

**BAYLEY HOUSE**

**Brighton & Districts Helping Hand Association for Intellectually Disabled Inc.**

**BAYLEY HOUSE AND THE NATIONAL DISABILITY  
INSURANCE SCHEME (NDIS)**

**PRELIMINARY FINANCE COMMITTEE BRIEFING PAPER FOR  
STRATEGIC ADAPTATION OF EXISTING SERVICES & OPERATIONS  
and  
ESTABLISHING A NEW FINANCIAL MODEL**

**December 2014**

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## 1. SCOPE AND INTENT

This paper is intended to:

- promote detailed discussion and consensus on directions and further actions at the 11<sup>th</sup> December meeting of the Finance Committee, and
- serve as scope and briefing material for Saward Dawson for the preparation of preliminary financial modelling material, with initial emphasis on a revenue model.

### 1.1. Discussion - adaptation of the existing services and operations model

Essentially the NDIS will change our funding model from what is presently a *primarily State Government invoiced and 'client collective' government block-funded model* to a *client invoiced and 'client individualised' Federal Government funded model*.

In accordance with the intended individualization of services for needs of those with disability under the NDIS, it will follow that the specific nature and the dedicated funding of the services prescribed for *each* of our clients under the NDIS will *potentially* be *different* in every case. As the services and equipment, and the corresponding support funding package are determined, the client will be encouraged through this process to seek competitive prices and alternative offers of service. Furthermore, and accordingly, whereas our clients, in the main, presently confine their procurement of services to us, it is expected that under the NDIS there will be a greater incidence of participants procuring their services from more than one provider.

These changes will potentially bring enormous benefit to those with disability, and will necessitate profound change in the culture, workplace operations, financial management, and market positioning of disability service providers.

It is recommended that we discuss and reflect upon these fundamental aspects of future change for Bayley House - which should extend to the consideration and reaffirmation of our core values and essential purpose in the context of an altered organizational structure, in the ongoing service of our clients' needs and well-being. The process should seek to maintain and reinvigorate Bayley House as a responsive and exemplary service provider under the NDIS.

This process should be undertaken concurrently with the development of a new financial model for revenue generation, costing, pricing and invoicing, that is fully fit for the NDIS.

### 1.2. Preliminary financial modelling by Saward Dawson

Informing the considerations of how we may best adapt our existing services and operations model for the advent of the NDIS, a new financial model should *concurrently* be developed.

The CEO of Bayley House has approved the initial appointment of Saward Dawson to commence this process. Saward Dawson has recently developed a preliminary three step Support Package Costing Tool for Inclusion Melbourne.

Saward Dawson will be requested to table its initial preliminary work for the February 2015 meeting of the Finance Committee, which is envisaged as providing a preliminary revenue model, an analysis of revenues vs. costs for five notional client case studies encompassing contrasting individual Client Support Plans, together with a preliminary framework for a new overall financial model and costing tool.

It is envisaged that Saward Dawson's commission may extend to further work, in stages, on a developing new financial model.

## **2. BACKGROUND SUMMARY OF ESSENTIAL ASPECTS OF THE NDIS**

### **2.1. The National Disability Insurance Scheme (NDIS)**

On 21 March 2013, the Australian Federal Parliament passed the National Disability Insurance Act 2013 to establish the National Disability Insurance Scheme (NDIS). The legislation was passed unanimously by the Parliament.

The NDIS is a national scheme which aims to help improve disability services and provide greater individual control and decision making to people with disability in Australia. The NDIS will include a comprehensive information and referral service to help people with disabilities that need access to mainstream, disability and community support. For people who have a permanent disability that impacts on their life, the scheme will provide long term, high quality support. It will also include intensive early intervention; particularly where there is evidence it will substantially improve or arrest a decline in functioning. The aim is that people will be able to decide for themselves how to manage their care and support, and choose how they want to manage their supports. The level of individual funding and support will be directly related to addressing the impact of a disability on that person's functioning in key areas of life. An eligible person would be funded on an annual basis to purchase services, aids and equipment from a variety of providers. As a person's circumstances or condition changes, they will be able to apply to have their funded plan adjusted accordingly. The main function will be to fund long-term high quality care and support (excluding income replacement) for people with significant disabilities. All Australians would be covered with about 460,000 people able to receive funding support through the scheme at any given time. Key stated aims are to better link the community and people with disabilities, provide information to people, help break down stereotypes, ensure standards in quality of service and encourage best practice among providers.

The current Budget papers show the government will provide 53% or \$11.7 billion of the funding for the scheme when it is fully operational. It will also be funded in part by a rise in the Medicare levy from 1.5 to 2% from July 2014 that will raise \$20.4 billion between 2014-15 and 2018-19. All money raised by the levy increase will be placed in an NDIS Fund (the Fund) for 10 years which will only be drawn upon to fund the additional costs of delivering the NDIS. A fixed amount of the money flowing into the Fund each year will be set aside for the States and Territories. The annual amount allocated to the Fund will be grown in future years by 3.5% per year. To support early establishment costs, eligible States and Territories will be able to access part of their annual allocation (10% in 2015-16, and 20% in 2016-17 and 2017-18) once they have clients participating in the scheme. In 2019-20 the contribution from Victoria will be \$2.5 billion out of the total \$9.926 billion contribution by the states and territories.

