Unleashing value

Commissioning in the human services ecosystem
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Introduction

In the face of unprecedented pressures on demand, expectations and resources, governments around the world are rethinking how they deliver health and human services including social care, family care and housing.

The shift involves governments letting go of their traditional roles as service providers, and instead facilitating new markets and collaborative environments that enable desired outcomes. In response to this, many governments are recognizing the need and value of reform in the human services sector. Significant reforms are underway in Canada, UK, Australia, and New Zealand in health, disability, housing, community, aged care, and child and family services.

Some countries label the new approach ‘commissioning’. In others it is referred as ‘contracting’ or ‘procuring for value’. Whatever the terminology, governments need to act fast. These ripples of progress are giving way to a possible tsunami of change that threatens to swamp traditional service delivery.

In this report, we outline the key drivers for this change and how governments should break down barriers to foster it. We explore the respective roles of the citizen customer, government, providers and leaders in a developing commissioning system before presenting a brief roadmap for effective commissioning in human services.

Leaders should be aware of the latest evidence of what works, and constantly adapt how they commission to achieve the best outcomes for their communities, and society as a whole.

Liz Forsyth
Global Human and Social Services Lead
KPMG International
What is driving the need for change?

Change is being driven by diverse issues, opportunities and challenges. These include many of the ‘traditional’ factors that have been shaping the wider public services arena for the past half century, such as:

**Demographic pressures due to ageing populations**

By 2030, the overall proportion of the global population aged 65 and over will rise to 13 percent. In the European Union, over-65s will form nearly 25 percent of the population by 2030, up from about 17 percent in 2005. A similar increase is projected in Australia with the proportion of the population over 65 doubling from 13 percent in 2002 to 25 percent in 2040. In the United States, this age group will more than double between 2012 and 2060, while in Canada, one-in-four people are expected to be aged 65 or over by 2051.

**Increasing levels of demand for long term care**

In many Organization for Economic Cooperation and Development (OECD) countries, citizens aged 80-plus are over six times more likely to receive long-term care than those aged 65-79.

**Rising cost of healthcare**

The cost of healthcare is spiraling. Total global spending on health as a proportion of gross domestic product has risen from 8.5 percent in 1995 to 9.9 percent in 2014 according to World Health Organization data, with spending in the United States increasing from 13.1 percent to 17.1 percent over the same period. In Australia, total health spending grew by 70 percent in real terms in the decade to 2011-12. Drug prices...
grew by over 12 percent in 2015 in the United States alone, and are expected to increase by 10 percent to 12 percent per year through 2020.10

The fact that ongoing pressures such as these put a strain on traditional models of service delivery is nothing new. But it is among a number of critical factors which taken together mean that many governments must now radically and urgently rethink the way their services are delivered.

Influence of technology
Governments at all levels are seeking to take advantage of technology to reduce costs, improve citizen access and create smarter, more modern ways to deliver services, as shown by high profile government digital programs in countries including the US, UK, New Zealand and Australia.

Power of the individual
The influence of technology on many of our lives means that people — especially younger generations — expect to be able to interact with government in the same way they interact with other service providers, such as banks, retailers or couriers, including via digital tools like social media, mobile and cloud computing services. The human services sector needs to find ways to respond promptly to such expectations, otherwise it risks a loss of control, credibility or influence.

This trend is accelerated by moves towards giving people direct purchasing power and, consequently, more choice over which services they receive. As new delivery models are developed, service users will need to be able to choose between, and distinguish, services based on price and value. The delivery of human services is already moving in this direction in many countries, including the emergence of e-marketplaces.

Moving to a person-centered model means providers are no longer able to rely on secure, recurrent funding from governments, but are instead required to attract users in an increasingly competitive market. This places significant pressure on existing service providers to become more innovative in order to provide personal solutions that deliver the outcomes defined by commissioners. Equally, these changes challenge the sustainability of government-provided services, which may be even more limited in their ability to respond fast enough in an open and competitive market.

In Australia, the new person-centered care approach facilitated by the National Disability Insurance Scheme (NDIS) seeks to empower consumers within the market by providing them with direct purchasing power and the ability to exercise choice and control over the services they need. Already in place for people with complex needs and (in some limited cases) for homelessness services, the approach places government funds directly in the hands of the consumer.

Global financial crisis 2.0
Many governments have been trying to achieve ‘more with less’ in the human services arena for almost a decade since the global financial crisis of the late 2000s. The fact that many mature economies around the world have not rebounded as expected means that resources have been cut to the bone over a sustained period of time in many countries.

The relentless pressure on finances is exacerbated by increasing levels of public debt. If current trends continue, global levels of net public debt are set to reach 98 percent of GDP by 2035,11 and public debt is expected to significantly constrain fiscal and policy options until 2030 and beyond. Governments’ ability to bring debt under control and find new ways of delivering public services will affect their capacity to respond to major social, economic and environmental challenges, and make the road back to prosperity a much longer one.

Tailored care for complex problems

The latest human services models recognize the interconnectedness of people’s often complex needs. For example, someone who is homeless may also struggle to find employment and have physical or mental health challenges linked to their homelessness. Another example is the refugee and migrant crisis weighing heavily on many European countries. Individuals and families seeking refuge after experiencing trauma are in need of multiple services, including basic needs, employment, language skills and child care. Germany has adopted a joined-up approach to integrating asylum seekers combining registration, medical examination, application filing, screening and service offerings, brought together by federal employment agencies. While aimed at all asylum seekers, these services are tailored to the specific circumstances of each individual.

As demonstrated by these examples, new models of delivery need to provide a much more flexible, integrated service that shapes itself around the individual, rather than a series of unconnected interventions, each only targeting one distinct area of need.

