

# Public sector insights



## In this issue:

- ▶ Head coach - Terry Moran's plan to keep the Australian public sector ahead of the game
- ▶ The Health reform challenge - A more integrated health system?
- ▶ The future of welfare
- ▶ Global vs local - Developing markets in higher education

# Head coach

## Terry Moran's plan to keep the Australian public sector ahead of the game



“Some people say 28 reforms is an overly ambitious target... To the contrary, it needs to be ambitious to achieve the goals we have set. ”

Terry Moran

With the Government's agreement to implement the Blueprint for the Reform of Australian Government Administration, *Ahead of the Game*<sup>1</sup>, the Secretary of the Department of the Prime Minister and Cabinet, Terry Moran now faces the major challenge of moving from concept to reality.

Terry Moran presented on the implementation challenge at a recent Institute of Public Administrators (IPAA) lecture. The reform agenda was then debated at an IPAA roundtable, sponsored by Ernst & Young.

The Secretary noted the level of consultation that had gone into the blueprint - from focus groups and a roundtable with new entrants to the public service, to online forums with citizens. The consultation process threw up a number of common themes:

- ▶ The need to improve the quality of leadership and management in the Australian public service
- ▶ A desire for more standardised terms and conditions
- ▶ A frustration with red tape
- ▶ A belief that the service is focused too much on its own programs and not enough on the recipients in the community

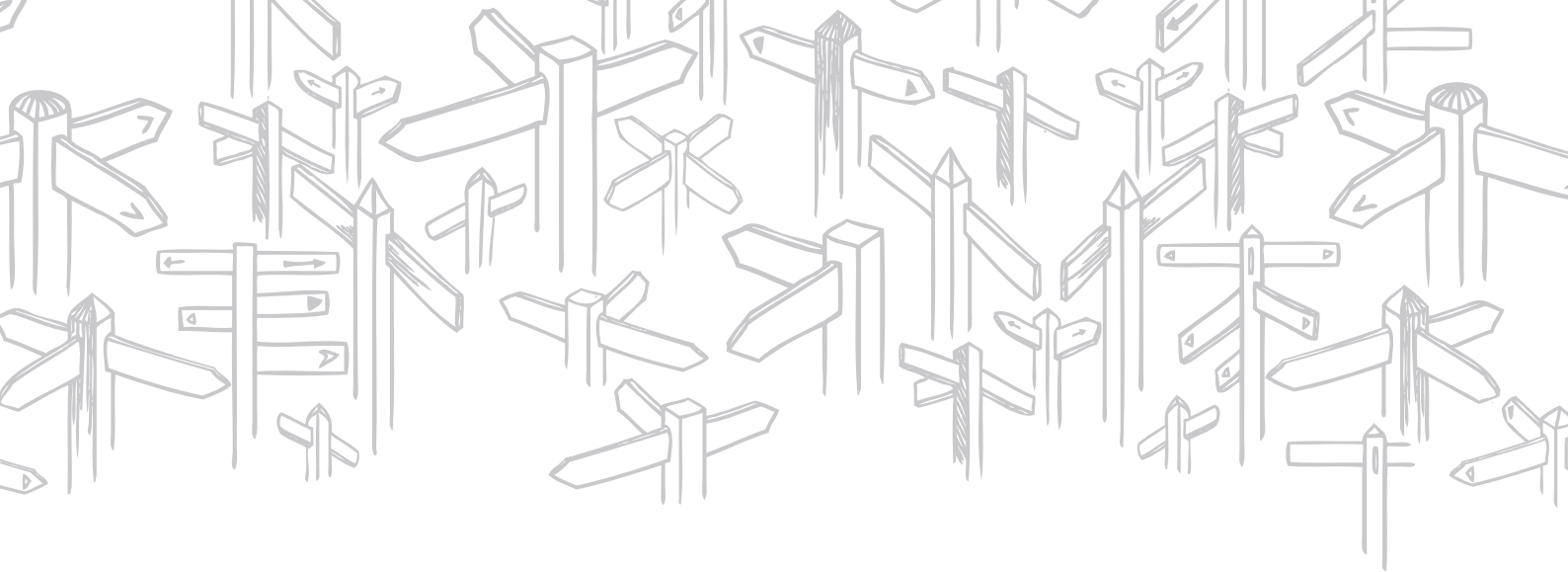
The Government has accepted all 28 reforms, grouped into nine umbrella areas and Terry Moran was keen to stress their interdependency. “Each reform supports another like individual strands that are bound together to form a strong rope,” he said. The reforms seek to:

