

# VOTE ACC

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# ACC

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## Overview

### Departmental Appropriations

Departmental appropriations sought for Vote ACC in 2006/07 total \$2.776 million. This is intended to be spent as follows:

- \$2.646 million (95% of departmental appropriations in this Vote) on policy advice, analysis, evaluation, research, monitoring, purchase advice, legislation and regulatory support, and ministerial servicing on the ACC scheme and the performance of Accident Compensation Corporation (ACC).
- \$130,000 (5% of departmental appropriations in this Vote) on purchasing services to manage the residual long-term responsibility related to the Crown's ongoing risks resulting from the introduction of the competitive accident insurance market during 1999/2000.

### Non-Departmental Appropriations

Non-departmental appropriations sought for Vote ACC in 2006/07 total \$737.325 million. The appropriations are intended to be spent as follows:

- \$54.706 million to cover the estimated cost of injury prevention, claim processing, assessment, payment and case management on the Non-Earners' Account.
- \$393.448 million to cover the estimated cost of purchasing medical services, social rehabilitation, and elective health care on the Non-Earners' Account and contracted services.
- \$188.672 million to fund Public Health Acute Services for claims on the Non-Earners' Account.
- \$100.499 million to cover the estimated costs of income maintenance, independence allowance, and other compensation payments for claims on the Non-Earners' Account, and contracted services, as well as transfers to the Medical Misadventure Account for payments made on non-earner related claims.

Details of how the appropriations are to be applied appear in Parts B1 and C of this Vote.

## Terms and Definitions Used

ACC	Accident Compensation Corporation
ARCI	Accident Rehabilitation and Compensation Insurance
IP	Injury Prevention
IPRC Act	Injury Prevention, Rehabilitation, and Compensation Act 2001
PAYG	Pay-as-you-go
ROBOC	Receipt on behalf of the Crown
SI	Serious Injury

## Minister Portfolio Table

1	Minister for ACC
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# ACC

VOTE MINISTER: Minister for ACC

ADMINISTERING DEPARTMENT: Department of Labour

The Minister of Labour is the Responsible Minister for the Department of Labour

## Part A - Statement of Objectives and Trends

### Part A1 - Objectives for Vote

The non-departmental output expenses in Vote ACC fund services provided for the Non-Earners' Account.

The departmental output expenses in Vote ACC contribute to the Government's objectives through activities directed at achieving the Department of Labour outcome of:

*Productive Work and High Quality Working Lives.*

The table below summarises how the activities funded through this Vote contribute to achieving goals that are part of the Department of Labour's managing for outcomes framework.

Departmental Goal	How Vote ACC Contributes
Our Workplaces: New Zealand workplaces will lead the world in maximising the value of work while providing a high quality working life	<ul style="list-style-type: none"> <li>Supporting and promoting the transformation of New Zealand workplaces to become high-performing workplaces, and to achieve high quality working lives by focusing on the drivers of workplace productivity, including skills, safe and healthy workplace cultures, decent work, and excellent employment relationships.</li> <li>Providing information and guidance that is tailored, targeted and useful to increase awareness and uptake of excellent workplace practices, in order to effectively reduce occupational injuries and disease.</li> <li>Responsive regulation of the ACC scheme supports economic and social development.</li> <li>Research, evaluation, analysis and performance data about what is working or not working in the labour market.</li> <li>Providing policy advice, purchase and monitoring advice that contributes to reducing injury in New Zealand workplaces, assisting those who are injured to return to work and ensuring levies are fair. This assists workplaces to effectively balance employers' and employees' needs and interests.</li> </ul>
Our Workforce: The skills of our workers will ensure that New Zealand enterprises are leaders internationally	<ul style="list-style-type: none"> <li>Providing policy advice and monitoring the implementation of policy for the ACC scheme including vocational rehabilitation to assist people who are unable to return to their pre-injury occupation.</li> </ul>
Our People: All New Zealanders will be able to grow and develop through access to well paid and meaningful employment	<ul style="list-style-type: none"> <li>Providing policy advice, purchase and monitoring advice that contributes to reducing injury in New Zealand workplaces, assisting those who are injured to return to work and ensuring levies are fair. This assists workplaces to effectively balance employers' and employees' needs and interests.</li> <li>Increased labour market participation will result from enhancing parents' and other carers' choices about work and family arrangements and enhancing employment for groups under-represented in the labour force.</li> </ul>

## *Output Appropriations*

To achieve these goals, the appropriations are intended to fund a range of activities, including:

- Policy advice, analysis, evaluation, research, monitoring, purchase advice, legislation and regulatory support, and ministerial servicing on the ACC scheme and the performance of the Accident Compensation Corporation.
- Managing the residual long-term responsibility related to the Crown's ongoing risks resulting from the introduction of the competitive accident insurance market during 1999/2000. The IPRC Act removed or transferred the bulk of the Regulator's activity but an anticipated low level of activity remains, consisting primarily of monitoring and responding to external requests. The ACC has assumed the Regulator's role in relation to the Non-Compliers Fund. Statistics New Zealand has assumed the injury information management role.
- Administration and operation of the Non-Earners' Account in the ACC scheme including funding case and claims management, medical care, rehabilitation services, elective health care, and, in some instances, income maintenance payments provided to injured non-earners.

## **Part A2 - Trends in Vote**

The time series of non-departmental flows detailed in the table Summary of Financial Activity shows overall increases in non-departmental outputs purchased by the Crown. It also reflects increases in non-departmental expenses.

### *Departmental Output Trends: 2001/02 to 2006/07*

A new departmental output expense, ACC Transition, was established in 1999/2000 for the management of the transition of workplace accident insurance to a single public fund and monitoring of the implementation of these changes. Funds remaining in the ACC transition output expense at the end of 2001/02 were transferred into the policy and monitoring output expense to fund monitoring activities and spread evenly across 2002/03, 2003/04 and 2004/05.

The annual appropriation for departmental output expenses in 2004/05 was increased by \$24,000 for departmental transition, strategic and capability costs.

There has been an increase of \$31,000 in 2005/06 and out years to reflect the final uptake of the new State Sector Retirement Saving Scheme (SSRSS) in the Department.

As a result of internal redistribution of resources, it has been necessary to reallocate corporate costs across the four Votes administered by the Department of Labour. This has resulted in minor changes to output expenses in each Vote. There has been a decrease of \$317,000 in departmental output expense Policy and Monitoring resulting from a change in focus for policy work from Vote ACC to Vote Labour and the allocation of shared corporate costs based on full time equivalent staff numbers.

### *Non-Departmental Expense and Revenue Trends: 2001/02 to 2006/07*

#### **Non-departmental output expenses**

In 2000/01, the Crown agreed to fully fund the Non-Earners' Account for new claims from 1 July 2001 and continue to fund existing claims as at that date on a pay-as-you-go (PAYG) basis.

As the Non-Earners' Account is now fully funded for new claims the level of the appropriation varies according to the forecast required to meet the cost of claims now and in the future. Changes in economic assumptions, including inflation and interest rates have a major impact on the level of the appropriation required to fund this account. The Non Earners' Account liabilities are re-valued each year taking into account claims experience and the latest economic assumptions and the funding level is adjusted in the October Baseline Update.

The main driver of changes in non-departmental expenditure is movement in the Output Expense Claim Entitlements and Services. The main component of this is expenditure on medical services, social rehabilitation and elective health care services. Increases in 2001/02 were primarily due to the change in the funding basis for the Non-Earners' Account and an increasing understanding about the payment profile for seriously injured claimants.

Case Management and Supporting Services funding increases in 2001/02 were also primarily due to the change in the funding basis for the Non-Earners' Account offset by some adjustments in the allocation of administration costs to this Account. Further increases also occurred in 2004/05 due to changes in internal cost re-allocation.

In 2003/04, changes in the economic assumptions resulted in the funding received by ACC being above what was required to maintain the fully funded position for the Non-Earners' Account. The value calculated as over paid, \$90.248 million (GST exclusive), has been included as a Receipt on Behalf of the Crown (ROBOC), offsetting the gross value of the appropriation in 2004/05. The majority of this change resulted from a change in discount rate but it also included a significant decrease in the cost of fully funded Hospital and Other Rehabilitation entitlements in 2004/05.

Annual appropriations for non-departmental outputs increase in 2006/07. This is largely due to projected increases in social rehabilitation and medical costs and Government decisions. Medical costs are projected to increase by \$18 million and social rehabilitation costs by \$5 million in the Claim Entitlements and Services appropriation. Forecasting changes in respect of claimant numbers, and thus entitlements, also result in increases in baselines when compared to previous years.

The New Policy Initiatives by Appropriation table provides details about initiatives that were approved in Budget 2006.

### **Benefits and unrequited expenses**

Over time, there have been significant variations in the funding required for the Benefits and Other Unrequited Expenses - Other Compensation.

