

**STANDING COMMITTEE ON LAW AND JUSTICE  
2018 REVIEW OF THE WORKERS COMPENSATION SCHEME  
QUESTIONS ON NOTICE – icare**

1)

**Section 39:**

**Mr DAVID SHOEBRIDGE:** What proportion of workers do you now believe are going to fail the section 39 threshold when they get to their five-year receipt of compensation?

**Mr ALLSOP:** For that cohort that is pre-2012 I do not have the exact number but from memory I think it is around 17 per cent that will persist, 17 per cent of those that we thought were going to come off at that point. There were some that we knew would stay beyond that point because we already had a reasonable measure of the level of severity of their injury. But for those that we had assumed post-2012 would exit the scheme at that point, it is around 17 per cent that are now going to remain on benefits.

**Mr DAVID SHOEBRIDGE:** Could you give the Committee the number on notice?

**Mr ALLSOP:** The exact number?

**Mr DAVID SHOEBRIDGE:** Not just of those who you thought would not meet, but now will meet, but of all workers, what proportion are going to meet the section 39 threshold.

**Mr ALLSOP:** All workers who have had the opportunity to reach that five-year threshold?

**Mr DAVID SHOEBRIDGE:** Correct.

**Mr ALLSOP:** Yes, we can take that on notice.

**The Hon. DANIEL MOOKHEY:** The investment income on the icare workers' insurance component was \$439 million in the 2016-17 financial year. What was it the year before?

**Mr ALLSOP:** Off the top of my head I think it was lower, from memory, but I could not give you the exact number.

**Mr NAGLE:** We would have to look at that and come back to that question.

**The Hon. DANIEL MOOKHEY:** The figures I have, which I think are derived from your annual reports, show that it was \$933 million. It implies that it is not doing as well.

**ANSWER:**

As at 31 July 2018 and in respect of pre-2013 injured workers:

- 3,758 workers were assessed as having 20 per cent Whole Person Impairment (WPI) or less and will no longer be entitled to weekly benefits under the scheme.
- 1,441 were assessed as having 21 per cent WPI or more and will therefore continue under the scheme.

There are also a number of workers who have had their claim closed, Work Injury Damages proceedings commenced, will reach retirement limitations prior to exit or a work capacity decision has been applied by their managing agent reducing their weekly payments to nil.

The post-2012 injured worker cohort is quite different to the pre-2013 cohort. The reduction in claim numbers following the 2012 reforms also altered the severity profile of the reported injuries. For this reason, it is too early to tell if the section 39 experience of the more recent cohort will be in line with the experience that emerged for the pre-2013 cohort.

2)

**Entity expenditure budget:**

**The Hon. DANIEL MOOKHEY:** So your 2017 annual report says that the expenses against the scheme were at \$594 million and that the expense ratio was 31 per cent. Is that the same way you are calculating it?

**Mr NAGLE:** That is right.

**The Hon. DANIEL MOOKHEY:** What is the dollar figure?

**Mr NAGLE:** To operate icare?

**The Hon. DANIEL MOOKHEY:** Yes.

**Mr NAGLE:** I will have to take that one on notice as well. It is approximately \$700 million.

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**Mr DAVID SHOEBRIDGE:** On the money again, when I look at page 5 of that update, in the second column it has claims and scheme costs paid and then other costs paid as expenses. It has \$1.089 billion for icare insurance for New South Wales. The \$232 million, the \$103 million and the \$8 million that are there as levies, are they part of the \$1.089 billion?

**Mr ALLSOP:** Yes, it would be.

**Mr DAVID SHOEBRIDGE:** So then the residual cost for icare is then about \$750 million, is that right?

**Mr ALLSOP:** That sounds broadly correct and consistent with Mr Nagle's earlier response.

**The CHAIR:** Do you want that specifically answered on notice?

**Mr DAVID SHOEBRIDGE:** I think the precise figure is going to come on notice, is it not?

**Mr ALLSOP:** Yes.

**ANSWER:**

icare's service entity expenditure budget for 2017/18 was \$695 million. This includes Scheme agent remuneration. Due to a range of initiatives introduced by icare that have brought services in-house, icare has managed to reduce the remuneration paid to external Scheme agents by \$128 million annually.

