

A healthy and inclusive community

Human Services Inquiry  
Productivity Commission  
Locked Bag 2, Collins Street east  
Melbourne VIC 8003

29 July 2016

**RE: Productivity Commission Inquiry into Introduction Competition and Informed User Choice into Human Services**

Thank you for providing opportunity in contribute to the *Productivity Commission Inquiry into Introduction Competition and Informed User Choice into Human Services*. This work is essential to help understand the impact of marketisation, competition and contestability will have on community health and public health services.

Inner South Community Health is a major provider of health and community services across the inner southern region of Melbourne and beyond. Inner South is a not for profit organisation located at four dedicated centres within the St Kilda, Prahran and South/Port Melbourne areas. We have a strong track record of engaging with some of the most marginalised people in the community. These include those who are homeless and / or people who have complex psychosocial needs.

Our submission draws attention to three key questions;

1. Does the market work to integrate or fragment human service delivery?
2. What impact does introduced competition have on co-design of public policy between the community sector and the Victorian Government?
3. Can competitive tendering and contestability create efficiency and productivity without a reduced quality of care?

In preparing this submission Inner South worked closely with one of our peak bodies the Victorian Commission on Social Services (VCOSS). Inner South supports the recommendations from the Australian Commission on Social Services (ACOSS) provided to this inquiry and offer our detailed submission below.

If any aspect of this response requires clarification please contact Damian Ferrie by email or by phoning the Inner South Office

Yours sincerely,

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# Inner South Community Health Submission the Productivity Commission Inquiry into Introduction Competition and Informed User Choice into Human Services

## About Inner South and the Community Health Sector

A key component of Victoria's health system is a funded sector called Community Health. Community Health Services are registered under the Victorian Health Act<sup>1</sup>, The Victorian Government funds 100 community health services. Some community health services are integrated with acute hospital services or smaller rural health services. Other community health services like Inner South Community Health are not-for-profit proprietary limited (Pty Ltd) companies. Community health provides integrated medical, social and community services in local communities.

Community health services work extensively with governments and other local partners to provide coordinated primary healthcare and social services to meet local needs. Community health can play a critical role in keeping residents well, building community and providing essential care when people become unwell. Community health services work within the social determinants of health model, recognising that real gains in health status can only be achieved when social, environmental, political, cultural and economic factors that contribute to poor health are addressed. This focus on addressing health inequity means that community health services generate significant social, economic and health benefits that flow to both the individual and the broader community<sup>2,3,4</sup>.

Inner South Community Health is a major provider of health and community services across the inner southern region of Melbourne and beyond. We deliver more than 150,000 services each year, spanning pregnancy, childhood, adulthood and seniors. Inner South provides a range of primary health care services including, general practice, oral health, mental health, homelessness and alcohol and drug services. As well as direct service delivery, we engage in community building and health promotion activities to build the health and wellbeing of the local community. We have specialist expertise in engaging high risk and hard to reach groups. Inner South offers health services to all, regardless of a person's ability to pay.

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<sup>1</sup> Victorian Health Services Act (1988)

<sup>2</sup> Lomas, Jonathan. "Social capital and health: implications for public health and epidemiology." *Social science & medicine* 47.9 (1998): 1181-1188.

<sup>3</sup> Frieden, Thomas R. "A framework for public health action: the health impact pyramid." *American journal of public health* 100.4 (2010): 590-595.

<sup>4</sup> Marmot, Michael, and Commission on Social Determinants of Health. "Achieving health equity: from root causes to fair outcomes." *The Lancet* 370.9593 (2007): 1153-1163.

## Does the market work to integrate or fragment human service delivery?

To provide high quality human services, there needs to be a wide diversity of services delivered to the client in a joined-up, integrated manner. This may include access to acute, primary, aged care, community services, the justice system and disability services. Collaboration is inherent to these services being delivered in an integrated way to meet consumer needs. The risk of a highly competitive environment is that services do not invest in collaborative practice as there is no incentive to do so. Indeed, this environment may actively provide disincentive for services to work together, particularly in the not-for-profit sector as organisations look to increase growth and their market share. There may be a fundamental contradiction in overlaying notions of competition and contestability with human service sector which requires high levels of collaboration and partnership. Careful consideration of how integration and collaboration will be supported in a market driven model is required to ensure high quality human services.

### Conflating user choice & quality services with sector competition

Inner South strongly supports increased user choice and control in the human service sector, recognising the significant body of evidence that shows that greater consumer involvement and choice in their health provides better health outcomes<sup>5</sup>. In the discussion paper there is a conflating of the outcomes from competition with user choice. Competition is underpinned by an ideology which marks a paradigmatic shift from society intent on enhancing the general social wellbeing of its citizens, to a market-driven economy comprising competitive, individualistic consumers.

McDonald argues that *'profit motives corrupt community service interests, and market forces divide society into winners and losers: competition rewards efficiency but not collaboration'*. It sends a clear signal to providers: reduce costs; treat more patients; value individual market share, over collaboration<sup>6</sup>. The outcome of this process is to relegate social outcomes to the periphery of the public policy debate and public sector management practice.

### Continuity of care for those most marginalised in our community

Inner South remains concerned that the introduction of more competition into the sector may compromise collaboration and cross-sector integration of services. This could lead to fragmentation and siloed human services. In turn, this can have disproportionate impact on those most vulnerable in the community and their continuity of their care between various service providers.

Supporting the community sector to provide integrated human services is critical to ensure better outcomes for the Australian community.

