



**Productivity Commission Draft Report**  
**Introducing Competition and Informed User Choice into**  
**Human Services: Reforms to Human Services**  
Submission from the South Australian Government  
July 2017

## Introduction

The South Australian (SA) Government thanks the Productivity Commission for the opportunity to respond to the draft report on its inquiry into Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services.

The SA Government is supportive of the intent of many of the draft recommendations to introduce greater competition and informed user choice across the specified areas of human services, noting the ultimate aim is to improve equity and access to these services for the community, particularly the most disadvantaged. A number of the recommendations, including in the area of services in remote Indigenous communities, are consistent with widely acknowledged best practice in service provision.

However, further consideration is required in respect of some proposals, including in relation to resource implications, demand management and system readiness across jurisdictions. This is particularly important for the proposals on increasing access to community based end-of-life care services, a new model of financial assistance across social and private housing, and a new payment and care model for public dental services, which recommend the most significant changes and would have major resource implications for jurisdictions. We set out a range of considerations below.

## Caring for people at the end-of-life

The SA Government supports the intent of the Productivity Commission's recommendations to improve access and choice in end-of-life care services. We favour a comprehensive approach to end-of-life care, noting work is underway in South Australia to develop an End of Life Care Strategy which aims to build stronger partnerships between consumers, government and non-government services and health professionals. Through fostering these partnerships, innovative and comprehensive care can be achieved which more closely aligns with the needs and preferences of individuals.

Increasing access to community-based palliative care services for people with a preference to die at home would have significant resource implications for the SA Government as the provider or commissioner of these services. Adjunct services such as community aged care funded by the Commonwealth also have a significant role to play in providing care, support services and equipment for people nearing end-of-life and their families.

There is an underlying assumption in the draft report that a more competitive service model would lead to improved outcomes. The end-of-life stage is often unsettling and overwhelming for patients and their families. Increasing the availability and choice of community-based palliative care services would only be valuable if complemented by better education, communication and cooperation among service providers which assists the patient and family to navigate the choice in service providers. It is often the case that at times of high stress and a rapidly deteriorating condition, families require a coordination point to bring all of the community services together. This allows patients and their families to engage in decision-making as much as they wish or are able to.

SA supports an increase in the rate and quality of advance care planning. In 2014, the SA Government introduced Advance Care Directives which allow people over the age of 18 to write down their preferences and instructions for future health care, end-of-life, living arrangements and personal matters, and/ or appoint a substitute decision maker to make decisions on their behalf if they no longer have the capacity. This has proven an effective way to ensure patient's wishes are followed when they are nearing end-of-life.

In addition to encouraging general practitioners (GPs) and practice nurses to play a larger role in helping people communicate their preferences, SA wishes to seek recognition for other providers of health care and support services such as social workers, allied health and community nurses who are equally well placed to help people to articulate their preferences for end-of-life care.

Further, it is important that GPs are skilled in prescribing medicines required to support end-of-life so that expected patient deterioration can be anticipated and managed locally without patients needing to receive treatment in hospital if this is not their preference.

## **Social housing**

The SA Government supports the broad principles underpinning the recommendations around improving consumer choice and the consistency of support provided by government (Commonwealth and State) to social housing users.

To this end, SA is supportive of an enhancement of Commonwealth Rent Assistance (CRA) by an expansion of scope and an increase in payment. We have in the past advocated for a tenure-neutral CRA that does not distinguish between tenancy types, to give tenants a broader choice of rental options.

The draft report suggests that with CRA support, social housing tenants should pay market rents instead of rents fixed at a proportion of the person's income, as is currently the case. SA is concerned about the financial gap between market rents and income based rents. Whilst the proposed 15 per cent increase to CRA and 10-year phase in for existing tenants will provide some relief, the proposal to move to market based rents is likely to place existing low income groups at further rental stress. Further investigation and consideration of the potential effect on existing and new tenants who would historically receive income based rents is required.

SA broadly supports the intent of an additional payment made available to tenants with a demonstrated need for additional assistance, as a top-up to CRA, establishing both an affordability and a support element to housing assistance. The Commission has proposed that this would be paid by state and territory governments. SA suggests that further modelling and analysis is required to explore funding mechanisms and eligibility for the additional subsidy stream, and what level of government would most appropriately deliver this funding stream.

While choice-based letting, as proposed in the draft report, may increase tenant satisfaction, this recommendation should be treated with caution as a choice-based letting approach is dependent on availability. Within a supply-constrained market, a stronger focus on including the customer's voice where possible may be more effective.

To further increase consumer choice, SA would like to see options for home purchase presented in these reforms and in particular, the use of CRA as a means to enable this to happen. This would provide a further choice pathway for tenants to move from rental to home ownership. SA has previously proposed bringing forward a portion of future expected CRA payments to assist with upfront home purchase costs.

