Swiss Re

Rehabilitation Watch 2014 – Australia

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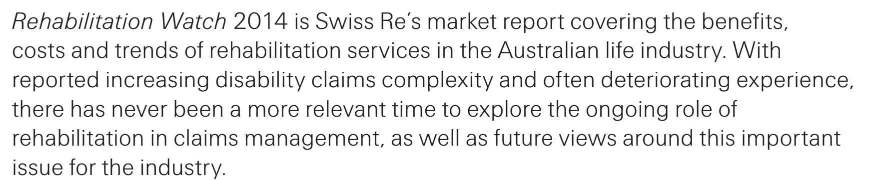
Introduction

Welcome to our first *Rehabilitation Watch* report for the Australian market. This report covers trends and topical issues for life and health claims from a rehabilitation perspective – on individual and group business.



Rehabilitation Watch 2014 is Swiss Re's market report covering the benefits, costs and trends of rehabilitation services in the Australian life industry. With reported increasing disability claims complexity and often deteriorating experience, there has never been a more relevant time to explore the ongoing role of rehabilitation in claims management, as well as future views around this important issue for the industry.

We would like to thank everyone who has participated in this first edition. We look forward to meeting with each of you to discuss these findings in more detail. We are keen to explore areas where we can work together on initiatives to benefit both you, our clients, and your customers.

Your local *Rehabilitation Watch* contacts

To discuss any aspect of this publication or the related issues, please contact:

Executive summary

Claims rehabilitation has been a topic of growing interest in the Australian life insurance market, with insurers either starting or growing their investment in in-house rehabilitation staff. From an industry level, we have seen the Life Rehabilitation Forum increase in size by 700% over the past five years, and recruitment continues. As an industry we have a cognisance that rehabilitation can offer many benefits, to many parties but how can we demonstrate this, both from an objective and qualitative standpoint?

Nine of Australia's major life insurance companies provided data and commentary for this study, including those who offer individual and/or group insurance as well as multiple product lines. In undertaking our first *Rehabilitation Watch* study, we sought to explore what rehabilitation means to the market, the associated costs and benefits, and to consider what place rehabilitation might have in the future disability insurance environment.

This year's survey found that insurers are confident that the advantages of offering and administering rehabilitation benefits still outweigh the challenges. Reaping the benefits of rehabilitation comes with its caveats – having an understanding of and an action plan for these caveats very much determines whether rehabilitation intervention is likely to be successful and cost-effective.

Evidence-based literature reinforces the importance of intervening early and as an industry, we acknowledge there is much room for improvement. We observed an average timeframe for implementing rehabilitation programs in excess of 12 months from the date of disability, however, there are signs that the market is pressing forward with earlier intervention and engagement, with some insurers offering rehabilitation assistance within the waiting period and potentially prior to claims being lodged.

Encouragingly, when rehabilitation services are being implemented – either by in-house rehabilitation consultants, or provided externally – most insurers are able to provide evidence of a return on investment (ROI). *Rehabilitation Watch* 2014 found that for every $1 spent on rehabilitation services, insurers saved between $24 and $39 on income protection claims costs. Conversely though, insurers may not be tapping into the full ROI potential with only 5-6% of income protection claimants participating in rehabilitation programs in the 2013 calendar year.

The inability to provide comprehensive rehabilitation-specific data was an overarching finding from the survey. Insurers remarked that through the completion of the survey tool came the realisation of the need to improve the quality and span of data captured. With many participants developing new claims management platforms, Swiss Re envisages that future survey editions will lead to more meaningful, reliable and compelling metrics.

Our intention in future editions of *Rehabilitation Watch* will be to use the data from this first edition to make comparisons and to develop richness to the commentary around the trends observed. Swiss Re's UK office has undertaken a similar study and we hope to be able to provide comparisons, not only in the Australian market in future editions, but also from a global standpoint.

Rehabilitation Watch 2014 left us with some encouraging messages for our industry. Not only have insurers started to realise the positive financial impact rehabilitation can have, more widely the market is focused on promoting the intrinsic value of rehabilitation in assisting people to make a recovery and a return to health and work.

Key takeaways

Claimants' attitude and motivation	The key determinant to the success of rehabilitation intervention.
5–6%	Income protection claimants engaged in rehabilitation services.
12 months	Average time after the date of notification or date of disability that insurers are initiating rehabilitation programs. As an industry we need to work at expanding the opportunity to intervene earlier.
$24–$39	Amount saved by insurers on claims costs for every $1 spent on rehabilitation services – demonstrating the cost-benefit
Communication	Required to improve engagement with the market. The degree of stakeholder engagement is clearly linked to the level of knowledge and understanding of the purpose of rehabilitation services.
100%	Participants who agreed that rehabilitation would play more of a role in the future Australian life insurance market.

Methodology

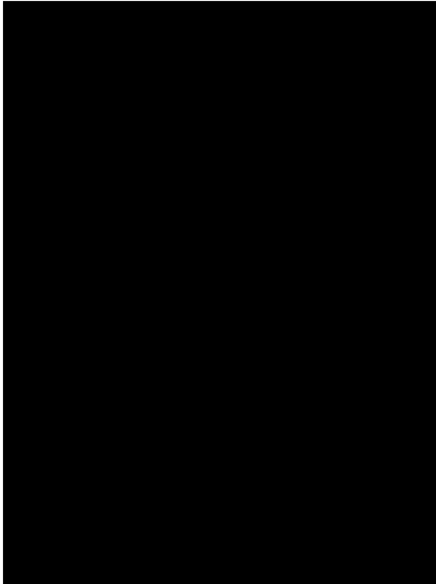
The information presented in *Rehabilitation Watch* is derived from data submitted by nine participating insurance companies (participants), based on claims received and managed in the 2013 calendar year.

Not all companies supplied data for every question and this has been acknowledged throughout the report. The findings are anonymous[1] and companies are listed in no particular order. Quotes included in this report have been provided by participants.

For survey questions requiring data submission, participants were asked to assign a data confidence rating. All confidence ratings referred to throughout this report were scored on a scale of 1 to 5, where 1 = educated guess and 5 = very sound data provided. The overall data confidence rating for *Rehabilitation Watch* 2014 was 3.24.

Throughout this report, we have used some assumed terms and abbreviations to keep it as concise as possible. The appendix contains a guide of these terms and abbreviations to take into account when reading *Rehabilitation Watch* 2014.

Author:



has worked in the insurance industry for more than 10 years in a variety of injury/illness management and rehabilitation roles in both Australia and the UK. She joined Swiss Re in 2011 as Claims Medical Specialist.

has had extensive experience in the occupational rehabilitation field and across various disciplines including workers compensation, CTP and income protection/disability insurance. She holds a Bachelor of Applied Science, Cert IV OH&S and is a Certified Disability Management Practitioner (IDMSC).

