

# DES Performance Framework and the future

Observations and thoughts

Viv Gugger

## DES Performance Framework and the future

Anyone who presents as an all knowing expert on DES Performance Framework is a worry

*Following are general observations and thoughts on the forthcoming iteration of DES and how performance may be impacted. Please seek tailored and specific advice on managing your business model for the challenging times ahead.*

## DES Performance Framework and the future

### What is the Performance Framework?

## DES Performance Framework and the future

# What known changes will impact on Performance?

### **Challenges:**

- *Funding Balance Service Fees to Outcome Fees from 60/40 to 50/50 and rebalancing*
- *Choice and Control / Mutual Obligations*
- *Unknown type and numbers of Competitors/No guaranteed market share/New cost structure to most providers – Job Seeker Marketing*
- *3 Client Funding Levels (DMS X 1, ESS X 2) have expanded to 10 (DMS X 5, ESS X 5)*
- *Client Funding Levels will impact on Income – Actual Categorisation not known*
- *Educational Outcome bar raised*
- *Lower Outcome Fees for Some Job Seekers, OGS Rates unchanged*

## DES Performance Framework and the future

# What known changes will impact on Performance?

### ***Lowered Challenge Improved Incentive***

- *Face to Face Contacts only required for first contact*
- *Out of ESA Registrations*
- *Higher Outcome Fees for Some Job Seekers*
- MIDL Rates risen
- Indexation
- *Higher Star Rating above Average may not impact as greatly on Business Growth*

# DES Performance Framework and the future

## What if / Meaning?

- *Rolling Ratings – Capture Period*
- *Model of Star Rating and Provider Management more attuned to Provider Turnover*
- *Indigenous KPI*
- *Referral to Commencements KPI*
- *Delayed information on new Performance Framework*
- *Part of the Current Performance Framework rolling into the Next DES Iteration*
- *Transitional Arrangements not defined*
- *NDIS Hiccups*

# DES Performance Framework and the future

## How will providers respond?

*The payment model will be adjusted to rebalance Government expenditure from the current split of 60 per cent Service fees and 40 per cent Outcome Fees to a new 50:50 split of Service Fees to Outcome Fees (at current levels of program performance). This **will provide stronger incentives for providers to support participants towards employment and to help them stay in employment.** As a result, service fees will be lower under the new model and **outcome fees will be higher** under the new DES model.*

Industry Information Paper June 2017

*DES program data suggests that the current funding model is too heavily weighted towards service fees. Approximately 60-70 per cent of total DES expenditure of around \$800 million per year is for services fees, which suggests that many current providers are managing to be financially viable by relying heavily on service fees and so **may be insulated from financial risk to their business associated with low achievement of outcomes***

New Disability Employment Services from 2018

# DES Performance Framework and the future

## How will providers respond?

- *rebalancing DES expenditure so more weighting is placed on achieving outcomes rather than service fees;*
- *introducing risk-adjusted outcome payments that reward providers proportionately for supporting harder-to-place participants into work;*

**Industry Information Paper June 2017**



## Current Program, new Bands

### National pattern of Participants Activity by Banding

	DMS			ESS		
	1-2	3	4-5	1-2	3	4-5
Participants	19%	25%	56%	23%	23%	54%
Commencements	27%	27%	47%	30%	25%	46%
O/Comes	42%	27%	30%	52%	23%	26%

## Current Program, new Bands

### National ratio of Commenced to Outcome by Banding

	DMS			ESS		
	1-2	3	4-5	1-2	3	4-5
Commencements	27%	27%	47%	30%	25%	46%
O/Comes	42%	27%	30%	52%	23%	26%
	<b>160%</b>	<b>102%</b>	<b>65%</b>	<b>174%</b>	<b>93%</b>	<b>56%</b>