That is not to say that people receive a totally unique service developed exclusively for them. The challenge is to develop systems that can deliver services in a receptive way to potentially millions of people, but at the same time feel personal to those receiving them.

In the Integration Imperative,12 KPMG experts examined the characteristics of current integration initiatives around the world: the main drivers, types of integration, key enablers and necessary conditions for reforms. Some key trends were identified, including ‘client pathways’ that provide tiered support models. These are designed to enable the majority of consumers to self-serve, thereby reducing pressure on resources, while those with complex needs can receive comprehensive case management.

The New Zealand government has launched a 5 year strategy to overhaul child, youth and family services to improve the long-term life outcomes for the country’s most vulnerable population. The aim is for an effective and accountable child-centered system, improved outcomes for Māori and sharing information to better respond to vulnerable children and young people. The approach involves legislative reforms, a single point of accountability focused on prevention, intensive intervention, care support services, transition support and preventing youth offending and reoffending.13

Need for a new approach

To perform effectively, different agencies need to work towards outcomes-based incentives that encourage collaboration and partnership. This requires a different model for funding and incentivizing multiple stakeholders. The current English healthcare model, for example, encourages hospital admission but does not fully reward hospitals for developing innovative community-based solutions.

Achieving this needs leaders and commissioners of human services to innovate continually as well as being agile and adaptable to market changes. They need to be able to implement new ways of working that allow their organizations to continually change and evolve on a month-by-month basis. They also need to be prepared to give away control to other stakeholders who are better placed to achieve a particular objective.

Sharing the value

Providing ‘mass’ services that are tailored to individual circumstances requires commissioners and organizations to be intelligent about how they deliver services. It requires a ‘shared value’ approach, where instead of each organization delivering its own services all stakeholders work in partnership to ensure the desired outcomes are achieved. Such person-centered care gives people the power to shape the way services are delivered and to share in the value of successful delivery. It takes time to build up the level of trust necessary for organizations to work together effectively, but their leaders need the longer-term perspective and confidence to articulate the vision and to start moving in the right direction.

Time to overtake

This new approach to human services represents an exciting opportunity for less established countries to catch up with or overtake more established ones that in many cases are weighed down by outdated legacy models of service delivery. The traditional resource-intensive healthcare model, for example, centers around big hospitals in big cities; a model which less-developed markets struggle to implement effectively due to a lack of capital and infrastructure. The commissioning approach can bypass this model and instead focus on holistic care outside hospitals.

The Community Homelessness Prevention Initiative in Ontario, Canada, was a whole-of-market reform in 2013 to reduce homelessness rates in Ontario and improve the outcomes of people receiving homelessness services. Funding was consolidated across five programs that were coordinated by two ministries, and allocated based on changing needs in different areas. Within the first 15 months, the initiative assisted more than 33,100 households experiencing homelessness, and enabled more than 83,800 households to remain in their homes.14

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Helping people cope with complex issues, which may include factors such as housing, mental health, employment and child care, requires a coordinated response from health and human services agencies. Contemporary responses need to be centered around the needs of the individual not the convenience of the provider and reflect an understanding of the range of services available in the community.

‘Converged care’ or ‘converged support’ aims to solve this issue by bringing the social and health needs of an individual together. Commissioning can provide a structure and approach for providing converged care. By looking at the existing structure of the market including purchasing and service delivery models, considering outcomes and taking a customer-centric perspective, new purchasing models focused on client need can be developed and service paths can be redesigned.

**Many paths to integration**

Governments around the world are redesigning service systems and commissioning integrated care initiatives to improve consumer outcomes and maximize resources. The majority of these initiatives take place at a single level of government, and can take a range of forms:

- Co-location: physically placing those delivering services to the same people in the same building;
- Frontline: online portals or one-stop shops;
- Back office: combining budgets, strategic planning, finance, payroll and IT systems; and
- Case management: creating joined-up systems that allow professional to see what others helping an individual are doing, regardless of organization.

Some governments take a system-wide approach, reflecting a greater focus on consumer needs, so individuals can access services delivered by agencies in different sectors and across different levels of government. Models include:

- Developing new funding and purchasing models focused on client need rather than programs;
- Integrating operations across different levels of government, including joint procurement, database integration and coordinated case management; and
- Collaborating with service delivery providers in the private or not-for-profit sectors.

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Better for people

When done well, converged care should mean that individuals interact with fewer professionals and have a better, more seamless, experience.

— **Easier access**: creating one-stop-shops, integrated online portals and a ‘no wrong door’ policy makes it easier for people to locate and access the support they need. In the UK, people can be confronted by a list of over 70 human and social services when attempting to access help.

— **Fewer hours, better outcomes**: as duplicated processes are phased out, case managers can gain a more holistic understanding of clients’ needs, providing more targeted and personalized care. In the Netherlands, not-for-profit homecare firm Buurtzorg found that moving to a converged care model reduced the number of hours of support needed by most people by 30 to 40 percent compared to the average home-care organization.18

— **Faster response times**: streamlining back-office systems can improve processing times and enable case workers to make better decisions. New York City’s Worker Connect, for example, is a shared portal for case managers to quickly determine which other agencies and caseworkers are assisting a client to help coordinate care. There are considerable benefits given more than 30 percent of consumers access multiple services, for example, across income support, mental health services and housing.19

Better for agencies

For governments and providers there are considerable operational benefits of converged care, including:

— **Less duplication**: the individual’s care plan is all-encompassing, which reduces the unintended consequences of separate treatment or support packages.

