

20 December 2004

Review of NCP Reforms
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Sir/Madam,

Submission on Discussion Draft

Aged and Community Services Australia (ACSA) is pleased to make the following brief submission on the Commission's Discussion Draft dealing with its Review of National Competition Policy Reforms. I would like to commend the Commission for the production of such a high quality report and for raising some of the very important questions that need to be addressed.

ACSA would like to comment on two aspects of the Discussion Draft - the recommendations concerning reform of the health system in Australia and the discussion of the past application of competition policy in the field of aged and community care.

Health and Aged Care Reform

ACSA supports the broad thrust of the Commission's recommendation that the structural problems underlying Australia's health system need to be addressed. The problems experienced by people, not least older people, in getting the care they need as they move from one part of this fragmented system to another, are significant. Such problems may be able to be partially addressed by other means, but the most lasting and profound solutions are likely to be found through structural reform. The overall effectiveness and efficiency of the care system is fundamentally handicapped by the division of responsibility between the Commonwealth and State Governments

ACSA is less sure that it is possible or desirable to consider aged care separately from the national health reform agenda. We are convinced that it is incorrect to consider residential aged care separately from the care of older people in the community, in their own homes receiving care from family, friends and formal services.

The Discussion Draft notes that the "important issues to do with the interface between the health and aged care sectors would be examined in the national review of the health sector proposed..."(p269). It goes on to identify the short term priority, for residential aged care, as being monitoring the impacts of recent changes made as a result of the Hogan review. In our view it is essential that the links and potential links between health care and aged care, including community care, are kept central to the thinking around health system reform and not dealt with separately as 'interfaces'.

Currently many aged and community care services are providing care to people on their discharge from acute care or in order to prevent inappropriate admission to such care. Services such as these have the potential to enhance the overall efficacy of the care system, and to promote better outcomes for older people. We would be concerned that the potential of services such as these might be overlooked if health care and aged care are seen as separate but in need of an interface.

In ACSA's view the recent Hogan review of residential aged care, to which the Discussion Draft refers, was similarly a little limited by its terms of reference and prone to regarding residential aged care as a stand-alone 'product' rather than as one aspect of a whole repertoire of care services need and used by older people. Most of members of the ACSA Federation provide a whole range of services to older people, and younger people with a disability. These include specialised housing, such as Independent Living Units and Serviced Apartments, residential care and community care. It is important that this breadth of care and support options is enhanced, rather than restricted by any reform process.

Issues with the Application of Competition Policy

On other aspects of the Discussion Draft ACSA supports the observation that "Funding systems and funding adequacy are also critical to the quality of service and achievement of good outcomes" (p244) It has been our members' experience that, too often, competition-inspired reforms have been accompanied by a cost-cutting agenda. The most common failing of, poorly-executed, moves toward the purchase of services on an output basis for example has been the propensity to try to purchase at the marginal unit cost of service rather than at the average or true cost.

As a generalisation, the purchase of human services by governments, both Commonwealth and State, has paid insufficient attention to the overhead costs associated with the delivery of high quality services. The need to coordinate services for particular clients; to develop new services or adapt existing ones to better respond to clients' needs; or to build and maintain the infrastructure needed for tomorrow's service delivery in areas such as staff development are part of the cost of sustained service delivery.

In rural and remote parts of Australia there is often nothing to gain from the use of competitive mechanisms. This has not stopped governments around Australia from imposing them from time to time incurring a cost for taxpayers where there is little likelihood of any return. ACSA supports the Commission's commentary on purchaser-provider arrangements at pp 252-3 in the Discussion Draft.

Too often the 'purchasing model' appears to assume that all wisdom and knowledge about how best to meet clients' needs resides in government departments and that it can be all effectively captured in program guidelines and manuals. This could be the only coherent rationale for attempting to purchase services only on the basis of their marginal unit costs. It is a false assumption and one with potentially damaging medium and long term consequences for the delivery of human services. It is our contention that a great deal of the innovation in service delivery in the aged and community care sector has originated from the interaction of services with their clients and not from the inspiration of policy makers or politicians.

ACSA supports the Commission's contention that 'well implemented' competition-based change, 'in appropriate circumstances' can bring 'overall benefit' (p250) but notes that these conditions have not always been met in practice.

I trust that these observations will be useful to the Commission in its further consideration of National Competition Policy. I would be happy to elaborate on any of them should you so desire.

Yours sincerely,

Greg Mundy
Chief Executive Officer
Aged and Community Services Australia