- ▶ Deliver better services for citizens
- ▶ Create more open government
- ▶ Enhance policy capability
- ▶ Reinvigorate strategic leadership
- ▶ Introduce a new Australian Public Service Commission (APSC) to drive change and provide strategic planning
- ▶ Clarify and align employment conditions
- ▶ Strengthen workforce planning and development
- ▶ Ensure agency agility, capability and effectiveness
- ▶ Improve agency efficiency

### The implementation challenge

While reforms will be implemented in sequence, there is no doubt the complete package is wide-ranging and poses a unique challenge to fully realise. Debating these issues at the IPAA roundtable, senior public servants and academics, for the most part, welcomed the spirit and intent of the Blueprint. However, they identified a number of barriers to embedding such wide-reaching change.

<sup>1</sup> *Ahead of the Game, Blueprint for the Reform of Australian Government Administration*, Advisory Group on Reform of Australian Government Administration, March 2010



### **Culture change**

Participants agreed that culture change was the biggest issue on the reform agenda. Some identified the absence of a major imperative for change such as the cost-cutting or crisis-driven reinvention that have marked some overseas services. Without that imperative, there is a risk that neither the sector nor citizens will buy in, and a lack of urgency could hamper implementation efforts.

### **Time and priority pressures**

While there have been some examples of excellent strategic policy development in the Australian public service, increasing policy capability is a central tenant of the reform agenda. Participants agreed that good strategic policy requires a long-term view and time to develop integrated approaches across agencies and external parties. They were concerned about the immediate pressures on the public service that can crowd out strategic thinking. There was a general view that toolkits are not the answer to improving strategic policy development.

### **Engaging with other stakeholders**

Bringing stakeholders together across the public and community sectors is another key reform recommendation. However, roundtable participants noted that the motivations, language and mindset in non-government organisations (NGOs) are very different to those in the public service. There needs to be a significant commitment to understand the community sector better to achieve improved outcomes for citizens and reduce red tape.

Academics can also play an important role in shaping policy. Participants hoped that the reforms would nurture relationships with researchers and others who provide valuable perspectives and who can help develop policy that is better informed, with greater depth.

### **Engaging with citizens**

Many participants were sceptical about the potential for online surveys to engage with citizens in a meaningful way. They saw the need for additional or alternative benchmarks to measure the success of the reforms, given the limitations of capturing the views of disadvantaged people online and the length of the gap between planned surveys.

With Australia currently the only country with such a major reform underway, the Government's commitment is to ensure the Australian public service remains one of the best in the world. Terry Moran is undaunted by the challenge ahead: "Some people say 28 reforms is an overly ambitious target... To the contrary, it needs to be ambitious to achieve the goals we have set. And the mutually reinforcing nature of the components of the Blueprint will make the task easier. I, for one, am looking forward to the change."

# The health reform challenge

## A more integrated health system?

It is clear there is now a perfect storm of cost, demographic and technological factors facing many health care systems around the world. The challenge is to transform health care into an industry that provides affordable, high quality and accessible care to an ageing population.

The vision for a reformed health system is one that delivers more coordinated care to patients, integrated across all levels of service, with an overarching objective to maintain optimal health within a community setting.

Most Western governments are responding with major reforms similar to Australia. The more successful are defined by the degree to which they integrate care across all sectors; provide timely and relevant clinical information and support systems; and develop the primary health care system to ensure early intervention and prevention of chronic disease.

This is the ultimate challenge for the federated system, agreed at the April Council of Australian Governments' meeting (COAG). Will it be possible to overcome the barriers between siloed health programs and rethink the way health care is delivered to provide better services to all Australians?

