



Joint Standing Committee on the National Disability Insurance Scheme

An inquiry into the market readiness for provision of services under the NDIS

Joint Standing Committee (JSC) Terms of reference (ToR):

As part of the committee's role to inquire into the implementation, performance and governance of the National Disability Insurance Scheme (NDIS), the committee will inquire into and report on market readiness for provision of services under the NDIS, with particular reference to:

- a. the transition to a market based system for service providers;
- b. participant readiness to navigate new markets;
- c. the development of the disability workforce to support the emerging market;
- d. the impact of pricing on the development of the market;
- e. the role of the NDIA as a market steward;
- f. market intervention options to address thin markets, including in remote Indigenous communities;
- g. the provision of housing options for people with disability, with particular reference to the impact of Specialist Disability Accommodation (SDA) supports on the disability housing market;
- h. the impact of the Quality and Safeguarding Framework on the development of the market;
- i. provider of last resort arrangements, including for crisis accommodation;
- j. any other related matters; and
- k. key NDIS statistics.

National Disability Insurance Agency submission

Introduction

A growing market of innovative supports is a key priority for the National Disability Insurance Agency (NDIA) Board. As part of its Corporate Plan, the NDIA Board has identified four areas of focus over the next four years. One of these is to work with participants and other stakeholders to facilitate the growth of a market of adequate size, quality and innovation.

The NDIA's Corporate Plan recognises the need to work with stakeholders to develop the market and commits the NDIA to support a range of stakeholders, such as participants, providers, the Commonwealth Department of Social Services (DSS), and states and territories, to ensure that the market is of sufficient scale at a national and local level so that participants can utilise their plans. With these stakeholders, the NDIA will develop an approach to identify underdeveloped or failed markets and design incentives to support market development where appropriate. In developing the market, the NDIA seeks to ensure that providers are delivering quality support and are innovative in their service offerings.

The NDIA has an important shared role as market steward in the new disability support services marketplace. Market stewardship recognises that when governments implement policies to increase consumer choice and adopt market-based delivery, they must also monitor and support how the marketplace develops.

The NDIA must constantly balance promoting participant outcomes, market development and financial sustainability.

The NDIA recognises that there is a need to encourage new providers to enter the disability supports market, including thin markets, to encourage existing providers to invest and expand their service offering.

The NDIA must carefully monitor and support the market to grow during the transition to full Scheme; at the same time the NDIA has instituted some regulations, such as setting maximum prices, in order to support the market to develop sustainably and ensure value for money for participants. The NDIA anticipates such regulations will reduce over time as the market matures and participant choice and control become the key drivers of the price and quality of disability supports.

General observations regarding provider and market readiness

The NDIA has a key role in contributing to successful market stewardship.

The Council Of Australian Governments (COAG) Disability Reform Council (DRC) has set clear expectations for the NDIA to support market development through leadership of the market stewardship role—that is, that the NDIA is to work with participants and other stakeholders (including the DSS, and states and territory governments) to facilitate market development.

Underestimating efficient prices is counterproductive to the NDIA's market development efforts. Such an underestimation may fail to attract and retain providers and decrease existing provider expansion.

Under the NDIS, people with disability will have access to funding for the disability supports they require to engage in their communities and workplaces. Supply needs to increase significantly in order to fully meet demand at full Scheme. While it will take time for the market to grow to its required capacity, inadequate supply without sustainable growth and appropriate quality safeguards will compromise the NDIA’s ability to deliver on its core purpose of increasing choice and control, and improving economic and social outcomes for participants.

In order for the NDIS to deliver its full potential to participants and the community, the NDIA must carefully balance three priorities: promoting participant outcomes, market development and financial sustainability.

A. The transition to a market based system for service providers

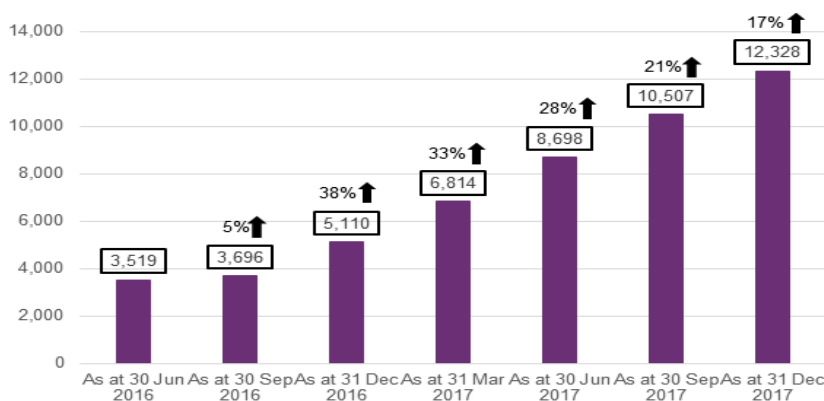
The range of providers in the developing marketplace is diverse. It includes current disability organisations transitioning from state-based systems, adjacent services represented by industry or peak bodies, varied allied health professional groups and individuals, and emerging non-traditional services such as financial intermediaries and new models including those employing online platforms.

The NDIS has already seen the emergence of innovative providers that are delivering value for participants. Several providers have introduced new, flexible ways for participants and support workers to connect, offering more flexibility to both, and reducing the overheads associated with more traditional business models.

Achieving a mature marketplace will take time and it is a shared responsibility of all governments, as well as the NDIA.

Comprehensive community readiness campaigns occur ahead of area roll out to inform members of the community, providers and potential providers about the NDIS. The Provider Toolkit was redeveloped and launched in November 2017 to assist providers to learn about and work with the NDIS in a straightforward manner. The updated toolkit has been well received by providers, with over 250,000 page views by mid-January 2018 and a satisfaction rating of 4.31 out of 5.

Number of registered service providers as at 31 December 2017

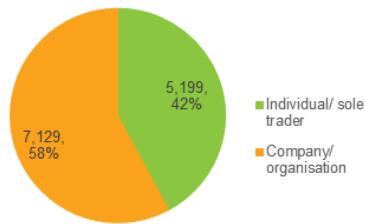


Key points:

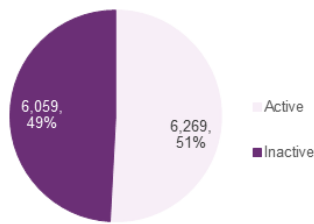
- Nationally, 12,328 service providers were approved to deliver disability supports to NDIS participants as at 31 December 2017.
- The number of service providers has grown significantly since the end of trial, with an average increase of 24% per quarter.

