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Productivity Commission review into NDIS costs

7 April 2017

Introduction

The Victorian Healthcare Association (VHA) welcomes the opportunity to contribute to the Productivity Commission review into the National Disability Insurance Scheme's (NDIS) costs. The VHA agrees to this submission being treated as a public document and being cited in any reports that may result from this consultation process.

The VHA is the not-for-profit peak body supporting Victoria's public health services to deliver quality care. Members of the VHA include Victorian public hospitals, and health services (including registered community health services) that deliver residential aged care, home care and disability services. By our estimates our members make up approximately 15 per cent of Victoria's registered disability services.

Given the interests of our members, we have identified six key themes that are relevant to this consultation:

- NDIS Pricing
- Risk of thin markets and market failure
- Interface with mainstream health services
- Interface with mental health
- Workforce readiness
- Provider readiness

1. NDIS Pricing

The NDIS represents a significant milestone for people living with disability and will drive real and positive change in disability services. It is widely labelled as the most substantial change to the reform of health and human services since the introduction of Medicare but presents significant and complex challenges for the disability, health and community services sectors.

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It is crucial that this major reform builds upon the existing quality service system and improves services available to people with a disability. To achieve this, rates under the NDIS pricing framework must be adequate to support high quality service delivery.

The VHA understands that the development of the latest *NDIS Price Guide was* underpinned by stakeholder consultations and aims to ensure the sustainability of the scheme by maintaining a reasonable price for supports; however there is a risk that the current high quality and breadth of public sector service provision will not be maintained if prices are inadequate to cover costs..

NDIS supports are subject to price caps set by the National Disability Insurance Agency (NDIA), with the exception of participants on self-managed plans who can negotiate fees for supports, however some of the key price caps in the metropolitan, rural and very remote price guides do not adequately cover the costs of providing the supports, particularly for people with complex needs who have to travel long distances.

Delivering services in rural and isolated areas entails a number of additional financial burdens related to:

- travel, encompassing fuel and vehicle maintenance costs, from the greater distances involved in providing services as well as other higher operating costs;
- recruitment of qualified staff and provision of professional development opportunities;
- managing workforce and services for smaller populations, often in large geographical areas and
- compliance and accreditation, as rural services are more likely to offer a range of services at very small scale and therefore require multiple accreditation processes leading to significant financial and time pressures on staff and management.

The agency has acknowledged this in the *2016/17 Price Guide* and included increased price loadings to apply for the delivery of supports to participants in remote and very remote parts of Australia (18% in remote areas and 23% in very remote areas)[1]. However, there is a lack of evidence to support the assumptions that underpin the price caps set by the NDIA[2], and there is no flexibility in potentially thin markets in regional and metropolitan areas.

To support public sector providers to deliver affordable, accessible and sustainable services in rural areas the NDIS price guides must reflect the true costs of providing disability care in rural areas and future revised prices should be underpinned by an analysis of the costs of providing a range of NDIS supports across rural, remote, regional and metropolitan areas.

[1] National Disability Insurance Agency 2016, *Pricing and payment,* < https://www.ndis.gov.au/providers/pricing-and-payment.html> accessed 7 December 2016
[2] National Disability Services 2016, *Human Services: Identifying sectors for Reform Submission to the Productivity Commission,* p.2

Additionally in environments which are financially constrained, services will not be incentivised to seek out the most disadvantaged clients whose needs outstrip the funding available. The risk is that for-profit providers will seek clients who require services that incur the least effort to deliver but attract the most funding. Getting the pricing right is therefore fundamental to ensure vulnerable clients are not left stranded.

Public sector health services often provide services to people with high and complex needs and in rural and regional areas; they are often the only provider for this vulnerable group of people. If providers are not able to operate within the published price caps, there is a risk that long standing service providers will not be financially viable under the NDIS and may opt-out of service provision under the NDIS.

Recommendation: *That the NDIA collect and use data on the true cost of providing a range of NDIS supports to inform future revised prices.*

Recommendation: *That the Commission recommends a co-designed strategy, incorporating public sector providers of health and disability services, to address and mitigate the risks of losing quality providers as a result of NDIS pricing.*

2. Risk of thin markets and market failure

People living in rural and remote areas have similar needs for services as Australians living in metropolitan settings. However, rural communities face additional difficulties associated with accessing supports. In rural areas there are often fewer services available close to where people live, and the services that do exist may not be accessible, for example, due to high cost or lack of transport.

The public sector has a considerable footprint in regional and rural areas (particularly in areas of low demand) and provides services to complex consumers with high care needs. As such it acts as a safety net for Victorians who may otherwise struggle to access services that meet their needs in, or near, their homes, families and communities.

The move to individualised funding under the NDIS requires providers to have sufficient economies of scale in order to operate sustainably, as the roll out of the scheme continues the continued provision of disability services in rural areas may be at further risk.

