

NDIA Submission to Productivity Commission Issues Paper on NDIS Costs

March 2017

Chairman's Foreword

On behalf of the National Disability Insurance Agency (NDIA) I welcome the Productivity Commission's review into the National Disability Insurance Scheme (NDIS) Costs and am pleased to provide this submission.

The establishment of the NDIS is, in large part, due to the excellent work undertaken by the Productivity Commission in 2011 when it delivered the Report into Disability Care and Support. The analysis underpinning that report laid the foundation for a fundamentally different way of helping people with disability realise their goals and aspirations.

The work of the Productivity Commission remains, in many cases, the best analysis and blueprint for measuring the benefits of the NDIS. The NDIA has built on this foundation with the insights gained through trial and transition phases of implementation.

We consider that the Productivity Commission's review will provide valuable insights for governments and the NDIA on how to best manage NDIS costs. The NDIA welcomes the opportunity to further assist the Productivity Commission during this review.

Dr Helen Nugent AO

Chairman

National Disability Insurance Agency

Executive Summary

Introduction

Over the last 18 months the Commonwealth and each State and Territory Government has entered into an agreement to deliver the full roll out of the NDIS. The political and jurisdictional agreement to roll out the NDIS is a commitment to people with disability, their families and carers to provide an increased opportunity to participate in the economy and community and to maximize their independence. The NDIS provides the opportunity to look beyond a person's disability and to allow every person, so far as is possible, to lead an ordinary life.

The bilateral agreements also set the time and scale of the growth of the NDIS and confirm critical assumptions that underpin the NDIS as to the expected number of people who will become participants in the scheme; the type, scope and volume of services and supports that participants will use; and the value of those services and supports.

While the NDIS promises great improvements to the lives of people with disability, their families and carers, it is also the case that the scale, pace and nature of change to implement this reform is unprecedented and brings with it considerable risk.

The NDIA recognizes and accepts its central role in realizing on the promise of improved outcomes for people with disability, while managing and mitigating those risks.

The experience of trial

The NDIS was tested as a concept over a three year trial. The trial finished on 30 June last year and successfully brought in over 30,000 participants at the rate expected in the trial bilateral agreements. The trial was also completed within budget, with the scheme actuary concluding in her financial sustainability report for the year ending 30 June 2016, that the underlying assumptions derived and updated from the Productivity Commission estimates remain the best estimate of the expected number of participants to be in the scheme and the expected cost. The NDIA was also pleased with the high level of participant satisfaction.

However, the arrangements that were operating during trial were insufficient to deliver full scheme. The three key required changes were:

1. The ICT system used during trial had been recognized when introduced in 2012 as, at best, an interim system which would not scale to full scheme. The 2015 Federal budget provided the NDIA, Department of Human Services (DHS) and Department of Social Services (DSS) with funding to put a new system in place for full scheme from 1 July 2016.
2. The NDIA had started the trial without an assessment tool and had tested different options. In late 2014, the NDIA began the necessary work to establish a new suite of tools and developed reference packages as a means of identifying typical support needs and funding for different cohorts. These were tested and validated through back capture of data. However, the reference packages and associated planning tools were only

available to implement from 1 July 2016. In other words, when transition began, they had not been fully tested.

3. The NDIA had tested a number of options for delivery of local area coordination, a key component of the NDIS in connecting people with disability to community supports. The evaluation of these different arrangements led the NDIA to conclude in early 2015 that an outsourced arrangement to deliver LAC functions was preferred so as to be anchored in the community and delivered as a partnership with the NDIA. That outsourcing was put in place for commencement of full scheme but at a compressed time frame that impacted on set up.

Transition

The transition to full scheme commenced on 1 July 2016 and immediately there were problems. The new systems and process, coupled with the scale of intake and issues with the ICT portals saw the NDIA fall behind both in terms of the bilateral estimates and the quality of the participant and provider experience.

The NDIA was able to recover against the bilateral estimates, but problems emerged during this time with the quality of plans and concerns were expressed about aspects of the planning process and the impact on the participant experience. These are matters that the NDIA is now actively addressing.

Some adverse trends in relation to scheme costs were also exacerbated during this period. Ensuring long term financial sustainability of the scheme is a key priority for the Agency.

The participant experience

The NDIA is currently undertaking an end to end review of the participant pathway to identify processes, system requirements, resources and information/communication at each stage. The review, which is being conducted as a co-design project with input from people with disability, is assessing each element of the pathway to identify changes or improvements required to achieve;

- Intake of participants and completion of plans at the rate required by the bilateral agreements
- Plans that maximize choice and control for participants and which contribute to improved participant outcomes
- Plans that are of a high quality in terms of;
 - a positive participant experience;
 - compliance with all statutory requirements; and
 - consistent.
- Plans which are financially sustainable so that the aggregate value of all plans remains within the funding envelope.

The NDIA is committed to ensuring that the planning process is a positive experience for participants. This includes:

- Clear and concise information on the planning pathway;

- Clear visibility of where the participant is up to at any given time and what are the next steps; and
- An acknowledgment that different participants will need different support to participate in the planning process and in engaging with service providers.

In addition, the NDIA in conjunction with the Independent Advisory Council, has commenced an initiative to make it easier for participants to self-manage.

The provider experience

The NDIA also recognizes that the early experience in transition created serious problems for providers in accessing the portal and in claiming payments. These issues are now fixed but the interface with the NDIA is only a small part of a much larger disruption to the delivery of disability supports as providers move from primarily block funding to building a business model that involves providing services to consumers in a competitive market. For most providers this involves a removal of the certainty of a government contract for the uncertainty of engaging directly with consumers. Some see this as a threat to their existence and many are struggling to construct a business that can deliver services at the price that governments have agreed. It is not a surprise that the response from the sector has been highly variable, ranging from embracing the new market and growing business, to seeking mergers with other providers, to withdrawing from the market altogether.

The NDIA is committed to the development of a diverse and innovative market that offers participants real choice. This means that it must be a positive experience for providers. This is shared responsibility with all governments and the wider sector in creating the environment in which current service providers can make the necessary changes to their business practices, and new providers can enter the market, with services and products that respond to consumer demand and which are efficiently priced and delivered. A key part of this will be meeting the large required increase in the disability care and other specialist disability workforce.

Getting the balance right

The NDIA is confident that the NDIS can be delivered in a way that meets its promise to people with disability while managing the many challenges. There are some critical approaches to deliver this.

First, the NDIA recognizes that the NDIS must operate in accordance with the insurance principles that are part of the scheme design. Some key elements of these principles are:

- risk pooling;
- a long-term view of the total future social cost of disability for all people who are covered or yet to be covered by the scheme; and
- active management of the total cost of disability over a participant's lifetime, incentivising short-term investment in participant outcomes to reduce long-term costs.

Second, the NDIA also recognizes that the NDIS is an economic as well as a social reform. The NDIS data collection will establish the relationship between funded supports and

outcomes and test the promise that improved outcomes will lead to less reliance upon funded supports and a greater contribution to the economy from people with disability and their families.

Third, maximizing mainstreams and community supports. The NDIA recognizes that for the NDIS to be effective in helping people with disability live ordinary lives, other supports and services outside of the NDIS need to be in place – namely natural supports, community supports and mainstream supports. Importantly, people with disability need to be able to access these supports in order to achieve their goals.

Fourth, the NDIA is focussed on identifying risks to Scheme sustainability early and implementing management responses to manage and mitigate risks. This involves close monitoring of scheme costs, strong controls and assurance on decision making, controls and business intelligence system to ensure payment integrity and to identify potential fraud for further investigation.

The NDIA is in the process of further reviewing its strategic risk register and risk management and mitigation strategies.

Further details on all of these matters are set out in the NDIA submission which is in three parts dealing with:

Part A - Operation of the Scheme

Part B – the Economics of the NDIS

Part C – Answers to the Productivity Commission’s Questions.

Contents

NDIA Submission to Productivity Commission Issues Paper on NDIS Costs.....	1
Chairman’s Foreword	2
Executive Summary.....	3
Contents.....	7
Part A: Operation of the Scheme and Building for Transition	9
Building the NDIS over trial	9
The Assessment Process	9
Local Area Coordination.....	12
Customer Relations Management System	14
The Service Delivery Operation Model (SDOM).....	15
Learning from Trial and Transition	16
Key Risks and Challenges	16
Participant Experience	18
Provider Experience.....	19
Part B: The Economics of the NDIS.....	21
1. Introduction.....	21
2. Insurance approach as a cost control.....	22
2.1 What is the insurance approach?	22
2.2 How has the insurance approach been applied as a cost control?.....	24
2.3 What are the expected benefits of the NDIS using the insurance approach?.....	26
2.4 What is the evidence that gives us confidence in expected benefits?	36
2.5 What actions can NDIA take to ensure the insurance approach acts as a cost control?.....	43
2.6 What actions can be taken that are beyond the NDIA’ s control?.....	45
3. Natural networks and community supports as cost controls	49
3.1 What are natural networks and community supports?	49
3.2 How do natural networks and community supports reduce NDIS costs?	53
3.3 What challenges have been experienced during trial and transition?.....	54
4. Mainstream supports as cost controls	56
4.1 What are mainstream supports?.....	56
4.2 How do mainstream supports contribute to outcomes and influence costs?	58
4.3 What challenges have been experienced during trial and transition?.....	58
5. Innovative delivery models as cost controls	62

5.1	What are innovative delivery models?	62
5.2	How do innovative delivery models reduce costs?.....	63
Part C: Response to Productivity Commission questions.....		69
Scheme Costs		69
Scheme Boundaries.....		75
Planning Processes		89
Market Readiness		95
Governance and Administration of the NDIS		108
Paying for the NDIS		112

Part A: Operation of the Scheme and Building for Transition

This chapter provides background to the move to transition and the challenges that have emerged associated with how that has occurred.

Building the NDIS over trial

The NDIS started on 1 July 2013, a full year earlier than recommended, and in four trial sites including two whole of State age cohorts trial sites. This was a significant departure from the recommendations of the Productivity Commission to operate the trial in two geographic locations from July 2014.

The breadth of the trial was further extended with three additional trial sites commencing from July 2014, reflecting the strong community and political support for the NDIS and a desire by all States and territories to be involved. This support will be critical to the success of the NDIS, but the changed timing and breadth of the trial also compromised what the NDIA could achieve in the short term.

Some key aspects of the Scheme were built and tested over trial and new arrangements put in place for commencement of full scheme. These are discussed below.

The Assessment Process

The most significant gap at commencement of the NDIS was the lack of an assessment tool for assisting in determining reasonable and necessary supports. The need for a new assessment tool had been identified by the Productivity Commission as no appropriate international tool(s) could be identified.

People with disability and their families have varying experiences of the use of assessment tools and a robust, valid and trusted assessment tool is needed to give confidence that the NDIS will deliver reasonable and necessary supports in a sustainable way.

The creation of an assessment tool to determine support needs was a critical piece of early design work to be undertaken prior to commencement and was referred via Commonwealth, State, and Territory officers to an expert panel constituted for this purpose. The matter was also put out to a consultant for advice.

This work failed to identify or develop any usable assessment tool prior to commencement. Consequently, the NDIA commenced delivering the NDIS without an assessment tool and had to build one over the first three months of the trial operation. The resulting Support Needs Assessment Tool (SNAT) was a construct that attempted to identify functional support need and through a planning discussion using the tool to provide the participant with a detailed personalised support plan. The SNAT was used throughout the first year of trial. However, at the end of this period, it had become apparent that the SNAT was not fit for purpose. While the SNAT delivered an individualised outcome, there was no correlation of

the SNAT to the reference packages upon which the funding of the Scheme was based. In addition it led to highly prescriptive plans that provided detail at the daily and sometimes the hourly level minimising the flexibility for participants to exercise choice and control.

In late 2014, the NDIA recommenced work on assessment tools. A comprehensive research project identified functional assessment tools in use around the world and assessed these for relevance, usability, and inter rater and temporal reliability. Given the proposed widespread use, the cost of acquiring and using these tools was a crucial consideration.

Following that process, the Scheme Actuary mapped these tools to the different disability types upon which the reference packages, originally designed by the Productivity Commission, were based. Different assessment tools were identified for 11 key disability types with the World Health Organisation Disability Assessment Schedule version II (WHODAS II) being used where no specific tool was identified. This work was completed by mid-2015 and work commenced on back capture of this 'reference package' data from existing participants. In addition, expert groups including academics, consumers and providers were established for each of the 11 categories and from their work, indicative support packages and variables that impacted on the assessment were identified. From the back captured data and the work of the reference groups, the Scheme Actuary was able to validate the tools for the purpose of the NDIS and this became the basis upon which the NDIA determined the parameters for reasonable and necessary funding at an aggregated level.

The allocation of funding to individual participants required further refinement which was introduced by way of the first plan questions also developed in collaboration with the Scheme Actuary. The first plan process was a method of additional data collection as to the person's actual living circumstances that allowed the planning process to be personalised to specific support needs and to guide the planner in determining how to use the reasonable and necessary considerations in the *National Disability Insurance Scheme Act 2013* (NDIS Act).

The first plan process was introduced from 1 July 2016. It involves participants being first allocated a typical support package, based on their reference group (disability type, age and level of function). The typical support package can include funding across the following eight core domains, noting that it is not the case that every participant needs support in every domain.

- daily activities
- social participation
- consumables
- transport
- home modifications
- assistive technology
- capacity building
- support co-ordination.

The first plan questionnaire seeks information directly from the participant about each of the domains, including (but not limited to) what supports they already have in place and whether these are sufficient and sustainable. Where it is reasonable that sustainable informal, community or mainstream supports continue to assist the participant, or where the participant believes that other informal, community or mainstream supports may provide a better outcome, funding for this is adjusted in the first plan.

Significant issues remain with the reference packages and first plan approach:

- There is still no tool for psycho-social disability. There has been long term engagement with the mental health sector on this point and two alternatives have been identified, but no agreement with key sector representatives has been reached sufficient to build a specific reference package.
- The WHODAS II has limitations as a default tool. While it is a population validated tool it covers a much broader group of people with disability and health conditions than participants of the NDIS. It does not provide a sufficient level of discrimination for NDIS participants, who have higher support needs, meaning that results from the tool tend to cluster at one end of the results of the assessment. In particular, it is not designed to be used for children under 16. Accordingly, the Scheme Actuary has collaborated with the developers of the PEDI-CAT tool to measure status of a child's development against key developmental milestones. A large back-capture of this data has also now been undertaken and this tool will be used for all children 0-6 to inform access to the Scheme for early intervention and disability purposes and to capture progress against milestones that can subsequently be analysed by intervention type.
- The reference packages have limited utility where a person has more than one disability and the secondary disability is an important contributor to support needs. The NDIA captures secondary disability but this has limited use in assessment at present. The first plan process is also being improved to enable capture of complex and challenging behaviours, which will enable the NDIA to better understand the support needs of participants with these behaviours.

Reference packages are a relatively blunt tool at this point taking into account disability type and functional impairments. A reasonable and necessary package is, therefore, highly reliant upon the first plan questions successfully capturing factors which bear upon support needs. How well that is occurring at present is a matter of ongoing evaluation.

During the first two quarters of transition, concerns were raised with the quality of plans generated by this process. The NDIA accepts that the focus on throughput meeting bilateral estimates during this period contributed to poorer plans. Over time the quality of plans will be measured by the outcomes that they deliver. However, in the interim the NDIA is adopting measures based on alignment to reference packages, which is improving consistency in plans, and compliance with planning requirements. The NDIA level one assurance controls address all of these points (for more information see Q. 65 in Part C of this submission).

As more data points are collected the reference packages will become more sophisticated and better informed by actual experience. The NDIA will continue to refine reference

packages to better match to participant support needs and ensure the Scheme operates within the funding envelope.

For the first plan the NDIA has adopted, for many participants, an approach of collecting information by phone call, although where a participant requires a face to face meeting that is accommodated. This was a deliberate decision by the NDIA to allow people to enter the Scheme as quickly as possible with a first plan of reasonable and necessary funding that allows participants to further consider how they will use their supports and amend their goals over the first year. This may be supported by conversations with LACs, planners or specialised plan support coordinators.

This decision was based on trial experience that recognised that people want to join the Scheme as soon as they can, but also want time to think about their goals, supports and how they will use them. While it is recognised that this approach is not perfect, it was designed as a short term measure to meet both of those objectives. It is also recognized that it might have created issues for plan quality. This will be addressed going forward.

It was also important that the Scheme breaks from the culture of current disability systems whereby people often have to catastrophise their situation in order to get support. The clear message from the NDIA is that this is the start of a lifetime journey and the supports provided by the Scheme change as people's needs and circumstances change. It is hoped that this message is being clearly communicated.

Local Area Coordination

At commencement, the NDIA recognised the successful Local Area Coordination (LAC) model that had been built in Western Australia, and which was recommended by the Productivity Commission as being a valuable way to ensure that the Scheme focused on building connection to community, not just individually funded plans based on functional impairment.

LACs had, to varying degrees, also started to become a feature in most other states and territories, although nowhere else to the extent of the operation of LACs in WA.

The NDIA recognised that LACs had a key role to play in ensuring that the Scheme focused on connecting the person to the community, and building community capacity as a way of maintaining and strengthening family and informal supports. The intersection between LACs and planners was a critical consideration and during trial the NDIA tested various options, including: separate staff roles; combined staff roles; and outsourced LACs. An assessment of these options and some further consideration of the critical capabilities required to deliver LACs meant that by mid-2015 the NDIA had formed the view that outsourced LAC model was preferred.

The critical requirements were to have outsourced partners who were embedded in the community with strong community connection and who could focus on building and delivering wider Information, Linkages and Capacity Building (ILC) type services to the

broader group of people with disability who may intersect with the Scheme. Community partners also ensure that the starting point for participant planning was focusing upon community support.

The NDIA recognised that building a LAC network represents a significant outsourcing exercise and involved high risks compared to delivering this work in-house. This was particularly true given that the preferred outcome was a partnership-like model rather than a simple services contract. The risk assessment recognised that the benefit from getting this right would build a LAC capability that would best meet the underlying intentions of the Scheme. To assist in managing this risk the NDIA adopted a staged roll out and a set of weighted criteria for LAC selection. LACs are engaged to undertake the following functions:

- ILC connection to community and broader services to people with disability (20% of funding);
- Pre-planning engagement;
- Data collection and planning discussion;
- Plan implementation.

The NDIA adopts a rolling evaluation of the LACs, noting that many LAC partners have experienced teething problems building to scale and also noting the reported differences between LAC partners in terms of the participant experience. Consistency for LACs in performance is a key consideration and NDIA is working to ensure opportunities to share knowledge across the partner network and to set up benchmarking so that LACs can assess how they are going against common indicators.

Subsequent to the commencement of the roll out of the LAC network, the NDIA introduced the Early Childhood Early Intervention (ECEI) Gateway for children under six. This is a form of highly specialised LAC and is met from the LAC budget. Where ECEI has been introduced into sites where a LAC is in place, arrangements to ensure collaborative approaches have been successfully negotiated.

One outstanding matter still under consideration is that the outsourced arrangement means that the NDIA is unable to delegate planning decisions to LACs. The NDIA considers that it may strengthen the LAC to have this function. It would certainly be administratively easier for the LAC partner. More importantly, it would improve the experience of participants by allowing the LAC, while in discussion about support needs and within defined parameters and agreed reporting and monitoring arrangements, to be able to confirm the level of reasonable and necessary funding and move straight to a discussion on plan implementation. The NDIA considers that it may be worth considering a change to the NDIS Act to enable delegation to LAC Partners.

Customer Relations Management System

At the NDIS development stage the compressed time frame between the decision to launch the NDIS and commencement also meant that there was insufficient time to build an appropriate ICT system. A detailed assessment was undertaken of available options which were all high risk. The preferred option in the available time frame was to build the system within the Department of Social Services (DSS) Siebel system. This system is essentially a grants management system and has few of the controls and data management features that would be expected in an insurance system. Refinements were made to allow it to function as a very basic Customer Relations Management (CRM) system and work arounds were put in place to ensure the beginning of a longitudinal data set.

At the time the decision was made during trial, it was recognised that this solution did not offer the level of functionality or control required for full scheme. Amongst other matters it could not scale without a full re-build.

In 2014, the NDIA developed a second-pass ICT Business Case which included consideration of available options for a new ICT system, including options within government via the Commonwealth Department of Human Services (DHS), and from the private sector. The DSS Siebel system was also considered as a comparator.

In late-2014 the NDIA recommended the DHS system as the basis for the new ICT system based on several key considerations:

- Price
- Ability to deliver the system to meet 1 July 2016
- A whole of government benefit in building capability that could be used in other areas – this ‘repeat pattern’ capability become a key consideration in the development of the ICT system.

As this required new funding, it was a matter for the Commonwealth Government to determine and endorse. The decision to go with DHS and provide funding, via a split appropriation to DHS, NDIA and DSS was made in the 2015 budget for a new system to be in place for commencement of full scheme in July 2016.

DHS’s preferred architectural platform is SAP. The new NDIA system is made up of a number of SAP Modules already in use by DHS. The Customer Relationship Management module, however, is the core module to run the NDIS. This module was built for NDIA in the latest version of SAP. The CRM module will be the repeat pattern capability for future use by other government agencies, including DHS.

The build of ICT to support the NDIS was funded over four years. The build in year one was based on a Minimum Viable Product (MVP) agreed by NDIA Executive Management. The system was built using agile development methodology and to maximize the use of repeat pattern capability across the government. The MVP focused on ability to accept participants into the Scheme, register providers, enable participants and providers to make claims for

services provided and to be paid. Year two was focused on enhancing the capability for participants and providers, focusing on workflow for staff and on business assurance practices to prevent fraud and sharp practices. Years three and four will focus on omnichannels and the eMarketPlace. The ICT system also needs to expand on capabilities to support work already undertaken on longitudinal data analysis, reporting and monitoring to support the insurance approach of the NDIS.

Significant difficulties with the implementation of the new ICT system in July 2016 adversely impacted on both participants and providers and caused a loss of community confidence in the NDIA's administration. An assessment of the failures from July 2016 have been documented in the PricewaterhouseCoopers *NDIS MyPlace Portal Implementation Review*. The NDIA accepts the broad thrust of those findings and has now implemented, or is the process of implementing, all of the recommendations from that report. Those developments have also put the development of other ICT initiatives under pressure.

The Service Delivery Operation Model (SDOM)

The NDIA developed a first cut of the SDOM in early 2014. This involved the following key pieces of work

- a functional assessment,
- a decision on key aspects of delivery e.g. centralised or distributed
- a detailed participant pathway
- a detailed provider pathway
- an assessment of resources required to deliver each of these functions.
 - This went down to a granular level of assessing time required for each step of the planning process, noting different time requirements based upon complexity and risk indicators.

The NDIA re-worked the SDOM for full scheme in mid-2015 as part of the justification for NDIA operational expenditure aligned to Scheme growth. The SDOM prepared for this purpose remains the guide to planner and LAC arrangements and performance expectations.

Given issues that have emerged, the NDIA has recently initiated a gap analysis of the SDOM. Three functions have been identified as requiring additional resources. These are;

- Participant and provider support through a central help line which is not working at the level needed to deal with current issues.
- Provider support to engage and interface with the NDIA processes and system
- Payment integrity to supplement the existing first and second level assurance systems.

In addition to these function and resource gaps a number of delivery gaps were identified that go to building capacity within the NDIA and its partners to deliver the Scheme at scale.

In particular this includes the building of automated national workflow tools and processes to manage and improve the participant pathway experience. More work is continuing on these processes with a view to re-enforcing a participant focus and consistently high quality plans at scale. This work is being done with assistance from both participants and providers in diverse jurisdictions.

Learning from Trial and Transition

Delivery of the Scheme during trial offered a number of insights about how the NDIA could improve its performance. The early experience of transition identified that the new systems and process, coupled with the scale of intake and issues with the ICT portals saw the NDIA fall behind both in terms of meeting the bilateral estimates and the quality of the participant experience.

The NDIA has been able to recover against the bilateral estimates and remains committed to improving participant experience and the quality of the planning process. The NDIS is still in its infancy and delivering the Scheme will evolve and improve over time. The NDIA is intent on learning from experience and improving systems, processes and practices as quickly as possible to ensure the success of the Scheme. Significant work has recently been initiated to ensure this occurs.

Key Risks and Challenges

Fundamentally, the scale of intake during transition, the speed of rollout, gaps in the quality of the planning processes and market readiness represent the biggest threats to sustainability during the transition period.

More specifically, the NDIA sees eight key challenges:

- **Transition must continue to deliver the Scheme in a financially sustainable way.**
This means maintenance of package allocation to a reasonable and necessary level. There are underlying signs of pressure, particularly with a larger number of children than anticipated. The NDIA has implemented management responses to risks to Scheme sustainability which are discussed at length at Part C of this submission.
- **The extent of the ramp up in the bilateral estimates** – the NDIA’s systems and processes are not at peak efficiency and are not ideal in terms of dealing with the speed and scale of the intake challenge. While the NDIA remains committed to meeting the bilateral estimates, it recognises that the systems and processes that underpin delivery must continue to improve to meet the scale of the challenge while delivering appropriate high quality individual outcomes. The achievement of the bilateral estimates must be done in a manner that maintains the commitment in all jurisdictions to quality, safety, improved outcomes and sustainability. Discussion of the work the NDIA is doing around improving plan quality is outlined in Part C of this submission.
- **The quality of plans and the planning process must not be sacrificed for speed** – the NDIA is committed to delivering high quality plans that are consistent and fair and deliver reasonable and necessary supports for participants. The NDIA is listening to

the feedback from people who interact with the Scheme and knows that this is not universally being delivered at present. The NDIA is implementing measures to improve planning processes and outcomes. More discussion of the planning process is at Part C of this submission.

- **Planning processes and engagement must be flexible** to meet the needs of different cohorts of people with disability – the NDIA knows that planning processes and engagement strategies need to be nuanced to meet the needs of particular participants such as those from Aboriginal and Torres Strait Islander communities, culturally and linguistically diverse backgrounds, in rural and especially remote areas and those whose intellectual disability means greater support is needed to navigate the planning process. The needs of these different groups are very different and the NDIA is working to refine processes to better serve people with disability who identify with these groups. More discussion of the planning process is at Part C of this submission.
- **Assisting people with disability who do not become participants** – communications with peak bodies in the disability sector has reinforced to the NDIA that more work is needed in supporting people with disability who do not enter the NDIS for funded support packages. In particular, greater emphasis on Information, Linkages and Capacity Building (ILC) is needed to give confidence that support needs will be met by mainstream and community supports. ILC may also be appropriate as an alternative and more sustainable funding vehicle to meet some of the support needs of NDIS participants at the same time as it is recognized that greater communication with the States and Territories is required to ensure that the needs of individuals not eligible for the NDIS are met. ILC and the role of informal and community supports are discussed at more length at Part B of this submission.
- **Changes in the market and the emergence of new providers needs to be handled with care** – responsibility for the market is a shared responsibility between the NDIA, the Department of Social Services and each State and Territory Government. Encouraging supply that is of an adequate quality and meets the needs of people with disability will be a key factor in the NDIS delivering choice and control for participants. In particular, innovative models of service provision will be crucial in meeting demand for individualised supports. The lack of market structure in some jurisdictions (for example, the absence of experienced organisations to undertake LAC services) is a risk in balancing demand pressures against emerging supply when quality and sustainability are key objectives. Some of the challenges and risks associated with the market are discussed at more length at Part B of this submission.
- **Risk and compliance must be closely and maturely managed** – the NDIA is committed to using the insurance approach to identify risks to Scheme sustainability early and implement management responses to mitigate risks. The NDIA is aware of the need to balance the need for fraud, compliance and risk management to safeguard public funds and confidence with the need to allow choice and control and dignity in risk for participants. All systems, reporting and processes in the NDIS need to be created and refined with this balance in mind. Risk processes are discussed at greater length at Part C of this submission.
- **The success of the NDIS is reliant on a complex array of stakeholders working together** – the NDIS is a national scheme funded and governed by all Australian governments. It is also a person-centred scheme, reliant on valuable feedback from

people with disability, advocacy and other disability sector groups and market players to ensure that it is fit for purpose. The NDIA needs nuanced and sophisticated communications to ensure that all stakeholders are heard and have appropriate input and that all parties are working together to ensure the success of the NDIS. Some of the work the NDIA is doing around communications is at Part C of this submission.