Provider characteristics

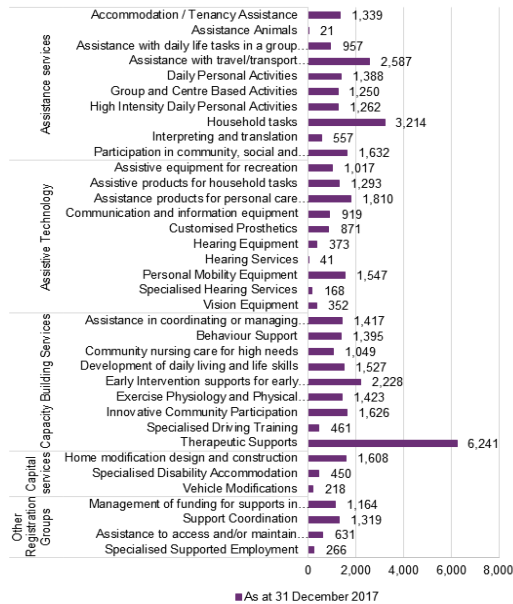
Number of registered providers by legal entity type



Number of registered providers by payment status



Number of registered providers by registration groups



The number of inactive providers indicates that many providers are registering with the NDIA in anticipation of the NDIS rolling out in their area. It also indicates the willingness of providers to prepare their businesses for the new funding models, and to take advantage of supports for transitioning to the NDIS.

Transitioning from block funding to a market-based approach for existing providers

Providers planning for transition generally complete key readiness activities prior to the roll out of the NDIS in their region. Common readiness activities include developing unit costing models, re-assessing staffing models, introducing new IT and business systems, and consultation and engagement with current clients to better understand their needs and preferences. Some providers work with peer organisations that have already made the transition, to obtain insights and learn from their experiences.

Many providers are required to transition from 'block funding' models, to fee-for-service models that are invoiced in arrears. A provider's readiness to make this change is impacted by their level of planning as well as the proportion of the organisation's income affected. Providers often consider diversifying services to current participants, along with exploring alternative income streams such as extending their services beyond the disability sector.

Providers can attract some funding or assistance to support their transition to the NDIS, through grant programs from state and federal governments.

Barriers to entry for new providers

In general, providers of disability supports can determine which services they will deliver and where they will deliver them, but can find the required changes to their operating models to be wide-ranging.

Brand new entrants tend to have business models specifically designed to operate within the choice and control environment of the NDIS. Some barriers to entry for new providers remain, and the NDIA is working on solutions for these. Such barriers include:

- Different quality and safeguarding requirements in each jurisdiction:
 - A significant number of providers are seeking to register as a national provider but at this stage they are unable to do so;
 - The Department of Social Services (DSS) and the NDIA are working together to prepare for the establishment of the NDIS Quality and Safeguards Commission (commencing operations in NSW and South Australia from July 2018, then rolling out nationally by July 2020);
 - This will provide a national approach to quality and safeguards, replacing the current jurisdiction-specific approach and requirement to register in each state.
- The registration process is complex, however the NDIA has taken steps to reduce complexity;
 - The NDIA launched a new Provider Toolkit in November 2017 which provides information for new providers, such as:
 - what services can be provided under the NDIS;
 - what is the pricing schedule;
 - how to register.
- Insufficient market information for providers:
 - Providers often report that the projections of future demand do not provide them with sufficient information to determine whether they can viably provide services under the NDIS and if so what types in which locations:
 - The NDIA is developing a range of market insights designed to provide more granular supply and demand information as well as more detailed analysis of specific sub-markets. The first insight, on Assistive Technology, was released in November 2017;
 - The NDIA website has a list of registered providers by state and is making enhancements to its Provider Finder tool, which will enable participants to more easily connect with suitable providers and exercise greater choice and control in sourcing providers; and
 - Third parties continue to develop innovative solutions, for example websites that provide informational supports such as:
 - providing a direct link between participants and disability support workers (who may or may not be registered with the NDIS) so that participants can locate, engage and manage their own disability support workers; and
 - the ability to provide reviews of providers, which will further empower participants.
- In-kind arrangements can also act as a barrier to new providers where supports are being provided through state and territory government arrangements (for example building Specialist Disability Accommodation).
- The NDIA is aware that some new providers are concerned that they have limited options to promote their services and products to participants.

- The Provider Finder tool assists Local Area Coordinators (LACs) to support participants to exercise their choice.
- LACs are careful to avoid any and all referral bias as they assist participants to select providers.

Provider Finder

The Provider Finder tool is currently being enhanced to provide better information to participants on the location and nature of services offered by registered providers, with stage one completed in December 2017. As part of the first stage, the quality of existing provider data was improved and information was gathered on participant needs, behaviours and motivations.

Key learnings from this stage were:

- Early adopters of the enhanced Provider Finder are likely to be those supporting plan implementation;
- Confidence in the quality of provider information is essential; and
- Some of the more desirable features participants wanted were provider availability and more information on the providers' services, such as specialisations relating to disability type and complexity.

B. Participant readiness to navigate new markets

The NDIS is an insurance based scheme that invests in participants to improve their long term outcomes.

The NDIA will fund reasonable and necessary supports so that participants can be more independent, exercise choice and control, achieve goals and participate fully in their communities and workplaces.

While participant satisfaction remains high at 83%¹, some people with disability, their families and carers have reported that they have difficulty in understanding the NDIS and how to navigate through the pathway.

Many NDIS participants do not currently feel empowered to seek better pricing and different providers. While some participants have clear goals and views for their support needs, the feedback from participants to date is that they remain somewhat cautious in raising concerns regarding the quality or effectiveness of their services as they are not confident or informed about alternative services or options.

For many participants, this is their first opportunity to exercise choice and control over their supports, and it may take time and a more mature and vibrant market for them to feel confident to explore, negotiate and change providers.

A person's plan and goals for an inclusive life will most typically involve them engaging with a wide range of support and service providers. Many of these will not be NDIS-funded supports. The effectiveness of the Information, Linkages and Capacity building (ILC), framework and the continued commitment from all governments to the National Disability Strategy will be important in ensuring that there are opportunities for real inclusion in

¹ December 2017 quarter.

community activities and mainstream services for people with disability – both participants and non-participants of the Scheme.

The NDIA understands that planning processes and engagement need to be continually reviewed and refined to meet the needs of people with disability across all cohorts. The NDIA is committed to continuous improvement of its participant-centred service delivery to provide participants with the confidence to seek providers based on the quality, responsiveness and innovation that they offer.

NDIS Pathway Review

The NDIS Pathway Review (the Review) was undertaken to redesign and significantly enhance the experience of participants. The Review, which commenced in April 2017, focused on listening to participants, their families and carers, providers and other stakeholders, state government officials, peak bodies and advocacy groups.

Provider Pathway

The provider pathway guides providers through the registration process and ongoing relationship with the participants and the NDIA;

The NDIA is making improvements to the provider pathway, including:

- Improved quality, consistency, availability and usability of information for providers learning about opportunities under the NDIS;
- More information and features for connecting to participants will be made available through online tools;
- Reducing the time required for administration and making it easier to manage supports and receive payments through the myplace portal; and
- A range of channels for communicating with the NDIS will be available, including better processes for more efficient and effective resolution of issues impacting providers.

The new Provider Toolkit was released in December 2017. It provides a step-by-step guide to navigating the registration process for the NDIS.

Participant Pathway

The participant pathway includes the experience of a participant from their first interaction (engaging with the NDIS) through their planning experience, implementing their plan and reviewing outcomes.

