



# BRIEFING

## Draft Cabinet paper – Getting ACC Back on Track

<b>Date:</b>	14 August 2025	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	BRIEFING-REQ-0018555

Action sought		
	Action sought	Deadline
Hon Scott Simpson <b>Minister for ACC</b>	<b>Provide feedback</b> to officials on Monday 18 August 2025	21 August 2025

Name	Position	Telephone	1st contact
Jivan Grewal	General Manager, Workplace Relations and Safety, MBIE	Privacy of natural persons	✓
Robert Anderson	Manager, Public Sector Performance, Public Services Commission	Privacy of natural persons	

The following departments/agencies have been consulted
The Treasury

**Minister's office to complete:**

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

**Comments**

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### Purpose

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This paper provides advice from the Public Service Commission (PSC) and MBIE on progressing a Cabinet paper, setting out your ACC Turnaround Plan which will set three priorities and four targets for ACC.

### Executive summary

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You met with officials on 28 July to discuss your expectations for progressing a Cabinet paper that would set out your ACC Turnaround Plan, which would set ambitious targets for ACC's performance.

Since this meeting, PSC and MBIE have been working with your office and ACC to develop key priorities, targets and initiatives to form the Turnaround Plan. Advice from ACC actuaries is that this will reduce ACC's net reserves from a forecast deficit of \$24 billion (as at HYEPU 24) to a surplus of \$400 million by 30 June 2028.

A key plank of the Turnaround Plan is a set of stretch targets focused on ACC's largest cost drivers. We have tested these with Finity Consulting Ltd (Finity) to ensure they are sufficiently ambitious and cover the most important areas of the Scheme.

Officials and Finity agree with the proposed targets related to reducing the Outstanding Claims Liability and return-to-work rates. These targets are sufficiently ambitious and will drive the right behaviours.

There is less consensus around the targets related to reducing the long-term claims pool in the first year. Officials and Finity agree with the three-year target, but there are divergent views about the ambition in the first-year target. We have provided options for you to consider.

Alongside expected improvements in monitoring by the Treasury, officials are also recommending that you establish an ACC Performance Improvement Taskforce, similar to what was put in place in Health NZ. This would be coupled with weekly performance reporting by ACC on progress against targets, and quarterly public-facing reports.

Confidential advice to Government

### Recommended action

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The Public Service Commission and the Ministry of Business, Innovation and Employment recommend that you:

- a **Note** that your ACC Turnaround Plan will return the ACC balance sheet to a surplus by 30 June 2028,

*Noted*

- b **Note** that MBIE and PSC have sought independent assurance from Finity Consulting Ltd on the appropriateness, and ambition, of targets and key initiatives

*Noted*

- c **Agree** to the following three priorities for your ACC Turnaround Plan, for inclusion in the Cabinet paper:

	✓ Agreed
Priority One: Getting New Zealanders back to work and independence	
Priority Two: Ensuring clients are getting the correct support in their injury recovery	
Priority Three: Resetting ACC, and getting the organisation back to basics	

- d **Agree** to the following targets relating to return-to-work rates, client experience and spending reductions, for inclusion in the Cabinet paper:

	✓ Agreed
% of clients returning to work in 28 days <ul style="list-style-type: none"> <li>- 38% by 30 June 2026</li> <li>- 42% by 30 June 2028</li> <li>- 45% by 30 June 2030 (not yet tested with ACC or Finity)</li> </ul>	
% of clients returning to work in 70 days <ul style="list-style-type: none"> <li>- 63% by 30 June 2026</li> <li>- 70% by 30 June 2028</li> <li>- 75% by 30 June 2030 (not yet tested with ACC or Finity)</li> </ul>	
% of clients returning to work in 273 days <ul style="list-style-type: none"> <li>- 91% by 30 June 2026</li> <li>- 93% by 30 June 2028</li> <li>- 95% by 30 June 2030 (not yet tested with ACC or Finity)</li> </ul>	
Providing immediate support to all clients with a preliminary conversation within five days, and complex cases having rehabilitation plans in place within ten working days	
Stopping wasteful and unnecessary spending by reducing the Outstanding Claims Liability by: <ul style="list-style-type: none"> <li>- Total weekly compensation by \$6.62 billion</li> <li>- Social rehabilitation by \$1.83 billion</li> <li>- Elective surgery by \$0.21 billion</li> </ul>	

