



Apis

Part of **Accenture**

Continuity of Support Programme

Funding Model Analysis Report

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Annex A – The Strawmen Funding Model Report



1 Executive Summary

The CoS Programme asked Apis, part of Accenture, to conduct a Funding Model Analysis to inform the forthcoming New Policy Proposal to be presented in the Budget process of FY2020-21 in October 2020. The purpose of the analysis was to:

- Explore potential funding models to achieve individualised client service funding and an efficient delivery mechanism in line with the broad policy objectives of the CoS Programme; and
- Recommend a preferred CoS funding model to inform policy options, including timeframes for implementation.

The CoS Programme has reached a turning point. Clients will no longer transition into the program after 1 July 2020¹. This turning point offers the program the opportunity to reconsider and recalibrate how it delivers its policy objectives, and particularly how it funds continuity of support for CoS Clients.

The CoS Programme's Funding Model Analysis project explored potential funding models that achieve individualised client service funding and an efficient delivery mechanism consistent with the policy objectives of the CoS Programme. The details behind the development of the funding model options are recorded in the **Annex A - Strawman Funding Model Report** (attached).

Consideration of the pressures faced by the CoS Programme led to design requirements for the future funding model:

- **Needs based:** The level of funding support is based on need
- **Nationally consistent:** The level of funding support is equivalent for people with similar needs within the CoS Programme across regions
- **Program equivalence:** The level of funding support is equivalent with support provided to people with similar needs in other government funded programs
- **Consumer choice:** Consumer choice is available for the CoS Client (or their legal guardian or advocate)
- **Efficiency:** Administrative and cost efficiencies are designed into the model
- **Flexibility:** Departmental administration of the program is simplified and made more flexible
- **Sustainability:** Costs are sustainable for the life of the program.

¹ This analysis assumes that the CoS Programme is a closed program. If the program is re-opened in the future, the analysis here will no longer apply.



From a range of about ten possibilities, five funding model options were identified as viable 'strawmen' from which the CoS Programme might select a preferred model.

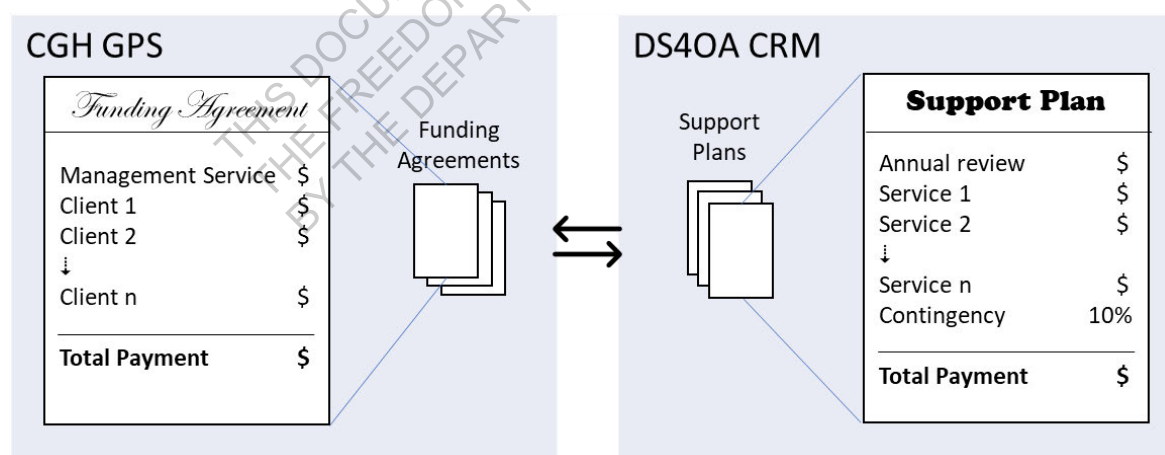
Discussions with the CoS Programme team identified a range of policy responses to the pressures the CoS Programme is facing, listed below:

- Reposition the funding approach from provider-centric to client-centric
- Harmonise support for clients nationally, and with other programs
- Address changing client needs systematically
- Operate the programme efficiently.

Working with the CoS Programme team, priority was assigned to some of the design requirements (particularly, efficiency, flexibility, and national consistency) that re-weighted the strawmen options; Option 2 – grant-funding of disability support providers became the preferred model, albeit with some modifications to account for program pressures. The **preferred funding model** was developed with the following elements:

- Grants to intermediaries (providers) on behalf of individual clients
- The grant amount for each client is tied to a support plan that arises from a needs assessment
- Grant payment amounts are reviewed and, if necessary, amended once before each payment milestone.

This funding model might be implemented in the forthcoming CRM system as follows:



Community Grants Hub – Grants Payment System

Disability Support for Older Australians – Client Relationship Management

One support plan per client; one or more services per plan



One funding agreement per intermediary/provider; one or more clients per agreement

Each agreement includes a management service, to coordinate support provision for all funded clients

Changes to payment milestones less than $\pm 10\%$ are a "Notice of Change" not a variation of the agreement

Each service plan includes an Annual Needs Review service, and a contingency amount to accommodate incremental or incidental changes in service delivery (10% of support plan funding amount)

Provider updates support plan (through Provider Portal) as regular reporting requirement (tied to payment milestones)

There are some implementation concerns that must be managed and addressed to successfully move to the new funding model:

- **Who will conduct the needs assessments? And with what tools?** – some assessors and some assessment instruments exist in the disability support and aged care space; selecting an appropriate arrangement to support the CoS Programme's policy objectives is a key implementation task.
- **Funding agreements must incorporate client direction on spend** – this requirement assures the clients of choice and control in their support needs arrangements.
- **The intermediary agreement must account for role variation of the intermediary (provider/agent)** – sometimes the intermediary will be the provider of some, or all, of the support needs for the client, sometimes they will only coordinate other providers of support services.
- **Alignment of funding levels to NDIS pricing schedule must be further investigated** – initial estimates indicate that adopting the NDIS Price Schedule may potentially raise the CoS funding envelope by as much as 50%, which is indicative of the disparity between current CoS and NDIS funding, particularly in group home settings where CoS clients and NDIS participants share accommodation. A gradual move of the CoS funding levels to parity with the NDIS Price Schedule would be difficult as NDIS prices move each year and interim funding levels would be disconnected from actual support service costs.
- **A Support Needs Framework must be defined** – it is critical to define the appropriate policy settings to identify the types of disability and age-related support that the CoS Programme offers to allow clients to be properly assessed for support and funding, to transparently manage the change of clients' needs over time, and to define appropriate pathways for support the changing needs of clients, including potential transition to aged care.



- **Implement the new CRM solution** – efficient management of the programme centred on client support plans will require the implementation of the new CRM solution; this approach to program management will also rationalise the management of funding agreements with providers.
- **Revise delegation levels and locations** – the financial delegations for funding agreement changes should be reviewed and the Community Grants Hub provided the delegation to manage changes to the funding agreements ‘in the normal course of business.’
- **Introduce other funding agreement enhancements** – when new funding agreements are offered to providers to reflect the new approach to funding, some important characteristics should be included, such as longer-term agreements with revisable future payment amounts, the ability to recoup overpayments in one payment milestone by a reduction of monies in the next payment milestone, and reporting of how each payment was expended at the next payment milestone.
- **Accommodation of ongoing Aged Care reform** – there are several initiatives in train in the Aged Care sector that might affect the CoS Programme and they should be monitored and accommodated in the implementation of the new funding model.

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2 Introduction

The CoS Programme Funding Model Analysis project was established to develop insights and information to inform the development of a New Policy Proposal (NPP) for submission to the Mid-Year Economic Forecast Outlook (MYEFO) process in FY2020-21. Subsequent events (a global pandemic) have changed that MYEFO process into the budget process for FY2020-21.

This report presents the results of the development of a funding model for the CoS Programme. The purpose, objectives and scope of the Funding Model Analysis project are described below.

2.1 Project Purpose

To develop funding models and analysis to inform the future policy for the CoS Programme, which includes:

- Completing a quality assurance of the current available CoS data.
- Exploring potential funding models to achieve individualised client service funding and an efficient delivery mechanism in line with the broad policy objectives of the CoS Programme.
- Ensuring the potential funding models accommodate existing funding approaches including the Accommodation Management Grant (AMG) and account for the increased business costs of transitioning clients from state-operated services to non-government entities.
- Providing an analysis of 3-5 potential funding models for CoS, including outlining the risks and opportunities associated with each model.
- Providing a cost benefit analysis of the potential funding models, including an impact statement on the implications for policy, legislation, service providers, and clients including the timeframes for transition and change management considerations.
- Recommending a preferred CoS funding model to inform policy options, including timeframes for implementation.

2.2 Project Objectives

The CoS Programme NPP Support project aims to:

- Quality assure the current CoS data



- Identify a potential funding model for the CoS Programme that predicts the program budget necessary to provide continuity of support for CoS Clients
- Define an implementation approach for adopting that funding model to inform the New Policy Proposal scheduled for the 2020-21 Mid-Year Economic Fiscal Outlook (MEFO)/budget process commencing in July 2020.

2.3 Project Scope

The CoS Programme NPP Support project is operating within the following scope:

CoS Programme scope

- Ensure COAG commitment to deliver Continuity of Support is honoured
- Primary focus on securing funding for providers that preserves the viability of the program as the client base diminishes.
- Secondary focus on rationalising funding according to client need/support.

NPP Support Project scope

- Propose a funding approach for the CoS Programme after the last new entrants transition that provides long-term viability
- Establish evidence-based models to predict funding requirements that takes account of client exit rates, additional support requirements and program management costs
- Inform the NPP with a preferred funding model.



3 Rationale and Context

The CoS Programme has reached a turning point. Clients will no longer transition into the program after 1 July 2020². This turning point offers the program the opportunity to reconsider and recalibrate how it delivers its policy objectives, and particularly how it funds continuity of support for CoS Clients.

3.1 CoS Programme History

The CoS Programme responds to COAG's commitment to ensure ongoing support for a closed cohort of older people with disability aged 65 years and over (or 50 years and over for Aboriginal and Torres Strait Islander people). This cohort was receiving state or territory administered specialist disability services at the time of the National Disability Insurance Scheme (NDIS) as they transitioned out of their state or territory funded disability support program.

The mid-implementation program review reports:

"Consistent with priorities under the National Disability Strategy, the initial design of CoS (in 2015) was informed by targeted consultation with a broad range of stakeholders. ... This consultation identified a range of design priorities and influences including:

- maintaining philosophies that have importance for people with a disability such as maximising choice and control (e.g. through portability options);
- delivering 'local' continuity through maintaining the same service types, support levels, funding models; service providers, fee policies and state quality arrangements;
- minimising the impact on clients and providers (e.g. maintaining same providers and quality arrangements);
- management of cost issues such as historical underfunding by states, expected versus actual client exit rates and client volume and costs not aligning with Bilateral Agreements (e.g. pricing to match state levels and creating an exit trigger for clients to leave CoS);
- the critical reliance on states and territories (e.g. providing detail on state service models and delivering accurate data on client volume and provider funding); and
- acknowledging inequities between CoS, aged care and the NDIS (e.g. development of Additional Support policy to support more vulnerable clients who might be disadvantaged by moving to aged care).

² This analysis assumes that the CoS Programme is a closed program. If the program is re-opened in the future, the analysis here will no longer apply.



Subsequent program design reflects these priorities and delivers a national program which (largely) replicates state arrangements with the following exceptions to promote national consistency and address Commonwealth grant requirements:

- expanded reporting across ALL service types to deliver better transparency (under the previous AIHW data set not all service types were reported against);
- annual and as-needed reviews of client supports undertaken by providers or sub-contracted from other organisations from within existing funding;
- consolidation of existing individualised funding arrangements into three distinct Individual Support Packages (ISP) models;
- an amended ISP Direct Funding model where clients receive cash from a third-party grant recipient (not government) to purchase supports; and
- a bespoke funding agreement for CoS providers committing them to: maintaining existing fees; not rolling over unspent funds; and reduced funding as each client exits.”

3.2 Background

The current approach to determining funding for the CoS Programme was developed to expedite the transition of clients from the former State/Territory government-funded disability support services to the CoS Programme. The fundamental principle underlying the current funding approach is: “The CoS Programme will fund equivalent care and services that support older people to achieve similar outcomes to those they were achieving prior to transition.”^{3,4}

Other parameters in the current funding model are:

- Increasing costs of delivering support services over time are accounted for by a 3.5% p.a. indexation rate agreed in the Bilateral Agreements; the program has applied 2.5% of that indexation to annual increases in funding and held 1% to address additional support needs that arise within the year.
- If a client’s needs are assessed as having changed, they are expected to move to Aged Care programs and ‘exit’ the CoS Programme. If they do not accept the offer to transition to Aged Care programs to receive the necessary additional support (as a

³ CoS Programme Manual, Section 1.12, page 14. It goes on to say, “For individual service providers, pricing of individual units of service or supports (service outputs) will generally reflect the historical level of funding provided under state-based specialist disability services.”

⁴ In most jurisdictions (not Western Australia), the funding profile for the CoS Programme was built on inaccurate 2013-14 data provided by state and territory governments. In most cases, although client numbers are much lower than anticipated, their support costs are significantly higher than those agreed in Bilateral Agreements. This reflects a range of factors including historical underfunding, lack of client support reviews, and outdated state-based cost and service models (e.g. large residential facilities).



matter of choice, or because Aged Care programs are not configured to provide needed disability supports), the provider may make an application to have the additional support funded by the CoS Programme. If agreed by the CoS Programme, this will result in an increase in the funds paid to the provider.

- The program originally determined to draw additional support funding from the 1% held back from being applied to indexation or from quarantined Commonwealth Home Support Program (CHSP) funds.
- If a client's changed needs are to be addressed in the CoS Programme, two pathways currently exist:
 - If the client is in Supported Accommodation and requires further funding for additional support, it may be requested within the CoS Programme (funding requests are uncapped and determined by assessment)
 - If the client is living in their home and the funding for the client's additional support needs is less than \$8,000, the support can be sought through the Commonwealth Home Support Program (CHSP). This can occur without the client leaving the CoS Programme⁵.
- Clients that exit the program are no longer funded by the CoS Programme and payments to providers are reduced from the next quarter following notification to the Department of the exit, by the proportionate amount that they were previously receiving for the exited client.
 - Proportionate reductions of funding to providers because of client exits during the financial year leaves funds in the current appropriation to meet changing needs; if the notice of exit occurs in the annual end-of-Agreement acquittal, the funds are recouped through a Debtor's Tax Invoice (DTI) and returned to Consolidated Revenue (i.e. unavailable to the program to redistribute).
 - The program initially estimated an 8.5% exit rate (on the client data provided by state/territory governments).
- CoS Programme funding does not to support capital costs of providing disability support services.
 - In 2018-19, the CoS Programme introduced the Accommodation Management Grant (AMG)⁶ for additional payments to supported

⁵ The CoS Programme is currently seeking approval to vary these funding guidelines to allow CoS Clients living in their home to seek additional funding from the CoS Programme, and for those funding requests to be uncapped.

⁶ AMG was a direct response to Specialist Disability Accommodation payments made under the NDIS to promote equity, especially where CoS clients shared a facility with younger NDIS clients (i.e. a shared provider).



accommodation providers for the refurbishment or maintenance of accommodation facilities.

Most of the funding in the CoS Programme is paid to providers as grants, in advance. In 2019-20, 22% of funding is delivered through Individual Support Packages (ISPs) either directly to clients (direct funding), or to a provider on the client's behalf (intermediary or service provider funding). Clients accessing ISPs direct the funding to the services that they require.

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4 Funding Model Analysis

The project explored potential funding models that achieve individualised client service funding and an efficient delivery mechanism consistent with the policy objectives of the CoS Programme. The details behind the development of the funding model options are recorded in the **Annex A - Strawman Funding Model Report** (attached) and summarised here.

In analysing potential funding models the project considered the following lenses:

- Is the approach to determining the funding within the program post-transition appropriate for ongoing operations?
- Is the program able to monitor and manage client's services to assure continuity of support?
- To what extent is the program able to accommodate CoS clients' changing needs for support?
- To what extent does the program's funding affect the viability or sustainability of providers?
- Is the program operating efficiently (optimised costs in providers and the Department)?

