



**Australian Government**  
**Productivity Commission**

National Disability Insurance  
Scheme (NDIS) Costs

Productivity Commission  
Study Report  
*Overview*

October 2017

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The full report is available from [www.pc.gov.au](http://www.pc.gov.au)



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# OVERVIEW

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## Key points

- The National Disability Insurance Scheme (NDIS) is a complex and highly valued national reform. If implemented well, it will substantially improve the wellbeing of people with disability and Australians more generally.
- The level of commitment to the success and sustainability of the NDIS is extraordinary. This is important because 'making it work' is not only the responsibility of the National Disability Insurance Agency (NDIA), but also that of governments, participants, families and carers, providers, and the community.
- The scale, pace and nature of the changes that the NDIS is driving are unprecedented in Australia. To reach the estimated 475 000 participants in the scheme by 2019-20, the NDIA needs to approve hundreds of plans a day and review hundreds more. The reality is that the current timetable for participant intake will not be met. Governments and the NDIA need to start planning now for a changed timetable, including working through the financial implications.
- Based on trial and transition data, NDIS costs are broadly on track with the NDIA's long-term modelling, but this is in large part because not all committed supports are used. While some cost pressures are emerging (such as higher numbers of children entering the scheme), the NDIA has put in place initiatives to address them. The benefits of the NDIS are also becoming apparent. Early evidence suggests that many (but not all) NDIS participants are receiving more disability supports than previously, and they have more choice and control.
- In the transition phase, the NDIA has focused too much on quantity (meeting participant intake estimates) and not enough on quality (planning processes), supporting infrastructure and market development. For the scheme to achieve its objectives, the NDIA must find a better balance between participant intake, the quality of plans, participant outcomes, and financial sustainability.
  - Greater emphasis is needed on pre-planning, in-depth planning conversations, plan quality reporting, and more specialised training for planners.
- A significant challenge in the transition phase is developing the supply of disability services and growing the disability care workforce. It is estimated that 1 in 5 new jobs over the next few years will need to be in disability care, but workforce growth remains way too slow.
  - Emerging shortages should be addressed by independent price monitoring and regulation, more effective coordination among governments to develop markets (including intervening in thin markets), a targeted approach to skilled migration, and equipping participants to exercise choice.
- The interface between the NDIS and other disability and mainstream services is critical for participant outcomes and the financial sustainability of the scheme. Some disability supports are not being provided because of unclear boundaries about the responsibilities of the different levels of government. Governments must set clearer boundaries at the operational level around 'who supplies what' to people with disability, and only withdraw services when continuity of service is assured.
- NDIS funding arrangements should better reflect the insurance principles of the scheme. Governments need to allow flexibility around the NDIA's operational budget and commit to establishing a pool of reserves.

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# Overview

## 1 About the National Disability Insurance Scheme

The National Disability Insurance Scheme (NDIS) is a new scheme designed to change the way that support and care are provided to people with permanent and significant disability (a disability that substantially reduces their functional capacity or psychosocial functioning). The NDIS is currently being rolled out across Australia. At full scheme, about 475 000 people with disability will receive individualised supports, at an estimated cost of \$22 billion in the first year of full operation.

The NDIS is based on the premise that individuals' support needs are different, and that scheme participants should be able to exercise choice and control over the services and supports they receive. The scheme differs from previous approaches in a number of ways:

- it adopts a person-centred model of care and support
- it is an insurance-based scheme — it takes a long-term view of the total cost of disability to improve participant outcomes and to meet the future costs of the scheme (box 1)
- funding is determined by an assessment of individual needs (rather than a fixed budget)
- it is a national scheme.

The NDIS funds reasonable and necessary supports for Australians with permanent and significant disability. Reasonable and necessary supports are those that help participants live as ordinary a life as possible, including care and support to build their skills and capabilities, so they can engage in education, employment and community activities.

