

St Laurence National Conference (11-12 August 2014) Bruce Bonyhady The NDIS Vision: Delivering the Plan

INTRODUCTION

Thank you very much for the opportunity to present at this very important conference: *The NDIS: One Year On*.

My delight at being here is heightened by the fact that the Agency's head office is now located in Geelong and so we are now becoming part of your community and also contributing to the renewal of this great city.

Geelong is already an inclusive community. But it has the potential to become an exemplar of best practice and so we have joined local initiatives such as the Geelong21 regional alliance and are working with the Transport Accident Commission and Workcover to create an insurance centre of excellence. As we grow, so will Geelong.

I would also like to congratulate St Laurence for hosting this conference and my special thanks go to the CEO of St Laurence, Toby oConnor, for making this conference accessible for people with disability, their families and carers.

People with disability, their families and carers are the heart of this Scheme and the centre of everything we do. This is why I will only speak at disability conferences on the NDIS which are accessible and affordable for people with disability, their families and carers.

As we celebrate the first anniversary of this great nation-building reform, it is an occasion for both reflection and anticipation.

Yesterday, David Bowen outlined the achievements of the NDIS to date and how we are embedding a culture of learning and continuous improvement in the Agency.

I will add my comments to David's in these areas and then talk about two critical issues that will shape the future of the NDIS: pricing and transition to full scheme.

I will then make some concluding remarks.

THE JOURNEY SO FAR

At the heart of the NDIS is equity. We are building a fair system. And we are building it to last.

We are finally moving away from a fundamentally flawed and inequitable system. A system that the Productivity Commission described as “under-funded, fragmented, unfair and inefficient”.

A system that did not have people with disability at its core, because governments funded service providers, not individuals, and so gave people with disability, their families and carers little or no control and choice.

A system that saw people with disabilities as objects of welfare, not empowered and informed citizens seeking the opportunity for an ordinary life.

A system that did not recognise that everyone is at risk of a severe and permanent disability and that by all of us contributing through our taxes to the funding of the NDIS, every Australian benefits.

The vision of the NDIS is simple and powerful: to maximise people’s independence and social and economic participation.

If you want to understand where the NDIS and the Agency are headed I would encourage you to read our Strategic Plan for 2013-16 which outlines the goals and objectives for the Agency.

The Strategic Plan sets out our roadmap and it is against that roadmap that we are reporting, as evidenced by the one year *Progress Report* published last month.

Many Australians are starting to realise the benefits of the NDIS.

An example is Jan, who was one of the early recipients of an NDIS package.

Before the NDIS she had spent a year in psychiatric hospitals.

Her goal was to get her life back on track and to have a better relationship with her young child.

Jan’s package provides for care workers to visit her home to support and encourage her in her daily activities including taking medications, housekeeping, budgeting, shopping and cooking.

It also involves supporting many other aspects of life that most people take for granted – for example assisting Jan to keep appointments, to become more involved in the community and helping her to find her way around the public transport system.

Nine months later... Jan has moved into her own unit. She has been doing voluntary work one day a week and is attending a Certificate 2 Business course at TAFE. Jan visits her child regularly and they

are re-establishing a good relationship. Jan is now stable on her medication and her future is looking increasingly bright.

At the heart of Jan's NDIS plan was her desire to resume a normal life and to rebuild her relationship with her child. The NDIS, together with service providers, social workers and the mental health sector cooperated to make this happen. People have complex lives and the NDIS needs to respond in an empathetic and coordinated manner.

The NDIS has been operating for just over one year. This last year has seen remarkable achievements:

- Four trial sites have been operating for just over twelve months now across the country.
- Across these sites, 8,585 participants are eligible for the Scheme, approximately 78% with approved plans.
- The average annualised package cost as at 31 March 2014 was \$32,800 excluding Stockton, a large residential facility in the Newcastle launch site which is temporarily distorting the figures.
- On 1 July, a further three trial sites opened their doors, extending the reach of the NDIS to all states and territories except Queensland. In Queensland we have signed a Memorandum of Understanding that will result in the Agency and the Queensland Government working jointly on important preparatory work ahead of the Scheme starting to roll out from 1 July 2016.
- The Scheme has a satisfaction rating from its participants that is over 90 per cent. This is a result we can all be proud of.
- And there have been only a handful of appeals to the Administrative Appeals Tribunal, when many hundreds were expected. At this stage four of those appeals have been heard by the AAT and in all cases the decisions of the Agency have been upheld, which is the best evidence that the Scheme is being administered fairly and in accordance with the legislation.

