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**Mental
Health
Council**
OF TASMANIA



Access and Affordability in Tasmania

Report 1: Impacts of Inflationary Pressures on
Mental Health Service Provision

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About Us

The [Mental Health Council of Tasmania](https://www.mhct.org) (MHCT) is the peak body for community managed mental health services in Tasmania. We represent and promote the interests of our members and work closely with government and agencies to ensure sectoral input into public policies and programs. We advocate for reform and improvement within the Tasmanian mental health system. Our purpose is to strengthen and advocate for our communities and service providers to support the mental health and wellbeing of all Tasmanians, and our vision is that every Tasmanian has access to the resources and support needed for good mental health and wellbeing.

Executive Summary

Tasmanians continue to face unique and significant barriers in accessing appropriate and affordable mental health care. Service providers' ability to provide consumers with high quality mental health services and support continues to be impacted by workforce recruitment and retention challenges, slow progress towards system integration, increasing service demand and client complexity.

In addition, 2022 saw member organisations reporting on the significant impacts of inflation and associated service and salary expense increases on service provision. A lack of aligned and reasonable increases in government funding allocations (i.e. indexation) has resulted in service providers working within increasingly tight margins, which is also further exacerbating existing challenges, particularly in relation to workforce.

Recognising the impact this could ultimately have on consumers' ability to access supports and services, MHCT conducted a survey of its members to explore and monitor current service provider challenges, with a specific focus on the impact of inflation and current indexation levels.

The survey results were stark. While most organisations experienced significant increases in service and salary expenses, 92% of member's funding agreements with State and/or Federal government reported indexation of 3% or below, with 35% having no indexation applied. A lack of consistency exists with respect to indexation, even, in some cases, from within the same government department. At the same time, an overwhelming majority of community mental health service provider respondents (92%) reported a shortfall in FTE, and 68% experienced challenges recruiting during the 12 months prior to the survey.

An increase in service demand and client complexity is also widely reported, placing further pressure on an already strained workforce. The impact of inflation on expenses, without an aligned increase in funding, is resulting in service providers being forced to further reduce FTE and modify their service delivery, thus exacerbating ongoing challenges. Members foresee ongoing high inflation without aligned indexation driving further damaging impacts including reduced services (particularly outreach), a need to pass costs onto the consumer, less consumer choice and control over services and ultimately a need to consider long term service viability. Given the existing challenges already facing consumers in accessing mental health services, including lengthy waitlists (69% of survey respondents reported currently holding a waitlist), these impacts could be considerably detrimental to the mental health and wellbeing of the Tasmanian community.

Other jurisdictions across Australia have recognised the inadequacy of current indexation and are lobbying government for change, with some success. It is critical that State and Federal Governments act immediately to support and strengthen the Tasmanian mental health sector, and in turn, support the mental health of the community at large.

In developing the below recommendations, MHCT also considered the current reform work underway in Tasmania and opportunities within it to address the range of service provider challenges that are impacting on access and affordability of mental health services. These opportunities are listed later within this document as additional factors.

While systemic reform priorities in Tasmania are relevant to the challenges brought on by inflation and inadequate indexation as identified in this report, it is important to ensure that reform implementation appropriately and effectively responds to service providers' current experiences and expressed needs in a timely way.

The Tasmanian mental health sector is innovative, high performing and focused on the provision of world class mental health services and supports. Our State Government has an opportunity to support and safeguard our mental health services through the provision of adequate and appropriate funding agreement indexation, thus guaranteeing sustainability and efficiency, and strengthening the collective mental health and wellbeing of the Tasmanian community.

This report has been informed by surveys and interviews with 22 [MHCT member organisations](#) in the community and private sectors operating across Tasmania, and in consultation with MHCT's Tasmanian Mental Health Leaders Forum. A robust methodology was applied (see [Appendix 1](#)) during the development of this report.

To address the significant impacts of inflation and inadequate indexation arrangements on Tasmanian mental health service providers, MHCT has developed four recommendations for urgent attention and action from State and Federal Government:

Mental Health Council of Tasmania Recommendations

- Adequate indexation should be applied to all State and Federal government multi-year funding agreements for community mental health service provision
- An appropriate model should be adopted for calculation of indexation that utilises relevant data and responds to the impact of inflation on service and salary expenses
- State and Federal Governments should provide five (5) year funding agreement tenures for community managed mental health service providers
- A consistent and transparent process should be developed for annual reviews of indexation, KPIs and underspends to occur between government funders and contracted service providers within appropriate and agreed timeframes.

1. Background

Every Tasmanian should have access to place-based, person-centred, equitable and affordable mental health care, regardless of their circumstances and location. Unfortunately, however, many Tasmanians face significant barriers to accessing affordable mental health care. These include:

- limited availability of services, particularly in rural and remote areas
- transportation barriers
- lack of prevention and early intervention supports
- barriers to accessing telehealth options
- limited awareness of local supports
- stigma and discrimination
- inability to afford gap payments
- a lack of services tailored to meet the specific needs of priority cohorts.¹

There is a clear need for State and Federal level advocacy to improve access and affordability of mental health care in Tasmania. Given the complexity and multi-faceted nature of this issue, MHCT has decided to approach this work in tranches, developing a suite of reports and associated recommendations, each with a refined focus.

This report (1) focuses on the impact of inflationary pressures on mental health service provision in Tasmania, recognising the urgency in addressing the issue given the direct and immediate impact on consumers' access to services and ultimately their recovery outcomes. It also explores other service provision challenges currently impacting on access and affordability. Future tranches of work within MHCT's Access and Affordability campaign will focus specifically on consumer and carer perspectives.

1.1. The Tasmanian Context

The most recent census data from 2021 indicates that 11.5% of Tasmanians self-reported having a diagnosed long-term mental health condition (including depression and anxiety), compared to a national average of 8.8%.² Primary Health Tasmania reports that more than 90,000 Tasmanians are currently living with a common mental health-related condition such as depression or anxiety, and a further 125,000 are at risk of developing a mental health condition.³

Tasmania has unique demographic and socioeconomic factors that impact on mental health as well as the demand for mental health services, the cost of providing services and the effective and affordable delivery of services. The population is significantly dispersed, which is significant as rural, regional and remote communities are both more at risk of mental illness and face more barriers to accessing mental healthcare than those in metropolitan areas, including a lack of availability of mental health professionals, particularly for specialist care.^{4, 5} Compared to the national average, Tasmanians have higher rates of many chronic health conditions and disability, lower weekly incomes and are experiencing high, and growing, rates of housing stress and homelessness.^{6,7,8,9,10} All of these factors can significantly contribute to poor mental health and wellbeing, as well as the ability to access mental health services. Furthermore, the population is ageing at a faster rate than the rest of Australia and due to this it is estimated that the prevalence of chronic conditions will continue to grow, further increasing demand for healthcare as well as the cost of providing health services.^{11,12}

Mental health workforce challenges have been an ongoing issue in Tasmania and the COVID-19 pandemic exacerbated them. In November 2021, MHCT released a report titled, [COVID-19 impacts on the community managed workforce](#).¹³ This report highlighted findings from consultations with senior management of community mental health organisations across Tasmania. The consultations sought to explore challenges faced by the community mental health workforce and understand how COVID-19 had impacted on or exacerbated them. The key challenges identified reflect many of those identified at a national level and included mental health staff shortages (alongside increasing service demand); prohibitive costs of training, development and supervision; limited welfare and wrap around supports; a need for mental health literacy, prevention, early intervention and appropriate referral processes; pandemic fatigue; and significant issues in the delivery of services in rural and regional settings.¹⁴

1.2. Challenges of Inflation

Inflation is an increase in the level of prices of the goods and services that households buy and is measured as the rate of change of those prices. The most well-known indicator of inflation is the Consumer Price Index (CPI), which measures the percentage change in the price of a basket of goods and services consumed by households.¹⁵ Over the twelve months to the June 2022 quarter, the national CPI rose 6.1%, with Hobart recording an annual rise of 6.5%.¹⁶ Nationally, non-discretionary goods and services (including food, rent, fuel) rose 7.6%.¹⁷ These significant increases in costs impact significantly not only on consumers but on organisations, including community managed mental health service providers.