The NDIS also funds supports for people who meet early intervention criteria. This covers cases where early intervention can significantly improve an individual's outcomes and is cost effective. The focus on early intervention reflects the lifetime approach of the scheme (which is consistent with insurance principles, box 1).

Individuals eligible for the scheme are assessed, and individualised support packages are developed and funded for them. NDIS access, planning and payments are managed by the National Disability Insurance Agency (NDIA). (In Western Australia, arrangements are different, but intended to be consistent with the NDIS.)

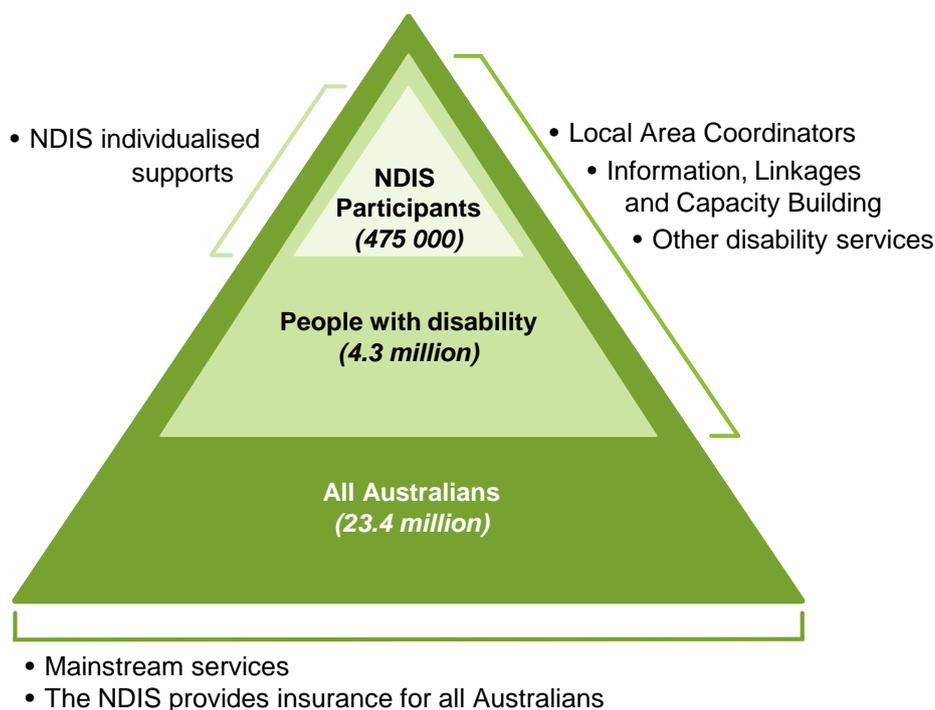
Information, Linkages and Capacity Building (ILC) services are also provided under the NDIS. ILC services provide information about, and referrals to, community and mainstream services (including health, education, employment, transport, justice and housing). These services are available to the 4.3 million people with disability in Australia (figure 1).

### Box 1      **The NDIS is based on insurance principles**

The National Disability Insurance Scheme provides universal coverage by pooling risk across all Australians and taking the risk of disability support costs away from individuals. It is based on four insurance principles.

1. Actuarial estimates of long-term costs — updated to reflect the experience of the scheme, and used to help ensure the scheme is financially sustainable and continuously improved.
2. A long-term view of funding requirements — takes a lifetime view of participant needs and seeks early investment and intervention for people in order to maximise their independence and social and economic participation, and reduce their long-term support requirements.
3. Investment in research and innovation — to encourage and build the capacity and capability for innovation, outcome analysis and evidence-based decisions on early intervention.
4. Investment in community participation and building social capital — to make the community accessible and inclusive for people with disability, and provide participants and non-participants with necessary supports outside the scheme, through: mainstream services; Information, Linkages and Capacity Building initiatives; and education programs.

Figure 1      **The NDIS is part of a broader system of supports<sup>a</sup>**



<sup>a</sup> Number of Australians and those with disability are based on 2015 data. NDIS participants are the projected number of people eligible in 2020.

