Chapter summary

The administration of *Safety, Rehabilitation and Compensation Act 1988* (SRCA) claims for Australian Defence Force personnel was transferred from the Department of Defence to the Department of Veterans’ Affairs (DVA) in December 1999. With the commencement of the *Military Rehabilitation and Compensation Act 2004* (MRCA) on 1 July 2004, the Military Rehabilitation and Compensation Commission (MRCC) was established within the Veterans’ Affairs portfolio. Its role is to oversee all military compensation matters under the SRCA and the MRCA, while the Australian Defence Organisation (Defence) retained responsibility for healthcare and rehabilitation for serving members. Since 2004, DVA has assessed liability claims for over 26,000 clients, made permanent impairment payments to more than 10,000 clients, and made incapacity payments to more than 21,000 clients under the SRCA and MRCA.

The DVA organisational structure is a national management model. From 1 July 2010, responsibility for rehabilitation and compensation claims processing staff was transferred to the Deputy Commissioners in each state and territory, and performance management was localised. Liability staff work in multidisciplinary teams with knowledge across all three Acts (the MRCA, SRCA and *Veterans’ Entitlements Act 1986* [VEA]), in an effort to address complexities arising where claimants have eligibility under multiple Acts. A risk-based model has been developed to prioritise claims and direct resources, and national management allows workloads to be moved between offices as the need arises.

While submissions from ex-service organisations expressed the preference for processing of claims, reconsiderations and reviews to take place in the claimant’s home state, this is not favoured by the Committee, as it limits flexibility in applying staff resources to fluctuating workloads in different locations.

Submissions to the Review voiced concern about the time taken to process claims (TTTP), staff administration and quality of decisions. These issues have been the subject of internal audit reviews, and the Committee examined the audit findings and management commitments to resolve the issues raised.

Performance statistics on compensation and rehabilitation workloads are collated monthly and reported quarterly to the DVA Executive Management Group and the MRCC.

DVA conducts a quality assurance program of all administrative functions, including MRCA operations. The Key Performance Indicator (KPI) for each subprogram is expressed as a critical error rate, which is the proportion of cases that have at least one oversight or error of detail, and does not translate to the same percentage of cases with an incorrect outcome. DVA has now instituted a check of 5 per cent of MRCA casework each month over five key areas: liability, rehabilitation, incapacity payments, permanent impairment compensation and accounts payable. The results are compiled and feedback is provided to the MRCC and to the claims processing teams. These show improvements in accuracy in 2009–10 compared to 2008–09 in liability, permanent impairment compensation and rehabilitation work. Other error checks introduced include a 100 per cent peer review technical check for permanent impairment compensation and team leader checks of at least 5 per cent of cases before a decision is finalised.

The TTTP target for initial liability and permanent impairment is 120 days to complete both stages. The average TTTP for initial liability reached 188 days in 2006–07 under the MRCA; however, the times taken are now trending down. Since 2006–07, initial liability claims in process for greater than 12 months were most often 2 to 3 per cent of cases, and were highest in 2006–07 at 5 per cent.
Comparisons are often made with the TTTP targets for Comcare claims processing, which are 10–20 days for injury (achieved 14 days in 2009–10) and 37–47 days for disease (achieved 49 days in 2009–10). However, there are a number of important differences that make this comparison invalid. Comcare only starts to record processing times once all evidence required to make a decision has been provided, whereas DVA begins recording its processing times once the claim is received. The average time from injury to a Comcare claim is approximately 110 days, compared with the SRCA and MRCA average of 16 years. In addition, the availability of timely evidence endorsed by the employer assists prompt processing for Comcare, whereas DVA usually needs to obtain archived records from Defence and conduct its own investigation. The MRCA TTTP for permanent impairment claims are adversely affected by the requirement for the condition to be stable before permanent impairment is assessed and the 6-month period claimants are given to choose whether to accept compensation as periodic payments or a lump sum (or combination).

Needs assessments are completed once liability is determined. The timing of completion of a needs assessment is important for resolution of a member’s priority needs. Therefore, the Committee recommends that a KPI should be developed for the time taken from the acceptance of liability to the dispatch of the needs assessment to the client.

DVA has sought to address client dissatisfaction with TTTP and other aspects of client liaison, particularly from the younger group of clients, in a number of ways. DVA has improved the coordination of case management and has appointed case coordinators for complex claims as per the recommendations of the Dunt Review. Staff training programs have been conducted to improve the client service culture. Processing times have reduced significantly since 2006–07 as a result of these initiatives.

The Committee believes that concerns outlined in submissions regarding the staffing and processing of claims are largely addressed by recommendations from an external review of business processes, an external audit of information technology systems and an internal audit of quality decision making, and supports DVA’s efforts to implement the agreed actions as soon as possible.

Introduction

15.1 The terms of reference direct the Review to ‘document and examine past military compensation and operational performance ideally from 1 July 2004 … and report on factors impacting on performance’.

