

INQUIRY INTO 2023 REVIEW OF THE WORKERS COMPENSATION SCHEME

Organisation: Supplementary submission - Insurance and Care NSW (icare)
Date Received: 7 September 2023

Your ref: D23/87801
Date: 7 September 2023

The Hon. Greg Donnelly MLC
Chair
NSW Legislative Council Standing Committee on Law and Justice

Dear Mr Donnelly

I refer to your recent correspondence offering icare the opportunity to provide an update to our original submission to the NSW Legislative Council Standing Committee on Law and Justice's *2022 Review of the Workers Compensation Scheme*.

To assist the Committee in finalising this inquiry, icare has provided the following addendum to our original July 2022 submission, which gives updated data, additional information and progress of related icare initiatives. A copy of our original submission is also provided for reference.

Thank you for the opportunity to provide this supplementary information.

Yours sincerely

Richard Harding
Chief Executive Officer and Managing Director
icare

**Addendum to icare's original July 2022 submission to the
NSW Legislative Council Standing Committee on Law and
Justice's *2022 Review of the Workers Compensation Scheme***

**Insurance and Care NSW (icare)
September 2023**

CHANGING COMMUNITY MENTAL HEALTH

Psychological injury claims – Updated data

1. Primary psychological claims in the Nominal Insurer (NI) have increased from 3.5% of claims reported during 2016, to 6% from late 2019 to 2021, dropping slightly in 2022 before increasing back to ~5.5% in 2023:

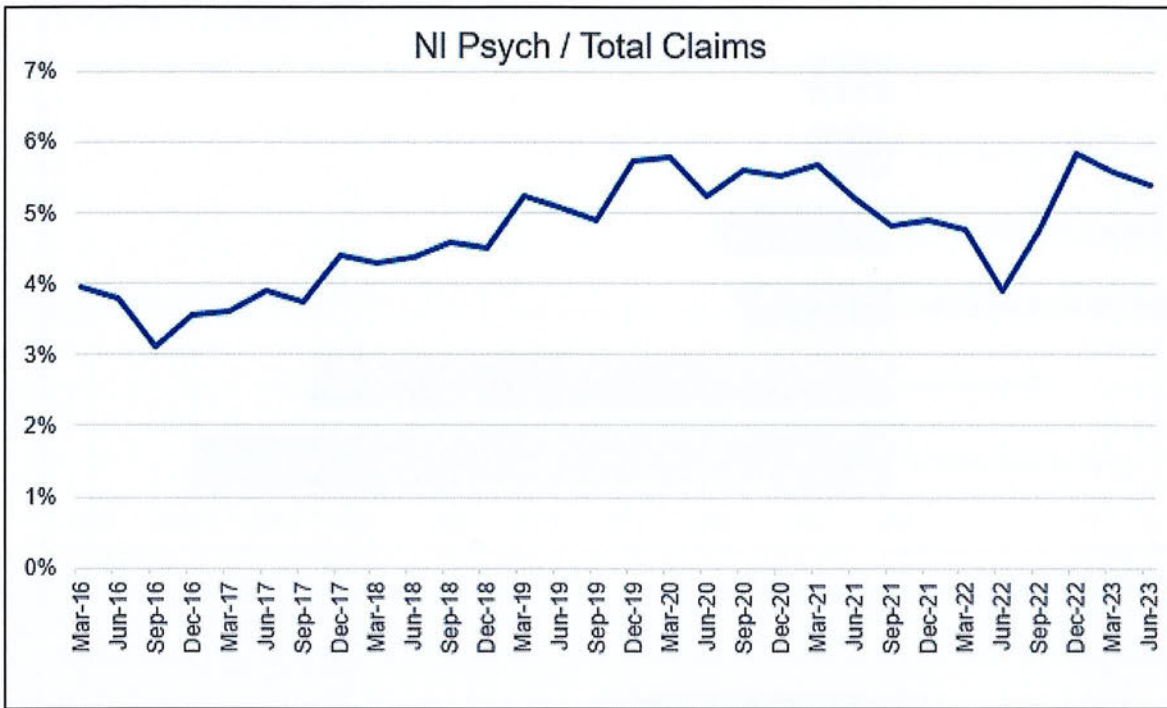


FIGURE 1: Psychological injury claims as a proportion of total claims for NI

2. The Treasury Managed Fund (TMF) reflects a similar pattern of increases, with primary psychological claims reported having increased from approximately 14% of all lost-time claims during 2016, to just above 20% in 2021. This has however started to moderate over 2022-2023 with the psychological mix landing at 17% by June-2023 (see above in **FIGURE 1**):

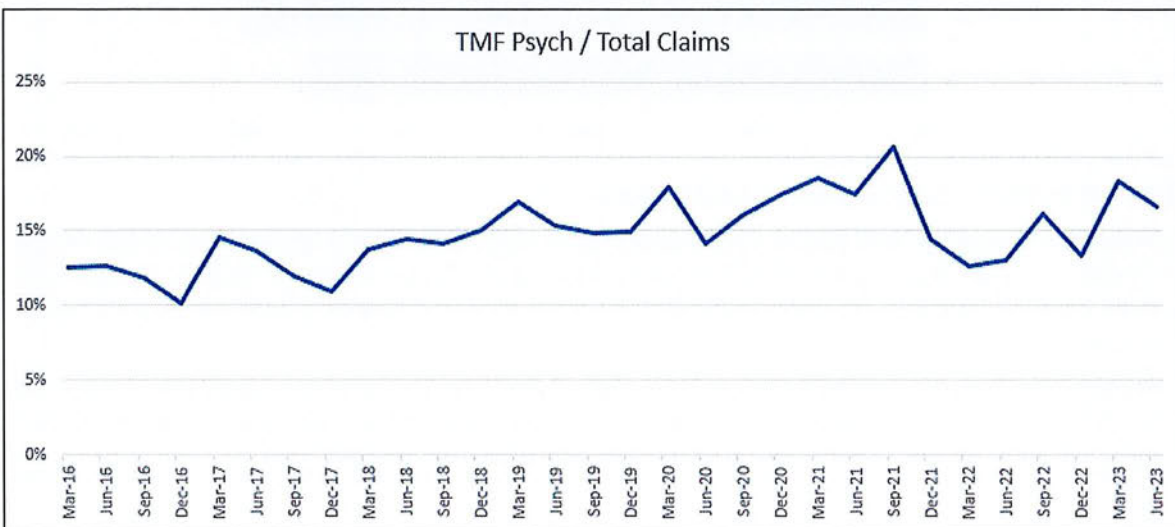


FIGURE 2: Psychological claims as a percentage of total claims for TMF

Need for psychologically safe workplaces – Updated data

- icare's data suggests that work pressure, and harassment and bullying, are a key causal mechanism in at least half of the psychological injury claims we receive (see below in FIGURES 3 and 4).
- Exposure to a traumatic event is less prevalent as the initial cause of a psychological injury, linked to less than one in 10 cases in the TMF (9%), and NI (9%).