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The governing legislation for the NDIS is the *National Disability Insurance Scheme Act 2013* (Cwlth) (NDIS Act). The Act establishes the NDIA, the independent statutory agency responsible for administering the NDIS. The NDIS Rules and Operational Guidelines set out the operational details of the NDIS. Funding for the NDIS is shared by the Australian, and State and Territory Governments.

## **Some background to the scheme**

The Commission's inquiry in 2011 on *Disability Care and Support* found that Australia's system of disability support was inequitable, underfunded, fragmented, inefficient, and gave people with disability little choice and no certainty of access to appropriate supports. The Commission recommended a new national scheme to provide insurance cover to all Australians in the event of significant disability. This recommendation was based on the finding that such a scheme would generate substantial net benefits, including:

- improved wellbeing of people with disability (and their families and carers)
- better options for people with disability for education, employment, independent living and community participation
- efficiency gains and cost savings in the disability support system and savings to other government services.

The Commission's recommendations on the national scheme were largely accepted by Australian governments. The *Intergovernmental Agreement for the NDIS Launch* was signed by the Australian and State and Territory Governments in December 2012.

## **2 What we were asked to do and our approach**

In the Heads of Agreement on the NDIS signed by the Australian and the State and Territory Governments in 2012 and 2013, it was agreed that the Productivity Commission would review NDIS costs in 2017 to inform the final design of the full scheme prior to its commencement.

The terms of reference for this study ask the Commission to look at:

- the sustainability of scheme costs, including current and future cost pressures, and how to manage any potential cost overruns
- whether jurisdictions have the capacity to deliver disability care and support services as the scheme expands
- how the NDIS impacts on, and interacts with, mainstream services
- whether efficiencies have been achieved within the scheme

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- whether there are any issues with scheme design, including the application of market and insurance principles, in ensuring the best possible outcomes for people with profound or severe permanent disability
  - funding and governance arrangements, including escalation parameters.

## **What factors drive scheme costs?**

The majority (about 90 per cent) of NDIS costs are for individualised supports, but there are also the costs of operating the scheme and funding ILC activities. Key factors driving scheme costs include the:

- number and characteristics of participants
- scope of supports covered by the scheme
- quantity of supports received by participants
- proportion of supports in a plan that is utilised by a participant
- price paid for supports under the scheme
- costs associated with operating the scheme.

Scheme culture is also an important driver of costs. Moving away from the welfare culture of current disability systems to one of providing reasonable and necessary supports, and managing down the total cost of disability over a participant's lifetime, will be critical for the financial sustainability of the scheme.

Other support systems can also affect scheme costs. The NDIS, as a person-centred approach to providing disability supports, relies on supports and services outside the scheme, including informal supports (family, friends and neighbours), community supports (sporting, social and interest groups), and mainstream supports (public transport, health and education), to help people with disability to live ordinary lives (figure 2). If these supports are not available, people with disability could seek NDIS funding to fill the gap, and this could pose a risk to scheme costs.

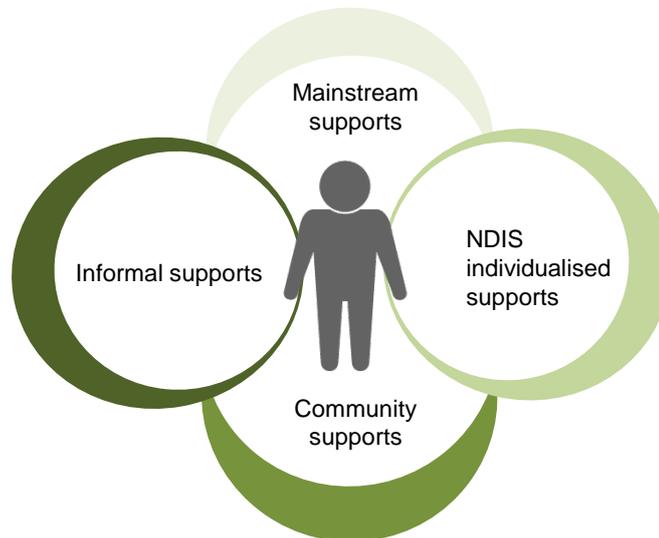
## **Costs are one side of the equation — benefits are just as important**

While the focus of this study is on scheme costs and the financial sustainability of the scheme, the Commission examined costs in light of the benefits and impacts of the scheme on the lives of people with disability, and Australians more generally, using a wellbeing framework.

