

Independent Hospital and Aged Care Pricing Authority (IHACPA) A Fresh Approach to NDIS Pricing

Submission by the **Australian Physiotherapy Association**

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Acknowledgement of Traditional Owners

The APA acknowledges the Traditional Custodians of Country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander Peoples today.

About the Australian Physiotherapy Association

The Australian Physiotherapy Association's (APA) vision is that all Australians will have access to quality physiotherapy, when and where required, to optimise health and wellbeing, and that the community recognises the benefit of choosing physiotherapy. The APA is the peak body representing the interests of Australian physiotherapists and their patients. It is a national organisation with state and territory branches and specialty subgroups.

The APA represents more than 32,000 members. The APA corporate structure is one of a company limited by guarantee. The APA is governed by a Board of Directors elected by representatives of all stakeholder groups within the Association.

We are committed to professional excellence and career success for our members, which translates into better patient outcomes and improved health conditions for all Australians. Through our National Groups we offer advanced training and collegial support from physiotherapists working in similar areas.

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1. Executive Summary

The Australian Physiotherapy Association (APA) is pleased to provide feedback to the Independent Hospital and Aged Care Pricing Authority (IHACPA) Consultation on A Fresh Approach to National Disability Insurance Scheme (NDIS) Pricing.

The APA welcomes the examination of the Scheme's existing pricing arrangements to ensure participants have access to the therapy supports they need and want, such as physiotherapy, to optimise their capacity and independence, and their social and workforce participation. It is critical that pricing enables, not limits, the potential of people living with disability.

A nuanced, differentiated pricing model is essential to support providers' diverse needs and deliver value-based, high-quality care. Without such adjustments, the NDIS risks creating a service gap that undermines the participant choice and control central to the scheme.

Without urgent pricing reforms, the NDIS risks a loss of competition and quality within the therapy supports market, ultimately jeopardizing safe and effective care for participants. NDIS-registered providers, who invest heavily in meeting the regulatory and administrative requirements of the operating within the Scheme, and in training an appropriately qualified workforce to deliver specialised care, have been operating at losses over a number of years.

Almost one third (31%) of APA members working within the Scheme have reported that they are considering leaving the sector due to the financial stress of compounding costs coupled with a five-year price freeze. Unsustainable pricing threatens the availability of skilled providers for NDIS participants. Fair pricing reforms are critical to ensure that highly qualified providers can continue to deliver safe, ethical, and effective care under the NDIS.

Any new pricing approach must be underpinned by reliable and comprehensive data reflecting actual service provision costs and time requirements, and bottom-up cost analysis.

Pricing frameworks must enable highly qualified and committed healthcare professionals, such as physiotherapists, to apply their clinical reasoning within their scopes of practice to determine the most appropriate care plan for people living with disability. Physiotherapists must be supported to practice in an environment that respects and trusts their diagnosis.

The APA supports a new approach to NDIS pricing informed by a range of data sources and co-designed with people living with disability, their families and carers, and the healthcare sector.

Harmonisation of a pricing framework to guide a differentiated mechanism across aged care, NDIS and DVA pricing has the potential to support consistency for similar services and cross-sectoral workforce participation. We must, however, avoid the replication of the current situation in NDIS – that is, a pricing model that has frozen pricing limits for the past five years without indexation in an environment of inflationary pressure that is threatening both the viability of NDIS-registered providers and quality of care.

New pricing principles should focus on:

- Fair pricing that supports a sustainable sector;
- Independent and evidence-based pricing advice;
- Trust and respect for high qualified and dedicated healthcare professionals and their clinical reasoning;
- Transparency;
- High quality, evidence-informed clinical therapy supports;
- Pricing that reflects actual costs; the unique complexities and costs of delivering therapy supports to people living with disability and remunerates actual time spent;
- Risk and safety; and
- Appropriate benchmarks specific to NDIS therapy support.