3)

**Medical costs:**

**The Hon. DANIEL MOOKHEY:** So in two years time when I repeat this question to you, what should be the baseline bar when we ask what you are doing in order to tackle particularly the exploding costs of medical devices that all healthcare systems are currently encountering? Given that you have far more market power than most insurers in the private health insurance industry, what is the baseline? How should we be measuring your success in this regard?

**Mr ALLSOP:** I think it is important to remember that while we are a sizeable share of the workers compensation market, we are a very small player in the overall health market. Our purchasing power is not as great as it might appear from the statistics around our share of the workers compensation market. Where we can we obviously try to leverage that purchasing power.

**The Hon. DANIEL MOOKHEY:** I accept your caveat there but still the question remains: How should we be measuring your success?

**Mr NAGLE:** I am not sure if that is the actual measure of success. The measure of success that we put ourselves under is the outcome. We may end up paying more for medical costs if the outcome is better for the injured worker.

**The Hon. DANIEL MOOKHEY:** On notice can you provide your preferred form, taking into account all these factors, which sound totally reasonable to me? My point is that we want to establish a baseline.

**Mr NAGLE:** And we have done a lot of work to measure our baseline against other similar funds and medical costs in Australia but we are not in control of all the medical costs across the scheme.

**ANSWER:**

icare has undertaken substantial work to develop a more detailed understanding of the differences between the charges it pays for hospital and health related services relative to what other payers would have paid for the same services. This includes other comparable jurisdictions.

Two things became clear from this study. The first is that icare needs to enhance the quality and depth of data that it collects moving forward. The other is that there are significant opportunities to realise savings in hospital and health related services payments, while not compromising services and outcomes for injured workers.

icare has already commenced work in this area. From its research, icare identified that NSW is one of the most expensive workers compensation jurisdictions in Australia when it comes to diagnostic imaging.

Most other jurisdictions' fee arrangements for diagnostics imaging are based on the Federal Government's Medicare Benefits Schedule (MBS) of Fees. Further, no specific quality standards are in place for diagnostic imaging practices servicing workers compensation patients in NSW.

As a result, icare determined it was appropriate to align itself to the MBS classification system for diagnostic imaging, with the application of a fee premium for services to its customers. icare also now requires practices servicing injured workers to be accredited in accordance with the Diagnostic Imaging Accreditation Scheme (DIAS).

Since July 2017, icare has also directly engaged and contracted with workplace rehabilitation service providers who were previously contracted and managed directly by Scheme agents with inconsistent service expectations and delivery models, varying fee structures, customer outcomes and experiences.

Now under a standard Deed and through ongoing engagement, icare can better collaborate and align its service providers to deliver consistent standards to deliver cost effective, quality customer outcomes and experience.

icare is continuing to look at medical and allied health fee schedules, and examine opportunities that will provide the most cost-effective treatment without compromising quality.

4)

**The Medical Support Panel (MSP):**

**Mr DAVID SHOEBRIDGE:** I have a different line of questioning. You implemented a series of reforms to how you deal with claims commencing 1 January this year. One of those was an internal review on medical disputes, particularly treatment disputes. Could you briefly outline what that is and whether or not it applies to all of your portfolio TMF and the Nominal Insurer, or not?

**Ms UEHLING:** I am happy to take that. We have implemented a medical support panel, which is there to review treatment plans. What we are finding is that case managers are sending people to independent medical examiners [IMEs] and 50 per cent of the time the IME was actually supporting the treatment. Actually, it was more than that: 85 per cent of the time the treatment was being supported by the IME. It took 42 days, or six weeks, to go through the IME process. We have put in a medical support panel of practising doctors, who review the claims files on request of a case manager and can make the decision as to whether to support the treating doctor or not, and they do it in five days time instead. We have done 2,500 of these. We have just left the pilot phase and do intend to roll it out further, but we have not yet.