Participant Experience

The NDIA completed the trial with a very high level of participant satisfaction. On the other hand, the NDIA accepts that the participant experience over the first two quarters of transition (from July to December 2016) was sub-optimal. Notwithstanding this perception, the metrics are not as clear as they might be. Participant satisfaction has fallen but remains at a high level with 85% of participants satisfied or very satisfied.

The NDIA has strong links into the wider disability sector and through mechanisms such as the Independent Advisory Council (IAC) roundtables and the CEO forum heard both direct from participants and from representative bodies. The key issues of concern raised with the NDIA are:

- More time is needed for pre-planning to assist with understanding the planning process, considering goals and identifying support needs;
- More time is needed for plan discussion and to review the plan prior to approval;
- Greater flexibility is needed in the use of supports within the funding allocation;
- Greater assistance is needed with plan implementation, which may be available from a LAC, or planner or a plan support coordinator, to identify support options and engage or recommend a service provider.
- Planning by telephone is not always ideal.

The NDIA is actively addressing all of these issues through a combination of system changes, process changes and improved communication. In addition, post the NDIA's recovery efforts, both LAC and NDIA resources which had been diverted to plan completions have been re-established to work on the planning process as envisaged.

The NDIA also recognises that participant experience will require ongoing monitoring and response.

It is also worth considering the amount of time which is required by participants to fully benefit from the NDIS. While some participants come with very clear goals and views as to support needs, much of the experience over trial has been that participants want to first have security of supports and only then start exploring alternative services. It also takes time for participants to feel confident in plan management models such as self-management. Self-management and self-direction are discussed in greater length in the separate NDIA IAC submission.

The NDIA is currently undertaking a research project to gather from Year 1 trial participant's information to provide a qualitative indication of how the Scheme has impacted on their lives. This will supplement the indications in improvement in outcomes captured by the baseline outcomes framework. From strong anecdotal evidence by way of feedback and stories from participants, the NDIA is confident that the impact has been very positive. This research will help the NDIA understand the different factors that impact on a participant's outcomes and life trajectory.

Provider Experience

The range of providers in the developing marketplace is diverse. It includes incumbent disability organisations transitioning from state systems, adjacent services represented by industry or peak bodies, varied allied health professional groups and individuals, and emerging non-traditional services such as financial intermediaries and entrepreneurial online platforms.

Achieving a mature marketplace will take time and is a shared responsibility with all governments. The most immediate challenge is to implement strategies to build the additional required workforce.

There are some early challenges both incumbent and new providers are seeking NDIA to address. These are:

- Stabilisation of NDIA operating policies and processes to allow providers to better understand requirements;
- Greater understanding of participant plans to improve providers' ability to respond to participant needs;
- Greater access to information to adapt business models including cash flow, sub-market demand and workforce development;
- Understanding how the Scheme is developing to address the needs of non-traditional sub-markets such as intermediaries and the relevant mental health cohort;
- Moving towards a national quality and safeguards system to streamline entry of providers from adjacent sectors and those seeking to operate in multiple jurisdictions.
- Pricing of services, and
- The extent of prior cross-subsidisation of services.

The NDIA is actively addressing all of these issues through a combination of system and process changes, market monitoring and provider engagement and communication. In November 2016, the NDIA released the 'NDIS Market Approach' which identifies key issues, themes and a forward work plan as part of this stewardship role.

The NDIA continues to consult with providers around the annual price review and will commence a NDIA benchmarking project that will support improved understanding of cost drivers for providers in different markets.

Comprehensive community readiness campaigns will occur ahead of area roll out to inform members of the community, providers and non-traditional businesses about the Scheme. The development of a Market and Provider communication strategy has commenced, noting the collaborative role States and Territories, industry and peak bodies play in supporting information and diversity in the marketplace.

The development of the outcomes framework considers how outcomes can be measured at the Scheme level as well as the individual level. This will be an important feature of building a consumer directed marketplace.

Overall, providers remain optimistic about the Scheme and the opportunities it will bring including reduced red tape, access to open markets and increased consumer purchasing power. The 2016 State of the Sector report produced by National Disability Services (NDS) confirms that the majority of disability services surveyed are gearing up for NDIS (76%), with 71% experiencing increased demand (an increase from 61% in 2014, and 66% in 2015) and 75% expecting further growth in 2016-17.

The Australian Institute of Company Directors 2016 report¹ indicates that most not for profit members are considering their business model and strategy, and how it aligns with delivering customer value and the opportunities in the changing market.

The NDIA sees this optimism translating into growth in new disability markets such as plan management, assistive technology and specialist disability accommodation along with provider investment in service innovation. The NDIA is working with Commonwealth, State and Territory Governments to ensure that projected growth in regional, rural and remote areas will translate into improved availability of services.

¹ NFP Governance and performance study: Raising the bar

Part B: The Economics of the NDIS

1. Introduction

This part of the submission provides information to assist the Productivity Commission in considering NDIS costs and how the NDIS can deliver improved outcomes for participants and their families and carers in a financially sustainable way.

Within the NDIS itself, costs can be classified in two ways: package costs, which are the majority of costs of the Scheme; and operating costs (targeted as 7% of total cost at full scheme). This submission highlights the levers to manage these costs and covers:

- How does the NDIA manage **package costs**?
 - How does the design of the Scheme as an insurance approach act as a cost control?
 - How do natural networks and community supports reduce NDIS costs?
 - How do mainstream supports influence NDIS costs?
- How is the NDIA using innovative delivery models to reduce **operating costs**?

The design of the Scheme – as an insurance model – manages package costs by taking a “whole-of-life” approach that focuses on achieving better outcomes for participants over their lifetime in order to reduce the total future cost of disability in Australia (further explored in Section 2).

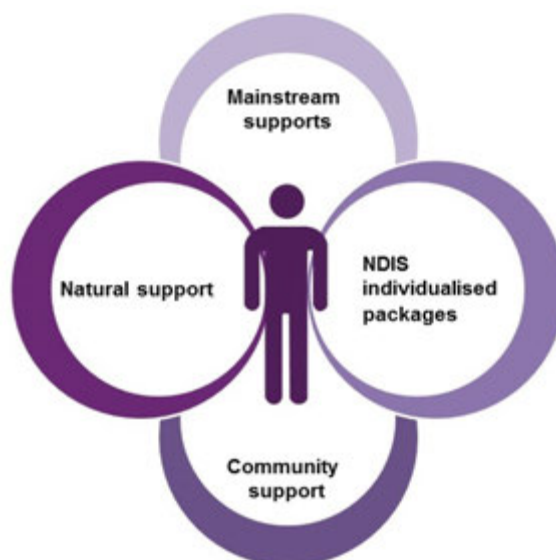
This submission is not intended to be an exhaustive list of actions the NDIA is taking to manage costs, but rather it focuses on some of the fundamental approaches to cost management and some of the challenges experienced in implementing these approaches.

It is important to recognise that the NDIS does not operate in isolation of other systems. The NDIS is designed to take a person-centred approach to the provision of disability supports. For the NDIS to be effective in helping people with disability live ordinary lives, other supports and services outside of the NDIS need to be in place – namely natural supports, community supports and mainstream supports (see Exhibit 1):

- **Natural or informal supports** – are those freely given relationships that exist within and across communities. Natural networks could include immediate and extended family, friends and neighbours together with the relationships that form around work, study, mutual needs, social and recreational interests, spiritual and other activities (further explored in Section 3).
- **Community supports** – are supports provided by the community for members of the community that allow for social interaction and activity. They include groups such as local sporting teams, social and interest groups and social environments such as shopping centres (further explored in Section 3).

- **Mainstream supports** – are supports provided by government which are accessed by all Australians. These include support systems like public transport, the health system and education system (further explored in Section 4).

EXHIBIT 1: Person-centred approach to disability supports



If any of these supports are absent or deficient, the other support systems either have to expand to fill the gap or people with disability will not achieve their outcomes envisaged by the NDIS.

A major risk to the NDIS costs is where people are unable to access or fully utilise these other supports and so seek NDIS funding to fill the gap. For example, if public transport is not accessible a participant may seek funding for taxis from the NDIS. Likewise, if a parent has strong natural supports they may be able to have a neighbour look after their child with a disability while they do grocery shopping rather than needing to schedule this task while funded care workers are present. The role of these other systems of support is crucial to the consideration of NDIS costs.

2. Insurance approach as a cost control

2.1 What is the insurance approach?

The NDIA aims to deliver reasonable and necessary support for people with disability, while actively managing down the total future social cost of disability. The insurance approach was adopted as the best way to achieve this goal. The insurance approach encompasses a long-term view of the total social cost of disability in order to improve participant outcomes and meet the future costs of the Scheme.

Some key elements of the insurance approach within the context of the NDIS are:

- The NDIS provides universal coverage by pooling risk across all Australians and takes the risk of disability support costs away from individuals;
- The NDIS creates an innovative and competitive market for disability support, through which participants can exercise choice and control over the planning and delivery of their supports;
- The NDIS takes a long-term view of the total future social cost of disability for all people who are insured and yet to be insured;
- The NDIA – in its role as the social insurance manager – will actively manage down the total cost of disability over a participant’s lifetime, incentivising short-term investment in participants to reduce long-term costs.

The insurance approach is a deliberate departure from the classic welfare approach to providing disability support. It differs from the classic welfare approach in the following ways:

- The welfare approach provides a capped level of support to participants, resulting in unmet demand with people spending years on waiting lists;
- The welfare approach provides limited choice for participants over their supports;
- The welfare approach takes a short-term view – ranging from twelve-month to five-year forecasts – of the total costs of disability;
- The welfare approach does not manage down the total cost of disability over a participant’s lifetime,
- The welfare approach does not take advantage of data, actuarial assessment, longitudinal monitoring, governance, risk and feedback to the degree that the insurance approach does.

This innovative approach is also being adopted by other countries globally. For example, the insurance approach – or ‘investment’ approach in their terminology – has been adopted by the New Zealand Government in response to cost pressures on the welfare system. New Zealand has developed an actuarial estimate of the total future social cost of welfare dependency, and has introduced targeted interventions to reduce the life-time costs of welfare recipients. Their approach also involves:

- Early intervention for broad groups or cohorts that constitute the largest proportion of the total future cost of welfare;
- Actuarial estimates of how the total future cost of welfare has increased or reduced and the extent to which the change can be attributed to welfare reform and operational changes.

Although it is nascent, the New Zealand Social Development Department has reported a \$12 billion reduction in total welfare liability from June 2012 to June 2016 as a result of the reform. It has also reported a number of “flow-on” benefits, including an increase from 74% to 84% of 18 year olds achieving a NCEA Level 2 qualification and a reduction in total crime by 16% (with youth crime down by 40%).

The Australian Government is pursuing its own reform of the welfare system through the Priority Investment Approach to Welfare. In a speech on 20 September 2016, the Hon. Minister for Social Services, Mr Christian Porter, remarked that:

“There is nothing morally superior about welfare structures that are passively allocating money in a way that corrodes the recipient’s chances of experiencing the meaning, the engagement and the purpose that work brings into our lives. This brings me to ... [the investment approach], as a very significant, maybe close to revolutionary, new direction in welfare reform.”

2.2 How has the insurance approach been applied as a cost control?

The role of the NDIA is to deliver reasonable and necessary support for people with disability, while actively managing down the total future social cost of disability. In order to achieve this, the NDIA has operationalised four insurance principles:

- Develop actuarial estimates of the needs of the targeted population;
- Focus on lifetime value for NDIS participants;
- Invest in research and encourage innovation;
- Support the development of community capability and social capital.

2.2.1 Principle 1: Develop actuarial estimates of needs of the targeted population

The first insurance principle is about embedding practices of continuous improvement into the NDIS. It involves comparing actuarial forecasts of cost and participant outcomes with the actual experience of individuals, in order to maximise lifetime opportunities and minimise the lifetime costs of all those who are insured. It involves:

- Estimating and managing the total future cost of disability based on forecasts of what is needed to provide reasonable and necessary support to participants;
- Setting targets to achieve better participant outcomes as measured by the NDIS Outcomes Framework;
- Comparing forecasts of total future cost and participant outcomes with the actual experience of individuals and evidence of their requirements;
- Implementing, tracking and monitoring management responses to address the difference between the forecasts and actual experience to achieve better participant outcomes.

Through the insurance approach, the NDIA:

- Identifies cost pressures and implements management responses to address these pressures;

- Identifies pockets where participant outcomes are not improving as expected and designs interventions to redistribute resources more effectively; and
- Identifies pockets of superior outcome performance and scales these lessons to other areas of the NDIS.

This continuous feedback loop allows the NDIS to achieve the most efficient allocation of resources to maximise participant outcomes within a given spend, and to quickly identify and manage cost pressures that impact the financial sustainability of the NDIS.

2.2.2 Principle 2: Focus on lifetime value for NDIS participants

The NDIS focuses on providing lifetime value for participants. This insurance principle creates an imperative within the NDIS to make smart long-term decisions about the allocation of resources and investment in people to maximise their independence, and social and economic participation.

A critical feature of the insurance approach is that it incentivises early investment and intervention to achieve better outcomes that will ultimately result in reduced support requirements in the long-run and make the NDIS financially sustainable (refer to Q9-11 in Part C).

The insurance approach is focused, first and foremost, on achieving better outcomes for participants. Early intervention leads to better participant outcomes such as:

- Increasing functional capacity;
- Reducing the impact of disability;
- Helping maintain independence; and,
- Increasing opportunity for social, economic and community participation.

In addition, early intervention reduces the total future cost of disability in a number of ways:

- NDIS participants require less support as participant outcomes improve;
- NDIS participants are more likely to exit the Scheme earlier, as their social and economic participation increases;
- NDIS early intervention group participants maintain their independence, and require less support; and,
- People supported by ILC may not require access to an individual support package with the NDIS, or may require less support if they do.

2.2.3 Principle 3: Investment in research and innovation

The NDIA invests in research and innovation to support the long-term approach of the insurance approach.

Investment in research is focused on supporting the NDIS make evidence-based decisions on early interventions to maximise lifetime value for participants (as mentioned in Principle 2). At present, the NDIA is focusing on identifying key transition points for specific cohorts

and designing early interventions. These include the Early Childhood Early Intervention (ECEI), School Leaver Employment Supports (SLES) and an intervention initiative for the 7-14 years cohort. The NDIA has also commissioned research into evidence around hearing, Autism Spectrum Disorder interventions and Foetal Alcohol Spectrum Disorder (FASD) interventions as well as Assistance Animals as supports for people with disability.

Encouraging innovation is intended to drive costs down by creating a dynamic and non-inflationary market, resulting in cost reductions in service provision (or in higher-quality service at a given cost), thereby reducing the fiscal cost of achieving a given outcome. It is enabled by the choice and control given to participants, which introduces competition between providers and raises the incentive for them to innovate. In particular, innovation can include unconventional partnering options such as service user co-operatives or boutique micro-businesses.

2.2.4 Principle 4: Investment in community participation and building social capital

The intent of the NDIS is to support the development of community capability and social capital to provide participants and non-participants with necessary supports outside of the NDIS. This involves:

- Encouraging the use of mainstream services to increase social and economic participation of people with disability to reduce the level of support required by people with disability in the long term;
- Building ILC for both NDIS participants and people who do not have access to the NDIS, their families, and carers to reduce the likelihood that a higher level of support is required;
- Removing social barriers to people with disability, increasing participation in the community and workplace through education and ILC focused on making the community accessible and inclusive for people with disability.

There have been some barriers to these activities during trial and transition. These other supports and their influence on NDIS costs are discussed further in Sections 3 and 4.

2.3 What are the expected benefits of the NDIS using the insurance approach?

The benefits of the NDIS using the insurance approach can be categorised as:

- Improved outcomes for participants and family/carers
- Reduced total future social cost of delivery of these outcomes

Although the Productivity Commission Issue Paper is more focused on costs, it is important to consider outcomes alongside the long-term cost. The insurance approach is about maximising outcomes for participants and their families/carers at the lowest possible sustainable cost.

2.3.1 What are the expected improvements in outcomes?

Improved outcomes for participants

There are four drivers of how the insurance approach is expected to enable better outcomes for participants. Although aspirational at this point in the life of the Scheme, the NDIS Outcomes Framework sets the context for these drivers:

- **Choice and control:** The insurance approach provides participants with choice and control in the pursuit of their goals and the planning and delivery of their supports. It also improves access to supports through the creation of a dynamic and non-inflationary disability support market, which in the long run, will improve the quality of supports at a given price. As mentioned in Section 2.1, this is distinct from the welfare approach, which provides limited choice to participants due to prescribed service types and block funding arrangements between State and Territory Governments and providers.
- **Independence:** The insurance approach takes a needs-based approach to providing participants with reasonable and necessary support. By taking a lifetime value approach, the insurance approach is focused on providing the right support now in order to increase participants' independence in the longer term.
- **Social and economic participation:** The insurance approach is focused on providing reasonable and necessary support to participants over their lifetime to increase their social and economic participation. Through increased participation, NDIS participants will experience additional benefits of feeling accomplished, socially included, and they will also receive the economic benefit of earning an increased income.
- **Greater community inclusion:** The insurance approach enables people with disability to participate in community activities in order to support social inclusion and increased social and economic participation.

Through the NDIS Outcomes Framework, the NDIA is measuring eight leading indicators for adult participants². These indicators include:

- **Choice and control** – Improved choice and control over participant goals, as well as the planning and delivery of their supports
- **Daily activities** – Increased ability to undertake daily activities with adequate levels of support
- **Relationships** – Increased levels of social inclusion and reduced experiences of loneliness;
- **Home** – Improved satisfaction with participants' home environment now and 5 years into the future;
- **Health and wellbeing:** Improved health and wellbeing and increased ease of access to health services;
- **Lifelong learning** – Increased opportunities to learn new things;

² Different domains exist depending on the stage of life of the participant.

- **Work** – Increased uptake of paid employment opportunities (as well as the associated feelings of social inclusion from being part of the workforce);
- **Social, community and civic participation** – Increased participation in community activities chosen by the participant, and reduced negative experiences associated with being excluded.

Improved outcomes for families and carers

By improving the participant's outcomes, there is a flow-on effect on family and carers. The Productivity Commission Inquiry Report (2011) notes that when the needs of participants are met, the wellbeing of carers also improves. The NDIS Outcomes Framework provides five domains for measuring the outcomes of adult family members and carers:

- Families have the support they need to care;
- Families know their rights and advocate effectively for their family member with disability;
- Families are able to gain access to desired services, programs, and activities in their community;
- Families have succession plans;
- Parents enjoy health and wellbeing.

By providing reasonable and necessary care for participants, informal carers are able to receive necessary respite and increase their social and economic participation.

2.3.2 What is the expected reduction in future social cost?

Capturing the full fiscal impact of the NDIS involves considering not only the fiscal outlays required to finance the Scheme, but also the offsets and savings that the Scheme will deliver. These are effectively reductions in the total future social cost of the Scheme (relative to the current welfare approach). Exhibit 2 provides an illustrative breakdown of the Scheme's net fiscal impact at the point of maturity when the long-term effects are being realised.

The fiscal impact will be less than the \$22B gross cost, once the full range of offsets and indirect savings are measured and included



	Cost	\$22B	Includes total package and operating costs, as estimated by the Australian Government Actuary (2011)
	Savings	\$11B	Includes direct offsets to the gross cost of the NDIS (via reductions in other government schemes that the NDIS will partly replace), as estimated by the Australian Government Actuary (2011)
	Net Cost	\$11B	
	Indirect Savings	\$2.1-4.4B	Includes reduced reliance on welfare and increased income tax receipts from people who are able to increase their hours worked and productivity
	Savings	\$0.9-1.7B	Includes increased income tax receipts from primary carers who are able to increase their hours worked due to better access to support
	Cost	\$40-100M	Includes reductions in the public spending associated with people with disabilities who remain in hospital due to a lack of more appropriate arrangements
	Savings	\$100-200M	Includes reduced hospitalisations (in particular emergency visits) and other health system resources saved through more appropriate support
	Cost	\$300-700M	Includes prison costs saved by reducing incarceration rates of those with mental disabilities
	Savings	\$50-150M	Includes savings from reduced court costs and other justice system resources
	Cost	\$1.2-1.6B	Includes offsets from supported accommodation funding as a result of the increased ability for people with disabilities to live independently
	Savings	?	Represents the reduction in the future cost of disability support through early investment
	Net Cost	?	Estimated as the net cost of the NDIS minus offsets and savings

¹ Assumes program is at full scale and long-term savings are realised. Expressed in 2019 currency. Includes offsets/savings at both the federal and state levels

SOURCE: Various sources detailed throughout the remainder of this section

It is important to note that the potential impacts quantified above are based on one set of possible scenarios and should not be treated as a definitive forecast. Some of the impacts are also long-term in nature (such as the reduction in lifetime support costs due to early investment) and it will take years to fully understand the scale of these savings.

Work is being undertaken to fully understand the NDIS’s ability to deliver these impacts, including the collection of data on participant outcomes as the Scheme is rolled out. Some preliminary insights from the NDIS trial experience to date are included in Section 2.4, and the steps being undertaken by the NDIA to refine these estimates are provided in Section 2.5.2.

The ‘gross cost’ of the NDIS is \$22 billion, however the Scheme is expected to replace funding from a range of other government programs (examples include the National Disability Agreement and Home and Community Care).³ A review by the Australian Government Actuary in 2011 found these offsets to be worth around \$11 billion, bringing the ‘net cost’ of the Scheme to \$11 billion. Beyond this net cost there are a range of additional fiscal impacts to other parts of state and federal government expenditure including: improved

³ A full list of offsets can be found in Productivity Commission (2011) “Disability Care and Support: Productivity Commission Inquiry Report”

employment outcomes (reducing costs in the tax and transfer system), reduced load on the health system, reduced impact on the justice system and reductions in the lifetime cost of disability as a result of early investment and intervention.

Improved employment outcomes

The NDIS is expected to increase employment in two ways:

- By providing more appropriate support that allows participants to manage their disability in the workforce; and
- By making it easier to obtain care through providers, thereby freeing up informal carers to rejoin the workforce or increase their hours worked.

Increased workforce participation creates fiscal impacts through reductions in welfare payments (i.e. reduced reliance on Disability Support Pensions (DSPs) for those with disabilities) and increases in taxable income.

Increased participation amongst people with disability

One component of the fiscal impact from improved employment outcomes derives from improved employment outcomes among people with disability. Improved employment outcomes include increased participation among people with disability as well as increased productivity of people with disability in the workplace.

Several estimates have been published on the potential impact of the NDIS in allowing people with disabilities to increase their participation in the workforce:

- The Productivity Commission (2011) estimated the reforms could deliver an employment uplift of around 100,000 people above business-as-usual employment in 2050 if Australia catches up to the OECD average employment rate for people with a disability.⁴
- PwC (2011) estimated that if Australia achieved a proportion of people employed with disabilities comparable to the top-eight OECD economies, the employment uplift could be 50,000 higher than the Productivity Commission's estimate, implying an employment uplift of 150,000.⁵
- The National Disability Services has worked with State and Territory governments to model the potential employment impact of the NDIS. In NSW this work has identified a potential employment uplift of between 7,800 and 12,400 people with a disability entering employment. Taking the mid-point and scaling this up to the national level based on population implies an employment uplift of around 32,000 FTEs, or 57,000 people (if part-time workers are fully counted).⁶

⁴ Ibid.

⁵ From PwC (2011) Disability Expectations: Investing in a better life, a stronger Australia. The figure published by PwC was an uplift of 370,000 people; however, this was adjusted to exclude the additional DSP reforms proposed by the Productivity Commission

⁶ The trial data from NILS (2016) suggest that 81% of participants who are employed work part time, once non-responses are excluded

- The Productivity Commission (2011) proposed an additional employment uplift that could be created through broader DSP reforms of around 218,000 people.⁷

Further work is underway by the NDIA to begin to measure and identify the potential impact of the Scheme on the employment outcomes of people with a disability. Exhibit 2 makes the preliminary assumption that between 103,000–218,000 people with disabilities are able to increase their hours worked or join the workforce. The lower bound is based on an average of estimates from the Productivity Commission, PwC and the NDS, and the upper bound is based on the impacts of broader DSP reforms proposed by the Productivity Commission. The estimated fiscal impact per additional worker is assumed to be \$20,000 per year, which includes both income tax receipts and reduction in DSP payments. This implies a net impact on the tax and transfer system of \$2.1-4.4 billion. No assumption has been made about improved productivity, which could further increase this estimate.

Increased participation from carers

A second component of the fiscal impact from improved employment outcomes derives from improved employment outcomes among carers for people with a disability. Current literature suggests significant potential for carers to increase their workforce participation:

- ABS (2015) statistics on disability and ageing in Australia identify 679,000 primary carers for people with a reported disability in the same household of which 360,000 carers for people with a profound core activity limitation.
- ABS (2015) statistics on disability and ageing in Australia identify that of the primary carers for people with a reported disability, a larger proportion (268,000 of 679,000) spend 40 hours or more per week caring.
- The National Institute for Labour Studies (2016) estimate that about a third of family members and carers of those with disabilities are in employment and half of those who are not employed would like to work.⁸
- PwC (2011) estimated that around 80,000 disability carers could enter the workforce (or increase their hours worked) due to the NDIS.⁹
- The National Disability Services has worked with State and Territory governments to model the potential employment impact of the NDIS. This work has identified that 10,700 carers (on an FTE basis) in NSW and 4,000 carers in WA could return to the workforce as a result of the NDIS.

Further work is underway by the NDIA to measure and identify the potential impact of the Scheme on the employment outcomes of carers. Exhibit 2 makes the preliminary assumption that 56,000-104,000 carers could increase their hours worked as a result of the

⁷ The Productivity Commission intended for this uplift to be additional to the 100,000 workers generated in the OECD catch-up scenario. However, since the assumed DSP reforms are extensive and have not yet been committed to by government, we have taken only the 'additional' component as the upper bound (rather than the full estimate of 320,000), in order to be conservative

⁸ National Institute of Labour Studies, Evaluation of the Trial of the National Disability Insurance Scheme, December 2016

⁹ From PwC (2011) Disability Expectations: Investing in a better life, a stronger Australia. The figure published by PwC was an uplift of 370,000 people; however, this was adjusted to exclude the additional DSP reforms proposed by the Productivity Commission

NDIS¹⁰. Based on an average fiscal impact per worker of \$16,400, this implies a total fiscal impact of between \$0.9 and \$1.7 billion per year.¹¹

Reduced load on the health system

Disability can result in additional demand for public services – examples include hospital resources (e.g. bed-blocking) or justice system resources (e.g. court and jail costs incurred as a result of criminal behaviour linked to psychosocial disabilities). The NDIS is expected to free up some of these resources by facilitating more appropriate supports that avoid the need for such services (e.g. in-home support that reduces the length of stay required in hospital), or by enabling early intervention that reduces consumption of these resources later in life. Freeing up these resources can potentially reduce the need for government funding (or improve the allocation of that funding), generating fiscal savings or offsets.

