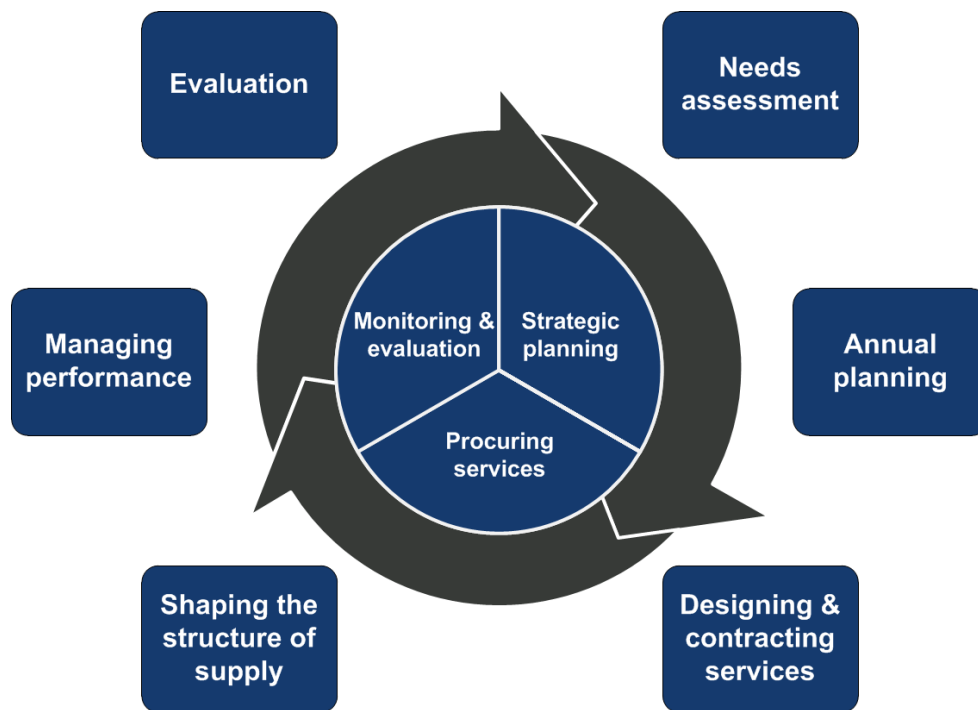




# Market Making and Development Guidance



July 2018

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The active contribution of the PHNs in the development of this guidance is appreciated.

Contributions from Helen Dickinson, Associate Professor Public Service Research and Director Public Services Research Centre, University of New South Wales, Canberra have provided insight on the commissioning evidence base.

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## Disclaimer

Opinions expressed in this document are those of the authors and not necessarily those of the Australian Government Department of Health. Data may be subject to revision.

## Note

This guidance does not override the requirements set out in the PHN Funding Agreement.

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## Acronyms used in this guidance

<b>ACCHS</b>	Aboriginal Community Controlled Health Services
<b>GIS</b>	Geographical Information Systems
<b>KPIs</b>	Key Performance Indicators
<b>LHN(s)</b>	Local Hospital Network(s) (or equivalent)
<b>PHN(s)</b>	Primary Health Network(s)

## Definitions of some key terms used in this guidance

### **Cultural awareness** (in relation to Aboriginal and Torres Strait Islander cultures)

Demonstrates a basic understanding of Aboriginal and Torres Strait Islander histories, peoples and cultures. There is no common accepted practice, and the actions taken depend upon the individual and their knowledge of Aboriginal and Torres Strait Islander culture. Generally accepted as a necessary first step and a foundation for further development, but not sufficient for sustained behaviour change.<sup>1</sup>

### **Cultural competency**

Cultural competency is a key strategy for reducing inequalities in health care access and improving the quality and effectiveness of care for Indigenous people.

Cultural competence is more than cultural awareness; it is the set of behaviours, attitudes and policies that come together to enable a system, agency or professionals to work effectively in cross-cultural situations.<sup>2</sup>

### **Cultural safety**

Identifies that health consumers are safest when health professionals have considered power relations, cultural differences and patients' rights. Part of this process requires health professionals to examine their own realities, beliefs and attitudes. Cultural safety is not defined by the health professional, but is defined by the health consumer's experience - the individual's experience of care they are given, ability to access services and to raise concerns. The essential features of cultural safety are:

- a) An understanding of one's culture
- b) An acknowledgment of difference, and a requirement that caregivers are actively mindful and respectful of difference(s)
- c) It is informed by the theory of power relations; any attempt to depoliticise cultural safety is to miss the point
- d) An appreciation of the historical context of colonisation, the practices of racism at individual and institutional levels, and their impact on First Nations people's living and wellbeing, both in the present and past
- e) Its presence or absence is determined by the experience of the recipient of care and not defined by the caregiver.<sup>3</sup>

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<sup>1</sup> Australian Health Ministers' Advisory Council. (2016). Cultural Respect Framework 2016-2026 for Aboriginal and Torres Strait Islander Health. Available at: <http://www.coaghealthcouncil.gov.au/Publications/Reports>

<sup>2</sup> Bainbridge R, McCalman J, Clifford A, and Tsey K. (July 2015). *Cultural competency in the delivery of health services for Indigenous people. Issues Paper No. 13 produced for the Closing the Gap Clearing House*. Available at: <https://aifs.gov.au/publications/cultural-competency-delivery-health-services-indigenous-people>

<sup>3</sup> Australian Health Ministers' Advisory Council. (2016). Cultural Respect Framework 2016-2026 for Aboriginal and Torres Strait Islander Health. Available at: <http://www.coaghealthcouncil.gov.au/Publications/Reports>

# 1 Introduction

## 1.1 Purpose

This document aims to provide guidance for PHNs on the market making and development aspect of their commissioning role. Shaping the structure of supply is a phase of the PHN commissioning framework. Therefore, this guidance sets out a number of considerations relating to the structure of markets and how they can be shaped to best meet the overall objectives of PHNs.

The guidance is focused on two key principles:

- additionality – that it provides more guidance than is currently available to PHNs; and
- practicality – that it is intended to help PHNs perform this aspect of their commissioning role rather than simply provide theoretical advice and guidance.

This document provides guidance that PHNs may have regard for in the context of other guidance and requirements, such as the PHN Grant Programme Guidelines<sup>4</sup>. It is not intended to provide comprehensive instructions or requirements. PHNs can come to their own views as to how they apply this guidance.

## 1.2 Context

PHNs are commissioning, not service delivery, organisations. To successfully secure the primary health care services and outcomes that PHNs identify as priorities based on their needs assessments and planning, they need a market that can understand, interpret, respond and deliver effectively. Therefore, it is critical that PHNs are able to understand, influence, support, develop and work collaboratively with markets.

