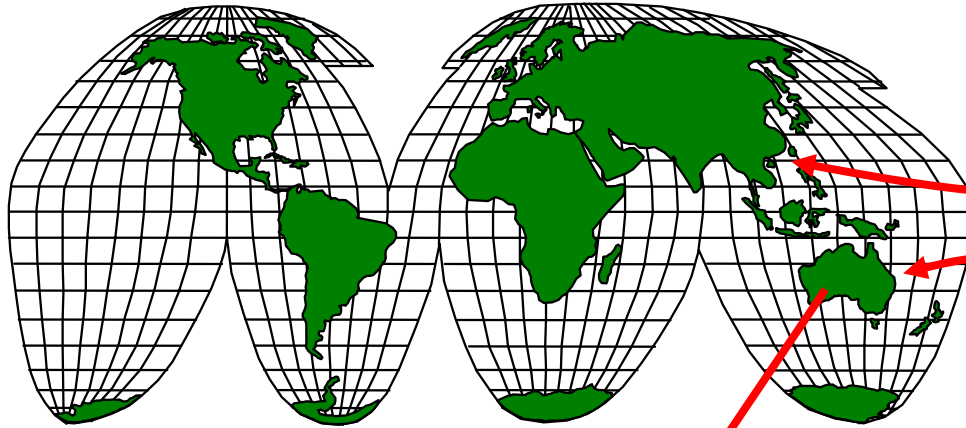
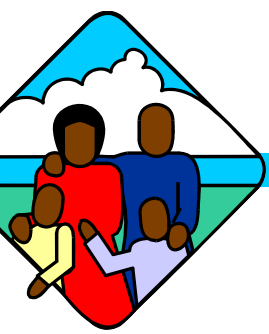


