

**Minutes of a meeting of the Board of the Accident Compensation Corporation held at the ACC Boardroom, Level 7, Justice Centre, 19 Aitken Street, Wellington, on Friday, 28 February 2020 at 9.00 am.**

**Present**

|                     |                        |
|---------------------|------------------------|
| Dame Paula Rebstock | Chair                  |
| Ms Anita Mazzoleni  | Member                 |
| Mr James Miller     | Temporary Deputy Chair |
| Mr David May        | Member                 |
| Dr Tracey Batten    | Member                 |
| Mr John Brabazon    | Member                 |

**In attendance**

|                       |  |                 |
|-----------------------|--|-----------------|
| Mr Scott Pickering    | Chief Executive                              |                 |
| Mr Mike Tully         | Chief Operating Officer                      | Items 4.1 – 5.2 |
| Mr Peter Fletcher     | Chief Technology & Transformation Officer    | Item 4.1        |
| Mr Herwig Raubal      | Chief Actuarial and Risk Officer             | Item 4.1        |
| Mr John Healy         | Chief Financial Officer                      |                 |
| Ms Emma Powell        | Chief Customer Officer                       |                 |
| Ms Sharon Champness   | Chief Talent Officer                         | Item 4.1        |
| Ms Deborah Roche      | Chief Governance Officer                     | Item 4.1        |
| Ms Gabrielle O'Connor | Head of Client Service Delivery              | Items 4.1 – 5.2 |
| 9(2)(a)               | Head of Provider Service Delivery            | Items 4.1 – 5.2 |
| 9(2)(a)               | Head of Business Customer Service Delivery   | Item 5.1        |
| Ms Ainsley Simmonds   | Acting General Counsel and Company Secretary |                 |
| 9(2)(a)               | Executive Advisor                            | Item 3.1        |
| 9(2)(a)               | Specialist, Temple Investment                | Item 3.1        |
| 9(2)(a)               | Senior Associate Company Secretary           |                 |
| 9(2)(a)               | Associate Company Secretary                  |                 |

# 1 Procedural Business

## 1.1 Apologies

Apologies were received from Ms McDonald QC.

## 1.2 Register of Members' Conflicts of Interest Arising

Mr Brabazon disclosed his interest as a shareholder in IndusCo Ltd which had recently presented to ACC regarding one of its products.

**CONFIRMED:** The Board reviewed the Register of Members' Conflicts of Interest Arising and confirmed that it was not aware of any other matters (including matters reported to, and decisions made by, the Board at this Meeting) which would require disclosure.

# 2 Committee Updates

## 2.1 Investment Committee

Mr Miller provided an update on the Board Investment Committee meeting:

- Mr Dyer had updated the Committee on:
  - Covid-19 and its impact on the market; and
  - The implementation of the Committee's decision to exclude thermal coal producers from the investment portfolio and the work happening on carbon, which included the appointment of an expert consultant and an external review which would provide best Australasian practice on fund positioning. ACC was well positioned in this area compared to other funds.
- Investment fund performance was below benchmark by -0.25%.
- The Committee approved an update to the Property Investment Seismic Policy.

## 2.2 Risk Assurance and Audit Committee

Ms Mazzoleni provided an update on the Board Risk Assurance and Audit Committee meeting:

- The Committee had noted two IQA reports (continuous delivery and HSS) and the interim portfolio review, which had no management response. HSS was still rating red and showed

some underlying issues. Management and EY would undertake a recalibration of the IQA plan given the stage of the ICIP projects.

- IAS had highlighted an action item in relation to the risk mitigation plan for claims cost growth, and the Committee had asked Management to review the treatment plan and bring that back to the Committee.
- There were three IAS reports presented to the Committee, the key one being the Investment Office Gap Analysis which raised important issues regarding the effectiveness of the control environment and segregation of duties.
- Dr Matthew Bell, EY Asia Pacific Climate Change and Sustainability Services Leader, presented on sustainability reporting which gave a holistic view on climate change work.

