

Mental Health Coordinating Council

Monday 17 July 2023

The role of pricing and payment approaches in improving participant outcomes and scheme sustainability

In response to the recently published paper: *The role of pricing and payment approaches in improving participant outcomes and scheme sustainability* (May 2023) MHCC would like to provide feedback to the NDIS Review Panel concerning discussions below, and seek Member input into the following areas:

Findings and focus areas for further consultation

Finding 1: There are opportunities to improve NDIS pricing arrangements over the short- to medium-term

Price caps are set based on poor quality and incomplete data and are applied bluntly in the NDIS.

Price caps are not supporting the development of a responsive and innovative market. Providers have little incentive to compete on price or quality, with price caps acting more as a 'price anchor' than a 'price ceiling'. Without normal competitive market pressures from participants, price caps and other price controls provide an important constraint on how much participants are charged; and will continue to be needed over the short and medium term.

Nevertheless, there are significant opportunities to improve how price caps and price controls are set. The use of different pricing approaches could also be more effective than the current price controls.

Focus areas for further consultation

To improve NDIS pricing arrangements over the short to medium term, there may be benefits in exploring options such as:

- Ensuring that the setting of price caps is transparent, including greater use of market data and independent price monitoring and/or price setting. This could ensure NDIS price caps better reflect efficient prices, strengthen confidence in the price setting process, and support ongoing investment in the sector.
- Further differentiating price caps to reflect the additional costs involved in delivering services to participants with more complex needs and in regional areas. If this can be achieved without creating excessive administrative burden, it could improve supply and access to quality supports for participants.

- Implementing ‘preferred provider’ panel arrangements – where providers agree to supply supports at an agreed price and on agreed terms – as a possible alternative to price cap arrangements for certain NDIS supports. The NDIA could leverage its ‘buying power’ to negotiate prices with providers. This could provide a simplified option for participants in accessing supports, without limiting their choice.

MHCC want to hear from Members about the above and any other options to improve the NDIS pricing arrangements?

Finding 2: The fee-for-service payment approach rewards NDIS providers for the volume of supports they deliver, rather than for supporting participants to achieve outcomes

Fee-for-service payment approaches are easy to administer and understand, but also have drawbacks. For most NDIS supports, providers are paid for each hour of service they deliver, regardless of the ‘value’ for participants.

Consequently, there are perverse incentives for providers to maximise the volume and types of supports they deliver, to maximise the total payment that they receive. This, in turn, does not reward providers to support participants to be more independent and can place pressure on scheme sustainability.

Focus areas for further consultation

- Other payment approaches (such as, outcome, enrolment, and blended payments) could be used to better align incentives for providers with the interests of participants and governments and promote the delivery of ‘value-based’ supports in the NDIS.
- Consider the advantages and disadvantages of different payment approaches to avoid introducing perverse incentives for providers and maintain choice.

MHCC want to understand where there are opportunities to use other payment approaches in the NDIS along with complementary measures (such as, improved market monitoring).

We are interested in what approaches could be considered for different types of supports, including daily living supports, therapy supports and others.

We are also interested in how these approaches may potentially be implemented in the scheme.

Finding 3: A lack of transparency around prices, volume, quality and outcomes is restricting the effectiveness of NDIS service delivery

Participants can find it difficult to compare providers or negotiate prices as they cannot readily access the information that they need to make informed decisions. The NDIA has limited visibility of whether the supports participants purchase help to achieve outcomes.

The thinking is that increased transparency of NDIS transactions – including on prices, volume, quality, and outcomes would support:

- participants to become more informed and empowered consumers

- providers to compete on price and quality and deliver outcomes for participants
- governments, as market stewards, to better monitor pricing and market outcomes, and set prices more effectively (in line with Finding 1).

Focus areas for further consultation

Options to improve transparency in the NDIS market could include strengthening:

- Market monitoring through systematically collecting transaction data supported by near real-time payment systems. This would include collecting more transaction data for the self-managed market.
- Requirements for providers to disclose their prices, such as through an online marketplace similar to the My Aged Care website.
- Measuring and reporting on provider performance – that is, the extent to which they provide quality supports that achieve outcomes for participants. This should be reported in an accessible format for participants, such as a star rating system, which are used across several social services.

MHCC want to hear your view about the above and other options to improve transparency in the NDIS market, including how these options could be implemented without adding to administrative and compliance burden.

Finding 4: Removing price caps could place pressure on scheme costs. Instead, the focus should be on foundational market reforms that help align incentives for participants, providers and governments

Over time, replacing price caps with more ‘light touch’ pricing arrangements as currently intended –including improving price monitoring with greater transparency on prices and quality – could encourage greater competition.

However, improved price monitoring and transparency alone would not be sufficient to address the lack of competition on price and quality across the NDIS market. Price deregulation risks a potential ‘ratcheting effect’ where providers could increase the price and volume of supports, adversely affecting the sustainability and affordability of the NDIS.

Realising the benefits of a market-based approach for the NDIS should instead focus on foundational market reforms. These reforms should better reflect the nature of participants, supports and providers in its design. These could also consider whether the goal of competition is optimal or whether contestable arrangements would better deliver outcomes for the NDIS – achieving a good life for participants and a sustainable scheme.

Focus areas for further consultation

Foundational market reforms to align incentives for participants, providers and governments could look at ways to ensure:

- participants have the information and capability to make informed choices on the value and quality of supports, including the help they need to do this
- participants’ budgets support them to be active consumers in the NDIS market

- providers are incentivised to compete on price and quality, and deliver the volume and mix of supports that improve outcomes for participants
- a range of contestable approaches are used in NDIS sub-markets when they would achieve better outcomes
- governments have clear roles and responsibilities with a coherent and transparent strategy for stewarding the NDIS market – including the approach for the overall market and for different sub-markets (such as regional and remote markets).

MHCC are interested to hear your views on when and how these foundational reforms could be achieved.

We are also interested in other reforms to ensure we have the right overall architecture and incentives in the NDIS market.

Other related questions

Pricing and cost structure to maintain an appropriate workforce

In relation to the following, MHCC also would like to know whether you agree with these recommendations and have any further comments:

- *Review the assumptions underpinning the Disability Support Worker Cost Model to ensure that the level is sufficient to sustain and grow an appropriately skilled and experienced workforce?*
- *Create a discrete group of support items, prices and requirements for psychosocial support workers and a specific line item for them?*
- *Consider price levels to reflect different levels of Psychosocial Support Worker expertise necessary to work with complexity (in addition to specialist behaviour support workers)?*

The deadline for submissions is 28 July 2023, and MHCC would welcome any comments by 25 July 2023. We appreciate your time and interest in these questions and are happy to receive comments attached to this document or in an email.

Many thanks



Corinne Henderson
Principal Policy Advisor
E: corinne@mhcc.org.au
T: 0419382676