THE STEALTHY INTRODUCTION OF VOUCHERS INTO AUSTRALIA'S COMMUNITY SERVICES

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CACOM WORKING PAPER NO. 8

DECEMBER 1992

An earlier version of this paper was presented to the Australasian Political Studies Association in Canberra on 1 October, 1992.

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ISSN: 1036-823X
ISBN: 1 86365 083 0

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INTRODUCTION

Over the past five years or so, a number of writers have expressed concern about the privatisation of human services in Australia. This concern is largely misplaced. There has been little or no privatisation in Australia's human services. Since colonial times, private organisations, with government assistance, have been significant providers of human services. The public/private mix did not change markedly during the 1980s, when a great deal of privatisation was supposedly occurring (Lyons, 1991).

Other government services were nominated for privatisation over the past decade, and some have indeed been privatised. As well, there seems to have been some privatisation of human services in the United Kingdom and the United States. But attempts to discover evidence of privatisation in Australia have tended to obscure one important change that has been occurring in human services provision. That change has been in the way government support for the work of those private organisations is provided. That change has been away from supporting private organisations towards subsidising users of their services. In effect, governments are slowly, and mostly unconsciously, moving towards providing vouchers. This change is most noticeable in the methods by which the Commonwealth Department of Health, Housing and Community Services (DHHCS) subsidises the major types of community services which are its concern, and it is this which will be explored below.

It is this change, not privatisation, which is the most significant development in the provision of human services in Australia during the 1980s. It is a change which is closely associated with so-called targeting of income security payments. Australia probably leads the world in targeting income security payments. It is likely that Australia has gone further than other countries in targeting its support for human service provision. It has done this by developing voucher type payment arrangements.

VOUCHERS

In its simplest form, a voucher is a piece of paper issued by an organisation to an individual which that individual can exchange for specified goods or services at a specified provider, and which the provider then exchanges for money with the organisation issuing the voucher. It is a device or a tool which has been in use for

centuries. Low income Australians are familiar with food vouchers, provided by some of the larger community welfare organisations. In the early years of the Fraser government an experiment involving the issuing of housing allowance vouchers was almost tried (Carter, 1980). The Federal opposition toys with vouchers as a method of reorganising government support for universities.

Vouchers are a very flexible tool for government policy. A voucher is, in effect, a highly restrictive form of currency. Unlike money, a voucher can be exchanged only for specified goods and services and only with particular providers (that is, those who have agreed to participate and have been deemed suitable).

From one perspective, providing someone with a voucher which can be negotiated for particular goods or services is an alternative to the government providing those goods or services directly. It allows the government to divest itself of the responsibility of organising and managing the supply of those goods or services.

From another perspective, a voucher can be viewed as a form of income support. The possession of a voucher relieves an individual of the need to pay the full cost of a particular service. This may mean that they can now access the service. It is a surer way of ensuring that a consumer will access a particular service than is providing the consumer with cash directly. Alternatively, if someone is already paying for a particular service, to provide them with a voucher, in effect, increases their disposable income.

The relationship between vouchers and the supply of the good or service is a complex one. Vouchers generally increase the effective demand for a good or service. The precise effect will depend on the value of the voucher relative to the price of the good or service and the additional income that the consumer has to contribute to effect a purchase. In general, this increase in effective demand will impact upon supply. It may increase the supply, but may also the price of goods and reduce or cancel out the effect of the voucher on effect of demand. This latter effect is likely if there already is an extensive market for the service so that the user subsidy provided by the voucher has only a limited impact on demand. If, however, the pre-existing supply is limited, a large increase in effective demand engendered by vouchers is likely to lead to a significant increase in supply, eventually. However, a large increase in the supply of services, particularly if they

require the provision of new facilities, is likely to have an upward pressure on costs and thus prices. If vouchers are inflexible or only meet a small portion of the cost of the service, and if demand is realtively price inelastic, then their introduction may lead to an initial increase in supply but one that is short lived as investors discover that increased demand disappears in the face of increased costs and prices. For this reason, if governments are keen to see an increase in supply of a particular service, they may need to subsidise any capital costs associated with the provision of new services.