# **An Australian Policy Perspective on - Competitive Tendering Consumer Focused Funding Partnerships**

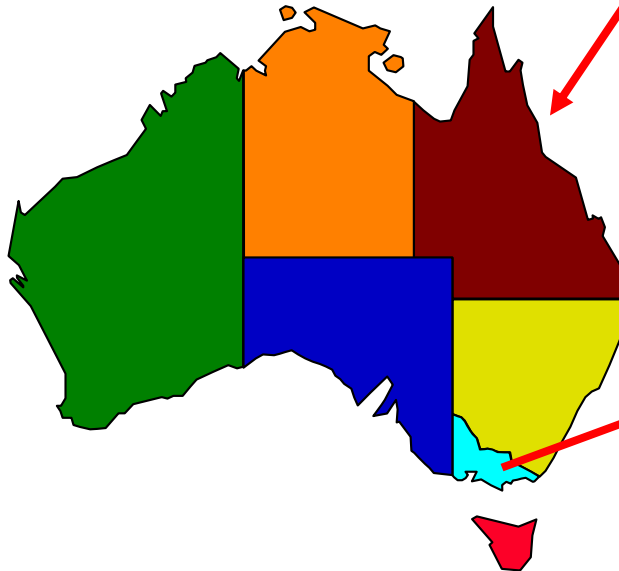
**Pam White**  
November 2002

# Where Is Victoria



**Hong Kong SAR**

**Australia**

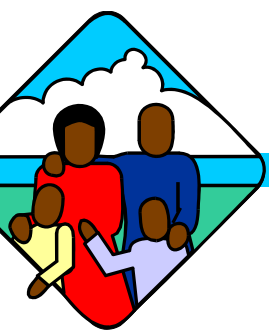


**Victoria**

**Melbourne**

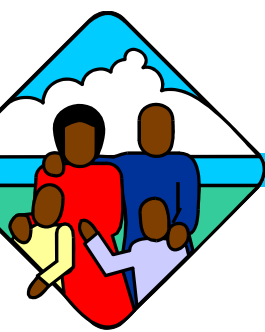


# Basic Comparison

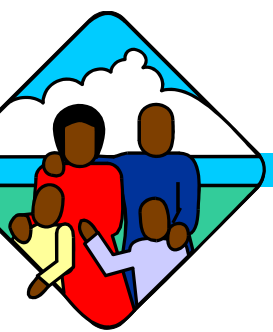


<b>Hong Kong SAR</b>	<b>Australia</b>	<b>Victoria</b>
<b>Area:</b> <i>total: 1,092 sq km</i>	<b>Area:</b> <i>total: 7,686,850 sq km</i>	<b>Area:</b> <i>total: 228,000 sq km</i>
	<b>7,000 times larger than HK</b>	<b>200 times larger than HK</b>
<b>Population:</b> <i>7,303,334 (July 2002 est.)</i>	<b>Population:</b> <i>19,546,792 (July 2002 est.)</i>	<b>Population:</b> <i>4,800,000 (July 2002 est.)</i>
	<b>2.7 times pop of HK</b>	<b>Two thirds pop of HK</b>
<b>Population per sq km 6,688</b>	<b>Population per sq km 2.54</b>	<b>Population per sq km 21</b>
<b>Age structure:</b> <i>0-14 years: 17.5%</i> <i>15-64 years: 71.6%</i> <i>65 years and over: 10.9%</i>	<b>Age structure:</b> <i>0-14 years: 20.4%</i> <i>15-64 years: 67%</i> <i>65 years and over: 12.6%</i>	

# Background: The Victorian Context



- **Socio-economic profile**
  - 4.8 million people
  - Ageing population
    - 0-4 from 6.3% to 5.4% of the population
    - 0-19 from 19.8% to 17% of the population
  - Families with children increasing by 1%
  - Single parent families now 22% of families

