

24 March 2017

Review of NDIS Costs
Productivity Commission
GPO Box 1428
BARTON ACT 2600

<http://www.pc.gov.au/inquiries/current/ndis-costs>

Milner & Clyde's Submission to the Productivity Commission's Review of NDIS Costs

Thank you for the opportunity to provide a submission on the important matter of NDIS Costs. We fully support the approach taken by the Commission to examine the sustainability of the NDIS and believe it is timely to do so.

In summary, our key contention is that:

Superior outcomes for NDIS participants and the Scheme would be achieved through the contestable engagement of professional case management

Who we are

Milner & Clyde is a niche consultancy providing expert advice to businesses that want to 'get into the business of government'. Our particular focus is around the design of innovative, game changing delivery models for social services, e.g. how others could take over the delivery of case management from government agencies. Our Lead Director, Denise Cosgrove, is an acknowledged expert in the 'NZ Social Investment Approach' which emerged from her ground breaking work in introducing the liability management/insurance approach into the Accident Compensation Corporation (ACC) in New Zealand. This work formed the basis for the model which has now largely been adopted in Australia as the 'Priority Investment Approach'. Denise continues to provide advice to governments in New Zealand and Australia on the next steps in their implementation of the model.

Areas of the Review we wish to contribute to

Based on our experience and long history, we believe we are well positioned to support the Commission's examination, specifically in the following areas set out in their Terms of Reference:

- the sustainability of scheme costs, including current and future cost pressures, and how to manage any potential cost overruns
- whether efficiencies have been achieved within the scheme, and
- whether there are any issues with scheme design, including the application of market and insurance principles, in ensuring the best possible outcomes for people with profound or severe permanent disability

Our argument

1. There is currently little emphasis on the key liability driver of work participation

We understand that one of the fundamental premises upon which the sustainability of the NDIS has been built is that increased levels of labour force participation by people with disability, and also by carers, will result in lower support and income replacement costs and liabilities.

Currently, there is little evidence that there is a focus on workability. Only 5% of participants' plans include work-related supports; and in the initial outcome evaluation, more than 50% of working age participants reported that they 'didn't want a job', escalating to 86% for participants aged over 55. This would tend to illustrate that the setting of participant expectations of work participation is not being well integrated within the planning process.

Professional case management works from the base assumption that some extent of work participation is a key – and achievable – outcome and, to this end, establishes upfront expectations with clients of return to work (RTW) and living, and then enables actions to facilitate that outcome. The only distinction in the NDIS model is that it is the participant who has the choice and control over the planning and the actions taken to achieve that outcome.

We therefore believe that the introduction of a focus in participant plans on work participation is urgently required and should be actively monitored.

In addition, there is little evidence to suggest that any active management of carers to support their (re)integration into the workforce is happening. The ambition therefore to achieve Scheme sustainability through the concomitant increase in work participation levels of carers represents an untapped area of potential, which would lend itself to intensive case management by experts.

2. Liability management/insurance thinking often doesn't 'sit well' with public sector and NFP front line staff

Anecdotal evidence suggests that there is little understanding or application of liability management/insurance thinking and practice by NDIA and LAC planners. Contracted LAC planners have been almost exclusively drawn from the NFP sector, and NDIA staff have tended to come from public sector, social work and disability-related disciplines. Competencies typically associated with these roles and organisations would not generally lend themselves to an 'insurance' approach or mindset.

By contrast, private sector case managers (whose role it is to perform similar 'life planning' and system navigation functions to NDIS Planners) are experienced professionals. Most case managers hold personal injury and disability management-specific qualifications and are required to undertake ongoing continuous professional development.

We suggest therefore that the Commission consider recommending the review and 'rebalancing' of the skills composition of the Agency and its agents through the NDIA's recruitment and the ongoing roll out of the LAC contracts.

3. Better managing the 'Admin Costs' would significantly impact on Scheme sustainability

From our observations, we believe the focus to date has been primarily on managing the 'Claims Costs' of the Scheme, i.e. those costs directly attributable to the participants. Initiatives such as the use of reference packages and the Early Childhood Early Intervention approach are good examples of this.