Reduced bed block

Disabilities can cause people to remain in hospitals for longer than necessary due to a lack of alternative arrangements. This imposes a significant cost of the hospital system that could be reduced if people with a disability were moved from hospitals into more appropriate accommodation.

There is some existing information on the impact of bed block on the hospital system:

- The Productivity Commission (2011) estimated that long stay patients (including but not limited to people with a disability) incur an estimated annual cost of \$38-84 million to the hospital system.
- According to the South Australian Salaried Medical Officers' Association (SASMOA), a lack of supported aged residential care beds in South Australia is a significant cause of bed blockage in the hospital system. In 2014, more than five per cent of South Australia's hospital beds were occupied by patients (including but not limited to patients with a disability) who no longer needed hospital care.

Further work is underway by the NDIA to begin to measure and identify the potential impact of the Scheme in providing the appropriate arrangements that will allow participants to avoid lengthy hospital stays. Exhibit 2 identifies a potential fiscal impact of \$40 to \$100 million each year, consistent with the assumptions in the 2011 Productivity Commission report (updated to 2019 dollars).

Other health system impacts

In addition to reducing hospital bed block, the NDIS is expected to reduce broader health care costs for participants as a consequence of improving their general health and making available more appropriate alternatives to certain resources. There is some existing

¹⁰ Assumes a range of ±30% on PwC's estimate.

¹¹ The average fiscal saving per person is based on an assumed 50% reduction in the Carer Payment (average of \$17,700 in 2019 dollars) and an increase in hours worked of 20 hours per week (resulting in income tax contribution of \$7,500 per person).

information that can inform the potential impact of the NDIS in reducing costs across the health system:

- The Australian Institute of Health and Wellbeing (2015) estimates that 1.0 million people with a disability visited emergency departments (EDs) in 2012 without being admitted to hospital. Around 40 per cent of these were recorded as having a non-serious or life threatening condition. The Independent Hospital Pricing Authority (2014) reported that the average cost of a non-admitted ED visit to be \$443.¹²
- The Australian Institute of Health and Wellbeing (2015) also estimates that a further million people with a disability were admitted to hospital in 2012, which represented 26 per cent of the total population of people with a disability.

Exhibit 2 makes the preliminary assumption that the number of people with a disability who visit an emergency department unnecessarily is reduced by 25-75% when the NDIS is at scale due to the availability of more appropriate care arrangements, which avoid the need for these visits (for example, the participant's needs may be met at home with the right support or they may be treated by a general practitioner before an emergency arises). This implies an annual fiscal impact of between \$50-150 million and is only one component of the total interaction between people with a disability and the health system. The NDIA is working to further understand these impacts. Exhibit 2 makes the conservative assumption that the total health system impacts (excluding bed block) are around \$100-200 million.¹³

Reduced load on the justice system

People with psychosocial disabilities are overrepresented in Australia's criminal justice system. Through improved support, the NDIS could help those with psychosocial disabilities to reduce their interactions with the justice system, leading to improved social outcomes and reduced fiscal costs.

There is some existing information on the presence people with psychosocial disabilities in the prison system, and the associated fiscal costs:

- A study by the Australian Institute of Health and Wellbeing found that up to 12% of the prison population have an intellectual disability, and up to 30% have a borderline intellectual disability (note that intellectual disabilities are only a subset of psychosocial disabilities).¹⁴ This compares with only 3.9% reporting psychosocial disabilities in the broader population.¹⁵

¹² IHPA (2014) "National Hospital Cost Data Collection"

¹³ The estimate of \$50-150 million was increased to \$100-200 million to conservatively reflect that many effects have not been explicitly captured (such as ambulance trips, physician visits and public support for prescriptions)

¹⁴ AIHW (2015) "The health of Australia's prisoners"

¹⁵ Obtained from ABS (2015) "Disability, Ageing and Carers" (number of people with "mental and behavioural disorders" over 2015 population)

- The Productivity Commission (2015) estimated the average public cost per prisoner in Australia to be \$106,580 per year (\$115,370 updated to 2019 dollars).¹⁶

Exhibit 2 makes the preliminary assumption that the NDIS is able to lower the rate of incarceration amongst people with intellectual disabilities through early intervention support, such that the number of people with intellectual disabilities residing in prison reduces by half in the long run. This implies an annual fiscal impact of \$300 to 700 million.¹⁷

The NDIS will also impact the broader criminal justice system including a reduction in costs associated with people with an intellectual disability in the court system which is assumed to be proportional to the prison population. On these assumptions, Exhibit 2 makes the preliminary estimate that the total fiscal impact to the broader justice system excluding prisons is \$50 to \$150 million, based on a commensurate reduction in court costs involving people with disabilities.¹⁸

Lifetime support cost reduction through early investment and intervention

A key feature of the NDIS is that it facilitates short-term investments that reduce the need for other more costly forms of support in the future. This can create a fiscal impact over the long term by reducing future costs to government.

Accommodation offset

Early investment in capacity building for participants could improve their ability to live independently. This has the potential to reduce the public cost of supported housing over the long term. The Productivity Commission (2011) estimated the potential annual savings from public supported accommodation of around \$1.2 billion. This estimate is included in Exhibit 2 as the “accommodation offset”, which is expressed in 2019 currency as \$1.2-1.6 billion.¹⁹

Reduced lifetime cost of care

The early investment approach of the NDIS is expected to reduce the cost of care provided under the Scheme to a participant over their lifetime. For example, the NDIS improves access to home modifications and other equipment, which would incur an upfront cost, but could reduce the need for ongoing in-home care. Another example is capacity building for a participant with a psychosocial disability, which could help reduce their future need for service providers.²⁰

¹⁶ Productivity Commission (2015) “Report on Government Services 2015”

¹⁷ ABS (2016) “Prisoners in Australia”. The upper- and lower-bound estimates are based on the representation of people with intellectual disabilities in Australian prisons being 30% and 12% respectively

¹⁸ Assumes the proportion of people with intellectual disabilities is uniform between the court and prison systems. Assumes the average lodgement cost is \$1200 (based on Australian Institute of Criminology 2012 data and updated to 2019 dollars)

¹⁹ A range of ± 15% was placed around the central estimate

²⁰ In this example, capacity building could also help the participant reduce their consumption of other government services by helping them avoid encounters with the justice system. This saving is captured separately

Another key feature of the NDIS is the addition of early intervention support, which is expected to reduce the lifetime costs of certain participants who under the current welfare approach, may not have been eligible for support.

These savings are long-term in nature, and the literature on the impact of early investment is still nascent. However, available information suggests that the savings could be significant:

- The Productivity Commission (2011) estimated (based on its assumptions at the time) the fiscal impact of early intervention to be approximately \$324 million.
- Case studies of NDIS participants can also provide insight into the savings that can be achieved through early investment. For example:
 - A participant with MS initially needed two carers simultaneously for two hours each day, plus an additional half hour of care from a single carer. After installing a ceiling track hoist with the help of the NDIS, only one carer was required at any point in time. The outlay required for the hoist increased costs in the first year by around 5%, but in subsequent years, the total cost of care for the participant was significantly lower.
 - A participant with psychosocial disability was very dependent on service providers since leaving an institution more than a decade ago. Initially when he came into the NDIS his costs were ~10% higher than previous costs of support, due to additional investment to help build his skills and help him become more independent. Already he has become more independent and is less reliant on assistance to do his shopping, finances and travel. His costs have reduced by ~10% and are trending down. Going forward, he may be able to return to work in supported employment and hence no longer require the DSP.

More work is needed to fully understand the savings potential from this aspect of the NDIS, and more information will become available as a longitudinal dataset on Scheme participant outcomes is established (see Section 2.5.2).

2.3.3 What are the broader economic impacts of the NDIS?

In addition to the potential cost savings described so far, the NDIS will also create flow-on impacts to the economy (realised as a change in GDP). For example, if the NDIS allows more people to enter the workforce who would otherwise have been excluded, these workers boost economic activity both through their consumption, as well as their ability to fill labour shortages.

As noted by the Productivity Commission (2011) (based on its assumptions at the time), the NDIS would only need to meet a threshold of \$3,800 per participant in economic gains in

order to offset the economic loss associated with raising the revenues required to finance the Scheme – a threshold that the Commission acknowledged would be easily met.²¹

It is also worth noting that the NDIS is expected to be a significant contributor to jobs growth over the next 3-4 years. Internal estimates suggest that the Scheme is likely to create around 80,000 jobs, which represents ~20% of national jobs growth over the next 3 years.²²

2.4 What is the evidence that gives us confidence in expected benefits?

A three-year trial of the Scheme commenced in 2013. Seven sites were launched across Australia. With the addition of two early transition sites, the Scheme had reached 61,215 participants by December 2016.

It is too early to have definitive evidence of the impact of the NDIS. However, there are some examples of early improvements in participant outcomes – particularly around choice and control and social and economic participation – which also drive fiscal benefits. These data points are supported by case studies of NDIS participants – see Oni’s Story and Harry’s Story below.

2.4.1 Outcomes for participants

NDIS short form outcomes framework results for participants

The NDIS Short Form Outcomes Framework (SFOF) collects data on whether the NDIS has helped in certain domains of participants’ lives. Data was collected from existing participants over the period November 2015 to July 2016 by the NDIA National Access Team (NAT) and planning staff, and two external collectors: Australian Healthcare Associates (AHA) and Assessments Australia (AA). The results show early indications that the NDIS is making a difference in participants’ lives across all cohorts:

- **Birth to school age cohort:** 89% said the NDIS had improved their child’s development and 88% said the NDIS had improved their child’s access to specialist services;
- **Starting school to age 14 cohort:** 79% said the NDIS had helped their child to become more independent and 63% said the NDIS had improved their child’s relationships with family and friends;
- **15-24 cohort:** 73% said the NDIS has given them more choice and control over their life and 64% said the NDIS had helped with daily living. The lowest ranked domains in this cohort were work (15%) and home (16%) (see Exhibit 3)

²¹ There are also negative flow-on economic impacts associated with raising the revenues (via taxation) to pay for the net cost of the Scheme. These impacts are difficult to measure, but would need to be included if making an assessment of the full economic impact of the NDIS

²² National jobs growth based on the Treasury MYEFO forecast

- **25+ cohort:** Similar results were observed in the adult cohort as the 15-24 cohort. 73% said the NDIS helped with choice and control, 71% said the NDIS helped with daily living and 65% said the NDIS helped with health and wellbeing (see Exhibit 3).

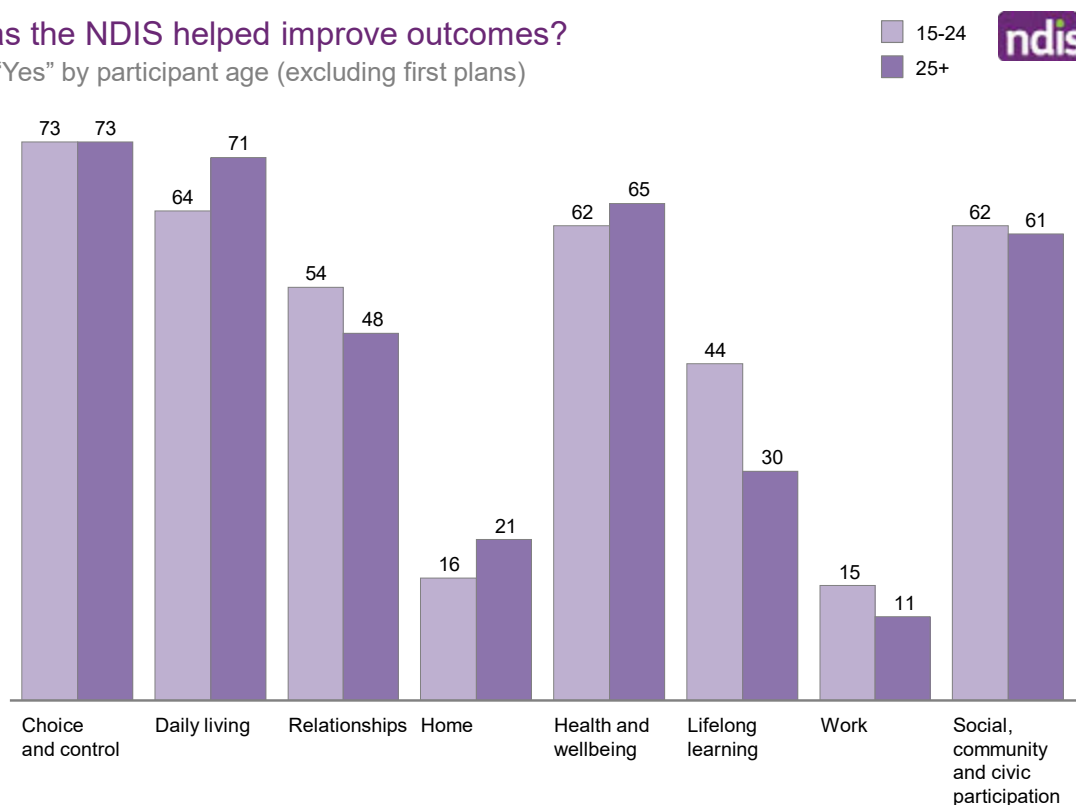
Giving participants more choice and control not only improves outcomes but also reduces costs. There is evidence of this in the UK in the personal health budget initiative. This initiative was implemented across health care services and was designed to give participants choice and control and place them at the centre of decisions about their care. An independent evaluation of this initiative in 2012 indicated a significant improvement in the care-related quality of life ('ASCOT' metric) and psychological well-being. It also stated that personal health budgets were cost-effective and supported a wider roll-out of the program²³. The fact that the NDIS has improved choice and control is a positive indication of potential future fiscal benefits.

²³ Forder et al. 2012. Evaluation of the personal health budget pilot programme.

EXHIBIT 3

Has the NDIS helped improve outcomes?

% "Yes" by participant age (excluding first plans)



SOURCE : National Disability Insurance Scheme Short Form Outcomes Framework Results, July 2016

NILS evaluation results for participants

An evaluation of the trial led by the National Institute of Labour Studies (NILS) in September 2016 also measured some of these outcomes. The NILS study identified improvements across several participant outcomes (as described in Section 2.3.1):

- NDIS participants said that they experienced increased choice and control over the planning and delivery of their support:²⁴
 - 44% of participants reported they had better say over what support they received under the NDIS compared to previously (17% said they had worse);
 - 46% said they had better say over where they obtained support under the NDIS compared to previously (16% said they had worse);
 - 36% of NDIS participants reported changing providers since joining the NDIS;
 - Average number of different supports accessed by participants increased from 2.02 to 3.3;

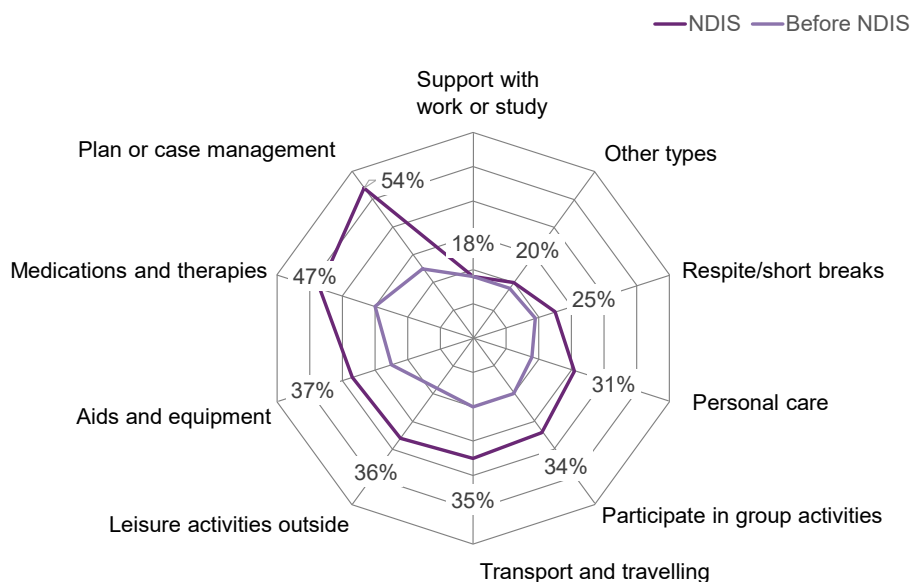
²⁴ National Institute of Labour Studies, Evaluation of the National Disability Insurance Scheme, Intermediate Report, September 2016

- Access to each type of disability support (e.g. medications and therapies) increased significantly, with the exception of “support with work or study” for participants 16 years and older (see Exhibit 4);
- Access to “transport and travelling”, “leisure activities” and “plan or case management” doubled after joining the NDIS (see Exhibit 4).
- NDIS participants said that they had experienced better health and wellbeing during the trial:
 - Improvements in wellbeing were related to having access to better services under the NDIS and increased independence (based on early qualitative evidence);
 - 49% of participants said the quality of care had improved with the NDIS (15% said quality had declined).
- NDIS participants would like to be studying and move into employment:
 - 25% of participants who are not currently in education would like to be studying, but their own health or disability was preventing them from doing so;
 - For most people with disability currently in education the prime objective and plan after their education is completed is to get a job.
 - 20% of participants like and enjoy their jobs, but their employment does not appear to be stable;
 - A large proportion of participants that are not currently in employment would like to work, but at this stage, find the barriers formidable
- NDIS participants have increased their use of community access supports
 - NDIS participants have experienced a 1% higher increase in the number of community access supports relative to non-NDIS participants

How has the type of support received changed after joining the NDIS?



% of participants who received the type of support before and after joining the NDIS



SOURCE: National Disability Insurance Scheme Outcomes Framework Pilot Study: Summary Report, September 2015

2.4.2 Outcomes for families and carers

NDIS short form outcomes framework results for families and carers

Results from the SFOF show that the NDIS has also improved the lives of family and carers and their ability to support participants:

- **Families/carers of participants aged 0 to 14:** 82% said the NDIS had improved their ability/capacity to help their child develop and learn, and 79% said the NDIS had improved the level of support for their family;
- **Families/carers of participants aged 15 to 24:** 73% said the NDIS had improved the level of support for their family and 70% said the NDIS helped them to help the family member with disability to be more independent.
- **Families/carers of participants aged 25+:** 77% said the NDIS had improved the level of support for their family and 66% said the NDIS helped them to access services, programs and activities in the community.

NILS evaluation results for families and carers

- According the NILS Evaluation, the NDIS has improved the wellbeing of carers and family in several ways:
 - Families and carers reported that the NDIS had helped them in ‘feeling supported’ and in ‘gaining access to services, programs and activities’;²⁵
 - 65% of families and carers said the NDIS increased their ability to provide help, assistance or support to a person with disability (8% said it reduced their ability);²⁶
 - 51% of families and carers reported a reduction in anxiety due to NDIS (17% reported an increase in anxiety);²⁷
 - 65% of families and carers said that the NDIS increased their ability to provide help, assistance or support to an NDIS participant (7.51% said it was reduced);²⁸
- There are a significant number of family members and carers that would like to be in employment in the future:
 - 50% of family members and carers who are not currently working would like to be in employment;²⁹
 - 66% of family members and carers are not in employment;³⁰
 - 25% of family members and carers gave up work altogether for caring;³¹
 - 20% gave up full-time for part-time work because of caring.³²

Case study – Oni’s story

Oni is looking forward to receiving work experience as a bank teller, while completing his Year 12 studies. When Oni was born, he received a number of injections that caused him to have a stroke and become deaf. He was unable to talk or speak for six years of his life. After turning six, he was still not very well developed in English because it was hard not being able to hear anything for most of your life.

Oni’s mother, Chelinay, worried that he would not be independent. “I couldn’t see a way forward for him so easily,” said Chelinay.

²⁵ National Institute of Labour Studies, Evaluation of the National Disability Insurance Scheme, Intermediate Report, September 2016

²⁶ *ibid.*

²⁷ *ibid.*

²⁸ *ibid.*

²⁹ National Institute of Labour Studies, Evaluation of the National Disability Insurance Scheme, Intermediate Report, September 2016

³⁰ *ibid.*

³¹ *ibid.*

³² *ibid.*

Last year, Oni joined the NDIS. “I’ve been working with a speech therapist to get my speech up and it’s really helping. I can say a few more words and actually pronounce them properly and all that,” Oni remarked.

Oni said the best part of joining the NDIS is that they hire people with disability. “They don’t think that they should just be looked after, they hire them and they help them through their work and all that,” Oni explained.

“He’s only been in one year and the changes have been remarkable. I’ve seen his confidence improve out of sight. I’ve heard him be able to speak and say words that we didn’t even know he knew,” Chelinay remarked.

“He’ll have funding for this next period to set him up and then that will end this year. And then, as far as he’s concerned, he no longer has a disability but he is being enabled to go on with his life”, said Chelinay.

After Year 12, Oni said that after his work experience, he will become an official teller or official worker at the bank, or the NDIS will support him to find a different job.

Case Study – Harry Bolch

All Tasmanian Harry Bolch wants to do is enjoy a more fulfilling social life. Now, thanks to the National Disability Insurance Scheme (NDIS), assistive technology and a persistent speech pathologist, his goal is more attainable.

Harry, 16, has severe Athetoid cerebral palsy, which mum Kelly said means his body makes involuntary movements; he is non-verbal; Percutaneous Endoscopic Gastrostomy (PEG) fed and he is quadriplegic.

“He can’t control his body at all,” Kelly added. “But he’s quite bright and he communicates through a mixture of technologies, including his eye-gaze computer.”

“Harry has had his eye-gaze computer for a year now,” Kelly said. “To begin with it was quite challenging to get it set up to a point where all the timing and screens were right for him to navigate through without getting frustrated or giving up!”

“But thanks to his persistent speech pathologist, it’s now up and running well and recently we’ve had a bit of a breakthrough,” Kelly said.

“I wouldn’t say you can have a full on conversation with Harry just yet but you can say “Is there something you want?” and he will navigate through his computer and say, “Can I have a drink?”, or he’ll go to the family page and say “Hello mum”, which is beautiful.”

Kelly said Harry became an NDIS participant in March 2014.

“The NDIS has definitely improved our lives – Harry’s and ours as a family,” she said.

“We’ve been able to get funding to purchase Harry a manual wheelchair...now he can access places he could never in his electric wheelchair, so he now has more flexibility. He

was recently able to go the beach with his classmates – something he had never been able to do before!”

Kelly said the NDIS has also given her family financial security.

“Every school holiday break, year after year, I’d have to apply to the State Government and hold my breath to see if they had any available funding so we could get a carer for Harry so I could continue to work my two-day-a-week job for the 13 weeks over the school holiday period!”

Kelly and her husband, Jason, always used all of their annual leave, and Kelly often had to take leave without pay. Kelly said recently the family has started exploring social options for Harry, which is something they could never contemplate prior to the NDIS, through a lack of funding.

“Although Harry’s life will never be that of a regular teenager, the funding we’ve obtained will help him to socialise as a teenager and live his life to the fullest and best of his ability... and I can tell he’s quite excited about being able to plan outings, independently, without his mum and dad!” Kelly added with a smile.

2.5 What actions can NDIA take to ensure the insurance approach acts as a cost control?

2.5.1 What actions has the NDIA taken to date?

The NDIA Board and Management have made a commitment in the NDIA Corporate Plan to ensure that the NDIS is delivered within the funding envelope.

As discussed in Section 2.2.1, the NDIA applies the first insurance principle actively to manage the total future social cost of disability. This principle involves identifying opportunities for continuous improvement by creating a feedback loop to compare actuarial forecasts with the actual experience of participants. This feedback loop allows the NDIA to:

- Identify cost pressures or areas for improvement based on the actual experience of participants compared to actuarial estimates;
- Implement early interventions to ensure the NDIS is on track to achieve participant outcomes and meet actuarial estimates;
- Monitor and track the success of early interventions.

Identified cost pressures

During the trial period, the NDIA identified a number of current cost pressures requiring management responses. These included:

- Higher than expected numbers of children entering the Scheme;
- Increasing package costs over and above the impacts of inflation and ageing (“super-imposed” inflation);

- Potential participants continuing to approach the Scheme - the number of people approaching the Scheme in some of the trial sites is more than would be expected if only people with newly acquired conditions were approaching the Scheme;
- Lower than expected participants exiting the Scheme - particularly children who entered the Scheme under the early intervention requirements;
- A mismatch between benchmark package costs and actual package costs - there is a greater than expected level of variability in package costs for participants with similar conditions and levels of function.

Early interventions

The NDIA recognised these pressures and launched two key operational responses - the Early Childhood Early Intervention (ECEI) approach, and the reference package and first plan process.

The ECEI approach is designed to be a 'gateway' to the NDIS for children aged 0 to 6 years old. It aims to ensure that only those children who meet the access criteria of the NDIS become participants of the Scheme. Under the ECEI approach, families meet with an early childhood intervention service provider to discuss the needs of their child. The provider then identifies appropriate supports for the child and family, and whether the supports should be provided through the NDIS or through mainstream services. The ECEI approach is being implemented in line with the full rollout of the NDIS.

The reference package and first plan process is a method for better aligning the level of function and need with support packages for participants when they first enter the Scheme. Reference packages have been developed based on age, disability type and level of function. They are designed to assist with monitoring Scheme experience and assessing cost pressures. The first plan process builds on reference packages by asking participants questions across eight domains. This is used to refine the reference package and form a participant's plan in accordance with reasonable and necessary considerations.

Monitoring the impact of early intervention

NDIA management has put in place a Sustainability and Liability Review Working Group to oversee the initiatives addressing the cost pressures identified above.

2.5.2 What actions will the NDIA take in the future?

The NDIA is committed to delivering the greatest possible benefits while managing the total future cost of delivering these benefits. An important part of this is monitoring the impact of the NDIS, both in terms of outcomes and the cost of delivery.

The NDIA has established a framework to consider the net fiscal impact and broader economic impact of the NDIS, which is outlined in Section 2.3.2. The estimates in Section 2.3.2 are based on assumptions about the long-term impacts of the Scheme, including impacts on employment and impacts to other government systems such as the health system and justice system. The NDIA is continuing to refine these estimates, to produce a more robust view of the true cost of the Scheme.

In addition, the NDIA is establishing a methodology to track the performance of the NDIS with respect to total Scheme costs. The NDIA is already collecting data on a broad array of indicators as part of its Short Form Outcomes Framework. These will continue to be tracked over time to build a longitudinal data set of participant outcomes.

A refined view of the expected benefits of the NDIS, combined with a robust tracking approach will allow the NDIA to ensure benefits are being delivered at the lowest sustainable cost.

2.6 What actions can be taken that are beyond the NDIA's control?

2.6.1 What factors can NDIA influence but not control?

The NDIA has a number of levers that it cannot control, but that it could have increased influence over, to ensure NDIS financial sustainability:

- The responsiveness of the disability support market to changes in demand;
- National quality and safety regulation in the disability support market;
- Decisions by the Administrative Appeals Tribunal (AAT) or court system in interpreting the boundaries of access and reasonable and necessary supports;
- The efficiency of supports provided by mainstream support systems and community and natural supports.

