Beyond Service Delivery

Commissioning for Outcomes and the Impacts on Non-Profit and Charitable Organizations in Canada

BY JOANNE CAVE

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Mowat NFP is grateful for the feedback and contributions by Liz Sutherland, Lynn Eakin, James Hughes, Laura McDonough, Ruth Crammond, Julia Harbinson and Hilary Pearson.

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Mowat NFP undertakes collaborative policy research on the social sector, bringing a balanced perspective to examine the challenges facing today's sector and to support its future direction.

This research series, Funding the Future, from Mowat NFP explores issues relating to the financial health and resilience of Canada's nonprofit and charitable sector. It is in partnership with United Way Greater Toronto and is intended to support policy discussions and developments on finance and funding issues in the sector. The papers will evaluate policy options and identify key recommendations to support the long-term financial sustainability of nonprofits and charities and to improved outcomes for Canadians.
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“The promise of commissioning rests in the ability to bring government and service providers together in a collaborative, co-creative process to design more effective services. The practice, however, does not always live up to the promise. The evidence shows that the commissioning process is often used as an opportunity to cut costs and privatize human care services that inevitably leaves local communities and vulnerable people worse off.

It is important for governments to understand that co-creating better service delivery does not always save money, and that the deeper partnerships gained through real collaboration with service providers is worth the time it takes to undertake the process right – and to avoid having to do it over twice.”

– Ontario Nonprofit Network
1 Introduction

Social service delivery in Canada has long been subject to significant reform. The latest iteration – commissioning – is currently being explored by many provincial and federal government departments as one of many tools to fund and deliver social services more effectively. Commissioning is a specific approach to service delivery that promotes a deeper cultural shift towards outcomes measurement and transforms the funding relationship between governments and service providers. Commissioning is often applied for large-scale service provision at the regional or national level. In some sectors, commissioning has proven to be an effective means of increasing participation from service users and ensuring that services effectively meet community needs.

However, commissioning is often wrongly conflated with procurement or competitive tendering. Critics of commissioning argue that commissioning is designed to facilitate privatization and outsourcing. In some cases, governments have adopted commissioning primarily as a tool to cut costs and restructure deep-rooted funding relationships, rather than work collaboratively with the sector to develop innovative solutions. Non-profit and charitable organizations engaged in frontline service delivery have raised concerns about how commissioning for outcomes, done poorly, may impact service quality and organizational sustainability in the future.

In Australia and the United Kingdom commissioning has been embraced — with mixed results — as a tool to create “public service markets” in health care and human services. In Canada, federal, provincial and municipal governments are experimenting with procurement reform1; however, there are few examples of commissioning models that closely resemble our Commonwealth counterparts.2

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While some jurisdictions have experienced some success with commissioning models, there is a lack of clear evidence on the long-term impact of commissioning. The evidence that is available often fails to capture the perspective of non-profit and charitable service providers, which is essential to ensure that there is community input and ownership into the planning, design and implementation of programs and services.

Unlike other publications on commissioning, this paper will focus on the unique perspective of non-profit and charitable sector stakeholders and provide recommendations for how the sector can adapt to the new funding landscape if commissioning is adopted on a larger scale. Designed for both sector leaders and federal and provincial policymakers, this paper will:

- Define commissioning and the drivers of its adoption in Canada;
- Explore how commissioning models are currently used in Canada;
- Identify key challenges with commissioning and draw on key lessons learned from other jurisdictions;
- Provide recommendations on paths forward including identifying alternatives to commissioning, recognizing that commissioning may not be appropriate in all circumstances.
Research Approach

This paper draws on secondary sources and 19 interviews with non-profit and charitable sector leaders, academics, policymakers and private sector experts in Canada, the United Kingdom and Australia.

In this paper, we adopt the Ontario Chamber of Commerce’s definition, which describes commissioning as “a process of decision-making that begins with the establishment of robust definitions of needs and desired outcomes ... government then engages third parties in solution design and delivery, seeking to optimize outcomes by making the best use of all available resources.” This paper focuses primarily on commissioning in the context of social/human services, drawing lessons from health care, public works/infrastructure and other types of service delivery.

To inform the key findings in this paper, we also developed several Canadian and international case studies of commissioning models based on the recommendations of our interview informants. These case studies in Appendix B illustrate how commissioning concepts and processes have been applied or adapted in various program/service delivery areas at municipal/regional, provincial and federal levels.

Throughout this paper, we use “service providers” to refer to a broad range of service delivery partners (e.g. non-profit, private or public providers). However, our research focuses on the potential impacts of commissioning for non-profit and charitable organizations that are operating in a service delivery capacity.

What is Commissioning?

Commissioning is best understood as a decision-making process rather than a pure funding model. Commissioning takes a more holistic view to the process of planning, designing, implementing and evaluating service delivery by focusing on strategic opportunities to improve outcomes for citizens.

The table below compares 3 distinct approaches to service delivery: (1) grants and contributions or “traditional service delivery”; (2) commissioning; and (3) procurement.

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>Comparing Traditional Service Delivery, Commissioning and Procurement</th>
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<tbody>
<tr>
<td>Traditional Service Delivery (Grants &amp; Contributions)</td>
<td>Commissioning</td>
</tr>
<tr>
<td><strong>Definition</strong></td>
<td>Unconditional transfer payments from government departments to service providers based on eligibility criteria/defined project scope; contributions can include performance conditions⁴</td>
</tr>
<tr>
<td><strong>Framing Principle</strong></td>
<td>Relying on non-profit/charitable sector expertise for service delivery</td>
</tr>
<tr>
<td><strong>Focus</strong></td>
<td>Outputs/outcomes focus</td>
</tr>
<tr>
<td><strong>Main Dynamic Among Actors</strong></td>
<td>Funder/service provider</td>
</tr>
<tr>
<td><strong>Role of Competition</strong></td>
<td>Limited to no competition once contract is awarded</td>
</tr>
<tr>
<td><strong>Contracting Scope</strong></td>
<td>Scope of work can be pre-defined or more flexible</td>
</tr>
<tr>
<td><strong>Government Role</strong></td>
<td>Monitoring outputs/outcomes and service quality</td>
</tr>
</tbody>
</table>

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Commissioning models are often described using a cycle (Figure 1) to illustrate how government departments rely on a process of data collection, measurement and continuous learning. In practice, commissioning can be very iterative, often diverging from this process as government departments receive community feedback and re-articulate their priorities and outcomes for service delivery.  

Ideally, commissioning is a highly evidence-based process, in which robust data is used to inform strategic funding decisions. Successful commissioning efforts require rigorous, integrated and high-quality evidence. To support this process, many government departments are building their capacity in evidence-based policymaking by investing in intermediary organizations or shared data infrastructure (e.g. data labs). However, the evidence ecosystem in Canada remains very fragmented.

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Many funders and government departments focus on evaluating program outputs (activities and deliverables) rather than outcomes (the effect of those activities). Outputs are often easier to track (e.g. the number of individuals housed), but outcomes are important to indicate whether a program is achieving systems-level impact (e.g. the number of individuals that retain their housing long-term).\textsuperscript{12}

While outputs are important indicators for many sectors (e.g. crisis response)\textsuperscript{13}, commissioning must focus on outcomes to be truly effective. Distinguishing outputs and outcomes – and measuring those outcomes effectively – requires rigour and precision and is essential for successful commissioning.


