

**STANDING COMMITTEE ON LAW AND JUSTICE  
2020 REVIEW OF THE LIFETIME CARE AND SUPPORT SCHEME**

**Pre-hearing questions for icare**

*1. Please provide an update on the financial performance of the Lifetime Care and Support scheme, including a breakdown of liabilities.*

The Lifetime Care and Support (LTCS) Scheme is a no-fault scheme that provides people severely injured in motor vehicle accidents in NSW with lifetime care and support, regardless of fault. The Scheme commenced for children under 16 years if their injuries occurred on or after 1 October 2006, and for adults on 1 October 2007.

Each year, the Scheme collects the full amount required to cover the cost of treatment, rehabilitation and care for the people injured in that same year, for the rest of their lives. The amount collected is gradually paid out in the form of treatment, rehabilitation and care services over participants' lifetimes. Scheme funds may have to last for 80 years or more for a child participant. Depending on age and severity of injury, the average cost to meet a participant's future need can range from \$500,000 to in excess of \$10 million. As such, the scheme is long-tailed in nature and needs to be managed with a long-term view.

The Scheme continues to be in a sound financial position with enough assets to support its ongoing obligation to provide support to the participants of the Scheme well into the future. The funding ratio at February 2021 is 102 per cent. As at 28 February 2021, the LTCS scheme holds around \$7.5 billion in assets, and in FY20 collected \$465 million in levy payments and paid out \$200 million in claims. The net cashflow for the Scheme was a positive result for the history of the Scheme and is projected to be positive for the coming decades.

Some other key financial metrics are set out in the following table.

**Key metrics for LTCS**

<b>Item</b>	<b>\$m</b>
Levy income – 2020/21 expected	491
Levy income – 2021/22 planned	509
Claims paid – 2019/20	200
Investment income – 2019/20	9
Total assets as at 31 Dec 2020	7,507
Total liabilities as at 31 Dec 2020	(7,570)
Net assets as at 31 Dec 2020	(64)
Accounting funding ratio as at 31 Dec 2020	99.2%
Insurance ratio as at 31 Dec 2020	142%
Total assets as at 28 Feb 2021	7,499
Total liabilities as at 28 Feb 2021	(7,307)
Net assets as at 28 Feb 2021	193
Accounting funding ratio as at 28 Feb 2021	102.6%

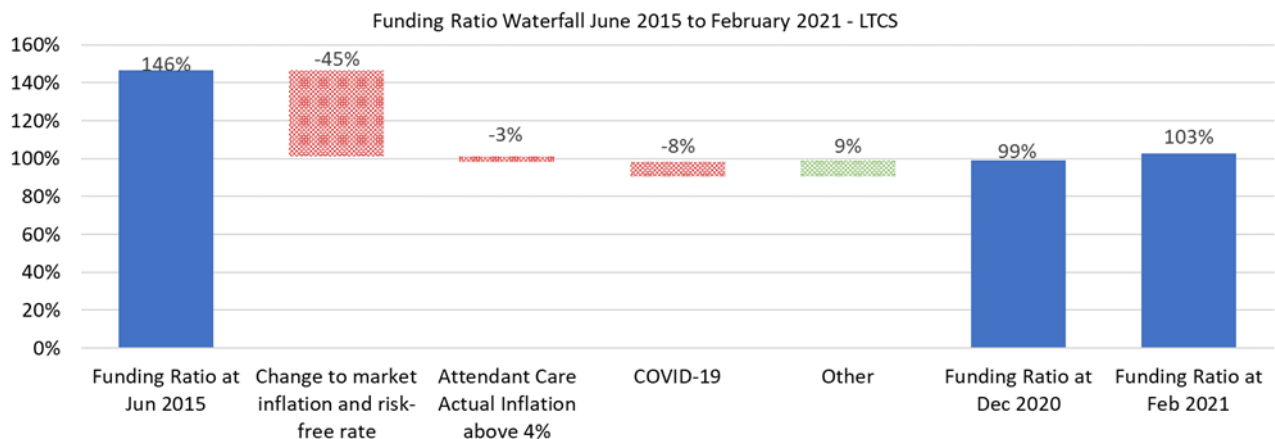
There are several ways to measure the financial sustainability of the Scheme - the funding ratio is calculated as the value of the assets divided the value of liabilities from the balance sheet. One of the critical assumptions in calculating this ratio is the rate of discount used to discount the liabilities.

