

HOW IS THE DISABILITY SECTOR FARING?

A report from National Disability
Services' Annual Market Survey

2020

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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

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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.

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EXECUTIVE SUMMARY

The National Disability Services' (NDS) Annual Market Survey has become one of the most important resources for understanding change in the Australian disability sector since the launch of the NDIS. The survey provides insight into service provider's perceptions of the NDIS, the operating environment for the sector and financial sustainability. The 2019 survey found the operating environment for the sector, particularly prices, have improved on previous years. However, there continues to be uncertainty and concern about the sustainability of organisations within the NDIS.

Provider perceptions of operating conditions for the disability sector have improved. Just 38% of providers in 2019 say that conditions have worsened in the last 12 months, compared to 55% in 2018. Providers increasingly feel NDIS reforms are heading in the right direction (up from 47% in 2018 to 55% in 2019). More established organisations (i.e. formed prior to 2015) are more likely to agree the risks outweigh the opportunities, than organisations formed since 2015. Recently established organisations are more likely to have designed their organisation with NDIS processes in mind, and are less likely to have experienced the many transition issues faced by more experienced organisations.

However, the disability sector continues to be characterised by uncertainty. Three quarters of the sector feels the operating environment is uncertain. In particular, providers describe a turbulent operating environment with frequent policy changes and inconsistencies from government agencies. At present only 19% of providers feel the NDIA is working well with the sector, and only 22% feel the NDIA has respect for providers. Provider relationships with the Quality and Safeguards Commission differ by location. This reflects the State by State NDIS roll out. In general, however, providers feel the Commission has made a good start to establishing itself as a contemporary regulator. Providers operating in New South Wales and South Australia (the first jurisdictions to come under the remit of the new regulator) are more positive than others - 36% agree that the Commission is working well with providers, compared to 21% of providers in the Australian Capital Territory, Northern Territory, Queensland, Tasmania and Victoria, which transitioned mid 2019.

Administrative burden associated with assisting participants and families navigating the scheme continues to be a challenge. Most providers report supporting individuals to navigate the NDIS as it is perceived as too complex for participants to navigate alone or without adequate independent advocacy. Only 15% of providers agree there is sufficient advocacy available for the people their services support.

Pricing

While confidence in the NDIS is improving and recent pricing changes appear to have brought relief to parts of the sector, a high number of providers are still unsure they can operate within the NDIS as it is currently configured. Some indicate this is a result of pricing levels, while others suggest significant delays in payments are causing financial precarity. Half the providers who responded are worried they won't be able to provide NDIS services at current prices – 52% agree in 2019 compared to 58% in 2018. Again, longer-established organisations were significantly more likely to indicate they are concerned about the NDIS pricing structure: 58% agree with the statement, compared to 37% of organisations established after 2015.

Sustainability

Just over half (53%) of organisations said they are worried about their ability to adjust to changes due to policy; the concerns about pricing and administrative burdens referred to above may be contributing to this uncertainty. Reports about financial sustainability has remained consistent since the previous survey in 2018, though only 54% of organisations report making a profit in the last financial year

A smaller proportion of organisations report they have considered leaving the disability sector in 2019 compared to the previous year (11%, compared to 16% in 2018).

Small, medium and large organisations are more likely to report they are actively growing their organisation, compared to very small organisations. Of the organisations responding to the survey, 17% are sole providers, and as such are unlikely to be focused on growth. Finally, medium and large organisations appear slightly more concerned about changes in the policy environment: 59% of medium organisations and 55% of

large organisations said they are worried about their ability to adjust to changes in the policy environment, compared to 53% of very small and 49% of small organisations.

Looking at the need for improvement by organisation size, generally small, medium and large organisations were more likely to indicate there are business capability areas they needed to improve, compared to very small organisations.

Collaboration

The 2019 survey again found concern over collaboration in the sector. Some respondents indicate collaboration appears to be increasing, particularly in the last 12 months. The majority who answered our qualitative item on collaboration view this as being restricted by the introduction of a competitive market for disability services. There are significant differences in collaboration across organisations depending on age of organisation, and organisation size. Organisations established prior to 2015 generally report taking part in more collaborative activities.

Recommendations

Our report makes a number of recommendations for improving the NDIS:

- Either resource the NDIA to ensure adequate staffing, thereby addressing time delays, inconsistencies in advice between staff and locations, or outsource functions to appropriately qualified non-government providers.
- Provide more training to NDIA staff around communication with the sector and changes in rules and regulations, thereby helping to rebuilt trust between the NDIA and the sector.
- Investment by government in independent advocacy to provide high quality independent advocacy (which will also lift excessive administrative burden from providers).
- Continue to monitor and improve pricing structures.

Overall, this report paints a picture of a sector that continues to be precarious and frustrated with the reform process. There is a clear call from the sector for consistent

and reliable information and communication, along with a recognition of the large administrative burden placed on the sector while the NDIS takes shape. Without addressing these issues, the vision of the NDIS of increased choice and control for eligible Australians with disability is at risk.

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. An important driver for this research is the introduction of the National Disability Insurance Scheme (NDIS), which has brought the substantial restructuring of the sector and the individual organisations that comprise it. This research is intended to identify risks, monitor change and identify any undesirable consequences occurring in the disability sector. While some findings were included in the NDS State of the Sector Report 2019, this document is a long-form report that sets out a broader array of the data collected.

This research finds the disability sector continues to be characterised by uncertainty. In particular, providers describe a turbulent operating environment with frequent policy changes and inconsistencies from government agencies. While the former is part of continuing to improve the functioning of the NDIS, the latter is compounding sector concerns and – arguably – could be alleviated through better resourcing of key agencies. The research also demonstrates a decline in trust within the system.

While confidence in the NDIS is improving and recent pricing changes appear to have brought relief to parts of the sector, a high number of providers are still unsure they can operate within the NDIS as it currently exists. Some indicate this is a result of pricing levels, while others suggest significant delays in payments are causing financial precarity. If providers are not sustainable they will withdraw from NDIS service provision. This raises concerns about decreasing choice and control for participants by decreasing volume of service offerings.

Our report makes a number of recommendations for improving the NDIS:

- Either resource the NDIA to ensure adequate staffing, thereby addressing time delays, inconsistencies in advice between staff and locations, or outsource functions to appropriately qualified non-government providers.
- Provide more training to NDIA staff around communication with the sector and changes in rules and regulations, thereby helping to rebuilt trust between the NDIA and the sector.

- Investment by government in independent advocacy to lift administrative burden from providers.
- Continue to monitor and improve pricing structures.

Overall, this report paints a picture of a sector that continues to be precarious and frustrated with the reform process. There is a clear call from the sector for consistent and reliable information and communication, along with a recognition of the large administrative burden placed on the sector while the NDIS takes shape. Without addressing these issues, the vision of the NDIS is at risk.

About the survey

This year's survey is the seventh wave of NDS's Annual Market Survey. See Appendix 1 for detailed survey methodology and sample details. Key characteristics of the 2019 sample are:

- 667 respondents received income for disability services. The sample size is noted for the all data in the Appendix and throughout the report.
- 37% of organisations reported an annual income of less than \$1M (n=210), 25% between \$1M and \$5M (n=142), 24% between \$5M and \$20M (n=138), 7% more than \$20M but less than \$50M (n=42), and 7% more than \$50M (n=38).
- 17% were sole traders (n=110), down from 23% in 2018. 41% of respondents were a company (n=270), and a further 37% were an incorporated association (n=242). 1% were a partnership (n=8).
- 74% (n=399) of respondents were not-for-profit organisations and 25% were for-profits (n=136).
- 83% (643 responses) had provided support or services funded by the NDIS. Fewer reported being funded under the Disability Employment Services Program (n=35, 5%) or the Supported Employment/Australian Disability Enterprise Scheme (n= 83, 11%).
- Providers indicated which NDIS service groups they offered. As in 2018, participation in community, social and civic activities were the most often cited (43%, n=364), and assistance services (personal activities – 41%, n=344); life stages, transitions and supports – 35%, n=292). There was a significant increase in the proportion of organisations offering these three types of services in 2019 compared to 2018.

Where there are comparisons to the 2018 AMS report, the 2018 sample consisted of:

- 489 disability service providers had received income from disability services in the last twelve months. 42% had income of less than \$1M, 23% between \$1M and \$5M, 20% between \$5M and \$20M and 14% had income of \$20M or more.
- 23% were sole traders. The inclusion of this cohort did not skew the overall results. 73% of respondents were not-for-profit organisations and 24% for-profit organisations. 97% of respondents were registered National Disability Insurance Scheme (NDIS) providers and 90% were registered and currently provide services under the NDIS.

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.

SURVEY RESULTS

Perceptions of the operating environment

Provider perceptions of operating conditions for the disability sector have improved. In 2019, 22% of providers feel operating conditions have improved in the last 12 months, compared to 11% in 2018 (Figure 1). Similarly, 38% of providers in 2019 say that conditions have worsened in the last 12 months, compared to 55% in 2018. These confidence measures reflect those last seen in 2016, suggesting perceptions of the disability sector environment have returned to 2016 levels after several years of declining confidence in the operating environment. Nonetheless, many providers remain unsure about their financial viability, with around half of providers concerned about pricing levels (Figure 2).

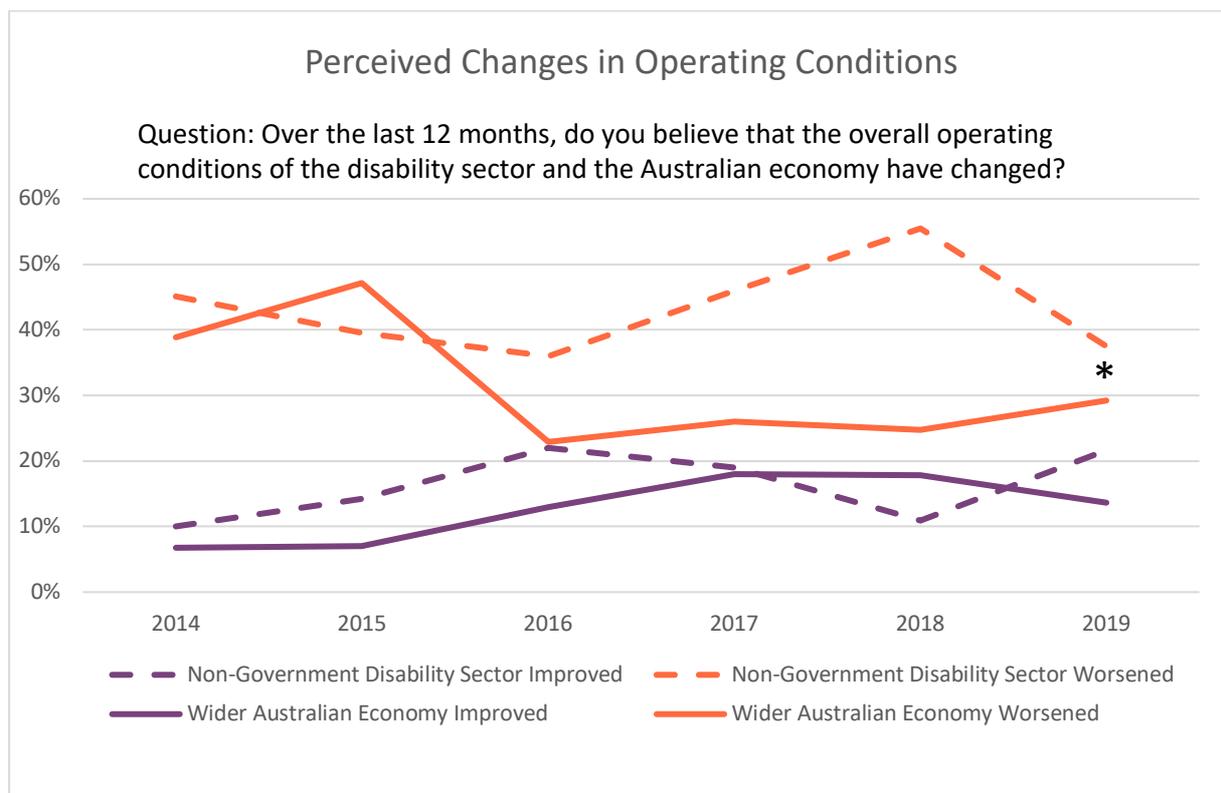


Figure 1: Perceptions of disability sector operating conditions and wider Australian economy

Source: NDS Annual Market Surveys 2014 – 2019. Number of responses: 2014 = 399; 2015 = 422; 2016 = 548; 2017 = 461; 2018 = 447; 2019 = 605.

