

VOTE Accident Insurance

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OVERVIEW

Appropriations sought for Vote Accident Insurance in 1999/2000 total \$318.894 million. This is intended to be spent as follows:

- \$3.435 million (1% of the Vote) on a range of services in relation to the accident insurance schemes including policy advice, ministerial servicing, monitoring, analysis, evaluation and legislation support.
- \$4.409 million (1% of the Vote) on purchasing regulatory services for the competitive accident insurance market.
- \$32.275 million (11% of the Vote) on purchasing injury prevention, claims processing, assessment and payment services provided to claimants in respect of the Non-Earners' Account from the Accident Compensation Corporation (ACC).
- \$184.101 million (56% of the Vote) on purchasing medical, social rehabilitation and elective health care services by ACC in accordance with the Accident Insurance Act 1998 on behalf of Non-Earners'.
- \$26.834 million (9% of the Vote) on providing income maintenance, independence allowance and other compensation provided to claimants under the Non-Earners' Account from ACC.
- \$67.840 million (22% of the Vote) of Motor Spirits Excise Duty to be paid to ACC for crediting to the Motor Vehicle Account.

Details of the appropriations' spending appear in Parts B1 and C of this Vote.

Terms and Definitions Used

ACC	<i>Accident Compensation Corporation</i>
ARCI	<i>Accident Rehabilitation and Compensation Insurance</i>

Footnotes

Note 1	<i>Not applicable as Crown revenue is not appropriated.</i>
Note 2	<i>Appropriations are stated GST inclusive (where applicable).</i>

VOTE Accident Insurance

VOTE MINISTER: MINISTER FOR ACCIDENT REHABILITATION AND COMPENSATION INSURANCE

ADMINISTERING DEPARTMENT: DEPARTMENT OF LABOUR

The Minister for Enterprise and Commerce is the Responsible Minister for the Department of Labour

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote Accident Insurance

Related Government Outcomes

The appropriations in Vote Accident Insurance provide accident rehabilitation services to people who receive an injury but are not earning an income (excluding motor vehicle accidents, which are funded from the Motor Vehicle Account). The appropriation also contributes to the Government's economic growth and enterprise objectives by funding policy and research work aimed at providing a cost-effective accident insurance market in New Zealand. Accidents which are incurred in the workforce are funded by employers and those incurred by people in receipt of an income are funded by the Earners' Account. Funding for the Market Regulator for the employers' competitive accident insurance market is administered through Vote Accident Insurance, and the Department of Labour is responsible for the evaluation of this market.

Output classes

To achieve these objectives, the Government funds the administration and operation of the Non-Earners' Account of the Accident Insurance scheme and medical, case management and rehabilitation services to accident victims. The Department of Labour also provides a comprehensive range of services in analysis, ministerial servicing, evaluation, research, monitoring and policy advice related to the Accident Compensation Corporation (ACC). Output classes are:

- Policy and Monitoring
- Regulatory Services
- Case Management and Supporting Services
- Claim Entitlements and Services.

Links Between the Output Classes and the Government's Outcomes

Vote Accident Insurance contributes to the Government's overarching goals related to:

- a strongly growing enterprise economy
- an economically strong and socially cohesive New Zealand.

Output classes contribute to the following government strategic priorities:

- Improve the quality of regulation to secure better outcomes at lower cost.

- Improve individuals' employment outcomes by expecting and encouraging active participation in work.

Departmental Output Classes	Output Contribution
Policy and Monitoring	Ensuring that policies provide an accident compensation scheme which encourages return to work and independence and minimises the cost of personal injuries to the economy.
Regulatory Services	Ensuring that employers purchase accident insurance for workers.
Non-Departmental Output Classes	
Case Management and Supporting Services	Administration and claims management services provided by or purchased on the Crown's behalf by ACC for non-earner accident victims.
Claim Entitlements and Services	Provides medical treatment for non-earner accident victims and assists with returning them to independence.

Part A2 - Trends in Vote Accident Insurance

The time series of non-departmental flows detailed in the table Trends in Vote Accident Insurance shows overall increases in non-departmental outputs purchased by the Crown. It also reflects fluctuations in non-departmental expenses.

Output Trends: 1994/95 to 1999/2000

Vote Accident Rehabilitation and Compensation Insurance (ARCI) was established in 1993/94 as a separate vote and transferred to Vote Accident Insurance for the 1999/2000 year, at the same time as the Accident Rehabilitation and Compensation Insurance Corporation was renamed the Accident Compensation Corporation.

The output class - Administration and Monitoring of the Payments on Behalf of the Crown - commenced in 1993/94.

