Innovation in age services

Overcoming barriers

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Amid high levels of scrutiny and increasing regulation, organisations in the age services industry need to create new ways to meet customer demands, maintain quality and remain viable.

As a Foundation Partner of *innov*AGEING, Australia's innovation network for the age services industry, KPMG set out to understand the innovation challenges and opportunities.

This report highlights the views from a series of roundtable events where industry leaders were encouraged to share their barriers to innovation – and how we can start to overcome them, together.

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All organisations in the age services industry are facing a raft of pressures including:

- Falling levels of public trust from older Australians and their families
- Increasing challenges to meet the demand from Australia's growing ageing population and the complexity of their needs as they age
- Rising expectations for more personalised services, and better care outcomes and quality of life from services
- Rising costs of service delivery
- Increasingly sophisticated, intelligent, connected and scalable technology
- Rapidly changing competitor landscapes.

With the Royal Commission into Aged Care Quality and Safety set to deliver its interim findings and recommendations report by October 31, 2019, the industry is bracing itself for additional change and challenges, particularly with the potential for increased levels of regulatory compliance.

This combination of disruptive forces is putting pressure on the industry to innovate and develop new ways of working.

No matter what industry an organisation is in, it operates within a given regulatory and economic environment and must continue to earn a social license to operate. Aged care is no different.

However, the age services industry has been slow to innovate compared to other industries, including healthcare, and has much work to do to pick up the pace. This is not necessarily the industry's 'fault', but is a reflection of its maturity. It is emerging from a block-funded model, into a more customer-led market and is working through its identity and focus.

Age services is not the only industry under pressure to innovate. KPMG's *2019 CEO Outlook* survey[1] showed that 80 percent of Australian CEOs (from a cross-industry sample) agree that 'acting with agility is the new currency of business; if we're too slow, we will be bankrupt'. And 62 percent agree that 'over the next 3 years, we need to improve our innovation processes and execution'.

There is a 'burning platform' to innovate and the leading providers in 10 to 15 years' time will be those prepared to make fundamental changes now.

"The age services industry is facing a historic challenge. The ageing population boom, limited new sources of funding and potentially rising regulatory pressures mean providers must start to fundamentally rethink how they operate, cooperate and innovate. Those unable to will not survive the rise in care needs of our older Australians over the coming decades."

Nicki Doyle, Partner, Health, Ageing & Human Services, KPMG Australia

Accelerating change

To explore the topic of innovation and its barriers in the age services industry, KPMG partnered with *innov*AGEING to host and facilitated roundtable discussions in Melbourne and Sydney in the first half of 2019, attended by providers, start-ups, universities, and other stakeholders. This report collates the topics discussed, supported by additional insights from KPMG.

There was little doubt from the discussions that innovation is a large, complex problem – that will require a multi-faceted solution, driven by the key players in the age services industry including providers, regulators, suppliers, funders and other entities that support the sector.

The innovation challenge

A number of complex challenges are being faced by the industry, which both drive the need for innovation and can make innovation difficult at the same time. Among those raised were:

– *A different type of 'ageing'*

As Australia's population ages, what it means to be 'old' is changing. To some, 60 is the new 50 and 70 is the new 60. Older people don't necessarily see themselves as different to anyone else and don't want to be differentiated just because of their age or need for some additional support services. The new ageing population is more active and seeking more autonomy than in the past; however, they are also facing more complex health and social needs.

"As baby boomers get older, they will have more capital at their disposal, and a greater expectation of good service than the generation before. They're people who have strong views and enjoy things in life, and expect to have that in an aged care environment as well. They will not be silent on poor service outcomes."

James Mabbott, Lead Partner, KPMG Innovate

– Multiple stakeholders for care providers

Providers are in a position where they have multiple stakeholders to satisfy in delivering services. This includes the Commonwealth Government as the funder and the regulator, as well as the customer – the older person, and their families. Juggling the competing needs of multiple stakeholders makes it difficult for providers to be able to innovate their delivery of care and support to older Australians.

– Multiple customer segments

Among age services recipients, there are multiple customer profiles. Everyone is an individual with different needs and wants, and their families also have unique expectations. This requires providers to be nimble, in order to meet their different needs, whilst also complying with sector regulatory requirements.

