

Mental Health Victoria's

Submission to The Department of Health and Aged Care

**REVIEW OF PRIMARY HEALTH NETWORK BUSINESS MODEL & MENTAL
HEALTH FLEXIBLE FUNDING MODEL**

22 JANUARY 2025

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About Mental Health Victoria

Mental Health Victoria (MHV) is the peak body for mental health and wellbeing in Victoria. We exist to advocate resolutely for reform across the Victorian mental health and wellbeing system, through policy engagement, advocacy and workforce development.

MHV acknowledges the Wurundjeri people as the Traditional Owners of the lands on which we work. We pay our respects to their Elders, past and present, and Aboriginal Elders of other communities across Victoria and Australia. We recognise the rich history, unbroken culture, and ongoing connection of Aboriginal and Torres Strait Islander people to country, and that sovereignty was never, and has never been ceded.

We also recognise all those that we know, meet, and work alongside, who are living with, or who have lived with, the experience of mental health vulnerability. We thank them for sharing their knowledge and expertise, recognising that their voices are vital to improving and strengthening the mental health system.



Mental Health Victoria Ltd is registered with the Australian Charities and Not-for-profits Commission (ACNC) as a Public Benevolent Institution (PBI).

The Australian Taxation Office (ATO) has endorsed the company as an Income Tax Exempt Charity. As a result, it receives income and certain other tax concessions, along with exemptions consistent with its status as a PBI which relate to Goods and Services and Fringe Benefits taxes. Mental Health Victoria is also endorsed by the ATO as a Deductible Gift Recipient (DGR).

Mental Health Victoria Ltd (ABN 79 174 342 927) is a public company limited by guarantee.

Our registered office is located at 6/136 Exhibition Street, Melbourne 3000.

Overview of this submission

MHV welcomes the opportunity to contribute to the Department of Health and Aged Care's (The Department) [Review of Primary Health Network Business Model & Mental Health Flexible Funding Model](#) (The Review).

The Department's commitment to improving the efficiency and effectiveness of health services for people, particularly those at risk of poor health outcomes, as well as the coordination of health services to increase access and quality support for people, is something MHV supports.

MHV represents a wide range of organisations that operate across the mental health system from community to clinical settings, known as **MHV Associates**. In shaping our submissions and advocacy, MHV seeks to ensure that we provide sufficient time to capture our Associates thoughts, feedback and recommendations into our advocacy. Unfortunately, the tight timeframes provided by the Department for The Review, particularly during the end of year holiday period, meant that our standard Associate engagement approach was hindered. Nonetheless, this submission reflects recurring Associate feedback, including through a targeted survey for this specific consultation, to develop our advice. However, we would advise the Department to continue engaging with the mental health and wellbeing sector, beyond this short December-January consultation period.

MHV shares the Department's acknowledgment that Primary Health Networks (PHNs) have not changed significantly since they were established. This has presented challenges as other health or mental health systems have evolved, including proactively in response to the Royal Commission into Victoria's Mental Health System, and reactively in response to external factors such as the COVID-19 pandemic. Therefore, MHV is eager to see the PHN program policy settings progress across Australia, so that it can complement, rather than hinder, reform within Victoria and other jurisdictions.

Our submission responds to the consultation themes set out by the Department, offering policy considerations in the review and redevelopment of the PHN program:

Program Objectives and Activities, Governance, Regional Planning, Communication and Engagement

MHV advocates that PHN objectives and activities need to be realigned to focus on the role of PHNs as a steward between national interests and local needs.

MHV advocates that PHN Governance be streamlined to prevent substantial inconsistencies that impact service delivery.

PHN Program Funding Arrangements

MHV advocates that the PHN Program adopt:

- *funding reform opportunities which allow for more flexible contracts focused on outcomes rather than outputs*
- *funding programs for a minimum of three to five years to provide program certainty and continuity of service delivery and staffing.*

Mental Health Flexible Funding Stream

MHV advocates that PHNs provide greater transparency on commissioning decisions as well as education and clarity to service providers on the opportunities available under the Mental Health Flexible Funding Stream.

Program Objectives, Activities, Governance, Regional Planning and Communication

PHN Program Objectives and Activities

MHV advocates that PHN objectives and activities need to be realigned to focus on the role of PHNs as a steward between national interests and local needs.

Many of MHV's Associates provide services through PHN program funding. Some of MHV's Associates have advised that PHN programs can be positive facilitators between national funding and local community needs. In best practice examples, MHV Associates report that PHNs are collaborative and effective at connecting local providers as well as other PHNs that may be cross-pollinating for that geographical area. Given this, PHNs have the ability to adhere to their objectives of **coordination, commissioning, and capacity-building**, steering national fiscal resources and standards into local level catchments.

Unfortunately, however, MHV Associates report that PHN activities have heavily leaned into commissioning of primary care and mental health services to address population needs, neglecting the **coordination, collaboration and capacity-building** objectives of PHNs.