Of course, the availability of services whose consumption a government may wish to encourage by the distribution of vouchers may be governed by factors other than effective demand. Access to them may be limited by factors other than numbers able and willing afford the price. Professions or governments may wish to limit the number of people competing in a particular university course; governments may set limits on the provision of a particular service, e.g. nursing home beds, on the grounds that some of the demand for this service is ill advised; that is the consumers do not really need such a service. Thus it may be that a government can make vouchers widely available secure in the knowledge that other factors will restrict the number of available services and thus the number of vouchers it has to issue or honour.

It is this distinction between entitlement to a voucher and the availability of a service which is particularly useful to governments. Generally, a consumer entitled to a voucher must be able to find a service before the voucher is of any use to them, or a cost to the government. In this sense, while a voucher can be represented as an entitlement of all citizens who meet certain requirements, much in the way pension or benefit might be; because it is only paid after access has been obtained to a particular service, it is not universally available. Thus, if governments choose to restrict the number of services or use devices other than price to restrict access, its expenditure in voucher type programmes is far more readily controlled than it is in income support programmes.

Governments may also develop arrangements that have many but not all the features of the pure voucher type. In a pure voucher arrangement, a government agency provides a voucher to an eligible person who presents it in turn to a service provider who cashes it with the government. It is a three-way transaction. A common voucher type of arrangement will reduce the transactions to two. Under such an arrangement the service

provider assesses the person's eligibility for a voucher according to government guidelines, and bills the government. It should also be noted that voucher type arrangements can co-exist with other types of government support for, or subsidy of, non-government service providers.

CHANGING PATTERNS OF GOVERNMENT SUPPORT FOR PRIVATE NOT-FOR-PROFIT ORGANISATIONS (PNFPOs) PROVIDING COMMUNITY SERVICES

Most community services are provided by private or non-government organisations; most of these are private not-for-profit organisations (PNFPOs). Some services are purchased by their consumers at a price that covers the cost of their production; most services are subsidised so that their consumers pay only part of their cost (and sometimes pay nothing). Subsidies are provided by the service providing organisation from privately donated funds and by governments. Most community services are heavily subsidised by governments.

There are many methods by which governments can choose to subsidise private organisations to provide services. Indirect methods include exempting them from certain taxes and allowing donors to deduct donations from their taxable income. Direct methods range from giving recurrent or capital grants, much as a private donor might, to subsidising certain staff salaries, to contracting the organisation to provide certain services in a certain manner to certain people. These methods can be arrayed along a continuum, from low government involvement in the activities of the provider organisation to a very high level of government scrutiny and control. They all involve government providing funds to organisations.

As an alternative to subsiding organisations, governments can seek to provide additional revenue to consumers to enable them to purchase services at the going market rate. The most efficient way to do this is via a voucher. As noted above, as well as a pure voucher, there are voucher type arrangement where the government does not directly present the consumer with a voucher but allows the organisation that provides the service to apply government guidelines to judge whether a particular consumer is entitled to a voucher and the value of the voucher to which they are entitled.

Each of these methods of subsiding organisations or consumers creates a different relationship between the government agency and the private provider. Each method gives the government agency a different capacity to control the private provider. Vouchers give somewhat less control than do contracts.

Below are briefly sketched changes which have occurred in the methods adopted by different Commonwealth departments which subsidise private organisations that provide community services. These subsidies are now all administered by the Department of Health, Housing and Community Services (DHHCS), but began at different times in different departments. To draw attention to the changes that have occurred in the past fifteen years, details will be provided of the method of subsidising operating in 1977 as well as that prevailing now. Some generalisations about these changes will then be offered and possible explanations for the changes explored.

Centre Based Long Day Child Care (Commonwealth Government budgeted expenditure in 1992/93: $296m)

Commonwealth government subsidies to private, non-profit child care centres began with the passage of the Child Care Act in 1972. It was modelled on other legislation which enabled the government to subsidise PNFPOs to provide what were generally seen as welfare services for groups such as the aged. Child care was seen then as something only disadvantaged families needed to access (Brennan and O'Donnell, 1986:23). Despite massive expansion by the Whitlam government in expenditure on various types of children's services in the early 1970s, the 1972 Act still determined the method of subsidy of centre based child care in 1977.

The procedure worked thus: PNFPOs, or groups of people not formally organised, or local authorities could make submissions seeking capital funds to erect a child care centre. Providing the centre then met the largely physical licensing standards of relevant state authorities, its sponsor could then seek salary subsidies for certain staff with specified qualifications. Sometimes staff qualifications were those specified in state regulations; sometimes the qualifications required by the Commonwealth were higher than those specified by a particular state.