### The implementation debate

The reforms cover almost all areas of the Australian health care system. However they are dominated by reforms to funding and services within the public hospital system. Under the agreement, the Commonwealth will become the majority funder of Australian public hospitals, funding 60% of the cost of public hospital care.

Debate now rages on how the reforms will be rolled out and whether they will improve health care for all Australians.

While there has been wide discussion about the health reforms, there are five questions under particular scrutiny:

- ▶ Will the reforms improve the integration of care to provide more seamless services to patients, particularly those with chronic disease?
- ▶ Will the E Health reforms be sufficient to make relevant health information available to all treating clinicians, irrespective of location, and ensure recommended care is provided to the majority of patients?
- ▶ Will it be possible to reform the system without a substantial growth in bureaucracy?
- ▶ What will constitute an efficient price for hospital services? Will this support good clinical practice and appropriate use of the public hospital system?
- ▶ Will the reforms improve access to public hospital services, particularly accident and emergency and elective surgery, for those most in need?

These are wide-ranging issues and, given the reforms have only recently been announced, it will take time for governments to work through how to resolve them. Here we explore some of the specific challenges in providing integrated care.

### Integrated care - dream or reality?

The current health system is criticised for fragmented care and a service delivery paradigm dominated by using hospital based services as a last resort.

The vision for a reformed health system is one that delivers more coordinated care to patients, integrated across all levels of service, with an overarching objective to maintain optimal health within a community setting. However, if funding silos are retained, that vision is unlikely to be achieved.

The reforms provide funding across a range of programs as illustrated in the diagram opposite.



