

11 October 2022

Ms Libby Corker MP
Chair
Inquiry into the capability and culture of the NDIA
Joint Standing Committee on the National Disability Insurance Scheme
PO Box 6100
Parliament House
Canberra ACT 2600

By email: ndis.joint@aph.gov.au

Dear Ms Corker

Summary of Aruma's submission to the NDIA capability and culture Inquiry

Aruma's key message to the Inquiry into the capability and culture of the National Disability Insurance Agency (NDIA) is:

1. The disability support market of which the NDIA is the principal steward is pressured;
2. Areas of thin or failing markets under the NDIA's stewardship justify additional intervention to bolster quality disability support provision; and
3. NDIS market stewardship by both the NDIA and other arms of government warrants revised governance arrangements as the scheme enters its next stage of maturity.

Aruma's approach to the Inquiry

Aruma is one of the Nation's largest disability support organisations. A charity operating across Queensland, New South Wales, the Australian Capital Territory and Victoria, Aruma provides specialist children, community, employment and home living supports to more than 5,000 people with disabilities.

The NDIS has radically improved the lives of people with disability. It has put the human rights of choice, control and self determination at the centre of Australia's approach to disability support. The NDIS has enabled Aruma to grow and expand its service reach. The NDIA has enabled the delivery of this major social policy reform that benefits every Australian. The many achievements of the NDIA, and the thousands of people who work for it, have directly improved lives for people with disability.

In responding to the Inquiry, Aruma focuses its attention on areas of

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potential NDIA capability and culture improvement in its capacity as market steward for the next phase of the NDIS's evolution, particularly as the Australian Government finalises arrangements for a major review of the NDIS and the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability heads towards preparing its recommendations for government.

In considering the Inquiry's terms of reference, Aruma does not seek to address the second substantive term of reference on the experience of NDIS participants with the NDIA; insight on the experience of the NDIA by scheme participants is best heard directly from people with disability. Instead, Aruma's response addresses the first substantive term of reference on processes of the NDIA as a steward over the market in which Aruma operates as a service provider of disability supports.

1 – Pressured market for disability support

The most recent publicly available NDIS provider sentiment and satisfaction survey reported up to the period ending September 2020. 59% of surveyed providers were optimistic about the health of the NDIS market, and rated satisfaction of service provider experience with the NDIA as 6.2 from a possible score of 10.

In the absence of more recent published data, current provider optimism for the NDIS and satisfaction with the NDIA is unclear. Aruma's view however is that three key dynamics are adversely impacting service provider sentiment:

- **Care staff shortages:** The National Skills Commission's *2022 Skills Priority List Key Findings Report* published in October 2022 identified 5,101 current vacancies in aged and disability care workplaces, ranking aged and disability care the third most undersupplied labour segment. Aruma, as a large employer of more than 5,500 staff, currently records approximately 300 staff vacancies. Aruma is adversely impacted by current and forecast workforce shortages.
- **Ongoing pandemic impacts:** The pandemic has impacted every part of Australian society, and the disability sector has proven mostly resilient through two and a half years of significant disruption. Staff fatigue and burnout risk arising from pandemic workloads remains present within disability care workplaces. It impacts workforce morale. It additionally lessens tolerance to various red tape interactions with the NDIA and the additional state, territory and federal bodies overseeing the operation of the NDIS.
- **Constrained price caps:** The nine-year history of NDIA price setting has involved disagreement between service providers and the NDIA on price sufficiency. The very much welcomed 1 July 2022 9% increase for supports delivered by disability support workers, together with the additional \$514 million boost for service costs associated with programs supporting activities of daily living and

community participation addresses immediate service cost pressure. However, the necessity for the scale of the two separate measures also points to deficiencies in current service cost surveillance and subsequent price setting; where service cost surveillance and price setting operating sufficiently, 9% one off price increases and a half billion-dollar market boost would not be needed.

2 – Market failure

Three key areas in which the NDIS market is yet to fully mature can be seen in:

- **Quality and innovation:** Establishment of the NDIS gave rise to the potential for service innovation and improvement in service quality, within what was hoped to be a vibrant market of financially stable service providers with sufficient revenue to take risks of innovative service design. The NDIS certainly enabled the transition of State and Territory Governments from large scale service delivery to that of mostly charitable organisations such as Aruma. Yet service innovation does not appear to have occurred on any significant scale, with most support service offerings resembling those in place prior to the NDIS. In fact, NDIA pricing decisions have in many cases restricted the possibility innovation.
- **Remote, rural and regional areas:** The 30 June 2022 *NDIS Quarterly Report* indicates there are twenty-five current interventions in thin markets, with Circular Head in Tasmania and the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands in Central Australia named as areas of market intervention. Aruma has experience in several of the regional areas where it operates services of market underservicing, particularly in early childhood interventions, children's supported housing, school to work transition, community participation, respite and robust housing support.
- **NDIS eligible people in hospital and aged care:** Aruma has experience of assisting people with disabilities from hospital and residential aged care into more appropriate disability supported housing. This transition is hindered by poor information on service demand and the absence of incentives for provision of available accommodation services to be on standby for when needed. It is understood at present that more than 1,000 people with disabilities are medically fit for hospital discharge, but that scarcity of appropriate disability housing hampers their move from hospital. Similarly, the 30 June 2022 *NDIS Quarterly Report* indicates 3,161 people aged less than 65 were in residential aged care as at 31 March 2022, and that 2,503 of these people at 30 June 2022 had an NDIS approved plan. The 24 July 2019 Australian Institute of Health and Welfare's *Pathways of younger people entering permanent residential aged care* reported more than 2,000 people aged less than 65 were in aged care in each of the years