2.6.2 How can the NDIA's ability to manage costs be enhanced?

The ability of disability support market to respond to changes in demand

The introduction of the NDIS will result in an increase of funding in the sector and a consequential increase in demand for disability care and support workforce. A major concern for the NDIA is that the speed in growth of demand cannot be met by a commensurate speed in growth of the current type of supply. In the short term, this supply shortage may lead to:

- Higher upfront prices;
- Lower quality of support due to low barriers to entry;
- Inability of participants to access supports (e.g. 27% of participants could not access supports although they had NDIS funding for them).³³

Over the long-term, however, competition amongst suppliers is expected to drive down prices and generate efficiencies in the sector. The choice and control of the participant may

³³ NILS, 2016. Evaluation of the NDIS – Intermediate Report.

also drive innovative models of service delivery such as service user co-operatives or service user owned businesses. The NDIA estimates efficiencies of up to 10% could be achieved. A review of pricing arrangements in the residential aged care sector in 2004 identified scope for an average 17% reduction in unit costs through removal of supply and demand constraints³⁴. Although this review was conducted more than 10 years ago, the aged care sector at that time was at a level of immaturity equivalent to that in the current disability sector. Therefore it is a good guide to the likely savings from greater competition.

The NDIA has a role as a market steward in the new disability marketplace, but it has restricted legislative power and limited resources to do so. The NDIA is restricted to using its operating cost budget (~7% of NDIS costs at full scheme) to invest in market integrity.

The key market steward functions of the NDIA include:

- **Monitoring** – observing the NDIS marketplace and assessing whether it achieving its outcomes
- **Facilitating** – actions that directly influence demand in the NDIS marketplace and indirect actions to improve the functioning of the NDIS marketplace
- **Commissioning** – direct sourcing of supports or establishment of preferred provider arrangements supported by controls and “rules” that must be complied with to participate in the NDIS marketplace

In line with these functions, the NDIA will play an active role in facilitating markets to ensure there is sufficient supply for participants. The NDIA will work to minimise market failures, information gaps and perceived regulatory risks which could limit consumer choice and the achievement of key outcomes. To date, the NDIA has published a number of Market Position Statements and the *NDIS Market Approach (Statement of Opportunity and Intent)*.

Specialist Disability Accommodation

One major challenge for the market will be in providing additional and better housing options for people with significant disability who require specialised housing support. The current shortfall is estimated to be in the order of 12,000 additional places needed immediately for people currently in residential aged care, institutional settings or other in appropriate living circumstances. Much of the current housing is poorly designed, ageing and does not provide residents with appropriate choice and control. An additional estimated 16,000 existing places need to be refurbished or replaced.

Fundamentally, specialised disability accommodation (SDA) needs to change so that new and refurbished places are designed and operated as the *home* of the residents. Importantly, the residents need to be able to control who comes into their home and in what circumstances in the same way that all Australians control access to their homes.

³⁴ Commonwealth of Australia, 2004. Review of pricing in residential aged care,

There is room for considerable innovation in SDA which the NDIA is encouraging through initiatives such as the recent housing innovation showcases and a review of examples of innovation in accommodation models. The NDIS IAC has also established an Innovations in Housing and Support Working Group to research innovations within housing that are relevant to the NDIS.

Supported disability accommodation is not a separate payment under existing state/territory arrangements but is rolled into funding for delivery of supported accommodation to residents. Providers have often been paid in a way that did not take into account vacancy rates. The shift to a person-centred model that is funded in terms of reasonable and necessary supports for individual residents may be a challenging shift for some providers.

The NDIS represents a significant market opportunity in terms of offering accommodation but only if that accommodation and supporting business models are designed in way that meets the needs of people with disability within a person-centred model. The NDIA is working to understand the demand and supply factors for SDA in order to inform governments and the market.

In-kind contributions

'In-kind' contributions relate to the component of the Commonwealth's or a State or Territory's contribution to the NDIS that is made by way of the NDIA accessing existing arrangements for services rather than as cash. The effect of in-kind contributions in practice is that supports in individual participant's plans are described 'specifically' as having to be provided by a particular provider (the provider already engaged through the in-kind arrangement). The mechanism is set out in the NDIS (Plan Management) Rules.

To ensure financial sustainability, the NDIA must use in-kind arrangements over 'cash' arrangements for supports covered by in-kind arrangements in a particular State or Territory.

In-kind supports are problematic for managing Scheme financial sustainability:

- In-kind supports deny participants choice and control – fundamentally, participants are unable to choose different providers and therefore have very little consumer power to drive changes in their services;
- In-kind supports do not encourage innovation – because participants do not have choice and control, competition forces that would incentivize innovation, efficiencies and improvement in service offerings. This issue is compounded by the fact that many in-kind supports are not being provided in accordance with current best practice;
- In-kind supports distort prices – in-kind services are often in sectors of high cost and where cost structures are known to have inefficiencies or higher than market based prices. In-kind arrangements tie the NDIA to these inefficient arrangements and distort how reasonable and necessary decisions around value for money are made for specific supports;
- In-kind supports delay market transformation – many in-kind supports are block funded in advance. The ability to move from a block funded model to a fee-for-service model is a major factor in provider readiness for the NDIS.

National quality and safety regulation in the disability support market

A robust national system of regulation for quality and safeguards is crucial to ensure that capability is built in the market to deliver appropriate supports that uphold the rights of people with disability. Such a system will also lower barriers to entry for new, and barriers to expansion for existing, providers by lowering the regulatory compliance burden of operating.

The recently released NDIS Quality and Safeguarding Framework (the Framework) is crucial in setting the blueprint for the regulatory framework for the sector. The framework sets out that the Commonwealth will be responsible for:

- provider registration including quality assurance;
- a complaint handling system;
- serious incident notification;
- restrictive practice oversight; and
- investigation and enforcement.

The NDIA perceives a risk that if the Framework is not implemented promptly and in an appropriately resourced way the market may expand without appropriate safeguards. This is particularly relevant in the interface between the ongoing state based restrictive practice arrangements and the national registration and accountabilities of providers. Further, if a separate, independent, Commonwealth body is not established to undertake market regulation that:

- The function will not be undertaken as comprehensively as is required and suggested by the Framework; and
- The function will fall in a piecemeal way to the NDIA.

The NDIA is not empowered under its legislation to undertake a market regulation role itself and it is not currently resourced to undertake this crucial function. Crucially, the NDIA considers that it would have a conflict of interest in being both the paying body and regulating authority for the same activities.

Administrative Appeals Tribunal and operational policy

The NDIS Act and rules are silent on significant amounts of implementation and operational detail. In practice the CEO of the NDIA provides guidance to decision-makers on how to apply the criteria specified in the Act and rules. This guidance is set out in Operational Guidelines (OGs), which are publicly available on the NDIA's website.

This arrangement is both practical and effective in assisting the NDIA to implement the Scheme, and transparent in that the way in which the NDIA makes decisions is publicly available.

The risk the NDIA perceives is that should the AAT ever find that an element of the OGs are incorrect or unsupported by the legislation the NDIA has limited scope to quickly respond. The process for amendment of the NDIS Rules requires agreement from a majority or all

(depending on the rules) of the States and Territories. Recent experience of seeking amendments to rules is that the process takes considerable time. Recent work to create rules covering Specialist Disability Accommodation took over eight months to come into effect. Rules dealing with supports for participants continue to reference a version of COAG principles that became obsolete in November 2015.

The risk exposure to the NDIS in this respect is potentially extreme. Decisions by the AAT (and/or an appeal to the Federal Court) have the potential to vastly increase the scope of both access and reasonable and necessary supports and must be adhered to while in effect, even if the NDIA challenges the decision.

This risk can be minimised by having in place an efficient and timely mechanism for amendment of NDIS rules. This could be done through legislative amendment that allows some rules to be made that do not require agreement from all jurisdictions, more efficient administrative arrangements to agree changes or by the Minister making a delegation under s.201 of the NDIS Act to the CEO to make legislative instruments in limited circumstances.

Natural networks, community supports and mainstream service systems

The role of natural networks, community supports and mainstream service systems are discussed in Sections 3 and 4 below.

3. Natural networks and community supports as cost controls

As described in Section 1, the NDIS is designed to take a person-centred approach to the provision of disability supports in a financially sustainable way. The ability of the NDIS to assist people achieve outcomes is hugely influenced by the other factors in a person's life, including family circumstances, skills, connections and experience, and other supports such as natural supports, community supports and mainstream supports. This in turn affects both the demand for funded supports and the effectiveness of those supports in helping a person achieve outcomes.

The NDIA invests in community supports and encourages natural networks as a way to improve outcomes and reduce the total future cost of disability.

3.1 What are natural networks and community supports?

3.1.1 Natural networks

For most people, most of the time, it is natural networks of support that are the basis for meeting personal and interpersonal needs, and developing valued roles. The nature and experience of living with disability, or supporting people with disability, can isolate an

individual and their family from these natural supportive relationships which can have an impact on their wellbeing and reliance on funded supports.

Natural networks are organic to a person's circumstances and so are widely varied. Some examples of natural networks include:

- An individual going to the home of friends or family after school, during evenings or at weekends through an informal family-to-family arrangement, as opposed to accessing an in-home or centre-based disability specific respite service;
- Sharing transport with someone else attending the same activity/going to the same school;
- Family, friends and neighbours lending an extra pair of hands at community picnics, school presentations, birthday celebrations;
- Friends or neighbours helping with simple odd jobs such as changing door handles or light bulbs;
- Friends, neighbours, members of service clubs, or a chamber of commerce supporting people with disability to contribute to community by assisting them to find voluntary or paid work, or set up a micro business.
 - In particular, the opportunity for after school or weekend casual work with family friends or contacts for a teenager with disability is acknowledged as the biggest predictor of future ongoing employment for a person with disability as it builds confidence, skills and acceptance.

3.1.2 Community supports

Community supports are supports provided by the community that allow for social interaction and activity. They include groups such as local sporting teams, social and interest groups and social environments such as shopping centres or local parks. Community supports drive social inclusion and can:

- Lead to improved wellbeing outcomes for people with disability and their carers (in relation to health, employment, education, income and life satisfaction outcomes);
- Lessen the longer-term costs of care and support for people with disability by preventing people who have modest disability care and support needs from requiring more costly levels of care and support. For example:
 - The provision of public or community transport that is accessible to people with disability can reduce the need for them to use taxis, and eliminate the associated costs of taxi vouchers. Whilst provision of transport is a mainstream support, the community plays a role in making sure people with disability can access a seat, for example;
 - The design of shopping centres that are accessible by public or community transport or have staffed assisted rest rooms can enable people with disability to shop by and for themselves, rather than to have others accompany them or shop on their behalf;

- The provision of orientation and mobility services to people with moderate levels of vision impairment can reduce the likelihood of them falling or having accidents that lead to further disability or impairment;
- Increase participation of carers in the workforce by supporting people with disability;
- Enhance Australia's social capital by engaging more people within the community and, through that, better reflecting the community's diversity;
- To the extent that it creates better networks among people and breaks down stereotypes, promote economic outcomes (such as employment) and social participation.

Information, Linkages and Capacity Building

The primary vehicle for providing community supports and encouraging social inclusion within the NDIS is through Information, Linkages and Capacity Building (ILC). ILC works on two enablers:

- **Opportunity** – working with the community to create an environment where people with disability are welcomed and valued for their contribution as members of the community;
- **Capability** – working with people with disability to build their skills and confidence to contribute and lead within their communities. ILC is delivered through both grants to deliver specific activities and through Local Area Coordination.

ILC funds activities in four key areas (prescribed by the ILC Policy as agreed by governments):

- **Information, linkages and referrals** – this area is about making sure that people with disability and their families and carers have access to up-to-date, relevant and quality information. It is also about making sure they are linked into services and supports in the community that meet their needs;
- **Community awareness and capacity building** – this area is about making sure community activities and programs understand the needs of people with disability and have the skills and knowledge they need to be more inclusive;
- **Mainstream capacity building** – this area is about making sure mainstream services have the knowledge and skills they need to meet the needs of people with disability. Mainstream services are those things usually funded by government such as education, transport and health;
- **Individual capacity building** – this area is about making sure people with disability have the knowledge, skills and confidence they need to set and achieve their goals.

Two grant rounds have been opened to the market, which closed on 8 March 2017. These rounds invited submissions for ILC activities in the Australian Capital Territory and for National activities.

Local Area Coordination

Local Area Coordinators (LAC) will be the single largest investment by the NDIA in delivering outcomes for ILC. In terms of ILC, LACs deliver three key areas of activity:

- Working directly with people who have an NDIS plan to connect with mainstream services and community activities, and help to get their plan into action;
- Providing short-term assistance to people who do not have an NDIS plan to connect into mainstream services and community activities;
- Working with their local community to make it more accessible and inclusive for people with disability.

A significant part of the work of the LAC is to assist people with disability and their families to identify, and in turn engage with or strengthen natural networks and community supports.

The intended outcomes of LAC are to ensure:

- People with disability and their families receive support that emphasises the person's strengths, skills and interests, is flexible enough to meet changing needs and supports the person's valued roles;
- People with disability and their families have natural networks of support around them to assist them achieve their vision and their goals;
- People with disability and their families have access to community support that is appropriate to their needs and goals;
- People with disability and their families have better access to relevant information about available support, services and funding;
- People with disability and their families have a reduced need for funded supports;
- There is greater awareness and understanding in the larger community about inclusion and disability issues;
- The development of community partnerships to address and action issues that matter most to people with disability and families;
- Communities, and the groups and associations within them intentionally and strategically include people with disability;
- More inclusive communities, where accessibility issues are addressed and appropriate supports are available;
- Meaningful participation of people with disability in school, work and community life, including the same relationships, work and volunteer related experiences and community opportunities as their peers;
- The development of community based initiatives with local partners, e.g. Local Authorities and other voluntary or private sector organisations;
- People with disability and families assume leadership roles within community.

It will take some time for the LAC function to be embedded in the community as priority for their activities will in the first instance be to ensure timely delivery against the bilateral intake requirements.

3.2 How do natural networks and community supports reduce NDIS costs?

Natural networks and community supports – in particular ILC and LAC – have the potential to have a significant impact on NDIS costs over time. They can do this by:

- Reducing the demand for individualised packages;
- Reducing the need for funded supports within packages;
- Making supports more effective in helping people achieve goals.

3.2.1 Reducing demand for access to the NDIS

A major source of uncertainty for people with disability is what will happen if they do not meet the access requirements and do not receive an individualised funded plan from the NDIS. The NDIS is intended to benefit a wide range of Australians, only a proportion of whom will become participants and receive an individualised plan.

The majority of people in the community who identify as having a disability will not require an individualised NDIS plan. Instead, short-term or light touch assistance from the NDIS, in collaboration with a capable and inclusive community and mainstream response, can help them better access mainstream supports, build connections into community supports and strengthen natural supports in order to achieve their outcomes.

ILC and LAC are able to provide this assistance to any person with disability as well as help identify when these supports are not sufficient. ILC is a major lever in diverting people from needing to access individualised packages by connecting people to the appropriate supports for their needs at the time where these exist. This can lessen demand on access because outcomes are being achieved without specialist funded supports, and also because community supports can prevent a person's disability having the functional impact that would warrant accessing the Scheme.

ILCs and LACs can also assist people who, for a variety of reasons, do not identify as having a disability but who have a functional impairment that affects them. This can be particularly important for people with an intellectual impairment who may need support in order to fully engage with NDIS decision-making, self-advocate or to access mainstream and community supports.

The success of this strategy will, however, be heavily reliant on the quality and availability of such supports that largely remain the responsibility of state and territory governments to fund. The experience of trial is that this is not a certain or consistent base upon which the NDIS is building.

3.2.2 Reducing demand for funded supports

During the planning process, it is critical that funded supports do not displace or diminish the important role of natural and informal supports. Likewise, funded supports should not duplicate or take the place of supports that can be provided by mainstream service systems or support services provided as part of a universal service obligation.

Maximising the ability of participants to access mainstream, community and natural supports will have the effect of lowering the need for funded supports. This is because the same outcomes can be achieved without using specialised supports. For example, targeted supports to assist a person to navigate the public transport system will lower the need for funded taxi travel – it will also increase independence, and may contribute to social participation. It should be noted however that the accessibility and availability of these types of supports varies greatly across the nation and there will be continued pressure for access to the Scheme for individualised funding where these community supports are inadequate.

3.2.3 Making supports more effective

Many supports are more effective in helping a participant achieve their goals when complemented by natural and community supports. For example, a goal around wellness or fitness is more likely to be achieved if funded specialist support (such as support to use gym equipment safely) is complemented by an inclusive gym community and a friend who can provide companionship and motivation.

When supports are more effective in achieving goals, driving independence and increasing social and economic participation, it can be expected that the need for supports over the course of a person's life will decrease.

3.3 What challenges have been experienced during trial and transition?

During trial and transition there have been a number of factors that have affected the ability of the NDIA to deliver the envisaged outcomes of ILC.

3.3.1 Timing of Funding

The budget for ILC will increase over time and will reach a total budget of approximately A\$131 million. This budget allocation severely hampers the NDIA's flexibility to use ILC at the time when the greatest impact could be realised. Specifically, ILC has potential to play a very significant role in assisting people with disability who do not receive individualised packages, and to assist participants in accessing mainstream and community supports that will support their goals (and lower their package costs).

The timing of payments means that the NDIA cannot apply ILC to assist the community or people with disability to prepare for the NDIS in advance of the NDIS rolling out in their area. Under the transition arrangements agreed with the relevant Commonwealth, State and Territory Governments, each jurisdiction will continue to fund ILC type activities until the agreed transition date. The scope and type of activities identified as ILC varies greatly between jurisdictions.

The primary impact of the timing of payments is that ILC cannot be used consistently as an effective way of diverting people from individualised packages where appropriate – it places some people with disability, because of where they live, in a situation where if they do not become participants they do not have certainty of receiving assistance.

The timing of funding, linked to State and Territory contributions, also prevents the NDIA from rolling out widespread national initiatives which would allow the infrastructure of a national ILC framework to be established. Funds are available to jurisdictions during transition to support existing delivery, as well as for projects that will support their efforts to build community and organisational (sector) capacity in the lead-up to the full rollout of the NDIS. In particular, jurisdictions are being encouraged to identify projects which may fill any current unmet demand for ILC.

3.3.2 Allocation of funding

The funding model of the NDIS quarantines funds that have been provided to the NDIA for reasonable and necessary supports so that they cannot be used for any other purpose. The effect of this in relation to ILC is that, irrespective of the insurance approach and any potential savings to package costs from ILC, funding is strictly limited to what has been made available for operating costs.

This strict split of funding constrains the NDIA's ability to manage Scheme costs by investing in community based activities that may lower the demand for individual packages. Essentially, the NDIA does not have the flexibility to redirect savings realised in package costs towards other cost-reducing initiatives, such as community interventions, education campaigns or research.

An enhancement of the NDIA's ability to invest in ILC would require an amendment to bilateral agreements between the Commonwealth and each jurisdiction.

3.3.3 Withdrawal of existing ILC

The NDIA will take a staged approach for taking over responsibility for funding in each jurisdiction. To enable this, the NDIA has worked with the Commonwealth and State and Territory Governments to develop transition plans that describe when and how jurisdictions will transition to the NDIA's new open grants process.

There has been some withdrawal of funding for current ILC type activities by jurisdictions in the lead up to full rollout. For example, the Commonwealth has ceased providing funding to support peak disability bodies, and some jurisdictions are withdrawing funding from programs that do not align with the ILC policy, or which are able to be funded through participant packages (e.g. Riding for the Disabled).

The major risks of this withdrawal are that:

- There may be increased pressure on access to the NDIS during this crucial transition period;
- Participants seek to substitute the lost ILC-type support with increases in their individual funding package, greatly increasing the overall cost;

- Outcomes for people with disability will be delayed and the opportunity for early intervention cannot be realised;
- Diversity and capability within the sector could be lost, including by smaller providers with local knowledge and identity being absorbed in larger providers.

3.3.4 Speed of transition impact on the role of LACs

The LAC partners undertake a number of functions in the NDIS. Agreements with the LAC partners include that 20% of their effort should be on the delivery of ILC activities. To give effect to this, the model of LAC during transition is that they should commence work six months in advance of individual packages being rolled out in an area. These six months are intended to be devoted to:

- Building knowledge in the community about the NDIS;
- Working with the community to enhance opportunities for inclusion;
- Making contact with people who are unlikely to become participants of the NDIS to connect them to natural supports in the community.

The speed of transition has meant that current LACs were not able to be in place six months in advance in the first areas to transition. Consequently, the NDIA is not able to assess yet whether having LACs in place six months in advance has had an impact either on outcomes for people with disability or on Scheme costs.

The need to meet bilateral estimates has also meant that for the first period of transition the NDIA has asked LAC partners to divert their resources into information gathering to facilitate the approval of plans and implementation of plans.

4. Mainstream supports as cost controls

4.1 What are mainstream supports?

Mainstream supports are supports provided by the Commonwealth, State and Territory Governments that are not disability specific. These are systems of support that can be accessed by all Australians such as the education, health and transport systems. Mainstream supports can also refer to a systems like the justice or child protection systems, where there may be an interface with the need for disability specific supports.

The role of mainstream supports are set out in the National Disability Strategy and Interface Principles.

4.1.1 The National Disability Strategy

The National Disability Strategy (the Strategy) was released in 2010 as a ten year national plan for improving life for Australians with disability, their families and carers. The Strategy covers six areas for action:

- **Inclusive and accessible communities** – the physical environment including public transport, parks, buildings and housing; digital information and communications technologies; civic life including social, sporting, recreational and cultural life;
- **Rights protection, justice and legislation** – statutory protections such as anti-discrimination measures, complaints mechanisms, advocacy, the electoral and justice systems;
- **Economic security** – jobs, business opportunities, financial independence, adequate income support for those not able to work, and housing;
- **Personal and community support** – inclusion and participation in the community, person-centred care and support provided by specialist disability services and mainstream services; informal care and support;
- **Learning and skills** – early childhood education and care, schools, further education, vocational education; transitions from education to employment; life-long learning;
- **Health and wellbeing** – health services, health promotion and the interaction between health and disability systems; wellbeing and enjoyment of life.

The Strategy is an overarching framework rather than a binding agreement for action. The Strategy does not include substantial commitments, key performance indicators or targets. There are limited identifiable consequences for governments if there is a lack of action. The Strategy has not yet been successful in building widespread recognition or ownership of commitments to improving outcomes for people with disability within all government agencies.

The Strategy recognises the complexity of different responsibilities at different levels of government and proposes one of the means for addressing this is through review points of National Agreements and National Partnership Agreements under the Federal Financial Relations Intergovernmental Agreement. It was proposed that at the review points parties would agree to consider inclusion of specific commitments and reporting obligations consistent with the National Disability Strategy. The areas specifically referenced in this respect were Housing, Affordable Housing, Education, Skills and Workforce Development, and Healthcare. This critical lever was not subsequently supported and no targets or outcomes were included in other Agreements.

4.1.2 Interface Principles

The Council of Australian Governments (COAG) has endorsed Principles to Determine the Responsibilities of the NDIS and other service systems (“the Principles”), which are to be used to determine the funding and delivery responsibilities of the NDIS. The Principles have then been incorporated into the reasonable and necessary decision making of the NDIA by being incorporated in the NDIS (Supports for Participants) Rules 2013.

The Principles cover the responsibilities of the NDIS and provides indicative roles of the NDIS and other service systems in the areas of:

- Health;
- Mental Health;
- Early childhood development;
- Child protection and family support;
- School education;
- Higher education and vocational education and training;
- Employment;
- Housing and community infrastructure;
- Transport;
- Justice;
- Aged care.

4.2 How do mainstream supports contribute to outcomes and influence costs?

The NDIS is neither designed nor funded to duplicate or replace mainstream services. The reasonable and necessary considerations require a decision maker to explicitly consider whether a support is most appropriately funded by the NDIS and not another general system of support.

Access to effective mainstream supports is critical to a participant being able to achieve outcomes. If there are gaps in the service offering of mainstream systems the impact on the NDIS can be significant:

- Firstly, many disability specific supports can only be effective in an environment where mainstream supports are in also place (for example, if a person requires general housing assistance, in-home care support provided by the NDIS will only be effective if that housing assistance is in place);
- Secondly, where a mainstream support is not in place or not accessible, a participant may request more NDIS funded support to compensate (for example, where public transport is not accessible a participant may seek increased support to use taxis).

4.3 What challenges have been experienced during trial and transition?

The three key challenges the NDIA has experienced during trial and transition in relation to mainstream supports are:

- Difficulty in holding mainstream accountable;
- Variable understanding of mainstream obligations;
- Lack of clarity around some interfaces.

4.3.1 Difficulty in holding mainstream accountable

Although there is a National Disability strategy and agreed principles around the interface between the NDIS and other service systems, there are very few levers to ensure that mainstream services are accessible for people with disability. There are no concrete standards to which the NDIA can point in negotiating with mainstream services to help deliver outcomes for people with disability. For example, the NDIS (Supports for Participants) Rules, which set out what the NDIS will be responsible for explicitly states that:

For the avoidance of doubt, while this Schedule sets out considerations relevant to whether a support should be considered to be more appropriately provided or funded through another service system, it does not purport to impose any obligations on another service system to fund or provide particular supports.

Arrangements can be improved by providing greater detail through the National Disability Strategy and other Federal Financial Relations National Agreements between governments on the obligations and actions to achieve the outcomes envisioned by those documents. COAG leadership and performance monitoring of this is essential, particularly in ensuring any future policy settings agreed do not inadvertently detract from, or create inconsistencies with, agreed responsibilities.

4.3.2 Variable understanding of mainstream obligations

Although there may be a clear understanding of the agreements between governments at the highest levels, further work is required on guidance at the operational level for staff in interpreting the role of mainstream services. The NDIA's experience is that mainstream support workers often refer people with disability to the NDIS for assistance that is not appropriate under the NDIS. This results in confusion, inconsistent practice, and sometimes distress for people with a disability, as they feel that they are being lost between different areas of government. This is in the context where many people with disability, especially those with psychosocial or intellectual disability, face significant barriers in accessing mainstream supports and achieving outcomes.

There has been some evidence of actions being taken by providers or mainstream services to shift responsibility for particular supports to the NDIS:

- There has been some evidence of scope creep as some providers try to extend the amount of therapeutic interventions (which should be accessed through services funded by the Health system) through use of NDIS funding – providers have not clearly understood or applied the differentiated responsibilities. This contributes to

apprehension for participants and a perception that the NDIA is limiting choice of supports.

- There have been reports from people with disability that mainstream services are refusing entry to people who are likely to enter the NDIS, or are already NDIS participants, on the understanding that the NDIS will fund all support needs. Issues of this kind have occurred in people trying to access the health system for supports such as discharge planning and support, the housing system refusing to fund OT home visits in their properties for reasonable adjustment modifications, and therapy and care during hospital stays resulting in participant requests for NDIS to fund supports whilst they are in hospital.
- In relation to transport supports, the NDIS is intended only to fund the reasonable and necessary costs associated with the cost of private transport options for those who are unable to travel independently because of their disability. That is, the NDIS should not be responsible for funding transport for individuals who could use public transport if it were accessible and available. However, the lack of accessible public transport options, particularly in regional, rural and remote areas is resulting in NDIS participants seeking transport funding through the Scheme despite having the capacity to travel independently where transport options are available. This manifests as a transition difficulty, where the NDIS is viewed as limiting a person's supports against a lack of viable solutions within transport sectors. This is a live issue for the NDIA and goes to the interpretation of section 34(1)(f) which requires the decision maker to consider whether a support is reasonable and necessary to have regard to whether it is better provided by another service system.