Consideration of those matters led to design requirements for any future funding model:

- **Needs based:** The level of funding support is based on need
- **Nationally consistent:** The level of funding support is equivalent for people with similar needs within the CoS Programme across regions
- **Program equivalence:** The level of funding support is equivalent with support provided to people with similar needs in other government funded programs
- **Consumer choice:** Consumer choice is available for the CoS Client (or their legal guardian or advocate)
- **Efficiency:** Administrative and cost efficiencies are designed into the model
- **Flexibility:** Departmental administration of the program is simplified and made more flexible
- **Sustainability:** Costs are sustainable for the life of the program.






The strawman funding model analysis considered several elements of funding models in the context of the considerations and design requirements:

- A funding philosophy – does the government want to fund providers of services or the recipients of services (clients)?
- Payment approaches – how does the government distribute the funds to the payee?
- Service cost factors – what matters will influence the calculation of the overall budget for funding the program?



- Program specific requirements– how does the CoS Programme accommodate some unique program circumstances within the funding model?

From a range of about ten possibilities, five funding model options were identified as viable 'strawmen' from which the CoS Programme might select a preferred model:

#	Option	Brief Description	Average Rating against Requirements
1	Refine the existing model	Continued block funding to approved service provider organisations, formally associated to a schedule of services to deliver to identified clients, reconciled regularly	
2	Procure the availability of disability support services	The government funds CoS services based on predetermined costings across service types and regions (possibly based on the NDIS Price Schedule). A competitive grant process is run, with recipients required to service all participants that meet region and service need criteria. While the process is competitive, there is overlap of service provision to minimise risk of service failure to clients. Acquittals based on evidence of service provision.	
3	Procure disability support services on behalf of clients	The government establishes one or more "panels" of providers and allocates services through a centralised gateway. Providers bid to service regions and service types, and base their pricing on anticipated volumes of activity. Government issues specifications for level and quality of service (e.g. response times, accommodation standards, etc). Payment in arrears based on proof of provision of services claimed by providers.	
4	Provide funds to clients to procure services	The government funds clients on a support package needs basis (equivalent to the current ISP-DF). The government determines the rules for frequency and intensity of service provision relative to needs of consumer.	
5	Hybrid payment approach	High-cost, fixed-location services (i.e. supported accommodation; high-cost in-home support) are funded through grants to providers (Option 2); otherwise, client purchasing of other services is funded by the government (Option 4).	



Legend:

Fully met -----> Not met



5 A Preferred Funding Model

5.1 Selecting a Preferred Funding Model

To select a preferred funding model, Apis, part of Accenture, worked with the CoS Programme Team to identify which of the options would address the pressures that the program is facing. The design requirements (see list in Section 4 and detail in Annex A) were established to guide the development of the options based on the considerations in play for the new program environment. Selecting from among the options developed involved addressing the pressures that the program is facing and balancing the advantages and disadvantages of the funding models in supporting the policy responses that the program developed.

Significantly, in the discussions and workshopping of the funding models, priority was assigned to some of the design requirements (particularly, efficiency, flexibility, and national consistency) that re-weighted the strawmen options; Option 2 – grant-funding of disability support providers became the preferred model, albeit with some modifications to account for program pressures.

Section 5.2 outlines the pressures that the CoS Programme seeks to address. These pressures underpinned the questions that were considered in the Strawman Funding Model analysis and led to the policy responses described in Section 5.3. The preferred funding model was modified to allow it to support the policy responses in the most advantageous way.

5.2 CoS Programme Pressures

Transition to ongoing operation

The program has transitioned and is moving to ongoing operations. The funding and administration arrangements may need to be adjusted to suit this new phase. T

Disparity with other programs, especially NDIS

The program provides similar types of disability support as the NDIS for clients within the target groups for aged care programs . However, the program does not align with the design of mainstream disability or aged care programs.



Inadequate response options to changing (client) needs

The current program policy settings have not been tuned to respond to ongoing changes in client needs. Transition phase did not establish a baseline of need and the administration of funding arrangements has not maintained a history of changes to client needs, or an accurate picture of current funding levels for each client.

Budget is not directly connected to supporting client need

The transition phase was managed with the intent of ensuring continuity of support based on the previous state/territory programs; however, not all transitions were supported by a contemporary client support plan, so the budget is tied to provider funding not (specifically) to client needs. Furthermore, state and territory programs were reportedly under-funding disability support which means that historical funding levels are inappropriate targets to maintain continuity.

Balance of administration effort versus program scale

The current approach to the administration of funding agreements across two departments is costly given the relatively small client population. Providers on the other hand are *not* feeling an administrative burden in the CoS Programme, especially when compared to the burden of the NDIS. Furthermore, the processes for making changes to funding agreements because of client exits or changing needs requiring additional support are cumbersome for the Community Grants Hub (CGH) that manage the funding agreements for the CoS Programme.

5.3 Policy Responses

Discussions with the CoS Programme team identified a range of policy responses to these pressures, listed below with summary analysis of the advantages and disadvantages of each response.

5.3.1 Reposition the funding approach from provider-centric to client-centric

- **Fund clients (through providers/intermediaries) based on formal support plan** – in current program parlance, put everyone on an “Individual Support Package” (ISP)
 - Grants would be issued to intermediaries with the direction to have the services within the support plan delivered to the client for the funds provided
 - Intermediaries would act as ‘support coordinators’ for the client, coordinating relevant providers of support services, arranging needs



assessments when required, and managing the administration of the grant funding on the client's behalf – equivalent to the role of intermediaries in the current ISP-I packages⁷

- Intermediaries would receive some of the grant funding for providing 'support coordination' services
- Intermediaries may be providers of support services to the client (e.g. in a supported accommodation setting) – equivalent to the role of the support provider in the current ISP-SP packages
- **Conduct an independent needs assessment of all clients** (not including those who have had a recent needs assessment performed, or whose needs are supported by a support plan funded at less than \$20,000 per annum) to create a baseline of need and establish support plans for each client – this will allow clients, providers, and the department to understand what needs are being supported and simplify the correct funding of those supports.
- **Change the name of the program to “Disability Support for Older Australians”** to reflect the change of focus within the program from continuing support previously provided to delivering disability support to meet the ongoing needs of older Australians with disability.

Advantages/positives

- Funding is tied to supporting client needs, not continuing historical funding – linking funding explicitly to a support plan that addresses each client's identified needs allows the program to better respond to changes in those needs.
- This approach more closely aligns with the funding basis of both the NDIS and aged care programs.
- Independent needs assessment removes a potential conflict of interest – as in other programs where care/support needs are funded directly, independent assessment reduces the risk of over-servicing .
- A new baseline lends confidence to budget estimating – baselining the support needs of all clients in the program brings confidence to budget estimates because historic under-funding is removed and latent additional needs are revealed, which offers a better base for initial funding estimates and is expected to reduce the level of additional support requests in the near term.

⁷ CoS Clients on the “Direct Funded” ISPs, where they are responsible for the 'support coordination' role and funding administration, would be 'grand-parented' into the new funding arrangements, but no new such arrangements will be initiated.



Disadvantages/negatives

- Additional funding required to baseline needs – coordinating and conducting a clinical needs assessment for all CoS clients will be expensive and require the sourcing of appropriate independent assessors and use of relevant diagnostic tools; excluding clients with low needs from the need for a baseline assessment may reduce the costs.
- Potential to reveal substantial unmet need, which would require additional funding – given that state and territory programs were reportedly under-funding client needs and that no formal review of client needs has taken place since the CoS Programme commenced, a baseline needs assessment is likely to identify substantial unfunded obligation; such an outcome may have significant impacts on the overall funding envelope.

5.3.2 Harmonise support for clients nationally, and with other programs

- **Adopt a national catalogue of support services (from NDIS)** – that the variation in disability support services and pricing in the previous state and territory arrangements has carried forward into the CoS. The NDIS has established a nationally agreed catalogue of disability support services. Adopting this catalogue (reduced in scope to the services within the CoS Programme) will allow the program to harmonise the support for clients nationally and with the NDIS. Further amendments to the Support Catalogue might include the addition of respite services and other aged care services that CoS clients require. **Adopt a national pricing schedule of support services (from NDIS)** – adoption of (part of) the NDIS Support Catalogue allows for the application of the nationally agreed NDIS Price Schedule. Adopting the relevant elements of the NDIS Price Schedule will address perceived inequity in CoS Client funding and address the uncertainty about how best to incorporate indexation calculations in the CoS budget. The NDIS Price Schedule would be supplemented with nationally applicable prices for respite services and the inclusion of the prices established in relevant aged care programs for those aged care services that are incorporated.
- **Incorporate funding mechanisms that match NDIS SDA funding** – feedback solicited in the CoS Programme evaluation indicated that CoS clients are and will be disadvantaged over time because of their lack of access to funding support equivalent to the NDIS's Specialised Disability Accommodation (SDA) funding. The effect of this will be felt as the wave of moves to group home move through existing facilities as CoS clients will be unable to fund the necessary changes to their homes, or to new homes into which they might move to make the accommodation meet



their needs. The Accommodation Management Grant (AMG) addressed that need for some clients, but as it was a one-off payment, future needs will not be well-served.

Advantages/positives

- Support catalogue and pricing schedule already dominate the disability support 'market' – CoS clients are a very small group of people receiving services embedded in the much larger NDIS milieu. Shared living arrangements between CoS Clients and NDIS participants reinforce the commonality of support arrangements and highlight the disparity of funding. By adopting the NDIS support catalogue and price schedule, the CoS Programme will reflect the reality of the support of CoS clients and align with the program that it is most frequently compared.
- NDIS pricing schedule incorporates indexation tailored to disability services – the NDIS Price Schedule is updated annually through an exhaustive review process. It accounts for pricing pressures in the market of disability services and underpins the budgeting and operations of NDIS providers, noting that CoS Providers are required to be, or to seek registration to be, NDIS providers. Adopting the pricing schedule will harmonise support arrangements for CoS Clients receiving support with NDIS participants and simplify CoS Provider accounting and planning.

Disadvantages/negatives

- Will increase funding envelope for the program – the NDIS Price Schedule includes prices for support services delivered in CoS that are higher than the funding provided for those services in CoS. The NDIS Price Schedule also incorporates a rate of indexation in those prices based on disability support market conditions. This suggests that re-baselining client needs through assessment tied to apparently higher prices on the NDIS Price Schedule could substantially increase the funding envelope of the CoS Programme. (Initial rule-of-thumb estimates of the CoS Programme supports being funded at NDIS pricing levels suggest an increase of up to 50% in the funding envelope.)

5.3.3 Address changing client needs systematically

- **Move to demand-driven appropriation for the programme** – the current funding approach establishes an appropriation for the CoS Programme as a singular annual amount, drawn down as payments are made to providers. The appropriation is not varied as client needs change or as clients exit the program. This approach complicates the financial management of the program and reporting back to



government. Shifting the program to a demand-driven appropriation will give the department and the government much greater control over program expenditure and more accuracy in predictions of future funding requirements.

- **Define policy settings to account for changing CoS Client needs accurately** – the analysis and discussions with the CoS Programme team lead to suggested policy settings like:
 - Annual incremental additional support needs due to aging (i.e. more hours per week of a support service already provided) are automatically approved if within a defined threshold;
 - Some changes of support arrangements do not require an assessment, ; e.g. when a client decides to reduce their participation in day activities outside their supported accommodation home, the change of support arrangements to address their needs in the home does not require a formal review of needs to support the claim for the changed support arrangements, such as the rostering of a day carer;
 - Other changes to a client's circumstances that imply a change in their support plan (expected to be some form of medical incident or accident) triggers a formal needs assessment (which is funded);
 - There is automatic support for inferred services for defined complex need changes (e.g. funding support for the necessary consultation to establish a behaviour support plan when a client is assessed with a need for such support).
- **Define a support needs framework** – the extent of the changes is significant:
 - the CoS Programme's adoption of the NDIS Support Catalogue for describing the support services funded for clients,
 - the intent to baseline the needs of clients, as well as annual needs review
 - re-assessment of support needs after a significant change in client circumstances,
 - moving away from the default policy of transitioning clients to aged care to address their changed needs,
- The extent of change suggests the need for the definition of a Support Needs Framework. The Support Needs Framework would:
 - Specify the range of support needs that the CoS Programme would fund to address the disability support needs of older Australians;
 - Identify the assessment tools through which the disability support needs of older Australians can be accurately determined and establish a mechanism by which independent and appropriately qualified assessors can apply that tool to assess client needs;
 - Define pathways that respond to typical changes of need



- some of those pathways will involve the client remaining within the CoS Programme with an altered set of supports and possibly altered living arrangements (e.g. moving into a group home managed by their CoS Provider from their own home in the event of their carer passing)
- some of the pathways will indicate how the client might transition into aged care (i.e. when the needs that must now be supported lie outside the scope of CoS Providers to deliver);

Advantages/positives

- Ability to revise budget/appropriate at MYEFO each year – a demand driven appropriation allows the programme to more closely track the expenditure needed to deliver the programme's objectives and to advise government accordingly, rather than attempt to estimate the required funding for up to four estimate out-years.
- Policy settings that explicitly deal with change are easier to manage – by establishing policy settings that define how change in the program is addressed (at a funding level) will facilitate more accurate budget estimating and improve the efficiency of program administration.
- A Support Needs Framework will formalise the adoption of a modified NDIS Support Catalogue, determine the appropriate assessment tools for nationally consistent assessment of client needs and support the definition of clear pathways for managing the support needs of clients over time.
- Transition to aged care is understood and communicated to clients – defining pathways that follow pre-defined circumstance changes will ease the process of supporting clients through their experience in the CoS Programme and a transition to aged care.
- Pathways define a future for a closed program – the definition of pathways for changing client circumstances will assist client and providers to imagine their future in the CoS Programme and allow the program to better predict how the closed program will be wound down over time.

Disadvantages/negatives

- The historical baseline of data is not well-matched to ongoing program operations – the data that is currently held and managed within the CoS Programme cannot support the proposed policy responses. There will be additional cost and effort to establish the data requirements and revised program administration arrangements.



5.3.4 Operate the programme efficiently

- **Move to client-centric program management supported by a new CRM system that will track client needs and funding** – as proposed in the CoS Programme Business Transformation project at the end of 2019, introducing a CRM solution to support reformed operational processes would allow the CoS Programme to shift its focus to managing clients' needs rather than managing funding agreements with providers.
- **Rationalise funding agreement management** – re-establish funding agreements to recognise that changes in supports for clients and consequent payment amounts to providers is a normal course of business and so does not require renegotiating a varied funding agreement. Funding agreements are tied specifically to client support plans. Possibly, collections of funding agreements all with one provider can be managed as a collection, rather than individually.

Advantages/positives

- Client-centric management ties funding to client needs – not only does this give the government line-of-sight on the support it is providing to CoS Clients, it matches with the funding approaches in 'adjacent' programs (the NDIS and aged care), and harmonises the funding support provided to CoS Clients throughout the program.
- Rationalised agreements allow revised delegations and re-coup of over-payments – changing the focus of funding agreements allows greater flexibility in managing the agreements and offers the possibility of rationalising delegations to reduce governance overhead

Disadvantages/negatives

- Cost of system implementation – the funding envelope for the CoS Programme is substantial, but the number of clients and providers in the program is quite small. There will be challenges articulating a business case for implementing a modern CRM solution to manage a relatively small program.
- Cost of re-negotiating funding agreements – changing the funding arrangements from ~700 funding agreements to over 3000 will cost the program in time and money. The possibility of offering the opportunity to be an intermediary in the CoS Programme to relevant organisations not already participating would be a further cost.



5.4 Preferred Funding Model

This section summarises the funding model elements that are proposed to support the policy responses described above. Collectively, they represent a modified implementation of Option 2 from the Strawmen Funding Model options.

5.4.1 Grants to intermediaries on behalf of individual clients

The CoS Programme will offer grants to enable organisations to source, coordinate, deliver and administer disability support services for the benefit of identified older Australians. The grant will convey two key expectations of the recipient:

- To ethically, efficiently, and effectively carry out the necessary coordination, management and administration of providers of disability support services (possibly including themselves) to deliver the schedule of support services attached to the grant for the person(s) identified by the grant to receive those support services.
- To pay for, and account to the Department for, the delivery of the support services nominated in schedule(s) attached to the grant for the benefit of the person(s) identified in the schedule(s).

