

COMMUNITY SERVICES INDUSTRY ALLIANCE SUBMISSION – INQUIRY INTO HUMAN SERVICES

Thank you for the opportunity to provide a submission to the productivity Commission's Issues paper reforms to Human Services. The Community Services Industry Alliance (CSIA) aims to increase the capacity and viability of community service organisations and secure a prosperous future for the Industry.

CSIA will grow the business of the Community Services Industry by:

- Engaging internally and externally with organisations and stakeholders on industry development matters.
- Influencing and advocating for policy reform, representing the industry at all levels of Government and with other industries.
- Informing and educating on industry benchmarks, best practice and organisational development.
- Leading the industry in identifying challenges and acting on opportunities such as increasing productivity and innovation.

CSIA's Foundation members represent organisations that deliver human and social services across a wide range of areas including health, aged care, disability services, child protection services, housing and homelessness and more. It is from this wide breadth of experience and through the input of our Policy Working Party that we draw our insights for this submission. CSIA provides an industry and business focus in regard to community services and this guides the how we have responded to the questions the Productivity Commission poses in this issues paper and the questions we have selected to answer. Hence this submission focuses on the characteristics of human services, Government Stewardship, innovation and evaluation and implementation. Find out more about CSIA [here](#).

GENERAL COMMENTS

The application of productivity framework to human services is relatively new. Developing this concept and ultimately the system that will be impacted requires common understanding of the intent, language, and objectives from the outset. An opportunity for meaningful discussion with the Productivity Commission and between governments and the industry would provide a more mature foundation for productivity reforms. CSIA is progressing discussion within industry and offers an invitation to the Productivity Commission to engage in this important foundational concept. In focusing on the elements of productivity - efficiency and effectiveness – in a community services context it is clear that efficiency is defined by business related functions and can be readily defined and measured. The concept of effectiveness in the context of community services is not so readily defined and measured. Social issues are complex and consumers can be involved with multiple services and systems to deliver an outcome. Whilst a transition to an outcomes based approach is desirable and aligns with the Productivity Commission's discussion to date, there has been little work done to redesign systems, define community service outcomes and enable effective measurement.

The situation is further complicated by the inconsistent and fragmented approaches to policy, design and data collection by the federal, state and territory governments. In the absence of a clear and consistent national policy framework there will continue to be patchy reform and poor implementation. More work is required to deliver a consistent, coherent consumer centric policy that guides community service outcomes before any meaningful reform can be undertaken. In this respect a strong industry voice is required to work alongside governments, investors and consumers to guide reform.

Key Messages

- A common understanding of what productivity means for the community service sector is required
- Nationally consistent, coherent consumer centric policy is required to shape and drive reform
- A strong industry voice is required to work alongside governments, investors and consumers to shape policy and implementation of further reform

TAILORING REFORM OPTIONS

REQUEST FOR INFORMATION 1- Feedback on Figure 1 – Characteristics of Human Services

Service Users

To improve quality of life for service users, the system needs to invest in assisting people to understand what a better life can mean for them. Some people will have a clear idea and others, particularly vulnerable clients who have not been exposed to choice before may not. In this respect providing support to people in the planning phase is critical to identifying the outcomes for each client.

Suggested Change - The level of support needed by service users to *understand the potential for improved quality of life, options to support this and to access services.*

Service Providers

Previous attempts to introduce competition and contestability into human services in Australia has resulted in significant risk for service users through creaming, rorting, and market failure. Incentives need to be clearly aligned to outcomes to ensure a safe and robust service system.

- Suggested change: Whether the incentives of providers and government are aligned to *outcomes.*

Another consideration is the need for the right mix of specialised services and mainstream services and the right skills and capabilities to deliver.

Government Stewardship

Stewardship is predicated on governments being able to identify the outcomes they are seeking from its investment. Transitioning to an outcomes based approach will take investment and will only be achieved through the right leadership, culture and behaviours that drives the design of a system that enables government stewardship.

- Suggested addition: System design driven by right leadership, culture and behaviours
- Suggested addition: Workforce capability and capacity to design, implement, monitor, manage, and evaluate outcomes

NDIS reforms have identified a range of issues with price setting. Quality service provision relies on a quality management such as performance monitoring, policy development, continuous improvement and workforce training, development and planning. Although not part of direct service provision, these activities need to be included in pricing to ensure providers can deliver investment outcomes.