**The Hon. TREVOR KHAN:** Roll it out further where?

**Ms UEHLING:** To TMF.

**Mr DAVID SHOEBRIDGE:** It is currently with the nominal fund. You are now rolling it out with TMF?

**Ms UEHLING:** Yes. We piloted it with the nominal fund and we are prepared to now roll it out across TMF.

**Mr DAVID SHOEBRIDGE:** Do you know if any of the other insurers in the market—the self-insurers and the industry schemes—have implemented something similar? Are you talking to them about it?

**Ms UEHLING:** I am sorry, no, we do not.

**Mr DAVID SHOEBRIDGE:** I accept that you are the wrong person to ask.

**The Hon. TREVOR KHAN:** You do not talk to them?

**Ms UEHLING:** We have not talked to them as to whether—

**Mr DAVID SHOEBRIDGE:** You have not spoken to them about—

**Ms UEHLING:** We do not know if they have a similar medical support panel.

**The Hon. TREVOR KHAN:** Is there some body—say, through SIRA—where you and, I will call it other insurers, get together to discuss innovations that improve performance of the scheme as a whole?

**Ms UEHLING:** SIRA does call together operational meetings across the interim space on different topics.

**The Hon. TREVOR KHAN:** Right. We will deal with this issue. Has a meeting being called to discuss this innovation?

**Ms UEHLING:** Not that I am aware of.

**The Hon. TREVOR KHAN:** Have you communicated to SIRA that this innovation is underway?

**Ms UEHLING:** Yes, we have.

**The Hon. TREVOR KHAN:** Have they come back to you to make inquiries as to how it has gone as you move from the pilot phase?

**Ms UEHLING:** Yes, and we have given them updates.

**The Hon. TREVOR KHAN:** When was the last update that you gave them? You can take the question on notice.

**Ms UEHLING:** I would have to check for the exact date, but it would have been in the last 60 days.

**The Hon. TREVOR KHAN:** In the last couple of months?

**Ms UEHLING:** Yes.

**ANSWER:**

icare has provided the following key updates to SIRA on the Medical Support Panel (MSP):

Date	Type of engagement
25 May 2018	Progress update provided in icare's submission on the Claims Administration Manual
4 April 2018	Teleconference to discuss the MSP structure and outcomes for the setup of a similar Provider Panel for Compulsory Third Party insurance
9 March 2018	Progress meeting update
12 December 2017	Progress update during an e-certificate meeting
18 October 2017	Email from Group Executive, Workers Insurance, providing update and offering a secondment to a SIRA staff member to the Medical Support Panel Team.
9 October 2017	Progress meeting update

5)

**SIRA's Pre-Injury Average Weekly Earnings (PIAWE) Working Group meeting invitation:**

**The Hon. DANIEL MOOKHEY:** Ideally, there is the cost of that as well.

**Ms UEHLING:** I think that the number one thing—and this will not be coming as a surprise—is PIAWE, pre-injury average weekly earnings. At times it can take four hours to calculate a PIAWE calculation for a day off of work.

**Mr DAVID SHOEBRIDGE:** It takes a day to calculate a day's wages.

**The Hon. TREVOR KHAN:** Half a day.

**Mr DAVID SHOEBRIDGE:** Half a day. Sorry, I am always exaggerating.

**The Hon. LYNDA VOLTZ:** Your organisation was part of the consultation process that began in, on my understanding, February 2016?

**Ms UEHLING:** Yes.

**The Hon. LYNDA VOLTZ:** This report has been sitting on their website as part of their consultation process since March 2017.

**Ms UEHLING:** Yes.

**The Hon. LYNDA VOLTZ:** What feedback have you had since then?

**Mr DAVID SHOEBRIDGE:** It has been on their website since November.

**The Hon. LYNDA VOLTZ:** The report was completed in March 2017. What feedback have you had from SIRA in regards to that report?

