



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

Re: The Productivity Commission Inquiry into Introducing Competition and Informed User Choice into Human Services

The Health Care Consumers' Association (HCCA) welcomes the opportunity to provide input to the *Productivity Commission Inquiry into Introducing Competition and Informed User Choice into Human Services*. The HCCA is a health promoting charity and is the peak health consumer advocacy organisation in the Canberra region. HCCA provides a voice for consumers on local health issues and also provides opportunities for health care consumers in the ACT to participate in all levels of health service planning, policy development and decision making. HCCA involves consumers through consumer representation, consultations, community forums, and information sessions about health services and conducts training for consumers in health rights and navigating the health system.

This submission was developed by the HCCA Health Policy Steering Committee (HPSC). The HPSC is a subcommittee of the HCCA Executive Committee, aiming to provide oversight and advice in relation to policy submissions and position statements. One of its functions is to identify areas of relevance and importance to consumers to which HCCA can provide useful input, including at the national level.

Our submission is attached. We have addressed and raised issues of importance to our membership.

Thank you for inviting input into this inquiry. I can be contacted by phone on
or at

Yours sincerely,

Darlene Cox
Executive Director,
Health Care Consumers' Association

Date: 25 July 2016



HCCA Submission to the Productivity Commission Inquiry into Human Services

Submitted 25 July 2016

Contact: Darlene Cox
Executive Director

Introduction – The Health Care Consumers’ Association

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Our submission is structured as follows:

- Overview of Issues Paper and Terms of Reference
- The Health Sector – Consumer Concerns
- Strengths and Weaknesses of Australia’s Health Care System
- Barriers to Affordable Health Care
- Issues to Consider for Improving Outcomes in the Health Sector
 - Social Determinants of Health
 - Data
 - Systemic and Individual Advocacy
 - Informed Consumer Choice and Health Literacy
 - Competition
 - Contestability

Overview of Issues Paper and Terms of Reference

In his introduction to the terms of reference, the Treasurer claims that the Productivity Commission has been tasked to conduct an inquiry into:

“Australia’s human services, including health education and community services with a focus on innovative ways to improve outcomes through introducing the principles of competition and informed user choice whilst maintaining or improving quality of services”.

Human Services encompasses a range of activities that address many of an individual’s fundamental needs, including health, education, employment, shelter and safety. The range of services within this sector is wide and varied with complex issues that can differ markedly depending on the type of services being provided.

The broad nature of the issues paper addressing all human services is problematic. It is our view that each sector of human services needs to be examined individually. For example, there are risks that would need to be examined carefully if the

Government were contemplating outsourcing the role of regulation in health, including industry.

The issues paper is not clear about the problem it is trying to address, but jumps straight to the emphasis on using competition, contestability and user choice to achieve the overarching aim of improving human service provision. We see the issues paper as setting out a solution which is looking for a problem, rather than first investigating the problems which are known to exist from a consumer's perspective, then looking to develop policy options to improve human service provision. The first step in any reform must surely be to identify the problems being sought to be addressed. General comments about the issues paper, from the HCCA membership included:

"One aspect of this Inquiry that stands out for me is that it is not clear what the problem is that the Government is seeking to address by having this Inquiry. The Terms of Reference are focussed on identifying human services areas where market mechanisms might deliver 'improvements'."

"This is not evidence-based policy making. It is the imposition of a philosophically-based economic agenda on a sector, before any analysis of what the problems are and what might be the most efficient way of solving them."

"Trying to incorporate this range of services in the one inquiry seems to be either very ambitious or shallow".

"So, what is the problem we are trying to address? Is it the rising costs of human services? Is there an issue about the quality of existing services? Accessibility? Integration? Consumer choice?"

A more holistic and evidence-based approach to identifying sectors for reform may provide the opportunity to truly understand the problems in human service provision that need to be addressed, and allow the exploration of more creative, appropriate and innovative policy options for areas where a need for improvement is identified. The increased use of market mechanisms in the delivery of human services may not necessarily be the appropriate response to the problems to be identified.

We would like to see the development of a rationale, or a set of principles, that might be used to guide decision-making about whether a particular human services area is suitable for consideration of increased use of market mechanisms. Important principles might incorporate issues such as: value-for-money, accountability and the public interest.

The issues paper fails to address the potential trade-offs in the use of market mechanisms in the delivery of human services. For example, Figure 2 provides a "framework" rather than a list of "factors" that could be used to guide decision-making. Some of the "factors" listed under "Scope for improving outcomes" inevitably involve trade-offs, for example - improving "equity" is likely to mean reducing "responsiveness". Figure 2 also focussed on identifying "practical barriers to implementation" of market mechanisms in each human services area. It is not

clear why the issues paper is focussing on implementation issues at this early stage of inquiry.

