

Review of Disability Employment Services Outline of the Invitation to Treat process for Program B

On 7th April 2009, the Minister for Employment Participation, the Honourable Brendan O'Connor MP, announced the Government's final model for the new Disability Employment Services.

http://www.deewr.gov.au/Ministers/OConnor/Media/Releases/Pages/Article_090520_151303.aspx

The new model includes some important reforms:

- uncapping the programs to give all job seekers with disability access to the services they need to find work
- ongoing workplace support that is flexible and responsive to the needs of both job seekers with disability and employers
- simplified administration and reduced red tape for providers
- increased resources for remote and regional services, and
- a greater emphasis on education, training and skills development.

The new model replaces the existing four services with two distinct programs:

- Program A will provide services to job seekers with disability, injury or health condition who require the assistance of a disability employment service but are not expected to need long term support in the workplace.
- Program B will be available to those job seekers with a permanent disability, injury or health condition and who are likely to require more regular and long-term support in the workplace to retain their job.

The discussion paper provided details of the proposed purchasing arrangements for the new programs, including an Invitation to Treat (ITT) for existing high performing Disability Employment Network (DEN) Capped providers who wish to deliver new Program B services. The ITT will give high performing DEN Capped providers the opportunity to offer to deliver services under the Disability Employment Services Deed 2010–2012 without the need to tender.

The objective of the ITT is to minimise disruption for participants and employers receiving services from high performing DEN Capped providers. The current proposal is that the ITT be limited to DEN Capped as this is the only program delivering long-term support in the workplace.

Principles underpinning the ITT process include:

- Value for money – a key principle for all Australian Government procurement processes, encompassing concepts of efficiency, effectiveness and the best services available for job seekers and employers;
- Equity – the methods used to measure performance and calculate business share in the new Program B should operate equally across the DEN Capped provider group, so that particular contracting arrangements should neither benefit nor disadvantage individual providers;
- Fairness – as part of a broader purchasing process, conditions applying to the ITT will be consistent with the subsequent open tender; and
- Transparency – the method used to measure performance and to convert DEN Capped place allocations to a market share in the new Program B is clearly stated and available to all stakeholders for comment.

This consultation paper provides an overview of the ITT process. It also sets out the proposed methodology for calculating the business levels for which high performing DEN capped providers will be invited to treat in the new Program B (Attachment A). Feedback on the proposed methodology is welcome. Any comments should be sent to: DESReview@deewr.gov.au by close of business 3 June 2009.

Market share and business volume

For DEN Capped providers, implementation of the new Disability Employment Services will see a shift from an allocation of a fixed number of program places to business allocations based on market shares. The ITT methodology converts the current volume of business at high performing DEN Capped sites into a market share of the new Program B. The ITT market share methodology is underpinned by these basic concepts of market share and DEN Capped business volume:

- Market share in the new Program B will be offered at the Employment Service Area (ESA) level
 - Market share equates to a proportion of new job seekers referred to the program in an ESA. Direct registrations will not count towards market share
- DEN capped business volume is the number of capped places operating at a DEN Capped site as at 31 December 2008.
 - Only services delivered from registered DEN Capped sites assessed for star ratings will be included in the calculation of business volume.
 - Outreach services delivered from registered and star rated sites will be included.

Performance and star ratings

It is proposed that the ITT will apply to DEN Capped sites with a star rating of three stars and above. It is proposed to use the December 2008 DEN star ratings as the basis for the ITT. Time constraints mean it will not be possible to wait for the June 2009 ratings to be available.

Generating a more recent set of DEN star ratings specifically to use in the ITT has been considered. However, the performance of a number of providers may have been affected in the short-term by the local impacts of natural disasters including the Victorian bush fires and Queensland floods.

Places delivered through unregistered sites

In order to ensure the fairness of the ITT process, all sites included in the process must have been assessed individually for a star rating.

For a small number of providers currently delivering DEN Capped services from unregistered sites, no market share will be calculated for the places delivered at those sites.