The NDIS was introduced because it has potential to improve the lives of people with disability and the community more generally (by providing insurance for all Australians and lowering future costs of providing disability support). It is therefore essential that the costs to the community are considered in the context of scheme outcomes.

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Figure 2 **A person-centred approach relies on supports beyond the NDIS**



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Taxpayers' willingness to fund the NDIS will depend on their perception of value for money, in terms of:

- people with disability experiencing better lives as a result of the scheme
- the scheme making it easier for families and carers to play a supporting role
- the way the scheme invests in people with disability
- the confidence taxpayers have that the NDIS will be available to cover their care needs (or those of their loved ones) should a disability be acquired in the future
- the supports that are funded (and the evidence base to support what is funded)
- efficiency gains and cost savings in the disability support system and other government services.

While the NDIS is sometimes described as an 'uncapped scheme', the ultimate cap — and test of financial sustainability — is taxpayers' continuing willingness to pay for it. In line with this, the NDIA defines financial sustainability for the NDIS as:

- the scheme is successful on the balance of objective measures and projections of economic [and] social participation and independence, and on participants' views that they are getting enough money to buy enough high-quality goods and services to allow them reasonable access to life opportunities — that is, reasonable and necessary support; and
- contributors think that the cost is and will continue to be affordable, under control, represents value for money and, therefore, remain willing to contribute.

The NDIA's actuarial estimates of long-term costs (which reflect the experience of the scheme and management responses to cost pressures) play an important role in

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demonstrating to the Australian community that the scheme is sustainable. Governments also need to demonstrate that the NDIS funds are dollars well spent.

Financial sustainability of the NDIS also needs to be considered in the context of the efficiency and effectiveness of the NDIA, the readiness of participants and providers, and the integration of the scheme with mainstream and other disability services. Only a system that is integrated and holistic in its focus will bring the benefits that the scheme is expected to deliver.

### **3 An enormous challenge**

The NDIS is a major, complex national reform — the largest social reform since the introduction of Medicare. It will:

- involve a shift away from a block-funded welfare model of support, to a fee-for-service market-based approach
- increase funding in the sector from about \$8 billion per year to \$22 billion in 2019-20
- involve assessing the reasonable and necessary needs of about 475 000 people
- require about 70 000 additional disability support care workers (or about 1 in 5 of all new jobs created in Australia over the transition period)
- substantially improve the wellbeing of people with disability and Australians more generally (if implemented well).

It is therefore no surprise that the NDIS is described as ‘ground-breaking’ and a ‘once-in-many-generation reform’.

#### **The level of commitment to the NDIS is extraordinary**

There is an extraordinary level of commitment to the success and sustainability of the NDIS (and to preserving the core principles of the scheme) shared by governments, people with disability and their families and carers, providers of disability services and disability advocates (box 2). As the Australian Disability Discrimination Commissioner said:

Yes — the NDIS is big, it is complex, and it changes everything, but it is the change that we need. And when we think about what life might be like for people with disability without the NDIS, I think it becomes clear that it is the change we cannot afford to prevent. ... If we want real and lasting change for people with disability, we cannot absolve ourselves of our responsibility to make the NDIS work.

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## Box 2      **There is overwhelming support for the NDIS**

### NSW Council for Intellectual Disability:

... we have been strong supporters of the development of the NDIS and we continue to see [the] scheme as having a fundamental capacity to improve the lives of people with disability around Australia.

