

HACC

**BETTER PLANNING AND FUNDS
ALLOCATION FOR THE HOME AND
COMMUNITY CARE PROGRAM
IN VICTORIA**

Consultation Paper

S E P T E M B E R 2 0 0 2

Published by the Rural & Regional Health & Aged Care Services Division
Victorian Government Department of Human Services
Melbourne, Victoria

Also published on www.health.vic.gov.au/agedcare/hacc/index.htm
September 2002

INTRODUCTION AND SCOPE

This *Consultation Paper* outlines a number of possible reform directions for high level planning and funds allocation processes in the Victorian Home and Community Care (HACC) Program, and seeks the responses of program stakeholders on preferred reform options. The *Consultation Paper* is accompanied by a *Background Paper* covering in greater detail the HACC Amending Agreement and program arrangements, the way the current system of planning and funds allocation operates, and how the various reform proposals might work in the future. Interested readers are able to follow up on particular matters of detail in the *Background Paper*.

Both the *Consultation Paper* and the *Background Paper* have been prepared by the Coordinated and Home Care Unit in the Aged Care Branch of the Department of Human Services. Following a consultation period, a report will be provided to the Minister, the Hon John Thwaites, MP, indicating whether any proposals have sufficient support to warrant implementation, and if so, in what time frame.

HACC has been in operation across Australia since 1985. With total funding of more than \$300m in 2002-03, HACC:

- serves around 120,000 older people, younger people with disabilities and their carers in Victoria every quarter;
- works through more than 500 providers, ranging in size from hospitals and the Royal District Nursing Service to small agencies wholly reliant on HACC funding; and
- is jointly funded by the Commonwealth and State/Territory Governments, with Victoria unique amongst the States in also benefiting from a substantial own-source contribution from most local councils.

The review derives from calls for reform both inside and outside DHS. The Department's submission to the Public Accounts and Estimates

Committee's *Inquiry into DHS' Service Agreements* committed DHS to:

- a more consultative, partnership approach with funded agencies;
- more flexibility in allocating funding to replace the previous emphasis on commercial tendering
- more use of three year agreements; and
- specifically, to reviewing HACC planning processes in conjunction with the Commonwealth.

DHS has since acted to establish a flagship *Partnership Project* to demonstrate the priority given to implementing these commitments. Departmental-wide work on partnership will provide the framework for reform directions in the HACC program.

This review also responds directly to concerns voiced by external stakeholders over a number of years about HACC planning and funding processes.

Key public documents advocating reform and providing the foundation for this review are:

- *HACC Status Report for Victorian Local Government*, Municipal Association of Victoria, 2000
- *Home and Community Care*, Australian National Audit Office, 1999-2000
- *Report on Department of Human Services – Service Agreements for Community, Health and Welfare Services*, Public Accounts and Estimates Committee, Parliament of Victoria, 2002
- *First and Second Submissions to the PAEC Inquiry into DHS' Service Agreements*, Department of Human Services, 2000 and 2001
- *Community Care Programs: The Future*, Aged and Community Services Australia, 2001

Issues within the scope of this paper

Within the limits set by its status as a national program, this review seeks to address the following criticisms of planning and administrative processes in HACC in Victoria:

- whether comprehensive annual planning processes are really required when changing patterns of demand unfold over a longer time span;
- insufficient regard to research evidence in determining Ministerial priorities;
- the need to improve collaborative arrangements with providers and consumers in overarching planning and program decision-making, in line with the Government's commitment to a partnership approach;
- variability in the planning capacity of DHS regions and in local planning approaches, and the lack of clarity in the way local and regional planning processes are linked with statewide planning;
- the need for an agreed approach to the way Local Government's statutory service planning role and independent (but variable) contribution to HACC funding should be recognised and incorporated;
- the administrative burden of the annual HACC growth funding submission process for DHS regions and agencies, which is separate from, and additional to, the service agreement negotiation process; and
- lateness in the allocation of growth funds, and the impact of this on agencies' own budget and planning processes.

Issues outside the scope of this paper

Many of the ideas proposed over the years for reforming HACC, whilst intrinsically valuable, are out of scope of this paper. This paper does not attempt to address the overall complexity of the aged and community care system in Australia nor questions of funding levels and unit prices.

