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## Submission to the Joint Standing Committee on the NDIS inquiry into the Market Readiness for the NDIS

Dr Jim Hungerford, CEO

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### Summary

The Shepherd Centre strongly supports the Objects for the NDIS as set out in its Act, in particular:

- (c) support the independence and social and economic participation of people with disability*
- (d) provide reasonable and necessary supports, including early intervention supports, for participants in the National Disability Insurance Scheme launch*
- (e) enable people with disability to exercise choice and control in the pursuit of their goals and the planning and delivery of their supports*
- (f) facilitate the development of a nationally consistent approach to the access to, and the planning and funding of, supports for people with disability*
- (g) promote the provision of high quality and innovative supports that enable people with disability to maximise independent lifestyles and full inclusion in the community*

We believe that the sector where The Shepherd Centre operates, of young children with permanent hearing loss, should be a role model within the NDIS for bringing these Objects to reality. In contrast, the current approach of the NDIA to this market is preventing these Objects from being achieved.

The Shepherd Centre recommends that:

1. A guided referral pathway be put in place to enable families to be informed consumers, utilising experts without a conflict of interest (we strongly support Australian Hearing fulfilling this role) rather than leaving it to chance with uninformed families.
2. The price paid to suppliers to be linked to effectiveness and at a level that enables effective services to be provided (such as linking pricing to a quality accreditation scheme administered by Australian Hearing) rather than paying the same to ineffective and effective suppliers.
3. The invoicing and administrative approach being linked to the provision of the effective service (such as staged invoicing as the program is delivered) instead of against counts of direct service.

## Background

It has been well documented to the Committee that if children with childhood hearing loss are not provided with the appropriate early intervention, they will be held back significantly in their independence, social & economic participation. Conversely, if they are provided with the correct specialist early intervention support they will be able to achieve the same quality of language (either spoken or signed) as any other person (subject to any other disabilities they may have), enabling them to finish school, participate in tertiary education, and participate in the workforce at the same rate as the general population.

The provision of these specialist supports is more expensive than generalist services (such as speech pathology sessions, etc), however the economic value provided by these services is much more than their cost to government (with Deloitte calculating that there is approximately \$4 of return for each dollar invested by the government).

These benefits from these specialist services (previously documented to the Committee) speak directly to the Objects of the NDIS:

- Allowing for **independence, economic and social participation** of these children through the development of **language at the same level of the rest of society**;
- These services being **reasonable** (in that they are cost effective given the benefit provided) and **necessary** (in that without these specialist services this level of language will not be achieved);
- Families exercise **choice in the services and goals** they select for their child (through the mode of communication and the service provider);
- A **nationally consistent** approach to these services is provided; and
- The **quality and innovation** of these services have been demonstrated to be world-leading in their ability to enable children with hearing loss to live an **independent life with full inclusion in the community**.

However the NDIA has elected to not behave in accordance with these Objects and instead has imposed input-based pricing that is based on the number of hours direct service (which is effectively unrelated to the quality of the supports or the benefit provided to the child) without providing the framework required to enable national consistency and quality (which would include measurement of achievement of family goals).

The NDIA is treating childhood hearing loss as if it were a permanent disability (where it funds inputs in proportion to the need); rather than a disability that benefits from early intervention (where the funding should be in proportion to the improvement provided).

The pricing approach that the NDIA has imposed:

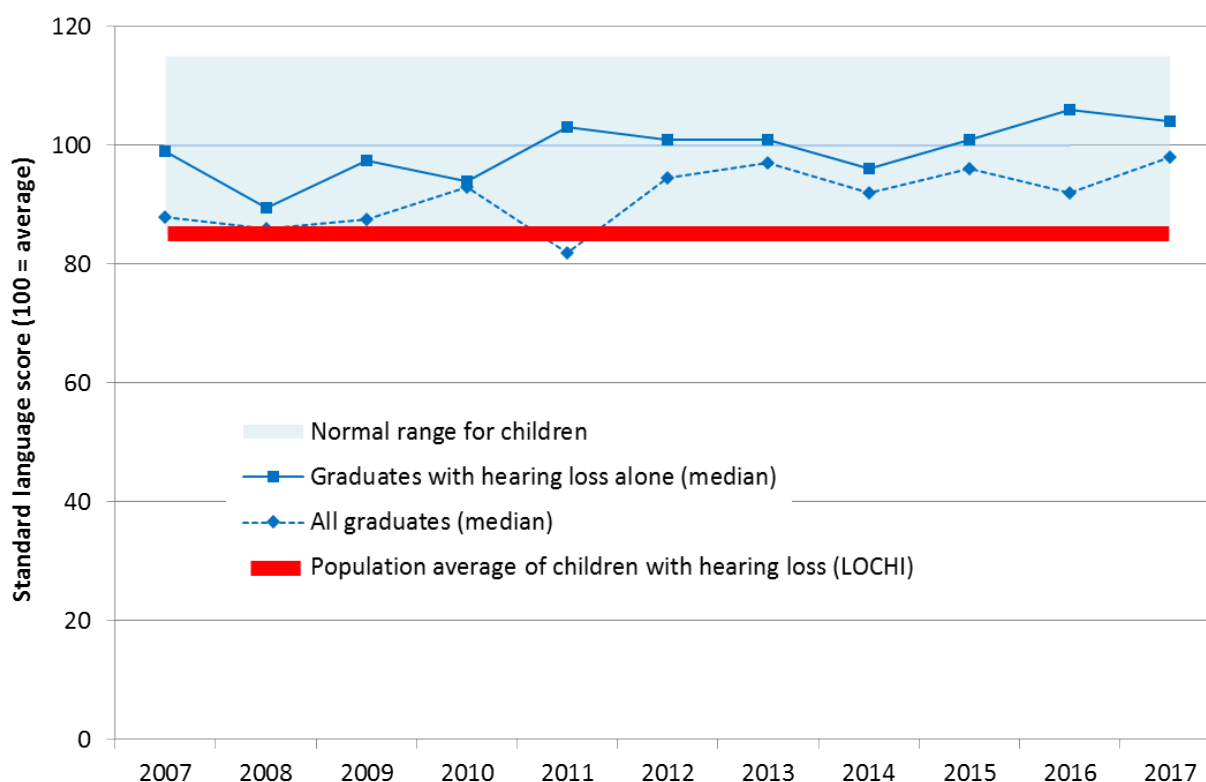
- incentivises the provision of ineffective service (through paying the same amount for a cheap ineffective service as it does for an effective but more expensive service);
- has no incentives for quality (as measured by achievement of goals; through not differentiating between providers who provide no positive outcomes to the children and providers who do enable children's outcomes);
- provides dis-incentives for the specialist team services required for outcomes (through their preferred 'per occasion of direct service' invoicing model);
- reduces innovation (though imposing an input-based pricing model rather than an outcomes-based one); and
- reduces the opportunity for families to act as informed consumers (by not providing guidance and falsely implying that increasing hours of direct services equates to better quality service).

Even the most recent correspondence from the NDIA is silent on the above points. The focus of this correspondence is on providing packages proportional to the 'needs' of the participant; comparing the value of the packages provided to children with hearing loss to the value of the packages for children with, for instance, profound intellectual needs.

These are not comparable situations.

An appropriate early intervention investment into children with hearing loss enables them to achieve spoken language at the same level as any other child. For instance, the following graph depicts the language of children who have completed the EI program at The Shepherd Centre. Of our 'graduates' (children completing the EI program and going into school) about 1/3<sup>rd</sup> have hearing loss alone. These children typically have slightly better language than other children of their age (with a median language score of 104). Even across all of our children (including those with additional disabilities, mainly hear languages other than English, or received delayed intervention), the median was 98.

These are substantially better than the typical language for children with hearing loss in Australia, as assessed in the LOCHI study.



An appropriate investment into early intervention for children with hearing loss allows for the above outcomes to be achieved. This is not comparable to the ongoing needs for a child with permanent and profound intellectual disability, where no matter the support provided the impact of that disability cannot be overcome.

To fulfil the Objects of the Act for children with hearing loss, the NDIA must move to an approach that incentivises services that achieve the goals that parents have for their children, in a way that is cost-effective for the government.

## Comments against the inquiry terms of reference:

### a. the transition to a market based system for service providers

A well-functioning market requires equal access to information from buyers (the families) and sellers (the service providers); and that products are comparable (in that they are able to be compared). Price discovery is fundamental to an efficient market, where the buyers and sellers are able to determine a price that reflects the value to the buyer and the cost to the supplier.

