

## Attention: Human Services Inquiry, Productivity Commission.

### Competition and Informed User Choice in Human Services: Identifying sectors for reform

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I am a human services consultant – I advise non-government human service clients on organisational strategy, revenue development, tender coordination, and communication/ engagement strategies and for government departments, I carry out stakeholder facilitation and human service-related policy assignments. My current and recent clients include early childhood services, aged care and seniors policy, child and family services, disability services, community housing and several peaks bodies in these and other sectors. The views in this submission are my own, but based on evidence.

#### Attributes of human services:

##### Importance of early intervention as an approach to efficiency

An area not fully canvassed in the Issues Paper reflects the importance of enabling improved primary service access by disadvantaged Australians, to avert more expensive secondary or tertiary access later on (i.e. often those who will be the more expensive clients across a lifetime of care).

An “equal dose” of support or service does not lead to equitable outcomes. Some groups or cohorts are harder to reach than others, and experience barriers to access.

Some groups are under-accessing primary care e.g. children in out of home care, rural and remote residents, Aboriginal Australians, GLBTI Australians (due to a range of a well documented variety of barriers including attitudinal, discrimination, geographic, price and other factors). This means when certain disadvantaged groups do access the health system it is at a more serious level. It is not efficient to let these groups be excluded from primary services in particular primary health care and education.

We cannot accurately measure efficiency or effectiveness in the absence of a clear appreciation of the characteristics of the “successful” user and their particular characteristics (such as gender, ethnicity, sexual orientation, geographic location, etc.). Our current service systems deliver fantastic outcomes to many people (urban-dwelling, non-Aboriginal life expectancy is one of the highest in the world) but let’s not assume everyone can access the required services and opportunities simply because they do or don’t “choose” to do so.

##### Digital inclusion

A major trend in human service and health delivery is the delivery of services remotely through the use of technology. This is undoubtedly cheaper to service than face-to-face, especially with workforce shortages in many skilled occupations in rural Australia. However, the nature of the digital divide means that rural and remote Australians risk missing out on services altogether. Ironically, these people are more likely to be older, with less years of education, on a lower income (or in retirement following a lifetime on a lower income) and more likely to be Indigenous than the average urban-dweller.

As more services rely on basic technology such as text messaging to confirm appointments, those outside mobile coverage and those without digital access will fall further behind.

The digital divide is well documented and should be acknowledged. It includes physical availability and affordability of broadband, availability of a computer, computer literacy and capacity to access and navigate English language websites. Community service providers in regional Australia have overload on their receptionists caused by community members not being able to access Centrelink without human assistance and coming in for help to the service provider's office (who is not necessarily a Centrelink agency). Many of these rural and remote residents are the people most likely to be without English literacy, a computer at home, enough money to pay for an internet account, and the ability to navigate a complex website. Yet when they call Centrelink they have to spend extensive time sitting on a long call (a call centre queue), only to be told to "go online."

## Benefits and costs of contestability, competition and user choice

### Costs of contestability

The non-government human services sector is unlike other businesses in that the nature of the system drivers are different to sectors such as retail, banking and manufacturing. The human service market (customers, service providers and workers) is highly controlled by government policy and investment. This cannot (and need not) change, so long as delivery of services requires redistribution from those with resources (tax-paying Australians with average or above well-being, income or other capacity) to those who do not (vulnerable and disadvantaged community members, many of whom have or will be in the former group for a significant part of their life).

Governments are the primary funders of community service providers (who are highly regulated price-takers), with the primary customer base usually being participants on the Aged Pension, Disability Support Pension or New Start and workers who rely on awards to sustain living wages and working conditions. While a sector such as the banking industry is highly regulated, and is adept at creating sticky customers, (i.e. don't churn frequently), it has capacity to offer higher wages to compete for staff and their profitability (created from securing money from one set of customers to sell to others) is heavily exposed to market-based supply and demand factors.

