

# Allianz Australia

## Options for greater involvement by private sector life insurers in worker rehabilitation

### Executive Summary

Allianz Australia is one of Australia's largest general insurers and protects over three million customers, their assets, livelihood and lives. Allianz has a long history in the personal injury sector, including workers compensation and compulsory third party insurance. As specialists in insurance and personal injury claims management we appreciate the opportunity to submit to the Parliamentary Joint Committee our view regarding the options for greater involvement by private sector life insurers in worker rehabilitation.

Current legislative and regulatory constraints prohibit the payment of a claimant's medical expenses by life insurers which can result in treatment being delayed or in some cases, completely forgone. Delays in receiving access to timely, quality treatment often results in poorer health, recovery and return to work outcomes for the individual claimant which can also negatively impact the mental and financial wellbeing of their family and broader work and social networks.

For clarity, this submission refers to the provision of medical treatment / medical rehabilitation, which collectively includes the medical care provided to a patient in regard to an illness or injury (and is currently prohibited under legislation). This is distinct from vocational rehabilitation, which can and has historically been offered by life insurers to assist claimants to return to work, and which is not currently prohibited under legislation.

Amending legislation to allow early access to medical treatment promoting recovery and return to work is likely to have broad benefits extending to the financial, medical and social.

### Current legislative / regulatory environment

The current combination of legislation and regulation, and the interaction between individual Acts and insurance sectors, precludes the payment of medical services by private life insurers. For example, Section 126 of the Health Insurance Act 1973 prohibits coverage for any medical expense for which a Medicare benefit is payable. Similarly, The Private Health Insurance Act 2007 prohibits life insurers from indemnifying individuals for expenses incurred for hospital or general treatment.

### Impact of current legislation / regulation

The inability of life insurers to provide medical treatment to facilitate the rehabilitation of claimants can lead to the following:

- Treatment not being sought at all due a claimant being unable to afford it
- Delay in treatment whilst a claimant saves the necessary funds
- Delay in treatment due to gaps in private health insurance coverage
- For those without private health insurance delays in treatment due to waiting time for Medicare funded specialists, procedures and treatments.

Both private health insurance policies and provisions under public health schemes have caps on treatment availability. Under a Mental Health Care Plan with Medicare for example, an individual can only access 10 sessions of psychological treatment per year, regardless of the severity of their condition.

Treatment delays can also be experienced under these systems with some treatments and conditions attracting mandatory waiting periods under private insurers and a lack of availability of public services leading to waiting lists.

### Delay in treatment due to public system waiting periods

Hospital waiting periods across Australia have increased by nearly 3% since 2012/2013.<sup>1</sup> These rates differ across states and territories and metropolitan versus remote areas. Particular areas of concern are those such as Tasmania where there is a higher proportion of retirees / aged population, and remote areas where services are more generally underfunded and understaffed.<sup>2</sup> The University of Western Australia has estimated that as many as 1500 Australians each year suffer unnecessarily poor health outcomes due to overcrowding and public hospital waiting times.<sup>3</sup>

Given Australia's growing and aging population, there is a danger of added pressure on these services and for an increase in waiting periods.

### Impact on the claimant from the current system

Delaying appropriate treatment, and in some cases, preventing treatment from occurring at all, can and does have negative consequences for claimants. Studies in the United States of America have directly measured health and quality of life scores in those delaying or forgoing treatment against those seeking necessary medical care and have noted significant outcome differences.<sup>4</sup> Other international studies have noted poorer outcomes and longer recovery periods associated with delays in treatment, from muscle injury to mental health conditions to chronic disease. Poorer physical and cognitive outcomes have been noted due to delays in physical therapy, cognitive therapy and administration of appropriate medication. Hospital admission length has been shown to increase along

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<sup>1</sup> Australian Institute of Health and Welfare, Elective surgery waiting times 2016-17, Australian hospital statistics. *Health Services Series* 82. Cat. No. HSE 197 Canberra: AIHW, 2017

<sup>2</sup> *ibid*

<sup>3</sup> *ibid*

<sup>4</sup> J Chen, J Rizzo, and H Rodriguez, The Health Effects of Cost-Related Treatment Delays. *American Journal of Medical Quality*, 2011, 26 (4), 261-271

with patient harm and suffering.<sup>5</sup>

Experience in the workers compensation environment has shown us first-hand the human and financial impacts of delaying appropriate treatment. Portfolio analysis shows that on average when early access to medical treatment isn't available there are worse return to work rates and higher claims costs.<sup>6</sup>

Further, being unable to afford timely access to appropriate medical intervention has been shown to not only impact recovery timeframes and outcomes, but also the ongoing financial stability of families. With the ongoing medical costs associated with poorer recovery outcomes and the often subsequent (temporary or permanent) worklessness, financial hardship can be experienced quickly. Despite income protection or TPD payments, increased strain on finances is unavoidable.

The financial hardship placed on individuals related to funding necessary medical intervention can lead to psychological distress. This psychological distress can lead to unhelpful coping mechanisms and health damaging behaviours. Inactivity, social withdrawal, malnutrition, reliance on drugs and alcohol can all be associated with increased anxiety or depression due to health and financial difficulties.<sup>7</sup> Psychological stress has been shown to have widespread negative impacts across a number of different body systems, from the more obvious mental and cognitive functioning to the more seemingly unrelated functions such as wound healing.<sup>8,9</sup>

Multiple studies, including publications from our own Australasian Faculty of Occupational and Environmental Medicine (AFOEM), maintain that the longer someone is away from work, the less chance they have of ever returning, regardless of the original reason for absence. As little as 45 days off work has been shown in some schemes to reduce the likelihood of return to work by 50%. Not only does work absence lessen the chances of return to work, but also recovery. The resultant worklessness also exposes individuals to greater health risks including:

