

31 March 2017

National Disability Insurance Scheme (NDIS) Costs Study  
Productivity Commission  
GPO Box 1428  
CANBERRA CITY ACT 2600

Dear Sir/Madam,

Thank you for the opportunity to make a submission to the Productivity Commission's (the Commission) 2017 Study into the *National Disability Insurance Scheme (NDIS) Costs*. CSSA acknowledges the significance and timeliness of this first major review of the NDIS to ensure both the sustainability of the NDIS scheme and the quality of service available to people with a disability.

CSSA is the Catholic Church's peak national body for social services. Our interest in the Commission's NDIS Study comes from our commitment to a fairer, more inclusive Australian society that reflects and supports the dignity, equality and participation of all people. Our 56 member agencies employ around 10,000 people, with 5,900 volunteers, directly assisting some 450,000 people across 650 sites nationally and are the frontline service providers caring for and assisting the vulnerable and disadvantaged in our society.

More than half of our members deliver services to people with a disability, and are committed to continue building the capacity of individuals with a disability, their families and households and their communities under the NDIS. This submission reflects our member agencies' experiences transitioning to the NDIS, particularly drawing on the experience of those members in the NDIS Trial Sites of ACT, Nepean Blue Mountains NSW, Perth Hills WA, Barwon Victoria, and the Hunter Area NSW. Some of these members also participated in a Roundtable with the Commission on the 22<sup>nd</sup> March 2017 and we thank the Commission for this opportunity to discuss our issues in more detail. In addition, this submission also includes experiences of our members which have more recently become providers in the NDIS.

The Catholic social services sector's commitment to its Mission and values is its central driving force. **Attachment A** provides an overview of the market approach of the NDIS and the Mission values of CSSA member agencies. These Mission values are consistent, we believe, with the overall goals of the NDIS for people living with a disability and their families and communities. We believe values are strong motivating factors as they differentiate the underlying priorities for not for profit and for profit providers. We also believe as faith providers that whilst services to an individual are important, the family and community in which they live are just as critical to a person's quality of life. We believe that the shift to individualized funding packages has the potential to move investment away from families and communities (such as the block grant funding).

In addition, the place where people live also determines the choice, cost and quality of service available or in the case of many regional and remote areas, if there is a service at all. We know from our “*Dropping off the Edge*” research that many communities bear the burden of multiple and entrenched disadvantage so responses to individual needs are shaped by the context of their local community. Therefore, flexibility needs to be built into the NDIS model.

As discussed with the Commission, our members in the trial sites are experiencing some major issues with the implementation of the NDIS and therefore not realising the benefits that should flow from the market approach that has been adopted for the NDIS. These concerns are outlined in **Attachment B** under the broad headings provided in the Commission’s Issues Paper. We believe that these are issues that can be addressed with changes and refocussing of the NDIS including translation of the lessons learned from the Trial Sites into the NDIS Implementation. Of concern, CSSA members in the Trial Sites are unaware of any medium size providers in these sites that have been able to deliver financially the base services (such as personal care and daily assistance) while ensuring quality services that build the capacity of people with a disability.

CSSA members believe that the NDIS objectives have changed from the initial intention of providing a better quality of life for people with a disability and their carers to “*Value for Money*”. The NDIS has shifted from an investment approach and early intervention to a focus on costs. The original intent was that no one should be worse off under the NDIS but unfortunately in many cases this has not happened. CSSA members believe that working over longer periods of time with people with a disability and their families and communities builds up a level of trusted relationships that should be valued in a scheme dealing with vulnerable people.

Of further concern is that pathways for people with a disability have become more complex, resulting in “survival of the fittest” and inequities in the scheme for people who cannot articulate their needs.

In summary our main recommendations which are further supported by the material in **Attachment B** are:

1. **CSSA supports the original objectives of the NDIS but believes it now needs a major refocus to ensure providers are able to deliver quality services that build client and community capacity.** In this respect providers should be seen as part of the solution and not the problem. Better communication between the National Disability Insurance Agency (NDIA) and providers will assist this transition.
2. **Price setting needs to be transparent and the costing criteria need to factor in all the costs required to provide a quality of service to people with a disability.** For example, ongoing staff training and supervision is often not costed in for staff delivering services to vulnerable people with complex needs and assessed staffing to client ratios do not consider people with high or complex needs. Viable providers with a skilled workforce is also not possible without adequate and timely payments.
3. **The NDIS needs to provide greater clarity on eligibility criteria and planning process** for example for people with mental illness, children with varying care arrangements and people in group homes. A second group of people are emerging who are not eligible for the NDIS but find that the previous mainstream service supports are no longer available.

