

Submission
No 2

INQUIRY INTO WORKERS COMPENSATION INJURY MANAGEMENT PILOTS PROJECT

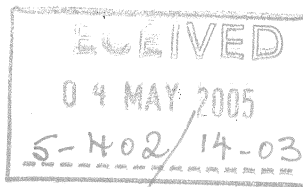
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Date Received: 2/05/2005

Theme:

Summary:



Ref: WC00468/05



The Hon Christine Robertson MLC
Chair, Legislative Council Standing Committee on Law and Justice
Legislative Council
Parliament House, Macquarie Street
SYDNEY NSW 2000

02 MAY 2005

Dear Ms Robertson

Please find attached a submission that has been prepared by WorkCover in response to your recent request seeking comments on the findings of the *Evaluation Report of the Injury Management Pilots*, and the action taken to date in respect of the report's findings.

The submission outlines the evaluation's findings (which were provided to the Committee by the Hon John Della Bosca MLC, Minister for Commerce and Minister for Industrial Relations, on 26 November 2004) and indicates that WorkCover has applied the findings as part of the Government's broader reforms to the Workers Compensation Scheme, which were introduced to enhance the performance of the system and ensure that injured workers are provided with the treatment and support they need to return to work.

The reforms included the introduction of provisional liability, the establishment of the Claims Assistance Service, the establishment of the Workers Compensation Commission, the establishment of a new system for objective assessment of medical impairment, the implementation of a project to manage long-term claims and the implementation of the case management model.

The submission indicates that the application of the evaluation's findings, as part of the Government's broader reforms, have achieved significant enhancements to the Scheme, including improvements in claims administration and return to work rates, better support to employers and workers and a reduction of legal disputes.

I trust the submission will assist the Committee during its inquiry. Further information can be obtained in the first instance from Mr Ryan Fletcher, Manager, State and National Policy Unit by telephone (02) 4321 5982.

