

## Draft only

Dear CEO

I am writing to advise you about the process which the Department of Health and Human Services (DHHS) will use to adjust your grant from the HACC Program for Younger People (HACC-PYP) as a result of the transition of some of your HACC clients to the National Disability Insurance Scheme (NDIS) during 2016-17.

This transition involves a significant change in funding arrangements and business processes. As you know, HACC-PYP allocates grants to providers on the basis of a service agreement setting out the agreed aggregate hours of service that will be paid at standard unit prices for each activity, plus any block grants. By contrast, when fully rolled out, the NDIS will pay registered providers in arrears for services delivered to individuals, on presentation of an invoice.

### **'In-kind' arrangements for HACC**

To facilitate providers' and clients' transition between these different funding arrangements, DHHS's approach will be to continue to pay HACC providers their monthly grant at its current level to deliver services to eligible clients aged less than 65 **throughout the phasing-in period in each DHHS Area, plus 3 months**. Payments will continue irrespective of the number of your clients (if any) who become NDIS participants, as long as you continue to deliver at least the same level of services to these individuals as they had been receiving before transition.

In the North East Melbourne area (NEMA) the in-kind period will run until 30 September 2017.

### **Monitoring**

As individuals become participants in the NDIS, DHHS will monitor each provider's delivery of services via the HACC minimum data set. Your organisation will continue to report via the quarterly HACC MDS, covering all clients under 65, including those who are making the transition to the NDIS. DHHS will provide you with regular data summaries on a quarterly basis showing the number of individuals who have become NDIS participants, and the estimated value of HACC services that they continue to receive in kind from your organisation.

### **Indicative grant reduction for 2017-18**

This letter is also to advise you about the indicative amount by which your HACC-PYP grant will be reduced from 1 October 2017. Before then, DHHS will review that amount and may adjust it, depending on any differences in the pattern of clients entering the NDIS, compared to DHHS's modelling, by the end of the phase-in period.

The expected reduction will be \$..... out of HACC-PYP base funding of around \$.... for 2017-18 (unindexed).

The expected \$..... grant reduction represents the 'full year effect' in 2017-18 of client transitions to the NDIS during 2016-17. Assuming that you have continued to provide in-kind services to NDIS participants during the 3 months July to September 2017, the reduction will total three-quarters of this amount (\$.....) during 2017-18. If that is not the case, the reduction will be the full amount, effective from 1 July 2017.

The reduction represents your organisation's share of the 'cashed out' value of all relevant HACC services to NDIS participants living in NEMA, as part of Victoria's contribution to the NDIS, which will total \$2.5 billion a year when the scheme is fully implemented.

#### **Transition to cash**

From 1 October 2017, the NDIA will pay registered providers cash on invoice for those services they continue to deliver to former HACC clients. If your organisation is a registered NDIS provider, and the client has nominated you as a service provider, you would be able to claim cash payments for all hours of service, including any additional services you provide to the participant above what the person was receiving in-kind as a HACC client.

If you are **not** a registered NDIS provider, the NDIA will work with you during the phase-in period to arrange for these clients to transition to a registered NDIS provider.

From 1 July 2017, HACC-PYP providers will continue to be funded by DHHS to deliver services to current clients who are **not eligible** for the NDIS, consistent with the department's commitment to funds stability for those clients over the period the NDIS rolls out in Victoria. Your DHHS service agreement and its HACC-PYP output targets for 2017-18 will be renegotiated accordingly.

#### **Other arrangements**

If some of your existing HACC clients become NDIS participants during 2016-17, and you cease to provide them with any services funded by the HACC-PYP, it will be necessary for you to discuss alternative arrangements with DHHS for reducing your HACC-PYP grant. This will enable DHHS to reimburse the NDIA for its expenditure on similar services delivered by alternative registered providers. The grant reduction can be made progressively during 2016-17.

Yours sincerely

**Jeannine Jacobson**

Assistant Director, HACC and Assessment