



Chamber of Commerce
and Industry WA

NDIS WA MARKET REVIEW

**SUBMISSION BY THE CHAMBER OF COMMERCE AND
INDUSTRY OF WESTERN AUSTRALIA**

5 APRIL 2019



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Introduction

The Chamber of Commerce and Industry of Western Australia (CCIWA) is the State's leading business association and has been the voice of business for more than 125 years. We represent employer members from across all regions and industries in WA, including local chambers of commerce, industry associations and employers. A substantial number of our members operate in the health and community services industry, including the disability service sector.

This submission has been shaped from the views of several CCIWA members in the health and community services industry. The recommendations outlined in this report are designed to ensure that all Western Australians with, or who may acquire, a disability can access high quality care and support under the National Disability Insurance Scheme (NDIS), while supporting a strong and viable WA health and community services industry.

In preparing our submission, we have considered the question of *whether the NDIS's existing price controls and other market settings would support the sustainable, efficient delivery of disability goods and services in WA*, focusing on a sustainable workforce and market settings.

Design features and principles of the NDIS

The NDIS is a complex structure of multiple markets for the provision of many different services. It is not one market providing a single, broad type of service. It is premised on the reasonable and necessary provision of support needs for all people with a significant and permanent disability. The right of participants to choose is a fundamental principle of the NDIS that is enshrined in the NDIS Act. The NDIS is not a stand-alone system as it is integrated and interacts with other parts of the broader health and social assistance system¹.

In the NDIS, there are different pricing rules depending on the budget administration model that a participant undertakes. If participants opt to self-manage their budget, they can negotiate a price directly with providers using the NDIS prices as a guide. If participants choose to have their plans managed by the NDIS or a combination of both, prices are far less flexible.

Productivity Commission recommendations

The Productivity Commission's 2017 *National Disability Insurance Scheme (NDIS) Costs* study report highlighted that:

"Prices are critical for market development and participant outcomes – the Productivity Commission recommended that prices of supports should be regulated as narrowly and for the least time possible, as well as be:

- *transparent, with wide public consultation and publicly available information, including all assumptions used in any pricing models;*
- *more granular and targeted by setting prices for supports at the state and territory level, with an expectation that price signals could be set at a more disaggregated regional level where possible;*
- *evidence-based, with the collection of data and public reporting on providers' characteristics and costs; and,*
- *supported by clear and limited legislative authority."*²

¹ Carey G, Malbon E, Marjolin A., Reeders D., *NDIS Markets: Market stewardship action for the NDIS*, Final Report October, 2018 Centre for Social Impact, Sydney

² Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Study Report, Canberra.

CCIWA supports the Productivity Commission's recommendations relating to a NDIS model where the assumptions for price caps are made clear and transparent so that providers and participants can transact in the market in a way that maximizes value for both parties.

Critical issues affecting the disability support markets in WA

The local issues outlined below demonstrate that NDIS market development and participant outcomes recommended by the Productivity Commission are not being adequately achieved in WA:

1. Accessibility, timeliness and accuracy of market data and information

Providers need access to timely, accurate and detailed locational supply and demand data to support their commercial decision-making when considering expanding their service offerings. Currently, there is no market position statement for WA. A Quarterly Performance Report provides summary details of the performance and operations of the NDIA in WA but this does not contain data of sufficient granularity to make commercial business decisions.

As at 31 December 2018, there were 1,064 registered providers, 394 of which are active and 212 are sole traders³. The lack of granular information and data about the market affects the range of services being delivered as providers, although registered, are not actively providing services to participants unless there is certainty that a market exists.

RECOMMENDATION: Access to timely, accurate and detailed locational supply and demand data for providers must be improved to support commercial decision-making in the WA market.

Pricing and price signals are an important part of the sustainability of the disability support market and address some aspects of the supply side of the market. On the demand side, it is crucial that participants have access to information that facilitates the well-being benefits that the NDIS aims to provide. For consumers to fully participate in the market, price signals need to be transparent and accessible. Information asymmetries for participants of the NDIS are evident. For example, price guides that are intended for use by participants are hidden within the "Providers" section of the NDIS website. This is likely resulting in participants not accessing price guides because they think the information is not intended for them. This information needs to be better directed to its intended audience, provided in plain language and in an accessible and easy-to-read format.