As an integral part of Swiss Re's Life and Health Claims team, provides clinical consultancy and training to our clients. In 2012, she was awarded the Turks Legal-ALUCA (Australasian Life Underwriting and Claims Association) Scholarship for her research paper on the benefits of early intervention in claims management. plays a key role in promoting best practice and quality rehabilitation service provision for those absent from work due to injury or illness.

Rehabilitation – the advantages and challenges

Advantages

In line with the increasing utilisation of rehabilitation services within the life insurance market there has been an increase in awareness of the benefits that the provision of these services can have. Importantly, it is not just about the benefits to the insurer. Through this survey we were able to capture thoughts about the benefits to all key stakeholders – and this is where we will start. The tables below reflect statements made by the participants for *Rehabilitation Watch* 2014.

Foremost, participants stated that return to work (RTW) was the standout advantage fuelled by the provision of rehabilitation services. Returning a claimant to work is a benefit for all parties. For the insurer it means claims can be finalised and reserves managed accordingly but for the claimant, a RTW is hugely important for reasons that extend beyond just the financial incentives of getting back to 100% pre-disability income. The health benefits of work are widely recognised (Australasian Faculty of Occupational & Environmental Medicine, 2011) and promoting these health benefits is just a small part of the role of rehabilitation professionals in any injury/illness compensation jurisdiction.

“Under our rehabilitation benefit, we will consider almost anything to help a customer, if we can link it to a return to work.”

Advantages of rehabilitation services – claims management

Return to work (RTW)

- Facilitation of a quicker and more sustainable RTW
- Early RTW → reduction in monthly benefit and reserve, claim finalisation
- Focused on evidence-based treatment and ensuring RTW is considered part of the ‘treatment plan’
- Raises awareness that a RTW outcome is in the best interests of all parties
- Assisting RTW through retraining

Claims strategy

- Ensuring appropriate strategies are in place and that appropriate treatment is being provided
- Facilitating reduced claim durations and improved termination rates
- A way to connect medical aspects of the claim to the occupational factors
- Provision of useful information for other areas of the business such as medical and investigation
- Enhancing robustness of the TPD decision making process

Advantages of rehabilitation services – key stakeholders

Customers (claimants)

- Assisting people to become fit for work and RTW
  - Helping people get back to good health and gaining confidence to be able to RTW
  - Assists a return to gainful employment through a supportive and gradual approach
  - Workplace RTW assistance (employers tend only to offer this on workers compensation claims)
- Improving quality of life through education and help with 'living aids'
  - Improved customer experience through enhancing coping strategies and functional abilities
  - Understanding the customer's circumstances from day one of the claim

Employers (group insurance), Fund and Advisors/Brokers

- Value added service
  - 'Peace of mind' and 'confidence' that their employees have access to an expert team of internal staff and external providers
  - Stronger service offering through reliance on a rehabilitation service delivering qualitative and quantitative outcomes
- Employers retain employees and minimise lost productivity, at no cost to them
  - RTW is in the best interest of the employer (premium management)

Insurers

- Marketing advantage through improving the customer experience
  - Delivering more than just a monthly benefit
  - Role of rehabilitation in overall service proposition
- Enhanced knowledge and expertise of claims assessors
  - Behavioural and technical upskilling of claims teams around duration and RTW case management
  - Improving claims capability in rehabilitation and disability management
- Claims management impacts (strategy and RTW) – see above table

From the survey results, it is clear that implementing rehabilitation services can provide many benefits to the key stakeholders, however, the question has historically been, and still is – how do we measure and demonstrate these benefits? We will cover rehabilitation outcome metrics later in this report.

Lastly, it would be remiss not to report any drawbacks to providing rehabilitation services to claimants, as the very nature of managing claims means that we will face challenges and obstacles along the way. Most insurers were of the opinion that while there are few disadvantages to funding rehabilitation, it must be prefaced with ensuring rehabilitation is part of a clear strategy engaging all stakeholders. Instead of 'disadvantages' to rehabilitation, we will term the negative influences or factors for consideration as 'challenges'.

Challenges

The largest and most frequently reported challenge faced when offering rehabilitation services to claimants is motivation. Motivation is defined as the desire or willingness to do something; enthusiasm (Oxford University Press, 2014). Almost all insurers made the observation that unless the claimant is engaged, willing to participate and ultimately motivated to RTW, rehabilitation intervention is unlikely to be successful.

Therefore, a key facet of determining suitability for rehabilitation intervention is to gather an impression of the claimant's level of motivation and what is driving this. Examples of motivation drivers include solicitor involvement and concurrent claims (workers compensation, TPD etc.) – where these drivers are negative, we can draw the conclusion that the claimant may be motivated by secondary gain to remain off work and therefore may be unlikely to engage in or benefit from rehabilitation intervention.

Secondly, unlike rehabilitation in workers compensation, claimants are not obligated (by legislation or otherwise) to participate in rehabilitation services to help them RTW. Thus, given the absence of any negative consequences for non-participation, success and engagement in rehabilitation services is really reliant on the claimant's motivation.

The presence of an 'entitlement mentality' is another barrier to implementing rehabilitation strategies on claims. Insurers reported that this mentality works in two ways – if a claimant wants rehabilitation assistance just because they feel 'entitled', this may be reflected in an unenthusiastic approach to recovery and RTW. Conversely, insurers often see claimants remain off work and unengaged because they are 'entitled' to their monthly benefit. In more extreme examples, claimants can present unrealistic expectations of their rehabilitation benefit entitlements, for example wanting a career change or funding for tertiary education when change is not required for medical/health reasons.

Turning attention to the challenges faced within insurance companies when implementing rehabilitation services, participating organisations reported that there needs to be a collaborative focus as opposed to an 'us and them' (rehabilitation consultants (RCs) versus claims assessors (CAs)) mentality. By solely owning recovery and RTW strategies, rehabilitation teams can run the risk of disassociating CAs from these key aspects of claims management.

Finally, one of the biggest challenges reported by participants pertains to external rehabilitation provider referrals. In particular, where insurers do not have an internal rehabilitation team and refer most cases out, the success of intervention is very much reliant on the external provider. In this study, insurers with and without in-house rehabilitation teams both agreed that this challenge extends further when CAs make referrals and are responsible for directing strategy with the provider. Often due to CA inexperience and/or workload there can be a tendency to 'blindly follow' what the provider recommends. When this has occurred, insurers said they experienced escalating rehabilitation costs and at times longer durations and poorer outcomes. For RCs participating in *Rehabilitation Watch* 2014, this final challenge is actually viewed as an opportunity and a proof point to the value that in-house rehabilitation teams can bring.