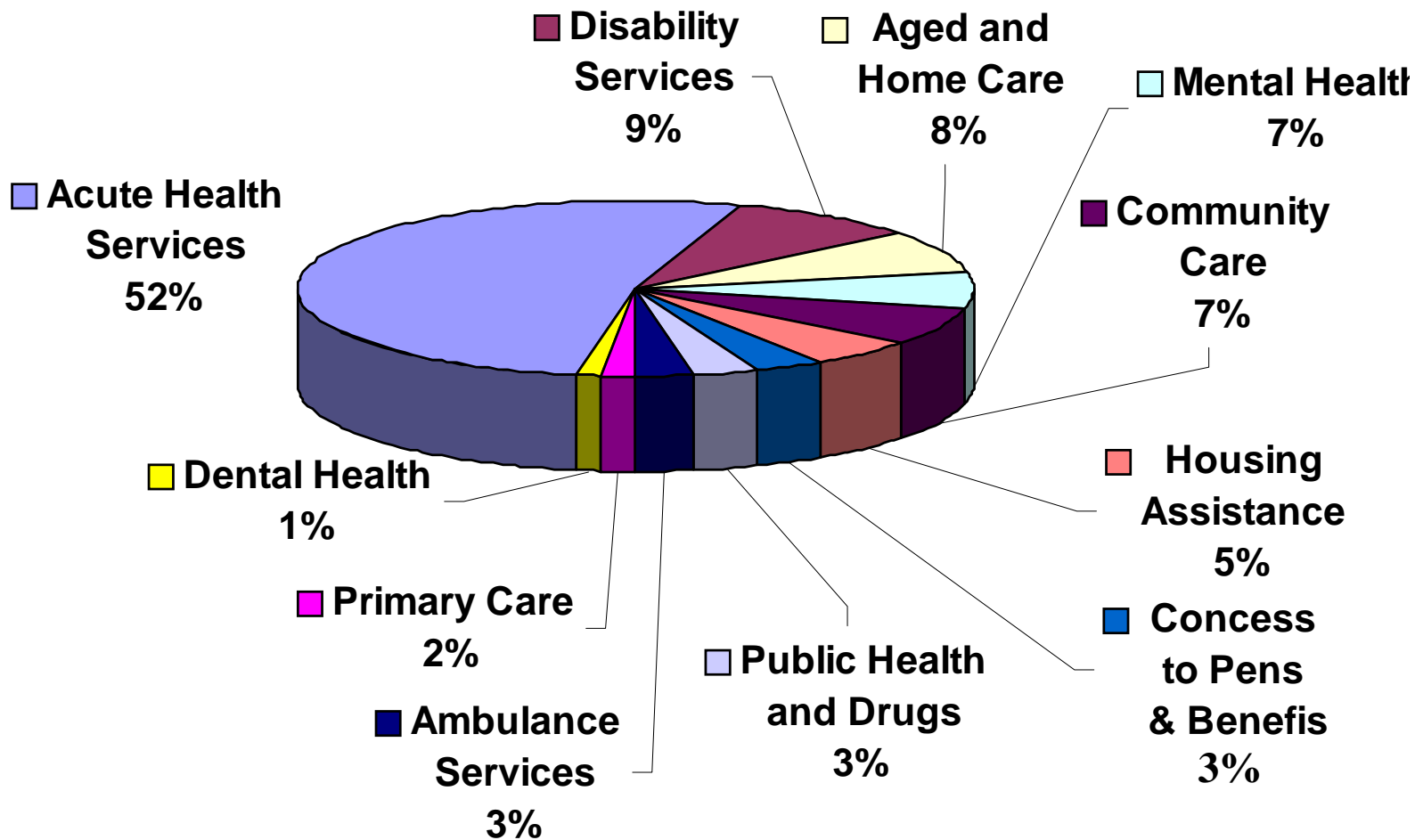


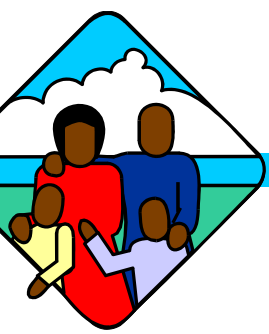
# Expenditure on Health and Community Services \$M

Program	AUD m	HKDm
Acute Health Services	4,467.30	19,459.6
Disability Services	766.6	3,339.3
Aged and Home Care	679.4	2,959.5
Mental Health	588.5	2,563.5
Community Care	576.2	2,509.9
Housing Assistance	440.7	1,919.7
Concessions to Pensioners & Beneficiaries	284.7	1,240.2
Public Health and Drugs	253.4	1,103.8
Ambulance Services	248.9	1,084.2
Primary Care	148.3	646.0
Dental Health	84	365.9
<i>Total</i>	<i>8,538.00</i>	<i>37,191.5</i>

**In total \$6,700m or 89% will go to 2,616 externally delivered services  
In community Care 30% of services are internally provided 70% external**

# Expenditure on Health and Community Services %

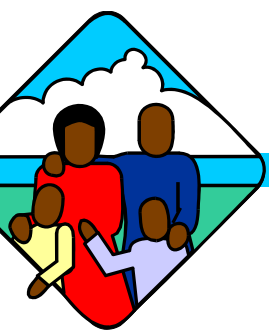




# Drivers of Policy Change



# Context



- **1900-1993**

- **Stable policy context**
- **Steady growth in spending health & community services, with some peaks in the late 1980's**
- **Funds allocated directly or on the basis of submissions**

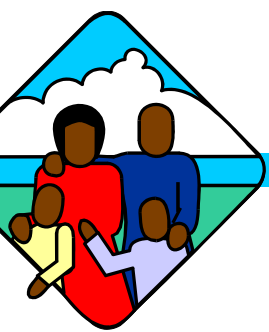
- **1993-1999**

- **Significant shift in policy to emphasise**
  - **Purchaser/ provider split**
  - **Competition**
  - **Unit cost/output based funding**
  - **“Smaller government”**

- **1999-2002**

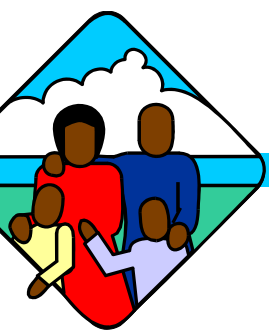
- **Partnership Approach**

# Background to the Changes: 1993-1999

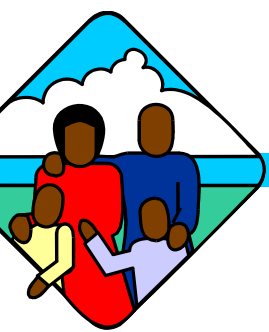


- **Australia in recession in early 1990s**
- **Analysis of the reasons were that the Australian economy was too:**
  - insular
  - inward
  - protected
- **The solution:**
  - open up the economy to competition
  - deregulate
  - reduce protection