## Health reform funding

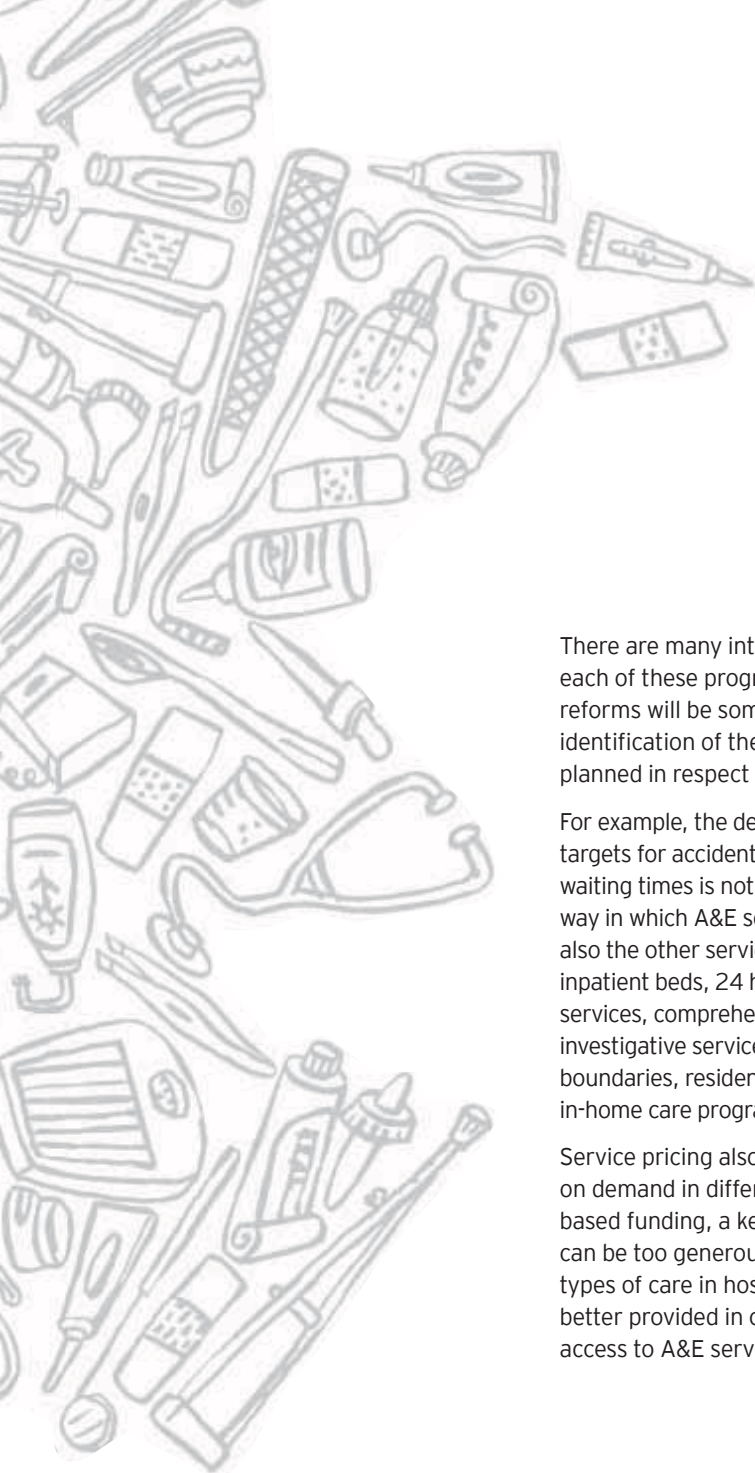
National health and hospital reforms							
Hospitals	Primary health care (PHC)	Aged care	Mental health	National standards and performance	Workforce	Prevention	eHealth
Implement Activity Based Funding	Transfer funding and policy responsibility for PHC	Transfer age care funding and policy responsibility for older people to Cth	Scope additional mental health service for transfer	Establish the Australian Commission for Safety and Quality in Health Care (ACSOHC) as permanent body	Explore a regulation framework for personal care workers and assistants	Establish the national preventative health agency	Personal health records
Establish the Independent Hospital Privacy Authority (IHPA)	Medicare Locals	Transfer management for home and community care (HACC) to Cth (excl. Vic)	New flexible care package for people with severe mental illness	Establish national performance authority	Measures to better support the aged care workforce	Plain packaging of tobacco	eHealth foundations
Establish state based funding authorities	Access to PHC for older Australians	Establish aged care one stop shops	Additional youth friendly mental health services	Establish national performance accountability framework	Allied health clinical placements and locum scheme scholarships	Community sponsorship as alternative to alcohol sponsorship	
Establish Local Hospital Networks	Establishing after - hours GP telephone advice	Increased access to care through multi-purpose services in rural and remote areas	Funding for additional early psychosis service sites	Develop clinical guidelines and standards	Rollout aged care workers EN training places and undergrad scholarships	Support community activities to tackle binge drinking	
Management of flexible funding pool	Co-ordinated care for diabetes	Improve viability of community care providers		Agreement on hospital performance data to be publicly available	Funding for extra mental health nurses	Enhanced telephone counselling and referral services	
Improve emergency departments	Expanded GP Super Clinics	Release land and accelerate planning approvals for aged care facilities			Additional GP and specialist training and pre-vocational GP placements	Australian health survey	
Improve elective surgery	Practice nurses	Improve aged care providers business practice				Revise anti-smoking campaign	
More sub-acute beds and services		Support long stay older patients (LSTOP)				Increase tobacco excise	
		Consumer directed care					
		Expand zero interest loans					
		Strengthen consumer protection - accommodation bonds					
		Improve complaints investigation scheme					

### Key

Standard Reforms - Core National Health and Hospitals Network (NHHN) reforms

Additional measures

Business as usual



There are many interdependencies between each of these programs. The success of the reforms will be somewhat dependent on the identification of these and how services are planned in respect to them.

For example, the delivery of four hour targets for accident and emergency (A&E) waiting times is not only dependent on the way in which A&E services are delivered, but also the other services available, such as inpatient beds, 24 hr general practitioner services, comprehensive diagnostic and investigative services beyond the hospital boundaries, residential care facilities or in-home care programs.

Service pricing also has a direct influence on demand in different locations. Activity based funding, a key aspect of the reforms, can be too generous in supporting certain types of care in hospitals that could be better provided in other settings, including access to A&E services.

