

Xth Accident Compensation Seminar

Lessons from a half completed scheme turn around

An operational liability perspective on some of the recent improvements in the claims management performance of the Victorian WorkCover scheme



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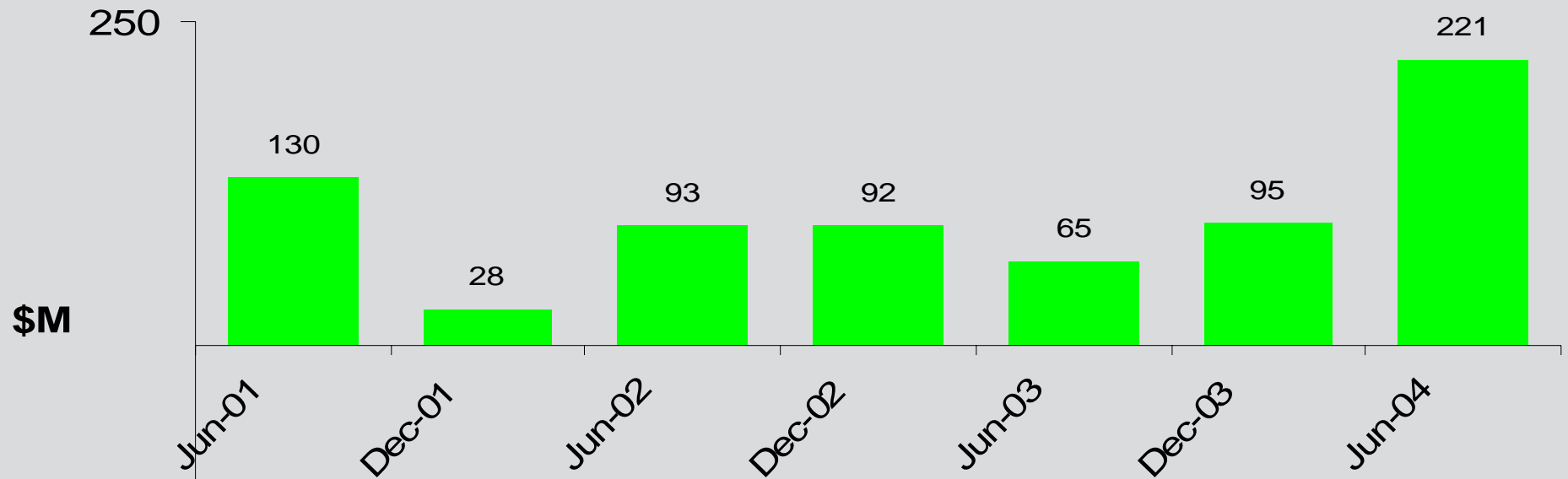
An operational liability perspective on some of the recent improvements in the claims management performance of the Victorian WorkCover scheme

Introduction

- Over last 3 years VWA and its agent partners have begun to turn around the performance of the Victorian scheme.
- Uniquely this has been done by a focus on claims management rather than legislative change.
- This presentation does not offer any magic bullets as there are no simple one size fits all solutions to claims management.
- It does, however, offer some insights into what in practice made some VWA initiatives more successful than others.
- We are still learning and this presentation represents nothing more than a subjective view of a few pieces of the journey so far.

