

Submission to the Productivity Commission's Inquiry into introducing competition and informed user choice into human services

July 2016

We welcome the opportunity to provide a submission to the Productivity Commission on the Inquiry into Human Services Reform. All Australians will gain from a higher quality, more effective and efficient human services system. The human services sector is a critical and growing part of the Australian economy and it must function efficiently and effectively to meet the needs of vulnerable and other people in our community. While many other Australian industries have adjusted to major structural changes in their sectors over recent decades, the human services sector is currently in the midst of such change. Digital disruption, consumer centred care, increased competition from for-profits and 'start-up' charities, new methods of financing and increased demand for transparency are all challenging the traditional business models in the human services sector.

At the same time, demographic changes such as the ageing population and the growing levels of inequality pose new risks. We see enormous opportunities to work differently through mobilising technology and the voluntary and 'self-organising' support in the community to deliver innovative new solutions in human service delivery.

Therefore, we consider this Inquiry to be timely and a potentially useful input to human services reform. We would emphasise that any reform must always answer the question: how will this reform contribute to better meeting the needs of clients within the human services sector? As a needs based organisation underpinned by the seven Fundamental Principles of Humanity, Impartiality, Neutrality, Independence, Voluntary Service, Unity and Universality, this question will guide our responses and input to the Inquiry at all times.

I would welcome the opportunity to discuss this submission further.

Judy Slatyer

Chief Executive Officer

Recommendations

1. Red Cross recommends that careful consideration be given to the utilisation of the Framework for Performance Assessment in Primary Health Careⁱ to comprehensively assess quality across a range of human services.

2. Red Cross recommends that the definition of equity be reframed to: Equity is a concept based on principles of social justice and fairness^{ii, iii}. It is an approach that addresses the *unfair* and *avoidable* differences among social groups with an aim of achieving more equal outcomes.

3. Red Cross recommends that before implementing changes to human services, a form of equity impact assessment be conducted^{iv}. The rapid equity focused health impact assessment^v is one method to consider.

4. Red Cross recommends routinely monitoring and evaluating the impacts of policies, programs and projects on the outcomes for different socio-economic groups, particularly for people who are deeply socially excluded and vulnerable. This is crucial to ensure that human services at the very least do no harm and are actually effective in reducing inequities^{vi}. For example, impacts should be evaluated by:

- Aboriginal and Torres Strait Islander status
- race/ethnicity (country of birth, language spoken at home and/or nationality)
- place or residence (postcode or SLA)
- socioeconomic status (education level, individual or household income, employment status)
- self-assessed physical and mental health
- disability
- sex
- age
- sexuality

5. Red Cross recommends exploration of the actuarial approach in New Zealand and in Department of Social Services in Australia, as a means by which the long term value of early intervention can be assessed.

6. Red Cross recommends that the scope for improving outcomes consider the additional attributes outlined above, namely accessibility, prevention/early intervention, informed consumer choice, and a focus upon people who are particularly marginalised and vulnerable.

7. 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 service 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.

8. Red Cross recommends co-designing services with those who use them, committing long term to place-based approaches, collaborating based on building strong relationships and tackling broader goals rather than siloed issues to contribute to better outcomes.

9. Red Cross recommends that government invest in the capacity of the human services sector to meet modern requirements through assistance with measuring outcomes and supporting digital transformation, as it does with other industry sectors in transition.

10. Red Cross recommends that a number of additional demographic shifts be considered as future drivers of supply and demand in human services in addition to the ageing population.

11. Red Cross recommends that in its consideration of which human services to focus on for increased competition, contestability and increased consumer choice, the Commission examine past examples of services being delivered in a competitive market and learn from what has worked and what has failed in terms of delivering improved outcomes for clients.

12. Red Cross recommends that government commit to its role as a market designer by engaging with design experts, the sector and consumers to draft and test regulations to ensure that the intention of the regulations delivers intended change and practice.

13. Red Cross recommends government pursue:

- **Enabling human services trends and innovations**
- **Providing capital to seed innovative locally determined solutions to local issues.**

14. Red Cross recommends that comparative measures, performance data and outcomes are developed and made public.

15. Red Cross recommends that the process and inputs for comparative measures in human services be fully transparent.

16. Red Cross recommends that real time open data be made easily available where possible and appropriate.

1. Do the concepts of quality, equity, efficiency, responsiveness and accountability cover the most important attributes of human services? If they are the most important attributes, how should they be measured or assessed?

Quality is a critical and fundamental attribute of human services and as indicated in the issues paper can be defined and measured in multiple ways. Comprehensive measures of quality beyond proxy measures and inputs/outputs are necessary to ensure that holistic outcomes and positive impacts are being achieved for clients and communities.

