



Special Commission of Inquiry into Healthcare Funding

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NADA
network of alcohol and
other drugs agencies

NADA Submission: Special Commission of Inquiry into Healthcare Funding

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The Network of Alcohol and other Drugs Agencies (NADA) is the peak organisation for the non government alcohol and other drugs sector in NSW. We represent 80 organisational members that provide services in over 100 locations across NSW. They provide a broad range of services including health promotion and harm reduction, early intervention, treatment and continuing care programs. Together, we improve the health and wellbeing of people who use, or have used, alcohol and other drugs across the NSW community.

Mail Gadigal Country, PO Box 1266, Potts Point NSW 1335
Tel 02 9698 8669
Email admin@nada.org.au
Web www.nada.org.au

ABOUT NADA

The Network of Alcohol and other Drugs Agencies (NADA) is the peak organisation for non government alcohol and other drugs services in NSW. We advocate for, strengthen and support the sector. Our decisions and actions are informed by the experiences, knowledge and concerns of our members.

We represent 80 organisational members that provide services in over 100 locations across NSW that employ approximately 1,000 healthcare and support workers. They provide a broad range of alcohol and other drugs services including health promotion and harm reduction, early intervention, treatment and continuing care programs. Our members are diverse in their structure, philosophy and approach to alcohol and other drugs service delivery.

NADA provides a range of programs and services that focus on sector and workforce development, data management, governance and management support, research and evaluation, sector representation and advocacy, as well as actively contributing to public health policy.

Together, we improve the health and wellbeing of people who use, or have used, alcohol and other drugs across the NSW community. To learn more, visit www.nada.org.au.

PREPARATION OF THIS SUBMISSION

NADA has developed the following submission for the Special Commission of Inquiry into Healthcare Funding. The comments provided in this submission have been prepared by NADA staff, on behalf of its members.

TAKE AWAY MESSAGES FOR NADA'S SUBMISSION

While the NSW Government reports of the need to keep people out of the hospital system, one of the main vehicles to support people in the community, non-government organisations, are not being appropriately funded and receive short-term contracts. Any review of healthcare funding in NSW must ensure:

- That Health-funded NGOs are included as a critical component of healthcare to NSW communities. Most NSW Health strategies, including health workforce, are silent on whether health-funded non-government organisations are considered as part of strategies.
- That NSW Health undertakes a review of governance, policy and funding arrangements related to health-funded NGOs to ensure business and workforce sustainability. The review should consider the rising cost to deliver NGO healthcare and ensure that appropriate cost escalation is considered as part of the health budget annually.
- That NSW Health develops a workforce strategy for health-funded NGOs and addresses systemic barriers to NGO workforce attraction and retention through a review of funding, cost escalation and long-term contracts.

NADA contact for this submission

Dr Robert Stirling

NADA Chief Executive Officer and Co-chair of the NSW Ministry of Health NGO Advisory Committee



SUBMISSION

NADA welcomes the opportunity to provide a submission to the Special Commission of Inquiry into Healthcare Funding. We have primarily focused on a response to item C of the Terms of Reference, as non-government organisations (NGOs) provide services in community settings.

The way NSW Health funds health services delivered in public hospitals and community settings, and the extent to which this allocation of resources supports or obstructs access to preventative and community health initiatives and overall optimal health outcomes for all people across NSW.

1. Context for the consideration of health-funded non-government organisations

NSW has a diverse, strong and effective non-government alcohol and other drugs (AOD) sector which has provided services to individuals, families and communities for more than 50 years. The sector has been critical in responding to the health needs of those affected by alcohol and other drug use.

50 specialist NGO AOD organisations provide services in over 100 locations across NSW. A similar number provide AOD service delivery as part of a broader health service. The NGO AOD sector is the largest provider of residential rehabilitation services in NSW and also provide specialist treatment programs for methadone to abstinence and methadone stabilisation, Magistrate Early Referral Into Treatment (MERIT) programs and Drug Court health services.

The NGO AOD sector provide a wide range of specialist prevention and treatment services including:

- health promotion
- harm reduction
- outreach
- counselling
- case management
- withdrawal management
- residential rehabilitation
- day programs
- support for families and significant others
- continuing coordinated care

Of the NADA membership:

- 30% provide residential services
- 21% provide specialist services to young people
- 15% are Aboriginal Community-Controlled Health Organisations
- 8% provide specialist services to women, and women with children
- 48% of services are regional, rural or remote

NSW AOD workforce profile

An inaugural census of the NSW AOD Workforce conducted by the NSW Ministry of Health in 2022 found that the total NSW AOD workforce is comprised of 2473.8 FTE, with 60% (n=1,493 FTE) employed within public sector services and 40% (n=953 FTE) employed in NGO settings.

