Investing in people with disability: Financing and costs of the NDIS
Wednesday 4 June 2014
Welcome
Professor Piet de Jong, Macquarie University
Costs of the NDIS: Emerging scheme experience
A/Prof Leonie Tickle, Macquarie University
Why analyse emerging experience?

• Payments are needs-based and not known in advance
  – Scheme meets “reasonable and necessary” support needs of individuals with a permanent disability

• Continuous monitoring of experience is vital ... actuarial control cycle

• Trial sites: opportunities for early learnings
  – NSW Hunter region: Ages 0-64 in Newcastle (then Lake Macquarie from 2014, Maitland from 2015)
  – Victoria Barwon region: Ages 0-64
  – South Australia: Ages 0-5 (0-14 by 2015/16)
  – Tasmania: Ages 15-24
How to interpret emerging experience?

• Total cost depends mainly on number of participants and support costs for each participant

• Quarterly Reports by Scheme Actuary (Scheme Actuary, 2013, 2014) compare actual with expected based on:
  – Bilateral agreements
  – Actuarial model: Productivity Commission (2011) costing plus 2011 census data to attribute costs to trial sites, and allowance for participants in large residences
Expected number and annual package cost
(to 31 March, all sites)

Source: NDIS Scheme Actuary (2014). Third quarterly report
(some figures estimated)
Expected number and annual package cost
(to 31 March, all sites)

Source: NDIS Scheme Actuary (2014). Third quarterly report (some figures estimated)
Expected number and annual package cost
(to 31 March, all sites)

Source: NDIS Scheme Actuary (2014). Third quarterly report (some figures estimated)
## Expected number and annual package cost

(to 31 March, all sites)

<table>
<thead>
<tr>
<th>Number Range</th>
<th>Annual Package Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>200,000+</td>
<td>100,000</td>
</tr>
<tr>
<td>100,000-200,000</td>
<td>50,000</td>
</tr>
<tr>
<td>50,000-100,000</td>
<td>10,000</td>
</tr>
<tr>
<td>10,000-50,000</td>
<td>&lt;10,000</td>
</tr>
<tr>
<td>&lt;10,000</td>
<td></td>
</tr>
</tbody>
</table>

Source: NDIS Scheme Actuary (2014). Third quarterly report (some figures estimated)
Early experience – first quarter results (to 30 Sept 2013)

• Fewer participants than expected (except Tas)
• Higher average annual package cost than expected:
  – actual: $46,300
  – expected: $35,000 (PC, 2011), slightly less for the trial sites
National disability insurance scheme faces $5 billion cost blowout  
SMH, 21 Nov 2013

The national disability insurance scheme could cost billions of dollars more than expected… [The cost of] plans completed in the first three months of the scheme was $46,290, more than 32 per cent higher than the $34,969 average cost modelled by the Productivity Commission… If this trend was replicated across the 460,000 people the scheme is expected to cover when it is fully rolled out, it would add more than $5 billion to the annual cost of the scheme.

NDIS trial costs blow out by 30 pc: scheme hits $46,000 a head  
The Australian, 29 March 2014

Costs on the pilots for the new national disability care program blew out by as much as 30 per cent in the first six months, hitting $46,000 a person, punching a hole in the May budget and threatening billion-dollar hits in the years ahead. The blowout in the national disability insurance scheme is part of the “shocking” turnaround from the surplus Labor predicted for 2017-18 to a $32 billion deficit that Joe Hockey revealed to state treasurers yesterday.
Recent experience –
third quarter results (to 31 March)

• Fewer participants than expected (except Tas)
• Declining cumulative average annual package cost:
  – $46,300 (first quarter)
  – $40,500 (second quarter)
  – $34,000 (third quarter)
Expected number and annual package cost
(to 31 March, all sites)

Source: NDIS Scheme Actuary (2014). Third quarterly report (some figures estimated)
Actual and expected number and cost to 31 March

Source: NDIS Scheme Actuary (2014). Third quarterly report (some figures estimated)
Average annual package cost can be misleading

