

**Minutes of the meeting of the Board of the Accident Compensation Corporation held at ACC Boardroom, Level 11, PwC Tower, 188 Quay Street, Auckland on Thursday, 30 May 2019 at 9.00 am.**

**Present**

Dame Paula Rebstock	Chair	
Ms Anita Mazzoleni	Member	
Mr James Miller	Temporary Deputy Chairperson	
Ms Kristy McDonald QC	Member	(until 4.15 pm)
Mr David May	Member	(until 4.10 pm)
Ms Leona Murphy	Member	(until 4.10 pm)
Dr Tracey Batten	Member	
Mr John Brabazon	Member	

**In attendance**

Mr Scott Pickering	Chief Executive
Mr Mike Tully	Chief Operating Officer
Mr Peter Fletcher	Chief Technology & Transformation Officer
Ms Deborah Roche	Chief Governance Officer
Mr Herwig Raubal **	Chief Actuarial and Risk Officer
Mr John Healy	Chief Financial Officer
Ms Emma Powell	Chief Customer Officer
Ms Sharon Champness	Chief Talent Officer
Mr Paul Dyer	Advisor Investments
9(2)(a)	Executive Advisor
9(2)(a)	Head of Health and Safety Systems
9(2)(a)	Strategic Advisor
9(2)(a)	Manager Corporate Secretariat
9(2)(a)	Associate Company Secretary
9(2)(a)	General Counsel and Company Secretary
9(2)(a)	Senior Associate Company Secretary

\*\* Attended via videoconference

# 1 Procedural Business

## 1.1 Apologies

There were no apologies received for the meeting.

## 1.2 Register of Members' Conflicts of Interest Arising

**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 updated the Board on the key matters from the Investment Committee (BIC) meeting that had been held on 29 May 2019:

- The fund was down by 17 basis points for the month.
- Management was hiring a new small cap manager.
- The Kiwi Group Holdings Ltd valuation would be undertaken by Deloitte.
- A proposed investments exclusion of companies in the firearms industry was recommended for Board approval. The BIC had approved changes to the Investment Guidelines to include that exclusion.

The Board discussed the overall Year End position which would be under benchmark, although the actual result was still not bad. The Board noted, however, that the OCL had increased and would increase again.

It had been signalled during the BIC meeting that there might be a further \$2-3 billion added to the deficit as a result of Treasury's assumption changes. The Chair of the Board Risk Assurance and Audit Committee (RAAC) noted that she had brought forward the timing of external legal advice on the going concern statement the Board was required to sign off.

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

**Approve** the exclusion of all companies in the semi-automatic firearms industry from investment.

## 2.2 Risk Assurance and Audit Committee

Ms Mazzoleni updated the Board on the key matters from the RAAC meeting that had been held on 29 May 2019:

- 9(2)(a) from EY had attended the meeting; this was his last year as auditor. 9(2)(a) would take over from 9(2)(a). The Audit plan and ESCO ratings had been discussed.
- The Committee had had a robust discussion on the level of fees in the Audit Proposal letter (which was continued by the Board). The RAAC Chair noted that the increases in costs had been benchmarked across the public sector by the OAG and they did seem appropriate. The Board confirmed that it accepted the Audit fee increases. However, it would seriously consider its options when the contract was up for renewal again.
- The risk management mitigation report had been considered—the Risk Office had made the mitigations tighter and a risk reset shortly would improve the tightness again.
- A risk culture survey would take place with selected staff and Board Members over the next three months.
- The Committee had considered a paper on cyber security in ACC's third-party providers. The Committee had requested that cyber security expertise be provided to assist with the fund manager performance due diligence process.
- The Committee had received an update from Integrity Services and had requested that the external and internal reviews be split out for the next update to the Committee.
- The OAG report into complaints was to be closed off by the next RAAC meeting.
- The Committee had considered an internal assurance review on injury prevention (IP).
- The Committee had considered next year's Internal Assurance Plan and had requested linkages to recurring themes and internal assurance findings.
- The Health Sector Strategy (HSS) IQA had been discussed and the Committee had noted its disappointed that no Management response was included. The Committee understood that Management would be undertaking significant work over the next couple of months, and a

paper would be coming to the Board later in 2019. Ms Mazzoleni had asked the EY team to interface with that work so there would be no issues with assurance.

The RAAC Chair drew the Board's attention to hard copies of EY's Portfolio Assurance report and ICIP Status Update report which had been tabled for the Board. She noted the recurrent theme in ICIP of not tracking the changes to projects.

