

10 February 2017

Productivity Commission  
Inquiry - Reform of Human Services  
GPO Box 1428  
Canberra City ACT 2601, Australia

To Whom It May Concern,

### **Inquiry – Reform to Human Services**

The VHA is pleased that the Productivity Commission's Issues Paper has identified some of the pitfalls of introducing market based reforms to Human Services but we are extremely concerned that the Commission has not fully comprehended the potential implications of implementing these changes, particularly regarding their effects on vulnerable clients and smaller providers. The VHA is the peak body representing public hospitals, community health services and public aged care in Victoria and we are keenly interested in discussions regarding reform to the provision of publicly funded services.

We agree with the Commission's assertion that some clients will benefit from having greater choice over the services that they access in order to take better control of their health, but believe that many clients require significant support to access appropriate health care. We do not agree with the Commission's assertion that many markets for health care operate similarly to markets for cars or groceries (Issues Paper Pg 6); indeed deciding the mix of services required to deal with complex health issues and which providers to use is very challenging for many people due to significant information asymmetry. Clients also need to be provided with high quality data to support them to make decisions about which services they access, and due to its complex nature will often need assistance to understand this data fully.

The Commission stated that in some situations, for example during a medical emergency or when dealing with some types of mental health conditions, people may be unable or unwilling to make their own choices about services that they access. However, the Commission needs to consider this issue in greater depth as many people are simultaneously dealing with a range of health conditions and difficult social factors (e.g. poverty or family violence) and find it difficult to engage with health services without significant support and follow up from clinicians.

Currently, public health providers such as hospitals and community health services provide wrap around, holistic care and support to clients with regular follow up, phone calls and monitoring to ensure patients attend appointments and are able to meet their goals of care. There is a significant risk that this will be lost in a market-based environment where clients have their own health budgets and may receive services from multiple providers with little coordination. A mechanism would need to be developed to ensure that clients are supported to manage their complex care needs, but this will not work in a centralised "call centre" situation with staff that are inexperienced in dealing with the multi-faceted health problems that many clients present with at public hospitals and community health centres on a daily basis.

We also urge the Commission to consider the balance between collaboration and competition in introducing market based reforms. Individual components of the public health system such as palliative care do not work in isolation and are highly integrated with other services such as acute, specialist and community based care. There is a significant risk that in a competitive environment this collaboration will be lost as providers compete to offer the same services.

There are also risks for providers in a marketised health environment. Reforms could lead to instability in markets as providers will be unsure if they will be funded to provide services after their contracts expire. Similarly, smaller niche providers will often find it difficult to adjust to larger market reforms. Our experience with NDIS and MyAgedCare reforms shows that small providers find changes such as these difficult and in many cases are running at a financial loss.

The Commission needs to be careful that in making any recommendations with regards to contestable arrangements, it gives explicit consideration to ensuring services provided to vulnerable clients are not disrupted. Providers work very hard to engage vulnerable clients and gain their trust but may disengage from a service if the provider is changed. A reliance on performance based payments for services may also lead to cherry-picking of service users by providers, especially if they are dealing in services where profit margins are very tight as is the case with the NDIS.

Finally, in papers published by the Commission in conducting this inquiry, it was often noted that the quality of our public health services (e.g. public hospitals and palliative care) compares very well with similar services internationally. Some of the market-based approaches being considered by the Commission represent significant changes for services and whole sectors and the question needs to be asked – if the services are performing well, why change them so dramatically? The VHA recognises that no public health service is perfect and should strive to continually improve, but perhaps providers and clients alike will benefit most from gradual changes that will not be disruptive to highly performing services.

Yours sincerely

Tom Symonds  
Chief Executive Officer