



ANCD

AUSTRALIAN NATIONAL COUNCIL ON DRUGS

Statement of funding principles for non-government organisations providing alcohol and other drug treatments

April 2014

Introduction

In recent years specialist alcohol and other drug (AOD) services offered by non-government organisations (NGOs) in Australia have been significantly impacted by changes to funding processes at Federal and jurisdictional levels. Further changes are likely to occur. There is much concern about such changes in the AOD NGO sector, and issues surrounding their impact have continually been raised with the Australian National Council on Drugs (ANCD). There are also a number of ongoing issues related to funding.

In recent years there have been significant changes to the funding of health services generally in Australia, associated with health reforms and changes to federal-jurisdictional financial relations. These changes recognise that overall demand for health services will increase in future within a climate of government fiscal restraint, resulting in a need to focus on efficiency and effectiveness to realise sustainable health budgets. Health funding reforms have been instituted, such as those for hospitals via activity-based funding and the new system for primary healthcare.

There is a general lack of clarity within the AOD treatment sector about the long-term effects of these changes for AOD treatment and prevention services, and how AOD funding sits within the larger health funding structures. AOD services are still funded via an undefined combination of Commonwealth, State and Territory Governments. This is in contrast to many other areas of health funding and leads to lack of clarity about boundaries and responsibilities. There is also a need for increased co-operation across all these levels of government to enhance better co-ordination of planning models.

The ANCD supports ensuring that accountable, quality and effective services are available to people affected by drug use. What funding processes and models will be most conducive to delivery of the best quality AOD services to communities, and best meet the needs of those communities, involves a complex set of factors; some of which are subject to rapid change. These include changing patterns of drug use, workforce capacity, individual client and particular community needs, government priorities, and resourcing capacities that must all be considered along with evidence of what works.¹

In recognition of the need for further information in this area, the Federal Government has commissioned work on a number of relevant areas within several projects. These will include empirical and conceptual research on funding models, mapping treatment need, workforce development, a quality framework for the AOD sector, and other matters.

In this context, the ANCD has developed the following statement of principles for the funding of AOD NGOs. Our focus is on AOD specialist services provided by non-profit NGOs and does not include AOD services provided by private (general or specialist) practitioners

¹ Some of the issues discussed below are particularly relevant to funding for Aboriginal and Torres Strait Islander-specific AOD services. For a more detailed discussion of these issues see National Indigenous Drug and Alcohol Committee (2013). *Funding of alcohol and other drug interventions and services for Aboriginal and Torres Strait Islander people*. NIDAC, Canberra, available at: <http://www.nidac.org.au/images/PDFs/NIDACIpublications/Funding.pdf>

or private hospitals. The statement aims to articulate the primary aims that should underpin an ideal system for providing funds to the AOD NGO sector. It includes principles which are themed under the achievement of five aims:

1. Recognition and utilisation of the particular strengths of NGOs within the AOD sector;
2. Cooperative and transparent processes;
3. Use of a funding model that is best suited to the AOD sector;
4. Provision of funds at levels adequate to cover the costs of best quality service provision;
5. Compliance requirements that will support efficient, quality, and effective as well as innovative services.

Background

NGOs provide a significant proportion of AOD services in Australia, and Governments are their principal funding source. AOD services are provided through a range of routes in Australia, including public and private hospitals and primary care facilities, as well as via specialist AOD treatment agencies.² Of AOD services who provided data in 2011-12 to the Australian Institute of Health and Welfare, 52 per cent of treatment agencies which received public funding were NGOs. These NGOs provided 59 per cent of closed service episodes.³ AOD NGOs provide essential health services, delivered by professionals, with high levels of training and expertise. The important contribution of the not-for-profit sector as a whole -- including economic activity, provision of services, and employment -- was recognised in a recent government report.⁴

