

How is the disability sector faring?

Author:

Carey, Gemma; Weier, M; Dickinson, H; Malbon, E; Alexander, D; Duff, G

Publication Date:

2019-02-26

DOI:

<https://doi.org/10.26190/unsworks/27196>

License:

<https://creativecommons.org/licenses/by-nc-nd/4.0/>

Link to license to see what you are allowed to do with this resource.

Downloaded from http://hdl.handle.net/1959.4/unsworks_56488 in <https://unsworks.unsw.edu.au> on 2024-05-03

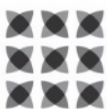
HOW IS THE DISABILITY SECTOR FARING?

A report from National
Disability Services' Annual
Market Survey

February 2019

Prepared by the Centre for Social Impact, UNSW Sydney

Carey, G., Weier, M., Malbon, E., Dickinson, H., Alexander, D., &
Duff, G.



**CENTRE
for SOCIAL
IMPACT**



Contact details

CSI research team	Other team members
Gemma Carey Megan Weier Eleanor Malbon	Helen Dickinson, Public Service Research Group, University of New South Wales Damon Alexander, Swinburne University Gordon Duff, National Disability Services

Address for Correspondence

Gemma Carey
Centre for Social Impact
gemma.carey@unsw.edu.au

Suggested citation

Carey, G., Weier, M., Malbon, E., Dickinson, H. Alexander, D., & Duff, G. 2018, 'How is the Disability sector faring? A report from National Disability Services' Annual Market Survey'. ISBN: 987-0-7334-3852-3

Centre for Social Impact

The Centre for Social Impact (CSI) is a national research and education centre dedicated to catalysing social change for a better world. CSI is built on the foundation of three of Australia's leading universities: UNSW Sydney, The University of Western Australia, and Swinburne University of Technology. Our **research** develops and brings together knowledge to understand current social challenges and opportunities; our postgraduate and undergraduate **education** develops social impact leaders; and we aim to **catalyse change** by drawing on these foundations and translating knowledge, creating leaders, developing usable resources, and reaching across traditional divides to facilitate collaborations.

National Disability Services

National Disability Services (NDS) is Australia's peak body for non-government disability service organisations. Collectively, our 840 NDS members operate several thousand services for Australians with all types of disability. Members range in size from small support groups to large multi-service organisations.

Acknowledgements

The authors acknowledge the assistance of Lesley Reid in updating and coordinating the administration of the 2018 NDS Annual Market Survey. They would like to thank the organisations and senior leadership members who completed the survey.

Disclaimer

The opinions in this report reflect the views of the authors and do not necessarily reflect those of UNSW Sydney or National Disability Services.

Contents

INTRODUCTION.....	4
ABOUT THE SURVEY.....	
SURVEY RESULTS	7
NDIS IMPLEMENTATION AND OPERATIONS.....	7
WORKING WITH THE NATIONAL DISABILITY INSURANCE AGENCY	9
ADMINISTRATIVE BURDEN AND SCHEME PRICING	11
IMPROVING THE OPERATING ENVIRONMENT FOR THE SECTOR.....	16
BUSINESS CAPABILITY AREAS	18
SERVICE DELIVERY	19
MERGERS AND COLLABORATIONS	22
SOCIAL CAPITAL.....	23
FINANCIAL POSITION OF SERVICE PROVIDERS	27
CONCLUSION.....	32
REFERENCES	33
APPENDIX 1: METHODOLOGY AND SAMPLE DETAILS	35

List of figures

Figure 1: Proportion of respondents providing services, by NDIS Registration Groups	6
Figure 2: The systems and processes in the NDIS are working well	7
Figure 3: NDIS Policy and Implementation	8
Figure 4: Top Five Market Stewardship Priorities for Government	9
Figure 5: Provider's views on government-relations over the last three years	10
Figure 6: Pricing, service quality, and administrative burden.....	12
Figure 7: Pricing and service delivery, by organisation size	16
Figure 8: Perceived operating conditions in the non-Government disability sector.....	17
Figure 9: Perceived operating conditions in the wider Australian economy	17
Figure 10: Business capability areas: Where we need to improve	19
Figure 11: Client needs being met by other services.....	20
Figure 12: Intentions to change service volume	21
Figure 13: Merger and market exit strategy	22
Figure 14: Reasons for merging or considering merger	23

Figure 15: Received help from other Disability Service Providers	24
Figure 16: Volunteers assisting the organisation.....	25
Figure 17: Volunteers by service type.....	26
Figure 18: Profit/loss in the last financial year	27
Figure 19: Past year profit/loss, by organisation size	28
Figure 20: Past year and predicted loss/profit margins	29
Figure 21: Anticipated change in organisational income	30
Figure 22: Change in costs.....	31

INTRODUCTION

The National Disability Services' (NDS) Annual Market Survey is a key resource in understanding the state of the Australian disability sector, its challenges and opportunities. A key driver for this research is the introduction of the National Disability Insurance Scheme (NDIS) and the substantial restructuring of individual organisations and the supply-side of the scheme. This research is intended to identify risks, monitor change and identify any undesirable consequences occurring in the disability sector. While findings have been included in the NDS State of the Sector Report (2018), the Centre for Social Impact is providing a long-form report for the sector.

The research found that the disability sector continues to be characterised by disruption, relating predominately to the implementation of the NDIS. Concerningly, as the NDIS continues to be rolled out – and providers must adapt to the requirements of the scheme – the financial position of many providers is becoming more precarious. Compared to previous years, more providers are operating at a loss (28%, up from 21% in 2016). Concurrent to this, mergers and discussions of potential mergers, are a growing feature of the sector since the NDIS launched. The report also found alarmingly low levels of collaboration within the sector. Hence, in terms of the long-term sustainability of the sector and the diversity it offers, financials and mergers should continue to be carefully monitored. The NDIS is premised on a robust ecosystem of service providers and collaborative service offerings – including small organisations which offer niche services. This requires organisations of all types to be able to operate profitably within the scheme.

The survey also points to growth in service gaps. Amongst the providers who responded, it is clear that many are receiving requests for disability services that they are not able to offer. A large number of providers (69%) of the sample that responded said that they had received requests for services they were not able to provide. When asked whether they thought clients would be able to have their needs met by other service providers, there has been a sharp increase in 2018 in perceptions that none of the clients needs being met by their organisations. This may be an indication of growing service gaps, however it may also result from low provider knowledge due to a fragmented disability market.

Given major, and on-going, changes to the operating structure of the sector, the report also explores implementation challenges related to NDIS. Responses from providers paint a concerning picture. The majority (73%) of providers do not feel that the current NDIS systems are working well. This finding is consistent with major reviews of the scheme, including the Australian National Audit Office and Joint Standing Committee on the NDIS (1,2). On a more positive note, the sector believes reforms are heading in the right direction.

A number of challenges emerged from the qualitative components of the study regarding the operating environment of the sector. In particular, the research found that pricing structures, administrative burden, and inconsistency from the NDIA are major challenges for the sector. Pricing, its level and where in the system pricing decisions are made, was the most commented on aspect of the current operating environment. In response to policy discussion

about 'market stewardship' for the NDIS, we make two key suggestions based on the survey combined with the international literature:

1. Increase pricing flexibility and revisit where in the system pricing decisions can be made
2. Release accurate and timely supply and demand information to providers

The recent Joint Standing Committee into the NDIS called for greater clarity regarding roles and responsibilities of government agencies for market stewardship of the disability sector (3). What remains unclear, however, is what types of actions should be taken and what stewardship activities might better be undertaken by non-government agencies? Cutting-edge thinking in managing social care markets suggests that they need to be adaptable and responsive to local communities (4). To achieve this, research indicates that systems need to be decentralised (4).

Overall, this report paints a picture of a sector which is becoming increasingly precarious, and frustrated with the nature of the reform process. It is also a sector with low levels of collaborative activity – raising questions about the nature of social capital in the sector under the NDIS. In addition to the market stewardship issues outlined, there is a clear call from the sector for consistent and reliable information and communication, along with a recognition of the large administrative burden being placed on the sector while the NDIS takes shape. Without addressing these issues, the vision of the NDIS is at risk.

About the survey

The following data is produced from the sixth wave (W6) of NDS's Annual Market Survey (see Appendix 1 for methodology and sample details). General characteristics of the sample and reporting are detailed below:

- 626 disability service providers responded. 42 per cent had income of less than \$1M, 23 per cent between \$1M and \$5M, 20 per cent between \$5M and \$20M and 14 per cent had income of \$20M or more.
- 23 per cent were sole traders, up from 12 per cent in 2017. The inclusion of this cohort did not skew the overall results. 73 per cent of respondents were not-for-profit organisations and 24 per cent for-profit organisations. 3 per cent were not classified. 97 per cent of respondents were registered National Disability Insurance Scheme (NDIS) providers and 90 per cent are registered and currently provide services under the NDIS.
- Providers could indicate where their services fit within NDIS service groups, and multiple service options, and organisation could select multiple services. The most commonly reported services offered by providers were participation in community, social and civic activities (36% of the sample), and assistance services (personal activities – 33% of the sample; life stages, transitions and supports – 28% of the sample) (see Figure 1).
- The survey included several open-ended questions. These have been coded and analysed thematically. Three major themes emerged from the qualitative data: pricing issues with the NDIS, administrative burden, and inconsistent advice given to providers from NDIA staff.

It is important to note that not all providers who took part in the survey answered all items – this may be because the question was not relevant to the provider, that the provider did not wish to provide particular information, or because of survey drop out. Proportions that are reported throughout this document are therefore based on the providers who answered that particular question, and should not be extrapolated to the entire sample. The number of services who responded to each particular item is reported under their relevant figure.

NDIS Registration Groups - services provided

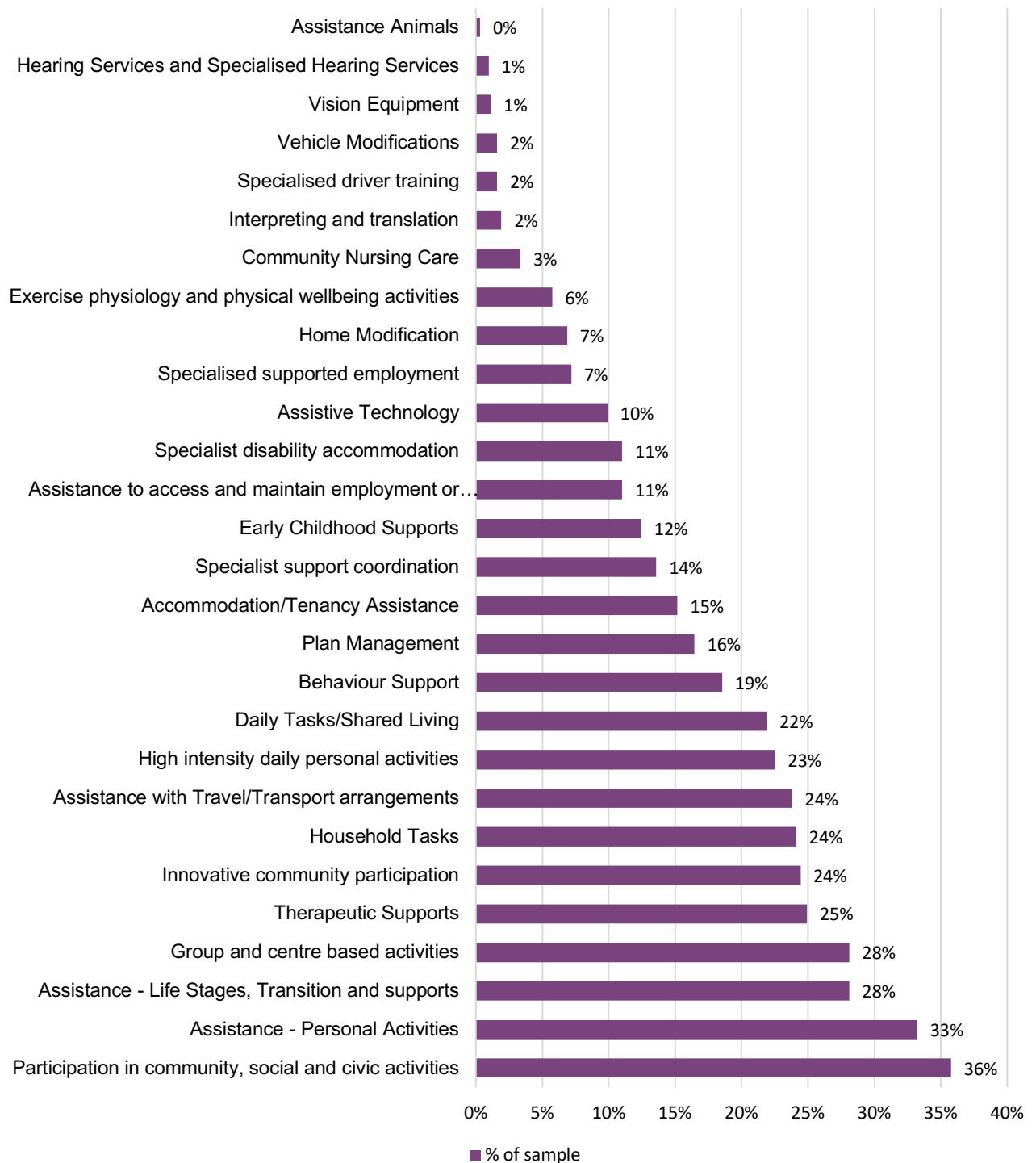


Figure 1: Proportion of respondents providing services, by NDIS Registration Groups

Source: NDS 2018. Proportions are calculated on the total sample size of 626.

