



14 July 2017

Human Services inquiry
Productivity Commission
Via email

Dear Commissioners,

Re: Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services – Draft Report

Thank you for another opportunity to provide input into the Productivity Commission inquiry. ACOSS has previously made two submissions to the inquiry and is not in a position to make a comprehensive submission in response to the draft report.

We refer you to our previous submissions, *ACOSS Submission to the Productivity Commission's Competition in Human Services Issues Paper* (August 2016) and the *ACOSS Submission to the Productivity Commission's Competition Human Services Preliminary Findings Report* (November 2016) – both attached. As outlined in these submissions, there are some key principles that must guide any reform of the human services.

Human services are unique and differ from conventional markets. The delivery of human services by local communities in community-based, not-for-profit organisations is part of a rich framework of human capital that delivers far more than just a service. The delivery of human services in the community sector delivers more than a transaction; it builds and contributes to communities and enriches people's lives.

Reform of human services must ensure that people have access to high quality services wherever they live and whatever their income. If the person is to truly be at the centre of human services delivery, policy and delivery must reflect their needs. It cannot be assumed that competition will improve the quality of service delivery, efficiency or cost-effectiveness. Nor can it be assumed that people will be able to make an informed choice about services, even if supports are provided. User control as opposed to user choice is often more important. To achieve this, services must be flexible and tailored to people's needs.

We note that the draft report makes a number of recommendations relating to reform Commonwealth Rent Assistance (CRA) and social housing. In response to these recommendations, we outline ACOSS and National Shelter's six-point plan for affordable housing reform. These are:

1. Establish a National Housing Affordability Plan incorporating a new National Housing Affordability Agreement (NAHA)

- Secure existing and create new affordable housing options (both ownership and rental) for low and moderate-income households, people with disability, older people, young people and people experiencing homelessness;



- Set targets for net new supply in social housing for low income-earners, and expansion of affordable housing for people with low and moderate incomes;
- Aim to improve housing security, especially for tenants (moving beyond the 6-12 month lease with better legal protection for tenants); and
- Set targets to reduce, and over time eliminate, homelessness.

The Plan should:

- Be led by a National Minister for Housing at Cabinet Level together with State Ministers;
- Be coordinated with cities' policies and infrastructure planning; and
- Link social and affordable housing with new financing options and a national regulatory process to build investor confidence in all affordable and social housing.

2. Stem excessive growth in housing prices for both purchasers and tenants

- Adjust Commonwealth (negative gearing and Capital Gains Tax) and State (Stamp Duty and Land Tax) taxes to reduce incentives for speculative investment chasing capital gains, ease barriers to mobility, and rebalance housing investment between investors and owner occupiers;
- Revenue savings from these reforms, rather than diversion of funds from the NAHA, should be used to invest in new models of provision and financing of affordable housing.
- Planning and infrastructure reforms to boost housing supply, especially affordable and social housing;
- Re-design demand-side subsidies to improve home ownership opportunities, to ensure they go where they are most needed and do not add to housing price inflation; and
- Avoid self-defeating policies which fuel inflation in housing costs, such as early access to superannuation specifically for home purchase and loosely targeted home-owner grants.

3. Scale up social housing for low income earners:

Set medium and long-term national and state targets to increase the supply of social housing dwellings:

- Underpinned by consistent national rental affordability benchmarks (based on people's incomes rather than market rents) and commitments to security of tenure;
- Building on the existing social housing 'base' rather than undermining it (e.g. by withdrawing resources from the NAHA, or diverting existing resources for housing for low income earners to other target groups);
- Improve the amenity of older stock, and ensure that new stock is energy-efficient and accessible for people with disabilities.

This requires increased funding commitments from both the Commonwealth and States, new sources of private finance, a rental housing investment incentive, and ongoing subsidisation of rents for both public and social tenants.

Otherwise a scaled-up social housing sector will not be sustainable, new public and private investment in social housing will not be brought up to scale, and the drift towards a diminishing share of overall housing stock and older poorly maintained dwellings will continue.

4. New additional financing options for affordable and social housing

- Establish a bond aggregator mechanism to improve access to low-cost credit;
- Introduce a rental housing incentive for new investment in affordable housing.



5. Raise the capacity of people on the lowest incomes to meet their housing needs by raising their incomes:

- Substantially increase CRA for those facing the greatest housing stress;
- Increase and properly index social security payments for those with the lowest incomes, especially 'Allowance' payments such as Newstart Allowance, and Family Tax Benefits.

6. Guarantee security and transparency of funding for homelessness services while encouraging innovation in service provision:

- Guarantee funding over a five year period, while encouraging improved integration between homelessness services and the broader social and affordable housing system.

If you require further information, please contact me at Edwina@acoss.org.au or 02 9310 6213.

Yours sincerely,

Edwina MacDonald
Acting CEO

ACOSS Response to Productivity Commission Issues Paper: Human Services

Identifying sectors for reform



Executive Summary

This submission forms ACOSS's response to the Productivity Commission's issues paper *Human Services: Identifying Sectors for reform*. ACOSS holds concerns about the impact of competition reform on people experiencing poverty and inequality as well as the community organisations that support them; and the extent to which competition may undermine core principles in human services, including universality.

Australia already has a lengthy experience of using competitive approaches to deliver human services, including universal services such as health, childcare and vocational education and training, as well as targeted community services like employment services, financial counselling, and correctional services. However, experience to date indicates that competition should not be assumed as a preferred framework for the delivery of human services, and in many cases it has led to poor social and economic outcomes. Evidence from employment services, aged care and disability services shows that competition can risk undermining preconditions for effective and efficient delivery of human services, including:

- + High-trust collaboration amongst service providers, particularly at the local community level
- + Strong shared objectives amongst service providers to enhance economic and social development for individuals and communities
- + A focus on prevention and early intervention to appropriately reduce service need in 'targeted' service areas, such as employment services as well as universal service areas, such as health care
- + Flexible service design tailored to local regional and community needs
- + Flexible service design tailored to individual circumstances
- + Guarantees of access to essential services regardless of location, means or personal attributes
- + Information sharing and advocacy to achieve positive change for individuals and local communities

We call on the Commission to draw on the evidence from the Australian and international experience to address the following questions:



- + When can competition improve or erode the quality of human service delivery, recognising that some necessary preconditions, such as high-trust collaboration, openness, transparency, public advocacy and engagement may conflict with a competition model?
- + Recognising that user choice does not necessarily lead to improved services or outcomes and that user control is often of greater value to service users, what kind of approach can foster greater user control as an essential component to improved service delivery?
- + What are the risks in competition leading to perverse outcomes in service delivery such as “creaming” of service payments, targeting of clients who are lowest cost rather than most in need, poor marketing practices including fraud and deception, and lack of accountability to affected communities; and how can these risks be addressed?
- + How can competition deliver universal access to essential services regardless of an individual’s income or where they live, recognising that evidence to date shows pressure to introduce user fees for clients, particularly in ‘thin markets’ where there are few providers?
- + What are the preconditions to competition policy being an appropriate approach for the delivery of effective and efficient human services?