Innovating on the Isle of Wight

The Isle of Wight is relatively isolated from **southern England** by the unbridged Solent strait, making joint working particularly important for its public services. Its council, **health commissioning body** and not-for-profit providers established **My Life A Full Life**, a single point of access, integrated care and support. This provides:

— an integrated care hub, where emergency call operators, paramedics, crisis response teams, mental health workers and social workers (amongst other clinicians and service providers) are physically co-located;

— the concept of ‘one commissioning pound’, whereby the different agencies pool their resources to address the holistic needs of citizens. Services are coordinated around the individual, with people being empowered — and given a budget — to ‘self-serve’ the services that deliver the care outcomes they need.17

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— **Reduced demand for crisis services:** faster and more coordinated assistance can help stabilize a person's condition and facilitate earlier interventions, reducing the need for high-cost crisis interventions at a later date.

— **Increased capacity and value for money:** reducing administrative processes such as identity verification and document authentication means that organizations can focus on supporting outcomes.

— **Improved strategic planning and system integrity:** sharing quality information across agencies can support better delivery approaches through high quality analysis of usage patterns and needs.

There are significant obstacles to overcome to achieve true convergence of support and care, not least cultural expectations, rigid professional frameworks, and the requirement for markets to adapt to new purchasing arrangements. But continuing to invest in traditional, under-performing delivery models is not an option governments can afford to pursue.

### Managing convergence — seven key areas

Commissioning can play a key role in developing consumer-centric approaches to care by focusing on collaborative, intelligent service design, rather than traditional, siloed streams. But changing a system that has been in place for decades needs a rigorous approach to achieve long-lasting results.

1. **Employment conditions:** It can be difficult to get people to work beyond their traditional boundaries. In theory, for example, community nurses could be trained to undertake basic social care assessments, or social workers could conduct basic nursing assessments, but in many countries employment law frameworks inhibit this and it may raise questions around safeguarding and professional competence.

2. **Training:** Current training models tend to entrench professional separation, based in many cases on the needs and expectations of the mid-to-late 20th century, rather than the rapidly changing market of the 21st century. Updating training models to focus on broader, transferable skills is a key step, albeit a medium to longer term one.

3. **Culture:** Providing integrated responses requires a fundamental shift in professional practice and culture that goes beyond training. Industries need to understand the benefits of integrated approaches, and value complementary skills in supporting customers.

4. **Systems:** Commissioners and providers must find ways to overcome challenges posed by, for example, incompatible data or systems, or legislative obstacles for sharing data. The New York City HHS-Connect project, for example, included an inter-agency data sharing agreement that defined the legal framework for agencies to share data.20

5. **Funding:** Service-specific funding streams sometimes prevent agencies from sharing resources and can incentivize siloed behavior. Systems need to be designed that enable the money to follow the individual, not the organization.

6. **Performance:** Knowing how current systems are performing and how well practitioners are adapting to a new integrated model is vital. Robust evaluation methods enable new delivery models to be compared with existing service provision before they are implemented. This reduces risk and enables potential issues to be identified — and resolved — before launch.

7. **Monitoring:** At the system level, governments need to monitor how the market responds to newly commissioned services and intervene where necessary to ensure sustainability and viability. At the program level, whether or not practitioners adhere to the way a specific integrated delivery model is intended to be delivered will significantly impact results. Monitoring if and how new systems and tools are being used will enable problems to be addressed, or additional training opportunities to be provided.

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The introduction of person-led models of service delivery — where individuals are empowered to exercise choice and control over their lives and the services they use as consumers — is fundamentally changing and challenging the role of governments and service providers. It involves a shift in the power balance between the individual and the professional, recognizing that the lived experience might provide useful insights into what support might be effective. While this model can bring many benefits, including faster innovation, higher consumer satisfaction, improved outcomes and up to 20 percent cost savings, the change is not easy. In fact in the private sector, where this trend has been ongoing for some years, leaders still cite the challenge of remaining relevant and customer-centric as their top concern.

In human services, a consumer-led model is a fundamental change for all stakeholders. Governments must manage the transition with care to ensure that outcomes improve rather than deteriorate and that financial benefits result.

A change in approach and mindset
The traditional service-led model of human services often sees individuals as ‘problems’ or ‘challenges’. Service delivery typically focuses on off-the-shelf services or support. In a consumer-led model, services are tailored towards the individual’s specific needs and desired outcomes, forcing the service provider to tackle the barriers to better care being faced by the consumer. The service provider must listen to the individual to better understand their needs, and then respond

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in a more integrated way. The question shifts from ‘which one of these services do you need?’ to ‘what does a good day look like for you?’

Not only does this represent a significant transition for the individual, from being a passive recipient of services to becoming an informed, active consumer, it is also a fundamental challenge for government in terms of creating and facilitating a supportive environment.

Moving to a customer focus

There are four main types of challenges that governments and service providers must address in moving to this new model:

1. **Providing the incentive to exercise choice**: Allowing people to personally benefit from their decisions creates an incentive for them to exercise an informed choice.

   Many current models use the language of ‘choice and control’, but in reality it is the service provider — often the government — that retains most control, given their regulation of how the market works. In some cases, consumers may be given a personal budget to spend, but they can only spend it on strictly prescribed items or services, as defined by government. Likewise, only those providers approved by government can supply services in the first place.

   For more progressive models to work, this needs to change. Governments will have to genuinely relinquish control to consumers. They need to empower people to consider the range of options available to them, and resist the urge to control 100 percent of the risks.

2. **Accepting a higher level of risk**: The flipside of providing an incentive for people to exercise choice is that they must be trusted to make that choice appropriately — and this means governments need to accept a higher level of risk. It doesn’t necessarily mean letting people spend allotted budgets on whatever they want, but listening to individuals and trusting them to know how best to spend their budgets, even if it is not on services or solutions a traditional human services delivery model would have provided.