The NDIS will be implemented by the National Disability Insurance Agency (NDIA) which is an independent statutory agency. The NDIA's explanation about the four key insurance principles in their draft Strategic Plan is as follows:

*First and most importantly, in a similar way to insurance premium revenue, the total annual funding base required by the NDIS will be determined by an actuarial estimate of the 'reasonable and necessary' support needs of the target population. Like other insurance schemes, it will then continually compare these estimates of scheme utilization and costs with actual experience and outcomes. It will also build comprehensive data bases to allow more effective service models to be quickly identified and so build in continuous improvements.*

*Second, government welfare schemes have a very short-term focus on minimizing costs in a particular budget year. In contrast, the NDIS will seek to minimize support costs over a person's lifetime and maximize their opportunities. The NDIS will therefore invest in tailored early intervention services and nurture and support families and carers in*

*their roles. There is therefore a much closer alignment of interests between people with disability, their families and carers and the NDIS, compared with the previous welfare-based approach to disability support services.*

*Third, as part of its insurance-based governance model and longer-term approach, the NDIS will invest in research and encourage innovation. Under the previous National Disability Agreement there was minimal investment in research.*

*Fourth, insurers, like the NDIA, can act at the systemic level, as well as fund individual support needs. This includes building community capability and social capital, which will be especially important for people with disability who are not participants, their families and carers.*

*For the NDIA another very high priority will be encouraging the full inclusion of people with disability, their families and carers in mainstream community life, through increased social and economic participation. This will benefit individuals and the nation, and according to the Productivity Commission, it is expected that the NDIS will add close to 1% to GDP.*

## **2.2. NDIS Services and Equipment**

The NDIS will provide funding for 'reasonable and necessary' support, services and equipment. Clause 34 of the National Disability Insurance Act sets out guidelines to help decide what can be funded but generally the supports and services are intended to assist a person to achieve personal life goals, gain greater independence, develop skills for day to day living, take part in the community, and gain paid employment wherever possible. The identified practical applications pertain broadly to mobility, communication, self-care and self-management, social and community interaction and learning. The concept of 'reasonable and necessary' supports will determine the scope of what the scheme provides. It means the scheme will provide a participant with what is necessary to achieve their goals and aspirations and take part in the community, in keeping with what it is reasonable to expect a scheme to provide.

In addition to specialist disability services, the NDIS will cover other supports offered to many people with disability, including aids and equipment, home and community care, personal care, domestic assistance, respite, home and vehicle modifications and community access, counselling, peer and emotional support as well as other practical assistance. Supports which are already available from other mainstream services, including from health, housing, education, aged care sectors, are not likely to be covered by the NDIS.

The scope of what NDIA will cover is defined in its pricing list of some 32 Support Clusters, or groupings, of services and equipment contained in its published documentation. The current *NDIA Support Clusters Definitions and Pricing for Victoria - Valid from: Monday, 1<sup>st</sup> December 2014* is attached.

## **2.3. NDIS Trialing and Phased Introduction**

The NDIS began being introduced in stages from July 2013. On 1 July 2013, the NDIS began in Tasmania for young people aged 15-24, in South Australia for children aged 13 and under (on 1 July 2014), and in the Barwon area of Victoria and the Hunter area in NSW for people up to age 65. From 1 July 2014 the NDIS commenced across the ACT, the Barkly region of Northern Territory and in the Perth Hills area of Western Australia. Roll-out of the full scheme in NSW, Victoria, Queensland, South Australia, Tasmania, the ACT and the Northern Territory will commence progressively from July 2016.

From July 2013, the first stage of the scheme in the Barwon area commenced for residents living in the local government areas (LGAs) of the City of Greater Geelong, the Colac-Otway Shire, the Borough of Queenscliffe and the Surf Coast Shire. By July 2016,

all Barwon area residents with significant and permanent disability will be able to access the scheme. From July 2016, the NDIS will progressively roll out in Victoria and by July 2019, all eligible residents will be covered.

## **2.4. Eligibility and Assessment**

Eligibility for individual support packages and financial support depends on:

- geographic location (initially the participant to live within the area where the National Disability Insurance Scheme is being launched);
- age (the participant to be aged between 0 and 65 years old, except for Tasmania, where young people aged 15-24 years old for the launch period only and South Australia, where children aged 0-14 years but starting in the first year with 0-5 year olds, 0-13 year olds in the second year and 0-14 in the third year for the launch period only);
- disability requirement (participant to be assessed based on the impact of disability on functional capacity to communicate, interact socially, learn, move safely around the home and the built environment, manage personal care and affairs (banking, bill paying etc);
- early intervention requirement (early intervention supports will be available to achieve a benefit that would help mitigate the effects of impairment to alleviate or prevent the deterioration of functional capacity, or strengthen informal supports.

