

WorkCoverSA

Claim estimation manual

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1 Introduction

1.1 Purpose

The purpose of this document is to outline the lifetime claim estimation process to be used for all claims. Claim estimates are also a component of the premium calculation for the Experience Rating System and Retro-Paid Loss arrangements. The lifetime claim estimation includes:

- costs that have been incurred and paid, plus
- costs that have been incurred and not yet paid, plus
- estimated future costs.

All new claims from 1 January 2012, active claims at 1 January 2012 and claims inactivated from 1 January 2012 for registered employers managed by WorkCover's claims agent/s are required to have a valid lifetime estimate (estimate).

1.2 About this manual

This manual is a guide and should be read in conjunction with the Workers Rehabilitation and Compensation Act 1986 (the Act), along with other relevant legislation, policies and procedures. This manual provides the guidelines for case managers to calculate individual entitlements, however, it is the responsibility of the case manager to ensure all estimates are updated to reflect changes in circumstances (eg, return to work events) and recoveries for a particular claim.

This manual is not a claims management guide. For information regarding claims management see WorkCover's Injury and Case Management Manual (ICMM) is available on www.workcover.com.

When calculating estimates, sufficient supporting rationale must be documented with the estimate. This approach ensures any discussions with an employer can be evidenced as to how an estimate has been derived. It will also ensure adjustments to estimates as a result of change in claim circumstances are applied consistently for all claims (ie, evidence-based).

Unless otherwise referenced, all references to sections of the Act refer to the *Workers Rehabilitation and Compensation Act 1986* (the Act).

1.3 Applicability

This manual applies to all estimates created on or after 1 December 2011 unless superseded by a subsequent version of the Claim estimation manual.

1.4 Documentation required

Any relevant documentation must be referenced within the estimate or saved on the claim file. This includes:

- the type of and reason for review
- all manually performed calculations (eg, systems or worksheet)
- any information supplied by external parties used as a basis for the estimate or component of the estimate (eg, medical report, employer historical performance, work placement information, etc.)
- the rationale used in calculating each component of the estimate
- where the estimate deviates from the average values provided in this manual or varies significantly from similar claims, detailed rationale is given/referenced
- results of any quality assurance review of the estimate which results in a significant change
- the outcome and rationale for any informal or formal premium review decision.

1.5 Factors to consider

The following factors may affect the estimate and should be considered during the estimation process:

- workers capacity for work and work status
- the current and future incapacity of the worker (temporary or permanent)
- nature, severity and likely duration of the incapacity or injury
- retirement age of the injured worker
- medical and associated expenses paid to date and frequency of those services
- likely or current permanent impairment/loss of function
- other incurred or expected expenses such as travel, pharmacy, retraining, home modifications, property damage expenses, etc.
- geographical location of the worker (eg, to consider travel distances/airfares etc.)
- third party recovery potential.

The above factors are not an exhaustive list but provide a guide to the types of factors requiring consideration when estimating a claim.

1.6 High level requirements

The following high-level requirements apply to claim estimates:

- estimates must be made in accordance with this manual
- any reliance on information or documentation is appropriately referenced (eg, return to work outcome, treatment plan for medical expenses, etc.)
- estimates should include paid-to-date and outstanding amounts (this is to avoid confusion and underestimation due to delays between a service being incurred and paid)

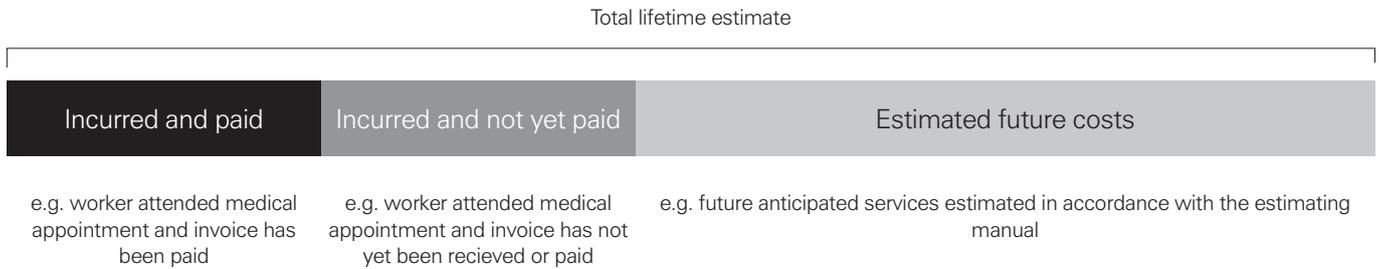


Figure 1: Lifetime estimate components

- subjectivity is minimised through evidence-based estimates
- the figures supplied in this estimation manual must be used unless it is appropriate to modify values based on individual claim characteristics
- rationale must be evidenced appropriately as part of the estimate
- any effects of future inflation (eg, indexation of notional weekly earnings/CPI/etc) are to be ignored (eg, use the notional weekly earnings as at the date being estimated, current medical fee schedules, etc)
- estimates are to include Goods and Services Tax (GST) where applicable (ie, the total invoiced amount for a service) Please note: most medical expenses are exclusive of GST
- only recoveries from third-parties are to be included in the estimate (ie, ignore other claim recoveries as they will be deducted as receipted)
- any income tax, decreasing adjustment or input tax credit recoveries or adjustments are to be ignored as part of the estimate (eg, estimate gross and/or full amount/s)
- at a minimum, estimates are required to be updated at the scheduled review points. Estimates should also be updated when services are ordered (eg, workplace-based rehabilitation) and when information is received that materially changes the estimate