While being open to innovative models and proud to demonstrate competence and high quality service offerings, there are enormous costs to human service providers of greater contestability.

The high cost of tendering is exceptionally inefficient with such a drain on sector resources as well as government - surely there are more effective ways to efficiently enhance quality and efficiency than this model of financing! I endorse what is said in the ACOSS submission regarding the risks of contestability and competition.

### Diversion of investment into service outcomes and sustainability

Tenders and response to RFQ's require significant investment of senior staff and management time that could otherwise be invested into research and development, program development and evaluation and documentation of outcomes, or on other worthwhile program and workforce development activity. Instead, time is gambled into preparing a tender that may not succeed. This hinders continuous improvement in organisations and in many cases hinders innovation and

sustainability of service models.

Collaboration and partnership are approaches used by the sector to improve outcomes, but are often constrained by competitive funding models.

- Fundamentally, community members “doing it for themselves” enhance true efficiency and sustainability of service delivery. Empowerment approaches and community development programs are more usually funded as pilots or one-offs rather than core-funded.
- Where the programs would otherwise be a funded from statutory service provision, there have been some advances in funding models in recent years, to enable innovation and more effective outcomes. ChildFIRST is an example of a complex partnership model in Victoria that has been designed to reduce demand on the statutory child protection system. The long-term benefits of the program would fall over if it were re-commissioned every 3 years.
- The Family-By-Family program initiated by the Australian Centre for Social Innovation (<http://familybyfamily.org.au/link-up-a-family/>) put a focus on prototyping a set of interventions, using families who had been within the child protection system, to mentor and support other families from entering/re-entering the child protection service system. The program was based on design thinking and co-design with participants/service users (words that are often used but infrequently put into practice), and by its nature is not easily nailed down into a “unit price” or set of procedures, and certainly does not lend itself to a fixed tendering process. Yet it delivers on outcomes, and on the themes of empowering communities to reduce demand on the service system and professional workforce.

Rather than further marketisation and use of contestable tendering, modern approaches to securing outcomes requires greater freeing up of the inputs from governments to enable results to be achieved by approaches such as collective impact approaches and partnerships.

## Identifying services best suited to reform (page 10).

### The nature of the transaction – and how this is made transparent

This issue is critical. There need to be ways to make this transparent in a context of user choice. Currently this is a “back box” in many ways, and usually measured and reported on in ways that muddy, not clarify, transparency from a “user choice” perspective. Human relationships are the heart of human service delivery, and are the hardest to turn into “throughputs” or “outputs” that can be meaningfully communicated in a public scorecard.

The relationship between user and provider is critical to outcome, yet government regulatory frameworks do not enable greater transparency on outcomes or potential outcomes related to the specific provider engaging with the specific user.

An example is NAPLAN, which, as an indicator, benchmarks schools within the system. However, NAPLAN is not a relevant indicator to a service user (student or parent) seeking to find a school with a culture, leadership and teacher quality to provide a particular educational outcome with a particular student (i.e. “my” child). Research by Grattan Institute indicates that teacher quality has a much greater impact on educational outcome than the school NAPLAN system mark. Yet teacher quality, the variation of teacher quality within a school and the nature of transaction between a teacher and students with particular attributes (or even, “my” child from a parent’s perspective) is highly opaque.

Communication of quality indicators is usually done as a report on compliance requirements, which is important but inadequate. Public confidence can only be built through use of an additional set of indicators that reflect the identity of the provider, with regards to their behaviour, ethics and concern for the client's holistic well-being, and a sense that even very vulnerable clients or patients will be well supported. The care of frail aged people and premature babies are the most extreme examples where the power relations of the transaction are critical. Due to this poorly understood phenomenon, there are numerous examples of organisations meeting compliance standards yet failing the test of public opinion.

The aged care and early years quality regimes monitor factors such as client safety to suit a government risk management framework (i.e. with spot checks) but doesn't offer a different means of viewing the relationship between provider and user.

