



## **National Disability Insurance Scheme (NDIS) Costs: Submission to the Productivity Commission**

The Productivity Commission's consultation paper on NDIS costs raises important issues for service providers. In its response, NDS has focused primarily on matters that impact on the delivery of high quality supports to NDIS participants, with comments structured around: scheme costs; scheme boundaries; planning processes; market readiness; and governance and administration.

### **Scheme costs**

- **Cost drivers**

Of the several avenues open to manage NDIS costs, the NDIA has made disproportionate use of pricing, resulting in significant financial pressure on service providers and a heightened risk that the gap between market supply and demand for services will grow.

Research by Curtin University and NDS on the financial health of the disability services sector suggests that many non-government service providers lack the financial capacity to invest in major growth; two-thirds report that they are worried about their capacity to provide services with NDIS prices.

When the scheme commenced in 2013, independent actuaries Finity Consulting recommended a one-to-one support price (for personal care and community participation) of about \$40 per hour. The NDIA decided on an hourly price of about \$33 - well short of the cost of delivering these supports. Subsequent investigations undertaken by consultants contracted by the NDIA confirmed that the cost of delivering one-to-one supports was not covered by NDIA prices. While there has been a small real increase since then, the prices are still markedly insufficient.

The NDIS needs to be delivered within a \$22 billion per annum budget, but it can't be delivered on current pricing. Inadequate pricing threatens to erode service quality, cause market failure and reduce consumer choice. While Government needs to retain control over the total budget, centrally determining prices that adequately reflect the diversity and complexity of circumstances in which services are provided is inherently difficult.

In NDS's view, the solution requires: setting individualised NDIS budgets based on realistic (evidence-based) prices and allowing providers and participants to negotiate and agree on the actual prices charged. This is already the practice in community

aged care and for NDIS participants who self-manage; it should be extended more broadly across the NDIS.

In its report 'National Disability Insurance Scheme—Management of the Transition of the Disability Services Market'<sup>1</sup>, the Australian National Audit Office (ANAO) proposed that the Productivity Commission examine the merits of independent price determination, on the grounds that the NDIA has conflicting interests in being both a price setter and a funder. NDS supports that proposal.

- **Plan utilisation**

Lower than expected plan utilisation rates are influenced by a range of factors. Poor quality plans is one factor (discussed later in this paper) as the participant will often have to request a plan review which can take many weeks to occur. This delays the implementation of the plan.

Providers are not informed when a person they have been supporting has a completed plan. If the participant does not tell a provider that they have a plan, existing services continue to be provided (potentially resulting in a provider not being funded for delivering services for a period of time). While existing services continue, NDIS-funded supports are not being utilised. NDS has urged the NDIA to obtain permission from participants to enable them to inform providers that a participant has a plan but to-date it has not implemented this practice.

Despite Local Area Coordinators (LACs) not being effective in some NDIS trial sites, the reliance on them has been expanded during the transition phase. The early evidence during transition is that they are still failing to assist people to implement their plans quickly and effectively. One reason for this failure is they have been diverted to planning over their LAC tasks; from November to February the NDIA had LACs operating in North East Melbourne cease tasks other than planning in an attempt to reach bilateral targets.

Finally, the late introduction of LACs into areas due to transition (it is intended that they are in place six months prior to the beginning of transition) means they are not providing adequate information and assistance to people who are likely to be eligible for the NDIS to ensure they understand how the scheme operates. People find the NDIS confusing, which delays the implementation of plans.

- **Plan costs**

A factor contributing to higher plan costs is that some people receiving state or territory government-funded services were receiving less assistance than they required, which is now being responded to by the NDIS (such as providing much needed assistive technology). In the absence of funding reviews by state and territory governments, service providers had to find ways to cross-subsidise (or use reserves or fundraising) to ensure people received adequate support. The NDIS should fund this extra support.

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<sup>1</sup>Australian National Audit Office, 2016, 'National Disability Insurance Scheme—Management of the Transition of the Disability Services Market, ANAO, Canberra

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The NDIS is also driving a more transactional and individualised approach to service delivery. While desirable in many circumstances, it adds costs. For example, during trial, some shared taxi arrangements to assist people to get to a day program were dismantled and replaced by individual trips in taxis, a more expensive option. Increasing participation in the community is a great aim of the NDIS; however, when provided on a one-to-one basis, it costs more.

Increased participant demand for support on evenings and weekends is occurring. Once again, this is positive but it does increase the cost of support (because of the higher labour costs).

As details of benchmark packages have not been made public, NDS has no direct knowledge of the correspondence between them and actual costs. We do not know if they have been constructed around appropriate levels of support.

