

# **National Disability Insurance Scheme**

Annual Pricing Review 2020-21

Final Report

May 2020

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### **Terms that we use:**

<b>Acronym</b>	<b>Full name</b>
ABS	Australian Bureau of Statistics
CPI	ABS Consumer Price Index
DSW	Disability Support Worker
MMM	Modified Monash Model
NDIA/Agency	National Disability Insurance Agency
NDIS/Scheme	National Disability Insurance Scheme
Review	Annual Pricing Review
SCHADS Award	Social, Community, Home care And Disability Services Industry Award 2010
TTP	Temporary Transformation Payment
WPI	ABS Wage Price Index

# Contents

<b>Executive Summary .....</b>	<b>6</b>
<i>Conduct of the review .....</i>	<i>6</i>
<i>Findings and recommendations .....</i>	<i>7</i>
<b>1. Introduction .....</b>	<b>25</b>
<i>Terms of Reference .....</i>	<i>26</i>
<i>Conduct of the review .....</i>	<i>27</i>
<b>2. Provider Administration and Participant Flexibility .....</b>	<b>34</b>
<i>Current Arrangements .....</i>	<i>34</i>
<i>Consultations .....</i>	<i>34</i>
<i>Discussion .....</i>	<i>35</i>
<i>Recommendations .....</i>	<i>38</i>
<b>3. Price limits for 1:1 core supports .....</b>	<b>40</b>
<i>Current Arrangements .....</i>	<i>40</i>
<i>Consultations .....</i>	<i>43</i>
<i>Research.....</i>	<i>51</i>
<i>Discussion .....</i>	<i>55</i>
<i>Recommendations .....</i>	<i>63</i>
<b>4. Price limits for group-based core supports .....</b>	<b>66</b>
<i>Current Arrangements .....</i>	<i>66</i>
<i>Consultations .....</i>	<i>67</i>
<i>Research.....</i>	<i>69</i>
<i>Discussion .....</i>	<i>70</i>
<i>Recommendation.....</i>	<i>71</i>
<b>5. Capacity Building Supports .....</b>	<b>72</b>
<i>Current Arrangements .....</i>	<i>72</i>
<i>Consultations .....</i>	<i>73</i>
<i>Research.....</i>	<i>75</i>
<i>Discussion .....</i>	<i>77</i>
<i>Recommendation.....</i>	<i>81</i>
<b>6. Plan Management Supports .....</b>	<b>82</b>
<i>Current Arrangements .....</i>	<i>82</i>
<i>Consultations .....</i>	<i>83</i>

	<i>Discussion .....</i>	<i>87</i>
	<i>Recommendation.....</i>	<i>89</i>
<b>7.</b>	<b>Classifying Regional, Remote and Very Remote.....</b>	<b>90</b>
	<i>Current Arrangements .....</i>	<i>90</i>
	<i>Consultations .....</i>	<i>92</i>
	<i>Research.....</i>	<i>93</i>
	<i>Discussion .....</i>	<i>93</i>
	<i>Recommendation.....</i>	<i>93</i>
<b>8.</b>	<b>Costs in Outer Regional Areas .....</b>	<b>94</b>
	<i>Current Arrangements .....</i>	<i>94</i>
	<i>Consultations .....</i>	<i>94</i>
	<i>Research.....</i>	<i>94</i>
	<i>Discussion .....</i>	<i>96</i>
<b>9.</b>	<b>Cancellation Rules .....</b>	<b>97</b>
	<i>Current Arrangements .....</i>	<i>97</i>
	<i>Consultations .....</i>	<i>98</i>
	<i>Discussion .....</i>	<i>99</i>
	<i>Recommendation.....</i>	<i>99</i>
<b>10.</b>	<b>Provider Travel Rules.....</b>	<b>100</b>
	<i>Current Arrangements .....</i>	<i>100</i>
	<i>Consultations .....</i>	<i>101</i>
	<i>Research.....</i>	<i>103</i>
	<i>Discussion .....</i>	<i>104</i>
	<i>Recommendation.....</i>	<i>107</i>
<b>11.</b>	<b>Establishment Fees.....</b>	<b>108</b>
	<i>Current Arrangements .....</i>	<i>108</i>
	<i>Consultations .....</i>	<i>109</i>
	<i>Research.....</i>	<i>110</i>
	<i>Discussion .....</i>	<i>111</i>
	<i>Recommendation.....</i>	<i>113</i>

## Figures

Figure 1 - Distribution of Submissions by Number of Participants and NDIS Revenue of Respondent .....	28
Figure 2 – Distribution of Topics Raised in Submissions to the Annual Pricing Review .....	29
Figure 3 - Nous Group Study of Back-Office Expenses of Not For Profit Organisations.....	54
Figure 4 - Claims for Group Activities.....	70
Figure 5 - Number of Providers Claiming per Quarter from 2016 to 2019 .....	87
Figure 6 - NDIS Revenue Claimed by Plan Managers from Monthly Fees, by Quarter, 2016-2019 .....	88
Figure 7 - Relative Cost of Delivering Services by Remoteness Classification.....	95

## Tables

Table 1 - Distribution of Submissions Received by the Annual Pricing Review.....	28
Table 2 - FWC Decision on SCHADS Shift Loadings - 1 July 2020 .....	36
Table 3 - NDIS Disability Support Worker Cost Model – Key Assumptions.....	43
Table 4 - Distribution of Results from the TTP Survey .....	51
Table 5 - NDIS hourly price limits for non-TTP and TTP support items .....	52
Table 6 - Comparative Scheme hourly fees.....	52
Table 7 - Capacity Building Supports That May Be Delivered By Disability Support Workers .....	75
Table 8 - NDIS Therapy Price Limit Comparison with Other Schemes, Hourly Rates .....	78
Table 9 – Definitions of the Modified Monash Model Geographic Areas.....	90
Table 10 – Regions where Price Limits change between MMM2015 and MMM2019 .....	91
Table 11 - Relative Cost of Living across Queensland .....	96
Table 12 - Relative Cost of Living across Western Australia .....	96

## Executive Summary

The National Disability Insurance Agency (NDIA) continually monitors and reviews its price control framework and other market settings to determine whether they remain appropriate. The NDIA is also committed to the continuous improvement of the methodologies underpinning the NDIS price control framework. In line with this commitment, the Annual Pricing Review 2020-21 was required to examine, through research and consultation with industry, community and government stakeholders, whether the existing price control framework and other market settings under the NDIS continue to be appropriate or should be modified.

### CONDUCT OF THE REVIEW

The Review engaged in extensive consultations with industry, community and government stakeholders and undertook a program of research.

- An Issues Paper was released on 28 November 2019 together with a public call for submissions. The formal closing date for submissions was 2 February 2020, but submissions received up until 8 April 2020 were taken into account in the Review. Some 96 submissions were received by the closing date. A total of 139 submissions had been received and analysed by 8 April 2020.
- Face to face consultations were held with 29 groups of providers in each State and Territory. After 23 March 2020, these consultations were held by teleconference/ videoconference for safety reasons.
- Six working groups (involving 108 providers and peak bodies) were established with representatives from the sector to discuss concerns and proposals for change.
- On 11 March 2020, the NDIA's Pricing Reference Group (PRG) met with members of the six provider peak groups.
- On 15 April 2020, the NDIA's PRG met with members of three participant peak groups. Other participant representative groups were invited, but were unable to attend due to having to address COVID-19 issues.
- Consultations were also held with, and desktop analysis undertaken of, ten other state based and national schemes to compare pricing arrangements for attendant care and therapy services.

Deloitte Access Economics were engaged by the NDIA to conduct a financial benchmarking survey of Temporary Transformation Payment (TTP) providers and to analyse the results, with a particular emphasis on the parameters that underlie the NDIS Disability Support Worker Cost Model that determines many of the NDIS price limits. As at 15 March 2020, when the survey closed, Deloitte had received 615 completed surveys. As of 31 March 2020, an additional 231 responses had been received. However, these additional responses were not received in time to be included in the analyses in this report.

The Review also conducted research as set out in this Report, including of the extent to which providers were choosing not to charge the TTP and were agreeing fees with participants below the price limits.

## **FINDINGS AND RECOMMENDATIONS**

### **Provider Administration and Participant Flexibility**

The Review was required by its Terms of Reference to examine the price control framework to identify opportunities to increase flexibility for participants and reduce administrative burdens for providers.

The Review considers that there would be considerable merit in changing the timing of the Annual Pricing Review so that providers were aware earlier of any policy changes that the NDIA intended to make. The Review also considers that given the uncertainty around economic conditions during the COVID-19 pandemic and as Australia emerges from the pandemic that the NDIA should not undertake an Annual Pricing Review in 2020-21 but should instead monitor economic conditions carefully and promptly respond to emerging issues.

The Review also sees merit in the NDIA publishing the indexation methodology for price limits so that providers can better estimate their future budgets, recognising that the NDIA is not able to index and announce price limits until after the Fair Work Commission has made its Annual Minimum Wage Decision, which usually occurs in the middle of June each year.

The Review supports the introduction of programs of supports, whereby providers enter into contracts for the provision of programs of supports, especially where the program of supports is towards the achievement of specified outcomes. Where a participant does not attend one part of a program the provider is able to claim as though they did attend – that is, this is not a cancellation, as long as the provider had the capacity to deliver the support. The Review considers that it is important to include safeguards in these arrangements, including that programs of support cannot be for longer than 12 weeks (unless specifically allowed for in the *NDIS Price Guide*) and that participants should be able to exit from an agreed program of supports without cost, subject to an agreed notice period that can be no longer than two (2) weeks. Supports delivered as part of a program of supports would not be subject to the short notice cancellation rules.

The Review recognises the concerns raised in consultations with participant representative organisations that the programs of support approach should not be permitted to be used by providers to return themselves to a quasi-form of block funding. Participant representatives did acknowledge, however, that the program concept was common in the commercial world and that it could be beneficial for other participants taking part in a program as they would have a greater certainty that the program would operate fully throughout its term. On balance, the Review considers that the advantages outweigh the risks, but recommends that the introduction of programs of support approach be carefully evaluated and that guidance material be produced by the NDIA for participants, including on their right to choose not to

engage their provider through a program of support. In the first instance, program of supports should only be able to be offered for group supports.

The Review also considers that there are other opportunities to simplify the *NDIS Support Catalogue* by removing the various worker to participant ratio support items. Providers would divide the number of worker hours by the number of participant hours to derive their own fractions of hours to charge participants and would claim for these hours against the relevant 1:1 support item and subject to the relevant price limit. For example, one worker delivering a one-hour session on a Saturday to three participants would be claimed as 1/3 of an hour per participant subject to the 1:1 Saturday price limit rather than as currently where an hour is claimed for each participant but subject to a reduced 1:3 Saturday price limit.

### **RECOMMENDATION 1) Annual Pricing Review**

- 1) The NDIA should not undertake an Annual Pricing Review in 2020-21 but instead monitor economic conditions carefully as the COVID-19 pandemic progresses and the economy recovers and promptly respond to any emerging issues.
- 2) The NDIA should undertake the Annual Pricing Review from July to December each year (commencing 2021), reporting in February/March of the following year to the Board of the NDIA, through the Chief Executive Officer, with changes to take effect from the following 1 July.

### **RECOMMENDATION 2) Annual Indexation of Price Limits**

- 1) The NDIA should increase price limits during 2020 to maintain their real value through the following indexation arrangements:
  - i) Price limits for supports delivered by Disability Support Workers should be set by the NDIS Disability Support Worker Cost Model from the operative date of the Fair Work Commission's Annual Wage Review;
  - ii) Price limits for Capital supports – Support Categories 2 (Transport), 3 (Consumables), 5 (Assistive Technology) and 6 (Home Modifications and Specialised Disability Accommodation) – should be indexed on 1 July 2020 in line with the movement in the ABS Consumer Price (All Groups, weighted average of eight capital cities) over the 12 months to the March Quarter preceding the indexation date; and
  - iii) Price limits for other supports should be indexed on 1 July 2020 in line with the weighted movement over the previous twelve months in the ABS Wage Price Index (Australia, total hourly rates of pay excluding bonuses) and the ABS Consumer Price Index (All Groups, weighted average of eight capital cities) over the 12 months to the March Quarter preceding the indexation date (with an 80/20 weighting).
- 2) That in addition to the annual indexation arrangements, the NDIA should also reset all price limits determined by the NDIS Disability Support Worker Cost Model in



response to the following Fair Work Commission determinations, with effect from the date of effect of the Fair Work Commission's determination:

- i) 1 December 2020, for the final tranche of the Fair Work Commission's Equal Remuneration Order (MA000100 PR525485); and
- ii) 1 July 2020, for the adjustment of the shift loadings for casual workers on Saturdays and Sundays in the SCHADS Award (Fair Work Commission Decision [2019] FWCFB 7096).

### **RECOMMENDATION 3) Programs of Supports**

The NDIA should amend the *NDIS Price Guide* from 1 July 2020, to make clear that providers are allowed to enter into service agreements for the provision of programs of supports, where those supports are group supports, subject to the following safeguards:

- i) that programs of support cannot be for longer than 12 weeks (unless specifically allowed for in the *NDIS Price Guide*);
- ii) that participants should be able to exit from an agreed program of supports without cost, subject to an agreed notice period that can be no longer than two (2) weeks;
- iii) the introduction of programs of supports should be carefully evaluated; and
- iv) guidance material should be produced for participants before programs of supports are introduced.

### **Price limits for 1:1 core supports**

The price limits for core supports are determined by the application of the NDIS Disability Support Workers Cost Model. The Review was required by its Terms of Reference to examine the assumptions and parameters outlined in the NDIS Disability Support Worker Cost Model, including through analysis of the financial benchmarking data collected through the Temporary Transformation Payment (TTP) arrangements.

The full details of the NDIS Disability Support Workers Cost Model were published in June 2019. The cost model estimates the cost of delivering a billable hour of support taking into account all of the costs associated with every billable hour, including: base pay; shift loadings; holiday pay; salary on costs; supervision costs; utilisation (non-billable activities); corporate overheads and margin. Base rates of pay under the model are set in accordance with the *Social, Community, Home Care and Disability Services Industry Award 2010*. The cost model also contains a range of key assumptions and parameters that determine the level of the price limits.

The cost model also varies according to a range of factors, including: the intensity of support, the level of skills and experience of the worker delivering the support, whether the worker is

permitted to sleep over, the time of day and day of the week the support is delivered and whether or not the provider claims the Temporary Transformation Payment (TTP).

The Review does not support the request by some providers that the price limit for support items should be determined by the complexity of the participant's needs rather than by the skills and experience of the support worker, as currently. The Review accepts that participants with complex needs will often require more funding, both for more supports and for more skilled or experienced support workers. However, this is a planning issue, not a pricing issue. From a price control perspective the important issue is the input costs of the provider, which are largely determined by the skills and experience of the support worker who delivers the support.

The Review also does not support the request by some providers that the price limit should be determined by the shift of the worker rather than by the time of day that the support is delivered. It is important that participants know what price limit applies to each support that they purchase and they cannot know this if the price limit can also vary according to the shift that the employer has engaged the employee to work. In the end, workforce rostering is a matter for providers to manage. It is important to note, however, that when a particular support crosses a shift boundary and the same worker delivers the entire support then the provider is entitled to use the highest price limit for the entire support.

Given that baseline price limits are intended to represent efficient costs the TTP survey results, taken on their own, provide some evidence that the NDIS Disability Support Worker Cost Model may not be correctly estimating efficient costs – although some of the effects are countervailing.

- The average Permanent Share of the workforce among survey respondents (43.8%) is considerably lower than the current Model assumption (90%). Moreover, the efficient 25<sup>th</sup> percentile estimate (71.7%) is also lower than the Model assumption.
- The average utilisation rate among survey respondents (79.8%) is lower than the current Model assumptions (87.7% to 92.0%). However, the efficient 25<sup>th</sup> percentile estimate (90.0%) is in line with the current Model assumptions.
- The average overheads percentage (as a loading on direct care costs) among survey respondents (27.7%) is higher than the current Model assumptions (10.5%). Moreover, the efficient 25<sup>th</sup> percentile estimate (19.8%) is also higher than the current Model assumption.
- The average span of control among survey respondents (11.8:1) is slightly higher than the current Model assumptions (11:1). Moreover, the efficient 25<sup>th</sup> percentile estimate (15:1) is considerably higher than the current Model assumption.
- The NDIS Disability Support Worker Cost Model does not currently provide for allowances paid to workers on top of their salaries (other than shift loadings and superannuation). This is not in line with the TTP Benchmarking Survey which indicates

that these allowances can typically be in the order of 1.0% of the base salary payable to the worker.

However, the TTP survey does not include results for providers who are not accessing the higher TTP price limits, and who, *prima facie*, are likely to have lower costs (and hence be more efficient) since they have not chosen to access the higher TTP price limits. Only around half of eligible providers (59.6%) claim the TTP and then less than half of TTP claimants completed the survey by the due date. Thus, the survey provides results for only around a quarter of those NDIS providers who employ Disability Support Workers. Assuming that the distribution of overheads among non-TTP claiming providers is similar to the distribution among TTP claiming providers, but with a lower average representing their lower costs then it is possible to generate a mixed statistical distribution of all providers. The Review estimates that in this distribution the efficient (25<sup>th</sup> percentile) provider would have overheads of between 14.4% and 16.7% of direct costs (with a median estimate of 15.2%).

Moreover, some of these overheads relate to provider transport non-labour costs, which are currently not separately claimable by providers. The TTP benchmarking survey found that the average cost of travel expenses across respondents was \$1,000 per worker per year. A DSW Level 1 paid at \$27.61 per hour, with a 38-hour week, has an annual income of \$54,557. With salary related on costs and supervision costs this equates to direct care expenditure of about \$70,000. Travel expenses of \$1,000 would represent a 1.4% increase on this, and would currently be shown in the overheads of the provider.

There is also strong evidence that some providers are managing to operate at or below the current price limits, with almost 40% of eligible providers choosing not to access the higher TTP price limits. Moreover, more than 25% of all claims by these providers were below the relevant lower non-TTP price limit and about 9% of claims were more than 10% below the relevant lower non-TTP price limits.

Finally, the current price limits in the NDIS are higher than some of those that apply in other schemes. However, it is not clear to what extent these fees can be compared to NDIS price limits, given that fees can operate differently in different contexts (e.g. according to whether or not services are commissioned, and what other fees – including co-payments – are also billable).

On balance, therefore, the Review considers that there is no reason to increase the current set of price limits, although it would be appropriate to make some minor modifications to the NDIS Disability Support Worker Cost Model to:

- Decrease the ratio of permanent to casual staff assumed in the cost model to 70/30% in line with the 25<sup>th</sup> percentile of the TTP Benchmarking Survey;
- Increase the share of staff assumed to take up their long service leave entitlements to 100% in recognition of the existence of portable long service leave schemes in some states and territories;

- Decrease the assumed workers compensation premium percentage from 3.0% to 1.7% in line with the 25<sup>th</sup> percentile observed in the TTP Benchmarking Survey, noting that this is equal to the average premium percentage observed across the health and community sector;
- Increase the assumed overheads percentage to 12.0% to better align with the estimated overheads of efficient providers in the sector, noting that other recommendations being made by the Review will directly address some of the costs that providers are currently carrying in their overheads;
- Increase the supervision ratio from 11 to 15 in line with the 25<sup>th</sup> percentile observed in the TTP Benchmarking Survey, noting that the non-face-to-face claiming rules permit some interactions between supervisors and staff to be claimed directly when they relate to the specific direct care needs of a participant; and
- Increase the provision of allowances (other than travel allowances) for support workers and supervisors to 1.0% of salary, in line with the average level observed in the TTP Benchmarking Survey.

The level of the TTP loading was set at 7.5% for 2019-20 to be reduced by 1.5% percentage points each 1 July thereafter in line with the NDIS Pricing Strategy. The Review considers that there is more than sufficient evidence that the market for disability supports is continuing to grow and become more efficient, noting again that more than 40% of providers chose not to access the TTP accounting for almost half of all claims (by dollar) against relevant support items, and that of those providers who chose to operate under the lower non-TTP price limits, more than 25% of all claims were below the relevant lower price limit.

The Review also considers that the assurance arrangements around claiming the higher TTP price limits should be strengthened and that Plan Managers should be required to receive an attestation from a provider who is seeking to make a claim against an item subject to the higher TTP price limits that they are eligible to access the higher price limits before the Plan Manager processes the claim.

#### **RECOMMENDATION 4) NDIS Disability Support Worker Cost Model**

- 1) The NDIA should continue to use the NDIS Disability Support Worker Cost Model to determine the base (non-TTP) price limits for supports delivered by Disability Support Workers based on the performance of efficient providers.
- 2) The NDIA should amend the NDIS Disability Support Worker Cost Model (and the price limits determined by the cost model), from 1 July 2020, by:
  - i) Decreasing the ratio of permanent to casual staff to 70/30%;
  - ii) Increasing the share of staff assumed to take up their long service leave entitlements to 100%;
  - iii) Decreasing the workers compensation premium percentage to 1.7%;

- iv) Increasing the overheads percentage to 12.0%;
- v) Increasing the supervision ratio to 15:1; and
- vi) Increasing the allowance provision for support workers and supervisors to 1.0% of salary.

#### **RECOMMENDATION 5) Temporary Transformation Payment**

The NDIA should reduce the level of the Temporary Transformation Payment from 7.5% to 6.0% on 1 July 2020 as previously announced.

#### **RECOMMENDATION 6) Definition of the Levels of High Intensity Supports**

That the definitions of Level 1, Level 2 and Level 3 supports in the *NDIS Price Guide* should be amended as follows:

*Level 1 support items should be used if the worker who delivers the support is someone who has the skills and experience that would mean that they would be classified as a Social and Community Services Employee level 2 (below the maximum pay point) if they were employed under the SCHADS Award.*

*Level 2 support items should be used if the worker who delivers the support is someone who has the skills and experience that would mean that they would be classified as a Social and Community Services Employee level 2 (at the maximum pay point) or as a Social and Community Services Employee level 3 (at the minimum pay point) if they were employed under the SCHADS Award.*

*Level 3 support items should be used if the worker who delivers the support is someone who has the skills and experience that would mean that they would be classified above a Social and Community Services Employee level 3 (at the minimum pay point) if they were employed under the SCHADS Award.*

#### **RECOMMENDATION 7) Definitions of Time of Day and Day of Week**

That the definitions of Time of Day and Day of Week in the *NDIS Price Guide* should be amended as follows:

##### ***Time of Day and Day of Week***

*In determining which price limit is applicable to a support, the important consideration is when the support is provided to the participant, not the shift of the worker used to deliver that support as determined by the applicable Industry Award or Enterprise Bargaining Agreement (EBA).*

*For NDIS billing purposes the provider must first determine the day of the week on which the support was provided on and then the time of the day during which the support was delivered. (Note: weekday means Monday, Tuesday, Wednesday, Thursday or Friday).*

- A **Night-time Sleepover Support** is any support to an individual participant delivered on a weekday, a Saturday, a Sunday or a Public Holiday that:
  - commences before midnight on a given day and finishes after midnight on that day; and
  - is for a continuous period of eight (8) hours or more; and
  - the worker is allowed to sleep when they are not providing support.
- A **Public Holiday Support** is any support to an individual participant that starts at or after midnight on the night prior to a Public Holiday and ends before or at midnight of that Public Holiday (unless that support is a Night-time Sleepover Support).
- A **Saturday Support** is any support to an individual participant that starts at or after midnight on the night prior to a Saturday and ends before or at midnight of that Saturday (unless that support is a Public Holiday Support or a Night-time Sleepover Support).
- A **Sunday Support** is any support to an individual participant that starts at or after midnight on the night prior to a Sunday and ends before or at midnight of that Sunday (unless that support is a Public Holiday Support or a Night-time Sleepover Support).
- A **Standard Day Support** is any other support, and is either:
  - A **Weekday Support** is any support to an individual participant that starts at or after 6:00 am and ends before or at 8:00 pm on a single weekday (unless that support is a Public Holiday Support or a Night-time Sleepover Support).
  - An **Evening Support** is any support to an individual participant that starts after 8:00 pm and finishes at or before midnight on a single weekday (unless that support is a Public Holiday Support or a Night-time Sleepover Support).
  - An **Active Overnight Support** is any support to an individual participant that commences at or before midnight on a weekday and finishes after midnight on that weekday, or commences before 6:00 am on a weekday and finishes on that weekday (unless that support is a Public Holiday Support, Saturday Support, Sunday Support or a Night-time Sleepover Support).

*If a support to an individual participant does not meet one of the above criteria then it needs to be billed as two or more separate supports.*

**Night-time Sleepover Supports**

*Night-time Sleepover Supports have a price limit that is inclusive of the cost of two hours of any supports provided to the participant for the duration of the period. Providers may claim for third or additional hour at Saturday rates on weekdays, or at applicable rates on other days (Saturday, Sunday or Public Holidays)*

*Note, Night-time Sleepover Supports apply to any day of the week and on public holidays, pending criteria met as described previously.*

**Price limits for group-based core supports**

The Review was required by its Terms of Reference to examine the methodology for deriving the price controls for group-based supports from the price controls for 1:1 supports. Currently, the price limit for community-based group supports apply to each hour of support and are based on the price limit of the relevant 1:1 community participation support (for each level of support and time of day and day of week). The price limit for the relevant 1:1 support is  $P$  then the price limit  $P_n$  for the 1:n community based support is given by the following equation:

$$P_n = \frac{P + (n - 1) \times 0.12 \times P}{n}$$

For each additional person in the group (after the first) an additional 12% of the 1:1 price limit (essentially seven minutes) is added to the price limit. This reflects the time that the provider may need to spend writing a report on each participant in the group after the group has finished. Because of this built-in loading, providers of group based supports are not permitted to claim for non-face-to-face time. For 1:1 supports, non-face-to-face activities are part of delivering a specific disability support to that participant (rather than a general activity such as enrolment, administration or staff rostering).

The price limit for centre-based group supports are calculated by adding a fixed capital allowance amount to the relevant community based group support. In 2019-20, the amount of the fixed capital allowance was \$2.10 per participant per hour. The amount of the fixed capital allowance is indexed on 1 July each year in line with movements in the Consumer Price Index (CPI).

The Review considers that there is considerable merit in replacing the current group based pricing arrangements with simplified arrangements, whereby providers can claim for both direct service provision and non-face-to-face supports as they are provided. Providers would divide the number of worker hours by the number of participant hours to derive their own fractions of hours to charge participants and would claim for these hours against the 1:1 support item and subject to the standard price limit. For example, one worker to three participants for a one-hour session would be claimed as 1/3 of an hour per participant subject to the 1:1 price limit rather than as currently where hour is claimed for each



participant but subject to a reduced 1:3 price limit. Providers of centre based care would claim for the fixed capital allowance for each participant through a separate support item.

The Review notes that when this change was suggested last year the sector did not accept it. It appears, however, that the sector has become much more comfortable with the non-face-to-face claiming arrangements and can now see the opportunities that can arise from the proposed simplification. Currently there are over 220 support items for group-based supports in the *NDIS Support Catalogue*. Under the proposed amendments, some 200 of these support items would no longer be needed. The proposed new arrangements for “programs of supports” would also reduce the administrative burden of providers.

The Review does not consider that the evidence about the capital costs of centre-based care is sufficiently strong to justify a change in the amount of the fixed capital allowance, but could be investigated further in a future Annual Pricing Review.

### **RECOMMENDATION 8) Group Based Supports**

- 1) The NDIA should amend the pricing arrangements for group based supports so that providers no longer use the various worker to participant ratio support items but instead claim all supports against the appropriate 1:1 support items by apportioning the time spent with the group among the members of the group. Providers of centre based care would claim for the fixed capital allowance for each participant in a group through a separate support item.
- 2) The NDIA should also amend the pricing arrangements for group based supports so that providers can claim for non-face-to-face supports under the usual conditions, rather than having an allowance for non-face-to-face supports built into the price limit.

### **Capacity Building Supports**

The Review was required by the its Terms of Reference to review the price control framework for capacity building supports, including therapy supports, by examining:

- how price limits for capacity building supports, other than therapy supports, should be indexed or otherwise determined annually;
- how price limits for therapy supports should be adjusted annually, given the outcomes of the Review of Therapy Pricing Arrangements;
- whether different price limits might be appropriate for different times of the day, or days of the week, for some capacity building supports, including for therapists, therapy assistants and for capacity building supports delivered by disability support workers; and
- whether therapists and other capacity building providers should be able to recover the costs of consumables provided to participants as part of a support.



The *Review of NDIS Therapy Pricing Arrangements* (“the Therapy Review”), which reported in 2019, found that the NDIS accounts for about 2.4% of Australia’s established national therapy market, suggesting that it has limited capacity to influence market prices for therapy services and is instead a “price taker”. The Therapy Review also found that while there are early signs of some competition in the NDIS market for therapy services, around 70% of claims continued to be made at the price cap. It found that the distribution of claims also remains significantly different from the private market distribution. On the basis of the evidence on market conditions and the sector consultations and benchmarking analysis outlined above, and in line with the principles of the *National Disability Insurance Scheme Act 2013*, including that a funded support must represent “value for money in that the costs of the support are reasonable, relative to both the benefits achieved and the cost of alternative support”, the Therapy Review recommended that the NDIA should maintain price caps on therapy services at least until the transition to the NDIS is complete and there is evidence that the distribution of NDIS payment claims is broadly in line with the distribution of prices observed in the private billing market.

The current Review agrees with the conclusions of the Therapy Review. It is also concerned that there is some evidence that the NDIS price limits for therapy service may be distorting the market for therapy services. NDIS price limits appear high compared to some other state compensable schemes, which warrants further investigation. The Review therefore considers that a comprehensive review of therapy pricing should be undertaken as part of the next Annual Pricing Review and every two years thereafter.