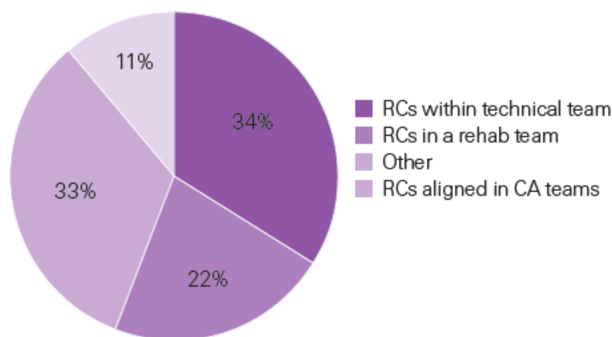
Structure and role of in-house rehabilitation consultants

At the time of data submission for *Rehabilitation Watch* 2014, there were a total of 43.8 full time equivalent (FTE) RCs working in-house at participating organisations. This number continues to increase and is estimated to have increased almost tenfold over the past five years.

Turning our attention to how participants align their in-house RCs in the claims operation, we presented the following options:

1. RCs sit within their own rehabilitation team (typically with a designated Rehabilitation Manager)
2. RCs sit within the claims teams (typically reporting through to Team Managers or the Head of Claims)
3. RCs sit within the insurer's team of technical specialists
4. Other/a combination of the above options.

Figure 1: In-house RC alignment within the claims operation



Interestingly, there was a somewhat even distribution of how the participants align their RCs within the business. Many indicated 'other', explaining that their organisation combines alignment options – for example, RCs report to a manager of rehabilitation services (organisational reporting line), however, each RC sits within a claims team and is responsible for providing rehabilitation services to that team. Some insurers also provided feedback around national coverage; whereby their organisation may have offices in multiple states or countries such as New Zealand. RCs may be located in one office, however, provide rehabilitation assistance to all other offices/locations.

Most insurers advised that they have tried and tested various alignment models and found that a key consideration when deciding on structure is to ensure that the RCs are not isolated from the claims teams.

"We've found that since sitting together as a rehab team, there's generally less case discussion with the assessors because we're not next to them."

As always, there are pros and cons to any alignment model. Some additional pros derived from the feedback included:

RCs aligned within claims teams

- Grow and maintain collaborative relationships with CAs
- Provides opportunity for CA education, knowledge and training transfer
- Observe CA behaviour – coach and mentor skills such as telephonic case management
- RCs can learn from CAs – close proximity allows RCs to be privy to broader issues impacting the claims environment
- Team has a single point of contact – fosters stronger strategy and ideas
- Ensures rehabilitation is "visible", easy to approach

RCs in a rehabilitation team

- Sitting together encourages collaboration and idea generation – with an array of RC backgrounds, skill and expertise can be shared
- Allows RCs to work across all products facilitating greater job variety, satisfaction and opportunity as well as ensuring the ability to cross-skill
- Having a rehabilitation manager is an opportunity to provide direction, professional guidance and support – promotes quality and consistency

RCs in a team of technical specialists

- Rehabilitation is viewed as another "specialist tool" to assist effective claims management
- RCs benefit from technical claims advice and collaborative strategy setting
- RCs have the opportunity to work across all claim types – group and retail IP/GSC and TPD
- Facilitates management of service provider panels similarly to legal and factual investigation

Staff ratios

The question of rehabilitation staffing ratios within insurers is always sought-after information. How many RCs do we need to implement cost-effective rehabilitation intervention? We need more staff, how can I substantiate my business case?

So, what is the 'magic' number? The average ratio of CAs to RCs for group business was one RC to every 18 CAs. Within the retail business at participants, the average ratio was one RC to every 13 CAs.

Group Life

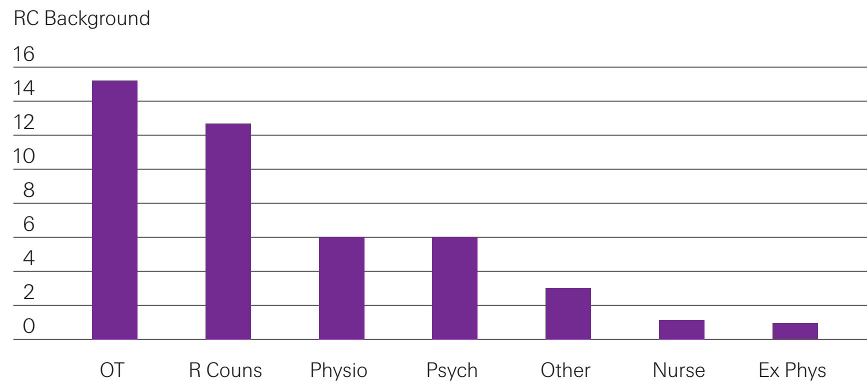
Retail Life

A wealth of experience

There was a diverse rehabilitation skill set and capability across the participating insurers. While the RC staff background is still dominated by occupational therapists, there are now many more rehabilitation counsellors and psychologists joining the life insurance sector. In order to attract this diverse skill set, we are seeing the industry move towards partnerships with specialist bodies such as ASORC (the Australian Society of Rehabilitation Counsellors) and offering seminars to university graduates to promote career path opportunities.

Other skills and expertise of participants' RCs included nursing, exercise physiology and physiotherapy, occupational health and safety, naturopathy and counselling.

Figure 2: Rehabilitation Consultant staff background experience/qualifications



"Having a multidisciplinary team, with varied specialties, ensures that we can *support* each other to best manage the *needs of the claimant,* and *understand* the treatment and injury management protocols for a wide range of groups."

Not only do RCs come from a multitude of different backgrounds, the level of experience either in the life insurance (or wider insurance) sector and/or in clinical rehabilitation is typically a minimum of five years and ranges to more than 20 years' experience.

Encouragingly, given the increase in claim numbers for mental illness, both for disability insurance and for TPD, we are seeing the life insurance market recruiting psychologists and counsellors to help support effective claims management and to educate CAs on best practice rehabilitation.

Finally, some participants said they are currently utilising external contractors to assist their core rehabilitation team to deliver on objectives and meet workload demands. While in most cases this is seen as a stopgap measure, there are other associated benefits including capacity to provide training to claims staff and deriving (rehabilitation) market information from the 'coal face'.

