

Claims costs and claims management

Statutory claims trends

Rising statutory claims costs is a trend being experienced across all workers' compensation jurisdictions in Australia. Longer statutory claim durations and more mental injury claims are placing pressure on our financial position and impacting the outcomes for our customers after a workplace injury. Addressing this has been a priority in 2021-2022.

Despite a 3.1% decrease in accepted statutory claim numbers from the previous year, statutory claims costs totalled \$1,268.3M for the 2021-2022 year, a 9.7% increase from last year. The average statutory claim duration (measured by the number of paid days) increased from 53.7 days in 2020-2021 to 57 days in 2021-2022.

There are several factors contributing to this growth in statutory claims costs including growth in the rate of mental injury claims.

Mental injuries

In 2021-2022, 1,974 primary mental injury claims were accepted. This is a 14.5% increase from 2020-2021 and continues the rising trend in the number of mental injury claims (nearly 100% growth since 2017-2018). We anticipate the upward trend will continue into the next financial year.

The increase in primary mental injury claims coincides with legislative changes and initiatives enhancing the support for workers with mental injuries including:

- the introduction of early intervention treatment for workers prior to a decision about their mental injury claim in October 2019
- the introduction of the administrative policy to proactively determine trauma-related mental injury claims for first responders in August 2020, and
- the introduction of presumptive legislation for particular workers with PTSD in May 2021.

These claims are by their nature more complex to determine and manage, and consistently result in

substantially longer claim durations and poorer return to work outcomes than claims for physical injuries.

In Queensland, mental injury claims:

- currently represent 10.6% of total statutory payments (\$134 million for 2021-2022)
- have an average annual claim cost of \$20,392 (\$17,016 in 2020-2021). This cost is almost double the average annual claim cost of physical injuries (\$11,075 for 2021-2022)
- take three times longer to decide (around 32.9 working days) than physical injuries (9.9 working days), and
- have higher periods of time lost (128.2 average annual paid days) than for physical claims (52.5 average annual paid days).

WorkCover is also experiencing a significant growth in secondary mental injuries claims (mental injury claims that arise with or following a physical injury) that is impacting the duration and cost of statutory claims and the conversion rate to common law. Approximately 2,600 statutory claims had an accepted secondary mental injury. This is an upward trend that is consistent across other jurisdictions.

This is partly attributable to earlier identification of these conditions during a statutory claim, improved data recording and a better acceptance in the community of mental health issues.

Return to work outcomes

Our claims management approach is focused on early intervention and understanding and addressing the biopsychosocial risks that may impact a worker's recovery and return to work after their injury. In most cases, workers can safely return to their pre-injury job but sometimes we need to help workers find a new role at the same employer or find a new role with a new employer. This is more challenging if the worker is also experiencing secondary mental health concerns during their recovery.

In 2021-2022 the average number of days to the first return to work after injury and the number of workers

who had returned to work at 12 weeks after their injury remained stable despite an increase in claims mix complexity and challenging external factors including delays in treatment and surgery availability and access to suitable duties. We have maintained our focus on early intervention for those workers at risk of poor outcomes as evidence confirms that being out of work for long periods of time following injury decreases the likelihood of workers ever returning to work.

Queensland recorded positive results in comparison to other jurisdictions in [Safe Work Australia's 2021 National Return to Work Survey](#) with 84% of workers independently surveyed reporting they had returned to work since injury and were currently in paid employment, compared to the National average of 81%.

WorkCover also measures the final return to work outcome at the end of a statutory claim. We did not achieve our corporate target of 93.1%. Our result for 2021-2022 was less than 91.5%.

During 2021-2022, through our quality assurance monitoring and independent internal auditing, we identified instances where we did not correctly record the final return to work outcome when we closed the claim. That creates the risk of this metric being materially misstated. The error rate was established through internal reviews and independently verified through internal audit. Based on the analysis, there is a 95% probability that the true final return to work rate is between 84.4% and 91.5% with a margin of error of 3.5%. We have a number of improvements underway to improve the accuracy of the final return to work result in the future. This includes additional training for our people, reviewing our policies and procedures and ongoing quality assurance and audits. Where we have identified errors in coding we have corrected these errors to improve accuracy of the reported result.

Our Employment Connect program, part of WorkCover's accredited rehabilitation and return to work program, provides support to those workers who have been unable to return to work because of their injury at the time their statutory claim finalises. In 2021-2022, this program assisted 216 workers, with 41% of participants achieving a successful return to work outcome at the completion of the program.

