

3 Costs of meeting current unmet demand

3.1 Costing unmet demand

The task in costing the unmet demand for CSDA services is to estimate the government contribution required to expand existing services or to establish new services to meet the extra demand of existing and new clients. New services may be auspiced by existing agencies or by new agencies. Costs will vary depending upon the proportion of unmet demand which is met by expanded versus new services or organisations.

The broad approach to this costing task is to develop national cost estimates, based on data from jurisdictions, of the per place cost to government of meeting unmet group home demand and the per client cost to government of meeting unmet demand for in-home accommodation, respite and day program services. These estimates are then applied to the numbers of people with unmet demand for each of these service types, as shown in Tables 2.5 and 2.7.

The total costs of services comprise recurrent or ongoing costs of running the service (mainly salaries, staff on-costs, management and any rental costs) plus any additional non-recurrent or one-off costs most often associated with the acquisition, modification or replacement of the physical resources of the particular service (such as buildings, motor vehicles and other equipment). Government may provide a contribution to all or part of these costs.

Costing services and relevant factors

The costing of disability services in Australia is a relatively undeveloped field. One of the supporting papers for the 1995 Commonwealth/State Disability Agreement Evaluation was a study of costs (Australian Healthcare Associates 1996). This study calculated the average total cost per hour of service for 57 disability organisations in 1994–95, with average total costs per hour ranging from some \$19 per hour for attendant care to almost \$27 per hour for centre-based respite care.

Research has been undertaken in a number of jurisdictions over the last few years with the aim of estimating the cost of providing particular service types to individuals with different levels of need. These estimation techniques are then intended to be the basis of a funding model. That is, actual funding to services is to be derived from the needs of the individual clients.

Although the emphasis in the general literature on the costing of disability services is on the cost to individuals of accessing services, facilities and equipment, a recent US article summarised the findings of research on service costs over the past two decades as follows:

Scholars have proposed four general reasons for differential cost of services: *location*, with the expectation that all services cost more in some states, counties, and cities than in others; *facility size*, with larger facilities costing more per resident than smaller; *facility type and ownership* (e.g. state institution, group home, foster home, apartment), with larger state-owned facility types costing more than smaller, privately owned ones; and *client characteristics*, with some claiming that cost is (or should be) correlated positively with medical needs

and maladaptive behaviour but negatively with adaptive behaviour.
(Campbell & Heal 1995)

Similar factors are discussed in the limited number of Australian disability cost studies which are available.

The Auditor-General for the Australian Capital Territory found that the number of residents per home appeared to influence costs per resident for group homes in the Territory, with higher costs associated with lower numbers of residents (ACT Auditor-General 1997).

A Western Australian study (Hounsome 1994) looked at 1993–94 costs per resident in government and non-government disability services. It concluded that there was a need to take appropriate account of a wide range of residential characteristics that drive costs (including the presence or absence of separately funded employment or recreation services). It also recognised that provider costs varied with their comparative success in achieving quality of life standards for all residents, regardless of the severity of their disability. The major factors affecting costs were concluded to be, in order, the number of staff and the residents' need for support. The report further found that:

- there was no validity to claims that private sector providers have a cost advantage, except perhaps where the private sector is supporting people with high support needs;
- capital and contingency costs do not explain cost variance;
- difficult-to-manage behaviour significantly influences cost;
- the mix of client needs in a residence seemed to be an important contributor to cost variation; and
- staff make decisions about support affected by resource availability and dependency of clients, sometimes resulting in similar costs but different qualities of consumer outcomes.

A later Western Australian study focusing on the development of funding models (KPMG Management Consulting 1996) looked at 51 government and four non-government residential facilities with an average size of 13.6 residents. It, and a later study of group homes (using the English, Kretzschmar & Associates methodology (1997)), found that funding could be related to an assessment of support hours required per person plus the addition of other funding components for staff on-costs and other operating and administrative overheads.

Costing principles

A British researcher, with extensive experience in cost research and economic evaluation of health and community services, has argued that there are four basic principles for cost research (Knapp 1995):

1. **Comprehensiveness:** costs should be measured broadly to cover all relevant services and other financial implications.
2. **Recognise that there will be cost and outcome variations between service users, facilities and geographical locations.**
3. **Only make like with like comparisons.**
4. **Integrate cost information with information on user and other outcomes.**

These principles are borne in mind in the costing approach for this study. The active involvement of all jurisdictions in the study was one way of ensuring comprehensiveness in the costs that are identified, although a conservative approach to combining the results was taken by the study team. The identification of cost variations within and between jurisdictions was one of the major issues on which information was sought. The estimation of costs by the sub-categories of service types is an attempt to avoid comparing dissimilar services such as residential and in-home respite which might fall under a broad respite umbrella. The issue of integrating consumer outcomes information with the costing exercise is beyond the scope of this study in any significant sense. However, the request to jurisdictions to indicate which service types they would use and by which management model (i.e. government or non-government) was an attempt to incorporate directions in service profiles. Such directions presumably reflect current understanding of the link between service type and delivery and consumer outcomes.

3.2 Costing method and available data sources

There are three main sources of data for this chapter:

1. data from individual jurisdictions specifically requested for this study and arising from their own commissioned research and internal studies;
2. data made available by jurisdictions to the Industry Commission in the course of joint work for the Review of Commonwealth/State Service Provision; and
3. the CSDA MDS Collection.

