



The Secretariat
Review of NDIS Costs
Productivity Commission
GPO Box 1428
BARTON ACT 2600

24th March 2017

National Disability Insurance Scheme (NDIS) Costs

Productivity Commission Issues Paper – February 2017 - Response

Thank you for the opportunity to make a response to the Productivity Commission Issues Paper.

I am the Executive Officer of Assistive Technology Suppliers Australasia (ATSA). ATSA is the industry organisation representing over 100 business who supply AT to people with disabilities.

Our members are businesses of varying sizes who provide assistive technology solutions for people with disabilities, older people and their carers to increase independence and make everyday living easier. ATSA works to ensure the market for assistive technologies is competitive, efficient, viable and appropriately regulated.

I am writing to the Committee, to respond to questions raised in the Productivity Commission Issues Paper directly relating to the AT supply industry.

We would welcome the opportunity to discuss our concerns with members of the Committee and provide you with any further information which you may consider useful in your deliberations.

Yours sincerely

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ATSA Response to Productivity Commission Issue Paper

24th of March 2017

Key concerns faced by the assistive technology (AT) industry in the NDIA context;

- 1. **Utilization of current State Government contracts** (controlled purchase/ known supply structures, rules and payment models), are been used despite different circumstances to the NDIA as the bench mark in pricing. The free market model of the NDIA needs to recognise the addition costs involved, e.g. individual quoting based on ‘goals and objectives’, submission, after sales service, financial impact of product returns, warranty, backup service under the “ACCC & Fair Trading legislation”.*
- 2. **Design Solution as part of the quoting process** is ‘product specific’ and is by design intellectual property. The NDIS is paying a set fee to use this intellectual property to access competing quotes from different AT suppliers. The use of the expertise from the first quote is placing the AT supplier who has undertaken the detailed specification development to ensure a good fit to the Participant’s needs and goals (‘quote’ provider) at a significant commercial disadvantage as the second/third party is trading off the original company’s intellectual property, at no cost to themselves. In addition, NDIA is assuming a design solution is universal, however in most cases AT design solution is product/brand specific to how the Health Practitioner has crafted the solution based on the products and his/her expertise, therefore a design solution is not universal.*
- 3. **‘Best value’** needs to be better communicated on what are the objectives from the NDIA; Purchase cost, return on investment, cost reduction of plan, life expectancy of the purchased item, ATSA suggest that it should be a combination of all 4 points.*

1. Utilisation of current Government contracts

Page 12, Question - What factors are contributing to increasing the packages costs?

Please also refer to the response Page 26

ATSA believes the NDIA has applied State based schemes (e.g. SWEP, Enable, MASS, DES) experiences as the bench mark to identify package costs. The conditions of supply for the NDIA is very different.

The State schemes operate on a 'silo' controlled supply structure with restricted line items and rules of supply, that aim to achieve 'best' price, not a tailored 'choice and control' objective for the participant. The State contract structure enables the supplier to accept a lower margin/lower sale price for the AT supply. This is due to the 'controlled' conditions of the tender/contract of supply, e.g. the supply contract may not require post sale support, i.e. State Wide Equipment Programme of Victoria.

ATSA is concerned that the apparent approach to bench mark supply to current State based schemes will result in an unintended outcome. The NDIS Act (1g) to "promote high quality and innovative supports" is not possible if restricted supply models are applied. Studies in the USA have found that restricting market choice of AT effects innovation and increases abandonment of AT by participants¹

In a recent peer, reviewed paper on AT Pricing in Australia concluded that "AT prices in Australia are efficient and equitable, with no significant indicators of market failure which would require government intervention. Efforts to reduce prices through the excessive use of large-scale government procurement programs are likely to reduce diversity and innovation in AT and raise AT prices overtime. Open markets and competition with centralised tracking of purchases and providers to minimise possible over-servicing/overcharging align well with the original intention of the NDIS, and are likely to yield the best outcomes for consumers at the lowest costs."²

Under the NDIS Act 2013³, the NDIS is to 'promote high quality and innovative supports'. This is clearly a very different market engagement condition to the historic State, 'silo' restrictive supply model. Therefore, to compare old pricing structures to new, i.e. State based programmes pricing to open market of the NDIS, is not reasonable.

