2019 ALUCA TurksLegal Scholarship Winner's Paper

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The role of rehab advisors in improving customer outcomes

Increasingly companies are designing products that will either provide opportunities for their customers to obtain the benefit of rehabilitation advice in the event of a claim or that will involve a rehab professional being part of the claims assessment process.

What are the respective roles of rehabilitation and claims professionals working on a claim? What is the ideal dynamic for companies to achieve between them as they work together?

In addition to a discussion on the engagement model for rehab professionals, your answer should explore the evidence surrounding the intrinsic value of rehabilitation in assisting people to make a recovery and a return to health and work and the positive impacts, financial and otherwise, that rehabilitation can have for customers and for companies that integrate rehabilitation well in their response to a claim.

Your answer should also address the evidence in the recent debate before the Parliamentary Joint Committee on Corporations and Financial Services which ultimately rejected the FSC's proposal to fund rehab costs and discuss whether the industry could achieve even better outcomes for customers if it were allowed to do so.

Functional Restoration – Industry or Individual?

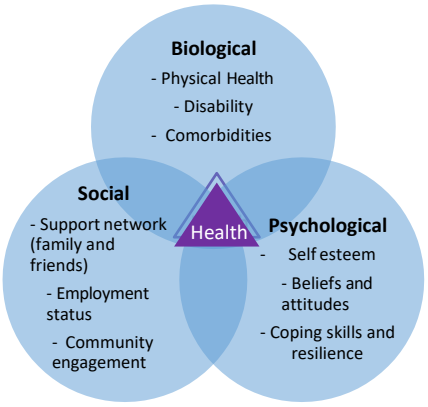
The life insurance industry acknowledges customers need support in times of illness and injury and has shifted over the past 10 years to take a rehabilitation focus via the inclusion of allied health professionals within claims teams promoting recovery and wellness. Despite effective tailored rehabilitation solutions being part of claims management, recent debate has been sparked by the Financial Services Council's (FSC) submission to the Parliamentary Joint Committee (PJC) to consider legislative reform promoting even better health outcomes. Some advocated for the reform highlighting the industry had already taken the first step in the shift but there is a growth opportunity to promote even better outcomes for individuals and the community; others countering with the argument of it being naïve to think the proposal was altruistic in nature (Uribe 2018).

With more than 11 million Australians having at least one of the top eight chronic conditions, 5.3 million of these with two or more in 2014-15, the incidence of claims and reliance on the 22 million life insurance policies in force to protect people's future is increasing (ABS 2015, FSC 2019).

What if, we as an industry could deliver on both; the altruistic 'warm and fuzzy' of supporting our customers to be well, AND be a good, socially responsible, profitable industry.

The majority of life insurers and reinsurers have rehabilitation professionals within their organisations. Teams range from 26 rehabilitation professionals to a single resource responsible for the coordination of wellbeing initiatives. Despite the inconsistency in resource allocation, the industry has recognised the need for this skill set within their businesses as they provide opportunities to support customers through tailored recovery and vocational solutions.

Rehabilitation has been integrated into claims management to promote recovery largely via the biopsychosocial (BPS) model as identified in the below figure:

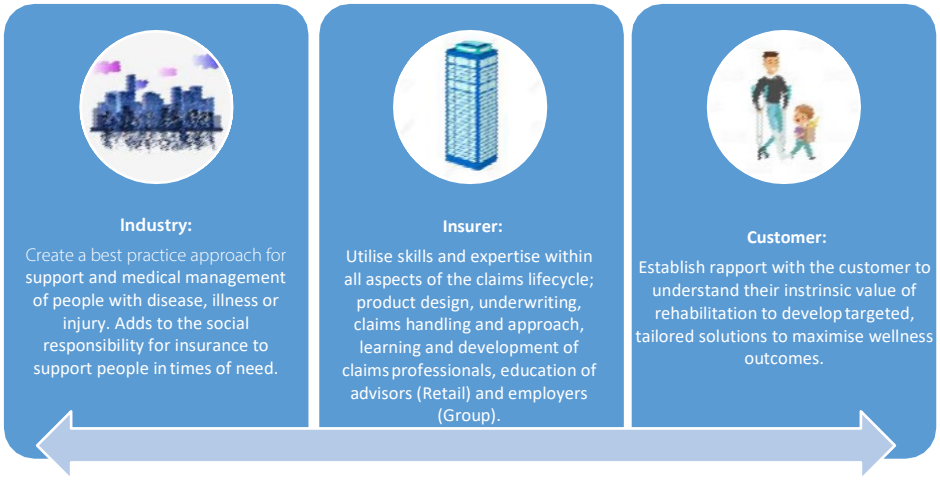


The BPS model by Engel in 1977 is utilised in claims assessment and rehabilitation activities to devise a holistic understanding of the customer and their life. By understanding the customer at an individual level, we come to understand what they deem as valuable at an intrinsic level. Miller and Rollnic (2002) found that *"constructive behaviour change happens when the person connects it with something of intrinsic value to them, something important, something cherished. Intrinsic motivation happens in an accepting, empowering atmosphere that makes it safe for the person to explore their painful present situation and what they really want and value"*. These concepts of understanding the customer and creating an environment to thrive is how rehabilitation and claims professionals can influence claims outcomes.

Traditionally the role of a claims professional involves an analytical review of information to consider a claim within the confines of policy wording.

A rehabilitation professionals' role is focused on working directly with customers and their treating professionals, to coordinate recovery programs based on individual needs.

The below figure describes how rehabilitation professionals add value across the different levels of the industry.



A current pilot being conducted by an Australian life insurer, BT, looked at enhancing the skills of their claims professionals, to ensure a more holistic claims management approach, using effective communication, collaboration and trust. The ultimate goal being to understand the whole customer and their needs outside just consideration of financial support.

The impacts of this approach were:

- Claims professionals being more **empowered** to waive claim form requirements, reducing the administrative burden, but more importantly the unnecessary requirement of customers to provide this information, therefore making quicker decisions on claims to benefit the customer;
- Improved understanding and **earlier access** to rehabilitation benefits;
- **100%** customer participation in **rehabilitation programs,** with all customers maintaining full engagement through the full duration of the programs, due to best-practice, tailored services being offered at the right time;
- **80%** of customers achieved a full Return to Work (RtW) via completion of the rehabilitation program or their RtW timeframes enabled appropriate opportunities for pay and finalisation;
- **48%** of open cases have a current medically endorsed work capacity;
- Internal **quality assurance scores increased** for Claims Consultants, particularly in areas of communication, strategy and milestone management;
- The participating claims professionals self-rated an increase in their perceived capability to execute their roles and a best-practice rehabilitation strategy by an average of 42%;
- Customer feedback sought through various internal and external surveys such as Beddoes resulted in positive customer sentiment and affirmation of claims handing experience.

The pilot created a culture shift away from a linear application of skills to a dynamic, bespoke approach to customer needs. This outcome is extremely valuable considering the pending decision following the

Royal Commission for the claims handling exception to be lifted and the regulatory scrutiny that will follow. Similarly the recent proposal from ALUCA and their competency framework for claims professionals highlights the expectations for understanding, communicating and negotiating with customers to promote recovery (ALUCA 2019).

In addition, as stated in LICOP 8.26, claims consultants are required to identify, collaborate, ensure and promote best-practice rehabilitation and RtW programs for policy holders. The below figure represents the claims professionals continual review of the different elements enabling their bespoke customer strategy.

The ideal dynamic between rehabilitation and claims professionals facilitates the claims professionals' proficiency in relationship management and rehabilitation strategy.

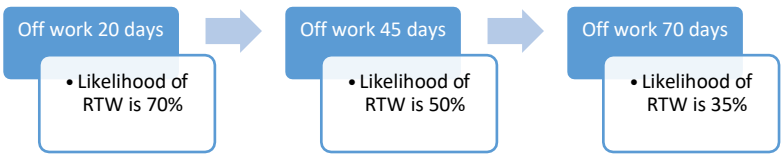
Enabling rehabilitation professionals to take a broader scope of influence over the claims lifecycle, developing wider initiatives for cohorts of customers rather than individual solutions. By creating a more dynamic relationship between claims and rehabilitation professionals we are helping to enhance recovery and RtW outcomes, whilst meeting customer, service and regulatory expectations.

So why should insurers advocate for rehabilitation intervention?

Let's talk dollars and sense…

Effective rehabilitation intervention is confirmed as leading to a healthier, more resilient society, not only benefiting the customer but the sustainability and affordability of the life insurance sector (SwissRe 2017).