Realigning the balance between PHN objectives and activities requires PHNs to recalibrate their role as stewards between national interests and local needs.

PHN Program Governance

MHV advocates that PHN Governance be streamlined to prevent substantial inconsistencies that impact service delivery.

MHV Associates have provided examples of inconsistencies in PHN Governance methods that impact their service delivery:

- *A mental health service provider services both a Victorian and NSW population through two Head to Health Services. The service provider is given a quarter of the funding in Victoria when compared to the NSW program to deliver the same service to a commensurate population.*
- *MHV Associates report facility-based costs having differentiating definitions depending on the PHN they are working with.*
- *MHV Associates report one-sized-fits-all tender applications that neglect the variables of the program such as workforce size, or other direct or indirect service delivery costs.*

Not only do these inconsistencies create administrative hurdles for service providers to tackle, particularly those operating services under different PHNs, but it creates an equity challenge for the end user. Consumers should not be subject to the burdens of resource gaps or adequate facilities as a result of inconsistencies in PHN Program Governance models.

PHN Program Funding Arrangements

MHV advocates that the PHN Program adopt:

- **funding reform opportunities which allow for more flexible contracts focused on outcomes rather than outputs**
- **funding programs for a minimum of three to five years to provide program certainty and continuity of service delivery and staffing.**

The current PHN Program Funding Arrangements create challenges for service delivery. Short term contracts and rolling funding agreements present challenges to the effectiveness of program delivery as well as the safeguarding of workforce retention. MHV Associates are constantly managing the risk of staff seeking other roles as they are unsure whether contracts will be extended.

At the program level, service providers need funding forecasts so they can adequately prepare for delivery. Organisations cannot sustain the financial burden and risks associated with last-minute information regarding funding allocations. HR professionals advise staff turnover can cost anywhere from 30-150% of an employee's salary. Further, recent changes to the *Fair Work Act* (2009) limit the use of rolling contracts.

MHV Associates report examples of funding being rolled over **six times for ongoing services**, which is not conducive to fair and equitable industrial relations. In another example, a service provider was commissioned by a PHN on a year-by-year basis but was required to take out a 5-year lease to host the program, creating significant organisational risk that could in some cases result in a service with demonstrated need not being delivered at all.

These experiences represent an inefficiency in Australia's health system, which if addressed could lead to improved staff retention and service delivery outcomes. MHV considers it is critical for the PHN program funding arrangements to be designed with best practice reform in mind.

Mental Health Flexible Funding Stream

MHV advocates that PHNs provide greater transparency on commissioning decisions as well as education and clarity to service providers on the opportunities available under the Mental Health Flexible Funding Stream.

MHV understands that the Mental Health Flexible Funding Stream is designed "to provide a consolidated funding source from which PHNs could commission primary mental health care services to best meet regional needs".¹

This Flexible Funding Stream has been established to enable PHN's to embed a stepped care framework within joint regional mental health and suicide prevention plans. It has been designed to support adaptation to regional needs, and to avoid rigid program funding boundaries. PHN's are expected to commission primary mental health care services within a stepped care framework to address service gaps, establish partnerships to facilitate 'joined up' services and to promote links and referral pathways to psychosocial support services and broader social support services. In practice, the effectiveness of this payment model has been limited. It has

¹ [Australian Government Department of Health, PHN Primary Mental Health Care Flexible Funding Pool Programme Guidance, Stepped Care 2019.](#)

faced challenges delivering equitable services across regions and resulted in cost-shifting where service offerings are driven by access to MBS items instead of patient care needs and preferences.²

Existing structures and arrangements limit the ability to allocate investment based on the best available evidence. Currently, PHNs are required to devote about one third of the Mental Health Flexible Funding towards headspace centres, which reduces their flexibility to spend elsewhere, may not provide the most effective return on investment based on their local population needs and limits innovation across headspace centres.³ The lack of guidance provided to PHNs over how they should spend the discretionary part of the Mental Health Flexible Funding can result in disconnected and inconsistent approaches to commissioning that is not grounded in evidence and may not meet local needs.

Additionally, funding flexibility needs to balance equitability, integration and coordination. Associates have indicated that flexibility around commissioning has led to different service offerings across regions, impacting access to care, unclear entry points and fragmented systems of care.

The varied application of the Mental Health Flexible Funding has meant that the sector's understanding and visibility of this stream of funding is extremely patchy. Given this, service providers often underutilise the opportunities that may be available under this stream.

MHV advocates for:

- Greater consistency and transparency in how PHN's have commissioned evidence-based services that meet their catchment's needs
- Greater engagement and education with the sector on the opportunities available under the Mental Health Flexible Funding Stream
- A clear framework providing guidance on how PHN's should allocate funding based on the best available evidence, maximising cross-sector collaboration and connection.

² [Australian Government, Productivity Commission, Mental Health Inquiry Report Vol 1 No. 95, Chapter 23, 2020](#)

³ Ibid.

Get in touch

We thank you for the opportunity to contribute to this consultation and we welcome any opportunity to explore these themes further.

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