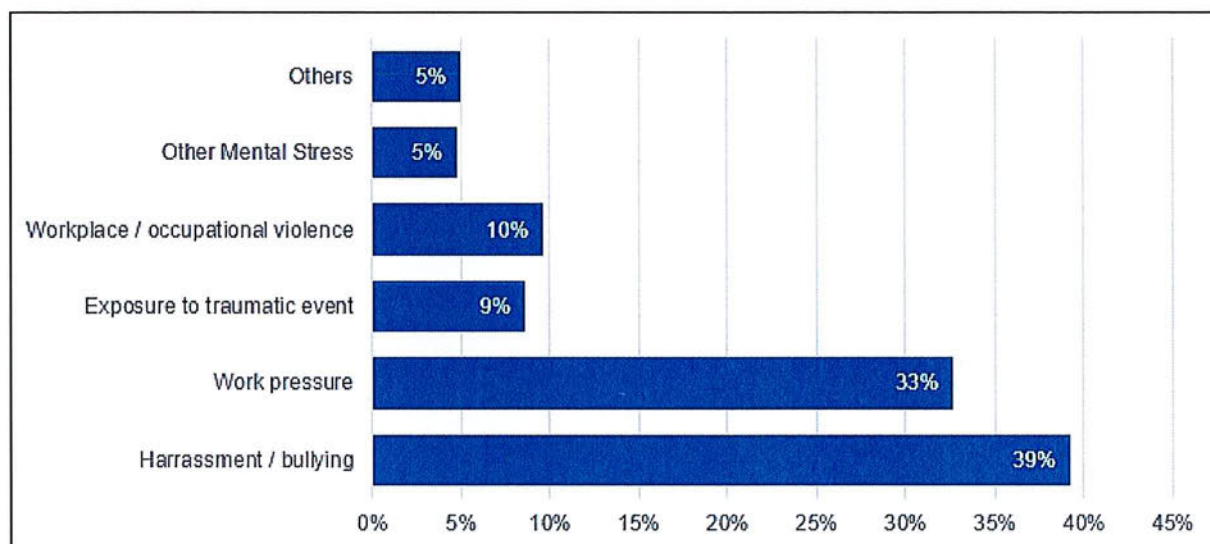


FIGURE 3: NI FY2023 – Causes of mental health claims

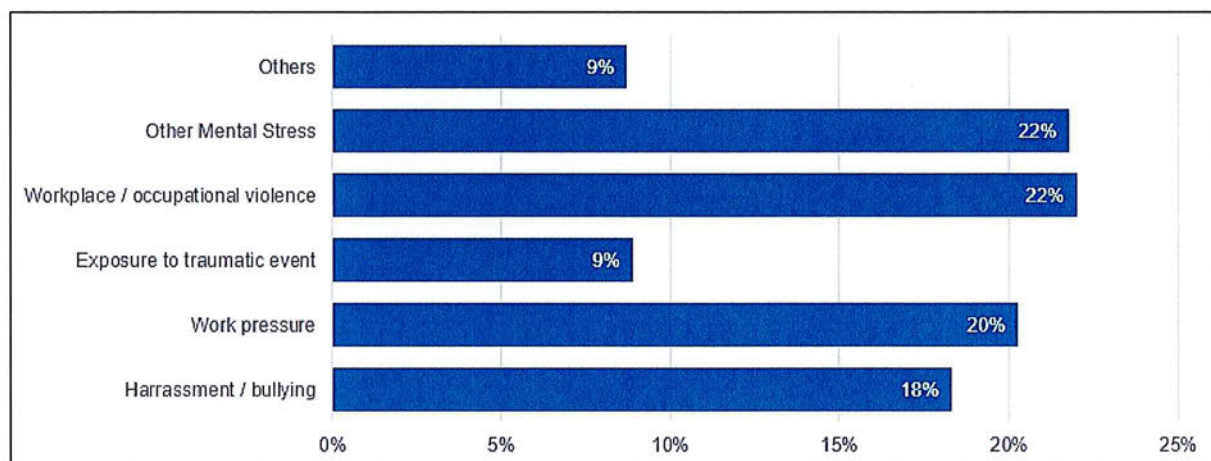


FIGURE 4: TMF FY2023 – Causes of Mental Health Claims

- There are around 65,000 claims reported to the NI each year, and of these around 8% will be off work for more than 12 months. Recovery from injury can be a difficult time for people with significant injuries, and we understand that many of them will require additional psychological support.
- Recent data from the United Kingdom shows that stress, depression, or anxiety has accounted for 51% of all work-related ill-health cases, with higher-than-average rates in public administration, human health and social work, and education industries¹.