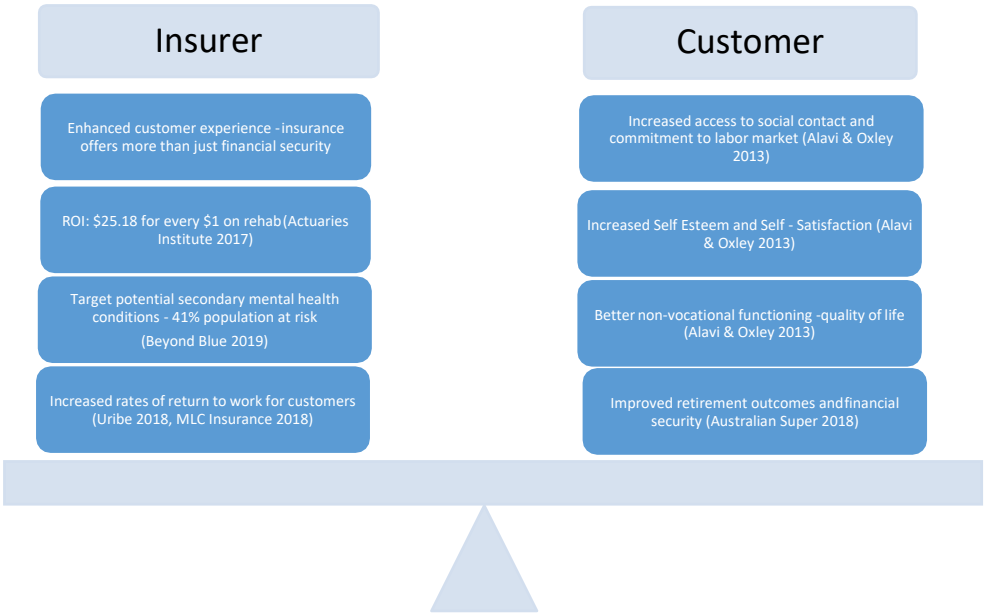
The Royal Australasian College of Physicians (RACP) endorsed the Health Benefits of Good Work which advocates for RtW promoting individual self-efficacy and highlighted incidence of RtW and durations out of the workplace (RACP 2015), with the research demonstrating:



Considering typical waiting periods of Income Protection policies is 30 days or greater, the opportunity to achieve RtW rates is greatly reduced.

A 2014 comparison of the Australian life insurance rehabilitation spend in comparison with the UK market identified 67% in Australia and 78% in the UK of insurers were funding rehabilitation interventions within the waiting periods, the epitome of early intervention (EI) (SwissRe 2014). Limited rehabilitation engagement is not only isolated to insurers offering the intervention but also on the uptake by customers. A comparison of data supplied by the 2014 and 2016 Rehabilitation Watch by Swiss Re indicated customers were participating in either an internal or external rehabilitation program 11.9% in 2014 compared with 52.2% in 2016 (Actuaries Institute 2017).

There are substantial financial and non-financial benefits to both the insurer and the customer to offer targeted rehabilitation solutions. "*Return to work programs that are based on a good understanding of injury outcomes and potential risks is paramount to achieve high impact in health benefits and speed of recovery*" (Alavi & Oxley 2013). Well integrated rehabilitation including EI services into claims assessment practices can lead to the positive outcomes identified below:



While having claims consultants and effective rehabilitation programs which have the capability to understand the customer and effect positive change, the legislative frameworks constrain their scope of influence. Insurers have been limited to initiating interventions largely within the realms of psychological and social function to promote recovery and wellness within the BPS model. The biological aspect is largely left to the customer and their treating team to navigate.

Leaving the customer to navigate a system which is 'fragmented, works in isolation, provides uncoordinated care and difficult to find services' (PHCAG 2015:5), is not the ideal solution.

Is targeted intervention of only 66% of what is considered to influence wellness enough to effect a positive recovery, OR, do we need to consider opportunities for intervention in this biological space?

"Private personal disability income insurance is a means for individuals to protect themselves from economic losses that arise from both mental and physical disability. However, only viewing this type of insurance as providing income protection ignores the wider benefits that this insurance could provide to consumers, society and public finances" FSC 2017.

The FSC proposal to the PJC on behalf of the life insurance industry regarding the amendment to the current five pieces of legislation led to a divide in the industry. The way the legislations interact inhibit life insurers from financially supporting any expense that has a Medicare or private health care rebate regardless if the benefit had been exhausted or a gap is payable. The FSC proposed that the ability for life insurers to fund treatment where it supports or aids in a RtW would result in increased RtW rates, translating to lower claims costs (in net present value terms IP claims), therefore enabling insurers to have more stable premiums on products (FSC 2017). This assertion and suggestion sparked debate amongst life insurers, patient advocacy groups, consumer action groups and the legal fraternity.

