



# National Disability Services

## Submission to the NDIS 2023–24 Annual Pricing Review

### *Pricing for a sustainable quality driven sector*

**National Disability Services** is the peak industry body for non-government disability services. It represents service providers across Australia in their work to deliver high-quality supports and life opportunities for people with disability. Its Australia-wide membership includes more than 1,100 non-government organisations which support people with all forms of disability. Its members collectively provide the full range of disability services—from accommodation support, respite and therapy to community access and employment. NDS provides information and networking opportunities to its members and policy advice to state, territory and federal governments.

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## Executive Summary

The 2023-2024 Annual Pricing Review (APR) comes at a critical time for National Disability Insurance Scheme (NDIS) participants and providers.

The disability sector is at breaking point. Providers are reporting their worst financial year ever. More organisations are running a deficit and far fewer are breaking even. Financial reserves often built up over decades with the support of local communities are dwindling as providers struggle to make ends meet. More providers are concerned that they will not be able to provide support at current NDIS prices.

Changes to disability services arising from the Independent Review of the NDIS (NDIS Review) and the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability (Royal Commission) recommendations are a once-in-a-lifetime opportunity for reform; however sector capacity is limited. Providers are eager for the upcoming changes but worried their organisations might not be able to contribute fully to the potential reforms that could positively impact the lives of the participants they support and people with disability in their communities.

Recommendations made by the NDIS Review to improve pricing approaches are welcome and hold promise for a future approach underpinned by best practice pricing principles. The 2023-24 APR is an opportunity to establish prices that ensure security and continuity of supports for participants, incentivise quality and link to the objectives of the NDIS.

The success of a well-functioning market is about more than just numbers. Access to quality supports is critical. It is important that strategies to increase and maintain supply also include an equal focus on pricing that aims to ensure that these supports are safe, culturally appropriate and trauma informed.

Prices send an important signal to the provider sector. They set the tone for the type of provider market that the government wants to foster for people with disability.

Recent financial benchmarking reports show a sector that is facing immediate viability issues. Drawing on data from registered providers of all sizes and across the areas in consideration for the APR, it is clear that providers who are committed to fair pay and employment conditions, provide support and supervision and career pathways for staff, value the health and safety of their workforce and invest in quality and safeguarding by registering with the NDIS Quality and Safeguards Commission (NDIS Commission) are increasingly unable to provide services at current NDIS prices.

The question remains what sort of sector does governments want now and into the future?

This submission from National Disability Services (NDS) makes recommendations aligned to the scope of this year's APR and draws on the significant body of benchmarking data now available that evidences the real the costs of delivering supports. This data clearly illustrates the increasing gap between current pricing and the true cost of delivering disability support that cannot continue to be ignored. As observed by the Royal Commission "there is a disconnect between the Australian Government's position [on pricing] and the experience of those working in the disability sector" (Royal Commission, Volume 10, pg: 207).

Urgent and immediate action to increase pricing across the sector is required. Wage increases and CPI along with the overhead costs such as workers compensation and general insurance, non-billable training and costs of compliance for registered providers must all be recognised.

## Recommendations

NDS makes the following recommendations to ensure that pricing supports a sustainable, quality-driven provider sector:

### Recommendation One

**Consumer price indexation and wage price indexation including Fair Work Commission decisions must be applied across all price limits in full.** Wage inflation should be applied to all supports using the same methodology that is applied in the Disability Support Worker Cost Model. Plans should be indexed in line with the increase applied. Consideration should be given to the baseline price for those supports that have not had CPI or WPI increase over successive price reviews.

It is time to acknowledge that the issues with NDIS pricing are systemic and structural, and felt across the sector.

### Recommendation Two

In addition to CPI and WPI, NDS recommends that the following increases be applied:

- **A two per cent registration supplement** for all registered providers based on claims made paid directly to providers. This should be paid directly to providers to ensure that participant plan budgets are not unfairly impacted where participants are either choosing to use or are required to use a registered provider.

This could be administered through:

- A direct claim lodged by providers based on value of claims. This could be verified by the NDIA.

- A direct automated payment to providers based on claims for a nominated period.

This supplement should continue while transitions in the reform environment are underway (5 years) and reevaluated at that time.

- **A two per cent intermediary supplement** to support intermediary providers maintain and grow their services to meet unmet demand. This should be paid directly to providers via a similar mechanism as the registration supplement. Given that many participants do not receive adequate amounts of support currently it is vital that this increase does not adversely impact their plan budget.

This supplement should continue while transitions in the reform environment, including those relating to foundational supports and navigators are underway, (up to five years) and reevaluated at that time.

Support coordinators must be involved in the development of any new cost modelling, and it must be underpinned by real costs of delivery.

- **A 10 per cent increase should be applied to pricing for core supports delivered by disability support workers, therapy and intermediaries** to appropriately recognise actual costs and address flawed pricing assumptions across:

- Base pay rates
- Casual workforce distribution
- Span of control
- Corporate overheads
- Workers' compensation premiums
- Training and professional development
- Worker utilisation
- Reasonable margin
- Costs associated with maintaining services and implementing transition planning as reforms take shape

Taking into account the removal of TTP and temporary loading this represents a net increase of 7.5 per cent.

Participant plan budgets must be increased to ensure that providers are able to claim at the higher rate without running the risk that participants will run out of funding and need to seek an early plan review. Multi-year plans should be indexed annually.

### Recommendation Three

**Level 3 High Intensity pricing must be reinstated.** This should be based on the indexed wage rate of Social and Community Services Employee level 3 in the SCHADS Award.

## Recommendation Four

**Implement a separate travel line item for early childhood intervention** providers to recognise delivering in natural settings. Participant plans should be adjusted accordingly.

## Recommendation Five

**Retain the current policy that enables providers to claim a short notice cancellation** where the participant gives less than seven days clear notice.

## Recommendation Six

**Carefully the monitor the impact of any change to the short notice cancellations.** If the short notice cancellation period is reduced and no longer reflects Award provision:

- The impact on the costs of providers should be monitored.
- Additional costs should be offset by a reinstatement of the seven-day short notice period, or an appropriate increase should be included in cost modelling.

## Recommendation Seven

**Transition pricing for NDIS supports to an independent pricing authority.**

Cost modelling is flawed. Where modelling exists, underpinning assumptions are either flawed or not transparent. An independent pricing approach must be implemented that provides fairer, best practice pricing in the NDIS. A scheme of this size and importance deserves no less.

## Recommendation Eight

**Establish funding to support sector structural adjustment and transformation** over the next 5 years.

## 1.0 Introduction

The 2023-24 Annual Pricing Review (APR) comes at a critical time for NDIS participants and providers.

Our submission to the 2022-23 Annual Pricing Review based on a detailed analysis and critique of the costs of service delivery of no less than 4 per cent of the total support purchased across each of the support categories in scope indicated a significant unfunded gap, which has increased in size year on year.

Benchmarking data across the registered provider sector for the 2023 financial year indicates that the financial future for providers has become more precarious over the past 12 months.

The NDS 2023 State of the Disability Sector Report (NDS, 2023a) shows that more organisations are running a deficit and far fewer are breaking even.