Rehabilitation services and interventions

Policy inclusions and wordings vary across all life insurers and consequently, we expect insurers to report different services that are included under the banner of 'rehabilitation'. Table 1 shows the percentage of the participants that consider each service as 'rehabilitation' and would therefore expect their RCs to undertake, refer out and where applicable, fund.

Table 1: Considered rehabilitation services

Rehabilitation service	% of Insurers
Initial rehabilitation needs assessment	100%
Case management, planning and graded RTW	100%
Vocational rehabilitation counselling and job seeking	100%
One-off assessments (e.g. workplace and employability assessments)	100%
Adjustments to job role, aids and equipment	100%
Early intervention services	100%
Clinical/rehabilitation advice to Claim Assessors	89%
Business coaching	78%
Functional capacity evaluations	67%
IME referrals and/or input	67%
Funding non-Medicare services	56%
Other services	33%
Signposting to Government/charity support agencies	22%

'Other services' insurers reported included external training courses, work conditioning (work-related activity programs, supervised exercise programs), work trials and employer mediation services.

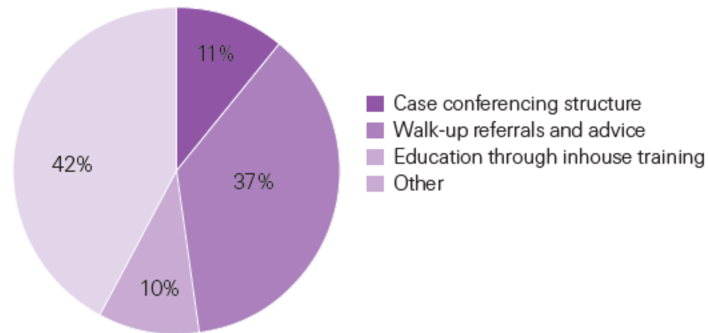
Many of the services that now fall under the banner of 'rehabilitation' are focused towards a model of engagement. The industry is embracing a multidisciplinary approach to claims rehabilitation through strategies such as case conferencing – both in-house and externally, over the phone and face-to-face. We are seeing insurers sending RCs and/or CAs out to meet with claimants and in some cases, doctors/GP's and other allied health professionals, with the goal of assisting effective case management and RTW.

Structuring in-house rehabilitation

Given variation in staffing ratios and business lines, we asked the participants to comment on how they structured the services that in-house RCs provide within the claims operation. Some had difficulty answering this question, with 42% indicating that their operating model fell under 'other' – commenting that this included a combination of the options presented and typically a more formalised referral process such as allocation of cases by a rehabilitation manager (see Figure 3).

Interestingly, most participants agreed that in-house rehabilitation was predominantly case-management focused as opposed to a more holistic embedding of rehabilitation and RTW philosophy at a high level (e.g. through the delivery of in-house training and consultancy). Given different interpretations of the survey question, insurers estimated the time spent delivering education through in-house training comprised an average 10% of their working time.

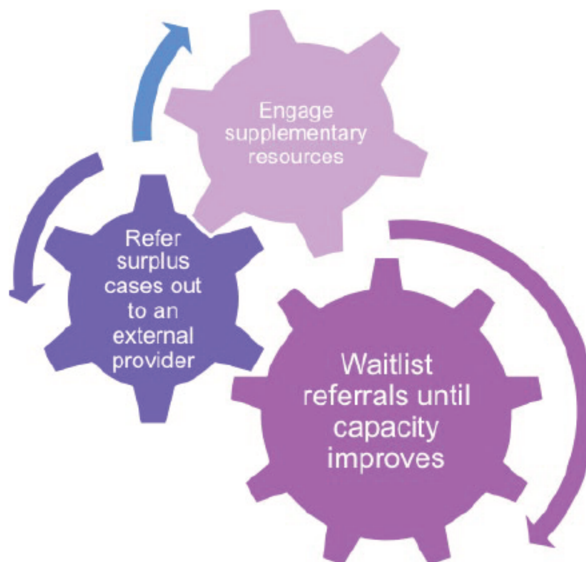
Figure 3: In-house rehabilitation models of operation



Of the nine participants, five indicated that their RCs carry their own case load. Across these five insurers, the average case load size was 58.6 claims. Again, the reliability of this figure is low given that the rehabilitation services offered for each claim varies by claim type (IP or TPD), business line and from company to company.

Given that many RCs working in-house carry their own case load or work via a referral allocation model, we asked participants to rank process preference for what happens when internal referrals hit capacity. Six participants described an internal order of process preference as outlined in Figure 4.

Figure 4: Adopted method at referral capacity point



The preferred process when at maximum capacity was to waitlist rehabilitation referrals (either formally or informally) until RC capacity improved, or to refer the surplus cases out to an external provider. The second most preferred option when at capacity was to engage extra rehabilitation resources – this may be achieved through engaging contractors or by utilising reinsurer rehabilitation specialists.

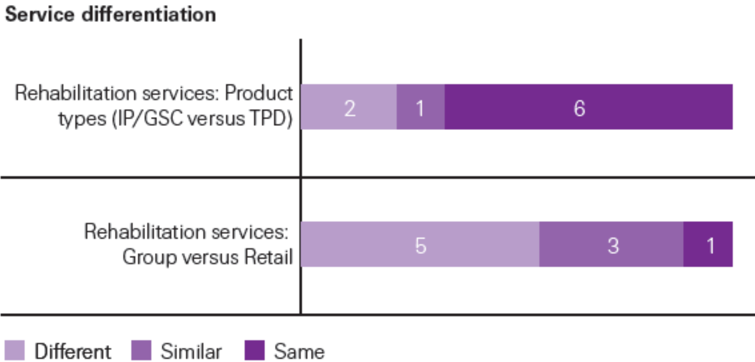
"A 'full' caseload consistently without relief means that key rehabilitation projects and initiatives generally suffer."

> “Should the trajectory of increased use of rehabilitation continue in the future, *increased resources* will be needed to manage rehabilitation effectively.”

None of the insurers supplying data for this metric opted to have their CAs manage rehabilitation for the surplus cases. They reported that their rationale for this approach was to ensure that rehabilitation strategy and expenditure was controlled by having rehabilitation 'peers' oversee referrals and provider case management. Additionally, the transfer of cases from RCs to CAs can be more time consuming and have the potential to impact the quality of outcomes.