The impact of the three different collection systems needs to be considered when assessing the results of combining these data sources.

The approach to assembling the necessary information from these sources was as follows.

Initial request to jurisdictions

The Institute made an initial request for the jurisdictions to provide cost data on existing and proposed new services. The information provided following this request included:

- details of the methods used for monitoring costs for existing services and detailed cost data such as provided by the Management Information System in the Department of Human Services, Victoria;
- reports prepared by consultants on factors affecting the costs of existing services, such as the KPMG study for the Disability Services Commission in Western Australia;
- reports prepared by consultants on the estimated costs of new services, such as the Gould and Kennedy (1997) study for the New South Wales Government;
- details of the costings used in the preparation of a submission for additional funding presented by the Northern Territory Government; and
- details of the funding of new services provided by the Disability Services Commission in Western Australia.

This information showed the variation in costs between service users, facilities and geographical locations, noted above by Knapp (1995) as principle 2. However, it also showed the difficulty of making like to like comparisons as noted in principle 3.

The material was extensive and some initial analyses were undertaken in preparation for a meeting with States and Territories in late September 1997.

The availability of data was discussed at this meeting. It was decided that the most reliable data on expenditure on existing services was the material the States and Territories were supplying to the Industry Commission.

Data provided by jurisdictions to the Industry Commission

States and Territories supplied data to the Industry Commission in October 1997, in the course of joint work for the Review of Commonwealth/State Service Provision. Counting rules have been developed by an inter-jurisdictional working group to enhance interstate comparability.

These data indicate government expenditure in 1996–97 on seven broad categories of service type. The data on expenditure are shown in Table A3.1. For group homes (termed community accommodation and care) the data on expenditure, receipts and number of places are given in Table A3.2.

CSDA MDS collection

The most recently available CSDA MDS covers the snapshot collection in August 1996 in all States except for Western Australia where data were collected more recently in June 1997. The CSDA MDS provides data on numbers of places on the snapshot day, and estimated numbers of clients for a 'typical' day and annually (Table 1.2). The MDS is the only national source of service provision data. It also provides data on funding to services, but the financial data provided to the Industry Commission on the costs to government of CSDA services is preferred by jurisdictions.

Commonwealth/State Disability Agreement MDS data are collected using nationally agreed counting rules and aggregated from individual outlet returns. Under-enumeration can be an issue for this type of data collection. However, non-response for the 1996 collection was only 4% and as jurisdictions have indicated that the non-respondents were not major service providers, under-enumeration does not appear to be a significant issue.

The CSDA MDS annual client figures used in this chapter, by jurisdiction, are provided at Table A3.3.

Second request to jurisdictions

At the September meeting of the study team and jurisdictional representatives, the jurisdictions provided some further estimates of the expected costs to government of new services. Jurisdictions had the opportunity to discuss any reasons for different government costs of new services compared with existing services. They also had the opportunity to discuss the reasons why the estimated costs in their jurisdiction were higher (or lower) than for other jurisdictions. These discussions were held in open forum and in small groups with representatives of two jurisdictions in each group.

Following the meeting, the jurisdictions were asked to respond to a data request developed at the meeting, seeking information on the costs of additional services, an explanation of the derivation of those costs and of the expected use of different service

types. (The full request is at Table A3.4.) This provided jurisdictions with an opportunity to detail the justification for any differences between the costs to government of existing and new services, and to take account of the material presented by other jurisdictions at the consultation.

The data collected on the costs of additional services are shown in Tables A3.5 to A3.12.

Summary of data sources on costs to government

The main sources of quantitative data for this chapter are, then:

- data provided by States and Territories on the estimated costs to government of new services; the data were provided specifically for this study but had often been developed from previous work in the jurisdictions;
- data made available to the Industry Commission for the Government Service Provision project; and
- the CSDA MDS Collection.

The main sources of the justification of the estimated costs to government of new services are material:

- from previous studies and funding submissions;
- presented at the meetings involving the study team, jurisdictional representatives and peak bodies; and
- provided by jurisdictions in response to specific requests for this study.

In terms of the principles, noted by Knapp (1995), the above methods of information collection for this study were designed to ensure that the data:

- were comprehensive;
- recognised the variations between service types and geographical locations;
- allowed like with like comparisons wherever possible; and
- integrated cost information from the Industry Commission with user data from the MDS.

Data issues

Data provided by jurisdictions to the Industry Commission for the Review of Government Service Provision provide the main information on costs to government and on number of places in group homes, and the CSDA MDS provides the major source of service provision data for all service types other than group homes. They can be brought together to estimate the cost of existing services to government per place or per client of group homes, accommodation support, respite and day programs.

However the following must be taken into account when reading the results later in this chapter:

1. States and Territories provided information about their capital strategies. There is generally an increasing trend towards property rental and motor vehicle leasing (except for modified vehicles which are still purchased). Property is often rented from State/Territory housing authorities, with group home residents' contributions generally relating to rental and household costs. Other capital requirements include service modifications and equipment. Aids and equipment

for individuals are generally covered by services and programs not within the scope of this study.

Only one State, Victoria, provided significant separate data on new capital costs arguing that each group home or residential respite place had a capital cost of \$72,235 with average capital costs of new day services clients being between \$13,400 and \$21,200 per client. Western Australia said that their average day programs capital grant was in the order of \$6,500 per client.

