



Market Position Statement

Victoria

- North East Melbourne Area

April 2016

ndis.gov.au



Foreword

The National Disability Insurance Agency (NDIA) is pleased to present this Market Position Statement (MPS), the second of a series being developed to inform market stakeholders and help current and prospective providers of supports and services prepare for the opportunities that the National Disability Insurance Scheme (NDIS) will create in coming years.

The MPS seeks to share information about the emerging NDIS marketplace, allowing providers to better understand areas of expected demand growth and the characteristics of particular markets around Australia both broadly at a state level and more specifically local markets.

The NDIA values the role of providers and sees them as a critical part of the NDIS in terms of delivering high quality, person centred supports to help participants achieve their aspirations. The NDIA would like to see a market with a diverse array of providers that maximises choice and control for participants but also enables strong links with mainstream services and family and community support to help achieve the overall NDIS aspirations of increased social and economic participation for people with disability.

The NDIS provides an unprecedented opportunity to collect disability market performance data based on early NDIS experiences to date and use this to drive continual market development as the NDIS evolves.

This MPS contains a 'high-level' look at Victoria and within that, a particular focus on the North East Melbourne market as the first Local Market Assessment module. The objective is to make this MPS as practical as possible for current and prospective providers, incorporating the information most useful for commercial decision making. To achieve this, the NDIA is committed to sharing data about the market as it becomes available, despite some limitations.

As the NDIS market continues to develop and the number of participants in the Scheme grows from approximately 25,000 current participants to 460,000 participants by 2020, the growing information base will allow the scope and detail of the future MPSs to be expanded. In the spirit of the NDIA's mantra of 'Listen, Learn, Build and Deliver' we welcome feedback about what additional information would be most valuable for inclusion in future MPSs.

David Bowen

CEO

National Disability Insurance Agency

Contents

Foreword	i
Contents	ii
Market highlights	1
1. Overview	4
1.1 What is this document and who is it for?	7
1.2 Markets forward work program	8
2. Victorian regions	9
2.1 Demand: Participants by service region	10
2.2 Demand: Funded supports by service region	11
2.3 Demand: Participant characteristics	14
2.4 Demand: Supports by category	16
2.5 Supply: The provider market is developing	19
2.6 Supply: Information Linkages and Capacity building in Victoria	21
2.7 Growth: From current supply to future demand	24
2.8 Growth: Estimated workforce required	26
2.9 Growth: Providers are growing and diversifying	28
3. North East Melbourne	31
3.1 Service region profile	31
3.2 Demand: Participants by Local Government Area	33
3.3 Demand: Phasing of participants entering the NDIS	34
3.4 Supply: Current market landscape	36
3.5 Supply: Current market concentration	38
3.6 Supply: Provider aspirations and challenges	39
4. Additional resources and Scheme experience	46
4.1 Outcomes Framework	46
4.2 Quarterly Reports	49
4.3 Organisational readiness and training resources	51



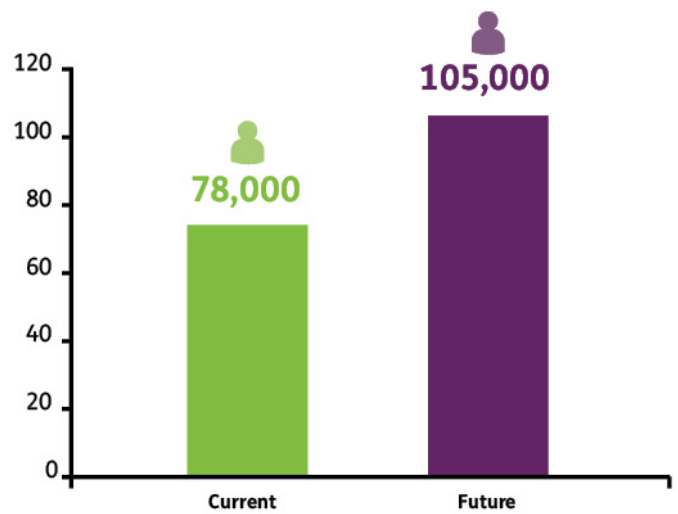
Market highlights

Victoria

Forecast increase in demand

+ 27,000 participants

More people: The Victorian market for disability supports is estimated to grow from 78,000 people in 2016 to 105,000 in 2019.



Market size (\$ value)



More funding: The level of annual expenditure is estimated to grow from \$2.6 billion to \$5.1 billion in 2020.

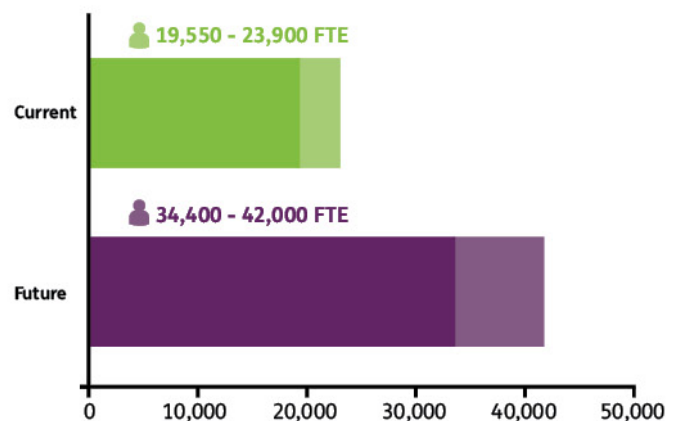
Growth required to meet demand

+ \$2.5b in supports, and

+ 14,850 - 18,100 FTE jobs

is the estimated growth in supply required across Victoria to meet demand at full scheme.

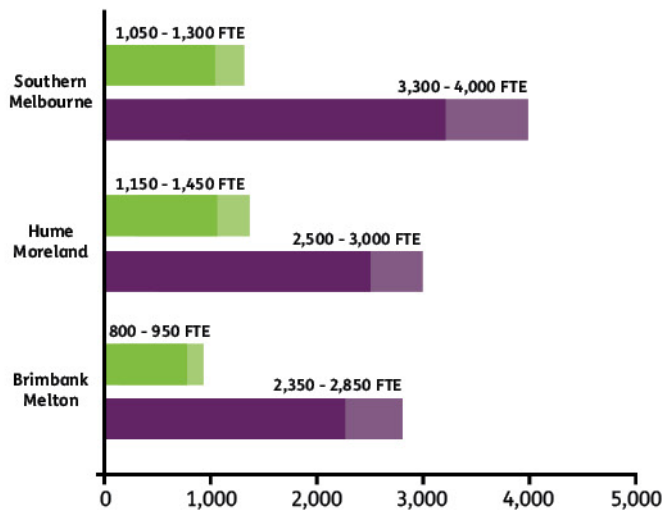
Growth in workforce at full scheme



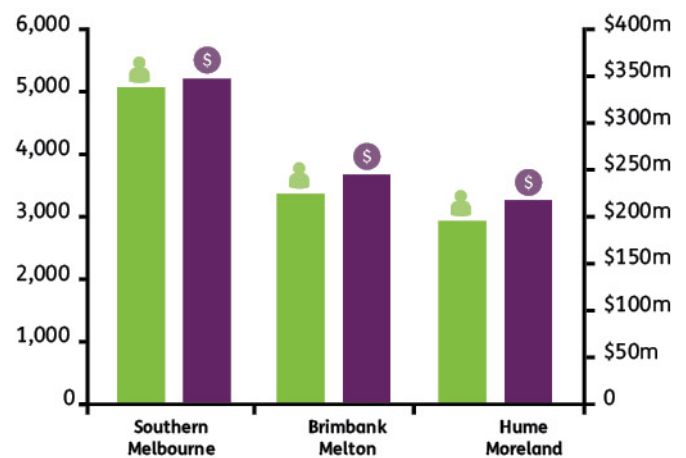
More jobs: The workforce required to service this demand is estimated to grow from 19,550 - 23,900 to 34,400 - 42,000 FTE in 2019.

Victoria

Workforce – current supply vs estimated demand



Growth in participants and funded supports

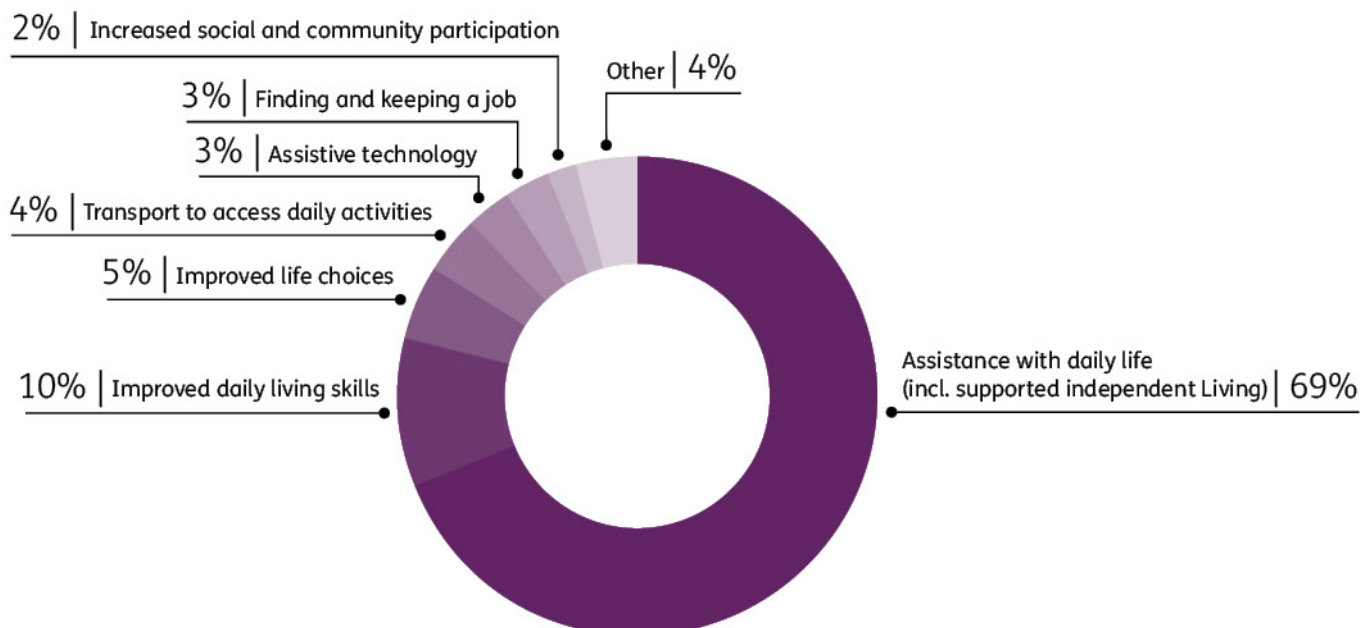


The **Southern Melbourne**, **Brimbank Melton** and **Hume Moreland** service regions will experience the largest growth in the number of people receiving supports and the funded value of these supports.

These three service districts also require the largest increase in workforce, in terms of increase in FTE jobs.

Committed supports by support category (VIC Barwon)

The largest support category by committed funding is Assistance with daily life and represents almost 70 per cent of funded supports in the Barwon trial site. As the scheme matures it is envisaged that investments in support categories such as assistive technology, innovative community participation, improved daily living skills and home and vehicle modifications will increase so that participants can experience increasing levels of independence in daily life.



North East Melbourne

Market size

\$490 million

is estimated to be spent by participants in North East Melbourne by the end of 2019-20 financial year growing from an estimated \$280 million.

Growth opportunities

+ 2,300 participants

+ \$210m in supports, and

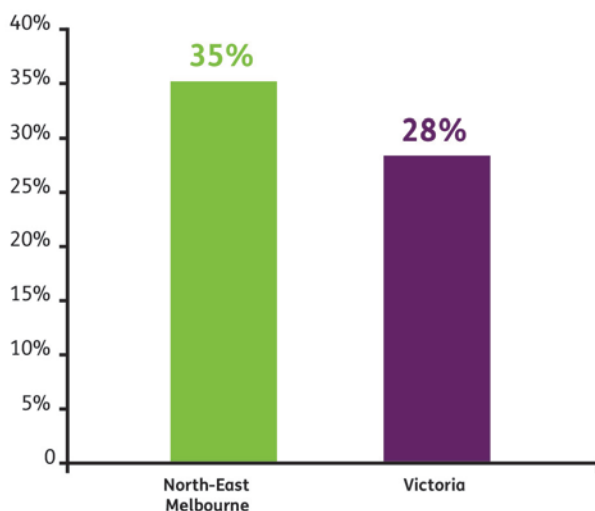
+ 1,150 – 1,450 FTE jobs

in growth is expected to occur in North East Melbourne. This presents an opportunity for existing providers, as well as new market entrants.

Whilst this growth opportunity is significant, it requires providers to examine new service offerings to meet this new demand.

North East Melbourne is a diverse community

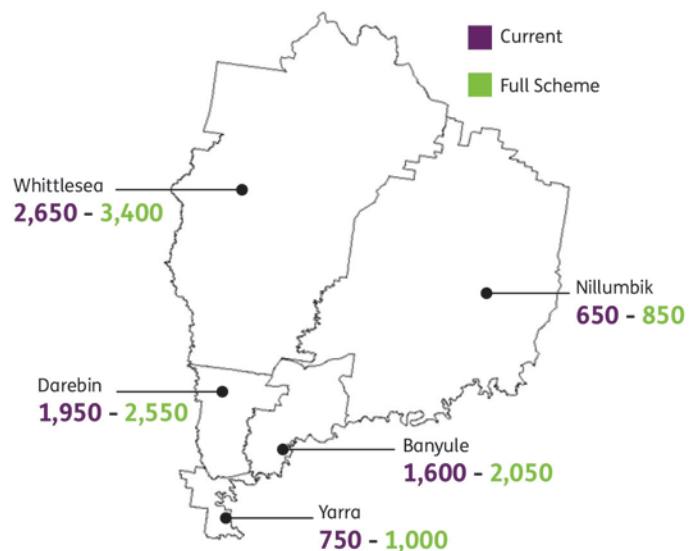
35 per cent of people in North East Melbourne are from a culturally and linguistically diverse background compared to 28 per cent across Victoria.



