National Disability Services Submission:

Joint Standing Committee

National Disability Insurance Scheme (NDIS) General Issues Inquiry

About National Disability Services

National Disability Services (NDS) is Australia's peak body for disability service organisations, representing more than 1000 service providers. Collectively, NDS members operate several thousand services for Australians with all types of disability. NDS provides information and networking opportunities to its members and policy advice to State, Territory and Commonwealth governments. We have a diverse and vibrant membership, comprised of small, medium and larger service providers, employing 100,000 staff to provide support to half a million of people with disability. NDS is committed to improving the disability service system to ensure it better supports people with disability, their families and carers, and contributes to building a more inclusive community.

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1.0 Overview

National Disability Services (NDS) welcomes the opportunity to make a submission to the Joint Standing Committee on the National Disability Insurance Scheme (NDIS) General Issues Inquiry.

The NDS Submission is in response to the Committee's request for information on the implementation, performance, governance, administration and expenditure of the NDIS.

2.0 Scope of submission

The National Disability Insurance Scheme (NDIS) has established a market for disability supports. However, this market remains in its formative stages and faces significant challenges. This submission focuses on the critical role of the National Disability Insurance Agency (NDIA) in stewarding this market and ensuring it delivers on the core objectives of the NDIS. We argue that a shift in perspective is necessary, moving away from a purely transactional "market" language and towards a focus on "community development" within the NDIS ecosystem. This approach emphasises collaboration, sustainability and participant empowerment.

We make a number of practical recommendations that would improve the way in which the NDIS market operates and better align incentives for participants, workers, providers and government.

Recommendations

More detail on each of these recommendations is provided in Section Seven.

- Establish an Independent Pricing Authority in alignment with NDIS Review findings.
- Implement a cost-reflective pricing model within the new NDIS pricing and payments framework (as outlined in Action 11.1 of the NDIS Review).
- Implement a registration supplement for NDIS Providers.
- Fund strategic workforce development and retention.
- Establish a sector-led reform implementation taskforce.
- Develop a collaborative five-year NDIS implementation roadmap.
- Create an industry transformation fund.
- Develop a comprehensive implementation plan for a risk-proportionate regulatory framework.

- Enhance initiatives to empower participants.

3.0 State of the disability sector

The NDS 2023 State of the Disability Sector annual survey and report, in collaboration with the Centre for Disability Research and Policy at the University of Sydney, sheds light on the challenges faced by disability providers. The findings depict a sector teetering on the brink.

The report found:

- 72 per cent of not-for-profit providers and 67 per cent of for-profit providers are worried that they will not be able to provide NDIS services at current prices.
- 34 per cent of providers made a loss in FY 2022-23; 18 per cent broke even.
- 82 per cent of respondents received requests for services that they could not fulfil.
- 78 per cent reported extreme to moderate difficulty finding support workers, with availability of allied health professionals ranging from low to non-existent.

As the provider sector responds to the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability (the Royal Commission) and NDIS Review recommendations, the State of the Disability Sector Report point to the urgency and significance of addressing the issues in ways that foster and build a sustainable sector for people with disability.

Organisation finances and general operating environment

In the last three surveys, between 19 and 23 per cent of providers reported a loss. This year, a concerning 34 per cent of providers reported a loss and just 18 per cent broke even. This is the worst year for financial viability in the history of the survey.

Opinions about general operating conditions remain poor, with 70 per cent saying that they have worsened in the last 12 months. When asked about the wider Australian economy, 68 per cent say that conditions have worsened.

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, emphasising the need for strategic interventions to ensure the sustainability and financial well-being of service providers in the disability sector.

Most providers would place the root of this problem in pricing, especially with the rising cost of doing business. Seventy-two per cent of not-for-profit providers and 67 per cent of for-profit providers said they worry that they will not be able to provide NDIS services at current prices.

Yet demand for services keeps rising. Eighty-two per cent of respondents said they had received requests for services that they could not fulfil. The reasons they gave for turning down services include having not enough staff (45 per cent), not enough qualified staff (21 per cent) or not enough organisational resources or money (15 per cent).

Quality and safeguards

Perceptions of the NDIS Quality and Safeguards Commission (NDIS Commission) continue to lean towards the negative. Fifty per cent of respondents express dissatisfaction with its collaboration with providers. Positive sentiments towards the NDIS Quality and Safeguarding Framework declined in 2023, with a notable increase in respondents (48 per cent in 2023 compared to 41 per cent in 2022) disagreeing with the statement, "We are confident that the NDIS Quality and Safeguarding Framework supports the quality of services/outcomes."

Half the respondents acknowledge positive outcomes from the Commission practice guides, while only 47 per cent believe that the behaviour support requirements to reduce and eliminate restrictive practices are yielding favourable results.

National Disability Insurance Scheme registration

Nearly 18 per cent of respondents are considering dropping their registration with the NDIS Commission. Services established during or after 2014 are significantly more likely (26 per cent) to consider dropping their registration, almost double the rate for organisations established before 2014 (14 per cent). Additionally, smaller organisations, both in terms of headcount and turnover, and for-profit entities show a higher likelihood of considering deregistration compared to their counterparts.