- Thirty-four per cent of survey respondents reported a loss this year compared to 23 per cent in 2022.
- Eighteen per cent of respondents reported breaking even compared to 28 per cent last year and 43 per cent reported a profit, down from 46 per cent last year.
- Significantly more providers (69 per cent in 2023 compared to 59 per cent in 2022) are worried that they will not be able to provide services at NDIS prices.

In fact, the past 12 months represent the worse financial year in the eight-year history of the State of the Disability Sector survey (NDS, 2023a). Financial reserves often built up over decades with the support of local communities are dwindling as providers struggle to make ends meet.

As noted in the APR consultation paper, the costs of goods and services have increased substantially in the 12-month period to September 2023, with the paper highlighting increases in operating costs, such as insurance premiums, interest, rents. A tight labour market has influenced the wage price index with wage inflation largely being driven by the health and social care assistance sector. Employee costs make up a significant proportion of provider expenses, meaning that the impact of labour shortages and wage growth directly influence a provider's bottom line.

Across February 2024 NDS conducted a series of briefing sessions for NDS members. In these sessions we polled attendees to identify the areas of pricing and costs that they were most concerned about. The majority of those attending these sessions provided supports delivered by disability support workers (39 per cent), with almost equal numbers providing therapy supports

including early childhood intervention and support coordination (23 and 26 per cent respectively).

As illustrated in Figure One operational overheads, costs of compliance, direct staffing costs, corporate overheads and training costs were the top five concerns identified by those attending these sessions.

Figure 1: Most common pricing/cost concerns



These are consistent with the issues identified in our submission to the 2022-23 APR (and previous years) and indicate that issues with pricing are fundamental, structural and systemic.

The 2024-25 financial year will be one of uncertainty for the sector. Recommendations by the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability (Royal Commission) and the Independent Review of the NDIS (NDIS Review) were handed down in late 2023. The sector is in the process of exploring the implications of the wide-ranging systemic reforms recommended and are eagerly awaiting response by the Australian Government.

The NDIS operational environment is also evolving with the national roll out of PACE, changes to pricing policy for group-based supports and the planned removal of the temporary loading, and temporary transformation payment.

Providers are deeply considering the risks presented by the NDIS with more feeling that the risks of operating in the NDIS outweigh the opportunities (NDS, 2023a, pg. 9). This impedes a provider's ability to plan and make strategic decisions. Significantly more providers are also worried about their capacity to adjust to changes arising from the evolving policy environment this year (65 per cent) compared to last year (57 per cent) (NDS, 2023a).

We urge the NDIA to develop pricing limits and arrangements that enable providers to stay the course, remain viable and prepare for the changes to their structures and systems required by reform. This is needed to return the sector to a sustainable footing. The sector cannot afford to wait.



## 2.0 About this submission

In recognition that the Australian Government is in the process of considering the recommendations for wholesale systemic and structural reform made by the Royal Commission and the NDIS Review, the scope of the 2023-2024 Annual Pricing Review has a limited focus. The APR will review Pricing Arrangements and Price Limits for:

- Supports delivered by disability support workers (DSW) by updating the NDIS Disability Support Worker Cost Model (DSWCM)
- Therapy supports
- Support coordination
- NDIS cancellation policy

The NDIA is seeking feedback and evidence focussed on the impact of changes that have occurred since the last APR and has indicated that previous submissions will be considered as part of the review.

NDS welcomes the opportunity to make recommendations aligned to the scope of this year's APR. Our submission will draw on the existing and now extensive body of benchmarking and other evidence that illustrates the significant financial pressure that the sector is experiencing.

### 2.1 The changing pricing and policy environment

Several recent significant changes in the NDIS operating environment are expected to affect providers' costs in the next 12 months.

#### Temporary Transformation Payment and Temporary Loading

Both the Temporary Transformation Payment (TTP) and Temporary Loading are due to end in the 2023-24 financial year. These payments have played an important role in supporting the sector manage shortfalls in pricing. Together they will represent a 2.5 per cent reduction in pricing across a range of supports.

#### New group pricing arrangements

Transitional pricing arrangements were introduced for pricing of group based social and community participation supports. Providers who had not yet implemented the new arrangements were required to implement these from 1 January 2024. Some providers are forecasting that this change will have a significant financial impact.

#### National Roll Out of the My NDIS provider portal (PACE)

Following the trial in Tasmania, PACE is being systematically rolled out across nationally. The new system changes operating processes for all providers, but significantly for support coordinators and plan managers. Estimating the cost impact of this for providers at this stage is difficult,

however it would be reasonable to assume that there will be cost impacts across operating and corporate overheads and utilisation, at least initially while the system is embedded across the sector.

The introduction of My NDIS provider portal (PACE) and tools have created significant unfunded administrative burdens. Providers have had to learn and understand the new system, train staff all while running dual systems, as participants transition across to PACE. Providers have also reported having to spend significant time educating participants about the portal.

## 2.2 Data and evidence used in this submission

There are several data sets publicly available that provide evidence of the financial state of the disability sector.

The number of organisations participating across each of these benchmarks and surveys is growing year on year. While they do not represent the entire cohort of NDIS providers, the profile of organisations participating is consistent with the broader registered provider market.

We understand that the NDIA is aware of the detailed financial data that these activities collect from service providers. We also anticipate that some of the organisations involved in collecting and analysing this data will make a submission to the APR.

However a brief description of each of these is provided in Table One.

Table 1: Brief description of 2022-23 available benchmarking data sources

Benchmark	Coverage	Number of providers participating
<a href="#">Ability Roundtable Financial and Workforce Benchmarking</a>	11 per cent of participants	51
<a href="#">Disability Intermediaries Australia State of the Intermediaries Sector (2021-22)</a>		454 support coordinators
<a href="#">NDS 2023 State of the Disability Sector</a>		436
<a href="#">NDS Workforce Census</a>	86,343 workers	437
<a href="#">Stewart Brown Disability Services Benchmark</a>	4.4 per cent of participants	55

Collectively the results across each of these data sets provide a robust indication of the financial state of the disability sector.

Note: We acknowledge that there is the potential for some cross over between some of these activities, however the samples for both Ability Roundtable and Stewart Brown are likely to be unique given that participating organisations receive individual reports benchmarking their organisations financial performance against others in the benchmark.

## 3.0 Market Environment and Influences

### 3.1 The economic environment for providers remains challenging

As noted in the consultation paper, the Australian economy continues to experience higher costs of living. This impacts both operating costs for providers but also general costs of living for their staff, placing even more importance on wages and job security. Community service workers are also badly affected by the cost-of living crisis. For some it is seriously affecting whether they can continue working in the sector and maintain a decent quality of life (Cortiss and Blaxland, 2023).

Much of this inflation has been driven by services inflation which remains high. Increases in insurance, fuel and utilities costs are significant and ongoing (Reserve Bank of Australia, 2024). For example, insurance costs have risen 16.2 per cent in the 12 months to December 2023 (ABS, 2023).

Low unemployment rates and inflation have also impacted wages with the Wage Price Index (WPI) recording its largest quarterly increase since data collection commenced. The WPI rose by 4.2 per cent over the 12 months to December 2023 with the health care and social assistance sector being one of the major contributors (ABS, 2023).