2 Estimate milestones

2.1 Overview

The claims agent will be responsible for ensuring that claims estimates are consistent and current, as this information will be included in claim summaries distributed to employers upon request. The claims agent will also be responsible for managing queries and requests for claim estimate reviews from employers. Employers have the ability to influence the claim estimate (and potentially decrease their premium) by reducing workplace injuries and improving return to work rates.

2.2 End of financial year

Estimates must be current at the end of each financial year to enable employer premiums to be calculated for the new policy period. However, it is recognised that claims agents will require a window to allocate estimates for new claims received closer to 30 June. It is therefore expected that all active and new claims received to 30 June will have an initial estimate allocated or the existing estimate reviewed before 31 July within the same calendar year with an effective date on or prior to 30 June.

2.3 Claim milestones

Estimates are to be kept current at all times. However, it is mandatory that claim estimates for active claims are current at the following intervals (from date of injury*):

- initial receipt (within 7 business days)
- 12 weeks
- 26 weeks
- 52 weeks
- twice annually from 52 weeks (with a minimum of one review between 1 March and 30 June)
- on claim closure**.

At a minimum, estimates are to be undertaken **within two weeks** either side of these milestones.

* *Where the date of receipt is 12 or more weeks from date of injury, a detailed initial estimate and pending milestones are required (eg, claim received 28 weeks post injury: a full initial estimate would be undertaken and then the next review would be required at 52 weeks).*

** *If a claim is reopened to pay accounts with service dates after, or payments more than outstanding service plan estimates, the claim estimate is to be reviewed.*

2.4 Pending and undetermined claims

Pending and undetermined claims are to be estimated as if they were accepted.

2.5 Event-based milestones

Where an estimate is undertaken between milestones, such as when an injured worker makes a full return to work or significant new information is presented, the following rules are to be applied:

- where the time of the information receipt is within two weeks either side of a milestone, use the milestone date (eg, information received at 24 weeks, perform the 26 week estimate)
- otherwise, use the date of receipt of the new information or date of estimate.

Full return to work means that the worker has returned to work as a settled or established wage earner and generally at not less than pre-injury hours or pre-injury earnings (refer to the ICMM: Chapter 10 - Worker has returned to work).

2.6 When not to review an estimate

An estimate should not be modified on the basis of:

- future planned actions where there is no evidence (eg, a graduated return to work plan where the worker is currently totally incapacitated should be ignored for the purpose of estimating).
- the worker returning to work where there is no medical clearance and/or recent voluntary discontinuance.
- surveillance reports and fraud allegations that are received or are in progress.
- unsubstantiated changes or 'potential' future changes.

For example, if, at the time of the estimate, a worker was currently not working but it was 'anticipated' that they would return to work in the following week, estimate as if the worker is currently not working (you may apply a 'low' severity factor if appropriate as per section 4.1.2). Only amend the future income maintenance estimate to reflect actual payments when the worker has sustained a return to work.

2.7 Claims in dispute

Claims in dispute are subject to the same requirements for estimating as all other claims. Until a dispute is finalised, a claim must continue to be estimated as if the claim was accepted or the dispute was resolved in favour of the worker. This is consistent with the evidence provisions in this manual, which state that changes are only applied where there is a sustained/evidenced pattern/outcome. Examples include:

- rejected claims in dispute continue to be estimated as if they were not rejected
- a claim subject to a section 35B dispute continues to be estimated as if income maintenance continues
- if the average weekly earnings (AWE) are in dispute, income maintenance should be estimated in favour of the worker.

2.8 Closing a claim/finalising estimates

Before closing a claim/finalising estimates, every endeavour must be made by the case manager to ensure all outstanding payments have been received. For example, if it is known that there are outstanding Weekly Payment Reimbursement Requests (WPRRs), the employer must be contacted to submit any outstanding WPRR prior to claim closure/finalising the estimate. Any follow up activities **must** be documented on the claim file. A claim should not be closed unless the case manager is satisfied that further costs other than those already allocated are not to be incurred or paid.

On closing the claim, all estimates should be reviewed for appropriateness and set to the cost incurred where appropriate. A claim estimate will remain on the claim until all outstanding accounts and payments (eg, WPRR) have been submitted and paid.

For example, if an injured worker was on direct income maintenance for six weeks at \$1,000 a week, a total of \$6,000 would be incurred and should be the total estimate (ie, paid \$6,000, outstanding \$0). However, if the same worker was being paid by their employer and the employer did not claim the weekly payment reimbursement, the final estimate should remain at \$6,000 at claim closure (ie, paid \$0, outstanding \$6,000). This ensures equitable treatment amongst all employers.