During 2021-2022, through our quality assurance monitoring and independent internal auditing, we identified instances where we did not correctly consider some workers for referral to the program under the 2019 amendments to section 220 of the Act. WorkCover self-reported this compliance issue to the Workers' Compensation Regulatory Service and we are currently actioning a number of improvement opportunities to address this issue. These include improvements to our systems and processes and further training and technical support for our people. Where we have identified workers that should have been referred to the program, we have immediately rectified that issue and offered ongoing return to work support. This issue and the return to work recording issue continue to be closely monitored by our Executive and Board with ongoing reporting to the Workers' Compensation Regulatory Service.

Statutory claims management strategies

WorkCover has implemented the following strategies to improve outcomes for our customers and address issues surrounding rising claims costs:

- **Earlier claims decisions** – our focus has been on reducing the number of days to decide claims so that we can support workers and employers as soon as possible after an injury. In January 2022 we centralised our claims determination teams into our New Claims Group and we have experienced an improvement in the number of claims we are deciding within five days
- **Early risk identification and data insights** – continued refinement of our triage approach and data analytics, to better identify and manage high risk claims. We continued to embed our tailored care and support approach to claims management in 2021-2022. Our Customer Advisors have access to evidence-based tools that provide greater insights into the risk factors present on a claim and how these factors correlate with recovery and return to work outcomes
- **Better education and support for employers** – the insights provided by our risk assessment tools show that a worker's ability to cope with their injury and a lack of employer support are the two risk factors that have the strongest correlation with poor outcomes. In response to these findings, we created a suite of resources for

employers promoting the benefits of supporting injured workers back to work and continue to focus on interventions to address these two key risk factors

- **More access to medical and allied health care** – COVID-19 caused delays for workers to obtain and safely attend medical appointments. Medical and allied health providers are now experiencing high demand for their services and we continually work closely with them to increase appointment availability for injured workers
- **Coaching and capability uplift for our people** – investing in better learning support platforms and dedicated technical support roles to ensure we continue to develop our people’s capability to manage claims and achieve better outcomes
- **Organisational structure redesign to increase our focus** – in January 2022 WorkCover established the Claims Management Group, which is focused on delivering improved statutory claims outcomes through a more targeted focus on claims management
- **Technology upgrades** – better use of technology to remove administrative work and streamline experiences for our people and our customers
- **A focus on better support for mental injury** – our mental injury treatment guidelines support our people and health providers in managing these claims. The guidelines were developed with input from providers and professional associations and are continuously reviewed and maintained to ensure the information remains current and relevant. The experiences of WorkCover Customer Advisors and providers using this resource have been positive, as it provides transparent guidance and consistency in response to treatment requests, and
- **Referrals to RTW providers** – we have worked closely with our existing provider panel to build capacity and improve outcomes through our new return to work services mentoring program and regular performance discussions supported by our tailored scorecard.

Common law trends

The number of new common law claims was in line with expectations. This has been gradually increasing in recent years and we are closely monitoring this trend as longer duration statutory claims and

secondary mental injury claims have higher rates of conversion to common law.

In 2021-2022, 58% of common law claims involved either a primary or secondary mental injury. This is putting upward pressure on the average damages, legal costs and durations of common law claims and the outstanding claims provision. Despite this change in the claims mix, we were able to resolve our damages claims within our target, with the average cost of a common law claim at \$191,167 (target of \$199,000). This outcome was achieved through strong oversight and quality control of our external legal partners. We also leveraged data insights to optimise our claim allocations to our lawyers, with claims being allocated to our lawyers with proven expertise and outcomes on different claim types. We also worked with our legal partners to develop claims protocols and quality assurance processes to manage emerging risks in our common law claims portfolio.

Silicosis and Occupational Diseases

We continue to work closely with the Office of Industrial Relations (OIR) and Resources Safety and Health Queensland (RSHQ) to support workers with mine dust lung diseases.

As at 30 June 2022, WorkCover had completed the health screening of 1,053 stonemasons exposed to crystalline silica dust from engineered stone.

253 workers have been diagnosed with a work-related condition. We are helping them with their recovery and rehabilitation and providing compensation for their loss of wages.

Some of these workers were diagnosed through other health screening options and they have lodged claims with WorkCover. Of these workers:

- 36 have a diagnosis of progressive massive fibrosis (PMF)
- 13 have a respiratory condition that is not silicosis, and
- 204 have silicosis (non PMF).

During 2021-2022, a small number of new silicosis claims relating to manufactured stone were received. Silicosis diagnosis, treatment and claims costs have added \$51.8M to scheme costs in 2021-2022.