Variances by scheme and by product

Figure 5: Differentiating services by product type and line of business



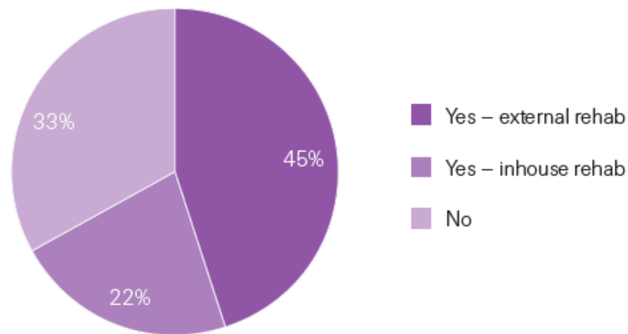
Given the variances in product offerings (including rehabilitation benefits) and lines of business, we expected to see differences in the services offered by each insurer. Eighty-nine per cent of respondents indicated that their company offered the same or similar services for their group (wholesale) and retail (individual) schemes. Looking at rehabilitation services offered for group or retail, the factors determining service differentiation centred on the profile of the claimant – for example, in retail lines there is typically more emphasis on re-training and business coaching.

When comparing rehabilitation services offered by product type – IP/GSC and TPD – most insurers (67%) reported offering different services. There was consistency in the commentary, with most insurers reporting that rehabilitation services for TPD were more likely to be "one-off" assessments or opinions aimed at determining whether the claimant is totally and permanently disabled. "One-off" assessments reported for TPD claims included employability assessments, transferrable skills assessments and labour market research.

Early rehabilitation

In recent years, life insurers have started to see the value of intervening early in terms of managing claims durations (IP/GSC). This concept was reinforced in the survey responses, with only 33% of insurers reporting that they did not offer some form of rehabilitation service to claimants in the policy waiting period (Figure 6).

Figure 6: Percentages of insurers offering rehabilitation assistance in the waiting period



Referring back to Table 1 (Rehabilitation Services), 100% of participants felt that early intervention services fell under the banner of rehabilitation. However, from this we see there is still room for improvement, with 67% of respondents providing early rehabilitation in the waiting period. Given the momentum of early intervention philosophy within the industry, we expect to see the trend of engagement increasing and the timeframe for intervening becoming even earlier, likely even at pre-claim stage.

Determining suitable cases for referral

Early identification of claims that have potential for rehabilitation services to impact duration and outcome is now widely accepted as best practice. The participants in this study used a variety of methods to determine 'suitable' claims.

Despite adopting a variety of methods, all insurers indicated that they relied on standard criteria (most commonly, biopsychosocial (BPS) profiling) or claim considerations and in-house procedural guidelines to direct rehabilitation referral. Company-specific procedures tended to involve the use of a screening tool and for some insurers, the procedure is timeframe-based (e.g. all new claims undergo rehabilitation screening within x weeks of notification).

In-house screening by the rehabilitation team and tele-interviewing screening by CAs were the next most utilised methods of identifying 'suitable' cases. One insurer's team structure lends itself to having a dedicated team of trained staff to undertake tele-claims, which encompasses rehabilitation screening. Other insurers screen all claims of a certain claim cause (e.g. mental illness or musculoskeletal injury) to determine potential for early rehabilitation intervention.

Interestingly, given the current market investment in IT services and platforms, the least adopted method for identifying 'rehabilitation suitable' claims was an automated triage based on key indicators (such as type of benefit/period). Presumably use of an automated triage would be the most cost-effective way of identifying appropriate claims. The relatively low utilisation of this method seems to point towards a lag in IT system development and/or a commitment to focus on a more individualised approach to rehabilitation involvement at this point in time.

Finally, the debate between rehabilitation proactivity versus reactivity was noted in the survey responses. Some insurers reported relying somewhat on reacting to certain triggers, including only initiating rehabilitation services when a claimant asks for assistance. Conversely, some insurers are proactively offering rehabilitation services to all claimants at assessment stage as part of their standard claims assessment procedure.

Key indicators
Delving into the key indicators for rehabilitation, the survey showed some commonality behind approaches. Almost all of the participants agreed that the key determinant to the success of rehabilitation intervention is the claimants attitude and motivation.

Claimant motivation and other BPS profiling factors are typically not understood through automated triage methodologies and hence a combination of approaches to deciding 'suitable' cases is applied.

Aside from gathering more of an understanding on the claimant's motivation to participate in rehabilitation and RTW strategies, insurers reported relatively consistent data indicators. The level of sophistication of an insurer's claims data system very much governs the key indicators that can be screened for.

In Figure 7, the indicators under Tier 1 are widely used as baseline/automated rehabilitation triggers. Those factors in Tier 2 and Tier 3 can be more difficult to screen – again dependent on the insurer's data collection/IT platform and management information, as well as information collected and recorded at claim assessment (including via tele-interviewing).

Figure 7: Indicators for rehabilitation screening

Tier 1	Tier 2	Tier 3
Claimant age	Injury/illness type or complexity	Employer RTW program support
Length of benefit period	Exceeded predicted duration	Change in definition
Sum insured	High risk occupation	Deterioration in status or condition
Reserve held	Demographics (claimant location)	Concurrent claims and/ or co-morbid conditions
Time lapsed since DLW	Job attached/ detached	

Timeliness of rehabilitation intervention

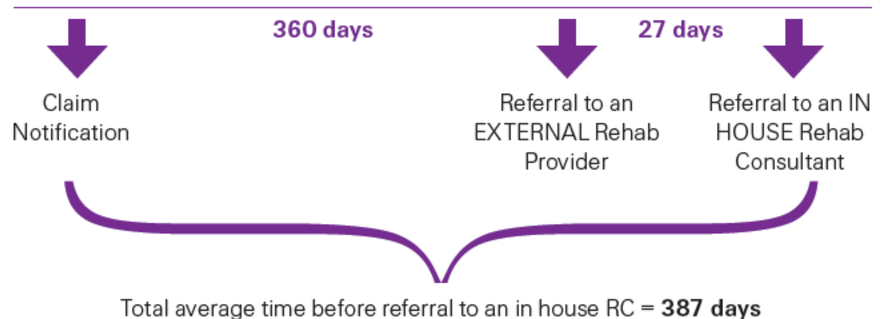
Throughout *Rehabilitation Watch* 2014, we have referred to the importance of intervening early in terms of demonstrating cost-effective and sustainable outcomes. Almost all the insurers echoed sentiments around the value of intervening early and through this survey, we were able to gain a truer understanding of the timeliness of intervention that insurers are offering.

Excluding outlier data, five insurers were able to estimate the average time in days for intervention. It is important to note that by 'intervention' we mean referral for a rehabilitation program as opposed to in-house RCs undertaking a one-off screening service. The data confidence average for these survey questions was lower – estimated at 60% confidence.

The timelines illustrated in Figure 8 depict the results using the start dates:
a) date of claim notification, and b) date of disability or loss.