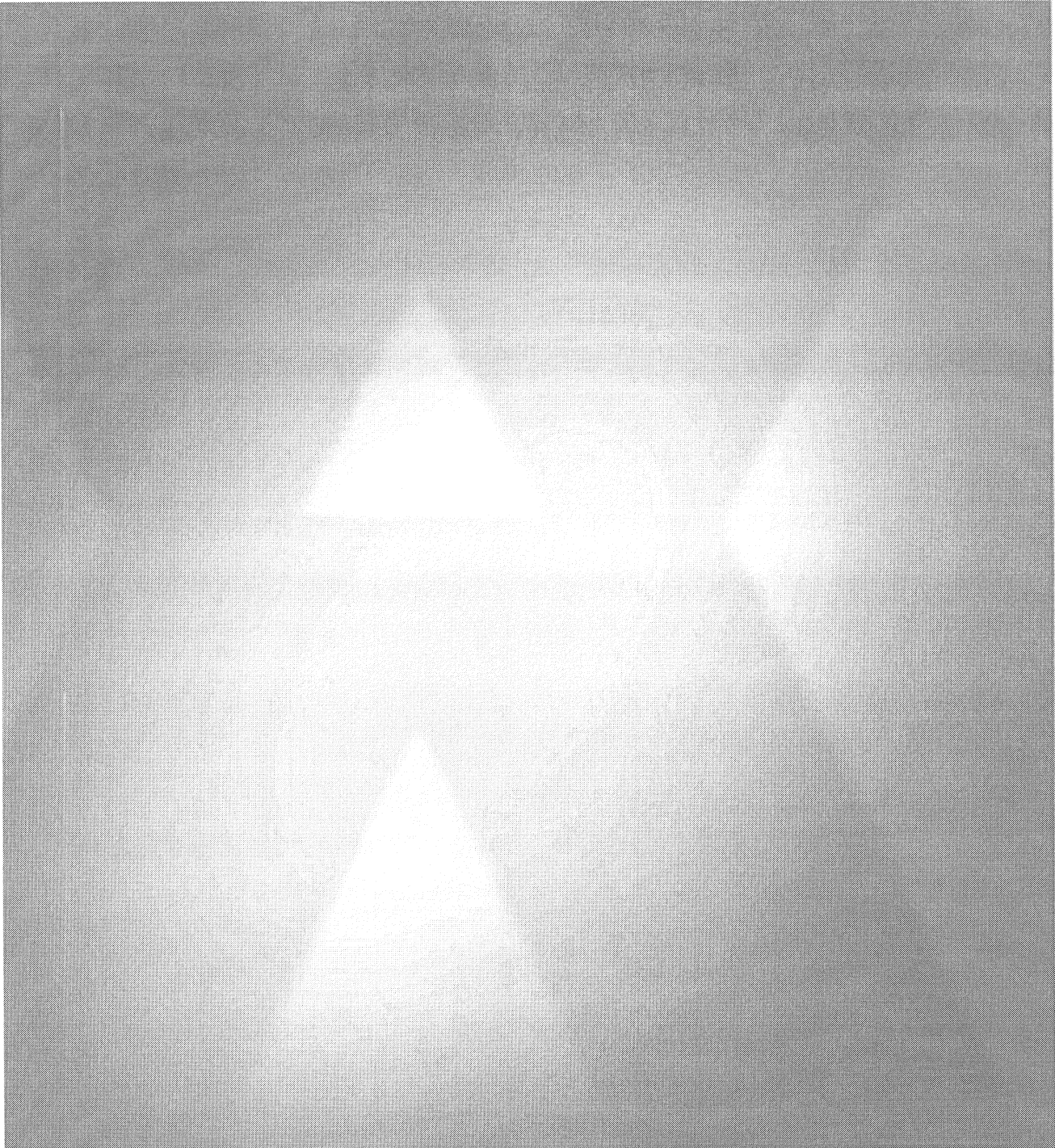
Yours sincerely

Jon Blackwell
Chief Executive Officer

WorkCover. **Watching out for you.**



SUBMISSION TO LEGISLATIVE COUNCIL STANDING COMMITTEE ON LAW AND JUSTICE INQUIRY INTO WORKERS COMPENSATION INJURY MANAGEMENT PILOTS



APRIL 2005

SCOPE OF SUBMISSION:

On 26 November 2004 the Hon John Della Bosca MLC provided the Legislative Council Standing Committee on Law and Justice with a copy of the reported entitled *Evaluation Report of the Injury Management Pilots*.

The report was provided to the Committee to enable it to undertake its statutory review of the results of the evaluation under section 5A of the *Workplace Injury Management and Workers Compensation Act 1998*.

This submission has been prepared by the WorkCover Authority of New South Wales (WorkCover) in response to a request from the Committee's Chair, the Hon Christine Robertson MLC, seeking WorkCover's comments on the findings of the evaluation, and the action taken to date in respect of the findings.

INTRODUCTION:

During 1998–2002 major reforms were made to the NSW workers' compensation system. Among these reforms was new legislation in 1998¹ aimed at improving return to work for injured workers and a series of reform measures announced in 2000.

These reforms included an increased emphasis on injury management and return to work strategies, improving dispute resolution mechanisms, a focus on compliance measures and providing incentives for improved workers compensation performance.

An important part of the reform program were injury management pilots undertaken in 2001 aimed at identifying and promoting best practice in injury management.

Pilot Objectives:

The purpose of the project was to:

- identify the critical components of injury management
- achieve measurable improvements in:
 - workers' health outcomes
 - return to work for injured workers
 - service use and costs
- establish benchmarks in integrated injury and claims management.

Evaluation methodology:

The project evaluation consisted of:

- quantitative analysis of performance of the pilot populations in 2001 compared to control groups in 2000 by Monash University's Department of Business Statistics and Econometrics;

¹ *Workplace Injury Management and Workers Compensation Act 1998*.

- qualitative analysis of satisfaction levels of a sample of employers and workers involved in the pilots by Jane Elkington and Associates;
- cost benefit analysis and potential impact on the WorkCover Scheme by WorkCover's actuaries, Tillinghast-Towers Perrin;
- return to work rates of pilot participants compared with NSW Scheme results by Campbell's Monitor;
- self-analysis by three of the pilot providers, EMI, QBE and Central West Injury Management Service (CWIMS); and
- results workshop attended by pilot managers and pilot evaluators.

Structure of the injury management pilots project:

Four pilots were run with the aim to manage 1,000 major claims and process around 2,000 additional minor claims during 2001. The four pilots were selected by competitive tender and organised into non-insurer and insurer groups.

Non-insurer pilot groups:

- regional – The Central West Injury Management (CWIMS) pilot targeting central west NSW.
- industry – the Warrakanji Care Integration (WCI) pilot targeting private hospitals and nursing homes.

Insurer pilot groups:

- EMI in partnership with PricewaterhouseCoopers targeting around 1,000 major claims among employers holding policies above \$5,000 and below \$600,000 but not aged care or construction industries.
- QBE targeting small to medium employers with under \$100,000 in premiums in south and southwest NSW.

