

## Case study 14: Demands of complex funding streams create inefficiencies

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*A large, non-profit alcohol and drug treatment service finds much in common with others in its two key networks, but the benefits of working together are diminished by the onerous compliance demands of multiple government funders.*

**Odyssey House Auckland** has treated New Zealand adults and adolescents with serious substance abuse, gambling, and other associated problems since 1980. Its services are delivered in a variety of settings, including in-residence, in people's homes, in schools, in prisons and in workplaces.

Chief executive, Phil Grady says mental health and addictions services don't fit so neatly into the primary, secondary or tertiary categories.

"The nature of our service means there are overlaps – we provide residential treatment services, but we do important work in the community supporting harm reduction and helping people stay well," says Phil.

Odyssey's community services provide advice, guidance and support to people who have previously participated in an Odyssey House treatment programme – the service aims to provide support on a "whatever it takes" basis to support clients living in the community. Professional staff teach clients coping skills and help them access appropriate community supports, to maintain employment and a healthy lifestyle.

Although Odyssey House receives some government funding, many of its services are also reliant on sponsorship and donations.

One of Odyssey's strongest collaborative relationships is with **CHAMP – the Counties Manukau Mental Health and Addictions Partnership**, which Phil describes as "a shining example of demonstrable savings that can be made by working together."

CHAMP is a partnership group representing NGOs and clinical provider services in the mental health and addictions sector across the Counties Manukau region. The DHB set it up in 2003, but handed it over to the group members to progress.

"CHAMP have undertaken a lot of development by working more closely together and that flows through to our services. We've made efficiencies and savings by sharing training resources, getting into bulk purchasing and combining HR functions.

"It's a provider-led group, which ultimately benefits the service user," Phil explains.

But Phil's time for building better services and collaborative relationships is often hampered by the compliance burden generated by Odyssey's multiple funding streams via different contracts and agreements with multiple district health boards, Child, Youth and Family – both nationally and regionally, the Ministry of Health and the Department of Corrections

"Whilst each contract enables Odyssey to deliver important services to some of the most vulnerable people in our community, each contact has its own reporting requirements and service specifications," says Phil.

"Even with the DHBs, we are often providing the same services – unfortunately service specifications are often different and each may require their own reporting. So each quarter when reports are due, we have to pull out different information for each.

"In addition, funders may request ad hoc reports, which add complexity – and that's even before you look at other compliance requirements, such as audits.

"Sometimes it seems like we have almost a rolling audit situation. One week one auditor wants to look at residents' files, the next week there may be a certification audit and the next week another checking the contract requirements.

"It takes up staff time and creates additional cost," says Phil.

"It takes staff away from frontline clinical service delivery and the collaborative relationship building."

Phil says sometimes different auditors are looking at the same things repeatedly, but they don't seem to take into account the findings of another audit.

"We will say 'we've just had X in', but that doesn't matter to them," says Phil, adding that it's not clear why they will not accept another auditor's findings.

"It's unusual – the actual service being purchased can be the same, but each can have different measures and expectations.

"The Northern region's DHBs have worked hard to co-ordinate audits so they are all happening at the same time, but a co-ordinated solution didn't seem to suit the other funders," Phil laments.

Integrated Contracts<sup>1</sup> have been discussed, but so far Odyssey has not been able to access them, and High Trust Contracting<sup>2</sup> seems limited to very few providers, even though Odyssey is one of the largest addiction treatment services in the country.

"There have been so many changes in a number of agreements this year along with changes in funding staff, that we weren't able to get them together to review the contract prior to a variation," explains Phil.

"It seems over-complicated and there's no alignment – it's difficult to understand why some are 12-month contracts and some are for three years," says Phil before adding "irrespective of all this, people with serious addictions and mental health problems still receive excellent services and go on to do well at life – it is all about providing better outcomes for people."

Phil believes there are various opportunities to improve things and find a better way.

"Across the DHBs, you could have one lead DHB managing the contract on behalf of the other DHBs – that would potentially mean one reporting system, one audit, and one lot of invoicing. DHBs have already got inter-district flows processes in place, which allow for funding transfers between DHBs for their population who receive services, so as providers we don't need to get caught up in what often seems like burdensome processes," he suggests.