SURVEY RESULTS

NDIS Implementation and operations

Service providers perceive that NDIS systems and processes are not working well

When asked, close to three quarters (73%) of respondents either disagreed or strongly disagreed that the systems and processes of the NDIS were working well (Figure 2). Service provider dissatisfaction with the NDIS may be due to policy uncertainty, lack of meaningful service provider engagement by the NDIA, and pricing and administrative burdens.

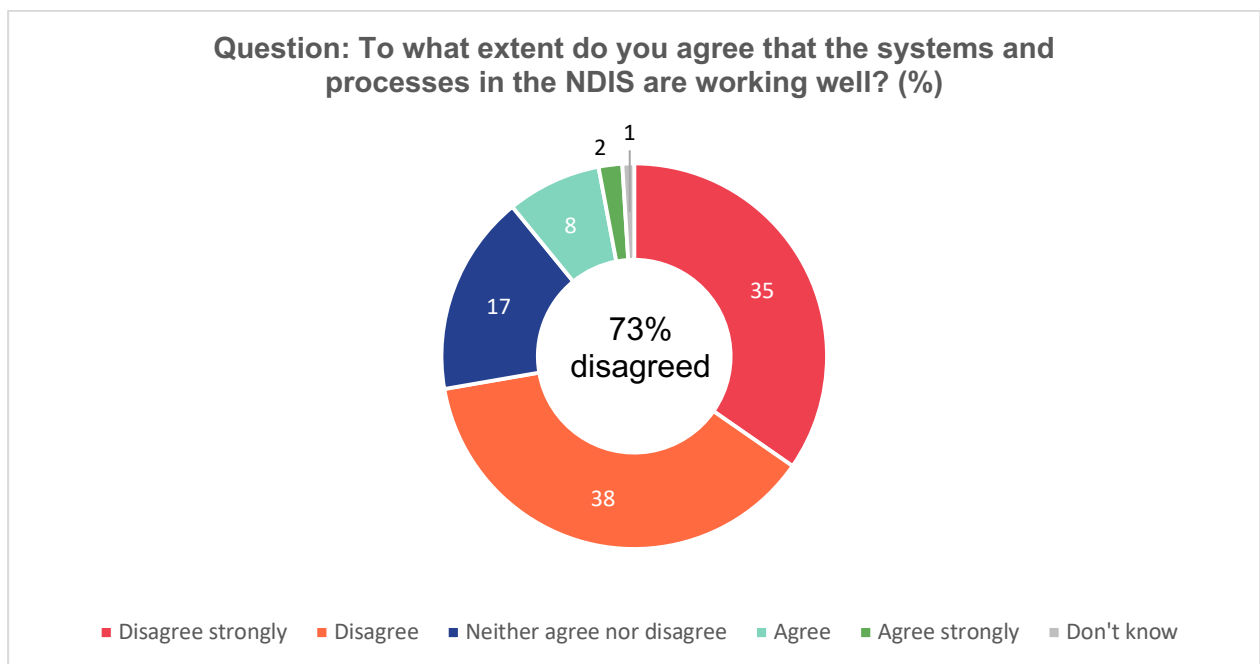


Figure 2: The systems and processes in the NDIS are working well

Source: NDS Annual Market Survey 2018. N = 451

Over the last three years of the Annual Market Survey, there have been slight changes in service provider attitudes to NDIS policy. In 2018, responses were split over whether the implementation of the NDIS should be slowed down – 34% disagreed, and 39% agreed. This represents a decrease from the 2017 survey, where 46% of the providers who responded felt implementation should be slowed. Provider views on NDIS policy directions and implementation remain consistent. This year, responses were split over whether NDIS implementation should be slowed down – 39% agreed or strongly agreed and 23% were neutral. As NDIS implementation proceeds, nearly half (47%) feel that policy implementation is heading in the right direction (Figure 3). However, a significant majority (80%) continue to agree that the NDIS policy environment is uncertain, this has increased since 2016 and 2017 (Figure 3).

Question: To what extent do you agree with the following statements:

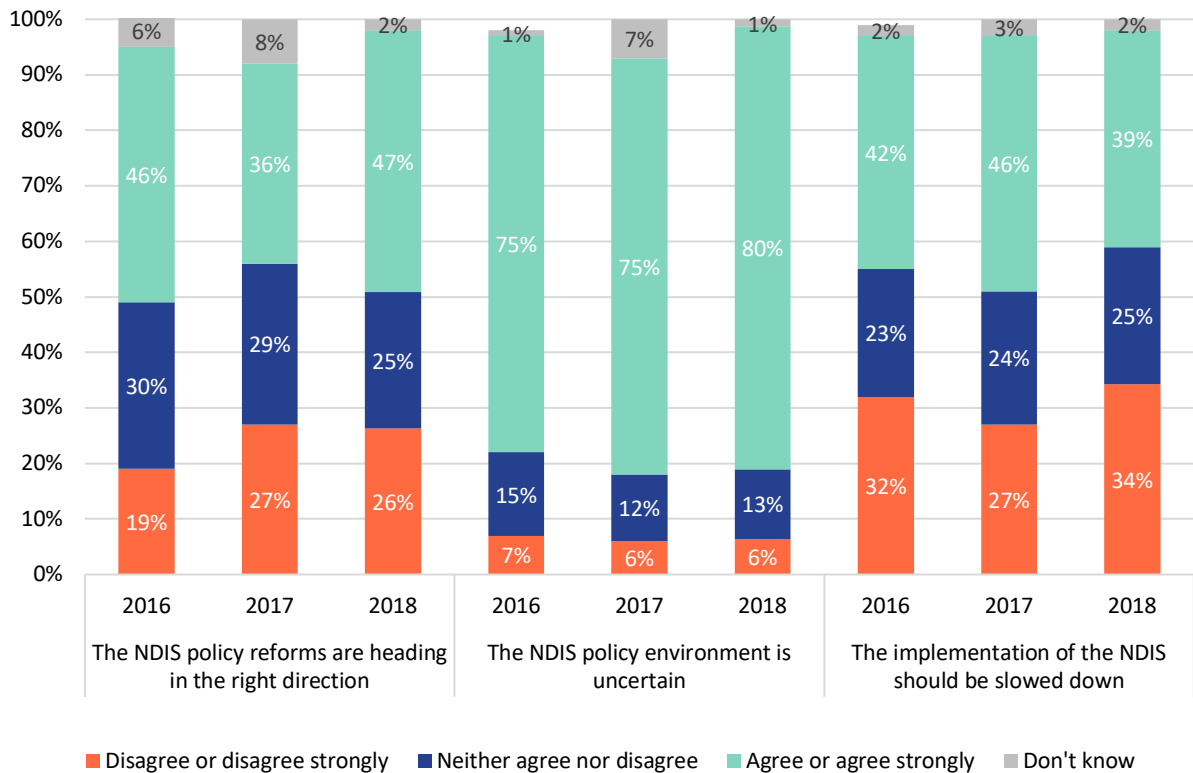


Figure 3: NDIS Policy and Implementation

Source: NDS Annual Market Survey 2016, 2017, 2018. N: 2016 = 464, 2017 = 358, 2018 = 456

Providers were asked which actions by Government would have the greatest positive impact on their organisation's capacity to deliver good services and improve the operating environment. The top three actions were: adjust NDIS pricing, improve communications and engagement between providers and government, fix the NDIS participant pathways and portal (4).

Top Five Market Stewardship Priorities for Government

Question: Which of the following actions by Government would have the greatest positive impact on your organisation's capacity to deliver good services in the next year?

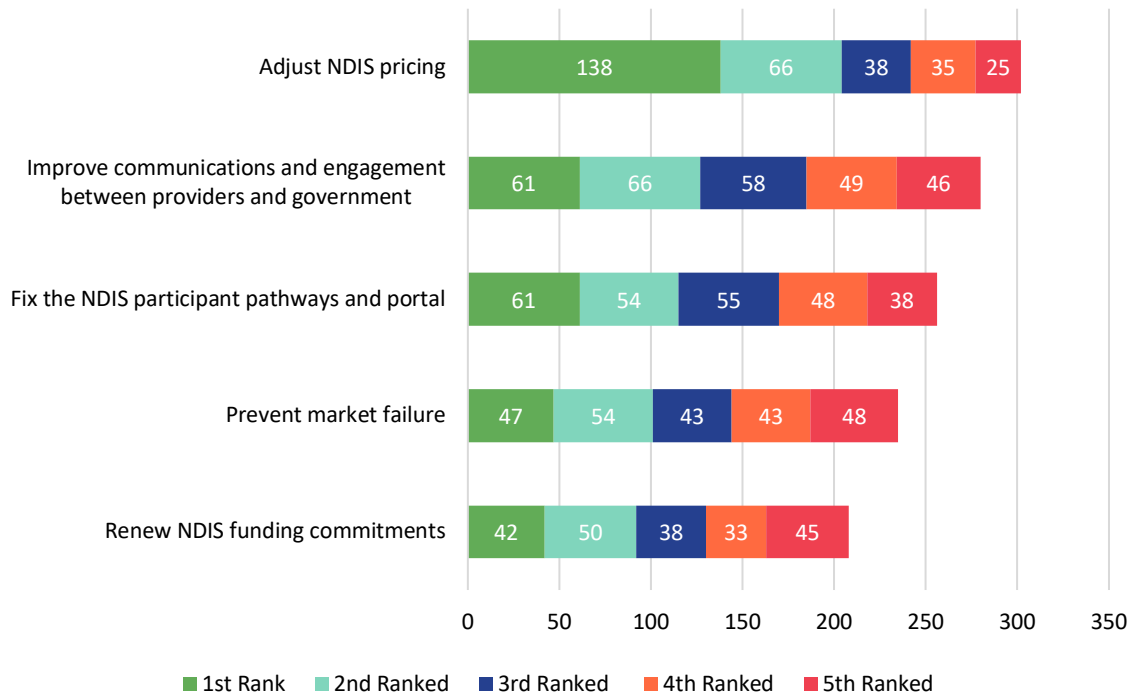


Figure 4: Top Five Market Stewardship Priorities for Government

Source: NDS Annual Market Survey, 2018. Five most frequently selected priorities shown. The number of providers that selected each priority are shown, rather than percentages.

Working with the National Disability Insurance Agency

Service providers who responded to the survey reported dissatisfaction with their working relationship with the NDIA. Only 15% of providers said they agreed, or agreed strongly that the NDIA is working well with the sector to implement the NDIS, and similarly 15% agreed or agreed strongly that the NDIA has a high level of respect for service providers (Figure 5). At the Government level, respondents were split in their agreement about how much regard the State or Territory Government has for their knowledge of disability (responses are likely dependent on the location of the respondent), but most (71%) disagreed when asked if the Australian Government was anticipating or responding well to the needs of organisations such as theirs.