People aged over 65 years at the time they request NDIS support will not be eligible. However, future participants can choose to continue with the NDIS once they turn 65. The NDIS website provides an accessible eligibility checker called My Access Checker.

The eligibility assessment process for support will be managed by the NDIA according to the legislation (Part 1, Chapter 3) and Rules (Draft Rules for becoming a participant, Part 6) that have not yet been finalized by NDIA.

For those who already have an assessment, this may be presented when the participant meets with NDIA, and in this event the participant may not need to be reassessed. The Assessment has no connection to how much money the participant will get.

There will be assessments as follows:

- Eligibility assessment – which will be undertaken by the NDIA to determine whether a person can access funding
- Planning assessment – to help determine a person's goals, and
- There is scope for the NDIA to call in advice for specialist assessments.

The NDIA will employ staff who will carry out the assessments, using agreed systems and tools, ensuring consistency, fairness and viability. There will be a range of ways a person can access the NDIS, including online, face-to-face, over the telephone or through a referral.

Participants will not need to constantly re-prove eligibility; assessment will be used to help determine:

- Eligibility – access to the NDIS
- Support planning – the level of support required.

The NDIS will also incorporate monitoring and review within a participant's plan to accommodate changes in an individual's needs or circumstances.

The NDIA will assign a Planner to deal with individual participant's applications and special needs. The Planner's first task will be to confirm the eligibility of the person for the NDIS. Secondly, the Planner will discuss with the participant their needs, goals and aspirations, which will inform the development of a 'Statement of Goals and Aspirations' for the participant. Following this, the Planner and participant will work together to

identify what current and future supports will be required to make progress on the participant's goals. This part of the plan, the 'Statement of Participant's Supports', sets out the supports that will be provided or funded by the NDIA. These two statements make up the 'plan' for each participant. The plan is owned by the participant and is based on what is regarded as 'reasonable and necessary' to enable a good life. It could include one-off and/or ongoing funded supports. What is reasonable and necessary support is likely to be checked against a set of 'reference packages' developed by the NDIA.

An eligible person will be able to determine how their plan is managed. Participants can choose to:

- Self-manage the financial and administrative processes - NDIA anticipates up to 20% of participants may select this option. A participant may request to have a plan nominee support them with these processes
- Use a Plan Management Provider - the participant may engage a business/organization to undertake the financial and administrative processes on their behalf. This includes the processes of organizing the financial and administrative aspects of a participant's plan, such as paying supplier invoices, developing service agreements with providers, assisting with the hiring and paying of staff, and preparing reports on how funds are being used
- Nominate the NDIA to perform this role – in this event NDIA would make all the payments necessary to any Registered Providers of Supports identified by the participant
- Adopt a combination of the above.

## **2.5. Managing the Support Plan**

NDIA through its agents will work with the participant and its current providers to transition their existing arrangements across to the scheme. NDIA will have in place Local Area Coordinators (LACs) to assist in plan implementation. Support plans may be either fixed or flexible. In a fixed support plan, the funds in the plan must be spent on those supports. Funds can only be used for the range of supports, fixed or flexible, identified in the plan. Managing the plan may involve receiving and managing funding, including ensuring payments are made for the supports identified in the participant's plan; in this event the participant will need to open a separate bank account for the purpose. NDIA will send monthly statements in order to help ensure the applicant is being correctly billed for any support received as part of the plan. The participant's nominated NDIA Planner will maintain an occasional overseeing role through this process. Participants will have access to the NDIA's secure web based portal to monitor all transactions and details.

The assessment tools used by the NDIA and its Planners to develop the applicant's plan is based on the International Classification of Functioning Disability and Health (ICF); NDIA does not intend to make public a copy of the assessment tool, nor does it intend to give the participant a copy to complete. NDIA fully expects Planners to draw upon other assessments (such as pre-existing DHS assessments) to assist in decisions regarding supports and services that are needed. NDIA is keen to have providers share information and assessments they already have about the participant. The Planners will be expected to liaise and work cooperatively with the designated LACs in order to ensure a successful implementation of the participant's plan. NDIA recognizes that in certain circumstances, and with agreement of the participant, NDIA may appoint a Case Coordinator, which will be funded by NDIA as an item of support in the plan and will be time limited. (NDS has sought clarification from NDIA about how it will support participants with complex needs who require skilled case management supports).

The Administrative Appeals Tribunal has established an NDIS division and an independent expert panel to advise NDIA on a merits review process.



