

NDIS 2017 Price Controls Review Consultation

12 April 2017

The Victorian Healthcare Association (VHA) welcomes the opportunity to contribute to the 2017 NDIS Price Controls Review Consultation.

The Victorian Healthcare Association (VHA) is the not-for-profit peak body supporting Victoria's public health services to deliver quality care. Members of the VHA include Victorian public hospitals, and health services (including registered community health services) that deliver residential aged care, home care and disability services. By our estimates our members make up approximately 15 per cent of Victoria's registered disability services.

Some of our members have already transitioned to the NDIS while others are still considering this important decision. However, even those that do not become providers under the NDIS will still continue to provide health and community services to both NDIS participants and those people living with a disability who are not deemed eligible for individual NDIS support plans.

Given the interests of our members this submission highlights two key areas of relevance:

- the impact of the NDIA's pricing of supports under the NDIS on the Victorian public health sector; and
- the risk of thin markets and market failure.

We would also like to emphasise our willingness to work with the NDIA on the Provider Benchmarking Project in order to assist the NDIA gain a better understanding of the true operating costs of Victorian healthcare providers.

1. NDIS Pricing

It is crucial that the NDIS reform builds upon the existing quality service system and improves services available to people with a disability. To achieve this, rates under the NDIS pricing framework must be adequate to support high quality service delivery.

The VHA understands that the development of the 2016 NDIS Price Guide was underpinned by stakeholder consultations and aims to ensure the sustainability of the scheme 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 inadequately cover costs.

NDIS price caps in the metropolitan, rural and very remote price guides do not cover the costs of providing supports, particularly for providers who have to travel long distances to provide supports.

Delivering services in rural and isolated areas entails a number of additional financial burdens related to:

- 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; and
- 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 agency has acknowledged this in the 2016/17 Price Guide and included increased price loadings to apply for the delivery of supports to participants in remote and very remote parts of Australia (18% in remote areas and 23% in very remote areas)¹. However there is no flexibility in the guide for potentially thin markets in regional and metropolitan areas.

To support public sector providers to deliver affordable, accessible and sustainable services in rural areas the NDIS price guides must reflect the true costs of providing disability care in rural areas and future revised prices should be underpinned by an analysis of the costs of providing a range of NDIS supports across rural, remote, regional and metropolitan areas.

Additionally in environments which are financially constrained, services will not be incentivised to seek out the most disadvantaged clients whose needs outstrip the funding available. The risk is that some providers may seek clients who require services that incur the least effort to deliver but attract the most funding. Getting the pricing right is therefore fundamental to ensure vulnerable clients are not left stranded.

Public sector health services often provide services to people with high and complex needs and in rural and regional areas; they are often the only provider for this vulnerable group of people. If providers are not able to operate within the published price caps,

¹ National Disability Insurance Agency 2016, *Pricing and payment*, <
<https://www.ndis.gov.au/providers/pricing-and-payment.html>> accessed 7 December 2016

there is a risk that long standing service providers will not be financially viable under the NDIS and may opt-out of service provision under the NDIS.

Recommendation: *That the NDIA collect and use data, specifically from healthcare providers, on the true cost of providing NDIS supports in a range of areas to inform future revised prices.*

Recommendation: *That the NDIA develop a co-designed strategy, incorporating public sector providers of health and disability services, to address and mitigate the risks of losing quality providers as a result of NDIS pricing.*

2. Risk of thin markets and market failure

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 public sector has a considerable footprint in regional and rural areas (particularly in areas of low demand) and provides services to complex consumers with high care needs. As such it acts 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 move to individualised funding under the NDIS requires providers to have sufficient economies of scale in order to operate sustainably, as scheme roll out continues the provision of disability services in rural areas may be at further risk.

The agency acknowledges 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.²

In order to ensure the continuation of a wide range of services that are reflective of consumer need, the government must put protections in place to allow public providers and smaller, niche services the opportunity to participate in and contribute to, a diverse marketplace.

Alternate models for low density areas must be considered and a safety-net system must be in place in areas where a fully competitive, market-based and individualised funding model will not operate effectively.

² National Disability Insurance Agency 2016, *NDIS Market Approach: Statement of Opportunity and Intent*, p.16

For this reason, the VHA believes that alternative funding models (including fixed or block funding) must be made available in areas of thin and failing markets; and for service targeted towards complex consumers requiring specialised services.

Recommendation: *That the NDIA implement fixed funding or block funding in areas of thin markets to ensure those at risk are supported to access the care and services they require, particularly in rural areas or for providers that target and support complex and vulnerable clients.*

Recommendation: *That the NDIA work with existing health and community care providers to develop local solutions and collaborations to support areas at risk of thin or weak market.*

Further information

For further information, contact:

Tom Symondson
Chief Executive Officer
tom.symondson@vha.org.au
03 9094 7777

Carolina Maistry
Aged Care & NDIS Project Officer
carolina.maistry@vha.org.au
03 9094 7777