In 1995/96 the provision of policy advice was separated from the management of the scheme. The output class was renamed Policy and Monitoring and additional appropriation provided for a policy and monitoring unit within the Department of Labour. Output classes Earner Elective Health Care Services and Non-Earner Elective Health Care Services were included in 1996/97. Previously these services were funded via Vote Health. From 1 July 1997, Earner Elective Health Care Services were funded via the earners' premiums and the output class was disestablished. From 1998/99 the separate output classes for Medical Treatment, Health Care and Social Rehabilitation were included in one output class - Claim Entitlements and Services.

Competition was introduced for the purchase of accident insurance by employers from 1 July 1999 and the output class Regulatory Services was set up to fund the Market Regulator. The Regulator's task is to ensure that employers purchase insurance and to provide accident insurance information to stakeholders. This output class is funded by levies from insurers.

Two Non-Departmental Other Expense items began under Permanent Legislative Authority from 1999/2000. These are to enable the Government to temporarily pay any insurance claims for claimants in the event that their employers were not insured or where an insurer had been declared insolvent. The claims will be funded by levies from insurers and/or employers and the government costs refunded. Since at present there are no claims in these categories, these categories are not represented in the tables that follow.

Crown Expenditure and Revenue Trends: 1994/95 to 1999/2000

Changes in non-departmental output expenditure principally reflect changes in output class O2 Claim Entitlements and Services.

The main component of Claim Entitlements and Services is medical treatment expenditure. Growth in medical treatment spending since 1994/95 reflects increasing service levels, demographic growth and increasing incidence of non-earner accidents.

The increase in funding of Case Management and Supporting Services in 1998/99 reflects a change in the method of allocating costs between ACC accounts.

There are marked variations in Benefits and Other Unrequited Expenses - Other Compensation, arising from phasing out lump sums and the amount of the surplus/deficit carried forward each year. Previously claimants affected by serious injury were entitled to lump sum claim payments. These payments were removed in the 1992 Act but some payments were continued until 1997/98 as a result of appeals. Expenditure for 1997/98 and 1998/99 also included payment for backdated attendant care for complex personal injury claimants.

Analysis by Appropriation Type: 1998/1999 and 1999/2000 Compared

Departmental output classes

Annual appropriations are expected to decrease by \$16.241 million (67%), reflecting a return to normal funding levels after one-off funding in the 1998/99 year for work to introduce an element of competition to the accident compensation market.

Non-departmental output classes

Annual appropriations for purchasing non-departmental outputs are expected to increase by \$4.538 million (2%) for 1999/2000 relative to 1998/99. The increase reflects increased expenditure for medical treatments.

Benefits and unrequited expenses

Expenditure is expected to decrease by \$33.338 million, reflecting settlement of backdated attendant care claims paid during 1998/99. Excluding expenditure on back dated attendant care, expenditure will increase slightly due to higher income maintenance payments.

Other expenses

Motor Spirits Excise Duty related payments to fund compensation and services from the ACC Motor Vehicle Account will increase by \$1.803 million (or 3%) in line with the forecast increase in motor spirits' consumption. The Motor Vehicle Account is funded through excise duty and motor vehicle licensing fees. The account is to be fully funded from 1 July 1999, which may require an increase in the motor spirits levy.

Trends in Vote Accident Insurance - Summary of Appropriations and Crown Revenue

Types of Appropriation	1994/95	1995/96	1996/97	1997/98	1998/99		1999/00 Appropriations to be Used				
	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
							Annual \$000	Other \$000	Annual \$000	Other \$000	
Operating Flows											
Classes of Outputs to be Supplied	155,343	180,057	197,585	183,409	226,095	221,434	7,844	-	216,376	-	224,220
Benefits and Other Unrequited Expenses	33,533	33,215	22,553	64,419	60,172	60,172	N/A	N/A	26,834	-	26,834
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-
Other Expenses	65,070	66,150	64,305	64,935	66,037	66,037	-	-	-	67,840	67,840
Capital Flows											
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	7,700	1,820	N/A	N/A	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-
Total Appropriations	253,946	279,422	284,443	312,763	360,004	349,463	7,844	-	243,210	67,840	318,894
Total Crown Revenue and Receipts (see note 1)	-	-	7,902	9,818	16,585	16,585	N/A	N/A	N/A	N/A	-

Part B - Statement of Appropriations (see note 2)

Part B1 - Details of 1999/2000 Appropriations

Appropriations	1998/99				1999/00		Description of 1999/00 Appropriations
	Vote		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Classes (Mode B Gross)							
D1 Policy and Monitoring	4,325	-	4,325	-	3,435	-	The purchase of a comprehensive range of services, including policy advice, monitoring, analysis, evaluation and research on issues relating to ACC.
D2 Regulatory Services	-	-	-	-	4,409	-	
ACC Competition Transition	19,760	-	15,099	-	-	-	
Total Appropriations for Departmental Output Classes (Mode B Gross)	24,085	-	19,424	-	7,844	-	Refer to Part C1 for a full description.
Non-Departmental Output Classes							
O1 Case Management and Supporting Services	31,097	-	31,097	-	32,275	-	Insurance management services for the Non-Earners' Account.
O2 Claim Entitlements and Services	170,811	-	170,811	-	184,101	-	The purchase of medical services, social rehabilitation services and elective health care services.