- e **Note** that ACC has raised concerns about reducing the long-term claims pool to 20,000 (as preferred by your office) by 30 June 2026, compared to their recommendation of 24,000, particularly in relation to case manager and system capacity

*Noted*

- f **Note** that Finity has advised that a target of 20,000 in the long-term claims pool by 30 June 2026 would incentivise poor outcomes for clients and shift focus from also managing short-term return-to-work claimants

*Noted*

- g **Agree** to a long-term claims pool reduction target, for inclusion in the Cabinet paper [select only one]

	✓ Agreed [select one]
Reducing overall size of the long-term claims pool to: <ul style="list-style-type: none"> <li>- 24,000 by 30 June 2026</li> <li>- 18,000 by 30 June 2028</li> <li>- No 2030 target identified</li> </ul> <b>(Recommended by ACC; endorsed by Finity and MBIE)</b>	
Reducing overall size of the long-term claims pool to: <ul style="list-style-type: none"> <li>- 20,000 by 30 June 2026</li> <li>- 18,000 by 30 June 2028</li> <li>- 15,000 by 30 June 2030</li> </ul>	

- h **Note** that despite Finity advice, MBIE does see that there could some room for movement in the long-term claims pool target that may not have counter-productive targets

*Noted*

- i **Note** that ACC has developed a range of initiatives that will help deliver on your priorities and targets, alongside those in the ACC Board’s operational plan, which Finity consider to be appropriate to support delivery

*Noted*

- j **Note** that, once targets are agreed on, ACC will reconsider the operational work programme to ensure initiatives remain appropriate to deliver on your level of ambition

*Noted*

- k **Agree** that the following initiatives are included in the draft Cabinet paper, to support priority three, as recommended by PSC and MBIE:

	✓ Agreed
Monthly public-facing report on progress against targets	
Establishment of the ACC Performance Improvement Taskforce	
Free and frank opinions, Confidential advice to Government	

- l **Note** that the Treasury will provide separate advice on the enhanced monitoring framework, which is noted in the draft Cabinet paper

*Noted*

m **Note** that the PSC will provide separate advice on the establishment of the ACC Performance Improvement Taskforce

*Noted*

n **Note** that, following feedback being provided, MBIE will provide your office with an amended Cabinet paper to support ministerial consultation

*Noted*

## Privacy of natural persons

Jivan Grewal  
**General Manager, Workplace Relations and Safety**

Labour, Science and Enterprise, MBIE

14 / 08 / 2025

Hon Scott Simpson  
**Minister for ACC**

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## Privacy of natural persons

