2011 ACC Forum

What does the analysis of ACC claims from the “Stocktake” Report tell us?

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Purpose

Government claims:
- “The comprehensive Stocktake analysis showed [the Accredited Employer Programme - AEP] delivered safer workplaces with 12% fewer claims and more effective rehabilitation with 15% lower costs”

Regarding the proposed changes:
- “Benefit: More focus on workplace safety and injury prevention
- Risk: Employers may put pressure on workers to not lodge claims or to characterise them as non-work claims”

*Where does the truth lie?*
Melville Jessup Weaver and Martin Jenkins: *Review of Employer-managed Workplace Injury Claims* (June 2010)

- Commissioned for the Stocktake review
- Analysis of claims in order to compare accredited and standard employers [SEs] using ACC claim data

This presentation looks at the results of that analysis in the light of the above assertions
Nature of the data analysis

Three inherent problems:

1. All claims are accidents, but not all accidents are claims
   - So claim rate is not necessarily accident rate
   - Incentive for self-managing (or experience-rated) employers to hide accidents from claims
   - Moral hazard from principal-agent problem
Nature of the data analysis

- Three inherent problems:

2. “Adverse selection”
   - Employers with better safety records are more likely to choose AEP
   - Rather than that AEP causes better safety practices
   - Not controlled for
   - E.g. what does this signify:
     “the standard employers’ claim rate [per $1m liable earnings] is 14% higher than the accredited employers’ claim rate”

(p.33, body)
Nature of the data analysis

- Three inherent problems:
  3. Cost of claims tells us nothing about quality of treatment
     - E.g. “Standard employers spend a considerably higher total amount on social rehabilitation than accredited employers. In contrast accredited employers spend a very small sum on vocational rehabilitation compared to standard employers. This is probably to be expected as the vocational rehabilitation by the accredited employers will be time spent at the workplace.”

(p.30, body of report)
Technical issues

- Data analysed as at 31 December 2009 (since July 2000) – so only half the 2009/10 year
- In 30% of claims the employer could not be identified
- Multivariate analysis completed only for Weekly Compensation claims (170,000 out of 1.15 million, but $1.6b out of $1.84b)
- Administration costs of accredited employers not taken into account
Safer workplaces?

- Can’t tell because claims records aren’t accident records, don’t know if there is adverse selection
- Do know that claim durations and claim rates fell faster for Standard Employers than AEs:

  “Finding”
  
  There is no evidence to support the hypothesis that accredited employers show greater improvements in rates of claims over time.”

- “holding all else constant, the [weekly compensation] claim rate decreases by 6% per annum for SEs but remains constant for AEs”.

“The comprehensive Stocktake analysis showed [the AEP] delivered safer workplaces with 12% fewer claims and more effective rehabilitation with 15% lower costs”
“Overall the standard employers have a lower duration than the accredited employer claims.”
Claim rates, employers in SLB10 with WSMP discount 15%
Modelled result

SLB = “Standard Levy Band” – One of 19 groupings of employers by standard levy rate, created for the report.
Claim rates, employers in SLB1 with WSMP discount 20%
Modelled result
Medical only claims
Raw data


- AE
- SE
12% fewer claims?

“The standard employers’ claim rate [per $1m liable earnings] is 14% higher than the accredited employers’ claim rate”

- But claim rates were falling over the period
- By 2008/09 the SE rates were lower than the AE rates (raw data) – 1.54 to 1.60
- Even the claims rates for weekly compensation were virtually the same when corrected for industry risk – 2.9 to 3.0

“...the comprehensive Stocktake analysis showed [the AEP] delivered safer workplaces with 12% fewer claims and more effective rehabilitation with 15% lower costs”
And do claims represent accidents?

Scandinavian review of research (2007): experience rating coupled with safety inspections reduced the number of injuries, but not necessarily the severity: small claims may have been suppressed.

Could it happen here?

Q: Do accredited employers have a higher propensity to test programme boundaries?
A: Accredited employers have lower acceptance rates for all 3 claim types (39% declined compared to 6% for SEs).

Review suggests it could partly be data problems.

“The comprehensive Stocktake analysis showed [the AEP] delivered safer workplaces with 12% fewer claims and more effective rehabilitation with 15% lower costs”
More effective rehabilitation?

- If faster return to work is indication, then SEs are better –
  “for weekly compensation claims accredited employers have shorter average claim durations than standard employers for early cover years with the reverse being true for cover years since 2006/07”.

- Similar picture from finalisation rates: SEs better up to 12 months, same as AEs above that

- Reopen rates for AEs higher than SEs.

“The comprehensive Stocktake analysis showed [the AEP] delivered safer workplaces with 12% fewer claims and more effective rehabilitation with 15% lower costs”
15% lower costs?

- Correct overall, but...
- 34% *higher* cost of “Medical only” claims – “consistent with” claimants not having to pay surcharge on some treatments” – but is that the reason?
- Similarly AEs have higher cost on “other entitlements”
- Reason for lower cost is weekly compensation

“The comprehensive Stocktake analysis showed [the AEP] delivered safer workplaces with 12% fewer claims and more effective rehabilitation with 15% lower costs”
Median claim size (cost) for 20% WSMP discount, SLB10 medium duration claims
Modelled result
Median claim size for 10% WSMP discount, SLB10 short duration claims

Modelled result
15% lower costs?

- **Huge difference** – e.g. $42,000 vs $25,000 at 36-48 months.
- No explanation other than:
  “Standard employers spend a considerably higher total amount on social rehabilitation than accredited employers. In contrast accredited employers spend a very small sum on vocational rehabilitation compared to standard employers. This is probably to be expected as the vocational rehabilitation by the accredited employers will be time spent at the workplace.”
- Quality issue?
- Or are AEs absorbing cost as normal pay to employees under rehabilitation – so not reported
- No account taken of relative incomes of AE and SE employees

“The comprehensive Stocktake analysis showed [the AEP] delivered safer workplaces with 12% fewer claims and more effective rehabilitation with 15% lower costs”
Conclusion

CTU critical view of AEP reinforced:

- supported the introduction of the AEP but with some scepticism
- evidence a joint employer union programme can be very effective in achieving good injury prevention and rehabilitation practice.
- e.g. RMTU and KiwiRail
Conclusion

- Issues not simple
- But simplistic and inaccurate picture being used to justify major change
- Not at all clear that AE is better than SE
- In many aspects worse
- Needs much deeper analysis than provided