The increase in 2001/02 was primarily due to a change in the funding basis for the Non-Earners' Account and increased allocation to the Medical Misadventure Account (as a result of forecasting improvements regarding the cost of seriously injured claimants). The appropriation increased following the reintroduction of lump sums for the 2002/03 year.

In 2003/04, funding was increased for lump sums based on revised projections based on the June 2002 valuation and an audit opinion about the application of GST to independence allowances and lump sums. In 2004/05, there was upward adjustment in funding to meet the costs of capitalised independence allowance payments offered to existing claimants which will be offset by lower expenditure on independence allowances in 2005/06. There was also an increase in funding following the medical misadventure review in 2004/05.

These expenses will also be reviewed in the October Baseline Update based on the latest valuation and economic assumptions.

## New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Counselling for Families of Children with Sensitive Claims	Non-Departmental Output Expense - Claim Entitlements and Services	536	536	-	-	-
Home-based Rehabilitation	Non-Departmental Output Expense - Claim Entitlements and Services	2,250	1,000	1,100	1,100	1,100
Cost of Treatment - Specified Treatment Provider Costs	Non-Departmental Output Expense - Claim Entitlements and Services	2,000	3,600	3,600	3,700	3,700
<b>Total Initiatives</b>		<b>4,786</b>	<b>5,136</b>	<b>4,700</b>	<b>4,800</b>	<b>4,800</b>

## Part B - Statement of Appropriations

### Summary of Financial Activity

	2001/02	2002/03	2003/04	2004/05	2005/06		2006/07 Appropriations to be Used				2007/08	2008/09	2009/10	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
<b>Appropriations</b>														
Output Expenses	534,034	562,468	555,821	570,117	600,785	600,285	2,776	-	636,826	-	639,602	674,152	720,595	749,334
Benefits and Other Unrequited Expenses	58,863	101,051	75,656	100,452	100,554	100,554	N/A	N/A	100,499	-	100,499	103,025	106,462	110,352
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	61,155	61,848	-	4	50	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
<b>Total Appropriations</b>	<b>654,052</b>	<b>725,367</b>	<b>631,477</b>	<b>670,573</b>	<b>701,389</b>	<b>700,839</b>	<b>2,776</b>	<b>-</b>	<b>737,325</b>	<b>-</b>	<b>740,101</b>	<b>777,177</b>	<b>827,057</b>	<b>859,686</b>
<b>Crown Revenue and Receipts</b>														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	90,248	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
<b>Total Crown Revenue and Receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,248</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part B1 - Details of Appropriations

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Expenses (General)</b>							
Policy and Monitoring (M1)	2,646	-	2,146	-	2,646	-	- To provide policy advice, analysis, evaluation, research, monitoring, purchase advice, legislation and regulatory support, and ministerial servicing on the ACC scheme and the performance of the Accident Compensation Corporation (ACC).
Regulatory Services (M1)	130	-	130	-	130	-	- To manage the residual long-term responsibility related to the Crown's ongoing risks resulting from the introduction of the competitive accident insurance market during 1999/2000.
<b>Total Departmental Output Expenses (General)</b>	<b>2,776</b>	<b>-</b>	<b>2,276</b>	<b>-</b>	<b>2,776</b>	<b>-</b>	
<b>Non-Departmental Output Expenses</b>							
Case Management and Supporting Services (M1)	44,273	-	44,273	-	54,706	-	- To cover the cost of injury prevention, claim processing, assessment, payment services and case management on the Non-Earners' Account.
Claim Entitlements and Services (M1)	358,220	-	358,220	-	393,448	-	- To cover the cost of purchasing medical services, social rehabilitation and elective health care services on the Non-Earners' Account and contracted services.
Public Health Acute Services (M1)	195,516	-	195,516	-	188,672	-	- To fund public health acute services for claims on the Non-Earners' Account.
<b>Total Non-Departmental Output Expenses</b>	<b>598,009</b>	<b>-</b>	<b>598,009</b>	<b>-</b>	<b>636,826</b>	<b>-</b>	
<b>Benefits and Other Unrequited Expenses</b>							
Other Compensation (M1)	100,554	-	100,554	-	100,499	-	- To cover the cost of income maintenance, independence allowance, and other compensation payments for claims on the Non-Earners' Account and contracted services, as well as transfers to the Medical Misadventure Account for payments made on non-earner related claims.
<b>Total Benefits and Other Unrequited Expenses</b>	<b>100,554</b>	<b>-</b>	<b>100,554</b>	<b>-</b>	<b>100,499</b>	<b>-</b>	
<b>Other Expenses to be Incurred by the Crown</b>							
Victims of Tsunami in Indian Ocean (M1)	50	-	-	-	-	-	- To cover ACC claims for trauma treatment for New Zealand victims of the tsunami in the Indian Ocean.
<b>Total Other Expenses to be Incurred by the Crown</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Appropriations</b>	<b>701,389</b>	<b>-</b>	<b>700,839</b>	<b>-</b>	<b>740,101</b>	<b>-</b>	

