



Lutheran Community Care

## **NDIS Costs - Productivity Commission Issues Paper February 2017**

### **Lutheran Community Care Queensland - Submission**

**April 2017**



Lutheran Community Care

## **About Lutheran Community Care**

Lutheran Community Care (LCC) has been serving Queensland for more than 80 years.

Our not-for-profit organisation operates 10 community services (covering disability, mental health, youth, and family/crisis support) and 12 aged care, home care and retirement living services throughout Queensland.

Collectively, we deliver services to more than 6,000 people each year.

Our disability services (Graceville, Somerset, Keystone and Trinity) assist people living in the Sunshine Coast, Brisbane Valley, Logan and Gold Coast regions. Services include purpose-designed supported accommodation, skills development and group social/recreational programs, and in-home support.

Each of our disability programs harnesses organisation-wide expertise in strategic and operational management, clinical practice, quality management, finance, learning and development, creative activities, communications and facilitation, relationship management, and human resources.

Our robust corporate governance structure, including a skills-based governing Council, executive leadership team and infrastructure are well-suited to an organisation of our size and complexity (more than 1,300 staff and an annual operating budget in excess of \$80 million).

Our integrated management systems promote business performance excellence, including sustainable, client-centred processes and work practices.

**\*NOTE: As we are Queensland based and our services have not fully transitioned to the scheme, a number of the questions were not relevant to us and have been deleted.**

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## 1 What is this study about?

The National Disability Insurance Scheme (NDIS) is a new scheme designed to change the way that support and care is provided to people with profound or severe permanent disability. The scheme is currently being rolled out across Australia.

The NDIS is based on the premise that individuals' support needs are different, and those participating in the scheme should be able to exercise choice and control over the services and support they receive. The scheme is distinguished from previous approaches in a number of ways:

- it adopts a person-centred model of care and support
- it applies insurance principles to costs
- funding is determined by an assessment of individual needs (rather than a fixed budget)
- it is a national scheme.

This study is a review of NDIS costs and is to help inform the final design of the full scheme. The study will examine factors affecting scheme costs in light of the benefits and impacts of the scheme on the lives of people with disability, and Australians more generally.

## 2 Scheme costs

### QUESTIONS

- *Are there any cost drivers not identified above that should be considered in this study? If so:*
  - *how do they impact costs in the short and long term?*
  - *how, and to what extent, can government influence them?*

**Cost drivers that are not identified and would benefit from consideration include Criticality and Emergency Provisions to avoid providers 'cherry picking' less complex individuals. This could lead to market failure for individuals with complex needs who are prone to be involved in incidents and who cannot be supported adequately within the pricing arrangements. For providers in managing such incidents there can be a considerable cost.**

**Government can influence these costs by building in a retrospective provision for providers to claim an 'Incident Response' reimbursement for the staffing and administrative costs associated with managing incidents.**

**Further, there are training, briefing and good practice requirements for teams working with complex individuals, such as individualised buddying and mentoring, to ensure the client gets the best and most appropriate care possible. This necessary capacity is also not covered in the pricing schedule and if included would support early intervention, planning and mitigation strategies to prevent or minimise critical incidents in high needs clients.**

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## QUESTIONS

- *Why are more participants entering the scheme from the trial sites than expected?*

**More participants are entering due to data discrepancies, the source and criteria may not have been accurately calibrated to the actual demand.**

**In Queensland there is significant unmet need which would have highly been problematic to obtain accurate estimates.**

**Further, Queensland did not participate in the trial sites disallowing testing of the participant number projections and with a large decentralised population, it is frequently difficult to make accurate projections of need and demand.**

- *Why are lower than expected participants exiting the scheme?*

**Lower than expected participants are exiting the scheme potentially because the demand for ongoing supports was underestimated. This may be due in part to the numbers of individuals and families that have been self managing without supports, so were unknown to formal services or Government, not on waiting lists for supports and therefore not included in participant projections.**

**There is also potentially some work that may need to be done, in the early stages of transition with the real client population, in profiling disability types and corresponding supports needs, while accommodating for individual differences, to gain a more accurate model on what the quantum and type of service requirements will be for the individuals transitioning to and within the scheme.**

- *What factors are contributing to increasing package costs?*

**Factors contributing to increasing package costs may be attributed to reasonable and necessary support levels being higher than estimated. The previous system was capped and rationed so is not representative of the real care requirements of individuals.**

