



Response to the Productivity Commission's Preliminary Report on Competition in Human Services

Introduction

NDS welcomes the opportunity to comment on the Productivity Commission's preliminary report on increasing the role of competition and choice in human services. NDS is pleased that the Commission will consider the effects of the introduction of the National Disability Insurance Scheme (NDIS). Some of these effects are not yet apparent because the NDIS will not be fully implemented across Australia until at least mid-2019. Caution is therefore urged. Significant market reforms in other areas of human services should only proceed when the lessons from the NDIS become clear.

It is worthwhile noting that the emerging market for disability services under the NDIS is currently constrained. Although committed to price deregulation in the longer-term, the National Disability Insurance Agency (NDIA) has set price caps on most disability supports. Unfortunately, key prices are set at levels that do not cover the costs of providing the supports, particularly to people with high and complex needs. If this situation persists, the quality of disability supports would be eroded and the sector would become less diverse (with respect to size, structure and specialization) thus limiting consumer choice.

We note that the Commission's report flags different approaches to improving outcomes in human services, through the introduction of greater competition, contestability and/or user choice. We agree that in some circumstances contestability would be a better and more realistic option than competition to drive desirable market behaviors and deliver good results for consumers.

The preliminary report proposes six priority areas where competition models could improve outcomes: social housing; public hospitals; specialist palliative care; public dental services; services in remote Indigenous communities; and grant-based family and community services. While our comments in this submission primarily focus on social housing, remote indigenous communities and grant-based family and community services, we believe that the guiding principles that we propose are more widely applicable.

Guiding principles for reform

Consider the impact on disadvantaged groups

The Commission's reform deliberations must be guided by an assessment of the likely impact of competition on disadvantaged groups, including people with disability. People from disadvantaged groups tend to have poor health, social and economic outcomes. Any proposed reforms should be assessed according to whether they will improve outcomes for these people.

Input from disadvantaged groups should also help shape reform of human services, not least because they may fare poorly under existing models of service delivery. For example, people with severe or profound disability are extensive users of health services. Despite this, Australian Institute of Health and Welfare (AIHW) data reveals a bleak picture of their health status, including in dental care. In addition, their experiences of hospitalisation are very often poor.

Disability or ageing complicates service delivery—particularly when individuals already have complex support needs—or it can mean they miss out: for example, some people with disability or who live in residential aged care do not receive the palliative care services that would benefit them. On the face of it, it is difficult to see how the introduction of a highly competitive market would improve the quality and availability of a service such as palliative care. It is also doubtful that many people would value having choice between providers of end-of-life services as they would not have the time or energy to investigate options. Access to a high-quality service (underpinned by standards) is often the most important factor at this difficult time.

Take a case-by-case approach and proceed cautiously

Some services or geographical locations—but not all—would be suited to the introduction of increased competition. The real challenge will be working out the most appropriate mechanisms for delivering this. The assessment of whether there is scope for reform and what form it should take must be done on a case-by-case basis. Varied policy responses will be required in different parts of Australia across the priority areas listed in the Commission's report.

NDS recommends caution in determining the approach to competition in thin markets. The early evidence from the NDIS is that giving purchasing power to consumers will not see a rapid expansion in the range or number of services on offer in these areas. In fact, the reverse may occur. Without a predictable income, some organisations will cease their provision of some services. Increased uncertainty combined with inadequate prices will almost certainly reduce choice for consumers.

Government performs a stewardship role

The report recognises the importance of government stewardship when competition is introduced. This needs to be much broader than just overseeing the 'market' and should include identifying at-risk situations and intervening early enough to prevent market failure (and not just reacting after it has occurred).

As NDS has highlighted previously, governments and regulators cannot distance themselves from the quality of human services in the same way that they can in relation to some other industries. Any introduction of increased competition in human services needs to be structured so that quality is not compromised; careful stewardship will be

required. This includes ensuring that providers are not encumbered by unnecessary red tape.

Support competition with good information

Access to good information on the services that exist, what they offer, what people are seeking and what supply gaps exist is essential to a well-functioning market. Consumers need to understand what they may purchase; and existing and potential suppliers need knowledge to make strategic business decisions.

In developing information, the capacity of consumers must be considered. Some people in the disability community have cognitive restrictions in processing information or have sensory impairments that require information to be provided in accessible formats.

Good information about supply and demand has been lacking during the three-year trial of the NDIS. This information gap is being addressed, in part, by the introduction of Market Position Statements and the proposed development of an e-market; however, the Scheme is expanding rapidly and the e-market does not yet exist.

