



Minute of Decision

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ACC Work Account Proposals

Portfolio: ACC

On 14 June 2010, following reference from the Cabinet Social Policy Committee (SOC), Cabinet:

- 1 **noted** that in March 2010, the Cabinet Strategy Committee noted that the Minister for ACC (the Minister) intends to report to Cabinet with advice and options:
 - 1.1 in May 2010, in relation to the interim report of the Steering Group on the Stocktake (the Steering Group);
 - 1.2 in July 2010, in relation to the final report of the Steering Group (which is expected to be delivered by 30 June 2010);

[STR Min (10) 3/1]
- 2 **noted** that, while awaiting the final report from the Stocktake of ACC Accounts at the end of June 2010, the Minister intends to direct Department of Labour (DoL) officials to undertake work investigating the introduction of competition in the ACC Work Account, on the basis that ACC remains as a competitive provider;
- 3 **noted** that the Minister considers that this further work is necessary to more fully inform Cabinet decisions at the end of July 2010 on introducing competition in the Work Account;
- 4 **noted** that the Minister considers that ACC should remain as a competitor when competition is introduced in the Work Account;
- 5 **noted** that the Treasury considers that allowing ACC, as it is currently structured, to compete for future Work Account claims would mean that other firms would be less likely to enter the market;
- 6 **noted** that the Minister and officials are working on the assumption that a market in the Work Account would commence with no change to existing benefits and entitlements, but that the level of benefits and entitlements provided under the wider accident compensation scheme may need to be addressed in the future;

- 7 **directed** DoL (lead agency), in conjunction with the Treasury and in consultation with the Department of the Prime Minister and Cabinet (DPMC), to undertake the following work during June and July 2010:
- 7.1 exploration of options for the introduction of competition into the Work Account, including having a public and private mix of providers (hybrid scheme) such as that existing in Australia;
 - 7.2 institutional arrangements to ensure that the competitive part of ACC is financially transparent and operates on a level playing field with private companies;
 - 7.3 investigating options to ensure that all-size employers have choice, such as self insurance options and options for claims management and other services, including opt-in or opt-out arrangements;
 - 7.4 giving Ministers a sense of indicative costs, risks, and benefits of those options relative to the existing arrangements;
 - 7.5 understanding how the changes will impact on particular sectors/industries/groups in society, and their broader economic impact;
 - 7.6 management of the current assets and liabilities in the Work Account, that is, options for managing the existing portfolio of claims (by ACC and/or market providers);
 - 7.7 the conditions and constraints under which private firms would consider entry to, or participation in, this market, and how to avoid “cherry picking”. There will be a need to engage with insurers on these issues at a later stage;
 - 7.8 consideration of how residual risk should be managed (the response if any private scheme were to fall over, for example, whether ACC or other insurers would assume these responsibilities) and the possible role of the government in such a scenario;
 - 7.9 assessment of options to off-set any inappropriate cost shifting to the wider health and disability sectors;
- 8 **noted** that officials will engage with key officials at DPMC, the Treasury, the Ministry of Health, and ACC, as part of the work set out in paragraph 7 above;
- 9 **invited** the Minister, following the work in paragraph 7 and cognisant of the advice in the final report from the Stocktake, to report to SOC by the end of July 2010 with advice with the aim of supporting decisions on introducing competition to the ACC Work Account.