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Navigating towards a more sustainable and supportive market for disability services

IMPACT ECONOMICS AND POLICY

A report prepared by
Impact Economics and Policy

Impact Economics and Policy

Impact Economics and Policy brings together a group of expert economists and policy specialists with experience working for government, non-for-profits and big four consulting. Established at the start of 2022, our mission is to partner with clients for impact through providing robust evidence, fresh analysis, and strategic communication to tackle Australia's biggest public policy challenges.

About this report

This report was commissioned by nib Thrive to explore new models for helping Australians with a disability to navigate services and service providers. This report is intended to assist the disability community and the Commonwealth, State and Territory governments as they embark on the consultation and co-design process for reforms to improve the sustainability of the National Disability Insurance Scheme and deliver better outcomes for people with a disability.

We have drawn on an international literature review to develop an economic framework for assessing the benefits and costs of different navigator models. We have also used publicly available data to estimate the potential efficiency savings from better navigation in the NDIS.

Unless otherwise stated, all data used in this report is sourced from publicly available National Disability Insurance Agency datafiles and Quarterly Reports to Disability Ministers.

Authors

Dr Angela Jackson **LEAD ECONOMIST** / IMPACT ECONOMICS AND POLICY

Dr Angela Jackson is a health economist and has worked across tax, fiscal and social policy. Angela has authored a number of high-profile reports on health, aged care, disability, housing, and gender policy. Angela holds a Masters in International Health Policy (Health Economics) with Distinction from the London School of Economics and Political Science, a Bachelor of Commerce (Hons) from the University of Melbourne and a Bachelor of Economics from the University of Tasmania. In 2021, she was awarded her PhD on the Economics of Disability in Australia from Monash University.

Brad Ruting **SENIOR MANAGER, ECONOMICS** / IMPACT ECONOMICS AND POLICY

Brad is an economist with 15 years of public policy and regulatory experience across tax, superannuation, infrastructure and social policy. He has been a manager at the Productivity Commission and the Australian Securities and Investments Commission, where he was responsible for work relating to retirement income and insurance in superannuation. Brad holds Honours degrees in both economics and geography from the University of Sydney.

Nathan Blane **MANAGER, ECONOMICS** / IMPACT ECONOMICS AND POLICY

Nathan is an economist and public policy expert that has worked for the Commonwealth Treasury, the Grattan Institute and most recently UnitingCare Australia as a Senior Adviser, Economic Policy. In this role he advised on community services and economic inclusion policies. Nathan obtained a Bachelor Arts in Philosophy, Politics and Economics and a Bachelor of Laws from the University of Otago before completing Honours in Philosophy at the University of Melbourne.

Acknowledgement of Country

We acknowledge Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Australia and their continuing connection to both their lands and seas. We also pay our respects to Elders – past and present – and generations of Aboriginal and Torres Strait Islander peoples now and into the future.

Contents

Executive summary

Impact Economics and Policy has developed a series of models for rolling out 'navigators' to help people with a disability to plan services and connect with local providers. This was a key recommendation of the NDIS Review. In this report, we find that navigators have the potential to improve access to services and ensure higher-quality services are delivered. An effective navigator model could also save up to $5.2 billion a year for the NDIS by 2033, making it both more sustainable and more supportive.

The National Disability Insurance Scheme (NDIS) has transformed the lives of hundreds of thousands of Australians with a disability. It has given them greater choice and control over the services and supports they receive, while helping to address high levels of unmet need.

However, the market for disability services that the NDIS has created is beset by concerns over the quality of services, access to support and cost overruns. The recent Disability Royal Commission and the NDIS Review shone a light on many of these issues.

A key issue is the role of intermediaries in the NDIS, including local area coordinators, plan managers and support coordinators. These intermediaries were intended to help connect people with a disability with providers of services and supports, and with the government as funder. The government currently spends over $2 billion a year on intermediaries, but they are not fulfilling their potential to drive higher quality, better access and lower costs across the scheme.

Impact Economics and Policy has evaluated how the NDIS Review's recommendation to replace existing intermediaries with a new 'navigator' role can improve the quality, accessibility and cost of disability services. This recommendation was part of a broader range of reforms to secure the sustainability of the NDIS.

Navigators are intended to help people with a disability and their families to develop a plan for using their budgets and to identify and engage with locally available services and providers. They would help to build people's capacity and drive better outcomes from service providers, while NDIS participants retain choice and control over who provides their services and supports. The potential benefits are substantial (see Box 1).

Navigators would be available to everyone with a disability, not just NDIS participants. Navigators would advocate for the interests of people with a disability—independently of service providers and the National Disability Insurance Agency.

BOX 1
POTENTIAL BENEFITS OF EFFECTIVE NAVIGATION

- **Improved quality of life for people with a disability by enhancing access to quality services and supports that meet their needs.**
- **Greater ability of people with a disability and their families to exercise choice and control over what services and supports they receive, and who provides them.**
- **Better coordination between providers when delivering disability supports and services to an individual.**
- **Lower rates of fraud, over-servicing and provider 'capture'—which can complement other safeguards against misconduct such as provider registration requirements.**
- **Greater investment in building people's capacity to participate in economic, social and community activities, as well as their capacity to negotiate with disability service providers and plan their own service use.**
- **People are better supported to live with their disability, leading to significant potential savings to other service delivery systems such as the health, education, aged care and justice systems.**
- **Increased participation by people with a disability in the community, education and workforce—which has spillover benefits to the broader economy.**

In this report, we have developed four potential models to assist government and the disability community in considering how a navigator role could be implemented (see Box 2). Navigation could be delivered by companies, not-for-profit organisations or partnerships between organisations and individuals.

BOX 2 FOUR POTENTIAL NAVIGATOR MODELS

MODEL 1 OPEN MARKET

Any organisation can enter the market as a navigator and compete for customers. This is similar to the current market for support coordination. People with a disability choose their own navigator.

MODEL 2 COMPETITIVE PROCESS TO APPOINT A NAVIGATOR FOR EACH LOCAL AREA

Government runs a competitive process to select a navigator organisation for each local area, with contracts awarded for 3 to 5 year terms. This is similar to the way that Partners in the Community are selected today. People with a disability are assigned to a navigator—they do not have choice.

MODEL 3 CURATED COMPETITION

Government runs a competitive process to select about 20-30 navigator organisations nationally. People with a disability can choose their navigator, and navigators compete for customers. Some navigators are appointed as 'navigators of last resort' in specific regions so that everyone is guaranteed access to a navigator.

MODEL 4 CURATED COMPETITION WITH FUNDHOLDING

Navigator organisations directly procure disability supports and services on behalf of NDIS participants. Participants are still able to exercise choice and control over providers. As in Model 3, navigator organisations are appointed through a competitive process and there are 'last resort' arrangements to guarantee access.

The report assesses the models in terms of delivering on quality, cost and access outcomes. Drawing on the international literature, five market characteristics were identified that drive these outcomes: price setting, quality information, competition in the market, financial risk transfer and the principal-agent relationship.

All four models can improve outcomes for people with a disability, with Models 3 and 4 offering greater potential than Models 1 and 2 (see Table 1).

Model 1 performs relatively poorly because most navigator organisations would be small scale, with limited ability to push back on service providers who are not delivering high-quality services. This also limits the potential for improving cost effectiveness. Model 1 also presents challenges with access, as some people with more complex needs may struggle to find a navigator that is willing to work with them.

Model 2 performs poorly because although access to a navigator is guaranteed, people do not have choice or control over which organisation is their navigator. This can reduce the incentives that navigators have to consistently deliver good outcomes. The relatively small scale of navigators may also diminish the cost effectiveness of Model 2.

Model 3 provides much stronger incentives for navigators to deliver high quality, responsive support that meets people's needs. It gives them choice and control over their navigator and the ability to switch if they are not happy. In Model 3, navigator organisations are larger in scale. This better enables them to invest in capacity building and innovative service models, while also giving them greater leverage to influence service providers. As a result, Model 3 can drive both improved service quality as well as cost efficiencies. The 'navigator of last resort' function ensures that every person with a disability has access to a navigator.

Model 4 is similar to Model 3, with additional advantages. As 'fundholders', navigators have stronger influence over service providers, which can drive stronger improvements in quality and cost effectiveness. The ability of navigators to directly commission services in Model 4 offers a powerful tool for addressing gaps in access to services.

TABLE 1 Assessment of the navigator models

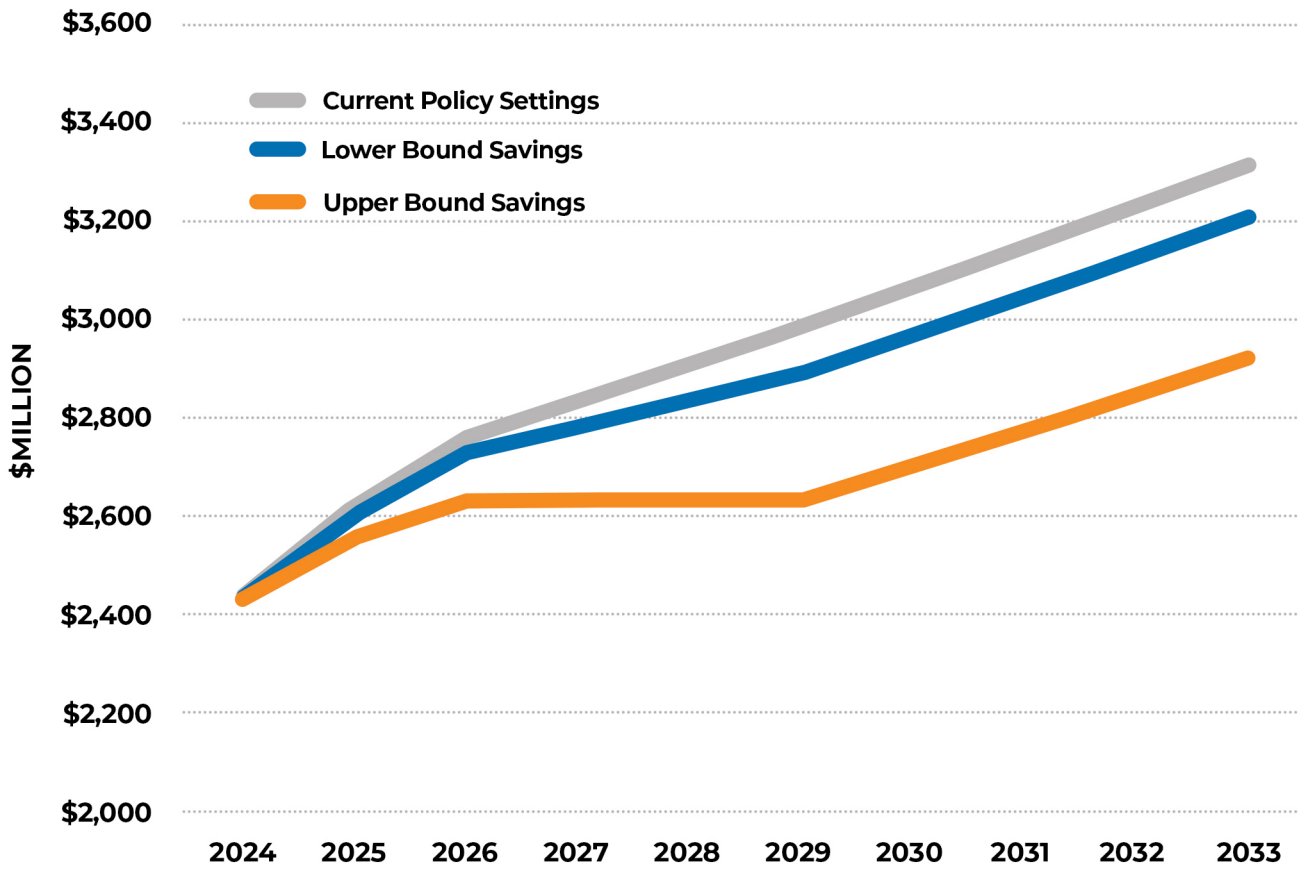
Outcomes	Navigator models			
	MODEL 1 Open market	**MODEL 2** Competitive process for local areas	**MODEL 3** Curated competition	**MODEL 4** Fundholding
Quality	—	—	☑	☑
Cost effectiveness	—	—	☑	☑
Access	☒	—	—	☑

Impact Economics and Policy estimates that effective navigation could reduce government expenditures on intermediaries for NDIS participants by about $103 million to $393 million a year by 2033 (see Figure 1). While there is uncertainty in these estimates, the potential savings are large. They would go some way towards offsetting the cost of making navigation available to the 1.9 million people with a disability who are not on the NDIS.

Navigators will help to ensure that service providers deliver high-quality services that meet people's needs, while pushing back on over-servicing, fraud and providers that take advantage of participants. We estimate that the total cost savings to the NDIS from effective navigation could be as large as $2.3 billion to $5.2 billion a year by 2033—up to about 9 per cent of projected future costs (see Figure 2).

