

21 March 2013

Mr Michael Crandon MP  
Chair  
Finance and Administration Committee  
Parliament House  
George Street  
Brisbane Qld 4000



Dear Mr Crandon

**Re: Submission regarding the impacts of the Q-COMP red tape reduction proposal**

Thank you for seeking our views on Q-COMP's 'Reducing red tape for employers' proposal in your letter dated 27 February 2013. Please find our submission attached which has been endorsed by the WorkCover Queensland Board.

WorkCover strongly supports all initiatives aimed at sustainable red tape reduction. However, we submit that the Q-COMP proposal will not reduce red tape for employers. We believe efficiency gains for WorkCover are small in comparison to the overall potential cost impact for the Fund and employers, notably those in small businesses.

Whilst WorkCover acknowledges the role of your Committee to make recommendations, it would be irresponsible of us not to point out the pitfalls of the proposal and the negative ramifications for all stakeholders of implementing such a proposal.

Finally, whatever decision is made on this proposal, WorkCover will work for the good of all Queensland stakeholders.

If you have any queries about our submission, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to be "Tony Hawkins", with a stylized flourish at the end.

Tony Hawkins  
Chief Executive Officer

## **Submission to the Finance and Administration Committee Inquiry into the operation of Queensland's workers' compensation scheme**

Response to Q-COMP submission 'Reducing red tape for employers', November 2012

### **Executive summary**

WorkCover Queensland strongly and categorically supports any and all red tape reduction. However, WorkCover respectfully views that Q-COMP's proposal to reduce red tape for employers will do the opposite in that it will increase red tape and could, in fact, increase costs to the WorkCover Fund.

The proposal for employers means:

- increased red tape as employers now have to keep their own registers and pay medical bills;
- the risk of higher total workers' compensation costs particularly for small employers; and
- more employers than now will need to submit claim forms plus accounts to WorkCover.

While there is some reduction in administration for WorkCover (\$2M pa), the net impact when potential increases in claims costs increases are taken into consideration could be an extra **\$18M pa**.

WorkCover has also considered wider stakeholder implications and these are potentially negative:

- workers could be disadvantaged, either purposely or unknowingly, by their employers
- systems that assist providers, notably doctors and physiotherapists, will no longer be in place
- the proposal goes against government's objective of growing a four-pillar economy and supporting small business through increased red tape as well as claims and premium costs.

In recent years WorkCover has implemented a number of strategies aimed at reducing the processing for all parties involved with claims and premiums. Economies of scale allow WorkCover to efficiently deal with claims for customers, minimising the red tape involved for all stakeholders.

However, if stakeholder feedback on the proposal differs and/or government decides to go ahead with the proposal, we will ensure the proposal is efficiently implemented. We would support customers and providers through the proposal's implementation as well as continuing to look for red tape to reduce.

### **Proposal**

The proposal is that employers no longer will be required to submit to WorkCover claims that fall below a threshold amount of weekly compensation and/or medical costs combined (an amount in total equivalent to the total current excess payments made by employers). Employers will need to pay weekly compensation as now, albeit less, but also medical accounts as well as maintain registers.

### **Impact on employers**

#### **Red tape:**

Currently, WorkCover receives ALL claims. However, with previously implemented streamlining of processes for claim lodgement, employers only directly submit claims in 30% of cases. The majority of these come in online thereby minimising the paperwork and red tape for employers.

Person lodging claim	%	Method of lodgement (%)			Mean time to lodge (days)
		Online	Phone	Mail/fax	
Doctors	30	0	0	100	3
Workers	40	16	24	60	6
Employers	30	50	12	38	8

The impact of the proposal will mean that employers have additional workload/red tape requirements:

Per year	Current	Proposed
Number of employers paying excess	13,000	18,000
Number of employers keeping claim records	0	18,000
Number of employers paying accounts	0	18,000
Number of employers submitting claim forms	4,800	7,200



With the Q-COMP proposal, all claims will first need to go to employers so the current expeditious lodgements by doctors and workers will no longer be applicable. Employers will pay excess amounts (medical now in addition to weekly compensation) and need to maintain registers/records, then submit any claims over the excess amount to WorkCover.