Respondents express concerns about the administrative burden, costs, lack of benefits in registration and the perceived lack of accountability for unregistered providers. These findings are underscored by concerns with a perceived two-tier service provider market, with, on the one hand, registered providers shouldering the costs and administrative burden of registration and, on the other, unregistered providers delivering many of the same services but with less oversight and accountability.

Recommendations from the Royal Commission and NDIS Review and, more recently, the NDIS Provider and Worker Registration Taskforce to simplify registration should be a priority. Notably, 77 per cent of respondents find that, collectively, NDIS pricing and regulation hinder the provision of innovative services responsive to participant needs, a sentiment consistent with previous years. Concerns around the regulatory environment and quality and safeguarding framework need to be addressed urgently and carefully.

4.0 Workforce Census

NDS's latest annual Workforce Census Report, shows that, having stabilised in 2022, the sector's workforce recruitment and retention problems have not eased. Providers face serious workforce pressures as they enter a long period of NDIS reform.

The NDS Workforce Census 2024 received responses from 361 organisations representing 67,363 disability support employees across Australia. This was the second highest response rate in the history of the survey, due strong interest from NDS members and the sector.

The 2024 results mostly show a continuation of previous workforce trends, but in this case, consistency is not a good thing. Instead, these continued trends show that workforce issues in the disability sector have become entrenched. Action on sector reforms is urgently needed to address workforce challenges that have become a drag on sector effectiveness.

Entrenched workforce issues threaten the NDIS

The latest NDS Workforce Census reveals concerning trends in the NDIS workforce, characterised by staffing shortages and high turnover. This has serious implications for the quality and sustainability of services for people with disability.

- **Overreliance on casual staff:** A significant portion of the workforce (37 per cent) are casual support workers with high turnover rates. This creates instability within the system and hinders the building of long-term relationships with participants.

- **Escalating turnover:** Both casual and permanent staff turnover rates are on the rise, reaching 24 per cent and 16 per cent respectively. This annual churn of nearly 16,500 employees disrupts service continuity and creates a constant need for recruitment and onboarding, which is a costly process.

Financial viability crisis looms

The workforce challenges translate into a financial viability crisis for many NDIS providers. Inadequate pricing, rising operational costs and high staff turnover create a perfect storm, threatening service sustainability:

- **Losses and break-even operations:** A significant number of providers (52 per cent) reported operating at a loss or barely breaking even in FY 2022–23.
- **Delivery concerns:** Due to workforce issues, almost 70 per cent of providers express concerns about maintaining service provision at current funding levels.
- **Hidden costs of turnover:** Estimates suggest providers incur over $80 million annually in invisible costs solely due to staff turnover (including recruitment, onboarding and lost productivity).

In the recent NDIS Review Report, 'Working together to deliver the NDIS', the Australian Services Union has estimated that it can cost between $2130 and $3320 to on-board a new staff member. Using the lower end of this estimate, this represents a potential invisible cost of $40.5 million across the 361 organisations responding to this year's census. Even when excluding casual staff members, the costs still equate to over $17 million. Using estimates of the 2022 workforce numbers, this would represent a cost to the overall NDIS service ecosystem in the range of $80 to $190 million per year.

The NDIS Workforce Census serves as a wake-up call. Urgent action on workforce challenges is needed to ensure a sustainable and high-quality NDIS for all participants.

5.0 The importance of market stewardship in the NDIS

The crucial role of NDIA market stewardship in the NDIS

The role of the National Disability Insurance Agency (NDIA) as a market steward is essential for the NDIS's success across all stages. It acts as a guiding force for implementation, performance, governance, administration and expenditure.

Benefits across the NDIS lifecycle

- **Implementation:** Market stewardship ensures a vibrant network of service providers, preventing service gaps and catering to diverse needs.
- **Performance:** It incentivises high-quality services through clear standards, monitoring systems and rewards for exceptional outcomes. This fosters innovation and efficiency.
- **Governance:** Market stewardship promotes transparency and accountability by establishing clear pricing structures, data collection and diverse provider options, empowering participants with informed choices.
- **Administration:** It creates a smoother experience for everyone, with clear regulations, established networks and streamlined processes, reducing administrative burdens and costs. Additionally, it allows for adaptation to evolving needs and technologies.
- **Expenditure:** Market stewardship promotes responsible use of funds by incentivising efficient service delivery, discouraging monopolies, and encouraging investments that demonstrably improve participant outcomes. This helps maintain service quality while controlling costs, ensuring the NDIS's long-term financial sustainability.

In essence, effective market stewardship is the invisible hand that shapes the NDIS into a program that delivers quality services efficiently and sustainably for all participants.

A well-functioning NDIS market, fostered through effective stewardship, contributes to four key goals:

- **Informed participant choice and control:** Participants deserve clear information about available service offerings. This empowers them to make informed decisions about their NDIS supports, selecting services that best meet their individual needs and goals.
- **High-quality services and improved participant outcomes:** Effective market stewardship incentivises providers to deliver high-quality services that are evidence-based and demonstrably improve participant outcomes. This requires a workforce with the necessary skills, experience and qualifications. A sustainable disability sector, supported by fair pricing structures, allows providers to invest in

staff training, professional development and innovative service models that optimise participant well-being and independence.