15.2 The submissions reflect concern about the time taken to process claims (TTTP), and issues with staff administration and quality of decisions. These issues have been the subject of internal audit reviews, and this report draws on the audit findings and management commitments to resolve the issues raised. Information technology (IT) systems support for Military Rehabilitation and Compensation Act 2004 (MRCA) processing falls short of what is desired, and there needs to be further improvement in links between the Australian Defence Organisation (Defence) and the Department of Veterans’ Affairs (DVA) IT systems.

Background

15.3 Following the recommendations of the Review of the Military Compensation Scheme in 1999 by Noel Tanzer, the administration of Safety, Rehabilitation and Compensation Act 1988 (SRCA) claims for Australian Defence Force (ADF) personnel (then known as the Military Compensation and Rehabilitation Service) was transferred from the Department of Defence to DVA in December 1999, under the terms of a
Memorandum of Understanding. All compensation staff were transferred to DVA and progressively co-located with DVA in each state office.

15.4 With the commencement of the MRCA and transitional provisions on 1 July 2004, the Military Rehabilitation and Compensation Commission (MRCC) was established within the Veterans’ Affairs portfolio. Its role is to oversee all military compensation matters under the SRCA and MRCA. Defence retained responsibility for healthcare and rehabilitation for serving members.

15.5 Initially, the MRCA claims processing function was centred in DVA’s Queensland office. Officers in Brisbane investigated all claims for initial liability and permanent impairment compensation Australia-wide. Following acceptance of liability for a condition, Brisbane officers conducted the needs assessment and interviewed claimants to determine priorities for compensation. These officers also processed the first payment outcomes (including incapacity payments). Files were then returned to the client’s home state for ongoing action, including rehabilitation.

15.6 The DVA organisational structure changed in 2007 from a state and national office model to a national management model. Initially, there were separate national managers for Veterans’ Entitlements Act 1986 (VEA), and SRCA and MRCA claims processing. These were merged in 2009 to become one group under the National Manager, Rehabilitation and Compensation Group. Directors and other managers within the group had responsibility for activities across Australia, often involving staff in more than one location. National management allowed workloads to be moved between offices as the need arose.

15.7 MRCA liability is now investigated and determined in Brisbane, Sydney, Melbourne, Adelaide, Perth, Darwin and Townsville. MRCA permanent impairment compensation is assessed in Brisbane, Perth and Darwin. Needs assessments, rehabilitation and incapacity payments are completed in mainland capital cities (with the exception of Canberra) and Townsville.

15.8 From 1 July 2010, direct responsibility for the operational management of rehabilitation and compensation claims processing staff was transferred to the Deputy Commissioners in each state and territory. This changed management responsibilities for a significant number of staff, and localised performance management. Strategic policy and operational policy are coordinated in Canberra, which ensures consistency across national lines of business.

15.9 Teams processing compensation claims have recently been streamed into two key client pathway processes:

(i) liability determination for all three major Acts administered by DVA (VEA, SRCA, MRCA); and

(ii) rehabilitation and benefits, commencing at the needs assessment stage, for the SRCA and MRCA.

15.10 The new model maintains rehabilitation and compensation processing in all mainland state capitals and Townsville.

15.11 The liability staff now work in multidisciplinary teams with knowledge across all three Acts. This acknowledges and addresses the complexity that exists where claimants have eligibility under multiple Acts. It also ensures that departmental staff are equipped to deal with all the issues that may arise, rather than requiring claimants to
deal with this alone. A risk-based model has been developed to prioritise claims and direct resources.

**Key performance indicators**

15.12 SRCA and MRCA payments are administered under DVA Program 1.6.¹ Expenses since commencement are provided in Chapter 3 of this report.

15.13 Performance statistics on compensation and rehabilitation workloads are collated monthly and reported to Deputy Commissioners, the DVA Executive Management Group and the MRCC. The reports provide volume and Key Performance Indicator (KPI) data for each month and the year to date, with comparisons to the previous year’s figures. The report covers:

- liability determinations for all three schemes (VEA, SRCA and MRCA), showing intake, completion rates and detailed TTTP;
- permanent impairment compensation (SRCA and MRCA), showing intake, completion rates and detailed TTTP;
- reconsiderations (SRCA and MRCA) and section 31 reviews (VEA), showing volume and decision outcomes;
- Veterans’ Review Board (VRB; for VEA and MRCA) volume, affirmation and set-aside rates, and times taken by DVA for reports provided to the VRB;
- Administrative Appeals Tribunal volume and decision outcomes for all three schemes;
- Transition Management Service (TMS) referrals, contact rates, plans completed and performance against time targets;
- rehabilitation (SRCA, MRCA and Veterans Vocational Rehabilitation Scheme [VVRS]) assessments completed and rehabilitation case volume by type and durability over 6 months;
- incapacity payee numbers and transactions;
- accounts payments, volumes and timeliness;
- client interaction and interview volumes;
- quality assurance results, percentages of critical errors for major activities within all three schemes;
- issues raised in ministerial correspondence; and
- progress on high-profile projects; for example, the introduction of case coordinators following the Dunt Review.²

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¹ Department of Veterans’ Affairs, Portfolio budget statements 2010–11, Budget related paper no. 1.5B, Department of Veterans’ Affairs, Canberra, 2010.

