Productivity Commission Review of NDIS Costs

Submission from the South Australian Government

March 2017

SOUTH AUSTRALIA

Government of South Australia

OVERVIEW

With the introduction of the National Disability Insurance Scheme (NDIS) in South Australia (SA), a welfare-based system underpinned by Government block funding to providers will be replaced with a contestable market where participants, using individualised disability support funding, will choose the services they require based on their goals and aspirations.

This will result in the current market evolving and changing significantly. Therefore, a robust, diverse disability marketplace will underpin the success of the NDIS.

The implementation of the Scheme nationally will result in the annual cost of disability support more than doubling to reach a 22 billion dollar market by 2019-20. As a result, the market will be required to grow substantially to meet the increased demand for disability services at full Scheme.

The NDIS will be a significant market within the overall Australian economy, larger still if the disability services not directly funded by the NDIS are included.

SA is a strong supporter and advocate of the NDIS to support people with disability to achieve life goals through choice and control. SA seeks to work with both government and non-government stakeholders to achieve a successful transition.

The following key areas should continue to be prioritised to ensure a full and successful transition:

- A developed, competitive market that participants can access with the required level of supports and in which providers can adequately recover costs.

- An increased workforce to service this rapidly expanding market, with the appropriate level of skill and organisational and infrastructure support.

- A flexible, interactive and supportive system provided by the National Disability Insurance Agency (NDIA) to ensure choice and control for participants.

- The NDIA operating model is still being developed at the same time as participants are transitioning to the new Scheme. This places providers under considerable strain, particularly small providers or sole operators who do not have the operating capital to support business operations when for example, the NDIA has difficulty with IT and payment systems.

- South Australia has concerns relating to the significant cost pressures in other systems as a result of potential gaps in mainstream services due to the introduction of the NDIS. The State does not have the capacity to increase its level of contribution to the NDIS beyond what has already been agreed. South Australia is keen to ensure that all

appropriate costs are met by the NDIS to avoid any potential of states effectively paying twice for services.

Among other issues, SA views the building of a vibrant and competitive disability marketplace comprising informed and active consumers and innovative, competitive suppliers as essential to achieving a successful NDIS.

SCHEME COSTS

Future estimates – some pressures emerging

The SA Government notes current NDIA projections that by 2019-20 the NDIS will include 460,000 participants and cost about $22 billion each year, in comparison to original Productivity Commission (PC) estimates (in 2013-14 terms) of 411,000 participants at a cost of $13.6 billion (gross) at maturity. This revision includes costs associated with participants aged over 65 years who enter the Scheme prior to age 65. As the Commonwealth Government is wholly responsible for funding supports for participants over 65 years, the PC Review of NDIS Costs (the PC Review) should separate out costs for participants over 65 years from costs for those under 65. This will ensure greater transparency and also that States and Territories are not bearing disability support costs for service to people over 65 years, either directly or indirectly.

The SA Government suggests that the PC Review encompass specific examination of accommodation arrangements linked to the NDIS, noting that specialist disability accommodation (SDA) prices are required to be reviewed by mid-2019. In particular, benefit may be gained from an examination of the relationship between support costs, participant outcomes and different combinations of built form, assistive technology and design standards.

Why are utilisation rates for plans so low? Are the supports not available for participants to purchase (or are there local or systemic gaps in markets)? Do participants not require all the support in their plans? Are they having difficulty implementing their plans? Are there other reasons for the low utilisation rates?

The impact on NDIS costs of the higher than expected numbers of children entering the Scheme in SA has been mitigated by lower than expected plan utilisation rates.

Utilisation rates for plans in SA have generally been below the national average over the trial period and remain so (60% compared with a national average of 73% at 31 December 2016). While explanations for this trend in SA are speculative, it is possible that relatively low plan utilisation rates reflect the age cohort of the SA trial and the related high proportion of participants who are new to the disability sector. These new entrants may take longer to navigate the disability services sector in order to activate plans. Additionally, waiting times for

allied health services, particularly in rural and remote areas, may be a factor in lower plan utilisation, given the high rates of therapy in NDIS-funded supports for children.

Providers within the health system are reporting significant rates of non-attendance for appointments by families in rural and remote areas. Funding within plans to support either participants/families or providers in these areas to travel to access or provide services may not be considered adequate. Some providers have found the process of registering for the NDIS difficult, resulting in delays for claiming against delivered services.

Why are more participants entering the Scheme from the trial sites than expected? Why are lower than expected participants exiting the Scheme?

The inclusion of children with developmental delay in the Scheme and high numbers of children with Autism Spectrum Disorder have resulted in higher than expected numbers of children entering the Scheme in SA. 2011 PC estimates suggested that approximately 8,500 children aged from birth to 14 years would enter the Scheme in SA. SA is now expecting approximately 11,000 participants in this age range.