- Suggested addition: Price aligned to quality and outcomes

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Lessons from previous reforms to introduce user choice

Despite both investors and industry agreeing on the concept, moves to introduce **greater contestability and competition into human services in Australia** has proven difficult in Australia. For example:

- Employment services contracts generally stifled tailored responses and reduced flexibility despite an intended aim to do the opposite.
- Catastrophic failure of ABC Learning impacted on families and resulted in an expensive government bailout.
- VET reforms did not deliver value for money and failed to achieve the intended outcomes.

This is a warning sign for governments and providers as they step into the world of greater competition and contestability involving vulnerable clients. There is no magic formula and any approach needs to be tested for unintended consequences, scam proofed and rort proofed.

Lesson Learned

- Well-defined outcomes need to drive the system architecture (contracts, performance and measurement, service design).
- Increased competition should place people and the desired outcomes at the centre of policy decision making.
- Incentives need to be effectively targeted to desired client outcomes and provider behaviours and monitored as investment in community services is significant and will attract unscrupulous businesses and service providers.

The implementation of the **National Disability Scheme (NDIS)** in Australia has provided significant insight into the operation of a consumer directed model of community services. The trials have been an important learning opportunity. However it has become clear that some of the key foundations of reform have been missing and implementation has been fraught in some areas as a result. The reform was implemented in an immature system that was not ready for significant change. This includes business functions, workforce planning, Governments' transition to a market stewardship role and most importantly the centrality of improved consumer outcomes to drive and shape all aspects of the system. The advocacy and co-ordination function requires special attention to ensure the right models and skills are in place to support effective consumer choice.

Consideration needs to be given to the development of a fit for purpose industry regulator to support and enable the market and allow it to flourish. This requires specialised business and market based skills combined with a deep understanding of the industry and the nature of community service transactions. It is a new and unique market and an industry regulator should be adequately skilled and resourced to support transition and growth. In addition, the regulator needs to have the

capacity and capability to grow and support co-investment from governments, private and non-government sectors business. Importantly, the momentum for disability reform came from a strong

Lessons Learned

- A focus on system/market maturity and development is required before reforms can be effectively shaped and implemented.
- Outcomes are central to systems that greater competition, contestability and informed user choice and should drive the shape and implementation of reforms
- Pricing significantly impacts consumer outcomes and provider capability and should be aligned to quality and outcomes.
- A quality workforce is vital to successful outcomes and investment in workforce planning and readiness is critical
- Advocacy and co-ordination models needs to be co-designed with industry to ensure effective consumer choice
- A fit for purpose industry regulator needs to be co-designed with industry
- A strong industry voice will improve reform efforts and outcomes

consumer and industry voice and this needs to be continued in policy development and implementation of further reforms.

The growth of **consumer directed care and personal budgets for social service users** has been widely evaluated in the UK and there are lessons to be learned from this experience. Glasby and Littlechildⁱ concluded that:

- Reforms were often “belted on the current system and... capacity to transform the system as a whole was too often constrained”.
- There was poor accessibility of information to the user group.
- Innovation and creativity was constrained due to the culture of risk aversion and failure to trust user-led and user-directed solutions and the “inbuilt ability of systems to resist change”.

They raised concerns that in an era of fiscal restraint there is a risk that consumer directed care could be a guise for funding and service cuts or equally it could be a powerful mechanism for empowering citizens.

Lessons Learned

- System redesign is critical (eg culture, leadership, funding models, contracting, regulation, person centred practice)
- Clear and transparent policy goals are required from the outset

A 2016 report by the UK National Audit Officeⁱⁱ analysed the data about **personalised commissioning of social services**. The report painted a complex picture and indicated:

- A lack of clarity about the relationship between personal budgets and outcomes.
- Restricted choice for some providers as some authorities are reducing the number of providers they contract with to achieve economies of scale.

- Some providers are under financial pressure because authorities have driven fee rates down to potentially unsustainable levels.

Lessons learned

- There is a need to build the evidence base about the relationship between the different ways to commission personalised services and user outcomes.
- Investors need to understand the implications of funding reductions and ensure savings do not impact on user outcomes.
- Investors need to oversee and support the care market including the sustainability of providers and the supply of care workers.
- Governments' Market Stewardship role needs to be clear and transparent particularly in regard to market management.