**Manager, Public Sector Performance**  
Public Service Commission

14 / 08 / 2025

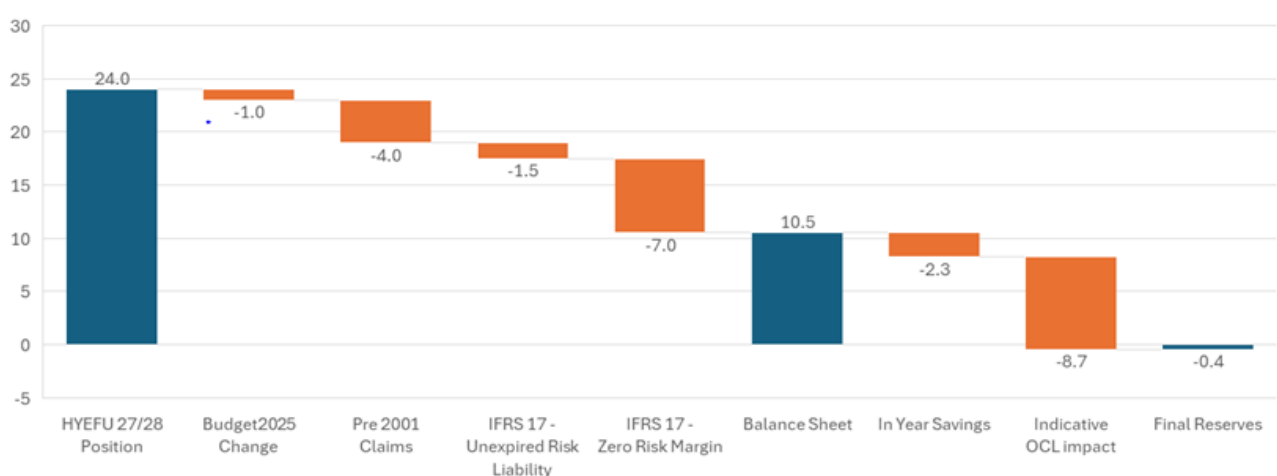
## Background

1. Senior Ministers met on 15 July 2025 to discuss a draft Accident Compensation Scheme Turnaround Plan. This plan set out an operational plan, agreed by the ACC Board, and complimentary legislation changes.
2. Officials met with you on 28 July 2025 to discuss progressing a Cabinet paper which would set out ambitious targets for ACC and a range of initiatives that would support the delivery of these targets.
3. Since then, officials from the Public Service Commission (PSC), including those with involvement in the Health Delivery Plan, and MBIE have been working with your office on progressing a Cabinet paper that will deliver to the expectations that you set.

## Setting of priorities and targets

4. Officials have identified three priorities, which take into consideration the findings of the external performance review by Finity, and four targets to measure progress of the priorities in your ACC Turnaround Plan.
5. These targets are intended to be sufficiently ambitious to inspire ACC to drive significant performance improvements. To provide assurance on the appropriateness of these targets (both in terms of ambition and focus areas), and underlying initiatives, Finity were commissioned to provide advice.
6. In developing these priorities and targets, ACC actuaries have advised that savings will translate to a \$8.7 billion reduction to the Outstanding Claims Liability by 30 June 2028, which includes \$1.93 billion from the ACC Board's Operational Turnaround Plan. In conjunction with the ACC Operational Turnaround Plan, this will mean that your ACC Turnaround Plan will reduce ACC's net reserves from a **forecast deficit of \$24 billion (as at HYEYFU 24)** to a **surplus of \$400 million by 30 June 2028**.
7. As part of this, your ACC Turnaround Plan will deliver a \$2.3 billion reduction of in-year cash claims costs over the next three years. Overall, this will mean that ACC has been returned to a balanced position and will no longer be accessing reserves to meet in-year costs.

**Figure 1 below shows all the factors that contribute to ACC's forecast fiscal position in 2027/28. Just under half of the deficit reduction is the result of your ACC Turnaround Plan (in year savings and OCL impact).**



## Priorities

8. Findings in the external performance review highlighted that there is a need for ACC to 'get back to basics', with claims management and rehabilitation becoming the core focus. As part of this, the review also found that there was insufficient monitoring by the Board, management and the Treasury of key performance indicators.

9. The three priority areas that officials recommend are:

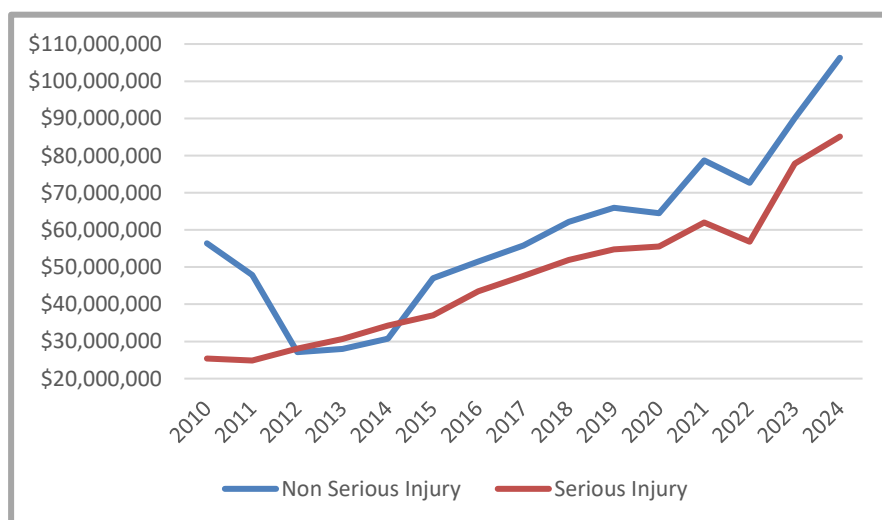
### a. Getting New Zealanders back to work and independence

- i. We know that more people are taking longer to return to work or independence, particularly those with non-serious injuries – 64.7% of the long-term claims pool are for non-serious injuries (soft tissue injuries, fractures, dislocations, concussions, punctures or stings).
- ii. This priority will send a clear message to ACC, and the public, that there needs to be a sharper focus on getting faster access to those that need it, while setting them up to focus on their recovery.
- iii. ACC is intending to deliver on this priority through the use of a clinical boost, which will include recruiting an additional 285 staff (on top of the 250 additional staff ACC is already recruiting) and contracting third-party providers to provide additional clinical capacity.
- iv. Financial incentives for GPs and primary care providers to those that support clients back to work will also be explored as part of this priority.

