# Will reformed human services markets be a good thing for older Australians?

**Speech to COTA National Forum**
**Stephen King, Commissioner, Productivity Commission**
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## Introduction

The first line of the Productivity Commission's 2011 Inquiry Report on *Caring for older Australians* states:

> Older Australians generally want to remain independent and in control of how and where they live; to stay connected and relevant to their families and communities; and be able to exercise some measure of choice over their care.[1]

The Commission's 2017 Human Services Report notes that:

> … informed choice can improve outcomes for users because it: empowers people to have greater choice over their lives; enables people to make decisions that best meet their needs and preferences; [and] generates incentives for providers to be more responsive to users' needs and drives innovation and efficiencies in service delivery.[2]

Reforms to human services, need to focus on choice. Choice is empowering. Choice gives control to service users — to be able to say what they would and would not like. Choice provides both dignity and respect.

Reforms to human services markets are reforms about choice — and that will be a very good thing for many older Australians.

## Alternative approaches to delivering human services

Let me explain.

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1 Productivity Commission 2011, *Caring for older Australians*, Inquiry Report No. 53, 28 June, Canberra, p. xix.

2 Productivity Commission 2017, *Introducing competition and informed user choice into human services: Reforms to human services*, Inquiry Report No. 85, 27 October, Canberra, p. 5.

Broadly, there are two approaches to the delivery of human services. The first is a provider-centred approach. Under this approach service users get told what they can receive, when they can receive it, and who will provide it. They get little if any choice. The funding follows the provider and the service user is disempowered.

Sometimes this provider centred approach will be the best way to deliver a service simply because it is the only effective way to deliver the service. One example is where a service user is not in a position to make a considered choice, such as in an emergency medical situation. But in many situations where we see provider-centred human services today — such as a range of public health services, public housing, and areas of end-of-life care — reforms to improve choice and empower service users are feasible.

The alternative to a provider-centred approach is a user-centred approach where the funding follows the service user, and, in that sense, service users control the funding. With that control, they can choose what services they want to receive, when and from whom. Service users have choice. That choice occurs in a market where alternative suppliers present their case to prospective clients and the clients exercise choice. The choice is not limitless. Government controls both funding and the range of services by the amount of resources they provide service users, through rules of co-payments, by setting minimum standards for service providers and, in some cases, by controlling prices. But, service users are empowered to choose services that best meet their needs and providers have the incentives to develop those services.

## What do we mean by 'reform' in human services markets?

In reality, many human services are provided somewhere along the spectrum between these two approaches. They have provider-centred elements mixed in with elements of user choice. We see these different mixes, for example, in home-based aged care services in Australia.

Reform in human services markets is often about moving along this spectrum. It is about shifting the provision of human services towards a 'user choice' approach. It is about changing the way services are provided so that the focus is on the service recipient rather than the service provider.

So, will reforms to human services markets to improve choice be a good thing for older Australians? Yes — so long as they are designed appropriately.

## How do we reform human services markets?

### Market-based competition

First, we need market-based competition. Choice can only be effectively exercised if there are alternative providers offering alternative services.

So effective market reform for human services needs workable competition between service providers. For choice to be feasible there needs to be multiple providers offering services that all meet minimum standards but are also differentiated — bespoke services that can best meet different users' needs.

It is sometimes argued that competition is not needed for choice; that one provider offering multiple services will do. This is wrong.

Having one designated provider who supplies a list of alternative options is not effective choice. The service user will be at the mercy of the monopoly provider. And the monopoly provider has no incentive to innovate and better meet users' needs.

Similarly, having multiple providers who offer the same service that is tightly designated by the government is not meaningful choice. It is like 'pick a box' where each box holds the same prize.

Workable competition between service providers is the key to meaningful choice for service users. But in some situations, such competition may not be practical. For example, in some rural and remote areas there may be few, if any, potential service providers. The Productivity Commission recognised these practical constraints in its Human Services Report.[3]

### Information and guidance

Second, service users need access to and help with information. Service users cannot make appropriate choices without relevant information. Sometimes service users will need navigators — someone who can provide guidance and help them choose services that best suit their needs. Appropriate market reforms in human services do not assume that service users can simply 'work it out'.