The Framework for Performance Assessment in Primary Health Care^{vii} could provide a useful guide on how to comprehensively assess quality across a range of human services. This has four indicator levels:

1 Government stewardship: *policy development, financing and funding, implementation, workforce development, IT infrastructure and support, research and development.*

2 Health services organisational structures and processes: *equipment and facilities, HR and finance management, information systems, needs assessment, processes of care, interagency and community networks, performance assessment.*

3 Health services processes of care received by client, families and communities: *health promotion, disease prevention, advocacy, community development in addition to curative, rehabilitative and palliative care.*

4 Health services intermediate outcomes for client, families and communities: *behaviour change, clinical status, quality of life and activities of daily living and satisfaction with patient care.*

Efficiency is important for the sustainability of the human services sector now and into the future, however efficiency must be considered alongside the quality of impact at a macro and an individual client level.

The way efficiency is measured is important. In the not for profit (NFP) sector, a simplistic focus on overheads has resulted in a misleading perception that NFPs that spend a lower proportion of their funds on administration costs are more effective and therefore more worthy of support than those with higher overheads^{viii, ix}. Placing emphasis on scrutinising overheads does not provide the complete picture of performance, which should include considerations of organisational transparency, governance, leadership and the impact the organisation has delivered for its clients and communities^x. Investing too little in administration can deplete organisations of the ability to deliver impactful outcomes on the scale that is needed to address complex, intergenerational and intractable social problems^{xi, xii}.

Accountability matters for funders and service users. The issues paper separates accountability in terms of funders and responsiveness in terms of service users. Red Cross believes there is also a need to be accountable and transparent to service users as well as funders in relation to quality of service, efficiency, privacy, equity and access.

Equity is a concept central to improving the gaps in health, education, housing and income within the community. Red Cross strongly supports equity as one of the fundamental attributes of human service reforms and offers further consideration for more clearly defining equity and implementing equitable policies and services through the proposed reforms. A strong definition of equity is critical for improving human services outcomes. Policies and programs must be designed with a strong equity lens as without doing so, gaps can worsen^{xiii}.

1. Red Cross recommends that careful consideration be given to the utilisation of the Framework for Performance Assessment in Primary Health Care^{xiv} to comprehensively assess quality across a range of human services.

2. Red Cross recommends that the definition of equity be reframed to: Equity is a concept based on principles of social justice and fairness^{xv, xvi}. It is an approach that addresses the *unfair* and *avoidable* differences among social groups with an aim of achieving more equal outcomes.

3. Red Cross recommends that before implementing changes to human services, a form of equity impact assessment be conducted^{xvii}. The rapid equity focused health impact assessment^{xviii} is one method to consider.

4. Red Cross recommends routinely monitoring and evaluating the impacts of policies, programs and projects on the outcomes for different socio-economic groups, particularly for people who are deeply socially excluded and vulnerable. This is crucial to ensure that human services at the very least do no harm and are actually effective in reducing inequities^{xix}. For example, impacts should be evaluated by:

- **Aboriginal and Torres Strait Islander status**
- **race/ethnicity (country of birth, language spoken at home and/or nationality)**
- **place or residence (postcode or SLA)**
- **socioeconomic status (education level, individual or household income, employment status)**
- **self-assessed physical and mental health**
- **disability**
- **sex**
- **age**
- **sexuality**

In addition to the attributes above, Red Cross considers a number of other attributes central to human services.

Accessibility: to be accessible, services need to be affordable, acceptable and appropriate. The accessibility of services is particularly significant for groups who experience high levels of deep social exclusion and vulnerability, including those who live in regional and remote communities. As well as being affordable, acceptable and appropriate, accessible services are characterised by having a wide range of mechanisms by which individuals can easily access and be provided of services that meet their needs.

Prevention and early intervention are profoundly important principles that are the foundations of efficiency. These attributes are critical in every human service activity including education, justice, housing, disability, employment, health and aged care. Preventing people's further vulnerability, decline or potential crises makes good sense in both humanitarian and economic terms. To demonstrate the power of prevention and early intervention, the concrete example of preventable harm and savings from alcohol abuse is provided. Close to a third of the disease burden in Australia is preventable^{xx} and alcohol is one of the major modifiable risk factors behind this burden as well as being involved in up to 65% of family violence cases and up to 47% of child abuse cases^{xxi}. It has been shown that a comprehensive program of brief early interventions could directly save the community over \$5.8 billion per year, with that figure rising to \$15 billion if the broader social costs are considered^{xxii}. Similarly, using justice reinvestment principles to prevent people from going to prison in the first place and holding the incarceration rate steady at today's figures would save \$1.1 billion over 5 years. Reducing the incarceration rate by 2% would save \$2.3 billion in the same period^{xxiii}.