¹ Bridging the Persistent Gap Between R&D and Application: A Historical Review of Government Efforts in the Field of Assistive Technology, Joseph P. Lane, MBPA Director, Center for Assistive Technology University at Buffalo (SUNY) Assistive Technology Outcomes and Benefits Focused Issue: Knowledge Translation and Technology Transfer in Assistive Technology; Winter 2015, Volume 9, Number 1

² Assistive technology pricing in Australia: is it efficient and equitable?
Michael P. Summers¹ BAppSocSci, MA, PhD, Honorary Associate George Verikios^{2,3,4} PhD, Associate Director; CSIRO publishing; Australian Health Review <http://dx.doi.org/10.1071/AH16042>

³ NDIS Act 2013, (Act No. 61, 2016), Sec 3, Part 2, Objects and Principles, 3, Objects of the Act (1g),

A key difference with the two supply structures relate to the conditions of supply;

- 1. The historic State based programmes hold ownership and are the legal supplier to the participant. The supplier trades within the terms of the State tender/contract.*
- 2. NDIA fund the participant, 'to support people with disability to exercise choice and control in the pursuit of their goals, the agency may provide support and assistance (including financial assistance)⁴' who in turn purchase from the supplier. The sale transaction is covered by the 'ACCC and local Fair Trading Acts' in each State.*

This change in the supply chain, moves the cost of the AT supports post sale to the supplier, who must cover in their sale price. Therefore, each supply structure are very different costs.

In addition, it is important to note that the pricing structure to provide 'choice and control' in some circumstances will follow normal market characteristics of supply and demand which will impact the cost of supply in the 'Thin Markets'

AT suppliers recognise the need for sustainable pricing that 'provides value' to both the NDIA and the participant of the scheme that delivers a financial sustainable industry. As a peak body of the AT industry, ATSA is willing to work with NDIA to identify practical solutions to this complex requirement to identify more effective economic/structural costs drivers.

Page 26, Question – Are prices set by the NDIA at an efficient level? How ready is the disability sector for market prices?

Prices paid are been compared to historic State based programmes which have a very different pricing model structure. Also, refer to response to Question Page 12.

ATSA highly recommends the Productivity Commission to read the 'AT pricing in Australia: is it efficient and equitable?⁵ which clearly demonstrates that there is open market at the ready which are price efficient.

While BIG investment is being made to shift, block funded services into a quasi-market competitive framework, it appears the opposite seems to be being pursued with AT through the comparison to current State supply contracts for bench marking of price to supply.

Under the historic State Schemes 'silo' structure, i.e. single purpose contracts, one for AT, one for Carer support, one for Continence supply and so on. Each State based 'silo' contract set boundaries of supply with the premise to gain 'best price' for the Government on a board demand requirement rather than for each participant's.

⁴ NDIS Act 2013, (Act No. 61, 2016), Sec 4, Part 2, Objects and Principles, 5, General principles guiding actions of people who may do acts or things on behalf of others (6)

⁵ Assistive technology pricing in Australia: is it efficient and equitable?

Michael P. Summers¹ BAppSocSci, MA, PhD, Honorary Associate George Verikios^{2,3,4} PhD, Associate Director; CSIRO publishing; Australian Health Review <http://dx.doi.org/10.1071/AH16042>

In addition, each contract operated in isolation, therefore if there was a possibility for a saving from one contract due to a higher spend in another, this was rarely considered. E.g. if a higher spend on AT was considered to reduce carer hours, the additional cost on the AT contract was not considered as a saving did not flow to the AT the budget. The State based structure prevented, by design a holistic approach to care and support for the participant.

