

1 September 2025

Ms Bridget Duley
Manager, Accident Compensation Policy
Ministry of Business, Innovation and Employment
15 Stout Street, Wellington, 6140

Dear Ms Duley

Quality Assurance of ACC Performance Targets

Finity Consulting Pty Limited (Finity) has been engaged by the Ministry of Business, Innovation and Employment (MBIE) to undertake a Quality Assurance of ACC performance targets.

The decline in ACC's operational performance and financial sustainability is well documented in ACC's accountability documents and elsewhere. A Turnaround Plan developed by ACC is underway to address the identified issues and improve performance.

MBIE has identified draft performance measures and targets to 2028. These have been shared with Finity along with operational initiatives from ACC. It is clear that a great deal of work has been done by ACC and MBIE to set the areas to measure and targets, and ensure consistency between them.

Key findings

- 1 A three year period (to 2028) is a short timeframe to turn around an accident compensation scheme, particularly one that has seen performance decline for over a decade and has known gaps in capacity and capability. This is especially the case in the absence of legislative change to address scheme dynamics and outcomes.
- 2 Our overall views are:
 - the measures cover the right focus areas,
 - the targets are sufficiently ambitious; and
 - the targets to strike an appropriate balance with driving improved performance but not the wrong behaviours. The Return to work (RTW) targets set for 2028 have not been achieved by ACC for at least 10 years and as such will extend ACC beyond its comfort zones.
- 3 Given the initiatives supporting the Turnaround Plan and stretch targets, ACC is forecasting a marked improvement in scheme financial sustainability with a small positive forecast of net reserves in 2028. This outcome is highly dependent on appropriate resources and capability being available to support a well-executed implementation of the proposed initiatives.
- 4 ACC's Monitors will play a key role in monitoring ACC's implementation progress and working with ACC to identify early warning signs of off-track performance and how to address it.
- 5 The performance targets and initiatives relate to improving ACC's management of claim costs:

- a The measures and initiatives exclude some key drivers of recent financial strain including sensitive claim costs and impacts from court decisions. The TN court decision significantly expanded ACC’s scheme boundaries.
- b The other side of the ‘equation’ is the revenue that ACC receives from levies and government appropriations. If ACC’s coverage is expanded, the revenue into the scheme will need to increase. This may require a change to ACC’s Funding Policy.

In this letter, we respond to the questions outlined in the engagement and provide further detail supporting our comments in the Appendices. We have performed a desktop review of the measures and initiatives in the context of the following considerations.

Consideration	High level comments
1. Do the targets cover the right areas for the Minister and ACC to focus on?	<ul style="list-style-type: none"> ◦ Taken together, the targets broadly cover the right areas for the Minister and ACC to focus on. ◦ The ‘Customer’ measures provide a view of efficiency but not outcomes. ◦ There are no measures relating specifically to sensitive claim costs. ◦ ACC and its Monitors should continue to scan for emerging risk areas that aren’t being actively measured within these targets.
2. Do the initiatives target the key drivers of ACC’s declining financial sustainability?	<ul style="list-style-type: none"> ◦ The initiatives target the influenceable areas of ACC’s declining financial sustainability, in particular the key drivers of the OCL strain at 30 June 2024 and 30 June 2025 (draft) and recent period cost escalations. But their estimated impact on improving financial sustainability varies. ◦ Non-influenceable (by ACC, without legislation) costs may continue to increase and “undo” some of the improvements in financial performance from the initiatives. ◦ Several of the initiatives directly address previously identified blockages in ACC’s processes and the lack of performance incentives. If well implemented these initiatives will improve ACC’s financial performance.
3. Are the targets sufficiently ambitious to get ACC back on track, in particular timeframes for improvement?	<ul style="list-style-type: none"> ◦ The revised ACC targets are sufficiently ambitious, and the timeframe is appropriate. In our view, the targets are better described as <i>highly</i> ambitious due to: <ul style="list-style-type: none"> - The RTW targets set for 2028 have not been achieved by ACC for at least 10 years. - The 2026 RTW targets have been achieved in the last 3 to 5 years. However, the capability gaps currently within ACC’s service delivery area and delays in the already prolonged processes to exit claimants mean there will be a longer lead time to turnaround performance. ◦ It is important to set targets that stretch ACC over the next three years but do not inadvertently drive the wrong behaviour and outcomes for clients.