RECOMMENDATION: Information asymmetries for NDIS market participants must be addressed, especially with regard to the transparency, accessibility and clarity of price guides.

2. Lack of flexibility in the regulated pricing structure

While WA price caps are currently higher than the eastern states due to legacy agreements, CCIWA considers that the existing one-size-fits-all pricing framework does not adequately reflect the challenges of operating in the WA market. There needs to be a stronger correlation between the economies of specific local areas and for market information to be used as a reference point in the review of the pricing caps at a local level.

The Modified Monash Model (MMM) remoteness index and subsequent price caps fail to account for the thin markets associated with the delivery of services in some WA locations. There is a higher cost to deliver services in regional and remote WA compared to similar locations in other States. Providing a full range of services across a larger geographical footprint to a relatively small population is extremely challenging within the current price caps. A more nuanced approach

³ NDIA WA Dashboard as at December 2018 accessed 29/03/2019 <https://www.ndis.gov.au/about-us/publications/quarterly-reports>

to the pricing of services, which takes into account the economic environment in which the market for these services operates, is required in different parts of WA.

The following examples demonstrate how a lack of flexibility in the current system is not adequately reflecting the cost of delivering services in WA:

Example 1: Inappropriate categorisation of regional and remote markets

Kalgoorlie is categorized as 'MMM 3 – Outer Regional' and is not categorized as remote or very remote. This means that providers delivering services in Kalgoorlie would not attract the 20 to 25 per cent loading as per the price caps for delivering services in other regional and remote areas. However, in regional towns like Kalgoorlie, higher input costs are a feature of the operating model. In particular, higher salaries are required to attract workers in the local community to care-worker support positions and away from other roles such as those supporting the mining sector.

Example 2: Inadequate treatment of transport costs

Another example of where local context is important is in the southwest town of Manjimup. A participant with a psychosocial disability living 20 kilometres outside the town is isolated and does not have ready access to public transport. The cost of fuel and lack of transport options prohibits access to activities that could contribute to their capacity building. The current price caps limit the travel costs allocated in this participant's plan and make an assumption about the capacity of the participant to access public transport, which is non-existent.

Example 3: Failure to consider the cost of servicing a dispersed population

A provider of psychosocial disability supports in the eastern metropolitan area of Perth has carried a financial loss for the last two years, with headway being made in the 2018-19 financial year. This provider has carved out a market in difficult circumstances. They are a very small provider and have focused on providing supports to participants in the seven psychiatric hostels located in the eastern corridor of Perth. They currently provide psychosocial disability support to 200 participants, with 120 of these participants living in the local area where the service is based. However, the provider faces difficulties in supporting people who live on the outer urban fringe. The pricing caps do not account for how dispersed this population is and the travel that is required to deliver the services to these participants. Where a worker supports more than one participant in a day, the mileage between participants needs to be paid by the provider and is not covered in the price. Therefore, the only way to make services viable are to support people in more densely populated areas.

RECOMMENDATION: Prices should be reviewed and adjusted at a regional level, instead of the current national level, to ensure they adequately reflect the cost of service provision in WA.

In addition to the examples listed above, multiple service providers have raised the issue of costs associated with the interrogation and integration of client data. During the transition to the NDIS, administrative costs have increased substantially as providers now need to acquit against each line item in each participant plan, rather than being able to acquit against outcomes for the individual as per the structure of the individual plan. Such administrative costs are not currently funded under the NDIS.

RECOMMENDATION: Pricing should better reflect the administrative and client data requirements under the NDIS.

