



Response to Position Paper

Productivity Commission Review of National Disability Insurance Scheme (NDIS) Costs

Richard Madden



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National Disability Insurance Scheme (NDIS) Costs Productivity Commission

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Introduction

This response covers a range of issues referred to in the Commission's Position paper.

Pricing of disability supports (6.2)

The range of issues surrounding pricing of NDIS supports is well discussed.

The three stage proposal set out in Recommendation 6.1 is supported.

People with 'an acute and immediate need' or 'very challenging behaviours' (6.3)

These people are included in Draft Finding 6.1 on Thin Markets.

'In a market-based model for disability supports, thin markets will persist for some groups, including some participants:

- living in outer regional, remote and very remote areas
- with complex, specialised or high intensity needs, or very challenging behaviours
- from culturally and linguistically diverse backgrounds
- who are Aboriginal and Torres Strait Islander Australians
- who have an acute and immediate need (crisis care and accommodation).

In the absence of effective government intervention, such market failure is likely to result in greater shortages, less competition and poorer participant outcomes. '

Most of the discussion on Thin Markets (6.3) is directed to participants in regional and remote communities, Indigenous participants and CALD participants.

People with an 'acute and immediate need' or 'with complex, specialised or high intensity needs, or very challenging behaviours' are discussed in passing. Box 6.7 sets out the NDIA's approach to Provider of Last Resort (POLR) arrangements:

'Who is responsible for the POLR?

As the transition leads to full scheme, the NDIA will lead an integrated response jointly with the States and Territories. In the interim, the States and Territories lead as POLR, and will continue to do so for providers who they fund during transition' (different arrangements apply in the NT).

This passing treatment of these two high needs groups is inadequate. Besides their urgent and complex needs for support, they are very likely to be potentially high cost clients and a well designed approach is important to the long term sustainability of the NDIS.

The needs of people with high and complex needs was explored in a project funded by the NDIA: 'Cross-sector service coordination for people with high and complex needs' (Madden RH et al, Centre for Disability and Research, University of Sydney, Policy Bulletin No 2 2014, http://sydney.edu.au/health-sciences/cdrp//Cross%20Sector%20Service_FINAL.pdf).

The study found that 'The complexity of the specialist and mainstream services systems and the interfaces between sectors create barriers that make navigation challenging for participants and service providers, and create gaps in service provision.'

This highlights the need for careful provision for Provider of Last Resort arrangements as well as for careful planning and coordination of NDIS and mainstream supports wherever possible.

Support for people with 'acute and immediate need (crisis care and accommodation)' will frequently rely on a Provider of Last Resort. These people will often not have sought a determination of eligibility for the NDIS, or will lack a comprehensive plan. States and Territories have acted as providers on last resort, and have frequently arranged with a service provider to provide an array of supports at very short notice.

The Commission should separate its discussion of people with 'an acute and immediate need' or 'very challenging behaviours' from its discussion of Thin Markets.

The need for continuing State involvement in the arrangement of supports for these people was discussed in my March Submission (No. 101). While the NDIS should determine eligibility for the NDIS and develop appropriate plans as quickly as possible, States should have ongoing responsibility as Arranger of Last Resort, at least for the medium term: States can arrange necessary supports through appropriately skilled and responsive support providers, linked with necessary mainstream services.

Monitoring the Performance of the NDIS (9.7)

Draft Recommendation 9.4 relating to performance monitoring is supported.

In addition, the need for transparent reporting has been correctly highlighted:

'... it is also important that performance reporting is transparent to provide incentives to manage and improve performance, and to help to identify problems early. While the quarterly report to the DRC is made available on the NDIA's website, the financial sustainability report is not.' (P 316)

The requirement for transparent reporting, and in particular the release of the financial sustainability report, should be included in Draft Recommendation 9.4.

