2 March 2018

The Board of the National Disability Insurance Agency (NDIA) today released the Independent Pricing Review Report (IPR) undertaken by McKinsey & Company, giving in principle support to all of the Report's 25 recommendations.

Key recommendations made by the IPR include:

- Adding a third tier to the complexity loading to account for higher level skills or experience of workers and additional training required;
- Allowing providers to charge up to 45 minutes of travel time in rural areas;
- Allowing providers to quote on the delivery of services in isolated regions;
- Changing the cancellation policy to allow providers to recover 90% of their costs if a cancellation is made after 3pm on the day before the service;
- Removing the annual $1000 travel cap for therapy supports and aligning the travel policy with the attendant care travel policy;
- Changing therapy prices to better reflect different therapy types, and introducing a second tier of pricing for therapy assistants;
- Introducing temporary overhead assistance equivalent to a 2% to 3% loading on the price for providers delivering attendant care for the next 12 months.

Other recommendations relate to price limits, interventions to address specific market challenges, and improvements in market monitoring and engagement.

The Chairman of the NDIA, Dr Helen Nugent AO said, the National Disability Insurance Scheme (NDIS) "is a once in a generation reform which, by focusing on improving outcomes for participants, requires many providers to undergo significant change".

"The Report highlights the challenges facing not just the NDIA, but also those issues that some providers are dealing with in making the transition from block funding to the participant-led NDIS," said Dr Nugent. She added, "The NDIA Board sincerely thanks McKinsey & Company for delivering an independent report of high quality".

McKinsey & Company stated in their Report that the "recommendations will have a positive impact on provider economics, improving overall industry margins by 2% to 4%, with even higher margin improvements for providers serving participants with complex needs or in rural, remote and very remote areas".

Mr Rob De Luca, the CEO of the NDIA stated: "The NDIA is mindful of the pressures faced by some providers who are challenged by the complexity and pace of the roll-out of the Scheme. We are committed to working with them to ensure a vibrant market for disability supports that enables participants to achieve better outcomes. A vibrant and financially viable provider market is essential to the longer-term sustainability of the Scheme. The IPR recommendations

will help achieve those objectives."

Mr De Luca went on to say "participants will benefit from having service levels and expertise more tailored to their needs. Participants with complex and psycho-social disabilities, along with those in rural and remote areas should gain greater access to the services and level of support they require. If providers are stronger, all participants will benefit".

Dr Nugent stated, "Equally we recognize the need for the recommendations to be consistent with maintaining the Scheme's financial sustainability to ensure the NDIS is in place for generations to come. Longer term financial sustainability depends on having a vibrant provider market and ultimately moving to deregulation. The Board considers that the IPR recommendations, of themselves, will not adversely impact the Scheme's longer-term financial sustainability.

Mr De Luca said, "The NDIA is committed to implementing the recommendations in a thorough, timely and diligent way. While some recommendations require additional work to understand their full impact, implementation will be phased so that those recommendations that produce the greatest benefit will be actioned first. This is consistent with delivering better outcomes for both NDIS participants and providers alike".

To support implementation of the recommendations, the NDIA also announced that it will establish a Pricing Committee, which will help provide greater transparency and an active monitoring of pricing decisions as the market evolves and grows to adequately meet the needs of participants.

The NDIA Board commissioned McKinsey & Company to undertake an independent review in June 2017 in response to market feedback that some providers were under pressure during transition and that the potential existed that the needs of participants would not be met.

During the review, McKinsey & Company consulted with over 1,000 individuals across Australia, in addition to undertaking extensive market benchmarking and detailed analysis of the market for disability supports.

The NDIA acknowledges and appreciates the input and advice provided by all organizations and individuals who participated in and gave so freely of their time in the preparation of this Report. Their commitment is indicative of the widespread desire of the sector to ensure that the NDIS is a success.

The program of work that has emerged from the IPR sits side by side with other initiatives being undertaken by the NDIA. This includes the review of Participant and Provider Pathways, which is now well advanced and being piloted prior to a full roll out, as well as the development of the enhanced Provider Finder. Separately, work is underway to enhance market communications around delivering Specialist Disability Accommodation (SDA).

The extensive work underway is consistent with the commitment of the Board and management of the NDIA to addressing issues as they emerge, so that the NDIS offers participants a quality experience that makes a difference to their lives; that encourages a vibrant provider market that will progressively be deregulated; while ensuring that the Scheme is financially sustainable.

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