## How will providers respond?

<b>DMS Funding Relativity</b>									
	<b>Service Fee 1</b>	<b>Service Fee 3</b>	<b>Synthetic JP</b>	<b>13 Wk Full Outcome</b>	<b>13 Wk Pathway Outcome</b>	<b>26 Wk Full Outcome</b>	<b>26 Wk Pathway Outcome</b>	<b>52 Wk Full Outcome</b>	<b>52 Wk Pathway Outcome</b>
<i>DMS 2017</i>	\$1,450	\$650	\$700	\$2,600	\$859	\$4,000	\$1,318	N/A	N/A
<i>DMS 1</i>	\$1,141	\$571	\$526	\$1,048	\$346	\$1,623	\$536	\$361	\$119
<i>DMS 2</i>	\$1,141	\$571	\$675	\$1,816	\$599	\$2,811	\$928	\$625	\$206
<i>DMS 3</i>	\$1,141	\$571	\$796	\$2,663	\$879	\$4,124	\$1,361	\$917	\$302
<i>DMS 4</i>	\$1,141	\$571	\$922	\$3,767	\$1,243	\$5,833	\$1,925	\$1,296	\$428
<i>DMS 5</i>	\$1,141	\$571	\$1,172	\$6,426	\$2,121	\$9,951	\$3,284	\$2,211	\$730
<i>DMS 2017 to DMS3</i>	79%	88%	114%	102%	102%	103%	103%	N/A	N/A

# DES Performance Framework and the future

## How will providers respond?

<b>ESS FL1 Funding Relativity</b>									
	Service Fee 1	Service Fee 3	Synthetic JP	13 Wk Full Outcome	13 Wk Pathway Outcome	26 Wk Full Outcome	26 Wk Pathway Outcome	52 Wk Full Outcome	52 Wk Pathway Outcome
<i>ESS FL1</i>	\$809	\$809	\$700	\$2,600	\$859	\$4,000	\$1,318	N/A	N/A
<i>ESS 1</i>	\$662	\$662	\$563	\$1,246	\$411	\$1,929	\$636	\$429	\$141
<i>ESS 2</i>	\$662	\$662	\$761	\$2,395	\$790	\$3,705	\$1,223	\$823	\$272
<i>ESS 3</i>	\$662	\$662	\$905	\$3,567	\$1,177	\$5,518	\$1,821	\$1,226	\$405
<i>ESS FL1 2017 to ESS3</i>	82%	82%	129%	137%	137%	138%	138%	N/A	N/A

# DES Performance Framework and the future

## How will providers respond?

<b>ESS FL2 Funding Relativity</b>									
	<b>Service Fee 1</b>	<b>Service Fee 3</b>	<b>Synthetic JP</b>	<b>13 Wk Full Outcome</b>	<b>13 Wk Pathway Outcome</b>	<b>26 Wk Full Outcome</b>	<b>26 Wk Pathway Outcome</b>	<b>52 Wk Full Outcome</b>	<b>52 Wk Pathway Outcome</b>
<b>ESS FL2</b>	<b>\$1,727</b>	<b>\$1,727</b>	<b>\$1,400</b>	<b>\$5,000</b>	<b>\$1,650</b>	<b>\$7,000</b>	<b>\$2,309</b>	<b>N/A</b>	<b>N/A</b>
<b>ESS 3</b>	<b>\$662</b>	<b>\$662</b>	<b>\$905</b>	<b>\$3,567</b>	<b>\$1,177</b>	<b>\$5,518</b>	<b>\$1,821</b>	<b>\$1,226</b>	<b>\$405</b>
<b>ESS 4</b>	<b>\$1,389</b>	<b>\$1,389</b>	<b>\$1,046</b>	<b>\$5,032</b>	<b>\$1,661</b>	<b>\$7,786</b>	<b>\$2,569</b>	<b>\$1,730</b>	<b>\$571</b>
<b>ESS 5</b>	<b>\$1,389</b>	<b>\$1,389</b>	<b>\$1,366</b>	<b>\$9,060</b>	<b>\$2,990</b>	<b>\$14,017</b>	<b>\$4,626</b>	<b>\$3,115</b>	<b>\$1,028</b>
<b>ESS FL2 2017 to ESS5</b>	<b>80%</b>	<b>80%</b>	<b>98%</b>	<b>181%</b>	<b>181%</b>	<b>200%</b>	<b>200%</b>	<b>N/A</b>	<b>N/A</b>

