

APRIL 2018

# Chair Chat

with Prof. David Gilchrist



The McKinsey and Company Independent Pricing Review report commissioned by the National Disability Insurance Agency (NDIA) is now available on their website. The report indicates:

1. A cap on the maximum base funding rate will remain in place while the market is in the current transition and establishment mode
  2. Survey results state that there are contradictory and mixed voices within the disability sector, with some service providers indicating that the current pricing level is not sustainable, while other providers report that they are able to remain sustainable under the current pricing model.  
There is no detail provided regarding in which parts of the disability sector these service providers are operating, so direct and valid comparisons are difficult. There is some concern expressed over the numbers of service providers who report current year financial losses (about a quarter of all providers across Australia).
  3. The review did not identify clear evidence that there is a shortage of supply at the current level of rollout of the National Disability Insurance Scheme, although it states that a shortfall may still develop as the full rollout of the scheme occurs.
  4. There are no like-for-like comparisons of supply of services or a discussion on the prevention of any potential shortfall of supply. We cannot wait for services for people with disabilities to fail before acting.
  5. There are a number of concerns raised by the providers of a range of therapy services.
  6. Short-term funding increases are identified to assist service providers to transition to the new business models required to remain sustainable under the proposed NDIA pricing models.
  7. The deregulation of prices is unlikely to occur for a number of years, when the disability sector matures. This is the same message as delivered over the past five years.
- Nulsen Disability Services is concerned about the nature of the evidence presented within the review, as there is minimal analysis of the costs and impact of pricing in different service areas, particularly for people with disabilities living with high and complex support needs. There is no account taken of the costs of services within WA and the impact on enterprise bargaining agreements that operate in this state. The Independent Pricing Review provides conclusions and recommendations based on limited analysis, a lack of rigour and substantiation by sources independent of the NDIA.
- The major changes that will directly affect Nulsen Disability Services are identified as:
- A ten percent (10%) loading that has been “added to the complex participants’ costs to account for the higher level of skills/experience of workers and additional training required.” Senior Nulsen staff will review the new pricing sheets available in July 2018 and the actual definition of “complex participants” to determine the extent of any additional funding that may apply to our residents.
  - A short-term, possibly up to two years, two to three percent (2 - 3%) increase to the

administration component of the hourly rate for attendant care will be proposed to assist organisations to develop new systems and become more efficient from an administrative point of view. The report states that there are reasonable cost improvements that service providers can make to become more efficient and bring their price rates down to match the “reasonable cost price” that underpins the national pricing model. This remains a major and unproven assumption.

- The ‘complex participant’ loading may assist to reduce the potential funding gap, though there are still significant differences between what is offered under the NDIS pricing model and the current actual arrangements under which service providers operate.
- The short-term timeline should assist some service providers to navigate the challenging funding environment of the next two years up to June 2020.

The Independent Pricing Review relies on an unproven ideological position that the developing market will eventually solve all the issues and

challenges of the disability sector through the application of market forces. The market economy has not resolved the current issues of concern and may cause significant further dislocation and upheaval in the sector. There is little consideration of the medium and long-term impact on people living with disabilities, their families and carers.

Nulsen Disability Services will conduct a comprehensive review of the Price Guide 2018/19 when released early in the new financial year to ascertain the actual impact on residents and services within our organisation. If considered relevant and substantive, we will provide an update of the implications at that time.

It is clear that significant and ongoing input will be required into future funding arrangements in order to ensure a sustainable disability services system over the next decade. Nulsen Disability Services will continue to actively participate with this process.



**Professor David Gilchrist** BA BBus PhD FCA FAIC is a chartered accountant and a historian. He holds a PhD in economics from the University of Notre Dame Australia and is currently a Professor at the University of Western Australia as well as the Public Sector Accounting and Disclosure Research Cluster. Over his 25-year career, David has held many senior roles in the not-for-profit, commercial and public sectors. He has taught at several universities across the globe, sits as Chairman on multiple boards and has published several key national reports. Achievements include: working as the Assistant Auditor General WA, the Associate Dean of the School of Business, University of Notre Dame Australia, Chairman to Nulsen Disability Services, and the Kimberley Individual and Family Support Association. David produced the “Australian Charities 2013” and the “Australian National Costing and Pricing Framework” issued jointly with National Disability Services. He is widely published as an academic and a journalist. [See David’s full profile here.](#)