

CLAIMS MANAGEMENT SYSTEM PRE- LICENCE AUDIT TOOL

Auditing claims management systems and capacity for compliance under the *Safety, Rehabilitation and Compensation Act 1988* for new applicants for a self-insurance licence

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Australian Government

Comcare

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DEFINITIONS

Competent personnel	For the purposes of auditing claims management systems under the <i>Safety, Rehabilitation and Compensation Act 1988</i> (SRC Act), competent personnel are defined as people with knowledge of the SRC Act and relevant experience. Relevant experience in this case would include audit training and experience.
Consultation ¹	Consultation means appropriately informing employees, and inviting and considering their response prior to a decision being made. Employees' opinions should not be assumed. Sufficient action must be taken to secure employees' responses and give the employees' views proper attention. Consultation requires more than a mere exchange of information. Employees must be contributing to the decision-making process, not only in appearance but in fact.
Claims management system	A claims management system is defined as part of an overall management system which includes organisational structure, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the claims management policy.
Corporate governance	The process by which organisations are directed, controlled and held to account. The term encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation. It includes the transparency of corporate structures and operations, the implementation of effective risk management and internal control systems, and the accountability of management to stakeholders.
Documented commitment	A statement by the employer of its commitment, intentions and principles in relation to its overall claims management system performance including its commitment to minimising the human and financial cost of injury and providing for fair compensation when an injury occurs. It provides a framework for action and for setting claims management system objectives and targets. It could take the form of a policy, management arrangements or an employer/worker agreement.
Determining authority	For the purposes of this document: (a) in relation to an employee who is employed by a licensee—the licensee (b) in relation to any other employee—Comcare ² .
Senior executive	At the level required for the endorsement of the employer's documented commitment to claims management—Chief Executive Officer/Principal Officer and/or senior management team.
Stakeholders	Includes, but is not limited to, employees, managers/supervisors, service providers, rehabilitation providers, case managers, medical practitioner, the claims manager, and Comcare.

¹ The definition of 'consultation' has been taken from the Safety, Rehabilitation and Compensation Commission document 'Consultation on Health and Safety'.

² The Hanks Review has proposed that premium-paying entities may seek to become a determining authority in the future.

INTRODUCTION

An application for a self-insurance licence will be assessed by the Safety, Rehabilitation and Compensation Commission (the Commission) from information provided in a written licence application, together with information collected in the application evaluation process. For detailed information about the application process, please refer to the publication *Licence Application Handbook*.

The 'Pre-Licence Evaluation' of the claims management system consists of three parts:

- > Comcare will assess the applicant's past conduct and performance in meeting its obligations in relation to claims management under the law of the Commonwealth or of a state or territory.
- > Comcare will assess the information contained in the licence application [Schedule 3, Part 3] as to the *proposed* arrangements for the management of claims by employees in order to assess the applicant's capacity to meet the Commission's standards.
- > Comcare will undertake a pre-licence audit of the proposed claims management system against the requirements of this *Claims management system pre-licence audit tool*.

GENERAL CONDITIONS OF LICENCE AND PERFORMANCE STANDARDS

The general conditions of licence and performance standards form the basis of the Commission's system of outcome-based regulation of licensees. This system has been designed to foster continuous improvement in work health and safety, rehabilitation and claims management through the promotion of management systems that integrate prevention, rehabilitation and claims management into the applicant's core business processes.

While the Commission needs to be satisfied that licence applicants have the capacity to perform effectively against the conditions of licence and performance standards, the Commission expects that this system will also provide applicants with the greatest possible freedom to manage health and safety issues, in consultation with their employees, and in a way which best suits the applicant's business objectives.

Details of the Commission's performance standards and measures for licensees are available on the Commission's website at: http://www.srcc.gov.au/self_insurance/licence_conditions_and_performance_standards_outcomes/licence_conditions_and_performance_standards

CLAIMS MANAGEMENT SYSTEMS

A claims management system is defined as part of an overall management system which includes organisational structure, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the injury management policy.³

This *Claims management system pre-licence audit tool* reflects the requirements of a claims management system as well as the legislative requirements of the SRC Act, the associated Regulations and the requirements of the Commission.

3 Adapted from AS/NZS 4801:2001.

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Where an applicant is establishing a claims management system, this tool is to be used to undertake a gap analysis of its existing processes against the requirements of a claims management system and its capacity to meet those requirements by the time the licence is granted.

