phn
CENTRAL QUEENSLAND, WIDE BAY, SUNSHINE COAST
An Australian Government Initiative

Commissioning Framework

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Central Queensland, Wide Bay, Sunshine Coast PHN acknowledges the traditional Custodians of the land on which we work and live and recognises their continuing connection to land, waters and community. We pay our respect to them and their cultures; and to Elders past, present and emerging.

The PHN gratefully acknowledges financial and other support from the Australian Government Department of Health.

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Disclaimer

1. Introduction

Central Queensland Wide Bay Sunshine Coast Primary Health Network's (the PHN) Commissioning Framework (the framework) has been designed and implemented to improve access to services, service integration and patient health outcomes in the region. This framework guides the PHN on how it uses its available resources to most effectively meet community health needs.

PHNs have been established with the key objectives of increasing the efficiency and effectiveness of medical services. PHNs are independent organisations funded predominantly by the Australian Government.

The key objectives of all PHNs nationwide are:

1) Increasing the efficiency and effectiveness of medical services for patients, particularly those at risk of poor health outcomes; and
2) Improving coordination of care to ensure patients receive the right care in the right place at the right time.

PHNs commission and coordinate primary and preventive healthcare according to local needs, while focusing on the six national key priority areas for health improvement:

1) Aboriginal and Torres Strait Islander health;
2) Mental health;
3) Population health;
4) Health workforce;
5) eHealth; and
6) Aged care.

This commissioning framework aligns with the PHN's strategic plan[1] and is mapped to the Department of Health Guidance[2].

1.1 Definition

'Commissioning' is a continual and iterative cycle involving the development and implementation of services based on planning, procurement, monitoring, and evaluation. … Commissioning describes a broad set of linked activities, including needs assessment, priority setting, procurement through contracts, monitoring of service delivery, and review and evaluation.

PHN Needs Assessment Guide (2015) [3]

2. Purpose

The purpose of this framework is to articulate the PHN's approach to commissioning and to guide the PHN and its stakeholders in their role in:

- the commissioning and monitoring of commissioned health services across the PHN region;
- ensuring programs are developed in consultation with subject matter experts and stakeholders and provide evidence of outcomes which address identified needs;
- ensuring high quality, value for money service delivery in accordance with identified needs and funding obligations; and,
- ensuring cultural safety in service delivery.

[1] https://www.ourphn.org.au/wp-content/uploads/181025-Strat-plan-FINAL-WEB.pdf
[2] http://www.health.gov.au/internet/main/publishing.nsf/Content/PHNCommissioningResources
[3] http://www.health.gov.au/internet/main/publishing.nsf/Content/98D184E26BF30004CA257F9A000718F4/$File/PHN%20Needs%20Assessment%20Guide.pdf

3. PHN Environment

Since the creation of PHNs in 2015, the PHN has established frameworks and strategies that underpin the functions of the PHN and contribute towards efficient and effective commissioning.

Our region commissions services for a population of over 850,000 people and covers 12 local government areas (LGAs). These LGAs vary geographically, from coastal areas to large rural and remote communities, including mining locations. Unlike metropolitan PHNs, the vastness of the PHN's areas, coupled with low population numbers, makes it challenging to attract and retain a skilled workforce. As rural areas can include higher proportions of Aboriginal and Torres Strait Islander populations, attracting and retaining culturally competent staff members is also a challenge.

While the PHN has managed some of these challenges successfully, it is necessary to understand the complexity these challenges pose for the staff, service providers, and the community in general, and how they impact effective commissioning.

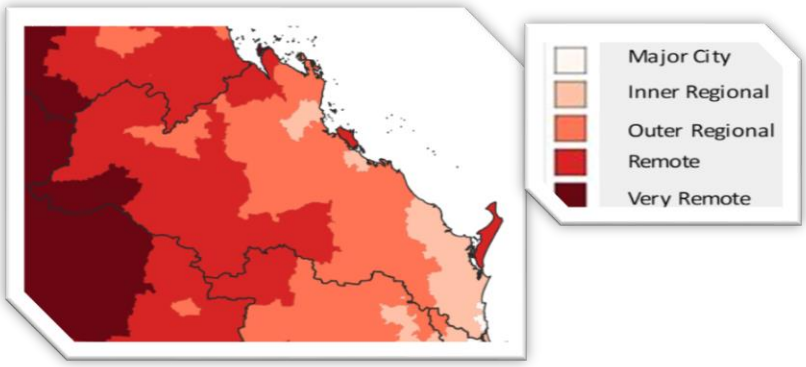
Apart from the socioeconomic realities, rurality provides multiple challenges. The PHN's consultation indicates that many rural communities do not have local options regarding health services and must travel for hours to receive much-needed services. The most vulnerable groups, such as families with children, the elderly, women, the disabled and minority groups, are profoundly disadvantaged due to the geographical distance that they must travel.

