



National Disability Services

Submission: 2022–23 Annual Pricing Review

Executive Summary

The 2022-2023 Annual Pricing Review (the Price Review) comes at a pivotal point for the disability sector. Current contextual factors including challenging economic conditions, continued adjustments to the ongoing presence of COVID-19, unprecedented workforce shortages, far reaching changes in industrial settings and instruments in the disability and like settings, and the anticipated outcomes of both the Royal Commission into Violence, Abuse Neglect and Exploitation of People with Disability (the Disability Royal Commission) and the NDIS Review, are impacting the way in which supports are being provided.

The effect of these factors must be considered in determining prices for 2023-2024. However, current pricing mechanisms do not adequately recognise existing operating conditions or support the sector to further invest in quality, safeguarding and innovation.

This submission from National Disability Services (NDS) makes recommendations aligned to the scope of this year's Price Review and includes a detailed critique of the current pricing mechanisms based on a survey of the real costs of delivery across three of the four support types covered in the Terms of Reference: disability worker related supports (SIL and non SIL), therapy (including early childhood intervention supports) and support coordination.

To inform this submission NDS undertook a survey of providers, which includes an analysis of no less than 4 per cent of the total support purchased across each of the relevant support categories.

The results indicate a significant unfunded gap, which over the last few years has increased in size and will remain significant if the NDIS does not provide a price increment greater than wage inflation. This gap needs to be rectified, or the sector will continue to experience market failure and overall reductions in support quality.

The survey results are summarised in *Table 1* below.

TABLE 1: SUMMARY OF PRICING ANALYSIS 2021-2023/24

Executive summary		2021 survey				2022 survey				2023/4 Scenarios					
Support category	Support worker type	Survey indicated price 2021/2	2021/2 NDIS price	2021 assessed gap	%	2022/3 result	Price	2022/3 assessed gap	%	Growth in underfunding	Price target with 5% price increment	Price target with 10% price increment	Price target with 15% price increment		
Supported independent living	DSW 1	66.04	57.10	-	8.94	-16%	77.00	62.17	-	14.83	-24%	52%	80.85	84.70	88.55
	DSW 2	71.46	61.79	-	9.67	-16%	83.00	67.28	-	15.72	-23%	49%	87.15	91.30	95.45
Non-SIL Core	DSW 1	63.24	57.10	-	6.14	-11%	75.00	62.17	-	12.83	-21%	92%	78.75	82.50	86.25
	DSW 2	68.43	61.79	-	6.64	-11%	79.00	67.28	-	11.72	-17%	62%	82.95	86.90	90.85
Support coordination	Connection	Not surveyed	65.09	Not surveyed			77.00	70.87	-	6.13	-9%		80.85	84.70	88.55
	Coordination		100.14				116.00	100.14	-	15.86	-16%		121.80	127.60	133.40
	Specialist coordination		190.54				190.54	190.54	-	-	0%		200.07	209.59	219.12
Therapy	Occupational therapy		193.99				200.00	193.99	-	6.01	-3%		210.00	210.00	210.00
	Physiotherapy		193.99				200.00	193.99	-	6.01	-3%		210.00	210.00	210.00
	Speech therapy		193.99				200.00	193.99	-	6.01	-3%		210.00	210.00	210.00
	Ecis		214.40				220.41	214.40	-	6.01	-3%		225.00	225.00	225.00

Table 1 highlights gaps between current prices (including the two per cent temporary loading where this applies) and real costs of service delivery, excluding any Fair Work Commission adjustment to the *Social, Community, Home Care and Disability Services Industry Award 2010* (SCHADS Award) or wage inflation following the annual wage review.

The current gap in price for service provision is:

- Approximately 23 per cent in supported independent living (SIL) core supports.
- Approximately 20 per cent in core (non SIL) supports.
- Approximately 3 per cent across therapy
- Approximately 13 per cent across early childhood intervention supports (ECIS).
- Approximately 9 per cent for Support Connection
- Approximately 16 per cent for Support Coordination

Based on the analysis, NDS makes the following pricing recommendations:

- The SIL core price should be anchored around \$77.00 plus wage inflation position for the DSW 1 price.
- The SIL core price should be anchored around \$83.00 plus wage inflation position for the DSW 2 price.
- The non-SIL core price should be anchored around \$75.00 plus wage inflation position for the DSW 1 price.
- The non-SIL core price should be anchored around \$79.00 plus wage inflation position for the DSW 2 price.
- The therapy price should be anchored around \$200.00 plus 2023 wage inflation.

- The ECIS price should be anchored around \$220.00 plus 2023 wage inflation.
- The Support Connection price should be anchored around \$77.00 plus 2023 wage inflation.
- The Support Coordination price should be anchored around \$116.00 plus 2023 wage inflation.

NDS also recommends that additional detail be included in the DSWCM. A Cost Model for each NDIS support (such as Support Coordination and Psychosocial Recovery Coaching) is required for transparency and to enable providers to design their business models.