**Therefore, the scheme needs to support the growth in the number of new participants who's care needs may have been projected on limited information, if they were largely unknown to formalised services and Government, and the growth in the level of care because what was previously provided was inadequate to meet the participants genuine needs.**

**Further, a significant number of participants will require ongoing support coordination as their capacity to self manage is and will continue to be limited. The NDIA support coordination model is highly predicated on the assumption that a majority of individuals will eventually be able to self manage, however this is questionable and will have ongoing cost implications for the scheme.**

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**During the transition phase, many individuals and families will require intensive support coordination activities until they become more competent and confident in navigating and self determining under the new system. There is a real opportunity for capacity development in skilling up individuals and their families to self manage, however the approach would benefit from a funded, structured and measured implementation to ensure families and clients are comfortable and competent, and make the choice, to self manage.**

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

**There is a mismatch between benchmarked package costs and actual costs for all the reasons outlined above, however the opportunity going forward lies in developing mechanisms to test and measure levels of support in an ongoing way in order to calibrate the schemes funding and delivery in real time (or as close to). So that the scheme can be malleable and responsive to the quantum and type of supports required as they increase and decrease over time. This modelling could also be used over time to trend support needs and costs to inform budgeting, funding and outcomes/deliverables measurement.**

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### 3 Scheme boundaries

#### QUESTIONS

- *To what extent have the differences in the eligibility criteria in the NDIS and what was proposed by the Productivity Commission affected participant numbers and/or costs in the NDIS?*

The differences in eligibility and the impact on client numbers and costs has been exemplified by the experience of the inclusion of mental illness (Psychosocial Disability) in the scheme. As a result of the debate around eligibility and late inclusion of psychosocial disability, the client numbers and service parameters, quantum and type of supports required, were being explored as the scheme was being implemented in trial sites and services more broadly. This has had significant cost and delivery implications, as well as creating a great degree of uncertainty for service users and the sector in determining what supports would be delivered under the NDIS, and what would happen to supports that sit outside of the NDIS.

The opportunity going forward is to capture the experience of individuals with mental illness within the scheme and utilise that data to trend, develop service models and gain more accurate service and cost projections. Ideally this work would be ongoing to accommodate for productivity gains as well and individual, social and cultural gains generated by the scheme.

#### QUESTIONS

- *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 range and type of services proposed under the ILC Program adequately picks up on the capacity building, community connection and collective impact functions currently delivered by the not for profit sector, that will not be funded under the NDIS. The concern however, is that the amount of funding available Nationally is insufficient to adequately fill the gap that will be created by these activities not being funded under the NDIS, which may result in critical and highly beneficial supports, and potentially providers, being lost from the sector. This loss of capacity could have broader systemic consequences. Therefore, the timely and adequately resourced implementation of the ILC is absolutely critical.

- *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?*

Resourcing and connectivity of the ILC and LAC functions are critical to achieving the broader systemic gains and supports the NDIS scheme can provide for people with disability. The NDIS funding structure is narrow and focused on increasing strengths and enabling choice of individuals with disability, however vital work and focus also needs to be on the systemic, social, cultural and structural challenges to engagement, inclusion and full citizenship of individuals with disability. This is the role of the ILC and LACs which needs to go hand in hand with the service delivery core component of the NDIS.

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**The role of the ILC may benefit from the inclusion of advocacy functions, ensuring those without a voice have a plan that reflects their needs. Advocacy will not be funded under the NDIS but is a function many providers perform as a core activity, and is essential to ensuring that individuals with disability are supported in exercising their right to self determination.**

**Engagement by the LAC and ILC providers with the service delivery networks would also be advantageous in maintaining linkages with service delivery and on the ground supports, and for the development of collective practice wisdom resulting in a connected up service continuum and better outcomes for individuals with disability. ILC and LAC engagement with regional industry networks, such as chambers of commerce and industry networks, may support this goal.**

#### **QUESTIONS**

- *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?*

**The full rollout of the NDIS will affect how mental health services are provided by directing some current mental health programme funds that meet the needs of those with moderate mental health issues to the NDIS. However, this could potentially leave a large gap in communities as this target group may not be eligible for NDIS and could be left with no access to appropriate services.**

**Further, the potential ambiguity created around eligibility of individuals with episodic mental health issues may lead to cost shifting between government departments and agencies.**

**The scheme might also work against people with an episodic or fluctuating illness with a focus on recovery, thereby negating the benefit or preventative or step up step down service approaches.**

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

**Clear and tight guidelines with Department of Health and other ancillary supports would be beneficial in ensuring the intersection between the NDIS and mental health service remain effective, and to prevent people falling through the gaps.**

