

31 May 2019

To the Department of Social Services (DSS)

Via: engage.dss.gov.au



Submission: NDIS Thin Market Consultation

Thank you for the opportunity to provide initial comments on the NDIS Thin Markets Project.

Factors that impact on operations in a thin market – inadequate service availability

It is not disputed that for the market to work as intended, in this sector, there must be consumer (participant) access to *multiple high-quality* services. For a market to have multiple viable service offerings, there must be an incentive for more than two service providers to be in that market. Most small to medium non-government organisations (NGOs) operate on a principle of “breaking-even” or maintaining a small profit margin. Larger NGOs, depending on their constitution and risk appetite, will seek to achieve profit. For commercial reasons and undoubtedly perception issues, there is little to no data on the profitability of the National Disability Insurance Scheme for service providers, other than the broad statements made during consultations for the 2018 McKinsey Independent Pricing Review (“the Independent Pricing Review”). To plainly mention issues of profitability is to expose a perceived dichotomy – should a caring ‘industry’ be financially profitable? Profitability determines market participation by providers, participation by providers ultimately determines whether or not there is genuine choice for consumers.

Whilst we agree broadly with the five thin market challenges outlined in the Departmental consultation paper prepared by Ernst & Young, ultimately thin markets have been, and are being, created by the determination of “price levels” that do not reflect real world operating costs; including travel, training, wages, overheads and administration.

The Independent Pricing Review, politely described the current price caps as “challenging” and made three broad recommendations to “manage the key risk of supply gaps”.¹ In principle we support the three recommendations and note the National Disability Insurance Agency’s implementation plan and progress. However, more work and support is required.

We raise the following discrete issues which impact on provider operations and require genuine consideration and redress.

1. Governance, reporting and administrative costs.

We note the importance of robust and client-centered governance for any organisation delivering high-quality services to individuals. This comes at a financial cost, which is not adequately acknowledged when developing price caps or loadings.

The cost to develop, maintain and update effective and meaningful policies, procedures, and review processes – and associated workforce training – to ensure compliance with legislation and best practice can be prohibitive, especially for small providers.

“Strong, inclusive and resilient mental health communities.”

We do not dispute the importance and value of various pieces of legislation, but we do recognise the amount, complexity and ongoing amendment of legislation impacting on operations. To date there are more than 30 Federal Acts and Regulations, and more than 10 State (Queensland) Acts and Regulations, including the new *Human Rights Act (Qld) 2018* and the *Disability Services and Other Legislation (NDIS) Amendment Bill (Qld) 2019*, which providers must be aware of and responsive to.

The Temporary Transformation Payment (formerly Temporary Support for Overheads) and its decreasing loadings is not adequate to address these issues.

Coupled with the ever-shifting governance changes are various new and ongoing reporting and notification requirements. We recommend that an independent study examine these requirements with a view to eliminating duplication and ensuring there is a focus on meaningful and relevant reporting and notifications.

2. Workforce

The creation of a highly skilled, adaptable and appropriately remunerated workforce is necessary to ensure high-quality services are delivered to participants, thus ensuring providers are in a position to offer services within a marketplace.²

Whilst various factors, such as geographic location, impact on a service provider's ability to access and retain a skilled workforce, price caps and the uncertainty of the market significantly prohibit both profitability and ongoing operations for providers.

Turnover and casualisation rates in the Queensland disability workforce are growing (see NDS Australian Disability Workforce Report 3rd edition July 2018).³ This reflects an inability to guarantee suitable work for employees. Casualisation is problematic for both employers and employees.

To grow, attract and retain a workforce, early and ongoing investment in training, suitable remuneration and guaranteed work is required. Flexibility and adaptability can be achieved with a commitment and investment in multi-skilling. Price caps and loadings must reflect a realistic contribution towards training and retention in addition to wages.

We look forward to providing detailed advice in workshops and targeted interviews to facilitate the co-design of a framework for addressing thin markets, and a roadmap for developing practical trial projects.

Yours sincerely



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¹ McKinsey & Company (2018). Independent Pricing Review: National Disability Insurance Agency, Final Report

² Queensland Alliance for Mental Health (2018). Joint Submission to Senate Standing Committee on Community Affairs: Accessibility and Quality of Mental Health Services in Rural and Remote Australia. Retrieved May 28, 2019 from <https://gamh.org.au/wp-content/uploads/Final-Senate-inquiry-into-rural-and-remote-mental-health.pdf>

³ National Disability Services (2018). Australian Disability Workforce Report 3rd Edition. Retrieved May 28, 2019 from <https://www.nds.org.au/news/disability-workforce-report-introduces-state-analysis>

