

## **Disability Employment Services (DES) Reform 2018**

### **Industry Information Webinar**

#### **Slide 1**

**Chris D'Souza:** Director of the DES Policy Team. I am here with Kerry Kennedy, Director of the Purchasing Team, and Justin Galke who's Acting Director in the DES Policy area.

So today's presentation is to provide you with key information and key changes to the DES program and the new provider arrangements that will take effect, from 1 July 2018 and including the new panel of DES providers to be established by DSS.

The format of the session today, will follow the same format as the industry paper..

What we'll go through is the current DES program, for those who are new to the sector and looking to become involved within the DES program;

the changes to the program, which will be most relevant to those existing providers currently;

What the expectations will be of DES providers from 2018, and the application process for applying to join the DES panel.

There will be opportunities to ask questions. What I think I might do is we'll go through the policy changes, i.e. the current program and changes to the current program, first.

A disclaimer in regards to the probity. The department is committed to ensuring the DES Grant Application process to establish the panel of DES provided is fair, transparent and subject to appropriate scrutiny. DES has appointed a probity advisor who will be advising us on the probity and integrity of the DES Grant Application process.

I should also say that any questions asked today will be recorded and published on the Frequently asked questions on the Engage website ([engage.dss.gov.au](http://engage.dss.gov.au)).

#### **Slide 2**

Just a quick setting the scene, some high level points that you will have seen when the Government announced the changes to the DES program in the 17/18 Budget.

The Government committed to providing over \$3 billion over the forward estimates, so the next four years, and to DES it's roughly just over \$800 million per year into the program. For the first time it includes indexation, which is an additional \$300 million over the next 10 years of index provided payments.

The existing contracts were due to expire on 4 March 2018. In order to provide a sufficient time for providers and the sector to prepare, those contracts have been extended until 30 June 2018.

Another important piece that the Government has decided is that existing DES providers will be offered new contracts for those that have a 3 star rating or above, based on the June 2017 star ratings. There's also a few other caveats, such as those that received new business in the re-allocation process and through gap filling activities will also be offered a new contract, and we are calling that the "Invitation to Treat" process. We will talk about this more within the application process later on in the presentation.

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Again, particularly for those who are looking to enter into the sector, just to set the scene in terms of the disability landscape within Australia, there is a strategy called the National Disability Strategy, it's the Australian government's national framework for addressing the needs of people with disability in Australia. All governments, both federal and state governments, have committed to the NDS as part of the national approach to improving life for Australian's with disabilities, their families and carers. There's generally six principles and there's an underlying theme of employment being a key theme of economic participation of people with disability under this strategy. So there's probably two key areas within employment that that the Federal Government has a large responsibility for and one of the largest is the National Disability Insurance Scheme, and it's the new way of providing support for people with disability, their family and carers in Australia.

NDIS will provide about 460,000 Australians, under the age of 65, with a permanent and significant disability with the reasonable and necessary supports they need to live an ordinary life. Those supports may include personal care and support to access the community, therapy services and essential equipment.

The rollout of the NDIS began in July 2016 and it's being introduced in stages around the country over the next three years. People with disability eligible for the NDIS are not necessarily the same cohort that are eligible for DES, which is the purpose of this presentation, so to give you an illustration, if the NDIS was rolled out now it's estimated that about one in 20 NDIS participants would be eligible for DES and about one in eight DES participants would be eligible for the NDIS. So there is certainly an overlap and this overlap may grow as people with disability address their immediate personal needs and seek to find employment in the open labour market. So just to be clear, the Disability Employment Services, or DES, it's not part of the NDIS, it's a complementary initiative under the National Disability Strategy framework. DES provides supports and services to maximise the potential of people with disability to participate fully and equally in society. DES provides a platform to ensure that everyone who is able to participate in the labour market has the best opportunity and support to develop their skills and confidence to find a job and keep it. So DES is about the open labour market and providers of DES will need to work with the NDIS and services provided under the NDIS in order to ensure that there's a coordinated approach for people with disability in order to improve their employment outcomes.

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So that's setting the landscape, now we'll go specifically into how the current DES program works. DES is designed to provide individually tailored assistance for job seekers with disability, injury or health conditions, in a flexible manner. Most providers offer a generalist service, and what I mean by that is that they provide services to an eligible participant, regardless of their demographic or disability type, but there are some specialist providers that will only deliver services to specific cohorts, based on either - their disability, such as hearing impairment, moderate intellectual disability, vision impairment, or maybe a certain demographic of people with disability, such as young people with disability, or Aboriginal and Torres Strait Islander.

### **Slide 5**

Key elements include ensuring that all eligible job seekers can receive immediate assistance to find work. As mentioned, individually powered program assistance is intended to address the specific vocational and non-vocational barriers of each job seeker with disability and it's

the network of contracted DES providers offering a range of different approaches to achieve outcomes for job seekers.

You may also be aware of there's a mainstream employment service called Job Active, and you might be asking the question, what is the difference between Job Active, the Government mainstream employment services, and the Disability Employment Services. The key difference is that DES is for job seekers whose primary barrier to employment is their disability, injury or health condition.

There will be job seekers in Job Active with disabilities, but it's not their primary barrier to gaining a job. There are also job seekers in DES who are not required to participate, due to mutual obligation requirements for income support purposes, but can choose to volunteer to receive DES services. We'll talk about the eligibility for DES in a little bit.

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Within DES there are two main services, and a couple more acronyms for those who are new, the Disability Management Service, or DESDMS is what we call it here in the Department, and that has a rehabilitation type approach. It's where job seekers with disability, injury or health condition who require assistance to find sustainable employment but who are not expected to need long-term support in the workplace. The other service is the Employment Support Services and these are often job seekers with permanent or profound disability and there is an ongoing relationship with their DES provider once they've been placed into a job, and that can go on. There are some people who have been connected with DES, through its various iterations, for 20-odd years. They are the two main types of services.

