

# Policy Directive: compliance is mandatory

## Financial Management of Workers Compensation Payments Policy Directive

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### Summary

The Financial Management of Workers Compensation Payments Policy Directive prescribes SA Health's business requirements for workers compensation lump sum payment requests, approvals, and payment by the Local Health Networks (LHN), Department for Health and Ageing (DHA) and SA Ambulance Service (SAAS).

This Policy Directive prescribes SA Health's business requirements for workers compensation lump sum payment reimbursements.

### Keywords

Workers compensation, lump sum, Return to Work, policy, redemption payment, injury management, Financial Management of Workers Compensation Payments Policy Directive

### Policy history

Is this a new policy? *Y*

Does this policy amend or update an existing policy? *N*

Does this policy replace an existing policy? *Y*

**1) Workers Compensation Lump Sum Requests and Approvals D0302**

**2) Workers Compensation Lump Sum – Reimbursement, Recharges and Provision D0303**

### Applies to

*All SA Health Portfolio*

### Staff impacted

*All Staff, Management, Admin, Students; Volunteers*

### EPAS compatible

*NA*

### Registered with Divisional Policy

*Yes*

### Contact Officer

### Policy doc reference no.

*D0430*

## Version control and change history

Version	Date from	Date to	Amendment
1.0	23/06/2016	current	Original PE approved version

# Financial Management of Workers Compensation Payments Policy Directive

Version V1.0  
Portfolio Executive Approved



## Document control information

Document owner	Manager, Workforce Health, System Performance
Contributors	<p>Director, Corporate Finance Services, Finance and Corporate Services</p> <p>Director, Financial Accounting, Finance and Corporate Services</p> <p>General Manager, Performance Monitoring and Reporting, Finance and Corporate Services</p> <p>Injury Management Strategist, Workforce Health</p> <p>Manager, DHA and SALHN Financial Accounting Teams, Financial Accounting</p> <p>Manager, Policies and Procedures, Corporate Finance Services</p> <p>Local Health Network /SA Ambulance Service Site Finance Managers</p>
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## Document history

Date	Version	Who approved New / Revised Version	Reason for Change
23/06/2016	V1.0	Portfolio Executive	<p>Original PE approved version</p> <p>Replaces:</p> <p>1) Workers Compensation Lump Sum Requests and Approvals D0302</p> <p>2) Workers Compensation Lump Sum – Reimbursement, Recharges and Provision D0303</p>
10/08/2011	V1.0	Director, Corporate Finance Services, Finance and Corporate Services	Oracle Assist

## Table of contents

<b>1. Objective</b> .....	<b>4</b>
<b>2. Scope</b> .....	<b>4</b>
<b>3. Principles</b> .....	<b>4</b>
<b>4. Detail</b> .....	<b>4</b>
4.1. Workplace Requests and Approvals .....	4
4.2. Lump Sum Claim Reimbursement and Recharge .....	5
4.3. Provisions for Annual Financial Statement Purposes .....	5
<b>5. Roles and Responsibilities</b> .....	<b>6</b>
5.1. Site Based Claims Management .....	6
5.2. Injury Management Strategist, Workforce, DHA .....	6
5.3. Financial Accounting, DHA.....	6
<b>6. Reporting</b> .....	<b>6</b>
<b>7. EPAS</b> .....	<b>6</b>
<b>8. Exemption</b> .....	<b>6</b>
<b>9. National Safety and Quality Health Services Standards</b> .....	<b>6</b>
<b>10. Risk Management</b> .....	<b>6</b>
<b>11. Evaluation</b> .....	<b>7</b>
<b>12. Definitions</b> .....	<b>7</b>
<b>13. Associated Policy Directive/Policy Guidelines</b> .....	<b>7</b>
<b>14. References, Resources and Related Documents</b> .....	<b>7</b>

# Financial Management of Workers Compensation Payments Policy Directive

## 1. Objective

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This policy directive prescribes SA Health's business requirements for workers compensation lump sum payment requests, approvals and payment by the Local Health Networks (LHN), Department for Health and Ageing (DHA) and SA Ambulance Service (SAAS).<sup>1</sup>

This policy prescribes SA Health's business requirements for workers compensation lump sum payment reimbursements by Workforce Health, DHA to the LHNs and SAAS.

This policy includes the workers compensation actuarial adjustments for both categories of workers compensation (provisions).

This policy directive must be read in conjunction with the *Workers Compensation Lump Sum Procedure* and the *Management of Work Related Injury/Illness (WHSIM) Policy Directive*.

## 2. Scope

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This policy directive applies to the entire SA Health Portfolio.

## 3. Principles

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The following principles must be adhered to for lump sum payments:

- > Prior approval of workers compensation (WC) lump sum payments must be obtained from Workforce Health, DHA, for all LHNs, DHA and SAAS.
- > The approved funding limit must not be exceeded during negotiations.
- > WC liability, including lump sum payments, must be independently assessed and re-valued annually.

## 4. Detail

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### 4.1. Workplace Requests and Approvals

*The Return to Work Act 2014* (the Act) makes provision for the determination (where applicable) and payment of weekly payments and medical expenses, and lump sum amounts for work place injuries.

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<sup>1</sup> For the business processes and requirements for weekly payments and medical expenses (previously referred to as income maintenance), refer to the *Management of Work Related Injury/Illness (WHSIM) Policy Directive* and the procedure document of the same name, and the *SA Health Operations Manual for Injury Management Personnel*.