Submissions from Metlife, MLC Insurance, Australian Super, The Commonwealth Bank and ASFA were all in support of the FSC in exploring the opportunities enabling life insurers to fund treatment assisting customers returning to work (PJC 2018, Metlife 2018, MLC Insurance 2018). *"Those changes would result in more such members returning to work earlier than is currently the case, thus improving their future earnings and superannuation contributions"* as was highlighted by Australian Super in their submission to the PJC (Uribe 2018). The FSC identified the *"changes would enable life insurers to make a material difference to what is often inequitable or substandard access to treatment for already vulnerable sectors of the community"* (FSC 2019).

As part of the PJC submission, the FSC, BT and Metlife commissioned a report by Cadence Economics to examine the economic impact reforms that allow EI. The Cadence report (2018) highlighted:

- Restrictions on funding treatment applied to approximately 10,000 individuals on claim, EI would be beneficial and cost effective for more than 1,400 of these individuals;
- EI would result in improved RtW durations by greater than 5 weeks;
- Reforms could prevent 8% of people from becoming totally and permanently disabled by allowing them better and earlier access to treatment;
- By 2040, the government is estimated to save $1.12billion in net present value terms as a result of reducing spending on health.

Despite the financial viability to the Australian economy and intrinsic value to customers and the community, many organisations were opposed to the reforms. The main concern highlighted in the debate against legislative reforms was the *"clear conflict of interest and perverse incentives"* (Beyond Blue 2018, CHOICE 2018). CHOICE 2018, highlighted they were of the opinion the change to the regulations would enable insurers to pressure treaters and customers into returning to work prematurely. The pressure exacerbating the condition in circumstances of mental health or those feeling like their recovery is being rushed.

CHOICE 2018 indicated they were of the opinion that life insurers were seeking amendment to regulations to enable the recommendation and arrangement of medical treatment. This however is inaccurate based on the submissions proposed by Metlife and MLC Insurance who indicate reforms are aimed at EI with the support for life insurers to be a 'supplementary funder' meaning any funding would be an additive to existing funding sources thus for a continuity of care, treaters would not be at the direction, recommendation or arrangement of the insurer (MLC Insurance 2018, MetLife 2018).

The ultimate outcome from the PJC report was that more investigation and analysis was required prior to any recommendation being put forward for a review of the various legislation.

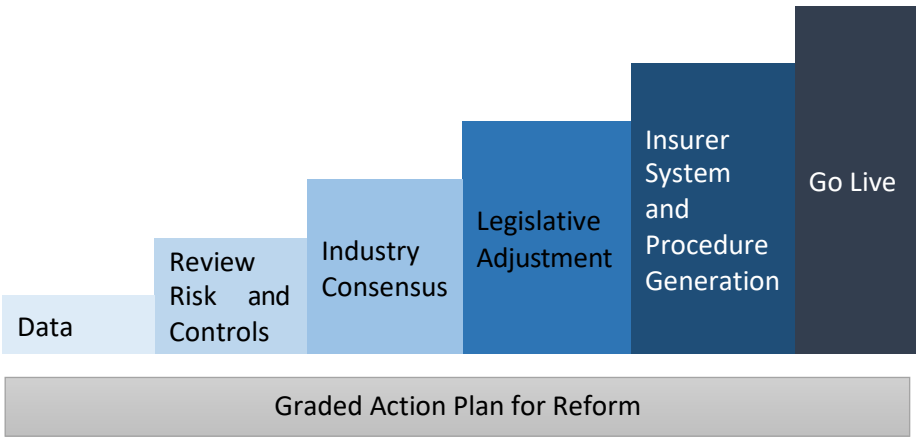
Following the required due diligence enabling legislative reform, what are the options to customers in accessing funding for treatment? There may be an industry or insurer solution.

Industry: The industry can look to adopt a consistent framework similar to that which exists within the workers compensation and motor accidents schemes where treatment is currently funded. The current state, territory and national workers compensation schemes in Australia and New Zealand financially support the provision of medical, hospital, rehabilitation and related expenses. A comparison of the various schemes identify a consistent approach to the management of the treatment related expenses - a test for reasonableness and necessity. Treatment is reviewed and pre- approved to be in line with best practice treatment guidelines for the recovery of the condition (therefore reasonable) and in the absence of this treatment, recovery would be grossly hindered (necessary) (Safe Work Australia 2017).

