

**Submission  
No 197**

## **INQUIRY INTO NSW WORKERS COMPENSATION SCHEME**

**Organisation:** Aged Care Employers Mutual Pty Limited  
**Date received:** 17/05/2012

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# ACEM

Aged Care  
Employers  
Mutual

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17 May 2012

Joint Select Committee on the NSW Workers Compensation Scheme  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Hon. Robert Borsak, MLC,

Aged Care Employers Mutual was established to operate a NSW specialised insurance licence for workers compensation. This was to be similar to the Hotel Employers Mutual licence.

This submission in relation to the impact of workers compensation on Aged Care.

## **Workers Compensation Reform**

Wages and the related workers' compensation costs represent a significant input to the provision of quality care. As organisations that are federally funded, Aged Care entities are acutely aware of the already uncompetitive nature of NSW workers compensation premiums. This already being the case, an increase in premiums of 28% to 35%<sup>1</sup> would further reduce the resources available to provide quality care.

**We strongly advocate the proposed changes to NSW workers compensation legislation as outlined in the Issues Paper. Without these changes we consider the already uncompetitive nature of NSW workers compensation premiums will continue to deteriorate.**

A meaningful reform to assist our Aged Care employees to return to work in a beneficial and sustainable way post injury is, we believe, paramount. To do otherwise would lead to the diversion of financial resources that would be best directed to care outcomes of our residents and patients in NSW.

## **Specialised Insurance**

At the same date as Hotel Employers Mutual Limited, Aged Care Employers Mutual Limited applied for a specialised insurance licence. We were disappointed that our licence application was rejected

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<sup>1</sup> Estimated based on the Scheme Actuary's 28% increase in NSW workers' compensation premiums being before the decrease of half a percent in the risk free interest rate.

(based on legislative changes closing down new Specialised Insurance applications that entered parliament post our licence application).

We understand that Specialised Insurers such as Hotel Employers Mutual and Coal Mines Insurance have performed spectacularly well, when compared to the WorkCover Scheme:

- **Coal Services** has reduced their fully costed premiums (as a percentage of wages) from 11.4% to 3.4%, reflecting improved return to work (RTW); and
- **Hotel Employers Mutual**, despite only operating for four years, have:
  - Provided hotel and accommodation employers premiums that are 5 to 7.5% less than the NSW Scheme tariffs while remaining fully funded (in the same period that the WorkCover scheme has deteriorated by some billions of dollars); and
  - Achieved significantly improved return to work, represented by:
    - **18% better RTW at 26 weeks;**
    - **22% better RTW at 52 weeks; and**
    - **39% better RTW at 78 weeks.**

The outcomes achieved by Hotel Employers Mutual have significantly improved the lives of injured workers in that industry and reduced the cost to the employers. This could also have been achieved in the Aged Care industry.

**As part of the reform process, we strongly advocate the legislation being amended to allow new Specialised Insurers. By limiting Specialised Insurance to member funds (Associations, Co-ops and Mutual organisations) you would both limited the scale (therefore not jeopardising the integrity of the WorkCover Scheme) and would ensure the continued link to the provision of high quality services to employers and their injured workers. This course is clearly the best for NSW employers, injured workers and our state's aging citizens.**

On the legislation being amended, Aged Care Employers Mutual would resubmit our licence application.

Should you require any additional information, please contact me.

Yours sincerely,

Andrew Grant  
Director