NDIS Specialist Disability Accommodation Pricing and Payments Framework Review

Youngcare's Response, 26 June 2018

Youngcare welcomes the opportunity to provide this submission to the NDIS Specialist Disability Accommodation (SDA) Pricing and Payments Framework Review.

Youngcare as a not for profit organisation whose mission is focussed on providing assistance to, and bettering quality of life outcomes for, people aged between 18 and 65 with high physical needs. Our response in this submission is therefore narrowed to our experience in working with this particular cohort.

We have 13 years of experience in the successful delivery of a variety of different high care housing solutions which range from 1 and two bedroom apartments to share house living models. Each new project of has benefitted from a thorough user group consultation process including with high care tenants, their families and care staff. We maintain close relationships with all of our tenants in an ongoing way which assists us to intimately understand the key issues which translate into best practice housing outcomes for young people with high care needs.

Youngcare has established our own in house design guidelines and specifications which reflect what we consider to be best practice in design and have paired this with a best practice care and staffing model. Both documents were developed with Griffith University under a long term relationship and aim to produce an optimal integrated approach towards supported living for the individuals we assist.

Housing and Care are intimately related; housing has an enormous capacity to both positively and negatively impact the well-being, health and quality of life of an individual. Good housing outcomes will facilitate positive impact to government health care systems, reduce reliance on social welfare and increase work force participation. In respect of the NDIS, quality housing will enhance workforce and individual safety and wellbeing, increase care efficiencies and effectiveness and leverage positive care and life quality outcomes. Therefore, while the $700 million SDA budget represents a relatively minor component of the overall NDIS spending, the importance of its successful implementation cannot be overstated in light of its impact on the success of the broader $22 billion fund.

Our input to this review recognises that the successful implementation, and successful outcomes, of the SDA scheme are hinged on the success of both of the following:

1) The SDA legislative framework itself, which should ultimately set the scope, terms and conditions of the SDA scheme; and
2) The Agency's administration and delivery of the above framework.

At a legislative framework level, in general we feel that the SDA is well conceived and has a huge potential to positively impact the disability sector, to empower choice, control and independence and to deliver quality tailored housing outcomes to the market. However we identify some areas of weakness which require adjustment to avoid unintended circumstances of discrimination and some areas of market failure, which would otherwise likely occur.

At an administrative level the NDIA's implementation of the SDA scheme appears to be somewhat dislocated from the industry's perceived intent of the SDA framework. This brings into play a number of risks and impacts additional to the framework itself.

The combined impact of the above two factors, if left unchanged, can be anticipated to be detrimental the success of the scheme.

We have aimed in this submission to provide a balanced view of what we believe is working well and where there is need for improvement and have included real life examples to illustrate our points.

Our response is structured to align with KPMG's key themes based on the terms of reference.

1. Pricing and payments

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

   Youngcare's feedback from the investor market is that overall pricing levels in the framework have the potential to sufficiently incentivise investment in SDA if other non-price related impediments are removed / adjusted. Notwithstanding this, we identify the following more specific price setting issues which we anticipate will lead to unintended discriminatory outcomes, areas of market failure and lost opportunity:

1. The pricing of individual SDA budget packages awarded to those living within legacy stock under the transitional phase of the SDA's implementation is currently determined by the nature of the built environment in which the individual currently lives. This means that, in contrast with the scheme's intent to award individuals with an SDA budget which reflects their reasonable and necessary housing goals, the awarded budget limits their purchasing capacity to, often sub-standard and inappropriate legacy housing options. This transitional budget setting process has the effect of removing the ability of an individual to exercise choice in their housing options unless they pursue a review of their housing budget. In contrast, a change in this process to instead award budgets which reflect an assessment of the individual's reasonable and necessary housing goals and needs would:
    i. Arm those individuals living in legacy housing with purchasing power to pursue their reasonable and necessary housing goals outside of their current housing environment; and
    ii. Provide investors with the appropriately funded market demand they require to initiate and secure investment capital into new SDA.

Case example

John has lived in a bulk funded; group home for seven years, with three other participants. John has been approved SDA sufficient for his current place that is a group home in legacy stock. John and his family want to explore his housing options and if he was provided a budget for what his SDA reasonable and necessary needs are in line with his housing goals, he would be able to take his approved budget to the market to catalyse a new home to be constructed or to secure tenancy in a more appropriate existing alternative.

2. Page 9 of the recently released "SDA Provider and Investor Brief (April 2018)" made the statement that:

   "An SDA budget to support a single resident dwelling is only likely to be provided to a very small number of SDA eligible participants (a small percentage of NDIS participants overall), even when the dwelling is in a configuration that makes shared supports possible."

