

# National Disability Insurance Scheme (NDIS)

## ***2022-23 Annual Pricing Review Consultation Paper***

Occupational Therapy Australia submission

April 2023

## Introduction

Occupational Therapy Australia (OTA) welcomes the opportunity to lodge a submission to the National Disability Insurance Scheme (NDIS) Annual Pricing Review 2022-23.

OTA is the professional association and peak representative body for occupational therapists in Australia. As of April 2023, there were more than 26,900 registered occupational therapists working across the government, non-government, private and community sectors in Australia.

Given the important role of occupational therapists in the NDIS, OTA is committed to supporting the long-term sustainability of the scheme and ensuring continued and equitable access to occupational therapy services across Australia for people with disability.

OTA is a small not for profit industry association and it is challenging to obtain meaningful data in the consultation timeframe provided, to respond to this review and adequately represent the complexity of OT provider market. OTA does not have the ability and resources to undertake sophisticated market analyses, and has also been unable to source specific and detailed data from the NDIS about the use of specific OT services.

However, OTA has gathered the best data possible in the short timeframe and within our resourcing capabilities. In particular we have obtained excellent qualitative feedback from our members, which we believe is, in many ways, equal to or even more powerful in building a picture of our concerns with areas of the scheme.

OTA would welcome the opportunity for NDIA to fund some further research or modelling in this space so we can adequately capture cost drivers and pricing behaviours in real detail, to inform NDIS's decision making around pricing structure and rates.

## NDIS Pricing Issues

OTA strongly supports an increase to the pricing arrangements for therapeutic supports under the NDIS, as current pricing does not reflect true costs for providers, especially when considering indexation, increasing business costs, workforce shortages, and NDIS client complexity.

Occupational Therapists bill their services under the "therapy supports" NDIS item code. This fee has not been indexed or increased since 1 July 2019, and due to significant inflation over the intervening period, has resulted in an effective real price reduction of more than 18 percent<sup>1</sup>. OTs operating across the spectrum of practice types, from sole providers to large providers, and registered and unregistered providers, all report that their business costs are increasing, and the stagnant NDIS fee means they are now only just breaking even or operating at unsustainable levels.

OT providers report that the real fee reduction resulting from a lack of indexation means they have experienced difficulties in recruitment as they cannot offer competitive salaries. They

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<sup>1</sup> Based on inflation figures published monthly and annually by the Reserve Bank of Australia, inflation that has occurred since the last increase to "Therapy supports" item code in 1 July 2019 are as follows: 1.2% cumulatively in the two last quarters of 2019, 0.9% in 2020, 3.5% in 2021, 7.8% in 2022. Source: <https://www.rba.gov.au/inflation/measures-cpi.html>. Furthermore, there has been an increase of 5.5% to CPI since the start of 2023, with monthly inflation increasing by 1.1% in January 2023, and 4.1% in February 2023, Source: <https://www.abs.gov.au/media-centre/media-releases/monthly-cpi-indicator-68-year-february-2023>. Cumulatively this is 18.6% since 1 July 2019.

also report being unable to innovate their service delivery or pursue service expansions into outer metropolitan and remote areas, where OT services are significantly under-provisioned. They also cannot offer training for staff in servicing CALD and Aboriginal and Torres Strait Islander participants, and training for staff to provide more specialised OT services, for example paediatrics and mental health.

Increased business costs are compounded by the type of work that OTs are delivering under the scheme. Due to the more complex nature of disability for NDIS participants, and the complexity of dealing with the NDIA, providers have reported that their revenues are on average 30% to 40% lower per clinician than other schemes and for private practice clients. This complexity includes the need for supervision, additional training to navigate the complex NDIA system, working with clients with often multifactorial disability and complex needs, and the requirement to employ OTs in non-client facing roles that are required to assist in trouble shooting interactions with NDIA, including poor and delayed decision making.

If NDIS fees continue to reduce through lack of indexation, it is expected that this will further impact providers and exacerbate workforce shortages and waitlists for services. Participants will be adversely affected through these shortages and the resulting inability to access critical supports.