3 Special claim classes

The following claim types are exceptions to the general provisions within this manual.

3.1 Hearing loss only

Relevant medical expenses must be estimated in accordance with this manual with allowance for hearing aids as quoted by the service provider (generally between \$5,000 and \$10,000 for two aids) and ongoing batteries as required. Medical expenses should also include an allowance for assessment by a suitably qualified medical expert. An allowance for permanent impairment should be made where it is likely an entitlement arising from the worker's compensable noise-induced hearing loss will be determined upon finalisation of the hearing test required by the Act.

3.2 Serious injuries

For injuries classified as 'serious injuries'¹, the estimate should be based on the current injury prognosis. In many cases, seriously injured workers will not return to work but instead be on a 'restoration to the community' plan/programme. If this is the case the weekly payments estimate should be as follows:

- if the worker was less than 63 years of age at date of injury the case manager must establish the 'normal' retirement age for workers in the kind of employment from which the worker's injury arose. Using this retirement age minus the worker's current age, the number of years is multiplied by 52 times the notional weekly earnings (less any expected reduction as a result of mandatory legislative reviews)
- where the worker is 63 years of age or above (ie, within two years of retirement age or above retirement age) then estimate notional weekly earnings for two years after the commencement of incapacity (less any expected reduction as a result of mandatory legislative reviews).

¹ Refer to Injury and Case Management Manual, Chapter 11A: Social Rehabilitation Requirements for information of classifying serious injuries

3.3 Work related fatalities

Where a work related fatality results in an entitlement to a lump sum, as this amount will generally exceed the claim cap, further estimates are **not required** to be undertaken. Where the lump sum does not exceed the large claim cap, the guidelines in this section are to be followed. If a worker died after the acceptance of the claim, estimates for income maintenance and other expenses may also be required in addition to any entitlements under sections 44 and 45.

3.3.1 Income maintenance (section 44)

Estimates for work related fatalities must be calculated in accordance with the formula prescribed by section 44 of the Act. A high-level summary of the earnings amounts is outlined in Table 1 below.

Table 1: High-level summary of dependent income maintenance entitlements

Level of dependency	Totally dependent	Partially dependent
Spouse/domestic partner	50% of NWE	(50% of NWE) * dependency %
Orphaned child *	25% of NWE	(25% of NWE) * dependency %
Non-orphaned child *	12.5% of NWE	(12.5% of NWE) * dependency %
Dependent relative	As determined	As determined * dependency %

Total up to a maximum of 100% NWE (apportionment occurs for amounts less than this)

NWE – Notional weekly earnings

Estimates are to be undertaken in an appropriate worksheet and attached to the claim file electronically if a work related fatality income maintenance estimate is required and undertaken.

* A 'child' must be either under 18 years of age; under 26 years of age and a full time student at an educational institution approved by WorkCover; or, incapable of earning a living because of a physical or mental injury

3.3.2 Lump sums (section 45A)

Where there is a lump sum entitlement, use 100% of the maximum statutory rate less any relevant previous non-economic loss payments.

3.3.3 Funeral (section 45B)

Funeral costs should be estimated, where appropriate, at the prescribed rate under the 'other' category.

3.3.4 Counselling (section 45C)

Counselling services should be estimated, where applicable, under the 'other' category.

4 Estimates by entitlement category

The following financial groups are to be used for estimating. However, claims agents may wish to estimate at a more granular level on file to assist with the process and/or explanation.

- income maintenance
- medical (including specialists, pharmacy, physiotherapy, etc)
- hospital
- workplace-based rehabilitation
- non-economic loss
- legal – worker/employer
- legal – agent/WorkCover
- investigations
- funeral
- other (all other items such as home assistance, home modifications, etc)
- recovery from third-party/common law.

4.1 Income maintenance

When estimating income maintenance, all income-related payments must be included, for example:

- direct payments
- weekly payment reimbursements/employer reimbursements
- back-pay
- interest.

The case manager must consider:

- the worker's current notional weekly earnings
- if the worker is 63 years of age or over and return to work is unlikely (based on medical and vocational status), the worker's entitlements for two years or to retirement (whichever is the greater)
- any ongoing requirements for visits to health professionals or surgery (eg, worker has returned/stayed at work, however, surgery requiring six (6) weeks' absence from work is planned in three (3) months' time)
- legislative requirements (eg, s35 step-downs, absence from Australia, interims, etc)
- the potential for discontinuance of a worker's entitlements at 130 entitlement weeks (ie, the 'work capacity assessment' test as to whether a worker is maximising their earnings or not). Please note this is incorporated to some extent in 4.1.2 and is only to be changed where a notice under section 35B has been issued, payments have been discontinued and not disputed (nor a section 35C application lodged)

To modify the values within the estimating manual, there must be clear, sustained evidence of the reason for variation. In most cases date of injury should be used, however where it is more appropriate this can be substituted with the first date of incapacity. In these instances, the case manager must have evidence and provide a rationale.