# Background to the Changes: 1993-1999



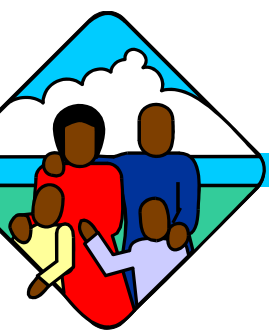
- **Health & Community Services were not central to this analysis however the same analysis and solutions were applied**
- **The analysis indicated that services were:**
  - Inefficient
  - Unnecessarily expensive
  - Rigid
  - Burden of risk borne by Government
- **Solution:**
  - Competitive tendering
  - Contracting out of Government Services
  - Client focussed funding



# Different Approaches

- **Contracting out**
  - When services delivered by the Government are put out to tender to private or non-government sector
    - Public transport, public hospitals, welfare services.
- **Competitive Tendering**
  - When Government allocates funding by preparing service specifications and asking agencies to compete by submitting an interest by tender
- **Consumer/Client Focussed Funding**
  - Specified levels of funding are allocated to individuals for services. The choice of provider is left to the client or their family

# Some Examples of Activity



- **Contracting Out**

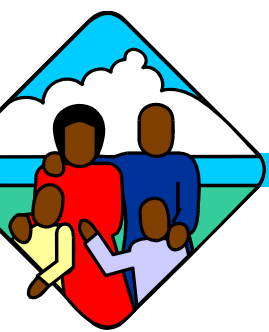
- Out of Home Care for children removed from parents
- Mental Health Services
- Hospital Services

- **Competitive Tendering**

- All new money associated with service expansions
- Planned to apply to all existing services every 3 years

- **Client Focussed Funding**

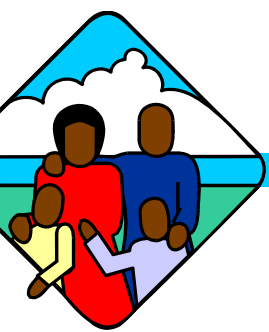
- Day Services for people with a disability



# Competitive Tendering

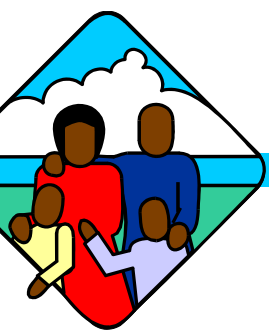


# How Far did it Go?



- **Implementation patchy**
  - some planned tendering ceased, others never got past the planning phase, some went ahead. Most advanced in health and corrections. Plans well developed in Community Services
- **The relationship between the Government and non-government sector**
  - changed with the emphasis on the Government as a “purchaser of services”
- **Output based reporting and funding was introduced for both the Government and NGOs**

# Success or failure? A personal observation



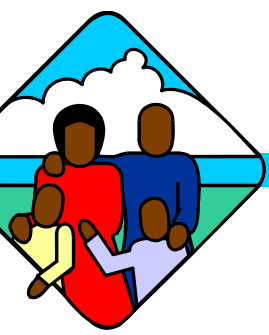
- **Elected Government**

- In Victoria it damaged the Government in the eyes of the electorate

- **Government Administration**

- ✓ Transparency of funding decisions
- ✓ Easier to implement change
- ✓ Feeling that innovation and responsiveness could be rewarded
- ✗ Increased workload
- ✗ Altered the relationship with NGOs
- ? How to assure quality while allowing flexibility

# Success or failure? A personal observation

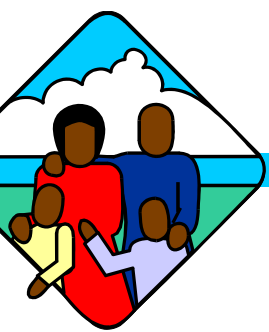


- **NGO's**

- ✕ ✓ Some agencies became very successful others not
- ✕ Damaged relationships between agencies
- ✓ Government required to define outputs and costs
- ✓ Transparency in decision making

- **Clients**

- ✕ ✓ Variable depending on the agency and the service
- ✕ Where mistakes were made it was very damaging
- ✓ In some areas there was improvement



# Some things can make it worse

- **When there is only one provider**
- **When it is difficult to specify what outputs/outcomes are to be achieved**
- **When the Government has not established:**
  - a clear and realistic price
  - a quality framework of standards, indicators and monitoring
  - eligibility requirements
- **When individual tendering decisions results in a series of services and not a service system to meet the needs of people**

