National Disability Insurance Scheme: new deal for people with a disability

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This presentation has been prepared for the Actuaries Institute 2015 ASTIN and AFIR/ERM Colloquium. The Institute Council wishes it to be understood that opinions put forward herein are not necessarily those of the Institute and the Council is not responsible for those opinions.
UN Convention on Rights of People with a Disability¹

**Purpose** Full and equal enjoyment of all human rights and fundamental freedoms by all persons with disabilities,
CDRP Principles

1. Respect for inherent dignity and individual autonomy of people with disabilities
2. Non-discrimination
3. Full and effective participation and inclusion
4. Respect for difference & acceptance
5. Equality of opportunity
6. Accessibility
7. Equality between men and women;
8. Respect for the evolving capacities of children with disabilities
NDIS early stages

Disability Interest Group²
(included John Walsh)

1. National Disability Insurance Scheme to deliver care and support for life for people with severe and profound disability using an individualised and lifetime approach

2. A strong income support system, and

3. A range of measures to enable increased private contributions
Productivity Commission 2011³

- John Walsh Associate Commissioner
- Reported in 2011
- Proposed an NDIS
  - Reasonable and necessary supports
  - Based on individuals’ needs
  - No income or assets test
  - State based injury schemes to stay
NDIS Act 2012

- Bi-partisan support (which continues)
- To commence in pilot sites in 2013
- Full rollout 2016-19
- Run by Commonwealth agency: NDIA
- Many States to vacate field
- WA not committed, but has State based alternative (NDIS My Way model)
Unmet demand for disability support

• 460,000 estimated eligible for NDIS
• 317,600 used disability services in 2011-12
• Unmet need impacts on people with a disability, carers and families
• NDIS will double available support
• Result will be greater equity plus economic benefits as people with a disability and current carers will be more likely to join the workforce
Person centred approach

• Movement developed over 40 years
• Increasingly the approach in the UK, NZ and other countries
• Australian approach builds on initiatives in WA (long established), Victoria and other States
The pathway for a ‘participant’
A new model

**Old**

- **Government agencies**
  - Contracts
  - Funding & reporting
- Capped funding
- Limited choice
- Limited control

**New**

- **NDIA**
  - Plan & budget
- Individualised funding
- Choice and control
- Supports not programs

**Programs**

- Program 1
- Program 2
- Program 3

**Service delivery**

**Support**

- Support
- Support
- Support
Supports included in NDIS

- Person centred supports will necessarily be broad based
- Supports that will promote inclusion in the community and the workforce are essential inside the NDIS
- Increasing use of ‘reference packages’ and WHO’s WHODAS 2.0 assessment tool (assesses difficulty)
Administration

• National Disability Insurance Agency: Commonwealth
• Many States and Territories aiming to vacate the field, including government operated services (not SA, WA)
The performance to 30 June 2015

- 17,303 approved plans
- Average annualised package cost $38,400
- ‘The first 24 months of scheme experience indicates that overall costs of the scheme are in line with expectations’
- Care with results to date because of mix of clients in trial sites
- In short, all is on track with a lot of experience gained
## Approved Plans 30 June 2015

<table>
<thead>
<tr>
<th>State</th>
<th>Total</th>
<th>Indig</th>
<th>CALD</th>
<th>M</th>
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<td>4,605</td>
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<tr>
<td>TAS</td>
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<td>WA</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>17,303</strong></td>
<td><strong>4%</strong></td>
<td><strong>4%</strong></td>
<td><strong>64%</strong></td>
<td><strong>36%</strong></td>
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## Supports included in approved plans

<table>
<thead>
<tr>
<th></th>
<th>Economic Participation</th>
<th>Education</th>
<th>Health/Wellbeing</th>
<th>Independence</th>
<th>Living Arrangements</th>
<th>Social Participation</th>
<th>TOTAL</th>
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<td>NSW</td>
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<td>3,141</td>
<td>1,483</td>
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<td>48</td>
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<td>WA</td>
<td>355</td>
<td>338</td>
<td>542</td>
<td>886</td>
<td>180</td>
<td>971</td>
<td>1,199</td>
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<td><strong>Total</strong></td>
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<td><strong>6,019</strong></td>
<td><strong>9,735</strong></td>
<td><strong>12,976</strong></td>
<td><strong>4,074</strong></td>
<td><strong>13,599</strong></td>
<td><strong>17,303</strong></td>
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</table>
Principles: social insurance

