22 December 2016

Hon Christian Porter MP
Chair
Disability Reform Council
Parliament House Canberra 2600

Dear Minister

I am writing to you and the Disability Reform Council (DRC), in my capacity as the outgoing Chair of the National Disability Insurance Agency (NDIA or Agency).

It has been a great honour and privilege to serve as the inaugural Chair.

The National Disability Insurance Scheme (NDIS or Scheme) is unique in Australian public policy. It is an economic reform as well as a social policy reform, designed to optimise support for some of Australia’s most disadvantaged citizens. It is an example of governments doing what people cannot do for themselves, because the market does not provide insurance for permanent and significant disability. It is essential for the equity and decency of Australian society.

I have been supporting people with disability and their families and carers for 30 years. My involvement with the NDIS began a decade ago. I co-authored the submission to the 2020 Summit in 2008 proposing an NDIS; Chaired the Independent Panel advising the Productivity Commission during its Inquiry into Disability Care and Support; and Co-chaired the COAG Advisory Committee on the NDIS.

As the outgoing inaugural Chair of the NDIA, I am pleased to provide this summary report on the key foundation strategies that the inaugural Board has put in place, as well as major issues that will need to be addressed during the balance of transition to the full scheme, so that the NDIS is delivered successfully and sustainably in the years ahead.

Corporate Plan
The Agency’s 2016-2021 Corporate Plan sets out the key objectives of the Agency, in accordance with the NDIS Act (2013) and the PGPA Act (2013). This Plan and its predecessors have served the Agency well, providing the blueprint for both a successful trial (which was on time, on budget and achieved 95 per cent participant satisfaction) and start to transition to full Scheme.

The Vision is: Optimising social and economic independence and full participation for people with disability.

The Mission is: Building and managing a world leading National Disability Insurance Scheme for all Australians.
The key Goals are:

1. People with disability are in control and have choices, based on the United Nation’s Convention on the Rights of Persons with Disabilities
2. The National Disability Insurance Scheme is financially sustainable and governed using insurance principles
3. The community has ownership, confidence and pride in the National Disability Insurance Scheme and the National Disability Insurance Agency.

The Corporate Plan, which is for the period through to 2021, has been developed with very significant contributions from the Independent Advisory Committee and provides an essential framework for the balance of the transition phase and beyond.

Risk Management Framework
The scale and complexity of the NDIS mean that it is impossible to eliminate all risks associated with its implementation. The Board has developed a comprehensive Risk Management Framework, which seeks to minimise the occurrence and consequences of key strategic risks. This Framework will need to be kept up-to-date and actively monitored throughout the transition phase of the NDIS, to ensure it remains effective.

The ongoing management of these and emerging risks will require vigilance by the Board and Management and where responsibilities are shared with other parts of government, such as the States, territories, Department of Social Services (DSS) and Department of Human Services (DHS), high levels of collaboration and a clear allocation of responsibilities will be essential.

To date the number of appeals to the AAT and the Federal Court in relation to access and benefits from the NDIS have been much fewer than expected, although the rate is now rising slightly. Appeals will need to continue to be monitored very closely, to ensure the ongoing integrity and sustainability of the NDIS.

Insurance Scheme and Principles
The NDIS is an insurance scheme. It seeks to maximise lifetime opportunity for participants and minimise lifetime support costs. It also continually compares experience with forecasts, using sophisticated data analytics to build a strong evidence base for determining reasonable and necessary supports and measuring optimal support arrangements and best practices.

The Agency has introduced Reference Packages and an Outcomes Framework to assist with managing Scheme sustainability, because sustainability requires both tight cost control and good long-term outcomes for Scheme participants, which are reflected in maximum independence and participation in community and work. Over time a growing evidence base should contribute to both better lives and increasingly effective medium- to long-term cost control. The Reference Packages and Outcomes Framework will be refined, as more data becomes available.

It will be essential during transition that the insurance principles which underpin the NDIS operate effectively, so that the NDIS does not revert to the welfare model it replaces.
**Scheme Sustainability**

The most important objective of the Board of the NDIA is to ensure that the NDIS is sustainable, so that it is available to future as well as current Australians with disability. This has been the first priority of the inaugural Board.