Investing upfront in preventive measures, not only makes good economic sense, it also enables individuals, families and communities to have happier, healthier, and more productive lives. The more people can be supported not to enter or to have minimal contact with these systems, the more effective, efficient, sustainable systems are in the long term.

We recognise that the impact on populations through prevention and early intervention can be difficult to measure.

5. Red Cross recommends exploration of the actuarial approach in New Zealand and in Department of Social Services in Australia, as a means by which the long term value of early intervention can be assessed.

Informed client choice is a critical attribute for human services. One of the key challenges in the development of competitive markets is ensuring adequate choice and the early lessons learned in the trials of the NDIS are particularly relevant to future market design. With increasing consumer control in a range of human services, we must ensure that vulnerable groups have real choice and are helped to navigate this new system is critical in ensuring their needs are met.

In partnership with NFPs, for profits and vulnerable groups, government can play an important role by enabling the development of specific solutions in particular geographic communities and for identified vulnerable groups, including Aboriginal and Torres Strait Islander people, people from culturally and linguistically diverse backgrounds, people with chronic mental illness, those who are homeless and people with no or limited family or social support. It is critical that no-one is left behind in this shift to increased competition.

6. Red Cross recommends that the scope for improving outcomes consider the additional attributes outlined above, namely accessibility, prevention/early intervention, informed consumer choice, and a focus upon people who are particularly marginalised and vulnerable.

7. 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 service 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.

2. The Commission is seeking feedback on whether the factors presented in figure 2 reflect those that should be considered when identifying human services best suited to the increased application of competition, contestability and informed user choice.

Adapting to further reforms is likely to come at a cost to service providers. The scale of the costs will vary between sectors and organisations and much can be learnt from the NDIS and aged care reforms. It will be important to allow enough time and appropriate resources for service providers to transition while maintaining existing quality services. We would anticipate the costs and challenges to be greatest for small, niche operators while also noting there are challenges for larger organisations.

The potential for sustainable, effective and efficient human services will, in part, lie in the capacity of NFPs to innovate and to adjust quickly to the industry and demographic changes we outlined up front. NFPs face a number of particular challenges, for example, struggling to compete with for-profits for talent, managing risks, thin margins, uncertain funding environments and difficulty in attracting risk capital. With increasing competition, NFPs, like for-profit businesses, must find more creative ways to invest in their people, systems and infrastructure, and attract resources for incubating new ideas^{xxiv}. Further, it is critical to ensure that consumers are authentically co-designing the services which they need by working in hand in hand with agencies when services are designed and tested.

Red Cross has found that the following demographic shifts are worthy of consideration when assessing the future of human services:

- Widening gap between rich and poor, recognising those who are particularly marginalised and vulnerable.
- The younger demographic profile of the Aboriginal and Torres Strait Islander population, with a median age of 21 compared with 37 in the non-Indigenous population with implications for how services are marketed, delivered and accepted.
- The changing demographic profile of the Aboriginal and Torres Strait Islander population that will see a significant increase in the number of Aboriginal seniors, with implications for culturally appropriate and accessible aged care services.

8. Red Cross recommends co-designing services with those who use them, committing long term to place-based approaches, collaborating based on building strong relationships and tackling broader goals rather than siloed issues to contribute to better outcomes.

9. Red Cross recommends that government invest in the capacity of the human services sector to meet modern requirements through assistance with measuring outcomes and supporting digital transformation, as it does with other industry sectors in transition.

10. Red Cross recommends that a number of additional demographic shifts be considered as future drivers of supply and demand in human services in addition to the ageing population.

3. The Commission is seeking participants' views on which human services have the greatest scope for improved outcomes from the increased application of competition, contestability and user choice. Where possible, this should be supported by evidence from performance indicators and other information to show the extent to which:

- current and expected future outcomes — measured in terms of service quality, efficiency, equity, accountability and responsiveness — are below best practice***
- competition, contestability and user choice do not exist under current policy settings, or are not as effective as they could be in meeting the goals of quality, equity, efficiency, accountability and responsiveness.***

Red Cross works across a range of human services as indicated in the background information provided at the end of this submission. Over recent decades, we have already seen a significant shift towards greater contestability and competition across many of these services including homelessness, aged care, mental health, youth services, migration services, international aid and Indigenous programs. This increased competition has not always driven improved outcomes for clients. At this stage, we do not consider it appropriate to identify particular services that may offer greatest scope for increased competition, contestability and user choice.

Rather, we think there are a set of considerations that should guide the Productivity Commission in determining areas of focus. As noted at the outset, the primary consideration for Red Cross is whether the reform (driven by competition, contestability, and user choice) will contribute to better meeting the needs of clients. Based on currently available data, it can be difficult to identify 'below best practice' services and to identify the causes of this can also be challenging. Therefore, we would be careful in assuming links between current outcomes and levels of competition.

