

2009-12
SERVICE & PURCHASE AGREEMENT

BETWEEN

THE MINISTER FOR ACC

AND

ACC

CONTENTS

1. BACKGROUND	3
2. ROLES AND RESPONSIBILITIES	3
3. PARTIES	3
4. TERM	4
5. GOVERNMENT'S KEY PRIORITIES	4
6. PERFORMANCE INFORMATION	5
7. REPORTING APPROACH	7
8. AMENDMENTS TO THIS AGREEMENT	8
9. PAYMENTS	8
10. PERFORMANCE	8
11. APPENDIX ONE – ANNUAL LETTER OF EXPECTATIONS FOR 2009/10	9
12. APPENDIX TWO – PURCHASE AGREEMENT FOR THE NON-EARNERS ACCOUNT - 2009/10	14

BACKGROUND

This Service Agreement is between the Minister for ACC ("the Minister") and the Chair of the Board of the Accident Compensation Corporation ("the Corporation" or "ACC"). This Agreement outlines the quality and quantity of services to be purchased or provided by the Corporation while meeting the requirements under section 271 of the Injury Prevention, Rehabilitation, and Compensation Act 2001 (IPRC Act).

The purpose of the Service Agreement is for the Minister and the ACC Board to agree on the following:

- quality and quantity of the desired outcomes and key initiatives for ACC, and
- reporting requirements including performance measures, targets and information to be provided to enable the performance of the Corporation and management of the Scheme to be assessed, in 2008/09 and outyears.

This Service Agreement aims to align with and support:

- the principles of the Injury Prevention Rehabilitation and Compensation (IPRC) Act 2001
- the *2009/10 Letter of Expectations* – the Minister's letter to the ACC Board which outlines the Government's key priorities and expectations of ACC (Appendix 1), and
- the *2009-12 Statement of Intent (SOI)* – the SOI sets out ACC's medium-term direction including ACC's desired outcomes, the nature and scope of activities, performance targets and other measures by which ACC's performance will be assessed. Note that pursuant to the Crown Entities Act 2004, the SOI is tabled in the House of Representatives and ACC's performance is accordingly assessed on this basis. The SOI is also a statement of ACC's accounting policies.
- Non-Earners' Account Purchase Agreement – this agreement sets out the outputs the Minister for ACC has agreed to purchase from ACC on behalf of non-earners, the performance measures that will be used to assess ACC's performance, and costs of the outputs.

ROLES AND RESPONSIBILITIES

The Minister for ACC has responsibility for the strategic policy framework and the overall performance of both the Accident Compensation Scheme and the Corporation. The Crown Entities Act 2004 sets out the Minister's obligations as responsible Minister.

The Minister exercises this responsibility through his relationship with the ACC Board and, in particular, the Board Chair. The ACC Chief Executive is accountable to the ACC Board for day-to-day management of the Scheme and the services that administer and support it.

The Department of Labour supports the Minister in exercising this responsibility. The Department administers the Injury Prevention, Rehabilitation, and Compensation Act 2001 (the IPRC Act). The Department provides policy advice on the ACC Scheme, purchase advice on Vote:ACC, support for the Minister for ACC's governance responsibilities, and monitoring advice on the ACC Scheme and its delivery.

PARTIES

This Service Agreement is between the Minister and the Chair of the ACC Board on behalf of the Board.

TERM

This Agreement relates to a three year period commencing 1 July 2009 and ending 30 June 2012. The Agreement will be entered into on an annual basis, pursuant to section 271 of the Injury Prevention, Rehabilitation and Compensation Act 2001. This agreement revokes the Service Agreement for the 12 month period commencing 1 July 2008 and ending 30 June 2009.

GOVERNMENT'S KEY PRIORITIES

In addition to the Government's priorities for all Crown entities, delivering value-for-money and demonstrating performance, the Government has identified the following specific 2009/10 priorities for the ACC portfolio. These are:

- *Priority 1* – to ensure the Scheme has a sustainable structure that will deliver affordable levies going forward
- *Priority 2* – undertake a Stocktake of ACC Accounts and benchmark the Scheme against appropriate jurisdictions (to support the achievement of Priority 1)
- *Priority 3* – provide advice on the legislative framework for accident compensation and rehabilitation, supported by monitoring and reporting on the performance of the Scheme and ACC's performance in administering it.