On 1 July 2022 the national minimum wage increased by 5.2% while the Social, Community, Home Care and Disability Services Industry Award minimum wage increased by 4.6%.¹⁸ The super guarantee rate increased from 10% to 10.5% on 1 July 2022 (with more annual 0.5% rises to come) and the \$450 per month wage threshold was removed, expanding requirements for employers to make superannuation guarantee payments to eligible staff, regardless of their monthly pay.¹⁹ This expanded compulsory superannuation payments, particularly for organisations with high numbers of low-paid part-time staff, who may have previously been ineligible. While positive in many respects, these changes have resulted in mental health service providers facing significant increases in salary expenses.

Most community managed mental health services are reliant on funding from state and/or federal government. A key strategy used by government to maintain the value of funding provided to deliver services is indexation of multi-year grants. Usually this involves multi-year funding agreements being indexed annually to help funded organisations meet increases in wage-related and administrative costs. Despite the Tasmanian budget papers referring to consideration of CPI forecasts in their calculation of indexation,²⁰ the 2022/23 indexation rates for both state and federal government funding provided to Tasmanian community managed mental health services do not appear to adequately reflect inflation or salary increases, suggesting they are insufficient. This has been recognised by the State government to some extent, with the announced of a stopgap increase to indexation for community services organisations to 3% for this financial year (up from 2.25%) and a commitment to a full review of community service industry indexation rates in the lead up to the 2023/24 State Budget.²¹

Other jurisdictions across Australia have recognised the impact of significant inflation and salary expense increases on the provision of community mental health services and the associated inadequacy of indexation. In multiple states this has led to lobbying state government and resulted in varying increases to government funding agreement indexation for community managed organisations. [Appendix 2](#) lists how other states and jurisdictions are addressing these issues.

2. Access and Affordability Survey Results

In September 2022, MHCT invited its member organisations to participate in a survey seeking data related to access and affordability of mental health services in Tasmania, in particular the impact of inflation and inadequate indexation on mental health service provision. A comprehensive survey including workforce related questions was provided to mental health service providers, while a shorter version of the survey focusing on perceived impacts on service provision and consumers was provided to other members not directly funded to provide direct mental health services. This provided additional insight into impacts on the sector and mental health more broadly.

Twenty-two (22) MHCT member organisations completed the survey. Thirteen (13) of these survey respondents are currently funded to provide direct mental health services to the community (referred to herein as 'mental health service provider respondents') while the remaining 9 respondents are MHCT member organisations not funded to provide direct mental health services (referred to herein as 'associate members'). Respondents represented services provided across the entire state, including South, North, North-West, West Coast and East Coast.

2.1. Funding Agreements and Indexation

Government funding for provision of mental health services is provided by Tasmanian Department of Health (58%), Primary Health Tasmania (Federal) (58%), Federal Department of Social Services (25%), Tasmanian Department of Education (16.7%), NDIA (Federal) (16.7%), Tasmanian Department of Communities (8.3%), Federal Department of Health and Aged care (8.3%) and Medicare Benefits (8.3%).

Overall, there is a lack of consistency with respect to indexation applied to service provider funding agreements, even from within the same government department. Across all state and federal government funding agreements (including those not specifically for mental health service provision), members reported:

- Inadequate indexation for 92% of funding agreements with zero indexation applied to 35% of 2022/23 funding agreements (17 of 48 reported) and 56% (27 of 48 reported) reporting indexation at a rate of 3% or below
- Only two funding agreements were reported that had indexation of over 3% applied
- One report of 7.5-9% indexation from NDIA
- One report of 6.8% from the Department of Health and Aging (Federal)

With respect to funding agreements specifically for mental health service provision (as illustrated in Chart 1 below), indexation ranged from 0 to 9%, with 30% (7 of 23 reported) at zero, 61% (14 of 23 reported) between 1-3% inclusive and only 9% (2 of 23 reported) over 3%.

“We have had only 1% [indexation] on all funding, and yet, we have had to carry the difference with over 5% inflation and its impact on overheads and salary and wage increases”

—Survey Respondent

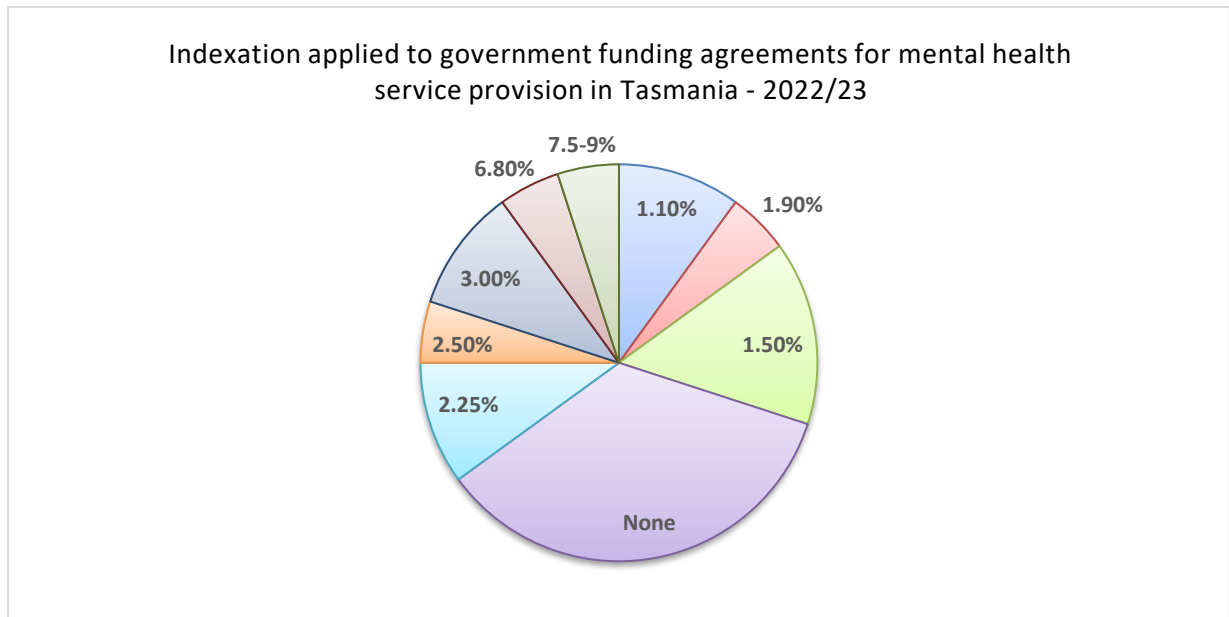


Chart 1: Indexation applied to government funding agreements for mental health service provision in Tasmania

2.2. Increased Expenses and Service Viability

All (100%) mental health service providers experienced salary expense increases in 2022/23. 92% of providers also experienced increases in service expenses in 2022/23 (including rent, recruitment, petrol, travel, fleet maintenance, materials, utilities etc), ranging from 1% to 8% (noting the one service that did not experience an increase cited this was due to substantial set-up costs the previous year).