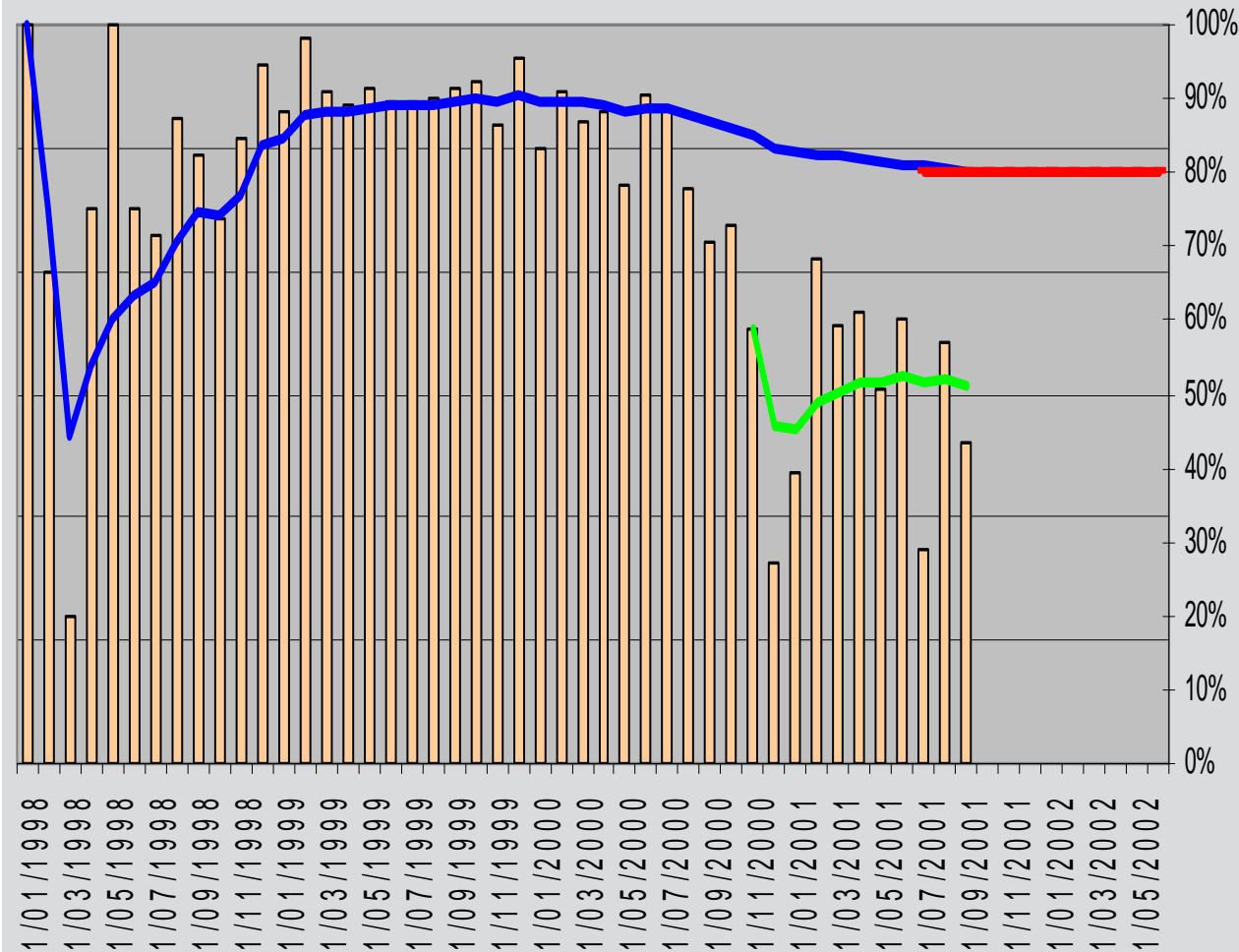
A turn around in claims management over 3 yrs has helped VWA scheme achieve full funding

Liability write-down ("Actuarial Release")



Break even premium reduced from 2.0% of wages in June 2000 to 1.68% at June 2004

1. 2001/2002 tight management of C/L run off builds ongoing model for C/L management



Step change in proportion of cases qualifying for common law after new management approach introduced

