

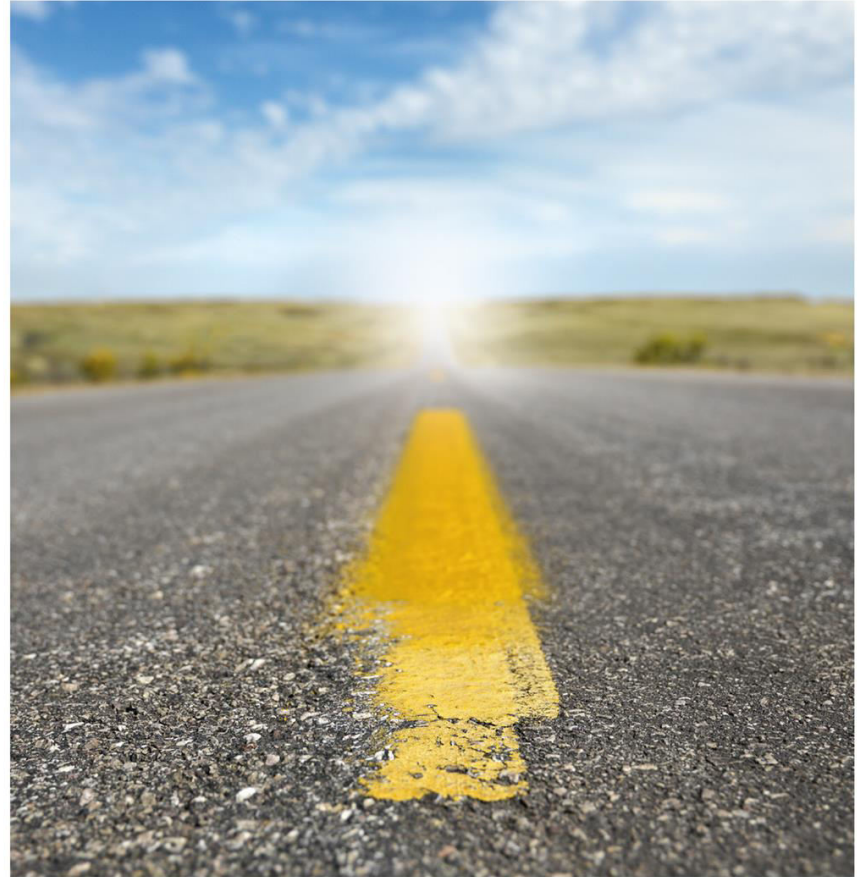
Injury Schemes Seminar

Road to Recovery



**Actuaries
Institute**

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The fairness of compensation schemes

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*This presentation has been prepared for the Actuaries Institute 2015
Injury Schemes Seminar.*