The proposed comprehensive review of therapy pricing should also give further consideration to the question of whether different support items (and price limits) need to be created to encourage the delivery of therapy supports outside of usual business hours, with a particular focus on the impacts that the current arrangements have on best practice delivery, especially for Early Childhood Early Intervention supports. The current Review received mixed evidence on this issue and does not consider that it can be resolved in isolation from an analysis of the entire billing practices of other schemes. The Review notes, for example, that most other schemes do not include different payment rates for out of business hours consultations, but structure their billing arrangements around the complexity of the consultation (say 30-60 minutes) rather than the precise duration.

The Review also considers, given the disparity between NDIS price limits and the rates payable in other schemes, that therapy price limits should not be indexed this financial year.

Currently the price limits for capacity building supports are indexed on 1 July each year by the 80/20 weighted average of the movements in the ABS Wage Price Index and the ABS Consumer Price Index over the 12 months to the March Quarter preceding the indexation date. However, 15 Capacity Building supports are delivered by workers employed under the SCHADS Award or a similar industrial agreement. These workers are subject to the Fair Work Commission’s increase to minimum wage that occurs every year, which is included in the current methodology for applicable core supports. The Review considers that it would

therefore be more appropriate for the price limits of these supports to be set by the Disability Support Worker Cost Model.

The Review received a number of submissions about the cost of consumables used by therapists. The Review considers that it is important to distinguish between “tools of the trade” of the therapist and consumables used in the treatment of the specific participant. This is in line with the approaches taken by some other schemes. Worksafe Victoria, for example, “expects that health professionals will not invoice for consumables (i.e. tape, ultrasound gel, dry needles, wax therapy) used as a part of in-rooms treatment” but does permit billing for items “intended to be supplied for the worker to take home to assist with the management of their work-related injury or illness”. The Review understands that consumables that are provided to the participant are, in general, claimable against the participant’s NDIS plan. The Review considers that tools of the trade are already accounted for within the price limits for therapy support items. The Review notes, for example, that the NDIS Nursing Cost Model includes an overheads provision of 20%.

### **RECOMMENDATION 9) Capacity Building Supports**

- 1) The NDIA should undertake a comprehensive review of therapy pricing arrangements as a part of the Annual Pricing Review every two years, with the next comprehensive review to commence in July 2021. Pending the outcomes of that review:
  - i) the NDIA should not index the price limits for therapy supports on 1 July 2020; and
  - ii) the NDIA should index the price limits for therapy supports on 1 July 2021 in accordance with the indexation methodology set out in Recommendation 2.1(iii).
- 2) The NDIA should index the price limits for capacity building supports that are delivered by Disability Support Workers by reference to the NDIS Disability Support Worker Cost Model.

### **Plan Management Supports**

NDIS participants can choose to have a registered Plan Management provider to manage their funding and budget for the supports in their plan. Plan Managers are bound to the *NDIS Price Guide* and are able to connect participants with both NDIS registered providers and providers that are not registered with the NDIS. The Review was required by its Terms of Reference to examine the price control framework for plan management supports.

In 2018-19, claims for plan management supports totalled \$86 million – of this 28% was claimed by the top five (5) plan management providers. There are currently 809 active registered providers offering plan management services (7% of all NDIS registered providers.) Some 33% of NDIS participants have their funds managed by a plan manager, with total managed funds totalling approximately \$5.5 billion.

The Review found little evidence that current price limits for plan management are inadequate. The number of NDIS registered providers offering plan management services increased from less than 50 to just over 800 between 2016 and 2019. The revenue earned by plan managers from the monthly account fee has also grown significantly, in line with the growth of the Scheme. The scale of plan management organisations is also growing with the average number of participants per plan management organisation increasing from 18 in the third quarter of 2016, to 133 in the fourth quarter of 2019. The largest five plan management providers now service approximately 30% of the market. At least two of these five providers were established in the last 36 months. Few plan management providers have exited the market and early research indicates that those who have exited may not have had the growth required to operate at sustainable margins. Most providers that have exited made a total of less than 25 claims over their lifetime of up to 3.5 years.

On balance, the Review concludes that there is no evidence of a gap in supply for plan management services. Competition is strong with new competitors entering the market; there is also strong growth in the sector both in terms of revenue and customer numbers. Some early signs of innovation can also be seen. The current flat fee structure is simple, has been iterated over time from less successful arrangements including quoting, and has been implemented on a national scale. A flat fee structure (as opposed to hourly rate) is appropriate for financial administration tasks as it can encourage efficiency.

There is some evidence that the *capacity building and training in plan administration and management* support item may not be functioning as intended. There are strong arguments why providers should be able to claim for non-face-to-face time and provider travel for this support item. The argument for an increase in the price limit for this item is less strong, given that it is already higher than the standard Disability Support Worker price limit and is aligned with the Level 1: Support Connection price limit.

#### **RECOMMENDATION 10) Plan Management**

The NDIA should amend the conditions attached to the support items:

- i) 07\_003\_0117\_8\_3 (Capacity Building and Training in Plan and Financial Management by a Support Coordinator); and
- ii) 14\_031\_0127\_8\_3 (Capacity Building and Training in Plan and Financial Management by a Plan Manager)

In the *NDIS Support Catalogue* so that providers can claim for provider travel and non-face-to-face supports with respect to these supports.

#### **Classifying Regional, Remote and Very Remote**

The Review was required by its Terms of Reference to examine the geographic classification component of the NDIS price control framework to examine whether modifications are required to the NDIA's implementation of the Modified Monash Model (MMM) to account

for specific disability service-related costs, including the treatment of “isolated locations” and islands under the MMM.

The Review considers that the MMM is explicitly based on distance to the nearest labour supply centre and so should in general be well suited as a mechanism to estimate the availability of the disability support workforce and the need for higher price limits to compensate providers for the higher costs associated with attracting workers. Note the NDIS Review of the WA Market did find that the cost of service delivery in isolated centres – centres that are currently not classified as remote or very remote by the MMM but that are completely surrounded by remote or very remote areas – were, in general, higher than in other non-remote areas. Consequently, the NDIA has modified the MMM so that areas (or groups of areas) that are currently not classified as remote or very remote by the MMM but that are completely surrounded by remote or very remote areas (“Isolated towns”) are classified as remote areas for planning and pricing purposes.

The Review recognises that thin markets operate in remote, very remote and some regional areas, especially for more specialised services. However, the Review considers that the solution to this issue lies through a greater use of commissioning, rather than through increases in price limits, especially where the thinness of the market is due to the low number of participants. In these circumstances, individual participants will never have sufficient purchasing power to attract service provision with the efficiencies of aggregation that can be generated through commissioning.

The Review also considers that the argument for a delay in implementing any change in the MMM rating of a region is not strong, given that both price limits and plan funding loadings are driven by the same loadings. Thus, while participants who might be reclassified into non-remote areas might have smaller plans they would also face lower price limits.

### **RECOMMENDATION 11) Geographic Classification**

The NDIA should adopt the MMM 2019 classification system, and any future updates to the MMM classification system as released by the Department of Health, (subject to the NDIS Isolated Town arrangements) as the basis of determining the pricing arrangements in the NDIS Price Guide, including:

- i) whether remote and very remote loadings should be applied to price limits and plan funding amounts; and
- ii) which travel time limits apply to the supports delivered to participants.

### **Costs in Outer Regional Areas**

The Review was required by its Terms of Reference to examine whether a loading should be applied to price limits and plan funding amounts in outer regional areas to account for the higher cost of service delivery, if any, in those areas. The Review does not consider that there is sufficient evidence to conclude that the costs of service delivery are higher in regional areas than in metropolitan areas, except in respect of travel costs. It therefore

considers that any supply issues in these areas are better addressed through the revised travel and coordinated commissioning arrangements proposed elsewhere in the Review.

### **Cancellation Rules**

NDIS providers are not permitted to collect deposits or bonds from participants, or to retain these funds in the event of the participant cancelling a service booking for a support or failing to turn up for a support. They are permitted to charge cancellation fees in certain circumstances. The Review was required by its Terms of Reference to examine the current price control arrangements for cancellations within the Scheme.

In 2018-19, cancellation payments totalled \$12.3 million or 0.1% of Scheme expenditure. Only 27.9% of providers made a cancellation claim. For these providers, cancellation claims represented, on average, 4.9% of all their claims (by number) and 3.6% of all their claims (by value). For 1 in 10 providers who claimed for cancellations, cancellation claims represented, more than 11.1% of all their claims (by number) and 8.3% of all their claims (by value).

The Review heard evidence that:

- The current arrangements - whereby providers are required to claim for 100% of the agreed fee for a cancelled service but the NDIS only pays them 90% of the agreed fee - results in accounting anomalies in their accounts showing the NDIS as bad debtor.
- Plan managers faced difficulties in balancing their accounts when the invoices presented by providers, which they pass onto the NDIS, do not match the payments made by the NDIS.
- Providers should be able to recover the full cost of the service that was cancelled, where they have not been able to replace the participant, as they face all of the costs associated with the appointment.

The Review therefore considers providers should be able to claim 100% of the agreed fee when a support is cancelled without sufficient notice.

There was little consensus among submissions as to whether the current cancellation periods were adequate. It is therefore not proposed to change these at this time. Note, to help providers to continue to deliver supports to participants through the COVID-19 pandemic, the NDIA amended the definition of short notice cancellation so that from 25 March 2020, participants are required to give 10 business days' notice for a cancellation if they want to avoid paying the full fee for a cancelled service. This change in the definition of short notice cancellations is for a six-month period (25 March 2020 to 25 September 2020), with an initial review at three months to determine if it continues to be appropriate. When reviewing, the NDIA will consider a range of factors, including the current status of the COVID-19 pandemic.

## **RECOMMENDATION 12) Cancellation Fees**

The NDIA should permanently amend the claiming rules in the *NDIS Price Guide* to allow providers to claim for 100% of the agreed fee for a short-notice cancellation.

### **Provider Travel Rules**

The NDIA recognises that supports are often best delivered in the community or the participant's own home. The price control arrangements therefore allow providers to charge for the time spent travelling to participants to deliver supports in some case. The Review was required by its Terms of Reference to examine the current claiming rules for provider travel within the Scheme, including:

- Provider travel time limits, including examining whether it is possible to develop an approach that is more sensitive to local conditions; and
- Non-labour costs associated with provider travel.

In general, the Review considers that, because the Modified Monash Model geographical classification is based on distance from labour supply centres, it should form a reasonable basis for the time limits on provider travel, which are meant to encourage participants to access providers closer to them where possible. Indeed, the Review considers that the fundamental difficulty in the supply of services in outer regional, remote and very remote areas is the sparsity of participants requiring services and that this is a problem not best resolved through increasing price limits or provider travel time limits as these solutions do nothing to aggregate demand and ensure efficient delivery of services.

The Review considers that there would be considerable advantages in the NDIS adopting a commissioning approach for the provision of travel funding to visiting service providers in outer regional, remote and very remote areas and other thin markets. This approach could ameliorate the need to commission other services, or assist in the commissioning of those services. It could also simplify the planning process, as it would not be necessary for planners to work out travel amounts for plans.

The Review recognises that providers incur significant non-labour costs associated with provider travel either because they maintain their own fleets or because they are required by the SCHADS Award to reimburse their employees when they use their own cars to deliver supports to participants. These costs can either be recognised within the overheads of providers or as a separate expense similar to the arrangements for non-labour costs of Activity Based Transport. On balance, the Review considers that it is more appropriate to recognise these costs as they occur rather than as part of the provider's overhead, since they are not evenly distributed between providers. Recognising these costs separately also ensures that providers do not have an incentive to cut community based supports in order to lower their overheads.

### **RECOMMENDATION 13) Provider Travel**

- 1) The *NDIS Price Guide* and the *NDIS Support Catalogue* should be amended from 1 July 2020 so that providers can claim for the non-labour costs associated with provider travel in line with the activity based transport arrangements. Claims should only be able to be made for the non-labour costs associated with provider travel where the rules governing provider travel allow a claim for provider travel to be made.
- 2) The NDIA should further examine the option of the commissioning of travel broker arrangements to coordinate participants and providers and pay for travel costs.

### **Establishment Fees**

The Review was required by its Terms of Reference to examine the current arrangements for Establishment Fees within the Scheme.

NDIS providers who are providing a significant amount (at least 20 hours per month) of daily activity and community participation supports to a participant are permitted to charge that participant's plan an Establishment Fee when they commence providing services to the participant. This recognises the non-ongoing and not otherwise claimable costs that providers incur in establishing arrangements and assisting participants in implementing their plan, including assessing the participant's needs, agreeing a service agreement with the participant and setting up service bookings in the NDIA system.

In 2018-19, Establishment Fees were claimed in respect of 17,157 participants, at a total cost of \$6.39 million (19,357 total individual claims). Establishment Fees were claimed by 984 different providers in 2018-19. Some 88 providers claimed 50 or more Establishment Fees. These providers accounted for 54.3% of the total number of Establishment Fees claimed by providers and for 51.8% of the total value of all Establishment Fees claimed by providers (\$3.3 million of \$6.39 million).

The Review has identified some technical deficiencies in the current arrangements, which prevent some providers from claiming the Establishment Fees that they should have been able to claim. The Review also considers that Establishment Fees should be able to be claimed from a participant's plan in second and subsequent plans if they choose to change providers. This will also help empower participants within the NDIS provider market.

Finally, the Review considers that the current level of the Establishment Fee is appropriate, but that it would be better expressed through a link to the standard hourly rate of Disability Support Worker support items.

### **RECOMMENDATION 14) Establishment Fees**

- 1) The NDIA should amend the current Establishment Fee arrangements in the *NDIS Price Guide* so that:



- i) An Establishment Fee to assist with the non-ongoing costs of establishing arrangements and assisting participants in implementing their plan is claimable from a participant's plan by a provider who:
    - is in one or more of the Registration Groups 0104 (High Intensity Daily Personal Activities), 0107 (Daily Personal Activities), 0125 (Participation in community, social and civic activities) and 0136 (Group and Centre Based Activities);
    - has made an agreement with the participant to supply at least 20 hours of support – in Support Categories 1 (Assistance with Daily Life) and/or Support Category 4 (Assistance with Social and Community Participation) – to the participant per month for the duration of the plan;
    - assists the participant with the implementation of their NDIS Plan.
  - ii) Each provider can only claim an Establishment Fee in respect of a participant once across all plans.
  - iii) More than one provider is able to claim for an Establishment Fee against a given plan provided each provider meets the other criteria above.
  - iv) The amount of the Establishment Fee should be negotiated by the participant and the provider but cannot be greater than an amount equal to ten times the hourly weekday price limit for a disability support worker as determined by the Standard NDIS Disability Support Worker Cost Model with the standard parameters (\$528.50 in 2019-20).
- 2) The NDIA should add several price-limited support items to the *NDIS Support Catalogue* to allow providers in the Registration Groups 0104 (High Intensity Daily Personal Activities), 0107 (Daily Personal Activities), 0125 (Participation in community, social and civic activities) and 0136 (Group and Centre Based Activities) who are delivering services in Support Categories 1 (Assistance with Daily Life) and/or Support Category 4 (Assistance with Social and Community Participation) to be able to claim Establishment Fees and Maintenance Establishment Fees.



# 1. Introduction

The National Disability Insurance Agency (NDIA) has responsibility for administering the National Disability Insurance Scheme (NDIS), including managing the markets for disability goods and services. As part of its market stewardship role, the NDIA limits the prices that registered providers can charge for some supports and applies other price controls, including rules about the circumstances in which providers can claim payments from the NDIA for supports that they have delivered. During transition, price controls are in place to ensure that participants receive value for money in the supports that they receive. In the short to medium term, price controls are required for some disability supports because the markets for disability goods and services are not yet fully developed. The longer-term goal of the NDIA is to remove the need for price controls for disability supports.

The NDIA has recently published the *NDIS Pricing Strategy* and the *Review of Therapy Pricing Arrangements*.<sup>1</sup> Together they detail the important role that pricing plays in the NDIS by empowering people supported by the NDIS to exercise choice and control; maintaining and expanding the supply of high quality disability supports; driving efficiency and innovation in the market for those supports; and supporting the transition of the NDIS over the longer term to a more deregulated outcomes-based approach. Currently, the NDIA varies its approach to the regulation of prices, depending on market conditions, between:

- **No regulation** (deregulated markets): this is typically used in cases where markets are highly competitive – for example, transport.
- **The imposition of price limits**: this represents a maximum allowable price payable by participants for types of supports. This approach is used in a significant number of markets, which are still developing and growing, such as those for attendant care. The price control arrangements for the NDIS are set out in the *NDIS Price Guide* and the *NDIS Support Catalogue*.<sup>2</sup>
- **Quotable supports**: in which participants are expected to obtain quotations from suppliers to provide to the NDIA as part of verifying that prices are fair and reasonable.

The NDIA continually monitors and reviews its price control framework and other market settings to determine whether they are still appropriate. The NDIA is also committed to improvement of the methodologies underpinning the NDIS price control framework. Each year the NDIA undertakes an Annual Pricing Review as an important part of that monitoring and review. The terms of reference of the Annual Pricing Review 2020-21 are set out below.

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<sup>1</sup> NDIA. (2019). *NDIS Pricing Strategy*. <https://www.ndis.gov.au/media/1820/download>

NDIA. (2019). *Review of Therapy Pricing Arrangements*. <https://www.ndis.gov.au/media/1662/download>

<sup>2</sup> NDIA. (2019). *NDIS Price Guide 2019-20 v2.2* (25 March 2020). <https://www.ndis.gov.au/media/2213/download>

NDIA. (2019). *NDIS Support Catalogue 2019-20 v2.2.1* (27 March 2020). <https://www.ndis.gov.au/media/2214/download>

## TERMS OF REFERENCE

1. The Annual Pricing Review 2020-21 (the Review) will examine, through research and consultation with industry, community and government stakeholders, whether the existing price control framework and other market settings under the NDIS continue to be appropriate or should be modified.
2. In particular, the Review will:
  - (a) Review the price control framework to increase flexibility for participants and reduce administrative burdens for providers (see Chapter 2 Provider Administration and Participant Flexibility);
  - (b) Review the price control framework for core supports, by examining:
    - (i) the assumptions and parameters outlined in the *NDIS Disability Support Worker Cost Model*, including through analysis of the financial benchmarking data collected through the Temporary Transformation Payment arrangements (see Chapter 3 Price limits for 1:1 core supports); and
    - (ii) the methodology for deriving the price controls for group-based supports from the price controls for 1:1 supports (see Chapter 4 Price limits for group-based core supports);
  - (c) Review the price control framework for capacity building supports, including therapy supports, by examining (see Chapter 5 Capacity Building Supports):
    - (i) how price limits for capacity building supports, other than therapy supports, should be indexed or otherwise determined annually;
    - (ii) how price limits for therapy supports should be adjusted annually, given the outcomes of the *Review of Therapy Pricing Arrangements*;
    - (iii) whether different price limits might be appropriate for different times of the day, or days of the week, for some capacity building supports, including for therapists, therapy assistants and for capacity building supports delivered by disability support workers; and
    - (iv) whether therapists and other capacity building providers should be able to recover the costs of consumables provided to participants as part of a support;
  - (d) Review the price control framework for plan management supports (see Chapter 6 Plan Management Supports);
  - (e) Review the geographic classification component of the NDIS price control framework to examine whether:
    - (i) modifications are required to the NDIA's implementation of the Modified Monash Model (MMM) to account for specific disability service-related costs, including the treatment of "isolated locations" and islands under the MMM (see Chapter 7 Classifying Regional, Remote and Very Remote); and
    - (ii) a loading should be applied to price limits and plan funding amounts in outer regional areas to account for the higher cost of service delivery, if any, in those areas (see Chapter 8 Costs in Outer Regional Areas);

- (f) Re-examine current billing arrangements, including:
  - (i) Cancellation rules (see Chapter 9 Cancellation Rules);
  - (ii) Provider travel time limits, including examining whether it is possible to develop an approach that is more sensitive to local conditions (see Chapter 10 Provider Travel Rules);
  - (iii) Non-labour costs associated with provider travel (see Chapter 10 Provider Travel Rules); and
  - (iv) Establishment fee arrangements (see Chapter 11 Establishment Fees).
- 3. In framing its recommendations, the Review will be cognisant of the objects and principles of the NDIS, including that the NDIS should:
  - (a) Support the independence and social and economic participation of people with disability;
  - (b) Enable people with disability to exercise choice and control in the pursuit of their goals and the planning and delivery of their supports;
  - (c) Facilitate the development of a nationally consistent approach to the access to, and the planning and funding of, supports for people with disability;
  - (d) Promote the provision of high quality and innovative supports that enable people with disability to maximise independent lifestyles and full inclusion in the community;
  - (e) Adopt an insurance-based approach, informed by actuarial analysis, to the provision and funding of supports for people with disability; and
  - (f) Be financially sustainable.

## CONDUCT OF THE REVIEW

The Review has engaged in extensive consultations with industry, community and government stakeholders and undertook a program of research.

### Submissions from Participants and Providers

An *Issues Paper* was released on 28 November 2019 together with a public call for submission.<sup>3</sup> The formal closing date for submissions was 2 February 2020, but submissions received up until 8 April 2020 were taken into account in the Review. Some 109 submissions were received by the closing date. A total of 139 submissions had been received and analysed by 8 April 2020. Most submissions (100) were from registered providers, including 12 from providers who were predominantly plan managers. A further 14 submissions were received from provider peak bodies. The participant voice was also heard, with 13 submissions from participant advocacy bodies and 10 from participants or their nominees.

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<sup>3</sup> <https://www.ndis.gov.au/media/2029/download>

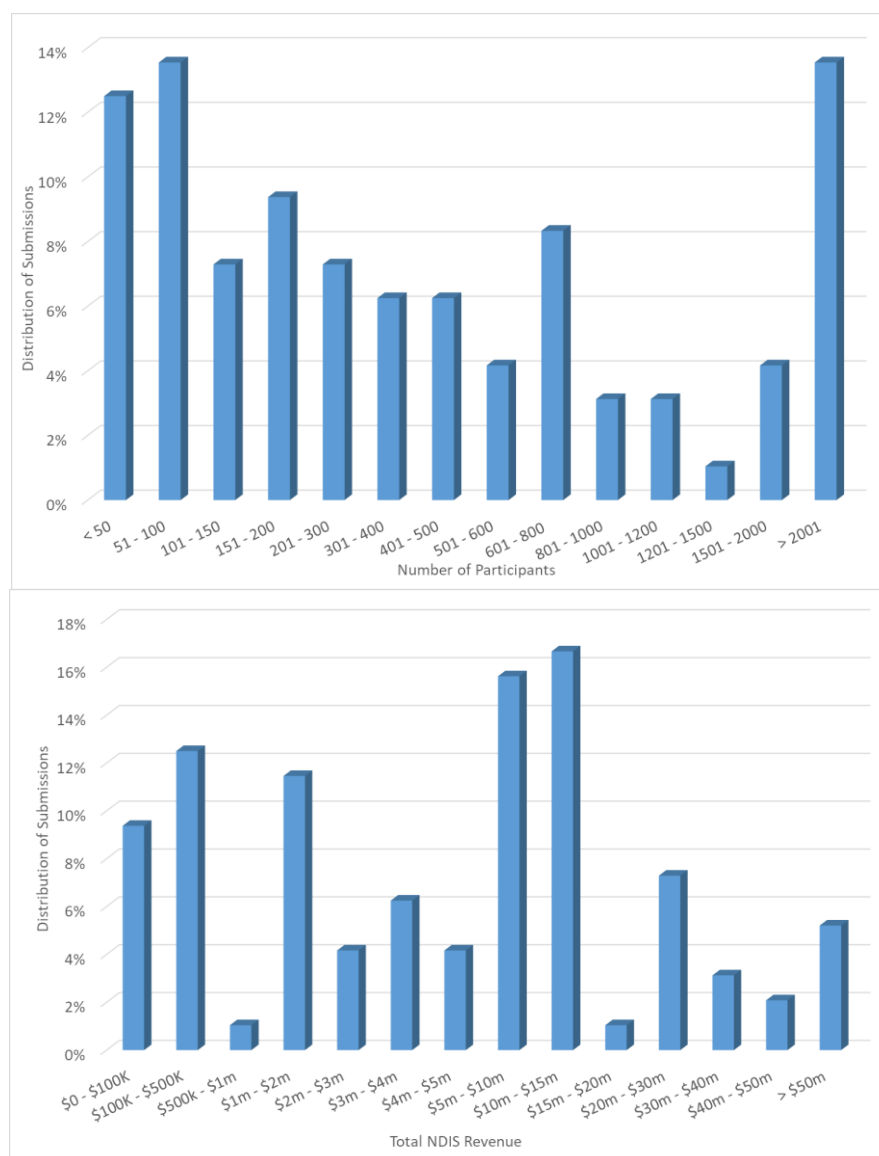
Some 96 of the registered providers who made submissions to the Review had made claims for payment from the NDIS. Submissions from these providers were divided evenly between for-profit (46) and not-for-profit providers (50). Submissions from providers were received from all states and territories (roughly in line with participant numbers - see Table 1). Some 68% of providers who made submissions had participants in more than one state/territory

**Table 1 - Distribution of Submissions Received by the Annual Pricing Review**

	NSW	VIC	QLD	SA	WA	TAS	ACT	NT
Share of NDIS revenue in TTP Survey	41.4%	20.6%	16.1%	11.2%	6.4%	2.2%	1.9%	0.2%
Share of Active Participants (201920Q2)	33.5%	26.8%	18.2%	9.2%	7.1%	2.3%	2.1%	0.8%

Providers who made submissions ranged in size from servicing under 10 participants, to over 10,000, with the average being 899 and the median 284. They also ranged from having under \$10,000 in NDIS revenue to over \$50 million, with the average being around \$15 million and the median being around \$5 million (see Figure 1).

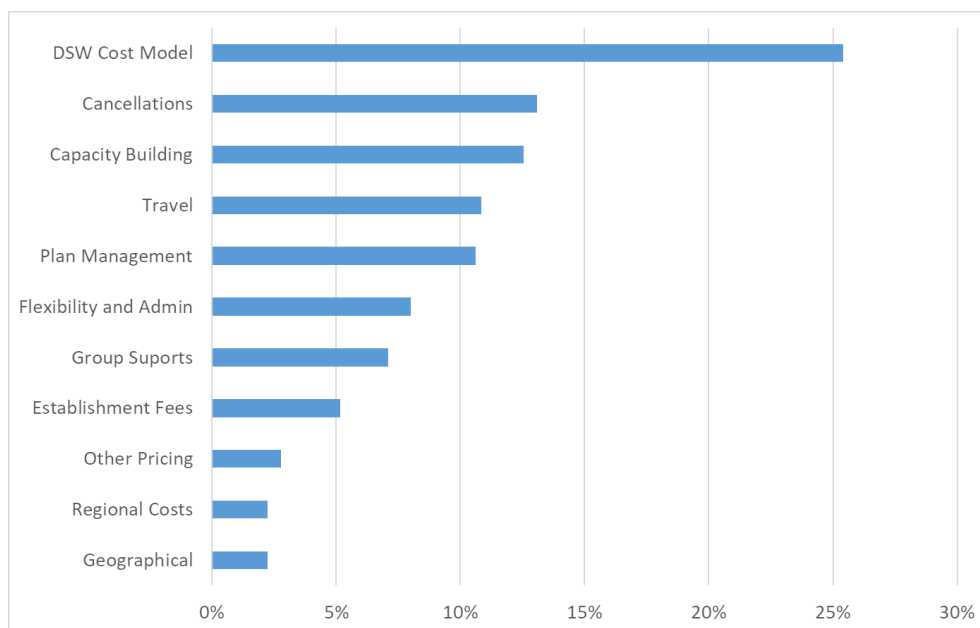
**Figure 1 - Distribution of Submissions by Number of Participants and NDIS Revenue of Respondent**



Across the whole group of providers who made submissions, some 88% of their revenue from the NDIS was from the delivery of core supports, with 11% from the delivery of capacity building supports and about 1% from the delivery of capital supports. (Note: this analysis excludes NDIS revenue from Supported Independent Living and Specialist Disability Accommodation as these were not in the scope of the Annual Pricing Review.)

By far the greatest number of responses to the *Issues Paper* pertained to 1:1 core supports, mostly to do with the NDIS Disability Support Worker Cost Model. Capacity building, cancellations and plan management were also popular issues. The least commented upon topics were regional loadings and other geographical issues. Figure 2 illustrates the distribution of issues raised in the submissions.

**Figure 2 – Distribution of Topics Raised in Submissions to the Annual Pricing Review**



The views of respondents to the *Issues Paper* are presented in the appropriate chapters of this report.

### Provider Consultations

Face-to-face consultations were held with groups of providers in each State and Territory. After 23 March 2020, these consultations were held by teleconference/videoconference for safety reasons following the emergence of the COVID-19 pandemic.

