



Social Impact Investment

Market Sounding:

Managing mental health hospitalisations

27 February 2015



Agenda

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| 2:30 – 2:45 | Welcome and overview of the Social Impact Investment Policy
Danny Graham |
| 2:45 – 3:10 | Managing mental health hospitalisations
Elizabeth Koff, NSW Ministry of Health |
| 3:10 – 3:30 | Proposals, process and timeframes
Kirrin Winning and Jeremy Harris, Office of Social Impact Investment |
| 3:30 – 4:00 | Afternoon tea and networking |
| 4:00 – 5:00 | Questions and discussion
Danny Graham |
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Purpose of this session

- Provide information to the market on mental health hospitalisations to help preparations for a formal Request for Proposals (RFP) in April.
- Brief the market on the requirements, process and timeframes of the RFP.
- Receive constructive feedback and suggestions to understand how we can support the market to respond.

Useful reading:



Managing mental health hospitalisations

Introduction

In December 2014, the Mental Health Commission of New South Wales released **Living Well – Putting People at the Centre of Mental Health Reform in NSW: A Report** which highlighted that:

- One in five Australians experience mental illness in one year
- 2.7 million work days are lost each year due to mental illness in Australia
- 54 per cent of the NSW mental health budget is spent on inpatient care.

The Government's response

The NSW Government has committed **\$115 million to mental health** funding over three years to support implementation of the Strategic Plan, focused on five key areas of action:

- strengthening prevention and early intervention
- greater focus on community-based care
- developing a more responsive system
- working together to deliver person-centred care
- building a better system.

Community Mental Health Conceptual Model

A dynamic model across the continuum of care to shift the balance into community-based support

Community Network & Support

Agency Support Services

Specialist Clinical Services

EDUCATION & COMM.

Learning & support services
Counselling services
Wellbeing services
Child wellbeing & protection services
Networked Specialist Centres

Family
Friends
Faith-based organisations
Community groups
Social & sporting groups
Advocacy & self help groups
Social media
Peer support

PRIMARY CARE

GP
Better Access Program
Dental
Psychology

FACS

Housing
Community Services
NDIS

JUSTICE

Corrective Services
Courts - Diversion

NGO

Residential rehabilitation
Psychosocial support
Daily living skills
Vocational support
Drug & alcohol support
Fitness & leisure

PRIVATE PSYCHIATRIC SERVICES

Psychiatrists
Private Hospitals

NSW HEALTH

Community Forensic MH Teams
Community Mental Health Teams
24 hour crises & triage
Assertive Outreach
Continuing Care
Co-morbid Services
CAMHS
Youth MH
Whole Family Teams
Drug & Alcohol Treatment Services

Step up/step down (NGO/LHD)

Inpatient Units
Forensic MH Hospital
Acute Care
Psychogeriatric
Child & Adolescent
Psychiatric emergency services