The agency acknowledges that even in a mature NDIS marketplace, 'weak' or 'thin' markets will exist, primarily in rural, regional and remote areas due to insufficient local demand, limited service delivery, workforce shortages and lack of infrastructure. This

may result in poorer outcomes for participants including less choice, higher prices and/or lower quality supports and services[3].

In order to ensure the continuation of a wide range of services that are reflective of consumer need, the government must put protections in place to allow public providers and smaller, niche services the opportunity to participate and contribute to a diverse marketplace.

Alternate models for low density areas must be considered and a safety-net system must be in place in areas where a fully competitive, market-based and individualised funding model will not operate effectively.

For this reason, the VHA believes that alternative funding models (including fixed or block funding) must be made available in areas of thin and failing markets; and for service targeted towards complex consumers requiring specialised services.

Recommendation: *That the NDIA implement fixed funding or block funding in areas of thin markets to ensure those at risk are supported to access the care and services they require, particularly in rural areas or for providers that target and support complex and vulnerable clients.*

Recommendation: *That the NDIA work with existing heath and community care providers to develop local solutions and collaborations to support areas at risk of thin or weak market.*

3. Interface with mainstream health services

The VHA agrees with the Productivity Commission's view that the capacity of the NDIS to interface effectively with mainstream services is critical to ensuring both good outcomes for participants and the long-term financial sustainability of the scheme[4].

Many NDIS participants will continue to require clinical treatment and rehabilitation from the health sector while at the same time receiving a range of non-health services via the NDIS. Coordination between the two sectors is a key issue for the scheme.

In some cases the roll out of the NDIS has led to fragmented management of care recipients by creating artificial barriers between 'health' needs and 'disability' needs – rather than treating clients holistically and providing integrated care. The VHA is concerned that poorly defined boundaries between the NDIS and mainstream health services may result in large numbers of clients losing access to community-based

[3] National Disability Insurance Agency 2016, *NDIS Market Approach: Statement of Opportunity and Intent* , p.16
[4] Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs Productivity Commission Issues Paper,* pp 15

disability services and end up requiring more costly, acute health services, leading to poorer outcomes for people with disabilities.

The delineation between the services to be provided by the NDIS and those provided by mainstream services has not been made sufficiently clear. At times the negotiations of these service splits between the state government and the NDIA have left providers grappling with undefined boundaries during a fast-paced rollout.

This could also have a number of consequences for the NDIS such as the potential for people to enter the scheme with higher levels of disability over time, and the risk of increasing costs.

Recommendation: *That the NDIA provide health services with a clear framework for navigating the health-disability interface.*

Recommendation: *That the NDIA monitor the impacts of the NDIS on health services and establish a mechanism to address interface concerns between all levels of government and relevant sector stakeholders.*

4. Interface with mental health

NDIS participants must meet certain age, residency and disability or early intervention access requirements to be deemed eligible for the NDIS and need to provide evidence of disability and undergo a functional assessment to determine whether these requirements are met.

Of considerable concern for the VHA is the possibility that functional assessments fail to identify a psychosocial disability, particularly if staff lack the skills and knowledge needed to assess people with mental health conditions. Furthermore, current mental health assessments are not designed to identify disability support needs, thus creating a risk that clients currently receiving federally or state funded supports may not be deemed eligible to receive the same level of supports under the NDIS[5].

In addition, NDIS legislation dictates that the disability must be permanent, or likely to be permanent in order for the care recipient to be deemed eligible for NDIS support[6], in contrast with the rehabilitative focus of community-based mental health services. The reliance of the eligibility criteria on permanency, as well as the definition of mental illness as a formal disability, does not reflect a recovery-based approach to mental health services and may serve to stigmatise those experiencing a mental illness, potentially impeding their access to assistance and support.

[5] National Mental Health Consumer & Carer Forum, Position Statement: Unravelling Psychosocial Disability, accessed 20 February 2017
[6] Australian Government 2017, National Disability Insurance Scheme Act 2013, accessed 20 February 2017.

The VHA believes that the eligibility criteria for the scheme should not create a barrier for individuals to access supports, and should be flexible to respond to episodic functional impairments due to a mental health issue or psychosocial disability.

Recommendation: *That the NDIA work to minimize barriers to access that may be caused by the scheme's eligibility criteria.*

Recommendation: That *funding be continued for federal programs such as the Personal Helpers and Mentors Programme, and family mental health services to ensure continuity of service for people currently in receipt of services that will not be eligible for the NDIS.*

Recommendation: *That dedicated funding for Victorian community-based mental health support services be continued to ensure system structure is retained for those not eligible for the NDIS.*

5. Workforce Readiness

The rollout of the NDIS will result in an increased demand for services and support. The NDIA estimates that the Victorian disability workforce will need to grow by approximately 76% to meet the increased demand in support over the next three years[7].