To outline our comments in more detail, we would be pleased to organise further meetings between the Productivity Commission and local service providers. Please contact Liz de Chastel, Director of Social Policy on Telephone 02 6188 6943 or [liz.dechastel@cssa.org.au](mailto:liz.dechastel@cssa.org.au), should you wish to discuss further any issues raised in this submission or to organise site visits.

Yours sincerely,

A handwritten signature in cursive script that reads "L. de Chastel".

for

**Fr Frank Brennan sj**

Chief Executive Officer

## NDIS and Mission

By way of background for our comments, we have included a brief overview below of the intersection between the Mission values of CSSA member agencies and the market approach of the NDIS.

The Catholic Church and other Christian Churches have had made a unique and significant contribution to the way social service policies and services have developed in Australia. They are seen as pioneers and innovators in responding to social problems and enhancing social cohesion. Leaders from across the political spectrum have acknowledged the role of churches in Australia as social reformers. Catholic agencies, for example, were involved in and supported the “Every Australian Counts” Campaign leading up to the creation of the NDIS.

Catholic Social Service agencies live out their Mission by advocating for those who are most disadvantaged, strengthening the social services which support them, and promoting the Catholic social service network’s core values of love and justice. Catholic social service agencies envisage a fairer, more inclusive Australian society that reflects and supports the dignity, equality and participation of all people. This social services ministry is integral to the life of the Catholic Church in Australia.

These Christian characteristics have a special influence on how Catholic social service agencies provide services, including those to people living with a disability their families, their communities. Our agencies work with and alongside individuals and families to enable them to articulate their experience and to support them in realising their goals, to engage, contribute to and connect with their communities, and to live full and dignified lives.

Catholic social service agencies have developed a framework which articulates the person-centred approach which integrates our mission, vision, core values and the four key principles of Catholic social teaching<sup>ii</sup>. These values and Catholic social teaching principles are like touchstones for our work as social service agencies. We constantly ask ourselves if these principles, and the values that underpin them, are being respected. This framework is, we believe, consistent with a core premise of the NDIS that individuals’ support needs are different, and those participating in the scheme should be able to exercise choice and control over the services and support they receive. For the people we serve this means that supports are shaped around their aspirations, strengths and skills.

The fundamental premise of the NDIS, therefore, is consistent with the mission, vision and values underpinning Catholic social service agencies. Furthermore, the NDIS is also consistent with Australia’s obligations under Article 26 of the United Nations Declaration of Human Rights. The new service paradigms being enabled by the NDIS have the potential, therefore, to achieve a more just society where human rights are protected.

The NDIS changes the way in which participants and disability support providers interact, and the way in which supports are funded. As the Productivity Commission notes in its NDIS Costs Issues Paper (February 2017) these changes are aimed at overcoming many of the shortcomings of the former systems by taking a market-based approach, an approach which creates incentives that better provide participants with the quantity, quality and variety of services they desire in an efficient and cost effective way.

The ideas and the values that underpin the NDIS have a strong influence on its design and implementation. Neoclassical economics proposes that two main benefits should flow from competitive markets:

1. Empower service users by giving them purchasing power to support choice and control; and
2. Reducing the cost of services, often focused on ensuring more cost effective use of taxpayer's funds, whilst simultaneously improving the quality of services through providers competing for business.

However as outlined in this submission, there is evidence from the experience of Catholic disability service providers that the way the NDIS currently operates poses significant challenges to realising these anticipated benefits of the market approach.

## ATTACHMENT B

Below are more detailed comments provided under the Commission's key headings in the Issues Paper.

### Scheme costs

#### Inadequate price levels

A core commitment of the NDIS is to assist people with a disability have their basic needs met and have a meaningful life. However, reviews are now coming back with less funds and clients are being asked to use other funds designated for social supports and community engagement to cover basic shared living costs of personal care. This is in conflict with the promise of the NDIS to meet reasonable and necessary care needs.

