

Response to
Issues Paper,
February 2017

March
24, 2017

Allianz Response: Productivity Commission Inquiry into NDIS Costs

To the Honourable Scott Morrison MP

RE: Australian Government – Productivity Commissions’ Report, National Disability Insurance Scheme (NDIS) Costs:
Productivity Commission Issues Paper (February 2017)

Introduction

The National Disability Insurance Scheme (NDIS) represents a significant change in funding, structure and mind-set to our collective approach to disability services. Allianz Australia Insurance Ltd (Allianz) welcomes this opportunity to provide a submission to the Productivity Commission as a study into the review of costs of the NDIS is undertaken. It is Allianz’ view that insurers have a unique level of expertise, market capitalisation, community partnerships, innovation focus and proficiency in disability management that would complement the services currently offered by the not- for- profit (NFP) sector in applying insurance principles to ensure the sustainability of the NDIS.

The Issues Paper highlighted critical concerns within the NDIS that Allianz aims to address in this response, being the volume of participants in the Scheme, the amount of funded supports and the management of provider networks. Our submission aims to highlight key opportunities where the NDIS could benefit from having insurer involvement in the delivery of services to participants and sustainability of the Scheme:

1. Leading edge innovation and strategy (in a personal injury setting)
2. Strategic case management
3. Development of a NDIS marketplace (including a provider management framework)
4. Workforce planning and recruitment

Allianz are passionate and experienced in the field of personal injury/disability and complex case management and we are eager to collaborate with both the NDIA and NFPs to support all participants within the NDIS. We contend that insurers have the ability to bring important learnings from workers’ compensation (WC) and compulsory third party (CTP) motor accident injury compensation operations to drive positive outcomes by improving choice and quality of life for participants within the NDIS. This response will draw on insurance insights and learnings from varied case management scenarios to highlight the benefits that insurance involvement could provide to the Scheme.

Leading edge innovation and strategy

Insurers have the capacity to work with current providers within the NDIS to facilitate collaboration and drive innovation. By working in partnership, insurers can assist in driving efficient operations and encouraging customer-centric interactions with participants in the Scheme.

Behavioural Insights (BI) and Motivational Interactions (MI)

Insurers recognise that innovation is vital for both efficiency of operations and the enhancement of our customer experience. Allianz and other insurers continue to strive for continuous improvement in communicating with our customers with a focus on integrity and empathy. Our industry's nationally recognised initiatives draw on theories from economics, psychology and neuroscience to understand human interactions, behaviour and day-to-day decision-making. Through partnership with renowned research bodies such as Esher House, AP Psychology and the NSW Government's award-winning BI Unit Allianz has been able to develop specific return-to-work (RTW), rehabilitation and job seeking programs that meet the individual needs of participants. By adopting these unique perspectives (including MI – which adopts learnings from the field of psychology and human interaction) in managing disability and rehabilitation, the industry has initiated a holistic approach across all personal case management divisions encouraging active ownership of a plan and goals that will benefit both the participant and society. Most importantly, it creates independence by empowering participants in decision making.

Our case managers are highly engaged with participants with a range of injuries and disabilities, and there is a focus on empathy and personalisation as pillars of best practice in case management. The aim is to develop skills that not only build rapport with participants, but also recognise the individuals' motivations to help ensure the participant feels respected, empowered and included in key decisions throughout the process. Employing these theories and BI/MI techniques in the training of case managers and support staff has allowed the industry to engage with and support participants to drive positive outcomes. They also empower participants along their journey, and encourage insurers to continue seeking innovation within the field of scheme case management. We believe these industry BI/MI programs could be integrated into the planning phase with participants to assist them develop goals that will improve their quality of life and encourage independence. This will be further expanded later when discussing economic participation in people with disability who have been unemployed for long durations.

Technology & Continuous Improvement

Innovation and technology would drive efficient participant and provider network management for the Scheme. Insurers can work with the NDIS to highlight how opportunities to improve their operations could be applied to the Scheme. As an organisation, Allianz has aims to be 'digital by default'. Within our claims management processes, this has meant the development and adoption of a new platform to accelerate software development and delivery. Allianz' approach to increase automation, improve consistency and meet demand for quality software on shorter delivery cycles is an example

of our shift towards 'consumer-directed care'. Allianz are constantly seeking new ideas from innovative companies that can improve the experience for our customers.