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Content

› **Background**

- Problem
- Importance
- Explanations
- Examples

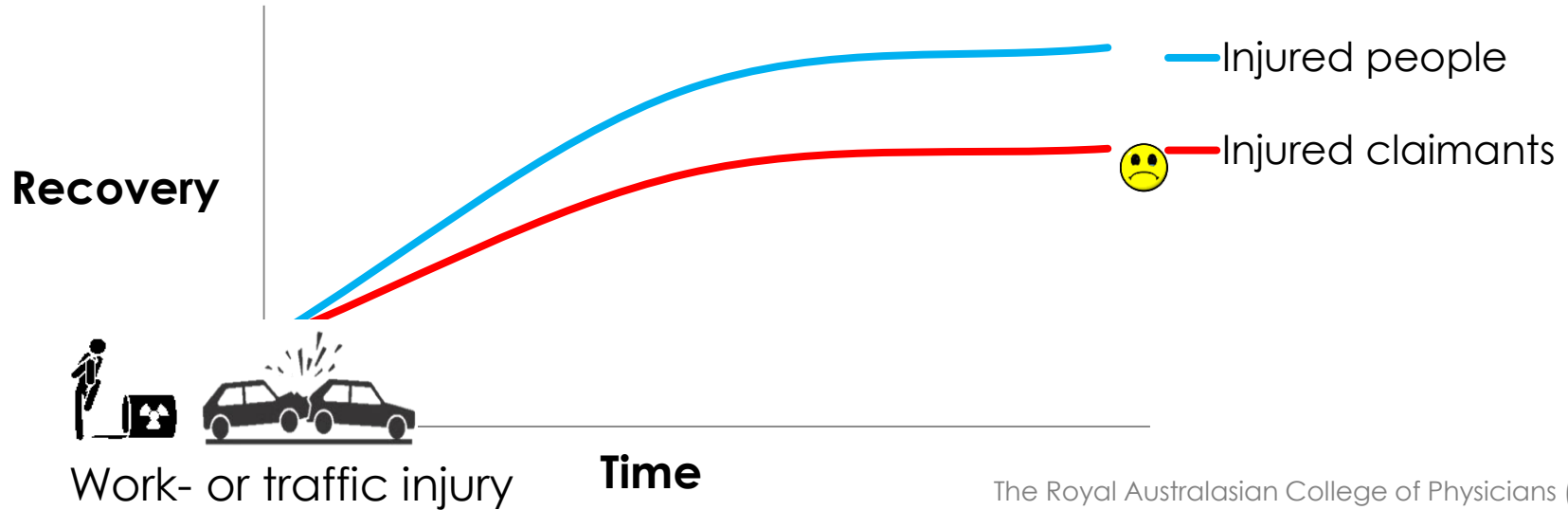
› **Method**

› **Results**

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› **Conclusion**

Problem



The Royal Australasian College of Physicians (2001)

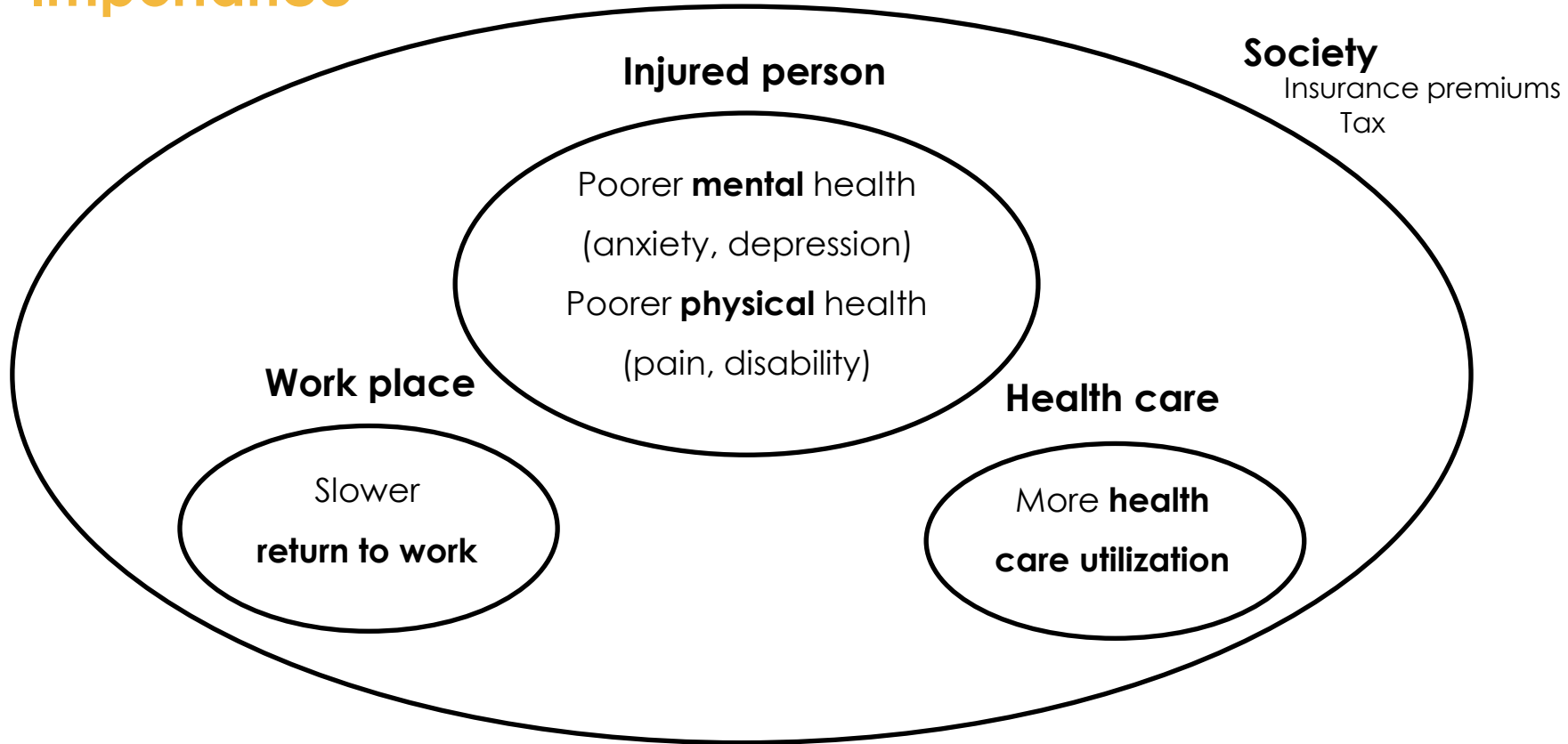
Injured people who claim compensation have **poorer recovery**
than those who do not claim