Consideration	High level comments
4. Whether there are better measures that are missing?	<ul style="list-style-type: none"> ◦ The measures are appropriate to undertake high-level monitoring of ACC based on its current status and what is available to monitor. ◦ We encourage ACC and its Monitors to analyse in further detail changes in the measures, measures for those not in the workforce and other emerging risk areas (as required). ◦ In the longer-term, ACC may want to build in measures that are comparable across other schemes (e.g. durable return to work).
5. Whether the initiatives identified are appropriate to support delivery of key measures?	<ul style="list-style-type: none"> ◦ The initiatives are expected to impact ACC’s financial sustainability to varying degrees, acknowledging time to fully implement and implementation risk. ◦ The initiative to invest in additional technical and clinical staff could have a material impact on improving RTW rates and the influenceable component of the OCL. ◦ If the outcome of the urgent review of non-clinically evidenced social rehabilitation services leads to restricting access to non-clinically evidenced services, this could also have a material reduction on social rehabilitation costs.

Yours sincerely

Privacy of natural persons



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Appendix

1 Scope of review

Finity Consulting Pty Limited (Finity) has been engaged by the Ministry of Business, Innovation and Employment (MBIE) to provide independent quality assurance advice. MBIE is looking for assurance that a draft set of stretch performance measures and targets it has identified, alongside operational initiatives from ACC will:

- cover the right areas for the Minister and ACC to focus on?
- target the key drivers of ACC's declining financial sustainability?
- are sufficiently ambitious to get ACC back on track, in particular timeframes for improvement?
- whether there are better measures that are missing?
- whether initiatives identified are appropriate to support delivery of key measures?

The expectation from MBIE is that this will be a desktop exercise, drawing on prior knowledge and experience of ACC performance. The revised targets were supplied by ACC and we have not quantified or independently verified the resulting impact of the targets on ACC's financial performance.

2 Background

Over the past decade, ACC has experienced a marked decline in operational performance and financial sustainability. Drivers behind this include ineffective case management, poor rehabilitation rates, an increase in the cost of weekly compensation, increasing payments for social rehabilitation support, higher long-term claims pool numbers and escalating treatment costs.

In late 2024, the Minister for ACC, in consultation with the Minister of Finance, commissioned an independent review of ACC to provide quality assurance advice that ACC has the right approach to turn around its declining rehabilitation performance, identify any gaps, and make recommendations for improvement (Finity's External Review). The final report for the Finity External Review was submitted to MBIE in June 2025.

In June 2025, ACC prepared a Scheme Turnaround Plan which outlines ACC's operational work-programme to improve the financial performance of the Scheme. The operational work-programme aligns with the recommendations made in Finity's External Review Report. The Turnaround Plan identifies five focus areas, as outlined below, with detailed projects and activities for each area:

- 1 Strengthening claims management to improve rehabilitation outcomes for clients
- 2 Ensuring rehabilitation and treatment services are cost-effective and appropriate
- 3 Resetting ACC's strategic direction and priorities
- 4 Ensuring effective oversight and delivery
- 5 Improving organisational effectiveness and efficiency

Progress against the Turnaround Plan will be measured against the 2025/26 Service Agreement targets.

3 Stretch targets

The Minister for ACC has directed officials to develop stretch performance targets for ACC to drive the organisation to turn around its declining performance. The draft "stretch" performance measures require improvement to ACC's performance that exceeds the level set out in the Turnaround Plan.

These stretch targets are intended to be ambitious but achievable improvements, and aligned to ministerial expectations and the core drivers of ACC’s decline.

MBIE defines a stretch target as an ambitious goal set beyond the standard or expected level of performance. It should challenge ACC to go beyond its comfort zones and achieve exceptional results. Unlike regular targets, which are usually based on historical data or realistic forecasts, stretch targets are intentionally difficult but not impossible.

The initiatives required to achieve the “stretch” targets are aimed at reversing recent trends and restoring the scheme’s financial health.

4 Proposed measures and targets

4.1 Base stretch performance targets

Grouping	Headline	Revised Target
Cost effective: Deliver a more financially sustainable Scheme	The amount ACC needs to meet the future cost of claims will reduce, improving its overall balance sheet.	By 30 June 2028, ACC will reduce the influenceable component of its overall future liability by \$8.66b ¹ : <ul style="list-style-type: none"> ◦ Weekly compensation by \$6.62b ◦ Social rehabilitation by \$1.83b ◦ Elective surgery by \$0.21b.
Impact: Get more people back to work faster	More people will recover from their injuries and return to work earlier.	<ul style="list-style-type: none"> ◦ Return to work - 28 days: By 30 June 2028, 41.2% of clients will return to work within 28 days, and by 30 June 2026 36.7%. ◦ Return to work - 10 weeks: By 30 June 2028, 68.4% of clients will return to work within 10 weeks, and by 30 June 2026 62.3%. ◦ Return to work – 9 months: By 30 June 2028, 93.0% of clients will return to work within 9 months, and by 30 June 2026 91.0%.
Impact: Reduce the number of people relying on support long-term	Less people with non-serious injuries will be relying on the Scheme long-term.	<ul style="list-style-type: none"> ◦ Return to work – 1 year: By 30 June 2028, 95.4% of clients will return to work within 365 days, and by 30 June 2026 93.6%. ◦ In 2027/28, 10,000 long-term clients will return to work and independence, and in 2025/26 9,500. ◦ By 30 June 2028, the number of claimants receiving weekly compensation long-term will reduce to 18,000, and by 30 June 2026 24,000.