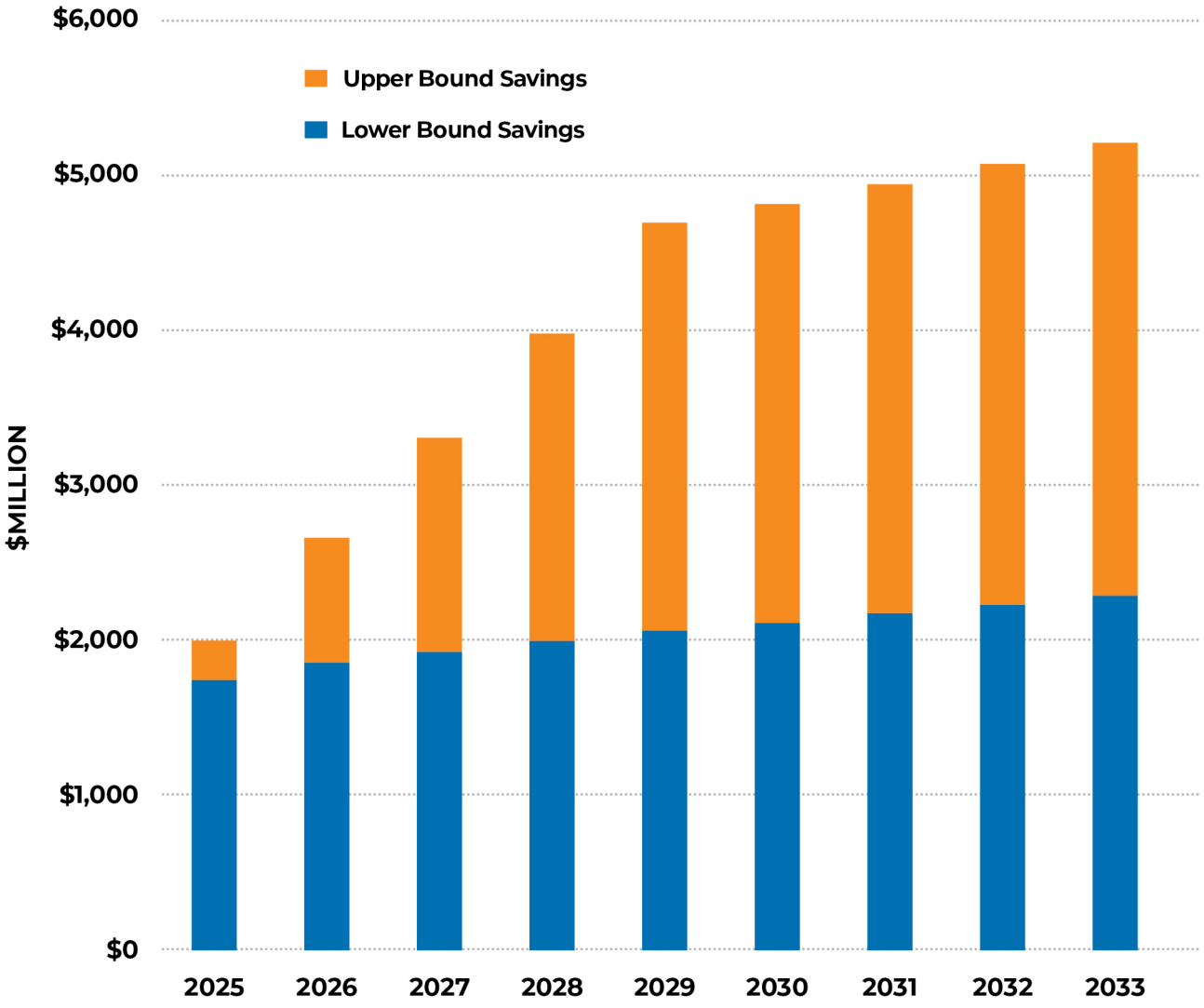
The Australian Government has commenced a reform process for the NDIS, with legislation recently enacted in Parliament to change NDIS eligibility rules and how participants' budgets are set. The Government is currently consulting on other recommendations from the NDIS Review and Disability Royal Commission.

FIGURE 1 Total navigation costs for NDIS participants



Note: Projected costs on current policy settings reflect government projections of the effect of recently legislated reforms to the NDIS.

FIGURE 2 **Total savings to the NDIS from effective navigation**



Together with other reforms, an effective navigator model offers a clear path towards a more sustainable and supportive market for disability services. However, further work is needed to deliver a navigation model that delivers the best outcomes. This report is intended to assist the disability community and the Commonwealth, State and Territory governments as they embark on the consultation and co-design process for reforms.

A process of careful design, testing and implementation will help ensure a navigator model works well in practice. Government should also prioritise continuity of support for NDIS participants and their families, and a smooth transition for the workforce and market, as recommended by the NDIS Review.

Introduction

The NDIS represented the biggest expansion in Australia's social safety net since the introduction of Medicare. It has transformed the lives of hundreds of thousands of people with a disability and their families, allowing them to spend more time with family and friends, become more independent, learn new skills, find jobs or volunteer and have a better life (see Table 2).

Launched in 2013, the NDIS replaced a failing patchwork of state-based disability support schemes. The Productivity Commission in its 2009 Report which recommended the establishment of the NDIS described the pre-existing system as a 'lottery' where people received vastly different levels of support depending on where they lived and how they acquired their disability.[1]

Many people with a disability missed out on the supports they needed to fully participate in family, work and social life. Most lacked choice and control over what supports they received and who provided them, and there was significant unmet need for services.

TABLE 2 Outcomes for participants who have been in the NDIS for at least five years

Indicator	Per cent	Change after 5 years
Life satisfaction	62	up 18%
Involved in a community activity	49	up 14%
No difficulty accessing health services	75	up 5%
In a paid job	25	Steady
Feel able to advocate	40	down 5%

Source: National Disability Insurance Agency (2022), *Participant outcomes to 30 June 2022*, p. 8.
Figures are for participants aged 15 and over at 30 June 2022.

While the NDIS addressed many of the problems with the previous schemes, issues around quality, access and fiscal sustainability have emerged. Although the NDIS has given people with a disability greater choice and control, it has not always been successful at ensuring people are able to access the supports they need or prevented providers from taking advantage of participants.

Quality

The Disability Royal Commission heard evidence of ongoing safety and quality concerns affecting NDIS participants. It found that people with a disability are not adequately protected against violence, abuse, neglect and exploitation, including from disability service providers.[2]

In 2023, a Four Corners report highlighted the issues impacting children with a disability receiving services and supports through the NDIS.[3] Particular concerns have also been raised about the operation of supported accommodation, where housing and disability supports are commonly delivered by the same provider, creating an environment where unsafe power dynamics can develop.[4]

Access

The NDIS Review found that accessing the NDIS can be complicated and confusing, with many people struggling to find quality services that meet their needs. Participants and their families report ongoing difficulties in finding providers who can deliver the services and supports allocated in their plan. There are also examples of providers refusing to work with 'difficult' participants who have more complex needs.[5]

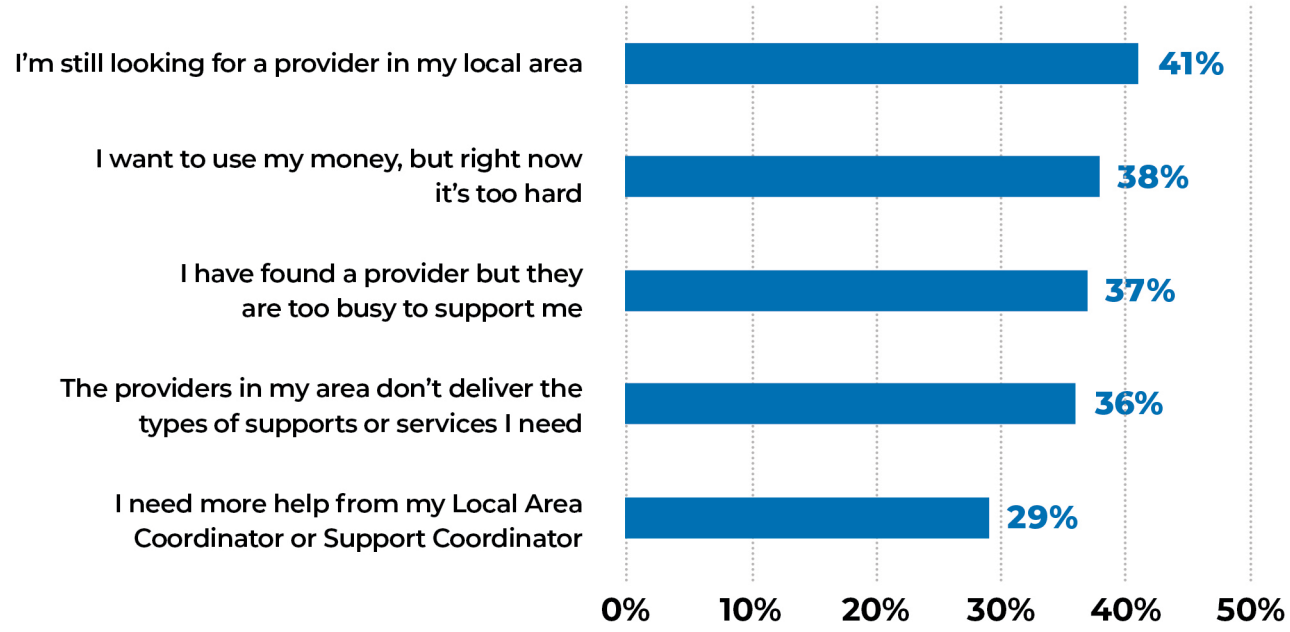
In 2023 average plan utilisation rates were just over 77 per cent, meaning almost 23 cents go unspent for every dollar in participant plans. This is an even more acute problem in rural and remote areas, with average utilisation rates of 69 per cent for participants in remote areas and 55 per cent for participants in very remote areas.[6] In a 2019 survey, NDIS participants reported that difficulty in finding service providers was the top reason why they were not spending all the money in their plans (see Figure 3).

Low levels of plan utilisation can also result in participants receiving less funding in subsequent plans, making it even harder for them to access the services and supports they need.[7]

When the NDIS was introduced, several types of intermediaries were created, including local area coordinators, support coordinators and plan managers. The intention was that these intermediaries would help participants to access the services they need and to engage with providers. But in practice, there has been duplication of functions across intermediaries, conflicting priorities, and uneven access to support for people with a disability. Many intermediaries are small scale, and some have a conflict of interest because they are also providers of disability services.

As a result of these issues, the costs of poor access to services and poor service quality are impacting outcomes and the quality of life of participants in the scheme, undermining the potential benefits of the NDIS.

FIGURE 3
Top 5 reasons given by NDIS participants for not expecting to spend all the money in their plan



Source: Tune, D. (2019), *Review of the National Disability Insurance Scheme Act 2013*, pp. 195.

Costs

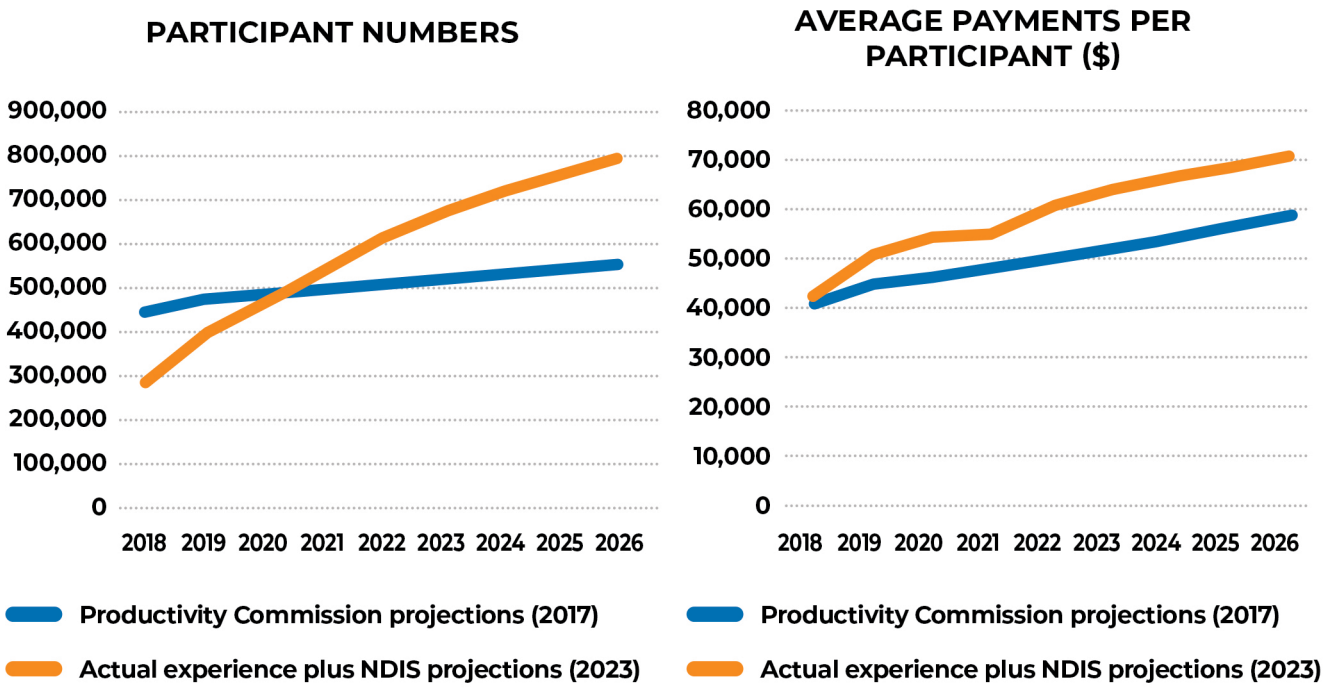
Expenditure on the NDIS has grown much faster than expected. Australian governments currently spend over $42 billion a year on the NDIS. On current policy settings this is expected to reach almost $60 billion a year in nominal terms by 2028.[8] The Commonwealth, State and Territory governments have committed to bring annual expenditure growth down to 8 per cent a year by 2026 in nominal terms, with the Commonwealth having commenced a reform process.[9]

The higher costs have been driven by more participants with more expensive support packages than originally anticipated. In 2017, the Productivity Commission estimated the NDIS would support 553,200 participants with a $58,700 average package by 2026. As of December 2023, the NDIS Actuary expected there to be 792,200 participants with a $70,600 average package on the same timeline. This represents 43 per cent more participants, with average participant costs 20 per cent higher (see Figure 4).