- **A sustainable workforce and flourishing disability sector:** A thriving NDIS market fosters a robust and sustainable workforce within the disability sector. It needs fair wages, attractive career pathways and strong professional development opportunities. A well-managed market incentivises investment in staff, leading to higher retention rates, improved morale and, ultimately, better quality care for participants. Furthermore, a flourishing disability sector fosters innovation and attracts new entrants with fresh ideas and approaches to disability support.
- **Accessibility for all participants and safeguarding of rights:** All NDIS participants, regardless of location, disability type or background, deserve equitable access to a diverse range of quality support options. Effective market stewardship ensures that services are geographically accessible and cater to a wide range of needs. It also prioritises participant safety and well-being through robust safeguards that protect participants from exploitation and ensure service providers adhere to ethical and professional standards.

The current NDIS market faces challenges that hinder its ability to fully achieve these goals. Two notable hurdles include:

- **Workforce shortages and low wages:** The disability support sector struggles with workforce shortages and low wages. This can have a significant impact on the quality and sustainability of services. Low wages make it difficult to attract and retain qualified staff, leading to high staff turnover and potentially compromising the quality of care participants receive.
- **Pricing structure that discourages investment:** The price regulation system does not adequately reflect the true cost of delivering high-quality services. This can disincentivise providers from investing in innovation, staff training and service excellence. If price caps are set too low, providers may struggle to cover the costs associated with employing, training and retaining a qualified workforce. This can lead to a race to the bottom, where providers prioritise cost-cutting measures over quality investments.

Effective market stewardship holds the potential to address these challenges cultivate a vibrant NDIS market that empowers participants with informed choice, high-quality services and support a flourishing disability sector that prioritises their well-being and independence.

Conflict of Interest: Setting fair prices while containing Scheme costs

The NDIA's role in the NDIS market presents a potential conflict of interest that hinders effective market stewardship. This conflict arises from the NDIA's dual responsibility:

1. **Budget management:** The NDIA sets the overall budget for the NDIS, aiming to ensure its long-term financial sustainability.
2. **Market stewardship:** The NDIA oversees the functioning of the NDIS market, aiming to foster competition, service quality and participant choice.

This duality can create a conflict in the following ways:

- **Price setting and budgetary pressure**: The NDIA sets price caps for NDIS services. If the NDIA prioritises budget control, they might set price caps that are too low to incentivise high-quality providers to enter or remain in the market. This could lead to a race to the bottom, where providers prioritise cost-cutting over service excellence.
- **Data bias:** Metrics used to assess market health, such as provider payment activity, might be heavily influenced by the NDIA's own budget framework. This could lead to a situation where the NDIA prioritises metrics that reflect a low-cost market, even if it comes at the expense of participant well-being and service quality.
- **Limited incentives for innovation:** With a focus on financial sustainability, the NDIA might be less likely to support innovative service models or price structures that could benefit participants in the long run, even if these models require upfront investments.

Participants ultimately bear the brunt of the NDIA's potential conflict of interest. Tight budget controls might lead to lower price caps, discouraging investment in qualified staff and ultimately reducing service quality. Additionally, there is limited choice if price caps restrict new providers from entering the market. This can leave participants with fewer options and limited access to specialised services. Most importantly, a perception that the NDIA prioritises finances over participant well-being can erode trust in the entire NDIS system.

Business dynamism: A sign of a healthy market?

As discussed previously, effective market stewardship is essential for the NDIS to achieve its goals. While the NDIA has undertaken efforts to regulate the market, challenges persist. This section delves into one of the NDIA's measures of market health: business dynamism of registered providers. While valuable, this metric has limitations in fully capturing the market's condition.

Key metrics from the 2023–24 Annual Pricing Review report include:

- **High continuity among key providers**
  - A significant portion (38 per cent) of registered providers have consistently received payments over a three-year period, indicating market stability.
  - These consistent providers account for a substantial share (75 per cent) of total payments, suggesting they are crucial players in the market.
  - This high continuity allows the NDIA to focus on established providers with a proven track record, simplifying market oversight.
- **Shift towards larger providers**
  - The data shows a trend towards registered providers serving more participants.
  - This suggests a consolidation in the market, with a smaller number of providers.
  - The NDIA needs to ensure larger providers maintain quality service delivery while managing a larger client base.
  - This might require the NDIA to implement regulations or incentives that encourage quality care despite growth.
- **Limited provider exit**
  - The rate of inactive providers claiming zero DSW payments suggests many "exit" from the DSW market altogether, rather than just offering other NDIS services.

  - Low exit rate (0.2%) indicates a relatively stable market composition, which can be positive for continuity of care.
  - While stability is good, the NDIA should monitor if this low exit rate hinders new provider entry or market innovation.
  - The NDIA might need to explore reasons for provider exits to understand if any market barriers exist.
- **Focus on smaller providers**
  - The data reveals a significant number of inactive providers previously received low DSW payments (under $10,000 per half-year).
  - This suggests smaller providers might struggle to compete or find sustainability in the market.
  - The NDIA needs to consider policies that support smaller providers, especially those serving niche needs or regional areas.
  - This could involve exploring alternative funding models or simplifying administrative processes for smaller providers.

Business dynamism data, though informative, offers a limited view of NDIS market health. It tracks provider activity through payments, not service quality, and focuses on overall market exits, missing struggles within specific service categories. New entrants might not represent innovation, and established providers might innovate without frequent market churn. Additionally, national data can mask regional issues with provider availability or competition. For effective market stewardship, the NDIA needs a more comprehensive approach.