Person with mental health issues

Consumer

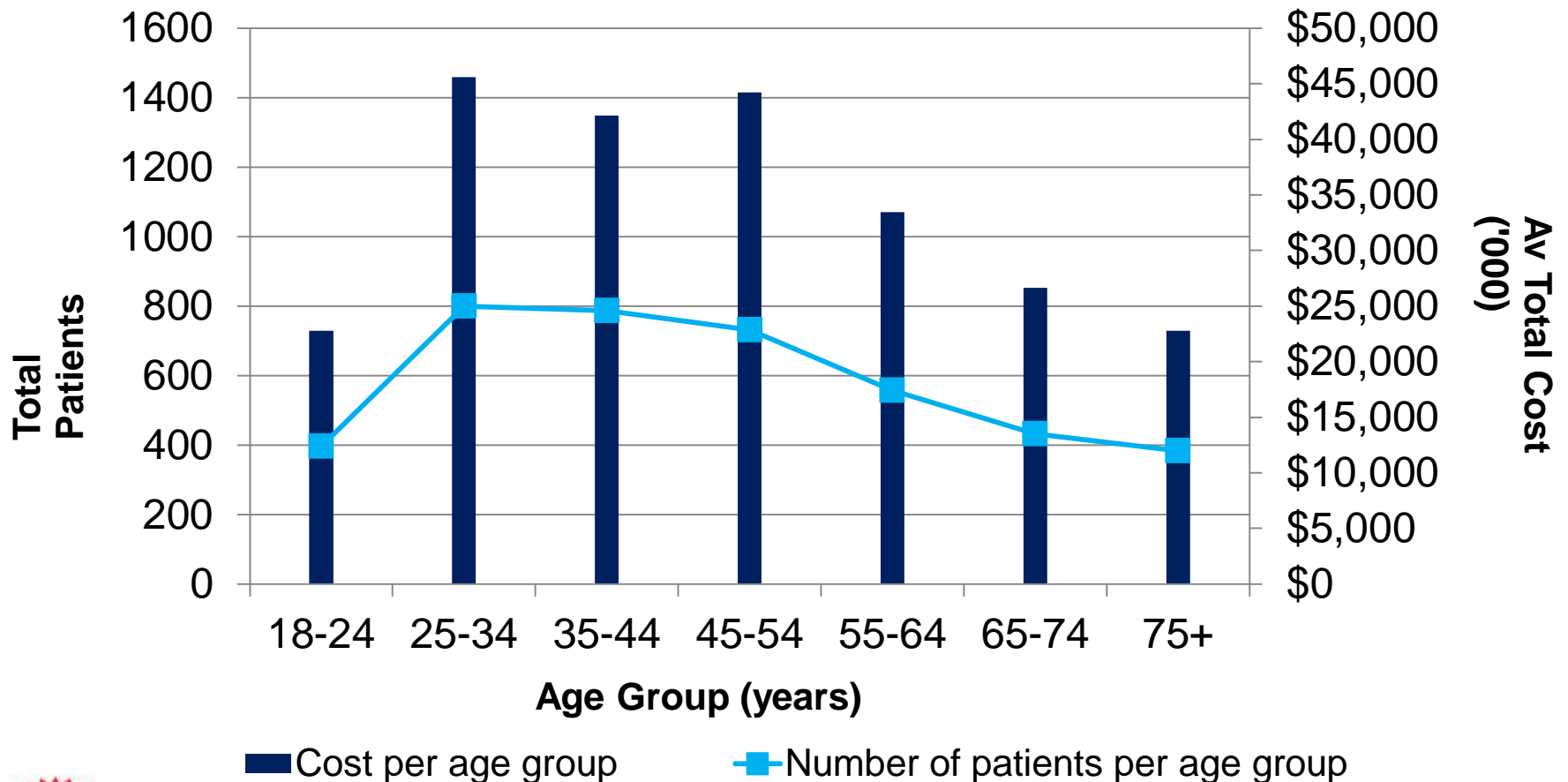
Patient

Potential cohort

- More than **4,000 patients (aged 18 years or older)** receiving treatment in an acute or sub-acute setting for a mental health condition were admitted for 28 days or longer in one or more episode in 2012/13.
- The potential cohort of over 4,000 patients accounted for **48 per cent** of the total mental health acute or sub-acute service cost.

Potential cohort

Target mental health cohort
Patients and average costs per age group (2012/13)