The NDIS Review found that some of this rapid growth was driven by eligibility rules for the scheme, as well as a reduction in disability services outside of the NDIS funded by the States and Territories. Insufficient foundational supports and gaps in mainstream services push people towards the NDIS. The scheme has become an 'oasis in the desert' for people with a disability, pushing many who do not have severe disabilities (and their carers) to find ways to get onto the scheme so that they can access support.[10] Further, the adversarial planning process in the NDIS encourages people to fight for as much financial support as possible.[11]

FIGURE 4

NDIS projections (2023) compared to Productivity Commission projections (2007)



Source: National Disability Insurance Scheme (2023), *Annual Financial Sustainability Report 2022-23*, p. 129-130.

At the same time, the market settings reward the volume, rather than quality, of supports. These financial incentives, combined with weak enforcement of quality safeguards, have led to instances of overcharging, overservicing and fraud by service providers.[12] For example, extortive threats, including violence and forced admission to a psychiatric facility, have been reported unless participants allow a provider to deduct money from their NDIS plan.

In 2023-24, the National Disability Insurance Agency (NDIA) estimates it lost $1.4 billion through fraud and payment error.[13] Australian Criminal Intelligence Commission chief Michael Phelan estimates that as much as 15 to 20 per cent of scheme costs could be lost to fraud or misconduct.[14] The Minister for the NDIS suggests there is evidence of "ghosting" where services are charged to fake NDIS clients.[15]

There have also been allegations of providers inflating the prices they charge to NDIS participants. The NDIS Review found evidence that many providers charge prices just below the price caps set by the NDIA. For example, 62 per cent more 'low-cost assistive technology' transactions were made immediately below the price cap ($1,401 to $1,500) compared to the next highest price bracket ($1,301 to $1,400).[16] The Review also heard examples of providers charging significantly higher prices for services to NDIS participants than to people who are not on the scheme.[17]

Reforms underway

In late 2023, the NDIS Review made 26 recommendations and 139 supporting actions to improve the sustainability of the NDIS and deliver better supports for people with a disability.[18]

The Australian Government has commenced its implementation of these recommendations, with an initial reform package passing Parliament. The reforms are expected to contribute to reducing NDIS costs by 1.5 per cent or almost $1 billion in 2027-28, and include:

- enabling better early intervention pathways for people living with psychosocial disability and children under 9 years of age;
- changing the way in which NDIS participants' budgets are set, with clearer information to be provided on how budgets are to be spent; and
- strengthening the NDIS Quality and Safeguards Commission.[19]

The Government is consulting with the disability community on the implementation of other NDIS Review recommendations. In the 2024 Budget, it announced $130 million for design and consultation work to respond to the recommendations, with $20 million to support reforms to help people navigate services.

This report aims to inform these consultations by exploring how the recommendation to replace existing intermediaries with a new 'navigator' role could help deliver better outcomes for people with a disability.

BOX 3 DISABILITY SERVICE PROVISION AROUND THE WORLD

The delivery of disability services and supports has undergone significant reform in many countries over the past three decades. There has been a move away from 'block funding' services that do not give people with a disability choice, towards models that afford them greater control over the services and supports they receive.

Different approaches and combinations of approaches have been implemented across countries with varying degrees of success. This reflects differences in system designs as well as the unique challenges facing individual countries. Some countries, like Australia, have given people with a disability individual budgets and encouraged competition between providers. However, most other countries retain a significant amount of direct service provision by government. Australia's system is unique in its heavy reliance on choice and competition, including the use of for-profit providers to deliver disability services and support.

Choice and competition

There is significant evidence from the health care sector that choice and competition between service providers can deliver improved health outcomes and patient satisfaction compared to government-provided services that do not face competition. This is more likely to occur when prices are regulated, which gives providers a financial incentive to compete on quality rather than on lower prices (which can compromise quality).[20]

Under choice and competition models, the ability of participants and their families to advocate for services can become a less important determinant in the services that individuals receive, compared to models of monopoly government provision. Choice and competition models can be seen as more equitable, removing some of the advantages for better educated or wealthier advocates navigating complex and highly rationed systems.

Individual budgets

Individual budgets give a person with a disability greater control over how and what they spend their allocated budget on. A range of studies have found that individual budgets can generate better outcomes than alternative models of service provision.

For instance, a systematic review of 73 studies found that individual budgets for people with a disability are associated with improved quality of life, client satisfaction and safety, although there was less evidence for individual budgets leading to improvements in physical functioning, unmet need or cost effectiveness.[21] The impact on total care costs varied across settings and studies. Other researchers have found that individual budgets for people with developmental disabilities result in lower unmet service needs, higher satisfaction, increased community participation and reduced burdens on caregivers.[22]

Market design features needed for success

The NDIS is the largest government-created 'quasi-market' in Australia. Choice and control were central design features of the NDIS, intended to provide people with a disability agency that they were often denied under the previous state-based disability support schemes. Costs are fully met by government and most participants are able to choose who provides them services.

However, the introduction of choice—and by extension competition—to the provision of disability supports and services necessitates careful consideration of the market characteristics needed to drive high quality services, improved access to services and cost-efficient provision.

Standard economic theory predicts that choice and competition between providers will drive efficient allocation of resources and deliver optimal levels of quantity and quality.

However, this relies on the characteristics of a 'perfect' market being in place, including a large number of providers for each type of service, low switching costs, and easily accessible information on provider quality.

When these characteristics are not in place, poorly designed markets can fail to produce outcomes that leave both buyers and sellers better off.

The market for disability services and supports deviates from the perfect market of economic theory in a number of ways:

- Governments dominate the financing of the sector meaning that providers and people with a disability may not always be price sensitive.
- There is limited objective information about quality, which makes it hard for people to choose between providers. Disability services are 'experience goods', which makes it difficult to assess quality before receiving the service. Assessments of quality can also be influenced by the relationship between service providers and users.
- Service providers often have access to better information than participants on service quality and how it impacts people (i.e. asymmetric information), which creates incentives for 'cream skimming' by only servicing the most profitable participants.
- Changing disability providers can be difficult and costly, especially for people who are heavily reliant on services for day-to-day living needs.

- It can be difficult to gauge an individual provider's impact on outcomes due to the range of services and other factors that influence outcomes, unobservable differences between people, and the long time frames over which some outcomes occur.
- People with high or complex care needs often have to rely on others, who may not prioritise quality when making decisions about their care.

These factors make good market design critical for ensuring that the ability to exercise choice and control translates into good outcomes for people with a disability. Poor market design increases the risk of poor-quality services, unnecessarily high costs, and incentives for providers to 'cream skim' the most profitable customers while underservicing those who are more costly to support.

Market characteristics

The ability of choice and competition to deliver good outcomes depends on the specific features of the market.[23] Drawing on the international literature, we have identified five market characteristics most relevant to the market for disability services and supports: price setting, quality information, competition in the market, financial risk transfer and the principal-agent relationship.

Price setting

In markets where providers have more information than people with a disability, and quality can be hard to assess, prices set by the market can become a proxy for quality. This means that to successfully compete in the market, some providers will simultaneously increase price and reduce quality (which is not easily observable), which overall leads to higher costs and lower quality.

By contrast, when prices are regulated, providers have a stronger incentive to compete by delivering high quality outcomes. There is evidence from health care and age care markets that choice and competition lead to better care outcomes when prices are regulated.[24]

However, where regulated prices do not vary based on the complexity of a person's needs, providers may give low-quality care to those with high needs to save money (skimping) and provide too much care to those with low needs, leading to higher costs (cream skimming). This is especially important in the disability services market because conditions vary widely in severity, and some people may experience more than one type of disability.

It is also important that government-regulated prices are set at or above the marginal cost of provision. Where prices are set too low, providers are encouraged to skimp on quality, engage in cream skimming

or provide unnecessary services to ensure costs are covered. This can lead to both lower than optimal quality and higher overall costs.[25]

Quality information

Accessible and reliable information on the quality of all providers is a necessary condition for markets to work well. Quality information helps people to exercise choice and select the best providers. It also helps ensure that the market rewards providers for raising the quality of services—where quality information is not present, competition will not necessarily improve outcomes.[26] Using quality information to harness competition in this way can also be more effective at driving continual improvement in outcomes than simply mandating minimum quality standards, which on their own give little incentive for providers to increase quality beyond the minimum level.[27]

Information about provider quality, especially when available at localised level, can also help providers identify and address service gaps in the market.[28]

Competition in the market

Markets work best when it is possible for new providers to enter and compete. Supply restrictions (i.e. barriers to entry) can reduce the incentive for existing providers to compete in order to maintain their market share.[29] There is some evidence that higher market concentration can be associated with lower quality, although this is not always the case when other factors may be influencing outcomes.[30]

In the market for disability services, some people with a disability will find it difficult (or impossible) to exercise meaningful choice on their own, or to negotiate with service providers. This means that some form of intermediary is needed to support these people to select service providers, set up service delivery arrangements and pay providers.

Further, when people with a disability are unevenly distributed (both geographically and in terms of their support needs), choice and competition will not ensure the right services are delivered where they are needed if it is not profitable for providers to deliver these services. As a result, arrangements are often needed to facilitate service provision in 'thin markets'. This could involve an intermediary or government 'commissioning' services by directly paying providers to cover the additional cost of providing these services. Such arrangements will deliver the best outcomes when the process is structured so that providers compete for contracts on the basis of quality, customer access and cost effectiveness.

Financial risk transfer

In the disability market, who bears the financial risks when costs turn out higher than expected or services are provided to an unacceptable level of quality is an important driver of outcomes. If the government as the funder bears all the risk, there is limited incentive for providers to improve quality or manage costs.

Pricing arrangements can be used to transfer different risks to providers (and intermediaries) where they are better able to manage these risks than government. There are several commonly used pricing models, and all have their advantages and disadvantages (see Box 4).

BOX 4 PRICING MODELS USED IN THE HEALTH AND DISABILITY CARE SECTORS

Fee-for-service

In a fee-for-service model, providers are paid for each individual service they deliver. It is the model currently used for most NDIS services. The model is relatively simple to administer and encourages care providers to deliver the services that customers need. However, it does not create incentives to reduce long-term reliance on services and can encourage the unnecessary provision of services.[31]

Capitation

Capitation models involve paying providers a fixed amount for each person that is 'enrolled' with the provider. This creates incentives for early intervention to reduce long-term care costs, especially where payments are risk adjusted to reflect the different levels of complexity across people. However, care is required as providers may have an incentive to 'cream skim' people if the risk adjustment is not effective. For example, there is some evidence that capitation payments in health care have led to providers under-servicing patients (in order to reduce costs or increase profits) or find ways to shift costs onto other providers.[32]

Performance-based payments

This is where providers' remuneration is tied to the delivery of outcomes, such as measurable improvements in life satisfaction. These payments can be bundled together with other forms of payment (such as capitation or fee-for service), so that only a portion of total income is linked to delivering outcomes.

Performance-based payments are considered the 'gold standard' in terms of aligning providers' incentives directly with consumers' interests. The model can create strong incentives to invest in preventive and coordinated care, and to provide services cost-effectively and only when necessary. There is evidence that performance-based payment models can increase quality in primary care[33] and reduce overall health care expenditures.[34]

However, performance payments may not lead to better outcomes if outcomes are difficult to measure, outcomes are not within the direct influence of the provider, or payment amounts are not high enough to provide a strong enough incentive to change behaviour.[35] Performance-based payment schemes also require robust quality and outcome data to be collected on all providers in the market, and so can be administratively costly.

Principal-agent relationship

The relationship between providers and people with a disability is an example of what economists often call a principal-agent relationship. The provider is engaged to act in the best interests of the person, but may not do so when their incentives are not fully aligned. This can occur when providers have more information about the nature of the services they are providing and are able to influence the demand for their services, meaning they can profit by providing services in a way that is not in the person's best interests.

Payment models can help align incentives (see Box 4), so that profit maximising behaviour by providers does not undermine people's access to quality services and supports. There is also an ongoing role for people with a disability to have an advocate (such as an intermediary) that can assist them navigate the service delivery system, provide advice on the services and supports best suited to meeting their needs, and negotiate with providers on their behalf. It is critical that people with a disability have advocates who have incentives aligned with their best interests.

Framework to evaluate options

In order to assess the current settings for the NDIS and options for introducing 'navigators', we have developed an evaluation framework to assess how the characteristics of the market for disability services and supports influences quality, cost effectiveness and access to services (see Table 3).

TABLE 3 Evaluation framework

	Price setting	Quality information	Competition in the market	Financial risk transfer	Principal-agent relationship
Quality	Regulated prices at or above marginal cost	Information on outcomes readily available to inform choice of provider	Providers and intermediaries are rewarded with greater business if high quality, and exit the market if poor quality	Providers and intermediaries are rewarded for improving quality e.g. investing in staff retention, training and development	Interests of the person with disability are aligned with interests of providers and intermediaries
Cost effective -ness	Regulated prices	Information on outcomes readily available to inform choice of provider	Providers and intermediaries are able to realise economies of scale	Risks of over-servicing and cream skimming are transferred to the market participant best able to manage them	Incentives to invest in long-term outcomes (e.g. capacity building) that reduce costs over time
Access	Prices reflect additional costs to provide services in thin markets	Information on outcomes readily available to inform choice of provider	Presence of acceptable alternatives	Contracting ensures the provision of services in market segments that are otherwise uncommercial	Providers and intermediaries are not able to cream skim participants

Assessing the current NDIS market design

In this section, we apply our evaluation framework to assess how the current NDIS market design—including its intermediary functions—is contributing to quality, cost effectiveness and access to services.