## **2.6. Individual Support Packages (ISPs) vs. Block Funding**

The NDIA, in working together with the Participant and services provider/providers, will approve a financial Individual Support Package (ISP) corresponding to the reasonable and necessary support services and equipment in the Support Plan, based on NDIA's approved pricings proposed by the provider/ providers. The current *NDIA Support Clusters Definitions and Pricing for Victoria - Valid from: Monday, 1<sup>st</sup> December 2014* is attached.

The change from 'block funding' to Individual Support Packages (ISPs) means existing providers need to modify the way they do business. There are complex administrative arrangements that will need to be untangled as existing programs are transitioned into the new scheme. Some existing specific programs will transition more quickly (for example Better Start for Children Initiative) and the NDIS will work with service providers to identify which ones. It will vary across states and launch sites. There will also still be some block funding provided such as:

- in 'thin markets' (where there are insufficient numbers of participants to support a service provider or a particular specialized provider), the administering agency would continue to provide block funding to enable the provision of services (likely to be the case in most non-metropolitan remote and some regional areas of all states/Northern Territory) and
- where supports are identified as being more cost effective or efficient such as when the NDIA is managing a sufficient number of ISPs and could instead develop fee-for-service contracts directly with service providers.

Under the NDIS, existing service providers will still play a core role in working with people with disability. Existing service arrangements will continue to be in place throughout the implementation period (2013-18) of the Scheme. The stated aim of the NDIS is that the extent of block funding will reduce over time with individuals able to make their own choices of where and how to use their own funding packages.

## **2.7. Pricing Joint Working Group**

From NDIS website:

*The NDIA sets the value for funded supports in participant packages. At present it also limits the price a provider may charge to that value. The NDIA will continue striving to increase flexibility for participants by encouraging vibrant and responsive markets for disability supports. The more the market for disability supports matures, the more choice participants will have over how they spend their individualized budget, consistent with the vision of the Productivity Commission.*

*The NDIA has set these support item prices believing they are similar to prices of equivalent supports in comparable schemes existing in trial site markets. This ensures that the NDIA does not compete with other purchasers, avoiding inadvertent market disruption. However, concerns have been raised by the NDS over hourly rates for two of the highest-volume supports – assistance with self-care activities and assistance to access the community. NDS is concerned that pricing support below the real cost of delivery will reduce choice of the available providers for participants and lower service quality. The NDIA and NDS agreed to a six-week joint project to examine these concerns and recommend solutions, forming the Pricing Joint Working Group.*

## **2.8. National Disability Services (NDS) Involvement**

The NDS, as the industry's peak body for non-Government service providers, is playing a proactive role in the NDIS landscape.

On 19<sup>th</sup> June this year the NDS prepared a lobby paper *The Case For Some Block Funding in the NDIS – June 2014* (available on the NDS website) – summary below:

*Essential services, expertise and social capital will be lost in the transition to the NDIS unless governments and the NDIA actively recognise the need for some ongoing block funding. NDS recognises that it is important not to lock people into poor service models and therefore we welcome appropriate performance monitoring and quality assurance requirements in any block funding contracts.*

*NDS understands the NDIA local area coordinator (LAC) services will contribute to the provision of timely information and advice, enabling informed choice. We also understand these services will be complemented by independent advocacy services. However, to provide effective assistance to participants, and other people with disability and their families, LAC and advocacy services will need to draw on the knowledge of specialist associations, informal networks, support groups and services. Existing support options and services have evolved in response to need, and are often stitched together through various funding sources, including from state or territory governments and charitable or volunteer contributions. At the very least, care needs to be taken that the rug is not inadvertently pulled from under critical disability support infrastructures, as this would ultimately risk the viability or effectiveness of the NDIS. More positively, the NDIA should invest in the evolution of new support infrastructures, technology and markets that respond to opportunities that support the social and economic participation of people with disability.*

*In summary, non-individualised funding can support the effectiveness and viability of the NDIS through:*

- investment in timely information, advice and community development;*
- support for the ongoing production of social capital; and*
- seed funding to foster innovation, research and evaluation and to build good practice.*

*Non-individualised funding can enhance the ability of participants to exercise choice by:*

- ensuring that 'reasonable and necessary' support options exist in thin markets;*
- enabling informed choice and expanding the knowledge of community options; and*
- sustaining and building service capacity during transitions.*

*On 27<sup>th</sup> June this year the NDS announced the result of its negotiations with the NDIA, arising out of the Pricing Joint Working Group, over procuring higher prices for service providers based on more realistic costing structures, although the NDS forecast the need for further gains. (Available on the NDS website).*

*The National Disability Insurance Scheme (NDIS) will pay service providers higher prices for some types of support to people with disability, it was announced today. The new prices, for 'assistance in self-care' and 'community support', are the result of intense negotiations over two months between National Disability Services and the National Disability Insurance Agency, which runs the NDIS. These prices represent a 13.5% increase on the price paid for standard one-to-one support in Victoria; 11.9% in NSW; and 8.1% in Tasmania. Even so, concerns remain the Agency is still unwilling to fund the full cost of service delivery. Today's announcement falls short of the evidence based recommendations that went to the Agency board.*

*Dr Ken Baker, NDS Chief Executive, said: "From the first day they started rolling out the NDIS, the disability community knew that the prices the agency was paying for some services didn't reflect the real cost of high-quality supports. If this had continued, service providers would have gone broke, and people with disability and their families would have been left with no or poor-quality supports in the NDIS trial sites. Today, the NDIA has acknowledged their initial prices failed to reflect the full cost of quality service provision. NDS has succeeded in winning a significant increase in the prices for services. This will come as a relief to people with disability and their families. It will ensure that people receiving supports from the NDIS will have greater choice and higher quality*

supports. Unfortunately the agency is still not funding the full cost of quality service provision”.