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Just quickly, on some of the key stats on the current program. There are around 119 organisations or DES providers delivering services in over 2000 sites around Australia, whether they be full-time, part-time or outreach sites. They're across 110 non-remote employment service areas. What I mean by that is Australia, for employment service purposes, has been segmented up into 110 different areas, based on breakdowns of labour market regions in non-remote areas. Where remote areas have been determined by the Government and using ABS data, the employment services are delivered by the Community Development Program and that's administered by the Department of Prime Minister and Cabinet.

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As I mentioned earlier, a flexible, tailored program that's been set up, so the role of the DES provider is to provide tailored assistance to participants and address their non-vocational and vocational barriers and move them into sustainable employment in the open labour market. They do this through a number of ways, they build linkages and relationships with employers. So, in essence, employers become integral in addition to the participants. Employers are another key client of a DES provider.

DES Providers can assist employers to access financial support when hiring people with disability or recruiting people with disability. There is access to workplace modifications, through an Employment Assistance Fund, there are wage subsidies available, et cetera. They connect participants to skills development, whether that is with providers using their service fees or looking for other avenues to find vocational training arrangements. They build linkages with other stakeholders within the local community and more broadly; and they

factor in the employment support service they'll provide for example ongoing support in the workplace where required. It might be on a regular or on a high needs basis; it may be on a flexible ad hoc basis.

Another key role of a DES provider is to work with jobseekers within the landscape of mutual obligation. What I mean by that is, there are people who receive income support within DES, New Start Allowance, Youth Allowance, Disability Support Pension, as well as some of the other payments and often they are required to participate in DES in order to continue receiving their fortnightly payments. Providers play to make sure that the participants are doing what's required, under the Social Security Act, in order to maintain their payments.

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Quickly on who is eligible for DES or what a case load may look like, whether it be for disability management support or employment support service, participants must have a disability, injury or health condition. They must be of working age. So at the moment we've got people aged at least 14 to 65 years of age, but it is tied to the pension age changes so will the eligibility for DES. Again, minimal working age in each state or territory. They must have a future work capacity with intervention of at least eight hours per week. The future work capacity is determined by an employment services assessment or a job capacity assessment that's undertaken by the Department of Human Services when a job seeker is looking to - seeking income support.

They must be an Australian resident; however there are a couple of exceptions. They are generally not studying full-time or on a study allowance. There is one particular cohort, and referring to the slide we set an acronym there, so apologies for those who aren't familiar, ESL the Eligible School Leavers, and that's where DES, a Disability Employment Service provider is able to go into a school within a young person with disability's final year of school and provide them with some transitioning support to find them work, as they finish their schooling.

Also participants who are not working at or above their employment benchmark hours, there are a couple of exceptions there. (Referring to slide) we say Work Assist, the term should be Job in Jeopardy, but the name will be changed to Work Assist from 1 July 2018. A participant or a person with a disability that is within an Australian Disability Enterprise, previous terms have been called sheltered workshops, but they're often segregated employment arrangements.

When we talk about employment benchmarks we are talking about, generally, what their future work capacity is. This generally determines what a participant's employment benchmark is. We can talk about that in a little bit.

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Just to give you some breakdowns now of the current makeup of the caseload within DES, most participants come to DES via Centrelink or the DHS services, through a referral, you can see it's the majority, 91 per cent. There are a number of people who were volunteers that may be or may not be on an income support and eligible for Disability Employment Services and will choose to go to a provider directly and not need to go through Centrelink; they don't have mutual obligation requirements. There are services available, for people with disability who are currently employed and may be at risk of losing their job due to their illness or disability. If eligible, they are able to access a DES support service, currently known as Job in Jeopardy, Only a very small portion of people use Jobs in Jeopardy at this stage. As mentioned earlier, as the NDIS continues to roll out and people with disability continue to

address their immediate needs and will want to start looking for employment as their pathway to independence, the NDIS may be a channel through which participants may start seeking information to enter DES.

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As mentioned earlier, generally the way a person's eligibility for DES, and their hours of work capacity is determined, is through the Employment Services Assessment (ESAt). It's a comprehensive work capacity assessment and it recommends the most appropriate employment service and support interventions. It's based on the assessment of the job seeker's barriers to finding and maintaining employment and provided their work capacity and bandwidth. In most cases the provider needs to refer a directly registered job seeker for an ESAt to determine their eligibility for DES.

Also there's the Job Capacity Assessment, which is basically an employment services assessment plus some impairment tables and it is used to determine whether a person is eligible for the Disability Support Pension. That will also provide a recommended referral or a work capacity once that assessment is conducted and that may result in DES as the appropriate service. Again, if you have any questions about the pathway of a person with disability into DES please ask a question, feel free to type it and we can answer it at the break.

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There's generally three phases within the Disability Employment Services: there's the employment assistance phase, and that is where a provider is generally delivering services to prepare a person with disability for a job. At the moment, if we take a snapshot of the caseload, there's about 63 per cent of DES caseload is in that phase. Once the provider has found suitable employment for the participant and they're placed in the job, they'll generally be put in a post-placement support phase. As a participant's tracking towards a milestone of 13 or 26 weeks within a job, the provider is seeking to claim outcome fees for the time that person's been in the job. At the moment there's about 26 per cent of the current caseload in the post-placement support phase. 11 per cent have been through the six months and there's been a determination by the provider, or by further independent assessment, that the person needs ongoing support in the workplace by the DES provider, and that makes up about 11 per cent of the current caseload.