Even within a more limited examination of HACC's own business processes, careful account needs to be taken of:

- the State's obligations under the HACC Amending Agreement;
- annual budget processes at both Commonwealth and State level; and
- unintended consequences decisions in HACC may have for a range of closely related Commonwealth-only, State-only or Commonwealth-State programs in sub-acute and post-acute care, disability services and primary health and support.

Despite these constraints, there are genuine opportunities to build on the improvements that have occurred over the past two years in the way planning and funds allocation occurs in HACC. In conducting this review, the proposed directions have been considered against the following criteria:

- **Consistency and equity** – will the proposals result in a fairer, more consistent and less historically determined distribution of HACC resources?
- **Effectiveness** – will the proposals improve the effectiveness of the Program in meeting its objectives?
- **Simplicity and transparency** – do the proposals make the process of applying for and receiving funding simpler, more efficient and more transparent for agencies?
- **Longer term planning** – notwithstanding Government budgetary cycles, do the proposals support a longer term planning horizon for DHS and providers?
- **Partnerships** – do the proposals represent a step towards a more partnership-oriented approach with providers?
- **Stakeholder views** – do stakeholders consider that the merits of the proposals warrant the effort required to implement them?

What do we mean by ‘planning and funds allocation’ for the purposes of this paper?

This review has not attempted to address every form of planning in the HACC program, nor every kind of funding decision.

The paper covers four major elements of the HACC planning cycle.

The first is the process by which the Victorian Minister identifies the key directions for the program for the planning period. This is designed to answer the core questions for any kind of planning; *what are we trying to achieve*, and *for whom*? Given the collaborative nature of HACC planning, this discussion also covers the question of *with whom* planning should occur, particularly in the light of the special role and contribution of Local Government in Victoria.

The second planning issue, which is closely related to the first, involves *service mix*. The paper identifies some alternative ways of improving consistency of access across Victoria to those HACC service types identified as the highest priority by the State Minister.

The third planning issue is over what time period planning should occur. This responds directly to widespread criticism that the annual planning cycle mandated by the HACC Amending Agreement is unnecessarily wasteful of scarce program resources given the relative stability of both client demand and the provider sector.

The fourth issue is how the outcomes of planning and funds allocation processes translate into Statewide and Regional HACC Plans.

Consistent with the *transparency* objective of the review, the paper proposes a consistent planning template which would allow all stakeholders to see exactly how and why the Ministerial priorities had been agreed and translated into funds allocation decisions.

As there are a number of options on the table, the paper is not able to work through in detail at this stage the consequential effects each of the options would have on the timing and scope of DHS regions’ planning tasks, namely reviews of service mix and distribution across geographical areas, annual funding agreement negotiations with agencies and identification of priorities for capital and service (re)development. More detailed consideration of these issues will occur once reform directions have become clearer.

The review has focused largely on annual growth funds, as, although these are quite small relative to the total HACC base, their planning and distribution have generated the most concern in the field. The annual growth round offers the greatest scope for business process improvement and the release of energy and resources in DHS regions and HACC providers for higher priority activities.

The paper covers options in respect of:

- Consistent formulaic distribution of regional growth funds to local areas, based on an appropriate reference population;
- The possibility of utilising regional growth funds to address questions of inequity in base funding for the LGAs in the region; and
- Allocating funds to providers other than by advertised submission.

