

Submission to the Productivity Commission Inquiry on Human Services Reform – Preliminary Report

October 2016

The Victorian Allied Health Professionals Association (VAHPA) welcomes the opportunity to provide feedback on the Productivity Commission’s Preliminary Findings Report on *Introducing Competition and Informed User Choice into Human Services: Identifying Sectors for Reform*.

This submission will firstly provide some background to VAHPA and why we are responding to the report, before detailing some general comments on the main themes of the report, followed by comments specific to the Public Hospital section.

Background

VAHPA is a specialist union that covers Allied Health Professionals working within the state of Victoria. VAHPA currently has around 4400 members working in most health care areas, including public and private hospitals, community health centres, aged-care facilities, medical centres, private clinics and in health and community services. VAHPA represents the interests of over 25,000 Allied Health Professionals.

More specifically, VAHPA has 2862 members who work in the Victorian Public Health Sector, the majority of those within public hospitals, and represents the industrial interests of around 8200 full-time equivalent Public Sector Allied Health Professional roles.

With the Preliminary Findings Report identifying that the Human Services sector of “Public Hospitals” are one of six sectors best suited to the introduction of greater competition, contestability and user choice, VAHPA believes it is appropriate to submit a response due to the impact this would have on the majority of our members.

General Comments

VAHPA has concerns around the lack of evidence supporting a central plank of the inquiry – that market mechanisms and the principles of the ‘profit motive’ such as competition, contestability and user choice result in improved delivery of services and efficiency in reaching outcomes. This concern is not just for evidence within the preliminary report but relates to the lack of evidence in the literature and in practice



within Australia and internationally, both within public services and the healthcare system exclusively.

Decades of evidence have shown that privatisation, outsourcing, and the associated transfer of public assets and/or public service provision from the governments to entities outside the government has not resulted in more efficient services (Stone, 2014; Quiggin, 1995). On the contrary, there is a raft of evidence to show that this results in a diminishing of access, quality, and increased costs to users and even governments (Hermann & Flecker, 2012; Cook, Quirk, & Mitchell, 2012). Studies in multiple countries have consistently shown that the public provision of healthcare is more efficient, effective, and results in better health outcomes than private provision (Lethbridge, 2013). Whilst we can acknowledge that there is mixed evidence on the effectiveness of competition at a microeconomic level, particularly where a profit motive has not been introduced, this certainly does not establish the economic theory that competition increases efficiency and/or quality as being correct.

Public versus Private

VAHPA's position as being a union for employees in different sectors makes us uniquely able to compare and contrast the types of issues faced by health professionals in both public and private hospitals. The weight of evidence we've encountered is that despite the market principles that have encroached into the Victorian public health system over the preceding decades that have sought to mimic the operation of private health services, private sector members still face more difficulties than their public sector peers with regard to fair remuneration, job security, manageable workload, and in pressures to decrease the quality of care they provide for the sake increasing the number of billable patients. Thus, it is difficult to understand why the arguments for market-based principles, privatisation and all its mutations continue to be touted as something that will improve services.

System Design and Government Oversight

VAHPA remains highly sceptical that the issues that have arisen in previous attempts to use market principles in the provision of public services (raised by many submissions to the Commission so far, as acknowledged on pages 38-40 of the report) can be waved away with the idea that they can be resolved through "designing of appropriate systems" and/or "government stewardship". We believe that if the Commission believes beyond a purely theoretical level that there can exist systems of service delivery and/or government regulation that mitigate the natural inclination of markets towards these undesirable outcomes whilst still providing the proposed benefits of marketisation, then

they should provide the detail of how this looks and/or point to an example of where it appears in practice. Until this is provided, the “appropriate system” is just a ‘black box’ that purports to easily fulfil a purpose without identifying how it will do so. If it was allowable to have a ‘black box’ in designing a system, what would stop us inserting one into the present system of human service provision that would make public and community service providers deliver more efficient and higher quality services without using market principles? The latter ‘black box’ would appear to be much easier to bring into reality than the former, which has failed in almost all attempts, according to the evidence previously stated.