Disability service providers are feeling the impact of these broad economic pressures. Sixty-eight per cent of respondents to the NDS State of the Disability Sector survey (NDS, 2023a) indicated that conditions in the wider Australian economy with only 7 per cent believing that they have improved. Across the non-government disability sector, 70 per cent reported that conditions had worsened.

### 3.2 Providers are responding to these pressures in a variety of ways

#### Viability is at risk

Financial benchmarking data consistently shows that most participating organisations are making a loss. Consequently, more providers are drawing down on their reserves to manage increasing financial pressures (Stewart Brown, 2023). Larger, well-established organisations are finding it more difficult to remain viable.

Table Two summarises the financial performance across relevant benchmarking. These findings highlight serious, ongoing challenges for providers within the NDIS and the need for continued attention and support to address financial unsustainability.

Table 2: Percentage of organisations reporting an operating loss 2023 Financial Year

Benchmark	Percentage
Ability Roundtable	63 per cent
Disability Intermediaries Australia – Support Coordination	80 per cent loss of break-even (2021-22 data)
NDS State of the Disability Sector	52 per cent loss or break-even (based on performance of disability operations only)
Stewart Brown	55 per cent

### Changes to service provision

NDS’s State of the Disability Sector data shows that significantly less respondents are committed to staying in the disability sector than in 2022. The report also shows that 82 per cent of respondents received requests for supports that they were unable to meet (NDS, 2023a). Discussions with providers of therapy supports such as speech therapy indicate that increasing numbers of speech pathologists are considering withdrawing from NDIS supports. At a time of unprecedented growth across the care and support sector, the prospect of providers leaving the market is deeply concerning.

## 3.3 Pricing, workforce shortages and policy uncertainty remain the biggest risks

### Pricing

Prices within the NDIS are fixed. Unlike other business sectors, NDIS providers are not able to increase prices in response to inflationary pressures and have little choice but to absorb these costs or cease services.

An increasing number of providers are concerned that they will not be able to provide supports at current NDIS prices and this along with an uncertain policy environment has led to more providers reporting that the risks presented by the NDIS outweigh the opportunities (NDS, 2023a pg: 9). This underscores the challenging financial situation faced by many disability providers, with organisations having to make tough decisions about whether they can continue offering services in the current environment.

Over successive years, financial benchmarking has shown that NDIS prices have failed to keep pace with the reality of delivering NDIS services. The nine per cent price increase across some supports implemented in 2022 represented a much-needed adjustment to bring some prices in line with the costs of operating, however in the face of increasing costs pressures, have not improved sector viability.

## Workforce

The critical workforce shortages across the care and support sector are widely acknowledged. Disability providers, particularly within the NDIS, continue to face chronic challenges in the attraction, supply, and retention of workers.

In March and April 2023, NDS conducted our Workforce Census (NDS, 2023b), gathering workforce data for the 2022 calendar year. The results from the survey suggest that although the worsening conditions of recent years may have stabilised, the disability sector workforce remains precarious and workforce challenges are chronic and acute. There continues to be undersupply and higher turnover rates compared to the national average. Respondents cite difficulties in hiring workers across all categories, and recruitment and retention persist as major challenges.

Seventy eight percent of respondents to the NDS State of the Disability Sector survey reported extreme to moderate difficulty finding support workers, with availability of allied health professionals ranging from low to non-existent (NDS, 2023a).

Despite strong worker satisfaction in the disability sector, pressures such as wages and conditions, shift coverage, infection control management, lack of supervision, and limited training opportunities impact well-being, job satisfaction, and retention. Pricing and the capacity of organisations to improve pay and conditions for their staff are inextricably linked.

## Uncertain policy environment and reform agenda

The 2024-25 financial year will be one of uncertainty for the sector. The sector is in the process of exploring the implications of the wide-ranging systemic reforms recommended by the Royal Commission and the NDIS Review and are eagerly awaiting response by the Australian Government.

Providers are deeply considering the risks presented by the NDIS with more feeling that the risks of operating in the NDIS outweighing the opportunities. This impedes a provider's ability to plan and make strategic decisions. Significantly more providers are also worried about their capacity to adjust to changes arising from the evolving policy environment this year (65 per cent) compared to last year (57 per cent) (NDS, 2023a).

At the same time providers report that the busy work of operating within changing operational NDIA and NDIS Commission policies and processes are making future planning this year even more challenging (54 per cent a significant increase on last year) and distracting leadership teams from strategic and operation issues (74 per cent) (NDS, 2023a).

The NDIS Review's recommendation for extended lead times is appreciated. Implementation should be co-designed, carefully sequenced, and executed to prevent unintended consequences.

It is also important to note that the NDIS Review and Disability Royal Commission form part of a broader reform agenda. The past 12 months have seen vast changes in the industrial relations environment with both the *Secure Jobs, Better Pay and Closing Loopholes Fair Work Legislation Amendments* passing Parliament. While the impact of both changes for disability service providers in terms of costs and more generally remains to be fully understood, the potential for disruption is enormous.

### 3.4 Despite these risks, organisations are focussed on improvement

Just as risk profiles will vary across organisations, the strategies that they are implementing to manage these risks will also differ. Data from the NDS State of the Disability Sector survey shows a sector that is very focussed on improving productivity (94 per cent) and growing their organisation (63 per cent). Respondents also identify areas of improvement across strategic workforce planning including employee learning and development, costing and pricing, data collection and analysis and information, communications and technology (NDS, 2023a).

### 3.5 The role of pricing in supporting sustainability

This APR has the opportunity and responsibility to set the sector up for a viable and successful future.

Increasing productivity in the human services sector relies on supporting and developing the capabilities of the people working in the sector (Productivity Commission, 2022). Innovation, improved service quality and better outcomes will be generated by investing in the skills and capabilities of new and existing workers. Productive workers in the sector need both foundational skills such as interpersonal skills, critical thinking, problem solving, numeracy and literacy and specific skills in areas such community services and allied health (Productivity Commission, 2022). These skills also need to be developed and maintained over time.

Industries facing a wave of multiple and significant reform agendas need support to adjust existing and adopt new ways of operating. Providers need prices that allow them to undertake business as usual and direct resources to develop and implement the strategies required in an increasingly uncertain policy environment and future. Worrying about short- and medium-term viability inhibits this.

## 4.0 Disability Support Worker related supports

The APR terms of reference include a focus on improvements that can be made in pricing the range of supports covered by the [Disability Support Worker Cost Model](#) (DSWCM) by updating this model.

Before moving to provide insights into the specific areas identified in the consultation paper, we make the following observations.

### 4.1 DSWCM assumptions are fundamentally flawed

NDS's submission to the 2022-23 APR provided substantial feedback on the assumptions that underpin the DSWCM and provided evidence of areas where the model is flawed. These flaws continue to contribute to the increasing gap between NDIS prices and costs.

