For the Service of Humanity

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Dear Committee Members

Written response only, do not wish to appear before the committee.

General Response – PAC Inquiry – Public Sector Contract Management Practices

St John Ambulance Western Australia (St John) is a committed partner to, and enjoys a very good working relationship with, the Western Australia Department of Health (Health). We are happy to contribute to the inquiry and welcome the opportunity to assist with the development of best-practice contract management.

St John recognises the need for a thorough and rigorous procurement strategy and corresponding policies for when Government and taxpayer funds are being committed for goods and services. The variety of such procured items, however, often means that when it comes to essential services, as opposed to commoditised supplies, a one size fits all approach can be at worst detrimental and at best inefficient.

The contracts St John has had, and continues to have, with Government highlight how a recognition of certain critical services, such as the provision of ambulance and pre-hospital care, could benefit from a more strategic long-term approach backed up with a modern contract which would be of benefit to Government, the communities of Western Australia, patient outcomes and the provider.

The following OAG review from 2013 is also relevant:
http://www.parliament.wa.gov.au/publications/tabledpapers.nsf/displaypaper/3910362aee83dcb07812912948257b880016bbc6/$file/362.pdf

As a non-government contributor to this inquiry we did not feel that we have sufficient insight to the procurement and contract management decision making and processes within government to be able to comment specifically on the questions in your terms of reference. Instead, we hope that in describing our own experiences of contract management and procurement with a key government department you are able to include where you feel appropriate and decide on the best fit for any recommendations.

Summary of reasoning

St John is in a unique position of being the supplier of ambulance services to Western Australia since 1922. In recent times this has been reinforced through contracts with the State Government, though despite this long-standing relationship the contracts for services have run on a mix of three year contracts plus one or two year extensions.

During this time Health split out non-emergency inter-hospital patient transfers for the metropolitan area from the main ambulance contract without wholly understanding the funding impact on community ambulance responses and transfers.
At a strategic contracting level there has been a lack of definition of what exactly ambulance and pre-hospital care is; how it fits in to the broader Health and Emergency Services portfolios. Though we have seen some positive movement recently it is acknowledged that understanding of the service model of ambulance at some levels within government is unclear; whether through changes in personnel and therefore a lack of corporate knowledge or other stakeholders within the health system not being consulted.

Current procurement policy has prevented a partnership approach to the development of the service – the provider is seen as an interested party and hence a conflict of procurement policy – and instead it has been a procurement exercise akin to buying commoditised services. Our recent experience is that business cases have been developed by Health and presented for budget approval without significant input from the only available provider, predominantly in order to comply with procurement policy. This has not always been the case and St John, in the past, have assisted in the writing of business cases.

This lack of opportunity to be involved in articulating the service delivery model means that the opportunity to capture it succinctly and robustly in the contract has been missed. Improvements that could be made include:

- Clarity around the pricing formula away from a [relatively] unsophisticated bulk payment to deliver services regardless of actual growth, service demand, socio-economics and demographics to one that is linked to funding relative to other States and Territories and measured on comparable performance, demand, innovation, and health outcomes;
- Development of demand and response models in metropolitan Perth, regional towns and country with contract amounts aligned to the level of agreed accepted service. This would involve stakeholder engagement within Health;
- Acknowledgment that response times are impacted on external factors that affect capacity (e.g. ramping of ambulances at hospital emergency departments); and
- Flexibility to introduce new services, to test and trial new services in conjunction with the broader health system.

Contract/procurement negotiations

As noted, contracts are very short term for such an integral part of the emergency services and health system; typically 3 years with one and two year extensions. This does not allow efficient long-term planning of investment in property, plant, systems and people. It is not clear to St John why a longer-term contract cannot be introduced though there are signs that this approach is now being considered.

The impact of contractual discounts are not linked to the cohort demographics; e.g. O65s receive a 50% discount and ambulance attendance is increasing for this cohort faster than any other demographic. This discount has to be subsidised by other ambulance users whom St John have to bill and collect. Similarly, bad debts are a cost of service delivery that is borne by other ambulance users.

The contract remains a fixed contract price for a variable demand and delivery service; once set, no review of the cost drivers is available. This encourages an efficient service delivery by the provider and as a known cost for the contract giver, reduces their risk. The downside is that in times of excess demand over capacity (for a range of reasons), response time may drop to the potential deficit of patient outcomes.

