

21 Point Action Plan Update from SIRA

(Produced for the Legislative Council Standing Committee on Law and Justice - 3 August 2020)

Summary

7 actions completed or completed and ongoing and 14 actions in progress

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Resolved to publish Yes / No

icare actions required by SIRA

1. Business Plan resubmission

SIRA will require icare under Division 4 of the Workers Compensation Act 1987 to revise and re-submit to SIRA its FY19/20 business plan by 28 February 2020 to address key issues and findings from the review. The revised Business Plan is to include appropriate targets for return to work at 4, 13 and 26 weeks and action to deliver performance at the targeted levels as well as comprehensive plans to improve claims management by the NI including:

- Scheme agent capability, resilience, staff turnover and resourcing
- Ongoing review and refinement of claims management including agent arrangements, triaging of claims and provision of dedicated case managers to significantly injured workers
- Claims management for workers with psychological injuries or mental illness
- Systems for ensuring reasonably necessary healthcare services are provided appropriately, at the appropriate time for optimal recovery and return to work, and with high levels of regulatory compliance
- Compliance with the Market Practice and Premiums Guidelines and review and refinement of the NI premium methodology
- Compliance with mandatory data reporting and data quality requirements
- Risk management, internal audit planning and risk mitigation reporting
- Stakeholder engagement

(Expected financial savings should be reported on a net basis – requirement from SIRA CE letter dated 16 January 2020)

Status: No further action for the FY 19/20 given elapsed time but SIRA expects icare to comply with the above requirements for the 20/21 Business Plan

SIRA comment: icare provided an update to its Business Plan that was not considered satisfactory by SIRA. In particular SIRA remains concerned that icare Business Plan performance targets for Return to Work rates are too low: 39% at 4 weeks, 75% at 13 weeks and 80% at 26 weeks. SIRA also notes icare measures return to work for its internal performance targets using cessation of weekly payments rather than the work status measure (which is based on advice that the injured worker has actually returned to work).

SIRA and icare are together identifying key KPIs, including RTW, for the NI that will be monitored monthly by both Boards

Business Plans are submitted pursuant to Section 202B of the 1987 Act. Licensed insurers are required to prepare and deliver to SIRA a business plan for its workers compensation business that is in accordance with the legislation.

2. icare is required to urgently address data quality and timeliness issues and provide monthly data in accordance with regulatory requirements.

SIRA recommends icare work with an ICT assurance specialist agreed with SIRA to ensure adherence to data provision requirements.

Status: Progressing

SIRA comment: SIRA has requested icare to provide a comprehensive plan to address data quality concerns and icare is required to continue to provide SIRA regular updates on progress to data improvement plan.

3. Review of icare Workers Insurance Premium Calculation Model

icare will undertake a comprehensive review of the icare Workers Insurance Premium Calculation Model, including:

- detailed assessment of all components of the existing premium calculation methodology against the principles of the Market Practice and Premium Guidelines (MPPGs)
- detailed analysis of longitudinal impacts for employers and any consequential or perverse impacts for the broader workers compensation system
- development of alternative options with the objective of improving consistency with MPPGs

icare will provide SIRA with a report on its review of the Workers Insurance Premium Calculation Model as part of the 2020 NI premium filing.

Status: This was initially completed to a satisfactory standard for implementation with revised premiums for the 20/21 year, however with icare withdrawing the 20/21 filing due to COVID-19 and continuing with the previous premium model, the improvements to the premium methodology have been delayed.

SIRA comment: SIRA and icare are continuing Joint Premium and Prudential Oversight Committee meetings to monitor further premium calculation reforms.

4. icare's premium review arrangements

icare will review and formally advise SIRA of its premium review arrangements under Section 8.5 of the Market Practice and Premiums Guidelines issued by SIRA under Division 2 of the Workers Compensation Act 1987

icare will report to SIRA quarterly on premium complaints received and premium reviews and other actions taken as required.

