

NDIS Market Dynamics Study:

Summary Report

National Disability Services

Victorian NDIS Sector Development Project

April 2019

Introduction

In Australia, the National Disability Insurance Scheme (NDIS) is underway and intended to replace an “underfunded, unfair, fragmented, and inefficient” disability support system. The transition to the NDIS has been an exciting, yet challenging, period. However, there are growing concerns being raised by NDIS participants and providers about thin markets and market gaps.

Thin markets may present in certain regions, or for particular services and/or for specific cohorts of people with disability. Market stewardship is key to responding to early warning signals, minimising the risk of thin markets and developing a healthy marketplace. Thin markets will undermine the success of the NDIS. Protecting against thin markets is critical to support the development of an efficient, effective and equitable NDIS market.

This market dynamics study aims to clarify the factors that influence the sustainability of disability service providers under the NDIS and shape the development of a diverse marketplace. It further explores the need for, and nature of, further sector development support required by service providers in the two to three years post NDIS transition.

Methodology

Victorian and national data from the National Disability Services (NDS) 2018 Annual Market Survey and the Workforce Wizard has been analysed. This report also draws heavily on the NDIS Sector Development Project (SDP) Outcomes Evaluation, recent SDP policy surveys and reports, and the wider existing literature. Stakeholder feedback was received throughout the study.

Key findings

NDIS pricing is undermining the long-term sustainability of the Scheme, with 2018-2019 prices impacting providers' ability to remain financially viable, maintain quality and develop a sustainable workforce. Victorian providers are worried they will not be able to provide services (63%) and will have to reduce quality (54%) at current prices. While NDS welcomes recently announced price increases, this does not solve all the issues, and does not mean the impact of insufficient pricing to date can simply be disregarded.

The financial viability of Victorian providers is under threat, with only 46% having made a surplus last financial year and even fewer (43%) expecting a profit this year. Greater risks are materialising for regional providers, who, compared with metro and state-wide organisations, are more likely to have made a loss last financial year, expect a loss this current year, expect a reduction in financial reserves, and expect greater increases in borrowings to acquire or build assets.

A stable and sufficient disability workforce is yet to be achieved with clear supply and sustainability risks emerging as a result of a largely aging workforce (nationally, 45% aged 45 years and above), a predominately casual workforce (43%) and high turnover rates of casual staff (7% per quarter). Providers are also unable to effectively recruit and retain certain occupations, which in Victoria includes key disability support roles.

People with disability are at risk of not receiving, or indeed already going without, home modifications and assistive technology (AT) services, transport supports, community participation supports, and high intensity/1:1 supports. People with complex, specialised needs or challenging behaviours are at particular risk of missing out on services.

NDIS pricing, the financial viability of organisations and the availability of a flexible workforce are collectively impacting organisations' decisions to merge or wind-up. In the next two years, 38% of providers believe it is "very likely or likely" that their organisation will complete a merger. Regional organisations are more likely to merge in the next two years, and winding-up discussions were more common among regional and metro providers than larger state-wide organisations.

The current Information, Linkages and Capacity building (ILC) strategy may also contribute to the emergence of thin markets due to short-term contracts, Local Area Coordinator (LAC) capacity constraints and the net reduction in Victorian funding. The development of provider of last resort arrangements is necessary to ensure participants receive supports, irrespective of market gaps or emergencies.

Conclusion and recommendations

Australia has the opportunity to have a world-leading disability support system, if the NDIS is implemented well. Thin markets are clearly beginning to emerge, however unpacking and mitigating market gaps is complex. The not-for-profit disability sector will require a level of funded sector development support post NDIS implementation. Failure to address market risks will undermine the success of the Scheme. Success will enable people with disability to achieve their goals and participate economically and socially, irrespective of their location or needs.

In light of the findings, the following recommendations are proposed for Governments, the NDIA and NDS to consider in mitigating the risk of thin markets post NDIS implementation.

Recommendations for Governments and the NDIA

1. Invest in sector development during the 2-3 years post NDIS transition to enable the delivery of necessary supports identified below, particularly targeting rural and regional areas.
2. Embrace a market stewardship approach by considering local market conditions, engaging closely with all NDIS stakeholders, monitoring the market and steering the system, whilst also determining mechanisms to mitigate thin markets with perhaps:
 - a. Incentives for rural/regional and niche providers to enter and remain in market;
 - b. Employing a system of soft checks to identify supports that providers in thin markets require to remain viable and stay in business; and
 - c. Using seed funding or grants for types of service provision identified as thin markets.
3. Implement the following actions to reduce the implications of inadequate NDIS pricing on providers' ability to remain financially viability, maintain service quality and develop a flexible and sustainable workforce:
 - a. Ensure NDIS pricing reflects the true cost of service provision;
 - b. Expand the price setting criteria in the NDIS Act to ensure pricing is responsive to local market conditions;
 - c. Ensure the benchmarking of prices to mature markets also considers geographical and participant contexts, not merely similar services;
 - d. Transfer the price-setting role to an independent agency by July 2019 to increase transparency and ensure market development is evidence-based; and
 - e. Develop a clear deregulation strategy that trials price deregulation in specific geographical sites, or service types.
4. Review and remove unnecessary NDIA red tape to better support the financial sustainability of NDIS providers.