It is also important to acknowledge that PHNs are operating as a part of the broader health system. It can be argued that governments are one of the most important agents in shaping the structure of supply, and that PHNs are largely responsible for investing government funding for primary health care services and system improvement. Some would argue that a PHN, as a regional level organisation with a more limited budget, has less scope to shape supply than other funders and commissioners such as federal or state governments. However, there is a body of Australian literature, which suggests that primary health care commissioners (now PHNs) – individually and collectively – have a real capacity to play a role in systemic improvements to primary health care. This was a key finding of the Horvath Review of Medicare Locals and lies at the heart of the PHN Program.<sup>5</sup>

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<sup>4</sup> Australian Government Department of Health. (2016). *Primary Health Networks Grant Programme Guidelines February 2016 – Version 1.2*. Available at: [www.health.gov.au/internet/main/publishing.nsf/Content/PHN-Program\\_Guidelines](http://www.health.gov.au/internet/main/publishing.nsf/Content/PHN-Program_Guidelines)

<sup>5</sup> Horvath J. (2014). *Review of Medicare Locals – Report to the Minister for Health and Minister for Sport*. Recommendation 1. Available at: <http://www.health.gov.au/internet/main/Publishing.nsf/Content/review-medicare-locals-final-report>



PHNs' role as part of the broader health system has a key influence on how PHNs work with other parts of the system, how they commission primary health care services and how they move towards incorporating commissioning on an outcomes basis. The services and outcomes that PHNs commission will be influenced by the services that are funded and commissioned by other parts of the system (as well as other sectors that more directly influence social determinants of health, such as housing, education and human services) at the Commonwealth and state and territory government levels, and at the private sector provider level.

Therefore, it is also important to acknowledge that PHNs are not the sole, and sometimes not the most important, source of support in seeking to develop health service provider markets.

The objectives of the PHN Program – increasing the efficiency and effectiveness of medical services for patients, particularly those at risk of poor health outcomes, and improving coordination of care to ensure that patients receive the right care, in the right place, at the right time – imply a role in shaping the *structure* as well as the components of supply.

This requires PHNs to understand the structure of the market in their regions, where the market may require development, and the root causes of gaps or deficiencies. It also requires PHNs to develop an awareness of the tools that they can use to improve markets and to put these levers into practice. PHNs will also need to think differently about how they interact with the market, building on previous methods and approaches. Likewise, providers will also need to evolve their approaches to working with PHNs, operating more collaboratively and in a more flexible way.

## 1.3 Key messages

Key messages from this guidance include:

- As part of their role as commissioners, PHNs should work collaboratively in seeking to create high performing markets
- Increasingly, PHNs should be interacting with the market beyond formal procurement processes, and through each stage of the commissioning framework
- PHNs will need to develop and maintain a clear understanding of the markets that they require services from, with an awareness of the root causes of any gaps or other deficiencies
- Market issues can be the result of factors including those relating to provider supply, type, appropriateness, access, quality, risk, and barriers to entry
- Markets vary by a range of factors including service type, geography and cohort and therefore, tailored approaches to market issues are required
- PHNs will need to understand what encourages and discourages provider participation in particular service areas, and take these factors into consideration in seeking to identify options to address issues
- PHNs will need to consider evolving their relationships with providers, ensuring that they are attractive to work with
- PHNs should consider the market as it relates to the needs and outcomes of Aboriginal and Torres Strait Islander people and communities (as well as other populations that are at risk of poor health outcomes), and how the PHN operate in a culturally appropriate way with the market
- Standardised approaches to working with the market are likely to benefit providers collectively (including those who work across PHNs), while still ensuring that they are addressing local needs.

## 2 Understanding markets

### 2.1 Defining markets

In the context of the PHN Program Commissioning Framework, emphasis is given to ‘shaping the structure of supply’ which encourages focus on current and potential providers. In order to perform such a role, PHNs are required to have a holistic understanding of markets. Markets in this context are collections of providers who are willing or able to deliver the services that are required to meet identified and prioritised health needs, and support PHNs to achieve the outcomes sought by patients and communities in their regions.

Economic theory and commissioning best practice shows that markets are influenced predominantly by five groups:

- **Regulators:** They set the rules of the market and determine how the market will interact at a macro level. The regulators also monitor key aspects of the market such as risk and safety. In this context, regulators include federal and state government bodies. Regulators are influenced by government policy. Different regulators will apply in different specialities and markets.
- **Commissioners:** Commissioners are responsible for analysing the needs of communities, prioritising them, and procuring services from providers to address these needs. Commissioners are responsible for paying providers as needs are met. Commissioners are also influenced by government policy.
- **Current providers:** These providers currently supply services on behalf of commissioners to the community, and receive payments from commissioners for doing so. Current providers may choose to cease participating in a market at any point in time.
- **Potential providers:** Potential providers do not currently supply services, however if the conditions of the market are appealing enough, they will consider entering the market. PHNs are largely responsible for making markets appealing, however regulators are also highly influential in this.
- **Patients and communities:** Patients and communities benefit from the delivery of health services, and markets are heavily influenced by their needs and preferences. Patients and communities are the ‘customers’.

From these markets, PHNs will seek a number of providers who have the necessary capacity and capability, and are willing and available to deliver something that commissioners need or want to secure at an affordable price and in the desired way.

When thinking about the markets that PHNs work with, it is important to consider the following concepts:

- **Geographies:** Markets need to have a geographic definition within which they can be considered. In most cases, this will be the PHN region, but PHNs should also consider sub-regional boundaries, as well as state boundaries, where appropriate.
- **Service or outcome specifics:** For example, mental health, or alcohol and other drug treatment. Where possible, PHNs need to define their market clearly as this improves the quality of market thinking.
- **Cohorts:** Markets can also be defined by the cohorts that they seek to serve, for example, older people, youth.
- **Aboriginal and Torres Strait Islander people and communities:** There are specific features required of markets to effectively meet the needs of this population, in ways that are culturally competent, and culturally safe.

- **Size:** The size of markets can vary significantly, from many providers with high levels of competition, to monopolies.
- **Fluidity:** Markets change as the conditions impacting markets change, and as the priorities and pressures facing providers, change. New providers may look to enter into markets if the conditions are favourable, and providers may look to exit if they are not. PHNs are able to use their influence in order to change the types of providers who operate within their market.
- **Sensitivity:** Markets can be affected by a range of different factors which can encourage or discourage providers to operate within them, including the ease of working in a market, barriers to entry, the availability of suitable workforce, financial attractiveness and the alignment of markets with provider strategies.
- **Demand is influential:** Markets are sensitive to demand and will seek to respond to it. Demand can vary in terms of the variety and quantity of things required, and this will influence how providers respond.

## 2.2 The importance of markets within commissioning

The commissioning cycle places a significant reliance on the role of markets, beyond their role in service delivery; it also includes data gathering and insight sharing, and innovation, which collectively support the achievement of outcomes. It is therefore important that PHNs have a thorough understanding of, and can effectively support and help to develop, markets. The roles that markets play include:

- **Service delivery:** As commissioners, PHNs are reliant on markets to provide a range of services that can be delivered to patients and communities. Without markets, PHNs would be unable to effectively discharge their role and outcomes would not be met.
- **Data gathering / insight sharing:** Commissioning places an importance of working collaboratively with the market so that PHNs can leverage the market's insights and expertise in a range of areas. This may include providers sharing data and research, being involved in setting and confirming key priorities through a process of co-design, or in shaping a procurement process to ensure maximum participation.
- **Innovation:** In a commissioning cycle, PHNs are reliant on the market to develop innovative ideas with regards to how services are delivered or new ways of working. The commissioning framework rebalances the emphasis of innovation generation towards the market.

This new perspective of markets represents a significant evolution from more historic practices where they were simply required to deliver a range of specific services within defined contracts. Interaction with the market was more limited during this approach and heavily structured.

Given the reliance that PHNs have on markets, it is important that they are structured appropriately. The role of PHNs in shaping markets where this is not the case is a key aspect of commissioning. The collective implications for PHNs in relation to the role of markets are summarised below.