This Agreement sets in place high level objectives, and performance measures to be reported at the Ministerial level.

Principles

The 5 objectives give consideration to 3 overarching principles:

- the Government's requirement for cost control and containment
- the need for meaningful targets that are able to be measured consistently, and monitored effectively
- the need to ensure that compliance costs for the Corporation are not increased unduly.

Cost control

The Government's top priority for this year is the containment and control of costs. The objectives need to provide measures to ensure that the Corporation is managing its costs, while providing ACC with the operational flexibility to do so.

Consistent and effective measurement and monitoring

The Department will continue to work with ACC to develop an agreed monitoring framework. Once implemented, the framework will support consistent and effective monitoring of the ACC Scheme.

Compliance costs

Wherever possible, the objectives should not require additional information and data collection, but should use measures and information already being collected by the

Corporation. It should be noted that there is an additional reporting compliance due to Cabinet's requirement that a six-monthly report be presented to the Expenditure Control Committee for which Central Agencies require provision of standardised information.

PERFORMANCE INFORMATION

Objectives

This document sets out the primary high-level objectives. The Department will monitor ACC's progress towards achieving these objectives.

The two key areas of interest to be monitored are:

- Scheme performance (ie, how the scheme is performing) as analysed by the Department
- 2009/10 operational performance and service delivery (ie, how ACC is doing) as reported by ACC.

While some of the Ministerial objectives focus specifically on one of these areas, others have a large degree of cross-over between the two areas.

The high level objectives, and their 2009/10 performance measures, are set out below.

1: Contain the growth in Scheme cash costs to minimise increases to both levy rate and the government appropriation

As set out in the Letter of Expectation, the Minister for ACC has stated his desire that ACC and the Department look for ways to contain Scheme costs and develop options to reduce or minimise the need to increase levy rates and the government appropriation.

Monitoring of Scheme cash costs will be contextualised against inflation (as measured by the Consumer Price Index) and population growth.

Performance Measures:

As per Output Class 1 of ACC's Statement of Intent, ACC has operationalised this objective in the following 2009/10 key performance indicators:

- 1.1 Non-fatal weekly compensation – growth no more than 8%
- 1.2 Social rehabilitation – growth no more than 7%
- 1.3 Medical treatment – growth no more than 7%
- 1.4 Elective Surgery – growth no more than 9%
- 1.5 Administration costs – growth no more than 0%

2: Investment performance will contribute to stable levies and support ACC to meet its future liability requirements

The Department will work with Treasury, in consultation with ACC, to develop a measure for this objective. This will align with work which will be commissioned as part of the 2009/10 Stocktake of Accounts. Until this measure is confirmed the 2008/09 measure of Investment returns to achieve a return of 0.5% above blended market benchmarks will remain.

Performance Measure for 2009/10:

As per Output Class 2 of ACC's Statement of Intent, ACC has operationalised this objective in the following 2009/10 key performance indicator:

- 2.1 ACC investment returns to exceed the blended market average benchmark by 0.5%

3: Improve ACC's rehabilitation performance

Rehabilitation rates measure the percentage of clients receiving weekly compensation who have left the Scheme within a specified period of time. It is expected that ACC will be able to show a demonstrable improvement in its rehabilitation performance over the 2009/10 year.

Performance Measure for 2009/10:

As per Output Class 3 of ACC's Statement of Intent, ACC has operationalised this objective in the following 2009/10 key performance indicators:

- 3.1 Percentage of exits within 1-70 weekly compensation days paid (3 months) – to equal or exceed 69.0%
- 3.2 Percentage of exits within 1-273 weekly compensation days paid (9 months) – to equal or exceed 91.3%

4: Minimise the rate of increase in the long-term claims pool

It is expected that ACC will work to minimise any increase in the volume of the long-term claims pool over time.