Results this year reflect the impact of:

- Overall increasing cost of living pressures.
- SCHADS Award changes that came into effect 1 July 2022.
- Increased and ongoing costs of operating in COVID-19 conditions.
- Increased regulatory compliance costs.
- Wage inflation and increased competition to attract workers across all support types.
- The gap between increases recommended in last year's Annual Price Review and actual increases.
- The reduction in the Temporary Transition Payment (TTP), as well as the positive impact of the two per cent temporary loading (where this applies).

Other key findings and recommendations relating to specific areas outlined in the Price Review scope include:

Disability Support Worker Related Supports

- The consolidation of cost assumptions relating to workers compensation, utilisation, supervision costs and the impact of permanent and casual arrangements into operational overheads has resulted in less transparency in the NDIA's price setting approach. NDS is on the record recommending that a Cost Model for each NDIS support (such as Support Coordination and Psychosocial Recovery Coaching) is required for transparency and to enable providers to design their business models.
- The implementation of changes to the SCHADS Award affects direct labour costs and has increased the gap between price and costs. Changes to split shift allowances, minimum engagement periods, remote working and sleepovers have impacted both direct costs but also increased back-office costs as rostering and payroll becomes a

more complex activity. Other Award entitlements are also not adequately recognised in the DSWCM. For example, in SIL a significant proportion of workers are entitled to five weeks annual leave due to shift work. This is not reflected in the current Disability Support Worker Cost Model (DSWCM).

- The costs of compliance with NDIS Quality and Safeguards Commission (NDIS Commission) requirements are high and not adequately covered by current pricing. This significantly impacts utilisation. An allowance of approximately \$5.90 needs to be made in operational overheads to cover compliance, including the costs of audits and ongoing investment in new support models including active support and practice leadership.
- COVID-19 and quality and safeguarding costs are not temporary. The temporary loading needs to be permanently instated in improved pricing. Removing this is likely to result in more providers being unable to deliver supports. COVID-19 response measures such as those available for participants living in SIL need to remain available.
- Continuing to meet duty of care and support needs of participants requiring higher intensity supports without being able to claim the previous Level Three High Intensity Supports is significantly impacting provider cost of delivering support. The Level Three High Intensity Support category must be reinstated and providers reimbursed for the essential high intensity supports provided over the last 12 months.
- The DSWCM does not reflect the costs of operating a 24-hour model in SIL. As such it is not fit for purpose in that environment without rigorous review and change.
- Vacancies in SIL and failure to fund or funding a fraction of overnight supports for participants are significant contributors to the gap between costs and purchased supports. These areas will need to be considered in the NDIS Review.

Therapy supports

- The cost of compliance within the NDIS regulatory environment is high for therapy supports and is higher than the requirements of other regulatory systems. This must be considered in determining 2023-2024 pricing.
- Delivering supports in natural settings, providing adequate supervision (particularly to new graduates) and investing in collaborative practice impacts on utilisation rates. Utilisation has a significant impact on a provider's capacity to deliver therapy supports at current pricing.

Support Coordination supports

- Providers report significant wage inflation, which affects the direct costs of delivering services. This is in addition to increased 'costs of doing business' that have not been recognised in recent price adjustments.
- The cost of compliance with NDIS Commission requirements is high across support coordination. Alongside other unbillable activities, this affects utilisation rates and is a significant cost driver. This needs to be considered in the pricing.

Plan Management supports

- While NDS did not undertake a detailed price analysis regarding plan management provision, issues related to compliance noted above and the realities of operating in the current economic environment must be reflected in this Price Review and indexation must be re-introduced.

Cost of COVID-19

- Providers continue to experience increased costs related to COVID-19. These manifest in ongoing reporting requirements of positive cases (staff and participants) to the NDIS Commission; increased PPE (over and above previous cost recognition); costs of adjusting supports and rosters and increased use of PPE where there is a COVID-19 outbreak. This is reflected in the increased price gap results found in the survey.

Registration costs

- Costs of compliance are significant and increasing across all support types.
- The cost of compliance with the NDIS Commission is leading to providers questioning whether they should be registered. While intending to remain registered, many providers question the overall benefit.
- Implementation of the new regulatory requirements – for example, High Intensity Support Skills Descriptors (which include new requirements for training and three-monthly competency assessments), and new Practice Standards have resulted in increased costs.

Labour market

- Workforce shortages are acute, competition for quality staff is high and wage inflation is impacting cost of delivery across all supports. The Fair Work decision related to aged care is likely to drive up wage inflation in like sectors.
- A whole of government approach is required, in collaboration with participants, workers and employers, to develop a strategic workforce plan that includes practical solutions and funding to address chronic shortages.
- The NDIA should undertake joint work with all relevant government departments to identify ways of addressing therapy (and like supports) shortages that are being experienced across the disability, health, aged care, and veterans' affairs sectors.
- Training, supervision, and support costs remain a key frustration and impact attraction and retention across the disability section. Models that identify and test different ways of funding these critical activities must be considered.