In December 2022 OTA conducted a survey of its members who deliver NDIS services. 320 responses were received. OTA asked its members the question “If there was a reduction in the NDIS fee payable for OT services how likely is it that you/your employer would stop providing services under the NDIS scheme?” Of 320 respondents, 52% reported it was ‘very likely’, and 31% reported it was ‘likely’ that they would stop providing NDIS funded services. Cumulatively, this is 83% of surveyed recipients, and demonstrates that the current pressures are placing scheme operations at risk, and any real fee reduction that occurs through further inflation and no fee indexation or increase will create a significant risk of scheme exit by OT providers.

This is summed up well by one OTA Member:

*“I’m a registered provider and business owner and am considering deregistering due to the stress associated with the NDIS. There are increasing costs associated with running a business (especially in the current financial environment) and the NDIS price cap makes it difficult to sustain my business. There is a significant skill shortage in OT, and therefore salaries are increasing substantially. The price cap makes this very difficult and profit margins are extremely thin as a result. To be frank, the amount of additional work and stress associated with being a registered NDIS provider with very minimal profit to show”.*

### **Recommendation**

OTA recommends an immediate increase of **at least 18%** for the therapy supports item code which would rectify the actual price cut that has occurred through failure to index NDIS therapy support prices for more than 3 years, and address issues with increases to business costs, and the level of clinical complexity that is required to support NDIS clients. Inadequate NDIS pricing requires immediate action to safeguard the NDIS workforce and protect NDIS participants to access qualified and experienced OT services into the future.

## **OTA’s response to Consultation Questions**

### **Therapy supports**

**What has been the main cost driver in delivering NDIS therapy supports over the past year? Is this different to the past few years?**

Due to the varied nature of OT practice types it is challenging to provide a sector wide view of cost drivers however wage costs appear to be the primary factors, alongside some other costs as discussed below.

Staff salaries are the key driver in costs and have increased due to workforce shortages. One medium sized provider reported that wages represent 79.1% of all their business costs, and that to remain competitive, annual wage increases have been required at more than 7% per annum for the past 3-4 years. Another large provider reported a 25% wage increase over the same period. Recruitment costs have also impacted, as workforce shortages mean providers must increase visibility and profile to attract new staff to meet demand.

Another larger provide reported that main cost drivers were increased wages, followed by cost of living, NDIS administrative and registration costs, and opportunity costs (costs of foregone revenue due to dealing with NDIA's decisions and requests for additional information).

In the past 12 months one provider also reported vehicle costs have also increased from 3.0% to 4.8% of turnover. Increased rents are also a factor impacting many businesses.

There has also been increased demand for therapy services in client's homes which increases costs due to travel (outside of NDIS travel caps) and consumables.

As more participants are choosing to self-manage their plans, provider costs are also increasing as they must put processes in place to follow up clients and process payments, including debt collection if necessary.

### **What proportion of your therapy revenue is derived from NDIS compared to other funding sources?**

Due to the varied nature of OT provider practice types, it is not feasible to provide a representative sample. Across the spectrum of OT service provision, this can range from 100% service provision to NDIS clients, to only a small percentage within a mixed practice.

### **Is there a price difference between rates for your NDIS participants compared to non-NDIS participants? If so, what is the rationale for the price difference?**

Again, it is challenging for OTA to collect reliable data on this due to the abovementioned variances across the sector.

In one example provided by a member, they are aware of a private practice Paediatric Occupational therapist billing at \$220 for a 1-hour consultation and \$190 for a 45 minute follow up consultation, rates significantly above the \$193.33 NDIS price cap. In comparison, the NDIS provider charging at the maximum rate must also cover the administrative costs of NDIS registration and compliance and is typically servicing a more complex cohort of client, requiring ongoing management of the client's condition, coordination of supports, training and upskilling of family and support staff, and often frustrating and delayed communication with NDIS.

OTA also believes that a straight comparison between pricing of NDIS participants against clients in other schemes is not a sufficient way to estimate prices, due to the variance in the clinical skillset and supports required to work with NDIS clients when compared with others

in the community. Due to the more complex nature of disability for NDIS participants, and the complexity of dealing with the NDIA, providers have reported that their revenues are on average 30% to 40% lower per clinician than other schemes and for private practice clients.