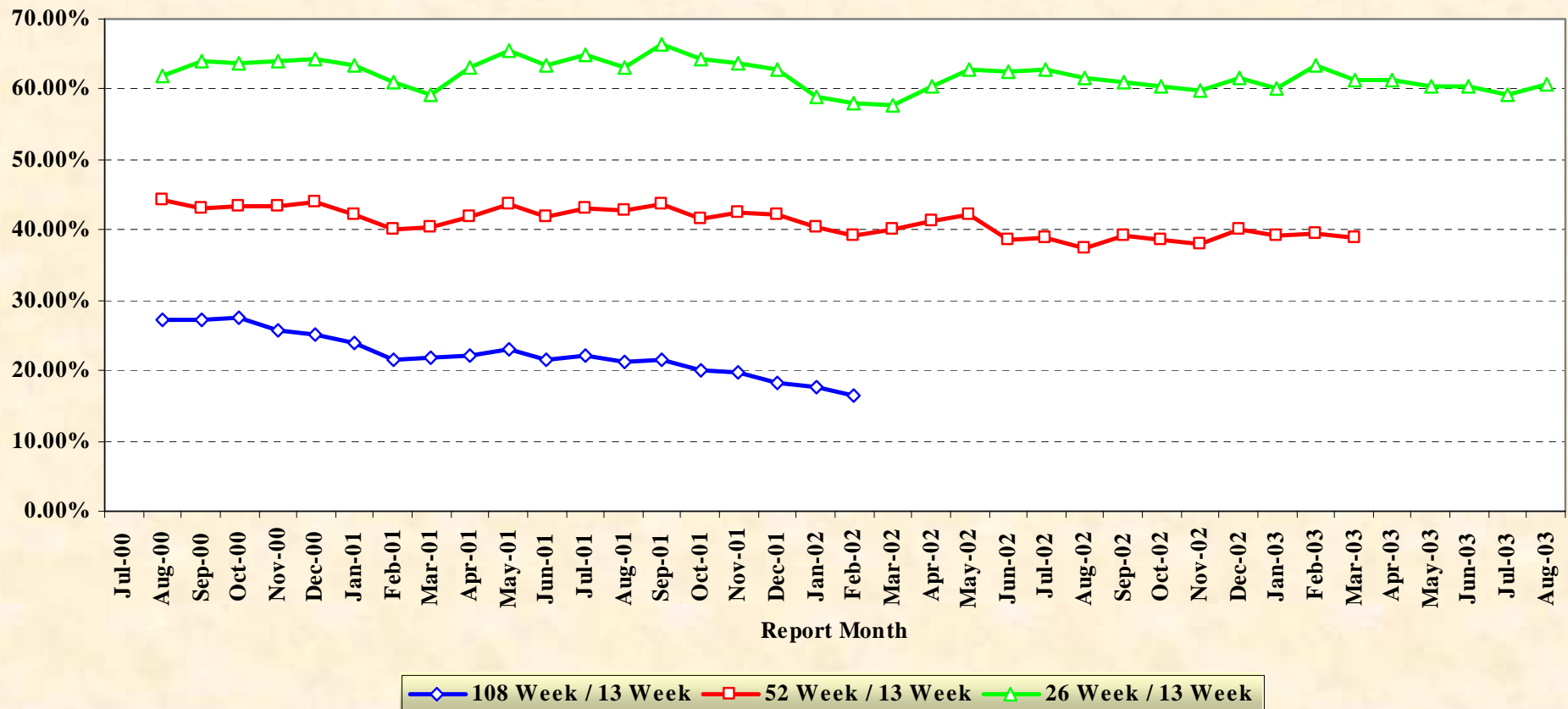
Actuarial release of \$400 M

1. Common law lessons

- Manage common law threshold as a threshold, don't negotiate it away case by case
- Central peer review of all threshold decisions to ensure consistency
- Tight central appeal & precedent management
- Tight performance management of legal panel with detailed performance metrics
- Open dialogue with plaintiff firms not open warfare

2. 2003 a step change in % of claims exceeding 104 weeks due to improved tail management

Proportion Of Claims That Continue From 13 Weeks To 26, 52 and 108 Weeks
Fixed Rolling 3 Months Data - 20 Days