• High average annual package cost initially due at least in part to:
  – Fewer low-cost participants than expected, which increases average cost
  – Pattern of phase-in of participants
  – “Some of this decrease will be due to the operational reforms introduced in January which aimed to provide further guidance around reasonable and necessary supports” (Scheme Actuary 2014 Q3, pg. 5)

• Considering only average package cost is misleading
Overall emerging experience to date

• It’s still early days... just over 1% of ultimate participants

• To date, fewer eligible participants than expected:
  – 6,434 (94% of bilateral target, 77% of actuarial model)
  – large increase in approved plans in Feb and March
  – fewer low-cost participants

• To date, average costs broadly in line with expected (but interpret with caution)

• Total cost for 2013/14:
  – $177.8 million committed for approved plans
  – $106.8 million 2013/14 (70% of funding envelope)
Experience by site to 31 March

Source: NDIS Scheme Actuary (2014). Third quarterly report (some figures estimated)
Possible sources of increased costs

1. Change in eligibility boundaries and interpretation of “reasonable and necessary supports”
2. Risk that complementary systems (health, education, aged care, employment, transport) will shift costs to NDIS
3. Ensure a competitive market for service provision to contain costs

Bruce Bonyhady (2013)
References


• NDIA Scheme Actuary (2013). Quarterly Report to COAG Disability Reform Council, 31 December 2013, 2013/14 quarter 2


The “I” in NDIS
Peter Martin, Australian Government Actuary and NDIS Reviewing Actuary
The National Disability Insurance Agency must....

... manage the **financial sustainability** of the scheme ...

... by adopting an **insurance-based approach**, informed by actuarial analysis.
# Financial risk management toolkit

<table>
<thead>
<tr>
<th>Tool</th>
<th>Insurer</th>
<th>NDIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set premiums</td>
<td>yes</td>
<td>not directly</td>
</tr>
<tr>
<td>Policy wordings</td>
<td>yes</td>
<td>operational guidance</td>
</tr>
<tr>
<td>Reinsurance</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>Underwriting</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>Reserving, capital</td>
<td>yes</td>
<td>maybe</td>
</tr>
<tr>
<td>Claims management</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>IT systems</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Control cycle approach</td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>
Control cycle approach

<table>
<thead>
<tr>
<th>Insurer</th>
<th>NDIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimate claims cost distribution</td>
<td>Estimate claims cost distribution</td>
</tr>
<tr>
<td>Arrange reinsurance, set prices</td>
<td>Manage claims</td>
</tr>
<tr>
<td>Manage claims</td>
<td>Analyse experience</td>
</tr>
<tr>
<td>Analyse experience</td>
<td>intervene</td>
</tr>
<tr>
<td>intervene</td>
<td>Manage claims</td>
</tr>
<tr>
<td>Analyse experience</td>
<td>intervene</td>
</tr>
</tbody>
</table>
Financial sustainability

Participants are satisfied that they are able to buy enough supports

AND

Contributors think the cost is affordable and worthwhile
The NDIA must seek to achieve good participant outcomes at the lowest possible long-term cost to the taxpayer.
Financing the NDIS: What we know after the 2014 Budget
Prof Richard Madden, University of Sydney
Senator Fifield, Assistant Minister for Social Services

15 May 2014 Media release:

• ‘The Coalition has always supported the NDIS and will deliver the NDIS in full.
• ‘The Treasurer’s Budget fulfilled the Coalition’s commitment to delivering the National Disability Insurance Scheme’.

19 May ABC:

• ‘We are delivering the National Disability Insurance Scheme in full’.
NDIS: complex inter-governmental financing

Previous disability service funding was easy to follow:

<table>
<thead>
<tr>
<th>2011($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cwlth own spending</td>
</tr>
<tr>
<td>Cwlth payment to States (SPPs)</td>
</tr>
<tr>
<td>States own spending</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

NDIS is more complex

- All spending is by Commonwealth
- States make payments to Commonwealth
- Repayments of portion of SPPs to Cwlth
- DisabilityCare Australia (DCA) levy
  - 0.5% of taxable income from 1 July 2014
  - $825M (indexed at 3.5%) reserved for States
  - States share paid out over time
  - Levy is paid into DisabilityCare Australia Fund, which is invested
2013-14 Budget NDIS paper