Policy Advice and Ministerial Servicing	102	-	102	-	-	-	Policy advice on the design and operation of the Non-Earners' Account.
Total Appropriations for Non-Departmental Output Classes	202,010	-	202,010	-	216,376	-	Refer to Part C2 for a full description.
Benefits and Other Unrequited Expenses							
Other Compensation	60,172	-	60,172	-	26,834	-	Entitlements under the ARCI legislation for income maintenance, independence allowance, lump sum payments, death benefits, and vocational rehabilitation.
Total Appropriations for Benefits and Other Unrequited Expenses	60,172	-	60,172	-	26,834	-	
Other Expenses to be Incurred by the Crown							
Motor Spirits Excise Duty	-	66,037	-	66,037	-	67,840	Section 109 of the ARCI Act 1992 provides for a Motor Spirits Excise Duty to be collected and paid to ACC for crediting to the Motor Vehicle Account.
Total Appropriations for Other Expenses to be Incurred by the Crown	-	66,037	-	66,037	-	67,840	
Purchase or Development of Capital Assets by the Crown							
SOE Assets	7,700	-	1,820	-	-	-	Purchase of assets for the establishment of the workplace insurance State-owned enterprise, to be largely refunded upon incorporation.
Total Appropriations for Purchase or Development of Capital Assets by the Crown	7,700	-	1,820	-	-	-	
Total Appropriations	293,967	66,037	283,426	66,037	251,054	67,840	

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes

Output Class D1 - Policy and Monitoring

Description

This output class provides a comprehensive range of services to the Minister in analysis, ministerial servicing, evaluation, research, monitoring and policy advice on the legislation and other issues related to ACC and the accident insurance market. It also covers administration and monitoring of the Crown payments for the Non-Earners' Account and the Motor Spirits Excise Duty.

This class includes advice to the Minister for ARCI on an annual Service Agreement between the Minister and the ACC Board, including identifying strategic goals and objectives for the Accident Insurance scheme, the three-year strategic performance targets for each of the ARCI accounts, and their management.

Accident insurance monitoring and evaluation include:

- quarterly reports that highlight key issues and trends in scheme and Corporation performance against the indicators included in the annual Service Agreement and various projects as agreed with the Minister
- policy advice, supported by ensuring that policy programmes and projects incorporate effective evaluation strategies
- research that involves developing and completing applied research projects on issues that relate to the Accident Insurance scheme, including the potential of funding mechanisms to minimise the incidence and impact of physical injury and the changes to the market resulting from the Government's decision to introduce competition and full funding
- making payments on behalf of the Crown for each of the Non-Earners' Account output classes, and for the Motor Spirits Excise Duty and developing a Purchase Agreement between the Minister for ARCI and the ACC Board for the Non-Earners' Account on behalf of the Minister for ARCI.

Performance measures: quantity, quality and timeliness

Policy and monitoring

The quantity and nature of advice and other services will be explicitly agreed with the Minister. The Minister's view of the quality and timeliness of policy advice will be sought six-monthly through questionnaires or other appropriate means.

The Minister expects to receive advice on the above outputs consistent with the following quality standards:

- Issue definition: a clear and succinct description of the nature and scope of the issue or problem to be addressed is provided, which meets the needs of Ministers, and reflects or recognises previous government decisions.
- Data and analysis: an appropriate data search is undertaken, the data used are robust, and appropriate analytical techniques are employed.
- Objective: a clear and succinct statement of the policy objective(s) to be achieved is provided, and the link to government priorities or strategic objectives is clear.
- Options: all viable options from a Department of Labour and wider government perspective are identified and assessed in terms of benefits, costs, risks, consequences, fiscal implications, practicality and relationship with other policy. Underlying assumptions are stated.
- Consultation: all internal and external groups with an interest in the issue are involved and consulted at all stages of the policy development process.
- Style and presentation: the report uses language familiar to the intended readership and appropriate presentational aids, the format meets Cabinet Office requirements where applicable and the recommendations are explicit, unambiguous, and provide clear authority for the decision.
- Implementation: where appropriate, guidance is provided on implementing selected option(s).
- Evaluation strategy: where appropriate, an evaluation plan is developed in tandem with the recommended option(s).
- Compliance cost assessment: all policy will be subject to an analysis of the compliance cost implications for the private and public sectors.

Administration

- The Purchase Agreement for 2000/01 will be completed by 30 June 2000.
- Payments will be made during the year in accordance with an agreed cash payments profile.
- The payments will be made to the correct recipient, in accordance with appropriation or permanent legislative authority.