Sustainability of workforce and quality care, and business viability for physiotherapy, must be supported through fair and accurate pricing that reflects the effort, resourcing, regulatory and administrative burdens of operating within the scheme and it must be indexed.

2. Recommendations

There must be urgent structural reform of NDIS pricing to secure the sustainability of the physiotherapy therapy supports workforce and NDIS-registered providers.

A nuanced, differentiated pricing model is essential to support providers' diverse needs and deliver value-based, high-quality care. Without such adjustments, the NDIS risks creating a service gap that undermines the participant choice and control central to the scheme.

Consideration must be given to a differentiated structure to meet the true costs of providing services, and reflected in participants' budgets and to address workforce or market challenges, including in rural and remote areas.

3. Background – physiotherapy and disability

Physiotherapy is a highly trained, Ahpra-regulated discipline with expert knowledge, skills and training in the biomechanics of movement, combining knowledge of physics, physiology and anatomy to analyse movement and determine movement difficulties.

Physiotherapists are movement and participation experts in disability, providing expertise in improving function, participation and building capacity. Physiotherapists analyse an individual's quality of movement, identify motor impairment, and investigate the interrelationship between movement and other neurological and physiological factors such as sensory perception and pain.

Physiotherapists are committed to providing evidence-based, patient-centred, safe and high-quality care to people with disability and contributing to an effective and equitable disability sector.

Physiotherapists promote social inclusion through optimising a person's function and encouraging participation and inclusion in the economic and social life of the community.

Within the NDIS, a physiotherapist's scope of practice is very broad. Physiotherapists work in multidisciplinary and transdisciplinary teams to support capacity building goals and the functional and participation outcomes for all their participants. These supports will often occur in natural environments such as homes, day care, workplaces and in the community, in order to achieve participation outcomes, one of the pillars of NDIS's insurance-based approach. Often, supports will require communication with a participant's family, carers, and their formal supports.

All this service provision occurs in addition to the face-to-face services that a participant receives.

4. Impact of current pricing model on workforce sustainability

In February 2024, the APA conducted a survey of members providing NDIS therapy supports and received 111 responses.

Respondents reported facing challenges related to rising costs in the absence of rising revenues, thus dramatically reducing margins or worse, leading to losses. Beyond practice viability, it is the availability of physiotherapy supports for NDIS participants that is jeopardised.

Most frequently mentioned challenges include:

- Rising costs: general inflation drives up costs across the board, including rent, supplies, fuel, utilities, equipment, and other operational expenses.
- Increased wage pressure: physiotherapists need to offer competitive salaries to attract and retain talent, especially with increases to healthcare wages and the superannuation guarantee.

- Stagnant NDIS pricing: the NDIS price guide hasn't kept pace with inflation, which significantly impacts practices that have a high percentage of NDIS participants.
- Overall financial strain: these combined factors lead to decreased profit margins, reduced cash reserves, and threaten the long-term sustainability of some physiotherapy practices and therefore the availability of supports.

To respond to these challenges, physiotherapists reported:

- **Increased fees:** Higher costs for private clients and other funded services limit access to essential support, particularly for low-income families needing additional care.
- **Cost-cutting:** Reduced spending on supplies, professional development, and clinic hours impacts care quality, access, and providers' ability to deliver updated, safe, and effective therapy.
- **Efficiency focus:** Streamlined operations may reduce time for thorough assessments and personalized care, compromising the quality and safety of participant support.
- **Revenue diversification:** Shifting focus away from NDIS-funded services decreases the availability of skilled professionals for NDIS participants, limiting access to specialized, capacity-building care.
- **Absorbing losses:** Financial strain limits providers' ability to invest in quality and safety improvements, risking care consistency and quality.
- **NDIS deregistration:** Providers opting out of NDIS reduce participants' choice, shrinking the network of qualified professionals delivering safe, ethical care.
- **Caseload shifts:** Increasing focus on private clients limits NDIS participants' access to quality care, impacting their capacity-building and long-term progress.
- **Viability concerns:** Financial challenges restrict providers' ability to support and retain skilled staff, threatening care continuity and stability.
- **Mobile provider challenges:** Rising travel costs limit services for rural and home-bound participants, reducing access to essential care and continuity for those in remote areas.