¹ The future liability reduction has been modelled by ACC using June OCL 2025 as the base, using a modelled scenario if the revised targets are achieved.

Grouping	Headline	Revised Target
Customer: Provide efficient and effective access to support	ACC will provide people the support they need easily and quickly, setting them up to focus on their recovery.	<ul style="list-style-type: none"> ACC will make a cover decision on straightforward claims within one day ACC will set up weekly compensation, where appropriate, within 8 days 86% of reviews will be upheld. If required: <ul style="list-style-type: none"> All new case managed client will have welcome conversation.

4.2 Variations to base stretch performance targets

Variations to the base stretch performance targets were developed and considered in this Quality Assurance review. The variations are a further stretch on those listed in Section 4.1 and implicitly assume a faster time to turnaround operating performance

Grouping	Headline	Revised Target
Impact: Get more people back to work faster	More people will recover from their injuries and return to work earlier.	<ul style="list-style-type: none"> Return to work - 28 days: By 30 June 2028, 42% of clients will return to work within 28 days, and by 30 June 2026 38%. Return to work - 10 weeks: By 30 June 2028, 70% of clients will return to work within 10 weeks, and by 30 June 2026 63%.
Impact: Reduce the number of people relying on support long-term	Less people with non-serious injuries will be relying on the Scheme long-term.	<ul style="list-style-type: none"> Variation #1: By 30 June 2028, the number of claimants receiving weekly compensation long-term will reduce to 18,000, and by 30 June 2026 23,000. Variation #2: By 30 June 2028, the number of claimants receiving weekly compensation long-term will reduce to 18,000, and by 30 June 2026 22,000. Variation #B: By 30 June 2028, the number of claimants receiving weekly compensation long-term will reduce to 18,000, and by 30 June 2026 20,000.

4.3 Targets beyond 2028

Grouping	Headline	Revised Target
Impact: Get more people back to work faster	More people will recover from their injuries and return to work earlier.	<ul style="list-style-type: none"> Return to work - 28 days: By 30 June 2030, 45% of clients will return to work within 28 days. Return to work - 10 weeks: By 30 June 2030, 75% of clients will return to work within 10 weeks. Return to work – 9 months: By 30 June 2030, 95.0% of clients will return to work within 9 months

Impact: Reduce the number of people relying on support long-term	Less people with non-serious injuries will be relying on the Scheme long-term.	◦ By 30 June 2030, the number of claimants receiving weekly compensation long-term will reduce to 15,000.
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5 Proposed initiatives

- Giving people faster access to the support they need and setting them up to focus on their recovery, with straightforward cover decisions made within one day and weekly compensation set up for those who need it in 8 days
- Introducing a new early intervention ‘check-in’ for clients accessing weekly compensation for less than 28 days who are at-risk of delayed recovery, leveraging ACC’s data and technology (proposed)
- Aligning incentives for GPs and primary care providers to support their clients back to work, in line with clinical best-practice (proposed)
- Actively sharing benchmarking data on primary care certification for weekly compensation to incentivise changes in behaviour, alongside modernising ACC’s policies and forms
- Investing in 250 additional technical and clinical staff to boost ACC’s dedicated function supporting the ~16,000 non-serious injury clients who have been relying on weekly compensation for more than a year back to work and independence
- 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 (proposed)
- Ensuring ACC is applying sanctions to clients who are not meeting their obligations to actively participate in rehabilitation. This will include stopping weekly compensation payments for clients who, without good reason, do not attend appointments or comply with their rehabilitation plan.
- Investing in an enhanced Fraud Prevention and Investigation capability to proactively detect, prevent and respond to client and provider fraud
- Conducting an urgent review of non-clinically evidenced social rehabilitation services. (proposed)
- 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.

6 Key findings

In this section, we provide further detail on our response to the questions outlined in the engagement based on our desktop review of the measures and initiatives.

We were provided with historical performance data for the proposed measures. We considered the proposed targets against MBIE’s definition of a stretch target, ACC’s longer term historical performance of these measures and where relevant, against Australian scheme performance (noting caution with making a direct comparison with these).

For all the proposed initiatives, we do not have detail beyond the high-level stated initiatives. As with many things, the devil is in the detail and implementation is key. We’ve taken the initiatives at face value and assume that resources and capability will be available to support a well-executed implementation.