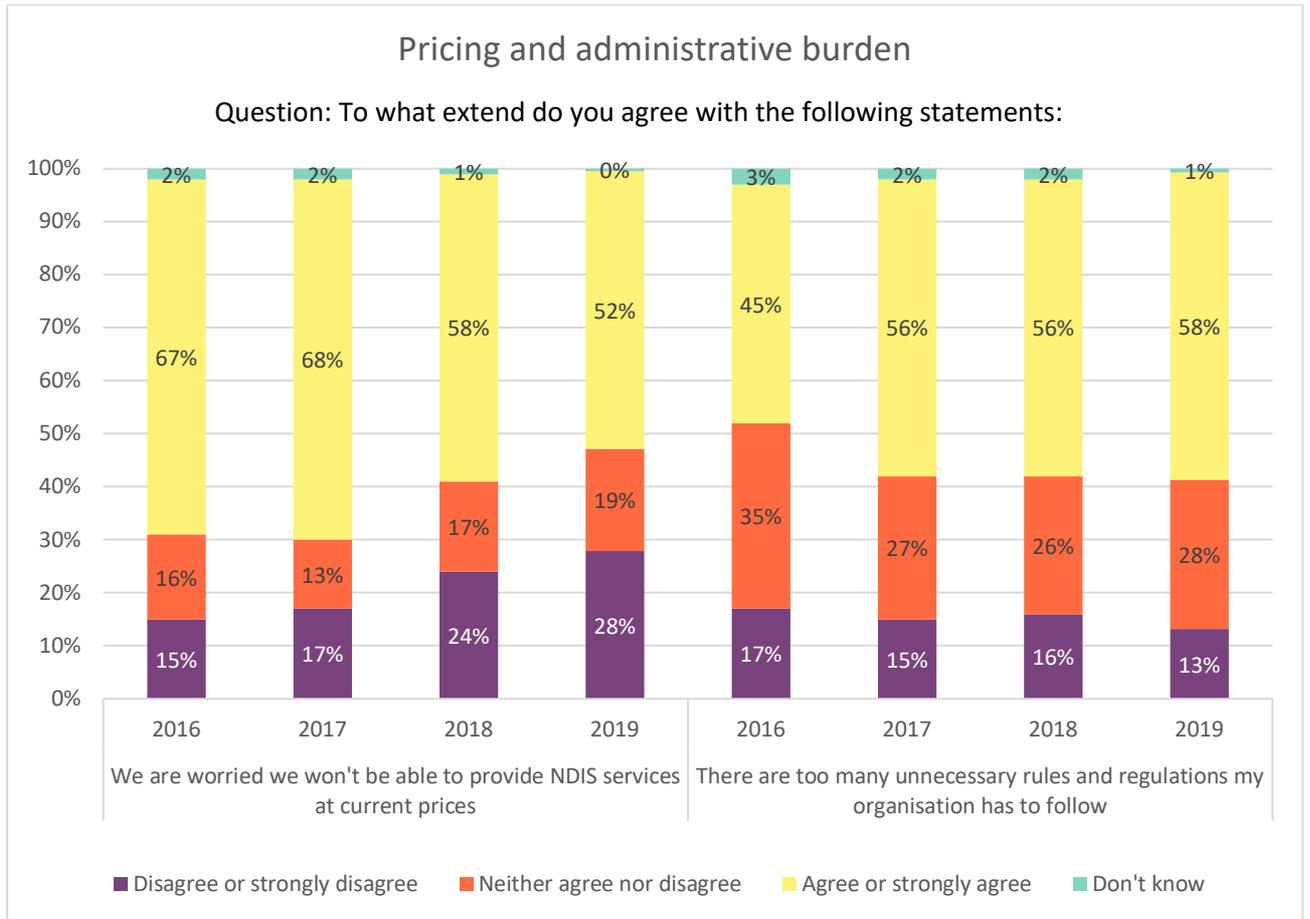


Figure 2: Pricing and administrative burden

Source: NDS Annual Market Surveys 2016 – 2019. Number of responses: 2016 = 426; 2017 = 361; 2018 = 453; 2019 = 625.

Experiences of the NDIS systems

Providers increasingly feel NDIS reforms are heading in the right direction (up from 47% in 2018 to 55% in 2019, see Figure 3). Organisations operating in the NDIS and established after 2015 are more likely to agree that NDIS policy reforms are heading in the right direction (60%), compared to organisations established prior to 2015 (55%).

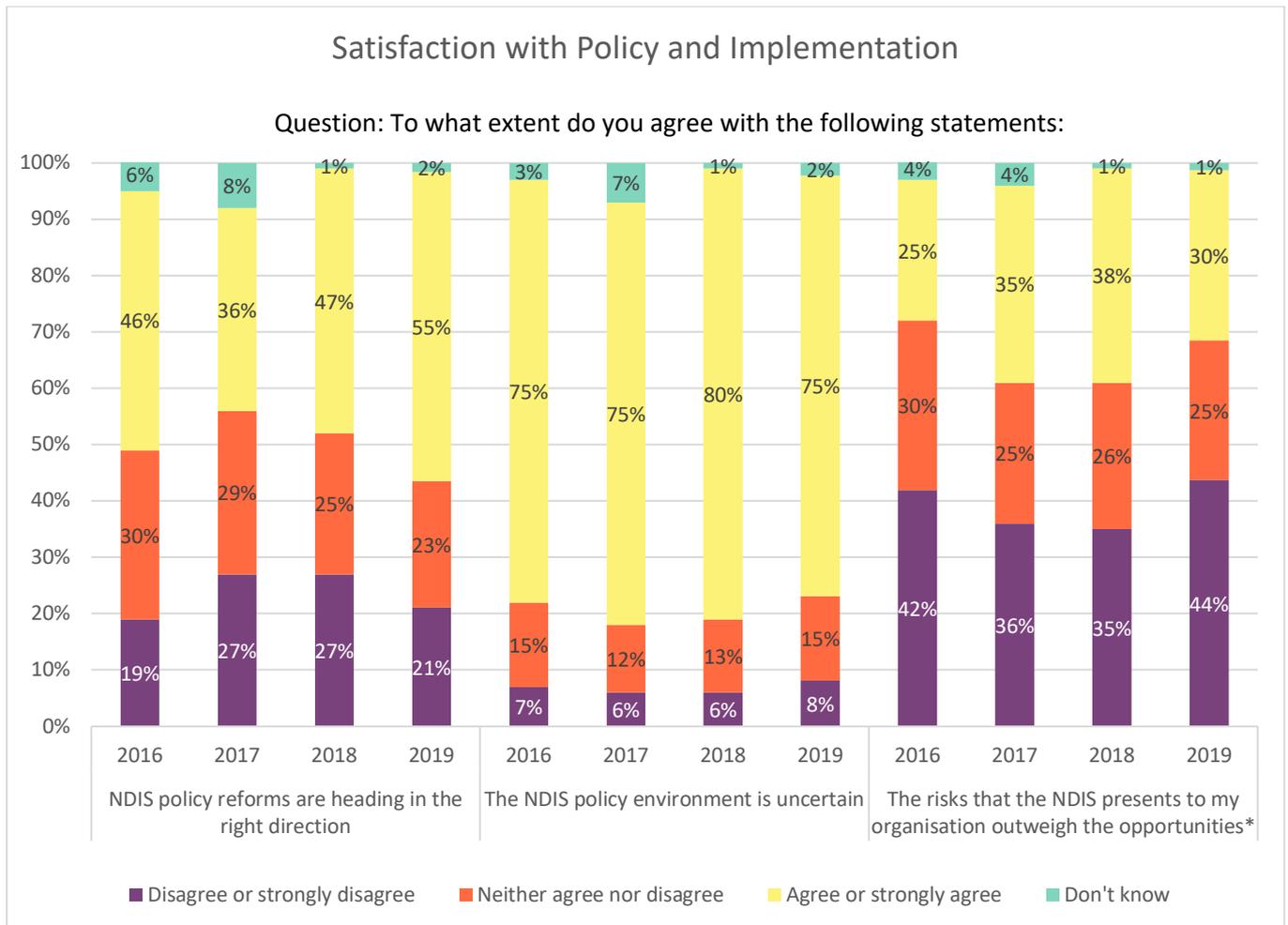


Figure 3: Satisfaction with policy and implementation

Source: NDS Annual Market Surveys 2016 – 2019. Number of responses: 2016 = 426; 2017 = 360; 2018 = 456; 2019 = 627.

In a significant change from 2018, the proportion of providers who feel that the risks in the operating environment outweigh the opportunities decreased to 30% (from 38% in 2018), whilst 44% disagree or strongly disagree that the risks outweigh the opportunities (compared to 35% in 2018). But a substantial 25% still ‘neither agree nor disagree’ suggesting there is a consistent proportion of providers that remain unsure about the risks – opportunities balance. More established organisations (i.e. formed prior to 2015) are more likely to agree the risks outweigh the opportunities, than organisations formed since 2015. Recently established organisations are more likely to have designed their organisation with NDIS processes in mind, and are less likely to have experienced the many transition issues faced by more experienced organisations.

However, turbulence and inconsistencies continue to be a major concern for the sector. As shown in Figure 3, three quarters of the sector feels the operating environment is uncertain. This appears to be felt more acutely by larger organisations: 83% of medium and 79% of large organisations agree that the policy environment is uncertain, compared to 68% of very small and 78% of small organisations ($p = .001$)^a. This uncertainty is a strong theme in the qualitative components of the survey. Some of this sense of turbulence comes from efforts on behalf of the NDIA and Commonwealth to redress issues in the scheme:

The operating environment is very challenging with the constant changing of NDIS processes, rules and methods of engagement with providers, as well as the introduction of the Q&S Commission with really poor information and resourcing to providers [p300]

Changes to requirements often come with little notice and are burdensome on the provider. i.e. changes to recent Price Catalogue which provider had 3 days notice with substantial changes to be implemented. Often changes to prices are not support by NDIA to the Participants i.e. TTP increase has set up providers against participants [p14]

Navigating these inconsistencies has flow on effects for the administrative burden experienced by providers. 58% of providers feel there are too many rules and regulations to comply with (Figure 2), which is also reflected in provider comments:

every time the NDIA makes a new rule it creates more complexity and administrative burden for providers. [p27]

^a Organisation size was determined by reported annual income: Very small organisations reported income of less than \$1M, small organisations reported income between \$1M and \$5M, medium sized organisations reported income between \$5M and \$20M, and large organisations reported income of \$20M or more.