Performance Measure for 2009/10:

As per Output Class 3 of ACC's Statement of Intent, ACC has operationalised this objective in the following 2009/10 key performance indicator:

- 4.1 the net change in the volume of the long term claims pool is to increase by no more than 100.

5: Injury Prevention programmes undertaken by ACC are cost effective

ACC's injury prevention projects need to demonstrate value for money.

ACC has two roles in injury prevention: leadership of the New Zealand Injury Prevention Strategy and as a delivery agency.

As a delivery agency ACC is required to show that their programmes are cost effective (for example, have a positive return on investment with an estimated 2:1 ratio). ACC is required to only invest in programmes that can demonstrate a return on investment.

Performance Measure for 2009/10:

As per Output Class 4 of ACC's Statement of Intent, ACC has operationalised this objective in the following 2009/10 key performance indicator:

- 5.1 ACC's return on investment in identified Sport injury prevention programmes will be an estimated 2:1

REPORTING APPROACH

ACC will provide quarterly reports on the Corporation's performance against the KPIs set out in this Service Agreement. This will be supported by commentary from the Department that contextualises that performance in light of the objectives set out in this document and will provide an objective assessment of that performance.

Quarterly reports are to be read in conjunction with this Service Agreement and the reports of any preceding quarters to provide a context for the reporting of ACC's ongoing performance for 2009/10.

Each quarterly report will include:

- ACC will report on the KPIs identified in this document
- The Department will provide commentary to the Minister on how performance against those indicators contributes to the objectives set out in this document. This includes the identification of significant risks or issues to the Scheme
- ACC's report will include financial performance and commentary on funds management performance
- The Department's commentary will specify the impact of ACC's financial and funds management performance;
- The Department, in conjunction with The Treasury, will ensure that the information reported by both ACC and the Department meets the Public Finance Act reporting requirements.

Where performance targets are not met within the quarter, ACC will provide further information that including:

- analysis of any causative factors
- planned activity to address any perceived performance shortfall
- forecast of performance for the remainder of the Scheme year, including anticipated timeframes for any planned activity to remedy actual performance levels.

As necessary the ACC Board will provide the Minister with timely advice regarding any risks that may create a significant financial exposure to the Crown.

AMENDMENTS TO THIS AGREEMENT

This Agreement may be amended with the consent of the Minister and the Board Chair, if at any time during its term the work or environment of ACC is materially altered (for example as a result of a Government policy or management decision) and the contents of the Agreement are no longer appropriate.

The document may be amended with the consent of the Minister and the Board Chair when the Department has completed the 2009/10 Stocktake of Accounts and/or the implementation of an agreed monitoring framework.

Any changes shall be recorded in writing by the Board, signed by the Minister, and attached to this Agreement. Both parties will hold copies of the original and any amendments to the Agreement.

PAYMENTS

This Agreement is intended to reflect the custodial interest that the Crown has in the Scheme and the Accounts. The Government does not directly purchase services from the Corporation other than in the context of the Non-Earners' Account, payments for which are governed by a separate Non-Earners' Purchase Agreement entered into by the Minister and the Board of the Corporation (attached).

PERFORMANCE

The Board of the Corporation shall be accountable for the achievement of the performance measures described in this agreement.

This Agreement was signed on the 30 June 2009.



John Judge
Chair
ACC Board



Hon Dr Nick Smith
Minister for ACC

APPENDIX ONE: ANNUAL LETTER OF EXPECTATIONS 2009/10

[7 April 2009]

Mr John Judge
Chair
ACC Board
P O Box 242
WELLINGTON

Dear John

2009/10 LETTER OF EXPECTATIONS

The purpose of this letter is to set out the Government's expectations and priorities for ACC and the ACC Scheme for 2009/10. The Ministers of Finance and State Services have recently issued an Enduring Letter of Expectations, dated 22 December 2008, to statutory Crown entities. This Letter of Expectations builds on that Enduring Letter and includes particular expectations for ACC.

The relationship between the Board and myself needs to be built on the free and frank exchange of views and a 'no surprises' approach to working together. This letter seeks to establish a basis for that working environment by explicitly stating the Government's expectations and priorities.