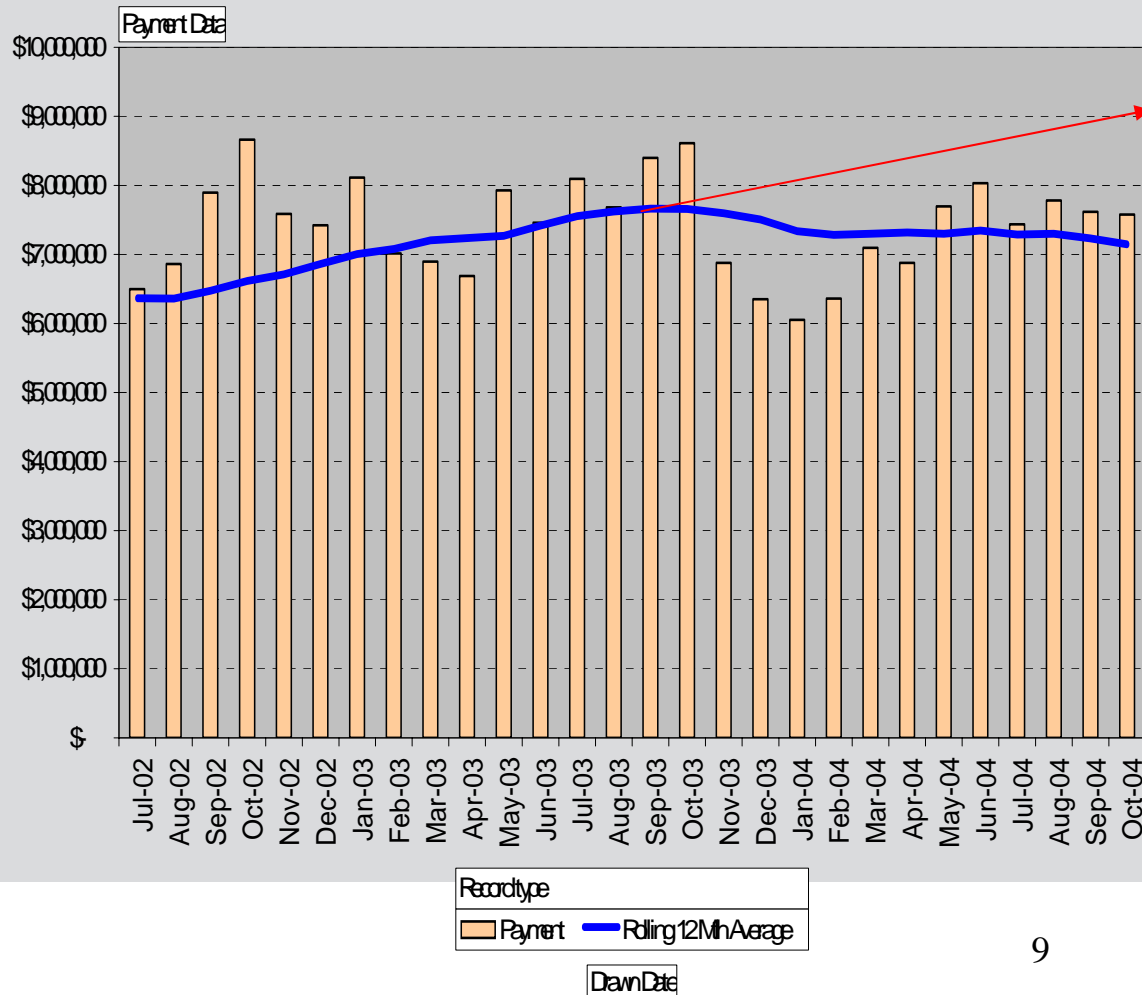


2. Long tail Lessons

- Targeting by accident quarters to ensure earliest possible visibility to actuaries. Actuarial leverage in the tail.
- Applying the legislation as intended (poor file management meant legal requirements rarely applied previously).
- Most files in tail had not been reviewed in years.
- Systematic application of legislative provisions rather than ad hoc application.
- Central approach now disbanding as process finds its way into day to day management in all agents.