The Board had a wide-ranging discussion on the HSS, resourcing, and the wider health sector. A Board Member reported on having received feedback on the HSS from a large private surgical facility, that the strategy was very good and was heading in the right direction, but that the slowness of getting anything moving was frustrating.

### **3 Board Only Session**

#### **3.1 Chief Executive's Report**

Items raised by Mr Pickering were:

- Client Payments 1 – update
- NGCM - phase 3 consultation update
- Independent rehabilitation review update
- Staff engagement survey process and update
- US/Canada/Sydney – verbal update of trip meetings and next steps
- Hamilton Real Estate update.

### **4 Operational Reporting**

#### **4.1. (a) ICIP Reporting**

Mr Fletcher summarised the report, focusing on four areas:

- Client Payments—Progress had been positive since go-live two weeks previously. Some small problems had been corrected, including some issues with the exchange of data with Inland Revenue. Over next two weeks' usage of the system would ramp up.
- Analytics—On 18 May 2019, a significant milestone had been reached with core system data from MFP having been successfully loaded into the Analytics datalake.

- Next Generation Case Management (NGCM)—The code for NGCM was completed in mid-May. ACC was currently well placed for the release of NGCM in August 2019.
- The positive tone of the ICIP report—With the exception of the HSS which was now receiving Management attention, the Portfolio was in a more positive position than in previous months.

The Board congratulated the team on the portfolio's tremendous progress.

Mr Fletcher responded to a Board query regarding the timing of the benefits. He explained that, overall, Management was still feeling confident that ACC would achieve the overall benefits to which it had committed. Some benefits had moved around, and other benefits relating to Analytics had increased as opportunities from the platform were recognised. It was possible that some of the green ratings should be amber in terms of the timing. However, Management was satisfied that the portfolio was still on track to deliver.

In response to Mr Fletcher's reference to the commitment of the benefit of a 5.5 days' reduction in weekly compensation (WC) (as set out in the recommendations in the paper), after Board discussion of the point, the Board requested that both the active claims basis and the exit basis be reported, as the Board did not want to lose the existing baseline.

In response to a Board query, Mr Fletcher confirmed that Management now had greater confidence in architecture.

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

- (a) **Note** the ICIP Report

*ICIP Benefits*

- (b) **Note** the estimated 5.5 day reduction target resulting from more effective case management is calculated on an 'exit' claims basis. The baseline of 97 days is equivalent to the previous baseline on the 'active' claims basis. The exit claims basis has been used by the NGCM project since its Launch Pad trial and has also been used in enterprise reporting since August 2018.
- (c) **Note** that Management would report on both the active claims basis and the exit claims basis.
- (d) **Note** the \$75 million per annum target expected through reduced pressure and expenditure on healthcare relates to non-weekly compensation claims cost reduction. Any weekly

compensation benefit delivered by the Health Services Strategy will contribute towards the 5.5 day reduction in weekly compensation days paid target.

- (e) **Approve** moving the overall claim per resource baseline from 541 claims per resource to 532 claims per resource, as NGCM has identified a portion of staff (approximately 55) who are classified as temporary but will be transitioned to FTE as part of NGCM rollout. Because these temporary staff have always existed but were not captured in the baseline, it is proposed to add them into the baseline.
- (f) **Note** on the basis of approval of Resolution (d), Management will update the reference in paragraph 45(b) in the ICIP cabinet paper (attached at Agenda Item 6.5), to reflect the change to the overall claims per resource baseline to 532 claims per resource.

#### *Investments Technology*

- (g) **Note** the Investments Technology Issues – Remediation Report.

## **4.2 (b) Performance Report**

### **(b) Claims Costs report**

Mr Healy explained the significant increase in the OCL which was now estimated to be above \$50 billion. This figure had taken into account the Treasury's expected changes to its assumptions. The Board discussed the impact of the interest rate assumptions on the solvency of the Accounts.

The Board Chair requested that updated figures be provided to her for her meeting with the Minister on Tuesday 4 June, and also provided to the Board.

The Board asked Management to consider what else ACC could do to focus on the problem, and suggested looking at claims leakage, at a case level rather than at the portfolio level.

### **(c) Operational and Financial Performance report**

Mr Healy introduced the report, explaining that the big issues in the report related to the financial impact of interest rates. Board discussion focused on the following:

- The automation issues for classifying injuries affecting the Motor Vehicle Account. Mr Healy explained that good progress had been made for this issue to be resolved by June 2019.