How providers previously understood their customers is quite different to what providers now require in order to meet the complex and diverse needs of older Australians and their families.

– Clinical versus social care

The industry is challenged with determining how it should define itself and deliver care and support for older Australians. At the core of this is the juxtaposition of clinical care and social care. Is the industry a clinical service that provides social care, or a social care service providing clinical support? The growing expectation is that the industry is both, providing all things to all people, which is almost impossible for providers to deliver.

The industry's roots in clinical care also acts as a barrier at times, narrowing the focus of the workforce and providers to clinical needs, and limits a more holistic view of the individual and their needs. For example, with a strong focus on meeting clinical needs, other key components of wellbeing for older Australians may be overlooked, including the effects of isolation and enhancing quality of life.

– Rapidly changing technology

Technology offers immense potential for the industry to help providers to recognise and deliver tailored and efficient services to 'the whole person'. However, with multiple options, and new products and solutions emerging almost daily, the challenge for organisations is to work out what technology to invest in, and what will deliver the best business outcome and meet the increasing needs of older Australians.

Technology has the potential to drive up costs. Therefore, careful consideration must be given to redesigning processes and services prior to implementation to fully reap the benefits of new technologies.

"How do we think about what else we might need to stop doing, so we can get more value instead of just adding layers?"

Nicki Doyle

– Innovation takes time and investment

Innovation takes a lot of hard work, perseverance and investment to achieve. With the current funding challenges within the industry, and it being unlikely there will be a significant increase in funding, many providers feel they don't have the ability to focus significant funds on innovation. However, the challenge is that without innovation, it is unlikely that providers will be able to implement more cost-effective models of service delivery that support quality outcomes for older Australians. Innovation needs to be seen not as something outside of the core business, but a means to achieving the mission.

"The ability to fund and scale things on an individual business basis is very difficult. If you're Google, Facebook or Apple and you have billions of dollars, it's a very different resource environment than in aged care. So clarity of focus and alignment of funds to outcomes is critical."

James Mabbott

– Collaboration is infrequent

When organisations in other sectors set out to innovate, they often team up for scale. However, so far there has been little collaboration between organisations within the sector. There is a tendency for providers to overestimate the degree they are in competition with each other. Working together in areas of shared commonalities would be helpful for the industry.

Industries like healthcare have a stronger track record of sharing resources and learning from each other. Another example is Stone & Chalk in Fintech, which is co-funded and supported by government and industry to foster the development of the next generation of financial services companies. While the industry competes fiercely, it is coming together to create an environment to actively support innovation and experimentation.

– *Fear of failure*

Given the high levels of compliance and the critical role of supporting older Australians, the innovation mantra of 'failing fast' can be problematic for the industry.

"When you're dealing in an environment of health and social care, the associated ability to take risks or do things differently is perceived to be different, because you don't want to be doing something which could put someone's health at risk. Which is why we need to look for experiments that test hypotheses and provide data to support outcomes that can then lead to increased investment and opportunity to scale."

Merlin Kong, Head of Innovation Network, *innov*AGEING

– *Scaling innovation*

The concept of being innovative in the age services industry is relatively new, with little understanding of how to move from experiment to scale. Without a clear line of sight to scale from the beginning, providers risk their great idea falling into the 'pioneer gap'. The 'pioneer gap' is the gap between initial grant funding, and commercial finance of the idea or project, where working capital can be tight.

Care providers are asking: "How do you take great ideas and turn them mainstream? How do you go from having a standout facility in one location, and then replicate that in other locations?" This requires a very different skillset from day to day operations, and is difficult for providers to execute when the responsibility for scaling sits within the operational team.

Scaling good innovations can also be prohibitive due to investment. It would be unwise to underestimate the size of the challenge, or the operating constraints that some organisations are under. Sometimes they get funding to do a pilot, but to do the bigger things, they have to redirect the funding they have elsewhere.

Enabling innovation in age services

To break through these complexities and get on the road to innovation, the industry must address five key areas.

1. Set a strategic vision for the industry

There is an opportunity for the sector, peak bodies, government and other key organisations to set a consistent vision as to what the industry is and, provide a long-term strategic view of the industry. This includes a clear decision as to what age services wants to be – social care, home care, clinical care, other?