The Issues paper has not discussed the issue of the provision of statistical data on the operation of the NDIS to the Australian Institute of Health and Welfare to replace the existing Disability Services collection, and other statistical issues affecting people with disabilities. These were discussed in my March submission (No 101).

These issues are important regardless of NDIS performance reporting, to enable independent analysis and reporting on the provision of support to people with a disability.

The Commission should make recommendations on the provision of statistical data from the operations of the NDIS and related statistical issues

The rollout timetable (9.8)

This is discussed at several places in the Issues Paper.

The rapid rollout of the NDIS was deliberately decided by COAG, recognising the critical and urgent need for increased supports for people with disabilities. That need remains.

Issues associated with the rollout have been progressively addressed by the NDIA. Some problems were inevitable. Some steps, such as telephone based plans, are not ideal, but are a sensible way to bring people into the NDIS.

The vital issue is that all Australians who are eligible have the right to enter the NDIS in accordance with the current rollout schedule. Any delay in the rollout removes entitlement from some who will be forced to wait with no supports or inadequate supports. This is wrong as a matter of social justice.

Difficulties with the rollout should be addressed by the NDIA and all stakeholders working cooperatively. If necessary, governments should provide additional resources to overcome specific problems facing the NDIA or other stakeholders. But people with disabilities should not be excluded from the NDIS as a consequence of rollout difficulties.

The current rollout schedule should be maintained.

Creating the right incentives in a federal system (10.2)

The payments from the States to the Commonwealth to finance the NDIS are of the same nature as Specific Purpose Payments from the Commonwealth to the States. These are typically escalated with reference to population change and changes in economic parameters, not with reference to the movements in cost of the relevant program. Rebasing occurs on occasion after a period of negotiation in response to changes in demand and supply side issues.

Similar principles should apply to escalation of State payments to the Commonwealth for the NDIS.

Cost overruns: My March submission (No 101) has been referred to in the Issues Paper. DSS is reported to have made a similar proposal for sharing of cost overruns. However, the issues paper makes no recommendation and seeks further input:

INFORMATION REQUEST 10.2

The Commission is seeking information on the best way to align the ability to control cost overruns with the liability to fund cost overruns. Possible options include:

- estimating the proportion of cost overruns that the Australian and State and Territory Governments are responsible for and allocating funding responsibility accordingly*
- altering the governance arrangements of the National Disability Insurance Scheme to give the Australian Government greater authority to manage the risk of cost overruns, to better reflect their funding liability.*

It will not be possible to estimate the proportion of cost overruns that each jurisdiction is responsible for. The adequacy of States' mainstream service provision to NDIS participants will be impossible to measure, and to attempt to do so will result in extended argument and delay.

Altering the arrangements for NDIS governance should not be contemplated at this stage of NDIS development. Issues that need attention should be addressed through the existing arrangements.

To me, the Commission should take a broad judgment approach on the allocation of cost overruns. Leaving 100% with the Commonwealth is recognised not to be correct. The WA arrangement of 25% responsibility for the Commonwealth sets a lower base figure.

I propose a 50-50 split of cost overruns between the Commonwealth and the States in line with the approximate split of total NDIS costs after rollout.

Funding an insurance scheme (10.3)

INFORMATION REQUEST 10.3

The Commission seeks feedback on the level of a future contingency reserve that would enable the National Disability Insurance Agency to operate like an insurance scheme, and how this would best be implemented, including any transitional arrangements.

The use of insurance principles in administering the NDIS is supported. In particular, the need to provide supports at one stage of life to reduce long term support costs is in the interest of the NDIS participant and also in the interests of containing NDIS costs over the long term.

However, the NDIS is a **social insurance** scheme. There are no premiums paid by individuals. All NDIS costs are met by Commonwealth and State Governments through appropriations supported by their respective tax bases. Such a scheme should be funded like any other government program, through the budget process. Government budget processes are well developed to deal with unexpected expenditure demands, including any necessary decisions to limit future expenditures.

The establishment of a contingency reserve held by the NDIA is not supported.