Introduction

ACOSS welcomes the opportunity to comment on the Productivity Commission’s Issues Paper: *Human Services: Identifying sectors for reform*. ACOSS is a national voice for people affected by poverty, disadvantage and inequality. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities have the opportunities and resources they need to participate fully in social and economic life.

Human services is a complex area covering a range of different services, from aged care to homelessness and housing services; health and education to prisons and child protection. Human services is a unique service area and differs from conventional markets largely because these services are relationship-based and contribute to social capital and economic and social development in our communities. Human services also differ from conventional markets because citizens expect government to ensure that these services exist. They form part of an implicit social contract and citizens – including those who may never use certain services – have expectations about who should provide them and in what way they should be provided.



Many human services are highly specialised to address need and delivered by small, community-based organisations. Service users often face multiple complex issues, including financial disadvantage, health problems, long-term unemployment and a reliance on care and support services. Human services are also characterised by the role of government in purchasing and provision, as well as in regulating standards of quality and equitable distribution of services.

ACOSS fully supports policy reform to ensure that human services are of high quality, deliver value for money and provide essential services to all who need them. However, the complexity of human services and the challenges facing service users make achieving successful outcomes in this policy area notoriously difficult (and also difficult to measure). Opening up these sectors further to competition presents a real risk of worsening outcomes. This risk is heightened by the failure to invest in an evidence-based assessment of what works in competitive human services. The Commission must comprehensively assess evidence of experiences of competition in the human services both here and in comparative contexts overseas to ensure lessons are learnt and any reform is evidence-based.

While ACOSS supports initiatives to improve outcomes for service users, it cannot be assumed that competition reforms will universally improve efficiency or service quality. Previous experiences of outsourcing of human services – such as employment services – demonstrate the risk of ‘creaming’ (where a provider focuses resources on less complex cases) and ‘parking’ (where more complex cases are set aside because they are resource-intensive) with reduced outcomes for people. Competition does not necessarily produce equity in service provision and universal access will likely require government involvement particularly in thin market areas.

ACOSS notes that the Commission’s inquiry question is broadly framed as which sectors should be considered for reform, which does not imply a cautious, patch-test approach as recommended by the final report of the Competition Policy Review (Harper Review)⁴. This review called for pilots in implementing competition in human services, rather than applying competition to whole sectors, recognising that extending competition in these areas requires careful consideration, not least because poorly implemented reform can have considerable implications for people needing services and their communities. We urge the Commission to frame its recommendations cautiously with these risks in mind.

Elements of service delivery that are often framed as synonymous with competition, such as user choice, individualised services and innovation, could be achieved without competition policy. Giving service users more control and choice does not

⁴ ACOSS’s submission to the Harper Review may be found here:
http://www.acoss.org.au/images/uploads/COSS_Competition_Review_submission_november_2014.pdf



require competition (and is often not achieved through competition), just as innovation and individualisation can be fostered without competition.

1.1 Competition in human services

Competition may arise when there is more than one provider offering similar services and they compete against each other to attract service users and/or public contracts.

Providers may compete on price, service quality, innovation or outcomes. Because of the high level of government involvement in human services (as purchaser and regulator) there are often perimeters placed on competition. For example, prices may be fixed to ensure they are affordable for service users and government (aged care) or there may be limits on services or products made available to contain costs (Pharmaceutical Benefits Scheme).

Competition should not be confused with contestability, as it is possible to have competition without contestability and vice versa. While contestability opens up a market to other providers, this does not mean that competition in service delivery will result; a service may be opened to multiple providers to apply for, but only one provider selected and become a monopoly provider.

Contestability is seen as a way of encouraging innovation, cost effectiveness and quality service provision through creating uncertainty around ongoing funding, which compels providers to achieve positive outcomes. It can be used to replace poor providers with good providers and boost accountability of providers to both service users and government. But success depends on the approach taken and whether the right preconditions exist. The evidence from employment services, childcare, aged care and disability services shows that designing and implementing effective competition and contestability in human services have proved to be extremely fraught, often failing to improve efficiency and outcomes. It is important that the Commission does not equate 'efficiency' with 'effectiveness' and that evaluations of the effectiveness of reform should be made on the basis of outcomes delivered rather than efficiencies achieved. It should also be acknowledged that improved outcomes could require further investment, as shown by the National Disability Insurance Scheme (NDIS).

Competition in human services is not new in Australia or in other comparable jurisdictions like the UK and New Zealand. In this context, any move to develop further competition in the human services needs careful assessment of previous experience and its perceived benefits should not be presumed. For example, it will likely require a strong framework to ensure service providers are held accountable to communities and funders for the services provided, which should include open



and transparent reporting. It is also likely to require adequate and effective regulation to protect service users from poor providers. Equally, strategies are needed to ensure there is a diversity of providers (including community-based) where that is achievable, and that providers are responsive to the needs of communities and service users. Providers must also have flexibility to innovate, collaborate and build relationships with other organisations for efficient service delivery.

1.2 When can competition improve or erode the quality of human services delivery?

Human services is a unique sector and faces far more complex challenges in delivering positive outcomes compared with a conventional market. Effective human services that deliver positive outcomes for individuals and communities work in collaboration with other organisations, building relationships of trust with service users and stakeholders. These services greatly contribute to social capital by providing opportunities for volunteering, empowering communities through advocacy and education, creating inclusive environments, and contributing to improved economic and social outcomes. Many human services providers offer far more than can be measured in inputs and outputs (such as providing expertise, support and infrastructure to other organisations and agencies) and have an overarching goal of achieving social progress and change.

Strong relationships in the human services sector allows services to enhance social and economic outcomes for service users and local communities. It is these relationships and networks that facilitate responsiveness to service users, particularly in highly specialised areas (for example, services for Aboriginal and Torres Strait Islander people or culturally and linguistically diverse communities). Services can collaborate to achieve outcomes for service users and communities that would not otherwise have been achieved by individual service providers. Improved collaboration, knowledge sharing and expertise leads to stronger clarity of purpose, including, in many cases, improved focus on prevention and early intervention. This desire in human services to focus on prevention and early intervention is unique and not replicated in traditional markets. A strong motivator in traditional markets is to create demand, to open up new markets and to increase profits. A core goal of many human services should be to reduce demand, including through prevention and early intervention. Not only does this benefit service users and their communities, it also achieves efficiencies in service delivery.

Competition in human services risks limiting and even losing relationship building and connections with community. The relationships built between human service providers and those they serve are a critical component of supporting some of the most vulnerable and disadvantaged people in Australia. However, if competition leads to service consolidation and loss of small, community-based providers, those



relationships could suffer or disappear entirely. Consolidation of services could also lead to a loss of valuable expertise, as witnessed in the reforms to homelessness contracts in NSW and the recommissioning of the mental health and alcohol and other drugs services in Victoria.

Good collaboration requires flexibility in service delivery and information sharing to achieve the best outcomes for communities. However, these crucial elements of effective human services do not sit easily with a competition model, where information sharing and collaboration are generally either prohibited (for example through a competitive tender process) or not encouraged in order to enhance the 'competitive edge' of individual providers.