LTCS assets are invested in a diverse range of assets and will earn a rate of return that is significantly higher than that on a Government bond portfolio. The average investment return for the LTCS over the past five years is 7.33 per cent for the period ending 31 December 2020. If an expected investment rate of return (six per cent) is used in discount the value of the liabilities, the LTCS funding ratio would be **144 per cent as at 31 December 2020**. This was the basis of the preparation of the accounts to 30 June 2017.

Since icare’s inception in 2015, the greatest impact on the Scheme’s accounting funding position has been the change in evaluating the present value of the Scheme liabilities using risk-free discount rates. These market-driven rates (based on Commonwealth Government bond yields) were adopted on 30 June 2018 as an accounting policy change.

Currently, the LTCS estimates liability for claims in line with accounting standards, which take a conservative view and assume that all assets are invested in a Government bond portfolio with a low investment return, noting that the short term Government bond yields are currently at unprecedented levels below 0.1 per cent. This is a static measure and at one point in time, does not reflect solvency.

As a result, the LTCS accounting funding ratio declined to 99.2 per cent as at December 2020. The stabilisation of the accounting funding ratio to 102 per cent as at February 2021 demonstrates the volatility in the accounting funding ratio and the impact changes in economic conditions can have on this measure. The table below demonstrates the impact the changes to market inflation and the risk-free rate had between the June 2015 and December 2020 valuation, and the subsequent recovery in February 2021.



LTCS is in a strong position to meet all of its financial obligations as they fall due for many decades.

The Scheme is expected to be cashflow positive for at least the next ten years as levy income is projected to grow with inflation from circa \$500 million to \$600 million per annum over the next ten years, while payments for participant entitlements are expected to grow from circa \$200 million to \$400 million with inflation and growth in total participant numbers in the Scheme over the same period. As such, income will exceed outgoings and even in a sub-100 per cent funding position, the entitlements of participants are secure.

## 2. How many participants are currently in the scheme?

The LTCS Scheme is long tailed in nature with an average claim duration of 21 years. Scheme funds may have to last for 80 years or more for a child participant. Depending on age and severity of injury, the average cost to meet a participant's future needs can range from \$500,000 to in excess of \$10 million.

As at the 31 December 2021, there were 1,728 participants in the Scheme, 319 of whom are interim participants (that is, within the first two years post injury).

Age at Scheme entry and current age as at 31 December 2020:

Age Band	Breakdown based on current age	Breakdown based on age at scheme entry
<15	94	170
15-24	236	503
25-34	448	277
35-44	261	231
45-54	217	209
55-64	206	164
65-74	133	97
>75	133	77
<b>Total</b>	<b>1,728</b>	<b>1,728</b>

## 3. Please provide a report on the investment performance of the Lifetime Care and Support scheme.

The purpose of the Lifetime Care and Support Authority Fund (LTCSAF) is to ensure the liabilities related to the LTCS Scheme are adequately funded. To support the Scheme's mission and with consideration to the Fund's risk appetite, the Fund has a focus on managing inflation risk while delivering performance.

The long-term nature of the LTCS Scheme means a higher risk/higher return investment profile can be adopted. This is because the relatively high volatility, associated with a higher risk/higher return strategy, should not materially impact the financial sustainability of the Scheme. Further, the higher volatility is expected to be rewarded, over time, with higher return.

Periods of lower return can be sustained as there is time to recover the losses through periods of higher returns. The benefit of this investment strategy is that it ultimately lowers the cost of the Scheme for the motorists of NSW, as investment returns are expected to contribute to covering the costs of the scheme.

The higher return profile of the investment portfolio is used in the levy setting process to minimise the levy charged. If the scheme's investment assets were to produce lower returns, more of the required income to fund the treatment and care costs would have to be covered by the levy.