2. The expenditure information provided to the Industry Commission includes both recurrent and capital expenditure for all service types, except for group homes where major capital works are excluded. Major capital works are defined as capital works costing over \$50,000.

As the Industry Commission expenditure figures include all recurrent and capital costs, except for major capital for group homes, and as only one State, Victoria, argued significant major capital costs for group homes, capital will not be costed separately in this report. Victoria may wish to argue its major capital costs and financing strategy for group homes separately.

3. The expenditure data provided to the Industry Commission are based on the cost to government rather than the full cost of the service provided by an organisation. For non-government services there can be substantial differences. A key factor influencing the average cost to government of these services is the contribution made by non-government organisations to the cost of the services. This contribution can come from donations, fundraising from special events, bequests, fees for clients services and income from investments. Further, the pattern of use and the distribution of government funding between clients within funded non-government agencies is not always known. Average current costs to government reflect an historical service configuration which may not be used in new services. Therefore particular care needs to be taken when considering the costs of existing non-government services to government.
4. Any revenue from government group homes (generally from residents) is reported to the Industry Commission. This has been deducted from group home expenditure to calculate net costs to government for government homes.
5. The expenditure data provided to the Industry Commission does not apportion government administrative costs to service types.

Thus, from the above points, throughout the remainder of this chapter any reference to cost of services should be taken as the cost to government per place or per client, not including client or non-government contributions, major group home capital costs and government administration expenses.

6. Annual MDS client figures were chosen for use in denominators for determining cost per client of accommodation support, respite and day programs as these client estimates more closely reflect demand estimates counted in people terms, than do 'snapshot day' figures.
7. Industry Commission cost to government data are for the 1996–97 financial year. In all jurisdictions, except Western Australia, MDS data were collected in August 1996. For Western Australia, the June 1997 MDS data have been used.
8. Where jurisdictions have provided data on the cost to government of existing services which they believe are superior to the data derived by dividing Industry

Commission expenditure information by MDS data, the jurisdiction data have been used. This is footnoted in the relevant tables.

Relevant cost factors

Analysis suggests that, in Australian terms, the factors considered likely to affect costs to government are:

- jurisdictional differences, such as those arising from different jurisdictional population size, labour costs, volunteering rates, infrastructure development and population distributions;
- auspice (government, non-government); for instance, there may be a significant contribution by the non-government sector to services under their auspices;
- client factors, such as the level of support needed, the mix of client needs and special behavioural, cultural and language needs;
- service factors such as service type (for instance, group home or in-home service) and service size (number of clients);
- geographic location (inner city, rural or remote areas affecting real estate, staff and general operating costs as well as economies of scale);
- staffing factors such as: staff mix (qualifications, use of highly trained staff), staff salaries and award rates, rostering practices, and staff–client ratios; and
- the standard each service achieves.

These factors are not independent of each other; for instance, the client mix or staffing factors may vary according to either the jurisdiction or the auspice.

Costing method

To meet the unmet demand for disability services of new and existing clients, a mix of existing and new services, in existing and new organisations, may be required. If unmet demand could be accommodated within existing services, the cost would be generally just the additional staff costs and other additional running costs incurred. However, the nature of disability services is that many of the existing services for people with disabilities have only a small number of clients. Therefore, to provide services for a new client often requires the establishment of a new service. For example, for group homes accommodating five clients, a new client may mean that a new group home is required, although this may not necessarily involve a new service provider.

Assumptions

Several working assumptions were adopted for the purpose of developing a conservative but realistic estimate of the cost to government of meeting unmet demand. These assumptions were developed following consideration of the above cost factors, discussion with peak agencies, the meeting with jurisdictions and following consideration of their responses to the request reproduced in Table A3.4. The assumptions are that:

1. Generally there will be no expansion of institutional care to meet unmet demand for accommodation.

2. There will be greater targeting of specific services types according to support needs of clients, with group homes being used for those with the highest support needs. Day programs will be expected to support clients with higher dependencies than did community access services in the past.
3. The trend to meet unmet demand for accommodation support by way of in-home support and respite will be increased. Respite and in-home accommodation support will be provided via flexible support packages, which will allow clients to modify their balance of these two service types.
4. While a trend to provision via non-government services is expected to continue, governments will generally be unable to rely on a significant non-government contribution towards the cost of establishing new services, apart from the contribution to costs made by clients. This position was argued strongly by all jurisdictions and by the peak non-government agencies. While the non-government sector, particularly the large traditional agencies, currently contribute significantly to the cost of disability services, it was consistently argued that there is no capacity in the sector to make the same level of contribution to an expansion of services. This is a key factor in the differentials between the cost to government of existing services and the cost to government of new services. Thus, the costs to government of existing non-government services can be used only as a guide to the cost of new services.
5. The variable costs of meeting clients' unmet demand, net of client contributions, are the main cost components where government contribution is needed. While Victoria states that it is obliged to contribute the full cost under its competition policy, it has been assumed that governments will not always fund the full profile of fixed costs. This is because some proportion of unmet demand may be met by adding new clients to existing services (except for group homes which generally do not have vacancies). Further, new service places will be provided by both existing and new organisations. There will be some cost savings where existing services and organisations are used. This consideration is a conservative influence on new service cost estimates.
6. Current costs incorporate services which, despite transition plans, may still operate below current standards. New services will generally be funded to provide support which meets current disability standards, which, depending upon comparative client support needs, could be different from the cost of existing services.
7. The cost estimates cover only variable costs and service management costs. Additional government policy, service development or management costs are not included.

