

Outsourcing Community Service Delivery

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OUTSOURCING SERVICE DELIVERY



KinCare

RESPONSE TO THE INQUIRY INTO GOVERNMENT COMMUNITY SERVICE DELIVERY

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Introduction

NSW operates a strong service system that has a positive impact on the quality of life of hundreds of thousands of people each day. The system has a mixed model with both government and non-government organisations making an important contribution.

There is an opportunity to continue strengthening the service system in NSW and to take a greater position of leadership in the national system. This review is a timely opportunity to explore opportunities to increase efficiency and have a greater impact on the quality of life of clients. This process does not have an end-point but is a constant challenge to both government and industry to continue improving services.

Our response to the inquiry focuses on home care services as that is the area we have the most direct experience. The document commences with an introduction to the current system and key issues. Discussion is then focused around each of the Inquiry's terms of reference.

About KinCare

The KinCare Group has specialised in providing community care for older people and their carers for 20 years. We are one of Australia's leading specialist providers of community care services and incorporate:

- KinCare Community Services
- KinCare Health Services
- Stanhope Healthcare
- Private Care
- National College Australia
- Teleresponse Australia

KinCare developed from a health background and is very focused on improving the health and quality of life of consumers. We see community care and health services as a part of an integrated whole. To that end, we actively work with consumers, industry and government towards creating a seamless system that achieves better outcomes and operates more efficiently.

The KinCare Group operates across 7 states and territories, providing over 1.5 Million hours of service to over 10,000 clients per year.

In NSW KinCare provides:

- HACC Services
- Disability Services
- Health Services
- Packaged Care Services
- Respite Services
- Services for Veterans

We strive to provide “The Kind of Care We Want for Our Loved Ones....”

Current Situation and Key Issues

The delivery of community services is complex and challenging. It involves multi-faceted interactions across very large departments and agencies and smaller non-government services involved in social services, health, housing and at times law enforcement. Service delivery is people intensive and involves the exercise of a high degree of professional judgement.

Services are as important as they are complex. They have a direct impact on the quality of life of hundreds of thousands of people in NSW each day. Given how important these services are to people's day-to-day lives and the high degree of complexity and room for error, community services will always be important socially, economically and politically.

There is no single change that could be made to the system that will resolve all of its challenges in an affordable manner. However, there are many opportunities to continue building on the current foundation to further increase efficiency while also enhancing the quality and accessibility of services. It is important to continue striving for a service system that:

- Is easy to navigate
- Is consumer-centric
- Offers choice
- Operates in an integrated and efficient manner

It is timely to review the effectiveness of current approaches and to explore opportunities for enhancing service provision with these objectives in mind.

Government Role in Community Care

Government presently plays a very strong role in the service system in NSW. For many service types government is funder, regulator and provider.

Table 1 Examples of Government Roles

Role	Examples
Regulator	<p>All State Regulated or Implemented Service Types:</p> <ul style="list-style-type: none"> • HACC (in transition to Commonwealth) • Disability Services • Health Services

Funder	<ul style="list-style-type: none"> • HACC (proportion) • Disability Services • Health Services
Service Provider	<ul style="list-style-type: none"> • HACC (Home Care Service of NSW) • Disability Services (Home Care Service of NSW) • Health Services and Transitional Care (Community Nursing Programs, Some Area Health Services) • Aged Care Packages (Some Area Health Services, Home Care Service of NSW)

At the outset, it is important to note that the service system in NSW has many strengths. Each of the government-funded services have performed an important role and played a key part in the development of the service system. They employ many staff from their leadership to frontline personnel who are extremely committed to achieving positive results for their clients.

The Home Care Service of NSW (Home Care) is an excellent example. For historical reasons and due to its exclusive access to certain funding, Home Care currently performs some important roles in the service system:

- It is the provider of last resort when people cannot access other services
- It provides services in key rural and remote areas
- It provides complex services to clients receiving services through the High Needs Pool
- It has established and operated the Aboriginal Home Care service

Any changes to the current system need to acknowledge and build upon these strengths while addressing key issues and areas of weakness.