Community-based care

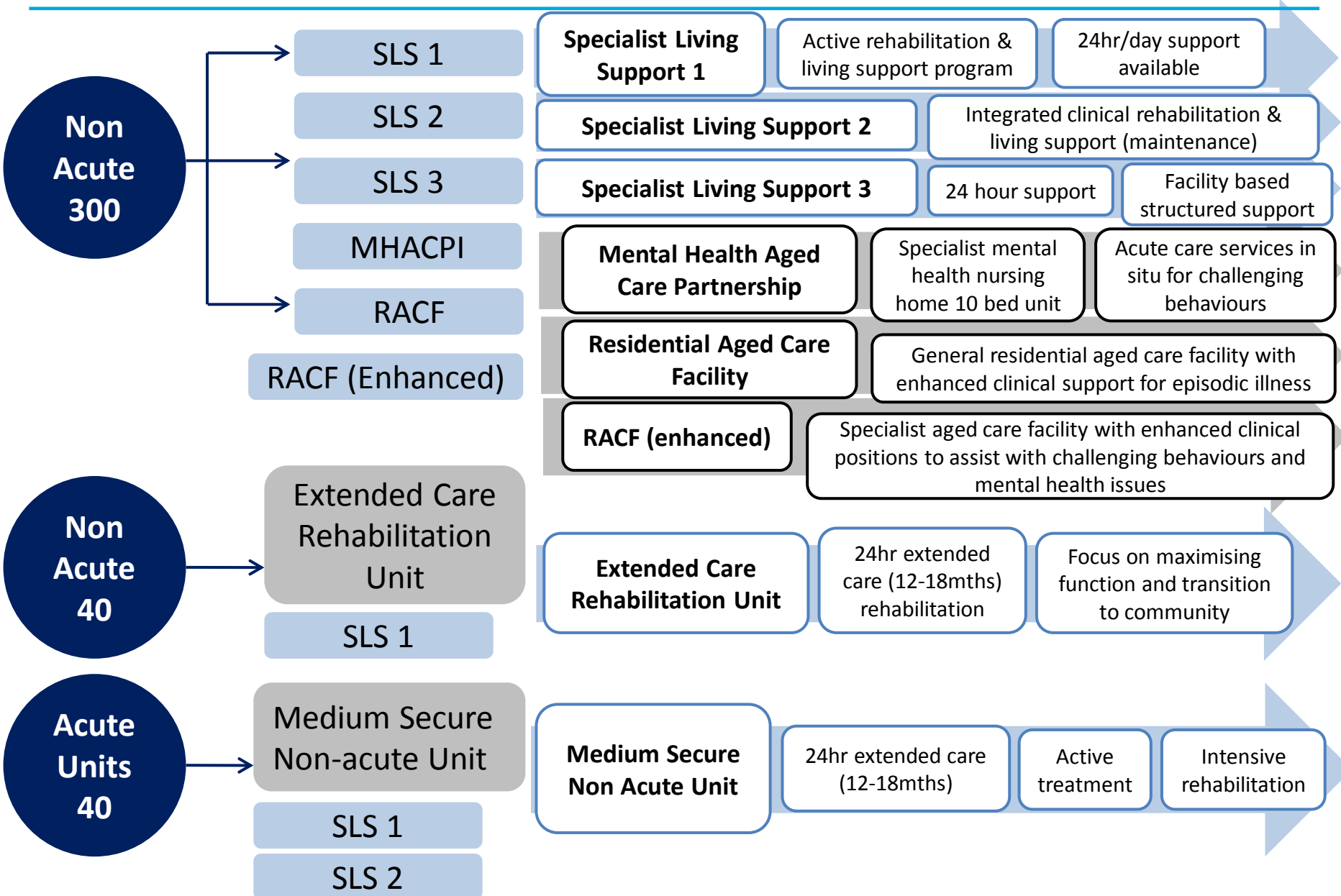
A possible focus for social impact investment

People with enduring and severe mental illness experience better quality of life and improved social outcomes if they can maintain **living in the community**.

- As at June 2014, approximately 380 people out of the potential cohort are receiving long-term hospital care in non-acute and acute units in NSW
- 336 are currently housed in six major mental health hospital sites in NSW – Cumberland, Macquarie, Morisset, Kenmore, Orange and Concord.
- 44 are spread across another 13 sites.

A range of support options

Preliminary estimate of options



A range of support options

Indicative accommodation options

**Castlereagh Unit, Orange –
State Wide Medium Secure**



**Annie Green Court
Redfern RACF & SLS3**



**Summer Hill, ADHC.
Congregate living SLS 2**



Casuarina Village, ADHC



**Glenside SA.
High support residential at
Glenside Hospital SLS 1**



Norton Road, ADHC



Effective and innovative interventions

NSW Health recognises social impact investment may enable greater innovation and flexibility in tackling policy issues, furthering the development of community based care models for mental illness.