   The National Disability Insurance Scheme (NDIS) in Australia, for example, received some early criticism for the level of control retained by government in deciding how budgets could be spent. More recently, however, it is starting to consider how it can give people more control over the services they buy, and moving towards the acceptance of a higher level of risk in the process.

3. **Providing choice in the market**: In the absence of competition (e.g. in regional or lowly populated areas) there is little point in creating a new service delivery model that drives the concept of choice and control. Service providers accustomed to a traditional service delivery model will often have a tendency to provide the same services they have always have.

   Likewise, people will tend to only ask for the services they have always received. Governments must therefore be prepared to disrupt the market by introducing an ‘irritant’ to facilitate a change in consumer behavior. In the UK, for example, support planner programs such as MySupportBroker.com and London Brokerage Network have introduced new services through consumer-centered assessments targeting outcomes, as opposed to items of equipment that were needed. Such an approach has enabled consumers to think in a different way about what they want and has forced providers to be more responsive and innovative.

   Providing choice, in turn, drives service providers to be more innovative in the services they deliver and the value they add.

“A truly vibrant, innovative market driven by active consumers making informed decisions, can lead to better outcomes.”

Jason Parker
Partner
Head of Health & Human Services
KPMG in the UK
4. Creating a system that people can easily navigate: Service delivery models need to be designed to enable people to make choices and exercise control. They need to be able to navigate the system and choose how to spend their budgets.

In a simple, highly-regulated market, if someone needs homecare and there is only one provider it is easy to get the required services. With the introduction of choice, however, it becomes more complex. Consumers need timely, accurate and consistent information on which to base their choices.

One way for authorities to address this issue is through ‘brokerage’: specialist and knowledgeable intermediaries that, based on the consumer’s desired outcomes, can inform them about and guide them towards the range of options available.

Online ‘e-marketplaces’ are one way of achieving this. Online portals, such as the Staffordshire Marketplace23 in the UK and Better Caring24 in Australia, enable providers to promote themselves and consumers to access care services directly.

But particularly for human care services, e-markets alone are rarely an adequate solution. People, family members and caregivers prefer to talk to a human being. If someone is choosing care services for their child, clicking twice on a website and then ‘checking out’ is unlikely to satisfy their needs for guidance and reassurance.

This does not mean that the whole process must be one-to-one but, initially at least, people benefit from personal advice and guidance, particularly individuals with complex needs. Peer Brokerage services and Cultural Brokerage programs that provide peer system support and planning are used in the United States to this effect.

The capacity of artificial intelligence to make complex decisions and learn from experience presents great potential in supporting consumers to navigate complex service systems and exercise choice. For example, Enfield Council in the UK is trialing an AI tool named Amelia25 to help people navigate council services, although this is some distance away from supporting choices over services. In Australia, the National Disability Insurance Agency is partnering with IBM Watson to incorporate cognitive computing into its technology platform to support program participants.26

Other guidance includes a ‘Trip Advisor’ approach, with sites emerging that provide real-life feedback, reviews and ratings to help other consumers find the best care for their needs. Examples include Care Navigator27 in Australia, which allows people to search for NDIS services and provide reviews. Similarly, in the aged care sector, Aged Care Report Card28 allows people to rate services against categories, such as food or staffing levels.

Change for the better

A truly vibrant, innovative market driven by active consumers making informed decisions can lead to better outcomes. To achieve this, governments must enable the right incentives and choice for consumers while adapting their views of risk.

Everyone has someone they care for. Whether it is a child, parent or spouse, people want to make sure their loved ones are well looked after. But more than anything, they want them to be as happy as they can be. This means much more than just organizing good care — it means listening and working together to find the right mix of support for that individual. That’s a much harder objective to achieve, but the benefits are worth it.

23 http://helpyourself.staffordshirecares.info/kbs/staffordshire/directory/home.page
The role of government in new commissioning models
In a commissioning model of service delivery, the government’s role shifts from direct service deliverer to being responsible for the delivery of outcomes. Services themselves are delivered by other organizations, whether private or public, to achieve the required outcomes. This represents a considerable change in the role of government, far beyond traditional policy setting and service delivery. Getting it right requires government to develop new knowledge and capabilities to fulfill its new role, otherwise it will likely be unable to improve service outcomes.

Six roles of government

In the human services sector, government must focus on six central characteristics that are fundamental to the commissioning model:

1. **Service visionary**: In shifting its role to commissioner, government must understand the needs of its communities for the service in question, and set a vision, outcomes and standards to be measured against. This involves looking at a service holistically, strategically and clinically, and setting a clear path for the future. The vision must incorporate the views and insights from a broad array of stakeholders, through a process of co-design.

2. **Market architect**: As market architect, government analyzes how its desired outcomes can be achieved, what kinds of organizations (both private and not-for-profit) it needs to work with, and what the market needs to look like to attract and support those organizations.

   In effect, government needs to start with the outcomes then work backwards to identify what the market needs to look like to achieve those outcomes. This includes understanding how markets and services relate to key concepts of consumer choice, quality, geographical equity, service complexity and cultural appropriateness of services. It is also necessary to ensure that the market can respond to changing service demands.

3. **Market creator**: Government must have a thorough understanding of how the market should operate, and the role it can play in changing market structures to better support service outcomes. This involves understanding and reviewing the tools, incentives and levers available to create the desired market and attract service providers.

   Tools may include bundling contracts together to attract bigger players, or conversely, separating them into specific lots to attract more specialized organizations. Consortium and partnerships should also be considered as they can provide scale and geographic cover. Another possibility could be providing access to other government contracts, to entice organizations to invest in the area for the long term. The objective is a stable, equitable market that allows government to meet service requirements and correct any misalignment between existing market and required market structures.

