

Submission by the Tasmanian Government

Productivity Commission

Inquiry into Introducing Competition and
Informed User Choice in Human Services

October 2016



Tasmania
Explore the possibilities

1 Introduction

The Tasmanian Government is committed to providing high-quality services to the community, protecting vulnerable people and ensuring strong economic management to enable the sustainable funding of essential services.

The Tasmanian Government welcomes the development of evidence-based policy options to improve the efficiency and effectiveness of human services for Tasmanians, including, where appropriate, through increasing competition, contestability or informed user choice.

Tasmania's small and regionally dispersed population presents challenges for human service delivery, but also provides opportunities for testing reform approaches. Human service delivery in Tasmania is characterised by cooperative relationships between the Tasmanian Government and the non-government sector, and a strong commitment to working together to improve outcomes for Tasmanians.

Experiences to date with the introduction of greater competition and user choice to Tasmanian human services have generally been positive, however it requires careful and ongoing market stewardship by government. Competition reform highlights the inherent tension between governments' universal service obligation, under which governments must ensure essential services are provided, and the reality of a competitive market environment in which some providers will fail. Reliance on government as a provider of last resort, thin markets in sparsely populated regions and limited 'market' responses for some highly complex cohorts are ongoing challenges in the design and implementation of competition reform in human services.

2 Tasmanian Context

The Tasmanian Government has implemented a range of reforms in human services, including significant reforms over the past decade to increase competition, contestability and user choice by moving from direct provision of some services to a commissioning approach, in partnership with the non-government sector.

A key feature of recent Tasmanian human services reform has been investment in integrated service delivery models. These are partnership arrangements that rely on cooperation and collaboration across organisation and discipline boundaries to use resources effectively and respond to the needs of Tasmania's dispersed communities. As noted in the Preliminary Findings Report, greater integration of human services can reduce duplication and improve outcomes, especially for people with complex needs or facing geographical isolation.

Well-designed competition reforms which recognise and enhance the key features of integrated service delivery may deliver significant efficiencies and user benefits. Tasmania's one-stop shops and co-located service hubs are easy to navigate and provide clear pathways to a range of human services. They integrate assessment, triage and service coordination functions, with streamlined access to secondary and tertiary services via primary/universal services. Examples include:

- Gateway Services, operated by Mission Australia and BaptCare, provide a single entry point to all family and disability services in each region of the State, and were recognised by the Productivity Commission as an effective central assessment and referral service model in its 2011 report on *Disability Care and Support*.

- Child and Family Centres, located in 12 regional centres around the State, provide access to a range of government and community services for improving health, wellbeing, education and parenting support for children up to five years old and their families.
- Housing Connect provides social housing and support for Tasmanians on low incomes and in crisis, delivered in partnership by five organisations – Anglicare, Centacare, Colony 47, Hobart City Mission and Salvation Army (Tasmania).

Other examples of current or recent Tasmanian human services reforms include:

- The Tasmanian Health Service (THS) uses a flexible mix of public and private elective surgery services to deliver outcomes for patients, through elective surgery contract arrangements with Tasmanian (and in some cases Victorian) private hospitals.
- Tasmania's [Affordable Housing Strategy](#) Community Housing Stock Leverage Program involves the title transfer of housing stock under long term management with community housing organisations, allowing them to leverage additional borrowing capacity to increase housing supply and tenant choice.
- The [Joined-up Human Services Project](#) aims to make it easier for people to navigate all human services, minimise the information people have to repeat, and investigate models of lead support coordination so that clients can build their resilience and increase self-capacity. The community sector is co-designing the lead support coordination service.
- Statewide implementation of the National Disability Insurance Scheme (NDIS) commenced in July 2013 and builds on previous reforms in disability services. There is a trend of disability provider consolidation, and market maturity continues to grow. A critical benefit of the NDIS is greater individual choice over supports and support providers.
- Tasmania, along with other state and territory governments, is working closely with the Australian Government to develop a framework for the coordinated commissioning of services for severe and complex mental health, and has expressed interest in being a trial site. Coordinated commissioning aims to improve outcomes for the Tasmanian population by ensuring that services are complementary and duplication is minimised.
- [Rethink Mental Health](#) – *A Long-Term Plan for Mental Health in Tasmania 2015-25* aims to develop an integrated mental health system that provides support in the right place, at the right time, with clear signposts about where and how to get help.
- The Department of Education's Education Information Portal (EDI) is an award-winning information system enabling web portal access to real-time data on school and student performance, for use in monitoring the impact of individual and system wide interventions in learning and attendance.

Tasmania's Aboriginal and Torres Strait Islander population resides in all regions of the State, with the most remote community located on Cape Barren and Flinders Islands in the Bass Strait. In general, the human services available in these remote populations are well coordinated and work closely together to support better outcomes for the local community. There is recognition that Aboriginal community involvement in service design and delivery is critical to successful implementation.

However, as with all isolated communities, individuals must travel to access many secondary or tertiary human services, such as specialist health and dental services, and post-compulsory education and training. This requires significant planning and coordination, as well as social and financial resources. Equity of access and the disruptive impact of travel on individuals and the community are ongoing issues.

