How the Industry Can Work Together

Benchmarking and Sharing Knowledge

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Our Environment

The Australian Government needs to provide a sustainable age services system that supports older people in need of care

Our current aged care system needs to change to be able to meet future demands

The Department of Social Services is responsible for reforming the aged care system and reforms are being implemented progressively

The themes are more choice, easier access and better care.

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Reform Years 1 and 2 (2013 – 14)

An emphasis on staying at home as long as possible and introduction of new Home Care Packages

Refundable Accommodation Deposits (RADS)

Introduction of My Aged Care

Rebadging of ACSAA to AACQA and the promise of contestability

Aged Care Pricing Commissioner appointed

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Reform Years 3 and 4 (2015 – 16)

Deliver improved access and choice for consumers

Stronger system delivery

Quality Indicators

National fees framework for the Commonwealth Home Support Programme

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The Final Phases 2017 Onwards

Changes throughout this phase have been flagged to be developed in consultation with the industry

Legislation mandates a five-year review be undertaken to look at reform impacts and system gaps

By 2022 the vision for Australia's age service system has been characterised by: sustainability and affordability, diverse and rewarding career options, better investment and growth opportunities, flexibility and choice for consumers and support to enable consumers to stay at home for as long as possible

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Consumer Directed Care

Consumers will increasingly have access to greater choice and control over their support and care and who they prefer as their service provider

Entry barriers to becoming an Approved Provider are slowly reducing

Private Equity is investing heavily on the back of $20B in RAD holdings

There is a significant shift in how consumers will access support and care and how delivery will occur. Consumers will be able to change providers with ease

Changes are being designed to increase competition and quality and reduce regulation and red tape

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A Market Based Aged Care System

The Government (DSS) sees aged care as just another social service (no specific ministerial responsibility) and have driven policy to establish a market based system

Consolidation has been happening at a rapid rate in Residential Care with the largest private equity investors rapidly gaining a significant market share

Of the over 1200 approved providers in Australia currently, consolidation will potentially eventuate in under 600 approved providers by 2022

Survival of the NFP, Community and Government Sectors (I will refer to them broadly as Community) will depend on benchmarking, collaboration, information sharing and innovation.

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Benchmarking Definitions

There is nothing new about benchmarking – businesses have been evaluating results and assessing their competition for aeons

But the identification of benchmarking as a corporate strategy to promote improvement and external competition is relatively modern

Xerox is given credit for defining the term ‘competitive benchmarking’ in 1982. They identified their competitors, established metrics that allowed it to compare their performance with competitors then it used that information to improve product and process quality

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Benchmarking Approaches

StewartBrown — Operational metrics based on revenue and costs for Residential and Community Care

Bentleys — Financial Ratio analysis for subscribers compared with all providers, by location and by ownership

QPS — Operational benchmarking process comparing standards and outcomes conformance, overheads and costs

MIRUS AUSTRALIA — Benchmarking inputs, processes and outputs

MOA BENCHMARKING — Benchmarking and auditing combined with quality improvement processes and support

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Driving Performance

Nearly all industries are experiencing increasing competition and transparency of information transfer but the broader health and aged care industries were late to this experience

In order to change, improve and transform, the Community sector will need to develop a sustainable competitive position

Benchmarking could be seen as allied to organisational change – 'organisations need to constantly redefine themselves by learning, innovating and improving their internal processes' (Senge 1990)

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Strategic Intent

Benchmarking can provide insight into short and long term strategic planning

Well defined benchmarking processes with solid metrics can forecast potential areas of strengths and weaknesses

Comparing your performance with others including commercial operators can stimulate new ideas and can help drive organisational improvement

A well defined benchmarking process allows for rational goal setting particularly in establishing the best feasible systems and practices

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Partnerships

Functional benchmarking involves organisation's creating partnerships with other organisation's – both within and outside of their sector

In every model there are common themes encompassing five stages

1. Planning (deciding metrics, collection methods, frequency etc.)
2. Analysis and data collection
3. Comparison and results
4. Change
5. Verification and maturity

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Investment

Each organisation needs to invest human and financial resources in deciding what processes or outcomes should be benchmarked and implementing the necessary systems and processes

In the case of Xerox there were three major categories

1. Financial Drivers

2. Customer Satisfaction Measures

3. Process Management Measures

These are timeless and just as applicable to age services

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Market Forces

Your operating performance and financial status will always be fundamental to your survival in the longer term

Several factors will contribute to an assessment of the relative probability of success or incremental failure in this dynamic regulatory, funded, competitive and technological environment

In fact these four factors are the key pillars that drive the economic or social value of an age services enterprise

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How the Industry Can Work Together

Often titles for presentations are provided for you and this one represents two conflicting positions a high ideal and almost a ‘mission impossible’

If we were all guaranteed an ideal mix of customers and the funding to match, with incentives for better practice and performance, we would all be in a utopian society of cooperation, collaboration, information sharing and innovation

We are however entering a new phase of a potentially highly competitive national age services market

And it was **Napoleon Bonaparte** who said: "Men are Moved by two levers only: fear and self interest."

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Barriers to Working Together

The Government and DSS have created the conditions for investment, access to capital, profits, deregulation and consolidation supported by strong (some say draconian) compliance mechanisms (carrot and stick)

The FP sector is often characterised by ‘insatiable’ PE funded consolidators who are prepared to compete for market share in most viable locations

While scale is important to these operators there is still plenty of room for private operators and NFP operators (small to medium and larger Community and privately funded operators alike)

Self interest, competitive forces, philosophical differences and fear have prevented even cursory (meaningful) collaboration to date

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An Information Marketplace

Currently there are a number of Associations or 'collectives' who claim to 'represent' sectoral interests in the age services industry

LASA Q – for profit and non profit

ACSA – non profit only

The Aged Care Guild – large multi-state providers (mostly PE funded)

Confessing to my own self interest – our Association, LASA Q genuinely represents or is capable of representing all providers from Community Care through Retirement Villages up to Residential Care - Nationally

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Association Evolution

However there is a critical need for change to meet the needs of many association stakeholders

Knowledge management, information sharing and benchmarking with expert content curation is crucial. The application of insight and nuance to give meaning and applicability to information is the role of an association

Google one of the biggest competitors to most associations but Google's strength is also its biggest weakness as users get many results with no guarantee of accuracy

Associations can generate significant value for their members by developing, among many capabilities, content curation as a core skill

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Facilitating and Enabling

The old-fashioned model of an association maintaining a transactional relationship with members, where the main communication channel is a one-way trip from association to member, is no longer sustainable

Successful associations must encourage facilitated communication and conversations between Government, Consumer Groups and Members to enable the creation of relationships that increase the ability of members to create value for themselves and their customers

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The Future

Is (as of the last 48 hours) somewhat uncertain

The departing Minister Mitch Fifield appeared to be fully invested in the concept of consumer centricity almost to the point of complete indifference to the industry, its providers and their future viability

The new Minister for Health, Sports and Aged Care, Sussan Ley, has been appointed in the last 48 hours and initial announcements have focussed on how aged care services integrate and complement the Health system. Aged Care will no longer be administered through DSS.

One would think that the concepts of a marketplace and competition will remain – but we will need to wait and see!

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Thank You

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