

# Productivity Commission review into NDIS costs

**21 July 2017**

## Background and context

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

The Victorian Healthcare Association (VHA) is pleased to provide this submission to the Productivity Commission (the commission) review into the NDIS costs Position Paper (the position paper). The VHA agrees to this submission being treated as a public document and being cited in any reports that may result from this consultation process.

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

The VHA submission into the first phase of the commission's review into the NDIS costs highlighted the following six themes:

- NDIS pricing;
- risk of thin markets and market failure;
- interface with mainstream health services;
- interface with mental health;
- workforce readiness; and
- provider readiness.

We are pleased that the position paper responded to many concerns raised in the VHA submission. In particular, the VHA supports the following findings:

- that not all committed supports are being used and concerns that cost pressures are being relieved by low amounts of plan utilisation;
- implementation of a process for allowing minor amendments or adjustments to plans without triggering a full plan review;

- the need for up to date information about planning processes and protocols around telephone planning;
- the need for increased skills in the planning process, in particular for disabilities that require specialist knowledge such as psychosocial disability;
- the need for increased funding for Information Linkages and Capacity Building;
- removal of the National Disability Insurance Agency (NDIA) staffing cap to ensure capacity to deliver the scheme;
- the need for more data to be collected on scheme eligibility, disability workforce and provider characteristics and costs, as well as the need for increased transparency of data;
- the need for transparency at all levels of government on areas of potential gaps to ensure continuity of support;
- the need to focus on interfaces with mainstream systems such as health and aged care to assess service gaps, duplications and other boundary issues;
- the need for pricing caps to reflect actual data on the true costs of service provision;
- the renewed focus on meeting future workforce needs; and
- the need for more detailed market position statements to enable providers to make more informed decisions.

Given the interests of our members, this submission will focus on the following five areas of the position paper:

1. Early intervention;
2. The planning process;
3. Protecting vulnerable people;
4. Pricing;
5. Thin markets; and
6. Workforce

## 1. Early Intervention

The NDIA has identified that higher than expected numbers of children aged 0-6 are entering the scheme and that lower than expected participants are exiting the scheme.

The NDIA has described these trends as an emerging cost pressure and believe that they need to be addressed in order to ensure the financial sustainability of the NDIS.<sup>1</sup> The position paper echoes this concern and points to utilising rigorous entry pathways as a way to moderate scheme costs. List D in the latest NDIA operational guidelines allows for streamlined entry into early intervention supports for children who have a condition on this list. List D contains about 130 conditions, including Global Developmental Delay.

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<sup>1</sup> Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Position Paper, Canberra

The VHA considers that early intervention is a good outcome for children and tighter controls would risk these outcomes therefore, List D should stay as is, and if controls are needed that this should be in the form of sufficiently qualified planners to ensure that early intervention services are appropriately targeted.

As stated by the Victorian peak body for early childhood intervention, ECIA Vic, in their submission to the first stage of this review:

*“evidence demonstrates that getting it right for children in the early years not only improves their quality of life in the short term but will also produce better long-term results for the child and the broader community. Investing early has significant health, well-being, educational, social, and employment outcomes for children and families. This is also likely to effectively ease pressure on the NDIS over time, reducing longer term expenditure<sup>2</sup>”.*

Therefore imposing stricter parameters to the eligibility criteria for Early Childhood Early Intervention (ECEI) and in List D of the latest NDIA operational guidelines would be detrimental to ensuring effective intervention for families.

Additionally, there is no evidence to corroborate the committee’s question on whether the inclusion of Global Developmental Delay in List D is discouraging or inhibiting the exit of children from the scheme. The VHA therefore recommends that List D be retained as a streamlined pathway for children to enter the scheme and access early intervention supports to ensure better long term outcomes for children who need support.

Furthermore, if there are concerns regarding the numbers of children accessing these services this should be addressed by examining the qualifications of planners who are applying the eligibility framework.

The NDIA has already responded to this cost pressure by implementing the ECEI approach as a gateway with the intent to ensure that children are provided with the right level of support and to uphold the eligibility criteria of the NDIS. Under this approach, ECEI will be delivered by Early Childhood Partners, who have a workforce that consists of skilled practitioners who are experienced in early childhood interventions.

