



Presbyterian Support
Northern

***Presbyterian Support Northern (PSN): Challenges
and Opportunities in preparing for a Social
Investment environment***

Our services



A better life for everyone

Introduction

Economics - assumes individuals have objectives and take steps to best achieve them - subject to known and unknown constraints.

That is what I understand most economists mean by "rationality".

Like economics - PSN staff consider and work with scarcity, trade-offs and incentives and think about how best to work with clients with constraints

This is fundamental to the work PSN staff undertake with vulnerable at risk families and children.

Our services



PSN – who are we?

Provides social and health services – vulnerable children, adults and families

Area – upper North Island – 3 govt service regions

One of 7 sisters

Contracts with – MSD, MVCOT, MOE, MOJ, DOC, ACC, MOH, DHBs, Private Brands – Family Works, Enliven, Shine and Lifeline

Services – Social work and counselling, specialised DV services, care for elderly and disabled, help-line services

Annual revenue is approx. \$40 million



How we achieve our purpose

- maximise Private and Government revenue and return
- provide services which are both effective (addresses the problem) and efficient (addresses the problem at lowest cost)
- information that demonstrates our services are effective and efficient c/w other providers and practice

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Evaluation based evidence

- Not enough evaluation-based evidence about what works for many social service interventions.
- Is “what works” a deviation from a normal condition of being right?
- in many emergent systems e.g. economics and social work, mistakes can be quite common even routine.
- stigmatize mistakes less, but put more stigma on the failure of Government, Providers and Practitioners to learn from them overtime.

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Social Investment

- Social Investment - a system-wide framework
- Management of social and fiscal liabilities to significantly improve the incentives to reduce long term social and fiscal costs and improve the well-being of vulnerable at risk
- Staff struggle with the language (and values) of “liabilities” and “return on investment”
- We have used the following steps to help explain the dynamic intent of Social Investment.

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Social Investment Intent

Outcomes desired are...;

- status quo regulation to achieve these outcomes are a, b, c;
- status quo interventions to achieve these outcomes are x,y,z;
- supply is targeted to z clients;
- supply is in x location and at x volume;
- delivered by providers a,b,c, on a results and contestable basis;
- feedback loops test (2), (3), (4), (5) above; and

“we” adjust the mix of practice and our business systems as evidence grows about effectiveness and efficiency.



Provider Issues – what evaluation tools to use?

- Results Based Accountability (RBA) - the dominant impact measurement tool used in current Government contracting
- To give clients a strong voice about the quality of the services provided and to ask if their well-being had been enhanced
- RBA is a client satisfaction survey at closure, with the findings termed (mistakenly) “outcomes”

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Table 1: RBA's framework four key questions:

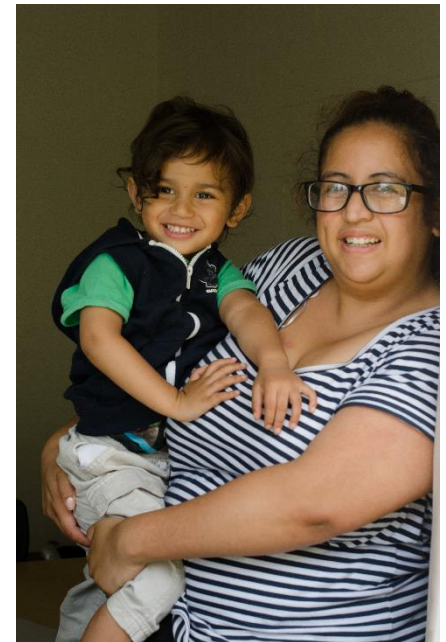
(1) How much did we do? (i.e. volume)	(2) How well did we do it? (i.e. staff and service quality)
(3) Is anyone better off? (i.e. client yes/no & %)	(4) By how much are they better off? (i.e. nature and magnitude of change)

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RBA and Customer satisfaction surveys

- Reason for them
 - Clients being positive about a service/practitioner is important
 - for initial engagement
 - building trust and buyin
 - provides a base to move to questions of clinical efficiency of services e.g. timeliness of staff, did practitioner do what they said they would



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RBA and Customer satisfaction surveys

Problem with them

- the client doesn't have anything to compare the quality of the service they received.

