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SPEAKER: MICHAEL JENKINS
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SPEAKER:

Our next speaker is Michael Jenkins. He has a particular interest in financial and business decisions. He has worked extensively with the Department of Ageing, Disability and Home Care in New South Wales. They have developed a tool around unit costing. Michael has had lots of engagement in that process. He has also been engaged with service providers, as they are starting to think about what that might mean. Join me in welcoming Michael for financial challenges and financial upgrading.

MICHAEL JENKINS:

What are some of the financial and business implications of a move to individualisation? When I talk about individualisation, I have taken the proposed model of NDIS. That is the model I am working towards.

The way I want to go about this, first of all, is to go and have a look at individualisation and the customer journey and how that marries up with what a service provider is going to need to do in this environment. And then go to look at where the service provider fits in in this new environment. What are some of the changes or differences in stakeholder relationships and individuals and organisations that you need to form relationships with? It might be different from the way you go about things now.

I will then talk about some of the risks and opportunities that a move to the National Disability Insurance Scheme might have for the service provider. Finally, I'm going to try and paint a picture of the key attributes of what a successful service provider might have.

To come back to individualisation and the customer journey, I have tried to marry up what sort of process the customer goes through and then how a service provider might align their business to that. Individualisation puts the customer at the centre of the process. It gives them greater choice and control over how they use and spend disability support funding. As a service provider, this means that you would need to change the way that you do business. Because funding is increasingly moving towards being individually attached and portable, you will need to interact with your customers in a different way. You'll also need to set up a business with processes to attract and recruit new clients as well as retaining your existing customers.

I will give some thought as to how you might go about this. The purpose of this is how you might come back to putting the customer at the centre of the process. It is about focusing on designing your business around customers and making it fulfilling.

Where does the service provider fit in?

I have taken a 'before' picture. It is a 'block of funding' environment that a lot of service providers find themselves in at the moment. The prime relationship is between the service provider and the government. The government is the major purchaser and the service provider is responsible to the government for the quality of the service they provide.

Under an individualised environment, that will change. The primary relationship will be between the customer and the service provider.

Some would say that is the way it should be. The government, or a national disability insurance authority would sit off to the side as a passive funder.

In the middle there may be intermediaries or support people who would sit between the customer and the service provider and help to coordinate services.

What this means is that you are going to be in a more complex stakeholder environment where the service provider needs to cultivate relationships with a number of people.

It would be to cultivate one-on-one relationships as well as intermediaries and maintaining relations between government and a National Disability Insurance Authority.

Over the last several years, my CEO has been quoted using an analogy of white water rafting.

The analogy is that when a group of white water rafts enter the rapids, they nearly always come out the other end in a different order to the way they went in. I see that as the same way as disability service providers are going.

Individual choice will bring about uncertainty and risks to service providers' business. However, it will also bring opportunity. Especially opportunity for those organisations that are responsive, innovative and flexible in the way they go about business. I understand you are in a business that is about caring for people.

You will never be in as cutthroat or competitive a world as retail that is profit driven. However, putting you in a competitive environment will create the threats to the viability of your business. That is unless you respond to the competitive pressures that are introduced into the system.

What are some of those key risks and opportunities that are likely to come out of this transition?

The first is the desegregation of your customer base. Customers will be free to come and go from the business on an individual basis. They will have freedom to choose the volume of service that they might purchase from you.

Again, this is an opportunity for you. It will mean that you will need to work harder than you do now to attract and retain individuals. It will also raise some practical issues such as invoices and collecting cash from a large number of individuals, as opposed to a small number of government purchasers of your service.

Individual choice will give people the opportunity to shop around for their services. Existing service providers will compete with each other for their business. As I said earlier, this will place pressure on the service provider to be conscious of attracting and retaining customers.

As people have more freedom about the type of services that they buy, they may choose to purchase from mainstream service providers. That might mean that if you are a transport provider, you may compete more frequently than what you do now with taxi services.

People may choose mainstream gyms rather than other types of therapy.