Centres were supposed to meet the remainder of their recurrent costs by charging fees. A small additional sum was available to enable centres to reduce fees for what were called

special needs groups. These included children of sole parents and immigrant families and families where one parent was chronically ill or children were at risk, but did not include low income families where both parents worked. Centres could determine for themselves how they applied this small additional subsidy (Brennan and O'Donnell, 1986). None of the private for-profit child care centres, some of which has been operating since the 1940s, were eligible pending government assistance.

In 1992, the bulk of government subsidy to long day child care is in the form of fee relief. All families with a pre-school age child and an income below $59,120 per year are entitled to some level of fee relief, though their income has to be below $23,868 to qualify for full fee relief. Parents wishing to obtain fee relief must call on the Department of Social Security to have their income verified and the level of their entitlement to fee relief determined. They show this determination to the child care centre which adjusts their fees and applies to DHHCS for a refund. Although the level of fee relief is calculated according to a set fee relief ceiling (currently $108.50 for 50 hours of care per week), centres are free to set higher fees and collect that difference from subsidised (and unsubsidised) users alike. To be eligible for fee relief subsidies, centres must agree to apply priority of access guidelines in allocating places. These give priority to children of working families and to several other categories of children similar to those prevailing in 1972. Provided they agree to these guidelines, all centres licensed by state authorities are eligible for fee relief, for-profit and not-for-profit alike. Over the past two years, the Commonwealth government has supported a move from within the child care industry to establish an accreditation system, one level of which will be compulsory for all centres wishing to be eligible for fee relief.

In addition to fee relief, DHHCS makes available small subsidies to enable centres to provide supplementary services for certain classes of children - such as children with disabilities or from non english speaking backgrounds. These funds are awarded on a submission basis. Most not-for-profit child care centres also receive a small per place, or operational subsidy (currently $14.10 per place per week for children over three and $21.00 for younger children who are more costly to care for).

The Commonwealth government also continues to allocate a small amount of money to local government or PNFPOs for the erection of new child care centres. This money has

to be matched by state government contributions and centres must be located in the areas determined by an elaborate planning process to have high need for centre based child care. Very few new child care centres are created in this way, partly because of a refusal by some states to co-operate and partly because of difficulties of obtaining planning permission. In two states, less than half the monies allocated by the Commonwealth in 1988 had even been approved for expenditure by June 1992. After four years, only 65% of places promised by the Commonwealth government in 1988 were operational. The Commonwealth also provides certain tax incentives to companies to provide child care centres for their staff. Most of the expansion in centre based long daycare is expected to come from private investment.

<u>Disability Services</u> (Commonwealth government budgeted expenditure in 1992/93: $381m)

In 1977, the Commonwealth government subsidised PNFPOs providing services to people with disabilities through two pieces of legislation. The Disabled Persons Homes Act provided capital assistance at two dollars for every dollar contributed by the private organisation for the erection of specialised housing and accommodation. As well, personal care subsidies were available to hostel residents requiring low levels of personal care services. Provider organisations could charge fees to their residents, collecting these from their pensions. Of greater importance was the Handicapped Persons Assistance Act which enabled the Department of Social Security to subsidise PNFPOs to provide sheltered employment, activity therapy and training, along with associated accommodation and ancillary rehabilitation, recreation and holiday programmes. This met capital costs and provided between 50 and 100% of salaries of approved staff. Funds were allocated upon receipt of suitable submissions. The emphasis was on subsidising capital costs, which encouraged well established organisations to become even larger, by providing a comprehensive array of services for the particular disability group which constituted their clientele.

A major review of the Handicapped Persons Assistance Act was conducted during 1983/84. Many people with disabilities were involved in consultations associated with the review. The review led to new legislation, the Disability Services Act (DSA), and some major changes in the purpose and method of subsidising. Under the DSA, Commonwealth government policy strongly supported the greatest possible integration of

people with disabilities into the wider community. Large congregate care accommodation and sheltered workshops were to be closed by 1992. People with disabilities were as far as possible to live in community homes and work in mainstream employment with only the minimum level of assistance which they themselves specified. Service providers were to be judged by their ability to produce "positive consumer outcomes". Organisations were encouraged to specialise in types of service rather than in types of disability and organisations providing services such as home care to the wider community were required to provide them to people with disabilities. Full funding was to be provided to organisations to remove the need for independent fundraising which was seen as turning people with disabilities into objects of charity. Resources were to be allocated according to individual needs (Handicapped Programmes Review, 1985).