Commissioning Models

There are different models of commissioning used by governments to address a social issue or challenge at the systems, community or individual/family level.

### TABLE 2

Types of Commissioning

<table>
<thead>
<tr>
<th>Level</th>
<th>Strategic/Service Commissioning</th>
<th>Operational Commissioning</th>
<th>Direct Funding/ Micro-Commissioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition</td>
<td>Commissioning services/solutions to achieve outcomes across a system</td>
<td>Commissioning services to achieve local or community-based outcomes/fill a service delivery gap</td>
<td>Citizens directing how they receive personal supports (e.g. individual budgets or service packages); also described as vouchers</td>
</tr>
<tr>
<td>Example</td>
<td>Government of British Columbia’s transformation of employment services (see Appendix B)</td>
<td>National Health Service clinical commissioning groups (see Appendix B)</td>
<td>Australian National Disability Insurance Scheme (NDIS) (see Appendix B)</td>
</tr>
</tbody>
</table>

### Administration of Funding

Competitive tendering is a process in which service providers bid on a contract after a government department issues a Request for Proposal (RFP). Often, competitive tendering allows for a wider range of service providers (e.g. private, public and non-profit sector bidders) to participate. While it is often perceived to be the default funding model associated with commissioning, the two terms are not synonymous. For further information about how commissioning compares to outcomes-based contracting, procurement and privatization/outsourcing, see Appendix C.

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15 Operational commissioning may be used to administer individual/micro commissioning models (e.g. non-profit organizations helping citizens broker services/receive holistic case management) (Holder, H. (2013). “Role of the voluntary sector in providing commissioning support”. London: Nuffield Trust at p. 8).

16 Note that many sector stakeholders have argued that this approach was intended for cost-cutting and sector-wide restructuring, rather than adopting a meaningful commissioning approach.

17 Where competitive tendering processes are used as part of commissioning, we have used the phrase “competitive tendering”.

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Competitive tendering is increasingly prevalent in Canada’s social/human services sector. In 1997, Ontario became the first province in Canada to outsource social assistance to the private sector through a competitive bidding process, allowing municipalities to contract private agencies to deliver employment placement programs.\(^\text{18}\) This process also restructured the employment services system in Ontario, resulting in a reduction of welfare delivery agents from 196 to 47.\(^\text{19}\) Since the 1990s, competitive tendering has become the norm in employment services across Canada. Other social policy areas (e.g. home care) have also normalized competitive tendering processes, inviting a mix of public, private and non-profit service providers.\(^\text{20}\)

Competitive tendering is best understood as one approach in a suite of options. It is typically only appropriate in the following circumstances:

- The preconditions exist for a competitive market environment; or
- There is confidence that competition will not impact the quality of service delivery, collaboration between service providers and opportunities for service providers to participate in advocacy.\(^\text{21}\)

Done poorly, competitive tendering can result in higher costs, aggressive “sales practices” with clients/service users, a reduction in service quality and service providers “cream skimming” or prioritizing service users who are most inclined to demonstrate success.\(^\text{22}\)

Successful commissioning does not require competitive tendering. Government departments could instead opt for a traditional service delivery approach (grants & contributions) or adopt a hybrid approach that is outcomes-focused. In these funding models, governments can still adopt a competitive process if they choose while restricting the type of eligible service provider (e.g. non-profit and charitable organizations).

Ideally, in a commissioning process that emphasizes collaboration and co-design service providers should be encouraged to provide their input into the selection criteria for a competitive process (e.g. existing relationships with other service providers). The selection criteria could also stipulate meaningful partnerships with other service providers to reduce the negative effects of a competitive process.


\(^{22}\) Australian Council of Social Services (2018) at p. 4.
When is Commissioning Effective?

The evidence about the effectiveness of commissioning is mixed. It is often challenging to isolate the effectiveness of commissioning itself with the strategies and choices as part of its implementation (e.g. competitive tendering).

- Research indicates that commissioning is most effective in the following circumstances:
  - Policy areas where the connections between inputs, outputs and outcomes are relatively uncontroversial, or where one or two outcomes can be identified as meaningful policy objectives
  - Populations with poor outcomes that require significant investment
  - Populations that rely on complex care pathways, where the pathways could benefit from greater integration
  - Programs or interventions where there is high-quality data about costs and outcomes

The effectiveness of commissioning depends on its fidelity to core principles. When governments adopt commissioning language but defer to traditional procurement processes, the potential value of commissioning is lost. The table below contrasts an ‘ideal’ commissioning model with some of the risks of its implementation in practice.

<table>
<thead>
<tr>
<th>Ideal Commissioning Model</th>
<th>Risks of Commissioning in Practice</th>
</tr>
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<tbody>
<tr>
<td>• Collaborative relationship with service providers, emphasis on co-designing services and scope of contract</td>
<td>• Governments defer to prescriptive RFP processes (rejecting opportunities to co-design service delivery)</td>
</tr>
<tr>
<td>• More strategic, cooperative approach to service delivery</td>
<td>• Scope of commissioning contract based on poor data</td>
</tr>
<tr>
<td>• Needs and outcomes-driven</td>
<td>• Significant government risk aversion; lack of willingness to let service provider fulfill terms of agreement</td>
</tr>
<tr>
<td>• Focus on optimizing limited resources</td>
<td>• Not “agnostic” as to type of provider; veiled approach to privatize or outsource service delivery</td>
</tr>
<tr>
<td>• Intended to promote innovation &amp; partnership-building</td>
<td></td>
</tr>
</tbody>
</table>

26 NHS Confederation (2014) at p. 9.
Factors Driving Commissioning in Canada

Similar to the drivers of procurement reform and outcomes-based funding, the following trends have influenced the growth of commissioning in Canada:

+ **Dissatisfaction with funding environment**
  
  Government departments have identified funding reform as a key policy priority for decades; however, progress has been slow and incremental. Some of the ongoing challenges include a lack of integration across government departments (creating a significant reporting burden for service providers), administrative demands on organizations to submit lengthy, detailed grant applications and short timeframes for project implementation (often with delayed payment timelines).

+ **Growing demand for evidence-based, data-driven public policy**
  
  Governments are becoming increasingly sophisticated in their use of evidence, particularly when linking their data across multiple systems. Commissioning provides governments with a framework to harness this evidence and make outcomes-based decisions and funding allocations to use their limited resources efficiently. Where government departments and service providers are less sophisticated in their use of data, commissioning provides an opportunity to build their capacity.

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Governments are facing growing fiscal pressures and becoming more cost-sensitive about service delivery

Many governments are reducing service delivery costs to control growing deficits. While commissioning was not intended for this purpose, it has been perceived as a strategy for cost savings because it focuses on efficiency, value and generating innovative solutions. Competitive tendering can reduce costs by increasing competition and user choice, shifting the pressure to reduce overhead costs to service delivery organizations. Australia’s National Disability Insurance Scheme (NDIS) is one example of government using direct funding models (micro-commissioning) as a cost-savings tool because they can set the threshold for overhead costs through standardized individual/family budgets. If governments use fiscal pressures as the sole driver of a commissioning approach, it can undermine the core objective of improving service delivery and outcomes.