### **Clarifying the role of Local Hospital Networks**

Local Hospital Networks (LHN) are another foundation of the reform with an important role to play if integrated care is to become reality. It is foreseeable that LHNs will replace Area Health Services or districts and regions, and may impact upon some of the functions currently provided by state and territory health departments.

However, there are still many unanswered questions about how LHNs will operate, including:

- ▶ Will the state determine the patient activity type and quantum that LHNs will deliver?
- ▶ To what extent will LHNs be able to influence decisions which will impact upon industrial relations issues such as enterprise bargaining agreements?
- ▶ How will capital be funded?
- ▶ How will overlap of services and unnecessary duplication of super-speciality and other high cost services be avoided?
- ▶ How will LHNs integrate their services with Medicare Locals and other Commonwealth-funded primary care and aged care services in such a way that unnecessary admission to hospital can be avoided?

## **LHN and the impact on integrated health care, primary health care and private hospitals**

### **Integrated health care**

Limiting the mandate of LHNs to hospitals may impact integrated care models that incorporate community and primary health care such as mental health services, cancer networks and chronic disease management.

Most hospital strategy and policy over the last decade has focussed on efficiency gains and, more recently, issues of safety and quality. These initiatives have required them to develop co-ordinated state-wide frameworks that have impact beyond hospitals. To improve efficiency, hospitals have sought to introduce new technology and therapies, reduce length of stay in hospital, increase patient throughput and provide care in alternative settings. Some states have also contracted out some services and opted for casemix funding systems to ensure a better understanding of clinical costs and payment for services delivered. Some states have also sought to optimise community based services, foster primary health care partnerships and redesign their workforces.

### **Primary health care**

Given the significant synergy between primary health care organisations (PHCO) and hospital networks, planning for hospital networks and PHCOs needs to be harmonised. Research outlined in the National Health and Hospitals Reform Commission's report on PHCOs has recommended the size, number, and geographical boundaries of future PHCOs.

As well as population, the research suggests other criteria such as relationships with other agencies, existing patient flows, natural topography, growth corridors, transportation and communities of interest should be considered to determine future PHCO requirements. 'Hub and spoke' models for regionally based PHCOs have also been mooted. This research will need to be taken into account as LHNs are planned.

### **Private hospitals**

The relationship between hospital networks and the private hospital sector has also had limited discussion. At this stage, the reforms are silent on the funding of private hospitals. However, there is a close symbiotic relationship between public and private hospitals, particularly in the metropolitan and outer metropolitan areas.

A number of private hospitals are co-located on public hospital sites, several jurisdictions have privatised public facilities and many public hospitals are supported by private hospitals for services such as emergency care and post acute care. Depending on the hospital networks' role, they will need to embrace the private hospital sector within each network either directly, as part of its own population and services planning, or via service agreements.

Notwithstanding the lack of focus on private hospitals in the reforms, it is not hard to imagine how they may impact upon private hospitals in the immediate or longer term:

- ▶ The cost of private health insurance premiums may be affected if national efficient pricing mechanisms establish a pricing regime against which services can be contracted across the private and public sector
- ▶ Safety and quality standards and clinical guidelines will be established for all facilities and services whether they be public, private or non government
- ▶ National performance measures will apply to private and public services
- ▶ Workforce planning, recruitment and retention programs will directly impact the availability and cost of services

# The future of welfare

With reform and agency integration high on the agenda in many areas of Australia's public service, we spotlight a major reform program in Norway. Local and national authorities have worked together to deliver the country's widest ever package of welfare reforms.

"Compared with other countries, our major innovation has been to consolidate state and municipal services inside every local NAV office, so users can have something like one-stop shopping"

Yngvar Åsholt

When the Norwegian Parliament voted in 2005 to modernise the way social benefits are provided to an ageing population, many Norwegians assumed they were in for a little bureaucratic remodelling. What they got instead was the biggest public sector reform since the rise of the modern Norwegian welfare state in the late 1940s.

"Very few people understood how big this restructuring was going to be, and absolutely no one realised how hard it would be to execute," says Yngvar Åsholt, the public administrator assigned to make it happen.

