

## Auditor-General's Report: Claims Management by the Victorian WorkCover Authority

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### Introduction

The WorkCover scheme encompasses injury prevention and offers rehabilitation and compensation for workers suffering work-related injuries and illnesses. It is primarily funded from insurance premiums paid by employers and investment returns and is supported by a compulsory insurance system that covers employers for the cost of providing benefits to injured workers. These benefits cover both economic and non-economic losses and may continue for life.

The Victoria WorkCover Authority (VWA) administers the scheme through six authorised private service providers, known as agents, who manage claims and provide services to employers and injured workers consistent with the legislation and the standards and procedures set by VWA.

In 2002 VWA introduced a new claims management model as part of a wider reform program to improve its performance in core business areas. The new model aimed to improve return to work (RTW) outcomes, achieve cost-effective claims management, and to enhance the overall effectiveness of case, injury and medical management. Under the model, claims are triaged and segmented according to risk, where low-risk claims are handled quickly and high-risk claims are actively managed.

The objective of the audit was to assess the effectiveness and efficiency of claims management by VWA. The audit examined the policies, procedures and activities of VWA and its six agents, with a particular emphasis on the arrangements for managing high-risk claims, and whether:

- the management of claims is maximising both outcomes for injured workers and the financial sustainability of the scheme
- agents are managing high-risk claims in accordance with VWA's claims management model
- VWA's arrangements for monitoring and improving performance of claims management are effective.

### Conclusions

The main conclusions from the audit were:

- VWA's management of high-risk claims is maximising the financial sustainability of the scheme. Since 2002 claims management initiatives have contributed to a significant reduction in projected liabilities of \$2.9 billion and the scheme has remained in a sound financial position over the last five years.
- There is scope for the VWA to improve agents' case management practices in order to better maximise outcomes for injured workers. To achieve this, VWA will need to reduce industry turnover, strengthen the capability of its claims staff, and adopt a stronger focus on monitoring and improving the effectiveness of case management.

The audit found that:

- The claims management model introduced in 2002 is a sound framework for managing high-risk claims. However, while the model has stopped the deterioration in RTW and successfully reduced the cost and duration of claims, it has not substantially improved RTW outcomes.
- Agents' case management practices were considered generally adequate; however, there is substantial scope for improving agents' performance.
- Effective case management under VWA's claims management model depends on the capacity and capability of multidisciplinary teams (MDTs). However, there are significant annual staff turnover rates across both agents and MDT positions resulting in a lack of stability and continuity within MDTs.
- VWA and agents have taken positive steps to enhance claims management staff capabilities with internal and industry-wide training programs. However, it will be some time before the results of these programs can be fully realised and assessed.
- The financial performance of the WorkCover scheme has improved significantly since the claims management model was introduced in 2002. Consecutive reductions in projected claims liabilities linked to claims management initiatives during the past five years, have helped maintain a fully-funded scheme.
- There is a need to strengthen VWA's current performance monitoring arrangements because:
  - it does not have a structured framework for systematically evaluating and reporting on the overall effectiveness of agents' case management, and achievement of good practice, and
  - agents are not remunerated on the basis of their performance against quality measures linked directly to good practice in case management.

## Recommendations

The report has three recommendations directed at improving agents' case management, capability and VWA's associated performance monitoring arrangements.

This report was tabled in the Victorian Parliament on 3 June 2009

The full text of the report is available on the office's website: <[www.audit.vic.gov.au](http://www.audit.vic.gov.au)>

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