

## National Disability Insurance Scheme (NDIS) Costs Study

### Key Points

- At the time of the PC's 2017 Costs Study, the National Disability Insurance Agency's (NDIA) was projecting that the scheme would cover **475 000 participants** and cost **\$22 billion** when fully rolled out
  - The NDIA's estimates used a more refined methodology than we had used in 2011 but were broadly consistent with the Commission's 2011 modelling which estimated the NDIS would cover **411 000 participants** and cost **\$13.6 billion** (gross) at maturity, after accounting for wage and population growth and the cost of participants aged over 65 years (participants over 65 years were not included in the Commission's 2011 estimates).
- We supported the NDIA's approach to projecting scheme costs and hence **did not revise the scheme cost projections in 2017** (our updated estimates came within 1 per cent of NDIA's projections)
- Based on the trial and transition data, we found scheme costs were broadly on track with NDIA's long-term modelling (although this was in part because not all committed supports were being used).
- However, a number of emerging **cost pressures** were identified, including:
  - higher than expected number of children entering the scheme
  - lower than expected participants (particularly children) exiting the scheme
  - no slowing in the number of potential participants approaching the scheme
  - increasing package costs over and above the impacts of inflation and ageing
  - a mismatch between benchmark package costs and actual package costs.
- At the time, the NDIA had **initiatives to address these cost pressures**, including the Early Childhood Early Intervention approach for children aged 0-6 years and the use of reference package data in the planning process to reduce variability in the level of support provided to participants. At the time of the review, it was too early to assess the effectiveness of the initiatives.
- The **eligibility criteria** for the NDIS were broadly in line with what the Commission recommended in 2011, with **two exceptions** — the inclusion of supports to undertake activities of learning or social interaction, and the inclusion of developmental delay in the early intervention criteria. Both these allowed more people to qualify for individualised supports under the NDIS than the Commission included when costing the scheme.
- We noted that the interface between the NDIS and other disability and mainstream services was critical for participant outcomes and the financial sustainability of the scheme. We found that some disability supports were not being provided because of unclear boundaries about the responsibilities of the different levels of government.
- On the **funding arrangements** for the NDIS, we said they needed to provide funding certainty and allow the scheme to operate in line with insurance principles. This required: sufficient funding for the NDIA to take a lifetime approach to participants needs and support requirements; predictable funding that gave people with disability (and those who may acquire a disability) certainty that they would receive reasonable support over their lifetime; incentives for the NDIA to operate the scheme efficiently and effectively; and incentives for governments to take a collaborative approach to mainstream interfaces.

## Background

Almost all the scheme design set out in the Commission's 2011 inquiry, *Disability Care and Support*, is incorporated into the current scheme.

The PC review of NDIS costs was undertaken in 2017 to inform the final design of the full scheme (the scheme was scheduled to be rolled out nationally by 2019-20).

The 2019 Tune Review of the NDIS noted: "When considering feedback about the NDIS, it appears that the vast majority of issues are operational in nature or are a lingering effect of the transition from state and territory disability systems. That is to say, the NDIS Act and its accompanying Rules are broadly fit for purpose.". In effect, the problems have been in the execution, not the model overall.

The Australian Government rolled out the scheme more rapidly than we recommended in the 2011 PC report (by one year), which led to some of its considerable administrative and teething problems, though the PC itself underestimated the amount of time it would take to develop a scheme as complex as the NDIS. The PC intended the scheme to be fully operational by 2018-19, but notwithstanding its earlier commencement under its revised implementation, this was not achieved until one year later.

There have been numerous problems in the **implementation** of the NDIS, including:

- limitations in its ICT system
- unstable governance
- getting an experienced workforce — critical to the scheme
- slowness in enrolment that then led to a rush to provide plans over the phone (ill-suited to the purpose of planning – a finding of the PC's 2017 Inquiry into NDIS Costs)
- using Local Area Coordinator Partners in a way that did not meet the original intent of helping participants connect to services in their community and build the capacity of the community for such interactions
- fraud by some suppliers
- concerns about uptake amongst various eligible people with disabilities (such as those with a psychosocial disability)
- the burgeoning number of cases going to the AAT about what constitutes a reasonable support (up from a low of 0.34% of participants to 1.55% from Sept 2020 to Dec 2021).

### The **PC's forecasts of costs and participation proved to be mixed in accuracy**

- The scheme costs were significantly higher than the mean forecast by the PC in 2011. However, as discussed in the PC 2017 report on NDIS costs, the actual and estimated costs are closely aligned. This reflects that the costs per participant in the base year were reasonably well estimated, but not the growth factors.
- The number of participants when the scheme was fully rolled in 2019-20 was also reasonably well estimated by the PC report – 411,000 (PC) cf 392,000 (Actual), BUT it has continued to grow beyond the original PC report's expectations. It is now at over 500,000 which is line with the new forecast of numbers in the subsequent PC 2017 report on costs.

Both major parties ruled out a further levy to fund the NDIS in the 2022 election campaign.