Åsholt, 46, spent three-and-a-half years helping construct the National Labour and Welfare Administration (NAV), a new organisational structure for what amounted to a third of the national budget – from pensions and unemployment benefits at the top tier of government to drug rehabilitation and housing assistance at the local level.

"Compared with other countries, our major innovation has been to consolidate state and municipal services inside every local NAV office, so users can have something like one-stop shopping," says Åsholt, who coordinates NAV's 19 county operations when he is not directing the nationwide reform program.

"Putting state and local employees to work side by side under one office manager was daring. But it was a merger of equals. And it has worked," he says.

As fate had it, the global financial markets collapsed and unemployment shot up just as 17,000 reassigned workers were unpacking boxes and plugging in computers at hundreds of new NAV offices around the country. A run on benefits increased the newly consolidated budget to about US\$50b a year. Norway's General Accounting Office criticised the fledgling NAV for handling new benefit applications too slowly and in some cases sending out the wrong amounts. But through it all, Åsholt's reform goals have remained fixed: clarify the available benefits, streamline the application process and help able-bodied recipients back to work. Now that NAV is up and running,

Åsholt has turned his attention from planning the reforms to what he calls "content" – the actual parcelling out of benefits and services. He wants recipients to be supervised more personally, maximising the return on each krone, but he does not believe this amounts to a crackdown.

"The benefits are largely unchanged," he says, "and so are the criteria. What's new is follow-up, follow-up and more follow-up."

Benefit applicants used to enter the welfare and labour systems through many doors. For long-term unemployment, sick pay and pensions of every kind they went to the National Insurance Administration. For short-term jobless benefits, job training and listings, they tried the Labour Market Administration. For help in a sudden financial crisis, housing problem or family breakup, they made their way to a municipal social services office.



Today they just look for a red NAV sign. And thanks to Åsholt's reforms, there are now 457 of them – one “customer service centre” for every 10,000 Norwegians. Half of these offices have a catchment area of fewer than 5,000 people, thus honouring the Norwegian tradition of providing services where people live.

NAV's website, meanwhile, is evolving from a static information source to a tool Norwegians can use to evaluate their own benefit and pension options. Some benefits, like the monthly sum parents receive for each child under 18, are regenerated automatically. It's easier than ever for people to receive their benefits. On the other hand, NAV's increased oversight makes it harder to prolong a job hunt or exaggerate a work injury.

“The idea is to give customised treatment and follow-up, using both the carrot and the stick,” says Åsholt. “For example, we used to have two milestones for sick leave – at six months and a year. Now we move in faster. We work with people early on to assess what they can do. Then we try to find an activity they can manage.”

One new subsidy lets people with major health problems earn a full-time salary for part-time work tailored to their abilities. It beats paying them to stay home. But Åsholt is keen to stress: “We know a lot of people will continue to receive money from us for the rest of their lives, and if they need it, we want them to have it.”

In alliance with NAV's overall director, Tor Saglie, and a succession of government ministers, Åsholt has faced countless challenges. The state and municipal workforces had to be integrated while retaining a myriad of union contracts and pay levels. The placement and staffing of hundreds of new offices was necessary, and front-line benefit consultants had to be coaxed into a new role that can seem more like personal coaching or cheerleading than traditional casework.

Not surprisingly, Åsholt has stored up some advice for colleagues in Sweden and elsewhere who are looking at similar types of reform. “You have to stake out the new strategy clearly and convince everyone to stick with it, even though it will mean extra strain for a while,” he says. “Employees have to believe they're doing the right thing, even when the politicians get impatient or the newspapers lash out.”

“We feel a very great responsibility to defend and improve the welfare state,” he continues. “If this reform does not succeed, it could be that we'll have to reduce compensation for people who are sick or out of work, or to rein in the budget in other ways.”

Norway's welfare state now has something for everyone, from infants to the elderly and even the deceased, whose burial costs are assured. At any given time, 60% of Norwegians are receiving benefits of one kind or another. Many in Norway believe this is one secret behind the country's high-performing economy.