- PHNs need to have a clear understanding of their markets, including knowledge of what factors influence provider behaviour and participation in the commissioning process. As part of this, PHNs need to understand the tools and levers that they can apply to help develop markets to be sustainable and capable of effectively delivering the services and outcomes sought.
- PHNs' interactions with their markets need to go beyond formal procurement processes, and occur through each stage of the commissioning framework.

- The relationship between PHNs and the market needs to evolve to be more collaborative and iterative, rather than just transactional. In many ways, PHNs need to consider the market as a valued partner who they will work closely with to achieve their goals. To facilitate this, providers will also need to evolve their understanding of how they work with PHNs; and PHNs will need to play a leading role by working with providers to help build their capability in responding to PHNs' commissioning processes.
- PHNs need to have an understanding of good practice and clinical governance in primary health care service delivery, to help support commissioning of quality services that meet the needs of the people in their regions.
- PHNs should take into account the perspectives, suggestions, concerns and issues raised by the market, and consider ways to respond to these issues as part of their market making and development role.
- PHNs should also give consideration to how to market themselves as organisations that are professional and attractive to do business with. It is also important that PHNs recognise that providers can exercise choice, and may leave the market if they consider that better opportunities exist elsewhere.
- In discharging their market making and development role, PHNs need to consider how to ensure that primary health care services that are commissioned for Aboriginal and Torres Strait Islander people and communities are culturally appropriate and culturally safe.

It should be noted that within an outcomes based commissioning environment, the expectation of markets is consistent with this contemporary view. In addition however, the expectation of the participation of markets in each of these stages is potentially greater, with markets also expected to be transferred a greater degree of risk, and to have a proportion of their reward linked to overall performance.

## 2.3 Market implications of incorporating outcomes based approaches

Moving to incorporate commissioning for outcomes has significant market implications in terms of how providers see and respond to opportunities. PHNs should give particular consideration to these factors, which include:

- A lack of understanding and experience on the part of many current providers.
- The market adapting to who is specifying and shaping solutions (a role that shifts more from commissioners to providers).
- A greater level of risk transfer from commissioners to providers, as an inherent part of commissioning for outcomes.
- Over time, moving towards incorporating commissioning for outcomes, rather than just defined units or occasions of fixed services.
- Payment mechanisms – seeking to shift from volume to value.

These and other considerations are explored further in the 2018 *Commissioning for Outcomes Discussion Paper*<sup>6</sup>.

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<sup>6</sup> Australian Government Department of Health. (2018). *Commissioning for Outcomes Discussion Paper*. (Unpublished).

## 2.4 Supporting Aboriginal and Torres Strait Islander people and communities

At every contact point with the health system, the opportunity exists to provide care that is culturally safe, high quality, responsive and accessible for all Aboriginal and Torres Strait Islander people and communities. All services delivering primary health care at the local, regional and state levels should seek to optimise their engagement and involvement with Aboriginal and Torres Strait Islander people to improve health outcomes.

PHNs should take into account the Guiding Principles<sup>7</sup> which recognise the commitment by PHNs and ACCHS to work together to improve access to health services and improve health outcomes for Aboriginal and Torres Strait Islander people and communities. The Guiding Principles were developed in consultation with ACCHSs and PHNs. The Guiding Principles provide guidance for actions to be taken by each party across the following key domains: Closing the Gap, cultural competency, commissioning, engagement and representation, accountability, data and reporting, service delivery, and research.<sup>8</sup>

Commissioning for services or outcomes should be considered through the eyes of the service recipients. This is particularly important in commissioning services for Aboriginal and Torres Strait Islander people and communities. Market assessment should include criteria for cultural awareness, cultural competency and cultural safety.

## 2.5 Securing probity and avoiding conflicts of interest in dealing with market providers

PHNs are required to ensure that their commissioning activities are conducted with appropriate probity arrangements. This will help to ensure best practice and minimise associated risks. Some of the areas where these issues need consideration are listed below.

- Ensuring appropriate levels of openness and transparency in all that the PHN does.
- Ensuring that during engagement activities, conflicts of interest are not created.
- Ensuring that during market soundings processes, probity guidance is sought and adhered to.
- In co-creation/co-design, where PHNs can work with multiple providers to jointly derive solutions either within or outside of the formal procurement process, probity is also particularly important. Equally, PHNs may need to consider how to ensure the intellectual property of providers is protected. (Further advice on this was provided in the 2016 *Designing and Contracting Services Guidance*<sup>9</sup>).

Responsibility for these areas within the PHN needs to be agreed and documented as part of overall governance arrangements.

<sup>7</sup> PHN and Aboriginal Community Controlled Health Organisations (ACCHOs) - *Guiding Principles*. 2015. Available at: <http://www.health.gov.au/internet/main/publishing.nsf/Content/PHN-Accho>

<sup>8</sup> PHN and Aboriginal Community Controlled Health Organisations (ACCHOs) - *Guiding Principles*. 2015. Available at: <http://www.health.gov.au/internet/main/publishing.nsf/Content/PHN-Accho>

<sup>9</sup> Australian Government Department of Health. (2016). *Designing and Contracting Services Guidance*. Available at: <http://www.health.gov.au/internet/main/publishing.nsf/Content/PHNCommissioningResources>

## 3 Analysing markets

### 3.1 The role and importance of market analysis

Markets can be complex and heterogeneous across PHN regions. PHNs have a role in understanding this variability and responding accordingly, including in service or outcome specifics (e.g. mental health) and geographies (rural, remote and metropolitan). This also includes understanding the dynamics around specific populations including Aboriginal and Torres Strait Islander people and communities, to ensure commissioned activities are culturally safe and appropriate and meet particular needs.

Given the broad role that markets play in supporting the effectiveness of PHNs, it is critical that PHNs have a good understanding of markets, and that they are able to help shape their structure to better meet the overall needs of the people in PHNs' regions.

Market analysis should seek to answer the following questions:

- What is the existing structure of the market? For example what sort of providers are currently offering services?
- Why is the market structured as it is? What has influenced this? For example, why is there a lack of particular providers, or why are providers not aligned to PHN objectives?
- What are the collective capabilities, offerings and capacity of the market? What does it currently offer and what is it willing to offer? Where are these services offered?
- How can the structure of the market be altered to better meet the primary health care needs of PHN populations? What tools will help transform the market to a desired future state?
- Are there other potential providers who may choose to enter the market under the right circumstances?

Thoroughly analysing and understanding markets helps to reduce a number of risks for PHNs, and therefore has the following important benefits:

- Reduces the risk of potential for failure of commissioning initiatives due to a lack of interest in opportunities by providers. Clearly understanding the market can help to adequately reflect the opportunity in a way that appeals to the market, and help to avoid inaccurate assumptions as to the level of market capacity /capability.
- Helps to ensure the effective and efficient use of resources in conducting commissioning activities, and avoid sub-standard outcomes that do not meet aims or objectives.
- Increases the PHN's ability to improve the structure of markets.
- Helps to reduce long-term risks of market underperformance, by enabling the PHN to understand significant root causes of issues in the structure of the market, and seek to address them.

Market analysis should be performed regularly in a variety of ways. This may take the form of more formal exercises that seek to understand the structure of the market and each of the individual participants and informal practices such as gathering and sharing data points on the market as part of business as usual practices.