3 Priority areas for reform

The Tasmanian Government is broadly supportive of further investigation into the areas for reform selected in the Preliminary Findings Report, with the following observations on future work:

- A clear policy rationale and robust evidence for reform is key, particularly around scope for improving outcomes.
- There is potential to explore innovative human service delivery and funding approaches, such as Social Return on Investment, the recent Australian Government announcement on Australian Priority Investment Approach to Welfare and the United Kingdom Cabinet Office's Behavioural Insights work.
- While the Productivity Commission has excluded some recently reformed sectors from the priority areas identified for further work, it is vital to take into account the lessons learned in the implementation of recent competition reforms in sectors such as early childhood education and care, aged care, disability and post-compulsory education.

4 Benefits and opportunities

The Tasmanian Government's commitment to providing high quality human services has seen the introduction of a number of competition reforms which have delivered better outcomes for the Tasmanian community.

Recent Tasmanian initiatives to reduce elective surgery waiting times through entering into contractual arrangements with private hospitals have resulted in more operations for people with chronic health conditions. By transferring the title of 35 per cent of Tasmania's public housing stock to the community sector, organisations can access finance to increase the supply of homes for priority applicants on Tasmania's public housing register.

Contestability can also deliver broader positive economic impacts in private and non-government sectors. There is potential to realise many benefits to government, clients and the community from introducing contestability, including:

- greater participation;
- greater transparency;
- improved productivity;
- better quality, outcomes, access and demand management;
- moving from fixed to variable costs; and
- risk management.

The identification and assessment of opportunities for contestability can improve outcomes by driving more client-focused service delivery and more efficient use of government resources.

Improvements can be achieved without necessarily completing the contestability process for competitive or external service provision.

Services to the public can be delivered effectively and efficiently by both government and non-government providers. The ability of government to deliver value to citizens will be judged not just by how well they manage themselves, but also how well they can manage external providers to deliver public services.

5 Constraints/challenges

As noted in the Preliminary Findings Report, there is a need for a clear rationale and cost-benefit analysis when introducing competition and contestability into any human service. Analysis should also consider possible benefits, or more particularly disbenefits, arising from the introduction of contestability or user choice across services or sectors. If poorly designed, competition and contestability can result in greater fragmentation, duplication and confusion for the service user, and an overall reduction in efficiency and effectiveness. In small markets such as Tasmania, introducing competition can lead to consolidation and the loss of some providers, reducing diversity and choice and potentially impacting on price.

Other challenges for Tasmania to be considered in the design of competition reform are outlined below.

- Quality and safety – It is critical that services meet safety and quality standards and have appropriate accreditations. In some cases, user choice and market diversity may need to be secondary considerations to ensuring minimum quality and safety standards.
- Workforce challenges – the disability and aged care sectors are already competing for a limited workforce. Workforce training and development requires sustained investment and there is often limited availability of specialist skills in regional areas.
- Data limitations – system constraints, poor data quality, a focus on output or activity reporting only provides part of the picture or creates perverse incentives, poor data measures, and limited data comparability between jurisdictions are issues for some sectors.
- Collaboration – As noted in the Preliminary Findings Report, competition may create barriers to collaboration and information sharing between essential services, resulting in poorer outcomes, less efficiency and working against trends to better coordinate human service delivery.
- Impacts of 'cherry picking' – Poorly designed competitive markets provide incentives for the non-government sector to 'cherry pick' less complex clients. This leaves governments, as the providers of last resort, with only the most complex, highest need, and highest cost clients. This reduces economies of scale for the residual government delivered services, and challenges them in recruiting and retaining staff to manage high caseloads of complex clients. Conversely, seeking to address this risk through a complex pricing structure can disrupt existing implicit or explicit community service obligations or other subsidies based on ability to pay.

- Value of volunteering – Tasmania’s community sector benefits from the significant contribution of volunteers. Volunteers increase the reach of some services, and influence broader wellbeing outcomes such as community connectedness and social cohesion. Human services reform must be designed to recognise and support volunteers, including the challenge that rapid or complex reform could pose to a volunteer workforce.
- Limitations on user choice – While user choice is endorsed, it is recognised that cohorts experiencing entrenched socio-economic disadvantage, significant caring responsibilities, or low health literacy or service engagement, face significant challenges making informed choices.
- Funding arrangements – Complex funding and governance arrangements at the Commonwealth-State-local government interface can contribute to duplication, fragmentation, inefficiencies, excessive reporting burdens, cost shifting, poor transparency in funding decisions, and can ultimately threaten sector sustainability. Sufficient funding and commitment to investment in long-term outcomes at all levels of government is critical.

6 Conclusion

Tasmania is open to considering areas for further reform and welcomes the Productivity Commission's next stage of work in this important inquiry. In identifying ways contestability and competition could improve service delivery, consideration of the government’s universal service obligation as the provider of last resort is crucial. Market design can overcome many of the highlighted challenges but must be considered from the start. Tasmania has already increased competition and user choice in a number of human services and will continue to undertake reforms where they will result in benefits for service users.