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It's worth noting that for ongoing support purposes, in DMS, Disability Management Support, that is generally a flexible, ongoing support and for DES ESS, Employment Support Service, it's generally a moderate or higher ongoing support that's required for participants. Again, just to look at the demographics of the caseload, it is interesting to show the DMS versus ESS caseload, if you look - predominantly most participants are on an activity tested payment. They are on either New Start or Youth Allowance making up the majority, with DSP a small percentage and the other payments. But there's also 6 per cent that are not actually on a payment and are volunteers and eligible to volunteer for the service to find a job.

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If we compare this against the ESS caseload you'll still note that there's some similarities in the fact that the majority of the current caseload is New Start and Youth Allowance but obviously the disability people on disability support pension is ten times as many, in terms of

percentage wise, and that obviously equates to the type of services of ESS being for those with permanent disability. Again, a number of participant who are not on an allowance, volunteers, they may be made up of eligible school leavers or people through the Jobs in Jeopardy program who are currently employed and needing assistance to remain employed.

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Again, looking at the work capacity of the clientele within DES, the majority of participants in DES do not have a full-time work capacity, that is, they don't have an assessment that will say they can work 30 plus hours per week. The majority will fall within between eight and 29, with probably about 15, the range from the 15 to 22 being the greatest. Within DMS the 15 to 22 is predominantly where a lot of the DMS clientele fit and if we compare that to the

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ESS caseload, again you'll see the make up there, it's between the eight to the 29 work capacity is the majority of the clientele, 15 to 22 being the predominant.

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We talk about the 186,000 participants that are on the current caseload, it's worth noting this figure is at a point in time and there have been questions about caseloads. If there is Invitations To Treat for current providers and maybe participants choosing to remain with their current provider, there will be questions about, for those seeking to enter the market, what opportunities, there are to build up caseloads. It's worth noting this table there, about the number of commencements in any one year. There's around 90,000 commencements in any given year that people will need to be choosing a provider at a given point in time. So while we say 186, that's not a stagnant number, that's the churn of people commencing the program is quite high. Again, it's roughly evenly broken up between DMS and ESS. That's worth thinking about as you seek to enter the market.

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Another thing worth thinking about, again, we talk about the 186,000 participants that are currently in DES, the Department has done some work looking at those participants that may be eligible for DES that are not currently in DES. If you look at the figure, on the bottom right-hand corner of the slide, about 250,000 people that have a work capacity are deemed eligible for DES. This data is from our information cross-matched with the Department of Human Services data. These 250,000 people are not in DES, they are not in Job Active, they are not in an Australian Disability Enterprise, they are not declaring earnings. DHS doesn't have data that they are undertaking any education or training and I should be very clear, these are people who are on a disability support pension. So, again, a number of these may be eligible for the NDIS and as they deal with their immediate needs may be seeking employment. So as perspective or existing or future DES providers, it's worth considering that there is a cohort double what's currently within the DES program that will be eligible for DES.

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Just a quick breakdown of the fees and how providers are paid to deliver services. Providers receive quarterly service fees and I use the term, they're generally loaded, and what I mean by that is there is no separate or quarantined amount of funding, such as in Job Active, that is there and must be used in certain ways. This is a service fee for DES providers to use, as appropriate, on the participant and they are paid up front quarterly.

Then there is outcome fees, and this is when people are placed in employment at various milestone points, and they are paid in arrears, once the participant has been in the job for the certain amount of time. For example, if they've been in the job for 13 weeks the provider will receive the 13 week outcome payment and 26 week outcome payment.

Also, should the participant need to go into ongoing support, the provider will be recompensed for providing services, based on the need of the participant. These are generally paid in arrears, at a choice by the provider, depending on their business model whether they're paid on a quarterly basis or a monthly basis per participant, for the high and the moderate, particularly to the Employment Support Service, and it's paid on a fee for service for those that need flexible, ongoing support. That's generally for the Disability Management Service.

It's worth noting that within the outcomes there's two types of outcome fees, and that's for the full outcome payment. There's full outcome payments and part outcome paid. What we mean by full outcome payments is where the participant has generally been placed into a job, at their work capacity or their benchmark hours, is the term we use, and they're working those hours for the relevant milestones, the 13, the 26 week payment. We'll pay a pathway outcome generally for getting close to that benchmark hours, it's about two-thirds of their benchmark hours or work capacity. We'll also pay pathway outcomes for various education activities and those payments are in recognition that the participant and the provider has delivered services to get a participant to close to where it's been determined what their work capacity is.

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There's a number of assistance available through the DES program and these are generally directed at employers. There is a wage subsidy of \$1500 under the wage subsidy scheme that's available to assist employers in having a person with disability adjusted into the workplace. There's a supported wage system, which is delivered by a panel of assessors, and that's a wage equivalent to the capacity of a person with a disability. There's an employment assistance fund which is available, again, to assist in workplace modifications at a given workplace or to assist a person with disability in getting to their job, to assist employees and a person with disability. There's also, as mentioned, the Job in Jeopardy and to be rebranded and work will be done on its communications and its services. Again, rather than pushing people into work, the Jobs in Jeopardy program provides a safety net for those that are currently employed, may never have been in contact with DES, may never have been on income support where they are facing significant barriers due to their disability in the workplace. This program offers the employer and the participant some support to maintain employment.

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So that's the basic rundown of how the current program works.

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So part of the key changes for the service, from 1 July 2018, is to create greater choice and control for people with disability, in terms of the provider that they choose to seek services from. That will involve, through greater competition and contestability of providers seeking to deliver services to the various people with disability eligible for DES. There'll be changes to the DES funding model, in the quantum that providers can receive and the number of

different levels of payments. There'll be some changes to the supports within the workplace once a person with disability has been placed, and there'll be also a school leaver's trial, which will look at broadening some eligibility for some young participants finishing school and seeing whether DES is an appropriate service for those participants - those young students that aren't currently eligible for DES. We'll talk about them a little bit later.

