ANNEXURE A: Performance standards for self-insured employers

WorkCoverSA

PERFORMANCE STANDARDS FOR SELF-INSURED EMPLOYERS
Part 1: Introduction

The performance standards and evaluation process are means to an end. The clear focus is on outcomes, with the standards as the means of achieving the intended outcomes.

These standards are one component of the requirements that self-insured employers must meet in South Australia. They must be read in conjunction with other administrative and legislative requirements, including the Code of conduct for self-insured employers (the Code), the Workers Rehabilitation and Compensation Act 1986 (WRCA) and the data requirements of the First schedule to the Regulations.

The primary objective for WorkCoverSA is to provide an effective and efficient system that helps employers and employees work together to get the best results in health, safety, rehabilitation and claims management and to achieve continuous improvement in these disciplines.

The standards are designed to address:

- the integration of WHS, claims management and rehabilitation into mainstream management systems for self-insured employers
- consultation and joint employer and employee involvement
- a system capable of ensuring that employers meet their duty of care under the WHS legislation
- compliance with the Work Health and Safety Act 2012 (SA) (WHSA) and WRCA and associated Regulations
- the development of systems that measure outcomes
- continuous improvement


A business management systems structure clearly designates overall responsibility for WHS, rehabilitation and claims administration to senior management of the organisation.

It should be noted that compliance with the performance standards is only one of a number of matters that WorkCoverSA will consider as part of the evaluation process associated with initial applications and renewal of self-insured registration. Details of the full range of requirements are contained in the Code, which is available from WorkCoverSA’s website, www.workcover.com.
Part 2: Standards

2.1 Overview of the performance standards

The performance standards apply to all self-insured organisations. They will be used to provide an equitable benchmark for measuring performance and in considering applications for registration and renewal under section 60 of the Act.

The performance standards do not replace legislative requirements, or relieve organisations from the responsibility of complying with those requirements. If a conflict between these standards and the law occurs, the law will take precedence.

The performance standards describe the WHS, rehabilitation and claims management system requirements for self-insured organisations in South Australia. As such, they are designed to provide organisations with the opportunity to demonstrate objective evidence of the presence of effective business management systems.

The performance standards rely on the business and its employees identifying the health and safety hazards in the particular workplace and documenting the corrective action required to prevent injury. The hazard management process of identifying, evaluating and controlling hazards is central to, and a key deliverable of the management system created by the standards. The standards also require effective and equitable systems for the administration of rehabilitation and claims management.

The performance standards promote a business management systems approach to WHS, rehabilitation and claim management. As such, they will provide self-insured organisations with:

- flexibility in developing and implementing strategies to reduce risk, resulting in fewer claims and lower costs,
- integration of WHS, rehabilitation and claims management with the core functions of the organisation,
- assurance that a high level of performance is being maintained, and
- continuous improvement in WHS, rehabilitation and claims management.

2.2 Objectives of the standards

- To produce measurable continuous improvement outcomes in WHS, rehabilitation and claims management through a business management systems approach.
- To provide a framework that allows organisations to meet legislative responsibilities under the WHSA and the WRCA and associated Regulations.
- To assist to achieve its aim of reducing claim numbers, claim rates and the cost, duration and severity of claims in South Australia.
The standards require two levels of consultation; internal consultation between management and employees and external consultation with WorkCoverSA.

2.3 Consultation

2.3.1 Internal consultation

Self-insured employers are required to establish and maintain effective mechanisms for consultation with employees to ensure:

- employee representative involvement in the development of policy and the planning, implementation and evaluation of its WHS, claims management and rehabilitation systems initiatives within the workplace,
- employee contribution to and acceptance of those processes, and
- compliance with the consultation requirements of the WHSA and Regulations, as a minimum.

The consultative mechanism will vary, in each self-insured organisation depending on the business management system. However, the consultative mechanism must be capable of facilitating dialogue, seeking information or the opinions of affected employees, and giving consideration to those opinions prior to management making key decisions.