Funding to NSW NGO AOD services

The Australian and NSW Governments fund both public agencies and NGOs to provide AOD services in NSW. In 2021/22, the NSW Government spent \$330 million on AOD services, which is delivered through Local Health Districts (LHDs) and NGOs. Approximately \$65 million of that is being provided to fund NGOs. The diverse funding mix to NSW NGO AOD services, outlined in the table below, complicates funding arrangements, accountability, business and workforce sustainability and the delivery of optimal health outcomes to NSW communities.

Table1: Overview of funding to the NSW NGO AOD sector

| Funder | Total in 2022/23 |
|---|--|
| NSW Health, including the NSW Ministry of Health and Local Health Districts | \$64.3m |
| NSW Primary Health Networks (PHNs)* | \$28.7m (+ approx. 6% operational = \$30.1m) |
| Australian Government Department of Health and Aged Care** | \$21.4m |
| National Indigenous Australians Agency | \$13.6m |
| Total | \$ 128 million |

* Not all funds distributed to NGOs, also includes PHN administration for AOD funds – can be up to 6%.

** Does not include SACS/ERO supplement.

2. Delivering optimal health outcomes for all people across NSW through the funding of NGOs

People accessing NSW NGO AOD services often present with a range of issues impacting their lives. Common co-occurring concerns include physical and mental health, homelessness, domestic and family violence and child protection involvement. To deliver meaningful improvements and outcomes for people across NSW, any review of healthcare funding must ensure that policies and programs respond holistically to people accessing services, supported by appropriate funding and contracting arrangements. The health-funded NGO sector is not adequately funded to address the increase in health complexity, rising costs to deliver healthcare services, a multidisciplinary workforce, as well as growing IT, compliance and insurance costs. Further the NGO sector is subject to short-term contracts that impacts of the ability to retain a qualified workforce. Funding arrangements for the NGO sector must be long-term and include cost escalation.

Two previous NSW Inquiries

The AOD sector has been subject to two major NSW Inquiries that have recommended a review of healthcare funding to improve outcomes for people impacted by the use of drugs. NADA provided a submission to the NSW Government *Inquiry into the provision of drug rehabilitation in regional, rural and remote NSW*¹ in December 2017. Many of the recommendations from this Inquiry were not implemented. The Special Commission of Inquiry into the Drug 'Ice' that followed also recommended that the NSW Government implement several of the recommendation from the preceding Inquiry. NADA provided a submission to this Inquiry in 2019 seeking to address the inadequate funding of NGOs to respond to need and review existing funding and contracting arrangements².

When the NSW Government eventually responded to the Inquiry, NADA was hopeful that a review of funding to existing NGO AOD services would be undertaken. While the sector is grateful that the NSW Government has investing additional funding to AOD treatment, this funding is mostly being provided to establish new services, rather than address inadequate funding and contracting arrangements for NGOs. It is also unclear about the distribution of funds between LHDs and NGOs as part of the new investment. Further, some of the recommendations require a review of the way that NSW Health funds all NGOs across the state.

We have heard from NADA members that recent procurement models, such as open tendering, are unfairly disadvantaging First Nations run organisations, and other NGOs that deliver services to their own communities. Priority populations can have difficulties accessing mainstream health services. There is a need for specialised services for people who face barriers to treatment, e.g. First Nations, multicultural, gender and sexuality diverse communities, people in criminal justice settings and people in rural and regional locations. Consideration of funding arrangement should be given to how services for priority populations are funded.

¹ <https://www.parliament.nsw.gov.au/lcdocs/submissions/59348/0025%20NADA.pdf>

² <https://nada.org.au/wp-content/uploads/2022/04/NADA-Submission-to-NSW-Commission-of-Inquiry.-Issues-papers-Final.pdf>

A study of business and funding models for NSW NGO AOD services

In 2020, the NSW Ministry of Health commissioned the Centre for International Economics (CIE) to undertake the Business and Funding Models (BAFM) Study for NGOs providing AOD treatment services in NSW. NADA was supportive of the study, because without an objective and well-funded costing and business models study, we were not able to adequately argue for appropriate levels of government funding for members from a base of sound financial data. We hoped that the study would provide guidance to NSW Health so they could improve the funding amounts, mechanisms and processes to provide a stable and efficient funding program for the NSW NGO AOD sector.

NADA members funded by NSW Health were engaged in an extensive consultation process to inform the results of the study, including the provision of large amounts of financial data. NADA members agreed to participate in the BAFM study on the condition that it would be used to improve the funding and approach to commissioning AOD treatment by NGOs in NSW.

The report was finalised in August 2021, and following a number of requests by NADA, it was released to the sector in March 2023. That month, a webinar was held for NGOs by the NSW Ministry of Health, however, little advice was provided on how the results would be used to inform a review of existing and future business and funding models. An implementation plan is required by the NSW Ministry of Health on the findings of the BAFM Study. NADA's position on the response to the BAFM study is provided as Appendix 1.