PROPOSALS AND QUESTIONS FOR CONSIDERATION: Summary

PROPOSAL	QUESTIONS FOR CONSIDERATION	WAY FORWARD
<p>1. Improved transparency, equity, consistency and evidence basis for planning and funds allocation</p> <p>The first proposition is that transparency and equity would be improved if distribution of HACC growth funds was based on a population formula at the LGA level, not just the regional level. This might or might not also involve using growth funds to move LGAs closer to their regional average over time</p> <p>The second proposition is that HACC could make more use of both stakeholder input and research evidence in providing advice on Ministerial priorities. There are a number of possible ways of making HACC priorities more evidence based and consistent across the State</p> <p>The third proposition is that there should be a straightforward and consistent way of linking HACC planning to the availability of related non-HACC services</p>	<p>Proposition • 1</p> <p>Should we use a population based approach for allocating growth to local areas? Should we go a step further and use growth funds to help equalise between LGAs in a region?</p> <p>If we move to more use of population based funding to determine growth allocations at LGA level, how much flexibility should be left to regions and under what circumstances?</p> <p>Proposition • 2</p> <p>Do we want to stay with but improve the current system by greater consistency between regions? Or do we want everyone to receive growth funds on a formula every year? Or do we want Ministerial priorities to have a stronger foundation in research evidence?</p> <p>Proposition • 3</p> <p>What is the best way to take account of related non-HACC services without making HACC planning too complicated and opaque?</p>	<p>Reach agreement on whether and how greater use of formula-based funds allocation might work at local area level</p> <p>Commonwealth and Victorian Ministerial agreement and developmental work within HACC program would be required for any new process for determining priorities</p> <p>For Proposition 3, HACC Program would need to develop simple set of planning benchmarks and simple set of guidelines for taking account of related services not funded by HACC</p> <p>Under any change option, HACC Program needs to develop template for transparent, public HACC regional plans</p>

PROPOSAL	QUESTIONS FOR CONSIDERATION	WAY FORWARD
<p>2. Multi-year planning</p> <p>Proposition is that needs for HACC services do not change sufficiently over 12 months to justify annual planning process</p>	<p>Should we move to a 2- or 3-year planning cycle?</p> <p>How would we deal with unforeseen or emerging needs in the year(s) between plans?</p> <p>How would we make provision for service development and minor capital currently funded out of annual 'slippage'?</p> <p>How can Local Government's statutory planning role and own-source funding contribution best be integrated into a broader partnership approach?</p>	<p>3 year plan is preferred for consistency with triennial planning provisions of the HACC Agreement</p> <p>Need to identify appropriate funding for contingency, minor capital and service development at beginning of three year cycle</p>
<p>3. Increase emphasis on partnership rather than open competition in funds allocation</p> <p>Proposition is that annual HACC funding round involves too much effort for too little gain for clients and providers, particularly given the need to devote majority of growth funds to 'more of the same'</p>	<p>Would clients and the HACC system be better served if some providers and/or activities had funds directly allocated during the planning period instead of competing in the funding round? (Examples might include local councils and rural hospitals; allied health in community health centres; Koori specific services)</p> <p>Where invited or advertised submissions still apply, should there be a system of 'preferred providers'?</p>	<p>Under DHS funds allocation policy, Minister would need to agree to greater use of direct allocation in HACC</p> <p>Commonwealth would need to agree to changed consultation process</p> <p>Victorian Triennial Plan could define which activities or providers subject to direct allocation except where regions have good reason for invited or advertised submissions</p>

PROPOSALS AND QUESTIONS FOR CONSIDERATION

A number of possible improvements to current planning and funds allocation processes are outlined below. Whilst they are clearly interconnected, it does not follow that a better system is reliant on the acceptance of all the reform proposals. A 'mix and match' approach is possible. For example, there could be greater use of direct allocation of funds whilst retaining annual plans; or there could be three year plans without either a more formulaic approach to the distribution of growth funding, or more focused central priorities. One outcome of the consultation process could be that some reforms are implemented immediately whilst others are agreed to require more work before being generally applied.

Attachment 1 to this paper shows in a summarised way the possibilities for mixing and matching options for reform across the four dimensions of high level priority setting; distribution of growth within regions; time horizon for planning; and funding mechanisms.

1 • Improved transparency, equity, consistency and evidence basis for planning

A more formulaic approach to distributing growth funds between local government areas?

In common with many other Government programs at both Commonwealth and State level, the HACC Program currently uses a population based formula to distribute available HACC growth across DHS regions. The advantages of using this kind of formula are:

- Data used in the formula are independent and objective;

- They do not depend on historical patterns of service usage;
- They are not susceptible to 'gaming' to gain additional funding; and
- Everyone can see how and why funding decisions have been made.

In 2001 HACC's formula was revised to include a wider range of variables (socioeconomic status, health status, ethnicity, Koori status and rurality) seen to represent better measures of need for services than the previous formula. Regions use the new formula to inform the distribution of growth funds to a local government area level to a greater or lesser degree, but the effectiveness of current practice is hampered by two issues. First, the regional formula was never designed to be used at a lower level and secondly, there is inconsistency in regional approaches.