Cost

Expenses will not exceed actual revenue.

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1999/00	3,435	3,053	3,053	3,053	-
1998/99	4,325	3,844	3,844	3,844	-

Output Class D2 - Regulatory Services

Description

The introduction of competition to the employer accident insurance market requires a Market Regulator. This has been set up within the Department of Labour. The Regulator is funded by levies from insurers to perform the following functions: levy setting (for regulator costs and public health costs and workplace accidents); collection and analysis of information (on claims and premiums); and provision of information to the Crown, insurance companies, employers and other stakeholders on the competitive market and accident rates.

Performance measures: quantity, quality and timeliness

The office of the Market Regulator has been established and detailed performance measures will be finalised and agreed with the Minister for ARCI by end of June 1999. Performance measures will include ensuring that:

- the insurance numbers for employers are issued within agreed timeframes
- official statistics are published by required dates
- investigations of uninsured employers are completed within agreed timeframes
- the database on work accidents is maintained to a high standard.

Cost

Expenses will not exceed actual revenue.

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1999/00	4,409	3,919	3,919	-	3,919
1998/99	-	-	-	-	-

Part C2 - Non-Departmental Output Classes

Performance Targets for ACC

The Minister for ARCI purchases claim entitlement 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 a Purchase Agreement between the Minister for ARCI and ACC and are monitored by the Department of Labour.

In assessing the performance of the Corporation in delivering entitlements and services to non-earners, the following are the generic performance measures that will be used:

- Proportion of new claimants who exit the scheme within three and 12 months from time of registration.
- Number of entries to and exits from the tail of long-term claimants exceeding 12 months' duration.
- Average monthly expenditure for personal care, other support for independence, vocational rehabilitation, independence allowance and complex personal injury.
- Payment accuracy.
- The number of successful reviews and appeals against ACC decisions.

Other performance information on the Non-Earners' Account is included in the Service Agreement between the Minister for ARCI and the ACC Board.

Output Class O1 - Case Management and Supporting Services

Description

This output class covers purchasing injury prevention, claim processing, assessment, payment services and case management for non-earners' accident victims. Financial grants, primarily for research, are also included in this output class.

Performance measures - quantity, quality and timeliness

The number of services administered during 1999/2000 will be dependent on the number of claims made.

Claims will be allocated accurately to scheme accounts in accordance with the Accident Insurance legislation.

All payments will be made to the correct parties for the correct amount.

Cost

The total cost of this output class is \$32.275 million including GST. The 1998/99 final appropriated sum for this output class was \$31.097 million including GST.

Output Class O2 - Claim Entitlements and Services

Description

This output class relates to purchasing medical services, support for independence services and elective health care services. Services purchased include:

- primary medical services, which cover the services of general practitioners, specialists, physiotherapists, radiologists and providing pharmaceuticals

- hospital treatment, required as a result of an accident (defined within the Accident Insurance Act)
- dental treatment
- conveyance for medical treatment
- personal care (home help, attendant care and childcare)
- alteration of home or work
- ambulatory aids.

Performance measures - quantity, quality and cost

Quantity

- The quantity of services provided is dependent upon the number of claims made under the Accident Insurance Act but will include approximately 2.8 million medical treatments, 58,000 support for independence payments and 7,000 surgeries.
- All payments will be paid in accordance with the Accident Insurance legislation and regulations.

Quality

All payments for claim entitlements and services will be paid in accordance with either the relevant Accident Insurance legislation/regulations or discretion granted by the Minister for ARCI.

Cost

The total cost of this output class is \$184.101 million including GST.

The 1998/99 final appropriated sum for this output class was \$170.811 million including GST.

Part E - Explanation of Appropriations for Capital Flows

Part E1 - Capital Contributions

There is no appropriation for Part E1.

Net Worth of Entities Owned

Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 1999 \$ million	Forecast Net Worth 2000 \$ million
Crown Entities:			
ARCI Corporation	30 June	(5,108)	(4,962)

The Crown has decided to recognise the outstanding claims liability of ACC as at 30 June 1999. The movement in net worth reflects the recognition of this liability, and movements in reserves.

Part E2 - Purchase or Development of Capital Assets by the Crown

There is no appropriation for Part E2.

Part E3 - Repayment of Debt

There is no appropriation for Part E3.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Receipts

	1998/99		1999/00	Description of 1999/00 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Current Revenue				
Non-Tax Revenue				
Repayment of Non-Earners' Account Surplus	16,585	16,585	-	Payment of 1997/98 surplus.
Total Non-Tax Revenue	16,585	16,585	-	
Total Current Revenue	16,585	16,585	-	
Total Crown Revenue and Receipts	16,585	16,585	-	