*In addition to these substantial price increases, the NDIA has agreed to*

- allow providers to claim for unreasonable cancellations or 'no shows';*
- pay for the cost of travel between participants by determining the first hour of support to be 50 minutes (and providing travel reimbursement funds in the packages of participants);*
- increase the travel reimbursement rate to 76 cents per kilometre (the rate listed in the SCHADS Modern Award); and*
- introduce an establishment fee which can be claimed for new participants and participants whose plans change significantly.*

*Dr Baker continued: "NDS is pleased that the NDIA has agreed to a significant price increase, but concerns remain. The prices to apply from 1 July are transitional. They will increase between now and July 2016 at a rate less than inflation on the assumption that providers can achieve cost savings. NDS is also disappointed that the prices set for this financial year ahead are still less the joint report by the Agency and NDS found to be the actual cost of delivering supports. Providers in some states – notably Victoria and NSW – experience higher costs that are not reflected in the announced prices. NDS continues to urge the NDIA to commence price deregulation. While the NDIA is committed to this, it has decided to delay its introduction. Deregulation of prices will not commence during 2014-15 as announced in December last year."*

## **2.9. NDIA Annual Report June 2014 – 15<sup>th</sup> October 2014 summarized achievements**

On 15<sup>th</sup> October 2014 the Chairman of the NDIA, Bruce Bonyhady, delivered the NDIS Annual Report June 2014 (copy attached) to the Federal Assistant Minister for Social Services Senator the Hon. Mitch Fifield, and included the following summary of achievements over the past year.

### **NDIS year-one summary**

*The National Disability Insurance Scheme (NDIS) commenced on 1 July 2013. At 30 June 2014, the National Disability Insurance Agency (NDIA) had approved **7316 plans for people with disability**, allowing them access to the reasonable and necessary support they require to lead an ordinary life.*

*The NDIA delivered the Scheme in **four trial sites** in 2013–14: the Hunter in New South Wales, the Barwon region in Victoria, Tasmania and South Australia. During this time, \$130.9 million of support was provided to participants — which is within the funding envelope of \$148.8 million.*

***Average annualised package costs were \$34,600** at the end of June 2014, or \$38,200 including the Stockton large residence — in line with the \$35,000 average estimated by the Productivity Commission. The NDIA ended the financial year with a **surplus of \$18.0 million**.*

*Process improvements mean that time taken for participant eligibility determination has fallen from an average of 29.7 days in July–December 2013 to 13.3 days in January–June 2014. And satisfaction levels of participants in the trial sites are very high — **94 per cent rated NDIA planning good, or very good**.*

*At the close of the financial year, there were approximately **1350 NDIS registered service providers** across the four trial sites, providing supports across diverse areas ranging from assistance with personal care to support with accessing and participating in the community, including support with obtaining employment.*

The NDIA used the **Sector Development Fund** (SDF) to invest approximately \$4.5 million in programmes and activities to help both individuals and organisations make the transition from Commonwealth, state and territory based systems to the NDIS.

The NDIA Board established its governance procedures and implemented **an extensive risk management system**. The Board oversaw four major independent reviews:

- Operational review to monitor average annualised package costs
- Capability review to assess NDIA processes, systems and the expertise of its people to deliver the NDIS roll out
- KPMG review of the optimal transition to full scheme
- Boston Consulting Group review of business capabilities to assess what of the NDIA's functions can be outsourced to private and non-government providers.

The NDIA National Office in Geelong was opened by the Prime Minister, the Hon. Tony Abbott MP, on 30 April 2014. The NDIA employed 516 staff across the trial sites and National Office. Nearly **11 per cent of this workforce identified as having disability** — compared with around 3 per cent for the Australian Public Service (APS) — and 53 per cent identified as having a lived experience of disability. All NDIA workplaces are fully compliant with the Disability Discrimination Act 1992 (DDA Act).

At full rollout, it is expected that only 7 per cent of NDIS costs will be spent on administration, with 85 per cent of NDIA staff roles dealing directly with people with disability. The long-term **economic benefits of the NDIS are estimated to exceed its costs**, adding around 1 per cent to gross domestic product and saving \$20 billion per year by 2035.