The proposition is that transparency, equity and consistency in the HACC program would be improved if an appropriate population formula were developed and applied across the State to distribute growth funds at the local area level. The *Background Paper* sets out one way such a formula could operate.

In order to make this proposal workable, it also needs to be able to make some accommodation for distinctive and relevant local factors – for example, specific local factors not reflected in the formula, or issues associated with sub-regional, region-wide, cross-regional or Statewide activities.

A way to balance the competing considerations of consistency and flexibility could be to permit up to an agreed proportion of local area growth funds (say 10-20%) to be allocated outside the formula. DHS regions – acting as now on the advice of HACC stakeholders – would have discretion over these funds. The public HACC Regional Plan would provide details on why and how this discretion had been exercised.

Questions for consideration:

Do you agree a population formula should be developed to guide the distribution of HACC growth funds at the local area level, not just the regional level?

If yes, how much flexibility or discretion should be left to DHS regions and under what circumstances?

Should we use growth funds to address inequities in base funding between local areas within each DHS region?

A more formulaic approach to the distribution of growth could potentially go further than the proposition outlined above. It could also be used over time to smooth out some of the differences between local government areas (LGAs) within a DHS region.

At present, growth funds are provided to regions on an equity basis but they are not used to address existing inequities in the historical base.

One means of responding to this issue could be to quarantine a proportion of each region's growth funds for those local areas with HACC funding below the regional average, with the aim

of moving them closer to the average over time.

It should be noted there is no intention to reduce any local area's base funding and it would also be recognised that every local area is entitled to a minimum level of funding growth given the level of demand for HACC services across Victoria. However, the higher the level of minimum funding, the slower more equitable shares across a region would be achieved.

To explain how this might work at the local level, the *Background Paper* includes a worked-through example for Loddon Mallee region. The *Background Paper* also outlines the general proposition about an 'equity pool' at greater length.

Questions for consideration:

Do you think HACC growth funds should be used to smooth out inequities between the base funding of different LGAs within each DHS region?

If yes, do you support the idea of an 'equalisation pool'?

Do you support the principles of no reductions in base funding and a minimum guaranteed share of growth funding for every LGA?

Do we need a more evidence based approach to planning for the distribution of HACC growth funds across activities and special needs groups?

This section canvasses three different possible approaches to the balance between *statewide planning considerations*, such as overall program effectiveness, consistency and efficiency, and *local planning considerations*, such as flexibility and responsiveness both to local consumer preferences and local service system exigencies.

These are separate issues to achieving greater equity in the way growth funds are distributed geographically, which was the focus of the previous discussion. Rather, in this section the key questions are:

- How does the HACC Program decide which service types should be funded? and
- How does the HACC Program take account of its special needs groups?

At present, Ministerial priorities for HACC are set

at a relatively high level of generality by both the Commonwealth and the State. Based on these broad directions, each of the nine DHS regions then consults with consumers, providers and other stakeholders to determine which target groups, areas and activities should receive the highest priority in the annual funding round.

This process has a number of strengths, including its emphasis on collaborative relationships between DHS and stakeholders in regional planning and priority setting, capacity to bring qualitative and descriptive material into the allocative process, and generation of a sense of collective 'ownership' of the funding round outcomes.

However, there have also been a number of criticisms directed at the HACC planning process. These include:

- The process for setting HACC priorities neither makes sufficient use of research evidence, nor taps into the accumulated wisdom of HACC providers *before* Ministerial priorities are set;
- The opportunity costs of the planning process for central office, regions and agencies compared to other possible uses of HACC program time and energy; and
- The degree of variability between regions.

What are the alternatives to the current approach?

Discussions with the field have identified three alternative approaches to current HACC planning processes. Each of these reflects a different decision about whether the statewide or the local planning considerations are more important. The options are described in summary form, followed by an explanation of how they might work in practice.