For example: A worker suffers a hernia on 1 March, however has no time off work. The worker then arranges for surgery on 1 October and requires some time off work to recover. It is therefore more appropriate to use 1 October as the first date of incapacity.

The following are the approved methods for estimating income maintenance.

4.1.1 Expected injury duration (claim up to 12 weeks from injury or from first date of incapacity)

The following approach applies for the calculation of injury duration estimates undertaken within 12 weeks from the date of injury or from the first date of incapacity.

For low risk claims and initial estimates, a clearly defined period of time lost can be used to calculate the estimate if a return to work has been achieved or is likely to happen soon. Alternatively, a reasonable injury based recovery time can be used (see Table 2 below). Low or Average ratings are to be used if it is believed the injured worker will return to work with the pre-injury employer within 'normal' healing times. If there is an indication that the worker will not return to work within 'normal' healing times the High rating in Table 2 may be applied or the approach under part 4.1.2 may be used where appropriate. The severity ratings in Table 2 are subjective and consideration should be given to the factors outlined in Part 1.5.

Table 2: Expected injury durations

Estimated total duration (wks)		Injury severity		
		Low	Average	High
Body location				
Lower limb				
Ankle/foot	Sprain/strain	2	4	6
	Fracture	4	6	12
Knee	Sprain/strain	2	4	6
	Meniscal/cartilage – surgery	4	6	8
Hip	Sprain/strain	2	4	6
Upper limb				
Hand/wrist	Sprain/strain	2	4	6
	Laceration	2	4	4
	Carpal tunnel syndrome – surgery	4	6	8
	Fractures	4	8	12
Elbow	Sprain/strain	2	4	6
	Medial/lateral epicondylitis	6	8	12
Shoulder	Sprain/strain	2	4	6
	Dislocation	4	8	12
	Rotator cuff tendinopathy	3	8	12
Trunk				
Low/lumbar spine	Sprain/strain	2	4	6
	Facet joint	2	4	6
	Radicular pain/sciatica	8	12	refer 4.1.2
Neck/cervical spine	Sprain/strain	4	6	12
	Radicular pain	8	12	refer 4.1.2
Other				
Hearing loss		0	0	0
Psychological		4	12	refer 4.1.2
Other (General)		refer 4.1.2	refer 4.1.2	refer 4.1.2

4.1.2 Expected injury duration (claim more than 12 weeks from injury or from first date of incapacity)

The following approach applies for the calculation of estimates 12 or more weeks from injury or first date of incapacity unless evidence on file is to the contrary (eg, sustained, full return to work) or Table 2 does not apply. There are three steps:

- Step 1A Determine the average future duration (when the claim review occurs at a claim milestone)
OR
- Step 1B Determine the average future duration (when the claim review does not occur at a claim milestone)
- Step 2 Apply a severity factor to the average future duration if relevant
- Step 3 Add the elapsed duration to the future duration to obtain the total duration
- Step 4 Calculate the income maintenance estimate

Details on each of these steps can be found below.

Step 1A

Where the claim estimate review is undertaken at a claim milestone Table 3 can be used to determine the average estimated future duration. Where a claim estimate is effective within two weeks either side of these milestones, the milestone can be used. In other cases, and where the claim duration is more than 260 weeks, please refer to the formula under Step 1B on page 15.

Table 3: Estimate future income maintenance duration (weeks)

	Duration elapsed	Average future duration		Duration elapsed	Average future duration
	Total incapacity	12 weeks		24	Partial incapacity
26 weeks		45	26 weeks	24	
52 weeks		84	52 weeks	45	
78 weeks		87	78 weeks	57	
104 weeks		90	104 weeks	59	
130 weeks		92	130 weeks	61	
156 weeks		95	156 weeks	63	
182 weeks		97	182 weeks	65	
208 weeks		100	208 weeks	67	
234 weeks		103	234 weeks	69	
260 weeks		104	260 weeks	70	

Step 1B

Where the claim estimate review does not coincide with the milestones in Table 3 or the claim duration is more than 260 weeks, use the relevant formula below to calculate the average estimated future duration.

Retirement

Where a claim is expected to continue to retirement:

- estimated future duration = number of weeks from estimate effective date to retirement.

Please note: Estimated future duration is to be capped at the maximum number of weeks to retirement.

Total incapacity (as determined by the most recent medical certificate/report)

Where the duration from date of injury is **less than 52 weeks** at the effective date of the estimate:

- average estimated future duration = $6 + (1.5 \times \text{claim duration in weeks})$

Where the duration from date of injury is **52 weeks or more and less than 260 weeks** at the effective date of the estimate:

- average estimated future duration = $84 + (0.1 \times (\text{claim duration in weeks} - 52))$

Where the duration from date of injury is **260 weeks or more** at the effective date of the estimate:

- average estimated future duration = 104

Partial incapacity (as determined by the most recent medical certificate/report)

Where the duration from date of injury is **less than 65 weeks** at the effective date of the estimate:

- average estimated future duration (weeks) = $3 + (0.8 \times \text{claim duration in weeks})$

Where the duration from date of injury is **65 weeks or more and less than 260 weeks** at the effective date of the estimate:

- average estimated future duration = $55 + (0.08 \times (\text{claim duration in weeks} - 65))$

Where the duration from date of injury is **260 weeks or more** at the effective date of the estimate:

- average estimated future duration = 70

Step 2

If the claim is more than 52 weeks and there is evidence that the claim is likely to be lower or higher than the average future duration produced in Step 1A or 1B then apply the relevant severity factor below in Table 4. Otherwise use the average future duration produced and proceed to Step 3.