The mechanism imposed by the NDIA has not allowed for any of these features:

- The approach of the NDIA does not provide the information the families need for selecting an effective service supplier (90% of these families have no prior experience with hearing loss and so cannot make an informed choice in the time available) and comparison between providers is opaque as the NDIS does not differentiate between effective & ineffective suppliers.
- Indeed the NDIA misleads the families into believing that the more hours of direct service the better (which is not correct).
- Price discovery is prevented by imposing a fixed price on both suppliers and buyers, preventing any recognition of the benefits provided by a higher quality service.

### b. participant readiness to navigate new markets

Families of children with hearing loss normally do not have any prior experience with deafness and as a result they rely on expert guidance in assisting them to navigate the market.

The NDIS does not provide that guidance – indeed many families have reported that their planners have simply encouraged them to go for the lowest-cost service provider, ignoring any indications of effectiveness.

**A guided referral pathway, that enables families to make the decisions that will enable their children to achieve the goals they desire, is required.**

In discussions with the NDIA they appear willing to have Australian Hearing to provide that expert guidance, in line with its traditional role as the independent government-funded source of paediatric audiology services. However this has not been put in place even though Australian Hearing has indicated it is willing to perform this role.

### d. the impact of pricing on the development of the market

If the market were able to function normally, price discovery would lead to level that balances the value and costs on each side.

However the NDIS's imposition of a fixed price independent of value prevents that discovery and is imposing a situation that is driving service providers to supply a non-effective service.

The NDIS has recently provided figures to the specialist providers that give the average committed value of supports for capacity building at approximately \$11,500; with families allocating an average of less than \$9,000 to their specialist provider.

**This is approximately 50% of the average cost of the services the families are receiving.**

As the specialist providers are all charities, they are attempting to fund the gap between their cost (for effective services) and their NDIS income through their financial reserves.

This gap is unsustainable. The NDIS is presumably hoping that service innovation will occur that enables effective services to be provided at 50% of the current cost. **There is no indication, anywhere in the world, that effective services can be provided at this price.**

As a result providers are ultimately faced with the choice of:

1. providing non-effective services within the NDIS funding; or
2. ceasing to operate as an independent organisation.

Already 2 of the specialist providers have decided to exit the market – Taralye (folded into RIDBC as of 1<sup>st</sup> February 2018) and Cora Barclay (expected soon).

**There are no new effective entrants to the market and there will not be any, as the price offered is 50% of the cost.**

In the absence of a mechanism that enables the price to be proportionate to the value provided, all of the current effective suppliers must exit the market as their financial reserves are exhausted. The pricing approach will result in more and more children receiving ineffective services; poor language; and reduced social and economic participation.

#### e. the role of the NDIA as a market steward

The NDIA does not appear to be taking a market steward approach to the provision of services to children with hearing loss. According to the 'NDIS Market Approach Statement of Opportunity and Intent':

*This vision for the NDIS and aim of market stewardship is to create an efficient and sustainable marketplace through a diverse and competitive range of suppliers who are able to meet the structural changes created by a consumer driven market. More specifically this involves:*

- enabling existing and emerging suppliers to mature at an appropriate and sustainable rate;
- providing an environment for innovation in planning and delivery of supports; and,
- building strong business integrity systems and processes and capability.

The approach actually being taken seems to be one of *lassés faire*, with the simple imposition of below cost pricing based on a single incorrect direct service model and a willingness to hope that a miracle will occur through financial pressure.

There are no incentives for efficiency (as measured by benefit provided per cost incurred); the market isn't sustainable for any effective supplier; and supplier diversity is decreasing.

#### h. the impact of the Quality and Safeguarding Framework on the development of the market

The Shepherd Centre has twice undergone Third Party Verification against the NSW Disability Service Standards, with outstanding results each time.

Compliance with these standards imposes a high cost on the organisation; and verification does not indicate that we provide effective services. **We would have still passed verification if the children competing our early intervention program had poor language outcomes.**

The Quality & Safeguarding Framework is a necessary element of the provision of specialist services under the NDIS, however it cannot be relied on to ensure that the services are actually enabling achievement of the goals of the families.

## Recommendations

1. A guided referral pathway be put in place to enable families to be informed consumers, utilising experts without a conflict of interest (we strongly support Australian Hearing fulfilling this role) rather than leaving it to chance with uninformed families.
  2. The price paid to suppliers to be linked to effectiveness and at a level that enables effective services to be provided (such as linking pricing to a quality accreditation scheme administered by Australian Hearing) rather than paying the same to ineffective and effective suppliers.
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