The grant amount will include funds to:

- Remunerate the organisation for the provision of the management services (first expectation),
- Remunerate the provider(s) of the disability support services to the identified client(s) at agreed rates (second expectation), and
- Account for incremental or incidental changes in the amount of support services delivered to the identified client(s), such changes being identified in the course of managing the delivery of the support services on behalf of the client(s).

Specific conditions on the grant will include:

- The grant will be to support one or more clients.
- The rate at which funds are provided to meet the first expectation will be factored to recognise the number of clients being managed.
- The grant recipient may provide none, some, or all, of the support services described in the support service schedule(s) attached to the grant if the client(s) agree to that arrangement. When the grant recipient provides none of the support services, the grant recipient must defer to the directions of the client(s) for which provider(s) of disability support services will be engaged to deliver the support services in the schedules.



Exceptional circumstances will be allowed for those clients within the CoS Programme that conduct the management services (first expectation) themselves at the time of the introduction of the new funding model. In these cases, the grant recipient will be expected to assist and facilitate the client meeting the first expectation of the grant but not to actively carry out those responsibilities unless requested by the client. In these exceptional circumstances, the grant recipient must allocate a portion of the funds that they receive for the first expectation to the client to facilitate the coordination that the client is undertaking.

5.4.2 The grant amount for each client is tied to a support plan that arises from a needs assessment

The amount of each grant associated with an identified client will be tied to the support plan that the CoS Programme maintains for that client. The support plan will be developed by a routine review of the client's needs to achieve their goals.

On implementation of the grant, each client's support plan will be developed by either:

- Transferring the existing schedule of services that the client receives into the new support plan by translating the existing services into the appropriate corresponding NDIS Support Catalogue service(s); or
- A recognised assessor reviewing the needs of the client and developing a support plan that responds to the needs of the client and draws from services described in the NDIS Support Catalogue.

Support services in the support plan are drawn from an adapted subset of services described in the NDIS Support Catalogue – the program's Support Needs Framework. The Support Needs Framework recognises that not all support services provided in the NDIS are relevant to the CoS Programme. The Support Needs Framework may include services offered by aged care programs to account for the special circumstances of the CoS Programme.

Grant amounts to meet the second expectation are derived by costing the support services in the support plan(s) from the NDIS Price Schedule (adapted for services not on the NDIS Support Catalogue).



5.4.3 Grant payment amounts are reviewed and, if necessary, amended before each payment milestone

Prior to a payment milestone for each grant, the current basket of supports described in each support plan is compared to the support plan recorded for the clients supported by the grant in the Master Client database.

- If there has been no change, the grant payment milestone proceeds.
- If there has been a change within the contingent funding amount of the grant, the intermediary is sent a “Notice of Change”, the funding agreement and payment milestone in GPS is updated with the new support plan(s), and a new payment is made on the milestone.

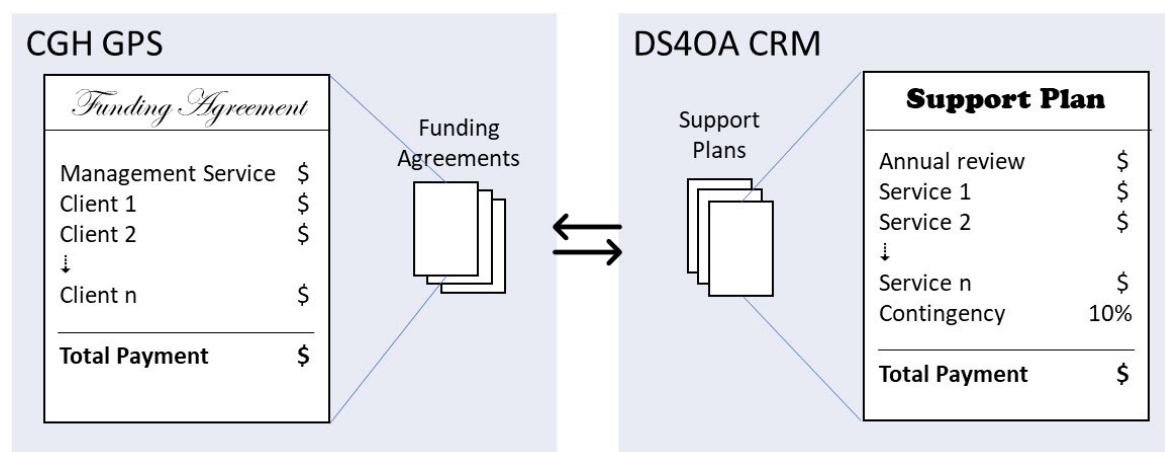
If changes have been made to a client’s support plan that exceed the threshold of the contingent amount in the grant, the funding agreement containing the changed support plan will need to be varied (see further discussion of variations, below).

If a client has exited the program, the relevant support plan is removed from the related grant with grant payment amounts adjusted from the next payment milestone. If the client has transferred between grant recipient providers, the relevant support plan is removed from the ‘source’ grant and added to the ‘destination’ grant, with the grant payment amounts adjusted for both grants from the next payment milestone.

These changes to the grants are likely to require a variation to the funding agreement. Ideally, those changes will be ‘bundled up’ so that no more than one variation is made to any grant within a payment period.



5.4.4 System view of proposed arrangements



Community Grants Hub – Grant Payment System

One funding agreement per intermediary/provider; one or more clients per agreement

Each agreement includes a management service, to coordinate support provision for all funded clients

Changes to payment milestones less than $\pm 10\%$ are a “Notice of Change” not a variation of the agreement

Disability Support for Older Australians – Client Relationship Management

One support plan per client; one or more services per plan

Each service plan includes an Annual Needs Review service, and a contingency amount to accommodate incremental or incidental changes in service delivery (10% of support plan funding amount)

Provider updates support plan (through Provider Portal) as regular reporting requirement (tied to payment milestones)

5.5 Implementation Considerations

Implementing the policy responses described will have implications that will require consideration.

5.5.1 Who will conduct the needs assessments? And with what tools?

There is an existing workforce that could undertake assessments. The NDIA assesses individuals for disability support needs using a range of tools. The NDIA is in the market seeking to establish a workforce of assessors at the time of writing. During the program evaluation project, a provider noted that the Victorian Government has a standardised “support needs assessment” tool for disability support that was used to inform funding



disability supports. There is a support needs assessment tool called I-CAN (<https://www.i-can.org.au/>), which is based upon the internationally recognised World Health Organization International Classification of Functioning, Disability and Health (WHO ICF) framework, which might be a useful standard tool for CoS. The Aged Care Assessment Teams (ACAT) and the Regional Assessment Service (RAS) assess older Australians for their aged care needs using a national standard tool. Some combination of these approaches could be designed. As part of the development of the Support Needs Framework, identifying a suitable assessment mechanism is required. The cost of implementing that assessment mechanism is unknown but would likely be substantial.

5.5.2 Funding agreements must incorporate client direction on spend

In line with government policy, CoS Clients require choice and control in having their needs met. The introduction of clinical assessments creating support plans independent of the provision of the support should facilitate clients' choice and control. The professionalism of intermediaries administering client funding agreements is expected to ensure that clients select support services that match their identified needs. The introduction of advocates or other "support navigators" to assist CoS Clients who cannot make their directions known must also be considered.

5.5.3 Intermediary agreement must account for role variation (provider/agent)

The funding agreements must accommodate the circumstances where:

- The intermediary is also a provider of some or all of the support services in the client's support plan – this is likely to be common for clients receiving supported accommodation services.
- The intermediary is an agent of the client, coordinating service providers and administering the client's funds on their behalf.
- The client acts as their own intermediary (grand-parented ISP-DF arrangements) except that they do not receive or hold the funds that are provided to support their needs, an intermediary does that.

5.5.4 Alignment of funding levels to NDIS pricing schedule must be further investigated

If the profile of client needs is unchanged, the move to NDIS pricing for the support services being delivered in the CoS Programme will increase the overall program funding envelope. The most significant area of funding increase is in group home settings (which represent ~60% of the CoS funding envelope) where NDIS funding levels have grown to be, on



average, nearly 50% higher than CoS funding. Initial estimates indicate that adopting the NDIS Price Schedule may potentially raise the CoS funding envelope overall by as much as 50%.

Continuity of Support (CoS) Programme - Budget Estimate Funding Model						
		Year	20-21	21-22	22-23	23-24
Current Indexation	0.00%	Total Funding	\$384,456,141.21	\$379,553,369.00	\$372,940,113.95	\$348,853,613.72
NDIS Increase	0.00%	Base Funding	\$354,876,492.20	\$350,178,503.50	\$343,737,235.61	\$320,526,251.37
Additional Support	2.00%	NDIS Equivalent Funding	\$516,658,360.09	\$508,032,514.17	\$495,969,553.35	\$461,755,771.50
Management Funding	2.00%	% Change	45.6%	45.1%	44.3%	44.1%
Management Funding	\$500.00	Exits (By Funding)	\$2,364,791.44	\$4,697,988.70	\$6,441,267.89	\$23,210,984.24
SDA Funding #	\$2,500.00	% Exit	0.7%	1.3%	1.8%	6.8%
Contingency Funding	2.00%	Additional Support	\$7,097,529.84	\$7,003,570.07	\$6,874,744.71	\$6,410,525.03
Contingency Funding	\$300.00	Grant Changes	\$22,482,119.17	\$22,371,295.43	\$22,328,133.63	\$21,916,837.32

Figure 1 – Rule-of-thumb funding projections using indicative NDIS-matched prices

In response to the possibility that a move to the NDIS Price Schedule may cause too large an increase in the program's funding envelope, particularly if a baseline whole-programme needs assessment increased the amount of support that needed funding, one possibility is to introduce the price increases incrementally, say over three years until the CoS Programme fully matches the NDIS Price Schedule. Two significant drawbacks with this approach are: (1) the NDIS Price Schedule is expected to increase its prices every year, so the staging of price increases to meet it may be difficult; and (2) any staging of prices over forward projections would be arbitrary and not connected to actual costs in the industry.

5.5.5 Define a Support Needs Framework

The definition of appropriate policy settings to identify the types of disability and age-related support that the CoS Programme offers will allow the program to:

- Identify a support needs assessment that will standardise the description of the support needs of CoS clients;
- Identify assessors who could be commissioned to review client needs independently of the organisations providing them;
- Ease the change of needs process by formalising supports and the needs that they address; and
- Allow the definition of appropriate pathways to respond to predictable client changes.

Developing a Support Needs Framework will require considerable work; however, it is necessary implementation work to establish the CoS Programme for future operations. A formal statement of the needs and supports addressed by the CoS Programme will situate



the program within the range of government-funded supports for older Australians with a disability.

5.5.6 Implement the new CRM solution

The effective oversight of the support of clients in the program will be underpinned by the forthcoming CRM solution; planned for full implementation by April 2021. The solution will allow the department to manage the program from a client perspective, maintaining a near-real-time view of the support being provided to all clients, with changes to those supports only affecting the agreements that fund them once in each payment cycle.

5.5.7 Revise delegation levels / locations (DoH / DSS)

The management of funding agreements by the Community Grants Hub in DSS that reflect the contemporary status of clients whose data is managed in the Department of Health complicates the efficient management of the program. Similarly, financial delegations for decisions to vary grant (payment) amounts will need to be defined across the two departments to optimise program administration.

5.5.8 Agreement re-structure to allow client-based grant amounts and re-coup of over-payments

The funding agreements will need to be revised to account for more frequent changes in payment amounts at each payment milestone, where the contingency amount in each client's support schedule cannot absorb ongoing, incremental changes. The agreements should allow for over-payments at previous milestones to be recouped by a reduction in the current or future payments.

5.5.9 More regular acquittal of grant monies

With the shift of focus of grants to support plans for individual clients and the greater flexibility in change processes and payment amounts, funding agreements should be reframed to require more regular and appropriately detailed reporting on the expenditure of funds to meet clients' support needs. While this is an increased burden on CoS Providers, it aligns their reporting with the reporting required for the NDIS. Some providers have suggested that they would welcome the discipline of ensuring that CoS Clients are receiving the support for which they are funded.



5.5.10 Aged Care reform

The aged care sector is undergoing further reforms. Changes in home-based aged care, supporting people to navigate the aged care sector, reform to funding residential aged care, and the as yet unknown outcomes of two relevant Royal Commissions, mean that designing an appropriate policy framework for managing the CoS Programme is being conducted in an environment of significant uncertainty.

5.6 Proposed Implementation Approach

Implementation of the Disability Support for Older Australians program will involve several key areas of activity:

Parallel dependent work

- Implement a CRM solution to manage the CoS Programme in line with the future operating model.

Through Budget October 2020

- Obtain policy authority to operate the program in the newly defined manner; and
- Obtain government agreement to the projected budget for the forward estimates.

Refine the Policy Environment

- Implement the relevant legislative authority to operate the program in the newly defined manner (changes to determinations of the Social Security Act 1997, if necessary);
- Review and revise delegations in the Department of Health and the Department of Social Services to enable preferred operating model; and
- Review, revise and re-publish the CoS Programme Manual to reflect the preferred operating model.

Establish a Support Needs Framework

- Adapt the NDIS Support Catalogue to describe the services that the program supports;
- Identify, and if necessary, modify an assessment tool to determine what services within the program are appropriate for clients in the program based on their needs;
- Identify assessors to carry out support needs assessments for program clients; and



- Define pathways for addressing changes in the needs of clients, including transition pathways to aged care, where appropriate.

Renegotiate Funding Agreements

- Confirm with current CoS Providers that they wish to remain in the program; and
- Renegotiate funding agreements with new timelines and new payment structure.

Manage the Change

- Communicate with the sector about the policy and funding agreement changes; and
- Work with the program teams in Health and Social Services to implement the new operating model, supported by refined delegations and the new CRM solution.

Figure 2 illustrates how these activities might be conducted over the course of financial year 2020-21 in anticipation of the new program arrangements coming into play on 1 July 2021.

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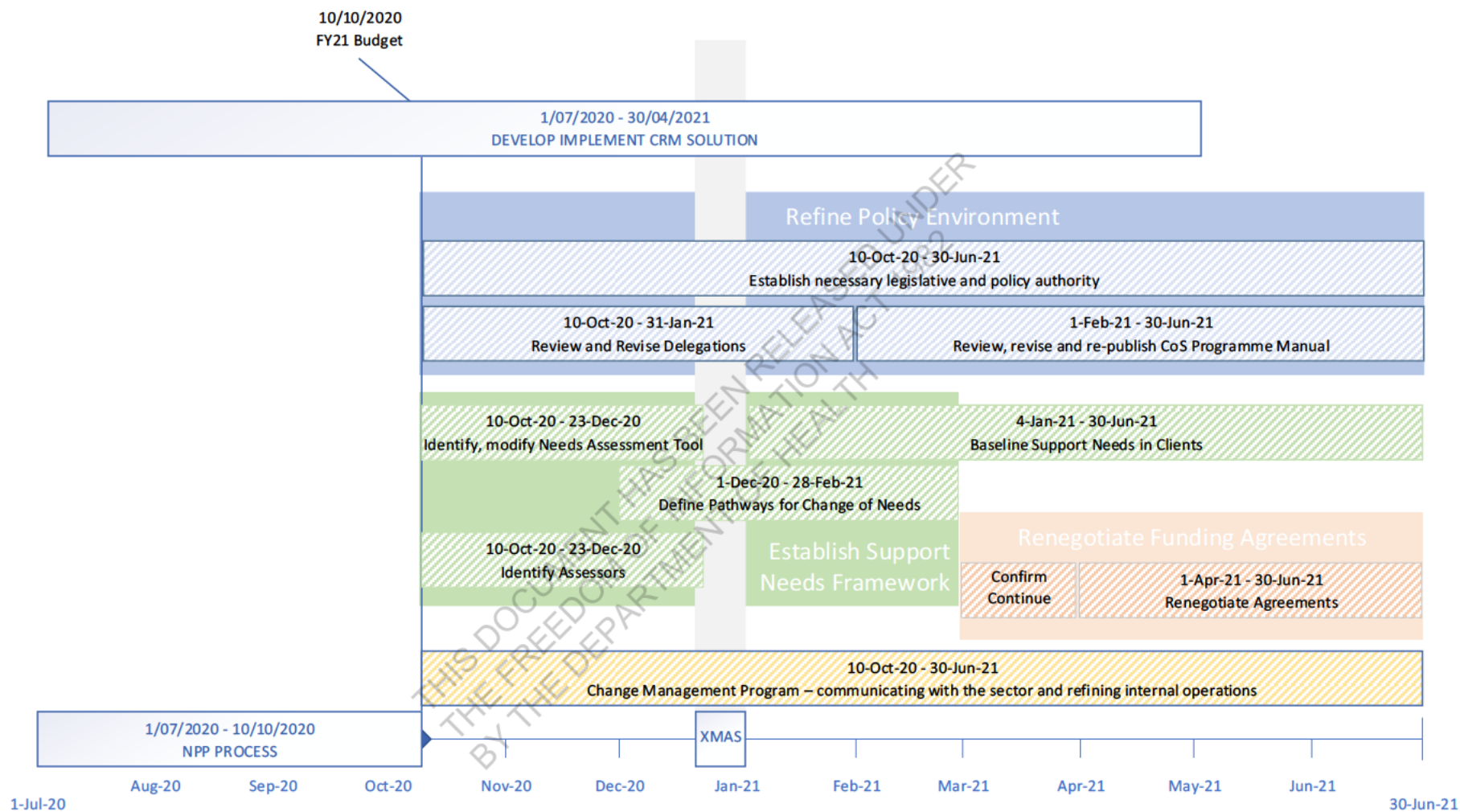


Figure 2 - Indicative Timeline of Implementation Matters for Revised CoS Programme with Preferred Funding Model





Continuity of Support Programme

'Strawmen' Funding Model Options Report

Submitted by: Apis Group Pty Ltd

Contact: s47F

Date: 20 May 2020



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1 Executive Summary

The CoS Programme is exploring suitable funding models to achieve individualised client service funding and an efficient delivery mechanism in line with the policy objectives of the CoS Programme.