For example, when considering reforms to public hospital services, the Productivity Commission noted the need for patients to have better information – like that available in England under their National Health Service. But we also saw the role of GPs to help patients navigate that information.[4]

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3 For example, when considering public dental services (*op. cit.* note 2, recommendation 13.5).

4 *Op. Cit.* note 2 at Chapter 10.

Recipients of human services in Australia often operate in either an information vacuum or suffer information overload. There is either little information — for example about the performance of or even the fees charged by our medical specialists — or reams of often complex information that confuses — such as in some areas of aged care services.

Effective market reform for human services require reforms to information and guidance. Service users require clear information with access to navigators where needed.

## Careful reform design

Third, reforms to human services need to be carefully designed. Human services markets are not like many other markets. For example, the service user may be paying none of, or only some of the price. Governments foot much of the bill, reducing the incentives for service users to make sure they receive value for money. The services are often complex and current decisions have long term consequences for service users. And in some situations, the party making the choice is not the service user but an agent acting on their behalf.

These features mean reforms in human services need careful design and testing, to ensure that they make service users better off. Poor reforms — whether focused on choice and markets or on a provider-centred approach — can harm, not help, service users. The Productivity Commission has referred to this as the need for effective government stewardship.[5]

We have seen some poorly designed reforms. For example, the use of crude performance indicators on waiting times in public hospitals has led to poor outcomes for patients, both here and overseas.[6]

Carefully designed reforms build protections for service users. For example, the NDIS Quality and Safeguards Commission is part of the National Disability Insurance Scheme. It aims to 'support NDIS participants to exercise choice and control, ensure appropriate safeguards are in place for NDIS supports, and establish expectations for providers and their staff to deliver quality support'.[7] Similarly, the recent jailing of a man with mental health problems highlighted the importance of both a 'default' service provider where individuals are unable or unwilling to choose, and a 'provider of last resort' where service providers are generally unable or unwilling to meet a service user's needs.[8]

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5 *Op. Cit.* note 2 at Chapter 2.

6 *Op. Cit.* note 2 at Box 2.5. See also Nocera, A. 2010, 'Performance-based hospital funding: a reform tool or an incentive for fraud?', *The Medical Journal of Australia*, 192(4), pp. 222-224.

7 See https://www.dss.gov.au/disability-and-carers/programs-services/for-people-with-disability/ndis-quality-and-safeguards-commission (accessed 27 June 2018).

8 For example, see Younger, E. 2017, 'Man with intellectual disability released from Melbourne prison after judge "horrified" by conditions', ABC news, www.abc.net.au, 24 November (accessed 27 June 2018).

All reforms need careful design. But this is not a reason to either avoid reforms that can improve outcomes for service users or to ignore current system failings.

### Transition

Finally, all reform, by definition, requires transition. This transition needs to be carefully planned, allowing for testing and trialling; timeframes that are long enough for users and providers to adjust, without unnecessarily delaying the benefits of reforms to users; and flexibility so that adjustments can occur to the transition path in real time.

Designing and managing transition is hard.

The Productivity Commission has recently completed a Study Report on the National Disability Insurance Scheme (NDIS) Costs. That report noted the 'unique and challenging' nature of the transition period as the NDIS reforms are rolled out.[9] It also noted that the initial 'rollout timetable for participant intake will not be met'.[10]

Potential problems in transition are rarely a reason to avoid reform. And in Australia, we are in the fortunate situation that further reforms to human services can benefit from experience learnt, both here and overseas, from past reforms.

## Conclusion

Will reformed human services markets be a good thing for older Australians?

In general, yes.

Indeed, they will be a good thing for many Australians.

Moving human services down the spectrum, away from provider-centred approaches and towards user choice in carefully designed markets, can provide many benefits. There are risks – but these are decreasing with experience. And the rewards, for the service users, their families, and the broader community, can be great.

9 Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Study Report, October, Canberra, p. 10.

10 *Op. Cit* note 9 at p. 12.