# Unexpected Consequences



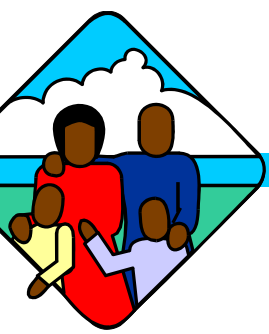
- **Tighter focus and specification can limit services**
- **Agencies may pick the ‘easy’ clients and/or demand high incentives to support more challenging clients**
- **Agency consolidation can lead to a loss of local ownership and goodwill**
- **Reduced diversity**
- **Reduction in the quality of services**
- **Unviable agencies**

# What Lessons are there for Governments?

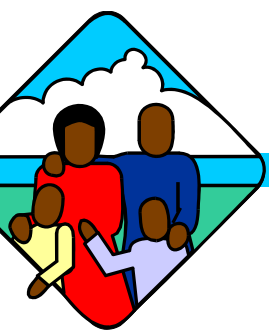


- **Tendering is but one tool for Government and it should never be the only tool**
- **Government must have a robust, defensible view on costs, including the costs of physical assets, and quality.**
- **Competition on price is generally not advisable**
- **Roles and responsibilities must be clear**

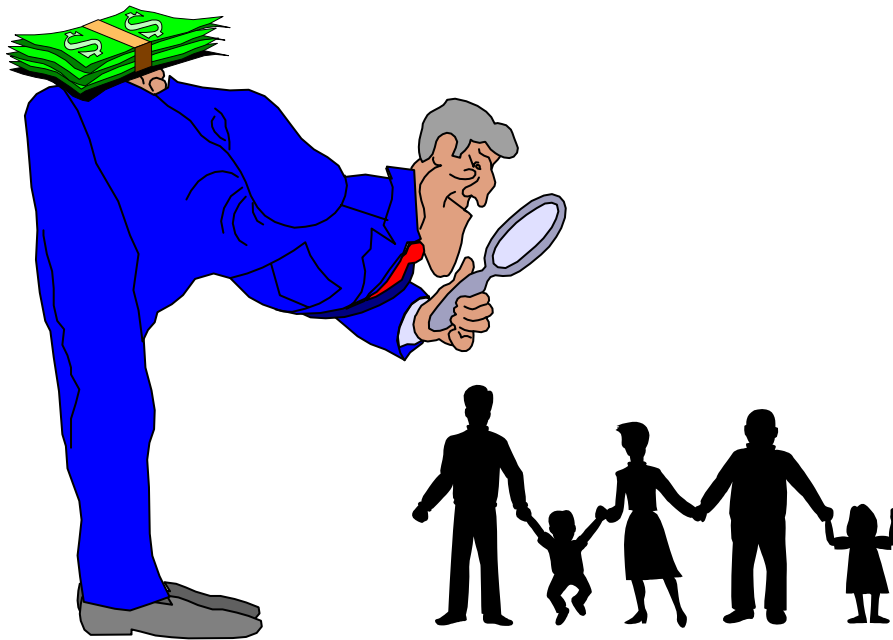
# What Lessons are there for Governments?

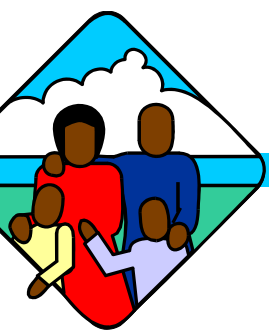


- **Government must have a service system perspective and accommodate these into any purchasing or funding approaches**
- **Government can never transfer the financial and/or political risks in areas for which it is seen as being responsible. In Victoria these are hospitals, child welfare, disability services.**



# Consumer Focused Funding





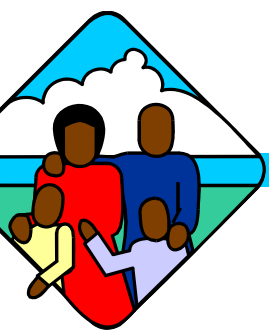
# Consumer/Client Focused Funding

- **Funding is allocated to individuals for specific or general purposes. Choice of which provider and/or service, rests with the individual**

**Versus**

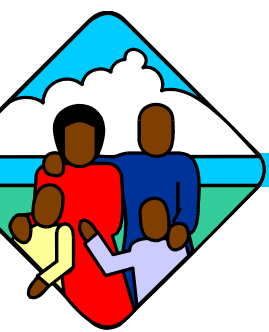
- **Funding is allocated to NGO's to deliver services to eligible clients**