Rapid expansion of the NDIS will heighten pressure on the recruitment and development of a skilled workforce that is able to meet the new demand and expectations of participants. The market is already being tested in Victoria's North East Melbourne Area as Local Area Coordination and Support Coordination positions are in high demand.

Providers in rural and remote areas face significantly higher workforce challenges, including:

- higher workforce costs to engage and retain staff, including both higher wages and the provision of additional support including accommodation, relocation and travel expenses to attract staff;
- higher professional development and training costs;
- fewer local community members to make up a potential workforce;[8]
- difficulties in recruitment, particularly for qualified staff
- lower availability of specialist staff and services, such as GPs, dentists, and allied health professionals;
- fewer opportunities for professional development, advancement, and training;[9]
- greater expenses for providers who need to 'import' workers – either from major

[7] National Disability Insurance Agency 2016, *Market Position Statement Victoria*, p.26
[8] Productivity Commission 2011
[9] Baldwin et al. 2013

cities, through arrangements with workforce agencies, or via 457 visas;[10]

- higher labour costs, particularly for registered nurses, enrolled nurses and in more general areas such as catering, cleaning, laundry, maintenance and repair;[11] and
- higher staff turnover, leading to increased recruitment expenses (including electronic recruiting systems), as well as the potential loss of corporate knowledge.[12]

These challenges are also exacerbated by shifts towards individualised and activity based funding models, as small rural services may not have adequate scale to provide their workforce with consistency and security in rostering under such models, creating an additional barrier to recruitment and retention.

Within the competitive marketplace, healthcare providers will need to develop strategic plans to ensure they have an adequate workforce supply, are able to grow and sustain the required workforce, and can deliver high quality care in an efficient way whilst functioning within a decentralised model of care.

The NDIS will affect the structure of working arrangements as service providers will need to deliver flexible and responsive services to clients which may result in staff working across a wider range of working hours and more fragmented shifts in more diverse work settings. The new arrangements will have implications on the public sector's ability to give their workforce security and consistency. There is also a risk that the move to NDIS pricing caps will result in a decreased investment in workforce development and training which is central to public sector workforce models.

Recommendation: *That the NDIA monitor workforce implications, particularly in rural and regional areas, and address them in a coordinated manner to ensure the retention of a skilled workforce.*

Recommendation: *That the NDIA provide sector support to assist the health service providers to promote their career opportunities.*

6. Provider readiness

The NDIS brings a markedly different environment which has many implications for health services – for example, being paid in arrears results in considerable cash flow impact. To respond in the new environment, providers must engage in significant planning and organisational change management in order to gain a comprehensive understanding of the operating environment and the resulting changes in healthcare systems, processes and workforce.

[10] Ibid
[11] ACFA 2016b
[12] Ibid

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Providers of public health services, including hospitals and community health services, are well placed to enter the NDIS market. Indeed in some rural areas, public hospitals are likely to be the only organisations delivering NDIS services. Even the hospitals and community health services that opt not to become providers of disability services will be relied upon by patients and clients to help them navigate the new disability system and access the services they need.

The VHA is delivering a transition support project for public sector healthcare providers in Victoria to assist providers to build their capability to respond to the changing funding policy environment resulting from the transition to the NDIS in Victoria. Throughout the delivery of the project, which involves information workshops and strategic planning forums, we have found varying degrees of understanding, appetite and preparedness for the NDIS – from both operational and governance perspectives.

Feedback from providers at these forums indicates that they are facing many challenges – including concerns about access to specific, relevant and timely information. This is supported by the findings of the Australian National Audit Office's independent performance audit of the NDIS,[13] which stated that the rollout of the scheme has encountered delays, risk and complexity due to lack of clarity over roles and responsibilities. The audit also found that due to the scale of the reform, the NDIS market is expected to take up to 10 years to mature.

To ensure an effective NDIS transition, it is crucial public hospitals and community health services are able to meet these challenges and continue to provide services during the transition.

Given the substantial operational differences between the state-based disability system under which Victorian public sector providers currently operate, and the NDIS, many will require ongoing transition assistance, however funding for transition support for the sector has only been provided until 30 June 2017.

All governments have a stake in public sector preparedness, for that reason the VHA recommends that funding be continued for a sector-led program to support providers to successfully transition to the NDIS.

Recommendation: *That the NDIA extend funding for a sector-led program to support public and community health service providers to successfully transition to the NDIS.*

[13] Australian National Audit Office 2016, *National Disability Insurance Scheme – Management of Transition of the Disability Services Market.* Accessed from: https://www.anao.gov.au/work/performance-audit/national-disability-insurance-scheme-transition-disability-services

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Further information

For further information, contact:

Tom Symondson
Chief Executive Officer

03 9094 7777

Carolina Maistry
Aged Care & NDIS Project Officer

03 9094 7777