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11 February 2019

Veterans' Compensation and Rehabilitation Inquiry
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2604

Dear Sir/Madam

**RE: Submission to the Productivity Commission Draft Report – A Better Way to Support Veterans**

The Australian Rehabilitation Providers Association (ARPA) appreciates the opportunity to contribute to the Productivity Commission's inquiry into the system of compensation and rehabilitation for Australian Veterans. ARPA is keen to assist the Productivity Commission in examining ways to improve the legislation, system design and outcomes for Australian Veterans and their families.

ARPA is the industry voice for the Australian workplace rehabilitation industry, representing thousands of independent workplace rehabilitation providers and allied health professionals. ARPA believes that giving Defence Members and Veterans with injuries earlier and more targeted access to independent workplace rehabilitation services is the best way to ensure their safe, timely and sustainable recovery and return to work.

With strong industry and government links and affiliations, ARPA is dedicated to promoting and protecting the professional interests of our member organisations and through them, the creation of a financially sustainable industry.

ARPA is committed to improving the standard and the quality of service within the workplace rehabilitation industry. By advocating for best practice, ARPA promotes independent, cost effective and outcome-based workplace health and rehabilitation services with lasting outcomes for employers and a focus on long-term health and wellbeing for workers.

We would welcome any opportunities for further engagement with the Productivity Commission or Government agencies to assist with the endeavours of this inquiry.

If you would like any further information please do not hesitate to contact me.

Yours sincerely

Nathan Clarke
**CEO**
**Australian Rehabilitation Providers Association**

## ARPA Submission to The Productivity Commission Draft Report on "A Better Way to Support Veterans"

The Productivity Commission report states that the rehabilitation system is not fit for purpose. This statement may be true but remedying actions should be wisely chosen as it will be important that the government does not overlook those elements of the rehabilitation system that provide optimum outcomes to Veterans. Our summary view is below:

- We agree that this review is necessary.
- There are many opportunities for improvement that will greatly enhance the outcomes and the level of appropriate support provided to Members and Veterans. The potential for far greater civilian employment outcomes post service are significant and can be improved dramatically through evidence-based workplace rehabilitation that adopts the biopsychosocial model. The Workplace Rehabilitation Industry, collectively represented by ARPA, is well placed to work with DVA and Defence to improve outcomes and compliment policy and process development through our experience and reliable evidence. We are able to offer assistance on what works, but also what doesn't work. ARPA is a wiling partner and will happily be involved in any further development upon request.
- DVA internal machinations and processes need review.
- There are many benefits from the workers' compensation model (from the perspective of rehabilitation) that could be adopted for the benefit of this review. These include:
    1. A large and mature industry of workplace rehabilitation providers that are client-centred and outcome focussed for individuals, and deliver value for money in the schemes in which they operate through rehabilitation and employment outcomes;
    2. A broad geographical spread of providers that all meet an approval standard so that then consumers are offered choice;
    3. Costs and outcomes are measurable and KPI can be set to align optimum objectives to provider performance and behaviour;
    4. Multidisciplinary teams of allied health professionals that already manage complex biopsychosocial presentations in workers from many unique jurisdictions, which is translatable to Veterans and Members;
    5. The use of vocational rehabilitation intervention to build capability for employment and support people into sustainable employment;
    6. Clear separation of claims administration from service delivery to avoid any conflict of interest (however this is not universal across all schemes);
    7. Universal acceptance that work is good for you and an industry dedicated to achieving this objective for clients and educating all stakeholders.
- There are also some areas of a workers' compensation model that pose risk to this review. These include:
    1. The workers' compensation model as not a solution for the process issues within DVA;
    2. The workers' compensation model is not a solution for the management of Veteran rehabilitation falling within Defence. The rehabilitation needs of medically discharged Veterans are very different to serving personnel and therefore separation of these interventions is required;
    3. Workers' compensation models focus on employment outcomes only, rather than the health wellbeing and social outcomes necessary within Veteran's compensation and supports;