Problem

This is striking because....

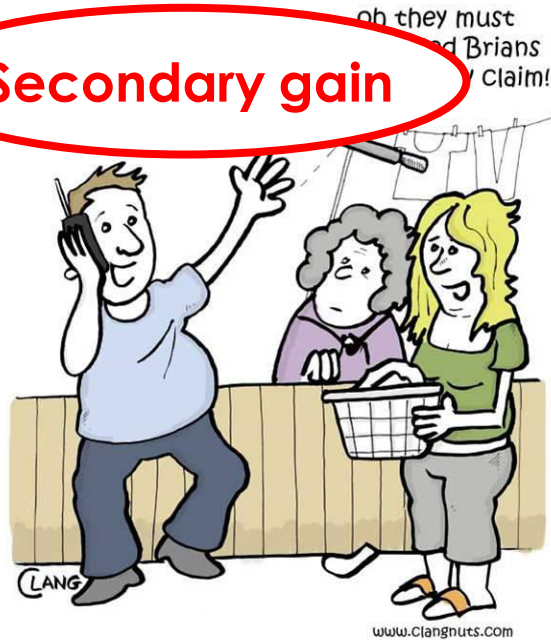
... the compensation process is
supposed to *improve* recovery

Importance



Explanations

Secondary gain



Secondary victimisation



What insurers think

What research suggests....

Examples (NSW scheme)

Lack of communication

‘It was like sending receipts off into the Bermuda Triangle’

Delay in reimbursements

‘I had to borrow money to pay my electricity bills’

Multiple medical assessments

‘They sent several doctors to question me, like I’m a criminal robbing their money’

Mountains of paperwork

‘Everything has been made twice as bad as it was, having to get something faxed, having to get something copied, do this, do that’

Rationale current study

- Some systems **more adversarial** than others Lippel (1999)
- Fault-based → 'no-fault' = better health Cassidy et al (2000)
Cameron et al (2008)
- Limitation: no evaluation aspects of compensation system
- **Current study:**
 - Comparison between compensation system in NSW and Victoria
 - Claims process, claims manager, medical assessments, lawyer

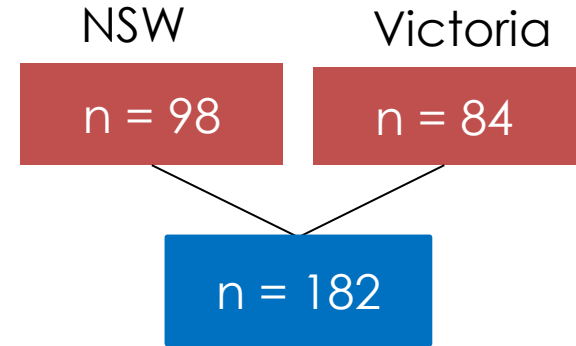
Compensation schemes

	Victoria	NSW
Design	Mainly no-fault	Mainly fault
Agency	Government (non profit)	Third party insurers (for profit)
Medical assessment	<18 months: GP >18 months: doctor assigned by TAC (or claimant)	Doctor assigned by insurer or claimant
Benefits	Medical, rehab, travel, household support, loss of income, legal costs	Medical, rehab, travel, household support, loss of income, legal costs, pain and suffering
Frequency payments	Loss of income: fortnightly	Loss of income: lump sum

Method

- **Participants:**

- Injured people with accepted claim
- 12 or 24 months after transport accident



- **Questionnaires:**

- Perceived fairness:
Claims process, Claims manager, Lawyer, Medical assessor
- Health: SF-12