6.0 Strategic pricing for a sustainable NDIS

The NDIS aims to empower participants through a market-driven approach. However, ensuring a well-functioning market requires effective stewardship by the NDIA. This section will delve into key areas where the current approach to market stewardship presents challenges and opportunities for improvement.

Pricing and its impact on the market

The current approach to market stewardship in the NDIS, which relies heavily on fixed price caps, faces some limitations. These limitations hinder the overall effectiveness of the market in providing quality services for participants.

- **Limited choice and competition**: Price caps discourage new providers from entering the market or from delivering certain types of supports, to certain participant cohorts or geographic locations. This reduces the diversity of service options available to participants.
- **Disincentivising quality:** The system does not adequately reward providers who invest in quality improvements and deliver services that maximise participant outcomes.
- **Incomplete cost picture:** The pricing model does not fully consider the true cost of providing high-quality support services. This includes factors like attracting, training and retaining qualified staff.
- **Inadequate recognition of complexity:** The pricing structure fails to adequately recognise the additional costs of supporting participants with high and complex needs. This can lead to a situation where providers are unable to deliver essential services due to financial constraints.

2023–24 Annual Pricing Review

The NDIS Annual Pricing Review is a critical exercise undertaken by the National Disability Insurance Agency (NDIA) to ensure that the pricing structure of the NDIS remains fair and sustainable, balancing the needs of participants, service providers and the overall scheme's financial health.

NDS's submission to the 2023–24 Annual Price Review (APR) outlined a clear roadmap for a sustainable NDIS, prioritising quality service provision. The submission described a disability sector 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, dwindle as providers struggle to make ends meet. More providers are concerned that they will not be able to provide support at current NDIS prices.

However, the NDIA's final decisions fell short, raising serious concerns about the future of the scheme.

The NDIA 2023–24 Annual Pricing Review report notes the following:

- **Market growth and challenges**
  - The NDIS market is experiencing significant growth, with both registered and unregistered providers seeing increases in numbers and claim amounts. This indicates a market that is adapting to meet rising demand.
  - However, a potential concern arises from the decline in registered providers despite their increased claim amounts. This suggests a shift towards unregistered providers, which may raise questions about quality control and consistency.
- **DSW Cost Model Scrutiny**
  - The DSW Cost Model, used to set price limits for DSW services, faces criticism for potentially underestimating provider costs. Stakeholders point to factors like underestimated corporate overheads, lack of differentiation for complex needs, and setting efficiency levels that may not reflect current market realities.
  - In response, the NDIA seeks to improve the model by incorporating data from recent surveys and mandated reporting from not-for-profit organisations. However, challenges remain in accurately capturing costs across diverse provider structures and differentiating NDIS-specific activities from broader organisational functions.
- **NDIS pricing reform on the horizon**
  - The Australian Government acknowledges the need for reform in NDIS pricing structures. This aligns with initiatives like the Department of Social Services' Pricing and Payments Framework and the Independent Health and Aged Care Pricing Authority's (IHACPA) planned work for 2024–25. These initiatives aim to improve efficiency, effectiveness and data-driven decision-making.
- **Support coordination in flux**
  - The NDIS Review highlighted inconsistencies in support coordination delivery. While the number of providers, particularly Level 2 providers, has

significantly increased, there are concerns with cost pressures and maintaining service quality under the current financial model.

- Acknowledging the upcoming reforms proposed by the NDIS Review, the report advises against developing a specific cost model for support coordination at this time. This aims to minimise disruption during the transition to a potentially revamped intermediary service structure.

Despite the number of submissions received from providers and peak bodies and the presentation of independent benchmarking data, the APR failed to understand the needs of the sector:

- **Financial stability:** Our submission highlighted the financial crisis gripping providers. Many reported their worst year ever, with deficits rising and reserves dwindling. Despite acknowledging the need to address these issues, the NDIA's response lacked the urgency required.
- **Quality over quantity:** We emphasised the importance of pricing that incentivises quality care. This includes fair wages, staff development and robust quality assurance measures. Unfortunately, the NDIA's approach prioritises quantity of services over the quality of services delivered.
- **Cost-reflective pricing:** NDS proposed adjustments to reflect rising costs across the board, including CPI, wages and overhead expenses. The NDIA's minimal price increases fail to cover these rising costs, putting further strain on providers.

The results of the recent pricing review are a missed opportunity to invest in a sustainable disability support sector:

- **Limited price increases:** NDS called for full CPI and WPI adjustments, but the NDIA only implemented a partial increase. This leaves providers struggling with inflation and rising wages.
- **Rejection of quality incentives:** NDS proposed supplements for registered and intermediary providers to incentivise high standards. The NDIA's rejection of these proposals sends a worrying message about their commitment to quality.

- **Stagnant pricing for crucial services:** The freeze on prices for therapy, plan management and support coordination creates a funding gap, jeopardising access to these vital services for participants with complex needs.