Status: Completed

icare actions recommended by SIRA

5. Dedicated case manager

Noting icare has advised SIRA that icare and its agents now allocate a dedicated case manager where an injured worker is away from work for 2 weeks. SIRA recommends icare consider a further enhancement to allocate a dedicated case manager whenever an injured worker is likely to be (or has been) incapacitated for work for a continuous period of more than 7 calendar days. This would include any injured person meeting the definition of a worker with a significant injury as defined by s42 of the Workplace Injury Management and Workers Compensation 1998 Act (1998 Act) and would strengthen delivery of appropriate injury management as required by s45 of the 1998 Act.

Status: Progressing

SIRA comment: icare has assessed and provided the potential customer, operational and financial impacts of this recommendation to SIRA, to assist in determining the overall benefit to the Scheme and its stakeholders. icare will advise of its intended course of action in the near future.

SIRA notes that over the last 3 years about 30% of injured workers with claims with the NI have more than 14 calendar days on weekly benefits and 40% have more than 7 calendar days. SIRA continues to recommend that all injured workers with more than 7 calendar days on weekly benefits have a dedicated case worker, noting that this would still leave about 60% of injured workers without a dedicated case manager and SIRA will closely monitor outcomes for each cohort.

6. Remuneration incentives for 4, 13, 26 weeks

icare should review RTW remuneration incentives for scheme agents and relevant icare employees to ensure focus on return to work outcomes at 4, 13 and 26 weeks.

Status: Progressing. As noted above icare measures return to work for its internal performance targets using cessation of weekly payments rather than the work status measure (which is based on advice that the injured worker has actually returned to work) and this may incentivise claims management towards terminating benefits rather than early support to enable real return to work

7. Authorised Provider Model

Noting the announcement of the extended Authorised Provider Model will increase choice of claims management service for large employers, it is recommended icare also enhance the NI operating model to provide small business employers with greater choice of claim management service provider. Options would be developed by icare in consultation with SIRA.

Status: Progressing

SIRA comment: icare has commenced RFP process to consider an enhanced operating model to cater for small business employers and will continue to progress in future months due to current COVID-19 response.

8. SIRA Tripartite Reference Group

SIRA will invite icare to attend SIRA Tripartite Reference Group meetings at least once per quarter to outline progress on actions arising from the Review and on the performance of the NI. It is recommended the icare CEO attend whenever possible to engage with peak business organisations and unions.

Status: Completed and ongoing

9. Independent Review of culture, governance and accountability

SIRA recommends icare commission an independent review into the culture, governance and accountability in the icare team and agents managing the NI.

Status: icare advise this is progressing

SIRA comment: icare advised it will be undertaking an independent review. icare is yet to update SIRA on timing.

SIRA regulatory actions related to the NI

10. Quarterly Compliance and Performance Audit

During 2020, SIRA will conduct and publish a quarterly compliance and performance audit of claims management by the NI, under Division 4 of the Workers Compensation Act 1987, including file reviews utilising an enhanced methodology. Audit reports will be provided to the SIRA and icare boards

The first audit has commenced in February 2020 and is being undertaken by EY in accordance with Terms of Reference to be finalised by January 2020.

Status: Progressing

SIRA comment: The first audit commenced in February but was impacted by COVID-19 pandemic. The Final report of the first quarterly review is to be made publicly available in the first week of August.

Timing of the second quarterly audit was impacted due to COVID-19 pandemic but has now commenced.

11. Independent Audit of NI's medical services

Noting that the NI has experienced a higher rate of increase in utilisation of medical services than other providers, without improvement in return to work outcomes, under Division 4 of the Workers Compensation Act 1987, SIRA will commission an independent audit of the NI's approval and payments process for medical and related treatment expenses to monitor compliance with regulatory requirements.

This audit will commence in the April quarter of 2020.

Status: Progressing

SIRA comment: Commencement of audit has been delayed due to impacts of COVID-19. SIRA has undertaken a review of the reasons for rising health care costs and commissioned an independent analysis of medical billing controls across the workers compensation system. This is informing the methodology for the audit of medical payments processes. The audit of the NI medical and related claims expenditure is now expected to commence in September

12. SIRA advice to Government on prudential supervision

SIRA will provide advice to Government on prudential supervision options for the NI. SIRA will continue its monitoring focus on capital adequacy. SIRA will continue to work with NSW Treasury in line with the NSW Treasury/SIRA Memorandum of Understanding.