While the consultation paper indicates that the feedback provided as part of previous reviews has been noted and will be used to inform this year's pricing decisions, many of the issues that we identified last year remain. These include:

- Benchmarking data used to inform the cost modelling is now out of date. The most recent benchmarking activity conducted by the NDIA reported on the 2020-21 financial year. The DSWCM uses the financial results for the 25<sup>th</sup> percentile of the sample, noting that this represents the results of the most efficient segment of the market and that an efficient provider should be able to meet these benchmarks. The flip side of this is that the costs of 75 per cent of providers are higher than the assumptions used in the cost model. For some costs such as overheads it appears that a more stringent measure has been used where the assumption is based on a result achieved by just 10 per cent of the sample. (NDIA, 2022b, pg. 110). In addition, the NDIA does not use a consistent sample across each measure resulting in a 'fictional efficient provider' which is in the top 25% for all measures.
- Changes to the [Social Community, Home Care and Disability Services \(SCHADS\) Award](#) affect direct labour costs and continue to increase the gap between price and costs. Changes to split shift allowances, minimum engagement periods, remote working and sleepovers have impacted both direct costs but also increased back-office costs as rostering and payroll becomes a more complex activity. Providers employing disability support workers under enterprise agreements are required to meet the better off overall test. This means that existing agreements must provide more generous employment conditions. Providers negotiating new agreements need to better current Award provisions.

- Continuing to meet duty of care and support needs of participants requiring higher intensity supports without being able to claim the previous Level Three High Intensity Supports is significantly impacting provider cost of delivering support. The Level Three High Intensity Support category must be reinstated, and providers reimbursed for the essential high intensity supports provided over the last 24 months.
- The costs of compliance with NDIS Commission requirements are high and not adequately covered by current pricing. This significantly impacts utilisation. We suggested that an allowance of approximately \$5.90 needed to be made in operational overheads to cover compliance, including the costs of audits and ongoing investment in new support models including active support and practice leadership.
- The DSWCM does not reflect the costs of operating a 24-hour model in SIL. As such it is not fit for purpose in that environment without rigorous review and change. For example, issues arise with assumptions in the model for annual leave (where the Award allows 5 weeks annual leave for some shift workers) and public holidays which differ across jurisdictions. This means that providers in some states and territories are needing to absorb these costs. Mismatches between level of support required by some participants and the budget allocated continue to contribute to the price gap.
- Costs related COVID-19 continue to have an impact. 67 per cent of respondents in our 2023 State of the Disability Sector survey noted that COVID continues to have an impact, particularly in terms of the rostering challenges due to furloughing staff, meeting ongoing PPE requirements including purchasing RAT tests and workers compensation premiums (NDS, 2023a) Some jurisdictions reported COVID outbreaks across the 2023-24 summer signalling that this impact will be ongoing.
- The consolidation of cost assumptions relating to workers compensation, utilisation, supervision costs and the impact of has resulted in less transparency in the NDIA's price setting approach. NDS has called for and supports the NDIS Review recommendations for pricing to be transitioned to an independent pricing authority such as IHACPA, however the NDIA has an opportunity to increase transparency in its pricing approaches now.
- Training, supervision, and support costs remain a key frustration and impact attraction and retention across the disability section.



Models that identify and test different ways of funding these critical activities must be considered.

- Implementation of the new regulatory requirements – for example, High Intensity Support Skills Descriptors (which include new requirements for training and three-monthly competency assessments), and new Practice Standards have resulted in increased costs.
- Employing staff with the appropriate experience and qualifications to deliver support to participants with more complex support needs have been employed at the SCHADS Award classification commensurate with their qualifications and experience contributes to the price gap but is unavoidable. The NDIS Commission requires providers to employ staff with the appropriate level of skills and experience to meet participant needs.

## 4.2 Specific assumptions used in the Disability Support Worker Cost Model

### 4.2.1 Impact of employment conditions and workforce distribution

Employing staff is the main cost for most community service organisations (Cortis, Blaxland and Adamson, 2021). This is true for disability service providers. Benchmarking conducted by Stewart Brown (2023) indicated that direct staffing costs represented between 69.1 per cent (social and community participation providers) and 75.4 per cent (supported independent living providers) of operating revenue.

#### Unfunded gaps in wages

The DSWCM includes assumptions for four levels of DSW worker: DSW Level 1, DSW Level 2, DSW Level 3 and DSW Level 4. It is not clear what assumptions the DSWCM makes about how these roles are distributed throughout organisations in the sector. However, the price limits and pricing arrangements are based on the costs for DSW 1 (standard supports) and DSW 2 (high intensity supports).

Benchmarking across the sector indicates that providers are paying their staff more than the wage rates assumed in the DSWCM (summarised in Table Three). In many cases this has increased compared to this financial year.

Some of the significant gaps occur in areas where more experienced and qualified staff (and therefore more highly classified under the SCHADS Award) have been employed to meet the needs of participants with more complex support needs, however participant plans include funding for standard supports only.

Table 3: Benchmarking base pay rates 2021-22 and 2022-23

Benchmark		2021-2022 Base rate/hour	2022-2023 Base rate/hour
DSWCM		\$30.94	\$32.36
Ability Roundtable (survey average)		\$31.52	\$33.51
Stewart Brown (by service type)	SIL	\$46.81	\$45.76
	Non SIL Core supports	\$41.80	\$35.98
	Community and Social Participation	\$38.58	\$39.14
	Employment Services	\$27.72	\$34.57

### Assumptions need to adequately reflect employment conditions

Part time and casual employment in the disability sector is high compared to national workforces. NDS's 2023 Workforce Census reports that:

- 59 per cent of the sample were employed on a permanent basis with 80 per cent employed part time
- 39 per cent of the sample were employed on a casual basis

These rates are significantly higher than the national averages reported by the ABS for part time (30.9 per cent) (ABS 2024) and casual (22.4 per cent) (ABS, 2023) employment.

While there has been some small movement across employment status over time, patterns of high levels of casual employment have remained consistent across the 9 years that NDS has been collecting workforce data and is likely to continue.

With changes to the DSWCM it is difficult to know what current assumptions used to calculate the impact of casual loading, however in 2021-22, 70 per cent of the workforce was assumed to be permanently employed with 30 per cent casual and is likely used in current modelling.

Issues with predictability of income, economic uncertainty and continuing and constant reform has made workforce planning challenging for disability service providers and have created a reluctance to employ staff on a permanent basis, even in the face of growing retention issues.

NDS notes that a percentage of workers choose to maintain part time or casual working arrangements for personal reasons, including flexible work hours, receiving a higher hourly rate and increased flexibility in their rosters.

However, the high level of part time employment and casualisation results in a lack of job security, reduced training and investment in workers, inconsistent wages and hours and resultant high turnover of workers.

## 4.2.2 Operational overheads

Changes to the DSWCM in 2022 saw several cost assumptions being consolidated into operating overheads. Operational overheads now include Workers Compensation, utilisation, supervision costs in addition to the impact of permanent and casual arrangements.

### Workers' compensation assumptions must reflect reality

Across the sector Workers Compensation costs vary depending on location, nature of supports delivered and individual claim rates. In line with overall general increases across insurance products, most workers compensation schemes announced increases in premiums for the 2023-24 financial year. For example, icare in NSW announced an average increase of 8 per cent while the Victorian government announced an increase of 41.5 per cent.

Again, it is difficult to know what assumptions the DSWCM uses for workers compensation. In 2021-22 this was 1.7 per cent of direct support worker wages. This is significantly lower than actual costs across most recent benchmarking activities which average between 2.5 per cent and 2.2 per cent, with variances across support types and large variances by jurisdiction. Ability Roundtable (2023b) notes that one in five providers in its benchmarking sample were paying premiums higher than 5 per cent.