**Further, maintaining effective linkages and partnerships between support agencies would highly advantageous for client and systemic outcomes.**

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## QUESTIONS

- *How will the NIS affect the supply and demand for disability care services?*
- *What impact will the full establishment of the NIS have on the costs of the NDIS*
- *Are sufficiently robust safeguards in place to prevent cost shifting between the NIS and the NDIS?*

**The NIS is in its infancy in Queensland, however a consideration is how the NIS pricing is structured?**

**If the NIS pricing is not equivalent or comparable to the NDIS price guide, and is potentially better funded, in an environment where there may not be enough providers to meet demand (which is likely to be the case during transition), providers may preference NIS support provision potentially to the detriment of NDIS clients.**

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## 4 Planning processes

### QUESTIONS

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

The planning process in Queensland is in the commencing stages. There are however queries among the sector, clients and families as to the tools and processes being utilised in undertaking the first plan, as great variation has been reported in the Regions that have transitioned.

Further, the training and qualification of planners, in undertaking a highly specialised activity, has also been queried.

Going forward transparency in the tools utilised, the processes and benchmarks being applied to the plans, and the scope, support and expertise of the planners would be helpful in supporting individuals with disability in preparation for their planning meeting, and ensuring they are getting the most out of their first plan.

- *How should the performance of planners be monitored and evaluated?*

The performance of planners could be monitored and evaluated by measuring client, carer, family and provider satisfaction to clear transparent benchmarks, including cost imperatives.

Independent external peer review may also be beneficial in evolving plan practice and tools, so that the planners and the processes are being supported in an ongoing learning environment.

### QUESTIONS

- *Do NDIA assessment tools meet these criteria? What measures or evidence are available for evaluating the performance of assessment tools used by the NDIA?*

**Not known, no consultation or availability of tools to sector for input or feedback.**

- *What are the likely challenges for monitoring and refining the assessment process and tools over time? What implications do these have for scheme costs?*

The challenges for monitoring and refining the tools and assessment processes would include currency, as the practice with regard to assessment is constantly evolving and tools outdate very quickly. Utilising a well validated, benchmarked tool would assist in this regard.

Further, development of a Peer/Committee (Stakeholders) within an evaluation and TQM framework would ensure the currency of the processes and tools are being managed within an ongoing system.

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**It would be highly beneficial for Individuals with disability to be involved in the tool development, implementation, review and evolution processes.**

#### **QUESTIONS**

- *To what extent does the NDIA's budget-based approach to planning create clear and effective criteria for determining participant supports? To what extent does it lead to equitable outcomes for participants? What improvements could be made?*

**While the NDIS's budget based approach to planning provides much needed structure and transparency, the Budget Based approach is reflective of the previous system and may not necessarily be as individualised as clients have hoped. The ability to customise would address these concerns and allowing trained, skilled planners this flexibility would support better planning outcomes for individuals with disability.**

- *What implications do the criteria and processes for determining supports have for the sustainability of scheme costs?*

**The criteria and processes for determining supports are critical for ensuring the sustainability of the scheme but must be balanced with an individualised approach that provides structures for consideration of the unique needs and circumstances of each individual participant.**

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

**The avenues for resolving disagreements about participants supports has in initial transition been reported as extremely slow and unresponsive, particularly in plan review requests. This is likely a function of the enormity of transition and it is hoped will become more efficient and effective as the NDIA are fully resourced and the schemes moves toward full implementation.**

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## 5 Market readiness

### QUESTIONS

- *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 factors that will affect the supply and demand of workforce include:**

- **level of pay**
- **conditions (salary sacrifice, employee benefits, super, leave)**
- **rurality**
- **supports (supervision, Employee assistance supports)**
- **training**
- **supply of individuals with particular qualifications**
- **level of skill of trained individuals to manage complex clients**
- **population density.**

**All of these factors have workforce supply implications as well as risk implications in ensuring appropriately trained, skilled and qualified workers are providing the appropriate supports and not putting vulnerable people and themselves at risk.**

**These factors will be dramatically impacted based on region, rurality and disability type.**

**The indications are that some areas will experience a critical shortage of workforce and providers, a range of Regional initiatives are being implemented to try to mitigate this shortage, however some creative solutions will need to be sought to address this matter.**

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

**The ageing population will affect workforce supply for the NDIS in placing addition pressure as both sectors traditionally have competed for the same workforce.**

**There may be further impacts as ageing carers of individuals with disability will not only require aged care for their own needs but will no longer be, what is often the primary support, for their adult child with a disability who will then also require full time care, creating additional pressure on both the aged and disability systems.**

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- *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?*

Increasing the NDIS workforce by the required numbers in time for full scheme does not appear to be feasible.