Health workers’ motivation

In the experience of VAHPA’s members, the motivation for Allied Health Professionals working within Public Hospitals is very rarely one focussed on profit or maximising income, as the economic theory of competition would propose. On the contrary, the motivators are altruistic in they care about the welfare of their clients and also desire to provide the best possible medical care they can through the service they provide. This professional pride and a desire to increase the quality of health of the general public is a primary reason why these health professionals choose to work in their field and in public sector or community health.

As such, it is erroneous to make the assumption that economic theories of competition are applicable to health professionals in the public sector. VAHPA’s members will not increase the quality and efficiency of their services through a competitive desire or a fear of losing their job or contract. Indeed, the evidence shows that job insecurity and the associated impacts on mental health reduce the efficiency and effectiveness of employees when compared to those with job security (Quinlan, 2007).

Public Hospital-Specific Comments

VAHPA does not deny that there can be improvements to the public hospital system in Victoria as our members come up against shortcomings every day. However we note that the report mentions Australian hospitals perform well in health outcomes and costs compared against comparable countries, that governments already use quality standards and professional training requirements to improve patient outcomes, public hospitals are typically responsive to the needs of patients from a clinical perspective, and that public hospitals are already fulfilling community expectations on equity when it comes to servicing the most disadvantaged. As such, it would seem that there need not be a drastic overhaul as the present system is not currently failing.

Within that context, VAHPA would like to provide comment on the proposals put forward in the public hospital sector.

1. Scope to improve outcomes by matching practices of better-performing hospitals: VAHPA agrees that this should be a practice utilised but care should be taken to make sure that “efficiency” is not simply inferred as “cost-effectiveness” but instead takes into account the quality of the service and perhaps even patient satisfaction. The inquiry should not equate “best practice” to “lowest cost”.

2. Greater user choice could disproportionately benefit disadvantaged groups that have had fewer choices historically: Whilst this may work theoretically, there is little evidence that disadvantaged groups ever benefit from market-based mechanisms. With ‘competition’, it is not always the ‘best’ that wins market share, whether that is the highest quality or the cheapest. The ‘best’ could simply be the provider with the best marketing campaign.

With healthcare, the lack of mobility, time, education and other shortfalls commonly found amongst the disadvantaged make it less likely that they would benefit from increased user choice if these barriers were to remain and we could find that it would be the most advantaged that are in a better position to exercise their ‘user-choice’. A remedy to this may be to introduce user choice as being a choice between publicly provided hospital services rather than the wider health sector.

3. User choice can benefit patients when they have access to useful consumer-oriented information: One of the problems with complex services is that the elements that can go into providing the service are numerous and may not be easily quantifiable. Even those elements that can be quantified may be so numerous as to create a mass of information that would be difficult for the average service user to navigate. The tendency in these circumstances may be to reduce the amount of information to an aggregate measure or to provide a handful of key measures, but this can result in the service provider re-arranging their service to focus on obtaining a higher score for the small amount of measures. As a result, other elements of the provision of the service can fall off. This would need to be taken into account when determining which information is to be monitored and released for users to access.

4. Test contestable approaches to commissioning services and transparent arrangements for replacing senior management in case of underperformance: Making the commissioning of services contestable may end up with the undesired effect of having the entity providing the service moving resources away from service delivery and into marketing,

tendering processes, and administration work. Our previous comments on the motivations of health professionals may also be referred to as part of our response to the idea of the threat of loss of employment and efficiency improvements.

Conclusion

Many institutions, governments and corporations internationally over the preceding decades have been given the benefit of the doubt in being allowed to use market principles to improve public and human services, with the overwhelming result being one or more of increased costs, decreased quality, decreased accountability, and reduced service coverage. It is well past the time that any other actor who wishes to similarly attempt to introduce market principles in the same way first provides compelling proof that this will succeed.

VAHPA does not believe this report has satisfied the burden of proof and therefore none of the measures proposed should be implemented until this happens. Human services, and the public hospital sector in particular, cannot be left to risk the outcome of market failure as this failure will be borne by vulnerable individuals. As a union and advocates for a fair and just society, we oppose any moves to open them up to this outcome.

Works Cited

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