



NSW Health

**Review of Alcohol and Other Drug Non-Government
Agencies Funded by the Mental Health and Alcohol and
Other Drug Office of NSW Health**

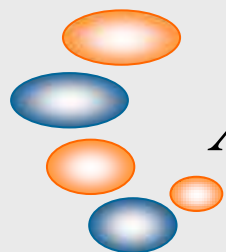
Funding Model Options Workshop

HealthConsult

(Joe Scuteri, Lisa Fodero & Ashleigh O'Mahony)

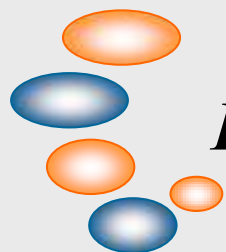
working with

Health Policy Analysis (Jim Pearse)



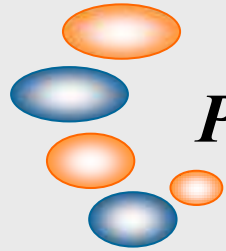
Agenda

Time	Agenda Item
10.45 am	Introduction and project methodology
10.55 am	Issues to be considered in developing an AOD NGO funding model
11.15 am	Funding Options <ul style="list-style-type: none">• Residential rehabilitation services;• Non-residential treatment services; and• Prevention and promotion services
12.00 pm	Strengths and weaknesses of each option
12.25 pm	Interactive discussion about the future role of the AOD NGO sector and how it can best work with public sector AOD services
12.40 pm	Next steps
12.45 pm	Workshop Close



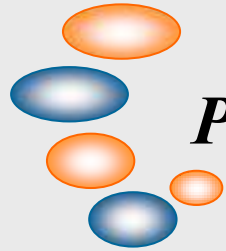
Project background

- NSW Health has provided funding to Alcohol and Other Drug (AOD) Non-Government Organisations (NGOs) since the early 1980s.
- The majority of funding is for residential rehabilitation treatment, complemented by some non-residential treatment services, drug and alcohol education and community support programs.
- The funding of AOD NGOs is complex due to a number of factors:
 - different sources of funding and the conditions under which the funding is provided including the 1985 National Drug Strategy, the 1999 NSW Drug Summit and the 1997 National Illicit Drug Strategy
 - different types of service:
 - ❖ residential treatment or non-residential treatment (day counselling, aftercare) and different models of residential rehabilitation (e.g. services for clients on opioid substitution programs or parents in treatment accompanied by children); and
 - ❖ non-treatment services (education, prevention, and family and community support).



Project background contd

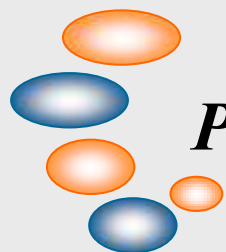
- A costing study of residential rehabilitation services in NSW was undertaken in 2004/05 by Health Policy Analysis ('the 2004/05 costing study').
- The study made recommendations to NSW Health for establishing a more consistent funding model for residential rehabilitation services in NSW.



Project objectives

The objectives of this funding methodology review project are to:

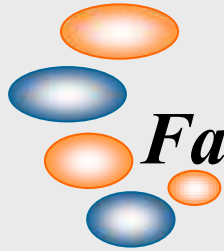
- to identify options for how to best provide funding to the AOD NGO sector based on the recommendations of the *Residential Rehabilitation Costing Study*;
- to identify options for how to best provide funding for non-residential drug and alcohol treatment services;
- to identify the best buys for the funding of non-treatment AOD NGOs; and
- to develop a futures paper to look at the future role of the AOD NGO sector and how it can best work with public sector AOD services.



Project methodology

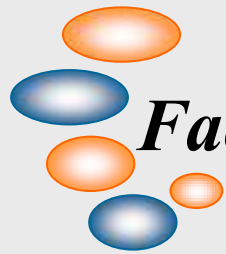
- Six stage methodology including:
 - Stage 1: Project planning (completed);
 - Stage 2: Situation analysis (in progress);
 - Stage 3: Prepare funding options paper (in progress);
 - Stage 4: Refine funding options;
 - Stage 5: Stakeholder forum; and
 - Stage 6: Final report.

**Discussions on issues to be considered in
developing an AOD NGO funding model**



Facilitated discussion on issues

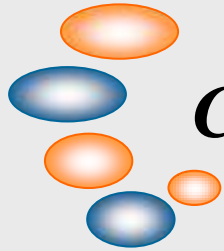
- Should funding for NGOs in the sector be determined by a consistent set of principles, or is the current approach adequate?
- What are the key factors that impact on the costs of providing these services?
- To what extent are these factors impacting costs related to characteristics of clients or characteristics of services?
- How could these factors be best addressed in funding decisions by NSW Health?
- How should differences in the size of services provided be taken into consideration (eg number of places, clients treated)?
- How should funding from other sources (eg Commonwealth Department of Health and Ageing) be managed in the funding model adopted by NSW Health?