Policy settings could be adjusted to revisit the 'efficient price' modelling to allow for supply and demand drivers to play out with regard to market pricing for specific services. Where there is considerable demand the cost inflates to generate the supply to meet the demand. There are significant scheme cost implications of this approach. The mining boom is a comparable example in that a workforce was very quickly generated by gross incentivisation of positions, which compensated for a range considerations often including relocation and demanding work schedules. While the NDIS does not have the financial capacity to undertake mining boom equivalent incentivisation of roles, there may be some areas where supply and demand drivers are tested to set the pricing rather than it being pre-prescribed.

A broader strategy may be in engaging with universities and training institutions to increase student intake numbers for targeted professions such as: OT's, Nursing, Psychologists, Social Workers, Physiotherapists, Welfare Workers, mental health nurses, Cert IV's in Community Service.

There is also a great opportunity to train and support individuals with disability to deliver a range of supports if the structure is established, thereby also delivering on the productivity gains projected by the Productivity Commission in the Disability Care and Support Report (2011). Peer Support programs are highly successful in the mental health area with a significant body of empirical evidence supporting the model.

Further, matching initiatives with job service providers who frequently have capacity to fund training for their clients, may also be a fruitful localised strategy.

Of serious consideration is that there are highly concerning paradoxical drivers at play when looking at the NDIS workforce, where we are seeking to expand the workforce to unprecedented numbers at the same time that the cost pressures are seriously threatening to reduce salaries and conditions.

Further, there has been a great deal of speculation about the NDIS driving the evolution of a 'BYO Workforce' where solo providers will start to pop up, who will be required to supply their own car, phone, computer/internet/office, insurances, criminal justice checks, training, supervision and, quality system compliance, all for the very lean pricing on offer by the NDIA. One might suggest that this may present significant professional risk for the individual but more importantly puts the standard of care to the client at risk.

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**Policy to protect both workers' entitlements and interests, and those of service users would be highly beneficial.**

**There is also great opportunity for Government to lead the development of a national workforce strategy in partnership with providers, consumers, unions and educational institutions to look at structures of incentivisation, pricing and workforce support.**

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

**Assistance for informal carers is critical both for supporting the independence of individuals with disability and in managing scheme costs. Informal carers provide a range of supports that maintain many individuals in community and if these supports were removed they would place a considerable burden on the formal support system. Supports and initiatives to negate carer burnout are highly beneficial.**

**Clear distinction and structure to ensure that unpaid support is not being utilised to perform tasks that require a paid worker would be highly beneficial. Utilising unpaid supports to perform paid work undermines the Fair Work Australia Decision and Equal Remuneration Order awarded to the Social and Community Services sector in 2012 to remedy historic and demonstrated pay inequity of Social and Community Services sector workers.**

- *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?*

**The perception that disability care and support roles are poorly valued has in part been addressed by the Equal Pay campaign, and the subsequent acknowledgement by Fair Work Australia that there was devaluation of the Community Services workforce and awarding of an Equal Remuneration Order outlining supplementation payments. The industry could potentially be at risk of being undervalued again if the matters of cost compression, worker benefits and entitlements, training, supervision and supports are not managed effectively and a sub class of community sector workers with lower salaries, entitlement and supports is generated to meet the NDIS pricing constraints.**

- *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?*

**There is great scope to expand the workforce of part time workers to full time positions with a range of flexible options, however the evidence from transitioned Regions is that this strategy alone still falls short of the worker targets.**

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**Further, considerations include:**

- **constraints of industrial tools**
- **economies of scale**
- **organisational capacity**
- **the remuneration on offer**
- **availability of qualified staff.**

**Many organisations in the sector provide supports within these constraints, the critical factor is scalability. If all supports are individualised many organisations may encounter sustainable concerns.**

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

**Technological improvements and tools are critical in supporting providers to gain efficiencies in remodelling and adapting their service delivery practice and models, as well as in providing direct care and supports to individuals with disability.**

**Training and support considerations for new systems should be built in to ensure duty of care and risk mitigation in utilising technological supports.**