Table 4: Benchmarking Results Worker's Compensation rates

Benchmark	Percentage
Ability Roundtable	2.5 per cent
Stewart Brown	2.2 per cent

Utilisation must allow staff to have adequate breaks, complete essential administration activities, attend meetings and training.

The DSWCM previously called for between 92 and 95 per cent utilisation. While it is impossible to be precise now – given productivity and utilisation impacts are disclosed as operating overheads in the current model, NDS believes that the assumption is still around 92 per cent.

In our submission to the APR last year, we provided a detailed breakdown of non-billable staff activity across the organisations who participated in the survey. Activities such as attending supervision, training and professional development, non-billable participant documentation, case conferences and travel all impact worker productivity. Our data illustrated that a 92 per cent utilisation target is an increasingly benchmark to achieve and it is hard to see given the nature of these activities here additional productivity gains be made. Similarly the Royal Commission identified issues with the time able to be allocated to essential tasks such as case noting and administration (Royal Commission, 2023, Volume 10, pg. 206).

Both 2022-23 Ability Roundtable and Stewart Brown benchmarks for utilisation hold this to be generally true.

Table 5: Benchmarking Results DSW Utilisation

Benchmark		Percentage
Ability Roundtable		87 per cent
Stewart Brown (by service type)	SIL	88.7 per cent
	Non SIL Core Supports	92.3 per cent

#### The cost of providing staff supervision and support must be recognised

The disability workforce is crying out for more support and supervision (Cortis and van Toorn, 2020). In their submission to the 2022-23 APR, the Australian Services Union noted that training, team meetings and supervision have all been reduced across the sector (NDIA, 2023a). They also voiced concerns about the supervision being received by casual workers.

Based on previous iterations, the DSWCM assumes a span of control (ratio of workers per supervisor) of 15 to 1. Further this is based on full time equivalent roles as opposed to headcount. When considering the extraordinarily high levels of part time employment rates across the sector this could equate to a span of control of 30 to 1.

The most recent benchmarking conducted by the NDIA reports that the average span of control across the sample was 10.6 (headcount) for 2020-21 financial year (NDIA, 2022b).

Supervision also impacts utilisation rates as identified above.

Inadequate allowances for supervision also limit the opportunities for all workers, but particularly new entrants to benefit from sufficient support such as on-the-job coaching.

At a time of critical workforce shortages, pricing must enable strategies that support workforce retention. NDIS pricing and funding need to enable workers to benefit from life-long learning opportunities, adequate training and supervision.

#### 4.2.3 Corporate Overheads

For several years NDS, other peak bodies and providers have argued that the 12 per cent overhead assumption used in the DSWCM is unsustainable. In fact NDIA's own benchmarking, last conducted for the 2020-21 financial year, reports this figure as being 44.2 per cent of direct costs when averaged across the sample. Even when compared to the results achieved by the 25<sup>th</sup> percentile of respondents, overheads represent 21.8 per cent of provider costs (NDIA, 2022b).

More recent benchmarking indicates that overheads average between 26 per cent and 24 per cent of direct costs for the most efficient providers in the sample. This is consistent with average overheads across the community sector (Social Ventures and Centre for Social Impact, 2023).

Table 6: Benchmarking Results Corporate Overheads as percentage of direct costs

Benchmark		Percentage
DSWCM		12 per cent
NDIA Benchmarking 2020-21 Results		21.8 per cent
Ability Roundtable (survey average)		24 per cent
Survey average		
Stewart Brown (by service type)	SIL	26.1 per cent
	Non SIL Core supports	24.2 per cent
	Community and Social Participation	44.9 per cent
	Employment Services	52.4 per cent

Even taking the lowest figure across the benchmarks, the current assumption is 50 per cent below the overheads of the most efficient providers in either sample, and is significantly lower than NDIA benchmarking (NDIA, 2022b)

Failing to fund overheads sufficiently impacts sector resilience, reduces investment in training and infrastructure such as IT and does not necessarily result in efficiency gains. (Social Ventures Australia and the Centre for Social Impact, 2022).

Insufficient allowances for both corporate overheads and margin in the DSWCM mean that providers have little left to invest in anything other than immediate priorities and keeping the doors open.

### 4.3 Impact of aged care minimum wage increases

The Fair Work Commission determination for the aged care work value case in March 2023 provided a 15 per cent pay increase to aged care workers, creating a pay rate disparity between home care employees in the aged care sector and disability sector. This poses additional workforce challenges, especially for providers offering household and domestic assistance services to both NDIS participants and aged care recipients, as workers may be drawn to the higher pay rate in aged care. Given that NDIS pricing is fixed by the NDIA using the DSWCM, there is extremely little ability for workers and employers to bargain anything above the SCHADS 2.3 pay rate. Feedback from recruitment firms indicates a recent surge in frontline workers from the disability sector applying for positions in aged care.

## 5.0 Therapy pricing

### 5.1 Pricing has not kept pace with the costs of delivering therapy

Prices for therapy supports have not received any increase over the past four years.

The NDIA has received significant feedback over successive annual pricing reviews detailing issues with the current NDIS pricing of therapy and early childhood supports. The consultation paper notes that this feedback will be considered as part of the 2023-24 APR.

Of particular concern were the impact of CPI, wage inflation and costs, including increases in the superannuation guarantee, and an increasingly competitive labour market on the costs of delivering therapy supports.

For registered providers compliance costs were significant.

Over the past 12 months these issues continue to impact the viability of therapy providers. Benchmarking activities show that more providers of therapy support are making a loss. Stewart Brown benchmarking indicates that 66.7 per cent of their sample made an operating loss in the 2023 financial year compared to 63.7 per cent last year (Stewart Brown, 2023). More concerning is that the loss per client (both NDIS participants and other clients where the provider offers other services to other cohorts) has dramatically increased from a profit \$1,462 per client in 2022 to a loss of \$387.00 per client in 2023. The report notes that this has been largely due to a reduction in non-NDIS revenue and points to a significant degree of cross subsidisation in the previous year (Stewart Brown, 2023).

Similarly Ability Roundtable data indicates that providers of therapy are struggling to provide supports at the current pricing. Across their benchmarking sample, median losses increased from -10.3 per cent in 2022 to -14 per cent in 2023 (Ability Roundtable, 2023b).

For early childhood intervention providers, it is much more common for the NDIS to be their sole source of revenue which exacerbates the impact of pricing shortfalls.

### 5.2 Workforce is hard to find and even harder to keep

There is little disagreement that there is a shortage of allied health professionals across the health and services sector. Respondents to NDS's 2023 State of the Disability Sector survey report that while workforce pressures have eased, they have only eased slightly. Occupational therapists (92 per cent), psychologists (91 per cent), speech therapists (86 per cent) and physiotherapists (78 per cent) are all difficult to recruit. While over 50 per cent of respondents' report difficulties in recruiting early childhood educators and allied health assistants (NDS, 2023a).

Efforts to grow the workforce are not supported in the NDIS pricing. Providing clinical placements within the NDIS pricing policies which require providers to offer additional flexibility to the participant either through a lower hourly rate or longer appointment times. Providers who are seeking to control costs in the face of inadequate pricing are either considering ceasing or have ceased offering placements.