This inadequate funding ultimately results in:

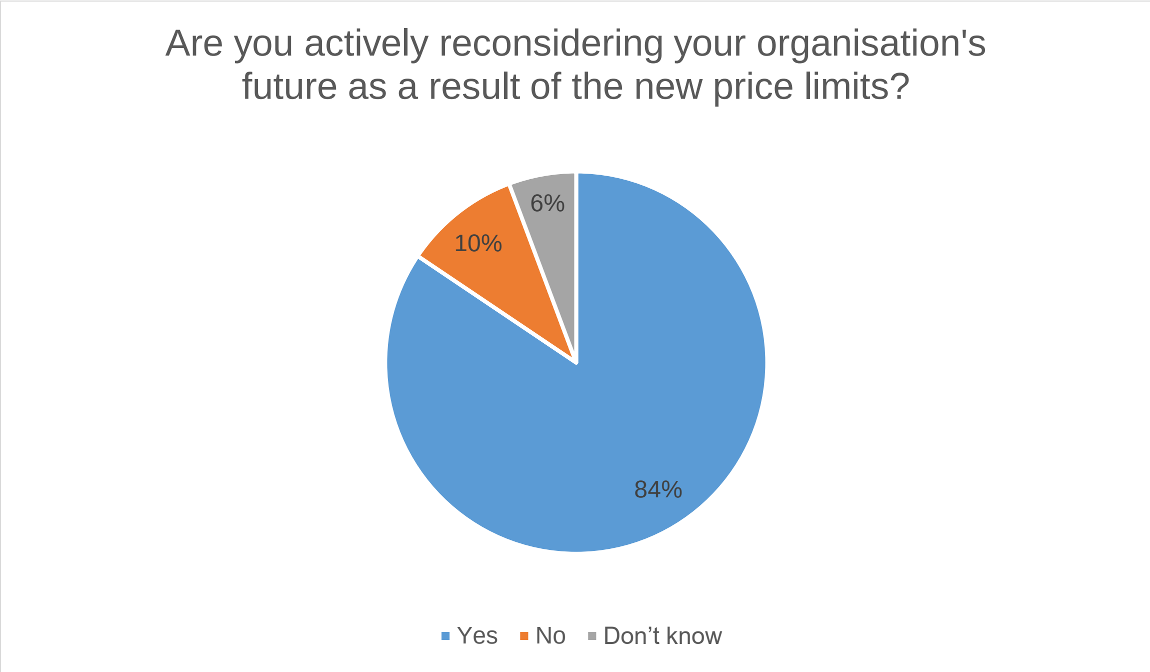
- **Loss of quality providers:** High-quality providers, unable to absorb rising costs, may be forced to leave the NDIS. This creates a double whammy for participants — reduced access to essential services and a potential increase in unregulated or unqualified providers.
- **Deterioration in service quality:** Without proper funding, service quality inevitably suffers. This jeopardises participant safety and well-being, the very foundation of the NDIS.

Annual Price Review Pulse Survey shows most providers reconsidering their futures

Following the release of the APR, NDS conducted a Pulse Survey to assess the impact that the decision would have on providers and the participants that they support. The Pulse Survey revealed a shift in thinking — from finding ways to cut budgets without cutting corners to seriously considering cutting services entirely.

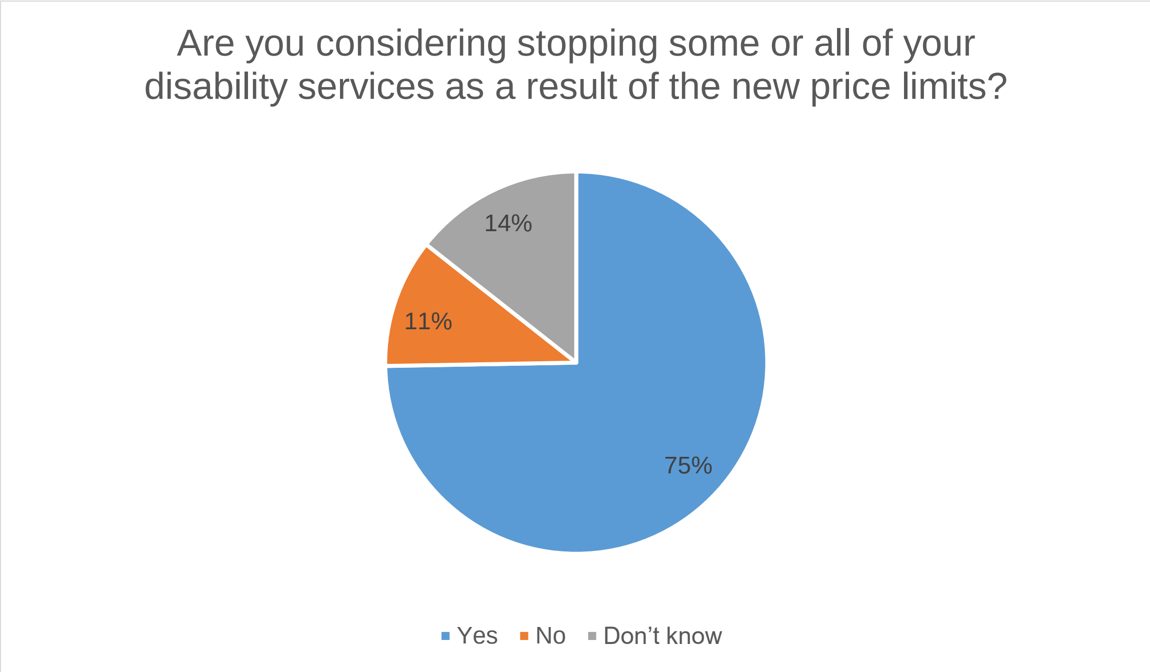
Unhappiness and anger over pricing was unmistakable in many responses: “The NDIS price system is a cruel joke that is putting the most vulnerable at the most risk and slow[ly] crushing the quality providers to death” [multi-state provider].