The NDIS is on budget.

The evidence to date from the trial sites indicates that the Scheme is on track to be sustainable and within the projected cost of the full NDIS in 2019/20.

The national office of the National Disability Insurance Agency has been re-located from Canberra to Geelong and it is very pleasing that we have been able to attract highly qualified and motivated staff, of whom 11% have identified as having a disability and over 50% have a lived experience of disability.

It has been an impressive 12 months.

But we are under no illusions that there is a long way to go. To use a mountaineering analogy. We have smoothly and efficiently climbed to base camp, but the climb of Mt Everest is still ahead.

BUILDING AND LEARNING

Critical to the climb ahead is learning and building, at the same time.

Before the Agency started, we knew that creating a truly National Disability Insurance Scheme would take time. It was never possible to open our doors one day and immediately support over 400,000 people.

The plan to deliver the NDIS has always been based on a staged and careful transition.

We have started with a trial phase to transform what everyone agrees were under-resourced and poorly-performing arrangements into something bigger, fairer and more sustainable.

The scale of the task should not be underestimated. At full Scheme, expenditures on the NDIS will represent close to 1 per cent of GDP.

The task ahead is substantial. In the next few years we need to grow the organisation's capability from 500 staff to potentially several thousand, and from today's total of less than 10,000 participants to some 460,000.

I would like you all to take a moment to consider the scale of the change, which is envisaged:

- Over the trial period of three years about 30,000 people will become Scheme participants, implying an annual intake of about 10,000 each year.
- Over the transition period, more than 400,000 people will enter the Scheme. More than 400,000.

Then, once the scheme is fully operational, the intake will only increase with population growth – at around 4,000 people per year.

This is the scale of the task now underway.

The only responsible approach is to start small, collect good data, confirm what works and then apply these lessons to the fully scaled-up Scheme.

To do this we are building an organisation that is capable of learning as it grows.

Listening and learning underpins our growth as an organisation.

The first year of trial is now complete. The data covering this full period will be released next week.

Stage two, has commenced with the addition of three further sites in the Barkly Region of the Northern Territory and Perth Hills area of Western Australia and the whole of the ACT.

Each of these sites will provide new and important learning opportunities. The ACT is the only whole jurisdiction launch which means that all ACT government spending on disability services will be rolled into the NDIS.

The Barkly region will add to the Agency's experiences in the APY lands of SA in delivering services in rural, remote and Indigenous communities.

In Perth Hills there are more mental health hostels than in any other area of WA and the trial site stretches from urban Perth into the wheat belt. This together with comparisons with the *My Way* site run by the Disability Services Commission of WA will provide additional insights.

Implementing a cautious and staged approach by learning from our experiences will continue.

The Productivity Commission designed NDIS 1.0.

We started with NDIS 2.0.

Operational changes by the Agency led to NDIS 2.1 and 2.2.

NDIS 2.2 was introduced on 1 July and includes many important changes, including that supports are now packaged into three key categories: capital, capacity building and core supports. This "rolled up" package model provides more opportunities for participants to exercise control and choice and so drive the best arrangements for them.

Already we are starting to see some of the benefits of this approach, with several participants telling us that they need less total funding than before, because they can purchase exactly what best meets their needs.

Participants, their families and carers know best.

This is why we are committed to reinvigorating our co-design strategy this year. To make sure that people with disability, their families and carers are more at the centre of the Scheme. This is where they must belong.

Our plan is to deliver an equitable and efficient NDIS and an NDIS that will last. We will do this by listening, learning and building.

PRICING

There's still an enormous amount to be done.

The National Disability Insurance Agency has to:

- set and then ultimately deregulate prices,
- facilitate the growth of a large, competitive and diverse market for disability services,
- enable sharing of information so that participants, their families and carers can make informed choices; and so that service providers can respond to the new markets;
- act as a catalyst for new housing supply, which is affordable, accessible and as widely available as possible;
- balance the need to protect vulnerable people with the dignity of risk; and
- determine the optimal approach to transition to a full scheme.