## 3.2 Informal market analysis approaches

Informal market analysis approaches are a good way of pooling and considering data points that PHNs may gather in the normal course of business. These may be points around the concerns of providers, the performance of the market in different areas, or even wider feedback on planned market changes e.g. proposed changes around regulation or payment terms. Insights may be gained from a variety of sources including:

- Industry briefings
- PHN provider / market days where the PHN seeks to communicate key elements of their strategy
- Procurement processes
- Contract management
- Discussions occurring with providers at key points during a contract (but not just limited to the commencement and end of the contract)
- Discussions with peak bodies or other reference groups
- Interactions and events with wider stakeholders.

Whilst informal, collectively, this knowledge is a valuable source of insights in terms of understanding the general sentiments operating within a market at a particular time. PHNs could support this approach by communicating internally within the PHN that they are seeking to capture this kind of data. PHN staff could be encouraged to record factual information and data within a central repository. Where required, key issues should be validated further.

Informal market analysis is a useful way for PHNs to maintain an understanding of a market, but it should not replace more formal analysis. As markets are continually changing, market assessments should be updated on an ongoing basis to ensure that they are kept current.

## 3.3 Formal market analysis

Formal market analysis is particularly useful where the PHN is aware of a current issue relating to supply (e.g. a lack of service provision). Formal market analysis can help to identify the reasons behind market issues or deficiencies and assist in identifying strategies to address them. Formal market analysis can also help PHNs to understand both local and national markets. Whilst PHNs have tended to focus more on local markets, it is important that PHNs also think broadly in searching for appropriate and innovative solutions. The following diagram summarises an approach to formal market analysis that could be used by PHNs.

**Figure 1: PHN market assessment methodology**



Within each stage of the analysis, PHNs should seek to build their knowledge of the market and the options available to improve it. Each step does this by focusing on a range of areas:

### 1. Plan analysis

- PHNs should clearly define the specific market to be analysed in terms of the services provided and the geographical location. Other aspects should be included in this definition, where relevant.
- The future needs (demand) for the market should also be summarised in terms of services, locations, diversity and outcomes. This will help PHNs to understand what they require from the market.
- PHNs should communicate the program of analysis to stakeholders and request input and insights that may be able to support the analysis. Wider background data or information that may be useful should also be collected.

### 2. Identify the barriers to entry

- It is important to consider the barriers to entry that may prevent providers from offering services. PHNs should think broadly, including about issues around investment, workforce, location, skills and regulation. It may be useful for PHNs to consider what steps a new provider would need to go through in order to significantly expand or diversify an existing service, or establish a new service.

### 3. Review current market providers

- PHNs should seek to develop a good understanding of existing providers in the market. This should start by considering the overall appetite that exists in the market to deliver the required services and the reasons for this.
- Existing provision should be reviewed in a number of dimensions including the quantity, location, type, service offerings, scale, quality, performance and risks.
- Where available, market share information will also provide useful information on market dynamics.

### 4. Identify broader providers

- The analysis should seek to understand potential provider groups, which would typically include providers in adjacent or related markets with transferrable skills who may consider service delivery under the right circumstances.
- The analysis should also seek to understand why these providers do not currently deliver services, and what changes or support would be required for them to enter into the market.

### 5. Summarise findings and determine market health

- Analysis should be summarised against the characteristics of high performing markets (see section 4.1, below).
- PHNs should consider, test and confirm their findings with providers, which can be particularly useful around market issues.

### 6. Plan approaches to improve the market

- The conclusions of the market analysis should be considered against the levers that PHNs can use to facilitate market change.
- This thinking should be tested and confirmed with providers. PHNs may also wish to consider small pilots to ensure that approaches have the desired effects.
- Approaches should then be confirmed and next steps planned.



In undertaking the analysis, PHNs should consider its purpose, which may range from building general knowledge of the market, or seeking to solve particular issues. This knowledge can help to tailor the market analysis process and may guide the PHN in emphasising certain areas of analysis. Additionally it is important that PHNs seek to work methodically through the stages of analysis, as this will be important in ensuring that developed approaches are fully informed by data and evidence.

For market analysis relating to the needs and outcomes for Aboriginal and Torres Strait Islander people and communities, specific consideration should be given to how these are designed and organised, and how participation will occur. Initial discussions with the ACCHS in the PHN region are essential for the planning, organising and implementing the market analysis, to ensure that the process readily enables ACCHS to participate in a meaningful way, and so that the process is conducted in a way that builds trust.

### 3.3.1 Formal market analysis data sources

Data can be gathered from a variety of sources to support this analysis, and PHNs should look to build a rich market picture from a range of inputs. Potential sources are listed below.

- **General research and data:** This includes historic funding arrangements, evaluations of prior initiatives and commissioning activities, external reports on primary health care or particular professions or parts of the sector, outputs of previous planning cycles, speciality / regional reports etc.
- **Provider specific research:** Depending on the focus of the analysis this may involve examination of provider databases, publicly available information from regulatory bodies, or provider websites. PHNs should directly engage with providers to help build a thorough understanding of them.
- **Data gathered through the procurement process:** This includes engagement during / prior to a formal procurement process. This can include co-design sessions or wider provider engagement activities.
- **Summary analysis and data:** This includes information and data collected as part of informal market analysis.

PHNs should consider what data can be gathered from government bodies at the state and territory and federal levels. Valuable information may be publicly accessible from a range of agencies including other service commissioners who have experience within particular markets. Further guidance on market assessment approaches and data sources is contained within Tool 5 of the 2018 *Market Making and Development Toolkit*.

### 3.3.2 Provider databases

As part of a range of processes to support market analysis, PHNs may wish to consider collating provider specific information in a database. This may be useful where there is a concern around the providers operating within the market in the PHN region, or where the PHN is seeking to develop a better understanding of provider diversity. Whilst software exists to support this type of exercise, a standard program such as Excel may be sufficient. Depending on the purpose behind collection, useful data may include points around:

- Service offering and range
- Geographical locations supported
- Level of culturally diverse communities supported
- Financial capacity

- Workforce overview / size / typical skills
- Performance issues
- Contact leads for service areas.

If used, such a database would need to be regularly updated by the PHN (which may be resource intensive), and it would only be one source from which knowledge could be drawn on through a commissioning lifecycle. For example, PHNs could use the database as one means of identifying contacts to invite to a particular industry briefing, or organisations to support co-design efforts around a specific issue. Accordingly, it is important to note that even if such a database were used, it should not necessarily be relied upon as a single source of information; the PHN would also need to look more broadly to ensure that other unlisted providers would not be automatically omitted or excluded from its market analyses, or from commissioning processes.

### **3.3.3 Presenting the outcomes of market analysis**

The outputs of market analysis can be presented in a number of different ways. Commonly, analysis will be presented against the characteristics of high performing markets in order to understand where issues may exist. Alternatively, market segmentation can be used as a means of categorising markets by types, for example, providers who deliver specific services, support particular geographic locations, support specific cohorts, or have specific expertise and experience. Innovative approaches to presentation can also be used, such as geographical information systems (GIS) to compare existing demand with existing supply. PHNs do not necessarily need to have this level of sophistication in their analysis or mapping of their regions, but such approaches can provide useful visual representations of where gaps and oversupply exist, and help to support identification of appropriate remedies.

