

Human Services inquiry

Productivity Commission
Locked Bag 2, Collins Street East
Melbourne Vic 8003

25 October 2016

Response to Productivity Commission Preliminary Findings Report

The Victorian Alcohol and Drug Association (VAADA) again welcomes the opportunity to respond to this process reflecting on content detailed in the Productivity Commission Preliminary Findings Report, entitled *'Introducing Competition and Informed User Choice into Human Services: Identifying Sectors for Reform'*.

Our submission will reflect on our experience as the alcohol and other drug (AOD) peak body for the Victorian sector and refer to elements of the recent recommissioning of the AOD sector. We will also reflect on the current challenges and complexities evident with the 'AOD sector market' within Victoria as well as the broader issues evident with regard to service access.

Response to preliminary findings (box 8.1)

Our comments will generally refer to elements contained within the Human Services section of the Preliminary Findings report. The report importantly highlighted some of the challenges facing human services, including:

- Fragmentation
- Challenges with collaboration across sectors
- The administrative burden of commissioning processes
- The challenges facing smaller agencies
- Limited resourcing to undertake research, system advocacy and community development

These challenges should not be seen as solely issues facing the human services sphere, and can be exacerbated through poor commissioning processes with some being inevitable irrespective of the commissioning processes adopted or whether the services are delivered by for profit private providers or not for profit providers.

We note the Preliminary Findings (8.1) listed in the Preliminary Report and their relevance to the service sector. VAADA concurs with the proposition that a better mix of services could be delivered if a systemic approach to identifying community need was undertaken. We note that there are inherent challenges in such an approach, such as limitations in the data, and issues with regard to service fragmentation, as well as challenges evident through previous service commissioning impacting adversely on intra and cross sector relationships.

Improved engagement with service providers during the policy design stage would result in improved outcomes. With the Victorian AOD recommissioning which occurred in 2014, the service sector experienced haphazard involvement in service planning and subsequently a range of serious oversights and consequences in what was espoused to be a co-build and co-design process.

We note the reference to contracting arrangements prioritising outcomes. While this notion could lead to improvements and innovation within the service system, it may result in a range of perverse outcomes with some agencies targeting service users which are experiencing less complex issues, therefore increasing the likelihood of meeting their contractual obligation with the requisite outcomes. This could result in individuals with highly complex needs experiencing difficulty in accessing services as has occurred in some service system redesigns in overseas jurisdictions. Additionally, the timeframes in some contractual arrangements have contributed to service planning and workforce retention issues. Various surveys undertaken by VAADA have highlighted issues with regard to anxiety within the workforce following years of sector uncertainty in light of large and small scale reforms. Over time staff move on and there is a perpetual cycle of employment, uncertainty and instability within the service system. Additionally, competition through tightening contractual arrangements may impact upon workforce stability which could reduce the positive impact of service provision.

Consumer choice

VAADA is supportive of the notion of consumer choice in circumstances where choice can be freely exercised in an informed manner within a service system which has the necessary regulatory checks and balances. Consumer choice can be impeded through disrupted information flows, limited service choice, and broader issues with regard to individuals having the capacity to exercise choice as well as involuntary interventions. Consumer choice is most effective when consumers are completely informed as to their options; if circumstances arose where consumers enjoyed significant buying power yet were uninformed regarding the composition of the market there would be an increased risk of exploitation. Where there is only limited regulation of a market (as is the case with for profit AOD treatment services) the risk is further exacerbated.

For many treatment types in the public AOD sector throughout Victoria, there are significant waitlists. This creates a backlog to engage certain treatment types and creates an environment where some individuals wait to engage treatment, others disengage, while some engage in unregulated and generally very expensive for profit providers. For those who engage the funded sector, often it will be with that agency which has capacity at that time to meet the demand, effectively restricting consumer choice due to the challenges in accessing AOD treatment and service capacity.

Consumer choice within many parts of the health sector including AOD simply cannot be properly realised within a privatised for profit service system. There are a number of issues which will lead to system failure including the inherent vulnerability of clients, the perverse nature of system design where for-profit services are established and subsequently focus on the easier end of client needs with the exclusion of many to less suitable service systems such as prisons or higher cost health services.

More broadly there are recent examples within Victoria where a recommissioning process resulted in a reduction of providers available; the AOD sector experienced a small reduction in providers while the community mental health sector experienced a significant reduction in providers, overall reducing consumer choice.

Finally, there are issues with regard to public knowledge on issues relating to AOD dependency and treatment which would impede consumer choice. It is not in the interest of an expanding private sector to see an overall reduction in service provision and thus a reduction in viable operating profits. The pursuit of vulnerable and often desperate clients by private service providers who do not have to meet any particular operating standards is a serious issue. Where there is a lack of public knowledge on the services available, consumer choice can be effected by misinformation. Addressing this would necessitate an increased public presence and narrative regarding AOD dependency and the best means of response, including appropriate standards of services delivery, as well as marketing controls targeting the vulnerable.

Measuring outcomes

An effective, reliable and current data system is necessary to inform service system design, and provide confidence to Government and more broadly the community, that funded services are delivering positive outcomes. Data systems are necessary in informing service development and planning as well as an instrument to measure whether providers are delivering the necessary contracted services. To enhance preventative activity, develop appropriate programmatic responses, target community need, and meet community outcomes, it is essential that data collection be improved and efforts made to reduce fragmentation and effectively plan services.

Resourcing

We note that this process does not provide for a means of seeking remedy in cases where the service sector is underfunded, however it should be noted that introducing competition into a tight fiscal environment may result in a thinner spread of services. It may only provide a superficial appearance of increasing consumer choice but in effect reduce service capacity overall with a dramatic impact on individuals and the community. We note that the AOD sector is generally under resourced, with most services at full capacity, yet across the Australia, 200,000 – 500,000 individuals who would benefit from AOD treatment are currently not engaging the system (Ritter et al 2014). The priority should be maximising service access. Competition should not be prioritised if it induces a reduction in service capacity.

It is likely, within the current funding restraints, that if further competition was prioritised within the tendering process for the Victorian AOD sector, smaller agencies would be at risk due to challenges in competing with large organisations this will have a dramatic and immediate impact on individuals, their families and the community .

At this stage, VAADA would urge caution in engaging in further reform activity within the AOD sector. Existing levels of competition through recent reforms have had an adverse impact on service relations, workforce retention and service access. While the Victorian government seeks to ameliorate these outcomes through review activity, further reform in line with competition would have a detrimental effect on the service sector as a whole. Further systemic reform, enhancing data sources and creating greater access and public awareness would be necessary prior to increasing competition in an already competitive and complex systemic environment.

Sincerely,

Sam Biondo
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References

Ritter, A, Berends, L, Chalmers, J, Hull, P, Lancaster, K and Gomez, M 2014, *New Horizons: the review of alcohol and other drug treatment services in Australia*, Drug Policy Modelling Program, NDARC, UNSW, Sydney.