Claim and payment trends

15.14 Chapter 3 of this report describes the growth of MRCA activity since 2004. For comparison purposes, the equivalent SRCA activity is also provided. It is important to note that the substantial increases in MRCA figures reflect that liability for injuries and disease under the MRCA began from a zero base in July 2004. Over time, MRCA activity is increasing as a proportion of military compensation workloads.

15.15 Comment on administration of incapacity payments, rehabilitation, transition advisory services, and reconsiderations and review are outlined in the relevant chapters of this report (chapters 10, 6, 7 and 17, respectively).

Benchmarking

15.16 In 2008, TFG International (a senior advisory firm practising in Australia, the United Kingdom and New Zealand) conducted independent benchmarking of DVA business against relevant external agencies.3 The exercise showed that DVA’s average direct administration cost per client was lower than that of Comcare. Other aspects of this report are discussed under IT support, below.

Time taken to process

15.17 The TTTP target for initial liability and permanent impairment is 120 days to complete both stages. The following table shows the times achieved since inception of the MRCA.

Table 15.1 Time taken to process (days) initial liability and permanent impairment claims

<table>
<thead>
<tr>
<th>Year</th>
<th>MRCA liability</th>
<th>MRCA PI</th>
<th>SRCA liability</th>
<th>SRCA PI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004–05</td>
<td>90</td>
<td>26</td>
<td>122</td>
<td>90</td>
</tr>
<tr>
<td>2005–06</td>
<td>146</td>
<td>130</td>
<td>181</td>
<td>92</td>
</tr>
<tr>
<td>2006–07</td>
<td>188</td>
<td>103</td>
<td>234</td>
<td>113</td>
</tr>
<tr>
<td>2007–08</td>
<td>153</td>
<td>130</td>
<td>158</td>
<td>119</td>
</tr>
<tr>
<td>2008–09</td>
<td>143</td>
<td>123</td>
<td>151</td>
<td>104</td>
</tr>
<tr>
<td>2009–10</td>
<td>152</td>
<td>123</td>
<td>157</td>
<td>89</td>
</tr>
</tbody>
</table>


15.18 Target TTTP was achieved for the MRCA in the first year of operation. Longer times in subsequent years for the SRCA and MRCA are now trending down, particularly for permanent impairment. DVA has advised that liability claims in process for more than 12 months have most often been 2 to 3 per cent of cases, and were highest in 2006–07 at 5 per cent.

Comparison with Comcare

15.19 Comcare statistics are often used as a benchmark for SRCA and MRCA claims. The TTTP targets for Comcare new claims processing are 10–20 days for injury (achieved 14 days in 2009–10) and 37–47 days for disease (achieved 49 days in 2009–

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3 TFG International, Department of Veterans’ Affairs benchmarking study, 2008, unpublished.
However, there are critical differences between administrative arrangements and practices between DVA and Comcare that need to be understood, and these comparisons between the two agencies are not justified.

The average time from injury to a Comcare claim is approximately 110 days, compared with the SRCA and MRCA average of 16 years. For Comcare claims, the condition is first reported to the employer in almost all cases, and the claim form is lodged with the endorsement of the employer. The availability of timely evidence endorsed by the employer assists prompt processing by Comcare. In comparison, DVA usually needs to obtain archived records from Defence and conduct its own investigation. Comcare will only start recording TTTP once all claiming requirements have been met, whereas DVA starts recording TTTP from receipt of any claim, no matter how informal. Furthermore, the SRCA makes Commonwealth authorities and entities accountable for workers’ compensation injuries through the payment of annual premiums that respond to claims. This means that Comcare has significant leverage over the employer’s performance in the scheme.

Other factors

As discussed in Chapter 8, permanent impairment compensation is only paid once a condition has stabilised. The age of a permanent impairment compensation claim is currently measured from the date the claimant identifies that a permanent impairment compensation payment is a desired outcome (during a needs assessment), until the date a final decision is made. Usually, the needs assessment is conducted immediately after liability has been accepted, and before rehabilitation or treatment has been finalised.

The KPIs are adversely affected by the requirement for the condition to be stable before permanent impairment is assessed. The time elapsed while a condition stabilises distorts the KPI for TTTP, as this is not a period when DVA can take action to finalise the case. DVA does withdraw the case while awaiting stabilisation. However, when the condition has stabilised and the case is reopened, the system uses the original lodgement date to record processing times.

Furthermore, up to six months is provided to claimants to choose whether to receive permanent impairment compensation as either a periodic payment or a lump sum (or a combination of the two). A case cannot be considered finalised until the choice is made and payment has commenced. Claimants routinely use the entire six months to make this choice, which again affects KPIs adversely.

Submissions

Criticism of TTTP was made in several submissions to the Review. A submission by a legal firm includes tables showing performance comparisons published in recent DVA annual reports against its own experience with accepted and disputed claims. It acknowledges, however, that all information requested by the decision maker needs to be on hand before performance measures are made.