Provider's views on government-relations over the last three years

Question: To what extent do you agree with the following statements:

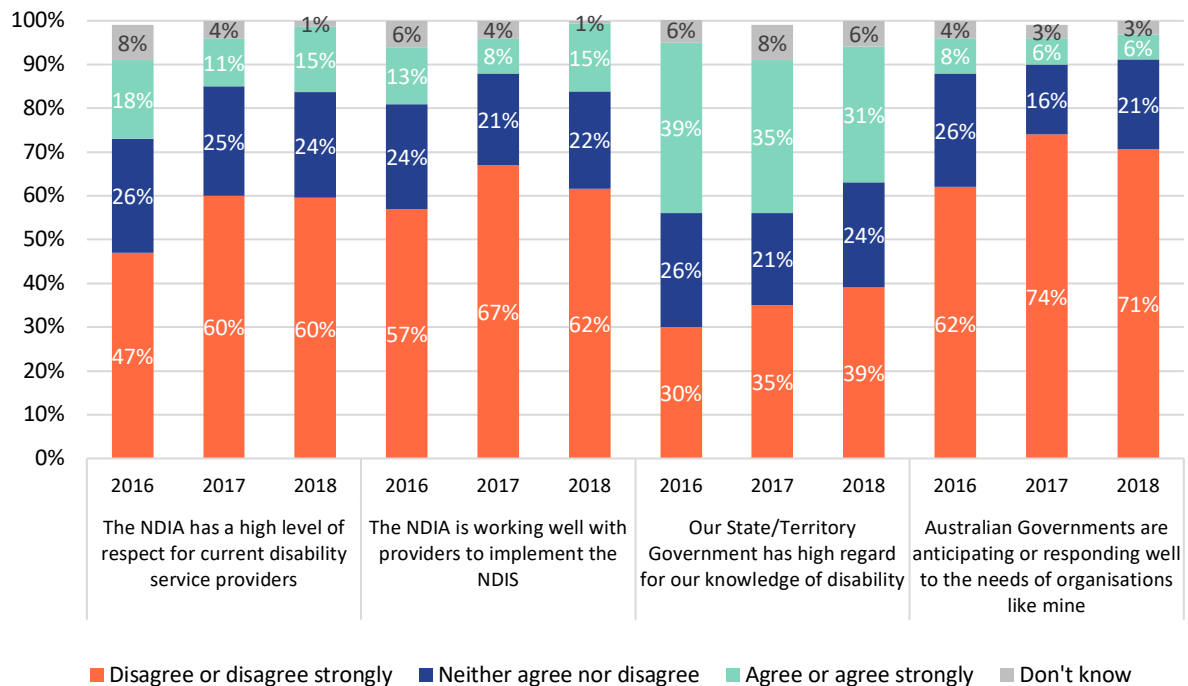


Figure 5: Provider's views on government-relations over the last three years

Source: NDS Annual Market Survey 2016, 2017, 2018. Number of responses: 2016 = 426, 2017 = 360, 2018 = 453

The qualitative data indicates that providers are struggling with inconsistencies in planning and NDIA policies. Providers experience inconsistencies in planning (both by NDIA planners and Local Area Coordinators):

"NDIS keep changing the rules and there is no consistency between planners, areas and local offices."

"Incorrect information given to participants by Planners and LACs is compromising service delivery and problems are then blamed on providers."

"Despite the length of time we have been delivering services via NDIS funding there is still an incredible inconsistency in the planning processes that clients/families are attempting to manage."

With regard to the NDIA explicitly, providers felt that these inconsistencies were exacerbated by a lack of staff training within the NDIA:

“The NDIA do not know their own rules and or train their staff consistently resulting in service providers having to re work processes multiple times as multiple NDIA agents have multiple interpretations of what is and is not good process”

The experiences of providers are echoed in a number of recent reviews of the implementation of the NDIS. The Australian National Audit Office and Joint Standing Committee on the NDIS found that the NDIA was under resourced and under pressure, resulting in process-related issues (1,5). In 2018, the Joint Standing Committee noted that the NDIA “has often failed to put in place in a timely manner the appropriate measures and initiatives to support the development and growth of the disability support marketplace” (p. ix). This is reflected in provider experiences of working with the Agency and within the operating environment of the NDIS more broadly.

Administrative burden and scheme pricing

The administrative burden and the pricing of the NDIS are other potential causes for service provider concern when evaluating the NDIS policy. Within the qualitative data, pricing and its relationship with administrative burden was the most commented on aspect of the current operating environment for the sector. Moreover, when asked what the top five actions were that governments should take regarding the sector and disability services over the next year, 46% ranked ‘addressing pricing’ as their top action. Two major themes emerged from the data – the disconnect between pricing and service delivery realities, and the subsequent loss-making operations leading to a threat of market failure.

Central pricing is detached from service delivery realities

Broadly, pricing was seen as disconnected from the realities of service provision in the sector, which is well summarised by the following quote: “No matter the size of a [participant’s care] package there is significant time invested into case development, review, maintenance, and provision which is in excess of an hours support for capacity building”. The estimated price used to set prices within the scheme were seen as out of step with the real costs: “The current pricing in the NDIS is based on unrealistic estimations of providers performance and costs. It will be unviable to remain a provider unless there are substantial improvements in price structures”. Similarly, another provider commented “It is challenging to continue to conduct a profitable enterprise when the [NDIS] sets the fee for our company’s services - particularly without any prior knowledge of the services we provide and associated costs involved. Not all services are created ‘equal’.”

Concern over prices was reflected in the attitude toward the implementation of the NDIS survey item. Fifty-eight percent of those who responded to the question said that they agreed or agreed strongly that they were worried they wouldn't be able to provide NDIS services at their current prices. Just under one in four respondents disagreed (19.9%) or disagreed strongly (4.2%) with this statement (Figure 6).

Pricing, service quality, and administrative burden
Question: To what extent do you agree with the following statements:

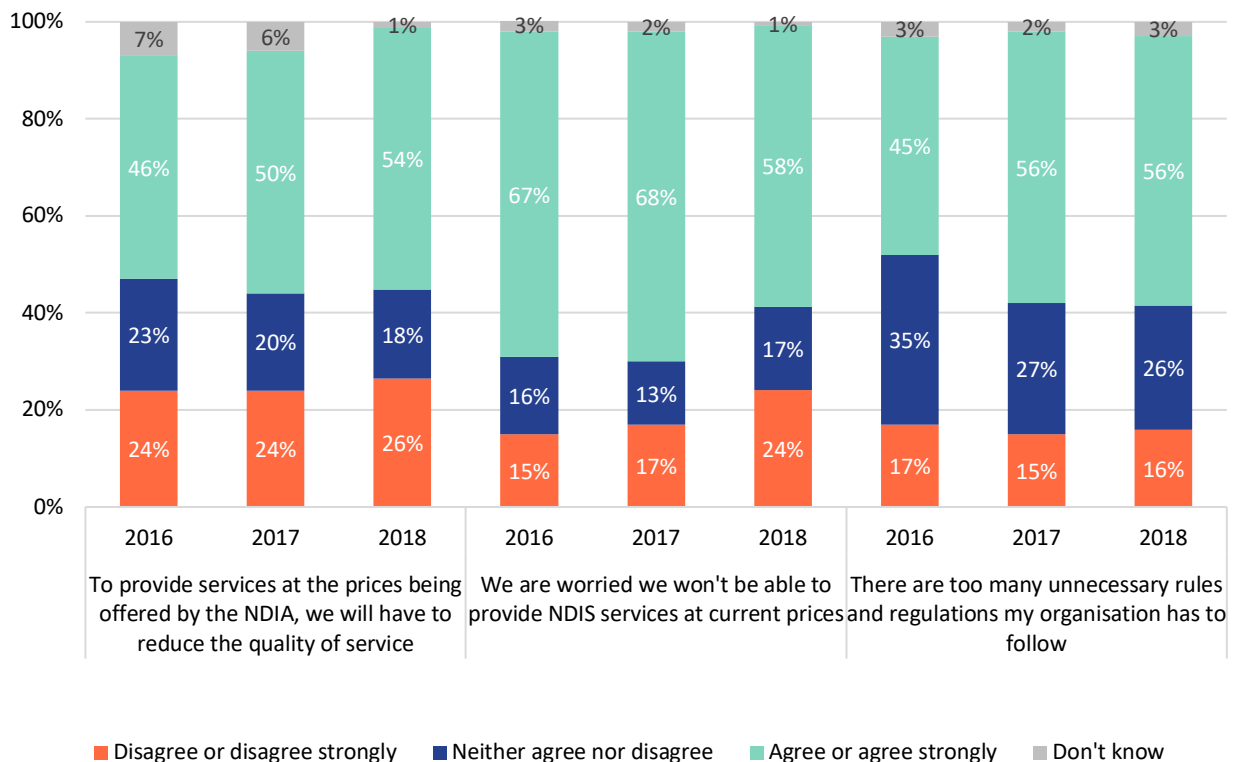


Figure 6: Pricing, service quality, and administrative burden

Source: NDS Annual Market Surveys 2016 – 2018. Number of responses: 2016 = 426, 2017 = 360, 2018 = 453

In particular, the current price setting fails to take account of the activities that sit around service delivery which make the NDIS function: “with the price constraints of the NDIS prices and the increased administration burden placed on organizations to accurately manage and deliver support services is not in alignment”. As the following quotes indicate, services are stretched at the top and bottom end – with regulatory activities to provide in the scheme not accounted for, nor the hands-on work supporting families and clients beyond the service transaction:

"It costs money to be able to meet all the requirements of government, but we aren't able to set the actual pricing to be able to recover the true cost of support. We are a price taker, and government set all the rules and processes that are administratively burdensome ... providers cant [sic] actually charge what it really costs to deliver good services."

"There's no funding given for staff training. We need to train our staff on NDIS ... so they can be better equipped."

This extends to pre-plan preparation and goal setting:

"There is too much reliance on disability organisations to do the work of the NDIA in terms of upskilling the participants, the public and their families. There is too much reliance on the goodwill of disability organisations to support participants when things go wrong with the planning process."

These sentiments were again reflected in the quantitative responses and appear to be worsening each year (Figure 7). In 2018 over half of those who responded (54.1%) said that they either agreed or agreed strongly that in order to provide the services at the prices being offered by the NDIA, the quality of care would be reduced. One quarter (26.5%) of respondents either disagreed or disagreed strongly with this statement (Figure 7).

Administrative burden was particularly problematic and considered higher than under the previous pre-personalisation arrangements:

"There is a significant increase in the administrative load and no remuneration under the NDIS pricing schedule. The backlog in processing has created a stagnated marketplace and increased the vulnerability and lack of viability for small to medium sized service providers."

"There is a disparity between what is expected ... and the funding in people's plans to meet the safeguard requirements. The gaps range from something simple such as ensuring admin time for documenting case notes and/or incidents to the training of staff."

As described by this provider, un-funded administrative burden poses a market threat should it mean that providers operate at a loss. In particular, services that are more socially based and therefore require greater nuance and skill to deliver were identified as priced too low to maintain by service providers:

"Individualised community participation is not viable at the current price."

"We are considering not providing respite due to price."

When asked about costs in relation to their growth in service volumes, half of the organisations who responded said that they expected the cost of administration to grow at a rate that was faster than the services they could offer.

Organisations operating at a loss and the threat of market failure

Prices were regarded by many as being too low to be financial sustainable for the sector: "The prices mean that many services are simply not able to be delivered by trained staff within an organisation that prides itself on great quality services - it is under the cost of service delivery". Similarly, another provider noted that they were operating at a deficit: "In the current market our organization will not be operating in the years to come as we continue to run at a deficit. We have recently had a unit costing completed and most of the services we provide are running at a loss".

This is consistent with the recent review of prices, which found that 75% of providers within the scheme are operating at a loss (6) – creating significant risks for market failure. Indeed, service providers were acutely concerned with imminent market failure and the development of thin markets:

"Market failure is a current reality. We are already having to restrict certain community access services delivered one on one, even though demand is growing. Some participants are only being offered supports delivered in groups with a 1:5 support ratio, even though they could benefit from supports delivered in smaller groups or 1:1. This is undermining the NDIS' intent to offer participants choice and control."

"[We have] a lot of uncertainty about the future of the NDIS funding and our ability to adjust well financially to the prices being paid - especially [one on one services] which has seen many operators opt out of service provision. This concerns us for creating a thin market and little to no choice for

Service providers noted that this posed a particular threat for groups with complex needs:

“NDIA does not appear to understand the extent of its responsibilities of stewardship in this type of market. In particular, as the setters of price and its relationship to the supply of services, they do not appear to understand that they may inadvertently be creating the conditions for market failure for services to some populations - in particular to those with high support needs or complex needs. Unfortunately, there is a danger that a significant cohort of people for whom the scheme was intended may become its collateral damage.”

In other areas of social care, the introduction of market mechanisms have seen complex cases left unaddressed or underserved in favour of easier and more profitable clients (known as ‘benching’ or ‘creaming’) (7,8). Challenges with complex needs and pricing is consistent with ongoing concerns about equity within the scheme (9). These perennial problems with the structure of pricing in the NDIS, and the potential for it to lead to thin markets, suggests that central price setting simply does not, and potentially cannot, reflect the diversity of local markets and their various supply and demand factors within the scheme.

Internationally, research on market stewardship suggests that flexible pricing is likely to be more effective (10). This can allow for variations in need relating to disability type or location. Moreover, flexible pricing is likely to be most effective within a devolved scheme structure (11) – where local actors (planners, Local Area Coordinators) have the resources and authority to alter prices. In doing so, they are able to bridge service gaps and grow innovation through service incubation, seed funding, or support for key providers (12).

