

12th Accident Compensation Seminar 2009 Rising to the Challenge

Melbourne 22nd – 24th November 2009



Institute of Actuaries of Australia



NSW Workers Compensation System Snapshot

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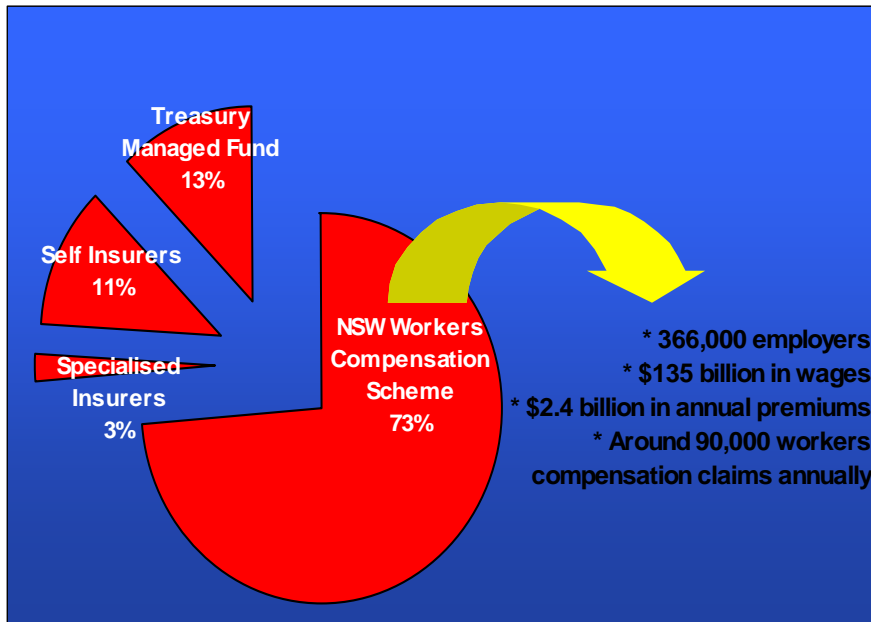
Presentation Overview

- NSW workers compensation system outline
- Performance and challenges
- Some initiatives intended to improve performance and raise service standards

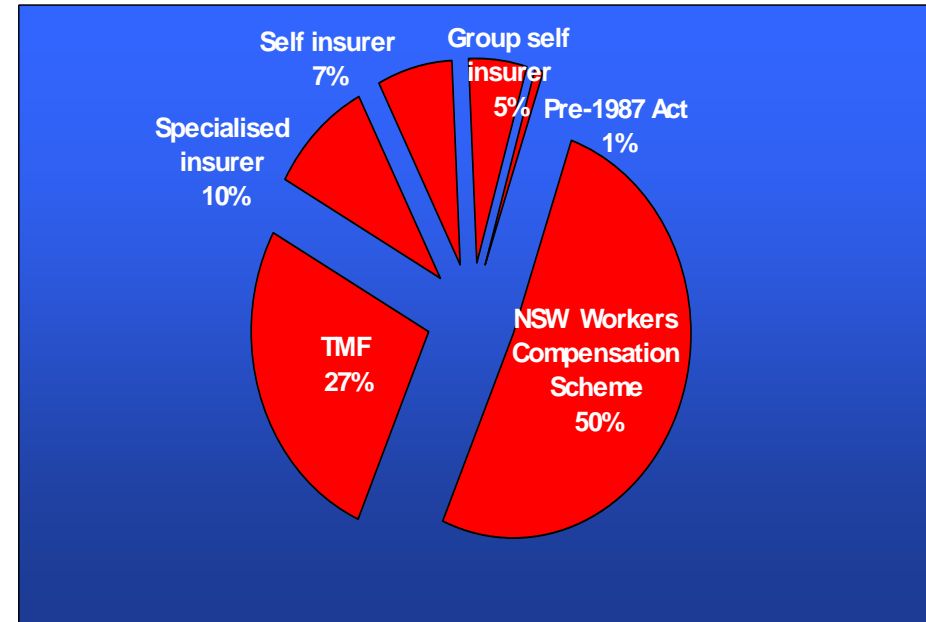


NSW System Overview

NSW Workers Compensation System



Open Claims at June 2009



- Note – number of Scheme policies reduced from approx 366,000 to around 250,000 during 2008/09 due to deemed coverage for very small employers