Service Mix

Government and non-government agencies are both involved in service provision. There has been a history of good working relationships between government (as funder and regulator), government agencies (as service providers) and non-government agencies (as service providers) in working together to achieve good client outcomes. This has led to ongoing improvements at both a policy level and in frontline service delivery. However, it is also widely acknowledged that there are opportunities to further strengthen services.

Of particular note, there is a vibrant non-government community care sector in the state delivering services through state and commonwealth programs. However, the sector is constrained by the size of the government sector. Reconsidering the mix of government and non-government providers does not require establishing a new sector or significant changes to regulations. The non-government sector is well established and has capacity to operate at a larger scale. Given the opportunity, its capacity and ability to contribute to the community would be strengthened.

Key Issues – Why Consider Change?

While the current system has important strengths there are also opportunities for improvement. The non-government sector is well placed to help retain existing strengths while bringing fresh approaches that address key issues and opportunities for improvement.

- **Role conflict:** There are presently obvious conflicts in the government's role as regulator, funder and provider. As regulator and funder Ageing, Disability and Home Care (ADHC), for example, is required to regulate itself. As funder and provider, ADHC is in competition for funding with organisations tendering for contracts. Removing these conflicts and focusing exclusively on its roles as regulator and funder would increase transparency and provide the opportunity to focus more attention on developing regulations that are in the best interests of clients and the industry, and allocating funding with a view only to the best outcomes for local communities and the state. It is also likely to result in efficiency benefits for the state government by reducing duplication of service delivery management.
- **Service features:** many non-government providers offer service features such as staff on-call 24-hours per day which are not routinely available from Home Care and other government providers. These features are extremely valuable to clients in emergencies or when something goes wrong with service delivery.
- **Value for money:** it is not possible to fully compare pricing between non-government providers and government providers without access to additional data. However, on the available data, it appears services provided by Home Care Services of NSW for example are considerably more costly than services provided by non-government providers. Public domain information suggests Home Care manages around \$233m of expenditure (2010) to deliver 3,950,000 hours of service to over 52,000 clients. This implies a delivery cost of around \$60/hour excluding client contributions or a premium of 30-60% over many non-government providers.

Home Care has some unique attributes such as being the provider of last resort, providing the Aboriginal Home Care service and providing service in many rural and remote areas. Some of these attributes do legitimately increase costs. However, it also has attributes like much greater scale that would be expected to reduce travel and administrative costs significantly and does not offer some costly features like staff on-call 24-hours. On face value, it appears the non-government sector, given the same opportunities of scale as Home Care, could deliver services more efficiently and thereby increase service delivery within the current budget.

- **Efficiency:** The very large proportion of the industry controlled by government providers limits the scale of non-government providers. This makes it impossible for non-government providers to achieve adequate service density and enjoy the same economies of scale. We have conducted modelling on scale efficiencies in travel and administrative costs. There are clear advantages to government and the community in helping key non-government providers increase in scale.
- **Innovation:** The non-government sector is in the strongest position to drive innovation in service delivery, community engagement and technology. Many government care services have very clear boundaries around their services and do not depend on innovation for their livelihood. As a result, most do not engage to the same degree in research and partnerships to drive innovation. The limited scale of the non-government sector presently limits the resources available for investment in innovation.
- **Communication and Public Awareness of Community Services:** Government providers like Home Care are presently the only providers with sufficient scale to offer all key service types in all areas. Since non-government providers can only offer a limited range of services in restricted LGAs based on arbitrary contract boundaries, it makes it difficult to

communicate clear messages on service availability, reduces investment in communication and is ultimately detrimental to the community. Increased scale, more strategic contracting and modifications to the funding model over time to increase choice will have clear advantages to clients and service providers.

