ermha 365

Mental Health
Disability
Complex Services

Ermha Limited

Submission to the NDIS Pricing Review 2024

MARCH 2024

Contents

Acknowledgements

ermha365 acknowledges the contribution of staff from the organisation's intensive services and complex client's teams, our Senior Practice Leaders as well as Executive Management in the preparation of this submission.

ermha365 also acknowledges the importance of maintaining privacy and client confidentiality. To that end, the organisation seeks the opportunity to be consulted prior to the reproduction or publication of any content arising from client case studies featured in our submission.

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About ermha365

At **ermha**365 we believe in the potential of everyone. Our purpose is to empower individuals and communities facing life's toughest challenges to overcome adversity and thrive. We support people to live their best lives, find their purpose, a sense of belonging and a safe place in their community.

ermha365 has developed significant practice expertise in providing support to people with exceptionally complex and challenging behaviours for almost 40 years in Victoria and the Northern Territory. Our expertise includes the provision of numerous community and residential based NDIS services including programs where **ermha**365 is often considered the provider of last resort.

Our work

Our vision is fuelled by a passion for supporting people where no one is left to face life's challenges alone. We offer purpose, hope, support, and connection to those who need it most, because we believe that everyone deserves the chance to reach their full potential.

We empower the people we support through the provision of compassionate, trauma-informed wraparound services as they work their way through life challenges. These can often include aspects of mental health, psychosocial disability, homelessness, transitioning through the justice or healthcare systems, alcohol and drugs, trauma, and social isolation. The people we work with trust **ermha**365's highly skilled people to offer high quality support, drawing on their own lived experience.

We partner with others to provide a safe and inclusive community that promotes healing, growth, and resilience. Our passion for positive impact drives us to innovate and break down barriers, creating lasting change towards a more just, equitable, and inclusive country.

1. High intensity supports clients.

High intensity supports clients who present with multiple, complex, and challenging needs are at significant disadvantage due to a combination of the nature and severity of their mental illnesses, disability status, persistent criminal offending behaviour, traumatic backgrounds and/or social isolation and require multi-agency support. Many of our clients at **ermha**365 will transition from lengthy stays in hospital wards and prison – as well as having ongoing involvement in the criminal justice and mental health services systems – while receiving NDIS support in the community.

2. Case studies.

To illustrate key themes **ermha**365 highlights challenges though the use of case studies. Pseudonyms have been used throughout this report to protect the identity of individuals and maintain client confidentiality in accordance with the NDIS Code of Conduct for Service Providers and statutory privacy obligations. The case studies in this submission have been de-identified. **However, ermha**365 **would appreciate the opportunity to be consulted prior to the reproduction or publication of any content arising from such case studies.**

3. Problem: Economic pressure on providers and the scheme more broadly.

Economic pressure on current registered disability support providers is continuing to increase significantly. The data shows that numerous registered providers of quality supports are struggling to survive financially. Multiple providers already have, or are considering, exiting the scheme, along with experienced and knowledgeable CEOs who are finding the continuing situation untenable.

> "The constant feedback and evidence from service providers … is that NDIS prices are not high enough and that many providers are teetering on the edge of solvency." - Bruce Bonyhady, NDIS Review- Provider webinar, 22/8/23

The **NDS State of the Disability Sector** survey found 34% of providers reported losses in FY2022-23, the highest rate since they began collecting financial data in 2016. In addition, chartered accountancy firm **Stewart Brown's June 2023 Disability Services Financial Benchmark Report** showed that the sector on average continues to operate in deficit. There was a concerning increase in the average deficit from FY2022-23 of $0.91m per provider to $1.26m per provider for FY2023-24.

The **Ability Roundtable 2022-23 Summary White Paper** also revealed that the median provider has now incurred losses for two years running. The median profitability of participating

organisations (all NDIS registered providers and mainly not-for-profits) in the 2022-23 financial year was -2.1%, from a - 2.6% median result in the 2021-22 financial year. Further losses are expected for a third year in the 2023-24 financial year.

ermha365 has recently **announced an Intent to Merge** with The Disability Trust, which will assist both organisations to manage these cost pressures. However, quality supports come at a cost, and we and others face significant competition in the market from unregistered providers who do not face the same cost pressures. When clients can choose a provider who appears to offer better value for money in the delivery of their NDIS plan – but only by providing lower-quality supports and cutting corners – this is a risk for every NDIS participant, and for the reputation and sustainability of the scheme in its entirety.

4. Problem: The Disability Support Worker (DSW) cost model for the provision of high intensity supports no longer reflects the costs of this work.