Performance Challenges

- Global financial crisis
- Rising cost and utilisation of medical treatment
- Achieving return to work outcomes
- Driving continuous improvement of service standards



Global Financial Crisis

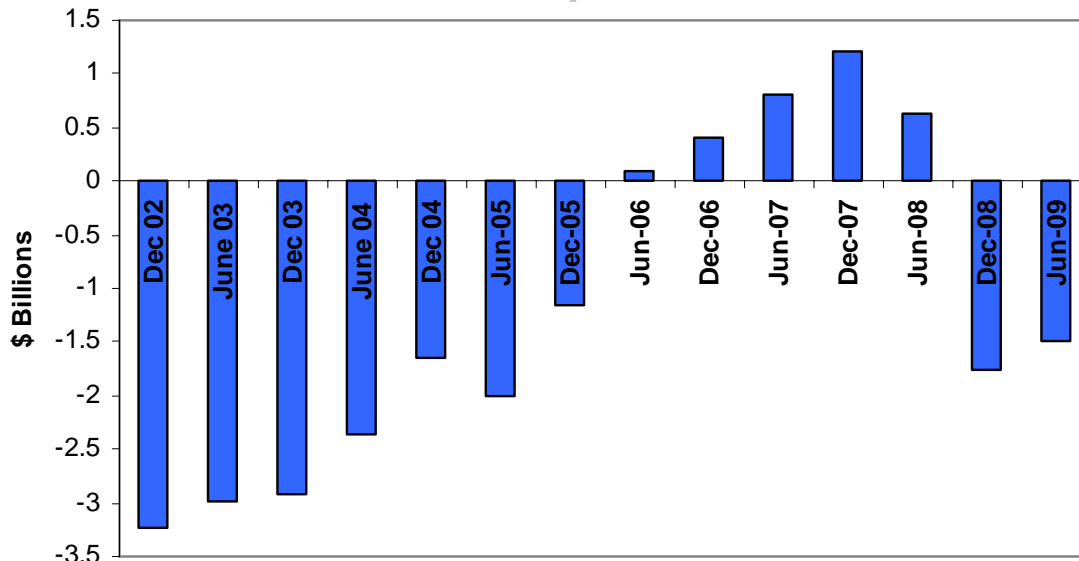
- *Potential* GFC impacts relate to labour and investment market performance, including
 - reduced wages paid = less premium collected
 - reduced return on, and value of, Scheme investments
 - labour market constriction contributing to increased claim size/duration
 - destabilisation of claim incidence rates, due to industry shift, behavioural factors, reduced risk activity
- Australian business proving to be more resilient than anticipated
 - 3.3% rise in new private capital spending in June quarter (5% decline predicted)
 - consistent under-estimation of job numbers by economists
 - improvements in sentiment during 2009
 - businesses don't appear to be constrained by access to capital



Global Financial Crisis

- Actual impact on NSW Scheme performance
 - lower than expected investment returns, lower value of assets, interest rates impacting yield curve
 - claim rates in decline (particularly small claims)
 - 13% decrease in the 12 months to June 09