Price setting

Currently, disability service providers and support coordinators are paid on a fee-for-service basis (e.g. hourly rates). Most services are subject to price caps, with price competition allowed below the cap. While higher caps apply in regional and remote areas, the caps are generally not adjusted for complexity. This encourages cream skimming of the lowest-cost participants by providers, with higher-cost participants sometimes struggling to find a suitable service provider.[36]

Some providers argue that the regulated price caps are set below the marginal cost of provision, with caps set based on costs for the 25th percentile of providers.[37] In 2022-23, about 79 per cent of payments subject to the price caps were charged at the cap,[38] and a third of providers reported making a loss.[39] Prices that are set too low can incentivise providers to reduce quality (if it lowers costs) and overservice participants to ensure financial viability.[40]

Self-managed NDIS participants are not subject to price caps and have flexibility to negotiate prices with both registered and unregistered providers. However, there are examples of some providers charging NDIS participants much higher prices than non-NDIS participants for the same service.[41]

Quality information

NDIS participants and their families do not have access to reliable and timely information on the quality of disability service providers or intermediaries (such as support coordinators).[42] This includes information about quality of service, misconduct, and the suitability of specific supports and services offered for different participant needs.

There is also a lack of consistent, centralised information about available providers in a participant's local area and which providers have capacity to take on new participants (with many having long waiting lists).[43] This means that providers offering a high-quality service are not necessarily rewarded in the market because participants are not able to make a choice based on reliable quality information. Participants that want to switch providers often have to make decisions in the absence of reliable quality information, which increases the risk of making a poor choice.

Competition in the market

A large number of providers have entered the market for disability services and supports—over 14,000 registered and 154,000 unregistered providers at June 2023.[44] While this has increased competition, this competition has not always led to improved participant outcomes. There are concerns about whether providers are charging fair prices (as noted above), and some have incentives to over-service and cream skim the most profitable participants.

Many providers in the market are small scale, meaning they lack the ability to invest in new care models or evidence-led interventions. This suppresses innovation that delivers better participant outcomes.

Further issues have arisen with thin markets, where there are few providers or services available in a local area. While the NDIA was envisioned to actively identify and address thin markets by commissioning services to fill gaps, thin markets remain an ongoing issue across regional and remote areas.

There is also significant fragmentation in the market for intermediary services (see Table 4). The NDIS Review identified 10 different types of intermediary supports currently available to participants, noting that the myriad of roles and organisations have added complexity to an already complex landscape.[45] There are over 8,600 providers in the intermediaries market, many of which are small and struggling to maintain financial viability.[46] Only around half of support coordination providers are registered with the NDIS Quality and Safeguards Commission.[47]

TABLE 4 Disability intermediaries market, 2022-23

Intermediary type and role	No. active providers[48]	No. participants ('000)	Share of participants	Expenditure ($m)	Expenditure per participant ($)
Partners in the Community[49] Directly contracted by the NDIA to deliver services in a particular region. This can be Local Area Coordination (helping people to access the NDIS, develop a plan and implement their plan) or Early Childhood Partners (helping connect families to services with an early intervention focus).	25	Less than 611	Less than 100%	$604	Less than $989
Plan management Engaged by some participants to help them administer their funding (e.g. paying providers) and/or to build the participant's plan and financial management capacity.	1,285	383	63%	$485	$1,268
Support coordination Engaged by some participants to help them implement their plan by identifying and managing providers. There are three levels of intensity available.	7,349	276	45%	$947	$3,431
Total	**8,659**	**611**	**100%**	**$2,036**	**$3,335**

Financial risk transfer

The fee-for-service pricing model used in the NDIS gives service providers a financial incentive to maximise the number of services they deliver and poor incentives to invest in better quality services.[50] Combined with weak enforcement of quality safeguards and poor system oversight, these financial incentives make it attractive for providers to exploit the scheme by charging for services that should not be delivered, charging for services that are not delivered at all, and charging for services more than once.[51] Participants are deprived of necessary supports and the government wears the financial cost.

The fee-for-service pricing model also leaves the financial risks of the long-term cost of the scheme with government, and other risks of poor-quality or inadequate service provision with participants. There are inadequate incentives for providers to invest in their workforce or new care models to reduce long-term costs or improve quality, and no financial rewards for delivering better outcomes for participants.

Principal-agent relationship

There is a misalignment in incentives between participants and service providers in the NDIS. For example, providers do not have strong incentives to invest in building participants' capacity and connections with the community. In fact, providers risk losing revenue if improved outcomes mean the participant needs less support in future.[52] These misaligned interests have contributed to the lack of innovation in the sector to identify new ways of delivering services and enhancing community connections for people with a disability.[53]

Although intermediaries were intended to help people with a disability exercise choice and navigate the disability services market, some have conflicts of interest. For example, about 80 per cent of providers of plan management or support coordination also deliver other types of disability services.[54] This means that they have a commercial interest in encouraging participants to use their other services, which is not always aligned with the interests of participants. A recent inquiry found that about 42 per cent of complaints made about support coordinators raised concerns about integrity, such as conflicts or denying participants choice.[55]

Further, access to intermediary support is uneven.[56] While Partners in the Community were intended to offer support to all NDIS participants to utilise their plans and identify local providers, few have the capacity or resourcing to do this in practice, with many being required to focus almost entirely on plan assessments.[57]

Some participants have access to support coordinators, but these need to be identified by the NDIA at the planning stage and built into participants' plans as a 'reasonable and necessary' support. As a result, participants who do not have support coordination in their plan—or who end up requiring more intensive forms of support—are unable to receive this without going through the plan reassessment process. There are also incentives for support coordination providers (as with other service providers) to cream skim more profitable clients—which may be those with less complex coordination needs.

Overall assessment

Table 5 summarises our assessment of the current NDIS using the evaluation framework.

TABLE 5 Summary of outcomes for current NDIS

Outcomes	Price setting	Quality information	Competition in the market	Financial risk transfer	Principal-agent relationship
Quality	☒	☒	☒	☒	☒
Cost effectiveness	☒	☒	☒	☒	☒
Access	☒	☒	☒	☒	☒

How a new navigator model could work

The NDIS Review proposed changes to the way the disability services market is designed and managed. This included a recommendation that all Australians with a disability be given free access to a 'navigator' who can help them to develop a plan for using services, find and coordinate the support they need, and support them through key life transitions (see Box 5).

BOX 5
WHAT IS A NAVIGATOR?[58]

NDIS Review proposed replacing existing NDIS intermediary roles with a single, nationally consistent navigator function.

NAVIGATORS WOULD:

- help all Australians with a disability (or their family or nominee acting on their behalf) to find and access services and supports;
- help eligible people with a disability to request access to the NDIS;
- help people to develop a plan of action to implement mainstream and NDIS-funded supports;
- help NDIS participants to find appropriate providers and to switch providers where their existing arrangements aren't working;
- help build participant capacity, access to early intervention, and support participants through life transitions (e.g. into and out of education, employment and independent living); and
- collect data on demand for services and unmet need.

Navigation would be delivered locally by people who have genuine local connections, knowledge and links to local services. The navigators would share information about the availability and quality of locally available services and service providers, as well as opportunities for community inclusion. This would be supported by a national framework to ensure consistent delivery of navigation.

Navigator involvement could range from providing occasional support and guidance for

more self-directed individuals, to something resembling case management and delegated decision making for those who are unwilling or unable to exercise choice themselves. People with more complex support needs would be given access to a Specialist Navigator with higher levels of training and experience with helping people navigate transitions between multiple service systems.

Navigators would also provide additional specialised service offerings to support psychosocial recovery for people with psychosocial disabilities, and to support people with specific housing and living needs by providing advice and helping them to explore the available options.

Importantly, the navigators would be required to act on behalf of the person with a disability, at their direction. They would be an agent or advocate for the person with a disability. Navigators would not be involved in information gathering, budget setting or the delivery of other NDIS services.

This is important to avoid conflicts of interest. If navigators were employees or agents of the NDIA, they may face explicit or implicit pressure to try and reduce government spending, such as by encouraging people not to apply for the NDIS (even if they are likely to be eligible) or by directing them towards fewer or less costly services (regardless of their support needs). This is not consistent with the long-term interests of people with a disability. Likewise, if navigators were also service providers, they would have a financial incentive to direct people towards their own services, even if they were not the best services available or these services were not necessary for meeting the participant's needs and goals.

Navigators would not process payments on behalf of participants. The NDIS Review's recommendations for a centralised electronic payment system would mean that this function, currently undertaken by plan managers, would become redundant once the new system is fully rolled out.

THE NDIS REVIEW SUGGESTED FOUR TIERS OF NAVIGATION SUPPORT
(three general and one specialist)

Four tiers of navigation support	
General	General assistance to people with a disability and their families
Self-serving	Assistance for people who only want and need a minimum level of help
General support	Assistance for people who need a small amount of ongoing support
Additional support	Assistance for people needing a higher level of support (e.g. those with support coordination currently)
Specialist	Assistance for people with more complex needs (e.g. those with specialist support coordination currently) who require higher intensity support due to complexity of needs, situations and/or interfaces with multiple services systems

Source: NDIS Review, *Final Report* (p. 103) and NDIS Review, *Supporting Analysis* (p. 326).

Impact Economics and Policy has developed four potential models for how a navigator function could be implemented. These models are designed to strengthen the market characteristics of the NDIS market and to deliver better outcomes for all Australians with a disability. Each model harnesses choice and competition, but they do this in different ways (summarised in Table 6).

The models are based on navigator organisations. These organisations could be companies, not-for-profit organisations or partnerships between organisations and individuals. Each organisation would employ staff to deliver support locally, with the expectation that people with a disability have a say over which staff member supports them. In some of the models, they also have a say over which organisation they use.

In the next section, we compare these models using our evaluation framework.

TABLE 6 Key features of the models

	MODEL 1 Open market	MODEL 2 Competitive process for local areas	MODEL 3 Curated competition	MODEL 4 Curated competition with fundholding
Approximately how many navigators would there be?	Up to 7,000	Up to 565	20-30	20-30
How would participants be assigned to navigators?	People select their own navigator organisation	People are assigned to the navigator organisation responsible for their local area	People select their own navigator organisation	People select their own navigator organisation
How would navigators compete?	Open competition where any navigator organisation can enter the market	Navigators compete in a periodic competitive process for each local area	Navigators compete in a periodic competitive process to enter the market, then compete for participants	
What would people have choice over?	Navigator and service providers	Service providers only	Navigator and service providers	Navigator and service providers
Could navigators choose which people they work with?	Yes	No	Yes, but only outside the region they are the default navigator for (see below)	
How would navigators be paid?	Per-person payments, with risk adjustment and performance payments	Per-person payments, with risk adjustment and performance payments	Per-person payments, with risk adjustment and performance payments, plus additional payment if a navigator of last resort	Either per-person payments or paid out of the same funding pool used to pay for services, plus additional payment if a navigator of last resort
How is navigation provided in thin markets?	Separate competitive process to commission navigators for people unable to access them in the market	Each navigator organisation is obliged to service all people with a disability in their local area	There is a navigator of last resort for each region, which is contractually obliged to service any person in that region on request (either directly or by partnering with another organisation)	
How is quality regulated?	Navigators that do not meet minimum quality standards are deregistered	Contracts are terminated for navigators that do not meet minimum quality standards, and the competitive process is re-run		

Model 1: Open market

In Model 1, any entity can be a navigator organisation, as long as they meet minimum quality standards and do not provide other disability supports and services. A navigator could be a business or non-profit organisation with regional or nationwide coverage, or an individual working as a sole trader.

This is similar to the way that the support coordination and plan management markets work today. There would be up to 7,000 navigator organisations in the market (based on the number of active support coordinators receiving NDIS funding in June 2023).

In Model 1, people with a disability have a choice over who their navigator organisation is, and navigators can compete with one another for customers. If a person or their family is not happy with their navigator, they are free to switch to a different one. Navigators are also able to choose who they work with, and could refuse to take on a new participant, for example, if they do not have capacity.

To support choice, there is easily accessible information available on every navigator organisation in the market, including measures of customer satisfaction, outcomes they have achieved for people, their available capacity and information about any past misconduct (see Box 6 for examples). This information could be built into the centralised online platform for information on supports and services that the NDIS Review recommended.[59]

The navigators are paid directly by government. Payments include a per-person amount (which is adjusted based on each participant's disability type, severity and location) as well as performance payments (based on their success in delivering outcomes for people). This blended payment model would remunerate navigators for the costs of providing services while also giving them incentives to invest in understanding local services and needs, and to provide adequate support to higher-need participants (see Box 6).

In locations where few or no navigators are willing to operate, government would separately commission navigators.

BOX 6 HOW WOULD NAVIGATOR ORGANISATIONS BE PAID?

Navigator organisations would be paid based on how many people with a disability they work with. However, the payments would not simply be a flat amount per person (known as a simple capitation payment), as this may not be sufficient to cover the cost of supporting people with more complex needs.

The per-person payments would be adjusted to reflect the level of complexity of different types of people. Payments would be tiered based on the four levels of navigation support (see Box 5) and additional service offerings. Payments would also be risk-adjusted to reflect differing levels and intensities of navigation support that people need, for example, based on a person's level of functioning, type of disability or location (e.g. urban versus remote). However, this would need to be done in an objective way to reduce incentives for navigators to try and 'up classify' people to more lucrative payment levels.