The Commonwealth and Defence Force Ombudsman’s submission to the Review advised that, of an average of 210 complaints per year over the past five years on DVA matters, about 20 per cent concern the MRCA or its transition. Apart from the

5 Slater & Gordon Lawyers.
crossover with other Acts, the complaints centred on time taken to make the original decision, internal reconsideration of decisions, and processing claims and entitlements after liability if the condition had been accepted. In this period, DVA processed approximately 22,500 MRCA transactions of these types.

15.26 In 2007, the Ombudsman investigated claims by D’Arcys Solicitors of delays in 41 MRCA cases. DVA acknowledged a significant backlog of older cases and some issues that needed resolution. A number of the cases referred were within the stated service standards, and some involved time delays by D’Arcys. DVA provided a comprehensive response; the Ombudsman accepted that the majority of claims were complex and the delays could be attributed to a range of reasons and parties. DVA wrote to 7 of the 41 clients referred by D’Arcys Solicitors to acknowledge delays and provide an expected time frame for resolution.

15.27 Submissions to the Review were also concerned with the times taken through the reconsideration and review process. In 2009–10, reconsiderations of MRCA claims took an average of 127 days (130 in 2008–09), similar to the times taken for the SRCA (124 days in both years). Submissions to the Review from legal firms seek time standards and one recommendation is for a required time of 30 days.6

15.28 The VRB provides a comprehensive analysis of TTTP in its annual reports,7 including times for stages of the MRCA appeal process and attribution of the times taken that are primarily within the control of the VRB, DVA and the applicant. The total time for a VRB application on a MRCA claim to be resolved (398.5 and 418.9 days for the past two years) is higher than that reported for all claims (356.9 and 334.5 days for the past two years). This is because the VRB does not consider a MRCA case finalised until after adjournment and the claimant begins to receive permanent impairment compensation. Under the VEA, there is typically no need for an adjournment in order for the claimant to be put into payment and the case can be recorded as finalised sooner. The VRB is currently amending its procedures to better reflect TTTP for MRCA matters.

Changes aimed at improving time taken to process

15.29 Delays in processing claims are often caused by factors beyond the control of DVA. These include poor quality claims being lodged, lack of information provided, and delays in obtaining client information and medical reports requested by the delegate.

15.30 DVA has improved the coordination of case management and has appointed case coordinators as a result of the recommendations of the Dunt Review. These coordinators facilitate some of the more complex claims for vulnerable claimants, and complement the work of the Special Claims Unit, which was implemented in December 2007 and tasked with an emphasis on older casework.

15.31 Staff training programs, such as It’s All About the Client, have also been conducted to develop the client service culture and to improve understanding of how military experience shapes DVA’s client expectations. Furthermore, DVA has conducted a number of in-house workshops with policy and service delivery staff on liability and death claims, permanent impairment compensation, incapacity payments, rehabilitation and treatment. These workshops have ensured that service delivery staff

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6 Vietnam Veterans Federation of Australia and KCI Lawyers, and Slater & Gordon Lawyers.
are familiar with legislative requirements and associated policies, and policy staff have an increased understanding of administrative processes and operational issues.

15.32 All of the above actions have contributed to reduced processing times. Other initiatives to further reduce TTTP are discussed later in this chapter.

**Needs assessments**

15.33 Needs assessments are completed once liability is determined, in consultation with the client, to set the priorities for follow-on action. Though permanent impairment compensation is important, rehabilitation and compensation for loss of income (incapacity payments), along with establishing eligibility for health care, are also high priorities. Therefore, permanent impairment assessment does not always commence immediately after liability is determined. Needs assessments may also be carried out when needs change, particularly at transition to discharge.

15.34 The timing of a needs assessment is important to resolve a member’s priority needs. Therefore, the Committee believes that the time taken between the decision on liability and the completion of the assessment should be monitored closely. However, there is no KPI for this time and no mention of it is made in the regular reports to the MRCC.

15.35 The review recommends that a KPI should be developed for the time taken from acceptance of liability to dispatch of the agreed needs assessment to the client. There may be difficulty contacting some clients who have moved on postings, on leave or changed telephone contacts without advising DVA. The TTTP target and its monitoring would need to take these times into account.

**Incapacity payments**

15.36 Claims for incapacity payments can only be measured with any degree of validity for TTTP for the first claim made by a claimant. Table 15.2 provides a summary of the TTTP for incapacity claims over the past two years.

**Table 15.2 Average time taken to process (days) incapacity claims**

<table>
<thead>
<tr>
<th>Compensation scheme</th>
<th>2008–09</th>
<th>2009–10</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRCA</td>
<td>69</td>
<td>105</td>
</tr>
<tr>
<td>MRCA</td>
<td>69</td>
<td>137</td>
</tr>
</tbody>
</table>

SRCA = Safety, Rehabilitation and Compensation Act 1988; MRCA = Military Rehabilitation and Compensation Act 2004

15.37 Recording the time taken to put incapacity payments in place has recently been revised to ensure there is a consistent basis between all locations. No submissions or public consultations mentioned delays in putting incapacity payments into place once initial liability is determined. As noted in Chapter 10, there is significant complexity relating to the administration of incapacity payments, due to the complexity of ADF pay scales and the more than 40 allowances that apply to incapacity payments. Determining incapacity payments is labour intensive and system support is inadequate, as discussed later in this chapter.
15.38 DVA Internal Audit is contracted to KPMG, a global audit, tax and advisory firm. It has examined compensation processing in DVA. With regard to SRCA and MRCA claims processing, the audit drew upon a snapshot prepared by claims processing staff in June 2009. This snapshot was prepared to highlight the stages of a sample of completed claims, as reflected in Figure 15.1.