The sparsity of rural population, associated transport and access difficulties, and the additional costs incurred when providing services for these relatively lightly populated, remote rural places produce challenges for services providers.As a result, service providers in rural areas struggle to remain viable.

The map *(Figure1)* shows the distribution of rurality within the PHN. Areas with concern are remote and very remote locations and some outer regional locations within the PHN. For rural communities, risk factors for health disparities include:

- geographic isolation;
- lower socioeconomic status;
- higher rates of health risk behaviours;
- limited job opportunities; and
- health workforce shortage.

Figure 1



4. Framework Principles

The PHN's commissioning principles have been developed in consultation with other PHNs and in consultation with the Department of Health.

1. **Understand the needs of the community** by analysing data, engaging and consulting with consumers, clinicians, carers and providers, peak bodies, community organisations and funders.
2. **Engage with potential service providers** well in advance of commissioning new services.

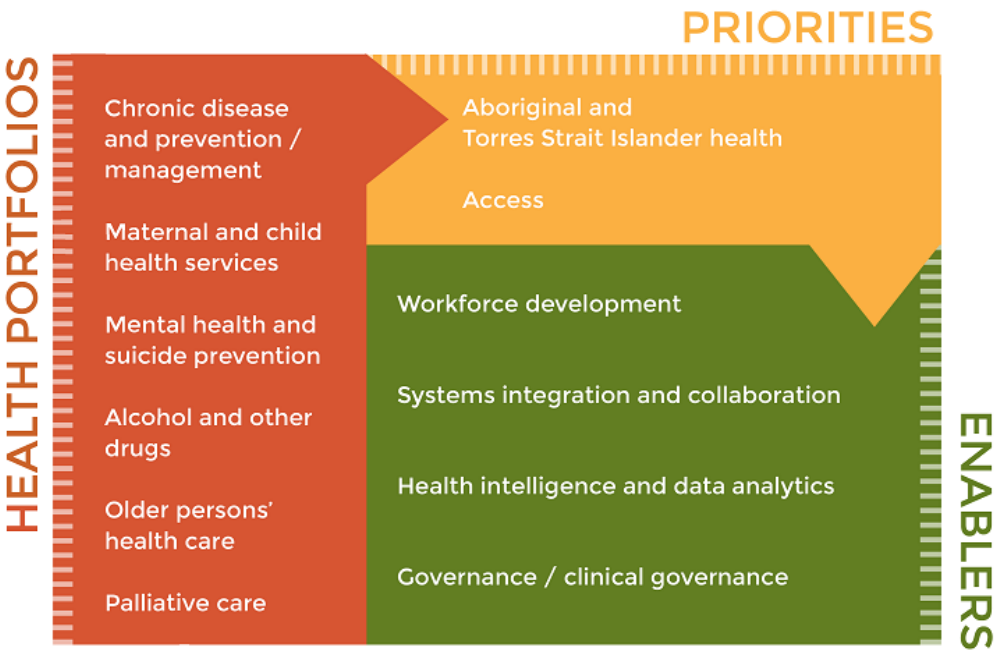
3. Putting **outcomes for users** at the heart of the strategic planning process.
4. **Adopt** a whole of system approach to meeting health needs and delivering improved health outcomes.
5. **Understand the fullest practical range of providers,** including the contribution they could make to delivering outcomes and addressing market failure and gaps, and encourage diversity in the market.
6. **Co-design solutions;** engage with stakeholders, including consumer representatives, peak bodies, community organisations, potential providers and other funders, to develop evidence-based and outcome-focused solutions.
7. **Consider investing in the capacity of providers and consumers**, particularly in relation to hard-to-reach groups.
8. **Ensure procurement and contracting processes are transparent and fair,** facilitating the involvement of the broadest range of suppliers, including alternative arrangements such as consortia building where appropriate.
9. **Manage through relationships;** work in partnership, building connections at multiple levels of partner organisations and facilitate links between stakeholders.
10. **Develop environments high in trust** through collaborative governance, shared decision-making and collective performance management.
11. **Ensure efficiency, value for money, and service enhancement.**
12. **Monitor and evaluate through regular performance reports;** consumer, clinician, community and provider feedback and independent evaluation.

