

28 November – 1 December 2004

Xth Accident Compensation Seminar

2004



Institute of Actuaries of Australia

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South Australian WorkCover Scheme Experience

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Financial controller, WorkCover SA



Institute of Actuaries of Australia



Overview

Part 1: Current Position

Part 2 and 3: Agent Standards and Incentives

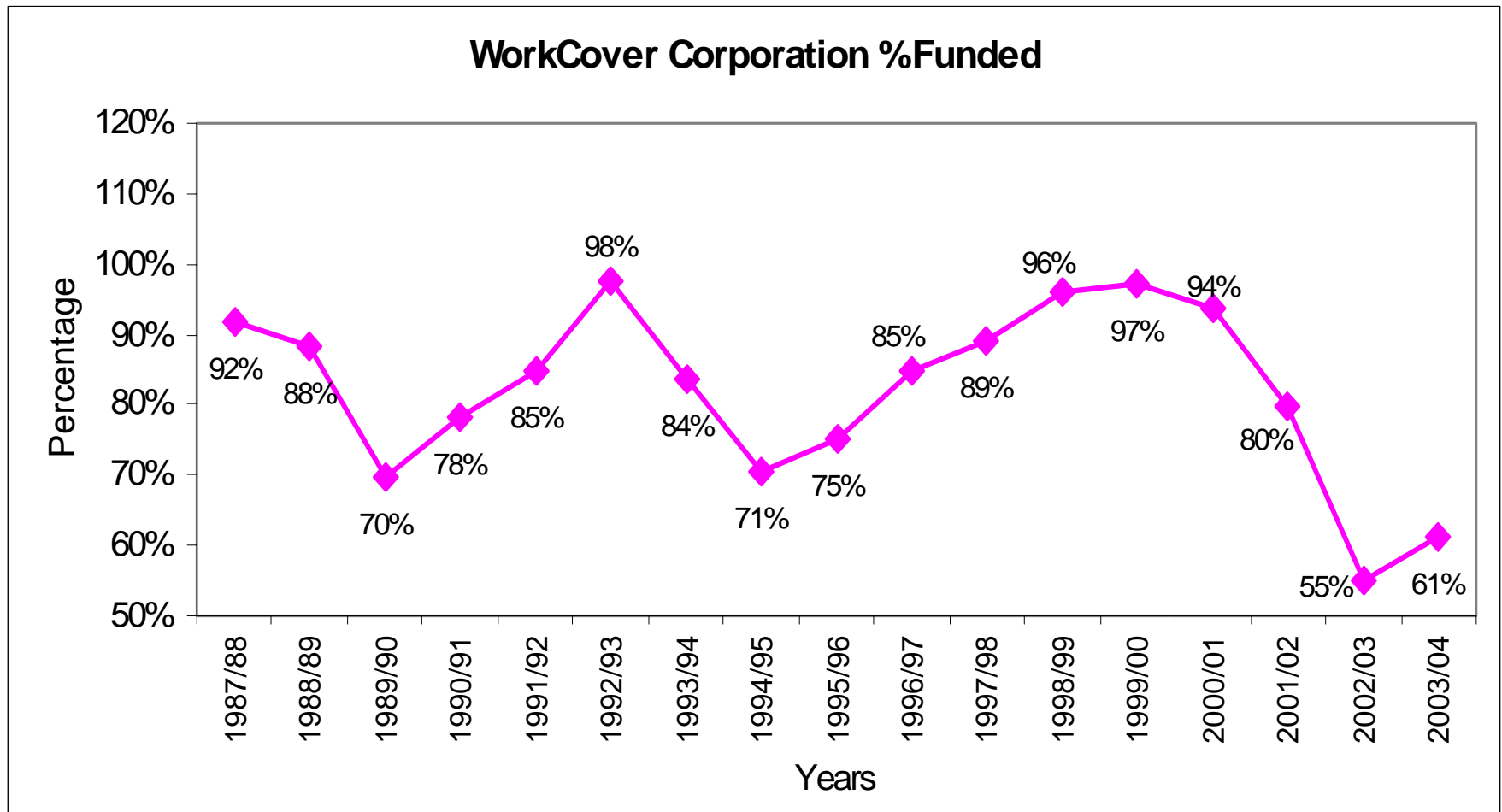
Part 3: Future Directions



Part 1: Current Situation



Funding Position over time



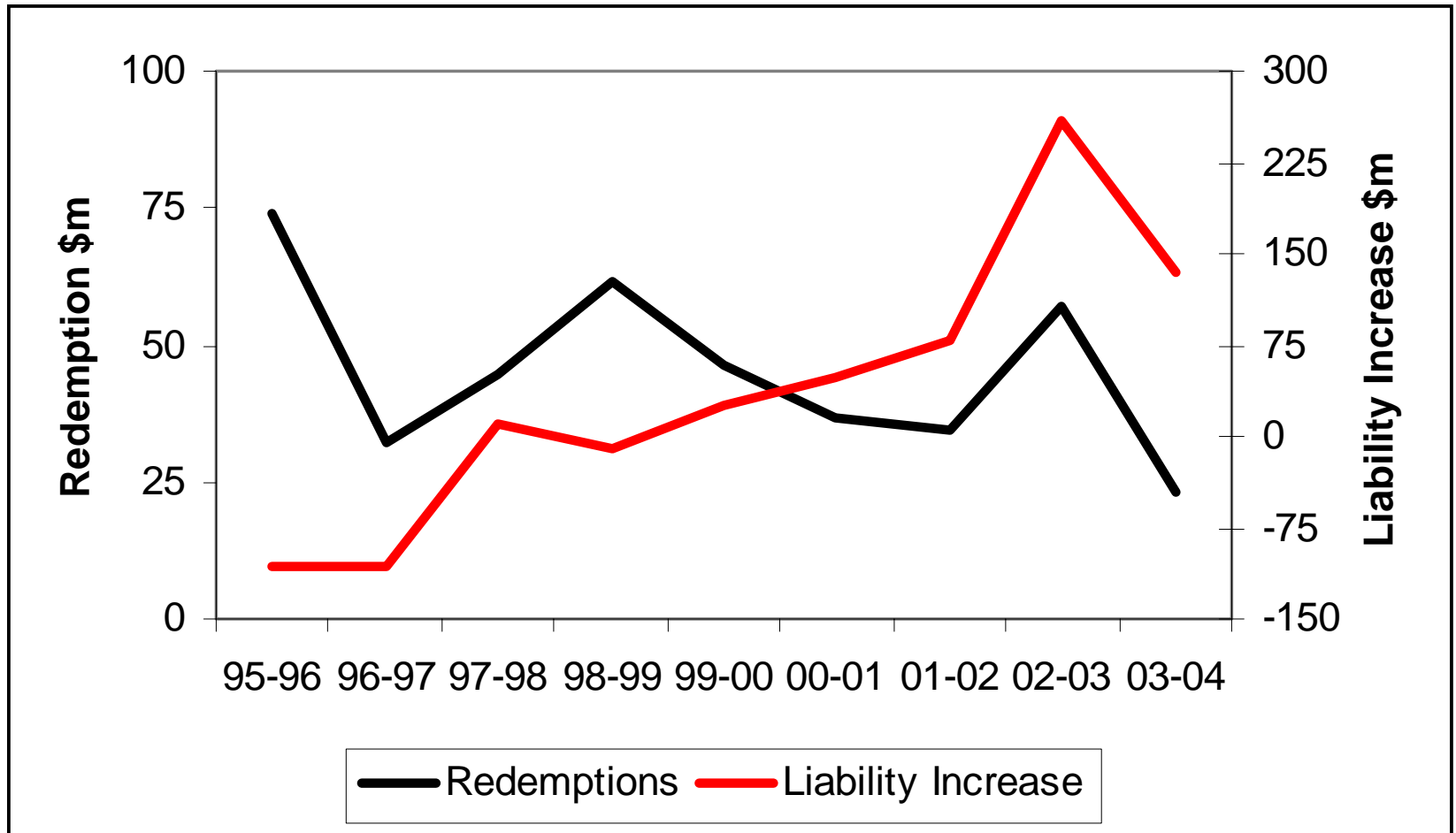


History Lesson

- 2002-2003 Funding Crisis
 - Claim duration increase
 - Lump sum mentality
 - Levy rate reduction since 2001-2002
 - Investment performance since 2001