Figure 15.1 MRCA compensation processing times

15.39 Figure 15.1 shows the longest periods in MRCA processing are:
- awaiting further information from clients during the initial liability stage;
- pre-registration (including times awaiting files to be transferred to the location for assessment), particularly for permanent impairment claims; and
- awaiting medical advice for permanent impairment.

15.40 KPMG estimates that only one-third of the TTTP is within the control of DVA. The remaining time is attributed to awaiting further information from the client or a medical specialist; these account for about a third of the TTTP each.

15.41 KPMG made several recommendations for improvements in the business process, which have been agreed to by DVA management. These include:
- developing KPIs to include the age of the oldest claims, rather than simple averages;

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SRCA = Safety, Rehabilitation and Compensation Act 1988, PI = permanent impairment, IL = initial liability, MRCA = Military Rehabilitation and Compensation Act 2004
* The status ‘investigation complete’ is the time between having all information on hand and making a determination.
• enhancing IT systems and training of MRCA claims assessors to allow entry of the diagnosis code for the claimed condition without reference to a medical adviser;
• developing electronic client files to obviate the need for physical transfer of files between locations; and
• enhancing IT systems to ensure that cases that have been received and not promptly commenced can be readily identified and managed.

15.42 Other KPMG or DVA proposals address the times that are not individually within the control of DVA, including:

• improving systems, which may reduce the turn-around time from third parties or more accurately reflect the TTTP for comparison purposes;
• adjusting TTTP for permanent impairment claims that cannot be finally determined until the condition is stable;
• using general practitioners rather than medical specialists in simpler, single-condition cases where further medical information is required; and
• using more telephone, secure e-mail and SMS messaging to remind clients of the requests for further information.

15.43 The Committee acknowledges that the processes around the primary level of decision making have been subject to review by Internal Audit, and that arrangements are either in place or proposed that are expected to have a positive impact on TTTP. Further improvements will be possible through attention to matters discussed in the following chapter on the prescribed claim forms and the evidence requirements.

15.44 Additionally, DVA recently commissioned Oakton, a management consultancy firm, to undertake TTTP research including:

• examining the development of existing DVA TTTP targets and historical performance against them;
• developing an analysis that allows comparison between states (including state of origin and state of processing);
• investigating the importance of timeliness in client satisfaction;
• developing a scientific model that calculates the TTTP, taking into account varying inputs and resources;
• examining the processes and performance targets used in similar fields; that is, Comcare, state-based workers’ compensation, and international veterans compensation arrangements; and
• advising on the appropriateness of processes, targets and measurement of performance for DVA.

15.45 DVA advises that the Oakton report has now been received. The report makes recommendations for improvements to KPIs and measurement of timeliness to more truly reflect DVA’s organisational health, rather than simply the overall TTTP. Improvements will be made by concentrating on the parts of the process over which DVA has direct control. Monitoring will be categorised into groups based on claims complexity. Further, DVA will examine potential options for reducing the two-thirds of the time taken that is outside its control, such as incentives for medical practitioners to provide earlier reports.
15.46 The Committee notes the issues affecting TTTP and the efforts underway to improve the times that are within the control of Defence and DVA. There should be further work to reduce the time that the claim is back in the client’s hands, through feedback to clients and their representatives. The Committee has concluded that, provided IT capability allows, the KPI for TTTP should be adjusted for permanent impairment compensation cases awaiting stabilisation. Additionally, the TTTP for needs assessments should be monitored by the MRCC.

Staff and case management issues

15.47 Submissions on staff and case management issues have been noted by DVA, and it advises that submissions will be taken into account in the content of training courses for new and ongoing delegates. The level of satisfaction of the younger group of clients reported in DVA’s client satisfaction surveys is much lower than for clients under the VEA. DVA is addressing these results as a significant strategic issue about its service delivery mechanisms.

15.48 Many of the points raised in submissions are difficult for DVA to address in isolation. For example, the continuity of the staff handling individual cases cannot be guaranteed, as all staff have personal circumstances and leave entitlements that may prevent continuity, and also seek promotions and transfers in the normal course of their own careers. There are, however, options to keep clients advised of any changes in the key staffing of cases, and DVA is considering this matter further.

15.49 It is clear from submissions that ex-service organisations (ESOs) prefer that processing of claims, reconsiderations and reviews should take place in the claimant’s home state. Although DVA considers it important that each state office undertakes some of these processing functions, it does not favour each office developing and maintaining the capacity to perform the full range of functions, as this would limit flexibility in applying staff resources to fluctuating workloads in different locations. The Committee considers that clear responsibility for processing is more important than location.