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When we talk about creating greater increased participant choice and control, what we mean by that is we will allow participants to choose any provider that they're able to access and at the moment that means the changes are participants currently are required to select a provider within the employment service area in which they reside in, one of the 110 I mentioned earlier. From 1 July 2018 participants will be able to choose a provider that may be outside their ESA, might be on the boundary somewhere, might be just over the train tracks, in a different employment service area, they'll be able to go and select them. So it creates a greater choice for participants.

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There'll be also a removal of market share arrangements that currently exist, where providers are guaranteed a certain number of referrals from Centrelink. That will be removed so providers will be required to seek out and maintain participants rather than receiving participants through a guaranteed referral mechanism.

There'll be some flexible modes of contacts, based on discussions with the provider and the participant. We're looking to make things more flexible and allow the provider and the participant to determine the best way to receive and deliver services. So we'll expect that the provider will deliver a face-to-face contact as the initial or the commencement contact and then it will be negotiated between the provider and the participant. That may be through Skyping, through modes of technology, if appropriate. There'll also be the capacity for participants to transfer to another provider if they're not happy with the services they are receiving. This is in some way to give some more leverage to participants and for providers to, in essence, react to the needs of participants. So there'll be at the moment it's up to five, we can say up to five times that a participant will be able to change providers, with no questions asked, by calling the national customer service line.

In order for participants to have an understanding that they've got greater choice of who they choose, whether it be through Centrelink or they are able to directly register with the provider, depending on the pathway in which they come, there's going to need to be greater information available to participants. The Department is currently working on providing better ways of displaying information and having relevant information available to participants, in terms of the providers that are available within areas, services that they offer, the performance ratings of those providers, easily available to participants to assist them in making choices and understanding the additional control that they have in the services that they receive.

The second dot point of the changes was about improving competition and contestability between providers. Again, I mentioned this in the previous slide, but one of the key components is removing the market share arrangements. Again, as mentioned, providers will need to attract job seekers to their organisation, rather than relying on a percentage of eligible job seekers being referred to them by Centrelink.



What that means for you who are thinking of delivering services, you'll need to develop a reputable service and have a proven record for effective service delivery, within the ESA, in order to sell your brand. There'll be no right of refusal of a participant, unless for two circumstances: that the provider is at their capacity and that they've got - they've used their resources, i.e. the staffing at full capacity, or the other reason is that the provider is delivering a specialist service and that person with disability doesn't fit within the specialist service that the provider is delivering. For your illustration, a provider is delivering services to people with vision impairment and the person that was seeking to go to the service, or wanted to choose them, did not have a vision impairment, for example had a hearing impairment, they would not be able to go do the service.

A panel of providers will be established for an initial five year grant process with the option to extend up to an additional 10 years. So, in essence, there's options for the model to be available for up to 15 years, from 1 July 2018, to provide some stability.

There will be opportunities for new providers to enter the market at various intervals, and that will be around at an 18 month period, about every 18 months will be the period in which new players will be able to enter the market. Also at that time, existing providers that are performing well will be able to expand their footprint, should they desire. There'll also be periods during the panel arrangements where there's providers that, for their particular contracts or particular grants, are not performing at an average or above standard for four consecutive quarters star rating periods, they may be removed from the panel for that particular area.

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A couple of changes to the service fees element of the program. We've used money participant if the participant changes providers. What we mean by that is we're seeking to fully pro-rate the service fees. At the moment there's an element of pro-rating service fees in the current DES program and what I mean by that is that the current - if a participant moves to a new provider in the current arrangements, the relinquishing provider keeps the full 13 week service fee and the gaining provider receives the pro-rata proportion. What that means currently is if a relinquishing provider only has the participant for one or two weeks of the 13 week period they still currently keep the 13 week quarterly payment. We're shifting that so if a participant moves then it reflects the time in which they move. So if the participant moves within the second week or the fourth week, the relinquishing provider only receives that four week of payment. The way in which that will be implemented is that the provider will still receive the 13 week payment up front and then at the following cycle of payment, that money will be recovered. If you are familiar with Job Active arrangements, it will be a similar arrangement to how Job Active works in the pro-rating.

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There'll be a rebalance between the service fees and outcome fees, in terms of their weighting or the amount which has been placed into the outcome fees. At the moment expenditure, there's around 60 per cent of expenditure is on service fees and around 40 per cent is on outcome fees. We are looking to moderately change that balance so that there's a little bit more weighting on the achieving outcomes. That essentially means that as a provider, if you are keeping people on your books there'll be a 10 per cent revenue hit; but if you get more people into employment you'll get a 10 per cent revenue increase, all things being equal.

So, again, as the last dot point says there, provides revenues more dependent on success in getting people into work. We thought it was appropriate not to make a dramatic shift into the outcome space, we recognise and we accept that there is some up front investment required for the cohort that fits within the DES space to warrant up front investment and therefore putting too much payment in arrears and getting them a job could see some issues with the service being viable. So we consider it to be a moderate shift.

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Probably one of the key components you would have noticed in the Industry Information Paper, I think, is appendix 2, is the new rates of payment within the risk adjusted outcome fee model. Again, this is in recognition that some participants may require more support and some with less to get employment and the dollars have been carved up in a way that reflects the probability of different cohorts achieving employment. A participant will be provided a fund level, based on the likelihood of them achieving an employment outcome and it's moved from three funding levels of one for DMS and two for DES ESS, i.e. funding level 1 and funding level 2, there's going to be five funding levels for DMS and five funding levels for DES ESS.