The NDIS cost model does not reflect the actual costs of doing business for providers, particularly:

- **Variations in state costs**, which have moved over time.
- **Workforce dynamics and demographics**, which have moved significantly since COVID; or
- **Thin markets**, such as the provision of complex psychosocial supports, where providers like **ermha**365must act on quality requirements to ensure safety of participants and staff.

At **ermha**365, we deliver supports for people with **psychosocial disabilities, dual disabilities, and co-occurring complexities.** Most of our participants are part of the complex client's pathway and are claimed as high intensity support provision.

As a provider of high intensity complex services, **ermha**365 participants will present with a broad spectrum of complex needs that require understanding. This includes understandings of trauma, gender, mental health, dual disability, dual diagnosis, cultural requirements including responding to ATSI needs, sexual safety, criminal / forensic profiles, suicidality, self-harm, and behaviours of concern. The unique profile of these issues, and an understanding of how they are likely to present is critical to maintaining safe care.

Case study

High intensity supports for Leonard*

Leonard had been in forensic and high secure clinical settings for a period of 18 years, with short periods in the community before relapse or reoffending. His profound experience of voice hearing and cognitive disability made it very difficult to understand and respond appropriately to others and have his needs met.

His referring team highlighted the high volatility and unpredictability of his behaviours of concern and the violent nature of his responses. To support his transition, it was critical that **ermha**365 plan closely with his team, ensure staff were aware of and trained to respond to early indicators and risks and to provide input into weekly feedback loops with the broader clinical team to adjust approaches and reflect on what was working and not working.

**Name has been changed.*

The Disability Support Worker Cost Model estimates the cost of delivering a billable hour of service by a disability support worker (DSW) considering all the costs associated with every billable hour, including:

- base pay
- leave allowances such as shift loadings, holiday pay and salary on costs
- supervision costs
- casual loadings
- utilisation (non-billable activities)
- corporate overheads
- margin.

We are finding significant challenges from the assumptions that underpin DSW cost model, which mean we have a higher unit cost vs the NDIS DSW unit costing.

These challenges are numerous, and include:

a) After seeking legal advice regarding the delivery of psychosocial supports, we employ and pay our DWS workforce at SCHADS Level 3, as this is considered a responsibility due to the complexity of the work. The NDIA funds High Complex clients as part of the model at the average of Level 2.4 to 3.1. In many cases we are paying our staff at level 3.2 and 3.3 because of the length of their tenure of employment with our organisation. **The DSW model does not account for these higher rates of pay.**

b) Furthermore, when we compare salaries and wages for our NDIS psychosocial workforce against our non-NDIS psychosocial workforce**, we are paying them less, in many cases to do very similar and sometimes more complex work.** In our non-NDIS funded psychosocial programs we are remunerating our workforce at SCHADS levels 3, 4 and 5.

c) Equally this is compounded by the assumption in the modelling that 70% of the workforce will be permanent employees, which is hard to achieve with a). skills shortages and b). competition for the psychosocial workforce when they are paid more to deliver non-NDIS work. **This is compounded again by high numbers of the NDIS workforce choosing to work as a casual worker with multiple organisations** increasing their ability to work more hours.

d) It is also more likely that staff will need to respond to higher levels of complexity when high intensity supports are provided. **It is ermha**365's **experience that to assist someone to independent living requires a high level of staff training and support.** This includes understandings, training and experience of trauma, gender, mental health, dual disability, dual diagnosis, cultural requirements including responding to the needs of Aboriginal and Torres Strait Islander people, sexual safety, criminal / forensic profiles, suicidality, self-harm, and behaviours of concern.

e) There is a need to employ skilled staff who require greater than the allowable shadow shifts costed into the model, including ensuring that **replacement staff are familiar with responding to high-risk scenarios.**

f) **Utilisation is a challenge when we look at complexity and high intensity supports.** The needs for staff to receive adequate induction and to complete buddy shifts with a new client, followed by ongoing training, supervision, reflective practice is challenging to meet where utilisation ranges from between 80 - 97%.

Case study

Simon*

Simon* was recruited as a new graduate to the sector who had had relevant placements and was well qualified. Whilst he is enjoying the work, he has found the intensity of SIL work with a young man with extraordinary self-harm behaviours to be confronting and exhausting.

On his last shift he needed to intervene and was injured in the process. He required immediate and timely work support and has valued his connection to regular supervision as a source of reflection, debriefing and skills building. Whilst this need was met, **ermha**365 is unable to claim for Simon's non client facing hours.