Once the vision is set, an innovation strategy, with some key thematic focuses should be developed to support the achievement of the strategic vision. The strategy should map out current activity and a detailed plan on how gaps can be addressed. Without this there is a risk of continuing disconnected and tactical innovation activity, such as pilots and trials, which don't build towards a common goal.

2. Increase industry connectivity and cooperation

The next consideration is how to foster better collaboration to solve a clear set of challenges. Without collaboration, there is a significant risk that innovation will be too small to make the significant changes required within the industry, or won't gain sufficient traction.

The key will be in organisations combining capital and resources in areas where they are not ultra-competitive.

This strategy is being recognised by CEOs of other industries, with 38 percent of CEOs stating that strategic alliances with third parties is their top strategy for growth over the next 3 years, according to the KPMG 2019 CEO Outlook survey.

Accelerator programs

Startup accelerators, also known as seed accelerators, are fixed-term, cohort-based programs that include seed investment, connections, sales, mentorship, educational components, and culminate in a public pitch event or demo day to accelerate growth.

KPMG supports several such industry based accelerator progams in Australia.

RISE

A 3 month intensive program for innovative scale-ups with proven solutions for the mining and energy resources sectors.

https://riseaccelerator.gateway.kpmg.com.au/

Mutuals Fintech Accelerator Program

KPMG's Mutuals Fintech Accelerator Program is a new type of corporate accelerator, connecting forward-thinking Mutual banks with some of Australia's most exciting fintech startups.

Over the course of a 12-week program, seven Mutual banks will work closely with fintech startups to ideate new solutions, test assumptions, and co-create and prototype products and services.

https://home.kpmg/au/en/home/industries/financial-services/mutuals-fintech-accelerator.html

3. Align innovation to the needs of older Australians

Any innovation needs to have business benefits, and must be tied to the overall strategy of the organisation. However, the innovation must have value for older Australians and their families, not just add costs and complexity. Putting the needs and outcomes of older Australians at the centre of innovation will also support identification of the key areas for innovation as well as potential solutions.

The strategic alignment piece is very important because without that it makes it very hard to be successful. When innovation is aligned to strategic intent, there is a much greater chance of developing and discovering ideas to help achieve things as an organisation.

Living labs

In Making a Case for Creating Living Labs for Aging-in-Place: Enabling Socially Innovative Models for Experimentation and Complementary Economies, the authors explore what an innovative 'living lab' could be when it comes to age services. Their 'living lab' solution focuses on a 'bottom up', community-led approach.

"The proposed framework is a Living Lab for Aging-in-Place that serves as a methodology for experimentation and data collection as well as a social foundry for innovative services and products in support of aging," they write.

Their vision for Living Labs includes:

- **An open source digital infrastructure that is available to each Living Lab and that can be adapted to local needs.**
- **A community observatory function to inform the design and delivery of more inclusive products and services.**
- **A co-design and co-delivery methodology to create consensus around strategic priorities, and co-produced joined-up, inter-departmental and inter-organisational responses.**
- **The participation of local businesses and organisations.**
- **Continuous interface with local and central policymakers to provide the evidence base for understanding and modeling impacts of social policy interventions and innovations.**

In Australia, Living Labs for Ageing are in their infancy. The Global Centre for Modern Ageing is leading the way with their lab in the Tonsley Innovation District in Adelaide, supporting age service providers, and organisations more broadly to meet the needs of older Australians through the development of better products, services and solutions.

In 2015 KPMG worked with the Committee for Sydney, NSW Government and the financial services industry to establish Australia's first Fintech innovation hub, Stone & Chalk. The hub was established to help support the growth of the Fintech ecosystem and the future of digital innovation within financial services. As a not-for-profit hub in the heart of Sydney city, the innovation hub allowed for the co-location and collaboration of technology start-ups, venture capital and established financial services firms. The hub was a 'centre of gravity' for Fintech in Sydney and provided access for start-ups to low cost services such as working space and professional expertise. Stone & Chalk quickly became an environment for start-ups, venture capital, established financial services firms and regulatory agencies to actively support one another and experimentation.

In support of the growth of the industry, a Fintech industry association, Fintech Australia, was established in 2015, providing a voice and advocacy platform for the industry across Australia. In addition, regulatory and incentive changes were made to further enhance the attractiveness of the industry for entrepreneurs and investors alike.