### Flourish Australia:

... strongly supports the NDIS and the opportunity it provides for greater certainty, choice and control, and economic and social participation for people with disability who require life-long support.

### JFA Purple Orange:

... the NDIS is a major, once-in-many-generations opportunity to invest in the life chances of people living with disability, to achieve a fair go, so that people living with disability take their rightful place as ... valued active members of Australian community life and the economy.

### National Disability Services:

The principles on which the NDIS is founded remain compelling and inspiring.

### Australian Federation of Disability Organisations:

We want to begin ... by emphasising our unwavering support for the NDIS. AFDO and its members regularly hear from people with disability and their families about the difference the NDIS is making to their lives. People who now have the dignity of appropriate and timely support, the opportunity to be more involved in their communities, the chance to move out of home, the economic freedom of a new job. These are the kinds of differences the NDIS is making.

### Anglicare Australia:

... strongly believes that the establishment of the NDIS is a major achievement. Our member agencies are already witnessing the transformative power of the scheme for participants, and finding that reconfiguring services to reflect their needs and aspirations is creating opportunities to reimagine and create better outcomes in people's lives.

### New South Wales Government:

The NSW Government is a strong advocate of the National Disability Insurance Scheme (NDIS). The improvement in the lives of people with disability, as outlined by the Productivity Commission (PC) in its 2011 inquiry report into Disability Care and Support, is a goal embraced by NSW.

## **The rollout schedule**

The NDIS was trialled from 2013 in different jurisdictions across Australia in four trial sites (including two whole-of-state age cohort trial sites, table 1). The Bilateral Agreements between the Australian and the State and Territory Governments set out the timeframes, and the estimated number of people who will become participants in the scheme, for the transition to full scheme in each jurisdiction. The full scheme is scheduled to be rolled out nationally by 2019-20, but some jurisdictions are scheduled to move to full scheme earlier.

**Table 1 NDIS transition arrangements by jurisdiction**

	Trial period			Transition to full scheme			Full scheme
	2013 14	2014 15	2015 16	2016 17	2017 18	2018 19	2019 20
NSW	Hunter area trial			Transition to full scheme (by region)			Full scheme
		Early Transition in Nepean Blue Mountains area (children aged 0–17 years)					
Vic	Barwon area trial			Transition to full scheme (by region)			Full scheme
Qld				Transition to full scheme from July 2016 (by region). Early Transition from January 2016 in Townsville, Charters Towers and Palm Island			Full scheme
SA	Statewide trial (children aged 0–14 years)			Transition to full scheme (by age and region)		Full scheme	
Tas	Statewide trial (people aged 15–24 years)			Transition to full scheme (by age)			Full scheme
NT		Barkly region trial		Transition to full scheme (by region)			Full scheme
ACT <sup>a</sup>		Territorywide trial		Full scheme			
WA <sup>b</sup>	Perth Hills area trial			Transition to locally administered NDIS			
	MyWay trial						

<sup>a</sup> The Bilateral Agreement for the NDIS launch between the Australian Government and the ACT Government notes that from 2016-17 the ACT will be in ‘transition to full scheme’. This transition has been categorised as ‘full scheme’ because all residents who meet the eligibility criteria will have access to the scheme. <sup>b</sup> In February 2017, the Australian Government and Western Australian Government signed a Bilateral Agreement for a nationally consistent, but locally administered, NDIS.