2.3.2 External consultation

Self-insured employers and WorkCoverSA will consult for the purpose of:

- evaluating the employer’s business management system,
- following up employee reports to WorkCoverSA that suggest non-conformance with relevant Acts, or the self-insured employer’s rehabilitation and claims management plan,
- discussing and addressing unresolved non-conformance when identified by the self-insured employer or WorkCoverSA, and
- maintaining a relationship to review the implementation of the employer’s agreed action plan.
2.4 Continuous improvement model

The continuous improvement model works on five principles as illustrated below and explained in the following section.

WorkCoverSA recognises that the employer's commitment to improvement ultimately drives its outcomes. WorkCoverSA’s focus on performance and ensuring underpinning systems meet the requirements of the standards assists the employer to achieve its desired outcomes.

**Diagram 1 – Continuous improvement model**

**Unless otherwise stated the element requirements apply to all disciplines ie, WHS, rehabilitation and claims.**
Standard 1 – Commitment and policy

The Standard requires an organisation to define its WHS, rehabilitation and claims administration policy and commit adequate resources to ensure the success of its management systems.

The policy needs to be relevant to the organisation’s overall vision and objectives. It needs to set the framework for continuous improvement. It should ensure accountability and link WHS, rehabilitation and claims administration to the overall organisational values, objectives and processes. The policy guides the setting of objectives. Supporting procedures should set into place the steps to be taken to achieve the organisation’s policy goals.

SCOPE: The organisation defines its WHS, rehabilitation and claims management policy and supporting procedures in consultation with employees or their representatives.

Element 1 Endorsed and distributed policy statement

The organisation’s policy statement must:

- recognise the requirement for legislative compliance
- recognise the pursuit of continuous improvement
- be integral and relevant to the organisation’s:
  1) mission statement, vision, core values and beliefs
  2) overall management system structure and system
  3) activities, products, services and people.
- identify responsibilities and accountabilities for all relevant employees
- recognise commitment that appropriate internal and/or external expertise will be utilised, when required, in all related activities
- recognise other organisational policies and procedures when relevant
- recognise a commitment to communication of relevant information to all staff.
- recognise the organisation’s duty of care to all persons in the workplace including labour hire, contractors and subcontractors, volunteers and other visitors (WHS)
- recognise a hazard management approach to (WHS)
- incorporate commitment to consultation (WHS)
- incorporate commitment to consultation (REHAB)
- recognise commitment to effective rehabilitation (REHAB)
- recognise commitment to equitable claims management. (CLAIMS)
Element 2  Supporting policies and/or procedures
The organisation must have supporting policies and/or procedures that show:

- evidence of policies and/or procedures to support the policy statement
- contingency arrangements are outlined for the organisation.
Standard 2 – Planning

The successful implementation and operation of WHS, rehabilitation and claims management systems requires an effective planning process with defined and measurable outcomes. The plan starts with the policy statement and its objectives and addresses the schedules, resources and responsibilities necessary for achieving them.

Objectives, targets and performance indicators are identified as they will be used to measure the effectiveness of the WHS, rehabilitation and claims management systems and to identify areas requiring corrective action and improvement.

In summary, the plans aim to fulfil the organisation’s policy, objectives and targets.

Scope: The organisation plans to fulfil its policy, objectives and targets in consultation with employees or their representatives.

Element 1 System strategies

The organisation’s system must ensure:

- legislative compliance is addressed as part of the system, where relevant,
- employees or their representatives directly affected by the implementation of WHS plans are consulted when the plans are being formulated (WHS),
- programs have objectives, targets and performance indicators where relevant,
- action plans are in place to correct identified areas of non-conformance with documented procedures,
- program(s) are in place to identify, evaluate and control hazards in the organisation (WHS)
- action plans are in place for dealing with corrective action identified as part of any incident investigation process (WHS), and
- program(s) are in place to identify the organisation’s core rehabilitation and claims management activities and to provide direction regarding performance outcomes (REHAB) (CLAIMS).

Element 2 Setting of systems objectives

The organisation must ensure:

- the identification of objectives for the organisation, and
- the identification of appropriate strategies to measure, monitor, evaluate, and review the system’s objectives.

Element 3 Training

The organisation must ensure:

- appropriate training requirements have been identified, and
- training plan(s) have been developed.
Standard 3 – Implementation

This principle focuses on ensuring that the resources and supporting mechanisms needed to achieve the organisation's policy objectives and targets are provided.

