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Submission to the Productivity Commission:

Inquiry into Introducing Competition and Informed User
Choice into Human Services: Reforms into Human
Services

Mental Illness Fellowship of Australia (MIFA) is a federation of long-standing member organisations, established in 1986. Our members deliver specialist services for individuals living with mental illness and their carers, friends and families, out of nearly 60 ‘front doors’ in metropolitan and regional areas, to over 20,000 people each year. Our membership has a strong focus on building community, valuing peer support and lived experience, and supporting recovery. We have substantial experience delivering specialist, place-based, community-building programs to those experiencing mental illness, and over 50% of our workforce has a lived experience as a consumer or carer; as such, we feel we are well placed to assist the Productivity Commission in its inquiry into Reforms to Human Services, and we welcome the opportunity to provide our input.

MIFA would like to commend the Productivity Commission for providing a balanced response to a highly contested and challenging area of reform. Both competitive commissioning approaches (such as employed by Government) and market-based solutions which seek to increase competition (such as the National Disability Insurance Scheme) have significantly impacted on the community sector, resulting in the fracturing of long-standing partnerships, forcing even tighter operating margins, and resulting in some cases in the closing of smaller or more unique providers. Competitive approaches favour larger organisations with sophisticated brand and marketing systems and economies of scale, while not necessarily resulting in greater choice for participants or greater quality of services. Collaborating on tenders is increasingly met with scepticism; as one service provider noted, “A tender shared can be a tender lost.”

Expectations from commissioning bodies around tighter operating margins have caused some providers to walk away from service contract negotiations, and the tight operating margins expected within NDIS pricing has resulted in the closure of some services altogether. Contrary to popular belief about the inefficiencies of the not-for-profit (NFP) sector, several studies indicate that the not-for-profit sector in Australia already has significant under-investment in operational costs¹. The ratio of labour to capital investment is high² and the profit margin is small³. An underinvestment in overheads results in a range of issues, including poor governance, low access to technology, lack of training for staff, limited ability to track outcomes, which seriously limit organisational effectiveness⁴⁵. The business-oriented language and framework also present ideological challenges for the NFP sector, in particular where both social and financial returns are encouraged⁶. In a strongly values-based sector, the language of

¹ Munro, R. 2017 “Focusing on Cost Reduction in Small NFPs is Like Getting ‘Blood From a Stone’”. Available at: <https://probonoaustralia.com.au/news/2017/07/focusing-cost-reduction-small-nfps-like-getting-blood-stone/>

² Ratio of 23:1. IBISWorld in Deloitte Access Economics (2016). *Forecasting the future: Community Services in Queensland 2025*. Available at: <https://www.communities.qld.gov.au/resources/reform-renewal/social-investment/forecasting-the-future-community-services-in-ql-2025-summary-report.pdf> , p15

³ Profit margin of 3.3% - *ibid*

⁴Hager, M., Pollak, T. and Wing, K. (2004). *Non-profit overhead cost project: Facts and perspectives*. Brief No. 3. Available at: https://philanthropy.iupui.edu/files/research/nonprofit_overhead_brief_3.pdf

⁵ Goggins Gregory, A. and Howard, D. (2009). ‘The Nonprofit Starvation Cycle.’ *Stanford Social Innovation Review*, Fall 2009. Available at https://ssir.org/articles/entry/the_nonprofit_starvation_cycle

⁶ The Australian Government the Treasury (2017). Social Impact Investing Discussion Paper. Available at: <https://cdn.tspace.gov.au/uploads/sites/72/2017/01/Social-Impact-Investing-Discussion-Paper.pdf>

efficiency sits uncomfortably with not-for-profit mission-based values of service, advocacy, social change and community participation.⁷

Nevertheless, competitive approaches can also encourage more responsive and consumer-focused services. Contestability may disrupt the favouring of select service providers, enable new and different service providers to enter the sector, and incentivise new models and ways of working. A focus on outcomes can enable cut-through diverging opinions onto a focus on what works for service users.