Broadly, OTA is aware that due to the caring nature of the OT profession, providers are reticent to charge a gap fee for scheme funded clients (e.g. workers and transport accident compensation schemes, Medicare) as this may mean the difference between client accessing the service, or receiving no OT support at all. For this reason OTA has heard from some OTs that they bill services at the set or maximum fee rate available under specific scheme, e.g. DVA, Comcare, Medicare Better Access, to avoid charging any gap from a client, even if this does not cover their true costs. The primary driver in this decision making is ensuring clients can access services.

OTs have reported that this may mean they make a loss, and OTA has heard that in schemes with a significantly low rates, especially DVA, this means that OTs are contemplating exiting from service provision altogether under this scheme as it is very unsustainable and creates financial and emotional pressure for clinicians.

## Registration

### **Please provide an estimation of time spent by your employees to complete administrative tasks associated with registration, audits and compliance relative to other sectors (private or public).**

As noted above it is challenging to gauge this across the sector but generally reports are that costs (direct and opportunity costs for staff to support registration requirements) are significant and challenging to support with current stagnant NDIS pricing.

A large provider reported they need to employ a dedicated Compliance Manager to oversee complex and costly registration and auditing requirements, who must dedicate 3 – 4 hours daily in the month preceding an audit, and other smaller time impacts including collating participant data, and making administrative and clinical staff available to support auditors to visit multiple business locations, and respond to auditor interviews. The provider also reported over 100 hours spent on improvement processes pre audit to develop new policies, procedures and training materials to meet changes to NDIS practice standards rolled out in 2021.

A medium sized provider estimated that compliance with NDIS requirements costs over \$200,000 per year to prepare for audits and meet NDIS compliance requirements.

A smaller provider with 5 staff reported that the time and cost impacts were significant, upwards of 20 hours annually were required annually to complete these tasks, and they are considered onerous in comparison to other sectors, some of which only require emails of current certificates and other limited inputs.

Renewal of NDIS Registration through the online portal was reported to take at least 8 hours due to an arduous online portal, and word limits within this system making it difficult to adequately convey the required information.

It is reported that it takes approximately 90 minutes for an employee to complete the NDIS Worker Screening Check when submitted online, and then additional HR staff time to monitor and report on completion rates.

Allocation of staff to complete the quarterly NDIS Provider Payment Assurance Program is reported to require 1 hour of staff time per request.

Cost and availability of auditors is also a large factor, and some providers have reported that the cost of sourcing an external auditor is also significant. OTA was unable to source an average amount but heard reports of between \$10K and \$34K in some cases for full certification audit, with additional costs for remote and regional practitioners who must cover travel and accommodation costs for auditors. Providers can only select from a small list of approved auditors, which reduces options, and also makes it hard to access in some areas (e.g. regional and remote, and ACT).

### **Has the time spent on NDIS administrative/registration tasks increased in the past year?**

Providers have reported that general time spent on registration requirements has increased. In particular responding to change NDIS Practice Standards in November 2021 is reported to have applied additional pressures to businesses to meet required standards and develop and implement changes to systems and processes and communicate these to staff.

There has also been a significant reported increase in the time required to follow up NDIS Worker Screening, with a large provider reporting this function now takes 15-20 hours per week to monitor and address the issues that arise from excessive wait times. Another medium sized provider reported waiting 3 months for NDIS Worker Screening Check that was submitted via paper due to the applicant being from overseas.

### **What do you see as the benefits and barriers to registration? If any, please provide more details.**

OTA has broadly heard from members that the ongoing costs (and complexity) associated with maintaining compliance to NDIS requirements is a disincentive to obtain or maintain registration.

Costs include external audit costs, and administrative costs to obtain and maintain registration and support audit processes and requirements. Providers report that these are seen as prohibitive or a significant disincentive especially given stagnating NDIS prices.