## Facts

NAV was established on 1 July 2006. Local authorities and the national government have worked together on the most wide-ranging welfare reform of modern times. The organisation today counts:

- ▶ 457 offices across Norway
- ▶ 17,000 people employed
- ▶ 2.8 million clients (60% of the Norwegian population)
- ▶ 35 million website visits per year (more than eight per capita)
- ▶ 22 million documents posted per year
- ▶ 10 million phone calls received per year
- ▶ One-third of clients (almost a million) visit a NAV office personally each year
- ▶ NAV administers one-third of the national budget (NOK300b or about US\$50b in 2008)

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# Global vs local

## Developing markets in higher education

A number of new forces are changing the landscape for the Australian higher education sector. While there are some major impending changes to the way universities receive funding, a more immediate challenge is the increasingly competitive nature of the sector both nationally and internationally. A secure future will depend on greater efficiency, smart brand positioning and an increased focus on student satisfaction.

There is a significant difference in the resources, facilities and delivery model required for a global elite research institution compared with a teaching focused institution serving a primarily local catchment area.

### **Globalisation and increased participation are changing students' demands**

The increase in direct cost of higher education for students is making them more demanding consumers, with higher expectations of accommodation and teaching infrastructure. Together with the declining population of school leavers in Australia, an increasingly globalised market is causing serious headaches for some Australian universities. Tomorrow's best and brightest students will likely travel globally to acquire what they want; global league tables will become more reliable and widely publicised; and the total cost of studying will reflect this global competition for talent.

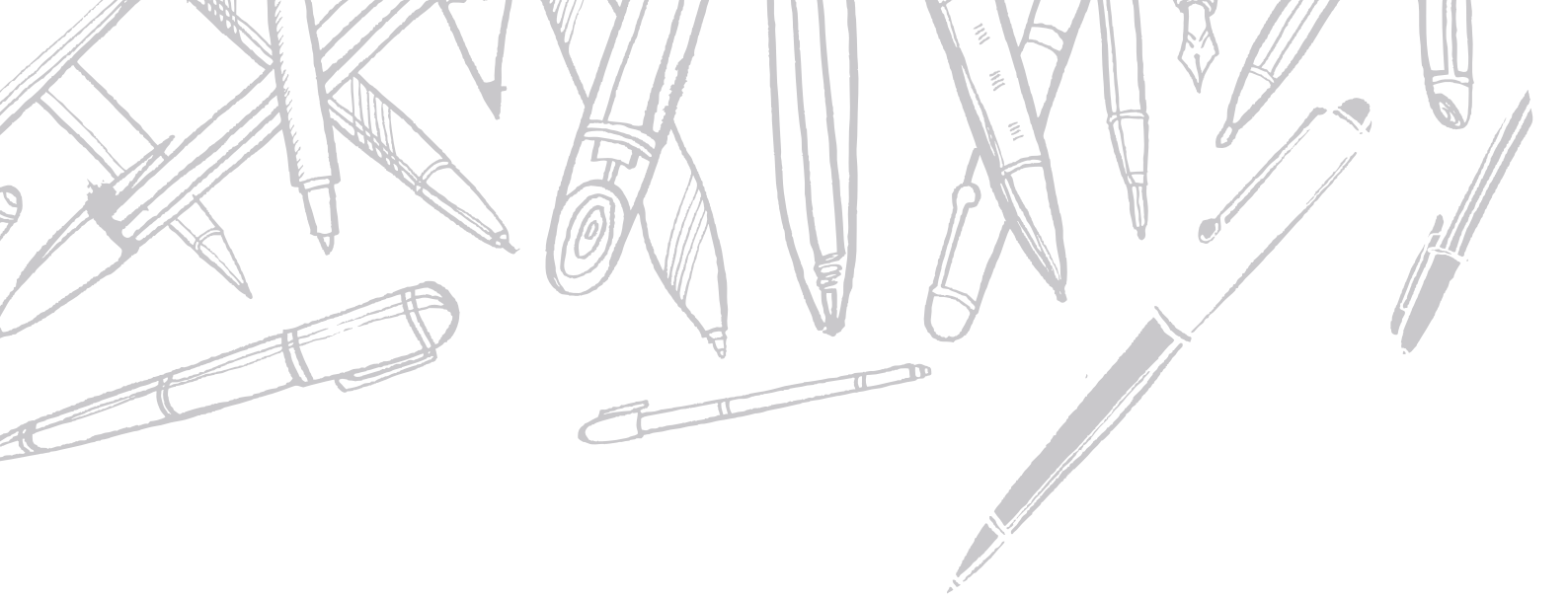
The government's participation targets, particularly for lower socio-economic and indigenous groups will also change the nature of demand. Broader participation is likely to lead to changing needs in terms of both curricula and support services. At the same time, the OECD has estimated global demand for international higher education will continue to grow, reaching more than 7 million by 2025, with around 20% of that demand coming from East Asia.