1 Incremental improvements within current planning paradigm

- Ministerial priorities could be sharpened and rolled out over three year planning period (eg there could be a planned shift of emphasis in each of the years of a three year HACC Statewide Plan)

- Consumer and provider input strengthened through enabling the HACC Department Advisory Committee to provide input into Ministerial priorities
- Diverse regional funding outcomes but more use of consistent planning methodology and regional planning templates

2 Standard growth % for all existing providers

- Based on view that demand, driven by population growth and increasing complexity, affects *all* providers and service types in fairly similar ways
- Would significantly streamline current processes – large efficiency gains

3 Focus on small number of evidence-based growth priorities

- Based on view that HACC should draw more heavily on evidence base to support achievement of program objectives
- Maintains high level of provider and consumer input, but shifts balance from local influence to system-wide influence
- Would streamline current funding processes, thus allowing more time for system development and quality improvement activities
- Would reduce regional discretion and variation

APPROACH #1 represents the smallest change from the current system. It could be adopted with or without a more formulaic approach to the distribution of growth funds at local area level.

Under this approach there is continuing value is placed on responsiveness to local issues and fostering horizontal connection between HACC funding and a range of related non-HACC services. At the same time, *program effectiveness* could be enhanced by having fewer Ministerial priorities in any one year but using the opportunity of a three year planning horizon to shift emphasis in subsequent years.

Consistency could be improved by developing a standard template for HACC Regional Plans, which would become publicly available as a matter of course. All HACC stakeholders in a

region would be able to see from the Regional Plans how Ministerial priorities had been translated into decisions at the LGA level. Guidelines would also be provided to regions on a consistent way to take into account the availability of related non-HACC services. Possible examples might include: community aged care packages in relation to Linkages; allied health in community health services or hospitals in relation to HACC allied health; and disability respite in relation to HACC respite for younger people with disabilities.

The capacity to incorporate providers' and consumers' views into the planning process would be strengthened by utilising the collective wisdom of the new Departmental Advisory Committee on HACC to inform Ministerial priority setting.

APPROACH #2 places the highest value on *efficiency* and *predictability* for agencies. It proposes using a standard formula to distribute available growth funds to all HACC providers within each LGA. The merits of this approach are that funds would be able to be distributed earlier in the financial year and there would be significant savings in DHS and agency time and effort. Regions would be able to focus their effort on a range of quality improvement activities within and between agencies because funding decisions would be automatic.

APPROACH #3 has 4 elements, with some overlap with Approach #1. It places greatest value on *evidence based planning*, *consistency* and *transparency*. Like Approach #2, it would free the time of regional DHS HACC staff to focus more on service development and quality improvement activities.

First, the process for setting priorities for HACC growth funds would be strengthened by having more regard to both research evidence and high level stakeholder input. As for Approach #1, DHS would seek the advice of the new Departmental Advisory Committee on HACC in providing a recommendation to the Minister on what the priorities should be. The priorities would also draw to a greater extent on available research

evidence on 'what works?' ie how can HACC growth funds be applied to best effect to meet the program's overarching objective?

A second order question is how special needs groups amongst the HACC population might be best accommodated in such an approach. There are two major options available: either special needs groups could always feature amongst the Ministerial priorities; or a Ministerial priority to expand provision of a core service type (eg home care or home nursing) could include the requirement to pay particular attention to access and responsiveness to special needs groups.

Secondly, given that there will always be greater demand for priority services than can be met through growth funding, DHS regions would inform funding decisions with a consistent 'gap analysis' against broad service provision benchmarks (developed by central office).

Eventually these benchmarks would aim to describe the 'right' supply of particular services, setting both a floor and a ceiling (recognising that oversupply can be as much of a problem as undersupply in terms of the 'balance of care'). Until such benchmarks are available, gap analysis would need to be based on comparing the supply of the priority service types in the LGA against the average supply in other similar LGAs. This means that rather than broad comparisons across metropolitan or rural Victoria, finer comparisons would be able to be made against a smaller grouping of like local areas.

Thirdly, as for Approach #1, a simple set of guidelines would be provided to regions on how to take into account the availability of related non-HACC services. Fourthly, and again in common with Approach #1, there would be consistent, public HACC Regional Plans. Under this approach, all HACC stakeholders in a region would be able to see how the statewide priorities had been translated into decisions about providing additional funding to the priority service types at the LGA level, taking into account the service provision benchmarks and the supply of related non-HACC services.

Questions for consideration:

Do you think the current planning framework for the HACC Program has the balance right between the values of local consultation and responsiveness on the one hand, and of consistency, effectiveness and efficiency on the other?