6.1 Do the targets cover the right areas for the Minister and ACC to focus on?

Our starting point is that the right areas to focus on are those that focus on improving scheme sustainability and performance using a ‘back to basics’ approach. Our understanding is the targets (and initiatives) are expected to be achieved (and implemented) under the current legislative settings. This is noteworthy, as experience of ACC and Australian compensation schemes shows that a significant turnaround without legislative change is more challenging. Where this has been successful, schemes have:

- Returned to insurance disciplines, i.e. diligent and consistent application of eligibility rules (who gets accepted), and how they get managed.
- Doing the basics right to determine entitlements, e.g. using legislative provisions as they were drafted, not as they’d become normalised through behaviours that bypass or undermine legislative intent.

For this desktop review, we have relied on our prior knowledge from Finity’s External Review and the analysis of the cost drivers and focus areas primarily related to the 2023/24 financial years and earlier. MBIE have shared a draft summary of ACC’s unaudited financial results for 2024/25. These results show:

- A net deficit of \$7.2bn in 2023/24 and a net deficit of \$1.5bn in 2024/25.
- In the five years to 30 June 2023, the main drivers of the influenceable strain in the OCL were weekly compensation, social rehabilitation (serious injury care) and sensitive claims, with a cumulative strain of \$4.2b from these three areas.
- At 30 June 2024, \$8.7bn increase in the Outstanding claims liability (OCL), with a \$3.2b influenceable strain driven by weekly compensation, social rehabilitation costs (particularly serious injury care payments) and sensitive claim costs.
- At 30 June 2025, \$3.3bn increase in the OCL, with a \$990m influenceable strain driven by elective surgery and social rehabilitation costs (particularly capital payments and serious injury care payments).

6.1.1 Targets

Scheme sustainability and (influenceable) OCL reduction

The first measure relates to a reduction in the influenceable component of the OCL focusing on three areas (weekly compensation, social rehabilitation and elective surgery). As noted above, these areas have been key drivers of the OCL strain and if the revised targets are achieved, particularly for long-term claimants, there will be an improvement in the financial performance of the scheme.

Return to work (RTW) targets

The practice of setting multiple RTW targets for different claims durations is commonplace in compensation schemes as this approach allows the scheme to measure and manage rehabilitation performance appropriately according to claims characteristics. As noted in Finity’s External Review, better RTW outcomes protect workers’ income, limit wage-replacement payments and lower overall claim costs – benefitting both the claimant and the scheme.

Customer targets

In our view, the ‘Customer’ measures won’t improve financial performance and may be inversely related to financial outcomes. Specific comments on these targets:

- Cover decision timeframe and Time to set up weekly compensation: From a financial sustainability perspective, the speed of the decision (efficiency) will not drive the costs materially, the emphasis should be on whether it is the “right” decision. Having a process measure that is entirely time-based does not encourage a focus on outcomes and could encourage an “accept it if in doubt” mindset. This is

particularly relevant to ACC currently with the number of new staff and the known lag in speed to competency. These measures are more hygiene and BAU related.

- Percentage of reviews upheld: We consider it reasonable to include this measure and consider the lowering of the target compared to recent trends to be a fair and consistent reflection of the anticipated reduction in the measure if stricter operational processes are applied.

Overall, these customer measures serve a purpose in providing a balanced scorecard view.

We note that sensitive claims costs were a driver of the OCL strain at 30 June 2024 and weekly compensation costs payments for claimants receiving loss of potential earnings (LOPE) in the Non-Earners' Account were significantly higher than expected in 2024/25 (i.e. an increase in the average cost of claims). Sensitive claims contribute to both the influenceable and non-influenceable OCL strain, the latter being an outcome of court decisions. While it is clear that sensitive claims are contributing to the financial pressures that ACC is facing, we acknowledge sensitive claims to be a challenging area and one that requires careful management.

One final observation we make is that performance typically improves in areas under close scrutiny, and on occasions has been seen to deteriorate in those areas that are not.

6.2 Do the initiatives target the key drivers of ACC's declining financial sustainability?

This question has been considered using two components affecting financial sustainability:

- 1) Ongoing (new year) costs
- 2) Future claims liability for existing claims.

The strain in the OCL, both influenceable and non-influenceable, has been a key driver in the declining financial sustainability of ACC. The initiatives cover areas that do not require legislative change (i.e. influenceable) and therefore do not target non-influenceable, e.g. court decisions and the OCL strain from sensitive claims area. The areas that are not being targeted may continue to increase in costs and "undo" some of the improvements in financial performance from the initiatives.

6.2.1 Initiatives

We note these initiatives are intended to form key announcements from the Minister, giving examples of current and proposed initiatives underway to deliver on performance targets, rather than representing ACC's full operational work-programme. We understand ACC will need to update the Turnaround Plan to reflect the more ambitious performance targets.