The survey drew responses from small to large operators from every state. Of the 1258 responses to the question, **Are you actively reconsidering your organisation's future as a result of the new price limits?** 84 per cent (1062) said yes and just 10 per cent said no.



Are you actively reconsidering your organisation's future as a result of the new price limits?	Number	Per cent
Yes	1,062	84 per cent
No	124	10 per cent
Don’t know	72	6 per cent
Total	**1,258**	**100 per cent**

The second question dealt more directly with service delivery: **Are you considering stopping some or all of your disability services as a result of the new price limits?** Three-quarters of respondents said that they were thinking about cutting services, 14 per cent said they didn’t know, and just ten percent said no.



Are you considering stopping some or all of your disability services as a result of the new price limits?	Number	Per cent
Yes	940	75 per cent
No	137	11 per cent
Don't know	181	14 per cent
Total	**1,258**	**100 per cent**

The third question asked those who are considering cuts to services for more detail about the types of services they might cut, when they might cut them, the effects of their cuts to regional and remote services, and how many participants might be affected.

Their responses gave a complex picture of service delivery, with financial and other pressures coming from all sides and a range of strategies under consideration for survival.

For one WA provider, the APR decision was just one more reason to stop supporting NDIS participants altogether, citing "lack of clarity, additional time requirements, no stable supports, poor NDIS staff training, payment limits below other funding … and the seemingly very dodgy push to move to large providers...”

For most providers, costs rising faster than prices is the crucial issue. One Victorian organisation claiming a loss of $870,000 in the last financial year, said that price increases did not cover the 1 July wage increases for long-term staff, “without beginning to consider insurance, energy bills, Workcover, etc … If we don’t turn things around in the next 12 months, we will likely close before end of FY24–25…”

One regional NSW provider, who is considering its options, admits that closing its doors is one of them: “This [would] impact significantly not only [our] participants and their families but also the staff that would be out of a job.”

As we have seen in previous surveys, unrealistic pricing unfairly affects registered providers, who have extra compliance costs: “I am being forced to de-register my business as I can no longer afford the costs associated with this expense.” [Vic. provider].

In the past, many organisations have cross-subsidised services, moving funds from one area with profits to NDIS services that are making a loss. The survey shows that financial juggling of this type has reached its limit: “While in previous years the slight margin we receive through SIL was able to subsidise other services, this year shrinking funding has meant we can no longer rely on this” [NSW provider].

As narrow margins turn into losses, providers look to cut travel to support participants: “Will no longer travel further than what is billable. Used to absorb this expense” [SA provider]. Many rightly pointed out that limiting travel will hit regional and remote services most.

Another solution being considered is downsizing — “To save the business [we] will need to reconsider size of business, moving to smaller premises” [Qld provider]. Laying off staff is now an option for many organisations: “[We] will need to reduce hours for all staff, if not make them redundant, with no price increase for capacity-building supports” [NSW provider].

Other providers are moving their businesses away from disability to aged care, where “[t]he wages are higher so it's easier to attract staff, pricing is higher, and the margins are better. And there is less red tape and less likelihood of unreasonable fines being imposed” [Multi-state provider].

Responses indicated that those participants at gravest risk of cuts include those needing the most support. One NSW provider will be telling participants who depend on complex, high-intensity supports that they will soon “cease any unfunded supports … reduce unfunded nursing support, reduce ratios in SIL that have previously been covered and now not funded in plans, [and may make] … changes to staffing (use of agency, etc.).”

For participants with complex behaviours, the pricing does not recognise the specialist skills to support them: “Given the inability to claim high-intensity support for participants with complex behaviours, we will be looking to cease servicing these existing participants and refusing to accept new participants with complex behaviours” [Tas. provider].

And participants in regional, remote and rural areas will feel the brunt of withdrawn services: “65 [per cent] of our clients are rural and remote. If we close our doors there aren't any other local providers to fill the gap. [Six] years of price freeze, with current inflation, is killing us” [SA provider].

Many providers, however, are determined to keep providing high-quality services, even if it means losses. While this approach is admirable and in keeping with the ethos of the sector, it is not sustainable.

7.0 Recommendations for a better NDIS market Stewardship

The NDIS Review: A call for reform

The NDIS Review has been clear: the Australian Government needs to clarify the roles of relevant agencies for administration market stewardship, pricing, policy, regulation, commissioning and legislation.

The NDIS Review identified limitations in the current approach to market stewardship, particularly price caps. Analysing the Review's recommendations on pricing reform can provide valuable insights.

Key considerations

- **Exploring alternative pricing models:** The Review might suggest exploring alternative pricing models that move beyond fixed price caps.

- **Focus on quality and innovation:** The Review likely emphasises the need for pricing models that incentivise quality care and foster innovation in service delivery.

The NDIS Review Panel envisions a more active role for governments in overseeing the NDIS market. This means governments should act as stewards to ensure the market functions effectively and benefits everyone.