The investment performance of the LTCSAF has been strong over the longer term (refer below tables) yet it was impacted, as all investments were, by COVID19-related market events throughout 2020. For the financial year ending June 2020, the LTCSAF returned a modest 0.29 per cent, yet, pleasingly, through the severe market events it remained well within all the risk parameters set out in the investment strategy.

## LTCSAF performance as at 31 December 2020

	Market Value (AU\$ m)	Financial Year to Date	1 year	3 Year	5 Year	10 Year	Since Inception*
<b>Total Fund</b>	\$7,440	7.06%	3.18%	6.83%	7.33%	8.57%	7.65%
<b>Benchmark</b>		7.01%	4.94%	7.10%	7.41%	8.52%	7.56%
<b>Excess</b>		0.06%	(1.76%)	(0.27%)	(0.07%)	0.04%	0.09%
<b>Average Weekly Earnings + 2%</b>		2.05%	3.46%	4.04%	4.07%	4.45%	4.78%
<b>Excess</b>		5.01%	(0.28%)	2.79%	3.27%	4.11%	2.88%

\* Since inception date 30 June 2007

Volatile global equity markets and rising bond yields throughout the month of February 2021 detracted from Fund performance relative to December 2020. Table 2 outlines performance as at the period ending 28 February 2021.

## LTCSAF performance as at 28 February 2021

	Market Value (AU\$ m)	Financial Year to Date	1 year	3 Year	5 Year	10 Year	Since Inception*
<b>Total Fund</b>	\$7,435	6.45%	2.32%	6.29%	7.66%	8.27%	7.51%
<b>Benchmark</b>		6.94%	4.65%	6.83%	7.85%	8.29%	7.46%
<b>Excess</b>		(0.47%)	(2.24%)	(0.55%)	(0.20%)	(0.02%)	0.05%
<b>Average Weekly Earnings + 2%</b>		2.62%	3.42%	4.01%	4.05%	4.40%	4.76%
<b>Excess</b>		3.83%	(1.11%)	2.28%	3.60%	3.87%	2.75%

\* Since inception date 30 June 2007

### 4. What steps are being taken to ensure the long-term viability of the scheme?

icare takes a long-term view to the financial sustainability of the LTCS Scheme. The investment portfolio is structured to generate a higher return through a higher risk profile. This minimises the levy requirements and provides a higher probability of funding the liabilities of the Scheme. The levy itself is set to fully fund, along with the investment income, the liabilities arising in the period. Coupled with close monitoring of the treatment and care costs of the Scheme and a drive for efficient expenses, these measures all ensure the long-term viability of the Scheme.

The capital management and levy setting policies further enhance the governance of the Scheme. The Capital Management Policy sets out the capital adequacy, capital forecasting and capital monitoring requirements for the Scheme. It also describes the actions that should be taken if the level of capital falls below the target.

The Board and management of icare are regularly updated on the financial position of the LTCS Scheme allowing timely intervention in the case of adverse outcomes. The environment in which the Scheme operates is also closely monitored to allow external risks to be mitigated before they create excess strain on the Scheme.

Over the next year, icare will review its Capital Management Policy and Levy Setting Policy to assess whether amendments are required in response to the expectations around investment market volatility and a prolonged period of low risk-free discount rates.

*5. How many icare case workers, on average, does a claimant have to deal with over the course of their care?*

The number of icare staff that a participant deals with is minimal and all participants have a dedicated single point of contact. It is not possible to provide an average number of case workers a claimant may deal with over the course their care, as it is a lifelong relationship between the participant and LTCS. Some participants, over ten to fifteen years in the Scheme, have only had one or two dedicated contacts. The LTCS model of service delivery is team-based, so if a participant does change their contact it will usually be to someone within the team who is familiar with their circumstances and has possibly advised on their case. Participants are usually allocated to a dedicated contact within a team that manages other participants that live in that area or region, so they are familiar with local services. When a participant changes their direct contact, a transitions checklist is used to ensure minimal disruption to the participant.