The case manager must only depart from the average where additional information makes it clear this is required. Appropriate rationale for amending the average estimated future duration could include prospects of return to work or prospects of the worker reaching a Work Capacity Assessment and consideration of factors outlined in part 1.5.

- estimated future duration = average estimated future duration x severity factor

Table 4: Severity factors

Severity	Factor
Low	0.5
Average	1
High	2

Step 3

Take the estimated future duration determined in the steps above and add the duration elapsed to obtain the total estimated income maintenance duration.

- estimated total duration in weeks = estimated future duration + elapsed duration

Step 4

Using the estimated total duration, calculate the total income maintenance estimate with consideration for the weekly earnings of the injured worker and any partial return to work. If appropriate, segment the duration against appropriate notional weekly earnings (NWE) amounts.

Example 1: John's claim duration is currently 78 weeks from date of injury and he is currently partially incapacitated as per his most recent medical certificate. Looking at Table 3 under step 1A, this results in an estimated future duration of 57 weeks. He is not currently working, however it is likely that he will return to work without the need for a work capacity assessment as he has been retrained and has the required skills for jobs currently readily available. John is also motivated and committed to returning to work. Considering this, the case manager applies the severity rating of 'low' to adjust the future duration to 28.5 weeks and then adds this to the elapsed duration to obtain a total duration of **106.5 weeks**.

Example 2: Mary's claim duration is currently 82 weeks from date of injury and she is totally incapacitated as per her most recent medical certificate. Looking at Step 1B, this gives an estimated future duration of 87 weeks. Mary is not currently working. She previously returned to work with her pre-injury employer, however found the work too demanding. Mary has expressed concerns about returning to work in her pre-injury role however has resisted retraining offered to her. Mary has requested referral to a psychologist as she is finding it difficult to cope with the stress of her injuries. Considering this the case manager applies the severity rating of 'high' to adjust the future duration to 174 weeks and then adds this to the elapsed duration to obtain a total duration of **256 weeks**.

4.2 Medical

Medical payments include the following costs:

- all medical costs (including general practitioners, psychologists, etc.)
- specialist costs
- medical report costs (including independent medical examiners)
- allied health (including physiotherapists, chiropractors, remedial therapists, etc.)
- chemist/pharmacy costs.

Medical expenses include medical services provided by medical experts as defined in section 32 of the Act, except for hospital expenses, which are itemised separately. When calculating an estimate for registered medical expenses it is important to consider the nature and severity of the injury and the recommended treatment regime by the primary medical practitioner. It is also important to consider both medical expenditure that is certain and medical expenditure which is uncertain but has a high probability of occurring.

When a medical report, WorkCover medical certificate, independent medical assessment or recommendation for surgery is received, estimates must be reviewed if the information indicates a change in direction/severity or anticipates no further treatment is required.

In establishing an estimate for medical expenses, it is important to consider relevant gazetted fees for services, particularly for surgical services. To determine the estimated total medical costs first use Table 5 below to determine whether the medical costs paid to date are classified as low or high.

Table 5: Medical cost classifications

Claim duration at assessment date	Medical costs to date	
	Low	High
<= 8 weeks	Not applicable	
8 to <= 18 weeks	<= \$650	> \$650
19 to <= 26 weeks	<= \$1,600	> \$1,600
27 to <= 52 weeks	<= \$4,300	> \$4,300
53 to <= 104 weeks	<= \$13,500	> \$13,500
105 to <= 156 weeks	<= \$25,000	> \$25,000
157 weeks +	<= \$38,000	> \$38,000

Proceed to Table 6, which shows ‘typical’ future medical costs. These figures should be used for estimating future medical expenses unless it is necessary to modify the values as:

- information indicates the future medical costs are likely to exceed the total estimate (eg, medical report proposes intense ongoing treatment)
- costs have been incurred but not yet paid and are likely to exceed the total estimate
- the worker no longer requires treatment
- a one-off large expense or expenses for treatment or services which have ceased make a reference to costs incurred less relevant when determining the probability of future expenditure
- planned, recommended or surgical intervention.

Please note: Medical expenses can continue for life and not just retirement age.