This will place further pressure on you to make sure you are relevant in this new market.

On the other hand, as a National Disability Scheme is introduced, the ability for purchasers will be increased. Providers will be able to attract people to come and buy services from their business.

I have said there is an opportunity on my slide around innovation. I believe this is the case. What that is about is being able to provide services in a different way. It needs to be cost effective and more attractive to customers, in some other way more efficient to deliver.

There are obvious benefits to your business. Particularly if you can do that more cost effectively.

However, there is another more practical thing which is the Productivity Commission has recommended that the government make available funding for innovation. You might have access to grant funding to deliver new and innovative services.

Finally, the Productivity Commission in its report talks about government setting up a mechanism for disseminating best practice across the industry. There is opportunity for service providers, even more than they do now, to form a community and share best practice.

An example of that is I know NDS is interested in setting up a cross-benchmark scheme. This is a way to see how you measure up against other service providers and what you might do to tune up and be more efficient and effective.

I'm going to paint a little bit of a picture of what a successful service provider looks like. Some of the key attributes that are likely to be there under a model of individualisation, these are coming out of the thinking that I have worked through in the presentation, the first thing is that you're going to need to be able to... I have gone one too far.

You need to articulate your value proposition. That sounds like management consultant speak. It is a little bit. It is quite a simple concept. You need to convince people on a one-on-one basis why they should buy their service from you. It also means understanding and articulating the value that you are providing, so you can have a conversation with your customers.

In a more competitive environment, you'll need to stick to the services you are good at and can deliver efficiently. I see a situation developing where you may see over time a small number of service providers join together to provide a comprehensive service to customers.

It will be difficult to allocate sufficient marketing services to your campaign.

The second attribute is building relationships. Earlier in the presentation, I mentioned that under individual choice you will operate under a more complex stakeholder environment. There are three types of people you need to cultivate and maintain relationships with. The first is you will need to have very strong one-on-one personal relationships with your customers. You need to understand their support plans and design your services to suit this.

Secondly, you might need to cultivate relationships with intermediaries or disability support organisations. Those organisations or people are likely to be important referrers of business to your service. They need to understand the value of the service that you provide. They also need to quite clearly understand who the types of people are who will benefit from the service you provide. That is so they can effectively refer the right people to your business.

Finally, you still need to maintain strong working relationships with government to ensure they continue to see the value in the service you provide. Also, they will no doubt be playing a performance monitoring role.

Understanding your costs - this is an important part of my presentation. It is probably the area where I have more experience.

One of the things I have worked on over the last number of years is I have worked with the Ageing, Disability and Home Care organisation in New South Wales and with NDS, to help build a tool that service providers can use to break down the costs of the services they provide. When a bid or tender is made, to provide services to ADHC, they can do it in a sustainable way, by fully recovering the cost of the service.

Firstly, you can design services confidently, knowing that you understand how much they cost. When you

price them, it will be on a sustainable basis. You can also look on the sensible ways to reduce the costs.

The last thing that you want to do is to embark on painful or unpopular cost-cutting methods that are not going to provide substantial benefit.

[AUDIO LOST]

Having talked about that, we will now talk about operational imperatives.

Being able to attract high-quality staff. You know as well as I do that you're in an industry where it is difficult to attract staff and it is difficult to pay them competitive rates.

They are really critical to be able to deliver a good quality service. You need to be able to be disciplined about addressing areas of weakness in your business. What brings all of this together in my mind is innovation and flexibility.

Innovation is about delivering services and running your business in new and innovative ways that reduce costs and increase quality and create a competitive advantage. Flexibility is about designing packages to suit individuals, with the ability to quickly and cost-effectively deliver these differentiated services. It is also about being able to respond to the bumps in the road that I mentioned earlier.