- **Strengthen the focus on employment of people with disability**

Increasing the employment participation of people with disability and carers is fundamental to the financial sustainability of the NDIS. In its report on 'Disability Care and Support', the Productivity Commission anticipated that the then-proposed NDIS would generate substantial economic benefits and that a key source of these benefits would be "increased economic participation for people with disabilities (against a background of Australia's low performance in this area compared with most other developed countries) and their informal carers."<sup>2</sup>

To date, the proportion of NDIS plans with employment supports is disturbingly low (in the first two quarters of this financial year only about 2% of committed supports were for employment<sup>3</sup> and in the pilot of the Outcomes Framework only 13% of respondents indicated that the NDIS had helped with employment, the lowest of any domain<sup>4</sup>). This needs to change. Planners and LACs need to consider employment as an option for a much larger proportion of NDIS participants.

Employment support within the NDIS – whether leading to open or supported employment – must become an easy and attractive choice for NDIS participants. This requires reforming the pathways to employment through the Disability Employment Services program and lifting the profile and financial outlook of supported employment.

Building employment aspirations and opportunities for young people with disability ought to be a priority. International evidence suggests that a key to progress is to provide work experience or part-time employment while young people with disability are still at school. This is not happening in any systematic way in Australia. Currently young Australians with disability are mostly overlooked or excluded from activities that would improve their employment prospects.

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<sup>2</sup> Productivity Commission, *Disability Care and Support*, July 2011 Overview and Recommendations pp 54-55.

<sup>3</sup> NDIS, January 2017, COAG Disability Reform Council Quarterly Report, p. 70

<sup>4</sup> NDIS Annual Report 2015-16, p. 60

NDS's Ticket to Work program is designed to help remedy this situation. Critical to its success is bringing together multiple stakeholders—from families and educators to disability employment services and employers—to work in concert. So far, Ticket to Work has assisted over 700 young people into the workforce, with 86% of participants employed 1 to 3 years post-school.<sup>5</sup>

### **Scheme boundaries**

- **Eligibility criteria**

The NDIS must be financially sustainable; however, it must not focus on cost restraint at the expense of expanding the opportunities for increasing the social and economic participation of people with disability.

NDS understands that the NDIA is working with the Office of Hearing to clarify the eligibility criteria for a hearing loss threshold for NDIS participants (particularly adults). Insurance principles— a lifetime approach, investing in people through early intervention and building capacity—highlight the value of timely access to appropriate supports (including assistive technology) for adults who develop substantial hearing impairment before the age of 65 years.

People with psychosocial disability, families, carers and service providers all report confusion about the NDIS eligibility criteria for people with psychosocial disability.

It has been suggested that the most common reason for declining an access request for a person with psychosocial disability is the lack of sufficient evidence of disability or impairment. In December 2015, a review of the Hunter trial site noted: "... data from the trial sites indicates that ineligibility rates from access requests from people with primary mental illness are significantly higher than other disability types with 1:4 applications requesting access due to primary mental illness being determined as ineligible compared to 1:9 for applicants across the rest of the Scheme".<sup>6</sup>

Recent reports show an ongoing under-representation of psychosocial disability in the scheme. At the end of December 2016, only 6.3% of people with an approved NDIS plan had primary psychosocial disability compared to an expected 14% (note: phase-in arrangements in states and territories will account for some of this disparity). Clearer information on eligibility for people with psychosocial disability is needed.

- **ECEI and other early intervention**

In its response to the review of the NDIS Act, NDS proposed delaying the decision on whether very young children are eligible for the scheme as some with mild disability or developmental delay would benefit from relatively short-term interventions and would not require long-term supports under the NDIS. We noted that the problem with them being deemed a participant at an early age was that it may embed an expectation of significant ongoing support.

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<sup>5</sup> See Ticket to Work Pilot Outcomes Study 2016 at <http://www.tickettowork.org.au/wp-content/uploads/2016/10/Ticket-to-work-pilot-outcomes-study-2016.pdf>

<sup>6</sup> NDIS Independent Advisory Committee Dec 2015

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NDS, therefore, supports the concept of the ECEI approach. The broad gateway of ECEI enables some children with lesser needs to receive short-term assistance (hopefully including, for instance, young children with unilateral hearing loss who need assistance to ensure that their future education is not compromised). It also allows time to see how a child responds to short-term early intervention before making a decision on eligibility, while still giving children with significant and long-term disability immediate access to an NDIS package.

It is disappointing that no information on the evaluation of the trial of the ECEI approach in the Nepean Blue Mountains has been released. While supporting the concept, it is important that decisions be made unambiguously on the best interests of the child, not on the NDIS's need to ration access. NDS would not like rigid targets on the proportion of children deemed eligible for an NDIS package to drive practice. Children with disability need early access to appropriate assistance in order to maximise outcomes. The decision on what is appropriate should not be driven by a target. Information on whether the assistance being provided to non-eligible children is adequate has also not been made available.

Ongoing evaluation of the ECEI approach is required to inform how it operates.

Currently, disability support provided to school-age children is limited (most of the assistance they receive is through the education system). It would be worth piloting whether some school-aged children would benefit from short-term disability support to assist them with either developmental issues or matters such as social inclusion (without necessarily becoming an NDIS participant). One group who are likely to benefit are children aged 6–16 years who are developing moderate bilateral and permanent hearing loss (not all are likely to be eligible for the NDIS but they do need assistance to maximise their education and training opportunities).

