

Specialist Disability Accommodation Pricing and Payments Framework

-

Review

CHL embraces the opportunity of providing the company's opinion in the context of reviewing the Specialist Disability Accommodation Pricing and Payments Framework (SDA Framework). CHL's opinion is based on experiences gained while working with (potential) SDA participants since SDA was introduced. CHL will respond to the six themes in KPMG's Issues Paper.

Theme 1: Pricing and Payments

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

- There should not only be a framework outlining the process of setting prices, but also a detailed and streamlined document describing the process of receiving payments. As of today, such a document listing all necessary steps in all comprehensiveness does not exist. Approaches to receiving SDA differ depending on the SDA type, residents' status of SDA eligibility and legal environment of States and Territories.

Theme 2: Supply

Does the SDA Framework stimulate required volume of supply?

The Framework insists on setting out prices "for the funding of the land and built elements of specialist disability accommodation under the National Disability Insurance Scheme (NDIS)."¹ Furthermore, the framework intends "to ensure there is scope for growth, replacement, change and innovation in the supply of specialist disability accommodation over time."²

- On first glance, SDA prices seem quite high. However, land in good locations and construction costs for SDA are high, too. It takes many years to repay these combined costs if SDA payments are the only revenues available.

¹ SDA Framework, 1.1, p.2

² SDA Framework, 1.6, p.2

For example, CHL has received many inquiries from (potential) SDA participants in Doncaster, VIC. For a 4-unit development of *Robust* design category on a 700m² block, CHL would be able to repay a loan for land and construction via SDA payments after approx. 15 years. However, this means that only for the remaining 5 years of the SDA dwelling's lifecycle would CHL generate any profit that could potentially be reinvested into other new SDA. Obviously, building in areas with low land prices could be attractive. However, numbers of suitable SDA participants in these areas might also be low hence increasing the risk of vacancy.

- “The intent of the SDA pricing approach is to stimulate growth in the supply of high quality and fit-for-purpose SDA.”³ Approx. 28,000 people are expected to get SDA in their plans. The majority of these - 16,000 people - is currently living in disability accommodation⁴ often funded by state governments⁵. It is unknown whether governments will use SDA payments to renovate or redevelop their stock so that their dwellings are of high quality and fit-for-purpose.

Theme 3: Investment

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

The SDA Framework argues that “the pricing and payment arrangements adopted by the Agency should provide certainty on the payment amount and the period for which this is specified, such that a specialist disability accommodation provider could raise finance for the development and/or redevelopment of appropriate dwelling stock.”⁶

- CHL is eager to invest in SDA, provided there is sufficient market certainty. In practice, this does not exist hence restricting CHL's ambitions. The major issue is lack of certainty over incoming SDA payments, i.e. that a participant is actually eligible.

Furthermore, it is uncertain that a particular SDA budget will be awarded even if the dwelling was successfully enrolled. The NDIA had previously announced that not all dwellings that comply with NDIA's suitability criteria might be funded, stating that “a single dwelling is only likely to be provided to a very small number of [...] participants”.⁷ There needs to be clarification on the supported number of residents per dwelling. While the *NDIS Price Guide Specialist Disability Accommodation* provides an overview of acceptable SDA dwelling types, NDIA's narrative and SDA Framework is very vague in terms of what constitutes “approved dwellings for specialist disability accommodation”⁸.

³ <https://ndis.gov.au/SDA-pricing-payments>

⁴ DSS Housing and the NDIS submission to the Parliamentary Joint Standing Committee on the NDIS, 2015

⁵ PwC NDIS SDA Pathway to a mature market, p.5

⁶ SDA Framework, 1.17, p.4

⁷ SDA Provider Investor Brief, April 2018

⁸ SDA Framework, 4.86, p.14



COMMUNITY HOUSING LTD. GROUP OF COMPANIES

- The success of SDA relies on sourcing capital from private investors at scale. However, private investors require certainty and streamlined implementation process for which - in most cases - they would agree on lower returns. The current system does not provide for either.
- CHL has enrolled 9 dwellings, which are occupied by 19 residents. (An additional 22 dwellings for 27 residents are in planning or under construction.) As of today, CHL has not received any SDA payments. This is largely due to residents not having SDA in their plan and the delayed reaction by NDIA to make residents eligible.
For example, residents' plans are reviewed late because a LAC might be on leave but no replacement LAC is available.
- CHL's experience is that LACs often do not know about SDA. As a result, residents might not get SDA in their plan making an investment from a developer's point of view at this stage difficult.

Theme 4: Innovation and Quality

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

- Rather than awarding SDA packages that could potentially fund new high quality SDA, the NDIA is now predominantly offering modification packages. Participants have no choice but accept these in order to move on in life.

Theme 5: Choice and Control

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

The Framework's operating context suggests that "NDIS funding for specialist disability accommodation is attached to participants and it is portable."⁹ Consequently, "the funding provided by the NDIS for specialist disability accommodation will not be on an individual dwelling or provider basis."¹⁰

- While this is the right approach in theory, CHL's experiences reveal quite the opposite, with participants being requested to present quotes and plans of a potential SDA in order to get SDA in their plan. By the time all administrative steps are taken and the participant is eligible, the dwelling might be off the market. A participant should be made eligible based on his/her medical condition, not based on the existence of a suitable dwelling.
- CHL acknowledges that support services need to have an economy of scale that can often only be achieved if a number of people can be supported in one single location. However, group housing is not

⁹ SDA Framework, 1.12, p.3

¹⁰ SDA Framework, 1.14, p.3



a choice for many. In fact, CHL's consultation with (potential) SDA participants, peers, SIL providers, communities and parents result in the overwhelming conclusion that most people living with a disability are looking for more independent solutions. Smart dwelling configurations are needed that offer the requested independence on the one hand and congregate SIL provision on the other. The 'keyring' model is a great example of sharing supports and hence costs. This is suitable for more independent participants over a range of a couple of kilometres where support is viable and available via various communication platforms. One-bedroom dwellings would indeed be attractive for keyring models.

Theme 6: 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?

- Good cooperation between all stakeholders involved – especially participants, SDA and SIL providers – is key to making SDA a success. There is a conflict of interest where the SIL provider is also managing the participant's plan. The SDA provider is dependent on the SIL provider's (1) good will to apply for a plan review and (2) necessary knowledge and determination to get SDA in a participant's plan. SIL providers may fear their payments will be cut in favour of SDA payments.
- As of 31 December 2017, only \$63m have been committed to SDA.¹¹ This is well below the anticipated \$700m per annum¹² and puts the required 12,300 additional SDA¹³ in great jeopardy. What is currently happening with the remainder of SDA payments? Who benefits from keeping SDA payments that naturally belong to people with a severe disability?

¹¹ KPMG Issues Paper, p.1

¹² SDA Provider Investor Brief, April 2018, p.5

¹³ KPMG Issues Paper, p.1