Table 6a: Expected future medical costs – where the work status is **fully back at work** (that is, no entitlement to weekly payments)

Claim duration at time of estimate	Medical costs paid to date	Medically certified incapacity	Expected future costs *
Up to 8 weeks	n/a	n/a	\$420
9 to 26 weeks	Low	n/a	\$325
	High	n/a	\$920
27 to 52 weeks	Low	n/a	\$490
	High	n/a	\$1,700
More than 52 weeks	Low	n/a	\$1,200
	High	n/a	\$3,800

Table 6b: Expected future medical costs - where the work status is **partially back at work**

Claim duration at time of estimate	Medical costs paid to date	Medically certified incapacity	Expected future costs *
Up to 8 weeks	n/a	n/a	\$3,600
9 to 26 weeks	n/a	n/a	\$8,100
27 to 52 weeks	Low	n/a	\$4,900
	High	n/a	\$13,500
More than 52 weeks	Low	n/a	\$4,900
	High	n/a	\$13,500

Table 6c: Expected future medical costs - where the work status is **not back at work**

Claim duration at time of estimate	Medical costs paid to date	Medically certified incapacity	Expected future costs *
Up to 8 weeks	n/a	n/a	\$5,900
9 to 26 weeks	Low	n/a	\$10,250
	High	n/a	\$14,600
27 to 52 weeks	Low	Partial / none	\$7,300
	Low	Total	\$13,000
	High	Partial / none	\$15,600
	High	Total	\$20,000
More than 52 weeks	Low	n/a	\$10,800
	High	Partial / none	\$15,600
	High	Total	\$20,000

* Add the expected future medical costs to the medical costs paid to date to obtain the total medical costs estimate.

4.3 Hospital

Hospital costs are highly variable and should be tailored to the individual circumstances of each claim. Consideration must be given to the type and severity of the injury as well as conversations with medical practitioners and medical reports. Costs should be appropriately evidenced and referenced (eg, surgery for \$25,000 has been approved for a future date). As a guide, the case manager should consider the scheduled fees for surgical services. It is also important to determine whether the patient is private or public as the cost allocations differ between these groups.

Table 7: Hospital cost inclusions public vs private

	Hospital	
Patient	Private	Public
Private	Surgeon bills for procedure as medical. Hospital bills for stay and ancillary costs as hospital.	Surgeon bills for procedure as medical. Hospital bills for stay and ancillary costs as hospital.
Public	n/a	Surgery and hospital included in hospital.

Surgical costs are referenced in the gazetted fee schedules for medical practitioners and are available on the WorkCover website www.workcover.com

4.4 Workplace-based rehabilitation

As workplace-based (formerly vocational) rehabilitation is an 'ordered' service, an estimate should be applied with consideration to the case management strategy and status of the claim. Where it is likely that workplace-based rehabilitation will be required, appropriate estimates must be entered with rationale detailing the intended use of workplace-based rehabilitation. Reference should be made to any applicable Rehabilitation and Return to Work (RRTW) plan or program.

4.5 Non-economic loss/permanent impairment

Permanent impairment estimates should be based upon an assessment by the case manager as to the severity of the injury. This should also be evidenced by questioning the treating medical practitioner as to the likelihood of an entitlement (ie, exceeding the 5% whole person impairment (WPI) threshold). A percentage estimate should be applied to the relevant schedule of sums value for the year of injury to ascertain the estimate. Note that prior non-economic loss payments should be appropriately deducted where applicable.

Where an injury is serious and/or has resulted in a full loss of function or limb, the appropriate 'no disadvantage' (section 43B, schedule 3A) value should be considered. For example, a quadriplegic with no prior non-economic loss payments should be allocated the maximum prescribed sum for the date of injury. Any assessments must be appropriately evidenced. For reference, the schedule of sums is located on WorkCover's website at www.workcover.com.

4.6 Other

4.6.1 Legal

Worker/Employer legal

Allocate the anticipated legal costs for any dispute. An amount of \$1,600 to each dispute may be used initially until such time as it is determined whether the matter is or is not resolved at conciliation and costs that are more accurate are established/realised.

If a matter is referred into the Tribunal for judicial determination, a further amount of \$5,700 (total \$7,300) should be allocated to each dispute until costs that are more accurate are established/realised. As the dispute continues, a more accurate estimate of these costs should be made by the Agent, who can seek an estimate of these costs from the Agent's legal representative.

Agent/WorkCover legal

Irrespective of whether a dispute is resolved at conciliation or judicial determination, an allowance needs to be made for Agent/WorkCover legal costs as these are paid on a referral basis and each dispute must be separately referred. For each dispute, allow \$3,000 for these costs.

4.6.2 Investigation

Investigation costs should be allocated based on the case manager's anticipated use of surveillance and factual investigation services.

4.6.3 Funeral

Funeral costs should be estimated, where applicable, as the prescribed rate.

4.6.4 Other

All other costs should be estimated in this category. For example:

- home assistance
- RISE (Re-employment Incentive Scheme for Employers) costs
- travel and accommodation
- therapeutic aids and equipment.

Please note: for interpreter services please estimate actual cost only (with no allowance for future costs).

4.7 Third-party recoveries

WorkCover can recover compensation from third party(s) (ie, wrongdoer) under section 54 of the Act. Examples of third party recoveries include:

- where there was a compensable motor accident and the injured party (worker) was a passenger/not at fault
- where a third party caused the injury (eg, a worker employed by company A was injured by company B's crane).