I feel that the NDIS rules are constantly changing, however I understand that the NDIS is in its infancy and understand that it will take time to settle in. The rule changes make it difficult to navigate the system. [p146]

Many of the changes respondents are referring to in these comments are concerned with improving the scheme (e.g. changes brought in to address issues that have been identified as problematic). International best practice emphasises the need for adaptive governance, whereby changes are made in response to the environment or unforeseen unintended consequences (1–3). These changes, however, need to be effectively communicated and providers indicate they do not always feel this occurs:

NDIA makes changes but does not own them or communicate them effectively to participants and their families, leaving providers covering this which decreases providers efficiencies and strain on already underfunded resources [p152]

At present, this is perceived by some as being compounded by inconsistent advice given by the NDIA; a frequently remarked upon issue by providers. For example:

Inconsistency in information provided, decision making and variability of skills and knowledge of staff processing NDIS applications is still very problematic and makes for an very inconsistent experience for participants with outcomes that are hard to fathom. [p131]

There remains ongoing inconsistency of practice and advice within the NDIA and LACs alike. Even staff from the same office will provide conflicting information. [p57]

There is too much variance in answers to the same question from NDIA staff. Communication of policy directives and information within the NDIS also appears to be terrible. Many different answers are provided depending on which planner/LAC/call centre staff is spoken to. [p97]

While continually improving – or adapting – the NDIS as roll out continues is important, this must be balanced with effective communication and training of staff to ensure the sector is as prepared as possible for changes and is not subject to unnecessary turbulence and administrative burden. Training of NDIA staff has been a consistent concern amongst the sector since implementation began (4) and appears to remain a major issue. This is no doubt compounded by the much commented upon staffing cap on the NDIA (5–7), which has limited resourcing of the Agency to undertake the scale and scope of work required. As noted by the Joint Standing Committee into NDIS Markets in 2018, under resourcing poses a threat to market sustainability and development (7). This can be seen in comments from providers, whereby inconsistencies and poor communication is making it difficult for organisations to plan, making their businesses vulnerable:

Constantly changing, making services reactive and not time to plan to do things better [p77]

We feel we are operating with our hands tied behind our backs - all paperwork and no time to work with participants to create the optimal experience. [p301]

NDIA makes changes but does not own them or communicate them effectively to participants and their families, leaving providers covering this which decreases providers efficiencies and strain on already underfunded resources [p465]

At present only 19% of providers feel that the NDIA is working well with the sector, and only 22% feel the NDIA has respect for providers (Figure 4). More established organisations, i.e. those with a longer experience of NDIS systems and processes, are less likely to agree that the NDIA has a high level of respect (21%) as compared to more recently established organisations (29%). More very small and small organisations had a positive view of the NDIA: 39% of very small and 25% of small organisations agree

that the NDIA has high levels of respect for disability service providers, compared to 15% of medium and 19% of large organisations (p < .001).

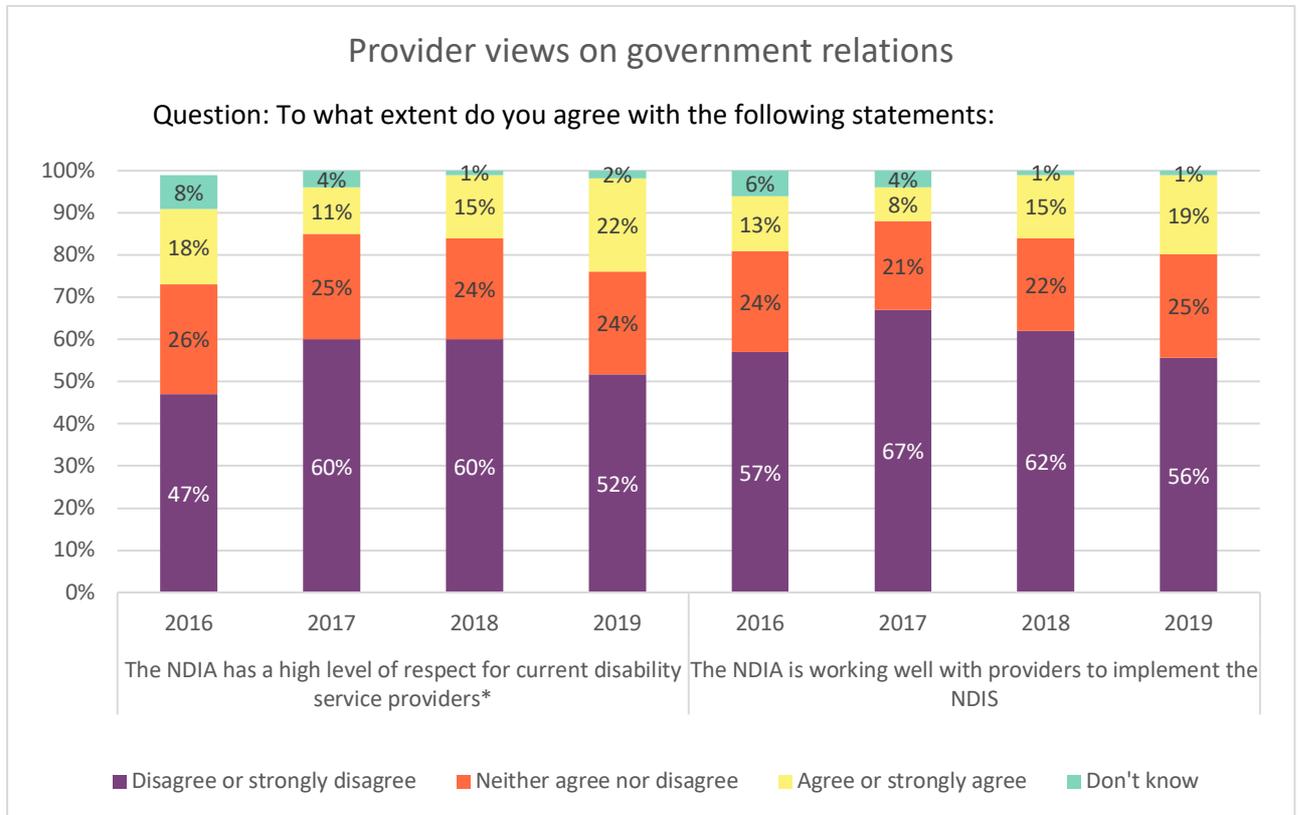


Figure 4: Provider views on government relations

Source: NDS Annual Market Surveys 2016 – 2019. Number of responses: 2016 = 425; 2017 = 358; 2018 = 455; 2019 = 628.

Most providers report supporting individuals to navigate the NDIS as it is perceived too complex for participants to navigate alone or without adequate independent advocacy. Only 15% of providers agree there is sufficient advocacy available for the people their services support (Figure 2). 75% of providers agree helping people understand and navigate the scheme is taking them away from service provision:

A lot of participants are coming to us without advocacy and support coordination meaning service providers are providing free services to ensure participants are supported fully in their transition. [p362]

The price changes, whilst heading in the right direction, went through a large change this year. This left participants relying heavily on providers to guide them through it. This soaked up time which would otherwise be spent on delivering services. [p259]

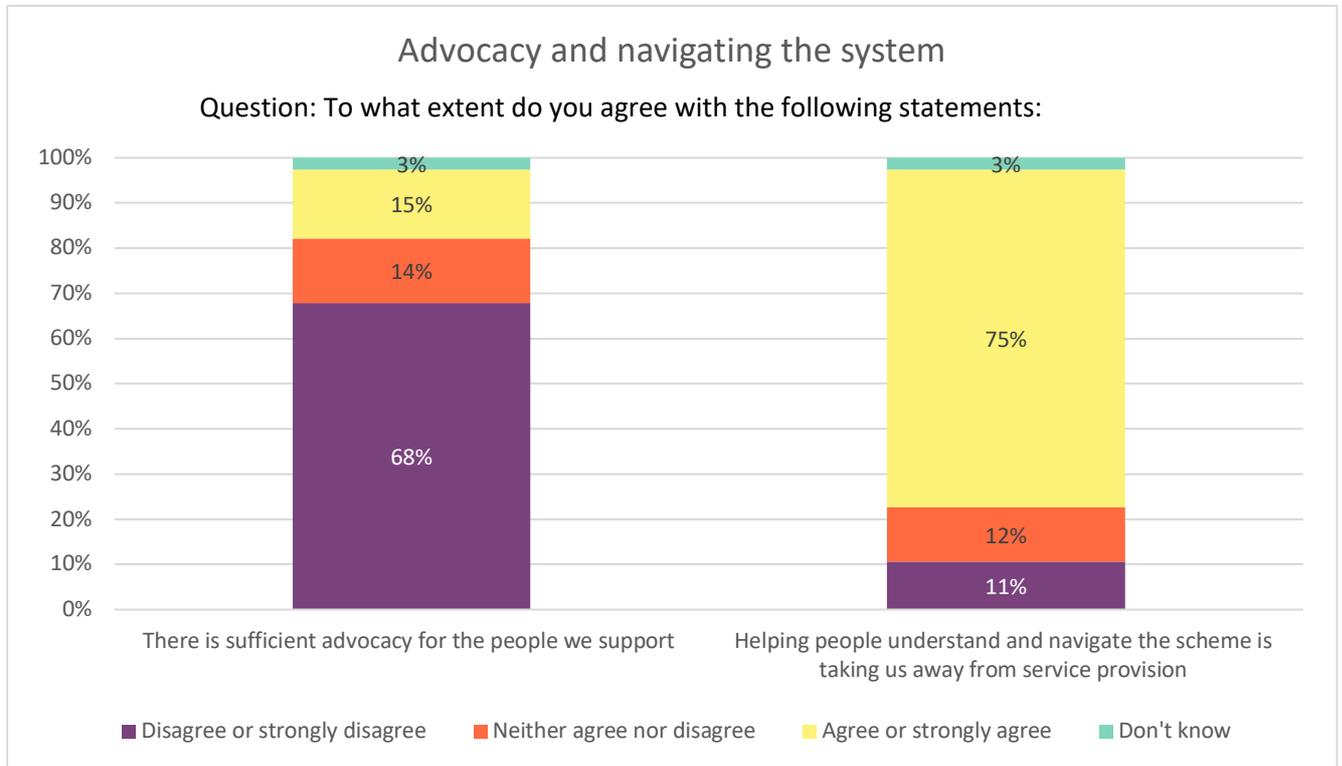


Figure 5: Advocacy and navigating the system

Source: NDS Annual Market Survey 2019. Number of responses: 626.

Our survey finds providers feel a lack of trust from the NDIA and other actors in the NDIS system. For example:

Providers are still being treated like "the enemy" [p47]

There is also much more that could be initiated in working with service providers to help the scheme establish its foundations and minimise the duplication that is occurring in supporting the participants with the scheme. [p18]

Blame is being apportioned to service providers when clients with no support coordination are not utilising their plans. [p97]

This included Local Areas Coordinators (LACs):

It feels like NDIS staff as well as LACs send a message to clients to be wary of providers because we are all seeking to overcharge and rip off clients. [p52]

NDIS/ Service providers and LACS now have an 'us and them' mentality which is pushed on to families ie 'don't show them the plan', 'don't tell them how much you have' [p487]

There is a lack of trust and communication at the local level with the NDIS , LAC and providers. [p418]

Trust is a “feature of relationships of individuals, of organisations and of institutions that affects their interactions in a supporting way” and internationally regarded as crucial to the functioning of public services (8–10, 9p92). Interorganisational trust has been found to be associated with better service outcomes (10). Hence, retaining trust across NDIS system actors is crucial.

Of particular concern is the lack of trust in LACs identified. LACs are the ‘glue in the system’ at the local level – connecting providers, participants and services. Previous research has highlighted these roles are amongst the most innovative aspects of the NDIS, and likely to be a determinant of the schemes success (5,6). LACs operate as important market actors as well as ensuring participants can exercise choice and control and get the services they need (5). Declining trust in LACs is concerning for the functioning of the NDIS at the local level.

Local Area Coordinators

The 2019 survey introduced questions about provider interactions with Early Childhood Early Intervention (ECEI) partners and Local Area Coordinators (LACs).

Providers are largely ambivalent or unaware of the impact of ECEI partners – 38% said they neither agreed nor disagreed that ECEI partners in the community are working well, while 32% said they don't know (Figure 6). This may largely be due to the fact that many providers may have not interacted directly with ECEI partners.

