

AUSTRALIA SPOTLIGHT



Changing face of the workers compensation market

The workers compensation market in Australia has been changing considerably as state and federal governments introduce reforms to cut red tape and reduce costs for employers in a bid to maintain competitiveness in Asia Pacific.

Health and Injury Management Solutions' Chris Douglas provides some insights.



New South Wales has introduced the largest suite of reforms with sweeping modifications to the legislation over the past five years – concurrently splitting the former WorkCover NSW into iCare to manage conventional workers compensation policies and SIRA (State Insurance Regulatory Authority) now regulating iCare and all self and specialised insurers.

The legislative reforms in NSW, particularly those introduced on 1 January 2019 focus on:

- the dispute resolution process, creating clearer and simpler pathways
- the Workers Compensation Commission now resolves all disputes, including the ability to award permanent impairment compensation without a referral to an approved medical specialist (AMS) in certain circumstances
- new definition of pre-injury average weekly earnings to take effect for workers' injured on or after 21 October 2019

These will assist in reducing the former more adversarial processes.

Long-term injury and the state

As weekly benefits are now limited to five years with medical treatment ceasing two years later in most circumstances, the effect of long-term injury benefits and medical treatment transfer to the federal systems such as Centrelink, Medicare, the National Disability Insurance Scheme and other insurance related products.

The raft of reforms has resulted in traditional insurance companies finding it difficult to maintain their agencies because overheads have increased over the years and the reforms do not require large workforces of technical specialists in the future.

The change in landscape has seen traditional insurance companies acting as agents no longer providing workers compensation policies in NSW, the status quo with Queensland managing its own workers compensation via Q-Comp and Victoria and South Australian revising their agent model to improve the claims management outcomes for their schemes. Western Australia, Northern Territory, Tasman and the Australian Capital Territory remain privately underwritten and risk rated accordingly.

Falling claims numbers

Claim numbers have declined as wage rolls vary and liability development changes. Technical innovation, largely introduced by software applications, has impacted workforce compositions altering the risk profile and as a result of the dynamic nature of workers compensation.

The overall outcome has resulted in no one single insurer being able to provide a nationally consistent service to employer entities facing some 29 different acts and ordinances in order to operate workforces across Australia.

Workforce compositions have changed considerably in the last decade too as many manufacturers move their production activities offshore where it is more viable leaving a core of office occupiers engaged in financial services, government, aviation, telecommunication and retail trade.

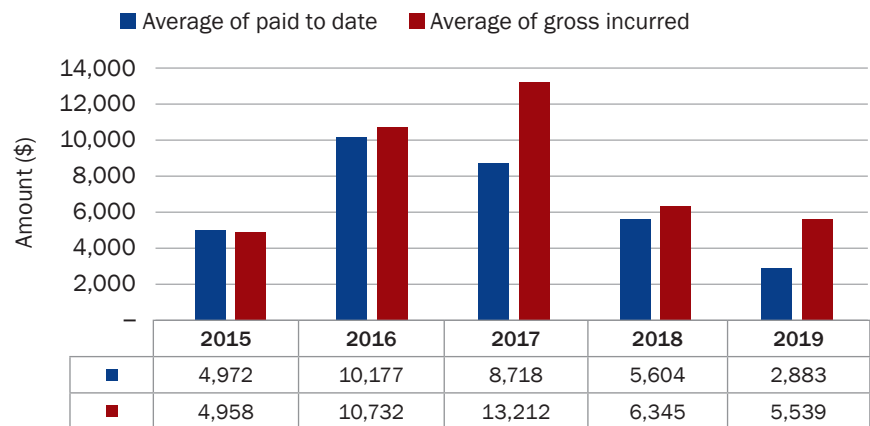
The higher risk workforces that are vital in Australia are transport logistics, agriculture, food manufacturing (abattoirs), construction, mining, oil and gas and seafaring. Road transport logistics is critical, distributing services to communities, across the land mass of Australia. In these industries, premiums can be extremely volatile if claims are not managed well although a select group of employers enjoy the Comcare jurisdiction as self-insurers rendering smaller operators with potentially higher operating costs.

Traditional insurers withdraw

With traditional insurance companies withdrawn from the largest workers compensation schemes, one Australian group, headed by managing director Jason Thompson has developed an integrated allied health and legal platform that provides 'national consistency' of workers compensation services across Australia.

Work Health Options (WHO) has integrated a significant team of resources across Australia, assisting employers, providing professional advice and delivering consistently low claims cost through the application of specialist allied health services in very short time frames, all within the fees orders (expenses) issued by the state and federal regulators.

Chart 1: Average paid and gross incurred by incident year (FY)



* Example of portfolio taken over in 2017 from another provider.

The focus of these services combined with a culture of mature and highly experience case managers changes the dynamic from an adversarial approach to a collaborative environment that is able to be empathetic toward the individual injured person and when integrated with the allied health services introduces sustainable return to work outcomes through early intervention producing outstanding results (including lower premiums) for its client base.

Broker network

The team at WHO is backed by Steadfast Group, the largest general insurance broker network in Australasia, and is charged with becoming the leading innovator and premier health solution provider in the workers compensation insurance and people risk industry across Australia.

Today Australian employers can access a suite of integrated services that harmonises the injury management processes into one professional delivery model underpinned by intuitive software applications that control the management of liabilities and control workforce risk on a real time basis 24/7.

These integrated services include:

- * Preventative health
- * Occupational hygiene
- * Early intervention
- * Return to work services
- * National GP and specialist network
- * Expedited imaging services
- * 24/7 medical and legal support
- * Claims and injury management and training software.

WHO's sister company, Health & Injury Management Solutions (HIMS), became approved to manage self-insurance claims in NSW, Victoria and Comcare within the first year of its operation, as customer took up the alternative of an Australian owned third party administrator (TPA) that delivers the integrated service model at lower cost to the traditional markets of insurers and other TPAs.

Cost reductions

The introduction of the new integrated platform approach has significant effects on reducing the average claims costs in a sustainable manner. At the same time largest claims are controlled at the early trauma phase with professional medical services delivering instant approvals for treatment and then working with the specialist and patient to ensure that dependencies are cared for while we work towards maximum medical improvement.

In effect after three years, our clients' actuarial valuations are showing higher numbers of small claims and this is producing savings, cashflow benefits and improved productivity with the integration of services largely because the decision time frames introduce earlier intervention.

The chart 1 above illustrates the effect on claims the new model has delivered since HIMS took over the portfolio in 2017. ■

Mr Chris Douglas is general manager of Health and Injury Management Solutions.

For employers, insurers and current self-insurers interested in learning more about these companies please contact Jason Thompson or Chris Douglas on 1300 423 111.