5. Priorities

The PHN works with health and social service professionals, consumers and the broader community, to identify gaps and commission solutions to address the national priority areas.

PHNs undertake assessments of population health needs to establish regional health priorities. In our PHN region, health priorities and needs have been identified in *Figure 2*.

Figure 2



Underpinning the two overarching priorities of Aboriginal and Torres Strait Islander health and access to services, are health portfolios. These portfolios are comprised of population health needs and/or service gaps, which are challenges in the PHN region. The health system enablers (health system level skills and infrastructure) are critical to developing sustainable services, particularly in rural and remote areas. These enablers include:

- **Workforce development:** the PHN has areas of significant workforce shortages and rural and remote services.
- **Systems integration and collaboration:** the PHN works in partnership with other health service funders and service providers to reduce duplication and better align scant resources.
- **Health intelligence and data analysis**: the PHN builds internal and external capacity to understand health information better, to direct services to those with identified health needs.
- **Governance and clinical governance**: the PHN develops quality assurance processes to ensure that sound governance (including clinical governance) is the cornerstone of all commissioned health services.

In focusing on these priorities, portfolios and enablers, the PHN ultimately aims to address the national PHN priorities.

6. Governance

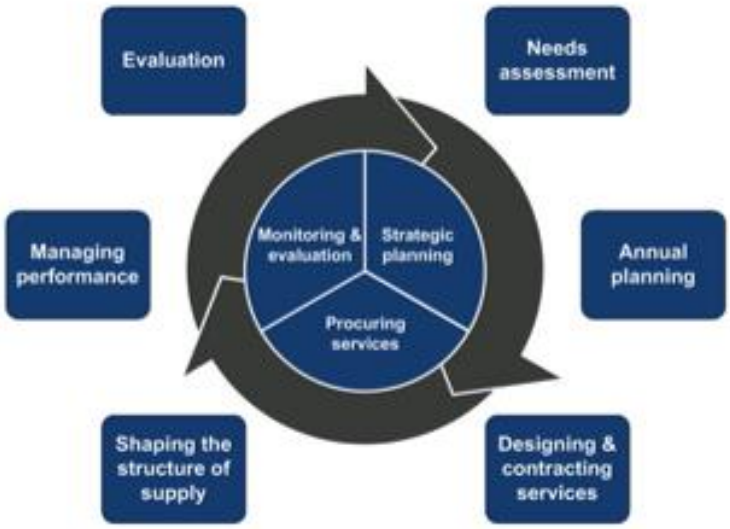
The PHN's Board and the executive are advised by key stakeholder structures across the region – clinical councils comprised of clinical representatives, and community advisory groups comprised of community members. Formal advisory structures to enable planning and design of mental health alcohol and other drugs, older person's care, chronic conditions and other services, are also in place. These stakeholder advisory structures complement corporate governance structures and inform the PHN on the priorities and effective solutions for their respective communities.

The PHN's funding is finite; thus, the PHN must ensure that it targets resources at priority groups; those most in need and where evidence and/or best value is strongest, using a commissioning approach.

Commissioning includes a spectrum of activities within the commissioning cycle *(Figure 3)* including:

- **Strategic planning:** needs assessment and annual planning;
- **Procuring services:** designing and contracting services and shaping the structure of supply; and
- **Monitoring and evaluation:** managing performance and evaluation.