The NDIA has made a number of commitments to improve the pathway experience in response to the findings from the review. These improvements include:

- face-to-face engagement as the default for all NDIS plan development;
- a single point of contact for most participants;
- a stronger focus on the broader ecosystem of supports; and,
- communication that is clear, consistent and available in accessible formats.

The new participant pathway is being piloted and evaluated in a number of local government areas in Victoria with the intent to evaluate while in progress and at the end of the pilot period (December 2017 to April 2018).

The pilot will focus on delivering:

- increased connections to community and other government supports at multiple points in the process, including before access and at plan development;
- improved connections to forms of peer support, including through disability organisations;
- greater focus on outcomes and setting goals as part of early engagement, and in preparation for plan development;

- improved, more user-friendly portal for participants which contains the features they need to understand and manage their plans;
- improved resources to help participants implement their NDIS plan;
- help from LACs (or Support Coordinators for participants with complex needs) to learn to use the portal and make initial service bookings; and
- an enhanced Provider Finder to help identify providers appropriate to needs and enable greater self-direction and self- management.

Preparing participants to navigate the broader disability ecosystem and implement their plans in order to achieve goals and outcomes is central to the new participant pathway. National roll out of the new participant pathway will be informed by an evaluation.

Self-management of NDIS plan

Beyond the pilot, a key lever in driving market stimulation and change is increasing the number of participants who self-manage their NDIS funds. Self-management of NDIS funds means that participants manage their payments for supports and pay their providers directly, and are not required to receive supports from registered providers. Self-management of funds maximises choice and control, promotes innovation in support purchasing, expands the workforce beyond the traditional disability sector and is a key mechanism for scheme sustainability.

The NDIA has established a project team dedicated to maximising participant opportunities afforded by the option to self-manage NDIS funds. So far, work includes:

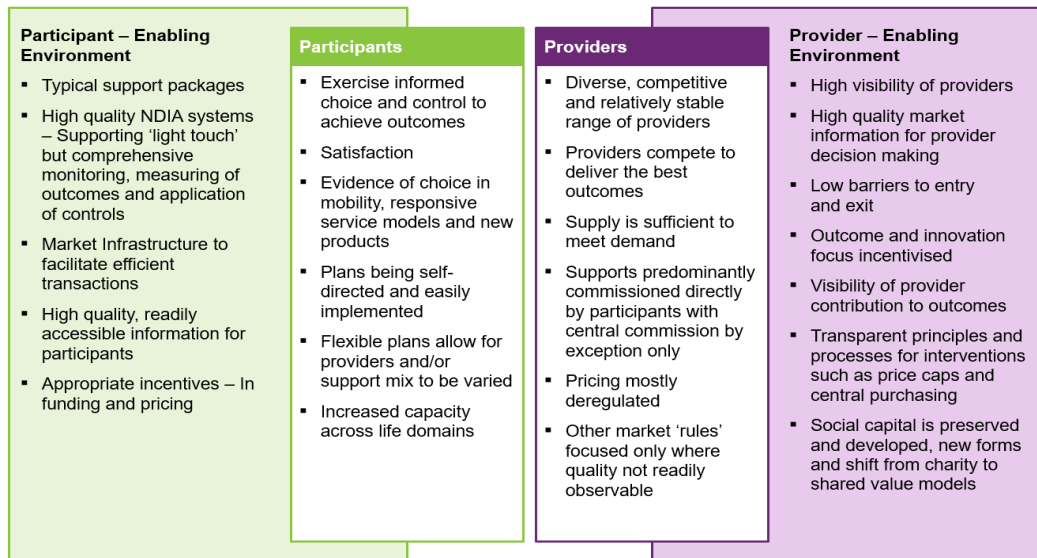
- designing and implementing enhanced operational policy of self-management of NDIS funds;
- implementing robust staff practice guidance and training through the new participant pathway work;
- development and publication of practical participant-facing products to better describe and promote self-management; and
- implementation of an NDIS Self-Management Regional Network to build staff capacity in facilitating self-management.

The NDIS Independent Advisory Council (IAC) has contributed significantly to the development of self-management under the NDIS with reports and recommendations now publicly available on the NDIS website. The IAC established an NDIS Self-Management Reference Group in late 2016 which includes members with a lived experience of self-management under the NDIS. The NDIA Board has committed to achieving 30 per cent of participants self-managing at full Scheme in 2020 (NDIA Corporate Plan 2017-2021²).

² <https://www.ndis.gov.au/medias/documents/hf1/hf9/8802883076126/Corporate-Report-2017-accessible.pdf>

Self-management of NDIS plan

The NDIA's view of market success for participants and providers in the NDIS marketplace is summarised below.



Source: Adapted from NDIS Market Approach, Statement of Opportunity and Intent (November 2016)

c. The development of the disability workforce to support the emerging market

The NDIA expects to administer the NDIS to 460,000 participants at full Scheme. To meet the forecast increase in demand for disability support services, the national disability services workforce will need an estimated additional 70,000 workers by 2019 (NDIA Corporate Plan 2017-2021³). The availability of the workforce is a significant factor in the ability of the market to meet demand.

Under the market transition roles and responsibilities, agreed in September 2016 by the DRC (Ministerial Council), the DSS has the lead role in addressing national issues relating to the market, sector and workforce. This includes identifying national workforce issues and working with relevant Commonwealth programs to develop a suitable workforce pool from which providers can attract, train and retain sufficient workers with appropriate skills to meet the needs of NDIS participants. The NDIA and states and territories are responsible for supporting DSS in this leadership role.

The major drivers of growth in demand for disability care as the NDIS moves through transition to full implementation will be the increase in funding per participant, the number of new participants entering the NDIS and the availability of informal supports⁴. Evidence from the trial regions suggests that 30-40 per cent of demand will come from new participants. Growth in total worker demand is likely to be higher in regional and remote areas than urban areas, and highest in Queensland and the Northern Territory (NDIA Market Position Statements). Areas with a more rapidly ageing population may experience greater growth in

³ <https://www.ndis.gov.au/medias/documents/hf1/hf9/8802883076126/Corporate-Report-2017-accessible.pdf>

⁴ Informal support definition: an individual's network of support / assistance from family, friends, neighbours and members of the community. People providing informal support are not paid for the care they provide. (Source: Meteor National Data Dictionary)

demand as the availability of informal care from ageing carers decreases more rapidly over time.

Conclusions on the NDIS workforce experience⁵ in the Hunter and Barwon trial regions (2013-2016) were that:

- Most providers in the trial regions were able to find the workers they required for growth, though finding workers for complex participants and in regional areas was more challenging;
- Providers in transition regions may face greater difficulties growing their workforce than providers in the trial regions;
- There was less latent capacity in the disability workforce than expected;
- There was change in the 'characteristics' of the disability workforce, with a significant increase in casualisation and turnover, and a significant fall in utilisation and qualifications; and
- Providers cited training as a major challenge as they grow their workforce.

The NDIA has identified three main sources of workforce growth to supply the demand for disability services providers:

- **Existing provider growth** through an increase in service provision and new service offerings, as a result of increased demand;
- **Growth in new providers**, particularly from adjacent sectors such as aged care; and
- **Efficiency gains** through improved efficiency of operations and greater workforce utilisation (increase in available working hours).

While no single source of growth is likely to fully meet demand for the NDIS, the NDIA considers that new providers will be the largest potential source of growth.

The NDIA understands that for successful workforce growth:

- There needs to be a tailored approach at a regional/submarket and role level because the growth requirements vary significantly; and
- The supporting infrastructure needs to assist, for example by:
 - Reducing provider registration and compliance costs that discourage entry into the market;
 - Standardising and minimising cumbersome workforce checks while ensuring quality and safeguard risks are managed; and
 - Reducing switching costs for participants through an eMarket platform that matches demand and supply.

The NDIA shares the Productivity Commission's concern regarding the timely growth of the disability workforce. The NDIA is working on workforce issues in collaboration with other government bodies.

⁵ NDIS Workforce – Evidence from the trial regions, November 2017

The Productivity Commission found that the national disability workforce is currently growing at approximately 6 per cent per year, but the rollout will require workforce growth of 18 per cent per year in the next three years (creating up to 80,000 jobs directly in the disability sector) in order to meet demand.

The majority of the required workforce growth is in the service provider sector (approximately 40,000 additional staff at full Scheme). This reflects the fact that the majority of NDIS expenditure is focused on in-home care and supports for daily living.

As demonstrated in the NDIA market position statements, the required workforce growth is spread very unevenly across different regions and local government areas, reflecting historic supply and funding of support services by state governments. In specific regions, the required increase could be more than 100 per cent over the next 12 months due to the regional timing of the rollout and low levels of existing capacity in those regions. This underlines the importance of looking at workforce development through a regional lens.

In addition, there are some calls for mandatory entry-level qualifications for personal support care workers. The NDIA considers that this may create a significant barrier to workforce growth, without convincing evidence that it would improve the quality of care or participant outcomes.

In building the personal care workforce, feedback from people with disability and their advocates suggests that attitude and aptitude are more important than formal qualifications for the majority of supports provided (especially the attendant care supports that constitute the majority of workforce needs). This would enable a more rapid scale-up of the workforce where technical skills are not required.

For a number of specific supports that may carry additional risk, the NDIA agrees that there is a need for robust quality and safeguarding mechanisms. These supports might include areas such as the provision of behaviour supports and supports for complex needs.

D. The impact of pricing on the development of the market

The NDIA sets price limits for some supports. The price levels broadly reflect efficient service delivery costs, so that NDIS participants get good value from their support packages.

To maximise NDIS value in the long term, these price limits must be sustainable – that is, efficient providers must be able to recover their costs of service delivery. For this reason, the NDIA takes account of market risks, such as the risk of service gaps if providers were to exit the market, when setting price limits. It does not, however, take into account any current cross-subsidy of services that may exist.

The setting and reviewing of NDIS price limits is a significant undertaking. The NDIA will update price limits on at least an annual basis effective 1 July each year, taking account of market trends, changes in costs and wage rates. For most submarkets, the NDIA sees this as a temporary measure to protect the value of participant plans while a competitive market for supports forms. In the long-term, the NDIA is hopeful competitive tension in the marketplace will determine the price of supports. Already in parts of the NDIS market, self-managing participants, as empowered consumers, are seeking value for money – which is driving competitive pricing, greater flexibility and a quality workforce.

The recommendations from the recent Independent Pricing Review (IPR) will support the NDIA's approach to setting market interventions, ensuring that price limits are set transparently and with the goal to develop a strong, vibrant and innovative market for quality disability supports.

The NDIA acknowledges the importance of setting price controls that protect the interests of participants without constraining innovation or the sustainable supply of high quality disability supports. The NDIA continues to monitor price controls to determine whether they remain necessary and appropriate.

- The NDIA is considering the recommendations of an Independent Pricing Review that will inform the NDIA's future approach to setting price controls.
- The NDIA remains best placed to set price controls during the early stages of the NDIS. The NDIA is continuing to develop its market monitoring capability, which will be important in assessing the need for price regulation and informing the path to deregulation.
- NDIA's acknowledges that greater transparency is required on its approach to setting price controls. The NDIA will continue to improve its communication with the sector in relation to pricing.

The NDIA has an ongoing pricing review program to consider:

- Whether price controls are needed for specific groups of supports and services; and if so
- Which price controls (that is, price limits and structures, benchmarks, and rules) are appropriate, taking into account other measures that the NDIA can take to improve market performance.

Price limits for supports included in participant plans are developed and published by the NDIA. These decisions are informed by significant input from market stakeholders through regional forums, targeted workshops, individual discussions and formal consultation.

Services delivered in remote and very remote areas may have higher price limits, to accommodate additional service delivery costs. The Modified Monash Model⁶ is used to determine remote or very remote areas. Price controls are 20 per cent higher in remote areas and 25 per cent higher in very remote areas in line with similar loadings set by the Independent Hospital Pricing Authority.

Concerns that some providers have raised, in relation to the price for personal care and community supports, have been closely analysed by the IPR. Providers submitted limited evidence to support price level concerns, which suggests that some are struggling to adjust to a funding model that is based on market principles. There is also evidence of a wide variation in operating costs under pre-NDIS approaches.

Many participants are currently insufficiently empowered to seek better pricing to maximise the return from their budgets. The NDIA is of the view that it is best placed to continue to manage this responsibility for as long as there is a need for price regulation. The NDIA centralises market intelligence (through its direct links with providers and participants),

⁶ The Modified Monash Model (MMM) is a recently developed geographical classification system, using up-to-date population data, which the Government can use to better address the maldistribution of medical services across Australia.

capabilities (including policy, clinical and actuarial support) and access to governments (as a public agency that is separate from but an integral part of the DSS).

The NDIA also recognises that appropriate internal governance controls are critical to ensuring that prices are set appropriately. To that end, it currently undertakes a number of functions:

- **Collecting data on providers:** The NDIA recognises that actively monitoring market price is critical to effective market stewardship. For this reason, the NDIA commissioned a comprehensive IPR in 2017. An external party that does not represent provider or participant interests conducted the IPR, ensuring that it is fully independent. Its Terms of Reference included the provision of recommendations in relation to improved pricing effectiveness, potential early deregulation of price in more mature markets, and the path for the eventual deregulation of price more generally. The review collected data and consulted widely with providers, participants and other stakeholders to inform the NDIA's understanding of the appropriateness of pricing and its impact on providers. The IPR commenced in July 2017, and its findings and recommendations were delivered in December 2017. The NDIA is currently considering the report's findings and recommendations.
- **Communicating to the market:** The NDIA has communicated publicly the principles and processes that it intends to apply to its shared market stewardship responsibilities via its *NDIS Market Approach – Statement of Opportunity and Intent* document, released in November 2016. This approach explicitly seeks to educate providers entering the NDIS market. The NDIA also undertakes regular informal engagement with providers (for example, the Provider, Market & Sector Development Division frequently engages with providers to better understand providers' issues and economics). Finally, the NDIA has commenced a Provider Benchmarking study, which will independently survey providers annually and produce data for both public and internal reports.
- **Conducting and publishing annual pricing model reviews:** The NDIA is committed to improving the transparency of its methodology for setting price controls, decisions and analysis. To date, NDIA's price review has included public consultation, goal-oriented review and the publishing of price modelling assumptions. The process also includes extensive consultation with providers to understand their characteristics and costs. During the 2017–18 Price Review, 85 submissions were received, from both providers and other stakeholders.
- **Sending granular and targeted price signals:** To achieve good participant outcomes, the NDIA intends to review specific sub-markets for vibrancy, competitiveness and efficiency. This would involve reviewing the price controls, administrative arrangements, policies, and market health for specific sub-markets (such as in rural or remote regions or for psychosocial disability support). The NDIA's registration and payment system is also a valuable tool for analysing the impact of pricing controls on providers, thereby enabling a more precise calibration of the impact of price signals.

The NDIA places great importance on its role of closely monitoring data and market trends in order to make assessments about the degree of market maturity. While price controls are currently in place during the rapid ramp-up of the NDIS, as the market matures in size, quality and innovation, it is envisaged that prices will be deregulated and determined by market forces. The independent price review will explicitly provide an additional body of information to inform the optimum timing for price deregulation.

E. The role of the NDIA as a market steward

The NDIA has an important, shared role as market steward in the new disability support services marketplace. Market stewardship recognises that when governments implement policies to increase consumer choice and adopt market-based delivery, they must also monitor and support how the marketplace develops.

The NDIA plays a key role in working with the DSS and the states and territories to promote the provision of high quality and innovative supports for participants. With respect to market development and market stewardship, the NDIA currently has lead responsibilities for setting pricing and price controls; producing and communicating market signals; engaging with and providing information to stakeholders; and developing and supporting an e-Market ecosystem.

Key activities the NDIA will undertake in transition in its shared capacity as market steward include:

- **Monitoring:** The NDIA will continuously monitor data collected through the day-to-day operation of the Scheme to evaluate whether the NDIS marketplace is achieving its outcomes, and whether and what type of market intervention, if any, is necessary.
- **Facilitating:** The NDIA undertakes initiatives that directly or indirectly influence demand in, and the efficient functioning of, the NDIS marketplace. This includes providing information, setting prices, and developing systems and infrastructure to support market transactions. The NDIA, as part of its 'facilitating' role, also encourages a diversity of supplier business models.
- **Commissioning:** Where necessary, the NDIA will directly source supports or establish preferred provider arrangements supported by controls and rules that must be complied with to participate in the NDIS marketplace. The NDIA expects to only carry out commissioning activities in limited circumstances where significant market gaps and risks are emerging.

A number of market stewardship activities have been undertaken or are underway which recognise the needs of the marketplace. These include:

- Publication of Market Position Statements in all jurisdictions except WA;
- Delivery of a series of market insight products that provide intelligence on specific sub-markets, cohorts and/or themes (this affords the NDIA the opportunity to work collaboratively with stakeholders in the development of market information that is responsive and relevant to the needs of industry or area of required growth);
- Publication of the *NDIS Market Approach (Statement of Opportunity and Intent)* which articulates the NDIA approach to market stewardship;
- Provider communication and engagement including a Provider eNewsletter and strategic communications on hot topics, and development of a network model for regional provider and industry engagement;
- A provider benchmarking project to deliver information to providers that will support their NDIS transition and enable better market stewardship decision making by the NDIA;

- Further developing market monitoring capability consistent with the NDIA's role as market steward with a view to assessing instances where market intervention by the NDIA is appropriate; and
- Annual pricing reviews.

Market stewardship and the NDIA's role in the marketplace will evolve over time as the disability services market matures, and as the new National Quality and Safeguarding Framework is implemented. During transition, the market stewardship role of the NDIA will be more active, reflecting the need to develop the market. In the longer term, the NDIA's role as shared market steward will become more light touch. While the NDIA is responsible for setting the price of supports during the rapid ramp up of the NDIS, it is envisaged that prices will eventually be deregulated as the market matures in size, quality and innovation.

F. Market intervention options to address thin markets, including in remote Indigenous communities

The NDIA has a responsibility to implement market stewardship activities to support and improve participants' access to supports. The NDIA will work to minimise market failures, information gaps, and perceived regulatory risks which would limit consumer choice and the achievement of the key outcomes of the NDIS. In the short term the NDIA will have a more active role in facilitating markets to ensure there is sufficient and innovative supply for participants.

In remote locations there are often limited providers in communities. This may be due to geographical distance from the closest town or regional centre, employment and retention difficulties, availability of accommodation and facilities for fly-in-fly-out (FIFO) workers, lack of local skilled and engaged workforce, community preference and acceptance.

The NDIA recognises there are unique challenges to service delivery in rural and remote areas. In March 2017 the NDIA released a Rural and Remote Strategy which details how the NDIA will work with communities, governments and local service providers to deliver the NDIS in rural and remote areas.

The NDIA's Rural and Remote Strategy recognises the diversity that exists within communities and identifies the varying needs of people with disability who reside in rural and remote areas. The NDIA acknowledges there are challenges in attracting service providers to remote communities and is working to promote service delivery in these areas.

The NDIA's Aboriginal and Torres Strait Islander Engagement Strategy (also released in March 2017) is the NDIA's public commitment to working with communities to develop new ways of approaching engagement and service delivery through understanding and respect for Aboriginal and Torres Strait Islander culture.

The NDIA is committed to building the economic and social participation of Aboriginal and Torres Strait Islander peoples through the delivery of the NDIS. This involves working closely with communities and established Aboriginal and Torres Strait Islander networks to develop local solutions to local service delivery challenges.

For some Aboriginal and Torres Strait Islander communities in particular, a family may choose not to work with a specific provider or individual delivering in the community. There

may also be a preference for the frontline worker (employee of the service provider) to be of the same gender and similar age as the participant for many service types. This further reduces the potential customer pool for any single provider in a location, making sustainable local service delivery more difficult.

It is clear that active and deliberate cross-government collaboration will be required to build market initiatives to support the build of appropriate supports. This will include the development, training and mentoring of locally-based workers to deliver supports and maintain a strong focus on optimising the economic benefits of this increased government expenditure in each local community. Education on the interface between health services and disability supports is also a necessary feature to ensure participants maintain access to vital health services.

In these communities, there will be a need to leverage established community organisations (such as those already operating in health, aged and community care sectors), which have well established credibility within communities and have the necessary cultural credentials and skills that enable appropriate service delivery. There is evidence of this collaboration occurring in the Barkly region with Barkly Remote Allied Health Team, the regional council and a remote Aboriginal community working together to conduct disability assessments, provide information about the NDIS and deliver disability supports using existing infrastructure.

Preventative strategies may limit loss of supply of NDIS supports and services:

- This could include supporting a provider to access supports from business councils, Indigenous Business Australia or any other organisation in the Indigenous business capacity-building sector to strengthen the organisation's commercial position and/or improve governance arrangements etc.;
- This could also include the hub and spoke model (also known as scaffolded support) where generalist providers provide support in the rural or remote community, and where needed can collaborate or seek oversight from an advanced practitioner or specialist centre either through a visiting clinic or telepresence.