MIFA welcomes all seven of the recommendations in Section 7, Commissioning Family and Community Services, and wishes to make the following comments.

Systematic service planning

DRAFT RECOMMENDATION 7.1

The Australian, State and Territory Governments should work together to develop and publish:

- data-driven maps of existing family and community services
- analysis of the characteristics and needs of the service user population to assist with system and program design and targeting
- service plans to address the needs of people experiencing hardship.

MIFA supports the recommendation for co-ordinated service mapping, needs assessment and development of outcomes frameworks driven by service users (Draft Recommendation 7.1). In terms of regional co-ordination. MIFA wishes to note that the exemplar used – the Primary Health Networks (PHNs) – are evolving in practice in an inconsistent way across Australia. This may be in part due to devolvement of Primary Health Network functions to regional NFPs, who in some cases do not appear to have the commissioning experience, level of community engagement, or other internal expertise to undertake the broad-reaching functions required of the PHN. PHNs also administer only part of the funding envelope (a part of Commonwealth funding), and in many regions are still failing to adequately co-ordinate with State-funded public health services and other State-commissioned services. Notwithstanding these reservations, there is evidence of improvements emerging from the community development and engagement approach taken by some PHNs.

It should also be noted that the statement that “no bodies exist in family and community services that have analogous functions to PHNs” is somewhat misleading, as PHNs currently commission clinically-oriented services within the community mental health sector (which is part of the family and community services sector). Any additional regional co-ordinating bodies proposed would need to be able to carefully manage and integrate mental health services, which have traditionally fallen outside the priorities of both Health and Social Services portfolios at a State and Commonwealth level, despite falling within the remit of both. This is evidenced, for example, by the vacuum currently existing in terms of policy responsibility for psychosocial support services outside of the National Disability Insurance Scheme. Mental

⁷ Eikenberry, A., & Kluver, J. (2004). The Marketization of the Nonprofit Sector: Civil Society at Risk? *Public Administration Review*, 64(2), 132-140. Available at: <http://www.jstor.org/stable/3542607>

health, in fact, operates simply as a case example of the failing of system planning and commissioning to truly reflect the interconnectedness of social disadvantage. Outcomes frameworks should be based on whole of community and whole of life needs, and incorporate evidence-based understandings of complex interrelated determinants. Commissioning should in be cross-Government, drawing on the evidence that demonstrates the interrelationship of Governments' objectives. For example, the relationship between early childhood development, family support, school engagement, and housing in reducing risks of child neglect and juvenile offending⁸.

Provider selection and contract management practices

DRAFT RECOMMENDATION 7.2

The Australian, State and Territory Governments should adjust provider selection processes in family and community services to reflect the importance of achieving outcomes for service users. Governments should:

- design selection criteria that focus on the ability of service providers to improve outcomes for service users
- not discriminate on the basis of organisational type (for-profit, not-for-profit and mutual for example)
- allow sufficient time for providers to prepare considered responses (including the development of integrated bids across related services).

DRAFT RECOMMENDATION 7.5

The Australian, State and Territory Governments should set the length of family and community services contracts to allow adequate time for service providers to establish their operations, have a period of stability in service delivery and for handover before the conclusion of the contract (when a new provider is selected).

To achieve this the Australian, State and Territory Governments should:

- increase default contract lengths for family and community services to seven years
- allow exceptions to be made, such as for program trials which could have shorter contract lengths
- provide justification for any contracts that differ from the standard term
- ensure contracts contain adequate safeguards to allow governments to remove providers in any cases of serious failure.

DRAFT RECOMMENDATION 7.7

The Australian, State and Territory Governments should:

- train staff to increase their capacity to implement outcomes-based approaches to commissioning and relational approaches to contract management
- trial relational approaches to contract management in family and community services.

MIFA strongly supports the principle of diversity of service providers. In our experience, large and small organisations bring different strengths and perspectives. Smaller or more specialized organisations are often well connected to the communities they serve, delivering a truly place-based approach. They can be more responsive to change due to flatter management structures and less complex service delivery. Larger organisations often bring expertise in efficiencies of scale, as well as the mechanisms to refine excellence in practice, including resources to research, evaluate and design training.