There are some areas of human services delivery where competition may be completely inappropriate for cultural reasons or where there is entrenched disadvantage. For example many services in Aboriginal and Torres Strait Islander communities should be guided by principles of self-determination and partnership rather than competition.⁵ In these areas, competition may pose a threat to services run by Aboriginal and Torres Strait Islander people for Aboriginal and Torres Strait Islander people and undermine service quality and cultural safety as a result.

Another important element of human services delivered by community organisations is their role in advocacy and policy development. Many community organisations delivering human services play a vital role in advocating policy reform to achieve better outcomes for the individuals and communities they serve.

It is unclear how furthering competition could assist this important part of human services work, and there is a risk that more active or 'inconvenient' advocates lose funding in contestable markets. This is a substantial problem for advocacy organisations operating in a contestable market.

1.3 Competition policy for community-based organisations

Community-based organisations are generally established to respond to local need. Community-based providers tend to have expertise of local circumstances that allows them to be flexible and responsive in their service delivery and facilitate collaboration with other providers to achieve positive outcomes. They have often built long-standing relationships with local providers and garnered reputational capital with local people.

However, these providers can be disadvantaged under a competitive model of human services delivery. For example, individualised funding models can disadvantage small service providers who cannot compete with larger providers because of a

⁵*Principles for a partnership-centred approach for NGOs working with Aboriginal organisations and communities in the Northern Territory* 2013 <http://nationalcongress.com.au/wp-content/uploads/2013/11/NGOPrinciples.pdf>



limited capacity to fund overheads (administration, staffing, premises, marketing, etc.). Some service providers who would be best placed to offer a service may be pushed out by larger, better funded providers that can take advantage of economies of scale. This is an issue particularly for small specialised services and those in rural and regional areas.

While it would appear to be more efficient to award tenders to other providers that can deliver services at a cheaper rate, unless they have effective community engagement and local leadership structures in place, such practices could lead to poorer quality outcomes and inefficiencies. The time taken by new providers to build the necessary referral pathways, partnerships with other providers and the community is time intensive and inefficient. Whether big or small, providers need to have governance arrangements that enable on-the-ground knowledge to effectively respond to local need. Otherwise, there is a risk that markets become concentrated and user choice, service quality and responsiveness is compromised.

Increased competition in human services has the risk of undermining locally based organisations who work with communities through volunteering, fundraising, and delivering tailored solutions to their unique needs. The Commission must recognise the importance of diversity in service provision in meeting need, particularly as it concerns highly specialised or niche services. Competition could both encourage and undermine such diversity, and this will have implications for service quality.

1.4 User choice versus user control

The users of human services make this area of service delivery unique. Generally people access human services out of need rather than want, and some must access services through compulsion (for example, people using employment services because of activation requirements tied to their income support payment) or in a crisis (for example, sudden homelessness). The role of government is particularly important in facilitating user choice and control when there is a legislated entitlement to a service provided by multiple private providers.

The vulnerability of many people using human services greatly impacts the way services are delivered. It often requires additional supports to be put in place for service users, including advocacy and regulation of service providers to ensure users are not exploited. Vulnerability can constrain user choice and control, and highlights the need for carefully designed service delivery to avoid problems of information asymmetry and poor service outcomes.

User choice is cited as a fundamental element of competition and often linked to quality service delivery. Theoretically, user choice allows a service user to 'vote with their feet' and in a competitive market, this should lead to improved service provision as providers compete for service users. However, in reality, user choice



does not always improve quality, particularly in the human services. Effective user choice requires users to be able to choose and, in the human services, this may not be a realistic assumption. In many human services, the majority of service users are vulnerable or disadvantaged and their capacity to choose is limited. This may be because of their personal circumstances (for example, they have advanced dementia and rely on others to make decisions for them), they are in immediate need of assistance (someone escaping domestic violence and in need of a refuge) or they may have poor access to information and systems knowledge (someone without internet access or limited English literacy).

User choice is also very difficult when services are in scarce supply. For example, there are extreme shortages in homelessness and emergency accommodation services, which means that many service users are forced to accept what they can get. Social housing is another area where lack of supply constrains choice, with waiting lists of over 200,000 households across Australia.⁶ In ACOSS's 2014 Community Sector Survey, 80% of community organisations stated that they could not fully meet demand for their service, ranging from homelessness, counselling, emergency relief, child care, family support and legal advice.⁷

Even if users are able to choose, competition does not necessarily lead to user choice. A market with multiple providers could offer markedly the same product or service. This often happens when markets are dominated by one or two major providers (for example, the Woolworths and Coles duopoly).

Effective user choice is also only possible when there is good quality, independent information available about services and people are able to understand and digest the information and make rational, informed choices. However, such information and its provision is not very well developed in many areas of human service delivery. Information asymmetry is a major challenge, made worse by these services being essential rather than desirable. The contexts of people's lives can also constrain their ability to carefully review all available information to make an informed decision, likely to be a challenge for many people living on very low incomes and also experiencing financial stress, poor health and other challenges.

Even when service users are in a position to be fully informed, too much choice can make choosing a complex, time-consuming and difficult task. As witnessed in the energy market, the increase in retailers has not resulted in substantial numbers of consumers changing retailer even when they could get a better deal. This is largely because of the complex nature of the product and the time it takes to change.

⁶Australian Institute of Health and Welfare 2016 <http://www.aihw.gov.au/housing-assistance/haa/2016/>

⁷ Community Sector Survey ACOSS 2014 http://www.acoss.org.au/images/uploads/ACSS2014_final.pdf p. 18



ACOSS submits that the Productivity Commission should focus on ‘user control’ as being more important than user choice. Having control over the services one receives, for example through being actively involved in designing a support package, may be far more empowering than having different providers to choose from. Trial sites of the NDIS have shown that participants value control over their services rather than being able to choose between services and would prefer to have greater control rather than more choice.

User control can also be a more practicable approach to empowering service users for whom choosing between services is not feasible. For example a residential aged care resident is unlikely to change care providers easily. However, they would benefit from having control over the services they receive. Likewise, someone accessing homelessness services may not be in a position to choose between services, but they could benefit from exercising control over the kind of assistance they receive. User control enables service users to provide direct feedback to service providers to ensure that outcomes are tailored and appropriate. ACOSS submits that the Commission reframe its thinking about how to empower service users from being focused on user choice, to consider user control as an essential component to improved service delivery.

1.5 Risks of competition in human services

There are considerable risks involved in opening up human services to competition. Not only are service users exposed to potentially poor service provision, government is exposed to the risk that providers fail to deliver efficient and effective services.

Opening up human services to for-profit providers has arguably heightened this risk. For-profit providers have a responsibility to make a profit, which can override any altruistic motive of improving individual wellbeing and communities (a key tenet of human services delivery). As an example, some for-profit aged care providers have replaced high-skilled nurses with lower-skilled care workers in order to increase profits. Some not-for-profit providers have also reduced spending on skilled staff because of competitive pressures, but the risk is generally higher that for-profits will place the interests of shareholders ahead of their clients’.

Competition can pose a risk to employment conditions through job insecurity (especially in contestable markets where provider funding is short-term and uncertain), poor contracting processes that lead to employee burnout (as witnessed in the Going Home Staying Home reforms in NSW) and a demise in staffing arrangements. Staffing often comprises the bulk of human service providers’ expenditure and is therefore most exposed to cutbacks as providers attempt to contain costs in a competitive market. ACOSS refers the Commission to the Australian Services Union’s submission for a full analysis of these issues.