The State structures been in service for several decades and has created a supply culture that is 'silo' by nature. It has conditioned Health Practitioners and AT suppliers into a set behaviour to design solution and supply in the context of a 'silo' solution. This has been reinforced with a design solution culture to a 'price' to ensure acceptance of a design solution. To put another way, the system was to fit the person to the scheme based on pricing rules.

Under the NDIA, there should not be an introduction the 'silo' structure of management as it would risk noncompliance to the NDIS Act⁶. Therefore, appropriate measures can be applied to allow targeted spending to reduce overall cost, e.g. if a AT device was employed that resulted in the reduction of carer hours, providing independence (also refer to 'Best Value' response). The investment on the AT needs to have a payback benefit that over time reduces the level of carer costs or improve independence to 'the support represents value for money'⁷

Purchasing AT in "controlled contract structure" is contradictory to the "new" model of choice to the participant. ATSA has real concerns that using old supply structures in the context of a new set of guidelines and principles disregards the reasons why there has been a change in the supply of services. A new set of guidelines and principles requires a corresponding new approach to maximise the opportunities for the participant.

Transition from a highly-regulated Government contract supply structure to a deregulated market model will take time to transition. It is a totally different costing/pricing structures to meet very different set of terms and conditions.

⁶ NDIS Act 2013, (Act No. 61, 2016), Sec 3, Part 2, Objects and Principles, 3, Objects of the Act (1g),

⁷ NDIS Act 2013, (Act No. 61, 2016), Part 2, Participant's Plans, Division 1, Principles relating to plans, (34) Reasonable and necessary supports (c)

2. Design solution in the quoting process

Page 18, Question – Is the planning process valid, cost effective, reliable, clear and accessible? If not, how could it be improved?

The approach by the NDIA of ‘price capping’ and ‘Quote shopping’ and to manage or identify the best price for AT, is sending a message to the industry that reinforces the ‘old’ ways to design solution to a price that will be accepted rather than design solution to the ‘best value’ for the participant’s overall plan. In addition, the process is adding ‘red tape’ to cost of administration and delays for the participant.

The approach of price capping and quote shopping, is contrary to the principle of the NIDS Act that is directing a change the environment to promote ‘innovation, quality, continuous improvement, contemporary best practise and effectiveness in the improvement of supports’.

ATSA does not support ‘Quote Shopping’ for the following reasons:

- 1. The hours involved the development of a quote is extensive that includes the use of Intellectual property.*
- 2. Quotes are designed to a brand and combination of products that are assembled by the quoting supplier. The quote is crafted based on the combined expertise of the O/T and supplier utilizing their personal expertise and knowledge of their products that cannot be clearly translated onto a quote. For this reason an alternate provider will not have the full context of the design or understanding of the original design.*
- 3. The first quoting company is at a disadvantage due to the costs/risks inherent of the development of the first quote. The second quote does not have to account for the ground work and allows for under cutting on price to take place due to the lower costs involved for the second quote.*
- 4. The approach of ‘quote shopping’ will in time create a culture of limiting information on a design solution.*
- 5. A desk top quote base on another organisation information is open to risk of misinterpretation resulting in a substandard supplied product*
- 6. The industry and participant are yet to understand the implications of the ‘ ACCC and Fair Trading Laws’ in the context of the NDIA supply arrangements due to the complexity of a design solution process for the supply of AT.*
- 7. Will the intervention of NDIA during the ‘quoting’ phase draw them in as a party in a ‘ACCC or Fair Trading’ action if the AT product does not meet it intended use?*
- 8. Companies who rely on desktop quoting run a very high risk of a returned product and subsequent cost implications, if under the application of the Fair-Trading laws on ‘fit for purpose’ are not meet. This will result in inconvenience and possible additional cost to the participant.*

⁸ NDIS Act 2013, (Act No. 61, 2016), Part 2 Objectives and Principles, 4 General principles quidding actions under the Act (17)

9. *The risk is also directed to Participant and to NDIA with possible abandoned of the AT or sub-optimal AT supply which will translate to 'high cost/low value' outcomes with significant long term costs and sustainability problems for NDIA*

Purchase should be tied to 'outcome results' in line with the NDIS Act 'reasonable and necessary supports...(a) pursue goals...(b) live independently...(c) develop capacity...'9, not through, price capping or quote shopping. The current approach is directing the Health Practitioner to design solution based on 'AT purchase cost outcome' rather than 'productive outcomes' for the participant's plan.