## 4 Market performance

### 4.1 Characteristics of high performing markets

- It is likely that the process of market analysis will highlight where issues exist in relation to either individual providers or the market as a whole. PHNs will need to support markets to develop more of the characteristics of high performance. More mature markets typically demonstrate these dimensions, which are listed below.
- **Sustainable competition:** Competition can be beneficial in that it encourages efficiency and innovation within a market, and also provides choice. However, competition needs to be sustainable to ensure the market is not destabilised in the long-term. Unstable competition can lead to providers underbidding each other, which can lead to unsustainable operating models, and the formation of less diverse markets, and potentially, monopolies.
- **Provide choice and limited monopolies:** It is important that where possible, PHNs are able to exercise choice within their markets, from a diverse range of providers. It is recognised that in rural and remote areas this may be particularly challenging, and PHNs may need to consider innovative ideas to attract and support competitive tension in these circumstances. (Refer to the 2016 *Designing and Contracting Services Guidance*<sup>10</sup> for further information on this).
- **Diversity of service offerings:** PHNs should be able to access a range of different services from the market for each area of primary health care. This includes offerings to effectively meet the primary health care needs of Aboriginal and Torres Strait Islander people and communities, and other groups that are at risk of poor health outcomes.
- **Evidence of innovation:** High performing markets are innovative, with providers looking to introduce new ways of working that PHNs can use, such as innovative models of care, and the use of technology.
- **Participative, collaborative and responsive:** The market plays an important role in supporting the ambitions of PHNs and this goes beyond service delivery. It is therefore important that the market is responsive and willing to work collaboratively with PHNs in a range of broader areas that relate to the commissioning framework.
- **Quality services:** PHNs should be able to access high quality services that comply with risk and safety requirements.
- **Value for money:** PHNs are required to achieve value for money in all their commissioning activities. Efficient market operations and appropriate competitive tensions are important in supporting the achievement of value for money.

### 4.2 Market issues and failure

It is important that PHNs can readily identify market failure when it occurs, and its root causes rather than just demonstrated symptoms. A robust market analysis process will support this and help to provide indications as to potential approaches to rectification.

As commissioners, PHNs have a role to play as 'market managers', to influence the structure and performance of primary health care markets using various mechanisms. Whilst PHNs play a role here, it should be noted that they are part of a broader health system and have limited capacity to solely address market issues. Other key funders, commissioners and stakeholders also have important roles in supporting market improvements.

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<sup>10</sup> Australian Government Department of Health. (2016). *Designing and Contracting Services Guidance*. Available at: <http://www.health.gov.au/internet/main/publishing.nsf/Content/PHNCommissioningResources>

For PHNs, market deficiencies and market failure typically relate to one or more of the areas listed below.

- **Absence of supply:** Particularly relevant in rural and remote locations, PHNs may have a lack of providers who offer the services required to support the outcomes needing to be achieved.
- **Inappropriate supply:** This describes scenarios where providers exist, however the services that they offer do not fully align with what is sought by the PHN. For example, mental health providers may exist in a region to support younger Australians with mental health needs, but services that support older Australians with mental health needs are required. Inappropriate supply can be common across geographies, however it is more prevalent in more rural and remote locations.
- **Limited competition:** This relates to circumstances where the market only contains a small number of providers who offer the required services, and consequently, PHNs may be unable to fully exercise choice. This is also a particular issue for rural and remote communities where staff and skills shortages may exist.
- **Lack of innovation:** Whilst some markets may comprise a range of providers who offer services as required, they may still lack innovation and fail to bring or incorporate new ideas.
- **Quality concerns:** Where service provision is underperforming due to issues such as quality, clinical governance and safety, or risk management.
- **Barriers to entry:** This can cover a range of factors that prevent providers from operating effectively within a market. These can include issues such as the availability of suitably skilled workforce, the need to make significant financial investments prior to delivering a service, qualifications or cultural safety requirements or clinical governance standards. Barriers to entry can also be linked to some of the above market issues, causing factors such as an absence of supply.

## 4.3 Addressing market issues through market management

### 4.3.1 PHN levers

The objectives of the PHN Program imply a role in shaping the structure of supply. Accordingly, shaping the structure of supply is a key element of the PHN commissioning framework, and addressing market issues is a key part of this.

PHNs have a range of levers that they can use to help effect changes in the structure of the market and the providers who work within it. Levers can be considered as any action, method or initiative that PHNs undertake that will have an impact on market dynamics. As such, they can cover a broader range of areas and include approaches that may be tailored by individual PHNs. In using levers, PHNs need to think creatively and flexibly. They also need to act based on a thorough knowledge of the market and a clear understanding of the root causes of any gaps or deficiencies. For example, issues relating to a lack of supply will be difficult to solve if root causes relating to workforce availability are not addressed. This also increases the importance of PHNs working with other funders, commissioners and stakeholders, who also have roles in influencing primary health care workforce supply.

PHN levers can typically relate to a number of areas including:

## Contract structuring

- The size, duration and structure of a service contract can serve to attract or discourage providers. Large contracts may prevent smaller (and potentially more innovative) providers from being able to participate, and can also limit the choice that PHNs have in terms of providers who can offer the services required.
- Conversely, where PHNs have a broad range of small providers and are seeking a more co-ordinated response from them, PHNs could consider bundling contracts together to help stimulate collaboration across provider groups, including, for example, multidisciplinary collaboration.
- PHNs should also consider how they have proposed to transfer some level of risk as part of the contracting process. Changes to this factor may have significant impacts on market appetite and capacity.

## Financial and payment terms

- The financial terms within a contract (payment arrangements) may limit the participation of some provider groups who might have limited capacity to operate within more restricted financial conditions. This may be an inadvertent consequence of previous contracting arrangements, or a result of contracts that are heavily outcomes based, which may entail less regular cash flows).
- As outcomes based commissioning is new to the sector, before considering any future changes to payment mechanisms, PHNs and providers can work together to define the desired outcomes. Later, incremental changes to payment approaches could be considered as the focus on outcomes becomes embedded.

## Procurement processes and conditions

- Procurement processes and conditions can be strategically used by PHNs to affect market participation and dynamics.
- Processes that are overly complex and which have an inordinate range of minimum standards are likely to limit the involvement of smaller providers or providers from broader markets, as are processes that require lengthy, highly detailed submissions, or the support of (costly) advisors to complete.
- Procurement conditions around the size and experience of providers can also be restrictive in some circumstances.
- However, conditions can also be used by PHNs to drive certain behaviours, such as collaboration across different groups and types of providers as a means to access multidisciplinary service provision and innovation.
- Conditions around providers needing to demonstrate a track record of local knowledge and experience can also encourage partnerships with local providers and broader development of the market.

## Communication activities

- Communication is a powerful tool that can be used to encourage provider participation in PHN commissioning processes. Where appropriate, PHNs may need to consider how to 'sell' the concept of working with them to potential providers as a means to attract their participation. Within a tender process, the communications of PHNs are also key in attracting participants.

## Capacity development

- Investing in developing the capacity and capability of providers is an important means of longer term market development. Based on an understanding of what specific capacity gaps exist, PHNs' market development activities may include things such as:
  - Optimising communications with the market, as the earlier potential providers can understand PHNs' agendas and intentions, the more time they will have to build their capacity and ability to respond.
  - Programs of capacity building such as learning and development programs or tools for providers.
  - Supporting self-help for providers, for example, through e-forums.
  - Encouraging and supporting providers to come together, such as in consortia, as a potential means of developing their capacity.
  - These capacity development strategies can be particularly important in rural and remote areas where resources can be scarce, and innovative and diverse approaches to meeting needs are essential for helping to develop market capacity.