There should also be recognition that there are special competencies required of providers offering services in rural and remote settings that may not be necessary in metropolitan locations. This may avoid the dangers of inappropriate FIFO or telecare practice that are ineffective in the participant's context. This would particularly apply for remote Aboriginal and Torres Strait Islander communities.

Some providers are thinking creatively about supply in thin markets:

- There was evidence of a small business in a remote region diversifying into associated areas to provide additional business income (e.g. adding non disability related stock to their retail business);
- The NDIA is keen to work with existing mainstream providers in a rural environment to expand their services to better meet the needs of participants, such as plan management services by local accounting services and re-purposing of under-utilised infrastructure to meet the increased demand for services – for example, mining accommodation or disused school or public infrastructure for accommodation or group program support purposes;

- Business relationships are also emerging between urban and remote businesses to leverage the expertise of the larger urban organisations with the local skills and knowledge of a remote workforce;
- Some providers are actively thinking about service delivery models that would meet the needs of Aboriginal and Torres Strait Islander people – organisations are exploring business models that would increase their employment of locally based Aboriginal and Torres Strait Islanders, for instance by recruiting on attitude and building skills as part of on-the-job training (this was evident during interviews with over 35 providers and stakeholders as part of the NT Market Position Statement);
- The NDIA is partnering with the Department of Prime Minister and Cabinet to establish projects to maximise the opportunities the NDIS will bring to communities. The projects focus on growing local jobs for local people, increasing the economic and social participation and growing local providers and supporting the establishment of small enterprises. Projects are currently underway in the following communities:
 - East Arnhem (NT)
 - Anangu Pitjantjatjara Yankunytjatjara (APY) Lands (SA)
 - Ceduna (SA)
 - Mornington Island and Doomadgee (QLD)
 - Western Sydney (NSW)

The NDIA is working in partnership with local communities to develop place-based models for the delivery of the NDIS. The NDIA has developed a remote area service model to reflect a different approach for the NDIS in remote communities. This approach includes engaging with Traditional Owners, Elders, Community leaders and other significant stakeholders, along with people with disability on a community-by-community approach.

The NDIS provides opportunities for individuals to pool their plan funds to meet support needs and address service gaps. For example, a provider in East Arnhem is delivering a service where participants can pool their individualised funds to support an “On Country” day where they will be provided with a range of capacity building services whilst engaging with local community and cultural activities.

The NDIA recognises that thin markets are likely to be an issue. To this end, the NDIA released the *NDIS Market Approach – Statement of Opportunity and Intent* in November 2016, which signalled to participants, support suppliers and the wider community that the NDIA will play the role of active market steward, guiding, developing and supporting the market to achieve the Scheme’s aspirations.

The *Market Approach* commits the NDIA to market interventions on the following basis:

- Interventions should be selected with a view to minimising unnecessary disruption to the market;
- An intervention should be limited to the shortest effective period of time possible;
- Options available for market intervention range from light touch to highly interventionist; and
- Specific decisions on which particular intervention to implement will be determined based on the specific circumstances (taking into account factors such as risk to participants and time available for response).

To operationalise its market approach, the NDIA is now developing a Market Intervention Strategy and an analytical framework to create a process for identifying and responding to thin markets.

The Market Intervention Strategy and analytical framework will operationalise the principles outlined in the Market Approach. The Strategy includes:

- Detail to be used by the NDIA in its market steward role in assessing sub-market health and identifying areas of market risk;
- Suitable metrics that can be used by the NDIA to quantify the causal factors and risks, such as the level of specificity that enables the best possible and most tailored intervention to occur;
- Comprehensive definitions for the various types of market intervention the NDIA may seek to deploy;
- Details on the factors, triggers and thresholds used to determine whether a market intervention response is necessary, and what type of response is most appropriate (noting that the NDIA will seek to adopt the least interventionist approach possible); and
- An evaluation framework/system for monitoring the effectiveness of the interventions.

The NDIA is prepared to act to reinforce thin markets where intervention is necessary to ensure market supply where the market fails to provide this supply. There are no easy and consistent answers to the problem as a whole.

The appropriate response for a particular thin market depends on certain factors including remoteness, existing infrastructure, cultural norms, availability of community, mainstream capabilities and local participant characteristics.

Transitional market readiness working arrangements between each state and territory, DSS and the NDIA are currently being developed as well. These will enable cross-Government collaboration to support market development. Where appropriate these working arrangements contain a specific focus on regional development including developing markets in rural, regional, and remote areas, with a higher focus on Indigenous communities and Indigenous businesses (providers).

The market readiness working arrangements are further complemented by specific working arrangements for Aboriginal and Torres Strait Islander and rural and remote communities to connect with local NDIA representatives.

The NDIA is also consulting with relevant government agencies and stakeholders to inform this work as it evolves.

g. The provision of housing options for people with disability, with particular reference to the impact of Specialist Disability Accommodation (SDA) supports on the disability housing market

A major challenge for the market will be in providing additional and better housing options for people with significant disability who require specialised housing support. The current shortfall is estimated to be in the order of 12,000 additional places needed immediately for

people currently in residential aged care, institutional settings or other inappropriate living circumstances. Much of the current housing is poorly designed, ageing and does not provide residents with appropriate choice and control. The estimated 16,000 existing places need to be refurbished or replaced in the short to medium term.

Fundamentally, SDA will change the market so that new and refurbished residences are designed and operated as the home of the residents. Importantly, the residents will be able to have more control over who comes into their home and in what circumstances, in the same way that all Australians control access to their homes.

There is room for considerable innovation in SDA, which the NDIA is encouraging through initiatives such as housing innovation showcases. The NDIS Independent Advisory Council has established an Innovations in Housing and Support Working Group to research innovations within housing that are relevant to the NDIS.

Under existing state/territory arrangements supported disability accommodation is not a separate payment but is usually paid as a package of funding for the delivery of accommodation and related in-home supports to residents. Moving from this model to the NDIS funding SDA as a support will mean that providers will now be responsible for managing occupancy and vacancies, as the general housing market does.

Through the pricing of new build SDA, the NDIS represents a significant market opportunity in terms of offering SDA but only if accommodation and supporting business models are designed in ways that meet the needs of people with disability – that is, within a person-centred model.

The NDIA is working to understand the demand and supply factors for SDA in order to inform governments and the market. The NDIA is producing a series of market insight products that provide intelligence on specific sub-markets, cohorts and/or themes. This affords the NDIA the opportunity to work collaboratively with stakeholders in the development of market information that is responsive and relevant to the needs of industry or area of required growth. The Market Insight into SDA will be released in early 2018.

