

RESPONSE TO QUESTIONS TAKEN ON NOTICE

PAEC Inquiry into the 2025-26 Budget Estimates – Minister for WorkSafe and TAC Hearing

Wednesday 4 June 2025

1. Can you provide a figure for those savings last financial year and projected for this financial year? (Asked by Nick McGowan, Page 10 of the transcript)

Transcript extract:

Nick McGOWAN: Okay. Perhaps I can come to Mr West for a moment. There was a lot of discussion in the last couple of years in fact, including some critique from Trades Hall, in respect to the changes to the WorkCover scheme. I think they referred to it as the 'long tail'. How many individuals have been severed from their mental health claims as a consequence of that policy decision?

Ashley WEST: Thanks for your question, Mr McGowan. The legislation that was enacted was done late last year, and there have been a range of changes that have been made. They are still in progress of being implemented, so at this point in time we would say it is probably still too early to tell exactly the impacts of those schemes. The reason I say that is because these impacts are as people approach that 130 week mark. There are a number of people going through that process at the moment. The other thing is that there are a number of those still in dispute, so they are still at the Workplace Injury Commission, which hears those disputes. So at this point in time it is actually too hard to be able to tell and put an exact number on that. There will probably be another six months of passage before we start to see some real numbers flow out of there.

Nick McGOWAN: Thank you for the answer. Perhaps I can break that down: do we have a finite number for those cases that have been settled – that is, they no longer receive the support because they are either at 130 weeks or they do not equal the 20 per cent impairment up to this financial year – and then what do you project going forward? That is really two questions.

Ashley WEST: It is very hard for us to project what that number is going to be, because everyone's circumstances are different. At this point in time I do not have a figure that I can give you that answers the question directly, due to the fact that there are still a lot of those things awaiting conciliation and the backlog is still being flown through.

Nick McGOWAN: But I am sure there were projections that the last minister gave us, obviously, and they were the basis for the policy decisions in terms of the economic savings. For this financial year coming, there must be some sums or assumptions or forecasts in terms of how many cases they think were finalised past the 130-week checkpoint.

Ashley WEST: I think what we can see is that the impact of that is largely as was anticipated. In terms of the financial impacts that we are seeing and the fact that the scheme is now starting to come back onto a more stable footing, the impacts of the legislation reform are being largely as intended. But I am unable to just give you an exact number on what that looks like at the moment for the reasons that I have spoken about earlier.

Nick McGOWAN: But how can you quantify that? Can you quantify that, if not by people then by the savings?

Ashley WEST: That is right, So the actuarial savings that were –

Nick McGOWAN: Can you provide a figure for those savings last financial year and projected for this financial year?

Ashley WEST: We can certainly take that on notice.

Response

On 31 March 2024, a number of changes came into effect to modernise Victoria's Workcover scheme (the scheme). These changes were made under the *Workplace Injury Rehabilitation and Compensation Amendment (WorkCover Scheme Modernisation) Act 2024* (Scheme modernisation).

For the year ended 30 June 2024, Scheme Modernisation was estimated by the scheme actuary to have a net favourable impact of \$1,162 million. This primarily relates to an initial one off reduction in the outstanding claims liability due to the implementation of Scheme modernisation and reflects changes to the following actuarial assumptions:

- a reduction in weekly claims that are expected to continue beyond the second entitlement review due to the introduction of a whole person impairment test, and fewer mental injury claims commencing weekly benefits due to a change in eligibility requirements
- a reduction in medical and like benefits in line with the reduction in weekly claims
- an increase in common law lodgements to allow for a proportion of claims that do not pass the second entitlement review pursuing common law damages
- an increase in impairment benefits as more claims will receive a whole person impairment assessment as part of the second entitlement review
- an increase in the number of medical reports required to conduct the additional whole person impairment assessments and assess the new eligibility requirements.

There is considerable uncertainty with estimating future claim costs, particularly for long-tail claims, where payments are expected to occur many decades into the future. The introduction of Scheme modernisation introduces additional uncertainties, as noted below:

- there is significant uncertainty in the assessment of Common Law costs under the reforms due to the need to anticipate behaviour change, and how some claimants may shift from weekly to common law benefits
- there is insufficient claims experience at present to determine the effectiveness of the new entitlement test
- legal precedent has not been established and the actual impact of Scheme modernisation will take many years to emerge.

The projected savings for the 2024-25 injury years is \$0.4 billion. Around half of these savings (\$217m) is attributable to the introduction of the whole person impairment test at 130-week second entitlement review decisions.

2. In the data what is the proportion of WorkCover claims that we are seeing from health care and social assistance industries? Is that information disaggregated anywhere? (Asked by Aiv Puglielli, Page 12 of the transcript)

Aiv PUGLIELLI: Thank you. Can I ask: in the data what is the proportion of WorkCover claims that we are seeing from health care and social assistance industries? Is that information disaggregated anywhere?

Ben CARROLL: Maybe, Mr Puglielli. Can we take that on notice? It is a fair question, and I do know health care, social care, those sorts of industries, because of the nature of their work, are predominant in the data. So if we can take that on notice, we will and will provide you with what we can.

Response

In 2023-24, the Healthcare and Social Assistance sector has a higher number of claims than any other industry (around 17%), with the Social Assistance industry representing around 28% of these claims.