Of note, icare has a very low rate of turnover of staff contacts. Reasons for a change in the contact include the need for specialist knowledge in the contact, staff leaving, a participant's request or a change in the participant's goals.

*6. What avenues are available for claimants if they wish to make a complaint or dispute a decision? Where is this information displayed and is this information readily accessible?*

Information on how to make a complaint or lodge a dispute accompanies every decision made about a participant's treatment and care needs or eligibility to the Scheme. This information is also available on icare's website, as well as in information sheets on Complaints, Treatment and Care Disputes and Eligibility Disputes. Information on the support and advocacy services available to participants is also available on the website.

A complaint or dispute can also be lodged during a conversation with the participant's contact or by email to a dedicated email address.

LTCS's Customer Feedback Framework involves a three-level model of complaint handling which was developed in accordance with:

- the Australian/New Zealand Standard AS/NZA 10002:2014, *Guidelines for complaint management in organisations*, and
- NSW Ombudsman Complaint Management Framework June 2015

The participant is encouraged in the first instance to make a complaint to their LTCS contact or alternatively to the Assessments Review Team by either a phone call or email.

If a participant is unhappy with their contact's response, or if they wish to speak to someone else, they can escalate their complaint to the Assessment Review Team, which sits outside the operational team and provides an independent review of complaints. If a participant feels the Assessment Review Team hasn't sufficiently or fairly dealt with their complaint, they can ask for an internal review to be undertaken by the General Manager, Care Services.

Lastly, if a participant feels that LTCS has not sufficiently or fairly handled their complaint, they are able to contact the NSW Ombudsman by phone or email.

*7. What is icare's position regarding the need for providers to maintain the ACIS standard as well as comply with the NDIS Quality Framework and the NDIS Practice Standard?*

icare has a mandatory requirement for attendant care providers to have the Australian Community Industry Standard (ACIS) to be considered for inclusion on the approved attendant care provider panel. This requirement provides a significant level of assurance that the provider has the organisational structures and supports in place to deliver services with sufficient safeguards to meet the needs of LTCS participants.

This requirement has been in place since 2011 with the introduction of the Attendant Care Industry Management Systems Standard (ACIMSS), the precursor to ACIS. The standard is administered and endorsed by the Australian Community Industry Alliance (ACIA). Since the development of ACIS, the standard has been reviewed regularly to ensure currency and implement improvements as the approach to service delivery has become more person-centered. The current version, ACIS 2018, is being reviewed this year.

Providers of services for NDIS participants are required to be registered through compliance with the NDIS Code of Conduct and have the NDIS Practice Standards in place. The Practice Standards are administered by the NDIS Quality and Safeguards Commission and apply only to services delivered to NDIS participants. Audits against those standards **only** include NDIS participants and do not look at services to any other service users including LTCS participants. Currently, full audits occur every three years with surveillance audits occurring at the mid-point between.

ACIA, the peak industry body for attendant care services, is currently developing a bridging standard that will address the specific and complex needs of people with very severe injuries such as brain and spinal cord injury across Australia. This standard is being designed to acknowledge the components of the NDIS Practice Standards that apply in these severe cases and will focus on bridging the gap between those and current and potential revisions to ACIS 2018.

This will minimise duplication for providers wishing to be approved for service delivery for both NDIS and LTCS. There will also be alignment in the NDIS audit cycle to ensure efficiency in the audit process for providers through concurrent audits.

Once developed and approved as a Quality Standard, icare will consider the bridging standard alongside the NDIS practice standards as a suitable option to meet the mandatory requirement for evidence of quality and safeguards. It will then be used as a threshold for a provider to be considered for inclusion on the panel of approved attendant care providers.

*8. The 2018 Lifetime Care and Support Guidelines explicitly reference carer inclusion in provisions such as financial compensation and the recognition of a carer's ability to be present during an examination. How does icare ensure that organisations and service sectors are aware of and make allowances for these provisions?*

The Lifetime Care and Support Guidelines set out the process when an individual disputes a decision icare has made about either:

- their eligibility for participation in the LTCS Scheme; or
- their treatment, rehabilitation and care needs ('TRAC disputes').