For competition to work, it is critical to get contract design right because it greatly influences the quality of service provided. However designing contracts to produce desired outcomes can be very difficult in the human services, not least because creating indicators that adequately measure improvements in wellbeing is challenging. Funding may be provided on the basis of inputs, outputs or outcomes, but each carries its own risks and benefits. Perverse outcomes may arise where incentives for providers are misaligned with the desired outcomes.

Employment services offer a good case study in the difficulties of aligning contracts and funding arrangements with program goals. Where employment services have received outcome payments for getting people into a job, evidence suggests that providers have engaged in 'creaming' and 'parking' of clients, concentrating their efforts on more straightforward cases while failing to assist those with more complex problems. Targeting of clients who are lowest cost rather than those in greatest need is hugely inefficient and compromises the integrity of programs that should be focused on helping the most disadvantaged.

However, paying services on an ongoing basis (not aligned to outcomes), fails to encourage services to place people into work. Funding of employment services has thus developed into a complex array of payments to avoid perverse outcomes, which in turn has reduced the ability of providers to be flexible and innovate. The structure of incentives has arguably encouraged some employment services to standardise service delivery and provide a minimalist service model. There is little flexibility for job seekers who generally do not exercise choice in service provider, tending to go to the provider nearest Centrelink. Furthermore, despite multiple services, it is difficult for service users to discern differences between them, both in service delivery and outcomes achieved.

Another risk of competition policy is the heightened risk of fraud and deception where incentives are poorly designed and where service users are vulnerable or disadvantaged. As witnessed in vocational education and training, private providers have employed aggressive marketing techniques to enrol students who did not realise they were enrolling in a course costing tens of thousands of dollars. Some were enticed to sign up by the promise of a free laptop or iPad.

These examples highlight the problems involved in opening up human services to competition and the difficulty of holding providers to account for the services they deliver. They underscore the need for government regulation that prevents and detects poor performance. They also show the importance of open and transparent public reporting of operations and outcomes (which is undermined by 'commercial in confidence' assertions), licencing (to prevent inappropriate providers), ongoing monitoring and investment in independent advocacy.



Good regulatory systems generally place the regulator at arm's length of government, which is typically responsible for funding and policy making. To achieve this separation, regulation often remains a government function, but operated by an independent statutory body. Regulation should encourage providers to strive for excellence rather than setting a minimum standard and allow for flexibility in service delivery. At the same time, care needs to be taken to ensure that flexibility does not have a deleterious impact on vulnerable service users. For example, aged care providers have flexibility in how they staff their services, which has resulted in some services operating with unsafe staffing levels, negatively impacting on aged care recipients. These issues that arise in regulation necessitate the need for ongoing public engagement and for government to ensure regulation is achieving its desired purpose.

Robust regulation also requires good data collection and transparent reporting. However, systematic data collection is not very well developed in regulation of human services and this impedes identification of poor performers.⁸

1.6 Affordability

Reform of human services must ensure that services are affordable to all who need them but, competition can undermine this goal. In childcare, unfixed pricing and poor regulation under a competition model has led high prices that have restricted access for disadvantaged families and increased government spending.

Fixed pricing, on the other hand, has a benefit of containing costs for government as well as ensuring affordability for service users (if there is a user pays component). These circumstances force service providers to compete on quality rather than price. However, fixed pricing can lead to a two-tiered system of service provision if government-funded services are of a poor quality due to insufficient funding. A good example is home care packages in aged care, where the lack of government funding has resulted in rationed services that fail to meet need. This has led to higher user co-payments as well as some users missing out because of an inability to pay for services that exceed the funding allocation.

1.7 Universal access

Universal access to services is a core part of many areas of human services and it greatly depends on government involvement to address issues such as thin markets and market failure. However, government involvement can conflict with a competition policy approach.

⁸ See the submission by the COSS network to the Productivity Commission's other current inquiry into data on these issues.



Without government involvement, many areas in Australia would not receive essential services. Healthcare, for example, is dominated by government providers particularly in regional, rural and remote areas. However, in other areas of service delivery, there are no government providers (such as disability services in NSW).

In thin markets, the risk to service users is that providers exploit a lack of competition, often manifest in inflated prices and poor service delivery. Where there are no or few government providers, market failure poses another challenge that could have considerable impacts on service users. This occurred in the Netherlands in the aged care sector, where several private providers have gone into administration. One of the largest providers, Meavita, had 20,000 employees who lost their jobs and entitlements and 100,000 clients who had to be transferred to alternative services.

It is difficult to see how these issues could be overcome without substantial government involvement (including government service provision and/or regulation to avoid market monopolies) and illustrates the importance of government service delivery in ensuring universal access.

There is also a broader need to address the problem of inequality in outcomes amongst disadvantaged communities, including Aboriginal and Torres Strait Islander people and people with CALD backgrounds. Inequality experienced by these groups extends beyond equity of access to services, demanding a more comprehensive approach to achieving equality than ensuring access to services.

Key principles

For ACOSS there are several key principles that must be considered when thinking about reform of the human services:

1. What are we trying to achieve?

People have a right to high quality human services wherever they live and whatever their income. High quality and efficient services that respond to people's needs must be the key aim of any reform to the human services sector.

2. What approach is most likely to improve service provision?

It cannot be assumed that competition will improve the quality of service delivery or efficiency and cost effectiveness. Any reform must be trialled and evaluated before being broadly implemented to avoid the type of market failures and perverse outcomes we have seen in past attempts at competition.



3. The uniqueness of human services must be recognised, as well as the strengths of community-based, non-profit providers

There must be recognition of the unique nature of human services, particularly its role in building social capital in communities across Australia. The capacity in the human services to foster cooperation and collaboration, diversity in service delivery, and involvement of not-for-profit organisations should be considered a great strength and something that is nurtured. While competition alone is not a bad thing, there are substantial risks that these strengths in the human services could be lost if competition policy is poorly implemented.

4. Reform should facilitate cooperation and responsiveness to users and communities

Cooperation between providers must be facilitated in order to respond effectively to users and their communities. Community development must also be fostered. Competition in the human services can work against these principles and fail to serve communities' interests as a result.

5. User control and service flexibility to individual need should be maximised

Service users must have control over the services they receive to ensure that services are tailored to individual need and services are responsive to users and communities. Competition is not a precondition to increased user control.

6. Individual and systemic advocacy must be supported and resourced

Service users must be enabled to exercise user choice and control with the assistance of advocacy services. Systemic advocacy is essential to improving overall service delivery and policy settings governing human service delivery.

7. Services should be delivered cost-effectively

Human services must be cost effective, but this does not mean they should be provided at the lowest price. Services must aim to achieve the best outcomes for the funding they receive.

8. Accountability to the community and Parliament

There must be transparency in service provision and government and the community should know what services are being provided by the non-government providers they fund, as well as their impact. Services must be accountable to Parliament and funding should have a legislative basis.