4. Scheme drivers tend to be financially driven rather than aligned to the scheme objectives;
5. Workers' compensation service delivery models are mostly process driven and have only cursory appetite for client-centred and tailored services based on evidence-based assessment and decision making.
6. The Insurer or Claims Agent will generally work under a contract with the regulator and will act in its best interest in the delivery of that contract and not necessarily the stakeholders. Should DVA and Defence consider the subcontracting of claims administration, all potential conflict of interests that may arise should be openly managed and oversight should be provided by an independent body. Contractual KPI must include the social and support objectives necessary within this framework as a measure of performance. There needs to be a clear separation form service provision to avoid both the risk of conflict of interest but also clearly avoid any vertical integration that has been evident in the financial sector and the source of many complaints and government enquiries.
7. Sub contracted claims administration or insurer case management is very different to the service delivery for the individual and roles should be clearly defined.
8. Insurers and Agents tend to prefer procurement models to make the administration of service providers easier and for the benefit of the Insurer or Agent. This tends to favour fewer providers and singular models of service delivery rather than greater diversity and client-centred intervention. If the procurement model was based on the preference of the client one would expect to see far greater diversity in panel providers with locality, specialty and choice featuring as the primary selection criteria, with a subsequent increase in client satisfaction, engagement and results. ARPA would encourage Defence and DVA to consider preferencing resourcing for case administration to better manage the variety of service providers available to give clients choice, rather than resourcing a procurement team to erode diversity and choice.

- We agree that the Joint Transition Command has merit and recommend further exploration of the Timely Engagement model used by the ADFRP and DVA in the transition period in Queensland – it currently works well.
- The ADFRP does not represent the full potential value that is possible given the resources and costs associated with this program. The service delivery model under ADFRP requires a qualitative review to move away from process-based interventions and actions, and instead move towards tailored and evidence-based intervention and services. The ADFRP has the potential to deliver far greater value to Members and should be reviewed.
- Further, the ADFRP has been inappropriately grouped under the medical services delivery model for Garrison Health which is overwhelmingly a medical model for service delivery. Workplace and vocational rehabilitation are delivered under a biopsychosocial model and therefore the ADFRP has been largely squashed off to the side and sub-contracted out of sight and out of mind. The ADFRP needs to fall outside of the tendered services for Garrison Health to stand in its own right so that the service is managed under the correct model and given the attention that this deserves. Additionally, the decision to subcontract all of the ADFRP to only 2 or 4 providers has considerably eroded choice, quality and performance. The greater the variety of available health service providers the greater the critical diversity available to ADF Members. Members and Veterans are widely dispersed and therefore provider selection needs to be localised rather than nationalised based on what will best meet the needs of the client. Procurement models tend to be designed for the benefit of those managing the procurement rather than for the benefit of the client of the service.

- ARPA prefers a lifetime care / social insurance / vocational rehabilitation model of claims management and rehabilitation for Veterans, rather than a worker's compensation model.
- We support improved data collection and a focus on measuring individual outcomes.

## The Value of Workplace Rehabilitation

Workplace rehabilitation helps a worker with an injury recover, stay at, or return to work following an injury or illness. Every workplace insurance policy includes access to a workplace rehabilitation provider. Accredited workplace rehabilitation providers address physical, psychological and social risk factors that affect a worker's ability to recover at, or return to work. This service is vital in assisting an employer and injured worker, but more people with an injury are staying out of the workforce longer than they need to. Australasian and international empirical evidence shows that good work is beneficial to people's health and wellbeing. Conversely, long-term work absence, work disability and unemployment have a negative impact on a person's health and can exacerbate underlying mental health conditions. Accredited workplace rehabilitation providers are the key resource providing expertise and guaranteeing high levels of service, independence and the application of regulated health standards. Earlier referral to focused rehabilitation would save NSW workers' compensation at least **$38 million each year**[1]. Our industry has a proven track record of delivering quality care and offers a return on investment between $28-$32 for every $1 invested.[2]

The Productivity Commission Draft Report – A better way to Support Veterans, asserts that more engagement with the workplace rehabilitation provider industry is required for Defence and DVA. This is well supported by research into the commercial benefits of investment into rehabilitation in workers' compensation. This value, that is derived in the workers' compensation sector, would be comparable to an investment in workplace/vocational rehabilitation within Defence and DVA. Such an investment offers both a social and economic benefit and is well aligned to the needs of veterans as they transition into civilian employment[3].