DisabilityCare Australia

May 2013

2014 Budget

• No paper similar to 2013
• To understand NDIS finances, all the Budget papers need to be examined carefully
• The analysis that follows seeks to unravel a complex set of payments over the years covered by the Forward Estimates (2014-15 to 2017-18)
• Concludes with estimate of 2019-20 payments (full rollout)
• 2018-19 situation can only be discussed in general terms
## 2014 Budget: NDIS Expenses

<table>
<thead>
<tr>
<th></th>
<th>Total expenses(^{(1)}) $M</th>
<th>States’ share $M</th>
<th>Cwlth share(^{(2)}) $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>673</td>
<td>265</td>
<td>408</td>
</tr>
<tr>
<td>2015-16</td>
<td>1,105</td>
<td>491</td>
<td>614</td>
</tr>
<tr>
<td>2016-17</td>
<td>4,196</td>
<td>2,096</td>
<td>2,100</td>
</tr>
<tr>
<td>2017-18</td>
<td>11,161</td>
<td>5,961</td>
<td>5,200</td>
</tr>
</tbody>
</table>

**Table 1**

Source: (1) 2014-15 Budget Paper No 1, Statement No 6, Table 9.2

(2) 2014-15 Budget Paper No 1, P6-27
# DisabilityCare Australia (DCA) levy

## Table 2

<table>
<thead>
<tr>
<th>Year</th>
<th>Total DCA levy Income $M</th>
<th>States’ share $M</th>
<th>Cwltth share $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>3,540</td>
<td>825</td>
<td>2,715</td>
</tr>
<tr>
<td>2015-16</td>
<td>3,790</td>
<td>854</td>
<td>2,936</td>
</tr>
<tr>
<td>2016-17</td>
<td>3,972</td>
<td>884</td>
<td>3,088</td>
</tr>
<tr>
<td>2017-18</td>
<td>4,163</td>
<td>915</td>
<td>3,248</td>
</tr>
</tbody>
</table>

**Table 2**

Source:
(1) 2014-15 Budget Paper No 1, Statement 5, Table 8 (25% of Medicare and DisabilityCare Australia Levy)
(2) 2014-15 Budget Paper No 3, P 52
# 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(^{(1)})</th>
<th>DCA Fund Cwlth surplus $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>2,715</td>
<td>408</td>
<td>58</td>
<td>2,365</td>
</tr>
<tr>
<td>2015-16</td>
<td>2,936</td>
<td>614</td>
<td>176</td>
<td>4,863</td>
</tr>
<tr>
<td>2016-17</td>
<td>3,088</td>
<td>2,100</td>
<td>268</td>
<td>6,119</td>
</tr>
<tr>
<td>2017-18</td>
<td>3,248</td>
<td>5,200</td>
<td>257</td>
<td>4,424</td>
</tr>
</tbody>
</table>

*Table 3*

Notes: (1) DisabilityCare Australia Fund earnings assumed at 5% pa
## DCA Fund: States’ share

<table>
<thead>
<tr>
<th>Year</th>
<th>DCA levy States’ share $M</th>
<th>Payments to States $M</th>
<th>DCA Fund Earnings $M</th>
<th>DCA Fund Surplus $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>825</td>
<td>Nil</td>
<td>21</td>
<td>846</td>
</tr>
<tr>
<td>2015-16</td>
<td>854</td>
<td>83</td>
<td>62</td>
<td>1,679</td>
</tr>
<tr>
<td>2016-17</td>
<td>884</td>
<td>207</td>
<td>101</td>
<td>2,457</td>
</tr>
<tr>
<td>2017-18</td>
<td>915</td>
<td>317</td>
<td>138</td>
<td>3,193</td>
</tr>
</tbody>
</table>

**Table 4**

Source: (1) Budget Paper No 3, P 52 (includes allocation for WA)

(2) DisabilityCare Australia Fund earnings assumed at 5% pa

Note: (3) Notional States’ share, but held by Commonwealth
SPP repayments to Commonwealth

Commonwealth-State NDIS Launch Agreements specify that the States will repay a portion of their Disability related SPPs as the NDIS is rolled out.