**Name has been changed.*

g) **A key area which is a barrier for providers to people with complex needs is the ability to pay staff to attend BSP (behaviour support) training.** Whilst the BSP practitioner can charge for delivery of training to staff to support behaviours of concern, there is very limited ability within funding for staff to attend paid training. Nor is their funding to participate in reflective practice to share their learnings, to explore areas that haven't worked and to enable plans to be adjusted as information and needs become apparent.

h) **Workers Compensation costs have been increasing in all states (and especially Victoria) and the NDIA DSW model has made no alterations to funding to support added costs.** This is a deep concern as Workers' compensation premiums grew from a median of 2.5% in FY 2022-23 to 2.95% for FY 2023-24 compared to the 2.0% assumption within the NDIA Cost Model. We anticipate that this increase alone will cost **ermha**365 $682,742 per year (unfunded by client plans).

i) When it comes to supervision, the DSW model is made up of 15 employees to 1 supervisor. **These supervision settings are challenging to meet** due the nature of the workforce, roster frameworks, significant staff shortages and the over reliance on casual workers.

j) In addition, when it comes to salaries and awards, **SCHADS shift workers get an extra 1 weeks leave if they work 10 weekends are year. The DSW model does not factor for this anomaly.** Given workforce shortages, this is creating challenges financially for some of our high intensity services.

k) **Clinical governance to oversight complex needs is not adequately factored into the cost model when it comes to complexity.** This includes the need for provision of progress notes, reports, and weekly summaries to Care Teams; attendance at Care Team meetings to present progress updates; critical needs and risks and contribute to planning; reflective practice with behaviour support practitioners or other clinical specialists; Shift handovers; Development and monitoring of risk mitigation plans and participation in High-Risk Register panels and incident reviews.

l) In addition, **assessments are not accounted for in the DSW cost model.** We estimate that for people with complex requirements we complete up to 30 hours of assessment per SIL referral to enable a transition from high care settings. This is unfunded work that **ermha**365 has had to absorb without any ability to claim from client plans.

Case study

When assessment is inadequately funded: John*

John is a young man with a complex disability profile of personality disorder, cognitive difficulties and PSTD. His behaviours of concern include swallowing of knives and implements, fire lighting, high risk vulnerability to sexual exploitation, escalating suicide attempts and history of assaults to staff. **ermha**365 was approached as a preferred provider due to our skills in working with people with extreme and complex needs.

In preparing for his planning review, John stated he didn't need staff support as he was getting a boyfriend and a job. Planning was needed to take into consideration both his thoughts and expressed needs and the evidence of escalating behaviours of concern which placed John and others at high risk. Time for a comprehensive detailed assessment was not funded. Following his planning review John's new relationship broke down and he set fire to his house with staff inside within days of the review. In the months following this incident, John has had multiple emergency presentations and interactions with emergency services. Due to the high risk of death by misadventure and the severity and traumatic nature of daily incidents occurring, staff are concerned that with inappropriate in supports they will not meet duty of care for this participant.

**Name has been changed.*

m) Overheads are set at 11% at the same time the costs of compliance, quality and safeguarding, IT changes are increasing. **The real cost of overheads is closer to 18% for ermha Ltd,** which is low compared to many of our counterparts whose overheads sit in excess of 20% and who took part in the Stewart Brown benchmarking survey.

n) We are also bracing ourselves for **the removal/ reduction of the Temporary Transformation Payment (TTP)** in 2024-25. The price limits are currently scheduled for a 2.5% cut due to the withdrawal of the loading. When this is removed, we will be further impacted with even deeper annual losses.

o) **Non-billable activities that as registered providers, we are expected to do, are increasing.** These include:

- Reporting of restrictive interventions; including funding an APO role to support documentation and compliance with Office of the Senior Practitioner (VIC) and NDIS Q&S Commission's Restrictive Practice reporting requirements. This requirement is particularly high where a client has a Supervised Treatment Order, requiring additional reports and hearing with VCAT.
- Training for staff in the delivery of behavioural plans, and reflective practice delivered by BSP practitioners to oversight and adjust implementation of plans to debrief and explore the impact and consequences of constant response to high-risk scenarios. As noted previously, whilst the BSP practitioner can charge for delivery of training, SIL funding does not allow paid time for staff to attend BSP training.

- Extremely high levels of planning, assessment, and liaison with clinical, justice and other referral parties prior to service commencement. These costs sit above and beyond establishment costs and in our experience routinely require 30+ hours of skilled, but unpaid, liaison per participant.
- Very frequent case reviews and a high level of reporting requirements. Our lead and operational staff are frequently responding to weekly – monthly case reviews and involved in lengthy review processes that inform planning.
- Most of our clients have care teams that engage and involve multiple stakeholders who seek additional reporting from SIL services to inform risk planning and care. This is currently not funded and is a large expense incurred by **ermha**365.
- The requirement to provide detailed handover between shifts to provide risk briefing and alerts is critical.
- Increased incident responding, reporting and mitigation management.