Individual instances can be rectified with the intervention of the NDIA using identified and existing issues escalation mechanisms. As the Scheme expands it is important that representatives of all levels of Government understand the principles and delineation between systems, to avoid unnecessary distress for participants.

4.3.3 Lack of clarity around some interfaces

Despite the principles agreed between governments, there are some interfaces that require greater clarity at a practical level on how responsibility is intended to operate:

- In relation to children, there needs to be greater clarity around which system is best placed to respond to children with disability who are unable to remain living at home. This remains an area of significant disagreement about practice models of service delivery, as well as about which system is responsible for providing the supports. Historically, State and Territory disability services systems have accepted responsibility for children in Voluntary Out of Home Care, where parents remain legally responsible for their child and the only reason for the child residing out of home is the impact of care and support needs due to the child's disability. Under the COAG agreed principles this remains a State and Territory responsibility.
- The interface with some areas of health has added complexity during transition due to agreements in relation to in-kind programs. A program area may have been agreed as in-kind, however not all people receiving that program and not all supports within that program align with NDIS access requirements or determination of "reasonable and

necessary". This is particularly the case with Aids and Equipment services, Commonwealth Continence Aids programs, and Home Ventilation programs.

Each of these requires specific negotiations with each State and Territory or the Commonwealth, to ensure clarity and to agree on mechanisms for management of people who fall outside NDIS responsibility. All of this takes time, and creates tension for the service sectors, as well as for NDIA staff and participants whilst it is being resolved.

Case Study: Interface with school education – specialist school transport

The COAG endorsed the Principles to Determine the Responsibilities of the NDIS and other service systems ("the Principles") and allocated funding responsibility for specialist transport to and from school – required as the result of a student's disability (where no other transport option is available, and not substituting for parental responsibility) – to the NDIS. For some students with disability, the need for specialist transport may arise as a result of service gaps in existing mainstream services for both transport and education. Further, the separation of specialist school transport for students with disability from mainstream services may not represent an efficient split between the NDIS and other service systems, as many of the cost levers will remain outside the responsibility of the NDIS.

In many cases, a student with a disability's need for transport to and from school is attributable to:

- The distance they are required to travel to access the closest appropriate specialist education setting;

- The inability of their parents/carers to transport the student to and from school due to the need to provide transport to the child's siblings who attend a different school;

- The inaccessibility of school bus routes to and from mainstream schools (noting that vehicles used to provide school bus services are currently exempt from the Disability Standards on Accessible Public Transport 2002).

In parallel to specialist school transport services, State and Territory Governments also run mainstream school bus programs or school travel assistance programs. The eligibility criteria for these mainstream services generally include criteria specifying the travel distance to the student's "closest appropriate school", which must be exceeded in order to receive assistance. These criteria would be met by many students with disability whose transport need is primarily distance related. In accordance with the principles, these services should be available to students with disability and the NDIS should not be expected to fund a parallel transport system as a result of:

- Historical arrangements whereby States and Territories have separated the administration of bus services to and from specialist education settings from bus services to/from mainstream schools;

- Students with physical impairments attending mainstream schools being unable to access the school bus because it is exempt from accessibility standards.

Policy decisions about the location of specialist education settings, in particular decisions regarding segregated or inclusive educational models, have a significant impact on the transport needs of students with disability. Separating funding responsibility for school transport from responsibility for specialist education may reduce the incentive for decision makers to fully consider the transport burden that is imposed on students and their families resulting from decisions about the location of specialist education settings.

Further, the provision of transport to and from school can be an effective strategy to ensure or increase a student's school attendance. As the NDIS is intended to fund a participant's reasonable and necessary supports required as a result of their disability, the NDIS would not be the appropriate system to fund school transport for a student with a disability in cases where the primary need for transport did not arise as a result of the child's disability support needs but rather to overcome other barriers to the child's attendance at school (e.g. family factors or community and structural factors). This may result in perverse outcomes for students or cost pressures on the NDIS to fund supports to ensure access to education which is a responsibility of State and Territory Governments.

5. Innovative delivery models as cost controls

5.1 What are innovative delivery models?

Operating costs are intended to make up ~7% of the costs of NDIS at full scheme. These costs include wages of NDIA employees, SG&A costs and costs associated with implementing ILC and LAC.

The NDIA has adopted a number of innovative delivery approaches to reduce operating costs. These include:

- **Partnering with community organisations** and other external parties, who can deliver services with better outcomes at the same cost as the NDIA;
- **Establishing an eMarketPlace** as a way to provide information to participants and collect data more efficiently for the NDIA;
- **Using co-design and behavioural economics** to design more efficient ways for participants and their families to interact with the NDIA;
- **Encouraging Self-Management** – to enhance outcomes around independence for participants and better value for money in plan implementation.

5.2 How do innovative delivery models reduce costs?

5.2.1 Partnering with Community

Administering the NDIS is a huge undertaking – it will take a workforce of approximately 10,000 to deliver the functions of the NDIA in full scheme.

The idea of government partnering with not-for-profit organisations to deliver social services is not new. However the NDIS represents an opportunity to harness benefits and savings by having some functions delivered within the community. The NDIA delivers both the Early Childhood Early Intervention (ECEI) Approach and Local Area Coordination (LAC) services by engaging qualified and trusted organisations that are already embedded in the community or who have demonstrated a commitment to building community based services.

Early Childhood Early Intervention Approach

The Early Childhood Early Intervention (ECEI) Approach is how the NDIS is working with Early Childhood Providers to deliver early childhood intervention for children aged 0-6 years. The overall aim of ECEI is to ensure that parents or primary caregivers are able to provide young children who have developmental delay or disabilities with experiences and opportunities that help children gain and use the functional skills they need to participate meaningfully in their environment. The ECEI approach aims to ensure children are provided with the right level of support at the right time for the right length of time.

Early Childhood Partners work with the family and use their clinical and specialist expertise in Early Childhood Intervention to understand the child's developmental delay or disability and the impact on their everyday functioning. Together they will identify goals and using their expertise, the Early Childhood Partner will discuss evidence based supports that can help meet the goals of the child and family.

The NDIS Early Childhood Partners may:

- Provide information;
- Refer the family to a mainstream service like a Community Health Service, playgroup or peer support group;
- Identify if a child may benefit from some short-term intervention and provide those services. For example, if a child has developmental delay with a primary speech delay, some initial speech therapy can be provided by the early childhood partner which, over time, will assist to inform the child's longer-term support needs;
- Identify that a child requires long-term specialised early childhood intervention supports then assist the family to request access to the NDIS, submitting the required information and evidence to the National Access team;
- Undertake the planning process with families who receive access to the NDIS;
- Coordinate a combination of the options above.

Local Area Coordination

Local Area Coordinators (LACs) play a central role helping people with disability aged 7 and above to live valued, quality and contributing lives by building relationships and connections within the community. The three key roles of LACs are to:

- Link people to the NDIS;
- Link people with disability, their families and carers to information and support in the community;
- Work with their local community to make sure it is more welcoming and inclusive for people with disability.

Local area coordination is designed to support people with disability to engage with the change in funding and processes that the NDIS brings, including helping to explain and optimise outcomes from the NDIS. LACs rely on building trusting relationships and getting to know people with disabilities in the context of their family, friends, culture and community, while being based in and connected to the local community. LACs also play a crucial role in guiding people in their options for putting their NDIS Plan into action, building capacity to self-manage the supports set out in their Plan, and helping them build and pursue their goals and exercise choice and control in their selection of providers for their funded supports.

Benefits of partnering

The role of Partners in the community in lowering the costs of the NDIS by connecting participants and people with disability to natural, community and mainstream supports has the potential to be a significant cost control for the NDIS.

The combined NDIA and LAC costs of partnering is equal to the cost of the NDIA undertaking these functions itself by directly employing staff.

Enhancement of the use of partners

One barrier to the smooth operation of partners is that, although they carry out many functions on behalf of the NDIA, they are unable to make decisions under the NDIS Act. Allowing partners to make certain, low risk, decisions may:

- Enhance the experience of participants by making the process smoother and giving them certainty that the person to whom they have given information, and with whom they have developed a relationship, is making the decision;
- Lower operating costs by removing duplication in the system whereby the NDIA decision maker needs to replicate some of the work of the LAC in order to satisfy themselves to make a decision under the NDIS Act.

5.2.2 The e-Market

The need for an NDIS Market was identified in the Productivity Commission's initial report as an essential support to people with disabilities to provide the best information on available services to maximise choice when planning for the services and products that best meet their needs.

The NDIA is committed to the development of an eMarketPlace which will support information discovery, encourage industry innovation, and build local community capacity. It will also provide timely data and analytics to assist with Scheme sustainability.

The NDIS eMarketPlace will introduce a range of innovative cognitive intelligence capabilities that will be co-designed by the NDIA and people with disabilities. These capabilities, such as intelligent question and answer knowledge bases and cognitive conversation frameworks, will potentially change the way government delivers services and gathers information.

Benefits of the eMarketPlace

The NDIS eMarketPlace will make it easier and more efficient for NDIS participants to find and access the services they need to support their daily lives, and will enable NDIS providers, businesses and community organisations to showcase their services and products to people with disabilities through a highly accessible online community market place, underpinned by an information platform that supports information discovery, encourages industry innovation, and builds local community capacity. The benefits of the eMarketPlace include:

- The NDIS eMarketPlace will encourage the entry of new providers and business who will have access to a wider group of customers wherever they are located. This would increase employment opportunities across Australia;
- For Australian businesses, the NDIS eMarketPlace presents broader exposure to a purchaser provider ecosystem that will require industry innovation and expand opportunities to establish new trading partners and collaborative business arrangements. This will provide economic benefits that will flow through to job opportunities and business sustainability;
- The NDIS eMarketPlace will be underpinned by cognitive intelligence and big data analytics which will establish a whole-of-government body of knowledge on the operations and outcomes of social policy programs, including the directions outlined in the Government's Australian Priority Investment Approach;
- The introduction of cognitive intelligence capabilities in the NDIS eMarketPlace will provide choice for individuals in how they interact with government and the market beyond traditional channels, such as call centres and government shopfronts. This will enable staff to be retrained in new cognitive intelligence skills for use more broadly across government service delivery. Traditional service delivery channels such as the web and telephone do not always meet the needs of people with disabilities and their families on their own. Greater cognitive capability may mean that the system would be able to answer general and personalised questions from participants about the eMarketPlace and the NDIS, rather than these queries being directed through call centres.

The data and business intelligence that will be made available through the NDIS eMarketPlace will be important for Scheme sustainability. Sharing and monitoring

information on disability market growth and services gaps will enhance effective actuarial analysis of the Scheme performance, reporting and compliance requirements.

As the administrator of the eMarketPlace, the NDIA can expect to see a reduction in its transaction costs. The NDIA incurs transactions costs when it processes purchases and payments from self-managers (participants who manage their own NDIS support budgets), self-funders (individuals utilising their own funds for disability support), and plan management provider on behalf of NDIS participants. By introducing an eMarketPlace and eventually automating much of the payments and processing function, the NDIA will reduce the time spent on these activities and consequently the potential costs.

In general contexts, eMarket platforms may be able to reduce unit costs by between 15-30%. In the NDIA context, these cost savings may flow through to participants in some scenarios. Where the NDIS is incentivising participants to shop around, the eMarketPlace will likely result in the best price for support services, in particular homogenous supports, being achieved more often. As well as open price comparison and price competition, the eMarketPlace also adds an additional commissioning channel for the participant. Cost savings realised from eMarketPlace price competition will serve to promote the effectiveness of the eMarketPlace, incentivising eMarketPlace participation, improving the scale of use and the sustainability of the NDIS.

Work on the development and funding of the eMarketPlace is ongoing.

5.2.3 Better Design

Wherever possible, the NDIA strives to improve its interactions with people with disability, their family and carers, and be effective and efficient. The sheer volume of interactions the NDIA has with people with disability (through the access and planning processes, implementation of plans and general enquiries) mean that any efficiencies in those interactions leads to a better service experience for people with disability and lowering of the NDIA's operating costs.

Co-design

Co-design means “collaborative design” and is a methodology for actively engaging a broader range of people directly involved in an issue, place or process in its design and sometimes also its implementation. It is about engaging people in the design of improvements, innovations and impacts – drawing together their collective experiences to build services and outcomes that are as good as they can possibly be.

The NDIA chief co-design vehicle is the Independent Advisory Council. The IAC has championed the inclusion of people with disability through the key concept of an ordinary life. The NDIA uses co-design wherever practical to ensure that its products and processes are fit for purpose and meet the needs of people with disability. The NDIA has found that co-designed products have greater uptake and are better utilized by people with disability.

Behavioural Economics

The NDIA is exploring how the principles of behavioural economics can help improve processes and interactions with people with disability. Behavioural economics is the study of human behaviour and decision making and aims to improve policies, service delivery, and organisational efficiency by applying a more accurate understanding of this behaviour. It incorporates traditional economic assumptions with psychology to understand and predict behaviour to which policy and practices can be adapted. A fundamental insight of behavioural economics is that behaviour is not guided by perfect logic, but rather by human, sociable and emotional triggers.

The NDIA is working with the Behavioural Economics Team of the Australian Government (BETA) which, rather than expecting people to redesign their lives around government, encourages people-centred design in the public service.

In December 2016 the NDIA embarked upon a project utilising behavioural economics to review a select range of participant communication products including letters, task cards, fact sheets, and verbal access scripts in relation to the first plan process. Improved letters, scripts and other resources will be rolled out for use by the NDIA and its community partners shortly and the NDIA will consider whether these resources lead to better interactions with people with disability their families and carers.

5.2.4 Encouraging Self-Management

Self-management

Self-management in the NDIS refers to the way the funds in a participant's plan are managed. When a plan is being developed, the participant has a choice between:

- having the NDIA manage the funding (that is, the participant chooses and engages the provider and the NDIA pays the invoices),
- having a registered plan manager (that is, the participant chooses the plan manager and providers and the plan manager pays invoices and takes on whatever other functions for engaging providers the participant wishes);
- self-managing (that is, access to the funds is provided to the participant and they manage the plan themselves with assistance if they wish it) or
- any combination of the above.

The NDIA will accommodate the participant's request except in situations where the support has to be described as being specifically delivered in a particular way (such as in-kind supports) or where there is an unreasonable risk to the participant in self-managing (which may arise because of the participant's circumstances or from the nature of the supports).

There are significant expected benefits arising from having participants self-manage:

- Better outcomes – There is evidence from schemes similar to the NDIS that self-directed funding leads to greater wellbeing, confidence and feelings of control in people who self-manage;
- Better value for money – By securing supports from a variety of sources, including non-registered providers and suppliers that are not specialised to disability participants may be able to secure the same or better outcomes for less funding;
- Innovation through flexibility – because participants have complete control they are able to fully use their expertise in their own life and needs and own creativity to find unconventional solutions that lead to the same or better outcomes.

Self-management is a major focus of the NDIS Independent Advisory Council and the NDIA has implemented a project to encourage self-management. This project includes:

- Developing a nationally consistent understanding and coordinated approach to self-direction and self-management;
- Building better knowledge and understanding of the benefits of self-management in our staff and partners through training and better guidance;
- Recognising that self-management is facilitated by assistance to carry out enabling functions such as, advice on service design, recruitment and employment of staff, payroll management and finding ways to deliver this assistance;
- Examining other schemes that use direct payment models to improve ease of use, improved outcomes and value for money in the NDIS; and
- Further developing the approach to assurance of government expenditure through audit and compliance within the context of promoting flexibility and innovation.

Part C: Response to Productivity Commission questions

Scheme Costs

Question 1

Are there any cost drivers not identified above that should be considered in this study? If so:

1. How do they impact costs in the short and long term?
2. How, and to what extent, can government influence them?

Over and above the actual cost drivers identified by the Scheme Actuary, the NDIA has undertaken a liability review (2014-15) and a further sustainability review (2015-16) to ensure there is a robust understanding of cost drivers. These reviews identify all potential cost risks and current controls. The key potential risks identified were:

- Access;
 - Entry based on a diagnosis that does not reflect a level of functional impairment;
 - Entry to the Scheme of people with chronic health conditions;
 - Failure to support people just outside the Scheme which creates a stress point for entry to the Scheme and an incentive for people to catastrophise their circumstances to gain entry.
- Scope of supports;
 - Failure to apply statutory tests for reasonable and necessary, such as the requirement that supports must be evidence based and value for money. The result would be that the scope of supports provided by the Scheme are expanded. The NDIA recognizes that this is a critical decision because the Scheme needs to balance these consideration against the need to encourage innovation;
 - Failure to maximize community, informal and family supports, that transfers these to funded Scheme supports;
 - Failure to apply mainstream interface principles creates pressure to include in the NDIS supports that substitute for lack of or insufficient mainstream supports.
- Volume of supports;
 - Over-providing supports, or funding inappropriate supports, that detract from participants increasing independence: for example funding one-to-one care support to undertake community activity rather than linking the person into community delivered and mainstream activity;
 - Failure to ensure that additional funding for capacity building is used for the specific purpose for which it is provided and that it delivers an outcome;

- Overall failure to reap the benefits from investment in improved outcomes. Improving independence and increasing economic and community participation should result in a reduction in the need for supports.
- Price of Supports;
 - Failure to ensure that the reasonable and necessary supports represent value for money and are delivered at an efficient price. This is a particular concern in a transitioning and growing market where demand is likely to outstrip supply for the immediate future;
 - Failure to encourage innovative ways to deliver support that improve efficiency and result in lower prices;
 - Failure in regulatory controls that restrict the ability to manage over-servicing and price gouging.
- Scheme cost escalation due to fraud and sharp practices.

Question 2

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?

Utilisation rates are below 100 per cent of committed supports across the spectrum of participants. This trend is not unique to either particular geographic areas, population cohorts or support types.

In a person-centred system the utilisation rate will never be 100%. Experience in other schemes suggest that a rate between 80 and 95% can be expected. International experience suggests that when people are in charge of decisions about their support and providers they are more careful with the funding, usually using less than provided, make better decisions and achieve better outcomes.

Over time the Scheme Actuary will be able to develop a trend analysis as to the likely rate of utilisation in a mature system. In addition, refinement of the reference packages will reduce the gap as plans are more closely aligned to participant needs.

Information available to the NDIA suggests that the lower utilisation rates may be a result of supports not being provided (or requested), rather than supports being provided and simply not invoiced.

The NDIA's on-the-ground experience indicates that the reasons for the utilisation rates vary by the individual participant and their circumstances. Some of the transitional issues that need to be managed include:

- Some participants have experienced difficulties in navigating the system to actually access supports – that is, in some instances participants may not have the confidence, skills, awareness and information to enable them to implement a plan once it has been

approved. In other cases, information provided by the NDIA may need to be clarified or improved;

- There are some circumstances where participants and planners underestimate how effective mainstream, community and informal supports will be, or overestimate the length of time that funded supports will be needed;
- The market for plan supports such as support co-ordination and plan management is still relatively immature which limits the supports which participants can obtain. I
- In some circumstances there is insufficient supply to meet the demand for supports. The NDIA is finding this in relation to specific supports (such as access to short term accommodation support) and in particular markets (such as remote and very remote markets);

There will always be situations where participants do not fully utilise their plans due to personal circumstances (for instance, because they are hospitalised for a period of time, or due to changes in family circumstances which might prevent the pursuit of exploratory goals);

In so far as it represents a lack of supply the NDIA has a shared responsibility with all Governments to address market capacity issues. The NDIA has the following responsibility under the roles and responsibilities agreed by the COAG Disability Reform Council.

- monitoring (observing the NDIS market and assessing whether it is achieving its outcomes),
- facilitating (direct and indirect actions to improve the functioning of the market) and
- commissioning (an approach to the identifying and sourcing of services that benefit individuals and communities).

The NDIA recognises that the marketplace will take time to develop and the market itself will play a key role, especially in the long term, of providing genuine choice for people with disability. Further details of the NDIA market stewardship role is outlined in the *Market Approach (Statement of Opportunity and Intent)*.

In terms of the other factors affecting utilisation rates, the NDIA is actively working to assist participants to implement their plans in order to achieve their goals. All participants are offered either funding for a support co-coordinator (where their support needs are particularly complex) or access to a Local Area Coordinator (LAC) who can assist them implement their plans and connect to their community. This is particularly critical in terms of building individuals' capacity for choice (including actively seeking innovation), and in assisting participants to navigate the payments and service booking system to maximise flexibility in use of funds, thereby also reducing requests for plan reviews.

Question 3

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

It is difficult to isolate the causes for a higher than expected number of participants entering the Scheme.

- There is evidence that a higher than expected number of 0-6 year olds are entering the NDIS.
 - The Early Childhood Early Intervention (ECEI) approach is designed to ensure that early intervention supports are effective and result in the exits expected in this cohort. The development of an assessment tool, via the PEDI-CAT allows the NDIA to plot a child's progress against development milestones and support the child to access mainstream supports as NDIS supports are no longer required. Parents wanting the best for their child and expectations created by the Scheme might be one reason for more entries.
- There is evidence of slightly higher than expected numbers of 7-14 year olds entering the Scheme.
 - The NDIA is developing an early intervention approach for this cohort.
- Outside of children, the NDIA's analysis has indicated that the higher numbers are not associated with a particular disability type.
 - Refinement to the plan review processes is crucial to ensuring that where a person entered the Scheme for early intervention, planners are testing whether the plans have been effective enough that a participant can move to Information, Linkages and Capacity Building (ILC) and Local Area Coordination (LAC) supports rather than continuing on an individualised package.
 - The effectiveness of the wider National Disability Strategy commitments to building an engaged and inclusive community and mainstream service system is essential to this objective. Participants will be more willing to exit formal supports if they are confident of appropriate solutions within other systems.
- There is no evidence at this point that the NDIA is interpreting the access requirements more generously than intended by the legislation. The NDIA has detailed Operational Guidelines to determine access on the basis of functional impairment. These are under constant review to ensure compatibility with the underlying assumptions around access to the Scheme.

The NDIA is unable at this time to measure the number of exits through the Customer Relationship Management (CRM) system. As part of the plan review process, the NDIA is also developing a file closure protocol where participants are no longer receiving funded supports.

Question 4

What factors are contributing to increasing package costs?

The NDIA has identified a number of factors that are contributing to increasing package costs.

- Increases in included supports in second plans have been experienced across most disability groups;
 - The overall increase in package costs in a number of sites were mainly attributable to substantial increases in funding for the Intellectual Disability and Autism and related disorders disability cohorts.
 - Other increases were mainly associated with core supports and specifically: assistance with daily life at home, in the community, and activities to enhance access to education and work.
- Package costs are expected to be higher in the first few years of the NDIS as investment in items such as assistive technology, home and vehicle modifications and other capital costs occur early in a person's NDIS journey. Assistive technology and home modifications at a cost above \$5000 are capital items and the revenue for this funding is amortised over 5 years. These early investments should result in lower package costs for those individuals over time.
- A consequence of price controls is that the market tends to gravitate to the price ceiling. There is some early evidence of providers responding to price signals from the NDIA in a perverse way – treating the 'maximum price' as the 'NDIA price' on some items of assistive technology and so profiting above their usual costs (this flows through to capital items as these rates for labour are used in building capital quotes). The NDIA has also seen instances where participants receive two prices (one higher for NDIS funding, one lower for self-funding).
- The NDIA is concerned that some providers are recommending increased therapy hours rather than using therapy assistants or a delegated therapy model (training the participant's carers and informal supports to implement therapy strategies in everyday activities) and a general lack of focus on outcome achievements and therefore reduced therapy intervention over time. Concerted education efforts for parents and families on what they should expect from therapy intervention will be required;
- The NDIA has seen instances where there have been increased support levels even where previous plans have not been fully utilised. This reflects the bottom-up approach to planning that was utilised during the trial period and which has continued into transition as a result of 'plan extensions' (reviews that resulted in changes to the end date only). The use of reference packages will manage these instances in the future.
- The NDIA is working to manage expectations around increases that are not linked to changes in support needs or goal achievement. System improvements and information for participants on flexibility within core support funding may also help limit requests for specific supports.

Question 5

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

The NDIA notes that following the introduction of the first plan process, there has been a lessening of the differences between actual and benchmark package costs. That said, the NDIA can identify a number of factors driving the mismatch between benchmark and actual package costs.

- One of the key differences between first plan costs and committed supports is participants with moderate intellectual disability in existing shared supported accommodation. The first plan process derives a lower amount because of the moderate level of function compared with the cost of a participant in shared supported accommodation. This is a legacy issue from the existing disability system and reflects the current lack of alternative appropriate accommodation support that may better meet the needs of these individuals
- The average cost of first plans compared to the average committed supports and revenue amounts differ by level of function. Participants with medium to high levels of function (lower support needs) are receiving more in their plans compared with expected, and participants with low level of function (higher support needs) are receiving less than expected. This is consistent with the experience in trial. When participants in shared supported accommodation are excluded, the average first plan costs are more in line with the average committed supports and revenue amounts. The degree to which this reflects the ability of the respective groups to have their needs appropriately understood or articulated for them by others is now a major focus of system improvement.
- Packages are affected during transition by the fact that 'in-kind' supports are valued above the NDIA efficient price which is used to determine the reference packages.
- The NDIA has also observed some systemic issues around planners adopting the first plan process and is working to manage the change to processes by providing greater training and support for planners to ensure that decisions are consistent and equitable.

Scheme Boundaries

Question 6

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 NDIS has not been in operation long enough to be able to give a conclusive answer to this question. The NDIA has observed that the change to the access criteria around developmental delay in conjunction with the diagnostic entry criteria for Commonwealth, State and Territory programs to support children with autism has led to increased numbers. Additionally, the inclusion of the funding for State and Territory programs into the NDIS and withdrawal of those programs has led some people to seek access to the NDIS for supports that are not most appropriately provided by the NDIS (such as general interpreting services).

Question 7

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?

The NDIA has identified a need for greater clarity in relation to the application of the disability requirement to individuals with a chronic health condition whose needs would be more appropriately met by a response by the health system.

The Productivity Commission, in its report on Disability Care and Support, based the current funding model of the NDIS on 411 250 people having permanent disability (as at 2009) (Tier 3). This figure did not make provision for people with a constellation of impairments caused by chronic health conditions, such as diabetes and obesity, being accommodated in those calculations. Ambiguity around the application of the disability requirement with reference to this cohort poses a real risk to the financial sustainability of the Scheme.

The NDIA is working internally on improving guidance on the basis of experience to provide greater clarity to both decision-makers and the community on the application of the access criteria. Clarification at a legislative level would be more effective in both providing certainty to people with a chronic health condition and ensuring the financial sustainability of the NDIS.