The Panel acknowledges that different government agencies have varying roles in market stewardship. While the Department of Social Services sets market policy, other agencies like the NDIA and the Quality and Safeguards Commission play a role in:

- providing information and guidance to market participants
- implementing NDIS policy
- monitoring the market's performance
- acting when the market malfunctions.

The NDIS Review proposes a comprehensive approach to address shortcomings in the market, with a focus on reforming pricing and payment structures to incentivise quality service delivery. The key recommendation is **Recommendation 11: Reform pricing and payments frameworks to improve incentives for providers to deliver quality supports to participants**. This recommendation includes several action items:

- **Action 11.1:** The Department of Social Services should develop a new NDIS pricing and payments framework, administered by the National Disability Insurance Agency and the Independent Health and Aged Care Pricing Authority. This framework should include better ways to pay providers, promoting efficient and high-quality supports with a focus on continuity of supply.
- **Action 11.2:** The National Disability Insurance Agency should progressively implement preferred provider arrangements for capital supports. This leverages the government's buying power and streamlines access for participants.
- **Action 11.3:** The Australian Government should transition responsibility for advising on NDIS pricing to the Independent Health and Aged Care Pricing Authority (IHACPA). This strengthens transparency, predictability, and alignment with best practices in other sectors.

- **Action 11.4:** The Australian Government should continually review and refine the pricing and payments framework as market conditions evolve, ensuring its effectiveness in a dynamic environment.

By implementing these recommendations, the NDIS can create a market that incentivises quality care, fosters sustainability and delivers better outcomes for all participants.

The way forward

Systemic reform and investment are essential. The current system is demonstrably unsustainable. NDS calls for a multi-pronged approach involving sector-wide reform and supportive measures:

- **Pricing reform:** NDIS pricing needs a significant overhaul to reflect the true cost of delivering quality services, especially for providers supporting participants with complex needs.
- **Workforce investment:** Training, supervision and retention strategies for highly skilled practitioners are crucial but currently underfunded.
- **Market monitoring and intervention for sustainability:** NDS advocates for government support over the next five years to transform the NDIS sector and fosters a market that delivers quality care, offers choices and remains sustainable.

Pricing reform: Ensuring transparency and sustainability

Recommendation: Establish an Independent Pricing Authority in alignment with NDIS Review findings

The NDIS Review highlighted the need for a reformed pricing framework to incentivise quality care and ensure a sustainable NDIS market. This recommendation directly addresses these concerns by transitioning the responsibility for advising on NDIS pricing to the Independent Health and Aged Care Pricing Authority (IHACPA) echoing Action 11.3 of the NDIS Review.

Why an Independent Pricing Authority?

- **Transparency and objectivity:** IHACPA, independent of the NDIA's budget pressures, would set prices based on objective data. This includes the true cost of delivering high-quality services (staff wages, training, quality assurance) and regional variations. This transparency fosters trust within the NDIS market.

- **Fairness and predictability:** IHACPA would ensure fair and predictable pricing for providers, eliminating the potential for underfunding of quality services. This allows providers to invest in their workforce and resources, ultimately benefiting participants.
- **Alignment with best practices:** Like models in healthcare and aged care, an IHACPA aligns with best practices for price setting in social service sectors. This fosters a more efficient and sustainable market.
- **Focus on quality and efficiency:** IHACPA can consider factors beyond just cost, such as quality benchmarks and service efficiency. This incentivises providers to invest in staff training, quality assurance measures and innovative practices that improve participant outcomes.

The case for urgent change

The NDIS Review emphasises the need for immediate action. While the establishment of an independent pricing mechanism may take time, the NDIS can implement interim measures to ensure fairer pricing and incentivise quality care. These could include:

- **Cost modelling transparency:** Increase transparency in the NDIS cost modelling process, allowing providers to better understand how prices are set.
- **Piloting outcome-based funding models:** Explore pilot programs that reward providers for achieving positive participant outcomes, not just service delivery.
- **Upfront payments for providers:** Consider implementing upfront payments for providers, based on participant plans, to improve cash flow and reduce financial strain.

Recommendation: Implement a cost-reflective pricing model within the new NDIS pricing and payments framework (as outlined in Action 11.1 of the NDIS Review)

This framework, co-administered by the NDIA and IHACPA, should incentivise providers to deliver high-quality supports to participants.

The pricing system often fails to account for the full cost of delivering quality care. This financial strain on providers can lead to:

- **Staff shortages:** Difficulty attracting and retaining qualified staff due to under-competitive wages.
- **Reduced training:** Lowered investment in staff development, potentially impacting service quality.
- **Compromised service quality:** Limited resources lead to a decline in service delivery standards.

Adopting a cost-reflective pricing model achieves a trifecta of benefits. Firstly, financial stability for providers allows them to invest in their staff, resources and quality assurance measures. This creates a sustainable market environment where providers can deliver high-quality services consistently.

Secondly, competitive pricing attracts and retains reputable providers, fostering a wider range of service options for participants.

Finally, a financially healthy network of providers able to achieve efficiency over time ensures the long-term viability of the NDIS scheme itself, benefiting participants for years to come.

Recommendation: Implement a registration supplement for NDIS Providers

Underfunded NDIS pricing creates a vicious cycle. Providers struggle financially, leading to staff shortages and reduced training. This ultimately results in compromised service quality for participants who rely on the NDIS.