3. 2004 a break through in management of treatment (physiotherapy)

Paramedical costs



Paramedical category worth \$700 M in liabilities.

Physiotherapy costs fell 18% p/a due to new clinical approach.

Similar initiatives in Chemist and Homehelp.

3. Do no harm.....

- Thousands of soft tissue claims in tail receiving over 500 treatments without improvement (record 1,500).
- Weak clinical disciplines in market.
- Providers calling out for an experienced clinician to talk with them about how to successfully wean and discharge patients to more appropriate care.
- Delaying independence, recovery and in some cases delaying referral to a more appropriate pain management.
- Much more than a cost issue, we were making people sick.

3. Physiotherapy lessons

- Target heavily serviced claims in the tail as clinically more suspect and because of greater actuarial leverage.
- Use of **bulk** peer review (3,000 cases) with clinicians discussing case openly with treater. Co-operative review rather than adversarial.
- Clinical framework developed with APA.
- Emphasis on weening to more appropriate levels of independence rather than slashing.
- Market behaviour now changing.

4. Individual agent performance adding to central strategies

	Duration - proportion of workers on weekly benefits at								Long Term Treatment Costs	
	13 weeks		26 weeks		52 weeks		108 weeks		Average Cost Per Claim	Growth p/a
A	46.7%	Falling	29.2%	Falling	18.5%	Falling	6.8%	Falling	\$1,882	-13.8%
B	48.4%	Steady	28.8%	Falling	19.5%	Falling	9.8%	Falling	\$2,030	16.7%
C	46.0%	Steady	26.4%	Falling	18.2%	Falling	9.3%	Falling	\$2,055	-0.1%
D	49.8%	Rising	31.1%	Steady	16.5%	Falling	12.8%	Steady	\$1,885	4.2%
E	47.0%	Falling	29.4%	Falling	18.1%	Falling	12.5%	Rising	\$1,951	8.3%
F	45.7%	Falling	29.3%	Steady	19.5%	Falling	10.9%	Falling	\$2,122	9.4%
G	46.7%	Steady	28.3%	Falling	18.6%	Falling	9.9%	Falling	\$2,001	1.3%

See full results and explanations in 03/04 Annual report

4. Agent incentives based on a portfolio of targeted measures aligning with strategies

- **Annual service fee +110%**
- **Annual performance adjustments – 25% to +30%**

Tactical measures to focus agent current efforts onto emerging scheme priorities (treatment, RTW, long tail and worker service)

First scheme in world to include a substantial incentive for improved service to injured workers (- \$6 M p/a to +\$6 M p/a)