   In contrast to the framework's perceived intent to otherwise foster a full range of demand-lead housing options:

   i. the market's interpretation of the statement has been that the Agency changed its process to now influence the outcome of SDA budget allocations in an arrangement which is resistive to the sole occupancy of dwellings;
   ii. In the eyes of the investor market, the statement has raised such significant doubt over the viability of single resident dwellings that the vast majority of investment proposals which rely on individual occupancy outcomes have now either been terminated or redesigned towards shared living concepts.
   iii. the statement has therefore raised a significant concern that the right of the individual to live privately in a single residents dwelling may be at risk. This goes to the heart of the scheme's intent to arm the individual with the choice and control to pursue their individual and personal housing preferences.

   The effect of the April Provider and Investor Brief is therefore that the framework is ineffective in supporting price settings which enable single resident housing outcomes and which support true individual choice and control of housing options.

Case example

Wendy "I have lived in a disability community for the last six years and to be able to have SDA funding to live as independently as possible would be absolutely life changing for me. To live an in an ordinary community where families walk by, people are walking their dogs and there is activity in the street, not part of a cluster of people with a disability. I have hope that I will be eligible for SDA to live in a single residence dwelling that would reinstate my ordinariness of being just a person living in my ordinary everyday community of my choice. If I don't have capacity to have this ordinary life, to live where I choose and how I choose, if I don't have the privacy and room to have my friends and family stay with me – I will only be isolated yet again"

3. Feedback from the investor market is that current location factor price settings within the framework will not be sufficient to incentivise SDA investment in both metropolitan Sydney and Melbourne. These areas are currently home to a significant disability population and therefore the market failure impacts of these pricing settings can be anticipated to be significant.

Case example

ABC Investments will consider investment opportunities in SDA where they are able to achieve a minimum internal rate of return hurdle rate of 9%. Their current modelling in Sydney and Melbourne metropolitan areas indicates that they would not achieve their minimum investment hurdle rate in these areas and this will determine their investment locations accordingly.

4. An SDA eligible participant choosing to live with an able bodied person is significantly disadvantaged by reduced SDA pricing. This can be anticipated to Lead to a situation whereby mixed tenure households comprising both able-bodied and disabled residents may not be accommodated by the scheme.

Case example

Tom has Cerebral Palsy and high physical care needs, he moved into an existing SDA four years ago. Two years ago Tom met and fell in love with his able bodied partner Kim and they have recently just married. Tom and Kim have goals to find alternative SDA which enables them to have children and grow a

family and which is closer to Tom and Kim's work. They are both concerned that based on the existing price guide:

a) The owner of a new three bedroom SDA duplex has the potential to receive a base price of:
   - $54,972 to house 1 tenant with high care needs;
   - $69,138 (2 x $34,569) to house two tenants with high care needs or;
   - $89,652 (3 x $29,884) to house three tenants with high care needs.

b) In contrast, if Tom was awarded an SDA budget to enable him to tenant the duplex home with his wife Kim, the owner of the same duplex would be eligible to receive a base price of only $34,569. This is a financial disadvantage to the owner of between $20,403 - $55,083 per annum in comparison with the examples given in a) above; or in weekly terms, between $392 - $1,059 per week. Kim's wage is not sufficient to enable her to pay additional rent to the land lord to the extent that it would bridge this financial disadvantage; and

c) If Tom and Kim were to have a child, this would further reduce the base price receivable by the landlord to $29,884. This would now increase the financial disadvantage to the owner of between $25,088 and $59,768 per annum in comparison with the examples given in a) above; or in weekly terms, between $482 - $1,149 per week. Kim's role as a new mother may well compound her inability to financially contribute to the rental disadvantage faced by the owner.

As a result of the above, Tom and Kim are worried that investors may not want to accept them as tenants.

2. Supply

Does the SDA Framework stimulate required volume of supply?

Youngcare believes that currently not enough supply is being stimulated due to the following factors:

5. SDA investors and developers need a boost of NDIS participants being allocated SDA in their plans in order to initiate and secure capital investment. Without this, the investor market generally does not have the confidence to make the capital commitments required to deliver SDA.

Case example

Youngcare has been approached and is working very closely with a number of investors and developers to build SDA. One of the most common concerns raised by them is the lack of demand data and numbers of participants being allocated SDA in their plans. This has effectively slowed down the process of working through agreements to proceed to planning and building. In order for Youngcare's investor partners to proceed to make capital commitments to their projects it has been necessary for Youngcare to:

a) underwrite the capital cost of construction of the first dwelling in a development in Townsville; and
b) Guarantee rental income to the developer for the initial three year term of the project operational phase in other projects.