   Incentives need to be aligned for all stakeholders. In New York State, for example, the Delivery System Reform Incentive Payment (DSRIP) program encourages payers and providers to work together by strengthening incentives for investment in prevention and primary care, and facilitating collaboration to improve care coordination and provide better integrated support. Crucially, it also involves rewarding success in reducing hospital use and not penalizing hospitals for helping to achieve this.

4. **Performance and risk manager**: While a government may no longer directly deliver services, it must monitor and manage the performance of service providers to ensure targets are met and identify and manage risks. Its role becomes one of oversight, providing essential assurance to service users that service quality will be maintained.

5. **Market steward**: Markets are fluid by nature. Consumers’ needs and attitudes change as do the priorities of providers. It is likely there will be situations where outcomes are not being delivered or performance standards are not met, when government needs to intervene to get service delivery and outcomes back on track.

   At its most extreme, this may mean withdrawing or canceling contracts. Or it could mean providing additional support to enable the market to function more effectively, to help providers improve service delivery or to achieve better outcomes.

   If the market process is too slow or misdirected, governments must be prepared to nudge stakeholders in the right direction, in the way that England’s National Health Service is nudging its 200-plus clinical commissioning groups to work more closely together to focus on the health of broader populations.

6. **Service provider**: Although moving to a commissioning model could be seen as a radical evolution in the role of government, there will still be some situations where government will be required to continue the delivery of services. This may be because the market has failed, or because the government’s ‘duty of care’ means that some types of service are not appropriate for external provision.
New responsibilities require new skills

Adapting to these new roles and performing them successfully requires governments to acquire an expanded set of skills. Even where new roles relate to existing responsibilities, such as service visionary or performance/risk manager, the depth of knowledge required to understand, develop and communicate a vision for a new market over a five-to-ten-year period is of a different magnitude.

Similarly, a performance and risk management approach based on outcomes, rather than a traditional input-based approach, will be a considerable departure for many governments. It can also mean adapting to a new perception of risk, in that while governments will not be responsible for directly providing services, they will still be ultimately accountable if things go wrong.

The roles of market architect and creator are entirely new for most government organizations. It is a considerable challenge to turn this vision into reality; to translate outcomes into market structures and understand where existing government strengths can be used to direct the market. It will require governments to be innovative, to engage in open and transparent conversations with providers, and to work collaboratively — characteristics that governments are not traditionally recognized for.

Similarly, being an effective market steward means working flexibly with partners in non-government sectors, not often seen as a strength of the public sector.

As market architect, government analyzes how its desired outcomes can be achieved, what kinds of organizations can deliver those outcomes for the best value, and what the market needs to look like in order to attract and support those organizations.

Martin Joyce
Partner
Human Services
KPMG in Canada
Bridging the knowledge gap

Bridging the gap between the skills and knowledge required in the traditional government model, to the skills and knowledge essential for an effective commissioning model, should not be under-estimated.

The short-term solution is to bring in consultants, but this is a short-sighted measure. Instead, governments need to go beyond the ‘quick fix’ and invest in the time and resources required to embed these skills within their organizations, whether by changing their recruitment models to attract candidates with different skills or by training their existing teams to perform these new roles.

Perhaps the biggest change required of governments, however, is the least tangible one — the cultural change. By its nature, governments tend to be risk averse and conservative. For new delivery models to succeed, governments need to do things differently, as well as create new frameworks, new ways of working and new ways of delivering services. They need to be prepared to fail, and if so fail fast, fail cheaply and move on.

Moving with the market

The extent and duration of the different roles of government will depend on the maturity of provider markets, the structure of contracting arrangements and the objectives of government.

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Governments are likely to have long-term responsibilities in three areas:

1. Setting services' visions
2. Managing performance and risk
3. Service delivery (albeit as provider of last resort) given the nature of the service

Responsibility for designing, creating and stewarding the market, on the other hand, are likely to be more time-bound. This changing dynamic will require governments to take a flexible approach and remain agile to support continued change and a 'safe to fail' mentality.
How providers can succeed in the new human services market

Commissioning and contestability are transforming the delivery of human services with the changing role of governments justifiably one of the primary issues. But service providers, such as not-for-profits, care agencies and social housing groups, must also consider how they will respond and learn to adapt.

Competition and the customer
One of the first issues providers need to address is competition. Accustomed to dealing with governments that are traditionally both the funders and customers of their services, providers will increasingly find themselves coming up against new competitors in the market. They may be established providers
working on a local, national or — increasingly — international basis moving into new areas of delivery, such as an aged-care provider moving into the disability services market. Competition may also arise from innovative for-profit providers, with Uber and Lyft operating services for older people or people with disabilities in remote communities in the United States and supermarkets using their expertise in ready-made meals to compete with ‘meals on wheels’ services.

Providers need to develop a greater focus on customer engagement and understanding needs and preferences, rather than relying on accepted wisdom and presumptions. For example, it used to be accepted that there was little benefit in investing in technology in the aged care sector as older people don’t use technology, but research in several countries shows that many pensioners are avid internet users.

Three competitive strategies for human services providers

Service providers need to adopt the following strategies to succeed in this new environment:

1. **Innovation and collaboration:** Service providers are expected to innovate to deliver services in a cost-effective manner, making the most of the budget available. They are expected to actively attract and retain consumers; while consumers themselves expect to be treated as individuals and receive personalized offers, rather than as a single homogeneous group receiving the same off-the-shelf services.

Providers also need to deliver innovative services that achieve these objectives, rather than leaving government to accept all the risk. By investing their own funds in service delivery, such as through co-funding, they can show they are willing to share the risk and demonstrate their commitment to working together.

2. **Shared values:** People increasingly want to be partners in the support they receive and feel they have shared values and goals with the organization providing their services. They want a provider they can relate to, who shares their outlook and values, and is supportive of how they want to live their lives. A provider that is active in a community in other ways, such as volunteering, is likely to be favored over those that are not.