Those relevant payments for which the Act provides are:

1. Weekly payments (Income Support Part 4 Division 4) and medical expenses (Medical expenses Part 4, Division 2) are managed within the LHNs, DHA and SAAS, using budgeted operational funding to the LHNs, DHA and SAAS that has been derived from actuarial estimates.<sup>1</sup>
2. Lump Sum Payments (*Part 4, Div. 5 to 8*)
  - > redemption of weekly payments and medical costs associated with a workers compensation claim (Sections (s) 53 and 54);
  - > lump sum payment for economic loss (s57);
  - > lump sum payment for non-economic loss for whole person impairment (s58);
  - > lump sum payment as compensation in lieu of weekly death benefit payments to a dependent partner, child or other dependent person (s59); and
  - > lump sum payable on the death of a worker to a dependent partner, child or other dependent person (s61).

Prior approval of all WC lump sum payments for the LHNs and SAAS must be obtained from Workforce Health, DHA.

#### 4.2. Lump Sum Claim Reimbursement and Recharge

Workforce Health, DHA will reimburse any approved WC lump sum payments direct to the LHN/SAAS, for the settlement of prior year claims and current year claims. Under this arrangement, the employee remains with the LHN/SAAS that also holds the liability for the individual.

WC lump sum payments made on DHA claims do not require recharge.

Reimbursement by Workforce Health, DHA to the LHN/SAAS for any WC lump sum payments must be made by means of a monthly inter-business recharge journal. Refer to *Oracle Journals – Inter-business Journal Policy Directive* for further details.

#### 4.3. Provisions for Annual Financial Statement Purposes

The WC liability, including both (1) weekly payment and medical expenses and (2) lump sum payments, must be independently assessed and re-valued annually, via the Whole of Government process. Consequently, the Office of the Public Sector, Department of Premier and Cabinet engages an actuary each year to produce an assessment of the WC liability for SA Health. The valuation method used is the Payment per Claim Incurred (PPCI) method.

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The liability determined by this assessment is categorised into current and non-current items, comprising:

- > weekly payments;
- > other (medical and related expenses);
- > redemption payments (under s53 and 54 of the Act); and
- > economic and non-economic loss payments (under s57 and 58 of the Act).

The workers compensation liability (or provision) for each LHN/SAAS is recognised by an annual business journal that is prepared by their respective Financial Accounting team as part of the end of year process. Refer to *Oracle Journals – Business Journals Policy Directive* for further guidance.

## 5. Roles and Responsibilities

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For weekly payments and medical costs, refer to the roles and responsibilities within the *Management of Work Related Injury/Illness (WHSIM) Policy Directive* and the procedure document of the same name, and the SA Health Operations Manual for Injury Management Personnel.

### 5.1. Site Based Claims Management

It is the responsibility of site based Claims Management staff to:

- > ensure all lump sum payments are made strictly in accordance with the provisions of the Act;
- > obtain prior approval of all lump sum amounts prior to determination (sections 57, 58 and 61) or prior to negotiating agreement (sections 53, 54 and 59); and
- > to seek an approval extension for approved lump sum amounts prior to expiry; where agreement has not been reached (as applicable) and/or payment has not been made by the expiry date.

### 5.2. Injury Management Strategist, Workforce, DHA

The onus is on the Injury Management Strategist to ensure that lump sum payments to employees are correctly coded.

### 5.3. Financial Accounting, DHA

The onus is on the Financial Accounting teams to ensure that the WC liability provision is accurately reflected in the Annual Financial Statements.

## 6. Reporting

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N/A

## 7. EPAS

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N/A

## 8. Exemption

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N/A

## 9. National Safety and Quality Health Services Standards

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N/A

## 10. Risk Management

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Non-compliance with this policy directive may result in incorrect and/or unlawful payments being made to work injured employees. Further, the inaccurate capturing and reporting of workers compensation weekly payment and medical expenses and lump sum payments and failure to recognise the provision for workers compensation liability may result in adverse commentary from Audit.

## 11. Evaluation

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Compliance with this policy directive will ensure that correct and/or lawful payments are made to work injured employees.

Compliance with this policy directive will further ensure that all reporting entities within SA Health accurately capture the required transactional data that relates to lump sum payments and reimbursements; which recognise the workers compensation liability as a provision.

## 12. Definitions

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In the context of this document:

- > **inter-business journal** is a general ledger journal between two businesses in the Oracle GL, and will create an intercompany loan between the business entities involved, (e.g. DHA charges to Southern Adelaide LHN).
- > **Payment per Claim Incurred (PPCI)** method outlines the liability cover claims. It includes liability:
  - > incurred but not yet paid;
  - > incurred but not reported; and
  - > the anticipated direct and indirect costs of settling those claims.
- > **SA Health** is the collective term used for the Local Health Networks, the Department for Health and Ageing, and South Australian Ambulance Service.
- > **Whole person impairment** refers to pain and suffering; loss of amenities of life; loss of expectation of life; any other loss or detriment of a non-economic nature.

## 13. Associated Policy Directive/Policy Guidelines

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- > [Oracle Journals Business Journal Policy Directive and Procedure](#)
- > [Oracle Journals Inter-Business Journal Policy Directive and Procedure](#)
- > [Management of Work Related Injury/Illness \(WHSIM\) Policy Directive](#)

## 14. References, Resources and Related Documents

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- > [AASB119 Employee Benefits](#)
- > [Management of Work Related Injury/Illness \(WHSIM\) Procedure](#)
- > [Return to Work Act 2014](#)
- > [Treasurer's Accounting Policy Framework IV Financial Asset and Liability Framework](#)
- > [Treasurer's Instruction 2 Financial Management](#)
- > [Workers Compensation Lump Sum Procedure](#)