For most clients they will be comparing our services with:

- what they could do or organise themselves;
- what their whanau (and/or others) have done previously; and
- do not know or can't easily find out what an alternative service/practice model could offer by way of difference.

While clients can voluntarily exit our services (which might illustrate dissatisfaction) many can not swap to an alternative service easily.

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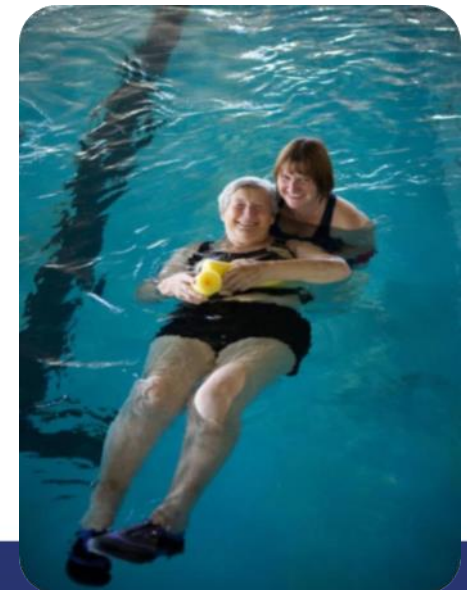
RBA and Customer satisfaction surveys

RBA survey information we collect falls into 2 types:

- voiced preferences i.e. *“yes I’m more mobile thanks”*; and
- revealed preferences i.e. *“yes I’m walking by myself now with a cane and don’t need a wheel chair”*.

Revealed actions provide deeper evidence of an actual difference in well being e.g. the nature of how mobility has improved.

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Self reported data challenges

All self reported data has serious normative issues to consider:

- answers may be exaggerated;
- clients may be too embarrassed to reveal their preferences;
- various biases may affect the results e.g. self serving bias i.e. a tendency to take credit for success and deny responsibility for failure;
- Clients may forget pertinent facts and details;
- biases created by the person's feelings at the time they filled out the survey
- voluntary participation - results can be biased by a lack of respondents (especially if there are systematic differences between people who respond and people who do not)
- Difficulty of applying key statistical tests e.g. p values, regression co-efficient eta-squared to assess if the cause was by chance

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Capturing Client Outcomes

The RBA framework asks the right questions

Evaluation tools used to capture client outcomes achieved will need to change

Treasury's CBAX - for all new Government tenders (is very useful to illustrate the relationships between inputs, outputs and outcomes for staff)

Further our desire to link to Stats NZ idi data remains a work in progress. We view access to client level idi data with consent as essential to:

- Improve the quality of our initial triage with clients i.e. the more information we have the better we can match client need to what interventions we supply; and
- Track the impact of our services on clients behaviour post closure

This combination has the potential to substantially improve social work practice and outcomes over time

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Funding and Pricing

The Government funding and contract pricing model is confusing - sends conflicting signals about input value.

For example:

- some social work services are funded at below cost (80% of cost)
- There has been no unit price increase for over 8 years (PSN has significantly improving our productivity over this period...)
- Different funders pay different prices for similar services
- Labour with a similar value is priced differently which distorts allocative decisions by staff e.g. “I would love to work for you but xxxx is paying \$5,000 more”.

But is input funding (in whole) the way to go anyway?

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Input Bias

- Funding by the number of clients up front = business systems getting a serious input bias
- Result - our budgeting, business planning and how success is gauged needs a stronger outcome edge.
- To challenge this we use stress tests to see how our current services would respond to, for example:
 - ☐ *the release of cheap medication which stops osteoarthritis and dementia;*
 - ☐ *the Government bundling-up previously separate services into one comprehensive service for vulnerable at risk families and children;*
 - ☐ *having to move to a 24 hours, 7 days a week service; and/or*
 - ☐ *moving to a Government funding model in which 80% of funding is paid by results ex post.*

In our experience Managers and Staff find this challenging but a very useful way to think about how to manage change and improve performance.