Pricing of services is a key factor in the sustainability of the NDIS. However, the current service prices as set by the National Disability Insurance Agency (NDIA) severely underestimate the true cost of service delivery and use flawed criteria for many service types. For example, the prices for short term accommodation are based on a lower staff to client ratio than is often required, and do not appropriately account for weekend penalty rates (refer to document tabled with the Commission). The prices for other services, such as domestic support and single hours of care are unviable, while other areas such as transport, travel time and cancellation costs are not appropriately factored in. This means that many providers are unable to deliver, or are withdrawing from or "cherry picking", these kinds of services, severely impacting the choices and opportunities available to people living with disability.

Further, the current prices do not include an adequate margin to cover mandatory levels of staff training and supervision, quality assurance, administration, insurances and compliance with state/territory legislation (such as creation of legislated medication support plans for clients with challenging behaviour in respite care in Victoria). Of significant concern is the impact of this lack of appropriate margins on the quality of services into the future.

There is also a lack of awareness by the NDIA on current awards and requirements that should have been factored into price setting by the NDIA. The suggestion by NDIA that staff no longer need a room to be in for sleepover shifts is in conflict with Awards and also places staff and clients at potential risk.

These fundamentally inappropriate established prices mean that providers are participating in the NDIS at an ongoing loss. This is compounded by increased administrative costs due to additional staff time managing issues with the Portal and lack of communication and support from the NDIA.

These issues must be resolved for the sustainability of service provision. There must be a transparent price-setting process that accounts for the true cost of quality service delivery.

## Emphasis on cost rather than individual need

The NDIS began with an emphasis on a person-centred approach and choice, however in implementation there has been a shift towards cost-reduction and assessment based on overall budgets rather than individual need. For example, package benchmarks are now being treated as a funding cap rather than a guideline. In the ACT, many people have experienced a review of their package following their first plan (often triggered without the individual, their family or service provider being aware) and a reduction in their funding support.

## Under-utilisation of packages

In the Issues Paper, the Commission highlighted an under-utilisation of support plans. CSSA member agencies have advised there are a combination of factors that are likely to have contributed to this. One factor is the limited investment in building participants' capacity to operate in a market based environment - many participants accessing the scheme lack the support, information, cognitive ability and confidence to take a lead role in developing and actioning their plan. Another factor is that people's individual contexts/situations have changed and the plan does not cater for this required flexibility. Other reasons include approval of services in a plan that are not actually available, providers delivering a service but not claiming it through the portal, and some participants finding more flexible solutions than originally identified in their plan.

Under-utilisation of plans poses a significant impact for participants' long-term wellbeing, and in-turn, lack of access to appropriate and timely supports could increase overall scheme costs.

## Scheme boundaries

### Eligibility

According to an experienced provider in the CSSA network, the NDIS eligibility process is protracted and requires prospective participants to provide evidence from third parties to confirm their disability and outline the impact. For those who were born with a disability who may not require regular ongoing contact with a medical professional, having to produce such evidence can be a stressful and costly exercise that can dissuade them from progressing through the eligibility process.

The speed of the NDIS rollout will put considerable pressure on processing participants' eligibility, assessment and planning. This pressure will be exacerbated by annual plan reviews that are required for those already in the scheme. Appropriate resourcing will be required to rapidly respond to demand and reduce the risk and impact of bottlenecks.

There are particular complications around eligibility and suitability of the NDIS for individuals with mental illness. Many people with a mental illness do not consider that they have a permanent disability, and there is stigma associated with this as opposed to the "recovery" model which is embraced in the mental health sector. For some people with a chronic mental health condition they require more flexible support than is normally available in the NDIS, as long term goals and regular appointments are infeasible if they are in a time of chaos or constant change.

There is also a lot of confusion around what mental health services are included in the NDIS and what is currently available from providers. There is also confusion between mental health services and disability providers about the co-ordination and interface between these sub-sectors.

### Intersection with mainstream services

An effective interface between the NDIS and mainstream services is critical. There is currently a significant lack of clarity as to what sits within and what sits outside the NDIS, risking service gaps and duplication. Clarity in the connection between the NDIS and mainstream services is particularly lacking in the areas of health, mental health and child protection.