## DES Performance Framework and the future

# Risk Management for Operations?

### ***What If enough of this happened:***

- *A significant proportion of new provider entrants commence Job Seekers without thought to Outcome Rates – viability first;*
- *2 out of 3 of the big providers' performance plummets (say 15% of DES);*
- *A large proportion of providers took a cautious wait and see using Caseload sizes to buffer finances from drop in per unit service fee value;*
- *Providers come to See Star Ratings as a hurdle to jump to meet minimum requirements – business success comes from investing resources into Job Seeker Outreach rather than Job Seeker Outcomes.*
- *Tension between Choice and Control and Mutual Obligation results in lower motivational impact of EC's on Mutual Obligation Job Seekers*

# DES Performance Framework and the future

## Risk Management for Operations?

### **And, if:**

- *introducing risk-adjusted outcome payments that reward providers proportionately for supporting harder-to-place participants into work;*

Industry Information Paper June 2017

### **Would not then:**

- *The reduction of financial incentives for “easier to place” participants reduce the numbers of these being supported into work?*

# DES Performance Framework and the future

## Before EBITA

*Mr Micawber:*

*"Annual income twenty pounds, annual expenditure nineteen [pounds] nineteen [shillings] and six [pence], result happiness.*

*Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."*

**Charles Dickens, David Copperfield**



# DES Performance Framework and the future

## After EBITA

*Mr Micawber:*

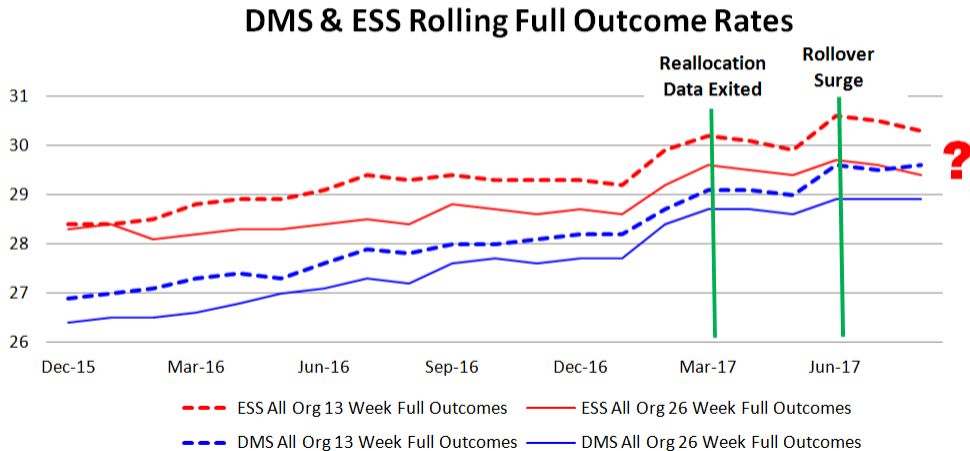
*Annual income \$40 - annual expenditure \$39.95 = happiness*

*Annual income \$40 - annual expenditure \$40.05 = misery*

**Charles Dickens, David Copperfield Abridged**

# DES Performance Framework and the future

Its mainly about what will happen to these?



## DES Performance Framework and the future

Will Standardisation stop this happening?

