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Victorian Healthcare Association

Submission to the *Towards a more effective and sustainable community services system* discussion paper

Introduction

This submission outlines the Victorian Healthcare Association's (VHA) response to the *Towards a more effective and sustainable community services sector* discussion paper.
The VHA agrees to this submission being treated as a public document and the information being cited in the final report to Minister Wooldridge.

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The Victorian Healthcare Association

The VHA is the industry body representing self-governing, public and not-for-profit healthcare providers. Our members include Victorian public and not-for profit hospitals, rural and regional health services, aged care facilities, community health services (CHSs) and Medicare Locals. Our role is to:

- Represent the broad interests of our member agencies;
- Be a recognised and influential thought leader on health policy;
- Further the vital role that healthcare providers play in improving the health and wellbeing of the population through:
  - Engaging with stakeholders to inform and influence improvements in public policy;
  - Supporting our members in the delivery of appropriate, effective and high quality health services;
- Advocate for Victoria's devolved model of healthcare governance; and
- Lead by example through contemporary governance practice.

Prefacing comments

The community services sector (CSS) plays a crucial role in ensuring Victorians experiencing social disadvantage, illness and disability are able to access care and support in times of need. As a sector consisting mainly of not-for-profit (NFP) organisations that have evolved organically over time, a large degree of variance in approaches, size and scope of work is present. This variety is both a strength and a weakness; the administration of the contract process represents a large transactional cost for government departments and imposes a significant

compliance burden on community service organisations (CSOs), however it also allows individual organisations to focus their energy and activities on specific issues and develop unique service models in response to community need, particularly for marginalised and vulnerable populations in these areas.

While sector reforms should not aim to develop a consistent approach to the activities and programs provided by funded organisations; there are elements of the community service system (CSS) that would be improved if a greater degree of consistency was achieved. These include reform to the funding of programs, the collection and use of data, the aged and inefficient ICT system, continued integration between health and social programs, development and standardisation of performance indicators, and the administration of funding contracts.

The opportunity to undertake a significant reform of a sector is one that should be approached with care, due diligence and caution, with relevant government departments ensuring that all potential outcomes are scoped and accounted for. The VHA is confident that the service sector reform team is aware of the scope of work that is being proposed, but would like to reiterate that many of the aims of this reform will be diminished unless a committed cross-departmental, or whole-of-government, approach is achieved. The VHA welcomes the opportunity to provide input to the reform process and looks forward to providing input to VCOSS and the service sector reform project throughout the consultation period.

The VHA Response

Recommendations

1. That the service sector reform integrate with, and refer closely to, other related government reforms
2. That the sector reform includes a clear vision for how relevant government departments are to be involved in reform process
3. That social care continue to be closely integrated with primary healthcare, in particular referencing the model used by community health services
4. That the consolidation of funding streams be developed with comprehensive input from community service organisations
5. That the risks associated with client-directed funding be recognized as are significant, and that any moves to implement such a change take place subsequent to other core system reforms being achieved
6. That frameworks applying to consortia be developed that clearly state roles, responsibilities, funder expectations, outcome indicators, funding arrangements, and be accompanied by funding support to allow CSO staff to undertake non-program delivery work

Integration with other State and Commonwealth Government reforms

The VHA recognises the need for the CSS to undergo reform. The administration of 5,000+ activity-level agreements is indicative of a sector that has evolved to a point where duplication

and inefficiency in service provision is a risk. The scope of consultation questions and opportunities is impressive and indicates that a broad range of views will be canvassed and incorporated into Professor Shergold's final report; however the VHA notes with caution the apparent vacuum in which the reform appears to be progressing.

Both State and Commonwealth Government departments are initiating significant reforms and reviews of policy, many of which will have a meaningful impact on how the CSS will operate into the mid and long-term future. For the CSS reform to have a lasting impact and ensure that future generations of Victorians have timely access to appropriate social services, future need and population distribution must be factored into the reform agenda.

The discussion paper prepared by the Ministerial Advisory Committee for the Metropolitan Planning Strategy (the discussion paper); *Melbourne - Let's talk about the future*[1] discusses the realities of Melbourne's population growth and the spread of its suburban fringe. Generally areas of socioeconomic disadvantage are found together close to industry and workplaces, and in Melbourne's case, in close proximity to the inner-city, leaving these areas well-serviced by health and social services. Over time the nexus of Melbourne's population has continued to spread with the urban boundary and is now located across a broad area, often without the degree of public services found in the inner-city.