A previous 2011 **National Audit Office** report assessed the cost benefit of user choice and provider competition in care markets in the UK ⁱⁱⁱ The report found that consumer information and advice was not optimal and the user experience varied greatly. The quality of commissioning and procurement skills also varied in local areas. The report also highlighted the substantial impact on consumers and investors of provider failure.

Lessons learned

- Quality consumer focussed information and communication is important to support users seeking to purchase care and manage their own care.
- Mechanisms to share good practice will improve user experience and quality support.
- Systems to protect users from the impact of provider failure need to be in place.
- Quality oversight needs to include mechanisms to support and develop markets that are not performing.
- Workforce planning, renewal and development is required for market stewardship to be effective

A consortium of organisations¹ hosted a recent workshop on **consumer directed care** in Brisbane, "Increasing choice across human services – current and future impacts for consumers, workforces and organisations". It raised multiple issues including the need for:

- A greater focus on consumer directed care unrestricted by the siloed and fragmented approach of sector to drive reform.
- Understanding the impact of consumer directed reforms on the workforce and identifying systems and safeguards to maintain a safe and quality workforce.
- Adequate consumer protections that understand, and can respond to the complexity of human service interactions.
- Pricing to include activities that impact on quality such as performance monitoring, quality assurance, continuous improvement and workforce training, development and planning.

¹ Churches of Christ in Queensland, CSIA, Centacare Brisbane, The Services Union, Queensland Community Alliance

- Mechanisms to identify good practice and share learnings.

Lessons learned

- As consumer directed care continues to expand there is an opportunity to set quality standards for consumer directed care to guide a program of training and development.
- There is a need for information and support to build the capacity of service users to transition to the desired relationship with workers/services.
- Investment in workforce planning and development is required to build a person centred workforce.
- Pricing needs to be aligned with quality and outcomes
- Consumers, industry and governments need to work together to identify good practice, share learnings and tap into new developments and innovations.

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How reforms should be implemented

In its previous papers the Productivity Commission came to the conclusion that there is no “one size fits all” approach. In this respect reforms will need to be developed around sound objectives and rigorously tested. Past reforms have often not invested enough in industry and organisational readiness. This includes investment in business and workforce planning and development to enable a smooth transition to a new way of working.

In the first instance implementation would be supported by the development of a set of principles agreed between governments and industry based around issues such as:

- National consistency in policy and implementation
- Genuine partnership with industry, providers, workforce and consumers
- Systems level reform required to realise the objectives
- The consumer at the centre of all system and service design
- A comprehensive, independent evaluation (macro and micro level) embedded from the start
- Adequate and necessary investment in industry, workforce and business readiness
- Implementation undertaken by a planned approach and supported by a change management strategy
- Clear accountabilities in place
- A focus on quality communication at all levels (investor, provider, consumer)
- Resourcing and pricing aligned with quality and outcomes

How reforms should be evaluated

Evaluation of the reforms at the macro (system) and micro (services delivery) levels requires independent assessment to ensure there is no vested interest or conflict. Evaluation should be undertaken to:

- understand whether effective system redesign has been achieved
- Determine whether a provider has met agreed outcomes

As the foundation for all reforms is the identification of outcomes sought from investment evaluation of any reforms needs to identify if the “building blocks” of an outcomes based approach

are in place and working well. Key domains of an evaluation framework based on Robert Penna's outcomes work^{iv} are:

- Outcomes culture
- Outcomes design
- Outcomes management
- Outcomes measurement
- Outcomes learning

Given the vulnerability of some people requiring community services safeguards and protections are an important aspect that should at least initially have a singular focus in the development of an evaluation framework.

Penna suggests each of these domains need to be assessed against:

- Capability
- Capacity
- Ability
- Resources
- Structure
- Function
- Implementation

Attachment 1 provides an example of how Penna's outcomes approach could inform an evaluation framework.

REQUEST FOR INFORMATION 4 - GOVERNMENT STEWARDSHIP ARRANGEMENTS

Funding models that provide incentives for service providers to innovate improve service quality and respond to the needs of service users and funders

There is a need to move from the current command and control approach from government investing in family and community services to more performance and outcomes based funding.

