

# CMS Project: Stage 2 Report

## CMS Vendor Review

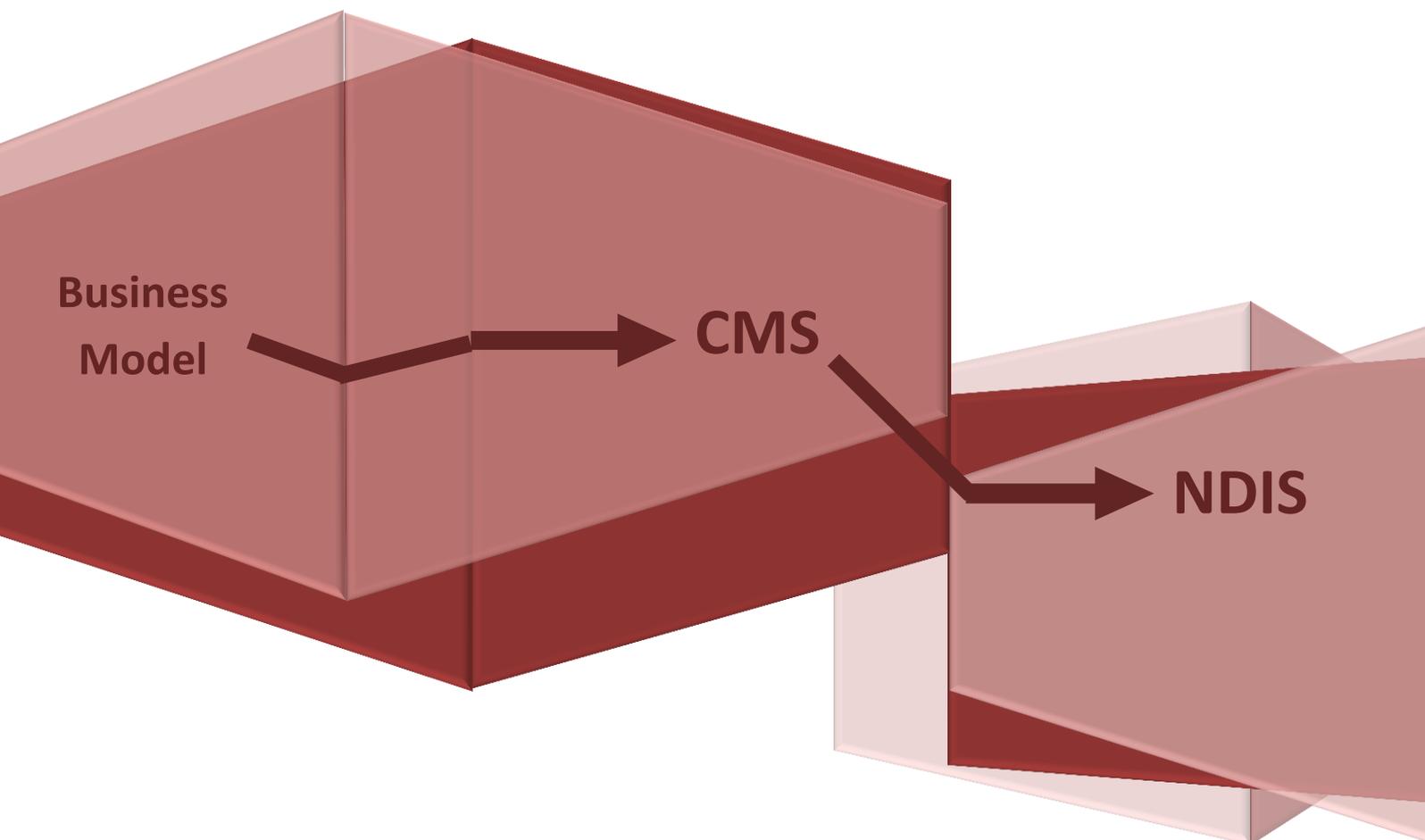
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## Executive Summary

The CMS Project was undertaken on behalf of four service providers with the primary goal of recommending a CMS/ERP system that will meet the requirements of their service models when they transition to the NDIS. An analysis was undertaken of current business models, including an analysis of the impact of the NDIS on the future strategic direction of these organisations. The findings of this analysis are documented in the CMS Project: Stage 1 Report.

The second stage vendor review process uncovered numerous CMS/ERP systems that can offer an NDIS solution to service providers. The Part 1 report established that the services provided by the traditional flexible respite provider align well with the person centred and flexible support philosophies of the NDIS. Any service provider intending to deliver flexible supports should therefore benefit from the findings of the Part 1 and Part 2 reports.