Collaborations between both large and small services can bring the benefits of both. In the human services sector in particular, collaboration, co-operation and service integration are

⁸ Silburn, S. (2001) in Smith, N. (2016). *Resilience*. Available at: <https://handsheartsminds.files.wordpress.com/2015/06/pathways-to-vulnerability.jpg>

paramount. Service users experience huge challenges navigating the sector, which is already siloed. Competitive and profit-driven motivations further undermine service provider willingness to share information and refer clients. Dedicated strategic direction and resources are required to support ongoing collaboration among human service providers. MIFA welcomes the recommendation to dedicate resources to co-ordination of services⁹, and further encourages policy makers and commissioning bodies to review current examples of successful collective, collaborative and consortia tenders, research where they are best used, and develop strategies to encourage them in those circumstances. Consortia and collaborative tenders can work best in situations where service providers are either providing unique services or operating in a unique area.

As noted by the PC, service providers experience significant resource challenges when responding to calls for tenders¹⁰. The length of time tenders remain open for does not allow for proper program co-design, or co-ordination between services for collaborative tenders. The constant cycle of re-tendering co-opts resources that could be more valuably spent on developing and documenting quality programs, engaging service users in co-design, and monitoring and evaluating services. MIFA welcomes the recommendations to provide forward announcement of commissioning schedules (and potentially consistent annual timing), to allow sufficient time for tendering; and to co-ordinate the timing of tender rounds between different commissioning bodies (Draft Recommendation 7.2). One caveat to be noted is that having all tenders at the same time may potentially create additional burdens if adequate time is not given to service providers to develop their submissions, as multiple opportunities existing at one time can be burdensome.

MIFA also advocates the adoption of submission processes that allow for differing levels of marketing expertise – such as face to face submissions, site visits, and other methods for assessing the value of currently operating programs. MIFA also advocates funding ongoing training and support to service providers to develop their skills in tender writing, program model documentation and outcomes analysis. This would ensure tenders are not simply awarded to those with the most sophisticated marketing apparatus.

MIFA welcomes the recommendation for longer contract terms, as this allows time for programs to develop, and further relieves the burden of constant re-tendering (Draft Recommendation 7.5). Short contracts create uncertainty which prohibit capital investment, undermine staff development and place unwarranted stress on service users.

Prescriptive procurement commissioning approached (where Governments procure suppliers for pre-determined service models) has resulted in a failure to listen to the community sector about existing programs that already work. Overly restrictive program guidelines stifle

⁹ p217, Productivity Commission (2017). *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services – Productivity Commission Draft Report.*

¹⁰ p217, Productivity Commission (2017). *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services – Productivity Commission Draft Report.*

innovation and tend towards one-size-fits-all approaches that are not locally or culturally responsive. As noted by the PC, the commissioning cycle should include significant pre-tendering community engagement and co-production with service providers and most importantly, service users¹¹. MIFA supports the recommended relational governance approach to commissioning and contract management (Draft Recommendation 7.7), wherein trust and joint commitment underpins relationships between commissioning bodies and service providers - provided contestability is maintained and commissioning bodies do not unnecessarily adopt a 'preferred supplier' approach.

Performance management frameworks and outcomes-based commissioning

DRAFT RECOMMENDATION 7.3

The Australian, State and Territory Governments should prioritise the development of user-focused outcome measures for family and community services — indicators of the wellbeing of people who use those services — and apply them consistently across all family and community services.

Governments should also identify outputs from family and community services that can be used as proxies for outcomes or measures of progress toward achieving outcomes.

In developing outcome measures and outputs, governments should define the indicators broadly so they can be used in provider selection, performance management and provider, program and system-level evaluations across the full range of family and community services.