- *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?*

**The advantages and disadvantages of skilled migration is highly complex as there are a range of costs associated with this option including relocation costs and portability of skills and qualifications. Investigation of a multi layered strategy would be beneficial where opportunities to train and utilise unemployed or underemployed individuals could also be explored, including the large numbers of unemployed young people in Australia. There would also need to be adequate resources to assist migrants to transition to working in the Australian context with particular emphasis on the rights of people with disability.**

#### **QUESTIONS**

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

**The sectors adjustment to market pricing would be highly individualised. Providers with multiple activity streams may be better placed for this transition as would be providers that have fee for service or brokerage models in place, and existing individualised servicing structures.**

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**It may be argued that the pricing set by the NDIA does not constitute market pricing as it is not set by market supply and demand drivers, it is set by the NDIA. Clarity on the efficient level pricing model would be beneficial for providers in drawing comparisons between the efficient level pricing to provider delivery costs including: superannuation, insurances, business tools (car, phone, computer, internet), criminal history screening, any professional registrations, supervision and any ongoing training and support requirements.**

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

**In kind services may significantly affect the scheme in either escalation of cost or loss of essential supports for individuals with disability, as providers will no longer be able to provide the extras they currently provide as they presently have capacity to cross subsidise; this flexibility will be eroded under the NDIS.**

**The planning process will be integral in addressing some of this exposure in taking into account that the in kind supports may not be available under the NDIS so these support needs should be reflected in the individuals plan.**

- 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?*

**Provider readiness and the quality of service delivery varies greatly across states and regions, and also from provider to provider.**

**The resources, direction and tools provided by the NDIA, the sector development fund, NDS and localised strategies and support forums are integral in providing support and direction to many providers. There is also the reality that the implementation of the NDIS will serve to rationalise the sector as there will be providers that are unable to transition. The important consideration in these circumstances is the welfare of the clients of those providers.**

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

**Readiness for the shift from block to fee for service funding is highly variable, due to individual services capacity and preparedness for the required changes.**

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

Barriers to new providers entering the sector could include the pricing and service viability for informed providers that have done feasibility of the market. However, there may be specific services that present a higher level of viability, in which case this may generate an oversupply of providers for one activity and a scarcity for other activities that are not as well funded. This is already being evidenced in Plan Management activities, where there are a large number of providers offering Plan Management and fewer providers providing direct care services.

Quality compliance may present as a barrier for out of sector providers entering the scheme, as it is unique to the community services sector. Tools and resources to provide assistance with quality compliance and registration with the NDIA would be highly beneficial for new providers

- *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?*

Mechanisms for supplying thin markets could include strategies that build capacity including incentivisation, for example free training/support systems.

Strengthening the current service ecosystem in rural and remote communities to grow and further develop.

As mentioned previously, there is a great opportunity to train and support individuals with disability to deliver a range of supports if the structure is established. Also capacity to utilise aged care trained workers in disability supports may assist in remote or underpopulated areas as there are often aged care facilities where other services may be light on.

Further, retention of some block funding arrangements where services are otherwise unviable may be a prudent strategy.

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- *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?*

The changed market design is likely to impact the degree of collaboration and cooperation between providers but it is unclear what this impact will be and it is likely to be highly individualised as collaboration and cooperation between providers currently varies greatly from community to community. One would suggest that the communities that do it well now would continue to do so. Targeted strategies, supports and resources could be developed through the ILC to support collaboration and cooperation in communities where there is an absence of this activity.

Fundraising and volunteerism in the sector may be impacted in that there has been speculation that if the general public are supporting the NDIS through a tax levy they may be less inclined to support other fundraising activities for the disability sector.

#### QUESTION

- *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?*

How well equipped NDIS eligible individuals and families are for the scheme is highly variable. A great number of individuals would benefit from targeted and understandable supports, resources and tools in negotiating the scheme and establishing their plan.

Individuals with disability, and their families, have traditionally been predominantly passive in their care. This is often amplified in remote and disadvantaged communities where the flow of information may not have reached them and supports are not readily accessible. Supported access would be highly beneficial for these participants.