- **Mainstream interface**

Determining the appropriate interfaces between the NDIS and mainstream services is work in progress. In particular, greater clarity is required for interfaces with health, education, transport, child protection, justice and mental health. In general, systems that work jointly and cooperatively will deliver the best outcomes for people with disability. However, much of the interaction between the NDIS and mainstream service systems is currently driven by suspicion of cost-shifting and thus more like a demarcation dispute.

Work is needed on how to ensure people with disability and complex health conditions and children with disability who have regular hospital admissions will receive the support they require. At present, there is variation in how, for example: services to people on ventilator support will be funded; or what equipment or therapy may be funded, and by whom, to a NDIS participant following discharge from hospital. Greater clarification is required. Also problematic are expectations by hospitals that disability support workers will assist NDIS participants while in hospital. While people may need this assistance, the responsibility for funding it needs to be articulated.

Families of a school aged participant are placing increasing demands on that school to provide facilities for therapy sessions to occur, even when this therapy is not

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related to the curriculum (some school-based therapy is). Convenience for parents is resulting in children being withdrawn from a significant number of lessons and an expectation that the school will make rooms available for therapy. In addition to this difficult problem is the need to establish workable arrangements for the provision of personal care to students who are NDIS participants.

Transport within the NDIS needs urgent attention. Unresolved questions include how much funding should be provided by the NDIS to assist participants with transport if they cannot use public transport? What responsibility do state and territory governments have in providing accessible transport for residents with disability, including in regional areas? Should the transportation of children with disability to school be the responsibility of the NDIS? Where does the funding responsibility lie for transporting people with disability to and from medical appointments?

Emerging transport problems will be compounded by the fact that a growing number of service providers are considering divesting of their transport fleets. If this occurs, participants will be severely disadvantaged (or the expenditure on transport will substantially increase, with participants trading off their participation supports for transport).

The interfaces between the NDIS and child protection services need further negotiation, particularly on how case management for these families will be delivered and funded. Disability service providers are currently undertaking substantial unfunded work with these families to help ensure the wellbeing of the child with disability and are often unclear of where responsibilities actually lie.

Some people who receive support from Commonwealth-funded mental health programs such as Partners in Recovery, Personal Helpers and Mentors and Mental Health Carers Respite will not be eligible for the NDIS. This should not mean that support is unavailable for those who need it.

The bilateral agreements between the Commonwealth and the states and territories require that continuity of support arrangements must ensure that people are not disadvantaged during the transition to the full NDIS. The Continuity of Support Programme has been established by the Department of Health for people over 65 years who currently receive state- or territory-funded disability support. Continuity of support arrangements for other people receiving disability support who will not be eligible for the NDIS need to be released as soon as possible.

### **• Information, Linkages and Capacity (ILC) initiatives**

NDS has concerns about the NDIA's approach to the commissioning of ILC. We had recommended that the Agency should seek to enhance the existing map of ILC-type services, rather than beginning from a blank slate. The nature of the community sector reflects its organic growth: it is 'messy' and diverse. Instead, the NDIA is using a competitive grants funding process which will very likely result in the dismantling of some great support services that are currently improving the lives of people with disability. Effective social inclusion pathways for many people with disability could be diminished.

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The mapping process undertaken should have been used to identify necessary ILC services and a mechanism for directly funding them established. It is a waste of time and resources to have a competitive grants round for activities that are currently performed very capably by organisations which have strong track-records and the confidence of funding departments. Initially, this type of organisation should receive funding outside the competitive grants process. Their performance could be tracked and their funding modified accordingly over time. If their performance is less than expected, a competitive process can be used to find a replacement.

And to make it even less satisfactory, the contracts for first competitive round will be for one-year only (with a vague reference to the potential for some contracts to be offered a two-year extension but with no detail about how these decisions will be made). Short-term contracts make it difficult to deliver quality and sustainable services to people with disability.

NDS notes that the NDIA invited both not-for-profit and for-profit organisations to apply for ILC funding. Not-for-profit organisations are in the unique position of being able to attract volunteers and philanthropic funding to support their ILC-type work. It would diminish the NDIS to lose this social capital contribution.

### **Planning processes**

- **How to improve planning and allocation of supports**

The outgoing Chairman of the NDIA, Bruce Bonyhady, admitted that the quality of plans is one of several challenges facing the Agency in implementing the NDIS. In a letter to Federal Minister Christian Porter, he stated: "the First Plan process, together with the requirement to complete almost as many new plans during the current six months as throughout the entire trial phase of three years, has led to some plan quality issues."

The poor quality of plans is continuing to require substantial—and unfunded—intervention by providers to assist participants to have them amended.

NDS is aware that the Agency has limited information about the services that people entering the scheme are receiving from state and territory-funded systems. Existing providers have a good understanding of what services people currently receive.

