

# NDIS Success Round 2 webinar 6 script

## Slide 1

Welcome

## Slide 2

Community Business Bureau acknowledges the traditional owners of country throughout Australia. We recognise their continuing connection to land, waters and community. We pay our respects to them and their cultures, and to elders past, present and emerging.

## Slide 3

Thank you for joining us for the sixth webinar in our NDIS Success series.

My name is Dimitri Matsouliadis and on behalf of the business consulting team I would like to welcome you to this webinar on Sustainability in the NDIS.

Financial sustainability remains one of the biggest challenge for NDIS providers. While the operating conditions have improved, 76% of organisations among 381 surveyed NDIS providers, were concerned that they will not be able to provide NDIS service at current prices (NDS, State of the Sector review 2019).

It is vitally important that you are able to understand and analyse your potential revenue and associated costs to understand if your services will be viable into the future.

To reiterate, financial viability is critical for long term sustainability in the NDIS.

## Slide 4

In this webinar of our series we will explain the importance of understanding and analysing your potential revenue and associated costs of providing your NDIS services.

If you have not watched the previous webinars we strongly encourage you to ....

In the **\*first** webinar we provided insights into the fundamentals of the NDIS to help you understand what it means to provide services under the NDIS.

In our **\*second** webinar we discussed the importance of understanding the market you want to operate in. Who are your potential customers? What do they need and want from their NDIS provider and who else is already providing NDIS services in your area?

In webinar **\*three** we spoke about how to design a NDIS services for people with disability and how to plan for the service provision.

In the **\*fourth** webinar we discussed NDIS compliance requirements for registered and unregistered providers including the NDIS code of conduct. We spoke about the importance to plan and manage and monitor quality, risk and compliance.

In the **\*fifth** webinar we discussed how the overall strategy will lead to your marketing strategy, how you can attract new clients and how to improve your customers' experience.

## Slide 5

In today's webinar we will cover

- Revenue
- Set-up costs
- Costs in the NDIS environment
- Operating Costs
- Covering Costs
- Cashflow
- Targets
- Recording and reporting
- Business plan

Each of the items covered in this webinar form the components of a financially sustainable organisation.

With an increased understanding and appreciation for each of these items, you will be better placed in understanding, analysing and reviewing the financial sustainability of your organisation.

## Slide 6

Revenue

## Slide 7

Your NDIS Service(s)

In webinar 3 we covered designing the NDIS Service(s) that you will provide

This uncovers:

- Who your customers are and;
- What services you will provide

## Slide 8

With an understanding of the services that you are looking to provide, a more granular review the NDIS Price Guide and Support Catalogue can be had

To recap, the **NDIS Price Guide** set the terms and conditions for the NDIS service provision such as cancellation rules and which activities the provider can charge for or not.

The NDIS **Support Catalogue** is the NDIS Price list.

- It **sets the price limits for support categories** such as personal care, community access, domestic assistance and professional services and helps to

Most prices are listed based on an hourly service provision. As a provider you need to understand and apply these rules. You are also obliged to comply with Australian consumer law and the Competition & Consumer Act.

The majority of NDIS providers can only charge prices for their services that are within the price guide.

- This means that the maximum price you can charge is set by the NDIA and not something you can change – for example you cannot increase your prices to cover additional costs or slow demand
- We note that if participants self manage their NDIS plans, you can charge higher than the price guide
- For this reason it is vitally important that the NDIS Price Guide and Support Catalogue are understood and you are across all updates as they occur.

It important that you really need to know what you can charge for (for example if you can charge for travel or non face to face time required for things such as writing up notes) outside of direct service provision.

The price guide changes regularly and you will need to be abreast of any changes as they occur.

A number of the providers that we have worked with have not been charging for all of the activities that they are entitled to charge for. It's important to your financial sustainability that you are aware of everything that you can charge for and, if you decide not to charge for a particular activity, this is a conscious choice and you are aware of the financial consequences for your organisation.

## Slide 9

The **NDIS Price Guide** sets the terms and conditions for the NDIS service provision such as cancellation rules and which activities the provider can charge for or not.

