

# **Submission**

By

**Business|NZ**

to

**ACC**

on

## **Cost of Treatment Regulations Consultation Document** (Adjustment to Specified Treatment Provider Rates)

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**COST OF TREATMENT REGULATIONS – CONSULTATION DOCUMENT  
(ADJUSTMENT TO SPECIFIED TREATMENT PROVIDER RATES)  
SUBMISSION BY BUSINESS NEW ZEALAND<sup>1</sup>**

**1.0 INTRODUCTION**

- 1.1 Business New Zealand welcomes the opportunity to comment on the Cost of Treatment Regulations Consultation Document which advocates a 25.67 percent increase in the value of ACC-regulated contributions for specified treatment providers.
- 1.2 Businesses are significant funders of the ACC scheme and have a vital interest in the performance and costs of the scheme.
- 1.3 Business New Zealand is strongly of the view that the costs of the scheme have to be controlled in a manner which is transparent and reasonable for funders, providers and claimants. The scheme cannot be open-ended and unaccountable in, for example, meeting treatment costs. At the same time, it is important that claimants are not unduly restricted in their ability to seek appropriate treatment due to unreasonable co-payments.
- 1.4 While Business New Zealand would claim no special expertise in setting the levels of contributions for treatment costs, to require either ACC or indeed employers to meet the full cost of whatever amount treatment providers might choose to impose would be unacceptable. There would be little accountability in such a system which could in many cases, encourage treatment providers to submit grossly inflated bills in the knowledge that ACC and ultimately employers would be obligated to pay them. In this respect, a balance must be struck to ensure that claimants obtain appropriate treatment but incentives for ACC scheme costs to blow-out are minimised.

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<sup>1</sup> Background information on Business New Zealand is attached as Appendix 1.

## RECOMMENDATIONS

Business New Zealand **recommends** that:

**while it is appropriate to review the level of regulated contributions towards identified treatment consultations, ACC's contribution to treatment fees should continue to be subject to capping while a system of co-payments should remain in place to minimise the risk of a "cost-plus" mentality on the part of treatment providers.**

Business New Zealand **recommends** that:

**ACC should make greater use of "preferred provider" contracts thus ensuring that treatment costs are kept at affordable levels both in respect to ACC contributions, to minimise or eliminate any co-payments which may otherwise be required of claimants, but leaving claimants free to choose some other provider, should they so wish.**

## 2.0 GENERAL COMMENTS ON THE CONSULTATION PAPER

- 2.1 Business New Zealand notes that the Consultation Paper states a number of reasons for reviewing the levels of regulated contributions towards identified treatment consultations prescribed by the cost of treatment regulations. These include: (1) ensuring that ACC's contributions towards treatment costs go some way towards keeping up with changes in the cost of healthcare over time; and (2) enabling Government to continue its progress towards compliance with International Labour Organisation (ILO) Convention 17.<sup>2</sup>
- 2.2 While Business New Zealand would claim no special expertise in setting the levels of contributions of treatment costs to require either ACC or indeed employers to meet the full cost of whatever amount the treatment providers might choose to impose would be unacceptable.

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<sup>2</sup> See ACC Cost of Treatment Regulations Consultation Document (p.9) where it is stated that the regulated ACC contribution for this group of treatment providers was last reviewed in 1992 and that between 1992 and 2005, the Consumers' Price Index as it applies to health services has risen by 31.2%.

- 2.3 Given the above, Business New Zealand is strongly of the view that the current system of “caps” and use of co-payments for treatment costs should be maintained but that the level of caps should be reviewed from time to time.<sup>3</sup>
- 2.4 Business New Zealand considers it is important that any proposed mechanisms to take account of changes in health care costs do not simply encourage a “cost-plus” mentality on the part of treatment providers.
- 2.5 Business New Zealand considers that any review mechanism should clearly examine the particular market for treatment providers – what are the cost drivers and reasons for them - to ensure that a cost-plus mentality is not developed in respect to contributions (adjustments) towards the cost of treatment.
- 2.6 Furthermore, Business New Zealand wishes to stress the importance of having a highly competitive health sector to constrain cost increases while maintaining quality healthcare and rapid treatment of injured parties. It is important not to place unnecessary regulatory constraints on the ability of treatment providers to provide timely and cost-effective treatment.
- 2.7 In specific respect to co-payments, a mechanism to reduce most, if not all, costs to patients is through the provision of contracts with “preferred providers” so that claimants and providers are provided with timely and cost-effective treatment. In this respect, Business New Zealand supports initiatives by ACC to seek the cooperation of treatment providers through specific contracts.