# Victorian Experience



- **Futures for Young Adults**
  - Funds are allocated to clients on the basis of an assessment tool. These funds are used to access day activities from approved providers
- Impact:
- **Clients & Families**
  - Empowered clients and families
  - Some improvement in the variety of services offered to clients

# Victorian Experience

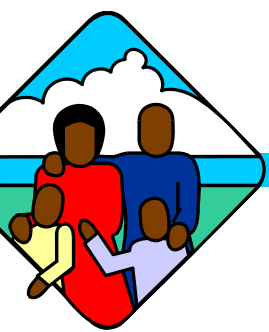


- **NGOs**

- Initially NGOs were anxious about their ability to predict income and plan for staff and services
- Client movement has not been as great as feared, however the risk still remains

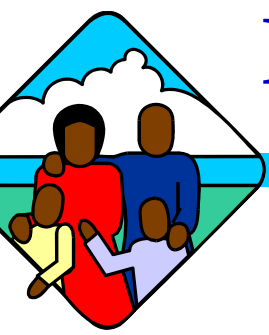
- **Government**

- Feels positive about providing a disempowered group with some control and choice
- Is planning to extend the concept to other areas



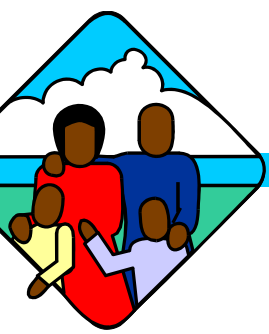
# Is Client Choice a Risk to Clients?

- **No, but clients need a service system and services to make the theory of choice a reality**
- **System Issues**
  - Choice still requires the development of a quality framework which includes standards and monitoring
  - Quality control is more difficult
  - Assessment is more important when it is linked to funding
  - The funds allocated must be realistic
  - Decisions made by one client can impact on others