As per Chart 3 below, when asked about how they were managing increased expenses, a majority of mental health service providers reported modifications to how they were delivering services (54%), followed by reduced staff (38%), no changes as yet (23%), less outreach services (15%), passing costs onto the consumer (15%) and not taking new referrals (15%). One member also reported increasing operational efficiencies to reduce the number of administration staff required.

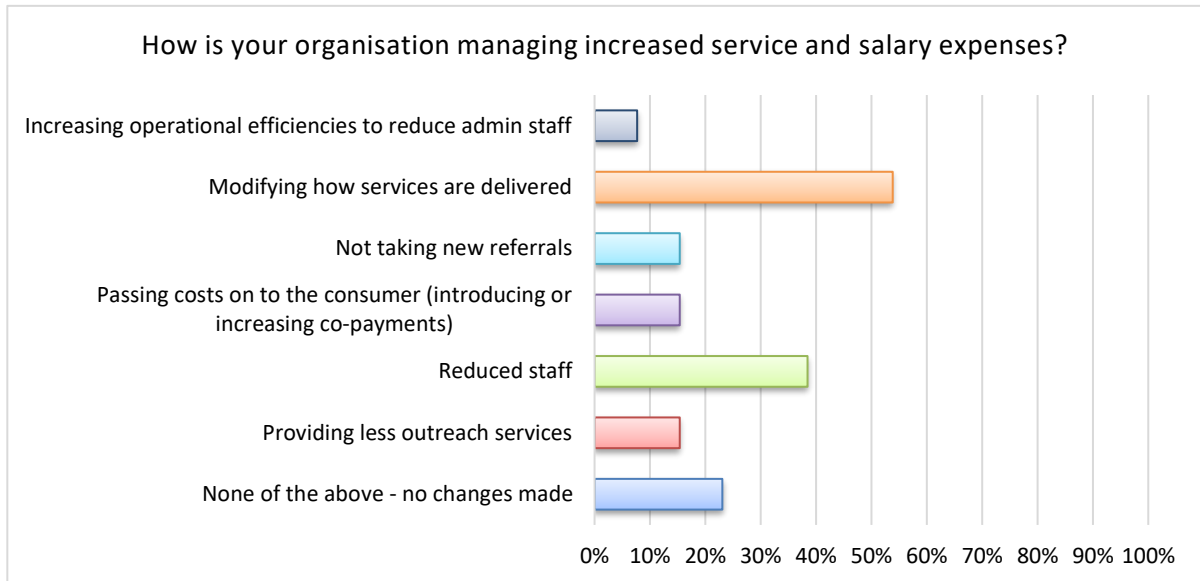


Chart 3: Management of increased service and salary expenses in Tasmania

100% of associate MHCT members experienced an increase in service expenses in their 2022/23 budget. When asked how they are managing increased salary and service expenses, 55.6% reported staff reductions, 22.2% modifying how services are delivered, 22.2% less outreach services. Other additions included passing costs onto the consumer, cross funding with fee for service income or donations, reducing contractual Key Performance Indicators (KPIs), closure of offices and wearing costs nationally (through central budgets).

When asked what the ideal increase to their baseline funding to support provision of mental health services would be, all mental health service provider respondents requested an increase over 5%, with suggestions ranging from 5-25%. Almost half (46%) of MH service providers referred specifically to the need to align funding increases with inflationary impacts (including reference to CPI and super increases). 23% of respondents indicated a desire for a substantial increase to funding with requests between 15-25%. One member suggested that a review of the shortfall over the last three years and a realignment to meet the difference would be a good start.

When asked to comment on the feasibility of providing mental health services over next 2-4 years if inflation continues to increase significantly and indexation rates remain unchanged, all but one mental health service provider (92%) had concerns. The majority of respondents (69%) reported that if inflation and indexation continued as they are, mental health service provision would need to be reduced and/or the number of staff employed to continue to remain viable over the medium term. Many referenced a need to pass costs onto the consumer, thereby affecting the affordability of services.

“With increasing costs, we will be forced to increase our counselling costs at above inflation or otherwise start using equity. Increases in costs may result in making services unattainable for business and clients which would then potentially have a flow on impact to other free service providers”

—Survey Respondent

When asked to comment on the impact of inflation on mental health service provision for Tasmanians, most respondents mentioned their concerns that the situation will continue to worsen and worried what this means in terms of reduced capacity and access for consumers. Financial concerns and a feeling of being “abandoned” by funders was also mentioned.

“With extended waiting lists due to fewer staff, pressure on community and mainstream services will be increased, leading to carers, family members/friends etc themselves needing supports, putting further pressure on the system. The need to triage and focus only on the acute will further exacerbate the situation as early intervention and prevention is not focused on”

—Survey Respondent

While one mental health service provider indicated full confidence in their organisation’s viability in the medium term during the period of rising inflation and inadequate indexation, the remaining 12 respondents (92%) had concerns, referring to staff recruitment and retention challenges, inevitable changes to service delivery and potential inability to cover costs.

“If we are unable to adapt the workforce due to lack of alignment in indexation organisations will not be able to cover the costs of their own overheads which will impact the quality of services, IT systems, reporting mechanisms and infrastructure”

—Survey Respondent

Associate members were also asked to comment on their organisation’s viability over the medium term and 78% of respondents expressed serious concerns. Even larger organisations, who conceded that the viability of their organisation at a whole was not in jeopardy, indicated that their ability to take on agreements and provide certain services could be compromised:

“As a large national organisation, I am not concerned about overall viability, however funding agreements we are able to take on will be impacted if funding doesn't meet sustainability criteria. i.e., we are already taking on shortfalls in funding nationally and subsidising expenses such as vehicles, rent and management costs, however at some point this will no longer be viable, and we may be forced to withdraw or not tender for future business”

—Survey Respondent

2.3. Workforce Shortfall, Recruitment and Retention

The overwhelming majority of mental health service provider respondents (92%) reported a shortfall in FTE that is required to effectively deliver the services they are funded to deliver. The reported shortfall ranged from 1.0 FTE to 8.5 FTE. When asked how this shortfall is managed, 62% of mental health service providers reported taking fewer referrals, 38% reported modifying provision of current services and 31% reported they are providing reduced services. One respondent also noted they were offering to take additional University Masters students on placement to increase their capacity, while another organisation noted managers in their organisation are picking up more operational work.