30 September 2019	Adelaide, South Australia
8 October 2019	Launceston, Tasmania
9 October 2019	Hobart, Tasmania
30 October 2019	Darwin, Northern Territory
31 October 2019	Darwin, Northern Territory
6 November 2019	Alice Springs, Northern Territory
7 November 2019	Alice Springs, Northern Territory
18 November 2019	Perth, Western Australia

19 November 2019	Perth, Western Australia
25 November 2019	Sunshine Coast, Queensland
9 December 2019	Perth, Western Australia
10 December 2019	Perth, Western Australia
31 January 2020	Melbourne, Victoria
1 February 2020	Melbourne, Victoria
10 February 2020	Perth, Western Australia
11 February 2020	Perth, Western Australia
20 February 2020	Sydney, New South Wales
25 February 2020	Adelaide, South Australia
16 March 2020	Townville, Queensland
17 March 2020	Brisbane, Queensland
23 March 2020	Darwin, Northern Territory
24 March 2020	Darwin, Northern Territory
25 March 2020	Canberra, Australian Capital Territory
30 March 2020	Alice Springs, Northern Territory
31 March 2020	Alice Springs, Northern Territory
14 April 2020	Launceston, Tasmania
15 April 2020	Hobart, Tasmania
21 April 2020	Perth, Western Australia
22 April 2020	Perth, Western Australia

The views of attendees are presented in the appropriate chapters of this report.

### **Working Groups**

Six working groups were set up, with representatives from the sector<sup>4</sup>, to discuss concerns and proposals for change in their relevant topics as listed below:

- The NDIS Disability Support Worker Cost Model - 30 organisations and peaks;
- Geographical issues – 13 organisations and peaks;
- Group supports – 13 organisations and peaks;
- Billing rules – 24 organisations and peaks;
- Capacity-building (including therapy) supports – 20 organisations and peaks; and
- Plan management supports – 18 organisations and peaks.

The views of members of the various Working Groups are presented in the appropriate chapters of this report.

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<sup>4</sup> The *Issues Paper* invited responders to self-nominate for several working groups. The Agency also wrote to peak groups inviting them to nominate members for particular working groups.

## **Participant and Provider Challenges**

On 11 March 2020, the NDIA's Pricing Reference Group (PRG) met with members of the following provider peak groups:

- National Disability Services;
- Ability First;
- Alliance 20;
- Allied Health Professions Australia;
- Mental health providers (represented by Aftercare and Mind Australia); and
- Disability Intermediaries Australia.

Each group was able to present their issues and concerns directly to the PRG with follow up questions from PRG members.

On 15 April 2020, the NDIA's PRG also met with representatives of a number of participant peak groups.

- Consumer Action Law Centre;
- JFA Purple Orange; and
- Inclusion Australia.

Other participant representative groups were invited, but were unable to attend due to having to address COVID-19 issues. As with the provider challenge, members of the participant challenge also had one on one meetings with the PRG, however, proceedings had to be conducted by videoconference.

## **Consultations with Other Schemes**

Teleconferences were held with officers of the following Schemes to compare therapy and attendant care pricing methodologies:

- Department of Veterans Affairs.<sup>5</sup>
- icare New South Wales.<sup>6</sup>
- State Insurance Regulatory Authority New South Wales.<sup>7</sup>

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<sup>5</sup> <https://www.dva.gov.au/providers/fees-and-payments/dental-and-allied-health-fee-schedules>  
<https://www.dva.gov.au/sites/default/files/files/providers/cn/CNO/community-nursing-schedule-of-fees-effective-1-january-2020.pdf>

<sup>6</sup> <https://www.icare.nsw.gov.au/-/media/icare/unique-media/treatment-and-care/info-for-service-and-hp/requesting-services-on-behalf-of-an-injured-person/media-files/files/download-module/lifetime-care-payment-codes---2017.pdf>

<sup>7</sup> <https://www.sira.nsw.gov.au/resources-library/list-of-sira-publications/accordion/workers-compensation-publications/fees-orders/fees-and-rates-orders-2020>

- Victorian Transport Accident Commission.<sup>8</sup>
- Worksafe Victoria.<sup>9</sup>
- WorkCover Queensland.<sup>10</sup>

Desktop reviews were also undertaken of the pricing arrangements of the following schemes:

- Comcare – which covers employees of Commonwealth Government agencies and statutory authorities (excluding Australian Defence Force); ACT Government and its agencies; and Self-insured corporations.<sup>11</sup>
- Medicare Benefits Schedule.<sup>12</sup>
- Return to Work South Australia.<sup>13</sup>
- South Australian Lifetime Support Authority.<sup>14</sup>
- Workcover Western Australia.<sup>15</sup>

## Desktop Research

The Review also conducted research into:

- A comparison of NDIS attendant care price limits and input cost drivers to those of other schemes and sectors.
- The level of market competition, as evidence by the proportion of capacity building and core support services are being supplied below the maximum prices stipulated in the *NDIS Price Guide* and the *NDIS Support Catalogue*.
- Administrative burdens, as indicated by payment delays and claim rejection rates.
- Comparison of non-face-to-face costs in one to one and group supports.
- For plan management, trends in average numbers of participants per provider, and in average number of services provided.
- The differences between the 2015 and 2019 versions of the Modified Monash Model.

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<sup>8</sup> <https://www.tac.vic.gov.au/providers/invoicing-and-fees/fee-schedules>

<sup>9</sup> <https://www.worksafe.vic.gov.au/providers>

<sup>10</sup> <https://www.worksafe.qld.gov.au/service-providers/allied-health-fees>

<sup>11</sup> <https://www.comcare.gov.au/service-providers/medical-allied-health/treatment-rates>

<sup>12</sup> <http://www.mbsonline.gov.au/internet/mbsonline/publishing.nsf/Content/Home>

<sup>13</sup> <https://www.rtwsa.com/service-providers/provider-registration-and-payments/fee-schedules>

<sup>14</sup> <https://lifetimesupport.sa.gov.au/wp-content/uploads/2019-20LSSAttendantCareRates.pdf>

<sup>15</sup> <https://www.workcover.wa.gov.au/resources/rates-fees-payments/>



- Numbers and trends in service cancellations, by support categories.
- How many participants change providers in their first year, or pay Establishment Fees to multiple providers at the same time.

The research is reported in the appropriate chapters of this report.

### Temporary Transformation Payment Benchmarking Survey

Providers of attendant care and community participation supports who meet the eligibility criteria set out below have access to a set of higher price limits through a Temporary Transformation Payment (TTP). This conditional loading is meant to assist providers to continue transforming their businesses in the move towards a more competitive marketplace. In order to access the higher TTP price limits, providers have to participate annually in an Agency-approved market benchmarking survey. They also have to publish their service prices and keep their business contact details up to date in the Provider Finder.

Deloitte Access Economics were engaged by the NDIA to conduct a financial benchmarking survey of TTP providers and to analyse the results, with a particular emphasis on the parameters that underlie the NDIS Disability Support Worker Cost Model that determines many of the NDIS price limits. Only de-identified data was passed on to the Agency.

On 21 February 2020, Deloitte sent out on-line invitations to the 3,039 providers who were then enrolled in eligible registration groups. This included 1,580 providers who had claimed for one or more TTP support items in 2019-20.

As at 15 March 2020, when the survey closed, Deloitte had received 615 completed surveys. As of 31 March 2020, an additional 231 responses had been received. However, these additional responses were not received in time to be included in the analyses in this report.

The results of the TTP Benchmarking Survey, together with an analysis of providers who did not make responses to the TTP Benchmarking Survey, are presented in the appropriate chapters of this report.

## 2. Provider Administration and Participant Flexibility

The Review was required by its Terms of Reference to examine the price control framework to identify opportunities to increase flexibility for participants and reduce administrative burdens for providers.

### CURRENT ARRANGEMENTS

Two of the fundamental principles underlying the NDIA's approach to price controls are minimising complexity and bureaucracy for providers and minimising restrictions on participant choice and control. The Agency is concerned with striking the right balance between these two principles. The Agency is also aware that price control frameworks can impose administrative burdens on providers, and wishes to explore ways to reduce transactional costs through ease and simplicity in design of price control arrangements.<sup>16</sup> Equally, the Agency must ensure that participants are fully informed and empowered to achieve maximum flexibility to use their budgets to meet their goals as they see fit.

### CONSULTATIONS

The *Issues Paper* asked respondents to indicate:

- If there were changes that could be made to the *NDIS Price Guide* and the *NDIS Support Catalogue* that could reduce transactional costs for providers – without reducing participants' choice and control?
- If there was scope for changes in the price controls framework that would give participants greater discretion over use of their budgets – without substantially increasing costs to providers?
- If there were any other issues where the current price control framework created unnecessary bureaucracy for providers or restricted participant flexibility?

The most common pricing-related administrative issue for respondents was that the *NDIS Support Catalogue* was too large and complex to understand. It was also suggested that the language could be revised to make it more readable for both participants and providers. A few submissions suggested that the coding system used for supports could be more logical, where the code says more about the support itself linked to that line item.

However, some respondents thought administrative burden could be better addressed by adding new items to the Support Catalogue. For example, some respondents suggested that adding non-standard support ratios (e.g. 2:1 or 2:5) would make it easier for them. Two respondents suggested the best way to reduce pricing-related administrative burden is to remove price limits altogether.

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<sup>16</sup> The *Issues Paper* noted that administration costs of the Agency's claiming system are not within scope of Annual Pricing Review, and are being addressed through a separate process

A number of submissions asked for the *NDIS Price Guide* to be made easier to understand from a consumer perspective for participants. Two submissions specifically asked for a participant's version of the Price Guide. Some respondents were concerned that any increase in participant flexibility might come at a higher administrative cost to providers, such as for group support cancellations. Providers suggested that they should be able to offer programs of support to participants, whereby the participant agreed to attend a series of supports, especially group supports, and also agreed that they should be claimed for those supports even if they did not attend a session.

Some providers also asked that the NDIS set its prices much earlier as the Boards of providers were typically making their decisions about the next financial year in the third quarter of a financial year and the current release schedule did not allow them to be fully informed in their decision making.

## DISCUSSION

### Timing of the Annual Pricing Review and Indexation

The Review considers that there would be considerable merit in changing the timing of the Annual Pricing Review so that providers were aware earlier of any policy changes that the NDIA intended to make. The Review also considers that given the uncertainty around economic conditions during the COVID-19 pandemic and as Australia emerges from the pandemic, that the NDIA should not undertake an Annual Pricing Review in 2020-21 but should instead monitor economic conditions carefully and promptly respond to emerging issues.

The Review also sees the merit in the NDIA publishing the indexation methodology for price limits so that providers can better estimate their future budgets, recognising that the NDIA is not able to index and announce price limits until after the Fair Work Commission has made its Annual Minimum Wage Decision, which usually occurs in the middle of June each year.

The Review considers that it is most appropriate for price limits to continue to be indexed as follows:

- Price limits for supports delivered by Disability Support Workers should be set by the Disability Support Worker Cost Model on 1 July each year, noting that the Cost Model is based on the minimum wage rates specified in the SCHADS Award.
- Price limits for Capital supports – Support Categories 2 (Transport), 3 (Consumables), 5 (Assistive Technology) and 6 (Home Modifications and Specialised Disability Accommodation) – should be indexed in line with the movement in the ABS Consumer Price (All Groups, weighted average of eight capital cities)<sup>17</sup> over the 12 months to the March Quarter preceding the indexation date.

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<sup>17</sup> <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0>

- Price limits for other supports should be indexed in line with the weighted movement over the previous twelve months in the ABS Wage Price Index (Australia, total hourly rates of pay excluding bonuses)<sup>18</sup> and the ABS Consumer Price Index (All Groups, weighted average of eight capital cities) over the 12 months to the March Quarter preceding the indexation date (with an 80/20 weighting).

The Review has examined the other Fair Work Commission determinations that have materially affected the key parameters of the Disability Support Worker Cost Model, and considers that, the price limits for supports delivered by Disability Support Workers should also be increased on:

- 1 July 2020 to take account of any changes flowing from the Fair Work Commission's Annual Wage Review 2019-20;<sup>19</sup> and
- 1 December 2020 for the final tranche of the Fair Work Commission's Equal Remuneration Order (MA000100 PR525485).<sup>20</sup>

The Fair Work Commission (FWC) has made a Decision [2019] (FWCFB 7096) that will increase casual loadings for workers employed under the SCHADS Award from 1 July 2020 (see Table 2).<sup>21</sup>

Table 2 - FWC Decision on SCHADS Shift Loadings - 1 July 2020

	Saturday	Sunday	Public Holiday
Casual Loading – 1/7/2019	50.0%	100.0%	150.0%
Casual Loading – 1/7/2020	75.0%	125.0%	175.0%

The Review notes that the Agency has already indicated that the NDIS Disability Support Worker Cost Model (and the relevant price limits) will be adjusted accordingly from 1 July 2020.

## Programs of Supports

The Review also supports the introduction of programs of supports, whereby providers enter into contracts for the provision of programs of supports, especially where the program of support is towards the achievement of specified outcome. Under the program of support approach, providers claim for participants who do not attend one part of a program as though they did attend – that is, this is not a cancellation, as long as the provider had the capacity to deliver the support. The Review considers that it is important to include safeguards in these arrangements, including that programs of support cannot be for longer than 12 weeks (unless specifically allowed for in the *NDIS Price Guide*) and that participants

<sup>18</sup> <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6345.0>

<sup>19</sup> <https://www.fwc.gov.au/awards-agreements/minimum-wages-conditions/annual-wage-reviews/annual-wage-review-2019-20>

<sup>20</sup> <https://www.fwc.gov.au/documents/sites/remuneration/decisions/pr525485.htm>

<sup>21</sup> <https://www.fwc.gov.au/documents/decisionssigned/html/2019fwcfb7096.htm>

should be able to exit from an agreed program of supports without cost, subject to an agreed notice period that can be no longer than two (2) weeks. Supports delivered as part of a program of supports would not be subject to the short notice cancellation rules.

The Review considers that these arrangements would be administratively easier for providers and participants and would allow providers to better manage their workforce. It would also reduce the impact on other participants of the current short notice cancellation rules. Under the current arrangements, if a participant who has agreed to attend a group session with, say two, other participants gives proper notice then they do not have to pay a cancellation fee for the support that they do not attend. If the provider is not able to find another participant to join the group at short notice then the remaining two participants may be asked to pay for the group session at the 1:2 rate rather than at the 1:3 rate for which they have budgeted. Under the program of supports arrangement, where cancellations occur, it may also be possible for the participant and provider to re-schedule some supports so that the participant receives their services at a later date, while also allowing the provider to manage staff more cost efficiently.

A number of studies in other sectors have illustrated the efficiencies that can be driven by a “programs of supports” approach. In its 2018 submission to the Medicare Benefits Schedule Review Allied Health Reference Group, Allied Health Professions Australia identified cancellations to group services as having an outsized detrimental effect on the finances of providers and argued that:

*Group allied health services belonging to this subgroup require adjustment to ensure that providers are able to offer group services without undue risk of income loss due to cancellations by participants, an issue that is currently limiting their use.*<sup>22</sup>

The Review recognises the concerns raised in consultations with participant advocates that the programs of support approach should not be permitted to be used by providers to return themselves to a quasi-form of block funding. Participant advocates did acknowledge, however, that the program concept was common in the commercial world and that it could be beneficial for other participants taking part in a program as they would have a greater certainty that the program would operate fully throughout its term. On balance, the Review considers that the advantages outweigh the risks, but recommends that the introduction of programs of support approach be carefully evaluated and that guidance materials be produced by the NDIA for participants, including on their right to choose not to engage their provider through a program of support. In the first instance, program of supports should only be able to be offered for group supports.

## Group Rates

The Review also considers that there are other opportunities to simplify the *NDIS Support Catalogue* by removing the various worker to participant ratio support items. Providers

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<sup>22</sup> Allied Health Professions Australia. (2018). *Improving the accessibility and efficiency of allied health services*. <https://ahpa.com.au/wp-content/uploads/2018/07/180719-MBS-Review-Framework.pdf>

would divide the number of worker hours by the number of participant hours to derive their own fractions of hours to charge participants and would claim for these hours against the 1:1 support item and subject to the standard price limit. For example, one worker delivering a one-hour session on a Saturday to three participants would be claimed as 1/3 of an hour per participant subject to the 1:1 Saturday price limit rather than as currently where an hour is claimed for each participant but subject to a reduced 1:3 Saturday price limit. This is discussed further in Chapter 4.

## **RECOMMENDATIONS**

### **RECOMMENDATION 1) Annual Pricing Review**

- 1) The NDIA should not undertake an Annual Pricing Review in 2020-21 but instead monitor economic conditions carefully as the COVID-19 pandemic progresses and the economy recovers and promptly respond to any emerging issues.
- 2) The NDIA should undertake the Annual Pricing Review from July to December each year (commencing 2021), reporting in February/March of the following year to the Board of the NDIA, through the Chief Executive Officer, with changes to take effect from the following 1 July.

### **RECOMMENDATION 2) Annual Indexation of Price Limits**

- 1) The NDIA should increase price limits during 2020 to maintain their real value through the following indexation arrangements:
  - i) Price limits for supports delivered by Disability Support Workers should be set by the NDIS Disability Support Worker Cost Model from the operative date of the Fair Work Commission's Annual Wage Review;
  - ii) Price limits for Capital supports – Support Categories 2 (Transport), 3 (Consumables), 5 (Assistive Technology) and 6 (Home Modifications and Specialised Disability Accommodation) – should be indexed on 1 July 2020 in line with the movement in the ABS Consumer Price (All Groups, weighted average of eight capital cities) over the 12 months to the March Quarter preceding the indexation date; and
  - iii) Price limits for other supports should be indexed on 1 July 2020 in line with the weighted movement over the previous twelve months in the ABS Wage Price Index (Australia, total hourly rates of pay excluding bonuses) and the ABS Consumer Price Index (All Groups, weighted average of eight capital cities) over the 12 months to the March Quarter preceding the indexation date (with an 80/20 weighting).
- 2) That in addition to the annual indexation arrangements, the NDIA should also reset all price limits determined by the NDIS Disability Support Worker Cost Model in response to the following Fair Work Commission determinations, with effect from the date of effect of the Fair Work Commission's determination:

- i) 1 December 2020, for the final tranche of the Fair Work Commission's Equal Remuneration Order (MA000100 PR525485); and
- ii) 1 July 2020, for the adjustment of the shift loadings for casual workers on Saturdays and Sundays in the SCHADS Award (Fair Work Commission Decision [2019] FWCFB 7096).

### **RECOMMENDATION 3) Programs of Supports**

The NDIA should amend the *NDIS Price Guide* from 1 July 2020, to make clear that providers are allowed to enter into service agreements for the provision of programs of supports, where those supports are group supports, subject to the following safeguards:

- i) that programs of support cannot be for longer than 12 weeks (unless specifically allowed for in the *NDIS Price Guide*);
- ii) that participants should be able to exit from an agreed program of supports without cost, subject to an agreed notice period that can be no longer than two (2) weeks;
- iii) the introduction of programs of supports should be carefully evaluated; and
- iv) guidance materials should be produced for participants before programs of supports are introduced.

### 3. Price limits for 1:1 core supports

The Review was required by the its Terms of Reference to examine the assumptions and parameters outlined in the NDIS Disability Support Worker Cost Model, including through analysis of the financial benchmarking data collected through the Temporary Transformation Payment (TTP) arrangements.

#### CURRENT ARRANGEMENTS

The price limits for core supports are determined by the application of the NDIS Disability Support Worker Cost Model. The full details of the cost model were published in June 2019.

<sup>23</sup> The cost model estimates the cost of delivering a billable hour of support taking into account all of the costs associated with every billable hour, including: base pay; shift loadings; holiday pay; salary on costs; supervision costs; utilisation (non-billable activities); corporate overheads and margin.

Base rates of pay under the model are set in accordance with the *Social, Community, Home Care and Disability Services Industry Award 2010*.<sup>24</sup> The cost model also contains a range of key assumptions and parameters that determine the level of the price limits.

The cost model also varies according to a range of factors, including: the intensity of support, the level of skills and experience of the worker delivering the support, whether the worker is permitted to sleep over, the time of day and day of the week the support is delivered and whether or not the provider claims the TTP.

The definitions of these concepts are set out in the current *NDIS Price Guide* as follows:

*A hierarchy of price limits applies to this group of supports, based on:*

- *the time of day that the support is delivered;*
- *the day of week that the support is delivered;*
- *whether the support is Standard Intensity or High Intensity;*
- *if the support is High Intensity then whether it is a Level 1 (Standard), Level 2 (High Intensity) or Level 3 (Very High Intensity) support; and*
- *whether the provider is eligible for the Temporary Transformation Payment.*

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<sup>23</sup> NDIA. (2019). *Disability Support Worker Cost Model*. <https://www.ndis.gov.au/media/1821/download>

<sup>24</sup> The national award for Disability Support Workers (DSWs) is the *Social, Community, Home Care and Disability Services (SCHADS) Industry Award 2010*. The NDIA recognises that some DSWs are employed under Enterprise Bargaining Agreements (EBAs). However, these EBAs have to leave the worker no worse off overall than they would be under the relevant Award and, in general, any additional benefits offered by EBAs over the Award have been voluntarily agreed to by providers and are often offset by productivity gains. The NDIA therefore considers the conditions set out in the SCHADS Award to be the appropriate foundation for the CM.

Note: the nomenclature of Level 1 DSW, Level 2 DSW and Level 3 DSW used in the cost model and *NDIS Price Guide* should not be confused with the classification of workers under the SCHADS Award.



### **Time of day and day of week**

*In determining which price limit is applicable to a support, providers should note that a support is considered to be:*

- *a Daytime Support is it is delivered between 6 am and 8 pm;*
- *an Afternoon (formerly Evening) Support if it is delivered after 8 pm and before 12 midnight; and*
- *an Overnight Support is it is delivered between 12 midnight and 6 am.*

*In determining which price limit is applicable to a support, providers should also note:*

- *a weekday is Monday to Friday;*
- *the extra rates paid for Saturday, Sunday and Public holidays are in substitution for, and not cumulative upon, the shift premiums payable for afternoon and overnight supports; and*
- *the extra rates for Saturday/Sunday/Public holidays do not increase further when the support finishes after 8pm.*

### **High intensity supports**

*A support is considered a high intensity support if the participant requires assistance from a support worker with additional qualifications and experience relevant to the participant's complex needs. The high intensity price limits may be considered when:*

- *frequent (at least 1 instance per shift) assistance is required to manage challenging behaviours that require intensive positive behaviour support; and/or*
- *continual active support is required due to high medical support needs (such as unstable seizure activity or respiratory support)*

*In determining which price limit for High Intensity Supports should apply to a given support, the provider should consider the skills and experience of the worker delivering the support. In general, the Level 2 price limit applies to most high intensity supports. However, if the particular instance of support is delivered by a worker who does not have the skills and experience to deliver a high intensity support then the Level 1 price limit should be applied. If the particular instance of the support is delivered by a more highly skilled or experienced worker then the provider can consider applying the Level 3 price cap, with the participant's prior agreement.*

### **Temporary Transformation Payment (TTP)**

*Providers of attendant care and community participation supports who meet the eligibility criteria set out below will have access to a higher price limit through a Temporary Transformation Payment (TTP).<sup>25</sup> This conditional loading will assist providers to continue*

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<sup>25</sup> The TTP loading was set at 7.5% in 2019-20 and is to be reduced by 1.5% percentage points each financial year.

transforming their businesses in the move towards a more competitive marketplace. This replaces the Temporary Support for Overheads. In order to access the higher TTP price limits, providers will have to:

- publish their service prices;
- list their business contact details in the Provider Finder and ensure those details are kept up-to-date; and
- participate annually in an Agency-approved market benchmarking survey.

Providers must meet those three TTP requirements, and to include in their contractual arrangements with their participants that they are entitled to use the TTP support items (and price limits).

That is, in the first year, providers can commence making claims using the TTP items from 1 July 2019, and will have until 31 March 2020 to meet the three compliance requirements. In later years, providers will need to be compliant by the start of the financial year, noting that the Benchmarking Requirement is met up until 31 December of any year by the provider's intention to take part in the next Benchmarking Survey, and after that date by actual participation in the most recent Benchmarking Survey. Providers who become non-compliant during a financial year should not claim for TTP items while they are non-compliant.

Every support item in scope of the TTP has two support items and two price limits. The non-TTP items should be used by providers who are not compliant with the TTP conditions. The TTP items should be used by providers who are compliant with the TTP conditions, an example is given in the following Table.

01_011_0107_1_1	Assistance With Self-Care Activities - Standard - Weekday Daytime
01_011_0107_1_1_T	Assistance With Self-Care Activities - Standard - Weekday Daytime - TTP

There will be no formal registration process for TTP providers. Providers indicate that they intend to fulfil the TTP conditions by making a claim for a TTP support item through the payment system. They will be required to acknowledge compliance to the Price Guide terms, including the TTP terms if applicable, when submitting a payment request through the Myplace Provider Portal. By claiming TTP items through the NDIA payment system, or from a plan manager, providers are warranting that they have complied with the TTP conditions, or intend to comply with the TTP conditions by the relevant time.

Plan managers will not be responsible for ensuring providers are TTP compliant. They can accept the claim for a TTP support item by a registered provider as proof of TTP compliance. However, non-registered providers are not eligible for the TTP and plan managers should not use TTP line items to claim for services delivered by non-registered providers.

Table 3 sets out the key assumptions of the current NDIS Disability Support Worker Cost Model.

Table 3 - NDIS Disability Support Worker Cost Model – Key Assumptions

	Standard Support (Level 1)	High Intensity Support (Level 2)	Very High Intensity Support (Level 3)
<b>Disability Support Worker</b>	-	-	-
<b>Salary costs</b>	-	-	-
Award Rate from SCHADS Award	2.3	2.4/3.1	3.2
Working Days in Year	220	220	220
Shift Loadings	As per Award	As per Award	As per Award
Ratio of permanent to casual (percentage)	80/20	80/20	80/20
<b>Salary on costs</b>	-	-	-
Superannuation	9.5%	9.5%	9.5%
Workers compensation	3.0%	3.0%	3.0%
<b>Utilisation rate for DSW</b>	92.0%	89.0%	87.7%
<b>Supervisor</b>	-	-	-
<b>Salary costs</b>	-	-	-
Classification (SCHADS Award)	3.2	4.2	4.2
Working Days in Year	220	220	220
Shift Loadings	As per Award	As per Award	As per Award
<b>Salary on costs</b>	-	-	-
Superannuation	9.5%	9.5%	9.5%
Workers compensation	3.0%	3.0%	3.0%
<b>Utilisation rate</b>	92.0%	89.0%	87.7%
<b>Management ratio (FTE basis)</b>	1:11	1:11	1:11
<b>Overheads (ratio to costs)</b>	10.5%	10.5%	10.5%
<b>Pre-tax margin (ratio to costs + overheads)</b>	2.0%	2.0%	2.0%

## CONSULTATIONS

The *Issues Paper* presented a number of issues that had been raised by the sector, including:

- Whether it is easy to determine the level of intensity of a support?
- Whether it is easy to determine the time of day / day of week a support is provided?
- Whether providers pay allowances to disability support workers on top of their salaries?
- Whether the allowance for workers compensation costs is adequate?
- Whether providers were liable to pay payroll tax?
- Whether the assumed mix of permanent to casual workers is reasonable?
- Whether the assumed supervision ratio is reasonable?
- Whether the assumed utilisation rates are appropriate?

- Whether casual to permanent staff ratios, utilisation rates and supervision ratios vary by day of the week, or level of workers?
- Whether the provision for overheads are adequate?
- Whether the allowance for margin is sufficient?

### High intensity supports

Feedback from the provider community indicated a desire for reform of the definitions used in the *NDIS Price Guide*. Most providers considered that the definition of higher intensity supports were unclear and too complex, in addition to creating difficulty for participants. A number of submissions suggested that an assessment tool should be developed to aid in the classification of the intensity of supports and some providers had actually developed such tools for internal use.

Some providers recommended collapsing the distinction between intensity levels, either entirely or in part as a means of lowering the administrative burden and saving time. It was further suggested that providers should be able to rely on reports from medical specialists to determine the appropriate intensity level of a support. There were also suggestions that the level of intensity of supports needs to be agreed upon when developing participants' plan and included in the plan for ease of interpretation and application to agreements.

One provider pointed out that some of the current criteria for high intensity supports created a perverse incentive to manage participants' needs sub-optimally. Some providers also argued that some higher intensity supports are conditioned on the number of instances of challenging behaviours requiring management per shift, whereas effective care would ideally result in fewer instances of these behaviours. If those behaviours were successfully managed, the support would attract a lower rate of remuneration under the current criteria. Accordingly, the provider recommended adopting guidelines for supporting clients with behaviours of concern that did not rely on a "frequent and continual" criterion but instead relied on the strategies put in place by the provider or a behaviour support specialist.

Some submissions argued that registered providers cannot deliver supports to participants with high intensity needs without the required skills and training. Therefore, they suggested that support levels should be linked to the requirements of the participant and that classification according to the level of skill and experience of the worker should be removed. Submissions to the review also argued for an increase in the price limits for higher intensity supports to reflect their additional cost of delivery. The majority of providers consulted, however, favoured price limits linked to the skills and competencies of staff.

### Leave Provisions and Shift Definitions

The vast majority of submissions indicated that there were no difficulties in determining the time of day and day of week that a support was provided. The demarcations outlined in the *SCHADS Award* were considered to be very clear and easy to comply with in practice. The only area of confusion surrounded afternoon and night rates. It was suggested the afternoon

rate start time be brought forward to commence from 6pm, because the term “afternoon” was causing some confusion for participants given it currently commences at 8pm.

Some providers indicated that time of day provisions were problematic. If a worker was required to provide a support past 8pm then the award required they be paid at the penalty rate for the entire shift. A lot of supports are provided at 8pm. Other providers indicated that they understood that it was their responsibility to manage their workforce and that the current arrangements, which were concerned with the time that the support was delivered rather than the shift that the worker was employed on, were appropriate. Not all providers were aware of the provision in the *NDIS Price Guide* that allowed providers to charge a higher rate for an entire support if the support crossed over the boundary between two pricing points.