Each provider was required to develop strategies that would deliver appropriate, cost-effective and high quality services to injured workers and benefit all stakeholders in the system. The industry pilot was discontinued in August 2001 because it failed to meet contractual obligations.

Management of the projects:

WorkCover established a Steering Committee for the regional, industry, and the insurer pilots to oversee the project and provide a means for stakeholders to give and receive information about the project.

Membership of the Steering Committees included employers, workers, service provider representatives and the Insurance Council of Australia.

Performance measures:

Performance measures were also used for external injury management service providers that would attract bonus payments.

The external injury management service providers were required to implement and report on internal quality assurance processes to demonstrate that quality injury management was in place. WorkCover audits were to confirm the conduct and outcome of the quality assurance process.

FINDINGS OF THE INDEPENDENT VALUATION:

The Department of Econometrics and Business Statistics at Monash University was selected through competitive tender to carry out the independent evaluation. The independent evaluation and analysis is included in the report entitled *Evaluation Report of the Injury Management Pilots*.

The report evaluated the injury management project against the first two pilot aims which are to identify the critical components of injury management, and achieve measurable improvements in workers health outcomes, return to work for injured workers and service use and costs.

Summary of key findings:

The *Evaluation Report of the Injury Management Pilots* found that the pilot demonstrated that it is possible to achieve major improvements in injury management and return to work for injured workers. The key findings with regard to injury management from the pilots are:

- a focus on the needs of both the injured worker and the employer will produce better outcomes;
- clear communication from the outset with both workers and employers assists with injury management and return to work;
- attention to speed and efficiency in processing all claims (salary, medical and travel related expenses) allows staff to concentrate on injury and issues management;
- the importance of adopting high levels of customer service (as demonstrated by the pilot providers);
- the need to have a consistent and easily contactable case manager;
- adopting case conferencing and/or review as an ongoing part of injury management can reduce claim duration and result in streamlined case management;
- the importance of having adequate numbers of staff to efficiently handle the case load, including well-trained case managers familiar with the issues faced by the type of enterprise with which they work;

- attention to pro-active education of workers and employers about the injury management process, including return to work plans ensures that there are clear understandings of responsibilities and processes, and
- the need to actively provide information and training about injury prevention.

SUMMARY OF ACTION TAKEN TO DATE IN RESPECT OF THE FINDINGS:

The NSW Government and WorkCover have applied the findings of the *Evaluation Report of the Injury Management Pilots* as part of the broader reforms to the workers compensation scheme that were introduced to enhance the performance of the system and ensure that injured workers are provided with the treatment and support they need to return to work.

The reforms include the introduction of provisional liability, the establishment of the Claims Assistance Service, the establishment of the Workers Compensation Commission, the establishment of a new system for objective assessment of medical impairment, the implementation of a project to manage long-term claims, and the implementation of the case management model.

The Scheme’s independent actuaries, PriceWaterhouse Coopers, advise that in the quarterly monitoring report for the Scheme for December 2004 that there are less claims developing to 13 weeks of weekly payments since the 2001 reforms than did pre reforms. This suggests that workers are returning to work earlier.

The time period that injured workers remain on workers compensation benefits has been improving since June 2000 as the following figures show:

Time period on benefit	June 2000	June 2004
13 weeks	11.6%	10.6%
26 weeks	7.0%	6.03%
52 weeks	5.0%	3.63%
108 weeks	2.4%	2.3%

Provisional liability:

Provisional liability streamlined injury notification and claims processing by requiring insurance companies to begin weekly compensation payments and injury management within seven days of notification of injury, unless there is a ‘reasonable excuse’ (eg. when there is insufficient medical information or the injury is not work related).

The aim is to facilitate timely decision-making, ensure the prompt management of claims and ensure that injured workers return to work as quickly and safely as possible. These factors were shown as some of the keys in the pilots to be successful injury management.

There has been a sustained improvement in the timely determination of claims and a significant improvement in return to work rates. The average reporting time for an injury has been halved and injured workers are therefore getting access to injury management and return to work programs more quickly.

Over 62 percent of injured workers now receive their weekly benefits within seven days of their injury being notified to the insurer, compared to 53 percent under the previous arrangements.

Since the introduction of provisional liability there appears to be fewer open claims which have received 13 weeks of weekly payments in the early quarters of development and fewer at the later quarters of development.

Claims Assistance Service:

Prior to the 2001 reforms a high proportion of workers compensation disputes concerned the payment of benefits and injury management. To help workers and employers navigate the system more easily and receive impartial advice concerning the payment of benefits and injury management the Government established the Claims Assistance Service.