- The the Investor Confidence Rating element of ‘asset performance’ changing from a rating of 8/10 to 2/10. Mr Healy explained that the assessment itself had changed drastically. Mr Healy had challenged some of the lowered ratings but had been unable to move the officials’ views.
- The deficit, and the concern that areas of focus around WC had not resulted in a release of the OCL strain which was now in the range of \$650 million to \$900 million. Mr Raubal explained that Management would be presenting draft results in either June or July.
- The phishing incident referred to in the report. Mr Fletcher explained that it had had no negative impact. However, it was an area of increasing activity.
- The Level 3 privacy breach which had been previously reported to the Board. Ms Roche explained where Management was up to in managing the breach, including that the Privacy team was working closely with the Privacy Commissioner and anticipated a comment in his Annual Report. In response to a Board a query regarding whether ACC would contact the affected clients, Ms Roche suggested waiting for the work with the Privacy Commissioner to complete. In response to a Board query as to whether the breach should have been picked up in the legislative compliance review, Ms Roche explained that the Privacy team had reported the issue through that process.
- Progress on the three Service Agreement initiatives relating to ‘*We actively make it easier for others to work with us*’, the June 2019 target dates for which would not be met. The Board highlighted that Management needed to set realistic targets in the Service Agreement.

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

- (a) **Note** the Claims Cost Report.
- (b) **Note** the Operational and Financial Performance Report and two pages illustrating ACC’s OCL and investment position.
- (c) **Note** ACC’s provisional Investor Confidence Rating result.

## 5 Presentations

### 5.1 Scheme Performance Comparison

Mr Tully introduced the presentation. Key points from the presentation were:

- Overall, ACC had been working well with the three overseas schemes in sharing data and insights.
- The other schemes did not report on rehabilitation duration rates.
- There were three motivators for the other schemes—decision timeliness, reviews / litigation, and client satisfaction. The schemes were all different, with ACC being the most comprehensive.

The Board's discussion focussed on the following:

- Whether ACC could learn from the overseas scheme's very high confidence score. Mr Pickering explained how the scheme partnered with the private sector. Management was looking to borrow from this model and build a work programme around it.
- Whether it was possible to show how economically efficient ACC was in comparison to the overseas organisations, as it would help to paint a picture in telling business customers that ACC presented good value for money.
- Claims growth. Mr Tully explained that all three schemes were also struggling with this issue, and all were doing similar work.
- Whether ACC's mediation and dispute resolution resources were taking on board modern thinking about behavioural economics in mediation. Mr Tully would look into this.
- How the other schemes were funded. Mr Tully explained that they were levy funded. One of the scheme set its own levies, and therefore was not politicised as ACC was.
- The extent to which the comparison information might be shared with the Minister or officials. It was agreed that, if it were used, it would be anonymised. Mr Tully would ask permission of the schemes in advance of any sharing.

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

- (a) **Note** that Management has obtained comparative data and information showing the performance of ACC as against that of three similar overseas schemes.
- (b) **Note** the key common measures where data was available indicate that ACC is performing well.



- (c) **Note** the better performing schemes across the key measures were ACC and Workplace Safety and Insurance Board of Ontario, Canada.
- (d) **Note** most schemes have experienced significant claims growth in the past two years.
- (e) **Note** Workplace Safety and Insurance Board operates with legislation that gives them the right to place a client back with their current employer or a similar one.
- (f) **Note** this comparative data will be shared with L.E.K Consulting who have been engaged to conduct an independent rereview of ACC's overarching approach to rehabilitation systems, performance measure and benchmark comparisons.

## 5.2 Implications of a Low Discount Rate Environment

Mr Raubal introduced the presentation. An updated hardcopy of the presentation was provided to the Board prior to the commencement of the meeting. Mr Raubal explained that interest rates had fallen quite significantly and were trending down, and that there were two key responses available—asset allocation and funding targets. He was seeking the Board's feedback and direction on these two responses.

Mr Dyer took the Board through the first part of the presentation, and explained the background to the low discount rate environment. Board discussion focused on the following:

- The way the market appeared to be responding to geopolitical risks. Mr Dyer explained that the market's behaviour indicated a belief that something would go wrong, and this was highlighted by the flight to sovereign debt. Inflation was the factor that ACC should be watching.
- Whether ACC Investments had done everything possible to mitigate this risk. Mr Dyer explained that taking on more swaps might help, but it was difficult to find counterparties to take on the exposure.
- The organisation's risk appetite regarding strategic asset allocation to higher equities. Mr Dyer responded that it was entirely dependent on how much equity risk ACC was willing to take, as there was a trade-off between the volatility of financial results and subsequent flow through to levies, against the risk premium ACC earns. Assets were very expensive and were unlikely to be sustainable at these levels.
- The Treasury's likely views on this macro-economic picture.