- **Technology:** Technology is now a key enabler for business management and service delivery. Investment in technology for efficiency, service delivery and to meet the changing expectations of staff and clients is crucial. The non-government sector is in a strong position to lead in technology innovation and adoption in the sector.
- **Workforce Issues:** There are widely acknowledged workforce challenges emerging over the next 20 years. There are options to mitigate the impact of these issues through innovation in workforce models and investment in technology. The non-government sector has greater flexibility to innovate, create more attractive workplaces, and drive technology than the government sector.
- **Choice:** Government providers are the only choice available for some service types (for example the High Needs Pool), special needs (for example specialist Aboriginal services), and regions (several rural and remote areas). While it may be necessary occasionally to limit choice in order to provide sufficient scale for a viable provider, this should be a last resort and is presently too common. Consumers should have choice and there is sufficient total service volume to offer choice for most service types, needs and regions if services were not so concentrated with government providers.
- **Building a Strong Economy:** The Home Care services sector, even narrowly defined, presently exceeds \$2 billion per annum nationally and is expected to exceed \$3 billion per annum within the next few years. There are strong benefits to the NSW economy in encouraging the growth of non-government providers that can establish NSW as a national leader in community care. NSW does not presently enjoy a strong national profile, which is disappointing given it has the greatest volume of services.

Transferring Services to Non-Government Agencies

There are a variety of options for how services could be transferred from the government to non-government sectors. These include:

- Option 1: Contract out service currently with government providers to the non-government sector.
- Option 2: Consider privatisation options with bidding for key services as a whole or parts of key services and contracts.
- Option 3: Hybrid or PPP options where a service provider may operate certain services on behalf of the government.

When selecting a process for the transfer of services it is important to consider the impact of each model on clients, the industry and government. Each possible model has different financial and operational implications for both government and the industry and would require slightly different approaches to funding and regulation.

Any transfer should be done on a competitive basis with regard to:

- The needs of clients and local communities
- The need to offer choice to clients
- The need to develop a vibrant, competitive sector
- The need to drive efficiencies and innovation through economies of scale

There is a strong, vibrant, non-government sector already established in NSW. Some key organisations have the capacity, technology and infrastructure required to deliver services at considerable scale.

In order to transfer services to the non-government sector the process would require:

- Call for expressions of interest from existing non-government services outlining the chosen model of outsourcing. Ask organisations to indicate their interest in participating and provide evidence of their capability.
- Thoroughly assess EOIs and shortlist providers with the capability to effect a smooth transition of services at an appropriate scale. The government sector provides services on a large scale and manages many of the most complex services, so capability is crucial.
- Enter into detailed dialogue and negotiations with each of the short-listed organisations with a view to selecting a final group of organisations to participate in the outsourcing process.
- Detailed joint planning with the short-listed organisations to effect the transfer, ensure no clients are disadvantaged, and that the outcome offers choice in almost all regions and service types.

KinCare and other non-government providers have worked with government on numerous occasions through government initiated recontracting processes, and acquisition processes to effect contract transfers with minimal disruption to client services. We are experienced in managing the infrastructure, personnel, client and communication issues that accompany these transfers. Managed well, a transfer can ensure the impact on clients is limited in the short term while bringing considerable longer-term benefits.

Regulation and Monitoring

The sector would benefit from a range of regulatory changes and better targeting of regulation. However, there is no need to delay a transition in service delivery to the non-government sector while such changes are considered. Non-government providers are already active and well-regulated under existing arrangements. In almost all cases, transfers from government services would simply increase the scale of existing services in the non-government sector and would not require additional regulation.

There are some programs like the High Needs Pool that are presently not managed in the non-government sector. It would be important to assess whether these programs brought any added regulatory requirements. Should these be required, they could be adapted from the current practice of government providers. In most cases, current regulations would be adequate.

While no immediate regulatory changes are needed, there would be benefits in gradually enhancing regulatory frameworks. It is important to note that with the transition of HACC and some health services to the Commonwealth, the Commonwealth has taken an increased role in regulating these services. The state regulatory focus is becoming more narrowly focused around disability and housing.

Regulatory changes could be implemented in a staged process.

Stage 1: Transfer service delivery to the non-government sector using existing regulatory frameworks.

Stage 2: Incrementally enhance regulation to make the system more consumer-centric.