The **NDIS Support Catalogue** is the NDIS Price list not only sets the price limits for support categories **but also clarifies what can and cannot be claimed**

It is important to be aware of which activities you cannot charge for for 2 reasons.

- 1.To ensure that you are compliant with the NDIS service provision
- 2.To allow you to factor in additional costs that are required to provide the service but unable to be charged for

We note that the NDIS service and support offered will impact what can and can't be charged for.

Costs that are required to provide the service but unable to be charged for include:

-administrative tasks such as staff scheduling and invoicing

Furthermore we note that a key factor in the financial sustainability of your NDIS service is appropriately invoicing for services that are allowed under the NDIS Price Guide.

## Slide 10

What drives revenue?

With an understanding of how revenue is generated, you can take it one step further and ask yourself..

What are the drivers of your revenue?

For most organisation the two biggest drivers will be quantity and price.

### Price

As stated earlier, price and what you can charge will largely be driven by the NDIA

### Quantity

- The person with the NDIS plan is the purchaser of services
- The person can choose their provider and depending on the total funding amount can purchase as many services as needed.
- For this reason the number of services you provide will be driven by the number of participants that choose you to provide the services that they need and are eligible for which can in turn be driven by:

-Existing clients spending more with you

-New client using your services

-New products and services being purchased

This understanding lets you recognise that if price cannot be controlled, the only way to increase revenue is by increasing the number of products and/or services provided. In a market driven environment this is done by being the provider of choice for more participants.

### Slide 11

Set up costs.

### Slide 12

Before a single dollar can be earned and you can provide your service – what do you need?

What do you need to be able to provide your service and generate the revenue you are planning to earn?

To be able to provide the product and/or service do you need?

-A facility to run your service?

-A vehicles to travel to your clients and/or to transport your clients?

-Equipment?

-Insurance?

-Registration?

-Staff?

-If so how will you recruit staff? Will there be costs involved in recruitment?

### Slide 13

Everything you need to earn your first dollar **will form your set up costs.**

Some of these set-up costs will be one off costs and only required at the beginning of your operation such as the bond for your office space.

Some of the set-up costs will be on going yearly fixed costs such as Office rent and Insurance.

### Slide 14

Some costs will be both set-up costs and ongoing costs.

Examples include:

- Office space – **Set up cost of:** bond and rent in advance – **ongoing cost of:** ongoing rent
- Staffing – **Set up cost of:** Recruitment, training – **ongoing cost of:** Wages, superannuation, recruitment (staff turnover), training
- Computer/phone – **Set up cost of:** Initial Computer and phone equipment – **ongoing cost of:** Support, licensing and call costs
- Vehicle – **Set up cost of:** Purchase of vehicle (if applicable) – **ongoing cost of:** Finance/leasing costs (if applicable) Running costs and maintenance
- NDIS Audits – **Set up cost of:** Initial registration audit – **ongoing cost of:** Required every 18 months or every 3 years
- IT Systems – **Set up cost of:** Client Relationship Management (CRM), Accounting Software – **ongoing cost of:** Licensing

## Slide 15

Costs in the NDIS environment.

## Slide 16

It is important to recognise the environment in which you operate or plan to operate in and the associated costs

You will often operate in multiple environments, each with their own associated costs

Broadly speaking, NDIS providers operate in four environments

Australian environment

NDIS environment

Competitive environment

Controlled environment

## Slide 17

It may sound obvious but the NDIS operates in Australia and as a provider operating a business in Australia, you will need to comply with Australian legislation

As an Australian business you will need to comply with

Australian consumer law

The Competition & Consumer Act

Australia's employment laws including the Fair Work Act

If you are an Australian not for profit you will also need to comply with ACNC requirements.

## Slide 18

Minimum entitlements, including minimum wages, exist for employees in Australia

Employers need to be aware of the conditions outlined in

The Fair Work Act namely the National Employment Standards (NES)

Relevant awards

Enterprise agreements

Employment contracts

The national minimum wage and the NES make up the minimum entitlements for employees in Australia.

An award, employment contract, enterprise agreement or other [registered agreement](#) can't provide for conditions that are less than the national minimum wage or the NES. They can't exclude the NES.