The NDIA should develop a template, asking participants and providers to complete it prior to attending a planning meeting. While approved NDIS-funded supports may differ from those currently received, the list of existing services should be used as a check to ensure that new plans are of a high quality, are complete and have a degree of consistency across participants.

The NDIA should also consider using the knowledge of NDIS-funded support coordinators to undertake plan reviews and to subcontract planning for some selected conditions or circumstances to specialist disability providers.

The NDIA uses the PEDI-CAT for the assessment of children, which is widely accepted as being a reasonable tool. Problems can arise, however, when an assessment is only done on the child and consideration of how the family is

functioning is ignored. All people assessing a child with disability should be prompted to include an assessment of how well a family is managing.

## **Market readiness**

### **• Workforce supply**

While barriers to entry to disability support work are relatively low and lead times for skills development are relatively short, workforce shortages are already present.

In NDS's 2016 Business Confidence Survey, 47% of respondents indicated they were already having difficulty recruiting disability support workers (see graph below)<sup>7</sup>. This is despite the fact that the majority of respondents were not yet operating within the NDIS.

Disability support workers are more likely to circulate in local labour markets, not least because wages are low and funding for worker travel between NDIS participants is limited. Providers do not at present view competition from aged care services as a major problem as the two workforces tend to operate somewhat separately and occupy different market segments.

Organisations are beginning to target non-traditional sources of labour, partly in response to client demand and partly through necessity. They are also increasingly being asked to recruit to meet the preferences of individual participants. This adds to recruitment costs and lessens the ability to offer longer hours of employment. In addition, more staff are selecting work that offers the predictable shifts (such as in-home support rather than community participation). If this trend continues, providers will find it increasingly difficult to assist participants to be part of their community.

The labour pool is being supplemented by people being introduced to the sector via participants themselves and through digital platforms (attracting younger and more diverse job-seekers). It is too early to know how significant they will be in delivering the volume of disability support work required but it is likely to be relatively small.

Population ageing will have several effects:

- greater demand for supports as participants age or newly acquire disability
- as carers age they generally will be able to provide less informal support, necessitating the need for formal supports
- as the population ages, the aged care sector will require additional workers and there is likely to be growing competition for workers

The disability sector has a slightly more balanced age profile than adjacent sectors:

- NDS workforce data from September 2017 shows that 43% of the direct support workforce were aged 25– 44, similar to the Australian workforce average of 45%
- the average organisation has 21% of its workforce aged 55 and older (the broader 'aged and disabled carers' group has almost 30% in this category)

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<sup>7</sup> NDS State of the Disability Sector 2016, p. 38, with data taken from the NDS's 2016 Business Confidence Survey of 549 disability service providers



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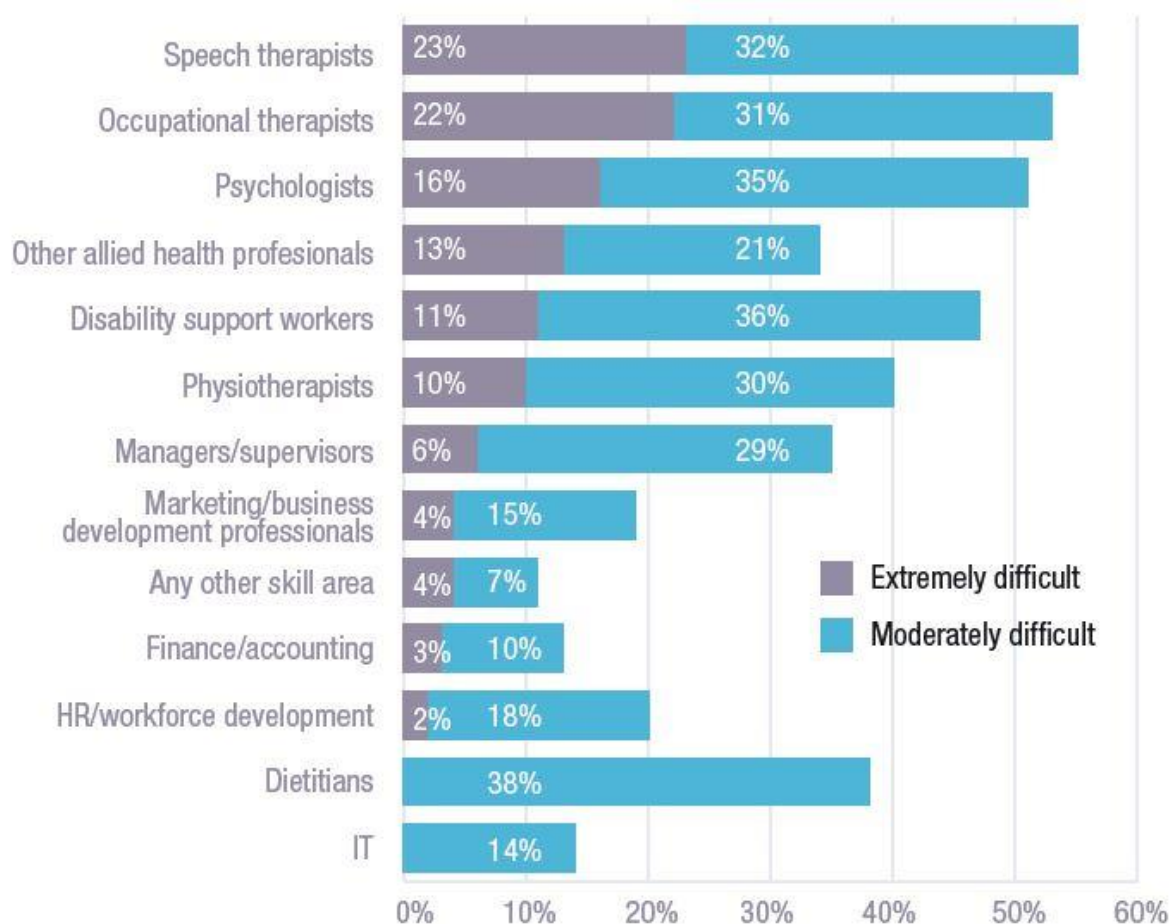
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Nevertheless, as 70% of the workforce is female, and the average retirement age for women in Australia is 60.4 years<sup>8</sup>, the disability sector has a sizeable segment of its workforce close to retirement at the same time as demand for workers is growing.