These assumptions underlie both the estimates of people demand provided in Chapter 2 and the development of national cost estimates below.

A number of other key aspects of the methodology are discussed in the earlier section on data issues.

3.3 The costs per place and per client of meeting unmet demand

The basic method was to develop a national estimate of cost to government for each service type from the new service cost information provided by jurisdictions and to use the current average cost to government information based on the jurisdictions' returns to the Industry Commission, and CSDA MDS data, as reference points.

Current cost to government data provided by each State and Territory are at Tables A3.1 and A3.2. Annual MDS client data are at Table A3.3. New service cost to government data are at Tables A3.5 to A3.12.

Costs are the full costs to government net of client fees, non-government contributions, government administration costs and major capital associated with group homes.

Group homes

As discussed in Section 3.2, the information provided by States and Territories included data on both the costs to government of existing services and of new services. The data on group homes are summarised in Table 3.1. The average cost to government of an existing group home is approximately \$39,000 per place. There are substantial variations by States and by auspice. For example, the average cost to government for government homes is \$53,000 and for non-government homes, \$28,000.

New South Wales did not provide Industry Commission data for 1996–97. The Industry Commission's report for 1995–96 showed \$60,372 as New South Wales' average cost per place for government group homes and \$50,603 as its average government contribution per place to non-government group homes (SCRCSSP 1997).

The States and Territories provided information on the net costs to government of new group home places. These costs were in some cases substantially higher than for existing services. Some States provided detailed breakdowns of the costs of both existing and new services, while other States gave estimates of the costs of new services with little explanation.

Victoria provided details of both existing and new services for three levels of care—24 hour, 11–16 hours and 6–10 hours. The costs per place to government of the new services were \$57,400, \$45,000 and \$23,000 respectively. The costs varied according to the different staffing arrangements related to client dependency—it is presumed in the first category that generally awake staff would be rostered over 24 hours, the second would involve sleep-overs and the last would involve drop-in support. Victoria expects that generally group homes will be used for higher dependency clients, with clients of lower dependencies being supported in their own homes. Thus it is expected that the cost of new group homes will increase with this increased proportion of high dependency clients.

Table 3.1: Group homes: expenditure, receipts, places and government contribution per place, by auspice and by jurisdiction

	NSW ^(b)	Vic.	Qld	WA	SA	Tas.	ACT	NT	Total
1996/97 Current Service Delivery									
Government contribution (\$ million)									
Government		104.4	33.3	18.2	8.6	1.6	9.0	—	175.0
Non-government		43.3	14.3	14.4	12.7	17.5	1.5	5.4	109.1
All group homes		147.7	47.5	32.6	21.2	19.1	10.5	5.4	284.0
Receipts (\$ million)									
Government		2.7	0.2	1.1	0.3	0.0	0.3	—	4.7
Non-government									
All group homes		2.7	0.2	1.1	0.3	0.0	0.3	—	4.7
Places (number of)									
Government		1,928	537	393	181	22	131	—	3,192
Non-government		1,428	1,022	538	385	321	83	117	3,894
All group homes		3,356	1,559	931	566	343	214	117	7,086
Existing services 1996–97 — government contribution per place per annum									
Government		\$52,746	\$61,645	\$43,405	\$45,429	\$72,864	\$66,002	—	\$53,361
Non-government		\$30,352	\$13,955	\$26,754	\$32,934	\$54,395	\$18,433	\$46,001	\$28,005
All group homes		\$43,217	\$30,382	\$35,004	\$36,930	\$55,580	\$47,561	\$46,001	\$39,427
New services — cost to government per place per annum^(a)									
High support		\$57,400	\$70,000	\$74,000	—	—	—	Up to \$120,000	—
Moderate support		\$44,950	\$32,000 to \$47,000	\$60,000	—	—	—	—	—
Low support		\$23,330	\$17,500 to \$30,000	\$29,000	—	—	—	—	—
Lowest support		—	Up to \$17,500	—	—	—	—	—	—
All group homes		\$64,902	—	\$46,379	—	—	—	\$50,000	—

(a) Victoria and Queensland provided costs for group homes grouped as high support (staffed 24 hours per day), moderate support (staffed between 11 and 16 hours per day), and low support (staffed between 6 and 10 hours per day). Queensland also provided a lowest support group. The three top categories in Western Australia are based, in order, on total staff support hours of between 36 and 58 per day, 24 and 35 per day and between 11 and 23 total staff hours per day for low support group homes.

(b) New South Wales did not provide Industry Commission data for 1996–97. The Industry Commission's report for 1995–96 showed \$60,372 as New South Wales' average cost per place for government group homes and \$50,603 as its average government contribution per place to non-government group homes (SCRCSSP 1997).

Source: Table A3.2 and Tables A3.5–3.12.

Western Australia used their latest funding round figures to estimate their new group home costs to government. The Western Australian figures for new services were in line with the other States.

The New South Wales estimates for new group homes were higher than those of the other States. They were based on the figures used for the 300 places program and are therefore likely to reflect clients with high support needs. They are similar to the 'high' cost figures provided by Victoria and Queensland.