It deals with adequate resources being made available, integration with current management practices and systems, responsibilities being defined and understood, methods for holding all managers and employees accountable, arrangements for employee involvement, training being implemented, and supporting mechanisms such as verbal and written communications.

**Scope:** The organisation demonstrates the capabilities and support mechanisms that are necessary to achieve its policy objectives and targets, in consultation with employees or their representatives.

**Element 1  Resources**
The organisation must ensure:

- adequate human, physical and financial resources are being allocated to support the program(s), and
- specialist expertise is used as required.

**Element 2  Training**
The organisation must ensure a relevant training program is being implemented.

**Element 3  Responsibility and accountability**
The organisation must ensure:

- defined responsibilities are communicated to relevant employees, and
- accountability mechanisms are being used when relevant.

**Element 4  Integration**
The organisation must ensure system elements are aligned with, or integrated into, corporate business functions, where relevant.

**Element 5  Employee involvement**
The organisation must ensure arrangements for employee consultation, and involvement are known and integrated into the programs developed (WHS) (REHAB)

**Element 6  Communication**
The organisation must ensure communication arrangements for information dissemination and/or exchange are in place.
Element 7  Contingency planning
The organisation must ensure contingency plans are periodically tested and/or evaluated to ensure an adequate response, if required.

Element 8  Hazard identification, evaluation and control
The organisation must ensure:

- a hazard management process that includes identification, evaluation and control is in place (WHS),
- employees or their representatives are consulted and participate in hazard management processes (WHS),
- control measures are based on the hierarchy of control process (WHS),
- program(s) are in place to ensure an appropriate WHS consideration is given to changes in the workplace and work practices (WHS),
- program(s) are in place to ensure an appropriate WHS consideration is given at the time of purchase, hire or lease of plant, equipment and substances (WHS),
- program(s) are in place to meet the organisation’s duty of care for all persons in the workplace (WHS), and
- program(s) are in place to ensure work related injury/illness and incidents are investigated and action taken when relevant (WHS).

Element 9  Workplace monitoring
The organisation must ensure:

- that the implementation of relevant inspection and testing procedures are conducted by the relevant, competent person(s) (WHS), and
- that corrective/preventive action is taken on non-conformance issues identified by inspection, and testing procedures (WHS)

Element 10  Process delivery
The organisation must ensure all other activities arising out of policies and/or procedures are being implemented.

Element 11  Reporting/documentation
The organisation must ensure the relevant level of reporting, records and/or documentation is maintained to support the system programs and legislative compliance.

Element 12  Documentation control
The organisation must ensure program(s) of documentation control for identification and/or currency of essential documents are in place and maintained.

Standard 4 – Measurement and evaluation

WHS, rehabilitation and claims management performance is measured, monitored and evaluated using performance indicators, to ensure that the organisation is performing in accordance with its policy, objectives and targets. Importantly, areas of success and activities requiring corrective action and improvement will be identified.
Scope: The organisation measures, monitors and evaluates its performance in consultation with its employees or their representatives, and takes corrective action when necessary.

Element 1 Objectives, targets and performance indicators
The organisation must ensure planned objectives, targets and performance indicators for key elements of program(s) are maintained, and monitored and reported.

Element 2 Internal audits
The organisation must ensure programmed internal audits are performed objectively by competent personnel to ensure performance of systems and programs and employees directly affected by the results, or their representatives, are consulted.

Element 3 Corrective action
The organisation must ensure outcomes of the audits are documented and the necessary corrective action(s) identified, prioritised and implemented.
Standard 5 – Management systems review and improvement

The organisation should regularly review and seek to continually improve its systems. This leads to the development of continuous improvement strategies within the organisation.

Scope: The organisation regularly reviews its WHS, rehabilitation and claims management systems, in consultation with its employees or their representatives, with the objective of maintaining and where possible improving overall performance.

Element 1  Policy

The organisation must ensure

- it reviews the scope and content of the policy statement and supporting policies/procedures in consultation with employees or their representatives to ensure continued suitability and effectiveness.