In addition, the NDIA is also undertaking a number of other activities to strengthen investor confidence in the SDA Market. The NDIA is progressing the actions it undertook to deliver at the Disability Reform Council, which include:

1. Providing advice to the Council in the first half of 2018 on mechanisms that may provide signals of longer-term market surety, such as demand data for release to the market;
2. Provide advice on the certification standards, processes and other measures to streamline the property enrolment processes;
3. Provide further information to the market to enable the sector to evaluate the merits of investing in the SDA market, including:
 - a. The long term commitment to SDA as part of the NDIS;
 - b. Principles of SDA funding for NDIS participants and the future direction of price regulation for SDA;
 - c. The capacity of SDA providers to charge rents to non-SDA residents;
 - d. The commitment to the development of standards for the certification process and other measures to streamline the property enrolment process;
 - e. Confirmation that there are no caps on the number of SDA participants, or dwellings that will be enrolled; and,
 - f. Confirmation that participants will have choice and control in relation to their SDA tenancy, with no preference for legacy stock (previously favoured under in-kind arrangements) from 1 July 2019.

H. The impact of the Quality and Safeguarding Framework on the development of the market

The NDIS Quality and Safeguarding Framework (the Framework) will ensure that participants receive the same protections no matter where they live.

Currently, quality and safeguarding measures vary between state, territory and Commonwealth funded services and there is fragmentation between systems. Providers are required to register separately if they operate across two or more jurisdictions, resulting in duplication of regulatory, contractual and other legislative requirements. This results in increased complexity, and increases the risk of non-compliance. Those providers that operate across community service sectors are also required to demonstrate compliance with multiple systems.

Financial Costs of the Framework

The Decision Regulatory Impact Statement on the Framework noted costs and benefits of the Framework were difficult to calculate given the poor quality of the base data it relies on, and the difficulty of estimating likely impacts of measures in a dynamic and unpredictable environment.

Despite this, the overall impact analysis found that the cost burden on providers and government of an improved regulatory system are outweighed by the benefits of avoiding harm. Primarily this was as a result of moving from a fragmented regime, where each state and territory imposed obligations, to a national regime that allowed for the elimination and consolidation of existing regulation, and in turn, offsetting some of the regulatory burden that the Framework creates. Overall, the analysis estimated a regulatory saving of \$23.185 million per annum.

The Framework is likely to encourage the development of a cross jurisdictional market, at the same time as not stymieing local market development.

The Framework Approach

The Framework is built on three foundations: developmental, preventative and corrective.

The developmental foundation is expected to build the capacity of all market players to fully operate in a competitive market. By building participants' decision-making capacity, they will have greater knowledge and skills to shape the market for safe, high quality supports. Building the skills and attitudes of workers will establish the foundations on which safe and high quality supports are built. Encouraging best practice providers will drive exemplary practices that set industry standards and encourage ongoing innovation and improvement. Developmental activities will take some time to result in these market improvements, but are necessary if the market for quality disability supports is to evolve beyond the base standards set by the preventative and corrective foundations.

The preventative foundation establishes NDIS norms of quality and safe practice and signals to the market and community the minimal acceptable standards. This foundation is expected to have a positive impact on the market by improving consistency and facilitating the growth of an informed national consumer base. Both these factors are expected to deter the development of market segments where quality is reduced in order to offer cheaper supports and services.

The corrective foundation enables the identification and resolution of problems or issues to ensure the integrity of the system and its foundations.

The NDIA supports the Framework approach. Insight gathered as part of the NDIA Pathway Review affirmed that participants and providers need support and assistance to develop their capacity to fully participate in the NDIS, and that providers are keen to compete by demonstrating their value and quality to participants.

Establishing the NDIS Quality and Safeguards Commission

Transition year

From 1 July 2018 the NDIS Quality and Safeguards Commission will begin operations to implement the Framework in NSW and South Australia. Other states and territories will not transition to the national regulator until 1 July 2019, and during the transition year those states and territories retain responsibility for quality and safeguards.

This adds to the current complexity for existing national providers during the transition year—they will need to comply with both existing and new registration requirements, retain registration with the NDIA and commence the registration process with the Commission.

The NDIA is actively working with the DSS and the Commonwealth Department of Human Services to manage the complexity associated with needing to maintain dual registration systems during the transition year.

It is also highly likely that new providers seeking to enter multi-jurisdictional markets will delay entry until 2019 rather than having to register with both the Commission and the NDIA.

Implementation

The NDIA Pathway Review heard that providers are unclear about what the new quality and safeguarding arrangements mean for them. This suggests the short lead time from the establishment of the Commission to its commencement in NSW and South Australia in 2018 is expected to impact the full understanding of providers in those jurisdictions. This view is supported by the NDIA's general experience, which is that providers often do not fully understand the NDIS until actually delivering supports to NDIS participants. Therefore, providers are unlikely to understand what the implications are of having an independent regulator until such time as they are subject to regulatory oversight.

The NDIA acknowledges the work undertaken by the DSS on developing a communication and engagement plan to educate providers and participants about the role of the new entity and the obligations for providers. However it is vitally important that messaging is provided to the sector right away.

The NDIA expects that in addition to NSW and SA providers, providers in states and territories not coming under Commission oversight until 2019 will take a keen interest in any communication and monitor the experience in those two jurisdictions as part of any decision to continue to operate within the market. For instance, providers are likely to monitor the costs of SA and NSW providers in terms of certification and the Commission's practice in approving requests for assistance to cover those costs.

Meeting quality and safeguarding requirements

The new Framework will shape the developing market, not only in terms of the quality and safety of supports, but also in terms of other aspects of providers' businesses.

Worker screening

Worker screening, designed to reduce the risk of inappropriate workers being engaged in delivering NDIS supports, may also have additional market shaping impacts including:

- reduced worker capacity to take on casual work involving the provision of NDIS supports – potentially as a result of the inability to apply for screening until an offer of employment is made;
- reduced ability of providers to meet short term or ad hoc requests for NDIS supports – potentially where demand is insufficient for the provider to maintain a pool of screened casual workers;
- reduced willingness of businesses in adjacent sectors to enter the NDIS market – potentially where the demand is likely to be limited and large numbers of the existing workforce would require screening;
- reduced willingness of other types of commercial businesses to provide services to NDIS participants – potentially where the business is providing similar services with their existing unscreened workforce; and/ or
- transfer of costs of worker screening to self-managing participants – potentially when workers of unregistered providers are screened, as unregistered providers are not subject to NDIS price controls.

Registration

The NDIA's experience would caution against the Commission's proposed phasing schedule for NSW and SA registered providers.

The NDIA's Pathway Review and the recent National Disability Services' State of the Disability Sector Report identified high levels of change fatigue amongst providers. The requirement that all registered providers in these two jurisdictions need to have commenced their registration application within a year may create unnecessary regulatory burden. In particular it would be a significant financial burden for providers recently registered with the NDIA to have to undergo certification in order to obtain registration with the Commission.

The NDIA would support grandfathering arrangements, linked to the expiry of existing registration, as more appropriate and which should result in an orderly process for providers meeting the new practice standards and registration requirements.

I. Provider of Last Resort arrangements, including for crisis accommodation

The NDIS is an individualised scheme that ensures eligible Australians with disability receive the reasonable and necessary supports required to achieve their goals in inclusive communities and workplaces. Recognising this, the NDIA assumes a different role to that previously undertaken by state and territory governments that requires an approach that is participant-centric, choice-based, focused on capacity building, and operates within the NDIS legislation.