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<sup>5</sup> Australian Commission on Safety and Quality in Health Care (ACSQHC). Australian Charter for Health care rights. Sydney :ACSQHC, 2008

<sup>6</sup> McDonald, J. (2002), Contestability and social justice: The limits of competitive tendering of welfare services. Australian Social Work, 55: 99–108.

On page 15 of the *Discussion Paper* it is stated that many community services are based on an outreach model that may not be supported in a user-driven model of human service delivery. Funding for assertive outreach is essential to ensure that those most vulnerable in the community are actively sought out so that they can have access to health and human services.

Our experience is that disadvantaged clients find it difficult to independently seek services without the support of trained outreach clinicians and staff. Building relationships is at the core of working with these clients and is essential in the delivery of high quality, integrated services. The concern is a highly competitive and contestable environment can mitigate against this joined-up and integrated service, and jeopardise continuity of care for vulnerable consumers.

### **What impact does introduced competition have on co-design of public policy between the community sector and the Victorian Government?**

The Victorian Government and the Victorian Community Sector often work together to co-design and implement evidence-based public policy. Evidence is freely shared between Government and the community sector to learn and create good public policy. This results in systemic change to continue to meet community needs and provide better outcomes. There is an important link between service provision and advocacy where organisations learn from their service experience allowing them to advocate on policy issues that directly impact the communities they serve. A competition driven service model may pose a risk to this sector activity by discouraging the sharing of data, intellectual property, and ideas.

### **Can competitive tendering and contestability create efficiency and productivity without a reduced quality of care?**

Inner South supports efficiency and productivity and sees this as an important aspect of service delivery. However, there is a concern that competitive tendering and contracting (CTC) may reduce the quality of care provided.

It is clear is that when individual organisations use profit as their only motive, in a system that promotes competition above all else, there can be perverse market outcomes that impacts most markedly on those most marginalised in our community.

Demonstrated evidence of these perverse outcomes can be seen in the gross abuses of the Vocational Education and Training (VET) sector<sup>7</sup>. This includes a reduction in quality of services and disproportionate impacts on vulnerable and marginalised people<sup>8</sup>.

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<sup>7</sup> Victorian Government, Mackenzie, B & Coulson, N, (July 2015) *Vocational Education and Training Funding Review: Issues Paper* Accessed 19/07/2016 :

[www.education.vic.gov.au/Documents/about/department/VET\\_Funding\\_Review.pdf](http://www.education.vic.gov.au/Documents/about/department/VET_Funding_Review.pdf)

<sup>8</sup> Victorian Government, Department of Education and Training (May 2015) *review of quality Assurance in Victoria's VET System* Accessed 19/07/2016:

<http://www.education.vic.gov.au/Documents/training/learners/vet/reviewQAreport.pdf>

Inner South wants to ensure that marketisation of human services does not reduce the quality of services and that services are properly accredited to deliver care.

The impacts of competitive tendering have been widespread throughout the sector, impacting internally on community sector organisations, and on relationships in the sector, with government and with the communities served. A detailed evaluation of this practice is needed, noting that this practice can directly undermine the notions of partnership needed to deliver a seamless, high quality and connected human service sector.

A body of literature has now comprehensively shown that the CTC approach, grounded in economic rationalist assumptions, has proven largely inappropriate for welfare and human service sector provision. The 1998 House of Representatives Standing Committee on Family and Community Affairs *Inquiry into the Impacts of Competitive Tendering for Social Services* was a landmark in terms of government recognition of the problems caused by CTC in the sector. However, while the Inquiry called for greater scrutiny in the choice of funding models, its recommendations were largely ignored<sup>9</sup>. The 1996 Productivity Commission *report Competitive Tendering and Contracting (CTC) by Public Sector Agencies* acknowledges that trends to competitive tendering have the potential to accentuate the inherent tensions between a market-based approach to the procurement and funding of human services and the characteristics and motivations of community organisations<sup>10</sup>.

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<sup>9</sup> Australia. Parliament. House of Representatives. Standing Committee on Family and Community Affairs. (1998). *What price competition? : a report on the competitive tendering of welfare service delivery*. [Canberra]

<sup>10</sup> Productivity Commission 1996 *Competitive Tendering and Contracting (CTC) by Public Sector Agencies* Canberra

## Moving Forward

Investigations of cooperative forms of improving quality and efficiency in the human services sector would be appropriate. Inner South would like to see a switch from a focus on the process and methods of contestability and competition, towards person-centred outcomes focus of service delivery, but with a framework that balances micro-economic and social goals.

One method of providing innovative solutions and efficiencies in the human service sector may be social impact bonds (SIB). Social impact bonds are contracts with the public sector providers in which a commitment is made to pay for improved social outcomes that result in public sector savings. The Victorian Government is currently trialing SIB in Drug and alcohol treatment programs and young people transitioning from Out of Home Care<sup>11</sup>. It is worth watching for the evaluation and outcomes of this trial when looking at human service sector reform.

Inner South is well positioned to continue to provide high quality services to our community in a marketised model of service delivery; however we will continue to review the assumption that this model will lead directly to improved outcomes for clients and greater efficiencies in health and human service delivery.

Inner South Community Health looks forward to see the outcomes of this inquiry and would be more than happy to discuss our submission further.

## Inner South Community Health Service

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<sup>11</sup> Victorian Government (July 2016) Media Release: *Social Impact Bonds to Address Disadvantage* <http://www.premier.vic.gov.au/social-impact-bonds-to-address-disadvantage/>

## References

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