



20 March 2013

The Research Director
Finance and Administration Committee
Parliament House
George Street
Brisbane QLD 4000



By email to: fac@parliament.qld.gov.au

Dear Committee Members

Master Builders is pleased to be able to make another submission specifically in relation to the latest Q - Comp proposal regarding the reduction of red tape. While on the surface the proposal seems to have merit, it is the view of Master Builders that the proposal in its current form will profoundly have negative, unintended consequences that will increase cost and administration for all stakeholders and adversely affect the management and rehabilitation of injured workers. Master Builders implores the committee to cease any further progress on this overly simplistic and ill-conceived proposal and withdraw the option from any further consideration.

Master Builders is the peak industry association representing employers in the building and construction industry in Queensland since 1882. With over 8000 members, Master Builders is the voice of the industry and is a vocal advocate and supporter of WorkCover Queensland and the Queensland workers compensation scheme. The building and construction industry is the third largest employer of labour in the State and recognised by the Queensland Government as one of the four pillars of the Queensland economy.

While Master Builders strongly supports the review into WorkCover and the work of the Finance and Administration Committee to reduce red tape, the proposal to reduce red tape in the form proposed by Q-Comp must be completely resisted. The proposal when properly analysed actually increases the costs to employers and fundamentally weakens the current Workers Compensation Scheme. Master Builders is totally opposed to the current proposal in its current form and would seek to make further verbal submissions if the committee deemed such an approach appropriate.

Regards

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

Q-Comp Proposal

The proposal is to dramatically reduce the number of claims in the scheme by no longer requiring claims to be filed for injury costs that are below a threshold amount of wages or medical costs combined.

Master Builders wishes to express our strong and deeply held objections to the proposals that Q-Comp has submitted to the Finance and Administration Committee. The proposal weakens the current Workers Compensation Scheme and actually creates an administrative obligation and burden that many employers do **Not** have at the moment. Many small employers who have never had a claim or have only had "medical only" claims will be required to formally set up pay systems with medical practitioners, incident recording and reporting system for minor injuries while paying higher costs than they currently pay now. The proposal lacks substance and foundation and breaks down under further scrutiny.

Medical Costs Will Increase And Disputes Will Arise:

The current well balanced system managed by WorkCover Queensland covers all medical costs. WorkCover has a long history of correctly managing and paying medical expenses. Without WorkCover expertise in this area many businesses will simply pay too much for basic medical costs. Employers are unfamiliar with the 'Schedule of Fees' published by Q-Comp for medical costs and have no capacity to control fees. These costs are not paid by employers at the moment and represent an additional cost for employers.

This proposal will also generate potential disputes between the employer and the worker. If an employer has to pay the medical cost, the employer will assume the right to choose which medical practitioner the worker must attend. All of the arguments in relation to the "company doctor" will surface again as well as potential disputes on how the payments will be made. Workers may well be requested to pay for the treatment by the medical practitioner.

The upshot of the current proposal is that Employers will be required to pay for medical costs that are currently paid for by WorkCover. This additional cost will also adversely impact on the total costs for the

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employer. Currently a medical claim paid by WorkCover only moderately impacts upon the employer's future premium costs with a minor adjustment due to the claims experience of the employer. If an employer pays the medical costs and no claim is recorded through WorkCover, the costs are fully paid in addition to the full premium. This is a 'double whammy' for the employer and is opposed by Master Builders.

Intimidation & Coercion of Workers and Employers Alike

The Q-Comp proposal with respect to the employer paying medical costs has the potential to generate serious workplace conflict between the employer and worker. Some workers will be intimidated to making a claim for medical costs for fear of their employment. The itinerant nature of the industry and the skills mix coupled with literacy issues compounds this issue. Many workers could be completely disenfranchised from this model and forced into either abandoning medical treatment or forced to pay for it themselves.

On the other hand a number of vulnerable employers could be forced into paying any and all medical costs whether they were work related or not. This issue will open up another industrial relations front for an issue that is being well managed at the moment. The system as it currently stands provides a balance of the interests and supports workers, employers and the medical fraternity. Upsetting that balance for minimal (if any) gain appears to be total madness.

Employer's Approved Medical Provider

As outlined previously, if the employer has to now pay for medical treatment, he/she will insist on the right to nominate the medical practitioner. However this creates a range of other issues including:

- a) It is impractical for employers in the building and construction industry to have accounts with multiple medical providers across South East Queensland.
- b) Limited ongoing relationship with Daily Hire workers.
- c) Issues around fraud and reporting
- d) Issues around privacy and medical history
- e) Workers preference to use their own doctors

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Injured workers requiring medical assistance need immediate help and should not have to consider the employers preference when seeking treatment. Medical treatment options that require further financial approvals from the employer may also generate unnecessary anxiety for the worker or the medical staff proposing further medical treatment.

Private Health Insurance & Hospitals - shifting the costs and burden

What impact will this proposal have on Private Health Insurance providers? Master Builders anticipate many workers will simply claim on their private health insurance and or claim reimbursement from their employer. Alternatively the injured worker will be forced to wait in line at Emergency centres placing additional pressure on the public health system. Many workers in our industry are under considerable financial pressure and will have no alternative but to use the free public system. Early intervention has been a key factor in managing injured workers and any delay in the treatment process may impact negatively on future return to work initiatives proposed by WorkCover.