This is a commercially untenable position for a not-for-profit to adopt if we are to Facilitate the delivery of SD a stock at scale.

6. Youngcare's sees a need for a review of the administration process for individual SDA budget applications. Specifically, the requirement for a participant applying for an SDA budget to nominate the SDA they are choosing to live in currently fails to recognise that:
   i. In a significant number of cases the participant's preferred housing will be housing which is yet to be constructed and therefore does not yet exist; and
   ii. Prior to making a capital commitment to deliver a development project an investor will require security of tenure from participants with approved SDA budgets (as recommended by the SDA Provider and Investor Brief April 2018).

As a result individuals are finding it difficult to achieve approved SDA budgets and developers are unable to commence projects until they secure demand from individuals with approved SDA budgets.

Case example

A participant in regional Queensland has been through their first planning meeting and identified housing as a goal. They were informed by the planner that, they meet the criteria for SDA but there is no available SDA in their region. If the participant is assessed as SDA eligible, should they not be allocated a budget that they can then take to the market? This would allow them to choose a housing option in another region if there is nothing currently available in theirs or approach an SDA provider with their approved SDA budget and work with them to build.

7. The significant delays in participants being provided SDA approved budgets is having the effect of destabilising confidence in the scheme in its infancy and needs to be addressed as soon as possible. In our dealings Youngcare is aware of very few participants who have been approved SDA budgets outside of legacy stock despite going through the application process. Many remain in wait of a response from the NDIA, while others are repeating the application process on numerous occasions in order to address additional requirements requested in response to each application by the NDIA.

   Youngcare is concerned that the investor market, whom in most cases have little knowledge of the disability sector, quickly becomes sceptical of their ability to secure participants with approved SDA budgets to enter newly built SDA. As a result suitable available sites are being re-purposed away from SDA to alternative uses as holding costs force into a need to move projects forward towards established markets outside of the SDA.

Case example

Youngcare is working with a developer in a major regional city in Queensland to build a number of SDA options. Youngcare has identified a number of participants in the region that should, due to their high physical care needs and the lack of available appropriate housing options, be eligible for SDA. One participant has been trying to achieve SDA in their plan for over six months and is still trying to work through the process to exhaust all other housing options available. The delays and exhaustive process participants have to navigate has a negative impact on the participant and also creates a concern for the developer who is investing significant capital to build and should feel confident there is a reasonable pathway for people to achieve SDA to be able to move into a completed home.

8. Achieving SDA approval for participants to date appears to be burdensome and needs to provide a more streamlined process. Participants are very reliant on Support Coordinators to assist them to manage this. The Support Coordinator role needs further support to provide them with the right tools to assist participant to determine SDA eligibility, there is inconsistencies with skill and experience levels that is inhibiting participants from compiling SDA applications that meet the requirements of the rules.

Case example

Youngcare was contacted by a support coordinator in Queensland to seek some assistance with developing their clients plan for his plan review that week. We encouraged the coordinator to focus their submission and any assessments towards responding to the SDA Rules. While they had heard of the Rules they had been unable to locate them on the NDIS website. This is an example of a participant being disadvantaged by a support coordinator, who was not fully informed to provide adequate support for their client.

3. Investment

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

Youngcare is aware of many investors who have shown interest in the SDA scheme and find the potential investment opportunity very attractive. However all but a very few number of investors have found sufficient confidence in the framework and its administration to proceed to make capital commitments for the following reasons:

9. Up until the release of the SDA Provider and Investor Brief (April 2018) Youngcare has been working with, and is aware of many, investors who have been proposing projects which rely on the soul occupancy of dwellings in anticipation that this will be a popular choice under the SDA Scheme. The release of the Provider and Investor Brief has caused the significant majority of these projects to either terminate or to undergo redesign to adopt shared living outcomes. The inconsistency of the Brief's stance on soul occupancy

with the remainder of the framework's perceived encouragement of this option via pricing incentives has been received as a move of goal posts by the investor market which has come at significant financial loss in many cases.

Case example

Youngcare had been in advanced discussions with a significant financial institution to deliver private SDA at large scale prior to the release of the SDA Provider and Investor Brief (April 2018). The financial institution had already made significant monetary commitments to deliver approximately 40 single occupant SDA dwellings at that point. Upon receiving the Provider and Investor Brief, the financial institution immediately suspended progress on these 40 dwellings while it reassessed the risks associated with the changed terms of the SDA scheme environment. It anticipates needing to exit from some of those projects or to otherwise revise those concepts to a shared living outcome at the time of writing.

