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# Consultation on ACC regulated payments for treatment

**Seeking your views on changes to regulated payments  
for treatment to apply from 1 July 2020**

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## **Introduction**

On behalf of the Minister for ACC, the Ministry of Business, Innovation and Employment is consulting on a proposal to increase the amounts prescribed by regulation that ACC is liable to pay towards the cost of rehabilitation. This includes rates for consultations, treatments, imaging and devices, and follows a regular ACC review. Other minor changes to the regulations are also proposed.

The increase in regulated rates recognises cost pressures in the health sector and the need to balance the following policy objectives:

- Claimants have access to treatment, meaning co- payments should be affordable
- Costs to ACC are sustainable, affordable and predictable (gradual increases)
- Payments do not cause alignment issues in the health sector.

## **Rates increase**

We propose that treatment rates generally be increased by 2.05%, and 1.72% for payments to Radiologists and providers of Hyperbaric Oxygen.

The proposed increase applies from 1 July 2020 until the next review (now biennial) that would likely take effect on 1 December 2021 (if any increases are required).

## **More classes of treatment provider**

We propose to break up the group known as 'specified treatment providers' and specify payment rates separately for each provider type. These rates will remain identical for this period but in future pricing recommendations could specify different rates for each profession, if appropriate.

## **Removal of deductions for dental treatment on teeth that have had prior work**

We propose to remove the provisions that require deductions from regulated dental payments when the teeth being treated have previously been heavily restored or crowned. The deductions would cease to apply from 1 July 2020.

## **Consultation**

The Minister for ACC is required to consult with the people and groups he thinks might be interested in the proposed amendments to these regulations.

Submissions can be sent to [ACregs@mbie.govt.nz](mailto:ACregs@mbie.govt.nz) and must be received by **5pm** on **Friday 13 December 2019**.

## We are consulting on a proposal to increase payments in the Cost of Treatment regulations by up to 2.05 percent

Submissions are due by 5.00 pm on Friday 13 December 2019 (see page 9 for full details)

### Cost of Treatment Regulations

The payments made under the Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003 would increase by either 1.72 percent or 2.05 percent for the services detailed in Table 1 below. These Regulations can be viewed at:

<http://www.legislation.govt.nz/regulation/public/2003/0388/latest/DLM235778.html/>

### Question 1

Do you have a view on the proposed 1.72 percent and 2.05 percent increases to the payments listed in Table 1 below? Please provide reasons for your view.

**Table 1: Services eligible for payment increases**

<b>Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003</b>			
<b>Provider</b>	<b>Regulation</b>	<b>Service</b>	<b>Increase</b>
Counsellors	9	Consultation	2.05%
Dentists	10 and Schedule	Consultation and treatment costs	2.05%
Medical practitioners	13 and Schedule	Consultation and treatment	2.05%
Nurses	14 and Schedule	Consultation and treatment	2.05%
Medical practitioners and nurses	15 and Schedule	Combined consultation and treatment	2.05%
Nurse practitioners	15A and Schedule	Consultation and treatment	2.05%
Specialists	16 and Schedule	Consultation and treatment	2.05%
Hyperbaric oxygen	11 and Schedule	Treatment costs	1.72%
Radiologists	12 and Schedule	Consultations and imaging	1.72%

<b>Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003</b>			
<b>Specified Treatment Provider</b>	<b>Regulation</b>	<b>Service</b>	<b>Increase</b>
Acupuncturists	17 and Schedule	Treatment costs	2.05%
Chiropractors	17 and Schedule	Consultation, treatment and imaging	2.05%
Occupational therapists	17 and Schedule	Treatment costs	2.05%
Osteopaths	17 and Schedule	Consultation, treatment and imaging	2.05%
Physiotherapists	17 and Schedule	Consultation, treatment and imaging	2.05%
Podiatrists	17 and Schedule	Consultation, treatment and imaging	2.05%
Speech therapists	17 and Schedule	Treatment costs	2.05%

## Question 2

Do you have a view on the proposal to split out classes of Specified Treatment Providers into the separate classes in the table above, so payment rates can be differentiated in the future? Please provide reasons for your view.