Figure 3 Commissioning Cycle

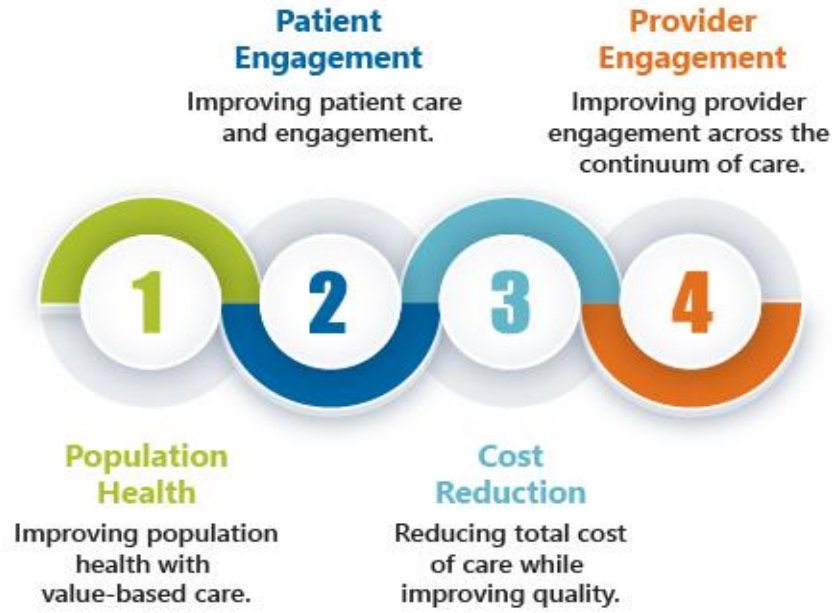


Source: (Dept. of Health)

The PHN's internal governance processes ensure that it monitors its systems and activities at each stage of the commissioning cycle.

The PHN's approach aligns to the 'Quadruple Aim', a concept developed in the United States and widely applicable across health services *(Figure 4).*

Figure 4



Source: (7 Medical Systems, 2019)

7. Strategic Planning

Strategic planning sets the strategic direction that will ultimately determine the PHN's commissioning priorities. The PHN's health needs assessment (HNA) identifies health service and health system priorities by assessing community needs and service provision levels and identifying capacity gaps. The PHN utilises the findings from the HNA to establish which priorities it will address through the provision, partnership or procurement of services.

Annual planning enables the PHN to allocate resources to target the identified priorities.

8. Health Needs Assessment

Assessment of a population's health needs is undertaken using; '*a systematic method of identifying unmet health and healthcare needs of a population and making changes to meet these unmet needs. It involves an epidemiological and qualitative approach to determining priorities which incorporates clinical and cost effectiveness and patients' perspectives. This approach must balance clinical, ethical, and economic considerations of need—that is, what should be done, what can be done, and what can be afforded* [4].

It is also important to understand the services available to meet the needs of the population; this 'service mapping' activity often forms part of the health needs assessment.

9. Annual Planning Activities

Planning in a commissioning environment includes planning for health services to be delivered by third parties under contract to the PHN. Additionally, activities are planned and undertaken by the PHN to further develop, enable or support the health system.

It is well established that there are significant health needs in Australia with an ageing population and a growing burden of chronic disease[5]. Consequently, the limited resources administered by PHNs are insufficient to meet the entirety of the health needs within their region; therefore, prioritisation of activities has to occur.

Prioritising activities to address needs is a complex process. It requires an understanding not only of the need of a particular population cohort, but also the environment and 'health system/market'. Based on the nature of the project or program, the needs and project objectives may be pre-determined by the Commonwealth Government. In this situation, the PHN works to the requirements set out by the Commonwealth as the basis of the commissioning activity.

However, other regional priorities may be based upon needs or gaps identified within the PHN. In this case, prioritisation of activities may need to consider other issues, including, for example:

- the location;
- accessibility and cultural appropriateness of the service (e.g. culturally safe);
- historical issues (e.g. who has been funded);
- clinical issues (e.g. clinical governance – safe quality services);
- the capability and capacity of health services (including workforce availability (ability to recruit and retain staff); and
- the views/ experience of key stakeholders.[6]

Once priorities are agreed, programming of funding to specific health services, population cohorts and health priorities is undertaken as part of the annual planning cycle.

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[4] Wright J, Williams R, Wilkinson JR. Development and importance of health needs assessment. BMJ 1998: 316: 1310-1313. Also see Katterl R et al. Regionally-based needs assessment in Australian primary health care. PHCRIS 2011.

[5] https://www.aihw.gov.au/reports/older-people/older-australia-at-a-glance/contents/health-functioning/burden-of-disease

[6] http://www.health.gov.au/internet/main/publishing.nsf/Content/5FB77FB5E6B07121CA2582E90003049B/$File/PHN%20Planning%20in%20a%20Commissioning%20Environment%20-%20a%20Guide%20v0.1.pdf

10. Operationalisation

The PHN operationalises the prioritised activities through several approaches:

- **Partner:** the PHN influences, facilitates, supports and collaborates to address health issues.

  Example: The PHN develops a shared care diabetes model with the Hospital and Health Service endocrinologist to support general practice.

