**Understanding SDA FRAMEWORK**

**INTRODUCTION**

SDA is accessible housing for people with disability provided by NDIS.

Recently a review of SDA Pricing and Payments Framework (SDA framework) was held by KPMG on behalf Disability Reform Council. (DRC) The DRC makes sure the NDIS is going well and makes recommendations about the NDIS.

QDN provided input into this review at a roundtable.

Summer Foundation provided a joint submission into this review. QDN was one of the supporting partners.

This paper is to help QDN members understand more about

What is Specialist Disability Accommodation

Summary Joint Submission: Review of Pricing Framework

**WHAT IS SDA**

Specialist disability accommodation (SDA) is housing that has been specially designed or modified for people who have an ‘extreme functional impairment’ or ‘very high support needs’.

Only 6% of NDIS participants (or 28,000 people) are eligible for SDA housing under the NDIS in Australia. Currently 7,624 are receiving SDA funding.

If you are eligible, the NDIS funds the cost of your housing through SDA payments to an SDA housing provider.

You can choose which SDA provider you want.

The NDIS provides substantial payments and incentives to the SDA provider to develop housing that meets strict SDA standards.

These SDA providers can be anyone (including people with disability and their families) who are able to build according to these strict guidelines.

Only those people with ‘extreme functional impairment’ or ‘very high support needs’ and assessed as eligible by NDIS can live in these SDA housing.

**STATE OF THE MARKET**

The existing SDA supply market is dominated by group homes and is a reflection of past policy and funding settings.

Most of the supply is state government owned. State governments are still working through their present and future role in asset ownership, new asset development and provision of SDA. In Queensland Department of Housing and Public Works is not entering into SDA market as a provider.

Key themes from the Summer Foundation SDA Market Insights study are:

**Ageing group homes dominate the market, with government still a substantial player:**

* 87% of the places in the current SDA market are in group homes
* Prior to the NDIS being rolled out, more than 2,300 people with disability were residing in large and small institutions that require redevelopment

**Potential demand from people with extreme functional impairments may be greater than forecast:**

* More than 30,000 people with disability with a proxy measure of “extreme functional impairment” needs do not live in this existing SDA market but with family, in nursing homes, hostels, public housing and the private rental market. This compares to an estimated 12,000 new SDA places
* Of known demand, a key priority is the 6,200 young people across Australia living in nursing homes. However early SDA data released recently indicates that, while over 2,082 younger people living in nursing homes have become NDIS participants, only 23 (around 1%) have funding for SDA support so far; this is the cohort highlighted by the Productivity Commission’s report as a priority for SDA support

**Many current SDA residents would be unlikely to meet the SDA eligibility criteria:**

* Less than half of current SDA residents have levels of support needs that would indicate eligibility for SDA funding support. Only 47% of current SDA residents always require support with self-care, and just 32% always require support for mobility
* Intellectual disability is the primary disability for 75% of current SDA residents, compared with just 45% of the identified potential demand for SDA
* People with intellectual disability have been the main people in group homes but may not be eligible for SDA housing.

**Government initiatives are driving around half of new SDA builds:**

* The Summer Foundation’s survey of known SDA providers in September 2017 identified around 1,000 new SDA places under contract or construction
* New development activity is presently dominated by government initiatives in NSW and South Australia which are contributing around 600 new SDA places
* A range of other providers are committing to new projects – including not-for-profit and private providers not previously associated with disability services

This early SDA supply and demand analysis has helped to inform potential SDA market players about the growth in supply needed, parts of Australia that are likely to need new supply and some insights into the future demand profile.

The study provided a clear indication that there is a need to build a very different profile of SDA supply in the future and the SDA Framework has the potential to facilitate this diverse new supply.

**THE SDA FRAMEWORK**

Specialist Disability Accommodation Pricing and Payments Framework (SDA Framework) is a plan about the cost of disability housing which was developed in 2015.

The vision of he Specialist Disability Accommodation Pricing and Payments Framework (SDA Framework) was a sustainable specialist disability accommodation market that fosters

* choice and control,
* encourages innovation,
* provides options for participants,
* continuity of supply and financial sustainability for governments, participants and providers.

However the Framework

* is complicated to understand,
* lacks transparency in the detail and
* has presented significant implementation challenges for the NDIA.

The review identified how well SDA was going against some key questions

**Does the SDA Framework support the process of appropriately setting prices?**

SDA base prices should result in reasonable spread of SDA dwelling types in a wide range of locations, particularly locations with good access to services and facilities.

Some concerns about the pricing approach are highlighted.

The land appreciation assumption is distorting the price setting for SDA and should be removed from the pricing formula. The formula assumes additional return is realised over the life of a property due to the underlying land value increasing over time.Land price appreciation benefits can only be realised at the point of sale. Land price increases should not be factored into the pricing formula because this assumes SDA providers sell their SDA assets within the 20-year investment period to realise capital gains. Long-term investors are looking for long-term cash flow returns, not capital gains.