**Ms UEHLING:** We have a meeting coming up next week to—

**The Hon. TREVOR KHAN:** We know that.

**The CHAIR:** Yes, we are aware.

**The Hon. LYNDA VOLTZ:** When were you notified of that meeting?

**Ms UEHLING:** Two days ago.

**The Hon. LYNDA VOLTZ:** I note that in 2016-17—and I assume the last financial year—you spent significant amounts on consultation. In regards to this report, have you had any expenditure associated with developing an app and the software that would need to go with it as regards PIAWE arising from that report?

**Ms UEHLING:** We have not had any expenditure to date. However, as part of the new system, there is a PIAWE calculator attached. The system will be launched later on this year.

**The Hon. LYNDA VOLTZ:** You have developed the calculator?

**Ms UEHLING:** Yes.

**The Hon. LYNDA VOLTZ:** Will it be on an app platform?

**Ms UEHLING:** Not at the beginning.

**The Hon. LYNDA VOLTZ:** You have already developed what the calculation is going to be for the new system. Essentially, what we can pretty well determine is that the system is all ready to go?

**Ms UEHLING:** There are still some manual things that you have to do to collect the information to go into the calculator, which can be a time-consuming process because you have to get it from the employer and all that sort of thing. We have endeavoured to make it as accurate and simple as possible for people having to do the work.

**The Hon. LYNDA VOLTZ:** Is there an expectation—because it was a recommendation of the report—that there will be an app that people can use? It is about reducing disputes, obviously, and the app is a fundamental part of that process. Has there been a commitment to do that?

**Ms UEHLING:** There is definitely a commitment, once we stand up in the system, to have not just a PIAWE app as an example, but also the ability to lodge claims through an app and make it more accessible.

**The Hon. TREVOR KHAN:** Are you able to provide us with a copy of the email that you received inviting you to this meeting?

**Ms UEHLING:** Yes.

**ANSWER:**

icare received an email invitation on 24 July 2018 from SIRA, to attend a Pre-Injury Average Weekly Earnings (PIAWE) Working Group meeting scheduled for 1 August 2018. A copy of this email invitation is provided at **Tab A**. Following discussions with the Cabinet Secretariat, icare has removed all identifying features.



6)

**CLAIMS MANAGEMENT REPORTING**

**The Hon. DANIEL MOOKHEY:** What are other claims management reporting requirements that you are subject to to SIRA in terms of quantum?

**Ms UEHLING:** There is a claims technical manual that requires us to comply with certain inform that we have to gather in order to make it a claim. I would have to take what those exact things are on notice.

**The Hon. DANIEL MOOKHEY:** How many notifications are you following per week with SIRA?

**Ms UEHLING:** We have about 5,000 new claims a month.

**ANSWER:**

icare is filing an average of 5,466 claims and 2,289 notifications with SIRA per month. The table below shows the data fields that are required to be reported for each notification/claim.