### 2.3 Governance and Remuneration Committee

Mr Miller provided an update on the Board Governance and Remuneration Committee:

- The Employee Pulse Survey results had been presented to the Committee.
- ACC's Gender Pay Gap (GPG) report had been presented, which was to be publicly released. The Committee raised the two pay grades which still had a 'like for like' GPG as the pay grade assessment was not granular enough to take account of the differences in experience and technical speciality within those pay grades. Ms Champness later told the Board that ACC had mechanisms in place to ensure there was no GPG bias, and that ACC did not have any like for like GPGs for employees in the same roles with the same experience or technical speciality. Management would do some detailed analysis and would include this in the GPG Report, which would be circulated to Committee in the next fortnight.
- The Committee had discussed the collective bargaining agreement and remuneration. The original negotiating parameter limiting the overall cost to ACC each year to 9(2)(i) had been revised to clarify that the remuneration outcomes would reflect a market movement of ■■■■■, aligned to external data, and that the overall cost of the remuneration would be no more than last year's remuneration review on an average per person basis.
- The Committee endorsed the ACC staff Code of Conduct for approval by the Board. The Board requested that Corporate Secretariat look at whether it was consistent to add a line in the Board Code of Conduct indicating that the Board was also subject to the staff Code of Conduct and bring a short update to the Board's next meeting.

**ACTION:** Corporate Secretariat to review the Board Code of Conduct to assess consistency of adding a statement indicating that the Board was also subject to the Staff Code of Conduct.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** that the ACC Staff Code of Conduct has been reviewed as part of the two-year review cycle for ACC policies and that no change is required.
- (b) **Approve** the Code of Conduct.

## 2.4 Health Sector Strategy Advisory Committee

Dr Batten provided an update on the Board Health Sector Strategy Advisory Committee:

- The Committee had a good discussion on the Health Outcomes Framework which linked outcomes to ACC's core purpose and legislation.
- The HSS Engagement Strategy was presented. It was in its early stages and discussion focussed on the provider's understanding of the NTS measure.
- The Committee had an IQA update on HSS: Currently, the four Proof of Concepts were flagging red and the Committee's would have a critical discussion on those concepts at its next meeting.

## 3 Board Only Session

### 3.1 Chief Executive's Report

The Chief Executive provided his annual address to the Board on priorities for the Corporation in 2020.

#### Zero Carbon Workplan

The Chief Executive introduced <sup>9(2)(a)</sup> from Temple Investment who was overseeing the work developing a policy and framework for ACC on climate change. The Chief Executive noted the feedback from the Board from the recent workshops and one-to-one sessions with <sup>9(2)(a)</sup> <sup>9(2)(a)</sup> presented a draft climate change policy roadmap for discussion.

#### **ACTIONS in relation to the Zero Carbon Workplan:**

- A report on the outcome of the Scoping Phase work (March).
- A progress update (end of May).

- The Climate Change Plan and Framework (June).

## 4 Operational Reporting

### 4.1(a) ICIP Reporting

The Board took the paper as read and opened the item for discussion.

- The Risk Assurance and Audit Committee had requested that the reporting on ICIP be recalibrated to benefit delivery so that Management and the Board could focus its attention.
- Work was well underway by the ACC and PwC teams on the HSS Proof of Concepts and a consolidated plan would be presented to the Board in June which more clearly showed the pathway to \$75m in benefits.

The Board commended Management on the work on ICIP to date.