### **3. DISCUSSION POINTS – ADAPTATION OF OUR EXISTING SERVICES AND OPERATION MODEL THAT WILL MUTUALLY SUPPORT A NEW FINANCIAL MODEL**

#### **3.1. Management of client Plans**

There would be logic in our offering to our clients (and future clients) an impartial professional service of Client Support Plan management, from the initial point of assessment and for ongoing management. This could be provided by on-staff personnel or by an entity we engaged. Although this is another potential added complexity, and thus additional cost, it would likely be balanced by the additional income stream. Where we are appointed as managers of our clients Support Plans we will (presumably) have access to the NDIA's secure web based portal to monitor all transactions and details.

In this event, our role would be formalized into the client/ provider Services Agreement in order to justify and monitor our income. Taking on this role may also potentially reduce the ongoing potential for clients experiencing difficulty in the management of their own cases that would in turn add greater problems for us.

We should scrutinize our full client list and prioritize clients whom we believe would benefit from our taking on this role.

#### **3.2. Block funding vs individual invoicing –managing the shift and establishing a combination**

The current block funded system has the advantage of fixture and certainty, and relative ease of management; the disadvantage is it lacks flexibility, has inherent imbalances in certain cases, and is obsolete in a number of cases (with the most recent assessments of some of our clients going back to 1997). An ideal outcome would be a well-balanced combination of individualized ISPs and a preserved level of block funding.

*The NDIA states: There will also still be some block funding provided such as where supports are identified as being more cost effective or efficient such as when the NDIA is managing a sufficient number of ISPs and could instead develop fee-for-service contracts directly with service providers.*

This provides us with an opportunity to lobby for a 'fee-for-service' arrangement, for both Day and Accommodation and seek to, in effect, preserve our block funding. This is not likely to be accepted across the board, nor would that necessarily be appropriate; however, adopting a balanced combination of the two conditions would make strategic sense for us. This may also need to be considered as a transition point to ISPs.

#### **3.3. Reassessment of our existing clients**

The transition to the NDIS will afford an opportunity to have our client list reassessed for the provision of higher levels of current funding where justified. In this event we should model the impact for a business case to allocate resources to this. There is bound to be a more agile and responsive re-assessment process with the NDIS which from our point of view needs to be aligned with the services we will provide.

Where NDIA has stated it will in many cases rely on existing DHS assessments, it would be desirable to review a number of existing client assessments, particularly those in their forties and older, where we will be in a position to test the adequacy of current funding of individual cases against our own assessment of services costs in these cases.

Notwithstanding the 5 year delays we have experienced in the past from DHS in conducting new assessments, we should focus effort on requesting new DHS assessments on a number of our clients. We should scrutinize our full client list and prioritize clients whom we believe would benefit from reassessment.

### **3.4. Potential change to current client mix and SNA level balance**

Significant change will inevitably arise to our client list, as a result of clients electing for alternative service providers and new clients coming to us as a preferred provider. With the encouragement on the part of the NDIA to seek a range of offers from providers, there is likely to be a higher proportion of part time clients on our list, thus requiring higher staff levels, all of which needs to be costed, managed and covered in our income.

There may emerge, as a natural process, a shift in the average functioning level of our clients relative to the existing DHS SNA average of around levels 3-5. Our staff component and costing/revenue processes will need to account for this. Also we should reflect upon and reaffirm our essential mission in terms of the level of client functioning for which we provide service. This inevitable shift in our client base will arise and range from:

- existing clients that retain essentially the same services and items, whereby current funding provisions are transferred direct to NDIS
- existing clients that opt for modified services and equipment, including both full time and part time
- new clients, including both full time and part time.
- loss of clients from our list.

### **3.5. Market position and growing our competitive Brand**

Articulating our market place 'brand' will be required in the face of increased competition under the NDIS, especially from private providers entering the market – competition for our client base and our work force. The NDIS will bring about a shifting industry culture of survival of the fittest. Given the higher compliance requirements and greater profit challenges with higher needs clients, it is likely that the new private service providers entering the market under the NDIS will concentrate on higher functioning levels of clients, equivalent to SNA levels 2-4.

We should undertake an assessment of our likely competition, both existing and potential new players we may envisage – as well as our potential partners.

We should reiterate our sustainable competitive advantages, and key points of difference, with which we may market ourselves in such an increasingly competitive environment. These attributes to be marketed include:

- our human resources - the high level of dedication and professional skills of our staff
- the level of excellence in our arts program, and our numeracy and literacy programs
- our caring 'family culture' and our high level of ongoing engagement with our clients and their families
- the quality of our day centre premises and its context
- our long term accommodation program
- our level of engagement with the local community, and work placement programs
- diversity of programs offered.

Our abiding objective is to establish Bayley House as a service provider of choice under NDIS.

### **3.6. Costing and quoting**

We will require an agile and accurate costing and quoting system, as we provide price estimates for existing and new clients, especially during the intensive period of establishment and full roll out of the NDIS.