The per-person payments would be set by government, based on the average cost of providing services for different types of people, and adjusted over time to reflect changes in the cost of service delivery.

Risk-adjusted payments and competition between navigators would create financial incentives for navigators to deliver high-quality support, but on their own are not sufficient to ensure quality for everyone. The risks are greatest for participants with highly complex needs and those who may not be able to choose their navigator.

To strengthen the incentives, part of navigators' payments should be made conditional on meeting performance targets. This means that navigators would need to deliver demonstrably good outcomes for people with disabilities in order to be paid the full amount. It would give them a financial incentive to listen to people to properly understand what they need, invest in building their capacity, and find the right providers of supports and services to assist them.

Examples of indicators that could be linked to navigators' payments could include measures of:

- whether people's goals are being met, such as greater independence or being able to participate in work, community or social activities;
- whether people are happy with how their navigator is performing and feel their navigator is acting in their best interests;
- whether people feel they are being supported to exercise meaningful choice over their service providers;
- people's satisfaction with the disability supports and services they are receiving;
- service providers' satisfaction with the navigator.

These indicators could be measured by adapting and extending the existing NDIS outcomes surveys and/or be linked to the new Disability Support Outcomes Framework recommended by the NDIS Review. Data on the same indicators would be made publicly available for each navigator to help people to choose their navigator.

Model 2: Competitive process for local areas

In Model 2, each local area has only one navigator organisation, which people with a disability living that area are assigned to. The navigator would be selected by government through a competitive process, where organisations compete to be selected on the basis of local knowledge, capability and expertise.

An organisation could be selected as the navigator for one or more local areas. There would be up to 565 navigators in the market (based on the number of local government areas in Australia). Contracts would be awarded for a fixed term, such as 3 or 5 years, with payments to navigators structured in a similar way to Model 1 (see Box 6). This is similar to the way that Partners in the Community are selected today.

In this model, a navigator organisation would not necessarily need to be a single business. It could potentially be a partnership or consortium of community-based and private-sector organisations.

If a person was not happy with the individual delivering navigation to them, they could make a complaint or request to deal with a different staff member. Data on each navigator organisation's performance would also be made publicly available (as in Model 1). However, people would not have choice over which organisation delivers navigation services to them—they would be restricted to using the assigned organisation for their local area.

Where a navigator organisation was underperforming, it would be at risk of not having its contract renewed the next time the competitive process occurs. In the event of misconduct or severe deficiencies in service provision, government would be able to end a contract early and undertake a new competitive process to appoint a different navigator for the local area.

Model 3: Curated competition

Model 3 is similar to Model 2, except that navigator organisations are able to compete with one another in the same locations. There is a single national competitive process where between 20 to 30 navigator organisations are appointed (based on the number of private health insurers currently operating in Australia (30)).

In Model 3, navigators could be large entities (or consortia) that operate at scale, as well smaller entities that might focus on particular regions or on particular types of disability (e.g. a specialist navigator might focus on providing support to people with a psychosocial disability who have more complex support needs than other people with a disability). As in Model 1, people have access to consistent, high-quality information on the performance of each navigator in the market.

To ensure that everyone has access to a navigator, there would be a separate part of the competitive process where navigator organisations tender to be the 'navigator of last resort' in one or more regions. This means they are contractually obliged to support any person with a disability in that region, on request. In practice, navigators could meet these obligations by directly employing locally based staff or by partnering with locally based organisations (e.g. a local

government or Aboriginal Community Controlled Health Service).

Navigator organisations can choose whether or not to tender to be a navigator of last resort. Those that do are paid an additional amount by government for taking on this role, on top of the per-person payment model used generally, which is the same as in Model 1 (see Box 6).

Model 4: Curated competition with fundholding

In Model 4, the navigation role is extended to include responsibility for procuring disability supports and services on behalf of NDIS participants. NDIS participants' individual budgets are pooled and given to the navigator organisation to manage. The navigator then takes on responsibility for using the pooled funds to ensure that participants receive high-quality services that meet their needs.

NDIS participants would be able to access services and supports up to their individual budget (as determined by the NDIA). However, the navigator rather than the individual participant would be responsible for procuring services and managing service providers. This could involve a mix of contracted arrangements (e.g. contracts to deliver ongoing services) or discrete payments for short-term or one-off services. The navigator would be able to terminate arrangements if a provider is not meeting participant needs or is delivering poor-quality services.

Importantly, participants would still have choice and control over their service providers in this model. Navigators could negotiate 'preferred provider' arrangements with some service providers while allowing participants to choose other providers if they wish to exercise greater control. Participants could also have the option of asking their navigator to choose the best provider for them, for example if they are unwilling or unable to choose providers on their own.

People with a disability who are not in the NDIS would still be supported by the navigators to locate and access services. Potentially, the funding pool could be extended to directly procure supports and services for these people as well as for NDIS participants.

Similar to Model 3, there are about 20 to 30 navigator organisations in the market, appointed through a single national competitive process. They compete with one another, so people have a choice over who their navigator is and the ability to switch if they are unhappy. There is also freely available information on the quality and performance of navigators, as in the other models.

The navigator organisations could themselves be remunerated directly out of the funding pool, or separately through per-person payments (see Box 7).

To ensure access, navigator organisations can choose to tender to be the navigator of last resort in one or more regions, as in Model 3. These navigators of last resort would be obliged to commission disability supports and services for participants in these regions if services are not available on the market.

BOX 7 HOW WOULD NAVIGATORS BE REMUNERATED IN A FUNDHOLDING MODEL?

In Model 4, NDIS participants' individual budgets would be pooled and managed by a navigator organisation (the fundholder). The navigator is given responsibility to use the pool of money to procure services and supports that best meet the needs and objectives of participants.

Strong accountability mechanisms are essential to ensure that navigators are spending money well and ensuring that people with a disability receive the services and supports they need. This accountability can be strengthened by using payment models for the navigator's own remuneration that embed incentives to deliver good outcomes. Such models include:

- Per-person funding (with risk-adjustment) plus a performance component. This is similar to how navigators are paid in Models 1 to 3. The navigator would be paid separately from the pool of money used to procure services and supports for NDIS participants.
- Full risk sharing. The pool of money for procuring services would be set up front each year by government, with the navigator allowed to keep a proportion of any funds left over at the end of the year. This would give the navigators much stronger incentives to procure services and supports cost effectively. Any cost over-runs would be shared in the same way—that is, the navigator would need to cover a proportion of any cost overruns out of its own pocket.

How do the navigator models perform?

Each of the models have been evaluated in terms of how well they are likely to deliver on **quality**, **cost effectiveness** and **access outcomes**, using our evaluation framework.

In evaluating the models, other reforms recommended by the NDIS Review are assumed to be implemented, including changes to how participant budgets and plans are set, the introduction of an easy-to-use centralised online platform with information on locally available supports and services, and a new pricing framework for disability supports and services.

Price setting

None of the models involve navigator organisations competing for participants based on price. Prices would be set centrally using a risk-adjusted capitation model, with a component of navigators' remuneration linked to performance (as explained earlier in Box 6).

This pricing approach gives navigators strong incentives to deliver **quality**. It also creates incentives to deliver services **cost effectively** (so as to earn a profit). Over time, Models 3 and 4 are likely to perform better than Models 1 and 2 in terms of cost effectiveness because the larger scale of navigators will help to reduce cost pressures, which flows through to the way prices are set.

For disability service providers, we assume that prices are fixed and providers compete on the basis of quality rather than price.

The NDIS Review recommended that the Independent Health and Aged Care Pricing Authority develops a new pricing and payments framework for the NDIS. This framework would be designed in a way that promotes the delivery of efficient and quality supports, and enables price caps to reflect the market price for delivering supports (in conjunction with more tailored arrangements for capital support and shared living arrangements).

It Is assumed that the way prices are set will be broadly comparable to the approach already used for pricing services in public hospitals, where hospitals are paid a fixed price for each patient they treat with a specified diagnosis. In this approach, prices are set with reference to

the average cost of providing a package of hospital services, adjusted for patient-specific factors and hospital location (which influence costs).[60]

Over time, if navigators demonstrate that they can successfully push back on over-servicing and poor-quality service provision by disability service providers (as discussed below), price regulation could be relaxed for some or all disability services. This outcome is most likely to be achieved under Models 3 and 4.

In all four models, the risk adjustment of prices means that both navigators and service providers will be paid higher prices to cover the costs of delivering services to people with complex needs and in regional and remote locations. This will support **access**. In Models 3 and 4, access is bolstered by providing additional payments to navigators that take on the role of navigator of last resort in each region.

TABLE 7 How the models perform on price setting

Outcomes	Current NDIS	Navigator models			
		MODEL 1 Open market	**MODEL 2** Competitive process for local areas	**MODEL 3** Curated competition	**MODEL 4** Fundholding
Quality	☒	—	—	☑	☑
Cost effectiveness	☒	☑	☑	☑	☑
Access	☒	☑	☑	☑	☑

Quality information

All four models involve making publicly available detailed quality information on navigator organisations as well as disability service providers. In Models 1, 3 and 4, this enables people to exercise choice and control over who their navigator will be, to monitor their navigator's performance, and to switch if they are not happy. This drives better **quality** outcomes and reduces the risk of paying for unnecessary services, which enhances **cost effectiveness**.

Of the four models, Models 3 and 4 perform the best because the smaller number of navigator organisations in the market makes it easier for people to realistically compare alternatives and exercise meaningful choice. In comparison, Model 2 performs poorly because the inability for people to choose their navigator limits their ability to act on quality information.

The availability of information on providers will also support people to find services that can meet their needs.

Quality information has only a marginal impact on **access** across the four models. While information on available service providers will help some people to better access services, quality information on its own will not address the lack of appropriate services in thin markets.

TABLE 8 How the models perform on quality information

Outcomes	Current NDIS	Navigator models			
		MODEL 1 Open market	**MODEL 2** Competitive process for local areas	**MODEL 3** Curated competition	**MODEL 4** Fundholding
Quality	☒	—	☒	☑	☑
Cost effectiveness	☒	☑	☑	☑	☑
Access	☒	—	—	—	—

Competition in the market

The four models harness competition between navigator organisations in different ways, which bears on **quality** outcomes:

- In Model 1, there are few restrictions on new navigators entering the market and competition is driven largely by people with a disability and their families exercising choice. A navigator that is not doing a good job would be at risk of losing business to better navigators—which helps to drive quality—but this may not occur if a person is unable to exercise choice or unable to find a navigator who is willing to work with them.
- In Model 2, competition to win contracts for local areas will incentivise navigators to build up knowledge of local service providers in order to win the contract, and to deliver quality outcomes in order to win the next contract. However, competition only occurs periodically, with no effective competition for the duration of a contract. This limits the incentives for navigators to continuously deliver strong outcomes for people with a disability and to innovate, especially if a navigator expects that it is unlikely to win a contract in the next round of the competitive process.
- Models 3 and 4 harness both competition for customers and competition for contracts to put strong pressure on navigators to deliver quality outcomes. Navigators who are unable to do this would be at risk of losing customers in the short term, and if unable to improve their offering, would lose out to other navigators in the next round of the competitive process. Over time, it is likely that a stable set of high-quality navigators would emerge in the market (with poor performers having been weeded out through the competitive process).

The nature of competition also shapes the size and scale of navigators. Models 1 and 2 are likely to be dominated by relatively small navigation entities. While some may be able to grow by attracting customers (Model 1) or winning contracts for multiple locations (Model 2), this may be difficult to achieve in practice. As a result, Models 1 and 2 are likely to be less **cost effective** than the other models.

By comparison, the larger average size of navigators in Models 3 and 4 will drive efficiencies and savings, with fixed costs spread over a larger number of people (i.e. economies of scale). Navigators in Models 3 and 4 are also better placed to compete by investing in local knowledge, technologies and innovative service offerings (e.g. platforms to help match people and service providers). These sorts of investments can involve large up-front costs, which navigators will only make if they are confident they will be able to attract sufficient market share to make the investments worthwhile.

In terms of **access**, Model 2 performs poorly because people do not have choice or control over who their navigator is. This is a significant weakness, noting that many people with a disability and their families currently value the ability to choose their own support coordinator.[61]

In comparison, Models 1, 3 and 4 give people a choice over who their navigator is—and if they are not satisfied, they can choose an alternative navigator (supported by robust quality information, as discussed above). However, the ability to do so is muted in Model 1 (and to a lesser degree in thin markets in Models 3 and 4) because some people may be unable to find a new navigator that is willing to accept them.

A further issue relevant to Models 2, 3 and 4 with a competitive process for contracts means that from time to time an existing navigator is unsuccessful in having their contract renewed. This would be disruptive for participants, and robust handover arrangements would need to be put in place (and embedded in contracts) to ensure continuity of support.

Competitive dynamics in the market for navigators will also flow through to **quality**, **cost effectiveness** and **access** outcomes in the disability supports and services market. In Models 1 and 2, smaller-scale navigators will find it more difficult to leverage their bargaining power with service providers by pushing them to increase quality or change their practices (e.g. where large providers are not delivering the right sorts of services or are taking advantage of people in supported living arrangements).

By contrast, in Models 3 and 4 navigators would have greater scale and hence greater bargaining power to negotiate with service providers. This will enable navigators to better coordinate service provision for people who use multiple providers, and to negotiate directly with providers to deliver services to people who are otherwise unable to obtain them in the market.