Delays in children accessing plans and under-utilisation of funded supports may result in delays in some children exiting the Scheme as expected. Additionally, adequate mechanisms are required to monitor levels of service delivery in relation to participant outcomes in order for individuals to be likely to exit the Scheme. This is particularly critical for children who entered the Scheme under early intervention requirements.

Why is there a mismatch between benchmark package costs and actual package costs?

The amount of funding for services, particularly therapy, in NDIS plans has varied considerably across children with comparable needs over the trial period. This is likely to reflect the knowledge of individual NDIA Planners and the capacity of families and carers to engage with the Scheme and to advocate for the participant. Recent policy and operational development within the NDIA, particularly reference packages, is expected to result in greater consistency in funding across NDIS plans.

The SA Government recognises that reference packages and the first plan process have been developed to streamline assessment and planning process and to manage costs. While measures to support efficiency and Scheme sustainability are supported, it is critical that these measures do not dilute the aims of the Scheme to provide reasonable and necessary supports and to enable participant choice and control.

SCHEME BOUNDARIES

Eligibility for the NDIS

Are there other aspects of the eligibility criteria of the NDIS that are affecting participation in the Scheme (to a greater or lesser extent than what was expected)? If so, what changes could be made to improve the eligibility criteria?

SA Health representatives observe that the incorporation of children with developmental delay in the Scheme has resulted in earlier access to support services for some families.

The SA Government has been verbally advised that people with psychiatric conditions are not likely to enter the Scheme under the early intervention requirements of the NDIS Act but need to meet the Act's disability requirements. It is not clear what broader impact this will have on the demand for State-funded psychosocial disability services and outcomes for people with permanent psychiatric conditions who may benefit from early intervention supports but who are not able to access the Scheme.

To what extent is the speed of the NDIS rollout affecting eligibility assessment processes?

In relation to eligibility assessment processes, National Access Team decisions have generally met the timeframes required under the NDIS Act. However, significant delays have then occurred between the access decision and planning meeting in some instances.

The SA Government is concerned about how the NDIA's streamlined access and planning process through transition will accommodate people with complex needs; for example, people experiencing homelessness, people who are isolated and those in contact with multiple service systems. There is significant risk that these people will fall through the gaps. The State Government has Sector Development Funding to implement a project to support people with complex needs through the access and pre-planning phases. The project aims to fund a single organisation to provide intensive assertive outreach to around 800 existing State Government funded clients. The project will be evaluated so that learnings and best-practice recommendations can be made to promote the continuation of assertive outreach/support services beyond the transition phase.

Are there other early intervention programs that could reduce long-term Scheme costs while still meeting the needs of participants?

The SA Government supports the NDIA's ECEI model as providing a wide gateway for children and their families requiring early intervention supports and as a mechanism to support an NDIS targeted to Australians with severe and permanent disability.

As the ECEI approach has been implemented in SA only since late 2016, it is too early to assess the effectiveness of the approach, both in terms of outcomes for children and families and the impact on Scheme costs.

An integrated partnership approach should be developed that will promote effective service pathways for all children accessing ECEI, whether they go on to be participants of the Scheme or not.

The intersection with mainstream services

Is the current split between the services agreed to be provided by the NDIS and those provided by mainstream services efficient and sufficiently clear? If not, how can arrangements be improved?

The SA Government recognises the significant work undertaken by all governments and the NDIA in the development and review of the Council of Australian Governments' Principles to determine the responsibilities of the NDIS and other service systems, Applied Principles and Tables of Supports (APToS). It is also recognised that some interfaces are still the subject of policy work at the national level; for example, personal care in schools.

There remains a lack of clarity in relation to roles and responsibilities across the NDIS and mainstream services in some areas. South Australia believes that there is still extensive work to be done in defining mainstream interface boundaries. A key example is the criminal justice system. Taken together, the APToS for justice are ambiguous as to the reasonable and necessary supports that may be funded for NDIS participants in custodial settings and at what point in the person's custodial sentence they would be applied. Additionally, there is a lack of clarity between the roles and responsibilities of the health system and the NDIS in responding to clients with complex needs.

Opportunities exist for the development of integrated service responses across the NDIS and health, as well as other mainstream services such as housing, to promote seamless support for participants. It is critical to ensure that participants ready for discharge from the acute and sub-acute sectors can be transitioned to the NDIS without significant delays.

The importance of integrated and coordinated supports across service systems has also been identified for people in contact with the criminal justice system. For example, underpinning the service delivery model for young people in custody is the principle of through-care, which includes planning and developing partnerships to support the young person's transition to community at the point of entry into custody. It is essential that the NDIA works closely with justice agencies from the earliest possible time in the young person's youth justice mandate period.

In relation to SDA, the APToS outline that home modification funding will only be available in some social housing where the required home modifications extend beyond what would be provided under reasonable adjustment. The SA Government suggests that there may be value in discussion of a standardised approach to what modifications can and cannot be funded in social housing, with reference to what constitutes reasonable adjustment, to avoid the emergence of inconsistencies in home modification funding in social housing over time.

