National Disability Insurance Scheme (NDIS) Costs

Emerging issues in the operations of the NDIS – provider insights

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1 Executive summary

1.1 Respondents

Ability First Australia is a strategic alliance of Australia's leading disability organisations and one of Australia's largest, national, not-for-profit organisations. The service providers that form the core of Ability First Australia are some of the oldest and most respected not-for-profit service providers. They have been providing outstanding services to people with disabilities from as early as the 1920s when the polio epidemic affected many children around the globe. Today, Ability First Australia (AFA) organisations provide innovative and responsive services to meet the needs of people living with a wide range of disabilities.

1.2 Submission purpose

1. To describe emerging issues in the operation of the National Disability Insurance Scheme that could impact on Scheme costs in the shorter and longer term, specifically:
    a. Key risks to scheme viability:
        i. Costs, in relation to the costs of government continuing to deliver Supported Independent Living (SIL)
        ii. Workforce readiness and capacity
    b. Scheme rules and operational practices that are inconsistent with the objects of the National Disability Insurance Scheme Act (2013) (The Act)
2. To discuss the risks to the Scheme associated with these issues as they relate to Scheme viability and cost.

1.3 Conclusion

Our experience and investigations lead us to conclude:

- State governments providing SIL in SDA (Specialist Disability Accommodation) will continue to drive SIL costs and liabilities well beyond NDIA's efficient price
- There is no transparency as to how the shortfall between the NDIA price and the current cost of SIL in the government sector is being met
- Current workforce capacity (and the constraints on increasing this capacity) poses a significant risk to scheme implementation. Without positive intervention this could

result in Scheme failure. Workforce capacity is currently constrained by competition with the aged care sector for the same pool of support workers and the current pricing structure limiting organisations' capacity to offer stable employment

- Some current practices, particularly in relation to the management of waiting lists for SIL are inconsistent with the principle of choice and control and the objects of The Act are barriers to people with disability living an ordinary life
- These practices are also preventing the NDIA from testing the market

2 Risks to Scheme viability

2.1.1 Specialist Disability Accommodation and Supported Independent Living

This submission addresses some specific issues in relation to the costs of delivering SIL and SDA in the not-for-profit and for-profit sectors. A separate submission addresses the price structure of SIL in temporary (respite) or ongoing arrangements.

Box 1 SIL and SDA

Supported Independent Living (SIL) refers to the assistance with and/or supervision of tasks of daily life in a shared living environment (also referred to as a shared living arrangement), which is either temporary or ongoing. SIL is delivered in Specialist Disability Accommodation (SDA). SDA Accommodation is accommodation for participants who require specialist housing solutions to assist with the delivery of supports that cater for their very high support needs. SDA does not refer to the support services, but the homes in which support services (SIL) are delivered.[1] These supports are delivered by providers in government, the not-for-profit and the for-profit sectors.

There is evidence that the costs of providing SIL and SDA supports are different for providers in different sectors and that in the government sector the costs are well in excess of NDIS prices. Supporting the government sector to provide SIL at a cost that exceeds the NDIS price is a form of market intervention. There is no transparency as to how the shortfall between the NDIS price and the current cost of support in the government sector is being met.

The average cost for services per user per annum ranges from $63,479 (non-government residential) to $166,438 (government group homes) [4] (Table 1-1)

Table 1-1 Service costs

Sector	Spend per service user[4]	
	Institutional/residential	Group homes
Government provided	$184,745 (p.14.56)	$166,438 (Table 14A.84)
Non-government provided	$63,479 (p.14.53)	$121,124 (Table 14A.84)

(refer to Ability First submission *'An evidence base regarding the support needs of people living in a Shared Living Arrangement in Specialist Disability Accommodation'*).

This differential poses cost and liability risks to the scheme in that:

- Delivering additional funding to government providers (beyond the level of funding specified in the NDIA's Price Guide) will:
    - Drive costs beyond those NDIA's '*efficient price*'
    - Impede the development of a non-government provider (private and not for profit) market
- Funding government services beyond the efficient price may also act to stifle efficiency gains and innovation in the delivery of SIL supports. Such innovation may include adopting more cost-efficient staffing structures or innovative technology to support staff supervision or reporting and compliance activities.

2.1.2 Workforce capacity

Members consistently report that, even at this early stage of NDIS rollout, workforce capacity is a significant issue and is shaping as the single biggest risk to Scheme viability. Specifically, our members have noted:

- Difficulties in recruiting workers
- That many people who have applied for support worker roles in their organisations have a strong preference for full time work. Our members report that the current NDIS price framework constrains their capacity to offer full-time hours
- Challenges in transitioning casual staff to part-time and full-time roles, given the methodology adopted by the NDIA in determining hourly rates for staff.
- The very high utilisation factors adopted by the NDIA (95%) mean it is very difficult to build a workforce without moving to a cash negative position

- Strong competition for the same pool of workers is coming from the aged care sector, a sector which is growing its workforce as the population ages. The aged care sector does not operate under the same price constraints as the NDIS, with higher prices per hour for supports and the allowance for participants to purchase additional hours of support. For example:

Individual support for community access price/ hour	
Aged Care (sample from a service's published price schedule)	NDIS
$52.00	$42.79 – standard needs $45.17 – higher intensity needs
Additional worker allowance for Kms	No worker allowance for Kms

- Due to the nature of its services, aged care providers are more easily able to offer full-time or permanent part-time work.

