

**Submission  
No 241**

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

**Organisation:** Konekt Limited

**Date received:** 17/05/2012

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Workplace Health Solutions



**Submission to the Joint Select Committee**  
on the  
**NSW Workers Compensation Scheme**

**Konekt Limited**

**17 May 2012**



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

Dear Committee Members,

Konekt Ltd (Konekt) welcomes the inquiry into NSW Workers Compensation Scheme by the Joint Select Committee. Konekt is a publicly listed Australian company and a significant provider of workplace health, risk management and injury management services to Corporates, Insurers and Government across Australia.

Konekt's focus is on helping organisations minimise workplace risk, both the number and severity of injuries and the wider impacts of workplace injury. The ultimate effect of our company's work is to reduce the frequency and severity of workplace injuries, and therefore reduce claims costs and premiums. By examining a company's Workplace Health & Safety Management System and key areas of an employee's lifecycle, Konekt assists in improving processes, identifying escalating costs, risk management and injury management.

Konekt wishes to respond to the issues paper published by the Minister on April 24 2012, and makes a submission to the inquiry in relation to a number of the issues raised in that paper.

#### **Support for review of the scheme**

Konekt believes that the NSW workers compensation scheme is in need of renewal and revision in order to make a sustainable and valuable difference to the community of NSW for the next 10-20 years.

The proposed solutions that are suggested for the scheme in the form of seven reform principles outlined on pages 2 to 3 of the issues paper are generally supported by Konekt. In particular, Konekt wishes to comment on the following points:

1. Preventing and reducing workplace incidents and fatalities;
3. Promotion of recovery and health benefits of returning to work; and
7. Discouraging services that do not contribute to recovery and return to work.

### **A new Vision is required**

Konekt agrees that the issues raised in the paper form a valuable set of issues of concern. Konekt also believes and recommends that the genesis of an improvement in the NSW workers' compensation scheme does not *only* come from many of the issues directly raised in the paper.

Konekt recommends that the Government of NSW adopt a guiding vision for workers in NSW of the form that "there will be no injured workers in NSW workplaces". Without having a vision that encompasses a truly worthwhile end goal, the design principles of any changes to the scheme may not be comprehensive enough to make a lasting difference to workers, employers, the community and ultimately Australia's available workforce.

It is only by having a vision that strives to eliminate workplace injury that NSW would truly benefit from the reforms to workers compensation - that is, to ensure less injuries and disease occur, and when they do, that early management is so highly targeted and effective that the impact is dramatically reduced, with minimum disruption to workers, their families and employers.

### **Strong Linkage Required**

Konekt believes that traditionally injury prevention and workers compensation has not often been effectively linked in NSW under the current scheme parameters. Konekt strongly recommends that the principle of linkage be established by this inquiry.

Following on from the recommended vision, many of the incentives and changes raised in the issues paper can be put in context. Konekt contends that a strategic plan built on that vision would put together changes to the scheme under which less workers would be injured; that injuries would be less severe and that employers would have lower premiums to enable NSW to remain viable and competitive with other states and territories. The NSW community at large would also benefit from an additional aggregation of labour that would otherwise not be available if injuries did continue at the current rate.

### **Committee should recommend change**

It is therefore Konekt's recommendation that the principle of injury prevention must be a core of any review of workers compensation, and commends this committee to seek to investigate, and then recommend fundamental changes. Konekt offers the following as a starting point:

- a) There must be ongoing incentive for employers to provide safer workplaces (including (but not limited to) tiered premiums based on risk assessment and claims behaviour);
- b) There should be an incentive for workers to participate in safe workplaces;
- c) There should be penalties where workplaces are deemed not to be safe either through accidents, pre-emptive auditing of risk, or cited unsafe behaviours in the workplace. There should be effective enforcement of laws and an effective compliance testing regime;
- d) There should be an easier and seamless transition for employers to switch between self insured and scheme insured, allowing for the costs and benefits of a safety culture to be correctly allocated, and the availability of the multi scheme compliance burden to be eliminated;
- e) There should be stronger enforcement of injury notification within shorter timeframes. The scheme costs (including higher claims expense) of late notification should be borne by those who notify late;
- f) The current poor practice in NSW in relation to extremely late intervention on injuries be immediately reversed;
- g) Severe discrimination between city and regional/rural injured workers must be immediately reversed; and
- h) The bureaucratic, unnecessary and artificial demarcation requirements currently administered by Workcover NSW be brought up to best practice and simplified.