While the trial phase was delivered on budget, there were some emerging cost pressures by the end of the trial period, as detailed in the Annual Financial Sustainability Report from the Scheme Actuary.

Early cost pressures are to be expected in schemes like the NDIS. What is significant is that the Agency is collecting data, which is then being monitored through the insurance prudential governance cycle leading to timely and appropriate Management actions to ensure sustainability and if the initial actions are not fully effective then new measures will need to be adopted.

One area which has required particularly close attention is early childhood intervention, because while trial results were on track in three sites, there were significant divergences in two others. This has led the Agency to consult widely on best practice and then develop a new family centred approach—Early Childhood Early Intervention. The initial results are promising and this approach is now being used in the transition phase.

Management has been tasked by the Board to continue to monitor and refine the approach to early childhood intervention, based on emerging evidence, as well as address other cost pressures. This work is being closely monitored by the Board’s Sustainability Committee.

**Bilateral Targets and First Plans**

The bilateral targets imply a very rapid build-up in plan approvals and plan reviews and would have benefitted from putting more weight on the Agency’s advice for a more flexible approach. In recent months the Agency has been approving around 450 plans per day in order to achieve a revised bilateral target of 29,851 new plan approvals in the current six-month period. When allowance for children in early childhood intervention is included this target has been achieved. This is a very significant result, given problems with the ICT system and data. However, in order to hit the targets for plan approvals, many plans have been extended and plan reviews have been deferred.

Over the next 2 ½ years, new plan approvals and the requirement to review existing plans will build up very rapidly. In the final year of transition to the full NDIS, in 2018-19, the Agency will need to approve around 850 plans per day and also review approximately 1,100 plans per day. In 2019-20, the first year of the full NDIS, the Agency will need to review approximately 2,000 plans every day.

The path to fully implementing the NDIS represents a balance between meeting the desires of people with disability and their families and carers to join the NDIS as soon as possible and to have individual needs met in an appropriately personal way, because implementing the NDIS requires provision of tailored funding. It is a high volume, high engagement business in which highly effective ICT systems with single point of data entry, high data integrity and comprehensive management information must be at hand so that the NDIS is delivered efficiently, effectively and in ways in which participants and their families feel empowered.
The Agency has developed the “First Plan” process drawing on key lessons from the trial period. The First Plans are based on Reference Packages and are based on participants’ functional impairments, their age, their goals and sustainable support networks. Plans include essential capital items and investment in participants’ future independence and participation through capacity building, as well as core supports. This approach represents a significant improvement from the trial period, as it is much more equitable than the “bottom up” approach used during the trials.

The First Plan process, together with the requirement to complete almost as many new plans during the current six months as throughout the entire trial phase of three years, has led to some plan quality issues. The Board has therefore established a Quality Committee and consideration should be given to including quality as well as quantity measures in the monitoring of bilateral targets.

Control, Choice and Demand
The NDIS is based on “control and choice” by participants. It is stimulating a whole new market for disability supports, across both specialist and mainstream services. It is not just consistent with the Harper Competition Policy recommendations; it is leading them. The Agency is facilitating control and choice through the development of reference packages and the classification of funding as core, capacity building and capital. The Agency is also promoting self-management and budgeting so that participants and their families maximise the utility of their NDIS funding and drive innovation. To assist participants and their families driving maximum value for money from their funding, the Agency is supporting Disability Support Organisations to advise participants and their families on how to choose supports that best meet their needs. The Agency is also developing an eMarket which will assist with the provision of timely, reliable and accessible information for participants. Continuing to shape demand so that choice is fully informed and participants always seek best-value will be an essential requirement in future work towards developing a contestable and efficient market and as part of ensuring Scheme sustainability.