In Model 4, navigators could use their contracting arrangements with providers to directly reward providers that deliver high-quality, responsive services. Navigators in Model 4 can also terminate contracts with providers who are failing to deliver acceptable outcomes.

TABLE 9 How the models perform on competition in the market

Outcomes	Current NDIS	Navigator models			
		MODEL 1 Open market	**MODEL 2** Competitive process for local areas	**MODEL 3** Curated competition	**MODEL 4** Fundholding
Quality	☒	☒	☒	☑	☑
Cost effectiveness	☒	—	—	☑	☑
Access	☒	—	☒	☑	☑

Financial risk transfer

In all four models, the pricing arrangements give navigators a financial incentive to deliver **quality** support to help people achieve good outcomes. This is because part of their remuneration is linked to their performance (see Box 6). As noted above, navigators in Models 3 and 4 are best placed to act on these incentives by driving service providers to deliver better outcomes. Models 3 and 4 also reward navigators for investing in innovative approaches to delivering navigation and for investing in professional development for their workforces.

The pricing arrangements across all four models give both navigators and disability service providers an incentive to deliver their services **cost effectively**, especially if prices are set with reference to average efficient prices in the market.

Further, the performance-linked payments for navigators give them incentives to drive better cost outcomes from service providers. The larger scale navigators in Model 3 and 4 have the greatest scope to do this. For example, they could use bulk purchasing arrangements on behalf of groups of people to facilitate more efficient service delivery.

Navigators could also push back on service providers who provide unnecessary services (overservicing) or who refuse to service high-risk clients (cream skimming). They can also help to detect and prevent fraud by service providers.

In Models 1, 2 and 3, there is a risk that some people will be unable to **access** the services they need. While navigators can help them to locate available providers, the costs of commissioning services in thin markets falls on government—and ultimately people with a disability themselves bear the risk when no services are available.

By contrast, in Model 4 the navigator bears the risks of ensuring services are available to everyone. As a fundholder, it can use its leverage with providers to ensure services are made available. It can also directly commission service provision where there is no willing provider in the open market, which will be a core responsibility of the 'navigators of last resort'. In addition, the ability to directly commission services can help the navigator to put pressure on service providers to deliver quality and cost-effective services, with minimal cream skimming, because the navigator will be able to bypass providers who do not deliver good outcomes.

TABLE 10 How the models perform on financial risk transfer

Outcomes	Current NDIS	Navigator models			
		MODEL 1 Open market	**MODEL 2** Competitive process for local areas	**MODEL 3** Curated competition	**MODEL 4** Fundholding
Quality	☒	—	—	☑	☑
Cost effectiveness	☒	☒	☒	—	☑
Access	☒	☒	—	—	☑

Principal-agent relationship

In all four models, navigators act as an agent for people with a disability, with aligned interests. They will help people with a disability and their families to exercise meaningful choice and control over their service providers, for example, by helping people to identify and compare providers, negotiating with providers on behalf of participants, and helping to end unnecessary or sub-par service arrangements.

This will help to push providers to continually improve the **quality** of services they deliver. Navigators in Models 3 and 4 will have the greatest ability to do so, given their larger scale.

In all models, navigators also have incentives to invest in participant capacity building and early intervention, driven by competition and performance-linked payments. This will improve the **cost effectiveness** of both navigation and service delivery for some people, by helping them to negotiate directly with their service providers, plan their own service use, and even reduce the need for disability supports and services over time.

These incentives are potentially strongest in Model 4 if navigators are remunerated out of the funding pool, meaning they share the financial risk of cost overruns as well as the financial benefits of spending under budget.

Access to navigators is a key weakness with Model 1, where navigators can choose who they work with, creating a risk some will 'cream skim' people with the most straightforward needs. As a result, people with more complex or unusual needs may be unable to find a navigator willing to work with them.

Model 2 avoids this risk by compelling navigators to accept everyone in the local area, even where this may be more costly for the navigator.

Models 3 and 4 also address the risk of cream skimming by ensuring everyone has access to a navigator of last resort (which could also be assigned as the default navigator for people who do not want to choose their own navigator).

As discussed above, the risk that disability supports and services are not available to people who need them is greatest in Models 1, 2 and 3 because government is responsible for identifying and addressing gaps, which may take time and is difficult to facilitate centrally. In Model 4, navigators are responsible for arranging the provision of services, using their arrangements with existing service providers or by directly commissioning services where they are not available on the open market.

TABLE 11 How the models perform on the principal-agent relationship

Outcomes	Current NDIS	Navigator models			
		MODEL 1 Open market	**MODEL 2** Competitive process for local areas	**MODEL 3** Curated competition	**MODEL 4** Fundholding
Quality	☒	☑	☑	☑	☑
Cost effectiveness	☒	—	—	—	☑
Access	☒	☒	—	—	☑

Overall assessment

Overall, navigator Models 3 and 4 are likely to deliver the best outcomes for people with a disability, in terms of quality, cost effectiveness and access (see Table 12). Model 4 performs slightly better than Model 3 because it involves transferring key risks (such as the risks of access and poor service provision) to the navigator, who will be better able to manage these risks than individuals or the government.

TABLE 12 Summary of assessment of navigator models

Outcomes	Current NDIS	Navigator models			
		MODEL 1 Open market	**MODEL 2** Competitive process for local areas	**MODEL 3** Curated competition	**MODEL 4** Fundholding
Quality	☒	—	—	☑	☑
Cost effectiveness	☒	—	—	☑	☑
Access	☒	☒	—	—	☑

Benefits of better navigation

A navigator model will bring improved outcomes for people with a disability as well as cost savings to government.

Outcomes for people with a disability

Effective navigation will bring a wide range of benefits for people with a disability and their families. The benefits include:

- Improved quality of life for people with a disability by enhancing access to quality services and supports that meet their needs.
- Greater ability of people with a disability and their families to exercise choice and control over what services and supports they receive, and who provides them.
- Better coordination between providers when delivering disability supports and services to an individual. This can reduce gaps and inconsistencies in service delivery.
- Lower rates of fraud, over-servicing and provider 'capture', where a service provider exploits their relationship with a person to draw more money from their plan and makes it very difficult to switch to a different provider. In this respect, navigators can complement other safeguards against misconduct such as provider registration requirements.
- A much lower chance of NDIS participants seeing their plan budgets being exhausted early.
- Greater investment in building people's capacity to participate in economic, social and community activities, as well as their capacity to negotiate with disability service providers and plan their own service use.
- People are better supported to live with their disability, leading to significant potential savings to other service delivery systems such as the health, education, aged care and justice systems.
- Increased participation by people with a disability in the community, education and workforce—which has spillover benefits to the broader economy.

While these benefits are difficult to quantify—especially given uncertainty about how broader reforms to the NDIS will be implemented—they are likely to be substantial. Findings from studies overseas give us confidence that the navigator model will lead to real, enduring benefits for NDIS participants and other people with a disability (see Box 8).

BOX 8
POTENTIAL BENEFITS IMPROVING COORDINATION OF DISABILITY SERVICES

Evidence from the health care sector

There is evidence that improving coordination across multiple health care providers can improve patient outcomes, especially in chronic disease management.

This coordination can take the form of tasking a dedicated entity or workers with coordinating care providers, or by giving this responsibility to an existing entity (e.g. a general practitioner). Coordinated care is intended to facilitate greater use of preventive health, avoid hospitalisations and reduce duplication in services.

Some reviews have found that care coordination can improve health outcomes and quality of life,[62] although others have found mixed or unclear evidence.[63] One review found an average 6.2 per cent improvement in health outcomes,[64] and another found that improvements in clinical outcomes are about 10 per cent to 40 per cent more likely than compared to traditional care.[65]

Several reviews have found evidence that care coordination can materially reduce health care costs, although findings vary widely across individual studies, with some reporting cost increases.[66]

The mixed findings in the literature suggest that the benefits of care coordination will vary depending on what form it takes, which types of patients are involved (e.g. regulator versus occasional users of health services), and the institutional structures of different health care systems.[67]

Disability service coordination in England

In England, local area coordinators have been established in some regions to help people with a disability to identify and access the services they need (level 1), while providing more intensive capacity building support where needed to build relationships, nurture choice and control and find practical solutions to problems (level 2).

Several studies have sought to quantify the social impacts of the coordinators, including by valuing the monetary and non-monetary benefits they have for people with a disability as well as government services.

The following example is from a review of local area coordinators in the Derby region of England.[68]

Outcome	Value	Outcome	Value
Individuals – level 1		**Local area coordinators**	
Reduced social isolation	£2,658	Reduced social isolation	£1,037
Increased sense of feeling part of the community	£3116	Reduced social isolation	-£209
Reduced feeling of anxiousness	£286	**Health services**	
Increase security of housing tenancy	£559	Less need for intervention for mental health crises	£8,392
Feeling less worried about finances	£194	Reduced number of General Practitioner visits	£58
Individuals – level 2		Reduced time dealing with complex care coordination	£147
Increased self-confidence and hope for the future	£8,577	Avoided use of mental health beds	£626,087
Increased dependency on coordinators	-£8,577	Reduced demand on mental health community teams	£1,536
Reduced social isolation	£1,647	Reduced use of First Contact officers	£7
Feeling safer in the community	£1,499	**Local government**	
Increased sense of feeling part of the community	£259	Reduced demand on care and support services for older people	£1,674
Increased sense of independence	£1,995	Reduced demand on mental health services for people suffering depression	£1,925
Reduced risk of fire (e.g. for hoarders)	£2,837	**Other**	
Increased sense of feeling in control of life	£3,487	Increased social integration by young people who volunteer	£374
Increased sense of financial comfort and control	£259	Reduced time spend by housing officers	£20
Increased sense of relief from depression	£3,872	Reduced costs to fire services	£3,779
Reduced risk of homelessness	£699	Reduced costs to police	£240
Family members and neighbours		Reduced costs to community groups	£1,516
Less worry about the individual with a disability	£420		
Increased wellbeing of neighbours	£420		
Total benefits[69] (present value over 5 years)	**£6.47 million**	**Total investment** (present value over 5 years)	**£1.76 million**
Social Return on Investment (benefits divided by investment)	**3.68**		

Potential cost savings to government

Impact Economics and Policy has modelled the potential cost implications for government of moving towards an effective navigator model, developed with principles of good market design in mind.

We estimated the potential savings out to 2033, compared to a baseline of existing projections under current policy settings. The baseline reflects the most recent published projections for costs and participant numbers by the NDIA Actuary (from December 2023), with the cost figures updated using projections from the 2024-25 Budget which account for recently legislated reforms.

Our estimates are based on conservative assumptions. As there is uncertainty about the cost savings, we have used a range to illustrate the impacts. Our methodology and assumptions are explained in Appendix 1.

We estimated the **costs of providing navigation (i.e. intermediary) services to NDIS participants** across each of the four types of navigation support—self-serving, general support, additional support and specialist (as described in Box 5).

- For the lower bound, we assume a 25 per cent reduction in per-participant navigation costs for participants who are 'self-serving', achieved gradually over five years. This reflects efficiencies that could be made from greater investment in technology, including digital and self-serve offerings to provide navigation support.
- For the upper bound, we assume an additional 10 per cent reduction in per-participant navigation costs across the other participant groups, also achieved gradually over five years. This reflects savings that arise from greater economies of scale and investment in delivering navigation services to all groups.

Impact Economics and Policy estimates that more effective navigation would lead to annual savings of $103 million to $393 million a year in intermediary costs by 2033, which is 3 to 12 per cent lower than spending on the current trajectory (see Table 13 and Figure 5). In cumulative terms, the savings would be around $575 million to $2.2 billion over the next nine years (Table 14).

We have also estimated the **costs of providing navigation services to non-NDIS participants**—this is approximately 1.9 million people with a disability who are not eligible for the NDIS. We assumed that 30 per cent (for the lower bound estimate) or 50 per cent (for the upper bound estimate) of the non-NDIS participant population require general navigator support, and the remainder require self-serving support. We estimate the cost to be $3.6 billion to $4.4 billion a year by 2033.