The Claims Assistance Service provides information and assistance to injured workers and employers about claims for workers compensation, particularly resolution of potential disputes.

In 2003/04, the Claims Assistance Service handled 5,611 cases with a resolution rate of almost 81 percent.

Dispute Prevention and Resolution:

The 2001 reforms to improve dispute prevention and resolution include the establishment of the Workers Compensation Commission, objective assessment of medical impairment and the regulation of legal fees.

The Workers Compensation Commission commenced operations on 1 January 2002 and provides a transparent, flexible and independent forum for the appropriate, fair, just, timely and cost effective resolution of workers compensation disputes.

The Commission's system of conciliation and arbitration dispute resolution directly involves the parties in an accountable and accessible process. It is aimed at ensuring injured workers obtain a fair and quick resolution of disputes about their workers compensation entitlements.

Prior to the 2001 reforms NSW had the highest rate of disputed claims in Australia. Approximately 32,000 or 45 percent of major claims were referred for conciliation in the 2000 year.

Disputes have reduced by nearly 60 percent, from 8,000 per quarter to around 3,300.

Objective Assessment of Permanent Impairment:

Where a worker suffers permanent impairment from a work related injury, the degree of that impairment is a medical matter requiring assessment by a medical specialist.

Since 1 January 2002, assessments of permanent impairment are conducted by medical specialists who are trained in the use of the WorkCover Guides for the Evaluation of Whole Person Impairment.

The Guides were developed by medical specialists in NSW who reviewed and adapted the American Medical Association Guides to introduce a consistent, reliable and clinically defensible means of assessing permanent impairment.

If there is a dispute about the level assessed, the matter can now be resolved by an independent medical specialist appointed by the Workers Compensation Commission.

Regulation of Legal Fees:

A new approach to the recovery of legal costs was an integral component of the 2001 reforms and a costs table was established to reflect the new procedures for dispute resolution in the Workers Compensation Commission.

The costs table is based on an events based approach to ensure that legal practitioners are rewarded for work done rather than time spent. This promotes efficiency in the handling of matters.

Tail Project:

The Tail Project seeks to improve insurer management of long tail claims (non-catastrophic claims that are older than 3 years).

The project includes two pilot programs that are being undertaken to test different approaches to the rehabilitation of long tail claims.

Fitness Upgrade Pilots in which 3 medical and rehabilitation providers covering Central Coast and City regions are undertaking 4-5 week intensive group based programs involving cognitive based therapy and physical exercise conditioning to improve claimants' fitness for work. Results to date indicate a significant improvement in medically certified fitness for work.

Job Placement Pilots provide job placement assistance to unemployed tail claimants. Eight providers in the greater metropolitan area are conducting group based, cognitive behavioural style intervention programs. Provider remuneration is outcome based, as 50% of revenue is based on results, with incentive towards sustainability of return to work. Pilot results to date show a high return to work rate and faster speed of placement compared to traditional rehabilitation services. On average, it is only taking 2.8 months to place pilot participants into employment compared to 13.8 months for non pilot long tail claimants.

The first 12 performance of the pilot projects show a promising start with a \$218m saved and a 35% reduction in open tail claims. It is expected that this work will ramp up and become a permanent feature of WorkCover's management of the scheme.

Case Management Model:

In 2003 WorkCover introduced a case management model into insurer operations. This model integrates all aspects of injury and claims management for the purposes of achieving optimum results regarding a timely, safe and durable return to work for injured workers. The model also focuses on more effective management of providers.

The case management model was introduced to:

- improve return to work and health outcomes for injured workers;
- develop a holistic and systematic approach for managing injuries and return to work;
- improve claims management infrastructure;
- improve cost effectiveness of claims management and return to work; and
- secure outcome focused active case management of claims that includes improved communication between all stakeholders.

It focuses on cost-effective service delivery and aims to ensure the achievement of health and return to work outcomes. The key to this approach is the appointment of a single person who is accountable and responsible for the active management of an injured worker's return to work.

The model incorporates principles and associated elements that support the achievement of outcomes for return to work. The principles include triage and screening, people management and training systems, cost-effective service provision and quality assurance and evaluation.

SUMMARY

The injury management pilot provided useful information about the effective integration of claims and injury management, including the identification of factors that contribute to reducing the cost of work injury claims.

The application of the findings of the *Evaluation Report of the Injury Management Pilots* as part of the Government's broader reforms to the workers compensation scheme have achieved demonstrable and significant improvements for the management and treatment of injured workers and for employers through a reduction in lost time.