



**Submission to the Preliminary Findings Report of the Productivity Commission  
“Inquiry into introducing competition and informed user choice into human  
services”**

October 2016

## **Introduction**

Australian Red Cross (Red Cross) welcomes the opportunity to provide a further submission to the preliminary findings report into the “Inquiry into Human Services reform”.

In our previous submission to the issues paper we made 16 recommendations, including a specific recommendation related to user choice:

*Red Cross recommends that the interests and needs of people who are disadvantaged and less able to participate in using the market be met through improved personalised, intensive services for people with complex needs, either through increased support to access consumer centred models or through the provision of alternatives solutions which may include specialist niche providers under block funding arrangements.*

Our submission into the preliminary findings report focusses on this specific recommendation and related issues for extremely vulnerable clients, including:

- a short analysis of the risks of greater user choice for extremely vulnerable clients/citizens
- potential solutions for managing these risks to ensure the delivery of human services that meet the needs of these particular clients.

We believe this objective can be achieved with strong market stewardship by Government, working in close partnership with the community sector and service users. Our experience and concerns relate most directly to three of the sectors identified for reform: remote services, family and community grants, and social housing.

## **Risks in greater user choice for vulnerable clients**

We support the principle of greater control over services by clients however we note that there may be particular risks for deeply disadvantaged and vulnerable clients in exercising control and choice in an open market. Choice of service is only one aspect of control which is influenced by individuals’ system literacy and their ability to articulate preferences and self-advocate with regard to access and eligibility for services. The other elements include control over design of service, accountability and regulation of service providers, complaints mechanisms etc. Regarding choice of service we note the following risks:

### **1. Risk of being able to make fully informed choice or decision**

The need to access human services varies throughout life stages, becoming more complex and critical during times of greater vulnerability (for example family breakdown, homelessness, job loss, mental health episodes and release from incarceration). For people in such situations, the ability to

exercise individual choice is constrained by personal circumstances including, but not limited to: disability, literacy, discrimination, previous experience of choice, as well as structural impediments to choice such as homelessness or job loss. People experiencing acute crises may not be able to make fully informed decisions regarding the available options.

In these circumstances, too much choice can constrain rather than empower clients due to:

- lack of understanding of the full implications of their needs and the interdependencies between them,
- limited capacity to access or absorb large amounts of complex information.

Access to information that is clear and concise together with an understanding of ‘the system’ is critical to clients being able to exercise informed and meaningful choice. People who experience deep social exclusion and who do not have friends, family or others who can support and advocate on their behalf will need extra support to make the most of the opportunities presented by greater choice.

## **2. Risks of digital divide impacting user choice**

While we are supportive of technologies that support user choice as referenced in the preliminary findings report (p 59), our point was made in specific reference to improving performance data and information for consumers. Consistent with the submissions of other community service organisations, we also emphasise that these mechanisms tend to be better accessed by more well-resourced clients rather than those who are deeply disadvantaged.

The digital divide between younger and older, richer and poorer, and urban and rural Australians and the increasing use of technology-based solutions (particularly by government) to enable service access requires further careful consideration in relation to this latter client group. Even when access to digital technology is available, lack of digital literacy can prevent vulnerable people from using it in the most effective way to address their needs.

## **3. Risks of user choice in thin markets**

The issue of how user choice will impact on citizens in thin markets (by service type or location) is not clear from the preliminary findings report. We would not want to see people in these markets disadvantaged, and believe that the role of Government as market stewards becomes critical to effective and equitable outcomes in these settings. Again, we note that vulnerable people are often located in these thin markets, including remote communities.

## **4. Risks of user choice policy in the human services market**

Human services are complex and unlike conventional markets. One stark contrast is that they operate prevention and early intervention models that work to *reduce* future demand for service. They are also usually accessed out of need rather than want, and they produce often intangible social capital benefits that are relationship-driven. Given the differences from traditional markets, the risk of worsening outcomes for some citizens under full marketisation of human services is real.

One of the risks in a market environment may be that people make choices based on perceived affordability, necessity or convenience rather than choosing services that better meet their specific needs (including service coordination/case management support). This scenario may be compounded where there is greater complexity and multiple services are needed (for example, an older person accessing health care, housing, and in-home support, and where careful co-ordination between services is required to optimise the individual's outcomes). An elderly person may be required to juggle multiple choices, across multiple domains, exercising more choice without being sufficiently informed or supported in making such choices. This situation could be extremely challenging for the most vulnerable Australians who have no one to help guide or advocate on their behalf.

## **Potential solutions for managing risks and achieving outcomes**

### ***Use pilots to test approaches for specific client groups***

Given the issues and risks identified from increasing competition and choice in human services, it would be wise to begin with pilots that are strategically evaluated to measure outcomes for different population groups rather than attempting large-scale reform across several sectors. Under this approach, the reforms can be designed and tested on the basis of achievement of outcomes across different client populations before scaling up.

### ***Ensure clients are involved in co-design or production of services, not just choice of existing services***

There are alternative ways that citizens can be empowered to access better quality services that meet their needs. Greater choice of already designed services and end products may do little to empower clients or address their specific needs. However, co-production and greater control in service design and accountability of service providers may be more effective in meeting the needs of vulnerable clients. The principle of co-production should underpin all new service design activities and should be a requirement for all service providers. In doing so, the Government should also consider providing brokers to directly assist the most vulnerable citizens to work on design, choice and access of consumer directed care.

### ***Ensure effective and robust regulation and monitoring mechanisms are in place***

To protect vulnerable citizens, careful consideration should be given to safeguards. It will be essential to have clear regulation frameworks, informed by previous evidence and the pilot site evaluations. There should also be independent and robust monitoring and review mechanisms to prevent and deal with poor providers and poor market practice (quality service, misleading marketing and exploitation).

### ***Provide block funding in limited thin markets***

In thin markets, block funding will be required to ensure market viability and the availability of choice for clients. This may include grant based funding to meet infrastructure costs to enable service providers to operate in remote locations or to deliver services in niche markets which have

high set up costs, with or without block funding to underwrite ongoing operational costs. Such funding should also enable real client choice by funding more than one provider wherever feasible.

## **Conclusion**

Red Cross will continue to draw on our experience and expertise of working with the most vulnerable client groups in the community to ensure people can promote and share their experience to advocate for reforms that will best meet their needs.

To avoid increasing the burden on vulnerable clients, their families and communities, we urge the Government to promote reforms that will be most effective and efficient in meeting the complex needs of these groups with appropriate safeguards in place to protect clients.

Thank you again for the opportunity to provide comment. We would be open to discussing this further with the Commissioner and their team.

Kind regards,

**Judy Slatyer**

**Chief Executive**