Business New Zealand **recommends** that:

**while it is appropriate to review the level of regulated contributions towards identified treatment consultations, ACC’s contribution to treatment fees should continue to be subject to capping while a system of co-payments should remain in place to minimise the risk of a “cost-plus” mentality on the part of providers.**

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<sup>3</sup> Co-payments (and caps) are part and parcel of most private insurance contracts. Insurance contracts which provide cover for the full cost of treatment normally cost the patient significantly more in ongoing premiums given significantly less ability to control costs, although health insurers do use a range of mechanisms to try and minimise costs while ensuring patients receive timely and quality treatment.

Business New Zealand **recommends** that:

**ACC should make greater use of “preferred provider” contracts thus ensuring that treatment costs are kept at affordable levels both in respect to ACC contributions, to minimise or eliminate any co-payments which may otherwise be required of claimants, but leaving claimants free to choose some other provider, should they so wish.**

### ILO Convention 17

- 2.8 Business New Zealand notes that the ACC Consultation Document that the proposed 25.67 percent increase in ACC’s contribution to specified treatment providers’ fees demonstrates a continued commitment to, amongst other things, *“further progress towards ILO17 compliance”* (p.10).
- 2.9 Business New Zealand continues to dispute whether the ACC scheme is in breach of ILO Convention 17. New Zealand legislation has always provided a qualification to the level of payment provided for medical treatment. Business New Zealand’s Submission on the Cost of Treatment Regulations Consultation Document (22 August 2003) raised this issue, with the relevant sections of that Submission quoted below:

*“On the issue of co-payment, Business New Zealand notes with concern that....it is stated that the ILO Convention 17 Article 9 (ILO 17) “requires signatory countries to ensure that medical costs of workers’ injuries are not borne by workers for work-related injuries” and that “currently much medical treatment carried out under the treatment cost regulations incurs a co-payment for claimants.”*

*Business New Zealand takes issue with this interpretation of ILO 17 For example, Article 9 goes on to state that such aid “...as is recognised to be necessary” is to be provided, with the cost of such aid to be “defrayed” by the employer or insurance company.*

*New Zealand legislation has always provided a qualification to the level of payment provided for medical treatment. The Convention was ratified in 1938, at which time the 1922 Workers’ Compensation Act provided for the payment of “reasonable” medical expenses to a capped monetary amount. This provision was continued in the Consolidated Workers’ Compensation Act 1956.*

*The Accident Compensation Act 1972 expressed the limitations to the amount to be paid by the Commission as being “reasonable by New Zealand standards” – a definition continued in the consolidating 1982 Accident Compensation Act. Regulations were permitted pursuant to*

*the Accident Compensation Acts of 1972 and 1982, which could (and did) provide for payment limits. So too, the Accident Rehabilitation and Compensation Insurance Act 1992 merely continued to determine, by way of regulations made pursuant to it, maximum amounts in certain circumstances that were determined to be reasonable in the context of New Zealand's overall health provision services."*

## **APPENDIX 1**

### ***BACKGROUND INFORMATION ON BUSINESS NEW ZEALAND***

Encompassing four regional business organisations (Employers' & Manufacturers' Association (Northern), Employers' & Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce, and the Otago-Southland Employers' Association), Business New Zealand is New Zealand's largest business advocacy body. Together with its 57 member Affiliated Industries Group (AIG), which comprises most of New Zealand's national industry associations, Business New Zealand is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy on behalf of enterprise, Business New Zealand contributes to Governmental and tripartite working parties and international bodies including the ILO, the International Organisation of Employers and the Business and Industry Advisory Council to the OECD.

Business New Zealand's key goal is the implementation of policies that would see New Zealand retain a first world national income and regain a place in the top ten of the OECD (a high comparative OECD growth ranking is the most robust indicator of a country's ability to deliver quality health, education, superannuation and other social services). An increase in GDP of at least 4% per capita per year is required to achieve this goal in the medium term.

The health of the economy also determines the ability of a nation to deliver on the social and environmental outcomes desired by all. First class social services and a clean and healthy environment are possible only in prosperous, first world economies.