9. Individualised services and innovation must be complemented by accountability

Services must be encouraged and incentivised to innovate and respond to users' needs. However, they must still be held accountable to government (notably those receiving public funding) as well as to service users.

10. Affordability

Human services must be affordable to all who require them and free for those who cannot afford to pay.

11. Universality and equity of access to essential services

There must be universal access to essential services and avoidance of two-tiered systems of service provision based on income and other resources. ACOSS supports universal service guarantees to ensure the Australian public has access to essential services, regardless of their income or where they live.⁹ Equally, services must respond to need, with careful and consistent (independent) assessment of providers, who are accountable to both government and service users in terms of the funding they receive and the outcomes they achieve.

⁹*Fit for purpose: a federation that guarantees the services people need* 2015 http://www.acoss.org.au/wp-content/uploads/2015/10/COSS-federation-framework_FINAL.pdf

ACOSS Response to Productivity Commission Preliminary Findings Report

Introducing Competition and Informed User Choice
into Human Services: Identifying sectors for reform



Introduction

ACOSS welcomes this opportunity to respond to the Productivity Commission's preliminary findings report, *Introducing Competition and Informed User Choice into Human Services: Identifying Sectors for Reform* (Preliminary Report). ACOSS is the peak body for the social service sector and a national voice for people affected by poverty and inequality. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities have the opportunities and resources they need to participate fully in social and economic life.

ACOSS has major reservations about pursuing reform of human services with an agenda of promoting more competition as a starting point. As is true for many areas of human service delivery, each of the six sectors identified by the Productivity Commission as priorities for reform provide services to people who are vulnerable or disadvantaged or to children. In addition, each of the sectors is defined by very constrained supply, primarily due to inadequate government funding. The risk is that the current focus on competition will obscure the lack of adequate funding for services, particularly given it is unlikely that, implemented in isolation, competition reform will address funding inadequacy or accessibility issues. It is important that both the Commission and the Government proceed with caution in this area given the high stakes and the vulnerability of users.

ACOSS' response to assumptions within the report

As noted in the Preliminary Report, the Productivity Commission has been asked to examine whether the efficiency and effectiveness of human services could be improved by introducing greater competition, contestability and informed user choice. While not providing formal definitions for these terms, the Productivity Commission makes explicit a number of assumptions on which its findings are predicated. It assumes that:

- **Informed user choice** puts users at the heart of service delivery. With some exceptions, the user of the service is best-placed to make choices about the services that match their needs and preferences. Putting this power into their hands lets individuals exercise greater control over their own lives and can generate incentives for service providers to be more responsive to users' needs.



- **Competition** between multiple service providers for the custom of users can drive innovation and efficiencies. Where competition between multiple service providers is not possible or desirable, governments can seek to mimic competitive pressures through ‘contestable arrangements’ to select providers.
- **A contestable market** with the credible threat of replacement can enable better performing service providers to expand their service offering and keep present providers on their toes.

ACOSS agrees that in all the case study areas identified by the Productivity Commission, there is room for significant improvement in the design, funding and delivery of services and we are interested in working with Government, the Productivity Commission and others to develop reform proposals, which will improve the effectiveness and efficiency of human service delivery. However, we are concerned that the sectors the Productivity Commission has identified as potential priorities for reform are largely accessed by people experiencing high levels of vulnerability or disadvantage. We also question the Productivity Commission’s assumptions about the merits of competition policy in the context of human service delivery, particularly in areas where services are intended to assist people who are vulnerable or disadvantaged. We base our concerns with these assumptions on the following grounds:

- ‘User choice’ depends on people having the information, capacity and time to make an informed choice about services. The human services context presents particular challenges in ensuring that people are able to exercise genuine choice with respect to both who provides the service and the kinds of services provided, particularly in situations of serious disadvantage or crisis.
- Competitive approaches often fail to deliver increased choice between providers or service offerings. In recent examples competition has led to a reduction in service providers (for example, mental health reform led to a reduction from 110 to 24 service providers), or a convergence of service types and flexibility towards a low-cost, low-quality model (as has happened as a result of reform to employment services), thereby actually reducing choice and flexibility. As demonstrated by the experiences in the Vocational Education and Training (VET) and employment services sectors, competition does not necessarily equate with improved service quality. In the absence of quality, user choice is meaningless.
- Competition increases the risks of highly vulnerable clients ‘falling through the cracks’ due to the onus on the individual to navigate the market, and the fact that incentives are generally insufficient to engender sustained provider engagement with service users with complex needs.



- Consumer control or agency over the design and delivery of services can be more important than choice in ensuring access to high quality and effective services. This can be delivered in ways apart from competitive approaches.
- The provision of universal access to services – a core part of many areas of human services – depends on government involvement to ensure there is adequate service coverage across the community, particularly in regional and remote areas ('thin markets'). There is a real risk that the further expansion of competition policy in human services would further reduce access to critical services in already under-served communities. This is most clearly demonstrated by the chronic lack of affordable dental services in regional and remote areas, a sector which is typified by high levels of private provision (with 84% of dental services nationally provided privately) and inadequate government funding for public services.
- The primary purpose of human service delivery is to reduce social disadvantage and not to enable for-profit or not-for-profit providers to 'expand their service offering'. Systemic advocacy of social and economic policies that reduce structural inequality, which tends to be undertaken by mission-driven, not-for-profit civil society organisations, is an essential part of this. However, the experience of reform in human services to date suggests that competition tends to have a silencing and chilling effect on critical advocacy about systemic disadvantage and existing funding arrangements. The lack of an advocacy focus may lead governments to preference for-profit providers even where the service offering is poorer.
- Competition and competitive tendering processes are often burdensome for community organisations and do not respond to the reality and practice of human services work. They structure competition into relationships which ought otherwise to be collaborative. They are also not always effective at delivering the outcomes required, because they focus on risk minimisation rather than supporting innovative and contemporary service models.
- Service providers do not have an equal ability to compete – proving yourself in the marketplace is resource intensive and requires data collection, evaluation, analysis, promotion of services offered, demonstrating value etc. This may cause some organisations to withdraw from the market – for reasons not related to the quality of the service provided.
- Competitive tendering can compromise the sector's diversity and effectiveness through its tendency to advantage larger, 'preferred' and, increasingly for-profit providers, which may not be able to deliver better outcomes for people and communities.



General principles articulated in ACOSS' initial submission

In our initial submission to the Productivity Commission's Human Services inquiry, ACOSS expressed a number of concerns about the impacts of competition reform on people experiencing poverty and inequality and the community organisations that support them; and the extent to which competition may undermine core principles and preconditions for the effective and efficient delivery of human services.

In reviewing the Preliminary Report, ACOSS remains concerned that in approaching the task of human services reform, the Productivity Commission continues to ask the wrong questions in the wrong order. For ACOSS, the preliminary question is how can we improve the effectiveness of the system to deliver improved service quality, affordability, coverage, flexibility and responsiveness to local need and, as a result, people's lives? Instead, by requiring the Productivity Commission to identify what sectors within human services would benefit from the implementation or further expansion of competition policy, the Inquiry's terms of reference presuppose that competition policy is both a goal of reform as well as the optimal way to improve the effectiveness of human service delivery.

