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Australian Government
Department of Social Services



Blended Payments Trials – an overview

December 2023

*The Department of Social Services
acknowledges the traditional owners of country
throughout Australia, and their continuing
connection to land, water and community.*

*We pay our respects to them and their cultures,
and to Elders both past and present.*

What will we cover today

- Background on the blended payment trials
- What the blended payments trials will involve
- Implementation overview – indicative timelines
- Questions
- Next Steps

Background - Blended Payments Trials

- On 9 May 2023, the Australian Government announced \$24.6 million over 4 years (2023-24 to 2026-27) to work with participants and providers to trial the implementation of blended payment models.
- The Department of Social Services (DSS) and the National Disability Insurance Agency (NDIA) will work with participants and providers to carefully design these trials, including ensuring safeguards are in place. Participation in the trials will be voluntary for NDIS participants and providers.
- Two separate blended payment models will be trialled, with one for each of the following cohorts:
 - Participants accessing Youth (or school leaver) Employment - to identify ways to improve employment outcomes for participants.
 - Young people in residential aged care (YPIRAC) – to support transitions to more appropriate housing.

Background – Payment Models and their Characteristics

Fee-for-service

Current NDIS model where providers are paid for each support delivered...this can create incentives for providers to **encourage more activity**.

Enrolment payment

Alternative model where providers receive a payment for each participant.....this can create incentives for providers to reduce costs and **innovate services**.

Payment for performance

Alternative model where providers receive a payment for achieving a set target.....this can create incentives for providers to **achieve performance targets**.

Blended

Hybrid model that combines aspects of the different payment models.....to **maximise the advantages** and **mitigate disadvantages** of each model.

Adapted from PC (2017) Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services

Background - Blended payments and the NDIS Review

- The Review outlined in its report *The role of pricing and payment approaches in improving participant outcomes and scheme sustainability* that it had heard that fee-for-service payments in the NDIS are easy to administer and understand, but reward providers for each hour of service they deliver, regardless of the ‘value’ for participants (Finding 2)
- The Review highlighted that governments can pay providers based on other things. For example, the government might pay providers:
 - for providing supports over a period of time – this is an **‘enrolment payment’**
 - when a participant achieves an outcome – this is an **‘outcome payment’**
 - using a mix or ‘blend’ of different types of payments – this is a **‘blended payment’**.



Background - Blended payments and the NDIS Review

- Potential benefits - enrolment payments, when blended with outcome payments, can give providers an incentive to reduce costs through providing fewer, or less costly, supports and investing in cost-effective preventive and early intervention services.
- The Review acknowledged the importance of carefully considering the advantages and disadvantages of different payment approaches to avoid introducing perverse incentives for providers and maintain choice.
- The review has finalised its final reports and there is a chance its final findings will differ from these early findings.

Background – International Experience

- United States - Valued Based Purchasing

What it is:

- Ties provider payment (or part of payment) to outcomes produced by services delivered
- Rewards providers for quality regardless of quantity of service delivered
- Ensures providers delivering the best results receive funding consistent with their performance
- View that service delivery reform requires payment reform
- View that what our money can produce in terms of quality and outcomes is not purely determined by ***how much money we have***, but is also determined by ***how we use the money***

Payment models that create change are those that ***balance advantages for funders and providers.***

Value-Based Payment Methodologies to Advance
Competitive Integrated Employment:
A Mix of Inspiring Examples from Across the Country

Lisa A. Mills, Ph.D.
Employment First Subject Matter Expert

U.S. Department of Labor
Office of Disability Employment Policy

What the blended payment trials will involve

- Consistent with the Review's call for careful consideration of different payment approaches, in early 2024, DSS and the NDIA will run co-design workshops with key stakeholders to get input on key issues relating to the payment model including:
 - Outcomes to be achieved, and how they can be measured
 - Payment levels
 - Safeguards for participants.
- We will not be seeking input on (non negotiables) whether or not to trial a blended payment model; the trial timing; the funding envelope for blended payment models; that participation for providers and participants will be voluntary.
- Are there other issues you think we should explore through co-design (but aren't on the non negotiable list)?

What the blended payment trials will involve

- The DSS and NDIA are committed to working with the sector (including participants, DRCOs, providers and peaks) to design the trials that will be used to test the payment model, including giving input into where the trials could be located.
- The trials will aim to involve a small number of providers for each of the blended payment trials to ensure providers who participate in the trial are well supported.
- Providers will be invited to participate in a co-design process being led by DSS (and supported by a co-design grant). Only providers who participate in this co-design process will be invited to participate in the trial. (indicative timing details on next slide).
- Participants who receive services from providers participating in the trial will be invited to participate in the trial but participation will be voluntary.
- Providers and participants not participating in the trial will continue to access supports as per their NDIS plan.

Implementation overview – indicative timelines

Late 2023

Initial sector engagement to raise awareness

- Information sessions to build understanding about the trials and provide advance notice about opportunities to get involved.

January to April, 2024

Co-design of payment model & trials with participants, DRCOs, providers and peaks

- Late January – NDIA approach to market for providers to apply to participate in co-design process and receive a co-design grant.
- Participants and DRCOs to be paid for their time participating in co-design activities.
- DSS approach to market for co-design of payment model and evaluation services.

April to July, 2024

Finalise design of payment model and trial, and confirm providers to be involved

- April (approx.) - approach to market (for providers who participated in co-design) to apply for a grant to participate in the trial.
- Test proposed payment model with participants.

August to October, 2024

Enrolment of participants in the trial

- Providers recruit (voluntary) trial participants.
- Aiming for trials to commence from October 2024 and run for two years.

Any Questions?

Next Steps

- Regular updates and information will be provided on the DSS Engage page
- Keep informed by registering your details at:
 - <https://engage.dss.gov.au/blended-payment-model-trials/>
- Further questions or enquiries can be sent to:

PricingPolicy@dss.gov.au

Thank you