People want to work with providers to shape the support they are receiving. Too often there is a presumption that ‘we know best’ on the part of providers, or conversely, consumers can be confused by too many options. There needs to be a partnership between providers and consumers, with the provider applying their expertise and experience that helps people to engage and help shape decisions about the services they use and how they use them.

3. **Reporting and performance:** First, performance measuring and reporting needs to be faster, more transparent and accessible to all stakeholders. In delivery models where funding is dependent on attracting consumers, providers must be able to monitor their performance in real time, so they can swiftly spot changes in demand — and therefore funding — and respond quickly and appropriately.

Second, both government and consumers expect to be able to understand whether outcomes are being achieved and money is being well spent, at both program and strategic levels. So for example, this means moving from measuring the outcomes of a specific homeless program on an individual, to looking at whether the level of homelessness overall is decreasing.


31 Google Consumer Barometer 2016; Roy Morgan Research Australia 2016.
Adopting a collaborative mindset

Understanding these new expectations requires providers to adopt the principles of co-design, collaborating with service users to design service delivery in line with how they wish to receive it. Crucially, providers must know who their consumers are now, and who they want them to be in future. This means both analyzing the information available, and using customer engagement strategies to deepen their understanding of their customer. This could mean identifying service users who don’t drive, whose only income is state benefits or who are potentially prepared to pay more for a premium service, allowing providers to optimize their services and business performance.

It may mean that providers will not be able to serve all groups, if they don’t fit the organization’s target market. Instead, they may focus on a smaller, more defined market, rather than trying to fit disparate groups into a one-size-fits-all model.

Employees need to learn customer service

Implementing these changes will result in significant changes to the workforces and capabilities of providers. Job roles will need to be more flexible, both in terms of working patterns but also functionally, with staff learning new skills and taking on new roles and responsibilities. This will require a change in approach on the part of employees, from simply delivering services to delivering a good customer service that is flexible and adapted to each individual’s personal requirements. This may be as simple as greeting someone in the manner they prefer, knowing when to wish them a happy birthday or making their bed in the way they like.

Employees at all levels will need to adopt a strong customer service focus. Through better customer engagement, they can strengthen their understanding of what it takes to communicate with and engage people. This includes maintaining a high quality, easy-to-navigate website and clear marketing literature, to operational issues such as making it easy for people to talk to someone when needed, or ensuring calls are returned promptly.

Implementing changes of this scale will inevitably take time. Training will need to be updated for this new environment and there may be an impact on the types of people attracted to work in the sector. Care workers will need to be respond flexibly so, if they visit a client to clean their house and the client asks to take them to the shops instead, the worker is supported by a decision-making framework and training to enable them safely to do this. It is down to providers to define these parameters clearly and give staff the ability to take decisions.

“Service providers need to develop a greater focus on customer engagement and understanding needs and preferences, rather than relying on accepted wisdom and presumptions.”

Kerry McGough
Partner
Health and Human Services
KPMG in Australia
Developing a new generation of human services leaders

The fundamental shifts in commissioning and service delivery in health and human services require a new kind of leadership. Markets, delivery models, technologies and consumer expectations are moving fast. Leaders and their teams need to be equipped with new skills, capabilities and approaches to succeed. Agencies that fail to transform their leadership won’t be able to keep up with the pace of change, which could ultimately put service outcomes at risk.

Why do we need leaders with different skills?

1. To be able to lead in a fast-changing sector

   Organizations need to be agile enough to keep up with demands for improvement from individuals and society. As part of the move towards market-based reforms and commissioning, technology is playing an ever-increasing role in policy and delivery. New leaders must have an understanding of the new tools available, such as data, analytics and social media, to drive evidence-based policy and seamless delivery for a digital age.

2. To navigate through the convergence of services

   As more services are integrated at the point of delivery, the different organizations involved need to present a single, coherent ‘face’ to consumers. This requires leaders who can effectively lead disparate teams across different organizations towards a common goal, so that consumers experience one joined-up service. At the executive level, leaders also need to be adept at forming and maintaining effective cross-agency partnerships, while maintaining the ethos and values unique to their own organization.
3. **To thrive in a more decentralized and devolved system**

Leaders need the skills to empower and inspire their teams, while also being comfortable with a much greater degree of devolved responsibility and self-management. A beacon of innovation in this area is the Buurtzorg home care provider in the Netherlands, which has self-managed teams to provide nurse-led care to patients. Successful leaders need to be able to adapt to these evolving models of devolved care, to nudge and steer their teams in the right direction without micro-managing every step of the journey.

32 http://www.buurtzorgusa.org/about-us/

4. **To lead more diverse teams, with different skills**

Leaders in health and human services traditionally lead teams of similar people, for example, a team of physiotherapists or a team of social workers. These teams tend to respond in similar ways to certain leadership styles or approaches. New models of delivery, however, will rely on disparate teams of people with different skills and priorities. Leaders need to adopt leadership styles that appeal to and motivate diverse teams.

5. **To lead groups they don’t directly manage**

Increasingly, when working with integrated organizations or teams, leaders will be responsible for people they do not directly manage. This requires new skills, like influencing and persuasion, to motivate people who are outside their direct line of management.

### New challenges require new training and support

Leaders in the public health and human services sector often do not receive adequate or appropriate training. In health, many people reach leadership positions based on their technical skills — such as a surgeon who becomes a Medical Director — without the chance to develop the core leadership skills required.

In human services, the contrast between technical skills and leadership may be less visible. People move into leadership positions for a range of reasons, including professional and engagement skills, but often still lack the formal training and support in the development of required leadership skills.