Internal audit — quality decision making

15.50 DVA commitment to improving the quality of decision making in compensation claims is reflected in tasking an internal audit of this matter. A recent internal audit report has highlighted recommendations for improvement, many of which have already been implemented by DVA management.9 These include:

- peer review processes before letters are sent;
- information published on the internet that is structured to communicate paths through the claims process, with legislated and expected processing time frames;
- initial letters to clients that outline the process of claims assessment, expected timetables, any complications that are immediately recognisable in the case and expectations of clients;
- initial communications that outline the potential for a claim to be subject to offsetting, where applicable;

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• a conversation between the delegate and the claimant where a benefit is rejected, that explains why the benefit is being rejected and allows the claimant to provide any additional evidence that may be in their possession (this has been implemented, except for claimants represented by solicitors, as solicitors have expressed a preference for a decision to be made rather than being delayed);

• initial communications that provide the client and representative with the name of their case officer, so the client can address questions of process and progress to a single point of contact;

• continuing professional development that makes the achievement of appropriate training goals for staff an aspect of management performance; and

• a learning and development framework across technical knowledge, client service skills and systems proficiency that is graduated by level to accredit staff as they progressively move into the higher levels.

Other staff matters

Communicating through third party representatives

15.51 There is an established procedure that, where a claimant notifies DVA that they are represented by a lawyer, or an ESO pension officer or advocate, all correspondence concerning the case is then directed to the representative. It is the responsibility of the representative to inform the claimant of all subsequent correspondence. The breakdown of this arrangement has been identified by submissions from some law firms and pension officers.

15.52 DVA believes there may be confusion on this point where there is more than one ESO officer, or multiple lawyers involved with the case, or where clients change or add representatives as the case goes through levels of appeal.

15.53 While clients may indicate a contact and change of contact and this could go onto a file, there is no IT support that ensures all parts of DVA involved with the client are aware of the latest preferred contact. A further complication arises for rehabilitation and incapacity payments where direct client input may be required rather than contact through a representative.

Legal advice

15.54 One submission\(^\text{10}\) states that DVA staff are providing legal advice and incorrect advice. The Committee has not been presented with any evidence to support this assertion. In no circumstance should a DVA officer provide legal advice to a claimant. DVA advises that staff always aim to provide information with appropriate qualifiers and have no intention of providing legal advice as claimed by the submission’s authors.

Known or anticipated delays

15.55 An important part of the staff and claimant contact issue is the need for updates or indications to the client regarding expected progress. When the claim enters a stage where there is unlikely to be any action noted by the client — for example, awaiting a report from a specialist — this should be made known to the claimant. Periods of inaction due to the requirement for a condition to be stable before beginning permanent impairment payments should also be made known to the client at the earliest possible

\(^{10}\) Wyatt Attorneys.
time. IT support is not currently available for this aspect of client service. There is no capacity for the MRCA system to prompt the need for an action or to record the call or letter to the claimant and adjust the TTTP record.

Written advice

15.56 One submission\(^\text{11}\) provides examples of complex letters of advice sent to a former member. However, the Committee’s view is that, given the complexity of the legislation, these decision letters were well articulated and contained a level of detail that was necessary to ensure the claimant was fully aware of all matters relating to the decision. Noting this observation, DVA has recently performed its own review of MRCA advice letters sent out by decision makers throughout Australia and has agreed to an internal audit recommendation to provide a template library or other aid for the production of determination letters. The difficulty is that adequate IT support is not available to assist with the production of MRCA decision advice letters, or to enable the required case-specific information to populate a letter template (such as provided by the Compensation Claims Processing System in support of VEA claims assessors).

15.57 The Committee notes that concerns outlined in submissions regarding staffing and processing of claims are largely addressed by recommendations from the internal audit review of quality decision making (see above). The Committee supports DVA’s efforts to implement the agreed action as soon as possible.

Information technology support

Existing systems

15.58 DVA has required a large-scale redevelopment of rehabilitation and compensation business systems since the MRCA came into operation, if not since the administration of defence-related claims under the SRCA transferred from Defence to DVA. This system rebuild would be so significant in complexity and breadth that a considerable investment of resources would be required, far more than could be funded from DVA’s normal operating budget.

15.59 DVA did develop some basic interim systems for processing compensation claims and other benefits under the MRCA from 1 July 2004. In addition to new tools for the MRCA, changes were made to a number of DVA’s mainframe and other systems to recognise, display or use new MRCA-specific data.

15.60 In 2007, a system known as CADET (Compensation Assessment and Determination of Entitlements Tool) replaced the interim systems. CADET records the outcomes of decisions on MRCA claims and initiates certain payments and other benefits for MRCA members and their dependents. It is also a limited case and activity manager for tracking, managing and reporting on outstanding and completed claims.

15.61 Claims are processed using a combination of CADET and Defcare (the system originally developed by Defence to process SRCA claims). There is limited ability to monitor the stages of consideration of MRCA claims. This has contributed to the difficulties in managing TTTP.