This proposal means additional work for employers in the following ways:

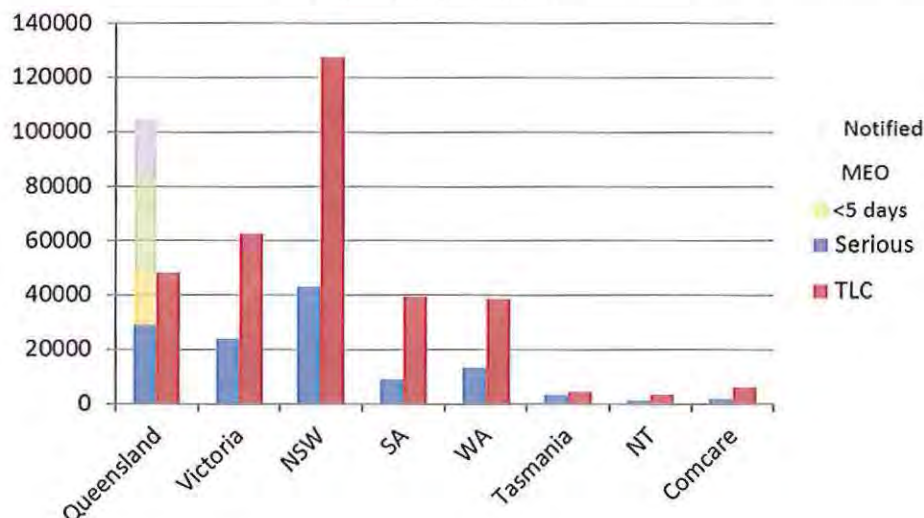
- all employers who have claims must now pay accounts (each claim will have at least one medical bill to pay if not up to 8-10) whereas now no employers are required to do this;
- all employers will be required to keep records whereas none are required to do this now; and
- for claims which still will need to come into WorkCover for ongoing management, 50% more employers compared to now will need to then submit claim forms as well as data on all payments they have already made.

Given economies of scale, WorkCover is likely to be more efficient with this record keeping and account payment than individual employers who may struggle with this requirement.

The figures above do not include any disputed claims which would also need to be submitted to WorkCover. Employers currently dispute around only 10% of claims. The proposal also may lead to an increased number of disputes particularly from workers. They also do not include any additional requirements of data submission if we are to continue to meet the national data set (NDS).

The NDS requires ALL time lost claims to be reported to Safework Australia. All states currently collect and submit this information from employers through their agents. Generally, most jurisdictions only report externally on claims above their excess period. If reported this way, Queensland figures are comparable to other states. The graph below shows the claims given to Safework by jurisdictions (time lost claims and those then classified as serious ie. > 5 days and above most scheme excess levels) as well as a similar comparison of Queensland claims including a break up of the total claims collected including medical expense only claims and notifications (note other jurisdictions will have various elements of these in their systems but they are not reported).

Claims time lost claims and serious injury claims collected from jurisdictions by Safework Australia  
National data set - 2010/11



#### Claims/premium payments:

While overall the proposal is designed to be cost neutral for employers, the impact on individual employers would vary. Employers who previously would have paid no excess on medical expense only claims, will now pay. Conversely, those who have time lost claims will pay less excess. Given the large number of small medical expense only claims, the number of employers paying an excess increases significantly. As seen above, 5,000 more employers each year will have to pay an excess in addition to their premium. As the majority of the additional employers are small (4,000) and their policies are impacted by industry rates rather than their own claims experience for their protection, premium will not decrease as a result so the excess payment will be a straight extra dollar amount for them. For other small employers who already had time lost claims, the amount they pay will be less.



Another consideration is that employers who are not familiar with the payment regimes and controls in Q-COMP's table of medical costs (already built into WorkCover's systems) may pay more than required. WorkCover may pick this up for claims that come in but not for the 45,000-50,000 claims that would no longer be lodged. Without WorkCover's assistance, employers may continue to pay wages and not weekly compensation which may be a lesser figure based on legislative calculations.

Employers may also pay on claims that WorkCover would have rejected which the employer may never have had to pay out on. Issues around liability acceptance from this would need to be worked through if the proposal was implemented. It also makes it difficult for claims not reported for other employers or WorkCover to know about these claims for aggravations, common law investigations and potential fraud identification from multiple claims.

There are also concerns that employers may, either due to lack of knowledge or intent, not report or record claims. This may lead to claims coming out at a later stage when costs end up escalating and also impact on return to work outcomes. Later lodgement of claims will also be an issue. At present, claims from employers already take longer to be lodged than any other current method.