Completion of the National Working Arrangement to support interactions between the NDIS and mainstream services and accompanying practice guides may assist in providing clarity.

Is there any evidence of cost-shifting, duplication of services or service gaps between the NDIS and mainstream services or scope creep in relation to services provided within the NDIS? If so, how should these be resolved?

In SA, instances of cost-shifting and emerging service gaps, particularly associated with children and young adults, include:

Cost pressures due to the implementation of the NDIS – South Australia has identified a range of areas where significant cost pressures will be faced due to gaps in mainstream services as a result of the introduction of the NDIS. The State does not have the capacity to increase its level of contribution to the NDIS beyond the $723M (indexed) that has already been agreed.

As policies and eligibility have been clarified over the trial/transition period, there are a number of emerging issues which are or are expected to result in costs for the state in areas which were originally assumed to be part of the scheme. These include, but are not limited to, areas around transport, complex case management as well as in the key interfaces with the child protection, health, mental health and justice systems. South Australia is keen to ensure that all appropriate costs are met by the NDIS to avoid any potential of states effectively paying twice for services.

Voluntary out of home care (VOOHC) – VOOHC is an arrangement made without intervention by statutory authorities or courts and where parents do not surrender guardianship of the child. The APToS state that the State has responsibility to place children in out of home care, including voluntary arrangements, and for the standard supports to sustain those placements, as well as meeting the accommodation needs of children in out of home care. Clarification of how SDA will be applied for children and young people in this circumstance is required. Currently, the NDIA will fund a limited amount of respite for families to maintain their caring role. While the SA Government and the NDIA have negotiated funding to provide continuity of support to current VOOHC clients, any future VOOHC requirements would be a potential cost pressure for the State as this has previously been funded and managed through the State's disability system.

During NDIS implementation, at least five children have been relinquished by their parents to the State Government's child protection system due to the child's disability-related support needs. Children and young people entering the statutory child protection system due to unmet need for disability-related supports for the child and family, rather than harm to the child, is not a desirable outcome.

Case management - Case management of a child's disability needs was previously undertaken by the State Government's disability sector. The NDIA will generally not fund case management (i.e. coordination of support) past level 1 – support connection – for children under the care of the Department for Child Protection, as the NDIA considers that the child already has an assigned case manager. This is an additional workload requirement for Department for Child Protection staff that generally do not have the disability knowledge or skills to best manage a child's disability services. While strategies are being put in place to improve this understanding,

this continues to be a challenging area due to the multiple training and professional development priorities for child protection staff, turnover of staff and the capacity of child protection case workers to pick up additional disability case management responsibilities with high and complex child protection case loads.

Transition from care – State disability funding has previously supported some former foster arrangements post-18 through a reimbursement to the carer (ranging from $22,500 to $70,000 per year depending on whether the client requires low, medium or high levels of support) and on-going support from both an SA Government case manager and non-government provider. This service is considered to be out of scope for the NDIS. Under NDIA policy, carers of a person with disability seeking to continue this living/caring arrangement post-18 would not generally be able to register with the NDIA to provide NDIS-funded services to the person. While former foster carers continuing to live with/care for a person with disability have continued access to Commonwealth Carer benefits, this is viewed by carers as insufficient to support continuation of their former care arrangement. SA's Department for Child Protection is aware of a number of foster carers who have decided to relinquish care of a young person with disability post-18 for this reason. From a sample of 20 such cases, 15 of the young people require 24-hour care and will therefore require supported accommodation, and associated NDIS-funded reasonable and necessary supports when they transition from care. This is a much greater cost for the Scheme and less desirable outcomes for the young people

In this instance, transition to the NDIS may inadvertently function to undermine stability and continuity for young people with disability transitioning from statutory care, some of whom have high and complex support needs.

Assessment and support to access the NDIS – The SA Government's disability sector has previously provided assessment services, particularly for adults, and also significant assistance to individuals and families to engage with the disability system and gather evidence for eligibility decisions. The disability reform process will increase demand for these services from mainstream agencies. Staff within the health system have already identified an increased administrative burden in assisting families to navigate the NDIS.

Potential service gaps in relation to psychosocial disability are discussed below.

How has the interface between the NDIS and mainstream services been working? Can the way the NDIS interacts with mainstream services be improved?

SA's experience to date has related primarily to the interface between the NDIS and mainstream services targeted to children and young people. The SA Government facilitates regular interface meetings with the NDIA to clarify roles and responsibilities, and to resolve operational issues, across systems.

The NDIA might consider hosting forums that bring together mainstream agency representatives in relevant sectors across jurisdictions, for example health, housing, justice, child protection. This would promote the sharing of information on NDIS implementation across sites and better facilitate the resolution of issues that may be experienced within a number of States and Territories. SA has at times found it challenging to get information about how aspects of the

NDIS are operating in other sites where adults have been transitioning into the Scheme for some time.

