

Office of the Minister for ACC

Chair, Cabinet Government Administration and Expenditure Review Committee (GOV)

Accident Compensation Corporation February 2019 Service Transformation Progress Update

Proposal

1. This paper updates the Committee on Accident Compensation Corporation's (ACC) Shaping Our Future transformation. Further to the progress update provided in June 2018 [CAB-18-MIN-0036] this paper provides the latest report-back on progress.
2. I recommend the Committee notes the progress with ACC's service transformation and the work underway, which continues its focus on improving customers' outcomes and experience with ACC, and that ACC will report back in six months' time.

Executive Summary

3. Over the past six months ACC has continued to implement Shaping Our Future - a strategy to deliver change that will improve customers' outcomes and experience, and improve New Zealanders' overall trust and confidence in ACC.
4. From July 2018, the Integrated Change Investment Portfolio (ICIP) has been the primary mechanism to deliver Shaping our Future, as noted by Cabinet in June 2018 [CAB-18-MIN-0036]. ICIP will deliver new initiatives to support improved client outcomes, operational resilience, and efficiency. It will also upgrade ACC's core systems, which are past their useful life.
5. Overall ICIP is progressing well. While delivering the new analytics platform and Next Generation Case Management (NGCM) has proven more complex than anticipated due to the nature of changes to ACC's case management system (Eos), time to understand detailed requirements, and architectural integration and other project dependencies. To address these challenges ACC has strengthened its project leadership and engagement with vendors, and decoupled the analytics platform from other related projects.
6. The expected overall cost for ICIP remains the same since the last update. The approved budget remains at \$669 million, and will be fully funded by ACC reserves and will not require additional government investment or an increase in levies to fund. Of this total cost, \$336 million has been spent as at 31 December 2018, with \$333 million (including unreleased contingency of \$92 million for uncertainties) available for the next three and three quarter years; (see Appendices 1 and 2).
7. The expected 2030 annual benefit estimates for ICIP remain the same since the last update with a total 2030 annual benefit of \$168m. Benefits delivery and the overall NPV will continue to be monitored and updated in terms of i) the impact of changes to ICIP implementation; and ii) identifying additional ICIP benefits. ACC plans to provide an updated benefits profile and overall NPV for the next Committee progress report.
8. Since the June 2018 update, ACC has achieved key milestones which will improve customers' service experience and ACC's efficiency and effectiveness, for example:
 - A new process for claims lodgement and decision making went live in September 2018. 49% of claims which are straightforward and have all the correct claim information are now approved automatically. Clients receive these approvals by text (or whatever method they prefer) within minutes, rather than waiting up to a week for notification of their claim acceptance to be received in the post.

- The new levy management system, which provides 535,000 business customers with flexibility over how they pay their levies, is fully operational and has sent out approximately 575,000 invoices¹ for the six-month period 1 July – 31 December 2018. ACC continues to work closely with Inland Revenue regarding its own transformation timelines to ensure alignment and co-ordination of system changes and to avoid any service disruption to shared business customers.
 - Primary healthcare pilots have shown positive results, particularly for Māori and Pacifica clients. There has been a 40% - 50% increase, under the pilot, in Māori and Pacifica between the ages of 15 and 30 years being referred for, and attending, high tech imaging, followed by targeted specialist treatment. There has also been a major reduction in the median treatment time for high tech imaging from 18 working days down to two.
9. Over the next six months, ICIP will make service improvements for clients and improve delivery by, and to, providers. Key priorities for the 2018/19 year include:
10. Implementation of ACC's new case management model - NGCM: this new model has been in design since April 2017 and tested in the Launch Pad trial site since September 2017. The new model will give clients greater control over their own recovery and direct more targeted support for the clients who need it most. Subject to understanding the full costs and benefits, the ACC Board has agreed, in principle, to roll out the new model nationwide starting with staff changes and some enabling technology in August 2019, followed by full technology integration in November 2019. The implementation will be guided by the results achieved with the 20,000 claims to-date managed in the Launch Pad:
- Quarterly client satisfaction results of 87% with a net trust score of +45. This compares to the ACC average of 80% and +27.
 - An average of 1.7 to 12.9 days less in average weekly compensation days paid, 1% to 5% more claim closures within expected optimum claim duration. and below budget in vocational rehabilitation.
 - 95% of administration tasks being returned within 24 hours, and clinical and technical guidance response times well within their targets of one, three or a maximum of five days for the most complex requests.
 - High employee engagement, with net support remaining consistently at +44. Support for the new model from our teams is a crucial element of our testing.
11. Moving new client weekly compensation payments into the core claims management system: customers will be able to manage their weekly compensation and other payment types online, and receive their payments more efficiently. Another key goal is to remedy the risks of business failure and potential impact on client satisfaction from leaving the legacy payments system in place.
12. Upgrading the existing claims management system: this will improve operational resilience, reduce complexity for ACC staff, and support the implementation of NGCM and client payment changes.
13. Completing a new business analytics platform to support ACC decision making: this includes supporting improvements in injury prevention investment, client rehabilitation and return to work outcomes, reducing costs of delivery, and better understanding customer service experience.
14. Continuing implementation of the Health Services Strategy: this takes a new approach with providers to support clients to recover more quickly and effectively from injury, following successful pilots. Four streams of work have ICIP funding, which will deliver:
- The commencement of up to six new patient pathways being developed with the sector for knee, spine and shoulder surgery. These are in co-design with providers. The initial

¹ This figure includes credit/debt reassessments for changes to customers' information.

surgical proof of concept was for anterior cruciate ligament repair, and showed a four week (35%) reduction in recovery time and lower re-injury rate when treated through the pathway.