Administrative Burden

Master Builders rejects any suggestion this proposal reduces 'red tape' for employers. It is our understanding that many minor claims and medical only claims are in fact managed by the workers and doctors directly with WorkCover. If employers have to become involved in every claim (as the proposal acknowledges) then an increase in the administrative burden will be created.

If an injured Worker intends to claim the medical costs from their employer they would reasonably be required to:

- a. Complete an employer incident or accident report
- b. Keep a copy of the receipt and other documentation
- c. Communicate and review the costs with their Supervisor weekly
- d. Take time off from their normal duties to prepare a payment claim
- e. The payment claim would then need to be reviewed by the Supervisor or Manager

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- f. The payment claim would then proceed to Accounts for processing within 30 days.
- g. The Worker is now required to confirm payment was received.
- h. If the claim proceeds to WorkCover a report must be produced to forward all relevant information on to WorkCover.

Employers would similarly be required to become actively involved in the claim and set up systems that have already been designed by WorkCover and working efficiently. There is no red tape reduction in relation to small employers with a sporadic claims history.

Benefits of the current system:

The current system provides a number of benefits to small and medium businesses that will be lost if the Q-Comp proposal was adopted. .

- a. An Employer under the current system need only focus on detailing and recording the incident, if reported, and managing that process at the time of an injury. WorkCover provides a complete service in managing the physical injury and medical expenses.
- b. At the time of an injury the employer is currently not required to supervise, manage, organise or pay for any medical treatment.
- c. There is no conflict between the employer and the injured worker regarding his medical treatment and associated costs.
- d. There is no intimidation or undue pressure by employers over medical costs as they are fixed.
- e. Employers are currently not required to keep records for minor medical claims

The current system protects all of the parties and provides a clean and clear file process for the management of the claim. If an employer fails to keep the correct records from the start, the claim will always be going back seeking more information and contributing to the administrative burden of the entire claims process. Employers who engage new workers who suffer an "aggravation of a pre-existing injury" may well believe the injury was a new injury due to a lack of proper recording of the initial injury.

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Knowledge Loss

A key role of WorkCover Queensland as the industry's insurer is to track claims and claimants to identify fraud, aggravation of pre-existing injuries, double dipping, and the appropriate management of common law claims or investigations. A significant reduction in claims being logged will reduce WorkCover's capacity to manage and identify these issues. The incomplete, inaccurate and unreliable records of employers if provided will be a poor substitute for the current comprehensive system. Master Builders anticipate the poor management and loss of knowledge will increase the cost of claims and prolong proper intervention to assist injured workers return to work.

Conclusion

While the Q-Comp proposal appears on the surface to cut 40,000 small claims there are numerous unintended consequences that will create significant hardship for employers, workers and medical practitioners. The savings to WorkCover may seem apparent but over time the mismanagement of claims and the inability to intervene at the initial stages of a claim may prove to be expensive and problematic in terms of managing the worker's return to work. The evidence in relation to early intervention is undisputed and must be supported. Employers will not see any reduction in red tape. If anything they will be called upon to introduce new systems of medical treatment, recording of minor injury data, claims management and injury management. The proposal will not deliver any of the outcomes (save for some initial savings by WorkCover) and will significantly erode many of the great improvements introduced by WorkCover of the last few years. The integrity of the scheme is in jeopardy and Master Builders strongly urges the committee to reconsider the proposal in light of our serious concerns.

Re-Stating Previous Proposals

Definition of "Worker"

Master Builders continues to press for a transparent and efficient "worker" definition that enables all contracting parties to know exactly what their obligations are in relation to WorkCover. The initial submission supported an amendment that re-defined "worker" in terms of whether they had registered for GST. This

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amendment if adopted would put the onus on the contracting party to obtain the requisite information to register for GST and thus consider themselves outside the scope of WorkCover. They would in effect be declaring themselves as independent contractors and responsible for their own accident and injury compensation and insurance cover.

A Transparent And Efficient Worker Definition Is Needed.

Master Builder's representatives before the Committee on the 31st October 2012 reinforced our submissions that the current unworkable system is in need of a clear and simple identifier of 'who is a worker'. Master Builders confirmed to the Committee that the industry has struggled with this issue for over ten years and acknowledge the 'results test' has failed. Master Builders continues to seek a definition that can be applied and understood, that if you are 'in business' you must have your own insurance placing the obligation where it should be on the person 'in business' and not their clients. For this reason Master Builders continue to support a further statutory exemption be extended to exclude all persons who charge GST for their services.

Master Builders submits: 'A person 'in business' providing a service of any kind and charging GST are exempt from WorkCover'.

A self-evident truth is that contractors who are 'in business' and engage others or have significant plant charge GST. Workers that are not 'in business' don't charge GST.

Extending Common Law Coverage To Principal Contractors

Master Builder's representatives advanced this recommendation before the Committee reinforcing our submissions to extend common law coverage to host Employers/Principal Contractors in cases of injuries to workers employed by labour hire firms and contractors where the host employer/contractor has a policy with WorkCover.

Master Builders recommends apportioning liability between the two WorkCover policies. While this recommendation is strongly supported, both policy holders should be involved in that process to ensure a fair and just allocation of responsibility based on the differing contributions to the incident.

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Master Builders strongly recommends extending common law coverage to host employers and principal contractors who have a WorkCover policy with some additional processes to ensure the allocation of apportionment of claims are conducted fairly.

As stated previously, Master Builders would be available to canvass these issues more fully with the Committee if such a response was deemed necessary. Thank you once again for providing Master Builders with the opportunity to provide feedback on this important issue.

Yours sincerely

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