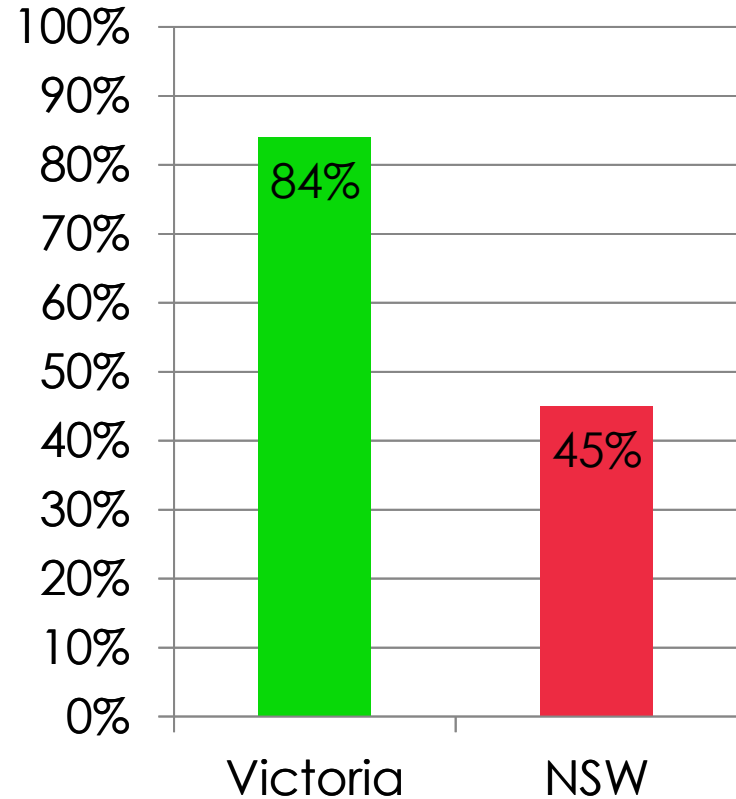
Colquitt (2001)

Ware et al (1996)

Results

Claims process

Claims process
It is easy to fill out forms
It is easy to support claim
Claim duration is acceptable
Compensation received so far
Overall claim process is fair



Results

Claims manager

NSW: 34% - 67%

VIC: 67% - 95%

Claims manager...