An OTA member has made the following comment when asked about their intentions to continue to deliver therapy services under the current scheme:

*“Our rate hasn’t gone up in 4.5 years, so it is becoming unsustainable. We will probably deregister if it doesn’t change next year. There is zero benefit to being registered as there is so much need, OTs can be unregistered and do fine with self-managed and plan managed clients while charging a higher rate. The audit process is cumbersome and doesn’t differentiate a private practice OT from an aged care facility- a colleague just renewed their registration and needed a policy for fitting masks on aged people even though they run a paediatric practice.”*

Some providers see NDIS registration requirements as a duplication of AHPRA registration requirements. OTs are required to maintain AHPRA registration to practice in Australia and this is the only form of registration required to provide services under private practice and many other sector settings. Some providers have also reported that they see not ‘having to deal with the NDIA’ as a driving factor in not attaining registration, due to issues with poor and inconsistent communication and information from the NDIS Commission.

Some OTA members have reported that they enjoy the level of flexibility offered by providing services as an unregistered provider. Some providers wish to deliver a mixed practice, meaning they deliver NDIS services along with services to private practice client, and clients who are funded under other schemes such as Aged Care and DVA. These providers find

they are not able to support registration costs due to very low profit margins. This type of practice is very common in regional areas (OTA has heard specifically of several in Western NSW) where there are not enough registered NDIS participants in an area to enable a small or private practice OT provider to service only NDIS clients.

Recent research has demonstrated that NDIS participants also appreciate the ability to utilise unregistered practitioners<sup>2</sup> with benefits including:

- Participants feel they receive quality and safety from unregistered providers.
- They feel that other registration schemes e.g. those offered by AHRPA are sufficient.
- This enables them to access services in thin markets such as regional areas.

However, OTA is aware that some providers report some benefits of registration including quality assurance and accountability that comes with meeting NDIS registration and audit requirements. Reporting requirements are also seen as a benefit to manage incidents and complaints.

Some registered providers are concerned about inequity in the scheme because they undergo stringent registration requirements and bear registration costs, when compared to non-registered providers. There are also concerns that the presence of unregistered providers across the scheme, who can charge variable rates, also erodes public trust in the scheme, and impacts the public expectation that participants are accessing quality, trusted, regulated services.

If NDIS removes unregistered providers from service provision, it is likely that some OTs will exit service provision entirely under the scheme, which will impact wait times for current and future participants, and rural and regional participants will also be heavily impacted.

Improvements to simplify the registration and auditing system and increases to NDIS pricing are likely to provide some relief for registered providers.

## Labour market

**How have NDIS pricing arrangements and price limits assisted your ability to hire and retain workers compared to other sectors and the private market? Please provide evidence.**

The current price limits for therapy supports have not increased with inflation and this is impacting providers' ability to recruit staff, expand service offerings, and innovate service delivery. OTA believes that a price increase is required to attract and retaining experienced occupational therapists in the NDIS, thereby ensuring equitable access to occupational therapy services for participants.

Currently, overall demand for occupational therapy services outstrips supply. This is evidenced by recent data from the National Skills Commission (2022), which identified a shortage of occupational therapists in every state and territory. OTA has anecdotal feedback that shortages are more pronounced in remote and regional areas, and there is widespread demand for experienced OTs under the NDIS scheme.

Workforce shortages are also reported in other sectors including public health, mental health and other compensation schemes. Due in large part to its competitive hourly rate, the NDIS

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<sup>2</sup> Source: Dickinson, H., Yates, S., & West, R. (2022) Exercising meaningful choice and control in the NDIS: Why participants use unregistered providers. Canberra: University of New South Wales, Canberra

is currently drawing a significant number of practitioners from other areas (e.g. Medicare, Department of Veterans Affairs, residential and community-based aged care).

This sustained shortage across also sectors has led to increases in OT wages as employers seek to attract and retain staff. This, combined with stagnant NDIS pricing, has led to unsustainable margins for providers operating in the NDIS.

Specifically in the NDIS sector, workforce shortages continue to impact providers across Australia and NDIS providers report it is difficult across all sectors but particularly in rural and remote areas. Stagnant NDIS pricing has meant employers cannot offer competitive salaries to attract and retain staff, especially experienced clinicians. Employers also report that there are significant business costs to onboard new graduates including training for work readiness under the NDIS, and supervision requirements. Established providers have reported they cannot offer competitive salaries compared to newer market entrants.