Service delivery is becoming increasingly complex and integrated

Increasingly complex social issues require complex contracting. The previous “hands off” approach to funding and procurement is no longer useful, and governments are increasingly looking to service providers for input on what types of programs and services work best for their target populations. Government departments are also making concerted efforts to integrate service delivery across ministries to avoid duplication. As an example, the Government of Ontario’s transfer payment modernization process now has several prototypes of “integrated service agreements” with municipalities.


Commissioning models in Canada were first introduced in the health care sector, amidst significant pressure from private corporations to open the “market”. In 2016, the Ontario Chamber of Commerce published *Prescription for Partnership*, a report on the potential for commissioning in health care to introduce private sector partnerships to improve the quality of care for Canadians. The report draws on the introduction of commissioning in the United Kingdom’s National Health Service to present a case for why commissioning should be adopted in the Canadian health care system without presuming that the public sector should be the default provider for ancillary services (e.g. document management systems, paraprofessional services).

Values-based procurement (or value-based health care) has been adopted in Canada in local or sector-specific settings, but it has not yet experienced widespread adoption across health care systems. Provincial and federal governments have invested in various pilot projects that engaged non-profit and private sector partners, but few have opted to scale up the model due to the scale of the systems transformation that would be required.

28% of non-profit organizations in Ontario that responded to a 2019 Ontario Nonprofit Network survey indicated that their sub-sector is currently undergoing a sector-wide restructuring exercise. Much of this restructuring focuses on introducing significant changes to the funding model (e.g. shifting to a competitive bidding process).

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While cost-cutting measures and competitive tendering processes have become increasingly commonplace in Canada, few models align with true commissioning principles. The concept of commissioning remains poorly understood, and the implications of commissioning for non-profit service providers in Canada are under-researched. Early research findings from other jurisdictions indicate that commissioning can increase funding instability and employment precarity for service providers, “crowd out” smaller providers with fewer resources and increase the pressure for service providers to build their capacity in contracting and competitive bidding.\textsuperscript{35}

\textit{Early research findings from other jurisdictions indicate that commissioning can increase funding instability and employment precarity for service providers}

Impacts on Non-Profit Service Providers

Commissioning impacts non-profit service providers very differently, depending on the organization’s size, financial stability, revenue diversification, type of programs/services offered and internal capacity. This section discusses some of the early Canadian and international research and anecdotal observations about how commissioning is impacting non-profit and charitable organizations.

It is important to note that the evidence of the impacts on commissioning is difficult to interpret due to the various ways that commissioning has been defined and implemented. In many cases, commissioning has been applied through a competitive tendering model. This section refers to “commissioning” and “competitive tendering” as distinct but related concepts.

Benefits

Organizational Autonomy

Commissioning can provide organizations with the freedom to implement a program or service that best achieves the intended outcomes

Commissioning rewards agile, adaptable organizations with deep expertise in a particular social issue or problem and a strong focus on outcomes rather than outputs. When government departments issue RFPs using commissioning principles, successful organizations have the latitude to propose evidence-based programs, services and community interventions that may not have been considered in a more traditional RFP with a prescribed service model. Australia’s National Disability Insurance Scheme is cited as one example where this was achieved, as many disability organizations could “market test” new, innovative programs to fill a niche for service users.

Opportunities for Collaboration

When implemented effectively, commissioning can allow non-profit and charitable organizations to be actively involved in the co-design and co-production process

Traditional funding agreements rely on a hierarchical relationships, with non-profit and charitable organizations striving to meet funder expectations and deliver a prescribed program or service. When commissioning is implemented effectively, co-design and co-production processes can facilitate more collaborative, trusting and participatory funding relationships between funders and service providers.37

One example of co-designing the commissioning process is the UK-based Lambeth Living Well Council, which brings service users, caregivers, peer support workers, local mental health service providers and government funders together to identify shared outcomes, prototype new ideas and discuss potential system changes.38

Reduced Administrative Burden

Commissioning can reduce the number of funding contracts to manage

Commissioning often streamlines and integrates government funding programs into larger RFP processes of a longer duration. As a result, organizations may have fewer piecemeal project-based funding agreements to manage, potentially reducing their measurement, evaluation and reporting burden for funders.

Organizational Growth

Direct funding models can provide organizations with a platform for growth and scaling up their program/service offerings

Increased revenue can provide a rationale for organizations to expand their management structure and program/service offerings, but it is unclear how sustainable this growth trajectory may be.39 Organizations can also use increased demand for their services as leverage when negotiating contract renewals with their funders.40 In Australia, the introduction of the National Disability Insurance Scheme allowed some organizations to

introduce plan administration or service brokering as a new program/service offering and generate new revenue. 41

Direct funding models can reveal which organizations are delivering high-value services from a user’s perspective

When governments explore direct funding models, service users retain choice and control over the scope of their service delivery. In this type of model, the volume of uptake directly correlates with increased revenue, demonstrating which organizations are delivering high-value services with a tangible benefit to the community. Success in a direct funding model can position the organization for growth and expansion.

Challenges

Relationships

Commissioning models may become politicized

Funding reform can be ideologically driven, and critics of commissioning are quick to draw comparisons to privatization, public-private partnerships and outsourcing. When commissioning is introduced in politically sensitive policy areas (e.g. health care), it is possible that political risk management and public perception may dominate decision-making processes. In the United Kingdom, the National Health Service’s adoption of the “clinical commissioning groups” model generated significant political controversy when the funding formula required reallocations of health funding from lower-income regions to higher-income regions. 43

In a survey of 750 charitable organizations in England in Wales, over 90% of respondent organizations believed that they faced increased risk in a commissioning environment. 75% of respondent organizations expressed a preference for traditional funding models (e.g. block funding, transfer payments). Over 50% of respondent organizations indicated that payment-by-results contracts had a negative impact on their financial security. 42

41 Service brokering refers to organizations that assist clients with selecting and coordinating various service providers (often functioning as intermediaries).
Commissioning could constrain the sector’s capacity for policy advocacy and democratic engagement

Commissioning experts emphasize that commissioning is closely connected to the rise of New Public Management in the 1980s. New Public Management has created a more challenging funding environment for non-profit and charitable organizations and reduced staff wages and job security by creating an increasingly casual workforce. Researchers have also asserted that the private sector values embedded in New Public Management may be incompatible with the sector’s role of promoting democratic citizenship and government accountability through collective action and policy advocacy.

Governments may have difficulty adjusting to new, less hierarchical relationships with service providers

When implemented effectively, commissioning has the potential to significantly disrupt existing relationships between governments and service providers by inviting service providers to participate in the planning, delivery and evaluation of programs and services. Public servants may find it challenging to adapt to a funding relationship defined by more transparent communication and collaborative decision-making because it is more time-intensive.