According to the discussion paper, Melbourne's population is predicted to reach between 5.6 and 6.4 million by 2050. Even if growth continues at current trends, the housing market will need to deliver approximately 555,000 additional dwellings in the next 20 years. The combination of a fast-spreading suburban fringe and high inner-city property prices may mean that lower income families will be forced to move to the outer-suburban fringe. This in itself is not necessarily a negative change; however housing development has outstripped public service expansion in many locations. There is a dearth of effective public transport, community amenities, health and social services, and new suburbs have often been planned without adequate public transport links. Future population health needs should be anticipated in this reform discussion and planned for, rather than relying solely on the ability of existing services and facilities to increase their program delivery in response to surging community need.

The Victorian Department of Health is in the process of publishing two high-profile policy papers relating to the primary health sector; a Victorian primary health plan, and a bi-lateral primary health plan with the Commonwealth Government. The links between primary health providers and social services must be continually developed and strengthened to ensure clients' needs are met in an integrated fashion. This reform discussion references neither policy paper, or makes allowances for future integration once they are published,

It is important that the reforms to the CSS do not take place without reference to other significant pieces of Victorian and Commonwealth reform, and do not focus singly on existing service providers and the role of government, but include reference to the expanding

[1] Ministerial Advisory Committee (2012). *Melbourne, let's talk about the future*. Melbourne: Department of Planning and Community Development.

population areas that are currently under-serviced by public health and social services. The service sector reform should place high importance on the development of new social services to meet the future needs of Melbourne's suburban population.

Whole of system, whole of government reform

In its pre-budget submission to the Treasurer of Victoria, the VHA noted the detrimental impact that professional silos have on the health sector. Silos can place artificial boundaries around job roles and responsibilities, reducing effectiveness and making collaboration difficult. The causes of silos are many and varied, but ineffective government communication and narrow policies remain a significant factor in their development.

This reform consultation provides CSOs and service users ample opportunities to provide input into the policy making process, however, the discussion paper fails to show how groups beyond the 'traditional' CSS will be engaged and involved. It specifically fails to discuss how a whole-of-government approach with inter-departmental links between housing, education, justice, health and social services might be developed.

Schools, local governments, hospitals, the justice system, and CHSs all play an important role in the treatment of illness, the facilitation of healthy behaviours, and the support of those experiencing social disadvantage. Engagement with each of these sectors should be considered essential during both the reform consultation process and the future implementation of any of Professor Shergold's recommendations.

The VHA recognises that this discussion paper is the first step in the reform process, however, it anticipates seeing a clear vision about how these various players are to be included in the vision for an integrated and efficient service sector.

ICT and data collection

The Commonwealth Government's development of the National Broadband Network signals a shift towards an IT-based society that is served by a high speed internet and related technologies. Much of the success of the proposed service sector reforms rely heavily on the use of a standardised and modern IT infrastructure that allows CSOs to track and manage their clients, while at the same time collecting quantifiable data for performance analysis and reporting under funding agreements.

The current systems used by CSOs are wholly insufficient for this purpose and will remain so until the Victorian Government commits to updating and streamlining the software systems CSOs are mandated to use as part of their funding arrangements. If the CSS is to be oriented around a system of outcome measurement, the Victorian Government must be prepared to invest in the development of a standardised software system that allows CSOs to collect data from the range of funded programs that they provide in order to meet to government's data expectations. There are examples of CSOs operating a minimum of six major IT software systems, each of which with serious interoperability issues. These cases are common and

provide a telling example of the siloed and fractious nature of the sector that CSOs are navigating. In addition to a modern software system, there needs to be a coherent approach to, and definition of, 'data' across all government departments. Current arrangements typify the siloed approach to program delivery, none more so than the two separate reviews into ICT by the Department of Human Services (DHS) and the Department of Health (DH).

CSOs are required under funding agreements to commit to using software systems that are inefficient and limited. Software systems within single organisations are not able to share data or information, meaning any attempts to collect and analyse patient data is dependent on highly resource-reliant innovations like data warehousing. Small CSOs simply lack the capital to invest in technologies that are designed to overcome system deficiencies implemented by various Victorian Government departments and agencies.

The Department of Health is currently undertaking an independent ICT review and the VHA recommends the service sector reform team take note of its findings as the issues inherent in health services, particularly CHSs, can be broadly applied to the wider CSS.

Without a significant government investment, CSOs will continue to struggle to track patients as they access different elements of the system and any moves towards an outcome funded system will be negated.

Outcome measurement

The current orientation of the CSS around output measurement involves a risk that the delivery of service is rewarded, rather than the achievement of meaningful outcomes through service delivery. This arrangement is historic and has represented the most efficient way of accounting for CSO activity across the entire sector; however it also means that the measurement of achievement (outcomes) has not been adequately recognised as a performance indicator.