Between the 2006 and 2011, the disability workforce grew by 39%. In 2014, NDS calculated that if this growth rate continued, net growth in the disability workforce would approach, but not equal, forecasts that predict the need to double disability workforce size by 2018.

While not uniform across the country, data indicates employment growth is currently exceeding previous growth rates (our data suggests it is growing at approximately 3% per quarter, steady for the last four quarters). The growth rate outside the providers<sup>9</sup> is not known. This needs constant monitoring as we don't know whether it is sustainable or how it will vary across the country.

### Ease or difficulty in recruiting staff in the 2015-16 financial year



The ability of the sector to train disability support workers for specialist tasks such as working with people with challenging behaviours or who have complex medical

<sup>8</sup> Australian Bureau of Statistics, Retirement and Retirement Intentions, Australia, July 2014 to June 2015, Cat. No. 6238.0, average age at retirement for persons who have retired in the previous five years

<sup>9</sup> That is, amongst workers being directly employed by NDIS participants and people working as independent contractors or through agencies.

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issues is compromised by low NDIS prices. Low prices also militate against the sector creating additional jobs that would be useful in alleviating professional shortages, such as allied health assistants and peer workers.

Allied health professionals (AHPs) are long lead time occupations, with entry via university degrees. Their skills are not easily substituted by unskilled workers—weeks lost waiting for assessments or therapy can be critical for a child's future development. Other sectors compete for AHPs who can also move to private practice. Even prior to the NDIS, AHP labour markets were already tight.

Providers are finding it hard to recruit AHPs especially outside metropolitan areas; these challenges are only likely to increase. As the graph above shows, in 2016, 25% of organisations employing speech pathologists or occupational therapists found them 'extremely difficult' to recruit and a further 32% found them 'moderately difficult' to recruit. Organisations also had trouble recruiting psychologists and other allied health professionals and found it difficult to retain staff in these professions.

An emerging problem is that a significant number of therapy providers have ceased taking on student placements as a result of NDIS price pressures (they state they have less time for activities that are not directly billable).

Solutions are long term. Investment on the supply-side (e.g. funding university places/scholarships) is needed, as are incentives to encourage organisations to provide clinical placements in order to attract new graduates into the sector.

- **Perceptions of disability work**

Positive messaging about disability work is important to attract workers. NDS operates two programs which communicate the benefits of disability work: carecareers and projectABLE.

### **carecareers and projectABLE**

With the assistance of funding from the NSW and Commonwealth Governments, NDS has created two successful programs to help meet the growing demand for workers.

[carecareers](#) is NDS's job website for the disability and community care sectors. A not-for-profit initiative, it aims to attract talented staff from all backgrounds to work in the disability, community and aged care sector. As well as offering a job board, it has a fully staffed Careers Centre qualified to assist jobseekers and advertisers and makes available a range of useful resources.

[projectABLE](#) is a free program delivered to secondary school students to encourage them to consider a career in the disability sector. Students learn about the variety of career options in the disability and community care sector, from support workers and nurses, social workers, advocates, physiotherapists, marketing professionals, business managers and IT support staff.

These programs are currently limited in their reach. Funding is required to extend these two valuable programs to mimic the NDIS transition across Australia.

There are aspects of disability employment that are not attractive: the pay; limited career opportunities; relatively low shift and overtime penalties; and small allowances. Around 37% of the workforce is casual (the Australian average is 25%) and average working hours are low at about 25 hours/week. The NDIS could drive greater fragmentation of work.

An important way to avoid or lessen the perception that disability jobs are poorly valued is to ensure working conditions in the sector improve or at least do not fall as the scheme is implemented.