54% of mental health service provider respondents reported attrition rates in the past financial year of 10% or over, 38% reporting rates between 20% - 40%. 38% of respondents reported that this rate was different to previous years.

“[Our attrition rate last financial year was] well over double - we attributed this to the COVID effect - in 19/20 and 20/21 attrition was extremely low, and people stayed put due to uncertainty. We believe this high rate was people catching up on delayed intentions - and the fact there are so many opportunities out there.”

—Survey Respondent

69% of mental health service providers have experienced challenges filling vacancies over the past year. Of these, 89% still have current vacancies and 78% report that vacancies have remained open for at least 3 months over the past 12 months. When asked about potential reasons for difficulty filling vacancies, as per Chart 2 below, 100% of respondents cited difficulty attracting suitably qualified and/or experienced staff to apply. 67% reported difficulty attracting skilled staff due to non-competitive wages, while 44% reported difficulty attracting skilled staff due to a lack of available housing in Tasmania.

“There is the inability to offer graduate positions due to a skeleton staff and high client complexity, and a focus on caseload numbers, so there is no time for mentoring junior staff and the time taken would also not be accounted for in federally funded programs.”

—Survey Respondent

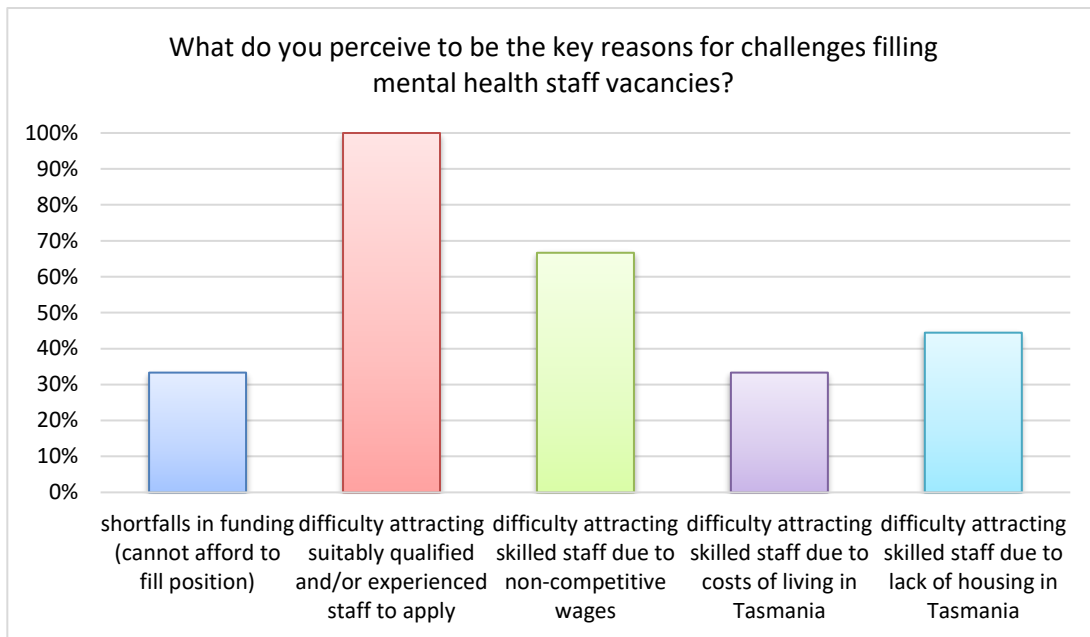


Chart 2: Reported reasons for challenges filling mental health vacancies in Tasmania

When asked for comments relating to the impact of inflation on their mental health workforce, 23% of members reported less ability to afford professional development and training opportunities, 23% reported a reduction in service provision (particularly outreach related services due to increased costs) and 15% reported a reduction in FTE. One respondent commented that staffing underspends (due to vacancies) were masking inflationary pressures. Another respondent noted the challenges involved in offering competitive wages, coupled with the insecurity of short-term funding agreements:

“...huge impact on not being able to compete with the Tasmanian Health Service (THS) or interstate government pay scales for allied health... Annual funding agreements also impact on stability, where before they were 3+1 cycles, they have been 1-year variations for three consecutive years.”

—Survey Respondent

2.4. Service Demand and Complexity

Almost all (92%) mental health service providers reported an increase in demand for their services over the past 12 months, exacerbating the challenges faced in relation to workforce and managing inflationary factors and increasing costs. Multiple members also referenced increasing complexity and acuity amongst presenting clients, further impacting on capacity.

2.5. Waitlists

69% of mental health service provider respondents currently have a waitlist in place, while 23% don't hold a waitlist. The length of waiting time ranged from 1 to 4-5 months, with 44% of members reporting a 2-3 month wait. Two organisations reported closed books with no waitlist.

“Our services don't hold a waitlist, not because it's not needed, but due to staffing levels and the complex client cohort, holding a wait list would be extremely risky for the client and the services, as such, when we do not have capacity for referrals due to either staffing or as we are full, our books will be closed. If we were to hold a waitlist, it would be over 6 months.”

—Survey Respondent

2.6. Impacts on Consumers, Family and Friends

When asked about how services perceive these changes to be impacting on consumers, the majority of mental health service providers cited longer waiting times for access into services (96%), followed by less consumer choice and control over how supports are provided (54%), less access to services for rural/regional consumers (46%) and a potential impact on recovery outcomes (31%).

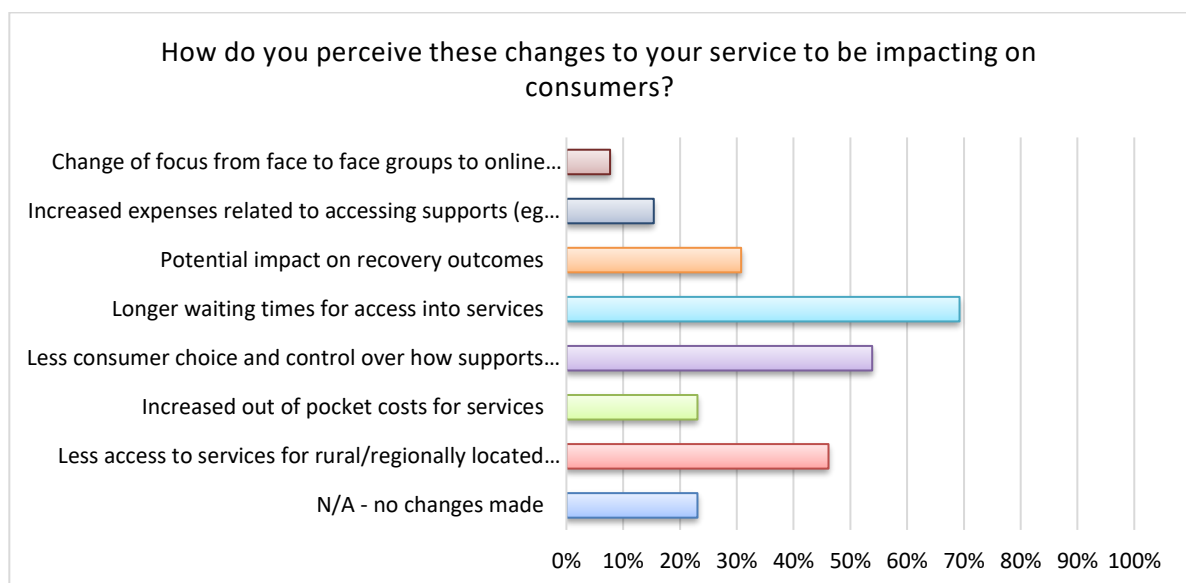


Chart 4: Perceived impacts of service changes on MH consumers in Tasmania

Associate members also responded to this question, 33% reported less access to services for rural/regionally located consumers, 33% reported less consumer choice and control over how supports are provided, 22% cited longer waiting times for access into services and 22% referred to potential impact on recovery outcomes. 11% of members reported increased out of pocket costs for consumers, 11% increased expenses related to accessing services and 11% negative impact on consumer's mental health. Other responses included a lack of awareness of services available, risks to medication services and less ability to receive face to face treatment and build rapport.