We see opportunities for the NDIS to work in partnership with insurers to leverage existing capabilities in driving continuous and innovative improvement within the disability sector. For example, Allianz Australia is working in partnership with Allianz Global Assist (AGA), the innovation-driven wing of Allianz's global operations. AGA has created an online-based GP-interactive platform called Doctors-on-Demand (DOD). Crucially, participants in rural and remote areas will be able to have video conferencing with GPs and disability specialists online. Such innovation has the potential to reduce the cost and frequency of re-admissions and mitigate the risks associated with long-term requirements under the NDIS. AGA also has an 'MFS – Mobility and Functional Support Service' app that can be used to conduct assessments, manage clinical records, create diagrams for home modifications and prescribe mobility support equipment. We recognise the value in leveraging our partnership with AGA to continue building capabilities to service participants as they adjust to life with disability. In our opinion, the applicability of platforms such as this for the NDIS is remarkably high, and illustrates where a partnership with insurers can dramatically improve issues revolving around rural/remote areas, accessibility and technology.

Sharing strategy across schemes

Competitive forces within insurance have fostered a dynamic environment for innovation and shared learning which has become a cornerstone of our collective business strategy. This competition has led many within our industry to continue to innovate and refine our service models to better meet the unique needs of scheme participants. Allianz believe that insurers could work together with other providers in the NDIS to generate new ideas for better participant outcomes and scheme sustainability.

Within the Victorian WC scheme, a shared learning environment has been one of the benefits of such competition, with a desire within insurance to ensure consistency of service, driving strategy and innovation. Moreover, insurance involvement in WC and CTP schemes means the industry has the expertise in capacity assessments and support planning required by the NDIS to efficiently manage expectations in relation to reasonable and necessary supports, and RTW procedures. This approach to case management will prove to be a crucial aspect of the sustainability of the NDIS. With reform and the introduction of competition into the management of NSW WC, management of long-term claimants improved dramatically, resulting in key outcomes set by the regulator often being met or exceeded, illustrating the benefits of injecting competition and innovation into a previously monopolised scheme. We see the combination of our industry's national scope and operations, coupled with a competitive approach to case management to be a significant benefit to the overall management of the NDIS.

Strategic Case Management

Allianz has experience in delivering case management in a variety of schemes. The success of personal injury schemes within the field of insurance has been achieved by adopting a holistic approach to complex case management. By taking into account psychosocial, vocational, recreational and situational factors, we believe participants are empowered to make decisions that meet their needs and drive positive outcomes. Applying these principles to the NDIS will allow reasonable and necessary support assessments to be made and ensure funding is allocated based on needs whilst still supporting participants' transition into mainstream services.

Participant planning

Identifying opportunities for participants to transition into mainstream support services in the planning process will reduce the risk of long-term reliance on Scheme funding. We believe that this approach is paramount to the sustainability of the Scheme. Although insurance involvement may not address the issue of poorly defined boundaries between the NDIS and mainstream funding and activities, insurance oversight in the planning process can assist in the identification of opportunities for participants to transition into mainstream support services and allow for appropriate expectations of all parties to be set to alleviate pressure on the NDIS.

Utilising the insurance industry work with BI and MI we believe there is opportunity to work with the NDIA to look at the way participants interact with the scheme. We believe a greater focus on capability and building independence through positive language will afford both participants and the scheme better outcomes. The use of MI techniques to gauge motivational levels for recreation and economic allows us to work with participants to build their readiness to contribute to the community. We believe the gains Allianz and other insurers have made in this space could be transferred to the NDIS to increase economic participation, and thus be a key driver of Scheme sustainability.

