

2020 Review of the Workers Compensation Scheme

Chair's proposed pre-hearing questions

Pre-hearing question	icare's response
<p>1. Please provide an update on the financial position of the Nominal Insurer Scheme.</p>	<p>The May 2020 year to date net result for the Nominal Insurer (NI) Scheme has been impacted by the following two major factors in the 2019-20 Financial Year:</p> <ol style="list-style-type: none"> 1) December 2019 actuarial valuation of the Scheme resulting in: <ol style="list-style-type: none"> a) \$357 million strengthening in the NI provisions due to poor front-end return-to-work outcomes. b) \$253 million strengthening in the NI provisions due to a higher number of catastrophic medical claims, and an increase in both average claim sizes and number. c) The above is partially offset by lower weekly average payment sizes – a release of \$121 million. d) Total Net impact: (\$489 million). 2) The COVID-19 pandemic has significantly influenced the financial results of the Scheme with the estimated impact of (\$884 million) as at May 2020. This is predominantly due to falls in the investment markets, of which none have been realised. Further COVID-19 impact to claims costs will be assessed as part of the next actuarial valuation in June 2020. <p>The above factors have reduced the unaudited May 2020 funding ratio to approx. 98 per cent at 80 per cent Probability of Adequacy (PoA), which in turn has activated the Scheme's Capital Management Plan. The equivalent funding ratio is calculated to be 101 per cent at 75 per cent PoA.</p> <p>The NI was budgeted to make a net loss in the 2019-20 Financial Year. The previously planned premium increases would have brought the 2020-21 Financial Year into a small surplus, however premium increases were put on hold as a result of COVID-19 to support businesses and the NSW economy.</p>

<p>2. Can you please provide an update on the financial position of the Treasury Managed Fund.</p>	<p>The May 2020 year to date net result for the Treasury Managed Fund (TMF) shows the Scheme has been impacted by the following two major factors in the 2019-20 Financial Year:</p> <ol style="list-style-type: none"> 1) December 2019 actuarial valuation of the Scheme resulting in: <ol style="list-style-type: none"> a) (\$339) million strengthening in the TMF provisions due to the continued increase in Police Medical Discharge claims and an increase in both the number and severity of psychological injuries. b) The NSW bushfires as at 31 December 2020 which were estimated at a (\$140) million loss. The estimate is likely to increase in the next actuarial valuation in June 2020. c) The ongoing impact of reported abuse claims. 2) The COVID-19 pandemic has significantly influenced the financial results of the Scheme with the estimated impact of (\$1 billion) as at May 2020. This is predominantly due to falls in the investment markets, of which none have been realised. Further COVID-19 impact to claims costs will be assessed as part of the next actuarial valuation in June 2020. <p>The above factors have reduced the unaudited May 2020 funding ratio to approximately 98 per cent (no risk margin is included in TMF). The Net Assets Holding Policy provided for NSW Treasury provided \$2 billion in funding in June 2020 to the TMF and will review the options for an additional \$2 billion funding by the end of 2020 to maintain full funding of liabilities.</p>
<p>3. What progress has been made against the 21-point action plan agreed in response to the Dore Report?</p>	<p>icare launched a website hub which provides quarterly updates on its development in enhancing the performance of the NI, as well as progress on its actions in response to SIRA's 21-point action plan. These updates are available on the icare website.</p>
<p>4. What progress has been made against issues raised in the Dore Report that may have been regarded as 'out of scope'?</p>	<p>Prior to the release of the Dore report and in response to stakeholder feedback, icare began publishing performance data on the NI. icare will continue to increase the range of information available on its website as providers move onto the icare platform, and once the scope of available data increases.</p> <p>A number of the actions identified by the Customer Advocate appointed by icare extend beyond the Dore report. Further, where related, relevant actions have been built into the 21-point action plan. Performance data on the NI, progress in response to SIRA's 21-point action plan and the Customer Advocate report are available on the icare website.</p>