¹ Health and Safety Executive UK (November 2022). *Work-related stress, anxiety or depression statistics in Great Britain, 2022*. <https://www.hse.gov.uk/statistics/causdis/stress.pdf>

IMPACT ON CLAIM OUTCOMES AND COSTS

Return to work (RTW) rates – Updated data

7. People with psychological injury claims have a far higher average time off work, with 36% in the NI reaching 12 months' duration, compared to 8% of physical injury claims. In the TMF, 46% reach 12 months' duration, compared to 3% of physical injury claims. This is reflected in average claims costs, which are eight times higher for psychological injury claims, exceeding \$137,000 per claim in the NI and over \$200,000 per claim in the TMF.
8. The increasing volume of psychological injury claims will continue to impact RTW rates across the board, given their much poorer outcomes compared to claims for other injury types (see below in **FIGURE 5**).

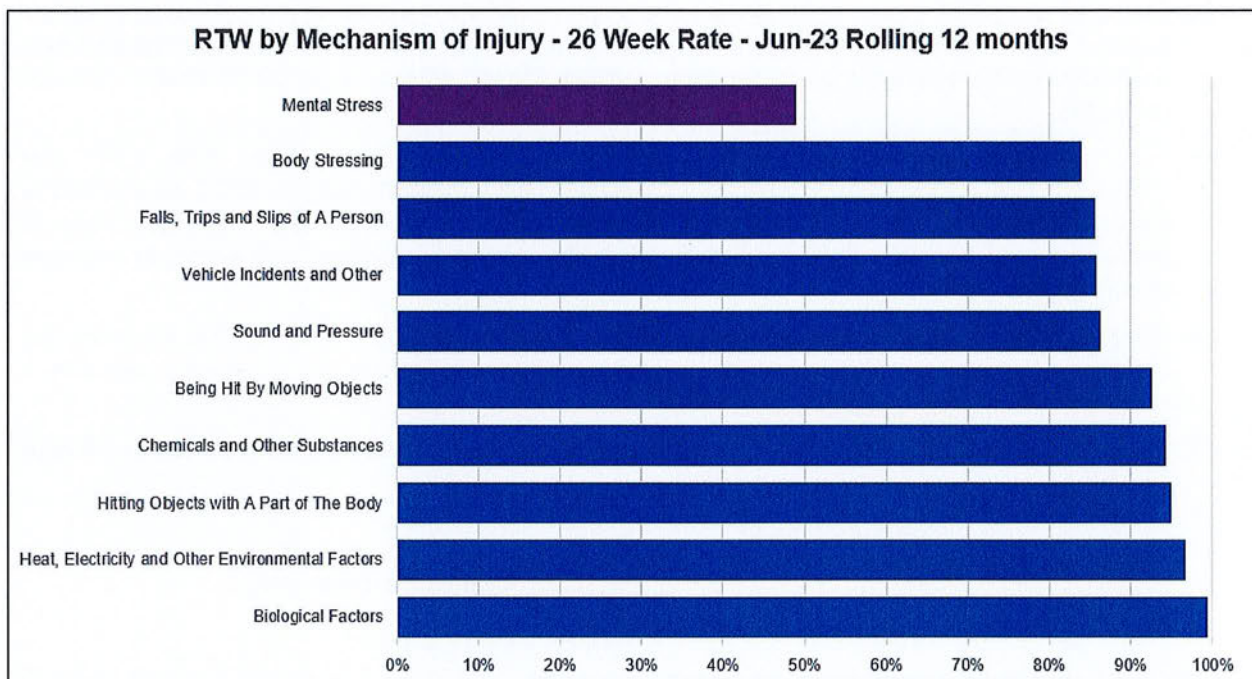


FIGURE 5: RTW rates by Mechanism of injury

Financial cost

9. In FY2023, mental health claims in the NI made up 5% of claims volume but accounted for 17% of claims costs; and in the TMF, made up 22% of claims volume but accounted for 57% of claims costs.
10. This means that in 2023, an additional \$550 million in costs were incurred in relation to mental health related claims (NI: \$200 million, TMF: \$350 million).
11. Between 2014-5 and 2023-24 annual agency contributions to the TMF have increased by more than \$600 million due to psychological claims and related payments.