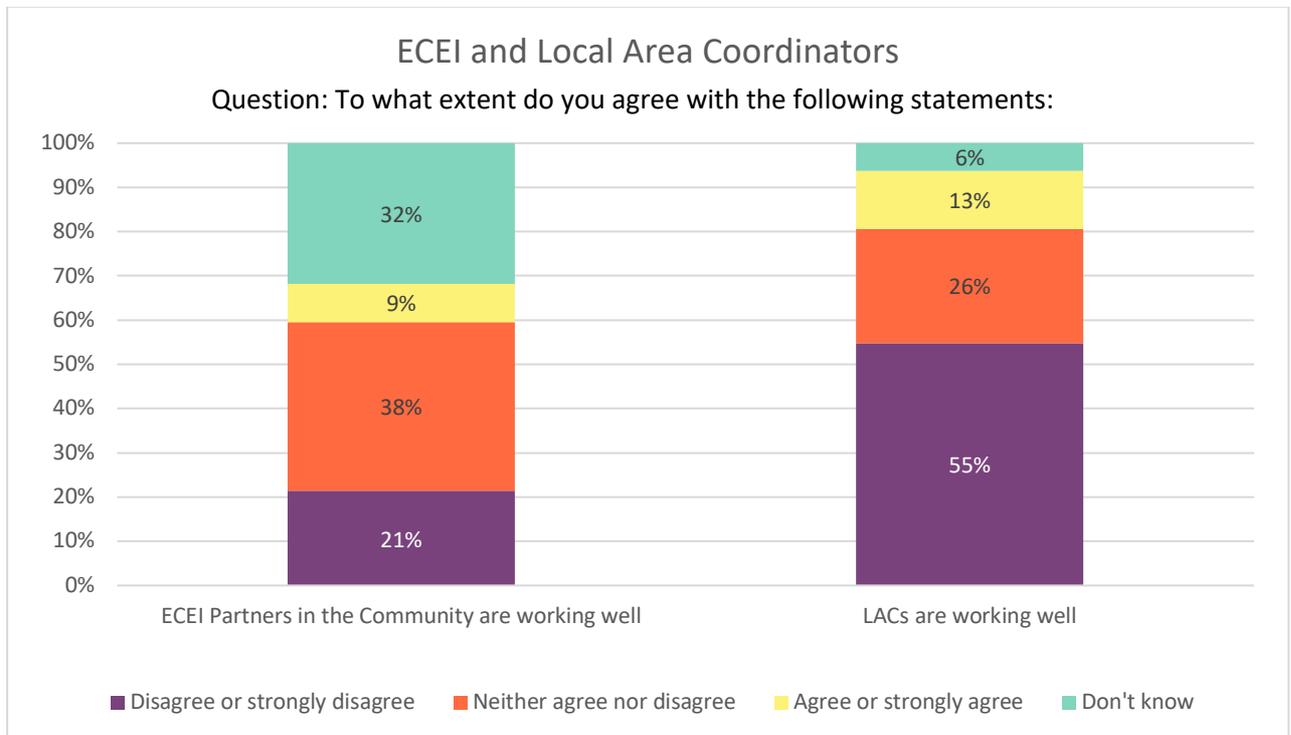


Figure 6: ECEI and Local Area Coordinators

Source: NDS Annual Market Survey 2019. Number of responses: 626.

Providers are critical of Local Area Co-ordination: only 13% agree they are working well (Figure 6). There are potential growing tensions in the relationship between LACs and providers, which is similar to those reported above in relation to the NDIA. This is particularly the case if providers are being held accountable for decisions they have little or no control over:

It feels like NDIS staff as well as LACs send a message to clients to be wary of providers because we are all seeking to overcharge and rip off clients. I get this impression because clients will say things like “my LAC said to check all my bills really carefully”, and the attitude is evident with some support

coordinators. It is highly disrespectful and demotivating, as we sometimes actually go unpaid for our services. [p108]

Quality and Safeguarding Commission

Provider relationships with the Quality and Safeguards Commission differ by location. This reflects the State by State NDIS roll out. In general, however, providers feel the Commission has made a good start to establishing itself as a regulator. Providers operating in New South Wales and South Australia (the first jurisdictions to come under the remit of the new regulator) are more positive than others - 36% agree that the Commission is working well with providers, compared to 21% of providers in the Australian Capital Territory, Northern Territory, Queensland, Tasmania and Victoria, which transitioned mid-2019 (Figure 7). Understandably, given implementation has only just commenced in Western Australia, providers here said they neither agree nor disagree (37%), or don't know (35%).

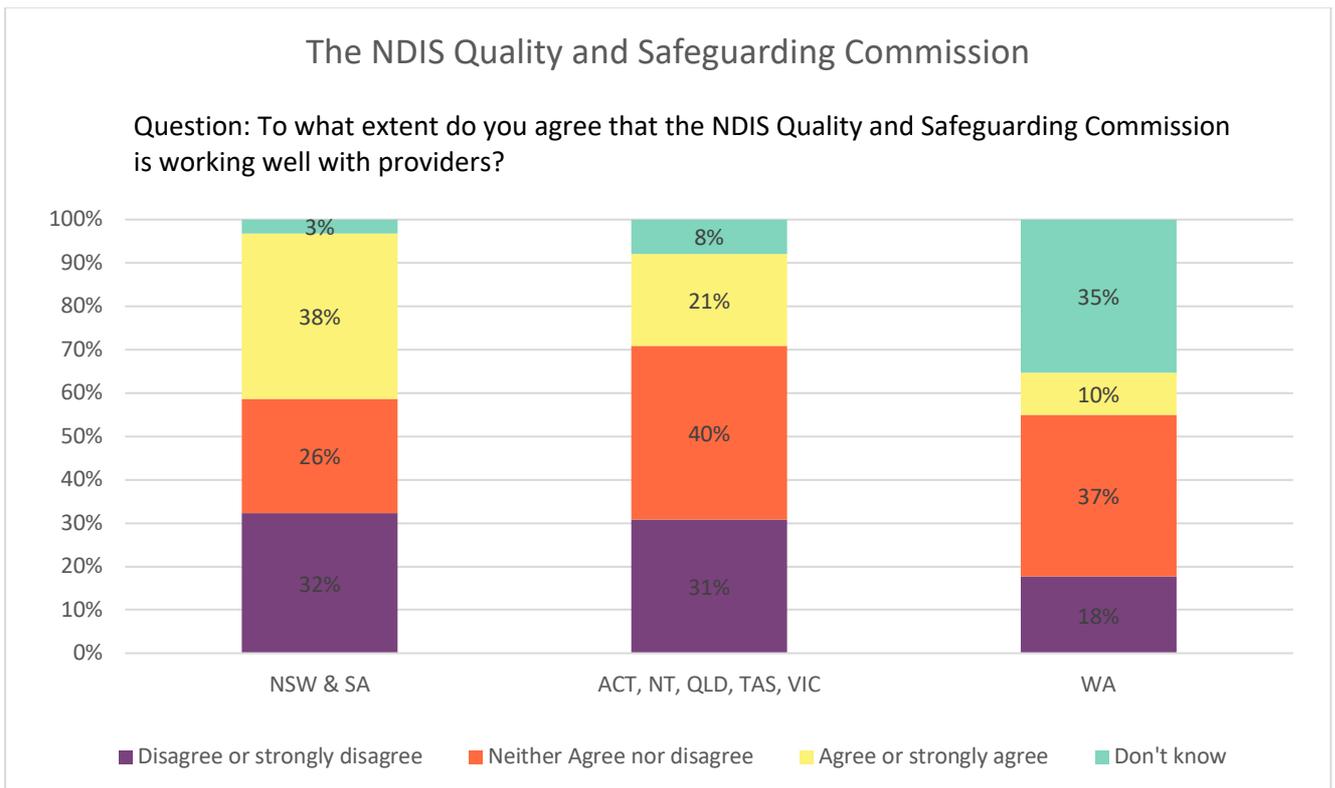


Figure 7: NDIS Quality and Safeguarding Commission

Source: NDS Annual Market Survey 2019. Number of responses: NSW & SA = 220; ACT, NT, QLD, TAS & VIC = 305; WA = 51

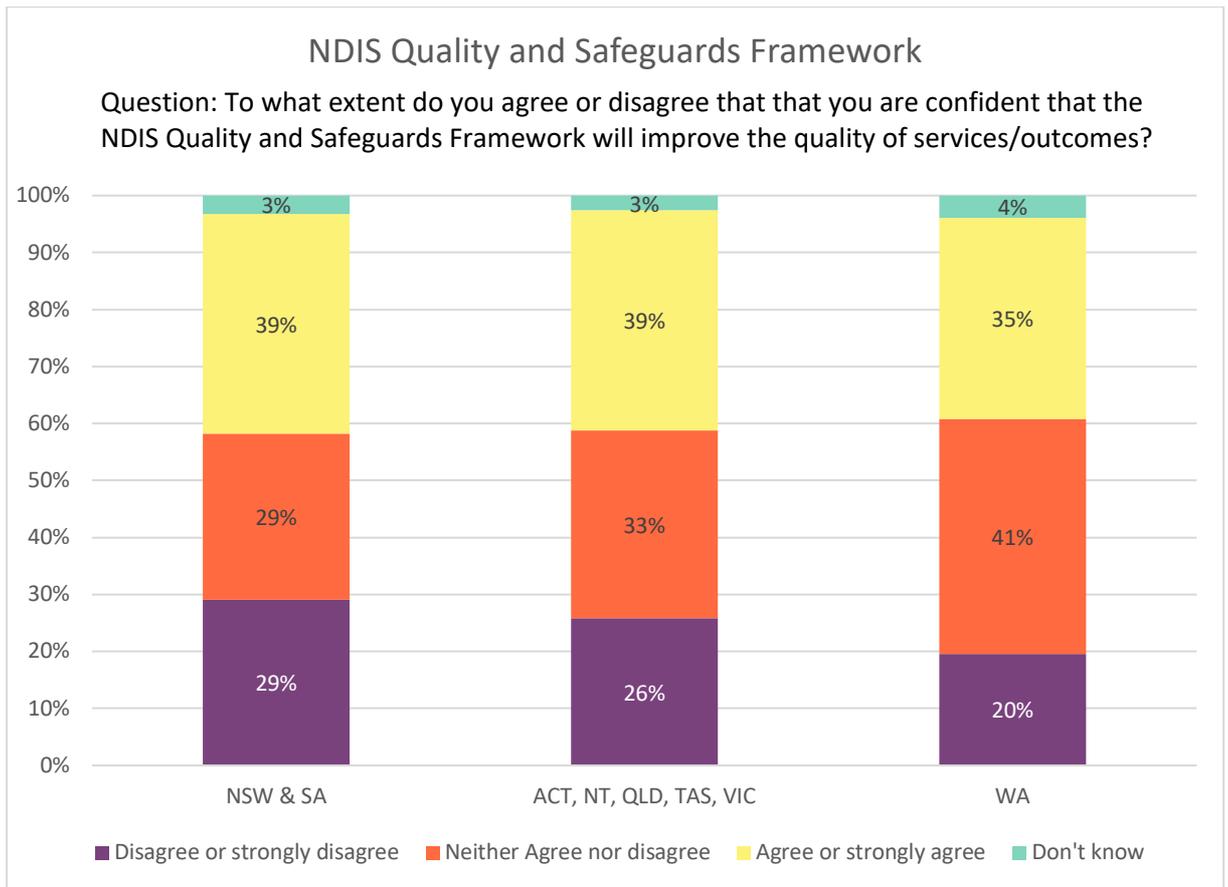


Figure 8: NDIS Quality and Safeguards Framework

Source: NDS Annual Market Survey 2019. Number of responses: NSW & SA = 220; ACT, NT, QLD, TAS & VIC = 306; WA = 51.

These views are reflected in whether service providers are confident the NDIS Quality and Safeguards Framework will improve the quality of services and outcomes. 44% of providers operating in New South Wales and South Australia are confident the NDIS Quality and Safeguards Framework will improve the quality of services and outcomes, compared to 38% of providers in the Australian Capital Territory, Northern Territory, Queensland, Tasmania and Victoria (Figure 3):

The Quality and Safeguards framework is a very promising process that will ensure quality service provision for people with disability however there is

very little margin in NDIS services that allows for the development and implementation of organisational policy, practice and standards to meet the framework. Providers have to fund this themselves. Assistance with social and community participation both 1:1 and in a group environment continues to impact on our overall viability. [p149]

Pricing

In the 2018 survey, pricing emerged as a major concern within the sector. In the interim there have been a number of changes to the pricing structure of the NDIS. These include the Temporary Transformation Payment, increases to remote loadings and updated pricing for travel. A number of providers indicate these changes have been beneficial:

The increase in NDIS price caps and other amendments to the price guide from 1 July were very pleasing. [p54]

The recent price increase before the election and as part of the 1 July price guide was very welcomed. The TTP is helping. [p360]

However, providers remain concerned about sustainability under current pricing schedules. Half the providers who responded are worried they won't be able to provide NDIS services at current prices – 52% agree in 2019 compared to 58% in 2018. Again, longer-established organisations were significantly more likely to indicate they are concerned about the NDIS pricing structure: 58% agree with the statement, compared to 37% of organisations established after 2015. This may relate to the pricing structure, or to the capacity of older organisations to operate within the new business environment.

Consistent with findings from the 2018 survey, providers identified that high administrative burdens are not accounted for in prices. Last year 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. This continues into 2019. Provider comments consistently reflect interlinked administrative and service delivery costs not necessarily reflected in the NDIS pricing structure:

“NDIS Pricing not sustainable, providers are seriously considering exiting community based attendant care due to pricing not covering costs. This forces providers to run and operate on mass to attempt to cover its costs. This significantly increases risk to participants and support staff due to providers lack of resources for training and development, supervision, staff meetings etc”
[p582]

The uncertainty about future pricing policies is causing us to reconsider whether we continue to provide core supports. Any increases need to be reflected in participant plans. There is significant unbillable time involved in providing core supports to participants and families with complex needs. The NDIS has fragmented service provision significantly making it difficult to provide [a] holistic approach to complex issues. [p237]

Pricing remains key in decisions about intentions to supply services into the future. Providers signalled their intention to supply more assistance with daily tasks or shared living, participation in community activities, and therapeutic supports over the next 12 months more frequently than other service types (Figure 9).

In contrast, 19% of plan management providers report planning to reduce or stop offering services in the next 12 months. Other service types that providers are indicating they might stop or reduce include assistance with travel and transport arrangements (12%), and life stage, transition and support assistance (10%). Any restriction in transport is particularly concerning given the flow-on effects as to whether other services are able to be accessed. Pricing appears to be a central concern to many providers when discussing whether they are considering cutting back on these services:

NDIS pricing not sustainable, providers are seriously considering exiting community based attendant care due to pricing not covering costs. This forces providers to run and operate [en] mass to attempt to cover its costs. This significantly increases risk to participants and support staff due to providers lack of resources for training and development, supervision, staff meetings etc. [p289]

Families and the people we support would like us to expand our services - but why would we when we are running at a loss with little hope of this changing... Disability support will be delivered by the profit driven sector only. Not for profits will leave the sector. The sector will lose talent, drive, knowledge and experience. [p465]

With regard to the impact of pricing on supply, organisational size is again a key characteristic relating to intention to change service volume. For example, more very small and small organisations plan to **increase** plan management services, whereas more medium and large organisations plan to either **reduce, stop**, or keep it the same (Figure 6). Demand for plan management from clients remains strong and is growing – providing opportunities for small accounting and financial brokerage organisations. Larger organisations, however, may experience a challenge in trying to accommodate the administrative burden of plan management, and instead are choosing to focus on delivering their other services.

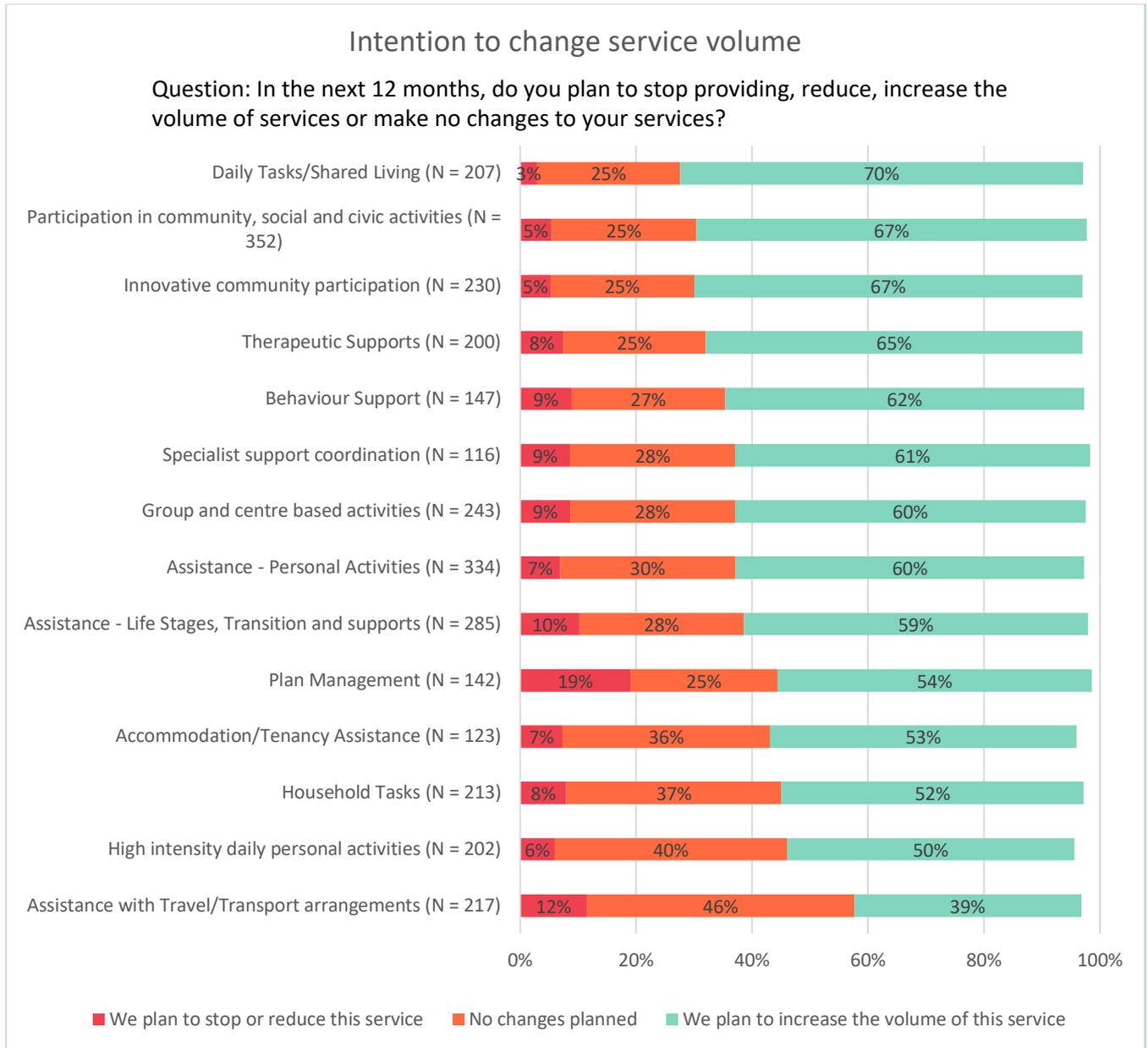


Figure 9: Intention to change service volume

Source: NDS Annual Market Survey 2019. Proportions represent the services that responded to their relevant service. Services with a minimum 100 responses are reported here; ‘Don’t know’ responses are excluded from chart.

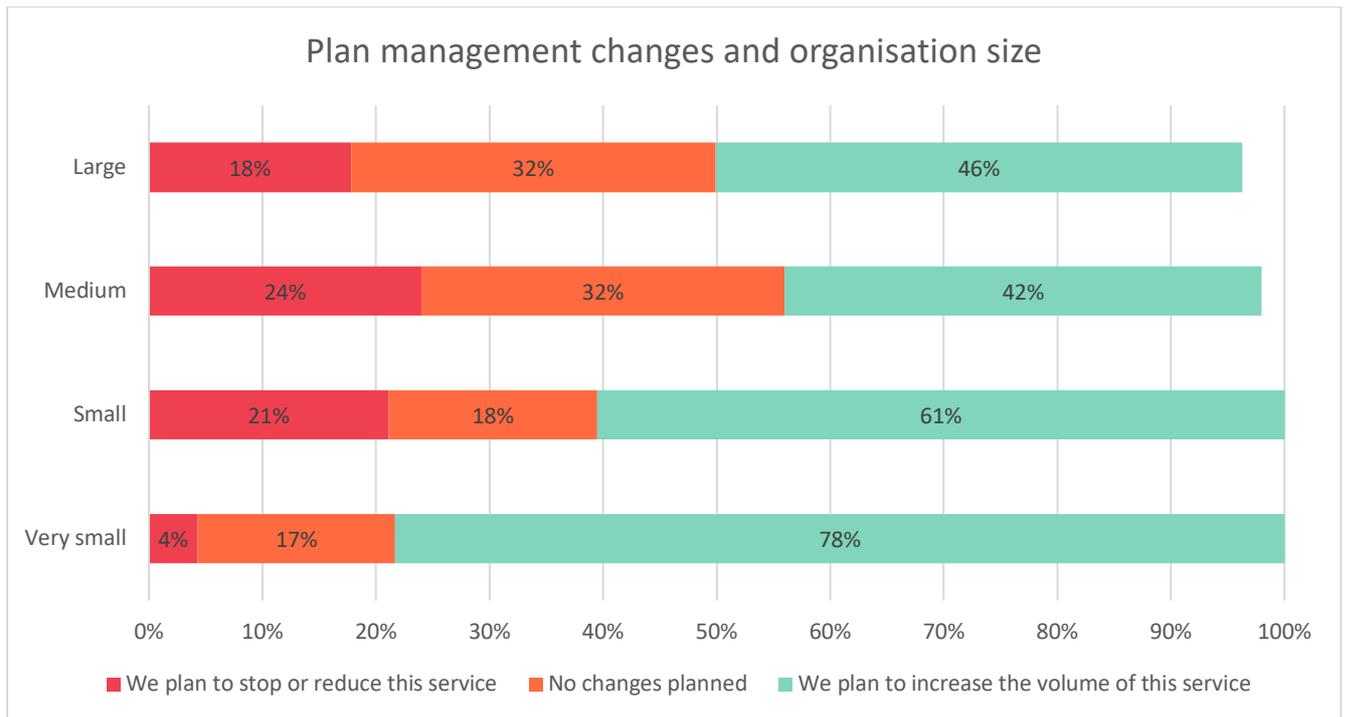


Figure 10: Plan management and organisation size

Source: NDS Annual Market Survey 2019. Number of responses: Very small = 23; small = 38; medium = 50; large = 28.

Issues with pricing continue to be exacerbated by delays in payment and poor payment systems. Providers reported delays of up to 18 months, and in some cases outstanding invoices over \$1million:

Provider Payments are slow to respond and providers are not advised of progress on rectifying issues. We have had scenarios where we have not been paid for a service delivered until 8 months after the fact. [p59]

The Agency is still chaotic - their payments portal is slow, they cannot get basic things right (like not having plan gaps). At the end of this FY we were owed \$1.15m . [p12]

The lengthy delays (up to 18 months) in receiving quote approval for items of customised Assistive Technology, (despite it being listed in a participant's plan) is resulting in a critical cash flow crisis for our organisation. We currently have over \$165K in quotes awaiting approval by NDIS. [p321]

Our biggest and most pressing issue is being paid in a timely manner by the NDIA and resolving payment issues with the provider payments team. outstanding unpaid accounts of up to \$100,000 with no resolution in sight after twelve months. holding high debts awaiting payment is our biggest threat to service viability. [p76]

These challenges likely relate back to, and could be addressed by, the need to better resource the NDIA.

Intention to continue to provide supply

Providers were asked about strategies for addressing challenges and developing their service, and intention to continue service delivery. We found significant differences in areas of focus depending on the size of organisations, but overall, many more organisations report actively focusing on improving their productivity, and having a clear 3-year vision for their organisation (Table 1).

Table 1: Overall organisation strategy

Organisation Strategy	2018	2019
We are actively working on improving our productivity	84%	92%
We are considering getting out of the disability sector	16%	11%
We will stay in the disability sector but are not focused on growth	26%	25%
We are actively growing our organisation	60%	65%
We have a clear vision of where we will be in 3 years from now	54%	61%
We are worried about our ability to adjust to changes resulting from changes in the policy environment	58%	53%

Source: NDS Annual Market Survey 2018-2019. Number of responses: 2018 = 445, 2019 = 609.