In July 2024, the APA surveyed 900 members – 31% of whom reported they were considering ceasing to provide therapy support to NDIS participants for the following reasons:

- 1) 74% unfair pricing
- 2) 56% better remuneration in other sectors
- 3) 55% inflationary pressures.

Our data has been corroborated by the *Ability Roundtable 2023-24 Annual Price Review Submission - Therapy Supports*¹, which found financial data for registered providers of therapy supports showed median losses of -14% in the 2022-23 financial year with forecasted losses remaining the same in 2023-24:

“The financial stress experienced by the therapy market is supported by the findings of modelling by Deloitte Access Economics who, in partnership with Ability Roundtable, developed a bottom-up Cost Model to estimate the fully loaded hourly cost of service provision for 13 major therapy providers in 2021 and 20221.

“The analysis showed that the majority of participating providers are now operating often well below break-even due to the compounding effects of an increase in both direct and indirect costs.”

5. Responses to consultation questions

What should be the purpose and guiding principles of NDIS pricing?

The purpose of NDIS pricing is to:

Enable investment early in evidence-based and necessary supports that enhance participant's longer-term independence, capacity, social and economic participation, delivered by a sustainable, vibrant and nuanced market of support providers.

The guiding principles of NDIS pricing must centre on:

- Independent and evidence-based pricing structure and advice;
- Trust and respect for high qualified and dedicated healthcare professionals and their clinical reasoning;
- Promoting innovation and collaboration;
- Enabling, not limiting, the potential of people living with disability.
- Pricing that enables person-centred supports, choice and control, and meets the unique and often complex needs of people living with disability;
- Transparency that includes publishing, consulting on and regularly reviewing/adjusting the products, methodologies, data insights and processes used to develop pricing, differentiated by therapy support profession and registration status;
- A sustainable industry that is appropriately funded to employ and retain a suitably qualified and well-trained, remunerated and high quality therapy supports workforce;
- Differentiated pricing that reflects the differentiated actual costs of NDIS-registered providers and takes into account the unique cost structures of NDIS-registered providers;
- Differentiated pricing that reflects the unique complexities and costs of delivering therapy supports to people living with disability, for example condition-specific supports, equipment and private practice renovation/reconfiguration, and the requirement, at times, for more than one profession to deliver support;
- Pricing that reflects and remunerates actual time spent with complex or vulnerable participants and recognises the extensive engagement with NDIA and coordination services spent by therapy supports providers on behalf of participants to achieve basic outcomes;
- Recognising risk and safety to ensure that a safe and appropriate environment for services is maintained for all; and
- Setting appropriate benchmarks specific to NDIS, and not based on other markets.

What improvements can be made to NDIS pricing?

The APA believes that the current structure with a flat, capped hourly rate fee – without supplementation and effective assessment and review processes - cannot support a sustainable and nuanced market of therapy support providers.

A nuanced, differentiated pricing model is essential to support providers' diverse needs and deliver value-based, high-quality care. Without such adjustments, the NDIS risks creating a service gap that undermines the participant choice and control central to the scheme.

All people living with disability require access to qualified and experienced healthcare professionals providing high quality services regardless of their disability.

Fair pricing can support an effective Scheme if the processes within the National Disability Insurance Agency related to assessment and review are working well.

Similarly, expedited assessments and reviews are critical to ensure changing support levels required by participants are met.

All people of all disability levels require access to well-educated and experienced healthcare professionals providing high quality services regardless of their disability.

An appropriate NDIS pricing model also must reflect the actual costs, time spent and complexities experienced by NDIS-registered providers, of providing support to people living with disability and the regulatory/administrative burden of meeting quality, regulatory and registration requirements.