How will the full rollout of the NDIS affect how mental health services are provided, both for those who qualify for support under the Scheme and those who do not?

As the NDIS trial in SA was focussed on children, the SA Government has had no direct experience in implementing the NDIS for adults with psychosocial disability. SA's current public mental health system is composed of State clinical and non-government psychosocial support services and Commonwealth-funded services. If eligible, SA public mental health clients receiving State-funded psychosocial supports will generally transition to the NDIS from 1 July 2018.

Greater clarity is still required in relation to the eligibility criteria for psychosocial disability under the NDIS, to enable accurate assessment of the proportion of current clients of both Commonwealth and State-funded psychosocial support services likely to access the NDIS. It is important that the eligibility criteria does not lead to less NDIS participants with psychosocial disability in South Australia than originally assumed in Productivity Commission estimates (i.e. 13.9% of NDIS participants; approximately 4,500). This would be unacceptable to the SA Government.

The SA Government has concerns regarding the transition of Commonwealth-funded non-government mental health programs to the NDIS from 1 July 2017 and the potential impact that this will have on South Australians with severe and persistent mental illness who are ineligible for the NDIS. The loss of access to Commonwealth-funded carer respite and support programs will also impact carers and families. Under the NDIS, a carer will not be able to receive a service to support their needs and will only be able to access respite services if those services are included as part of the individualised NDIS package of the person with psychosocial disability.

Under SA's Bilateral Agreement, the Commonwealth Government is responsible for providing continuity of support for people aged under 65 years in receipt of Commonwealth-administered disability programs or services who are not eligible for the NDIS. For people aged under 65 currently in receipt of SA administered disability programs or services, the State Government is responsible for providing continuity of support. The arrangement under the Bilateral Agreement is in force until the end of transition.

Of particular concern is that timeframes for continuity of support arrangements for people under 65 from 1 July 2018, following the transition period, are not established. Were the Commonwealth to discontinue continuity of support arrangements for Commonwealth-funded psychosocial support programs, there is a risk of increased demand for State Government mental health and other services (e.g. homelessness, justice). Additionally, Commonwealth responsibility to fund continuity of support for people aged 65 years and over, established through the Bilateral Agreement, applies to people currently receiving State-funded specialist disability services who are not eligible for the NDIS. Continuity of support provisions for people aged over 65 who are clients of Commonwealth-administered psychosocial support services is unclear.

Recent estimates by Mental Health Australia and Community Mental Health Australia suggest that more than 24,000 people in SA may require individualised intensive community support services in any 12-month period. The lack of clarity in relation to some aspects of the NDIS in relation to psychosocial disability raises challenges for SA in planning for the rehabilitation and recovery of all South Australians with severe mental illness.

What, if anything, needs to be done to ensure the intersection between the NDIS and mental health services outside the Scheme remains effective?

Processes for the collaborative planning, monitoring and review of the mental health system, which includes the NDIS, should be implemented between the Commonwealth, NDIA and the State Government to ensure that the specific needs of people with severe and persistent mental illness and/or associated psychosocial disability are met and people do not fall through the gap.

Is the range and type of services proposed to be funded under the ILC program consistent with the goals of the program and the NDIS more generally?

The ILC Commissioning Framework will be implemented in SA at full Scheme from 1 July 2018. At this time, there is still uncertainty about the scope of ILC supports, how they will be determined and how they will be implemented for South Australians with mental illness and psychosocial disability, their families and carers. Of particular concern is whether the level of funding for ILC supports has the capacity to achieve the intended outcomes. There is a risk that inadequate funding for ILC will compromise the PC's intentions for this component of the Scheme.

What, if anything, can be done to ensure the ILC and LAC initiatives remain useful and effective bridging tools between services for people with disability?

The decision by the NDIA to outsource the LAC function to Community Partners and to combine the LAC function with substantial elements of the planning role (plan development, implementation and reviews) remains of concern to SA.

The NDIA's decision to combine the LAC function with the outsourced planning functions, resulting in the estimated time split by the NDIA of the LAC Community Partners is 20% towards ILC activities and 80% towards planning-related functions. There is potential, particularly during transition, for this split to be compromised and directly impact on the success of ILC initiatives.

PLANNING PROCESSES

Is the planning process valid, cost effective, reliable, clear and accessible? If not, how could it be improved?

SA recognises the challenges involved for the NDIA in the significant volume of participants scheduled to enter the Scheme during the transition period. SA wishes to ensure that there is a balance between meeting bilaterally agreed transition targets and maintaining choice and control for participants.

As prospective participants may not have a good understanding of the difference between the old disability services model and NDIS processes, holding the first planning meeting face to face would enhance understanding of the NDIS for participants and their families and carers and case managers. Increased knowledge of NDIS processes would promote improved outcomes for Scheme participants.

How should the performance of planners be monitored and evaluated?

