



REPORT OF THE
REVIEW OF MEDICAL AND
ASSOCIATED COSTS
IN THE WESTERN AUSTRALIAN
WORKERS' COMPENSATION SYSTEM

TO THE:
MINISTER FOR LABOUR RELATIONS
HONOURABLE CHERYL EDWARDES (MRS) MLA

PRESENTED BY:
MR JOHN KNOWLES (CHAIRMAN)
MR NIGEL GLASS AND
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EXECUTIVE SUMMARY

A priority of the Western Australian workers' compensation system is the provision of high quality medical and allied health services to injured workers at reasonable cost to employers. Within the Australian context the medical practitioner plays a pivotal role in overall workers' compensation performance, particularly as it relates to injury management and return-to-work. In Western Australia, workers' compensation scheme costs relating to medical, hospital and all other treatment account for the second highest workers' compensation scheme expenditure after income replacement (excluding common law).

The achievement of a balance between delivering effective, high quality medical and allied health services and maintaining reasonable expenditure for these services continues to be a major challenge at a national and State level.

Western Australian workers' compensation scheme data indicates a continued rise in medical and associated costs. In real terms, these costs have grown faster than all other costs in the workers' compensation system. These costs also accounted for approximately 18% of all claims payments in 1998/1999. Medical practitioner and medical specialist costs account for more than half of these expenses and overall account for approximately 10% of all workers' compensation scheme costs (WorkCover WA, 2000).

National comparisons indicate that Western Australia records the highest medical and other service costs¹ as a proportion of total workers' compensation expenditure. In 1998, Western Australia recorded 26.7% of total expenditure on medical and other services costs as compared to the national average of 20.8%. In Western Australia, costs such as employees' legal costs (where the employee has paid these costs) are not recorded, further emphasising the magnitude of medical and other service costs compared to other Australian jurisdictions.

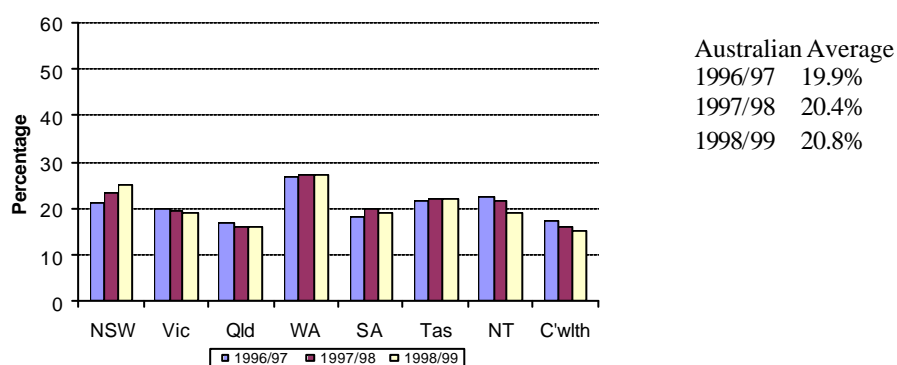


Figure 1. Medical and Other Services as a Proportion of Total Expenditure.

Source: Workplace Relations Ministers Council, 2000.

¹ Medical and other service costs include payments for medical, rehabilitation, employees' legal costs and payment to employee advisory services.

The Reference Group has also collected data from a sample of three approved insurers, which indicates 68% of all reported lost-time claims analysed have a duration of five days or less and account for 23% of costs.

The Review data indicates that the majority of injured workers return-to-work within a short period of time and there is evidence to suggest this is achieved at a lower average cost per claim in the first two months following the injury or onset of disease (i.e. 1998/1999 versus 1997/1998).

However, the number of long-duration claims² continues to rise, as does the average cost of these claims.

The Review data indicates the proportion of expenses (adjusted for inflation) associated with long-duration claims increased from \$14.5 million or 52% of all claims costs in 1995/1996 to \$23.2 million or 61% of all medical costs in 1998/1999. While there has been an increase in the medical costs for long-duration claims, there has been a consistent reduction in the rate of reported lost-time workers' compensation claims within the Western Australian workers' compensation system.

The Reference Group considered that the introduction of any new strategies should be to redirect the provision of medical and allied health services to achieve a workplace-based focus and return-to-work.

To date, the delivery of medical and allied health services within the workers' compensation system in Western Australia has received little scrutiny with the provision and responsibility for services left to the discretion of the treating medical practitioner. Such a process has been unsuccessful in achieving effective injury management and the provision of medical and allied health services at a reasonable cost. The connection between the medical practitioner and the workplace has been tenuous with little apparent appreciation by medical practitioners of the impact their actions may have on determining the success or failure of return-to-work activities.

In addition to the rising costs in the delivery of medical and allied health services, employers, approved insurers, self-insurers and other parties, have expressed concern regarding the willingness of medical practitioners to communicate with them or participate in injury management activities.

Consistent themes were identified throughout the Review.