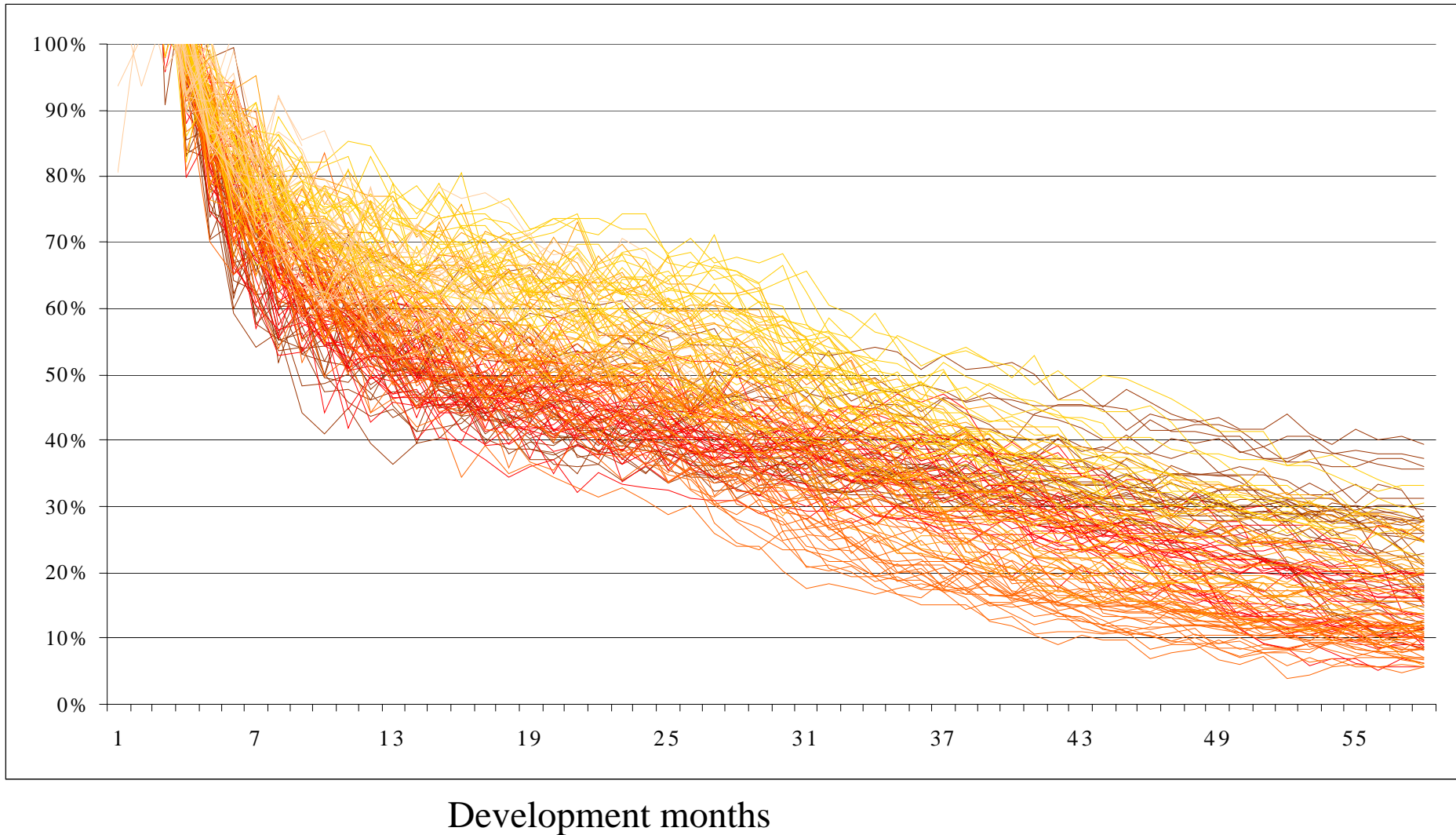
Redemptions - History



**Increase in liability excludes the prudential margin*

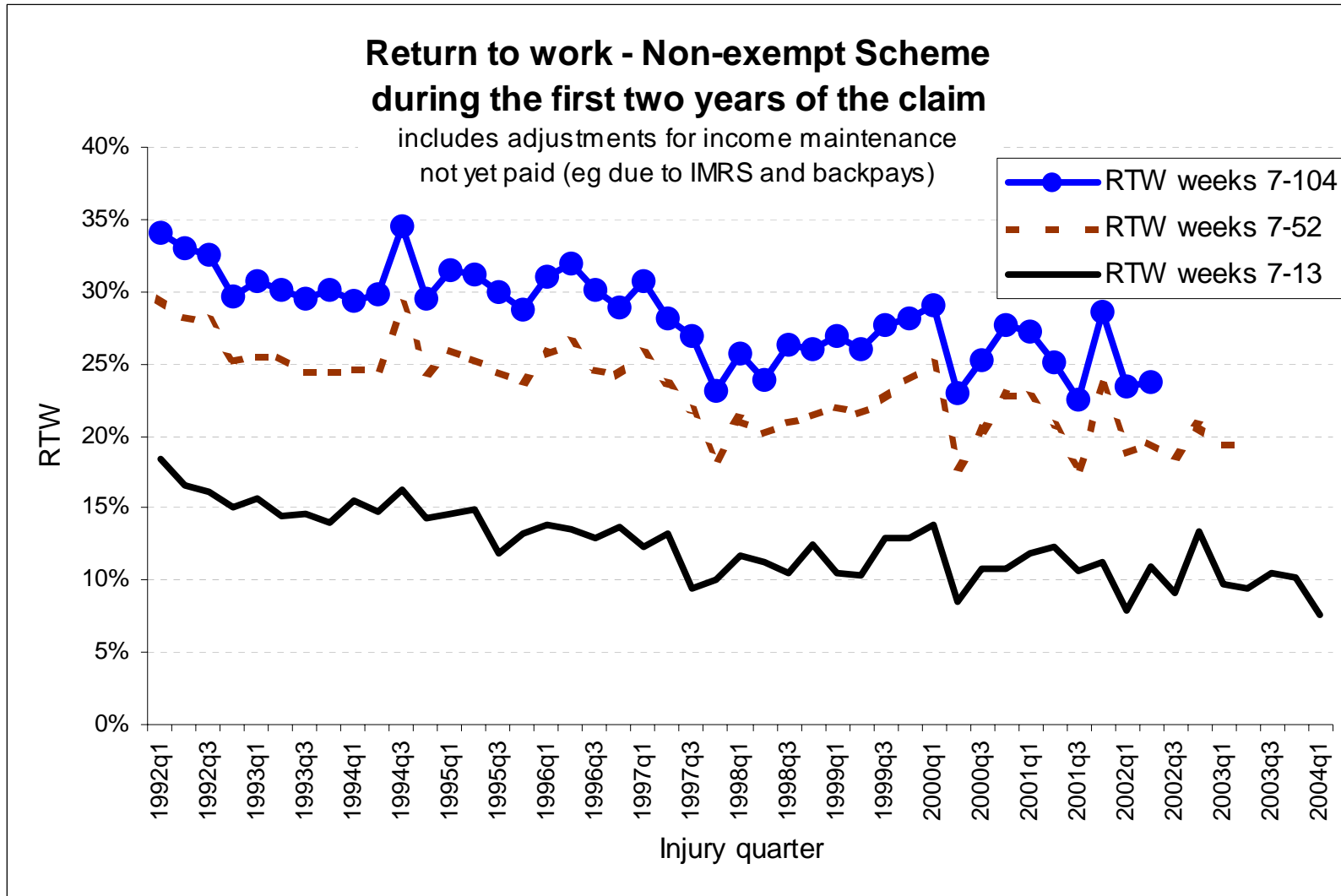


Claim continuance trend





RTW trend over time





History Lesson

- Leads to Board Change
 - New CEO appointed
 - Operational Review - Mountford McEwan
- Current Activity
 - Revamp executive team
 - Develop new strategic vision
 - Review strategies