### Servicing those who would otherwise be "expensive cohorts"

Markets arguably work well when the customer has "informed choice". The reality is that for vulnerable and disadvantaged service users, they lack power in the market place, especially if they have minimal discretion over whether they wish to consume the goods in question.

Marketised essential services (such as electricity and gas in Victoria) have highly regulated checks and balances, including industry-funded Ombudsman schemes, which promote the prevention and resolution of conflicts between retailers and consumers. Marketisation of electricity and gas occurred in Victoria on the basis of perceived economic benefits, despite the fact that the vast majority of consumers didn't (and still don't) want "choice"; they want a safe, reliable, affordable source of energy to power their home. Promoting "user choice" for the sake of it is a hiding to nothing.

As the Productivity Commission researched what has now become the National Disability Insurance Scheme, the tight rationing of disability and aged services was found to lead to higher levels of dependency on the state by millions of Australians. Obviously, those who can rely on service availability have better outcomes than those that do not, but the promise of market reform has inferred that the right supports at the right place at the right time will empower service users and lead to less investment being required at a future time.

The NDIS and My Aged Care offer better funded, more flexible options for support than the older system. Due to more generous funding (not necessarily the architecture of the individualised system) the benefits would ideally mean many individuals' demand on the system will reduce over time, and scheme participants rise above, or remain above, the "dependency threshold" for longer periods of their life course. For older people this means living independently at home rather than in expensive residential healthcare facilities, and for younger participants it means significantly enhanced economic and social participation.

However generic solutions to the majority won't deliver outcomes to the "expensive tail" and we cannot expect them to. The hardest to reach 10-20% don't respond to generic market solutions (whether this is cancer screening or year 12 completion) and will always need specific interventions to enhance their access to primary services (such as maternal and child health, education or primary healthcare) and reduce their demand on secondary and tertiary services (such as acute health and mental health care, justice and homelessness services).

### Consider the social housing sector

Social housing lends itself to the contestability concept.

- The public housing system itself is unsustainable, with government funding and tenant rental revenues failing to keep up with ever-increasing costs of maintaining and refreshing an aging portfolio. Even to governments who hesitate to intervene differently in the housing market, the growing cost between cost and revenue, the escalation of homelessness and the escalation of rental housing stress, means the cost of doing nothing is becoming excessive.
- The private rental market is clearly failing low-income tenants, with close to zero percent of dwellings affordable to people on low incomes in major urban centres across Australia.
- There is well-documented economic benefit for government subsidisation of housing for those who cannot afford to live in the private rental market. Essentially, unless governments fund or assist in the financing of social housing, there will be enhanced homelessness - and homeless people costs the system more, in both the short term and especially the longer term, than those who are housed. For example, mental illness increases with length of time homeless, and economic participation declines.
- Homelessness is an expensive outcome that benefits no-one – both the people who experience it and taxpayers at large.

Tenants value affordability, location, safety and stability and these expectations could perhaps be delivered in a different way than currently.

In Australia's housing market, public housing is by far the most effective source of affordable rental dwellings. However, commentators rarely argue for public housing on the basis of it delivering high quality customer service. Indeed there is evidence that non-government community housing is preferred by tenants (e.g. in Tasmania) as the additional resources available through non-government housing tenants qualifying for Commonwealth Rent Assistance means community housing managed properties are more likely to have working door locks, proper ventilation and heating in the winter.

- The nature of transactions between tenant and housing manager are more limited in a housing situation than with more intensive "human" services and the continuity of care and interpersonal benefits of the transaction might be more easily delivered through high quality technology. In the management of housing, customer service relates to getting damage fixed, leaks mended and maintenance attended to, rather than highly personalised attendant care or support coordination.
- 'Marketising' the social housing sector wouldn't reduce the demand for support agencies to help tenants with complex needs enter and sustain their tenancies, but such supports are more efficiently delivered when a client has a secure home than when they are homeless.