Mr Raubal queried how the Board wanted to think about full funding levels. He took the Board through the rest of the presentation, noting that if the existing policy was strictly pursued, higher and higher levies would need to be collected to maintain the solvency targets. Mr Raubal presented three possible responses—

- keeping the policy as is but lengthening the timeframe to reach the solvency target;
- de-emphasise the funding adjustment by multiplying by some factor between 1 and 0;
- changing the solvency target directly.

Mr Raubal explained that de-emphasising the funding adjustment was the easiest to explain and to calculate out of the three options. The underlying levy ACC collects would be based on the new year costs. If this was the approach taken, the Board and Management would have to hope that Treasury would understand and agree. Board discussion focused on the following:

- Whether Management could explore what other funds were doing to mitigate this risk. Mr Dyer responded that there were not many similar funds with which to compare ACC since it was a statutory monopoly. In his view, other funds were simply ignoring the issue.
- Treasury's two-yearly change to the nominal long term interest rate, which ACC had consistently viewed as being held too high.
- The likely political view of the options, and how to lead the conversation with Treasury.
- Whether ACC should be thinking differently about the solvency targets. Investment returns needed to be higher than the growth rate in liability. However, the situation now was the opposite. The Board suggested that the organisation should not hit a panic button, as the Crown and the Board had other options available.
- Whether ACC should consider moving to a Pay As You Go model, at least for a period of time. Mr Dyer explained that while that might be an option for a period, it was not a long-term solution. Instead, the focus should be on new year costs and letting the solvency take a hit. Mr Raubal explained that that was still the fully funded model. The Board agreed that this was the best option.
- The one-off event of interest rates dropping from 5% to 1%.
- Treasury's focus for the funding policy review. Mr Raubal responded that Treasury was focusing around the edges of the policy—largely around the solvency targets and some administrative matters. Treasury had come on-board with the 10-year horizon.

- Treasury's level of awareness of the risks ACC faced. Mr Raubal suggested the conversation with Treasury should be around the risk and how to manage it through investments and the funding policy targets. Mr Dyer re-iterated that the status quo was the right position, but that instead of rigidly applying the levy adjustments to meet the solvency target, solvency should be used as a shock-absorber.

The Board emphasised the sensitive nature of the presentation and discussion.

**ACTION:** Management to provide an update, covering off the various Accounts and what would happen if, in addition to the discount rates, there was a global shock.

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

**Note** the implications of ACC operating in a low discount rate environment.

## 6 Board Papers

### 6.1 Customer Dissatisfaction and Escalated Complaints Reporting – Quarter 3 2018/19

Ms Powell summarised the paper, highlighting how the report had evolved since February 2019. It now included information about root causes, and gave visibility of more severe complaints. It did not yet include sensitive claims, but the future reports would. The quarter had seen a reduction in the number of complaints escalated to the Resolutions Team. Customer service and the attitude of the person the customer was working with were key to both the positive and the negative experiences, along with timeliness of payments and clarity of entitlements decisions.

In response to a Board query regarding whether the 391 complaints referred to in the report was the total number of complaints escalated, or the total number of complaints across the business, Ms Powell clarified that it was the former, except that information was based on 'dissatisfaction' which may or may not relate to an actual complaint. Ms Powell added that she did not have the total number of dissatisfactions, as they are notified through different forums. There was work in train to introduce a single webform to collect data in a more systematic way.

In response to further Board queries, Ms Powell explained that—

- there was no data yet as to whether there were specific cohorts of high-complainers, nor whether a common thread in complaints was regarding consistency of experience across the health system and ACC.

- ACC was looking at health insights and intelligence functions. The introduction of patient reported outcome and experience measures would shed light on what was happening between the client and the provider.

Ms Powell reported on the client experience with having complaints resolved. She confirmed that the data indicated 77% of clients were dissatisfied with the complaints process.

The Board congratulated Ms Powell on the report.

**ACTIONS:** Management to—

- Provide the total number of complaints received, the total number of complainants, and the total number escalated, as well as clarify the terminology for future reports.
- Provide more information on the long-tail cases for resolution beyond the 91% resolved within seven days.

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

- (a) **Note** the following 11 key insight themes contained within the Quarter 3 2018/19 Customer Dissatisfaction and Escalated Complaints report:
- i. Escalated complaint numbers decreased by 19%.
  - ii. The demographic make-up of complaints does not differ from the demographic make-up of all Clients.
  - iii. The location of complainants also mirrors where all Clients come from.
  - iv. Challenges arising from the need for an initial diagnosis is driving complaints.
  - v. Customer service is the number one reason for escalated customer complaints.
  - vi. Staff attitude, communication, ease and fairness are the key drivers of customer dissatisfaction expressed through Heartbeat.
  - vii. ACC staff attitude is the key driver of customer satisfaction expressed through Heartbeat, with 34% of satisfied customers attributing this in some way to staff attitude.
  - viii. 28 complaints were found to contain a breach of the Code of ACC Claimants' Rights.

ix. 91% of escalated complaints were resolved within targeted timeframes.

x. 100% of Heartbeat cases were resolved within targeted timeframes.

xi. Satisfaction with ACC's response to escalated complaints is low.