As a result of these significant cost challenges, ermha Ltd is running its high intensity services at a loss.

The DSW model suggests providers will achieve a margin of 2%. **ermha**365 is making a loss of 8%.

This is a 10% difference when compared to the DSW model for our work with high intensity complex clients. As an organisation that delivers a wide range of other services, ermha Ltd is in the fortunate position that it can break-even, cross subsidising its NDIS losses with savings in other programs. This approach is not considered to be viable or sustainable in the medium term.

The following table demonstrates the real cost of the provision of high intensity supports for NDIS participants with complex and challenging behaviours, and participants needing psychosocial supports, compared to the DSW cost model.

DSW cost model	DSW model % DSW2 High intensity rate	ermha365 %	Difference
Base pay	SCHADS 2.4 – 3.1 51%	SCHADS 3.3 54%	(3%)
Leave allowances such as shift loadings, holiday pay and salary on costs, supervision, and casual loadings	37%	38%	(1%)
Utilisation (non-billable activities)	80% – 97%	84%.	Lower end of range
Corporate overheads	11%	18%	(6%)
Margin	2%	(8%)	(10%)

5. Increasing cost of quality reform and transition costs

On average, quality, safeguarding, and compliance represented 1.3% of operating (indirect) expenses, as a proportion of direct costs according to the Ability First 2024-25 financial year pre-budget submission. These costs are not a one-off and have been increasing over time. However, there has been no indication that price limits will increase to recognise the additional regulatory burden.

The regulatory models proposed by the NDIS Review (Recommendation 17) will see additional quality, safeguarding, and compliance requirements. The implementation of the Royal Commission recommendations will also have a significant impact on the way in which disability services are delivered and require registered providers to undergo a significant period of transition.

Ensuring that this regulatory model is factored into NDIS prices will be crucial.

6. A Shift to the unregistered sector – which in many cases is unregulated.

Alongside the severe financial challenges facing quality-focused registered providers, a dramatic shift of scheme expenditure from registered to unregistered providers is currently underway. Data from NDIS Quarterly Reports shows that the share of scheme payments going to unregistered providers has nearly doubled in the past four years, to more than a third of all payments made under the scheme. In the 12 months to 31 December 2023, nearly $13 billion was paid to unregistered providers.

The NDIS Review final report described unregistered providers as "*flying below the radar*" with limited regulatory oversight and leaving participants potentially exposed to risk — particularly those who have complex needs or circumstances. This is deeply concerning.

When it comes to pricing, unregistered providers have none of the additional costs related to quality and safeguarding, auditing, quality, practice governance and its associated expenses.

In our experience, unregistered providers put profits and money over genuine services and supports. We constantly see unregulated providers targeting very vulnerable NDIS participants, attracted by the size of their substantial packages, with predictable and heartbreaking results, as shown by Jenny's case (below).

Case Study

Jenny*

Jenny is a female in her mid-20s who has lived experience with Complex Post Traumatic Stress Disorder, intellectual disability, depression, anxiety, and reactive attachment disorder. **ermha**365 currently provides high intensity supports for support Jenny to access the community.

In early 2024 Jenny advised that she was leaving **ermha**365 and had a new support agency. As there was no notice given or plan for a transition, as we would expect between providers, **ermha**365 scheduled a care team meeting.

ermha365 direct supports remained in place, and Jenny's Support Coordinator tried to call the mobile number provided by the new service however there was no answer or voice mail. Additionally, we were unable to locate a website for the service. Concerned, **ermha**365 investigated the business and discovered that the business name and ABN had only been registered since January 2024.

Jenny then disclosed to her **ermha**365 support worker that the person who signed her up had given her "tasks" to complete (sign paperwork, call and cease all NDIS supports) and that "they would reward me with things, like drugs and money." Jenny shared that she had "received $50 cash and 6 points of ice." Jenny shared that that she was aware they "have offered others (NDIS client's) drugs and money too."

Jenny was supported to report what had happened to Police. She also continued to receive services and supports. In addition, a report was made to the NDIS Quality & Safeguards Commission and Jennys plan is now NDIA managed. **To date no charges have been made against the unregistered provider.**

**Name has been changed.*

7. Impact on Quality: The CEO Collaboration group findings

ermha365 is an active member of the CEO Collaboration Group (CEO Collab). The CEO Collab surveyed members on NDIS core support pricing (please refer to their submission). A total of 34 responses were received from organisations with combined total revenue of approximately $1.4 billion. Of these respondents, 88% were non-profit organisations and included ermha Ltd.