There is acknowledgement that the skills, knowledge and experience of NDIA Planners are varied. Higher levels of participant feedback should be sought on their planning experience to inform both the performance of planners and contribute to continuous improvement processes. This feedback should be sought at varying times, particularly after the planning process and at plan review.

SA Health has observed that NDIA confidentiality requirements have at times made it difficult for Health staff to provide appropriate clinical input into a participant's plan to assist in identifying the supports required for the participant's transition from hospital. The health literacy of the participant, family/carer and NDIS Planner influences the planning process.

Creating a Support Package

Are the criteria for participant supports clear and effective? Is there sufficient guidance for assessors about how these criteria should be applied? Are there any improvements that can be made, including where modifications to plans are required?

Mainstream agencies have identified that NDIA terminology can at times create issues in the planning process. For example, Department for Child Protection case workers indicate that even with advice from those who have experienced NDIS planning, case managers find it challenging to understand how to appropriately communicate a child/young person's requirements to the NDIA. This may result in NDIS Plans not fully meeting the needs of participants and reviews being requested earlier.

Are the avenues for resolving disagreements about participant supports appropriate? How could they be improved?

A number of these issues are dependent on the capability and experience of the NDIA Planner. The NDIA is aware of the variation in skills and knowledge across Planners and has committed to improving consistency and quality in planning processes.

MARKET READINESS

Will the Workforce be Ready?

What factors affect the supply and demand for disability care and support workers, including allied health professionals? How do these factors vary by type of disability, jurisdiction, and occupation? How will competition from other sectors affect demand (and wages) for carers? What evidence is there from the NDIS trial sites about these issues?

The ability of providers to attract disability care and support workers relies heavily on working conditions and entitlements offered by those providers, including the transfer of conditions with workers to any new providers. The importance of wages and conditions to the future recruitment and retention of workers is paramount. Added to this is the ability of organisations to provide workers with stability through the provision of ongoing work.

There is concern from the disability sector regarding the ability to attract the best workers available due to competition for care workers from the aged care sector, where pay and conditions are seen as more beneficial than those provided by the disability sector.

Demand for workers across multiple sectors may also lead to organisations using staff with lower quality levels of training if they are unable to attract appropriately qualified staff. This has implications for quality and safeguards for participants.

Along with the Australian Skills Quality Authority, training authorities across jurisdictions will need to be particularly mindful of training quality. Disability sector organisations that purchase training need to drive expectations of receiving quality training for their investment and training providers need to be supported to build capacity and capability to deliver, particularly where public investment in training is made.

The SA Government will be seeking to support prospective workers with training as well as supporting individuals previously working in other industries to upskill or retrain to meet any workforce shortfall.

The supply of services to people in rural and remote locations with vast distances between them will be a challenge from a workforce perspective, but also from a cost perspective due to distance. There is a risk that in some locations services will not be available and without significant incentives it may be difficult to attract a workforce to service particular locations. The SA Government has received a large number of representations from regional and remote service providers, as well as people with disabilities and families, who are concerned about the inadequacy of funds allocated through the NDIS for transport.

The shift towards a fee-for-service model potentially affects how service providers facilitate allied health student placements effectively and appropriately. The SA Government is contributing towards the development of a sustainable model for incorporating student placements in NDIS-funded services that meet the needs of NDIS providers, participants, students and the professions. University students nearing completion of Allied Health degree study are also being supported through expanded clinical placements in the disability sector as a measure to meet some short and medium-term demand.

Finally, the SA Government notes the complex relationship between the supply of capital for specialist disability accommodation and demand and supply of disability service labour over time. The supply of capital in this area is subject to very different lead times and constraints compared to labour and a consideration of these particular challenges would be of value.

How will an ageing population affect the supply and demand for disability carers (including informal carers)?

An ageing population will place added pressure on the supply and demand for disability carers. As current informal carers age, they will not be able to provide the same level of care as they have previously, which will increase demand for paid supports.

It would also be expected that an ageing population will lead to a growth of the aged care sector. This again will place pressure on disability sector service providers and their ability to attract and retain employees, as demand for aged care workers increases.

Is increasing the NDIS workforce by 60 000-70 000 full time equivalent positions by 2019-20 feasible under present policy settings? If not, what policy settings would be necessary to achieve this goal, and what ramifications would that have for Scheme costs?

Nationally, providers have indicated intentions to employ more workers, in particular, casual and part-time workers. This is supported by analysis by National Disability Services (2016) indicating a relatively steady level of growth despite concerns of workforce undersupply. Transition to full Scheme and increasing market maturity will, however, influence this. During transition, providers may shrink workforces to maintain viability in the short to medium term in order to successfully operate under the scheme.

How might assistance for informal carers affect the need for formal carers supplied by the NDIS and affect Scheme costs?

Due to Australia's ageing population, the need for assistance among ageing informal carers is expected to rise over time.

To what extent is the supply of disability care and support services lessened by the perception that caring jobs are poorly valued? If such a perception does exist, how might it best be overcome?