Staff, travel and equipment costs will need to be determined and quoted in terms of both establishment and recurrent costs, and broken down into elemental costing/ pricing structures for individual quotes.

### **3.7. Service Agreements**

Services and prices need to be specifically and precisely aligned, and faithfully reflect the client's Support Plan. We will need expertise in drawing up the agreements (where we manage our client's plan) as well as for the ongoing monitoring of the agreement.

The Services Agreements with our clients will typically include:

- services and supports provided
- the price of those services and supports, effectively a breakdown of the ISP and linked to NDIA's monthly statements
- how, when and where the services and supports are provided, accounting for the client's fixed vs flexible plan
- duration of the services and supports
- when and how the Service Agreement may be reviewed in the future
- resolution of problems
- client responsibilities under the Service Agreement to us
- our responsibilities to the Client under the Service Agreement
- variation and termination provisions to the Service Agreement.

### **3.8. Establishing a client data base and individual client business cases**

We should establish *internal* individual client business cases in a data base, in order to monitor the individual feasibilities of the 'fees for services' we are providing to each of our clients under their respective Services Agreement.

We need to undertake detailed financial modelling on our existing client base, concentrating on cash flow timing and profitability. We also need to analyse the implications of 'fixed' vs 'flexible' to the funding amounts.

### **3.9. Strategic alliances and associations**

We should investigate the potential of forming synergistic partnerships with other complementary organizations, such as Inclusion Melbourne, whereby one organization may cover gaps in the other, thus putting us in a position to deliver a wider (and more potentially complete) range of services to our existing and new clients.

There may also be advantages in shared staffing costs.

### **3.10. Additional funded services and revenue streams**

The Support Clusters Definitions and Pricing schedule lists a variety of services to be funded, including mobility, communication, self-care and self-management, social and community interaction and learning. From the schedule these include:

#### **Personal supports and training**

- Provider travel to provide a support and for purposes of training or accompanying a participant to travel
- General transport of participants
- Accommodation/tenancy assistance
- Assistance in coordinating or managing life stages, transitions and supports
- Assistance to access and maintain employment
- Assistance to integrate into school or other educational programs
- Assistance with daily life tasks in a group or shared living arrangement
- Assistance with daily personal activities
- Development of daily living and life skills
- Household Tasks

- Participation in community, social and civic activities
- Physical wellbeing activities
- Specialised assessment of skills, abilities and needs
- Therapeutic supports
- Training for independence in travel and transport
- Behaviour support

#### **Assistive products and equipment**

- Assistive technology specialist assessment, set up and training
- Assistive equipment for Assistive products for household
- Assistive products for personal care and safety
- Beds and pressure care mattresses and accessories
- Continence related equipment
- Equipment or aids for dressing or specialised clothing
- Equipment for eating and drinking
- Specialised household furniture
- Bathroom and toilet equipment
- Communication and information equipment
- Assistive products for hearing
- Assistive products for vision
- Home modification design and construction
- Personal mobility equipment

There are clearly a number of these services we already provide that are currently unfunded - in particular, the funding of travel costs will be a key component in our new financial model. This is an opportunity for us to address this gap and expand our revenue streams. A number of these services, such as banking and other life skill services we don't provide currently, however a number of these could be acquired services which potentially could further expand our revenue streams.

We should prepare a detailed list of additional services and equipment from the Support Clusters schedule that we provide presently on an unfunded basis, and also other services beyond our current support services that we would be in a position to usefully and profitably provide.

#### **3.11. Additional specialist staff requirements**

We should identify the range of additional specialist staff we will require under the NDIS. Bayley House should seek to maintain and enhance its reputation as a work place of choice ensuring strong staff morale, recruitment and retention.

#### **3.12. Managing costs and staff levels**

Additional staff costs will need to be factored into the new financial model.

#### **3.13. Establishing additional internal data and recording systems**

We should investigate purpose designed internal accounting and financial software systems for more responsive and agile readings of our revenues and costs, linked in with our staff hours etc.

#### **3.14. Managing individual Plans in a collective service environment**

We will need to manage and separately cost account for individual services for a price in a collective environment.

#### **3.15. Managing potential higher level of 'part time' clients**

The greater diversity of services and service providers to participants encouraged under NDIS will result in a higher level of part time attendance of potentially a significant number of our clients. This will have cultural, operational management and cost implications.



### **3.16. Other additional costs**

We should predict as wide a range of potential additional cost factors depending on the additional revenue streams.

### **3.17. Day Centre facilities**

With potentially a wider range of services, an altered client mix and more variable client (and potentially staff) numbers we should test the fitness for purpose of our existing day service facilities.

### **3.18. Accommodation**

NDIA provides a number of avenues of financial support for community housing (not including capital works funding) – refer to the attached NDIA papers - *NDIS - A Catalyst for large scale, affordable & accessible housing people with a disability*, and *NDIS – Supports the NDIS will fund in relation to housing and independent living*; also the CHFA paper - *Providing housing for people with disability - June 2014*.