**RESOLVED:** The ACC Board resolved to **note** the ICIP January 2020 Monthly Update.

### 4.1(b) Operational and Financial Performance Report including Claims Costs

The Board took the paper as read. Discussion focused on:

- Claims processed per FTE, which would not meet its target by year end. The benefits were locked in as part of the NGCM rollout and would be much closer to being on track by the first quarter of the next financial year.
- Whether the mix in the long terms claim pool was changing. Management was seeking more information on what the manageable portion of the mix was.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** the Claims Cost performance
- (b) **Note** the Operational and Financial Performance
- (c) **Note** the additional performance information

### 4.1(c) Q2 2019/20 Complaints Report

Ms Powell took the Board through the proposed complaints reporting dashboard on the ACC website. Discussion on the Complaints Report focused on:

- The positive feedback received from the Office of the Auditor-General (OAG) on the proposed external complaints reporting on the website.
- Other information which could be included in the report, such as information on actions to address trends and providing benchmarking against other organisations.
- How ACC was using the information provided in the report. The complaints reporting provided direction straight back to the frontline and Management was working on building longer feedback loops to make more substantial changes. Frontline staff had an awareness of the key focus areas and behaviours through weekly meetings and quarterly survey results. Under NGCM, Heartbeat was creating good feedback daily.

The Board congratulated Management on the progress of Complaints Reporting. Ms Powell commented that now that the Board had a good cadence of reporting, her team would explore ways of providing a shorter report to the Board which was at a higher level.

**RESOLVED:** The ACC Board resolved to:

- (d) **Note** the key insight themes, contributing factors, and actions being taken by the organisation as outlined within the Quarter 2, Customer Dissatisfaction and Complaints report.
- (c) **Note** there were 14 Severity two and no Severity three customer complaint cases (including those escalated to the Customer Resolutions team and those dealt with by the Issues Management and Media teams) during Quarter 2, and that management has taken the appropriate actions (outlined in **Appendix 2**, the Board Dossier of Complaints and Issues – Quarter 2) to address them.
- (d) **Note** the progress ACC continues to make towards developing its full complaints system, commencement of a trial to use analytical modelling to detect the early signs of service failings to prompt service recovery, and the early stages of a root-cause analysis approach and initial analysis into the delays in weekly compensation payments.
- (e) **Approve** the public reporting approach, recommend content and the use of Newsroom on ACC's website for quarterly and annual reporting on complaints performance and relevant insights, subject to final approval by the Board Chair before publication.

## 5 Board Papers

### 5.1 Update on Business Customer

<sup>9(2)(a)</sup> took the Board through the presentation on business customers. Key discussion points focused around:

- The significant investment through the transformation programme in both ACC's policy and invoicing system, Guidewire (Juno) and digital online platform (My ACC for Business), supported by a capability build across the business customer teams. This was one area which contributed to the delivery of benefits under ICIP.
- Self-employed business owners, who had the lowest Net Trust Score of ACC. There had been improvements on the Net Trust Score, but it had not yet met the target. The Board asked that Management continue to consider other mechanisms available to achieve that target and to utilise analytics as much as possible.
- User-friendliness of the website for business customers to engage with ACC. The website could also emphasise the benefit of ACC. The Board asked Mr Riley to consider whether his team needed to undertake more work on the website and expand testing with groups of business customers.
- The traffic accountants/agents contributed to the website and their level of engagement. Feedback from agents was lower prior to the release of Juno. <sup>9(2)(a)</sup> would confirm with the Board whether agents were part of the satisfaction score.

The Board thanked <sup>9(2)(a)</sup> for his presentation and the work completed to date and asked him to pass its appreciation on to his team.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** that significant investment to enable an enhanced experience for business customers has been implemented commencing in 2017.
- (b) **Note** that this is one of the areas that contributes to the delivery of benefits under the Integrated Change Investment Portfolio.
- (c) **Note**, however, that business customers' key interactions (particularly their levy experience and when they or their employees are injured and require rehabilitation) continue to result in a low net trust score.

(d) **Note** that ACC's key objectives for improving business customers' experience are 'delivering a seamless levy experience' and 'delivering value to business customers'.

(e) **Note** the activities underway to deliver against these objectives by 2023 fall within the following key focus areas:

- Automating business transactions
- Shifting to digital services
- Improving the levy experience for self-employed
- Incentivising better health and safety performance
- Improving businesses experience of recovery and rehabilitation
- Encouraging employers to play a key role in prevention, rehabilitation and return to work
- Implementing an engagement approach.