NGOs are vital to the delivery of AOD prevention and treatment services in Australia. As well as providing a high proportion of these essential health services, NGOs have a range of characteristics that bring important values to, and fulfil important roles for, the wider AOD prevention and treatment sector. NGOs are more likely than government provided services to have local community knowledge and connections. This means they can improve community engagement, and promote consumer engagement, in the design and delivery of services, and facilitate communication between governments and communities. NGOs are often more able than government service providers to stimulate innovation, and bring diversity to the sector. They are often better able to reach diverse populations and

² Information on AOD treatment provision and funding sources in Australia is being further developed within the current *Review of drug and alcohol prevention and treatment service sector* project being undertaken by the Drug Policy Modelling Program. See their [working papers](#) for more detail (particularly working papers 3, 7 and 8).

³ Australian Institute of Health and Welfare (2013). *Alcohol and other drug treatment services – National minimum dataset 2011-12*. AIHW, Canberra. The proportions of services that are non-government differ significantly by jurisdiction. A treatment episode is considered 'closed' when treatment is completed or ceased, there has been no contact between client and provider for three months, or there is a change in the main treatment provided, main drug of concern, or treatment setting.

⁴ Australian Government Productivity Commission (2010). *Contribution of the not-for-profit sector*. Commonwealth of Australia, Canberra.

marginalised people, and to respond to complex needs ‘on the ground’. They can help to build community capacity, and provide opportunities for community engagement such as through volunteering. They often work with passion and commitment, and can play a role in bringing about social change.⁵

Recognition of the advantages of a robust NGO sector is part of what has encouraged governments to outsource (or ‘devolve’) service delivery increasingly to NGOs over time, rather than providing services directly. This devolvement means that governments and NGOs are in a symbiotic relationship, altering governments’ roles from direct provision of services to planning, management, and oversight of service delivery. This change also brings with it a necessary interest in risk management and accountability measures. For government to make optimal use of these arrangements and obtain the desired outcomes, it is necessary to ensure that funding of NGOs is undertaken in ways that promote best practice, efficiency, and accessibility of services. This implies the need to build service capacity and resource skills development; and a need to have streamlined reporting processes by carefully considered compliance and reporting requirements in funding agreements. The following principles are aimed at ensuring that the best development and utilisation of AOD NGOs will occur.

Funding principles

1. Recognition and utilisation of the particular strengths of NGOs:

- a. Recognise the important role of AOD NGOs and the benefits they bring to the wider AOD sector.

Recognition of the crucial benefits that NGOs provide to the wider AOD treatment and prevention sector is necessary in order to avoid a situation where funding models, procedures, or contracts unintentionally limit these benefits. The ANCD recognises that there are many complexities involved in developing and implementing funding models and procedures that will achieve the aims of providing accountable, accessible, quality and effective AOD treatment and prevention services. Procedures and contracts must serve a range of purposes for governments, including ensuring efficiency and value for money, compliance, and accountability. Unfortunately, however, in some cases procedures can have unintended adverse outcomes, disrupting service provision to those who need it – or unintentionally prevent governments from obtaining the full range of benefits that NGOs can provide.

For example, in some areas, competitive tendering processes have resulted in regular

⁵ For further discussion see: Spooner C, Dadich A (2008). *Non-government organisations in the alcohol and other drugs sector*. ANCD, Canberra; Australian Public Service Commission (2009). *Policy implementation through devolved government*. Commonwealth of Australia, Canberra; Office for the Not-For-Profit Sector (2012). *Strength, innovation and growth: The future of Australia’s not-for-profit sector*. Commonwealth of Australia, Canberra.

changes of provider in particular areas. This can preclude development of local knowledge and connections, and undermine stability of service provision. Or, sometimes procedures can encourage NGOs to focus on meeting conditions for funding in ways that severely compromise their original values, or become driven by funding body priorities. This can impede their contribution to innovation, community and consumer engagement, and community development and participation.

Funding models and processes need to be able to ensure compliance and accountability of services while also allowing NGOs to fulfil the roles which make them so valuable. Increasing levels of awareness and recognition of these roles, and their value, within governments is needed, to ensure that these benefits are obtained and utilised.

b. Recognise that NGOs provide more resources to service provision than governments fund.