...takes views/feelings into account

...manages claim objectively

...uses correct information

...provides information

...explains procedure

...communicates timely

...is polite

...is respectful

...approves treatment needed

...approves treatment promptly

...approves other services promptly

Results

Medical assessor

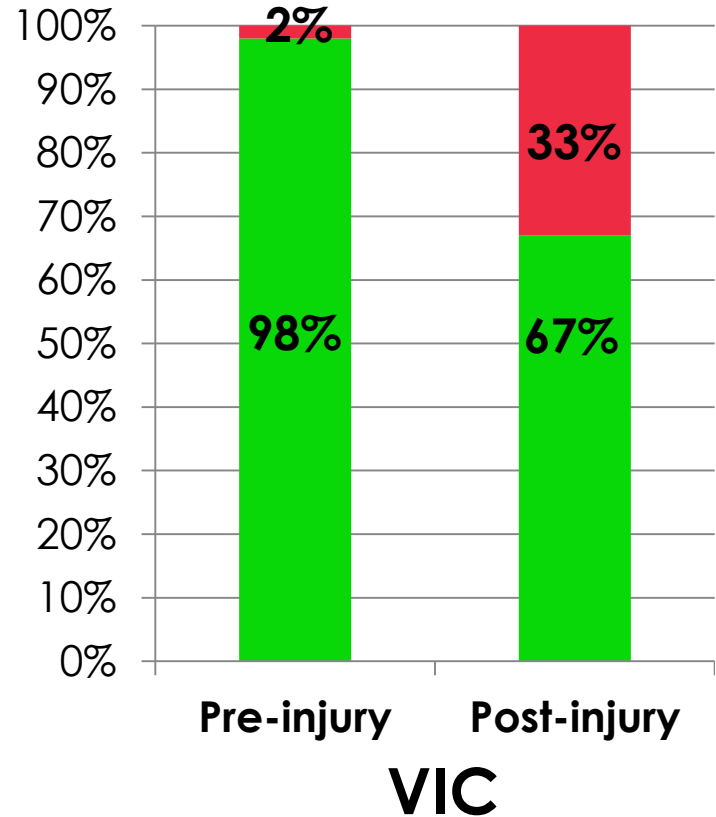
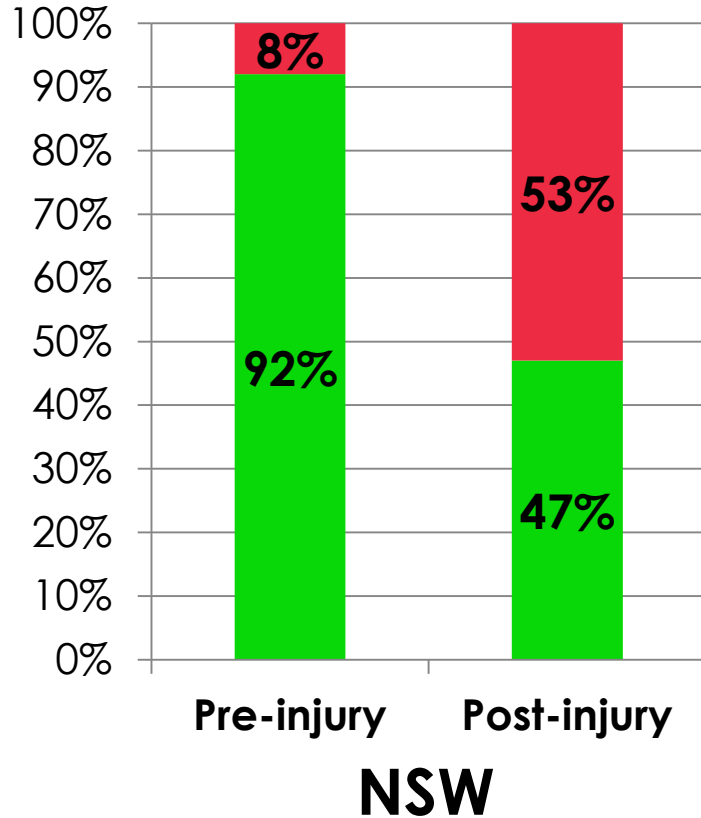
Medical assessor...	NSW n=52	VIC n=8
...provided information	50%	38%
...explained procedure	52%	63%
...examined unbiased	40%	38%
...was polite	67%	75%
...was respectful	67%	63%
Number of assessments was acceptable	64%	88%

Lawyer

The lawyer...	NSW VIC
... provided information	80%- 100%
... explained procedure	
... communicated timely	
... was polite	
... was respectful	
The lawyer made the process easier	

Results

Health



Results

- **Is perceived fairness associated with health? Yes !**
 - ✓ High perceived fairness: 3 x more likely good health
- **Which factors are associated with fairness?**
 - Demographic? **No** Injury? **No** Claim factors? **Yes !**
 - Medically assessed: 3 x more likely unfair process
 - Lawyer involvement: 3 x more likely unfair process

Discussion

Main findings:

- NSW system perceived as **less fair** than Victoria
- NSW participants have **poorer health** post injury
- **Lower fairness** associated with **poorer health status**

Discussion

Factors associated with fairness

- **Laywer involvement**

Multidirectional? Lawyer contributes to or due to perceived unfairness?

Our finding: Lawyer = high perceived fairness

Perceived unfairness → Lawyer involvement

- **Medical assessments**

Claimants think assessment is to challenge claim

Our finding: Medical assessor = perceived as biased

Medical assessments → Perceived unfairness

Discussion

We should discuss adversarial scheme aspects

- **Fault / No-fault design**

Fault-based = liability assessment, causing delay and insecurity

- **Third-party for-profit / Government non-profit**

Third party for profit = financial incentive to minimise costs, induces distrust

- **Lump sum / Intermittent payments**

Lump sum = financial burden, psychologically disturbance

Discussion

We should improve fairness to reduce costs

Fairness → better health → less medical \$
→ earlier RTW & less economic \$
→ less medico-legal assessments \$

Fairness → less lawyers → less legal \$

→ less disputes +
→ faster settlement → less overall \$

Conclusion

We should not let injured people become a **victim**
of a process that is meant to *improve* **recovery**

Thank you

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