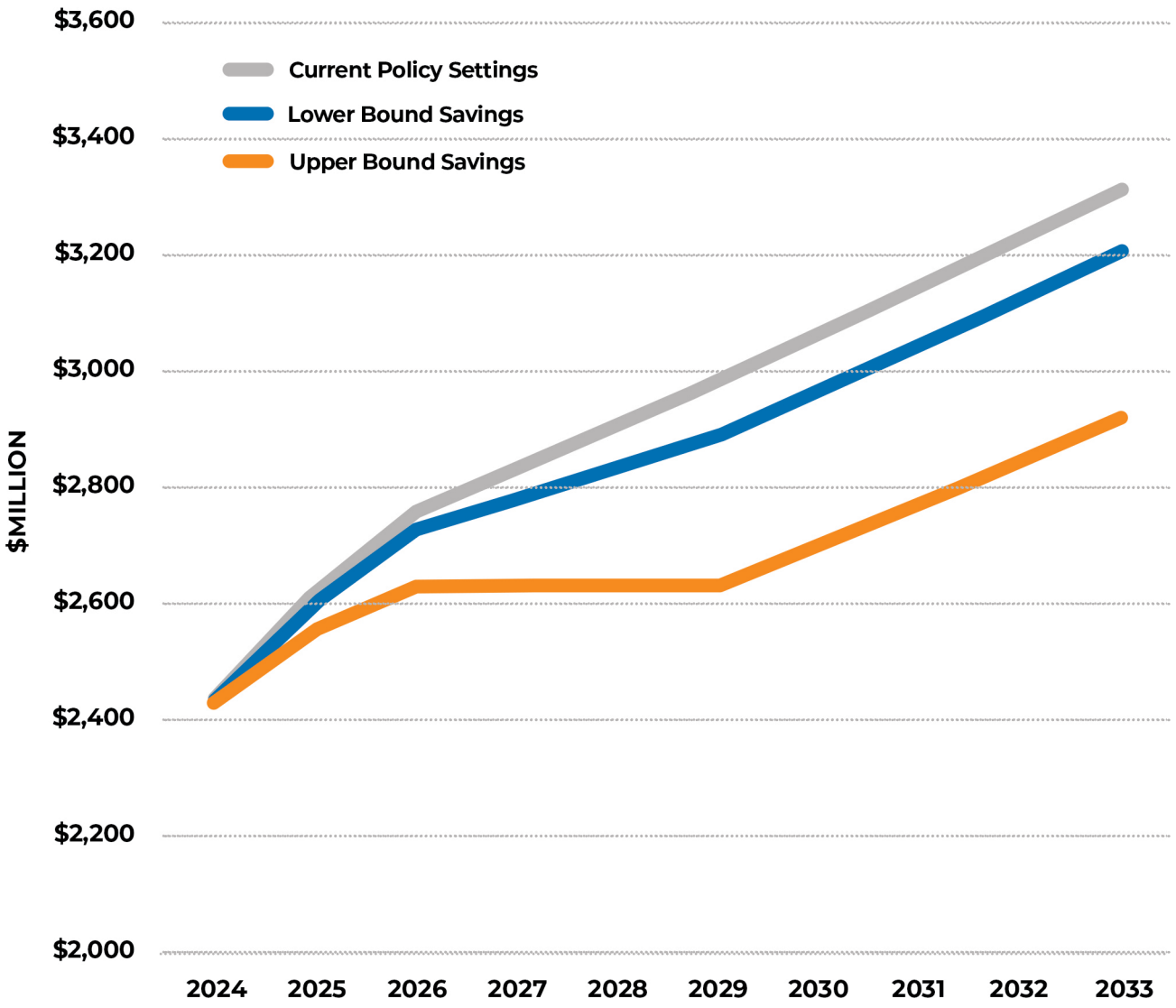
TABLE 13 Annual savings in navigation costs for NDIS participants, 2033

Navigation category	Cost of navigation in 2033 – current policy ($m)	Cost of navigation in 2033 – navigator model ($m)		Annual savings in 2033 ($m)[70]		Annual savings in 2033 (%)	
		LOW	HIGH	LOW	HIGH	LOW	HIGH
Self-serving	$412	$309	$309	$103	$103	25%	25%
General support	$895	$895	$806	$0	$90	0%	10%
Additional support	$1,833	$1,833	$1,650	$0	$183	0%	10%
Specialist	$170	$170	$153	$0	$17	0%	10%
Total – NDIS participants	**$3,311**	**$3,208**	**$2,918**	**$103**	**$393**	**3%**	**12%**

TABLE 14 Cumulative savings in navigation costs for NDIS participants

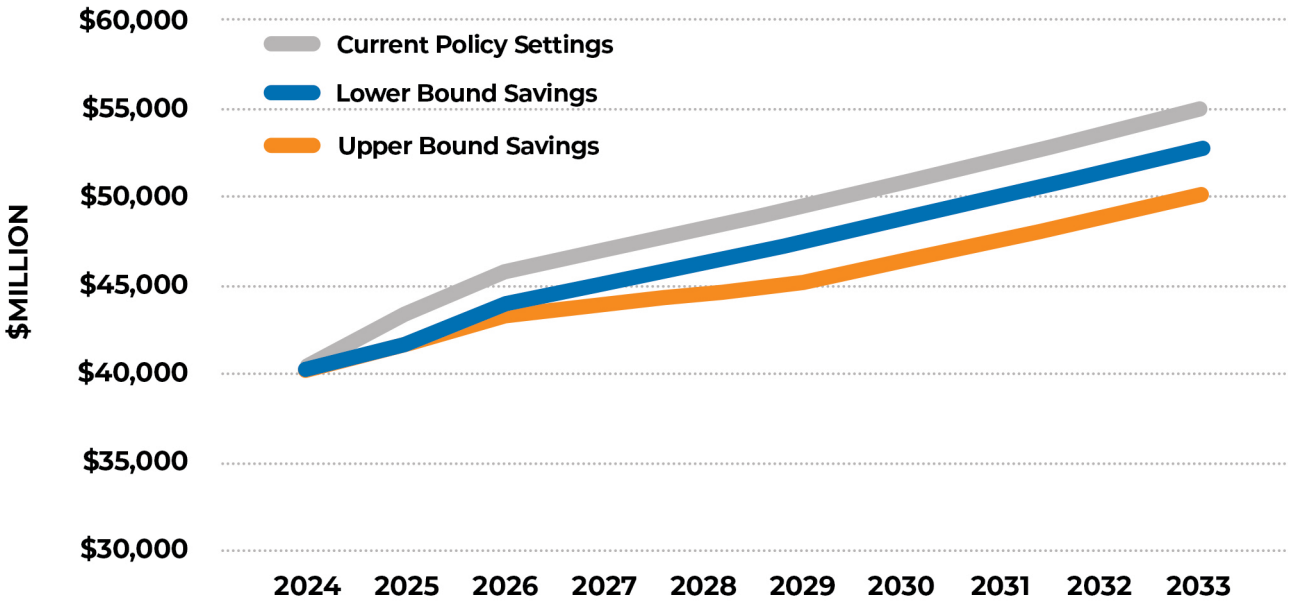
Cumulative cost of navigation 2025-2033 ($m) – current policy	Cumulative cost of navigation 2025-2033 ($m) – navigator model		Savings ($m)		Savings (%)	
	LOW	HIGH	LOW	HIGH	LOW	HIGH
$23,662	$23,087	$21,470	$575	$2,191	2.40%	9.30%

FIGURE 5
Total navigation costs for NDIS participants, 2024 to 2033



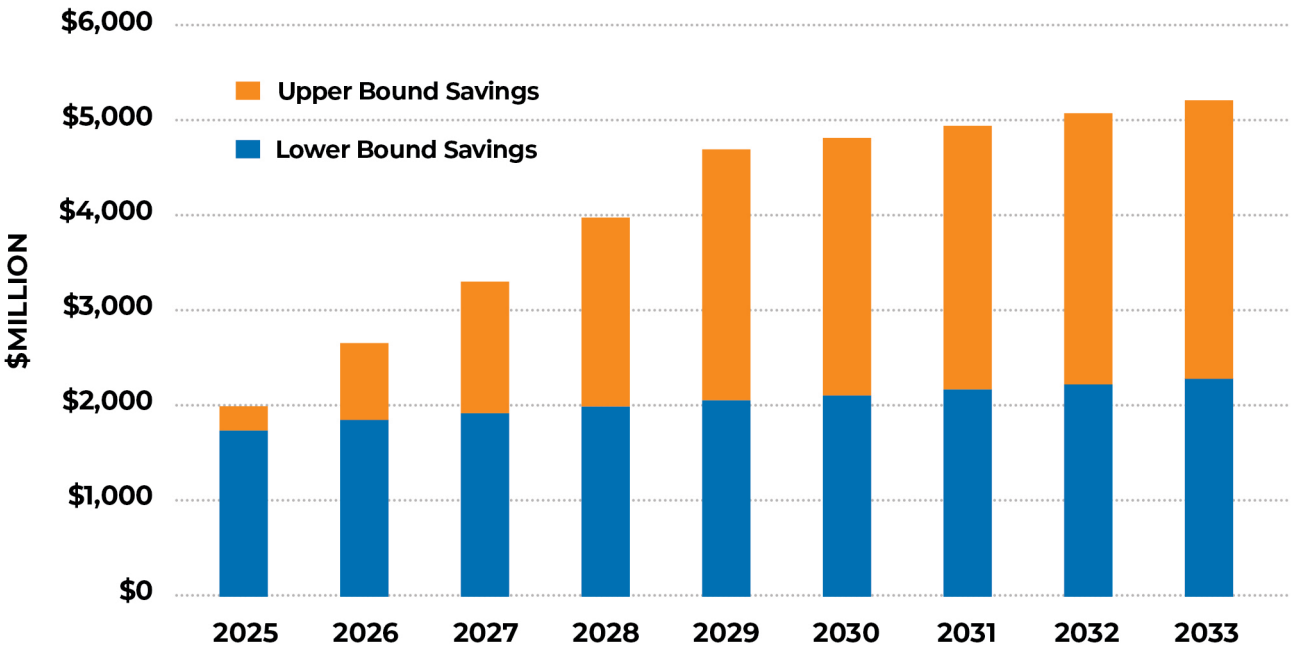
Effective navigation will also drive **cost efficiencies in the market for disability supports and services**. Drawing on the international literature on savings from integrated and coordinated health care, we conservatively estimate that better navigation could reduce NDIS costs by between $2.2 billion to $4.8 billion a year (excluding navigation costs) by 2033 (see Figure 6). This includes a reduction in fraud of up to $2.0 billion a year.

FIGURE 6
Total NDIS costs (excluding navigation), 2024 to 2033



Once the savings from navigation are included, we estimate that effective navigation could lead to combined savings of $2.3 billion to $5.2 billion a year by 2033 across the NDIS as a whole (see Figure 7). This is about 4 per cent to 9 per cent of projected scheme costs in the absence of reform.

FIGURE 7
Total savings to the NDIS from effective navigation, 2025 to 2033



Transitioning to a new way of navigating

The navigator models we have explored in this report are practical, evidence based and broadly consistent with the NDIS Review's recommendations. However, the transition could be disruptive for NDIS participants if implemented poorly.

More work needs to be done before navigators are rolled out. Government will need to select a navigator model and determine how it will be implemented, in close collaboration with the disability community, States and Territories and technical experts.

A process of careful design, testing and implementation will help ensure a navigator model works well in practice. Government should also prioritise continuity of support for NDIS participants and their families, and a smooth transition for the workforce and market, as recommended by the NDIS Review.

The transition to a new navigator model will require changes to many existing intermediary businesses, disability services providers and their staff. Many of the existing small-scale intermediaries (see Table 15) may need to amalgamate to operate at a more efficient scale, and to be able to invest in the workforce training that will be required. Some may go out of business as this happens.

TABLE 15 **The NDIS intermediary sector, June 2023**

			Averages			
Intermediary type	**No. active providers[71]**	**No. staff[72]**	**Participants per provider**	**Participants per staff member**	**Staff members per provider**	**Government expenditure per provider**
Partners in the Community	25	5,966	-[73]	-	238.6	$24.2 million
Plan managers	1,285	22,317	298	17	17.4	$377,432
Support coordinators	7,349	25,597	38	11	3.5	$128,861
Total	**8,659**	**53,879**				

However, some existing locally focused entities—especially those operating in support coordination and local area coordination—could transition to providing navigation support by becoming part of larger navigator organisations or consortia. This could allow them to benefit from more efficient back-office functions and supporting technologies, without losing their local connections and focus. Indeed, employees with a strong local understanding and linkages are likely to be highly attractive to navigator organisations under the models explored in this report. This is because a locally connected workforce will help navigators in competing for customers and contracts, while also putting them in a strong position to deliver high quality support and outcomes for people with a disability.

In an effective navigator model, navigator organisations will have clear incentives to invest in professionalising their workforces and to offer training and career pathways to their workers. These investments will in turn make it easier for navigators to attract highly motivated and trained workforces. This will help address some of the significant challenges currently being faced by the intermediaries sector around workforce attraction and business viability.

Existing support coordinators that also provide other disability services will need to pick which market they wish to operate in—they should not be able to operate in both, given the conflicts of interest. Support coordinators should be given sufficient time to transition smoothly. There also needs to be a clear transition path for plan management entities that exit the industry as fully electronic payments are rolled out for the NDIS, in line with the NDIS Review's recommendations.[74]

To facilitate the transition, Government should develop a workforce plan for navigators as part of its broader workforce planning activities for the disability sector. This should include setting out the minimum training and qualification requirements that navigator staff will need to meet, and working with the vocational education sector to ensure that high-quality courses are widely available and accessible.

Conclusion

A decade after the NDIS commenced, it is in need of major reform to ensure that it delivers on its full promise to Australians living with a disability, their families and taxpayers. Reforms are possible that deliver better outcomes while improving the cost-effectiveness of the scheme.

The NDIS Review's recommendation to introduce navigators that act as active intermediaries for people with a disability is an important reform that can address many of the current failings of the NDIS. This report finds that if navigators are introduced with market design in mind, they could drive significant improvements in the quality of disability services in the market, enhance access to services, and deliver cost savings to the NDIS.

In this report, we have developed four potential models to assist government and the disability community in considering how a navigator role could be implemented. Under each model, these organisations have similar responsibilities to assist people develop a plan for using their budgets and to identify and engage with locally available services and providers.

The four models have been assessed in terms of delivering on quality, cost and access outcomes. Drawing on the international literature, five market characteristics were identified that drive these outcomes: price setting, quality information, competition in the market, financial risk transfer and the principal-agent relationship.

All four models can improve outcomes for people with a disability, with Models 3 and 4 offering greater potential than Models 1 and 2 (see Table 16).

Model 1 performs relatively poorly because most navigator organisations would be small scale, with limited ability to push back on service providers who are not delivering high-quality services. This also limits the potential for improving cost effectiveness. Model 1 also presents challenges with access, as some people with more complex needs may struggle to find a navigator that is willing to work with them.

Model 2 performs poorly because although access to a navigator is guaranteed, people do not have choice or control over which organisation is their navigator. This can reduce the incentives that navigators have to consistently deliver good outcomes. The relatively small scale of navigators may also diminish the cost effectiveness of Model 2.