<table>
<thead>
<tr>
<th>Year</th>
<th>Repayments¹ $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>21</td>
</tr>
<tr>
<td>2015-16</td>
<td>61</td>
</tr>
<tr>
<td>2016-17</td>
<td>71²</td>
</tr>
<tr>
<td>2017-18</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: (1) Bilateral agreements for NDIS Launch
(2) ACT and NT agreements did not specify repayments
### Annual Net Income (for Commonwealth Budget)

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual NDIS ‘surplus”</th>
<th>DCA Fund</th>
<th>SPP</th>
<th>Net income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DCA Cwlth (Table 3) $M</td>
<td>DCA States (Table 4) $M</td>
<td>Earnings (Tables 3&amp;4) $M</td>
<td>Repayment (Table 5) $M</td>
</tr>
<tr>
<td>2015-16</td>
<td>2,322</td>
<td>771</td>
<td>238</td>
<td>61</td>
</tr>
<tr>
<td>2016-17</td>
<td>988</td>
<td>677</td>
<td>369</td>
<td>71</td>
</tr>
<tr>
<td>2017-18</td>
<td>-1,952</td>
<td>598</td>
<td>395</td>
<td>NA</td>
</tr>
</tbody>
</table>

*Table 6*
### NDIS surpluses

<table>
<thead>
<tr>
<th>Year</th>
<th>DCA Fund Cwlth $M</th>
<th>DCA Fund States $M</th>
<th>Repayments SPPs $M</th>
<th>Total $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>4,863</td>
<td>1,679</td>
<td>61</td>
<td>6,603</td>
</tr>
<tr>
<td>2016-17</td>
<td>6,119</td>
<td>2,457</td>
<td>71</td>
<td>8,647</td>
</tr>
<tr>
<td>2017-18</td>
<td>4,424</td>
<td>3,193</td>
<td>NA</td>
<td>7,617</td>
</tr>
</tbody>
</table>

*Table 7*
2018-19: no detailed information available

• No current estimate of NDIS expenses
• Estimate $16,000M ($11,200M in 2017-18)
• Say 50% Cwlth ($8,000M)
• Cwlth has
  – DisabilityCare Australia Fund surplus ($4,424M) plus SPP repayments ($153M) previously received
  – DisabilityCare Australia levy income 2018-19 ($3,400M estimated)
  – Total approximately $8,000 M
• So there need be no net financing requirement in 2018-19
• But no surplus will be carried into 2019-20
# 2019-20 Budget: A different picture

First year of full rollout

<table>
<thead>
<tr>
<th></th>
<th>Cwlth ($M)</th>
<th>State ($M)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure financed by</td>
<td>10,648</td>
<td>10,040</td>
<td>20,688</td>
</tr>
<tr>
<td>Offsets</td>
<td>3,500</td>
<td>6,951</td>
<td>10,451</td>
</tr>
<tr>
<td>DisabilityCare levy</td>
<td>3,595</td>
<td>980</td>
<td>4,575</td>
</tr>
<tr>
<td>New funding</td>
<td>3,553</td>
<td>2,109</td>
<td>5,662</td>
</tr>
</tbody>
</table>

Table 8

Notes: See next slide
Notes on 2019-20

- Expenditure: Cwlth/State agreements, WA added pro rata
- Offsets: AGA report estimates for 2018-19, escalated by 3.5%
- DisabilityCare levy: States fixed, Cwlth: 2016-18 estimated growth
- New funding: By difference
2013-14 Budget: the 2019/20 NDIS cake
Risk

• States’ NDIS contribution are defined in the Agreements
• Contribution are capped
• Commonwealth will cover all additional NDIS costs
• So all risk is with the Commonwealth
  – Contribution of mainstream services is essential
  – Mainstream services are mainly State (hospitals, community health, education, housing, justice)
  – Commission of Audit proposals need consideration in this light
Recommendation 16: The National Disability Insurance Scheme