The KPIs included in the contract are mainly a mix of inputs (what is being bought) and outputs (response time targets) with no concrete connection to outcomes based on the level of contract pricing; this can be improved upon. As the department sets the service requirement, ambulance is very much seen as road based patient transport which predominantly results in a health assessment and transfer to hospital ED. There is no consideration in the contract to

incentivise the provider to develop, for example, models for alternative pathways and ED diversion trials that may benefit the health system as a whole as well as patient outcomes.
Furthermore, an ambulance service is both a health service and an emergency response service. It has, therefore a dual responsibility to the public and there is an expectation that the service will have both the capacity to respond and the capability to deliver positive health outcomes. Changing societal conditions, means that incidents at mass gatherings, pandemics and such like need to be anticipated within the contract as opposed to after an event has occurred. The impact on the wellbeing of emergency responders is also very different to that of say a hospital or community based health worker and though there are workplace requirements in place that legislate St John's responsibilities to its employees the cost of delivering this is over and above that of the average organisation.

The definition of the prescribed clinical structure and requirements for clinical oversight and cooperation between the provider and contract giver representatives is seen as a good model and could be applied to other parts of the contract; clinical governance principles are embedded in the contract with involvement from Health, yet the design, delivery and demonstration of compliance is the remit of the provider.

Emergency management is discretely priced within the contract and a separate annual management plan developed; this model could also be used for other services that often require separate "grants" to be written and negotiated. The inclusion of attendance at school leaver events is an example of where this has worked well and is more cost efficient for all parties.

The contract design construct is unwieldly; definitions can be interpreted in different ways, what should go in the main body versus schedules is unclear, and variations are difficult to manage as they often have to amend existing contract definitions, clauses and schedules in order to affect change – very much a set and go approach rather than designed upfront to be flexible enough to be adapted as service requirements change.

Strategic engagement

Strategic engagement is written in the contract to be delivered through the Ambulance Standing Committee (ASC) which has been haphazard in achieving change. Examples of this include:

- Lack of strategic engagement opportunities, the ASC has taken the form of being an extension of the contract performance and review meetings rather than a strategic facilitator for the delivery of ambulance and pre-hospital care services to the health system;
- Members of the committee are not experts in ambulance and emergency response services (though are in health and hospital management) and infrequent attendance and scheduling of meetings mean that St John consider this neither the most effective nor constructive vehicle for strategic development and change;
- Though negotiated with the Department of Health, other executive agencies under Health (e.g. WA Country Health Service) also desire ownership of the part of the service that they perceive affects their area [only], but in reality has knock-on effects elsewhere in the system. These agencies then independently set strategy and develop models outside of Health (the contract holder) and the ASC, with no indication as to whether Health agree or will approve or implement them; and
- Changes to shared equipment are decided within the health system (outside of the ASC) and the ambulance service is then expected to follow; there is no device available in the contract to manage this.

Contract management for other services

St John also provide services under additional separate ad-hoc contracts (grants) not included in the main contract, and for which there are [usually] no other suitable providers. Introducing clauses in to the main ambulance contract indicating that the provider can contract for these type of services and so bring pricing, reporting and contract management under the same team would save time and effort across the board (see comment regards Emergency Management and School Leavers earlier).

Where other services are introduced and made available to a panel of providers then due to the perception of St John being “the ambulance service” there is an expectation of users, specifically institutional health service users (i.e. not Health as the contract giver), that St John is managing the entire system and process when it is not and is just another panel provider [for that particular element of the service]. This does lead to St John being the provider of last resort and attempting to solve immediate issues that are a consequence of broader health system workings into which it has no input.

Summary

St John is of the opinion that the current procurement and contract management process for such a unique contract is hampered by current policy. There should be exceptions allowed for provider engagement in the design of, and development of a business case for, the service and it is backed up by a more sophisticated contract, including a robust performance monitoring regime and meaningful strategic engagement.

In the context of value for money, St John provide the most cost-effective ambulance service in Australia (source: Productivity Commission, Report on Government Services) whilst delivering a standard of care and response at least equal to and often above that of other Australian jurisdictions.

Within the contract recognition should be given to the integrated nature of the St John model, the charitable contribution it makes to WA, the connection to communities, the engagement of volunteers and its ability to access broader revenues and funding (that a purely commercial or state government department would be unable to do). These all add up to much more than the dollar value of the individual components of the ambulance contract and provide further evidence to government that it is receiving excellent value for money.

Yours faithfully

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