Element 2  Objectives, targets and performance indicators

The organisation must ensure:

- the level of achievement of documented objectives, targets and performance indicators is analysed and utilised to promote continuous improvement strategies, and
- results are analysed and used to determine areas of success and areas requiring corrective and preventive action.

Element 3  System review

The organisation must ensure:

- the system is reviewed and revised, if required, in line with current legislation, the workplace and work practices, and
- the system's measurement outcomes are used as a basis for future system development.
# GLOSSARY:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Action plan</td>
<td>Describes the activities of the organisation to achieve the organisation’s objectives and includes key elements for attention and/or review, the person responsible for action and the timeframes intended for completion.</td>
</tr>
<tr>
<td>Appropriate</td>
<td>Suitable or fitting for a particular purpose, person, occasion or intent.</td>
</tr>
<tr>
<td>CEO</td>
<td>The chief executive officer or most senior executive/manager residing within South Australia with the responsibility for WHS, rehabilitation and claims of the elements.</td>
</tr>
<tr>
<td>Contingency</td>
<td>Planning to maintain control of the management system applicable to a particular business during an unplanned event, such as fire, chemical spill, bomb threat, injury and the loss of key personnel.</td>
</tr>
<tr>
<td>Consultation</td>
<td>Consultation involves the sharing of information and the exchange of views between employers and the persons or bodies that must be consulted and the genuine management.</td>
</tr>
<tr>
<td>Competent</td>
<td>A person who is suitably qualified (by experience and/or training) to carry out the work or function described.</td>
</tr>
<tr>
<td>Conformance</td>
<td>Activities undertaken and results achieved fulfil the specified requirements.</td>
</tr>
<tr>
<td>Contingency</td>
<td>Planning to maintain control of the management system applicable to a particular business during an unplanned event, such as fire, chemical spill, bomb threat, injury and the loss of key personnel.</td>
</tr>
<tr>
<td>Consultation</td>
<td>Consultation involves the sharing of information and the exchange of views between employers and the persons or bodies that must be consulted and the genuine opportunity for them to contribute effectively to any decision-making process to eliminate or control risks to health or safety. The extent and nature of the consultation will vary between workplaces and the different situations.</td>
</tr>
<tr>
<td>Continuous improvement</td>
<td>Process of enhancing the health, safety and rehabilitation and claims management systems, to achieve improvements in overall related performance, in line with the organisation’s policies. The process need not take place in all areas simultaneously.</td>
</tr>
<tr>
<td>Evaluate</td>
<td>To test and find value, quality etc, to appraise, make judgements.</td>
</tr>
<tr>
<td>Inspection</td>
<td>An examination of a workplace to identify and record hazards for corrective action and to check how safety features (hazard controls) are operating, paying attention especially to components most likely to develop unsafe or unhealthy conditions because of stress, wear, impact, vibration, heat, corrosion, chemical reaction or misuse, etc.</td>
</tr>
<tr>
<td>Internal audit</td>
<td>A systematic, and wherever possible, independent examination, carried out by a competent person, appointed by the employer, in consultation with employees or their representatives, to determine whether an activity or activities and related results conform to planned arrangements; whether these arrangements are implemented effectively; and whether they are suitable to achieve the organisation’s policy and objectives. The results of the internal audits must be documented and employees consulted over them. Preventive/corrective action plans must be subsequently developed.</td>
</tr>
<tr>
<td>Key element</td>
<td>An essential component of the management system applicable to a particular business.</td>
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<tr>
<td>Key system element</td>
<td>Major, indispensable element of the organisation’s system.</td>
</tr>
<tr>
<td>Legislative compliance</td>
<td>Meeting the requirements of prevailing legislation.</td>
</tr>
<tr>
<td>Measurement</td>
<td>Any technique used to measure any system or element outcome against objectives, targets, timeframes etc., established or set by the organisation.</td>
</tr>
<tr>
<td>Non-conformance</td>
<td>Activities undertaken and the results achieved do not fulfil the specified requirements of the elements. This may be due to the substantive absence or inadequate implementation of a system or documented systems or procedures not being followed.</td>
</tr>
<tr>
<td>Objective</td>
<td>An overall goal in terms of performance, arising from policies that an organisation sets itself to achieve, and which is quantified, where practicable.</td>
</tr>
<tr>
<td>Observation</td>
<td>Activities undertaken and results achieved fulfil the specified requirements of the elements, however an opportunity for improvement exists due to minor deficiencies identified.</td>
</tr>
<tr>
<td><strong>Organisation</strong></td>
<td>A company, corporation, firm, enterprise, government agency, institution, or other legal identity, or part thereof, whether incorporated or not, public or private, that has its own functions and administration.</td>
</tr>
<tr>
<td><strong>Performance indicator</strong></td>
<td>A selected indicator of how effectively a process is operating against objectives. These indicators can be quantitative or qualitative and the choice is dependent on the type of element they are used to measure, as appropriate to the organisation.</td>
</tr>
<tr>
<td><strong>Policy</strong></td>
<td>Statement by the organisation of its intentions and principles in relation to its overall health, safety, rehabilitation and claims management performance. The policy provides a framework for action and for the setting of health, safety, rehabilitation and claims management objectives and targets.</td>
</tr>
<tr>
<td><strong>Procedure</strong></td>
<td>Written, detailed way to action/perform in conformance with policy objectives.</td>
</tr>
<tr>
<td><strong>Program</strong></td>
<td>A planned component of an organisation’s business management system for health, safety, rehabilitation and claims management.</td>
</tr>
<tr>
<td><strong>Rehabilitation</strong></td>
<td>A managed process involving early intervention with appropriate, adequate and timely services based on assessed needs, which are aimed at maintaining injured or ill employees in, or returning them to, suitable employment.</td>
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<tr>
<td><strong>Relevant</strong></td>
<td>Connected with the matter in hand; pertinent (e.g., legislative requirements and/or other identified needs of the organisation).</td>
</tr>
<tr>
<td><strong>Target</strong></td>
<td>A detailed performance requirement, quantified wherever practicable, pertaining to the organisation that arises from the health, safety, rehabilitation and claims management objectives. It needs to be met in order to achieve those objectives.</td>
</tr>
<tr>
<td><strong>Work health and safety (WHS) management system</strong></td>
<td>An orderly arrangement of interdependent activities and related procedures that drives an organisation’s WHS performance.</td>
</tr>
<tr>
<td><strong>Workplace Monitoring</strong></td>
<td>To check, observe or keep a record of something (by a person or a device), usually used for the evaluation of a hazard and for assessing the effectiveness of control measures.</td>
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Self-insurance application and renewal model