Historically, state and territory governments have been responsible for delivering, directly or through contracted services, 'Provider of Last Resort' arrangements for people with disability, including where a participant is at imminent risk of losing, or is unable to secure, critical supports that will affect their safety and wellbeing.

As the NDIS rolls out across Australia, state and territory governments continue to share this responsibility. The challenge of sourcing specialised disability supports for people with

complex needs in emergency situations, taking into account the roles of justice and other service systems, is not a new issue.

In transitioning to a competitive and contestable marketplace the NDIA expects that there will be instances where providers fail – this is a normal occurrence in other sectors and markets. The experience of other national programs is that greater focus may be needed in remote areas to ensure that all participants are able to access supports.

The *NDIS Market Approach (Statement of Opportunity and Intent)* highlights that interventions available to a market steward range from light touch to highly interventionist. The NDIA will take a hands on approach to monitoring the market, with the view that early intervention may prevent a loss of critical supports later on. Any particular intervention by the NDIA will be considered on a case by case basis.

Where there is a provider failure, the focus for the NDIA is the continuity of disability support services for participants. The NDIA will work with providers to minimise disruption to participants. Experiences to date have shown that providers are prepared to work with the NDIA during their market exit, and to assist participants choose a new provider.

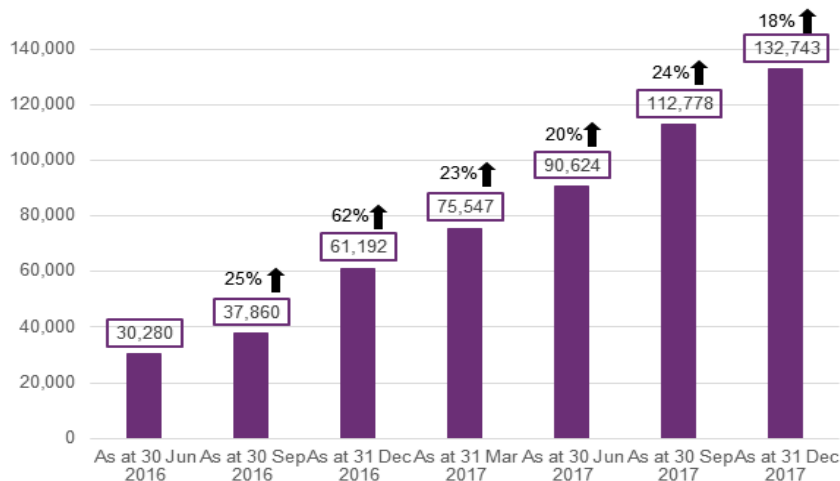
J. Any other related matters

The NDIA is committed to the development of a diverse and innovative market that offers participants real choice. This is a shared responsibility with all governments to create an environment in which current service providers can make the necessary changes to their business practices, and new providers can enter the market, with services and products that respond to consumer demand and which are efficiently priced and delivered. A key part of this will be meeting the large required increase in the disability care and other specialist disability workforce.

κ. Key NDIS statistics (data as at 31 December 2017)

Provider, participants and payments over time

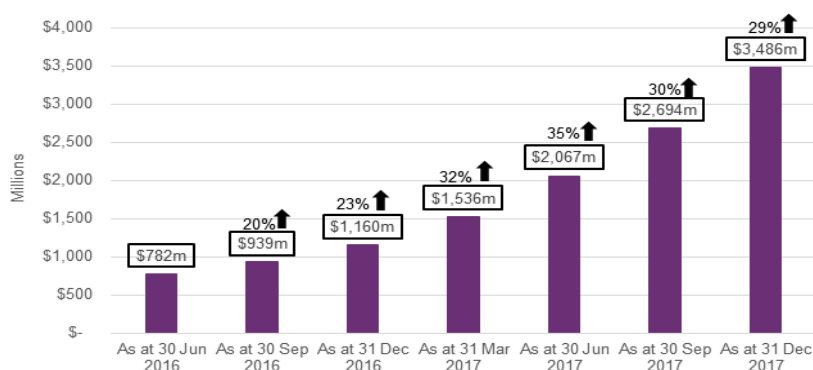
Number of participants with approved plans



Key points:

- As at 31 December 2017, there were 132,743 participants with an approved plan. A further 9,523 children have been supported in the ECEI gateway.
- The number of participants has grown significantly since the end of trial, with an average growth of 29% per quarter.

Amount of payments claimed by registered providers⁷



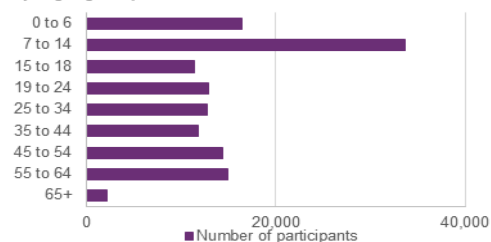
Key points:

- \$3.5 billion of support has been paid to service providers as at 31 December 2017.
- The amount of payments to service providers has grown by 28% per quarter on average during the transition period.

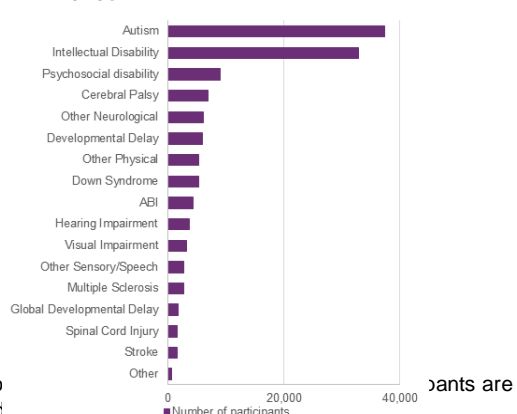
Provider and participant characteristics as at 31 December 2017

Participant characteristics

Number of active participants with an approved plan by age group

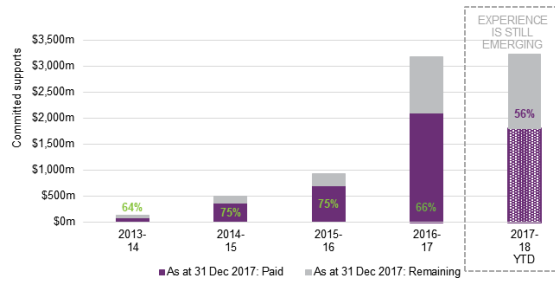
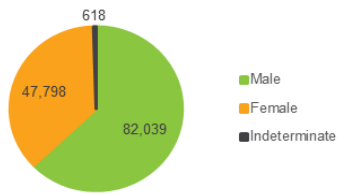


Number of active participants with an approved plan by disability type



⁷ Payments included in this chart are amounts paid to service providers or not included. As at 31 December 2017, total payments to participants and

Number of active participants with an approved plan by gender



Utilisation of supports

Key points:

- Overall, 64% of committed supports were utilised in 2013-14, 75% in 2014-15, 75% in 2015-16, and 66% in 2016-17. The 2017-18 experience is still emerging.

Note that not all committed support in plans is used by participants. This does not necessarily mean that the market is not available because:

- Participants may take time to learn to navigate Scheme processes build the capacity to implement the plan.
- There is a lag between when service providers provide support and when it is paid.