CIMSability was the CMS/ERP system recommended to the project participants. As with most vendors reviewed, this product is still in development phase, with new features programmed for development and release in the near future. The released version of CIMSability is, however, already providing a successful solution to service providers in the NDIS launch regions.

The CIMSability recommendation was arrived at after vendors were assessed against key criteria that were determined to be critical during the NDIS and business analysis stage of the project.

The first criteria was that the CMS/ERP data capture, financial transacting and reporting capabilities had to be suitable for the NDIS activity based model. The increased financial focus of the NDIS, with its efficient price model foundation, established a strong case for having a closely integrated CMS and ERP system. This close integration was considered essential for providing the measure, monitor and manage resources that will prove essential to remaining viable under the NDIS pricing model.

The second criteria was total cost of ownership and this proved to be the criteria that eliminated

many of the vendors from further review. The project participants are not large organisations and all have limited budgets available for investment in a CMS/ERP system. Some of the nice to have features available in more expensive systems had to be sacrificed due to budget limitations.

The third criteria established that the CMS/ERP integration, implementation and ongoing management requirements should be minimal. Generally, the project participants do not have access to internal skills that can manage complex integration requirements. This supported the selection of vendors who were able to provide an “out of the box” solution rather than a module solution requiring further integration and ongoing support.

The fourth criteria was that the CMS/ERP must have disability as its primary focus. Vendors with more generic products suitable to a broad range of industries were not considered as part of the in-depth review.

The fifth criteria was that the CMS/ERP vendor had to meet developer risk requirements. The project participants wanted a level of assurance that the vendor chosen would have the capacity to support their product well into the future.

More general criteria established that the CMS/ERP needed to be easy to use, including the ability to customise screens to filter out features that are not likely to be used by the operator.

Finally, the CMS/ERP had to have the capability of providing efficient offsite access to data through web access and mobile solutions. Having ready access to relevant data in community environments, including the ability to push support data for transaction purposes, was considered to be essential.

The review established that CIMSability met the key criteria and had progressed sufficiently in its development cycle to offer a solution that was ready for immediate roll-out. It is envisaged that as the NDIS model reaches maturity, and therefore vendor development schedules reach maturity, there will be many similarly suitable products on the market.

## Key Criteria 1 – Financial Transacting and Reporting Capabilities

### The NDIS as an Activity Based Model

The NDIS is an activity based model that requires service provider business models to move from a program centric/budget management model to a model where NDIS funded “products” are being sold at a negotiated unit rate to a market that is free to choose where they purchase their products.

The negotiated selling price per unit under the NDIS is not currently a rate determined by free market forces for all NDIS line items. The sell price, in many instances, is controlled by the funding body to deliver a price that has been determined according to a ground up pricing mechanism; the formula used ensuring that the resulting price is an “efficient price”.

The NDIS model places a much greater emphasis on the financial recording, monitoring and reporting requirements of the service provider. As the impact of this was better understood, the focus of the vendor review shifted towards CMS/ERP systems that could deliver a high level of financial functionality. Further details about the financial requirements of the NDIS and justification for the CMS/ERP system requiring strong financial functionality are provided at Appendix 1.

### Roster Functionality

The sensitivity to variations in labour costs, as discussed at Appendix 1, resulted in the rostering functionality of the CMS/ERP review process being a primary focus of the project. Roster views need to be available for program/site/resource planning purposes, staff planning purposes, and event scheduling purposes at the individual participant level.

- The program/site/resource planning view supports the efficient utilisation of these resources thereby lowering the unit cost component of delivering the service to each participant.
- The staff view supports the management of face to face billable time expectations

- The individual participant view supports flexible support scheduling and management.

Australian industrial relations laws, with their expensive penalty rates for service delivery outside ordinary hours of work, make the costed roster function a must have function for flexible service delivery. A costed roster implies that as an event or program is scheduled there is feedback available to the roster clerk to indicate what the cost of providing that program or individual event will be. For example, support provided to a person with disability to attend a 6pm movie session compared to a 9pm session will result in additional cost to the service provider that needs to be recovered from the participant. If the additional penalty labour cost is not recovered from the participant then the financial impact is significant.

Some vendors provide a costed roster solution by using standard rate tables incorporated into their software; the pay rates used being primarily the common award rates. This level of functionality was considered to be reasonable but still inferior to systems that were able to reference actual pay rates from the payroll system and systems that had the functionality to incorporate award interpretation into the costing solution.