Incremental regulatory enhancements that would be beneficial over time include the following:

- **Common Standards:** There have been moves in the aged care sector towards common standards. There would be benefits in working with and building on existing frameworks of this kind wherever possible to minimise duplicate regulations.
- **Consumer choice:** It would be beneficial over time to move towards funding models where funding attaches to a client based on need and the client can choose their service provider. This would significantly reduce regulatory requirements, enhance consumer choice, and ensure all providers need to have a clear value proposition that is attractive to consumers. Strong consumer choice will help regulate quality. There would continue to be a need for regulation of minimum standards.
- **Funding model:** It would be beneficial for funding to gradually move from the current system focused on grants and outputs, to a system focused on outcomes. Any system focused on outputs or outcomes should not require acquittal if the contract requirements are met. Current acquittal processes act as a disincentive for innovation and drive providers to continuously seek government grants for capital investment and innovation projects.
- **Pricing Indexation:** Funding indexation has not kept pace with wage growth for many years. In an industry where costs are heavily wage focused, this can only lead long-term to declines in service quality or quantity. This issue was recently recognised by the

Productivity Commission in relationship to caring for older Australians. It is crucial that a sustainable solution is also found for other community services.

- **Pricing Mechanisms:** Review outcomes from the NDIS and aged care reforms 2012 and consider the implications for future positioning of client contributions for NSW state government funded services.
- **Minimum standards:** Over time, regulatory settings should encourage increased consumer choice. To achieve this, regulation of minimum standards should be strengthened and providers accredited to deliver government funded services. Organisations should be able to compete for clients with different models and positioning above these minimum standards.
- **Market failure and unmet need:** Unmet need can be addressed in a variety of ways including contractual requirements to provide services for clients with special needs, and financial incentives to address unmet need. This is effectively being done at the moment through financial incentives to government providers to address areas of unmet need. Market failure and unmet need, however, should be addressed surgically. They are not a strong reason to maintain a statewide government service delivery infrastructure.

Strong consumer choice helps regulate quality. However, it is important to recognise that not all consumers are in a strong position to exercise choice. Minimum standards are important to ensure the interests of these groups are protected. It would also be helpful to strengthen consumer bodies and advocacy services that play a strong role in advocating for the needs of consumers who have difficulty exercising choice.

Minimum standards it is important to enforce include:

- **Quality:** satisfaction, service standards, professional practice
- **Governance:** adequate standards, directors and key personnel who are in good standing, strong policy frameworks, strong training processes, sustainable and financially secure organisation.
- **Price:** protections for people who are financially disadvantaged.

Importantly, the community sector already provides high standards of service. For example, some non-government organisations provide 24-hour contact centres and nursing support, which is not generally available in the government sector.

Managing Rural and Regional Areas

It can be more expensive to deliver services in some rural areas and to remote communities. Both government and non-government providers already service many of the major rural towns. Smaller communities in some regions may only have access to government services or a single non-government provider.

There is sufficient funding in most of the main regional centres and towns for two or more providers while still offering adequate economies of scale. In some of the smaller towns and remote areas there may only be sufficient volume to justify a single provider.

If encouraging more non-government involvement it would be important to ensure that each town had at least one viable service as it does now, and wherever possible that there were at least two services.

All providers should be required to develop strong linkages at a local level. Non-government providers have a good track record of establishing these relationships effectively and partnering with others to achieve the best outcomes for clients.

The recent Productivity Commission report on aged care suggested that in small communities it would be beneficial to use a block funding model to ensure there was a viable provider in each community. This follows the model currently used with Home Care. Home Care has often been used as a provider of last resort and government has provided sufficient funding for it to perform this role. In many regions Home Care is the only service provider. So even if only selecting one provider in these towns competition would not decline.

Capability Frameworks

Major providers have the capacity to manage larger scale services within existing regulatory frameworks. Several major providers already provide significant volumes of service across state and commonwealth programs. There are therefore organisations with the management capacity, technology and infrastructure to scale quickly.

Regulatory issues are manageable by keeping as closely as possible to existing regulatory frameworks.