In that context, the CoS Programme is considering several important matters:

- Is the approach to determining the funding within the program post-transition appropriate for ongoing operations?
- Is the program able to monitor and manage client's services to assure continuity of support?
- To what extent is the program able to accommodate CoS clients' changing needs for support?
- To what extent does the program's funding affect the viability or sustainability of providers?
- Is the program operating efficiently (optimised costs in providers and the Department)?

Consideration of those matters leads to design requirements for any future funding model:

- **Needs based:** The level of funding support is based on need
- **Nationally consistent:** The level of funding support is equivalent for people with similar needs within the CoS Programme across regions
- **Program equivalence:** The level of funding support is equivalent with support provided to people with similar needs in other government funded programs
- **Consumer choice:** Consumer choice is available for the CoS Client (or their legal guardian or advocate)
- **Efficiency:** Administrative and cost efficiencies are designed into the model
- **Flexibility:** Departmental administration of the program is simplified and made more flexible
- **Sustainability:** Costs are sustainable for the life of the program.






This analysis considered several elements of funding models in the context of the considerations and design requirements:

- A funding philosophy – does the government want to fund providers of services or the recipients of services (clients)?
- Payment approaches – how does the government distribute the funds to the payee?



- Service cost factors – what matters will influence the calculation of the overall budget for funding the program?
- Other matters – how does the CoS Programme accommodate some unique program circumstances within the funding model?

From a range of about ten possibilities, five funding model options were identified as viable 'strawmen' from which the CoS Programme might select a preferred model:

#	Option	Brief Description	Average Rating against Requirements
1	Refine the existing model	Continued block funding to approved service provider organisations, formally associated to a schedule of services to deliver to identified clients, reconciled regularly	
2	Procure the availability of disability support services	The government funds CoS services based on predetermined costings across service types and regions (possibly based on the NDIS Price Schedule). A competitive grant process is run, with recipients obligated to service all participants that meet region and service need criteria. While the process is competitive, there is overlap of service provision to ensure no risk. Acquittals based on evidence of service precision.	
3	Procure disability support services on behalf of clients	The government establishes one or more "panels" of providers and allocates services through a centralised gateway. Providers bid to service regions and service types, and bid their pricing, based on volumes of activity. Government issues specifications for level and quality of service (e.g. response times, accommodation standards, etc). Payment in arrears based on proof of provision of services claimed by providers.	
4	Provide funds to clients to procure services	The government funds clients on a support package needs basis (equivalent to the current ISP-DF). The government determines the rules for frequency and intensity of service provision relative to needs of consumer.	
5	Hybrid payment approach	High-cost, fixed-location services (i.e. supported accommodation; high-cost in-home support) are funded through grants to providers (Option 2); otherwise, client purchasing of other services is funded by the government (Option 4)	



Legend:

Fully met -----> Not met



2 Introduction

This report outlines the funding model analysis undertaken to elaborate the funding model options for the Commonwealth Continuity of Support (CoS) Programme. A further version of this report will identify a preferred option and the implementation approach of that option.

2.1 Project Purpose

To develop funding models and analysis to inform the future policy for the CoS Programme, which includes:

- Conducting a quality assurance review of the current available CoS data.
- Exploring suitable funding models to achieve individualised client service funding and an efficient delivery mechanism in line with the policy objectives of the CoS Programme.
- Ensuring proposed funding models incorporate the core elements of the existing funding approach, such as the Accommodation Management Grant (AMG), and account for the increased business costs of transitioning clients from state-operated services to non-government entities.
- Providing an analysis of 3-5 suitable funding models for CoS including outlining the risks and opportunities.
- Providing a cost benefit analysis of the proposed funding models including an impact statement on the potential policy, legislation, service provider, and client transition timing and change management considerations.
- Recommending a preferred CoS funding model to inform policy options to adopt including timeframes for implementation.

2.2 Project Scope

The CoS Programme Funding Model Analysis has the following scope:

- Ensure Council of Australian Governments (COAG) commitment to deliver Continuity of Support is honoured
- Develop options for the on-going funding approach for the CoS Programme once the last entrants are transitioned that will support long-term sustainability
- Establish evidence-based models of funding need, client exit rates, additional support requirements, and program management costs
- Revise the Accommodation Management Grant model to include the 2020-21 NDIS prices for Specialist Disability Accommodation and 2020-21 client numbers



- Inform a forthcoming New Policy Proposal (NPP) with a recommended funding model and up-to-date client data analysis.

2.3 Research and Consultation

The funding model analysis presented here relies upon information from a range of sources within the CoS Programme and observations of comparable government health support programs. Six CoS Providers were consulted for their views of the CoS Programme funding approach and their insights into how disability support service delivery drives costs that require funding support. The six providers and the standard questions that formed the basis of consultation with them are listed in Appendix A.

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3 Rationale and Context

The CoS Programme has reached a turning point. Clients will no longer transition into the program after 1 July 2020¹. This turning point offers the program the opportunity to reconsider and recalibrate how it delivers its policy objectives, and particularly how it funds the continuity of support for CoS Clients.

3.1 CoS Programme History

The CoS Programme responds to COAG's commitment to ensure ongoing support for a closed cohort of older people with disability aged 65 years and over (or 50 years and over for Aboriginal and Torres Strait Islander people) who were receiving state or territory administered specialist disability services at the time of the National Disability Insurance Scheme (NDIS) as they transitioned out of their state or territory funded disability support program.

The mid-implementation program review reports:

"Consistent with priorities under the National Disability Strategy, the initial design of CoS (in 2015) was informed by targeted consultation with a broad range of stakeholders. ... This consultation identified a range of design priorities and influences including:

- maintaining philosophies that have importance for people with disability such as maximising choice and control (e.g. through portability options);
- delivering 'local' continuity through maintaining the same service types, support levels, funding models; service providers, fee policies and state quality arrangements;
- minimising impact on clients and providers (e.g. maintaining same providers and quality arrangements);
- management of cost issues such as historical underfunding by states, expected versus actual client exit rates and client volume and costs not aligning with Bilateral Agreements (e.g. pricing to match state levels and creating an exit trigger for clients to leave CoS);
- the critical reliance on states and territories (e.g. providing detail on state service models and delivering accurate data on client volume and provider funding); and
- acknowledging inequities between CoS, aged care and the NDIS (e.g. development of Additional Support policy to support more vulnerable clients who might be disadvantaged by moving to aged care).

¹ This analysis assumes that the CoS Programme is a closed program. If the program is re-opened at some future time, the analysis here will no longer apply.



Subsequent program design reflects these priorities and delivers a national program which (largely) replicates state arrangements with the following exceptions to promote national consistency and address Commonwealth grant requirements:

- expanded reporting across ALL service types to deliver better transparency (under the previous AIHW data set not all service types were reported against);
- annual and as-needed reviews of client supports undertaken by providers or sub-contracted from other organisations from within existing funding;
- consolidation of existing individualized funding arrangements into three distinct Individual Support Packages (ISP) models;
- an amended ISP Direct Funding model where clients receive cash from a third party grant recipient (not government) to purchase supports; and
- a bespoke funding agreement for CoS providers committing them to: maintaining existing fees; not rolling over unspent funds; and reduced funding as each client exits.”

3.2 Background

The current approach to determining funding for the CoS Programme was developed to expedite the transition of clients from the former State/Territory government-funded disability support services to the CoS Programme. The fundamental principle underlying the current funding approach is: “The CoS Programme will fund equivalent care and services that support older people to achieve similar outcomes to those they were achieving prior to transition.”²³

Other parameters in the current funding model are:

- Increasing costs of delivering support services over time are accounted for by a 3.5% p.a. indexation rate agreed in the Bilateral Agreements; the program has applied 2.5% of that indexation to funding and held 1% for use to address additional support needs.
- If a client’s needs change, the CoS Clients are expected to move to Aged Care programs and will then ‘exit’ the CoS Programme, with two exceptions:

² CoS Programme Manual, Section 1.12, page 14. It goes on to say, “For individual service providers, pricing of individual units of service or supports (service outputs) will generally reflect the historical level of funding provided under state-based specialist disability services.”

³ In most jurisdictions (not Western Australia), the funding profile for the CoS Programme was built on inaccurate 2013-14 data provided by state and territory governments. In most cases, although client numbers are much lower than anticipated, their support costs are significantly higher than those agreed in Bilateral Agreements. This reflects a range of factors including historical underfunding, lack of client support reviews, and outdated state-based cost and service models (e.g. large residential facilities).



- If the client is in Supported Accommodation and requires further funding for additional support, it may be requested within the CoS Programme (funding requests are uncapped and determined by assessment)
- If the client is living in their home and the funding for the client's additional support needs is less than \$8,000, the support can be sought through the Commonwealth Home Support Program (CHSP) without the client leaving the CoS Programme⁴.
- Clients that exit the program are no longer funded by the CoS Programme and payments to providers are reduced from the next quarter following notification to the Department of the exit, by the proportionate amount that they were previously receiving for the exited client.
 - Proportionate reductions of funding to providers because of client exits during the financial year leaves funds in the current appropriation to meet changing needs; reductions arranged at end-of-Agreement acquittal do not.
 - The program originally estimated an 8.5% exit rate (on the client data provided by state/territory governments).
- If a client's needs are assessed as having changed and they do not accept the offer to transition to Aged Care programs to receive the necessary additional support (as a matter of choice, or because Aged Care programs are not configured to provide needed disability supports), the provider may make an application to have the additional support funded by the CoS Programme. If agreed by the CoS Programme, this will result in an increase in the funds paid to the provider.
 - The program originally determined to draw additional support funding from the 1% held back from being applied to indexation or from quarantined Commonwealth Home Support Program (CHSP) funds.
- CoS Programme funding is not to support capital costs of providing disability support services
 - In 2018-19, the CoS Programme introduced the Accommodation Management Grant (AMG)⁵ for additional payments to supported accommodation providers to support the update or maintenance of accommodation facilities to assure the continuity of support to clients in those settings.

⁴ The CoS Programme is currently seeking approval to vary these funding guidelines to allow CoS Clients living in their home to seek additional funding from the CoS Programme, and for those funding requests to be uncapped.

⁵ AMG was a direct response to Specialist Disability Accommodation payments made under the NDIS to promote equity, especially where CoS clients shared a facility with younger NDIS clients (i.e. a shared provider).



Most of the funding in the CoS Programme is paid to providers as grants, in advance. In 2019-20, 22% of funding is delivered through Individual Support Packages (ISPs) either directly to clients (direct funding), or to a provider on the client's behalf (intermediary or service provider funding). Clients accessing ISPs direct the funding to the services that they require.

3.3 Considerations

A range of key questions regarding the CoS Programme's future will be addressed in the forthcoming NPP. They are outlined here to set the context of the funding model analysis:

- Is the approach to determining the funding within the program post-transition appropriate for ongoing operations?
- Is the program able to monitor and manage client's services to assure continuity of support?
- To what extent is the program able to accommodate CoS clients' changing needs for support?
- To what extent does the program's funding affect the viability or sustainability of providers?
- Is the program operating efficiently (optimised costs in providers and the Department)?

Is the approach to determining the funding within the program appropriate for ongoing operations?

The current funding approach is deliberately tied to existing funding levels in each state/territory jurisdiction and directed to providers to ensure continuity of support for transitioning-in clients. While this approach has enabled the successful transition of clients from eight state/territory-based programs into a single, national program. Feedback to the programme over the transition period and consultation with a limited sample (six) of large CoS providers (see Appendix A) has identified several concerns, specifically:

- The level of funding attributed to the support of individual clients was frequently not based on their individual support needs.
 - Consultations with providers confirmed what data analysis revealed – that is, particularly in supported accommodation settings, multiple clients supported in the same setting were assigned an equal proportion of the total cost of delivering support services in that setting, regardless of their individual needs or level of support received.



- The level of funding attributed to support individual clients was frequently less than was required to support all their needs.
 - Consultations with providers confirmed anecdotal understanding within the CoS Programme that clients were under-funded at the time of transition into the program and that some clients had outstanding claims for additional support in the source disability support program that were never accounted in the transition to the CoS Programme.
 - The CoS Programme has a “20% flexibility” policy that offers providers some flexibility to attribute funding within their grant payment across clients in the one accommodation setting.
- The increases in costs of delivering disability support services to CoS Clients have escalated at a higher rate than the program’s indexation rate of 2.5% per annum.
 - Consultations with providers confirmed the understanding of the CoS Programme that in circumstances where funding levels did not increase to match cost escalations, clients were forced to re-structure the support they received to stay within their funding allocation.
 - Consulted providers pointed out that the NDIS pricing schedule was regularly revised to match the costs in the disability support sector and consequently services delivered under NDIS were more appropriately funded than equivalent services delivered under CoS, even in the same supported accommodation setting.
- The assumed exit rate (8.5% p.a.) based on inaccurate initial data provided by state/territory governments has not been achieved undermining the accuracy of the future funding estimates.
 - Figure 1 shows the actual exit rates for each year of implementation; the program is averaging 4.3% of all clients exiting the program per annum.
 - The rate shown for 2019-20 is inflated because of administrative exits of a large proportion of clients transitioned in from South Australia (i.e. transitioning-out clients of the program who should not have been transitioned-in).



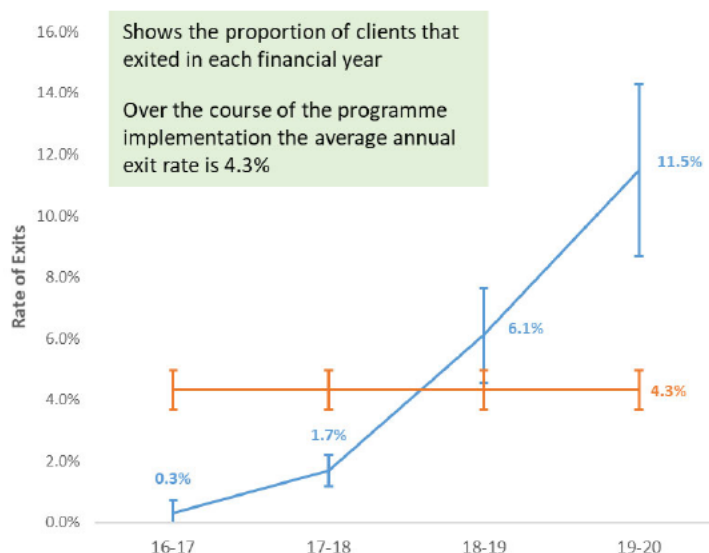


Figure 1 - Graphical presentation of exit rate (from CoS Master Client Data)

- The baselining of funding at levels agreed at the time of transition has resulted in inconsistencies in funding received by service providers for clients receiving equivalent services nationally.