The initiatives focus on the delays in return to work and rising long-term claimants. They do not directly address the increasing cost of rehabilitation and care (e.g. social rehabilitation, elective surgery). We consider there is adequate coverage in ACC's Turnaround Plan of initiatives relating to these areas.

Some of the initiatives, if implemented well, will improve ACC's declining financial sustainability and position ACC to achieve the revised targets as they directly address blockages in ACC's processes (e.g. clinical backlog) or the lack of incentives (e.g. on GPs). Other initiatives are not expected to have a material impact on financial sustainability. We discuss the proposed initiatives further in Section 6.5.

We have not investigated how ACC will prioritise the proposed initiatives or whether ACC is able to implement all the proposed initiatives in addition those in the Turnaround Plan and BAU initiatives. Our assumption is that BAU or the Turnaround Plan initiatives are not put at risk or delayed as a result of including these additional initiatives.

6.3 Are the targets sufficiently ambitious to get ACC back on track, in particular timeframes for improvement?

This question has been considered in the context of MBIE’s definition of stretch targets (see Section 3). As noted earlier, we do not consider the targets relating to efficient and effective access by claimants to be a driver in getting ACC’s performance back on track. Therefore, we have not considered these targets in answering this question.

Our assumption is “back on track” means reversing the decline in financial and operational performance but does not mean the turnaround is completed. In the Half-Year Economic and Fiscal Update 2024 (HYEFU 24), ACC forecast net reserves of -\$24b (i.e. a forecast deficit) at 30 June 2028. Based on analysis received from ACC, if the revised targets are achieved, net reserves are forecast to be \$0.4b (i.e. a forecast small surplus). This represents a significant improvement in this timeframe, particularly without legislative change.

At 30 June 2025, the LTCP was around 24,550. Over the past 10 years, the LTCP has increased by 12,260 claims, averaging 8% p.a. growth over the period. The size of the LTCP is a function of the number of entries and exits into the pool:

- Entries into the LTCP will be influenced by population growth, and the number of entrants can be managed through strong case management rehabilitating claimants before they enter the LTCP.
 - > Our understanding from discussion with MBIE and ACC is around 64% of the claims in the LTCP at 30 June 2025 have a primary diagnosis of a non-serious injury. Noting that there may be data issues, this suggests a proportion of entrants into the pool should not have entered the pool (i.e. could be reasonably expected to have recovered within 12 months). However, from experience with other schemes, many long duration claims exhibit characteristics that mean that the primary diagnosis is not the issue – secondary features (especially psychological conditions, chronic pain etc.) become the barrier to RTW and function, and must be addressed which can take time and require specialist management.
 - > The 10 year average entrant rate to 30 June 2025 was around 38%².
- Exits from the LTCP can currently be managed through effective case management within legislative settings, including rehabilitation (i.e. client recover), incapacity and vocational independence assessment.
 - > There are currently challenges to manage and exit claimants including a lack of clinical capability and capacity to support the LTCP reduction programme.
 - > The 10 year average exit rate to 30 June 2025 was 30%³.

6.3.1 Base stretch performance targets

In our view, the revised base stretch ACC measures are sufficiently (in fact, highly) ambitious for the 2026 to 2028 period to get ACC back on track. We base this view on the following factors:

- The targets are more ambitious than those set in the 2024/25 Service Agreement and also more ambitious than those set in the Turnaround Plan.
- For the RTW 2028 targets, ACC has not achieved these targets over the past 10 years of history.

² Entrant and exit rates are taken as the number of claims that enter or exit the pool during the period as a proportion of the number of claims that are in the pool at the beginning of the period

³ Entrant and exit rates are taken as the number of claims that enter or exit the pool during the period as a proportion of the number of claims that are in the pool at the beginning of the period

- To achieve the Long-term claims pool (LTCP) size target, the entrant and exit rate into the scheme would need to be lower and higher (respectively) than has been achieved in recent years. It takes time to exit claimants via one of the three processes available to ACC and there are known blockages that are slowing down the process; initiatives to address these are discussed in Section 6.5.
- There are known gaps in the capacity and capability of frontline staff supporting client rehabilitation and while ACC is addressing these with hiring and training, it takes many months for claims staff to attain base competency (6 – 12 months is typical).
- In setting ambitious targets, particularly over a short timeframe] care is needed to not drive inappropriate behaviours (e.g. exiting people prematurely, denying legitimate claims).

The target reduction in the influenceable component of the OCL is based on the new targets for LTCP, RTW rates] social rehabilitation spend, and elective surgery spend being achieved. This approach appears sound i.e. all targets should be aligned.

6.3.2 Variations to base stretch performance targets

As noted, the variation to the base stretch performance targets implicitly assume a faster time to turnaround operating performance.