### **The role of brand and positioning in higher education**

Best practice organisations build a 'customer first' mentality into their culture. The institutions that will succeed in this more competitive environment are those which clearly identify their target market and relentlessly focus on delivering value to it. There is a significant difference in the resources, facilities and delivery model required for a global elite research institution compared with a teaching focused institution serving a primarily local catchment area. The key requirement is for institutions to identify their model and prioritise effort and resources into delivering that model successfully, rather than attempting to be all things to all people.

As students become more demanding consumers, they will look for brands that clearly offer the experience that is relevant to them as individuals. In order to develop brands and propositions that resonate with their target customer base, it is essential for institutions to engage with customers and develop offerings that clearly demonstrate value. For example, a local/regional teaching establishment with increasing participation from under-represented groups may find that its users are more interested in learning support, pastoral care and work experience links with local employers. Meanwhile, users of elite research-based institutions will be ever more demanding in wanting to work with the leaders in their field, together with world class facilities, technical support and one-to-one tutoring.

Development of clear brand positioning also allows the leadership of the university to engage internal stakeholders more fully in delivering the institutional vision and provides those stakeholders with a clear message to communicate to students, prospective students and external stakeholders.



### Developing a customer focus

When you understand what your customers want, you must then determine how you organise the university to deliver value to them. Key elements that will need to be configured in the design of the service delivery model include:

- ▶ People - students, teachers, researchers and administrators
- ▶ Processes - curriculum admissions, student support, teaching methods and scheduling
- ▶ Infrastructure - technology, libraries, laboratories, leisure facilities and student accommodations

So, the key decisions that have to be made include staff-student ratios, the balance and shape of the curriculum, the use of technology in delivering that curriculum, the balance in investing between accommodation, teaching facilities, academic staff and technology to support remote learning. The experience of Staffordshire University, an institution in a depressed area of the UK, shows what a university under pressure for resources can achieve through good management.

### Case study: Staffordshire University - succeeding by designing the university around customer needs

“At Staffordshire University, we always have - and always will - put customer focus at the heart of everything we do”<sup>1</sup>

Staffordshire University responded to increased competition in the domestic market and widened its focus to include overseas students. The university now has clearly segmented its proposition with different offerings to the regional and international markets.

For the local market, Staffordshire runs courses for over 1,000 students at colleges of further education with incentives for local applicants. It runs a priority application scheme for under-21s in local counties, while mature students are guaranteed an interview if they apply from a university access course. It has just commenced fast track, two-year degree courses that reduce the expense of studying by a third.

The university has tailored a range of courses to meet the business needs of the region. These policies have ensured that over a third of students are from the region. Staffordshire has a strong teaching assessment score and it exceeds all targets for inclusivity and diversity.

Meanwhile, many foreign students take an English language course before starting an undergraduate program, so a substantial part of the curriculum is offered with a January commencement date to suit their requirements. Additionally about 5,000 students take Staffordshire courses outside Britain, almost half of them located around the Pacific Rim.

<sup>1</sup> *University Plan 2007-2012*, Staffordshire University website: [http://www.staffs.ac.uk/assets/university\\_plan\\_2007\\_2012\\_tcm44\\_4257.pdf](http://www.staffs.ac.uk/assets/university_plan_2007_2012_tcm44_4257.pdf), accessed 29 July 2010

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