The role of competition alongside provider collaboration must also be considered within human services. Intersectoral collaboration and partnerships are crucial components of any human services, which must continue and be strengthened within the new competitive environment. Such collaborations enable better outcomes for consumers and communities, with complementary and joined up approaches providing more integrated services so that clients have smoother entry into, transition between and exit from services which promotes greater quality and efficiency. It is possible that the procurement and market design stages could be used to foster trust and collaboration by involving thought leaders, research experts, clients, communities and providers in concept development, service design, procurement process structure and procurement decision-making.

The Issues Paper refers to the role of Government as a regulator, commissioner and provider of services. Government is also a market designer. Good market design is difficult and government regulatory requirements drive provider behaviour. It is unrealistic for governments to expect that its levers will only result in altruistic behaviour, especially when markets are opened to those who may have alternative values and drivers beyond supporting vulnerable people. Further, providers of human services need to be viable. If payments are not structured in such a way as to achieve viability, or regulations are changed, providers will 'game' contracts and service quality can be compromised. This has been evident over many decades in child care, residential aged care, and supported housing.

As a provider of services, government and government-owned enterprises must be held to the same standards and regulations as all other providers. If government providers are delivering services in which competitive markets are unable to be established (where costs in the competitive marketplace make provision unviable), solutions need to be developed and made available to a number of providers.

Competition is now being driven from beyond the traditional sectors, with the rise of 'self organising groups', the sharing economy, working for social good. These trends should be supported and encouraged by government and NGO sectors rather than feared, discouraged or overregulated. These social innovations are of interest to Red Cross, as we modernise and scale our own approach to helping the most vulnerable.

11. Red Cross recommends that in its consideration of which human services to focus on for increased competition, contestability and increased consumer choice, the Commission examine past examples of services being delivered in a competitive market and learn from what has worked and what has failed in terms of delivering improved outcomes for clients.

12. Red Cross recommends that government commit to its role as a market designer by engaging with design experts, the sector and consumers to draft and test regulations to ensure that the intention of the regulations delivers intended change and practice.

13. Red Cross recommends government pursue:

- **Enabling human services trends and innovations**
- **Providing capital to seed innovative locally determined solutions to local issues.**

The Commission welcomes participants' views on how best to improve performance data and information in the human services sector.

Red Cross is committed to transparency and acting on evidence. We support publicly available performance data for human services and the use of comparative measures, where appropriate, to assess provider performance. Outcome measurement, particularly in work which ameliorates complex, multifactorial problems, must take place over the long term if it is to be meaningful.

We are also supportive of mechanisms by which service users are encouraged to rate and comment on their own individual experience of providers. In the disability sector, Clickability^{xxv} provides a service similar to Trip Advisor, where users can publically rate goods and services in real time. There may be commercial opportunities to develop similar platforms where users can rate their service experience across a range of human service. Government could consider seed funding such initiatives across a range of sectors, noting that these technologies tend to be better accessed by more well-resourced clients than those who are most vulnerable, deeply excluded or in positions of limited or no choice.

Further, the ways in which commissioning agencies determine comparative measures between providers must also be made transparent. The outcomes should be published alongside the inputs. We appreciate that no system for comparative outcome measurement is perfect and that perverse results sometimes eventuate.

Wherever possible, there should be access to real time open data with mechanisms in place to address any privacy concerns. Consideration should be given as to how big open data can be used to potentially underpin significant improvement in complex health and human services^{xxvi}.

14. Red Cross recommends that comparative measures, performance data and outcomes are developed and made public.

15. Red Cross recommends that the process and inputs for comparative measures in human services be fully transparent.

16. Red Cross recommends that real time open data be made easily available where possible and appropriate.

Background Information about Australian Red Cross

Australian Red Cross has been part of the Australian community for over 100 years, supporting the needs of vulnerable people both here and internationally. We were established by Royal Charter in 1914 as part of the International Red Cross and Red Crescent Movement, the largest humanitarian organisation in the world. We are independent of government and are guided by seven Fundamental Principles: Humanity, Impartiality, Neutrality, Independence, Voluntary Service, Unity and Universality. As a Red Cross national society, we also have a unique auxiliary role to public authorities in the humanitarian field.

Red Cross supports and empowers people and communities in times of vulnerability. Our work is underpinned by our extensive network of more than 20,000 volunteers, members and supporters and over 2,000 staff. We provide a range of services and we also seek to influence public policy and public attitudes and behaviours to improve humanitarian outcomes and to build a more humane Australian society.

See attachment also: Red Cross Strategy 2020

References

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