

Submission

Senate Select Committee on Health

Prepared by

Business Council of Co-operatives and Mutuals

Introduction

Dear Committee members

The Business Council of Co-operatives and Mutuals (BCCM) would like to thank the Senate Select Committee on Health for the opportunity to make the following submission.

This submission is made by the BCCM pursuant to the area of TOR (f), specifically an investigation into the better integration and coordination of Medicare services, including access to general practice, specialist medical practitioners, pharmaceuticals, optometry, diagnostic, dental and allied health services. In relation to this TOR, the BCCM submits that the National Health Co-operative, currently operating in Canberra, is an ideal case study of the form of integrated care system envisaged by the committee.

Background

Over the past 20 years, Australian governments have found new ways of delivering services that had traditionally been government responsibilities. These have included privatisation, corporatisation, and contracting out. Hitherto the co-operative model has not been considered as an option for service delivery, despite it having much to offer. This has been reported on by the BCCM in a white paper entitled [*Public Service Mutuals: The case for a third way for delivering public services in Australia.*](#)

The UK has considerable experience in the use of the co-operative model for delivering public services. The UK government has recognised and encouraged the formation of co-operatives and mutuals to provide certain public services. The instrument has been Public Service Mutuals (PSMs) which are the delivery mechanism for a policy of spinning out services to independent employee owned social enterprises. In July 2013 there were 71 PSMs employing 35,000 people and delivering over \$2 billion of public services. They have been established across a wide range of services in the UK including health, disability services, emergency services, education, justice and housing.

Co-operatives and mutuals have a long history of contributing to the development of civil society, local business and community resilience. Co-operatives and mutuals provide jobs for local people, offer goods and services and use procurement practices that support local business. They are grassroots businesses owned and operated at a local level and their profits remain in the community contributing to local economic development. They are a great example of social and economic participation.

The key characteristics and benefits of co-operatives and mutuals that contribute to civil society, local business and community resilience are that they:

- are member owned for member benefit

- utilise democratic governance
- promote autonomy and independence of operation
- engage member economic contributions
- re-invest profits
- produce high levels of employee productivity and wellbeing
- promote cooperation in the community
- engage in long-term value creation.

At the community level, co-operatives and mutuals are great contributors to the broader concept of mutual obligation and social cohesion. Co-operatives encourage the principles of self-help, sustainability and democracy through community engagement, mutual responsibility and collective ownership.

Co-operatives and mutuals have many advantages in supporting community resilience in areas where services, including social services, cannot be delivered due to market or other service provision failure. There are a wide range of areas in Australia that are not well serviced by markets or traditional service providers because they are too small, remote, complex or specialised. The July 2014 Joint Standing Committee report into the NDIS roll-out is a recent example highlighting many of these issues arising in the early implementation of the scheme.

Co-operatives and mutuals have proven particularly useful when:

- Services are too expensive for government or market forces to provide
- Diversity in approaches is required
- There are low or variable profits
- Specialised service is needed
- User input is required in service design and delivery.

Case Study

The [National Health Co-op](#) (NHC), located in Canberra, is a consumer co-operative established to provide affordable and accessible medical and health services to the local community. It is not just a general practice, but is a health co-operative which uses a proactive and integrated partnership approach between the member and the doctors, nurses and other health providers and educators to form a comprehensive health care team. The NHC provides primary care services such as general practice, podiatry, psychology, asthma and diabetes education, mental health, physiotherapy, child, teen and aged health, dietetics, counsellors, and social workers.

The NHC has experienced rapid growth in memberships (now representing almost 9 per cent of the ACT population and growing at the rate of 9 per cent per quarter), as well as successful recruitment of medical and professional staff. As a result, the NHC has expanded its operations to include seven locations across the ACT.

The NHC is a consumer-owned organisation where any surplus funds are returned directly to the business in the form of additional services, resources and equipment to benefit the health and well-being of its members. Members pay a low annual membership fee which entitles them to bulk-billed GP services wherever possible and a growing range of other affordable health and community services at the health centres.

The co-operative approach is ideal for this mode of integrated service delivery as it works in direct response to member needs to provide better, more affordable health services, enhance members' health and well-being, and develop a sense of community, another key factor in

ensuring community members are appropriately cared for. As well as addressing acute medical issues (severe or urgent problems) the major focus of the co-operative is to address chronic disease and promote well-being.

The NHC achieves its aims of providing affordable, high quality general practice and other allied health services, delivered to the local community.

UK Experience

In the UK, the government argues that it is the benefits delivered by staff co-operatives that explain many of the recent improvements demonstrated in the health system. New health and social service mutuals in the UK are consistently demonstrating higher productivity and higher consumer and employee satisfaction in service that have moved to the mutual model.

PSMs in the UK currently deliver approximately £1 billion of health services. Many of the 40 health organisations that have become mutuals are staff run co-operatives. These mutuals have an average staff size of around 500 and average turnover of around £20 million. Successful examples include the Hull Health Care Partnership that identified £600,000 savings a year while raising user satisfaction by 7 per cent, and a staff co-operative in Surrey that boosted productivity by 41 per cent on the stroke ward in Epsom General Hospital.

Implications for Australia – Public Service Mutuals

As detailed in the BCCM's White Paper *Public Service Mutuals: A third way for delivering public services in Australia*, the full potential and distinctive contribution of co-operatives and mutuals delivering public services has yet to be recognised in Australia. The inherent characteristics of co-operatives and mutuals that generate comparative advantage when delivering services relates to their autonomy and independence, the control and decision-making by members, member economic participation, reinvestment of profits, and co-operation. These characteristics deliver three main benefits:

1. **Increase organisational diversity in public service markets.** PSMs can address government, voluntary and market failure, such as information asymmetry, to better meet the needs of consumers. PSMs can help small and medium sized service providers collaborate and operate more efficiently in public service markets.
2. **Increase consumer choice and control.** By helping individuals and communities to formulate their own responses to problems in client directed care markets, such as the National Disability Insurance Scheme. PSMs develop community resilience and empowerment through community owned co-operatives. They develop civil society.
3. **Stimulate public service innovation** – to focus on the needs of service consumers and public service staff. Existing member owned organisations such as motoring and health mutuals can transform their business models to focus on evolving member needs. As public service markets expand and become more competitive, PSMs can help facilitate collaboration between existing providers to achieve operating efficiencies and increase their market power.

Public Service Mutuals, such as the NHC, have the autonomy of the private sector, a social purpose comparable to a public sector ethos, and self-determination. These characteristics enable PSMs to address some limitations of public service delivery by government, for-profits, and community service providers.

Conclusion

The co-operative model is ideally suited to providing integrated health care services, including general practice and other allied health services, to local communities. The nature of the co-operative model is that it is based in a local community, and is therefore more responsive to the community's needs. The co-operative model is able to respond to specific concerns of the community and is able to develop and change in line with community requirements and changes in demographics. As a result, instead of developing a non-responsive approach that insists on co-locating a number of Medicare services in one location, the co-operative model can provide accommodation to service providers that suit the needs of the users of the clinic in question.

The BCCM therefore submits that the development and promotion of health care centres under the co-operative model as developed by the NHC would directly and positively influence the better integration and coordination of Medicare services in communities across Australia.