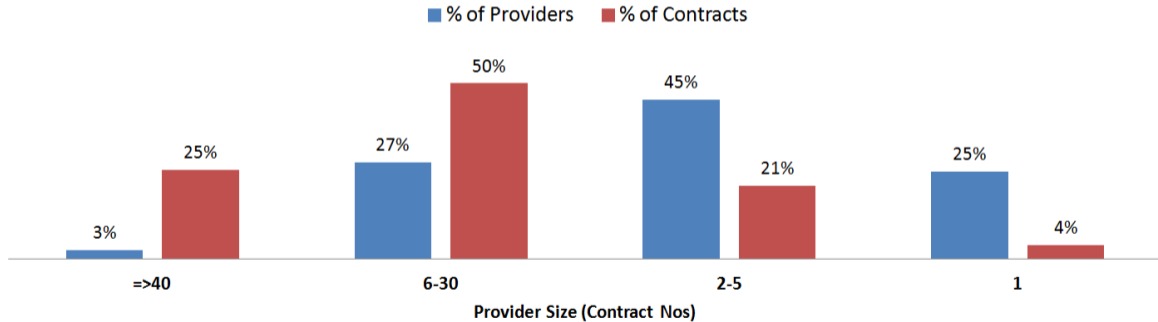
### JSA Rating March 2015

Star Score	Contract Nos	%	
<b>2 Star</b>	<b>31</b>	<b>6%</b>	
<b>3 Star</b>	<b>421</b>	<b>83%</b>	<b>94%</b>
<b>4 Star</b>	<b>50</b>	<b>10%</b>	
<b>5 Star</b>	<b>4</b>	<b>1%</b>	
	<b>506</b>		

# DES Performance Framework and the future

## Different Business Models

757 Rated DES Contracts June 2017 - Spread Amongs 117 Providers



# DES Performance Framework and the future

## Different Business Models

Program	Level	ESA Name	Speciality Description	Jun 17 - Star Rating
ESS	Site	Canterbury/Bankstown	(IQ<=60) - Moderate Intellectual Disability	5
ESS	Site	Central West Sydney	(IQ<=60) - Moderate Intellectual Disability	5
ESS	Site	Eastern Suburbs NSW	(IQ<=60) - Moderate Intellectual Disability	5
ESS	Site	Fairfield NSW	(IQ<=60) - Moderate Intellectual Disability	5
ESS	Site	Inner Sydney NSW	(IQ<=60) - Moderate Intellectual Disability	5
ESS	Site	Inner Western Sydney	(IQ<=60) - Moderate Intellectual Disability	5
ESS	Site	Liverpool NSW	(IQ<=60) - Moderate Intellectual Disability	5
ESS	Site	Macarthur NSW	(IQ<=60) - Moderate Intellectual Disability	5
ESS	Site	Nepean NSW	(IQ<=60) - Moderate Intellectual Disability	5
ESS	Site	Northern Sydney NSW	(IQ<=60) - Moderate Intellectual Disability	5
ESS	Site	Outer Western Sydney	(IQ<=60) - Moderate Intellectual Disability	5
ESS	Site	St George-Sutherland	(IQ<=60) - Moderate Intellectual Disability	5
ESS	Site	Calder VIC	(IQ<=60) - Moderate Intellectual Disability	5

# DES Performance Framework and the future

## MID Winner?

<b>ESS FL2 Funding Relativity - MIDL</b>								
	<b>Service Fee 1</b>	<b>Service Fee 3</b>	<b>Synthetic JP MIDL</b>	<b>13 Wk MIDL</b>	<b>26 Wk MIDL</b>	<b>FOS</b>	<b>MOS</b>	<b>HOS</b>
<i>ESS FL2</i>	<b>\$1,727</b>	<b>\$1,727</b>	<b>\$1,232</b>	<b>\$4,400</b>	<b>\$6,160</b>	<b>\$400</b>	<b>\$1,200</b>	<b>\$3,000</b>
<i>ESS 3</i>	<b>\$662</b>	<b>\$662</b>	<b>\$1,604</b>	<b>\$6,622</b>	<b>\$13,441</b>	<b>\$400</b>	<b>\$1,200</b>	<b>\$3,000</b>
<i>ESS 4</i>	<b>\$1,389</b>	<b>\$1,389</b>	<b>\$1,561</b>	<b>\$6,622</b>	<b>\$13,441</b>	<b>\$400</b>	<b>\$1,200</b>	<b>\$3,000</b>
<i>ESS 5</i>	<b>\$1,389</b>	<b>\$1,389</b>	<b>\$1,519</b>	<b>\$6,622</b>	<b>\$13,441</b>	<b>\$400</b>	<b>\$1,200</b>	<b>\$3,000</b>
<i>ESS FL2 2017 to ESS5</i>	<b>80%</b>	<b>80%</b>	<b>123%</b>	<b>151%</b>	<b>218%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# DES Performance Framework and the future