The VHA agrees with the commission’s view that it is too early to gauge the success of the ECEI approach in supporting children who are not eligible for individualised supports<sup>3</sup> and supports the principle that an evaluation and monitoring framework of the ECEI

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<sup>2</sup> Early Childhood Intervention Australia Victoria/Tasmania Limited 2017, *Submission to the Productivity Commission Review of NDIS Costs*, p.4

<sup>3</sup> Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Position Paper, Canberra, P.17

approach should build an evidence base to inform the types of interventions that are most beneficial.

The VHA recommends that the NDIA build the capability of its planners to ensure that the eligibility screening is sufficiently robust and to put in place a mechanism to ensure consistency in the planning process. This will ensure that children who can be best supported with an NDIS plan are able to access the right level of supports.

**Recommendation:** *That List D be retained as a streamlined pathway for children to enter the scheme and access early intervention supports.*

**Recommendation:** *That the NDIA build the capability of its planners to ensure that the eligibility screening is sufficiently robust and to put in place a mechanism to ensure consistency in the planning process.*

## 2. The planning process

As discussed in the previous section, the VHA recommends that there should be increased training of planners across the scheme to ensure a consistent process and quality of planning. More time and investment is required during the pre-planning and planning phases to support in depth planning conversations and face to face meetings with planners and Local Area Coordinators. Proper investment in the early stages of the planning process will ensure that plans reflect the assessed formal and informal support needs of the participant and reduce costs associated with plan reviews in the long term.

For this reason, the VHA supports the commission's draft recommendation 4.1, that the NDIA should:

- implement a process for allowing minor amendments or adjustments to plans without triggering a full plan review;
- review its protocols relating to how phone planning is used;
- provide clear, comprehensive and up-to-date information about how the planning process operates, what to expect during the planning process, and participants' rights and options; and
- ensure that Local Area Coordinators are on the ground six months before the scheme is rolled out in an area and are engaging in pre-planning with participants.

Feedback from VHA members indicates that the pressure of targets on the NDIA, along with the staffing cap, has led to plans being completed over the phone and with insufficient time being spent with participants to understand their support needs. The removal of the NDIA staffing cap may improve the capacity of planners to work with families in the planning phase, resulting in a more efficient use of funding and better quality outcomes for the participant.

Improving the quality of plans from the beginning will not only lower the frequency of plan reviews, but it will also result in significant benefits for service providers. Currently, service providers are experiencing challenges with making service bookings under a participant's plan only to have to re-do the service booking once the plan has been reviewed. These practices currently have a significant impact on back-of-house resourcing and result in additional costs for service providers.

Additionally it is unclear as to whether participant outcome measures are being incorporated consistently during the planning process. This is consistent with the commission's findings that "*the speed of the NDIS rollout...has resulted in the NDIA focusing too much on meeting participant intake estimates and not enough on planning processes, supporting infrastructure and market development*".<sup>4</sup> In light of this, the VHA recommends that a national evaluation should occur to monitor the ongoing effectiveness of the implementation of the NDIS.

The concept of 'reasonable and necessary' supports needs to be clearly defined. At present it seems that the NDIS is placing the burden on participants and providers to understand what 'reasonable and necessary' supports are. It would be beneficial for the planners to have more guidelines regarding what evidence is required to justify whether a support is 'reasonable and necessary'. This will also assist in managing expectations for participants when engaging with the scheme. There also needs to be more accessible training and information to providers, particularly in the health sector, to help them understand what supports are reasonable and necessary and how the criterion is applied.

***Recommendation:*** *That the Commonwealth Government remove the staffing cap on the NDIA to ensure capability and expertise to deliver the scheme.*

***Recommendation:*** *That a national evaluation should be undertaken in order to monitor the ongoing effectiveness of the implementation of the NDIS.*

***Recommendation:*** *That the 'reasonable and necessary' criterion be clearly defined and training and information delivered to providers to assist them in understanding how the criteria relate to the consideration of what is reasonable and necessary.*

### 3. Protecting vulnerable people

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

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<sup>4</sup> Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Position Paper, Canberra, p.2

The commission's findings indicate that participants with psychosocial disability and those who struggle to navigate the scheme are most at risk of experiencing poor outcomes.<sup>5</sup> This is of concern when psychosocial disability is the third most common primary disability among scheme participants, and an additional 4 per cent of participants have a psychosocial disability that is not considered their primary disability.<sup>6</sup>

For this reason the VHA supports recommendation 4.2 of the position paper, that there should be specialised planning teams and/or more use of industry knowledge and expertise throughout the planning process for types of disability that requires specialist knowledge<sup>7</sup>. The VHA recommends that the NDIA develop a clear process for consulting people with expertise throughout the planning process, and to ensure this expertise is drawn from a range of sources across the disability, mental health and health sectors.