Whole of Government directives

The driving goal of the new Government is to grow the New Zealand economy in order to deliver greater prosperity, security, and opportunities to all New Zealanders. The Government has signalled the following expectations for all Crown entities.

VALUE FOR MONEY

In order to achieve value for money, I expect ACC's Board to demonstrate continuing gains in the efficient and effective use of ACC's resources and powers, consistent with the government's priorities and with your empowering legislation. Real improvements in value for money may be made by:

- reviewing how your services can be delivered better and more cost effectively;

- setting tight, realistic budgets and managing within those budgets; including the achievement of cost savings through efficient management of service purchasing;
- identifying expenditure or programmes that are not effective or providing good value for money; and
- acting on those findings.

The Government is very concerned about the recent increases in costs in a number of Accounts. In particular, I am concerned at the increase required for the 2008/09 Appropriation for the Non-Earners' Account. I expect ACC to look for ways to contain scheme costs and develop options to reduce or minimise the need to increase levy rates and the Government Appropriation. ACC needs to focus on improving operational policies and procedures as well as ensuring the effectiveness of injury prevention and rehabilitation programmes.

DEMONSTRATING PERFORMANCE

Informative, timely, and accurate information regarding financial and non-financial performance is needed for ACC to demonstrate it is providing value-for-money services. I expect ACC to report to me regularly with updates on its performance and early warnings of negative changes to its financial situation.

I am looking for an improvement in ACC's ability to measure and report on its performance, in line with the Auditor-General's observations on the quality of service performance information in his letter dated 17 December 2008.

The recent increase in required funding for the Non-Earners' Account raised concern about the transparency of ACC's reporting. With the support of the Department of Labour, I will be implementing a more robust monitoring framework that will involve focussed and more meaningful reporting by ACC. This will enable me to be better informed about ACC's expenditure and cost-drivers across both the Non-Earners' Account and the levied Accounts. I will be looking for improvements in ACC's forecasting so unexpected increases in costs are kept to a minimum.

ACC is to work constructively and proactively with the Department of Labour to implement the monitoring framework, which will be agreed to and used for the development of performance measures for the Statement of Intent and the Service Agreement for the 2009/10 financial year.

Specific areas of focus

The Government sees the following key areas of focus for ACC in 2009/10:

- i a review of the present Scheme;
- ii analysis and containment of cost pressures;

- iii improving dispute resolution;
- iv improvements in rehabilitation rates;
- v the New Zealand Injury Prevention Strategy;
- vi maintain liaison with other agencies.

STOCKTAKE OF THE ACC SCHEME

This Government is committed to conducting a full stocktake of the various components of the ACC scheme, evaluating progress to fully-funding the Scheme, and identifying areas of cross-subsidy or cost-shifting, and underfunding of newly legislated entitlements.

I will be making a decision about governance arrangements for the review and I expect all parties including ACC and the Department of Labour, to co-operate fully with the review.

ANALYSIS AND CONTAINMENT OF COST PRESSURES

A key priority for ACC in 2009/10 is the need to contain costs without compromising services to claimants. I expect ACC to assess the nature of cost-drivers across all Accounts, and to investigate how these might be investigated and managed, while maintaining certainty of ACC's 24/7 cover and without compromising services.

Areas that may benefit from further investigation are rehabilitation rates, injury prevention, and the purchase and delivery of services. However, I do not expect investigation and containment to be limited to these areas.

IMPROVING DISPUTE RESOLUTION

Before the election, the National Party announced its intention to investigate the merit of introducing an independent disputes tribunal that is independent from ACC, to deal with the review or appeal of decisions made by ACC. This work will begin after completion of the stocktake of the ACC scheme. The Department of Labour will be leading the review and I expect ACC to co-operate fully with the review.

IMPROVEMENTS IN REHABILITATION RATES

I note with concern the fall in rehabilitation rates over the last four years. I expect ACC to establish and report on the factors behind the decline in the rehabilitation

rates. Although New Zealand is not alone in this trend, I do not accept this situation as a *fait accompli*. ACC needs to show leadership in this area because of the strong links between rehabilitation rates and the cost of claims. I expect ACC to provide evidence on how it intends to improve rehabilitation rates and to see rehabilitation rates improve over the 2009/10 year.