In applying levers, PHNs need to consider the impact that they will have in addressing the root causes of market issues. Consideration should be given to the time that may be taken to effect change and whether this will be immediate (such as a procurement condition change) or over a period of time (such as capacity development approaches). In addition, PHNs should carefully consider risks or probity issues that may be inadvertently created.

It is also important that PHNs consider potential unintended consequences of their commissioning approaches, including impacts on smaller-scale local providers, and what those impacts may mean for the market more broadly in the immediate, and longer term. Depending on the preferred model(s) of service provision, a PHN's decisions may unintentionally exclude existing, perhaps smaller-scale providers from the market, which may, in turn, cause those providers to exit the market.

### 4.3.2 Examples of using levers

The following table provides a number of examples of how levers can be used and combined to address a range of common market issues. Market management responses are predicated on the PHN starting with a clear understanding of the root causes of market deficiencies or market failure.

**Table 1: Addressing market failure**

Type of failure	Illustrative factors for PHNs to consider and potential ways to address these
Insufficient / inappropriate providers available to deliver what is required and to secure competitive tension	<ul style="list-style-type: none"> <li>• Consider using processes such as market soundings and industry days to engage with the market prior to a formal procurement process commencement to raise awareness and initial interest.</li> <li>• Analyse providers in neighbouring PHN regions or further afield, and consider what might attract them into the PHN's markets. This also applies to providers working in similar 'adjacent' sectors where skills may be transferrable.</li> <li>• Develop a communications strategy to raise awareness of the market opportunity. Ensure that exposure is generated in a range of areas including traditional and non-traditional providers who could provide services. Ensure the PHN is seen as being good to work with.</li> <li>• Consider whether the packaging or bundling of contracts, or splitting up of contract packages, would increase market interest from new providers who currently do not serve the market.</li> <li>• Where there is flexibility, consider the timing of the procurement process. Market interest may be limited due to distraction from wider market opportunities occurring at the same time.</li> <li>• Consider wider contract structuring in areas such as financial and payment terms and risk sharing. Consider market insights and where these may be presenting a barrier to market participation.</li> <li>• Consider joint-working with other commissioners (such as other PHNs or LHNs).</li> <li>• Consider engagement with the community to share the issues and innovate solutions.</li> <li>• In the context of commissioning primary health care services for Aboriginal and Torres Strait Islander people and communities, co-design and engage with the ACCHS and communities to develop plans and solutions.</li> <li>• Engage in a capacity building program that seeks to develop key provider competencies, prior to launching the procurement processes.</li> </ul>
Market is dominated by large players with limited smaller organisations	<ul style="list-style-type: none"> <li>• Review procurement processes to ensure they do not inherently favour larger providers. In some cases the provider who is best placed to <i>bid</i> (rather than <i>provide</i>) may win competitive processes.</li> <li>• Un-bundle service requirements to make smaller packages that may help to encourage or attract smaller providers.</li> <li>• Where appropriate, consider supporting consortia based bids that include smaller providers, and consider encouraging larger providers to include rather than discount smaller providers.</li> </ul>

Type of failure	Illustrative factors for PHNs to consider and potential ways to address these
	<ul style="list-style-type: none"> <li>• Review risk transfer approaches given the ability to take and manage risk is likely to be lower for smaller providers.</li> <li>• Consider capacity building activities that could be specifically targeted at smaller providers.</li> <li>• Engage and get feedback from smaller providers about how they think they can work with PHNs and what would help to support that.</li> </ul>
Existing providers are not able to meet PHN requests for tender and delivery requirements	<ul style="list-style-type: none"> <li>• Engage with the market to ensure a detailed understanding of underlying issues and test remedy approaches.</li> <li>• Consider approaches that the PHN can use to build capacity and expertise within the market through development programs.</li> <li>• Encourage market consortia as a means to generate increased market capacity. Structure the procurement process to reward organisations who bring a range of factors such as established processes (large mature providers) together with specific skills (smaller niche providers).</li> <li>• Consider if the procurement approach and conditions set by the PHN are appropriate.</li> <li>• Consider engagement with the community to share the issues and innovate solutions.</li> </ul>
Lack of innovation exists within the market	<ul style="list-style-type: none"> <li>• Facilitate knowledge share and brainstorming events with diverse stakeholder groups to develop innovation ideas around specific service areas. Discussion to identify wider arrangements that could support innovative practices (i.e. ongoing data sharing arrangements).</li> <li>• Co-commissioning approaches with other funders in order to create additional scale as a means of attracting innovative providers from other locations / areas to enter the market.</li> <li>• Conduct innovation stimulation activities prior to the procurement process. This could include working with providers to trial and test new service delivery models, the results of which can be shared more widely with the sector.</li> </ul>
Providers are unable to support opportunities due to limited workforce availability	<ul style="list-style-type: none"> <li>• Work with state and local government agencies to consider how to support workforce development. Solutions may involve industry wide capability development programs or events to support individuals to get the required skills to enter into the market.</li> <li>• Could consider partnering with local educational institutions to collaborate on ideas to help address shortages.</li> <li>• To support long-term growth in this area, where appropriate, consider requesting that in service contracts, providers have a workforce development program that supports long-term workforce capacity in chosen locations.</li> </ul>



Analysis of feedback from PHNs in relation to addressing market issues and using market levers captures a number of useful points, as listed below.

- Market failure is more likely to take place in rural and remote communities where economic environments can create additional challenges.
- Some providers (especially smaller ones) have reported more difficulty in adjusting to the additional requirements of working within the commissioning process. Capability development in this area is important so that smaller local organisations are supported to grow and develop their capability.
- Market development requires investment of time and resources by PHNs to ensure sustainability across the country. This needs to be balanced appropriately, relative to direct program spend on health care – this can be a challenge given PHN funding regimes.
- PHNs are required to consider their working practices, governance arrangements and partnerships when working with ACCHS and other Aboriginal and Torres Strait health organisations so that cultural awareness, competency and safety are considered as part of how the market operates and the potential solutions it can provide.
- In some areas, more traditional approaches to providers who have focussed on contract management have led to more adversarial relationships with providers. Progression from this type of relationship is important to support future commissioning objectives and the health of markets.

## 5 Evolving relationships of PHNs and the market

### 5.1 The case for change

Commissioning, and as part of this process, market making and development, require a fundamentally different relationship between providers and PHNs. The relationship needs to move from a more transactional relationship based on the principles of ‘purchaser’ and ‘supplier’, towards one that is focussed more on collaborative working and partnership. This change places new requirements on PHNs and providers, who may not have worked in this way before. PHNs should therefore invest in market relationships, considering questions such as:

- What are the key issues of providers and what concerns do they have?
- How would they describe their experience of working with PHNs? Would it be positive or is there room for improvement?
- Are there opportunities for PHNs to change the perspectives of providers?
- How can PHNs build a shared understanding of their purpose and aims that creates mutual priorities?
- Where might flexibility exist to support innovation?
- Where are there immediate opportunities to work more closely together?

Doing this is a useful exercise considering that PHNs as commissioners are not simply buyers of services and solutions. They compete with other commissioners (PHNs and others) who are also seeking services from the market. In many respects, PHNs need to be considered ‘attractive’ to work with as otherwise providers may choose to invest their time and resources elsewhere.

### 5.2 Continuous market engagement

As part of evolving their relationships with providers, PHNs should engage with them throughout the commissioning cycle. In addition, PHNs should seek to adhere to the principles of co-design throughout the cycle, where appropriate. Further details of co-design approaches were set out in the 2016 *Designing and Contracting Services Guidance*<sup>11</sup> and related training. Further guidance on engagement with providers is contained within Tool 6 of the Market Making and Development Toolkit. Key aspects of how co-design can support each stage of the commissioning process are set out below:

**Table 2: Co-design opportunities within the commissioning framework**

Commissioning stage	Engagement opportunity
Needs assessment	<ul style="list-style-type: none"> <li>• Bringing providers and potential providers together at the start of the process to share thinking and obtain insights. Encourage providers to share views and data on what they see as key needs and outcomes.</li> <li>• Building on the market assessment process.</li> </ul>

<sup>11</sup> Australian Government Department of Health. (2016). *Designing and Contracting Services Guidance*. Available at: [www.health.gov.au/internet/main/publishing.nsf/Content/PHNCommissioningResources](http://www.health.gov.au/internet/main/publishing.nsf/Content/PHNCommissioningResources)

Commissioning stage	Engagement opportunity
	<ul style="list-style-type: none"> <li>• Requesting provider input and thoughts around gaps in service provision and opportunities to improve market dynamics.</li> <li>• Sharing draft needs assessment results with providers and requesting feedback.</li> <li>• Ensure the PHN has an awareness of the broader motivations of providers and the potential risks that this may lead to.</li> </ul>
Annual planning	<ul style="list-style-type: none"> <li>• Seek to use PHN knowledge of issues, the provider market and solutions elsewhere to inform thinking about where focus and priorities should be. These should be shared with providers using interactive sessions and workshops that capture provider perspectives. This has the benefit of potentially stimulating the market prior to formal procurement processes.</li> <li>• Could conduct a briefing session to share finalised plans to allow providers to begin to think about how they can support PHNs.</li> </ul>
Designing and contracting services	<ul style="list-style-type: none"> <li>• Continual process of co-design including providers to test and refine throughout the design stage.</li> <li>• Market soundings to gain more specific input particularly in relation to tailoring and creating the procurement process.</li> <li>• Industry briefings to stimulate the market and ensure a consistent understanding of opportunities.</li> <li>• Various formal procurement interactions as governed by the procurement process and probity arrangements.</li> </ul>
Monitoring and evaluation	<ul style="list-style-type: none"> <li>• Various contact points with providers to capture relevant information and insights with regards to progress.</li> <li>• PHNs should not be limited to ‘formal’ interactions, and should treat delivery relationships as part of ongoing partnerships.</li> </ul>

## 5.3 Common forms of market engagement

It is likely that PHNs will find that there are a number of market engagement approaches that they use more frequently than others. These are set out in the following points.

### 5.3.1 Market forums

PHNs can leverage market forums where providers can come together and engage with the PHN. These forums could serve as opportunities for PHNs to share their thinking and address general questions from the market. The informal nature of such events is useful in helping to evolve the working relationships with providers. It is worth noting, that it may take time for some providers to be fully comfortable sharing views and insights in this way with PHNs and other providers. PHNs may wish to conduct forums at regular intervals.

### 5.3.2 Industry briefings

These are typically used as a precursor to a procurement process, or as part of a launch of a process. They bring together providers who are interested in tendering for opportunities with the PHN and allow the PHN to share thinking about what it is seeking to commission, and what is required from the market. Industry briefings are a useful method to ensure a consistent understanding of opportunities among providers, and that they are able to clarify their understanding. Industry briefings also provide good networking opportunities that can help providers form joint working relationships that could support consortia arrangements as means of developing their capacity. Further guidance on planning and delivering and industry briefing is contained within Tool 3 of the 2018 *Market Making and Development Toolkit*.

### 5.3.3 Market soundings

Market soundings can provide valuable input that can be used to shape a commissioning process. Usually conducted confidentially and as in-person discussions, they provide the opportunity for providers to give frank and direct advice to PHNs that should be considered. Market soundings can also be used to encourage market participation in opportunities and address specific market issues. Further guidance on market soundings is contained within Tools 1 and 2 of the 2018 *Market Making and Development Toolkit*.

### 5.3.4 Multi-PHN engagement

Some providers may work with multiple PHNs who have similar requirements. Where appropriate, PHNs may wish to work together in their approach to engaging with the market. This may support joint commissioning approaches and also support efficiency in provider engagement activities. Existing occasions of PHNs meeting together may provide opportunities for provider engagement.

Equally, PHNs may consider working with other parties in this way, such as state government agencies, including LHNs (or their equivalent), especially where there are shared broader perspectives.

### 5.3.5 Aboriginal and Torres Strait Islander people and communities

For market engagement relating to the needs and outcomes for Aboriginal and Torres Strait Islander people and communities, specific consideration should be given to how these are designed and organised, and how participation occurs. Initial discussions with the ACCHS in the PHN region are important in planning, organising and implementing the market engagement, to ensure that the process readily enables ACCHS to participate in a meaningful way, and that the process is conducted in a culturally appropriate manner that builds trust. Considerations for co-design and joint working, for example a steering group, may be appropriate.

## **5.4 Standardisation of engagement materials and approaches**

Complete standardisation is not feasible, or consistent with the design and intent of the PHN Program. However, some level of standardisation in the approaches used by PHNs in how they interact with the market may be beneficial. For example, PHNs could use the commissioning information sheets that have been developed for primary health care providers as a basis for their discussions about changes associated with commissioning. A level of consistency in approaches may help providers to become more familiar with new ways of working, which will help to drive efficiency for providers and for PHNs.

This will also allow PHNs to benefit from having core approaches to engagement activities that can be tailored, rather than having to frequently create new materials. PHNs may also choose to leverage off the learnings of their peers, sharing approaches and tools. This may be of further benefit where providers work across PHNs.

Standardised materials and approaches should only be used as a basis for engagement. As such, they should always be tailored to reflect local issues, nuances or concerns.

## 6 Decommissioning

### 6.1 The role of decommissioning

An important component of commissioning is recognising where services or current approaches may need to be redesigned. Where this is not possible, decommissioning should be considered. Commissioners need to ensure that resources can be released and redirected to deliver better quality and outcomes, if this is required.<sup>12</sup> The UK National Audit Office<sup>13</sup> defines decommissioning as a “*process of planning and managing a reduction in service activity or terminating a contract in line with commissioning objectives*”. Decommissioning can relate to the removal, reduction and/or replacement of a service or intervention.

It is inevitable that PHNs will decommission services where existing resources are being inefficiently used and not meeting identified regional needs and priorities, or supporting outcomes. It is acknowledged that these decisions can be difficult and can result in community and stakeholder resistance. Section 6.2 of the 2016 *Designing and Contracting Services Guidance*<sup>14</sup> outlined typical components of a decommissioning process which should be considered.

Transparency and accountability are key factors in a decommissioning context. PHN plans that include decommissioning need to consider several factors including:

- Having a strong evidence based rationale
- Consideration of timing and stages of commissioning process
- The importance of a robust risk assessment for decommissioning processes, to highlight significant risks and the mitigating actions required
- Good communication, providing as much notice as possible and engaging with stakeholders to build understanding and support (this should be early and sustained)
- Maintaining early and good communication with the Department of Health regarding decommissioning and transitional arrangements, including raising potential risks or sensitivities and working through mitigation strategies
- Building mutual trust with both providers and the community
- Establishing transition arrangements (including data protection issues) and managing service continuity, by working in partnership with the decommissioned providers and new providers
- Supporting providers and their customers through the process to ensure a smooth transition for service users and staff
- Clinical leadership, including in relation to the transition between decommissioned providers and new providers, and in terms of PHN Clinical Council involvement in decommissioning decisions
- The importance of PHNs seeking community support in relation to decommissioning decisions.

<sup>12</sup> NHS England. (2014). *Commissioning for Effective Service Transformation: What we have learnt*. Available at: [www.england.nhs.uk/wp-content/uploads/2014/03/serv-trans-guide.pdf](http://www.england.nhs.uk/wp-content/uploads/2014/03/serv-trans-guide.pdf)

<sup>13</sup> National Audit Office (2011). *How to decommission public services delivered by civil society organisations and maintain value for money*. Available at: [www.nao.org.uk/decommissioning/](http://www.nao.org.uk/decommissioning/)

<sup>14</sup> Australian Government Department of Health. (2016). *Designing and Contracting Services Guidance*. Available at: [www.health.gov.au/internet/main/publishing.nsf/Content/PHNCommissioningResources](http://www.health.gov.au/internet/main/publishing.nsf/Content/PHNCommissioningResources)

Further guidance on decommissioning is contained within Tool 7 of the 2018 *Market Making and Development Toolkit*.

## 6.2 PHN learnings

In practice, decommissioning is a complex, time consuming and often difficult process. Based on a PHN's experience in decommissioning rural health services, key issues for PHNs to consider in this process include:

- Local community reaction to any changes or perceived service loss
- Potential impacts on, and feedback from, wider commissioners including local, state and territory governments, to federal Government
- The significant time, communication and additional resources that can be required to manage service continuity, and ensure success during transition and for the newly commissioned service
- The importance of documenting and publishing factual information about the steps and processes followed by the PHN in the decision cycle
- The importance of consistency and maintaining focus on the decommissioning process and objectivity of PHN decisions
- The importance of community awareness and understanding of the implications of change, including workforce impacts
- Potential media response to stakeholder concerns and reputational risks for all parties involved.

## 6.3 Developments impacting decommissioning and redesign

There are a number of factors that influence the likelihood of decommissioning or the need for redesign:

- The roles and responsibilities of PHNs continue to evolve, for example in taking on broader mental health service commissioning responsibilities
- Over subsequent commissioning cycles, PHNs will reconsider what they identify as priorities as per their needs assessment and annual planning processes. This may lead to decommissioning
- As PHNs collaborate more with providers around service delivery, historic delivery models may be decommissioned or reshaped, as appropriate
- More PHNs are expecting and utilising consortia based approaches rather than one-to-one provider relationships. This can mean the need to decommission or support the market in reshaping and adapting what it does
- PHNs are migrating to more joint commissioning and integrated solutions
- As PHNs move towards incorporating a focus on outcomes, existing agreements and approaches may need to be redesigned.

The benefits of service redesign can take time to fully emerge and there are often short-term implications that need to be managed, particularly ceasing the original service and the impact this has on populations, service recipients and providers. These impacts need to be anticipated and managed by the PHN. PHNs need to also consider potential adverse consequences for markets when planning and undertaking decommissioning and redesign activities.

## 6.4 Helping the market deal with redesign and potential decommissioning

As highlighted in this guidance, PHNs have a role in developing markets as part of their commissioning role. PHNs need to be aware of and take into consideration potential adverse consequences for markets, when planning and undertaking decommissioning processes.

As part of this, PHNs may need to be cognisant of decommissioned providers' accumulated experience and expertise, and consider strategies to help them adapt to PHNs' new requirements. Some of the factors that may assist in adaptation include:

- The market being able to anticipate these changes, which could be helped by the PHN giving 'notice' of potential change
- Co-design with providers
- Supporting adaptation and change within the provider community
- Encouraging providers to work with others in consortia
- Capacity building, as discussed above.



## 7 Specific market considerations

### 7.1 Aboriginal and Torres Strait Islander health

PHNs should take into account the Guiding Principles<sup>15</sup>, which recognise the commitment by PHNs and ACCHS to work together to improve access to health services and improve health outcomes for Aboriginal and Torres Strait Islander people. Developed in consultation with ACCHS and PHNs, the Guiding Principles provide guidance for actions to be taken by each party across the following key domains: Closing the Gap, cultural competency, commissioning, engagement and representation, accountability, data and reporting, service delivery, and research.

#### 7.1.1 Aboriginal and Torres Strait Islander Health Coalition/Partnership

PHNs and many mainstream service providers have existing relationships with the Indigenous health sector and it is important that these collaborative linkages are maintained and further developed. In seeking to strengthen these relationships and form partnerships, there are a number of considerations, including:

- Before any partnership can be formed, PHNs and commissioned service providers should be undertaking a range of activities to ensure that they are culturally safe in their practices. PHNs are required to ensure that all of their commissioned service providers are culturally safe, aware and appropriate in their delivery of services.
- It is necessary to treat Aboriginal and Torres Strait Islander health as its own paradigm with its own values, strategies, contexts and KPIs.
- To support commissioning primary health care services for Aboriginal and Torres Strait Islander people, collaborative relationships with a coalition or partnership approach should be pursued.
- This coalition/partnership approach should have the goals of:
  - Ensuring sharing of power and decision-making between the PHN and coalition participants, for example through steering groups; the PHN joining local community groups; or joint committees. The choices for creating shared approaches to decision making are down to local needs and relationships, and should be guided by the PHN's constitution.
  - Overseeing and co-ordinating Aboriginal and Torres Strait Islander 'buy-in' and community engagement.
  - Overseeing the co-commissioning process.
  - Ensuring probity in co-commissioning.
  - Jointly deciding what success looks like and the KPIs, tools and methods to measure it.
  - Jointly responding when there is potential for, or actual market failure.

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<sup>15</sup> Australian Government Department of Health. (2015). *PHN and Aboriginal Community Controlled Health Organisations (ACCHOs) - Guiding Principles*. Available at: [www.health.gov.au/internet/main/publishing.nsf/Content/PHN-Accho](http://www.health.gov.au/internet/main/publishing.nsf/Content/PHN-Accho)

## 7.2 Cohort or Paradigm?

It is necessary to treat Aboriginal and Torres Strait Islander health as its own paradigm with its own values, strategies, contexts and KPIs. This should not be planned using a simple cohort-based or epidemiological planning model alone. Aboriginal and Torres Strait Islander health care is at its best, paradigmatic, and requires solid strategic partnerships with Aboriginal and Torres Strait Islander organisations and communities, to ensure mitigation of any unplanned for bias in making market analysis and needs assessment decisions. These important issues are broadly reflected in the Guiding Principles.<sup>16</sup>

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<sup>16</sup> Australian Government Department of Health. (2015). *PHN and Aboriginal Community Controlled Health Organisations (ACCHOs) - Guiding Principles*. Available at: [www.health.gov.au/internet/main/publishing.nsf/Content/PHN-Accho](http://www.health.gov.au/internet/main/publishing.nsf/Content/PHN-Accho)