In approaching this complex task, there will be hurdles along the way.

Not everything will go smoothly first-time, because every nation building reform, like the NDIS, involves enormous challenges.

But you can be confident, that the Agency has the capacity, determination and resilience to meet these challenges.

As you would be aware, the Agency has worked closely with disability service providers to gain a better understanding of the factors that contribute to service prices and the most efficient price for the self-care and community participation services which constitute the bulk of the supports the NDIS offers.

I would like to thank National Disability Services for working with us on this important issue.

I know from my discussions with Ken Baker that this issue of pricing continues to be a source of concern amongst many providers and so further work and better communication is needed.

But it is very pleasing that the methodology for setting prices has been agreed. That methodology – called the reasonable cost model - will be published shortly and available for comment.

There is also agreement that the outcome from this work should be the concept of an efficient price and that this should be the price used to determine individual packages. At this stage, we don't agree on what that efficient price should be, but we do agree that it should be determined by evidence and data which we still need to obtain. This data will also be important to test assumptions in the reasonable cost model which we have developed with National Disability Services.

I see these as great steps forward, because we now have a framework for adopting an evidence-based approach, in which areas of debate and disagreement can be clearly identified and resolved in a well-structured way.

I understand that the price for personal care is vital to providers and their viability and hence the development of a diverse, innovative and effective service network.

It is also central to total scheme costs and so operating within the total funding envelope set by governments.

As an Agency we have responsibilities to both ensure that the Scheme operates within the limits set by the community's willingness to pay for the Scheme and to ensure that there is a vibrant range of disability service providers.

Let me be clear, we are deeply committed to partnering with disability service providers on this and other issues which are key to the successful and full delivery of the NDIS.

We recognise the challenges that you all face in moving to a market.

We will work with you.

Looking at the sector today, it is clear that the rate of change is much faster than at any time that I have known in the 30 years that I have been involved in the sector.

However, I would suggest that this is still neither fast enough nor strategic enough to meet the challenges ahead.

Getting ready for a market is more than understanding costs, developing marketing material, individualising service offerings and upgrading risk management systems.

Few businesses, today, are scaleable and the sorts of business models that I would expect in which organisations out-source non-core activities or partner on projects such as information technology platforms and sharing workforces are rare.

Benchmarking of costs, which is usual in high performing businesses, is also uncommon and needs to become part of business as usual, because this will then put the information you need to your fingertips so you can adjust and adapt quickly.

We are deeply committed to working with disability service providers and we are prepared to use the Sector Development Fund to support this work, but we do not want to be in the business of picking winners.

This is best left to the market and so our support will as much as possible be undertaken in market-neutral ways.

Our starting point is the concept of an efficient price, but while we have published our best estimate of the efficient price, this should not be seen as either immutable or subject to further analysis. If the evidence for a different set of assumptions can be provided, we will listen.

Interestingly, the reaction of accident compensation schemes to the price we have set is that it is too high, based on their experiences, mainly with for-profit providers.

From our perspective, the efficient price must enable providers to deliver the high quality services that consumers need and want, while keeping the Scheme affordable and sustainable in the face of tight fiscal conditions across the country.

Few not for profit providers can meet the efficient price today and so to support you to adapt to the NDIS, we have included a transitional price which is approximately 10 per cent above the current price for the same services.

This price will step down over the next two years until it is aligned with the efficient price, which as I have said will be the subject of further analysis and work.

Some providers have said it is too low, others have said it is too high. This leads me to think we are not too far from getting the right balance for a competitive market to flourish and to deliver high quality supports.

One area where we can influence provider efficiency and which has caused problems to date is the Provider Portal and the technology interface between the Agency and providers.

One of the most important design considerations of the Agency's new technology platform is the interface with providers and the protocols that will govern it so that, in the first instance, providers engage efficiently with the Agency on the fundamentals of payments and reporting, but importantly leverage new processes and technology (potentially through specialist providers or provider consortiums), to achieve sustainable economic benefits through economies of scale, skill and scope.

The National Disability Insurance Agency therefore has a much broader role to play than simply allocating support packages to participants.

We play a critical role as a market enabler.

The Agency needs to carefully balance all aspects of its policies, procedures and operating model, so growth in demand for services keeps pace with supply.