Collectively, the results speak to a group of quality-focused providers at breaking point due to low unit prices, cost inflation, increasing regulatory expectations and a shift to the unregistered sector.

- A key finding of the Collab survey was that 97% of the 34 providers surveyed had found it more difficult to maintain the quality of the core supports delivered over the past 2-3 years.
- Just over 35% said the impact was "major" and 18% rated it as "extreme."

One provider highlighted how service delivery was costing more than they could claim from the NDIS and stated that their "registration will be reviewed moving forward."

Other insights included:

"We used to be known for our professional development that resulted in an exceptional team of well-trained disability support workers. We have been reduced to providing the minimum training at low cost." This is true as the DSW cost model allows very little time for non-client facing activities including essential training and development.

"Team leaders are stretched over additional sites, and they are required to do rostered support shifts. Constant roster reviews with support changes where funding is inadequate, maxed out span of control/supervisory time, supports are all face-to-face which leaves no room for client training, outcome and planning meetings, detailed client handovers." This mirrors the experiences we are facing at ermha Ltd.

"Price reductions have a major impact on our ability to maintain the quality of supports we deliver to our participants by limiting resources, affecting staffing, hindering training and development efforts, reducing customisation options, limiting access to specialised services, impacting ancillary services, and increasing the risk of burnout among staff."

The CEO Collab report also highlights the increasing cost and difficulty associated with delivering supports for participants with complex and/or high needs. These participants require highly trained and skilled staff but there is an increasing gap when it comes to the cost of training and compliance. It's very hard to understand how significant additional requirements can be introduced for high intensity supports by the Commission, with absolutely no recognition of this workload in prices.

The survey found that in the past 2-3 years it had become harder for almost 80 per cent of respondents to deliver on regulatory obligations, with 32% strongly agreeing that was the case.

Insights included:

"It is costly to comply as a registered provider. We will always continue to meet our legal obligations and deliver services at a high-quality level; however, registration does not add value at this stage."

"Audit preparation is expensive, time consuming and benefits are hard to measure if they exist at all. The benefits of registration are now being questioned at board level. Private competition takes our high functioning clients at a huge financial cost to us."

"The increasingly stringent requirements for reportable incidents and NDIS Commission follow up has necessitated increased investment in compliance staff, which has not been met with commensurate increases to funding. We have maintained compliance to date but have incurred losses in doing so."

8. Recommendations

We make the following three recommendations to the NDIS pricing review 2024.

Recommendation 1:
Unregistered providers should immediately be banned from providing high intensity services for complex, vulnerable NDIS participants.

Restricting service provision to only registered providers for high-intensity, high-risk and vulnerable participants should be introduced immediately. This will ensure the NDIS quality and safeguarding standards exist for all participants in receipt of these services; therefore, enabling safe and effective services for participants most in need of these. By implementing registration requirements for providers of these supports, integrity will override economic benefit.

Recommendation 2:
Pricing should be based on what is required to deliver a safe, quality service when working with very complex participants.

It is recommended that an additional 'complexity loading' of 8-10% is added to the DSW cost model for NDIS participants who are supported via complex planning pathways. These participants have higher levels of complexity, higher likelihood of requiring a skilled response and higher likelihood of a concurrent disability, forensic profile, and multiple behaviours of concern.

Risk to participants and staff isn't priced into the current DSW cost model at all. There is no risk incentive to work with highly complex clients who are more likely to assault staff, impact community, damage property, have high contacts with justice and clinical settings or have fluctuations in engagement. Most pertinently, funding does not reflect the crisis cycle and its impact on clients and staff. We see a never-ending recycling of complex clients as a result of reduced workforce experience and skill. The introduction of this loading would enable appropriately qualified and trained staff to provide services. As a result, we would expect to see immediate and longitudinal benefits inclusive of reduced behaviours of concern and incidents, therefore, achieving the NDIS objective of increased goal attainment and reduced packages.

Recommendation 3:
Immediate introduction of a new tiered Registered Provider Loading (RPL) for core supports.

We fully support the CEO Collaboration group recommendation for the immediate introduction of a new tiered Registered Provider Loading (RPL) for core supports in July 2024. This will compensate quality providers for the current administrative and safeguarding burden placing them at significant financial risk. This is particularly relevant when it comes to providing high intensity supports for some of the scheme's most complex clients. This loading should be paid directly to registered providers and be kept separate from participant plans. As such, the prices presented in the Pricing Arrangements would not include this loading and participants would not be unfairly impacted by choosing a registered provider.