It is not the purpose of this report to attempt to explain the inter-jurisdictional variations in detail, but rather to combine the various estimates judiciously to arrive at national cost estimates. Nevertheless, the presence of some of the cost factors, discussed earlier, may be at work in some of these observed variations, and in the differences between the costs to government of existing services and the estimated costs of new services.

For instance, the number of hours allocated to each resident can vary by jurisdiction and by auspice within each jurisdiction. For some jurisdictions, group homes have been classified according to the number of staff hours for the home. For example, in Victoria group homes are classified into the three categories described above. Funding models of this nature can ensure residents with relatively low levels of dependency can be placed in group homes with lower staff hours.

One of the cost factors associated with some new service cost estimates being higher than current costs are changes in award rates, which can have a substantial effect on average costs per client. Increases in award rates, and service delivery restructuring, in Queensland are estimated to add 30% to the average cost per client in 1997–98. This has a substantial effect on the Queensland estimates of the average cost to government per client for new services, compared with existing services. In Victoria there is a union claim before the Australian Industrial Relations Commission for a 14% salary increase for the awards covering both facilities of nine beds or less and those with more than nine beds. Such an increase could add a further increase in the wage bill of somewhere in the region of 10%.

Rostering arrangements may vary by jurisdiction. For group homes in Victoria, there appears to be a greater use of sleep-overs for staff rostered overnight compared with Queensland where staff are more often paid for 'active' nights.

The average number of residents in a group home was 4.9 on a national basis. Queensland and Western Australia had a relatively high average with 5.2 residents per home, with Tasmania and the Northern Territory even higher with averages over 11 residents per home. South Australia was relatively low with 4.5. Victoria and the Australian Capital Territory were close to the national average with 4.8 residents per home (see Table A3.13).

The study in the Australian Capital Territory found that smaller group homes seemed to cost more per place than larger homes. Queensland noted that the public housing authority in that State is providing homes for 3 or 4 people only compared with its current average of 5.2. Western Australia also noted the tendency for new group homes to have 3 to 4 residents compared with its average of 5.2 to date.

This anticipated decline in the number of people in a group home is likely to lead to higher costs. For example, the cost of providing overnight support is spread across fewer residents.

National estimates of cost to government for group homes

The study team concluded that the most appropriate national cost estimate for group homes is \$50,000 per place per annum (net cost to government excluding major capital works and government administration costs).

The figure is within the range of estimates of the new service costs provided by the States. While it is considerably lower than the highest estimates of new service costs, it is commensurate with new service costs estimates for several States, and at the high

end of current costs estimates (Table 3.1). It is therefore considered to be a relatively conservative estimate, as a national figure, allowing for the following assumptions about the strategies in the future provision of disability services.

From the information supplied by jurisdictions it is assumed that:

- group homes will be the preferred service type for residential accommodation and new clients will not become residents of institutions;
- the level of funding provided will be for residents with higher support needs than existing residents, reflecting the strategy of only placing clients with high support needs in residential care, while wherever practicable maintaining people with disabilities in the community;
- the trend towards increased provision by non-government organisations is likely to continue;
- there is little possibility of placing new clients in existing group homes as there are few vacancies; and
- non-government organisations will generally require close to the full cost of providing new services after client contributions and overhead savings from using existing organisations have been deducted. (Existing services are likely to continue to require substantial contributions from the non-government sector.)

In-home support and respite

The costs per client of in-home support depend on both the level of support provided, in terms of number of hours of care, and the cost per staff hour. The data on the costs of existing services for in-home support show considerable variations (Table 3.2).

Costs per client per year were: \$7,226 for Victoria, \$10,313 for Queensland, \$18,636 for Tasmania, \$28,462 for the Australian Capital Territory and \$4,368 for the Northern Territory (from 1997 draft returns to the Industry Commission). For Western Australia (\$18,852) and South Australia (\$4,894) the data were supplied directly by the States.

Victoria provided separate data on the costs of an 'outreach' program, which in 1996–97 had funding of \$2.95 million and 608 clients, resulting in an annual cost per client of \$4,900.

The estimates of the costs of existing services for in-home support, based on the Industry Commission data, for all the available states was \$8,400 (Table 3.2). The data for in-home support were calculated by deducting the funding for institutional care and group homes from the total funding for accommodation support, for all States except Western Australia and South Australia. The number of clients was taken from the CSDA MDS as at August 1996.

Table 3.2: Cost to government per client of existing services and estimated cost to government per client of new services for in-home accommodation support by jurisdiction, 1996–97

	NSW	Vic.	Qld	WA	SA	Tas.	ACT	NT	Total
Existing services									
Government contribution (\$million)		53.4	19.3	15.9	7.6	2.1	1.9	0.6	100.8
Annual clients		7,395	1,876	845	1,549	112	65	129	11,971
Cost to government per client per annum		\$7,226	\$10,313	\$18,852	\$4,894	\$18,636	\$28,462	\$4,368	\$8,420
New services									
Attendant care	\$44,248	\$42,000 (max.)					\$25,000 to \$44,000	\$32,700	
Outreach		\$5,000							
General			\$0 to \$30,000	\$32,781					

Note: The data for in-home support were calculated by deducting the funding for institutional care and group homes from the total funding for accommodation support, for all States except Western Australia and South Australia. The number of clients was taken from the MDS as at August 1996.