*To provide a dynamic costed roster solution using actual pay rates paid to workers is best facilitated by a close integration between the CMS and ERP/Payroll systems.*

### Customer Relationship Management Data

The appropriate CMS/ERP system for the project group also needed to have the capability of capturing Customer Relationship Management (CRM) data. The ability to maintain contact lists, support customer/contact communication requirements and facilitate event/fundraising management requirements were considered to be key features essential for running an activity based business model. Most systems reviewed had a level of CRM data capture capability that was suitable to the needs of the project participants.

## Key Criteria 2 - Total Cost of Ownership

The size of project participants and their available financial resources limited the amount they had available to spend on a CMS/ERP system. Identifying a vendor that could deliver complex functions such as dynamic costed rosters within budget expectations was a significant challenge for the project. Many vendors offered appropriate solutions; unfortunately they were cost prohibitive and they often required further expensive integration with third party software applications such as payroll systems and accounting/ERP systems.

*The project participants set a budget of one hundred thousand dollars as a guide to cover the costs of the initial licence, installation/ configuration and training.*

Some vendors were eliminated early on the basis that their initial entry cost was well above this budget expectation whilst others offered a reasonable entry cost, however, it quickly became apparent that there would be significant further development and configuration costs to get the required functionality and integration with other necessary applications.

The project remained focussed on achieving the essential functionality established through the business analysis process. This meant that some of the nice to have features available in more expensive systems unfortunately had to be sacrificed.

The budget limitation set, whilst minimal when compared with what larger organisations are prepared to spend on their systems, remains a significant spend for the project participants. The project assessed the likely return on investment for the proposed outlay and established that a four year payback period would be acceptable.

With the large increase in transactions required by the NDIS, the anticipated savings in administration labour delivered by an efficient CMS/ERP was calculated and the results showed that the return on investment/payback period expectations should be met.

## Key Criteria 3 – Implementation, Integration and Ongoing Management

The direct participants in the project, as a general rule, do not have the internal resources and skills to deliver and manage a CMS/ERP solution that requires significant levels of integration. Where further development or integration was required, the vendors were considered unsuitable for the project participants.

Most disability industry focussed CMS systems have been adapted to provide NDIS transaction recording, claiming and reporting functionality. This is achieved through internal data tables and formula functionality that aligns with NDIS requirements. The NDIS claims process is not an overly complex process; the choice of appropriate line items and the filling in of quantity of units (normally hours) providing the base information to calculate the claims to be made through the NDIA portal.

NDIS transaction functionality becomes more complex when the NDIS transaction information needs to be delivered to ERP/Accounting software through an integration process. Staff skills required to deliver this integration process are generally higher with the basic bookkeeping function intensifying from being a data entry focussed process to a data integrity checking and adjusting process.

Where the CMS is integrating to a program such as MYOB, the bookkeeper has the benefit of being familiar with the accounting software but also has to be aware of the integration process steps required to get one system to provide accurate data to the other. If the integration is pushed one way (ie from the CMS to the ERP/Accounting software), the integration steps are not generally overly difficult; accuracy and process step discipline being the primary requirement to ensure that complex error correction processes are not subsequently required. Where CMS/ERP integration is two-way then the level of complexity in administering such integration processes grows.

Adopting an integrated “module model” as above also creates the need to maintain the synchronisation of some data tables. For example, a CMS will maintain a table of customer

related data and so will the accounting software. These tables need to be kept synchronised to avoid embarrassing situations such as sending correspondence and financial documents to two different addresses. Where both sets of tables are maintained independently then this synchronisation process may require time consuming manual reconciliation processes, as despite the best intentions of staff, there will be circumstances where only one table gets updated.

*The CMS project participants preferred vendors that delivered an “out of the box” solution that did not require significant integration development and maintenance.*

## **Key Criteria 4 – Disability Industry**

### **Focus**

#### **NDIA Claims Function**

As an activity based model, with the requirement to support multiple financial transactions with the NDIA, it was important for vendors to have developed a proven and reliable NDIA claims mechanism. From the vendors’ perspective, this claims capability needs to be flexible as the NDIA software development process is itself very dynamic at present. The NDIA will always be the more rigid partner in any integration partnership with vendors, vendors expected to develop to NDIA expectations and demands.

#### **Industry Award Interpretation**

The “industry focus” key criteria also encapsulate the requirement for integrated payroll solutions to provide award interpretation support based on common disability industry awards. This was particularly important in regards to providing a dynamic costed roster solution.