Insurer: Insurers could consider offering treatment as a product enhancement for those taking out new retail policies. Under these circumstances, insurers could cap treatment expenditure, define treatment related expenses i.e. allied health and pharmaceutics only and maintain the criteria as previously outlined for the assessment of treatment expenses and utilise AMA gazetted rates. This approach would enable appropriate product pricing as well as consumer discretion and choice if they want this level of cover. This approach however, only achieves the desired impact of better health outcomes to those that can financially afford to pay for the enhancement and may not provide the desired outcome of fairness across the industry.

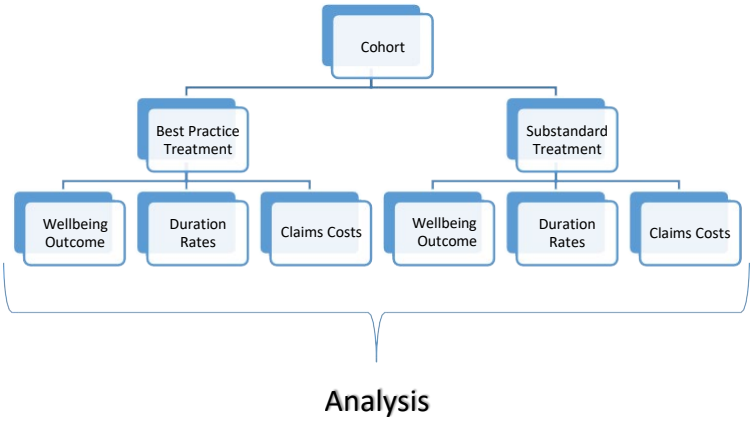
The adoption of any framework and support for reforms within life insurance is not as easy as changing legislation and approving treatment on the basis of it being reasonable and necessary. Based on the limited data available there appears to be customer, industry and community benefits for life insurance to further examine funding treatment and lobbying for legislative reform. However, like any good rehabilitation plan, a graded, considered and tailored approach to the issues is required.

How about a Graded Action Plan for Reform?



Data collection and analysis is an area where the life insurance industry has acknowledged their approach has been substandard to address current challenges (Kanhai 2014). There is currently limited data available on the number of customers impacted by not being able to access appropriate medical interventions and the impact this is having on their wellbeing.

The below figure demonstrates how insurers can generate data to quantify how a lack of access to effective treatment is likely to impact on wellbeing outcomes, duration and expenditure on claim.



A review of the risks associated with funding treatment along with an examination of controls would need to be examined.

Risk	Control
Limits of Liability Questions regarding limits of liability of the practitioners providing treatment to customers.	Treatment providers would not be engaged by the insurer but would be the choice of the customer. Participation in treatment, choice of provider and frequency would be at the direction and discretion of the treating doctor as it would if the treatment was to be accessed through Medicare or any other compensation scheme.
Exposure to conflicts of interest There is a perception that because the practitioner's fees are to be funded by the insurer there will be a bias to the insurer to certify patients with capacity.	Consideration required of the Hippocratic oath for doctors, or the codes of practice/ ethics each treatment provider must adhere to, to maintain their registration/license to practice. Should the treater be in breach of their registration/license the customer or insurer is able to escalate concerns via the appropriate governing body.
Lack of Industry Infrastructure Lack of consistency and potential for increased volumes of disputes.	A comprehensive review of the current industry frameworks and codes of practice is required to generate an industry standard. This will bring the industry into alignment maintaining the current mandate of transparency and fairness.
Economic Impact to the Health Insurance Sector	With clear guidelines to the criteria for approval of treatment related expenses, health insurance will remain a sustainable and required industry.
Concerns regarding consumer protections	Given the potential overlap between insurance policies and products, clear guidelines as to the limitations of each product will need to be built into product disclosure statements ensuring consumer protections.

Following effective data generation and analysis with clear risk assessment identifying controls both stages completed under industry consultation, industry consensus can be identified. Without industry consensus legislative reform becomes more challenging. Following legislative reform, insurers will need to be provided a lead time to support technology, internal procedures and resource allocation to make them fit to undertake the approval process.

Only after the successful completion of each stage of the graded action plan along with creating a dynamic relationship between claims and rehabilitation professionals and a greater investment in rehabilitation programs can the industry successfully achieve their intrinsic value of supporting even more Australians' return to wellness.

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