### **Early intervention is Required**

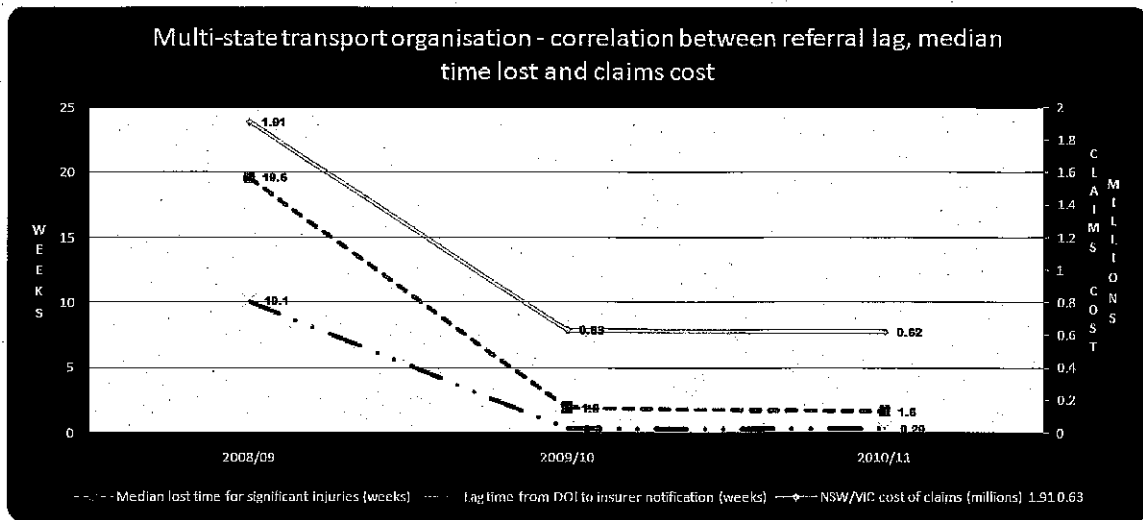
We agree with the issue paper's statements that would install one of the major principles of workers compensation and design needs as achieving the earliest possible return to work for injured workers. There is significant academic, workplace, and cultural evidence to know that the longer a worker is out of the workplace the more damage is done to their wellbeing - be that

economically, socially, family or career. Konekt believes that the NSW scheme should be positioned to enhance its current practices for early intervention, which relies heavily upon scheme agents to instigate early referrals, especially when the cost of slow or misguided decision-making can be so costly. The scheme currently does not meet best practice for early intervention following injuries today, and Konekt commends to the committee to immediately install much earlier (and mandatory) intervention standards that will significantly reduce both the cost of claims and better worker outcomes.

Konekt has experience in over 100,000 claims cases in Australia. Konekt has significant experience to show that where a significant early intervention model is in place the aggregate workers compensation costs are a fraction of the percentage of the non-early intervention competitive models. Early intervention cases typically cost between 25-70% of the same types of cases (similar injuries, similar circumstances) left to later intervention. This year, Konekt will assist its customers with more than 10,000 cases. The average time from injury to initiation of referral with NSW cases is simply too long. This is due primarily to not having enforceable standard to incentivise early resolution. In some cases there is also the practice of waiting until the case is "broken" before considering rehabilitation as a "last ditch" strategy. We know from our extensive experience that when a targeted and professional service is conducted as the primary strategy, even when all of the facts and nuances of the case are not known, that the earliness of the strategy is a key component of the likelihood of success. Konekt's best practice customers are at a referral to intervention of between 2 and 16 days. Importantly, these cases have a much lower average cost (between 40-70%) of longer cases, and faster return to work outcomes versus similar late intervention cases.

To signify the impact of the change of time lag to intervention, Konekt provides the following examples. These case studies show the direct correlation between early intervention services and reduced claims costs and improved return to work outcomes.