Status: Completed and ongoing

13. SIRA and icare board engagement

SIRA will engage constructively with the icare board and senior executives on the NI management and improvement plans; SIRA will retain its independent approach on compliance and enforcement matters.

Status: Completed and ongoing

14. SIRA will provide advice to Government on legislative policy matters as required

Status: Progressing

SIRA Regulator commitments

15. SIRA to review performance indicators and compliance benchmarks

SIRA will review definitions and strengthen key performance indicators and compliance benchmarks for workers compensation insurer performance over 2020 and will publish the results at least quarterly. SIRA will consult widely on the development of the indicators and benchmarks.

Status: Progressing

SIRA comment: SIRA has developed a range of measures and metrics to inform monitoring and supervision. Consultation on improvement metrics will be staggered in recognition of the priority for consultation on COVID-19 related adaptation. SIRA is currently consulting on a framework for health outcomes measurement and will soon have results from its new independent rolling survey of customer experience and outcomes.

16. RTW measurement framework

As a priority, SIRA will lead consultation on measurement of return to work outcomes for injured people and is working with Safe Work Australia on its national RTW measurement framework.

Status: Progressing

SIRA comment: Effectively measuring return to work is critical to understanding the performance of the workers compensation scheme. As the regulator, it is SIRA clear role under the legislation to determine how return to work will be measured. In New South Wales and insurers are required to measure and report on actual return to work – not cessation of benefits.

In addition to this central measure, there are ways in which the drivers and barriers to return to work can be measured. SIRA is actively contributing to the national return to work strategy and is also leading a process in NSW to enhance metrics.

SIRA has considered the submissions to the 'Measuring RTW' discussion paper and has undertaken a series of subsequent digital roundtable consultations with stakeholders. A report will be published later this year.

SIRA has also established a dedicated RTW Team to work with employer and worker representatives and providers to drive system wide action to improve return to work.

SIRA will lead a NSW Return to Work Strategy as part of the COVID-19 recovery phase.

17. Medical partnerships

SIRA will partner with professional medical colleges to increase awareness of the Health Benefits of Good Work initiative amongst GPs and other health providers.

Status: Progressing

SIRA comment: SIRA is actively engaging with professional medical colleges to plan for broader GP and health provider education activities, though the immediate focus is adaptation to the impacts of COVID-19 pandemic.

18. Reviewing health costs

SIRA is currently undertaking a review of health care arrangements for the workers compensation and CTP schemes in response to rising health care costs. Over 2020, this review will result in improved regulatory and fee setting approaches to ensure injured people have access to the right healthcare at the right time for optimal recovery and return to work, and so the schemes provide value-based healthcare.

Status: Progressing

SIRA comment: SIRA is developing improved reporting on health care costs and outcomes in the CTP and workers compensation personal injury schemes. A market pricing review including research of options for fee reform has commenced and a draft health outcomes framework is now available for public consultation.

A final report will be published in the second half of 2020.

SIRA is working with insurers to improve administration of medical treatment payments and approvals.

19. Customer survey

SIRA will conduct a rolling survey to measure the customer experience of injured people and policy holders across workers compensation and CTP. The first survey will commence by March 2020 and will be published by June 2020.

Status: Progressing

SIRA comment: This action was delayed by the COVID-19 pandemic but the first survey of injured people has now been undertaken and results will be available in August 2020.

Agreed joint SIRA/icare actions

20. Half-yearly board meetings

SIRA and icare boards will meet half-yearly. The SIRA Chief Executive and icare CEO will meet monthly with a more detailed quarterly review meeting in line with quarterly audit processes.

Status: Completed and ongoing

21. Monitoring (JPPOC and JCAC)

SIRA and icare will continue, until at least December 2020, the current level of escalated monitoring and communication provided by the SIRA/icare NI Joint Premium and Prudential Oversight Committee (JPPOC) and Joint Claims Assurance Committee (JCAC).

Status: Completed and ongoing