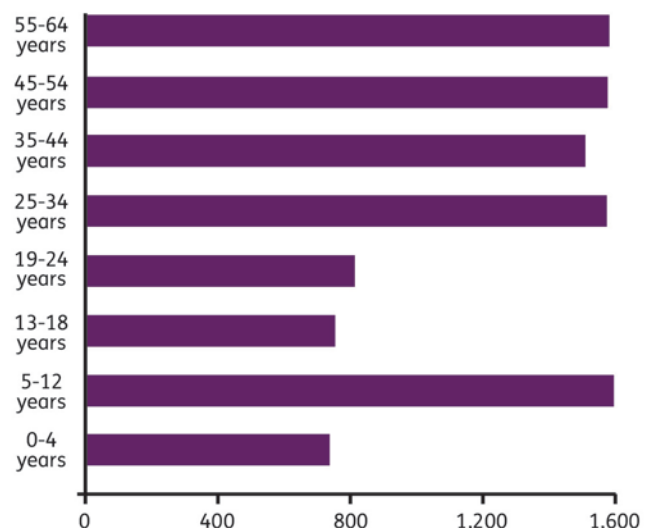
Participant numbers will grow to 9,900



Participants by LGA



North East Melbourne participants by age at full scheme



1. Overview

The NDIS creates new and expanded opportunities to provide innovative and personalised supports to people with disability in an open market.

Central to the NDIS is a shift to directing funding and resources to NDIS participants who will then drive and shape the market through their individual choices. This fundamentally changes the funding relationships that have characterised the disability support system in the past. Delivering on the aspiration of providing empowered choices of open, inclusive and independence building supports requires reform within disability support sectors and more open and inclusive involvement from communities and the broader Australian economy.

The NDIS market will expand dramatically in coming years, creating significant opportunities for the existing service sector and for new entrants, as well as mainstream businesses that make their services accessible and inclusive. Nationally, the level of expenditure on disability supports will more than double, reaching approximately \$22 billion p.a.¹ supporting 460,000 participants, once the NDIS is fully implemented.

Victoria represents the second largest market with about 105,000 NDIS participants, up from approximately 78,000 people with disability currently receiving funded supports. In dollar terms the Victorian market will grow from approximately \$2.6 billion² to \$5.1 billion in the next three years.

NDIS-generated growth presents significant opportunities for an expansion in service provision. There may also be further growth, as the Victorian Government considers its role as a provider of disability services under the NDIS. With this opportunity comes the challenge to deliver high quality, capacity building, value-for-money supports. To succeed and thrive in the more open market environment market leaders are already embracing this task and are ready to consider new business models and products, and explore new ideas, collaborations, technologies and service offerings that are responsive to individual choices.

The NDIS will be a major driver of new jobs

The NDIS will also be a major driver of new jobs and career pathways in the sector as well as creating employment opportunities in communities. Although the NDIS is in its infancy, there are many examples of providers restructuring, aligning practices with the NDIS model and beginning to thrive. In the Barwon trial site for example, a historically small not-for-profit provider has doubled in size since the commencement of the NDIS, growing from 22 to 65 staff. This is also a great employment outcome for Geelong, a city undergoing a significant structural transformation in its economy and labour market. Joining the ranks of this growing service provider are workers who are making a career change as the region's economic base continues to transition.

Developing the market will take time

The NDIS aims to harness the power of vibrant, competitive and efficient markets to create value for participants, the community and the overall economy. Effective markets will allow people to express their preferences and needs, and reward providers that can respond quickly

¹ This figure includes the Agency's operating costs.

² Inflated to 2018-19 dollar values.

and effectively. However developing a strong, contestable market for disability supports is a long term project. All stakeholders in the market will require time to build capability, confidence and systems to support the market mechanisms. Participants, possessing greater consumer power, are learning to make choices and explore different service options. Providers are building an understanding of their customer base and preferences, positioning service offers and transforming their operations. The NDIA is building an evidence base of the current market to provide a comprehensive basis for decision making and is progressively developing the market infrastructure including defining key business systems and rules.

The NDIA's approach to market development during the transition seeks to expand the supply and range of supports while delivering a transition to the Scheme which is as smooth as possible and ensures long term Scheme sustainability. Whilst the NDIA currently regulates the market by setting maximum prices for some supports, over time as competition grows, demand is being met and where the exercise of choice is evident, prices for most supports will be deregulated.

“...over time as competition grows, demand is being met and where the exercise of choice is evident, prices for some supports will be deregulated.”

But the market is already responding and growing

Whilst the NDIS is still in its infancy, the market is already growing and diversifying in response to new demand generated by participants, with greater and growing flexibility to explore new

At 31 December 2015 there were:

- ✓ Over **2,200** registered providers in the NDIS
- ✓ Approx. **650** registered providers in Vic
- ✓ Diverse business types, including adjacent sector businesses, fitness and sports, financial services, ICT, trades and builders

supports. In a vote of confidence in the Scheme, as at 31 December 2015 there were over 2,200 registered providers in the NDIS, representing a growing range of supplier business types and service models. The NDIS has also triggered growth for sole traders and Small Medium Enterprises (SMEs). Across Australia, new providers have also emerged in NDIS trial sites to fill gaps in the market, for example delivering new community participation offerings to young people in areas where supports have not historically been located.

Approximately 650 providers are already registered in Victoria, including new business types and industries typically not associated with the disability sector such as fitness and sports, financial services, ICT, trades and builders. Similarly, aged care providers are

undergoing their own reforms related to consumer-directed-care and many businesses are leveraging this experience to build services and products relevant for the disability market. This is in turn enhancing providers existing aged-care services given the higher rates of disability as the Australian population ages.

The NDIS is also encouraging many providers to expand beyond State borders for the first time as well as changing their structures and business offerings and entering into new partnerships to take advantage of the new opportunities the NDIS provides. It is likely that

given the growth in demand for services driven by the NDIS, that providers from adjacent sectors such as health, aged care and other human services will increasingly enter the market.

Whilst this transformation is undoubtedly challenging for existing providers, experiences in trial sites are demonstrating many examples of providers restructuring, aligning practices with the NDIA model, adapting and beginning to thrive, with the overwhelming majority upbeat about their growth prospects in the NDIS.

North East Melbourne

North East Melbourne extends from the densely populated inner city suburbs of Fitzroy and Collingwood, across the established suburbs of Preston and Greensborough, to the rapidly growing new communities of South Morang and Mernda on its northern fringe. It encompasses the Local Government Areas (LGAs) of Yarra, Darebin, Nillumbik, Banyule and Whittlesea. The region has a population of around 595,000 and has grown at a higher rate than the Victorian population over the past 10 years. This is expected to continue with North East Melbourne's population expected to grow by 40%, to around 835,000, by 2031.

North East Melbourne is a diverse community, with 23% of people born in a non-English speaking country, and 31% speaking a language other than English at home. The most common language spoken at home other than English is Italian, spoken by 5% of the population, followed by followed by Greek (4%) and Macedonian (3%). The region has the highest number of Aboriginal and Torres Strait Islander people in Victoria with around 3,400 residents identifying as an Aboriginal or Torres Strait Islander, predominantly in the Darebin, Whittlesea and Banyule LGAs, making up 0.7% of the region's total population.

Whittlesea has the greatest extent of relative socio-economic disadvantage compared to the State average, however it, along with Darebin are close to the midpoint of all Victorian LGAs.

There are approximately 7,600 people in North East Melbourne currently in receipt of specialist disability support through the Victorian Government. At full scheme, North East Melbourne is forecast to have 9,900 NDIS participants, representing a total growth of 30%.

Total spending on specialist disability supports in North East Melbourne is currently approximately \$280m. At full scheme this figure is projected to increase to \$490m, representing a total growth of 75%.

1.1 What is this document and who is it for?

Facilitating a vibrant and competitive market for services and supports is a core part of the role of the NDIA. To encourage this, the NDIA is committed to providing as much information about the future NDIS market as possible. As soon as they are finalised, this will include clarity on the “rules of engagement” and details about systems, processes and interfaces. It also includes sharing information about the developing NDIS commercial landscape and opportunities widely, as the market grows.

Current and prospective providers are indicating they are enthusiastic about growth in the NDIS but need more information about market demand and supply to inform investment decisions about where to grow, or how to re-orient supports to ensure they become providers of choice in the new market. This MPS however should not be considered as advice from the NDIA, but rather point in time information. Providers are encouraged to ensure they undertake extensive market research before making strategic decisions about growth or changing their service types to account for the NDIS.

This MPS aims to help providers, as well as participants and service intermediaries such as plan management and support co-ordination agencies, understand the developing local markets they operate in, so that they can make informed decisions now and identify challenges and opportunities for the future.

The MPS is separated into two modules. The first focuses on the projected demand for the NDIS across Victoria, organised by the ‘service region’s’ used by the Victorian Department of Health and Human Services. The second is a more in-depth look at the North East Melbourne market.

Demand for supports is based on the NDIA’s work modelling the full scheme participant population. In order to estimate demand at a service region level a number of assumptions have been made to estimate the prevalence of disability in each area. The specific mix of severity of disability in each area cannot be determined and hence this is assumed to be constant across service regions.

National service type benchmarks have been used to estimate supply of supports and services as specific geographical variation is not yet available. Hence, the more detailed geographical data presented in this report should be assessed with this in mind.

This MPS is the first market information product developed by the NDIA providing key State-wide information for Victoria. It is expected that the content of future MPSs will evolve based on feedback from the market and to incorporate successively greater levels of information and data obtained by the NDIA as the NDIS evolves.

1.2 Markets forward work program

This MPS is part of a number of market information resources the NDIA will develop and release to support current and prospective providers to adapt, grow and thrive whilst delivering high quality, person centred supports to help participants achieve their individual goals.

From this MPS, further State-wide overviews with individual service region modules will be developed and the NDIA welcomes feedback from providers on this MPS on the sort of information that will be of most value to supporting providers in their NDIS preparations.

As the NDIS is implemented and a greater level of participant and provider performance information is captured, a wider range of market metrics can be analysed and shared with the market. Some of the information types the NDIA intends to develop include:

- Regional supply mapping;
- Further reporting on implementation of the Outcomes Framework and relative market performance;
- Greater detail of registered providers – e.g. service offerings, organisational types;
- Prevalence of plans by area including different characteristics; and
- Specific sub-market analysis, for example regional and remote, assistive technology and specialist housing.

The NDIA's capacity to monitor the market will also evolve and enable a better understanding of the share of spending across different supports, all of which will continue to change as participants shape the market through their individual choices.

Given the Agency's commitment to continual improvement, we would like to hear your feedback to allow us to improve future MPSs. In particular:

- What information you found useful?
- What needs further clarification?
- What additional information would you like to know that the NDIA can provide?
- Whether this MPS was easy to read/understand?

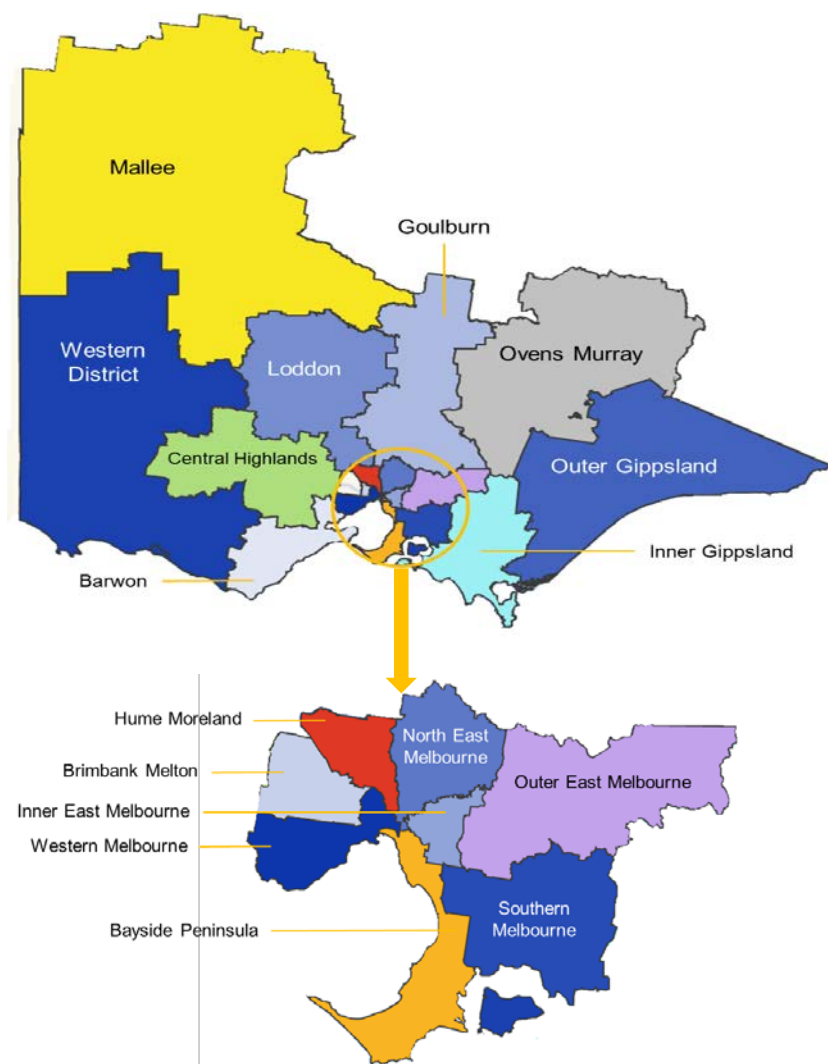
You can provide feedback to marketandsector@ndis.gov.au with the subject heading 'Feedback on Victorian MPS'.