More concerningly, retaining allied health professionals has become more complex than ever. Retaining psychologists, speech therapists, occupational therapists, dieticians and physiotherapists has become more difficult than in previous years (NDS, 2023a). Similarly, Ability Roundtable benchmarking reports a 4 per cent increase in allied health workforce turnover across the sample in 2023 compared to the previous year (Ability Roundtable, 2023b).

To retain staff, providers are looking for opportunities to offer competitive pay, training and development, supervision and more manageable workloads.

Constant churn in the allied health workforce creates additional cost pressures for organisations. Training and supporting new graduates takes time and resources and impacts overall utilisation (Ability Roundtable, 2023a).

Competition for staff continues to be intense with many providers pointing to the more attractive wages and conditions in health, hospitals and aged care. Providers also note that the expertise required for complex work in the disability sector is undervalued in pricing, which makes it difficult for larger providers to compete with other sectors and retain staff.

### 5.3 There are differences in providing therapies in the NDIS context

There is no equivalent to the DSWCM present for Early Childhood Intervention Services (ECIS) or practitioner-based therapy. To determine appropriate pricing for therapeutic supports, the NDIA benchmarks prices across other allied health markets. Based on this comparison, the NDIA has determined that the NDIS pricing for therapy and early childhood supports is adequate for the past four years.

The consultation paper seeks feedback on any differences between the ways in which providers approach pricing for NDIA participants and other clients and the factors that drive these differences.

While differences exist across providers and professions, it appears that most providers are either charging NDIS participants the same, or in the case of psychologists less than other client groups. (AHPA, 2023).

However, there are and should be fundamental differences between the therapy based 'product' required to support most NDIS participants and those provided in other markets. By design the NDIS supports people with life-long

disability that has a significant impact on their activities of daily living. For children, the aim is to provide intervention early to build the capacity of the child and their family.

Many NDIS therapy clients come with more significant support barriers and complex support needs, such as severe dysphagia, than alternate populations. This has a direct impact on the costs of delivering supports. In our submission last year we noted that the following factors can differentiate delivering supports in the context of the NDIS.

- More complex clients require further skill development for practitioners which in turn drive:
  - Greater exposure to professional development time.
  - Greater exposure to supervision and on the job training time.
  - Lower spans of supervisory control.
  - Longer time to get graduates to full productivity.
- NDIA liaison can be time consuming for some participants.
- Greater complexity can drive significantly greater turnover. This in turn drives greater therapy non-billable time and results in increased resources being directed to recruitment.
- NDIS processes are more complex and time consuming than other systems. Documenting and claiming for supports delivered is less straightforward than in other systems leading to greater administrative costs. For many sole traders the amount of time that they spend on administration is significant.

## 5.4 Pricing for early childhood intervention needs to support best practice

There is a robust body of evidence underpinning best practice approaches to early childhood intervention and the sector is well equipped to deliver this but is constrained by current pricing approaches (Trembath, Varcin, Waddington, Sulek, Pillar, Allen, Annear, Eapen, Feary, Goodall, Pilbeam, Rose, Sadka, Silove, and Whitehouse 2022; Early Childhood Intervention Australia, 2016). In their submission to the NDIS Review, Professionals and Researchers in Early Childhood Intervention (PRECI) proposed that NDIS pricing and funding has provided perverse incentives both for families and providers to move away from known best practice. They have seen a widespread return to clinic-based therapy services despite home and community setting based capacity building interventions being more effective and appropriate for young children and families (PRECI, 2023).

In addition to the general pressure on costs identified throughout this submission, consultation across the sector indicates that early childhood



intervention providers face additional costs that are not adequately recognised in pricing and pricing policies. These include:

- Natural environment delivery drives greater exposure to travel, cancellations and difficulty documenting client interactions including:
  - Exposure to travel time outside of the 30 (MMM1-3) and 60 (MMM4) minute caps.
  - Negotiating delivery of supports in education settings (often expressed as a preference by families) can be time consuming and impacts utilisation (Ability Roundtable, 2023a).
- Developing the capacity of families including parents, siblings and extended family members is largely unfunded.
- Pricing and price arrangements do not adequately allow for the degree of non-face-to-face time required in a key worker model or to support interprofessional practice.

The NDIS Review has recommended wholesale changes to early childhood support delivery which have been welcomed. The 2023-24 APR is an opportunity to ensure that early childhood providers delivering best practice supports can support the implementation of these changes.

## 5.5 Utilisation is a key cost driver

As noted in the NDIA's 2022-23 Annual Pricing Review report, the therapy market is a diverse one made up of large not for profit organisations, smaller private providers and sole traders. Providers may deliver supports to a large variety of clients or focus only on NDIS participants (NDIA report). As such utilisation rates vary significantly across providers. Notwithstanding this variation, benchmarking paints a relatively consistent picture.

Table 7: Benchmarking Results Allied Health Professional Utilisation

Benchmark	Percentage
Ability Roundtable	57 per cent
Stewart Brown	52 per cent

This directly impacts revenue generation per client.

It is worth noting that even those non-face-to-face costs that can be claimed against a participant's plan may prove difficult for therapists to charge against. Professional bodies have noted that assessments and subsequent applications for assistance technology are time consuming and inadequately allowed for in plans.

Travel is also a source of concern. Therapists report being concerned that the cost of travel can exhaust direct service aspects of a participant's plan, which may already be inadequate to meet their needs. Families, when faced with the

option of using their packages and funding to support delivery in natural settings, may therefore be reluctant to do so due to additional costs. This puts providers committed to best practice in a dilemma. NDS has previously argued for travel costs to be recognised in participant plans as a separate cost.

The factors outlined above, along with limited capacity to adjust to the seasonal variations in participant preferences for support delivery, such as families preferring supports outside of school holidays, place constraints on providers being able to lift utilisation rates.

## 6.0 Support Coordination

### 6.1 Pricing must support providers to remain in the market

The consultation paper suggests that the NDIA is in the process of developing a support coordination cost model. This is welcome and has been recommended by NDS, peak bodies and providers over past pricing reviews. It will be important to ensure that the impact of the NDIS Review recommendations on the support coordination market are factored into this model and 2024-25 pricing decisions. Both the Minister for the NDIS and the NDIS independent review panel have pleaded with support coordinator providers to continue to deliver services. Support coordination providers report being increasingly anxious as they await more detail and government responses.

Pricing must provide support coordinators with the confidence that they need to stay the course.

Prices for Level 2 and Level 3 support coordination have not been increased for the past four years. This is despite providers of these supports experiencing the same cost pressures as all businesses.

Benchmarking by Stewart Brown (2023) indicates that a staggering 75 per cent of support coordination organisations participating in the benchmark made an operating loss in the 2022-23 financial year.

This result is consistent with benchmarking conducted by Disability Intermediaries Australia (DIA) which showed that 80 per cent of providers reported a loss for the 2021-22 financial year (DIA, 2023). NDS is aware that DIA is in the process of analysing 2022-23 financial year benchmarking and will be making a submission to this APR.