Competitive tendering may shift how non-profit and charitable organizations relate to their key stakeholders

When organizations try to conform with the scope of a competitive tendering process they may experience mission drift. Growth and adaptation can be healthy for organizations, but significant mission drift risks alienating an organization’s core base of service users, donors and volunteers. One expert emphasized that donors and volunteers may be less inclined to donate or volunteer their time if they perceive an organization to be aggressively competing in a market and seeking to increase revenue rather than providing programs and services for benevolent, charitable purposes. Over time, this tension may reduce volunteerism and impact how non-profit and charitable organizations are perceived in their community.

44 New Public Management is a philosophy focused on modernizing the public sector using private sector principles (e.g. disaggregating bureaucratic organizations, striving for customer-oriented services, marketing service delivery). See Dickinson, H. (2015) at p. 8.
Service Delivery & Quality

Commissioning can require a significant investment of time and resources that may redirect resources away from direct service delivery

Participating in commissioning can be resource-intensive (e.g. requiring additional staff time to assist in competitive bidding processes, hiring external consultants to support evaluation and impact measurement activities). This can be particularly challenging for organizations that lack the capacity to participate in competitive bidding processes and measure program/service outcomes in a rigorous way. Organizations may also incur additional costs for marketing, staff training and consulting fees for intermediary organizations/commissioning experts.

In addition to start-up/transition costs, organizations may experience financial shortfalls in the short and long-term if a competitive tendering process does not reflect the realistic costs of service delivery. As a result, organizations are often expected to internalize overhead costs and this can create cash-flow problems for organizations that have to subsidize their service delivery with other income sources. This is further exacerbated by the limited funding sources available to assist non-profit organizations with overhead costs.

Non-profit organizations that participated in the Government of Ontario’s bidding process to become service system managers (SSMs) for employment services noted that the time investment to form consortia with other organizations and prepare the application documents was prohibitive. Many organizations feared that if they did secure SSM contracts they would be passed over as sub-contractors, losing government funding entirely.

Done poorly, commissioning may inhibit integrated service delivery

If commissioning is implemented in a very fragmented way it can create very illogical or contradictory service pathways in large organizations that offer a broad range of programs and services. This risk is particularly significant if multiple government departments are implementing commissioning processes without participating in broader, coordinated funding reform efforts across multiple policy areas. To mitigate against this risk, government departments should focus on coordination at the policy level and use service provider input to inform how they integrate new funding models and select appropriate outcomes.

Commissioning can undermine existing service system management and community planning efforts

Commissioning can restructure funding relationships and, at times, undermine existing coordination and community planning efforts. One example is the Government of Ontario’s Home for Good Program that was introduced in 2017, transitioning municipal funding for homelessness away from a demographic-based allocation to a competitive bidding process. In the previous process, each municipality would have discretion to manage their own funding allocation based on their ongoing community planning efforts. Under the new competitive process, only 22 out of 47 municipalities received Home for Good funding.

Organizations may experience pressure to abandon proven, evidence-based care models in favour of more streamlined, general and cost-effective options

Competitive tendering often focuses on service delivery for the general population, which can pose challenges for smaller organizations that deliver niche programs/services for specific target populations. Competitive tendering can erode funding for these niche programs/services or promote mission drift, in which organizations start to adapt their program/service offerings to comply with funding requirements.\(^{51}\)

If governments introduce direct funding models, service providers may streamline/orient their services to align with the generalized “efficient pricing” guidelines to promote growth and scalability. Disability service organizations in Ontario have already observed that direct funding models often lead families to seek out the cheapest options for service delivery, even if the care providers are not adequately trained and the services are provided in an unregulated environment.

The principle of contestability may impact the continuity of care for individuals

In competitive tendering, the principle of contestability allows government departments to interrupt or choose not to renew existing contracts and introduce a new service provider if the reported outcomes are not as expected. Contestability makes few allowances for

errors in program delivery and outcomes when compared to other more reciprocal funding arrangements where governments and service providers work collaboratively to improve the quality of service delivery over time.

Contestability is intended to reduce the creation of market monopolies, facilitate user choice and develop sustainable markets with multiple providers in a particular program or service area.\textsuperscript{52} However, continuity of care is critical in human/social services and contestability may result in more disjointed relationships between service providers and users over the long-term. Contestability may also prove to be inefficient due to the significant amount of time service providers need to build rapport with service users or program participants.

Organizational Sustainability & Precarity

**Competitive tendering can increase precarity and instability for non-profit and charitable sector employees**

Commissioning often requires service providers to assume greater levels of risk with less long-term funding stability. The principle of contestability creates additional uncertainty for organizations and their staff. In direct funding models, organizations can also face pressure if service pricing thresholds are too low to accommodate their overhead costs. Disability service organizations have already indicated that changes to the Ontario Autism Program have destabilized staff workloads and resulted in layoffs across the sector. These shifts come after decades of retrenchment of core operating funding for the sector, often leaving organizations in a very precarious financial position.\textsuperscript{53}

**Competitive tendering may reduce the number of service providers and the availability of specialized/niche services**

Competitive tendering tends to favour larger organizations with expertise in marketing, contract management, measurement and evaluation.\textsuperscript{54} Smaller organizations may face challenges competing in such an environment, especially if they are unwilling to consolidate with other organizations to participate in bidding consortia. Of the organizations that are successful in competitive tendering, they may evolve into more “standardized” service providers over time rather than investing in local/specialized programs.


Organizations may feel pressure to merge or consolidate to remain competitive, with smaller organizations at risk of being unsustainable

Numerous experts identified mergers and consolidations as a key challenge in a commissioning environment. While mergers and consolidations may be necessary for some organizations to maximize their impact and achieve financial sustainability, it can be difficult for organizations to adapt quickly. Given the significant resource requirements for organizations to bid competitively on commissioning contracts, larger organizations with more generalized programs and services tend to prevail.

This trend is particularly evident when bidding processes focus on price since larger organizations typically have greater economies of scale. Organizations that are more successful at change management tend to fare better in a commissioning environment, particularly when the pressure to merge and consolidate increases. In British Columbia, the transformation of employment services resulted in the permanent closure of many smaller non-profit organizations, affecting the availability of more niche/specialized employment programs.

Cost-Effectiveness

Commissioning may be less cost-effective in the short-term due to significant transition costs for both government departments and service providers

Both government departments and service providers may incur significant costs transitioning to a commissioning model (e.g. hiring external expertise, building internal capacity for contract management, providing transition funding for service provider organizations). Designing and monitoring competitive tendering processes can be particularly time and resource-intensive. While commissioning is often introduced with the objective of controlling costs, it is likely that it will not generate significant cost savings for governments in the short term.

“When commissioning is used as a veiled attempt to transition to competitive tendering, it largely fails to recognize the underlying public benefit that results from a healthy non-profit sector. The sector has a critical role in promoting social cohesion and democratic discourse, and competitive tendering often does not attach value to these important contributions. Governments are increasingly only interested in optimizing service delivery, rather than contributing to the building blocks of a vibrant democracy.”

Non-profit service provider, Toronto
Mounting fiscal pressures, rising demand for services and increasing complexity are prompting governments to reconsider how they address social issues and achieve meaningful outcomes for individuals, families and communities. There is a clear need for new funding and service delivery models that promote greater collaboration and capacity-building with the non-profit and charitable sector. For many government departments, commissioning models offer one potential direction for reform.

The following recommendations provide considerations for government departments and non-profits/charities acting in a service delivery capacity at various stages in the commissioning process:

These recommendations provide a roadmap for government departments and service providers to proactively consider the implications of commissioning and potential alternatives.
Municipal, Provincial and Federal Governments

Exploring Commissioning

Recognize the strengths of local community planning efforts when considering funding reform

Many municipalities have established relationships with local service providers as formal or informal system service managers and demonstrated their effectiveness in this role. While commissioning is not inconsistent with these service delivery models, examples such as the Government of Ontario employment transformation demonstrate that commissioning has the potential to supplant or undo existing relationships and funding models. To avoid these challenges, government departments can consult municipalities early in the design process to ensure that they are building on local successes.

Take a systems level approach to funding reform by looking beyond funding and procurement issues

Less successful commissioning models often focused on changing the procurement process without addressing broader systemic issues about service design, integration and collaboration between service providers and policy areas. In Australia, the New South Wales Government Treasury has situated commissioning as part of a broader systems design initiative that examines existing relationships between funders, service providers and service users and identifies opportunities for integration and collaboration.57 Government departments will be most successful at commissioning if they take a system-wide, cross-departmental approach.

Invest in commissioning readiness before embracing commissioning as a new funding model

Commissioning can require different skillsets for both funders and service providers. Government departments introducing commissioning models may need further assistance with managing the process, setting a strategy, co-designing funding and service models and increasing internal capacity for impact measurement. While it may be a time and resource-intensive process, investing in commissioning readiness is essential to ensure that the model retains fidelity to its key principles. One option would be to create a centre of excellence within the provincial or federal government to provide contracting, system design and stewardship expertise across government ministries or departments.58 External expertise may also be beneficial to assist with this process.

Incorporate full-cost accounting in commissioning models to ensure that non-profit and charitable organizations can deliver services sustainably

The Senate Special Committee on the Charitable Sector recently recommended that the Government of Canada should compensate non-profit and charitable organizations fully for the administrative costs required to deliver services effectively. If government departments are introducing commissioning models, they should ensure that full-cost accounting is used to determine the price of service delivery and adopt a flexible pricing approach to adapt if the initial funding allocations are proving to not be viable. This will avoid the challenges that emerged in the implementation of Australia’s National Disability Insurance Scheme, in which the pricing manual set a rate for services that proved to be unsustainable for many non-profit and charitable service providers. Ideally, pricing should be reviewed periodically as part of the monitoring and evaluation process so system-wide changes can be made as required.

Introduce framework legislation/policies to provide consistency in how commissioning models are structured

Framework legislation or policies can ensure that commissioning funding models are introduced consistently across the public service based on guiding values and principles. In Australia, state-level governments have approached this type of framework legislation/policy differently. The Government of New South Wales introduced a Commissioning and Contestability Policy in 2016, including guidelines for government departments to introduce commissioning and market stewardship into their funding programs. The Victorian Government introduced a Social Procurement Framework in 2018 and a Data Reform Strategy in 2019 to facilitate the use of data in public decision-making.

Introduce multi-tiered or “prime provider” commissioning models only when absolutely necessary

“Prime provider” commissioning models can significantly complicate funding relationships in the sector. In the United Kingdom, funding is increasingly “multi-tiered” as governments contract with a prime contractor/provider, who then subcontracts with other service delivery organizations.64 While this approach streamlines contracting for government departments, it can have the effect of distancing public officials from frontline service delivery organizations and creating added bureaucracy.65 As an alternative to prime provider models, governments are starting to emphasize more collaborative funding models, in which service providers participate in co-designing programs and services in partnership with service users and other stakeholders and engage directly with government officials.66

Develop standards for high-quality commissioning

Standards can help to establish shared expectations for both government departments and service providers participating in commissioning. In the United Kingdom, University of Birmingham researchers worked in collaboration with various health and social care agencies to develop 12 standards of high-quality commissioning. Some of these standards include delivering social value, applying commissioning in a person-centred and outcomes-focused way, co-producing with service providers, adopting a whole system approach and using evidence about what works.67 It may be prudent for government departments in Canada undertaking commissioning to engage in a similar process.

When implementing commissioning, ensure that standards for the quality of care are maintained

If commissioning leads to a competitive tendering process, the expanded scope of potential providers may result in proposals that do not align with established standards of care in the sector (e.g. childcare or seniors care). This is particularly important in policy areas where service delivery is less regulated. As an example, the Government of Australia introduced Practice Standards as part of the roll-out of the National Disability Insurance Scheme, which has been particularly important due to the breadth of providers involved.68 Government departments should consider introducing similar standards as part of a competitive tendering process.

64 Crowe, D., Gash, T. & Kippin, H. (2014) at p. 34.
65 Crowe, D., Gash, T. & Kippin, H. (2014) at p. 34.
Non-Profit and Charitable Organizations

Exploring Commissioning

Identify innovative strategies to advocate for the sector’s perspective to be incorporated in funding reform

The non-profit and charitable sector has actively participated in advocacy efforts on funding reform in the past — some examples include the Voluntary Sector Initiative, the Government of Ontario’s Transfer Payment Administration Modernization process and Imagine Canada’s ongoing advocacy about social procurement and community benefits agreements. If governments express further interest in commissioning, sector umbrella organizations will have an important role in advocating for the sector’s perspective to be incorporated.

If advocacy activities are proving to be ineffective, umbrella organizations may want to consider shifting their approach in the short term to focus on conducting research on the impacts of commissioning and offering training and capacity-building programs (e.g. as the Community Services Industry Alliance has done in Australia).
Advocating for Sector Perspectives in Commissioning

Some potential advocacy issues for the sector could include:

+ Raise public profile about the potential impact of commissioning, as the organization BoardVoice did in British Columbia to raise awareness of the impacts of the WorkBC transformation\(^6\)

+ Request government departments earmark funding for a transition, capacity-building or partnership-building fund for the sector

+ Request government departments incorporate full cost recovery as part of new commissioning funding models\(^7\)

+ Establish a framework of guiding principles for commissioning to inform how government departments and the sector will work together\(^7\)

+ Establish joint standards of care for service providers receiving government funding as part of a commissioning process\(^8\)

+ Ensure that the sector’s advocacy role is distinct from funding processes (preventing measures like the gagging clauses in Australia)\(^9\)

+ Request government departments establish an advisory committee or cross-sector roundtable on commissioning implementation

+ Propose alternatives to commissioning (e.g. unrestricted grant funding or longer-term grant cycles that allow for medium and longer-term outcomes to be achieved)

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\(^7\) Australian Council of Social Services (2018) at p. 5.


Transitioning to Commissioning

Strengthen your organization’s capacities in impact measurement by collecting, interpreting and using high-quality data to meaningfully inform service delivery

Commissioning will place new demands on non-profit and charitable service providers, particularly if competitive tendering processes are introduced and bidding is open to a range of organizations. In anticipation of such shifts, organizations should consider strategies to increase their capacity in impact measurement. Some strategies could include providing data literacy training for staff, investing in new software or data management tools, developing outcomes frameworks and logic models or engaging the expertise of an external researcher or evaluator. Funders may want to consider supporting organizations with this capacity-building process through dedicated funding streams.

If smaller organizations face barriers developing their internal capacity, they should explore partnering with other organizations or receiving support from an umbrella organization to ensure they can sustain their activities in the new funding environment.

Adapting to Commissioning

Explore opportunities for partnerships or consortia to work collaboratively in a commissioning environment and maximize economies of scale

For some smaller organizations, building internal capacity to compete in competitive tendering processes may be too resource intensive to be feasible. Instead of working in isolation, these smaller organizations should consider participating in joint bidding processes as part of a partnership or consortia of organizations. Doing so would help to maximize economies of scale and allow organizations to contribute to sector-wide capacity building. Sector umbrella organizations also have an important role in coaching organizations how to structure partnerships or consortia in a way that is mutually beneficial for all parties.

Position your organization as a ‘low-risk’ partner to governments by demonstrating financial accountability, effective systems and a proven track record of success

Transferring risk from governments to service providers is one of the key objectives of commissioning. Non-profit and charitable service providers facing increased competition in the tendering process can be strategic by positioning themselves as low-risk partners with a demonstrated record of success. Organizations can demonstrate prudent risk management through regular, publicly available outcomes reporting, transparent financial information, comprehensive policies/procedures and effective data management systems. Many non-profit and charitable service providers can also use their local knowledge, established reputation in the community and rapport with service users to their advantage in competitive tendering processes.
Commissioning represents a fundamental change in the relationship between government funders and service providers. However, it must be implemented in a manner that is consistent with its core principles, including collaborating and co-designing interventions with sector stakeholders. Commissioning can also be de-coupled from a competitive tendering process to avoid some of the negative unintended consequences discussed in this paper.

Commissioning is also not the only potential solution for governments to improve service design and delivery. Strengthening the capacity of non-profit and charitable organizations and social enterprises to facilitate systems-level reform is one strategy. At the individual level of service delivery, governments can explore models such as social care cooperatives, discussed in the following box, to complement existing non-profit and charitable sector service providers.

### Social care cooperatives: A promising model from Quebec and Europe

Social care cooperatives first emerged in Italy in the 1970s, allowing caregivers of individuals with disabilities and their families to organize care that was not available from government service providers. Today in Italy, social care cooperatives represent a sizeable proportion of government spending on social services (13%). One model of a social care cooperative popularized in Italy, Sweden and Wales is a user-led cooperative, in which service users control at least 51% of the votes in the organization and are able to set the direction for how programs and services are administered.

Social care cooperatives are also part of the thriving cooperative and social enterprise movement in Quebec. Umbrella organizations such as Chantier de l’eeconomie sociale have an important role in building capacity in the sector and facilitating partnerships between cooperatives in a consortia model to bid on larger contracts. While social care cooperatives often have to participate in competitive tendering processes, the extent of community ownership over the service model may result in better outcomes. These organizations have also proven to be highly resilient in periods of crisis or financial instability when other organizational models have failed.


75 Disability Wales. “Co-operatives delivering social care and support”.

If governments do pursue commissioning, competitive tendering does not have to be the default funding model.76 Jurisdictions that have introduced commissioning models have recommended a cautious approach to competitive tendering, in recognition that other types of funding models may better serve the community’s needs. If governments are looking to contract service provision outside of a competitive tendering process, they can consider soliciting expressions of interest, adopting preferred service provider processes (e.g. pre-qualification requirements) or engaging in direct negotiation with service providers.77

In some cases, simplifying or streamlining existing funding processes might be enough to achieve better outcomes without marketizing the sector. The Australian Government Productivity Commission recommended in their review of competition and user choice in human services to implement a 7-year default contract period for funding in family and community services and a 10-year default contract period for Indigenous services.78 Similarly, unrestricted grant funding for innovative solutions may be another potential avenue to allow service providers to improve outcomes without being constrained by prescriptive, competitive funding processes.

The guiding principles of commissioning can promote a significant culture shift for both governments and service providers. However, the lessons learned from other jurisdictions indicate that government departments should be cautious and strategic in whether, and how, they choose to implement commissioning as part of a broader effort towards service design, delivery and funding reform.

76  Australian Council of Social Services (2018) at p. 4.
77  Australian Council of Social Services (2018) at p. 4.
Appendices

Appendix A: Glossary

**Alliance Contracting**: Commissioners incentivize collaboration and cross-referrals in the commissioning process and encourage multiple providers to work together to realize the objectives/outcomes of a commissioning contract.\(^79\)

**Alternative Service Delivery**: Government-initiated partnerships with third parties, in which third parties provide capital, technology and processes and governments oversee policy, strategy and broader compliance.\(^80\)

**Challenge-Based Procurement**: Governments issue an RFP for a problem and invite service providers to participate in a tendering process to propose solutions to the problem; also described as “agile procurement”.\(^81\)

**Contestability**: The process of evaluating and benchmarking services against credible alternatives and/or market testing in order to drive productivity, learning and improvement.\(^82\)

**Co-Production**: A process that involves collaborative service design, decision-making about the allocation of resources, service delivery and evaluation; generally refers to a reciprocal relationship between governments/funders and service delivery organizations, where both act as equal partners and creators.\(^83\)

**Commissioning**: A process of decision-making that begins with the robust definitions of needs and desired outcomes; governments engage third parties in solution design and delivery, seeking to optimize outcomes by making the best use of all available resources.\(^84\)

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80 Challinor, A (2016) at p. 10.
84 Challinor, A (2016) at p. 2.
Delegated Administrative Authorities: Private companies that provide public services under the oversight of a government department\(^{85}\)

Individual Budgets: A portable package of funds allocated for a particular person that facilitates control over how they purchase services to support their needs; the funds can be administered by the service user, a service provider or an intermediary organization that assists in the management of the funds\(^{86}\)

Integration Contracts: Partnerships between private providers, in which a large company provides the majority of the financing and shoulders most of the risk while working with smaller companies to deliver services\(^{87}\)

Joint Commissioning/Joint Ventures: Often refers to health and social care organizations that are commissioned in a joint contract for integrated care; multiple service delivery partners share responsibility for service delivery and outcomes that result\(^{88}\)

New Public Management: Approach to public sector reform that emphasizes private sector management practices, including measuring performance, decentralizing management authority, introducing market mechanisms and adopting a consumer orientation to service delivery\(^{89}\)

Outcomes-Based Funding: Contracting arrangements where governments financially reward service providers or private investors for having a positive and sustained impact on the lives of service users\(^{90}\)

Payment by Results: A form of financing public services in which payments are contingent on the achievement of various pre-determined outcomes (verified by an independent evaluator or third-party organization); the funding recipient has the discretion to determine how the outcomes will be achieved\(^{91}\)

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85 Challinor, A (2016) at p. 10.
87 Challinor, A (2016) at p. 10.
Prime Providers: Commissioning bodies contract with one large organization, which works with other smaller providers in a sub-contracting capacity; also called “lead providers”92

Procurement: The process of identifying a supplier for a public service, which can involve traditional tendering approaches (e.g. competitive bidding); distinct from purchasing (the process of buying or funding services) and contracting (the process of selecting a provider and agreeing to a contract)93

Public Sector Mutuals: Government employees bid to transition public services that they are responsible for delivering out of sole government ownership so they can redesign/modify the service to meet the needs of the community; often this results in a type of joint venture between the employees, public body, social investors and users94

Public Service Markets: A service delivery model where public, private and not-for-profit service providers compete for the ability to deliver public services and government entities purchase these services on behalf of citizens; often refers to “user choice” models where citizens can decide who their service providers are and what types of services they would like to receive95

Supplier Lists: A list of organizations maintained by a commissioning body that can act as service suppliers, provided that they meet a threshold of good practice criteria; best for lower cost, high volume services96

Vouchers: Citizens/service users make decisions about procuring services to meet their needs; vouchers are often designed to increase competition and individual choice97

97 Challinor, A (2016) at p. 10.
Appendix B: Case Studies

Government of British Columbia Employment Services Transformation Case Study

An example of strategic/systems-level commissioning

Note: Many sector stakeholders dispute that this model aligns with core principles of commissioning, as the funding reform was unilaterally introduced with very limited sector consultation/engagement. This case study is included to demonstrate how governments have approached strategic/systems-level commissioning in practice and how the sector has been impacted.

The Issue

What was the challenge?
British Columbia has a highly complex labour market system with both federal, provincial and joint federal-provincial employment programs available to residents (including the federal Youth Employment Strategy, Opportunities Fund for Persons with Disabilities and Aboriginal Skills and Employment Training Strategy). Employment services programs were previously administered through multiple provincial ministries, including the Ministry of Social Development and the Ministry of Jobs, Tourism and Skills Training. In 2011/2012, the Government of British Columbia identified a “more integrated labour market system” as one of its key priorities, with the intention of increasing awareness and access to employment services for residents.

How did the Government of British Columbia respond?
British Columbia introduced a “single window” approach for employment services through WorkBC. The single window of services was intended to provide a more personalized approach to each client’s needs, with the ability for staff to identify various supplemental

programs that could meet their needs. To implement this model, British Columbia introduced a new procurement process using competitive bidding. The RFP process closed in 2018 and the contracts became effective on April 1, 2019.

Role of Commissioning

How is the commissioning initiative structured? How did the funding model change?

The new model streamlined the service delivery model, administering contracts through 101 WorkBC Employment Services Centres in 73 catchment areas across the province (subsequently reduced further to 45). This model consolidated 400 federal and provincial contracts that had previously existed on an agency-by-agency basis. Instead of paying contracts based on outputs (e.g. number of client interactions), WorkBC administers the funding as a base amount for operational support and top-up payments based on performance of pre-determined outcomes. The performance-based payments range based on the complexity of the client’s needs - one letter from the Minister of Social Development and Poverty Reduction indicated that the performance payment could range from $2,000 for a “highly functioning job ready individual” to $12,000 for “more barriered clients.”

The Government of British Columbia noted that the number of contracts held by non-profit organizations increased under the WorkBC model (57%, up from 49%) and the number of contracts held by for-profit corporations decreased (39%, down from 49%). They also noted that 130 sub-contractors have been retained to provide specialized services, and 71% of these organizations are non-profit organizations - an increase of 11% from the previous model. The 101 WorkBC centres is an increase from 84 that existed previously.

What was the rationale for this change?

The Government of British Columbia intended to simplify the contracting process, improve the quality of services and increase the financial supports payable directly to clients.

The outcomes-based funding model is also intended to incentivize high-performing service delivery approaches that improve employability and reduce long-term costs for taxpayers.

**Impact on Service Users**

**How will this approach impact individual service users?**

In some regions in British Columbia, the number of WorkBC centres will reduce due to the new catchment areas. In other regions, the location of the WorkBC centre may change due to a new contractor being selected. 18 WorkBC centres will shift from full-time to part-time hours, reducing the times during the week that individuals can access services.\(^\text{108}\)

One study of the WorkBC transformation found that many frontline staff were unaware of the full scope of programs and supports available for clients and were unable to provide appropriate referrals where needed, despite WorkBC’s mandate of functioning as a “one stop shop”.\(^\text{109}\)

**Impact on Service Providers**

**What are some potential benefits for non-profit and charitable sector service providers?**

The new WorkBC procurement process has the potential to streamline the number of funding contracts an individual agency has to administer, thereby reducing their reporting requirements. For successful proponents, the contracts are long-term - potentially extending to 2028 if the agency meets its outcome targets.\(^\text{110}\)

**What are some potential challenges for non-profit and charitable sector service providers?**

Nonprofit organizations that were unsuccessful in the bidding process have been forced to lay-off their staff. Some staff, upon applying for new roles with the successful proponents, have found that the pay for an equivalent role is $3-$4/hour less than they were previously earning, despite wage requirements being set out in the procurement policy.\(^\text{111}\) The new WorkBC procurement policies also eliminated the requirement for 25% of the funds to flow through local, community-based organizations. The removal of this requirement has reportedly reduced/eliminated long-standing service delivery partnerships that existed between multiple non-profit organizations in local communities.\(^\text{112}\)

Successful proponents were more likely to submit under-budget bids, potentially constraining their ability to deliver services at full-cost. Financial cost was only 20% of the Government of British Columbia’s bid assessment criteria, but BoardVoice observed that successful proponents were, on average, bidding 27% under the budget cap.\textsuperscript{113} Two large corporations were very successful in the bidding process, capturing numerous catchment areas. While these corporations have prior experience in delivering employment services, it can pose challenges for non-profit organizations with limited resources to compete in the bidding process against much more sophisticated corporations.\textsuperscript{114}


The Issue

What was the challenge?

In 2011, the Australian Productivity Commission published a report on Australia’s disability services sector, concluding that the current system was underfunded, inefficient and highly fragmented. The Commission proposed a national insurance scheme as an alternative service delivery model to better meet the needs of Australians with disabilities.\(^{115}\)

How did the Government of Australia respond?

The Government of Australia introduced an Intergovernmental Agreement with state and territorial governments to introduce the National Disability Insurance Scheme (NDIS) on a national level. NDIS has 2 key pillars: (1) individualized plans or service budgets, which are either administered through an intermediary agency (80%) or self-administered (20%); and (2) social and economic inclusion initiatives through block funding agreements with disability organizations. NDIS is intended to provide individualized supports to 475,000 Australians at an estimated cost of $22B in the first full year of implementation.\(^{116}\) NDIS will be implemented fully over 10-15 years due to the significant system transformations that are required. The individualized plans are an example of direct funding, in which service users direct how their funding is used to meet their needs.

Role of Commissioning

How is the commissioning initiative structured? How did the funding model change?

Individualized funding through NDIS is determined based on an individual’s needs (rather than a set amount) and structured as a social insurance scheme. The funding is

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\(^{116}\) Australian Government Productivity Commission (2017) at p. 3.
administered through the government’s National Disability Insurance Agency (NDIA).117

Service providers only receive funding when an individual opts to use their services as part of their insurance package, and the funding they receive is based on centralized pricing models. The individualized funding model required significant supply-side incentives to facilitate a smooth transition (e.g. investing in workforce development due to the increased demand for services).