Question 8

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

The NDIA has modified the practical process of assessing access to meet the demands of high volume entry during transition. The key aspects of those changes are:

- The NDIA worked with all Governments to identify existing programs where the client would meet the disability access criteria. These 'defined' programs clients were then assessed only against the other access criteria. This relied upon data provided by Commonwealth, State and Territory Governments to streamline the access process;
 - Initial problems with timeliness of data compressed the time available for access and planning processes;
 - Strong engagement by the NDIA with the Commonwealth, state and territory Governments has seen this dramatically improve and a 'pipeline' of work is now able to be tracked;
 - It is clear that the data provided presents different numbers from that agreed in bilateral agreements. An early trend is emerging that there appears to be fewer clients in existing programs than suggested by the national minimum data set and certainly as against the estimate of the number of expected transitioning participants in bilateral agreements. It must be noted that while this will impact upon the mix of transitioning and new participants, at this stage there is no evidence to revise the overall expected number of participants in full scheme.
- Greater use of data matching for verifying identity

Greater use of telephone options as a means to gather information and confirm access.

.

To ensure that the speed of transition does not present a barrier to people entering the NDIS, the NDIA has initiated a number of measures, ensuring that:

- Access requests can be made in a variety of ways with access request forms being provided in hard copy, translated into languages other than English as needed or provided in Braille;
- Interpreting services are available for phone and face to face enquiries;
- Access requests can be made using the central access phone service or facilitated face to face at local NDIA sites; and
- A commitment to community by community engagement for remote aboriginal communities using trusted individuals within that community to guide the introduction to the Scheme and encourage consideration of access.

The revised processes, have to varying extents had an adverse impact on the quality of plans. It is also possible that the increased pressure on planners might have driven adverse financial outcomes.

Question 9

Is the ECEI approach an effective way to ensure that those children with the highest need enter into the NDIS, while still providing appropriate information and referral services to families with children who have lesser needs?

The Early Child Early Intervention (ECEI) approach has been developed to ensure that all children with developmental delay or a disability can be supported in their local communities and by mainstream services. The ECEI approach has been modelled on evidence-informed practice, including a review of international best practice. It is widely supported by early childhood practitioners, with similar models operating successfully in some States and Territories prior to the introduction of the NDIS. The ECEI approach has a key focus on awareness and social inclusion.

In practice, the ECEI approach means that the child and their family can meet with suitably qualified ECEI partners who are able to help the family access information and connect with mainstream services, and assess whether more intensive or long term supports are needed. If the child does have need for more intensive supports, the partner can help the family make an access request to the NDIS and, if the child becomes a participant, can help with developing and implementing the support plan.

An evaluation and monitoring framework has been developed for the ECEI approach. This involves collection of data on children supported through the approach, including characteristics of the child, and the support received. Importantly, the framework should assist with the monitoring of participant pathways (i.e. entry and exit from the NDIS via the ECEI gateway), including diversion from the NDIS and the support provided to assist with this diversion. This capture of data will enable an evaluation of the effectiveness of the ECEI approach once it has been in operation for a sufficient period of time.

There have been difficulties collecting data and that data cannot be collected in the CRM until there is a system enhancement. Back capture of the PEDI-CAT information in this cohort indicates a spread of children across the population – some have been included whose functional impairment, if any, is not at a level that would require intervention by the NDIS.

Question 10

What impact will the ECEI approach have on the number of children entering the scheme and the long-term costs of the NDIS?

When considering the potential population who might engage with the Scheme through the ECEI approach, the appropriate starting point is the combination of the Productivity

Commission Tier 2 and Tier 3 populations – that is, all people with a disability. In 2019-20, there will be approximately 106,000 children aged 0-6 years with a disability. Of these, 47,000 are expected to be eligible for individualised funding. The remaining 59,000 have a disability but are not expected to need individualised funded supports (i.e. supported by the ECEI approach which assumes an ability to access appropriate mainstream and community supports, to ensure they can be diverted from requiring an individual support package).

In considering the potential impact of the ECEI approach, it is useful to understand the experience of trial sites (as at 30 June 2016), which has shown an increasing trend of the prevalence rate for children aged 0-6 years. While the Productivity Commission estimated that approximately 2.9% of children aged 0-14 years would be participants of the Scheme, the South Australian (SA), Barwon, and Australian Capital Territory (ACT) trial sites exceeded this, with prevalence rates of 4.0% in SA and 3.3% in both Barwon and the ACT. In comparison, the prevalence of children 0-6 years during trial in Perth Hills was 1.5%, and in the NSW LGAs of Newcastle and Lake Macquarie, the prevalence rate was 2.3% and 2.6%, respectively.

Further, information collected and analysed on participant functional capacity level, using the Paediatric Evaluation of Disability- Computer Adaptive Test (PEDI-CAT) provides useful information on the profile of NDIS participants, in terms of level of function, and the potential number of children that may be diverted or exited under an ECEI model. While the PEDI-CAT does not produce a total score that sums across all four domains, it was recognised that the combination of scores and groupings by domain may provide a useful indication of a participant's overall level of function. Specific criteria were applied to group combinations of T-scores across the domains into overall severity groups.³⁵ The analysis of PEDI-CAT scores using the aggregated scores indicated that, overall, around 40% of participants had scores of 30 or more ('average') across each of the four domains. That is, these participants did not seem to have any identified deficits, compared to the normal range for their age.

The ECEI approach is expected to have an ongoing impact on the long-term costs of the NDIS by:

- Increasing children's functional capacity and progression towards developmental milestones, resulting in a gradual reduction in funding packages from the initial plan;

³⁵ A participant with a score of less than 10 across all domains is considered to have a profound disability. A participant with a score of less than 10 in at least two domains is considered to have a severe disability. A participant with a score of less than 10 in one domain or a score of 10 to 19 in at least two domains is considered to have a moderate disability. A participant with a score of 10 to 19 in one domain or a score of 20 to 29 in at least two domains is considered to have a mild disability. A participant with a score of 20 to 29 in one domain and a score of 30 or above in all other domains is considered to have a mild deficit in one domain only. A participant with a score of 30 or above in all domains is considered to have no identified deficits compared to the normal range for their age.

- Increasing social inclusion and active participation in mainstream support settings which will support individualised functional outcomes for children lowering the need for separately funded supports;
- Increasing confidence and capacity of families to manage their child's additional support needs which will in turn reduce the frequency of funded supports required in plans;
- Empowering families through education to understand best practice ECEI supports and get the best outcomes from these;
- Providing information and referrals to other support services where the child does not require funded supports from NDIS; and
- Increasing the awareness and capacity of mainstream support services to respond to children with developmental delay and disability which will reduce reliance on the NDIS and promote support provision across all natural settings.

It is assumed that the upfront investment is absorbed in the annual cost over time. Possible savings can be realised over a five year period due to an upfront investment in diversion. The mainstream system will be critical in supporting the NDIA's ECEI approach in order to realise these potential savings. In particular, the Education and Health departments will have a prominent role in enabling the ECEI model to operate as intended.

Question 11

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

The NDIA is looking to progress an "early intervention across a lifespan" framework for participants. This involves identifying key transition points in a lifespan where a specific and targeted intervention could significantly enhance outcomes or positively alter a person's life trajectory (and in doing so also reduce the longer term costs of support). Some of the critical transition points include: reaching adolescence; leaving school; the transition to independent living; moving from employment; and ageing with disability.

These intervention points will be informed by evidence of best practice, and may result in specific market activities to ensure the sector has sufficient capacity to respond appropriately. Intervention initiatives will also involve identifying and leveraging appropriate mainstream services e.g. sexuality training programs in schools to be tailored for people with intellectual disability and Autism.

More specifically, the NDIA is exploring the following early intervention programs that could reduce long-term Scheme costs while improving participant outcomes.

- **School Leavers Employment Support (SLES) package:** During the trial, one of the successful early intervention approaches run was the SLES package, which will be offered to all year 12 school leavers who meet the SLES eligibility requirements. The goal of SLES is to better prepare young people with disabilities and inform their families

around options for them to enter the workforce. It is too soon for quantitative data to confirm the impact of SLES. Again access to appropriate mainstream supports such as targeted and flexible DES and willing and able employers within open employment will be essential to achieve these goals.

- **Early intervention for the 7-14 cohort:** The NDIA is looking to refine the application of supports for this cohort to better target skills development, independence and engagement with the mainstream system noting the potential positive goals this could have for both participants and Scheme sustainability.
- **Targeted streaming and early intensive case management:** Participants with very high and complex or intensive needs represent a large part of Scheme costs. Targeted streaming and early intensive supports have developed during trial to improve outcomes for participants with complex and intensive needs, and improve the operational efficiency of the NDIA in supporting these participants. A specialist team operating in the Barwon site has been established to appropriately stream and support participants with complex or intensive needs. There is some evidence to suggest streaming participants into different cohorts for the purposes of allocating NDIA resources is effective.

Question 12

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 NDIS is not a service provider in the traditional sense of employing people who provide hands-on services. The NDIS is predominantly a funding mechanism to ensure adequate and equitable resource allocation in a sustainable manner, and a data and quality monitoring vehicle to ensure positive participant outcomes.

The NDIA's experience is that the delineation between services being provided by different services streams is neither clear nor efficient. This reflects the variations across service systems at the State or Territory level and within these service systems within each State or Territory, as well as the complexity of the NDIS as an insurance scheme interacting with diverse, rationed systems.

The current split could be improved by:

- providing greater detail through the National Disability Strategy on the obligations of all governments in providing supports;
- ensuring that representatives of all levels of Government understand the principles and delineation between systems; and
- clarifying the intended split in particular areas that have caused concern such as children who cannot live at home and specialty school transport.

The NDIA has provided further information around the challenges associated the interface between the NDIS and other service systems in Part B of this submission.

Question 13

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?

Over the course of trial and transition, the NDIA has experienced some instances which may reflect cost shifting. The NDIA has also identified instances of scope creep and service gaps.

Some of the concerns the NDIA has observed are:

- There has been some evidence of scope creep as some providers try to extend the amount of therapeutic (health) interventions through use of NDIS funding;
- There have been reports from people with disability that mainstream services are refusing entry to people who are likely to enter the NDIS, for example, people trying to access the health system for supports such as discharge planning and support;
- There have been significant issues around a lack of accessible public transport options, particularly in regional, rural and remote areas is resulting in NDIS participants seeking transport funding through the Scheme despite having the capacity to travel independently were transport options are available.

Mainstream supports, and some of the challenges experienced during trial and transition, are discussed in more detail in Part B of this submission.

Question 14

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

Work is underway on improving the interface between the NDIS and mainstream services. The NDIA is grateful for the support it has received in this regard.

The NDIA considers, however, that the way the interface between the NDIS and mainstream services works can be improved significantly. This can be done by developing firmer commitments under the National Disability Strategy, adding clarity to some practical examples of how the interface is intended to work, and providing greater guidance on the interface principles to staff within mainstream systems at all levels and in all locations of the service interfaces of these systems. This issue is discussed in Part B of this submission.

Question 15

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 of 31 December 2016, across all States and Territories 7,840 (10.2 per cent) of NDIS participants had a psychosocial disability, and 4,764 participants (6.2 per cent) had psychosocial disability recorded as their primary disability. By 2019-20 the number of expected participants in the NDIS is approximately 460,000, of which approximately 64,000 participants are estimated to be participants with a significant and enduring primary psychosocial disability (13.9 per cent).

Participants with a primary psychosocial disability have a range of committed supports in their NDIS plans, with most participants receiving between \$20,000 and \$50,000.

The full rollout of the NDIS will have the following outcomes for people with psychosocial disability:

- Some people with psychosocial disability who currently receive no support will be able to receive support packages.
- Those who are eligible and who currently receive limited support from transitioning mental health programs may be able to receive a more holistic package of supports to meet their needs.
- Each person's individual outcomes will for the first time be baselined and measured on an ongoing lifetime basis, in accordance with insurance principles.

The full rollout of the NDIS may also impact the mental health system in the following ways:

- It is possible that with the introduction of individualised packages of supports which support and maintain participants with psychosocial disability in their own home and community, there may be a decrease in the number of individuals presenting to acute and clinical services. There may also be a decrease in the number of people who are homeless, 'hard to reach or engage', or are in crisis presenting to emergency departments and acute services for support.
- There is potential that the introduction of optimal support packages for participants with psychosocial disability would enable the public mental health services to focus more on planning for specialist mental health services including community based mental health services.

At present it is not possible to accurately quantify the impact of the NDIS on the mental health sector. As the rollout of the NDIS progresses and more data (including outcome data) becomes available on participants with psychosocial disability, there will be opportunities to map the impact of the NDIS on the mental health sector.

There are two separate areas of concern – one is in relation to how the NDIS will interact and provide support to participants with mental health or psychosocial disabilities. The second key theme emerging from sector consultations in 2016 was what happens to those people who are not eligible for NDIS support. Key parts of the sector are concerned that the

introduction of the NDIS has led or will lead to the loss of some community based mental health services and withdrawal of Commonwealth, State and Territory services for those who will not be eligible as participants in the NDIS. In addition to the concern regarding potential loss of current services, there remains a large existing gap in availability of services for a broader population of people who require community based psychosocial support outside of the NDIS.

The NDIA works closely with jurisdictions and the sector to encourage whole of mental health system planning for example through the 5th National Mental Health Plan process. The COAG Disability reform Council has made mental health and psychosocial disability a key priority for action.

Question 16

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

The NDIA has initiated a number of measures to facilitate the effective intersection between the NDIS and mental health services outside the Scheme.

- The NDIA established the National Mental Health Sector Reference Group (NMHSRG) in 2014 to be an effective conduit for information and communication between the NDIA, the mental health sector and the broader community.
 - The NMHSRG provides expert advice from a cross-section of the mental health sector to the NDIA about the progressive integration of psychosocial disability into the NDIS.
 - The NDIA develops an annual NMHSRG work plan to address key emerging issues and undertakes project work as required. Key themes of the work plan include communication and engagement with the mental health sector, capacity building within the NDIA and external to the NDIA and strategy, data and policy which includes the transition of Commonwealth mental health programs to the NDIS. This work is reported to the NMHSRG at each meeting with updates included within the NMHSRG communities (which includes a key data attachment) and subsequent reporting across the NDIA. The Mental Health team also works with individual states and territories to facilitate the transition of mental health programs.
- The NDIA has established an internal Community of Practice for Psychosocial Disability to ensure consistency in practice and rapid sharing of opportunities for ongoing improvement.

The NDIA is also working in collaboration with the sector to highlight the need for the mainstream mental health system to plan and implement effective psychosocial supports for those people outside the NDIS target population. Some initiatives include:

- A comprehensive review of the Draft 5th National Mental Health Plan;

- Co-facilitating a national consultation on the interface between the Draft 5th National Mental Health Plan and the NDIS in Dec 2016; and
- Working closely with the Department of Health (DoH) and Primary Health Networks (PHN) to understand the impact and opportunities that their planned regional commissioning of primary health and mental health services will have for people with psychosocial disability. This also includes the important role of Local Health Networks and liaison with state and territories, for example participation in the Queensland Transition Steering Committee for Mental Health and recent joint forums with the SA Department of Health for mental health managers and clinicians.

Question 17

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 focus of ILC is community inclusion – making sure people with disability are connected to their communities. This is core to one of the fundamental guiding principles of the NDIS - that people with disability should have the same rights and opportunities as other members of Australian society. The NDIS Act also has as one of its objects to raise community awareness of the issues that affect the social and economic participation of people with disability, and facilitate greater community inclusion of people with disability.

To give effect to these community inclusion goals, ILC activities are focused on:

- Personal capacity building – which is about making sure people with disability have the skills, resources and confidence they need to participate in the community or access the same opportunities as other people;
- Community capacity building – which is about making sure mainstream services or community programs or organisations become more inclusive of people with disability.

The range and types of supports being proposed are governed by the ILC Policy and are those that will:

- Meet people's needs;
- Assist both participants and those who do not have NDIS plans, with priority on activities that assist people without plans; and
- Assist families and carers (where there is a specific benefit to the person with disability).

Consistent with general principles of good governance, ILC will not duplicate work that is being done elsewhere or work where another service system has an obligation to provide the support.

By linking the outcomes for ILC with the Scheme goals, including Scheme sustainability, the NDIA is ensuring that ILC funding will be directed to those activities which best support those goals.

During trial and transition there have been significant barriers to the roll out of ILC and the ability of the NDIS to realise benefits from greater community inclusion. In particular:

- The timing of ILC funding, whereby the budget started small and will grow over time, has prevented upfront investment in ILC activities;
- Constraints on how the NDIA uses funds has prevented, and will continue to prevent, investment of savings in package costs into ILC despite the likelihood that it will reduce demand for funded supports;
- Withdrawal of existing ILC-type supports by Commonwealth, State and Territory Governments has impacted the supports available; and
- Delays in engaging Local Area Coordination (LAC) partners has constrained the benefit of LAC community development work in the pre-planning stages.

Question 18

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 NDIA is committed to ensuring that ILC and LAC initiatives meet the needs of people with disability and deliver outcomes for the Scheme, but acknowledges that during trial and transition the ILC and LAC have not operated as intended.

The NDIA recognises the importance of effectively measuring outcomes (and ensuring funding is linked to those outcomes) and responding flexibly to learnings over time to ensuring the ILC and LAC initiatives remain true to their purpose. To this point, the NDIA is in the process of developing methods of measuring the impact of ILC and LAC initiatives as effective bridging tools between services that remain responsive and contemporary for people with disability.

To ensure the ILC delivers outcomes for the Scheme, the NDIA has undertaken the following initiatives:

- The ILC Outcomes Framework reflects the goals for ILC of contributing to positive change in mainstream service systems and communities in order to realise improved social inclusion for people with disability. The outcomes have been developed in consultation with the Scheme Actuary and aligned with the NDIS Outcomes Framework. Feedback from people with disability and the broader community, and evidence gathered through grants program reporting will inform ongoing investment priorities for ILC.
- The NDIA undertook an extensive co-design process in developing the approach to ILC commissioning. Through these consultations and discussions with Commonwealth, State and Territory agencies, the NDIA has developed an understanding of the particular needs of individuals and communities such as those in rural and remote areas, and for specific cohorts such as ATSI and CALD communities. The

commissioning process for ILC will place priority on activities, programs and organisations which aim to achieve outcomes for these groups.

- The NDIA also expects that the move to outcomes-based funding will stimulate innovative approaches to achieve better outcomes for people with disability through the delivery of ILC activities.

To ensure that the LAC services deliver outcomes for the Scheme, the NDIA has undertaken the following initiatives:

- Evaluating the LAC sourcing process to inform future policy parameters for sourcing (process commenced March 2017).
- Ensuring that performance monitoring of the LAC services occurs across a number of fronts – through the Client Relationship Monitoring (CRM) business system, self-reporting by Partners, quarterly strategic reports and meetings with the NDIA complemented by daily interactions with the regional hub teams.
- Establishing a LAC Partner Network (including a governance group and a ‘Communities of Practice’ group) to continue improving the performance of the LAC services. The governance group ensures that NDIA can work collaboratively with partners as a collective and address system issues and future planning, while the practice group focusses on operational issues and quality improvement.

The NDIA recognises that the evaluation can be enhanced by including a greater focus on participant and community feedback and will increase this focus in future evaluations.

Both ILC and LAC are being implemented in successive rounds. This means that for each approach to the market the NDIA is able to build on the successes and opportunities for improvements in previous rounds.

Question 19

Is the way the NDIS refers people who do not qualify for support under the scheme back to mainstream services effective? If not, how can this be improved?

Through the streamlined access process and data exchange with the Commonwealth, State and Territory Governments, there is a sharing of data related to those people from existing disability service systems who meet the access criteria and those who do not, so that continuity of support arrangements can be activated. In some instances the continuity of support seeks to include linkage to mainstream supports to facilitate the same outcome as previously received. NDIS Local Area Coordinators also play a role in supporting both participants and non-participants to access community and mainstream supports.

There are a range of measures which will result in a clearer framework to communicate with people who do not qualify for support under the NDIS. These are:

- Development of transparent timeframes and accountability under the National Disability Strategy by all governments;

- Development of a clear strategy for community supports for people with mental illness who do not qualify for the NDIS by the Commonwealth, State and Territory Governments;
- Development of an integrated Carer Support Model currently being undertaken by the Commonwealth Government;
- Completion of the ILC funding and evaluating and monitoring of the impact of LAC community involvement activities; and
- Collaboration with DSS on an overall approach to employment.

Progress in these areas will have a positive impact on people who do not qualify for the NDIS but will require key milestones against which to evaluate progress and regularly communicate achievements.

The NDIA is also developing metrics for mainstream support as is required under the Integrated Reporting Schedule.

Despite this, it is likely that significant confusion exists for those who are not eligible to access the NDIS and in the community more broadly.

Question 20

How will the NIIS affect the supply and demand for disability care services?

The level of injury required to meet the likely access requirements for the NIIS, that is, a catastrophic injury, means that these people are highly likely to be currently receiving supports. That may be of the following

- Receive compensation for that injury and purchase supports in the market; or
- Have care and support provided and paid for by a statutory compensation Scheme which purchase services (often at program level) in the market; or
- Are supported by State and Territory disability programs and will transition to the NDIS.

The NIIS provides a different funding mechanism and is unlikely to have a material impact on supply unless there is a significant difference in prices or interpretation of support needs by the NIIS. At present, the NDIS prices are broadly similar to prices used by current compensation Schemes.

So long as there is no significant cost differential between what the NDIS and the NIIS pay for the same supports then the NIIS will be substantially cost neutral, although it does impact on the balance of funding between Commonwealth and States/Territories.

Question 21

What impact will the full establishment of the NIIS have on the costs of the NDIS?

The NDIA has not undertaken any additional analysis other than that provided by the Productivity Commission in its report. At the Commonwealth level, the NIIS is the responsibility of The Treasury.

As noted in the Productivity Commission Report, the impact would be from having separate funding for the expected people covered by the NIIS who would otherwise not receive compensation or support from a statutory compensation scheme.

Question 22

Are sufficiently robust safeguards in place to prevent cost shifting between the NIIS and the NDIS?

It is too soon to say whether there are sufficiently robust safeguards in place.

Current experience with the existing statutory compensation schemes has identified a number of practical issues with implementing the interface (although not evidence of deliberate cost-shifting). This includes:

- The NDIS access criteria mean that a person would not at this point be excluded from becoming a participant despite being fully supported by a statutory compensation scheme or receiving or being eligible to receive compensation. This means that the NDIA relies on the reasonable and necessary considerations and compensation provisions to lower the supports included in the plan to avoid duplication.
- There are barriers to timely provision of information about participants from State and Territory based statutory compensation schemes to the NDIA. This means that the NDIA is largely dependent on self-identification by participants that they also have a compensation claim. The NDIA is pursuing data sharing agreements with all statutory compensation schemes, as currently exist between these schemes. Some overlap has been identified and people ineligible to receive a NDIS payment will be required to repay the money.
- There is also difficulty in getting information relevant to determining the compensation reduction amount (under the NDIS Act) such as details of confidential settlements and details around heads of damages.

The compensation processes set out the NDIS Act are unwieldy and complicated which makes pursuing recovery of NDIS amounts as a result of a compensation claim, or ensuring that a participant pursues a compensation claim, difficult.

The NDIA is working through these practical difficulties.

Planning Processes

Question 23

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

The NDIA's revised planning process (first plan) since being implemented in July 2016 is improving over time. The NDIA acknowledges that there has been dissatisfaction with the way in which it has been operating.

The current process is designed to balance the need to gather sufficient information for a decision-maker to make a valid decision under the NDIS legislation, with making the process non-intrusive and convenient for the participant. The NDIA recognises that this balance has not yet been achieved and is refining the process on the basis of feedback received around wait times, use of telephone rather than face to face planning, and lack of transparency around progress of plan approval.

Experience in trial found that families wanted to enter the NDIS quickly, but also needed time to familiarise themselves with the new environment and build their goals and plans over time.

The speed of transition from July 1, 2016 meant that the NDIA was not able to engage LAC partners in time to provide crucial participant and community development during the pre-planning stages which has made the 'first plan' process more difficult to implement.

The first plan process is a dynamic process which will include ongoing refinement as more data and information becomes available. The process allows continuous monitoring of committed support and utilised support, with benchmark costs. As the NDIS moves through transition, the NDIA is continually monitoring and seeking opportunities to enhance the planning process from a participant, provider and staff perspective. The NDIA is currently reviewing the plan review process to streamline the process and ensure it continues to meet the needs of both the participants and Scheme sustainability.

Question 24

How should the performance of planners be monitored and evaluated?

In the NDIA's view, the key considerations for monitoring and evaluating planner performance (and Local Area Coordinator performance when performing planner type functions) are:

- 100% compliance with all statutory requirements such that every decision is a valid administrative decision;
- Difference between approved plans and the benchmark (in terms of the difference being appropriate against the reasonable and necessary considerations);
- The quality of plans;

- Rate of unexpected plan reviews (that is, plan reviews requested by the participant due to the initial plan being inadequate rather than at the end of the plan term);
- Efficiency metrics (time taken to develop and approve plans); and
- Requests for internal review of decisions.

The NDIA also monitors performance through systemic measures such as:

- Participant satisfaction – Rates of satisfaction have dropped from those recorded during trial to those recorded during transition (from approximately 95% to 85% of participants reporting they were satisfied or very satisfied). The NDIA is working to address the reasons for this drop. The NDIA’s community partners are expected to capture participant satisfaction and it is the NDIA’s intent to develop an independent participant satisfaction process;
- Complaints – both volume and substance; and
- The National Quality Framework – where monthly audits are conducted on planner records and feedback provided through coaching and supervision.

Question 25

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

The NDIA’s identification and selection of clinically accepted and widely utilised assessment tools involved extensive consultation and engagement with key stakeholders and experts across the key disability types. Stakeholders comprised clinical experts and researchers, and disability associations.

The following features were considered in the selection of tools to assess functional capacity:

- Ease of collection of the individual’s rating or ease of use of the tool for NDIA staff to assist participants to use self-rating questionnaires;
- Time required to undertake assessments;
- Cost of assessments or tools;
- Whether the tool was validated and reliable; and
- Whether population data was available for assistance with modelling.

The NDIA acknowledges that the widespread use of NDIA assessment tools predominantly commenced post-trial, with the relevant research and consultation undertaken to inform original selection of tools. Participant assessment information was captured retrospectively through a targeted data back-capture initiative to validate the assessment tools for use within the NDIS cohort of participants. The lack of consistent assessment mechanisms during trial contributed to some of the discrepancy between package allocations and subsequent benchmark costs. The NDIA undertakes ongoing monitoring and adjustment of tools, in

terms of effectiveness and suitability, through continuous improvement processes, involving regular collection of feedback on the tools, reviewing the suite of tools, and making any necessary changes, is also embedded within the process.

Further work on the testing and trialing of assessment tools is required to build confidence in the selected tools and their relevance to both NDIS practice and the participant population. In particular, the following activities relating to NDIA assessment tools are currently underway:

- Continued development of a disability-specific assessment tool for psychosocial disability. While the WHODAS is currently being used, work continues in relation to identifying and testing suitable psychosocial disability assessment instruments.
- A focus on assessment tools for intellectual disability and the use of the Vineland for this cohort.

The NDIA has also engaged external experts to develop national diagnostic guidelines for Autism.

It is important to note that the functional assessment tools discussed above are only a component of determining the participant's package of supports. Other factors, such as age, level of sustainable informal assistance, community and mainstream support available, and capacity building, are important inputs to making reasonable and necessary support decisions. Tools for individuals with complex disabilities could also be improved.