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Another important element that you'll be aware of in reading the Industry Paper is that unlike the current DES structure, which has been stagnant since 2010, we will look to recalibrate those outcome fees, on a period basis, based on the latest data we have on the likelihood of employment outcomes.

If you refer to Appendix 1 in your Industry Information Paper, we've given a breakdown, based on the existing caseload of employment assistance participants, where the breakdown of funding levels fits for your benefit. Again, what that's trying to do is you'll see, for DES ESS, that on the 26 week outcome there's up to \$14,000 for the 26 week outcome and I think that goes somewhere to I think it's about \$9000 to the funding level 1 for ESS. What that's showing is that you'll only be required to place one of those that fit within the funding level 5 categories, compared to multiples that would fit within the funding level 1 category, ESS 1 category. Sorry, I'll just restate that. If you look at the ESS case in point, there's \$14,000 for an ESS 5, there's \$1,900 for an ESS level 1, so there's quite a difference in spectrum there and what that's trying to say is you can still make revenue by looking at the ESS 1, but you'll need to achieve seven of those people to every one of the ESS level 5 participants. That's there to try and drive behaviour to focus on the most difficult people to place.

In addition to the current 13 and 26 week outcome payments we're introducing a four week outcome payment. It replaces the job placement fee that we had. It slides the payment a couple of weeks later and for this job placement you have to work your average hours over a - it's one week of benchmark hours over a two week period. It's shifting that slightly to that you need to work an average of your benchmark hours of three weeks over a four week period. So what that's trying to do is have providers and employers work together to try and get a person stay in the job. Having said that, we still recognise that there's merit in placing people and sometimes they won't stay and we're still going to allow up to four 4-week outcome payments within a period of service per participant.

Again, at the other end of the scale, we also want there to be sustainable employment. That doesn't necessarily mean that when I say "sustainable" it's within the same job, but we do want people to be placed in employment and have their barriers addressed so they can be employed for an ongoing basis. Therefore we're seeking to reward those where people

remain as employees for 52 weeks. That's a natural iteration from the current program where we reward providers through a performance measure. We'll also now financially reward providers through a payment, if a participant is in work for 52 weeks, at their benchmark hours.

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We've made some changes to the education outcomes. There are some swings and roundabouts in some of the things we've done here. The idea is to take a more targeted approach on where providers and participants seek to move into education. Currently there are cohorts that are eligible for a full outcome payment if they are placed into education. Those are generally on parenting/carer's payment, people without Year 12 certificate, and some Indigenous cohorts. We are still seeking to allow full outcomes, we think that there is merit in having certain cohorts moving through the pathway to find employment and rewarding accordingly with education, but we're raising the bar to where we look at data and we've known that there is a greater chance of participants getting a job. That is, raising the bar to a minimum that they must be undertaking a minimum of Certificate III in order to qualify for a full outcome. Adding to that, we are also expanding who is eligible for a full outcome to also include those on Disability Support Pension that now have participation requirements. We think there's merit in driving behaviour to further their education as well.

What we determine as Year 12 equivalent, means they don't have something equivalent to a Certificate III. Previously it was something equivalent to a Certificate II. So, in essence, that does broaden the eligibility for employer outcome payment for education.

Previously if a person received a pathway education outcome and then subsequently moved into employment, there was no scope for a provider to drive behaviour to achieve a 13 week payment for employment, they'd have to wait until the 26 week milestone payment came in. What we think is a logical pathway is that if a person achieves a 13 week pathway education outcome, that a provider can then, if the person subsequently gets a job, will then be eligible for a 13 week pathway employment outcome and then can move on to the 26 week employment outcome as well.

We're also tightening up a little bit in terms of participation. The Department and Government wants to ensure that the person is actually participating fully and is fulfilling the requirements in their education. That's in recognition that probably it's a little bit lax in terms of the requirements for ensuring a person with disability is undertaking the education activity.

We'll also be introducing an internship payment for the PaTH program, which was an initiative introduced in the 2015/16 Budget where a person in jobactive, and I think the federal Transition to Work Program could undertake an internship with an employer. Job active currently has a payment to drive the behaviour of providers to placing people into an internship with an employer. We'll also introduce a payment for DES providers to do the same, from 2018.

Again, just reiterating what the current policy is to place someone into a PaTH internship. The participant must be aged 17 to 24, be in receipt of income support, and have mutual obligation requirements. They also must have been in DES assistance for at least six months, which is relevant to DES space, given the range of work capacity of people within DES. They must be able to undertake the internship for an average of 15 to 25 hours for at least four, eight or 12 weeks. We will make a payment at the four week outcome rate when the person has been placed in a PaTH internship for four weeks.

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Again, as mentioned very early in the presentation, there's indexation. The first indexation point will be from 1 July 2019 and then annually from then on, and fees for the 18/19 year are in appendix 2.

### **Slide 32**

The final dot point, in terms of the DES program changes, is the support in the workplace and the changes are two-fold in that space. We're largely keeping the Ongoing Support payments the same as what they were before. You'll note from the Discussion Paper we sought advice as to whether a fee for service was a better model or not. We received resounding feedback that there were benefits in the quarterly payments as they are now, for cost subsidisation purposes. So we're keeping fees as they currently are, but we're also introducing or clarifying that the eight hour minimum for the participant to be working, in order to be eligible for the ongoing support. Basically they need to be doing the minimum benchmark of what we allow within DES. Ideally they will be working their benchmark hours, but if not, for reasons of episodic conditions and they've had to reduce their hours, we'll still pay, but it must be at a minimum of eight hours.