- **Workforce flexibility**

Although disability workforce utilisation is relatively low, there are barriers to improving it:

- disability support work has peak demand times (typically morning and evening)
- NDIS participants are increasingly playing a strong role in choosing the worker(s) they want to provide support for them (this can work against constructing 'good jobs' with significant hours and without substantial breaks across a day)
- the SCHADS award is an obstacle to functional flexibility (where staff work across other work streams such as aged services or home care)

A large Victorian disability service provider gave evidence at the SCHADS Modern Award hearing about how the NDIS had changed its working arrangements in the Barwon region of Victoria. Between the 2014 and 2015 calendar years:

- the total number of in-home and in-community (as opposed to centre-based) support shifts to disability clients increased about 400%
- the percentage of shifts of under one hour changed from 3 to 15%
- the percentage of 5 hours or longer almost halved from 63 to 33%
- roughly 35% of shifts are now affected by changes such as a cancellation, with or without notice

In submissions to the Fair Work Commission, NDS has made it clear that the outcome the industry seeks is higher quality employment, while at the same time advocating additional flexibilities. Changes proposed during the modern award review have sought to discourage casualization by allowing minor flexibilities within permanent part-time employment. For example, the current Clause 10.3 (c) with its requirement to specify starting and finishing times precisely operates as a barrier to the employment of workers on a permanent part-time basis in services which are catering to individual client needs and wishes.

- **Informal care**

According to the intermediate report on the evaluation of the NDIS<sup>10</sup>, informal carers continue to provide the most support to NDIS participants. This enables the NDIS to be sustainable, but carers are experiencing pressures. The same report noted that support for carers in their own right had declined since the NDIS began, noting that many families and carers are unable to take adequate breaks from providing support and cannot access carer support in a consistent manner.

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<sup>10</sup> NILS, 2016, NDIS Evaluation Intermediate Report

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Concern among carers arises from the fact that the NDIS does not provide supports to carers in their own right and that funding for carer support programs is being gradually transferred to the NDIS.

There are two options: improve carer support provision outside the NDIS and/or improve the provision in plans for supports that have a 'respite-like' effect for carers. The planned Integrated Carer Support Service will assist carers of people both under and over the age of 65 (and those who support people who fall into both age categories). Planners should also be instructed to discuss with carers their ability to provide support and have this reflected in participant plans.

- **Skilled migration and technology**

Skilled migration is being used to address allied health professional shortages in the sector, which is appropriate. In addition, temporary migrants (such as students and working holiday visa holders) are used in the sector in certain states and in remote regions (but cultural differences can create barriers).

NDS does not believe that a dedicated migration stream to address front-line recruitment difficulties in disability is warranted at the current time.

- **NDIS prices**

Service providers are losing money on delivering of one-to-one supports, a situation which is not sustainable. The NDIS maximum price is significantly lower than the prices paid by government for supporting older people to remain living in the community.

### **Prices for one-to-one support are set too low**

During negotiations with the NDIA during 2014, the Reasonable Cost Model (RCM) was developed to provide a transparent and evidence-based method to set realistic one-to-one support prices. Unfortunately, in mid-2014, the NDIA announced price increases which were lower than the prices generated by the RCM.

The use of the RCM was hindered by poor data on the actual costs of service delivery. While the NDIA agreed to independent data collection to test and adjust assumptions in the RCM, this has not yet occurred.

Several of the assumptions on which the one-to-one support prices are based are highly dubious, including:

- average pay rate used for worker and supervisor is lower than the sector pays
- productivity expected of workers is set too high (with the expectation that 95% of their work hours will be with clients)
- the 5 days per year allowance for personal leave is far lower actual usage
- the 2 days per year allowance for training is inadequate to ensure a skilled workforce (particularly as the majority of the workforce is part-time or casual)

Concerning are statements by the NDIA that in the future the real prices for these supports will be decreased further. NDS rejects this approach.

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Some providers are reporting a growing reluctance to support people with complex conditions (in all service types). The NDIS has some higher prices for complexity but they are inadequate. Without a price increase, high-needs participants will be at significant risk of not getting the supports they need.

The NDIA makes some allowance for participants cancelling shifts with little notice or not showing for an appointment, but it underestimates the financial impact on providers of persistent cancellations. In these circumstances, providers are not able to claim for payment.

There are other problems with NDIS prices, including the price for short-term accommodation. This price is a flat rate which fails to reflect the higher cost of labour during evenings, at weekends and on public holidays. A number of providers are currently considering ceasing to provide this support which will have a major adverse impact on some families and carers.

- **Impact of in-kind services**

An NDIS Rule prevents residents of government-run group homes from choosing an alternative provider during transition. The Rule requires that where an in-kind support is provided, the participant's plan "must specifically identify that the support will be provided by the relevant provider of that in-kind support."

In-kind arrangements also allow governments to fund their group accommodation at a higher rate than the NDIA prices applied to non-government providers. According to the 2017 Report on Government Services, state and territory governments are funding their group homes, on average, at \$32,510 per resident more than they fund non-government group homes. In-kind arrangements are inequitable for providers and limit participant choice.