RTW targets

The variations to the RTW targets present rounded targets. Our view is these variations are inconsistent and are likely unachievable. We base this view on the following:

- The variations have rounded up the targets, but not in line with conventional rounding practice, i.e. 36.7% would under conventional practice be rounded to 37.0% not 38%. The impact of rounding up means that what were set as ambitious stretch targets are now significantly more of a stretch.
- Our understanding is the base targets have been set to ensure consistency with measures at each duration based on modelling done by ACC. In particular, we understand the LTCP target size has been set by working backwards from the expected entrants into the LTCP which is an outcome of the changes in the RTW rates at each duration. We do not consider it reasonable to amend (round up) selected targets without flowing through the impacts of these amendments on other targets. We therefore suggest that if these variation to targets are used that MBIE work with ACC to understand the flow on impacts.

At a high level, rounding the base percentage targets could be reasonable if performance against the targets (i.e. actuals) are reported at the same level of significance. For example, if the target was 36.7%, rounded to 37% and actual performance was 36.7%, this should be reported as 37%.

LTCP targets

ACC have suggested a base (revised) target for the LTCP for June 2026 of 24,000 at June 2026 (and 18,000 at June 2028). The June 2026 target proposed by ACC is 550 claims lower than June 2025, but it is 2,910 lower than the 2024/25 Service Agreement. Based on our analysis, to achieve 24,000 claims in the LTCP by 30 June 2026, ACC would need to achieve an entrant rate of around 36.5% and exit rate of 38.7%, lower and higher respectively to the 10 year average. This also equates to reducing the growth in entrants by 10% compared to 2025 and increasing the growth in exits by 20%. We consider the revised target of 24,000 at June 2026 to be achievable, but will require additional effort from ACC.

Three variations to base stretch LTCP performance targets for 2026 have been presented:

- 20,000
- 22,000
- 23,000

Based on our desktop analysis, reducing the LTCP to 22,000 or 23,000 by June 2026 would require a reduction in the entrant rate to 32.4% and 28.3% respectively. ACC has achieved entrant rates at this level prior to 2019. Achieving this in the coming year would require significant effort (to be diverted) to short-term rehabilitation. We have assumed a reduction to the entrant rate as there are currently challenges in exiting claimants (as noted above) and although there are initiatives to address these blockages, these will take time to be implemented. In our view, reducing the LTCP to 22,000 or 23,000 by 30 June 2026 is unachievable without additional resources being immediately available to commence (e.g. third-party providers) or legislative changes implemented swiftly that simplify ACC's exit processes (e.g. vocational independence). We also note that there would be heightened risk of adverse outcomes for clients and possibly, other unintended consequences.

Our view, a target of 20,000 at June 2026 is unachievable and would incentivise poor outcomes for clients and possibly, other unintended consequences.

6.3.3 Targets beyond 2028

In Finity's External Review, we noted "[t]here is clearly some work for ACC to complete before key performance measures return to a more sustainable level. Nevertheless, we suggest that medium term targets are set using ACC's longer term historical performance so that the focus remains on financial sustainability."

Looking out over a longer term, i.e. beyond 2028, and assuming sustainable foundations have been laid for a high performing culture, we consider it reasonable to continue to expect an improvement in operational performance. ACC has, in the past, achieved higher RTW rates than the 2028 RTW targets, e.g. the 10 week RTW rate in 2013 was 70.3% and the 9 month RTW rate in 2015 was 93.2%.

We note there are longer term challenges facing accident compensations schemes, including an ageing population, healthcare shortages, rising co-morbidities and prevalence of mental health issues. Further legislative reforms may be needed to address these challenges.

2030 RTW rates

Based on our desktop analysis, the proposed 10 week and 9 month RTW rates of 75% and 95% respectively are higher than ACC has achieved or is expecting to achieve in the 25 years to 30 June 2030. We do not have the same period of history for the 28 day RTW rate.

We compared these proposed RTW rates for 2030 with experience in Australian state/territory workers compensation schemes, as well as Comcare. We note that a direct comparison cannot be made as there are differences in each scheme's coverage, the definition of the measures and duration used and the legislative settings. Therefore any comparisons should be treated with caution. Nevertheless, our observations from the comparison are:

- Some better performing Australian workers compensation schemes have 28 day RTW rate around 45% (e.g. Western Australia, ACT, South Australia and Queensland)
- The proposed 10 week and 9 month RTW rates of 75% and 95% respectively are higher than the current experience across all Australian schemes, with the exception of South Australia (which is not a good comparator due to its hard stop of weekly benefits for non-seriously injured claimants after two years).

Based on this analysis, we consider the proposed RTW targets for 2030 will be extremely difficult without significant legislative changes, e.g. a change to weekly compensation settings to introduce step-downs.