### 5.2(a) Operations: NGCM Tranche Performance

Ms O'Connor provided an update on the NGCM Tranche roll-outs. Discussion focused on:

- When ACC would reach the half-way point on NGCM: In terms of staffing numbers, it would be at the end of Tranche 2 (9 March) and for migrated and new claims, it would be mid-Tranche 3 at the end of May.
- Confirming that the right level of expected benefits was in the draft budget for 2020/21.
- The biggest outstanding risk for NGCM, which Ms O'Connor explained was finding the balance between maintaining NGCM momentum and BAU and front-line staff capacity.
- Whether Management were able to draw any conclusions on the 10-week rehabilitation rate. It was too early to provide any analysis, but Management would be able to provide a view in its May update once more new claims had come through NGCM.

The Board congratulated Ms O'Connor and her team on the work completed to date on NGCM.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** the progress of the NGCM roll out.
- (b) **Note** the performance results to-date from Tranche 1.
- (c) **Note** the preparation work that has been completed for Tranche 2.
- (d) **Note** the remaining schedule for Tranches 3-5.



## 5.2(b) Operations: Client Payments Final Drawdown Request

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** Client Payments continues to track to the originally agreed timeframes for transition away from Pathway by June 2021 and has been managed to the lower end of the agreed budget envelope of \$80 to \$130 million.
- (b) **Note** the total cost for the project is now forecast at \$86.8m (excluding contingency).
- (c) **Note** that the proposed total financial benefits of the project have increased from \$45 million over 10 years to \$110.4 million over 10 years. The project NPV remains negative however has increased from -\$65.4m to \$-16.5m, with a 12.6 years payback period.
- (d) **Note** that the existing (unapproved) contingency allowance of \$12 million is proposed to be reduced to \$6.5 million based on project progress to date and an assessment of future risks. No request to drawdown contingency is being made in this paper.
- (e) **Note** that the full updated business case, including detailed financials and risk assessments is available from the Corporate Secretariat on request.
- (f) **Approve** the final drawdown of \$2.5 million to complete the original objectives of the Client Payments project on time and within overall budget expectations.

## 5.2(c) Operations: Inflationary Driven Price Increases 2020 – Contracted Services

The Board asked for some clarification as to whether the methodology used to calculate the inflationary related cost increases had already been agreed to in the relevant contracts. Ms Walker-Clark confirmed that this was not the case, and that ACC was only required under the contracts to *consider* inflationary price increases.

Given ACC's current financial outlook, the Board was not comfortable with approving inflationary related increases to contract prices without some calculation of the appropriate efficiency savings or gains that could be expected. The Board approved the MECA portion of the price increase.

The Board discussed with Mr Tully and <sup>9(2)(a)</sup> the communications that would be required with the providers impacted by these contracts. While the individual providers might not necessarily have a view of the portion of price increases attributed to inflation in the previous years, the lower increase may create some noise within the sector.

The Board asked Mr Tully and <sup>9(2)(a)</sup> to provide to the Board out of cycle a revised Price Increase paper including the analysis of the expected efficiency savings or gains.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** that for 26 contracted services the nurse and allied health multi-employer collective agreements (MECAs) are a significant factor in proposed inflationary increases being higher than the 2.5% increase on Whole of Life Cost (WoLC) threshold at or below which management can give approval under ACC's Corporate Delegations Schedules.
- (b) **Note** the 2020/21 forecast spend (excluding the proposed inflationary increases) across the 26 contracted services is \$647.30 million.
- (c) **Note** the proposed price adjustments will result in a weighted cost impact of 3.33% and add \$21.58 million to this annual expenditure.
- (d) **Note** the proposed price increases are included in the 2020/21 budget assumptions.
- (e) **Note** that within the weighted cost impact of 3.33% there are individual service item price increases ranging from 0.81% to 4.68%.
- (f) **Note** the proposed price increases are listed in Appendix 1 and reflect the composite movements in allied health, nurses and doctors negotiated pay scale agreements and other inflation indices.
- (g) **Note** that the proposed price changes for the 26 contracted services affected will be implemented at their respective contract variation dates, occurring between March 2020 and December 2020.
- (h) **Note** the proposed increases for the 26 contracted services has an estimated OCL impact in the range of \$40 - \$150 million.
- (i) **Decline** the proposed price increases to the individual service items for the 26 contracted services, pending further information to be provided by Management out of cycle.
- (j) **Note** that new allied health and nurse MECA's are likely to be negotiated during 2020-2021, which may have further impact on inflationary increases in coming years.