### 6.2 Direct staff costs are a significant cost driver

DIA benchmarking indicates that over 90 per cent of the 454 unique responses received to their survey use the SCHADS Award as their industrial instrument for both participant facing staff and supervisors (DIA, 2023). This

means that the support coordination market has experienced the same increases and impacts of changes to Award conditions as providers operating under the DSWCM.

Reflecting the competition to attract and retain a support coordination workforce, 60 per cent of 2023 State of the Disability Sector survey respondents reported difficulties in recruiting support coordinators while almost half said that retention was difficult (NDS, 2023). Stewart Brown benchmarking indicates that pay rates have increased compared to 2021-22 (Stewart Brown, 2023), and it would be reasonable to suggest that this increase has occurred both in relation to SCHADS Award increases but also to attract and retain staff.

Turnover is also increasing among this workforce with Ability Roundtable benchmarking reporting a turnover rate of 34 per cent, a 4 per cent increase on last year among those participating organisations (Ability Roundtable, 2023b).

### 6.3 Unbillable activity impacts utilisation and costs

NDS's submission to the 2022-23 APR highlighted the impact of unbillable activity on support coordination utilisation. Across our survey sample, utilisation was estimated to sit at 68 per cent. This is consistent with benchmarking for the 2022-23 financial year.

Table 8: Benchmarking Results Support Coordination Utilisation

Benchmark	Percentage
Ability Roundtable	66 per cent
Stewart Brown	71 per cent

The consultation paper indicates that the NDIA has noted feedback received which highlights the large amount of unbillable work undertaken in the delivery of support coordination. Consultation with NDS members indicates that this is extensive and is a key driver of the hourly cost of service delivery.

A sample of some of the unbillable activity reported across support coordination providers includes:

- Participant documentation, case conferences and NDIA correspondence
- Non billable travel
- Professional development and training
- Supervision
- Attending team meetings
- Participating in networking to establish and maintain relationships with local mainstream service providers

- Developing data bases and local market knowledge to support participants navigate the NDIS provider market and exercise choice and control
- Correcting plan build errors
- Delivering support in cases where plan budgets have been exhausted due to insufficient hours being allocated. This includes responding to crises.

Providers report that the low price and lack of indexation in 2023 (and previous years) for Level 2 and Level 3 Support Coordination does not correlate with the skills and experience required, or the cost of training an employee to the necessary competency to achieve a level of billable hours sufficient to make the role sustainable.

## 7.0 The cost of compliance and quality

The consultation paper notes that the 2022-23 APR received significant feedback that current pricing across all supports does not adequately reflect the cost of compliance or support investment in quality. Prices in 2022 included an increase of 0.7 per cent across direct costs for core supports to recognise the increased cost of compliance with NDIS Commission requirements. It was not considered necessary to adjust utilisation rates in the DSWCM or increase prices for capacity building supports (NDIA, 2022a) It is unclear what component compliance and quality make up in current pricing, but it is probably fair to assume that this has remained at 0.7 per cent.

### 7.1 The cost of compliance and quality have increased over the past 12 months

NDS's submission to last year's price review argued that the costs of compliance with NDIS Commission requirements are high across all supports in scope and were not adequately covered by 2021-22 pricing.

We suggested that an allowance needed to be factored into the operational overhead component of the DSWCM and into pricing for therapy, early childhood intervention supports, support coordination and plan management supports to cover:

- compliance
- support and supervision
- training, practice leadership
- active support
- investment in trauma informed and culturally appropriate service delivery and
- well-developed systems of risk, complaint and incident management that facilitate proactive prevention and responses.

We also provided evidence that compliance and quality impacts utilisation.

Ability Roundtable (Ability First Australia, 2024) benchmarking indicates that the costs of compliance and quality have increased over the past 12 months. Data across the benchmarking sample show that:

- Median costs of complying with NDIS Commission regulations and requirements have increased by 10 per cent for 80 per cent of participating providers
- Compliance activities represented on average 1.3 per cent of operating costs (as a proportion of direct costs)
- SIL providers spent 0.4 per cent of their total revenue on auditing and on costs related to NDIS audits
- Unbillable quality, safeguarding and compliance tasks consumed 1.8 per cent of DSW, 2.9 per cent of allied health professional time and 9.4 per cent of front line leader time.

Some of the drivers that have seen these costs increase over the past 12 months include:

- The full impact of the implementation of the new Practice Standards for Emergency Management, Severe Dysphagia and Mealtime Management introduced by the NDIS Quality and Safeguards Commission in December 2021. As indicated by the NDIS Commission the introduction of these new standards resulted in changes across all core and supplementary modules of the NDIS Practice Standards including new quality indicators that providers are required to demonstrate.
- Introduction of new [High Intensity Support Skills Descriptors](#) effective as of 1 February, which recommend that worker competency is annually reviewed, and refreshers provided for the provision of nine types of support. While the importance of workers maintaining current and robust knowledge is not debated, the impact on both training and utilisation costs must be recognised.
- Increased attention and requirements related to incident reporting and reporting the use of restrictive practices. The NDIS Commission current systems for reporting are inefficient and administratively burdensome. Combined with this is the requirement across some jurisdictions for the same information to be reported to the state or territory authorising body. This issue was considered in some part by the NDIS Review that however, they remain a current and growing cost driver for registered providers.

## 7.2 Quality, safeguarding and compliance costs are likely to increase in the short and medium term

In 2024-25 we anticipate seeing greater compliance requirements for registered providers.

Development of new practice standards and quality indicators for registered providers of supported independent living is underway as a result of the NDIS Commission Own Motion Inquiry into Aspects of Supported Accommodation.

The NDIS Commission Own Motion Inquiries into Intermediaries and Platform Providers have the potential to lead to the development of relevant practice standards and quality indicators.

The introduction of new standards and quality indicators will require the appropriate time in developing provider protocols, check and balances and worker training as have previously introduced Practice Standards.

The Royal Commission and NDIS Review findings highlighted systemic issues and failures that need to be addressed to ensure the safety, wellbeing and rights of people with disability. Their recommendations will impact the way in which the NDIS Commission oversees the market and regulatory requirements for service providers.

The NDIS Review has recommended fundamental changes to worker and provider regulation and the way in which this new system will operate is being considered by a NDIS Worker and Provider Registration Taskforce. While a changes to the framework are welcome, they will require providers and workers to prepare and adapt.

## 7.3 Pricing must support a registered provider market

The increased costs of compliance are borne primarily by registered providers. Registered providers deliver supports across multiple line items including those in and out of scope of this APR. An unintended consequence of the current system is that providers of the same supports are not competing on an even playing field. For example a registered provider of supported independent living or high intensity supports is competing on price with an unregistered provider of the same supports, without the same obligations.

Increasing the quality of NDIS supports requires a combination of pricing and non-pricing enablers. Increasing prices alone will not guarantee safer or better quality supports across the entire NDIS market. Similarly registration does not guarantee that a provider is delivering safer or better-quality supports.

However, registration does mean that providers are committed to meeting minimum standards, to ongoing independent oversight and review of their services and operations and have a commitment to continuous quality improvement.

Volume 10 of the Royal Commission final report specifically mentions the considerable regulatory and cost burdens, quality audit processes, and compliance with reporting obligations experienced by providers. It acknowledges that limited regulation and oversight of unregistered providers can pose safety risks to people with disability (Royal Commission, 2023).