THE NEW ZEALAND INJURY PREVENTION STRATEGY

I would like ACC to maintain its leadership of the New Zealand Injury Prevention Strategy (NZIPS). A whole of government approach is important for the success of the NZIPS and the Chief Executives' Forum is an important component of inter-agency collaboration. I encourage ACC to maintain and support such forums.

I note that the NZIPS is due to be reviewed in 2009/10. ACC is to lead this review in collaboration with the Department of Labour, the Ministry of Health, the Ministry of Transport, the Ministry of Social Development, and the Ministry of Justice. I would like the terms of reference for the NZIPS review to be developed in collaboration with the agencies noted above.

I also note the current Implementation Plan runs until 2011, and that in this Plan ACC has responsibility for reducing injuries from falls and drowning. I expect ACC to maintain its focus and programmes in these areas.

I expect ACC to use a robust measurement system to assess the cost-effectiveness of injury prevention measures, and I expect ACC to focus on programmes where there is a clear benefit.

ENGAGEMENT WITH THE DEPARTMENT OF LABOUR AND OTHER AGENCIES

I expect ACC, including its Board, to have a constructive relationship with the Department of Labour in its roles as ACC's monitoring department and as the department responsible for the development of policy for the ACC Scheme. I am asking the Department to assess your reporting for:

- the extent to which ACC is taking account of the longer-term economic and fiscal impacts of its activities
- the extent to which ACC uses and reports value-for-money indicators and benchmarks, such as cost-benefit analysis for rehabilitation programmes.

In addition to the performance monitoring for which it is responsible, the Department will also be responsible for providing me with an assessment of

ACC's work towards ensuring it is providing value-for-money service, especially injury prevention programmes.

As with the implementation of the Injury Prevention Strategy, liaison with other agencies is important to ensure a whole of government approach to personal injury issues. I expect ACC to be working to ensure good co-ordination between government agencies. There also needs to be a clear differentiation between the roles of different government agencies. I wish to see ACC maintain its inter-agency dialogue and co-operation with the Ministry of Health on issues such as services purchase, assessment of outcomes of healthcare, and any other relevant issues.

ACC also needs to maintain positive working relationships with other government agencies such as the Ministry of Social Development, the Ministry of Justice, the New Zealand Police, District Health Boards, and local authorities.

Conclusion

The above expectations are aligned with this Government's priorities for the New Zealand economy and society. I expect the Board to work to ensure that New Zealanders have an efficient, effective ACC Scheme that they can have confidence in to provide them with entitlements if they suffer a personal injury.

Yours sincerely

Hon Dr Nick Smith

Minister for ACC

APPENDIX TWO: PURCHASE AGREEMENT FOR THE NON-EARNERS' ACCOUNT

2009/10

PURCHASE AGREEMENT

**BETWEEN THE
MINISTER FOR ACC**

AND

ACC

FOR THE NON-EARNERS' ACCOUNT

FOR THE YEAR ENDING

30 JUNE 2010

CONTENTS

1. SUMMARY OF OUTPUTS PURCHASED	16
2. PARTIES	16
3. PURPOSE AND SCOPE	16
4. POWERS AND OBLIGATIONS	17
5. TERM OF AGREEMENT	17
6. PROCEDURES FOR AMENDMENT	17
7. MONITORING AND REPORTING	18
8. FUNDING OF THE NON-EARNERS' ACCOUNT	18
9. INTERPRETATION	18
10. PAYMENT	19
11. SIGNED STATEMENTS	19
12 OUTPUT EXPENSES AND APPROPRIATIONS	20

1. SUMMARY OF OUTPUTS PURCHASED

The outputs to be purchased are summarised in the table below.