To address financial strain on NDIS providers, a registration supplement is proposed. This fixed percentage increase on claims would be paid directly to providers, boosting their finances without impacting participant plans. Two payment methods are suggested: providers claiming based on verified claims or an automated NDIA system. The supplement percentage needs careful analysis to avoid unintended consequences. A sunset clause could be implemented for review after a set period.

Benefits of the supplement include:

- improved provider sustainability allowing investment in staff, training, and quality assurance
- enhanced market attractiveness attracting more providers and potentially driving innovation
- NDIS market stability fostering a healthy environment for participants.

This proposal is one piece of a broader reform picture, alongside cost-reflective pricing and an independent pricing authority, for a sustainable NDIS market.

Workforce investment: Fostering a skilled workforce

Recommendation: Funding for strategic workforce development and retention

Attracting and retaining disability sector workers with the right values and skills remains an issue. The demand across the care and support sectors will only increase, while wages and conditions reflect the low value that the community places on these careers. Current NDIS pricing does not support investment in training, support and supervision.

The NDIS Review underscored the pressing need to address the significant workforce shortages in the disability sector. It remains one of the fastest growing workforces in Australia. Within the next three years, it is estimated that another 128,000 workers (or a 40 per cent increase in workforce size) will be required to meet NDIS demand. This challenge is compounded by high turnover rates, which see many workers leave the sector each year. It is expected that the disability sector will lose between 198,000 to 292,000 workers by 2025.

NDS strongly supports an integrated approach to develop the workforce of the care and support economy, using sector-specific strategies for guidance and to add nuance to this. Although the aged care and early childhood sectors have well-established workforce strategies supported by government, the disability sector is at the start of the journey to developing a NDIS Workforce Strategy.

There is an opportunity to leverage work being undertaken to develop the National Care and Support Economy Strategy to co-design, fund and implement a disability workforce strategy. This strategy should consider mechanisms to fund training and worker support that is responsive to individual participant and worker needs, the provider context and the place where support is being delivered.

Strengthening market monitoring and intervention for NDIS sustainability

Recommendation: Establish a sector-led reform implementation taskforce

Convene a group of stakeholders, including people with disability, advocacy organisations, unions, service providers, and experts, to advise the NDIA on market monitoring and intervention strategies.

Recommendation: Develop a collaborative five-year NDIS implementation roadmap

This recommendation proposes collaborating with the NDIS Taskforce to create a public five-year implementation roadmap for the NDIS reforms. This roadmap should be data-driven and prioritise the following key elements:

- **Monitoring and evaluation:** Establish a framework for ongoing data collection and analysis to track progress towards achieving NDIS goals.
- **Early intervention strategies:** Develop and implement strategies for early identification of needs and proactive intervention to improve participant outcomes.
- **Targeted interventions:** Address service gaps and quality issues through targeted interventions based on identified needs and data insights.
- **Promoting provider diversity:** Foster a diverse range of service providers within the NDIS to ensure participants have access to a wider selection of high-quality options.
- **Sequencing of reforms:** Clearly outline the sequence of NDIS reforms over five years to ensure a smooth and strategic transition.
- **Stakeholder consultation:** Prioritise ongoing engagement with stakeholders, including participants, families, providers, and the community, throughout the implementation process.
- **Minimising disruptions:** Mitigate potential disruption to participants and providers by communicating changes effectively and providing necessary support during the transition period.

Recommendation: Create an industry transformation fund

Establish a fund to support structural adjustments required for a sustainable market, prioritising workforce development, infrastructure investments for service providers and innovation in service delivery models.

Recommendation: Develop a comprehensive implementation plan for a risk-proportionate regulatory framework

Establish a new NDIS regulatory framework with a detailed implementation plan that includes clear timelines, responsibilities and milestones. This plan should focus on:

- defining risk-based regulations and factors promoting quality services
- implementing a universal provider registration process with varying categories based on risk
- conducting thorough suitability assessments for providers
- establishing ongoing monitoring, support and compliance mechanisms for all providers
- regularly reviewing the framework's effectiveness and making adjustments.

Recommendation: Enhance initiatives to empower participants

Invest in programs that build consumer and community capacity. Provide ongoing support and training to equip participants with the knowledge and skills to navigate the NDIS marketplace and make informed choices about their plans.

8.0 Conclusion

The NDIS has the potential to be a beacon of hope and empowerment for people with disability. However, the market dysfunction threatens to undermine this potential.

Achieving the reform agenda will require structural adjustment across most aspects of service delivery. Careful deliberation, collaboration and co-design will be necessary to implement its recommendations effectively. Providers need a seat-at-the-table to ensure changes can be safely and practically implemented and all stakeholders must work together to ensure high-quality, equitable and sustainable supports that provide choice, control and independence to people with disability.

Effective market stewardship by government, the NDIA and the NDIS Commission is central to the success of the NDIS. By implementing the recommendations outlined above, a thriving NDIS market that empowers participants, strengthens the disability sector and delivers high-quality, impactful supports can be cultivated. This, in turn, will enable participants to live more independent and fulfilling lives.

The NDIS Review offers a clear roadmap for reform, with the establishment of an independent pricing body as a critical first step. By implementing these recommendations, we can ensure the NDIS delivers on its core promise: quality care, security, and choice for all participants. The time for decisive action is now. We cannot afford to wait and watch as the NDIS market crumbles, failing the very people it was designed to support.

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