For example, if a provider has 150 places allocated to service an ESA, but is delivering 30 of those places through either an unregistered site in that ESA or an unregistered site in another ESA, the number of places used to convert the DEN Capped business volume into a Program B market share in the ESA would be 120.

It is proposed that providers delivering some of their DEN Capped places from unregistered sites will have the option of having a separate star rating generated for the unregistered site. Once the services have received a star rating, these could also be included in the ITT process.

Translating DEN to Program B

It is anticipated that Program B will be larger than the existing DEN Capped.

The number of job seekers referred to each new program will depend on the number of eligible job seekers assessed and referred by Job Capacity Assessment (JCA) providers. It is expected, however, that job seekers who would currently be referred to DEN Uncapped will, in future, be shared between the two new programs. For the purposes of calculating market shares for the ITT, it has been assumed that 60% of the current DEN Uncapped commencements (equivalent to the proportion of DPIs 1 and 2 in DEN Uncapped) will in future be referred to Program A and 40% (equivalent to the proportion of DPIs 3 and 4 in DEN Uncapped) will be referred to Program B.

ITT market share calculations

For providers receiving an ITT, a Program B market share will be calculated for each ESA in which the provider is operating at a performance level of three stars or above. This calculation will take account of the provider's share of existing DEN Capped business delivered from registered sites rated three stars and above in the ESA. Conversion of this figure into a Program B market share will also take account of 40% of DEN Uncapped business in the ESA.

Attachment A provides an explanation of the proposed methodology for calculating ITT market shares.

Residual market share available for tender

The amount of Program B business that is awarded through the ITT process will vary in each ESA. All of the remaining Program B market share not awarded through the ITT process will be made available through an open tender.

Specialist providers

Specialist providers targeting their services to particular groups of job seekers will remain a feature of the new Disability Employment Services. DEN Capped providers receiving an ITT will be able to nominate whether they wish to be considered as a specialist provider and the nature of the specialisation. Providers will need to confirm that they are currently providing a specialist service at the 3 star and above rated site. As with generalist providers, specialists will need to have a market share allocation in each ESA in which they would like to deliver services.

Multiple sites in an ESA and multiple ESA caseloads

Where a provider has more than one DEN Capped site operating in an ESA, each site will be assessed separately. The ITT market share will be the combined total of services provided at 3 star and above sites. The ITT market share at the ESA level will not include any business attributable to sites operating below three stars or sites that have not received a star rating, or to places that are being utilised at sites that are not separately star rated or are outside the ESA.

In cases where a provider's caseload at a site includes job seekers drawn from outside the ESA, Program B market shares will be calculated separately in each of those ESAs based on the proportion of their caseload attributable to each. Job seeker residential addresses will be used for this assessment.

It will be a requirement under the Deed for new Program B that providers must, at a minimum, offer an outreach presence in each ESA where a market share is allocated. Once a market share is allocated, some activity tested job seekers may be required take up a program with a particular provider - for example, if all other providers with market share in the ESA are at their limit and do not have appointments available. Without a minimum outreach service offer, these job seekers might be required to travel unreasonable distances. Providers will need to specify the location/s and type/s of proposed service delivery sites as part of their response to the ITT.

New ESA boundaries

Consistent with the approach taken for Job Services Australia, new ESA boundaries will be adopted for Programs A and B. The new ESA boundaries align more closely with the Statistical Local Area boundaries used by the Australian Bureau of Statistics (ABS). This will allow better correlation of DEEWR and ABS data for use in performance management and policy development work. As part of the ITT process, providers receiving an ITT will be given information demonstrating how the ITT market shares have been calculated. The information will include how their current volume of DEN capped business and contracted ESAs under the existing ESA structure have been translated to the new ESA boundaries.

Acceptance of an ITT

Providers may receive an ITT to deliver Disability Employment Services Program B in one or more ESAs. Providers who receive an ITT may offer to deliver services in all ESAs identified in the ITT, or only in selected ESAs. Where a provider wishes to target their services only to clients with specific disability types, this will need to be identified in the offer for each ESA where this is the case. Providers may offer to deliver services to a market share less than that identified in the ITT. Where this is the case, the provider will need to identify the market share they are offering to service in each affected ESA.

ITT assessment process

The ITT assessment is a three stage process:

1. Assessment of performance

Invitations to Treat will be based on DEN capped sites rated at three stars and above for the performance period ending 31 December 2008.

2. Assessment of proposed coverage

ITT respondents will need to indicate:

- the location and availability of proposed service delivery sites or outreach services, and
- where a provider wishes to continue as a specialist, confirmation that specialist services are currently provided from the 3 star or above site.
- The department may decide not to accept an offer to deliver services where the proposed service delivery locations provide inadequate access for job seekers in the ESA concerned. A minimum of an outreach presence will be required in each ESA in which services are to be delivered. Recognition as a specialist provider will be subject to agreement by the department on the basis of the justification provided. A streamlined response to these questions will be sufficient in most cases.

3. Assessment of financial viability and credentials

ITT respondents must submit a completed Financial and Credentials Information Form with the response to the ITT, along with the relevant documentation required by the form. The form requests information and documentation which respondents should already have available to them, such as financial statements for previous financial years.

Assessment of financial viability will commence once the Financial and Credentials Information Form has been received by the department. ITT respondents must satisfy the department of their ongoing financial viability and any additional requirements as a result of the financial viability assessment.

The department may decide not to accept some or all of any offer to provide services should the ITT respondent fail to satisfy these requirements.

The financial viability assessment process will be finalised as part of the Request for Tender process for Disability Employment Services. ITT respondents tendering for additional business will not be required to re-submit a Financial and Credentials Information Form with the Request for Tender.

Ongoing performance monitoring

Regardless of the outcomes from the ITT process, it will be important for providers to remain focused on performance through to the conclusion of the existing DEN and VRS programs at the end of February 2010. The department will continue to monitor performance in relation to the requirements of the Disability Employment Network Funding Deed 2006-2009 and the Employment Services Contract 2006-2009 for Vocational Rehabilitation Services. This will include awarding star ratings for both June and December 2009. While December 2008 star ratings will be used for the ITT, later star ratings for both DEN and VRS will underpin the assessment of performance for the open competitive tender process.

Calculating Program B market shares for the Invitation to Treat

This attachment sets out the proposed methodology for calculating the market shares for which high performing DEN organisations will be invited to treat.

Feedback on the proposed ITT market share calculation methodology is welcome. Comments should be sent to DESReview@deewr.gov.au by close of business 3 June 2009.

Methodology

Market share for Program B will be defined in terms of a share of referrals to Program B in an Employment Service Area (ESA), exclusive of direct registrations. The proposed ITT market share calculation methodology uses a three stage calculation to convert the existing volume of DEN Capped business to a Program B market share:

- Firstly, for each high performing DEN Capped service, their share of existing DEN Capped business in an ESA is calculated based on each three star and above site's proportion of allocated capped places in the ESA:

$$\text{Organisation share of DEN capped in ESA} = \frac{\text{Organisation's capped places}}{\text{ESA capped places}}$$

- It is estimated that Program B will be larger than the DEN Capped stream. The second step adjusts the proportion of DEN Capped business to take account of this. The new model assumes that roughly 40% of job seekers who would previously have been referred to DEN Uncapped will in future be referred to Program B:

$$\text{DEN capped share of Program B in ESA} = \frac{\text{DEN capped places in ESA}}{\text{DEN capped places in ESA} + 40\% \text{ of DEN uncapped flow in ESA}}$$

- Finally, the organisation's ITT market share of Program B in an ESA is calculated by multiplying their share of the ESA's DEN Capped business by the estimated DEN Capped share of Program B in the ESA:

$$\text{Organisation ITT ESA market share} = \text{Org share of DEN capped in ESA} \times \text{DEN capped share of Program B in ESA}$$