The pre-licence audit of the applicant's claims management systems will assess whether the applicant will be able to perform to the following requirements:

- (a) the applicant develops its claims management policies and objectives in consultation with its employees and, where requested by any member in the undertaking, their representative organisations
- (b) the applicant develops plans to fulfil its policies and objectives
- (c) the applicant demonstrates the capabilities and support mechanisms that are necessary to achieve its policies and objectives
- (d) the applicant measures, monitors and evaluates its performance and takes prompt corrective action when necessary
- (e) the applicant regularly reviews its claims management system, with the objective of improving their overall performance.

THE PRE-LICENCE AUDIT PROCESS

As a minimum, a desktop review of the documentation provided with the licence application will be assessed using the *Claims management system pre-licence audit tool*. This may be conducted either on or off-site as circumstances warrant. Supplementary information may be requested to assist with the pre-licence audit process and this may include such matters as reports relating to any previous audits of the claims management system. The pre-licence audit may also include interviews with relevant staff including the proposed claims manager(s).

THE CLAIMS MANAGEMENT SYSTEM PRE-LICENCE AUDIT TOOL

This tool is a modified version of Comcare's *Claims management system audit tool* and is based on the following Australian/New Zealand standards:

- > AS/NZS 4801:2001 *Occupational health and safety management systems—Specification with guidance for use*
- > AS/NZS 4804:2001 *Occupational health and safety management systems—General guidelines on principles, systems and supporting techniques*

The tool assesses claims management systems against five elements across 23 criteria:

1. Commitment and corporate governance (three criteria)
2. Planning (five criteria)
3. Implementation (nine criteria)
4. Measurement and evaluation (five criteria)
5. Review and improvement (one criterion)

Related documentation

- > *Claims management system pre-licence audit workbook*
- > *Claims management system pre-licence audit report template*
- > *Licence Application Handbook*

APPLYING THE PRE-LICENCE AUDIT TOOL

The claims management system pre-licence audit comprises a review of documentation and discussions with relevant personnel of the applicant. The applicant is required to demonstrate that it either currently meets, or has the capacity to meet upon commencement of a self-insurance licence under the SRC Act, the Commission's performance standards for claims management.

The claims management system pre-licence audit comprises an assessment of performance against 23 criteria. In conducting the pre-licence audit, the auditor will make judgements as to whether the standards are currently met or are able to be met upon licence commencement.

The auditor will provide a rating against each standard as follows:

Conformance: the standard is fully met.

Capacity to meet: there is sufficient evidence to demonstrate how the standard will be met upon licence commencement.

Non-conformance: the standard is not met and there is insufficient evidence to establish and verify how the standard will be satisfied upon licence commencement.

The auditor will consider the evidence reviewed during the pre-licence audit and prepare a draft report identifying how the applicant performed against the evaluation criteria.

The applicant will receive the draft pre-licence audit report for comment within 15 working days of when the auditor completed the pre-licence audit. The applicant needs to provide the auditor with comments on the report within 15 working days of receiving the draft. The auditor will consider these comments and finalise the pre-licence audit report within 10 working days.

PRE-LICENCE AUDIT CRITERIA

**Please note that the criterion numbers throughout this document have been aligned with Comcare's Claims management system audit tool.*

ELEMENT 1: COMMITMENT AND CORPORATE GOVERNANCE

The applicant will document its commitment to claims management. This documentation will benchmark the organisation's objectives, be used to formulate strategic direction and be reviewed to ensure it remains relevant. The documentation will also demonstrate that the organisation strives for continuous improvement. It will be endorsed and supported at the executive level and be relevant to the organisation's overall values, vision and business objectives.

Documented commitment

- 1.1 The applicant will set the direction for its claims management system through a documented commitment by senior executive.

Corporate governance

- 1.2 The claims management system will provide for internal and external accountability.
- 1.3 The applicant will identify, assess and control risks to the claims management system.

ELEMENT 2: PLANNING

The successful implementation and operation of a claims management system requires an effective planning process with well-defined and measurable outcomes. Planning is essential for both the initial implementation of an overall management system and for specific elements that make up that system and should be done in consultation with relevant stakeholders.

Administrative arrangements

- 2.1 The applicant will identify the administrative and financial limitations for each level of claims manager, including arrangements for the management of reconsiderations.
- 2.2 The applicant will have documented procedures for paying compensation to injured employees, dependants of deceased employees, providers of medical treatment and other recipients.