Victorians who require mental health services may not be eligible for the NDIS, as these are deemed outside the scope of the scheme. The commission notes that "*there needs to be a continued support from State and Territory governments for people with mental health illnesses outside of the scheme*" and that "*these supports should be clarified as a matter of urgency*".<sup>8</sup>

The VHA reiterates previously raised concerns that Victoria's committal of funding for community-based mental health services to the NDIS results in significant service gaps and risk for vulnerable Victorians.

It is essential the Victorian Government demonstrate how they will deliver on their commitment to provide continuity of support, as agreed to in the bilateral agreement, and commit to maintaining and funding community mental health services for those who need them but are not eligible for the NDIS.

The VHA recommends that adequate funding should be provided for Victorian state funded community-based mental health support services, and services to people with a disability aged under 65, to ensure critical services are retained for those not eligible for the NDIS.

***Recommendation:*** *That the NDIA develop a clear process for consulting people with expertise throughout the planning process, and to ensure this expertise is drawn from a range of sources across the disability, mental health and health sectors.*

***Recommendation:*** *That adequate funding be provided for Victorian state funded community-based mental health support services, and services to people with a disability aged under 65, to ensure critical services are retained for those not eligible for the NDIS.*

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<sup>5</sup>Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Position Paper, Canberra, p123

<sup>6</sup> Ibid. p.98

<sup>7</sup> Ibid. p.178

<sup>8</sup> Ibid. p33



## 4. Pricing

NDIS supports are subject to price caps set by the NDIA, with the exception of participants on self-managed plans who can negotiate fees for supports. The position paper notes sector concerns about inadequate pricing of supports yet the commission does not make any recommendations on the pricing, noting only that the NDIA has recently concluded its 2017-18 pricing review.

The VHA has previously stated that some key NDIS prices are inadequate to support high quality service delivery and that future revised prices should be underpinned by an analysis of the costs of providing a range of NDIS supports across rural, remote, regional and metropolitan areas. Price caps should reflect the fact that the cost of service delivery differs across states and territories and acknowledge that delivering services in rural and isolated areas entails a number of additional financial burdens.

The revised price caps in the 2017-18 metropolitan, rural and very remote price guides do not adequately cover the costs of providing quality supports, particularly for people with complex needs who have to travel long distances and people with psychosocial disability, and does not include any price changes for therapy-type supports.

Now that the price review has been published, the commission should consider its impact on the continued provision of high quality public sector services, and the risk of market failure in its final report.

The VHA supports the commission's recommendation of the immediate introduction of an independent price monitor to review the NDIA's price caps, compare them to other sectors and provide transparency around how the price caps are set. The VHA also supports the commission's recommendation that a transfer of the NDIA's price-setting powers to an independent regulator should occur by 1 July 2019.

The role of the independent regulator should include the collection of evidence for when prices for particular NDIS supports in each region should be deregulated and the evaluation of whether there remains a need for price controls in areas where unregulated prices are likely to lead to inflation that would harm participants.

The VHA recommends that the independent regulator consults with providers regularly to understand provider characteristics and costs, and reiterates that the move to deregulation needs to have adequate safeguards for access for everyone who needs support.

**Recommendation:** *That the commission consider the impact of the 2017-18 price guide on the provision of quality services, and the risk of market failure in its final report.*

**Recommendation:** *That the independent regulator consults with providers regularly to understand provider characteristics and costs.*

**Recommendation:** *That the move to deregulation include ongoing monitoring of prices, emerging market issues and data collection to ensure adequate safeguards for access for everyone who needs support.*

## 5. Risk of thin markets and market failure

The VHA has previously recommended that fixed funding or block funding be implemented in areas of thin markets to ensure those at risk are supported to access the care and services they require, particularly in rural areas or for providers that target and support complex and vulnerable clients.

