SUBMISSION TO:

PRODUCTIVITIY COMMISSION REVIEW

# NATIONAL DISABILITY INSURANCE SCHEME (NDIS) COSTS

# ***MARKET FAILURE IN RURAL AND REMOTE AREAS***

By

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**Summary**

The NDIS is designed to benefit all Australians based on the application of market and insurance principles to ensure the best possible outcomes for people with a profound or severe permanent disability.

Not all people with disability are achieving improved outcomes under the NDIS. Often these people are unable to effectively advocate for themselves and are having difficulty navigating the NDIS system. A number of NDIS participants are experiencing difficulties due to lengthy waiting lists and absence of local providers and issues regarding quality. Unmet demand is more common in rural and remote areas and for older participants (Position Paper, June 2017: p19).

Multipurpose Services (MPS) are currently used in the Aged Care Sector to address market failure in rural and remote areas. The model is based on the principle that communities are able to pool funds from previously separate Commonwealth and State aged care and health programs to provide a more flexible, co-ordinated and cost effective framework for service provision.

This paper builds on MTHCS's submission on the Issues Paper of March 2017 to support the use of the MPS model to overcome potential market failure with the NDIS where there are thin markets in rural and remote areas.

**About Mallee Track Health & Community Service (MTHCS)**

MTHCS is a MPS which delivers a range of health, education and wellbeing services to the communities of the Mallee Track. MTHCS is located in the North West of Victoria and services the communities of Ouyen, Underbool, Murrayville, Sea Lake and surrounding districts. We service a geographical area of 18,000 square kilometres with a population of approximately 4,500 people.

**This how the MPS model works at MTHCS**

- The Commonwealth provides a flexible care subsidy for 50 flexible high care places, 35 flexible low care places and 5 flexible community care places determined in accordance with the Health Services Act 1998, the Approved Provider's eligibility for Flexible Care Subsidy for the Sites under section 50-1 of the Act and Calculated in accordance the method specified under section 52-1 of the Act (Commonwealth's Contribution). The Commonwealth's Contribution will be pooled with the State's Contribution in accordance with 15.20 (2) of the Principles to provide a mix of health care services which reflect the needs of the Mallee Track community and the Sea Lake/Buloke Shire (North) communities.
- The State's contribution is per annum and is broken down into program areas such as Acute Health, Aged Care, Home and Community Care (HACC) and Primary Health. A scope of services is identified within the funding agreement – but the funds are pooled to enable the MPS (Community) to determine the best service mix to deliver the range of aged care, health and community services they need, but which are unable to be sustained separately. The service types within the current model include Population health, Allied Health

(physiotherapy, Podiatry, Occupational therapy), mental health support, Community development, Youth support, social support programs and HACC services such as District Nursing, Home care, personal care, delivered meals, Planned Activity Groups, home based respite and volunteer coordination.

- The money pooled between state and commonwealth is provided to MTHCS as the local community controlled Multi-Purpose Service body. MTHCS then allocates those funds according to community needs to meet aged care and health needs. The funding provided is based on the amount standard programs would allocate to a community. This tripartite agreement demands compliance with a range of reporting and accountability reporting measures to ensure appropriate allocation and acquittal of pooled funds. MTHCS, as an MPS, is also subject to industry standard quality and financial reporting requirements.

**Robust governance arrangements**

In Victoria, MPS' are legislated in the Health Act 1988. This allows for a rigorous examination of the MPS by the relevant state and commonwealth agencies. The MPS, becomes a linked up government hub located in the nominated catchment – 'in place'. The governance model requires appointment to the local board through the relevant health minister and compliance relevant to funding and quality systems.

**How the current disability system works in our area practically**

Current block funded disability services are generally administered by agencies located in the adjoining provincial centres of Mildura, Swan Hill and Bendigo. Mildura is 100km from Ouyen and 210km from Murrayville. Swan Hill is 70km from Sea Lake. Bendigo is 210km from Sea Lake, and 315km from Ouyen.

Consumers report that they often have difficulty accessing services based in Mildura, Swan Hill or Bendigo due to the distance and lack of suitable public transport. Where services are provided in the home a round trip of say 200km from Mildura to Ouyen is required. This considerably reduces the value of the of the disability services to the consumer, as the return travelling time of more than 2 hours from Mildura to Ouyen needs to be funded from the consumer's allocation. In other cases where the support is provided in the larger provincial town a common response is for the consumer to be unable to access the services offered.

**Cost shifting reported by the NDIA**

The Position Paper (June 2017, p32) identified examples of cost shifting, scope creep and service gaps. Some providers are trying to extend the amount of health interventions by using the NDIS funding, mainstream services denying entry to clients likely to be eligible for the NDIS, and issues around lack of accessible public transport options in rural and remote areas.

**Market readiness**

Given the thin market with low client numbers and long travelling distances, market theory suggests Disability Providers will offer more and cheaper services to consumers located close to the larger provincial towns of Mildura, Swan Hill and Bendigo. Providers may even decline to offer services in the outlying areas due to the low volume of consumers and the extra costs associated with these consumers. This is supported by the lived experience of our consumers.

Consumers of services and their local situations are diverse and heterogeneous, not homogeneous and a number of consumers are vulnerable. The increase in funding and the considerable unmet demand in the disability sector also means the number of workers will need to grow significantly (Position Paper, p34-35). This will be a particular challenge in rural and remote areas where the supply of skilled professional and para professional staff can be particularly limited.

It has also been recognised, that thin markets may require some sort of government intervention to avoid poorer outcomes for consumers. Those at most risk include consumers living in rural and remote area. A more flexible approach to funding, service delivery and other measures tailored to specific circumstances is needed. Block funding has a role, together with provider of last resort arrangements (Position Paper, p38-39).

**The Multipurpose Service (MPS) model as a response to Draft Finding 6.1**

Draft Finding 6.1: *In a market-based model for disability supports, thin markets will persist for some groups, including some participants…… In the absence of effective government intervention, such market failure is likely to result in greater shortages, less competition and poorer participant outcomes.* Affected at risk consumers include those living in outer regional, remote and very remote areas (Position Paper, p58).

The MPS model which is used in the Aged Care sector provides a solution to the issues of thin markets in rural areas. It is not a market based solution, but by pooling of funding it is a tested method of mitigating market failure. Opportunities for cost shifting are also avoided.

Use of the model also provides a possible solution to shortages of skilled workers by building on the skills of the existing workforce employed by the MPS provider. Existing staff with core competencies could be provided top up training where necessary or a delegated model where para professional staff are supervised by highly trained professional staff could be used. Suitable qualifications for the supervising professional staff would be at the degree level and include Social Work and Occupational Therapy.

The National Disability Insurance Agency (NDIA) will need to maintain an active supervision of pricing to ensure value for money.

**Recommendation**

It is recommended that the MPS model be trialled as a solution to market failure where there are thin markets in rural and remote areas. MTHCS would be prepared to be a trial site.

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