Again, I think rebranding the term "Work Assist" doesn't accurately reflect what we want to try and do. DES providers need to be out communicating the service that is available, to be known as Work Assist. There's work to be done to change the language in our guidelines and in how we communicate the service to employers so that we don't have employers concerned about breaching potentially, or perceived to be breaching any discrimination laws by accessing this service. So there's some work to be done in our language in communications in the way that we offer this service to employers.

### **Slide 33**

Sitting somewhat outside the specific program changes is we are going to conduct a School Leaver Trial. That's obviously going to start at the beginning of the new DES arrangements and what that's seeking to do is broaden the eligibility of who may be eligible for DES. I should be very clear, it's not seeking to go further into a person with disabilities schooling or their education term, i.e. we're not looking to go into Year 11 or 10, we are still looking at when a person is finishing their Year 12.

At the moment, an eligible school leaver is basically defined by the way the education system defines a person with disability and they'll be provided with additional supports within the education system. In terms of our consultations we accept that there's a cohort that don't necessarily receive that education funding support, but who may be at risk of disengaging if there's no supports available for them, of an employment service kind. So we need to work on a trial that is suitable, it might be a DES-lite, I use the term, but what we do not want to do is jeopardise the current and potential education pathway of a person with disability for some short-term gains of low level employment. We'll be working this year in consultation to try and work out what sort of level of support, through the DES program, would be appropriate for this broader cohort of students with a disability that are completing Year 12.

### **Slide 34**

Just a couple of quick things, I'll go quickly through, in terms of some of the framework that will underpin provider behaviour and requirements of providers, in addition to the financial requirements. There's obviously the Provider Performance.

### **Slide 35**

We have, for those who are unfamiliar with the Disability Employment Services, we have a performance framework, that is largely based on two components. There's three Key Performance Indicators (KPIs), but there's largely two components. We have a Star Ratings component, which is a relative measure of a Provider's performance against each other, and we also have what we currently classify as our quality indicator. All providers however must be certified as compliant against the National Standard for Disability Services.

That's a requirement under the Disabilities Services Act 1986 that currently, you must be certified as compliant or, if you're seeking to deliver services in DES you must receive certification within 12 months of receiving a grant agreement. There's an audit every year and there is a recertification every three years.

### **Slide 36**

I'll quickly just talk about Star Ratings. We have a five point system or Star Ratings, one, two, three, four, and five, with five being relatively performing above the average and one or two are relatively performing below the average. You see the percentage points, that's what makes up the star ratings. It doesn't necessarily have to be a standard bell curve, in terms of the standard deviation but often it is close to it. In terms of providers not performing within the ESA, at a level that was considered appropriate, we would be looking at particularly the red, the 1 star, and possibly in the orange, the 2 stars. If they continued to receive those levels of star ratings for four consecutive quarters we would be seeking a reason to keep the provider continuing to deliver the services within that area.

For those again who are new, these Star Ratings are largely based on outcomes achieved, it looks at the actual outcomes you achieve versus the expected outcomes achieved. There's a regression down, which is based on both the cohort of participants and also the local labour market in which the ESA is and a regression analysis done to determine the relative performance. I should be very clear that we are not looking to remove star ratings in the new system, we will be conducting a Star Ratings review. There might be some elements that may not be relevant or appropriate within the new DES 2018 model. Case in point, at the moment Star Ratings are based on a DES provider's three years worth of performance. Well on three years, so that means for performance that was done in a quarter three years. That means for performance that was done in a quarter three years ago it will still influence a Star Rating of a provider. Whether that's appropriate within the new model, where we'll be allowing new providers in at every 18 months and therefore there will be providers in at shorter periods of time, whether we move the three year rolling period to a year rolling period is an option that we are looking at. What that means is obviously two-fold. There's volatility but it also means that if you had a bad period of performance you're not necessarily hanging on to that for a long period of time. Conversely, if you had a good period of performance and you're on a downward trajectory you won't be carrying that around, being able to rely on that either. So there's some give and take in terms of moving to that arrangement but that's something, again, where there'll be further consultation through a review process.

### **Slide 37**

Again, I've mentioned about underperformance, and rather than having, like we do at the moment, two per service scheduled business reallocations, they've been large scale, and it all happened at one time. That's not going to be the case within the new arrangements and it's likely that this will be done on a rolling period looking at providers performance.

### **Slide 38**

I mentioned earlier, in regards to the compliance framework, new providers will have a major role with assisting and implementing the new compliance framework from 2018. It was announced in the 2017/18 Budget that there would be some changes. The view is that this does fit nicely with the way in which the new DES model will work because it's purely seeking to target those that wilfully are non-compliant with a demerit points system. What it does mean is that there will be a role for DES providers, should demerit points be accrued, for DES providers to assist the participant to ensure that further non-compliance doesn't occur or to remove the demerit points that the job seeker has accrued. So I don't want to mention the changes to DES without saying, particularly for those that are new, seeking to enter the market, that there is a role to play, in terms of ensuring there's compliance of the participants.

### **Slide 39**

**Kerry Kennedy:** So just talking about the application process for the new DES program, new panel arrangements for DES providers.

### **Slide 40**

A panel of DES providers will be established by DSS for an initial five year period. The DES grant application process will be conducted, consistent with obligations under the Public Governance, Performance and Accountability Act. Providers seeking to deliver DES DMS or DES ESS will be selected through a single grant application process in line with the requirements set out in the Disability Services Act 1986.

The grant application process will be undertaken through two stages.