"Across all the government departments, you could potentially have a lead organisation that takes responsibility for managing the contract with a provider," Phil offers as an alternative idea.

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<sup>1</sup> [Integrated Contracts](#) are led by Family and Community Services in the Ministry of Social Development.

<sup>2</sup> [High Trust Contracting](#) is also led by Family and Community Services in the Ministry of Social Development.

When asked if any agency stands out as being better at contracting than another, Phil says that while the Northern region's DHBs try to work in a co-ordinated manner, there is significant potential for all funders to do better.

"One of the key deficits within funding staff is they lack understanding of how an organisation works – especially a non-government or not-for-profit organisation with multiple funders. There needs to be a training component added for government funding staff.

"Many of us have multi-million dollar contracts, and there needs to be more strategic thinking and alignment when it comes to contracting. The Government focus on value for money and outcomes is welcomed. Outcomes for individuals, particularly with a serious or chronic substance illness can take many years, but funding is often only short-term – like 12 months.

"No sooner than you've got one contract signed and in place, and you're starting the discussions for the next year's contract.

"We need to lift the vision to have a strategic relationship with funders and government agencies."

Phil suggests there are better things than inputs that they could measure if given the opportunity.

"There's a recognised alcohol and other drugs outcome measure, where you can track people's outcomes clinically. And there are short-term outcomes too.

"So much crime is associated with alcohol and drug use," explains Phil, "so when someone is in-treatment – those are crime-free or alcohol and drug-free days – and that has a flow-on cost-saving to wider New Zealand."

Phil's views on funding are supported by the **National Committee for Addiction Treatment (NCAT)**, of which he is a member.

NCAT is a group of service leaders, educators, representative groups and elected individuals who provide leadership to the alcohol and other drug (AOD) and problem gambling treatment sector and its stakeholders. NCAT includes a number of non-profit NGOs and reflects the work and diversity of the addiction treatment sector in New Zealand

Robert Steenhuisen, co-Chair of NCAT, says Odyssey is typical of providers in the mental health and addictions sector, with many agencies receiving various funding amounts from DHBs, the Department of Corrections, and the Ministries of Social Development, Education and Health – each with different reporting requirements and accountability systems.

"Having to jump through different hoops for different funders is impacting heavily on services, and will make it impossible for the sector to meet increasing demands," says Robert, who is also regional manager of Community Alcohol and Drug Services for the Waitemata District Health Board.

"We must look at ways of streamlining the funding model so workers can get on with the job, instead of wasting time and energy pleasing so many masters.

"Often there's no co-ordination or consistency between them either," he adds.

“A person may turn up for treatment, but a lack of communication means the clinician often doesn’t know what offending has been involved. At the same time, the criminal justice sector may have little idea about what treatment the offender has undergone or what bearing that may have on their case.

“Treatment workers’ time gets taken up dealing with these sorts of problems when they could be actually helping the people and families in need.”

Robert says the government silos and associated compliance demands mean the services can’t adequately support the families of those struggling with addiction – especially their children.

“Many of whom will grow up with similar problems themselves,” he adds.

“Treatment workers would be able to help more of these struggling families and make more of a difference if they spent less time dealing with disparate bureaucracies.

“If the government made a priority of simplifying and co-ordinating funding streams, that would massively improve the services we could deliver right now,” says Robert.

Phil Grady says the funding issue has been on the table for multiple years but, while there appears to be a willingness from some funders to contract in a more co-ordinated manner, more tangible improvements could be made.

“Government are really supportive of the important services we provide. In real terms, a reduction in the reporting and compliance bureaucracy requires a co-ordinated response from senior people,” says Phil.

**More information:** [www.odyssey.org.nz](http://www.odyssey.org.nz) or [www.champ.org.nz](http://www.champ.org.nz) or [www.ncat.org.nz](http://www.ncat.org.nz)

This is one of the 15 case studies profiled in *How NGOs Make a Difference to Health Care in the Community* – a 96-page report from the Health and Disability NGO Working Group, Jan 2012.

The case studies cover acute nursing services, health information services, virtual practices, youth one-stop-shops, mental health networks, community development approaches, cardiac rehab, Whānau Ora and Asiasiga models of care, and more – from North to South.

See [www.ngo.health.govt.nz](http://www.ngo.health.govt.nz) for more of the report.