**INITIAL CLAIM**

<ul style="list-style-type: none"> <li>C: 2.1.5 Shared claim code</li> <li>C: 2.1.6 Error report target</li> <li>C: 2.1.7 Branch of insurer handling claim</li> <li>C: 2.1.8 Date claim entered on insurer's system</li> <li>C: 2.1.10 Policyholder identification number</li> <li>C: 2.1.19 Claimant's gender code</li> <li>C: 2.1.32 Duty status code</li> <li>C: 2.1.43 Date of injury</li> <li>C: 2.2.4 Liability status date</li> <li>C: 2.2.5 Claim closed flag</li> <li>C: 2.2.9 Liability status code</li> <li>C: 2.2.15 Second injury claim flag</li> <li>C: 2.2.16 Initial notifier code</li> <li>C: 2.2.23 Initial notifier name</li> <li>C: 2.2.24 Initial notifier telephone number</li> <li>C: 2.2.25 Description of incident</li> <li>C: 2.2.26 Description of Injury/illness</li> <li>C: 2.7.4 Worker surname</li> <li>C: 2.7.5 Worker's given name/s</li> <li>C: 2.7.12 Worker's email address</li> </ul>	<p><i>The following are optional for notification only claims if known at the initial claim state</i></p> <ul style="list-style-type: none"> <li>C: 2.1.20 Claimant's date of birth</li> <li>C: 2.1.24 Claimant's occupation code</li> <li>C: 2.1.37 Workplace Industry (ANZSIC)</li> <li>C: 2.1.44 Time of injury</li> <li>C: 2.1.45 Nature of injury/disease code</li> <li>C: 2.1.46 Bodily location of injury/disease code</li> <li>C: 2.1.47 TOOCS Mechanism</li> <li>C: 2.1.48 Breakdown agency</li> <li>C: 2.1.49 Result of injury code</li> <li>C: 2.1.52 Workers Compensation Industry Classification (WIC) rate number</li> <li>C: 2.1.54 Agency of injury/disease</li> <li>C: 2.1.59 TOOCS Breakdown agency</li> <li>C: 2.1.60 TOOCS Agency of injury/disease</li> <li>C: 2.2.13 Work status code</li> <li>C: 2.2.27 Work status date</li> </ul>
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**CLAIM MADE**

<ul style="list-style-type: none"> <li>C: 2.1.5 Shared claim code</li> <li>C: 2.1.6 Error report target</li> <li>C: 2.1.7 Branch of insurer handling claim</li> <li>C: 2.1.8 Date claim entered on insurer's system</li> <li>C: 2.1.9 Date claim made</li> <li>C: 2.1.10 Policyholder identification number</li> <li>C: 2.1.12 Tariff rate number</li> <li>C: 2.1.16 Claimant address - Street information</li> <li>C: 2.1.17 Claimant address - Locality name</li> <li>C: 2.1.18 Claimant address - Postcode</li> <li>C: 2.1.19 Claimant's gender code</li> <li>C: 2.1.20 Claimant's date of birth</li> <li>C: 2.1.22 Claimant's language code</li> <li>C: 2.1.24 Claimant's occupation code</li> <li>C: 2.1.25 Claimant's dependants - children</li> <li>C: 2.1.26 Claimant's dependants - other</li> <li>C: 2.1.28 Permanent employment code</li> <li>C: 2.1.29 Training status code</li> <li>C: 2.1.32 Duty status code</li> <li>C: 2.1.33 Workplace address - Street information</li> <li>C: 2.1.34 Workplace address - Locality name</li> </ul>	<ul style="list-style-type: none"> <li>C: 2.1.43 Date of injury</li> <li>C: 2.1.44 Time of injury</li> <li>C: 2.1.45 Nature of injury/disease code</li> <li>C: 2.1.46 Bodily location of injury/disease code</li> <li>C: 2.1.47 TOOCS Mechanism</li> <li>C: 2.1.48 Breakdown agency</li> <li>C: 2.1.49 Result of injury code</li> <li>C: 2.1.52 Workers Compensation Industry Classification (WIC) rate number</li> <li>C: 2.1.54 Agency of injury/disease</li> <li>C: 2.1.59 TOOCS Breakdown agency</li> <li>C: 2.1.60 TOOCS Agency of injury/disease</li> <li>C: 2.2.4 Liability status date</li> <li>C: 2.2.5 Claim closed flag</li> <li>C: 2.2.9 Liability status code</li> <li>C: 2.2.13 Work status code</li> <li>C: 2.2.15 Second injury claim flag</li> <li>C: 2.2.16 Initial notifier code</li> <li>C: 2.2.23 Initial notifier name</li> <li>C: 2.2.24 Initial notifier telephone number</li> <li>C: 2.2.25 Description of incident</li> </ul>
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C: 2.1.35 Workplace address - Postcode C: 2.1.36 Workplace industry (ASIC) C: 2.1.37 Workplace Industry (ANZSIC) C: 2.1.38 Workplace size C: 2.1.39 Accident location code C: 2.1.40 Accident location description C: 2.1.41 Accident location - Locality name C: 2.1.42 Accident location - Postcode	C: 2.2.26 Description of Injury/illness C: 2.2.27 Work status date C: 2.7.4 Worker surname C: 2.7.5 Worker's given name/s C: 2.7.6 Accident location - Street information C: 2.7.12 Worker's email address
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7)