An **evidence base** or clear **program logic** will be essential in proposals for interventions so that NSW Health and investors can assess the likelihood of achieving stated outcomes, as well as understand and price risk.

Principles for effective interventions

There is international acceptance of community care models for those with mental illness.

Elements shown to be effective in a supportive mental health model in NSW include:

- providing people with mental illness ongoing clinical mental health services and rehabilitation within a recovery framework
- assisting people with mental illness to participate in community life and to improve their quality of life.

Potential outcomes

Outcomes that would contribute to the delivery of **Living Well: A Strategic Plan for Mental Health in NSW** include:

- reduced severity and frequency of illness episodes
- greater stability in the lives of individuals with a mental illness, their families and friends
- contributions to the evidence base on what will improve the lives of people with a mental illness.

Potential patient outcomes

Outcomes may be proposed relating to improvements from a broader social and quality of life perspective.

These could include:

- increased stable and permanent housing
- increased employment
- reduced contact with the criminal justice system
- improved results in functional assessments.

Potential system outcomes

Depending on the nature of the intervention, the potential outcomes for the system could include:

- reduced frequency of readmission to a mental health facility
- reduced presentations to emergency departments
- reduced length of in-patient stay when admissions occur.

Further information

Strengthening mental health care in NSW

A once in a generation overhaul of mental health care service delivery.



The NSW Government has committed to a once in a generation overhaul of mental health care service delivery, with a \$55 million boost to mental health funding over three years.

A key commitment of the Government is improving the wellbeing of the community and ensuring better outcomes for people with mental illness, their families and carers. Already there has been record spending on mental health, new and expanded services have been developed with investment in much-needed infrastructure.

Under the Government commitment there will be a major focus on enhancing services in the community. Transformative mental health services will allow for expanded and give in the with community needs.

A key Government priority was establishment of the first Mental Health Commission of NSW.

Talked with developing a strategic plan, the Commission embarked on two years of consultation and research with contributions from over 2500 consumers, clients, health professionals and community members through forums and workshops. The final Commission document *Living Well: A Strategic Plan for Mental Health in NSW 2014-2024* provides a new way forward for strengthening mental health care in NSW.

The additional \$55 million investment over three years will support implementation of the roadmap with Government action focused on five key areas. Strengthening mental health care in NSW over the next ten years will mean:


- More support for staying well and at home as community mental health services are enhanced and unnecessary hospital stays reduced
- More people with mental illness and disorders able to access care
- Services oriented around individual patients, carers and families to help people live better lives in the community or other care settings
- Mental health services that provide a better balance of acute care and community based services
- A focus on high quality acute and long-stay care to ensure people with complex needs are supported through targeted and specialised services


The Government will work in partnership with the community-managed and public sectors to ensure that all programs and services will be better integrated.

www.health.nsw.gov.au

LIVING WELL


A STRATEGIC PLAN FOR MENTAL HEALTH IN NSW 2014 - 2024




 Mental Health Commission

LIVING WELL

PUTTING PEOPLE AT THE CENTRE OF MENTAL HEALTH REFORM IN NSW: A REPORT



OCTOBER 2014

 Mental Health Commission

Proposals, process and timeframes

Principles for social impact investment proposals

Proposals will have the greatest chance of success when they demonstrate:

1. Robust measurement
2. Value for money
3. A service likely to achieve social outcomes
4. Appropriate sharing on risks and returns
5. A focus on high priority social problems

We're seeking feedback on the **Principles for Social Impact Investment Proposals to the NSW Government**. Send your comments to socialimpactinvestment@dpc.nsw.gov.au by 29 March 2015.



1. Robust measurement

Methods for selecting clients and measuring outcomes are rigorous, supported by reliable data, and designed to minimise adverse outcomes.

Essential elements of measurement framework:

- clear and reliable outcome measures
- a well-defined client group
- a robust methodology for determining performance.

2. Value for money

Achieving the social outcome will deliver measurable benefits, which are sufficient to support payments to investors. Where benefits cannot directly fund investor payments, the proposal must clearly demonstrate value for money relative to public delivery of services.