## **5.2(d) Operations: Physiotherapy Services – Contract Extension**

The Board continued the discussion it had had on the Inflationary Price Increases paper. Management had taken actions over the last few years to improve the relationship with physiotherapists, which included negotiations within the contract which gave ACC the ability to receive useful information and removed administrative work.

The Board discussed the paper, noting that 1.12% of the 3.12% increase was related to MECA. Management would apply a similar approach to this contract as was discussed in the Inflationary Price Increases paper to look at what productivity savings could reasonably be expected and applied and will move rapidly on this given the current contract expires in May, and it would be more expensive to have the physiotherapists currently on the contract move onto the pricing under the regulations.

The Board noted that final approval of the contract would likely be between meetings, and delegated authority to the Board Chair, Dr Batten and Mr Miller to approve the updated contract out of cycle.

**ACTION: Mr Tully and <sup>9(2)(a)</sup> [REDACTED] to provide a paper to the next HSS Advisory Committee meeting in May outlining the contracts expected for renewal in the next 12 months and the strategy and tactics for those contracts. From the discussion at the Committee a paper would then come before the full Board.**

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** the current Physiotherapy Services Contract expires on 31 May 2020.
- (b) **Note** that an extension to this contract creates an opportunity to prepare the tender for an updated service in 2021 that: allows for an evaluation of the changes made to the current contract; builds on the service changes delivering further system and treatment improvement, incorporates Hand Therapy services, and aligns with other Health Sector Strategy changes in progress.
- (c) **Note** the Whole of Life Cost (WoLC) of the Physiotherapy Service Contract, including the proposed extension (16 November 2009 to 31 October 2021), is estimated to cost up to \$834.5m.
- (d) **Note** the WoLC includes a weighted average cost impact of 3.12% due to a proposed price increase to be applied from 1 August 2020.
- (e) **Note** Actuaries have confirmed that the OCL impact for the (FY 2021) extension of Physiotherapy Services Contract is immaterial (<\$500k).
- (f) **Note** that Board approval is required as the WoLC of the contract is above the authority delegated to the Chief Executive.
- (g) **Delegate authority** to the Board Chair, Dr Batten and Mr Miller to approve a 17-month extension to the Physiotherapy Services Contract, from 31 May 2020 to 31 October 2021, pending further information to be provided by Management.

### 5.3 Budget and Economical Fiscal 2020/21 – Update

Mr Healy introduced the update, noting that it provided the Board with an early indication of the key focus areas of the upcoming March budget paper. The Board's discussion focussed on:

- The broader economic context, which would have an impact on many areas of ACC's business. The Board asked Mr Healy to run a recession sensitivity across the budget.
- The assumed realisation of benefits that would be included within the budget. Mr Healy highlighted the key ICIP benefits that were going to be built into the budget: resource efficiency, rehab duration and HSS benefits. The Board asked to Mr Healy to provide information on the original ICIP benefits expected and the amended projections, which would also include any benefits which had not been previously been known.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** the key focus areas and assumptions applied in the draft Budget 2020/21
- (b) **Provide feedback** on any of the points raised in this paper for incorporation in to the budget process and the preparation of the March 2020 paper.