- The expansion of access to high tech imaging under protocols (already underway) to 50% of general practice by the end of June 2019. The pilot for high tech imaging showed a reduction of 16 days for patients accessing treatment, and higher access by young Maori and Pacific to secondary care.
- Completion of the non-acute rehabilitation development with three DHBs and the expansion of the programme across all DHBs. This programme incentivises rehabilitation in a client's home rather than in an inpatient unit, and is showing a higher level of return to independence in the community. On average clients spend six days less in hospital, are more satisfied and feel more supported.
- Movement of contracting for Integrated Home Care Support Services to a case mix funding model. This will allow greater use of trained homecare support workers as substitutes for other health care professionals where appropriate. Its effectiveness will be monitored with measures that include patient reported outcomes.

Background

15. In 2014, ACC conducted extensive engagement, asking New Zealanders what they wanted from ACC and how the organisation could improve. This process gathered feedback from 5,500 New Zealanders, including ACC clients, levy payers, business customers and employers, health providers, employees and the public. Overall, New Zealanders told ACC that it was too complex and bureaucratic, and that claims decision making was inconsistent and lacked transparency. A well-publicised privacy breach had recently occurred and employee engagement was low.
16. In response to this feedback, ACC launched Shaping Our Future – a strategy to deliver change that will improve customers' outcomes and experience, and New Zealanders' overall trust and confidence in ACC. It is about putting New Zealanders at the centre of everything ACC does, and creating a more transparent, modern, and efficient organisation.
17. From July 2018, ICIP replaced the transformation programme as the primary mechanism to deliver Shaping our Future to have a single programme for all organisational change that can be effectively governed and delivered. This was noted by Cabinet in June 2018 [CAB-18-MIN-0036].
18. ICIP will deliver new initiatives to support improved client outcomes, operational resilience, and efficiency; and will also upgrade ACC's core systems, many of which are past their useful life:
 - The client transformation involves changes to how services are delivered to clients. It involves making improvements to how people work, simplifying processes, new technology (including digital), and easy to access information. This includes redesigning ACC's case management model (NGCM) to best meet the needs of injured New Zealanders.
 - the Health Services Strategy will improve the way ACC and providers (e.g. primary care, DHBs) work together to support improved client recovery.
 - ICIP will renew the technology platform to provide new ways to interact with clients, business customers and providers to improve their experience and outcomes. This requires consolidation of three of five core systems onto an upgraded claims management system, a new levy system (Juno) which is complete, and an upgrade of the finance platform.
19. ACC is seeking to become a transforming organisation that is continually listening to customer feedback and using this to improve service delivery. Alongside the initiatives discussed in this paper, this customer focus is being driven by:
 - New methods for gathering customer feedback to inform organisational decisions – a set of new Customer Advisory Panels have been established, customer co-design methodologies

are increasingly being used to inform policy and operational decision making, and new systems for accessing real-time feedback are being built.

- Development and implementation of a Whāia te Tika strategy to improve injury outcomes for Māori, better deliver services in a way that meets Māori needs, and grow organisational cultural appreciation and competence.
- Development and implementation of a new programme for ACC staff on the culture, values and behaviours, and leadership capabilities needed to deliver on the organisational strategy.

Shaping our Future: Key updates since June 2018

20. The table at Appendix 3 provides an overview of key ICIP project progress since the last update and the intended focus for each over the coming six months. This table will be updated for each further update.
21. There are some good indications that work-to-date is yielding positive results, including improved client trust and satisfaction as measured through client net trust score, which is up from 15 in FY2014/15 to 24 in Q2 FY2018/19. This is consistent across all ICIP target groups (Provider, Client and Business Customer), maintaining improvement against the baseline.
22. Overall delivery in the past six months has progressed well. Key achievements since the update June 2018 [CAB-18-MIN-0036] include:

Improving Client Experience

23. A new claims lodgement model was introduced in September 2018, which means many claims are accepted as soon as they are lodged. This new system has been implemented to fast track simple claims that meet specific criteria, reducing time for clients to find out whether their claim has been accepted and freeing up time for staff to focus on more complex and sensitive claims (which will continue to be reviewed manually).
24. Under the new model, 49% of claims which are straightforward and have all the correct claim information lodged, are now automatically approved in an average time of four seconds, compared with a wait of up to a week for notification of their claim acceptance to be received in the post.
25. A core part of ACC's client transformation is the redesign of the case management approach, which had not been reviewed for more than 20 years. Implementation of ACC's new case management model (NGCM) which has been in design since April 2017 and tested in the Launch Pad trial sites in Hamilton and Hastings since September 2017, will provide clients with greater control over their own recovery and direct more targeted support to the clients who need it most.
26. NGCM has had some challenges, due to the complexity of the project in the technology build that has resulted in some changes to the approach:
 - ACCs case management system (Eos):
 - There were two elements to the scope for Eos that have become clear following completion of the design work in September 2018; that configuration of a new claim type to meet the needs of the typical workflow would take longer than originally expected, and that integrating Eos to allow distribution and management of workload nationally was more complex than anticipated.
 - Workforce management: The development of the solution and new platform for workforce management requires several functions to be integrated in the case management system (Eos). The challenge of creating this integrated architecture, has taken longer than anticipated and extended our integration estimates.
 - It has taken longer to determine the detailed requirements of an integrated telephony solution. These telephony requirements have now been refined and commercial options to

provide a technical solution is underway. It is expected that this approach will be confirmed in February 2019 with subsequent confirmation of the implementation timeframes and costs pending selection of the preferred solution.