What is needed is a differentiated mechanism that addresses geographic barriers and recognises additional costs burden in providing supports in the sector.

. Further, IHACPA should consider:

- Workforce costs and costs of training high quality healthcare practitioners;
- Sustainability;
- Supervision of junior practitioners and allied health assistants;
- Labour market constraints;
- Governance and quality systems;
- Risk management and safeguarding;
- Competitive prices with existing market arrangements or risk providers moving away from the sector to other more suitably funded services.
- Models of care: sustainable domiciliary care models are necessarily different from other service models. High quality domiciliary models should be funded in full. This includes acknowledging that utilisation rates for staff are lower in domiciliary models and the unit price should account for this.
- Travel funded independently from clinical services) to ensure that service volumes are not lost in travel charges.
- Supervisory role of clinicians in overseeing allied health assistants.
- Continuous Quality Improvement processes;
- Implementation of technology;
- Digitisation of the health workforce; and
- Cyber security.

Similarly, travel fees alone cannot solve the issue of supply in regional/rural/remote areas. A loading to attract and incentivise healthcare practitioners and address some of the workforce barriers in these already disadvantaged areas is required.

There are significant risks that setting the unit price below sustainable market rates will result in reduced access to services for patients and create a volatile market. A vibrant and productive market is essential to ensure that there is appropriate choice for consumers of physiotherapy and other allied health services.

The current market operates under "free market" conditions. This allows for consumer choice with respect to the services they access.

If the unit price does not adequately consider the costs of appropriate quality, governance and risk management systems, but rather focuses on the costs of services where these are not appropriately included, the likely outcome would be a loss of quality provision in the market and increased risks to the recipients of care and to the government itself.

Price harmonisation across sectors with a differentiated pricing model will support consistency for similar services and cross-sectoral workforce participation.

We must, however, learn from the NDIS experience where therapy supports pricing has been frozen for the past five years, threatening sector sustainability and quality of care in the absence of indexation to overcome inflationary pressures. Similarly, the Department of Veterans Affairs has grossly underfunded physiotherapy resulting in an exodus of experienced practitioners from servicing this vulnerable cohort.

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The risk of market failure cannot be shifted from one scheme to another and the concept of price harmonisation may exacerbate this risk if a framework for pricing does not include supplements

encompassing complexity of care needs, experience and skill of the clinician providing services and addressing geographical barriers to care.

Non-metropolitan communities are disadvantaged in regards to access to health services and face clear equity issues. This is compounded by the higher costs of care in regional/rural/remote. A loading for providing vital services in non-metropolitan areas is a reasonable and a well-established practice across sectors, eg medicine, education, construction.

Loadings would address additional costs involved with recruitment and retention, travel, accommodation, training and education as well as staff support and supervision.

Are there any alternative approaches to pricing that IHACPA should consider?

There are many alternative funding models to be considered. However, caution must be taken to avoid incentivising short-term, measurable goals at the expense of holistic, patient centred care. Key considerations include:

- Group models of service must be reviewed. Currently under the payment structure, providers change an hourly rate for group settings divided by the number of participants that must be adjusted according to attendance. To avoid a sliding scale of fees and unexpected fees for individual participants in group settings, it would be preferable to enable therapy support providers to charge upfront package fees for group activities that cover cancellations and rates of attendance.
- Off plan travel – billing travel costs of therapy supports providers to plans can drain the allocations of participants in rural, regional and remote areas. The APA recommends a separate mechanism/supplement to cover travel costs.
- NDIS-registered provider loading to account for additional costs burden/overheads of these businesses.

Any alternative approaches to pricing should be based on a consultative, co-design methodology with input from physiotherapists and physiotherapy practices.

References

¹ Ability Roundtable 2023-24 Annual Price Review Submission –Core Supports and Therapy Supports;
<https://www.abilityroundtable.org/post/ndia-annual-price-review-submissions-core-supports-and-therapy-supports>