## Hearing Loss Regulations

The payments made under the Accident Compensation (Apportioning Entitlements for Hearing Loss) Regulations 2010 would increase by 2.05 percent for the services detailed in Table 2 below. These Regulations can be viewed at:

<http://www.legislation.govt.nz/regulation/public/2010/0424/latest/DLM3344620.html>

**Table 2: Hearing Loss Services eligible for payment increases**

<b>Accident Compensation (Apportioning Entitlements for Hearing Loss) Regulations 2010 (the Hearing Loss Regulations)</b>			
<b>Provider</b>	<b>Regulation</b>	<b>Service</b>	<b>Increase</b>
Audiologists	5, 5A, 6, 8, 9, 10, 10A	Assessment, consultations, fittings, service, repairs and replacement ear moulds	2.05%

### Question 3

Do you have a view on the proposed 2.05 percent increase to the payments listed in Table 2? Please provide reasons for your view.

### We also propose to remove deductions for dental treatment on teeth that have had prior work

Currently when a tooth is damaged in an accident and that same tooth has received an earlier restoration or crown for non-accident reasons, ACC deducts a percentage of the regulated amount paid. This creates additional costs for claimants who have taken care of their teeth through non-injury treatment. We propose to remove this deduction, which means that the full costs will be covered when the changes come into effect on 1 July 2020.

### Question 4

Do you have a view on removing all provisions that require deductions from regulated dental payments? Please provide reasons for your view.

### Worked Examples

Table 3 sets out examples of the effect of the proposed increase on selected payments.

**Table 3: Examples of proposed increase (excluding GST)**

Service	Current payment	Increased payment
Medical practitioners consultation for over 14s	\$32.02	\$32.68
Medical practitioners and nurses combined consultation for over 13s	\$35.02	\$35.74
Physiotherapists as specified treatment providers' consultation	\$23.42 per visit rate \$58.93 per hour	\$23.90 \$60.14

### Question 5

Do you have any overall comments that you would like to make on the review or recommendations?

## **Further information and background on the review**

### **What regulations are being changed?**

These proposals affect the:

- Accident Compensation, (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003 (the Cost of Treatment Regulations)
- Accident Compensation (Apportioning Entitlements for Hearing Loss) Regulations 2010 (the Hearing Loss Regulations).

ACC is required to regularly review the regulated rates to assess if adjustments are required to address changes in the cost of rehabilitation. After completing the review ACC must make appropriate recommendations to the Minister for ACC.

These recommendations were originally intended to be completed by December 2018. The review was deferred to wait for various market developments and it was completed in August 2019.

### **What are these regulations for?**

ACC is required under the Accident Compensation Act 2001 (the AC Act) to pay for treatment through contracts with treatment providers, through the cost of treatment regulations, or at an appropriate agreed price if no regulations or contracts exist.

The use of regulations to set payments for the identified services is efficient because contracts are not available for all services that are used by ACC claimants.

Section 324 of the AC Act allows the making of regulations prescribing:

- the costs that ACC is liable to pay for goods and services related to rehabilitation
- when and how payment is made
- the people those payments are made to

The Hearing Loss Regulations prescribe the payments to be made for assessment of hearing loss and provision of hearing devices including servicing, fitting and repair.

### **The review had three policy objectives**

Section 324A of the AC Act requires the review of regulated rates to assess if any adjustment is required to take into account changes in costs of rehabilitation.

The policy objectives of the review to assess if adjustments are required to address changes in the cost of rehabilitation are:

- Claimants have access to treatment, meaning co- payments should be affordable
- Costs to ACC are sustainable, affordable and predictable (gradual increases)

- Payments do not cause alignment issues in the health sector

### **Objective 1: Payments for entitlements are affordable for claimants**

Claimants need to be able to afford to pay the co-payment for treatment that most providers charge in addition to the ACC contribution. The annual Health Survey<sup>1</sup> shows that cost is a reason why people do not seek treatment.

### **Objective 2: Costs to ACC are sustainable, affordable and predictable**

Increases made to payments under the regulations should be kept to an appropriate level so that the effect on levies or the Non-Earners Account is reasonable. Small regular increases are more affordable and predictable than ad hoc larger increases.

### **Objective 3: Payments do not cause issues in the health sector**

Any increases in rehabilitation payments made by ACC need to take into account increased payments being made in the health sector particularly in those areas where ACC and the health sector provide similar services, for instance, payments to GPs and nurses.

## **The proposed increases were calculated using inflation indexes**

For its review ACC used recognised inflation indexes as an indicator of the increase in the cost of treatment and rehabilitation.

ACC estimated 12 month adjustments based on the individual cost pressures faced by different provider types (Consumer Price Index Medical Products, Appliances, Equipment and Hospital Services [CPI health], Labour Cost Index Healthcare and Social Assistance [LCI health] or a composite of both), weighted according to the amount spent on each type relative to the total spent on regulated treatment payments.