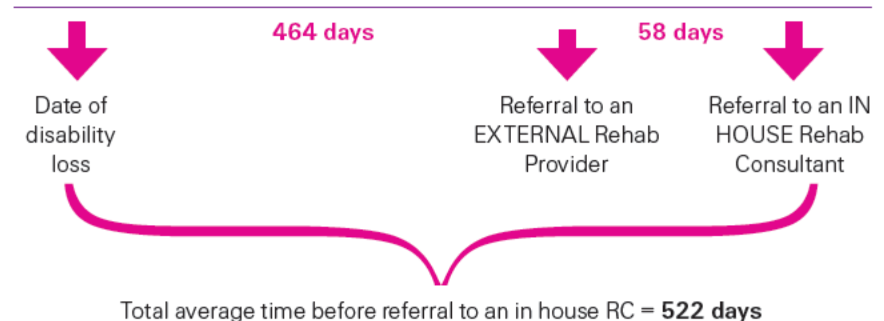
Figure 8: Timelines for rehabilitation intervention

(a) Date of claim notification



Total average time before referral to an in house RC = **387 days**

(b) Date of disability or loss



Total average time before referral to an in house RC = **522 days**

Due to lower data confidence and difficulty obtaining the data for the timeliness questions, we should exercise caution when interpreting the findings. Factors influencing data confidence included claims moving between teams (e.g. short-term to long-term claims) and claims being 'touched' by RCs during screening as opposed to referrals for rehabilitation intervention.

The data unexpectedly showed that the average timeframe for referral to an in-house RC was slightly longer than for referral to an external rehabilitation provider. While this result could be attributed to inaccuracy or inability to capture time-related data, we may assume other factors have impacted the result – such as RC case load size versus smaller percentages of cases referred externally and provision of other value-add services such as training.

Regardless of the noted data difficulties, it is important that as an industry we gain a better understanding of the timeliness of rehabilitation to ensure we align intervention strategies with the evidence base. Implementing a rehabilitation/RTW program after 12 to 18 months of absence (disability) is counterintuitive according to early intervention evidence, and often an uphill battle in terms of cost-benefit. This also speaks to the observed market trend of late claims notification and therefore why, as an industry, we need to proactively influence earlier notification of claims.

Utilisation of rehabilitation services

Given the increasing number of rehabilitation staff within life insurance companies in Australia, we sought to understand the percentage of claimants that had been offered rehabilitation services in 2013. As this is the first *Rehabilitation Watch*, the figures should serve as a benchmark to understand future trends.

In terms of in-house rehabilitation services, the proportion of disability insurance claimants undertaking rehabilitation ranged from one to 16%. Seven of the nine participants were able to provide data[2] for this question, giving an average proportion of 6.1% of claimants engaging in in-house rehabilitation services.

Looking at engagement in external rehabilitation services, the proportion range was similar – between one and 15%. Only five insurers were able to confidently (rating of 4.4) provide this data, giving an average proportion of 5.8% of claimants engaging in externally delivered rehabilitation services.

Figure 9: Percentage of claimants participating in rehabilitation services

How does the life insurance market compare to other personal injury claims settings? In 2013, a published RTW survey indicated that nationally, under workers compensation jurisdictions, between six and 16% of injured workers had received the assistance of an occupational rehabilitation provider to RTW (Safe Work Australia, 2013).

The utilisation of rehabilitation services in claims management is influenced by many factors including the availability of benefits under each policy and more prominently, the absence of legislation to influence participation. Most life insurers who participated in *Rehabilitation Watch* 2014 reported that utilisation numbers are lower than expected, however, attributed this finding to claimants not taking up the offer of rehabilitation support.

Given the increases observed in the number of new IP claims and similarly in in-house rehabilitation staff, it may be that the proportion of claimants undertaking rehabilitation programs delivered via in-house RCs has not increased or decreased. However, it is our belief that as an industry, being able to demonstrate the cost-benefit of rehabilitation should drive our focus to think innovatively about how we are able to increase utilisation and continue to deliver cost-effective claims outcomes.

[2] Claims data is for disability insurance (income protection claims) with an average data confidence rating = 3.7

External provider utilisation and expense investment

The occupational rehabilitation provider industry in Australia has historically been geared towards the provision of legislated services to workers compensation insurers. More recently we have seen these providers starting to tailor services to suit life insurance products and claim profiles, and the emergence of smaller, boutique providers who only offer life insurance-specific services. *Rehabilitation Watch* 2014 sought to understand more about the factors driving external rehabilitation provider selection at participanting insurers.

The location of the provider was the key factor driving selection for all participants. After location, and equally ranked, were the factors of skill set and background of the provider consultant, past good experience and provider recommendations from a colleague or through the Life Rehabilitation Forum (LRF). Most of the insurers who participated in the study indicated that they had a preferred provider listing; however, only two insurers operate a service provider panel (i.e. a more formalised arrangement with service level agreements).

Despite only seeing a low proportion of claimants undertaking externally delivered rehabilitation programs, we sought a deeper understanding on how much insurers are spending on these programs. Data was obtained using the below calculation over the12-month period:

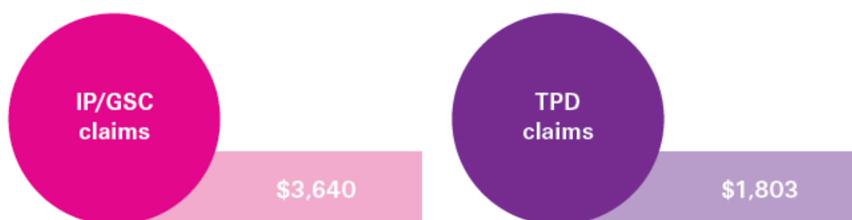
$$\text{Average spend} = \frac{\text{Total external rehab provider spend (\$)}}{\text{Total number of claims where external costs incurred}}$$

Seven insurers were able to provide an average external spend per claim referred. The average spend per claim across these insurers was $3,035[3].

Of the insurers able to estimate the average file spend for external rehabilitation expenses, only half were then able to break down expenses by claim type:

i. IP and/or GSC claims rehabilitation services (such as RTW programs, case management etc), and
ii. TPD claims rehabilitation services (such as employability and labour market assessments etc).

