

National Party ACC Policy Background

The National Party supports a comprehensive, 24/7, no-fault accident insurance scheme that delivers certainty of coverage to all New Zealanders. The current ACC scheme, delivered through a single state insurer, is capable of improvement.

Workplace accident statistics in this country remain high by international standards. Incentives for employers to improve workplace safety practices are poor in a scheme in which similar premiums are charged to employers regardless of their workplace accident performance. And where accidents do occur, the incentives for quick, high-quality rehabilitation are weak.

The entitlements available under the scheme to those who suffer injury are not of high quality. For example, injured employees are asked to pay a part-charge to receive surgery promptly, otherwise they are forced to wait for several months.

Employers and other ACC consumers should have the option to purchase more than the basic entitlements set out in the legislation.

New Zealand's record for workplace safety is not one we can be proud of. OECD statistics show that non-fatal work accidents have been declining in every OECD country except for New Zealand and Luxembourg up to 2003 (the last year the data is available).

These figures show that after the abolition of competition and choice in ACC by the incoming Labour Government in 2000, the

number of non-fatal accidents increased from 1,428 accidents per 100,000 workers in 2000 to 1,605 accidents per 100,000 workers in 2003.

ACC's own statistics show that the number of work-related injury claims increased each year from 2002 to 2005, only declining in 2006.

Either way, we can do better.

For this reason, the National Party supports the principle of competition and choice in the delivery of ACC services in the Work Account (covering employees and the self-employed at work).

Rewarding employers with good workplace safety records and penalising those with poor accident records can only enhance employer focus on workplace safety. The current scheme provides very few such incentives.

BRIEF HISTORY

The Accident Compensation Scheme began in 1974 following consideration of the Woodhouse Report on accident insurance. In the years to 1998 there was mounting evidence that the scheme, administered as a state monopoly, was becoming increasingly inefficient and unresponsive to the needs of consumers.

In 1998, the National Government introduced the concept of choice and competition in relation to the Employers' and Self-employed Accounts. In the brief time that these accounts were open to competition, before the Labour

Government abolished the concept in 2000, there was a substantial reduction in levies for most employers and self-employed, and greater attention to workplace safety and rehabilitation. The fact that levies were linked to safety records made a profound difference to incentives and behaviour.

The reversal of the 1998 changes was ideologically driven, and there has been little progress since then. Workplace accidents remain too prevalent in this country.

THE CURRENT SITUATION

The experience of competition in the late 1990's was healthy for ACC. Levy rates are now substantially lower as a result of that experience, and the ongoing prospect of competition. The current Government has retained the facility by which larger employers are able, as accredited employers, to opt out of the state monopoly, self-insure, and use a private administrator as the case manager.

It would not be possible now to replicate the large levy reductions that characterised the 1998 reforms. However, the National Party believes there is further scope to improve delivery of the scheme through the introduction of competition and choice. It is undeniable that the ACC scheme is inherently limited by its current structure, in that:

- There is little incentive (in the form of lower levies) for those who adopt good safety practices in the workplace, and there are no penalties for those who disregard good safety practices.

- Because there is no choice or competition, there is no real transparency around the operation of the scheme.
- Employers provide the basic minimum cover for staff, as they are obliged to do. A more flexible scheme would encourage employers to buy more than the basic cover.

A STOCK-TAKE

The administration of the scheme has been clouded by a lack of transparency, suggestions of cost-shifting and cross-subsidisation, and legislated increases in entitlements without matching cover in levies. For that reason, in 2009, an incoming National Government would conduct a full stock-take of the state of the various components of the ACC scheme, evaluate progress to full funding, and identify areas of cross-subsidy or cost-shifting, and underfunding of newly legislated entitlements.

OUR APPROACH

The National Party is committed to the principles of competition and choice as the appropriate means of ensuring efficiency of ACC provision, and increasing incentives for improved workplace safety and better rehabilitation of accident victims. For this reason, we believe that the benefits of competition, and the increased incentives for greater workplace safety, should be investigated in relation to the Work Account.

The issues around providing competition in relation to the Work Account are well known

and understood. The same cannot be said for the other accounts. For this reason, the National Party is investigating opening only the Work Account to competition.

However, this is a highly complex sector. New Zealanders are entitled to feel secure that the entitlements guaranteed by law will be delivered efficiently and reliably. Any introduction of new elements of competition and choice will be made carefully, and after full evaluation of the benefits to consumers of the scheme.

The National Party remains committed to the essential principles of the ACC scheme.

The National Party will also investigate the merit of introducing an independent disputes tribunal to end ACC's dual role of judge and jury on disputed claims.