Australian Government
Department of Social Services

SUBMISSION TO THE PRODUCTIVITY COMMISSION'S INQUIRY INTO *DELIVERING QUALITY CARE MORE EFFICIENTLY*

September 2025

The Department of Social Services (DSS) welcomes the Productivity Commission's interim report on *Delivering quality care more efficiently*.

The DSS notes the Productivity Commission's draft recommendation to "establish a National Prevention Investment Framework to support investment in prevention, improving outcomes and slowing the escalating growth in government care expenditure". DSS agrees that such a Framework would be beneficial to demonstrate the long-term social and financial benefits of preventative policies and considers that this approach could be extended to other social policies and policies with preventive benefits.

DSS agrees with the Productivity Commission that the "benefits of prevention can take long periods of time to arise and do not necessarily align with government departments or tiers of government". DSS agrees that it is important to measure the benefits of prevention across portfolios and across jurisdictions (including potentially its impact on state and territory funding agreements, facilitating a focus on benefits sharing, rather than short-term cost shifting). DSS notes previous work exploring the quantification of long-term benefits of prevention policies, including New Zealand's Investment Approach, DSS's Priority Investment Approach and Try, Test and Learn, and more recently Victoria's Early Intervention Investment Framework.

A more structured approach to prevention could yield benefits across healthcare, justice and social welfare system by taking account of reduced future spending. For example, policies that reduce domestic violence and support the capability and capacity of families in vulnerable circumstances to care for their children, while costly, could reduce the number of children entering out-of-home care. The benefits of this approach are potentially significant. According to the 2025 *Report on Government Services*, states and territories spend $147,415 a year per child, on average, in out-of-home care and as much as $1.2 million if the child is in residential care. Further, out-of-home care often results in poor outcomes not only in the lifetime of their child, but can also entrench disadvantage for future generations.

Current efforts to quantify benefits of preventative policies are limited in capturing future benefits. For example, the Productivity Commission's research on Australia's Prison Dilemma estimated that the ACT Government's Extended Throughcare program resulted in a net saving of $14,334 (200 per cent return) within 3 years by reducing people returning to prison by 23 percentage points. The Productivity Commission found evidence that the program also resulted in improvements to participants physical and mental health and reduced homelessness – however, the savings to health, housing and social security system and impact on family and future generations were not quantified.

DSS also agrees with the Productivity Commission that to facilitate such reforms it is important to "enable consideration of the second-round and longer-term fiscal effects". Often the first-round impacts are not taken into account due to confusion about whether it is a direct behavioural impact or a second-round effect. By not considering the first-round and second-round impact of a policy, the benefits of preventative initiatives are not correctly measured and the cost of reforms may be overstated. This can lead to less informed policy decisions and an under-investment in preventative measures, thereby leading to costly acute supports and interventions later.

The inclusion of both the first-round and second-round effects is important for significant proposals as it reduces the risk that the flow on effect of proceeding or not proceeding with a policy is ignored – overlooking these effects not only ignore the potential benefits but also the potential costs of policy.

The National Prevention Investment Framework could specify that proposals should seek to estimate the impact on the Australian Government's net worth as well as country's **net worth** where the impact is significant. This would allow benefits to be measured where possible to support decisions, rather than a focus on the short-term impact on the underlying cash balance over the forward estimates period. This could be achieved using net present value calculations and complemented by Internal Rate of Return (IRR) modelling to compare alternatives proposals with different timeframes. This analysis could be used to support decision making. Where it is not possible to quantify some components of the impact, a description of the anticipated impact could be documented to enable decision makers to apply judgement to weigh quantitative and qualitative costs and benefits.

A key benefit of this approach is it creates better incentives for policy proponents to draw on and develop an evidence-base to inform policy development. This leads to a culture of evidence-informed policy, evaluation and continuous policy improvements over time.

Evaluation would need to be considered at the outset of policy design – including data collection and potentially policy trials. The public service does not necessarily need to conduct the evaluations but could enable experts and academics to conduct the evaluations, as they have incentives and a peer-review process to produce high-quality research.

To achieve this, data would need to be collected and available for use by Commonwealth, States and Territories as well as potentially implementing organisations. This data should not only be used for evaluation, but also enable governments to work together to provide case management and wrap around services across government and with enabling organisations. A federated data system with real-time virtual data sharing could enable this. It was also provide a high level of security as there is no centralised dataset that is a 'honey pot' for cyber-security risk. Such systems have been used for many years in countries like Estonia's X-Road data exchange platform (an open-source system). This reduces data duplication across government, provides better services delivery and helps government improves policy outcomes for citizens.