ATSA supports cost management, but believes there is a need to use a structured accreditation method of suppliers to remove the need to 'quote shopping' or set 'cap pricing'. In addition minimise administration within the NDIA and costs to the industry plus create the environment for success.

The proposed accreditation structure would follow guidelines as set below is suggested in the context of NDIS Act 2013¹⁰. The guidelines would not only provide standards of supply but allow for flexibility for new providers to enter the scheme without the need to go through an expensive tendering that may inadvertently 'lock out' new technology providers.

- *The accreditation would result in a 'deed of a standing offer' covering;*
 - *The type of goods and services the supplier would provide*
 - *Set indicative pricing for all the services or goods that the supplier may supply an NDIA recipient.*
 - *Customisation costs when /if required*
 - *Provide the details of the Standards the AT goods have been built to*
 - *State any product supply restrictions, e.g. not suitable to be used on a beach*
 - *Service and support offering for the submitted AT items including any associated fees and charges*
 - *Warranty terms of submitted items*
 - *Trail/ design solution/Quoting/Delivery / Commissioning charges*
 - *When a price variation is required including the 'rules will be applied' to manage such variation.*
- *A supplier can apply at any time to enter into a 'deed of a standing offer' with the NDIA as a supplier. This allows for new technology to be accessed without any timing restrictions.*
- *At the time of applying for a 'deed of a standing offer' pricing structure for the items/services to be listed would be agreed between the NDIA and the supplier.*
- *A supplier can list new items at any time or remove at any time*

⁹ NDIS Act 2013, (Act No. 61, 2016), Section 4 Part 2 Objects and Principles, 4 General principles guiding actions under the Act(11)

¹⁰ NDIS Act 2013, (Act No. 61, 2016), Part 3 – Registered providers of supports, (73) National Disability Insurance Scheme rules for registered providers of supports

- *If a pricing review is required, the supplier would reapply for the items effected under their 'deed of a standing offer'*
- *The onus will be on the supplier to maintain AT product offerings and price with the NDIA*

This approach will remove a constant need for price checking by NDIA Planners and remove additional administration checks on each participant's AT provision as the AT price point would have already been identified.

An additional check is recommended through monitoring overall prices/costs of all suppliers at a macro-level, such as is done via data monitoring of medical practitioners via Medicare to prevent systemic abuses through low cost systemic surveillance

Page 28, Question – Do existing administrative and governance arrangements affect (or have the potential to effect) the provision of services or scheme costs? What changes, if any, would improve the arrangements?

The NDIA needs to avoid repeating the historic issues that are inherent to the old State based schemes that were focus on best purchase price of the AT, at the expense of considering the whole of life costs of the supplied AT to the participant. By adopting 'silo' thinking, in the supply of AT, i.e. single purpose pricing models. For example, set pricing for AT, rather than taking a whole of plan view.

Micro checking per quote of supply is creating not only 'red tape' but the cost of checking would be placing a high administration cost on the NDIA. Cost management should use more sophisticated method and structures like what has been set out in the response provide for 'Page 18, Question'.

Also refer to the responses for Question page 18 and page 32

3. Best Value

'Best value' requires a better communication of what are the objectives from the NDIA; Purchase cost, return on investment, cost reduction of plan, life expectancy of the purchased item, ATSA suggest that it should be a combination of all 4 points.