Different aspects of competition policy have been implemented over the past twenty years across various sectors within human services, from employment services, VET and child care to aged care and now in disability services. In considering both the primary objective for further reform and the most effective way to achieve it, we must look at the evidence of the impact of recent reforms and learn from these experiences. To that end, ACOSS and CHOICE have jointly commissioned research to examine the outcomes achieved as a result of the implementation of competition policy in three sectors: employment services, Vocational Education and Training (VET) and residential aged care. Preliminary findings from this research suggests that in many instances, competition policy has led to poorer outcomes for people and reduced efficiency. Common themes emerging from the research include the risk of:

- **Increasing costs for governments and consumers:** VET fees increased from an average of \$4060 in 2009 to \$14,108 in 2015, with an associated increase in the cost of student loans to government; in the aged care sector accommodation bonds charged by providers have increased from \$232,000 in 08/9 to \$381,000 in 14/15; the cost blow outs for consumers in the child care sector as a result of deregulation are also well documented. While a combination of factors, including competition policy, may have impacted on these cost increases, this experience does not support the proposition that competition will deliver reduced costs for consumers and improved affordability. Indeed, to date, the Reports have not presented a clear case in any context where service outcomes for people have been increased and service costs have been reduced.



- **Reduced service quality, particularly where government regulation has not been robust:** For example, many VET courses are now offered 100% online with low course hours and Registered Training Organisations (RTOs) responsible for assessing eligibility for course and student performance; in the aged care sector, the decoupling of government subsidies from the number of nurses employed has led to a decline in the number of registered nurses employed in the sector, and an increase in the number of low-skilled, lower-paid staff who are asked to work outside their expertise; in employment services, expert evidence provided to ACOSS suggests that caseloads per employment coordinator have doubled in the past 20 years, with some coordinators managing up to 200 people who are unemployed.
- **Services not meeting needs:** Reforms have not ensured that employment services provide an effective pathway to employment for the most disadvantaged people; or that child care is available (or affordable) where there is a need; or improved the capacity of aged care services to meet the needs of people who require specialised care, including dementia and palliative care due to reduced numbers of suitably qualified staff, or to provide adequate service coverage in rural and remote areas (particularly in home care) because the largest providers tend to concentrate their operations in urban areas, where they can charge higher fees to higher wealth consumers.
- **Loss of service diversity and localisation:** Smaller, place-based organisations are often unable to compete with larger organisations in contestable tender processes, which can be both time and resource intensive.
- **Convergence around a similar, low cost, low quality service model, which effectively undermines the reality of choice for people accessing services:** This has been particularly evident in the employment services sector, where competition reforms implemented since 2002 have resulted in shift away from education and training towards low cost support for job seekers; and a service system that is less flexible and not innovative, regardless of whether services are delivered by not-for-profit or for-profit providers; in the aged care sector, despite providers increasing their profit margins per resident per year from \$9,224 in 2013-14 to \$10,222 in 2014-15, there is evidence that some providers spend an average of \$10.08 per resident per day on food, ration sanitary pads to three per day, limit day trips, and put residents to bed at 5pm to reduce the need for night staff.
- **Risk of predatory behaviour and misleading marketing:** The Productivity Commission is already aware of the experience within the VET sector, where the practices of unscrupulous and poorly regulated RTOs and brokers resulted in high levels of student debt being accrued for virtually worthless



qualifications, largely by students from disadvantaged backgrounds. This is a serious risk in other areas of human service delivery.

- **Poorer outcomes for users:** For example, completion rates for VET courses have fallen and employment outcomes for job-seekers through the employment services system have been consistently poor. For example under the Job Services Australia model, in 2015 only 15.7% of people who accessed employment services were in full-time employment three months after participating in the program; for people who had been unemployed for more than 36 months, the figure was just 5.3%.
- **The risks of enterprise failure are much greater than in other markets and need to be carefully managed:** Service continuity is vital, particularly for people who are vulnerable or experiencing disadvantage and rely on a service to meet their needs. We cannot simply 'leave it to the market'.
- Finally, it is very difficult to overcome **information asymmetries between consumers and services providers**, and requires significant resources to do this effectively: even when done well, power asymmetries can undermine the reality of 'choice'.

In light of these findings, ACOSS reiterates the following key principles articulated in its initial submission to the Inquiry as fundamental preconditions to human services reform:

1. **Effective human service delivery must be the primary objective for reform**
People have a right to high quality human services wherever they live and whatever their income. High quality and efficient services that respond to people's needs must be the key aim of any reform to the human services sector.
2. **Competition cannot be assumed to improve service quality**
It cannot be assumed that competition will improve the quality of service delivery or efficiency and cost-effectiveness. Any reform must be trialled and evaluated before being broadly implemented to avoid seeing the type of market failures and perverse outcomes we have seen in past attempts at competition.
3. **Universality and equity of access to essential services**
There must be universal access to essential services and avoidance of two-tiered systems of service provision based on income and other resources. ACOSS supports universal service guarantees to ensure all people in Australia have access to essential services, regardless of their income or where they live.



4. Affordability

Human services must be affordable to all who require them and free for those who cannot afford to pay.

5. User control and service flexibility to individual need should be maximised

People must have control over the services they receive to ensure that services are tailored to individual need and services are responsive to people and communities. Competition is not a precondition to increased control.

6. The uniqueness of human services must be recognised, as well as the strengths of community-based, not-for-profit providers

There must be recognition of the unique nature of human services, particularly its role in building social capital in communities across Australia. The capacity of human services to foster cooperation and collaboration, diversity in service delivery, and involvement of not-for-profit organisations should be considered a great strength and something that is nurtured. While competition is not a bad thing in and of itself, there is substantial risk that these strengths could be lost if competition policy is poorly implemented.

7. Individual and systemic advocacy must be supported and resources

People must be enabled to exercise choice and control with the assistance of advocacy services. Systemic advocacy is essential to improving overall service delivery and policy settlements governing human service delivery and the underlying structural inequities that contribute to demand for services.

8. Reform should facilitate cooperation and responsiveness to people and communities

Cooperation between providers must be facilitated in order to respond effectively to people who access services and their communities. Community development must also be fostered. Competition in human services can work against these principles and thus fail to service communities' interests.

9. Services should be delivered cost-effectively

Human services must be cost-effective, but this does not mean they should be provided at the lowest price. Services must aim to achieve the best outcomes for the funding they receive.

10. Accountability to the community and Parliament

There must be transparency in service provision and government and the community should know what services are being provided by the non-government providers they fund, as well as their impact. Services must be accountable to Parliament and funding should have a legislative basis.



Sectors identified as priorities for reform

As noted above, ACOSS is in the process of completing independent analysis of the outcomes achieved by the introduction of competition policy in human services and will provide further views regarding the extent to which these areas are indeed suitable for enhancing competition at all, or whether an alternative process is required. For example, in the community services area, ACOSS has consistently argued that as a first priority, the Government should work collaboratively with the community to comprehensively map service needs and determine how best to meet them. Such an exercise should incorporate the specific and varied contribution of community service organisations beyond service delivery, including policy advice, representation and advocacy. In addition, we continue to argue for support for institutional capacity for the voices of Aboriginal and Torres Strait Islander communities to be heard in policy processes and national decision-making. As such, the remainder of this submission, comprises ACOSS' initial response to the Productivity Commission's preliminary findings with respect to five of the six areas identified for reform.