\(^{11}\) Australian Special Air Service Association.
15.62 Because the required system redesign cannot be funded from DVA’s existing operating budget, CADET is expected to be the vehicle for supporting MRCA processing in the short to medium term. A rehabilitation and compensation project was established to redevelop VEA, SRCA and MRCA compensation and rehabilitation support, as part of the new DVA systems framework, aDVAnce (with priority given to the MRCA). Development of this new environment was deferred in 2008, before the DVA Information and Communications Technology (ICT) Review to investigate cost reduction and implementation of the public service-wide Gershon Review. The ICT Review was finalised in December 2009.

Future system requirements

15.63 The DVA ICT Strategic Plan 2010–2015 was released in May 2010. It identifies the projected growth over time of the younger client base, and the need to address their expectations for self-service using knowledgeable systems. DVA has accepted the need to invest in upgrading its IT systems for compensation claims processing under the VEA, the SRCA and the MRCA.

15.64 This is a high priority for DVA. Planning and development of new compensation processing systems for the SRCA and MRCA are underway as part of medium-term (2011–13) and longer term (2014–15) initiatives. The first step, a major business redesign project, has been undertaken.

15.65 The Committee believes that the business plans for the new compensation systems should comprehend the need to:

- further integrate with other DVA systems to allow
  - monitoring of all actions for individual clients;
  - decision support tools for the DVA claims assessor; and
  - reporting tools for each milestone in the process of claims and payment of benefits;

- allow individual online access for lodgement of claims, monitoring of claim progress, and client preferences, such as whether ongoing advice should be directed through a representative;

- integrate with Defence systems so that DVA can verify
  - individual ADF member identity and service details;
  - records of incidents that could give rise to a claim;
  - medical information assisting in determination of claims; and
  - payroll details for use in calculation of economic loss payments; and

- provide more effective and efficient feedback to inform ADF of the extent and cause of claims, for input to ADF policy elements for medical, rehabilitation and training deployments.

15.66 All of these requirements have been recognised in the business redesign project.

Information technology benchmarking

15.67 As mentioned earlier in the chapter, benchmarking of DVA business against relevant external agencies was conducted for DVA by TFG International in 2008.
According to TFG, DVA has the most paper-based data collection and workflow management of all the agencies that were compared. It reported a lack of integration of transaction-based systems underpinning service delivery and its management, resulting from lower investment in capital costs of ICT systems. TFG also observed that the current IT systems do not adequately support claims processing.

15.68 DVA should address the need for improved financial controls and management reporting in the IT systems supporting MRCA claims processing. DVA and Defence should improve integration of their systems. The observations from TFG International support the urgent case for an increase in investment to modernise DVA systems.

Quality assurance

15.69 DVA conducts a quality assurance program of all administrative functions, including MRCA operations. The KPI for each subprogram is expressed as a critical error rate. DVA advises that this measurement shows the percentage of single errors in a series of actions within individual cases. It is the proportion of cases that have at least one oversight or error of detail, and does not translate to the same percentage of cases with an incorrect outcome.

15.70 Bearing in mind these comments, the following table shows the statistics from formal quality assurance programs in the past two years.

Table 15.4 MRCA critical error rates (%)

<table>
<thead>
<tr>
<th></th>
<th>MRCA</th>
<th>SRCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Permanent impairment compensation</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Incapacity payments</td>
<td>33</td>
<td>31</td>
</tr>
<tr>
<td>Accounts</td>
<td>26</td>
<td>20</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>13</td>
<td>5</td>
</tr>
</tbody>
</table>

Note: these statistics do not indicate the wrong decision/outcome was reached. They record the incidence of errors in detailed processing and administration checkpoints.

15.71 To improve the quality assurance process, DVA has now instituted a check of 5 per cent of MRCA casework each month over five key areas: liability, rehabilitation, incapacity payments, permanent impairment compensation and accounts payable. The results are compiled and feedback is provided to the MRCC and to the claims processing teams. These show improvements in accuracy in 2009–10 compared to 2008–09 in liability, permanent impairment compensation and rehabilitation work, as well as smaller improvements in incapacity payments and accounts processing. DVA has advised that the last two are areas of focus for 2010–11.

15.72 In addition to a formal quality assurance process, a 100 per cent peer review technical check has been added for permanent impairment compensation and will be introduced for incapacity payments.

15.73 Another measure recently introduced is team leader checks of at least 5 per cent of cases immediately before a decision is finalised (known as ‘at-decision checking’). The combination of the 100 per cent peer check of calculations and the
5 per cent team leader check on processing issues will lead to the early identification and addressing of calculation errors and claims processing issues.

15.74 Additionally, DVA is putting in place an accreditation process for both permanent impairment compensation and incapacity payments delegates.

**Interdepartmental working group**

15.75 The establishment of the Interdepartmental Working Group for Streamlining Administration of Transitioning and Former Members (IWG) in 2008 is described in Chapter 7. One of its aims is to identify where the administrative burden on transitioning and former ADF members and their families can be reduced when dealing with government agencies.