Purchase Cost

The drive for 'best value' on price alone can only be supported through accessing from a global market to achieve 'best value'. If the NDIA desires to take advantage of the most cost effective product supply that delivers the correct level of technology to the participant it cannot restrict the source of the AT wherever it is made or designed. To restrict purchase either through limitation of source will disadvantage the participant from accessing the best that is available, in turn adding costs and reducing opportunities to meet their plans and goals.

If the desire is to support Australian industry, NDIA must recognise the cost structures in Australia require a high margin¹¹ to allow for success, therefore within the 'best value' proposition that is driven by cost alone will affect opportunity for local manufacture.

Return on Investment(ROI)

Currently there is not incentive or opportunity to simply present a case of a capital AT investment that would provide great financial/capacity building returns across the plan over time. The simple fact that a capital purchase will have a life greater than the current 12-month plan. Capital items that can reduce paid and unpaid costs for assistance by carers, can prevent/reduce longer term problems, including the hard to measure (in 'cost' terms) community engagement/participation. Methods to create a culture of selection of AT based ROI must be considered.

Cost reduction of plan

Although the NDIS Act 2013 promotes innovative supports¹², the budgets grouped into, Core¹³, Capital and Capacity Building does not indicate the possibilities to identify savings across the funded grouping. What if the AT device will reduce 'Core' cost or contribute to Capacity Building thus improving value of the AT purchase. There is a need to require an overall saving to the plan when an appropriate targeted, deployed AT is purchased. Incentives need to be in place to encourage not only the participant but the Healthcare Professionals to look for total plan saving in consultation with the participant.

¹¹ Assisting transition assistive technologies opportunities and industrial transformation in South Australia; John Spoehr, Lance Worrall, Paul Sandercock, Jonquil Eyre and Simon Molloy April 2014; ISBN: 978-0-9923617-6-1

¹² NDIS Act 2013, (Act No. 61, 2016), Chapter 6 – National Disability Insurance Scheme Launch Transition Agency, Part 1 - National Disability Insurance Scheme Launch Transition Agency (118) Functions of the Agency

¹³ NDIS Price Guide VIC/NSW/QLD/TAS Valid from: 1 July 2016; Version release date: 11 July 2016

Life expectancy of the purchased item

The question is, If the NDIA is focusing on 'best value' in terms of cost of only the AT item – e.g. for active people with disability a titanium wheelchair will significantly out-last an aluminium wheelchair where minor differences in products can make significant differences in utilisation/value to Participant.

Service life costs need to form part of the equation in the determination of 'best value', as a low up front purchase with very high maintenance cost over the life of the AT would not be ideal if a competing AT device had a high upfront purchase with very low maintenance cost with an overall lower 'life cost'.

Consideration must be given on the useful life expectation and quality of the AT as part of the selection process to ensure 'best value'

Page 21, Question – What implications do the criteria and processes for determining supports have for the sustainability of the scheme costs?

Refer to response titled 'Best Value'

NDIS must consider

- *Purchase Cost*
- *Return on Investment(ROI)*
- *Cost reduction of plan*
- *Life expectancy of the purchased item*

Page 24, Question – What role might technological improvements play in making care provision by the workforce more efficient?

Refer to response titled 'Best Value'

Page 32, Question – How should the financial sustainability of the NDIS be defined and measured?

Suggested considerations:

- *Measure in the level of the reduction in hospitalisation from participants*
- *External measures like, The Australian Unity Wellbeing Index¹⁴*
- *Ongoing evaluation measures to include issues of*
 - I. AT use/abandonment;*
 - II. Impact of AT on hours of paid and unpaid care;*
 - III. Simple quantitative measures that include some selective sampling and qualitative examination of the value (or otherwise) of AT provided to individuals in their lives and what differences it has (or has not made) to the Participant across a range of issues such as community engagement, sense of independence, well-being, etc.*

¹⁴ <http://www.australianunity.com.au/about-us/wellbeing/auwbi>