The National Disability Insurance Scheme is a worthy scheme with widespread community support. The Commission recommends the Commonwealth continue to support the introduction of the National Disability Insurance Scheme, but that the scheme be implemented in a way which is fiscally sustainable by:

a. pursuing a slower phasing in of the scheme recognising that this will require the re-negotiation of bilateral agreements with the States;

b. amending governance arrangements to make the National Disability Insurance Agency a prescribed agency under the Financial Management and Accountability Act 1997, with the Chief Executive Officer directly accountable to the Minister;

c. exercising budget control to ensure long-term financial viability;

d. implementing contracting arrangements with the informal (not-for-profit) sector or other disability services bodies, including those operating in existing State schemes, to ensure contestability in the delivery of services to people with disabilities; and

e. simplifying reporting arrangements to ensure transparency in the cost and efficiency of the delivery of disability services between the States.
Summing up: 2014-15 to 2019-20

- DisabilityCare Australia levy from 1 July 2014
- DCA Fund has significant surpluses through to 2017-18, including unallocated States’ share
- DCA Fund surpluses are available to substantially reduce, possibly eliminate, 2018-19 financing task for Commonwealth and States
- Financing task required in full in 2019-20 if DCA balance is exhausted in 2018-19
- 2018-19 and 2019-20 Budgets are key events for NDIS financing
- Research, analysis and fine tuning are essential in the next 4 years
Thank you

Centre for Disability Research and Policy
www.sydney.edu.au/health_sciences/cdrp/
Email: richard.madden@sydney.edu.au
Challenges and opportunities for service providers
Gordon Duff, Executive Officer, National Policy Research Unit / Centre for Applied Disability Research, NDS
Outline

• Planning and preparing for the new world
• Challenges…
  ➢ Where’s my workforce?
  ➢ Where’s the evidence about what works?

• Latest intelligence - learning from providers

• Opportunities
  ➢ Goodbye ‘confusopoly’
An enabling environment...?

- A lot more people using self directed models, with brokerage support
- All or most of the large residences have closed
- The disability sector is increasingly a career of choice
- Policy and service delivery framework underpinned by rights
- NDIS provides for viable long term funding model based on projected need, over the life course
- A sector growing in social innovation influence, and contribution
- Sector is enabled to develop social capital through a) sensible regulatory framework (ACNC or its equivalent); National Compact (2010)
- An emerging disability services market is lubricated by reliable, independent data and research / evidence about ‘what works’
A threatening environment?

- Prices do not reflect **markers of quality**
- Economies of scale and scope matter more, driving sector consolidation, limiting choice
- Competition vs **collaboration**
- Branding and marketing vs **evidence about value, outcomes**
- Sector **leadership** and senior management **talent**
- Workforce challenges remain unresolved
- Lessons of marketisation from elsewhere not understood and applied to **market stewardship**
- ‘Competitive neutrality’ impedes or erodes **the good stuff**
Planning for plausible futures

Uncertainty

Today

Possible futures

1. A B C
2. B C D
3. C F G
Australia is an inclusive country where people with disability, their families and carers have the same opportunity to participate and contribute as other citizens.

People with disability have access to information to make informed choices.

A range of services that are responsive, innovative, high quality, financially sustainable and cost effective.

A strong focus on supporting people with disability in the community.

Genuine partnership between governments, non-government organisations, the community and people with disability, their families and carers.

Preparing for the new world

| People with disability at centre of service delivery | Understand and be responsive to the preferences of existing and potential consumers |
| People with disability are living the lives they choose | Have strong connections with local communities |
| People with disability receive support from a skilled workforce | Work with family carers (where appropriate) as partners |
| NGOs are efficiently operating in a competitive market | Be an employer of choice |
| NGOs are effective and accountable | Have access to an adequate supply of appropriately skilled workers |
| NGOs are efficiently operating in a competitive market | Know the costs of providing services and manage costs effectively |
| NGOs are effective and accountable | Have sound risk management systems and policies |
| Be well-governed and have good leadership | Have effective operating systems |
| Be well-governed and have good leadership | Have the skills to manage change well |
| Be accountable to stakeholders | Measure and communicate the benefits provided |
Workforce challenges