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## 6 Governance and administration of the NDIS

### QUESTIONS

- *Is the NDIA's target for operating costs (as a percentage of total costs) achievable? Is it practical? Should it vary over the life of the scheme?*

**The NDIA's target for operating costs as a percentage of total costs should vary over time, as there will be individuals exiting the scheme as well as the benefits of early intervention for young people, reducing their need for ongoing or longer term supports, and the productivity gains this will yield for the greater economy.**

**The scheme would benefit from sensitivity to changes in social and cultural norms and capacities as they change and evolve over time.**

### QUESTIONS

- *Is there likely to be a need for a provider of last resort? If so, should it be the NDIA? How would this work?*

**The provision of a provider(s) of last resort would be highly beneficial to mitigate market failure which may occur in remote communities and emergency circumstances.**

**The NDIA or equivalent Government Department would be best placed to provide this service either directly or under a brokerage model. Trained and resourced Crisis Response teams and structures could be established for deployment in certain prescribed circumstances.**

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## 7 Paying for the NDIS

### QUESTIONS

- *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?*

The current funding split between the Commonwealth and states has the potential to create an environment open to cost shifting and erosion of the scheme. There is also the propensity for postcode disadvantage where some states have greater capacity to contribute than others, which the national scheme was meant to eliminate.

The Productivity Commission's recommendation that the scheme be funded from general revenue was the most workable arrangement.

- *How will Western Australia's agreement with the Commonwealth Government affect scheme costs?*

The Western Australian Governments arrangement may serve to weaken the National scheme and also raises questions about the portability of packages across states.

It may also create complexities of funding formulae if individuals relocate or the States decides to provide additional funding.

- *Is there a better way of paying for the NDIS? For example, would it be better to fully fund the NDIS out of general revenue?*

The Productivity Commissions initial recommendations to fund the NDIS out of general revenue had merit and could mitigate the funding concerns around funding split and potential costs shifting across levels of Government and states.

### QUESTIONS

- *How should the financial sustainability of the NDIS be defined and measured?*

The financial sustainability of the NDIS should be defined and measured in terms of demonstrated systemic and full citizenship terms for individuals with disability against the current system and the forward projections of maintaining the status quo. Further, client outcomes: client participation in community, employment, reductions in levels of intensive supports, etc. should be reference points for the schemes success.

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- *What are the major risks to the scheme's financial sustainability? What insights do the experiences from the trial sites provide on potential risks in the context of financial sustainability? How might the NDIA address these risks?*

The major risks to the schemes financial sustainability include excessive cost blow outs due to increased participant numbers and high level needs that cannot be mitigated, and market failure where services cannot be provided within budget, criteria and service type. It would be highly beneficial for the scheme to build in capacity to manage both cost blow outs and market failure as they are inherent parts of a market model and will occur over time, as will periods of cost containment and system capacity development and growth. A flexible trended approach would be prudent.

- *Does the NDIA's definition of financial sustainability have implications for its management of risk? Are there risks that are beyond the NDIA's remit?*

The NDIA's definition of financial sustainability has implications for its management, especially the annual funding of the scheme which may prevent long term capacity and development work to support the scheme going forward and conversely in responding to emergent social and cultural changes in a timely manner.

There are many factors outside of the NDIA's purview that can significantly impact the schemes viability. Most pressing and immediate being workforce and suppliers/providers or services to funded individuals.

- *Are there changes that could be made to improve the NDIA's management of risk? Should more details about the NDIA's risk management practices be publicly available?*

The NDIA's risk management approach may benefit from transparency as this could assist in engaging providers and individuals with disability in structural and systemic risk mitigation activities, as well as adding considerable service user value to the NDIA's activities.

- *Does funding the NDIA on an annual basis affect its management of risk?*

Funding the NDIA on an annual basis may affect its management of risk as it could prevent foresight and agility in preparing and responding to emergent factors that could impact the scheme, its viability and most importantly its clients.

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- *Are there other ways the scheme could be modified to achieve efficiency gains and reduce costs?*

**Ways the scheme could be modified to achieve efficiency gains and reduce costs might include an enhanced focus on early intervention once the scheme is fully transitioned. Early intervention is critical in achieving the productivity and longitudinal systemic gains the scheme was premised on, but more importantly, the quality of life outcomes for individuals with a disability.**

**The NDIA will be in a better position to assess costs and efficiencies once the scheme is fully implemented and they are dealing with actuals rather than projections.**

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

**Cost overruns and underruns are likely to occur over the lifetime of the scheme.**

**In the initial transition, as long as the eligibility criteria is being stringently applied, the scheme is limited in managing overruns due to increased numbers of participants (if all the participants are legitimately eligible) and higher levels of services (as long as the services are reasonable and necessary), without changing the eligibility or scope of supports provided. Once the scheme is fully implemented the NDIS would be better placed to implement a range of measures to contain costs and manage efficiencies going forward.**

**Funding the scheme out of general revenue could mitigate cost shifting and ongoing demarcations between the States and Federal Governments allowing a single funding stream focus for the scheme.**