2030 LTCP size

Based on our desktop analysis, the proposed reduction in the LTCP (15,000 by 30 June 2030) also presents challenges. Using ACC's modelled trajectory to 18,000 by 30 June 2028 and extending the reduction further to 2030s would require five consecutive years of reducing the LTCP. We consider this target to be highly ambitious for the following reasons:

- Sustained performance is required over a five-year period at a level better than ACC's historical experience. This can be challenging, particularly when taking into account economic cycles and changes in (political) ideology.
- During 2010 to 2013, ACC reduced the size of the LTCP significantly through management focus on long term claims rehabilitation, as well as through lower rates of new claims and higher rates of rehabilitation in the period immediately following injury. From 2014, the LTCP started to increase as number of claimants in the LTCP able to be fully rehabilitated had declined.
- Over a longer term, i.e. once the number of claimants in the LTCP with non-serious injuries have been exited, the size of the LTCP should stabilise and the LTCP would be expected to grow due to the maturing of the scheme, population growth and other demographic changes (e.g. ageing population, rising co-morbidities). We note that the most recent population projections from Statistics NZ estimate the New Zealand population increases by around 4% to 5% p.a. from 2028 to 2030.
- Claimants in the LTCP generally have injuries that are more complex in nature, at times combined with mental health issues and hence may require more complex rehabilitation pathways and increased and multidisciplinary case management.

Our understanding is the LTCP includes clients that have returned to work on a part-time basis. This is beneficial for both the client and ACC, however, it is unclear to us how this positive outcome is reflected in the LTCP measure. We encourage this to be considered (if not already allowed for).

Despite the comments above, we consider it worthwhile to set 2030 stretch targets, as they have the benefit of keeping focus on performance over a longer period.

6.4 Whether there are better measures that are missing?

In answering the question on whether there are better measures that could be used, we considered:

- Whether the measures cover give breadth of coverage against the spectrum of claims.
- The need to strike balance between having too few measures that missing key areas and having too many measures that dilute the focus.
- How often measures are monitored and updated.
- Whether ACC and its monitors can drill down further into the measures.
- Whether ACC has the ability to track the measure and if it has a long history to assess performance against.
- Comparability of measures against other compensation schemes.

Overall, we consider the suite of measures to be appropriate for high-level monitoring. Some observations we make:

- The reduction in the influenceable component of the future liability is a key driver in ACC's financial performance and the measure singles out three areas of recent strain. The measure itself is an outcome of a range of assumptions and claims experience across a range of claim categories and factors (i.e. it is a lagging indicator). Our assumption is the underlying assumptions are updated periodically after there

is clear evidence of the adverse or positive trend, so there is an element of catch up to reverse experience. In spite of this, the OCL by its nature does provide an estimate of future costs across the spectrum of claim types.

- The RTW measures do not apply to those not in work. This is a reasonable focus given the magnitude of weekly compensation claims. The costs incurred managing claimants not in the workforce (e.g. treatment and rehabilitation) will be picked up in the OCL measure, noting this is a lagging measure.

We encourage the monitoring of ACC (both internal and external through MBIE and Treasury) to drill into these areas in further detail and also monitor emerging risk areas. Some examples include (a non-exhaustive list):

- Return to independence rates for non-workers
- Sensitive claims costs
- Front-end claims acceptance rates (is ACC accepting claimants that don't meet eligibility criteria)
- Cost per claimant for different claim categories
- Injury type breakdown at different claims durations
- Success rates of different exit pathways.

The OCL is the outcome of a valuation process that incorporates a large amount of data and a broad range of assumptions. These assumptions are set after considering recent experience and applying professional judgement to assess potential future changes. In this context it is important to note that small changes in key assumptions can have a significant impact on the overall OCL movement. It is therefore important for ACC and the Monitors to be aware of the dependencies and potential impacts, and to ensure there is no undue pressure to influence the OCL.

While we don't consider it to be a priority, over time, ACC may want to build in measures that are comparable across other schemes. For example, ACC previously tracked a durable return-to-work measure (i.e. whether clients stay at work for a period after initial return) and compared its performance to Australian schemes.

6.5 Whether the initiatives identified are appropriate to support delivery of key measures?

Initiative	Focus area	Likely impact on financial sustainability	Comment
Straightforward cover decisions made within one day and weekly compensation set up in 8 days	Weekly compensation	N/A	These are targets not initiatives. Customer efficiency measures may be inversely related to an improvement financial performance.
Early intervention 'check-in' for clients accessing weekly compensation for less than 28 days who are at-risk of delayed recovery	Weekly compensation / RTW	Low – medium	Requirements for early stakeholder contact and the creation of injury management plan could be more effective. If executed successfully, should drive improved 28 days return-to-work rates.