4.7.1 Claim recovery estimate can be included in an estimate when the third party has admitted liability or where the potential recovery is

- clearly apparent; (eg, evidence / investigations clearly identify negligence by third party wrongdoer)
- sustainable at law; (eg, recovery under section 54(7) exists and worker has potential claim for damages) and
- verified by a suitably qualified person (ie, Claim Recovery Officer or Agent Legal Rep).

Note: Where the potential claim recovery results from an assault by another person then a recovery estimate can only be apportioned where there is a reasonable likelihood of actually recovering the money i.e. the assailant has the assets and the ability to repay WorkCover.

4.7.2 In order to more accurately calculate a recovery estimate there must be sufficient evidence to quantify the amount of damages the worker may expect to be awarded. WorkCover can then estimate how much it expects to recover with a reasonable degree of certainty. Sufficient evidence to quantify recovery estimate includes

- Wrongdoer has ability to pay any award of damages; and
- Past and future economic loss can be quantified including any superannuation entitlements. Residual capacity for work and future incapacity can be estimated; and
- Non-economic loss (pain & suffering) can be estimated in accordance with Civil Liability Act – scale value; and
- Clarifying effect of any non-compensable disabilities or personal circumstances impacting RTW; and
- Past Special Damages - medical expenses, hospital, travel, chemist, home care can be quantified; and
- Future Special Damages - medical expenses, surgery, hospital, travel, chemist, home care can be quantified; and
- Total damages to be reduced to take into account any contributory negligence and / or risks on liability.

Only recovery of compensation paid and payable can be made and therefore costs not incurred by a worker are not recoverable eg rehabilitation, legal and investigation costs and medical report costs.

Claim recovery estimates must be reviewed at least twice annually (with a minimum of one review between 1 March and 30 June) in accordance with 2.3 of this manual or whenever new information is received that will impact the claim recovery estimate either up or down.

Third party recoveries are to be estimated using the following guidelines:

Table 8: Recovery percentages to be applied

Information available	Amount to estimate for recovery
A potential recovery has been identified but is not yet confirmed or reviewed by a recovery officer	0%
Pre-conditions of 4.7.1 are met however there is insufficient evidence to estimate quantum of recovery.	Up to 50% of estimate (excluding costs not recoverable ie rehabilitation, legal & investigation costs)
Pre-conditions of 4.7.1 are met and there is sufficient evidence as per 4.7.2 to estimate quantum of recovery.	Up to 100% of estimate (excluding costs not recoverable ie rehabilitation, legal & investigation costs) Note: Where estimated recovery exceeds claim estimate then claim estimate should be adjusted accordingly following discussion between Recovery Officer and Case Manager ie claim estimate may need to be increased.

Example 1

The worker alleges he is involved in motor vehicle accident in course of his employment when he was a passenger. No likely dispute regarding liability however the quantum of worker's common law CTP claim is too early to determine.

Income maintenance estimate	\$30000
Medical	\$13000
Other - Travel	\$2000
Hospital	\$3000
S.43	\$0
Sub-total	\$48000
Less 50% of estimate for recovery	\$24000
Sub-total	\$24000
Plus investigation estimate	\$2000
Plus legal estimate	\$6000
Plus rehab estimate	\$5000
Total estimate	\$37000

Example 2

The worker alleges he is involved in motor vehicle accident in course of his employment when he was a passenger. No likely dispute regarding liability and the worker has issued proceedings and / or commenced negotiations and the quantum of worker's common law CTP claim can be assessed with reasonable degree of confidence and it either exceeds the 1st sub-total below or equal to. NOTE: If suitably qualified person assesses recovery at 90% of sub-total then below recovery would be reduced to \$70200.

Income maintenance estimate	\$50000
Medical	\$13000
Other - Travel	\$2000
Hospital	\$3000
S.43	\$10000
Sub-total	\$78000
Less 100% of estimate for recovery	\$78000
Sub-total	\$0
Plus investigation estimate	\$5000
Plus legal estimate	\$8000
Plus rehab estimate	\$7000
Total estimate	\$20000

Example 3

The worker alleges he tripped on a building site due to negligence of a contractor however the exact circumstances are unknown and no investigations have commenced.

Income maintenance estimate	\$30000
Medical	\$13000
Other - Travel	\$2000
Hospital	\$3000
S.43	\$0
Sub-total	\$48000
Less 0% of estimate for recovery	\$0
Sub-total	\$48000
Plus investigation estimate	\$2000
Plus legal estimate	\$6000
Plus rehab estimate	\$5000
Total estimate	\$61000

Example 4

The worker alleges he tripped on a building site due to negligence of a contractor. Investigations and legal advice indicates there are good prospects of recovery however the quantum of worker's public liability common law claim is too early to determine.