from 2009 to 2013, the year the NDIS commenced. The NDIS has not resulted in an end to young people entering residential aged care, and it has seen a build-up of lengthy hospital stays for people with disability because of the lack of coordination for appropriate disability supported housing to be available on standby for discharge from residential aged care or hospital.

3 – New market stewardship arrangements

The November 2016 NDIA *NDIS Market Approach: Statement of Opportunity and Intent* described the Agency's vision for its market stewardship as being:

- 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 October 2018 NDIA *National Disability Insurance Scheme Market Enablement Framework* names four functions by which the NDIA set out to aid market development:

- Providing information;
- Building consumer and community capacity;
- Changing market settings; and
- Commissioning a service.

In assessing the NDIA's capability and culture against the market stewardship vision as stated in 2016 and the market stewardship functions as stated in 2018, the NDIA is to be commended for stewarding market volume growth since establishment of the NDIS and expanded access to supports now available to NDIS participants. The components of the stated vision and functions for NDIA market stewardship also offer a guide for potential NDIA process and governance enhancement as follows:

NDIA market steward vision or function	Current state assessment	Potential future reform
Enable service providers to mature at sustainable rate.	Providers face operational and financial pressure.	Allocate price setting function to new body, as part of transition to deregulation of price caps. Establish deeper links with providers to inform NDIA decisions impacting service operations.
Enable service innovation.	Little visible innovation in service offering.	Establish service design research and

		development innovation fund.
Build market capability.	Quality and sustainability of market is variable, with areas of market strain or failure.	Adopt whole of government approach to addressing market failure, leveraging other government programs in health and social service.
Provide market information.	Providers not readily informed or incentivised to address undersupply.	Adopt more active publication of supply in different markets, backed by incentives or greater commissioning to address supply gaps.
Build consumer capacity.	Evidence of participant dissatisfaction with individual planning responsiveness.	Address participant planning process concerns.
Change market settings.	Price caps constrain market flexibility.	Shift price setting function to new body, as part of transition to deregulation of price caps.
Commission services.	Minimal use of market commissioning, questionable outcomes from prior commissioning.	Invite service providers to themselves propose unsolicited solutions to areas of market failure to adopt new approach to marketing commissioning.

Aruma's Recommendations

In considering future opportunity to improve the capability and culture of the NDIA as a market steward to relieve pressure on service providers and reduce areas of market failure, Aruma proposes the Inquiry consider three recommendations to:

- Bolster NDIS market stewardship:** Reorganise within the NDIA the method of engaging with funded service providers for the NDIA to:
 - Gain deeper insights into the drivers of service provider pressures to inform ongoing market planning;
 - Benefit from experience of service providers in soliciting solutions to areas of market failure, such as discharge from hospital and residential aged care; and
 - Progress a service research and development program to deliver innovation in service options.
- Allocate price setting to a new body:** Shift current NDIS price setting to a new or existing body outside of the NDIA while simultaneously:

- Giving new transparency to service providers to contribute to how price decisions are made;
 - Increasing the emphasis of service quality, service accessibility and different market performance in price setting decisions;
 - Planning the milestones for eventual NDIS price deregulation.
- **Prioritise the sector's labour force shortages:** The June 2021 Department of Social Services' *NDIS National Workforce Plan: 2021–2025* is not the immediate responsibility of the NDIA, but addressing care workforce labour shortages is central to the ongoing function of the NDIS market of which the NDIA is principal steward. The *Plan* proposed new pathways for worker entry to the NDIS workforce, bolstered training, and new service models. Just a little over a year into the life of the *Plan*, workforce shortages have only intensified. The NDIA's current role in price setting, service innovation incentives and prevention of market failure warrants a new response to workforce shortage.

Aruma would welcome the opportunity to expand on these matters by appearing before a Committee hearing, and extends an invitation for the Committee to visit or conduct hearings at an Aruma service location for the Committee to hear firsthand from both people with disability supported by Aruma and by people employed in Aruma's care workforce about their views on NDIA capability and culture.

Yours sincerely

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Chief Executive Officer