15.76 The need to prove identity with DVA while currently or formerly an ADF member is an issue that was raised at public consultations. A recent initiative of the IWG was to develop a package to assist former ADF members in the proof of identity requirements when dealing with the Australian government agencies represented in the IWG.

**Reform of government administration**

15.77 The recommendations from the report *Ahead of the game: blueprint for reform of Australian Government administration* (the Moran Report) were accepted by the Government in May 2010. The blueprint has set a reform agenda across all Australian Government agencies, including DVA, Defence and other agencies on the IWG, that seeks to improve services, programs and policies. Improved outcomes for citizens are targeted through, for example, more integrated services, new and more flexible technological solutions, integrated case coordination for complex needs in particular locations, better policy advice and a closer alignment of activity across government. It is also proposed that the Department of Finance and Deregulation streamlines the administrative and legislative requirements placed on agencies to reduce the compliance burden. Agencies are also being assisted to reduce their internal red tape; for example, by streamlining their chief executive instructions. The blueprint will have a significant influence on organisational change in DVA, Defence and other agencies providing services for current and former ADF members and their families.

15.78 In addition to the blueprint, the Australian Government has also embarked on a service delivery reform to improve the efficiency and effectiveness of service delivery to the Australian people. While the reform’s initial focus is within the Department of Human Services portfolio, DVA is represented on interdepartmental committees to contribute to improved policy outcomes in areas such as economic and social participation, education, child care and health.

15.79 DVA is developing a number of initiatives consistent with the principles of these reforms, including new service models for younger veterans, widows and widowers, and dependents to provide more coordinated and individualised service delivery to DVA’s younger clients. A key feature of the models is the adoption of a case coordination approach based around clients’ needs to help them access the full range of DVA services and support, and assist with coordinating services from other government agencies. DVA is also increasing the accessibility of its services through the Choice and Maintainability in Veterans’ Services initiative, which will result in a greater capacity to interact online, including through online personal accounts and
increased access to personalised entitlement and eligibility information. This will improve access to services for regional clients and allow all clients to access some services outside regular business hours.

Complaints and compliments

15.80 The MRCC receives reports on ministerial correspondence on a monthly basis. The major issues in recent months have been:

- the interaction of the three major Acts;
- the need for amendments to the MRCA;
- restrictive interpretations of the legislation;
- desire for a single case manager;
- eligibility issues;
- treatment cards and the need for prior approvals;
- delays in account reimbursement;
- compensation offsetting;
- lost documentation;
- dissatisfaction with interstate processing; and
- TTTP.

15.81 These matters are also reflected in submissions to this Review and, where relevant, are taken up in other parts of this report.

15.82 Regarding compliments, rehabilitation and compensation staff regularly receive acknowledgement regarding the provision of clear and correct information, the accessibility and responsiveness of client service, and their attitude in dealing with clients.

15.83 DVA has recently created a separate complaints management team, developed comprehensive feedback management policies and procedures, improved the existing feedback management system and undertaken extensive training for staff in all locations. These strategies (many of which are ongoing) will ensure that compliments and complaints are recorded and addressed and, where appropriate, fed into the policy development process.

Conclusions

15.84 This chapter describes the administration of military compensation since the function was transferred to DVA in 1999 and the commencement of the MRCA in 2004. DVA has assessed liability claims for over 26,000 clients since 2004, and made permanent impairment payments to more than 10,000 clients and incapacity payments to more than 21,000 clients under the SRCA and MRCA.

15.85 The complexity of the MRCA, its operation alongside two other major pieces of legislation, IT issues, and a range of administration issues have affected TTTP and the quality of decisions. DVA has undertaken a range of initiatives to address performance issues with some impact, but continues to be hampered by inadequate IT support for processing in a context of complex and multiple legislation and complex business
processes. The Committee notes and supports the action being taken and planned by DVA in this regard.

15.86 DVA’s internal auditors and an independent consultant have recommended improvements that DVA has committed to addressing. IT systems and business processes are in need of substantial modernisation to make further significant improvements. DVA has begun this business and IT reform.

**Recommendations**

The Committee recommends that:

15.1 the Department of Veterans’ Affairs (DVA) continues to improve both the quality and timeliness of its compensation claims processing under the *Safety, Rehabilitation and Compensation Act 1988* (SRCA) and the *Military Rehabilitation and Compensation Act 2004* (MRCA), as well as its client service;

15.2 DVA continues to identify better key performance indicators (KPIs), particularly for time taken to process claims;

15.3 the Military Rehabilitation and Compensation Commission (MRCC) should monitor the timeliness for the conduct of needs assessments, with adjustments where the client is unable to be contacted;

15.4 the KPI for time taken to process (TTTP) should be adjusted for permanent impairment compensation cases awaiting stabilisation;

15.5 DVA implements the recommendations from the recent internal audit and consultant reviews of TTTP and quality decision making and, in doing so, address the concerns outlined in submissions on staffing and claims processing; and

15.6 DVA and the Australian Defence Organisation continue to modernise their business processes and information technology (IT) systems for SRCA and MRCA compensation-related processing and management systems, including scope for client lodgement and monitoring of claims, and IT links between DVA and Defence.