



Markets in the PHN commissioning context

What do 'markets' mean in the context of PHNs?

As commissioning, rather than service delivery organisations, PHNs need to work closely with a range of providers (known as the market) who can support the delivery of primary health care services and the achievement of outcomes that PHNs identify as priorities, based on their needs assessments and planning. Markets in this context are collections of providers who are willing or able to deliver the services that are required to meet the identified and prioritised needs, and support PHNs to achieve the outcomes sought by patients and communities. PHNs therefore need to understand, influence, support, develop and work collaboratively with markets.

Why are markets important to commissioning?

A commissioning approach requires PHNs to play a more active role in supporting current and potential providers to develop the skills that are needed by the region's health care system and patients. In doing this, PHNs may undertake the following activities:

- understanding, through their needs assessments and market analyses, the various providers and other funders within their region's health care market. This may include an assessment of shortages or oversupply, and quality improvement opportunities;
- exploring how they can support the evolving structure of markets to better meet the region's needs;
- supporting capacity and capability development of providers; and
- encouraging the entry of new providers to the region, when appropriate.

Market development is important for maximising the effectiveness of PHNs in supporting the delivery of improved health outcomes.

In a commissioning context, PHNs will be looking to work with the market in three key areas, as described below.

- *Obtaining insight:* PHNs will seek to work with the market to capture and use their insights and knowledge in a range of areas. This may include providers sharing information, being involved in agreeing key priorities, or providing feedback on how a procurement process might enable maximum participation.
- *Securing the delivery of services with a greater focus on outcomes:* PHNs need markets to provide a range of primary health care services that meet the needs of the communities in their regions, including services that are culturally safe and culturally appropriate. Within a commissioning context, PHNs will take a close interest in the health of markets to ensure that providers are supplying the services that are required, and to identify and support opportunities to incorporate outcomes based commissioning approaches, where appropriate.
- *Generating innovation:* In a commissioning context, PHNs will want to increasingly work with the market to develop innovative ideas and new ways of working, as well as looking to national good practice. Accordingly, PHNs will be looking for the market to be more actively involved in generating innovation.

It is also important to note that the Australian Government Department of Health requires PHNs to ensure that, in any commissioning process, PHNs secure value for money. Accordingly, in working with markets and commissioning provider organisations, PHNs need to ensure appropriate use of public money, and that commissioning processes are undertaken in a transparent manner, with proper regard for probity.

How does commissioning change the way PHNs think about providers and the market?

Commissioning places an increased reliance on the role of markets that goes beyond just delivering services. Some of the key differences that commissioning brings to the primary health care market are summarised below.

- Markets are critical to the success of a PHN. Where markets do not collectively have the right mix of providers, the PHN will focus on supporting change.
- PHNs increasingly use providers as partners with whom they work to support the effective delivery of services and the achievement of health outcomes. This represents a shift from traditional funder/provider relationships that may have been wholly contractual. As a result of this, the 'focus' of the interaction between PHNs and providers will become more collaborative - aimed at securing the best solutions to meet the needs of the community.
- PHNs will seek to influence and develop markets, using different approaches. This is likely to involve PHNs helping new or different types of providers enter markets to deliver services. This may be particularly relevant in areas where only a small number of providers are present, such as in rural and remote areas where building market resilience is a key objective for PHNs.
- PHNs will ultimately consider themselves as primary health care market 'stewards'. This will mean that they will seek to maintain the appropriate mix of providers in the market in their region. PHNs will work to continually assess and guide markets to help ensure that they retain the right mix of providers and continue to evolve as the primary health care needs of their regions change.

What does this mean for providers?

Commissioning has changed the dynamic and relationship between PHNs and the wider health care provider market. Some of the key changes are listed below.

- *PHNs seeking to learn more about the providers they work with:* This is likely to go beyond a provider's ability to deliver a service, and will include aspects of their broader business and performance. PHNs will expect providers to work with them to help build up this level of knowledge.
- *PHNs seeking to interact more frequently with providers on a range of topics:* This will include involving providers in thinking about local health priorities and how they can be addressed. Many of these discussions will occur outside of traditional procurement processes. Therefore, PHNs will want providers to be active participants in these discussions, sharing their ideas and insights.
- *PHNs inviting the market to co-design solutions:* PHNs will look to leverage the combined knowledge and insights of providers to help design better and more innovative ways for services to be delivered and to support the achievement of outcomes.
- *PHNs seeking to contract on the basis of continuous improvement:* As part of this, PHNs will encourage providers to be increasingly flexible in the delivery approach, considering new approaches, services and models.
- *PHNs inviting providers and potential providers to work with them in building skills, capacity and capability:* This allows them to work together to better address health care needs, including the need for culturally safe, culturally appropriate and culturally competent care.

PHN approaches to market making and development

PHNs may apply a range of different approaches in their market making and development activities, as outlined below.

- Increasing interaction with providers and access to key decision makers, both within and outside of existing service contracts. PHNs will also seek input and collaboration (for example, through consultation and co-design approaches) outside of traditional procurement processes.
- An increased focus on collaboration to help solve key issues and generate ideas. Providers can expect to work with PHNs as well as other providers and stakeholders in this process.
- Greater openness from PHNs with regard to discussing priorities and potential approaches or solutions. This may include improved access to data and greater information for providers.
- More joint working in monitoring and evaluation of contractual arrangements, service delivery, and the relationships that underpin them.
- A greater willingness to address wider market issues that prevent providers from participating or working effectively. This may involve addressing issues relating to barriers to entry, contract sizes, administrative requirements or regulatory regimes.
- Increased communication around progress against key PHN priorities rather than simply focusing on contractual compliance.
- A more partnership focused approach to the relationship with providers and stakeholders.

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