27. These challenges are being addressed by strengthening internal capability and working with key vendors to ensure development of NGCM is aligned with other key projects. Due to the complexities with the project the roll out has shifted from May 2019 to August 2019 and November 2019.
28. Through the Launch Pad (and health services pilots below), ACC is seeing improved timeframes for treatment and recovery times, clients returning to work faster, and increasing uptake of online service delivery and client self-management. Subject to understanding the full costs and benefits at the ACC's Board's February meeting, the ACC Board has agreed, in principle, to roll out the new model nationwide starting with staff changes and some enabling technology in August 2019, followed by full technology integration in November 2019. The implementation will be guided by the results achieved with the 20,000 claims to-date managed in the Launch Pad:
 - Quarterly client satisfaction results of 87% with a net trust score of +45. This compares to the ACC average of 80% and +27 respectively.
 - An average of 1.7 to 12.9 days less in average weekly compensation days paid, 1% to 5% more claim closures within expected optimum claim duration and below budget in vocational rehabilitation.
 - 95% of administration tasks being returned within 24 hours, and clinical and technical guidance response times well within their targets of one, three or a maximum of five days for the most complex requests.
 - High employee engagement, with net support remaining consistently at 44 and consistently staying above +42. Support for the new model from ACC's teams is a crucial element of Launch Pad testing.
29. The changes aim to improve consistency of client service, better meet diverse client needs and improve client recovery times (see Appendix 4).
30. As part of ACC's Health Services Strategy, ACC is working with providers (e.g. primary care providers, specialists, DHBs, home care services) to support clients to recover more quickly and effectively from injury. The strategy has five initial proof of concept projects due for completion from mid-2019 to mid-2020 and seeks to increasingly shift to a contracting for outcomes approach to ensure ACC client outcomes are improving through the services ACC purchases (see Appendix 5).
31. One of these pilots in primary care aims to shift treatment decisions on access to high tech imaging to primary care providers rather than specialists. Early results have shown a reduction in the median treatment time by 16 working days, from 19 working days down to three, and a 40%-50% increase in Māori and Pacifica between the ages of 15 and 30 years being referred for, and attending, high tech imaging, followed by targeted specialist treatment.
32. On the basis of these initial results, ACC has taken the decision to roll this pilot out nationwide, with expected benefits of faster recovery times for clients, due to a quicker definitive diagnosis and targeted treatment, and the associated reduction in rehabilitation and weekly compensation spend for ACC.

Improving Business Customer Experience

33. Over the past year, ACC has had a strong focus on delivering improved experience for its 535,000 business customers through the establishment of online channels and the implementation of a modern platform for its levy invoicing and collection. As indicated in the last update, business customers were chosen as an initial focus area for transformation as they represented a discrete and manageable area for change.

34. In the last update, ACC advised it had launched its new levy management system, Juno. From 1 July – 31 December 2018, ACC successfully invoiced more than \$1,100 million and sent out approximately 575,000² invoices from its new platform.
35. The implementation of this modern platform has enabled ACC to collect and store business customer information in one place, improving responsiveness to customers and improving ACC's privacy and security capability. ACC continues to work closely with Inland Revenue regarding its transformation timelines, to ensure alignment and co-ordination of system changes and to avoid any service disruption to shared business customers.
36. Other benefits that have been realised from this new platform include:
- Increased certainty for customers about the levies they owe, due to receiving their invoice closer to the time they file their tax return. Previously, invoices might be sent out weeks later.
 - Increased resolution of queries at first point of contact and ability to capture feedback from businesses at their point of interaction with ACC, by providing greater financial delegated authority to front line staff.
 - Payment schedules (where required) are delivered at point of invoice.
 - Paperless payment arrangements for levies.

Cross-government collaboration

37. In delivering ICIP, ACC continues to work closely with the Ministry of Health on health sector pilots, the Ministry of Social Development on best-practice case management and return-to-work approaches, Inland Revenue on systems integration to support faster weekly compensation payments for clients and levy collection for businesses, and with the Government Chief Digital Officer and Government Chief Privacy Officer on government digital priorities. Beyond ICIP, ACC is also playing a key role across government as part of the new Family Violence and Sexual Violence joint venture.
38. ACC's Privacy Team is engaged with all elements of the ICIP programme to ensure that a privacy by design approach is followed. ACC is following the Privacy Commissioner's lead in its choice of cloud providers to enhance privacy, security and flexibility and mitigate risks. ACC is also continuing to work with the Office of the Privacy Commissioner, Government Chief Digital and Privacy Officers, and the Government Chief Data Steward to ensure ACC is appropriately managing risk and social licence around cloud technology and predictive analytics. The recent implementation of the data model that supports claims lodgement is an example of how ACC has applied standards set by the Government Chief Data Steward and Office of the Privacy Commissioner and has been transparent with New Zealanders on how the model works.

Focus for the next six months

39. Over the next six months, ICIP will deliver service improvements for clients and improve delivery by and to providers. Priorities for the remainder of 2018/19 financial year are:

Priorities for clients

40. Continuing work on the redesign of the case management model, taking on feedback from staff consultation, to ensure the new model builds on client-centricity, enables improved client recovery outcomes, and drives productivity improvements for ACC.
41. Moving new client weekly compensation payments into the core claims management system to enable customers to view and manage their weekly compensation payments online (for example, by

² This figure includes credit/debt reassessments for changes to customers' information.

updating medical certificates and earnings details), and receive their payments quicker and more accurately.