Market Supply and Innovation
One of the greatest challenges of transition will be ensuring that growth in supply meets growth in demand without inflationary pressures. The risk of inflation has been consistently highlighted by the Agency. In the current financial year demand for disability services will increase by around 15 per cent, which is manageable. It will then increase by around 40 per cent in each of the next two financial years, 2017-18 and 2018-19. Strong growth typically generates upward pressures on prices. This is evident from many markets, including earlier experiences in the disability sector with the introduction of Helping Children with Autism and Better Start early intervention programs. Following their introduction, some service prices approximately doubled, wiping out a considerable portion of the benefits of these new programs.
Influencing demand will be critical to how supply emerges. Supply needs to be considered broadly and must embrace both specialist and mainstream services, to reduce cost pressures and facilitate inclusion. The Agency has been very active in preparing the disability sector and mainstream services for change through: the development of Market Position Statements; publishing a Statement of Opportunity and Intent; setting controls on maximum prices, which are designed to drive increased efficiency across the sector; and, encouraging new market entrants and expansion of existing specialist disability and mainstream service providers.
These strategies are bearing fruit, as evidenced by enquiries from new suppliers and the most recent survey of the disability sector prepared by National Disability Services, which shows that over 90 per cent of providers are looking to improve productivity and 60 per cent are looking to expand services. The Agency will further assist the sector’s adjustment, through the proposed benchmarking survey. This will provide disability service providers with essential information on their costs compared with other providers, enabling them to improve their financial performances without compromising quality.

It is also notable that a number of States are planning to cut back or withdraw totally from direct provision of disability services. It is essential that this is done in ways which increase sector capacity and contribute to the growth in total supply.

The workforce opportunities and challenges as a result of the introduction of the NDIS are very significant. It is expected that the NDIS will generate between 60,000 and 70,000 new jobs on a full-time equivalent basis over the next three years. This represents about 20 per cent of the total number of new jobs forecast to be created in Australia over this period. Recruiting, training and retaining this new workforce with the values, skills and attitudes needed to implement the NDIS will be significant.

The Agency is not solely responsible for market and workforce readiness. As highlighted in the recent Australian National Audit Office Report, National Disability Insurance Scheme – Management of Transition of the Disability Services Market, DSS has the leading role to play in market and workforce development. Going forward it will be important that actions by DSS draw on the Agency’s more direct knowledge of the market and are coordinated with the Agency, given its responsibilities for pricing and other aspects of market stewardship.

Community Inclusion
The NDIS is deeply embedded in communities. This is reflected in local area coordination and assistance for people with disability to build deep and wide informal networks beyond immediate family. A quality life is built on loving relationships, friendships and sufficient funded supports. When all support is paid, quality suffers and risks of abuse escalate. Further, prior to the NDIS about 80 per cent of the support for people with disability was provided informally and 20 per cent by governments. When the NDIS is fully implemented, governments will fund about 40 per cent and 60 per cent will need still to be provided informally, by families and friends. It is therefore essential to the sustainability of the NDIS that the NDIS deepens community engagement and inclusion of people with disability.

However, the development of communities which are more inclusive of people with disability is not primarily the responsibility of the NDIS or NDIA. This is the responsibility of the National Disability Strategy, which has recently been revitalised and endorsed by all governments. Therefore for the NDIA and the NDIS to be fully effective and sustainable, it is essential that governments meet their obligations under the National Disability Strategy. Then, working collaboratively, it will be possible for people with disability to take their place in our communities as full citizens.
Information, Linkages and Capacity Building (ILC)
The ILC is a critical foundation stone for the NDIS.

If those people with disability who fall just outside the access requirements for the NDIS receive insufficient support, they may need to exaggerate their disabilities in order to become Scheme participants, so as to gain access to necessary supports. This risks undermining the culture of the NDIS and its focus on maximising opportunity and social and economic participation.

Alternatively, this group will not receive the essential supports they need and will become more disabled, entering the NDIS at a later stage at higher cost and so undermining the objective of the NDIS to minimise lifetime costs.

Currently, only $132 million (excluding LAC support) has been allocated to the ILC. This is not sufficient and means that one of the key foundations on which the NDIS is being built is weak. The NDIA should have flexibility to move funds within the existing funding envelope to ILC supports, as a key mitigating strategy to avoid unnecessary medium- to long-term cost increases.

More generally, greater flexibility for the Board to prioritise spending within a pre-set funding commitment would more closely align with normal insurance arrangements, and enable Scheme outcomes to be optimised and risks to be reduced without adding to total costs.