10. There is a lack of supply and demand information available to show true unmet need for different SDA categories in each region. This inhibits our ability to provide confidence to investors, as they have a need to quantify the level of risk they are accepting.

Case example

To finalise an agreement with one investor, Youngcare has accepted occupancy risk during the first three years of the projects operational phase in order to mitigate the investor's concerns. This would see Youngcare pay to the investor any shortfall in projected income resulting from delays in occupancy during that 3 year timeframe. For another investor, Youngcare has agreed to underwrite the construction cost of the first dwelling up to the point of occupancy in order to mitigate the developer's holding costs incurred up to the point of achieving occupancy which the developer otherwise perceived as being too great.

11. The investor and developer market on the whole has little or no knowledge of the disability housing sector and has been very reliant on the disability sector to guide them and to make3 interpretations where information, detail and certainty is lacking in the SDA framework. As a result we see that risks

perceived by the disability sector are compounded in translation to the investor/developer market.

Case example

The day after the release of the SDA Provider and Investor Brief (April 2018), four separate investors contacted Youngcare to immediately freeze negotiations until they had further clarity on how the release of the document would impact their risk.

12. To mitigate the investor market's perception of risk, Youngcare encourages the NDIA to strengthen detail and remove any ambiguity in all communications. This could be achieved by closer consultation with the sector to test the impact of communications and policies prior to a release into the wider market by the agency.

Recommendation

Immediate release of clear communication that:

1. Removes any reference to the new language of price limits
2. Fully clarifies that single resident dwellings are still an option for participants where it is a clear goal of the participant and in line with the rules
3. Urgently communicate that the Agency will work with the sector to understand demand and release data as soon as it can be considered reliable; and
4. Address market concerns that the Agency has insufficient internal resourcing to fulfil its role in successfully administering the SDA scheme.

13. Grand parenting of SDA commercial terms is likely to boost investor confidence and ease concerns over long term policy and pricing change.

Case example

Youngcare has been in lengthy discussions with a significant financial organisation who has expressed a confidence to move to invest in SDA. The organisation has capacity to employ capital to the extent of enabling the delivery of 500 – 1000 SDA dwellings. However they are unable to proceed unless they are able to achieve certainty of policies and guidelines. They have expressly stated that grand parenting of policies and pricing would enable them to participate in SDA delivery.

4. Innovation and quality

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

14. Youngcare's view is that the LHA guidelines are in some cases insufficient to produce quality functional accommodation for people with high care needs. Youngcare has experience in delivering best practice housing for people with high physical care needs. We have found that young people with high physical care needs will require greater spatial allowances in many cases to allow for larger than standard wheelchairs/other equipment and multiple staff attendance.

Case example

In our work with reputable architects and occupational therapists in designing specialist housing our experience is that the Liveable Housing Australia design guidelines are aimed at ensuring that dwellings are flexible enough to accommodate occupants in the event of illness, accidents or when aging in place. However young people with high care needs have very particular design requirements, a higher than typical reliance on staff support and use larger than typical wheelchairs; not on a temporary or short term basis but often for the duration of their life. For these reasons our design tends to exceed Liveable Housing Australia design guidelines in the majority of cases. For example, we find that young people with high care needs will often require a 1.5m circulation space around three sides of their bed in their bedroom. The LHA guidelines do not achieve sufficient minimum bedroom dimensions for this to occur and as a result we anticipate that the bedroom will be difficult to navigate and staff if designed to LHA guidelines. This may lead to unnecessary reliance on staffing support for individuals who could otherwise achieve greater independence in navigating around their home independently.

Innovation should encourage a large diversity of dwelling types and occupancy arrangements which mirror the general population and which are in line with the goals and aspirations of individual participants. An ideal outcome of the framework would be to achieve an equilibrium where supply matches demand for the full spectrum of particular housing needs expressed by the market. However limiting factors on this outcome are as follows:

15. The framework appears to be unnecessarily prescriptive in the way it prices and defines particular dwelling types with no obvious benefit to the participant. The pricing weighting in our opinion will artificially skew the supply of higher income earning dwelling types, rather than provide for a pure response to demand requirements.
16. The framework does not incentivise the mixed occupancy of dwellings by able bodied and disabled tenants on equal commercial terms to either a single participant or multiple disabled participants. A re-weighting of pricing to encourage mixed occupancy of able bodied and disabled tenants:
    i. will facilitate in many cases the markets natural preferences and desires for housing; and
    ii. will have the added benefit of creating efficiencies in NDIS care funding expenditure where routine household functions can be met by the able bodied household member which would otherwise need to be funded to be performed by staff. For example food preparation and cleaning may not be incurred as a cost under the NDIS where those functions are met by the able bodied household member.
17. The SDA Provider and Investor Brief (April 2018) communicated a new and confused message which the market interpreted as saying that it was unlikely that an individual would receive an SDA budget to allow them to live outside of a group setting, ("even with shared supports"). This is anticipated to go directly against desired pathways for innovation and quality which lead to built outcomes that fulfil market requirements, including independent living arrangements. (Refer to our recommendation 2) in this report).

5. Choice and Control

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

At a framework level Youngcare sees the need for the following issues to be resolved in order that the SDA scheme can reflect its policy intent of providing for choice and control:

18. The issue of financial disadvantage to mixed households consisting of a combination of able-bodied and disabled individuals is exampled in our recommendation 4 in this submission.

    The resolution of this issue has strong potential to enable individuals to have true choice and control of an unlimited range of household composition arrangements. This choice, in many cases, may result in consequential savings to NDIS funded care support arrangements where, for example, household functions like cooking and cleaning may be contributed in kind by able bodied household members.

    However individual choice and control of household composition arrangements in many cases will have a fundamental impact on the quality of life and on individual social and emotional needs.

19. As identified in in our response 2) of this report the SDA Provider and Investor Brief introduced an undesirable concern into the market around the agencies stance on sole occupancy living arrangements. The option of private and independent living was a key Feature of the SDA framework's policy intent which represented a significant and much applauded step away from institutional housing practices of the past and towards full freedom of choice and independent living opportunities. Youngcare is very strongly advocating for the provision of private housing options where they are reasonable, necessary and desired by an individual.

20. As per our response 8 in this submission, we have concerns that the current administration of the SDA scheme is not sufficiently skilled or trained to recognise the particular support and assistance which is often needed during the applications process by individuals with a variety of disability challenges and impaired ability to self-represent and self-advocate. In our work we are regularly seeing vastly different NDIS care package outcomes and are finding that the outcomes are consistently determined by the strength of the self-advocacy and self-representation skills of the individuals

applying. Where these skillsets are lacking or disability related communication challenges are present, an individual currently does not have access to the same outcomes, nor choice and control, under the SDA scheme as another individual.

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?

21. Ultimately if successfully implemented the SDA framework will realise value for money in NDIS individualised funding by resolving the following current inefficiencies:
    i. Blocked hospital beds
    ii. Family dislocations – i.e. enabling family members to continue to live together rather than families relinquishing care
    iii. Enabling high care individuals to contribute to the national economy
    iv. Achieving early intervention of degenerative pathways and rehabilitation pathways
22. The SDA Provider and Investor Brief (April 2018) introduced a number of new concepts which go to the issues of value and sustainability; not already anticipated by, or captured in, the SDA framework. In particular, the Brief raised the concepts of "price limits" for providers of SDA, expectations that SDA residents will have "shared supports" and the concept of shared living as previously highlighted in our response 2) in this submission. Those concepts and expectations need to be more thoroughly and comprehensively documented, and integrated within the remainder of the SDA framework, in order to effectively achieve their presumed intended outcomes of value for money and sustainability. This will allow the market to firstly understand, and secondly to effectively respond to, those desired outcomes.
23. We feel that a missed opportunity exists to encourage household living arrangements where able bodied and disabled individuals live within the same household where there is desire to do so. The current financial

disadvantage described under our response 4) in this submission currently represents a significant financial disadvantage for a provider of SDA to enable mixed occupancy by able bodied and disabled residents. Removal of this financial disadvantage can be anticipated to unlock able body and high care co-living arrangements in a variety of innovative ways which would leverage NDIS individual funding packages to a greater extent than the cost to the SDA scheme in altering the SDA financial settings.

Youngcare is grateful for the opportunity presented by this framework review to have meaningful input into the success of the specialist disability accommodation scheme and to positively shape its future implementation.

In our 12 year history, the SDA scheme represents an amazing and unprecedented opportunity for government, private and disability sectors to work together to solve a devastating shortage of quality housing in the lives of a very vulnerable group in Australia's population.

We welcome the opportunity to provider any further information or to provide clarifications to any questions or queries in relation to this submissions and these can be directed to:

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