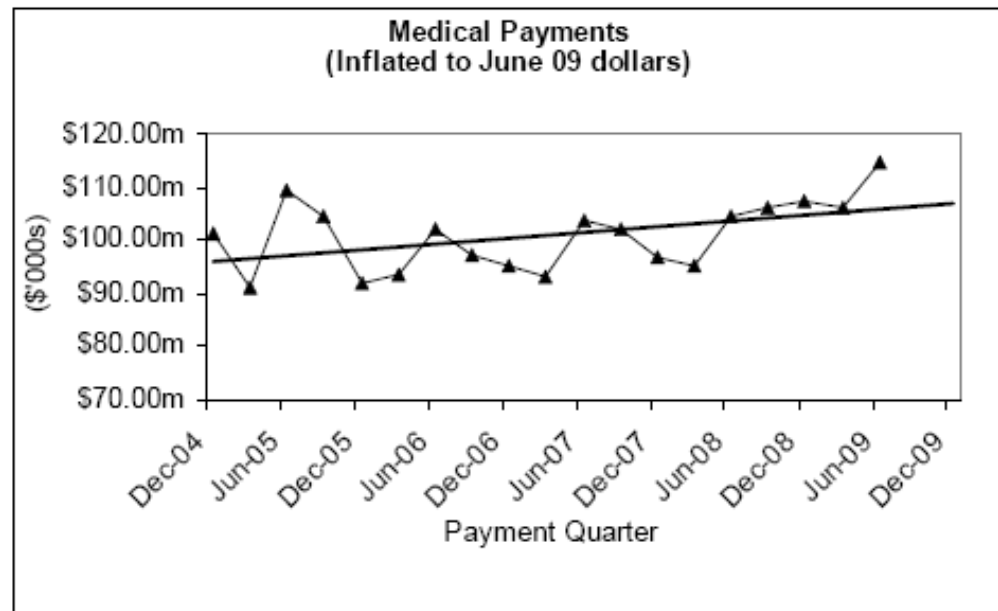
Scheme Surplus/Deficit





Medical Treatment

- Gross medical liabilities increased from 14.8% of liabilities at June 2006 to 25.2% at Jun 2009
- Total medical payments increased 9% above inflation during the year to June 2009, despite fall in new claims reported
- Other medical payments schemes have also been experiencing high growth





Medical Treatment

- Rising cost and utilisation of medical treatment
 - increasing treatment options and complex treatments
 - shifting consumer demand
 - ageing work force and unhealthy lifestyles as complicating factors
 - Agent/Insurer management of medical treatment
- Workers compensation medical, allied health and care services should
 - be in the best interests of the worker being treated
 - represent value for money
- This is not achieved in many cases, contributing to
 - poor outcomes for many workers
 - deteriorating financial performance
 - large scale waste of Scheme funds



Medical Treatment

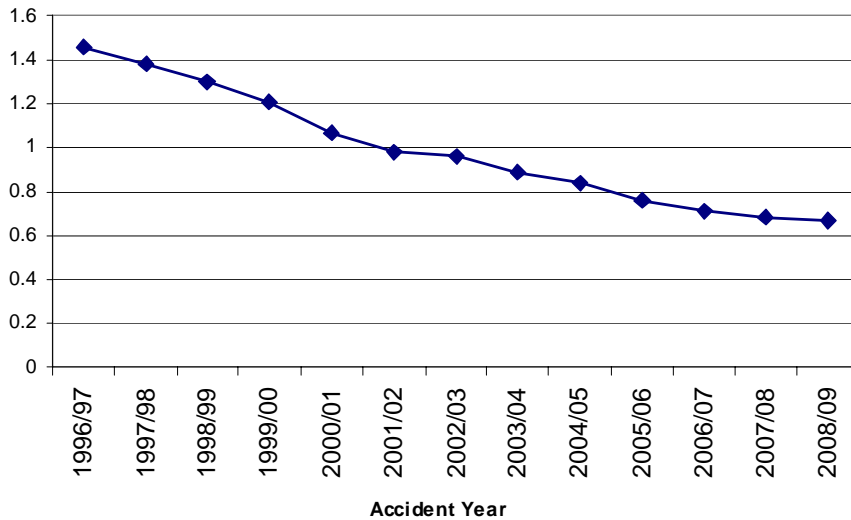
- Regulator and the Nominal Insurer responding through
 - audits and analysis to identify specific areas for improving performance
 - education and awareness raising, particularly with providers
 - specific targeted compliance and enforcement action
 - enhancing medical and care services and governance arrangements
 - cooperative, coordinated approach with Agents, insurers and providers
 - initial focus on:
 - surgical treatment
 - attendant and personal care
 - work conditioning
 - WorkCover seeking to share experience with other medical and compensation system regulators