• Doubling the size of the workforce
• Building a workforce with the right skills and attitudes
• Maintaining workforce quality and standards in the face of growing demand for labour
• Ensuring attractive working conditions while meeting consumer demand for flexibility
• Getting data to inform workforce planning
• Maintaining organisational culture, professional boundaries and WHS compliance as service delivery evolves
• Supporting the large unpaid ‘workforce’ of carers
• Resolving issues about direct employment by consumers
Tensions

• Balance the choices of participants with a decent job for workers
Tensions

• Balance the choices of participants with a decent job for workers
• Domination by a few large players or opportunities for new models and diversity of choice
Tensions

• Balance the choices of participants with a decent job for workers
• Domination by a few large players or opportunities for new models and diversity of choice
• Being an employer of choice working in an increasingly competitive environment
Tensions

- Balance the choices of participants with a decent job for workers
- Domination by a few large players or opportunities for new models and diversity of choice
- Being an employer of choice working in an increasingly competitive environment
- Dignity of risk and risk management
Tensions

• Balance the choices of participants with a decent job for workers
• Domination by a few large players or opportunities for new models and diversity of choice
• Being an employer of choice working in an increasingly competitive environment
• Dignity of risk and risk management
• Early intervention or uncoordinated service inputs
Tensions

• Balance the choices of participants with a decent job for workers
• Domination by a few large players or opportunities for new models and diversity of choice
• Being an employer of choice working in an increasingly competitive environment
• Dignity of risk and risk management
• Early intervention or uncoordinated service inputs
• Striking the balance between the right to self determination and independence with safeguarding, particularly for highly vulnerable people
Tensions

• Balance the choices of participants with a decent job for workers
• Domination by a few large players or opportunities for new models and diversity of choice
• Being an employer of choice working in an increasingly competitive environment
• Dignity of risk and risk management
• Early intervention or uncoordinated service inputs
• Striking the balance between the right to self determination and independence with safeguarding, particularly for highly vulnerable people
• Mandating qualifications or drive to the bottom on skills and training
Employer of Choice – key attributes

- Track consumer preferences to inform service and job design
- Maintain safe workplace
- Develop leadership at all levels
- Optimise utilisation / security through partnership and / or technology
- Combine Wage and non wage rewards
- Track and Respond to Employee Engagement
- Demonstrate Outcomes / Community Embeddedness

Employer of choice
They’re coming...
What has been learnt: providers

Client data validation is an important task but comes with a transactional cost
• who was active and receiving what type of supports- providing this to individuals and NDIA

A clear understanding of current contractual agreements in terms of
• who was covered under block grant arrangements
• what were the agreed notional unit costs
• who will manage variation discussions

Understanding new NDIA service supports catalogue language takes a shift in thinking
• how do current service offers align
• what new supports are available

Preparation for registration requires internal coordination and gathering of evidence
• management of AusKey, who has authority to have access to Portal
• do you meet suitability requirements to operate
• clarity around what the Terms of Business with NDIA and what this allows
• who is responsible for making claims and reconciling finances
What has been learnt: providers

Change in relationship with existing funders
• move away from a single contact point with a government body
• development of multiple service agreements with every participant
• view of providers being a commercial business/supplier of supports

Developing better communication channels with existing and potential participants
• supporting those during transition with what is happening
• how to attract potential participants

Improving communication channels with staff
• supporting those during transition with what is happening
• how to attract new recruit during a time of uncertainty
Challenges and issues ahead

Moving from payment in advance to payment in arrears
• Managing the conversation with state funders about the gradual reduction of the block grant
• All staff understanding the implications on business
• Families understanding the implication on business

Developing better communication channels with existing and potential participants
• Balancing the relationship tension created by the transactional element of service delivery and the relations

Operating under two systems during trial
• Aligning operations for full scheme while still required to operate under existing state schemes

Anticipating demand
• What will be requested and responsive to supply to capture market
Key messages

1. This change results inevitably in a level of disruption despite an organisation’s preparations and this will need good leadership and communication

2. Providers need to work through how the change will affect the whole of an organisation—not just the relationship between people with disability and support workers.