Providers highlighted that some states and territories have additional public holidays, leading to inconsistency in the application of the cost model across states and higher labour costs for organisations in those states. One provider noted that Queensland had 13.25 gazetted public holidays in the 2020 calendar year and that an adjustment should be made for this in the cost model. Another provider noted that workers in the Northern Territory are typically permitted one or two additional weeks of annual leave. Some providers further mentioned that some regional areas have half day public holidays and that these were not provided for in the model. In relation to public holidays more generally, it was suggested that disclaimers should be provided in plans, outlining that higher rates would be charged for public holidays.

Some providers highlighted that under the SCHADS Award workers were entitled to an additional week of annual leave if they worked in excess of 10 weekends in a year. The current cost model currently makes no explicit allowance for that entitlement because it assumes businesses will run their operations efficiently and only incur this additional liability where the benefits of doing so outweigh the cost. One provider reported providing an additional week of leave for worker supporting participants with complex needs. Providers also complained that the cost model made no explicit provision for overtime payments.

Feedback from providers indicated concern about broken shifts. Broken shifts occur when supports are provided by workers across less than the full extent of a shift. Some providers reported that splitting shifts was difficult due to the additional time it took to roster and claim exactly, and that it led them to incur losses when splitting claims across shifts. It was recommended that if any part of a shift falls into a penalty rate, then the penalty rate should apply to the whole shift. It was argued that this would align claiming to wage costs.

Only limited feedback was received in submissions on the issue of whether the casual to permanent staff ratio, utilisation rate and supervision ratios varied depending on the day of the week, or for different levels of workers. Some providers suggested it was reasonable to assume that the elements of the cost model were constant across the days of the week, and for different levels of workers. However, there was feedback to suggest that more casuals were engaged to provide supports on weekends and evenings and that flexibility should be provided for cost model assumptions to vary by day of the week and level of worker.

## Casual and permanent staff mix

Many providers indicated that the 80% permanent to 20% casual staff ratio used in the cost model was no longer appropriate and that there was a strong trend toward increased casual employment in the sector. Permanent to casual ratios reported by providers varied widely across submissions and averaged out around a roughly even split. However, subject to the caveat that there were limited responses, submissions tended to point toward modalities within the industry of either 80-20 permanent to casual, or 20-80 permanent to casual. Members of the Working Group on the Cost Model agreed that the current casual ratio assumption is too low. They considered casuals were closer to 40% - across metro, regional and remote areas.

A number of submissions indicated that the permanent to casual split could change throughout the year and depended on a range of factors, particularly the availability of staff, and that staff employed on public holidays and weekends were virtually always casuals. Feedback from providers also pointed to the ratio of permanent to casual staff varying widely depending on the nature of the service being provided. The increased casualization of the workforce was being driven by participant demand and participant expectations for flexibility. Providers also pointed out that evening supports made a high use of casuals, which raised costs for providers and that the current cost model assumption that the ratio of permanent to casual staff was the same for all shifts was not appropriate.

Some providers indicated that they were attempting to move to a more permanent workforce but this is difficult in a sector where flexibility is often required. Some providers reported that they were innovating and experimenting with permanent casual arrangements. Such workers have guaranteed minimum hours, with the choice of working more when they wish to.

Some members of the Cost Model Working Group called for the cost model to allow for agency workers, who are around 25% more expensive, but as “rostering is more of an art than a science” sometimes need to be used when casuals are not available. Although others noted they never used agency workers.

## Utilisation

The cost model recognises that not all working hours are billable. Allowances are made in the cost model for legally required break periods, staff training and administrative tasks. The cost per billable hour for disability support workers in the cost model is inflated to account for less than complete labour utilisation. Training requirements are assumed to be higher for high intensity and very high intensity workers, so allowances for training time in the cost model is reflected in lower levels of utilisation for these workers.

Provider submissions challenged the operating benchmarks used in the cost model with respect to utilisation rates. The cost model assumes an efficient utilisation rate of 92% for standard intensity disability support workers and lower rates for higher intensity workers. Feedback from most providers indicated that the rate of utilisation assumed in the model

was too high, with some providers further suggesting that the cost model did not adequately reflect sufficient time for training and development of staff. A number of providers also contended that staff turnover increased training time and that the cost model had to make allowance for training associated with staff turnover.

However, while there was almost universal feedback from providers that the efficient rates of labour utilisation assumed in the cost model were too high, there were very limited responses outlining actual rates of staff utilisation.

Feedback from some providers indicated that utilisation rates were lower for part-time workers. The inability to schedule therapy sessions with participants back to back results in lower levels of utilisation, as does travel between shifts.

Some members of the Cost Model Working Group commented that they had 30-40% turnover in a year and that training and induction time is close to double with such turnover compared to a stable team. This is exacerbated with complex needs and behaviour, as there is higher turnover of staff. Higher complexity also requires much more training, team meetings, debriefs and compulsory personal development, which all lower utilisation.

### Supervision ratios

The cost model provides for the cost of supervising disability support workers. The cost model assumes an efficient ratio of workers to supervisors of 11 to 1. The cost model assumes that supervisors have the same shift loadings, leave entitlements and salary on-costs as the workers they manage, and that higher skilled workers require higher skilled supervisors.

Submissions from most providers contended that the supervision ratio used in the cost model was too high and unrealistic compared to actual ratios. However, some providers indicated that they were able to achieve higher spans of control but at the expense of much higher hourly rates of remuneration. Limited feedback was provided in submissions on the actual ratio of supervisors to workers achieved by providers.

Spans of control were reported to differ markedly depending on the number of casual staff employed by a provider. Workforces dominated by casual staff could have supervision ratios orders of magnitude higher than the 11 to 1 benchmark. There were suggestions that the supervision ratio should be based on headcount rather than the number of full-time equivalent workers, in part because providers maintained that disability support workers rarely work full-time hours. One provider counselled that the supervision ratio is actually more closely linked to the number of participants serviced, rather than the number of staff supervised.

The supervision ratio was also reported to vary depending on the nature of the particular support provided, the experience level of staff and the quality of care. Some providers advised that participants who required level 2 and level 3 supports required more intensive support and in turn more intensive supervision, they suggested that the supervision ratio should be elevated for more intensive supports. There appeared to be considerable



agreement amongst providers that it was difficult to set a generic assumption for the supervision ratio, in part because it varied as a result of a range of factors, particularly the rate of casualization of the workforce.

Members of the Cost Model Working Group raised two further issues.

- Supervision ratios were higher for casuals. More casuals are required to deliver the same number of hours and each requires supervision. Thus, twice as much supervision could be required for casuals over full-time employees.
- One provider indicated that it was possible to have 3 or 4 workers completing the total hours of one full-time employee, and it is the number of people supervised that matters for costs, not the number of hours delivered.

### Allowances

Submissions indicated that providers paid a range of additional worker allowances that were not by required by law. These entitlements individually were not significant but collectively were non-trivial. Some providers indicated that they were around 1% of base salary costs. The allowances paid by providers were broad-ranging, and included:

- travel allowances;
- regional allowances;
- telephone allowances;
- meal allowances;
- standby allowance;
- shift leader allowances;
- foul linen allowances;
- dirty work allowances;
- forklift allowances;
- district allowances;
- performance allowances;
- immunisation allowances;
- flu vaccination allowance;
- professional development leave; and
- provision for wellness days.

One member of the Cost Model Working Group mentioned that they pay for First Aid training, and pay the attendant allowance for all attendant care workers who do home visits.



## Payroll Tax

The cost model does not include an allowance for payroll tax as most jurisdictions exempt not for profit and smaller organisations from payroll tax. The vast majority of submissions reported that providers did not pay payroll tax because they were exempt from the tax. However, a minority of providers reported they were paying payroll tax.

## Workers' Compensation premiums

The cost model allows for other costs related to the salaries of disability support workers. An allowance is made for superannuation, set at the current statutory rate of 9.5% of salary including leave. Provision is also made for workers compensation insurance at a rate of 3.5% of base salary including leave.

Those submissions that detailed the workers compensation premiums paid by providers, reported they were on average 3.5% of salary costs, in line with the cost model. Conversely, members of the Cost Model Working Group reported that premiums are generally lower than 3%, but this varies by state. They also argued that the complexity of supports offered leads to higher workers compensation premiums. Workers delivering high complexity supports are more likely to make claims, leading to higher premiums and that therefore workers' compensation premiums for workers providing high complexity support are between 3 and 5.5%.

## Overheads

The corporate overheads allowance in the cost model is set at 10.5% of direct costs. The overheads allowance is intended to cover costs not otherwise explicitly provided for in the cost model, as such, it covers expenses for land and building costs, corporate fleet, marketing, administration costs, IT and other costs.

Submissions from providers indicated widespread dissatisfaction with respect to the level of overheads allowed for by the cost model. Of those providers that reported their overheads levels in submissions, the vast majority indicated that their actual level of overheads considerably exceeded the 10.5% level assumed in the model. The average overheads of those providers who revealed their actual costs in submissions was just above 20% but the level varied considerably, suggesting significant heterogeneity within the sector in terms of operating business models and potentially levels of efficiency. Overheads levels reported in submissions ranged from 10.5% to 43%.

However, only a minority of submissions reported the actual overheads levels of providers. Of all the submissions, only around one in eight specified the level of their overheads and only a slightly higher proportion indicated that the overheads allowance was inadequate. Roughly 20% of those submissions that reported actual overheads costs indicated that they were operating in line with, or very close to, the 10.5% benchmark.

NDS reported that a survey they had conducted of 70 providers showed that the median overheads was 16% with the range stretching up to 30%.

One member of the Cost Model Working Group commented that providers are subsidising worker travel by paying the 78 cents per kilometre required by the SCHADS Award. They estimated that if this was included in the models' definition of overheads that would increase it by around 5%. There was concern that as the current allowance for overheads in the model does not cover travel allowances, this advantaged organisations who did not have to travel much or far.

## Margins

The cost model incorporates an allowance for the profit margins that providers need to earn to attract and retain capital in the disability sector. The cost model provides for a 2% margin on top of other costs. This equates to a rate of return of 8% against working capital equivalent to three month's wages and entitlements.

A majority of submissions that broached the issue reported that profit margins were negative at the moment and many were incurring significant financial losses. Some providers further highlighted that their margins had been negative since the NDIS was rolled out.

However, only a limited number of total submissions responded to the issue of profit margins. Feedback on an appropriate level of profit margins was even more limited in submissions, the paucity of comment that was offered tended to suggest a level of around 5% was the minimum required to ensure viability of efficiently run providers.

## Other cost model issues

There was feedback in submissions that the demand for suitably qualified workers in the disability support sector had led most providers to adopt industrial agreements that set rates of pay in excess of the *SCHADS Award*. It was contended that labour market conditions were such that the award rates of pay upon which the cost model was predicated were no longer appropriate. Accordingly, some providers recommended that the funding model should reflect average industry pay and conditions rather than those set out in the award

NDS noted in their submission that a growing number of states and territories are introducing portable long service leave.

Some members of the Cost Model Working Group were concerned about the portable long service leave loading in some jurisdictions. They noted that most staff left after five or six years, so long service leave was not accrued and thus not a major cost currently. Members considered it was difficult to predict the exact cost of long service leave but estimated it at roughly 2% of wages. Other members noted that the different systems for long service leave between states led to higher administrative and compliance costs for providers.

## RESEARCH

## Temporary Transformation Payment Benchmarking Survey

Deloitte Access Economics were engaged by the NDIA to conduct the survey and analyse the results. Only de-identified data was passed onto the Agency. On 21 February 2020, Deloitte sent out on line invitations to the 3,039 providers who were then enrolled in eligible registration groups (104, 107, 125 and 136). As at 15 March 2020, when the survey closed, Deloitte had received 615 completed surveys. That is, only 38.9% of providers who had claimed for the TTP completed the survey by the cut-off date.<sup>26</sup>

Table 4 indicates the distribution of results from the TTP survey for the key parameters in the NDIS Disability Support Worker Cost Model.

Table 4 - Distribution of Results from the TTP Survey

	Permanent Employment Rate	Utilisation Rate	Overheads (multiplier of direct costs)	Implied Margin <sup>27</sup> (multiplier of other costs)	Span of control
<b>Cost Model Assumption</b>					
	80%	Level 1 = 92.5% Level 2 = 90.0% Level 3 = 87.7%	10.5%	2.0%	11
<b>Survey results</b>					
Average	43.8%	79.8%	27.7%	1.7%	11.8
STD	32.9%	12.0%	11.8%	1.6%	11.3
Skew	0.3	-0.5	-0.1	1.5	3.4
Kurtosis	-1.3	-0.2	-0.8	1.7	19.8
0 <sup>th</sup> percentile	100%	100%	1.1%	7.9%	116.0
5 <sup>th</sup> percentile	100%	97.9%	7.7%	5.1%	30.7
10 <sup>th</sup> percentile	94.8%	95.0%	10.7%	4.4%	22.7
25 <sup>th</sup> percentile	71.7%	90.0%	19.8%	2.3%	15.0
50 <sup>th</sup> percentile	40.0%	80.0%	28.1%	1.2%	9.0
75 <sup>th</sup> percentile	12.5%	71.0%	36.4%	0.5%	5.0
90 <sup>th</sup> percentile	5.2%	64.4%	44.2%	0.2%	2.1
95 <sup>th</sup> percentile	0.0%	59.0%	46.5%	0.1%	1.0
100 <sup>th</sup> percentile	0.0%	50.0%	49.2%	0.0%	0.0

NOTE: Implied margin is margin required to generate a rate of return of 8% on working capital.

## Comparison to other Schemes

Table 5 and NOTES: Rates as published excluding temporary measures (NDIS – COVID 10% increase).

<sup>26</sup> As of 31 March 2020, an additional 231 responses had been received. These responses are not included in the analysis.

<sup>27</sup> Implied margin is the margin required to generate a rate of return of 8% on working capital.

Table 6 compare the non-TTP and TTP price limits for NDIS supports for attendant care that applied, from 1 July 2019 to 24 March 2020 (before the temporary COVID19 loading was introduced), with the fees that were payable on 1 July 2019 by:

- icare, the New South Wales workers compensation scheme;
- Victorian Transport Accident Commission (TAC);
- Worksafe Victoria;
- WorkCover Queensland;
- South Australian Lifetime Support Authority ; and
- Veterans Home Care Program of the Department of Veterans' Affairs.

**Table 5 - NDIS hourly price limits for non-TTP and TTP support items**

	NDIS Level 1	NDIS TTP Level 1	NDIS Level 2	NDIS TTP Level 2	NDIS Level 3	NDIS TTP Level 3
Weekday	\$52.85	\$56.81	\$57.15	\$61.11	\$60.04	\$64.00
Evening	\$58.31	\$62.69	\$63.06	\$67.44	\$66.23	\$70.61
Night	\$59.40	\$63.85	\$64.24	\$68.69	\$67.47	\$71.92
Saturday	\$72.69	\$78.14	\$78.63	\$84.08	\$82.58	\$88.03
Sunday	\$94.52	\$101.61	\$102.23	\$109.32	\$107.37	\$114.46
Public holiday	\$118.34	\$127.21	\$127.97	\$136.84	\$134.42	\$143.29
Inactive overnight	\$214.03	\$214.03	\$214.03	\$214.03	\$214.03	\$214.03
Establishment fee	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00

NOTES: Rates as published excluding temporary measures (NDIS – COVID 10% increase).

**Table 6 - Comparative Scheme hourly fees**

	icare NSW	TAC (IQRS)*	WorkSafe Victoria (IQRS)	WorkCover Queensland	SA Lifetime Support Authority	Veterans Home Care**
Weekday	\$49.18	\$50.56	\$48.88	\$49.00	\$48.31	\$69.45
Evening			\$53.60		\$52.60	\$69.45
Night	\$56.74	\$50.56	\$54.54		\$53.34	\$85.50
Saturday	\$63.25	\$67.12	\$67.80	\$71.00	\$65.02	\$85.50
Sunday	\$80.35	\$67.12	\$86.76	\$71.00	\$81.71	\$85.50
Public holiday	\$95.90	\$114.33	\$105.68		\$98.40	\$85.50
Inactive overnight	\$222.17	\$142.22	\$212.90		\$202.83	-
Establishment fee	\$1,214.06	\$1,328.17	\$1,207.32			

NOTES: The IQRS rates are payable when then services are Independently Reviewed against Quality Standards.

Rates as published excluding temporary measures (NDIS – COVID 10% increase).

\* For TAC clients there is no limit on the co-payment that the client can be asked to pay by the provider.

\*\* Recipients of Veterans Home Care can also be asked to make a co-payment of \$5.00 per hour, up to certain limits.

The NDIS Weekday standard rate (without TTP) is between 4.5% and 9.4% higher than those of the comparable state schemes (average 7.5%). It is 23.9% lower than the DVA fee. The NDIS Saturday standard rate (without TTP) is between 2.4% and 14.9% higher than those of the comparable state schemes (average 8.9%). It is 15.0% lower than the DVA fee.

However, it is not clear to what extent the fees payable by other schemes can be compared to NDIS price limits, given that fees can operate differently in different contexts (e.g. according to whether or not services are commissioned, and what other fees – including client co-payments - are also billable).

Icare, for example, engage providers through a tender process. Consultations with icare indicate that providers are able to bill icare directly for training costs and supervision costs on top of the hourly rates for attendant care. By contrast, these costs are fully loaded into the hourly price limits published by the NDIS. Within the NDIS Disability Support Worker Cost Model these costs are represented by the utilisation (billable hours) parameter and the supervision ratio parameter. If these parameters, and the overheads assumption, are adjusted to match the icare billing practices then the benchmark attendant care price limit produced by NDIS Disability Support Worker Cost Model is within 0.04% of the icare benchmark hourly rate.

### Workers Compensation Premiums

The NDIS Disability Support Worker Cost Model assumes workers compensation premiums of 3% of salary expenses. This assumption is higher than both the standardised all industries Australian average premium rate of 1.5% the standardised 1.7% national average for the Health and Community Services sector (averaged over 2010-11 to 2014-15).<sup>28</sup> The TTP Survey similarly found that the average workers compensation premium among respondents was 2.6%, with a median of 2.3% and a 25<sup>th</sup> percentile of 1.7%.

### Portable Long Service Leave Schemes

From January 2020, NDIS-funded activities were included in the 'community services work' portable long service leave scheme in Victoria.<sup>29</sup> A levy of 1.65% applies to the 'ordinary pay' of both permanent and casual workers. The ACT has a similar scheme with a levy of 1.2% of the gross ordinary wages.<sup>30</sup> The Queensland Government has introduced legislation to establish a new portable long service leave scheme available for community services workers. If passed by Parliament, the scheme is proposed to start on 1 July 2020. The proposed levy for that scheme 1.35% of a worker's ordinary wage.<sup>31</sup>

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<sup>28</sup> Safe Work Australia, *Comparing Workers' Compensation Scheme Performance*, Tuesday 14 November 2017, <https://www.safeworkaustralia.gov.au/workers-compensation/comparing-workers-compensation-scheme-performance> (accessed 24 March 2020).

<sup>29</sup> <https://www.vic.gov.au/portable-long-service-community-services-sector>

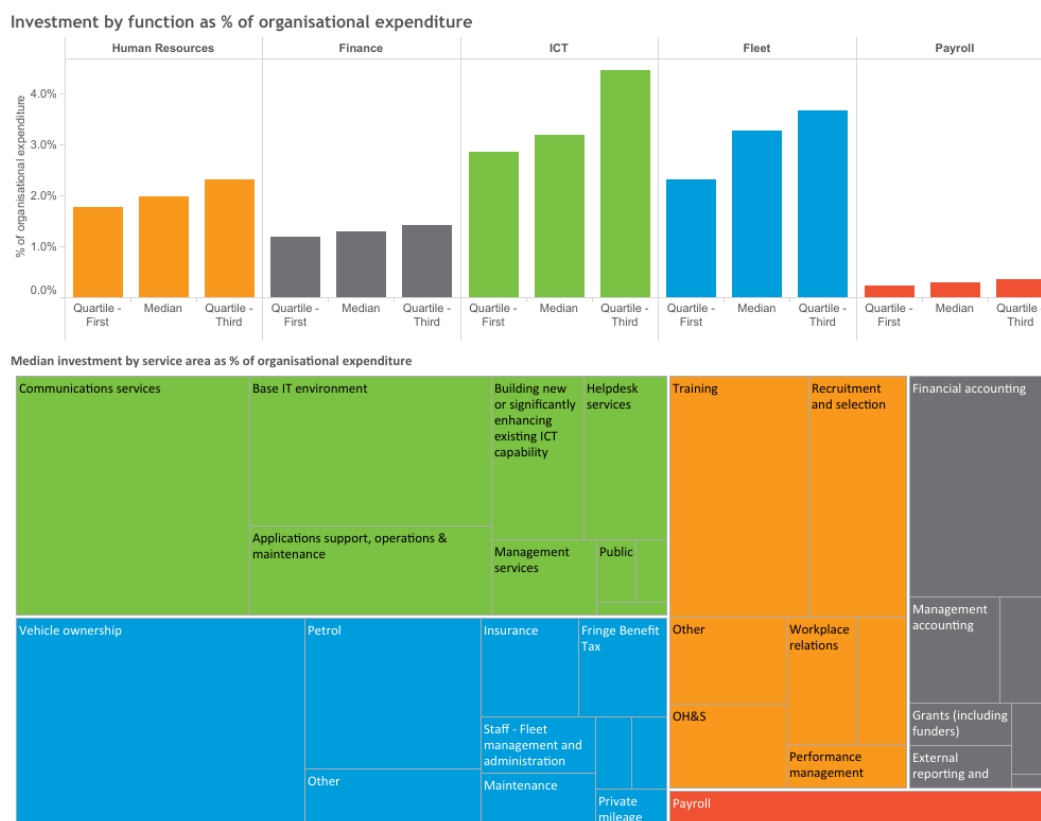
<sup>30</sup> <https://actleave.act.gov.au/>

<sup>31</sup> <https://www.qleave.qld.gov.au/>

## Overheads

The results of a major benchmarking study of non-for-profit organisations in Australia by Nous Group are illustrated in the following diagram.<sup>32</sup> The study found the median share of organisation revenue spent on back of house functions among the reporting organisations was 10.2%, with 25% spending less than 8.4% of their expenses on back of house functions.

**Figure 3 - Nous Group Study of Back-Office Expenses of Not For Profit Organisations**



An earlier study by National Disability Services, which considered facility costs and general administration as well as back office costs, found that overheads accounted on average for 13.3% of the revenue of the reporting organisations.<sup>33</sup>

## Evidence on Adherence to Price Limits

An analysis of all successful claims for payment from the NDIS payment system in the second quarter of 2019-20 for support items that are eligible for the TTP indicates that:

- 59.6% of eligible active providers chose to use the TTP higher price limits (1,580 out of 2,649 providers); and

<sup>32</sup> <http://benchmarking.nfpstrategy.com.au/explore>

<sup>33</sup> National Disability Services. (2015). *NDS Productivity Tool: A Summary Report for the 2012-13 Financial Year* [http://www.industrydevelopmentfund.org.au/images/ProductivityTool\\_Report2012-13.pdf](http://www.industrydevelopmentfund.org.au/images/ProductivityTool_Report2012-13.pdf)

- 49.7% of all claims (by dollar) were claimed against support items eligible for the higher price limits (\$1,217 billion out of \$2.451 billion).

That is, almost 40% of eligible providers (delivering almost 50% of all supports) have decided not to access the higher TTP price limits. Some providers have indicated that they preferred not to raise their prices so that they could undercut competitors who did, and thus increase their market share.

Moreover, for those providers who chose to operate under the lower non-TTP price limits, more than 25% of all claims were below the relevant lower non-TTP price limit and about 9% of all claims were more than 10% below the relevant lower non-TTP price limits.

Even among providers who chose to access the higher TTP price limits, more than 10% of all claims were below the relevant higher TTP price limit and about 5% of all claims were more than 5% below the relevant lower non-TTP price limits.

## DISCUSSION

### NDIS Disability Support Worker Cost Model

The publication of the structure of the NDIS Disability Support Worker Cost Model has provided the disability sector with full transparency regarding the setting of price limits under the Scheme and has allowed providers to benchmark their operations against the assumed efficient costs outlined in the model.

Given that baseline price limits are intended to represent efficient costs the TTP survey results, taken on their own, provide some evidence that the NDIS Disability Support Worker Cost Model may not be correctly estimating efficient costs – although some of the effects are countervailing.

- The average Permanent Share of the workforce among survey respondents (43.8%) is considerably lower than the current Model assumption (90%). Moreover, the efficient 25<sup>th</sup> percentile estimate (71.7%) is also lower than the Model assumption.
- The average utilisation rate among survey respondents (79.8%) is lower than the current Model assumptions (87.7% to 92.0%). However, the efficient 25<sup>th</sup> percentile estimate (90.0%) is in line with the current Model assumptions.
- The average overheads percentage (as a loading on direct care costs) among survey respondents (27.7%) is higher than the current Model assumptions (10.5%). Moreover, the efficient 25<sup>th</sup> percentile estimate (19.8%) is also higher than the current Model assumption.
- The average span of control among survey respondents (11.8:1) is slightly higher than the current Model assumptions (11:1). Moreover, the efficient 25<sup>th</sup> percentile estimate (15:1) is considerably higher than the current Model assumption.

- The NDIS Disability Support Worker Cost Model does not currently provide for allowances paid to workers on top of their salaries (other than shift loadings and superannuation). This is not in line with the TTP Benchmarking Survey which indicates that these allowances can typically be in the order of 1.0% of the base salary payable to the worker.

However, the TTP survey does not include results for providers who are not accessing the higher TTP price limits, and who, *prima facie*, are likely to have lower costs (and hence be more efficient) since they have not chosen to access the higher TTP price limits. Only around half of eligible providers (59.6%) claim the TTP and then less than half of TTP claimants completed the survey by the due date. Thus, the survey provides results for only around a quarter of those NDIS providers who employ Disability Support Workers. Assuming that the distribution of overheads among non-TTP claiming providers is similar to the distribution among TTP claiming providers, but with a lower average representing their lower costs then it is possible to generate a mixed statistical distribution of all providers. The Review estimates that in this distribution the efficient (25<sup>th</sup> percentile) provider would have overheads of between 14.4% and 16.7% of direct costs (with a median estimate of 15.2%).<sup>34</sup>

Moreover, some of these overheads relate to provider transport non-labour costs which are currently not separately claimable by providers. The TTP benchmarking survey found that the average cost of travel expenses across respondents was \$1,000 per worker per year. A DSW Level 1 paid at \$27.61 per hour, with a 38 hour week, has an annual income of \$54,557. With salary related on costs and supervision costs this equates to direct care expenditure of about \$70,000. Travel expenses of \$1,000 would represent a 1.4% increase on this, and would currently be shown in the overheads of the provider.

There is also strong evidence that some providers are managing to operate at or below the current price limits, with almost 40% of eligible providers choosing not to access the higher TTP price limits. Moreover, more than 25% of all claims by these providers were below the relevant lower non-TTP price limit and about 9% of claims were more than 10% below the relevant lower non-TTP price limits.

Finally, the current price limits in the NDIS compare very favourably with those that apply in other schemes. However, it is not clear to what extent these fees can be compared to NDIS price limits, given that fees can operate differently in different contexts (e.g. according to whether or not services are commissioned, and what other fees are also claimable). The Review also notes that the NDIS price limits seem relatively high compared to the prices charged in the aged care sector but that these arrangements also include co-payments. Australian Unity Aged Care, for example, lists an hourly rate for personal care of \$53.00 +

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<sup>34</sup> The distribution of overheads for non-TTP providers is estimated by left-shifting the distribution of overheads for TTP providers. The median estimate on the 25<sup>th</sup> percentile of the entire distribution is estimated by left-shifting the distribution of overheads for TTP providers by 7.5 percentage points if the overheads percentage is above the 25<sup>th</sup> percentile of the TTP distribution and by 2.5 percentage points if the overheads percentage is between the 10<sup>th</sup> and the 25<sup>th</sup> percentiles of the TTP distribution.



management fees and Blue Care lists an hourly rate of \$50.75 plus management fees (of about \$6 per hour).

On balance, therefore, the Review considers that there is no reason to increase the current set of price limits, although it would be appropriate to make some minor modifications to the NDIS Disability Support Worker Cost Model to better reflect the costs structures of efficient (25<sup>th</sup> percentile) providers<sup>35</sup> by:

- Decreasing the ratio of permanent to casual staff assumed in the cost model to 70/30% in line with the 25<sup>th</sup> percentile of the TTP Benchmarking Survey;
- Increasing the share of staff assumed to take up their long service leave entitlements to 100% in recognition of the move towards portable long service leave scheme in some states and territories;
- Decreasing the assumed workers compensation premium percentage from 3.0% to 1.7% in line with the 25<sup>th</sup> percentile observed in the TTP Benchmarking Survey, noting that this is equal to the average premium percentage observed across the health and community sector;
- Increasing the assumed overheads percentage to 12.0% to better align with the estimated overheads of efficient providers in the sector, noting that other recommendations being made by the Review will directly address some of the costs that providers are currently carrying in their overheads<sup>36</sup>;
- Increasing the supervision ratio from 11 to 15 in line with the 25<sup>th</sup> percentile observed in the TTP Benchmarking Survey, noting that the non-face-to-face claiming rules permit some interactions between supervisors and staff to be claimed directly when they relate to the specific direct care needs of a participant; and

<sup>35</sup> The review considers that it is appropriate to estimate the cost structure of overall efficient (25<sup>th</sup> percentile) providers by reference to the 25<sup>th</sup> percentile of all providers' performance against each of the key parameters because there is little collinearity observed between the parameters in the TTP Benchmarking Survey results. The determinant of the Pearson product-moment correlation coefficient matrix (see below) is 87.1%.