WorkCover will consider the following matters in deciding an application for renewal of a self-insurance registration:

1. WHS performance and systems
2. Claims and rehabilitation case management performance and systems
3. Legislative compliance
4. Provision of accurate and timely data to WorkCover
5. Financial viability in terms of being able to meet liabilities
6. Any other relevant matter

WorkCover will use the information to assess whether the employer meets the required standards to be registered as a self-insured business and has exercised its delegated powers under the Act reasonably.

Employers applying for initial registration will be required to demonstrate a satisfactory level of performance and systems for WHS. With no claims management experience, the employer will be required to demonstrate how it plans to support this function to a level that will meet the required standard. Applications for initial registration will be decided by the WorkCover SA Board.

For employers applying for renewal of self-insurance registration, the overriding philosophy of the model is that if a self-insured employer is able to demonstrate a satisfactory standard of WHS performance supported by resources and systems to enable such performance, the employer will be assessed as having met the necessary WHS requirement to be self-insured. The assessment will be based on safety performance and an evaluation of the WHS systems in place to support that performance. Performance data will also be used to inform judgements about the location and materiality of controls to be evaluated in systems audits.

Similarly, a self-insured employer who demonstrates implementation of appropriate injury management policy commitments, procedures describing the manner in which its delegations will be fulfilled, clearly defined and communicated responsibilities and accountabilities, legally compliant claims and rehabilitation processes and satisfactory injury management performance will be assessed as having met the necessary injury management requirement to be self-insured.

The following table outlines a framework for making decisions about self-insurance renewals. The framework is a guidance document only and not prescriptive. The framework provides an indication of the period of registration that would ordinarily be awarded upon renewal of a self-insurance registration. Each application and renewal will be considered holistically and on its individual merits. Financial viability is a minimum requirement for renewal of self-insured status. It is open to the WorkCoverSA CEO to consider any relevant matter when deciding on an application to renew a selfinsurance registration.