It is important that governments recognise that NGOs typically provide more to government than is paid for, through provision of assets and infrastructure, networks, knowledge and expertise, and in some cases, private funding from other sources. Many NGOs provide local knowledge and have histories of engagement in particular areas that significantly adds value to services. Many have already invested heavily in infrastructure, quality improvement, staff development, and other enhancements. Government recognition of the capital value added to purchased services in these ways is needed in order to ensure that these resources and previous investments are not lost.⁶

c. AOD NGOs need to be free to advocate and participate in public debate.

A particularly important role of NGOs within the AOD prevention and treatment sector is that they are sources of social capital, through community and consumer engagement. Frontline workers and AOD services are also often best placed to provide knowledge about how advances and improvements can be made and understand the optimal context for this. To best harness these strengths, NGOs should be free to advocate and participate in public debate. Advocacy and robust public debate are vital for advancing public health, and it is crucial to ensure that NGOs are able to participate.⁷

⁶ This recognition also has implications for funding models and levels, as discussed below in aims 3 and 4.

⁷ The *Not-for-profit Sector Freedom to Advocate Bill 2013* prevents federal funders, for example, from imposing clauses which prevent comment on policy onto contractees. Some conditions that are part of jurisdictional funding contracts may still include such clauses.

2. Processes that are cooperative and transparent:

- a. Cooperation and partnership between government, AOD NGOs, and service users/consumers are to be promoted and pursued.

The effectiveness of AOD NGOs will be best supported when governments and NGOs work together with mutual respect and an attitude of cooperation to achieve their shared goals. Both NGOs and service users should be able to take part in, and provide input about, planning and decision-making as they are primarily affected by policy and also those who hold much of the experience most relevant to policy. Funding procedures and models, and any changes introduced to them, should be developed in consultation with the NGO sector and with consumer groups and service users. This participation should be supported, including via support for consumer representation at each level.⁸ Roles and relationships will need to be more clearly defined to ensure that effective co-operation and partnerships are achieved.

- b. The basis for government decisions surrounding funding models for the AOD sector and funding decisions must be transparent.

Government transparency is important for a number of reasons. It encourages public discussion and debate, increases public and sector confidence in policy, and enhances the accountability of policy makers. Transparency is crucial to support partnerships via ongoing consultation and discussions between government, the AOD NGO sector, and consumers, by facilitating good communication between different levels and departments of governments, and NGOs; and increasing trust between stakeholders and the credibility of policy. A greater level of communication between States and Territories and the Commonwealth, around funding models should be pursued.

3. A funding model and processes that best support provision of best quality services to people affected by drug problems:

- a. Funding models need to be those which best support efficiency, value-for-money, stability and sustainability, without compromising equity, innovation and diversity.

There are many complex questions surrounding funding models for government procurement of services. In the AOD sector, there has been increasing use of competitive tendering. Whilst the competitive model is known to be valuable in improving efficiency and

⁸ Although governments have in the past committed themselves to partnerships with consumers and the sector, in practice consultation does not always occur. In March 2010 the government and the not-for-profit sector agreed to a *National Compact* which set out principles for their engagement and aimed to promote more effective working partnerships. Agreements are also in place in some jurisdictions. The recent disbanding of the Office for the Not-For-Profit Sector makes the future of the *National Compact* unclear at present.

value-for-money, like any funding model it does have disadvantages. These include disadvantaging small, local services, who are less able to compete than larger providers (lessening innovation, diversity, and community engagement); threatening community control of services (which may reduce effectiveness); lack of continuity in services provided in particular locations (threatening stability); loss of specialisation; and lower levels of collaboration and service linkage. This is a particular problem for the AOD sector, where clients may experience a complex range of issues and require services under a range of activity streams. A major benefit of competitive tendering is that it enables the purchaser to test a market. Thus competitive tendering is particularly useful when it is not clear what services or kinds of service will be best able to provide the service. However, where the 'market' of providers who are able to deliver services is quite set – as it is within some parts of the AOD NGO sector – competitive tendering may not be the most appropriate model.

