



# Specialist Disability Accommodation Pricing and Payments Framework Review

**Discussion Paper**

4 June 2018

# Why are we reviewing the Specialist Disability Accommodation (SDA) Framework now?

SDA requires investment in the development of new high quality housing.

In the early implementation of SDA, Governments have sought to understand what is needed to facilitate investment.

When the Specialist Disability Accommodation Pricing and Payment Framework (the SDA Framework) was endorsed by Disability Reform Council (DRC), it committed to review the SDA Framework during its third year of operation. This Discussion paper is part of the scheduled Review of the SDA Framework.

The timing of this Review is informed by stakeholders and the need for further opportunity to share their views and experience. The Review will be undertaken independently against the Terms of Reference. The outcome of this Review will inform DRC's development of arrangements for NDIS participant funding and market settings for future development.

## What is SDA?

Specialist Disability Accommodation (SDA) refers to accommodation for people with a disability who require specialist housing solutions, which may assist with delivering supports and cater to significant functional impairment, and/or very high support needs. SDA was included in the National Disability Insurance Scheme (NDIS; Scheme) to provide a new form of capital funding for eligible NDIS participants, and is only for land and built forms, not the supports a participant may receive in their home.

SDA is also intended to stimulate investment in the development of new, high quality, fit-for-purpose and innovative housing for eligible NDIS participants. SDA changes the way that capital programs were traditionally funded, by providing agreed SDA funding amounts directly to the participant, who can make their own decision about which SDA provider to enter into an agreement with.

## Who will receive SDA and who will provide it?

From the Productivity Commission's 2011 report, it was estimated that approximately 28,000 NDIS participants (or six per cent) nationally were expected to require support to facilitate access to suitable accommodation through SDA funding. Of these 28,000, around 15,700 were estimated to already live in specialist accommodation, meaning there was a need for enough housing to support an additional 12,300 participants. In 2019-20 terms, it is expected that \$700 million will be spent on SDA in the Scheme annually.

As at 31 March 2018, the NDIA reported 7,624 participants to have SDA funding in their plan. This includes participants already residing in disability-related accommodation funded by State, Territory or Commonwealth governments, who have transitioned into the NDIS. There are approximately 535 providers registered to provide SDA under the NDIS, and 1,136 enrolled SDA dwellings, of which 145 are new builds.

As at 31 December 2017, there was a total of \$63 million committed to SDA in active NDIS plans.

## The current SDA market

This Review is being undertaken in a complex and evolving reform environment and at a point in time when the NDIS is almost one year out of trial stage but still transitioning towards full Scheme.



The market for SDA is immature and evolving, and market players (and potential market entrants) are experiencing some uncertainty with respect to SDA pricing, return on investment, and policy; participant preferences; tenancy management and vacancy risk; costs of finance commensurate with risk; and limited information to support investment decisions.

As such, the focus of the Review will be on whether the SDA Framework establishes the “building blocks” to achieve desired SDA outcomes (for example, in terms of market growth, access, choice and control), and whether there is evidence of progress towards achieving SDA outcomes.

# The SDA Framework

## What is the SDA Framework?

In November 2015, the Council of Australian Governments (COAG) Disability Reform Council (DRC) endorsed the Specialist Disability Accommodation Pricing and Payments Framework (the SDA Framework). The SDA Framework sets out initial pricing and payments guidance for the funding of SDA under the NDIS.

## What does the SDA Framework include and what is its purpose?

The SDA Framework is just one aspect of the legislative and supporting framework for SDA, and the effectiveness of the SDA Framework needs to be assessed in light of its role in this structure. Key supporting mechanisms include:

- NDIS SDA Price Guide
- SDA Rules
- SDA Operational Guidelines
- SDA Guide to Suitability
- NDIS Terms of Business for Registered Providers
- NDIS Commission Q&S Rules
- NDIS Act.

The SDA Framework serves a specific purpose in this overall supporting structure, which is to set out the initial pricing and payments guidance for the funding of the land and built elements of SDA. The SDA Framework provides guidance around benchmark pricing, dwelling price calculations, participant eligibility, dwelling eligibility and registration, quality and safeguards and the review mechanism for the SDA Framework.

Items specifically excluded from the SDA Framework include:

- Broader aspects of policy regarding SDA
- Charging model for individual rental contribution and other tenancy arrangements
- Quality standards relating to building or asset management of housing providers
- Support arrangements delivered within SDA (i.e. SIL).

The SDA Framework applies for the period 1 July 2016 to 30 June 2021. The SDA Framework is designed in the context of the transition into the NDIS of participants receiving, and providers of, SDA.

# The SDA Framework Review

## What is the purpose of the Review?

When the SDA Framework was endorsed by DRC, it committed to a Review during its third year of operation. The outcome of this Review will inform DRC's development of arrangements for NDIS participant funding and market settings into the future.

## What is the scope of the Review?

To support the Review, DRC agreed Terms of Reference. The Terms of Reference consist of four key areas of inquiry:

- 1 Does the SDA Framework support funding adequacy, sufficient supply in volume and form, innovation and quality of design, participant choice and control and inclusion, value for money for participants, and appropriate levels of flexibility to meet changes in quality and safeguarding arrangements?
- 2 What arrangements are required to stimulate investor interest in SDA, and impact on investor decisions to participate in SDA?
- 3 Are there changes to the SDA Framework that would better enable market development?
- 4 Is the SDA Framework the most effective mechanism to continue supporting participant funding arrangements and ongoing funding certainty, and other market settings for SDA?

