

Support Margin and Growth: Things to remember

# What is support margin?

The amount a product or service **contributes** to profit or corporate overhead.

Example:

|  |  |
| --- | --- |
| Revenue from supports: | $100 |
| Staff costs: | -$50 |
| Program management costs: | -$10 |
| **Support margin** | = $40 |

For every hour we deliver, we contribute $40 to our organization.

This support margin contributes towards corporate overhead and profit.

# What is “Volume Growth”?

An **increase** in the amount of **service hours** delivered for a particular program or service.

# Why is everyone so obsessed with growth?

Disability funding is still supposed to double overall in Victoria. Because of the additional investment put into the sector, the government expects increased productivity, efficiency gains, increased employment and overall better outcomes for the community.

# How do different NDIS support types impact margin and growth?

The majority of the NDIS purchases and purchase growth attaches to core supports. Usually purchased at the 1:1 rate of $44.72 per hours under the community inclusion and tasks of daily living support types. Results to date suggest that this support type requires real support discipline to break-even. Some other support types (capacity building and supported independent living) may deliver better profitability overall.

# How do we achieve good growth?

If you are looking purely at numbers, then the most effective thing to grow is the program with the largest support margin.

**But** it is always important to remember that it’s not all about the profit margin. Just because a program isn’t profitable doesn’t mean that it has no value. The most effective mix is about balancing profitability with client outcomes.

## Discipline with fixed costs

Increasing the profitable programs, while keeping fixed costs consistent may result in increased profit margins overall.

# **Discipline with product mix**

| **Product type** | **Support margin** | **Purchased value** | **Delivered profits** |
| --- | --- | --- | --- |
| NDIS core supports | -5% | 22,220,000 | 1,110,000 |
| NDIS SIL supports | 7% | 10,000,000 | 700,000 |
| NDIS Therapeutic supports | 6% | 5,000,000 | 300,000 |
| Other NDIS supports | 5% | 2,200,000 | 110,000 |
| Total | blank | blank | = 0 |

* Disciplined business mix and regular product review is crucial

|  |  |  |  |
| --- | --- | --- | --- |
| **Product type** | **Support margin** | **Purchased value** | **Delivered profits** |
| NDIS core supports | -5% | 22,220,000 | 1,750,000 |
| NDIS SIL supports | 7% | 10,000,000 | 700,000 |
| NDIS Therapeutic supports | 6% | 5,000,000 | 300,000 |
| Other NDIS supports | 5% | 2,200,000 | 110,000 |
| Total | blank | blank | + -640,000 |

* Loss of commercial disciple combined with long periods until social insurance market emerges may cause significant losses

**But** remember, if you just decide to eliminate loss making programs, the programs share of corporate costs will need to be redistributed to remaining programs.

# What are our next steps?

* Do your homework! (also last week’s homework)
* Make **informed** decisions
* Think, plan and act wisely
* Lead with clear thinking and discipline.

Each program plays a part in contributing to the bottom line. Simply growing or eliminating programs blindly will not achieve quality financial outcomes, or client outcomes. Make sure you play your part!

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