Figure 10: Average external rehabilitation provider file spend by claim type



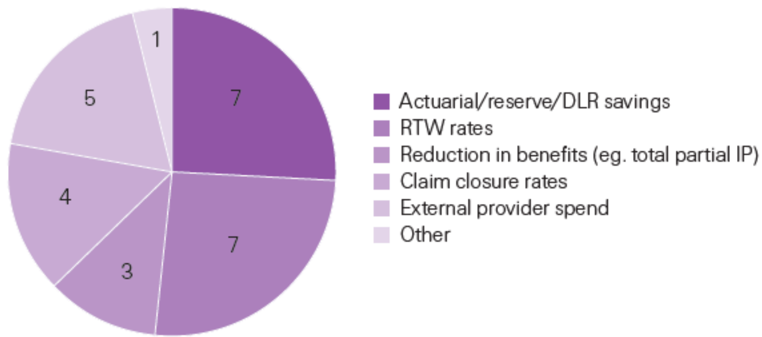
These results were in line with our expectations given that referrals for IP/GSC claims are characteristically more for rehabilitation programs where ongoing involvement, case management and liaison with key stakeholders can be required. Rehabilitation services for TPD claims are more typically one-off assessments intended to assist CAs to make evidence-based decisions.

[3] Average data confidence rating = 3.4

Measuring the impact of rehabilitation

Income protection
Given that rehabilitation services are a relatively recent addition to the claims management offering for life insurance, it was expected that insurers would measure success in different ways, using a combination of metrics. Figure 11 shows the distribution of different metrics utilised by participants to measure claims outcomes within their operations, noting that many insurers adopt a variety of the stated measures.

Figure 11: Numbers of insurers using outcome metrics to measure rehabilitation impact[4]



It is promising to see that the persisting question of the cost-benefit of claims rehabilitation is now starting to be quantified. Seventy eight per cent of participants are now able to report actuarial or reserve/DLR (disabled life reserve) savings and/or RTW rates. Where in the past we had only seen the capture of rehabilitation data in a cost context (expenses), encouragingly insurers are now gathering data on the benefits – capturing the financial savings realised through achieving RTW (or claim) outcomes.

Return on investment
The majority of insurers are able to capture return on investment (ROI) data using reserve or actuarial savings for income protection claims. There is, however, some inconsistency in this measurement formula, with some insurers using reserves gross of reinsurance, others using reserves net of reinsurance and some taking partial reserve savings into consideration. We also sought to understand whether insurers were able to compare ROI by external rehabilitation expenses versus ROI by in-house RC involvement.

In an attempt to calculate a consistent ROI average for *Rehabilitation Watch* 2014, we asked participants to use the following calculation:

$$\textbf{ROI} = \frac{\text{Reserve Release (gross of reinsurance) less External Rehab Expenses}}{\text{External Rehab Expenses}}$$

NB: for in-house RC expenses, we substituted 'external rehab expenses' for ' in-house RC staff salaries'.

Looking firstly at the ROI for external rehabilitation service provision, five insurers were able to provide data. For every $1 spent on external rehabilitation services, they reported an average ROI of $39[5] (range $16 to $72). Due to data limitations, only two insurers were able to further break down the external rehabilitation ROI for group and retail business lines.

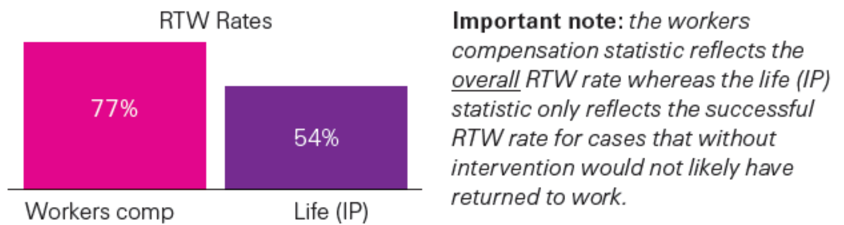
[4] 'Other' represents metrics such as TPD claims decisions/outcomes
[5] Average data confidence from the 5 respondents = 4. ROI was calculated using reserves for IP claims only and encompasses gross and net reserves.

Return on investment when calculated using in-house RC staff salaries was an average $24 for every $1 spent (range $14 to $35). It is important to note that ROI for in-house RC services encompasses not just individual rehabilitation case management, but all other value-added services that RC's provide, such as monitoring of external providers, training, IME referrals (refer to Table 1).

Return to work rates
As part of *Rehabilitation Watch* 2014, we asked participants to specify whether their outcome metrics were objective (measured or quantified data) or qualitative (based on quality or characteristic). Two of the seven insurers using the metric of RTW rates[6] classify it is a qualitative measure and the remaining five reported low to moderate data confidence in their measurement. The average RTW rate for these five insurers was 54% following rehabilitation intervention (in-house or external provider services).

In order to incorporate an industry comparison, we have included workers compensation claims RTW rates. Nationally, the 2013 workers compensation RTW rate was 77% (Safe Work Australia, 2013). It should be noted that the workers compensation RTW rate is a reflection of overall claims management outcomes as opposed to our *Rehabilitation Watch* measure: the percentage of IP claimants who had made a RTW after receiving rehabilitation support. Although the life RTW rate is somewhat lower, we understand it to reflect a positive outcome of more than 50% of claimants able to RTW who might otherwise not have without rehabilitation intervention.

Figure 12: RTW rates comparison - workers compensation and income protection



Important note: *the workers compensation statistic reflects the overall RTW rate whereas the life (IP) statistic only reflects the successful RTW rate for cases that without intervention would not likely have returned to work.*

Being able to confidently report on RTW rates is a metric that the life insurance industry needs to improve on. In a market where lapse rates are increasing and group IP cover is not a compulsory offering from employers, we need to promote the availability of support to RTW, in line with the Health Benefits of Work position statement (Australasian Faculty of Occupational & Environmental Medicine, 2011).

Data confidence was similarly low when insurers were asked to calculate the number of IP/GSC claims that ceased following a successful RTW (or outcome achieved) over the 12-month period where some level of rehabilitation intervention was provided. Because rehabilitation intervention is just one strategy or tool to assist duration management, to solely attribute outcome achievement to rehabilitation intervention is difficult and often not appropriate. Sending a message to the wider community about the importance of helping people return to health and work is, however. As a collective of the seven insurers who provided data, rehabilitation teams helped more than 641 people achieve a RTW in 2013.

[6] The measurement of RTW rate in this survey incorporated both a return to full or part-time work.

Total and permanent disability
Insurers are now starting to capture information on how rehabilitation involvement can assist in the management of TPD claims. For the most part, this data reflects the percentage and reserve savings for claims where rehabilitation intervention (either in-house or referral to an external provider) has assisted in identifying suitable employment options.

We asked insurers to provide information on:
1. The number of notified TPD claims in 2013[7]
2. The number of these claims that had rehabilitation involvement (in-house or external assessment) and if possible
3. Any reserve savings realised (ie. claims not paid due to a suitable job being identified within education, training, experience or similar definition).