For the first five years after passage of the DSA, the Commonwealth's emphasis in programme management was on encouraging the larger PNFPOs to accept the new approach embodied in the legislation. A small Attendant Care Programme was introduced on a pilot basis. Under this, individual people with disabilities were given a sum of money on a regular basis to enable them to employ whatever assistance they needed to live independently. Although popular among people with disabilities, the government found the Programme difficult to administer and it was not extended. Too little was known of the costs of providing different services to individual people with disabilities. A more systematic method for matching resources to individual needs was required.

In 1988, a new funding model was proposed. Now known as the Consumer Focussed Funding Approach, it required organisations providing services to people with disabilities to estimate for their existing clientele the cost per client per service, and to develop proposals for further funding in this manner. Proposals for new funding were to be based on these estimates (DCSH, 1986). In effect, the Commonwealth government had embarked upon a process of formalising service types and developing average cost estimates for each type of service. Provider organisations will be contracted to provide each client with a required list of services.

The movement in Commonwealth programme management under the DSA to a voucher type of subsidy is clear. Whether that goal will be reached is not. Disability services

providers have found it difficult to define the services they provide and thus estimate their cost per client. Some have claimed it is impossible. DHHCS interest may be receding following the 1991 decision to transfer to the states responsibility for many services previously subsidised by the Commonwealth.

Nursing Homes for the Aged (Commonwealth government budgeted expenditure in 1992/93: $1700m)

The Commonwealth government has provided specific assistance for nursing home residents since 1963, although privately insured residents in registered private nursing homes were eligible for a hospital benefit for a decade before that.

The introduction of a nursing home benefit in 1963 led to a massive growth in mostly for-profit nursing homes, huge increases in level of government support and many attempts by governments to curb this growth. These attempts included the introduction of controls over admissions, fees and the expansion of nursing home beds, encouragement of nursing homes run by PNFPOs and an expansion of aged person's hostels and home based care.

In 1977, two separate nursing homes programmes were in operation. One, for participating nursing homes included all for-profit nursing homes and some run by PNFPOs; the other, a deficit funded scheme was available only to nursing homes run by PNFPOs and covered most of these.

Participating nursing homes were subsidised in several ways. For each resident they received a basic nursing home benefit together with a supplementary benefit for those requiring more intensive nursing. They also received an additional benefit, which varied in value from state to state, supposedly reflecting the different costs incurred complying with various state regulations about staffing levels and staff qualifications. It was, for example, 50% higher in Victoria and South Australia than in NSW or Western Australia (Committee on Care of the Aged and the Infirm, 1977:73). They were permitted to charge each resident a minimum fee equivalent to 87½% of pension plus supplementary benefits. Together, these payments constituted the standard fee for each state. However, each nursing home was free to apply for permission to charge a higher fee on the basis of higher than standard costs. This was usually granted. In effect, this meant charging each resident a direct fee greater than 87½% of the pension. In 1977, in NSW more than half

the residents were paying more than the standard fee. After an inquiry, the Commonwealth government agreed to increase its additional benefit to ensure that no more than 30% of residents were required to pay more than 87½% of their pension in direct fees. In effect, the three Commonwealth nursing home benefits constituted a per-resident payment, or voucher, which varied by state and by level of disability. However, because of difficulties in controlling the costs of participating nursing homes, and thus their fees, it was a level of benefit that was substantially determined by the provider.

This outcome was replicated in the case of deficit funded nursing homes. PNFPOs had always provided some nursing home accommodation, but in the early 1970s, they were encouraged to expand this provision with generous Commonwealth capital subsidies under the Aged and Disabled Persons Homes Act. This was done to try and challenge the for-profit providers with a more "trustworthy" class of provider.

Most nursing homes run by PNFPOs had higher nursing costs than for-profit homes. Because many of their residents were pensioners, and unable to afford higher fees, the PNFPOs running the nursing home often had to meet those additional costs from donations and bequests. In response to complaints by PNFPOs about these cost pressures, in 1975 the Commonwealth government offered them deficit funding. Under this arrangement, each home would submit an annual budget for approval by the Commonwealth, which would agree to meet the difference between budgeted income from direct resident fees (set at 87½% of the pension plus supplements) and budgeted expenditure - i.e. the deficit (Auditor-General, 1981: 94-103).