VICTORIA

2. Victorian regions

Victoria has a population of 5.9 million, representing 24.9 per cent of the Australian population. Consistent with the NDIS bilateral agreement, NDIS implementation in Victoria is divided into the 17 “service regions” currently used by the Victorian Government Department of Health and Human Services as indicated on the map below. The first stage of the NDIS in Victoria began in the Barwon region on 1 July 2013.

Figure 1 Victoria by Service region



Source: Scheme Actuary

VICTORIA

2.1 Demand: Participants by service region

The distribution and growth of NDIS participants has been estimated using population projections and phasing as per the bilateral agreement between the Commonwealth and Victoria (Table 1). From 1 July 2016 the NDIS will start in North East Melbourne. The next service region to phase in will be the Central Highlands on 1 January 2017, increasing the number of NDIS participants in Victoria from approximately 5,000 to 20,000. During the second year of transition participants will increase from approximately 20,000 to 50,000 with the service regions of Inner East Melbourne, Inner Gippsland, Loddon, Outer East Melbourne, Ovens Murray and Western District phasing into the scheme. The third and final year of transition will see participants increase from approximately 50,000 to 105,000 and the remaining service regions of Bayside Peninsula, Brimbank Melton, Goulburn, Hume Moreland, Mallee, Outer Gippsland, Southern Melbourne and Western Melbourne phased into the NDIS.

The number of participants and the geographical area of each service region is unique and as such the participant density varies considerably. Inner East Melbourne has the highest participant density with 2,400 participants per 100km². Hume Moreland, Bayside Peninsula, Brimbank Melton and Western Melbourne all have high participant density with more than 1000 participants per 100Km². Mallee, Outer Gippsland, Ovens Murray and Western District all have very low participant density which will present challenges to providers operating in these areas.

Table 1 Number of participants by year and service region (cumulative)

Participants	30 June 2016	30 June 2017	30 June 2018	30 June 2019	Participants per 100km ²
Barwon	5,100	5,900	5,900	5,900	90
Bayside Peninsula				12,300	1,150
Brimbank Melton				7,100	1,100
Central Highlands		4,500	4,500	4,600	30
Goulburn				3,500	20
Hume Moreland				7,500	1,340
Inner East Melbourne			7,400	7,700	2,400
Inner Gippsland			4,500	4,600	50
Loddon			5,100	5,300	30
Mallee				2,200	< 10
North East Melbourne		9,800	9,800	9,900	930
Outer East Melbourne			7,500	7,700	290
Outer Gippsland				2,300	< 10
Ovens Murray			2,600	2,700	< 10
Southern Melbourne				10,200	560
Western District			3,400	3,500	< 10
Western Melbourne				8,300	1,160
Total	5,100	20,200	50,700	105,300	

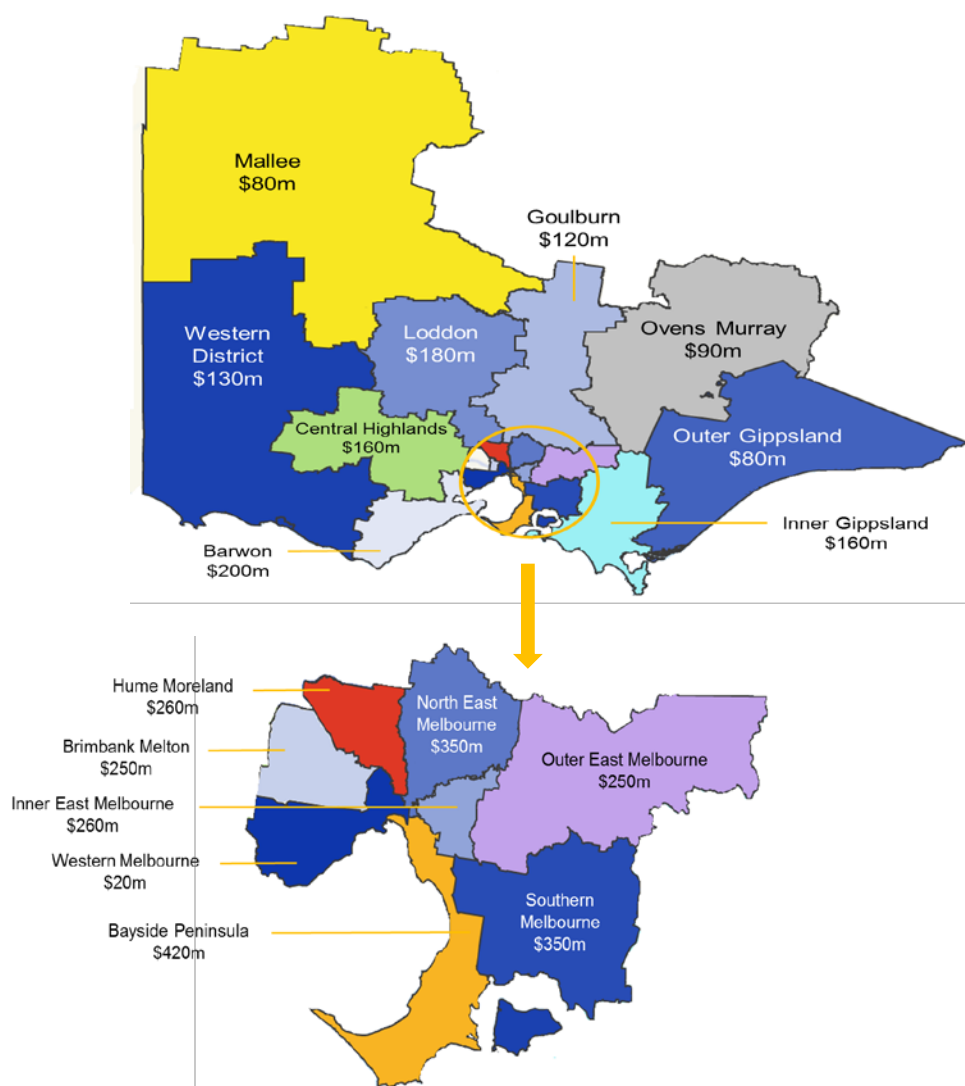
Source: Phasing proposed as per the Victorian bilateral agreement.

VICTORIA

2.2 Demand: Funded supports by service region

The NDIS in Victoria is expected to require funding of approximately \$500 million in 2016-17, \$1.5 billion in 2017-18, \$3.6 billion in 2018-19, and \$5.1 billion by the end of 2019-20 (Table 2). This figure includes the value of ongoing supports provided by the Victorian Government. The service regions which will experience the largest increase in the value of supports demanded will be North East Melbourne (\$250m) in year one of transition, Inner East Melbourne (\$230m) and Outer East Melbourne (\$220m) in year two of transition, and the Bayside Peninsula (\$420m) and Southern Melbourne (\$350m) in the third year of transition.

Figure 2 Estimated value of NDIS supports – annualised as at 30 June 2019



VICTORIA

Table 2 Estimated value of NDIS supports by year, Victoria

Service region	30-Jun-17	30-Jun-18	30-Jun-19	30-Jun-20
Barwon	\$140	\$170	\$200	\$280
Bayside Peninsula			\$420	\$590
Brimbank Melton			\$250	\$350
Central Highlands	\$110	\$140	\$160	\$220
Goulburn			\$120	\$170
Hume Moreland			\$260	\$370
Inner East Melbourne		\$230	\$260	\$360
Inner Gippsland		\$140	\$160	\$220
Loddon		\$160	\$180	\$260
Mallee			\$80	\$110
North East Melbourne	\$250	\$300	\$350	\$490
Outer East Melbourne		\$220	\$250	\$350
Outer Gippsland			\$80	\$110
Ovens Murray		\$80	\$90	\$130
Southern Melbourne			\$350	\$490
Western District		\$110	\$130	\$180
Western Melbourne			\$280	\$400
Total	\$500	\$1,550	\$3,620	\$5,080

When considering the value of supports in each service region it is also important to consider the estimated distribution of support packages for participants at full scheme. Figure 3 shows the distribution of participant support packages in the Barwon trial compared to expectations.

The Barwon trial site experience can be considered to be a good indicator of potential full scheme experience as it covers all ages and cohorts and has been in operation for two and a half years, meaning that a number of participants will have been through more than one planning cycle.

Around 45% of participants in the Barwon trial site have annualised package costs of between \$10,001 and \$30,000 (Figure 3).

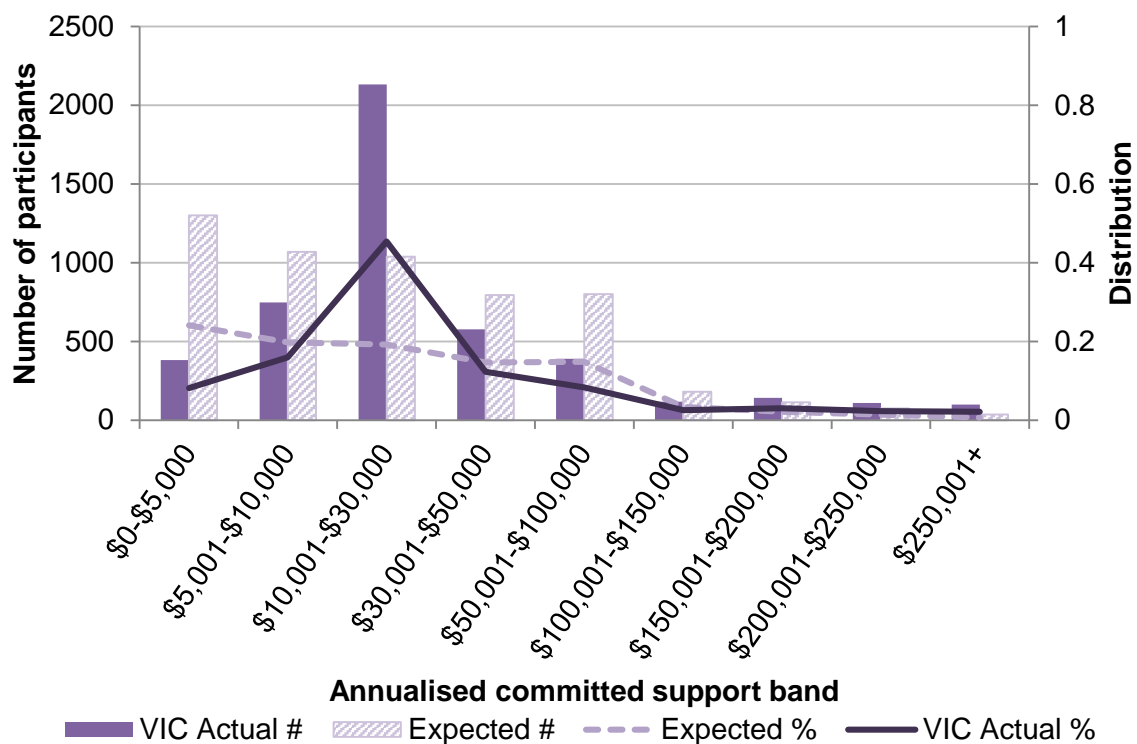
Across Victoria, a high proportion of participants are expected to have a low package cost (approximately 60% receive less than \$30,000 per annum). A low proportion of participants are expected to receive high cost packages.

The distribution of the cost of support packages differs from expected in the Barwon trial site. In particular, a higher proportion of low cost participants were expected compared with actual experience, and there are a higher proportion of participants receiving mid-range packages than expected (Figure 3).

VICTORIA

Only a very small proportion of participants are estimated to receive supports of more than \$150,000 per annum. Participant plans with costs greater than \$150,000 per annum are likely to include equipment, assistive technology, accommodation and modifications for the home and vehicle. Consistent with an insurance approach, these investments will help participants achieve their longer term outcomes of greater social and economic participation and reduce the longer term costs of care and support.

Figure 3 Estimated distribution of support packages

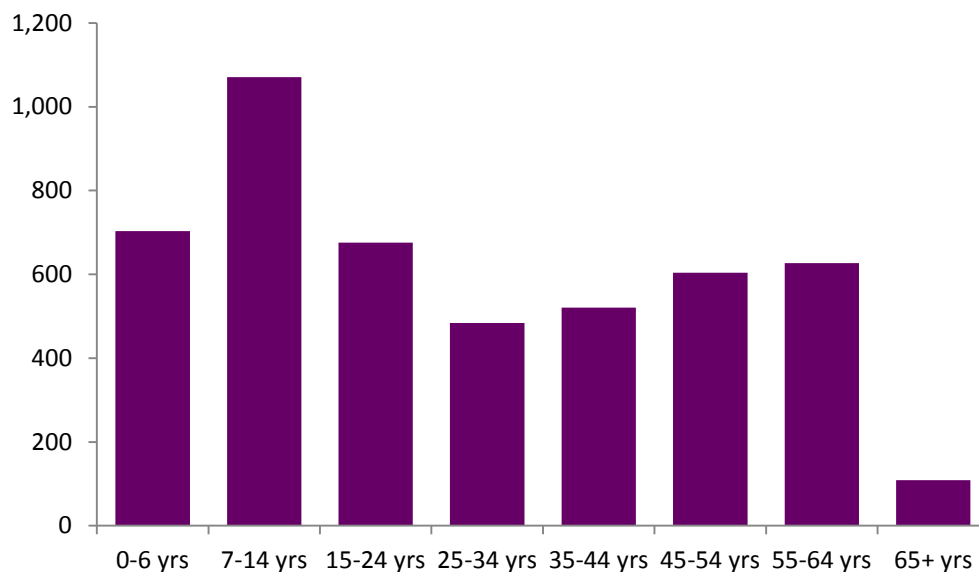


Source: Distribution of average participant costs at trial. Can be found in the COAG quarterly report.

2.3 Demand: Participant characteristics

In the Barwon trial site, as at 31 December 2015³, approximately 37 per cent of participants with approved plans were aged 0-14 years and approximately 15 per cent of participants are aged over 55 years. Over time this distribution will change in line with demographics and as participants age in the scheme. However, this age distribution is likely to be similar across service regions as the NDIS rolls out in Victoria, with some differences resulting from the relative age profile of the general population.