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Uncertainty and Collective Impact

Uncertainty in regulatory settings has a cost

- Faith-orientated NGO's are conservative (i.e. re investment decisions)
- Clear and consistent signals about outcomes to be achieved, how performance will be judged and price makes investment decisions easier.

Collective Impact

There are some great examples of collective impact – but are they a simple fluke? Are the circumstances are duplicable, was success reliant on a truly gifted individual or the result of a coherent market structure, accountability and pricing regime?

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Systems Issues – Market Structure

What will the market structure for Social Investment commissioning be?

The main design aspects that determine market structures and the resulting incentives generated are:

- *the number in the market, both sellers and buyers;*
- *their relative negotiation strength (i.e. ability to set prices);*
- *the degree of concentration among them;*
- *the degree of client choice and related search and switching costs;*
- *the ease, or not, of entering and exiting the market;*
- *the balance between the spot market in which services are traded for immediate delivery and the futures market in which delivery is due at a later date; and*
- *the trade-off between the incentives created by payment for results and the need to achieve positive cash flow.*

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Systems Issues – Market Structure

Government needs to supply/purchase the most effective social services

Market structure incentivises efficiency i.e. the production of agreed services at the lowest cost, drives productivity gains and maximises innovation overtime

Government is in a monopsony position

- there are many firms selling services, but only one buyer
- leads to lower long run average costs but may also result in price discrimination and the risk of costing services below

What safeguards in the system are required?

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Systems Issues – Market Structure

A well-functioning market for services would generally provide:

- (1) clear identification of the services required;
- (2) metrics about how value is measured;
- (3) the ability to make judgements about risk and return;
- (4) high liquidity (*ability to sell an asset quickly; price continuity, efficient enforcement ie, payment once committed, no undue advantage and depth of buyers and sellers*)
- (5) internal efficiency - access and settlement (including reporting) at a low cost;
- (6) external efficiency - rapidly adjust to new information; and
- (7) efficient production and assignment of intellectual property.

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Research as a proxy for price signals

Research evidence is used to indicate value and relative scarcity

The value given to research can be under/over stated due to:

- randomised control-based studies are rare in New Zealand;
- many “outcomes” are co-produced making assignment problematic;
- longitudinal research uses fixed samples while specific interventions and the nature of vulnerability are dynamic across time;
- all research is time bound;
- research may not include all reasonable counterfactuals including ‘do nothing’;

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Research as a proxy for price signals

- research is often not repeated to see if the findings hold, improve or fade;
- many research journals don't publish nil results
- the limitations of idi data i.e. not all “outcomes” are captured, we tend to record “bad” outcomes because that is where most government activity is, the impact of informal systems and black market activity are not directly measured and there are biases and inconsistencies due to recording failure;
- absence of some costing information esp. marginal costs;
- just because a research finding is “positive” doesn't mean its impact is economically significant.

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Social Investment Success

How Government screens and ranks the differing qualities of evidence will affect the success of Social Investment

This is impact stakeholder confidence in the system and should be in the public domain.

We remain very optimistic that our current knowledge base will improve greatly overtime.

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Misallocation

All firms (including NGO's) have a range of productivity i.e. well-run and efficient firms produce more output at similar levels of labour and capital than other firms do.

In well-functioning markets low productivity firms catch up with the higher-productivity firms over time or wither while high productives grow

A range of taxes, rules and institutions act to inhibit reallocation of resources in this manner, and thus slow down or stop productivity gains. I understand economists refer to this as "misallocation."