Clear communication and funding for service coordination are needed to ensure appropriate interface between the NDIS and mainstream services. In WA, ongoing service coordination is now included within the WA NDIS Pricing Framework. This recognition of the need for comprehensive and ongoing support planning for individuals with complex needs, or complex models of funded support, should reduce duplication and assist in ensuring there is adequate co-ordination of services across providers.

Clearer communication from the NDIA to providers is also needed, as it is very difficult for providers in transition to the NDIS to ascertain the progress in an individual's package, and so prevent some clients from accessing both a block funded program and an NDIS activated plan at the same time.

The Information, Linkages and Capacity building (ILC) component of the NDIS is also very important in ensuring appropriate boundaries and connections between the NDIS and mainstream services. However, this ILC component on its own is not enough and consideration also needs to be given to other strategies to improve the interface between the NDIS and mainstream services.

### Value of volunteers

While in its earlier report the Commission recognised the value and importance of volunteers to the community sector, the services that enable such community capacity building are not adequately funded or recognised in the NDIS.

For example, MacKillop Family Services' Family Options Program identifies and supports foster carers to care for children with a disability in a family home. In the ACT, Marymead's Kids' Companions Program provides mentoring and support groups for children and their families impacted by disability. These programs rely on appropriate funding for service providers to support and mobilise community volunteers.

Some funding is available for such programs through the ILC component of the NDIS, however this is largely inadequate and is only a small proportion of what was originally funded by these services. For example, in the ACT, providers are competing for \$3 million of ILC funding, while closer to \$12 million would be needed to properly support community capacity programs in the Territory. Communities cannot afford to lose such programs which provide invaluable support for families impacted by disability.

## Planning processes

There are issues of equity and inconsistency in the planning process, as reference packages are not consistently applied and the outcome for participants can depend largely on the individual planner. This is particularly the case for participants with complex needs.

There is a lack of sufficiently skilled and impartial planners to assist people with disabilities throughout the planning process. CSSA member agencies' experience shows there is a wide range of expertise amongst the planning team which can positively and negatively impact participants and will impact the ongoing financial sustainability of the scheme. Better recruitment, outcomes based supervision and ongoing professional development is required to improve the quality and consistency of the planning team. Performance should be directly linked to achievement of individuals' (participant) outcomes as defined in the individually funded packages.

## Market readiness

### Potential market failure

Though CSSA member agencies have been preparing for transition to the NDIS for a long time, the dysfunctionality and un-preparedness of the NDIA has severely affected its capacity to deliver sustainable services through the NDIS. Complex and ongoing issues with the portal (including the system being taken down for weeks at a time with very little notice) means that providers are finding it very difficult to access the funds for services provided. These cash flow issues have restricted providers' ability to invest, innovate and even operate (for example one agency providing significant disability services in a trial site had \$1 million "stuck" in the portal in December 2016). This has led to cash flow issues and providers withdrawing due directly to pricing or lack of payment.

The lack of communication and consistency in policy from the NDIA also limits providers' ability to invest and innovate. For example, the ACT Government provided grants to assist organisations to prepare for the NDIS, which some agencies used to develop IT systems compatible with the Portal. However, the NDIA removed and changed the Portal, and now that technology is redundant. It takes many months and a lot more investment to develop and implement new IT systems that are appropriate for the current Portal. Such uncertainties mean agencies are very cautious to invest in developing other technologies or service models that may improve efficiency or offer innovative approaches, as they could easily be made redundant by changes in NDIA approaches.

Inappropriate price structures also mean that providers have no margin to invest in service improvements. For many service types, providers are running at a loss, and having to "cross-subsidise" from non-NDIS programs or depleting reserves. While there are greater margins on allied health services, CSSA members in the ACT trial site are not aware of any provider who has been able to break even in the delivery of services such as home support. The pricing is unsustainable and could lead to market failure for particular service types as providers are forced to withdraw.

For example, a number of agencies have ceased providing short term accommodation for people with a disability in the ACT as the price set by the NDIA is inadequate. CSSA member agency Marymead continues to provide this service in the ACT and now has long waiting lists. Key medium size providers in the ACT are being forced to make difficult decisions about how long they continue to provide services at a loss – this is clearly unsustainable and could lead to significant inadequacy to meet service demand.