3. Clear and detailed information and training at all levels (as well to individuals and families) is important and should be delivered regularly
Key messages

4. A sophisticated understanding of organisational cost drivers and awareness of opportunities to streamline/adjust processes

5. Management need to develop capacity to be flexible about the timing and types of services on offer, how to unbundle current service models and re-bundle clusters of supports

6. Employers will need to have strong understanding of how to engage with a growing and flexible workforce
Market stewardship?

Demand / Need

- Rights
- Choice
- Voice
- Control

Supply

- Viability
- Diversity
- Sustainability
- Readiness

Right services, right place, right time, for the right price...

Personalisation & co-production

Industry Development
Where’s the evidence, what type, and how much?

Experience: Stories

"Grey" Literature

Lots, goes way back...
Policy pilots and action research
Some, more recently

Academic
Peer reviewed, first “tier” journals.
(Longitudinal, RCT)
Not much
“What some people said about their services”

can’t always get the support they need.

lot of different ways of doing things in different parts of Australia.

not enough money available to meet people’s needs.

there are long waiting lists

difficult to know where to go to get the services they need.

not enough information / and not enough choice
“What some people said about their services”

can’t always get the support they need.

lot of different ways of doing things in different parts of Australia.

not enough money available to meet people’s needs.

there are long waiting lists

difficult to know where to go to get the services they need.

not enough information / and not enough choice
Every Australian Counts
NDIS revolutionising disability services
Today's victories... tomorrows losses?

we’re being
sifted
by the
government!

Fight the cuts to
disability benefits
The Hardest Hit
For rights, our independence, our lives
The National Disability Insurance Scheme – Beyond the Budget
Cain Beckett – Director, PricewaterhouseCoopers
The NDIS – Beyond the Budget

**Focusing on the costs and benefits of the NDIS beyond the $17b included across the forward estimates to 2017-18.**

1. 2014 Federal Budget wins and losses
2. Why an NDIS?
3. Who is the NDIS investing in?
4. The economics of the NDIS.

**Note:**
- References are to Productivity Commission 2011, Disability Care and Support, Report no. 54, Canberra. Esp. Chapter 16 & 20 unless otherwise noted.
- Presentation is not specifically representing the views of any one of my various disability roles.
Wins and losses in the 2014 Federal Budget

In the context of the NDIS, the budget maintains the funding and roll out schedule but potentially makes the inclusion gap, more difficult to close.

- NDIS funding, $408m (of $673m) in the coming financial year, rising to $5.2bn (of $11.1bn) in 2017-18.
- Disability Care Australia Fund - 0.5% rise in the Medicare lev from July.
- Schedule maintained: new NDIS trials in WA, NT and the ACT from July.
- Missing: Employment focused initiatives and disability loading for education funding.
- DSP indexed to wages rather than inflation from Sept 2017 plus a freeze eligibility thresholds.
- Administrative Appeals Tribunal merged, Ramp-up, Disability Discrimination Commissioner, National Council axed.

Source: 2013-14 and 2014-15 Budget Papers
NDIS reporting in the media sometimes creates confusion about the actual costs and benefits

1. The NDIS funds disability supports, the DSP provides income support. They are not the same. *(I don’t intend to focus on this further).*

2. Benefits of the NDIS flow in some cases from it being different to approaches tried previously - caution is needed to ensure we don’t repeat historical flaws.

3. The estimated 2018-19 economic cost ($1.6bn) is not the same as the net cost ($6.5b) which in turn isn't the same as the gross/budgetary cost of the scheme ($13.6b).

4. We are not starting from zero. The cost of the “do nothing option” is somewhere between $9bn - $30bn more costly per annum by 2035.

5. There are significant additional long term direct and indirect benefits.

*“The bottom line is that benefits of the NDIS would significantly exceed the additional costs of the scheme.”* PC 2011
Why a National Disability Insurance Scheme?

The NDIS changes the way disability supports are funded:

- Aiming to deliver greater *choice and control* to people with disability needing services and supports through a shift of purchasing power.

- The *no-fault insurance* based approach to the NDIS aims to reduce the long term cost of care rather than rationing an annual budget.