- (b) **Note** that there were ten severity 2 and zero severity 3 escalated customer complaint cases during the third quarter, and that Management has taken the appropriate actions (outlined in Appendix 2, Board Dossier of Escalated Complaints – Quarter 3 2018/19) to address them. This analysis excludes complaints arising from Clients with sensitive claims. Quarter 4's report will include the sensitive claims analysis.

## 6.2 Analytics 2.0 Update and Contingency Request

The Board had considered the paper in Board only time. In response to a Board query, Mr Raubal agreed to update the Board at a future meeting on the increased benefits from Analytics.

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

- (a) **Note** the total funding required to complete full delivery of the Analytics 2.0 Project remains at the level approved by the Board in November 2018, being \$32.5 million (which includes total contingency of \$11.4 million, of which \$9.7 million has been used) over the financial years 2016/17 – 2019/20.
- (b) **Note** the delivery timeframe needs to be extended by two months, from 30 June 2019 to 30 August 2019 to enable completion of the Project.
- (c) **Note** the Medical Fees Payments system was successfully loaded into the Analytics platform on 19 May 2019.
- (d) **Note** the benefits profile of the Project has been revised to \$250 million from FY2019/20 to FY2029/30.
- (e) **Note** progress since the November 2018 Business Case, including:
- i. The infrastructure that comprises the Analytics Platform has been delivered.
  - ii. ACC's data transformation engines have been developed and tested successfully
  - iii. Information Product development is underway
  - iv. Use cases for Fraud, Waste and Abuse detection have been defined.

- (f) **Note** that since November 2018 several Project challenges have meant that only three of the six core data sources (EoS, MFP, and Pathway) will be delivered by the end of June 2019. These challenges include:
- i. Resource contention with other projects including remediation, Payments, and Next Generation Case Management.
  - ii. Defects identified with some core platform components, which have since been resolved.
- (g) **Note** that Guidewire, Oracle Financials, and Experience Rating data are still to be loaded into the platform, to deliver the full scope of the project.
- (h) **Note** that extending the delivery phase of the Project will enable delivery of data from ACCs core systems.
- (i) **Note** that other options were considered, prior to requesting access to contingency, including reducing scope to delivering the platform without data, but that this was discounted due to the limited business value of the platform alone.
- (j) **Approve** a time extension to the Project of two months, to 30 August 2019 to enable completion of loading the six data source systems into the Platform.
- (k) **Approve** the drawdown of the full remaining contingency funding, of \$1.7 million.

### **6.3 Health and Disability System Review – draft submission on health boundaries**

The Board thanked <sup>9(2)(a)</sup> and Ms Roche for a very good paper, noting how well it identified the position. The question remained how far to go in terms of addressing the boundary issues and suggesting changes to address them. Ms Roche explained that her discussions with the Review Panel indicated that the Panel was still thinking at a very high level about national and local planning, and was not at the detailed boundary level.

The Board had a wide-ranging discussion on the boundary issues, noting that changes could have severe implications for the OCL. The Board used degeneration as an example (\$220 million to \$800 million impact on the OCL), noting that care was required when the costs and full implications were not known. The Board also discussed themes of ageism and fairness in the system, whether an exemption from the Commerce Act should be sought, and the implications of changing the queues in the health system by prioritising elective surgery over acute care.

The Board Chair and Dr Batten would sign off the amended submission, but it was to be provided to the whole Board.

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

- (a) **Note** that the Terms of Reference of the Health and Disability System Review include consideration of the interface between ACC and the rest of the health system.
- (b) **Note** the attached draft submission to the Health and Disability System Review Panel (submission) provides an introduction to ACC and describes ACC's unique role in the health system.
- (c) **Agree** that ACC presents the submission to the Health and Disability Review Panel.
- (d) **Delegate** authority to the Board Chair and Dr Batten to sign off:
  - i. The final form of the submission; and
  - ii. the presentation of the submission on behalf of ACC to the Health and Disability System Review Panel.