Examples of funding models include:

- Performance/risk based arrangements and rewards for good outcomes
- Payment by outcomes
- Flexibility – funds follow the client across services and funding programs eg. step up and step down options that meets changing circumstances and need of clients

This is currently constrained by inflexible contracts that do not allow providers the flexibility to meet the needs of service users. It would be beneficial to explore integrated funding models that cut across government siloes eg a package of supports funded for an individual or family with a support coordinator to assist service users to identify what services best meet their needs similar to the NDIS model. This is all predicated on an effective outcome measurement framework supporting government investment and data to measure achievement of outcomes.

How Governments should account for the benefits to the broader community (such as the benefits from social capital) when allocating funding for human services

Contemporary commissioning processes use qualitative, quantitative and comparative information to assess social return to determine true value for money. Not-for-profit providers value-add

through the effort of volunteers and contributions of the philanthropic and corporate sectors and this needs to be taken into account when assessing value for money. Various models of assessing social value exist particularly in the United Kingdom. Approaches vary and include legislation (Public Services Social Value Act 2012), a principles based approach to procurement and/or social value measurement tools. A recent evaluation of the *Public Services Social Value Act 2012* found that it had a positive impact when it was implemented. However the take up was sporadic.

This experience may suggest that legislation is a blunt instrument and is usually the last port of call for policy makers. Defining and measuring social return on investment requires a cultural shift, skills and capabilities backed up by a rigorous and well thought through framework that measures and quantifies the social outcomes and embeds these in the procurement process.

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Barriers faced by providers seeking to innovate and improve service quality and responsiveness

The Productivity Commission's 2010 report "Contribution of the Not-for-Profit Sector"^v identified "extensive reporting", "short term heavy handed contracts" and "micro-management" as constraints for the not-for-profit sector. This is generally still the case in family and community services investment and broad ranging systemic reform is required to enable new ways of delivering services.

- Regulatory reform

There is a need for more "fit for purpose" regulation that shift from coercive, prescriptive regulation of service providers to empowering both individuals and providers to manage risk and creating the right regulatory conditions for these fledging markets to thrive and flourish"^{vi}

- Funding flexibility

Funding flexibility is required to ensure service user needs can be met. These models reward good performance, are based on outcomes and able to measure achievement and allows funds to follow the client to meet their changing circumstances and need eg. step up and step down services.

- Competitive neutrality

The community services industry has persistent and ongoing concerns regarding competitive neutrality, particularly where services are provided by government at the same time as they fund and regulate community service delivery. There needs to be a level playing field for Government, for-profit and not-for-profit providers including regulatory, contracting and compliance consistency.

- Fair pricing linked to quality and outcomes

The delivery of quality outcomes for service users is dependent on providers being able to invest in quality management mechanisms. Pricing for disability services have failed to incorporate activities such as performance monitoring, quality assurance, continuous improvement and workforce training, development and planning.

- Investment in workforce planning and transition.

The delivery of consumer driven models requires new capabilities and skills and requires investment in workforce planning and transition. Workforce readiness is critical to successful implementation and needs to be embedded in policy development and implementation. As consumer directed care grows there will be ways to deliver training and development in more effective and efficient ways.

For example, the development of quality standards in the delivery of consumer directed/person centred care can guide a program of workforce training and development. The development of strategic alliances and pooled resourcing across industry and governments and the VET sector can also support provider and workforce access to high quality training and development. Access to quality training and development in rural and remote locations is particularly difficult and expensive and this needs to be taken into account in pricing models.

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Attachment 1 – Evaluation of Outcomes