Like the NDIA, in insurance we have identified that early intervention can play a critical role in the management (and possible improvement) of conditions around disability. The insurance industry's expertise in triage claim management and recognising opportunities for improvements to address Scheme challenges provides the NDIS with a unique opportunity to utilise our early intervention initiatives. We recognise the higher than anticipated number of participants entering the NDIS has raised concerns for the overall sustainability of the Scheme. The application of insurance principles of management can help alleviate this financial burden by enhancing connections to community services or other compensation schemes where applicable to reduce the need for ongoing supports.

Insurers in personal injury schemes have experience in managing expectations and managing claimants who are not eligible for scheme payments or need to transition off the scheme to other supports. With significant changes to NSW WC legislation, a large number of existing claimants were required to be transitioned off WC benefits and connected to other supports. In 2016, our NSW WC team's ability to adapt and offer appropriate support to participants needing to exit the scheme was recognised by icare with a CASE Award nomination for 'services to workers insurance'. Our tailored and

individualised approach meant that this did not need to be a negative or adversarial experience for claimants and the scheme.

Insurers are also experienced in managing expectations to ensure reasonable and necessary services are provided to claimants. With more than anticipated participants entering the Scheme the NDIA needs to ensure supports are being provided in a reasonable and necessary manner to ensure Scheme sustainability. Insurers are experienced in ensuring cost effective options are provided to claimants through provider management techniques. Through our use of BI and MI we are able to work with claimants to identify new options for them in required supports and work with them to make commitments to improve their independence. We believe this is a vital aspect to be included in planning supports within the NDIS environment and believe the insurance industry could share some insightful learnings from our experiences.

Economic Participation

Insurers have the capacity to actively monitor and refine assessment tools and case management techniques to remain in line with Scheme objectives and to keep pace with evolving best practices and community expectations. We achieve this through developing relationships with industry experts and nationally-recognised health and rehabilitation entities to help ensure that new initiatives and RTW practices are at the forefront of our operations. Allianz is a signatory to the Health Benefits of Good Work (HBGW) initiative along with CGU, Suncorp, SICorp and AIA Australia. As signatories, we all recognise the benefits that return to gainful employment can have on participants within the scheme. Our experience in WC schemes means insurers have the capacity to draw insights from HBGW and make changes to drive positive scheme outcomes. We see a focus on gainful employment as a critical factor for the Scheme. Insurers will be able to work with the NDIA to apply insights from the HBGW to their operations to support participant planning. To build upon this momentum, the insurance industry has worked in partnership with key external service providers to develop assessment tools to determine the job-readiness of long-term detached workers. These types of partnerships are aimed at preparing participants to return to work with a new employer via a tailored pathway for recovery and work readiness. This includes measuring key motivation levels to help ensure that the right services are being delivered when required by participants. Overall, such initiatives within the field of vocational support highlight the ability of insurers to provide oversight on assessments and thus reduce reliance on the scheme while encouraging participants to flourish within the community through economic participation.

To further illustrate this point, in 2016 Allianz' NSW Managed Fund (MF) operations partnered with Greenlight Human Capital and The Transformational Institute to enable an earlier return to sustainable employment within our generalist and long-term portfolio of claims. This partnership has assisted participants in transitioning back into suitable employment through a nationally recognised traineeship, and provided benefits to the scheme by actively identify opportunities to reduce the number of long-term benefit recipients within the scheme.

Mental Health

Exposure to a rise in mental health related claims and associated costs across our WC and CTP operations in recent years, validates the concerns raised in the Issues Paper around the subject of mental health and mental disability. Given the heightened pressure that this component of disability is having on the NDIS, we identify an opportunity for insurers to share their insights to achieve sustainable Scheme outcomes. Our experience with mental health claims indicates we have the capability to act with integrity and respect whilst also working collaboratively with providers to ensure the best outcomes for participants. In order to address these matters Allianz has employed a number of initiatives and claims management practices, for example a specialist psychological team structure within our NSW operations, and other insurers have adopted similar methods.