There is a community perception that caring jobs have poorer pay and conditions than other jobs. Media/communication strategies to overcome negative perceptions regarding caring jobs are being implemented by the SA Government.

Career services providing advice and individual development are an important avenue for changing negative perceptions regarding caring roles. Systemic career development supports by jurisdictions should be engaged to work actively on overcoming perceptions, in conjunction with disability sector employers. In SA, enhancements to State-funded career services are being

resourced to focus on pathways into the disability sector for new entrants to the workforce and existing workers moving across industry sectors.

What scope is there to expand the disability care and support workforce by transitioning part-time or casual workers to full-time positions? What scope is there to improve the flexibility of working hours and payments to better provide services when participants may desire them?

Offering additional hours and more full time positions is an effective strategy to increase the size of the workforce, capitalising on the use of existing skilled workers and potentially offering greater security for some, particularly in the short term.

However, this should also be balanced with being an employer of choice and offering flexible work arrangements to retain skilled workers in the sector. SA would therefore be interested in analysis being conducted on what level of inducement is provided by the flexibility of work arrangements that part time employment provides.

Increasing flexibility of working hours and payments to better provide services when participants desire them will need to be considered in the context of working conditions in general and the ability to attract and retain appropriately qualified workers in the sector, particularly in a tight labour market.

Skills development for existing part-time and casual workers can be a vehicle for lifting their capacity for managing additional or higher-level work. Meeting training costs is a challenge for the sector, particularly in combination with other costs involved with transition to NDIS. SA is providing some levels of subsidised training (on a case-by-case basis and through publicly funded qualifications more broadly) to support projects for existing workers where skills development enables the opening of additional (often entry-level) positions behind them.

What role might technological improvements play in making care provision by the workforce more efficient?

Technological improvements have the potential to greatly assist both participants and the workforce in the provision of care. SA welcomes the NDIA's Assistive Technology Strategy. Technological improvements may result in reduced need for one on one funded supports, potentially reducing Scheme costs. The use of technology will be critical in the provision of services in remote areas in SA e.g. the intersection with Telehealth approaches.

In relation to SDA, current policy provisions refer to additional allowances in benchmark prices for assistive technology and there may be some value in more clearly articulating where costs and benefits rest for assistive technology. For example, many technology solutions are likely to be incorporated in a building or key appliances, the cost of which generally sits with an accommodation provider. While the NDIA intends that this will reduce support costs, this may not be a benefit that accrues to the accommodation provider.

What are the advantages and disadvantages of making greater use of skilled migration to meet workforce targets? Are there particular roles where skilled migration would be more effective than others to meet such targets?

Supports for building the capacity and capability of skills within existing culturally and linguistically diverse backgrounds (CALD) communities should be the first workforce development option before increasing the use of skilled migration. SA considers that the NDIA would be well served by the development of a strategy to support and build capacity and capability for service delivery within CALD communities.

PROVIDER READINESS

Are prices set by the NDIA at an efficient level? How ready is the disability sector for market prices?

While SA Government is aware that market prices have been established by the NDIA as efficient prices in a competitive market, the NDIS is not yet a fully realised market and, as such, will take time to establish itself and see true market price competition.

SA has concerns that the price of some support types is insufficient for providers to build the necessary cash reserves required for growth and investment. SA believes that pricing should be reviewed to ensure providers are able to operate and innovate through transition to the new market.

To ready themselves for the NDIS, many providers have had to review their business model and establish better IT and reporting systems. These can be at a significant cost. As State Government grants are withdrawn and providers rely more on fee for service payments, there are inadequate funds for smaller organisations to make these transformational changes to their business practices without financial support from the Commonwealth Government or NDIA.

There are early indications that the transition to the NDIS will cause significant stress for some of SA's not for profit disability service providers. As a result of years of reliance on block funding in advance, many organisations have not operated in an environment of banking surpluses and creating reserves. The thin margins on some of the NDIS supports means there is limited scope to enable these providers to shift their business models. With the significant increase in demand, there is concern that many organisations are not in position to invest in growth that would meet this demand growth.

Although the prices have been reviewed by the NDIA and adjusted for CPI, many providers believe they are still too low and fail to cover necessary back of house overhead expenses (including professional development for staff, Quality Review appraisals etc.) and/or participant cancellations/no shows for appointments. In some regional and remote locations there are no services within a reasonable distance and service is delivered by fly-in-fly-out professionals. The limited funding of travel costs can have a substantial impact on these populations. Whilst the intent is for service innovation to overcome such barriers, the Market Steward role played by

the NDIA will be critical to the continued access to services in the short term. This may require an increased level of support for travel costs in the short term in order not to disadvantage participants.

In relation to SDA, prices are considered sufficient to attract new supply but there is also a low level of comprehension across the sector that funding which appears generous at first glance may need to fund a range of functions that governments have previously managed internally; for example, home allocations and vacancy management, resolution/mediation of disputes between residents or their families/carers.