All nursing homes had to be licensed by state health authorities but regulations focussed on physical facilities and other inputs such as staff qualifications. They were not rigorously enforced.

Under current arrangements, no distinction is drawn between PNFPO and for-profit nursing homes. Apart from a few "exempt" homes, all must charge their residents only 87½% of the pension plus rent assistance. In addition, nursing homes receive three additional payments: SAM, OCRE, and CAM. SAM or the Standard Aggregated Module, is paid per occupied bed, at a uniform rate Australia wide to cover all costs other than those associated with the provision of personal care. Yet some costs, such as

payroll taxes do vary from state to state and between for-profit and PNFPOs. OCRE or Other Cost Reimbursement Expenditure covers these differences. CAM or Care Aggregated Module is paid to cover costs of staff providing personal care and varies along a one to five scale, according to the assessed level of disability of each resident and thus the level of care required. It is paid in a way that is supposed to encourage rehabilitation. In effect, nursing home benefits are an individualised payment or voucher designed to meet the personal care costs of residents according to their need for care. They are structured on the basis of need for care rather than the residents capacity to pay (as is the case with child care), but this is because most people in need of nursing home care are entirely dependent on a pension. However, such an arrangement overlooks the capital resources which many have in the form of their family home. By contrast, Commonwealth subsidies for aged persons hostels are structured in a way which requires hostel residents to run down any capital they have in the form of a home.

Access to a nursing home can be obtained only after assessment by a Geriatric Assessment Team. The Commonwealth government now places great emphasis on ensuring high quality care. A detailed set of outcome standards have been developed and nursing homes are regularly visited by Commonwealth officials and evaluated against these standards. As a result of other Commonwealth initiatives, in many parts of Australia there are now more nursing homes places than people able to access them. This too has helped improve the quality of care.

<u>Home Care Services</u> (Commonwealth government budgeted expenditure in 1992/93: $255m)

In 1977, state government agencies, local authorities and PNFPOs were all eligible to apply for government subsidies to provide various forms of care to older people living at home. These subsidies were administered under several pieces of Commonwealth legislation, some of which required matching payments from state governments. Funds were distributed after submission by would-be provider agencies. There was no attempt to ensure a comprehensive range of services was available in each locality and a good deal of funding went to support people recently discharged from public hospitals, rather than chronically ill or disabled older people. Some providers charged a small fee to their consumers in order to remove any appearance of a "charity" stigma to the services.

In 1985, as part of its package of aged care reforms, the Commonwealth government combined most of the previously existing programmes into a single Home and Community Care (or HACC) Programme. Although it was basically jointly funded by Commonwealth and state governments, the Commonwealth government contributed a good deal of "unmatched" new money. The programme was more closely focussed on enabling frail aged and younger people with disabilities to remain living at home by providing them with the services they required. Although HACC has been dogged by complaint and controversy, it has led to a more comprehensive distribution of home care services for older people Australia wide. Under the main HACC programme, organisations submit bids to provide certain specified items of service (measured by hours or numbers of meals) to eligible HACC consumers. Some attempt has been made to assess the bids according to state or regional planning processes. The question of user charges has still not been addressed systematically across the programme although they are more common than fifteen years ago.

One of the problems of HACC is that many consumers need to negotiate services from as many as five separate providers, each of which may wish to do its own assessment of needs. Two important attempts to address this problem have been made. These are Community Options and Hostel Options (the latter has just been incorporated into a new Aged Care Package programme). Each have been trialled at a number of sites Australia wide.

Basically, these experiments entailed paying an organisation to arrange or "broker" the provision of whatever services were required by individual members of groups of forty or so frail old people in a particular area to enable them to remain in their own homes. They had to be people assessed as needing to move to specialised supported accommodation such as a hostel or nursing home if assistance could not be provided in their own home. Under Community Options, the brokering organisation has to use existing HACC-funded services, though a small per client sum is available for the purchase of other services. Broker organisations are paid a small sum to act as case manager. Under Aged Care Packages the broker organisation is paid $23.55 per day per client, the value of the Hostel Personal Care Subsidy. For forty people this is a sum of $6594 per week, which after salary and overheads, the broker can spend providing whatever services are deemed necessary for each of their forty clients. They might

purchase these services from an existing non-profit or statutory provider, or from a for-profit organisation or they might train and employ local people on a casual basis. They will invariably spend different amounts on each client but overall must remain within the sum available for the group. This method of support is considered by DHHCS officials to be the preferred option for frail older people requiring high levels in various types of support.