## Case Study 1 – Large, multi-state organisation



### Service description:

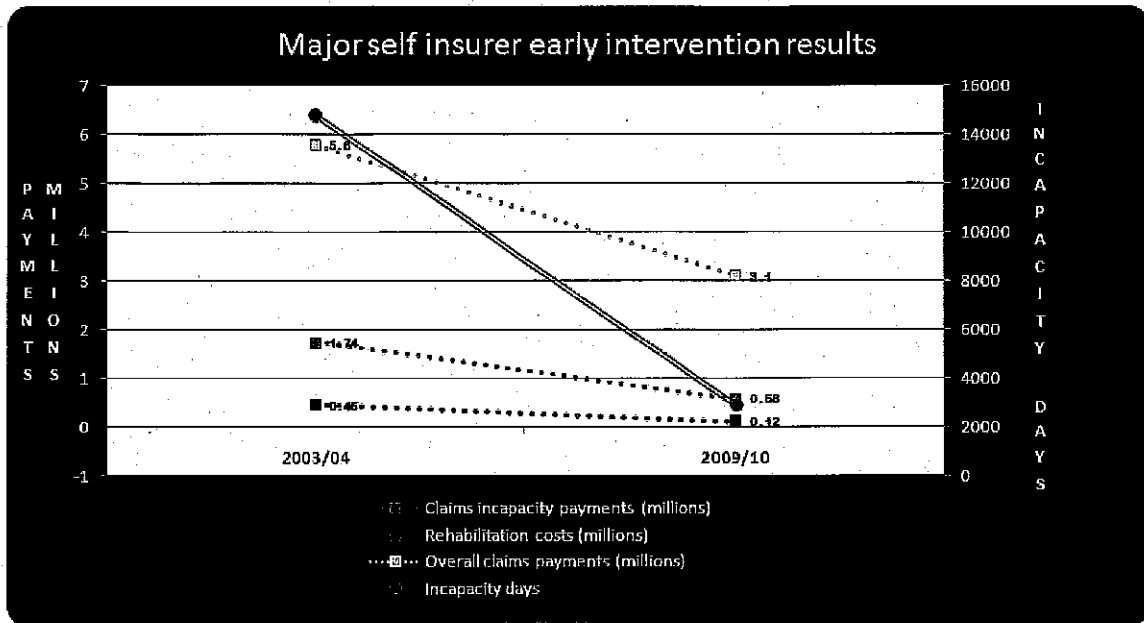
Since 2008, this company has utilized an immediate phone-based incident reporting intervention service and early intervention assessments.

### Key results:

- Referral lag time from date of injury to date of claim notification dropped from 10.1 weeks to less than 2 days
- This led to a reduction in the median time lost for significant claims<sup>1</sup> – from 19.6 weeks (almost four times the industry standard) to 1.6 weeks (approximately one third of the industry standard)
- The combined cost of NSW/VIC claims costs dropped from \$1,900,000 to \$630,000 per annum

<sup>1</sup> A significant claim is one in which 5 or more working days are lost as a result of injury

## Case Study 2 – Major self-insurer



### Service description:

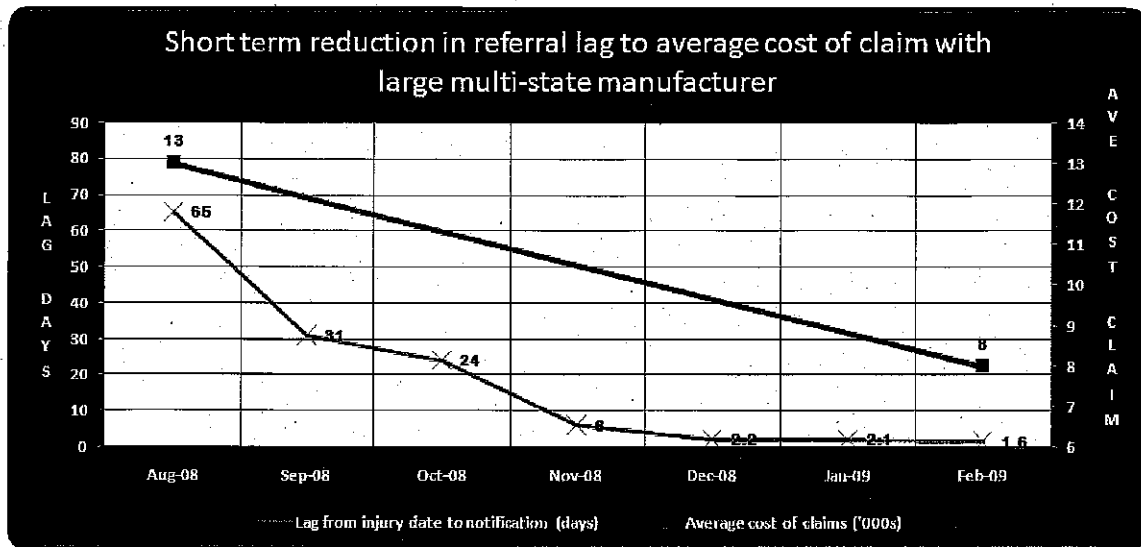
This company is a national self-insurer with an early intervention service for compensation and non-work related injuries and illnesses. These services have strongly contributed to several key strategies designed to reduce claims costs.