A smaller proportion of organisations report they considered leaving the disability sector in 2019 (11%, compared to 16% in 2018). Overall this change was not significant compared to 2018, but in 2019 significantly more very small organisations said they are considering leaving the disability sector (17%). Similarly, there are differences whether organisations are actively working on improving their productivity – 87% of very small and 92% of small organisations agree with this statement, compared to 98% of medium and 99% of large organisations.

Small, medium and large organisations are more likely to report they are actively growing their organisation, compared to very small organisations. Of the organisations that responded to the survey, 17% are sole providers, and as such are unlikely to be focused on growth. Finally, medium and large organisations appear slightly more concerned about changes in the policy environment: 59% of medium organisations and 55% of large organisations said they are worried about their ability to adjust to changes in the policy environment, compared to 53% of very small and 49% of small organisations.

Just over half (53%) of organisations overall say they are worried about their ability to adjust to changes due to policy; the concerns about pricing and administrative burdens referred to above may be contributing to this uncertainty.

Workforce development remains number 1 concern

Looking forward, more organisations in 2019 report a need to improve their HR strategy and workforce planning, employee learning and employment. Quality and safeguards, risk management and compliance also feature as capability development priorities in the next twelve months (Table 2). Fewer organisations report needing to improve their understanding and application of costing and pricing, as well as market research, strategies and planning compared to organisations that completed the 2018 survey.

Looking at the need for improvement by organisation size, generally small, medium and large organisations were more likely to indicate there are business capability areas

they needed to improve, compared to very small organisations. Fewer very small organisations (33%) said they needed to improve HR strategy and workforce planning, as well as data reporting and use (19%), financial processes and controls (22%), and customer engagement (16%). However, more very small organisations said they needed to develop and implement strategic plans (34%), compared to small, medium and large organisations.

Table 2: In which of the following business capability areas does your organisation need to improve most in the next 12 months?

2016	2017	2018	2019
1. Costing and pricing	1. Costing and pricing	1. Information, communications and technology strategy	1. HR strategy and workforce planning
2. Information, communications and technology strategy	2. Marketing practice	2. Costing and pricing	2. Information, communications, and technology strategy
3. Marketing practice	3. HR strategy and workforce planning	3. HR strategy and workforce planning	3. Employee learning and development

Capacity constraints to consumer choice continue to remain important concerns, but the results should be interpreted cautiously. Only a few providers (9%) say they plan to introduce any new NDIS-funded services in the next 12 months. Similarly, three-quarters (76%) of providers have received requests for services they were not able to provide in the past 12 months, a significant increase compared to 2018 (69%). Providers may be receiving requests for services they cannot provide either because they are at capacity *or* they do not provide the services requested. In either case, the experience of NDIS participants is of constrained choice - the service providers they approach either do not offer or do not have capacity to provide, or are turning away participants for other reasons (e.g. adverse selection of complex cases that carry high administrative costs, or servicing regional and remote areas). As one provider noted:

The operating environment after 5 years of the NDIA remains immature. In rural areas the lack of options for people driven by the thin market is critical. Large metropolitan and regional city providers are not travelling to rural areas to provide services as they will not bear the travel costs. [p235]

This is consistent with other research on the NDIS, which has argued that choice and control is highly variable across the scheme (6,11). This points to growing concerns about equity within the NDIS (11), and personalisation schemes more broadly (12,13).

Mergers

Fewer organisations are discussing mergers or organisation closure (Figure 11) but many more large organisations have either discussed or completed a merger with another service provider in the last twelve months (Figure 12). In contrast, smaller organisations are less likely to report having merger discussions. Instead, higher proportions of very small and small organisations report discussing winding-up the organisation in the last twelve months.

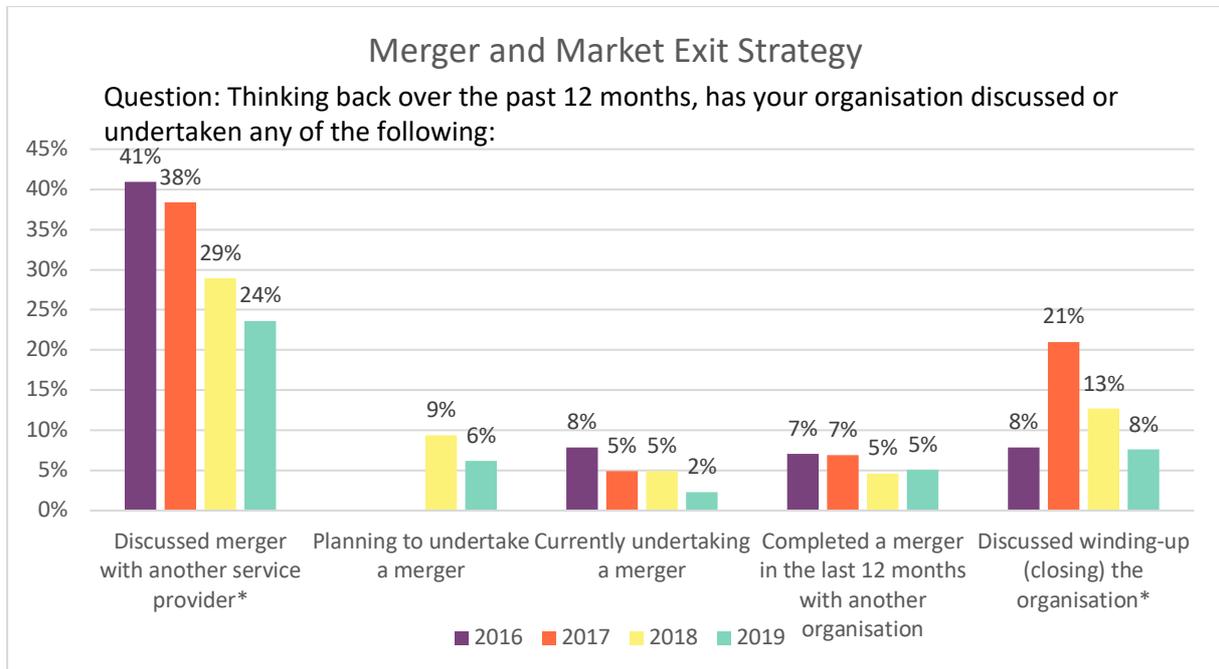


Figure 11: Merger and market exit strategy

Source: NDS Annual Market Surveys 2016– 2019. Number of responses: 2016 = 469, 2017 = 371, 2018 = 405, 2019 = 580.

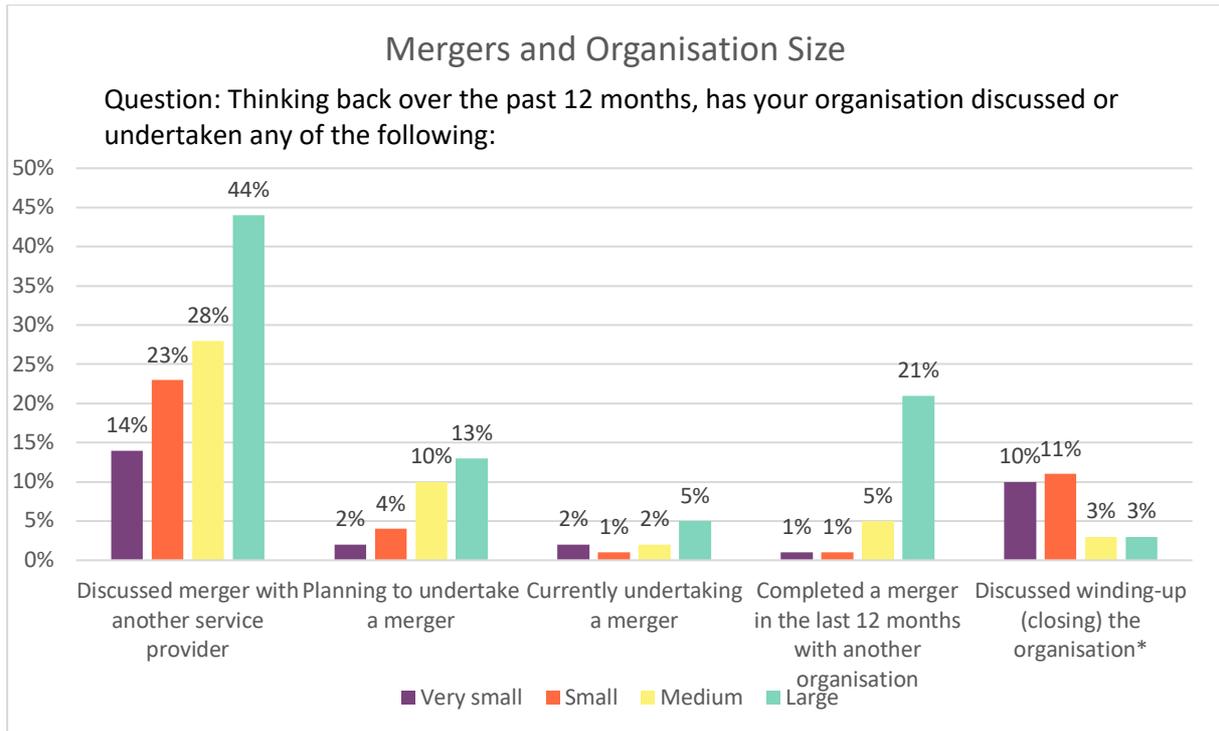


Figure 12: Mergers and organisation size

Source: NDS Annual Market Survey 2019. Number of responses: Very small = 206; small = 142; medium = 136; large = 79. There was a significant different between the groups across all items.

Collaboration

In 2018 the survey found alarmingly low levels of collaboration between providers. The NDIS is premised on a robust ecosystem of service providers and collaborative service offerings – including small organisations that offer niche services. This requires organisations of all types to be able to operate profitably within the scheme.

As disability services operative in an increasingly competitive marketplace, monitoring collaborative activity offers insights into how the sector is changing. In 2019, fewer organisations were participating in agreements or Memorandums of Understanding (MOU) with other organisations, as well as participating in group purchasing arrangements, resource sharing, or outsourcing back office functions (Figure 13).

There are significant differences in collaboration across organisations depending on size. Collaboration appears to be less common in very small organisations – 17% of very small organisations have agreements or MOUs with other organisations, compared to 69% of large organisations. However, more very small organisations are outsourcing back office functions (27%), compared to large organisations (14%).