<p>5. What further audit of the scheme is occurring this year, and when? What scope does the audit have?</p>	<p>The NI Scheme financial statement is undergoing external audit by NSW Audit Office for the year ended 30 June 2020 with completion by end of October 2020.</p> <p>SIRA will conduct quarterly compliance and performance audit of the claims management by the NI as one of the actions from the 21-point action plan from the 2019 review. The first review has been completed with reporting being finalised. The next quarterly audit is in the process of being planned by SIRA for commencement in July 2020.</p> <p>SIRA will also conduct an audit of medical costs as one of the actions from the 21-point action plan, although timing has been impacted by COVID.</p> <p>The NI also conducts its own ongoing internal review program.</p>
<p>6. Where is the PIAWE claims management review and remediation work up to? To date, what is the total that injured workers have been underpaid and overpaid?</p>	<p>icare's PIAWE Review and Remediation Program has been established separately from normal operations with specific leadership from Mr M Somiak and supported for Assurance & Quality purposes by the former WIRO, Mr K Garling.</p> <p>An additional 1,000 claims (comprising claims with the highest by total weekly benefit value) are currently being reviewed and will provide greater understanding and insights into the extent of issues and determine how many of the total 210,000 NI claims have had weekly payments made, since PIAWE was introduced in 2012.</p> <p>Conducted further review of 100 claims to determine actual incorrect payments. These sample claims were pulled from differences noted from the 3,000 originally assessed in icare's initial PIAWE Risk Discovery review in 2019.</p> <p>Of the 100 detailed claim assessments, 19 were identified as potentially requiring additional payments with further quality assurance checks being performed. Under icare, the average weekly potential difference was about \$56.</p> <p>Based on that sample, the number of cases that would need to be remediated is less than five per cent.</p> <p>Clarity is being sought on Australian Taxation, Centrelink and other potential issues which may be impacted from a lump-sum payment, or ongoing changes to future weekly benefits for open claims.</p> <p>Clarity on the legislative ability to undertake the remediation is awaiting advise from SIRA.</p>

<p>7. Can you give an update as to your return to work rates?</p>	<p>Payments based return-to-work rates were steadily improving prior to the COVID-19 shutdown, with the expectation of returning to previous levels within the year. However, impacts due to COVID-19 on the economy and reduced availability of suitable employment to return to, are likely to severely effect future return-to-work rates.</p> <p>It should be noted that:</p> <ul style="list-style-type: none"> • EML manages 65 per cent of all the scheme's large employer claims, with Allianz and GIO having 19 per cent and 15 per cent respectively • Both Allianz and GIO have portfolios that are almost 100 per cent made up of large employer claims, with EML's claims mix being 26 per cent large employers and 74 per cent small and medium employers. <p>The RTW rates by Claims Service Provider are provided at Tab A.</p>
<p>8. What measures have been implemented to improve data quality for return to work rates?</p>	<p>icare has been addressing data integrity issues for return-to-work by making improvements to GuideWire data capture points across work status, date ceased work and actual date resumed work.</p> <p>We have also been working to identify and implement system changes that automate or extrapolate data, reducing the likelihood of human error and extensive data reviews to correct or update data for the 1345 individual data fields required by SIRA. For example, the data fields required to inform the SIRA Return-To-Work measure were reviewed in 43,000 claims last year, with more than 184,000 field update changes made. Data changes required for coding related to COVID-19 reporting are also underway.</p>
<p>9. What percentage of claims relate to psychological injuries? And of these, what percentage arise out of workplace bullying matters?</p>	<p>8.2 per cent of claims lodged between 1 January 2019 to May 2020 for the NI and TMF, were for psychological injuries. Of these, 2.5 per cent were coded as workplace bullying.</p>

<p>10. What changes are being considered to the claims management model to help improve the scheme and support provided to injured workers?</p>	<p>icare is continuing to evolve its Claims Service Model to address findings of the Dore report and ongoing feedback from customers and industry. Development over the next 12 months includes:</p> <ul style="list-style-type: none"> • <i>Industry Model</i> – building on the Authorised Provider model, which was launched for large employers in February 2020. icare is developing an industry option for small and medium employers and will pilot a solution to meet their tailored needs later in 2020. • <i>Medical Support Panel (MSP)</i> – following customer feedback, icare is reviewing the use of and processes for referral to the MSP, in order to minimise decision making delays and provide effective guidance to case managers. • <i>Litigation</i> – reviewing the processes in litigation to ensure the best results for customers, providers and the Scheme. • <i>Claim technology platform</i> – continued development of the claims technology platform and enhancements to information made available via the online portal.
<p>11. What measures are in place or being implemented to improve timeliness in determining claims?</p>	<p>icare experienced two periods of decline in liability decision timeliness since January 2018, which were both related to the introduction of new technology and related implementation problems. Since working through the backlog these issues created, the timeliness of initial liability decisions has continued to improve.</p> <p>icare has also invested with EML in <i>Project Pathway</i> which aims to improve service levels in the Scheme, ensuring timely determination of claims.</p>
<p>12. Have any changes in practices or guidelines be implemented in relation to surveillance?</p>	<p>On 21 October 2019, SIRA published the updated <i>Standard 25: Surveillance</i> which outlines the principles on engaging surveillance. These measures are similar to those icare has had in place since October 2017.</p> <p>In February 2020, icare reconfirmed its expectations about covert surveillance and re-issued instructions to claims service providers that meet the principles of <i>Standard 25</i>. icare has also developed an information sheet for employers and brokers that outlines the approach to covert surveillance, to ensure compliance with the relevant legislation and application of the principles of the Standards of Practice.</p>