## Transition — a unique and challenging period in the life of the scheme

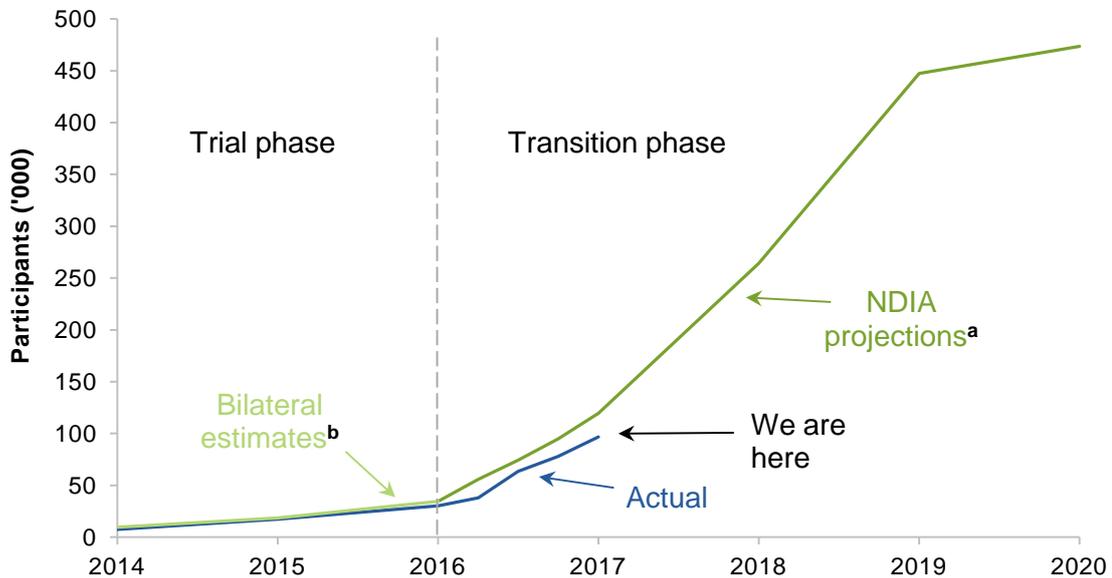
The transition period is a unique period in the life of the scheme. Never again will:

- the number of new participants be entering the NDIS over such a compressed timeframe
- so many disability support service providers be facing the challenge of transitioning from a block-funded model of support to a fee-for-service market-based approach
- so many new scheme participants be learning how to navigate a new scheme where they have choice and control over disability supports (making the change from passive recipients of supports to informed consumers).

### Participant intake

The NDIA has been given an extremely difficult task — the rollout schedule is highly ambitious given the magnitude of the reform. To reach the estimated 475 000 participants at full scheme by 2019-20 (figure 3), the NDIA needs to approve hundreds of plans a day.

Figure 3 Participant numbers will increase substantially over the next three years<sup>a</sup>



<sup>a</sup> Scheme participant projections are based on projections prepared by the Scheme Actuary for the NDIA's 2015-16 Annual Financial Sustainability Report using data at 30 June 2016. The Commission adjusted the projected number of participants for the four quarters of 2016-17 to be consistent with the bilateral estimates reported in the latest NDIA quarterly report. <sup>b</sup> Bilateral estimates based on the NDIA's quarterly reports.

In the June 2017 quarter, the NDIA approved about 15 000 plans, or roughly 165 plans a day. In 2018-19 (the final year of transition), the NDIA will need to approve about 500 plans a day, while also reviewing hundreds more.<sup>1</sup>

One study participant described the transition arrangements as 'a tsunami of new participants' that will need to be processed into the scheme over the next two years. A number of study participants questioned whether the intake timetable could, or should, be met. And many raised concerns about the NDIA's focus being on participant numbers with little attention on planning processes. House with No Steps, for example, said:

... the Scheme has aggressive ramp-up targets. These are putting pressure on the NDIA's capacity to develop quality plans for participants. Unfortunately, the need to achieve high growth in participant numbers appears to be outweighing considerations of plan quality and consistency.

The intake of participants with approved plans is already falling behind the expected pace. If the trend of delivering about 80 per cent of the bilateral estimates continues (figure 3), it will take an additional year before all eligible participants are in the scheme. (And this delay could be longer if the scheme falls further behind when the participant intake ramps up in 2017-18.)

<sup>1</sup> Based on NDIA modelling.

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The reality is that the rollout timetable for participant intake will not be met.