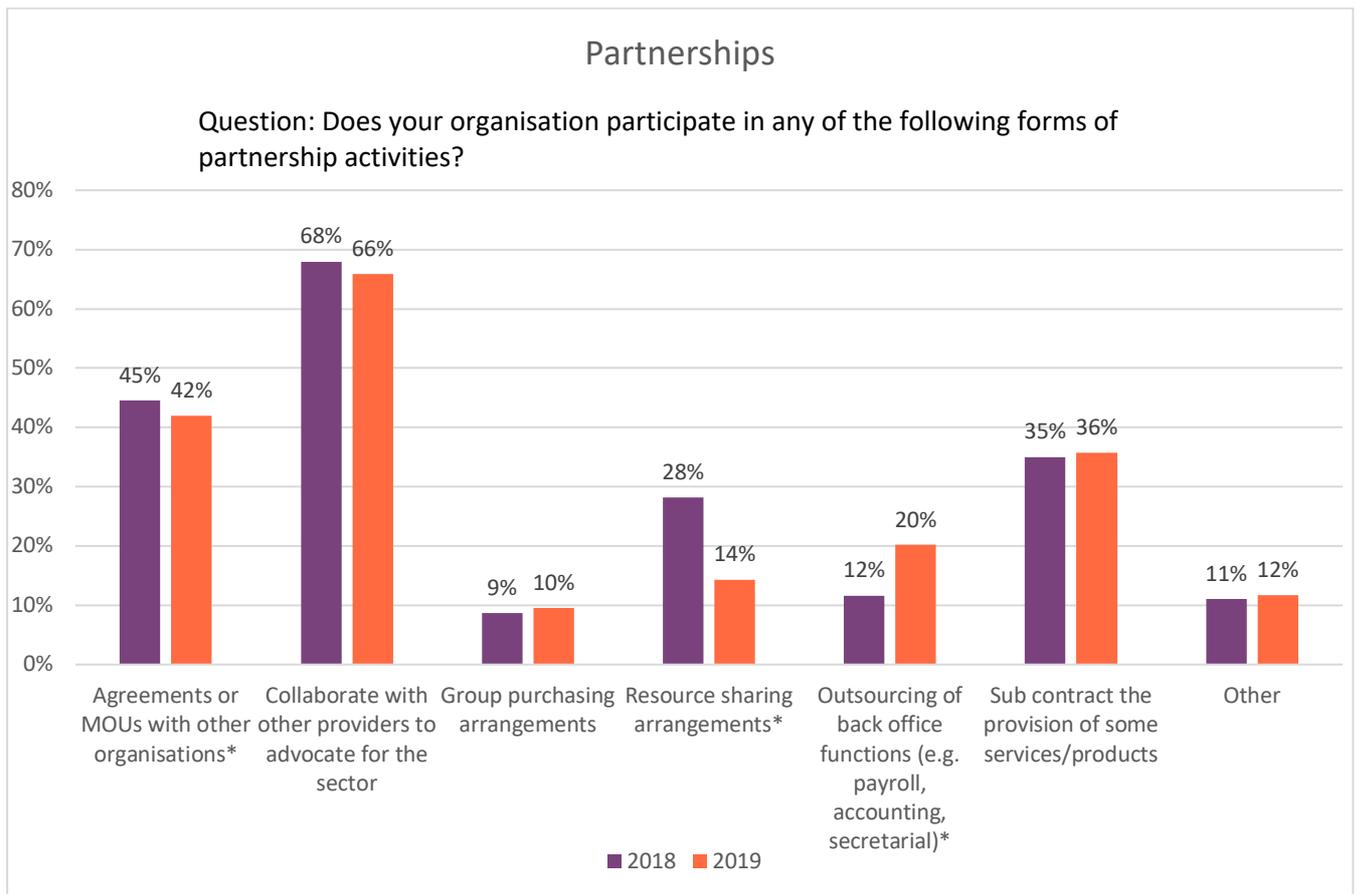


Figure 13: Partnerships

Source: NDS Annual Market Survey 2019. Number of responses: 2018 = 409; 2019 = 578

The picture on collaboration remains complex. Some respondents indicate collaboration appears to be increasing, particularly in the last 12 months:

Organisations are more comfortable now to collaborate again than 12 months ago. Understanding the scheme better has given them the confidence to understand how you can collaborate in a commercially thinking sector. [p87]

But the majority who answered our qualitative item on collaboration view collaboration as being restricted by the introduction of a competitive market for disability services:

We realise that under the current system in the disability sector, it could be greatly beneficial for organisations like us to merge or collaborate with other small organisations to continue to be financially viable in this market. At the same time, we find that the collaboration and goodwill that existed in past, which benefited all participants, no longer exists due to the creation of a competitive marketplace. [p428]

the competitive nature is changing the spirit of collaboration. Additional transition funding opportunities despite applying for so many things have not come our way, which concentrates opportunity in large providers that have teams of grant writers, tasks that the Executive in small organisations do in their spare time. [p92]

Once you introduce quasi commercial principles into the sector you erode trust. We work with full for profits and large NGO's out of necessity occasionally but rarely through choice. We find them unwieldy, overly bureaucratic and top heavy. Big NGO's turning more corporate with too many chiefs. [p547]

There are significant differences in collaboration across organisations depending on age of organisation, and organisation size. Organisations established prior to 2015 generally report taking part in more collaborative activities (Figure 14). In particular, a significantly greater proportion of more established organisations reported having agreements or MOUs with other organisations (51% compared to 17%), collaborating with other providers for advocacy (75% compared to 50%), and/or entering group purchasing arrangements (12% compared to 3%).



Figure 14: Collaborations and age of organisation

Source: NDS Annual Market Surveys 2019. Number of responses: Organisations established prior to 2015 = 415; organisations established from 2015 onwards = 138. There was a significant difference between the groups.

Very small organisations generally collaborate with other organisations less compared to small, medium and large organisations (Figure 15). A significantly larger proportion of very small organisations, however, report outsourcing back office functions (27%, compared to 14% of large organisations).

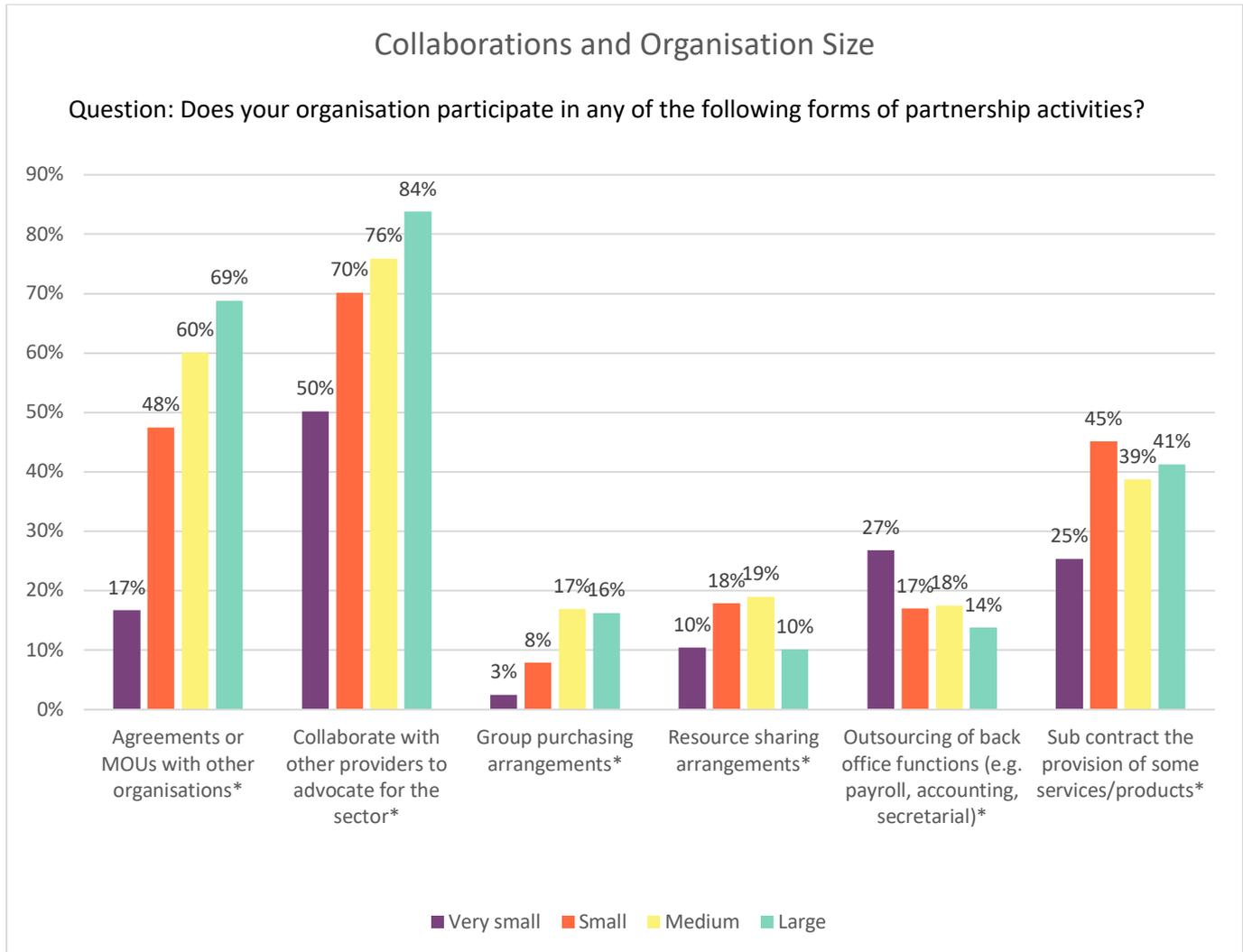


Figure 15: Collaborations and organisation size

Source: NDS Annual Market Surveys 2019. Number of responses: Very small = 207; small = 142; medium = 138; large = 80. There was a significant different between the groups.

Financial sustainability

Reports about financial sustainability have remained consistent since the previous survey in 2018, though only 54% of organisations report making a profit in the last financial year (Figure 16).

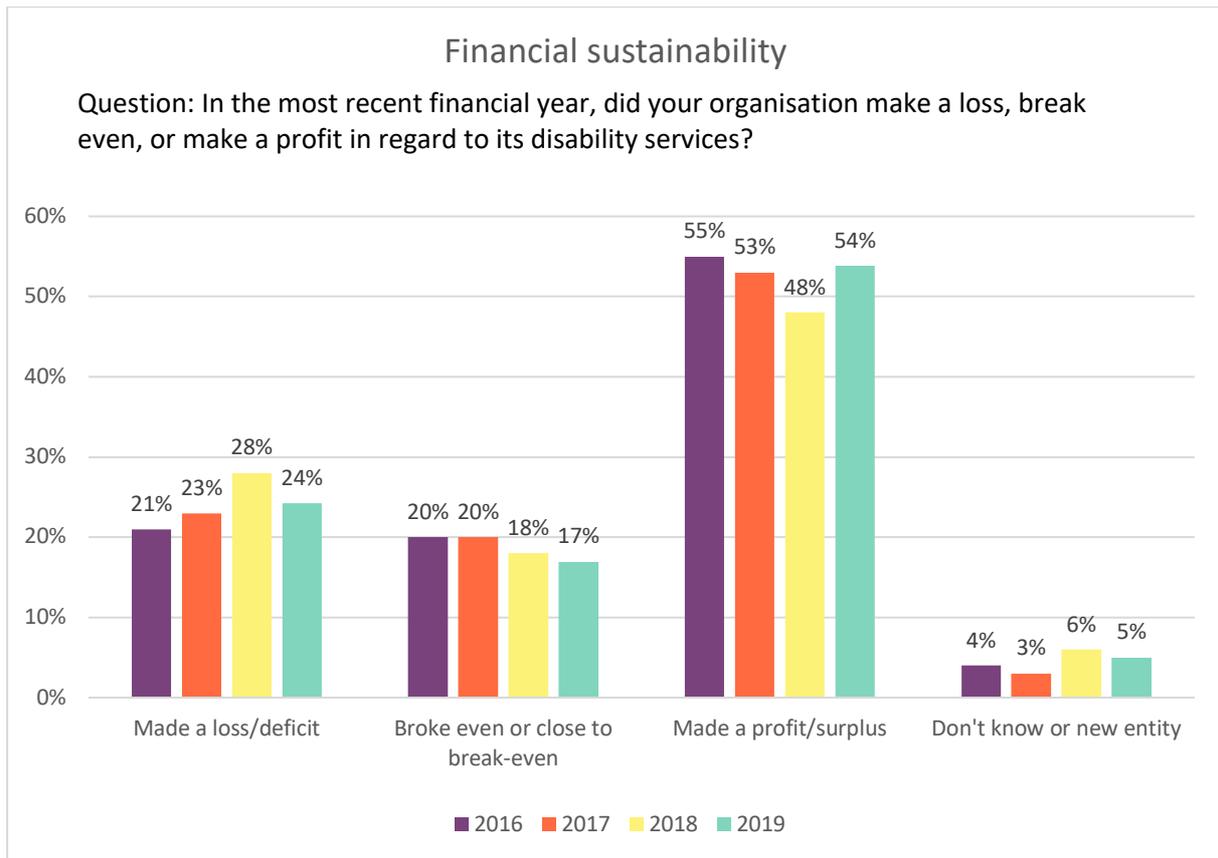


Figure 16: Financial sustainability

NDS Annual Market Surveys 2016– 2019. Number of responses: 2016 = 502, 2017 = 388, 2018 = 372, 2019 = 520.

