselling services
 - Service delivery model
 - Recover independence service for long-term claims
 - Managing long-term claims - partnering
 - National serious injury service



Summary

- ACC has been facing rising costs in recent years
- Renewed focus on sustainability with change in Government & Board
- Many initiatives proposed.....

Watch this space!