As can be seen in Figure 7, pricing and scheme inconsistencies poses a risk not just for provider closure but also service quality. As one provider explained:

“The goal posts keep moving” which makes it incredibly risky for service providers. They do not have clear policies on decision they are making and these decisions are inconsistent. The operating environment has restricted our ability to be innovative and to respond quickly to the needs of people with disability.”

The concerns about pricing and their impact on service differed depending on the size of the provider (Figure 7). Very small service providers (less than \$1million last financial year) were significantly less likely to agree that they would have to reduce the quality of service to provide services at the prices being offered by the NDIA ($p < .001$). Similarly, very small

providers were significantly less likely to indicate they wouldn't be able to provide NDIS services at their current prices ($p < .001$).

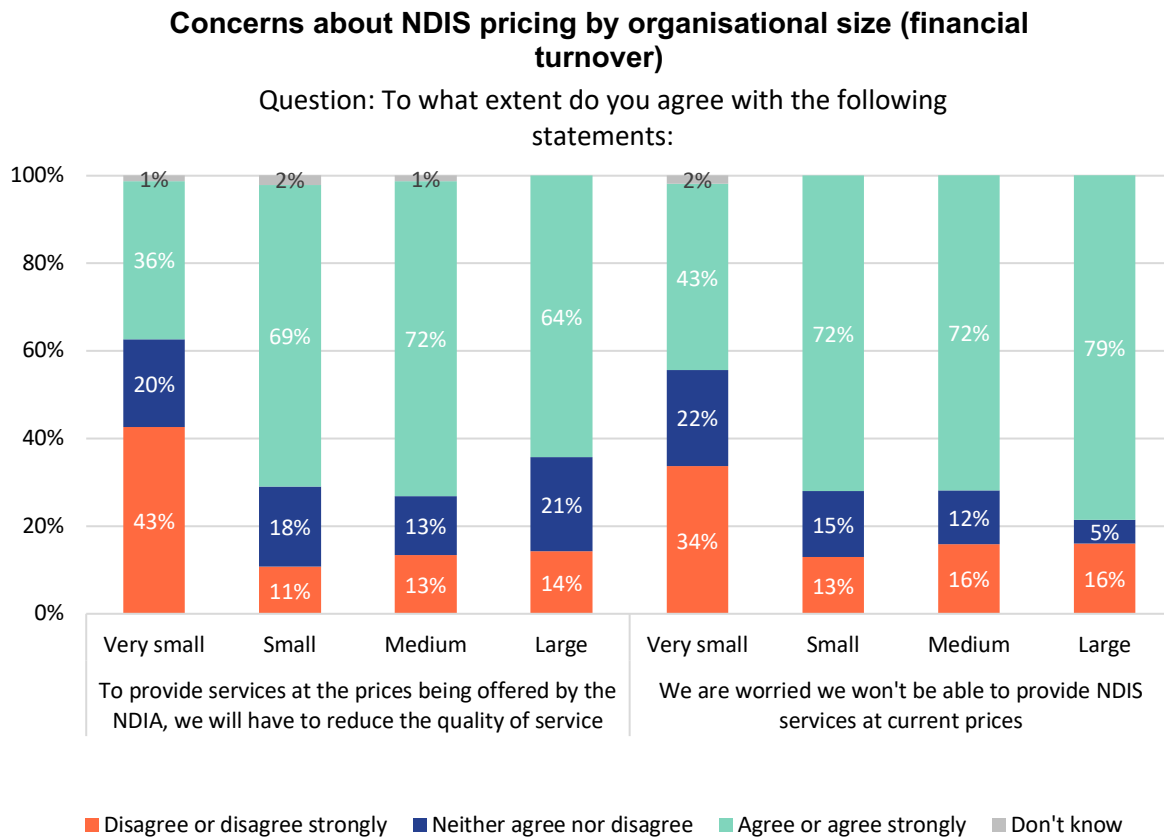


Figure 7: Pricing and service delivery, by organisation size

Source: NDS Annual Market Survey 2018. Number of responses = 400

Improving the operating environment for the sector

Since 2016, there has been a sharp decrease in the operating conditions of the non-Government disability sector (Figure 8) – in 2018, 55% of service respondents said that conditions have worsened. In contrast, in 2018 it was perceived by respondents that the operating conditions in the wider Australian economy have either remained the same (43%) or improved (18%) (Figure 9). Hence, there is a feeling that conditions for the sector are getting worse, despite the overall economy improving.

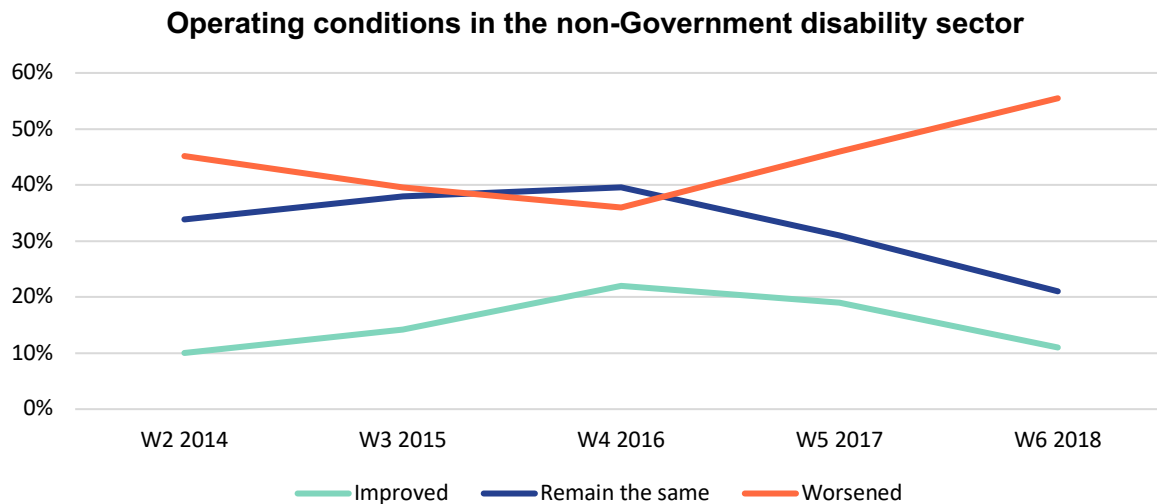


Figure 8: Perceived operating conditions in the non-Government disability sector

Source: NDS Annual Market Surveys 2014-2018. Number of responses: 2014 = 399; 2015 = 422; 2016 = 548; 2017 = 461; 2018 = 447

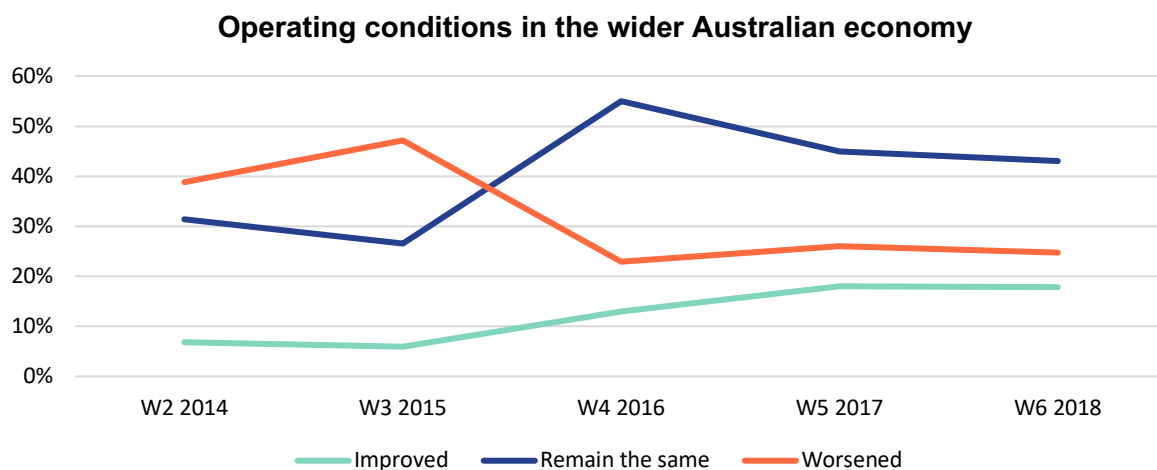


Figure 9: Perceived operating conditions in the wider Australian economy

Source: NDS Annual Market Surveys 2014-2018. N: 2014 = 399; 2015 = 422; 2016 = 548; 2017 = 456; 2018 = 444

The results reported thus far indicate that the operating environment for the disability sector is challenging and appears to be worsening over time. Many of these concerns relate to what is being called 'market stewardship' (5,13). While a precise definition of market stewardship within the context of the NDIS is yet to emerge, broadly it refers to activities taken by a variety of actors (including government) to prevent market failure or gaps emerging, which will be damaging for providers and clients alike. Gash identifies a number of core principles that need to be adhered to in order to maximise the opportunity for successful market stewardship:

- engage closely with users, provider organisations and others to understand needs, objectives and enablers of successful delivery
- set the 'rules of the game' and allowing providers and users to respond to the incentives this creates
- constantly monitoring the ways in which the market is developing and how providers are responding to these rules, and the actions of other providers
- adjust the rules of the game in an attempt to steer the system (much of which is, by design, beyond their immediate control) to achieve their high-level aims.(10)

Recently, the Joint Standing Committee on the National Disability Insurance Scheme called for clarity regarding who is responsible for market stewardship and what actions will be taken. The NDS survey indicates that overwhelmingly, providers feel that changes to prices would improve the operating environment. International evidence on stewarding effective social care markets indicates that allowing price flexibility is key to ensuring a robust and diverse market place (10,11,14). Effective market stewardship has also be found to depend upon information sharing interventions (10,15). Information sharing attempts to address information asymmetry in the market (i.e. where providers do not know levels of demand, or users cannot identify services), and is a very common form of market intervention in non-quasi markets. This was also noted as a matter of urgency by the Joint Standing Committee. Critically, many providers who responded to the survey spoke about poor communication with the sector.

Based on the NDS survey and international literature (4), two important stewardship areas to evaluate are:

1. Increasing pricing flexibility and the revisiting where in the system pricing decisions can be made
2. Releasing accurate and timely supply and demand information to providers

Business capability areas

Providers were asked to reflect on areas of their service provision that they thought that they could improve. Areas where providers thought they could improve were administration focused: the most common areas noted for improvement were information, communications and technology, HR strategy, costing and pricing, and market research (Figure 10). This suggests that providers are struggling to manage the costs of maintaining their staff, systems and processing under the current NDIS pricing. The trend data indicates that these capabilities, this continues to be a challenge. Responses also suggest a lack of communication and clear information about market supply and demand. As noted earlier, international evidence indicates that clear and transparent information about supply and demand is key to market management by government (10,12)