Facilitated discussion on issues (cont)

Issues might include:

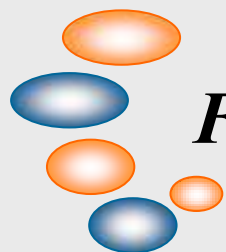
- different impact of changing funding model on services that provide one or more of the three sub-programs (residential rehabilitation, non-residential treatment, and promotion and prevention) be handled;
- diversity of service models used in each sub-program area and the consequential difficulties in using one funding model for each sub-program;
- differential access to funding sources (e.g. NSW Health not the only source of funding for most services);
- different proportions of total service provision funded by NSW Health (from most significant funding source for some services to least significant for others);
- differential availability of supporting infrastructure (e.g. services that pay commercial rent vs services that pay peppercorn rent).



Criteria used to assess the various funding options

- **Supports the goals of funding body.** e.g. in the proposed study the developed funding mechanism should be consistent with and ideally reinforce the goals of NSW Government for AOD services.
- **Is results-focused rather than input focused.** e.g. the funding model should be based on services delivered and possibly results achieved, and complement and support the development and refinement of associated performance measures. Any measures of output should capture differences between services provided to address the complexity of their target client group.
- **Maintains or enhances quality of services delivered.** The funding model should protect and enhance quality of services delivered and should not include factors which could potentially conflict with the appropriate operation of health services.
- **Promotes equity between providers.** The funding model should treat service providers fairly and equitably, reflecting the types of clients they assist, the services they deliver and recognised differences in costs of service delivery.
- **Is technically robust yet easy to understand.** The funding model should be based on a methodology that is able to withstand critical appraisal and based on valid and reliable data. The model should also be understandable to people without a technical background.
- **Is simple to administer.** The funding model should be capable of ongoing operation, update and refinement without undue complication. The funding model should also rely on data that are appropriate for measuring differences in funding requirements and that can be verified by third parties when necessary.

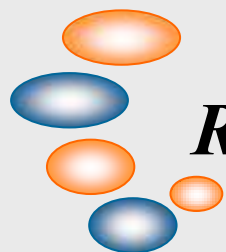
Discussion of preliminary funding options



Funding model options

- **Historical or incremental funding**, where funding reflects an accumulation of decisions over time, but often not necessarily reflecting an underlying principle or the current circumstance of a service.
- **Population needs based funding**, typically used to fund regional entities, or service providers responsible for a specified population. Funding is linked to the needs of the population served, relative to other populations.
- **Input based funding**, for example where funding is tied to numbers of staff or numbers of places. A major limitation for input based models is that there is little incentive to use resources efficiently.
- **Output based funding**, where funding is linked to the outputs delivered by the service (or the outputs planned to be delivered). Output based models sharpen incentives for efficient use of resources, but may have perverse effects where the measurement of outputs is problematic (eg not sufficiently accounting for differences in the complexity of clients) or where there are elements of quality of care that are not measured.
- **Performance based funding models** (sometimes known as pay for performance (P4P)). These models create incentives around maintenance or improvements in quality of care measures. They are often blended with other models. A major challenge for these models is the development of valid and reliable measures of quality of care.

There is no one 'gold standard' model that should be used in all circumstances. It is important to weigh the influence of factors such as the nature of the services to be funded, the goals that are being pursued, the need for equity to service providers and clients and the risks inherent in each approach in the context being examined. As a result, in most instances actual funding model blend various features of these models.

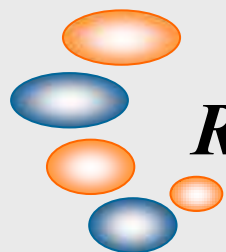


Residential rehabilitation services

- possible funding options

Option A:

- **Funding Residential Rehabilitation Places (an input based model).**
 - Under this model a benchmark rate would be set, and adjusted for appropriate factors reflecting the nature of clients treated by the service.
 - Funding would be supplied whether or not a residential care place is occupied.
 - Lengths of episodes would not be a relevant consideration, and therefore there is little incentive to bring episodes to closure.
 - This approach provides certainty in funding levels, but creates few incentive for maintain levels of activity.

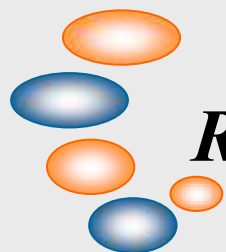


Residential rehabilitation services

- possible funding options

Option B:

- **Funding Residential Rehabilitation Days (an output based model).**
 - This model would be based on a benchmark rates set for residential rehabilitation days.
 - Adjustments to the benchmark rate would be made to reflect relevant client and service characteristics.
 - Target funding rates would be set to reflect current levels of activity, or planned expansion in activity.
 - Actual activity would be monitored using client data returns for the DATS MDS, with client days within a given period.
 - There are two options for how actual levels of activity will impact funding (ie where actual activity varies from planned activity):
 - Funding could then be adjusted to reflect actual levels of activity. This would occur after the end of the financial year (or occur periodically through the financial year).
 - Actual funding could be fixed for the current year (i.e. based on planned levels of activity). However targets for subsequent periods would be revised based on actual activity, which would impact on funding provided in subsequent periods.