• Unusual in Australia: Medicare, workers compensation
• Universal, no income or assets tests
• Usual approach is rationed, budget limited services
Objectives of Social Insurance

• Efficiency
• Supporting living standards
• Reduction of inequality
• Social integration
• Administrative feasibility

(Barr, 1998)
Woodhouse Principles

NZ Accident Compensation Scheme/
National Compensation Inquiry (1974)

- Community responsibility
- Comprehensive entitlement
- Complete rehabilitation
- Real compensation
- Administrative efficiency
NDIS Insurance Principles

• Risk pooling
• Reasonable and necessary entitlement
• Active outcome management
• Actuarial cost estimation: claim frequency x claim size: macro-modelling is complex
• Independent prudential governance: Governments are sole funder
• Longitudinal real-time data and reporting by a scheme actuary: statistics a key issue

Walsh J, 2014
Financing

- Commonwealth collects the DisabilityCare Australia (DCA) levy, 0.5% of taxable income; approx 25% reserved for States
- Commonwealth/State agreements provide for the States to make payments to the Commonwealth to offset NDIS expenses
# 2015 Budget: NDIS expenses\textsuperscript{10,11}

<table>
<thead>
<tr>
<th></th>
<th>Total expenses $M</th>
<th>States’ share $M</th>
<th>Cwlth share $M</th>
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<tr>
<td>2014-15</td>
<td>629</td>
<td>265</td>
<td>364</td>
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<td>2015-16</td>
<td>1,079</td>
<td>491</td>
<td>588</td>
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<tr>
<td>2016-17</td>
<td>4,331</td>
<td>2,096</td>
<td>2,235</td>
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<tr>
<td>2017-18</td>
<td>11,785</td>
<td>5,961</td>
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<tr>
<td>2018-19</td>
<td>19,202</td>
<td>9,300</td>
<td>9,902</td>
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# DCA Fund: Commonwealth share

<table>
<thead>
<tr>
<th>Year</th>
<th>DCA levy Cwlth share $M</th>
<th>NDIS expenses Cwlth share $M</th>
<th>DCA Fund Earnings $M</th>
<th>DCA Fund Cwlth surplus $M</th>
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<tbody>
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<td>2014-15</td>
<td>2,687</td>
<td>364</td>
<td>58</td>
<td>2,381</td>
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<tr>
<td>2015-16</td>
<td>2,864</td>
<td>588</td>
<td>176</td>
<td>4,833</td>
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<tr>
<td>2016-17</td>
<td>3,008</td>
<td>2,235</td>
<td>261</td>
<td>5,867</td>
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<tr>
<td>2017-18</td>
<td>3,158</td>
<td>5,824</td>
<td>227</td>
<td>3,428</td>
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<tr>
<td>2018-19</td>
<td>3,328</td>
<td>9,902 (see below)</td>
<td>86</td>
<td>Nil</td>
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# DCA Fund: States’ share\(^1\)\(^1\)(\$m)

<table>
<thead>
<tr>
<th>Year</th>
<th>DCA levy States’ share $M</th>
<th>Payments to States(^1) $M</th>
<th>DCA Fund Earnings(^2) $M</th>
<th>DCA Fund Surplus(^3) $M</th>
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<tr>
<td>2014-15</td>
<td>825</td>
<td>0</td>
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<td>846</td>
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<td>2015-16</td>
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<td>2018-19</td>
<td>947</td>
<td>1,813</td>
<td>140</td>
<td>2,502</td>
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# Commonwealth NDIS Expenses and Available Funds, 2018-19 ($m)