- **Provider readiness**

The ANAO report on market transition describes a situation where implementation of the NDIS is outpacing the preparatory work required to support it. It notes the urgent need to finalise and/or publish a range of strategies and action plans to help the market develop and transition.

The report states that because service providers and participants have key roles in the successful transition to the NDIS, they should be consulted on the development of an action plan for the NDIS market, sector and workforce. It criticises the use of the \$146 million Sector Development Fund (SDF), noting that allocations from it have lacked strategy, transparency and coordination across projects and jurisdictions.

Similarly, the 'Independent Review of the Readiness of NDIS for Transition to Full Scheme' flagged high risks for the NDIS market, and noted the need for "both immediate and short term actions to strengthen mitigation and responses in relation to potential market failure or provider collapse; and to support provider readiness and market development."

A clear and coherent national investment plan is urgently required to support the sector's development and transition to the NDIS market. Developed with the non-government sector, a comprehensive industry plan should build on work done to

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date and include a strong focus on workforce growth and development. It should outline actions, timeframes, accountabilities and monitoring arrangements.

The SDF commenced in 2012-13 for a duration of four years, since extended by one year. The SDF should be re-funded and further extended to complete the demanding work required for a successful sector transition to the NDIS across Australia. Without additional assistance some providers will not make the transition to the NDIS, particularly small and medium-sized providers, those operating in thin markets, and those providing services to Indigenous people and people from culturally diverse backgrounds.

- **Thin markets**

The NDIA is moving to have a single price list across Australia with loadings only for remote and very remote areas (as determined by the Modified Monash Model). This crude approach fails to acknowledge the high costs of delivering supports in areas such as Darwin and establishes prices that are unattractive to new suppliers.

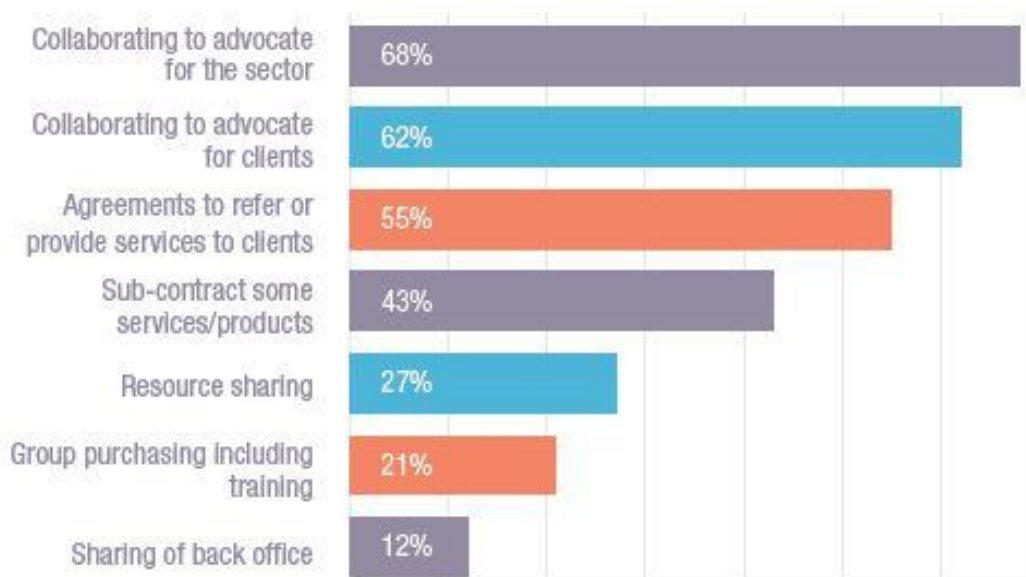
Service providers in areas such as Darwin are already considering whether they can afford to deliver NDIS supports. An urgent review of price setting for thin and high-cost markets is urgently required.

- **Impact of the NDIS on collaboration and fundraising**

Research is needed to understand the impact on fundraising. Providers report that fundraising revenue is dropping as donors believe that the NDIS will fully fund all the support that people with disability require. This is a misunderstanding but seems to be becoming more pervasive.

NDS's 2016 Business Confidence Survey indicates that collaboration between providers is continuing at present<sup>11</sup>.

### Working collaboratively and sharing resources



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<sup>11</sup> NDS State of the Disability Sector Report 2016, p. 17.

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Forty one per cent of organisations have discussed the possibility of a merger. 14% have completed a merger within the past 12 months or are currently undertaking a merger. Of those discussing a merger, 12% said it was likely or very likely their organisation will merge in the next two years. 16% have discussed discontinuing the provision of disability services and 8% have discussed closing their organisation.

## Governance and administration of the NDIS

### • Quality and safeguarding

Following agreement on the national NDIS Quality and Safeguarding Framework, knowledge from the sector needs to be drawn upon to design a system that facilitates the delivery of high-quality supports, protects participants from abuse and neglect and avoids cumbersome (and often ineffective) administrative effort.