England’s award-winning NHS Leadership Academy provides a range of programs from a universal course for foundational leadership skills to a dedicated program for new CEOs. It develops leadership skills across the workforce from graduate trainees, through first time leaders to people progressing to senior roles. It also runs specific programs for black, Asian and minority ethnic colleagues to promote diversity in leadership and sustainable inclusion within the NHS. In helping to co-design and co-delivery the Academy, KPMG in the UK led a consortium of consultants, local and international academics, and technology and design experts, and recently won gold at the EFMD Excellence in Practice Awards.

Increasingly, governments are looking to reforms to improve outcomes and to get more for the public’s money. This is fundamentally changing the relationship between governments, service providers and consumers, and presenting new challenges for leaders.

"Governments are looking to improve program outcomes and obtain even greater value from contracted service providers. This is fundamentally changing the relationship between governments, service providers, and consumers, and presenting new challenges for health and social care leaders."

Paul Hencoski
US Lead Partner
Health and Human Services
KPMG in the US
How can organizations help to improve their leaders’ skills?

Implementing effective leadership requires people who are equipped with balanced personal and professional skills.

**Key personal skills:** confidence and persuasive skills should be balanced by authenticity. Saying “I am not sure” occasionally, and then helping to identify the answer, enhances someone’s credibility and makes the overall message more compelling.

**Key professional skills:** focused purpose and resilience should be balanced by agility and an understanding of the organization and its team. Great leaders feel the pulse of the organization and are in tune with the mood and energy of their teams enabling them to set the direction and empower their people to deliver.

Organizations must create supportive, nurturing environments that encourage leaders to improve their skills to tackle new challenges, and provide a skills and training framework that enables them to do so.

Regardless of background or professional experience, it is unrealistic to expect people to automatically possess the skills needed to be successful leaders in new health and human services environments. You can’t simply give people a new job title and a book and expect them to get on with it.

In recent years, this has been recognized by organizations around the world. In Canada, public sector leaders in Ontario participate in ‘commissioning boot camps’ to gain the knowledge, skills and understanding to lead effective market based reforms in human services. The South Australian health system has invested in a two-year development program for its top 250 leaders.

Leaders also need to be given time to develop the required skills. Harvard Business Review’s recent study of the top 100 global CEOs found the average tenure was 17 years. In contrast, in the UK and Australian public health sectors, the average tenure is around two years. The public sector can improve by providing leadership development support that doesn’t wait until people are in leadership positions, work that is now underway in Canada, the UK and Australia.

Diversity must be embraced, too. As well as reflecting the population an organization is trying to serve, a more diverse range of leaders can challenge and push it to think more clearly, deliver more effectively and achieve more — even if it is uncomfortable getting there. There are emerging organizational role models in other industries that can be a beacon for public bodies. The key here is that leadership can drive diversity by words and actions.

Finally, organizations must foster environments that are designed to unleash innovation. Today’s challenges need smarter, ‘second order’ solutions. First order solutions are about working harder to extract greater efficiency, like the way an airline manages the flow of its check-in queue at the airport. Second order solutions ask ‘what if consumers checked in themselves online, eliminating the need for a check-in desk entirely?’ In human services, first order solutions are about how to get greater efficiency in the current system to reduce waiting lists and improve access. Second order solutions might involve putting funding in the hands of the consumer and allowing them to shape the market through the choices they make.

Second order solutions are already transforming service models in the health and human services sector. But leadership also needs to be transformed, to implement and embed the changes necessary for long term success.

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Conclusion: A roadmap for effective commissioning in human services

Effective commissioning in human services has enabled better outcomes for citizens and systems in many countries. For example, a review of commissioning across government in England lists increased cooperation between partner organizations, improved efficiencies, improved standards of service delivery, reduction in waiting times, better engagement of stakeholders, and in some cases improved outcomes for service users as benefits of the approach.35 However, the realization of outcomes and benefits expected from commissioning are not easily achieved. We have shown how the world of human services is changing and requires new roles for government, providers and the customer but different sectors, client bases, stakeholders, and environments present different challenges and levels of maturity. These include:

— gaps in capability of both staff and service providers;
— a lack of support systems to execute and manage the change;
— a lack of alignment of relevant service delivery components, including policy frameworks that overlap with or are affected by commissioning; and
— the potential to destabilize the pool of providers, especially where a few major providers supply a range of interdependent services, or where present provision is a poor match for population needs.36

The following 10 steps for the effective adoption of a commissioning approach in health and human service organizations are based on the global experience of KPMG practitioners in this area.

1. Commissioning must support the vision and strategy of the organization and sector

Whether to commission or not and the organization’s approach should be dictated by a range of factors, including:

— the organization’s overarching strategy and how the approach contributes to objectives;
— the organization’s position within the broader sector; whether it can shape the market or work within its parameters; and
— why it is commissioning and the outcomes it intends to achieve.

If the commissioning approach does not align with the direction of the organization and sector, it is highly likely that it will fail.

2. Commissioning is not a panacea

Commissioning, when used to link resource allocation with assessed needs, has a strong rationale. It is logical to use evidence of need and best practice to underpin government interventions, rather than funding on the basis of historical patterns. However, depending on the maturity of the sector and the organization, using a complex commissioning approach may not be the right way forward. For example, an organization that is unsustainable is unlikely to benefit from a complex commissioning strategy. Other transformational options such as merger or acquisition, restructuring and optimization, or other commercial partnership arrangements may be more helpful. In addition, if organization and sector arrangements do not require a complex approach to achieve high quality outcomes, it does not make sense to introduce one. Commissioning must therefore be applied where it is most appropriate, and where it has the greatest chances of success in achieving desired outcomes.