3. Regulated pricing and labour market supply

The workforce is growing too slowly to meet the needs of participants. When fully operational, the NDIS will support 475,000 people nationally and require an additional 70,000 disability support workers to deliver services. While there is an additional requirement for disability support workers through the rollout of the NDIS, the Royal Commission into Aged Care Quality and Safety has also highlighted the waitlists for Home Care Packages due to the lack of providers and care givers. Employers need to be innovative in attracting the limited supply of workers and competing with labour demand from other sectors. However, policy-makers and administrators must be mindful of competition for workers between sub-sectors. If a policy response following the Aged Care Royal Commission seeks to boost the aged care workforce, this could potentially lead to increased competition for labour with the disability services sector and have cost implications for the NDIS.

Disability services are largely an 'experience good', meaning participants are unable to determine the quality of the good until they have consumed it, or well after they have consumed it. Participants may not see any outcomes from the delivery for some time. In this instance, the price is regulated and labour makes up a large proportion on the input costs. The delivery of a quality service is highly dependent on the competency and capability of the workers that a provider can attract. The price caps do not account for the attraction and retention strategies, such as professional development and training, which are required to deliver quality services. The price caps also do not account for the adjustment of retention and recruitment practices, which are required to deliver consumer-driven approaches to health and social care services.

There is no allowance in the NDIS pricing structure for training. This can create quality problems as the regulated price caps do not account for the requirement to have competent accredited workers delivering services. Recruitment and retention strategies rely on organisations being able to commit the resources (time and money) to these strategies. For instance, in the case of providers delivering services as part of the NDIS, they need to backfill the position when staff are required to be trained as the services still need to be delivered and this cost is not accounted for in the price caps. All NDIS providers must be commercially viable to continue operating. As a result, unaccounted costs associated with staff training and professional development have been scaled back to a bare minimum.

The labour market in WA for disability support workers is more casualised compared to the national workforce, with 44 per cent of all direct support workers employed on a casual basis.⁴ Whilst this creates greater flexibility for providers this also creates a cost impost through higher rates of pay and increased turnover rates of staff in WA's disability sector. This may indicate that providers are unwilling to offer permanent work as they are still grappling with the complexities of a market approach and consumer choice. This has resulted in fewer hours per week being offered to part-time staff. The "reasonable and necessary" test translates into a participant having the bare basics in their plan, hence workers are only needed to top and tail the day instead of a six to eight-hour full day shift.

There are also higher risks associated with supervising the casual workforce. Headcount to full-time equivalent (FTE) in WA means there is a 1:15 FTE supervisory ratio. On average, a first line manager (often with only Certificate 3 or no qualifications) is supervising 35.5 support workers.⁵ This raises serious concerns regarding the quality of services being delivered and the physical capacity of a supervisor to manage all aspects of service delivery. One provider has stated that this risk "is an accident waiting to happen".

These pressures are exacerbated by recent contracts awarded to Mission Australia and Australian Personnel Management, which have put pressure on the local metropolitan workforce. These organisations are each recruiting for upwards of 170 Local Area Coordinator positions across the metropolitan area. Consequently, NDIS providers are competing in a

⁴ National Disability Services 2018 *Australian Disability Workforce Report* 3rd edition, Sydney

⁵ *Ibid.*

marketplace where the remuneration and conditions offered by alternative employers are not constrained by the regulated prices of the NDIS.

RECOMMENDATION: Pricing must recognise and account for workforce training, development and retention as an input cost for providers. This is crucial for the quality of service delivery.

4. Industrial relations and the NDIS

The Social Community Home Care and Disability Services Industry Award 2010 (SCHADS) award has not kept pace with the changes in the industry towards person-centered care or consumer-directed care. The SCHADS Award was created before the introduction of the NDIS and hence many providers find it challenging to apply the SCHADS Award in an environment which requires flexibility. For providers who operate under enterprise agreements that require employees to be better off overall than the SCHADS award, the price guide only accounts for the SCHADS award base rates of pay may clearly result in pricing that is not sufficient enough to cover wage costs. The differences in the pay points become material and will impact on the financial viability of providers and subsequently undermine the delivery of quality services to participants.

RECOMMENDATION: The Social Community Home Care and Disability Services Industry Award 2010 (SCHADS) must be updated to better reflect current industry characteristics and emerging trends. (This recommendation is made, knowing that the NDIA does not have the power to vary the SCHADS Award 2010)