With respect to how changes may be impacting on carers, family and friends, 39% of MH service provider respondents reported an increase in caring responsibilities, 31% less direct contact/involvement with services than previously and 23% reported increased out of pocket costs.

Members also noted the impacts of limited access and affordability to other services and how this can impact on mental health outcomes:

"While the services we provide are no cost to the client, clients often need additional services such as access to GP, paediatrician, psychiatry, medication. Without adequate access to these primary health care options due to cost and wait times, this impacts the progress they can make, and the time taken to make progress for clients with high levels of complexity"

—Survey Respondent

When associate members were asked about potential impacts on carers, families and friends, 44% of these respondents reported less direct contact/involvement with services than previously, 33% reported an increase in caring responsibilities (including coordinating care) and 11% an increase in out-of-pocket expenses.

"Increased pressure on family members etc... Less ability to gain "professional" support leading to families and friends needing to take on more. A greater focus on "community and mainstream" supports, many of which are already at or beyond capacity"

—Survey Respondent

54% of MH service provider respondents felt that impacts of changes made to their services due to inflation would disproportionately impact on certain cohorts, with reference specifically made to youth, Aboriginal Tasmanians, CALD community members, LGBTQIA+ community members, NDIS clients, older Tasmanians and those living in remote and rural areas.

"I would argue that if we had to reduce services due to inflationary costs then the most vulnerable cohorts would be first to be impacted. This would be due to restricting time allowable for assertive outreach, for engaging with community groups"

—Survey Respondent

Similarly, 67% associate members felt that these impacts would be disproportionately felt by specific cohorts, in particular respondents referred to LGBTQI+ Tasmanians, young people and older Tasmanians.

“LGBTIQ+ Tasmanians already have so few service options – any reduction has impact.”
—Survey Respondent

2.7. Other Comments on Access and Affordability

Additional comments on access and affordability of mental health services in Tasmania included recognition of the fact that there are already significant gaps in services and inadequate funding and that these are only being further exacerbated by inflation and indexation challenges. Further, members referred to challenges involved in applying for the NDIS (and proving eligibility), a lack of high-intensity services that are bulk billed and the inability to invest in staff advancement. The fragmentation of the Tasmanian mental health system and challenges navigating it were also referenced.

“The service system is still very fragmented and difficult to navigate for such a small state. This needs to be addressed as a priority.”
—Survey Respondent

Finally, when asked for any other comments on the affordability and accessibility of mental health services in Tasmania, respondents primarily expressed concerns around a worsening situation with respect to timely access to affordable mental health supports, including a lack of focus and support for early intervention in the community.

“My key concern is funding constraints will shift a focus to supports only being available to the most acute of the acute and a complete disregard for early intervention and prevention. If this is the case, future numbers will overwhelm the system and lead to critical failure.”

—Survey Respondent

3. Key Themes Requiring Action

The state-wide consultation revealed a range of contributing challenges facing the sector beyond the impact of inflation and inadequate indexation. Workforce, service gaps, lack of integration, increasing service demand and client complexity are all ongoing and being further exacerbated by the current financial climate. Inflation has led to rising service and salary costs, and a lack of associated funding increases results in services essentially providing the same level of service with less funding, which is not sustainable. This situation is placing further pressure on a workforce that is already operating at capacity and will have a profound impact on consumers' access to services going forward.

These impacts are pervasive across the mental health sector here in Tasmania and nationally. Urgent action is required to ensure government funding agreements are longer-term, respond regularly and appropriately to inflation and increased costs, and have appropriate KPIs in place to enable providers to continue to safely and effectively deliver much needed services to Tasmanian consumers. Alongside this, action is required to support and build an integrated Tasmanian mental health workforce and to support Tasmanians in the community experiencing significant wait times to access care. Suggested actions have been developed to complement the current reform work underway in Tasmania.

3.1. Funding Agreements and Indexation

Survey findings revealed that indexation on government funding agreements with Community Mental Health Organisations (CMHOs) and private providers is inadequate, inconsistent and often non-existent. Numerous respondents reported they had never had indexation applied to multi-year funding agreements, and in one case this equated to still receiving 2013 level of funding. This legacy is having a particularly significant impact now on service providers, with high inflation resulting in funding allocations simply no longer covering service provision costs.

While State Government funding agreements with indexation applied in 2021/22 were low at 2.25-3%, Federal Government funding agreements were reportedly even lower, sitting at 1-1.5%. In addition to this, many organisations reported not being advised of indexation rates until well into the financial year, affecting their ability to forward plan and budget appropriately. The significant impact of increased salary and service expenses, without aligned increases in funding allocation, requires organisations to work within very tight margins and in some cases resulting in reduced FTE and capped referrals. This directly impacts on consumers and carers (in particular, vulnerable cohorts and those in regional locations) translating to longer waiting time for access into services.

Feedback from interviews also revealed that current policy regarding the use of underspend on funding agreements means organisations often cannot utilise these funds to support and enhance related service delivery and therefore avoid deficits. Concerningly, where indexation has been applied to funding agreements there has also been reports of this occurring alongside increased KPIs, demonstrating a lack of recognition of the impact of CPI and wage increases on service provision. There is a need to ensure that KPIs within funding agreements remain appropriate and achievable.

Organisations predict that if this situation is ongoing, it will result in a need to make additional changes to maintain service viability and avoid deficits. These changes would likely include modified and/or reduced services (particularly outreach services and programs, given fuel, fleet and associated costs), further FTE reductions and a need to pass additional costs onto the consumer (where relevant). Ultimately this would significantly impact on the quantity, quality and affordability of services available to consumers.

Alongside the indexation issue, many MHCT member organisations continue to receive short-term government funding agreements (for example, 12 months). The notice time for renewal or commencement of funding agreements in some cases is a matter of weeks (or may even occur after the initial agreement has ended). This significantly impacts on an organisation's ability to forward plan, attract, recruit and retain staff, maintain morale and provide continuity of service. As reported by the Productivity Commission Inquiry into Mental Health short funding cycles, "create a climate of constant uncertainty for providers, significantly inhibiting the provision of services and continuity of care for people with mental illness."²²

The Tasmanian Government have previously stated their commitment to funding for community service organisations to be long term, most recently in the [Premier's Economic and Social Recovery Advisory Council Final Report in March 2021 \(Recommendation 43\)](#).²³ Five-year

funding agreements will support long-term and strategic planning, workforce development to ensure the recruitment and retention of a high-quality workforce, and outstanding service provision.