Recommendation: That NSW Health undertakes a review of governance, policy and funding arrangements related to health-funded NGOs to ensure business and workforce sustainability. The review should consider the rising cost to deliver NGO healthcare and ensure that appropriate cost escalation is considered as part of the health budget annually.

3. The current capacity and capability of the Health workforce to meet the needs of staff and the people of NSW

The current NGO workforce cannot meet the demands of NSW communities. The Inquiry should recognise the importance of a sustainable NGO workforce to support delivery of healthcare services in NSW. The NSW Health Workforce Plan 2022-2032 does not consider the health-funded NGO workforce. The NGO workforce should be treated as a valuable long-term investment with a clear strategy in place to attract, retain and upskill multidisciplinary staff, including identified First National and lived experience roles.

There is a risk that actions from NSW Health Workforce Plan may have unintended consequences on the NGO workforce. The NGO sector has a clear competitive disadvantage from the public health sector in attracting and retaining staff, as such, appropriate funding and workforce retention requires a specific focus. This should include better compensation structures, longer contract duration, opportunities for professional development, clinical and cultural supervision, formal work recognition structures and genuine career opportunities – including the ability to move within the NGO sector and transfer between the NGO and public sectors while retaining employee benefits. AOD service delivery is dynamic and demanding, therefore we need systems in place to ensure that the NGO sector is an attractive employment proposition for health professionals and that we protect the welfare and wellbeing of the NGO workforce.

Recommendation: That NSW Health develops a workforce strategy for health-funded NGOs and addresses systemic barriers to NGO workforce attraction and retention through a review of funding, cost escalation and long-term contracts.

APPENDIX 1: NADA Position-Business and Funding Models Study

Business costings

This Business and Fundings Models (BAFM) study identified a substantial degree of cost variation in delivering NGO AOD treatment services. Key drivers of cost variation include activity levels, economies of scale, client complexity, and staffing requirements.

- Average cost per bed day for residential rehabilitation (a more stable measure of costs than episode costs) is \$296.
- The average cost per episode for residential withdrawal management \$11,266.
- The average cost per episode for non-residential care, including counselling, case management, and day rehabilitation, is \$7 311. However, there was significant variation between these three service types. The average cost for counselling services alone was \$4 534 per episode. Average costs for case management and day rehabilitation services are not reported, because of the large variation and limited sample size.

NADA's position:

Residential services: Costs identified for residential rehabilitation and residential withdrawal management should be used as the benchmark for all future commissioning. A review of existing services funded to provide these services should be reviewed on a case-by-case basis to bring significantly underfunded services up to levels that support the delivery of quality care to people.

Non-residential services: Costs identified for counselling services should be used as the benchmark for all future commissioning. A review of existing services funded to provide counselling services should be reviewed on a case-by-case basis to bring significantly underfunded services up to levels that support the delivery of quality care to people. Further work should be undertaken to understand the average costs to provide case management and day programs.

Funding models

A key finding of the study was that *"a mixed funding model that is majority grant based, but with clear elements of outcomes funding and clearer benchmark-based determinants of payment terms, will be most likely to provide the best value for money for NSW Health and clients of AOD treatment services"*. Further, that *"grant-based annual funding arrangements are most suitable for NGO AOD treatment services, as providers face up-front costs for activities and core service delivery that are not linked to outcomes."*

NADA's position: We support the finding that grant-based funding arrangements (i.e. block funding) are most suitable. Contract terms should be five years in line with the commitment from the NSW Government. Should the NSW Government move to outcomes-based funding, defined in the study as *"a partial payment in arrears model (for at least 5 per cent of funding) to enable a greater shift to outcomes-focused models and funding based on actual activity where warranted"*, then this should be done as an opt-in pilot to test its appropriateness for the funding of NGO AOD treatment. Agreement on the process and outcomes should be co-designed with the sector.

Implications for the sector moving forward

The study proposed a horizons-based approach to elements of continuous improvement that will support any future potential change in funding arrangements. *"Horizon 1 is the existing contract period, which works towards building capacity for any change in the funding model. Horizon 2 is a glide path towards Horizon 3"*

when legacy funding ceases, funding for like-for-like services is based on efficient cost benchmarks, and niche programs are funded in a cost reflective way, based on clear outcome goals.”

Further implications: The data from the BAFM was collected in 2020 and no longer reflects the true costs to deliver services in a changing environment in Australia that is seeing the impact of the rising costs of living. This impact is also being felt among NGO AOD services in NSW. Further consideration to the cost of NGO services needs to be adjusted for these changes.

NADA's position: We believe that the NSW Government should work in collaboration with NADA and its members to develop a plan to improve the business costings and funding models for NGOs funded to deliver AOD treatment in NSW based on the BAFM study, as well as any further data required to inform sustainable change.