Larger providers report being unable to recruit new staff even when offering higher wages due to inadequate pricing and then making a loss due increasing cost of doing business. In some cases, larger providers have had to withdraw from service delivery in regional locations.

**How have NDIS pricing arrangements and price limits assisted in meeting the sector demand and/or supply for NDIS supports? Please provide evidence.**

The lack of a price increase over the past 4 years has affected providers ability to offer competitive salaries to attract and retain a skilled workforce, and decreased providers ability to grow their service offerings, invest in innovation or enable service expansion to meet the expanding demand for services. OTA is aware that this financial pressure associated with increased staffing and overhead costs have substantially reduced sector capacity to expand into regional and remote locations and in some cases, has led to a withdrawal of services. For example, OTA is aware of a large provider who, due to financial pressures, has had to exit service provision in Toowoomba, affecting over 200 NDIS participants.

One OTA member provided these comments about the current challenges:

*“The lack of a price increase over the past 4 years has decreased our ability to grow our services and limited our ability to meet the expanding demand. Significant financial pressure associated with increased staffing and overhead costs have reduced our capacity to invest in innovation and expansion of services to regional and remote locations.”*

**In your view, what is the best way(s) to address workforce issues?**

The Department of Health and Aged Care has identified OT as the fastest growing registered health profession in Australia. Despite this growth and the significant growth of OT courses available, many organisations continue to carry vacancies and are having increasing difficulty in recruiting to OT roles, especially in remote and rural areas. NDIS participants are also having difficulty accessing OT services due to shortages.

This workforce shortage is likely to become more pronounced as the NDIS continues to support more Australians with disability. In addition, demand for OTs will increase across the health sector, including in aged care and mental health treatment, due to recent federal and state reform in these sectors.



This is compounded due to the risk of OTs exiting service provision for NDIS participants due to the challenges in dealing with the NDIA and supporting participants with inadequate plans. OTs are experiencing professional burnout at an unprecedented rate, as discussed below.

These pressures further validate the need for Federal Government support strategies to retain OTs within the NDIS as a priority to ensure the high risk of provider burnout and exit is addressed, and participants can continue to access vital occupational therapy services

OTA is responding to the issue of OT workforce shortages across Australia through the development of a national workforce strategy to support attraction and retention of OTs within the profession. We expect this will be finalised later in 2023 and would welcome the opportunity to discuss this with all areas of government.

Specifically in the NDIS sector, there are a number of factors impacting workforce supply and retention and some strategies to address these are discussed below.

### **Improved pathways for new graduates**

While there has been a significant increase in the number of OT academic courses offered in Australia recently, this is not resulting in sufficient numbers of new graduates to meet supply for NDIS providers. OT academic courses are a minimum 4-year qualification and often students pursue graduate qualifications as well.

Incentives to attract and retain more students studying OT would go some way to ensuring medium- and longer-term workforce supply issues, including more flexible study options (such as part time options and online delivery).

Providers also report challenges in recruiting new graduates who lack the work readiness that is required to work with NDIS participants. Funding and support for bridging programs and work readiness programs would also improve the “work readiness” level of new graduates, reducing impacts on recruiting businesses who need to invest resources in training and supervision.

### **Improvements for overseas recruitment**

OTA is pleased that the Australian Government has recently listed Occupational Therapy as a Priority Profession for the purposes of considering long-term skilled visa applications. However, this is unlikely to address short- and medium-term shortages.

OTA is aware that a review is underway into the registration of overseas trained health professionals. OTA responded to the Kruk Review, advising that currently, AHPRA requirements act as a disincentive to overseas trained OTs, who must undergo a lengthy two stage registration process that involves provision of significant information, and completion of onerous supervision requirements, which must be supported by recruiting employers who bear the administrative costs, which is challenging when NDIS pricing is impacting business viability. Simplifying this system will enable the recruitment of overseas trained OTs and could address some workforce shortage challenges.