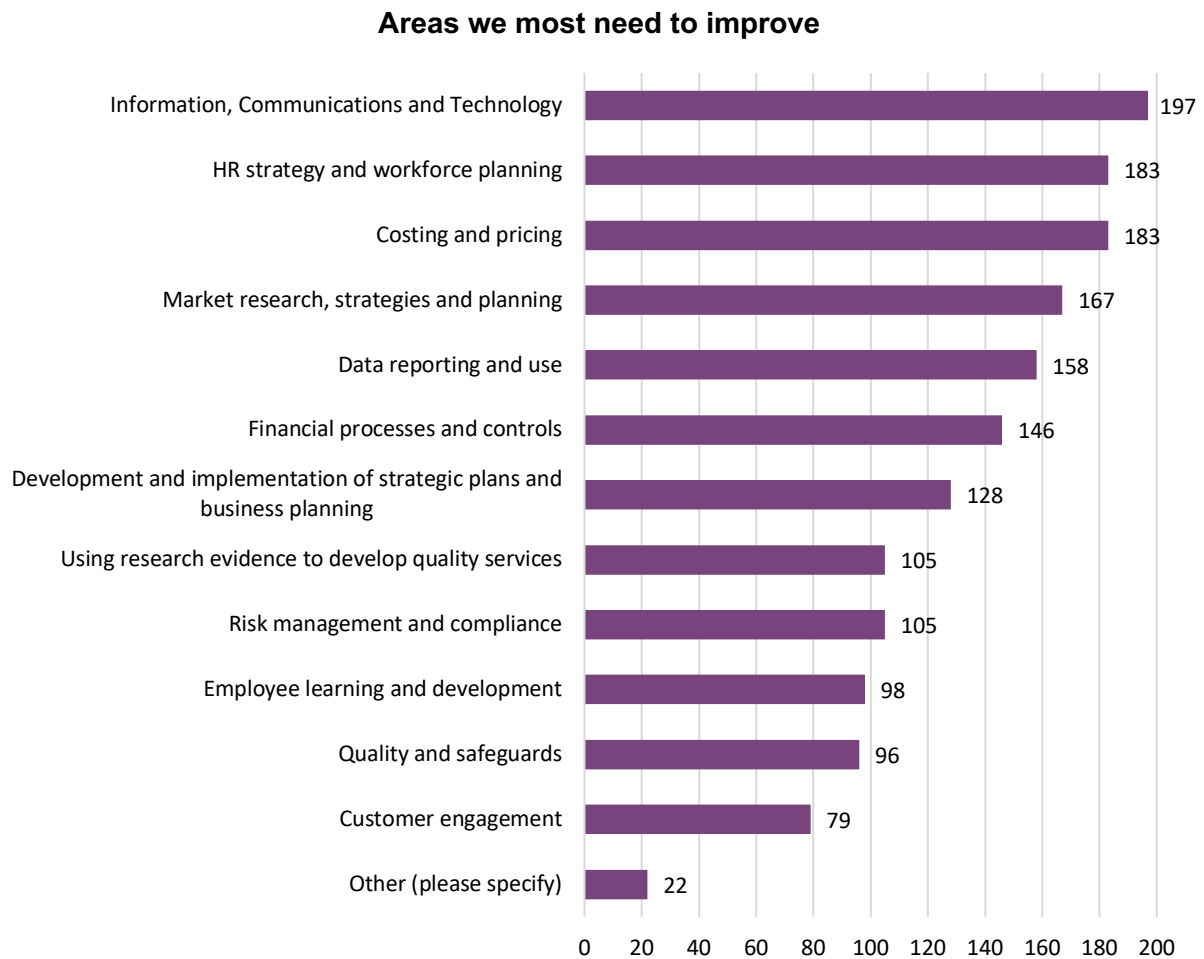


Figure 10: Business capability areas: Where we need to improve

Source: NDS Annual Market Survey 2018. Multiple response options were allowed; frequencies rather than proportions are presented to reflect this.

Service delivery

Amongst the providers who responded, it is clear that many are receiving requests for disability services that they are not able to offer. 69% of the sample that responded said that they had received requests for services they were not able to provide. When asked whether they thought clients would be able to have their needs met by other service providers, 51% of service providers believed that clients could have all or some of their needs met by other organisations, whereas 33% believed that clients could have none of their needs met by other organisations. This suggests that around 50% of requests are able to be met by existing market providers and a further 40% are only able to partially met, or would not be met at all from existing market providers (Figure 11).

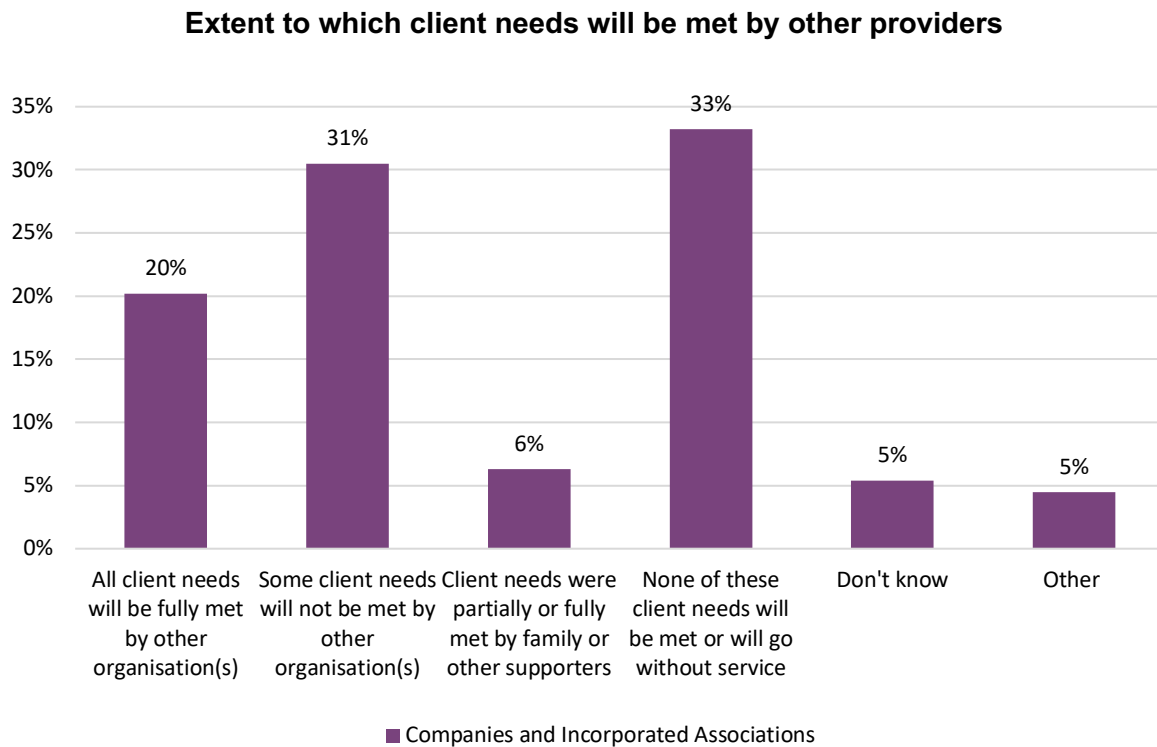


Figure 11: Client needs being met by other services

Source: NDS Annual Market Survey 2018. Number of responses = 223. Notes: Sole Traders excluded from analysis. Trusts and Partnerships removed due to low sample size.

Providers were asked to indicate whether they had any plans to change their service delivery. Most providers indicated that they intended to increase their service volume, as opposed to decreasing or stopping services (Figure 12). Services that indicated they were planning to reduce or stop providing services tended to be one-off services (such as vehicle modifications, assistive technology and home modification) (see Figure 12). This is of particular concern given the goals of the NDIS to improve user choice and control, with more personalised services. In particular, one-on-one support is a challenge for providers within the current pricing regime:

“NDIS pricing continues to disadvantage some participants, including those with complex behavioural support needs, people wanting/requiring 1:1 supports. It is further believed that the current NDIS pricing does not enable sufficient margin to train staff - this is a high risk situation.”

“We are already having to restrict certain community access services delivered 1:1, even though demand is growing. Some participants are only being offered supports delivered in groups with a 1:5 support ratio, even though they could benefit from supports delivered in smaller groups or 1:1. This is undermining the NDIS' intent to offer participants choice and control.”

Providers were also asked to indicate whether there were any additional NDIS funded services that they planned to start offering in the next 12 months. Less than 10% of the providers who responded indicated there was any one service that they planned on adding. This indicates that, within the NDIS framework, providers are confidently placed to provide their current services, with little or no intention to include additional service types.

Intentions to change service volume

In the next 12 months, do you plan to stop providing, reduce, increase the volume of services or make no changes to your services?

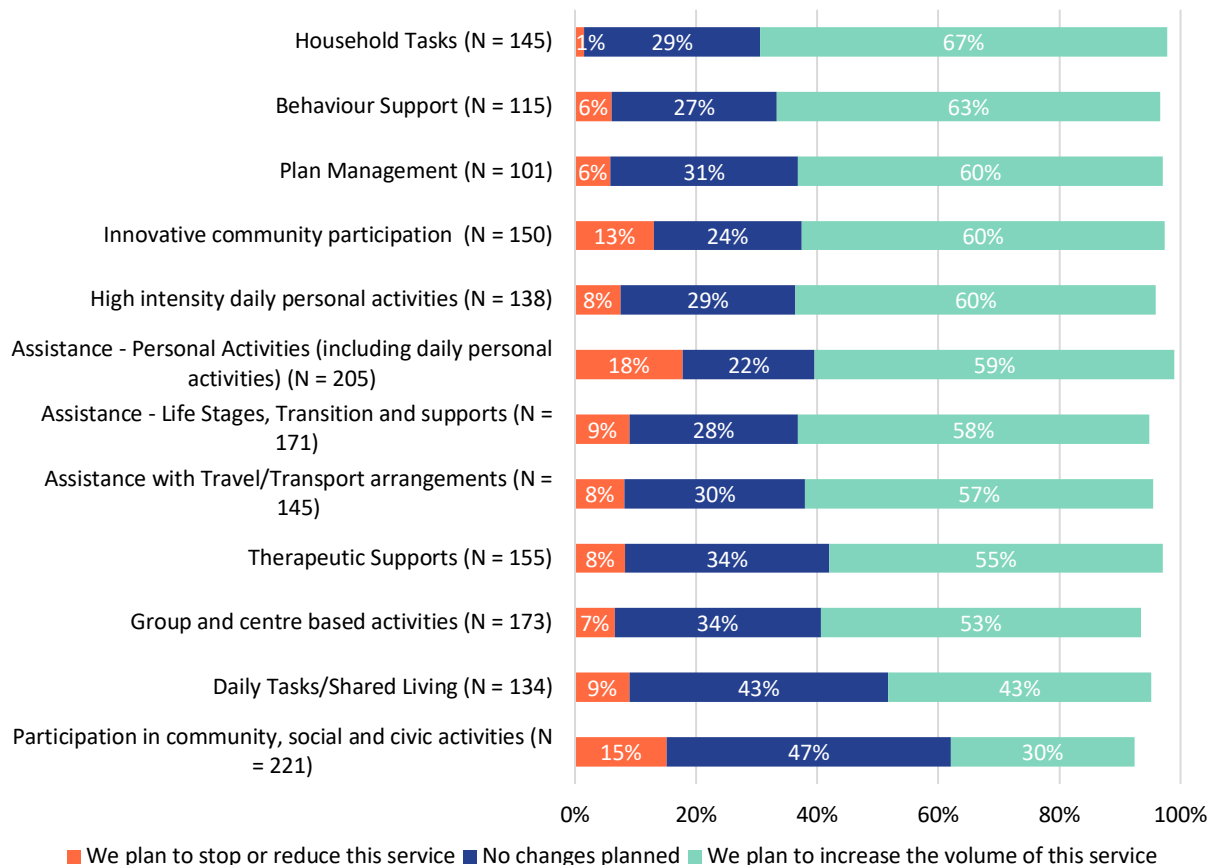


Figure 12: Intentions to change service volume

Source: NDS Annual Market Survey 2018. Proportions represent the services that responded to their relevant service

Services that required longer-term engagement and care with clients are clearly in demand as illustrated through plans to increase service volume. Services such as hearing and specialised hearing services, specialist support coordination, daily tasks and shared living, and community nursing care were all services that providers plan to increase (see Figure 12). To avoid thin markets or market saturation, it may be useful for providers to have an understanding of whether similar providers in their area are also planning on increasing or decreasing their services. This requires greater communication across the sector.

Communication led by the NDIA and Government emerged as an issue within the qualitative analysis. This relates to supply and demand, as well as key changes for the sector. This is summed up well by the following providers statements “Lack of consistency with advice and the absence of a single source of truth for new information makes it a difficult environment to work in”, and “There is too little communication with service providers in regards to processes being undertaken”. These issues have been noted by inquiries into the function of the scheme, including the Productivity NDIS Cost Review and the Joint Standing Committee on the National Disability Insurance Scheme. In particular, the Joint Standing Committee noted the lack of data being made available to providers by the NDIA and the implications of this for services functioning effectively and efficiently within the new environment (15).

Mergers and collaborations

Of the providers who responded, close to three in ten organisations indicated that they had discussed a merger in the last 12 months (see Figure 13). However, the proportion of providers who were actually undertaking, or had completed a merger in the last 12 months was consistently lower than the proportion of providers that had either discussed a merger or closing their organisation.

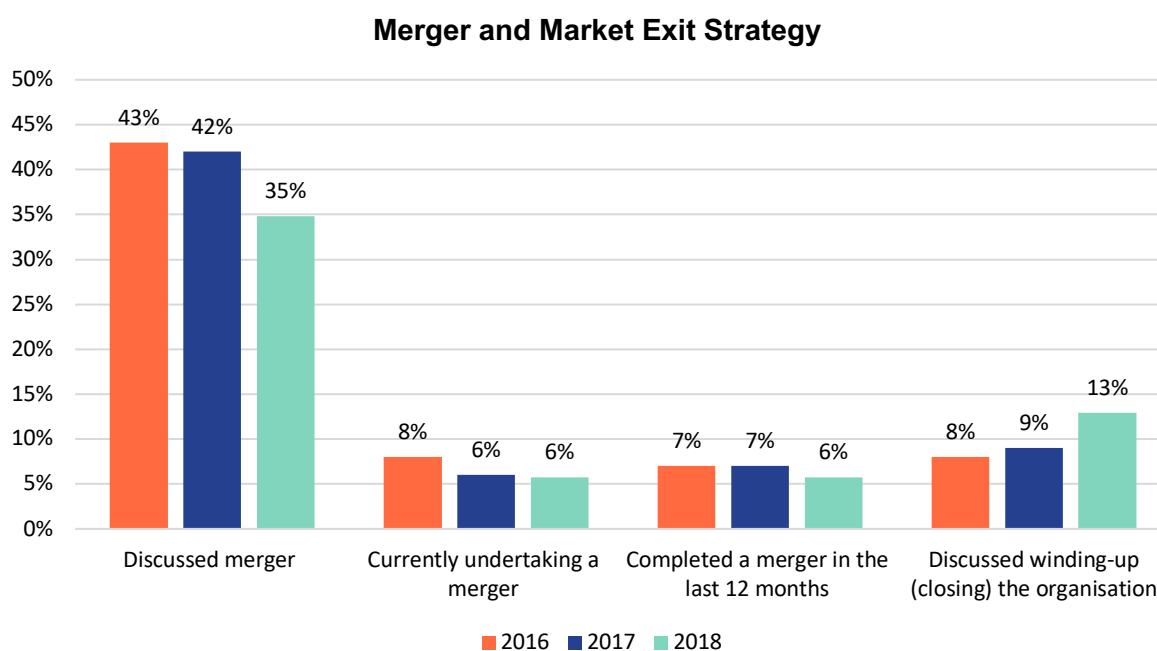


Figure 13: Merger and market exit strategy

Source: NDS Annual Market Survey 2016, 2017, 2018. Number of responses: 2016 = 469; 2017 = 371; 2018= 405. Note: there was no option for respondents to indicate that none of the responses were applicable or they had not discussed a merger; the response rate to this cannot be estimated.

Providers who had indicated that they had discussed or were currently undergoing a merger were asked to indicate the reasons why they were considering the change. Over all three years of the survey, improving service efficiency, and broadening the range of services

available to clients were consistently the most cited reasons for considering a merge (Figure 14).

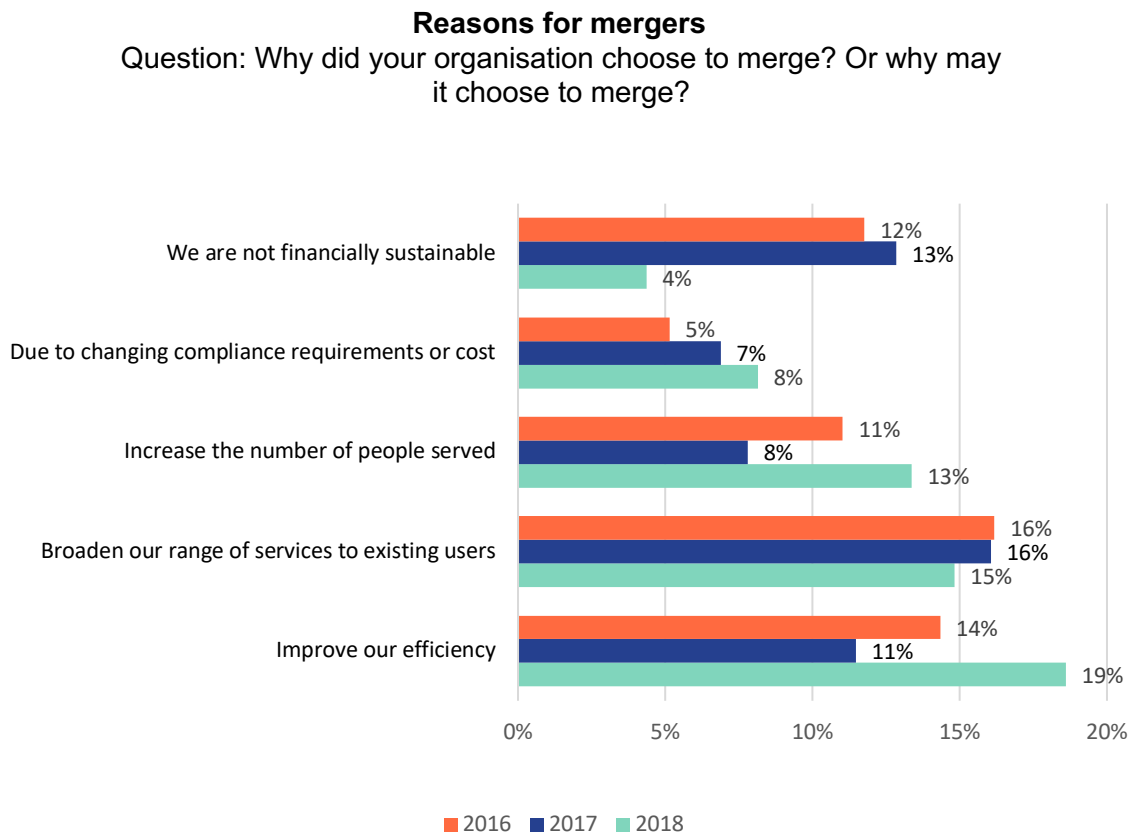


Figure 14: Reasons for merging or considering merger

Source: NDS Annual Market Survey 2016, 2017, 2018. Number of responses: 2016 = 272; 2017 = 218; 2018 = 344

Social capital

Additional items were included in the 2018 survey to explore social capital, and the relationship that providers have with others. In general, it appeared that disability service providers would join with community members (which may or may not include other Disability Service Providers) to discuss or coordinate action over shared issues (such as policy changes or the need for more services).

However, while services may be joining together to discuss mutual issues, it was far less likely that providers would report receiving any help from other Disability Service Providers – whether that was monetary, organisational, or other (see Figure 15). This lack of connection and collaboration with other services is consistent with international literature, which shows that as competition for services increase, collaboration across services decrease (16). Consequently, providers seem to be disconnected from each other, rather than working together for mutually agreed goals.

This is consistent with other research on changes to the sector since the implementation of the NDIS. In a recent report into collaboration within the sector, it was found that organisations were collaborating and sharing information less as implementation rolled out (17). International literature indicates that in a competitive environment, service providers tend to develop more strategic response, e.g. establishing new alliances over collaborating widely (17,18). This report also noted concerns amongst the sector for provider dominance, which relates back to the growth of mergers within the sector.

Are disability service providers helping each other?

Question: In the last 12 months, have you received any help (monetary, organisational) from other Disability Service Providers?

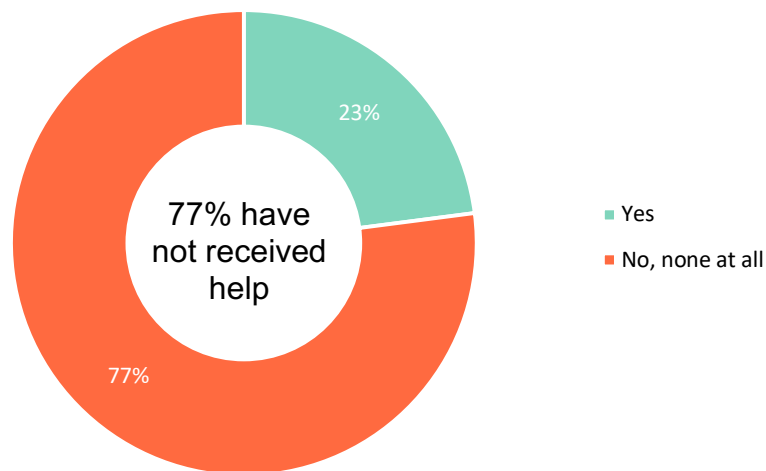


Figure 15: Received help from other Disability Service Providers

Source: NDS Annual Market Survey 2018. Number of responses = 414

While both very small and large organisations were less likely to indicate that they had received help from other Disability Service Providers, very small organisations appear to have a lower capacity to join with other community members (whether that is the general public, or other service providers) to address a problem or shared issue ($p < .001$).

Volunteers contribute in different ways and to varying extents depending on the service sector and its surrounding regulations. Close to half (48%) of the providers who responded said that their organisation did not have any volunteers (Figure 16). However, it is not possible to state whether this is because the service does not require or cannot use volunteers; or whether there is a lack of volunteers that can assist the service. Several of the respondents wrote that their volunteer members were the board of directors, rather than their volunteers carrying out the services of the organisation.

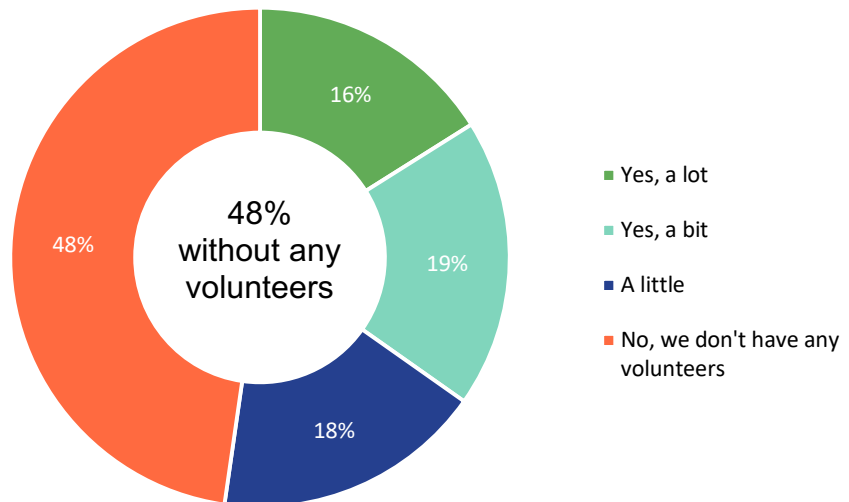
Volunteers assisting organisation

Figure 16: Volunteers assisting the organisation

Source: NDS Annual Market Survey 2018. Number of responses = 417

Volunteer engagement varied by service type. Services that had higher levels of client interaction (such as participation in community activities, group and centre-based activities, and life-stage transition assistance) reported engaging more volunteers, compared to services that were more specialised or technical (such as assistive technologies and early childhood support) (see Figure 17).

Volunteers by service type

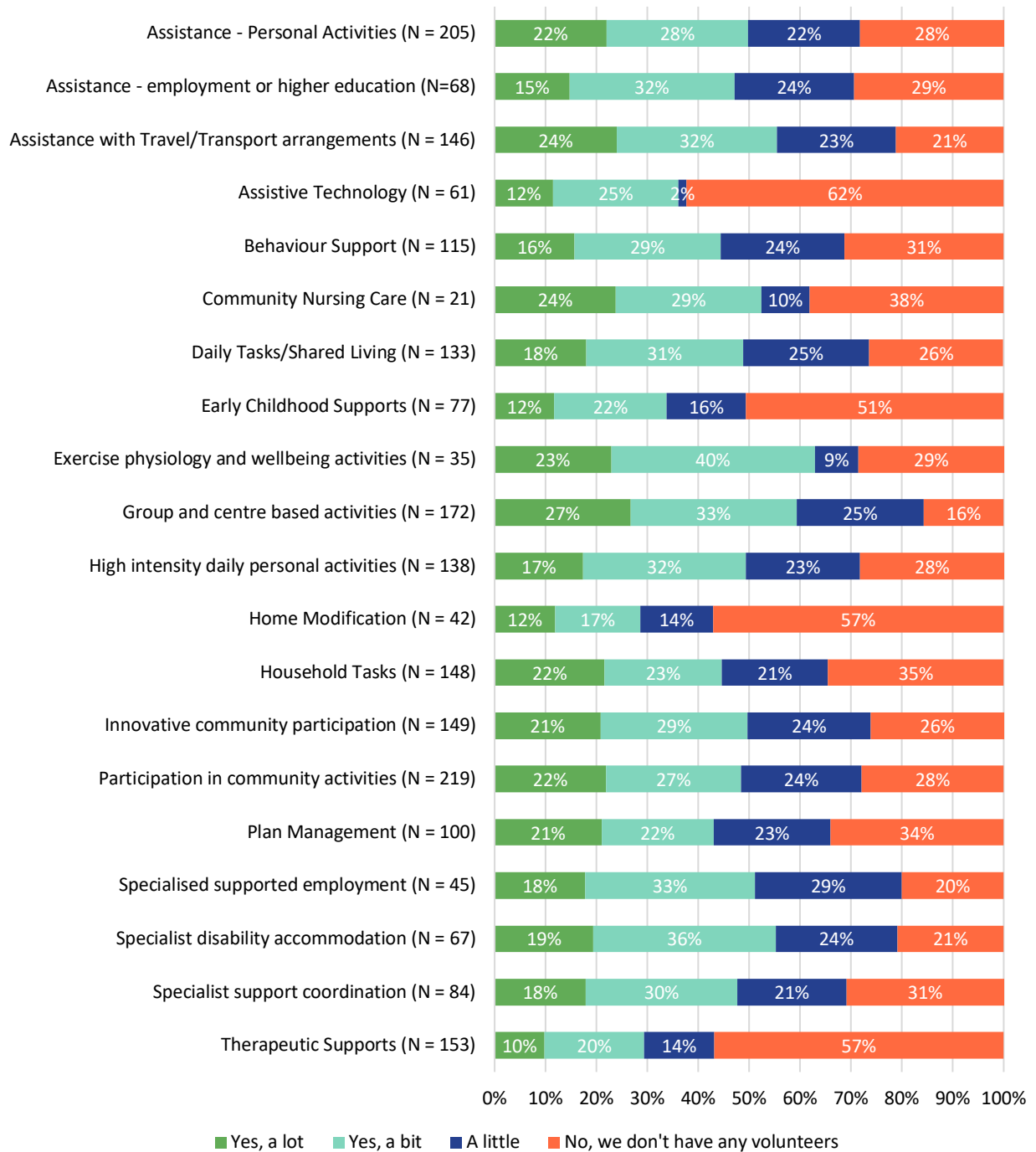


Figure 17: Volunteers by service type

Source: NDS Annual Market Survey 2018. Note: providers could indicate offering multiple service types. Service types with fewer than 20 responses are not included here.

Financial position of service providers

As the NDIS continues to be rolled out, and disability service providers adapt to the requirements of the scheme, the financial position of providers should be monitored. Since 2016, the proportion of providers responding to the survey reported that their service made a loss in the past financial year increased, and the proportion of services reporting a profit decreased (18).

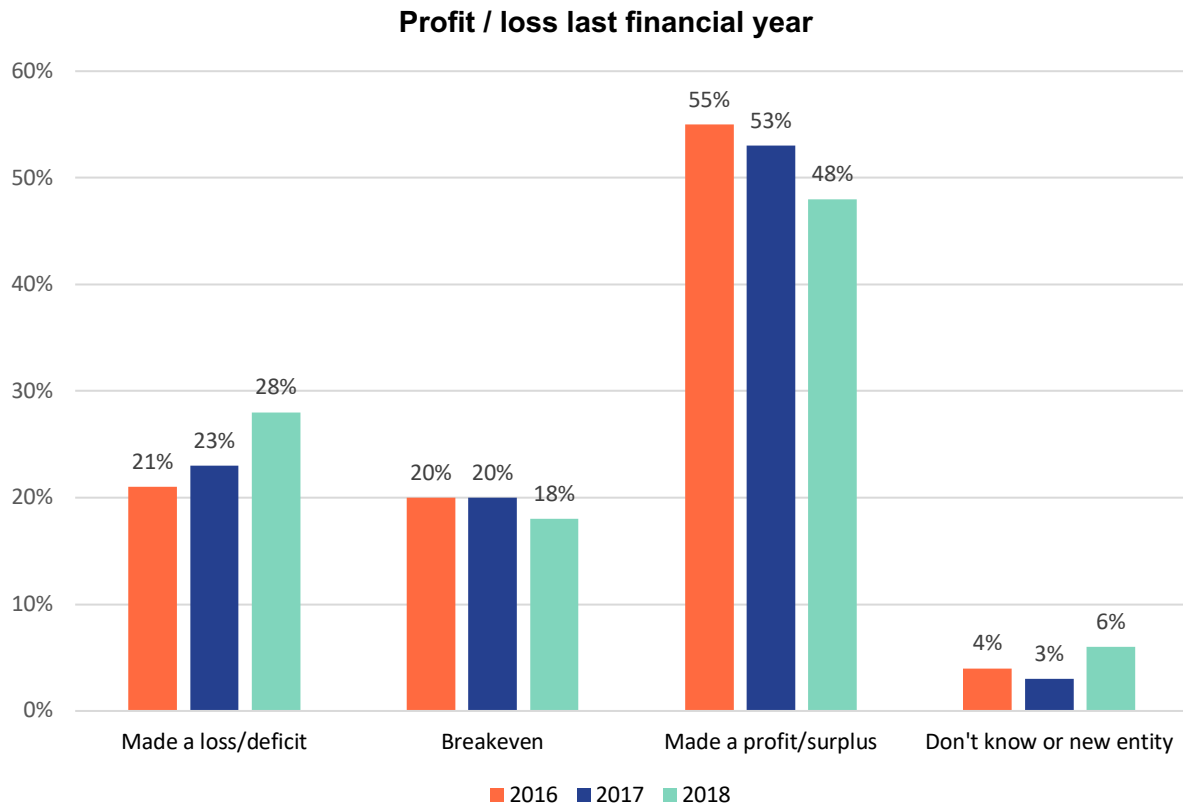


Figure 18: Profit/loss in the last financial year

Source: NDS Annual Market Survey 2016, 2017, 2018. Number of responses: 2016 = 502; 2017 = 392; 2018 = 372

Looking at profit margins by organisation size, significantly more medium and large organisations reported making a profit with their disability services in the last 12 months compared to very small and small organisations (Figure 19). A higher proportion (13%) of very small organisations responded that they don't know/were a new entity, which is likely reflecting the growth in small organisations offering disability services. While medium and large organisations were more likely to report making a profit in the last financial year, it is worth considering the earlier analysis of perceptions about pricing – a higher proportion of medium and large organisations also agreed that they were worried they would not be able to continue offering services at the current prices, or that in order to meet the NDIS set prices they would need to lower the quality of service offered. How profit margins shift for medium

and large organisations as more of their NDIS-funded services are rolled out is of particular interest in coming years of the survey.



Figure 19: Past year profit/loss, by organisation size

Source: NDS Annual Market Survey 2018. Number of responses= 367. Difference between groups was significant ($p < .001$)

While some organisations are making a profit, for many, this profit was not 'meaningful' in terms of its relation to consumer CPI growth (2.1% according to the Australian Bureau of Statistics between 2017 and 2018 (19)) – based on responses to the survey, half (52%) of the organisations were operating at a loss or were not reporting a meaningful profit (Figure 20). We note that this proportion varies from other reports (5); monitoring the operating costs and overall business profit or loss in response to the roll out of the NDIS is an important outcome to continue to monitor.

Past year financial performance

Question: In the most recent financial year, did this organisation make a loss, break-even, or make a profit?

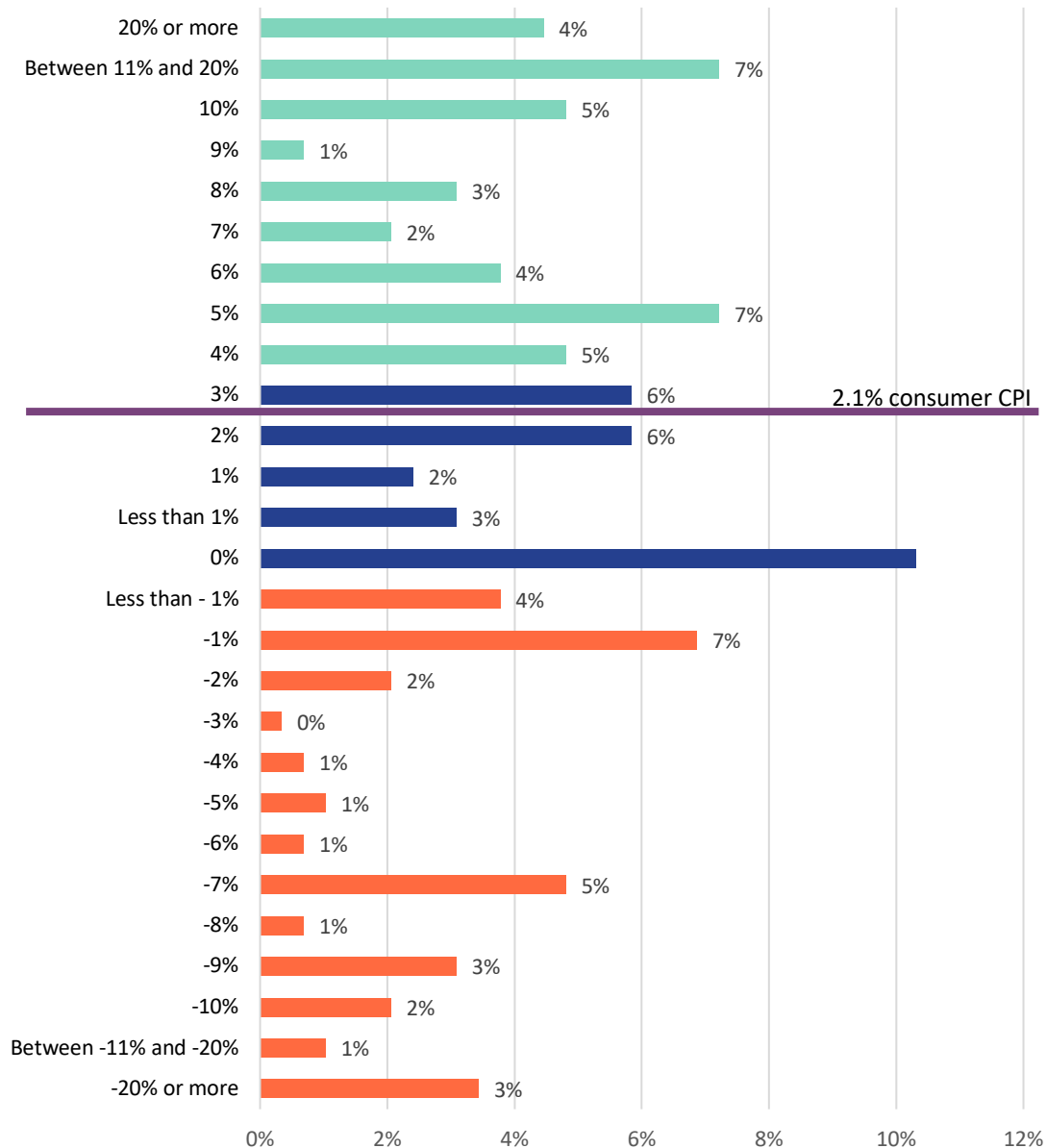


Figure 20: Past year and predicted loss/profit margins

Source: NDS Annual Market Survey 2018. Number of responses = 291. 139 providers (48%) reported a past year profit margin of more than 2.1% consumer CPI growth. 89 providers (31%) reported a past year loss, and 63 providers (22%) reported breaking even or a profit margin below CPI growth.

With regards to changes in organisational income, the majority of providers (68%) anticipated that their income from the NDIA would increase in the coming financial year (21). Thirty-four percent of providers also anticipated that their income from private fees for service would also increase. Twenty-eight percent of providers anticipated a decrease in funding from State

or Territory governments. Otherwise, most forms of funding were predicted to remain the same or were not applicable to the provider.

Anticipated change in organisational income

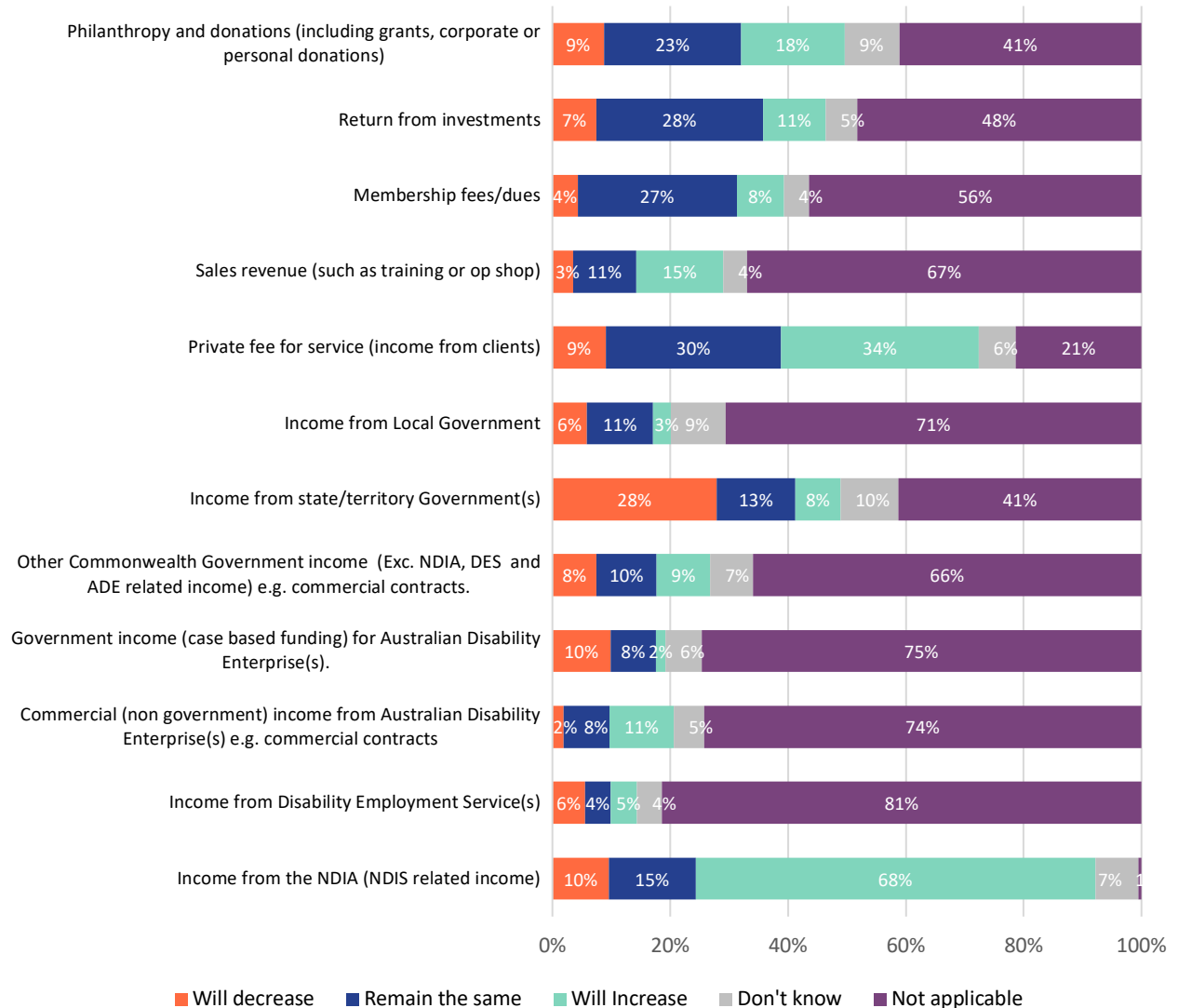


Figure 21: Anticipated change in organisational income

Source: NDS Annual Market Survey 2018. Number of responses = 395

Although sources of funding were not predicted to change drastically (except an increase in NDIA funding), service providers are concerned about the costs of their organisation's service provision, as noted in the earlier discussion on pricing. The majority of respondents indicated that they believe that direct labour expenses, capital expenditure and administration expenses would at least keep pace with changes in service volumes. However, 42% of the providers said that they thought direct labour expenses would grow at a rate faster than service volume growth, and 50% said the same about administration expenses (Figure 22).

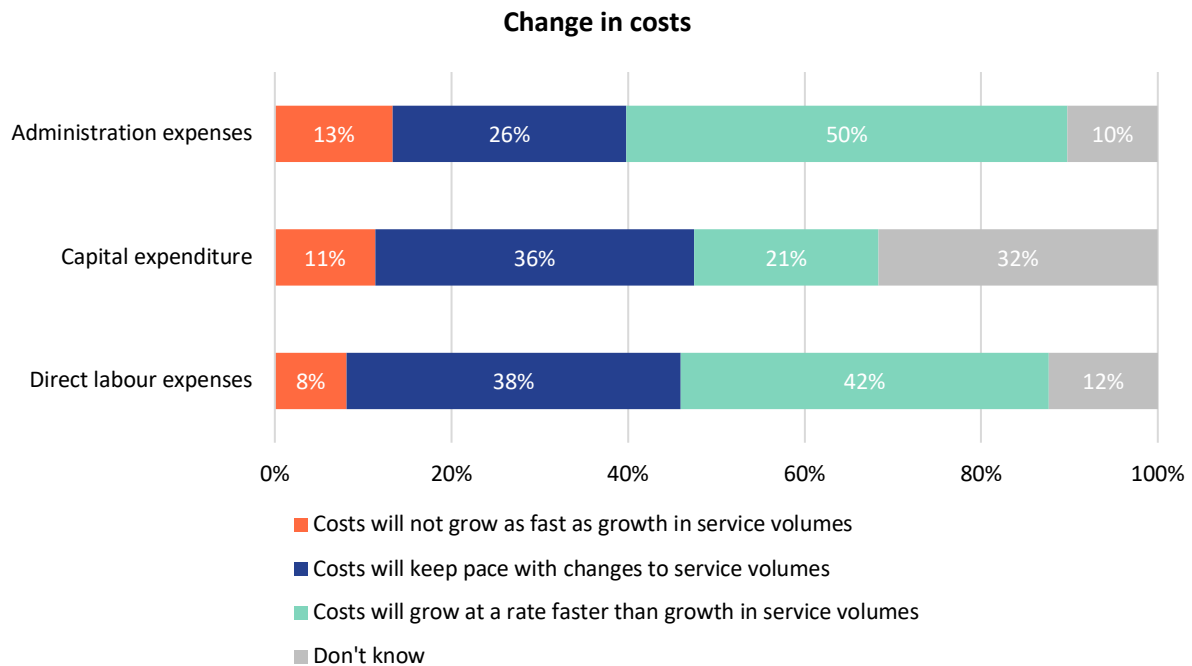


Figure 22: Change in costs

Source: NDS Annual Market Survey 2018. Number of responses = 382

Predicted changes in costs varied significantly according to organisation size ($p < .001$ across all three areas of expenses). More very small organisations (that were possibly newer to the disability service provision space) indicated that they didn't know whether their costs would change. A significantly larger number of medium and large organisations said that they expected that their administration costs would *not* grow as fast as the growth in service volume, possibly because the organisation has more ready access to resources and staff to be able to address the administration requirements associated with service delivery.

CONCLUSION

The introduction of the NDIS is one of the largest disruptions to the Australian disability sector in decades. This can be seen in issues pertaining to collaboration within the sector, sustainability of the sector, and merger activity. The NDIS relies on robust disability markets across the country, which includes a rich ecosystem of small and large providers. It is important to continue to monitor these developments in the sector if the vision of the NDIS is to be secured.

The results of the 2018 Annual Market Survey depict a mixed picture – with some organisations coping with disruptive policy change, while others struggle. There a range of issues which need to be continuously monitored as the NDIS continues to roll out in order to guard against market failure and the development of thin markets – effecting the vision and equity of the scheme.

This report highlights a number of core areas for attention within the disability sector as the NDIS continues to be rolled out. While providers feel that reforms are heading in the right direction, there are high levels of frustration with processes of, and communication with, the main implementation agency the NDIA. Moreover, the scheme is generating unanticipated administrative burden in the sector as organisations work to assist individuals in negotiating the scheme and systems of the NDIA. The original blue print for the NDIS, outlined by the Productivity Commission, noted an expected rise in the administrative burden on individuals, but did not comment on the effect on the disability sector (20). This report suggests that this is an important oversight, with growing administrative burden placing the sustainability of the sector at risk. This is exacerbated by pricing issues. This relates not just to what level prices are set at, but also where in the system decisions are being made (4).

REFERENCES

1. ANAO. National Disability Insurance Scheme - Management of Transition of the Disability Services Market. Canberra: Commonwealth Government of Australia; 2016.
2. Joint Standing Committee on the, National Disability Insurance Scheme. Market readiness for provision of services under the NDIS. Commonwealth Government of Australia; 2018.
3. Joint Standing Committee on the NDIS. Market readiness for provision of services under the NDIS. Commonwealth Government of Australia; 2018.
4. Carey G, Malbon E, Marjolin A, Reeders D. Market stewardship actions for the NDIS [Internet]. Sydney: Centre for Social Impact, UNSW Sydney; 2018. Available from: <http://www.csi.edu.au/research/project/market-stewardship-actions-ndis-new-report/>
5. Joint Standing Committee on the NDIS. Market readiness for provision of services under the NDIS. Commonwealth Government of Australia; 2018.
6. Productivity Commission. NDIS Costs. Canberra: Commonwealth Government of Australia; 2017.
7. Considine M. Governance and competition: The role of non profit organisations in the delivery of public services. *Journal of Political Science*. 2003;38(1):63–77.
8. Considine M, O'Sullivan. *Contracting-out Welfare Services*. UK: Wiley Blackwell; 2015.
9. Carey, Malbon E, Reeders D, Kavanagh A, Llewellyn G. Redressing or entrenching social and health inequities through policy implementation? Examining personalised budgets through the Australian National Disability Insurance Scheme. *International Journal for Equity in Health*. 2017; <https://doi.org/10.1186/s12939-017-0682-z>.
10. Gash T. Making public service markets work Professionalising government's approach to commissioning and market stewardship. 2014 [cited 2016 Jul 4]; Available from: <http://www.lgcplus.com/Journals/2013/07/18/q/u/d/Making-public-service-markets-work.pdf>
11. Allen P, Petsoulas C. Pricing in the English NHS quasi market: a national study of the allocation of financial risk through contracts. *Public Money & Management*. 2016 Jul 28;36(5):341–8.
12. Institute of Public Care. Market shaping to support individual purchasing of care. Oxford Brookes University; 2016 Jul. (Market Shaping Review).
13. NDIA. NDIS Market Approach: Statement of Opportunity and Intent. 2016;
14. Schmidt AE, Winkelmann J, Rodrigues R, Leichsenring K. Lessons for regulating informal markets and implications for quality assurance – the case of migrant care workers in Austria. *Ageing and Society*. 2016 Apr;36(04):741–63.
15. Destler K, Page SB. Building Supply in Thin Markets: Districts' Efforts to Promote the Growth of Autonomous Schools. Working Paper: Western Washington University. 2010;

16. Maddock S, Morgan G. Barriers to transformation: Beyond bureaucracy and the market conditions for collaboration in health and social care. *International Journal of Public Sector Management*. 1998 Jul;11(4):234–51.
17. Green C, Malbon E, Carey G, Dickinson H, Reeders D. Competition and Collaboration between Service Providers in the NDIS. Centre for Social Impact, UNSW Sydney; 2018.
18. Kim K. Cooperative or competitive in alliance formation: Alliance patterns with respect to rivals. *Canadian Journal of Administrative Science Review*. 2016;14(34):277–90.
19. Australian Bureau of Statistics. Consumer Price Index. 2018.
20. Productivity Commission. Disability care and support: productivity commission inquiry report. Canberra: Commonwealth Government of Australia; 2011.

APPENDIX 1: METHODOLOGY AND SAMPLE DETAILS

Data for this report is drawn from National Disability Services' (NDS) Annual Market Survey of the disability sector. NDS is the peak body for the disability sector and the survey seeks to understand the financial sustainability of the sector, future trends and pressures. Ethics approval was obtained from the University of New South Wales [HC180636]. The survey was administered through the NDS membership list and a general call out by the organisation and partners. The survey was hosted online on Qualtrics, and completed by one representative member of the organisation. The survey covers multiple topics that are relevant to disability service providers: their views on the current NDIS operating environment, their organisation's strategy, and organisation logistics such as discussions about mergers and profit/loss margins.

A total of 626 organisations took part in the survey; invitations were sent to 1,108 NDS member organisations, and 14,503 organisations on the NDIS register. Details of the sample are shown in Table 1

Table 1: Sample details

	N	%
Location		
NSW	182	29%
VIC	104	17%
QLD	57	9%
WA	42	7%
TAS	11	2%
SA	43	7%
ACT	12	2%
NT	5	1%
Not stated	170	27%
NDIS Status		
Registered to provide services under the NDIS and currently providing services	426	68%
Registered to provide NDIS funded services but has not provided any NDIS services yet (not yet active)	14	2%
Registered to provide NDIS funded services but did not claim for any NDIS funded services in the last quarter, April - June 2018 (inactive)	18	3%

Not registered at present but intends to offer NDIS services in the next 12 months	9	1%
Previously were registered to provide NDIS funded services but have de-registered	1	0%
Not registered and do not intend to register to provide NDIS funded services	5	1%
Not stated	153	24%
NDIS, DES and ADE service provision		
NDIS	443	71%
DES	32	5%
ADE	55	9%
None of the above	33	5%
Not stated	63	10%
Organisation type		
Sole Trader	108	17%
Partnership	6	1%
Company	170	27%
Incorporated association	174	28%
Trust	16	3%
Not stated	152	24%
Profit/Not for profit		
Not for profit	265	42%
For profit	88	14%
Other	11	2%
Not stated	262	42%
Organisation size		
Very small (less than \$1million/year)	170	27%
Small (less than \$5million/year)	93	15%
Medium (less than \$20million/year)	82	13%
Large (more than \$20million/year)	56	9%
Not stated	225	36%