If yes, do you agree with the proposals under Approach #1 for incremental improvements to planning processes?

If not, do you support the kinds of changes outlined under either Approaches #2 and #3?

Are there other ideas for improvement not listed in this Paper you would like to have considered?

How should special needs groups be planned for – as a separate priority in their own right, or as a priority target group under the different activity types?

2 • Multi-year planning

HACC planning currently runs on an annual cycle. Given the timing of the Commonwealth offer and the requirement for both Ministers to sign off on the Annual Plan, this has resulted in growth funds not being provided to agencies until half way through the financial year. The question has also been raised as to whether there is sufficient volatility in either the population eligible for HACC or in the provider sector, to merit the degree of time and effort required to undertake detailed annual planning processes.

Alternatively, it is argued, it would be preferable to undertake detailed and consultative planning in only one out of every two or three years. This would in turn support system consolidation and quality improvement in the inter-planning years, both for individual providers and as the focus for the work of DHS regional staff.

The proposition is that, subject to the agreement of the Commonwealth Minister, the current annual planning approach be extended to two or three years. This would mean:

- Triennial or biennial Statewide and Regional Plans;
- Updates based only on major demographic shifts and major service redevelopments, if any;
- Wide consultation only in first year;

- Stable Ministerial and regional priorities over planning period; and
- Funds set aside for emerging or unforeseen issues

Benefits of this approach

Apart from greater certainty for agencies, a longer planning time frame for planning could enable:

- Earlier provision of funds to agencies in the second (and third) year of the plan;
- Capacity to 'bring forward' funds that would otherwise flow over several years to create larger funding parcels, balanced by . . .
- Capacity for agencies to defer receiving growth funding for 12 or 24 months to enable them to 'gear up' for service expansion with which they may otherwise struggle; and
- Administrative savings for both DHS and agencies.

Two or three years?

The first key question is whether the period should be two or three years. Two years would be preferred if planning precision and adaptability were dominant concerns. Three years would line up with the triennial planning provisions in the HACC Agreement and would be the preferred approach if planning and funding certainty were the dominant considerations. DHS has a preference for an initial three year period, with an evaluation toward the end of the period.

Questions for consideration:

Do you think HACC plans should have a longer time horizon than one year?

If yes, do you prefer two or three years?

Links to other planning processes: role of Local Government

As well as providing more than a third of all HACC services, Local Government in Victoria has played a key role in the development of the HACC Program since its inception. It provides substantial funding from own-source revenues to the aged and disability services system. Estimates of the total amount vary but based on the annual financial survey conducted by the Victoria Grants Commission, it exceeds \$70 million per annum.

Councils are the entry point to the HACC service system for most clients, and a key source of information about service availability. *The Local Government Act* provides the statutory framework for each local government to plan for services within its municipality, and this includes planning for aged and disability services. It is a key partner in all the State's Primary Care Partnerships. Many local governments are also funders of small community-based agencies that may be involved in the provision of HACC services. And most provide 'in kind' support to local agencies as well, such as assistance with funding applications and planning information.

In summary, Local Government occupies a unique position amongst HACC stakeholders in terms of both the planning and funding elements covered by this paper. In recognition of this, the Municipal Association of Victoria and DHS are currently negotiating the scope and content of a *HACC Program Partnership* with both short- and medium term dimensions.

The kinds of questions relevant to HACC planning and funds allocation and currently being canvassed in the development of the *Program Partnership* include the following:

- How can we best collect and disseminate comprehensive data on services delivered by

local government to inform planning processes?

- How might we capture data on HACC services subsidised or funded by local government from own source revenue to complement existing data on DHS-funded HACC services?
- What agreement might be reached between State and Local Government on maintaining respective effort in HACC?
- How can Local Government's role in integrated local area planning best be brought to bear in HACC planning without generating any conflict of interest with their role as a funded HACC provider? and
- How can Local Government's collective view (as expressed through the MAV) on priorities for the HACC Program best be incorporated into the Ministerial priority setting process?

Links to other planning processes: Community Health Plans

The proposal for significant enhancement of each DHS region's HACC Regional Plan requires consideration of the relationship between HACC regional planning and the relatively new Community Health Plans being produced by Primary Care Partnerships (PCPs) across Victoria.