Source: Existing services expenditure (States other than Western Australia and South Australia) from returns to Industry Commission (see Table A3.1) and annual clients from MDS (see Table A3.3); for Western Australia and South Australia, data provided separately by States. New services costs data supplied by States and Territories (see Tables A3.5–A3.12).

The costs of new services per place for residential respite are similar to the costs of new services for group homes (see Table 3.3). However, residential respite places are used by many people over a year so the cost per client is significantly less than the cost per place. Respite is also provided in the home and in the community.

The cost per client for respite is \$4,000 per annum. This varies from a low of \$1,730 in the Northern Territory to just over \$9,000 in Western Australia.

Table 3.3: Cost to government per client of respite services, 1996–97 costs for existing services and estimated costs of new services by jurisdiction

	NSW	Vic.	Qld	WA	SA	Tas.	ACT	NT	Total
Existing services									
Government contribution (\$million)		19.1	14.2	14.0	4.6	3.2	1.8	0.9	57.7
Annual clients — MDS		4,111	4,292	1,544	1,690	1,497	226	537	13,897
Cost to government per client per annum		\$4,639	\$3,318	\$9,053	\$2,696	\$2,108	\$7,785	\$1,730	\$4,151
New services									
Residential		\$44,950	\$0 to \$30,000	\$47,379					
Non-residential	\$8,500		\$0 to \$30,000	\$4,241					

Source: Existing services expenditure from returns to Industry Commission (see Table A3.1) and annual clients from MDS (see Table A3.3). New services costs supplied by States and Territories (see Tables A3.5–A3.12).

It was not possible to determine a national cost estimate from these data for in-home support and respite in a similar manner to the estimate developed for group homes. Therefore, a different approach was developed.

For in-home support and respite it was assumed that:

- the trend to meet unmet demand for accommodation support by way of in-home support and respite will be increased;
- there will be greater targeting of services according to support needs for clients, with group homes being used, wherever practicable, only for clients with high support needs; therefore some new clients of in-home support and respite are likely to have higher support needs than current clients; and
- respite and in-home accommodation support will be provided via flexible support packages, which allow clients to modify the balance of these services types.

In order to reflect this flexible and 'package' approach increasingly being used, as well as the emerging trend for jurisdictions to develop costing methods based on hours of support, the data in Table 2.5 (on people with unmet demand) were split according to inferences about the number of hours of service likely to be required. It was therefore necessary in the present chapter to estimate the cost per hour of providing accommodation support services other than group homes.

Three States provided a cost per hour for these types of services. Victoria provided a cost of \$21.30 per hour for in-home accommodation support, while Queensland provided a cost of \$24 per hour. These two costs were averaged to give \$22.65, and an allowance of 10% was made to allow for service management costs, giving \$24.91 or \$25 to the nearest dollar. This allowance for service management costs takes into account that the unmet need of some clients will be met by existing services, while for other clients new services will be required. Some of these new services will be auspiced by existing organisations and some by new organisations. New South Wales quoted a figure of \$25 per hour for in-home support (Table A3.5). The national cost estimate of \$25 per hour falls within the range of the 1994–95 full costs found by the Australian Healthcare Associates (1996) cost study mentioned in section 3.1.

High support needs

People needing help with two or three activities and always with at least one activity are assumed to have an unmet need of 30 hours of in-home support and/or respite per week (Table 2.5). Using these assumptions and the national estimate for these services of \$25 per hour, a cost of \$39,000 per client per year was determined for clients with high support needs.

This estimate was compared and confirmed with the costs of attendant care provided by some States. Attendant care is only one example of a service type which provides care for clients with high support needs. However it is a service for which some States provided estimates of the costs of new services (see Table 3.2). For example, New South Wales gave an estimate of \$44,000 per client and Victoria gave an estimate of \$42,000, the Victorian estimate relating to the maximum cost per client. The Northern Territory's attendant care cost was \$32,700. Western Australia provided an estimate of \$33,000 for new in-home accommodation support in total and the Australian Capital Territory provided an average cost of \$25,000 for 55 people on individual support packages and \$44,000 for 10 clients on other individual purchase packages.

Taking all these estimates into account, a national estimate of \$39,000 per year for clients with high support needs was judged to be appropriate, being within the range of estimates provided by the jurisdictions for people with high support needs.

Clients with some formal assistance now are assumed to have an unmet need for 15 hours per week or 50% of the hours allocated to those people who are receiving no formal assistance now.

Medium and low support needs

For the people needing help with one activity (Table 2.5) it was assumed that a respite/in-home support package of 10 hours per week would be appropriate. Based on an average cost of \$25 per hour this translates to a cost per client of \$13,000 per annum. Those clients who were already receiving some form of formal support were assumed to receive a package of five hours per week or 50% of the cost of the package.

Final groups which could be differentiated from the ABS survey were those needing help with two activities sometimes and one activity sometimes. For these people it was assumed that an allocation of five hours and three hours respectively would be appropriate. Based on a cost of \$25 per hour this translates to packages of \$6,500 and \$3,900 per annum.

This last group has not been differentiated according to whether they are currently receiving formal assistance. Therefore, an average of three or five hours per week for some clients is the number of additional hours of unmet need rather than the total hours of unmet need.