## Winners in the Short to Medium?

- *Providers with One DES Program Expanding to another in same ESA – New Job Seekers come into established cost Structure – including Staffing. Lost business share in one program offset by increased business in the other*
- *Providers with JA contracts in ESA – ability to leverage costs taken up in JA to build DES business.*
- *MID – Getting them into work – Increased cross subsidisation from outcome fees and MIDL Loadings self regulating numbers that can be supported in work ongoing?*
- *Providers with highly defined direct registration business models – community connection*
- *Innovators dealing with how costs can be managed differently under the new paradigm*
- *Providers willing to rebuild and optimise service models – fit for purpose*

## DES Performance Framework and the future

Reactive is not necessarily a bad Strategy

But don't get left behind,

“Those that learn the rules first & respond – Win”



# DES Performance Framework and the future

## DES Star Rating – What is it?

*relative assessment model:*

- **based on the performance of all DES providers.**
- **uses statistical regression methodology to calculate expected performance** that takes into account the different characteristics of each participant and the local labour market conditions.
- **enables a like for like comparison** between different DES provider contracts and sites nationally, even with different groups of participants and local labour market conditions. This also includes being able to compare between generalist and specialist services, as well as between different types of specialisations.

**Q&A Abridged**

# DES Performance Framework and the future

## DES Star Rating – Purpose?

- ***Participants to assess the comparative performance of different Providers in their local area***
- ***Providers to assess their Contractual performance and***
- ***the department to drive continual improvement in performance and to inform business review processes.***

DES Star Ratings Methodology Advice

# Outcome Fee Risk Rating?

***Will Star Ratings be risk-adjusted in the same way that Outcome Fees will be under the new risk adjusted funding model?***

*No. The principle of risk-adjusted funding model, is that outcomes for harder-to-place jobseekers, those with more severe barriers to employment, will be encouraged through better fee differentiation and a higher level of support from 1 July 2018.*

**Q&A**

## Outcome Fee Risk Rating?

**Step 1: Calculate Actual Performance**

**Step 2: Calculate Expected Performance**

**Step 3: Calculate Ratio of Actual Outcomes to Expected Outcomes**

**Step 4: Standardise the Ratios to Performance Measure Scores between 0 and 4**

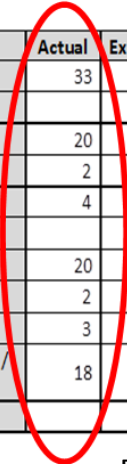
**Step 5: Calculate the Overall Performance Score**

**Step 6: Calculate the Star Percentage and Star Rating**

DES Star Ratings Methodology Advice

# DES Performance Framework and the future

## Outcome Fee Risk Rating?



Performance Measure	Actual	Expected	Ratio
Job Placements	33	28	1.20
13 Week Outcomes combined <sup>1</sup>			1.25
13 Week Full	20	16	
13 Week Pathway	2	1	
13 Week Bonus	4	4	
26 Week Outcomes combined <sup>1</sup>			1.33
26 Week Full	20	15	
26 Week Pathway	2	1	
26 Week Bonus	3	3	
52 Week Sustainability Indicator / JIJ	18	16	1.10
Ongoing Support			

## DES Performance Framework and the future

# JA Solution to Risk Rating of Job Seekers

Table 9: Stream and Overall Star Percentages and Star Ratings Worked Example

<b>Stream</b>	<b>Star Score</b>	<b>National Average</b>	<b>Comparison</b>	<b>Star Percentage</b>	<b>Star Rating</b>
Stream A	1.53	2.00	-23.5%	-23	2-Stars
Stream B	1.94	2.00	-3.0%	-3	3-Stars
Stream C	2.97	2.00	+48.5%	+48	5-Stars
<b>Overall</b>	<b>2.25</b>	<b>2.00</b>	<b>+12.5%</b>	<b>+12</b>	<b>3-Stars</b>

# DES Performance Framework and the future

## Contact Details

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