- An increased risk of dying from chronic disease
- Poorer physical health from chronic and communicable diseases
- Higher rates of hospital admission
- Poorer mental health and wellbeing
- Social isolation
- An increased risk of suicide

### Wider impacts of legislative / regulatory restrictions

Poorer health and return to work outcomes for individuals under life insurance schemes impacts more than individual claimants. The effect on families can be seen in financial hardship and increased psychological stress for both partners and children.<sup>10</sup>

<sup>5</sup> S Nagar, N Davey, Reducing avoidable time delays in immediate medication administration – learning from a failed intervention. *BMJ Open Quality*, 2015 (4)

<sup>6</sup> Allianz Australia, *Insurance for New South Wales Return to Work Report*, April 2018

<sup>7</sup> Reviewed by Smitha Bhandari, MD, *WebMD*, Untreated Depression, <https://www.webmd.com/depression/guide/untreated-depression-effects#1>, 8 May 2018

<sup>8</sup> J Gouin and JK Kiecolt-Glaser, The Impact of Psychological Stress on Wound Healing: Methods and Mechanisms, *Immunology and Allergy Clinics of North America*, 2011, 31 (1), 81-93

<sup>9</sup> J Denollet, A general propensity to psychological distress affects cardiovascular outcomes: Evidence from research on the type D (distressed) personality profile. *Cardiovascular Quality and Outcomes*, 2010, 3, 456-557

<sup>10</sup> Menzies Centre for Health Policy at the University of Sydney, *Survey of attitudes towards the Australian health system*, [http://www.menzieshealthpolicy.edu.au/mn\\_survey/Report 2 - Financial stress - release.pdf](http://www.menzieshealthpolicy.edu.au/mn_survey/Report 2 - Financial stress - release.pdf), 2008

Less than optimum outcomes also increase the costs which insurers shoulder in policy coverage, ultimately increasing premiums and reducing affordability for segments of the community. The increased reliance on the public health system and various welfare schemes such as unemployment or disability support benefits, are obvious.

Changes to legislation allowing payment for medical treatment in a timely manner could lead to an overall reduction in average claims costs. This reduction in claims costs could be passed on to consumers through a reduction in premiums, making life insurance more affordable to a wider selection of the community, reducing pressures on public and social schemes.

Within the workers compensation sector, where both income support and medical treatment costs are accessible, by far the greatest proportion of claims costs are income support payments.<sup>11</sup> It is generally established that payment for medical expenses which enable a return to function and work, generally yields a positive return on investment. Under this model, ensuring an informed and targeted approach to treatment provision is crucial. In the workers compensation environment within Allianz, claims staff are provided with training and access to medical and allied health professionals to assist in assessing requests for medical treatment and ensuring a targeted approach to provision of treatment which increases function.

For private and government employers, having employees out of the workforce increases costs in replacement staff, recruitment, retraining, damage to morale and culture.

### **Potential benefits of a change in legislation**

Modification to the existing legislative framework around life insurers' involvement in the provision of treatment and rehabilitation could have significant and wide-reaching benefits. Allowing life insurers to provide financial assistance to access timely and appropriate medical treatment to claimants would likely result in better health, recovery and return to work outcomes.

Early intervention, in medicine and return to work, has been established as producing superior outcomes. Delay in access to treatment leads to poorer physical, psychological and cognitive functioning, increased pain and lower chances of return to work.

Several compensation schemes have put some sort of provisional liability mechanism in place in order to support early access to medical treatment as well as income support, recognising the positive relationship between these factors and ultimate outcomes. Analysis of the South Australian workers compensation scheme's introduction of this concept indicated noticeable improvements in psychological wellbeing of workers.

Early intervention is supported by early reporting of injuries or conditions. Modifying legislation to allow access to medical care early on could act as an incentive for early reporting of conditions. This in turn would allow allocation of case managers, giving claimants access to professionals trained to facilitate optimal outcomes in the sector.

Improving access to early intervention services includes promoting the use of work as rehabilitation, recognising and promoting the health benefits of 'good' work. The Consensus Statement put forward by the AFOEM outlines the strong evidence of the health benefits of good work and brings together

signatory stakeholders with the aim of continuous improvement in this area. As a signatory to this statement, and having members on the Signatories Steering Group, Allianz Australia is committed to this agenda and supports its relevance and the benefits to the outcomes in life insurance, also recognising the several other life insurers who are signatories.

Improving health and return to work outcomes through early access to medical intervention would likely have a positive flow on effect to increasing workforce participation, reducing reliance on public health and welfare schemes and ultimate economic benefit for government and the community.

### **The changing role of life insurers**

A potential change in legislation within this field presents an opportunity to cement the already changing role of life insurers. The primary purpose of modern life insurers is to be an active part of the wider team supporting claimants' return to work, recovery and overall wellbeing. Allowing payment for all services, including treatment, contributes to returning a claimant to near or full capacity. This allows a return to meaningful work / social / community involvement and has financial benefits for claimants, insurers, governments and communities.

### **Recommendation**

Allianz supports legislative change that would improve timely access to treatment through enabling life insurers to fund treatment programs that would improve a claimant's capacity to work and quality of life. Such legislation would promote optimal recovery from injury and illness and mitigate the effects of long-term disablement and worklessness.

Should such legislation be passed, Allianz would recommend guidelines be implemented to support the targeted application of treatment. Guidelines would ensure treatment is only applied where there is supporting medical evidence reducing the likelihood of claimants forming a dependency on treatment and the possibility of providers encouraging treatment that may be unnecessary or no longer beneficial.

Allianz would welcome the opportunity to further elaborate on any points in our submission and to participate in any further deliberation of the committee.

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