Location factors are not working to enable development in many high value areas.

The terminology of “group homes” in the SDA Price Guide is outmoded and it is recommended the term is replaced by using the term “house” across all relevant building types.

**Does the SDA Framework stimulate the required volume of supply of SDA houses?**

5-year price reviews create uncertainty for providers and investors. There should be better information made available on the timing and methodology for the price reviews to reduce uncertainty about base price changes over a 20-year investment in a SDA property. Pricing for the various SDA dwelling types should be fixed between reviews for all new SDA in that time period.



Data is especially important in the early stages of market growth, but SDA data is not yet being published by the NDIA. The agency should start publishing quarterly data by the end of 2018 and establish a mechanism that enables notification of forthcoming SDA development (before enrolment stage).

**Is the SDA Framework facilitating high quality and innovative SDA models and design?**

The broad design of the SDA Framework is innovative and providers are able to look at a variety of approaches to developing housing types and in a range of locations.

However the SDA Framework has an underlying assumption that shared dwellings will be the main housing option in the SDA market and this is restricting the potential for diverse and innovative SDA housing solutions.

This assumption needs to change to encourage the development of an innovative and future focused SDA housing market and enable participants to live an ordinary life.

Flexible living arrangements that reflect choice and control are likely to reduce support costs in the long term.

**Does the SDA Framework support investor decision-making and provide sufficient market certainty?**

There is great uncertainty about how participants are being assessed for SDA, how funding levels are determined and how long the whole process takes. Participants are experiencing delays in NDIA decision-making that are exceeding six months without resolution.

Inconsistency and lack of transparency in the NDIA’s processes is a huge problem in the operation of the SDA Framework. The NDIA needs to give urgent attention to establishing consistent and transparent processes for determining eligibility and funding.

NDIA determinations of “appropriate” living arrangements as part of a SDA funding decision give the agency excessive control over participant choices and market outcomes for SDA.

Decisions about building type should be based on expressed participant preference in their Housing Plan. The NDIA’s role should focus on determining SDA eligibility and design type, both of which are based on objective evidence.

A “catch 22” situation exists under the SDA Rules where SDA properties are not yet built and enrolled. Participants are being told their SDA funding can’t be confirmed without reference to an existing SDA dwelling. But at this early stage, many SDA dwellings are yet to be built. This issue can be fixed through changes to the SDA Rules.

Unfortunately the recent SDA Provider and Investor Brief, released by the NDIA in April, created widespread uncertainty and confusion through the SDA market. Progress on many SDA projects has been disrupted and participants are very concerned about their right to live independently. Urgent measures need to be taken to restore market confidence following the publication of this Brief.

**Does the SDA Framework enable choice, control, independence and inclusion?**

The SDA pricing assumes all residents have SDA funding, and therefore reduces funding to a lower rate if other residents in the dwelling are not SDA-funded participants.

This makes it financially unviable for SDA providers to offer participants a dwelling that is shared with family members. The Framework must not prevent participants being able to live with family members – currently participants are expected to live in shared housing with other SDA-funded participants.

Larger shared housing types do not reflect contemporary approaches to disability housing or the housing preferences of participants. It is recommended that 5-bedrooom shared houses are phased out of new build pricing under the Framework in recognition that sharing beyond two to three people is unlikely to be preferred by participants or reduce costs. While properties built under the current pricing should receive funding in line with the current SDA price guide, no new 5-bedroom properties should be funded after the next price review.

In-kind arrangements for SDA are also recommended to be phased out of the SDA Framework, as these arrangements limit participant choice and control and distort the SDA supply market.



**Does the SDA Framework incentivise value for money in use of NDIS individualised funding and support the ongoing sustainability of the Scheme?**

The NDIA needs to exercise caution with cost containment measures for SDA funding that limit choice and control.

Perpetuating out-dated views about “SDA models” and “support models” in the operation of the SDA Framework, with the aim of cost-effectiveness, will minimise options and opportunities for participants, stifle opportunities to achieve flexible solutions and long-term benefits and distort the profile of the new SDA supply. Given the evidence suggests lifetime costs of group homes are higher, short-term cost savings will create higher long time liabilities for NDIA.

**Transitional and urgent housing needs of SDA participants**

In some situations, moving immediately into SDA as a long-term housing solution is not appropriate for many people with disability. Urgent housing needs and transitional solutions need to sit alongside the permanent SDA options.

Transitional housing may need to be funded under the SDA Framework as an interim option. It is also very important that the SDA Framework can deal with urgent housing changes if a living arrangement breaks down and measures need to be taken to prevent homelessness.

**Coherent and consistent SDA Framework documentation**

This submission recommends a number of changes to the various documents that are part of the SDA Framework. The overall suite of SDA documentation should then be organised in a more cohesive way.

Evaluation and monitoring mechanisms for SDA should be developed and incorporated in the Framework – this would guide data collection and enable evaluation of the outcomes of SDA funding.