Model 3 provides much stronger incentives for navigators to deliver high quality, responsive support that meets people's needs. It gives them choice and control over their navigator and the ability to switch if they are not happy. In Model 3, navigator organisations are larger in scale. This better enables them to invest in capacity building and innovative service models, while also giving them greater leverage to influence service providers. As a result, Model 3 can drive both improved service quality as well as cost efficiencies. The 'navigator of last resort' function ensures that every person with a disability has access to a navigator.

Model 4 is similar to Model 3, with additional advantages. As 'fundholders', navigators have stronger influence over service providers, which can drive stronger improvements in quality and cost effectiveness. The ability of navigators to directly commission services in Model 4 offers a powerful tool for addressing gaps in access to services.

TABLE 16 Summary of assessment of current NDIS versus navigator models

Outcomes	Current NDIS	Navigator models			
		MODEL 1 Open market	MODEL 2 Competitive process for local areas	MODEL 3 Curated competition	MODEL 4 Fundholding
Quality	☒	—	—	☑	☑
Cost effectiveness	☒	—	—	☑	☑
Access	☒	☒	—	—	☑

Together with other reforms—such as changes to NDIS eligibility and budget setting as well as the provision of more supports outside of the NDIS—a navigator model offers a clear path towards a more sustainable and supportive market for disability services.

However, further work is needed to deliver a navigation model that delivers the best outcomes. This report is intended to assist the disability community and the Commonwealth, State and Territory governments as they embark on the consultation and co-design process for reforms.

Appendix 1: Modelling approach and assumptions

We have modelled the intermediaries (navigator) market separately to the disability services and supports market.

We have taken projections from the most recent published projections from the NDIS Actuary (from December 2023).[75] We updated the future cost estimates using projections from the 2024-25 Commonwealth Budget which account for recently legislated reforms, and assume that costs continue to grow by 8 per cent a year in nominal terms (consistent with the Government's target) between the end of the forward estimates and 2032-33. As the Budget does not project future participant numbers, the modelling uses projections of participant numbers from December 2023. This means that the modelling does not account for the effect of the recent reforms on growth in participant numbers.

We assume that navigator reforms commence in 2024-25, and we estimate cost changes over the nine years to 2032-33. This is the last year in the published projections.

Unless otherwise stated, we assume that each category of expenditure grows at the same rate as total NDIS costs (measured in 2022-23 dollars). We do not factor in the potential reduction in growth in the number of participants over time that may occur if other reforms are progressed (such as changes to NDIS eligibility rules and the provision of supports outside of the scheme).

All estimates are in 2022-23 dollars, deflated by future expected nominal GDP growth in line with NDIS Actuary projections. To calculate cumulative estimates (e.g. cost savings over multiple years), we apply a 2.5 per cent real discount rate. This is consistent with the long-term nominal discount rate used in the NDIS projections to discount average participant lifetime expenses, less the assumed inflation of 2.5 per cent a year.

Costs of navigation services for NDIS participants

To estimate the costs of providing navigation (i.e. intermediary) services to NDIS participants, we first allocated existing NDIS participants and expenditures on intermediary services (including plan management, support coordination and local area coordination) to the four categories of navigator proposed by the NDIS Review (see Table 17).

We assume that participants who are currently fully self-managed are in the self-serving category; those who currently use support coordination level 1 or 2 are in the additional support category; and those who currently use support coordination level 3 are in the specialist category. All remaining participants are assumed to be in the general support category.

We allocated current expenditure on:

- Support coordination level 1 and 2 to the additional support category[76]

- Support coordination level 3 to the specialist category
- Partners in the Community to the self-serving and general support categories only, according to the share of participants in each of these categories. We did this on the basis that participants who need support with implementing their plan would use a support coordinator if they have access to one, and otherwise a Partner in the Community.[77]
- Plan management to the general, additional support and specialist categories, according to the share of participants in each category.

We do not know how many NDIS participants in each of these three categories are currently using each of the intermediary services (even if they have access to them), so we have used averages that implicitly account for varying levels of utilisation across participants.

We also assume that each group of participants grows at the same rate as overall projected growth in participant numbers for the NDIS.

TABLE 17 Mapping of participants and intermediary expenditures to NDIS Review navigator categories, 2022-23

Category	Number of participants	Share of participants	Expenditure ($m)	Average expenditure per participant ($)
Self-serving	140,415	23%	$254	$1,806
General support	194,056	32%	$551	$2,838
Additional support	263,870	43%	$1,127	$4,272
Specialist	12,161	2%	$104	$8,592
Total	**610,502**	**100%**	**$2,036**	**$3,335**

We make several assumptions to illustrate the costs of a new navigator model. This was necessary because of limited quantitative information on the adequacy of current intermediary support across the population of NDIS participants, and uncertainty about the potential cost efficiencies that could be realised in practice from a navigator model.

In particular, we assume that for each of the four categories of participant, navigation services could be provided within the current total expenditure. While the quality and intensity of navigation support will need to increase for some participants, the costs may be offset by the reduction in spending that would occur because navigators would not perform some functions that are currently undertaken by intermediaries (e.g. some payments processing functions of plan managers and plan assessment work by Partners in the Community). Some expenditure may need to be reallocated within each category to reflect the varying levels of need across participants, but we have not modelled this.

To estimate the range of potential efficiency savings, we looked at two scenarios.

1. For our lower bound estimates, we assume that navigators invest in greater provision of digital and phone-based technologies to support participants in the self-serving category, which leads to a 25 per cent reduction in costs for participants in this category (that is, per-participant costs of navigation are 25 per cent lower compared to the baseline). These savings are realised gradually over a five-year period, with the full savings realised by 2028-29. By way of comparison, the cost of providing online government support services to job seekers who are able to self-manage has been estimated at up to $500 per new jobseeker in 2022.[78] We therefore think a 25 per cent reduction by 2032-33 is a conservative assumption.
2. For our upper bound estimates, we assume the same savings as in the lower bound for the self-serving category, as well as a 10 per cent reduction in the cost of navigation support across the other three categories of participants. These savings are also realised gradually over the first five years. We think this a conservative estimate of the potential savings from economies of scale that would be generated from navigator Models 3 and 4.

Costs of navigation services for non-NDIS participants

We also estimated the cost of providing navigation support to the approximately 1.9 million Australians with a disability who are not eligible for the NDIS. We assume this group of people grows at the overall projected growth rate of the population of people aged under 65.[79] We estimated the total costs using our per-participant cost estimates for each of the two cost scenarios above (for NDIS participants), assuming that either 30 per cent (for the lower bound estimate) or 50 per cent (for the upper bound estimate) of the non-NDIS participant population require general navigator support, and the remainder require self-serving support.

Our estimates are in Table 18. The estimated costs in 2033 are slightly lower than the costs in 2025 because our rate of assumed per-person cost savings exceeds population growth.

TABLE 18: Costs of providing navigation services to people with a disability outside of the NDIS

Scenario	Cost in 2025 ($m)		Cost in 2033 ($m)	
	LOW	HIGH	LOW	HIGH
Lower bound: 30% of people require general support	$4,460	$4,498	$3,638	$3,818
Upper bound: 50% of people require general support	$4,927	$4,989	$4,147	$4,448

Costs of disability supports and services

To illustrate how better navigation for NDIS participants could drive more efficient outcomes in the market for disability supports and services, we have considered the potential benefits from improving coordination of providers and from reducing fraud in the market.

We have not quantified the extent to which navigation will increase plan utilisation rates for participants who currently are not able to access the services they need or, conversely, the extent to which navigation will reduce provision of unnecessary services (other than to the extent this is reflected in improved coordination). This is because there are no reliable estimates of the extent of unmet need or over-servicing. While estimates of plan utilisation are available, these are not a reliable measure of whether participants are accessing the supports they need because some participants may not end up needing all the supports listed (and funded) in their plans, and those who are able to access these services may not end up needing to spend the full amount of money allowed for in their plan.

In examining the disability services market, we subtract expenditure on plan management and support coordination from total NDIS expenditure, as these are counted in our analysis of the navigation market. We did not subtract expenditure on Partners in the Community because this is funded outside of NDIS participant plans.

To illustrate the potential savings of navigation, we looked at the international literature on improving integration and coordination in health care. A number of studies have found that improved integration and coordination can reduce total health care expenditures, especially for patients with more complex needs such as those with chronic diseases (see Box 8 in the main report). However, estimates of the extent of cost reductions vary widely, and not all studies have reported savings in a way that easily be transferred to other contexts. For example, some systematic reviews reported cost savings in terms of dollars or euros per patient, without reporting baseline expenditures, making it difficult to translate the results into a percentage figure.

We have used the findings from two systematic reviews of the literature:

- For our lower bound estimates, we apply an average cost saving of 0.65 per cent, which is the average of mean annual savings for the years 2013–2015 for 47 Accountable Care Organisations participating in the US Medicare Shared Savings Program.[80]
- For our upper bound estimates, we apply an average cost saving of 5.6 per cent, which is the average saving reported in a meta-analysis of 47 studies from around the world, weighted by methodological quality.[81] We assume these savings are realised gradually over five years.

In addition, we have also estimated the cost savings from significantly reducing fraud in the NDIS, using an assumption that the navigator model will lead to an 80 per cent reduction in levels of estimated payment errors and anomalies (reported as 4.2 per cent of scheme costs in 2022-23).[82] Effective navigation will afford greater oversight of providers in the market. We think a 3.36 per cent reduction in costs (80 per cent of 4.2 per cent) due to fraud reduction is a conservative assumption, given that other sources have suggested that fraud could be as high as 20 per cent of scheme costs.[83]

Appendix 2: Accessible versions of charts

Data for Figure 1 and Figure 5: Total navigation costs for NDIS participants 2024 to 2028 ($ million)

	2024	2025	2026	2027	2028
Current policy settings	$2,439	$2,617	$2,760	$2,832	$2,906
Lower Bound Savings	$2,439	$2,601	$2,725	$2,779	$2,834
Upper Bound Savings	$2,439	$2,555	$2,629	$2,630	$2,630

Data for Figure 1 and Figure 5: Total navigation costs for NDIS participants 2029 to 2033 ($ million)

	2029	2030	2031	2032	2033
Current policy settings	$2,983	$3,062	$3,143	$3,226	$3,311
Lower Bound Savings	$2,890	$2,966	$3,045	$3,125	$3,208
Upper Bound Savings	$2,629	$2,698	$2,770	$2,843	$2,918

Data for Figure 2 and Figure 7: Total savings to the NDIS from effective navigation 2025 to 2029 ($ million)

	2025	2026	2027	2028	2029
Lower Bound Savings	$1,747	$1,859	$1,926	$1,994	$2,066
Upper Bound Savings	$1,990	$2,659	$3,304	$3,981	$4,693

Data for Figure 2 and Figure 7: Total savings to the NDIS from effective navigation 2030 to 2033 ($ million)

	2030	2031	2032	2033
Lower Bound Savings	$2,120	$2,176	$2,234	$2,293
Upper Bound Savings	$4,817	$4,944	$5,075	$5,209

Data for Figure 3: Top 5 reasons given by NDIS participants for not expecting to spend all the money in their plan

Reason	Per cent of participants
I'm still looking for a provider in my local area	41%
I want to use my money, but right now it's too hard	38%
I have found a provider but they are too busy to support me	37%
The providers in my area don't deliver the types of supports or services I need	36%
I need more help from my Local Area Coordinator or Support Coordinator	29%

Data for Figure 4: NDIS projections (2023) compared to Productivity Commission projections (2007)

PARTICIPANT NUMBERS 2018 TO 2022

	2018	2019	2020	2021	2022
Productivity Commission projections (2017)	447,300	473,700	485,900	497,700	509,300
Actual experience plus NDIS projections (2023)	286,000	392,000	466,600	534,700	610,500

PARTICIPANT NUMBERS 2023 TO 2026

	2023	2024	2025	2026
Productivity Commission projections (2017)	520,800	532,000	542,900	553,200
Actual experience plus NDIS projections (2023)	668,900	714,800	754,000	792,200

Data for Figure 4: NDIS projections (2023) compared to Productivity Commission projections (2007)

AVERAGE PAYMENTS PER PARTICIPANT ($) 2018 TO 2022

	2018	2019	2020	2021	2022
Productivity Commission projections (2017)	41,300	45,100	46,400	48,200	50,100
Actual experience plus NDIS projections (2023)	42,500	50,800	54,300	55,200	60,600

AVERAGE PAYMENTS PER PARTICIPANT ($) 2023 TO 2026

	2023	2024	2025	2026
Productivity Commission projections (2017)	52,100	54,100	56,400	58,700
Actual experience plus NDIS projections (2023)	64,000	66,300	68,400	70,600

Data for Figure 6: Total NDIS costs (excluding navigation), 2024 to 2028 ($ million)

	2024	2025	2026	2027	2028
Current policy settings	$40,438	$43,402	$45,761	$46,955	$48,189
Lower Bound Savings	$40,438	$41,671	$43,936	$45,082	$46,268
Upper Bound Savings	$40,438	$41,474	$43,233	$43,853	$44,484

Data for Figure 6: Total NDIS costs (excluding navigation), 2029 to 2033 ($ million)

	2029	2030	2031	2032	2033
Current policy settings	$49,462	$50,769	$52,111	$53,487	$54,900
Lower Bound Savings	$47,490	$48,744	$50,032	$51,354	$52,711
Upper Bound Savings	$45,124	$46,316	$47,539	$48,795	$50,085

Footnotes

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