In addition, this Review has put significant emphasis on the following cost drivers:

- *access* – the number of participants in the scheme
- *scope* – the scope of supports provided to participants in the scheme
- *volume* – the quantity of supports received by scheme participants
- *price* – the price paid for supports under the scheme

However, while this is necessary and desirable, and these are significant contributors to the sustainability of the Scheme, less attention appears to be afforded by the Commission in this Review to the area of *delivery*, i.e. the costs associated with operating the Scheme, with the lines of enquiry primarily related to appropriateness of the governance of the Scheme. From our experience, equal attention needs to be given to managing the 'Admin Costs' (i.e. the cost of front line service delivery by NDIA and the associated costs of their 'agents' who are the LAC planners and ILC Grant recipients).

The NDIA is required to reduce the ratio of operating expenses to Scheme costs from its 2016 level of 33.3% to 7% by 2019/20. This is a very ambitious target and we would contend at risk of not being achieved given the current modus operandi. There is a heavy – and increasing – overlay of 'agent' cost and there appears to be a significant duplication of effort between the Agency and the agents. Coupled with the points made above about the necessary skills and mindset towards liability management that are needed to support Scheme sustainability, then we are of the view that the role clarity and accountabilities between the Agency and the agents need to be urgently reviewed.

4. There are significant flow-throughs of contributory liability that are not managed

One of the most significant issues for the Government is the continued disaggregation of social services delivery, specifically the Health, Disability and Welfare portfolios. In terms of the sustainability of the NDIS, the separation between the provision of individualized funding for supports and the provision of income replacement to participants means that the accountabilities for improving work participation are diluted and unclear, and there is duplicated and potentially unaligned effort, e.g. participant-led planning in relation to work participation is duplicated with Centrelink and/or DES provider-led assessment and planning. Similarly, the intersection between clinical treatment for people with disability and the funding of supports for living is blurred.

We believe the extent of contributory liabilities flowing from one system to the other is under-identified and under-managed, and should be urgently reviewed, with a priority given to the intersection between disability and welfare. We are aware of a research project led by the Comcare Collaborative Partnership which has already begun to explore part of this issue, and the synergies between this work and that project should be further explored .

5. The use of expert case management provided via a contestable model would greatly enhance participant outcomes and Scheme sustainability

The ACC experience in 2010 of benchmarking in-house case management of long term injured workers with external expert case management, through the introduction of contestability, highlights that the 'disruption' of the service delivery model significantly improves both the fiscal and social outcomes for participants and the scheme.

In addition, the benchmarking pilot was a learning initiative that showcased 'liability management and insurance-thinking' in action to a workforce made up at the time of similar competencies and experience to that of NDIA and the LACs. This had the dual impact of not only improving Scheme sustainability but also stimulating enduring cultural change in the organisation.

We believe that an approach similar to the ACC pilot should be implemented to test the capacity of private sector experts to deliver the case management services of government in the NDIA and Centrelink Agencies.

Summary

In summary therefore, we propose that the Commission recommend that, as an immediate response, consideration be given to a contestability trial of the use of expert case management across both the disability support and welfare portfolios for a cohort of working age NDIS participants. This would optimise the synergies between the portfolios and we believe could be done within existing legislation though the maintenance of delegations by the relevant Agency, similar to the model being used in the Comcare Contestability Pilot being run with the ATO and DHS.

In addition, we suggest that the Commission consider recommending:

- the urgent introduction of a focus on work participation into participant planning and the active monitoring of the same
- The adoption of an intensive case management approach to NDIS carers to support their (re)integration into the workforce
- The review and 'rebalancing' of the skills composition of the Agency and its agents
- The review of the role clarity and accountability between the Agency and the agents
- The examination of the extent of contributory liabilities flowing from one system to the other and the development of appropriate policy responses to the management of these liabilities, with a priority given to the intersection between disability and welfare, and
- Based on the pilot, the long term consideration of the implementation of contestability into the joined-up case management of NDIS participants who are also recipients of income replacement support.

Thank you again for the opportunity to provide a submission. We are happy to provide any further detail or examples if required.

Milner & Clyde