Day programs

Current average costs to government per client for day services were derived by dividing expenditure figures from the draft Industry Commission returns of Queensland, Western Australia, South Australia, Tasmania and the Australian Capital Territory by annual client estimates from the MDS data. Victoria provided data from another data source utilising equivalent full-time client costs. It argued that these data were superior to the result of \$2,400 derived from MDS and Industry Commission data, due to the number of multiple service clients in Victoria under brokerage arrangements. The Northern Territory also provided separate data.

Average State day program costs ranged from \$1,644 in Tasmania to \$12,070 in the Northern Territory.

Table 3.4: Cost to government per client of day services and community access programs, 1996–1997 costs for existing services and estimated costs for new services

	NSW	Vic.	Qld	WA	SA	Tas.	ACT	NT
Existing services								
Government contribution (\$ million)		48.9	13.7	10.7	5.8	6.3	0.9	0.6
Annual clients		4,164 ^(a)	2,398	1,995	3,279	3,861	409	50
Cost to government per client per annum		\$11,751	\$5,705	\$5,375	\$1,764	\$1,644	\$2,196	\$12,071
New services								
Cost to government per client per annum	\$16,500	\$11,701	\$16,500 to \$17,000	\$6,000 to \$18,000				

(a) Equivalent full-time clients

Note: Totals were not calculated as the client numbers consisted of equivalent full-time clients (for Victoria) and total clients for other States.

Source: Existing services expenditure from returns to Industry Commission (see Table A3.1) and annual clients from MDS (see Table A3.3) except for Victoria and Northern Territory. New services costs supplied by States and Territories (see Tables A3.5–A3.12).

Estimates of new service costs to government were provided by New South Wales, Victoria, Queensland and Western Australia. New South Wales' figure of \$16,500 is based on the current funding per place for the New South Wales Post School Options Program for higher need clients and is comparable with Queensland's figures. New South Wales also uses \$13,500 as a grant figure for Post School Options clients with moderate needs, with people with low needs not being eligible but rather being referred to employment services. Victoria's figure of \$11,701 is lower than its existing cost figure of \$11,750 as this latter figure is an equivalent full-time rather than per client figure and revised assessment arrangements are expected to affect the future costs. Western Australia provided its Post School Options funding rates which, for a full-time place, range from \$6,000 to \$18,000.

Current per client costs to government are lower than the new service costs supplied. This is likely to be so as historical provision of day and community access support varies quite markedly from current day services strategies which are expected to meet current disability standards, including incorporating fewer clients per staff member, and possibly addressing higher support needs.

National cost to government estimates for day programs

In order to be able to apply estimates of costs to government per client to the estimates of unmet demand in Table 2.7, it is necessary to differentiate the costs of providing services to people with high, medium or low support needs.

Government cost per client figures for each of these dependency levels were estimated considering the new service costs supplied. It was concluded that a conservative \$6,000 national cost estimate for low support needs was appropriate, recognising that 6,350 of those with unmet day services demand always needed help with just one of the mobility, self-care or communication activities. A \$6,000 funding estimate reflects the Western Australian funding response for lowest need day clients, and that New South Wales does not have a funding range for people with low needs.

The \$12,000 figure for those people needing help with two activities and always with at least one, reflects the middle Post School Options full-time funding grant of Western

Australia, the moderate funding grant of New South Wales and the average new service cost provided by Victoria.

The \$18,000 figure for people needing help with three activities and always with at least one, reflects the highest Post School Options full-time funding grant of Western Australia, the high funding grant of New South Wales, the figures supplied by Queensland and the views of States and Territories that day services costs are expected to rise, especially for high dependency day services clients.

While these figures are higher than the current estimated national cost to government, they reflect the States' and Territories' tighter targeting of day services and the necessity to provide close to full cost grants for new services, which allow providers to meet current service standards.

3.4 The total costs to government of meeting unmet demand for these services

Group homes, in-home support and respite

The estimates provided in Table 2.5 show that it could be expected that some 1,500 clients with unmet demand would be placed in group homes or require a high level of in-home support. These are people needing assistance in two or three activities and always needing assistance in at least one (Groups (P2) and (P3)) who are currently not receiving any formal assistance.

Given the increasing trend to in-home accommodation and respite support, it is assumed that 50% of high support need clients with unmet demand will be placed in group homes while 50% will be provided with a high level of in-home support. The total recurrent cost to government of meeting the needs of these 1,500 clients would thus be some \$67 million (see Table 3.5). This is based on a cost per client of \$50,000 for group homes and \$39,000 for a high level of in-home support.

From Table 2.5, there are an additional 2,400 people in this category (P2,P3) who are currently receiving some formal assistance. It has been suggested above that these people should be assumed to receive a medium level of in-home support and respite, say an additional 15 hours per week. This equates to an annual cost per client of \$19,500 and total costs of almost \$47 million.

There are also 2,300 people who always need assistance in one activity only and currently receive no formal assistance. It is suggested that these people would receive on average a medium level of in-home support and respite totalling 10 hours per week. Based on a cost per hour of \$25 this equates to an annual cost of \$29.9 million.

There are 700 people who also need assistance in one activity all the time but are currently receiving some formal assistance. It is suggested that this group would receive on average an additional five hours per week of in-home support and respite. This could be provided at an estimated annual cost of \$4.6 million.