There is a raft of consequences that have arisen with the funding of programs against the measurement of outputs. The system is open to gaming, in that CSOs are able to report activity without a strong accountability against measurable performance.

While there are difficulties inherent in implementing an outcome measurement focus, in that clients are not always in contact with CSOs for periods sufficiently long enough to track outcomes, and the attribution of these outcomes is not always clear; maintaining a system that rewards CSOs against the provision of services rather than client outcomes is unsustainable and does not place the needs of the client as a priority.

There is a risk that revising old and developing new indicators will alienate some existing service providers as their historic suite of services may not fall under new funding requirements. This risk can be mitigated by ensuring CSOs and clients are both collaboratively involved in the process of developing and piloting any new indicators.

An appropriate set of outcome performance indicators is needed to govern the work that is completed by CSOs. Any new indicators must be clear and applicable to the outcomes against which the government is providing services. If the main driver of this reform is to streamline the contract process and reorient the system so that the client's needs are placed at the forefront, developing a set of clear and appropriate performance indicators will be the nexus around which future activity revolves.

The VHA suggests that a blended model of performance measurement is a more appropriate method of funding programs than measuring either outputs or outcomes alone. Many outputs, when analysed holistically and in combination, can give a good indication of the likely outcome for clients. Combining a focus on both outputs and client outcomes will allow CSOs to continue to be measured against their activity, in addition to client outcomes being taken into account.

Integrated service delivery

The connection between social disadvantage and poor health was explained by Wilkinson and Marmot in their influential publication, *The solid facts: social determinants of health.*[2] According to their premise, socioeconomic disadvantage bears strong influence on poor health, and managing one condition in isolation of its other related health problems and social causes will be ineffective. The VHA supports this view and believes the co-location and integration of health and social services to be an important facet of the Victorian Government's approach to caring for disadvantaged and unwell citizens.

Registered and integrated CHSs provide the ideal model of integrated health and social care. Their clients are able to access a range of related and complementary services from a team of clinicians, social workers, allied and mental health workers, and community engagement programs. Most, if not all, of Victoria's CHSs operate within the social model of health which states that an individual's social and health status is inextricably linked, and when possible, must be addressed in tandem.

Parallel system reforms to the alcohol and other drug (AOD), and community mental health support services (CMHSS) are promoting a centralised service delivery model that is based on geographic regions and a consolidation of existing service providers. The VHA recognises the systemic drivers that make such a move logical, but notes that there are inherent risks associated with withdrawing important social and health services from existing providers. CHSs are one of the sole models of service provision that allow for such a diverse range of critical and longer term client support programs to be combined in a single organisation. The potential removal of funding support for AOD and CMHSS programs in CHS settings is in essence splitting apart key elements of Victoria's model of integrated community-based care. If the reforms to the CSS proceed in a similar vein, clients who access these crucial programs will be further disadvantaged as they will be unable to receive coordinated care available at organisations that

[2] Wilkinson, R., & Marmot, M. (2003). *The solid facts: social determinants of health.* Copenhagen: Centre for Urban Health, World Health Organisation.

provide co-located programs. This will also result in added duplication, fragmentation and a system that is built on silos, rather than client needs.

Improved funding models

There are a number of drivers that necessitate an improved funding model for CSOs: administrative duplication, narrow and restrictive program funding guidelines, and a system that lacks the required performance indicators and data management tools to manage a shift to an outcome measurement focus. Each of these drivers plays a key role in informing how services are funded, both in their current, and any future, iterations.

Consolidating existing funding models is a positive step and one that the VHA supports. In a sector whose strength relies primarily on its ability to respond flexibly to changing community needs, it is important that this ability to respond is not curtailed by restrictive or narrow funding guidelines. As with the development of outcome-based performance indicators, the DHS must seek input from CSOs to ensure that the funding guidelines cover both existing and future activities that will help achieve reform priorities. If such a shift in funding models is agreed to, there needs to be careful consideration given to appropriate transition arrangements to mitigate any risks associated with such a change.

The VHA supports the suggestion of consolidating funding of like programs to allow for greater flexibility and responsiveness at a service delivery level, provided input is sought from CSOs to ensure any consolidation is appropriate to the sector.

Client-directed funding

The discussion paper references client-directed funding as a potential alternative funding model. The VHA has some reservations about the broad implementation of such a model based on the consequences for CSOs and their staff. The system's current orientation allows for CSOs to provide secure part and full-time employment to their staff, as the workforce component is included in the CSO-funder contract. A move to a system where the service user directs their funding may create a raft of unintended outcomes that would reshape the service sector and its relationship with its clients.