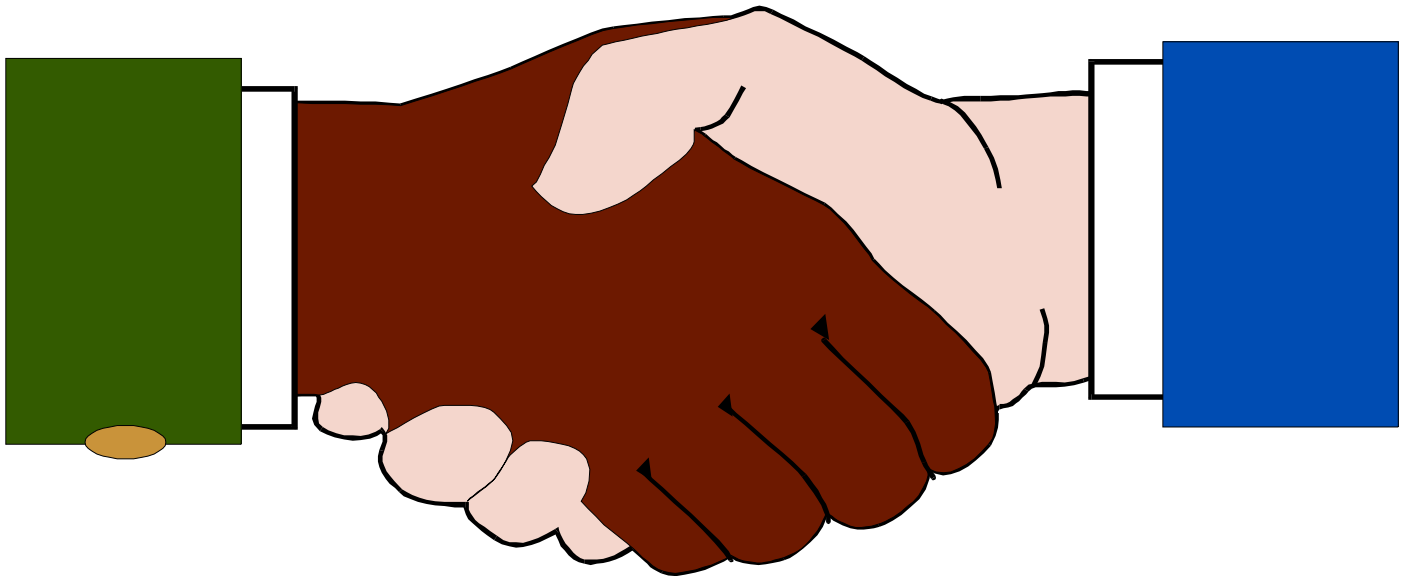


# Is Client Choice a Risk to Clients?

- **Service Availability Issues**
  - Government must retain an interest in ensuring the continued existence of committed, experienced and viable NGO's
  - Clients and families are more likely to specify the features of services if they feel they have control of the funds and Government and NGO's need to work together to attempt to meet these expectations
  - The provision of services in isolated areas may pose issues of service viability and availability
  - Challenging clients may not have a choice



# New Emphasis on Partnership

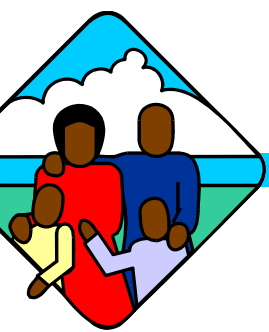


# Partnerships in Victoria



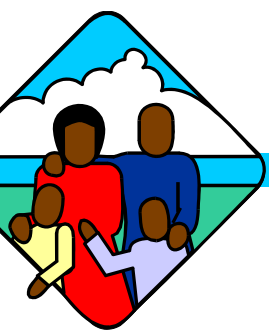
- **A more balanced approach to funding**
  - The threat of extending tendering from just new funding to historical funding has been removed
  - Moving to a situation where base funding is guaranteed unless there are serious issues of quality
  - Competitive tendering is still used where there is a significant growth in new funding for services
  - Tendering is now combined with a capacity to allocate directly where agreement is reached locally or a lesser level of new funding is involved

# Partnerships in Victoria

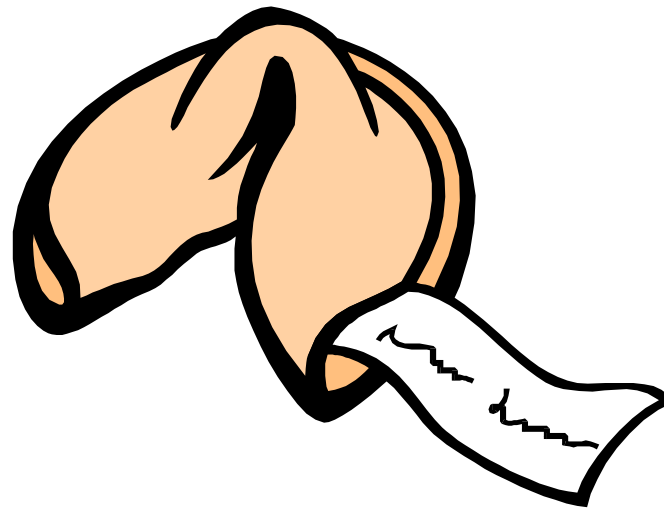


- **Beyond Funding**

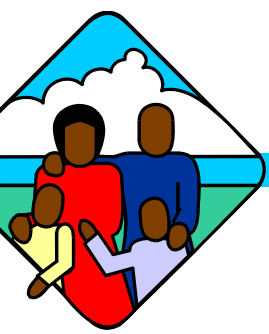
- Partnership Agreement which outlines roles and responsibilities of the Department and NGO's and commits both parties to a work program
- Quarterly Partnership Forum chaired by the head of the Department and attended by the most senior staff of the Department and NGOs
- Increased collaboration on key policy and program issues



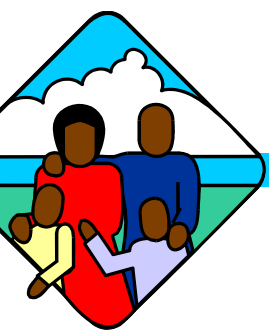
# Conclusion



# Why do these approaches look attractive to Government



- **Challenges rigid service providers**
- **An ability to manage costs**
- **A way to reward responsiveness in a defensible way**
- **An ability to achieve rapid change**
- **Legitimizing decision making**
- **These issues can be dealt with without competitive tendering; the challenge is to achieve it in partnership**



**Thank You**

**Pam White**