Additionally, the SA Government considers it important that the PC Review consider the potential impacts on the market of most governments exiting service delivery, in terms of increased costs associated with the transfer of business arrangements. This should be factored into NDIS pricing, rather than a strict NGO/Modern Award rate calculation.

How do 'in-kind' services affect the transition to the full Scheme and ultimately Scheme costs?

As a shorter-term measure, the provision of in-kind services has some critical benefits. For example, State Government supported accommodation services (approximately 45% market share) are currently delivered in-kind above market price. Subsidisation of government-delivered services is likely to be required for a period of time to assist market transition and to promote intended Scheme outcomes for participants. If the State Government were to cash out these services quickly, there is a significant risk of market failure.

What is the capacity of providers to move to the full Scheme? Does provider readiness and the quality of services vary across disabilities, jurisdictions, areas, participant age and types/range of supports?

Many smaller providers lack the human resources and accounting systems needed for a post-transition market and lack the funds to invest in such systems.

As the market develops, interim supports for providers to coalesce and share resources for back-end operations should be encouraged /supported, particularly in regional and remote areas. Organisations will likely need support to understand formal structures and operationalising co-operative type models.

Due to the trial in SA focusing on children, only a small number of organisations have had the experience of working with the NDIS. The majority of organisations who provide the bulk of services have not yet been exposed to operating in the NDIS.

How ready are providers for the shift from block-funding to fee-for-service?

SA has concerns that some block funded service providers lack skills in unit costing. As such, some providers find it difficult to understand their business costs and how they can be incorporated under a fee-for-service system.

However, a large number of NGOs have been ready to shift from block funding to fee for service because many have, with the support of the State Government, already individualised their funding. Adjusting to a lack of guaranteed cash flow is still a significant challenge for these NGOs.

A key issue for many providers operating on a full cost recovery basis is the measurable impact on provider time due to the high number of tasks not funded in NDIS plans, such as claiming through the portal and supporting participants to plan and engage with the NDIS process.

What are the barriers to entry for new providers, how significant are they, and what can be done about them?

The SA Government identifies a number of barriers to entry in the SA market. Interstate service providers are currently focused on transitioning and consolidating their current business rather than looking to expand into other jurisdictions.

A number of organisations may choose not to expand into SA, due to its small market in comparison to other jurisdictions. In a market where high volumes of low cost services are required to sustain business models, SA does not offer the same potential for scale. Risk averse organisations are likely to shy away from expanding to markets with smaller margins of growth and profitability, choosing instead to focus on the end of the market with higher margins.

Commercial providers may wait until transition is complete and the market has formed to determine opportunity gaps and profitability before any expansion into the SA market. Conversely, there could be entry by a few very large providers who secure market share and limit choice for participants and entry of smaller providers.

Further, the need for new service providers to supply evidence of working with people with disability may present a barrier to entry. This may prohibit entry by providers in other sectors, including those with experience working with specific cohorts such as Aboriginal children and families or children in out of home care.

Barriers to entry are also a significant issue in the SDA space. Information about known/estimated future housing needs is a critical factor for planning new SDA and signaling for potential market entrants. At this stage, it is unclear when detailed assessments will be conducted for people who currently reside in SDA-like accommodation (beyond simply continuing to reside in their current home) and those who have unmet needs. In view of long lead times (averaging around two years for land acquisition, planning approval, construction, fit out, acquisition of support services and tenanting), lack of reliable data is a major barrier to entry.

What are the best mechanisms for supplying thin markets, particularly rural/ remote areas and Scheme participants with costly, complex, specialised or high intensity needs? Will providers also be able to deliver supports that meet the culturally and linguistically diverse needs of Scheme participants, and Aboriginal and Torres Strait Islander Australians?

In rural and remote areas, there are very limited numbers of providers and little choice of provider in some other areas, which means the NDIS will not be effectively delivered to all parts of SA and to all communities. In remote areas, many providers fly in and out. There need to be incentives to attract providers to those areas, support to help them be sustainable in the long-term and opportunities to build the capacity of local communities to deliver services. More targeted, creative strategies are required to address the thin markets in rural and remote areas and in ATSI and CALD communities.

The changed market design is resulting in some providers ceasing service provision while others have merged to provide services or share administration functions, helping them reduce the cost of their overheads.

In this instance, partnerships and consortia models can provide an opportunity to meet demand in rural/remote areas, as do the establishment of local small businesses. In some parts of non-metropolitan SA, provider alliances are forming with a view to sharing back-end functions and building complementary service delivery.

How will the changed market design affect the degree of collaboration or co-operation between providers? How will the full Scheme rollout affect their fundraising and volunteering activities? How might this affect the costs of the Scheme?

With the development of a truly competitive market there is the possibility of reduced cooperation between providers. However, partnerships between complementary organisations can add a great deal of value to organisations involved and the participants who are supported by them.