The nature of the benefit	cash savings	avoided costs	productivity gains	other
The beneficiaries	a single govt agency	multiple govt agencies	other govts	individuals & communities
The timing of benefits	immediately	months	years	decades

Increasing complexity of transaction



3. A service likely to achieve social outcomes

Evidence or analysis indicates that the proposed service is highly likely to achieve social outcomes. The service provider has the capabilities to implement and, if necessary, adapt the service.

Proposals should demonstrate:

- evidence of service performance, locally or abroad
or
- if unproven, the link between the activities and the outcomes of the service (i.e. program logic)
- ability to deliver and adapt the service.

OUTCOMES VS OUTPUTS

“Not how many worms the bird feeds its young, but how well the fledgling flies.”

United Way of America, 1999



4. Appropriate sharing of risks and returns

The balance of sharing risks and returns between investors, service providers and government is sufficient to attract investors, as well as ensure value for money to the public.

Proposals should outline:

- the risk-return profile for each participant
- the level of return to investors under different performance scenarios
- how the proposed risk-return profile compares to similar products in the market

The higher the risk, the higher the potential return is a good rule of thumb for private investors.

The government will consider providing a standing charge to create a more attractive risk profile for investors – up to 50% of the service delivery costs.

5. A focus on high priority social problems

The service delivery area is one in which the government is seeking to address a major problem and is likely to be supported by investors.

Things to consider:

- prevention and early intervention services
- addressing unmet needs or targeting those not accessing government services
- opportunities for scale or growth over time
- periodic Statements of Opportunity that identify the government's policy priorities for social impact investment.



Capabilities and capacities needed

- Legal structure for the proposed transaction
- Business case development
- Financial modelling, including cash flows
- Identify costs & benefits
- Service design (key features)

Prepare proposal

- Contract negotiation
- Project management
- Relationship management
- Risk management
- Data modelling & analysis
- Decision making approval