42. Continuing implementation of the Health Services Strategy and taking a new approach with providers to support clients to recover more quickly and effectively from injury following successful pilots. Four streams of work under the Health Services Strategy have ICIP funding, which will deliver:
- The commencement of up to six new patient pathways being developed with the sector for knee, spine and shoulder surgery. These are in co-design with providers. The initial surgical proof of concept was for anterior cruciate ligament repair, and showed a four week (35%) reduction in recovery time and lower re-injury rate when treated through the pathway.
 - The expansion of access to high tech imaging under protocols (already underway) to 50% of general practice by the end of June 2019. The pilot for high tech imaging showed a reduction of 16 working days for patients accessing treatment, and higher access by young Māori and Pacifica to secondary care.
 - Completion of the non-acute rehabilitation development with three DHBs and the expansion of the programme across all DHBs. This programme incentivises rehabilitation in the persons home rather than in an inpatient unit, and is showing a higher level of return to independence in the community.
 - Movement of the contracting for Integrated Home Care Support Services to a case mix funding model. This will allow greater use of trained homecare support workers as substitutes for other health care professionals where appropriate. Its effectiveness will be monitored with measures that include patient reported outcomes.

Priorities for ACC's administration

43. Upgrading the existing claims management system to improve operational resilience, reduce complexity for ACC staff, and to support NGCM and client payment changes.
44. Completing a new business analytics platform to support data driven ACC decision making, including to inform injury prevention investment, client rehabilitation and return to work outcomes, costs of delivery, and understanding customer service experience. Delivery of the platform has proved to be challenging and complex, due to adopting new technology, but is now on track with stronger technical and project leadership, decoupling from other projects, and more frequent vendor engagement and support. Due to the complexities of this project the analytics platform has shifted from a scheduled to go live date of March 2019 to June 2019.

ICIP benefits and costs

45. ACC is making significant capital investment in technology as part of ICIP, which will lead to productivity improvements. Consultation has commenced with staff to inform delivery options in 2018/19 and 2019/2020.
46. As previously noted by Cabinet [CAB-18-MIN-0036], ICIP is expected to generate both an improved customer experience and financial benefits:
- Clients recover more quickly and can return to work – more effective case management tailored to clients' specific needs and requirements, and greater collaboration with providers is estimated to result in an average 5.5 days' faster client recovery and return to work (equating to an annual \$32 million weekly compensation cost reduction).
 - Reduced pressure and expenditure on healthcare – working alongside providers to rehabilitate clients faster and more effectively and reduce pressure on health services through the Health Services Strategy is expected to generate an annual \$75 million benefit by 2025/26.

- Improving New Zealanders' trust and confidence in ACC and improved operational resilience.
 - Improved productivity for ACC – by 2021/22, managing an increased workload from an overall claims per resource of 541 to 647³ through system and process improvements, and avoided future cost.
47. The expected overall cost for ICIP remains at \$669 million, the same since the Committee's last update. This cost will be fully funded by ACC reserves and will not require additional government investment or an increase in levies to fund. Costs are comprised of a forecast spend of \$577 million based on what we currently know. Of this total cost, \$336 million has been spent as at 31 December 2018, with \$333 million (including unreleased contingency of \$92 million) available for the next three and three quarter years. Further details on ICIP investment, net cashflow, costs and benefits is detailed in Appendices 1 and 2.
48. The expected 2030 annual benefit estimates for ICIP remain the same since the last update with a total 2030 annual benefit of \$168m. The overall NPV of the ICIP has been estimated at \$300 million at the last update. Benefits delivery and the overall NPV will continue to be monitored and updated in terms of i) the impact of changes to ICIP implementation; and ii) identifying additional ICIP benefits. ACC plans to provide an updated benefits profile and overall NPV for the next Committee progress report.

Portfolio risk, monitoring and assurance arrangements

49. Since the June 2018 update, ACC has refreshed its ICIP Assurance Plan. The plan now includes a confirmed date for a Gateway Review in February 2019. GCDO will continue to support ACC on ensuring assurance planning and investment in assurance is well targeted.
50. GCDO and Treasury have noted the recent findings of the independent reviews of the ICIP programme performed by Ernst & Young. The reviews indicate delivery risks for the ICIP programme and include recommendations to address them. Treasury and GCDO note the significance of these risks, as would be expected in a portfolio of this scale, and the actions being taken by ACC to mitigate them.
51. Monthly progress meetings with Treasury and GCDO have been established, and IQA and internal assurance have been delivered to plan to date with ACC's Board Risk Assurance and Audit Committee having received and accepted the reports along with management's responses to recommendations.
52. From a delivery perspective, the 2018/19 year has been recognised as a significant year for several complex key initiatives with co-dependencies. Given this, ACC has further strengthened the oversight and governance across ICIP and established a Delivery Integration Forum which focuses on managing the dependencies between projects, and the achievability of change from a delivery and implementation perspective.
53. ACC will continue to update me via its quarterly reports, which are publicly available, and will be monitored by Treasury. I recommend the Committee direct ACC to provide us with a further update in six months, outlining progress and any changes in costs and benefits.
54. Appendix 6 summarises the key risks associated with the ICIP programme and the management response for each. These risks have remained unchanged since the last update.

Consultation

55. Department of Internal Affairs, Government Chief Digital Officer, Inland Revenue, Ministry of Health, Treasury, Ministry of Social Development and the Ministry of Business, Innovation and

³ This calculation has been amended slightly since the last report to reflect the measurement changing from per FTE to per resource which includes contractors as well as permanent resourcing. Net impact reduces the baseline from 549 to 541 and FY2021/22 productivity improvement from 663 to 647 reducing the annual financial benefit from \$61million to \$59million. There is no material impact to the overall benefits.

Employment were consulted on this paper. The Department of the Prime Minister and Cabinet has been informed.

Human Rights Implications

56. None.

Legislative Implications

57. None for this paper.

Regulatory Impact Analysis

58. Regulatory impact analysis requirements do not apply to this paper.

Gender Implications

59. None.

Disability Perspective

60. ICIP will result in improved service delivery for New Zealanders with injury-related disabilities.

Publicity

61. I intend to proactively release this paper, subject to any appropriate OIA redactions.

Recommendations

62. I recommend that the Government Administration and Expenditure Review Committee:

1. **Note**, in June 2018, the Committee was provided with an overview of ACC's service transformation (ICIP), including how it is delivering for New Zealanders, the programme's objectives and priorities, and costs and benefits [CAB-18-MIN-0036]
2. **Note** that, in the period since June 2018, ACC has achieved key milestones that will improve client service experience, and efficient and effective levy collection from employers:
 - a) A new process for claims lodgement and decision making has gone live which means many clients will have their simple cover decision accepted when it is lodged, rather than waiting up to a week for notification of their claim acceptance to be received in the post
 - b) ACC's new case management model which provides clients with greater control over their claims and greater support for the clients who need it most has continued to be scaled up over the period and the full plan for roll out in 2019 and 2020 remains on track
 - c) The new levy management system which provides employers with flexibility over how they pay their levies is fully operational and has invoiced more than \$1,100 million in levies up to the end of December.
 - d) Positive results have been achieved from primary health care pilots, particularly for Maori and Pacific claimants, and national roll-out is now planned for 2019
3. **Note** that the expected overall cost for ICIP remains the same since the Committee's last update. The approved budget for ICIP remains at \$669 million, with \$333 million (including \$92 million unreleased contingency for uncertainties) available for the next three and three quarter years.

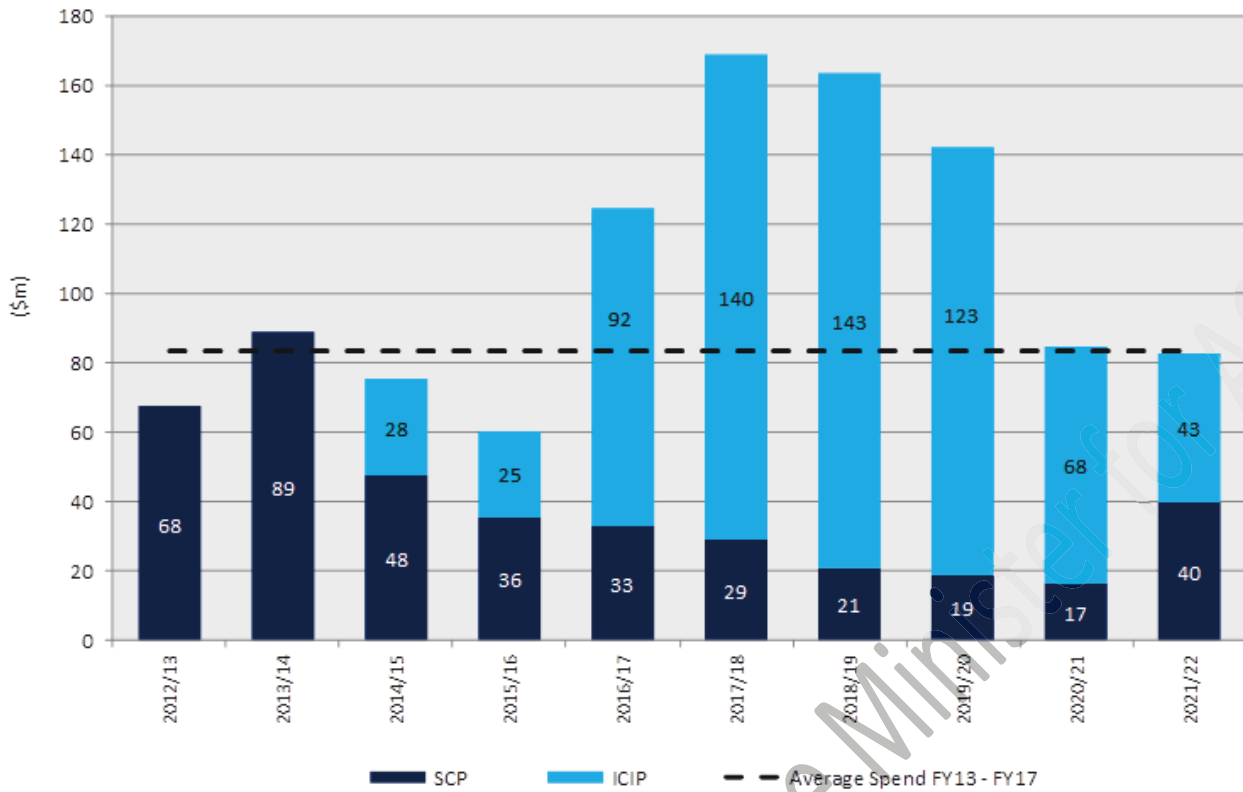
4. **Note** that the expected 2030 annual benefit estimates for ICIP remain the same since the last update, comprising improvements in client recovery timeframes, reduction in healthcare costs, and FTE reductions. The overall NPV of the ICIP has been estimated at \$300 million at the last update. Benefits delivery and overall NPV will continue to be monitored in terms of i) the impact of changes to ICIP implementation; and ii) identifying additional ICIP benefits. ACC plans to provide an updated benefits profile and overall NPV for the next Committee progress report.
5. **Note** that there continues to be strong monitoring and assurance arrangements in place:
 - a) Given 2018/19 is a priority delivery year for ICIP, ACC has further strengthened its governance and monitoring approach to support delivery
 - b) Treasury and GCDO Assurance are satisfied with the level of assurance over the ICIP. They note the recent findings of the independent reviews performed by Ernst & Young that indicate delivery risks for the ICIP. Treasury and GCDO note the significance of these risks, as would be expected in a portfolio of this scale, and the actions being taken by ACC to mitigate them.
6. **Note** ACC continues to work closely with other agencies to deliver, particularly with GCPO and GCDO on cloud technology to deliver best-practice analytics and privacy maturity
7. **Note** ACC will provide a further report back to the Committee in June 2019.

Authorised for lodgement

Hon Iain Lees-Galloway
Minister for ACC

Appendix 1: ICIP Annual Investment vs. Historical Spend and Incremental Net Cash Flow Profile as of November 2018

Annual Cash Investment
(FY2012/13 - FY2021/22)

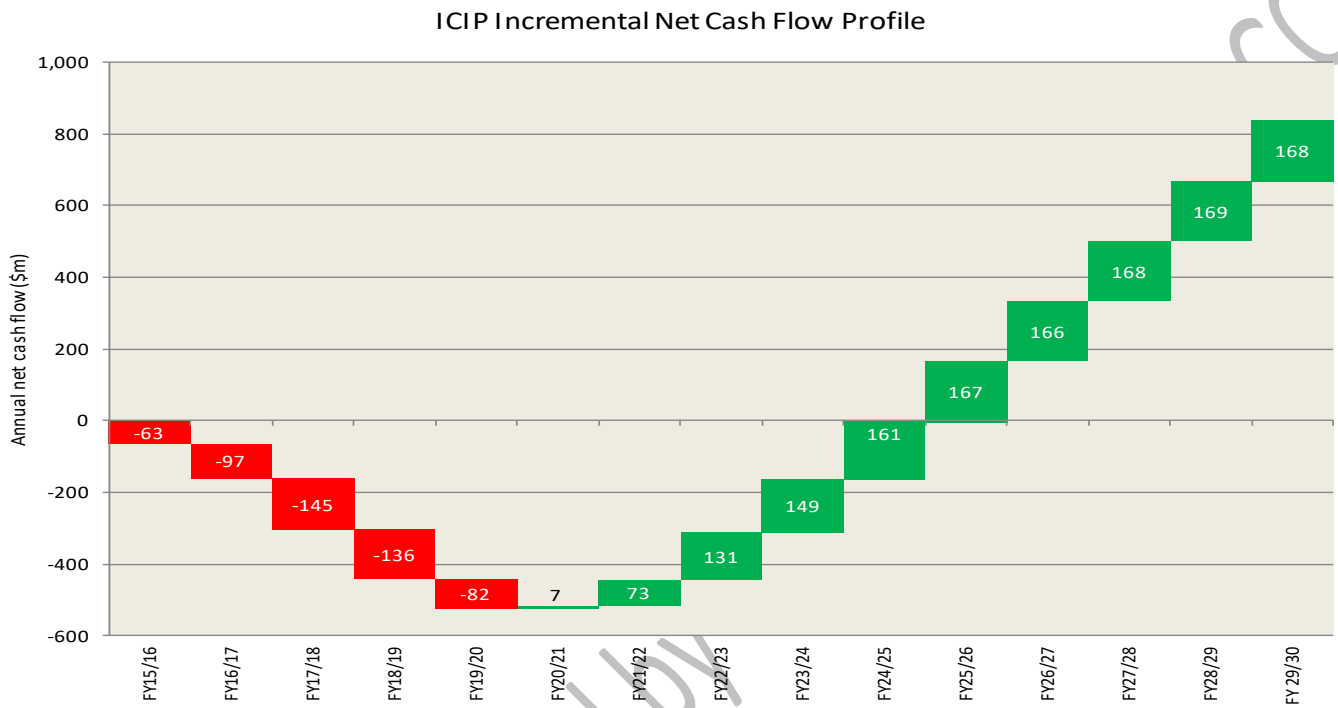


In the chart above, SCP refers to ACC's business as usual spend on change (Strategic Change Portfolio) and ICIP represents the spend on transformation to date and forward ICIP estimated costs.

Proactively released by the Minister of ACC

The following chart depicts the ICIP annual incremental net cash flow profile, based on the ICIP cost and benefit estimates as of November 2018. Negative values reflect a net cash cost and positive values reflect a net cash benefit in any one year. A cumulative break-even position is achieved in the year ending 30 June 2025.

Benefits delivery continues to be monitored in terms of i) the impact of changes to ICIP implementation; and ii) identifying additional ICIP benefits. ACC plans to provide an updated benefits profile for the next Committee progress report.



Proactively released by

Appendix 2: ICIP costs as of November 2018

Investments to 2022 (\$m)	Transformation Programme (2015 Cost Estimates)	Current Management Forecast (Life Time)	ICIP Baseline (Life Time) as approved through ICIP Cabinet Paper June 2018		
			Base Cost Estimate	Contingency	Total
Juno	\$46m	\$92m	\$93m		\$93m
Client Payments	\$66m	\$80m	\$75m	\$50m	\$125m
Claims Front End Establishment	\$10m	\$19m	\$17m	\$3m	\$20m
Analytics	\$13m	\$31m	\$15m	\$10m	\$25m
Channels	\$32m	\$44m	\$47m		\$47m
MFP replacement	\$24m	\$31m	\$31m	\$20m	\$51m
Programme Management	\$34m	\$53m	\$53m		\$53m
Other Transformation	\$55m	\$44m	\$44m		\$44m
Other Contingency	\$40m			\$15m	\$15m
Total	\$320m	\$394m	\$375m	\$98m	\$473m
Next Generation Case Management		\$55m	\$38m	\$20m	\$58m
Health Services strategy		\$30m	\$30m		\$30m
Channel – continuous improvement		\$30m	\$30m		\$30m
Eos upgrades – 8.8 9.x		\$30m	\$30m	\$10m	\$40m
Other Change Initiatives		\$38m	\$38m		\$38m
Total	\$320m	\$577m	\$541m	\$128m	\$669m

ICIP Annual Financial Benefits as of November 2018

Financial Benefits to 2030 (\$m)	Transformation Programme 2015 Business Case		Integrated Change Investment Portfolio	
	2030 annual benefit estimates	Notes	2030 annual benefit estimates	Notes
Resource productivity/ FTE reduction Baseline: 541 Claims per resource ⁴ .	\$28m	Based on 605 claims per FTE.	\$59m	Based 647 claims per resource by 2021/22
Return to work rates Reduce number of weekly compensation days paid from Claims Front End, NGCM, Health Services Strategy	\$23m	Based on 4.25 day reduction by 2021	\$32m	Based on 5.5-day reduction by 2023/24
Health care costs Reduction in treatment expenditure from rollout of current Proof of Concept trials	0	N/A	\$75m	Based on a \$75m p.a. reduction in health expenditure by 2025/26
Other financial benefits	\$16m	Based on other savings across levy cash flow, debt management and postage	\$24m	Based on other savings across vocational rehab, levy cash flow, debt management and postage
<i>Sub Total – Gross benefits</i>	<i>\$67m</i>		<i>\$190m</i>	
Less: recurring costs	-\$18m		-\$22m	
Total	\$49m		\$168m	

⁴ This calculation has been amended slightly since the last report to reflect the measurement changing from per FTE to per resource which includes contractors as well as permanent resourcing. Net impact reduces the baseline from 549 to 541 and FY2021/22 productivity improvement from 663 to 647 reducing the annual financial benefit from \$61million to \$59million. There is no material impact to the overall benefits.

Appendix 3: Key ICIP deliverables progress update

Enabling projects		Dates	Project type	Progress update
Investment in analytics capability	<ul style="list-style-type: none"> New analytics tools to support ACC decision making, including to inform injury prevention investment, client rehabilitation and return to work outcomes, costs of delivery, and understanding customer service experience. Establishment of new operating model (People, Processes and Capability) ACC works proactively with the Government Chief Data Steward, Government Chief Privacy Officer, Government Digital Officer and the Privacy Commissioner to ensure that privacy and security aspects of the investment are well managed and consistent across government 	2018/19-2019/20	New tools or processes	<p>Key elements of the Analytics Platform have been implemented, including the establishment of a single data lake (which holds all ACC claims data) to make it easier to safely access and use ACC data for analysis. Delivery of the platform has proved to be challenging and complex, due to adopting new technology, scope expansion and alignment with related projects. There has also been insufficient vendor engagement. These issues are being addressed with stronger technical and project leadership, decoupling from other projects, and more frequent vendor engagement and support.</p> <p>The Analytics Platform is scheduled to go live in the second half of 2018/19</p>
Claims management system upgrade	<ul style="list-style-type: none"> Upgrade of core claims management system to improve operational resilience, reduce complexity for ACC staff (to support NGCM and client payments changes). The system is used by 2,000 ACC staff to manage 1.9 million claims annually. 	2018/19	System upgrade	Development is completed and testing is underway with go live scheduled for the second half of 2018/19
Upgrade of Levy and billing system	<ul style="list-style-type: none"> Upgrade of new levy and billing system to ensure supportability and maintainability of system 	2018/19	System upgrade	Implemented in October 2018
Finance system	<ul style="list-style-type: none"> ACC's key finance system upgrade 	2019/20	System upgrade	Under consideration

Projects to improve client experience		Dates	Project type	Progress Update
Claims lodgement and cover decision	<ul style="list-style-type: none"> New processes to improve speed and transparency of claims lodgement and decision making on whether a claim is covered. Clients are notified of cover decision more quickly. 	2018/19	New tools or processes	A new lodgement tool was successfully launched in September automating 49% of claims. A second phase is planned for 2019/20
New client payments system for weekly compensation	<ul style="list-style-type: none"> New system (replacing legacy system) to enable customers to manage their weekly compensation payments online, and receive their payments quicker and more accurately due to improved integration with Inland Revenue. The system makes \$1.5 billion weekly compensation payments annually to 100,000 clients. Replacement of legacy system means a more resilient and reliable payments system and improve efficiency of payments processing. 	2018/19-2021/22	System upgrade	<p>Client Payments Phase 1 is on track to go live in second half of 2018/19 which builds the capability to process weekly compensation payments from our Claims Management System. There will be a phased rollout starting with a few payments and ramping up over a several months.</p> <p>Phase 2 is scheduled to start in 2019 and will enable other entitlements to also be incorporated into the Claims Management System.</p>
Next Generation Case Management	<ul style="list-style-type: none"> Redesign of case management model to improve client recovery outcomes and drive productivity improvements for ACC. 	2018/19-2020/21	New delivery model	Consultation has commenced with staff to inform delivery options in 2018/19 and 2019/20.

Projects to improve provider experience		Dates	Project type	Progress Update
New Health Services Strategy	<ul style="list-style-type: none"> New approach to working with providers to support clients to recover more quickly and effectively from injury (see Appendix 5 for details). 	2018/19-2021/22	New delivery model	Proof of concepts have been completed and initial elements of the strategy will be delivered in 2018/19 and 2019/20.
Medical fees system replacement	<ul style="list-style-type: none"> Modernisation of processes, systems and policies to improve the purchase and payment of provider services. The system makes over \$8 million in payments each day to providers. 	2019/20-2020/21	System upgrade	Not yet started.

Appendix 4: Case management redesign overviews

Next Generation Case Management

NGCM is a re-design of ACC's case management model which is more than 20 years old. The new approach has been designed around client and provider feedback and, for clients, the benefits of a new approach will be:

- improved **consistency of customer service**, simpler processes, and increased transparency of decision making through the claims management process
- an ACC that is better able to **meet diverse customer needs**, including meeting needs of an increasingly culturally diverse and digitally-minded population, and
- **faster recovery** due to better targeted and integrated rehabilitation interventions, and better co-ordinated support for clients (e.g. serious injury) where full recovery from injury is unlikely.

To do this, ACC is making the following changes:

- **Prioritisation and triage** – improved up-front identification of customer needs at point of claim lodgement, particularly identifying high need customers (with likely high life-time costs) and getting these customers connected to ACC and providers support more quickly
- **New claims management model** – providing greater client service and control over their claim and how they interact with ACC (particularly for straightforward claims and customer needs) and targeting ACC focus on customers and claims that require greatest support
- **Centralised support for claims managers** – for claims managers looking after customers with greater support needs, a new centralised clinical and specialist support service has been set up to provide consistent, high-quality and timely advice
- **Environment** – overall paradigm shift from a one-size-fits-all, process-oriented approach to a model where case owners are empowered to make decisions to support customer recovery.

The NGCM model has been in design since April 2017 and tested in the Launch Pad trial sites in Hamilton and Hastings since September 2017. Subject to Board approval, ACC proposes to roll out the model nationwide in 2019 and 2020 and has begun consultation with staff. The implementation will be guided by the results achieved with the 20,000 claims to-date managed in the Launch Pad.

Health Services Strategy

The Health Services Strategy is focused on working with providers (e.g. primary care providers, specialists, DHBs, home care services) to support clients to recover more quickly and effectively from injury. The benefits of the new approach will be:

- Faster recovery and **improved rehabilitation outcomes** for clients
- **Reduced pressure on healthcare** and increased efficiency of ACC's health spend (through improved treatment pathways that get clients to the right treatment providers earlier), and
- Improved **provider trust and confidence** through involvement in shaping delivery models

The strategy has five initial proof of concept projects due for completion from mid-2019 to mid-2020:

- **Primary care** – this pilot is shifting treatment decisions on access to high-tech imaging to primary care providers rather than specialists. Early results show a 16-day reduction in treatment times for clients, improved access by Maori and Pacific customers, and reduced costs (through fewer specialist referrals and increase in non-surgical interventions).
- **Escalated care pathways** – ACC and providers are working together to reduce client treatment delays and determine client readiness for surgery for key high-cost injury types (e.g. knee, shoulder surgery). Early results show a reduction in overall treatment time for clients and faster return-to-work, with commensurate reduced weekly compensation costs.
- **Non-acute rehabilitation (NAR)** and **home care support services (HCSS)** – these pilots are testing outcomes-based purchasing, shifting from care models that provide incentives for longer hospital stays to models focused on providing appropriate rehabilitation within a community setting (NAR) and keeping clients independent (HCSS). The NAR pilot has been developed with DHBs and is also expected to reduce demand on DHB rehabilitation beds.
- **Whatever It Takes** – this two-year pilot is testing the application of a Whanau Ora approach to care for clients with significant injuries.

The HSS recognises that ACC is not the principal health-system funder and delivering the strategy successfully requires working closely with the Ministry of Health, with both agencies focused on quality care, and avoiding duplication of effort.

Appendix 6: ICIP risks and management responses

Key risk	Management actions under way
Risk that the delivery of the Enterprise Change Portfolio, within agreed timeframes and budget, is not achieved.	<ul style="list-style-type: none"> • Embedding the enhanced governance model, which includes Enterprise Change Authority and Workstream Boards, supported by the Delivery Integration Forum and Oversight Committee. • Continued refinement of monthly Executive and Board level reporting for Portfolio financial, delivery and benefit performance • Reset of enterprise benefits profile with on-going periodic re-assessment, with validated calculations, confirmed benefit ownership and aligned with ICIP Strategic Business Case
Risk that ACC's ability to successfully deliver is compromised by lack of adequate change delivery capacity, and capability to drive and embed high volume change within timeframes	<ul style="list-style-type: none"> • Integration and embedding of the Enterprise Portfolio Delivery model • Regular change impact and achievability assessments to assess change readiness and resource capacity and capability requirements • Partnership strategy to increase and grow internal change capability
Risk that effective oversight and management of Enterprise, Programme and Project interdependencies is not maintained	<ul style="list-style-type: none"> • Delivery Integration Forum and Oversight Committee are in place to increase dependency visibility and management and ensure strong delivery focus between Programme/Project, IT&A and Change • Governance reporting to monitor progress, costs, risks, issues and interdependencies • Continuing to mature scenario planning
Risk that design decisions are made without full consideration of tactical short term and strategic long term impacts	<ul style="list-style-type: none"> • Review of Architecture and Design governance to move to cross-functional business led governance that is aligned to the change agenda • Development of integrated Architecture roadmaps across all areas of our business to inform design decisions

Proactively released for ACC