Aged care packages clearly represent an individually focussed payment (rather than an organisational subsidy). It is, in effect, a voucher payment whereby the value of each group of vouchers is the same Australia wide but the actual value of each voucher varies according to the need of each individual client but within limits set by the overall needs of all members of the group.

SUMMARY OF CHANGES

The major change which has occurred in the Commonwealth government's administration of these four programs over the past fifteen years is that the type of subsidy and the method of determining and paying it has changed. Subsidies are no longer paid to an organisation to help it construct buildings and employ staff; rather they are paid on the basis of characteristics of individual users of the organisation services. In effect, most government expenditure goes to subsidise users not providers. As a consequence, there is now almost no expenditure by the Commonwealth on capital items.

Two other important changes have accompanied this major shift and bear a very close relationship to it. In each program, a much greater emphasis has been placed on developing mechanisms for quality assurance and for recognition of user rights. As well, except on the margins, the privileged status of PNFPOs has been removed. In the two areas of service provision where there are a significant number of for-profit providers, both for-profit and not-for-profit providers are treated (almost) alike.

It is worth noting that this movement towards user-focussed or voucher type subsidies is not confined to community services. The Commonwealth government's commitment to develop reimbursement mechanisms for hospitals based on Diagnostic Related Groups (DRGs) seems to follow a similar trajectory. It entails a movement from the practice of giving a hospital an allocation and requiring it to provide its services within that sum, to

determining the allocation on the basis of numbers of treatments of different types at an average cost per treatment type.

The mechanism for providing the bulk of government subsidies to private schools since the 1970s also uses a variable per-pupil payment (or voucher) but in this case the value of the payment varies, not (directly) according to a characteristic of the user, but of the provider: schools are allocated to funding bands according to the quality of the school's facilities, the fees charged etc. This represents an indirect means test on the users.

INCONSISTENCIES AND DIFFERENCES

It must be recognised that the movement towards voucher types of subsidies is an uneven one, significantly influenced by the history of each program, the characteristics of the "industry" or provider market and of the demand. The slow movement towards vouchers is not the result of any deliberate, conscious government or departmental policy. It is the outcome of other structural forces which will be identified in the following section.

There are still elements in each of the programs that reflect earlier funding models and are inconsistent with the pure voucher model. As well, there are some significant differences between programs in the way subsidies are administered.

The continued existence of operational subsidies for non-profit childcare centres is an important relic of an older childcare funding model. It is paid for each approved place, whether the place is occupied or not. This contrasts with the way an administrative component is provided in subsidies for nursing homes. The SAM component is paid for each occupied bed and can thus be seen as a fixed component of each resident-based payment or voucher.

Fee controls exist in two programs. Except for about 1% of nursing home beds which are "exempt", nursing homes can only charge 87½% of their pension plus rent assistance. Some of the brokerage arrangements for providing home care also have a limit on fees they can charge, but organisations subsidised through the main HACC program do not. Childcare centres, now, do not have their fees controlled.

Different arrangements exist for rationing access to services, with government agencies and service providers playing different roles in different programs. For example, access to a nursing home bed is controlled by state government staffed Geriatric Assessment Teams (GATs), while the Resident Classification Instrument, which determines the level of support a resident requires and thus the value of their voucher, is administered by the provider (but audited by government officials). In a similar manner, GATs determine access to Aged Care Packages (but not Community Options, except in Victoria) In both these cases, the value of the voucher (within broad limits) is determined by the broker and consumer together. By contrast, access to a childcare place is determined by the childcare centre, though supposedly in accordance with Commonwealth priority of access guidelines. The value of the voucher, which depends on family income, is determined by the Department of Social Security.

Different arrangements also exist for controlling the number of services for which voucher type subsidies might be used. The Commonwealth government has obtained state government co-operation to restrict the number of new nursing home beds which might be licensed and made it clear that it would not support residents of new beds which it did not approve anyway. No such restrictions exist for child care places, which makes the Commonwealth government fee relief system an open ended commitment. In the two programme areas where voucher-type payments are less well developed, vouchers or brokerage type arrangement for home care services are still in a pilot phase, while the movement towards voucher type arrangements has not been completed in disability services

EXPLAINING THE MOVEMENT TO VOUCHERS

There is a general movement towards client-focussed funding or vouchers in these four programmes, but it is uneven and contains several inconsistencies. As suggested above, this uneven, inconsistent pattern of developments strongly indicates that changes are the product of structural pressures forcing many small adaptations on program managers rather than the result of conscious policy. These structural pressures would appear to come from four different though overlapping sources.