Agency Operating Costs
The Agency has been set an operating cost target of 7 per cent of total scheme costs at full scheme. This would represent an administrative cost that is well below usual insurance scheme benchmarks of around 10 per cent. It is therefore highly aspirational.

Given that the major risk to total Scheme costs is package costs, which comprise 93 per cent of total costs, it would be a mistake to hold the Agency to an aspirational operating cost target if by capping administrative costs, it threatens a blowout in package costs, due to inadequate quality control or oversight.

Based on the first six months of transition, there is evidence that the operating cost limits for the Agency during transition are likely to be inadequate. While the target for plan approvals (including children in Early Childhood Early Intervention) during the current six months have been achieved, many plans have been extended and plan reviews have been deferred and Local Area Coordinators have not been able to engage in essential work on community inclusion. This is not sustainable and so administrative cost targets should be reviewed periodically, based on the emerging evidence during the transition period.

ICT System
It is paramount that that the Agency has an ICT system that is fit for purpose, including a data warehouse and analytic software, seamless access for the Agency’s community partners, a website which is optimised and fully accessible, and an eMarket capability.

Last month I wrote to you about a number of on-going issues in relation to the Agency’s ICT system, which is supplied and controlled by DHS, as part of “Government as a Platform”. It
continues to have a number of deficiencies. Thank you for your detailed reply, which I have forwarded to the new Board and Management to follow up.

In kind Arrangements
The Agency has consistently advised governments that in-kind arrangements would not scale to full scheme and should have been discontinued before transition commenced. In-kind arrangements are not consistent with control and choice and participants ensuring that services are value for money. They therefore have the potential to undermine Scheme sustainability. It is therefore imperative that this matter is resolved as a matter of priority and that during transition progress is monitored and checked regularly as has been agreed.

Quality and Safeguards
The Agency has made a very significant contribution to the work on a national quality and safeguards framework. This work highlights the need for an independent quality and safeguards authority, which is separate from the NDIA, reports directly to Parliament, has own-motion investigative powers, has a comprehensive data collection and analysis capability, monitors and systematically investigates critical incidents and has the powers to sanction and deregister service providers and exclude care-workers with a history of abuse from working with people with disability. It will be important for the Agency to have a continuing close involvement in the development and implementation of this framework.

Independent Evaluation
The second of three reports from the independent evaluators of the NDIS, the National Institute of Labour Studies (NILS), has just been released. It is most welcome. It paints a broadly positive picture. The report highlights increased supports, improved outcomes, improved choice and control and that almost 90 per cent of carers for NDIS participants identified that the NDIS has maintained or increased their ability to provide help, assistance or support to the person with disability they support. However, some participant groups are not benefitting as much as others, including participants with a psychosocial disability and those living in rural and remote areas. The report also highlights that some NDIS participants are not able to purchase supports with the funding they have received and that 15 per cent of participants felt that they were not achieving improved outcomes under the NDIS. It was always expected that the analysis by NILS would identify areas for improvement and so the evidence in this report should help to further refine and improve the NDIS.

Agency Culture
The Management and staff of the Agency have made an outstanding contribution to the Scheme results to date. They are to be congratulated. The results reflect the high capability and emerging culture of the NDIA.

The Agency has successfully developed a culture of performance, based on meeting short-term targets, and “learning while building”. This very effective combination is difficult to achieve, because staff who excel at meeting immediate targets are often not very reflective, and vice versa. The Agency's learning while building culture has underpinned the many achievements of the trial period.

Further significant challenges and, hence, the imperative to continue to learn and build, while also achieving demanding performance targets, will certainly occur during transition, because of its rapid and accelerating speed. Continued success will require early recognition of the
inevitable new challenges; development of timely action plans in response; and, then monitoring actions against agreed performance benchmarks.

Other key aspects of the Agency’s culture are its growing and deepening understanding of insurance principles and practice and its embrace of people with disability and carers, who represent 15 per cent and more than 50 per cent, respectively, of our staff. The Agency is therefore showcasing the benefits and potential of a workplace which is truly inclusive of people with disability. The Agency’s impressive record as an employer of people with disability and role in promoting employment of people with disability has recently been recognised internationally, when earlier this month the Agency was invited to the Harkin International Disability Employment Summit in Washington. The Summit brought together representatives from 31 countries and around 100 organisations. Such prominent international recognition, in a very short time, is a remarkable achievement and must be built on.