### b. Ensuring clients are getting the correct support in their injury recovery

- i. More clients are receiving rehabilitation services and the cost per claim has increased significantly over the past 10 years. This has mainly been driven by clients with less severe injuries receiving more treatment and rehabilitation services than previously.
- ii. As an example, the below graph demonstrates the total cost of aids and appliances (e.g. crutches and wheelchairs) for serious and non-serious injuries for the past 14 years.

**Figure 2: Expenditure of non-serious injury vs. serious injury on aids and appliances**



- iii. We know anecdotally that ACC has been funding expensive supports when more cost-effective alternatives are available (BRIEFING-REQ-0004344 refers). The intent is that this priority will highlight the importance for ACC decision-making to better reflect that clients should get what they need, when they need it, but be in line with clinical evidence to ensure that clients are not becoming reliant on supports in the long-term.
- iv. ACC will be delivering on this priority through initiatives such as ensuring that elective surgery decisions are made in-line with best-practice clinical guidance (e.g. where a client may have alternative treatment methods, this should be explored), proactively tracking claims where there is evidence of overservicing client needs and establishing an enhanced Fraud Prevention and Investigation team.

c. **Resetting ACC, and getting the organisation back to basics**

- i. The Finity review recognised that the Board, management and the Treasury were not appropriately focused on performance indicators that mattered.
- ii. Given the ambitious targets that are being recommended, to provide you, and the New Zealand public with assurance, there are a range of initiatives to deliver on this priority. These will include public-facing monthly reports on progress against targets, with weekly dashboards provided on targets, claim volumes, recovery outcomes and customer feedback.
- iii. The Treasury will develop an enhanced monitoring framework, which will require you to agree to a new Memorandum of Understanding and an annual monitoring plan.
- iv. With support of the Public Service Commission, an ACC Performance Improvement Taskforce will also be established, similar to what was put in place at Health NZ. PSC will advise you on this separately.

10. Specific information on the delivery of the initiatives, including timeframes is included in **Annex One** as part of the draft Cabinet paper.

11. Finity has provided assurance that, if implemented well, initiatives could improve ACC's declining financial sustainability and aid in positioning ACC to achieve your targets as they directly address blockages in ACC's processes, such as backlogs with receiving clinical advice, or the lack of incentive of participants such as GPs.

## Targets

12. Your priorities will be supported by four targets that are intended to focus ACC on its core role of getting New Zealanders back to work and independence faster. These have been set as 'stretch targets', in that they should be intentionally difficult but not impossible. All targets aim to return performance to 2016 levels which is when the Scheme was last performing well.

13. Officials recommend targets focus on the following areas:

- a. *Target One*: increasing the percentage of clients returning to work within specific time periods (28, 70 and 273 days)
- b. *Target Two*: Providing immediate support with all clients with a preliminary conversation within five days, and complex cases having rehabilitation plans in place within ten working days

- c. *Target Three:* reducing the number of clients that have been on ACC for one year or more, that are then returned to independence or work
  - d. *Target Four:* reducing wasteful and unnecessary spending by reducing:
    - i. Total weekly compensation by **\$6.62 billion**<sup>1</sup>
    - ii. Social rehabilitation by **\$1.83 billion**
    - iii. Elective surgery by **\$0.21 billion**
14. MBIE and PSC both recommend that targets one, two and four are sufficiently ambitious and will drive appropriate behaviour from ACC. This view is endorsed by Finity.
15. Specific decisions on the level of ambition on target three are required from you. There is broad agreement that the target in three years should be 18,000 clients in the long-term claims pool, but you have choices about how quickly you want to get there. Table 1 compares targets suggested by your office, MBIE and ACC.