Community Health Plans have a number of objectives, including identification of the main health priorities for their communities, the articulation of how integrated disease management initiatives are to be implemented and a longer-term approach to their own internal working arrangements.

HACC planning, on the other hand, is much more detailed and operational in focus, with the key task of refracting Statewide priorities through local population and service system needs for the purposes of the annual funding round.

Over time, it might be expected that the new Triennial Victorian and Regional HACC Plans would relate to Community Health Plans in the following kinds of ways:

- The overarching priorities for HACC articulated by the Minister would be taken on board by each PCP in formulating its Community Health Plan, leading to a more integrated approach across Victoria to the frail aged as a target population;
- At the level of the Regional Plan, the major point of intersection would be to do with service coordination within PCPs. HACC and PCPs have a common interest in enhancing the service coordination capacities and practices of providers within each catchment.

Statewide and cross-regional services

Improving the way statewide and specialist cross-regional services are planned and integrated with regional service systems is a task integral to planning reform. *Statewide services* are primarily information and advocacy services, including peak bodies, whilst cross-regional services are those with a specialised service model with a client base spread across several regions. They tend to be focussed on special needs groups such as Kooris, and people from a CALD background. They do not include mainstream services whose target group happens to span a regional boundary since these should be dealt with collaboratively between the relevant regions as a normal part of regional planning.

Statewide and cross-regional providers have indicated they often have difficulty participating in regional planning processes because:

- Their focus is on Statewide rather than the regional issues which are the subject of the consultation process; or
- They lack sufficient resources to participate in multiple regional planning processes; or
- Their specialised approach makes it hard for them to command sufficient focus in regional planning forums.

It is proposed that the approach that has been adopted in the past few years for a separate

funding pool to deal with statewide and cross-regional providers be maintained and enhanced. Funds in this pool would not be subject to formulaic distribution.

3 • Increase emphasis on partnership rather than open competition in funds allocation

DHS currently uses four types of processes for funding external agencies:

- Competitive tendering
- Advertised submission process
- Invited submission process
- Direct allocation

Until now, virtually all HACC funding has been allocated through an advertised submission process referred to as the 'HACC funding round'. There is a widespread view that, given most annual funding growth is needed to deliver 'more of the same', the funding round entails significant administrative effort for little additional benefit for clients or providers.

The proposition is that, as a corollary of strengthened planning processes, HACC should simplify funds allocation by much greater use of direct allocation and invited submissions.

It is noted that under DHS' current policy settings for funds allocation, the Minister would need to agree that the community benefits of direct allocation outweighed the disadvantage to potential new entrants.

The Victorian Triennial Plan could set out which activities or providers should have growth funds directly allocated, with regions able to argue for invited or advertised submissions if justified by local circumstances.

Examples of *activities* which might attract direct allocation include home care in rural regions or Koori-specific planned activity groups. Examples of *providers* include local councils, the Royal District Nursing Service, community health services and rural health services.

A means of bringing together both the benefits of a competitive process and the certainty and stability of direct allocation, is greater use of *preferred provider panels*. Regions could conduct a competitive process for the first year of a multi-year plan, inviting providers with capacity to take on growth funding for the planning period and

meeting HACC quality and performance standards to put themselves forward for inclusion on a *preferred provider panel* to whom direct allocation of funds could then be made in subsequent years. The requirement for greater transparency would need to be met via the Regional Plan.

Questions for consideration:

Do you think there should be greater use of direct allocation and invited submissions rather than complete reliance on advertised submissions to distribute HACC growth funds?

Do you support the idea that decisions on direct allocation would be made centrally with the possibility of regional exceptions?

Do you support the idea of establishing a panel of preferred providers?

How should we deal with funding for capital and service development grants?

The timing of the existing planning and funding processes means that although increases in Commonwealth and State recurrent funding are for a full year, agencies receive less than a full year effect of new recurrent funding – generally six months – in the first year. The balance of the funds, now amounting to over \$5 million, comprise a funding pool that is used for capital and service development projects.

The kinds of purposes to which capital funding is applied include IT, acquisition and replacement of buses and cars, and building upgrades and improvements. Options for changing the way capital is planned and allocated are to be considered as part of a related DHS project. When completed, the project's recommendations will be taken to the HACC field for consideration and response.