3. The market must be ready

The market must be sufficiently mature to respond to commissioning in the sector or a new commissioning approach. A review of market maturity, including the regulatory environment, funding mechanisms and quality requirements, should be mandatory. In addition, the commissioner should assess whether service providers can respond appropriately. In some cases, this may require the commissioner to stimulate or develop the market.

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If the market is not ready for a new approach, imposing a commissioning framework is likely to fail. Providers may not have the capacity or capability to respond to the new approach, or may be unable to provide services in the innovative way that the commissioner expects. This can lead to a complex commissioning arrangement that ultimately sees no change in service delivery but a substantial increase in administrative costs, or worse, a lack of provider engagement with the commissioner, rendering the whole process ineffective and wasteful.

4. **Approach commissioning as a transformational change**

Commissioning is not a process. While there are many technical aspects to commissioning processes, the ‘softer’ parts of this process are as, if not more, important. Commissioning involves a change in mindset, culture and behaviors, which will require change to people, processes, technologies and infrastructure.

A thoughtful approach to planning, managing and monitoring the adoption of a commissioning approach is therefore required, including the potential use of:

- a Project Management Office;
- a change management strategy which identifies and mitigates the magnitude of change required; and
- a staged implementation approach which seeks to create evolutionary change.
5. Capability and leadership are essential

Implementing and achieving success through commissioning processes is difficult. It requires a substantial amount of specific technical knowledge across a range of subject areas. This includes identification of population needs, contract development and management, and negotiation and stakeholder engagement skills.

Strong leadership is required to drive the process forward, bring stakeholders together with competing interests, and manage a team that is capable of developing and instituting a commissioning approach. Leadership must also hold the process to account and define priorities across the sector and/or region.

A lack of effective leadership and capability can put the whole commissioning process at risk, and increase the likelihood of substandard outcomes.

6. Communication

Commissioning comes with a reputation, preconceived notions and differing interpretations, raising questions such as “Isn’t commissioning just outsourcing?” and “Isn't commissioning just a new word for procurement?” Staff may perceive risks to their jobs and others may fear that commissioning will lead to widespread outsourcing of public services, diversion of resources into ‘making markets’, and erosion of public service values and culture. Service providers and partner organizations may be concerned about the impact on the market, competition and tendering process.

Effective communication is required with staff, management, service providers, clients, and the broader sector to dispel myths, create a common language and understanding, and manage expectations of change and timing.

7. Collaborate and co-design

Effective commissioning requires collaboration and partnership with service providers, adjacent sectors and customers themselves. All stakeholders must agree with both the commissioning approach and that potential changes are achievable and sustainable.

This requires engagement with all stakeholders to understand the key challenges associated with service delivery ‘on the ground’, and the critical success factors for any new approach. The commissioner needs to understand:

- will the approach be effective for the consumer?
- is the market ready to deliver to the requirements?
- what will be the impact of the new commissioning approach on stakeholders and consumers?
- how will stakeholders be able to adopt the new approach?
- what are the key risks associated with the new approach?

By engaging with stakeholders appropriately, the commissioner can make sure the approach reflects the needs of the sector, providers and the community, maximizing the chances of success.

8. Design the process to promote behavioral change and innovation

The opportunity to reshape and redesign services is one of the key benefits of a new commissioning approach. This will require behavioral change to instil new ways of working. The approach should incentivize the changes and innovations it wants to promote within the sector. Incentives can encourage greater collaboration, higher quality services or new
and innovative delivery methods. The incentives or performance measures of staff should also be realigned to the commissioning approach.

9. **Collect data-based evidence**

   Achievement of outcomes is at the heart of commissioning approaches and outcomes-based funding is often synonymous with commissioning. However, to understand whether outcomes are being achieved, it is essential that the appropriate data is collected. Achieving defined outcomes often requires collaboration between service providers and therefore an ability to share consumer data. This means that data collection must be robust and fit for purpose, but also that the appropriate infrastructure must facilitate data sharing while adhering to privacy and other policy requirements.

10. **Commercial factors are really important**

    Once a commissioning approach has been agreed, the framework designed and stakeholders are engaged, then the contractual arrangements that hold providers to account become critical. Commercial arrangements must be clearly defined to make sure providers deliver services in the way they were intended, and that the intended outcomes are achieved.

    Appropriate commercial skills are imperative to develop contracts that will detail appropriate incentives, performance targets and the scope of services. In addition, providers must be held to account throughout the contract period through appropriate contract management. Poorly-designed contractual arrangements can lead to unintended outcomes, the wrong incentives and significant cost to the commissioner and consumers.

Commissioning is not an easy exercise and we have shown that there are a range of considerations to improve the chances of doing it effectively. It is clear that doing nothing is not an option due to the mounting pressures on human services and the fact that roles within that system are changing. The steps above lay out the new roles and some strategies for success. Though these will not solve all the challenges related to commissioning, they will help leaders of organizations trying to adopt commissioning to identify their priorities.

Commissioning as a way of delivering services in the health and human services sector is becoming increasingly complex as we understand what produces the best outcomes for communities, and the incentives available to guide providers to achieve these outcomes. Leaders should be at the forefront of the latest evidence of what works, and constantly adapt and reconfigure how they commission to achieve the best outcomes for their communities and society as a whole.
KPMG’s Global Human Services Network

KPMG is committed to the human and social services sector and is proud of its track record advising government and the public sector on the transformation, design, implementation, and operations of programs meant to serve the world’s most vulnerable populations. We work with a range of people who are vulnerable, disadvantaged, or have complex needs, across a range of service systems including:

- Children’s services
- Social and public housing
- Domestic and family violence services
- Adult social care
- Aged care
- Income support services
- Employment services
- Food and nutritional services
- Not-for-profit sector

KPMSG’s Global Human and Social Services Network brings together a range of diverse capabilities and experience to provide our clients with a truly global experience.