**Table 1: 2016 targets compared to suggested targets by MBIE and ACC**

	Targets
Size of LTCP in 2024 if 2016 levels of performance had continued	15,223 clients
Current size of the LTCP (2025)	24,212 clients
Targets with most improvement front loaded into the first year	2026 – 20,000 2027 – 19,000 2028 - 18,000 2030 – 15,000
Targets with most improvement in years 2 and 3 (preferred by ACC, and endorsed by Finity and MBIE)	2026 – 24,000 2027 - 21,475 2028 – 18,000

16. The risk of pushing too hard in the first year is that ACC will not have sufficient time to build the capability of its workforce, including setting up the clinical and technical support case managers will need to work effectively with this cohort. This will result in more reviews, and greater likelihood of judicial reviews as clients and advocates challenge ACC’s approach.
17. The intent of these targets is that ACC should be returning to, and bettering, the 2016 level of performance. Finity have provided assurance that targets, as suggested by ACC are sufficiently ambitious to get ACC back on track and will require ACC to deliver a level of performance in line with the best it has delivered in the past twenty years. Finity advised that a target of 20,000 at June 2026 would incentivise poor outcomes for clients and shift focus from also managing short-term return-to-work claimants.
18. Finity also noted that looking out over the long term, beyond 2028, and assuming ACC has set sustainable foundations for a high-performing culture, it is reasonable to expect an improvement in operational performance year-on-year.

<sup>1</sup> Made up of \$6.44 billion from improved rehabilitation rates and reduction of the long-term claims pool, and \$0.18 billion from lower volumes from surgery.

## Initiatives

19. Alongside what was included in the ACC Board's operational plan, ACC will be progressing the following new initiatives to deliver on your targets and priorities:
  - a. Introducing a new early intervention 'check-in' for clients accessing weekly compensation for less than 28 days who are at-risk of delayed recovery
    - i. This will utilise an expert panel and specialist staff to provide advice to case managers on how to manage at-risk clients and what likely next steps could be in helping these individuals on their journey to recovery.
  - b. Contracting with third-party providers to review and provide additional clinical capacity to accelerate the return to independence of non-seriously injured clients accessing weekly compensation long-term
    - i. ACC will negotiate contracts with third-part providers to complete assessments of ongoing incapacity and whether they remain eligible for entitlement, which will boost ACC's specialist capacity.
  - c. Aligning incentives for GPs and primary care providers to support their clients back to work, in line with clinical best-practice
    - i. Will involve working with GPs to ensure consistency across 'off-work' certification, which will be aligned with clinically expected recovery durations. GPs would also be financially incentivised to proactively engage with ACC on a claim-by-claim basis where a client is at risk of a delayed recovery. Public-facing messaging will make clear that 'return-to-work' certificates are not a legislative requirement in order for a client to return-to-work.
20. Other initiatives will include:
  - a. Freeing up elective surgery capacity for those who need it most, by ensuring ACC decision-making and return to work timeframes around elective surgery are appropriate and in-line with clinical best-practice
    - i. ACC will work with external stakeholders to agree clinical frameworks and standards for specific surgery types, ensuring that surgeries are directly related to the causative injury, this will decrease the number of surgeries ACC is funding for degenerative conditions. ACC will also benchmark surgeons against recovery times as a form of performance monitoring.
  - b. Implementing a dedicated work-programme targeting overspend on social rehabilitation services and ensuring decisions are necessary and appropriate
    - i. ACC will increase monitoring capacity to identify use of high-cost services, with a specific team in charge of proactively reassessing entitlements for clients who may be overserved. This will be supported through increased capability training for frontline staff.
21. ACC is also investing in an additional 285 additional frontline and support (clinical and technical) staff to directly focus on the ~16,000 non-serious injury clients in the long-term claims pool. This on top of the additional 250 frontline staff from 2024/25.
22. Finity has confirmed that these are the right initiatives and will help drive performance improvements in order to meet targets.
23. The intent is that once targets have been set, ACC will begin actively reviewing its work programme and looking at what further operational improvements are required to meet these.

## Next steps

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28. The draft Cabinet paper is attached as **Annex One** for your feedback. You are meeting with officials from PSC, MBIE and the Treasury on Monday 18 August.
29. Following this meeting, an amended Cabinet paper will be provided to your office as soon as possible, to allow Ministerial consultation to start.
30. Officials will provide your office with supporting material for Ministerial consultation and will commence departmental consultation with the Ministry of Social Development and the Ministry of Health.
31. PSC and MBIE are currently developing a communications plan, in conjunction with your office.

## Annexes

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Annex One: Draft Cabinet paper: Getting ACC Back on Track – Turnaround Plan to deliver better outcomes for injured New Zealanders (attached separately).