2 year Lump sum 0% to +15.5%

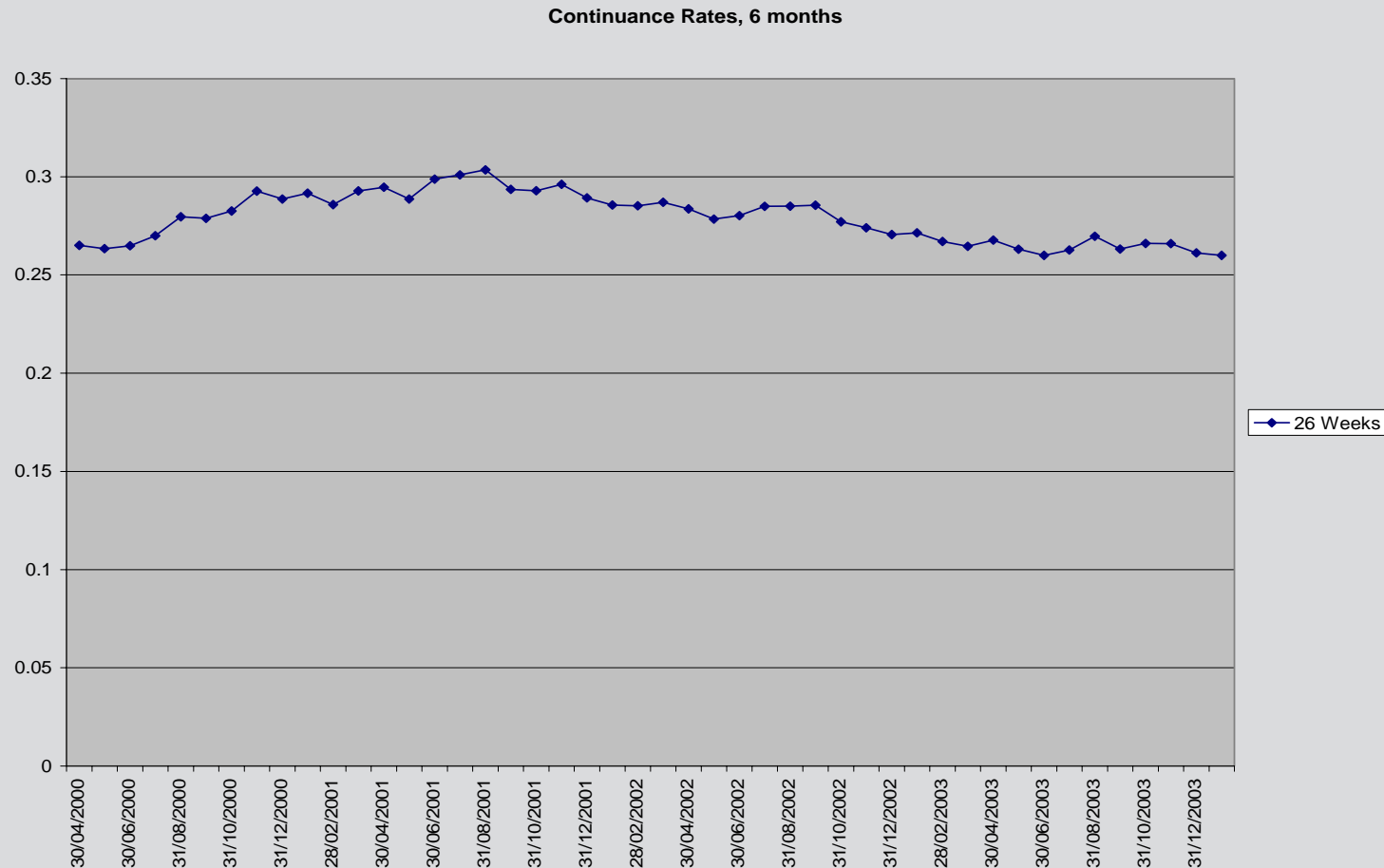
To reward agents for overall sustained management of scheme cost structure. Based on actuarial release results.

4. Agent lessons

- Incentives only work if you believe you can achieve them, so sometimes incentive effect didn't kick in until central projects began to work
- Now agents driving more themselves
- Set and forget systems will not work. Incentives have to evolve as we and agents learn and to match changing scheme priorities (thus annual reviews of tactical measures)
- Symbiosis. We could not have achieved results without agents, but equally agents would not have achieved results without us