The Health Sector – Consumer Concerns

As a consumer organisation, HCCA's prime focus is to ensure that the consumer voice is heard. Our consumers tell us that they particularly value our universal access to safe, quality health care and the opportunity to be in control of their own care. They want care to be integrated and multidisciplinary and for out of pocket expenses to be contained as much as possible.

Consumers are concerned that there are ever-increasing moves towards the privatisation of health care. This is evident in the shifting out of pocket costs to consumers, the outsourcing of some services, particularly into the private sector, which is creating an increasingly tiered health system that disadvantages many of the most vulnerable in our community.

Concern about changes to our universal healthcare system was a primary issue in the recent Federal election. The importance of protecting the most vulnerable and maintaining universal access to quality health care should be at the forefront of this or any future reviews of the health care system.

Strengths and Weaknesses of Australia's Health Care System

In assessing whether health is one of the human services areas where increased use of market mechanisms might deliver improvements, it is important to understand the strengths and weaknesses in the Australian health system as it currently operates.

Medicare is a single-payer system that provides universal access to health services based on need, not ability to pay. Single payer systems are usually financed more progressively, and rely on existing taxation systems; they effectively distribute risks throughout one large risk pool; and they offer governments a high degree of control over the total expenditure on health. Multi-payer systems sacrifice this control for a greater ability to meet the diverse preferences of beneficiaries.

The issues paper makes much of the value of informed choice as a justification for the increased use of market mechanisms. It is important to note that Australia's Medicare system currently provides a level of individual choice that consumers (and health practitioners) do not have in other health systems, such as the United States. Under Medicare, patients are free to choose their health practitioners, and doctors do not have to justify individual treatment decisions to insurance companies or government or seek permission in advance to perform treatments.

Australia's health system is often described as a mixed public and private system, comprised of Medicare plus private health insurance (PHI) as well as direct consumer payment often referred to as self-insured. This mixed system has often been hailed by Government as providing increased choice for consumers. However, the concept of increased choice from the existence of PHI is illusory for many Australians.

Unlike the Medicare component of Australia's health system, the PHI component makes health care accessible only to those who have the means to pay for PHI premiums plus the significant co-payments that are inevitable with PHI-funded services. PHI funds include both for profit and not-for-profit funds and one feature of the PHI market is competition between funds. This competition has not been effective in constraining overall costs. PHI funds have demonstrated that they are unable to control spiralling premium costs meaning that PHI-funded services are becoming increasingly unaffordable for many Australians and so by default Medicare becomes the funder for health needs.

Barriers to Affordable Health Care

It is not surprising that one of the key issues in health in Australia is the barriers to affordability that many consumers face in trying to access the health services they need. It is important that any increased use of market mechanisms in health does not create further marginalisation.

Increased competition and contestability does not always lead to maintaining service quality or quantity. A member commented:

“In health care for example, private patients pay an inefficient private health insurance sector, subsidised by government, with doctors charging services at a significantly increased cost to all. Doctors “cherry pick” and often provide services which are profitable but not always needed, and consumers who pay their insurance can feel that they are entitled to get some return from paying insurance without adequately ensuring that the service offered is necessary or best for their health.”

There are significant delays in access for consumers to needed services, because the need for services exceeds availability. Areas we know this to be a problem include community services for older people, child care (where in some areas demand exceeds availability to the point that parents need to book a place prior to conceiving), and home-help after hospital discharge. Consumers receiving ‘packaged funding’, such as in the NDIS, can find themselves with an extremely limited availability of suitable services, such that “choice” is an illusion. Examples include the limited availability of respite care for carers of people living with dementia, limits of a small number of hours of home assistance and nursing services to keep older people in their own homes (under ACAT packages), and limited availability of health care services that bulk-bill out of hours.

The lack of flexible funding that allows people’s services to vary as their needs vary – often people have to comply with the time and service options available, even if that doesn’t meet their need. Competition often only brings more players into the more profitable parts of the market. This can leave the less profitable but important services to the NGO sector or to families, who have been further squeezed for resources, with the additional costs of competition (eg competitive tendering, advertising etc) further reducing the pool of resources available.

Issues to consider for improving outcomes in the health sector

There are a number of specific issues we have identified from our membership base and from the issues paper that we think are particularly important in considering improving outcomes in the health sector – some may also have more broad applicability to other human services. These include:

- Social Determinants of Health
- Data
- Systemic and individual advocacy
- Informed consumer choice and health literacy
- Competition
- Contestability

These are outlined and discussed in the sections below.