The SA Government supports the Commission's recommendations on contestability of social housing management tender processes. In SA, we transferred 1000 public housing properties to the not for profit sector in 2015 and are transferring a further 4000 properties currently. SA also supports the separation of funding and policy functions from management services. In SA, these functions are performed through separate entities, Housing SA and Renewal SA.

Renewal SA is also separate from the Office for Housing Regulation with regards to community housing governance and regulation. The upcoming review of the National Regulatory System for Community Housing will provide further intelligence about the operation of the system, and is supported.

SA notes the Commission's recommendations that the entity managing social housing assets should be subject to competitive neutrality policies. While ideal, achieving a genuinely level playing field is complicated in a market where not for profit providers can access a range of tax and other concessions of significant value. It is unclear how the transition to market rents and adoption of competitive neutrality would impact on availability and/or treatment of these concessions.

The Commission's draft recommendations, if implemented, would likely increase people's opportunity to access the private rental market. The draft report acknowledges that there is a greater level of tenure security in social housing than in the private rental market and that this is a central motivation for people seeking social housing. Whilst not included within the draft recommendations, SA notes the Commission's observation that reforms to strengthen tenants' rights, and the promotion of long-term leases within the private rental sector, could improve the net benefits of the draft recommendations. While SA agrees that increased contract lengths may provide greater market stability and facilitate investment, in most cases, a state authority's ability to provide long term contracts is dependent on funding arrangements with the Commonwealth Government.

The Inquiry also acknowledges that there are broader concerns about the private rental market's current capacity to supply sufficient affordable housing, but does not provide recommendations on how supply could be increased. This should be addressed in the Commission's final report.

The Commonwealth Treasurer has announced a new intergovernmental National Housing and Homelessness Agreement (NHHA) and related bilateral agreements with each state and territory, to be negotiated over the coming six months. The NHHA is intended to operate from 2018-19, as a single ongoing funding agreement for housing and homelessness. The reforms to CRA recommended by the Commission will have a significant impact on how NHHA funding is structured. The Commission should provide further information about how these reforms could be implemented, including financial modelling and analysis of impacts on government budgets.

## **Family and community services**

The Commission's aim and direction in this area in relation to user centred design, place-based commissioning of services, data sharing, improved tender processes and more relational contract management is supported and consistent with work already underway in SA. However, implementation is likely to be highly complex and it will be necessary to take a long term view.

In addition to the changes proposed by the Commission, SA would support applying some of the recommendations the Commission has made in respect of services in remote Indigenous communities to family and community services. In particular, SA agrees that government service provision must align with the development of plans that are place based, community driven and reflective of community needs and aspirations.

SA recognises the importance of local community input into needs assessment, tender design (potentially even tender assessment) and ongoing service and contract evaluation. This ensures that those who benefit from these services play a major role in their design and

determining desired outcomes, thereby enhancing effectiveness. SA also supports an explicit local capacity building focus in any service commissioning.

## **Services in remote Indigenous communities**

SA agrees with the Commission's draft recommendations that increasing user choice is not a practical approach to improving service provision in most remote communities.

The recommendations on service delivery principles in remote Indigenous communities are consistent with widely acknowledged best practice. In particular, SA strongly supports the concept of local engagement to deliver the most effective programs and services. We already have some local initiatives under development in this regard, including a strategy by our Country SA Local Health Network which, once completed, will give Aboriginal people in SA a greater say on healthcare and how it can best meet their needs.

The draft report acknowledges that longer default contract terms would encourage greater collaboration and coordination between providers. This is supported by SA, subject to funding and governance considerations.

In practical terms, SA suggests that tender requirements for contracts should be developed through consultation with the communities concerned to identify what outcomes can be realistically achieved and how the benefits can be measured (i.e. Results-Based Accountability). Consultation will also help to manage community expectations in relation to services. SA notes that "community" is a multi-faceted concept and sufficient time and resources will always be required to support the development of true community plans.

There is an opportunity to build into the tender process a requirement to visit the remote communities concerned to facilitate a better understanding of the communities where the services will be delivered and the local issues to be addressed. We suggest this would help to address issues that arise in relation to over-commitment and under-delivery of services and outcomes.

As a step towards developing the cultural competency of relevant staff, SA suggests that mandatory cultural training specific to the region be considered for all staff working in a remote community, preferably prior to commencement of work in that community.

## **Public hospital services**

The SA public hospital system has recently undergone significant reform to improve patient outcomes and drive efficiency. This will enable our system to better respond to changing health needs and advances in technology while ensuring the specialised skills needed in our system are maintained to deliver consistent, quality care. The project will also reduce duplication and better balance demand across services, and reflects the need to balance demand volume to ensure clinical competency.

A range of other initiatives to streamline referral processes are also underway in SA. *HealthPathways* is a joint initiative between SA Health and the Primary Health Networks to develop and implement patient pathways that enable GPs to have conversations with patients about assessment, management and referrals to services that support patient choice where available.