- The workers' compensation medical certification process is crucial for effective management of injury and provides an ideal vehicle for conveying information between the medical practitioner, employer, injured worker and approved insurer. There was little evidence available to indicate this was being achieved. Questions were also raised regarding the validity and interpretation of information provided by the medical practitioner regarding the work-relatedness of an injury for the purpose of assessing liability.

² Long-duration claims are those claims with 60 working days or more absence from work.

- Active and focused injury management either to maintain the injured worker in employment or return them to work is a priority of the workers' compensation scheme. The information available did not support the fact that injury management occurred or is a shared objective of all medical and allied health providers. In fact there was strong evidence to suggest that there was limited coordination of services with no clearly defined review points to monitor the injured worker's progress.
- Early intervention with appropriate provision of high quality services is a necessary feature of achieving return-to-work. While the majority of injured workers returned to work within four weeks, where cases extended beyond this time there were a high number of medical and allied health services provided with little obvious benefit to the injured worker. Review data indicates that while the proportion of costs for short-duration claims shows a decreasing trend, the opposite outcome exists for long-duration claims. This is compounded by the increase in the number of long-duration claims, which further exacerbates increasing costs.
- Injury management principles were universally supported, however, there was significant frustration expressed regarding the treating medical practitioner's lack of commitment to undertake these activities. The medical practitioner's knowledge of injury management and requirements of the workers' compensation system was seen to be limited.
- While medical and allied health costs account for a significant proportion of reported workers' compensation scheme expenditure, the ability of the scheme to monitor trends exists only at an aggregate cost level. This makes it virtually impossible for the workers' compensation authority to conduct a comprehensive analysis of performance by type and service patterns or to link service provision with outcomes.
- Return-to-work through effective injury management is one of the fundamental goals of the workers' compensation system, however, current terminology contained within the Workers' Compensation and Rehabilitation Act 1981 does not strongly support the philosophy of injury management or clearly articulate the goal of return-to-work as the primary focus of the legislation.

It was evident that the majority of work-related injuries are resolved within a short period of time. Wholesale changes to the provision of medical and allied health treatment that did not take this into account may result in minimal benefit with significant potential to increase costs. Strategies should therefore be directed accordingly.

Key principles developed to guide the formulation of recommendations in order to discharge the Terms of Reference were as follows:

- I. That the medical management of an injured worker be undertaken by a medical practitioner who provides services clearly in accordance with injury management principles³.**
- II. That the provision of medical and allied health services be focused on achieving the return of an injured worker to productive and appropriate employment.**
- III. That medical and allied health data be available to the workers' compensation system to allow for analysis of trends and monitoring of performance and that the resulting information be available to parties in the system.**
- IV. That medical and allied health practitioners be accountable for service provision within the workers' compensation system.**
- V. That provision of medical and allied health services within the workers' compensation system be based on widely-accepted evidence-based interventions.**
- VI. That medical and allied health practitioners, providing services within the workers' compensation system, be trained appropriately in injury management practices.**
- VII. That injured workers move expeditiously through the workers' compensation system as if they were private patients.**
- VIII. That disputes related to work-relatedness or the level and nature of disability be expedited.**
- IX. That the principles of injury management and early return-to-work are reflected as primary objectives in the legislative framework underpinning the Act and its enabling provisions.**

The following recommendations were developed, consistent with the principles that support the provision of high quality medical services to injured workers at a reasonable cost to employers.

RECOMMENDATION 1. That the First, Progress and Final Medical Certificates be reviewed to strengthen the assessment of the relationship between the injury and the workplace. Also that the First Medical Certificate provide a number of options for the medical practitioner to make comment on:

- why they believe the injury is related to the workplace, or not;

³ Injury management is defined as a workplace managed process incorporating employer and medical management from time of injury to facilitate where practicable, efficient and cost effective maintenance in or return to suitable employment. Refer to Appendix A for injury management principles.

- whether there is insufficient information to make this determination or
- whether the work-relatedness requires further investigation.

That before arriving at any decision about the work-relatedness of the injury, the medical practitioner be expected to discuss the matter with the employer.

RECOMMENDATION 2. That the First Medical Certificate, provided by a medical practitioner, should not be perceived by parties to be a determination of work-relatedness or liability.

RECOMMENDATION 3. That the First, Progress and Final Medical Certificates be reviewed to strengthen communication between the medical practitioner and the employer and to facilitate early intervention. In addition:

- that the currency of the First Medical Certificate be limited to a period of seven calendar days and
- that the Progress Medical Certificate be regulated and time-limited.

RECOMMENDATION 4. That where a work-related injury occurs, the injured worker may attend a medical practitioner of their choice. Where the injured worker continues to be absent from work after seven calendar days, the medical practitioner must provide an injury management treatment plan, developed in consultation with the employer no later than 30 calendar days from the date of injury, to continue to treat the worker. If the medical practitioner fails to complete the injury management treatment plan, the injured worker and employer should consult to transfer care to another medical practitioner of the injured worker's choice. The medical practitioner who undertakes treatment of the worker and management of the case must be registered to practice in the system and adopt an injury management approach. Also that the outcome of this process be reviewed after 12 months of operation.