	A = Permanent Share of Workforce	B = Supervision Ratio	C = Non travel allowances	D = Workers Compensation Premium	E = Utilisation percentage	F = Overheads percentage
A	1.00	-0.09	-0.13	0.06	-0.04	0.08
B	-0.09	1.00	-0.07	0.00	0.19	0.08
C	-0.13	-0.07	1.00	-0.02	-0.14	-0.18
D	0.06	0.00	-0.02	1.00	-0.02	0.02
E	-0.04	0.19	-0.14	-0.02	1.00	0.09
F	0.08	0.08	-0.18	0.02	0.09	1.00

<sup>36</sup> The recommendations to allow providers to claim for the non-labour costs associated with provider travel; to increase the fee payable in the case of a short notice cancellation to 100% of the agreed fee; and to expand the availability of establishment grants will all allow providers to better recover costs that are currently attributed to overheads within the provider's budget.

- Increasing the provision of allowances (other than travel allowances) for support workers and supervisors to 1.0% of salary, in line with the average level observed in the TTP Benchmarking Survey.

The Review notes the concerns raised by some providers that the ratio of permanent to casual staff differs by shift. The Review accepts that these variations, if they exist, are not accounted for in the NDIS Disability Support Worker Cost Model but the Review does not have sufficient data available to it to determine if these practices make a material difference to the overall costs of employers. The Review suggests that these matters should be investigated further in the next TTP Financial Benchmarking Survey.

The Review also notes the concerns raised by some providers that the NDIS Disability Support Worker Cost Model does not take into account the additional costs of employing Agency Staff. The Review does not accept this criticism as these costs are by and large, within the control of providers who are responsible for managing the rostering of their workforce. The Review therefore considers that any such additional costs are best attributed against the provider's overheads in the NDIS Disability Support Worker Cost Model.

### High Intensity Supports

The Review does not support the request by some providers that the price limit for support items should be determined by the complexity of the participant's needs rather than by the skills and experience of the support worker, as currently. The Review accepts that participants with complex needs will often require more funding, both for more supports and for more skilled or experienced support workers. However, this is a planning issue, not a pricing issue. From a price control perspective the important issue is the input costs of the provider, which are largely determined by the skills and experience of the support worker who delivers the support.

The Review understands that some providers would prefer greater guidance as to when they may use the Level 1, Level 2 and Level 3 price limits. Currently the *NDIS Price Guide* says that:

*A support is considered a high intensity support if the participant requires assistance from a support worker with additional qualifications and experience relevant to the participant's complex needs. The high intensity price limits may be considered when:*

- *frequent (at least 1 instance per shift) assistance is required to manage challenging behaviours that require intensive positive behaviour support; and/or*
- *continual active support is required due to high medical support needs (such as unstable seizure activity or respiratory support)*

*In determining which price limit for High Intensity Supports should apply to a given support, the provider should consider the skills and experience of the worker delivering the support. In general, the Level 2 price limit applies to most high intensity supports. However, if the particular instance of support is delivered by a worker who does not have the skills and experience to deliver a high intensity support then the Level 1 price limit*

*should be applied. If the particular instance of the support is delivered by a more highly skilled or experienced worker then the provider can consider applying the Level 3 price cap, with the participant's prior agreement.*

An alternative approach would be for the Price Limit levels to be linked to the skills and competencies set out in the SCHADS Award.

*Level 1 support items should be used if the worker who delivers the support is someone who has the skills and experience that would mean that they would be classified as a Social and Community Services Employee level 2 (below the maximum pay point) if they were employed under the SCHADS Award.*

*Level 2 support items should be used if the worker who delivers the support is someone who has the skills and experience that would mean that they would be classified as a Social and Community Services Employee level 2 (at the maximum pay point) or as a Social and Community Services Employee level 3 (at the minimum pay point) if they were employed under the SCHADS Award.*

*Level 3 support items should be used if the worker who delivers the support is someone who has the skills and experience that would mean that they would be classified above a Social and Community Services Employee level 3 (at the minimum pay point) if they were employed under the SCHADS Award.*

On balance, the Review considers that the alternative approach is more appropriate. Providers have expressed concerns that many of them do not currently employ workers under the SCHADS Award, but the proposed definitions are only linked to the competencies set out in the SCHADS Award as a point of reference.

### **Time of Day and Day of Week**

The Review does not support the request by some providers that the price limit should be determined by the shift of the worker rather than by the time of day that the support is delivered. It is important that participants know what price limit applies to each support that they purchase and they cannot know this if the price limit can also vary according to the shift that the employer has engaged the employee to work. In the end, workforce rostering is a matter for providers to manage.

As an exception to this general rule, the Review sees merit in the current arrangement whereby when a support for a participant crosses a shift boundary and the same worker delivers the entire support then the provider is entitled to use the highest price limit for the entire support. To avoid any confusion the Review suggests that the relevant section of the NDIS Price Guide should be rewritten as follows:

#### ***Time of Day and Day of Week***

*In determining which price limit is applicable to a support, the important consideration is when the support is provided to the participant, not the shift of the worker used to deliver*

that support as determined by the applicable Industry Award or Enterprise Bargaining Agreement (EBA).

For NDIS billing purposes the provider must first determine the day of the week on which the support was provided on and then the time of the day during which the support was delivered. (Note: weekday means Monday, Tuesday, Wednesday, Thursday or Friday).

- A **Night-time Sleepover Support** is any support to an individual participant delivered on a weekday, a Saturday, a Sunday or a Public Holiday that:
  - commences before midnight on a given day and finishes after midnight on that day; and
  - is for a continuous period of eight (8) hours or more; and
  - the worker is allowed to sleep when they are not providing support.
- A **Public Holiday Support** is any support to an individual participant that starts at or after midnight on the night prior to a Public Holiday and ends before or at midnight of that Public Holiday (unless that support is a Night-time Sleepover Support).
- A **Saturday Support** is any support to an individual participant that starts at or after midnight on the night prior to a Saturday and ends before or at midnight of that Saturday (unless that support is a Public Holiday Support or a Night-time Sleepover Support).
- A **Sunday Support** is any support to an individual participant that starts at or after midnight on the night prior to a Sunday and ends before or at midnight of that Sunday (unless that support is a Public Holiday Support or a Night-time Sleepover Support).
- A **Standard Day Support** is any other support, and is either:
  - A **Weekday Support** is any support to an individual participant that starts at or after 6:00 am and ends before or at 8:00 pm on a single weekday (unless that support is a Public Holiday Support or a Night-time Sleepover Support).
  - An **Evening Support** is any support to an individual participant that starts after 8:00 pm and finishes at or before midnight on a single weekday (unless that support is a Public Holiday Support or a Night-time Sleepover Support).
  - An **Active Overnight Support** is any support to an individual participant that commences at or before midnight on a weekday and finishes after midnight on that weekday, or commences before 6:00 am on a weekday and finishes on that weekday (unless that support is a Public Holiday Support, Saturday Support, Sunday Support or a Night-time Sleepover Support).

If a support to an individual participant does not meet one of the above criteria then it needs to be billed as two or more separate supports.

### **Night-time Sleepover Supports**

*Night-time Sleepover Supports have a price limit that is inclusive of the cost of two hours of any supports provided to the participant for the duration of the period. Providers may claim for third or additional hour at Saturday rates on weekdays, or at applicable rates on other days (Saturday, Sunday or Public Holidays)*

*Note, Night-time Sleepover Supports apply to any day of the week and on public holidays, pending criteria met as described previously.*

### **Public Holidays and Annual Leave**

The Review notes the concerns raised by providers that the number of public holidays differs by state and territory and that it is a long standing practice of employers in the Northern Territory to allow their workers one or two additional weeks of annual leave. The Review also notes that the SCHADS Award provides for an additional week of annual leave for employees who work for more than four ordinary hours on 10 or more weekends during the yearly period in respect of which their annual leave accrues.

The Review accepts that these variations are not accounted for in the NDIS Disability Support Worker Cost Model but it does not have sufficient data available to it to determine if these practices make a material difference to the overall costs of employers. The Review suggests that these matters should be investigated further in the next TTP Financial Benchmarking Survey.

### **Temporary Transformation Payment (TTP)**

The TTP loading was introduced for some providers of core supports because of the need to balance the drive towards efficiency and the requirement to swiftly expand supply. Markets for core disability supports are continuing to develop, with both increases in market supply and improvements in production efficiency required. While improvements to production efficiency imply reductions to costs in the long run, expansion of market supply necessitates higher short to medium term prices. To maintain and expand production volumes of disability supports, higher short-term prices are thus needed to maintain existing supply and as an incentive to redirect the allocation of resources to the NDIS from other sectors in the economy.

The level of the TTP loading was set at 7.5% for 2019-20 to be reduced by 1.5% percentage points each 1 July thereafter in line with the NDIS Pricing Strategy that said:

*Price caps should be set in accordance with the movements in transitional price levels ... to recognise the costs providers are facing in adjusting to the new arrangements, the time required to unwind established agreements, and to encourage growth in supply while driving efficiency. This should be done through an explicit and decreasing loading on sustainable price levels – the Temporary Transformation Payment (TTP) of about 7.5% – with a clear statement to the market of the expected glide path over five years to efficient price levels through the phased reduction of the TTP. Detailed ongoing monitoring of markets should also be conducted to determine whether short-term price increases have*

*been sufficient to expand supply, attract new entrants and increase competitive pressure. In the longer term, it is expected that competition between providers will result in a reduction of prices towards the long run efficient price. As market prices reduce towards long run efficient prices, the price caps imposed are expected to no longer be binding, in which case their removal can be considered.*

The Review considers that there is more than sufficient evidence that the market for disability supports is continuing to grow and become more efficient, noting again that more than 40% of providers chose not to access the TTP accounting for almost half of all claims (by dollar) against relevant support items, and that of those providers who chose to operate under the lower non-Temporary Transformation Payment price limits, more than 25% of all claims were below the relevant lower price limit.

The Review also considers that the eligibility requirements to access the higher TTP price limits should therefore be strengthened and suggests that:

- Providers of relevant supports who were active in 2019-20:
  - Should only be eligible to access the higher TTP price limits in 2020-21 if they have indicated to the NDIA before 1 July 2020 that:
    - they have published, and will continue to publish, their service prices in accordance with the NDIS Price Guide;
    - they have listed their business contact details in the Provider Finder and will continue to ensure that those details are kept up-to-date; and
    - will participate in the 2020-21 TTP Benchmarking Survey; and
  - Should cease to be eligible to access the higher TTP price limits from the closing date of the 2020-21 TTP Benchmarking Survey if they do not take part in the 2020-21 TTP Benchmarking Survey;
- Providers of relevant supports who were not active in 2019-20 and who become active before the closing date of the 2020-21 TTP Benchmarking Survey should be subject to the same eligibility criteria as set out in the dot point immediately above, except that they should be required to indicate their intention to accept the eligibility conditions before they first make a TTP claim, rather than before 1 July 2020; and
- Providers of relevant supports who were not active in 2019-20 and who become active after the closing date of the 2020-21 TTP Benchmarking Survey should be subject to the same eligibility criteria as set out in the dot point immediately above, except that they should cease being eligible to access the higher TTP price limits from the closing date of the 2021-22 TTP Benchmarking Survey.

The Review also suggests that Plan Managers should be required to receive an attestation from a provider who is seeking to make a claim against an item subject to the higher TTP price limits that they are eligible to access the higher price limits before the Plan Manager processes the claim.

## RECOMMENDATIONS

### RECOMMENDATION 4) NDIS Disability Support Worker Cost Model

- 1) The NDIA should continue to use the NDIS Disability Support Worker Cost Model to determine the base (non-TTP) price limits for supports delivered by Disability Support Workers based on the performance of efficient providers.
- 2) The NDIA should amend the NDIS Disability Support Worker Cost Model (and the price limits determined by the cost model), from 1 July 2020, by:
  - i) Decreasing the ratio of permanent to casual staff to 70%/30%;
  - ii) Increasing the share of staff assumed to take up their long service leave entitlements to 100%;
  - iii) Decreasing the workers compensation premium percentage to 1.7%;
  - iv) Increasing the overheads percentage to 12.0%;
  - v) Increasing the supervision ratio to 15:1; and
  - vi) Increasing the allowance provision for support workers and supervisors to 1.0% of salary.

### RECOMMENDATION 5) Temporary Transformation Payment

The NDIA should reduce the level of the Temporary Transformation Payment from 7.5% to 6.0% on 1 July 2020 as previously announced.

### RECOMMENDATION 6) Definitions of the Levels of High Intensity Supports

That the definitions of Level 1, Level 2 and Level 3 supports in the *NDIS Price Guide* should be amended as follows:

*Level 1 support items should be used if the worker who delivers the support is someone who has the skills and experience that would mean that they would be classified as a Social and Community Services Employee level 2 (below the maximum pay point) if they were employed under the SCHADS Award.*

*Level 2 support items should be used if the worker who delivers the support is someone who has the skills and experience that would mean that they would be classified as a Social and Community Services Employee level 2 (at the maximum pay point) or as a Social and Community Services Employee level 3 (at the minimum pay point) if they were employed under the SCHADS Award.*

*Level 3 support items should be used if the worker who delivers the support is someone who has the skills and experience that would mean that they would be classified above a Social and Community Services Employee level 3 (at the minimum pay point) if they were employed under the SCHADS Award.*



## RECOMMENDATION 7) Definitions of Time of Day and Day of Week

That the definitions of Time of Day and Day of Week in the *NDIS Price Guide* should be amended as follows:

### ***Time of Day and Day of Week***

*In determining which price limit is applicable to a support, the important consideration is when the support is provided to the participant, not the shift of the worker used to deliver that support as determined by the applicable Industry Award or Enterprise Bargaining Agreement (EBA).*

*For NDIS billing purposes the provider must first determine the day of the week on which the support was provided on and then the time of the day during which the support was delivered. (Note: weekday means Monday, Tuesday, Wednesday, Thursday or Friday).*

- ***A Night-time Sleepover Support*** is any support to an individual participant delivered on a weekday, a Saturday, a Sunday or a Public Holiday that:
  - commences before midnight on a given day and finishes after midnight on that day; and
  - is for a continuous period of eight (8) hours or more; and
  - the worker is allowed to sleep when they are not providing support.
- ***A Public Holiday Support*** is any support to an individual participant that starts at or after midnight on the night prior to a Public Holiday and ends before or at midnight of that Public Holiday (unless that support is a Night-time Sleepover Support).
- ***A Saturday Support*** is any support to an individual participant that starts at or after midnight on the night prior to a Saturday and ends before or at midnight of that Saturday (unless that support is a Public Holiday Support or a Night-time Sleepover Support).
- ***A Sunday Support*** is any support to an individual participant that starts at or after midnight on the night prior to a Sunday and ends before or at midnight of that Sunday (unless that support is a Public Holiday Support or a Night-time Sleepover Support).
- ***A Standard Day Support*** is any other support, and is either:
  - ***A Weekday Support*** is any support to an individual participant that starts at or after 6:00 am and ends before or at 8:00 pm on a single weekday (unless that support is a Public Holiday Support or a Night-time Sleepover Support).



- An **Evening Support** is any support to an individual participant that starts after 8:00 pm and finishes at or before midnight on a single weekday (unless that support is a Public Holiday Support or a Night-time Sleepover Support).
- An **Active Overnight Support** is any support to an individual participant that commences at or before midnight on a weekday and finishes after midnight on that weekday, or commences before 6:00 am on a weekday and finishes on that weekday (unless that support is a Public Holiday Support, Saturday Support, Sunday Support or a Night-time Sleepover Support).

*If a support to an individual participant does not meet one of the above criteria then it needs to be billed as two or more separate supports.*

### **Night-time Sleepover Supports**

*Night-time Sleepover Supports have a price limit that is inclusive of the cost of two hours of any supports provided to the participant for the duration of the period. Providers may claim for third or additional hour at Saturday rates on weekdays, or at applicable rates on other days (Saturday, Sunday or Public Holidays)*

*Note, Night-time Sleepover Supports apply to any day of the week and on public holidays, pending criteria met as described previously.*

## 4. Price limits for group-based core supports

The Review was required by its Terms of Reference to examine the methodology for deriving the price controls for group-based supports from the price controls for 1:1 supports.

### CURRENT ARRANGEMENTS

NDIS price limits for group supports delivered by Disability Support Workers and their equivalents in the Assistance with Daily Life Support Category and the Assistance with Social and Community Participation Support Category vary according to the same factors as 1:1 supports (see the previous chapter) and two additional factors:

- Price limits vary according to the ratio of support workers to participants – there are different price limits for 1:2; 1:3; 1:4 and 1:5 supports; and
- Price limits also vary depending on whether the support is delivered in a centre or in the community.

The *NDIS Price Guide* currently says that:

*Assistance to access community, social and recreational activities is often provided in a group setting, either in the community or in a centre.*

- *A hierarchy of price limits applies to group based supports, based on:*
- *the time of day that the support is delivered;*
- *the day of week that the support is delivered;*
- *whether the support is Standard Intensity or High Intensity (complex);*
- *whether the provider is eligible for the Temporary Transformation Payment;*
- *the size of the group and ratio of staff to participants; and*
- *whether the support is provided in a Centre or in the community.*

*For support ratios that are not stated in this Guide (e.g. two workers for three participants), participants and providers should discuss and agree the most appropriate line item to be used for payments, and the appropriate price to be paid (which might be lower than the price limit for that line item).*

*Providers of group-based supports are not permitted to bill for non-face-to-face services as the hourly price limits for these supports include an allowance for non-face-to-face services.*

The price limit for community-based group supports apply to each hour of support and are based on the price limit of the relevant 1:1 community participation support (for each level of support and time of day and day of week). The price limit for the relevant 1:1 support is P

then the price limit  $P_n$  for the 1:n community based support is given by the following formulae:

$$P_n = \frac{P + (n - 1) \times 0.12 \times P}{n}$$

For each additional person in the group (after the first) an additional 12% of the 1:1 price limit (essentially seven minutes) is added to the hourly price limit. This is meant to reflect the time that the provider may need to spend writing a report on each participant in the group after the group has finished or in preparing or setting up for the group session. Because of this built-in loading, providers of group based supports are not permitted to claim for non-face-to-face time. For 1:1 supports, non-face-to-face activities that are part of delivering a specific disability support to that participant (rather than a general activity such as enrolment, administration or staff rostering) are claimable against the participant's plan.

The price limit for centre-based group supports are calculated by adding a fixed capital allowance amount to the relevant community based group support. In 2019-20, the amount of the fixed capital allowance was \$2.10 per participant per hour. The amount of the fixed capital allowance is indexed on 1 July each year in line with movements in the ABS Consumer Price Index.

## CONSULTATIONS

The *Issues Paper* sought feedback on a number of issues with the current arrangements that had been raised by the sector.

- Some stakeholders have expressed a concern that the current price control arrangements for group-based supports provide an unintended incentive for larger groups. Other stakeholders have suggested that the “built-in” allowance for non-face to face time, while possibly appropriate for supports that are only one hour long, may not be appropriate for longer support. A provider delivering a 1:5 support to five participants for four hours, for example, is effectively paid for 5.9 hours of work, as the current arrangements assume that they will spend 28.8 minutes of non-face-to-face time for every participant in the group (after the first participant).
- An alternative approach would be for the base price for 1:n supports to be calculated as a simple proportion (1/n) of the base price of 1:1 supports but allow providers to claim for any non-face-to-face supports that they actually provided.
- Some stakeholders have also expressed concerns that the capital allowance is too small and should vary according to the quality of the infrastructure being used to deliver the services. Conversely, other stakeholders have expressed concerns that the capital allowance is too large and provides an unintended incentive for centre-based supports.

## Group based rates

The *Issues Paper* asked respondents to identify the additional administrative and other tasks were involved in offering group based supports and to indicate whether those costs would be best recognised by:

- Developing a separate Disability Support Worker Cost Model for Group-Based Supports with different utilisation, supervision and overheads assumptions. If this was the preferred approach then respondents were asked to identify what different assumptions should be made with respect to these key variables and why?
- Moving to a simpler ratio-based approach to setting group-based price limits, and allowing providers to claim for non-face-to-face time.
- Maintaining the current approach, of an in-built administration time in each group support. If this was the preferred approach then respondents were asked if the amount of administration time should be fixed for each group support or be longer for longer supports?

Many submissions received did not select an individual option, but were supportive of a simpler ratio based approach to group supports and claiming non-face-to-face tasks. A few submissions mentioned the highly variable nature of some additional tasks to assist the participant and that an ability to claim for these non-face-to-face tasks would assist recouping the true costs faced by providers. There was very little support for Option C in submissions.

One provider argued that the tasks were highly variable dependent on the size of the group supported but included “tracking and reporting of attendance, time taken with paperwork associated with medication dispensing, progress noting, incident reporting / management and updating of profile information”. They argued that “administration time should be longer for those supporting complex/high support people due to additional paperwork that goes with them.”

Another respondent argued that the additional administrative tasks for group based supports stemmed from the regular duplication of work brought on by the number of participants in the group. Tasks can include (but were not limited to) communicating with all group participants and/or their families around events, activities and times; collating of activity planners; booking community venues, and so on. The amount of time this can take varies vastly from month-to-month, group-to-group, and is dependent on the number of participants per activity, compatibility, staff needs, etc. due to a varying number of complexities. The most common suggested proportion of administrative time was 10%, with other responses ranging from 7% to 25%.

There was a general concern by some responses that the nature of the price limits for increasing group ratios may lead to larger groups being prioritised. Although this is ultimately the choice of the participant, there was a sense that profit margins for bigger groups would incentivise this.

Members of the Working Group on Group Supports raised the same concerns as had been raised in submissions to the *Issues Paper*. Some requested having no fixed ratio at all to allow ultimate flexibility. Providers could then charge for the time each support took and then divide by the number of participants or by the average ratio across the time the support took. National Disability Services (NDS) suggested that the NDIS should keep both options with providers choosing which was best for them, but most providers within the working group wanted to move towards claiming for non-face-to-face time as needed separately to the direct support time.

### Capital allowance

Respondents were also asked whether the current capital allowance arrangements for group-based supports were adequate. Some responses to this question suggested that current capital allowance was not adequate, as it does not reflect the asset maintenance or refurbishment costs, particularly for purpose-built facilities. One respondent provided a range of dollar values per hour to maintain their facilities, ranging below and above the NDIS capital allowance. Another submission proposed that the capital allowance was adequate for the facilities they were providing their facilities.

Members of the Working Group reported that actual centre based costs depended on ownership and capital investment, and can vary largely. One provider, with a number of centres, noted that while the average was \$2.50 per participant hour, it ranged from as high as \$4 down to \$1.

### Other issues

Several providers raised the issue of cancellations for group activities and how this may pose a greater administrative burden than with standard 1:1 supports, as it affects the way the group is structured and delivered. Moreover, some activities may be reliant on a set number of participants and any short-notice cancellations hinder the group activity going ahead. In general, providers were attracted to the “programs of support” approach (see Recommendation 3) as the best way to address this issue as it gave greater certainty to both providers and the other participants in the group.

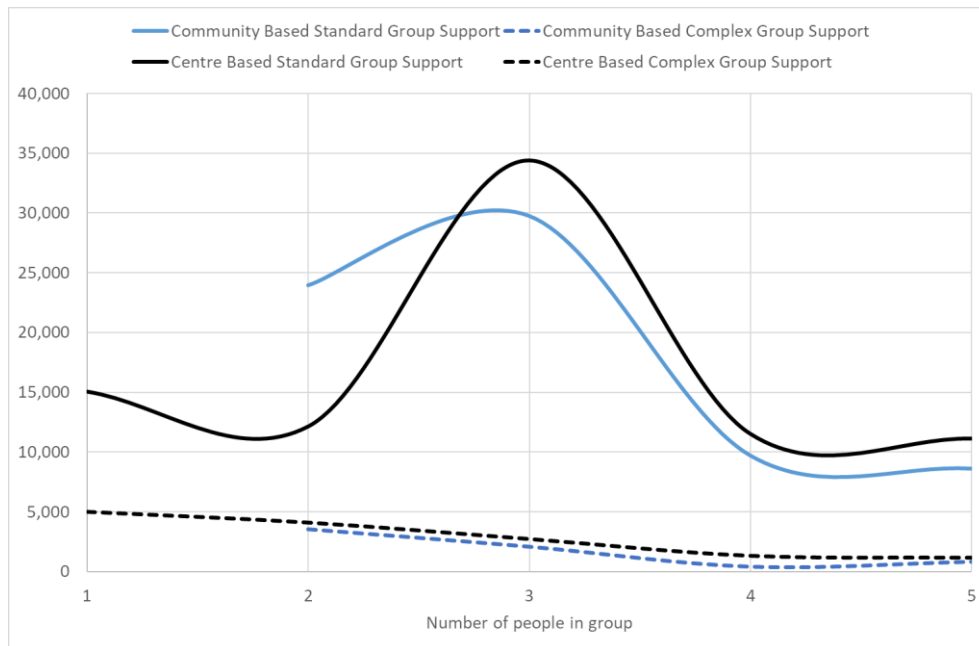
## RESEARCH

Figure 4 illustrates the trend in usage of group activities at increasingly larger ratios. Generally, after 1:3, there are relatively fewer supports claimed at the 1:4 and 1:5 level.

- The distribution of complex group activities in the in the community and in a centre reveals a standard linear decline in the demand for increasingly larger group activities. This does not support the notion that the cost model incentivises larger groups over 1:1 which was an initial concern.
- The distribution of standard group activities in a centre and in the community is slightly different, with an increased usage of 1:3 ratios. This may be reflective of the

preferred size of group for these type of supports and could offer support for the application of group support packages that allowed providers to provide a group based activity that over time averages out to 1:3 ratios but with the flexibility to provide at a greater or lesser ratio where cancellations or other contingencies force changes in specific situations.

**Figure 4 - Claims for Group Activities**



## DISCUSSION

The Review considers that there is considerable merit in replacing the current group based pricing arrangements with simplified arrangements, whereby providers can claim for both direct service provision and non-face-to-face supports as they are provided. Providers would divide the number of worker hours by the number of participant hours to derive their own fractions of hours to charge participants and would claim for these hours against the 1:1 support item and subject to the standard price limit. For example, one worker to three participants for a one-hour session would be claimed as 1/3 of an hour per participant subject to the 1:1 price limit rather than as currently where the hour is claimed for each participant but subject to a reduced 1:3 price limit. Providers of centre based care would claim for the fixed capital allowance for each participant through a separate support item.

The Review notes that when this change was suggested last year the sector did not accept it. It appears, however, that the sector has become much more comfortable with the non-face-to-face claiming arrangements and can now see the opportunities that can arise from the proposed simplification. Currently there are over 220 support items for group based supports in the *NDIS Support Catalogue*. Under the proposed amendments, some 200 of these support items would no longer be needed.

The Review does not consider that the evidence about the capital costs of centre-based care is sufficiently strong to justify a change in the amount of the fixed capital allowance, but requires further investigation.

## **RECOMMENDATION**

### **RECOMMENDATION 8) Group-Based Supports**

- 1) The NDIA should amend the pricing arrangements for group based supports so that providers no longer use the various worker to participant ratio support items but instead claim all supports against the appropriate 1:1 support items by apportioning the time spent with the group among the members of the group. Providers of centre based care would claim for the fixed capital allowance for each participant in a group through a separate support item.
- 2) The NDIA should also amend the pricing arrangements for group based supports so that providers can claim for non-face-to-face supports under the usual conditions, rather than having an allowance for non-face-to-face supports built into the price limit.

## 5. Capacity Building Supports

The Review was required by its Terms of Reference to review the price control framework for capacity building supports, including therapy supports, by examining:

- how price limits for capacity building supports, other than therapy supports, should be indexed or otherwise determined annually;
- how price limits for therapy supports should be adjusted annually, given the outcomes of the Review of Therapy Pricing Arrangements;
- whether different price limits might be appropriate for different times of the day, or days of the week, for some capacity building supports, including for therapists, therapy assistants and for capacity building supports delivered by disability support workers; and
- whether therapists and other capacity building providers should be able to recover the costs of consumables provided to participants as part of a support.

### CURRENT ARRANGEMENTS

Capacity building supports can be broadly split into two categories:

- Therapy supports, including Early Intervention Supports for Early Childhood (ECEI) supports – these supports are delivered by the following Registration Groups: Therapeutic Supports (0128); Early Intervention Supports for Early Childhood (0118); Community Nursing Care (0114); Customised Prosthetics (0135); Exercise Physiology & Personal Well-being Activities (0126); and Specialist Positive Behaviour Support (0110); and
- All other capacity-building supports.

Capacity building supports are delivered through the following support categories (for more information on each individual support category, please refer to the *NDIS Price Guide*):<sup>37</sup>

- Support Coordination
- Improved Living Arrangements – support to help a participant find and maintain an appropriate place to live;
- Increased Social and Community Participation – development and training to increase a participant's skills so they can participate in community, social and recreational activities;
- Finding and Keeping a Job – employment-related support, training and assessments that help a participant find and keep a job;

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<sup>37</sup> The support items in the Improved Life Choices support category are considered in chapter 6.



- Improved Relationships – support to help a participant develop positive behaviours and interact with others;
- Improved Health and Wellbeing – including exercise or diet advice to manage the impact of the participant’s disability;
- Improved Learning – including training, advice and help for the participant to move from school to further education; and
- Improved Daily Living Skills – assessment, training or therapy to help increase the participant’s skills, independence and community participation.