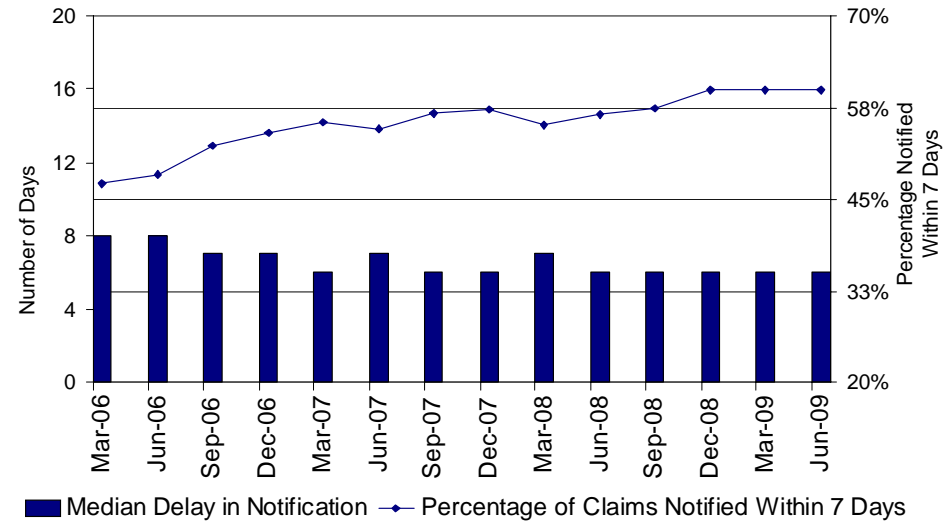
Return to Work

Claims are reducing in number and being notified sooner – allowing earlier action

Claim Frequency (per \$m wages)