We must contribute strategically to market design.

And because this is a national insurance scheme, our ability to manage and pool risk is much more efficient than State-based systems could be.

And as an insurer our aim is to maximise the well-being of participants and their families, to minimise the costs of supporting people over their lifetimes and to maximise their opportunities and to take advantage of the national character of the NDIS to deliver optimal efficiency.

This is reflected in our operating budget at full scheme of 7%, which represents world best practice.

TRANSITION TO FULL SCHEME

With the first full year of the scheme's trial phase now complete, we are well positioned for planning the implementation of the full scheme.

We are gathering the evidence and information needed to fully understand the scale of the challenge ahead. This is why in the current trial phase we are so committed to our build-learn-build-learn approach.

The Board wants a fair and equitable Scheme in place for people with disability as quickly as possible and I am committed to doing everything possible to make this happen.

In order for the NDIS to operate as intended, it will need to be supported by a deep and diverse market that is responsive to the diverse needs of NDIS participants. This includes the growth of the workforce by approximately 90,000 full time staff. We also need to find service delivery solutions for people living in regional and remote Australia where the workforce is patchy at best, and non-existent at worst.

Experience gained during the trial phase has demonstrated that the development of the market is a critical challenge. There is a high risk that demand generated by the NDIS will outstrip supply.

For some service types and locations a competitive market will develop quickly, in others much more slowly.

The final look of the market will also be influenced by the extent to which States and Territories continue to deliver services or if they are withdrawing from direct service delivery how this is done to make room for non-government service delivery, and to deepen and strengthen the market through both existing players and new market entrants.

It is essential for Scheme sustainability that demand does not outstrip supply causing unnecessary inflation or a drop in quality.

Markets are just one element of the necessary preconditions for full scheme.

The clear priority in these first years is to bring into the scheme the hundreds of thousands of people who have been waiting so long, and so to begin a lifetime relationship with the Agency as soon as possible.

There is no totally fair way of making an unfair system fair. There are only fairer or less fair ways.

But I think that, based on the evidence from the trials, some potential principles could guide us in building up to full scheme.

- First, the transition phase to the full NDIS should start on schedule on 1 July 2016.
- Second, the roll out of the full scheme must be sustainable and risks must be well-managed.
 - Critically, the scheme needs to be built for future generations as well as those in need now.
 - This means that the pace of new demand cannot get too far ahead of new supply.
- Third, consideration should be given to the equity of how people come into the NDIS. In the trials we have tested phasing in clients based on age and location. There may be fairer and more efficient ways to do this based on need. This is after all an insurance scheme designed to invest in participants through early intervention, capacity building and support at critical life transition points.
- Fourth, more work needs to be done to both encourage genuine innovation and to make sure our participants have enough time and feel ready to start developing their plans,
- Fifth, strengthening supports for people with lower needs or episodic needs is a key foundation of Scheme sustainability and should be a high and early priority. This is what the Productivity Commission called Tier 2 and includes Local Area Coordination and community supports.
- Sixth, early action on affordable and accessible housing is essential. While the Agency is not responsible for housing for participants, which remains a responsibility of States and governments' affordable and public housing strategies more generally, the NDIS can be a catalyst for significant new housing investment for participants. This will be the subject of a housing discussion paper that the Agency will issue later this week.

CONCLUSION

There are many dimensions to building the NDIS sustainably and successfully.

In all of our work, we want to work with you and all our stakeholders and shareholder governments.

Exactly how the optimal transition to the full scheme should be structured will ultimately be a matter for Governments, who will set the framework within which we will operate.

However, in our own governance of the Scheme and in preparing advice to governments on transition and other issues, our approach will always be to put the interests of people with disability their families and carers, first.

Fairness, efficiency, longevity and success will be the basis of the Board's actions and advice to governments.

Our commitment to people with disability, their families and carers is to deliver NDIS in full as soon as possible.

Our commitment to our shareholder governments and the community is to operate within the funding envelope that builds up to \$22 billion and to which governments have agreed.

Our commitment is to give all Australians with severe and permanent disabilities the same opportunities as Jan.

The fairest thing we can do for all the Australians who need the NDIS and who today wait in hope, is to get it right.

To build the Scheme to last.

This is our vision and purpose.

Thank you.