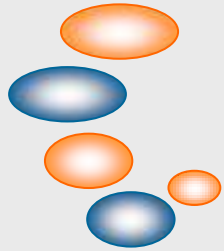


Residential rehabilitation services

- possible funding options

Option C:

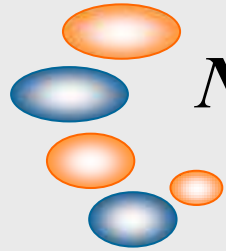
- **Funding Residential Rehabilitation Completed Client Episodes (an output based model).**
 - This model would be based on a benchmark rates set for residential rehabilitation closed episodes.
 - Adjustments to the benchmark rate would be made to reflect relevant client and service characteristics.
 - Target funding rates would be set to reflect current levels of activity, or planned expansion in activity. Actual activity would be monitored using client data returns for the DATS MDS, with completed client episodes within a given period.
 - There are two options for how actual levels of activity will impact funding (ie where actual activity varies from planned activity):
 - Funding could then be adjusted to reflect actual levels of activity. This would occur after the end of the financial year (or occur periodically through the financial year).
 - Actual funding could be fixed for the current year (i.e. based on planned levels of activity). However targets for subsequent periods would be revised based on actual activity, which would impact on funding provided in subsequent periods.



Residential rehabilitation services - possible funding options

Option D:

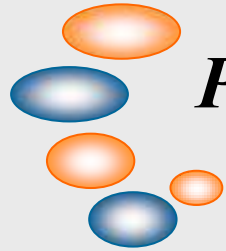
- **Blended models (i.e mixing components of input/output).**
 - For example:
 - One component of funding might be related to the fixed costs of delivery of services in residential rehabilitation (sometimes referred to as an ‘infrastructure grant’)
 - A second component related to a measure of outputs (planned or actual)
 - The “infrastructure” component could be adjusted to reflect various features of the service
 - In the blended models, actual activity will only impact the second component of funding. There are two options for how actual levels of activity will impact funding (ie where actual activity varies from planned activity):
 - Funding could then be adjusted to reflect actual levels of activity. This would occur after the end of the financial year (or occur periodically through the financial year).
 - Actual funding could be fixed for the current year (i.e. based on planned levels of activity). However targets for subsequent periods would be revised based on actual activity, which would impact on funding provided in subsequent periods.



Non-residential rehabilitation services

- possible funding options

- **Option A: Historical or incremental funding**, based on last years funding for non-residential treatment services modified by an agreement on new initiatives, service changes, etc.
- **Option B: Input based funding**. For example, funding could be tied to numbers of staff offered within non-residential treatment programs. Expectations of numbers of numbers of clients treated (in number of attendances and closed episodes) could also be articulated.
- **Option C: Output based funding**, where funding is linked to the number of attendances for non-residential treatment services.
- **Option D: Output based funding** where funding is linked to closed episodes.

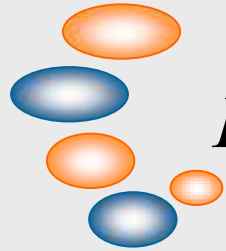


Promotion and prevention services

- possible funding options

- **Option A: Input based funding** – based on funding applications assessed according to published criteria. Criteria could be strengthened to emphasise the evidence base of programs being offered, and reviewed regularly (eg every three years) to evaluate the effectiveness of programs.
- **Option B: Outputs based** – based on a standard benchmark prices for each defined output measure (may be difficult or even impossible to do in a consistent way across the programs offered).
- **Option C: Performance based** – based on agreed goals of the promotion and prevention program (suitable goals may be difficult to define and measure).

Strengths and weaknesses
Facilitated discussion

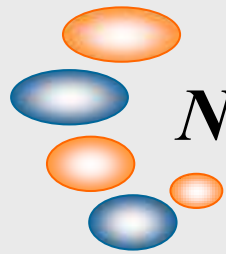


Facilitated discussion – strengths & weaknesses

- Residential rehabilitation treatment services;
- Non-residential rehabilitation treatment services; and
- Promotion and prevention services.

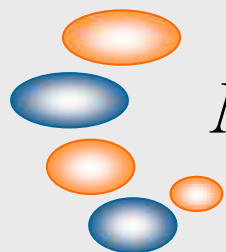
**Discussion on options for AOD NGO sector
working with public sector services**

Next steps



Next steps

- Prepare a funding options paper
- Facilitate stakeholder workshop to discuss:
 - the options presented for funding AOD NGO residential treatment, non-residential treatment and health prevention and promotion services;
 - the relative strengths and weaknesses of each option as presented in the options paper in the context of the range of services provided by AOD NGOs;
 - the data including performance indicators that might be exchanged as part of AOD NGO funding arrangements;
 - the future role of the AOD NGO sector and how it can best work with public sector AOD services; and
 - directions for continuing refinement of the AOD NGO funding model.



Next steps continued

- Prepare future directions paper
- Facilitate stakeholder workshop to discuss:
 - the preferred option for the funding AOD NGO residential treatment, non-residential treatment and health prevention and promotion services;
 - Strategies for implementation of the preferred funding options;
 - directions for continuing refinement of the AOD NGO funding model; and
 - strategies for the future role of the AOD NGO sector and how it can best work with public sector AOD services.
- Prepare final report