A clinical examination is often a key component of the process for each type of dispute. In both eligibility and TRAC disputes an individual may have a parent, legal guardian, carer or other support person present while this takes place.

All dispute assessors engaged to resolve disputes are aware of, and make allowances for, a support person being present during their clinical assessment. Communication with individuals who have lodged a dispute about the clinical examination, includes advice about the option of having a support person, such as their parent, legal guardian or carer present during the process. This is confirmed in writing to individuals during every dispute where a clinical examination takes place. A copy of this letter is also sent to the dispute assessor(s) resolving the dispute, a participant's case manager and/or advocate, if they have one.

Almost all clinical examinations will take place at an individual's home, to ensure the dispute process is minimally disruptive. In rare circumstances where the clinical assessment cannot take place at an individual's home, icare will fund the travel costs for both the individual and the support person to attend the assessment at another location deemed suitable by the dispute assessor(s), for example their consulting rooms. Individuals are advised that icare will fund these costs, make any necessary arrangements on their behalf and is ultimately responsible for payment of all costs associated with the assessment, including travel if required.

*9. What was the total amount spent on incentive payments to support workers that travel to remote areas? What locations did they travel to and how frequently?*

The incentive mileage payment was introduced in the 2009 Lifetime Care Attendant Care Fee Schedule and intended to mitigate risks around support worker availability for participants who live in more rural, regional and/or remote locations.

The amount of travel to deliver the services to remote or regional locations can be extensive and considered to be in excess of distances workers travel within more urban or suburban areas. So as this amount of travel is not a disincentive for support workers, icare has introduced a payment per kilometre after the first 10km from home or office to, and return from the participant's location, for each shift.

To claim this fee, attendant care providers must submit an application to icare on behalf of the worker, including the specific details of the journeys. This application also contains a section for the provider to outline the efforts they have made to source more local support for the participant and explain why these have not been successful. Once approved, the provider invoices for each trip per worker, at the rate of 63 cents per kilometre, and this is expected to be passed on in full to the support worker given the support worker's travel cost is their own.

In calendar year 2020, incentive mileage accounted for 0.7 per cent of all direct attendant care service costs at a total of \$794,710. The claims were in respect of 74 participants living in regional or remote locations across NSW. Examples of locations include Enoggera, Uranquinty, Cootamundra, Mathoura, Corrimal, Manilla and Nimbin.

*10. Given the challenges posed by COVID-19, will the cost of Personal Protective Equipment (PPE) be recognised as a claimable cost within the Lifetime Care Scheme?*

In the early stages of the COVID-19 pandemic, icare introduced a reimbursement system for Personal Protective Equipment (PPE) for support workers in the provision of attendant care services.

Initially the system focused on reimbursement at the individual participant level, however there was limited uptake of this option. Providers indicated that the claiming process imposed an increased administrative burden and so it was not being taken up.

Further consultation identified additional refinements and the system has since been streamlined to facilitate monthly reimbursement of expenses across all three schemes (LTCS, Dust Diseases Care and Workers Care). Since the streamlining of the system expenditure on PPE, reimbursements for the period 1 October 2020 – 4 March 2021 was approximately \$77,000.

Additionally, icare introduced a contribution of up to \$25 per week to participants towards the cost of face masks they purchased for them to wear during the delivery of icare-funded supports or services. The reimbursement was made available to all participants, regardless of their COVID-19 status, in recognition of the level of concern present during the pandemic.

Discussions with the attendant care panel providers also identified that the sourcing of PPE including gloves, masks and hand sanitiser was hugely problematic due to supply chain impacts and increased demand in the market. The cost of these items also increased significantly. icare subsequently liaised closely with its consumables supplier to secure and quarantine essential PPE supplies for attendant care panel providers.

icare continues to follow the evolving position of NSW Health including any associated Public Health Orders regarding the use of PPE for the delivery of care to Scheme participants. We also maintain frequent contact and communication with our panel of attendant care providers to ensure currency with the reality of the experience across the sector.