Funding Agreements and Indexation: *Service Provider Case Study*

An organisation that provides government funded mental health programs for young people in Tasmania is already facing significant challenges with respect to increasing service demand, workforce limitations and client complexity. Rising service and salary expenses, alongside a lack of indexation on any of their government funding agreements, are exacerbating these existing challenges. One program has had no indexation applied to its funding for over 8 years.

As an organisation that primarily offers mental health services via outreach, the impacts of rising fuel and fleet costs without a corresponding increase in funding have been particularly challenging and required a reduction in FTE to balance costs. While they are still able to offer a full suite of high-quality services to their clients, the provider's FTE reductions have reduced their capacity to take referrals, ultimately meaning fewer young Tasmanians are able to access these services when they need them.

With significant impacts already being felt, there are fears that the effects of inflation and inadequate indexation over the medium to longer term will be even more significant, potentially impacting on client outcomes and service viability.

“The feasibility of sustaining services without adjustment for indexation and inflation will mean a reduction in FTE and outreach within the programs and subsequently impact the numbers of clients who can be supported and the quality and outcomes of service”

—Service Provider

Ensuring a model for the allocation of adequate indexation will support the efficient allocation of funding and ensure sector capacity is maintained. Inflation is dynamic and indexation is applied retrospectively, so ensuring community mental health providers are well placed to manage its evolving impact and maintain service capacity requires regular application of appropriate indexation and review processes. Simply aligning indexation with CPI (and/or Wage Price Index) is not necessarily sufficient or valid for a range of reasons, including the fact that CPI is a city-based measure (for example, based on Hobart as opposed to Tasmania-wide) and that it accounts for both discretionary and non-discretionary costs, while only non-discretionary costs are relevant to mental health service provider budgets.

Development of a model that is informed by appropriate, recent data and that is reflective of Tasmanian CMHO needs and experiences is a more ideal response. MHCT with TasCOSS and other community peak bodies have recently commissioned UWA to develop a new, fit-for-purpose formula to ensure appropriate indexation for community organisations in Tasmania. In the meantime, MHCT members have indicated that indexation should be sitting at least 5%, which is also reflected in modifications being made in other jurisdictions.

Based on the feedback of our members and recognising the similar asks being made by other states and territories, MHCT recommends that to ensure ongoing service viability and stability and to contribute to alleviating workforce challenges, government funding agreements with community mental health service providers should be at least five (5) years in length and involve an annual indexation, KPI and underspend review process. This process should ensure that indexation rates are calculated using a transparent and appropriate formula that responds to inflation and associated salary increases; that providers are supported to utilise underspend in ways that best support consumer outcomes; and that KPIs remain appropriate and achievable within allocated funding amounts. This should be a transparent process that occurs within an appropriate timeframe and with clear guidelines in place to allow organisations to factor it into their internal budgeting processes and to allow adequate planning and risk management review to take place. To enable this, MHCT also recommends that Federal government provide flexibility for Primary Health Networks (PHNs) to work directly with commissioned services to undertake this annual review process and update indexation, KPIs and use of underspend as required.

3.2. Workforce Challenges

MHCT members continue to report significant workforce challenges, and these are being further exacerbated by inflation and inadequate indexation. The majority of service providers are reporting shortfalls in the FTE required to deliver the services they are contracted to deliver. Tighter budgets mean CMHOs are less able to offer salaries that compete with state government or interstate positions, have less funding available for recruitment, are less able to afford professional development and other staff retention activities and have less capacity to train and mentor new staff. Furthermore, as outlined above, being restricted to only offering short term funding agreements impacts the competitiveness of community managed mental health service providers in the job market.

As previously reported, there is a significant skills shortage in the mental health sector both within Tasmania and nationally. MHCT Members who reported challenges filling vacancies all indicated that they struggled to attract applications from qualified staff, indicating a lack of job seekers. This is particularly the case in rural and regional locations. As outlined in the recent Legislative Council Rural Health Service report, workforce shortages are compounded in rural and regional Tasmania by a range of factors including maldistribution across the state, the capacity to cover periods of leave, ill health and professional development.²⁴ Further, the report recognises that there are a range of challenges in recruiting and retaining health professionals in Tasmania, including a lack of allied health career pathways, noting that they are working with UTAS and TasTAFE to address these challenges.²⁵

At the same time, the reported increase in service demand across the sector, combined with increased client complexity and FTE shortfalls is leading to very high caseloads and significant pressure on existing staff – impacting on their morale and wellbeing and in many cases contributing to exhaustion and ultimately burnout.

Workforce Challenges: *Service Provider Case Study*

A service provider implementing a suite of mental health programs across Tasmania, has never had indexation applied to their state or federal government funding agreements. While the impact of inflation is more manageable for short-term funding agreements (for example, 12 month) as it can be factored into funding allocations, short-term agreements come with their own range of issues. Aligning staff contracts with short service agreements means that the organisation's staff cannot be offered permanent positions that may be on offer elsewhere. This impacts on the provider's ability to attract staff, particularly given the current state-wide skills shortage and the numerous opportunities available.

Consequently, the provider has faced significant challenges recruiting staff over the past year, particularly in more regional locations, resulting in a persisting shortfall in FTE. A lack of staff makes it harder for programs to meet contractual KPIs and has the problematic effect of masking the true impact of increased expenses.

“While inflationary pressures are real - they are currently masked by the fact that we have staffing underspends. This will really impact us once we are fully staffed again, and if we don't receive indexation going forward this will lead us to change our workforce structure.”

—Service Provider

There is a clear, persisting need for collaborative and integrated mental health workforce planning and action to occur across Tasmania. This should include establishing strategic partnerships between the mental health sector, educational training institutions and providers. Development of a training strategy for the mental health workforce should prioritise integrated health workforce planning that involves all settings, including community, public, primary, NDIS and private. The state plan for mental health in Tasmania, *Rethink 2020*²⁶, prioritises the development of the mental health workforce with a key action to develop a joint workforce strategy. A joint workforce strategy should include improved linkages between the mental health sector and educational and training institutions, along with consideration to supporting graduate programs within community managed mental health organisations, particularly in rural and remote areas of the state.

Encouragingly, an interagency working group involving MHCT, Primary Health Tasmania, Tasmanian Department of Health and representatives of the Alcohol and other drugs (AOD) sector has recently been formed to progress this reform work. The aim of 'The Reform

Recruitment for the Mental Health and Alcohol and Other Drug Sector Working Group' is to support recruitment to new mental health services and to consider systemic workforce development opportunities. It will be critical to ensure that CMHOs are closely engaged in this process and that it is well coordinated and sufficiently resourced to deliver on recommendations. As outlined in MHCT's 2022-23 Budget Priority Submission, whilst the Working Group will undertake important work to monitor and determine the size and scope of the mental health workforce needs, a dedicated resource is required to support the work in this space, to act as a liaison point between government and sector stakeholders and implement actions on behalf of the Working Group. Investment in a dedicated 'Mental Health Workforce Coordinator' located within MHCT would support the coordination of integrated approaches and facilitate strategic partnerships between the mental health sector, government, education and training institutions along with mental health service providers, with a particular focus on supporting the growth and retention of a sustainable workforce in Tasmania's rural and remote communities. MHCT is well placed to house a Community Mental Health Workforce Coordinator role to act as an interface between government and the sector to implement the identified actions as identified by the Working Group, and to ensure a dedicated liaison and focus on whole of sector approaches (public, primary, private and community).