One of the key challenges for the CoS Programme is that one driver behind its estimated appropriation is presumed exits and not accounting for the multiple moving components that create funding pressures. The disconnect between the appropriation assumptions and the reality of CoS administration has not allowed for offering long-term multi-year Funding Agreements to service providers, which threatens viability for providers and service continuity for clients.

These weaknesses highlight the need to change the funding model for the CoS Programme to deliver support to CoS Programme Clients more effectively and more efficiently into the future.

Is the program able to monitor and manage client's services to assure continuity of support?

When clients were transitioned into the CoS Programme, the services that they were receiving from their providers under the former State/Territory program were documented in Activity Work Plans (AWPs) tied to each funding agreement with the provider. As mentioned above, frequently AWP's included a set of services that were able to be provided within the arbitrary attribution of funding allocated to the provider for each client. Clients

funded under ISPs were not required to detail the services that they were funding through their ISP⁶.

Consequently, the program has very little insight into the mix and level of services provided to clients pre- or post-transition. (Figure 2 presents a proportional representation of the number of clients receiving different services under CoS. Overlapping circles indicate clients receiving more than one service.) The absence of this insight and the current approach of block funding providers disconnects funding from the needs of the clients receiving services. Consequently, the CoS Programme is unable to identify, monitor, or assure that clients are receiving the support necessary to meet their needs.



Figure 2 - Relative proportion of clients receiving CoS Programme Services

The CoS Programme is maintaining continuity of funding for support at pre-transition levels (subject to the agreed indexation factor and approved additional support arrangements) but the program does not ensure that there is continuity of the level of support received by clients. Furthermore, the program does not ensure that the funding provided is aligned to the individual support needs of CoS clients.

⁶ Clients funded under the direct model are required to provide detailed support plans for each type of support they are receiving.

To what extent is the program able to accommodate changing needs for support among Clients?

In consultation, providers described two different primary causes of age-related changing needs in CoS Clients:

- The client loses the functional capacity, or the interest, to participate in activities outside their residential setting and ceases support services for that participation
- The client experiences declining functional capacity that requires additional amounts of existing support services (i.e. more hours per week of a support service already provided).

There are other claims for additional support within the CoS Programme that represent new support services to be delivered to CoS Clients. During transition, many additional support requests resulted in the client 'exiting' CoS and taking up support under an Aged Care Program. Some clients continue to be funded by CoS while waiting for the assignment of a Home Care Package to complete this 'exit'. Some clients are being funded by the CoS Programme for additional support that they cannot receive, or cannot secure adequate funding for, under Aged Care programs.

Most Aged Care programs do not have disability-specific workforce expertise, service models or types, or adequately high funding levels to support clients with disabilities. As a result, many clients with more complex and specialised needs will not receive the quality of care or choice in care services required. In addition, aged care client fees may well be higher for many clients than under specialist disability support arrangements. A review of support for older Australians with a disability commissioned by the (then) Minister for Aged Care in April 2019 identified:

- People with disability are not a *special needs group* under the *Aged Care Act 1997*.
- Assessment tools for aged care do not include a disability flag and focus more on health conditions.
- The Aged Care Workforce Strategy recognises the interface between the aged care and health sectors but not disability, despite a significant overlap in service providers and the workforce.
- Disability 'flags' exist only in the federal government's Data Exchange (DEX) Activity Reporting tool for the CHSP and reporting under the CoS Programme, not other aged care programs.



The review also noted that the two Commonwealth-funded programs specifically helping older people with disability (Innovative Pool and the Commonwealth CoS Programme) are both ceasing programs that are closed to new entrants.

Aged care programs do not explicitly include services that support disabilities, though those services are not explicitly excluded either. For example, if the client with a Home Care Package (HCP) chooses to allocate some of their package funding to receiving disability support services, they can. However, the funding levels within Aged Care programs are typically below the funding needed for disability support services, significantly so for clients with high-level needs (see Figure 3).

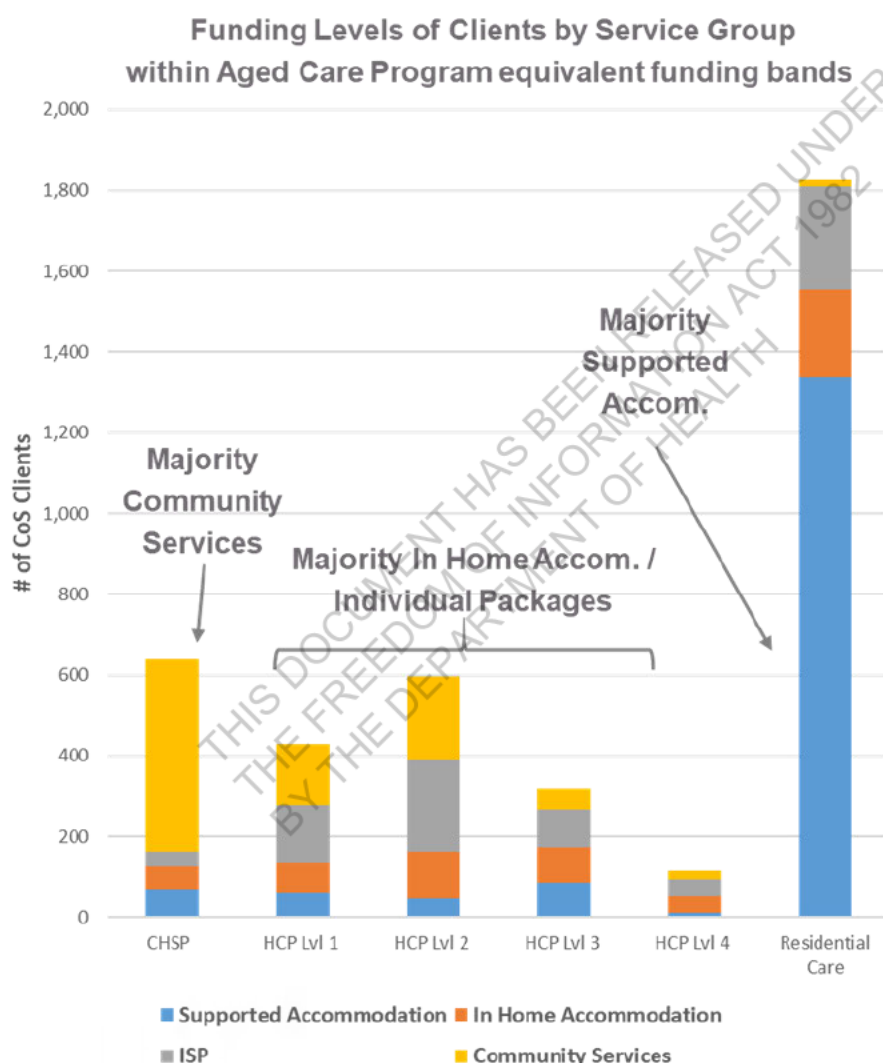


Figure 3 - Number of Clients receiving funding within Aged Care Program equivalent funding bands

Table 1 - Number of Clients receiving funding within Aged Care Program equivalent funding bands

	Supported Residential Accommodation	Supported Group Homes	In Home Accommodation	Individual Support Package	Community Access	Community Support	Respite	Grand Total
Commonwealth Home Support Service	43	20	55	35	116	411	42	722
Home Care Package (level 1)	8	18	81	135	63	53	39	397
Home Care Package (level 2)	8	17	113	228	117	48	52	583
Home Care Package (level 3)	2	5	78	151	36	7	10	289
Home Care Package (level 4)	1	2	35	48	14	1	3	104
Residential Aged Care	210	708	199	539	7	4	1	1,668
Grand Total	272	770	561	1,136	353	524	147	3,763

Figure 3 and Table 1 show that about a 25% of CoS Clients receive funding support under the funding level of a Level 1 HCP. For these clients, moving to aged care may provide a good level of service and an ability to remain living at home, but the fees required (up to 17.5% of their pension for a HCP) create disadvantage. Hence, a change in needs may not be adequately addressed by the policy directive of 'exit to Aged Care' for many clients. This will be especially so for clients with high-level needs who wish to remain in their current care setting (including at home). Such client may have only the option to exit to residential aged care, which means a different care setting with a lack the expertise and level of care needed.

Hence, changes in needs of CoS Clients (possibly age-related) are unlikely to be adequately addressed by an 'exit to Aged Care', especially for clients with high-level needs. The funding support through residential aged care (including client co-contribution) is seen to be more flexible and more able to cover high-level needs costs. However, residential aged care is frequently not aligned with client goals. Consequently, as the CoS Programme continues, the number of CoS Clients still in the program that might have a change of needs that could be supported by an exit to Aged Care will diminish.



Importantly, there is a NDIS policy setting that prohibits people over 65 years old accessing the program. This is a constraint of the NDIS supporting CoS Clients.

Importantly, the only constraint of the NDIS supporting CoS Clients is the NDIS policy setting that prohibits people over 65 years old accessing the program.

To what extent does the program's funding affect the viability or sustainability of providers?

The consulted providers are all large organisations (see Appendix A) and the support they provide to CoS Clients is a relatively small part of their more substantial disability support and/or aged care support business. Consequently, they all agreed that their viability would not be adversely affected by their CoS Clients exiting the program. Furthermore, they all agreed that they could change the way that funding was received, if necessary, though they all preferred the grant mechanism for its relative simplicity.

Those providers that were delivering supported accommodation services noted that CoS Clients exiting the program could affect their ability to continue to provide services to other CoS Clients in some group home settings but that this was typically addressed by introducing more NDIS clients into the group home that was losing CoS Clients.

Several consulted providers indicated that the receipt of block grants in advance promoted the sustainability of supported accommodation services by assuring the provider of cash flow to support the service delivery that is funded by the grant.

No providers commented upon the effect of CoS Clients exiting from services funded under the CoS Programme other than supported accommodation. It seems that the service delivery model for other services is does not have a shared fixed-cost component for delivery to CoS Clients unlike supported accommodation. This implies that the funding of non-supported-accommodation services is based on fully costed delivery (i.e. providers receive funding for the complete cost of delivering each such service to a CoS Client).

All consulted providers were substantial support organisations where CoS service delivery was a small proportion of their operations. Smaller providers supporting fewer CoS Clients may have different views about the effects on sustainability of service delivery and even their viability in the face of reduced CoS Client support servicing or exiting clients.

The differences in funding levels of equivalent support services paid to providers in different states and territories (see Figure 4 and Figure 5) that arises from the historical funding approaches could mean that introducing a nationally consistent fee structure might affect the sustainability of providers in some states/territories continuing to deliver those support

services. Adopting a national pricing schedule already used by providers for equivalent support services in the NDIS would mitigate this risk.

Is the program operating efficiently (optimised costs in providers and the Department)?

Earlier analysis of the operations of the CoS Programme by the Business Transformation project in late 2019 identified several significant opportunities for efficiencies in the operation of the program. Streamlining the amendment of AWP that underpins changes to quarterly grant payments would increase program efficiency. That streamlining might most efficiently be achieved by implementing a client management system that allowed the CoS Programme to have much more detailed insight into the support provided to CoS Clients and how that is changing over time.

During consultations, providers stated that the administration surrounding CoS funding was relatively simple, especially when compared to the requirements for funding under NDIS. The simplicity appears to arise from the receipt of quarterly block grant funds that are not reconciled to the AWP attached to the funding agreement. Some providers attribute the funds received to individual clients for their management purposes. In consultation, providers affirmed the insights developed within the CoS Programme that administrative tasks surrounding the changing of funding levels (exits and additional support applications) were complicated and inefficient.

Analysis of the funding paid to providers in each state/territory jurisdiction shows that average client funding levels for equivalent services vary across states and territories, sometimes significantly (see Figure 4 and Figure 5). Such variance is seen as inefficiency in a national program, even if the costs were not inefficient in the context of any one state or territory program.

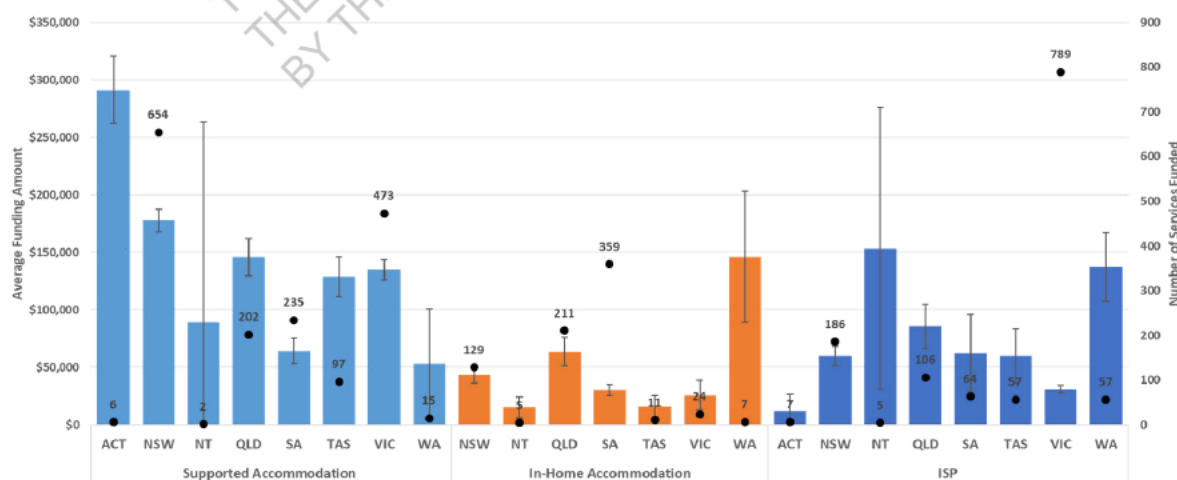


Figure 4 - Relative Average Cost of Services, by Service Type, by State (Chart 1 of 2)

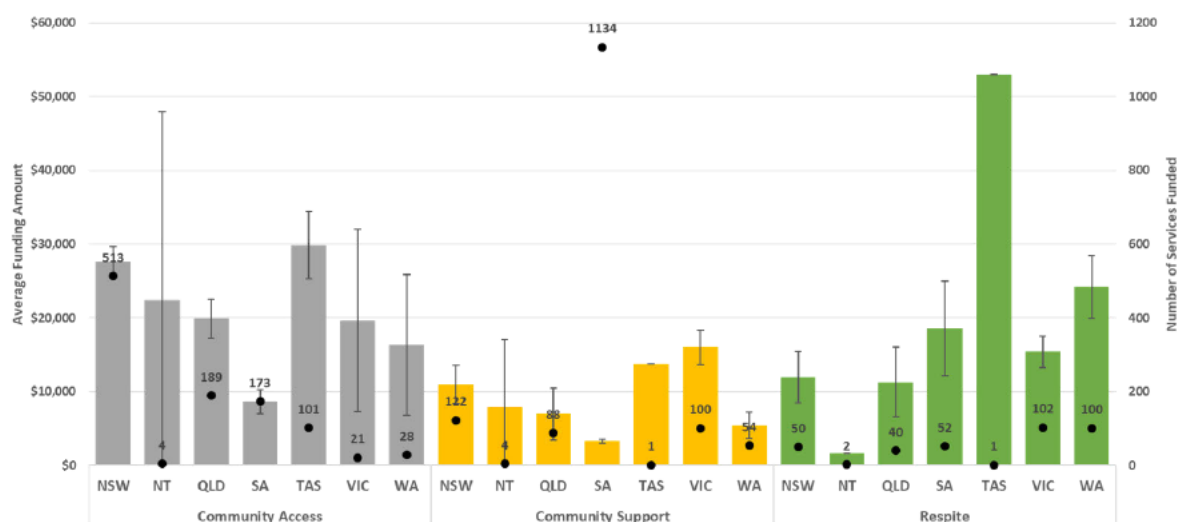


Figure 5 - Relative Average Cost of Services, by Service Type, by State (Chart 2 of 2)

During the consultation, several providers commented on the funding level from CoS Programme being less than the funding provided by the NDIS for clients in the same accommodation settings with equivalent support needs; i.e. they described the CoS Programme as 'under-funding' the support services for CoS Clients. This commentary pointed to three causes: CoS Clients were under-funded by the state/territory program that preceded CoS and that under-funding was not addressed at transition; the indexation method used by CoS was not keeping pace with service delivery cost increases (primarily wage growth in the sector) over time; and the NDIS Price Schedule primarily established the costs of service delivery in CoS and its indexation method was more generous.