A change to a client-directed funding arrangement will in essence create a publically funded 'market economy', where existing providers will potentially compete for the funding dollars of suitable clients. The VHA believes this will necessitate a shift towards more casual contracts for staff. The ability to respond with flexibility and speed to changing community needs is based on a committed and experienced workforce and a move to a funding arrangement that promotes the employment of a workforce based on shorter-term and casual contracts places this at risk.

If client-directed funding is implemented, the VHA also queries whether the Victorian Government will restrict the types of providers eligible to receive public funding. Would eligibility be restricted to charitable or non-profit organisations? Or will a client be given agency

to decide which provider is the most appropriate to their needs, regardless of whether they are not-for-profit or otherwise?

A move to client-directed funding runs the risk of reducing the ability of organisations to innovate. The development of innovative approaches requires CSOs to assume a degree of risk and a policy environment that allows organisations the flexibility to do so.

Discussions with the VHA's membership indicate a feeling that the CSS is not yet mature or sophisticated enough to manage a transfer to a client-directed funding. These concerns extend beyond the maturity of the service providers and their relationship with each other and government, but also to the clients. There are questions to be answered regarding probity and the ability of certain client cohorts to manage a voucher system in the best interests of their care and/or rehabilitation. The aged care and disability sectors have begun the shift to introducing a client-directed funding model. The VHA suggests that the service sector reform team refer to these examples as models and use associated learnings to mitigate many of the risks and challenges linked with such a significant change.

The VHA suggests that any plans to move to client-directed funding be viewed as secondary in importance to the need of expedited reform to other core elements of the CSS, and if a move to client-directed funding is agreed, that the DHS works to ensure eligible clients are appropriately skilled to manage funds and negotiate the system.

Consortia

Consortia have been suggested as an alternative model for funding and providing services across a broad region. The VHA recognises the benefits possible when an effective consortium is developed in a way that complements the contributing service providers and the community; however, it notes that there are some realities that the Victorian Government must first address if it is to promote this as a vehicle for future service delivery.

Form follows function; with this in mind there must be clear justifications regarding the necessity of developing consortia. They must be in the best interests of the communities, clients and participating organisations, and be governed by explicit guidelines detailing the role requirements, activity expectations, expected timelines and funding arrangements prior to any partnerships being formed. When consortia-based funding is in place without clear guidelines, the process of negotiating activity and funding responsibilities can become prey to the influence of poor relationship management skills and the nature of a diverse sector competing for a finite pool of funds.

In addition to the need for a clear justification for consortia, the reality is that CSOs operate on a tight budget, with the majority of available funds being directed to service delivery. Staff resources and funding guidelines do not stretch to cover the often-significant time required to develop a consortium or partnership.

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If the DHS views consortia as a viable future option for service delivery it must invest in CSOs to develop their skills in building and maintaining effective partnerships. Given that a major barrier to the development of partnerships is the lack of funding support for non-service provision activities, the VHA suggests that the DHS support CSOs by providing a degree of funding that will allow staff to undertake the requisite planning and partnership work outside of their usual service activities. Staff capacity building support should also be matched by a capital investment in the facilities required to develop effective consortia, rather than relying on dated infrastructure and/or the inability for some CSOs to finance such needs.

Conclusion

The need for reform has been clearly stated, however, the VHA would caution the Victorian Government about progressing a system-wide reform without ensuring all necessary foundations are first in place. The lack of a system-wide approach to data collection and sharing is a serious impediment to meaningful advances in the sector and must be remedied before any major reforms are attempted. Developing consortia bids for service delivery is an approach that requires a higher degree of partnership development and maintenance support than what is currently available under program funding and must be directed by clear guidelines around role expectations and activity requirements. A lack of agreed outcome performance indicators will hamstring any moves to implement an outcome-based system. And the potential consequences to workforce and CSOs of introducing client-directed funding are profound and will challenge existing paradigms and configurations of the service sector.

Each of these elements of the reform process are significant pieces of work and are challenging in their own right. The proposed reforms are ambitious and broad-ranging, but there is a risk that they will not achieve meaningful change unless core system deficiencies are addressed before significant changes to funding and performance measurement are attempted. The VHA is wary that the scope of the reform may be too ambitious to be attempted in one effort, and proposes that a staged implementation be adopted to ensure service delivery is not disrupted and that potential loopholes and system flaws are identified and corrected.

A clear vision of implementation must be developed, published and broadly consulted on before any agreements to progress reforms are signed and undertaken. The VHA commends the directions of the reform; however, it remains unconvinced that the service sector is ready to progress the entire suite of proposed reforms in one effort.

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