

## Review of Workers Compensation Report

The NSW government has recently released its independent consultant's report on workers compensation Partnerships for Recovery: caring for injured workers and restoring financial stability to workers compensation in NSW, which has exposed major weaknesses in the system. The McKinsey report has also revealed a crippling shortfall is not so much the result of employers avoiding premium payments but rather that WorkCover has mismanaged claims and provided inefficient supervision of the scheme.

WorkCover has been accused of allowing the scope of treatment by service providers to increase and permitting insurers to accept many unnecessary claims too easily. It has also collaborated with the unions in convincing the NSW government to introduce the 2001 'provisional liability' concept which has opened the floodgates to many unnecessary claims. The Insurance Council of Australia believes the report's recommendations should, for the first time, give WorkCover full financial responsibility for the scheme's \$3.2 billion deficit.

The McKinsey report investigated the role of insurance companies, claim managers, healthcare providers, employers and workers in the NSW scheme. The review is part of a program of reform announced in the Parliament in June 2000. Partnerships for Recovery makes 57 recommendations for action, with nine central findings. These are:

- Improve the current scheme structure - and rule out private underwriting at least until the scheme is fully funded and financial stability is restored.
- Restructure the role of insurers and open up the scheme to new, specialist firms.
- Increase competition in the scheme and encourage employers to switch to better performing agents/insurers.
- Create a stronger WorkCover and expand its role and responsibilities.
- Design and implement a scheme-wide IT solution and improve the quality and timeliness of data.
- Structure new agent remuneration arrangements to provide incentives for agents to improve performance.
- Work with the scheme's agents to attract and retain qualified claims managers.
- Begin immediate work on actions that do not require legislative change.
- Commit to a dedicated and disciplined implementation effort over 24 months.

The full report can be viewed on: <http://www.workcover.nsw.gov.au/>