The Agency is providing a platform for innovation and creativity through the NDIS. Harnessing markets to serve people with disability is one aspect of innovation. Another is technology. Going forward, it will be essential to ensure that the Agency and governments do not pull back from innovation and revert to centralised command and control models.

The further development of the Agency’s distinctive culture will be vital for the continuing success of the NDIS.

**National Governance**
The continued support of all governments and all political parties for the NDIS is essential for its successful delivery. This requires shared national governance and collaborative working relationships between all governments and all departments with a stake in the NDIS. It is reflected in the NDIS Act (2013).

National governance has led to the successful development of bilateral agreements, operational plans and the proposed new national quality and safeguards framework for the NDIS. The experiences of the past 3 ½ years demonstrate that these arrangements can work extremely well. In the future, it will be important to build on these successes to assist the NDIA in its demanding implementation role.

National governance is also essential for effective management of key Scheme risks, such as ensuring that costs are not shifted on to the NDIS from sectors such as health and education, which have universal service obligations including to people with disability.

The NDIS has also benefited from the Joint Standing Committee (JSC) of the Commonwealth Parliament. This cross-party Committee has played a very important role in reviewing key aspects of Scheme design and implementation, visiting trial sites, holding public hearings and providing valuable feedback from Members’ constituencies to the NDIA. It has an important ongoing role and its decision to examine the support arrangements for people with mental health and hearing loss in 2017 is most welcome.

**NDIA Independent Board**
One of the key recommendations from the Productivity Commission was that the NDIA should have an independent board. The Board has been central to the successes of the NDIS to date, providing strong leadership and governance.
I thank my fellow Directors for the deep knowledge, skills and experience they have brought to the Board, for their very significant time commitments, their constructive and collaborative approach to many challenges and their extraordinary contributions and dedication to the NDIS and its vision over the last 3 ½ years.

The inaugural Board of eight directors, as well as including necessary professional skills and experience, has included six directors with lived experience of disability, while the two other directors previously were involved with disability service organisations. This direct knowledge of disability has been an essential contributor to the effective governance of the NDIS and the development of Agency strategies, through a deep understanding of the needs of people with disability, their families and carers and effective disability practices.

Lived experience of disability on the Board has also brought existing relationships which have been essential to establishing the trust and confidence of the disability sector in the NDIA. In turn this trust and confidence has been critical to building goodwill and mutuality with the disability sector and a shared desire for and commitment to co-design of the NDIS.

One of the essential roles of the NDIA is to work with all governments to ensure they meet their obligations under the NDIS Act (2013). This is never easy and the credibility and standing of the inaugural Board has contributed significantly to managing the demands of this role.

Concluding Comments
During the past 3 ½ years the foundations of the NDIS have been built through the successful trials of the Scheme in nine sites and the first stage of transition to the full NDIS.

However, there are also many ongoing challenges, as you would expect with any nation-building reform. The NDIS therefore continues to be a work in progress.

Nevertheless, over the past 3 ½ years the Board, Management and staff of the Agency have made excellent progress towards delivering a world class scheme. The results, in spite of all the challenges, are something all Australians can be proud of and the NDIS is already being seen to be of international significance.

I thank you and the DRC for your support of the NDIS and for the opportunity to serve as the Chair of the NDIA. I wish you and DRC every success in your work leading and overseeing the successful implementation of the full NDIS by 2019.

Yours sincerely

Bruce Bonyhady AM
Chairman

CC:
Hon John Ajaka MLC, Minister for Disability Services
Hon Martin Foley MLA, Minister for Housing, Disability and Ageing
Hon Coralee O'Rourke MP, Minister for Disability Services
Hon Leesa Viahos MP, Minister for Disabilities
Hon Donna Faragher JP MLC, Minister for Disability Services
Hon Jacquie Petrusma MP, Minister for Human Services
Hon Rachel Stephen-Smith MLA, Minister for Disability
Hon Natasha Fyles MLA, Minister for Health
NDIA Board Inaugural Directors