## Part C - Explanation of Appropriations for Output Expenses

### Part C1 - Departmental Output Expenses

#### *Policy and Monitoring*

This output expense includes the provision of policy advice, analysis, evaluation, research, monitoring, purchase advice, legislation and regulatory support, and ministerial servicing on the ACC scheme, and the performance of ACC.

This output expense contributes to the following long term goals of the Department:

- Our Workplaces: New Zealand workplaces will lead the world in maximising the value of work while providing a high quality working life.
- Our Workforce: The skills of our workers will ensure that New Zealand enterprises are leaders internationally.
- Our People: All New Zealanders will be able to grow and develop through access to well paid and meaningful employment.

It does this by supporting and promoting the transformation of New Zealand workplaces to become high-performing, and to achieve high quality working lives by focusing on the workplace productivity drivers, including skills, safe and healthy workplaces, decent work and excellent employment relationships. Responsive regulation of the ACC scheme supports economic and social development, which contributes to higher performing workplaces.

Providing labour market participants with information and guidance that is tailored, targeted and useful increases awareness and uptake of excellent workplace practices, resulting in reduced occupational injuries and disease.

The Department's policy advice and purchase and monitoring advice contributes to reducing injury in New Zealand workplaces, assisting those who are injured to return to work and ensuring levies are fair. This assists workplaces to effectively balance employers' and employees' needs and interests.

Providing policy advice and monitoring the implementation of policy for the ACC scheme including vocational rehabilitation assists people who are unable to return to their pre-injury occupation. Increased labour market participation will also result from enhancing parents' and other carers' choices about work and family arrangements, and enhancing employment for groups under-represented in the labour force.

The activities included in this output expense are:

- providing policy advice on the ACC scheme's regulation, ACC policies and practices, and its interfaces with the health and welfare systems and the workplace health and safety system
- evaluating the impact of the ACC scheme and the ACC's activities in meeting the Government's objectives for injury prevention, rehabilitation and compensation and wider social and economic goals
- providing purchase advice on, and monitoring of, the performance of the ACC to assist the Minister for ACC to achieve the Government's objectives
- managing the ACC board appointment process on behalf of the Minister for ACC

- providing secretariat and advisory support for stakeholder interest groups.

### *Regulatory Services*

Through this output expense, the Accident Insurance Regulator has the residual long-term responsibility to manage the Crown's ongoing risks resulting from the introduction of the competitive accident insurance market during 1999/2000, and retained by the provisions in Part 10 of the IPRC Act. This Act removed or transferred the bulk of the Regulator's activity on 1 April 2002, but an anticipated low level of activity remains, primarily consisting of monitoring and responding to external requests.

This output expense contributes to the following long term goals of the Department:

- Our Workplaces: New Zealand workplaces will lead the world in maximising the value of work while providing a high quality working life.
- Our People: All New Zealanders will be able to grow and develop through access to well paid and meaningful employment.

Since 1 July 2002 the functions of the Regulator have been:

- Administration of the saved provisions from the Accident Insurance Act 1998 - key stakeholder liaison, receiving and responding to enquiries and complaints (non-ministerials).
- Compliance monitoring - identifying potential non-compliance with the Accident Insurance Act 1998, investigating non-compliance and taking enforcement action where appropriate.
- Information management - residual or transitional hand-over activity, as the prime function, was transferred to Statistics New Zealand and servicing information requests related to private insurers and the 1999/2000 period.
- Funds management - in the case of identification of insolvent insurers, setting various charges to be levied on registered insurers and collecting those levies.

A facility will be provided to appropriately respond to enquiries and complaints related to the competitive accident insurance market introduced in 1999/2000, in response to any demand for this service.

Monitoring, and action as required, will be taken to ensure that compliance obligations are met by participants in the competitive accident insurance market introduced in 1999/2000.

