



# Joint Standing Committee Inquiry into Market Readiness for the Provision of Services under the NDIS

**22 February 2018**

The Victorian Healthcare Association (VHA) is the not-for-profit peak body supporting Victoria's public health services to deliver quality care. The VHA represents 96 per cent of the sector made up of Victorian public hospitals, health services, registered community health services, multi-purpose services and public sector providers of aged care.

This submission focuses on key areas of relevance for public sector providers of disability supports as outlined in the Joint Standing Committee's terms of reference including:

- the transition to a market based system for service providers
- the development of the disability workforce to support the emerging market
- the impact of pricing on the development of the market
- market intervention options to address thin markets.

## Introduction

Widely labelled as the most significant reform since the introduction of Medicare, the National Disability Insurance Scheme (NDIS) represents a significant milestone for people living with a disability and will drive real and positive change in disability services. The NDIS also presents significant and complex challenges for the public health and community health service sectors. In Victoria the public sector delivers approximately 15 per cent of registered disability services. Public hospitals, health services and community health services delivering these services have a considerable footprint in regional and rural areas (traditionally areas of lower demand) and often provide services to people living with high and complex needs. In many cases they are the only provider for vulnerable people, as such they act as a safety net for Victorians who may otherwise struggle to access services that meet their needs in, or near, their homes, families and communities.

### ***The transition to a market based system for service providers***

Providers of disability supports are working to understand the impact of the NDIS on their services and acknowledge that significant changes will need to occur to ensure they can successfully transition to a market-based system. These changes will impact all aspects of their business including how they deliver services, their organisational strategy, workforce planning, systems and costing. While many public hospitals, health services and community health services have already transitioned to the NDIS, others are still considering this important decision.



Irrespective of their NDIS provider status, the VHA's members have expressed significant concerns about transitioning to a market-based system for the provision of disability support services. The transition to a fully competitive, market-based and individualised funding model places the ongoing sustainability and ability of public providers to participate and contribute to the NDIS marketplace at risk. If these providers cannot successfully transition to a market-based system, significant service gaps will emerge across the sector, meaning people living with a disability will not be able to access the supports they need leading to poorer outcomes.

### ***The impact of pricing on the development of the market***

There is a serious risk that long standing service providers will not be able to remain financially viable or sustainable in a market based system of disability service provision and may opt-out of service provision leaving vulnerable clients stranded. To support the development of the market and to ensure this does not occur, NDIS price caps in the metropolitan, rural and very remote price guides must be adequate to cover the costs of providing high quality supports, particularly for people with complex needs who have to travel long distances.

The current price guide aims to ensure sustainability of the NDIS by maintaining a reasonable price for supports, however, there is a risk that the current high-quality and breadth of public sector service provision will not be maintained if prices do not adequately cover costs. Delivering services in rural and isolated areas entails a number of additional financial burdens for services, including:

- travel, encompassing fuel and vehicle maintenance costs, from the greater distances involved in providing services as well as other higher operating costs
- recruitment of qualified staff and provision of professional development opportunities
- managing workforce and services for smaller populations, often in large geographical areas
- compliance and accreditation, as rural services are more likely to offer a range of services at very small scale and therefore require multiple accreditation processes leading to significant financial and time pressures on staff and management.

The National Disability Insurance Agency (NDIA) acknowledged this in the 2016/17 Price Guide which includes increased price loadings that apply to the delivery of supports to participants in remote and very remote parts of Australia (18% in remote areas and 23% in very remote areas). There are, however, no allowances for areas of potentially thin markets in rural, regional and metropolitan areas as well as for smaller, niche providers delivering complex and specialised supports.

### ***The development of the disability workforce to support emerging markets***

The NDIS reforms are placing even more pressure on an already stretched disability sector; based on 2016 figures, in Victoria alone the disability workforce must grow by 76 per cent by 2019<sup>1</sup>. Compounding this issue, Victoria is already facing workforce

<sup>1</sup> Market Position Statement Victoria 2016, available at:

<https://www.ndis.gov.au/html/sites/default/files/documents/Market%20Position%20Statement/Victorian-MPS.pdf>



shortages across a number of health professions delivering both disability and non-disability related services including general practice, medical speciality areas, dentistry, nursing, midwifery, mental health, ageing and some key allied health professions. In the face of these shortages, public hospitals, health services and community health services are competing for the limited number of staff available to deliver crucial disability and health services to Victorians resulting in significant recruitment and retention challenges.

### ***Market intervention options to address thin markets***

People living in rural and remote areas have similar needs for services as Australians living in metropolitan settings, however, rural communities face additional difficulties associated with accessing supports. In rural areas there are often fewer services available close to where people live, and the services that do exist may not be accessible, for example, due to high cost or lack of transport.

The move to individualised funding under the NDIS requires providers to have sufficient economies of scale to operate sustainably. As the roll out of the scheme continues, the sustained provision of disability services in rural areas may be placed at further risk. The Productivity Commission study into NDIS costs (released 19 October 2017) recognised the need for appropriate government intervention in areas where a fully competitive, market-based and individualised funding model will not operate effectively.

Additionally, the NDIS has acknowledged that even in a mature NDIS marketplace, 'weak' or 'thin' markets will exist, primarily in rural, regional and remote areas due to insufficient local demand, limited service delivery, workforce shortages and lack of infrastructure. This may result in poorer outcomes for participants including less choice, higher prices and/or lower quality supports and services.

While the NDIA is the designated market steward, both Commonwealth and state governments must play a role in ensuring communities have access to the supports they need locally. The NDIS' ongoing success relies on the NDIA, and the Commonwealth and state governments effectively collaborating and agreeing on clear, specific and practical solutions to addressing thin and failing markets. Furthermore, roles and responsibilities between the NDIA, the Commonwealth and the state governments must be clearly delineated, transparent and clarified to ensure a high level of accountability in any local or joint responses to thin and failing markets.

## **Recommendations**

To ensure the continuation of a wide range of services that are reflective of consumer need, protections must be in place to allow public providers and smaller, niche services the opportunity to participate and contribute to a diverse marketplace. This will require:

- greater collaboration across all levels of government, the NDIA and the sector to monitor emerging market issues and ensure adequate safeguards for access are in place to ensure people do not fall through the gaps
- the urgent collection of data to understand locations where thin or failing markets exist or are likely to exist as well as data to understand where thin markets occur for certain support types



- price guides that reflect the true cost of providing disability care in metropolitan, rural and remote areas
- future revised prices that are underpinned by an analysis of the costs of providing a range of NDIS supports in metropolitan, rural and remote as well as for smaller, niche providers
- alternate funding models in areas of identified or potential thin and failing markets, and for services targeted towards complex consumers requiring specialised services, for example:
  - price guide flexibility whereby additional funding is allocated on a sliding scale to meet client needs and build capacity in services and communities utilising the current quote based system that the NDIA already has in place
  - a trial of the multi-purpose services model for providers of services in rural and remote areas, which is based on the principle that Commonwealth and state aged care and health funding is pooled to provide a more flexible, coordinated and cost effective framework for service provision in rural and remote areas
- a single comprehensive nation-wide human resources strategy for the disability workforce.