

# Audit Reports Summaries

## Audit Report No. 22 1995-96

### Summary

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#### Comcare Australia and Selected Agencies

#### WORKERS' COMPENSATION CASE MANAGEMENT

#### Performance Audit

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#### Background

Workplace injuries and illnesses cost Australians at least \$10 billion annually. Comcare Australia (Comcare) administers the Commonwealth workers' compensation scheme covering some 255 000 public sector employees. In 1994-95 Comcare dealt with 19 000 claims and paid out \$205 million in compensation benefits and associated medical and other expenses. This does not include the indirect financial and human costs borne by employers, employees, their families and the community, which are generally accepted to be many times direct costs. The outstanding liability for claims against the Commonwealth scheme is estimated at \$1.3 billion. *The Safety, Rehabilitation and Compensation Act 1992* (SRC Act), which established the Commonwealth workers' compensation scheme, created Comcare as the administrator of the scheme but affirmed the responsibility of employers to provide an occupational rehabilitation program for employees.

#### Audit purpose and scope

The audit examined the role of Comcare, employers and other key stakeholders in effecting an early and permanent return to work for injured employees. Case management practices in Comcare and selected agencies were reviewed to form an opinion on the efficiency, economy and administrative effectiveness of those practices and management of the rehabilitation function. The audit did not examine the administration of injured workers' compensation claims nor the effectiveness of the policy which requires employers to comply with the Comcare Return to Work (RTW) model.

#### Key findings

- Comcare should improve its reporting on the operation of the scheme to ensure adequate information is available to permit observers to assess performance against organisational objectives, the performance of the Comcare RTW model and its emphasis on workplace-based rehabilitation;
- Comcare does not always provide to employers (and through them, case managers) the level of service they seek or that Comcare promises;
- Comcare's current quality assurance approach does not provide employers the assurance of quality services from rehabilitation providers. Although the process

appears adequate for the purposes, actual implementation could be made more effective;

- agencies comply broadly with their legislated responsibilities and have generally established an appropriate rehabilitation environment, although there is scope for improvement;
- many of the problems in individual RTW programs identified during the audit can be related to agencies not ensuring the active **management** of an employee's RTW;
- few agencies review the conduct and outcomes of individual RTW programs as a means of seeking continuous improvement and few consider the performance of their case managers except in the most rudimentary fashion; and
- none of the agencies reviewed evaluated its rehabilitation activity overall or assessed its contribution to the agency's workers' compensation experiences, although some are now recognising the benefits of effectively managing this activity.

## Overall conclusion

The workers' compensation and rehabilitation process is highly complex, involving significant emotional, financial, legal and policy issues as well as issues related to quality of life generally and quality of working life in particular. Although all stakeholders are essentially focused on the same outcome (the return to work of the injured employee) there can be apparent conflicts between the human and organisational motivations. It is important that stakeholders are pragmatic as well as sensitive in their approach to the rehabilitation of injured employees.

Achieving optimum outcomes from the workers' compensation process may depend very much on the individuals involved, particularly the injured employee, the case manager and relevant line managers. Agencies can respond to the RTW needs of an employee only within their resource capability; employers are finding some of the obligations of the RTW model increasingly onerous. For example, many agencies, particularly the smaller ones and those with a more specialised function, find it increasingly difficult to offer injured employees suitable and meaningful employment within the medical restrictions imposed. Redeployment within the agency or to other agencies is not often a viable option.

Within this context, the ANAO observes that Comcare has been generally responsive to its changing environment, for example by creating a specialised unit to deal with the increasing burden of stress-related injuries. However, in the ANAO's view Comcare has not adequately evaluated the efficiency or effectiveness of its RTW model and consequently may have too readily dismissed research that casts doubts on it. The ANAO has concluded that an evaluation of the RTW model should not only settle the issue but would also encourage early action to improve its effectiveness if that proved necessary.

With respect to the agencies administering the case management aspects of the RTW model, the principal conclusion is that agencies generally have not fully recognised the importance of actively managing the return to work of an injured employee as a means of reducing the costs of workers' compensation. The link between early action to identify injured employees leading to action to safely return them to work and the longer-term effect on workers' compensation premiums has not necessarily been made.

The ANAO considers it particularly important that agencies:

- have a clear policy framework for the RTW function that links case management to program objectives, emphasises the importance of active management of the RTW function and individual RTW cases, and includes performance measures;
- ensure that case management is delivered in response to the identified needs of the individual;
- support the ongoing development of skilled case managers;
- improve the evaluation of the RTW function, focusing on the effect of case management in the workplace; and
- develop, in partnership with Comcare, strategies aimed at managing and ultimately reducing their Comcare premiums. Active case management should be a feature of such strategies.

As an outcome of this audit, the ANAO has developed a case management approach that represents a distillation of the better practice observed into a single, consistent set of proposals. The ANAO considers the approach is one that would help to raise the efficiency and effectiveness of case management activities in agencies, leading to improved return to work outcomes and concomitant savings in workers' compensation costs.

The Better Practice Guide to Workers' Compensation Case Management provides guidance on:

- the relationship of case management to the agency's RTW policy and environment;
- comprehensive workplace-based management processes and procedures, emphasising the need for efficient management of individual cases; and
- a means to evaluate the RTW function.

Comcare and the audited agencies have strongly supported the Better Practice Guide.