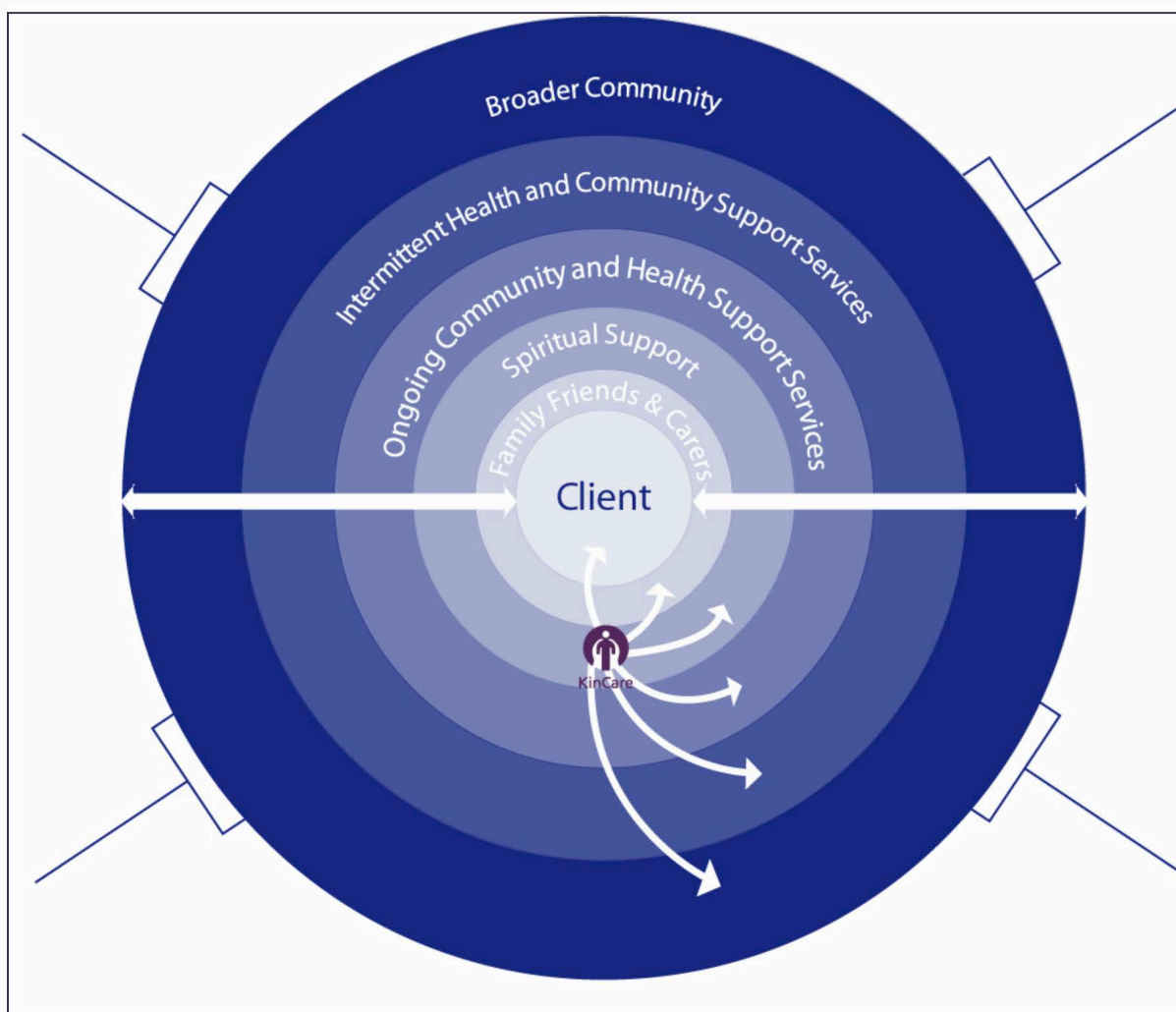
Capacity Building

Service providers play a key role in local communities in both urban and regional environments. Non-government providers already provide service in many regional areas. KinCare, for example, provides services on the Central Coast, Mid North Coast, Southern Highlands and Central West. Non-government providers have a strong track record in engaging with local communities and bring skills in building relationships and local networks, and transferring skills and training to build local capacity.

Local connections and capacity building are important on two levels.