## Appendices

1 ActuarialEdge Occupational Rehabilitation Financial Benefits Report, NSW, January 2019

2 SwisseRe Rehabilitation Watch 2014

3 ARPA National - WRPs: Getting people back to work, back to health and back to life

ARPA is grateful for the opportunity to provide feedback and input into this very important initiative and welcome further involvement. Please see our individual responses and recommendations following.

*DRAFT RECOMMENDATION 6.1*

*The Australian Defence Force Joint Health Command should report more extensively on outcomes from the Australian Defence Force Rehabilitation Program in its Annual Review publication*

ARPA supports the recommendation. Unlike other schemes the DVA model does not measure direct outcomes of rehabilitation, meaning that there is less understanding of the effectiveness or otherwise of various interventions. A person-centred model must have robust metrics and report on the outcomes of rehabilitation. Additionally, publishing results provides greater transparency and accountability.

*DRAFT RECOMMENDATION 6.2*

*The Department of Veterans' Affairs should make greater use of the rehabilitation data that it collects and of its reporting and evaluation framework for rehabilitation services. It should:*

- *evaluate the efficacy of its rehabilitation and medical services in improving client outcomes*
- *compare its rehabilitation service outcomes with other workers' compensation schemes (adjusting for variables such as degree of impairment, age, gender and difference in time between point of injury and commencement of rehabilitation) and other international military schemes.*

ARPA supports the recommendations for improvements to data and reporting that allows for outcomes to be measured and compared. At present it is difficult to compare the outcomes achieved by providers supporting Veterans compared with those services provided to serving Members or in fact those delivered through other jurisdictions due to the lack of accurate, comparable, objective and reliable data. The report infers better outcomes are achieved by providers supporting serving Members compared to the services received by Veterans and that other jurisdictions are "streets ahead of DVA in terms of providing holistic and tailored rehabilitation services". It is extremely difficult to determine how such claims can be made in the absence of comparable data. We encourage caution with respect of claims around the direct correlation of scheme performance.

*DRAFT RECOMMENDATION 6.3*

*Defence and the Department of Veterans' Affairs need to engage more with rehabilitation providers, including requiring them to provide evidence-based approaches to rehabilitation, and to monitor and report on treatment costs and client outcomes.*

*Changes are also required to the arrangements for providing and coordinating rehabilitation immediately prior to, and immediately post, discharge from the Australian Defence Force (ADF). Rehabilitation services for transitioning personnel across this interval should be coordinated by Joint Transition Command (draft recommendation 7.1). Consideration should also be given to providing rehabilitation on a non-liability basis across the interval from ADF service to determination of claims post service.*

ARPA supports greater engagement with DVA and Defence and the provision of evidence on treatment and client outcomes. This will assist with embedding a more person-centred model and better client outcomes. The current rehabilitation claims system and its operation works against the principles of achieving person-centred outcomes as the core goal.

The report indicates that the current focus of the model is on processes rather than on expeditious and accelerated movement of Veterans between suffering and assistance. ARPA believes great gains can be made to improve this system and the quality of service intervention. We are willing to be actively involved with DVA and Defence to build a more robust and effective model for rehabilitation intervention. ARPA has championed the benefits of evidence-based intervention embracing the HBGW and this translates directly into this service area. It should be noted that the profession of Occupational Therapy which offers the most solid foundation for workplace rehabilitation, originated from the therapeutic engagement of injured soldiers, to improve their health outcomes and functional capability upon return from active service. These principles remain, however the evidence is of course much stronger and this represents a great opportunity to maximise the outcomes for the ADF Members and Veterans.

ARPA does not support the recommendation regarding coordination of rehabilitation services prior to and post discharge in its current form. The current interaction between the ADFRP and the DVA Rehabilitation Program is under-reported in The Commission's draft report (and the ADF and DVA submissions) and requires further investigation, particularly the Timely Engagement Model which is currently running successfully in Queensland.