The changes proposed in the draft report to give patients greater control over the pathway leading to their elective hospital admission must be cognisant of and complement current local

reform projects. This will ensure services are not overburdened, clinical competency is not compromised and current commissioning of services is not unduly disrupted. Patient self-selection has the potential to overburden some services that may not have the capacity to treat the volume of activity which may present a risk in terms of capacity, sustainability and safety. Any introduction of such reforms would require a sufficient period of transition to enable a deep understanding of changes in demand and patient flows.

SA has invested considerably in ensuring services in non-metropolitan areas are provided closer to home. Accordingly, our existing patient transport scheme provides access only to necessary and approved medical specialist services not available locally, provided the safety and quality of the care is not compromised. As such, SA would not support the subsidisation of patients who make the choice to travel beyond their closest specialist service.

The Commission is proposing amendments to the *Health Insurance Regulations 1975* to clarify that patients can choose which public clinic or private specialist they go to when given a referral. The impact of these changes on the National Health Reform Agreement would also require close consideration in moving to any new patient referral model. The National Health Reform Agreement sets out a patient's right to choose whether they receive services as a public or private patient. The patient's decision ultimately impacts how the service is funded. There are also likely to be impacts on doctors' rights of private practice in public hospitals which will require careful consideration and management.

The draft report makes a range of recommendations about increased public reporting of information. SA is in-principle supportive of the use of fit-for-purpose data to support provider self-improvement and patient choice. Work has commenced nationally to produce a range of information for clinical reporting purposes and to develop patient outcome measures. There must be a significant program of education for consumers, however, so that information is not misinterpreted.

Many of the existing consumer information dashboards were initially designed to assist hospital management, clinicians and staff to monitor and manage the flow of patients in emergency departments and inpatient units. It would take a targeted engagement, design and build strategy to re-engineer them to be truly customer focussed.

In addition, data sharing arrangements must be carefully designed to ensure there is adequate governance over reporting arrangements and that there are no perverse incentives for hospitals and clinicians to under-report instances of unsafe or poor quality care.

## **Public dental services**

SA supports the intent of providing consumers with access to improved information about public dental services which could also drive quality improvement in the sector. However, most of the draft recommendations of the Productivity Commission in regards to dental, particularly an increased focus on prevention and consumer directed service provision, would have significant resource implications.

While an increased focus on prevention and early intervention may generate an overall saving to the health system in the longer term, in order to realise the potential benefits, funding for these dental services would need to increase at least in the short-term. As acknowledged by the Commission, SA uses the Relative Needs Index to allocate patients to existing waiting lists. However, in the absence of additional funding, the proposed introduction of a more comprehensive triaging system based on patient risk may lead to wait times for patients perceived as being lower risk significantly increasing, with proportionally more current

resources being devoted to patients with higher needs. SA recommends a detailed cost-benefit analysis be undertaken before any full-scale implementation is considered.

We note the draft report proposes a blended payment model which would reward preventive and overall quality of care, rather than number of treatments provided. We understand this model would include a payment to providers per enrolled patient, in addition to fee-for-service payments. SA notes such a model will soon be trialled by the Commonwealth as part of its Health Care Home model of care to better manage patients with chronic conditions. Benefits of this model are unclear at this point and, as such, it may be premature to consider broader roll out of a similar model to other parts of the health system.

The costs and benefits of consumer directed care arrangements for dental services also require further detailed analysis. Whilst SA currently engages both public and private dentists in the provision of its dental services, the introduction of consumer directed service provision would have significant impacts on current operational service delivery and demand management. The extent to which choice may be offered will need to be weighed against the availability of private dental services for those patients currently accessing public dental services. Noting that adult public dental services are provided on a means-tested basis to people generally from lower socio-economic backgrounds, barriers may exist for these individuals in accessing alternative dental services, including because of market failure.

SA has consistently raised issues associated with short-term funding arrangements for dental services with the Commonwealth, including difficulty in attracting and retaining clinical staff and managing demand for care. We consider longer-term funding arrangements with the Commonwealth for both adults and children (more than the current 2.5 years) would better enable forward planning for public dental services with certainty and consistency.

Significant investment, coordination and national leadership would be essential in facilitating many aspects of this proposal, including in relation to the proposed digital oral patient health record.

## **Conclusion**

The SA Government welcomes the intent of many of the draft recommendations and we trust that our input will help to inform the Commission's final report. We look forward to considering more fully the Commission's final recommendations when they are released.

Detailed modelling and service design planning, including by the Productivity Commission, Commonwealth and state and territory governments, would need to be undertaken before consideration could be given to implementing any of the proposed recommendations. This will be particularly important in relation to proposals for end-of-life care, housing and public dental services, where significant changes to current service delivery have been proposed.

The SA Government is committed to working with the Commonwealth and other state and territory governments on reforms that can help to raise the quality of life of all Australians, and which will improve outcomes for the most disadvantaged of our citizens.