#### **6.4 Degenerative conditions within the Accident Compensation scheme**

Ms Roche summarised the paper, and highlighted the following three matters:

- Operational changes and the extent to which communication with providers could resolve unhappiness in the system (managing expectations). The Board suggested that ACC's approach was inconsistent. If providers had clarity on what ACC could and could not cover, they would be more supportive. Providing feedback to the referrer when ACC rejected a claim would help significantly. In response to a Board query as to why ACC did not provide statistics to providers to show how their referrals related to their peers', <sup>9(2)(a)</sup> agreed to check how quickly this could be implemented. The Board also asked whether the 6-24 month timeframe referred to in the Appendix for resolving operational changes could be narrowed down further.
- Legislation Change – the Board left this discussion for a later date.
- Working together with DHBs to manage workflow. The Board discussed that, while it seemed attractive, in practice there were quite different levels of care between the entitlement system of ACC and the rationed care in the general health system.

The Board asked Management to consider how much angst would be removed from the system if all the operational changes proposed in the Appendix to the paper were resolved: if 90%, then there was the solution; if 10%, then it left a lot more to be done. Ms Roche responded that interviews with providers indicated that if access to elective surgery in the health system was better, a lot of the issue would go away.

**ACTIONS:** Management to—

- Provide an update on the progress of the operational improvements at a future Board meeting.
- Provide an update on progress with Degeneration to a future Board meeting.

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

- (a) **Note** Our clients and providers have reported challenges with ACC's approach to the provision of entitlements for the consequences of degenerative conditions.
- (b) **Note** ACC has conducted inquiries and analysis to better understand the problems faced by clients and providers, and explored opportunities to address the feedback we have received.
- (c) **Note** Existing legislative settings do not enable cover to be provided for injuries caused by pre-existing degenerative conditions, however we have explored a range of possible legislative changes.
- (d) **Note** we have also identified changes that would improve the experience of clients and providers. A number of initiatives are planned or already underway, including those within the Integrated Change Investment Portfolio.

### **6.5 ACC's June 2019 Integrated Change Investment Portfolio Progress Update**

Ms Roche introduced the paper, explaining that it was an update of the previous Cabinet paper.

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

- (a) **Note** that Cabinet noted in ACC's February 2019 ICIP update, that ACC would report back to the Committee on ICIP in June 2019.
- (b) **Approve** the contents of the attached Cabinet paper, ACC's June 2019 Integrated Change Investment Portfolio Progress Update.
- (c) **Note** that under a recent Cabinet Office direction, all Cabinet papers are required to be proactively released within 30 business days of the final decision being taken by Cabinet, and therefore the attached Cabinet paper will be proactively released onto ACC's website, subject to the Minister for ACC's approval and any redactions as appropriate under the Official Information Act 1982.



## 6.6 Quarterly Risk and Compliance Report

Mr Raubal summarised the paper, and highlighted the following:

- There had been significant findings in the HSS IQA report. Management was considering those findings and working on them.
- The Government system reviews were largely benign for ACC.
- The voice of the customer work was on-going, although it was yet to be embedded in decision making.
- The balance sheet, the OCL strain, and questions around the organisation's capacity.
- There were some areas of success, including social rehab hours for serious injury, and organisational change.

In response to Board queries, Mr Raubal explained that, overall, the profile was still on the conservative side, but not as much as last time, and, regarding the tool ACC used for legislative compliance, Mr Raubal noted that he thought it was ComplyWith, and that nothing significant had come out of the latest compliance survey.

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

**Note** the Quarterly Enterprise Risk and Compliance Report.

## 6.7 Service Agreement 2019/20 and Annual Report approach 2019

Mr Healy summarised the paper, noting that Management had had feedback from the Minister which highlighted three areas of challenge on the draft Service Agreement:

- Short term rehab rates: The Minister was expecting to see greater improvements in the metric. Management expressed the view that there was no ability to deliver anything more in the near future. Management assured the Board that the ICIP Cabinet paper explained the changes from the original ICIP business case. The Board suggested shifting the rehab target by 0.25% in the out-years, as the Minister had been quite generous with his response.
- Whāia te Tika: ACC did not have the data to put in KPIs for 2020, however some additional initiatives that were already in train would be included. Tangible achievements would be able to be demonstrated for Māori.

- Business and Provider trust scores: The Board noted the volatility in the scores, but requested that the target be adjusted at least to the level of the actual.

The Board discussed the reduction in WC days paid and whether this was attributable to NGCM. Mr Healy responded that there were also BAU improvements.

Mr Healy raised for Board consideration the plan for the Annual Report, highlighting the new ESG reporting, and the proposed IP theme. After discussing the relative merits of focusing on ACC's response to the Christchurch Mosque attacks, and IP, the Board agreed that IP was a very positive story for ACC.