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Misallocation

Govt contracting has “misallocation” issues not related to the evidence base i.e. what to purchase. For example:

- contract duration may be too short (client continuity, imbed enduring change and offer joined-up services)
- limited ability for new providers to enter the market or existing ones to expand
- regional funding teams advantage is better access to local intelligence but there can be “patch protection”
- high transaction costs because of multiple Government funders negotiating at different times and at different tables
- no or little integration of cross vote/agency client results/outcomes in contract design or in the contracting process
- absence of genuine co-design may lead to “more trial and more error” than is necessary
- Government Department monopoly of the Budget bid process - present a barrier to innovation by excluding bids from non-Government parties (if allowed this could improve contestability, choice and improve the flow of non-centralised data into the policy and budget process)

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Return on Investment

Clear definition on how ROI will be measured and the resulting rewards/sanctions are critical

This will be a major influence on Provider behaviour.

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Is the average vulnerable at risk client the same as the marginal vulnerable at risk client?

Officials have a good general understanding of vulnerability but not the specifics of the most at risk individuals or groups.

For example, what were the costs/benefits of banning synthetic cannabis for the average Wadestown youth user compared to the marginal South Auckland youth user? The same?

YWISS in South Auckland work with previous synthetic cannabis users who switched to butane gas, glue, petrol or fly spray. Petrol is a biggie as some young people wait for people to fill up and then try and get the last drops from the hose. So price combined with different levels of addiction drove substitution by some youth to options which are arguably more unsafe.

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Another e.g.?



Recent changes to budgeting services – drive to get people self managing their finances

BUT – we have 290 people with significant brain injuries, serious addiction issues and material mental illness. Of these clients approx. 90 do not have bank accounts as they:

- *have no fixed address e.g. sleep rough, homeless, temporary shelters, sofa surf;*
- *have no photo id;*
- *have been banned from holding accounts by all banks many because of convictions for fraud, crimes against property;*
- *have relatively high levels of debt with the banks which is unlikely to be ever serviced; and*
- *have an intense distrust of formal institutions and people they do not know extremely well.*

No quick fix for these things – The new funding model is not geared to these individuals needs or the intensive work required for such clients to become more financially independent.

We need to think about vulnerable populations at the margins.

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Stewardship at the Systems Level

Multiple funders – overlapping outcomes

We need active stewardship of the Social Investment System within Govt

SIA very helpful for

- systems design thinking
- pilot activity – more effective and efficient ways

SIA and PSN currently working on the design of a pilot to test different decision rights within the contracting system.

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SIA and PSN Pilot

Test Elements	Status Quo Site	Proposed Pilot Site	Possible Benefits/Costs to test
Targeting – who can get the intervention?	Centrally set targeting.	FWN sets client targeting via Family Solution triage model.	More accurate identification of risk & return.
Triage - identifying the nature and magnitude of a client's vulnerabilities & strengths and matching need to intervention/s.	Family Solutions Model.	Family Solutions Model.	Note common assessment of client vulnerabilities & strengths across pilot.
Funding – who selects inputs to use and outputs to produce. The ability to bundle the right services within the current net work.	Centrally determined & individually funded services/programmes.	Bulk funded, no input specification & practitioner's dynamic judgement determines outputs used linked to specific outcomes to achieve.	Better matching of supply i.e. intervention and demand i.e. client needs. Ability to bundle services to match triage within the current network.
Reporting – current contract model or via Data exchange.	Current reporting systems.	SIA Data Exchange platform.	Lower compliance costs – time & money.
Performance measurement.	Inputs measures e.g. volumes achieved, client satisfaction surveys & narratives express "impact" and "success".	Outcomes and ROI achieved express "impact" and "success" over time.	Higher quality information on client impact and success.

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Conclusion

Social Investment –

- a learning system that significantly improves the well-being of vulnerable at risk New Zealanders;
- a system that learns quickly and where the rules of the game, proxies of value, the risks and returns, are reasonable clear.
- The regulatory framework for Social Investment should be judged by the nature of incentives established and the consequences of people altering their behaviour in response to those incentives.

Thank you for this opportunity.

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