Issues Identified for change

- Deal with lump sum mentality
- Improve early RTW outcomes
- Tail Management
- Agent alignment
- Provider alignment and outcomes
- Improve system and organisation capability

Can we improve the Scheme? – The story so far.

- Scheme liability group
- Initial strategies
 - Challenge lump sum mentality
 - Realign agents and WorkCover
- Longer term projects
 - Optimum Redemption mix – possible?
 - Agent incentive - Liability reduction long term claims
 - Provider alignment

Can we improve the Scheme? – Restrictions and Risks

- Scheme design
 - Bound by legislation
 - Are we at the optimum?
- Agent/Provider/WorkCover relationships
 - Is the model right? Confusion in system?
 - Different messages and incentives
- Doing the right things V. Doing things right
 - Identified the right things to do?
 - Are we doing them right?



Initial Strategy - Redemptions reliance

- Restricted redemptions
 - Immediate effect on cost and continuance rate
 - Generally increased
 - Time lag to move to pure RTW
 - How possible is it?
 - Legislative bounds



Initial Strategy – Agent Alignment

- Achieved in two parts
- Category A & B service standards.
- Review of Performance Fee structure



Part 2: CATEGORY A & B STANDARDS



Objective

- Improve environment for achieving RTW
 - Risk assess claims
 - Early intervention based on risk
 - Defined action plan
 - Targeted rehabilitation
 - Return to Work Plan signed off and legally binding
 - All parties understand right and responsibilities
 - Evidence based decisions
 - Agents accountable for data integrity
 - Agents promote Safe Work strategy



Measures

Within 2 days receipt

- Incident/claim logged

Within 5 days of receipt

- Risk assessed
- If serious/significant or potentially significant;
 - Plan of action
 - Referred to rehab

Within 8 days of receipt

- Rehab and RTW plans drafted



Measures

Within 10 days of receipt

- Claims determined

Within 15 days receipt

- Rehab and RTW plans implemented

Within 30 days of receipt

- Claim review if no full RTW



Measures

Within 60 days of receipt

- Claim review if no full RTW

Other

- Workers/employers receive information on rights/responsibilities
- Appropriate actions plans
- Decisions clearly noted and supported
- Agent ensures data accuracy
- Targeted employers ohs performance assessed



Expected Outcomes

- Effective triaging of claims
 - Maximise early RTW opportunities
- Results indicate agent compliance
 - Audit and self assessment
 - Standards met by agents

Risk

- ***Improved process does not lead to liability reduction.***
- ***Process focus increases costs.***



Part 3: AGENT PERFORMANCE AND INCENTIVE FEE



Background

- Tiered approach to providing agent incentives.
- Three parts
 - Service fee – set percentage of market share
 - Performance Fee – based on achieving Cat A&B.
 - Incentive fee – achieving scheme returns



Incentive Fees

- Objective
 - Achieve RTW outcomes for claims up to 3 years.
- Reward outcomes that provide financial savings to the scheme.



Structure of Incentives

Measurement Period = claim development	Injury periods	RTW Target
7-13 weeks	July-03 to June-04	11.0%
3 -<12 months	Jan-03 to Sept-03	15.5%
1 -<2 years	Jan-02 to Sept-02	7.5%
2 -< 3 years	Jan-01 to Sept-01	3.0%