Summary of outputs purchased	\$m (GST excl.)
<i>Non-Departmental Output Expenses</i>	
Case Management and Supporting Services	59
Claim Entitlements and Services	693
Public Health Acute Services	241
<i>Benefits and Other Unrequited Expenses</i>	
Other Compensation	270
<i>Total</i>	1263

2. PARTIES

This purchase agreement is between the Minister for ACC ("The Minister") and the Chair of the ACC Board ("ACC") on behalf of the Board.

3. PURPOSE AND SCOPE

The objective of the purchase agreement process is to provide the Minister for ACC with information to assess the strategic importance and value of non-departmental outputs and to make comparisons with similar outputs across both the public and private sectors. By allowing meaningful comparisons of value and cost, the output descriptions in this agreement should assist the Minister to select outputs that conform to the Government's strategy and which, in the Ministers opinion represent value for money.

This agreement sets out the outputs the Minister has agreed to purchase from ACC on behalf of non-earners, the performance measures that will be used to assess ACC's performance, costs of the outputs and conditions surrounding the agreement.

The purchase agreement should allow the Minister to:

- agree to appropriate cost, quantity and quality standards
- make comparisons with other providers where possible
- assess the risks and obligations associated with delivery
- record and change decisions
- subsequently verify that the output has been delivered; and
- hold the provider accountable for delivery of the specified output.

4. POWERS AND OBLIGATIONS

Minister

The Minister can change the output mix within an output class to conform to changes in the Government Strategy.

ACC Board

The Board is accountable to the Minister for the delivery of the outputs specified in this agreement and to the quality and cost specified. ACC will provide services to respond to the number and type of accidents that occur (as opposed to a fixed quantity and type of services). ACC remains accountable for the delivery of any output expense or output that has been sub-contracted to a third party.

5. TERM OF AGREEMENT

This agreement covers the period from 1 July 2009 to 30 June 2012. The agreement will be entered into on an annual basis. This agreement revokes the Purchase Agreement for the 12 month period from 1 July 2008 to 30 June 2009.

6. PROCEDURES FOR AMENDMENT

This agreement may be amended by consent of the Minister if at any time during its term the work environment of ACC is so altered (for example as a result of government or management decision) that the contents of the agreement are no longer appropriate.

Any changes shall be recorded in writing by the Chair of the ACC Board, signed by the Minister and attached to this agreement. Copies of the original and amended agreements will be held by both parties to the agreement.

7. MONITORING AND REPORTING

- Reporting requirements against this agreement are consistent with those set out in Service and Purchase Agreement 2009/12

The timeframes for quarterly reporting are shown in the table below.

Action	Timeframe
ACC will work with the Department to develop a Quarterly Report and the Department will provide commentary on this to the Minister. These two documents will be delivered at the same time	Seven working weeks after the end of the quarter

8. FUNDING OF THE NON-EARNERS' ACCOUNT

In 2000/01, the Crown agreed to fully fund the Non-Earners' Account for new claims from 1 July 2001 and continue to fund existing claims as at that date on a pay-as-you-go (PAYG) basis.

Appropriations for the Non-Earners' Account in 2000/01 were on a PAYG basis. Appropriations from 2001/02 have two components. The first is the estimate of full cost of new claims and the second an estimate of cash payments expected for the year relating to the claims that occurred prior to July 2001. The purpose of this change was to reflect the true cost each year of rehabilitating and compensating non-earners injured in that year.

9. INTERPRETATION

The schedules to the agreement, and any amendments to those schedules signed by the Minister, shall be deemed to form part of the agreement.

If any differences of opinion between ACC and the Minister arise under the agreement, or any matter not covered by the agreement relating to the supply of outputs, the parties agree to discuss them with each other and seek to resolve them.

10. PAYMENT

The amount paid by the Crown shall be the agreed cost of an output for new and existing claims. Payments shall be paid in instalment based on the cash payment schedule agreed with the Department.

Output costs are exclusive of GST.

11. SIGNED STATEMENTS

The contents of this agreement have been discussed and agreed.

Signed on behalf of the ACC Board



John Judge

Chair

ACC Board

Date 30 June 2009



Hon Dr Nick Smith

Minister for ACC

Date.....30/6/09.....

OUTPUT EXPENSE – CASE MANAGEMENT AND SUPPORTING SERVICES**Description**

This output expense covers the cost of injury prevention, claim processing assessment, payment services, and case management for non-earning injured people. Financial grants, primary for research, are also included in this output expense.

Generic Performance measures

The following table links the Information Supporting the Estimates and provides a linkage to ACC's Statement of Intent. The measures detailed in the Service and Purchase Agreement will be reported to the Minister for ACC on a quarterly basis. All other measures will be reported annually in ACC's Annual Report 2009/10.

Performance Measures <i>(as outlined in Information Supporting the Estimates 2009/10)</i>	2009/10 Budget Standards <i>(as referenced in the ACC 2009-12 Statement of Intent)</i>
<i>New Zealanders have confidence in ACC New Zealanders are satisfied with the Scheme</i>	Client satisfaction is above the relevant public sector average benchmarks (utilising Common Measurement Tool)
<i>Levies are stable. Investment returns meet target and increases in areas which are identified as drivers of future claims liabilities are within budget</i>	Specific targets are specified in the ACC 2009-12 Statement of Intent, section 7 Statement of Forecast Service Performance
<i>Disparity in making claims are reduced for key demographic groups and locations</i>	Specific targets are specified in the ACC 2009-12 Statement of Intent, section 7 Statement of Forecast Service Performance
<i>Rates of injury are reduced in groups/classes that are identified as of national importance</i>	Specific targets are specified in the ACC 2009-12 Statement of Intent, section 7 Statement of Forecast Service Performance
<i>ACC achieved human resource and information management targets</i>	Specific targets are specified in the ACC 2009-12 Statement of Intent, section 5 Building Organisational Capability and Capacity
<i>New Zealanders are rehabilitated from injury</i>	<ul style="list-style-type: none"> • The post-exit return-to-work rate will be above the Australian average • The durable return-to-work rate will be above the Australian average. <p>(as measured by the Comparative Monitoring Report (Workplace Relations Ministers' Council, Australia)</p>

Cost

This output expense will be provided within the appropriated sum of \$59 million (exclusive of GST) for the 2009/10 year.

OUTPUT EXPENSE – CLAIM ENTITLEMENTS AND SERVICES

Description

This output expense covers the cost of purchasing medical services, support for independence, elective health care services for non-earners and other contracted services. Services purchased include:

- primary medical services, including the services of general practitioners, specialists, physiotherapists, radiologists and pharmaceuticals;
- elective hospital treatment, required as a result of an accident (defined within the IPRC Act);
- dental treatment;
- conveyance for medical treatment;
- personal care (home help, attendant care and childcare);
- alteration of home; and
- ambulatory aids.

Performance measures

The generic performance measures and 2009/10 standards are identified in the table above.

Cost

This output expense will be provided within the appropriated sum of \$693 million (exclusive of GST) for the 2009/10 year.

OUTPUT EXPENSE – PUBLIC HEALTH ACUTE SERVICES

Description

Vote Health initially covers the cost of the provision of Public Health Acute Services to ACC claimants. A Service Agreement is agreed between the Ministers of Health and ACC that agrees how much Health will be refunded by ACC to cover the cost of these claimants. This output expense funds the Non-Earners' Account portion of the Service Agreement. The remainder is collected via levies.

Performance measures

The generic performance measures and 2009/10 standards are identified in the table above.

Cost

This output expense will be provided within the appropriated sum of \$241 million (exclusive of GST) for the 2009/10 year.

BENEFITS AND OTHER UNREQUITED EXPENSES – OTHER COMPENSATION

Description

This appropriation relates to income maintenance, independence allowance, lump sum payments and death benefit payments for claims on the Non-Earners' Account, as well as including funding for the Treatment Injury Account to cover the costs of non-earners' claims.

Performance measures

The generic performance measures and 2009/10 standards are identified in the table above.

Cost

This output expense will be provided within the appropriated sum of \$270 million (exclusive of GST) for the 2009/10 year.