What was the rationale for this change?

The individualized service delivery model was perceived to be a strategy to increase user choice, autonomy and independence in accessing services that were customized to an individual’s specific needs. The model was also designed to create consistency at a national level, since disability supports were very fragmented at the state-wide level.118

Impact on Service Users

How has this approach impacted individual service users?

Individual service users have more choice and autonomy in the types of programs and services they can access to meet their individualized needs. Some users may work with plan administrators or intermediary organizations to broker services on their behalf, but they still have significant freedom to coordinate programs and services in an individualized way.

Impact on Service Providers

What are some potential benefits for non-profit and charitable sector service providers?

In a quasi-market environment, service providers can grow and scale their programs and services quickly without needing to wait for new government funding cycles. Organizations are also not obligated to follow prescribed service models based on funding agreement requirements, so it is possible that NDIS will promote more innovation and creativity in service delivery. Organizations can now orient their programs and services to meet the needs of users in a more responsive way rather than catering to government policy and funding objectives.

Some organizations have shifted or expanded their program offerings to include plan administration/system navigation in addition to direct program delivery, creating a new source of revenue for their organization.

**What are some potential challenges for non-profit and charitable sector service providers?**

NDIS was designed to transform how disability services are delivered in the community, but limited resources have been allocated to support non-profit and charitable organizations through this transition. In addition to these transition costs, there has been significant debate in the sector about whether organizations can deliver high-quality services based on the “efficient price” set by the NDIS pricing manual. For some organizations, the efficient price has been too low to account for their overhead costs and they have stopped delivering services due to financial sustainability issues.

NDIS has also invited a broader range of service providers (e.g. for-profit providers) to offer services, increasing competition for non-profit and charitable organizations. This broader range of service providers may help to address supply-side concerns to meet the demand from service users, but a mismatch between the supply and demand for services is likely to emerge as the sector transitions and the existing workforce may not be large enough to meet demand. The increased competition and risk of duplication is most significant in urban areas with numerous providers. For some organizations, the lack of guaranteed revenue has proven to be very challenging for their long-term financial sustainability. In 2018, 28% of disability service organizations surveyed reported that they had suffered a loss from providing disability services under the NDIS model in 2018.¹¹⁹ In 2018, 35% of organizations surveyed had discussed a merger with other organizations (with 6% following through on those discussions) and 13% of organizations discussed winding up the organization entirely.¹²⁰

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¹²⁰ Carey, G. et al. (2019) at p. 22.
UK National Health Service (NHS) Clinical Commissioning Groups Case Study
An example of operational commissioning

The Issue

What was the challenge?
Prior to the introduction of clinical commissioning groups (CCGs), health and social care services in the United Kingdom were administered by different entities (the National Health Service (NHS) and local government authorities, respectively). This separation made it challenging to integrate services for individuals and develop care plans that coordinate between multiple service providers.121

How did the NHS respond?
Under the 2012 Health and Social Care Act, the NHS replaced primary care trusts (PCTs)122 with clinical commissioning groups. CCGs were designed to allocate health care resources from the “bottom up”, and each CCG was empowered to respond to local needs as they saw fit, provided that they fit within broad guidelines outlined by the NHS. CCGs could decide the size of the population they would serve, how their governing board would be organized and how they would operate.123

The Act also deregulated care provision by allowing “any qualified provider” (private, public or third sector organizations) to bid on contracts with local CCGs. While these providers were involved in service provision prior to the introduction of CCGs, the tendering model allowed a broader range of providers to bid on contracts as the principal provider in the region.124

122 PCTs were regional health services governed by a board (similar to private sector governing boards of corporations), and their organizational structure was uniform across the country (Checkland, K. et al, (2016), “Complexity in the new NHS: longitudinal case studies of CCGs in England” BMJ Open 6: 1-8 at p. 2).
Role of Commissioning

How is the commissioning initiative structured? How did the funding model change?

CCGs are local networks of NHS England that commission hospital care, community health services, rehabilitation services and mental health services (among others) for between 150,000 – 300,000 patients. They must fulfill various statutory duties, including improving services, involving patients, facilitating patient choice and promoting the integration of health services. CCGs have a lot of freedom in terms of their organizational structure, but their governing body must be led by local general practitioners (rather than health managers). There are over 200 CCGs in England.

Similar to the previous PCT model, CCG funding is disbursed on a per-patient basis. In 2019-2020, this amount equated to £1,318 per patient. CCGs can use this funding to commission secondary health care services (and some primary health care services) as they see fit. CCGs also receive a £25 per patient allowance to spend on management support (e.g. business intelligence, needs assessments, contract management) through commissioning support units (CSUs) or external organizations. In total, CCGs allocate 60% of the NHS budget.

What was the rationale for this change?

CCGs were intended to engage clinicians more directly in the administration of local health care services and allocation of funds. While the funding model closely resembled that of the previous structure (PCTs), the emphasis on clinicians having a lead role in governance and decision-making was a key rationale for the transition.

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Impact on Service Users

How has this approach impacted individual service users?

While the data remains quite preliminary, there is some evidence that CCGs have improved relationships between clinicians and changed clinicians’ referral practices to align with those of the colleagues. These changes would presumably have a positive impact on patient health care outcomes, but the extent of this impact is unknown.

Impact on Service Providers

What are some potential benefits for non-profit and charitable sector service providers?

Some CCGs have made a concerted effort to strengthen their relationship with non-profit and charitable organizations by adopting a co-production philosophy. Some CCGs have also adopted statements of principles for how they intend to collaborate with voluntary sector partners, which has proven to be a helpful tool for defining the relationship.

What are some potential challenges for non-profit and charitable sector service providers?

In a 2013-2014 study, New Philanthropy Capital found that only 11% of CCG contracts were awarded to charities or social enterprises (33% were awarded to private companies, 55% were awarded to the NHS and 1% were awarded to other providers, such as local authorities and universities). This statistic may reflect several underlying issues: (1) smaller organizations lacking capacity to bid successfully on CCG contracts; and (2) increased scrutiny applied to non-profit and charitable organizations due to perceived weaknesses in data or information governance standards.

The CCG model is mired in complexity, as each CCG adopted its own organizational structure and accountability mechanisms. This has resulted in a more fragmented system, impeding collaboration across CCGs and creating confusion among service providers. For service providers looking to contract with multiple CCGs, this lack of standardization increased the amount of time and resources required to align with each CCG’s unique approach.

137 Checkland, K. et al. (2016) at p. 6.
## Appendix C: Commissioning Overview Table

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<th>Type of Provider</th>
<th>Funding Relationship</th>
<th>Scope of Services</th>
<th>Intended Outcomes</th>
<th>Example</th>
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<td>Negotiable</td>
<td>Generally pre-defined; may be negotiable through co-design process</td>
<td>Issuing a call for tenders for solutions to reduce youth unemployment</td>
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<td>Pre-defined</td>
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<td>Conventional RFP and tendering process</td>
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