Figure 4 Participants with an approved plan by age group (Barwon)



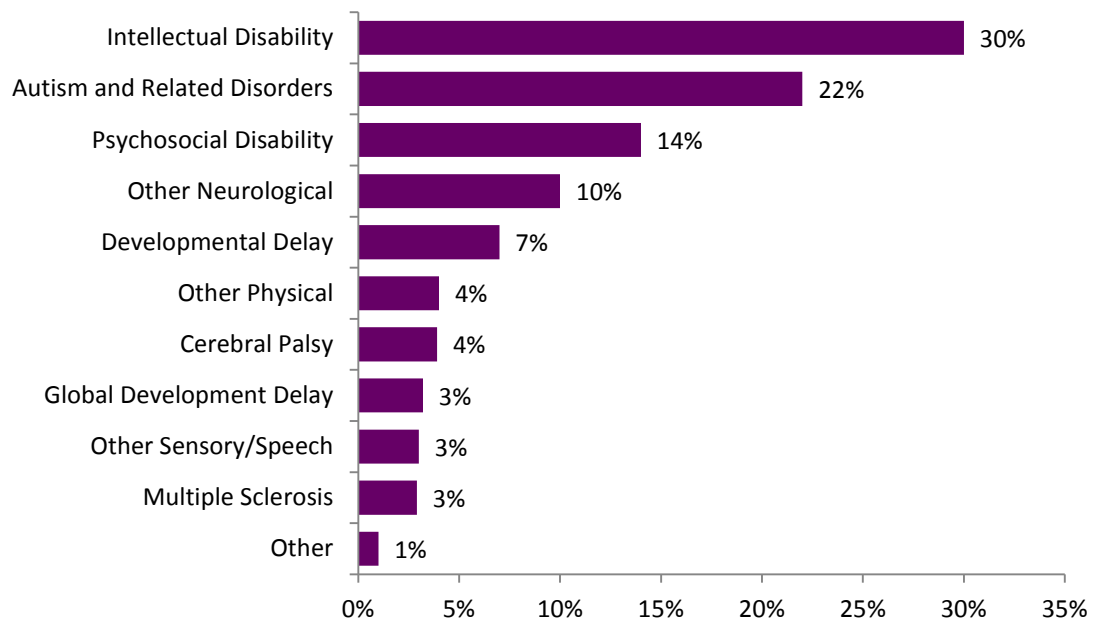
Source:

Based on NDIS quarterly dashboards – see Section 4.2

Further, at 31 December 2015, approximately 30 per cent of participants indicated that their primary disability was intellectual disability and 22 per cent indicated that their primary disability was autism. The distribution of disability types is not expected to differ significantly across service regions as the NDIS rolls out in Victoria. It is currently not possible to determine the distribution of disability for those service regions outside of the NDIS trial sites, however, as the NDIS rolls out, it will be possible to track variations in participant profiles across different service regions.

³ The NDIA releases quarterly dashboards on the current trial sites. These dashboards contain information on participants and the market. Some of this information is presented in this section.

Figure 5 Participants with an approved plan by primary disability (Barwon)

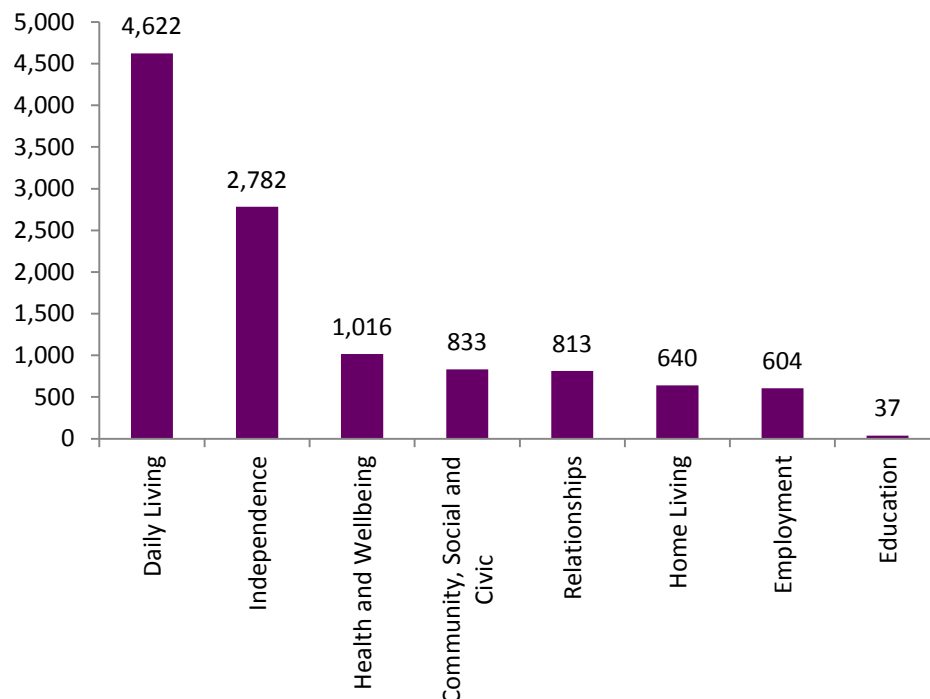


Source: Based on NDIS quarterly dashboards – see Section 4.2

2.4 Demand: Supports by category

The NDIS is being rolled out across Australia to assist people with disability to live ‘an ordinary life’. It is expected that participants will use the funding available in their package to assist them to fully realise their potential, to participate in and contribute to society, and to have a say in their own future – just as other members of Australian society do.

Figure 6 Life domains in participant plans (Barwon)⁴



Source: NDIS Quarterly report – December 2015 – see Section 4.2

The NDIS Outcomes Framework has been co-designed with the NDIA Independent Advisory Council and other stakeholders to monitor the progress of participants and their families and carers in key life domains. (Further information on the Outcomes Framework⁵ is available in Section 4.1).

The Outcomes Framework was developed to measure the medium and long-term benefits of the NDIS for participants and their families. It will help the NDIA to understand what types of supports lead to good outcomes and identify areas that need development. Organisations that intend to provide supports to NDIS participants should understand the Outcomes Framework and be aware of the individual goals the participants they work with have identified in their

⁴ Participants are able to have more than one goals (life domains) in their plan.

⁵ The Outcomes Framework Pilot Study: Summary Report can be found at <http://www.ndis.gov.au/document/outcomes-framework-pilot>.

plans. Supports provided to NDIS participants should be tailored to assist each participant to achieve their goals.

The support needs for active participants with approved funded supports by life domain as at 31 December 2015 in the Barwon trial site are presented in Figure 6. These life domains are areas of focus for participants' goals, objectives and strategies. The most common goals are in the life domains of daily living and independence.

As at 31 December 2015, there was \$405m committed in total to participants in the Barwon trial site for plans approved to date. The largest area of committed funding to date is *Assistance with daily life at home, in the community, education or at work*⁷.

Table 3 Committed funding by support category, % (Barwon)

Support Category	Total committed
Assistance with daily life at home, in the community, education and at work (includes supported independent Living)	69.3%
Improved daily living skills	10.2%
Improved life choices	4.7%
Transport to access daily activities	3.7%
Assistive technology	2.9%
Finding and keeping a job	2.6%
Increased social and community participation	2.4%
Improved relationships	1.3%
Improved health and wellbeing	1.0%
Assistance with daily life at home, in the community, education and at work	< 1.0%
Home modifications	< 1.0%
Improved living arrangements	< 1.0%
Vehicle modifications	< 1.0%
Improved learning	< 1.0%

Source: Based on NDIS quarterly dashboards – see Section 4.2

The mix of supports will change over time.

Participants are at the centre of the NDIS and will shape the market through their individual preferences. It is envisaged that the current array of supports and services the market offers will change significantly as increasingly empowered participants demand new supports and services and assess value and price and as providers respond to this consumer demand. However, it will take some time for participant capacity to grow and drive the market, as many people with disability, their families and carers have not been able to exercise extensive choice and control over the supports they receive.

It will also take time for the supply side innovation to occur and for new supports and services to emerge in response to this new demand. In the longer term, the Agency intends to be less prescriptive about the sort of supports and services participants receive in their plans, in favour of it being driven by participants and aligned to outcomes.

In the short term, the trends from trial sites and how this might apply through transition and as the market matures following full scheme implementation provide useful insight for the market. Since the commencement of the NDIS trials in mid-2013 in Hunter and Barwon, the domains of daily living and independence are those most commonly included in the goals of participants, which is consistent with the objective of the NDIS to boost social and economic participation for people with a disability. Both Barwon and Hunter are representative of potential longer term full scheme experience, due to the NDIS trials in these regions being in place the longest and being open to people aged 0-64 years.

Further, as the support category with the highest expenditure in both Hunter and Barwon is *'Assistance with daily life at home, in the community, education and at work (incl. supported independent living)'* and intellectual disability and autism are the most prevalent primary disability types in these trial sites to date, there are some clear early indicators for providers about where most of the funding and resources in the NDIS are being directed.

Whilst there will be many opportunities in the new market of the NDIS for a wide range of service providers to respond to emerging consumer demand and for new innovations and products, a key question, particularly for current providers is how well aligned their service offering is with the overall direction of the NDIS, in particular the sort of outcomes participants will be seeking to achieve.

2.5 Supply: The provider market is developing

In addition to the reform's influence on the demand for disability services and supports, the expected growth, and increased flexibility, greater consistency across jurisdictions and open market created by the NDIS is intended to influence the supply of services.

Providers of disability supports and services both prospective and existing have lower barriers to entry and no longer need to lobby government for (direct) funding and instead are focusing on the value proposition they provide for their customers and the extent to which they are supporting the goals and aspirations participants have in their individual NDIS plans. Similarly, supply is no longer linked to non-profit or charitable organisations, but can include for-profit and other new entrants from adjacent markets, digital disruptors, mainstream and offshore organisations.

The NDIS aims to facilitate a vibrant and competitive supply of services in order to maximise the potential benefits, choice and control for people with disabilities.

There are approximately 650 providers registered with the NDIS in Victoria as at 31 December 2015, with a further 280 providers with registrations currently in progress. As the NDIS is currently limited geography of current NDIS implementation and the number of providers seeking registration is expected to multiply as Victoria transitions to the NDIS.⁶ The current mix of providers indicates that approximately 36 per cent of providers are individuals/sole traders and 27 per cent are Australian private companies, as defined by the Australian Tax Office. However, this does not represent current market share, as the size of service providers is not reflected.

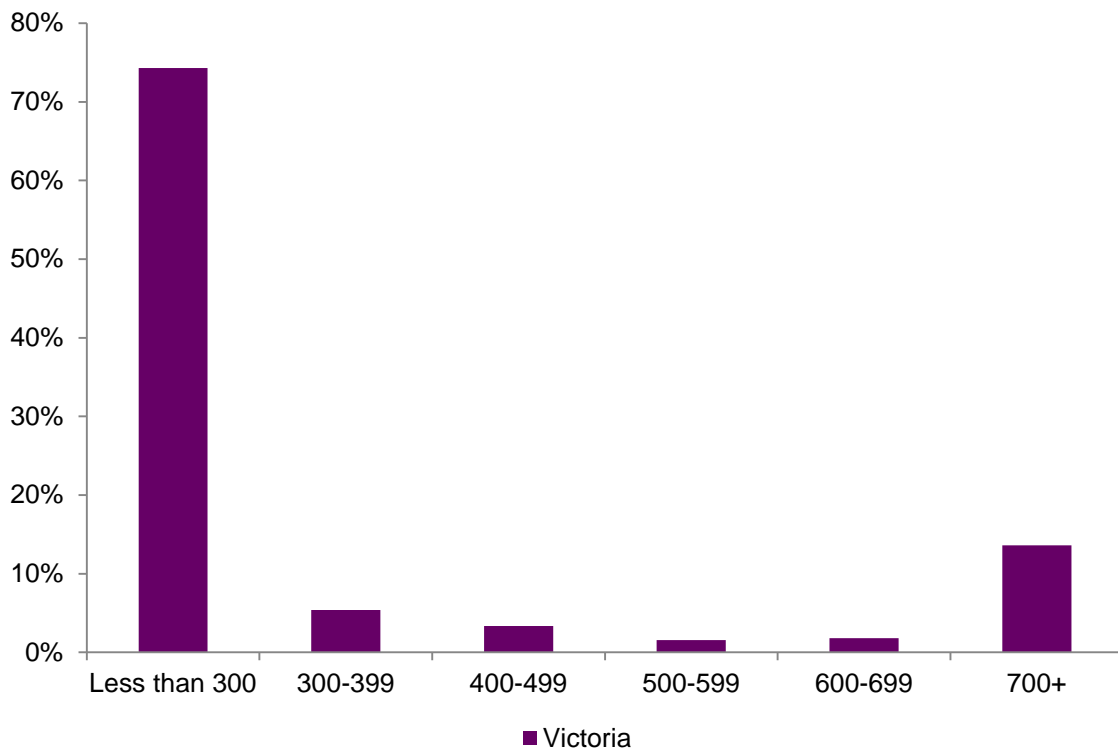
Providers are registered to provide support across a number of domains. The domains with the most service providers registered are therapeutic supports and assessment. This reflects a sizable number of individuals/sole traders in these domains.

Through the registration process, the NDIA is able to gather information about the profile of registered providers. This information can be used to enhance the market profile. Some of this information can be found in the publicly available Quarterly Reports and the Market dashboards (see Chapter 4).

⁶ Once a provider registers with the NDIA, they are able to provide NDIS funded supports to any NDIS participant in that State or Territory (although NDIS participants with self-managed plans are not required to use registered providers for some services).