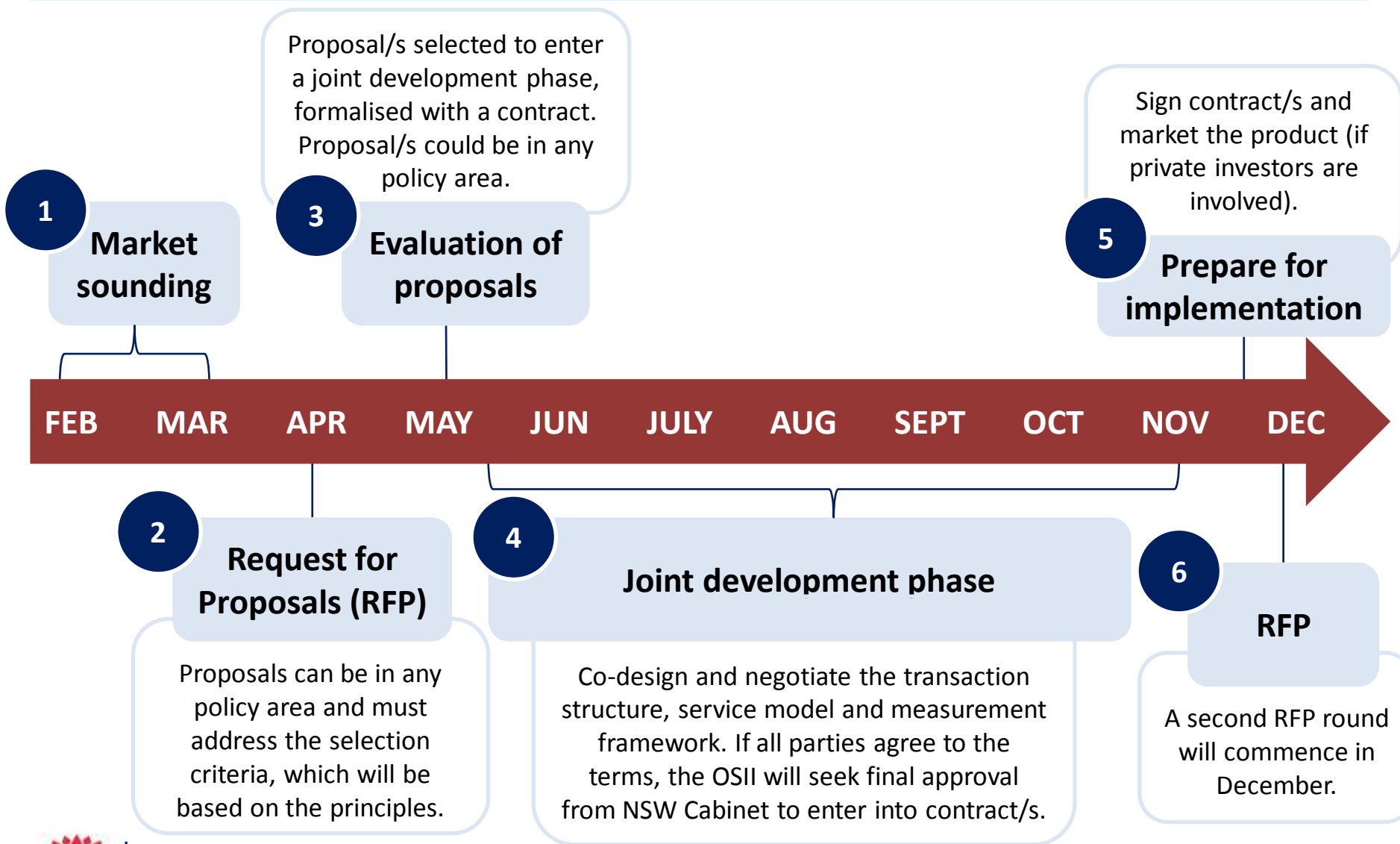
Develop transaction

Deliver the service

- Frontline service delivery
- Contract management
- Relationship management
- Data collection
- Continuous improvement
- Appropriate operating systems and governance

Partnerships with other providers or specialist organisations can help fill skill gaps.

Process and timeframes for 2015



Implementation considerations

Choosing a product

- Proposals for social benefit bonds will need to adhere to the principles to a high standard.
- Other models include payment-by-results, and joint or layered investments.
- Advice from an intermediary may be helpful.

Terms & payments

- The contract is with the NSW Ministry of Health.
- Terms must be agreed between the proponent, the government and investors (if any).
- Investor returns should reflect the length of the investment, and the regularity and size of payments.

Attracting investors

- Consider engaging an intermediary to help market the product.
- There are resources to help address concerns of different investors.

Collaboration

- Good governance structures are critical, particularly if partnering with others.
- Operational processes will need to be established and outlined in an operations manual.
- Systems to collect and report on data will be needed.

Services are expected to begin in early 2016.



OSII Assist

We can:

- provide general information about social impact investing
- provide general information on NSW Government activity and priorities in social impact investing
- provide information on RFP processes, timing and requirements
- facilitate contact with other government agencies and market participants
- consider and facilitate information and data requests

We can't:

- develop and implement proposals for transactions outside a formal RFP process
- give detailed advice or feedback on proposals prior to or during a formal RFP process
- advocate or promote potential proponents or their proposals to other government agencies and market participants

Contact the OSII for all social impact investment enquiries:

- ☎ +61 2 9228 5333
- ✉ socialimpactinvestment@dpc.nsw.gov.au
- 🌐 dpc.nsw.gov.au/sii
- t @NSWOSII



BREAK

Questions and discussion

How can we help?

Will any principles for proposals be challenging to meet? What kind of support is needed to overcome those challenges?

Are the likely selection criteria for proposals appropriate?

What barriers might prevent you from submitting a proposal? In what areas should we focus on building capacity?

Is there appetite for the Office to facilitate connections and partnerships?

What questions do you have for us?







Social Impact Investment Policy



Leading the way in delivering better
outcomes for the people of NSW.



Office of
Social Impact Investment

 +61 2 9228 5333
 socialimpactinvestment@dpc.nsw.gov.au
 dpc.nsw.gov.au/sii
 @NSWOSII