First of all, these programme areas all experienced an anticipated expansion of services and of government subsidies during the past fifteen years. The government had been

trying to curb massive expenditure growth built into nursing home arrangements since the 1970s. One device was to fund a huge expansion of home care services. Disability services were anticipated to increase as a consequence of larger numbers of people with disabilities surviving from birth or serious accidents. Increasing workforce participation by women with young children suggested an expanding need for child care. In the last two cases strong interest group activity directed at the Commonwealth government helped prompt growing government expenditure. Expanding services and growing government expenditure usually attract the attention of other parts of government. In particular, co-ordinating departments, such as Finance and Treasury, seek programme changes to reduce rates of increase and obtain greater value for the government's dollar.

Secondly, these changes towards voucher-type subsidies are the product of a strong Canberra policy bias towards targeting. Commonwealth governments of all persuasions have long had a predilection towards limiting income security benefits to closely specified groups (Saunders, 1991). Australia leads the world for the efficient way it manages to spread a relatively small annual appropriation for income support across its non-working population. The changes described above are the outcome of applying that predilection for targeting to subsidies for services. Only by moving towards voucher type payments can the Commonwealth government ensure that its rapidly growing expenditure on community services goes to those who need support proportionate to their need. This is as true for aged care (and in theory, at least, for disability) programmes, where the value of the voucher varies according to the level of disability as well as in childcare, where it varies in inverse proportion to the level of income.

The culture of targeting is widespread in Canberra policy circles and has been stronger since the Whitlam government's tentative attempts to reverse it in the early 1970s. But, and this is a third factor, some parts of the Canberra bureaucracy are more deeply committed to it than others. It is particularly favoured by economists and is therefore stronger in the so-called "co-ordinating" departments such as Treasury, Prime Minister and Cabinet and Finance. More than those from the first two mentioned, it is officers of the Department of Finance who are in a position to shape programs which are formally the responsibility of so-called "spending" departments such as DHHCS. Each year in the budget round, its Finance Department has the opportunity to propose ways of redesigning government programs in order to save money. For many years, they and their

redoubtable minister, Peter Walsh, fought to introduce a formal voucher-type arrangement for childcare. They lost several much publicised battles, but have been winning the war. If they have had less impact on disability services and home care programs it is been because much of their effort in those areas has been devoted to having responsibly for them passed to the states where they could reasonably expect they would be slowly starved of funds.

A fourth factor, one which helps explain a common movement in the same direction is what DiMaggio and Powell have referred to as institutional isomorphism, or the tendency for organisations or programmes which are in frequent interaction to begin to resemble each other (DiMaggio and Powell, 1983). In this case, since the formation of the Department of Community Services in late 1984, all programs have been administered by the same department and several senior staff have been involved in the administration of more than one program.

Yet despite these pressures for change towards a single pure voucher model, there is still a good deal of difference between the programmes. These differences might be the product of different programme histories and might be expected gradually to dissipate as the pressures outlined above continue their work. On the other hand, these programme differences might be the product of deeper structural differences which would prevent much more movement towards a common model.

Programme differences seem to be a product of variations in the characteristics of both supply and demand.

The supply of centre based childcare and nursing home care is characterised by a competitive market. In this market, both for-profit and not-for-profit organisations compete. However, there are differences between these two markets. In the nursing home market, supply now exceeds demand in many areas; the same is also true of childcare for 3-5 year olds but in far fewer areas. After decades of relatively slow growth, for-profit childcare, mostly still run as a family business, is starting to expand in response to the excess demand for services in most areas. The expansion of nursing home care is effectively prevented by state and Commonwealth government refusal to approve new beds. There is only a small for-profit presence in home care and none

directly receive government subsidies. Some competition for clients is developing between not-for-profit providers in some areas. There is no for-profit presence in disability services and little competition between not-for-profit providers. Sheltered workshops however must compete with for-profit industries.