VICTORIA

Figure 7 Providers by number of clients, Victoria %



Source: Victoria National Minimum Data Set 2013-14

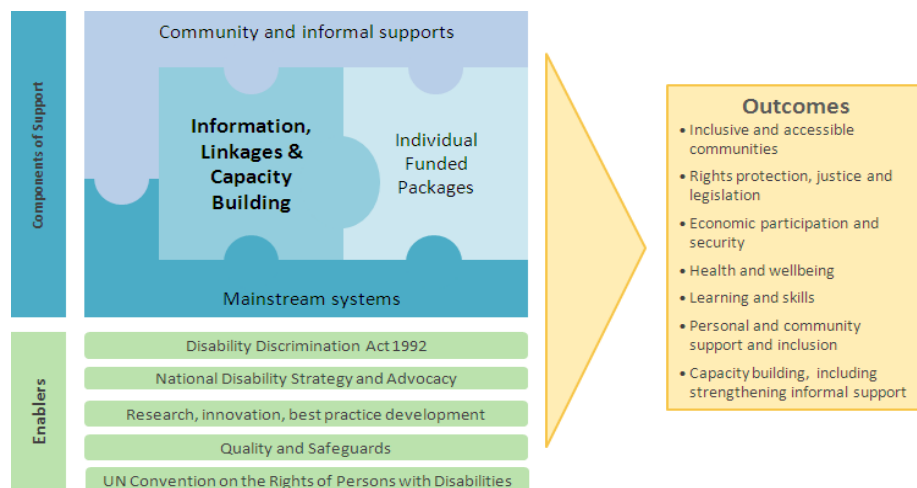
The National Minimum Data Set (NMDS) 2013-14 includes approximately 300 providers operating in Victoria. Using the NMDS approximately three-quarters of current providers in Victoria and North East Melbourne provide services to fewer than 300 clients.

2.6 Supply: Information Linkages and Capacity building in Victoria

Central to the diversity of choice and to the sustainability of the Scheme is the strength of individual communities that support and are supported by the members of that community to provide responsive and representative community based services.

The Productivity Commission recognised that not everything that was important for the achievement of a person's goals could or should be achieved by individualised funding. Rather it is important to work within a community to identify activities that are accessible and welcoming of people with disability and that can offer valued information and community based services that connect a person with a disability to others with similar interests.

Figure 8 Quality of life experiences and the sustainability of the scheme require funded and unfunded supports to drive outcomes for individuals



Source: NDIA

The NDIA works to strengthen these connections through the Information, Linkage and Capacity Building (ILC) Framework. Some of these activities serve as effective early intervention and importantly explain and promote the use of mainstream services.

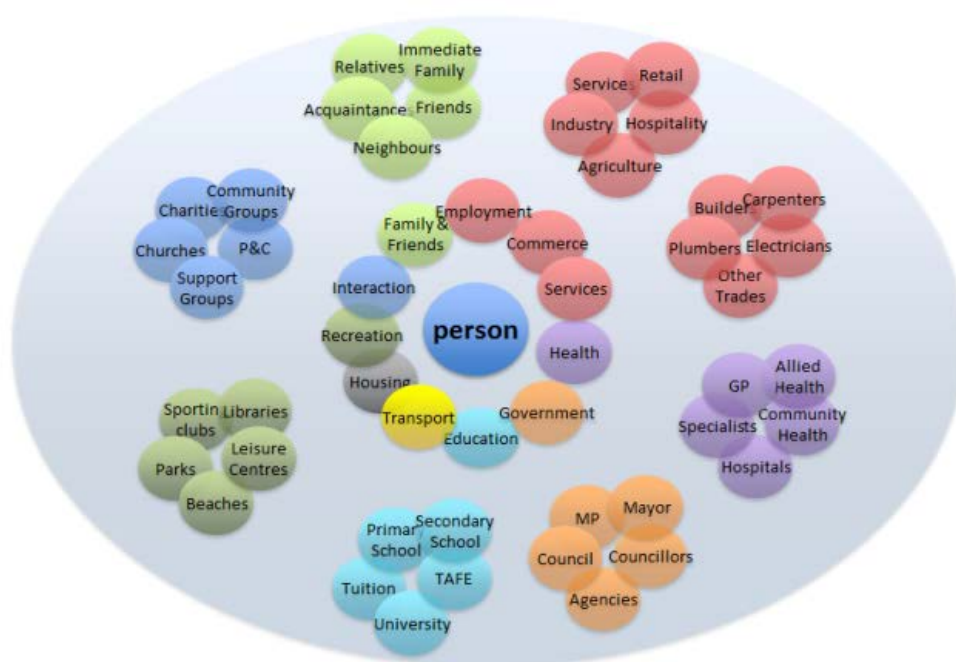
A key role for NDIA Local Area Coordinators (LACs) will be to build on this mapping and identify areas in which targeted investment aligned to the ILC policy framework can deliver meaningful outcomes for people with disability. In Victoria, the LAC function will be delivered by three external partners. The Brotherhood of St Laurence, Latrobe Community Health Service and Intereach have been selected as the LAC Partners in North East Melbourne, Central Highlands and Loddon respectively. LAC services are an important part of the NDIS, as they will work with participants on the ground to help enter, and make the most of the NDIS - while supporting individuals to build strong, inclusive relationships in their communities.

VICTORIA

These organisations have been selected as the LAC partners in Victoria because of their skills and experience in working with their local communities and their capacity and commitment to facilitate positive change.

They will connect with participants on the front-line, moving away from the traditional centralised model of program delivery by bringing support to participants on the ground, in their own communities.

Figure 9 LACs work to connect a person with disability to existing activities in the community



Source: NDIA

The ILC Commissioning Framework outlines the five priority investment areas that the NDIA will be seeking to grow over time. These include activities in the following areas that can demonstrate outcomes for people with disability and their families and carers:

- Specialist or expert delivery of information and referral supports;
- Cohort focused delivery for specific groups of people or locations;
- Multi-regional solutions to drive efficiencies;
- Remote solutions; and
- Delivery by people with disability for people with disability.

ILC enables the NDIS to fund supports not directly tied to an individual through an individual funding package to enable the economic and social participation of people with disability. Over time, this can reduce the demand for, and level of support required through individually

funded responses. This funding will be through a commissioned grant process following finalisation of the consultation process on the overall framework and in accordance with the transition arrangements to be agreed with the Victorian Government.

The framework can be found at:

<http://www.ndis.gov.au/community/ilc-home/ilc-commissioning-framework-consultation/ILC-comm-fw-draft>

VICTORIA

2.7 Growth: From current supply to future demand

By full scheme the total number of people receiving funding for disability supports in Victoria is estimated to increase by more than a third, while the estimated value of the supports these participants will demand is forecast to be double the value of those currently provided in Victoria. The NDIS therefore represents a significant growth opportunity for existing and new providers of disability supports in Victoria.

Figure 10 Comparison of current supply and estimated demand in Victoria



Source: Scheme Actuary estimates of supply and demand

The service regions which will require the largest growth in supply, in absolute and proportionate terms, for both the number of participants and the value of supports are expected to be Southern Melbourne (5,100 participants and \$350m) and Brimbank Melton (3,400 participants and \$250m).

VICTORIA

Table 4 Current and estimated demand in Victoria – disability clients and cost

Service region	Participants				Cost (\$ millions)			
	Current	Full Scheme	Growth #	Growth %	Current	Full Scheme	Growth #	Growth %
Barwon	4,100	5,900	1,800	44%	120	280	160	133%
Bayside Peninsula	10,800	12,300	1,500	14%	360	590	230	64%
Brimbank Melton	3,700	7,100	3,400	92%	100	350	250	250%
Central Highlands	3,100	4,600	1,500	48%	100	220	120	120%
Goulburn	2,500	3,500	1,000	40%	80	170	90	113%
Hume Moreland	4,600	7,500	2,900	63%	150	370	220	147%
Inner East Melbourne	7,600	7,700	100	1%	280	360	80	29%
Inner Gippsland	3,300	4,600	1,300	39%	100	220	120	120%
Loddon	4,000	5,300	1,300	33%	130	260	130	100%
Mallee	1,700	2,200	500	29%	50	110	60	120%
North East Melbourne	7,600	9,900	2,300	30%	280	490	210	75%
Outer East Melbourne	5,700	7,700	2,000	35%	220	350	130	59%
Outer Gippsland	1,500	2,300	800	53%	40	110	70	175%
Ovens Murray	2,600	2,700	100	4%	90	130	40	44%
Southern Melbourne	5,100	10,200	5,100	100%	140	490	350	250%
Western District	3,200	3,500	300	9%	110	180	70	64%
Western Melbourne	7,000	8,300	1,300	19%	210	400	190	90%
Total	78,000	105,300	27,300	35%	2,550	5,080	2,530	99%

Source: Scheme Actuary – estimates of demand based on bilateral agreements

Some service regions are also expected to experience increases in the value of support demanded which are significantly greater than the expected increases in the number of participants. This difference may indicate a higher prevalence of unmet demand in these service regions, not only for people who will receive supports for the first time through the NDIS but also for those already receiving supports.⁷

The most significant of these areas are Outer Gippsland which is expected to experience a growth of 53% in participants, and a growth in expenditure of 175% and Hume Moreland which is expected to experience a growth of 63% in participants and 147% in expenditure.

Inner East Melbourne and Ovens Murray are expected to experience the smallest increase in participant numbers (1% and 4% respectively) and expenditure (29% and 44% respectively).

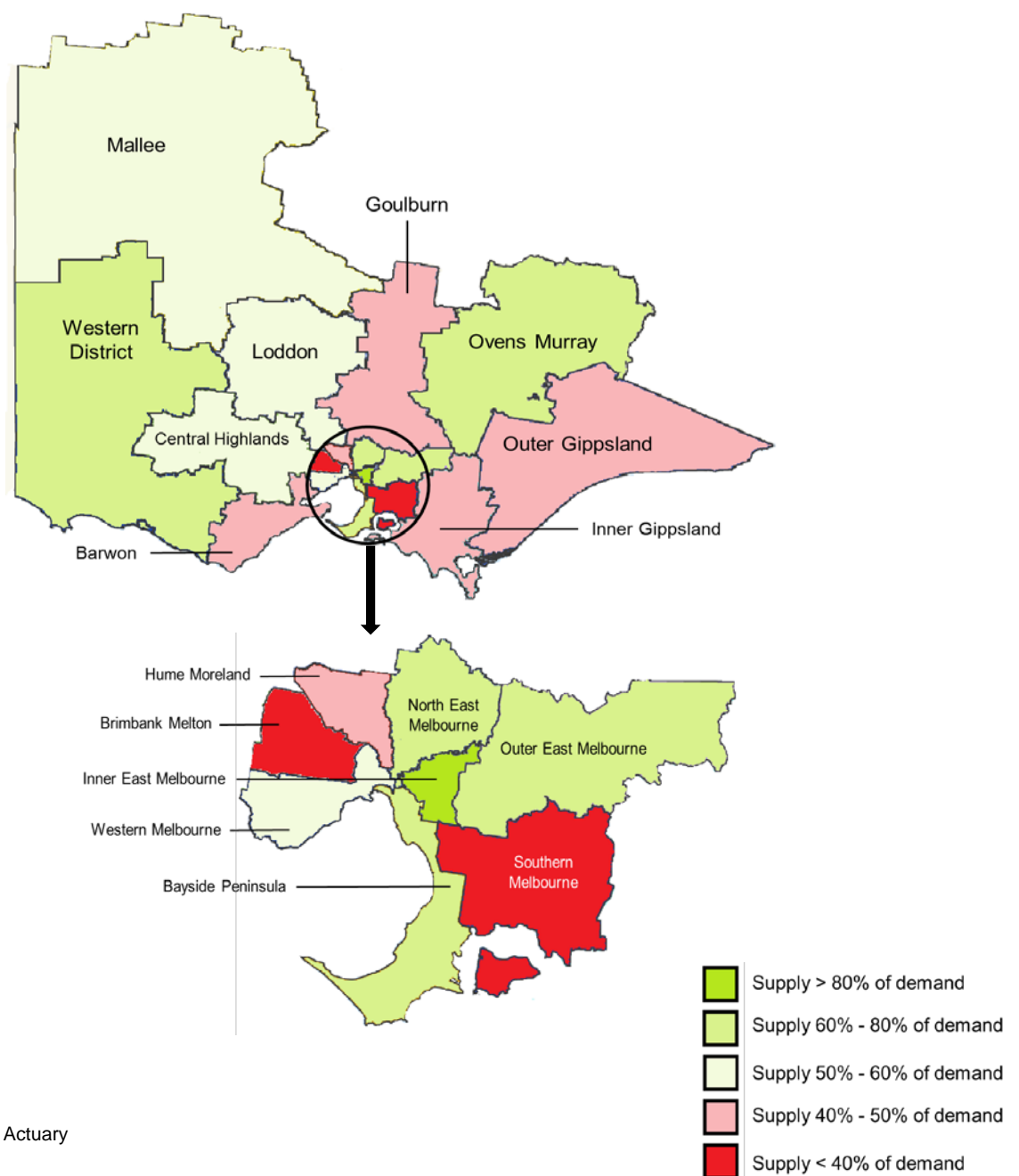
⁷ There may be people receiving psycho-social supports that were not captured in this analysis of Victoria, due to these supports being funded under various government programs.

VICTORIA

2.8 Growth: Estimated workforce required

The workforce engaged in providing disability supports in Victoria is currently estimated to be approximately 19,550-23,900 full time equivalent (FTE) employees. It is estimated that the workforce which will supply the increased volume of supports demanded under the NDIS will need to grow by approximately 76% by the end of 2018-19. As the prevalence of part time and casual workers in the disability support workforce is high, the actual number of additional workers required to meet increased demand will be greater than the required FTE increase in the workforce.

Figure 11 Comparison of current workforce and estimated workforce required



Source: Scheme Actuary

VICTORIA

Further, the required increase in the workforce will not be evenly distributed across each Service region, as shown in Figure 11 above and Table 5 below. Southern Melbourne and Brimbank Melton are expected to require the largest workforce increase, as the current estimated workforce is less than 40 per cent of the estimated NDIS workforce. Inner East Melbourne is expected to require the smallest workforce increase, as the current estimated workforce is greater than 80 per cent of estimated NDIS workforce.

Table 5 Current and future workforce in Victoria

Service region	Current Workforce	Estimated Required Workforce
	FTE range	FTE range
Barwon	950 - 1,150	1,900 - 2,350
Bayside Peninsula	2,800 - 3,400	4,050 - 4,950
Brimbank Melton	800 - 950	2,350 - 2,850
Central Highlands	800 - 950	1,500 - 1,850
Goulburn	550 - 700	1,150 - 1,400
Hume Moreland	1,150 - 1,450	2,500 - 3,000
Inner East Melbourne	2,150 - 2,650	2,500 - 3,050
Inner Gippsland	750 - 900	1,500 - 1,850
Loddon	950 - 1,200	1,750 - 2,100
Mallee	400 - 450	750 - 900
North East Melbourne	2,150 - 2,600	3,300 - 4,050
Outer East Melbourne	1,700 - 2,050	2,400 - 2,950
Outer Gippsland	300 - 400	750 - 950
Ovens Murray	650 - 800	850 - 1,050
Southern Melbourne	1,050 - 1,300	3,300 - 4,000
Western District	800 - 1,000	1,200 - 1,450
Western Melbourne	1,600 - 1,950	2,650 - 3,250
Total	19,550 - 23,900	34,400 - 42,000

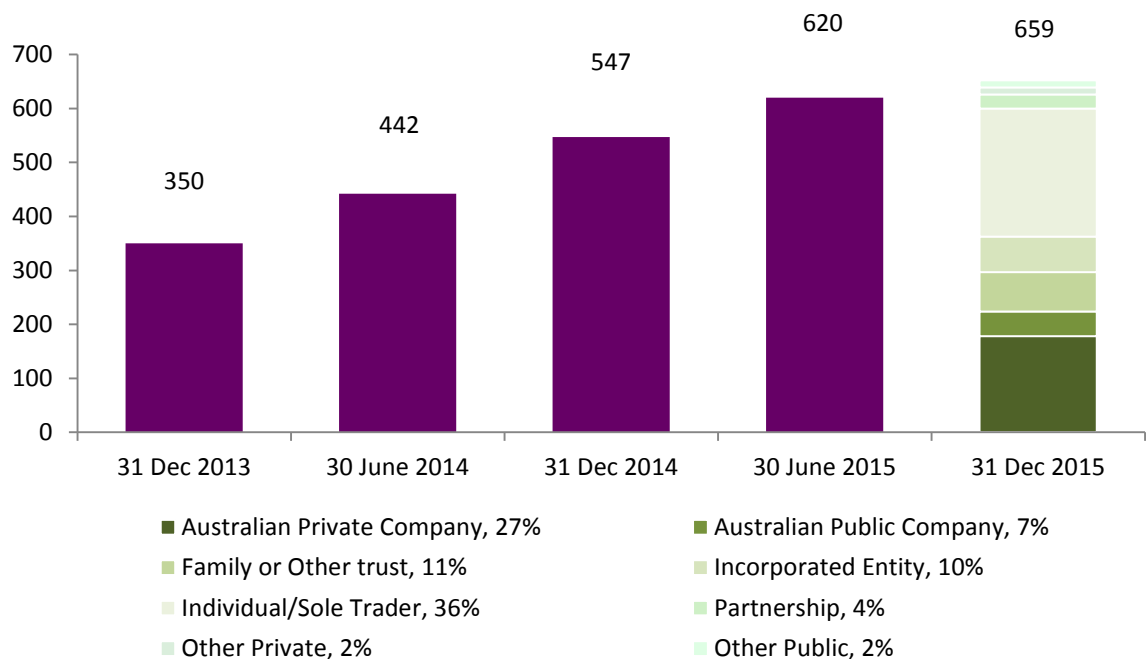
Source: Scheme Actuary

2.9 Growth: Providers are growing and diversifying

There are currently about 320 disability service providers registered with the Department of Health and Human Services, delivering existing Victorian Government funded disability services. These organisations deliver about 50% of funded services currently being provided to people with disability, their families and carers in Victoria. The remaining 50% are delivered by the Victorian Government, who are currently considering what the implementation of the NDIS will mean for their role as a provider of disability services.

Since the introduction of the NDIS in mid-2013, the number of NDIS registered providers in Victoria has increased from 350 at 31 December 2013 to 659 at the end of December 2015, almost doubling in two years. The increase in providers reflects entry by providers not previously funded directly, entry by organisations from other states and for new NDIS supports such as plan management. Many providers are not operating in a trial site and therefore have not yet registered with the NDIA.

Figure 12 Growth in Victorian registered service provider numbers (and % by entity type as at 31 December 2015)

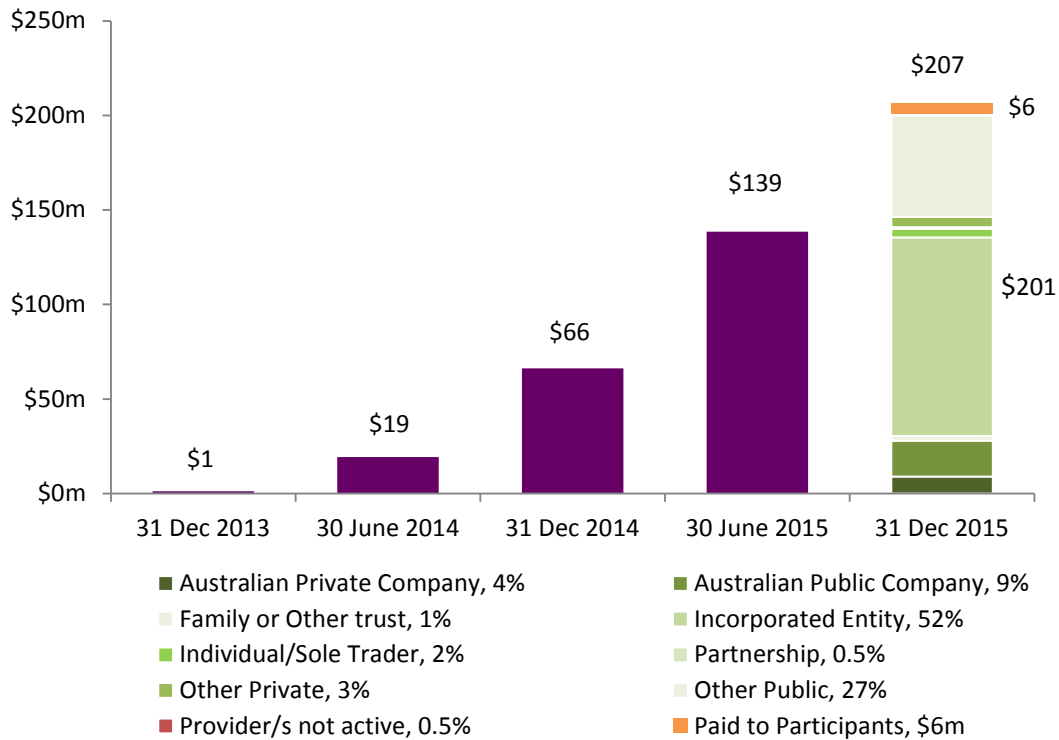


Source: Scheme Actuary

In the NDIS, participants can also self-manage their supports or can opt for a third party plan management provider to manage their supports. Payments made to service providers and self-managing participants has increased each quarter, with payments of \$207 million made in the quarter ending 31 December 2015 (see Figure 13).

VICTORIA

Figure 13 Payments to Victorian providers and self-managing participants, \$ million (and % by entity type as at 31 December 2015)⁸



Source: NDIS quarterly market dashboard – see Section 4.2

Figure 13 excludes in-kind payments that are processed off-line (that is, they are not processed through the provider portal), and as such the distribution of payments may not be representative of the expected split at full scheme.

⁸ Payments to participants of \$5.7m reflects participants who purchased equipment or other supports from providers in other states and amounts paid to participants who are not linked to a service provider.

VICTORIA

Table 6 Number of active providers registered for each support cluster

Support Cluster	Providers (#)	Support Cluster	Providers (#)
Therapeutic Supports	187	Accommodation/Tenancy	32
Assess-Skill, Ability, Needs	141	Assistive Equip-Recreation	31
Household Tasks	86	Plan Management	31
Participate Community	85	Physical Wellbeing	29
Equipment Special Assess Setup	76	Assist-Integrate School/Ed	28
Assist-Life Stage, Transition	68	Assist Prod-Pers Care/Safety	28
Assist-Personal Activities	66	Personal Mobility Equipment	25
Development-Life Skills	62	Assistive Prod-Household Task	20
Behaviour Support	52	Community Nursing Care	18
Training-Travel Independence	51	Home Modification	16
Early Childhood Supports	49	Vehicle Modifications	15
Assist-Travel/Transport	46	Comms & Info Equipment	14
Other Innovative Supports	38	Vision Equipment	14
Assist Access/Maintain Employ	37	Hearing Equipment	7
Daily Tasks/Shared Living	36	Interpret/Translate	4

Source: NDIS quarterly market dashboard – see Section 4.2

3. North East Melbourne

3.1 Service region profile

North East Melbourne will be one of the first service regions in Victoria to transition into the NDIS, starting from 1 July 2016. The North East Melbourne area consists of the LGAs of Darebin, Banyule, Whittlesea, Yarra and Nillumbik.

North East Melbourne has an overall population of around 595,000 people (10% of the Victorian population) and therefore represents a significant proportion of the overall Melbourne and Victorian markets. There are some areas of rapid growth in new communities, particularly the Whittlesea growth corridor, where the relative affordability of housing makes these communities attractive for young families with children. In these communities, social infrastructure is still being established and there is a lack of disability service provider outlets (see Figure 16).

It is also a diverse community, with extensive cultural and linguistic diversity. To date, around 4% of NDIS participants with approved plans across all trial sites are from a culturally and linguistically diverse (CALD)⁹ background. However, given the prevalence of people throughout North East Melbourne who speak a language other than English (see table below), the proportion of NDIS participants from a CALD background in North East Melbourne is likely to be higher than the national average, posing challenges for the NDIA with regard to ensuring effective access to the NDIS for CALD participants, but also challenging service providers to ensure they have culturally responsive support offerings.

Table 7: North East Melbourne community profiles

City of Whittlesea Population: 187,006	Nillumbik Shire Population: 62,872	City of Darebin Population: 148,728	City of Banyule Population: 125,503	City of Yarra Population: 86,506
Do not speak English well or at all:	Do not speak English well or at all:	Do not speak English well or at all:	Do not speak English well or at all:	Do not speak English well or at all:
11,628 (7.5%)	361 (0.06%)	10,697 (7.8%)	3,156 (2.7%)	4,603 (6.2%)
Main languages spoken at home	Main languages spoken at home	Main languages spoken at home	Main languages spoken at home	Main languages spoken at home
Macedonian: 10,475 Italian: 10,372 Greek: 7,262 Arabic: 7,064 Vietnamese: 3,992	Italian: 1,202 Greek: 575	Italian: 11,358 Greek: 10,125 Arabic: 4,298 Mandarin: 4,171	Italian: 4,072 Greek: 2,525 Mandarin: 2,482	Vietnamese: 3,328 Greek: 2,564 Italian: 1,704 Cantonese: 1,192 Mandarin: 1,157

Source: ABS Census of Population and Housing 2011

⁹ The NDIA considers participants to be from a CALD background if the primary language spoken at home is not English or if their country of birth is not Australia, UK, USA, Canada or South Africa.

NORTH EAST MELBOURNE

North East Melbourne also has varying levels of socio-economic advantage and disadvantage¹⁰. Whittlesea has the greatest extent of relative socio-economic disadvantage compared to the other LGAs comprising the North East Melbourne service region, followed by Darebin. However, the SEIFA measures for both Whittlesea and Darebin are close to the midpoint of all LGAs across Australia. The unemployment rate¹¹ varies greatly across North East Melbourne, with Nillumbik (2.5%) and Banyule (4.6%) having lower rates of unemployment than the State average of 6.1% whilst Whittlesea (7.6%) Darebin (7.4%), Yarra (6.6%) all have slightly higher rates of unemployment.

The North East Melbourne region is broadly reflective of the Victorian population when it comes to age profiles; however, North East Melbourne has proportionally more residents in the 25-34 year old bracket than the State average.