## CONSULTATIONS

The *Issues Paper* presented a number of issues with the current arrangements that had been raised by the sector, including:

- Whether the price limits for capacity building supports represent value for money for participants and allow providers to recover the costs of delivering these supports?
- Whether different price limits might be appropriate for different times of the day, or days of the week, for some capacity building supports, including for therapy assistants and capacity building supports delivered by disability support workers?
- Whether therapists and other capacity-building providers should be able to recover the costs of consumables provided to participants as part of a support? Currently, if providers of capacity building supports also want to claim for the cost of any consumables used in the delivery of the support then they are also required to register for the relevant assistive technology and equipment registration group. Some stakeholders have argued that providers of therapy and other capacity building supports should be able to recover the costs of consumables provided to the participant as part of the primary support.
- Whether the current indexation arrangements for the price limits for capacity building supports appropriately maintain their value? Currently, the price limits for capacity building supports are increased on 1 July each year in line the weighted increase over the previous twelve months in the ABS Wage Price Index and the Consumer Price Index (with an 80/20 weighting).

The most common concern raised by providers was that there was a lack of alignment between the price limits for core and capacity building supports, where those supports were delivered by Disability Support workers. It was noted that the employer does not differentiate when paying the support worker regardless of the support delivered. The support line items 15\_035\_0106\_1\_3 (Assistance with decision making, daily planning and budgeting) and 15\_037\_0117\_1\_3 (Individual training in the home for general life skills to increase independence) were raised in several submissions.

Respondents also suggested that the introduction of intensity levels and the TTP for core supports should be considered for capacity-building supports. One respondent suggested that some capacity-building supports require similar levels of competency to Level 2 and 3 core supports.

A few respondents asked for support coordination price limits to be aligned to therapy price limits, as allied health professionals can also perform this role.

Some respondents also argued that the NDIA should consider introducing out-of-hours price limits for some capacity building supports in line with the arrangements for core supports. Some considered these supports unviable other than during weekday business hours because of the current arrangements and do not offer services outside of those times. There was a concern that this might reduce participant choice. Conversely, other respondents raised the concern that introducing differing rates would add complexity to pricing arrangements.

A significant number of respondents argued that consumables should be claimable by capacity building providers where the provider may also provide the consumable. There was, however, a wide variety of suggestions in how to achieve this. Suggestions included:

- Claim under the Quality and Safeguard Commissions guidelines;
- If the consumable is under a set monetary level, then it could be claimable by the provider;
- A separate consumables NDIS plan budget that providers could claim from; or
- Capacity building budgets should include both support and relevant consumables.

Several members of the Working Group for Capacity Building Supports commented that therapists in some similar schemes, workers' compensation schemes and traffic accident compensation schemes, were allowed to claim for consumables up to a small dollar amount, usually up to \$200.

The majority of respondents suggested that the current indexation was inadequate in maintaining the value of capacity building price limits, particularly relative to the inflation applied to core supports. There was a variety of suggestions on the appropriate indexation method to apply. Several suggested adopting the same procedure that is done with core supports due to crossover in the workers used who are affected by the Fair Work Commission's minimum wage decisions and the increases built into the SCHADS Award

Another submission suggested linking inflationary indexation to the most appropriate industry rather than the general economy.

Several respondents requested that providers of Capacity Building Increased Community Participation Supports should be able to claim for non-face-to-face time and report writing, with the former claimable for similar supports under core (although comparable core group supports currently have non-face-to-face time inclusive in the price limit).

Exercise and Sports Science Australia raised two issues with the current price control arrangements for exercise physiology:

- the hourly price limit for exercise physiology in the NDIS (\$166.99 between 1 July 2019 and 24 March 2020) is lower than the price limit for other therapy services in the NDIS (from \$193.99 for Other Therapy Services to \$243.83 for psychological services); and
- unlike other therapies funded by the NDIS, exercise physiology is not, in general GST-free, as it is not one of the listed 'other health services' that can be GST-free in its own right under section 38-10 of the *A New Tax System (Goods and Services Tax) Act 1999*.

## RESEARCH

### Capacity Building Supports Delivered by Disability Support Workers

The Table below identifies the 15 Capacity Building supports that the Review has identified as likely to be delivered by Disability Support Workers employed under the SCHADS Award or a similar industrial agreement.

**Table 7 - Capacity Building Supports That May Be Delivered By Disability Support Workers**

Support Item Number	Support Item Name	Support Item Description
07_001_0106_8_3	Level 1: Support Connection	Assistance for participants to implement their plan by strengthening the ability to connect with the broader systems of supports and understand the purpose of the funded supports and participate in the community. Support Connection will assist a participant to understand the aspects of the plan, assisting in ongoing management of supports, and answer questions as they arise.
07_002_0106_8_3	Level 2: Coordination Of Supports	Further qualifications/experience required to strengthen a participant's ability to design and build their supports with an emphasis on linking the broader systems of support across a complex service delivery environment. Coordination of Supports is to focus on supporting participants to direct their lives, not just their services. This may include resolving points of crisis, and developing resilience in the participant's network.
07_003_0117_8_3	Capacity Building and Training in Plan and Financial Management by a Support Coordinator	Capacity building and training in plan administration and management with a participant to strengthen their ability to undertake tasks associated with the management of their supports. Providers of this support are to assist the participant to build capacity to undertake all aspects of plan administration and management, including: engaging providers; developing service agreements; maintaining records; claiming payments from the NDIA; and paying providers.
08_005_0106_2_3	Assistance With Accommodation And Tenancy Obligations	Support is provided to guide, prompt or undertake activities to ensure the participant obtains and/or retains appropriate accommodation. May include assisting to apply for a rental tenancy or to undertake tenancy obligations.

### Capacity Building Supports

Support Item Number	Support Item Name	Support Item Description
09_006_0106_6_3	Life Transition Planning Incl. Mentoring, Peer-Support And Individual Skill Develop	Establishing volunteer assistance within the participant's home or community to develop skills. For instance, assistance in attending appointments, shopping, bill paying, taking part in social activities and maintaining contact with others.
09_007_0117_6_3	Skills Development In A Group	Training for the participant in a group of 2 or more to increase their independence in daily personal activities.
09_009_0117_6_3	Individual Skills Development And Training	Individual life skills development and training including public transport training and support, developing skills for community, social and recreational participation.
10_016_0102_5_3	Individual Employment Support	This support can be applied to any working age participant (including students reaching working age) with an employment goal. This may include supports to: <ul style="list-style-type: none"> <li>• explore what work would mean for them (discovery)</li> <li>• build essential foundation skills for work</li> <li>• managing complex barriers to obtaining and sustaining employment</li> <li>• specialised job customisation</li> <li>• supports to transition from an ADE to open employment.</li> <li>• develop a career plan</li> <li>• other capacity building supports which are likely to lead to successful engagement in a DES.</li> </ul>
10_017_0102_5_3	Employment Preparation And Support In A Group - Group Of 3	
11_024_0117_7_3	Individual Social Skills Development	Social skills development with an individual, for participation in community and social activities.
13_030_0102_4_3	Transition Through School And To Further Education	Provision of skills training, advice, assistance with arrangements and orientation to assist a person with disability moving from school to further education.
14_031_0127_8_3	Capacity Building and Training in Plan and Financial Management by a Plan Manager	Capacity building and training in plan administration and management with a participant to strengthen their ability to undertake tasks associated with the management of their supports. Providers of this support are to assist the participant to build capacity to undertake all aspects of plan administration and management, including: engaging providers; developing service agreements; maintaining records; claiming payments from the NDIA; and paying providers.
15_035_0106_1_3	Assistance With Decision Making, Daily Planning and Budgeting	Provision of time limited support to assist a person to develop and maintain daily budget, including assisting in planning purchases (including COVID19 loading).
15_037_0117_1_3	Individual Skill Development And Training Including Public Transport Training	Individual training provided in the home for general life skills to increase independence.
15_038_0117_1_3	Training For Carers/Parents	Training for carers in matters related to caring for a person with disability.

### Consumables

Some comparable schemes allow therapists to claim for the costs of consumables in some cases. Others do not. For example, Worksafe Victoria and the Transport Accident Commission Victoria consider that the hourly rate of Community Nursing includes travel and consumables. WorkSafe Victoria for example says that:

*The Agent expects that health professionals will not invoice for consumables (i.e. tape, ultrasound gel, dry needles, wax therapy) used as a part of in-rooms treatment - the approved items are intended to be supplied for the worker to take home to assist with the management of their work-related injury or illness.<sup>38</sup>*

Conversely, Workcover Queensland permits allied health professionals to claim the following expenses, on top of the fee for service: reasonable charges for incidental items the worker takes with them up to \$57 per claim without prior approval; reasonable charges for supportive devices up to \$199 per claim without prior approval; and hire equipment to be negotiated prior.<sup>39</sup>

- Items that considered to be reasonable incidental expenses by Workcover Queensland are those that the worker actually takes with them – including bandages, elastic stockings, tape, crutches, theraputty, theraband, grippers, hand weights, audio tapes/CD, education booklets, and disposable wound management kits. Tape may only be charged where a significant quantity is used. Items considered reasonable supportive device expenses must be shown to be necessary items for successful treatment of the compensable injury.
- Workcover Queensland will not pay for: items regarded as consumables used during the course of treatment – including towels, pillowcases, antiseptics, gels, tissues, disposable electrodes, bradflex tubing, and small non-slip matting; and for items/procedures that are undertaken in the course of normally doing business – including autoclaving/sterilisation of equipment, and laundry.

## DISCUSSION

### Price regulation

The *Review of NDIS Therapy Pricing Arrangements* (the Therapy Review), which reported in 2019, found that the NDIS accounts for an estimated 2.4% of Australia's established national therapy market, suggesting that it has limited capacity to influence market prices for therapy services and is instead a "price taker". The Therapy Review also found that while there are early signs of some competition in the NDIS market for therapy services, around 70% of claims continued to be made at the price cap. It found that the distribution of claims also remains significantly different from the private market distribution. On the basis of the evidence on market conditions and the sector consultations and benchmarking analysis outlined above, and in line with the principles of the *National Disability Insurance Scheme Act 2013*, including that a funded support must represent "value for money in that the costs of the support are reasonable, relative to both the benefits achieved and the cost of alternative support", the Therapy Review recommended that the NDIA should maintain price

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<sup>38</sup> <https://www.worksafe.vic.gov.au/equipment-and-related-services-policy>

<sup>39</sup> [https://www.worksafe.qld.gov.au/\\_data/assets/excel\\_doc/0008/178091/AlliedHealth-TOC-Item-Numbers-1-Jul-2019.xls](https://www.worksafe.qld.gov.au/_data/assets/excel_doc/0008/178091/AlliedHealth-TOC-Item-Numbers-1-Jul-2019.xls)

caps on therapy services at least until the transition to the NDIS is complete and there is evidence that the distribution of NDIS payment claims is broadly in line with the distribution of prices observed in the private billing market. The current Annual Pricing Review agrees with the conclusions of the Therapy Review.

The current Annual Pricing Review is however concerned that there is some evidence that the NDIS price limits for therapy service may be distorting the market for therapy services. Table 8 compares the NDIS price limits with the fees paid by comparable schemes for occupational therapy, physiotherapy, psychology, speech pathology and exercise physiology.

**Table 8 - NDIS Therapy Price Limit Comparison with Other Schemes, Hourly Rates**

		Occupational Therapy	Physiotherapy	Psychology	Speech Pathology	Exercise Physiology**
	<b>NDIS (ACT/NSW/QLD/VIC)</b>	<b>\$193.99</b>	<b>\$193.99</b>	<b>\$214.41</b>	<b>\$193.99</b>	<b>\$166.99</b>
	<b>NDIS (NT/SA/TAS/WA)</b>	<b>\$193.99</b>	<b>\$224.62</b>	<b>\$234.83</b>	<b>\$193.99</b>	<b>\$166.99</b>
NSW	State Insurance Regulatory Authority	-	\$196.80	\$195.60	-	\$157.20
VIC	Transport Accident Commission	\$106.47	\$122.29	\$166.12	\$96.90	\$97.37
VIC	Worksafe Victoria	*\$107.25	*\$128.29	\$170.76	\$97.07	\$110.23
QLD	WorkCover Queensland	\$183.00	\$183.00	\$183.00	\$183.00	\$183.00
SA	Return to Work South Australia	\$185.40	\$185.40	\$185.40	\$185.40	\$147.00
WA	WorkCover Western Australia	\$198.20	\$200.25	\$253.70	*\$139.35	\$200.25
TAS	Comcare	-	*\$205.80	*\$242.50	-	-
ACT	Comcare	-	*\$191.12	*\$242.50	-	-
NT	Comcare	-	\$181.98	*\$242.50	-	-
	Department of Veterans Affairs	\$89.70 per consultation	\$65.30 per consultation	\$104.60 per consultation	\$109.20	\$65.30 per consultation
	Medicare Benefits Schedule*** (consultation > 20 minutes)	\$63.25 per consultation	\$63.25 per consultation	\$63.25 per consultation	\$63.25 per consultation	\$63.25 per consultation

NOTES: Current hourly maximum rates as published excluding temporary measures (NDIS – COVID 10% increase).

\* Hourly rates estimated where consultation rates stated in fee schedule.

\*\*Rates for other schemes are the GST exclusive rate; rates for the NDIS are the GST inclusive rate.

\*\*\* Medicare Benefits Schedule Fee for Allied Health Services for Chronic Disease Management

In brief:

- The NDIS price limits for New South Wales are on par with the fees published by the State Insurance Regulatory Authority for physiotherapy and exercise physiology (adjusting for GST) but are higher for psychology.
- The NDIS price limits for Victoria are much higher (62.0% on average) than those of the two Victoria schemes across all of the allied health disciplines.
- The NDIS price limits for Queensland are slightly higher (8.8% on average) than those of WorkCover Queensland across all of the allied health disciplines except exercise physiology, where the WorkCover Queensland rate is 20.5% higher than the NDIS rate (adjusted for GST).
- The NDIS price limits for South Australia are all higher (12.1% on average) than those of Return to Work South Australia across all of the allied health disciplines.

- The NDIS price limits for Western Australia are higher (25.7 % on average) than those for WorkCover Western Australia for physiotherapy and speech pathology; and lower (11.3% on average) for occupational therapy, psychology and exercise physiology (adjusted for GST).

These differences warrant further investigation. It can, however, be very difficult to compare NDIS price limits with the fees payable in other Schemes as those fees are not always expressed as hourly rates and there may be other payments also made to providers. The complexity of the different arrangements for physiotherapy, as an example, is as follows:

- NDIS – The hourly rate is \$193.99 in ACT/NSW/QLD/VIC and \$224.62 per hour in NT/SA/TAS/WA. Providers can also claim for the time that they spend travelling at the hourly rate, up to certain limits. They cannot, however, seek separate reimbursement of any non-labour costs associated with their travel.
- State Insurance Regulatory Authority New South Wales – The regulated fee is \$83.30 for a standard consultation and treatment; \$125.50 for a consultation and treatment of two distinct areas; and \$166.30 for complex treatment. An hourly rate of \$196.80 is also published. A higher fee (19% higher on average) is claimable for each consultation performed out of rooms to cover travel costs. In addition, providers can claim \$0.68 per kilometre for travel.
- Victorian Transport Accident Commission – The fees payable for consultations performed in the clinician's rooms are \$55.63 for each standard consultation; \$69.59 for extended consultations (between 31 and 40 minutes of direct patient contact time); and \$111.16 for extended consultations (greater than 40 minutes of direct patient contact time). An hourly rate of \$122.29 is also published. A higher fee (50% higher) is claimable for consultations performed out of rooms to cover travel costs.
- Worksafe Victoria – The fees payable are \$58.33 for a Standard Consultation; and \$116.67 for a Restricted Consultation (History, examination and complex treatment for workers with specific injuries based on prior approval). In addition, providers can claim \$2.72 per kilometre for travel in Melbourne and \$1.84 per kilometre for travel in regional and rural areas.
- Workcover Queensland – The fees payable are \$58.00 for a Level A Consultation; \$77.00 for a Level B Consultation; \$111.00 for a Level C Consultation; and \$147.00 for a Level D Consultation. An hourly rate of \$183.00 is also published. Time spent travelling can also be claimed at a lower rate of \$134.00 per hour.
- Workcover Western Australia – The fees payable are \$70.55 for a standard consultation and treatment; and \$89.15 for the treatment of two distinct areas. An hourly rate of \$200.25 is also published. Time spent travelling can also be claimed at a lower rate of \$160.30 per hour.
- Return to Work South Australia – The fees payable are \$68.00 for a standard consultation and treatment; \$92.90 for a long consultation; and \$185.40 for a



restricted consultation. An hourly rate of \$185.40 is also published. Time spent travelling can also be claimed at a lower rate of \$157.40 per hour.

- Comcare (Tasmania) – The guidance on the upper limit of fees is \$68.35 for a standard consultation and treatment; \$102.55 for the treatment of two distinct areas; and \$170.90 for complex treatment requiring more than 45 minutes direct contact.
- Comcare (ACT) – The guidance on the upper limit of fees is \$80.46 for a standard consultation and treatment; \$120.24 for a consultation and treatment of two distinct areas; and \$159.27 for complex treatment.
- Comcare (Northern Territory) – The guidance on the upper limit of fees is \$181.98 per hour for standard level 1 complex services and \$227.49 per hour for standard level 2 complex services.
- Department of Veterans Affairs – The fee payable is \$65.30 per consultation.
- Medicare Benefits Schedule – The Scheduled Fee is \$63.25 per consultation.

The Review therefore considers that a comprehensive of therapy pricing should be undertaken as part of the 2021-22 Annual Pricing Review and every two years thereafter. The proposed comprehensive review of therapy pricing should also give further consideration to the question of whether different support items (and price limits) need to be created to encourage the delivery of therapy supports outside of usual business hours, with a particular focus on the impacts that the current arrangements have on best practice delivery, especially for Early Childhood Early Intervention supports. The current Review received mixed evidence on this issue and does not consider that it can be resolved in isolation from an analysis of the entire billing practices of other schemes. The Review notes, for example, that most other schemes do not include different payment rates for out of business hours consultations, but structure their billing arrangements around the complexity of the consultation (say 30-60 minutes) rather than the precise duration. The Review also notes that some other schemes pay a lower hourly rate for travel than they pay for direct service provision.

The Review also considers, given the disparity between NDIS price limits and the rates payable in other schemes, that therapy price limits should not be indexed this financial year, noting that they have been increased by the temporary 10% COVID-19 Loading and that no evidence was submitted to the Review of supply shortages in therapy services.

### **Capacity Building Supports Delivered by Disability Support Workers**

Currently, the price limits for capacity building supports are indexed on 1 July each year by the 80/20 weighted average of the movements in the ABS Wage Price Index and the ABS Consumer Price Index over the 12 months to the March Quarter preceding the indexation date. However, as discussed above, 15 Capacity Building supports are delivered by workers employed under the SCHADS Award or a similar industrial agreement. These workers are subject to the Fair Work Commission's increase to minimum wage that occurs every year,



which is included in the current methodology for applicable core supports. The Review considers that it would therefore be more appropriate for the price limits of these supports to be set by the Disability Support Worker Cost Model.

### Consumables

In understanding the issue of consumables, the Review considers that it is important to distinguish between “tools of the trade” of the therapist and consumables used in the treatment of the specific participant. The Review understands that consumables that are provided to the participant are, in general, claimable against the participant’s NDIS plan. The Review considers that tools of the trade are already accounted for within the price limits for therapy support items. The Review notes, for example, that the NDIS Nursing Cost Model includes an overheads provision of 20%.

### Exercise Physiology

The Review notes that the NDIS current price limit for Exercise Physiology is higher than the average current rate payable by most comparable schemes (see Table 8 above) even accounting for GST. The Review also notes that the price limit for Exercise Physiology was increased by 12.3% between 1 July 2018 and 1 July 2019 in recognition of the fact that Exercise Physiology was not, in general, GST free. The Review does not therefore consider that there is any need for a further increase in the price limit for Exercise Physiology at this time. Whether or not Exercise Physiology services supplied to NDIS participants should be GST-free is a matter for Government and not within the scope of the Annual Pricing Review.

## RECOMMENDATION

### RECOMMENDATION 9) Capacity Building Supports

- 1) The NDIA should undertake a comprehensive review of therapy pricing arrangements as a part of the Annual Pricing Review every two years, with the next comprehensive review to commence in July 2021. Pending the outcomes of that review:
  - i) the NDIA should not index the price limits for therapy supports on 1 July 2020; and
  - ii) the NDIA should index the price limits for therapy supports on 1 July 2021 in accordance with the indexation methodology set out in Recommendation 2.1(iii).
- 2) The NDIA should index the price limits for capacity building supports that are delivered by Disability Support Workers by reference to the NDIS Disability Support Worker Cost Model.

## 6. Plan Management Supports

The Review was required by its Terms of Reference to examine the price control framework for plan management supports.

### CURRENT ARRANGEMENTS

NDIS participants can choose to have a registered Plan Management provider to manage their funding and budget for the supports in their plan. Plan Managers are bound to the *NDIS Price Guide* and are able to connect participants with both NDIS registered providers and providers that are not registered with the NDIS.

The *NDIS Price Guide* currently says that:

#### ***Plan Management – Financial Administration***

*Plan Management – Financial Administration funding applies to registered providers who undertake financial administration of a plan on behalf of a participant.*

*Plan Management – Financial Administration funding includes a setup fee to establish the payment arrangements with providers and a monthly processing fee. This support assists a participant by:*

- *Giving increased control over plan implementation and utilisation with plan financial assistance;*
- *Managing and monitoring budgets over the course of the plan;*
- *Managing NDIS claims and paying providers for delivered service;*
- *Maintaining records and producing regular (at least monthly) statements showing the financial position of the plan; and*
- *Providing access to a wider range of service providers, including non-registered providers whilst remaining in line with the price limits contained within this Guide.*

*A Plan Management – Financial Administration provider will possess bookkeeping / accounting skills and qualifications. They will have systems in place for efficiently processing payments on behalf of a participant.*

#### ***Capacity Building and Training in Plan and Financial Management by a Plan Manager***

*This reasonable and necessary support focusses on strengthening the participant's ability to undertake tasks associated with the management of their supports. This includes:*

- *Building financial skills*
- *Organisational skills*
- *Enhancing the participant's ability to direct their supports*
- *Develop self-management capabilities*

*Plan and Financial Capacity Building providers are expected to assist the participant to develop their skills for self-management in future plans, where this is possible. As a part of this capacity building support, providers are to assist the participant to build capacity in the overall management of the plan including engaging providers, developing service agreements, paying providers and claiming payment from the NDIA and maintain records.*

Plan managers are currently able to claim for three types of services. These are:

- A one-off (per plan) Establishment Fee for setting up of the financial management arrangements for managing of funding of supports – support item 14\_033\_0127\_8\_3, with a current price limit of \$227.53;
- A monthly fee for the ongoing maintenance of the financial management arrangements for managing of funding of supports – support item 14\_034\_0127\_8\_3 with a current price limit of \$102.28; and
- Capacity building and training in plan administration and management with a participant to strengthen their ability to undertake tasks associated with the management of their supports – support item 14\_031\_0127\_8\_3 with a current price limit of \$60.16 per hour.

The price limits for capacity building supports are increased on 1 July each year in line the weighted increase over the previous twelve months in the ABS Wage Price Index and the ABS Consumer Price Index (with an 80/20 weighting).

With respect to the capacity building support item, plan managers are not permitted to claim for provider travel, non-face-to-face activities and NDIA reports. They are permitted to claim for short notice cancellations.

In 2018-19, claims for plan management supports totalled \$86 million. There are currently 809 active registered providers offering plan management services – 7% percent of all NDIS registered providers. Some 33% of NDIS participants (101,119) have their funds managed by a plan manager, with total managed funds totalling approximately \$5.5 billion.

## CONSULTATIONS

The *Issues Paper* presented a number of issues with the current arrangements that had been raised by the sector, including:

- Whether the price limit for the Establishment Fee is reasonable, and whether more than one plan manager should be able to claim for an Establishment Fee if a participant changes plan managers?
- Whether the price limit for the monthly fee for the ongoing maintenance of the financial management arrangements is reasonable?
- Whether the hourly price limit for capacity building and training in plan administration and management is reasonable?

- Whether the current indexation arrangements for the price limits for plan management supports appropriately maintain their value?
- Whether plan managers should be able to claim for provider travel and non-face-to-face activities with respect to support item 14\_031\_0127\_8\_3, with the agreement of the participant?

In consultations and in the Working Group on Plan Management, providers stated that the role of plan managers had changed from simple bookkeeping to much more like support coordination. They said that a major reason for the rapid growth in plan management was that many participants do not have support coordination and Plan Managers are filling this role – for much less money. Additionally, they stated that many Local Area Coordinators are not providing the level of support required either, adding to demands on plan managers.

Some members of the Working Group on Plan Management felt that the ultimate goal of plan management should be to get as many participants self-managing as possible, agreeing with the Tune Review. Others however commented that many participants did not want to become self-managing – or could not – but were using plan managers for flexibility. All agreed that few of their clients had transitioned to self-management.

### Establishment Fee

The majority of submissions commented that the plan management Establishment Fee arrangements appeared inadequate in some form, though suggested remedies varied. These included:

- A second Establishment Fee should be claimable if participants change plan managers, and this should be limited to two changes per year;
- Establishment fee costs could be inclusive in the monthly fee; and
- A suggested price limit increase to \$350.

Some respondents suggested that current Establishment Fees were adequate for basic establishment such as the initial meeting and entering related participant information into databases. Many respondents suggested that the current fee doesn't take into account other tasks required, including payroll services, sourcing information from planners and support coordinators, assisting participants understand their NDIS plans and plan management and setting up service agreements, service bookings and IT systems.

A few respondents suggested that the current Establishment Fee does not account for complex plans, longer duration plans or new participants, suggesting a tiered structure based on complexity and budget size.

Members of the Working Group on Plan Management argued that Establishment Fees should be higher for participants who do not have a support coordinator, or for where travel is required for a first face to face meeting.

## Monthly fee

Respondents generally suggested that the current monthly fee was not sufficient, and claimed that they provided a range of services that cannot be recovered within the existing price limit. The main concern raised within submissions is that the time spent with participants seemed to be the largest contributor to costs, with one submission commenting that labour costs were 70% of their total costs.

Services and costs mentioned by respondents included:

- updating service bookings;
- providing advice, guidance and consultation;
- providing participants with a summary of plan budgets;
- presenting invoices to NDIS systems;
- remitting payments to providers;
- reconciling payments monthly;
- providing participants with invoices;
- ongoing monthly IT system costs; and
- software updates.

Members of the Working Group on Plan Management argued that the current monthly fee was not adequate for the role that Plan Managers sometimes play, including; acting as lawyers to interpret the NDIA legislation, particularly section 34; correcting invoices; and teaching people how to read the *NDIS Price Guide* and create correct invoices.

Several submissions commented that time costs are relative to the number of invoices processed for any one participant, ranging from small numbers to up to 50 invoices for processing per month. One respondent suggested that, on average, updating service bookings alone represented a cost of \$7.21 per month per participant to them. Another respondent suggested that 10 hours of work per month was required for participants with higher support needs.

Most submissions commented that a fee based on the number of transactions was a better pricing structure than the fixed monthly fee. Several submissions suggested that a tiered-fee structure based on the complexity of a participant's support needs could be introduced – to be determined by the Agency so as to capture the majority of complex plans.

Some respondents preferred a transaction-based approach to a total plan value-based approach, with one submission suggesting a 20% loading for plans over \$100,000 and increasing by 20% per \$100,000 to a cap to reflect the potential complexity and transactions.

There was also a combined solution put forth for both a monthly fixed fee plus additional fees based on the value of the plan, number of transactions or number of providers.

Conversely, there was also opposition to the transaction-based approach with several submissions asking to keep the current fee structure in place. These submissions noted that changes may add further administration time and complexity to services; the costs of monitoring transactions need to be considered; and it may adversely affect participants.

Members of the Working Group on Plan Management also discussed whether a flat rate was the best approach for fees, or whether fees should be proportional to plan budgets or participant complexity. Some members argued fees should be proportional to plan budgets, as participants with big plans take more time to manage. Conversely, some argued that plans could be over a million dollars, but still very simple if it is mostly assistive technology.

### Hourly Fee

The majority of respondents requested for a higher price limit for the capacity building and training in plan administration and management support item. Comments included that the current rate is only slightly higher than a Disability Support Worker hourly price limit, however the qualifications required for this support were considerably higher than for a Disability Support Worker. It was noted by one respondent that their average wage rate for a bookkeeper was \$30 per hour. Their average service charge was approximately \$70 per hour, with some services over \$100 per hour.

### Indexation

Many respondents commented that indexation for plan management supports was too low, despite having the same inflationary percentage adjustment as other capacity building supports. Some responses compared the dollar value changes to other capacity building and core supports. One submission suggested that the Fair Work Commission's minimum wage decision adjustment be applied to plan management supports. Providers who attended the Working Group on Plan Management agreed that plan management fees should be indexed by CPI.

### Non-face-to-face services

The majority of submissions received suggested that plan management providers should be able to claim for provider travel. Several respondents commented that travel arrangements should be the same as support coordinators, noting that travel time is a cost to deliver support. It was also proposed by some submissions that this change would encourage plan managers to provide more face-to-face services to participants. It was also mentioned that participants might expect training to occur on their own computer, which may not be replicated in an office, and that plan managers should have the option to work alongside a participant.

One submission commented that plan management providers should not be able to claim for provider travel as the majority of tasks do not require face-to-face interactions.