There are important differences in the characteristics of those seeking and receiving these different services. Users of centre based childcare vary considerably in the level of their income; users of disability services generally do not; very few who have disabilities or are a parent of a child with disabilities are able to earn very high incomes. Similarly, few of the consumers of nursing home and home care services, most of whom are in the 75+ age group, have incomes above the pension level. Nonetheless, some of them have relatively large amounts of wealth in the form of a family home unencumbered by mortgage.

Similarly, the variety of services needed by consumers in these different programme areas will differ a great deal. Childcare is relatively straight forward, requiring a single service that combines childminding with developmental programmes. Nursing home care provides accommodation and services such as meals with personal support and recreation, but all are provided to twenty or more residents on the one site. Home care services are many and varied (e.g. personal care, home nursing, cleaning and washing, home maintenance, cooking or delivered meals, transport and for many, companionship). Various combinations of these will be provided at many different sites. Disability services used to resemble nursing home care with everything provided on the one site. There are now strong pressures towards separating the location of many of the basic components, such as accommodation, employment and recreation.

Some of these differences between programmes in the characteristics of supply and demand are likely to remain. For example, it is not likely that much for-profit competition to existing providers will emerge in the disabilities field; nor is it likely that the great variety of home care services will change. However, it is conceivable that many smaller single service providers will fail or will be amalgamated into larger multi-purpose providers. It is also conceivable that for-profit providers will also emerge, as they have in the area of hostel care.

LIKELY FUTURE DEVELOPMENTS

With the possible exception of services for people with disabilities, it is likely that the slow uneven movement towards a purer model of voucher-type subsidy arrangements will continue for a while, but without ever achieving complete convergence. Some further changes seem unavoidable. It is difficult to see the operational subsidy for non-for-profit childcare centres remaining for much longer. Some form of asset-based means testing is likely to be introduced in nursing home care, but no simple mechanism for doing this has yet been identified (DHHCS, 1991). An expansion of brokerage models for home care services for older people is likely to continue though there is growing resistance from the one or two larger service providers that exist in each state.

However, as with most sets of government actions there are certain contradictions embedded in these arrangements which will become more pronounced as time passes, particularly if there is a change of government. Government support for quality assurance mechanisms and user rights may dissipate in the face of arguments that a free market provides all the assurance needed. In childcare, the government may move to subsidise effective demand through the taxation system, by allowing users tax deductions, tax rebates or tax credits for some or all of their childcare expenditure. Such a move would not be possible in the other three services because few of their users pay taxes.

IMPLICATIONS FOR PROVIDERS

Most providers of the four service types examined above are PNFPOs. For them, the movement towards voucher types of subsidies has serious implications. Most, especially smaller providers, seek a close relationship with government. They resent the miserliness of government subsidies and the often cumbersome accountability requirements which governments impose and they seek to be consulted far more than they are on further development of services. They continue to try and persuade government that the appropriate relationship between their two sectors is one of partnership. After all, they both provide some form of public good.

The changes outlined above represent a retreat by governments from close involvement with providers. Providers in these four service areas will come to operate in a more conventional market. To obtain income, they will need to sell services which clients want and rely far less on their capacity to lobby governments and play grantsmanship games.

To expand they will need to obtain their own capital, either by borrowing or by raising it from the public by way of donations. Some, mainly large PNFPOs, do this already. Nonetheless PNFPOs will need collectively to lobby governments to ensure that the value of a voucher-type subsidy reflects the cost of capital. There is a distinct risk that public servants, generally uninformed about the cost of capital, will fail to take sufficient account of the cost and thus either prevent the expansion of needed services or lead to them being priced out of the market for many who need them.

In some fields, PNFPOs will find themselves increasingly in direct competition with for-profits. For their part, for-profit organisations will have less reason to complain about special privileges for non-profits in programme administration. But this may turn their attention to the indirect support non-profits receive, especially their exemption from income tax.

None of these developments are likely to change the continuing slow movement towards voucher type subsidies, at least at the Commonwealth level. It is likely that we will see similar developments in other Commonwealth subsidised community services as well.

The likely direction of developments in state government subsidies is harder to anticipate. State governments have not moved toward vouchers, but rather have sought greater control over the activities of the PNFPOs that they subsidised, via performance based contracts. Any move by state governments to privatise some of their child welfare services is likely to be by contracting. Short of a large increase in state revenue, it is unlikely that there will be much real expansion in existing state subsidies and therefore little reason to move toward voucher type subsidies.

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