Question 26

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 purpose of the assessment process and associated tools, is to provide the equitable, efficient, and sustainable allocation of resources, across comparable cohorts.

Trial experience provides some tangible evidence of the challenges and impacts associated with *not* embedding an objective and independent assessment process. A number of cost drivers emerged from trial and have the potential to compound cost, if not addressed:

- A mismatch between benchmark costs and actual packages, with higher plan costs than expected for participants with higher level of function and lower plan costs than expected for participants with lower level of function;
- Consistent and objective assessment of participants will promote the alignment of expected (benchmark) and actual costs. Planners, Local Area Coordinators and other organisations (e.g. Disability Support Organisations) have a critical role to support and empower participants to effectively use their budgets to realise their goals and achieve meaningful outcomes;
- Packages costs increasing, over and above inflation;

- These cost pressures, in addition to higher numbers of people accessing the Scheme and lower than expected exits, can lead to substantial cost increases over the next four-to-five years.

Question 27

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?

There is still confusion within the sector and the community, and to some extent within the NDIA, around the scope of reasonable and necessary supports.

Elements of the reasonable and necessary considerations are deliberately broad to allow for individualisation, choice and control, and to encourage innovative solutions to participants' needs.

Decisions around reasonable and necessary supports require balancing the need to empower participants to explore different ways of achieving increased participation with the need to spend taxpayers' money consistent with legislation and in a way that minimizes risk of misuse or fraud. The NDIA has developed operational guidelines, practice guides, work practices and task cards to help planners in exercising such judgement. The NDIA accepts that these need to be constantly improved and refined to remain current with good practice in the sector, experience from the NDIS and outcomes of AAT decisions.

The first plan process also provides assistance to planners by providing a benchmark against which new and innovative mixes of supports proposed by Participants can be considered against a more traditional mix of supports to consider whether the supports are value for money.

Question 28

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?

The first plan process was introduced from 1 July 2016. As noted above, this process has resulted in more plans being in line with benchmark costs compared to the trial period. In that sense, it has resulted in more nationally consistent and equitable plans.

The approach starts with a typical support package based on a participant's reference group. The NDIS's typical support packages are based on diagnostic and severity specific support plans developed by clinical and research experts and adjusted for NDIS experience to date. These are allocated depending on the participant's disability and severity level.

The first plan process then takes into account the individual circumstances and situation of the Participant. This is based on information directly provided by the Participant about what supports they already have in place and whether these are sufficient and sustainable. This

then leads to the planner making a decision around the whole plan including reasonable and necessary considerations.

The first plan process is a dynamic process which will include ongoing refinement as more data and information becomes available. The process allows continuous monitoring of committed support and utilised support, with benchmark costs.

Where a quote is required for some element of the Participant's plan, it is clear that the NDIA has not yet achieved consistent understanding with the sector on the reasonable and necessary calculations of the type and scale of support that is appropriate to be included in that quote.

Question 29

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

The considerations and process for determining reasonable and necessary supports are critical to the sustainability of Scheme costs.

Lack of clarity has the potential to drive up costs of the NDIS as participants (often supported by their providers) seek higher value packages without evidence that it will lead to better outcomes. This is possible at the point of planners making decisions in discussion with participants and also through appeals and AAT decisions.

Already there have been AAT decisions around supports the NDIA had considered more appropriately funded by other service systems or not being effective and beneficial according to current good practice which have the potential to increase the costs of the NDIS. The NDIA has updated operational policy to address the AAT's comments so far but there may be decisions that require a legislative solution to safeguard NDIS financial sustainability.

Question 30

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

The avenues for resolving disagreements about supports are both extensive and thorough, using both formal and informal avenues. The NDIA is most interested in resolving issues in a way that is respectful and maintains a constructive relationship while ensuring that participants can access independent, external review as needed.

To this end, the NDIA tries to keep communications open to resolve issues as close to the participant as possible (that is, with the specific planner or regional office). This does not in any way prevent and is not intended to discourage internal reviews of administrative decisions or external appeal to the AAT as determined by the participant.

The NDIA is aware that there has been confusion around avenues for reviews of decision (especially given the word ‘review’ is used in the legislation to refer to two different process in relation to planning). The theme of reviews is a topic of interest with the Commonwealth Ombudsman’s office and the NDIA is currently working with that office to identify and clarify issues and develop service and process improvements. The NDIA is also working with our Partners in the Community (LAC and ECEI) to provide clarity around resolution of disputes or reviews of decision (noting that Partners do not make decisions under the NDIS Act but are the primary point of contact for many participants and their families).

The NDIA is committed to reducing disputes through additional and ongoing training and education both internally and externally on reasonable and necessary decision making and plan implementation. An important element is enhanced data to inform Scheme practice design – for example, understanding of the nature of disagreements about funded supports reflected through reviews of decision and complaints. The NDIA’s rate of complaints is:

	Q1 &2 13/1 4	Q3 13/1 4	Q4 13/1 4	Q1 14/1 5	Q2 14/1 5	Q3 14/1 5	Q4 14/1 5	Q1 15/1 6	Q2 15/1 6	Q3 15/1 6	Q4 15/1 6	Q1 16/1 7	Q2 16/1 7
Complaints	98	200	249	370	453	557	674	819	974	1174	1408	³⁶ 284	1509
Plans	2,586	6434	7316	1079 5	1364 6	1643 3	1730 3	1975 8	2228 1	2486 6	3028 1	3772 1	6121 5
Complaints as a % plans	3.79	3.11	3.40	3.43	3.32	3.39	3.90	4.15	4.37	4.72	4.65	7.53	2.47

Complaints data is collected manually and therefore are not entirely reliable.

The NDIA recently commissioned Graham Innes to undertake an analysis of how it manages complaints internally with the goal of further developing the complaints framework towards a best practice model. This report has identified options to improve the accessibility, ease of use, staff training and timeliness of complaint resolution and will be progressively considered and implemented by the NDIA.

The NDIA considers that as the Scheme matures the number of reviews, particularly external reviews, will increase. The ability to quickly respond to findings by review bodies will be critical to ensuring that NDIA practices can support the Schemes financial sustainability.

³⁶ This number is inclusive of complaints about the My Place Portal reported in senate estimates. It is expected there will be a variance in the number of provider complaints recorded in the CRM and the manual records.

Market Readiness

Question 31

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 introduction of NDIS will result in an increase of funding in the sector from \$11 billion per year to \$22 billion per year – there will be a consequential increase in demand for disability care and support workforce.

The major drivers of growth in demand for disability care in the next three years will be the increase in funding per participant, the number of new participants entering the Scheme and the availability of informal care. Evidence from the trial so far suggests that 30-40% of demand will come from new participants³⁷. Growth in total FTE demand is likely to be higher in regional and remote areas than urban areas, and highest in Queensland and the Northern Territory (NDIA Market Position Statements). Finally, areas with a more rapidly ageing population may experience greater growth in demand as the availability of informal care from ageing parents decreases more rapidly over time.

Changes in the types of services offered will be driven by current unmet need in the community and the types of disabilities serviced by the Scheme. Early evidence from the trial sites suggest that the highest demand will be for direct carers assisting with daily living activities. The majority of funds (69.3% at the Barwon trial site and 78.9% at the Hunter trial site) are currently directed to assistance with daily living, and the most prevalent disability types are intellectual disability (30% in Barwon and 29% in Hunter) and Autism and related disorders (22% in Barwon and 23% in Hunter). The trend at the trial sites is supported by evidence from the broader population, where those requiring assistance with cognitive or emotional tasks have the highest rates of unmet need (ABS, SDAC 2015)

A major concern for the NDIA is that the speed in growth of demand cannot be met by a commensurate speed in growth of supply. The availability of workforce is a significant factor in the ability of the market to supply the needs of people with disability. The NDIA is currently undertaking some work to identify occupations and regions where there is a significant supply-demand mismatch.

The Department of Social Services (DSS) has policy authority for workforce development and the NDIA understands that DSS will be making a submission to this review.

³⁷ Productivity Commission, 2017. Table 15A.2, Report on Government Services.

Question 32

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

The NDIA has concerns about the impact of an ageing population in supply but does not have robust evidence of the likely effect. The Department of Social Services (DSS) has policy authority for workforce development and the NDIA understands that DSS will be making a submission to this review.

Question 33

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?

The NDIA is working with Victoria University to build a large scale model of the Australian economy that, for the first time, separately identifies the Disability Services Sector as a market sector within the economy.

In the existing literature there has been little analysis of where the additional labour required by the NDIS might come from – and even less analysis of the macro-economic consequences of the increased demand for labour. This is unfortunate, as the expansion of the NDIS to full scheme can be characterised as a GDP shock to government spending, with the specific characteristic that the spending is on a labour intensive program.

The expansion of the NDIS workforce will consume about 20 per cent of the growth in the Australian workforce over the next three or four years. This can be expected to have distortionary effects across the economy and on the prices faced by the NDIS.

In the short term, the stimulus may show up as higher labour force participation, lower unemployment, higher wages and higher prices (both within the Social Care and Assistance sector and in the wider economy). Where the stimulus will most affect the economy will depend on the state of the macro cycle and the 'narrowness' of the skills being demanded by the NDIS.

The Vic-Uni Model (formerly the Monash model) is a highly detailed and modern computable general equilibrium (CGE) model of the Australian economy. The Centre of Policy Studies at Victoria University has been engaged to modify the Vic-Uni model to separately identify Disability Services as a market sector within the economy.

The model will be able to examine the short-run macro-economic implications of the roll out of the NDIS. In particular, it will examine the implications of the need for the disability sector to compete with other sectors to attract appropriately qualified workers to deliver the required services, leading to cost pressures for the NDIS and possible negative implications for closely related sectors such as aged care.

The model will also be able to examine the productivity improvements in program delivery and administration in the sector as service providers compete that will arise from the introduction of consumer control within the NDIS.

Long-run scenarios will focus on the impact of the NDIS on the recipients of funding. In particular, these scenarios will examine the economic impact of increased participation in education and training and the labour force by people with a disability and their carers. These impacts will include increased economic activity and reduced reliance on welfare. Multiple scenarios will be devised to determine a likely range of results.

The Department of Social Services (DSS) has policy authority for workforce development and the NDIA understands that DSS will be making a submission to this review.

Question 34

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

Assistance for informal carers and strengthening natural supports should lower NDIS costs over time as outcomes are achieved without funded supports. Assistance to informal carers may also allow them to enter paid employment by reducing their carer obligations. This will increase labour force participation and the economy will benefit from employment gains.

Creating communities of support and effective use of telepresence technologies for the delivery of paid supports may assist informal carers to maintain and develop their care with the reassurance that they can seek advice or assistance when needed. It would also help reduce the expectation that therapy and interventions can only be undertaken in a clinic or practitioner's premises and thus support the NDIA expectation of a diverse workforce.

Assistance for informal carers could increase demand somewhat for formal care in the short run as informal care hours might decline. Alternatively, the assistance provided to some informal carers may increase their ability to provide care and result in them requiring less formal care assistance.

Question 35

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 NDIA has observed over the course of trial and transition that caring jobs are often poorly valued. Common reasons cited for a lack of retention (Department of Employment survey of Personal Care Workers 2014, National Aged Care Workforce Census and Survey) include the low conditions of work and physical and emotional toll of the job. This is regrettable.

The NDIA supports the view, in the Productivity's 2011 report, that the nature of this work, which can often be of an intimate nature, requires people with good aptitude and attitude rather than certification.

The Department of Social Services (DSS) has policy authority for workforce development and the NDIA understands that DSS will be making a submission to this review.

Question 36

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?

The NDIA has received feedback from providers that permanent part-time arrangements are optimal for attendant care services, because they allow shifts to be matched to demand. These providers have claimed that full-time employment arrangements are too rigid to adjust at short notice (e.g. where participants change their normal routine due to illness or family holidays, leading to a change in the billable hours of care for the provider).

Participant demand for care often occurs at 'peak times' or high demand periods which may include 7-9am (breakfast) and 4-8pm (bathing and mealtime) with less demand at late morning or mid-afternoon. This poses challenges for the sector to develop more mature rostering and staff management practices which are emerging in some areas.

The Department of Social Services (DSS) has policy authority for workforce development and the NDIA understands that DSS will be making a submission to this review.

Question 37

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

The NDIA expects that technological improvements can lead to improved service provision and outcomes under the NDIS.

- Technology may reduce the need for formal and informal care as innovations allow participants to partake in more daily living tasks:
 - Incorporating smart design into Specialist Disability Accommodation has the potential to reduce reliance on person-to-person supports. For instance, smart alert systems may enable participants to operate their homes better without or with less assistance;
 - The expansion of innovative transport services such as car-sharing into accessible transport options may provide more efficient ways for people with disability to access modified vehicles compared to private ownership; and

- Creating communities of support and effective use of telepresence technologies for the delivery of paid supports may assist informal carers to maintain and develop their care with the reassurance that they can seek advice or assistance when needed. Communities of support may also help reduce the expectation that therapy/ interventions can only be undertaken in a clinic or practitioner’s premises and thus support the NDIA expectation of a diverse workforce.
- Appropriate use of assistive technologies (including suitable monitoring/ alert systems) can reduce dependence of participants on carers for routine tasks and appointments (e.g. getting a drink or going to the toilet), and permit care and interventions to target activities or periods that require skilled human input (e.g. preparing a meal or intervention to manage a period of muscle spasm).
- Technology advances and innovation in service sectors similar to the disability support sector demonstrate potential future uses of technology:
 - Evidence from dementia research has shown that appropriate use of location triggered alerts/alarms can enable greater freedom for people who may wander, without increasing (even lessening) the burden on carers. Similarly, such technologies can also offer protection for carers dealing with participants out of hours or with at risk behaviours; and
 - Recent reports on the use of robot monitors in homes of the elderly to predict falls. While this particular instance is in an aged care setting, there are clearly applications in this technology applicable to disability support services.

Question 38

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?

Skilled migration may enable the meeting of workforce targets into the future. Following trends in the broader health sector, skilled migration can be used in regional and remote areas to target localised skills deficiencies (e.g. in allied health, nurses and other skilled staff), by issuing visas conditional on a period of service in a regional or remote location. Providers in remote parts of the Northern Territory reported good success in using skilled migrants to fill specialist health worker positions. They also noted that remote work provides exposure to a range of experiences that assist in career advancement, which can make such work attractive to interstate professionals.

It is important to note that, particularly for direct carers, formal qualifications (the usual target of skilled migration schemes) are not necessarily the primary requirement for many workers in the sector. In a 2014 survey of personal care workers, two thirds of recruiters listed personal qualities like people skills or work ethic as important or very important for personal care workers, while only half listed formal qualifications as important or very important (Commonwealth Department of Employment, *Personal Care Workers Australia*, 2014).

Anecdotal evidence suggests that participants are likely to value personal attributes and consistency of care (attitude and aptitude) over formal qualifications for many caring roles.

The Department of Social Services (DSS) has policy authority for workforce development and the NDIA understands that DSS will be making a submission to this review.

Question 39

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

The bilateral agreements established funding commitments by governments based on three key assumptions:

1. The number of people likely to enter the scheme;
2. The scope, type and volume of supports those people use; and
3. The prices of those supports.

These are all based on the original assumption from the Productivity Commission (indexed)

The NDIA sets price limits for some supports. The price levels broadly reflect the underlying cost assumptions and efficient service delivery costs, to ensure that NDIS participants get good value from their support packages.

To ensure that NDIS value is maximised in the long term, these prices must be sustainable – that is, efficient providers must be able to recover their costs of service delivery. For this reason, the NDIA takes account of market risks, such as the risk of service gaps if providers were to exit the market, when setting prices. It does not, however, take into account any current cross-subsidy of services that may exist.

The NDIA has an ongoing review program for NDIS prices to consider:

- Whether price controls are warranted for specific groups of supports and services; and if so
- Which pricing arrangements (that is, price levels and structures, rules, and funding) are appropriate, taking into account other measures that the NDIA can take to improve market performance (such as encouraging competition by removing barriers to entry).

Prices for supports included in participant plans are developed and published by the NDIA. Price control decisions are informed by significant input from market stakeholders through regional forums, targeted workshops, individual discussions and responses to discussion papers.

Services delivered in remote and very remote areas may have higher price limits, to accommodate additional service delivery costs. The Modified Monash Model (MMM) is used to determine remote or very remote areas. Price controls are 18 per cent higher in remote areas and 23 per cent higher in very remote areas in line with similar loadings set by the Independent Hospital Pricing Authority.

Some providers have raised concerns that NDIS price levels are too low, particularly for personal care and community supports, but have generally not supported these arguments with clear evidence. Other providers have suggested that current price levels are appropriate. These contradictory views within the provider population might be evidence that some are struggling to adjust to a funding model that is based on market principles. There is also evidence of a wide variation in operating costs under pre-NDIS approaches where efficiency was not a key consideration. It also might reflect changes in volume as well as the extent of cross-subsidisation of services that previously existed.

The NDIA effort to set maximum prices has incorrectly been taken by many in the sector to authorise an 'NDIS price' for their services, which is often inflated above actual costs. Many participants are currently insufficiently empowered to seek better pricing to maximise the return from their budgets.

The NDIA reviews prices annually. The review of 2017-18 prices is currently underway.

Question 40

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

'In-kind' services distort the market, particularly where they may not be available for the full financial year.

In-kind services are often in sectors of high cost, or where models of delivery require reform to align with person-centred, choice based principles. They are the most difficult to shift and sometimes—as highlighted by the Productivity Commission—reflect inequitable and inefficient services. Having these continued through the formalised agreements between governments creates tension for the NDIS against the principles of choice and control, and can tie the NDIA to acceptance of cost structures known to have inefficiencies or higher than market based prices. This is particularly the case with hitherto State and Territory funded or operated accommodation services, including large residential settings and Commonwealth Australian Disability Employment services.

There are some areas where the retention of existing services or systems, whilst potentially resulting in higher costs to the Scheme, assist with ensuring availability of supply which allows time to work through developing market capacity and alternative delivery approaches e.g. Personal care in Schools and school transport. A move to fully individualised, choice based approach may not, in the short-run, be the most cost effective so alternative market intervention may need to be explored.

Question 41

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?

The NDIA has identified a number of themes that influence provider readiness including:

- Concentration of disability revenue;
- Relative experience of operating under State and Territory individualised funding models, especially in terms of readiness to move away from block funded models of service delivery; and
- Proximity to NDIA roll out region, including timing and phasing of future roll out.

The NDIA is working to improve the quality and amount of information available to providers in all elements of the provider pathway (awareness, commercial assessment, registration process (including the impacts of the move to the national arrangements being led by DSS), service planning and delivery, payment and claiming outcomes) so that providers are better placed to meet expectations and develop their service offer under the NDIS.

The level of business transformation will vary depending on service provider type i.e. expectation of small or sole trader will be a vastly different process to a large national organisation seeking growth.

The NDIA, through its regional network, holds information sessions for new and existing providers including tailored information for different provider types such as support coordination, assistive technology, transport and specialist disability accommodation.

Other governments play a significant role in provider readiness, most notably through the Sector Development Fund (administered by the Department of Social Services) and other State and Territory specific investments. Small organisations with limited working capital are typically prioritised for access to packages of business support.

Question 42

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

Providers planning for transition report having completed key readiness activities prior to the roll out of the NDIS in their region. Commonly reported readiness activities include developing unit costing models, re-assessing staffing models, introducing new IT and business systems, and consultation and engagement with current clients to better understand their needs and preferences. Some providers engage peer organisations that have already made the transition to obtain insights and learn from their experiences.

Readiness to shift from block funding models is impacted by the proportion of organisational income likely to be affected (including intersection with potential in-kind funding arrangements). Where potential participant numbers and package size is uncertain, moving to a fee-for-service model is daunting and may involve new service lines and alternative income streams. Most providers shifting from block funding have adjusted their billing cycle to meet the 90-day payment rule with providers generally submitting claims in a timely way.

Providers delivering aged care and other programs moving to individualised funding are aware of the general policy shift toward greater self-direction and many have been planning for its staged implementation and welcome the opportunity for greater contestability.

The observations from trial were that even though providers had completed many of the essential readiness activities in time for transition, they continued to make business changes over time and to adapt to consumer driven business models. New entrants to trial markets tended to devise more suitable business models that did not require constant adjustment often because they did not have the legacy of business models that were developed under historical block funding arrangements.

Question 43

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

The NDIA is committed to removing barriers to entry wherever possible, noting that some barriers, such as different quality and safeguarding requirements in each jurisdiction, are beyond the NDIA's control.

In general, providers of disability supports experience low barriers to entry as they can determine which services they choose to deliver where, and the amount of services or number of participants is not capped.

This said, the NDIA has identified a number of barriers to entry for new providers:

- Different quality and safeguarding requirements in each jurisdiction can act as a barrier to entry for new providers with a significant number of providers seeking to register as a national provider but at this stage unable to do so.
 - The implementation of the new national quality and safeguard framework, which is being progressed by the Department of Social Services, will reduce the compliance burden for providers seeking to operate in multiple jurisdictions. The framework will drive consistent approaches to regulating provision of the NDIS funded support.
 - Providers of specialist disability supports continue to meet Commonwealth, State, and Territory quality and safeguarding requirements during transition. These requirements are generally considered to be proportionate to the risks associated with the delivery of specialist disability supports, although further shifts toward responsive risk-based regulation are expected under the national framework.
 - Most jurisdictions support a developmental model that allows new providers to enter the market. In NSW, however, providers wishing to register for specialist disability supports are required to provide evidence of full Third Party Verification (TPV) to register with the NDIS. This acts as a barrier to entry for new providers who cannot achieve TPV as they have no prior experience of service delivery against which to be assessed.
 - In the context of a growing and changing market, jurisdictions continue to refine quality and safeguards requirements of providers through transition to ensure a

balance between the safety and wellbeing of participants, and the administrative cost of compliance.

- Insufficient information for providers can constitute a barrier to entry.
 - Providers often report that the projections of future demand do not provide them with sufficient information to determine whether they can viably provide service under the NDIS.
 - During 2017 the NDIA will develop and release a range of market insights designed to provide more granular supply and demand information as well as more detailed analysis of specific sub-markets.
 - Third parties continue to develop innovative solutions to information asymmetry problems. For example, the NDIA is aware of websites that provide informational supports such as:
 - providing a direct link between participants and disability support workers that enables an independent means for participants to locate, engage and manage their own disability support workers; and
 - functionality to enable review of providers which will further empower participants.
- In kind arrangements can also act as a barrier to new providers where supports are being provided through State and Territory government arrangements (for example building Specialist Disability Accommodation), although the NDIA notes that this is a transitional issue.
- The NDIA is aware that some new providers are anxious that they have no obvious mechanism to promote their services and products to participants, limiting the ability for providers and participants to engage with each other. The NDIA is aware that new providers need better mechanisms for connecting to participants. Existing mechanisms include LACs, support coordinators and the provider finder in the myplace portal. Enhancements are being made to the provider finder until the preferred emarketplace solution is able to be developed, which is expected to more comprehensively address this requirement.

Question 44

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?

NDIA has a responsibility to implement market stewardship activities to support and improve participants' access to supports. The NDIA will work to minimise market failures, information gaps, and perceived regulatory risks which would limit consumer choice and the achievement of the key outcomes of the Scheme. In the short term the NDIA will have a

more active role in facilitating markets to ensure there is sufficient and innovative supply for participants.

In remote locations there are often limited providers who provide services in the community. This can be as a result of distance from the closest town or regional centre, employment and retention difficulties, availability of accommodation and facilities for fly-in-fly-out (FIFO) workers, lack of local skilled and engaged workforce, community preference and acceptance.

For Aboriginal and Torres Strait Islander communities in particular, a family may choose not to work with a specific provider or individual delivering in the community. There may also be a preference for the frontline worker (employee of the service provider) to be of the same gender and similar age as the participant for many service types. This further reduced the potential customer pool for any single provider in a location, making sustainable local service delivery more difficult.

It is clear that active and deliberate cross-government collaboration will be required to build market initiatives that can support the build of appropriate supports. This will include the development, training and mentoring of locally based workers to deliver supports and maintain a strong focus on optimizing the economic benefits of this increased government expenditure in each local community. Education on the interface between health services and disability supports is also a necessary feature to ensure participants maintain access to vital health services.

In these communities, there will be a need to leverage established community organisations (such as those already operating in health, aged and community care sectors), which have well established credibility within communities and have the necessary cultural credentials and skills that enable appropriate service delivery. There is evidence of this collaboration occurring in the Barkly region with Barkly Remote Allied Health Team, the regional council and a remote Aboriginal community working together to conduct disability assessments, provide information about the Scheme and deliver disability supports using existing infrastructure

Preventative strategies may limit loss of supply of NDIS supports and services:

- This could include supporting a provider to access supports from business councils, Indigenous Business Australia or any other organisation in the Indigenous business capacity-building sector to strengthen the organisation's commercial position and/or improve governance arrangements etc.;
- This could also include the hub and spoke model (also known as scaffolded support) where generalist providers provide support in the rural or remote community, and where needed can collaborate or seek oversight from an advanced practitioner or specialist centre either through a visiting clinic or telepresence.

There should also be recognition that there are special competencies required of providers offering services in rural and remote settings that may not be necessary in metropolitan locations. This may avoid the dangers of inappropriate FIFO out or telecare practice that is

ineffective in the participant's context. This would particularly apply for remote Aboriginal and Torres Strait Islander communities.

Some providers are thinking creatively about supply in thin markets:

- For instance there was evidence of a small business in a remote region diversifying into associated areas to provide additional business income (e.g. adding non disability related stock to their retail business). Similarly, the NDIA is keen to work with existing mainstream providers in a rural environment to expand their services to better meet the needs of participants, such as plan management services by local accounting services and re-purposing of under-utilised infrastructure to meet the increased demand for services – for example, mining accommodation or disused school or public infrastructure for accommodation or group program support purposes;
- Business relationships are also emerging between urban and remote businesses to leverage the expertise of the larger urban organisations with the local skills and knowledge of a remote workforce.

Some providers are actively thinking about service delivery models that would meet the needs of Aboriginal and Torres Strait Islander people: Organisations are exploring business models that would increase their employment of locally based Aboriginal and Torres Strait Islanders, for instance by recruiting on attitude and building skills as part of on the job training. This was evident during interviews with over 35 providers and stakeholders as part of the NT Market Position Statement.

Question 45

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 NDIA has observed some pertinent points around collaboration in the market:

- In Tasmania, there is some evidence that organisations are continuing to collaborate to meet the community needs with some providers operating on a “coopetition” model;
- In the Northern Territory there is evidence of businesses collaborating on a workforce development initiative that would see the development of a new worker induction program and the establishment of a pool of labour that all providers could access to reduce costs associated with workforce planning and development;
- Similar initiatives are being considered by existing training providers with trainees coming in and out of training programs to take up disability support work. Models of this nature may be able to accommodate the cultural demands of a large Aboriginal and Torres Strait Islander workforce;
- Some providers have observed that heightened competition has undermined the potential for collaborative work;

- The NDIA has no evidence of social capital loss but notes that the vision sector has expressed concerns that their fundraising has been impacted by confusion around the NDIS and having to adjust messages.

Question 46

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?

People with disability and their families and carers have reported that there is continued difficulty in understanding the NDIS and the process of moving through the pathway.

The NDIA has designed the participant pathway to include support for participants during the planning and implementation phases. The commitment to LAC capability six months in advance of an area phasing in was also designed to increase awareness of the Scheme and to guide participants in the planning process. Due to the speed of transition, this commitment has not always been possible and so the benefits have not been realised.