NDS understands that a new ICT system will be developed. Service providers should be consulted about the specifications of the ICT system and be involved in testing the system before it is introduced.

Enabling people with disability to live free from abuse, neglect and harm requires more than just effective regulation. Providers of disability supports must have appropriate knowledge, practices and organisational cultures to prevent and respond to abuse. The NDIS will change the profile of risk which organisations must manage, but it will not eliminate risk.

NDS's Zero Tolerance initiative has been effective in creating learning resources, awareness and advice for providers<sup>12</sup>; it should be funded to continue as the workforce expands to support 460,000 people with disability.

### What is Zero Tolerance?

Zero Tolerance assists disability service providers to understand, implement and improve practices which safeguard the rights of people they support.

Led by NDS in partnership with the disability sector, [Zero Tolerance](#) is:

- a framework to prevent and respond to abuse, neglect and violence
- a clear message that abuse, neglect and violence are not okay
- a way of thinking about abuse as a human rights issue not a disability issue
- an organisational and personal commitment to act on anything that makes a person with disability be or feel unsafe or doesn't support human rights
- resources to educate and train staff at all levels
- a way of working collaboratively to prevent and respond to abuse

The implementation of a new quality and safeguarding system will impose costs on providers, not least because many of them will lose the funding they receive from governments to assist with the costs of quality audits. NDS urges the Government to make available funding to assist providers with future audit costs.

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<sup>12</sup> View NDS's Zero Tolerance framework and resources at <https://www.nds.org.au/resources/zero-tolerance>

- **Market stewardship**

In a recent report on increasing competition and choice in human services, the Productivity Commission stated:

Governments' stewardship role in the delivery of human services is broader than overseeing the market...include identifying policy objectives and intended outcomes, and designing models of service provision...developing regulatory and institutional arrangements to underpin service provision that is responsive to users, accountable to those who fund the services, equitable, efficient and high quality.<sup>13</sup>

This was endorsed by the ANAO in its recent report:

During the NDIS trial period there was a lack of clarity over the roles and accountabilities of government entities for managing the market transition. In September 2016 the Disability Reform Council agreed market-related roles and responsibilities for the Commonwealth, states and territories, and the NDIA.<sup>14</sup>

The ANAO report notes that DSS has a draft 'Program Plan for National Disability Insurance Scheme Phase 2: Transition' which is aligned with the department's market, sector and workforce related roles and responsibilities. Service providers have not had input to this document which has not been released.

NDS has established several data collections which it will draw together to publish a regular Industry Barometer. We encourage the Government to work with NDS to monitor and respond to market risks as they emerge and recommend the establishment of disability research structure (similar to AHURI).

**Support the creation of a national disability research entity**

Existing research funding is inadequate to support the disability sector reforms. The 2014 Audit of Australian disability research found that the current disability research agenda lacks critical mass, is poorly co-ordinated and is disconnected from sustainable funding.

Existing funding mechanisms such as the National Health and Medical Research Council and the Australian Research Council have not assigned disability research a high priority and are under pressure from a wide range of research demands.

NDS has the support from a range of stakeholders for the establishment of a new entity to drive an Australian disability research agenda. A collaborative structure similar to the successful AHURI is proposed, which would aim to: co-ordinate research to stimulate service innovation; disseminate knowledge of best practice; connect researchers to industry and consumers as end-users of research; and build the capacity of people with disability to engage with research.

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<sup>13</sup> Productivity Commission, 2016, 'Introducing Competition and Informed Consumer Choice into Human Services: Identifying Sectors for Reform, PC, Canberra, p. 36

<sup>14</sup> ANAO, op. cit., p. 25



## **National Disability Services**

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- **Provider of last resort**

Many emergencies result from a family carer being unable or unwilling to continue to support a person with disability (whether for a short period or longer term). This may be because they become unwell, sustain an injury or feel over-burdened by their caring responsibilities. Emergencies can also arise when a person with disability has challenging behaviours that escalate or there is an unexpected need for additional personal care or household assistance.

Emergencies will arise for participants of the NDIS, for people who will become participants of the NDIS, or for people with disability who have a temporary need for assistance but who do not become participants of the NDIS at this time.

Associated with emergency response is the need for a provider to be willing and able to step in (often this is a need for short-term accommodation). State and territory governments have processes to implement emergency responses but these will cease as the NDIS is implemented.

Arrangements for managing emergencies that will arise as the NDIS is implemented are currently poorly articulated and inadequate. This needs to be addressed, ideally through the NDIA establishing emergency response agreements with a number of disability support providers across the country.

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**National Disability Services** is the peak industry body for non-government disability services. It represents service providers across Australia in their work to deliver high-quality supports and life opportunities for people with disability. Its Australia-wide membership includes over 1100 non-government organisations which support people with all forms of disability. Its members collectively provide the full range of disability services—from accommodation support, respite and therapy to community access and employment. NDS provides information and networking opportunities to its members and policy advice to State, Territory and Federal governments.