Initiative	Focus area	Likely impact on financial sustainability	Comment
Aligning incentives for GPs and primary care providers to support their clients back to work	Weekly compensation / RTW	Medium	Potential to improve scheme sustainability if implemented properly at scale. Could use learnings from Australian schemes, e.g. engagement through three-point contact, educational aspects on benefits of working etc.
Actively sharing benchmarking data on primary care certification for weekly compensation to incentivise changes in behaviour, alongside modernising ACC's policies and forms	Weekly compensation / RTW	Low - medium	Potential to improve scheme sustainability if implemented properly at scale but unlikely to be of large magnitude. This behavioural economics approach should be combined with other initiatives and cannot be used as a one-off. More impactful if combined with the incentive above.
Investing in 250 additional technical and clinical staff to boost ACC's dedicated function supporting the ~16,000 non-serious injury clients who have been relying on weekly compensation for more than a year	Weekly compensation Long term claims pool Social rehabilitation	High	We understand lack of technical and clinical staff as one of the main bottlenecks in returning long-term claimants back to work / independence. Could have a material impact, subject to caveats and dependencies (recruiting the right people, retention, speed to competency etc.). The impact may take time (speed to competency at least 9 months).
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	Weekly compensation Long term claims pool Social rehabilitation	Medium	Could have a material impact, subject to caveats and dependencies (capacity in the open market, performance etc). May lead to a deterioration in customer metrics. ACC should be prepared to adapt the segments and types of claimants that the third-party providers review depending on what capability they are able to contract with (e.g. do they have psychological expertise, chronic pain management, familiarity with ACC processes etc).
Ensuring ACC is applying sanctions to clients who are not meeting their obligations to actively participate in rehabilitation	Weekly compensation / RTW	Low - medium	We understand this initiative can be applied within current legislative settings. We do not know the proportion of clients in this category, but our assumption it is relatively small. Nevertheless, the initiative is worthwhile to set the correct tone consistently and to empower claims staff to use the tools available.

Initiative	Focus area	Likely impact on financial sustainability	Comment
Investing in an enhanced Fraud Prevention and Investigation capability to proactively detect, prevent and respond to client and provider fraud	All	Medium	<p>Could have a more meaningful impact if widened from fraud to claims leakage (other wastage and abuse).</p> <p>We do not know what ACC estimates the size of potential fraud to be. If unknown, ACC could start with a baseline view of current fraud/leakage and then introduce targets to reduce this. With improving (AI and other) technology, an increase in fraud, waste and abuse is likely to be an emerging risk but also an opportunity to improve detection.</p>
Conducting an urgent review of non-clinically evidenced social rehabilitation services	Social rehabilitation	High	<p>A review itself will not impact financial sustainability, any benefits will come from the outcome of review and whether effective changes are made to restrict access to non-clinically evidenced services. We urge ACC to move quickly through the review stage, perhaps through consolidating previous deep dives, to taking decisive action.</p>
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	Elective surgery	Medium	<p>At face value, this initiative appears to be BAU, although the initiative could be to kick-start the approach if not already in place.</p> <p>ACC should consider reviewing its elective surgery decision-making framework to incorporate sound clinical developments and research, addressing degenerative conditions and non-injury related needs.</p>

7 Reliances and limitations

7.1 Distribution and use

This report is being provided to MBIE for the purposes stated in Section 1. It is not intended, nor necessarily suitable, for any other purpose. This report should only be relied on by MBIE for the purpose for which it is intended.

Any reference to Finity in reference to this analysis in any report, or any other published document or any other verbal report is not authorised without our prior written consent. Any third party receiving this report should not rely on it, and this report is not a substitute for their own due diligence. We accept no liability to third parties relying on our advice.

Finity has performed the work assigned and has prepared this report in conformity with its intended utilisation by a team of people who are technically competent in the areas addressed and for the stated purposes only. We have not verified if activities undertaken at an operational level are consistent with management

representations and documentation. We have not tested systems and processes in the course of our assessment.

Please read the report in full. If you only read part of the report, you may miss something important. If anything in the report is unclear, please contact us.

7.1.1 Data and other information

Finitly was provided with data and other information from ACC and MBIE for the purposes of this report. We also met with staff from ACC and MBIE. We have relied on the accuracy and completeness of all data and other information (qualitative, quantitative, written and verbal) provided to us for the purpose of this report. We have not independently verified or audited the data or the resulting impact of the targets on ACC's financial performance. It should be noted that if any data or other information is inaccurate or incomplete, we should be advised so that our advice can be revised, if warranted.

7.1.2 Nature of the review

This Quality Assurance review is a review for reasonableness. The matters detailed in our report are only those which have come to our attention thus far during the course of performing the review and do not necessarily constitute a comprehensive statement of all existing issues and actions being undertaken.

Many things may change in the future. We have formed our views based on the current environment and what we know today. If future circumstances change, it is possible that our findings may not prove to be correct. As well as difficulties caused by limitations on the historical information, outcomes remain dependent on future events, including legislative, social, operational, market and economic developments.