- **Procure:** the PHN plans, designs and purchases health services to meet identified patient needs, ensuring that commissioned service providers deliver quality, effective and best value services.

  Example: The PHN contracts a maternal and child health service provider to deliver allied health services to address developmental delay issues.

- **Provide:** the PHN delivers services to the health sector. This might include:
  - primary healthcare education and support
  - workforce capability development
  - data analytics and health intelligence
  - social marketing
  - digital health solutions
  - communications
  - patient health pathway tools and other services

  Example The PHN supports general practices to understand the health needs of their population better in order to improve clinical practice – such as chronic disease management – through data analysis and workforce training.

11. Designing and contracting services

11.1 Shaping the Structure of Supply

The PHN engages with the 'market' in several ways. This may be in a consultative capacity (e.g. as part of a market sounding), an information seeking capacity (e.g. market/service mapping) or as an information giving capacity (e.g. industry briefing).

The supply of health services varies considerably across Australia. The provider market's ability to deliver services is impacted by multiple issues, including a limited workforce. PHNs have a role in building a thriving and sustainable health market [7] to meet the ongoing health needs of the population and respond to commissioners' requirements. Building a sustainable market involves 'enabling' activities by the PHN, including organisational capacity building and workforce development.

The rural medical workforce shortage in Australia results from many factors, including: [8]

- inadequate workforce policies guiding the number of doctors in training;
- changing patterns of employment of doctors as new graduates seek better work-life balance;
- changes in the nature of rural practice, increased doctor mobility and decline in hours worked; and
- heavy reliance on the graduates of foreign medical schools to provide primary and advanced procedural care.

[7] http://www.health.gov.au/internet/main/publishing.nsf/Content/84C10F043B54C5A4CA2582E4007D6C27/$File/Market%20Making%20&%20Devt%20Guidance.pdf

[8] Kamien M. Staying in or leaving rural practice: 1996 outcomes of rural doctors 1986 intentions. The Medical Journal of Australia 1998; 169: 318–321.

Due to these challenges, the agenda of commissioning services in rural areas is complex, particularly if an urban-based commissioning model is applied. Addressing the health deficit in rural and remote Australia requires more than just addressing the workforce challenges and commissioning more services. For example, there is a great need for the initiatives that will[9]:

- support place-based approaches to meet local community health needs;
- engage with the social determinants of health and develop, promote and support actions to address these underlying causes of the health deficit in rural and remote Australia;
- work across the sector to develop key indicators of rural health and report annually on progress in addressing the rural health deficit; and
- champion the need for investment in rural health and the potential for considerable return on that investment.

The PHN is working on medium to long term solutions with key partners to consider how it can create sustainable service 'markets' in its rural and regional areas, including:

- Working together with service providers in rural areas to look for opportunities to collaborate by, for example, sharing staff, administrative functions, offices and transport, to increase economies of scale and ability to compete with larger organisations.
- Supporting activities that are innovative and technologically advanced, such as telemedicine, mobile health units, and education over the internet. In such cases, efforts must ensure the perception of service quality by the clients.
- Connecting services to the community which requires greater community involvement in the service planning process.
- Working together with Aboriginal and Torres Strait Islander people in a culturally safe way. Rural Queensland includes large Aboriginal and Torres Strait Islander populations, specifically, Woorabinda, Rockhampton and North Burnett in the PHN's region, and developing cultural safety takes time, effort and persistence.
- Recruitment and retention of the health workforce in rural/remote areas, which requires collaboration with other non-government organisations and academic institutions.

Although rurality provides challenges for commissioning, at the same time, it creates opportunities for collaboration, innovation and co-design. The time and effort required to commission effective services in rural areas are far greater than commissioning services within urban communities. Therefore, establishing a skilled workforce, providing equitable services and addressing barriers to access and availability of services, requires commissioning approaches that differ from those utilised in urban areas.

11.2 Procurement

Procurement is the phase of the commissioning process where providers are engaged to deliver services to address the needs and priorities identified in the strategic planning phase. The PHN takes a procurement approach that is based on identified need, the types of services to be procured, and locations where the services are required. Therefore, services are not necessarily uniform across the PHN region.

For each activity requiring procurement of services, as determined in the annual planning stage, a suitable procurement approach is identified. Market readiness, the number of potential providers available and unintended consequences e.g. the potential to destabilise a fragile market) are taken into consideration.