4 Funding Model Analysis

The considerations discussed in the preceding section have influenced the design requirements for funding options. These design requirements are outlined below:

- **Needs based:** The level of funding support is based on need
- **Nationally consistent:** The level of funding support is equivalent for people with similar needs within the CoS Programme across regions
- **Program equivalence:** The level of funding support is equivalent with support provided to people with similar needs in other Australian Government funded programs (e.g. the NDIS)
- **Consumer choice:** Consumer choice is available for the CoS Client (or their legal guardian or advocate)
- **Efficiency:** Administrative and cost efficiencies are designed into the model
- **Flexibility:** Departmental administration of the program is simplified and made more flexible
- **Sustainability:** Costs are sustainable for the life of the program.

These design requirements operate within the fundamental policy intent for the CoS Programme policy to maintain continuity of support for CoS Clients.

The design requirements will be used to assess the effectiveness of the various funding model options at addressing the requirements of the CoS Programme. They are described in more detail in the following section.

4.1 Design Requirements

4.1.1 Needs based: Level of funding support is based on need

This criterion implies that funding for the program will be tied to the ongoing support needs of the clients. The funding model will need to identify the number of clients and their assessed support needs as input to the calculations. The needs assessment preferably would be independent of the service provider. A catalogue of services and their prices would simplify the model calculations.

4.1.2 Nationally consistent: Level of funding support is equivalent for people with similar needs within the CoS Programme across regions

This criterion implies that the level of funding support is equivalent regardless of the state or territory in which CoS clients reside. This assumes that service costs in different

jurisdictions are the same (or at least similar). Equivalence could accommodate variances in costs through, for example, factors applied to costs to account for rurality or remoteness. A catalogue of services and their prices would simplify the model calculations.

4.1.3 Program equivalence: Level of funding support is equivalent with support provided to people with similar needs in other Australian Government funded programs

This criterion recognises that CoS Programme clients are, by definition, at the intersection of aged care programs and the NDIS. Consultations with providers revealed that CoS clients are commonly supported in the same environments and with the same services as NDIS clients. The age-related functional capacity of CoS clients typically reduces the range of support services they seek to engage but slightly increases the amount of some support that they access. Adoption of the NDIS service catalogue and price schedule would allow the CoS funding model to adopt equivalent funding support with a similar government program. (The disability support needs of CoS Programme clients do not have an equivalent in the aged care programs, until high needs care in a residential setting is reached.)

4.1.4 Consumer choice: Consumer choice is available for the CoS Client (or their legal representative)

Government programs that aim to allow clients to exercise choice typically provide funds directly to the client or to providers to deliver services at the direction of clients. The NDIS and the Aged Care Home Care Packages are two programs that adopt this philosophy while using different funding mechanisms to achieve the desired outcomes. This criterion assumes that CoS client needs are independently assessed to guide the selection of support services by the client. A possible adverse outcome of this criterion that is shared by other programs is that clients may choose support services that do not align with their assessed needs.

4.1.5 Efficiency: Administrative and cost efficiencies are designed into the model

This criterion implies that mechanisms for selecting and funding providers will, through competition, pricing or other means, exert downward pressure on costs.

Providers have indicated that making claims for clients individually and by service is more administration than the current arrangements (undifferentiated grant payment, in advance). Note that NDIS participants are funded through a claims process, supported by a purpose-built claim and payment system and portal. Also, probity requirements for receipt of Australian Government funds suggest that more administration in receiving CoS funds

might be necessary. The administration processes for other elements of the program are also in scope (i.e. Additional Support requests, Comprehensive Behaviour Support Plans, and NDIS registration costs).

4.1.6 Flexibility: Departmental administration of the program is simplified and made more flexible

This criterion implies that the costs of managing the program, including the application of the funding model, are proportionate to the scale and risks associated with the program. Practically, the funding model and management process should be as automated as possible, payment amounts will be tied to readily updated Master Client Data, and funding arrangements are stable over the long term. Furthermore, departmental administration costs would be reduced if it aligns to other programs (e.g. the NDIS) for key funding inputs, such as a service catalogue and especially a pricing schedule.

4.1.7 Sustainability: Costs are sustainable for the life of the program

This criterion seeks to create a funding model that most accurately reflects the government's contribution towards the real costs of supporting CoS Clients over the term of the program's life (currently estimated at 20 years) including allowances for clients leaving the program, clients' support needs changing (and growing) over the long term, maintaining sustainability for CoS-only providers as their client numbers decline, and economic factors (i.e. indexation) being properly accounted. A defined service catalogue and associated pricing schedule, managed by the government, would also promote a sustainable program.

4.2 Funding Approach

The approach to determining funding levels can be oriented in two ways. The driver for these two approaches is 'who commissions the services'? 'Client-oriented' funding assumes that the client is commissioning the services to address their identified needs. 'Provider-oriented' funding assumes that the government is commissioning the services to be available for consumption by eligible clients. The implications of these two approaches are addressed in the following sections:

4.2.1 Client-oriented

The government allocates funds to the client and the client commissions the service provider to provide services that support their needs. This process is seen to maximise client choice and control. In client-oriented funding, the government role involves:

- Managing client eligibility and entitlement (identifying the clients)

- Ensuring that client needs are (independently) assessed to target support, and
- Regulating the market for relevant support services to minimise risks for vulnerable consumers.
 - Regulation could be 'hard' (e.g. licensing providers and enforcing compliance) or 'soft' (e.g. price signalling, information monitoring)

Funding levels under this approach are driven by the number of clients in the program, and the price of the services needed to meet their identified needs. The government may choose to wholly fund the costs of delivering all services to all clients (e.g. the NDIS) or set a level (proportion) of cost or service delivery that it is prepared to fund (e.g. the Home Care Packages program). The government may also include a requirement for co-contribution from clients. For this funding model design, there will not be any additional requirements for clients to contribute, noting that some clients already co-contribute grandfathered from the state/territory program they were in.

Basing the funding on assessed individual client needs does not necessarily mean that payments are made to clients. Many programs with this funding structure pay the service provider directly on behalf of the client, typically after the service provider lodges a claim for servicing the client.

Client-oriented funding is generally more appropriate to stimulate market activity in a large and varied market but offers less control of service provider activity and less traceability to specific program outcomes.

4.2.2 Provider-oriented

The government funds the service provider directly and stipulates how the service provider is to act and perform for the benefit of identified clients. This approach is seen to address 'thin' markets or to support vulnerable clients. The level of control over what services the providers deliver is linked to the payment approach adopted (i.e. a grant reflects a low level of government control and procurement reflects a higher level of government control) – see section 4.3, below

Funding under this approach is driven by the amount of support needed in the sector/market and the price that providers who meet quality standards set to provide that level of support available to clients. The providers who are to receive funding is typically determined through competitive tendering for identified services in programs adopting this model. The tenders can include pre-qualification of providers to meet necessary standards (e.g. registration in a quality scheme, like the NDIS) and the prices for services in acceptable tendered offers can be capped.

Provider-oriented funding is generally more appropriate if a thin market, or risk of market failure, exists and the government needs to play a more prominent role, through improved purchasing power and tighter control of provider activity.

4.3 Payment Approaches

Developing funding model options requires consideration to be given to all financial arrangements available to the government for funding the CoS Programme into the future. The Department of Finance's *Resource Management Guide Grants, Procurements and other Financial Arrangements (RMG 411)*⁷ "provides guidance on common forms of financial arrangements available to achieve Australian Government policy objectives ... and guidance for officials on how to determine whether to use a grant, procurement or other type of financial arrangement."

The available financial arrangements and the guidance on their applicability is summarised in RMG 411's Attachment A (repeated in Appendix B). Table 2 summarises the applicability of the different arrangements.

Table 2 - Initial analysis of available financial arrangements

Financial Arrangement	Applicability	Comments
Grants	Yes	Current arrangement. Facilitates payments to providers with a low administrative burden
Procurement	Yes	Requires definition of services being purchased on a 'fee for service' basis
Gifts of relevant property	No	Financial support is required, not property
Compensation payments	No	The government is not repaying clients for 'damages' or loss
Benefit entitlement payments	Yes	Requires definition of entitlement criteria, services to be provided, and legislation to support
Tax concession or offset	No	Unlikely to meet provider viability needs
Investment	No	The government does not require repayment or a return or dividend on the support
Loan	No	The government does not require repayment or interest payments on the support

⁷ <https://www.finance.gov.au/publications/resource-management-guides/grants-procurements-other-financial-arrangements-rmg-411>

Financial Arrangement	Applicability	Comments
Act of Grace payment	No	The support is not a one-off payment

This analysis suggests that a future funding model for the CoS Programme will be drawn from grants, procurement or benefits entitlement payments, or a combination of those arrangements.

4.4 Service Cost Factors

4.4.1 Service Groups

There are broadly five service groups to be costed in the CoS Programme.

Table 3 - Services available in the CoS Programme

Service Group	Brief Description	Factors to consider
Supported Accommodation	Support services (personal care, daily living assistance, etc) are provided in a residential setting (typically, a group house)	It can be difficult to differentiate which client is receiving what amount of services provided commonly to several clients in a shared residential setting The cost of providing the residential setting is borne by the client directly through rent and board payments
In Home Accommodation	Support services (personal care, daily living assistance, etc) are provided to the client in their own home	Some clients receive significant support in their own home
Community Support	Therapeutic services are provided to the client, either in their residential setting or at a provider's clinic	Clients can add these services to the support they receive through an 'accommodation' service, or receive these as their primary support service, as their needs dictate.
Community Access	Support to access activities and events in the community	Relatively low-cost services accessed infrequently, though sometimes regularly

Service Group	Brief Description	Factors to consider
Respite	Support is provided to relieve or replace support offered to the client by a carer	As a carer is being given respite, the specific support to the client might not be within the package of supports already delivered by the provider to this client.

The CoS Programme records Individual Service Packages (ISPs) as types of service in its current data holdings. This funding approach provides funds directly to the client (or to a designated intermediary, which could be the CoS Provider) to allow support services to be purchased. ISP clients typically source similar support services to block-funded clients, but not exclusively. An ISP constitutes an approach to funding and so isn't considered for service cost factors here.

All services delivered in the CoS Programme are costed (by Providers) based on an hourly rate for the type of service provided. Providers informed the project that the initial budgets for many clients in supported accommodation settings were determined by considering the overall cost of supporting those clients in their shared setting and evenly dividing that total among the recipients. The rationale for this approach was two-fold: there is significant commonality in the support provided to clients in shared supported accommodation settings, and it is sometimes difficult to accurately account for the level of service delivered to individual clients daily in a shared supported accommodation setting.

Providers acknowledged that the services delivered to CoS Clients are essentially equivalent to the services provided to NDIS clients, and this is especially so in supported accommodation settings. Providers said that the difference between NDIS client and CoS client needs for these services tended to be in the amount of support required for the CoS clients (being more than the younger NDIS clients with equivalent needs) and the tendency for CoS clients to use 'community access' style services less over time (because they retire from their work, or have a declining interest in leaving their home to participate in group activities in the community).

Importantly, the funding model analysis was undertaken during the COVID-19 pandemic response and CoS clients, being a particularly vulnerable community, were not accessing community access services.

Budgets were set for ISPs based on an initial support needs analysis and represent the accumulation of the hours of each service required multiplied by the hourly rate for that service. The actual expenditure under the ISP is accounted as the hours of service delivered

















by the hourly rate of that service, without reconciliation to the original estimates that formed the budget.

4.4.2 The Basis for Determining Funding

Another factor to consider is the basis for determining funding. That is, are funding amounts paid for:

- Inputs – reimbursing the provider for the cost of the time and materials consumed delivering the service; this perspective suggests ‘individualised’ funding (meeting the costs of delivering services to support individual client needs) or ‘casemix’ funding (meeting the cost of delivering services to meet a ‘typical’ client’s needs);
- Outputs – paying a ‘standard’ price for the delivery of a ‘standard’ service; this perspective suggests either ‘places’ (an allocation of standard services available to clients identified to receive them) or ‘packages’ (an arbitrary amount of a selection of standard services to be delivered tailored to the needs of the client to whom the package is allocated).
- Capacity – paying providers to operate at a certain level of service delivery over a period of time from which clients can access the support that they need; this perspective suggests either ‘places’ (as described above) or ‘industry’ (ensuring that service delivery is available and taking place to meet the needs of the clients accessing the services – similarly to a hospital having beds available to host patients receiving care as they need it)

Table 4 - Applicability of Funding Approaches with Funding Model elements

Approach Element	Grant	Procurement	Benefit Entitlement	Hybrid
Provider-oriented				
Client-oriented				
Input-driven				
Output-driven				

Element \ Approach				
	Grant	Procurement	Benefit Entitlement	Hybrid
Capacity-driven				

Legend:



There are some pre-requisite assumptions for adopting different funding model drivers.

- **Client Needs Assessment** – any funding model that seeks to be tied to client needs implies that the clients' needs are assessed and re-assessed on a regular, if not frequent, basis. A corollary to this assumption is the presence of an assessment workforce independent of the service providers.
- **Defined inputs** – funding models based on input or outputs imply a standard catalogue and price list for those inputs or outputs. While market forces can be used to set the prices, the catalogue of services and the quality standard that they are to be delivered at are necessary.

4.5 Other funding matters

In 2018-19, the Australian Government provided a one-off contribution towards an Accommodation Management Grant (AMG) payment for eligible clients receiving supported accommodation services under the CoS Programme. The AMG was a direct response to Specialist Disability Accommodation (SDA) payments made under the NDIS to promote equity, especially where CoS Clients shared a facility with younger NDIS participants (i.e. a shared provider). The AMG was introduced to eligible residential accommodation providers as a contribution towards the cost of rent, maintenance and management costs for the delivery of safe and appropriate supported accommodation for eligible clients.

As the CoS Programme has been established to ensure continuity of existing supports for a closed cohort, the program does not invest in capital growth in the same way as the National Disability Insurance Scheme (NDIS) does. The AMG was distributed to ensure that older people with disability in the CoS Programme were not excluded from specialist disability accommodation in favour of NDIS participants.

There are at least three means by which the funding model can be designed to accommodate capital-intensive support (e.g. upgraded facilities, or additional support aids) for CoS Clients:

- Describe the provision of typical capital-intensive support as support services that providers can deliver (with a likely Support Service Output of 1 to indicate their once-off nature) and fund that support service just as other support services are funded (e.g. "Install hoist to facilitate personal care support service")
- Adjust the funding levels for support services that are enabled by such capital-intensive activities to include a factor that allows the provider to recover the costs associated with the provision of the capital-intensive activity through using the output in the delivery of the enabled support services (i.e. the adjustment would act like a 'lease payment' on the newly-installed support aid)
- Fund capital-intensive activities where necessary to provide continuity of support for CoS Clients, although this option would require a change to current policy settings.

During the consultations and research for this funding model analysis, a risk was identified that maintaining appropriate support for CoS Clients could be constrained because of interface issues between the CoS Programme and the state and territory government programs that support the provision and maintenance of disability support aids causing a funding gap. No detailed data of problems at this interface was identified, however, the risk was surfaced when investigating AMG funding and its use.

4.6 Budgeting Formulae

This section attempts to articulate how the various service cost factors would be incorporated into the calculation of the overall program budget. Two primary variations are shown to correspond with the two primary funding philosophies.

The budget formulae do not include the program management cost borne by the Department (or DSS). Both formulas assume that funding directed toward matters previously covered by the Accommodation Management Grant would be incorporated either in explicit *SupportServiceOutputs* that deliver the expected accommodation supports or are factored into the relevant *SupportServiceRates*.