### **Improvements to NDIS pricing arrangements**

As discussed above, issues with inadequate pricing are significantly impacting providers and impacting on staff recruitment and retention. OTA’s recent member survey showed that 83% of respondents indicated they are likely or very likely to consider exiting services under the

scheme if NDIS prices were reduced. OTA believes that a decision to not increase fees to match inflation may lead to service exit as business viability is further impacted.

Larger providers report being unable to recruit new staff even when offering higher wages due to inadequate pricing and then making a loss due increasing cost of doing business. In some cases, larger providers have had to withdraw from service delivery in regional locations, reducing access for NDIS participants.

Increasing pricing will enable providers to innovate, support and train staff and retain workers, reducing staff attrition and knowledge loss.

The current flat fee rate does not support specialisation or career progression for clinicians. OTA is aware that currently there is internal cross subsidisation that occurs when maintaining senior staff to provide clinical supervision of junior staff and assist with case reviews.

Offering a tiered pricing structure would enable larger providers to better manage plan for and manage wage costs, reduce internal subsidisation and enable competitive recruitment into specific senior roles.

## **Improvements to NDIA systems and processes**

Workforce attrition is occurring as experienced clinicians choose to leave the NDIS sector due to stress and burnout, leaving Australians with a disability at significant risk of harm and deterioration and increasing support needs. OTs have reported significant challenges dealing with NDIA bureaucracy which leads to increased administrative burden, and impacts on the clinician. OTs report stress and burnout from dealing with a complex and bureaucratic NDIA, and the stress of providing unfunded supports to clients due to inadequate funding (poorly funded plans, plans being cut) or funded hours being eaten up by needing to follow up NDIA, or meet NDIA requests for additional information.

Currently OTs report spending copious amounts of time providing reports, and following up delayed decisions, decisions that are against OT's clinical recommendations (i.e. inadequate funding in plans or rejection of recommended items), and decisions that vary markedly between participants with similar disability and assessed needs. This creates stress and distress for OTs whose primary focus is supporting participants. Delays for approvals for Assistive Technology/Home Modifications also causes stress for OTs, and unacceptable safety risks for participants.

In addition to impacting OTs, there is an even more significant impact on NDIS participants when NDIA staff cut or approve an inappropriately funded plan, and operate with poor communication and inconsistent decision making.

OTs also reported stress and burnout was a result of dealing with complex clients. An 'average' client under NDIA scheme is more complex and requires more support than clients under other schemes (e.g. WorkCover, DVA) so some OTs are choosing to withdraw due to issues dealing with NDIA/inadequate remuneration for complexity of work.

OTA's recent member survey showed that 85% of respondents reported experiencing stress or burnout as a result of providing NDIS services in the past 12 months.

These comments from OTA members highlight some of the issues:

*“The system isn’t supportive of growing and developing a workforce that meets the needs of the people it is supporting. There is A LOT of burn out in OTs working in this system, and we’re losing as many as new grads coming in. The workforce deficit won’t improve if we keep losing OTs because the work brings little job satisfaction, we just constantly fight the system”.*

*“Overall many of the OTs I know are at the very least contemplating either leaving the profession completely or leaving NDIS practice. This further increases the shortages of OTs and waitlists for participants.”*

*“As a business owner, we pour so much time and money into training and supporting our staff so they can work and cope in this system, it isn’t sustainable financially - the system encourages business to provide no support to staff and over work them to be financially viable - you will end up with a system being serviced by low integrity companies who just churn through staff, and don’t deliver evidence based practice or good outcomes for clients”.*

Changes are needed in NDIA’s processes and systems to implement more reliable and consistent decision making and communications, to reduce skilled clinicians leaving the sector.

Improvements to NDIA systems and processes will also reduce providers’ opportunity costs lost to complicated reporting and inconsistent NDIA communications and decisions. A clearer and consistent and predictable system will reduce the administrative burden on providers, and the psychosocial impact on staff. Ideally, costs of NDIS reports can also be decreased, allowing more funding to be allocated to independence and capacity building outcomes for the benefit of participants.