RECOMMENDATION 5. That, at 60 calendar days, where an injured worker continues to be off work and the injured worker has not attended an occupational physician, referral by an employer to an occupational physician be mandatory for the purpose of review and for recommendations on injury management and prognosis.

RECOMMENDATION 6. That payment for medical services be conditional on provision of comprehensive and complete documentation by a medical practitioner.

RECOMMENDATION 7. That treatment protocols be introduced to guide the treatment of injured workers. That these protocols be implemented at the earliest possible time. The protocols may be based on available guides and reviewed and refined by an expert committee of medical practitioners, constituted for the purpose and convened under the auspices of WorkCover WA.

RECOMMENDATION 8. That medical practitioners seeking to provide services in workers' compensation be encouraged to register to practice in the workers' compensation system. That the process of commitment to injury management

principles to be inclusive rather than exclusive. Also that the effect of this voluntary process of registration in enhancing injury management practice be reviewed after 12 months.

RECOMMENDATION 9. That the current initiative by WorkCover WA to collect specific service and cost data relating to medical and allied health services as part of the data reporting requirements for approved insurers and self-insurers, be strongly supported. Also that strategies to disseminate appropriate information on performance and outcomes be developed and made available to workers' compensation scheme participants.

RECOMMENDATION 10. That medical and allied health data be transmitted by medical and allied health practitioners, electronically and in a prescribed format, to approved insurers as part of the development of a long-term information sharing strategy within the workers' compensation system.

RECOMMENDATION 11. That performance monitoring and outcome-based strategies be developed for medical and allied health practitioners operating within the workers' compensation system. This includes the unique identification of medical and allied health practitioners through the adoption of provider numbers (which in the case of medical practitioners would be their existing Medical Board Registration Number).

RECOMMENDATION 12. That monitoring of the increasing costs, relevance, actual outcomes achieved particularly in rates of return-to-work, through the provision of vocational rehabilitation services, be reviewed on an active and regular basis.

RECOMMENDATION 13. That an expert committee of medical practitioners be convened under the auspices of WorkCover WA. That the role of the committee would be to review the provision of medical services within the workers' compensation system, act as a professional review committee in respect to fraudulent behaviour and over-servicing, and provide advice on ongoing professional development of medical practitioners with regard to injury management practices and protocols.

RECOMMENDATION 14. That a process to identify and prosecute fraudulent behaviour and over-servicing by medical and allied health practitioners be developed by WorkCover WA and appropriate, significant penalties applied.

RECOMMENDATION 15. That interventions by medical practitioners and allied health providers be demonstrably consistent with evidence-based medicine.

RECOMMENDATION 16. That the treating medical practitioner be responsible for the monitoring of, and ongoing need for, allied health intervention.

RECOMMENDATION 17. That only general practitioners trained in injury management practices and registered to practice within the workers' compensation system be eligible to participate on WorkCover WA Medical Assessment Panels convened by the Director of Conciliation and Review.

RECOMMENDATION 18. That strategies be developed for raising significant awareness among medical practitioners with regard to their process for determining work-relatedness, prior to issuing a First Medical Certificate under the Act.

RECOMMENDATION 19. That only medical practitioners who are appropriately trained in assessment be permitted to undertake the determination of the impairment level of an injured worker as a condition of access to seek damages at common law. That WorkCover WA develops qualifying criteria in consultation with an expert committee. That medical practitioners so qualified, must register with WorkCover WA, where a register will be maintained.

RECOMMENDATION 20. That strategies be further investigated to encourage medical associations and tertiary training institutions to provide leadership in the training of medical practitioners in injury management practices.

RECOMMENDATION 21. That injured workers be able to access services in the same way as private patients. That fees for medical and allied health services be developed based on a private patient model. Also that medical and allied health practitioners be required to demonstrate value-adding in the provision of medical and allied health services as part of ongoing fee negotiations with WorkCover WA.

RECOMMENDATION 22. That disputes regarding the determination of work-relatedness be expedited within the existing dispute resolution process.

RECOMMENDATION 23. That the definition of disability, within the statutory workers' compensation system to be clearly identified as reflecting the concept of impairment and the determination of disability as a condition of access to damages at common law, be strictly based on a clearly defined and replicable assessment process. The current edition of the *Guides to the Evaluation of Permanent Impairment* (American Medical Association, 1993) to be the basis of the assessment process.

RECOMMENDATION 24. That the Act be re-named to encourage a shift from predominantly a compensation-focused process, to one of treatment, injury management and return-to-work.

RECOMMENDATION 25. That the enabling clauses and stated purpose of the legislation be amended to demonstrate that injury management and return-to-work are primary objectives of the legislation.