Within the WC scheme, the distinct nature of mental health related claims drives a need for specific psychological claims teams. In respect to Allianz's operations, we have utilised this specific team structure in our dealing with the NSW Department of Education (DoE). We have been able to work in conjunction with the DoE to help them achieve their goal to create and provide the best mental health and wellbeing program for staff working with students with disabilities and challenging operating environments. This program has been critical in schools located within purposefully connected communities (for example, rural communities or schools with a high Indigenous population). Feedback garnered by Allianz and selected service providers has further helped equip the DoE with the required intelligence to be able to cost-effectively tailor a suite of interventions specific to the needs of each local school.

In Victoria, our WC division is a Gold Sponsor of the Arts Wellbeing Collective (AWC). AWC is a one year Mental Health and Wellbeing Pilot Program to affect better mental health and wellbeing for Victorian Arts workers. The program focuses on prevention and early intervention of mental health concerns. Allianz' collaboration with the Arts Centre is an example of how insurers can work collaboratively to drive initiatives that would have a positive flow-on effect for the management of the NDIS. Allianz can work with the NDIA to employ insights from this program to support the NDIS.

Provider Networks

One of the major concerns raised in the report focuses on the capacity of NFP disability service providers to adequately transition to the NDIS. The reasons for this range from insufficient cash-flow, to transition costs (to restructure and adapt their business to the market – such as expenses relating to pricing, IT, marketing, accounting and individualised support) to the challenge of so-called 'thin markets'. These are markets with insufficient demand and high costs of supply, which often result in an under (or even complete lack of) supply of supports, which ultimately leads to unmet demand. As we have stated previously, as the NDIS is framed as a market-style system, we believe the Scheme should be aiming to provide fully-functioning market-style options. Our concern is that many of the NFPs will not be able to adequately meet the needs associated with the scope and transition costs as the NDIS further expands. This is where we genuinely believe insurance involvement can play a pivotal role in expansion and management of the NDIS.

Rural and Regional Support:

The scope of insurance operations within Australia has given our industry the opportunity to work with rural and remote communities throughout every state in Australia, and has given our industry firsthand experience of the challenges this presents in a personal disability setting. The Issues Paper raised concerns surrounding the anticipated struggle to hire disability carers in rural and remote areas. We believe the inclusion of insurance oversight within the overall operation of the NDIS could help mitigate this issue on two fronts. Firstly, our national presence means that insurers can offer a national network angle to service the Scheme. Secondly, by transitioning participants into alternative mainstream programs, the insurers can alleviate the pressure on disability carers in regional and remote areas and thus help foster an environment wherein the NDIS can strive for economic efficiency and sustainability – two fundamental requirements for the overall success of the Scheme. Insurers have an established and well-connected network of national and international service providers whereby we have been able to assist government agencies with the implementation of medium-to-large scale risk-management projects aimed at improving physical and psychological health of governmental employees.

At Allianz, our work with Treasury Insurance Office (TIO) in both WC and CTP in the NT highlights the barriers that distance can play in the overall promotion of inclusion and participation of people with disability. In regards to the NT, Alice Springs provides the closest town for many of our participants living in the Central Desert, Barkly and MacDonnell regions to receive the medical, rehabilitation and legal aid services they require. As a result, establishing and maintaining new relationships with key support services in this area is pivotal to ensuring participants in remote areas have access to quality health care services to support them in their recovery. Allianz has addressed these barriers by increasing immersion in the community, and providing bespoke assistance to those who require our support in those areas. For example, Allianz have a Lifetime Care and Support Manager, MAC Team Leader and an Indigenous Relationship Officer who engage with various providers including Royal Adelaide Hospital, Flinders Medical Centre, Hampstead Rehabilitation Centre and Congress (Aboriginal Health Service in Alice Springs) to provide additional support and be a point of contact for these centres when they require assistance. The size and scale of Allianz is an important factor in how we were able to achieve this rural presence. We believe insurance inclusion within the Scheme should be considered in order to ensure nationally consistent access to NDIS funding and support for participants. Allianz is willing to leverage our national presence to work with providers to ensure all participants receive equitable access to reasonable and necessary support services.