There is also potential for innovative and collaborative approaches to workforce training and retention within the community mental health sector. Tasmanian CMHOs have previously pooled funding to invest in professional development for their respective staff members to attend together, reducing costs as well as creating an opportunity for networking. Similarly, members have reported that they see significant potential to collaborate in the supervision of graduate staff, contributing to building the much-needed workforce. These collaborative activities could potentially be explored and supported by the Mental Health Workforce Coordinator role.

"While we face significant challenges, we are an innovative and driven sector and with the right support from government and collaboration with our colleagues we can move towards more efficient and sustainable service provision"

—Service Provider

MHCT recognises opportunities within current reform priorities, including Rethink 2020 (reform direction 9), to address the development of a robust mental health workforce. These could include: State and Federal government collectively supporting and prioritising integrated mental health workforce planning for our state; State government investing in a dedicated mental health workforce coordinator to provide tactical and implementation support for the Reform Recruitment for the Mental Health and Alcohol and Other Drug Sector Working Group; and State Government continuing to support and prioritise the development of the lived experience peer workforce as a means of addressing workforce shortages.

3.3. Increasing Client Complexity

Providers are not only reporting an increase in demand for their services, but also an increase in consumers with complex needs. For some organisations, this means they are providing services to consumers at higher levels of acuity than they are contracted to provide. This puts pressure on workers to coordinate wrap around supports (a task that is outside of many service provider's primary role) which in turn requires more time with the client (more episodes of care) and places further strain on the workforce.²⁷ More complex and acute patients need to be prioritised, resulting in less time and capacity for early intervention and contributing to a lack of services available to those with less acute needs, potentially resulting in these consumers becoming more unwell and ultimately needing higher intensity services.

The lack of integration and service fragmentation across the mental health system exacerbates this issue. Consumers with complex needs may be referred to community mental health services as there is nowhere else for them to go when they require urgent assistance. MHCT members have also reported examples of high acuity clients being referred to community services by state mental health services – despite the community managed services not actually being funded to support such clients. Greater integration and collaboration across the sector, including streamlined central intake and referral processes would enable CMHOs to link in with other services more effectively to meet the diverse needs of consumers.

Two essential key initiatives have commenced that should contribute to addressing this issue and ensure appropriate referrals alongside oversight and centralised coordination of consumer's engagement with mental health services. Primary Health Tasmania has commenced implementation of the Initial Assessment and Referral (IAR) framework, which aims to assist the mental health sector in assessing level of mental health need. In conjunction with service mapping, this framework will assist in referring people to appropriate supports that can meet their level of need. Further, the Tasmanian Bilateral Mental Health and Suicide Prevention Agreement confirms a central intake service. This will be a single, state-wide intake and assessment phone service that integrates with Tasmania's existing systems. The service will use the IAR tool and support warm referrals to local services. It is critical the community mental health sector is closely engaged in the process of implementing these initiatives.

The increasing complexity and acuity of consumers being supported in the community mental health sector also points to the lack of psychosocial supports available to people living with long-term mental illness in the community. While some Tasmanians do access support for psychosocial disability through the NDIS, this is primarily those with the highest levels of severe and persistent mental illness. Many Tasmanians living with long-term mental illness do not meet NDIS eligibility criteria yet still require long-term ongoing supports and services to meet their needs. It is estimated that over 16,000 Tasmanians are living with severe mental health conditions, but as of June 2022, only 1,038 individuals whose primary disability is listed as psychosocial are supported through a current NDIS package.²⁸

Increasing Client Complexity: *Service Provider Case Study*

Mental health service providers have experienced a recent increase in client complexity, for one service this has been particularly evident in the increased presentation of adults with dual diagnosis who are not having all their needs fully met within the mental health system. This service provider offers support that focuses on both mental health issues as well as broader psychosocial wellbeing, an approach that has been shown to be particularly effective in achieving consumer's clinical and psychosocial recovery goals. Increasing client complexity and the associated increasing need for wrap around supports alongside mental health care, highlights the importance of ensuring that service providers like this one are appropriately supported and resourced to continue to provide this vital support to the Tasmanian community.

There is a need for federal and state government to ensure adequate support structures are in place for Australians requiring psychosocial supports to ensure they receive the care they need, where and when they need it. This will require acknowledging the current shortfall in funding for those who fall outside of the NDIS and committing to adequately funding community-based psychosocial supports and services that people need to ensure full participation in their community.

This work should commence with the activity outlined in the Bilateral Agreement requesting the State government prioritise comprehensive state-based mapping of services and demand for psychosocial supports outside the NDIS, and commits to a timeline, and clear communication for its delivery. State and Federal government should also contribute to the development of a national support structure for the provision of community-based psychosocial support services

Further, in relation to the Rethink 2020 (reform direction 4), MHCT urges the State government to prioritise the roll out of the IAR framework and Central Intake and Referral System (CIRS) across the State and commit to a timeline for its delivery, whilst ensuring that the community mental health sector is closely engaged and consulted throughout the implementation process.

3.4. Wait Times for Access into Services

The increasing pressures on service provision referenced throughout this report ultimately has a direct impact on consumer's ability to access the mental health support that they need, when and where they need it. The number one impact that service providers perceive inflationary pressures are already having on consumers is longer waiting times for access into services.

Shortfalls in FTE and tight budgets result in less capacity for services to take on referrals, leading to longer waiting times for access into services. This could result in consumers becoming increasingly unwell or even reduce their likelihood of them seeking help and result in disengagement. Further, MHCT members are reporting that Tasmanians are deciding not to seek help when they hear about the potential for extensive waiting times.

Waiting Times for Access into Services: *Service Provider Case Study*

There is a significant lack of mental health services in the North-West region, despite a high and increasing demand, particularly amongst children and adolescents. Alongside the highest suicide rates in the state, the North-West coast community has higher levels of incarceration and psychosis (particularly drug-related onset) than the rest of Tasmania, impacting on child safety risk. One service provider in the region with a clinical team in place is under significant pressure to provide much needed mental health services. Current indexation on the organisation's government funding agreements, contracts, however, are not in line with inflation. This has resulted in the provider working within very tight margins and impacts on staff recruitment, retention and morale, as well as service outreach and capacity.

Since December 2021, this provider's capacity has been further impacted by their response to a traumatic event in the region. As a local service providing support to the community, high rates of suicidal ideation and ill health amongst first responders and health professionals has required them to prioritise these referrals alongside families directly impacted by the tragedy. This impacts on their already stretched capacity to support other consumers in need and has led to longer waiting times for access into their service:

"For the first time in 12 years we have had to close our books for longer than 2-4 weeks - it has been exactly 12 months closed to new referrals and ONLY open to first responders, health professionals, children and families affected by the tragedy. This is unprecedented, and our local communities are in crisis."