ICARE'S MENTAL HEALTH INITIATIVES

Claims initiatives – Updates

icare has redesigned its claims model to enable tailored approaches to managing psychological injury claims

12. One of icare's core objectives is to ensure all claims are managed in accordance with the State Insurance Regulatory Authority (SIRA) Workers Compensation Guidelines, and to provide simpler, better care for injured workers and engaged support for employers.
13. To improve our support for injured workers with psychological injuries, we have redesigned our claims model. This is intended to improve claims performance and deliver services with a more specialised approach to psychological claims.
14. On 1 January 2023, icare implemented a new claims model in the NI. The model aims to better support injured workers, offer more choice of providers for employers and improve Scheme performance by harnessing competitive market forces across a panel of claims service providers.
15. icare appointed six specialised claims service providers including, Allianz, EML, GIO, and QBE, with new providers, DXC Technology (DXC) and Gallagher Bassett (GB), contracted to deliver high-quality claims management services to injured workers and employers. Four of these providers (Allianz, DXC, EML and GB) offer specialty services and teams to manage psychological injury claims.
16. icare is managing the claims service providers transition throughout 2023. This involves the introduction of the new claims service providers, DXC and GB, in addition to continuing icare's relationship with Allianz, EML, GIO and QBE.
17. The new claims model transition is based on customer research which has informed the design including:
 - Enabling access and clarity of information.
 - Understanding the holistic needs of injured workers and employers.
 - Enabling transparency and accountability.
 - Facilitating evidence-based decision making.
 - Enabling efficiency in processes and operations.
18. icare's new claims model will offer specific and tailored support for injured workers who will be at the heart of the claims model, including those with psychological injuries. Each claims service provider will have appropriately skilled and experienced claims managers dedicated to managing claims, and icare is monitoring both capability and caseloads in each claims service providers.
19. icare is also increasing transparency of claims service provider performance to drive competition and innovation in service and enable employers to make informed choices by publishing claims service provider performance data.

We have enhanced our oversight of RTW performance to ensure the people we serve are supported by good practices

20. Proposed new contracts with claim service providers will incorporate new approaches that were piloted in 2022 through the NI Improvement Program (NIIP). These measures are designed to improve the experiences of workers with psychological injuries, improving their treatments and boosting recovery. It includes the introduction of measures to improve claims performance by establishing good practices and targeting the largest levers of improved outcomes.

21. We have identified priority areas as key practices to manage mental health claims, and are working with claim service providers to improve capability in:
- Improved injury management planning, early access to treatment and helping case managers to develop and apply aligned plans focused on building capacity.
 - Liability decision making, to improve the decision-making processes and practices specific to the needs of those with mental health claims.
 - providing workers and employers relevant content and multiple information delivery formats for their specific needs. For example, working with small employers who have not experienced a workplace injury and providing them with support in the RTW process, and mobile case management where appropriate. For large employers, the focus is on poorer performers, to drive prevention and improved commitment to return to work.
 - Running mental health programs focused on utilising psychological injury research to improve outcomes for recovery and return to work.
22. The success of these initiatives is measured through improvements in RTW and reduction in claims severity, as indicated by duration and whole person impairment (WPI) levels.

We have launched a Mental Health Claims Hub

23. icare launched a Mental Health Claims Hub in late 2022 that helps workers and employers access the information and help they need to understand and support a mental health claim in the workplace.
24. This is available through the icare website and includes online tools and references to industry leading information. From October 2022 to August 2023, there has been over 30,000 views of the hub articles.