Table 3.5: Estimated net cost to government^(a) of meeting unmet demand for group homes, in home support and respite, 1996–97

Level of assistance needed	Number of clients	Estimated distribution	Presumed service response	Number of hours per week	Number of weeks	Cost per hour	Cost per client	Total cost
People needing help with 2 or 3 activities and always with at least 1 Group (P2),(P3)								
	Subtotal:	3,900						
No formal assistance now	1,500	750	Group home				\$50,000	\$37,500,000
		750	Respite/in-home support package	30	52	\$25	\$39,000	\$29,250,000
Some formal assistance now	2,400		Respite/in-home support package	15	52	\$25	\$19,500	\$46,800,000
People always needing help with 1 activity Group (P1)								
	Subtotal:	3,000						
No formal assistance now	2,300		Respite/in-home support package	10	52	\$25	\$13,000	\$29,900,000
Some formal assistance now	700		Respite/in-home support package	5	52	\$25	\$6,500	\$4,550,000
People needing help with 2 activities sometimes Group (S2)								
	1,900		Respite/in-home support package	5	52	\$25	\$6,500	\$12,350,000
People sometimes needing help with 1 activity Group (S1)								
	4,600		Respite/in-home support package	3	52	\$25	\$3,900	\$17,940,000
Total	13,400							\$178,290,000

(a) Excluding the cost of any major capital works for group homes.

Source: Table 2.5; discussion of Tables 3.1, 3.2, 3.3.

From Table 2.5, there are a group of people who sometimes need assistance in two activities. This group numbers some 1,900 people. It is suggested this group receive an average of five hours of care per week, which could be provided at an estimated annual cost of \$12.4 million.

Finally, there is a large group of people, estimated at 4,600, who comprise some 34% of the 13,400 people with unmet demand. These people need assistance in one area only, sometimes. It is suggested that on average they would receive an additional three hours per week, although some could need higher amounts. The estimated cost of meeting the needs of this group is \$17.9 million per annum.

In summary, the national net costs to government of meeting unmet demand for accommodation, accommodation support and respite are estimated to total \$178 million.

To assess the impact of a number of the assumptions made to estimate this total net cost to government, a number of its settings were changed as follows:

- Table 3.5 assumes that people in Groups (P1), (P2) and (P3) who are currently receiving some formal assistance would receive on average additional hours equivalent to 50% of the full support package of those with equivalent needs, but not currently using formal services.
 - If, however, they only receive additional support equivalent to 25% of the full support package, then the total estimated net cost to government would drop by approximately \$26 million to \$152.6 million.

- If, on the other hand, these same people received an additional 75% of the full support package, the total estimated net cost to government would rise by approximately \$26 million to \$204 million.
- Table 3.5 assumes that 50% of people in Groups (P2) and (P3), not receiving formal assistance now, would be accommodated in group homes and 50% would receive high level in-home and respite support packages.
 - If, however, only 25% were supported in group homes and 75% received these packages, the total estimated net cost to government would be \$174.2 million (a fall of approximately \$4 million).
 - If, on the other hand, 75% were supported in group homes with the remaining 25% receiving high support packages, the total estimated net cost to government would rise to \$182.4 million (an increase of approximately \$4 million).

Day programs

The estimates provided in Table 2.7 show that there are likely to be 12,000 people (or equivalent full-time places), permanently unable to work, not studying, always needing help with at least one mobility, communication or personal care activity who have unmet demand for CSDA day support. Of these 1,600 (13%) need help in all three activities, and always with at least one (Group (P3)), 4,050 (34%) need help in two activities, and always at least one (Group (P2)) and the remaining 6,350 (53%) always need help with the one activity (Group (P1)). Table 2.7 suggests that these three groups should respectively receive high, medium and low day program support.

The estimated national costs estimates were: \$18,000 per annum for people with high-level support needs (Group (P3)); \$12,000 per annum for people with medium-level support needs (Group (P2)); and \$6,000 per annum for people with low-level support needs (Group (P1)).

As set out in Table 3.6, an average cost of \$18,000 for Group (P3) clients would cost a total of \$28.8 million annually; an average cost of \$12,000 for (P2) clients would require \$48.6 million and \$6,000 average for (P1) clients would total \$38.1 million. Thus the total estimated net cost to government of meeting unmet demand for day programs is \$115.5 million.

Table 3.6: Estimated net cost to government of meeting unmet demand for day programs

Level of assistance needed	Nature of service	Estimated number of people with unmet demand	Cost per person	Total cost
People needing help with 3 activities and always with at least 1 Group (P3)	Day program support – High	1,600	\$18,000	\$28,800,000
People needing help with 2 activities and always with at least 1 Group (P2)	Day program support – Medium	4,050	\$12,000	\$48,600,000
People always needing help with 1 activity Group (P1)	Day program support – Low	6,350	\$6,000	\$38,100,000
Total — people <i>always</i> needing help with at least 1 activity		12,000		\$115,500,000

Source: Tables 2.7, 3.4 and related discussion.

Total

The total estimated cost to government of meeting unmet demand for accommodation and support, respite and day programs is \$293.8 million, comprising \$178.3 million for accommodation, accommodation support and respite services and \$115.5 million for day programs.

The study does not estimate or cost any unmet demand for other CSDA service types.