ARPA proposes that effective engagement of rehabilitation services at the right time is outside of the expertise of the functions proposed within the Joint Transition Command and should remain with the ADFRP and DVA / VSC. There are opportunities for further improvements of the Timely Engagement model framework. We propose that DVA / VSC takes on a coordination role for rehabilitation services during the transition phase and post-discharge. The commissioning of rehabilitation providers should be managed by the DVA / VSC. This model would also solve the issue of non-liability rehabilitation service provision pre-claims determination.

*DRAFT RECOMMENDATION 7.1*

*The Australian Government should recognise that Defence has primary responsibility for the wellbeing of discharging Australian Defence Force Members, and this responsibility may extend beyond the date of discharge. It should formalise this recognition by creating a 'Joint Transition Command' within Defence. Joint Transition Command would consolidate existing transition services in one body, with responsibility for preparing Members for, and assisting them with, their transition to civilian life. Functions of Joint Transition Command should include:*

- *preparing serving Members and their families for the transition from military to civilian life*
- *providing individual support and advice to Veterans as they approach transition*
- *ensuring that transitioning Veterans receive holistic services that meet their individual needs, including information about, and access to, Department of Veterans' Affairs' processes and services, and maintaining continuity of rehabilitation supports*
- *remaining an accessible source of support for a defined period after discharge*
- *reporting on transition outcomes to drive further improvement.*

ARPA supports the intent of the recommendation that the rehabilitation system needs to focus on the wellbeing of Veterans over their lifetime. Considerations such as this need to be supported by initiatives aimed at preparing Veterans for their transition to civilian life with responsibility centralised within a new Joint Transition Command. Importantly, careful consideration needs to be given to the business partners through which the Joint Transition Command will operate to successfully establish and achieve better outcomes for Veterans transitioning into external work and productive lives.

The recommended creation of a Joint Transition Command Taskforce is supported. ARPA should have a presence on this task force given our knowledge of the current evidence and best practice across all jurisdictions including the ADF and DVA rehabilitation programs.

### ARPA Comments on Procurement of Case Management and Rehabilitation Services

ARPA is supportive of a lifetime care / social insurance / vocational rehabilitation model of case management and rehabilitation over a worker's compensation model of rehabilitation.

It is extremely important that the foundation and supporting processes and outcome measures of a new model are explored and trialled prior to consideration of procurement models outside of government, to ensure that the solution fits the need. ARPA cautions that the outsourcing of case management and rehabilitation procurement to a purely commercial entity would be akin to putting the proverbial 'fox into the hen house'.

There is often significant tension between the concepts of efficiency and optimum outcomes. A commercialised model of case management and rehabilitation coordination would be an efficiency-based model and work contrary to the aim of better outcomes for individuals. It is possible to achieve a desired result quickly and efficiently through an efficiency-based/commercial model. However, that does not guarantee that the result provides the best outcome or is enduring and sustainable. Further, often procurement decisions are driven by the ease of managing the procurement rather than the needs of the client or end user. An approval process similar to many workers' compensation jurisdictions that ensures the quality and professionalism of the approved provider (and should include mandatory education regarding DVA and Defence) is a superior model to form a broad standing panel of providers offering stakeholders (DVA, Defence, Members and Veterans) diverse opportunities for choice, selection and engagement based on individual need. This is not difficult to administer.

The current procurement arrangements used across the Commonwealth require that the best 'value for money' proposals be accepted. The reality means that procurement outcomes particularly with large departments on panels are bias towards large providers. Unfortunately, there is not enough emphasis placed on determining the providers that will be able to achieve the best outcomes but rather the most cost effective or cheapest provider is chosen. This model often biases providers who are prepared to provide services at lower prices. This does not always deliver a better outcome.

There are several factors that can influence outcomes in the current system beside a bias towards lowest price. These include but are not limited to the capability of the staff undertaking the tender evaluations, the poor criteria used to evaluate proposals and political influence.

Any change to the current method of case management and rehabilitation service selection or coordination would require all commercial arrangements currently in place, including closed panel arrangements, to be reviewed and opened to the market after careful restructuring and trial of a new framework.