### **Slide 41**

Stage 1 of the process will be a registration of interest (ROI). It's an unrestricted registration of interest where all organisations wishing to provide services from 1 July 2018 will need to register their interest. This includes organisations that are likely to be offered an invitation to treat in Stage 2 of the process. If you're interested in delivering DES you need to register your interest, and I can't make that point strongly enough. Organisations will be asked which ESA they wish to offer services in, whether you wish to deliver DES DMS or ESS or a specialist service. However at the ROI stage, organisations will not be held on those indications. So if you indicate at the ROI stage that you are only interested in DMS, however further on and before the application process starts you then choose to also apply for ESS that will be okay. The ROI will be advertised on the DSS Community Grant website and organisations are encouraged to subscribe to the link so you know when information has been published on that Community Grant website. Just to make one more point against stage 1, is that this process will not be assessed. So we're basically gathering the people who would like to be invited to apply and the interest they have in particular services and in which areas.

### **Slide 42**

The Invitation to Treat (ITT) process will run concurrent to the restricted grant round, which is stage 2, for those existing DES providers who register their interest in stage 1. Existing DES providers will be invited to continue delivering the service under the new grant agreement from 1 July 2018, in ESAs where they deliver DES now (in the same locations that they're

currently performing at) for the services they currently deliver only if they are performing either at 3 stars or above for the contract under the June 2017 star ratings, or they've received additional business, through the 2016/17 business reallocation, or they're received additional business through the gap filling arrangements.

Based on the March 2017 Star Ratings data, for the last data that we have, 109 ESAs will have DES providers performing at a 3 star level or above, continuing to deliver DES services. So if we were to offer Invitations To Treat, based on those March Star Ratings. 109 ESAs would have provided that. One or more current DES-ESS providers will continue in 107 of the 110 ESAs while current DES-DMS providers would continue in 104 ESAs.

Note: These figures are just point in time and are likely to change in June 2017 star ratings.

### **Slide 43**

This slide shows a summary of the requirements for going through each of the processes. This table shows a high level summary of the requirements and the third column, Business, refers to existing business levels within a particular ESA. Also in the third column there's ITT offers, this includes business that was allocated through the 2016 business reallocation process or any other business since reallocation as a result of novation that does not have a star rating.

### **Slide 44**

Registration will be restricted. So only those people who have registered their interest in stage 1 will be invited to apply through stage 2. Potential applicants will be invited to submit their application. This would apply to organisations currently not delivering DES services, current DES service providers who have been identified as performing below 3 stars and current DES providers who DSS has identified as being offered an ITT who wish to expand their business. To reiterate: New applicants to DES, current DES providers who have not been offered an ITT, current DES providers who have been offered an ITT but wish to expand their business past what the ITT has been offered to them, (so in different ESAs or for a different service). Providers will be asked, or applicants, who have been invited to have an ITT, will be asked to either accept or decline that offer.

Stage 2 will include directions on how to access the DSS grant funding round applications. So when the stage 2 process begins there will be a grant application pack which will explain all the details on how people need to complete the process and what will be required of them.

### **Slide 45**

The application pack is different to previous processes for DES. There'll be an online application form that everyone will need to complete. There will be a DES Grant Opportunity Guideline which is similar to what a Request For Tender (RFT) would have been in the past. In the Grant Opportunity Guideline there will be a lot of terms and conditions about applying for a grant and what the expectations are of the Department, and the Commonwealth more broadly, but there will also be an attachment to the Grant Opportunity Guideline which will include a statement of requirements, the detailed policy intent of the DES program and what we're asking people to consider when they put in an application.

We'll also be having a draft grant agreement, which is similar to the deed that we currently have that supports DES. It will be a draft at that stage, but with some more questions and answers and information to be provided by an organisation. So that's mainly covered in the application format itself.

#### **Slide 46**

Applicants will be asked to provide organisational level details on the governance and strategies as well as information about proposed specialisation. DSS will only consider allowing organisations with experience in disability and/or employment or related service to join the DES panel. Applicants will also need to demonstrate good past performance in disability employment or related services. Applicants will also be expected to demonstrate their ability to provide full coverage at the ESA level. All of this is to try and give you a sense of the sorts of things we'll be looking to see in the responses to the application process.

To ensure transparency in the DES purchasing process, Star Ratings at the contract in the ESA level will be made publicly available on the employment website, under DES star ratings page, and on the labour market information portal in early August. Links to these papers will be made available under the Useful Information section, in the Industry Information Paper on page 28. That's where you can also find the links to the DES star ratings and labour market information.

#### **Slide 47**

Ability to provide full employment service area coverage. When applying we will be asking applicants to apply for their business at the ESA level and they'll be required to nominate the locations where the services will be delivered. So we're talking about the sites where they intend to deliver their services. Applicants will need to include details of how the entire ESA will be serviced through accommodation of full-time, part-time and outreach service location. Applicant's will be expected to provide full coverage at the ESA level.

#### **Slide 48**

Applicants may nominate to deliver services to one or more specialist client groups within an ESA. The provision of DES for one or more specialist client groups is referred to as specialist services. The application should also detail past performance, expertise and strategies to address the specific needs of each specialist group. The specialisation can target a broad client group, for example, job seekers with physical disability, or a more defined group, for example, job seekers with spinal cord injury. Specialist client groups can be defined by job seeker characteristics and/or disability types, for example, physical, mental health, hearing impairment, Aboriginal and Torres Strait Islander or youth at risk. Specialist service providers must only accept and help job seekers who chose them as their DES provider, the role within the specific specialty group. That's the same as it currently is now, so no changes there.

#### **Slide 49**

Who is eligible to apply to become a DES provider on the new DES provider panel? DSS will only accept entities that have a legal capacity to contract to provide DES. Individuals operating as sole traders are considered to have legal capacity while an unincorporated organisation is not a legal person and will not be accepted by DSS to join the panel of DES providers. A group of legal entities, which we would term a group application, can apply as a consortium, joint venture, partnership or some other form of alliance in order to deliver their services. It will be necessary to specify in the application the proposed business model, for



example, a consortium or a joint venture. Each group application must be a group of individual legal entities that lodge a grant application collectively. DSS will only enter into a grant agreement with a single legal entity. I'm sorry, I'm getting a little bit formal, but it's very important that I am clear in the way that this sort of information is communicated.