<table>
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<tr>
<th>Estimated Commonwealth expenses</th>
<th>9902</th>
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<tbody>
<tr>
<td><strong>Financed by:</strong></td>
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<tr>
<td>DCA levy income 2018-19</td>
<td>3,328</td>
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<tr>
<td>Accumulated SPP repayments</td>
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<tr>
<td>Estimated Commonwealth offsets (AGA)</td>
<td>2,550</td>
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<tr>
<td><strong>Sub-Total</strong></td>
<td>6,031</td>
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<tr>
<td><strong>Net requirement</strong></td>
<td>3,871</td>
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<tr>
<td>DCA Fund surplus (Commonwealth share)</td>
<td>3,428</td>
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<tr>
<td>DCA Fund earnings (Commonwealth share)</td>
<td>86</td>
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<tr>
<td><strong>Sub-Total</strong></td>
<td>3,514</td>
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<td><strong>Funding requirement (Commonwealth)</strong></td>
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</table>
Commonwealth NDIS Expenses and Available Funds, 2019-20^{10,11,12} ($m)

<table>
<thead>
<tr>
<th>Estimated Commonwealth expenses</th>
<th>10,686</th>
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<td><strong>Financed by:</strong></td>
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<tr>
<td>DisabilityCare Australia levy</td>
<td>3,592</td>
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<tr>
<td>Offsets (AGA)</td>
<td>3,500</td>
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<tr>
<td><strong>Sub-Total</strong></td>
<td>7,092</td>
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<tr>
<td><strong>Net Commonwealth Financing Requirement</strong></td>
<td>3,594</td>
</tr>
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</table>
Financing Summary: Commonwealth

- Commonwealth has substantial surpluses to 2016-17
- Accumulated surpluses cover 2017-18
- Small net financing requirement in 2018-19
- $3.5 billion requirement in 2019-20
Some NDIS issues

1. People with complex needs
2. Injury
3. Service providers
4. National disability services statistics
People with Complex Needs

• Need NDIS and mainstream services: housing, health, education, employment
• Mainstream services are budget limited, in high demand
• Risk of cost shifting to NDIS
• Participants will need assistance, advocacy, ‘wrangling’ to obtain necessary mainstream and NDIS services
Injured people in the NDIS

• National Injury Insurance Scheme
• At least a ‘catastrophic’ no fault scheme in each jurisdiction (NSW has Lifetime Care scheme the benchmark)
• State compensation systems continue, notably common law claims for other injuries
• Rehabilitation and mainstream services may be included, so more generous coverage for some, but administrative complexity and uncertainty
• NDIS subsidiary to NIIS
Why retain Fault based Compensation

PC Report\(^3\) Ch 17 gave an excellent summary of the reasons to get rid of fault

- Uncertain
- Slow
- Expensive
- Disincentive to rehabilitation
- Lump sums: inadequate or too much

Arguments have been made for 40 years
NZ abolished common law compensation in 1974
The no-fault system can provide the same support and care services for 19 per cent lower costs than a fault system.

The no-fault system can deliver nearly 33 per cent more services than the fault-based system for the same price.
Law Council 2014

No change in lawyers’ pro fault position

• ‘All catastrophically injured individuals should receive appropriate quality care and support;
• Common law is the most efficient and cost-effective means of determining compensation for injury;
• One scheme is better than two – it would be more effective to simply bring all cases under the NDIS, and allow parties who may have a common law claim to proceed thereby preventing further costs falling to the NDIS’

Source: Law Council of Australia\textsuperscript{14}
NDIS Impact on Service Providers

- Seller of support, not government funded
- Marketing skills essential
- Billing and collection systems needed
- Working capital requirement
- Pricing: currently set by NDIA, inadequate for quality service
- Possible new entrants, including for profits
National Disability Services Statistics

- National data under Disability Services Agreement
- National minimum data set (NMDS), collated by AIHW (support needs, living arrangements)
- Supply can be linked to demand (ABS)
- NDIS not providing data to AIHW, not using NMDS
- So AIHW collection will fade away
- Need a national agreement to ensure data collection and independent public reporting
References

2. The Way Forward, Disability Investment Group, Commonwealth Govt, 2009
3. Disability Care and Support, Productivity Commission, 2011
6. NDIA, Quarterly Report to COAG Disability Reform Council 1 July 2013 to 30 June 2015
8. National Rehabilitation and Compensation Scheme Inquiry, AGPS, 1974
11. 2015 Budget Papers, Commonwealth of Australia, 2015
12. NDIS Costings – Review by the Australian Government Actuary, Commonwealth Treasury, April 2012
14. Law Council Of Australia, Submission to Treasury Regulation Impact Statement National Injury Insurance Scheme