## Slide 19

Awards

The type of work conducted by an employee will determine the award that is applicable to them

Employment contract

The type of employment in which an employee is employed will impact their minimum entitlements

For example casual employees are required to be paid a casual loading.

## Slide 20

As an NDIS provider there are a number of costs that are required to operate within the NDIS environment.

Registered and unregistered providers need to comply with the NDIS Code of Conduct.

Registered providers need to comply with the NDIS Practice Standards and Quality and Safeguarding Rules.

Ensure that you have

- an in-house complaints management and resolution system
- an in-house incident management system and notify the NDIS Commission of reportable incidents.

## Slide 21

Workers:

– Need to be screened through the national worker screening process (currently state and territory screening applies)

– Meet behaviour support requirements (if applicable)

– Ensure workers receive the appropriate training

NDIS Audits:

As a registered provider, you need to have audits with an approved quality auditor.

## Slide 22

### Competitive environment

Individuals get funding in their NDIS plan and they have **choice and control** on spending these funds. People with an NDIS plan can decide over their services, what should be delivered, how much, when and by whom.

Currently there are over 14,000 registered NDIS providers. In a competitive environment you will need to bring on new clients and retain existing clients.

## Slide 23

As outlined in previous webinars, marketing will be crucial for some providers in bringing on new clients.

To retain existing clients in a competitive environment providers will have extra pressure to provide a good service

Efficient systems and processes that facilitate good customer service, such as CRM systems, will aid in providing a good customer experience.

## Slide 24

As outlined, NDIS providers operate in a controlled environment in relation to:

- The level of revenue that can be charged
- The level of expenditure required such as:
  - Minimum wages
  - Governance costs such as audits

In a controlled environment that limits the revenue you can earn and requires certain levels of expenditure **there is an added importance on efficiency.**

## Slide 25

Operating Costs

## Slide 26

Following your set-up costs, broadly speaking there are three types of on-going costs

1. Direct costs
2. In-direct costs
3. Future costs

## Slide 27

- Direct costs are all the costs **directly** related to providing the specific product or service in question
- The most obvious direct cost is the hourly rate of an employee to provide an hour of service to a NDIS participant
- Please note that not all direct costs related to providing the specific service will be able to be claimed
- For example your time spent scheduling staff to provide the service is not able to be invoiced for

## Slide 28

When considering direct costs there may be direct costs that are not front of mind.

For example the hourly rate of an employee may also include:

- Superannuation
- Workcover levy
- Transport costs
- Supervisor wages costs
- Training
- Work hours unable to be invoiced for (unbillable hours)

## Slide 29

Indirect costs are the costs required to assist in providing the specific product or service in question but are not directly related the specific product or service

Examples of in-direct costs include

- Marketing
- NDIS Governance requirements such as audits
- Head office rent

## Slide 30

In-direct costs also include costs that are closely related to specific services but are not directly related to the service being provided

Examples include:

- Training for support workers
- Unbilled time for direct workers such as breaks
- Supervisor wages and on-costs

## Slide 31

With prices and some aspects of costs controlled, NDIS providers are limited in the number of levers that they can pull to improve the financial sustainability of their services.

So, operating efficiently is critical to financial sustainability and profitability

Some of the areas we've seen providers address:

- Utilisation: are you maximising the billable hours for your direct service workforce. NDIS disability support worker model assumes 92% utilisation.
- Process and systems efficiencies can reduce frontline costs by increasing the amount of time workers are available for billable work and reduce back office costs, e.g. in maintaining client records and managing invoicing

- Enabling frontline workers to access systems such as your CRM and rostering systems whilst they are working in the community reduces lost time travelling to the office and back, and may ultimately reduce your office costs
- Make sure work is being done at the appropriate level, e.g. for a larger service it may be more appropriate to employ a lower cost rostering officer than to have a manager responsible for rostering

## Slide 32

Future costs are costs that may not be required today such as wages and rent, but are likely to be required in future.

Examples of future costs could include:

- IT system upgrades
- Internal process improvements
- Equipment

Plan ahead for ongoing service development, improvement and efficiencies.