Service development grants play a critical role in supporting innovation at both HACC program and individual agency level. However, there is a view that too many service development projects have failed to generate worthwhile outcomes. There are also problems of duplication and disconnection. At various times there have been separate projects funded in different regions to do the same, or very similar, things. Alternatively, projects have been funded in individual regions

that would have benefited from a multi-regional focus. And there has been no routine way of ensuring that the knowledge gained from individual projects is disseminated.

In consultations around the development of this paper, it has been suggested that these problems could be overcome if some service development funding were centrally managed. This could entail not only a central process for allocating funds, but also someone from HACC central office being involved in project monitoring and review. There could also be a role for the Departmental Advisory Committee in monitoring outcomes. Processes would be established to ensure that the learnings from project outcomes were disseminated by publishing results where possible.

At the same time maintaining local service development capacity is desirable, either to address local service issues, or to support agency strategic planning. A small pool of funds should be allocated to regions to support these purposes.

If a multi-year planning time-frame can be adopted, it would also deal with the problem of service development projects being expected to be completed within a financial year. Subject to discussions with the Commonwealth on program accountability requirements, projects could be carried out over a longer and more realistic time frame.

REVIEW PROCESS

This paper is the outcome of a review process that commenced in DHS in January 2002. As well as the formal documents listed on page 1, it has drawn on DHS staff involved in HACC planning and funding, the Municipal Association of Victoria, the Commonwealth Department of Health and Ageing and the Departmental Advisory Committee on HACC in defining the directions for change. The generous sharing of knowledge and time of many individuals is gratefully acknowledged.

During September and October providers and consumers will have the opportunity to feed back to DHS their views on which proposals warrant immediate implementation, which warrant further work, and which should be discarded.

This can occur either directly, through HACC regional advisory committees, or through peak bodies.

It is anticipated public consultation meetings will be organised in each DHS region.

Stakeholders are encouraged to provide their views directly. Questions and comments should be emailed to

HACC PlanningReview@dhs.vic.gov.au.

The closing date for submission is Friday 8 November 2002. Once all responses have been received and analysed, DHS will provide advice on stakeholder views to the Minister for Health, the Hon John Thwaites, MP for his consideration.

HIGH LEVEL PRIORITY SETTING	National and State priorities but framed in general terms	National priorities and detailed State priorities (service and/or client type) but with regional variances allowed for.	Detailed priorities (service and/or client type) with little or no allowance for regional variance.
DISTRIBUTION OF GROWTH WITHIN REGIONS Use of formulas	No formulas – RREF and other factors used in different ways across regions to distribute growth funds to the LGA level	Standard distribution formula at an LGA level, based on a RREF-type model, with regional flexibility of more than 10% to allow for special needs groups and other local factors	Standard distribution formula at an LGA level, based on RREF-type model, but with regional flexibility of less than 10% to allow for special needs groups and other local factors
Funding to improve LGA base equity	No regional growth funds specifically earmarked to reduce LGA-level base funding differences	Some regional growth funds earmarked to reduce LGA-level base funding differences, but regional discretion in model to be used	Consistent approach in all regions in the use of regional growth funds to reduce LGA-level base funding differences
Service mix	Service mix determined through regional planning and consultation process	Benchmarks set to assist determine HACC service mix, with regional flexibility to vary for related non-HACC services	Service mix to achieve nominated HACC service benchmarks, with rules set around how to adjust for related non-HACC services
PLANNING HORIZON	One year	Two years	Three years
FUNDING General approach	All allocations through an annual advertised submission process	Advertised in first year of multi-year plan only – other options in next years	All funds allocation methods equally applied across all years of a multi-year funding plan
Criteria for directly allocating new funding to providers	No use of direct allocation – advertised and invited submissions only	For all services where there is only one suitable provider in the area, in line with the HACC funding plan	For all services where there is only one suitable provider in the area, as detailed in HACC funding plan, as well as to nominated classes of provider, as determined by the Minister (e.g. all rural health services, or all community health centres, or all Local Governments) based on clear service system criteria, and in line with requirements of the funding plan
			To all existing providers, in line with the funding plan and subject to satisfactory past performance levels

Note: shaded boxes represent existing processes