- **Clients:** establishing relationships within communities that enhance client quality of life. Understanding local networks and service options, and being able to help clients make informed choices. Having linkages that can respond to the spectrum of client needs. Service providers play an important role in helping clients engage with a wide spectrum of supports – see Figure 1: Clients' web of support
- **Organisations:** establishing strong networks between service providers, with health services, doctors, local councils and other support organisations.

Figure 1 Clients' web of support



Employment Trends

There are widely acknowledged workforce challenges for the community care sector over the next 30 years that have caused some people to question the future viability of community care. However, in reality there are a variety of considerations and strategies that are already being worked through and trialled by KinCare that will help mitigate these challenges. These include:

- Investment in technology and systems to improve staff utilisation
- Investment in new employment models that provide greater job security and consistency for personnel
- Investment in new service delivery models including telehealth and video-conferencing

KinCare is already actively working on solutions to workforce issues that will emerge over the next 10-20 years. With appropriate planning and early action, service providers can respond to the workforce challenges that lie ahead.

The Australian government is also actively engaged in workforce issues through the health workforce Australia and NBN initiatives.

Utilisation versus Quantity

Our modelling suggests that in community care, poor staff utilisation rates are a bigger problem than the quantity of available staff into the future. Utilisation is the percentage of the time the employee is available and would like to work that they are actually doing productive client facing work (vs not having work, travelling between jobs, or waiting between jobs).

Utilisation rates for some organisations are extremely low. Increasing this through better management and use of technology can both achieve efficiency gains and mitigate much of the emerging skills shortage. KinCare is a market leader in investing in systems to maximise staff utilisation in community care.

Retention

Community care experiences high rates of staff turnover due to the casualization of work and poor management practices including low rates of utilisation. Strong HR practices across the industry would significantly improve staff retention. It is more feasible to achieve strong HR practices and high levels of permanent staff in areas with a high concentration of services. The size of government providers and associated fragmentation of non-government providers makes it difficult for the non-government sector to innovate in employment practices and increase levels of

permanent staff. Increasing the scale of key providers in the non-government sector would improve employment options and retention industry-wide.

The Core Employment Offer

For an employee to consider a particular job role certain base considerations must be met – these are sometimes referred to as Hygiene factors. For example, most employees reasonably expect a degree of security of employment, consistency of income, a strong relationship with their supervisor, and sufficient security to be able to borrow money for a mortgage. It doesn't matter what is done to “motivate” employees, if these hygiene factors are not in place, the employment relationship is not sustainable.

Community care roles in many organisations do not meet these basic needs, yet most organisations are continuing to invest in “motivational” factors rather than getting the base offer right. The need for “client centred service” is often used as an excuse to avoid addressing structural workforce issues. This is not sustainable. Investment in new models that achieve strong outcomes for staff and clients is necessary to meet future demand.

The caring nature of community care roles is attractive to many people. If we can address these hygiene factors more effectively, a much wider pool of prospective employees will be opened.

Strategic Regional View of Employment Needs

Current brokerage models reinforce structural workforce issues. Organisations (including government providers) brokering services generally ignore whole of workforce issues and simply order what they need right now at short notice, rather than structuring services as they could to enable staffing agencies to make employment more attractive. This encourages labour hire organisations to pass the problem on to their employees, which affects the attractiveness of community care employment across the region. It is important to support organisations with strong workforce models, and solutions to future skills shortages, to gain critical mass across Australia. This will place Australia in a stronger position to meet future needs and stimulate further investment and innovation across Australia.

Nursing services

KinCare supports increasing pay and conditions for community care nurses to bring remuneration more into line with other employment options available to them. Funding for nursing programs will need to increase to acknowledge this cost increase, but this is important to the sustainability of community nursing services. Community nurses could make an even stronger contribution to the health and aged care systems if some regulations that presently restrict their areas of practice were relaxed. This would both improve options for clients and create more attractive roles for community nurses.

Pay Equity

Within the sector there is already generally pay equity. Men and women in the same roles receive the same pay.

Pay equity issues have been raised of recent times because of the high percentage of female employment in relatively low-paying industries. Community care falls into this category.

