

# NATIONAL DISABILITY MARKETS

Market stewardship actions for the NDIS



Final Report

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Centre for Social Impact



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## 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.

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## 1. INTRODUCTION

While the NDIS promises to improve the lives of more than 400 000 Australians with a disability and their families (1), the scheme has been marred by a range of implementation challenges (2–5). In particular, there has been much concern over thin markets and market gaps (1,3,5–7). Under the choice-of-provider model adopted by the NDIS implementers, meaningful choice and control for participants depends on local ‘market structure’. That is, the availability of multiple, competing providers. Market deficiencies, such as ‘thin’ markets and market gaps, therefore threaten the public policy goal of increasing choice and control for people with disability (8). More broadly, they present challenges for equity; individuals in particular geographic areas or with less common needs may receive poor quality services or no service at all (8).

**The Productivity Commission and the Joint Standing Committee on the National Disability Insurance Scheme Public Inquiry have called for ‘market stewardship’**

In response to growing concerns over the development of markets within the NDIS, key bodies such as the Productivity Commission and the Joint Standing Committee on the National Disability Insurance Scheme Public Inquiry have called for ‘market stewardship’.

Market stewardship broadly refers to efforts to address market deficiencies, such as thin markets, market gaps or other market failures, and is also known as market shaping (3,9). While the need for market stewardship is widely recognised, in the scheme design it is clearly envisioned that the National Disability Insurance Agency (NDIA) will *only* intervene when it can be demonstrated that market failure has occurred (1). This poses difficult questions about how the NDIA can detect market deficiencies and what strategies it can use to address them. It also means the NDIA must

attempt market stewardship before commissioning services to address market gaps.

In this report we draw together the international literature on effective quasi-market interventions for managing market failures and gaps.

The goal of the review was to answer:

**What thin market interventions in social care have been shown to be effective?**

**What different attempts have been made to intervene in thin social care markets?**

### 1.1 What are NDIS markets?

In personalised schemes such as the NDIS, users ‘purchase’ services that meet their needs (in some cases via vouchers rather than budgets) (10–12).

The NDIS has been designed as a market system from the ground-up, rather than introducing an element of competition into funding arrangements for an existing scheme. It is not one market for a single broad type of service, but rather a complex structure of markets for different supports. The scheme covers all people with significant and permanent disability and aims to cover all their reasonable and necessary support needs (other than those covered by public or private insurance schemes or Australia’s universal health system).

This complex market structure may produce hidden market deficiencies, such as market gaps (a lack of meaningful alternatives) and thin markets (economically inefficient markets). As a national scheme, its geographical reach is considerable, presenting unique challenges in responding to needs of participants in regional and remote areas. Under the design of the scheme, the NDIA can only intervene to commission services where market failure has been demonstrated. Finally, the NDIS uses fixed prices and actuarial modelling in the allocation of resources to citizens, conducted through a federally owned statutory agency – the National Disability Insurance Agency

(1,5). This means that interventions and potential levers are different in the NDIS than international counterparts.

## 2. INTERNATIONAL LESSONS

What does international experience tell us about market stewardship in quasi-markets like the NDIS?

The findings from the research are summarised in Table 1. The interventions are analysed against the goals of the NDIS markets (Figure 1) (NDIA, 2016a). We added section on market stewardship for equity.

### 2.2 Price and price setting

Price is one of the major levers for market shaping in the NDIS. There is a complicated system of price setting in the NDIS. Firstly, there are different pricing rules depending on the sort of budget administration that a participant undertakes. NDIS budgets can be administered by the participant ('self-managed'), or be managed by the NDIS, or a combination of both (1). If an NDIS participant is 'self-managed' then they can negotiate prices directly with a service provider, using NDIA prices as a guide. When a participant's budget is administered in conjunction with NDIA the prices are far less flexible and at times fixed (5). The majority of participants are NDIA managed or co-managed, with self-managed participants making up just 7% of NDIS participants (13), meaning that the majority of the NDIS quasi-market operates under fixed prices. Secondly, these prices are set by the NDIS actuaries, a body separate to both the NDIA and to the Department of Social Services. According to the (14) expenditures must 'represent value for money' and the 'long term sustainability of the scheme'(14) (section 34). As Carey et al. (15) point out, this means that "the NDIA is not authorised to set prices in response to market issues".

Many of the interventions examined in our review require there to be flexible pricing arrangements that are responsive to local market conditions. At this stage, it is (at best) unclear whether the NDIS actuaries can take local market conditions into account when price setting, and it is certainly not legislated that they must. We suggest expanding the criteria for price setting in the NDIS Act (2013), or finding another way to ensure that pricing can be responsive to local market failures and thin markets. Evidence suggests that this should include devolving price setting responsibilities to those with more market intelligence (i.e. local level actors such as regional NDIA offices).

### 2.3 Information sharing

Information sharing about local quasi-market conditions (supply and demand information) was found to be key to ensuring market effectiveness. The NDIA could release data or more detailed position statements on supply and demand at a local level across Australia (i.e. LGA level nationwide). This will enable service providers to position themselves to meet gaps in the market where service provision is dangerously low or absent. There has been concern that such detailed market position statements will pave the way for 'profiteering' providers, so we recommend coupling detailed market position statements with powerful regulation over the quality of service provided through the NDIS Quality and Safeguard Commission.

**Information sharing about market conditions is not possible if the data on market conditions in the NDIS is not being collected.**

Figure 1. NDIS Market Goals

Participant – Enabling Environment	Participants	Providers	Provider – Enabling Environment
<ul style="list-style-type: none"> <li>Reference packages</li> <li>High quality Agency systems – supporting "light touch" but comprehensive monitoring, measuring of outcomes and application of controls</li> <li>Market infrastructure to facilitate efficient transactions</li> <li>High quality, timely and readily accessible information for participant</li> <li>Appropriate incentives – in funding and pricing</li> </ul>	<ul style="list-style-type: none"> <li>Exercise informed choice and control to achieve outcomes</li> <li>Exercise informed choice and control to achieve outcomes</li> <li>Satisfaction</li> <li>Evidence of choice in mobility, responsive service models and new products</li> <li>Plans being self-directed and easily implemented</li> <li>Flexible plans allow for providers and/or support mix to be varied</li> <li>Increased capacity across life domains</li> </ul>	<ul style="list-style-type: none"> <li>Diverse, competitive and relatively stable range of providers</li> <li>Providers compete to deliver the best outcomes</li> <li>Supply is sufficient to meet demand</li> <li>Supports predominantly commissioned directly by participants with central commission by exception only</li> <li>Competitive pricing creating a competitive market place</li> <li>Other market "rules" focused only where quality not readily observable</li> </ul>	<ul style="list-style-type: none"> <li>High visibility of providers</li> <li>High quality and timely market information for provider decision making</li> <li>Low barriers to entry and exit</li> <li>Outcome and Innovation focus incentivised</li> <li>Visibility of provider contribution to outcomes</li> <li>Transparent principles and processes for interventions such as price caps and central purchasing</li> <li>Social capital is preserved and developed, new forms and shift from charity to shared value models</li> </ul>

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NDIS MARKET GOALS	SUCCESSFUL INTERVENTIONS	FAILED INTERVENTIONS	THEORETICAL INTERVENTIONS (Not empirically tested)	ACTIONS FOR THE NDIS
<b>Users</b>				
<b>Exercise informed choice and control to achieve outcomes</b>	Use of and funding of brokerage organisations can boost choice and control (17)	Using third party providers was not successful in boosting choice and control(18).  Sheaff (19) found that brokers tended to work towards the needs of the third party not the client	Skilled independent brokers (20)	<b>Evidence for brokers is mixed, considered use of brokerage organisations with mechanisms in place to ensure they are responsive to clients not to the NDIA</b>
	Web-based platform to support client decision making (21)			<b>NDIA could develop a web-based client platform</b>
<b>Satisfaction</b>	More regulation boosted quality (but reduced numbers of providers and competition) (22)			<b>Quality and Safeguards commission could tighten regulation. It would need to manage flow on effects for competition (and therefore choice and control)</b>
			Creation of league tables (23,24)	<b>NDIA could create and promote league tables</b>
<b>Evidence of choice through mobility</b>	Web-based platform to support client decision making (21)		Creation of league tables (23,24)	<b>NDIA could create and promote league tables</b>
	Use of and funding of brokerage organisations can boost choice an control (17)			<b>Evidence for brokers is mixed, considered use of brokerage organisations with mechanisms in place to ensure they are responsive to clients not to the NDIA</b>
			Creation of e-market place and provider promotion events (25)	<b>NDIA could create e-market and hold provider promotion events in localities with low mobility between providers</b>
<b>Responsive service models</b>	Demand-side policy that decreases patient sharing costs. Decreasing the cost meant patients sought more services, which drove innovation (26)			<b>Enable cost sharing across organisations to help create economies of scale</b>
			Use information from individual assessments and reviews to build knowledge of market gaps (25)	<b>NDIA could collate information on service needs and gaps through planning and review consultations, and include these in market statements.</b>
			Actively solicit bids from other markets/areas (27)	<b>NDIA or LACS could support clients to source bids from diverse providers</b>

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<b>New products</b>	Demand-side policy that decreases patient sharing costs. Decreasing the cost meant patients sought more services, which drove innovation (26)			<b>Enable cost sharing across organisations</b>
	Nurturing and mentoring providers (28)			<b>NDIA could take on a greater role with providers, LACS resourced to do this</b>
			Use financial incentives for innovation (25)	<b>NDIA could provide innovation seed funding or higher prices for innovation. Must be careful to ensure the innovations have market demand (some evidence that incentives can produce products that have no demand in the market)</b>
			Create target product/service profiles (i.e. that govt knows there is a demand for and the market can then provide) (25)	<b>NDIA could create profiles of new products and indication of demand</b>
<b>Plans being self-directed and easily implemented</b>				<b>No evidence identified</b>
<b>Flexible plans allow for providers and/or support mix to be varied</b>				<b>No evidence identified</b>
<b>Diverse, competitive but stable range of providers</b>			Using price to encourage new market entrants (24)	<b>NDIA could use price to incentivise new market entrants</b>
			Financial sustainability checks (30)	<b>Quality and Safeguards Commission could require finance reporting of key organisations</b>
<b>Providers compete to deliver best outcomes</b>				<b>No evidence identified</b>
<b>Supply is sufficient to meet demand</b>	Provide consistent information on supply and demand (17)		Provide consistent information on supply and demand (25,31-35)	<b>NDIA could release market data on supply and demand through accurate market position statements.</b>
<b>Supports predominately commissioned directed by participants</b>	Web-based platform to support client decision making (21)			<b>NDIA could develop a web-based client platform</b>
			Creation of e-market place and provider promotion events (25)	<b>NDIA could create e-market and hold provider promotion events</b>
<b>Competitive pricing creating a competitive market place</b>	Flexible price setting (17,18)			<b>Expanding criteria for changing price to include considerations of market performance and service accessibility</b>
<b>Market rules that boost quality</b>	More regulation boosted quality (but reduced numbers of providers and competition) (22)			<b>Quality and Safeguards commission could tighten regulation. It would need to manage flow on effects for competition (and therefore choice and control)</b>

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			Creation of league tables (23,24)	<b>NDIA could create league tables of providers</b>
	Fixed prices boost competition over quality (36)			<b>Need to ensure enough providers to compete on quality. Fixed prices may be effective in some markets but create perverse outcomes in others (e.g. market gaps emerge where prices are not financially sustainable for providers)</b>
<b>Equity interventions</b>	Additional subsidies for vulnerable groups (17)  Government was able to direct payments to particular geographical areas to build up staff and expertise through increased demand (also supported by providers being able to take clients from anywhere). (37)			<b>More money put in plans so clients can pay more or use brokerage funds. This would require the NDIA to deregulate prices or allow some geographical variation in prices or for specific groups</b>
				<b>Allow different prices for specific geographical areas or service needs</b>
		Provider of last resort (6)	<b>Guarantee of demand for rural/remote providers</b>	
		Greater funding given to people in areas of more need. This ultimately reduced quality and can lead to the creation of services that have no demand. Suggesting that decisions should not be made centrally and a decentralised system is needed. (38)	<b>NDIA to undertake micro-commissioning</b>	
		Force organisations take on contracts in different areas (27)	<b>NDIA to allow local discretion regarding funding and to decentralise decision-making concerning price</b>	
				<b>Does not translate into the NDIS</b>

Table 1. Interventions and their application to the NDIS

*Note: Interventions assign responsibility to the NDIA because of the NDIS Act and Productivity Commission Report outlined at the introduction to this article. This does not mean that the NDIA is the ideal actor, but rather the only one who has authority to act*



## 2.4 Promoting Equity

Market stewardship must go beyond ensuring minimum protections and efficient use of resources and extend to ensuring that public good is fairly distributed. As a national policy, the Australian federal government is ultimately accountable for maintaining equity of access to the NDIS (39,40). Simultaneously, we also know that problems of equity in access are arising in many areas of the NDIS. In our review a number of interventions were tested or suggested for increasing equity in quasi-markets (17,27,37,38). The recommendations from these papers include:

- Additional subsidies for vulnerable groups (regarding those who are geographically remote, boosting transport funding)
- Direct higher payments to particular geographical areas to build up staff and expertise through increased demand
- Ensure a provider of last resort
- Greater funding for in areas of more need
- Force organisations take on contracts in different areas

## 3. BUILDING CAPACITY FOR MARKET STEWARDSHIP

Above all, our review points to the significant capacity required within the main implementation body for the NDIS (the NDIA) in order to carry out such a diverse array of market stewarding actions across the many markets and sub-markets nationally. A lack of capacity has been noted by several high profile reviews of the agency (2,6,42). Greater resources, and a lifting of the staffing cap, on this agency is critical to securing effective market stewardship.

## 4. CONCLUSION

Many principles for market stewarding have been developed in an effort to ensure quasi-markets meet their diverse policy goals. This review has sought to go beyond these principles and collate actual evidence of what governments and government agencies can do in practice to steward quasi markets.

We have made a range of recommendations regarding the stewardship of the NDIS, research on adaptive governance highlights that interventions need to shift as implementation shifts (43). That is, an approach that may work well at one stage of the implementation of the NDIS could over time become a constraint. There is a need for responses to be as adaptive as the market they seek to influence (44).

### Changes needed to support the NDIA

- **Monitoring of the NDIS and transparency of data**
- **Greater resources for market stewardship**
- **Removal of the staffing cap**

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