5. Gradual gains in RTW but no step change

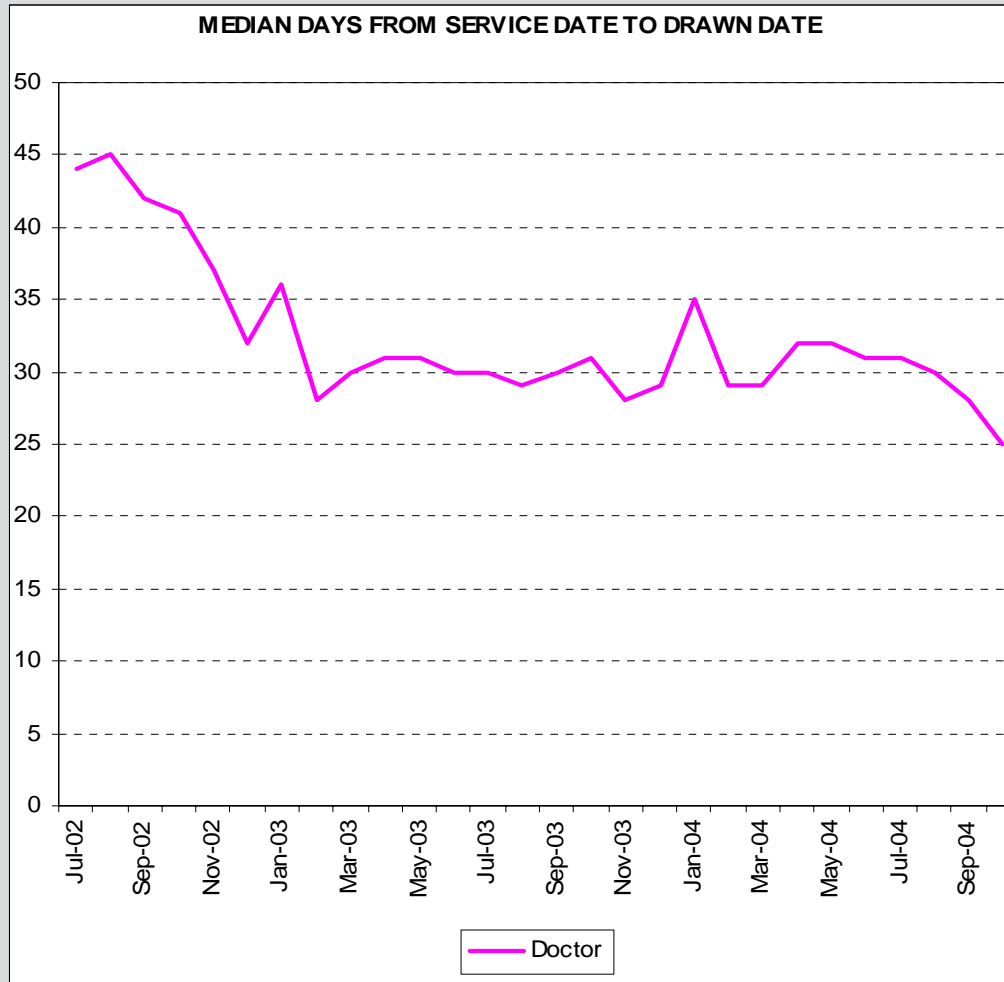
26 week continuance rates



5. Sprains & strains

- Based on Canadian approaches
- Early multi disciplinary assessment by doctor, Psychologist, OR provider, with treater, worker and employer to design a RTW program.
- Report to provide practical RTW and treatment guide. Non adversarial. Report focuses on how to help the person back to work not “entitlement”.
- Specialist OR providers then provide ongoing support.
- Evidence to date says it has lead to a moderate improvement in early RTW

6. With some service improvements for employers & providers



Employer satisfaction with agent services improved from **64.7 % in 02/03** to **71.8% in 03/04**

6. Now it's time to turnaround worker service levels



We believe we can improve service to workers whilst managing claims liabilities

Conclusions

- Operational understanding of actuarial balance sheet key
- Although initially focused on management of hot spots each initiative has created lessons to drive further reform
- Strategies are now permanent features of the scheme (not just once off projects)
- Successes change culture and encourage innovation
- Where things are working has highlighted the things we still need to fix **(in particular service)**.

A work very much in progress

“Sure we have made some good progress, but don’t get carried away.

We have made a good start but are still only 40% of the way there in terms of turning around the performance of this scheme.”