¹⁰ Source: ABS, Socio-Economic Indexes for Areas (SEIFA)

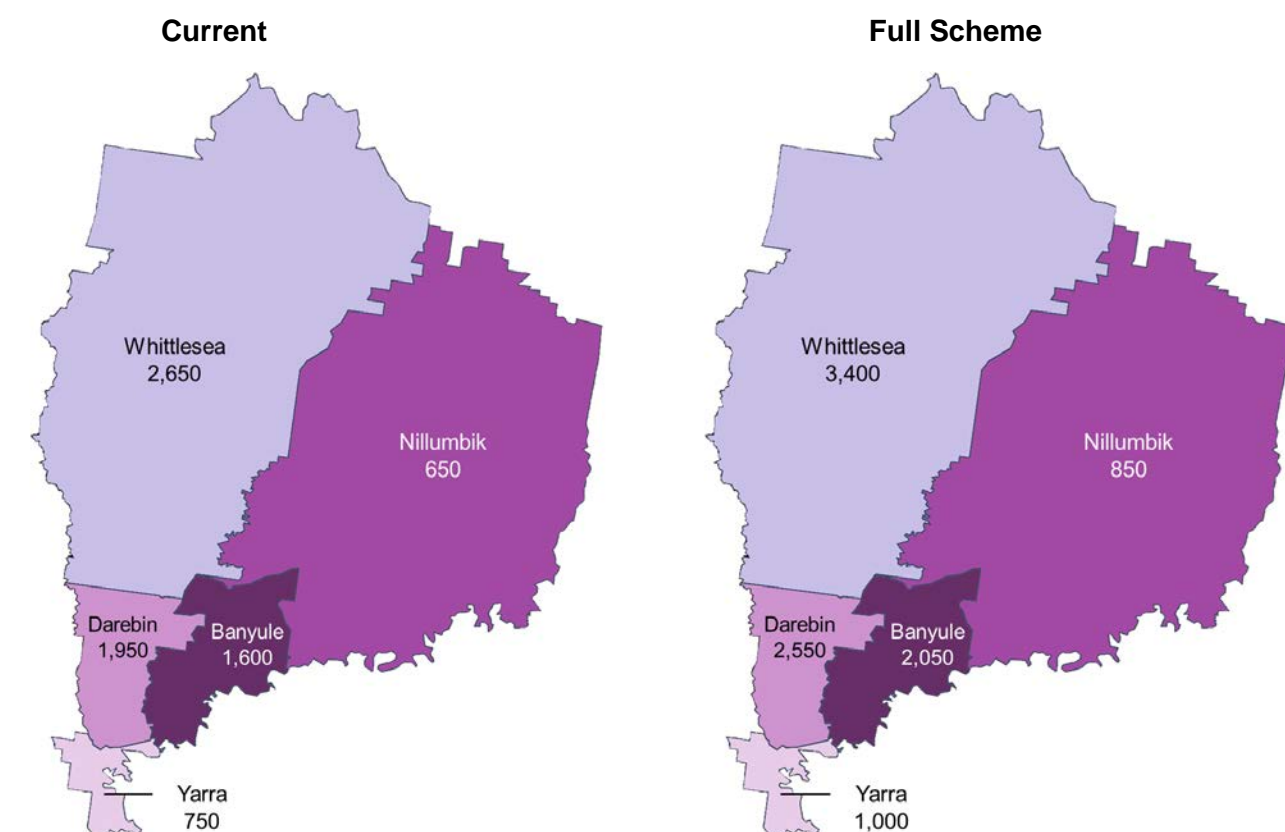
¹¹ Source: Small Area Labour Market Department of Employment, Sept 2015

3.2 Demand: Participants by Local Government Area

There are currently 7,600 people across the North East Melbourne service region receiving some level of support funded by the Victorian Government. The number of NDIS participants in the region is estimated to be 9,850 by 2019. Estimates of the number of people currently receiving disability supports and the expected number of NDIS participants in 2018-19 by LGA are presented in Figure 14 below.

The Whittlesea LGA is expected to have the largest number of NDIS participants (growing from 2,650 to 3,400 participants), followed by Darebin (growing from 1,950 to 2,550 participants).

Figure 14 Estimated NDIS participants by LGA, current and expected demand by participant numbers



Source: NDIA modelling based on Victorian bilateral agreement

3.3 Demand: Phasing of participants entering the NDIS

The NDIA and the Victorian Government have negotiated a phased approach to transition in North East Melbourne which has been designed to minimise disruption for people with disability and providers. Figure 15 identifies the time period in which users of existing programs, who are eligible to access the NDIS, will be transitioned into the Scheme. For some programs additional factors will also be used to determine the order of phasing for current users into the Scheme.

Figure 15 North East Melbourne phasing schedule for transitioning to the NDIS, by funded program

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
DSR and ECIS Waitlist												
Shared Supported Accommodation												
Individual Support Packages												
ECIS												
Student Transport												
Attendant Care												
Future for Young Adults												
Other disability activities ¹												
Mental Health												
Home and Community Care												
New clients												
Commonwealth – Young People in Residential Aged Care & Home Care												

¹Other disability activities include: community and facility based respite, flexible support packages, outreach, behaviour intervention services, case management, recreation, therapy and independent living training.

Shared Supported Accommodation (SSA) residents and people currently receiving an Individual Support Package (ISP) from the Victorian Government will be phased in over four

months commencing from August 2016. The transition of SSA will use a 'whole house' approach so that people who are currently residing together will transition into the Scheme together. Houses will also be transitioned in by the LGA in which they are located commencing with Whittlesea followed by Banyule, Darebin then Yarra and Nillumbik. ISP recipients will also transition by LGA in line with the SSA schedule. Within an individual LGA transition of participants will be based on the management relationship of their current ISP (e.g. service agreement, financial intermediary or direct payment).

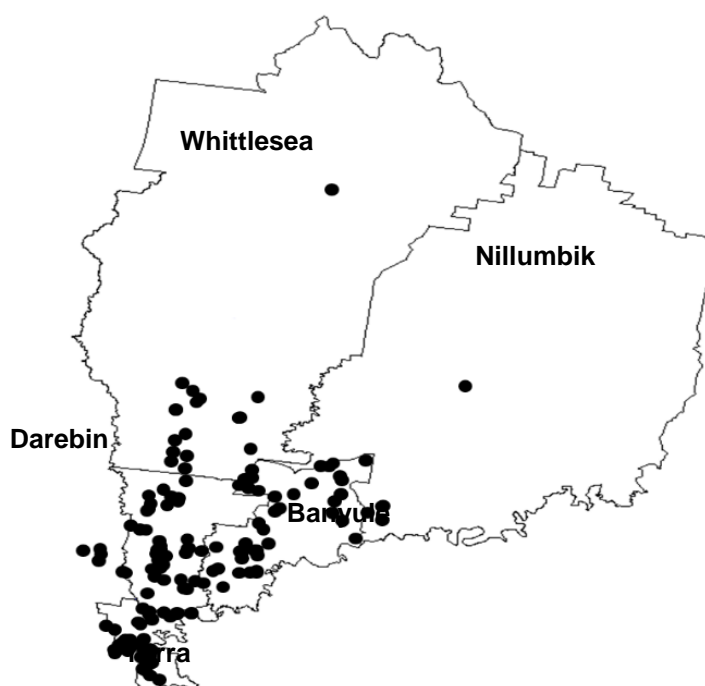
People currently accessing other disability services (see Note 1 to Figure 15 for list of activities this includes) will transition into the scheme over 6 months from December 2016 by existing service provider. Mental Health and HACC clients will transition into the scheme over two months from May 2017 by program activity. Sequencing of service providers for other disability services and program activities of Mental Health and HACC are currently being finalised

3.4 Supply: Current market landscape

There are approximately 168 disability service provider outlet locations in the North East Melbourne market. These outlets are a combination of not-for-profit, for-profit and local government providers of different sizes and service offerings and are indicative of the existing landscape in North East Melbourne. Some providers have multiple outlets within this area and not all providers' operations are confined to the North East Melbourne market (many also have a strong presence across Melbourne and broader Victorian regions). The current providers in North East Melbourne offer a wide variety of disability supports ranging from support workers to provide assistance with daily life to more specialised providers that focus on specific supports such as assistive technology or supports for people with psychosocial disabilities.

There are also 139 group homes for people with a disability in North East Melbourne (providing supports to approximately 713 people with a disability) and four providers of Mental Health Community Supports.

Figure 16 Location of provider outlets, North East Melbourne



NORTH EAST MELBOURNE

As the map in Figure 16 demonstrates, the overwhelming majority of disability service providers have their outlets along main transport routes in the larger and more established hubs in the south and centre of the region in close proximity to existing transport and administrative centres. The distribution of outlets will pose particular challenges for participants to access some supports, particularly in the northern areas of the region where there is strong urban growth such as South Morang and Mernda.

Whilst the physical presence of provider outlets is an indicator of current market density, it does not comprehensively represent all current market and sub-markets within North East Melbourne. Some supports such as personal care can be delivered by mobile workforces in the home, from outlets outside of the region, whether it be by large organisations, sole traders/ independent contractors or new emerging digital/ online service models. Further, some service types, such as community participation and recreation services can be provided in mainstream community settings, such as local government facilities and other community assets which are not represented as disability service outlets.

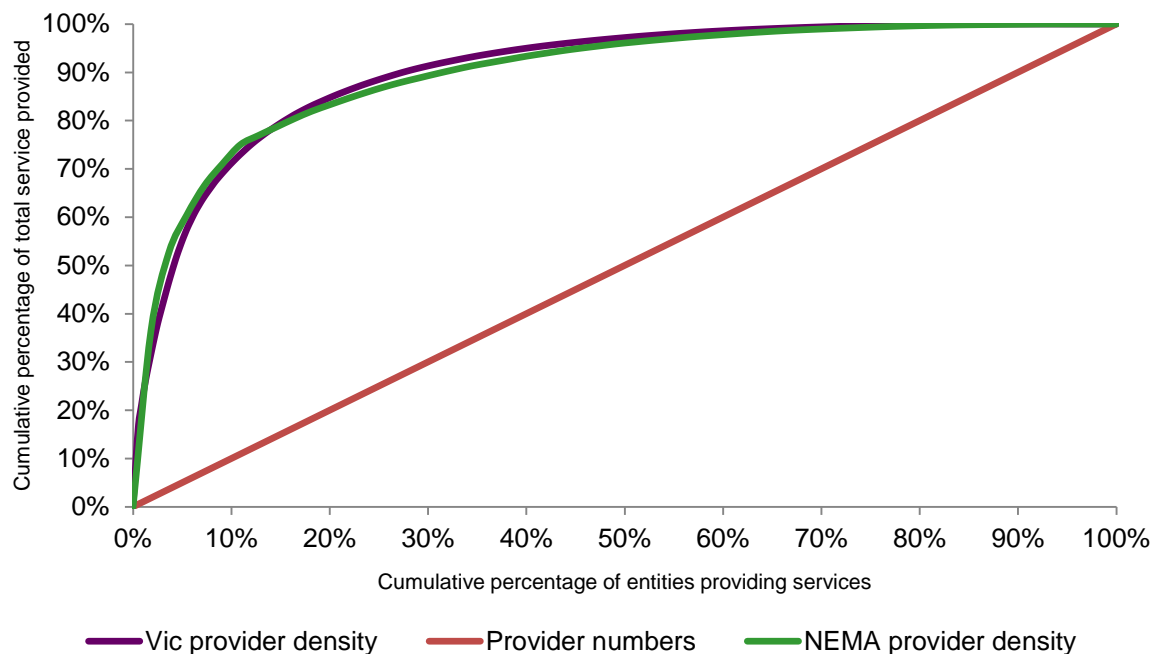
As a key aspiration of the NDIS is increasing social and economic participation for people with disability, providers need to consider optimal service models, particularly for the delivery of supports in group based activities, whether they are in centres or community based settings. A key imperative is demonstrating outcomes for participants and this will influence how the NDIA prices different supports, rather than pricing inputs such as capital and assets.

The NDIA recognises that it will take some time for services to adapt to the new market environment of the NDIS and for new innovative, supports and services to emerge in response to consumer demand.

As the NDIS will have a strong focus on community participation, it is anticipated that funding for supports that boost independence and community participation will account for a significant amount of overall NDIS investments. As an early indicator of this, to date in the Barwon and Hunter NDIS trials, independence and social participation account for the highest number of goals within participant plans. Whilst it is still early days for the NDIS, the NDIA is already observing new and creative responses from providers recognising the increased demand from participants in these areas.

3.5 Supply: Current market concentration

Figure 16 Market concentration comparison curve for existing providers, Victoria and North East Melbourne



Source: Vic National Minimum Data Set 2013-14

The chart above shows the cumulative percentage increase in services provided on the vertical axis, and, on the horizontal axis, the cumulative percentage of entities that provide those services. This provides a picture of the degree of concentration in the sector. The purple line represents the whole of Victoria, whilst the green line represents North East Melbourne.

It illustrates that the largest 20% of providers (ranked by the number of services provided) provide over 83% of the services whilst the smallest 60% of providers provide less than 7% of the services. There is no significant difference in market concentration across Victoria and North East Melbourne.

3.6 Supply: Provider aspirations and challenges

The NDIA continues to engage with current and potential providers to understand their business models, aspirations and any potential barriers to their operations under the NDIS. As part of the North East Melbourne Local Market Assessment, the NDIA undertook in depth interviews with 18 current and prospective providers (of different sizes, service offerings and business types) with an interest in the North East Melbourne market. Around one third of these providers already had experience operating in the NDIS through a presence in the Barwon trial site.

The objective of this engagement was to gain an increased understanding of:

- provider aspirations and readiness for the NDIS;
- provider understanding of the regulatory and operating environment of the NDIS and their ability to operate in this framework;
- the extent to which providers had invested in service adaptation and expansion ahead of the NDIS;
- workforce capacity and skills development;
- financial, operational and ICT capacity of providers; and
- need gaps identified within the market.

This engagement provided useful insights into the aspirations of providers and a better understanding of potential market risks through transition to full scheme.

Key Themes:

1. Providers are well positioned to transition to the NDIS, but face some key challenges

Overall, providers interviewed in the North East Melbourne market consider that they have the capability to transition to the NDIS and to grow sustainability, with almost half of the providers consulted having strong growth intentions. Providers consider that they are well positioned to transition in terms of financial capacity, systems and support offerings.

Around one third of the providers interviewed in North East Melbourne already have experience operating under the NDIS due to an operational presence in a trial site and consequently are more advanced with their preparations for North East Melbourne's transition to the scheme. Many providers in North East Melbourne have also experience operating under individualised funding arrangements through either WorkSafe Victoria, the Transport Accident Commission or as a provider of DHHS funded Individual Support Packages. This experience will assist them to transition to the individualised funding arrangements which are central to the NDIS.

Providers reported that they are undertaking NDIS readiness programmes with common areas of focussing including: understanding unit costs of service delivery,



"We have done our market research, listened to what people want and are moving on that basis" – CEO, North East Melbourn Provider.

modernising business systems and processes, undertaking workforce planning, reviewing and/or revising service offerings, increasing marketing capacity and undertaking market analysis to identify the opportunities and risks presented by the NDIS. Many providers are also reviewing their governance and leadership arrangements ranging from assessing the appropriateness of the mix of skills represented on their Boards through to considering mergers and/or strategic partnerships with other organisations.