If this proposal is adopted which is very similar to that operating in Victoria (the only state along with Tasmania with a medical excess), to ensure claims over the excess period come into WorkCover in a reasonable period of time to avoid late lodgement and delays for return to work, the same Victorian model, where employers must keep paying until the claim is submitted, is recommended for adoption. This may mean that employers missing the timeframes have to pay higher excesses, albeit WorkCover's costs will in turn reduce. In NSW and SA, if employers lodge claims early (encouraged as ultimate claims costs are reduced), excesses are not payable in these states.

Working with employers, WorkCover has developed in the past 18 months more enhanced online reporting of claims and trends for employers. This is beneficial for employers as it gives them and WorkCover a full picture of their injury prevention and management performance. This is useful to then drive and monitor improvements. If only half of an employer's claims now come in and they are maintaining their own systems for smaller claims, it makes it more difficult to obtain the overall picture.

As outlined below, the proposal also has the potential to add to scheme costs which will ultimately impact on premiums. The additional potential \$18M pa equates to 1-2 cents more on the average premium rate which will be distributed across all employers.

### Impact on WorkCover

The proposal removes about half of the total number of statutory claims coming into WorkCover. However, the implementation of the proposal will mean extra work on claims that do ultimately and inevitably come in. There is also a great risk that total claims costs will increase as a result.

WorkCover estimates that a quarter of its processing people will no longer be required with simple claims not coming in. However, checking for duplicates medical payments and handling of split medical accounts (those falling across the excess threshold) as well as increased time for investigations on claims that come in late and/or where records have not been kept will add back a third of these people savings resulting in a net processing people saving of approximately \$2.5M pa.

The main concern is that employers will not record and manage these injuries well resulting in:

- longer duration claims being lodged (one extra day of compensation paid on all current time lost claims results in an extra \$10M pa of statutory claims costs plus \$0.5M in FTE costs)
- common law claims being lodged in future years with no records kept by employers (or employers no longer in business with 20-25,000 employers cancel their policies every year) thus limiting WorkCover's ability to defend these matters (a 2% increase in common law claims costs adds \$10M pa).

Initially, changes will be required to WorkCover's processes, systems and communication information to implement this system. There will be a cost associated with the transition and education estimated at around **\$0.5M** in the first year.

The total dollar impacts are summarised in the table over and the potential for ongoing costs to be added to the scheme of **\$18M per annum**.



	FTE impact	FTE \$M impact	Claim cost impact \$M	Total cost \$M
<b>Ongoing pa</b>				
Initial processing reduction from less claims	-50	- 3.5	0	- 3.5
Extra processing work added to claims received	+15	+1.0	0	+1.0
Longer duration claims	+5	+0.5	+10	+10.5
Extra common law	0	0	+10	+10.0
Total costs	-30	-2.0	+20	<b>+18.0</b>
<b>Initial cost</b>				
Implementation	+7	+0.5	0	<b>+0.5</b>

**Q-COMP's proposal focussed on the impact on employers and WorkCover. As WorkCover's objectives are to balance the needs of its customers and work with all stakeholders, WorkCover has also considered the impact on other scheme participants as outlined below.**

### Impact on workers

Workers may be disadvantaged with this proposal in that they may:

- be asked to pay medical bills upfront with no guarantee as at present that services will be paid for by an employer so may be out of pocket, even temporarily e.g. GP suture \$200;
- be made to pay for these services upfront and be charged the standard rate by the practice as opposed to the Table of Costs and if their employer only pays the Table of Costs amount, workers will be out of pocket;
- have their current choice of doctor limited with workers encouraged to use an employer's 'company' doctor to avoid any upfront or gap payments; and
- inadvertently miss out on entitlements by being paid sick or annual leave instead of compensation rightly due and/or not having their injuries recorded for future claims.

### Impact on providers

The two provider groups most impacted by the proposal are doctors and physiotherapists:

**Doctors:** At present, to facilitate early lodgement of claims, in 30% of cases, doctors send claims directly to WorkCover as soon as patients are seen. This benefits doctors as they can be guaranteed they will be paid (and also workers who do not need to pay the doctor upfront). Claims that come in this way are lodged sooner and cost less.