The Board pointed out the importance of telling the transformation story throughout the whole report. Mr Pickering added that it was important to highlight the commitment made to investing in staff and also that two thirds of business customers were now engaging digitally with ACC.

The Board suggested including information about ACC's investments performance against benchmarks. The information would need to be anonymised. Mr Healy would add this information, if possible in the time available. He noted that the planned timing was to have the Annual Report out by the end of September and that this was a compressed timeframe compared with last year.

In response to a Board query as to whether Mr Healy could show adjusted figures in a manner similar to the way private market entities showed adjusted profit numbers, Mr Healy acknowledged that that was possible—and already was done in the monthly reports to the Board.

The Board discussed financial performance and service performance and concluded that it was important to tell both stories.

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

- (a) **Note** the feedback received on the SA19/20 and management's responses.
- (b) **Note** the next steps for publishing the SA19/20 which include, updating the Service Agreement to reflect any changes in response to the Minister's feedback and uploading to ACC's website by early July.
- (c) **Note** the management's proposed performance messages for the annual report and provide feedback.
- (d) **Note** the proposed timeline for the annual report, with a first draft to the Board in late July 2019 and presentation to the House in September/October 2019.

## 6.8 Review of Remuneration and Performance Policy

The Board had considered the paper in Board only time.

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

**Approve** changes to Remuneration and Performance policy.

## 7 Performance Reports

### 7.1 Health, Safety and Wellbeing Report

Ms Champness summarised the paper, and highlighted the following:

- April was the first month in more than two years that ACC had had no recordable lost time injuries, and each and every person who had been off with an injury was back to full work.
- As had been indicated in the Weekly Board Report, there had been two recent engagements with WorkSafe:
  - A notifiable event had occurred after a ceiling tile fell in the Hawke's Bay office. Management was currently undertaking a review to see whether any other buildings needed to be checked, and the response from the landlord in question had been proactive
  - WorkSafe had received an anonymous letter identifying concerns about workload and stress in the Sensitive Claims Unit. WorkSafe had indicated that it would not investigate, since the complaint was anonymous. Ms Champness assured the Board that Management was working hard to improve wellbeing in the Unit, including new teams, extra leadership and restructured work. The Board discussed ACC's whistle-blower policy.
- Opportunities for the Board to be involved in health and safety, including judging the SafeKiwis staff awards—which Mr Brabazon agreed to do, and taking part in the SafePlus audit—which Dr Batten agreed to do.

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

- (a) **Note** actions underway to mature our safety system, demonstrate safety leadership and strengthen our safety culture.
- (b) **Note** there were no notifiable events in April 2019.

- (c) **Note** the health and safety performance indicators.

## 7.2 Legal Report and Policy Update

(a) Legal Report

The General Counsel summarised the report, and highlighted the following:

- The legal team was proactively managing the <sup>9(2)(a)</sup> judicial review proceedings, and the other cases in train were being managed well.
- The ordinary consequences test case continued to progress. Management was considering the feasibility of introducing additional clinical evidence, if leave could be obtained from the Court of Appeal. The Board supported putting in the additional evidence if leave could be obtained.

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

- (a) <sup>9(2)(h)</sup> [REDACTED]
- (b) **Note** the Ng 'ordinary consequences' Test Case continues to progress: a procedural issue raised by the respondent has been resolved in ACC's favour and we are exploring the potential to adduce new evidence.
- (c) **Note** that in response to a request from Treasury for information on 'Specific Financial Risks' we have advised we are not yet able to provide precise information about the magnitude of cost or the likelihood of the costs resulting from the decision in the Ng 'ordinary consequences' Test Case materialising but we anticipate a more than 20% chance the OCL impact will be more than \$100 million over the next five years.

(b) Policy Update

Ms Roche presented the Report, and highlighted the following:

- There was no further update on the work being undertaken for PHAS, other than that the people involved were very positive about ACC.
- Following the Government announcement on the implementation of the recommendations from the Mental Health Review, Management would continue to work with ACC's mental health providers and update the Board if there were any material changes.

- The General Counsel had attended the update on the Royal Commission into Abuse in State Care and concluded that it was too early for ACC to be involved. Ms Roche would keep the Board updated as it evolved.
- Policy Updates:
  - Increase in regulated payments—there would be a required increase of 2% for most treatment types, which had been budgeted for.
  - An anomaly in dental treatment rates had been clarified, which amounted to c.\$1 million a year, but would not have an impact on budget until 2021.
  - Future-proofing work was underway with Allied Health Professionals.
  - A Ministry of Health proposal to regulate paramedics would bring them under their own professional decision making and into the treatment injury regime.