### Key results:

- Payments for weekly benefits have reduced by 67% from \$1,740,000 to \$580,000
- Rehabilitation costs have reduced by 73% from \$450,000 to \$120,000
- Total incapacity days have reduced by 80% from 14,827 per annum to 2,907 per annum



### Case Study 3 – Multi-state organisation



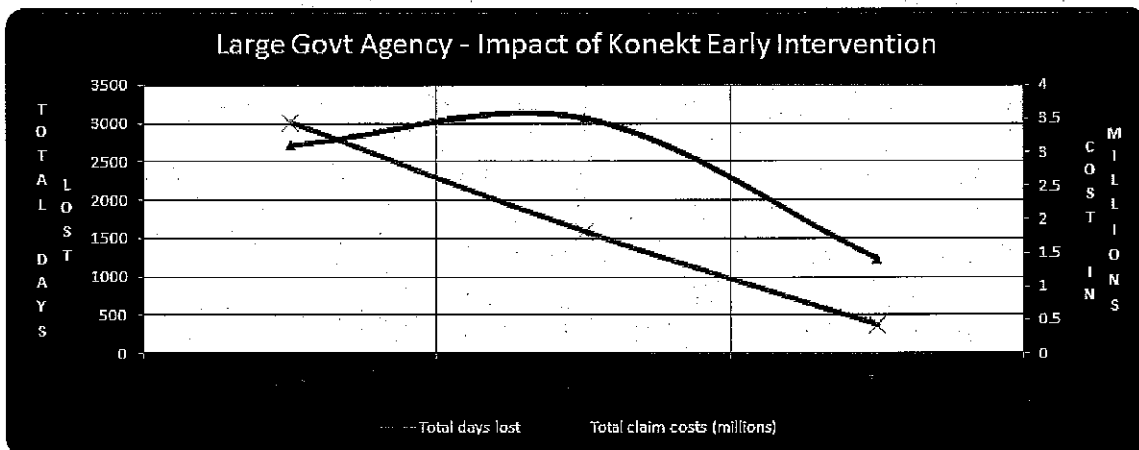
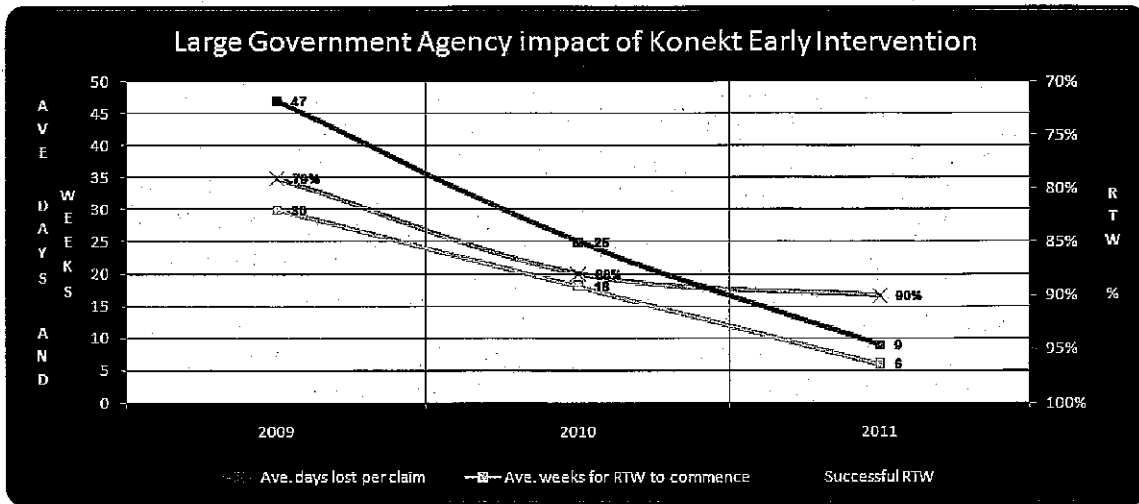
#### Service description:

This company has an incident reporting framework, early reporting culture and management acceptance of workplace injury and provide early intervention services prior to claims acceptance.

#### Key results:

- In a 6-month period, lag times for reporting from date of injury to employer notification reduced by 98%, from 65 days on average to 1.6 days on average
- The initial average cost of a workers' compensation claim was \$13,000. After 6 months, the average cost of claims had reduced to \$8,000 – a reduction of 38% in a short space of time
- This continued to have a significant flow on effect in the reduction of workers' compensation premiums

## Case Study 4 – Large government agency



### Service description:

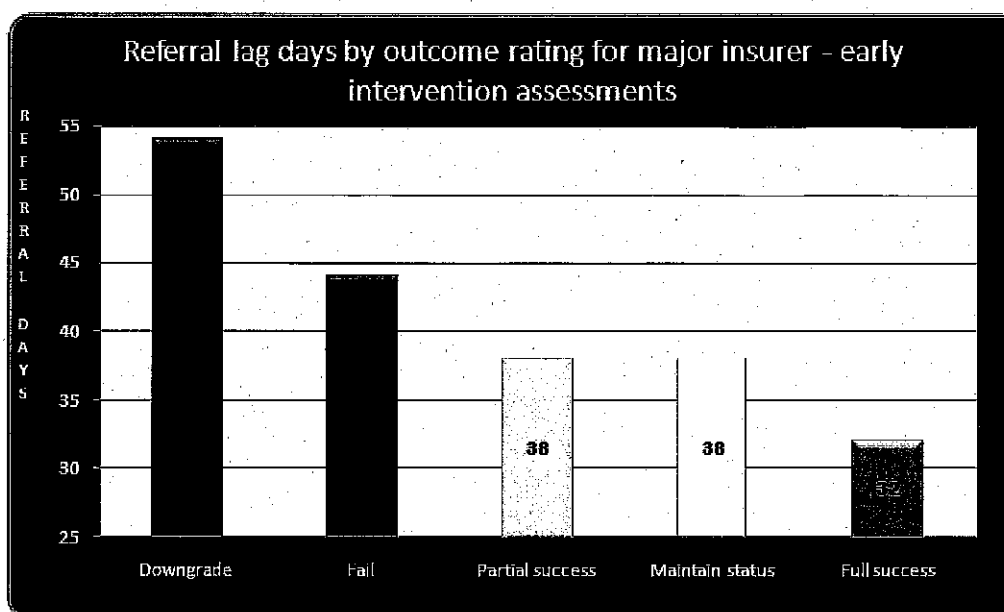
This large government agency has had early intervention for five years. Early intervention assessment services consist of Initial Workplace Conferences and early rehabilitation referrals, fast-tracked by a phone-based injury reporting service. These services have resulted in a speedier response time and a high level of engagement with pre-liability early intervention services rather than traditional rehabilitation services.

### Key results:

- The speed of referral to return to work as well as an increase in successful outcomes has led to a sharp decline in the average days lost per claim – from 47 days down to 9 days, a drop of 81%

- Total days lost has dropped from 3,008 days per annum to 369 days per annum – a reduction of 88%
- Total claims costs have dropped from \$3,100,000 to \$1,400,000 – a drop of 55%