## 6 Performance Reports

### 6.1 Health, Safety and Wellbeing Report

The Board asked Management to urgently provide some assurance to give the Board confidence that ACC was meeting its health and safety obligations as a PCBU to its staff and contractors in relation to the potential impact of the Covid-19 virus. The Board asked the Acting General Counsel to seek some legal advice on the matter.

The current risk posed by the virus relating to staff returning from travelling overseas was being managed well and Management was undertaking a review of all BCP plans. Management had not extended that planning to the broader provider network, which would be actioned.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** progress toward becoming a leader in health, safety and wellbeing.
- (b) **Note** there were no notifiable events in January 2020.
- (c) **Note** the health, safety and wellbeing performance indicators.

## 6.2(a) Legal Report

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** ACC has filed appeals in the District Court pertaining to the levy classifications of two ITM stores.
- (b) **Note** ACC's legal team will file its submissions with the Court in the *Ng* treatment injury case on 18 February.

## 6.2(b) Policy Update to Board

**RESOLVED:** The ACC Board resolved to:

### *Whakaari / White Island eruption funding*

- (a) **Note** that officials from the Ministry of Health, ACC and Treasury are working together to understand funding implications and options for extreme complex and high complex burns treatment following the Whakaari/White Island eruption.
- (b) **Delegate authority** to the Board Chair and one or two other Board Members (as determined by the Board Chair), out of cycle in March, to:
  - i. Endorse a variation to the 2019/20 Public Health Acute Services Annual Service Agreement, to meet the costs of treating extreme complex and high complex burns from the Whakaari/White Island eruption.
  - ii. Contribute an additional component of funding from the levied accounts for Public Health Acute Services due to the Whakaari/White Island eruption.

### *Clarification of funding pathway for rongoā Māori*

- (c) **Note** the interim operational approach for funding rongoā Māori services, to ensure that clients have consistent access to traditional healing knowledge and practices, in accordance with Whāia te Tika, the Treaty of Waitangi, and the findings of the Waitangi Tribunal under its WAI 262 report, until a longer-term approach can be agreed following further policy work.

### *Legislative modernisation*

- (d) **Note** that a previous recommendation to extend eligibility for the minimum full-time weekly compensation rate to the second week of incapacity (currently available from the sixth week) was subject to further advice on cost impact.

- (e) **Note** that the cost impact of extending minimum rate eligibility is \$1 million per annum and a negligible increase in the OCL.
- (f) **Endorse** the extension of eligibility for the minimum full-time weekly compensation rate to the second week of incapacity.
- (g) **Note** that the Minister has asked officials to undertake further work on a review framework for the Schedule 2 occupational diseases list in the Accident Compensation Act 2001.
- (h) **Note** that ACC and MBIE have identified a potential Schedule 2 review approach that would test potential additions to the occupational diseases list against medical criteria, exclusionary criteria and consistency with existing legislation.

#### *Firefighters and claims for work-related cancers*

- (i) **Note** that Management has endorsed the use of a 'plausibility and exposure index' operational tool, to support consideration of firefighters' gradual process cancer claims.

## **7 Board Administration**

### **7.1 Minutes of Meeting held on 29 January 2020**

**APPROVED:** the ACC Board approved the minutes of the meeting held on 29 January 2020.

### **7.2 Schedule of Matters Arising**

The Board **noted** the Schedule of Matters Arising.

### **7.3 Confirmation of Decisions Made Out of Cycle**

**RESOLVED:** The ACC Board resolved to **note** that there were no decisions made out of cycle for the period of 23 January 2020 to 19 February 2020.

### **7.4 Annual Work Programme**

**NOTED:** The ACC Board **noted** the annual work programme.

## **8 General Business**

There was no General Business.

## 9 Confirmation of Next Meeting

To be held at the ACC Boardroom, Level 11, PwC Tower, 188 Quay Street, Auckland on Thursday, 26 March 2020 at 9.00 am.

### Closure

The meeting closed at 4 pm.

Approved

Chair ..... Date .....

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT