

Context for 2016/17 NDIS Price decisions

The NDIA's price decisions for 2016/17 have tried to balance short term and long term considerations for the Scheme, including the development of the Agency's role as a market steward. In the interests of transparency, this document explains the NDIA's approach to pricing decisions for 2016/17, and notes that some of the findings from this review will inform and shape new projects in coming months.

Objectives for 2016/17

The NDIA's decisions for 2016/17 prices centred around two sets of objectives:

Supporting NDIS-specific objectives:

- **Enabling choice** for participants through fostering a diversity of providers and service delivery models, and encouraging competition among providers
- Ensuring a **smooth transition** for the Scheme to national roll-out by 2019/20

Meeting the NDIA's market stewardship objectives:

- Improving **value for NDIS** participants by providing incentives for providers to make continual efficiency gains in the delivery of safe and high quality supports
- Ensuring market outcomes are **fair and equitable**, by providing participants with different levels of need and/or in different locations with the same opportunity to access supports in a timely manner
- Having **clear and transparent** pricing arrangements with pricing decisions based on the best available information
- Supporting **stable markets and market outcomes** through minimising undesirable and inadvertent consequences (e.g. local services gaps) from changes to price settings, maintaining price relativities across supports where possible to prevent supply shocks and maintaining provider capacity during scheme transition (e.g. allowing efficient providers to recover reasonable costs)

In determining these prices, the NDIA is seeking to balance often conflicting considerations. For example, if the NDIA were to set lower prices, participants might achieve more value for money in the short term. But if prices are set too low, this could undermine the capacity of the market to provide the depth and breadth of supports required as the number of participants in the Scheme increases.

By contrast, if the NDIA removed price controls or substantially increased price levels on the most frequently accessed supports, this could lead to unintended price shocks. In this case, value for participants could be eroded, and price shocks could destabilise disability support markets, reducing investor and provider confidence and potentially undermining the long-term sustainability of the NDIS.

The NDIA has taken a balanced and pragmatic approach, recognising that 2016/17 is a vitally important milestone in the evolution of the NDIS. Over the course of the year the NDIS will be available to eligible

participants in two of the largest areas of NSW (South West Sydney and Hunter New England) and one of the largest in Victoria (North East Melbourne).

For the majority of providers that will be supporting participants in these regions, it will be the first time they have operated under the NDIS market settings. As a result, this is likely to be a challenging year of transition for providers as well as the NDIS.

In light of this, the NDIA has taken a cautious approach in setting prices for 2016/17, placing greater emphasis on the need for market and sector stability along with continuity of supply for participants. Through deferring the application of the transitional price glide path in the larger eastern jurisdictions, the NDIA has acted to provide a short-term, transitory buffer.

This decision is intended to ultimately benefit Scheme participants, because they require continuity of support while the NDIS is rolled out and access to a diverse range of providers to exercise genuine choice under the Scheme.

Findings from the 2016/17 Price Review will shape our forward work program

The NDIA has benefited greatly from the willingness of providers and other stakeholders to engage in the various public consultations over the course of the past year. The NDIA has carefully considered all of the feedback and input received during the process, and the evidence presented by stakeholders assisted the NDIA in forming its view that a precautionary approach to price and market settings is required in the year ahead.

A number of specific issues relating to the 2015/16 Price Guide have been raised through submissions to the Price Review Discussion Paper. Some relate to the presentation of information in Price Guide and the need for greater clarity, while others relate to the basis for setting price caps and thresholds.

Over the course of 2016/17 the NDIA will be exploring opportunities for reforms to pricing arrangements, focusing on a number of areas that were highlighted through consultations with the sector in the 2015/16 price review. In summary, those areas are:

- Rules, price structures and price levels for community participation and Supported Independent Living, to ensure providers are able to recover reasonable costs and to improve the extent to which participant plans reflect the individual needs of participants;
- Benchmarking of provider performance, practices and costs to provide a robust evidence base for decision making;
- Revising key cost assumptions that underpin prices, including the consistency of how these assumptions are applied across support categories that draw on a common disability support services workforce; and
- Further development of funding and price arrangements for indigenous participants.

The NDIA will release further details about the 2016/17 review process in the coming weeks and months. Following from the success of the broad stakeholder consultation in 2016, the NDIA will be formally engaging with the interested stakeholders throughout the 2016/17 Price Review.

To a large extent, the NDIA will need to work with policy-makers across all jurisdictions, to ensure that pricing reflects (and is considered in) broader market stewardship work for the NDIS.