Relationships with Providers:

Forming strong relationships with service providers and other relevant partners in the community is imperative to the consistent function of an insurance scheme business model. Disability service providers also depend on good working relationships with their community, regulators and government, consumers, referral partners and area coordinators. However as noted in the Issues Paper, many disability service providers within the trial areas have raised concerns which have in some cases led to providers opting out of the Scheme altogether. It is our belief that this aspect of the NDIS is in need of swift reform to limit the further loss of disability service providers. For insurers, partnering with a network of specialist rehabilitation and disability service providers via CTP and WC operations places our industry in a unique position

to help stem the flow of providers leaving the Scheme and forging a sustainable platform upon which the NDIS can successfully function. A recent example of this can be noted in Allianz' NT operations, where our market-driven approach to the purchase of prosthetics for claimants' markedly decreased the prices as competition and price negotiations were introduced to a previously monopolised market. By insurance acting on behalf of the participants, we effectively competed against each other to provide the best deal for the Government, and most importantly for the participants. The most efficient opportunity for the NDIS to achieve this would be through a combined model with insurers and NFP involvement in the delivery of services.

At Allianz, within our South Australian (SA) CTP operations we currently manage a large number of claims and have historically been the sole claims agent. We have formed extensive relationships with both the SA Government and service providers across the state, establishing networks (predominantly with NFPs) that are utilised regularly to provide general rehabilitation (treatment, care, aids and appliances, housing and vehicle modifications – predominantly in partnership with specialised NFPs), community access, vocational rehab, and accommodation services to injured or permanently disabled people. This partnership not only benefits the recipients of the care, but has also resulted in lower claims costs for the insurer. Partnerships that achieve objectives such as this are imperative as they provide a link to the recipients' 'previous' life and community which is beneficial to them on many levels. The involvement of insurers in the Scheme, who have the experience and ability to operate in partnership with government and non-government organisations, would allow better outcomes to be achieved for the NDIS.

Within insurance CTP and WC schemes, the industry has trended towards creating 'Provider Panels' and they have been a resounding success with the implementation of strong provider management frameworks. They provide a platform whereby privacy regulations, performance improvements, data and strategy sharing, and general concerns are able to be raised in an open and accessible forum. They have predominantly included a structured complaints framework for use by all parties involved – providers, disability and rehabilitation coordinators, or claimants. These specialised provider panels have led to a more mutual and equitable platform to address grievances and manage expectations, which in turn has led to substantial performance improvements across the board. This template is applicable to the management of service providers within the NDIS, whilst also allowing them the autonomy that is needed within the realm of a market-based approach.

To demonstrate the benefits of scalable provider networks, we seek to again highlight our operations in SA. We have focused on established networks within major trauma (ER) hospitals and specialised social work entities across the state via our SA Rehabilitation Network. In conjunction with these hospitals and specialised service providers (predominantly NFPs) we have promoted and approved early rehab services, set up post-discharge care models, facilitated home and vehicle modifications, and provided easier access to community-based housing. Within our SA Rehab Network, we work closely with our panel of rehabilitation providers who have extensive experience within the disability sector (an example of this would be APM, IPAR and the Disability Employment Services sector).

Workforce Planning

Allianz have experience across Australia and we strongly believe a diverse workforce with a variety of backgrounds (NFP and insurance backgrounds) will lead to superior Scheme outcomes.

The nature of compensation schemes is that they change regularly. Insurers operating in this space have developed agile and flexible recruitment and workforce planning strategies that enable the upscaling and redeployment of employees through times of change. Allianz have significant experience in upscaling and transitioning large insurance programs in tight timeframes. Three examples of this are:

- Securing one of Comcare's Contestability Pilots in 2015. We were able to appoint 16 new staff, familiarise ourselves with over 500 claims that we received and effectively communicate with both the Department of Human Services (DHS) claims staff and the injured DHS employees. This ensured our governance, claims and operational practices, and infrastructure were fully implemented within a three week period from date of notification.
- Allianz were awarded the NSW WC Gallagher Bassett Services (GBS) portfolio in 2015. As a result, we were required to transfer more than 35,000 policies and 125,000 open and closed claims over an eight month period. In addition to 'on-boarding' GBS staff, Allianz also had to recruit more than 80 new staff to manage the expanded portfolio.
- In 2010, Allianz transitioned over 12,000 open claims and 300,000 closed claims over a six month period as part of new contract arrangements for our NSW Treasury Managed Fund business. We also recruited and trained an additional 70 staff to service the larger contract requirements.