Example 1

In an ESA with 160 DEN Capped places and two DEN Capped sites - Site A with 120 places and a three star rating, Site B with 40 places and a 2 star rating:

$$\text{Provider A's share of DEN Capped business} = \frac{120}{160} = 75\%$$

If there were 100 DEN Uncapped commencements in 2008:

$$\text{DEN Capped share of Program B in ESA} = \frac{160}{160 + (40\% \times 100)} = \frac{160}{200} = 80\%$$

Multiplying these together to produce Site A's Program B market share gives:

$$\text{Provider A's ITT market share} = 75\% \times 80\% = 60\%$$

Provider A would be invited to treat for 60% of the Program B market in the ESA. 40% of the Program B market would still be available for allocation through the tender process.

Example 2

In an ESA with 266 DEN Capped places across three providers, with one rated at three stars or above and 77 DEN Uncapped commencements in 2008, the ITT market share calculation is set out in the table below:

DEN capped provider	Star rating	Capped places	DEN uncapped comms in ESA (2008)	% of DEN capped business	DEN capped share of Program B	ITT market share	Residual mkt share available for tender
		(a)	(c)	(d) = a/b	(e) = b/(b+40%xc)	(f) = d x e	
Provider A	3	93	-	35%	-	31%	-
Provider B	2	54	-	20%	-	-	-
Provider C	2.5	119	-	45%	-	-	-
Total	-	(b) 266	77	100%	90%	31%	69%

In this example, Provider A would be invited to treat for 31% of the Program B market share in the ESA. 69% of the market would remain available for allocation through the tender process.

Example 3

In an ESA with 361 uncapped commencements in 2008 and with six DEN Capped providers operating eight sites, five of which are rated at three stars or above and a combined total of 598 places, the ITT market share calculations are set out below:

DEN capped provider	Star rating	Capped places	DEN uncapped comms in ESA (2008)	% of DEN capped business	DEN capped share of Program B	ITT market share	Residual mkt share available for tender
		(a)	(c)	(d) = a/b	(e) = b/(b+40%xc)	(f) = d x e	
Provider A site 1	3.5	11	-	2%	-	1%	-
Provider A site 2	2.5	75	-	13%	-	-	-
Provider B	1	63	-	11%	-	-	-
Provider C site 1	2.5	122	-	20%	-	-	-
Provider C site 2	4.5	83	-	14%	-	11%	-
Provider C site 3	3.5	57	-	10%	-	8%	-
Provider D	3.5	154	-	26%	-	21%	-
Provider E	2	33	-	6%	-	-	-
Total in ESA	-	(b) 598	361	100%	81%	41%	59%

ITT market shares:

Provider A:	1%
Provider C:	19%
Provider D:	21%

In this example, three providers (A, C & D) would be invited to treat for a total of 41% of the Program B market share in the ESA. Note that Provider A, with two sites in the ESA but only one of these rated three stars or above, would only be invited to treat for the market share related to the high performing site. Provider C, with two high performing sites would be invited to treat for a total of 19% of the ESA market share, reflecting the combined market share of the two high performing sites. 59% of the Program B market would remain available for allocation through the tender process.

Example 4

In this example, Provider A has a site located in ESA1 with 135 places, which is also contracted to provide services in the neighbouring ESA2. There are currently 82 clients from ESA1 being serviced at the site, 43 from ESA2 and 2 who are from an ESA the site is not contracted to service. For the purposes of the ITT, 92 places out of the 135 total will be attributed to services delivered in ESA1. This is comprised of the 82 places used by clients from ESA1 plus the 8 places currently vacant and the 2 filled by clients who are not from ESA1 or ESA2. All vacant places and places filled with clients from outside the contracted ESAs will be treated as belonging to the ESA where the site is located. 43 places will be attributed to ESA2 as this is the number of actual places filled with clients from that ESA. If there were 63 uncapped commencements in ESA1 and 95 in ESA2, the ITT outcomes for the ESAs would be as follows:

ESA	DEN capped provider	Star rating	Capped places	DEN uncapped comms in ESA (2008)	% of DEN capped business	DEN capped share of Program B	ITT market share	Residual mkt share available for tender
			(a)	(c)	(d) = a/b	(e) = b/(b+40%xc)	(f) = d x e	
ESA 1	Provider A	4	92	-	37%	-	34%	-
	Provider B site 1	2	120	-	49%	-	-	-
	Provider C	3	35	-	14%	-	13%	-
	ESA total	-	(b) 247	63	100%	91%	47%	53%
ESA 2	(Provider A)	(4)	43	-	17%	-	15%	-
	Provider B site 2	3.5	62	-	24%	-	21%	-
	Provider D	2.5	149	-	59%	-	-	-
	ESA total	-	(b) 254	95	100%	87%	36%	64%

ITT market shares:		ESA 1	ESA 2
	Provider A:	34%	15%
	Provider B:	-	21%
	Provider C:	13%	-
	Provider D:	-	-

In this case, Provider A would receive an ITT for a 34% market share in ESA 1 and a 15% market share in ESA 2. Provider C would also receive an ITT in ESA 1. Provider B would only receive an ITT for their high performing site in ESA 2. Under the requirements of Program B, Provider A would need to offer a minimum of an outreach service in ESA 2 for an offer to deliver services in both ESAs to be accepted.

Example 5

Where a provider is delivering services from a registered outreach site, those services will be included in the ITT calculation. In this example, Provider A has a total of 172 places allocated to service the ESA. A small number of these places are delivered through an outreach site that does not have any DEN capped places formally allocated to it. The table below sets out the calculations, assuming there were 187 uncapped commencements in the ESA during 2008:

DEN capped provider	Star rating	Capped places	DEN uncapped comms in ESA (2008)	% of DEN capped business	DEN capped share of Program B	ITT market share	Residual mkt share available for tender
		(a)	(c)	(d) = a/b	(e) = b/(b+40%xc)	(f) = d x e	
Provider A	4.5	153	-	57%	-	44%	-
Provider A outreach	(4.5)	19	-	7%	-	6%	-
Provider B	2	63	-	-	-	-	-
Provider C	3	35	-	13%	-	10%	-
ESA total	-	(b) 270	187	77%	78%	60%	40%

ITT market shares:	Provider A:	50%
	Provider B:	-
	Provider C:	10%

The ITT for Provider A includes all of the business being delivered via outreach.

Example 6

If a provider is delivering services in a neighbouring ESA but those services are being delivered from a site that has not been registered as a DEN Capped site and separately assessed for star ratings, the services at the unregistered site will not be included in the ITT. In this example, Provider C has a total of 162 places allocated to their site in ESA 1. Although contracted to deliver capped services to ESA2, it emerges that 33 capped places are being delivered from their DEN Uncapped site in ESA2, which is not a registered DEN Capped site. The places being serviced at the unregistered site are excluded from the ITT calculation as shown in the table below:

ESA	DEN capped provider	Star rating	Capped places	DEN uncapped comms in ESA (2008)	% of DEN capped business	DEN capped share of Program B	ITT market share	Residual mkt share available for tender
			(a)	(c)	(d) = a/b	(e) = b/(b+40%xc)	(f) = d x e	
ESA 1	Provider A site 1	3	143	-	41%	-	32%	-
	Provider B	1.5	76	-	-	-	-	-
	Provider C site 1	3.5	129	-	37%	-	29%	-
	ESA total	-	(b) 348	247	78%	78%	61%	39%
ESA 2	Provider A site 2 (Provider B)	5 (1.5)	52 43	-	25% -	-	22%	-
	Provider C site 2 (unregistered)	Not rated	33	-	-	-	-	-
	Provider D	4	82	-	39%	-	34%	-
	ESA total	-	(b) 210	78	64%	87%	56%	44%

ITT market shares:		ESA 1	ESA 2
	Provider A:	32%	22%
	Provider B:	-	-
	Provider C:	29%	-
	Provider D:	-	34%

Provider C would receive an ITT for the capped services delivered in ESA 1. However, they will not receive an ITT for services delivered from the unregistered site in ESA 2.