## Case Study 5 – NSW claims agent early intervention assessment service



### Service description:

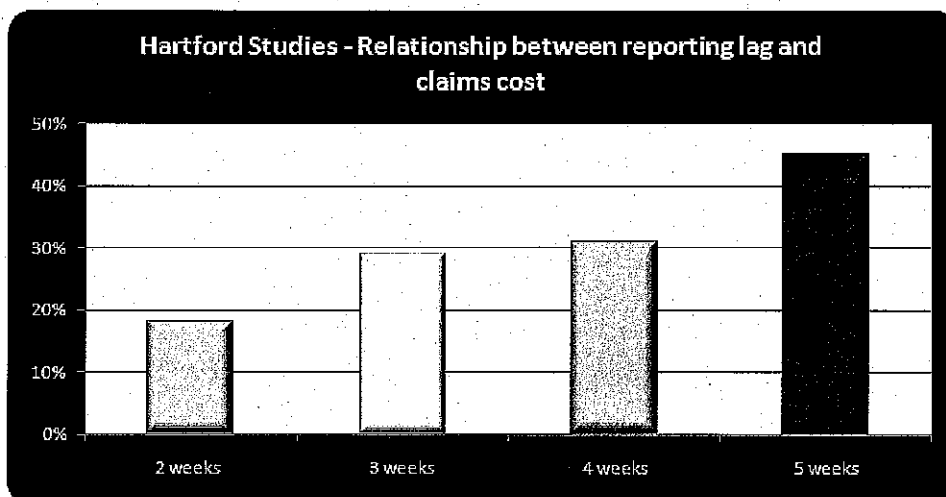
This NSW claims agent has an early intervention model. The data shows the direct relationship between length of referral lag and the success of outcomes.

### Key results:

- An analysis of the relationship between success of interventions and referral lag times on a large volume of referrals showed a direct correlation between speed of referral and success of RTW interventions
- On average, cases in which the incapacity status was downgraded (i.e. from normal hours to partial hours) took almost twice as long to refer as fully successful cases
- The trend of the level of success was directly commensurate with the lag between date of injury and date of referral

## Addendum – The Hartford Studies

The US based Hartford study<sup>2</sup> of 50,000 workers' compensation claims was conducted to explore the relationship between late reporting of claims and increased cost. The study continues to be used as a definitive reference relating to the relationship between the lag time in reporting claims and the associated cost of claims.



The findings show:

- Claims reported 2 weeks after injury were 18% more expensive than claims reported in the first week
- Claims reported 5 weeks after injury were 45% more expensive than claims reported in the first week

The study referred to the main drivers for cost increase as:

- Lack of control over medical treatment and costs
- Delays in return to work
- Increase in litigious behaviour

<sup>2</sup> 'The High Cost of Delays: Findings on a lag-time study' by Glen Roberts-Pitruzzello of the Hartford Financial Services Group, NCCI Issues Report 2001. [www.ncci.com](http://www.ncci.com)

### **Discrimination between City and Regional/Rural cases.**

The NSW Workcover scheme does not adequately nor transparently provide for the payment of travel costs to attend regional and rural workers. This mispricing incentive potentially leads to 3 unacceptable outcomes:

- (a) Services are simply not provided where travel for rehabilitation providers is required,
- (b) Overbilling for hours to compensate for cost recovery, or
- (c) Mischarging by allowable codes to accounts.

A simple example is provided to illustrate the paradox:


Travel on a highway for 2 hours each way is required in regional NSW to provide a Discreet Rehabilitation Assessment.

	<b>City Based</b>	<b>Rural Based</b>
Revenue to provider (say 2 hour assessment)	\$300	\$300
Revenue to provider for Travel time (4 hours)	n/a	\$600
Motor Vehicle reimbursement	n/a	nil
Cost of Vehicle (say 400km round trip)	n/a	\$(300)
Total Revenue to Provider	\$300	\$600
Hours	2	6
Effective Hourly Rate	\$150	\$100

Vehicle Costs drawn from RACV mileage costs for 4 cylinder car at 76 cents per km.

This simple example demonstrates why Workcover NSW must immediately cease its policy/practice to not explicitly demand (and pay for) separate invoicing for travel in regional and rural locations, and insist that travel be separately itemized and paid for by the scheme. The current distortions either provide an incentive not to provide service (as is currently done) or to risk overcharging on other line items to make up for this distortion.

Konekt commends its recommendations to the Committee for consideration. Konekt is willing and available to support this submission with oral testimony.

  
Damian Banks  
Chief Executive Officer and Managing Director  
Konekt Limited