—Service Provider

Ultimately, progressing indexation, contracting and workforce recommendations would significantly contribute to reduced waiting times in the longer term, however it is important to also consider what action can be taken to support consumers immediately.

There are multiple services and resources available to Tasmanians who are awaiting access to mental health programs and professionals. For example, A Tasmanian Lifeline provides support and referral, Head to Health hubs provide a phone line, free drop-in peer-led recovery and clinical support, while the [SANE free guided service](#) combines a range of digital and telehealth supports, tailored to the needs of people affected by complex mental health issues. It is apparent, however, that many Tasmanians are not aware of the variety of supports available to them, including numerous online and telehealth options across different levels of care.

There is a need for more widespread promotion of these services, both by health professionals and within public awareness/education campaigns. Primary Health Tasmania (PHT) will shortly be commencing work under *Rethink 2020* Reform direction 5 that will investigate the barriers to access and engagement in digital interventions, which will be an important element of this work. Further, MHCT will soon commence work on a state-wide mental health and wellbeing campaign. This initiative will involve establishment of a network of community engagers and provide an opportunity to educate and inform the community on the various ways to support their mental health, including the plethora of services and resources that are freely available and accessible.

Finally, Tasmania's *Bilateral Agreement for Mental Health and Suicide Prevention* and *Rethink 2020 Reform Direction 4* both provide further opportunity to progress the centralisation of data collection to understand referral pathways and people on waiting lists in Tasmania is included as part of the Centralised Intake and Referral service project to drive further mental health system integration.

3.5. Additional Issues for Consideration

Alongside the above key themes, the MHCT member consultations unearthed additional issues impacting on consumer and carer's access to affordable mental health care. These require further investigation and will be explored in greater depth in the next tranche of work and subsequent report (due mid 2023), which will focus on consumer and carer perspectives:

- The significant barriers faced by specific cohorts – particularly rural and regional communities, young people, Tasmanian Aboriginal People and LGBTQI+ people, and the subsequent need for targeted responses
- The increasing inability for consumers to afford MBS gap payments (particularly young people and other vulnerable cohorts)
- Challenges navigating the NDIS application and eligibility process for people with psychosocial disability.

4. Next Steps

This report illustrates the urgent need to address the impact of inflation on service provision in Tasmania and requests government commits to a transparent, annual review process that incorporates application of an appropriate model for calculation of indexation. It also provides further evidence for the need to progress and prioritise key reform agendas, including workforce development, sector integration, a Central Intake and Referral Service and application of IAR across the state.

The report findings also highlight the need for further investigation into the current and potential impacts that service provision challenges are having on consumers and their families. In 2023, MHCT will commence work focused on understanding the barriers experienced by Tasmanian consumers, their families and support people, in relation to accessing affordable mental health care in Tasmania. This will provide rich insight into the specific needs of Tasmanian communities and how we might collaboratively work towards addressing these and ensuring access to place-based, person-centred, equitable and affordable mental health care for all Tasmanians, regardless of their circumstances and location.

Appendix 1 - Report Methodology

The development of this report involved two key components:

1. A literature review of Tasmanian and Australian data was undertaken to explore the current context of mental health care provision in Australia and Tasmania, including barriers to access and affordability, and the issues impacting specifically on community managed mental health service provision, particularly those related to inflation and indexation. This literature review is being maintained as a live document to inform ongoing Access and Affordability work and is available on request.
2. A state-based consultation process to gather Tasmanian-specific data involved three key activities:
 - a. Consultation with CEO-level staff of Tasmanian community managed mental health organisations (CMHOs) and associated stakeholders was conducted via the Tasmanian Mental Health Leaders Forum (TMHLF) in July 2022. This provided initial insight into the key challenges being faced at a service provider level that are impacting on access and affordability for consumers and carers. A smaller 'advisory' group comprised of five TMHLF members was also formed. This group reviewed and provided feedback on the draft survey, the initial findings and the draft internal report.
 - b. An online survey was developed in collaboration with several TMHLF representatives to gain financial, human resource and general data from MHCT members to provide insight into the impact of inflation on mental health service provision in Tasmania. The survey was completed by 22 member organisations, incorporating 13 mental health service providers and 9 other organisational members that provide wrap around support and services.
 - c. Following the survey, semi-structured qualitative interviews were undertaken with three selected stakeholders to gain additional insight into their comments and to inform the development of case studies.

Appendix 2 - Addressing Inflation and Inadequate Indexation in Other Jurisdictions

In September 2022, the Queensland Government responded to lobbying from QCOSS and announced that in 2022-23, indexation of service delivery arrangements with community services sector organisations would be increased from 2.88 per cent to 5.07 per cent.²⁹ Meanwhile in Victoria, lobbying by VCOSS resulted in an increase to funding indexation for 2022-23 to 4.6% for organisations funded by the departments of Families, Fairness and Housing (DFFH) and Health.³⁰

In NSW, the Mental Health Coordinating Council has recently written to their Mental Health Minister to request the government raise the indexation rate paid to community managed organisations that deliver mental health community living programs.³¹ The MHCC CEO has stated that the lower rate of indexation being passed on means organisations will not be able to match wage and inflation cost increases, which could impact the delivery of mental health services at a time of great community need.

In February 2022, ACTCOSS released a report to inform the development of more sustainable models of resourcing for the ACT community services sector. The report demonstrated that the indexation formula utilised by ACT government has resulted in falling indexation for ACT funded services for at least 15 years and that this has meant that indexation has not enabled community sector organisations to cover increased minimum wage costs.³² There are also significant gaps in support as not all ACT funding streams are indexed.³³ ACTCOSS has recommended that their state government provide regular, six-monthly funding increases that are in line with the higher of CPI, wage price index or increase to the SCHADS award rate in the ACT. They are also calling for all project or short-term agreements to be indexed and for indexation to be regularly reviewed.³⁴ In June 2022, the ACT government announced a 4.43% increase in funding for the community services sector for 2022/23 and an adjustment to the formula used to calculate funding increases to better respond to increases in wages. ACTCOSS welcomed this as a first step towards improving the calculation of indexation to ensure funding increases more closely reflect the cost increases faced by the ACT community sector.³⁵

Federally, the NDIA has recognised the impact of inflation on disability support workers and subsequently increased price limits for services they deliver by 9% including a 2 per cent temporary loading in 2022-23, with all current NDIS plan budgets also automatically increased to account for these price limit changes.³⁶ While positive, this does not impact on direct contracts between organisations and the NDIA such as Partners in the Community or Information, Linkages and Capacity building (ILC) grants.

In Tasmania, TasCOSS has joined together with community organisation peak bodies to commission the University of Western Australia to undertake the development of a new, fit-for-purpose indexation model for the social services sector.

The need for action in this space is echoed nationally and given the existing pressures on Tasmania's community mental health service providers, not acting quickly and urgently could further exacerbate service provision challenges and ultimately impact on consumers' recovery outcomes.

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