- Focus on current package costs and budgets isn’t particularly helpful given the slow transition until 2016. *As of May 2014 1.1% have transitioned to NDIS.*

- That said, currently *$107 million* of services and supports out of *$152 million* budgeted will flow to participants in 2013/14.

- Over five years, the NDIS doubles the amount of funding for disability supports, primarily to capture unmet need

Source: NDIA 3rd Quarter Report, May 2014
Who and what is the NDIS investing in?

2. The economic and social benefits of the NDIS are connected to equity, rights, choice and efficiency

- Currently, 1 in 5 Australians have a disability, given our aging population larger numbers will acquire a disability in their lifetime.

- Roughly 1 in 10 people with disabilities will receive NDIS funding. Although the scheme has broader community access and inclusion roles.

- Individual packages in the order of $280,000 per annum for the most significant disabilities. (Averaging $34,000 which is below budget.)

- Having the choice and control over the basics of one’s own life and the way in which Australia recognises that right ought to be all that needs to be said about the reasons for an NDIS.
The economics of the NDIS

3. The net cost of the scheme isn't the same as the budgeted cost.

Summary of the annual net cost of the NDIS

<table>
<thead>
<tr>
<th>Category</th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Care and support</td>
<td>10 660–13 030</td>
</tr>
<tr>
<td>Aids and appliances</td>
<td>331–824</td>
</tr>
<tr>
<td>Home modifications</td>
<td>59–177</td>
</tr>
<tr>
<td>Transport</td>
<td>55–110</td>
</tr>
<tr>
<td>Australian Disability Enterprises</td>
<td>205</td>
</tr>
<tr>
<td>Less accident compensation scheme coverage</td>
<td>(326)</td>
</tr>
<tr>
<td><strong>Total tier 3 individual supports</strong></td>
<td>10 980–14 020</td>
</tr>
<tr>
<td>Other costs</td>
<td>1 060</td>
</tr>
<tr>
<td><strong>Total gross cost</strong></td>
<td>12 040–15 080</td>
</tr>
<tr>
<td>Direct offsets</td>
<td>(7 060)</td>
</tr>
<tr>
<td><strong>Total net cost including administration</strong></td>
<td>4 980–8 010</td>
</tr>
</tbody>
</table>

Given the direct offsets of existing funding being replaced the net cost of the scheme was estimated in 2011 at around $6.5 billion

Source: Table 16.20 2011 Productivity Commission report
NIIS offsets are assumed to be realised in 2018-19.
The economics of the NDIS

For the economists in the audience, some more on the economic cost...

• The net economic cost of the NDIS is the distortionary impact of raising the revenue, although the Productivity Commission recommended some reprioritisation of Government spending which would further reduce this.

• That distortionary impact was estimated at $1.6 billion.

• Given this, using the 2011 estimates of the numbers of participants the NDIS would only have to produce an annual gain of $3,800 per participant to meet a cost-benefit test.

• Using experimental calculations the Commission hypothesised around $15 800 of benefits per participant.

• Like most economics arguments there are complexities and assumptions. The report provides a good overview of this and further details can be found in Chapter 20.
The economics of the NDIS

3. The cost of the “do nothing option” is somewhere between $9bn - $30bn more costly.

The economics of the NDIS

There are significant additional long term direct and indirect benefits...

- **Welfare benefit:** $7.8 billion For people with a disability and their carers. This is a conservative estimate likely to be understated. (e.g. early intervention).

- **Employment benefit:** $32 billion\(^1\) If employment ratios were to be at least as good as the average OECD benchmark, employment of people with disabilities would rise by 100,000 by 2050 and by 220,000 on other Commission estimates.

- **Fiscal benefits:** $2.7 billion\(^2\) From changes to DSP participation which would materialise slowly.

- **Other benefits:** including to reduced cost of government services, tax efficiencies, any efficiency gains in the service sector

... which only partially captures the potential benefit to the 4.5 million people with disabilities who hope that the NDIS is part of Australia’s continuing journey toward a society which fully includes us as citizens.

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Note 1: a 1% increase in GDP in constant price terms
Note 2: (constant price) annuity over the next 90 years.
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Closing Remarks
Professor Piet de Jong, Macquarie University