Since the period until the next review will be approaching two years, ACC added an additional six months of forecast inflation (0.95 percentage points).

## **The proposed rates compensate for the longer period until the next review**

Since the new rates will cover a two year period, ACC added six months of forecast inflation (0.95 percentage points), in addition to 12 months of observed labour inflation, into the pricing calculation. By using 18 months of inflation to calculate the new rates, ACC will effectively be overpaying during the first year (by half a year of inflation) but underpaying during the second year (by half a year of inflation). This balances out so over two years so the additional compensation is approximately the same as if there were two annual increases of 12 months of inflation each.

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<sup>1</sup> <https://www.health.govt.nz/publication/annual-update-key-results-2017-18-new-zealand-health-survey>

## **We consider that the payment increase proposals meet the policy objectives**

The proposal provides an increased contribution to costs of ACC claimants so should assist them to at least maintain access to treatment. However some claimants may still have difficulty accessing treatment because of cost. There is no specific information available on the effects of cost on ACC claimants' access to treatment.

The proposal is sustainable for ACC and is unlikely to have any effect on costs or availability of health practitioners in the health sector.

## **This is the last annual review before it becomes a biennial process**

The review of the regulated rates has been required to be conducted annually but the Accident Compensation Amendment Act 2019 included an amendment that in future requires ACC to conduct the review on a biennial basis. That means the next review of regulated rates will have to be completed by 1 December 2020 (although new rates are usually not implemented until 12 months after the review due date).

The new biennial cycle will allow ACC to collect more comprehensive data on the cost pressures affecting providers. It will also enable ACC to better understand the impacts of previous rate increases. This should allow for more accurate and robust pricing recommendations in future that better capture the underlying costs and needs of claimants.

## **The review proposes more classes of treatment provider**

Currently, Acupuncturists, Chiropractors, Occupational Therapists, Osteopaths, Physiotherapists, Podiatrists, and Speech Therapists are all defined within the same category in the Cost of Treatment Regulations (as 'specified treatment providers'), meaning that same rates of payment must be applied to all.

However, there are there are significant differences between the different providers all included in the one large category of specified treatment providers. The differences include differences in the kinds of treatments offered, the average treatment duration and the market forces affecting each type of provider.

We anticipate that revised rates for these professions will be developed prior to the next biennial pricing review, and that the revisions will be informed by relevant background work carried out by ACC.

## **The review proposes removing deductions for dental treatment on teeth that have had prior work**

Currently when a tooth is damaged in an accident and that same tooth has received an earlier restoration or crown for non-accident reasons, ACC deducts a percentage of the regulated amount paid.<sup>2</sup>

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<sup>2</sup> Regulation 10 (4) & (5) of Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003



Affected claimants generally cover the dental deduction by paying a higher co-payment to the dentist providing treatment (most dental services already require co-payments).

However, because the provisions requiring the deduction apply only to crowns and dental restorations, they create additional costs for claimants who have taken care of their teeth through non-injury treatment. In contrast, claimants who have not obtained non-injury dental treatment (even though it might have been advisable) receive the full ACC contribution. This is unfair and inconsistent and imposes an extra administrative burden on both ACC and dentists.

The proposed change will not add materially to the overall costs of treatment and we therefore consider that on balance it meets the policy objectives.

## **How to give feedback**

Your opinion is sought on the proposed regulation changes. If you would like to have your views taken into consideration, please respond via email or letter clearly stating which question or proposed change you are giving feedback on.

## **Where to send your submission**

**Email:** [ACregs@mbie.govt.nz](mailto:ACregs@mbie.govt.nz)

### **Post:**

The Manager  
Accident Compensation Policy  
Ministry of Business, Innovation, and Employment  
PO Box 1473  
Wellington 6140

## **Closing date for submissions**

Submissions must be received by **5pm on Friday 13 December 2019**.

## **Official Information Act**

The Ministry of Business, Innovation and Employment and ACC are subject to the Official Information Act 1982, which means that your submission may be the subject of a request.

If you do not want your submission to be made public, please state this clearly, together with your reasons, and whether your objection relates to your whole submission or to a part or parts of it. Any personal information you supply in the course of making your submission will be used by us only in relation to the matters covered in this discussion paper. Please clearly indicate in your submission if you do not want your name to be included in any summary of submissions that we may publish.