Since the establishment of Stone & Chalk in 2015 in Sydney, $330 million of capital has been raised, 142 start-ups have graduated, 27 corporate partners have been secured and 26 companies have begun exporting overseas. The commercial outcomes and benefits of the establishment of the Fintech innovation hub have fostered the growth of the industry and positioned Sydney as a leader in Fintech innovation. Stone & Chalk has also expanded into Melbourne and most recently Adelaide, where they will be establishing a space industry-focused incubator at Adelaide's Lot Fourteen Innovation precinct.

4. Look beyond age services

The industry can learn from other areas such as maternal health and mental health, as well as other areas such as at the airline, hotel and hospitality industries in terms of how customers needs and wants are taken into account to drive innovation.

The industry can also look to accelerator programs and technology hubs for inspiration.

"We need to think beyond traditional providers when driving innovation across the industry. Whilst they are pivotal, the challenge is too great for them alone. The whole ecosystem needs to be engaged from real estate developers to technology providers and other suppliers within the system….the sum of different views will support greater opportunities for innovation."

Nicki Doyle

Sandbox model

In financial services, the regulator ASIC has recognised that the regulatory framework can act as a barrier to both innovation and the development of new business models and competition. To help support the development of new business models and innovative solutions ASIC has developed the concept of a 'Fintech regulatory sandbox'. The sandbox provides for eligible fintech companies to test certain products and services for a period of up to 12 months without the need for a license. The idea behind 'sandbox frameworks' is to create an environment where providers can conduct live innovation experiments in a controlled environment under a regulator's supervision. In aged care, organisations could take this approach to create an environment where they can test some ideas with carers/providers/customers before implementing them in full.

5. Be investment ready

In order to embed innovation throughout the industry, the capacity to move beyond pilots needs to be developed within the industry. The first component to consider is 'investment readiness.' This requires a shift in mindset for providers to focus not just on the good idea, but how to assess if it is the right idea, with the potential to scale. Assessing the idea on the basis of its long-term desirability, viability and feasibility will give providers key information about how to refine an early idea, what evidence to collect about its outcomes and/or impact and/or how to enhance it technically. Without a clear line of sight to scale, innovations never have the chance to reach their full potential.

It also provides the opportunity to assess demand for the idea, as without demand the best innovation will fail to be implemented. Another key consideration is to develop a sustainable business model from the beginning and build the appropriate funding model, legal and governance structure, operational capacity and impact assessment required to commercialise beyond initial grant funding.

This will also position providers in a better place to secure investment in their innovation.

For example, the Impact Investment Ready Growth Grant, funded by the Australian Government Department of Social Services as part of the Sector Readiness Fund, provides capacity building grants to mission-driven for-profit and not-for-profit organisations, allowing them to use the grant funds to pay for external capacity building support that helps them to raise capital.

There are many ways of using money to fund innovation. Innovation funding tools range along the full spectrum of the capital continuum from: challenge prizes, grants, stage-gate funding with payments released as product or innovation develops, convertible grants, matched crowd-funding, loans, convertible loans (offering rights to convert into equity), quasi equity (loans offering revenue participation rights), equity or social impact bonds. These can often be used in combination and sized to the innovation's evolving life-cycle trajectory.

Conclusion

The age services industry is at a critical stage in its development and now needs to do things differently in order to continue being a vital, viable and trusted part of Australia's social and economic fabric.

Many people and organisations within the industry are keen to drive innovation and create lasting improvements. However, these have been isolated pockets of success while overall, attempts to innovate at a system-wide level have not been possible.

Collectively we must understand why innovation is not a deeply embedded part of the industry's DNA and then make one or two practical steps forward.

In such a complex and important part of our society, this is no longer just about government, providers, regulators or start-ups. Everyone has a role to play and all parts of the industry must communicate more, collaborate and take joint ownership.

As the ageing population grows over the coming years, we must make long-lasting changes now to underpin the long-term sustainability of the industry and improve the lives of older Australians.

Thanks to roundtable participants

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IRT

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Global Centre for Modern Ageing

Care Connect

The National Ageing Research Institute

Benetas

RMIT University

Bolton Clarke

HammondCare

The Australian Centre for Social Innovation

Umps Health

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Find out more

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