4.6.1 Client Based

$$\begin{aligned}
 & \text{Clients} * (1 - \text{AnnualExitRate})^{\text{year}} \\
 & * \left(\sum (\text{SupportNeed} \right. \\
 & * \sum \text{SupportServiceOutputs} \\
 & * (\text{SupportServiceRate} * (1 + \text{ServiceRateIndexation})^{\text{year}})) \\
 & + \text{SupportServiceOverhead} * (1 + \text{OverheadIndexation})^{\text{year}} \\
 & + \text{AdditionalSupportFactor} * (1 + \text{SupportFactorIndexation})^{\text{year}}
 \end{aligned}$$

Where:

- *Clients* – the number of CoS Clients in the program
- *AnnualExitRate* – the rate at which CoS Clients exit the program each year
- *SupportNeed* – an assessed need of a client for which a service is provided in support
- *SupportServiceOutput* – the unit by which support services are measured for costing/pricing purposes (e.g. hours of nursing attention; meals; etc)
- *SupportServiceRate* – the funding cost for each support service output to be available for a year
 - The NDIS Service Catalogue and Price Schedule might serve as a source for the Support Service Outputs and Support Service Rates (and possibly other elements) in this formula
- *SupportServiceOverhead* – the funding attributed to each support service for administration costs borne by providers to deliver that support service
- *AdditionalSupportFactor* – a numeric factor that represents the proportion of increasing need among all CoS Clients
 - an annual increase in need across all clients of 10% would result in an AdditionalSupportFactor of 1.1
- *ServiceRateIndexation* – the rate by which Support Service funding costs increase each year
- *OverheadIndexation* – the rate by which the Support Service Overhead is incremented each year
- *Year* – 0-based power function for incorporating indexation into out-year budget estimates

This model would calculate a maximum expected demand for funding to address all identified needs of all current CoS Clients.

4.6.2 Provider Based

$$\sum \left(\text{NumProviders} \right. \\ \left. * \left(\sum \left(\text{SupportServiceCapacity} * (1 - \text{SupportCapacityDecrease})^{\text{year}} \right) \right. \right. \\ \left. \left. * (\text{SupportServiceRate} * (1 + \text{ServiceRateIndexation})^{\text{year}}) \right) \right. \\ \left. + \text{SupportServiceOverhead} * (1 + \text{OverheadIndexation})^{\text{year}} \right)$$

Where:

- *NumProviders* – the number of providers offering each support service sought
- *SupportServiceCapacity* – the number of support service outputs that are required to be available for a year for each support service
- *SupportServiceRate* – the funding cost for each support service output to be available for a year
 - The NDIS Service Catalogue and Price Schedule might serve as a source for the Support Service Outputs and Support Service Rates (and possibly other elements) in this formula
- *SupportServiceOverhead* – the funding attributed to each support service for administration costs borne by providers to deliver that support service
- *SupportCapacityDecrease* – the rate by which Support Service Outputs are expected to diminish to accommodate expected declining demand in the CoS Programme over time
 - This is not a sophisticated manner to treat decreasing demand as it does not account for providers leaving the program and the remaining providers taking up the remaining capacity of the leaving providers in out-years; however, it should reflect the overall programme capacity requirement
- *ServiceRateIndexation* – the rate by which Support Service funding costs increase each year
- *OverheadIndexation* – the rate by which the Support Service Overhead is incremented each year
- *Year* – 0-based power function for incorporating indexation into out-year budget estimates

This model would calculate a maximum funding amount for the CoS Programme (a cap), from which the program would draw down as providers delivered the services within their capacity.










5 Funding Model Options

This section presents five funding model option 'strawmen'. Each Option is outlined briefly in the context of the analytical discussion above and then a preliminary assessment against the design requirements is used to illustrate the appropriateness of the model in the context of the CoS Programme.

5.1 Option 1 – Refine the existing model




Description	Continued block funding to approved service provider organisations, formally associated to a schedule of services to deliver to identified clients, reconciled regularly
Funding Approach	Provider-oriented
Service Cost Factors	Based on level of funding at entry to program, as stipulated by state/territory government, plus annual indexation of 3.5%, plus approved additional support amounts (Service costs are not explicitly considered in funding amount calculations, beyond quoted costs by providers for additional supports)
Budget Formulae	Sum of all provider payments (comprising: previous funding amount less client exits plus additional supports, indexed at 3.5% p.a.) No explicit account for AMG, transition costs, or program management costs
Advantages	Using the same approach to funding has familiarity for providers (and the department), representing the least change impact to the sector and participants. It represents a relatively low administrative burden on department. This is likely to be the most favourable model for service providers.
Disadvantages	Refining the current approach does not address the core problems with current approach, limited accountability or control over costs. It also does not improve the traceability between a funding intervention and a policy outcome. This approach remains inconsistent with NDIS funding approach which is a significant driver of the disability support sector.








Table 5 - High-level assessment of Funding Model Option 1 against Design Requirements

Requirement	Assessment	
Needs based	By validating the client needs and support provided to address them then refreshing the grant amount to the relevant providers, this model can re-base its funding support based on need. The model does not explicitly maintain a connection to that profile of needs.	
Nationally consistent	Without specifically moving to a national pricing schedule, this requirement is not met.	
Program equivalence	Without specifically moving to a pricing schedule operated by another program, this requirement is not met.	
Consumer choice	Client choice is not inhibited under this model but accounting for funding changes because of clients making choices is complicated to enact administratively.	
Efficiency	Providers report that funding administration costs in the current program are lower than other similar programs. That easier administration may allow them to reduce administrative overheads. There are no direct incentives to reduce costs.	
Flexibility	The business transformation project identified several areas of departmental administration that could be streamlined and made more cost effective. The current accounting for block payment amounts is not simple.	
Sustainable	The current funding model has proven to be a poor basis on which to predict future program costs and hence does not promote sustainability.	
Average Rating Option 1		

5.2 Option 2 – Procure the availability of disability support services

Description	The government funds CoS services based on predetermined costings across service types and regions (possibly based on the NDIS Price Schedule). A competitive grant process is run, with recipients obligated to service all participants that meet region and service need criteria. While the process is competitive, there is overlap of service provision to ensure no risk. Acquittals based on evidence of service precision.
Funding Approach	Provider-oriented
Service Cost Factors	<p>Providers (and the market) will set the prices for various disability support services in a competitive grant process (possibly capped by the NDIS Pricing Schedule)</p> <p>Individual client needs are not considered explicitly in funding amount calculations; clients are allocated, or select, to receive relevant services from providers offering them</p>
Budget Formulae	<p>Provider-oriented funding formula.</p> <p>Market prices (set by providers for specific services – possibly capped by the NDIS Pricing Schedule) multiplied by the expected service needs of client population (estimated from previous years' demand)</p> <p>AMG and transition costs are 'priced in' by providers. Program management costs would be an overhead to the budget estimate.</p>
Advantages	By conducting a competitive process, the government can determine service pricing and so can better regulate the program budget. There is reduced incentive for price inflation by providers through competition.
Disadvantages	This approach reduces control for providers. Intermittent re-tests of the market may not suit supported accommodation services unless providers are assured of certainty of winning grants to support their group homes.




Requirement	Assessment	
Needs based	The model would estimate the support required to address the overall needs of the client community.	
Nationally consistent	A national tender process to establish the grants would allow the government to guide the market toward national consistency in prices, while accommodating regional cost drivers	








Requirement	Assessment	
Program equivalence	A national tender process could offer other programs as guidance and/or draw offers from providers operating in other programs to try to achieve program equivalence.	
Consumer choice	Client choice is not inhibited under this model but accounting for funding changes because of clients making choices can be complicated to enact administratively.	
Efficiency	National tendering will influence providers to offer efficient service prices. The administration of tendering might be a drag on program efficiency.	
Flexibility	Regular re-tendering of the grants to provide services offers flexibility in the program's response to changing needs in the market (noting that CoS Clients do not frequently change their service location).	
Sustainable	Re-tendering of the grants allows the program's funding to be adjusted to respond to macro-changes in the program and its clients, promoting sustainability.	
Average Rating Option 2		



5.3 Option 3 – Procure disability support services on behalf of clients





Description	The government establishes one or more “panels” of providers and allocates services through a centralised gateway. Providers bid to service regions and service types, and bid their pricing, based on volumes of activity. Government issues specifications for level and quality of service (e.g. response times, accommodation standards, etc). Payment in arrears based on proof of provision of services claimed by providers.
Funding Philosophy	Provider-oriented
Service Cost Factors	Providers will set the prices for various disability support services in a ‘competitive’ market (heavily influenced by the NDIS Pricing Schedule)
Budget Formulae	<p>Provider-oriented funding formula.</p> <p>Market prices (set by providers for specific services – possibly capped by the NDIS Pricing Schedule) multiplied by the service needs of the client (determined through independent assessment)</p> <p>AMG and transition costs are ‘priced in’ by providers. Program management costs would be an overhead to the budget estimate.</p>
Advantages	This approach offers maximum control for government in the CoS Programme. By leveraging maximum purchasing power, the program can expect lowest unit pricing. There is maximum traceability of expenditure (provider claims for payment against service provision) and maximum certainty of controlling the budget within program estimates.
Disadvantages	There is likely a greater administration cost for the CoS Programme. The approach is not well-aligned with comparison programs (e.g. NDIS). There is considerable upfront activity to establish the panels. Participating in this would be more complex model for NFPs and small service providers who do not have significant administration components in their organisations.







Requirement	Assessment	
Needs based	The model would estimate the support required to address the overall needs of the client community. Service provision would be driven by client needs.	
Nationally consistent	A national tender process to establish the panels would allow the government to guide the market toward national consistency in prices, while accommodating regional cost drivers	

Requirement	Assessment	
Program equivalence	A national tender process could offer other programs as guidance and/or draw offers from providers operating in other programs to try to achieve program equivalence.	
Consumer choice	Client choice is not inhibited under this model.	
Efficiency	National tendering will influence providers to offer efficient service prices. The administration of tendering might be a drag on program efficiency.	
Flexibility	Establishing a panel of service providers and then distributing funding based on their claims is responsive to changing client demands. The department's administration of funding is limited to addressing claims from providers for services delivered.	
Sustainable	Establishing 'panels' of providers does not guarantee payment of funds to those providers unless and until they deliver services. The program's budget is tied to actual demand at competitive market rates.	
Average Rating Option 3		

5.4 Option 4 – Provide funds to clients to procure services

Funding Approach:	The government funds clients on a support package needs basis (equivalent to the current ISP-DF). The government determines the rules for frequency and intensity of service provision relative to needs of consumer.
Funding Philosophy	Client-oriented.
Service Cost Factors	<p>Payments to clients (or a delegated intermediary) from which they can fund the procurement of services to meet their needs. The entitlement to have support services paid for by government funding is determined through an individual assessment of support needs.</p> <p>For convenience, the NDIS Service Catalogue would define the services available and the NDIS Pricing Schedule would define the cost of those services, moderated by market forces.</p>
Budget Formulae:	<p>Client-oriented funding formula</p> <p>AMG and transition costs are accounted in the NDIS Price Schedule based on existing housing stock prices. Program management costs would be an overhead to the budget estimate.</p>
Advantages	This approach has the maximum choice and control for clients. Also, it offers the maximum opportunity for service providers to participate in market.
Disadvantages	This approach is the biggest change from current state and likely the biggest impact on service providers. There is potentially an increased risk of poor service provision if market testing is separated by long periods. There is reduced traceability to program outcomes from budget funding.

Requirement	Assessment	 Fully met -----> Not met
Needs based	The model would be premised on the basis that the clients' needs are identified and the support to address those needs is quantified.	
Nationally consistent	A national tender process to procure services for clients would allow the government to guide the market toward national consistency in prices, while accommodating regional cost drivers.	
Program equivalence	The assumption underlying the approach to quantifying the support needs of the clients is that the service catalogue and pricing schedule of an equivalent program would be used to describe to the market what services were being procured.	



Requirement	Assessment	 Fully met -----> Not met
Consumer choice	Client choice is not inhibited under this model.	
Efficiency	National tendering will influence providers to offer efficient service prices. The administration of tendering might be a drag on program efficiency.	
Flexibility	Managing the distribution of funding based on individual client needs will increase the administration effort for the department.	
Sustainable	The program's funding levels are tied directly to the support needs of the program's clients. The regularity with which the clients' needs are reassessed and the support adjusted accordingly will underpin how sustainable the program's funding will be.	
Average Rating Option 4		









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5.5 Option 5 – Hybrid payment approach

Description	High-cost, fixed-location services (i.e. supported accommodation; high-cost in-home support) are funded through grants to providers (Option 2); otherwise, client purchasing of other services is funded by the government (Option 4)
Funding Philosophy	<p><i>For high-cost, fixed-location services</i></p> <p>Provider-oriented</p> <p><i>For other disability support services</i></p> <p>Client-oriented</p>
Service Cost Factors	High-cost, fixed-location services would be funded to ensure sufficient capacity. For the other disability support services, the CoS Programme can probably rely on the market that the NDIS has created to ensure sufficient capacity and competitive pricing. The level of government funding to support each client would be based on an individual assessment of their support needs.
Budget Formulae	<p><i>High-cost, fixed-location services</i> – Provider-oriented formula.</p> <p><i>Other disability support services</i> – Client-oriented formula.</p> <p>The NDIS Price Schedule could have a significant influence over support service prices if the market is tested in moving to this model.</p> <p>AMG costs would be built into the high-cost, fixed location prices. Transition costs are accounted in the NDIS Pricing Schedule. Program management costs would be an overhead to the budget estimate.</p>
Advantages	The hybrid model allows the government to maintain provider sustainability in delivering high-cost, fixed location services, which do not lend themselves to regular transfer between providers in a competitive market setting. The model also allows the CoS Programme to access the benefits of the competitive market of other disability support services available in the NDIS to address more transferrable support service demand.
Disadvantages	A hybrid model is, by definition, neither sheep nor goat, and so complicates the management and budget forecasting for the program. Dual approaches to managing and funding different service categories is likely to be more administratively costly for the department. To the extent that service providers offer services in both categories of the hybrid model, an administrative burden will exist for them operating two payment management approaches.

Requirement	Assessment	
Needs based	A hybrid model would be premised on the basis that the clients' needs are identified and the support to address those needs is quantified.	

Requirement	Assessment	 Fully met -----> Not met
Nationally consistent	A hybrid model that incorporated a national tender process to procure services for clients would allow the government to guide the market toward national consistency in prices, while accommodating regional cost drivers.	
Program equivalence	A hybrid model could incorporate the service catalogue and pricing schedule of an equivalent program leading to program equivalence.	
Consumer choice	Client choice is not inhibited under this model.	
Efficiency	If the hybrid model incorporated a national tender, it could influence providers to offer efficient service prices. The administration of multiple components to the program's funding would be a drag on program efficiency.	
Flexibility	Managing the distribution of funding through multiple models will increase the administration effort for the department.	
Sustainable	A hybrid model would tie the program's funding levels directly to the support needs of the program's clients. The regularity with which the clients' needs are reassessed and the support adjusted accordingly will underpin how sustainable the program's funding will be.	
Average Rating Option 5		

Appendix A – Consulted CoS Providers

Endeavour Foundation – 9 April 2020 – Teleconference

Miranda Willis, Kirrily Boulton, Charles

Staffing OptionS for Community Services – 31 March 2020 – Teleconference

Carol Brossi

New Horizons – 2 April 2020 - Teleconference

Daniel Ansell, Mike Sheedy, Harriet Studrick, Nu Nugent, Luke

Community Options Australia – 1 April 2020 – Teleconference

William (Bill) Campos, Julia Varga, Barti Desai, Theresa Da Silva, Helen Phillips

Scope Australia – 23 March 2020 – Teleconference

Ian Morgan, Jenny Hendy, Craig, Shane

Avivo – 16 April 2020 – Teleconference

Peta Mullen, Heather Regan

Guiding Questions for Block-funded Provider Consultations

Cost Drivers for In-scope Service Types

- What are the proportions of fixed and marginal costs for each of the service types that you provide?
- To what extent can different service types be added to an existing service offering at a marginal rate (i.e. to what extent do different service types share fixed costs)?
- To what extent are the costs of delivering these services to CoS clients different to the costs of delivering equivalent services to NDIS clients?
- To what extent are the costs of delivering each service type dependent on the circumstances/ requirements of the client receiving the service (s) (i.e. to what extent are the costs of delivering services personalised)?
- Are there common 'bundles' of services that you offer to CoS clients that might sensibly be packaged up? Would being paid for such 'packages' as a whole allow



greater flexibility and reliability in funding the provision of services included in the package?