#### **Planning and Outcome Management**

The capacity building outcomes framework utilised by the NDIS supports the need for the CMS to have a specific disability industry focus. The recent change in planning support expectations of service providers creates a requirement for the service provider to easily transpose the participants plan into the CMS. Management of the achievement of participant

milestones and goals will be essential for supporting the service provider’s reputation for being able to provide quality outcomes. It will also be critical to the participant’s ongoing funding support.

Service providers will need to have access to tools that can push pre-programmed alerts to support workers reminding them of milestone expectations, can coordinate planning review meetings and support participant and carer interaction with the goal achievement processes.

*Only vendors with a primary focus on delivering a CMS/ERP solution that aligns with the requirements of the NDIS were considered to be suitable for the project participants.*

## **Key Criteria 5 - Developer Risk**

The vendor review process highlighted that vendors are busy with the development phases of their products and to date are still in a “promising” stage of their development rather than a delivery stage. This required a level of assessment to be made on the capacity, or potential of the developer, to be able to deliver what they are promising for the future. Some small vendors have appeared in the market hoping to capitalise on the sudden interest in CMS products. Other small vendors continue to develop their products for their existing small base of clients.

The vendor review process was quick to eliminate any vendors considered to be too small as this provided a potential risk that they would not be able to capture a sufficient share of the market and therefore unable to support ongoing development to an appropriate level.

*Vendors with a strong user base were given preference over smaller vendors or vendors in a start-up phase of development.*

## **Key Criteria 6 - Ease of Use**

The business analysis process identified that the providers involved in the project had capable administration staff that were proficient in the use of products such as MYOB, Excel and Word.

Most employed staff at bookkeeper level to fulfil their financial transaction requirements and contracted the services of a qualified accountant/auditor to meet their accounting compliance requirements.

Most vendors provided a client database interface that was intuitive to use, provided relevant information on a participant's home screen and provided the ability to customise screens to a staff member's preferences. Transitioning from traditional Excel based data systems to the new CMS system is not expected to require an extensive amount of training for service provider staff.

At the commencement of the project, there was a preference to maintain existing Accounting software, most of the participants using MYOB as their preferred accounting and payroll applications. Being able to stay with such applications would have been preferred, such software being familiar to the admin staff allowing them to concentrate on the management of the CMS system. Unfortunately, the integration complexities and criticality of having a system that could support the NDIS activity based model resulted in the decision to move away from this preference.

ERP/Accounting systems, with the required level of functionality to meet the requirements of the NDIS are by nature more complex to use than applications like MYOB, Reckon and Xero. This transition will require the skills level of the ERP administrators and users to increase and this will require extensive training for most of the project participants staff.

Whilst providing a more complex accounting system, the CIMSability solution was considered to be acceptable with Microsoft NAV providing a familiar Microsoft look and functionality. Most administration staff employed in the participating organisations are proficient in the use of Microsoft products such as Excel, Word and Outlook and should be capable of making the transition to the Microsoft NAV ERP after appropriate training.

## **Key Criteria 7 – Efficient Offsite Access to Data/Mobile Solutions**

The NDIS incorporates a philosophy that encourages delivery of support in the community or mainstream services. As the NDIS matures, and participants choose more flexible supports, support workers will need access to critical data in diverse off-site environments.

This requires all relevant data to be held in a single repository that can be accessed through convenient portal solutions. The storage of conveniently accessible data is of course the primary function of a CMS and it was difficult to distinguish any one vendor providing a superior product to another. Equally, most vendors were also able to provide off-site access to this data and could incorporate a mobile solution with varying levels of functionality and integration.

Mobile solutions were found to be at varying levels of development, but most appeared to be able to offer a level of underpinning functionality sufficient to allow pushing of information to support workers (roster information, support requirements etc) and capture of data for billing and payroll processing purposes.

*The value proposition offered by vendors in regard to their offsite access to data and the availability of mobile solutions was not sufficiently different to be able to rank one product as being more suitable than another.*

### **Recommended Product**

CIMSability was the recommended CMS/ERP for the direct participants in the project. The unique feature of this product is its ability to provide a dynamic costed roster function within the budget criteria set by the participating organisations.

CIMSability provides an “out of the box” solution that has been developed from a ERP base and incorporates the majority of functionality required for effective management of participant data under the NDIS. Whilst the CMS and ERP systems have been developed as relatively independent products, the integration requirements have already been completed and the one vendor

accepts responsibility for supporting both products, including future upgrade requirements.