### Rural and regional areas

As identified by the Commission, rural and regional areas are particularly vulnerable to market failure. It remains very difficult to recruit staff, and the difficulties of inappropriate service costs are compounded in remote areas. Some providers, particularly of allied health services, have already withdrawn services from rural areas as it is too difficult to access funds through the Portal and prices are unsustainable. Government assistance will be needed to ensure the scheme is viable in regional Australia and flexibility will be needed to provide viable services.

Our member in Ceduna, South Australia has still not registered for the NDIS given its concerns about not being able to deliver a quality service and with appropriate staff. Should it transition to the NDIS, the majority of its eligible long term clients are indigenous young boys with mental health issues. Our member's concerns centre around not being able to recruit an appropriate workforce, managing clients within the NDIS who are often transient and without access to or an understanding of technology, and the absence of specialised mental health services in Ceduna. Even undertaking an initial assessment of eligibility is challenging in this location. Our member understands that none of the three existing disability services in Ceduna have registered for the NDIS for similar reasons. However, fly in fly out for profit services have started to be visible in Ceduna. The staff in the Ceduna member organisation are committed to fulfilling the mission of the organisation to make a difference to the lives of people with a disability however remain concerned about the transition to the NDIS.

Further another member delivering services in the Bourke community, outlined transport costs of \$9000 which had NDIS pricing of \$1800. In this area, with a high indigenous population, block funding to community services has been found to be an effective cultural approach to delivering services. This model was now under threat from the individualised approach to NDIS services.

### Preparedness of participants

The NDIS represents an opportunity for people with a disability to exercise greater control and choice over the services they access, and yet there has been very little investment in building their capacity to do so. This extends to entering the scheme, determining a plan of supports, finding providers and negotiating services particularly for those who self-manage.

## Workforce

As anticipated by the Commission, service providers are facing significant difficulties recruiting and maintaining a well-qualified workforce. In Sydney, the scheme is growing faster than providers can acquire staff. There are significant difficulties attracting staff, particularly with such low margins that salaries are a key issue. NDIS providers are also competing with the aged care sector where our member's understand there is a higher margin of return for services. Low set service prices also push towards a less skilled workforce with less investment in training. Skilled migration will not assist providers in filling workforce gaps if there is not adequate funding to be pay for qualified staff.

## Governance and administration

The NDIA's inconsistent messaging, lack of communication and apparent disrespect for service providers has made it very difficult for agencies involved in the trial sites and transitioning to the NDIS. There has been a lack of engagement with providers as key stakeholders and acknowledgement that they are part of the solution. This is in contrast to the rhetoric in NDIA market reports that state an interest by the NDIA of building a viable provider network, co design and working in partnership with providers.

There has been a lack of communication to providers about changes to processes and policies, and providers have found it very difficult to access assistance from the NDIA in understanding and amending Portal errors. There is no consistent contact person for agencies, no account managers to assist providers and the NDIA itself appears under-resourced, low skilled and suffering from high staff turnover.

We also have concerns that when the scheme is fully operational that the NDIA may not be able to meet the demand of 7,000 reviews a week nationally. Currently the NDIA is struggling to meet the trial site review demands.

Service providers in the ACT trial site have raised significant issues with the NDIA, to which the NDIA has sent staff without the appropriate authority to respond in meetings with providers. For example, a provider raised a question regarding legal responsibility when an individual's plan expires but another plan has not yet come into effect. CSSA members continue to provide services to these individuals in good faith, but are concerned about insurance and legal ramifications. Since the question was raised in October 2016, the NDIA has been unable to provide an adequate response.

A suggested solution is that the NDIA nominate a contact person as the liaison point for each provider, so that there is an ongoing, consistent contact that can efficiently solve issues for providers.

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i Dropping off the Edge 2015 – Report by Catholic Social Services Australia and Jesuit Social Services <https://dote.org.au/>

ii The four key principles of Catholic Social teaching are:

- *Human dignity* and worth of each person;
- the *common good*, which recognises that people can only thrive in relationship with others and as part of a community;
- *Subsidiarity*, in which decision making and responsibility should be as close as possible to those most affected by the decision; and,
- *Solidarity* in which we recognise and celebrate the diversity of the human family and we are all responsible for one another.