Lodgement method	Time to lodge (days)	Average claims cost
Doctor	3 days	\$3,500
Employer	8 days	\$4,500

Doctors are very supportive of the current system. With the proposal, doctor lodgement will not be able to continue to operate which doctors are likely to object to. Cost shifting to Medicare also may occur.

**Physiotherapists:** At present, physiotherapists often contact WorkCover to check if a claim has been lodged or accepted before they see claimants. They treat over a quarter of all claimants. WorkCover also sends an SMS to workers on claim registration to facilitate this. Under the proposal, both of these mechanisms no longer exist in the early stages of a claim which may result in delayed treatment or the worker having to pay upfront and/or gaps. In addition, there is a cost control in place whereby - approval needs to be sought after five physiotherapy treatments. It is likely that this will now be reached during the excess period, so the effectiveness of this cost control measure is diminished and will create issues and approval delays in more than half of all claims receiving physiotherapy.

Claims having physiotherapy in a year	25,000
Of these, receiving >5 physio treatments needing approval	14,000



### Impact on government

Government has openly committed to assisting small business not only with red tape reduction but also growing the pillars of the Queensland economy: construction, mining, agriculture and tourism. Unfortunately, many elements of this proposal act against this stated intent with small business and pillar industry employers incurring extra red tape and costs.

Given high mining wages, claims in these industries will very quickly reach the new excess level so the reduction in claims for resources employers will not be as great as other industries. As a result, premium rates for the mining industry (and others similar) will be higher relative to others.

The tourism and construction industries in particular will now have more red tape (see table below).

Small employers have a lesser capacity than larger employers to implement the recording systems required by the proposal. These small employers will also have additional workers' compensation costs as they will now be paying the excess as well as their premium as outlined above.

Per year impact	Current	Proposed
Number of employers paying excess or keeping records, paying accounts etc		
- small	8,300	12,300
- rural	650	775
- tourism	1,250	1,750
- construction	2,300	3,275
- mining	175	230
Number of employers submitting claim forms		
- small	3,400	3,100
- rural	210	215
- tourism	470	650
- construction	900	1,100
- mining	60	135

### Other red tape reduction strategies

In recent years, WorkCover has implemented a number of strategies aimed at reducing the processing for all parties involved with claims (and premiums), minimising the red tape involved for all involved. Some of these include:

- renewing policies and paying premium can be done completely online or via phone, fax or mail
- almost half of employers do not lodge wages being auto assessed and issued a premium instead
- statutory claims can be lodged by workers, their treating doctors or their employers by online, fax, phone or mail. The claim 'form' is the equivalent to two pages, with the first page being primarily the worker's details. For large employers using online services, some details are pre-populated
- other online services include electronic file releases, invoice uploading and remittance receipts
- communication is mostly via email with letter production reduced significantly
- our main method of payment is via EFT with very minimal cheques being produced.

WorkCover is always looking for ways to be more efficient and further reduce processing for WorkCover and its customers. Efficiencies achieved over the past 15 years were outlined in WorkCover's original submission to the review. For example, over the past 5 years despite the increase in claims from 75,000 to 97,000 (29% increase), WorkCover has reduced its staff from 940 to 810 FTEs (14% reduction) while implementing more efficient services for employers.

WorkCover categorically endorses the reduction and where possible elimination of unnecessary red tape; however, WorkCover cannot support a proposal that inevitably will not decrease red tape and increases the risk of additional costs for many.

If the Parliamentary Committee or stakeholders through the review process have other ideas on how to reduce red tape or improve processes, WorkCover is more than happy to consider these. For example, it may be that some larger employers with good systems and injury prevention/management practices are in support of the proposal. Potentially for these employers, WorkCover could set up a form of self-management where they manage smaller claims themselves.

## **Conclusion**

It is important that WorkCover, as the single biggest insurer in Queensland, provides the potential ramifications of the suggested proposal. WorkCover is of the strong belief that the proposal creates the potential for more costs, red tape and issues than the way claims lodgement, payment and excess systems operate currently. In attempting to remove perceived red tape, it is important to ensure that such does not negatively impact on good business processes and best practice regulation.

WorkCover believes this proposal should not be implemented. However, if stakeholder feedback on the proposal differs and/or government decides to go ahead with the proposal, WorkCover will ensure the proposal is efficiently implemented and work to support customers and providers through the transition and going forward. Regardless, WorkCover will continue to seek further ways to reduce any red tape burden imposed on employers as well as all stakeholders.