Social Housing

With respect to social housing, the Productivity Commission finds that introducing greater competition, contestability and user choice could improve the effectiveness of the social housing system, particularly with respect to reducing long waiting lists, addressing the underutilisation of properties, and improving property maintenance standards. The bases on which these findings include that community housing providers slightly outperform government on some indicators, including tenant satisfaction and underutilisation.

In general, the issues identified by the Productivity Commission capture some of the key challenges faced by the social housing sector but with inadequate emphasis on severely constrained supply as the context within which the market operates, a factor which inevitably constrains competition and choice. The report also fails to adequately address the impacts of tax distortions (including negative gearing and capital gains tax concessions), which further constrain the broader private rental market by driving particular types of investment behaviour that are not conducive to increasing the supply of affordable housing stock.

The Preliminary Report notes that absent other reforms, supply constraints would likely reduce any gains to tenants arising from expanded user choice. Further, it is unlikely that the expansion of competition policy in the social housing sector would, on its own, address these supply constraints, which are largely driven by inadequate government funding and tax settings that fail to incentivise investment in affordable housing, particularly in the private rental market. The role and effectiveness of Commonwealth Rent Assistance in enabling genuine consumer choice and equitably assisting people experiencing poverty and disadvantage to secure affordable, long-term housing in the private rental market must also be urgently addressed. As such,



any reform to the way in which social housing services are provided which does not address inequities within the broader housing market, inevitably runs the risk of leaving already disadvantaged tenants worse off and exacerbating inequities within the current system.

The reform directions signalled in the Preliminary Report raise complex issues with much at stake for some very vulnerable cohorts and must be approached cautiously, with a commitment to ensuring that tenants with very low incomes or high levels of disadvantage or other vulnerabilities are not worse off as a result of reforms, while delivering greater equity between tenants in the same circumstances but currently receiving different levels of subsidy (for example, very low income tenants in the private rental market compared with those in public housing). It will be important to ensure that reforms to waitlisting policies, for example, are not pursued as a distraction from the bigger issues around the lack of investment in affordable supply.

Family and Community Services

ACOSS welcomes the Preliminary Report's focus on improving the way Governments commission human services, including through better service design, greater engagement with service users and better use of data, rather than the further expansion of contestability or competition in this area. However, we would question the extent to which the reforms contemplated by the Productivity Commission comprise 'competition' or need to be pursued within this framework. For example, while ACOSS has long agreed that a shift towards funding and reporting on outcomes would be beneficial and advantageous, there is little evidence that competition policy, in any of the forms it is contemplated by the inquiry, can deliver this reform.

Despite a shared vision regarding the benefits of outcomes-based funding, there are significant complexities involved in making this shift within a human service context. This is due in large part to the fact that in this sphere outcomes are much more difficult to measure than, for example, in the business sector where profit and financial return on investment are the key indicators of success. One significant obstacle that needs to be overcome in the shift towards outcomes-based funding and reporting is short-term funding contracts which create barriers to moving towards early intervention and prevention models that are demonstrated to deliver better outcomes over the long-term.

Any shift towards outcomes-based funding and reporting will also require adequate funding for meaningful evaluation, including resourcing and supporting user-led evaluations of services and programs to ensure that they are delivering outcomes that are responsive to client and community needs. While the need for evaluation is acknowledged, underfunding often means that this important element is overlooked. More work around appropriate evaluation methods and the level of information that should be collected to enable services, funders and the community to adequately



understand a program's outcomes and its impact on community wellbeing should be the focus of reporting. Where true value can be demonstrated in the reporting task and a clear link to program delivery is established organisations are enthusiastic about undertaking this activity.

ACOSS also disagrees with the Productivity Commission's assessment that the problem to date has not been contestability itself but poor implementation of contestable approaches in the human services sector. Over the past 10 years, ACOSS has monitored closely the impacts of efforts at sector reform, including contestability and government contracting processes, on the effectiveness and sustainability of human service delivery. We have particularly focused on the impact of such reforms on the sector's capacity to adequately meet the needs of people and communities. ACOSS' work in this area suggests that to support effective outcomes for people and communities, procurement processes need to encourage innovation, trust and collaboration and flexibility. Instead, current procurement processes are often burdensome for community service organisations and do not respond to the reality of human service work. This is particularly true of competitive and open tender processes, which structure competition into relationships within the sector that ought otherwise to be collaborative and results in fragmentation across the service system and reduced capacity to respond adequately to need. Through these processes, risk management remains the prevailing approach to procurement and contract management on the part of government. As a result, current tendering practices are not always effective at delivering the outcomes required, because they focus on risk minimisation rather than supporting innovative and contemporary service models.

In addition, competitive tendering risks compromising the sector's diversity and effectiveness through its tendency to advantage larger, 'preferred' and, increasingly, for-profit service providers, which may not be able to deliver better outcomes for individuals and communities. The value of specialist local knowledge can be overlooked through these processes, and efficiency in relation to administration over emphasised. Changes to the way homelessness services are funded in NSW, which resulted in tenders being granted to large, generalist service providers and the loss of specialist services is a case in point. ACOSS describes the risk of decreased diversity of service providers in terms of the loss of 'specialist' service providers, which are often locally connected and well-placed to respond quickly and effectively to local need in a single or limited number of service areas, in favour of 'generalist' service providers that can deliver a broader range of services across multiple locations. Elsewhere, ACOSS has suggested that the value to government in purchasing services from for-profit providers may be in their capacity to focus on short term cost reductions, rather than greater effectiveness in terms of outcomes achieved.

While recognising the impact of short-term funding cycles on service quality and effectiveness, the Report fails to acknowledge the impact of chronic underfunding by



government on the effectiveness and sustainability of human service delivery. In 2010 the Productivity Commission found that governments routinely underfunded community service organisations contracted to deliver services on their behalf by 30% of the full cost of service delivery, a finding replicated and confirmed in 2014 by the WA Economic Audit Commission. Underfunding of human service delivery affects service quality and effectiveness in a number of ways, particularly by tightening access to services, which prevents people getting the help they need and reduces both service flexibility and the time workers spend with clients; reducing organisations' capacity to: pay market wages to staff, resulting in high turnover and a loss of organisational and corporate knowledge within organisations; invest adequately in professional development, training and, critically, in regular evaluation of service models and innovation; and engage in policy development and advocacy, which are critical to ensuring government policies and programs effectively address structural social and economic disadvantage.

Based on this body of work, ACOSS argue that competition and contestability are not pre-requisites for the effective commissioning of human services by government and that there is clear evidence that the introduction of contestability into family and community services has contributed to reduced effectiveness. As such, we would also question the Report's finding that 'measures to ... introduce greater competition between service providers could create incentives for providers to improve services in some areas', particularly in light of the lack of specific evidence to support this claim.

Finally, across all jurisdictions, the community sector has expressed a level of reform fatigue, caused in large part by the relentless pace and volume of State, Territory and Commonwealth reforms in recent years, which also impact organisations' capacity to focus on their core purpose: delivering effective services and outcomes for people and communities.