We have a substantial report and referral support system to respond quickly to threats and incidences of self-harm for at-risk injured workers

25. Records from the NI show that tragically, over the last six years, there have been 51 deaths caused by suicide for people who are receiving benefits from the NI Scheme. This represents an average of 8.5 deaths a year, or around 12.1 in every 100,000 claimants. This correlates to the Australian national rate of death by suicide of 12.1 per 100,000 population for 2021.
26. Claims managers who receive a threat of self-harm - whether covert or overt - provide immediate support to the affected worker. If needed, they co-ordinate with NSW Police and NSW Ambulance to provide emergency services, organise welfare checks, and ensure relevant treatment providers are aware to facilitate ongoing support. Claims managers are required to notify icare's Mental Health team within 24 hours of the disclosure, confirming the individual's safety, and detailed action plan for ongoing support. The icare Mental Health team can be called upon by claims managers for assistance with all high-risk disclosures.
27. icare has a 24/7 crisis support service and will recommend claim service providers make referrals for high-risk individuals. This service is made available for workers who remain highly symptomatic and may require access to specialist psychological support outside of their usual treatment providers.
28. Workers thought to be at risk of self-harm are supported and offered 24/7 crisis support regardless of the liability status of their claim. Claims management decisions that could adversely impact at risk individuals are made with adequate planning, empathic communication, sensitivity and potentially with their doctor or treatment team present.

We help people transferring off workers compensation benefits when they reach the statutory caps introduced through legislative reforms

29. icare established connections with Community Support Services (CSS) to help people transferring off benefits when they reach statutory caps. The CSS helps people regain their health and abilities by offering a range of services supports to maximise wellness and changing mindsets, primarily around participating in the workforce.
30. From 1 November 2018 up to 30 June 2023, 1,870 workers have been referred to the CSS and of these, 1,152 have accessed the service. Many of these people may have complex health or personal circumstances that need support.

We are investing in innovation to identify practices that will improve experience and outcomes for the people we serve

31. icare established a 'Test & Learn' team to identify and implement better claims practice, informed by Safe Work Australia's *Taking Action: A best practice framework for the management of psychological claims in the Australian workers' compensation sector*². The purpose of this team is to pilot initiatives that are scalable, prior to roll-out across the scheme. The initiatives are designed in the context of an evaluation framework that responds to systemic, cultural and capability barriers currently in the scheme. Evaluation underway includes:
 - ways of working, and claims practices specific to psychological injury claims including approaches to decision making and emphasis on recovery and RTW; and
 - activities that are evidence informed, and will include input from experts in medical treatment, workers compensation schemes and RTW practices.
32. The claims directed to Test & Learn are primary psychological injury claims for employers who have not previously had a claim. The team operates in parallel with Specialist claim service providers and will seek to learn from each other.
33. While there has been insufficient volume of claims to date to have statistically significant results, early observations from the work of the team provide insight into areas of priority for icare:
 - 68% of claims received did not have access to treatment in the first two weeks of their claim and required assistance from case managers to access treatment.
 - If a RTW goal of new employer is the most appropriate outcome, recovery is accelerated by setting this goal early in the claim.
 - Tailored case management is essential, yet case managers can find the conflict between prescriptive and process-based compliance expectations and the need to tailor interventions difficult to navigate.
 - Case managers require additional training and support to manage psychological injury claims, with a focus on relationship building skills.
 - Employers are similarly not confident to manage psychological injury claims and often don't understand the complexities of case law that impact liability decisions, particularly in circumstances where a defense may be considered under Section 11A of the *Workers Compensation Act 1987*.
 - Employers are time poor which impacts on their ability to seek additional support. For example, while 37% of employers indicated interest in the SIRA programs available, only 3% followed through to take those programs up, even with case manager support.

² <https://www.safeworkaustralia.gov.au/system/files/documents/1902/taking-action-framework-2018.pdf>