Funding amounts are not likely to be of the same amount as the \$80K accommodation packages currently provided under DHS DSR - these current packages will remain in place and will likely be taken over and maintained by the NDIA.

We have an opportunity to evaluate the long term balance of our day service and accommodation service provision in the event of a changed profile of day service through the effect of the NDIS. As the average age of our client list rises there is clear need for additional semi-independent housing for a significant proportion of our client list. There are currently 40-50 of our clients aged over 35 who live at home.

It has been reported the NDIA will in the future provide relatively higher levels of funding to higher functioning people with disability. As this situation affects us, it may provide opportunity to undertake development of additional housing stock akin to the Roxburgh House model, which operates at a lower staff to resident number ratio. In the event, we may consider entering into partnering arrangements with developers such as Housing Choices, whereby we may provide sites and our partner undertake the development – ownership would be vested in a joint company. Such developments would ideally be located in close proximity to Roxburgh House.

According to recent reports, although NDIA is yet to release its full detailed housing support policy, generally NDIS recipients will live in a diverse range of accommodation settings with a diverse range of support levels and arrangements. Typically the higher the support need, the smaller the numbers involved. For our housing stock as a portion of the market it is estimated Community Residential Units will house less than 10% of NDIS eligible recipients. (The largest cohorts are likely to continue to live in private funded housing, either rental or ownership, including the family home or social housing, both public and community housing).

### **3.19. Risk Analysis**

We should identify and analyse the range of financial (and legal) risk factors to Bayley House – increased management and administration costs and potential increase in our ageing debtors.

We should also identify the risk factors to our clients – consideration of ensuring safe guards for the dedication of our clients' individual funding packages (bearing in mind that financial problems experienced by our clients in funding their services become our problems also).

### **3.20. Lessons from Karingal Geelong**

A meeting in Geelong with Karingal's Financial Controller has been arranged for Friday 19<sup>th</sup> December. Notes from this meeting will be distributed to the Committee well prior to the February 2015 meeting.

### **3.21. Working with the NDIA, the NDS and other stakeholders**

We should formalize communication channels and partnering processes with all stakeholders through the various phases of the NDIS process. This will culminate in our having in place dedicated Bayley House staff for liaison with NDIA, especially through the LACs.

## **4. PRELIMINARY FINANCIAL MODELLING BY SAWARD DAWSON**

### **4.1. Scope and Intent – a staged approach**

The CEO has approved the initial appointment of Saward Dawson to commence this process.

For the February 2015 meeting of the Finance Committee, Saward Dawson will be requested to table its initial preliminary work. They should base this work on the background and discussion points raised in this paper and their prior experience with Inclusion Melbourne. They should liaise direct with CEO Bruce Salvin for further briefing during this period.

It is envisaged that Saward Dawson's commission may extend to further work, in stages, on a developing new financial model.

Saward Dawson are referred to the attached documents:

- Bayley House 30<sup>th</sup> June 2014 Financial Report – 31<sup>st</sup> October, 2014
- Bayley House Day Service – Summary of Service Provision, costs, funding & fees
- NDIA - Support Clusters Definitions and Pricing for Victoria - 1<sup>st</sup> December 2014

### **4.2. Revenue model**

Prepare an initial Revenue model, divided into existing funded services, existing unfunded services that may be adapted to provide revenue and potential new services and revenue streams.

### **4.3. Revenue vs. cost analyses for five notional client case studies**

Provide a preliminary analysis of revenues vs. costs for five notional client case studies encompassing contrasting individual Client Support Plans. It is envisaged we will ultimately require an agile and robust financial model that feasibly covers, under the NDIS, a greater diversity of revenue streams and costs to Bayley House, which are derived from what will be a diverse range of client plans ranging from clients that retain essentially the same services and items with current funding provisions transferred direct to NDIS, existing clients that opt for modified services and equipment, including both full time and part time, and new clients, including both full time and part time.

The notional case study analyses should make hypothetical assumptions of costs and revenues based on referenced documents attached.

### **4.4. Framework for a new financial model**

Provide an indication of format and framework for a new financial model, and an ongoing interactive costing and income tool.

## **5. NEXT STEPS**

Distribute minutes of discussion points and other points which emerge from the 11<sup>th</sup> December meeting of the Finance Committee, and establish further actions from the meeting.

Agree on further work by Seward Dawson and direction process and points of contact.

Establish a short term, medium term and long term plan for managing the process of Bayley House preparing itself thoroughly for the NDIS – for initial phase (now), transition phase, full roll out, and ongoing.

We should consider initially (now) setting up a dedicated 'NDIS sub-Committee' comprising selected members of the Finance Committee, the CEO and Finance Manager, and selected members of other Committees. The NDIS sub-Committee would report directly to the Finance Committee as part of an ongoing agenda item, the Finance Committee in turn making regular report of progress to the Board of Management.