Human Services in Remote Aboriginal Communities

ACOSS agrees with the Productivity Commission's assessment that current arrangements for purchasing and delivering human services are not fully meeting the needs and preferences of Aboriginal and Torres Strait Islander people in remote communities and that improving quality, cultural appropriateness and service co-ordination, implementing place-based service models and implementing stable policy settings and clear lines of responsibility are all important factors in achieving better outcomes.

However, beyond referring to the ideas developed in the family and community services section discussed above, the Preliminary Report makes no clear argument as to how competition policy might contribute to achieving these outcomes in remote service delivery. As such, ACOSS again questions whether the reform contemplated



by the Productivity Commission comprises 'competition' or needs to be pursued within this framework. Indeed, competitive and contestable arrangements are already in place in remote Aboriginal communities, where they are typified by sporadic service delivery and a lack of capacity to deliver the full range of services required to meet need, due in part to inadequate levels of funding and in part to high rates of staff turnover in a largely fly-in-fly-out workforce and an associated lack of local knowledge and relationships. The limitations of competition policy to deliver outcomes in 'thin' markets are particularly evident in human service delivery in remote Aboriginal and Torres Strait communities, including the exploitation of the lack of competition by service providers, which manifests in inflated prices and poor service quality. As highlighted in our initial submission to the Inquiry, where there are none or few government providers, market failure poses another challenge that could have considerable negative impacts on people in remote Aboriginal and Torres Strait Islander communities.

In approaching the task of improving service effectiveness and outcomes for remote (and non-remote) Aboriginal and Torres Strait Islander people and communities, ACOSS' starting point is that self-determination, co-design and community control of service delivery must be fundamental and defining principles. As such, it is critical that governments continue to directly support local, community-controlled service delivery in remote Aboriginal and Torres Strait Islander communities. Where there is a role for non-Indigenous organisations to play in service delivery in remote Aboriginal and Torres Strait Islander Communities, under the principles articulated this must necessarily be a complementary and supportive role, as described in the [Principles for a Partnership-centred approach for non-government organisations \(NGOs\) working with Aboriginal and Torres Strait Islander Organisations and Communities](#), which ACOSS developed with Aboriginal-controlled organisations and others in the community sector to guide the development of a partnership-centred approach between Aboriginal and Torres Strait Islander and mainstream NGOs in tendering for program funds and engaging in the delivery of services or development initiatives in Aboriginal and Torres Strait Islander Communities. Instead, to date competitive tendering processes have resulted in local, community-controlled organisations with proven track records in delivering outcomes for people and communities losing service tenders to larger organisations that can deliver economies of scale, but lack the local knowledge, relationships and responsiveness to effectively identify or address communities' needs.

Finally, it is unlikely that the expansion of competition policy or the reform of current contestability arrangements will be effective in isolation to address the underlying disadvantage inequality already experienced by Aboriginal and Torres Strait Islander peoples (whether they live in urban, regional or remote communities). This inequality extends beyond equity of access to services, demanding a more comprehensive approach to achieving equality of outcomes than simply ensuring access to services.

Public Hospitals

The Productivity Commission's findings with respect to improving outcomes within the public hospital sector focus on the introduction of greater user choice and contestability to improve outcomes for public hospital patients. ACOSS agrees that there is room to improve the effectiveness and efficiency of the health system in Australia to ensure its sustainability in the face of an ageing population and the growing burden of chronic disease. In its annual submissions to the Federal Budget process, ACOSS has consistently identified areas of wasteful expenditure in the health system (including for example the private health insurance rebate), the redirected savings from which would improve equity and access to health services, particularly for disadvantaged members of the community.

In the first instance, in Australia people are already able to exercise choice with respect to public hospitals. However most choose to access the one closest to them based on accessibility and convenience, a fact which renders unclear the grounds for the Report's assertion that greater user choice could disproportionately benefit disadvantaged groups that up until now have had fewer choices than other people. However, as noted by the Australian Hospitals and Healthcare Alliance (AHHA) in its submission, the introduction of competition in the provision of public hospital services by private providers raises a larger set of issues than simply providing more consumer choice. For example, there is a risk that private providers would likely be unwilling to take on complex cases due to the associated financial and clinical risks, with the result that the burden of these risks – and the associated implications for service 'outcomes' – would fall exclusively on the public system.

The report provides little evidence that supports a conclusion that increased competition would effectively address the existing, significant supply and demand problems across the public hospital network, which currently manifests in long waiting lists and waiting times for services. Once again, funding inadequacy, the lack of certainty about the quantum of Commonwealth Government funding for public hospitals beyond 2020, and the associated pressure on public hospitals to ration resources are of the major factors impacting on patient care, quality and wait times, not the absence of choice.

In addition, contestable processes to replace hospital management teams are already in place: their further expansion falls within the remit of state and territory governments, who are responsible for the provision of public hospital services within the federation. However, as with other areas of human service delivery, the costs to providers and to government associated with tendering processes and contract management ought to be born in mind when contemplating such reforms.

Finally, while ACOSS agrees that wider availability of consumer-oriented health information and hospital performance indicators would be beneficial to health service consumers, we echo AHHA's caution against a one-size-fits-all approach to providing health information to consumers. We would similarly highlight the



importance of contextual issues, including the socio-economic and health status of people within the catchment area, which may affect the capacity of different hospitals to achieve average levels of performance.

Public Dental Services

While noting that 84% of dental services are already provided by the private sector in Australia, the Preliminary Report suggests that the introduction of greater competition, contestability and user choice could provide consumers with greater control over when and where they receive services and improve service responsiveness to individual need. ACOSS has long advocated for improved access to oral health care services in Australia, particularly for people living with low incomes. More than one in three people delay or avoid dental treatment because they cannot afford it, and waiting lists for public dental services range from 9 months to 3 years (depending on location), with people in rural and remote areas generally subject to longer waiting times due to lack of services. People with particularly poor oral health and least likely to be able to access proper care and treatment include people on lower than average incomes, people living in rural and remote areas, Aboriginal and Torres Strait Islander people, aged care facility residents, people with disabilities, young adults on income support payments and sole parents (and their children). For example:

- 27.9% of adults with lower household income (up to \$20,000) experience severe impact on quality of life due to oral health conditions compared with 7.5% of adults with higher household income (over \$80,000);
- The adult Aboriginal and Torres Strait Islander population has 2.3 times more untreated tooth decay than non-Indigenous people; and
- Public dental patients are more likely than other people in Australia to have dental decay.

Because dental services are not part of universal health care in Australia, the majority of unmet demand arises from a combination the high cost of dental services in the private market and inadequate funding for publicly provided services, eligibility for which is restricted to people on low incomes (specifically those who hold Commonwealth Health Care Cards), which results in long waiting times. As noted above, low availability of even private dental services in regional and remote areas also contributes to high levels of unmet demand across the system. As such, addressing accessibility and affordability of services must be the priority for reform in public dental services: the Productivity Commission's focus on 'user choice' in this context is misplaced. In addition, it is unlikely that, on its own, the expansion of competition in public dental services would address affordability issues and service availability at the local level.