We are able to draw on specialist resources in risk and compliance, technology, people practices and project management to assist the NDIA to ensure the successful implementation of the NDIS.

Allianz truly believe a strong investment in people results in better outcomes for participants and schemes. The insurance industry faces multiple challenges in the recruitment and retention of appropriately skilled and qualified staff in the personal injury sector. Allianz has a range of people practices to attract, develop and retain the best employees. Our high employee retention rates creates stability, allowing us to focus on delivering a high level of service and outcomes. We believe some of the programs and initiatives the insurance sector has developed to attract an appropriately skilled workforce are transferable to the NDIS. The NDIA requires uniquely talented people and the Scheme would benefit from having employees with a diverse range of experiences. We believe this will ensure employees have the skills, resources and knowledge necessary to perform and to continuously improve in their role, by providing superior services to support people with a disability to participate in and contribute to social and economic life, by upholding a person centred approach to the delivery of services. This diverse skill set also enables staff to deliver timely and appropriate services in a financially sustainable way, through increasing the independence and growth capability of people with a disability.

Recommendations

Allianz recognises the work the NDIA has achieved in implementing the Scheme thus far. We believe the principles and customer-centric strategies that insurers employ within the personal injury and disability management industry would address key systemic sustainability concerns. With this in mind, a collaborative model would provide the most effective benefit for both participants and the economic outlook of the NDIS. As outlined within this response, Allianz recommends insurance involvement in and contribution to the Scheme to address the systemic funding issues outlined within this Issues Paper as this will achieve:

- Increased competition and collaboration within the Scheme to drive innovation
- Better outcomes for participants and the Scheme through application of BI/MI insights in interactions with participants
- Scheme sustainability by delivering the right supports at the right time and linking participants and/or potential participants to mainstream services where appropriate
- Implementation of a provider framework based on insurance models to achieve economies of scale and adequate support for rural, remote and Indigenous participants
- Adequate resourcing to deliver the NDIS objectives through an appropriately skilled and qualified diverse workforce.

Conclusion

The key finding from the discussion above for the sustainable roll-out and ongoing operation of the NDIS is that insurers like Allianz have most if not all the frameworks, processes, relationships, scale and experience needed to operationalise the NDIS quickly so that it operates in an efficient, sustainable and cost effective manner. We acknowledge the changing environment of the disability landscape and that existing disability service providers are gradually developing the skills, scale and capabilities to ensure that the NDIS operates efficiently. We do however believe that NDIS cost pressures could be materially reduced by putting in place frameworks that leverage off the capabilities of insurers. Insurance organisations have specialist expertise in injury compensation claims management (particularly service provider management) developed as a result of decades of experience. Insurers have experience in the management of large numbers of claimants, spread across vast geographical areas, requiring similar types of support from similar types of service providers as NDIS participants.

Collaborative involvement of insurers and NFPs in the Scheme will provide balance in experience and support services that the NDIS require to address the funding and sustainability concerns within the current management model. This submission has addressed how the insurance industry has the skills, capabilities and eagerness to work collaboratively to better align support packages for participants based on their level of function and need, as well as having a well-established provider network to leverage for the NDIS. An insurance approach seeking continuous improvement in

personal injury schemes continues to drive innovation that we believe can ultimately benefit both Scheme and participant outcomes. There is scope and opportunity for insurance to work with the NDIA to share our experience within the field of complex case management and thus help identify opportunities to drive sustainable Scheme outcomes.

Yours faithfully,

Allianz Australia Insurance Limited
ACN 000 122 850 ABN 15 000 122 850

As agent for NSW Self Insurance Corporation
ABN 97 369 689 650

GPO Box 4056 SYDNEY NSW 2001
Ph: 1300 788 946 Fax: 1300 788 942