However, providers in North East Melbourne also face a number of challenges as they transition to the NDIS. Some of these challenges are similar to those faced by providers in other markets transitioning to the NDIS while others are specific to the North East Melbourne region. However, there are a number of risks confronting the North East Melbourne market in transition, which are across the board risks for current providers. These include:

- **Organisational structure:** Shifting from structures that are aligned to the historic programmatic and funding requirements which have driven service types, to structures aligned to the fee-for-service outcome focused supports that will be demanded by NDIS participants.
- **Infrastructure:** Residents of the northern growth areas of the North East Melbourne region have less access to social infrastructure and public transport which may impact on the capacity of participants/providers to access/supply some supports and services in the short term.
- **Demography:** Higher proportions of North East Melbourne's population are from CALD and Aboriginal and Torres Strait Islander backgrounds than the State average and the

NORTH EAST MELBOURNE

region also covers some areas with high levels of social disadvantage. Providers will need to tailor their support offerings to the needs of these communities.

- **Access to information:** Providers want to know where participants are, what they want and what an optimal NDIS service offering looks like (e.g. alignment with outcomes framework). However data on the disability sector continues to be limited. Providers also identified uncertainty around key NDIS policy settings (e.g. a National Quality and Safeguarding Framework) and systems (e.g. Provider Portal) are impeding their ability to prepare for transition.

- **Service alignment:** a number of providers in North East Melbourne are heavily invested in the provision of centre based day services which they are looking to transform into more flexible, community based options which they expect NDIS participants will demand. However, these providers face some structural impediments such as industrial arrangements which are closely aligned with the existing service model.



“We are looking to make our residential and day services more flexible.” - Senior manager, North East Melbourne Provider

- **Pricing:** Many providers have noted that operating within the NDIS pricing for community participation and personal care will be challenging. However, providers have also reported that pricing for supports including Early Childhood Early Intervention Services¹², Supported Accommodation, Assistive Technology and a variety of therapy and allied health services are sufficient and/or profitable for providers.

*‘Current pricing is achievable but is very tight. There is a need to drive efficiency.’
CEO – service provider.*

- **Interfaces with other support systems:** Providers have identified that working with people with disability with an Acquired Brain Injury, psychosocial disability or who are experiencing drug and alcohol issues, chronic homelessness or interacting with the justice system can be challenging as people’s support needs cut across multiple support systems.

¹² Some providers noted that they consider ECEI pricing to be adequate if they can achieve the scale and/or re-alignment of their service models that they are anticipating.

2. In the short term there may be unmet demand for some supports

The phasing arrangements (see section 3.3) for transition in North East Melbourne have been designed to minimise disruption for people with disability and service providers. This, along with the relatively modest increase in participant numbers (growing from 7,600 currently to 9,900 over three years, representing a 30% increase) should help to mitigate supply risks during transition. However, the estimated increase in the total value of supports (increasing from \$280m to \$490m, a 75% increase) indicates that there may be significant levels of unmet demand amongst existing recipients of disability supports.

Providers interviewed identified the following supports as the most likely areas where participants may experience unmet demand during transition.

- **Community participation supports** particularly for supports delivered after hours, on weekends or during holidays.
- **Accommodation supports** for people entering the NDIS from the Victorian Disability Support Register;
- **Transportation supports** particularly in the northern growth areas of the region.
- Supports for participants from **CALD and ATSI** backgrounds as existing options are already limited.

Providers also identified mental health supports, support co-ordination and interpreter services as potential areas of unmet demand in the short term noting that the volume of demand for these supports is typically lower and therefore the scale of any unmet demand is also likely to be less than for other supports.

3. In the medium term the market may need to respond to further changes

Local governments in North East Melbourne, like others across Australia, are currently considering their future role as a provider of services in the NDIS, particularly for personal care and early childhood intervention services. Should local governments decide to discontinue provision of these services this would trigger a change in the composition of the disability support market in North East Melbourne. In an established metropolitan market such as North East Melbourne the potential withdrawal of local governments from service provision should not pose a long term service risk to people with disability as there are a number of alternative providers who could deliver these services. However, the transfer of service delivery from local governments to non-government providers would need to be carefully managed to prevent disruption in supply.



“There may be a cohort of middle aged people with disability from CALD backgrounds who have never accessed supports.” CEO - Provider

It is also possible that emerging trends will mean that the types of supports demanded in the northern growth areas of the North East Melbourne region differ from those in the more

established areas over the medium term. In particular, providers identified the need for a specific focus on ensuring the market is providing supports that are responsive to the needs of the growing number of children and their families in the northern growth areas. However, in the more established areas of North East Melbourne providers noted that the focus of

NORTH EAST MELBOURNE

supports has traditionally been on youth and young families but that demand is likely to increase for supports such as housing, skill development, employment and community participation as the population in these areas of the region ages.

Providers also noted the CALD communities of the region have different views and attitudes towards disability and that it is possible that there are a number of people with disability who are not accessing formal supports but are receiving any assistance they require from within their family or communities. It is possible that these individuals may need to access formal supports for the first time as family and community members who are currently providing informal supports age.

AdaptCo <i>(large existing NFP)</i>	GrowCo <i>(small existing NFP)</i>	NewCo <i>(New NFP, SME or for-profit)</i>
<ul style="list-style-type: none"> • Strong leadership from Board & CEO committed to program of change • Invested in management capability upfront • Engaged whole workforce in customer-centric service delivery model • Modernising business systems and processes • Developed detailed understanding of costs, by customer and activity • Willing to tackle some sacred-cows (new alliances, business units, assets and structures) 	<ul style="list-style-type: none"> • Dynamic leadership • Expanded into new supports – community participation, support co-ordination • Grown workforce, not all permanent full time, hiring on values and competencies and training in place. Use of casuals to meet rapid demand and diversity • Strong focus on building mainstream links • Limited cash and assets but low overheads • Highly person centred 	<ul style="list-style-type: none"> • Strong peer-to-peer marketing focus • New products and supports • Low/No overheads • No assets • New scheduling and back office systems • Motivated, more casualised workforce • Investing in training but uncertainty in relation to Quality and Safeguards • Actively raising capital to position for growth in new markets

Key ingredients for transition:

The NDIA's consultations with providers across the country have also revealed some key provider readiness themes including:

- Preparation and planning:
 - understanding unit costs of supports;
 - to adapt business and operating models to the NDIS in line with the transition timeframe and to modernise systems/processes to maximize efficiency; and
 - develop training capacity to potentially re-orient service capability and invest in new service offerings.
- Strong governance and a mandate from the senior executives/Board of the organisation to align business practices with the NDIS model.
- Identifying growth as a strategic priority and having targets in place to support broader plans to boost market presence or potentially re-orient services.

NORTH EAST MELBOURNE

- Knowing strengths and weaknesses of the business in the market and undertaking market analysis and modelling to assess barriers and opportunities for optimised service delivery, including the identification of gaps in the market.
- Willingness to enter new markets in disability supports outside of current service offerings and locations, including:
 - extending existing offering to different cohorts (i.e. extension of personal care supports and supports to participants under 15 years);
 - providing new products and supports; and
 - providing existing and new supports in new locations.



Additional resources and Scheme experience

4. Additional resources and Scheme experience

4.1 Outcomes Framework

The NDIS was set up to assist people with disability to live “an ordinary life”. It is expected that participants will use the dollars available in their package to assist them to fully realise their potential, to participate in and contribute to society, and to have a say in their own future, just as other members of Australian society do.

The NDIS Outcomes Framework has been co-designed with the NDIA Independent Advisory Council and other stakeholders. The NDIS Outcomes Framework will monitor the progress of participants and their families and carers in key life domains.

The purpose of the Outcomes Framework is to:

- Assist with planning;
- Establish indicators of Scheme performance so Scheme progress can be tracked; and
- Identify drivers of good outcomes for individuals.

The Outcomes Framework has been piloted with a sample of participants and their families and carers in trial sites. There were different versions of the Outcomes Framework for different life stages: children from birth to school age, children from school age to 15, young adults 15 to 24, adults 25 to 55, and older adults over 55. There are different family/carers versions for participants aged 0 to 15, 15 to 24, and 25 and over. Easy English/pictorial versions have also been developed. For the adult participant versions there are eight domains: choice and control, daily living, relationships, home, health and wellbeing, lifelong learning, work and social, community and civic participation.

The summary report of this pilot study can be found on the NDIS website at:

<http://www.ndis.gov.au/document/outcomes-framework-pilot>

As outlined above, one of the purposes of the Outcomes Framework is to identify drivers of good outcomes, and this may include identifying providers who achieve good outcomes. It is important to note that other characteristics of participants were also taken into account in these investigations.

The tables on the next page show the domains of life around which the outcomes framework is based. These domains apply to both participants and their families/carers and differ depending on the life stage of the participant.

Table 7 Outcome framework domains – participants

<i>Domain</i>	<i>0 to school</i>	<i>School to 15</i>	<i>15 and over</i>
1	Children gain functional, developmental and coping skills that are appropriate to their ability and circumstances	Children grow in independence	Choice and Control
2	Children show evidence of self-determination in their everyday lives	Children are welcomed and educated in their local school	Daily Living Activities
3	Children participate meaningfully in family life	Children form friendships with peers and have positive relationships with their family	Relationships
4	Children participate meaningfully in community life	Children participate in local social and recreational activities	Home
5	Specialist supports assist children to be included in families and community		Health and Wellbeing
6			Lifelong Learning
7			Work
8			Social, community and civic participation

Table 8 Outcome framework domains – families/carers

<i>Domain</i>	<i>0 to 15</i>	<i>15 to 24</i>	<i>25 and over</i>
1	Families understand their children's strengths, abilities and special needs	Families understand their young person's strengths, abilities and special needs	Families have the support they need to care
2	Families know their rights and advocate effectively for their children with disability	Families know their rights and advocate effectively for their young person with disability	Families know their rights and advocate effectively for their family member with disability
3	Families help their children develop and learn	Families help their young person become independent	Families are able to gain access to desired supports, programs, and activities in their community
4	Families feel supported	Families feel supported	Families have succession plans
5	Families are able to gain access to desired supports, programs, and activities in their community	Families are able to gain access to desired supports, programs, and activities in their community	Families enjoy health and wellbeing
6	Families enjoy health and wellbeing	Families enjoy health and wellbeing	

4.2 Quarterly Reports

The NDIS Actuary is responsible for monitoring scheme performance and financial sustainability. Each quarter, the Actuary produces a public report to the COAG Disability Reform Council (which can be found at: <http://www.ndis.gov.au/about-us/information-publications-and-reports/quarterly-reports>). In addition to this report, the Actuary publishes participant and market dashboards, which are described below.

The most representative trial sites for full scheme are the Hunter and Barwon. This is due to those sites being inclusive of all ages, and having commenced on 1 July 2013, thus having the most experience and data.

The quarterly report to the COAG Disability Reform Council provides information about participants and the funding or provision of supports by the NDIA in each jurisdiction. The report includes:

- Progress against Statement of Strategic Guidance;
- Summary Report on Management of Scheme Cost Drivers; and
- Agency Performance, split into three parts:
 - Participant Outcomes;
 - Financial Sustainability;
 - Community Inclusion.

This report can be found at:

<http://www.ndis.gov.au/ndia-9th-quarterly-report>

Participant Dashboards

The participant dashboard provides participant and plan statistics as at the end of each quarter. These include:

- Number of participants by eligibility and access type;
- Approved plans by month, age group, primary disability, management type and cost bands; and
- Approved funded supports and actual committed supports.

These state based dashboards can be found at:

<http://www.ndis.gov.au/about-us/information-publications-and-reports/quarterly-reports/9th-gr-dashboards>

Market dashboards

The market dashboard provides snapshots of providers and market demographics as at each quarter along with detailed participant goals, outcomes and support package information by age band. These include:

- Registered providers by type, support cluster and registered support item;
- Participants with approved plans by age band, primary disability, cost band and support category;
- Number of males and females by goal type and age band;
- Outcome statements for participants and family carers by age group;
- Approved plans by cost band for each age group; and
- Total committed cost by support category for each age group.

These state based dashboards can be found at:

<http://www.ndis.gov.au/about-us/information-publications-and-reports/quarterly-reports/9th-gr-dashboards>

4.3 Organisational readiness and training resources

Through the Sector Development Fund, a number of resources have been developed to assist providers and the sector in preparing for the transition to the NDIS. These resources are free to access and available to everyone. Two useful resources developed by National Disability Services are:

NDIS Provider Toolkit

The Toolkit incorporates a self-assessment and key financial tool.

- The self-assessment tool rates your organisation's current state of transition towards the NDIS; and
- The key financial ratio tool, provides an insight into your organisation's current revenue concentration, liquidity, debt and sustainability.

Completing the Toolkit online will allow automatic generation of valuable resources for your organisation.

- A gap analysis, of your current capacity against your desired position;
- A benchmark report is available during the submission period, and provides a comparison between like providers; and
- An editable NDIS development plan.

The NDIS Provider Toolkit can be found at:

<https://www.readiness.nds.org.au/>

Costing and Pricing Learning Program

The aim of the Costing and Pricing Learning Program is to provide a suite of training and support resources for service providers that can be applied and accessed across diverse locations across Australia.

The focus of the tools are on small and medium service providers because these organisations constitute the majority of the sector and may have the least resources available to be applied to the challenges of a changing funding environment.

There is no universally accepted definition of 'small to medium' in the sector and not all organisations will require the same level of support or skills development. All organisations will have the opportunity to access the materials and pick and choose elements that they might find useful.

The need for understanding of costing and pricing is not limited to financial staff. The program includes material that is of relevance to management, operational and service staff across the organisation.

The Costing and Pricing Learning Program can be found at:

<http://www.cplp.nds.org.au/learning-program>