2009/10 FORECAST CLAIM VOLUMES

2008/09 forecast	Non Earners Account	Treatment Injury Account ¹
New Claims Registered	864,000	6,500
New Entitlement Claims	28,000	2,150
Ongoing Entitlement Claims	38,000	4,250

¹ The Non Earners Appropriation funds a proportion of Treatment Injury Account expenditure.

APPENDIX THREE – ACC BUDGET FOR 2009/10

Budget for the year ending 30 June 2010 (\$'000)	ACC Parent	Residual Claims Account	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account
Net levy revenue							
Levy	3,386,789	-	372,789	1,136,366	1,298,655	578,979	-
Residual levy	1,181,886	493,903	488,947	126,544	72,492	-	-
Treatment Injury Account-Levy	-	-	-	(190,310)	(61,343)	-	251,653
Treatment Injury Account-Residual lev	-	-	-	(19,197)	(43,656)	-	62,853
Total net levy revenue	4,568,675	493,903	861,736	1,053,403	1,266,148	578,979	314,506
Claims incurred							
Claims paid							
Rehabilitation costs							
Vocational rehabilitation	84,810	2,113	10,772	2,548	44,317	23,918	1,142
Social rehabilitation	556,044	78,875	153,983	172,480	79,997	24,506	46,203
Medical treatment	611,814	19,406	25,010	218,629	258,860	84,137	5,772
Hospital treatment	283,188	11,793	17,463	60,859	138,937	42,044	12,092
Public health acute services	410,209	-	59,445	240,895	77,904	27,929	4,036
Dental treatment	28,365	2,320	1,720	13,712	8,848	1,602	163
Conveyance for treatment	79,729	683	13,735	39,033	18,961	6,590	727
Total rehabilitation costs	2,054,159	115,190	282,128	748,156	627,824	210,726	70,135
Compensation costs							
Income maintenance	1,068,173	128,274	152,119	18,881	445,795	295,809	27,295
Independence allowances	50,298	7,157	7,660	22,910	8,519	1,475	2,577
Lump sums	49,566	9,635	9,637	9,032	8,069	6,397	6,796
Death benefits	103,785	13,004	35,972	6,701	36,315	8,321	3,472
Total compensation costs	1,271,822	158,070	205,388	57,524	498,698	312,002	40,140
Miscellaneous claim costs	9,959	1,507	2,978	2,568	698	453	1,755
Total claims paid	3,335,940	274,767	490,494	808,248	1,127,220	523,181	112,080
Claims handling costs	320,633	19,879	32,063	44,568	139,796	74,387	9,940
Increase in outstanding claims liability	1,020,724	(155,441)	172,676	165,179	471,295	229,195	137,820
Total claims incurred	4,677,297	139,205	695,233	1,017,995	1,738,311	826,763	259,790
Movement in unexpired risk liability	96,393	-	336	-	78,130	17,927	-
Net operating costs	36,022	2,774	5,511	4,143	8,681	14,373	540
Injury prevention costs	37,141	-	6,277	9,545	5,534	15,042	743
Levy collection costs	48,313	7,778	12,030	-	17,973	10,532	-
Surplus/(deficit) from underwriting activities	(326,491)	344,146	142,349	21,720	(582,481)	(305,658)	53,433
Investment income	402,331	35,822	110,471	44,104	101,720	79,394	30,820
Investment costs	37,591	3,195	10,450	4,248	9,586	7,105	3,007
Other income	1,892	205	325	140	748	444	30
Net surplus/(deficit)	401,431	376,978	242,695	61,716	(489,599)	(232,925)	81,276
Account reserves - opening balance	(1,083,577)	(1,803,500)	(3,376,135)	(2,694,623)	(1,971,732)	78,123	(1,065,710)
Net surplus/(deficit)	401,431	376,978	242,695	61,716	(489,599)	(232,925)	81,276
Account reserves - closing balance	(1,079,336)	(1,426,522)	(3,133,440)	(2,632,907)	(2,461,331)	(154,802)	(984,434)
Claims liability	22,238,577	3,114,537	6,080,236	3,966,695	4,886,467	2,260,075	1,930,567
% cover for claims liability	51.5%	54.2%	48.5%	33.6%	49.6%	93.2%	49.0%