Capability Capacity Ability Resources Structure Function Implementation



Investors	Providers	Service Users
DOMAIN 1: OUTCOMES CULTURE		
Is there a clear mandate and effective strategic leadership?	Is the right culture, leadership and skills in place?	Are all interactions and activities person centred?
Is the right culture, leadership and skills in place?	Is training and development aligned with an outcomes based approach?	
Is there a clear picture of the future and accountability?		
Is there a willingness to try risk based approaches?		
Is training and development aligned with an outcomes based approach?		
DOMAIN 2: OUTCOME DESIGN		
Is there a common understanding of outcomes and language?	Is there a common understanding of outcomes and language?	Do service users have the right support and advocacy to enable them to develop goals and understand potential for improved quality of life??
Were outcomes co-designed with providers, consumers and industry?	Were outcomes co-designed with providers, consumers and industry?	Were outcomes co-designed with providers, consumers and industry?
Are outcomes well defined? ie designed around positive improvement, meaningful, sustainable, bound in time and number, narrowly focussed and doable measureable and verifiable?	Are there processes in place to understand the changing needs of clients and populations?	
DOMAIN 3: OUTCOME MANAGEMENT		
Are organisational systems and processes designed around an outcomes based approach (leadership, procurement, contract management)?	Are organisational systems and processes designed around an outcomes based approach (finance, monitoring and performance)?	Are the type, extent and result of services aligned to outcomes?
Are outcomes and monitoring activities integrated into contract management and investor/provider relationship?	Do services effectively respond to the changing needs of clients?	Is provider performance data readily available and easy to understand?
Is regulation and compliance fit for purpose?	Is there investment in co-ordination and navigation	Is communication and advice consumer focussed?

	systems that support integration?	
Do funding models meet changing circumstances and need of clients?	Is the workforce skilled in person centred/consumer directed care?	Is care person centred/consumer directed?
Are funding models based on outcomes?		
Is an effective workforce plan in place?		
DOMAIN 4: OUTCOMES MEASUREMENT		
Are there shared principles of measurement between investor/provider?	Are effective outcomes performance measurement and monitoring in place?	Is the service user experience positive?
Is there rigorous and verifiable data to support outcomes measurement?	Are systems to measure effectiveness and efficiency (productivity) in place?	Are service users satisfied with their care?
Are provider performance measurement and monitoring systems in place?		Are feedback and complaint systems accessible and easy to use?
Is provider performance satisfactory?		How effectively are service users/families/carers engaged?
Is there an independent process in place for measuring providers' achievement against outcomes?		Were the outcomes achieved?
Are performance incentives aligned to outcomes?		
Are effective systems to measure social value in place?		
DOMAIN 5: OUTCOMES LEARNING		
Do systems support learning and best practice approaches?	Do systems support learning and best practice approaches?	Are consumers involved in continuous improvement?
Are learnings shared between investors, providers and consumers?	Are learnings shared between investors, providers and consumers?	Are learnings shared between investors, providers and consumers?
Are there mechanisms for investors to tap into new technologies, innovations and good practice globally nationally and locally?	Are there mechanisms for providers/industry to tap into new technologies, innovations and good practice globally nationally and locally?	Are there mechanisms for consumers to tap into new technologies, innovations and good practice globally nationally and locally?
DOMAIN 6: SAFE GUARDS AND PROTECTIONS		
Are systems and processes to support human rights in place?	Is training in place to ensure vulnerable consumers are not exploited or subject to inappropriate behaviour?	Are effective complaint mechanisms in place?
Are there effective, independent structures to support service user/consumer rights?	Is information for service users/families/carers accessible and easy to understand?	Is advocacy available and effective?

Are procedures in place to guard against provider and market failure and reduce the impact on service users if it does occur?	Are risk management strategies in place and implemented effectively?	Are family and carers involved in decision making?
Does the workforce have the required capabilities and capacity to ensure user safety?	Are service users supported to plan effectively and identify service options?	
	Does the workforce have the required capabilities and capacity to deliver person centred/consumer directed care?	

ⁱ Glasby, J, Littlechild, R, *Direct Payments and Personal Budgets: Putting personalisation into practice*. Third Edition, Policy Press, University of Bristol, 2016, Great Britain

ⁱⁱ *Personalised commissioning in adult social care*, Report by the Comptroller and Auditor General Department of Health and local authorities, 2016, London

ⁱⁱⁱ *Oversight of User choice and provider competition in care markets*, Department of health and Local Authority Adult Social Services, National Audit Office ordered by the House of Commons, 2011, London

^{iv} Penna, R, *The non-profit outcomes toolbox: A Complete Guide to Program Effectiveness, Performance Management and Results*, 2011, USA)

^v The Contribution of the Not-for-Profit Sector report 2010 Productivity Commission Canberra

^{vi} Forsyth, L, McGough, K, *Unleashing Value: Rethinking regulation in the human service sector*, 2014, KPMG Australia