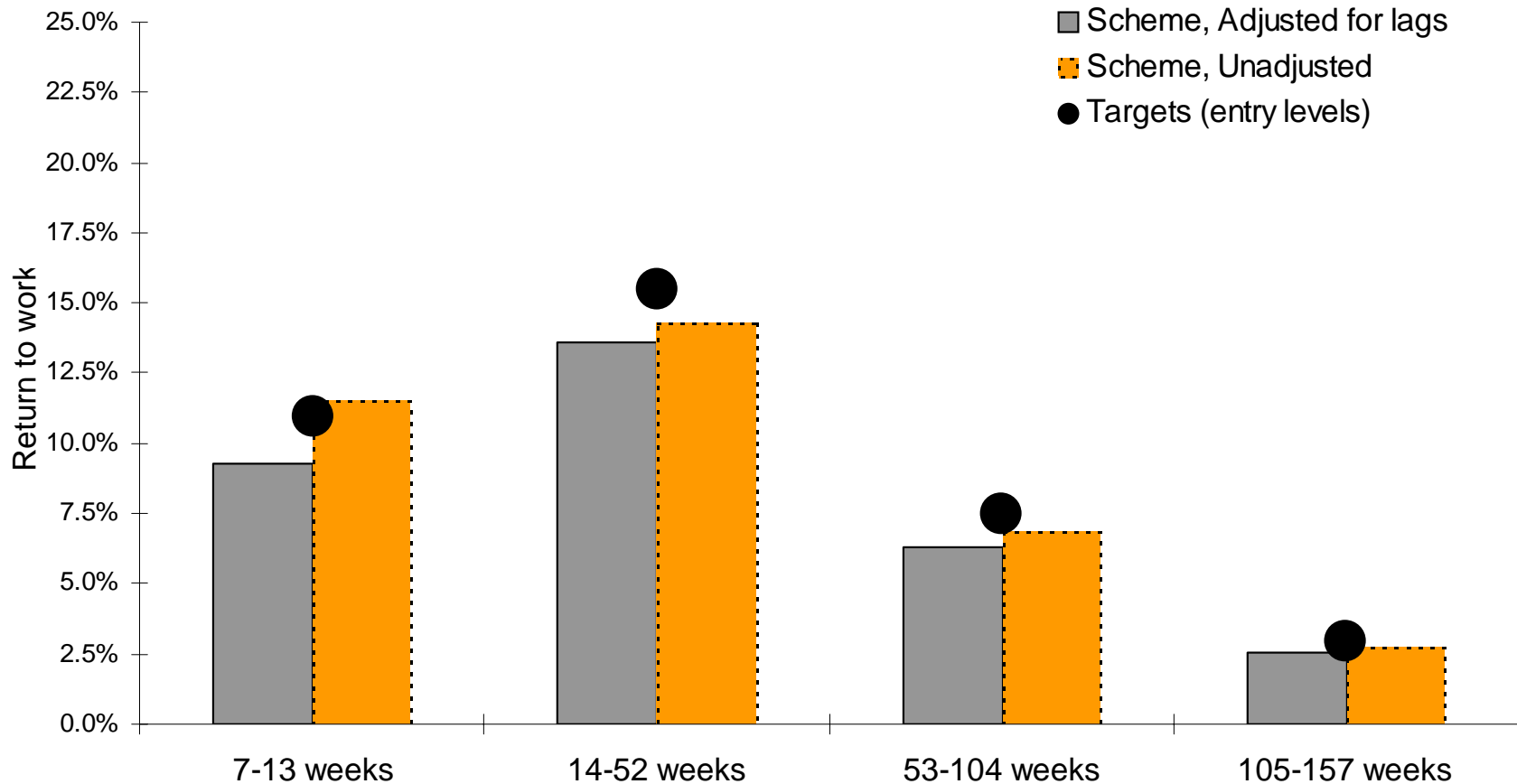


RTW Definition

- Change in incapacity
 - baseline period to measurement period
- Incapacity is ratio of
 - Income maintenance paid in period
 - Notional weekly earnings (x80% post 1-year)
- Excludes
 - Retirement



Achieved RTW rates



Data as at 4th October 2004



Part 4: Future Directions



Work in progress

Long term claims project

- Incentive for agents
- Based on reducing market share of liability
- Expected commencement 2005/2006

Redemption strategy

- Zero
- Targeted



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