Just under half (49%) of responding organisations report profits exceeding a notional 3% health CPI growth between 2018 and 2019 (ABS, 2019) (Figure 17).

More very small organisations broke even in the last financial year (25%) compared to small, medium and large organisations. However, fewer very small organisations also reported making a profit (42%) compared to, for example, large organisations (59%). This suggests smaller organisations may be surviving in the sector, but potentially struggling to increase their profit margins.

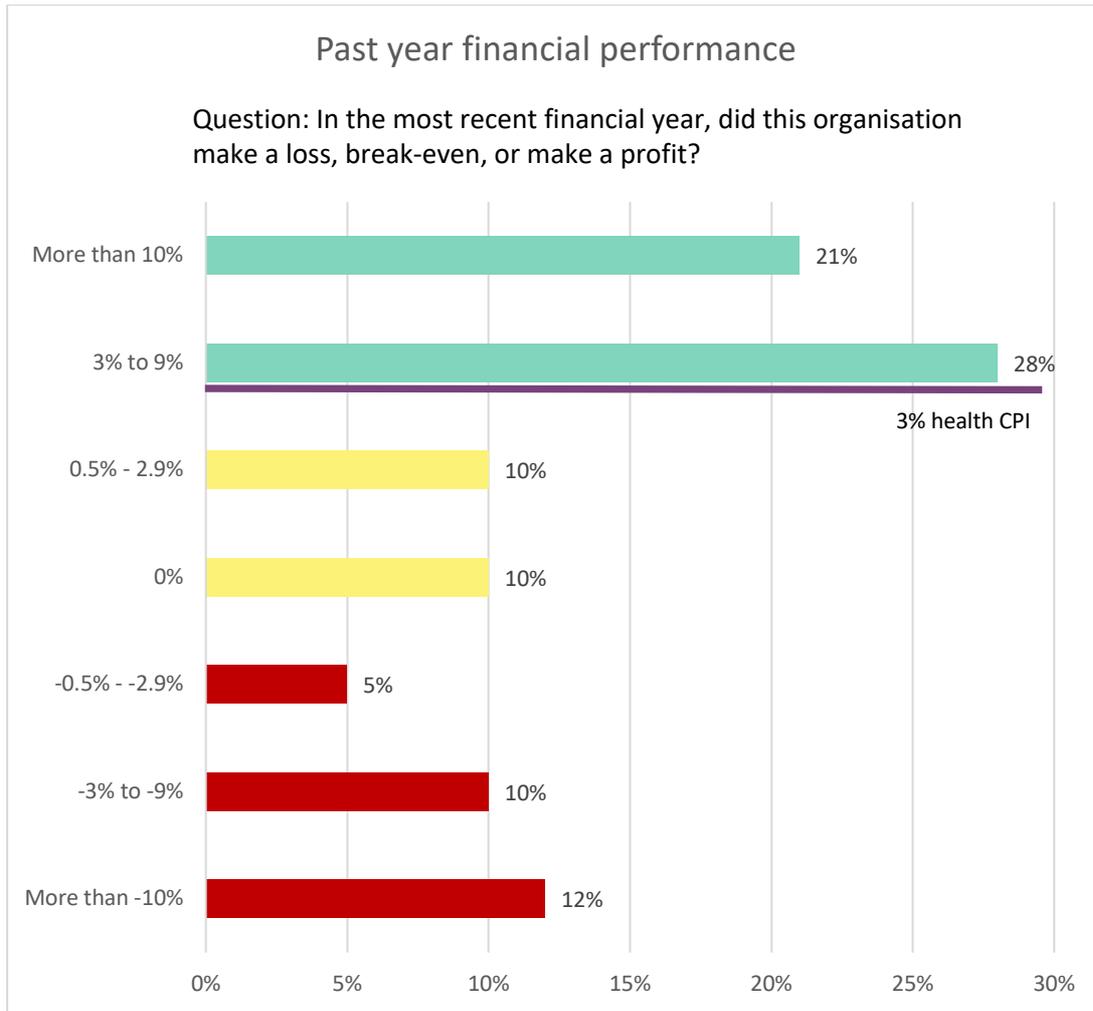


Figure 17: Past year's financial performance^b

Looking forward, more than half of organisations (56%) expect to make a profit in 2019/20, while only 13% predict a deficit, compared to 23% in 2018 (Figure 18).

^b **Note:** Health CPI: The figure of 3% is the weighted average of eight capital cities for the period from June Quarter 2018 to June Quarter 2019 for the Health expenditure group as reported by the Australian Bureau of Statistics (ABS). Source: <https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6401.0Main%20Features1Jun%202019?opendocument&tabname=Summary&prodno=6401.0&issue=Jun%202019&num=&view=>

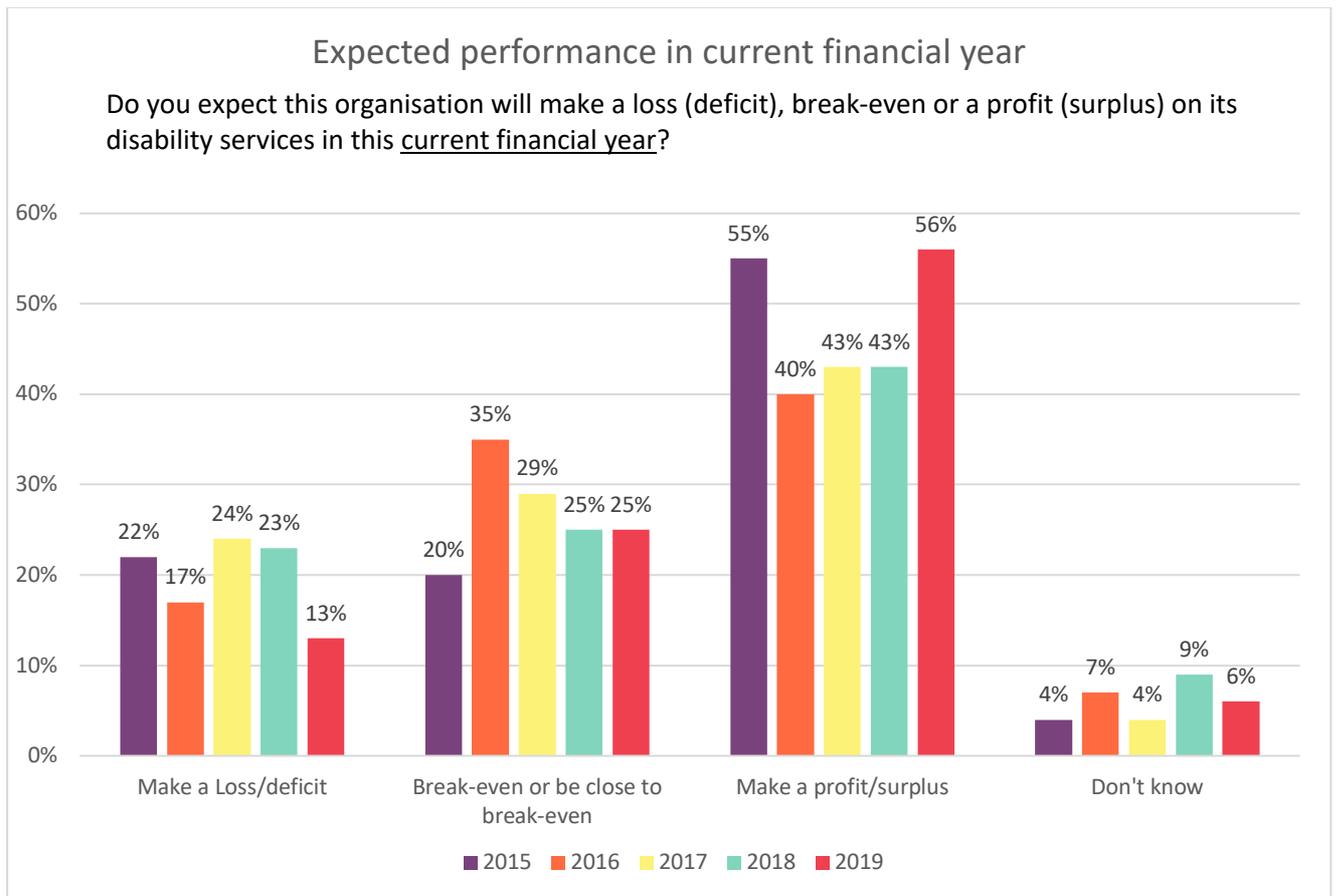


Figure 18: Expected performance in current financial year

Source: NDS Annual Market Surveys 2015 – 2019. Number of responses: 2015 = 549; 2016 = 483, 2017 = 392, 2018 = 320, 2019 = 540. There was a significant difference in responses between 2018 and 2019.

CONCLUSIONS

The introduction of the NDIS is one of the largest reforms to the Australian disability sector, and with that it is also one of the largest disruptions, creating all the opportunities and challenges that disruption brings. 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 and evaluate these developments in the sector if the vision of the NDIS is to be secured.

The results of the 2019 Annual Market Survey point to continued turbulence within the sector and its broader operating environment. 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 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. In order to balance out the necessary policy adjustments to the scheme, the NDIA needs to be reliable and consistent. At present, due to a lack of NDIA resourcing, providers report this is not the case. Moreover, the survey highlighted a sense of distrust from the NDIA towards providers. If not addressed, this could become a major threat to the scheme.

Finally, administrative burden that is not factored into the pricing schedules continues to be a source of concern, and potential closure, for providers. As noted in the 2018 report, the original blue print for the NDIS, outlined by the Productivity Commission, expected a rise in the administrative burden on individuals, but did not comment on the effect on the disability sector (14). This report suggests that this continues to be an important oversight, with growing administrative burden placing the sustainability of the sector at risk.

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APPENDIX 1: METHODOLOGY

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.

The survey included several open-ended questions. These have been coded and analysed thematically and select quotes have been used throughout the report. Statistical analysis is primarily descriptive. Any significance testing was done using chi-square test to determine significant differences between the expected and observed frequencies between categories.

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 disclose 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.

The response rate is as follows:

Table 3: Sample size by location

State or Territory	Number	%
NSW	222	32%
VIC	173	25%
QLD	133	19%
WA	58	8%
TAS	27	4%
SA	56	8%
ACT	28	4%
NT	7	1%
Total	704	100%

Table 4: In relation to the NDIS, is your organisation:

NDIS Status	Number	%
Registered to provide services under the NDIS and currently providing services	617	95%
Registered to provide NDIS funded services but has not provided any NDIS services yet (not yet active)	3	0%
Registered to provide NDIS funded services but did not claim for any NDIS funded services in the last quarter, April - June 2019 (inactive)	6	1%
Not registered but currently provide NDIS funded services	7	1%
Not registered at present but intends to offer NDIS services in the next 12 months	6	1%
Previously were registered to provide NDIS funded services but have de-registered	8	1%
Not registered and do not intend to register to provide NDIS funded services	5	1%
Total	652	100%

Table 5: In the last financial year, did your organisation provide support and/or services funded by any of the following?

Funding Agency	Number	%
National Disability Insurance Scheme (NDIS)	643	83%
Disability Employment Services Program (DES)	35	5%
Supported Employment/Australian Disability Enterprise (DSE)	83	11%
None of the above	14	2%
Total	775	100%

Table 6: Type of organisation

Are you:	Number	%
Sole Trader	110	17%
Partnership	8	1%
Company	270	41%
Incorporated association	242	37%
Trust	30	5%
Total	660	100%

Table 7: Is your organisation:

Type of organisation	Number	%
Not-for-profit	399	74%
For-profit	136	25%
Social Enterprise	3	1%
I don't know	1	0%
Other	3	1%
Total	542	100%

Table 8: Size of organisation by total income

Income from all sources	Number	%
Very small (less than \$1million/year)	210	23%
Small (less than \$5million/year)	142	39%
Medium (less than \$20million/year)	138	24%
Large (more than \$20million/year)	80	14%
Total	570	100%