5. Invest in the supply-side to enable people with disability to purchase services from providers with a sustainable workforce that delivers high-quality, customer-focussed services. This may be achieved through:
 - a. Supporting local stakeholders and communities to come together, collaborate and find solutions to local issues;
 - b. Developing a funded, portable training entitlement for disability support workers to acquire specialised skills and qualifications and develop their career;
 - c. Centrally involving NDS in the development of the NDIS Capability Framework and drawing on NDS' well-established Workforce Capability Framework and extensive workforce development tools and resources;
 - d. Providing Government funding for university places and scholarships to attract new graduates into the sector;
 - e. Greater funding for NDS' workforce attraction initiatives, such as projectABLE, to extend the reach of these successful programs;
 - f. Funding to maintain NDS' regular Workforce Wizard data collection and analysis, as it continues to fill a major workforce data gap;
 - g. Funding for the regular ongoing collection of detailed disability workforce information, by a statutory authority (such as ABS or Australian Institute of Health and Welfare); and
 - h. Publishing additional market data including information about areas of unmet needs, so providers can actively plan and develop their workforce.
6. Develop clear mechanisms to monitor services at risk of closure, and based on the services at risk from this report:
 - a. Publish the outcomes from the Assistive Technology and Home Modifications Redesign Project to ensure that people with disability are able to achieve their goals with AT and home modification services;
 - b. Ensure people with disability have access to community, social and economic opportunities by adjusting NDIS transport prices to reflect the true cost of service provision, investing in a Victorian community transport strategy and accessible infrastructure, ensuring adequate NDIS participant transport funding, confirming the eligibility of NDIS participants in the Multi-Purpose Taxi Program, and piloting the development of fleet management models and transport technology;
 - c. Monitor the provision of community-based day services to ensure people with disability have the opportunity to engage in community, social and recreational activities; and
 - d. Determine incentives for rural/regional travel provisions for providers so NDIS participants in regional and rural locations are not left without service.

7. Implement the following actions to mitigate the risk that people with complex, specialised needs or challenging behaviours experience thin markets:
 - a. Continued review of NDIS prices for high intensity/complex needs supports;
 - b. Funding training to support the development of a suitably skilled workforce, which also enables organisations to meet the obligations mandated by the NDIS Quality and Safeguards Commission; and
 - c. Monitoring the outcomes of the Complex Needs Support Pathway to ensure participants receive adequate plans.
8. Ensure appropriate measures are in place for people with disability to receive supports, irrespective of inexistent markets by:
 - a. Publicly releasing the outcomes of the Maintaining Critical Supports Project and the policy and practice responses for provider of last resort arrangements; and
 - b. Developing a flexible crisis response approach, enabling participants to receive emergency supports whilst also giving providers the confidence that support costs will be covered.
9. Strengthen the ILC to avoid the development of thin markets by:
 - a. Implementing seven-year ILC contracts, enabling providers to build relationships in the community and achieve stronger outcomes for participants;
 - b. Reviewing and monitoring the current ILC grant funding model, with the view of introducing much longer terms for funding of essential services without a competitive grant process;
 - c. Recognising that LAC capacity constraints limit ILC success, and thus investing in further person-centred training for LACs to enhance their ability to link participants to services and build participant capacity, as well as ensuring a consistent approach across regions;
 - d. Ensuring that the NDIA and Commonwealth Government recognise the crucial role that the Building Inclusive Community (BIC) program played in Victoria and the effect of losing the significant expertise, community capacity and social capital with the transition to the ILC.

Recommendations for NDS

Continue delivering sector development initiatives that consider local needs, providing intelligence, evidence and analysis to influence policy across all areas of Government, and collaborating with providers and people with disability, families and carers to promote the development of a sustainable and diverse NDIS market.

1. Support providers to improve their financial management capabilities and processes, with:

- a. A particular focus on improving costing and financial processes and controls for providers to drive operational productivity, back-office efficiency, and further reduce corporate overheads; and
 - b. Targeting regional organisations, as there is already an emerging viability risk.
2. Promote the development of a skilled, capable, motivated and sustainable NDIS workforce through:
 - a. Supporting providers to implement flexible employment options to balance short- and long-term objectives, whilst improving staff utilisation and engaging, supporting and retaining staff; and
 - b. Developing affordable and timely training/development resources for staff and leaders to strengthen the workforce.
3. Support providers to responsibly merge or close if needed, by producing practical due diligence information that outlines best practice models and supports informed decision making.
4. Invest in further thin markets research by:
 - a. Expanding the Workforce Wizard data collection or conducting a spotlight issue to thoroughly investigate the occupations presenting as difficult to recruit and retain;
 - b. Drawing on provider data to undertake additional research/policy surveys with the intent of gaining more robust data regarding the services at risk of closure and the impact of the NDIS on participants with complex needs; and
 - c. Keeping abreast of the progress and outcomes of the Australian Research Council's Linkages Project, as this work will be instrumental in further identifying levers that Governments can use to steward emerging public service markets.

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