The cost of any administrative sanctions imposed on insurers failing compliance obligations will be recovered.

Administration of the Insolvent Insurers Fund will be undertaken, should this be invoked.

The ACC has assumed the Regulator's role in relation to the Non-Compliers Fund. Statistics New Zealand has assumed the previous injury-related information management role.

## **Part C2 - Non-Departmental Output Expenses**

### *Performance Measures for ACC*

The Minister for ACC purchases claim entitlement services, public health acute services, and case management on behalf of non-earners who have suffered personal injury (other than motor vehicle injury).

The purchasing activities are specified in the Service and Purchase Agreements between the Minister for ACC and ACC, and are monitored by the Department of Labour.

In assessing the performance of ACC in delivering entitlements and services to non-earners the Minister will expect outputs to be delivered according to the performance measures set out in the Service Agreement agreed between the Minister for ACC and ACC. The generic performance measures that will be used include:

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#### Performance Measures Non-Earners' Account Output Expenses

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##### **Injury Prevention**

- Targets are met for the frequency of, weekly compensation and other entitlement claims for the Non-Earners' Account.

##### **Rehabilitation**

- Targets are met for rehabilitation rates for the Non-Earners' Account for six and 12 months duration.
- Average Scheme cost of registrations, weekly compensation and non-weekly compensation claims.
- Volumes and costs for non-acute inpatient rehabilitation.

##### **Claimant and other Stakeholder Satisfaction**

All claimant satisfaction target rates will be met for the following groups:

- Claimants under 52 weeks.
- Māori claimants.
- Pacific people claimants.
- Long term claimants.

##### **Building Staff Capability**

- Target rates are met for staff satisfaction rates for all staff, Māori and Pacific peoples.
- Target rate met for annualised staff turnover.

##### **Fair and Stable Levies**

- Targets are met for levy payer satisfaction.
  - ACC will achieve target investment returns above international benchmarks.
  - Levy increases do not exceed national annual indexation measures.
  - Target met for administrative costs to claims ratio.
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Other performance information on the Non-Earners' Account (including targets and frequency of reporting) is included in the Service Agreement between the Minister for ACC and the ACC Board.

### *Case Management and Supporting Services*

This output expense covers the cost of injury prevention, claim processing, assessment, payment services and case management for non-earning injured people. Financial grants, primarily for research, are also included in this output expense.

#### **Performance measures**

Performance measures for this output expense are included in the above table.

**Cost**

	2005/06 \$000	2006/07 \$000
Total output class expenses	44,273	54,706
Total output class revenues	-	-

***Claim Entitlements and Services***

This output expense covers the cost of purchasing medical services, support for independence services and elective health care services for non-earners and other contracted services. Services funded within this output expense include:

- primary medical services, including the services of general practitioners, specialists, physiotherapists, radiologists and pharmaceuticals
- elective hospital treatment, required as a result of an accident (defined within the IRPC Act)
- dental treatment
- conveyance for medical treatment
- personal care (home help, attendant care and childcare)
- alteration of home
- ambulatory aids.

**Performance measures**

Performance measures for this output expense are included in the above table.

**Cost**

	2005/06 \$000	2006/07 \$000
Total output class expenses	358,220	393,448
Total output class revenues	-	-

***Public Health Acute Services***

Vote Health initially covers the cost of the provision of public health acute services to ACC claimants. A Service Agreement between the Ministers of Health and ACC is agreed annually that establishes how much Health will be refunded by ACC to cover the cost of these claimants. This output expense funds the Non-Earners' Account portion of the Service Agreement. The remainder is collected via levies.

**Performance measures**

The cost and volume of public health acute services will be estimated on the basis of best information available.

**Cost**

	2005/06 \$000	2006/07 \$000
Total output class expenses	195,516	188,672
Total output class revenues	-	-

## Part D - Explanation of Appropriations for Other Operating Flows

### **Part D1 - Benefits and Other Unrequited Expenses**

#### *Other Compensation*

This appropriation covers the cost of income maintenance, independence allowance and other compensation payments for claims on the Non-Earners' Account and contracted services, as well as transfer to the Medical Misadventure Account to cover the costs of non-earners' claims.

## Part E - Explanation of Capital Flows

### Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

	Balance Date	Estimated Net Worth 2006 \$000	Forecast Net Worth 2007 \$000
Crown Entities:			
ACC	30 June	(3,621,000)	(3,461,000)

The above forecasts are based on information supplied by ACC as at 31 March 2006.