

# The return on investment for workplace rehabilitation



## WHY DETERMINE THE RETURN ON INVESTMENT FOR WORKPLACE REHABILITATION?

ARPA believes that workplace rehabilitation is an invaluable service that, when engaged promptly, yields a significant return on investment for workers, employers, insurers and the broader Australian economy. This belief is supported by countless studies and empirical research, as well as more recently by actuarial analysis. Workplace rehabilitation should be subject to a rigorous cost benefit analysis in order to provide confidence for those investing in achieving the best outcomes possible.

## WHY HAS WORKPLACE REHABILITATION BEEN SEEN MORE AS A COST, THAN AN INVESTMENT?

There are many reasons why workplace rehabilitation is seen in some circles more as a cost rather than an investment. ARPA believes that this is due to:

- Workplace rehabilitation investment is often reported and bound together with other costs including medical, treatment, wage and other benefits.
- Historically, many workers' compensation insurer case managers would make a referral to a workplace rehabilitation provider (WRP) to expedite administrative aspects of a claim and in some jurisdictions, were engaged to undertake basic claims management procedures that should have been provided by insurers. This led to an increase in costs, with no discernible elevation of return to work outcomes.
- Workers' compensation regulators / insurers have significant control over the level of spend and the number of services that can be referred to workplace rehabilitation services, which ARPA believes provides for a mindset that workplace rehabilitation services need to be highly regulated and restricted, with a strong cost perception, rather than an investment mindset.

ARPA is of the belief that workplace rehabilitation should only be provided to those workers who need it, and that in all cases should be provided as soon as possible.

***Early and mandated referral to workplace rehabilitation could help save Australian workers' compensation schemes \$800 MILLION per year***

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## WRPS ARE THE KEY TO ACHIEVING BETTER RETURN TO WORK OUTCOMES

ARPA consistently advocates the benefits of WRPs versus other alternatives in its representation of the sector. Research has demonstrated that workplace-based interventions are effective in improving a broad range of return to work outcomes<sup>1</sup>.

WRPs possess important characteristics that differentiate them from other alternatives. These include independence and impartiality, as well as skills and qualifications that have been demonstrated to be effective in improving rehabilitation and return to work outcomes.

## WHAT DOES THE RESEARCH SAY?

Up until now no Australian workers' compensation regulator has published independent research on the return on investment of providing workplace rehabilitation services. The NSW State Insurance Regulatory Authority (SIRA) recently commissioned Ernst & Young (EY) to undertake a comprehensive research study to investigate the impact of receiving WRP services on return to work rates for claimants on weekly benefit<sup>2</sup>. The high-level results show that:

- for claims between 6 months and 24 months time lost, the appointment of a WRP improves the return to work outcome
- the timely appointment of WRP (within the first 8 weeks) can improve return to work by 3% to 5%
- appointing a WRP early in the claims process can result in total claims costs savings of between 4% and 9%.

With claims costs for NSW approximately \$3.7 billion per year<sup>3</sup>, if the appointment of a WRP occurs early in the claims process this could lead to a **\$330 million** saving for the NSW workers' compensation scheme. Extrapolated across all Australian workers' compensation schemes, increased use of workplace rehabilitation earlier in the claims process could equate to an **\$800 million** saving for Australian employers and insurers<sup>4</sup>.

## OTHER STUDIES

Apart from the recent SIRA / EY research, there are many studies that have provided insight into the value of workplace rehabilitation services:

- the return on investment for every \$1 invested in early intervention is \$7<sup>5</sup>,
- international evidence has shown that expenditure on work reintegration and rehabilitation provides a return on investment for employers of 3.7<sup>6</sup>
- Swisse RE found that for every \$1 spent on rehabilitation services on life insurance claims, insurers saved between \$24–\$39 on income protection claims costs<sup>7</sup>
- the Occupational Rehabilitation Financial Benefits Report conducted by Actuarial Edge for ARPA in January 2019 found a return of between \$28–\$32 for every \$1 invested
- PWC in 2014 produced a *Return on Investment Analysis: Creating a Mentally Healthy Workplace* which identified the positive financial benefits of good workplace rehabilitation.

Engagement with WRP's has consistently demonstrated a very strong return on investment.

## ARPA'S CALL TO ACTION

To help significantly improve the financial viability of all Australian workers' compensation schemes and the health and social outcomes of workers and communities, ARPA National recommends that:

*Where any worker is likely to be off work for more than **4 weeks**, the insurer case manager should refer them to an accredited WRP for an independent rehabilitation assessment. For maximum benefit, this must happen within three working days of the triaging outcome. Triage is an essential component of the return to work process that will identify risks for the worker's recovery and should include timeframes for early referral to a WRP.*

1 Franche, Cullen et al. 2005, Franche, Severin et al. 2007, van Vilsteren, van Oostrom et al. 2015

2 Impact of Workplace Rehabilitation Providers, Analysis of claims data, September 2021, Ernst & Young

3 SIRA Workers compensation system monthly dashboard October 2020

4 Safe Work Australia Comparative Performance Monitoring Report 2021

5 Early workplace intervention for employees with musculoskeletal-related absenteeism: a prospective controlled intervention study. *Journal of Occupational & Environmental Medicine* 2003;45(5):499-506.

6 The Return on Work Reintegration, International Social Security Association (ISSA)

7 Rehabilitation Watch 2014

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This solution is also backed by research funded by WorkSafe Victoria and undertaken by the Institute for Safety, Compensation and Recovery Research (ISCRR). In their 2018 *Occupational Rehabilitation Review Recommendations Report*<sup>8</sup> their evidence review found moderate to strong evidence that:

- workplace / occupational rehabilitation interventions are effective at improving return to work outcomes, particularly for musculoskeletal injuries
- workplace / occupational rehabilitation achieves the best outcomes when delivered early (2–4 weeks of injury).

### ABOUT ARPA

The Australian Rehabilitation Providers Association (ARPA) is the peak body representing the workplace rehabilitation industry in Australia. ARPA and our members are incredibly proud of the role we play in:

- supporting workers in their recovery
- enabling and educating employers to support recovery at work
- engaging doctors and treatment providers to achieve meaningful goals
- empowering workers to identify vocational goals and finding new pathways where a return to their pre-injury work duties is not possible
- ensuring early, safe and sustainable return to work outcomes.

ARPA acknowledges that innovation and proactive management is key to successful return to work outcomes. People are at the centre of successful rehabilitation and are best managed by qualified and experienced consultants for their rehabilitation needs. This is the role of the WRP, we are passionate about it, and we are good at it.