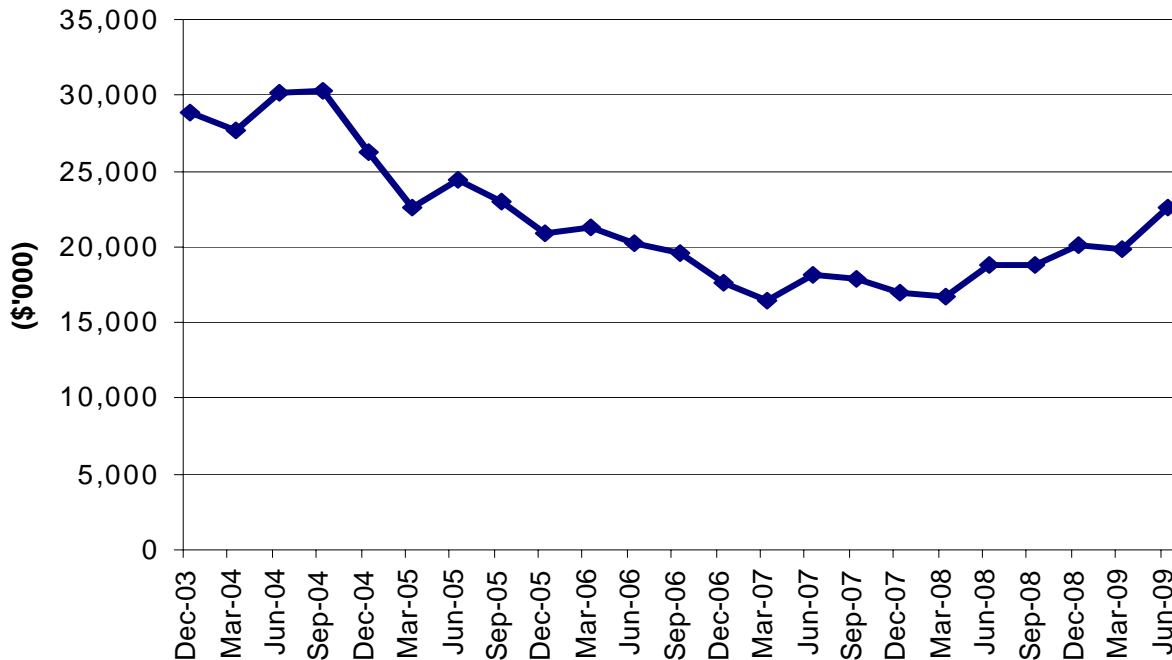
Delay in Reporting of Claims





Return to Work

*Rehabilitation Payments
(June 2009 dollars)*

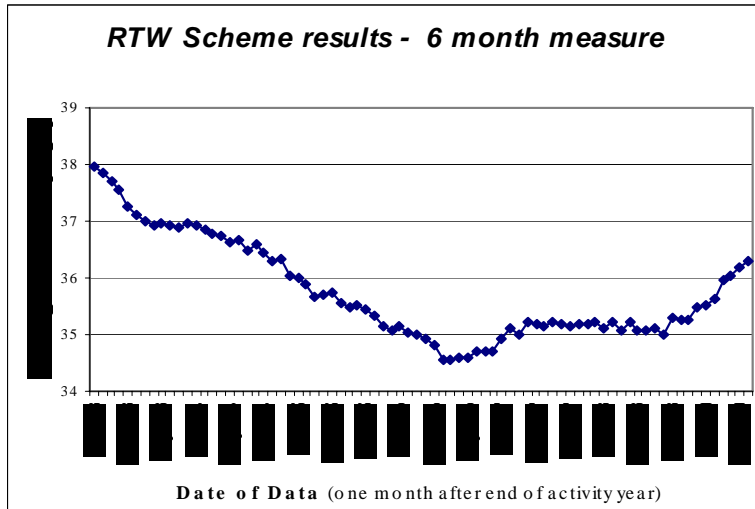


- Rehabilitation activity is increasing
- Average payment size has been relatively steady
- Increase in costs arising from higher number of services



Return to Work

RTW Scheme results - 6 month measure





Return to Work

- Current and future factors
 - changing makeup of claim pool
 - aging workforce
 - increased retiring age with disincentives for early retirement (*eg GFC*)
 - weakening labour markets
- Need employer focus on injury prevention and management
- Retro-paid loss premium method introduced for large employers



Retro-Paid Loss

- Retro-paid loss premium method is now operational
 - alternative premium calculation method for large employers
 - based on commercial burning cost arrangements
 - first 13 applicants (representing 71 policies) commenced 30 June 2009
- Features a uniform and predictable link between premium payable and individual employer claim cost
 - financial incentive to prevent injury
 - financial incentive to stay engaged with worker and case manager and achieve timely recovery and return to work
 - claims impact over five years (not three); incentive for durable return to work



Raising Service Standards

Industry Resourcing

- Certificate IV in Case Management
 - pilot delivery completed September 2009
 - limited early delivery now underway with two RTOs
 - wider roll-out anticipated for early 2010
- Additional qualifications/ courses to be developed specifically for NSW workers compensation industry
- Additional short term (issue based) training programs for case managers
- Annual Scholarship Program
- Personal Injury Education Foundation support and interface



Raising Service Standards

Third Party Providers

- General Practitioner Engagement Project
 - based on commissioned research
 - easier access to information and resources
 - clinical training modules on evidence-based treatment for common work injuries
 - on-line and face-to-face engagement sessions
- Developing a regulatory framework for psychologists and counsellors
- Workplace Rehabilitation Providers - new approval framework from July 2008
 - consistent with the national framework endorsed by HWCA
 - promotes provider responsibility in achieving quality service provision
 - provider self-evaluation arrangements with evaluations and periodic audits
 - three year renewal process



Raising Service Standards

Agent and Insurer Performance

- Consistency in benefit and service delivery by insurers/agents
- Contract and licence conditions and management practices
 - ability to influence

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Thank You

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