DRAFT RECOMMENDATION 7.4

The Australian, State and Territory Governments should improve systems for identifying the characteristics of service delivery models, service providers, programs and systems that are associated with achieving outcomes for the people who use family and community services. To achieve this, governments should:

- **monitor the performance of providers of family and community services in achieving outcomes for service users**
- **evaluate service providers, programs and systems in ways that are commensurate with their size and complexity**
- **proactively support the sharing of data between governments and departments, consistent with the Commission's inquiry report *Data Availability and Use***
- **release de-identified data on family and community services to service providers and researchers**
- **develop processes to disseminate the lessons of evaluations to governments and service providers.**

As noted by the PC, measuring outcomes for performance management and commissioning approaches is worthwhile, but can be difficult¹². A focus on outcomes can support greater accountability and transparency for service providers, embed service user responsiveness in practice, enable shared learnings, and result in much more effective service delivery. MIFA further recommends the establishment of transparent reporting of outcomes delivered and benchmarking across services.

We note, however, that in practice, outcomes-based approaches can be challenging to implement. Program logics tend to oversimplify the antecedents to change, and limit interconnections between a range of outputs from a system of providers. MIFA notes that the increasing emphasis on outcomes-based performance indicators is putting pressure on service

¹¹ p209, *ibid.*

¹² P219, Productivity Commission (2017). *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services – Productivity Commission Draft Report.*

providers, who require capacity building and funding for overheads. Proper service evaluation requires training for direct service staff to collect data in a sensitive manner, administrative systems and technology to manage data, and personnel able to collate, analyse and report on data. Some of the performance monitoring burden could be alleviated through streamlined outcomes frameworks and coordinated performance reporting requirements. As noted in the Draft Report, occasionally outputs can be useful proxies where outcomes (particularly short-term outcomes) are difficult to measure¹³. On the whole, it should be noted that while a strong emphasis on outcomes may lead to more responsive, higher quality and more effective service provision, it should not be construed as a less costly approach in the short-term. Longer term savings may be gained by more effective services, however, well-designed, adequately-resourced, properly monitored and rigorously evaluated services are undeniably more costly.

MIFA agrees that outcomes-based funding or social impact investment are worth exploring, but likely have limited application, and, when poorly designed, may inadvertently disincentive service providers from targeting the highest needs and most complex groups¹⁴.

Quantitative approaches and population-level analyses are useful for evaluating outcomes, but require release of publicly held data sets, and personnel within services with the training to assess and report on changes. MIFA welcomes the recommendation that encourages greater data sharing, co-ordination of data sets, and release of publicly held data sets (Draft Recommendation 7.4). Qualitative research should be equally valued in the evaluation process, in order to understand the depth of service user experience. Outcomes measurement should also be conducted in a sensitive manner, noting that individual surveys or interviews can be experienced by some service users as an interrogation of their own success, rather than assessment of the success of the service system. As noted by the PC¹⁵, service user experience – consumer and carer input – should be embedded in program design, monitoring and evaluation processes, to ensure the outcomes are driven by service user needs and that the process is responsive to cultural, disability or other diverse needs. Furthermore, outcomes assessments often reveal broader systemic issues that reflect beyond the individual service provider; there must be embedded channels and resources within service providers, the broader system and Government for advocacy, so that evaluating service provision also enables reflection on system design as a whole.

DRAFT RECOMMENDATION 7.6

The Australian, State and Territory Governments should provide payments to providers for family and community services that reflect the efficient cost of service provision.

As previously noted, efficient service provision requires adequate funding for service providers. This enables services to be properly designed, documented, monitored, and evaluated; to include adequate training for staff in effective program design, service provision, data

¹³ p220, *ibid.*

¹⁴ p229, Productivity Commission (2017). *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services – Productivity Commission Draft Report.*

¹⁵ p210, *ibid.*

collection, and evaluation; and to cover the costs of technological and administrative systems that support efficient *and* effective service provision. MIFA strongly supports the recommendation to adequately cover the full costs of achieving outcomes for service users (Draft Recommendation 7.6).

MIFA thanks the Productivity Commission for the opportunity to provide input into the Draft Report on Human Service Reform.

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Disclaimer

This submission represents the position of MIFA. The views of MIFA members may vary.