The PHN uses a web-based platform called TenderLink as its electronic tendering system. The online platform enables a wide reach to potential providers and assists compliance with probity. The PHN has developed a suite of procurement documents to guide bidders and evaluators through the process. Potential providers can register on the PHN's TenderLink site https://www.tenderlink.com/ourphn/

Procurement approaches include, but are not limited to:

- Open competitive tenders require potential service providers (Bidders) to address and satisfy specified requirements set out by the PHN, in line with service and compliance conditions. Bids are evaluated

[9] New and old issues in rural and remote health: Advocacy and policy 2018

on the degree to which they fulfil the tender specifications. This type of approach may have one or more phases (for example a pre-qualifying phase). The type of information required for a competitive tender response includes information such as how identified needs will be addressed, service delivery models, timelines, budgets and expected outcomes. Competitive tenders are generally open for 3-6 weeks, depending on complexity. Key dates are provided in the tender documentation.

- As with competitive tenders, limited tenders (or closed tenders) require the same level of evaluation against specifications and a proportionate level of information, however, in these cases a limited number of service providers are invited to bid.
- Direct approaches are used where one provider is identified as the 'most capable provider' or as the most appropriate for the particular service delivery. This approach may be used in an instance where going to an open approach may be detrimental, for example, creating negative disruption in a small rural health market or where there is a clear, demonstrable capability to meet the desired outcome or no other available provider. In this case, the PHN may work with the provider to co-design appropriate services.
- Where there is demonstrated market failure, the PHN may need to provide services directly or in partnership with other organisations to ensure needs are met. This role is only undertaken in very rare circumstances and with approval from the Commonwealth.

Tender evaluation and the selection of successful bidders are undertaken through a comprehensive process, and strict selection criteria are set out in the tender documentation. An evaluation panel, comprised of appropriate subject matter experts, is appointed to evaluate the bids. All bids are evaluated on the degree to which they address and meet each of the selection criteria and demonstrate value for money.

11.3 Proportionality

The PHN undertakes procurement activities through a range of approaches. The PHN's approach is proportionate to the level of funding to be commissioned. For example, if the PHN is seeking a service provider to offer a defined number of sessions to support an existing health service, with an overall contract value of up to $120,000 per annum, the PHN would not necessarily expect providers to go through a comprehensive open tender process. The PHN, may, instead, seek three quotes in an area with several potential providers; in an area with only one provider, the PHN may make a direct approach to that provider to explore their ability to deliver the service.

Tender processes can be time-consuming and burdensome for both the PHN and providers. Therefore, while the PHN makes a case-by-case determination on procurement methods, it generally considers that commissioned activities which are low risk and under the value of $120,000, and which do not require considerable community or stakeholder input, do not go through an extensive competitive tender process.

11.4 Contracting

The PHN enters into contract negotiations with the preferred bidder(s) considering the recommendations of the tender evaluation panel. Once bidders are contracted, they are then responsible for the implementation and delivery of the services. Commissioned service providers submit data to the PHN regularly to allow for monitoring and evaluation of service performance and outcomes.

The PHN funds commissioned services through:

- **Block funding**

  Block funding is when the PHN pays a commissioned service provider a block of funds to achieve a particular output or provide a specified number of services. Providers that perform well may be granted more funding to expand their capacity or have their contract renewed at the end of the term; while those who fail to meet specified deliverables may have their funding discontinued. Block funding is currently the most commonly used method of commissioning at the PHN.

- **Activity or sessional rate funding**

  Under this approach, funding may be tied to the number of outputs provided. For example, rather than providing a psychologist with a block of funds to provide a specified number of psychological services, the PHN can fund each service output, in arrears, up to an agreed fee cap

- **Outcome funding**

  The PHN will incorporate outcome-based funding progressively, in line with market maturity. Outcome-based contracting ties funding to the achievement of a stated outcome. This approach does not involve the PHN specifying how to achieve an objective. Providers have the autonomy to design the activity that achieves the outcome. Outcomes should be aligned to the overall PHN Programme Objectives and reporting against the PHN Performance Framework.

  Outcome-based commissioning aims to achieve better outcomes through more integrated, person-centred services and ultimately provide better value for every dollar spent on medical and health services.