Only three insurers were able to provide limited data for rehabilitation involvement for TPD, however, due to variation in claim numbers, sums insured and categorisation, these figures need to be interpreted with caution:
– The average percentage of notified TPD claims that were referred to a rehabilitation provider and/or actioned by an in-house RC was 13%
– Of those TPD claims referred for some form of rehabilitation (in-house or external assessment), at least 25% of claims were not paid due to a suitable job/s being identified (i.e. the RC was able to identify that the claimant was not totally and permanently disabled to work within their education, training and experience).

At a time when the industry is seeing record numbers of new TPD claims being notified and Australians receiving compulsory cover under superannuation funds (including MySuper), we need a more robust way of measuring the impact of specialised rehabilitation assessments on soundly-based decision making.

The questions asked in the survey provided a good foundation for future discussion in measuring rehabilitation impact on TPD – particularly around the message we send to the industry. Collectively, we do not want the message to the market to centre on rehabilitation as a tool to decline TPD claims, nor to have TPD decline rates as a reflection of rehabilitation effectiveness. Insurers want to reinforce that they are utilising rehabilitation services (and predominantly one-off assessments) as an evidence-based means of ensuring that correct claims decisions are being made and individuals are being assisted to identify RTW options.

As we look to the future impact of rehabilitation, insurers are now calling on RCs to provide input into product design and policy wording to ensure the focus remains on a sustainable market, which continues to promote the health benefits of work.

Rehabilitation teams helped over *641 people achieve a return to work* in 2013.

[7] Number of TPD claims notified in 2013 – the metrics are unlikely to reflect true decision ratios due to the typical duration of TPD claim assessment being greater than 12 months.

Involvement with key stakeholders

For rehabilitation strategies to be effective we need to ensure engagement with all key stakeholders; however, the degree of stakeholder involvement can either help or hinder strategy. We asked participants to comment on the degree of involvement with two of the key stakeholders: employers and brokers/financial advisors.

Looking first at engagement with employers, all insurers agreed that this was crucial to facilitating RTW strategies in group insurance – especially from an early intervention perspective to try to retain the same job/same employer relationship. Most insurers indicated that the predominant method of employer engagement was via the phone with some face-to-face case conferencing starting to take place. Insurers reported that they rely on external rehabilitation providers to undertake much of the interaction given the geographical spread of employers and workplaces, and in cases where consent to contact employers has not been provided by the claimant or fund. Some insurers also noted that there still remains the difficulty of facilitating graduated RTW programs with employers given the lack of obligation for accommodation of medical/functional restrictions and some employers' '100% fit' policies.

Participants reported a more inconsistent level of engagement with advisors in facilitating rehabilitation and RTW support. The factor driving this inconsistency was thought to be the advisor's knowledge and understanding of the purpose of rehabilitation services. This response varies from advisors being quite positive and welcoming of such support for their client (the claimant), through to negativity and resistance to rehabilitation.

Engagement of key stakeholders can be jeopardised when parties lack understanding about what is included under policy rehabilitation benefits, often requesting funding or coverage for medical treatment. In addition, some insurers noted that they face barriers in managing claims (particularly individual/retail) when advisors have sold or promoted the insurance product as a means to retire if one cannot return to his or her own occupation.

Feedback from participants indicated that advisor resistance can be driven by the perception that rehabilitation is a mechanism to force their clients back to work. This mindset is also demonstrated when advisors (and now more commonly, claimant solicitors) block participation due to the fact that their clients are not obligated to participate under the policy.

Despite the presence of negative opinions on rehabilitation benefits among some key stakeholders, all participants agreed on the importance of education in order for rehabilitation intervention to be successful. Survey participants advised that they develop and distribute marketing and promotional material designed to change perceptions and improve the understanding of the benefits of rehabilitation involvement. This message needs to come not only from rehabilitation teams, but also from business development and claims managers – regularly communicating the value of rehabilitation support in assisting people to recover and return to health and work, stakeholders can welcome the opportunity to learn more and receive support when they feel it is being offered for the right reason.

The future of rehabilitation in the Australian market

Throughout this study we have looked at current rehabilitation practice in the Australian life market. Insurers are striving to adopt and embed best practice into the future. When asked what role rehabilitation would play in the management of life claims over the next two to five years, 100% of participants agreed that rehabilitation would play more of a role.

Delving deeper into the future of rehabilitation, participants tended to agree that the industry will continue to focus on embedding principles of early intervention – where RCs will remain the driving force behind implementing early intervention framework, including risk profiling and claims data mining – and intervening at the earliest point possible, potentially even pre-claim.

"Rehabilitation needs to lead a cultural and procedural shift towards true end to end duration management."

Insurers anticipate that the observed growth in numbers of RCs working in-house will continue to increase and, as their title suggests, possibly shift to more of a consultancy or advisory function. There is now more recognition around rehabilitation as part of an insurer's 'value proposition', requiring RCs to take a more strategic view and contribute more cross-functionally – including contribution to product development and design. Some insurers are looking to future rehabilitation practices as a key differentiator, a competitive advantage in a mature claims environment.

"Stakeholder expectations are changing ... rehabilitation is starting to be seen as an essential part of a fully functioning claims team."

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Appendix

Table 2: Assumed terms used for *Rehabilitation Watch* 2014

Assumed terms
Claimant: is the person who has submitted a claim. This covers members, cases, clients.
Group business: is also known as wholesale and includes corporate. Individual business is also known as retail or adviser-led.
Disability insurance: includes income protection and group salary continuance insurance.
Total and permanent disability: includes permanently unable to work insurance.
Cases 'suitable' for rehabilitation: are those cases that participating organisations have identified to have the potential to benefit from rehabilitation intervention.
Rehabilitation program: refers to a case-managed approach whereby the claimant undergoes an assessment, has goals/timeframes/milestones set and agreed to by all parties. A program constitutes ongoing involvement as opposed to a one-off assessment only.
Claim or rehabilitation outcome: refers to the achievement of a return to work outcome (full, partial, different job; work fitness/functional capacity achieved; claim declined etc).

Table 3: Abbreviations used for *Rehabilitation Watch* 2014

Abbreviation descriptors	
ANZ = Australia and New Zealand	**GSC** = Group Salary Continuance
BPS = Biopsychosocial	**IME** = Independent Medical Examination
CA = Claims Assessor	**IP** = Income Protection
DI = Disability Insurance	**RC** = Rehabilitation Consultant
DLW = Date Last Worked	**ROI** = Return on Investment
DOD = Date of Disability (injury and illness)	**RTW** = Return to Work
DON = Date of Notification	**SLA** = Service Level Agreement
Govt = Government	**TPD** = Total and Permanent Disability

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