Claims management planning

- 2.3 The applicant recognises legislative obligations and plans for legislative and regulatory compliance, having regard to any policy advice that Comcare or the Commission may issue.
- 2.4 The applicant sets objectives and targets and identifies key performance measures for its claims management system.
- 2.5 The applicant establishes plans to:
 - (i) achieve its objectives and targets
 - (ii) promote continuous improvement
 - (iii) provide for effective claims management arrangements.

ELEMENT 3: IMPLEMENTATION

The applicant shall achieve its claims management system objectives, identified in its claims management system plans, by involving its people as well as focusing and aligning its systems, strategies, resources and structure.

Resources

- 3.1 The applicant will allocate adequate resources to support its claims management system.

Communication and awareness

- 3.2 The applicant will define and communicate responsibilities to relevant stakeholders.
- 3.3 The applicant will communicate relevant information regarding the claims management process including:
 - (i) ensuring that employees are aware of their legislative rights and obligations in relation to workers' compensation
 - (ii) ensuring that employees are informed of the status of their claims
 - (iii) ensuring consultation occurs between all parties in regards to the claims management process.

Training

- 3.4 The applicant has identified training requirements and will develop and implement training plans to ensure personnel are competent.

***Note: Criteria 3.5–3.12 are not tested at the pre-licence audit stage**

Claims reviews

- 3.13 The applicant will provide employees with a reasonable opportunity to provide information or comment when claims for ongoing liability are being assessed or reviewed.
- 3.14 The applicant will ensure that claim reviews are timely, made accurately and guided by equity, good conscience and the substantial merits of each case without regard to technicalities.

Surveillance

- 3.15 The applicant will have a policy on the use of covert surveillance and will comply with its requirements. The policy must include:
 - (i) on whose authority approval may be granted
 - (ii) detailed instruction on the manner in which covert surveillance is to be conducted
 - (iii) a requirement that any operative undertaking covert surveillance on behalf of the applicant has been issued with, and has agreed to, written instructions on the policy.

Confidentiality

- 3.16 The applicant will maintain the confidentiality of information and apply legislative requirements.

Document management

- 3.17 The applicant will maintain the relevant level of reporting, records and/or documentation to support its claims management system and legislative compliance.

ELEMENT 4: MEASUREMENT AND EVALUATION

The applicant will measure, monitor and evaluate its claims management system performance and take corrective action where required. Measuring, monitoring and evaluating are key activities which ensure that the applicant is performing in accordance with its documented commitment to claims management objectives and targets as well as initial and ongoing planning. The results should be analysed and used to determine areas of success and to identify activities requiring corrective action and improvement.

The applicant will establish, implement and maintain documented procedures to monitor and measure, on a regular basis, the key characteristics of its claims management system operations and activities. Periodic audits of the claims management system are necessary to determine whether the system has been properly implemented and maintained and whether the applicant has met its performance objectives.

Monitoring

- 4.1 The applicant will monitor planned objectives and performance measures for core claims management activities.

Auditing and reporting

- 4.2 The applicant will conduct an audit program—performed by competent personnel and in accordance with the requirements of the Commission and Comcare—to measure the performance of its claims management system.
- 4.3 Audit outcomes will be appropriately documented and actioned. The applicant will report to senior executive on its claims management system performance, including audit outcomes.
- 4.4 The applicant will communicate the outcomes and results of claims management system audits to its employees.
- 4.5 The applicant will provide the Commission or Comcare with reports as requested. This includes informing Comcare as soon as practicable of any proceedings brought by them, or against them, in relation to a matter arising in respect of a claim managed by them under the SRC Act.

ELEMENT 5: REVIEW AND IMPROVEMENT

The applicant will regularly review and continually improve its claims management system with the objective of improving its overall claims management performance.

Continuous improvement

- 5.1 The applicant will analyse claims management system performance outcomes against documented objectives to determine areas requiring improvement and promote and implement continuous improvement strategies.

ADVICE AND ASSISTANCE

All enquiries about the *Claims management system pre-licence audit tool* and *Claims management system pre-licence audit workbook* should be directed to the Director, Authorisation and Audit at Comcare, GPO Box 1993, Canberra ACT 2601.

All enquiries about applying for a self-insurance licence should be directed to the Director, Secretariat and Self Insurance at Comcare, GPO Box 9905, Canberra ACT 2601.



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