The position paper acknowledges the risk of thin markets leading to market failure, less competition and poorer participant outcomes and recognises the need for appropriate government intervention in areas where a fully competitive, market-based and individualised funding model will not operate effectively.

The commission has recommended measures such as block funding and direct commissioning of supports under 'provider of last' resort arrangements. The VHA supports these measures however there is a risk in adopting a 'one size fits all' approach, and responses must be developed with consideration of the local area and differing circumstances.

Public hospitals and community health services often provide services to people with high and complex needs in rural and regional areas. In many cases they are often the only provider for vulnerable people, and have a deep understanding of the risks and opportunities in their local regions.

The NDIA should work with existing public hospitals and community health services to develop local solutions and collaborations to support areas at risk of thin or weak market. Examples of models that could be considered include:

- The introduction of price guide flexibility whereby additional funding on a sliding scale could be allocated to meet need and build capacity in services and communities. This could be done using the current quote based system that the NDIA already has in place.
- A trial of the Multipurpose services (MPS) model, which is used in the aged care sector, as a solution to market failure where there are thin markets in rural and remote areas. The model is based on the principle that MPS' can pool funds from previously separate Commonwealth and State aged care and health programs to



provide a more flexible, co-ordinated and cost effective framework for service provision.

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

**Recommendation:** *That the NDIA work with existing public hospitals and community health services to develop local solutions and collaborations to support areas at risk of becoming a thin or weak market.*

## 6. Workforce readiness

The VHA has previously raised concerns that the NDIS will affect the structure of working arrangements for service providers. The need to deliver flexible and responsive services to clients may result in staff working across a wider range of working hours with more fragmented shifts in more diverse work settings.

The NDIS will have implications on the public sector's ability to grow and sustain the required workforce, deliver high quality care in an efficient way whilst functioning within a decentralised model of care. There is also a risk that the move to NDIS pricing caps will result in a decreased investment in workforce development and training which is central to public sector workforce models.

The VHA, in its state and commonwealth budget submissions and in its response to the first stage of this review, has previously recommended that the workforce implications of the NDIS, particularly in rural and regional areas, be monitored and addressed in a coordinated manner by all levels of government to ensure the retention of a skilled workforce.

The committee has recognised in its position paper that the roles and responsibilities of different parties to develop the disability workforce should be clarified and made public.<sup>9</sup> The VHA supports this finding and considers that this is an area that requires collaboration across all levels of government and the NDIA, and should be considered in light of changes occurring in other reform areas, such as aged care and family violence.

The recent Senate report into the future Australia's aged care sector workforce recommended the establishment of a taskforce consisting of sectors representatives, providers, workforce representatives from across the spectrum of sector employment categories, consumers, volunteers and representatives of all of these groups from

<sup>9</sup> Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Position Paper, Canberra, p.245

regional and remote areas.<sup>10</sup> In particular, the committee should consider the application of the following recommendations in the NDIS context:

- That a workforce strategy include a review of existing programs and resources available for workforce development and support and consider other relevant sectors, such as health, aged care, family violence and disability.
- That the workforce strategy include a review of available workforce data, the development national data standards, and that any nationally agreed data standards should enable comparison between related sectors.
- That the government take immediate action to review opportunities for eligible service providers operating in remote and very remote locations to access block funding.
- That the implementation of consumer directed care be monitored to identify and address issues as they emerge. Specific attention should be paid to any impacts on remuneration, job security and working conditions of the workforce, and impacts on service delivery in remote and very remote areas, and to service delivery targeting groups with special needs.
- That a rural and remote specific strategy and implementation plan be developed to ensure better access to training

The committee should consider the recommendations of this report as a way for governments and the NDIA to work together with other sectors to develop a holistic workforce strategy to meet the workforce needs of the NDIA, whilst considering the impact of concurrent reforms on workforce recruitment and retention.

***Recommendation:*** *That the committee consider the recommendations from the Senate report into the future Australia's aged care sector workforce as a way for governments and the NDIA to work together with other sectors to develop a holistic workforce strategy*

## Further information

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<sup>10</sup> Senate Community Affairs Reference Committee 2017, *Future of Australia's aged care sector workforce*, Report, Canberra