Many submissions from plan management providers suggested that they should be able to claim for non-face-to-face supports when providing capacity building and training in plan administration and management supports, including for:

- the creation of personalised resources, templates and tools;
- developing budgets or forecasts;
- providing clarifications and explanation on budgets and spends over the phone; and
- creating training videos specific to the participants needs.

### Other issues

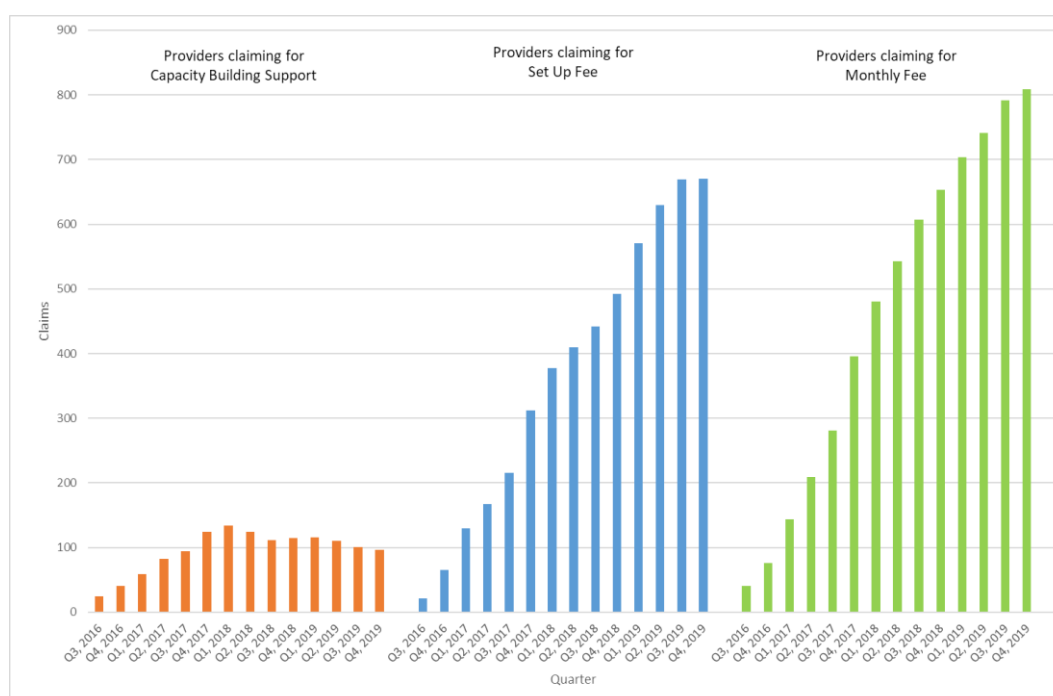
Other issues raised by respondents on plan management supports included:

- Payment portal functionality;
- Difficulties updating service bookings when required;
- More clarification required on the role of the plan manager; and
- Guidelines for supports and what they encompass.

## DISCUSSION

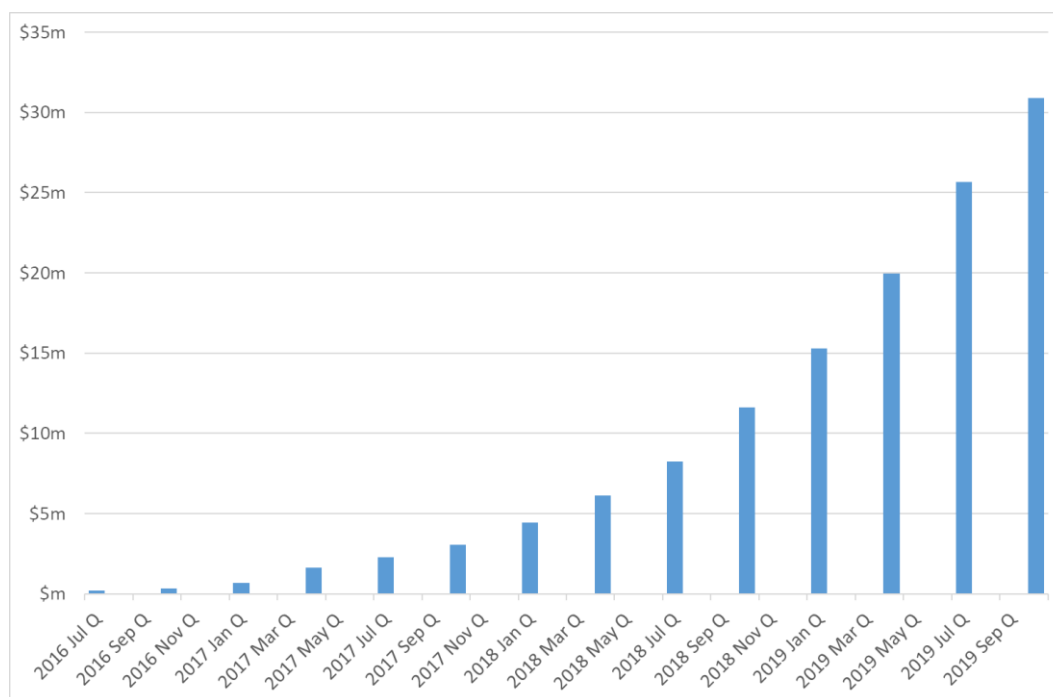
There is little evidence that current price limits for plan management are inadequate. The number of NDIS registered providers offering plan management services increased from less than 50 to just over 800 between 2016 and 2019 (see Figure 5). However, the number of providers offering capacity building supports has not grown significantly over that period.

**Figure 5 - Number of Providers Claiming per Quarter from 2016 to 2019**



The NDIS revenue earned by plan managers from the monthly account fee has also grown significantly, in line with the growth of the Scheme (see Figure 6).

**Figure 6 - NDIS Revenue Claimed by Plan Managers from Monthly Fees, by Quarter, 2016-2019**



The scale of plan management organisations is also growing with the average number of participants per plan management organisation increasing from 41 in September 2016, to 204 in September 2019. The largest five plan management providers now service approximately 30% of the market. Four of these five providers were established in the last 48 months.

Few plan management providers have exited the market and early research indicates that those who have exited may not have had the growth required to operate at sustainable margins. Most providers that have exited made a total of less than 24 claims over their lifetime of up to 3.5 years.

Another perspective on the adequacy of the current price limits can be gained from an analysis of Google Ads. An analysis by the Review of Google Ads data showed a cost per click of \$6.32, with 201,000 searches for plan management per month. There are over 8 search engine pages with businesses offering plan management services. The amount of online advertising indicates a high level of competition. The cost per click of \$6.32 indicating a willingness of providers to pay for new customers of \$63.20 based on a 20% click to call conversion rate, and 50% call to booking conversion rate.

There are some early signs of innovation in the plan management industry. Examples include allowing instantaneous payment to providers at the point of service for some therapy supports, and integrated mobile applications allowing participants to easily access information on their supports.



Early findings indicate that most Plan Managers are likely to charge the price limit for services, despite increased competition. There are few incentives for participants to consider price when choosing a plan management provider, as plan management services are added on top of the participant's typical support package, and are stated.

On balance, the Review concludes that there is no evidence of a gap in supply for plan management services. Competition is strong with new competitors entering the market, there is also strong growth in the sector both in terms of revenue and customer numbers. There also see early signs of innovation. The current flat fee structure is simple, has been iterated over time from less successful arrangements including quoting, and has been implemented on a national scale. A flat fee structure (as opposed to hourly rate) is appropriate for financial administration tasks as it can encourage efficiency.

There is some evidence that the *capacity building and training in plan administration and management* support item may not be functioning as intended. There are strong arguments why providers should be able to claim for non-face-to-face time and provider travel for this support item. The argument for an increase in the price limit for this item is less strong, given that it is already higher than the standard Disability Support Worker price limit and is aligned with the Level 1: Support Connection price limit.

## RECOMMENDATION

### RECOMMENDATION 10) Plan Management

The NDIA should amend the conditions attached to the support items:

- i) 07\_003\_0117\_8\_3 (Capacity Building and Training in Plan and Financial Management by a Support Coordinator); and
- ii) 14\_031\_0127\_8\_3 (Capacity Building and Training in Plan and Financial Management by a Plan Manager)

In the *NDIS Support Catalogue* so that providers can claim for provider travel and non-face-to-face supports with respect to these supports.

## 7. Classifying Regional, Remote and Very Remote

The Review was required by its Terms of Reference to examine the geographic classification component of the NDIS price control framework to examine whether modifications are required to the NDIA's implementation of the Modified Monash Model (MMM) to account for specific disability service-related costs, including the treatment of "isolated locations" and islands under the MMM.

### CURRENT ARRANGEMENTS

The NDIA uses the 2015 version of the Modified Monash Model (MMM2015) to determine regional, remote and very remote areas. The MMM geographic classification of a locality is principally based with the distance from that locality to the nearest population centre and the size of that population centre (see Table 9).

*Table 9 – Definitions of the Modified Monash Model Geographic Areas*

Description	Zones	MMM	Inclusion
Metropolitan	MMM1	1	All areas categorised as Major Cities of Australia.
Regional Centres	MMM2-3	2	Areas categorised as Inner Regional Australia or Outer Regional Australia that are in, or within 20km road distance, of a town with population >50,000.
Regional Centres	MMM2-3	3	Areas categorised as Inner Regional Australia or Outer Regional Australia that are not in MMM 2 and are in, or within 15km road distance, of a town with population between 15,000 and 50,000.
Regional Areas	MMM4-5	4	Areas categorised as Inner Regional Australia or Outer Regional Australia that are not in MMM 2 or MMM 3, and are in, or within 10km road distance, of a town with population between 5,000 and 15,000.
Regional Areas	MMM4-5	5	All other areas in Inner Regional Australia or Outer Regional Australia.
Remote	MMM6	6	All areas categorised Remote Australia that are not on a populated island that is separated from the mainland and is more than 5km offshore.
Very Remote	MMM7	7	All other areas – that being Very Remote Australia and areas on a populated island that is separated from the mainland in the ABS geography and is more than 5km offshore.

The MMM rating of a location can be determined using the Health Workforce Locator tool on the Department of Health's website.<sup>40</sup>

In general, price limits are 40% higher in remote areas and 50% higher in very remote areas. There is no additional loading applied for supports in metropolitan areas, regional centres or regional areas.

Price limits are based on where the support is delivered, which is not necessarily where the participant lives. For example, if a participant living in a remote location visits a therapist in

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<sup>40</sup> <https://www.health.gov.au/resources/apps-and-tools/health-workforce-locator/health-workforce-locator#hwc-map>

their capital city, the therapist should not attempt to claim a price that is higher than the price limit for the support in that city. On the other hand, if the therapist was to visit the participant in their local area to deliver the support, then the therapist could claim a price that is within the 'remote' price limit.

The NDIS Review of the WA Market found that the cost of service delivery in isolated centres – centres that are currently not classified as remote or very remote by the MMM but that are completely surrounded by remote or very remote areas – were, in general, higher than in other non-remote areas.<sup>41</sup> As a consequence, from 1 August 2019, the NDIA has modified the MMM so that areas (or groups of areas) that are currently not classified as remote or very remote by the MMM but that are completely surrounded by remote or very remote areas ("Isolated towns") are classified as remote areas for planning and pricing purposes.

A new version of the Modified Monash Model (MMM2019) based on the results of the most recent census is now available. From 1 January 2020, programs in the Australian Department of Health will transition to the MMM2019 classification system.

A number of locations have different MMM classifications under the MMM2015 and the MMM2019 systems. This is because some labour supply centres have changed size, and so areas are now closer to or further from the nearest labour supply centre of a given size. Further, islands which are less than five kilometres offshore, but not connected to the mainland by a bridge, and that have a population of less than 1,000 are classified as at least MMM6 under the new MMM2019.

The following Table provides details of the Urban Centres and Localities that will change classification between MMM2015 and MMM2019 to such an extent that the loading that the NDIS applies for planning and price control purposes will be affected. Note, however, that some of these locations (Cardwell, Duaringa and Leeton) would be eligible to be classified as remote under the NDIS isolated town policy.

**Table 10 – Regions where Price Limits change between MMM2015 and MMM2019**

State	Urban Centres and Localities	MMM2015	MMM2019	MMM2015 Loading	MMM2019 Loading	MMM2019 Loading (Isolated Towns)
NSW	Bourke	7	6	50%	40%	40%
NSW	Cobar	7	6	50%	40%	40%
NSW	Dangar Island	5	6	0%	40%	40%
Vic	Hopetoun	6	5	40%	0%	0%
Qld	Arcadia Bay, Magnetic Island	7	5	50%	0%	0%
Qld	Cardwell	6	5	40%	0%	40%
Qld	Coochiemudlo Island	5	6	0%	40%	40%
Qld	Duaringa	6	5	40%	0%	40%
Qld	Dunwich	5	6	0%	40%	40%

<sup>41</sup> NDIA. (2019). *NDIS WA Market Review Final Report*. <https://www.ndis.gov.au/media/1661/download>

State	Urban Centres and Localities	MMM2015	MMM2019	MMM2015 Loading	MMM2019 Loading	MMM2019 Loading (Isolated Towns)
Qld	Glenden	5	6	0%	40%	40%
Qld	Hideaway Bay - Dingo Beach	6	5	40%	0%	0%
Qld	Horseshoe Bay, Magnetic Island	7	5	50%	0%	0%
Qld	Injune	7	6	50%	40%	40%
Qld	Karragarra Island	5	6	0%	40%	40%
Qld	Lamb Island	5	6	0%	40%	40%
Qld	Nebo	6	5	40%	0%	0%
Qld	Nelly Bay, Magnetic Island	7	5	50%	0%	0%
Qld	Picnic Bay, Magnetic Island	7	5	50%	0%	0%
SA	Penneshaw	6	7	40%	50%	50%
WA	Broome	7	6	50%	40%	40%
WA	Carnarvon	6	7	40%	50%	50%
WA	Green Head	6	5	40%	0%	0%
WA	Kununurra	6	7	40%	50%	50%
WA	Leeman	6	5	40%	0%	40%
NT	Gunbalanya (Oenpelli)	7	6	50%	40%	40%

## CONSULTATIONS

The issues paper presented a number of issues with the current arrangements:

- What transitional arrangements, if any, should be put in place for locations that are currently classified as remote under MMM2015 and would no longer be classified as remote under MMM2019?
- Are there any other issues with the geographic classification system used by the NDIS for pricing and planning purposes?

Respondents acknowledged the need for timely changes to geographic classifications but noted that frequent changes can disrupt service delivery by providers.

A number of submissions suggested that a transition period be available for providers to adjust their operations. The most common suggestion was a 12-month notice period, to allow time for most providers to transition, particularly where geographical reclassification lowers MMM ratings, as this also impacts engaging new participants in such locations.

Respondents were also concerned that the MMM does not consider the proximity to disability providers, provider operation costs in MMM4-5 areas, and workforce attraction and retention. They proposed that the NDIA consider the proximity of a town located to other well-populated towns and a number of community services and health providers.

## RESEARCH

There are 5,673 participants who will be affected by MMM 2019 changes. Of these, 306 participants will be reclassified into or out of MMM 6-7 and thus experience the loss or gain of a geographical loading on their price limits and plan funding amounts.

- 121 participants will be reclassified from outer regional (MMM5) to remote (MMM6) and gain the 40% remote loading;
- 43 participants will be reclassified from remote (MMM6) to outer regional (MMM5) and lose the 40% remote loading;
- 59 participants will be reclassified from remote (MMM6) to very remote (MMM7) and move from the 40% remote loading to the 50% very remote loading; and
- 83 participants will be reclassified from very remote (MMM7) to remote (MMM6) and move from the 50% very remote loading to the 40% remote loading.

## DISCUSSION

The MMM is explicitly based on distance to the nearest labour supply centre and so should be well suited as a mechanism to estimate the availability of the disability support workforce and the need for higher price limits to compensate providers for the higher costs associated with attracting workers. The Review recognises that thin markets operate in remote, very remote and some regional areas, especially for more specialised services. However, the Review considers that the solution to this issue lies through a greater use of commissioning, rather than through increases in price limits, especially where the thinness of the market is due to the low number of participants. In these circumstances individual participants will never have sufficient purchasing power to attract service provision with the efficiencies of aggregation that can be generated through commissioning.

The Review also considers that the argument for a delay in implementing any change in the MMM rating of a region is not strong, given that both price limits and plan funding loadings are driven by the same loadings. Thus, while participants who might be reclassified into non-remote areas might have smaller plans they would also face lower price limits.

## RECOMMENDATION

### RECOMMENDATION 11) Geographic Classification

The NDIA should adopt the MMM 2019 classification system, and any future updates to the MMM classification system as released by the Department of Health, (subject to the NDIS Isolated Town arrangements) as the basis of determining the pricing arrangements in the NDIS Price Guide, including:

- i) whether remote and very remote loadings should be applied to price limits and plan funding amounts; and
- ii) which travel time limits apply to the supports delivered to participants.

## 8. Costs in Outer Regional Areas

The Review was required by its Terms of Reference to examine whether a loading should be applied to price limits and plan funding amounts in outer regional areas to account for the higher cost of service delivery, if any, in those areas

### CURRENT ARRANGEMENTS

In 2019, the *NDIS Western Australian Market Review* (“the WA Market Review”) found that costs in remote and very remote areas were substantially higher than those in other areas. As a result, the NDIS increased the price limit and plan funding loadings for remote and very remote areas from 20% and 25% to 40% and 50%, respectively.

The WA Market Review also found that costs did not suddenly rise when a provider crossed the boundary from an outer regional area to a remote area. Rather, costs rose in line with the distance from capital cities – although not necessarily in a linear manner.

### CONSULTATIONS

Most respondents suggested that the cost of delivering supports in regional areas is more expensive due to the increased travel costs and limited transport options in regional areas, accommodation costs of workers (where applicable), and wage costs. Several submissions suggested that the issues faced in regional areas are better aligned to remote areas. Another submission argued that providers in MMM4-5 areas face higher start-up and ongoing costs associated with establishing, supporting and sustaining a business in regional locations, particularly for small providers.

Respondents were asked to indicate what would be an appropriate loading to cover any additional costs associated with the delivery of services in regional areas. Submissions suggested a 10% to 20% loading, with one suggesting a 50% loading. Another submission suggested quoting for regional services, rather than a loading. However, submissions did not provide strong evidence for these estimates.

### RESEARCH

The Commonwealth Grants Commission (CGC) conducted research into the actual costs of placing government employees in remote locations.<sup>42</sup> The CGC found that costs varied linearly with distance – rather than into just three discrete groups. The CGC also found that placing staff in very remote areas could cost almost double what it cost to place them in

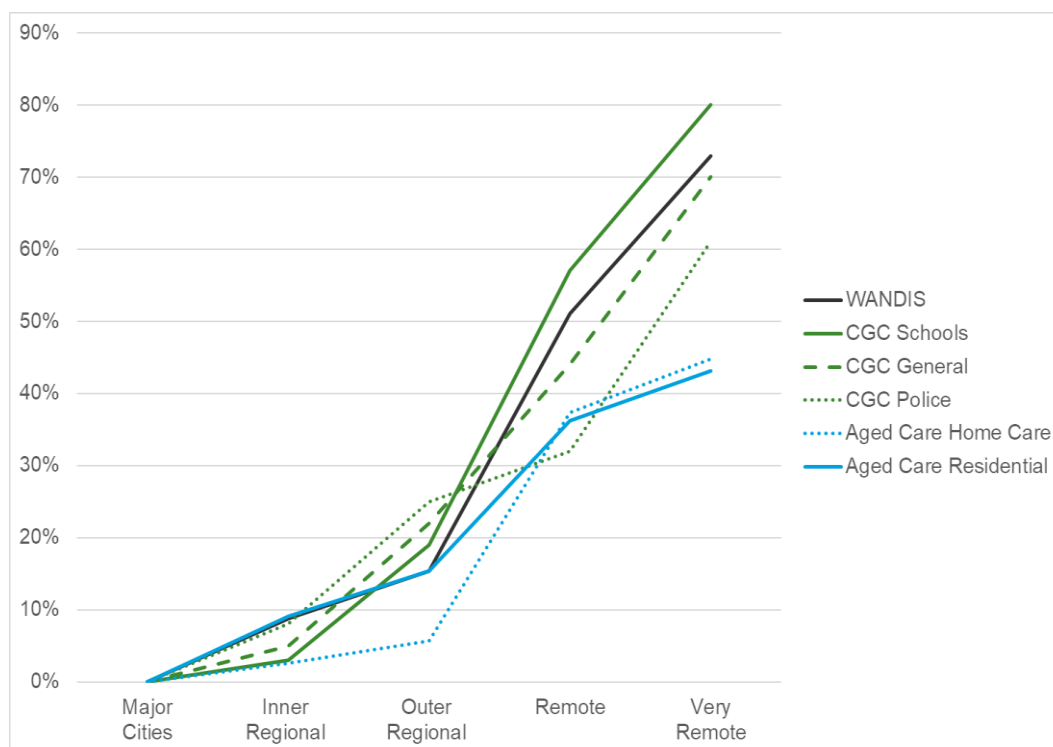
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<sup>42</sup> Commonwealth Grants Commission. (2015). *Report on GST Revenue Sharing Relativities 2015 Review – Volume 2 – Assessment of State Fiscal Capacities*.

The CGC’s regional cost scale is based on schools and police data (the only comparable data across states and territories available when they were developed). The general regional cost scale is derived from the average of the schools and police scales, which is then discounted 25% due to uncertainty with its fit to other service delivery areas. The data have not been updated as the CGC considers that relative costs between states are unlikely to have significantly changed and the previous data request was a significant burden on states.

cities. Figure 7 from the WA Market Review compares the CGC's estimates of the costs of delivering services in regional, remote and very remote areas with metropolitan areas. It also shows the price loadings that applied at the time of the WA Market Review in the WA NDIS and in the Commonwealth's residential and community aged care programs.

**Figure 7 - Relative Cost of Delivering Services by Remoteness Classification**



In all cases, the cost loadings were significantly greater than the price limit and plan funding loadings that were applicable in the NDIS at the time of the WA Market Review. Because of this evidence, the WA Market Review found that the costs of delivering services in remote and very remote areas were significantly higher than in metropolitan areas, and the difference in costs were greater than were then provided for in the NDIS planning and pricing arrangements. The WA Market Review also found that the costs of delivering services in regional areas might also be higher than in metropolitan areas, but that further research on the magnitude and significance of this difference was required. This matter was referred to the Annual Price Review 2020-21 for further consideration.

The Department of Education, Employment and Workplace Relations conducted a study into their regional loadings in 2011.<sup>43</sup> That study considered the model for factoring in components of regional service delivery at regional campuses such as staff numbers, class size, total enrolment and geographic features of the locale. Their recommended hierarchy for loading was as follows: Remote and Very Remote = 20%; Darwin specific = 15%; Outer Regional = 10%; and Inner Regional = 5%.

<sup>43</sup> [https://docs.education.gov.au/system/files/doc/other/regional\\_loading\\_final\\_report.pdf](https://docs.education.gov.au/system/files/doc/other/regional_loading_final_report.pdf)

A detailed study published in 2014 by the Queensland Government Statistician, reported in Table 11, found that, in general, the cost of living in regional areas was lower than in metropolitan areas.<sup>44</sup>

**Table 11 - Relative Cost of Living across Queensland**

City/Town	Relative Cost of Living Index	City/Town	Relative Cost of Living Index
<b>Brisbane</b>	<b>100.0</b>	Gympie	92.1
Ayr	93.7	Kingaroy	89.1
Beaudesert	93.3	Longreach	94.9
Bowen	94.8	Mackay	99.4
Bundaberg	94.3	Maryborough	88.8
Cairns	103.6	Moranbah	99.4
Cannonvale	98.9	Mount Isa	102.6
Charleville	97.1	Rockhampton	96.6
Charters Towers	92.6	Roma	99.7
Dalby	94.5	Sunshine Coast	103.8
Emerald	91.3	Toowoomba	99.5
Gatton	96.1	Townsville	97.7
Gladstone	98.9	Warwick	92.2
Gold Coast	100.2	Weipa	126.4

The Regional Cost Index developed by the Western Australian Department of Primary Industries and Regional Development similarly shows that, in general, the cost of living in regional areas are not significantly higher than in metropolitan areas (see Table 12).<sup>45</sup>

**Table 12 - Relative Cost of Living across Western Australia**

Region	Relative Cost of Living Index	City/Town	Relative Cost of Living Index
<b>Perth</b>	<b>100.0</b>	Goldfields-Esperance	101.3
Kimberly	112.9	Wheatbelt	101.7
Pilbara	110.7	Peel	97.4
Gasgoyne	109.1	Southwest	101.6
Midwest	101.2	Great Southern	100.2

## DISCUSSION

The Review does not consider that there is sufficient evidence to conclude that the costs of service delivery are higher in regional areas than in metropolitan areas, except in respect of travel costs. It therefore considers that any supply issues in these areas are better addressed through the revised travel and commissioning arrangements proposed elsewhere in the Review.

<sup>44</sup> <https://www.qgso.qld.gov.au/issues/2886/index-retail-prices-qld-regional-centres-2013.pdf>

<sup>45</sup> <http://www.drd.wa.gov.au/Publications/Documents/Regional%20Price%20Index%202017.pdf>



## 9. Cancellation Rules

The Review was required by its Terms of Reference to examine the current price control arrangements for cancellations within the Scheme.

### CURRENT ARRANGEMENTS

NDIS providers are not permitted to collect deposits or bonds from participants, or to retain these funds in the event of the participant cancelling a service booking for a support or failing to turn up for a support. However, they are permitted to charge cancellation fees against a participant's plans in certain circumstances.

The *NDIS Price Guide* currently says:

*Where a provider has a short notice cancellation (or no show) they are able to recover 90% of the fee associated with the activity, subject to the terms of the service agreement with the participant. Providers are only permitted to charge for a short notice cancellation (or no show) if they have not found alternative billable work for the relevant worker and are required to pay the worker for the time that would have been spent providing the support.*

*A cancellation is a short notice cancellation if the participant:*

- *does not show up for a scheduled support within a reasonable time, or is not present at the agreed place and within a reasonable time when the provider is travelling to deliver the support; or*
- *has given less than two (2) clear business days' notice for a support that meets both of the following conditions:*
  - *the support is less than 8 hours continuous duration; AND*
  - *the agreed total price for the support is less than \$1000; or*
- *has given less than five (5) clear business days' notice for any other support.*<sup>46</sup>

In 2018-19, cancellation payments totalled \$12.4 million or 0.1% of Scheme expenditure. Only 27.2% of providers made a cancellation claim. For these providers, cancellation claims represented, on average, 4.9% of all their claims (by number) and 3.6% of all their claims (by value). For 1 in 10 providers who claimed for cancellations, cancellation claims represented, more than 11.1% of all their claims (by number) and 8.3% of all their claims (by value).

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<sup>46</sup> To help providers to continue to deliver supports to participants through the COVID-19 pandemic, the NDIA has amended the definition of short notice cancellation from 25 March 2020. Participants are now required to give 10 business days' notice for a cancellation if they want to avoid paying the full fee for a cancelled service. This change in the definition of short notice cancellations is for a six-month period (25 March 2020 to 25 September 2020), with an initial review at three months to determine if it continues to be appropriate. When reviewing, the NDIA will consider a range of factors, including the current status of the COVID-19 pandemic. Providers are also paid 100% of the agreed fee for cancellations.

## CONSULTATIONS

The *Issues Paper* presented a number of issues with the current arrangements that had been raised by the sector, including:

- Some providers have argued that the current arrangements - whereby they are required to claim for 100% of the agreed fee for a cancelled service but the NDIS only pays them 90% of the agreed fee - results in accounting anomalies in their accounts showing the NDIS as bad debtor.
- Plan managers have also reported that they face difficulties in balancing their accounts when the invoices presented by providers, which they pass onto the NDIS, do not match the payments made by the NDIS.
- Some providers have also argued that they should be able to recover the full cost of the service that was cancelled, where they have not been able to replace the participant, as they face all of the costs associated with the appointment.
- Some stakeholders have questioned whether the NDIS cancellation rules should not be better aligned to those that apply in the general economy.

It was noted by many respondents that it was difficult to make alternative arrangements when a short-notice cancellation occurs, particularly when this occurs last minute (i.e. no show). Common concerns raised included:

- Difficulty replacing participants due to nature of support;
- If no replacement found, staff were allocated other types of tasks internally (i.e. administration); and
- Depending on the customer base and rostering, it may be difficult to replace cancelled appointments.

A few submissions provided approximate numbers of how often alternative arrangements could be made following a cancellation, which included some noting 25 to 30% of the time, others noting up to 70 and 95% of the time. One respondent mentioned it can often be done, but depends on individual circumstances. Almost all submissions indicated that they spent a lengthy time attempting to replace a short-notice cancellation. A few submissions noted that associated administration time could range between 30 minutes to two hours, and even up to a day to reschedule a worker.

Most providers argued that it was inappropriate to reduce the fee claimable for a short notice cancellation because the cost structures were the same whether or not the service was delivered. This view was not unanimous, however. Other respondents commented that the current arrangement was a fair balance between participant and provider. One suggested the removal of the cancellation fee.

A particular problem with the current arrangements noted by several providers was that providers were required to claim for 100% of the fee but were only paid for 90% of this. Thus

meant that their financial systems were showing a debt by the NDIS of 10% of the fee and additional administrative work was required to balance their books to satisfy their auditors.

Some providers indicated that two days' notice was typically adequate. Others argued that this is insufficient notice when the respondent also coordinates with schools, day programs, and other service providers. Another issue was that rostering may be complex and that two days' notice may not provide adequate time for adjustment. Some respondents suggested shortening the timeframe to 24 hours while others suggested expansion with proposals ranging from three days to five days.