11.5 Commissioning Services for Aboriginal and Torres Strait Islander people

The PHN recognises the need to adjust its approach when commissioning services for Aboriginal and Torres Strait Islander people; or when commissioning services from Aboriginal Medical Services or Aboriginal Community Controlled Health Services. To enable this, the PHN facilitates several PHN Aboriginal and Torres Strait Islander Partnership Roundtable Meetings each year. These collaborative meetings are attended by the Chief Executive Officers from most of the commissioned Aboriginal Health and community controlled organisations within the PHN region. The Roundtables provide an opportunity for in-depth consultation on many matters, including the development of the mechanisms to;

- Discuss the commissioning approach for funding relating to Aboriginal and Torres Strait Islander services or community providers.
- Refine commissioning approaches to ensure that funding opportunities are equitable and procured appropriately, to elicit the best information possible about proposed service provision.

12. Monitoring and Evaluation

12.1 Performance Metrics

As well as making decisions about the services that are commissioned, the PHN must decide how the performance of contractors will be measured and assessed. The PHN aims to ensure that reporting requirements are proportionate to the value, complexity and risk associated with the commissioned activity.

12.2 Managing Performance

The PHN has a legally binding contract with all service providers to clarify the contractual obligations of what is to be delivered, reporting metrics and frequency, and payment schedules. All contracted service providers are required to provide the PHN with specific reports to demonstrate how they are meeting defined deliverables or key performance indicators.

The PHN monitors the activity and outcomes in the reports to measure and manage the performance of the contracted providers. Monitoring is important in ensuring that contracted service providers achieve the outputs and objectives they were contracted to achieve. Additionally, it allows the PHN and the provider to work together to scrutinise services to ensure that the services are meeting the identified community health needs and delivering the anticipated outcomes.

Where services are being provided to Aboriginal and Torres Strait Islander communities, service providers are required to provide ongoing cultural awareness training for their staff.

The PHN takes a partnership-based compliance approach to contract management by working closely with providers to implement quality improvement in service delivery, wherever possible, and to identify concerns or poor performance early. The PHN recognises that issues in service delivery may be due to the wider service system or environment, not just poor performance. The inadequacies of the service design need to be considered and understood before any rectification is undertaken.

As part of its clinical quality assurance approach, the PHN considers the clinical governance capability of the clinical service providers it commissions (i.e. recognition of appropriate accreditations or self-assessment during the procurement phase). Service quality is monitored through contract management mechanisms, such as performance review meetings and compliance audits. The PHN Board has a dedicated subcommittee which oversees the clinical quality assurance work.

12.3 Evaluation

The PHN commits to undertake at least one but usually two in-depth evaluations of commissioned services each year. The services selected for evaluation are usually those that are new and may disrupt the health system or offer new modes and models of service delivery, or those that are high risk or high cost.

Evaluations have quantitative and qualitative components and appropriate governance groups of key stakeholders, providing advice and guidance. The learnings gained from evaluating services are used to inform future service models and commissioning decisions.

13. Decommissioning

The UK's National Audit Office[10] defines decommissioning as a "*process of planning and managing a reduction in service activity or terminating a contract in line with commissioning objectives*". As populations and health systems change, or the sophistication of prioritisation results in new models of care being developed, decommissioning can become inevitable. Decommissioning may also arise out of poor provider performance as a logical end to a contractual performance management process.

In decommissioning any service, the PHN ensures that it consults where relevant, and communicates effectively and regularly with key stakeholders, including advisory councils and the community. The PHN ensures transitional arrangements are in place where clients need to be transitioned from one provider to another. The PHN has considerable experience in transitioning services and working with providers to support the establishment of new services. The PHN consults with and is compliant with Commonwealth requirements[11].

14. Feedback

The PHN has a formal feedback process that encompasses both positive and negative feedback (refer to the PHN's website). A complaint is an expression of dissatisfaction with any aspect of the PHN's performance. Complaints, including stakeholder engagement and how the PHN's commissioning processes were undertaken, should be directed to the PHN, in the first instance. While the Department of Health may consider such complaints if they warrant further enquiry (following initial handling by the PHN), complainants should be aware that the department has limited ability to intervene in commissioning processes, or their outcomes[12].

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

[11] http://www.health.gov.au/internet/main/publishing.nsf/Content/84C10F043B54C5A4CA2582E4007D6C27/$File/Market%20Making%20&%20Devt%20Guidance.pdf

[12] https://www.health.gov.au/internet/main/publishing.nsf/Content/PHN-Program-Complaints-Policy