#### **Slide 50**

During the assessment process DSS will undertake an assessment of each grant application, taking into account providers who are being offered an ITT. The characteristics of the ESA, coverage, diversity, meeting the needs of the specific client group and job seekers in general and any risk exposure for the Australian Government, including the risk of reputation. Should the grant application process fail to produce suitable or sufficient providers in a particular ESA, having regard to value for money, the public interest and the best interest for the job seeker and participant, DSS may consider a number of options to ensure service coverage, including gap filling.

#### **Slide 51**

During stage 2, as part of the grant application assessment process, a range of financial viability and other checks will be conducted. This will involve security, probity, financial investigations, and any procedures deemed necessary in relation to an applicant, its employees, officers, partners, associates, subcontractors or related entities. An application may be excluded from further consideration if the applicant does not provide all reasonable assistance to DSS in this regard. For those who do not currently deliver DES services, a complete financial and credibility information form, with the most recent and relevant information will be required to prove financial viability. This information must be attached to the grant application in stage 2.

#### **Slide 52**

The next slide is on provider certification requirements. Both DES-ESS and DES-DMS are provided for under the Commonwealth Disability Services Act 1986. It's a requirement, under the Disability Act, that any organisation providing either ESS or DMS services is certified as compliant with the national standards. Applicants that do not currently hold certification against the national standards will be required to obtain certification within 12 months of commencement of the grant agreement. So that would be 12 months from 1 July next year. There's also certification requirement under information technology. Australian Government agencies are required to ensure that where contracted service providers are engaged they comply with the policies and protocols of the Protected Security Policy Framework. DES providers must obtain accreditation within 36 months from commencement of the grant agreement. The security assessment is independently conducted by an Information Register Assessor Program, an IRAP. Accreditation, once granted, is valid for up to three years from the time of accreditation, however if there is a variation to an organisation that affects the risk profile for that IT system during this time DES providers must seek reaccreditation for these changes.

Applicants should be aware that the ICT infrastructure will need to be compatible with the CAD system. This is required to deliver services on 1 July. There may be financial output for the for ICT certification. That's just been bolded so that people realise that they need to really look at those certification processes and what that might mean to them, as an organisation.

#### **Slide 53**

Indicative timeframe, which is what most people are really interested in. So we had the release of the Industry Information Paper, as Chris mentioned before. We're running information sessions, including today's webinar, around the country and some regional areas. The next major step in the process will be a letter to existing DES providers with their star ratings, and that will be happening in early August and then the public release of those star ratings. In the July/August period we're looking at stage 1, which is the registration of interest, which includes all people interested in delivering DES services, including those who are offered an ITT. Then in August/September is stage 2, which is the restricted round, where only those who have registered their interest will be invited to apply. Part of that process will have the grant application pack that I mentioned earlier and will include a copy of the draft DES grant agreement, which we now call the deed. In August/September there will be webinars for registered organisations about the actual grant application process. For those people that are still concerned about what they need to do to apply for DES, there will be an opportunity for more webinars.

We're proposing that in February 2018 we will be able to announce who has been successful in being on the DES provider panel and we're hoping that we can have those grant agreements executed by March 2018, all ready to start on 1 July 2018. I'll leave to you Justin now, who is going to cover off the transitional arrangements.

#### **Slide 54**

##### **Justin Galke:**

Good afternoon, I'm just going to talk about transition arrangements. The transition arrangements which are outlined in the Industry Information Paper are quite high level. There will be a lot more detail coming through the Grant Opportunity Guideline and draft agreement so I'll just take you through what we have here.

#### **Slide 55**

DSS will manage the transition period, in consultation with the disability employment sector. A transition working group will be established and membership details will be published on the Engage website once it has been established. There will also be a post-transition period that continues post 1 July 2018, to support the commencement of the new DES program.

#### **Slide 56**

Information during the transition period will be available for participants, providers and employers, similar to what we have done in the past, for example, business reallocation transitions and tenders.

There's going to be new technologies developed for DES participants. A key factor of the DES reforms is to provide DES participants with increased choice and control of the services that they receive and who they receive them from. To enable exercise of choice and control participants will need access to information, the Department will develop a technology App to facilitate access to relevant and timely information to support the progress to open employment.

To ensure the needs of participants are met, a consultation process has been undertaken by representatives from DSS and the Department of Employment. The purpose of the consultation was to gain an understanding of the types of information participants want to access, the ways in which they use technology and to gather as much relevant information from providers and participants to ensure that the technology being developed meets their requirements. The information gathered is currently being analysed and a report will be

prepared to help inform the development of the technology that will be most useful to participants.

### **Slide 57**

There will be a series of public information sessions to support this Industry Information Paper, which will be held throughout June and July, in capital cities and some regional centres. The schedule of information sessions is available on the DSS Engage website, at [engage.dss.gov.au](http://engage.dss.gov.au). Stakeholders can ask questions at information sessions like today, by emailing the Department or through [DESPurchasing@dd.gov.au](mailto:DESPurchasing@dd.gov.au).

All questions and answers from information sessions and today will be noted and posted on the DSS Engage website, and we encourage you to take the time to read them.

### **Slide 58**

I've just got some useful information which is available, I understand, through the DSS Engage website. All those links are on page 28 of the Industry Information Paper.

### **Chris D'Souza**

There are still more questions and answers yet to be published on the Engage website.

Again, thank you very much for joining in for the session today and if you'd like to ask more questions I encourage you to register for one of the information sessions in a capital city.