CIMSability also demonstrated a growing customer user base that provides the confidence to participating organisations that this product will continue to be developed for the sector for many years to come.

The ERP capabilities of this product are considered to be greater than what is presently required by the relatively small participant service providers; however, the capacity for this product to grow with participating organisations as they venture into new service delivery opportunities or undertake alternative revenue raising activities was considered to be an important value proposition.

The disability industry focus of this vendor (all of their customers are providing disability services) ensures that the functionality of the product will remain focussed on the requirements of an organisation operating under the NDIS funding model.

## Summary

The broad range in size of organisations, and scope of services delivered, means that no one vendor product will suit all providers. It must be kept in mind that this report has been prepared to deliver the findings of a project that was specific to the requirements of small to medium service providers currently delivering flexible respite services.

The project provided the resources for the project participants to engage in a process that analysed their current business models, considered their future strategic direction under the NDIS and delivered a gap analysis that highlighted the preferred CMS/ERP resource for their NDIS future. This extensive process delivered the recommendation that CIMSability is the preferred CMS/ERP system for the project participants based on the established criteria that was relevant to their needs.

Whilst the reported findings may be of assistance to many service providers, it is recommended that they should not be adopted by any service provider without undertaking a similar analysis of

current business models and future NDIS strategic direction.

There are many good vendor products on the market that can meet the requirements of service providers at varying levels of cost and functionality. CMS/ERP development is progressing rapidly for the industry and the NDIS model is in a state of constant change which means that the findings of this report could be out of date in a relatively short period and this should also be considered prior to adopting any of the findings of this report.

## Appendix 1 – Justifying the Financial Functionality Requirements of a CMS/ERP System

### *Direct Labour Cost Variation Sensitivity*

The NDIS pricing model, with its ground up pricing formula, will prove to be the key driver of future strategies aimed at remaining sustainable under the NDIS. A price determined by specific cost expectations requires a service provider to adjust their business models to ensure that their costs align with the expectations of the NDIS.

The efficient price model provides very clear guidance on what the NDIS expectations are. For many products, including the products that traditional flexible respite providers intend to deliver, direct costs are expected to be approximately 86%, indirect costs expected to be approximately 9%, leaving a surplus expectation of 5% to support future capacity building, innovation and to cover risk.

For NDIS products that support participation in the community, labour costs form the total of the 86% direct cost component of the efficient price formula. This direct labour component includes the support worker cost to provide the support plus the cost of coordination based on a span of control ratio of one coordinator for every eighteen support workers.

The 86% direct labour cost expectation incorporates important formula elements that will need to be measured and closely monitored. These elements are:

- The average classification for a support worker needs to be close to Classification 2 Pay Point 3 and a coordinator Classification 3 Pay Point 3.
- A support worker needs to charge as face to face billable time at least 95% of their time for standard needs participants and 90% for complex needs participants.
- As mentioned above, the span of control needs to be at least one coordinator to eighteen support workers.

The NDIS model's extreme sensitivity to any variation in direct labour costs will ensure that the

above formula elements will need to be measured accurately and monitored closely to ensure long term sustainability.

### *Other Direct Costs*

For products that come under the Community Participation category, any direct costs other than direct labour costs will need to be recouped from the 9% indirect cost allowance. Typical direct/indirect costs currently incurred by most program centric service providers are the cost of centres/head offices, the cost of transport and other program specific material and contractor costs. Such costs will be difficult to recover from the 9% indirect cost and service providers will need to monitor them closely to remain viable.

### *Activity and Transport Costs*

The NDIS model has provision for funding certain activity costs; however, it is not expected that paying for regular attendance at program centric activities will meet the "reasonable and necessary" criteria built into the relevant line items. This means that some activity costs may need to be billed to and recouped from the participant requiring additional financial transacting and payment recovery processes.

Equally, some transport costs may be recouped from the mobility allowance that has now been incorporated into the NDIS model; however, it is not expected that this funding will be sufficient to allow a service provider to recoup the full cost of a regular pick-up and drop-off service and the service provider may need to recoup a cost supplement from the participant.

If service providers are required to recover some of the costs of delivering programs, activities and transport from the participants then the financial impact of this needs to be measured and closely monitored. The sustainability of such services will be impacted by factors such as the efficient utilisation of the assets employed; inefficient management of this function resulting in under recovery of costs and/or a non-competitive price for the service. KPIs that measure the efficient utilisation of resources will be critical under the NDIS model and once again a measure, monitor and manage process will need to be catered for by the CMS/ERP system.