Many traditional not for profit providers will not have the capability or capacity to assess and run due diligence processes for any proposed partnership. Nor will they necessarily have the funds available to source external expertise in relation to the process. It will be important that organisations wishing to partner, merge or form consortia models have access to expertise in order to promote the likelihood of success for such arrangements.

Will Participants be Ready?

How well-equipped are NDIS-eligible individuals (and their families and carers) to understand and interact with the Scheme, negotiate plans, and find and negotiate supports with providers?

NGOs have advised that the level of understanding and 'capacity' participants/clients have in relation to the NDIS varies. Some are confident while others struggle to understand the Client Pathway, NDIS requirements, advocate for their needs and negotiate support with NDIA planners etc. Some people have access to the internet, and therefore the NDIS resources on the NDIS website, while others do not.

Participants are also unsure when their plan has been approved and that they can proceed with engaging providers and implementing their plan. They are unclear how to engage a provider and what they have been approved for, hours and funding amounts.

Participants also need to activate their account on the Participant Portal and are having difficulty doing this. Many providers are advising that they are assisting participants to activate their accounts on the Participant Portal but it involves time and resources for which the NDIA is not paying the provider.

It has been reported by families that it is very difficult for them to manage all that is required of them. There are readiness issues when faced with a new diagnosis of a disability, uncertainty/lack of understanding of what supports are needed and what is available. This is compounded many fold for vulnerable children and families or families from culturally and linguistically diverse backgrounds. Mainstream Health services are currently providing maximum levels of support to families to navigate the system and provide advice about what is needed in plans.

Individuals' understanding and ability to interact with the Scheme is improving as more people enter the Scheme.

It is difficult to understand the difference between the old and new disability systems and the different terminology used by the NDIS. In relation to SDA, there may be significantly different short-term outcomes/opportunities for residents of in-kind SDA and other SDA. Following agreement and posting of the NDIS SDA Rules, it became apparent that national communication and messaging around this had not yet been developed.

GOVERNANCE AND ADMINISTRATION OF THE NDIS

Do existing administrative and governance arrangements affect (or have the potential to affect) the provision of services or Scheme costs? What changes, if any, would improve the arrangements?

SA is supportive of measures to improve the efficiency of the Scheme. However, any proposed changes must recognise that States still carry a significant financial investment and shared risk through the transition years and into full Scheme and any proposed changes should not add to the risk exposure of the State.

To what extent do the existing regulations provide the appropriate safeguards and quality controls? Can these arrangements be improved?

SA would like to see the NDIA provide more visibility of the Independent Advisory Council's (IAC) deliberations by providing updates on their advice to the Disability Reform Council.

How appropriate, effective and efficient are the market stewardship initiatives?

The market steward function of the NDIA is important, particularly until the market matures. Currently, there is a lack of funding in areas of market development and the need for sector development funding to support the growth market growth.

SA is particularly affected in this regard due to the nature of the NDIS trial undertaken in the State. As SA's trial involved children, a large section of providers have not yet interacted or had experience of the NDIS before the transition to full Scheme in 2018.

In relation to SDA, the NDIA has published benchmark prices but not all related policy. Current SDA providers and new market entrants cannot make reliable investment decisions without information about the volume and type of individuals who may require SDA over time. This incorporates both the replacement of existing homes and the building of homes for people with unmet needs.

PAYING FOR THE NDIS

Does the current funding split between the Commonwealth and the States and Territories have implications for the Scheme's sustainability? Does it affect the NDIA's capacity to deliver disability care to Scheme participants at the lowest cost? Are there any changes that could be made to the funding split that would either improve the financial sustainability or the efficiency of the Scheme?

SA regards the current risk sharing arrangements as a fair allocation of risk.

The nature of the funding split has no effect on funding sustainability of the Scheme. However, SA would like to see greater transparency in the Commonwealth's contribution to funding. SA believes that greater transparency in funding contributions would be beneficial for the Scheme going forward.

The Issues Paper refers to the 0.5 per cent increase in the Medicare levy raised to help fund the NDIS, and notes, "some of the proceeds of this levy are returned to the States and Territories". To-date, the agreed allocation to States and Territories has not been transferred.

The Fund should be used for its intended purpose now, not held in reserve by the Commonwealth.

What are the likely longer-term impacts of any cost overruns? How should any cost overruns be funded?

SA has committed funding of $723M (indexed) at full Scheme. This is higher than SA's current level of funding for specialist disability services. The State also faces significant cost pressures in other systems as a result of potential gaps in mainstream services due to the introduction of the NDIS. These have been described above. South Australia is keen to ensure that all appropriate costs are met by the NDIS to avoid any potential of states effectively paying twice for services. The State does not have the capacity to increase its level of contribution to the NDIS beyond what has already been agreed.

SA recognises that the cost of a new system may be higher during the implementation phase and notes that the current utilisation rates are mitigating this risk. Higher costs during transition would not necessarily mean that the Scheme will be overspent at full Scheme or over the longer term.