



Minister for Consumer and Employment Protection
Minister for Training
Leader of the House in the Legislative Assembly

Our ref: 0212304

The Secretary
Standing Committee on Employment and Workplace Relations
House of Representatives
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INQUIRY INTO ASPECTS OF AUSTRALIAN WORKERS' COMPENSATION SCHEMES

I refer to your letter of 27 June 2002 to the Hon Premier of Western Australia requesting a submission to the inquiry into aspects of Australian workers' compensation schemes, undertaken by the House of Representatives Standing Committee on Employment and Workplace Relations (the Standing Committee). Your request was referred to me as the Minister responsible for workers' compensation and the response hereunder briefly addresses the terms of reference identified in your letter.

It is suggested the Standing Committee take into consideration the recent announcement by the Commonwealth Minister for Employment and Workplace Relations to undertake a separate Commonwealth Government inquiry into Australian workers' compensation schemes. I understand the Minister will be consulting with State and Territory leaders soon on the draft terms of reference for that inquiry.

The incidence and costs of fraudulent claims and fraudulent conduct by employees and employers, and any structural factors that may encourage such behaviour.

- It should be noted the issue of fraudulent claims is outside the ambit of the Workers' Compensation and Rehabilitation Act 1981 (the Act) therefore WorkCover WA, the agency responsible for administering the workers' compensation system, does not examine individual cases of fraud or report on aggregate costs and incidence rates.
- The workers' compensation system in Western Australia is a privately underwritten and multi insurer system where approved insurers and self insurers actively manage all aspects of an injured workers claim. Approved insurers and self insurers continually monitor the ongoing cost and progress of

all claims and if dissatisfied with any aspect of an injured worker's claim it is their legislative prerogative to deny liability in the first instance. Where liability has already been accepted, the insurer may notify the injured worker of their intention to discontinue or reduce weekly payments if the worker's medical condition indicates a capacity for work. These measures significantly limit the incidence of fraudulent claims, and feedback from insurers and self insurers indicates the incidence of fraudulent claims is negligible.

The methods used and costs incurred by workers' compensation schemes to detect and eliminate;

(a) fraudulent claims; and

(b) the failure of employers to pay the required workers' compensation premiums or otherwise fail to comply with their obligations.

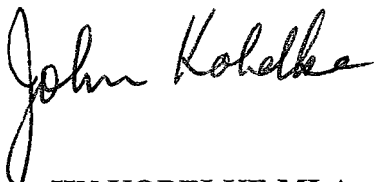
- The methods used for detecting fraud are determined in accordance with the organisational policy of each approved insurer or self insurer and vary depending on the circumstances of each case. Where fraudulent claims are suspected insurance assessors would thoroughly investigate the suspect claim and surveillance may even be instigated in certain circumstances.
- With respect to current methods to ensure employers pay the required workers' compensation premium, it should be noted that within the West Australian workers' compensation system the policy of insurance is a contractual relationship between the insurer and the employer and the responsibility for collection of premium is a matter between those parties. Approved insurers have the power under their contract of insurance to conduct wages audits to ascertain the accuracy of employer declarations and they do so regularly. As a matter of policy, WorkCover WA conducts wage audits where approved insurers have difficulty accessing the books of insured employers in accordance with an established protocol, as part of the investigation of matters that are referred.
- In regard to the methods to ensure employer compliance with other obligations under the Act, the Workers' Compensation and Rehabilitation Commission has for many years ensured approved insurers provide 'online' details of workers' compensation policies promptly and this process has enhanced compliance. All businesses that have policies which are lapsed following the expiration of the period of cover are followed up as part of WorkCover WA's inspection programme. WorkCover WA also undertakes regional, locality, new business and targeted industry field based inspection activities to actively verify employers requiring coverage hold current workers' compensation policies. During 2001/02 a total of 22,288 inspections were undertaken. Of these 11,966 related to lapsed workers' compensation policies and new business inspections accounted for 4,555. These inspection activities identified 166 businesses failing to maintain a current workers' compensation policy of insurance.

Factors that lead to different safety records and claims profiles from industry to industry, and the adequacy, appropriateness and practicality of rehabilitation programs and their benefits.

- It is suggested this item in the terms of reference be more clearly defined.
- The definition of injury management, occupational rehabilitation, return to work outcomes and the range of rehabilitation programs vary considerably between Australian jurisdictions, therefore any comment on the effectiveness of rehabilitation programs should firstly clarify the parameters of the review.
- Notwithstanding these differences, the majority of jurisdictions adopt an injury management perspective which requires a structured approach by employers and insurers to manage injury and should not be confused with specialized occupational rehabilitation assistance usually provided to a small proportion of injured workers as the majority of interventions are undertaken in the workplace. In Western Australia the emphasis on workplace solutions has resulted in employers becoming educated consumers of vocational rehabilitation services and are more able to determine when to utilise specialised services and discriminate between the range of services offered. This has resulted in growing pressure on service providers to become more accountable for the services they provide and the costs and outcomes achieved.
- While the success of early identification of cases requiring specialist intervention is well documented, it must be acknowledged that specialist intervention is not always required or appropriate. In fact the majority of injured workers return to work without assistance from specialist interventions. If an employer has developed internal return to work processes it is probable fewer cases will be managed by external providers. There is growing support across all jurisdictions for the need to examine the effectiveness of specialized occupational rehabilitation services in providing a cost effective solution to return to work.

I trust this information is of assistance.

Yours sincerely



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MINISTER FOR CONSUMER
AND EMPLOYMENT PROTECTION**

13 AUG 2002