Income maintenance estimate	\$30000
Medical	\$13000
Other - Travel	\$2000
Hospital	\$3000
S.43	\$0
Sub-total	\$48000
Less 50% of estimate for recovery	\$24000
Sub-total	\$24000
Plus investigation estimate	\$2000
Plus legal estimate	\$6000
Plus rehab estimate	\$5000
Total estimate	\$37000

5 Compliance and review

5.1 Claims agent requirements

Estimates are required to be reviewed as part of a claims agent's quality assurance process.

5.2 WorkCover requirements

Where appropriate, WorkCover will also perform validations as and when required to ensure estimates are correct (and mandatory validations for a sample of claims from employers who are part of the Retro-Paid Loss arrangements will be undertaken at the end of the employer's run-off period).

6 Glossary of key terms

Active claim

A claim that is currently actively being managed by a case manager.

'Asat' date

The date at which the estimate was applied for (eg, costs paid and information received to this date were considered in calculating the estimate).

Assessment date

See 'Asat' date.

At work status

As at the assessment date, the extent to which the worker is employed compared to their pre-injury hours, classified as 'Fully at work', 'Partially back at work' or 'Not back at work'.

Claim duration

The number of weeks/years between date of injury and the assessment date.

Effective date of estimate

See 'Asat' date.

Estimate

The expected lifetime cost calculated using the methodology outlined in this manual. This figure includes any costs paid-to-date.

Estimated future duration

The number of weeks between the assessment date and the expected future date of income maintenance discontinuance.

Expected weekly IM payment

The expected weekly income maintenance payment to the injured worker. This must take into account any earnings by the injured worker in paid employment. For example if the worker's notional weekly earnings was \$500 per week, and, on average, he/she was earning \$200 per week, use \$300 per week as the expected weekly IM payment. This also provides incentive for employers to ensure workers are in sustained paid employment as it reduces the income maintenance estimate.

Inactive claim

A claim that is currently not being actively managed (ie, 'closed').

Incapacity (Total/Partial)

Medically certified incapacity, classified as either 'Total' (also known as 'Full') or 'Partial'. It is not possible to have 'No incapacity' because a claim must be in receipt of income maintenance to have an income maintenance estimate. Therefore, any claims in receipt of income maintenance must have at least a partial incapacity.

Income maintenance

Weekly payments made to an injured worker as a result of lost earnings/time from work due to their injury/illness.

Medically certified incapacity

The incapacity stated on the most recent WorkCover medical certificate or medical report.

RTW

Return to work

RRTW

Rehabilitation and return to work

Section 'x'

Unless otherwise referenced, refers to a section of the *Workers Rehabilitation and Compensation Act, 1986*.

WCA

Work capacity assessment

Weeks to retirement

The number of weeks between Assessment date and worker age 65.

WPI

Whole Person Impairment (usually a percentage scale to assess impairment)

7 Notes on this manual

This section explains at a high level the methodology used by WorkCover to produce this manual. Generally, this manual was produced based on WorkCover's historical experience for the registered employer scheme. Historical claim estimates were analysed as at a specified historical date, by looking at the 'actual future expenditures' subsequent to that date. A higher weighting is given to experience that is more recent to assist with ensuring the guidelines are more reflective of what is occurring in the recent past.

Use of median values

An important feature is that the guidelines are based on medians, not means (averages).

Using the median value provides a better 'typical' value than the mean (average) for highly variable values. The distribution of claim estimates (future expenditure) are highly positively skewed, which means that a small number of claims have very high future expenditures compared with the majority. The result is that the average is high – in fact, much higher than the actual values for most claims. On the other hand, the median is not too high even for very variable claim-by-claim costs. By definition, 50% of claims will have values below the median and 50% above the median, and in this sense, the median is a better value to represent the 'typical' claim estimate.

To cater for the small number of claims with very high future expenditures, it is imperative that case managers are alert to those claims that are likely to have atypical values, and appropriately adjust the values from the guidelines.

Medical costs

Medical costs were developed looking at expenditure levels considering claim characteristics. Claim characteristics were selected as those most likely to make a difference, initially based on the knowledge and experience of experienced claims staff and then refined by analyses.

As such, Tables 6 a, b and c on pages 15-16 in this manual have been developed based on characteristics that are statistically significant in affecting future costs. This is also true for income maintenance durations.

Income maintenance

For income maintenance, future duration was used instead of future expenditure. This is because it is more appropriate for the level of weekly payments to reflect an individual claim. The weekly payment amount is then multiplied by expected future duration to determine the estimated future costs. This was considered more appropriate as there is a wide range in average weekly earnings and earnings from paid employment.

Cost values

Costs are presented in November 2011 dollars and will be adjusted as and when appropriate by future versions of this manual. The manual will be reviewed at least biennially by WorkCover.

Enquiries: 13 18 55

Fax: (08) 8233 2990

info@workcover.com

www.workcover.com

Free information support services are available for: TTY (deaf or have hearing/speech impairments) call (08) 8233 2574. Languages other than English call the Interpreting and Translating Centre (08) 8226 1990 and ask for an interpreter to call WorkCoverSA on 13 18 55. Braille, audio, or e-text call 13 18 55.

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