Pay equity cases have recently been heard. The rulings from these cases will result in greater equity across sectors being established. This will be beneficial to personnel in both government and non-government organisations.

Most community care funding originates from government and most costs are personnel related. As a result, while providers generally support improved pay and conditions for employees, it is critical that government adequately funds the cost increases that will inevitably arise from these decisions over the next five years. Pay rises will progressively make employment in community care more attractive to a wider range of people.

Private Philanthropy

A degree of private philanthropy already occurs with non-profit organisations in the non-government sector. Donations for community care to organisations with deductible gift recipient status are tax deductible.

Increased investment in services through the non-government sector is likely to lift the profile of the industry and private philanthropy. However, given the scale of community care needs now and over the next 20-30 years, private philanthropy is not expected to become a major source of funding for the sector.

Technology

Technology is developing very quickly. There is almost no aspect of services that cannot be enhanced through technology. Increased scale provides increased capacity and opportunity for investment and would stimulate innovation throughout the non-government sector.

KinCare invests in technology with 4 key objectives:

1. Improve the client experience
2. Improve the staff experience
3. Increase efficiency and reduce rework
4. Improve compliance and transparency.

Examples of investment and opportunities in each of these areas are provided below.

1. Client Experience

- Improve accessibility of service information (web and mobile technologies)
- Faster call pickup, lower abandon rates, increased first call resolution (phone systems and reporting)
- Improved access to scheduling and care planning information (client portal and mobile apps)
- Client monitoring and service delivery (Telehealth solutions, video-conferencing),
- Better service delivery (Live scheduling and service plan updates for field staff via mobile devices)
- Improved emergency management and warnings to staff and clients (emergency management and rapid communication tools including phone messages, email, and SMS).

2. Staff Experience

- Improved training (elearning and video conferences)
- Better access to personal information (staff portal)
- Better access to schedules and care plans (staff portal and mobile devices)

- Better call handling (phone systems and call routing)
- Live updates and feedback (mobile devices)
- Improved communication with professional staff (phone calls, video calls, photos from mobile devices)
- Improved emergency management (mass communication updating staff with warnings and details on how the emergency affects them, their clients and their services).
- Improved rosters and reduced travel (spatially aware scheduling systems)
- Reduce paperwork and enhance communication (portals, mobile apps and live feedback)

3. Increase Efficiency

- Reduce travel (spatially aware scheduling systems)
- Reduce voucher processes (mobile devices and automation)
- Improve client and staff self service options (portal technologies)
- Integrate systems and reduce errors and rework (IT integration)
- Faster disaster recovery (on and offsite recovery solutions)
- Enhanced and more timely reporting (reporting analysis tools)

4. Compliance and Transparency

- Enhanced and more timely reporting (reporting and analysis tools)
- Exception monitoring (greater monitoring of key risks)
- Enhanced policy and procedure updates, training options and communication of relevant changes to staff and clients.

Cross-Jurisdiction Comparison

Services in each Australian state and territory reflect their unique history. The models in each state have both strengths and challenges.

For example:

- In Victoria, local councils typically deliver services. This has proved a strong model in establishing volume in each LGA and enabling an integrated approach to service delivery within each council. However, it limits consumer choice and is placing pressure on some council budgets.
- In WA there is a mixed model with involvement from non-government organisations and local councils. One non-government organisation dominates the market, but there are also several emerging competitors. The scale of the leading provider has enabled strong investment in research and innovation, positioning it as a national leader even though it is based in one of the smaller states by population. The emergence of several mid-sized challengers is enhancing competition in the market and improving client choice. However, in some regions the market is quite fragmented and in recent years the government has been exploring ways to facilitate greater consolidation of the market.

NSW has a mixed model of service delivery, so when doing comparisons it is useful to look across sectors within the state and not purely across states.

Other

We strongly support the role government providers have played and continue to play, but we also believe it would now be healthy for the sector and clients for much greater emphasis to be placed on non-government providers. This will help position the industry in a more sustainable way for the future. There are a variety of ways this could be managed that would have different impacts on the state budget. These should be considered carefully by the government in determining the best approach for the government, industry and clients.

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