NDIA data indicates that the non-registered market is growing faster than the registered market. Of the 198,777 providers active in the December 2023 quarter, just 9,385 or 4 per cent were registered providers. However, these providers receive the majority of payments, with 55 per cent of all plan managed payments going to registered providers in the same period. This is despite only 7 per cent registered providers receiving payments from plan managers (NDIA, 2024).

The NDIA quarterly report also notes that unregistered providers are more likely to be used for "general" support items which are not necessarily disability specific and receive one off or smaller payments than registered providers (NDIA, 2024). On the whole providers who are registered support some of the most complex and vulnerable participants in the NDIS. Supports such as implementing restrictive practices require registration. It is important that the pool of providers ready, willing and able to offer quality supports to participants with complex support needs is not only maintained but grows.

It is not good enough that market health is assessed on numbers alone. The NDIA has historically used growth in the number of providers entering the sector and limited number of providers ceasing to offer services as signals that the market is functioning well (NDIA, 2023b). Access to quality supports is critical. It is important that strategies to increase supply also include an equal focus on strategies that aim to ensure that these supports are safe, culturally appropriate and trauma informed.

It is important that providers are supported to maintain their registration but that unregistered providers and new entrants see registration as a valuable and viable option. However, maintaining and growing a market of registered providers without immediate pricing interventions that recognise the additional costs of being registered is likely to prove difficult. Nearly one-fifth of respondents (18 per cent) of registered providers surveyed in NDS's 2023 State of the Disability Sector report are considering dropping their registration with the NDIS Commission (NDIS, 2023). This is consistent with data from Ability Roundtable benchmarking which shows that 15 per cent of participating providers are reconsidering remaining registered (Ability First Australia, 2024).

## 8.0 Cancellations

The consultation paper is seeking input to assess the impact of changes made to the short notice cancellation period in 2022-23 Price Limits and

Pricing Arrangements. These changes saw the allowable short notice cancellation notice period increase from 2 clear business days to seven clear days to align with changes to SCHADS Award. As noted in the consultation paper, providers are required to compensate workers for shifts cancelled with under seven days' notice under the Award.

## 8.1 Provider cancellation policies and practices

Providers report that cancellations can be both billable and unbillable. Unbillable cancellations effect utilisation and impact overhead costs. This is particularly the case where supports are delivered in community settings and when it is not possible to redeploy the staff members either due to the worker skills and experience required, location or to meet participant preferences and support needs.

Policies and claiming practices differ across the sector. Discussions with providers and Plan Managers would indicate that most billable cancellations occur within a 48-to-24-hour time frame. It is common practice for providers not to claim for cancellations where a longer notice has been given even where this is permissible within the pricing arrangements.

However the requirements under the Award remain and it is important that short notice cancellation rules enable providers to meet their industrial relations obligations. Removing the capacity of providers to claim where necessary may have the unintended consequence of placing providers in the position where they have little choice but to reallocate staff based on rosters as opposed to participant preference.

## 9.0 Recommendations

NDS makes the following recommendations for the 2023-24 APR:

### Recommendation One

**Consumer price indexation and workforce price indexation must be applied across all price limits in full.** Plans should be indexed in line with the increase applied. Consideration should be given to the baseline price for those supports that have not had CPI or WPI increase over successive price reviews.

It is time to acknowledge that the issues with NDIS pricing and systemic and structural and felt across the sector.

### Recommendation Two

In addition to CPI and WPI, NDS recommends that the following increases be applied:



- **A two per cent registration supplement** for all registered providers based on claims made paid directly to providers. This should be paid directly to providers to ensure that participant plan budgets are not unfairly impacted where participants are either choosing to use or are required to use a registered provider.

This could be administered through:

- A direct claim lodged by providers based on value of claims. This could be verified by the NDIA.
- A direct automated payment to providers based on claims for a nominated period.

This supplement should continue while transitions in the reform environment are underway (5 years) and reevaluated at that time.

- **A two per cent intermediary supplement** for support intermediary providers maintain and grow their services to meet unmet demand. This should be paid directly to providers via a similar mechanism as the registration supplement. Given that many participants do not receive adequate amounts of support currently it is vital that this increase does not adversely impact their plan budget.

This should be paid directly to providers to ensure that participant plan budgets via a similar mechanism as the registration supplement.

This supplement should continue while transitions in the reform environment, including those relating to foundational supports and navigators are underway, (up to five years) and reevaluated at that time.

Support coordinators must be involved in the development of any new cost modelling, and it must be underpinned by real costs of delivery.

- **A 10 per cent increase should be applied to pricing for core supports delivered by disability support workers, therapy and intermediaries** to appropriately recognise actual costs and address flawed pricing assumptions across:

- Base pay rates
- Casual workforce distribution
- Span of control
- Corporate overheads
- Workers' compensation premiums
- Training and professional development
- Worker utilisation
- Reasonable margin
- Costs associated with maintaining services and implementing transition planning as reforms take shape

Taking into account the removal of TTP and temporary loading this represents a net increase of 7.5 per cent.

Participant plan budgets must be increased to ensure that providers are able to claim at the higher rate without running the risk that participants will run out of funding and need to seek an early plan review. Multi-year plans should be indexed annually.

### Recommendation Three

**Level 3 High Intensity pricing must be reinstated.** This should be based on the indexed wage rate of Social and Community Services Employee level 3 in the SCHADS Award.

### Recommendation Four

**Implement a separate travel line item for early childhood intervention** providers to recognise delivering in natural settings. Participant plans should be adjusted accordingly.

### Recommendation Five

**Retain the current policy that enables providers to claim a short notice cancellation** where the participant gives less than seven days clear notice.

### Recommendation Six

**Carefully the monitor the impact of any change to the short notice cancellations.** If the short notice cancellation period is reduced and no longer reflects Award provision:

- The impact on the costs of providers should be monitored.
- Additional costs should be offset by a reinstatement of the seven-day short notice period, or an appropriate increase should be included in cost modelling.

### Recommendation Seven

**Transition pricing for NDIS supports to an independent pricing authority.** Cost modelling is flawed. Where modelling exists, underpinning assumptions are either flawed or not transparent. An independent pricing approach must be implemented that provides fairer, best practice pricing in the NDIS. A scheme of this size and importance deserves no less.

### Recommendation Eight

**Establish funding to support sector structural adjustment and transformation** over the next 5 years.

## 10.0 Conclusion

The disability sector is facing an exciting future. Government is considering fundamental changes to the way that people with disability access support across the community. The NDIS Review has proposed an ambitious reform agenda with the potential to address some of those issues that have been plaguing the NDIS since inception.

Participants and providers are excited and optimistic, anxious and overwhelmed. Participants are worried about whether their support needs will be met in ways that enable them to be the experts in their own lives. Providers are trying to picture the future, what their organisations will look like in 6 months, 2 years or 10 years from now, while at the same time developing managing a financially precarious present.

The 2023-24 Annual Pricing Review is an opportunity not to be lost. We believe that our recommendations will help ensure that NDIS prices and pricing policies pave the way for the reforms to come, support sector transformation, and send a clear message about the importance of a vibrant, quality focussed and sustainable disability provider sector to people with disability and the community, now and into the future.

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