These different funding arrangements provide the age care sector with a competitive advantage in building workforce capacity. Any consequent inability of disability support providers to attract support workers (and allied health staff) will act to increase the risk of market failure and scheme failure. Price setting that looks beyond the current disability service sector would allow the Scheme to find a market-based price point, where the competition for labour is recognised as operating across sectors, thus creating a level playing field for employers. This means the Scheme may cost more in the short term, but more effectively deliver outcomes, reducing cost in the longer term.

3 NDIA rules and operational practices

Our members have reported that some scheme rules and operational practices are inconsistent with the objects of The Act. These rules and operational practices are in relation to the management of needs registers (waiting lists) for SDA and the practice of directing participants to specific providers, particularly providers of core supports. These practices are inconsistent with the objects of The Act, specifically:

- Part 2 - Section 3(e) to '*enable people with disability to exercise choice and control in the pursuit of their goals and the planning and delivery of their supports';* and
- Part 2 - Section 3(g) to *'promote the provision of high quality and innovative supports that enable people with disability to maximise independent lifestyles and full inclusion in the mainstream community'*. [2]

3.1.1 Choice and control and the NDIS

For people with disability, choice and control are a key part of contemporary practice. The emergence of the disability rights movement, and guiding principles such as '*nothing about us without us'*, has driven this expectation. As described in the ILC Commissioning Framework exercising choice and control is fundamental to living an ordinary life and a vital part of people being *'empowered to live the life they choose'* (p. 8).[3]

At a practical level, exercising choice and control over one's own life includes exercising choice and control over when, how, and by whom supports are provided.

3.1.2 State Government management of waiting lists for SDA

The current scheme rules, and the application of these rules, do not afford participants choice and control over one of the fundamental decisions of an ordinary life; where to live and with whom. At the same time, the current operational practices in relation to the centralised management of waiting lists for SDA are market interventions and can act to suppress demand for providers of choice and artificially inflate demand for less preferred providers.

Under state government management of demand for SIL, where demand for both funding and services exceeded supply, governments established waiting lists (needs registers) for funding and, in the case of SDA, services. *'Vacancy management'* for government and non-government providers was centralised and people registered for vacancies. This system afforded people little or no choice about where they lived and with whom. In this environment of block funding, the control over vacancy management *and* the financial risk of having vacancies sat with the same central agency.

The proposed Scheme Rules for SDA allow the provider of SDA to be specified in the participants' plan (section 5.9) and in the plan management rules (section 6.6 – 6.8).

Specifying the SDA provider in a participant's plan does not allow the participant to have choice and control over their living arrangements.

In this aspect, the scheme rules contravene the legislative object of choice and control. Being able to decide where, and with whom, to live is fundamental to living an ordinary life.

We understand that NDIA has arrived at an agreement whereby some (if not all) state jurisdictions will continue to manage SDA waiting lists. Such arrangements are market intervention in the market for SDA and SIL. There are a number of problems with this scenario:

- State governments that have a vested interest in the financial viability of their owned and operated SDA have the power to direct referrals to their own services, rather than those of their competitors (not-for-profit and for-profit providers)
- Given the higher costs of state government delivered services, state capacity to direct referrals to their own services will drive scheme costs and liabilities upwards
- Removing choice and directing people to SDA providers with vacancies prevents providers of inferior service from experiencing the effects of providing an inferior service – specifically experiencing a reduction in demand
- At the same time directing people away from providers who do not have vacancies can act to artificially supress demand upon providers of choice and impedes the capacity of providers to understand local demand and plan needed future developments

4 Reporting

The agency's reporting is unclear and offers no useful information to providers. Report formats are constantly changed, making it time consuming or impossible for providers to understand how activity and expenditure is tracking over time. It is particularly concerning that data regarding expenditure on key drivers of scheme performance - 1:1 personal support and SIL - is not detailed in the current report format. The agency is currently the custodian of the market and as the custodian is responsible for the delivery of transparent accessible data to all stakeholders. The Agency must clearly articulate its vision for the market. It is vital that the agency defines its role as the regulator in the market and then

operate within the boundaries of this role. It is also vital that the Agency clarifies the role of service provider and then allows the market to develop without constant and ever changing market intervention.

Timely access to relevant Scheme data by key stakeholders, including service providers, will enable the efficient delivery of well-targeted services. This will ensure the Scheme is operating efficiently, including cost efficiently. Steps to move towards this include:

- NDIA consultation with providers on data needs
- Application of open data principles by the NDIA
- Publication of Scheme data on a quarterly basis to better inform the market
- Urgent rollout of participant statistics by region to assist with Scheme rollout

5 Conclusion

We welcome the opportunity to provide evidence of provider experiences and emerging issues in the NDIS and to contribute to the development of a sustainable NDIS that will support people with disability to live an ordinary life.

References

1. *NDIS price guide - VIC/NSW/Qld/Tas* 2016, Geelong: National Disability Insurance Agency.
2. *National Disability Insurance Scheme Act.*, 2013: Australia.
3. *Information, linkages and capacity building commissioning framework* 2016, Geelong, https://www.ndis.gov.au/medias/documents/hf4/ha1/8799111970846/ILC-Commissioning-Framework-PDF-3MB-.pdf: National Disability Insurance Scheme.