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

*Review of regulated payments to treatment providers*

- (a) **Note** that ACC has completed a review of the rates prescribed in the:
  - i. Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003
  - ii. Accident Compensation (Apportioning Entitlements for Hearing Loss) Regulations 2010.
- (b) **Note** that ACC will report to the Minister on the review of regulated rates, and provide recommendations for a Government decision on the rates.
- (c) **Endorse** an increase of 2.05% over two years in regulated payments for:
  - i. Audiology services
  - ii. Counsellors
  - iii. Dentists
  - iv. Combined (nurse and medical) services
  - v. Medical practitioners
  - vi. Nurses

vii. Specialists

viii. Acupuncturists

ix. Chiropractors

x. Occupational therapists

xi. Osteopaths

xii. Physiotherapists

xiii. Podiatrists

xiv. Speech therapists.

- (d) **Endorse** an increase of 1.72% over two years in regulated payments for hyperbaric oxygen treatment and radiologists.
- (e) **Endorse** maintaining existing regulated payments for audiology equipment.
- (f) **Endorse** separating the current 'specified treatment providers' grouping in regulations, and provide separate regulations on payment rates for acupuncturists, chiropractors, occupational therapists, osteopaths, physiotherapists, podiatrists, and speech therapists.
- (g) **Endorse** removing provisions in the regulations that require funding deductions for dental treatment, where a claimant has received previous treatment on the same tooth for a non-accident related purpose.

*Paramedic regulation*

- (h) **Note** that ACC intends to progress the addition of paramedics as a registered health profession under the Accident Compensation Act 2001, if Cabinet approves the regulation of paramedics under the Health Practitioners Competence Assurance Act 2003.

*Cross-government activity*

- (i) **Note** that ACC is actively engaging in:
- i. The cross-government engagement for the Mental Health Inquiry
  - ii. The Welfare Expert Advisory Group's recently released Report: Whakamana Tāngata – Restoring Dignity to Social Security in New Zealand

iii. The Royal Commission into Abuse in State Care.

#### *Mates & Dates*

- (j) **Note** that Appendix 2 to this paper contains Management's comment on blog articles in early 2019 that were critical of ACC's Mates & Dates healthy relationships programme for secondary schools.

## **8 Board Administration**

### **8.1 Minutes of Meeting held on 17 April 2019**

- The Board asked for the following changes to the Minutes:
  - Mr James Miller to be referred to as the Temporary Deputy Chairperson
  - Ms Mazzoleni had been absent for items 5.1 to 5.2 due to attending a funeral
  - Amending paragraph 4.2 to add: *In responding to a Board query regarding ROI on violence prevention activities, Mr Raubal confirmed he would put some figures around it for the future*
  - Amending paragraph 5.1 to remove the words: *as the analysis had not provided evidence of drugs affecting injuries*

**APPROVED:** the ACC Board approved the minutes of the meeting held on 17 April 2019, subject to the changes identified above.

### **8.2 Schedule of Matters Arising**

The Board discussed the Schedule of Matters Arising and asked that due dates be given to all matters.

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

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

The Board discussed the out of cycle decision that had been made, noting that the Board members had all expressed some concerns in relation to the paper, but had felt in the circumstances it had needed to approve the paper.

**RESOLVED:** the ACC Board resolved to:

**Confirm** the one decision made out of cycle for the period of 12 April 2019 to 23 May 2019 as recorded in the attached Board decision Register, subject to noting the concerns that had been expressed by Members.

#### 8.4 Annual Work Programme

The Board considered the work programme. The Board Chair suggested that at some point the Board should test whether there should be additional items added to the programme. The Board Chair asked that a future Board meeting be held at one of ACC's Branches. After discussion, it was proposed to schedule the Dunedin office for a Spring 2019 Board meeting.

The Board also discussed inviting various stakeholders to lunch with the Board to discuss relevant topics. The RAAC Chair noted that she had invited <sup>9(2)(a)</sup> from the University of Waikato (analytics) to speak at the RAAC meeting or perhaps the Board strategy day in July, and the Chair noted that <sup>9(2)(a)</sup> was attending the Board strategy day. Mr Pickering would invite Michael Barnett to attend lunch with the Board in the coming months.

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

### 9 General Business

There was no general business.

### 10 Confirmation of Next Meeting

To be held at the ACC Boardroom, Level 7, Justice Centre, 19 Aitken Street, Wellington on Thursday, 27 June 2019 at 9.00 am.

#### Closure

The meeting closed at 4.30 pm.

Approved

Chair .....

Date .....