The full Terms of Reference for the Review can be found at [engage.dss.gov.au](https://engage.dss.gov.au).

# Themes for the Review

To answer the Terms of Reference six high level Review questions have been developed, to guide stakeholder consultation and data analysis. These are:

### Pricing and Payments

- Does the SDA Framework support the process of appropriately setting prices?

### Supply

- Does the SDA Framework stimulate required volume of supply?

### Investment

- Does the SDA Framework support investor decision making and provide sufficient market certainty?

### Innovation and quality

- Is the SDA Framework facilitating high quality and innovative SDA models and design?

### Choice and control

- Does the SDA Framework enable choice, control, independence and inclusion?

### Value and sustainability

- Does the SDA Framework incentivise value for money in use of NDIS individualised funding and support the ongoing sustainability of the Scheme?

Some of the issues and discussion topics relevant to each Review question are outlined below.

## Pricing and payments

A key part of the SDA Framework is the consideration of benchmark prices, how these are developed and reviewed, and a number of other factors that consider how benchmark prices should be adjusted

in particular circumstances. The SDA Framework also expects that funding amounts for SDA will be at a level sufficient to cover the full lifecycle costs of appropriate accommodation.

The Review seeks to understand whether the SDA Framework supports pricing that is sufficient to cover the costs of investment, and provide a reasonable return on investment for providers and investors in order to encourage the level of growth required in specialist accommodation. Providers are encouraged to provide information or examples that point to the suitability of the existing price structure in cover the cost of investment. This includes whether this changes depending on the location, type or size of a property. The Review will also consider how these pricing components affect other critical issues, such as Scheme sustainability.

The Review will also consider whether specific pricing adjustment mechanisms within the SDA Framework are appropriate, whether they are impacting on investment decisions, or there are changes that would better enable the development of SDA.

## **Investment and supply**

It is accepted that significant investment is required to increase the supply of specialist accommodation for participants in the NDIS, in order to meet the estimated demand levels. As such, one of the intentions of the SDA Framework is to stimulate investment in high quality, fit-for-purpose and innovative housing solutions for participants by investors and the broader market.

The Review seeks to understand whether the SDA Framework and its application have impacted on the investment decisions of providers and potential investors in SDA. This includes understanding what aspects of the SDA Framework are influencing the investment decisions of providers, whether there is enough certainty surrounding pricing and funding into the future to support investment decisions, and whether investors have sufficient market information to support investment decisions.

The Review will also consider whether any aspects of the SDA Framework support investment from providers, and what other approaches might be taken to improve stakeholder confidence and investment in SDA over time, while balancing the needs and outcomes of participants.

## **Innovation and quality**

The SDA Framework intends to ensure there is adequate scope for change and innovation in the supply of SDA over time. This includes improved quality of accommodation through the gradual replacement and redevelopment of accommodation.

The Review will assess what impact the SDA Framework is having on the development of quality and innovative specialist housing options and to what extent it supports the development of innovative models where they are appropriate or match the preferences of participants.

## **Choice and Control**

Improving choice and control and increasing the independence and inclusion of participants are critical aspects of the NDIS. The SDA Framework supports a specialist disability services market that fosters choice and control, provides options for participants, and maximises independent lifestyles and inclusion in the community. The SDA Framework must also operate in a way that supports the sustainability of the Scheme.

The Review seeks to understand whether the SDA Framework has enabled participants to exercise choice and control in their accommodation, including over factors such as the location of housing within the community, the size and standard of their home and how it is designed, and the people with whom they want to live.

It also seeks to understand which parts of the SDA Framework influence participant choice and control, their access to suitable housing, and if there are other mechanisms or ways of improving choice and control for participants, either through the SDA Framework, or through other methods.



## Value and sustainability

The SDA Framework also aims to support a sustainable accommodation market that provides continuity of supply and financial sustainability for governments, participants and providers alike. Part of this involves finding the right balance between allocating individual funding for support services, and individual funding for accommodation.

The Review will consider how the SDA Framework incentivises value for money in the use of NDIS individualised funding and hence supports the ongoing sustainability of the Scheme.

## How to have your say

We want to know what you think about the current SDA Framework in order to inform future mechanisms to support choice and control for participants, and growth and innovation in specialist disability accommodation.

### Written Submissions

You are encouraged to share your views, and provide the evidence and insights that underpin them by making a written submission before **26 June 2018** at [engage.dss.gov.au](https://engage.dss.gov.au). The written submission process will open on 4 June 2018.

While the Review will focus on the six themes outlined above, we acknowledge that there may be other experiences or issues these do not cover, and invite submissions in other areas relevant to the Terms of Reference. Submissions in all formats and sizes are welcome, for example, you may wish to provide a short submission on a particular issue.

The current Specialist Disability Accommodation Pricing and Payments Framework and an Easy Read version of this discussion paper are also available at [engage.dss.gov.au](https://engage.dss.gov.au).

### Roundtables

Roundtables for participants, their families and carers, and for providers of and investors in SDA will be held in each capital city around Australia. These roundtables will be targeted to each stakeholder group, and will focus on discussing the SDA Framework issues most relevant to that group.

For more information about when and where the roundtables will be held, and how to register, please visit [engage.dss.gov.au](https://engage.dss.gov.au).