Before I conclude, I would like to reiterate that I understand you are in a business about caring for people. I want to reiterate the point that you are not necessarily going to find yourselves in a cutthroat world. You will find yourselves in a world where there are competitive pressures and you will need to respond to those pressures. How will you know if you are ready? There is a very good guide here that is available at the back, Helen Sanderson and some other organisations have put it together, that is a checklist of key business things that you need to do. I commend this to you. It is a very good summary.

To come back to my white water rafting analogy, there are significant risks and opportunities coming up for service providers, as we move towards a world of individualisations. Those who are flexible and innovative will come out of those rapids in front of the others.

Thank you very much.

(Applause)

SPEAKER:

I think Michael will be happy to take questions?

I think the issue will be in the details. You alluded to the cultural challenges we are going to have in getting staff to do timesheets and things like this that we might not have done before. If you have questions, this is a good time.

SPEAKER:

I will repeat your question.

SPEAKER:

That would be best.

MICHAEL JENKINS:

I can hear you.

QUESTION FROM FLOOR:

(Inaudible)

MICHAEL JENKINS:

How will organisations address the transition from the current model to the future model?

It is all about planning and thinking ahead. It is also about setting up a business to be flexible as that transition phase happens. You won't be able to foresee everything. I mentioned this checklist earlier, it is a really good idea to look through that and have a think about how well you can answer those questions. They talk all about those issues that I was talking about - invoicing, timesheets and all those sorts of things.

It is done from the perspective of the customer and you are asking the question 'Is your business oriented towards the customer?'

If it was me, if it was my business, if I was going to go through the transition, I would be in a planning phase right now and thinking about those issues that I have outlined.

I would also make sure I have the people and systems in place to move through the transition. It is a project like any other. Does that answer your question?

SPEAKER:

What was the name of the checklist?

SPEAKER:

'Programs for Providers'. Brisbane.

SPEAKER:

How are we going to get those key performance indicators?

MICHAEL JENKINS:

From the consumer's perspective, there will be key performance indicators. How do we get those?

The details of scheme are not settled yet. We don't know how it is going to work but I think there is going to be two sorts of performance indicators. There will be high-level indicators set by the government or the National Disability Insurance Authority. There will also be the one that you have to negotiate with your service provider.

It will be up to you and the service provider to work together to make sure that you are able to clearly articulate what it is that you want from the service and put together some key performance indicators in place to ensure that the service provider is going to provide those things.

QUESTION FROM FLOOR:

I can understand the economic side and how important it is to get the economic sectors to provide high-quality services. The concern is that in the Human Services, this support sector... People such as yourself go and work for companies like Deloitte - although it is great that we are moving into that way, all of the focus is on support delivery and people. Is there not a concern that some really good service providers will go down because they don't have the business prowess?

MICHAEL JENKINS:

I agree. There is a real concern. That is why we have these forums.

QUESTION FROM FLOOR:

(Inaudible)

MICHAEL JENKINS:

The same way as you do now. The point is that people want more than money in the job they do. There is a little bit of a sales job to convince people that they ought to be in this business.

SPEAKER:

You mentioned before that with individualised funding, you see a diversification in our industry – recently this has been all about consolidation. In terms of viability, the small providers often can't operate a viable service because you mentioned before, the variable costs and fixed costs, they can't break even. How will the new system encourage diversification when the trends are clearly showing that services are consolidating?

MICHAEL JENKINS:

There will be room for niche providers. It gives people the choice to pay more for a service, a differentiated service that meets their needs. If you can design a niche service that suits a need that the larger providers are not able to meet in the same way, then I can see in that world, I can see there being small providers who are sustainable and can run a good business.

SPEAKER:

One last question.

QUESTION FROM THE FLOOR:

Is this moving effectively to a form of case-mix funding for disability services?

MICHAEL JENKINS:

I'm not sure about the details of funding. It probably won't be dissimilar from case-mix funding. When I talked about an efficient price for services, that is exactly the same language you use case-mix funding for in hospitals. For the benefit of the room, case-mix funding is the model we are moving towards for funding hospital services on an activity basis.

SPEAKER:

Thank you.

(Applause)

– END OF TRANSCRIPT.