Build on the social capital of not-for-profits

The Commission notes the tension between the social mission of not-for-profit organisations and funding models that are costed solely on the provision of direct services. Submissions to this inquiry—including NDS's—have raised concerns about the funding models used to set the prices of some human services.

Reform of any human service system must be mindful of the need to find an appropriate balance between increased competition and protecting the considerable social capital contribution of not-for-profit organisations. There is a danger that reform such as the NDIS could drive service providers to undertake only tasks for which they can charge. This would be a detrimental outcome. Traditional block funding arrangements have given providers flexibility in how they support service users to have improved lives, particularly in how they participate in their community and interact with mainstream services. This flexibility has delivered results well beyond standard supports. Within the NDIS, there is a real risk that some of this flexibility will be lost.

It is important to note that not-for-profit disability service providers face significant resourcing challenges as they prepare for the NDIS market. The disability sector has limited ability to invest in business systems and processes such as ICT and marketing. Their capacity to build resources has been constrained by tight funding and often a requirement to return any surplus from their service delivery back to government. Many also have limited capacity to borrow funds to undertake required investment.

Support the critical role of evidence

Decisions about further extending competition policy into human services must be made carefully and draw on evidence. Careful evaluation of existing reforms should be undertaken prior to decisions about new reform opportunities. NDS agrees with the Commission's comments about the critical role high-quality data in informing both consumer choice and policy decision-making.

Specific comments on selected reform areas

Remote Indigenous communities

Not surprisingly, the Commission's preliminary report highlights the critical need to deliver better and more comprehensive services in remote Indigenous communities. NDS is particularly interested in this reform area. Compared to the general population, Indigenous Australians have almost twice the rate of disability, four times the rate of hospitalisation for chronic conditions and about six times the use of social housing.

Good service integration should deliver improved outcomes for people in remote Indigenous communities, many of whom have multiple and complex needs. It is unclear how competition in thin markets will help deliver the high-level planning and coordination around individuals that are required to bring services together. NDS is concerned that the impact of greater competition could be counter-productive, actually decreasing consumer choice through a reduction in the number of service providers. As noted earlier, some certainty around funding and cash flow is important to maintain service delivery in thin markets. Effective human services delivery in remote communities requires trust and trust takes time and patience to establish. Instability of service providers in remote areas would work against this.

Social Housing

Good, secure and well-located housing is a critical enabler of a productive, healthy and meaningful life. Too many Australians, including many people with disability, are not able to access appropriate and affordable housing.

People with disability are significantly more likely to be social or public housing tenants compared to the broad population, due in part to the substantial proportion who rely on income support payments. NDS supports housing reforms that improve the accessibility and availability of affordable housing but questions whether individualised funding models, designed to give customers purchasing power, are the best way to substantially boost affordable housing supply. Pooling housing funds, rather than individualizing them, is likely to enable social housing developers to leverage the funds and build more stock. Contestability for access to these funds may be a better way to implement competition (if the expected benefits are assessed as being worthwhile).

Before deciding on introducing greater competition in the social housing sector, the merits of other innovative programs to increase the availability of affordable housing stock should be assessed. These programs include the Western Australian Assisted Rental Pathways Pilot. As well as providing a rental subsidy, the pilot gives individualised assistance to build the personal capacity and financial independence of the renter so they can become self-sufficient in the private rental market.

As the need for affordable housing is so great, and is spread across Australia, many and varied approaches will be needed to address the high demand.

Grant-based family and community services

NDS supports procurement reform initiatives that lead to longer and more flexible contract terms; better and more responsive services will result.

NDS agrees with the suggestion that the silo-based commissioning of community services needs to be re-structured in a framework designed to improve consumer

outcomes (including the engagement of service providers and users in service design). For people with complex needs, supports need to be coordinated across service areas.

Caution is needed, however, in relying solely on measurable outcomes in commissioning services. Outcomes measurement is often difficult in human services and the development of meaningful and tangible measures is still in its infancy. It would be prudent for the Commission to monitor the effectiveness of outcomes measurement in the NDIS.

NDS agrees that some services should be funded through a grants program: for example, the Information, Linkages and Capacity Building services that will contribute to the sustainability of the NDIS. It would be inefficient and/or ineffective to have such services purchased by participants from their individual funding package as the services function broadly to build the capacity of the community and of people with disability, their families and carers. Crisis accommodation is another services which should be constantly available and not funded through an individualised purchasing model.

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National Disability Services is the peak industry body for non-government disability services. Its purpose is to promote and advance services for people with disability. Its Australia-wide membership includes 1100 non-government organisations, which support people with all forms of disability. Its members collectively provide the full range of disability services - from accommodation support, respite and therapy to community access and employment. NDS provides information and networking opportunities to its members and policy advice to State, Territory and Federal governments.