#### *11. What is icare's position on information sharing between the Lifetime Care and Support scheme and relevant professionals/ governmental departments, particularly in relation to critical incidents?*

icare shares relevant medical and health information about a participant with the professionals who are providing their treatment, rehabilitation and care. This includes critical incidents, to ensure all parties have the appropriate safeguarding and risk mitigations strategies in place to safely support the participant. Relevant professionals providing services to participants as part of their treatment and care also have an obligation to report critical incidents to icare so that any required risk mitigation strategies can be coordinated with the rest of the treating team.

The ability for icare to share information with other government agencies is limited by the *Lifetime Care and Support Act 2006*, which authorises the exchange of information concerning the treatment and care needs of participants with licensed insurers and other such persons or bodies as may be approved by the Authority. When reporting incidents, icare has often had to rely on the legislation of other agencies.

As such, information sharing with other Government departments is decided on a case-by-case basis. By way of example, icare has shared information with the NSW Ageing and Disability Commission where concerns about the potential abuse or neglect of a participant by a family member have been identified. Similarly, icare has made reports to NSW Police when it has become aware of illegal activity or there has been a risk to the safety of staff or service providers. icare is also currently exploring ways of sharing information with the National Disability Insurance Scheme and NDIS Quality and Safeguards Commission.

#### *12. Going forward, does icare intend to utilise a tender process to identify which providers are available under the scheme?*

Since the inception of LTCS in 2006, there has been a tender process in place to create a panel of approved attendant care providers. Attendant care is the highest risk service provided to participants given the intimate and prolonged exposure to support people to participate in all activities of daily living.



There have been four tender-based procurement actions for attendant care during the existence of the LTCS Scheme, increasing the number of panel providers each time to reflect the increasing numbers of participants and service needs. The RFT process is carefully administered following procurement rules and guidelines with significant probity oversight. Since inception, LTCS has also undertaken two procurement processes for supplying consumables (continence, nutrition and wound care products).

The Lifetime Care legislation allows for the approval of providers. The Provider Engagement Framework (PEF) guides decisions about which providers to approve by applying a risk-based assessment, recognising degrees of risk in the type of service delivery, level of exposure (volume of service) and reputational risk to LTCS. A procurement process has been undertaken to create panels of service providers who have been identified as appropriate for approval. These include case managers, care needs assessors and building modification project managers.

*13. SIRA notes the increased LTCS levy in its submission. Can you please provide further information on the context for this increase?*

The LTCS levy increased from \$461 million for the 2019/20 financial year to \$491 million for the 2020/21 financial year, a 6.4 per cent increase.

The key assumptions for the 2020/21 levy are:

- **The number of new participants during the year:** It was estimated that there will be 171 interim participants accepted into the Scheme as a result of accidents occurring during the 2020/21 year. This estimate was unchanged from the 2019/20 year and was in line with the long-term average experience.
- **Cost per participant:** The total lifetime cost of providing care and support to a participant entering the Scheme can vary significantly. The main drivers of the variability in cost are injury type, severity of injury, age of the participant and medical and attendant care costs. The cost per participant increased by 6.4 per cent between the 2019/20 financial year and the 2020/21 financial year with the main components of the change being:
  - The impact of one year's economic and superimposed inflation (+3.9 per cent).
  - Increases in attendant care hourly rates at 1 July 2019 and 1 February 2020 above the actuarial expectation. This was in response to hourly rate increases announced by the National Disability and Insurance Authority for its attendant care service providers, as well as higher than expected utilisation of attendant care services by our participants (+2.6 per cent).
  - Longer life expectancy as per the life tables released by the Australian Government Actuary (+0.8 per cent).
  - There are other impacts reflecting the emerging profile of participants and payment utilisation experience which in aggregate partially decreased the cost per participant (-0.9 per cent).

The operating expense assumption remained unchanged at 12.7 per cent of the total cost of services for LTCS participants.

The inflation of service costs and the pressures on attendant care hourly rates led to the levy increase. In both cases, icare has very limited ability to control these drivers.