The majority of responses indicated that the same cancellation rules should apply to all supports. One submission noted cancellations should also apply to interpreter service under the NDIS, as organisations are still required to pay an interpreter for short notice cancellations, yet cannot charge a cancellation fee under the NDIS. Other respondents asked for clarity around cancellations for Supported Independent Living (SIL) and group supports as this impacts other participants and more difficult to arrange available resource.

## DISCUSSION

There was little consensus among submissions as to whether the current cancellation periods were adequate. It is therefore not proposed to change these at this time.

The arguments for changing the payment rate to 100% of the agreed fee are much stronger. The Review considered whether it might also be able to resolve provider's accounting difficulties by improved claiming arrangements in the NDIS systems, but on balance considered that providers' arguments about their incurred costs being invariable if they could not find alternative work were considered to be stronger. Especially as providers can incur additional costs after no shows or prolonged cancellations through their duty of care, which requires them to assure themselves that the cancelling participant is not incapacitated.

## RECOMMENDATION

### RECOMMENDATION 12) Cancellation Fees

The NDIA should permanently amend the claiming rules in the *NDIS Price Guide* to allow providers to claim for 100% of the agreed fee for a short-notice cancellation.

## 10. Provider Travel Rules

The Review was required by its Terms of Reference to examine the current claiming rules for provider travel within the Scheme, including:

- Provider travel time limits, including examining whether it is possible to develop an approach that is more sensitive to local conditions; and
- Non-labour costs associated with provider travel.

### CURRENT ARRANGEMENTS

The NDIA recognises that supports are often best delivered in the community or the participant's own home. The price control arrangements therefore allow providers to charge for the time spent travelling to participants to deliver supports in some case.

The *NDIS Price Guide* currently says:

*Providers can only claim travel costs from a participant in respect of the delivery of a support item if:*

- the Support Catalogue indicates that providers can claim for Provider Travel in respect of that support item;
- the provider has the agreement of the participant in advance (i.e. the service agreement between the participant and provider should specify the travel costs that can be claimed); and
- the provider is required to pay the worker delivering the support for the time they spent travelling as a result of the agreement under which the worker is employed; or the provider is a sole trader and is travelling from their usual place of work to or from the participant, or between participants.

*Where a provider claims for travel time in respect of a support then the maximum amount of travel time that they can claim for the time spent travelling to each participant (for each eligible worker) is 30 minutes in MMM1-3 areas and 60 minutes in MMM4-5 areas. (Note the relevant MMM classification is the classification of the area where the support is delivered.)*

*In addition to the above travel, capacity building providers who are permitted to claim for provider travel can also claim for the time spent travelling from the last participant to their usual place of work. The maximum amount of travel time that they can claim for the time spent on return travel (for each eligible worker) is 30 minutes in MMM1-3 areas and 60 minutes in MMM4-5 areas. (Note the relevant MMM classification is the classification of the area where the support is delivered.)*

*Where a worker is travelling to provide services to more than one participant in a 'region' then the provider can apportion that travel time (including the return journey where applicable) between the participants, with the agreement of each participant in advance.*

*Claims for travel in respect of a support must be made separately to the claim for the primary support (the support for which the travel is necessary) using the same line item as the primary support and the "Provider Travel" option in the Myplace portal. When claiming for travel in respect of a support, a provider should use the same hourly rate as they have agreed with the participant for the primary support (or a lower hourly rate for the travel if that is what they have agreed with the participant) in calculating the claimable travel cost.*

## CONSULTATIONS

The issues paper presented a number of issues with the current arrangements that had been raised by the sector, including:

- That the current limits on the claimable travel time may restrict services to participants because providers will be unwilling to deliver services if they are unable to recover their travel costs.
- That providers are not currently permitted to claim for unavoidable non-labour travel costs, which include the overall general cost for running and maintaining the cost of the vehicle, including allowances payable to workers for the use of their own cars, or the cost of maintaining fleet vehicles and road tolls.

Providers were asked to indicate the proportion of travel episodes related to the delivery of NDIS supports by their organisation that exceeded the claimable time limits specified in the *NDIS Price Guide* and the *NDIS Support Catalogue*. Some respondents indicated that they were able to work within the limits through selecting participants in serviceable areas. However, other respondents indicated that they stopped delivering services to participants in their home or place of residence if the cost of travel far outweighed the financial incentive for the business to do so.

Some respondents who provided an estimate on the amount of travel to participants that exceeded the *NDIS Price Guide* limits suggested that this occurs for five (5) to 10% of services delivered. Others indicated it might go up to 30 and 50% in some instances. Several respondents noted that travel limits were mostly exceeded in regional areas, and in areas that are dispersed (not necessarily regional, remote or very remote). An example was given of travel occur in an MMM1-3 zone that took an hour, but for which only up to 30 minutes was claimable. Some respondents said they generally absorbed travel costs (not charging the participants) where long travel distances are required and there are no alternative supports available.

Some submissions argued that the distances within a MMM classification can vary substantially and are not reflective of the kilometres travelled. Others argued that there is an increasing travel cost associated with metropolitan areas, due to traffic congestion, road

tolls and lack of adequate parking availability, compared to kilometres travelled in regional and remote areas.

Respondents identified outer regional areas are particularly difficult to service due to travel costs. One submission requested that the travel limit for therapy services should be removed for regional areas. Some respondents indicated that it was not viable for them to provide service to participants living more than 45 minutes away. Further, travel to some locations further away from the organisation base required overnight accommodation or alternative travel such as flights or ferries, which add to the travel costs.

Provider submissions also raised concerns relating to isolated communities that are classified as MMM6-7. Respondents were concerned that the NDIS planning arrangements for remote and very remote participants do not adequately provide for the high cost of travelling in those regions, which could leave the participant with minimal funding for support hours, or make it financially unviable to deliver services. There were also issues of efficiency with the current arrangements, with each participant individually organising expensive travel from providers which might be a better shared cost. Some support coordinators tried to perform the role of maximising the number of participants seen by a visiting providers but they were not always best placed to do this.

Providers argued that in order to make the delivery of supports viable in thin markets they need to find and group other participants in an area to defray costs. This can work very well as semi-regular arrangements. As an example, in the Tiwi Islands there are 12 children on the main island, Melville Island. Therapists worked with the school to establish service agreements for all 12 participants. A therapist visits six times during the school term, on average 8 children are present. Fees are charged on that basis. However, considerable non-claimable hours are needed in preparation for a trip to remote areas - organise on ground support, appropriate times, communicate with people in communities, accommodation etc. For each individual remote trip, there are up to six hours of planning.

Respondents were also asked to indicate what proportion of the travel costs associated with the delivery of an NDIS support (labour and non-labour costs) that they currently recovered from the NDIS. One submission indicated that they are able to recover all costs related to travel. Another respondent suggested that 80% of travel costs were recovered from the NDIS. The principal issues raised by respondents was that they were only able to claim for the worker's time currently, and that they had to absorb non-labour costs such as vehicle fleets and mileage. These providers pointed out that the SCHADS Award requires them to pay their workers 78 cents per kilometre when the worker used their own car for provider travel, yet the *NDIS Price Guide* does not allow this to be claimed. Providers also indicated that it was, in general, less expensive and often safer, to maintain a fleet of vehicles of their support workers to use, but that these costs added significantly to the level of their overheads as they were not claimable from the NDIS. One respondent noted that for travel, their costs were 29% non-labour and 71% labour.

Respondents also indicated that the non-labour costs associated with provider travel depended on the type of vehicle and were higher for disability-modified vehicles. One

submission noted that the cost of fuel in regional areas are typically higher than metropolitan areas. Other submissions noted that the costs of travelling to remote areas can be much higher given the poor state of the roads in those areas.

The majority of submissions suggested a per kilometre basis as the most appropriate and consistent method for claiming non-labour travel costs. It was suggested that this is the most transparent for participants receiving travel for their support, as well as being the administratively efficient method for providers.

## RESEARCH

There is no common approach to provider travel across comparable schemes.

- WorkCover Queensland allows therapy providers to bill for travel time at a reduced rate equal to about 72% of the standard hourly rate “where the provider is required to leave their normal place of practice to provide a service to a worker at their place of residence, rehabilitation facility, hospital or the workplace; for visits to multiple workers or facilities, divide the travel charge accordingly between workers assessed/treated at each location”.<sup>47</sup> There is no provision for provider travel costs associated with the delivery of attendant care services.
- Victorian Transport Accident Commission (TAC) will pay for the time therapists spend travelling to conduct treatment in the community, where this is clinically justified, but only from the provider’s practice address and the patient’s residence. Where more than one patient is visited in a single travel period, total travel costs is required to be apportioned equally between patients. The TAC does not pay for provider travel time for attendant care supports, except for the reasonable cost of attendant carer travel when accompanying a client to a transport accident injury related hospital, medical or rehabilitation appointment. (Note, within the NDIS this would be classified as Activity Based Transport rather than Provider Travel.)
- The State Insurance Regulatory Authority of New South Wales does not in general, allow therapists to charge for the time that they spend travelling. They do allow the reimbursement of vehicle costs “in accordance with the “Use of private motor vehicle” set out in Item 6 of Table 1 (Rates and Allowances) to Part B (Monetary Rates) of the Crown Employees (Public Service Conditions of Employment) Reviewed Award 2009, at 68 cents per kilometre.
- Return to Work South Australia allows therapy providers to bill for travel time at a reduced rate equal to about 85% of the standard hourly rate.<sup>48</sup>

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<sup>47</sup> [https://www.worksafe.qld.gov.au/\\_data/assets/pdf\\_file/0009/178083/2019-Occupational-Therapy-table-of-costs.pdf](https://www.worksafe.qld.gov.au/_data/assets/pdf_file/0009/178083/2019-Occupational-Therapy-table-of-costs.pdf)

<sup>48</sup> <https://www.rtwsa.com/service-providers/provider-registration-and-payments/fee-schedules>



## DISCUSSION

### Travel Time Limits

The Modified Monash Model geographical classification is based on distance from labour supply centres. In general, therefore, it should form a reasonable basis for the time limits on provider travel, which are meant to encourage participants to access providers closer to them where possible.

- MMM1 regions – The Review understands that traffic congestion can make travel in metropolitan areas time consuming. However, the Review considers that it is important to continue to encourage participants to seek services from providers closer to them to improve Scheme sustainability and notes that the market for disability services is continuing to show strong growth, especially in metropolitan areas.
- MMM2-4 regions – The Review notes that:
  - Locations in regions classified as MMM2 are in, or within 20km road distance, of a town with population >50,000;
  - Locations in regions classified as MMM3 are in, or within 15km road distance, of a town with population between 15,000 and 50,000; and
  - Locations in regions classified as MMM4 are in, or within 10km road distance, of a town with population between 5,000 and 15,000.

The Review considers that in each of these cases this means that participants are sufficiently close to a labour supply source that non-specialist services should be able to be delivered to them within the time limits set out in the *NDIS Price Guide*.

- MMM 5 regions – The Review notes that some people living in regions classified as MMM5 may live a considerable distance from services, but considers that this issue is best resolved through the more targeted approaches suggested below rather than through an increase in the provider travel time limits.

The Review also understands that more specialised services often require more travel than other services, given that they are located in fewer locations. Again, however, the Review considers that this issue is best resolved through the more targeted approaches suggested below rather than through an increase in the provider travel time limits, noting that capacity building providers are already permitted to make a separate claim for the return travel from the last client of the day.

### Coordinated Commissioning

The Review considers that the fundamental difficulty in the supply of services in outer regional, remote and very remote areas is the sparsity of participants requiring services. This is a problem not best resolved through increasing price limits or provider travel time limits as these solutions do nothing to aggregate demand and ensure efficient delivery of services.



A model for an alternative approach to managing the costs of travel and improving the efficiency of service provision in remote and very remote areas is provided by CheckUp, a Queensland Fund Holder for the Commonwealth's Rural Health Outreach Fund. Fundholders for the Rural Health Outreach Fund are appointed through a competitive process and are then required to undertake detailed needs assessment and planning in consultation with communities and local organisations. Based on the outcomes of the planning, Fundholders develop proposals for service delivery and once proposals are approved, Fundholders are responsible for the delivery of services in accordance with the approved plans.

Under these arrangements, CheckUp provides funding to health professionals visiting eligible locations to cover out of pocket expenses relating to the following

- Travel costs: airfares, car hire, mileage for use of personal car, taxi hire;
- Accommodation (per night);
- Meals Allowance (per meal): Breakfast, Lunch, Dinner and Incidentals;
- Administration Support (daily rate): administrative costs associated with the delivery of outreach services, such as the organisation of appointments, processing of correspondence and follow up with patients, at the outreach location;
- Upskilling: informal or formal educational and upskilling activities that are provided at the outreach service location;
- Cultural awareness and safety training: support to undertake this training, if required;
- Equipment lease: Subject to approval; and
- Telehealth services: hire of venue and equipment.<sup>49</sup>

These payments are on top of any fees that may be charged to the patient or the MBS and reduce costs for the patient and increase the availability of services.

Return to Work South Australia also provides a schedule for travel reimbursement arguing that this allows for more flexibility in addressing the unique travel challenges of regions located further away to deliver services:

*A case manager may require a service to be delivered at a location greater than 100km from the provider's closest place of business. In these circumstances, a case manager may approve reimbursement of the following travel expenses: economy airfares, overnight accommodation and reasonable cost for meals associated with the overnight stay, taxi fares, car parking and car hire expenses (excluding fuel costs and vehicle mileage).<sup>50</sup>*

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<sup>49</sup> [https://www.checkup.org.au/page/Initiatives/Outreach\\_Services/Outreach\\_Provider\\_Information/](https://www.checkup.org.au/page/Initiatives/Outreach_Services/Outreach_Provider_Information/)

<sup>50</sup> [https://www.rtwsa.com/\\_data/assets/pdf\\_file/0009/99657/return-to-work-services-fee-schedule.pdf](https://www.rtwsa.com/_data/assets/pdf_file/0009/99657/return-to-work-services-fee-schedule.pdf)

Checkup also has a role in improving the coordination of services at the location where the service is provided. They aggregate the needs of individuals and match these to visiting professionals to ensure the most efficient use of resources.

The Review considers that there would be considerable advantages in the NDIS adopting a similar coordinated commissioning approach for the provision of travel funding to visiting service providers in outer regional, remote and very remote areas and other thin markets. This approach could ameliorate the need to commission other services, or assist in the commissioning of those services.<sup>51</sup> It could also simplify the planning process, as it would not be necessary for planners to work out travel amounts for plans.

### Non-labour travel costs

Providers incur significant non-labour costs associated with provider travel either because they maintain their own fleets or because they are required by the SCHADS Award to reimburse their employees when they use their own cars to deliver supports to participants.

Absent commissioning arrangements for travel in thin markets as discussed above, these costs can either be recognised within the overheads of providers or as a separate expense similar to the arrangements for non-labour costs of Activity Based Transport as set out in the *NDIS Price Guide*:

*If a provider incurs costs, in addition to the cost of a worker's time, when accompanying and/or transporting participants in the community (such as road tolls, parking fees and the running costs of the vehicle), they may negotiate with the participant for them to make a reasonable contribution towards these costs. The NDIA considers that the following would be reasonable contributions:*

- up to \$0.85 a kilometre for a vehicle that is not modified for accessibility
- up to \$2.40 a kilometre for a vehicle that is modified for accessibility or a bus
- other forms of transport or associated costs up to the full amount, such as road tolls, parking, public transport fares.

On balance, the Review considers that it is more appropriate to recognise non-labour provider travel costs as they occur rather than within the overheads assumption, since they are not evenly distributed between providers. Recognising these costs separately also ensures that providers do not have an incentive to cut community based supports in order to lower their overheads. Providers, should however, only be able to claim for the non-labour costs associated with provider travel where the rules governing provider travel allow a claim for provider travel to be made. That is, when the provider is required to pay the worker delivering the support for the time they spent travelling as a result of the agreement

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<sup>51</sup> The Review recognises that transient service provision can be less effective than local service provision. However, in some thin markets local service provision may not exist and in those cases coordinated commissioning will, in general, offer a more efficient and effective solution than individualised commissioning. This should, however, operate alongside efforts at local capacity building.

under which the worker is employed; or the provider is a sole trader and is travelling from their usual place of work to or from the participant, or between participants.

## RECOMMENDATION

### RECOMMENDATION 13) Provider Travel

- 1) The *NDIS Price Guide* and the *NDIS Support Catalogue* should be amended from 1 July 2020 so that providers can claim for the non-labour costs associated with provider travel in line with the activity based transport arrangements. Claims should only be able to be made for the non-labour costs associated with provider travel where the rules governing provider travel allow a claim for provider travel to be made.
- 2) The NDIA should further examine the option of the commissioning of travel broker arrangements to coordinate participants and providers and pay for travel costs.

## 11. Establishment Fees

The Review was required by its Terms of Reference to examine the current arrangements for Establishment Fees within the Scheme.

### CURRENT ARRANGEMENTS

NDIS providers who are providing a significant amount (at least 20 hours per month) of daily activity and community participation supports to a participant are permitted to charge that participant's plan an Establishment Fee when they commence providing services to the participant. This recognises the non-ongoing and not otherwise claimable costs that providers incur in establishing arrangements and assisting participants in implementing their plan, including assessing the participant's needs, agreeing a service agreement with the participant and setting up service bookings in the NDIA system.

The *NDIS Price Guide* currently says that the Establishment Fee arrangements apply:

*... to all new NDIS participants in their first plan where they receive at least 20 hours of personal care/community access support per month. This payment is to cover non-ongoing costs for providers establishing arrangements and assisting participants in implementing their plan.*

*An Establishment Fee is claimable by the provider who assists the participant with the implementation of their NDIS Plan, delivers a minimum of 20 hours per month of personal care/community access support and has made an agreement with the participant to supply these services.*

*A budget of \$750 is included in the first plan for NDIS participants, in case they need this type of assistance from providers to design and implement support arrangements. Providers can draw against this budget as follows:*

- If the participant is new to the NDIS and new to the provider, then the provider can charge a maximum of \$500 against the participant's plan;*
- If the participant is new to the NDIS but is an existing client of the provider, then the provider can charge a maximum of \$250 against the participant's plan; and*
- If the participant is choosing to change providers, then the new provider can charge a maximum of \$250 against the participant's plan to assist the participant in changing providers.*

The *NDIS Support Catalogue* provides the following support item for eligible providers to claim an Establishment Fee.

Support Item Number	Support Item Name	Support Item Description
01_049_0107_1_1	Establishment Fee For Personal Care/Community Access	Establishment Fee for Personal Care/Community Access (20 hours per month).

In 2018-19, Establishment Fees were claimed by 984 different providers. Some 88 providers claimed 50 or more Establishment Fees. These providers accounted for 54.3% of the total number of Establishment Fees claimed by providers and for 51.8% of the total value of all Establishment Fees claimed by providers. Establishment Fees were claimed in respect of 17,157 participants, at a total cost of \$6.39 million (19,357 total individual claims).

- 15,480 participants had one Establishment Fee claimed from their plans in 2018-19. This accounted for 90.2% of those participants who had one or more Establishment Fees deducted from their plan in 2018-19.
- 1,390 participants had two Establishment Fees claimed from their plans in 2018-19. This accounted for 8.1% of those participants who had one or more Establishment Fees deducted from their plan in 2018-19.
- 287 participants had three or more three or more Establishment Fees claimed from their plans in 2018-19. This accounted for 1.7% of those participants who had one or more Establishment Fees deducted from their plan in 2018-19.

## CONSULTATIONS

The *Issues Paper* sought feedback on a number of issues with the current arrangements that had been raised by stakeholders, including:

- Whether providers should be able to charge an Establishment Fee to a participant if they commence to provide services to the participant in their second or subsequent plan?
- Whether more than one provider should be able to charge an Establishment Fee at the same time – if, for example, a participant has more than one provider who is supplying at least 20 hours per month of daily activity and community participation supports?
- Whether a third or subsequent provider in a given year should be able to charge an Establishment Fee if a participant chooses to change provider more than once?
- Whether the current amount payable for Establishment Fees represented value for money for participants and allowed providers to recover the costs of establishing services for participants, including establishing service bookings in the NDIA payment system?
- Whether other types of providers should be able to charge an Establishment Fee?

In response to the *Issues Paper*, some submissions from providers argued that Establishment Fees should be payable whenever a participant starts receiving services from a provider, regardless on whether the participant was on their first or subsequent NDIS plan. Submissions suggested that it was the need to establish arrangements for a new participant to the provider that triggered the relevant costs.

Some submissions also argued that the current rules were not clear and appeared complex, and could be simplified. Submissions also argued that providers should also be able to

charge an Establishment Fee, perhaps at a reduced rate, for second and subsequent plans, as providers have to re-establish service agreements with participants and service bookings in the NDIA system at the start of each plan.

Other submissions suggested that Establishment Fees should also be payable in respect of other supports in the *NDIS Support Catalogue*. Suggestions ranged from specific capacity building supports ('Improved Learning', 'Support Coordination' and 'Improved Relationships'), to all capacity-building supports and even all support categories.

There were mixed views on the adequacy of the current Establishment Fee arrangements. Respondents who indicated that the current price limits were adequate, suggested that the same price limit should apply to all new and revised plans or that to all new participants to a provider. Some respondents who indicated that the current price limits were inadequate, suggested that the price limit should be increased by \$250. Others suggested an increase in the minimum price limit to establish supports for a new customer, or a tiered system based on higher intensity needs of participants. Other submissions suggested that the current arrangements do not adequately consider the number of hours required to establish services for a participant or the service type of support.

Almost all submissions suggested that the amount of the Establishment Fee should be indexed. It was suggested that the most appropriate way to index Establishment Fees was to link it to the type of support that it best aligns.

Several submissions raised concerns such as inconsistencies across the *NDIS Price Guide* and the *NDIS Support Catalogue* and that the Establishment Fee only appears in the Daily Activities support category for claiming, limiting claiming by community access providers.

## RESEARCH

The NDIA has identified that Establishment Fees for similar services are payable in some other schemes, including (as at 1 July 2019):

- icare New South Wales – A one-off Program Establishment Fee for participants who receive support from a provider for more than three months of \$1,214.06 for participants receiving up to 34 hours of support per week and \$1,517.58 for participants receiving more than 34 hours of support per week. The payment is intended to assist with the costs associated with recruitment campaigns, the organisation of additional training for support workers, and time to visit and collaborate with the participant to develop the attendant care program.
- Victorian Transport Accident Commission (TAC) – A one-off Establishment Fee of up to \$1,328.17 is payable to a service provider who provides a TAC Client with four hours or more of services per billing period, for more than three consecutive months. The payment is intended to assist with the costs of the recruitment of new personnel, the development of a care plan and training plan, as well as compliance with Occupational Health and Safety site audit requirements.

- Worksafe Victoria – An Establishment Fee of up to \$1,207.32 payable after a provider has provided at least four hours of attendant care in three consecutive billing periods to assist with the costs of the recruitment of new personnel. The payment is intended to assist with the costs of the development of support and training plans; and compliance with OHS site requirements.<sup>52</sup>

Note, however, that NDIS Establishment Fees are not intended to cover many of the costs identified above (potential recruitment costs of new personnel, training of staff and development of a care plan). In general the NDIS arrangements view these costs as part of the normal operating costs of providers. Participant specific training is claimable through the NDIS non-face-to-face claiming arrangements.

## DISCUSSION

### Who should be able to claim for Establishment Fees?

There are technical deficiencies in the current arrangements. First, the *NDIS Price Guide* says that Establishment Fees may be claimed by providers in respect of “all new NDIS participants in their first plan where they receive at least 20 hours of personal care/community access support per month.” However, the terms “personal care” and “community access” are not defined in the *NDIS Price Guide*. Moreover, because the Establishment Fee support item is linked to Registration Group 0107 (Daily Personal Activities) only providers registered in that Registration Group can currently claim for Establishment Fees. In particular, providers in the Registration Groups 0104 (High Intensity Daily Personal Activities), 0125 (Participation in community, social and civic activities) and 0136 (Group and Centre Based Activities) cannot currently claim Establishment Fees unless they are also in Registration Group 0107.

The Review considers that this issue should be addressed by more clearly specifying in the *NDIS Price Guide* that providers in these four Registration groups are entitled to claim for Establishment Fees if they meet the relevant eligibility requirements. It would also be necessary to create new Establishment Fee support items in Support Category 1 (Assistance with Daily Life) and Support Category 4 (Assistance with Social and Community Participation) for the relevant Registration Groups.

Although several submissions suggested that providers of other types of support should also be able to claim for Establishment Fees, the Review does not consider that the arguments for this change were strong. Most other types of support are unlikely to meet the eligibility requirement of at least 20 hours a month for the duration of the plan. In addition, most capacity building supports already have a considerable allowance for non-billable hours built into their price limits and the ability to claim for non-face-to-face supports.

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<sup>52</sup> <https://www.worksafe.vic.gov.au/attendant-care-services-policy>  
<https://www.worksafe.vic.gov.au/attendant-care-services-fee-schedule>

### **When should Establishment Fees be claimable?**

Currently, Establishment Fees are only claimable during a participant's first plan and are only claimable by "the provider who assists the participant with the implementation of their NDIS Plan" and "delivers a minimum of 20 hours per month".

There is some evidence that providers face additional establishment (or maintenance) costs in second and subsequent plans. First, whether or not a participant is on their first or a later plan, if they are new to a provider then that provider will still face the usual establishment costs. Second, even if a participant stays with a provider for their second or subsequent plan, the provider may still face some establishment costs with each plan as they must negotiate a service offering and agreement with the participant and enter new service bookings into the NDIS system. Currently providers need to absorb these costs into their overheads.

On balance, the Review considers that Establishment Fees should be able to be claimed from a participant's plan in second and subsequent plans if they choose to change providers. This will also help empower participants within the NDIS provider market. The Review does not consider that there is a strong argument for providers to be able to claim a second Establishment Fee in respect of a participant. A provider's relationship with a participant should continually evolve and the costs of managing that relationship are part of the normal cost structure of delivering services.

### **How much should the Establishment Fee be?**

Currently, the base rate of the Establishment Fee is \$500, but this is only payable if the participant is both new to the NDIS and new to the provider. A lower Establishment Fee of \$250 is payable if the participant is new to the NDIS but is an existing client of the provider, or if the participant is choosing to change providers. These amounts have not been changed since the Scheme's commencement.

There are a number of deficiencies in the current arrangements. First, the class of participants who are new to the NDIS but known to the provider, while an important consideration in the roll out of the NDIS, when many participants transitioned into the NDIS from other schemes while staying with their former providers, is now increasingly less relevant given that the Scheme is almost fully rolled out. Second, the amount of the Establishment Fee has not been increased since the Scheme's commencement. Although there is no explicit evidence that the current level of the Establishment Fee is inadequate it is clear that the costs of establishing clients, as a labour based activity, will have increased and will continue to increase over time. Third, as noted above, the cost of establishing a participant with a provider depends on whether or not the participant and provider have had a previous relationship much more than whether or not the participant is new to the NDIS. Finally, the current arrangements are not in line with the participant-centric focus of the Scheme as they specify the amount of the Establishment Fee rather than allow participants and providers to agree that fee. It would be more appropriate to price regulate these items, given the immaturity of the overall market for disability supports and the information asymmetries between providers and participants.



The Review therefore considers that there is a strong argument that the Establishment Fee items should be more clearly indicated to be price regulated. The Review also considers that the current level of the Establishment Fee is appropriate, but that it would be better expressed through a link to the standard hourly rate of Disability Support Worker support items.

### **Should the amount of the Establishment Fee be indexed annually?**

As noted above, it is clear that establishment costs, as a labour-based activity, will increase over time. A simple way to ensure that the Establishment Fee maintains its value would be to link it to other price limits within the support category that are increased annually in line with provider input costs.

## **RECOMMENDATION**

### **RECOMMENDATION 14) Establishment Fees**

- 1) The NDIA should amend the current Establishment Fee arrangements in the *NDIS Price Guide* so that:
  - i) An Establishment Fee to assist with the non-ongoing costs of establishing arrangements and assisting participants in implementing their plan is claimable from a participant's plan by a provider who:
    - is in one or more of the Registration Groups 0104 (High Intensity Daily Personal Activities), 0107 (Daily Personal Activities), 0125 (Participation in community, social and civic activities) and 0136 (Group and Centre Based Activities);
    - has made an agreement with the participant to supply at least 20 hours of support – in Support Categories 1 (Assistance with Daily Life) and/or Support Category 4 (Assistance with Social and Community Participation) – to the participant per month for the duration of the plan;
    - assists the participant with the implementation of their NDIS Plan.
  - ii) Each provider can only claim an Establishment Fee in respect of a participant once across all plans.
  - iii) More than one provider is able to claim an Establishment Fee against a given plan provided each provider meets the other criteria above.
  - iv) The amount of the Establishment Fee should be negotiated by the participant and the provider but cannot be greater than an amount equal to ten times the hourly weekday price limit for a disability support worker as determined by the Standard NDIS Disability Support Worker Cost Model with the standard parameters (\$528.50 in 2019-20).

- 2) The NDIA should add several price-limited support items to the *NDIS Support Catalogue* to allow providers in the Registration Groups 0104 (High Intensity Daily Personal Activities, 0107 (Daily Personal Activities), 0125 (Participation in community, social and civic activities) and 0136 (Group and Centre Based Activities) who are delivering services in Support Categories 1 (Assistance with Daily Life) and/or Support Category 4 (Assistance with Social and Community Participation) to be able to claim Establishment Fees and Maintenance Establishment Fees.