Cost these plans into your medium to longer term budgeting and then build the financial requirements into your target profits.

## Slide 33

Covering costs

## Slide 34

All costs need to be covered by the revenue that you are able to charge

This includes:

- Direct costs
- In-direct costs and;
- Future costs

Although it may be relatively simple to determine and cover your direct costs, careful consideration must be given to your ability to:

- determine an appropriate level of indirect and future costs and
- cover all indirect and future costs with the revenue that you generate

## Slide 35

Please note that your ability to generate certain levels of surpluses will differ between services, noting that some services are more lucrative than others.

Surpluses can provide necessary funds for future costs such as investments and organisational improvements and/or cross subsidise services that generate lower surpluses.

## **Slide 36**

Cashflow

## **Slide 37**

In a perfect world you will be paid instantly upon providing a service.

For some this may occur, however you may not be paid for services provided for weeks or months after providing a service.

The cashflow gap occurs largely due to three reasons:

- 1.Services are provided before you invoice
- 2.Invoices are not created immediately after providing the service
- 3.Once an invoice is issued, you are not paid immediately

## **Slide 38**

### **1.Service first, payment later**

The person pays for the service after the service is delivered.

The prepayment of services is not permitted

### **2.Invoice after service**

For agency managed participants, claim directly from the myplace portal

For plan or self managed participants, the provider generates an invoice for the appropriate party

Complicated invoicing procedures and requirements can delay the invoicing procedure

### **3.Awaiting payment**

Providers are reliant on third parties to pay their invoices in a timely manner

Some parties will pay invoices in a more timely manner than others : can be anything from three days to a month or more

Claims on the NDIS portal are generally paid by NDIS within 3 days however there can be delays due to various reasons

Good plan managers pay within 3 days however there are plan managers who can take up to a month to pay

### **Slide 39**

This chart shows payment being received 45 days after the service was provided.

Your ability to invoice quickly after a service allows you to get paid sooner.

How quickly you are paid after issuing an invoice, is likely the most significant factor in being paid for your services in a timely manner.

### **Slide 40**

#### **NDIA-managed / Agency-managed**

The provider claims the funding directly from the NDIA.

#### **Plan-management**

Plan Manager pays the provider on behalf of the participant.

#### **Self-management**

The participant pays the provider directly and claims the money from the NDIA.

Each way that an NDIS plan is managed will impact:

1. How you invoice

For example for an agency managed participant you may need to lodge an invoice through the myplace portal – either individually or as a bulk upload

Some providers claim daily to secure their cash flow however this increases the administrative burden – others claim weekly, fortnightly or monthly

2. How quickly you are paid

For example some plan managers may pay invoices sooner than others.

### **Slide 41**

You will need to fund this cashflow gap as you are very likely to continue incurring expenses while you are waiting to be paid

How will you fund the cashflow gap?

Through savings?

Through previous earnings?

Additionally, how can you reduce your cashflow gap.

Can you improved your invoicing procedures?

## **Slide 42**

Targets

## **Slide 43**

Targets allow us measure to our actual results against our expected or projected results

Targets allow the tracking of goals and objectives to be quantified and measured

Targets can be set for any time period

Weekly

Monthly

Annual

## **Slide 44**

As previously stated, an NDIS provider operates in a competitive controlled environment and as such there are a number of targets that should be set. Examples include:

Revenue

- Revenue target
- Revenue growth target (if starting or expanding your organisation)

Staff costs

- Wages as a percentage of revenue
- Direct worker utilisation (billable/unbillable hours)

Profit/surplus

- Profit as a percentage of revenue
- Amount of profit to support future costs and/or build cash reserves

## Cashflow

- Debtor days (how quickly you get paid for services provided)
- Cash position

You may want to develop additional targets that are specific to your service, or to the context you are operating in.

## Slide 45

Record and review

## Slide 46

*If you can't measure it, you can't improve it – Peter Drucker*

Recording and measuring the right data as early as possible will significantly improve your ability to review and analyse the sustainability of your operations.