Social Determinants of Health

In terms of health, it is important that the Inquiry considers services in line with the World Health Organization definition of health, and taking into account the Social determinants – this then encompasses many of the other human services especially (but not limited to) education, including early childhood education and child care, which then takes us into child protection and family programs, generally NGO funded who work with vulnerable families, which then leads to affordable housing, and social security. Vulnerable consumer groups need to be considered in this inquiry, not just Aged and Disability Services, but Refugee, Migrant, Aboriginal and Torres Strait Islander health and links to other human services.

Data

Data quality is an important issue for consumers, as the data obtained from health services can be used to shape future service delivery and detect quality and safety issues. Good quality data can help us to identify areas for improvement and reform, as well as providing a strong evidence base for policy and decision-making. We emphasise that data collection should be both accurate and relevant, and that it be accessible to the public as well as service providers. The engagement of consumer in collecting and reviewing data is important in order to achieve the best possible outcomes. Outcome and quality data collection across all human services remains generally process and business focussed, rather than looking at the needs of service users and the quality and respectfulness of the services provided.

Systemic and Individual Advocacy

Both systemic and individual advocacy is important to consumers in human services. Individual advocacy involves supporting and representing individuals, such as to access a service, or to ensure their health rights are met. Systemic advocacy takes a broader view and helps consumers to make systems change. For example, this may be where a policy, system or law is amended to improve a service so that everyone can benefit. There needs to be further attention given to this role of advocacy.

Informed Consumer Choice and Health Literacy

While welcoming the philosophy of increased consumer choice, the process for ensuring that consumers have all the relevant information and support to make decisions about their ongoing care needs to be very carefully structured and communicated. A consumer commented:

“The capacity to make informed choices depends on consumers being able to readily access all the relevant information and to be resourced and supported in the decision making process. This cannot be just words. If we are to facilitate informed user choice there will need to be a strong and ongoing commitment to supporting consumers in their role”.

The provision of useful and appropriate information for consumers is important, whether it is about the services available or the likely outcomes of services and what other options there might be. In health care as in many other areas, the information available on outcomes is often of poor quality and low reliability. Service providers can often skew the information to their benefit, without improving the outcomes for service users.

Competition

While the intent of increased competition is to provide incentives for businesses to improve quality, reduce costs and innovate to meet the needs of consumers, the intended benefits are not always achieved. The business sector has demonstrated that competition, rather than providing new and innovative services, often results in larger providers smothering smaller ones with the result that choices are reduced rather than enhanced. It is not clear that increased competition in the health care sector will necessarily result in improved quality of services and outcomes, yet that is what consumers want.

It could be argued that a move to a more collaborative and integrated approach to the provision of health services would be more likely to improve the quality, equity, accessibility, responsibility and accountability of health services. Competition may be a useful in areas of high supply and demand and where good comparative information for service users, but this is not the case in many health and other human services areas, and can be dependent on location. For example, it is hard to see how problems of access to human services in rural and remote areas will be addressed by competition, since one of the issues is that the distances involved makes even having one service available in a community difficult. In addition, the assumption that government services are less efficient than private sector arrangements is an area where the evidence is unclear. A competitive framework can sometimes undermine the co-operation needed when a consumer requires more than one services, or when service providers are forced into markets too small for effective competition to be effective.

The implications of competitive neutrality is that this is a useful concept to be applied across the board, when in fact, many services in health are only available in the public sector in large teaching hospitals. It also ignores the fact that some private hospitals use the public system as a transfer mechanism when someone experiences complications or an adverse event, thus keeping the profit from the first

surgery and transferring the fix-up costs to the public sector. This is clear in the ACT with the co-location of the National Capital Private Hospital on the Canberra Hospital campus and the Calvary Private Hospital that is currently being constructed on the campus with Calvary Public Hospital in Bruce.

We suggest the PC examine all options for addressing these problems, looking to examples from other countries whose costs are more controlled and whose services are more comprehensive. Increased competition may be one of the answers to some of the problems, but is not a blanket answer to many issues in the health sector.

We also suggest that the PC look at the current market distortions that are an impediment to the best outcomes for consumers and taxpayers, and where Governments can exercise greater monopoly leverage against higher costs and in favour of quality outcomes.

Contestability

In considering increased contestability in the health services sector, the unique nature of health services needs to be considered. One of the key features of quality health care, particularly for those with ongoing and complex care needs lies in the strength of the trust relationship between consumers and their care providers. Making a market more contestable, particularly when this can impact on funding arrangements for service providers, increasing uncertainty and reducing the capacity for innovation, risks the possibility of reducing rather than enhancing the quality of service and consumer outcomes.