In the implementation phase, the NDIA provides LACs for those with less complex needs and funding for support coordination for the intensive participant groups.

This is challenging for participants, many of whom have not had the opportunity to exercise choice at this scale previously and trial indicates that it takes several years before many participants are confident to change providers. The choice of community partners is essential to build connections and confidence in organisations known and trusted in the community who are able to make advancements in inclusion opportunities. Metrics are being developed to better understand purchasing patterns and the timing in which participants make decisions. Materials guiding participants on plan implementation are being refined. The expectation is that markets such as online comparison sites and online connecting services that give easy, flexible and appropriate access to services will continue to emerge.

The NDIA has also identified that there is a need for work in the support coordination sector, particularly in some cohorts such as where participants have challenging behaviours, rural and remote areas and where there are gaps in mainstream services that the NDIS cannot fill. Work continues to educate support coordinators on the capability building role expected of their function which is designed to build the skills of individuals over time to make support decisions themselves.

Governance and Administration of the NDIS

Question 47

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?

There are some specific areas where outcomes for the NDIS could be enhanced by changes to administrative and governance arrangements:

- Increased flexibility around the use of funding currently allocated exclusively to package costs: An amendment to bilateral agreements and to legislation would better enable the NDIA to invest in initiatives (such as Information, Linkages and Capacity building activities) that will lower demand for funded supports. The NDIA considers this essential for managing risks to financial sustainability;
- Greater protection for the role of Operational Guidelines in managing NDIS costs: An amendment to the NDIS rules which gave greater coverage to operational policy or a limited delegation to the NDIA CEO to create legislative instruments in certain circumstances (anticipated by s.201 of the NDIS Act), would enhance the NDIA's ability to manage costs by quickly responding to adverse findings by the AAT;
- Greater scope to delegate legislated functions outside the NDIA: Despite the significant benefits of having partners in the community, in achieving outcomes for participants and managing Scheme costs, their role is constrained. The NDIA may be able to use partners more effectively by making limited delegations of decision-making powers under the NDIS Act to Local Area Coordinators.

Question 48

To what extent do the reporting arrangements help to achieve the financial sustainability of the scheme? Are they too onerous or do they need to be expanded?

Existing reporting arrangements, which include Actuarial reporting to the CEO and Board, are stipulated under the legislation and serve to provide critical information on the Scheme's financial sustainability.

Key statistics and metrics are also reported via public dashboards to provide meaningful information to participants, providers and the broader public. These are being worked on to improve their quality and usefulness.

The NDIA considers the reporting arrangements to be critical to both the financial sustainability of the Scheme but also in building trust, ownership and pride in the Scheme amongst the community and governments.

Question 49

Does the way that the NDIA measures its performance affect the delivery of the NDIS?

The NDIA believes that measuring performance is critical, and that the way performance is measured can affect delivery. When some performance indicators are measured, more resources are devoted to those indicators over others. For example, bilateral estimates can and do impact upon the way in which the Scheme is delivered. This can put sustainability at risk and impact on the way in which early intervention and investment initiatives are implemented in the short term. It may also have adversely impacted the quality of plans.

More specifically, a balance needs to be achieved among meeting bilateral estimates, delivering consistently high quality plans and ensuring financial sustainability.

Question 50

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

Jurisdictional Bilateral Agreements outline that, during transition, State and Territory Governments retain responsibility for quality and safeguards.

To give practical effect to this agreement, State and Territory Governments, the Department of Social Services (DSS) and the NDIA has developed (or is in the process of developing) Quality and Safeguards Working Arrangements for Transition in each jurisdiction.

These Working Arrangements have been developed to uphold the safety of participants whilst ensuring there are sufficient providers to meet growing demand for disability supports.

Quality and safeguard mechanisms agreed in these arrangements for transition are largely based on the requirements existing in each jurisdiction prior to the implementation of the NDIS.

The DSS has policy authority for quality and safeguards and the NDIA understands that DSS will be making a submission to this review.

Question 51

Are there appropriate and effective mechanisms for dealing with disputes with the NDIA?

The NDIA's experience with complaints, internal reviews and merit reviews has not highlighted systemic issues with the efficacy, experience or quality of the channels of dispute resolution. The NDIA is paying particular attention to the lived experience of people with a disability in navigating NDIA's complaints and issues management processes. Where patterns emerge, the NDIA will take action to address the situation.

Question 52

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 is currently tracking operating costs to reach this goal at the end of transition to full scheme noting that the operating margin is considerably higher than the target of 7% at present.

This matter needs to, and will, be constantly monitored by the NDIA and the target will need to be reconsidered if additional functions, such as regulation of the market, are allocated to the NDIA. There is always a balance needed in operating as efficiently and effectively as possible while recognizing that operational functions that allow for the implementation of cost controls over the larger area of expense (the 93% allocated to package costs) must be sufficiently resourced to be effective.

Question 53

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

The NDIA is acutely aware of the importance of its role as a market steward. A number of market stewardship activities have been undertaken or are underway which recognise the needs of the marketplace. These include:

- Publication of Market Position Statements (MPS) in all jurisdictions except WA and a series of concise sub-market sights is planned for 2017 (see below);
- Publication of the *NDIS Market Approach (Statement of Opportunity and Intent)* which articulates the NDIA approach to market stewardship;
- Provider communication and engagement including a Provider eNewsletter and strategic communications on hot topics, and development of a network model for regional provider and industry engagement;
- A provider benchmarking project to deliver information to providers that will support their NDIS transition and enable better market stewardship decision making by the NDIA; and
- Annual pricing reviews.

Feedback on the MPS is that organisations and individuals find the information contained in them useful though not sufficiently granular. In recognition of the relatively small data set that is currently available at this early stage of implementation of the NDIS, each MPS also contains a section on provider experience which allows prospective providers to better understand the operating model and potential market risks.

In addition to the annual pricing review, major market stewardship activities the NDIA will undertake in 2017 include:

- shifting to delivery of a series of market insight products that provide intelligence on specific sub-markets, cohorts and/or themes (this affords the NDIA the opportunity to work collaboratively with stakeholders in the development of market information that is responsive and relevant to the needs of industry or area of required growth);
- further develop its market monitoring capability consistent with its role as market steward with a view to assessing instances where market intervention by the NDIA is appropriate;
- Commence the provider benchmarking project.

Question 54

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

In transitioning to a competitive and contestable marketplace the NDIA expects that there will be instances where providers fail – this is a normal occurrence in other sectors and markets. The experience of other national programs is that greater focus may be needed in remote areas to ensure that all participants are able to access supports.

The *NDIS Market Approach (Statement of Opportunity and Intent)* highlights that interventions available to a market steward range from light touch to highly interventionist. Any particular intervention by NDIA will be considered on the specific situation.

Where there is a provider failure, the focus for the NDIA is the continuity of disability support services for participants and wherever possible, any intervention by the NDIA will adopt the lightest touch possible and seek to be short term and temporary in nature.

The use of a provider of last resort is a highly interventionist approach and may involve various forms of commissioning by NDIA. The precise mechanism will depend on the specific circumstances, however this will be a commissioned solution of some description. The NDIA will not provide supports directly to participants.

Where there is a market collapse, or an unexpected rapid market exit of a significant provider, NDIA and the relevant state or territory will engage in accordance with their agreed working arrangement to determine the appropriate response. Where it is agreed that commissioning is the appropriate response, the NDIA will engage with participants, the community and providers to develop an appropriate culturally sensitive and person centred solution.

Paying for the NDIS

Question 55

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 mechanisms approach differs significantly from the arrangements proposed by the Productivity Commission and risks constraining the Scheme to a budget operated rather than insurance based approach. There is also evidence from trial of the complexity and length of time taken to resolve funding arrangements where estimates and cost shares agreed under the Bilaterals are incorrect. This has occurred in both SA and ACT where bilateral estimates and therefore projected cost contributions were premised on population estimates lower than those projected by the Scheme Actuary. The protracted negotiations of cost sharing for revised population estimates, and subsequent media attention, causes significant concern and distress in the community.

Question 56

What proportion of a state or territory’s contribution to the NDIS are in-kind services? Are there risks associated with in-kind service contributions?

The details of in-kind and total contributions agreed in bilateral agreements are:

	16/17		17/18		18/19		19/20	
\$M	S/T	Cth*	S/T	Cth	S/T	Cth	S/T	Cth
NSW in-kind	452.2	29.9	705.1	84.6				
NSW total	1239.6	743.3	2410.5	2006.8				
Vic	136.0	7.6	353.4	32.4	696.4	77.9		
Vic total	306.6	242.4	917.4	700.6	2051.8	1568.7		
QLD	7.4	3.6	42.1	17.8	104.1	55.0		
QLD total	136.9	100.2	548.9	409.7	1543.3	1672.8		
SA	16.0	1.1	22.565	9.4				
SA total	51.1	135.6	265.3	294.3				
TAS	16.3	1.1	24.4	3.2	44.4	6.6		
TAS total	35.9	45.45	87.92	82.39	202.34	140.4		

	16/17		17/18		18/19		19/20	
WA			55.4	26.9	93.7	24.0	148.7	33.9
WA total			363.4	267.9	599.1	445.9	1042.7	689.2
NT	Nil		Nil		Nil			
NT total	7.7	12.7	33.1	46.4	81.5	122.3		

*Note Commonwealth contributions include full cost of participants over 65 remaining within the NDIS

There are significant risks associated with in-kind service contributions. In-kind services have a distortionary impact on the market in terms of both price and innovation. Further, in-kind services, because they must be utilized first, have the effect of limiting choice and control for participants. Where in-kind supports are not yet best-practice there is the risk that they will not be effective in helping participants achieve the outcomes anticipated by the NDIS.

Question 57

What are the implications of the current risk sharing arrangements? Do they encourage either cost shifting or overruns? What, if any, improvements could be made to the current risk sharing arrangements?

The NDIS is a component of the National Disability Strategy. There is the risk that States withdraw funding from mainstream services to support people with a disability. Withdrawals in the areas of health, education, transport, justice and housing, could result in substantial risk to the overall cost of the NDIS. Greater focus and accountability across the National Disability Strategy is required to avoid this potential cost-shifting.

In addition, the costing of the NDIS assumes roll-out of the National Injury Insurance Scheme (NIIS), which supports people with serious injury (across motor vehicle accidents, worker's compensation, general injury and medical misadventure). States and Territories have worker's compensation schemes and no-fault schemes for people seriously injured in motor vehicle accidents however timing for implementation of a NIIS for general injury and medical misadventure is unclear. Without the NIIS in place, further cost-pressure will be placed on the NDIS.

Lastly, a concern the NDIA has experienced with the current risk sharing arrangements agreed by governments is in relation to in-kind supports. In-kind is higher than the notional prices, and at present the States and Territories do not carry the financial risk associated with resulting higher package costs.

The broader risk is that the Commonwealth bears a disproportionate financial burden in relation to financial sustainability, and that the NDIS is covering a broader range of supports, which could result in lower overall supports for people with a disability (across all portfolios).

Question 58

How is the 3.5 per cent increase in a state or territory's contribution to the full scheme calculated? Is this reasonable? Will it skew the balance of the funding over time? If so, what are the implications? Is there a better way to index contributions?

The 3.5 per cent increase is the subject of agreements between Governments, and the NDIA understands that the DSS submission will cover this issue. The NDIA can observe that wage inflation and the Equal Remuneration Order (ERO) are likely to result in an increase above 3.5 per cent in the short-term, which will result in a skewing of the contributions. Longer-term assumptions should be set considering wage inflation levels, population growth rates, and efficient prices.

Question 59

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

The NDIA is not yet in a position to assess the impact of the bilateral agreement between Western Australia and the Commonwealth on NDIS costs.

Question 60

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?

This is a question for governments to consider and decide.

Question 61

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

The NDIA is committed to delivering the NDIS in a way that:

- Promotes the objectives of increasing participant independence and economic and social participation; and
- Is within the funding envelope set by governments in the bilateral agreements.

Financial sustainability is delivered by meeting the intent of the Scheme whereby:

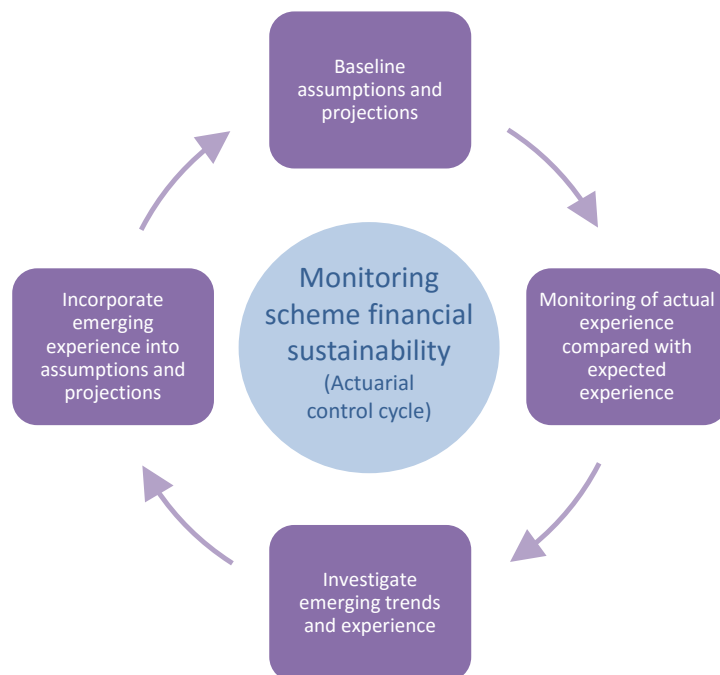
- The Scheme is successful on the balance of objective measures and projections of economic & social participation and independence for participants;
- Participant outcomes are being achieved and they are receiving sufficient reasonable and necessary support to achieve these outcomes; and
- The cost is and will continue to be affordable, under control, and represents value for money.

The NDIS Act and Rules outline the requirement for the Scheme Actuary to produce an annual financial sustainability report to assist with measuring and monitoring financial sustainability. Specifically section 180B(1) of the NDIS Act:

The scheme actuary must do all of the following each time an annual report is being prepared by the Board members under section 46 of the Public Governance, Performance and Accountability Act 2013:

- a. *assess:*
 - i. *the financial sustainability of the National Disability Insurance Scheme; and*
 - ii. *risks to that sustainability; and*
 - iii. *on the basis of information held by the Agency, any trends in provision of supports to people with disability*
- b. *consider the causes of those risks and trends;*
- c. *make estimates of future expenditure of the National Disability Insurance Scheme;*
- d. *prepare a report of that assessment, consideration and estimation;*
- e. *prepare a summary of that report that includes the estimates described in paragraph (c).*

The framework for monitoring financial sustainability used by the Scheme Actuary includes continuous monitoring and evaluation of participant outcomes and costs.



Specifically, the framework involves collecting data on the number of participants, the characteristics of these participants (to allow analysis of reference groups), the outcomes for these participants, and the cost of supports provided to participants. This allows a detailed understanding of deviations between actual and expected experience and hence identification of cost drivers. This information can then be used by the NDIA Board and management to implement any changes required to continue to ensure the NDIS remains financially sustainable.

Question 62

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 five current potential cost pressures identified by the NDIA are:

- Higher than expected numbers of children entering the Scheme;
- Increasing package costs over and above the impacts of inflation and ageing ("super-imposed" inflation);
- Potential participants continuing to approach the Scheme;
- Lower than expected participants exiting the Scheme; and
- A mismatch between benchmark package costs and actual package costs.

In line with the insurance approach of identifying risks early and putting in place management responses to mitigate the risks, the NDIA is implementing responses to these potential pressures. These responses have included the ECEI approach, the first plan process, and several smaller projects including the analysis of reasonable and necessary costs across the lifespan; guidelines on reasonable levels of family support across the lifespan; focusing on psychosocial disability; further guidance on chronic health conditions; and, investment in SLES to assist school leavers into employment.

Managing risks to financial sustainability requires a clear understanding of the drivers of success, rigorous monitoring of emerging experience and a disciplined process to respond to issues and trends. To achieve this, the NDIA maintains a senior executive liability working group involving the Scheme Actuary, the Chief Operating Officer and the Chief Risk Officer. This working group in particular closely monitors the success of NDIA initiatives to address trends and modifications to key internal processes such as eligibility and support assessment. This review and feedback loop is critical to insurance governance principles and management of long term financial sustainability.

The NDIA is focused on supplementing this centralised expertise by recruiting business leaders and staff with broad social and commercial insurance expertise who are familiar with the disciplines and practices of rigorous monitoring of actuarial outcomes. Comprehensive training, education and support for decision makers and their supervisors on the importance of the prudential control cycle, the features of a social insurance model and the imperatives of understanding the liability impact of delegates' decisions is also crucial.

There are other potential cost drivers that the NDIA can influence to a much lesser degree such as the role of governments in actively building understanding and responsiveness of mainstream support systems and ensuring enhanced consistency in the access to supports through these avenues in accordance with the agreed COAG interface accountabilities will remain a major cost control. Specifically, the role of mainstream in relation to out of home

care arrangements for children, community mental health, early intervention for children, and preventative health.

Similarly, withdrawal of governments from ILC type activities that provide opportunities for inclusion for participants would pose significant risk in expectations of higher level funded supports to achieve these inclusion goals.

Although this category of risks is largely beyond the NDIA's direct remit, the NDIA undertakes a comprehensive consideration of all risks to financial sustainability as part of strategic risk management processes – including those over which it has limited control. The NDIA then looks to limit potential exposure through mitigation strategies designed to leverage influences across all available avenues.

Continuing close relationships between the NDIA and DSS as the policy department are critical to ensure risks are clearly understood and jurisdictional policy settings remain supportive. Key policy settings include delivery of mainstream services consistent with the National Disability Strategy and introduction of National Injury Insurance Scheme (NIIS) principles. These policy settings are fundamental for management of long term financial sustainability in line with Scheme design principles.

Question 63

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 maintains a comprehensive risk management process centred on a full range of strategic risks. Current key strategic risks to financial sustainability include:

- *internally* focused risks such as key policies and decision making processes, staffing and delivery partnerships, and ensuring optimal usage of funding allocations
- *partner* focused risks such as maximising value from shared service partnerships; and
- *externally* focused risks such as ensuring emergence of adequate provider markets and workforce and maintaining necessary jurisdictional and community supports.

The management of strategic risks are continually reviewed and plans refreshed on at least an annual basis. To this end, a major exercise is currently underway to review and more clearly articulate the Board's assessed importance of and appetite for the management of identified strategic risks. This will ensure alignment of NDIA plans and resource allocation with management of risk.

Many risks to Scheme sustainability are beyond the direct remit of the NDIA including risks associated with access for people with chronic health conditions, interpretations of reasonable and necessary by the AAT or Federal Court and performance of mainstream service systems to support people with disability to achieve outcomes.

However, as discussed above, while the NDIA may not have direct control of management of such risks, it does have the accountability to identify, understand and respond to these risks as far as possible. Responses may include quantifying the risk and identifying possible

policy change as required. Maintenance of NDIA access to appropriate policy forums is critical so as to understand and influence policy issues that have sustainability impacts.

Question 64

How does the NDIA progress from identifying a risk to managing it through changes in the delivery of the scheme? Are there any barriers to the NDIA doing this effectively?

The NDIA's risk management strategy includes clear processes for identification and ongoing management of the effects of uncertainty on the achievement of NDIA's objectives. NDIA focuses on both harnessing opportunities and mitigating threats. The challenges of a large dispersed network and delivery model are recognised in a number of ways, including:

- Maintaining strong central strategic oversight with a dedicated Chief Risk Officer (CRO) and an executive-level Risk Management Committee chaired by the CRO and attended by General Managers;
- Allocating clear accountability to individual General Managers, for the co-ordination and management of strategic risks and opportunities across NDIA and through the delivery network and work of community partners;
- Maintenance of divisional operational risk registers, plans and accountabilities through facilitated quarterly risk reviews, which include 'rolled-up' regional and community partner delivery risks; and
- Creating a network of "risk champions" across NDIA to support management of issues in each division;
- This approach reflects the inherent risks in the complexity, maturity and scale of the roll out of the NDIS. Particular attention is being paid to the inherent risks of complexity beyond any particular discrete risk.

The utility of these risk management strategies is regularly reviewed and refreshed to ensure the approach remains 'fit for purpose'.

The major challenges to NDIA in this regard are a fast growing workforce, their geographic dispersion and ensuring effective communication channels for risk awareness and issues escalation. The risk champion network is seen as critical in this regard as NDIA grows and operational demands increase.

Another major challenge is ensuring appropriate collection and access to quality data on participant needs, supports and outcomes. A comprehensive data warehouse and reporting capability, including for tracking longitudinal outcomes is required. Currently, the NDIA does not have the required capability and continued development in this area is critical.

Question 65

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 long-term financial sustainability of the NDIS and the successful transition to full scheme operations by 2019 will require a clear focus on critical priorities, careful management of risk, excellent implementation and comprehensive monitoring of performance.

The NDIA recognises the challenges in ensuring its risk management framework remains fit-for-purpose in the context of the scale, complexity and size of Scheme roll-out. The NDIA is adapting its risk management capability and approach to be agile and responsive to its fast-changing landscape and the NDIA's high operational tempo.

The PricewaterhouseCoopers (PwC) *MyPlace Portal Implementation Review* identified opportunities for improvement in the NDIA's management of inherent risks of complexity, maturity and scale against a finite completion date. In response, the NDIA's approach to operational risk management is being revamped with a focus on increasing the ability of staff at all levels to effectively identify and manage areas of potential exposure. This comprises a comprehensive review of the NDIA's risk management strategy, policy, training, risk communication strategy and risk maturity matrix. The review will also deliver a full suite of revised risk management toolkits to support NDIA staff and community partners.

At a more strategic level, the NDIA is undertaking a significant refresh of its higher-level risk management approach and capability. This includes both a transformation of the NDIA's approach to risk appetite and a restatement of key risk indicators. The work will ensure that the NDIA has a clear understanding of potential exposures and match these with clear strategies to respond as the risk profile shifts and/or new risks emerge.

In late 2015, the NDIA adopted Australian Prudential Regulation Authority (APRA) standards and guidance on risk management appropriate for insurance based organisations, including the adoption of independent three-yearly reviews of the effectiveness of the risk management approach.

A comprehensive baseline review of the NDIA's risk management processes was undertaken by Ernst and Young in May 2016. The review acknowledged that while materially meeting the requirements of the Risk Management Rules, there were a number of areas where the design of the NDIA's risk management strategy could be enhanced to meet the intent of APRA standards or evolving better practice approaches to managing risk the financial services sector. These improvements include:

- Clearly delineating the governance responsibilities of the single Audit Risk and Finance Committee (ARFC) by considering a split into a Board Audit Committee and a Board Risk Committee – this recommendation has been adopted by the refreshed Board has now established separate Audit and Risk Committees.
- Enhancing the Risk Management Framework to clearly articulate how the risk management function and framework needs to develop over the next 24-36 months to keep pace with the expected level of change in the NDIA – in November 2016 the

Board approved a new risk management framework architecture, supported by the NDIA's inaugural enterprise risk management (ERM) plan. The plan is designed to ensure enhancement of the maturity of the NDIA's risk management framework in alignment with the NDIA's rapid growth and changing risk profile.

- Introducing a risk management information communication technology (ICT) solution to better manage the NDIA's risk identification, analysis, evaluation, monitoring and reporting requirements to meet CPS 220 – the NDIA is working toward acquiring an appropriate ICT solution by December 2017.
- Introducing a control testing program to provide more objective information to support the assessment of the NDIA's control framework, given CPS 220's requirement to have clear procedures for testing control mechanisms for material risks – the NDIA adopted an integrated assurance approach in February 2017. The NDIA's enterprise risk management architecture provides for a control self-assessment process, which is being developed as part of the comprehensive enterprise risk management refresh to be completed by 30 June 2017.
- Having the CRO be a direct report to the Chief Executive Officer (CEO) – the CRO role is now a direct report to the CEO, meeting APRA requirements of independence and reporting.
- Developing a more tailored and formal approach to monitoring the risk culture across the NDIA and its key third party providers, given APRA's requirement that the Board must form a view of the risk culture in the organisation – the enterprise risk management architecture provides for formal monitoring of risk culture. A risk culture maturity pathway is being defined as part of the comprehensive enterprise risk management refresh to be completed by 30 June 2017.

To improve the NDIA's ability to deal with uncertainty, it is reaching out to others to share insights and experience. It has become an active member of communities of practice and accesses expert insight and advice into a range of risk, integrity and compliance matters.

NDIA's risk team has established connections with APRA-supervised agencies and other large, social insurers. Closer links with APRA, in particular in the area of training and better practice guidance will be integrated as part of next ERM Plan.

Given the NDIA's accountability for the NDIS system, it will be important for the NDIA to take a holistic approach to risk and work closely with its community partners who deliver many important aspects of the Scheme, as well as with the NDIA's shared services provider, the Department of Human Services.

The NDIA's risk management strategy is provided to the COAG Disability Reform Council. The NDIA recognises that risk culture is critical and accepts that an open and transparent process is important. To this end, the NDIA publishes a detailed statement of its approach to risk management in the Corporate Plan, as required by federal law. The performance reporting against the Corporate Plan will, over time, include information about its approach to, and experience with, managing uncertainty.

Examples of changes made in response to realised and potential risks include:

- The revamp of business continuity planning to ensure lessons learned from the July 2016 portal implementation are hard wired into broader business resilience processes.
- The detailed review and timetable for the reinstatement of end-state controls in the NDIS Business System that were lifted to facilitate recovery efforts in late 2016
- A diagnostic of potential value at risk of improper payment, with a subsequent comprehensive integrated payment integrity program mapped across a three-year period.

Question 66

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

The original PC report recommended an annual funding envelope, with a risk margin to manage volatility or short-term cost escalation. Such a strategy is common in insurance operations, but such an arrangement is not available to the NDIA where it is funded effectively on a very short term cash flow basis (in arrears for the State and Territory contributions). This allows very little flexibility for the NDIA to directly manage risk.

A key underlying principle of the NDIS and the insurance approach is to take a long-term view and invest early. By investing time and money into good supports as early as possible, it is hoped that positive outcomes will be realised and there will be less need for support in the future.

This approach is *not* dependent on annual funding mechanism but *is* dependent on ensuring the impact on future funding needs of annual decision making is recognised.

The NDIA recognises the importance of having the capacity to ‘invest’ for future outcomes in a number of ways:

- for individual participants, by considering the long term outcomes and potential cost improvements from increased short term supports, such as vocational training
- for community capacity building, to ensure an optimal ‘preventative’ focus to provide general supports to complement individual funded packages of support; and
- for funding of research and innovation initiatives, to identify better practices and improve future outcomes and costs.

Increased flexibility around the use of funding currently allocated exclusively to package costs would significantly increase the NDIA’s ability manage risks in accordance with insurance principles.

Question 67

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

The NDIA has identified a number of modifications that could be made to either the administrative arrangements or practical operation of the NDIS that could achieve efficiency gains and reduce costs. These are discussed at length in other parts of this submission

Question 68

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

The NDIA is committed to operating the NDIS within the funding envelope and will do so by using levers within its control to address risks.

Where cost risks are outside the control of the NDIA, then the NDIA will make recommendation to the Commonwealth Minister and the Disability Reform Council for amendments to legislation and Rules.