## Slide 47

With the right system, in particular a modern accounting system, you will be able to:

- Compare revenue from different services
- Analyse how quickly you are being paid
- Determine profitability
- Review cashflow

## Slide 48

Actual results for each area should be compared to their respective targets on a regular basis for the following:

Revenue

- Revenue target
- Revenue growth target (if starting or expanding your organisation)

Staff costs

- Wages as a percentage of revenue
- Direct worker utilisation (billable/unbillable hours)

Profit/surplus

- Profit as a percentage of revenue
- Amount of profit to support future costs and/or build cash reserves

## Cashflow

- Debtor days (how quickly you get paid for services provided)
- Cash position

## Slide 49

Results and efforts that are not directly recorded on financial statements should also be recorded and reviewed on a regular basis.

Examples include:

### Marketing

- Number of leads generated
- Number of new clients

### Staff

- Direct worker utilisation (if not included in financial reporting)
- Staff turnover

### Customer

- Customer turnover
- Net promoter score

### Compliance

- Adherence to requirements such as successful completion of internal and external audits
- Complaints and incident registers

## Slide 50

In providing an NDIS Service there are some key performance indicators (KPIs) to record and review regularly

Examples include:

Direct worker wages plus super as a percentage of revenue

All staff costs (including supervisor costs) as a percentage of revenue

Direct worker utilisation – hours invoiced as a percentage of all hours worked

Number of new clients each week/month/year (to measure marketing efforts).

## Slide 51

After watching today's webinar and completing the exercises in the activity worksheet you will be able to understand the financial workings of your services. You will have gained an understanding of how to generate revenue.

Having a good concept of your service design will help you to analyse the costs in setting up or expanding that service.

Developing a financial forecast will help you to understand if your service is financially viable or by when it will be viable.

We are now at the end of our six part NDIS Success program and we encourage you spend the time to fill in the NDIS Success Roadmap Business plan template.

You will find the template on our website. Completing all sections will help you to answer essential questions and plan for a successful NDIS service delivery.

## Slide 52

In **section A** we ask you to review how your future service will fit into your organisation's mission and vision and your overall strategic objectives. If your organisation has not got any mission and visions yet, it is important to identify these first.

In **section B** we combine the learnings from webinar 1 and webinar 2 'Success in the NDIS' and 'Understanding the market'. We strongly recommend that you spend the time and effort to investigating potential market demand and the need for your service offering. Please test your idea from different perspectives and review if your service will built on your organisation's strengths.

**Section C** helps you to design your service and to review how the service will fit into the NDIS price guide. You will assess and identify your unique value proposition and what makes your service or product attractive to NDIS participants.

**Section D** will help you to identify the required resources for successful service delivery.

**Section E** is extremely important as it will help you to identify the compliance requirements and how you will manage and monitor quality and risk. Maybe you identify that due to the cost of the audit you would like to start small by only offering services to plan or self managed participants. Or you are willing and determined to go the extra mile and become a registered provider. Your organisation might already be registered for some services however you may identify that you are missing the necessary registration group for the potential new service. We have included a list of all NDIS registration groups and compliance requirements in the webinar 4 resources.

Completing **section F** will help you to establish a marketing strategy. How will you attract sufficient customers and how will you ensure they have a positive experience with your services and will be your best marketers?

The last **section G** will help you to assess and identify if your service will be financially viable into the future.

### **Slide 53**

We wish you all the best in completing the NDIS success road map and wish you all the very best for your NDIS journey!

We still have one more Q&A session that will go live on the 20 October. Please email us any questions that have come up while watching today's webinar or any previous webinars. You can also post your questions on the Facebook page.

### **Slide 54**

Please consider applying for the free one to one support from one of our business consultants to help you kick off your NDIS service.

Eight organisations nationwide will work with a consultants to develop your NDIS idea from a business plan to the pilot stage.

Our consultants will work with you to develop an action plan to get your idea off the ground, to help you progress your idea to pilot stage, and provide direct support in key areas where they would add most value.

Apply online – applications are open until the 30 October.

**Thanks for watching 'Sustainability in the NDIS'**

Bye for now.

### **Slide 55**

Thank you.