Assessing Provider Viability Issues

- What proportion of your operating income is represented by CoS payments (for each service type)? What proportion of your clients are CoS clients? What contributions do your clients make directly, if any?
- Noting the CoS 20% flexibility rule, to what extent do CoS payments cross-subsidise other CoS service delivery? Are there any services that particularly need that cross-subsidy support?
- If applicable, to what extent does supporting CoS clients 'stabilise' or facilitate service provision to other client groups, or vice versa?
- How readily could you transition to payment-in-arrears for CoS services (in terms of reserves and/or cash-flow liquidity)?
- What level of 'competition' for CoS clients do you face in your operating area(s)? Noting the first question above, how dependent are you on your CoS clients to remain operating in your area(s)?

Investigating Client Management Costs

- What proportion of overall CoS funding is required for client management/administration?
- How frequently does client (re-) assessment take place and how is this funded?
- How easy is it to add or release clients (in each service type)?
- Does your organisation have clients that require a NDIS behavioural support plan? If so are costs impacting on viability?

Regulatory Requirements

- Has the introduction of NDIS Quality and Safeguards Commission requirements increased your operating costs?
- Do you think that the NDIS registration costs are sustainable?

Guiding Questions for ISP-funded Provider Consultations

Cost Drivers for In-scope Service Types

- Were the ISP funding amounts set at an acceptable level at transition? Or were the CoS costs under-funded?



- Are your ISP clients satisfied with the annual 2.5% indexation to manage cost increases?
- Is the process of annual reviews for all ISP clients to ensure services and supports delivered continue to meet the client's needs flexible for changing the mix of services provided through the ISP?
- How do you manage the ISP clients where a cost of a service increases significantly?
- Do ISP clients receive common 'bundles' of services that could be more efficiently managed?

Assessing Provider Viability Issues

- Does the CoS administration component paid by the Department allow your organisation you to pay your staff at an equal rate to NDIS staff?
- As the national IPS provider can you suggest any improvements to the current ISP model to promote long viability for your organisation?
- How readily could your organisation transition to payment in arrears for CoS services (in terms of reserves and/or cash-flow liquidity)?
- What impact would arrears payments have on CoS clients managing their funds?

Investigating Client Management Costs

- How often does COA conduct client reviews, annually or more frequent? If a client requires frequent assessments does this affect COA's administered funding? How does your organisation manage these costs?
- Have you had many clients not satisfied with COA service delivery? How have you managed their complaint and has the compliant helped to improve your business model?
- Do any of the clients require a behavioural support plan? If so are costs impacting on ISP coverage?

Acquittal Process and Audit

- How many ISP clients have not used their funding appropriately?
- Do you have many clients that cannot expense all their current year CoS funding? If so, are there common themes of unspent funds?
- Can COA or the Department provide support to ensure clients are expensing their ISP funds in the current year?



Appendix B – Funding Approaches from Dept of Finance

Financial Arrangement	Substantive Purpose	Criteria	Authority required	Example(s)	Related Guidance
Grant	Promote policy objectives through the provision of financial assistance with or without conditions.	<p>Relevant money paid to a grantee other than the Commonwealth.</p> <p>Intended to help address one or more of the Australian Government's policy outcomes while assisting the grantee to meet their objectives.</p>	Legislative authority is needed for entering into arrangements and spending for grants that are not categorised as the ordinary and well-recognised functions of government. The legislative authority will either be in separate legislation or in a grant or program listed in Schedule 1AA or Schedule 1AB to the <i>Financial Framework (Supplementary Powers) Regulations 1997</i> .	<p>Competitive, non-competitive grant opportunities.</p> <p>One-off ad hoc grants.</p> <p>Entitlements programs that are not supported by their own legislation.</p> <p>Some sponsorships, subsidies and rebates.</p> <p>Gifts of relevant money or ex gratia payments.</p>	<p><i>Commonwealth Grants Rules and Guidelines 2017</i></p> <p><i>RMG 412: Australian Government Grants - Briefing, Reporting, Evaluating and Election Commitments</i></p> <p><i>RMG 421: Publishing and reporting Grants and GrantConnect.</i></p>



Financial Arrangement	Substantive Purpose	Criteria	Authority required	Example(s)	Related Guidance
Procurement	Achieve policy objectives through the acquisition of goods and services for the Commonwealth's own use or for the use of third parties.	<p>The process of acquiring goods and/or services.</p> <p>May be for the Commonwealth's own use or may be on behalf of third parties.</p>	<p>Most procurement for an entity's own use will be for the ordinary and well-recognised functions of government and will not require separate legislative authority apart from an appropriation in an Appropriation Act. However, spending relating to a procurement may require separate legislative authority where it is not for the ordinary and well-recognised functions of government.</p>	<p>Procuring supplies and equipment, consultancy services, memberships, advertising and travel.</p>	<p><i>Commonwealth Procurement Rules</i></p> <p><i>Austender website</i></p> <p><i>Finance website</i></p>

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Financial Arrangement	Substantive Purpose	Criteria	Authority required	Example(s)	Related Guidance
Gifts of relevant property	To transfer relevant property to the recipient free of charge.	The Commonwealth must have acquired or produced the property to use it as a gift, or the gift is expressly authorised by law, or the Finance Minister (or delegate) has authorised the gift in writing, or the gift is made in accordance with any requirements prescribed by the rules.	The power to make gifts of relevant property is established under section 66 of the PGPA Act.	Gifts of relevant property to visiting dignitaries. Gifts of ex-government computers to public schools.	<u>RMG 206: Accountable Authority Instructions</u> – Non-corporate Commonwealth Entities.
Compensation payments	To compensate individuals or groups for financial losses or other adverse consequences caused by the Commonwealth.	The criteria for a particular compensation payment will be set out in either its enabling legislation or the Scheme for Compensation for Detriment caused by Defective Administration (CDDA Scheme).	Payments made as part of the CDDA Scheme generally fall within the ordinary and well-recognised functions of government. Other compensation payment schemes will require their own legislation	Payment in accordance with the CDDA Scheme. Payments made under section 73 of the <i>Public Service Act 1999</i> . Payments for the settlement of legal liability claims made in accordance with entity obligations under the Legal Services Directions.	<u>RMG 401: Request for discretionary financial assistance under the PGPA Act</u>



Financial Arrangement	Substantive Purpose	Criteria	Authority required	Example(s)	Related Guidance
Benefit and entitlement payments established by legislation	To provide a benefit to individuals or groups that meet specified criteria as established by legislation.	A right to a particular payment established in legislation and generally involves no obligation on the recipient to spend the proceeds, or account/ acquit the expenditure.	Entitlements established by legislation must be supported by specific legislation (paragraphs 29 – 31 refers).	Examples of entitlements established in legislation include pension payments made through the <i>Social Security (Administration Act) 1999</i> , payments to veterans through the <i>Veterans' Entitlement Act 1986</i> .	
Tax concession or offset	Achieve policy objectives by directly reducing the amount of tax an individual or other bodies must pay.	Specific categories of tax concessions and offsets are contained in taxation legislation administered by the Australian Taxation Office.	All taxation legislation administered by the Australian Taxation Office.	Fuel excise rebate.	Australian Taxation Office.
Investments	Earning income or a profitable return for the Commonwealth.	An arrangement that involves the purchase of an asset by the Commonwealth for the primary purpose of earning income or a profitable return.	Investments are made under the authority of specific enabling legislation or section 58 of the PGPA Act.	Investments made under the <i>Future Fund Act 1996</i> .	<u>RMG 301: Investment by Commonwealth entities.RMG</u>



Financial Arrangement	Substantive Purpose	Criteria	Authority required	Example(s)	Related Guidance
Loans	May be made for a variety of reasons, including policy purposes and as a means of facilitating repayments to the Commonwealth.	An arrangement under which the Commonwealth advances a sum of relevant money to an external recipient with the recipient agreeing to repay that sum (with or without interest) on a future date or on demand.	Loans that are not categorised as being for the ordinary and well-recognised functions of government will require either separate legislation or will need to be listed in Schedule 1AA or 1AB to the <i>Financial Framework (Supplementary Powers) Regulations 1997</i> .	Concessional loans.	<u>RMG 115 - Accounting for concessional loans</u>
Act of grace payment	To provide financial relief to individuals or other bodies where there is a moral obligation on the Commonwealth.	A discretionary power of the Finance Minister or delegate to make payments on behalf of individuals or other bodies due to special circumstances.	The power to make act of grace payments is established under section 65 of the PGPA Act.	Cases where legislative and administrative provisions do not take sufficient account of the special circumstances of individual cases.	<u>RMG 401: Request for discretionary financial assistance under the PGPA Act</u>



Appendix C – Budget Formula Examples

Client Oriented Formula

The table presents four fictional CoS Clients and then calculates the budget estimate for those clients for the current year and three out-years.

$$\begin{aligned}
 & \text{Clients} * (1 - \text{AnnualExitRate})^{\text{year}} \\
 & * \left(\sum \left(\text{SupportNeed} * \sum \text{SupportServiceOutputs} * (\text{SupportServiceRate} * (1 + \text{ServiceRateIndexation})^{\text{year}}) \right) \right. \\
 & \left. + \text{SupportServiceOverhead} * (1 + \text{OverheadIndexation})^{\text{year}} \right) + \text{AdditionalSupportFactor} \\
 & * (1 + \text{SupportFactorIndexation})^{\text{year}}
 \end{aligned}$$

Client	Service	Service Output	Service Rate	Allocation (outputs/week)	Annual use (outputs)	Current year funding	Service overhead	Outyear 1 Service Rate (Indexed)	Outyear 1 service funding	Overhead Indexation	Out year 1 Service Overhead (Indexed)	Outyear 2 Service Rate (Indexed)	Outyear 2 service funding	Overhead Indexation	Outyear 2 Service Overhead (Indexed)	Outyear 3 Service Rate (Indexed)	Outyear 3 service funding	Overhead Indexation	Outyear 3 Service Overhead (Indexed)
				52			10.0%	5.0%		1.5%	10.2%	5.0%		1.5%	10.3%	5.0%		1.5%	10.5%
Alice	Supported Accommodation (Group Home)	Day	\$250	7	364	\$ 91,000	\$ 9,100	\$ 263	\$ 95,550		\$ 9,698	\$ 276	\$ 100,328		\$ 10,183	\$ 289	\$ 105,344		\$ 10,692
	Community Support – Physiotherapy	Hour	\$85	3	156	\$ 13,260	\$ 1,326	\$ 89	\$ 13,923		\$ 1,413	\$ 94	\$ 14,619		\$ 1,484	\$ 98	\$ 15,350		\$ 1,558
Barbara	Supported Accommodation (Group Home)	Day	\$250	7	364	\$ 91,000	\$ 9,100	\$ 63	\$ 95,550		\$ 9,698	\$ 276	\$ 100,328		\$ 10,183	\$ 289	\$ 105,344		\$ 10,692
Clive	Community Support – Case Management	Hour	\$120	1	52	\$ 6,240	\$ 624	\$ 126	\$ 6,552		\$ 665	\$ 132	\$ 6,880		\$ 698	\$ 139	\$ 7,224		\$ 733
	Community Access – Learning and Life Skills	Hour	\$60	5	260	\$ 15,600	\$ 1,560	\$ 63	\$ 16,380		\$ 1,663	\$ 66	\$ 17,199		\$ 1,746	\$ 69	\$ 18,059		\$ 1,833
Daoyi	Respite	Day	\$150	14	14	\$ 2,100	\$ 210	\$ 158	\$ 2,205		\$ 224	\$ 165	\$ 2,315		\$ 235	\$ 174	\$ 2,431		\$ 247
						\$ 219,200	\$ 21,920	\$ 230,160		\$ 23,361		\$ 241,668		\$ 24,529		\$ 253,751		\$ 25,756	
						Nominal \$ 241,120		Nominal \$ 253,521		Nominal \$ 266,197		Nominal \$ 279,507		Nominal \$ 293,017		Nominal \$ 306,737		Nominal \$ 320,757	
						Less Exits @ 6%		Less Exits @ 6%		Less Exits @ 6%		Less Exits @ 6%		Less Exits @ 6%		Less Exits @ 6%		Less Exits @ 6%	
						\$ 226,653		\$ 238,310		\$ 250,225		\$ 262,140		\$ 274,055		\$ 285,970		\$ 297,885	
						Plus Add'l support @ 3%		Plus Add'l support @ 3%		Plus Add'l support @ 3%		Plus Add'l support @ 3%		Plus Add'l support @ 3%		Plus Add'l support @ 3%		Plus Add'l support @ 3%	
						Appropriate \$ 233,452		Appropriate \$ 245,459		Appropriate \$ 257,466		Appropriate \$ 269,473		Appropriate \$ 281,480		Appropriate \$ 293,487		Appropriate \$ 305,494	



Provider Oriented Formula

The table presents three fictional CoS Providers and the services they offer then calculates the budget estimate for those providers for the current year and three out-years.

$$\sum \left(NumProviders * \left(\sum (SupportServiceCapacity * (1 - SupportCapacityDecrease)^{year}) * (SupportServiceRate * (1 + ServiceRateIndexation)^{year}) + SupportServiceOverhead * (1 + OverheadIndexation)^{year} \right) \right)$$

Provider	Service	Service Output	Service Rate	Capacity (output/w/week)	Annual Capacity (weeks)	Annual service funding	Support Service Overhead	Outyear 1 Service Rate (Indexed)	Outyear 1 Capacity (decrease to match exits less additional)	Outyear 1 service funding	Overhead Indexation	Outyear 1 overhead (indexed)	Outyear 2 Service Rate (Indexed)	Outyear 2 Capacity (decrease to match exits less additional)	Outyear 2 service funding	Overhead Indexation	Outyear 2 overhead (indexed)	Outyear 3 Service Rate (Indexed)	Outyear 3 Capacity (decrease to match exits less additional)	Outyear 3 service funding	Overhead Indexation	Outyear 3 overhead (indexed)															
					\$2		17.0%	5.0%	3.0%		1.5%	17.3%	5.0%	3.0%		1.5%	17.5%	5.0%	3.0%		1.5%	17.8%															
A Nice Place	Supported Accommodation (Group Home)	Day	\$250	98	5,096	\$1,274,000	\$216,580	\$262.50	4943.12	\$1,297,569.00		\$223,895.53	\$262.50	4794.8264	\$1,258,641.93		\$220,436.34	\$275.63	4650.9816	\$1,281,926.81		\$227,882.13															
	Supported Accommodation (Attendant Care – day)	Hour	\$55	84	4,368	\$240,240	\$40,841	\$57.75	4236.96	\$244,684.44		\$42,220.30	\$57.75	4109.8512	\$237,343.91		\$41,568.00	\$60.64	3986.5557	\$241,734.77		\$42,972.06															
	Supported Accommodation (Attendant Care – night)	Hour	\$80	84	4,368	\$349,440	\$59,405	\$84.00	4236.96	\$355,904.64		\$61,411.35	\$84.00	4109.8512	\$345,227.50		\$60,462.54	\$88.20	3986.5557	\$351,614.21		\$62,504.81															
Kind Shoulder	Community Support – Case Management	Hour	\$120	40	2,080	\$249,600	\$42,432	\$126.00	2017.6	\$254,217.60		\$43,865.25	\$126.00	1957.072	\$246,591.07		\$43,187.53	\$132.30	1898.3598	\$251,153.01		\$44,646.30															
	Community Access – Learning and Life Skills	Hour	\$60	40	2,080	\$124,800	\$21,216	\$63.00	2017.6	\$127,108.80		\$21,932.62	\$63.00	1957.072	\$123,295.54		\$21,593.76	\$66.15	1898.3598	\$125,576.50		\$22,323.15															
Gentle Place	Respite	Day	\$150	42	2,184	\$327,600	\$55,692	\$157.50	2118.48	\$333,660.60		\$57,573.14	\$157.50	2054.9256	\$323,650.78		\$56,683.63	\$165.38	1993.2778	\$329,638.32		\$58,598.26															
						\$2,565,680	\$436,166					\$2,613,145.08					\$450,898.18					\$2,534,750.73					\$443,931.81					\$2,581,643.62					\$458,926.71
					Appropriate		\$3,001,846					Appropriate					\$3,064,043.26					Appropriate					\$3,040,570.33										