It is expected that most self-insured employers would be able to demonstrate a standard of performance commensurate with a three-year renewal. If WorkCoverSA officers make a recommendation to its CEO for a registration period that is less than three years, the reasons for that recommendation will be communicated to the employer in advance, and the employer will be invited to provide a response for the CEO to consider before making a decision.
In assessing a self-insured employer WorkCover will consider performance against a range of primary and secondary indicators. These indicators will be considered in the context of all aspects of the self-insured employer’s performance to form a holistic overall assessment.

These indicators are,

Claims performance primary indicators,
- duration rates - days lost,
- claims frequencies - claims per $M remuneration,
- rejections - % of claims rejected, % of rejections subsequently accepted
- determination timeframes (days from notification, to initial determination)

Secondary indicators of injury management performance such as percentage of redeemed claims, complaints received, number of disputes will also be considered.

The assessment of claims management primary and secondary indicators will be considered in the context of determining the self-insured employer has reasonably exercised its delegated powers or discretions under the Act.

Financial performance primary indicators:
- net worth,
- gearing ratio,
- liquidity ratio,
- profitability ratio,
- mercantile agency rating.

Safety performance primary indicators:
- SafeworkSA notices - improvement notices, prohibition notices, non-disturbance notices,
- notifiable incidents,
- serious injury or illness,
- dangerous incidents, notifiable incidents,
- enforceable undertakings, successful prosecutions, views of industrial associations.

In assessing the performance of the self-insured employer, WorkCoverSA will consider whether performance represents systemic application of practices that:
- constitutes an unreasonable exercise of the self-insured employer’s delegations and/or;
- are contrary to the achievement of the objects of the Act.

Should a self-insured employer’s performance be assessed as being unsatisfactory WorkCoverSA will provide the self-insured employer with the basis for this assessment and an opportunity to provide a response detailing its views of the assessment of its performance and reasons as to why its performance should not have an adverse impact on the grant of its self-insurance registration.
## Self-insurance Registration Framework

<table>
<thead>
<tr>
<th>Assessment Criteria</th>
<th>3 years</th>
<th>Non-renewal</th>
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</thead>
<tbody>
<tr>
<td><strong>Work Health and Safety</strong></td>
<td>Satisfactory performance indicated by data and substantive conformance to the sampled elements of Standards 1 – 3. Meets the requirements of the code. Improvement action plans are in place to address material non-conformances with standards 4 and 5.</td>
<td>Sustained material poor performance and non-conformance with the standards, combined with a lack of capacity or willingness to address systemic performance issues.</td>
</tr>
<tr>
<td><strong>Claims and rehabilitation case management</strong></td>
<td>The employer consistently exercises its delegated functions and powers reasonably. Demonstrates substantive conformance to Standards 1-3 and meets the requirements of the code. Improvement action plans are in place to address material non-conformances with standards 4 and 5.</td>
<td>Sustained material poor performance and non-conformance with the standards, combined with a lack of capacity and or willingness to address systemic performance issues.</td>
</tr>
<tr>
<td><strong>Overall assessment and additional considerations</strong></td>
<td>The CEO of WorkCoverSA is confident that the objects of the Act will be met by renewing the self-insurance registration. (For a new applicant the Board will need to make this assessment.)</td>
<td>The WorkCoverSA Board does not believe the objects of the Act can be met by renewing the registration. Or The self-insured employer has been assessed to be unable or unwilling, to demonstrate commitment to the corrective actions necessary to achieve and maintain the requirements of self-insurance.</td>
</tr>
<tr>
<td><strong>Periods of registration:</strong>*</td>
<td>Three years remains the maximum period of registration available. Reduced periods of registration remain an option as an escalation point where other reasonable attempts to resolve material performance or compliance issues have been unsuccessful. WorkCover recognises that a reduced period of registration imposes a significant cost on an employer and will not use this option unless it is considered proportionate to the associated issues of concern.</td>
<td></td>
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</tbody>
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