Ideally, needs-based funding would be a preferred option, but is not often possible given difficulties inherent in mapping treatment need and demand. Accordingly other models are often sought.

These include output-focused funding models, which aim to enable better planning and reward effective services, but can also lead to a dehumanisation of decision-making processes. They can skew the population receiving services, as services may seek to maintain funding by focusing on those clients more likely to obtain a good outcome, so that more complex-needs clients are underserved. It can also be a complex process to develop and agree upon the outcomes to be aimed for, and how they are to be measured. Outcomes measurement is further complicated when clients with complex needs access a range of different services.

Activity-based funding seeks to ensure consistency across funding allocations and provide incentives to increase activities. It is now used in the hospital system and its use is likely to expand in future. For activity-based funding to be possible a benchmark pricing for particular kinds of service needs to be developed, with variations for client profiles and locations. Development of benchmark prices for particular services and clients would enable funders to avoid allocating funds to new organisations who are overly optimistic about relative costs and outcomes, to the detriment of those organisations which provide more realistic estimates. Where services are purchased in 'units of service' (or outcome units) it is also important to remember that costs may be higher in some contexts, such as in remote areas.

The latter two models would also mean that NGOs are paid retrospectively, leading to a need for them to hold funding in reserve.

Time-limited funding is typical for the AOD NGO sector, and has limitations. These include difficulties retaining quality, specialised staff, the long-term development of the AOD workforce, staff morale, and long-term planning; as well as difficulties in negotiating rental or equipment contracts. Stability of service provision could be promoted by reviewing the

length of funding rounds, as current contract lengths may not support long-term planning; and working towards alignment of funding rounds between federal and jurisdictional governments.

The funding model in use does need to ensure efficiency and value for money, and equity and fairness in funding allocations. It needs to maintain a fine balance, enabling the AOD prevention and treatment sector to retain diversity and allow for innovation, while also ensuring stability in order for the sector to continue to build on its existing strengths. An option that deserves further consideration is to examine the use of a mix of models, incorporating a multi-tiered system which allows for both open and selective tenders.

4. Funds provided at levels adequate to cover the real costs of service provision:

- a. Levels of funding provided to AOD NGOs must be adequate to enable provision of quality services that meet demand, and all the costs associated with its delivery.

Funding shortfalls are common for AOD NGOs, and these can result in suboptimal service delivery or clients waiting for services. They can also make the AOD NGO sector as a whole more risk averse, reducing innovation and collaboration between services. Funding shortfalls impact on the sustainability of the sector, since services may be unable to train new staff or to support workers in ongoing professional development. As NGOs do often provide more to government than is covered by their funding, the real costs of service provision may not be clear to funders. Ideally, the true cost of service provision must be identified and a pricing guide developed for use by funders and providers.

In some jurisdictions, service provision costs have also recently increased. Drivers of this increase include increased client complexity and higher overall levels of worker qualifications; the latter representing a desirable shift, required if responses are to fulfil the other principles of service provision. AOD NGOs are also increasingly expected to engage in a number of activities beyond the direct provision of services. As well the need to meet administrative and reporting requirements, the burden of which remains high, they may need to obtain accreditation and/or participation in quality improvement programs, staff training and development, and program evaluation. Services are increasingly expected to have an online presence, bringing with it the need for greater IT skills and equipment.

Given that such activities are increasingly expected of NGOs, it is appropriate that core funding allocations include funds to resource them. Providing for these activities within core funding would also resolve issues that arise when funding for these activities must be sourced separately. While these extra sources of funds are much appreciated within the sector, their separate provision adds to administrative loads. This contributes to the perception that these activities are 'extras' rather than routinely expected components of service delivery and ultimately excludes some services. Funding these activities within core

funding is also appropriate in recognition that quality improvement, ongoing staff training and development, and program evaluation should be undertaken in all services where they are possible, in order to continue to improve the quality and effectiveness of services provided.