**Policy & billing system:**

**The CHAIR:** Has the new claims model that you have looked at, or were to implement—which is a new information technology platform for claims management—been implemented?

**Mr NAGLE:** We have partially implemented the case platform. On 1 January 2018 we went live with the new—

**The CHAIR:** It has gone live?

**Mr NAGLE:** But it is not the full model. The full model will roll out in November.

**The CHAIR:** What was the project budget for that?

**Mr NAGLE:** For the claims build?

**The CHAIR:** For the whole platform.

**Mr NAGLE:** For the claims portion there were two parts to it. There was approximately \$7 million for the first part which was building a portal claims lodgement and joint EMLs backing system. For the full integrated system the budget is approximately \$70 million.

**The CHAIR:** Is that the current total spend associated with the system to date?

**Mr NAGLE:** For the claims system, yes.

**The CHAIR:** I am not IT savvy, but is there another part to it?

**Mr NAGLE:** No. We have run a series of projects on various capabilities. Prior to that we undertook what are called policy and billing, which we launched 18 months ago. That was again delivered in various stages—our capability to underwrite new business and then take over all the renewals and existing business within the scheme.

**The CHAIR:** What is the total spend on that?

**Mr NAGLE:** I would have to come back to you with certainty but it is approximately the same number. It is about \$70 million.

**ANSWER:**

icare launched a new premium services model, to improve workers insurance in NSW, by making it easier for businesses to arrange and manage their policies at a time and place convenient for them. By centrally managing insurance policy and billing, icare is enabling a faster and more consistent renewal process for NSW employers.

icare's new online Customer Portal means customers will have direct access to all of their policy information at the touch of any device, and employers will be able to print documents, make policy changes, submit their wage updates and increase their cover at a time that suits their needs.

This platform will also provide employers with individual and Scheme data and dashboards, further enriching transparency for all of the Scheme's customers.

The total spend for the policy and billing system build is \$71.9 million.

8)

**Premium renewal delays:**

**Mr NAGLE:** A combination of a discussion between us and SIRA about what changes they wanted to make, which we found impacted our pricing quite significantly.

**Mr DAVID SHOEBRIDGE:** What was that change? The removal of caps?

**Mr NAGLE:** The removal of caps.

**The Hon. DANIEL MOOKHEY:** That was conclusively decided by the SIRA board—

**Mr NAGLE:** Correct.

**The Hon. DANIEL MOOKHEY:** —in late June?

**Mr NAGLE:** May.

**The Hon. DANIEL MOOKHEY:** That is what they said, that they invited representatives of yours.

**Mr NAGLE:** That is when they would have given formal approval in June.

**Mr DAVID SHOEBRIDGE:** If the board made a significant change about premium settings in late May you must have known that would create a delay in getting out the renewal notices. Did you tell them that?

**Mr NAGLE:** We did.

**The Hon. DANIEL MOOKHEY:** And what did they say?

**The Hon. TREVOR KHAN:** Did you tell them orally or did you tell them in writing?

**Mr NAGLE:** I believe we told them in writing.

**The Hon. TREVOR KHAN:** Are you able to provide the Committee with a copy of that?

**Mr NAGLE:** I would have to look at that and take it on notice.

**ANSWER:**

icare advised SIRA by email on 21 May 2018, about delays in the issuing of premium renewal notices. A copy of this advice is provided at **Tab B**. Following discussions with the Cabinet Secretariat, icare has removed all identifying features.