5. Compliance requirements that will support efficient, quality, evidence-based services:

- a. Efforts to streamline reporting and reduce red tape for AOD NGOs must continue.

Administration, including preparing funding submissions and meeting reporting and compliance requirements, is often very onerous for NGOs. This diverts resources away from service delivery. Many services receive funding from a range of sources, including several Federal and State/Territory departments, each with its own distinct requirements. Some positive changes have occurred in streamlining these procedures, but the administrative burden remains high. The ANCD has had advice from the sector that some recent reforms in some jurisdictions have actually increased this burden; and that unnecessary and time consuming micromanagement of AOD services by some departments regularly occurs.

Accountability is essential, but needs to be achieved in ways that reduce the administrative burden on services to reasonable and workable levels. It is therefore imperative for increasing the efficiency of the AOD NGO sector that governments continue efforts to reduce administrative burdens to workable levels. Further, the necessary costs associated with meeting administrative requirements should be included within core funding, as a financial incentive for governments to streamline for efficient compliance reporting.

- b. Services must engage in quality improvement and/or undertake accreditation, with appropriate support.

Quality improvement (and/or accreditation) is increasingly expected of AOD services. Demand for quality improvement/accreditation for AOD treatment and prevention services has largely arisen from AOD NGOs themselves, and is important for improved service to clients. Decreasing government revenues and rising demand for health services further strengthen the need to ensure that services are of high quality, and efficient.

There is a need to ensure that accreditation standards used within the AOD sector are relevant to services. The costs of engaging in quality improvement and/or accreditation procedures can be high. Some funding has been provided by some governments to support these processes. As this becomes a routinely expected component of running an AOD service, it would be appropriate to include funding for quality improvement and/or accreditation within core funding.

- c. Evaluation of service effectiveness should be undertaken wherever possible and appropriate, to support continued efforts to provide services that are evidence-based.

AOD NGOs are generally very eager to know how they are performing and how they might compare to other services, as well as how their services could be improved. Evaluation is important in improving our knowledge base, and should be undertaken where possible and appropriate. Services are already required to provide significant information about their clients and services as part of their contracts, but rarely receive the broader benefits of this data collection. Feedback of data across time and in the context of other similar services (de-identified) would enhance knowledge as well as improving incentives for data collection and reporting. Monitoring of outcomes will provide data for ongoing quality improvement that has an evidence-base. An agreed framework and indicators for evaluation, potentially combined with unique identifiers for clients enabling them to be tracked through treatment journeys, would facilitate evaluations and might also be used to track changes in treatment outcomes.

Effective monitoring and evaluation of services will generally not be possible without additional support; so requirements to measure performance outcomes or to collect data for monitoring and evaluation need to be matched with appropriate funding.

Recommendations

1. That all Australian governments recognise the particular strengths of NGOs and continue to commit to working in partnership with the AOD NGO sector to provide essential health services; building on efforts to establish and maintain relationships based on trust and mutual respect; and including ensuring the freedom of NGOs to advocate and participate in public debate.
2. That all Australian governments work together with the AOD NGO sector to develop optimal funding models and procedures and ensure transparency of decision making procedures surrounding funding models, processes and specific funding allocations to prevent omission and duplication of services.
3. That all Australian governments work towards a mixed funding model that consists of differing approaches for different services, for the AOD NGO sector.
4. That all Australian governments determine and aspire to providing the full costs of service provision for the AOD NGO sector.
5. That AOD NGOs are supported to continue to pursue efficiency, quality, and provision of effective and evidence-informed as well as innovative service, via measures such as reduction of administrative burdens, quality improvement, consumer participation, and evaluation.

The Australian National Council on Drugs (ANCD) is the principal advisory body to Government on drug policy and plays a critical role in ensuring the voice of the community is heard in relation to drug related policies and strategies.

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