This means that ‘full scheme’ (the time when everyone eligible to enter the NDIS will be able to do so and have an approved plan) will be delayed beyond 2019-20 — that is, beyond the date anticipated in the Bilateral Agreements. Governments need to start planning now for a new participant intake timetable, including working through the financial implications.

NDIA’s focus on participant intake has compromised the quality of plans and participant outcomes. Quality plans are critical, not only for participant outcomes but also for sending the right signals to providers about demand for supports and containing long-term costs of the scheme. The Commission makes several recommendations in this report on the quality of planning and participants’ experiences with the NDIA (section 7). Implementing these recommendations will increase the NDIA’s workload, at least in the short term, making the timetable even more ambitious. But without these changes the objectives of the scheme will not be achieved.

### Supply of disability supports and demand pressure from participants

Another significant transition challenge is developing the disability support market — both in terms of the scale and scope of services — so there are enough providers and workers to meet the increased demand for disability supports (section 9). The large increase in funding and considerable unmet need in the disability support sector means that the number of workers and providers will need to grow quickly over the transition period.

Prices are critical for market development and participant outcomes. But there is a risk that demand for disability supports will exceed supply, creating inflationary and quality pressures in the market. The Commission recommends independent price monitoring and regulation, as well as more effective coordination among governments to develop markets (including intervening in thin markets).

It will also take time for scheme participants to exert the influence and control over their supports that will bring about the kind of competitive pressures that characterise mature markets. Participants need the skills and information to exercise informed choice. It is essential that participants get the supports they need to navigate the scheme (section 9).

### Ensuring continuity of support

There is also evidence of service gaps (section 8). Some disability supports are not being provided because of unclear boundaries. Clearer boundaries must be set at the operational level around ‘who supplies what’ to people with disability, and services only withdrawn when continuity of service is assured. All governments need to work together to better manage the integration of the NDIS and other services.

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## **Transitional issues, if not addressed, will pose risks to the scheme**

Each of these transitional issues is challenging in its own right, but in combination, the task as currently planned, becomes even more difficult. And all this is against a backdrop of significant change in governance and funding arrangements (with some arrangements still to be bedded down). The arrangements are also tied to insurance-based principles that do not fit easily within the existing model of government oversight. The newly established Agency also needs to find and skill staff, while developing operational guidelines from scratch under circumstances where legislation is untested.

The transition period is going to be more protracted than previously expected. Based on evidence to date:

- the participant intake will not match the estimates in the Bilateral Agreements — adjustments need to be made now on a state-by-state basis
- supply shortages will persist for some time
- many participants will need more time and assistance to be equipped to exert the influence and control over their supports that will bring the kind of competitive pressure that characterises mature markets
- underutilisation will continue for some time — while this will keep scheme costs in check, it will mean poorer outcomes for some participants.

Recommendations made by the Commission to deal with the challenges and risks are outlined in table 2 and discussed in more detail in the sections below.

Scheme costs are discussed in the next section.

**Table 2 National Disability Insurance Scheme rollout challenges**

	<i>The change</i>	<i>The challenge</i>	<i>PC recommendations</i>
	<p>Move from block-funded welfare model of support to a fee-for-service, market-based approach.</p> <p>Give scheme participants choice and control over disability supports.</p>	<p>Build the capabilities of providers and participants to engage in a market-driven scheme.</p> <p>Some participants do not have the capacity to navigate the new market. Some providers can struggle to adapt to a market-driven scheme.</p>	<p>Ensure participants get the supports they need to navigate the scheme, including information about providers and services.</p> <p>Provide stronger price incentives to encourage providers to deliver supports.</p>
	<p>Assess the reasonable and necessary needs of 475 000 people with disability based on insurance principles and individualised planning.</p>	<p>Assess eligibility and develop plans for a large number of participants within short timeframes (to meet bilateral estimates).</p> <p>Build a planning workforce with sufficient skills to administer the plans over scheme transition.</p> <p>Plans will be rushed or completed by planners without experience in disability – leading to a lack of supports for participants.</p>	<p>Rebalance the focus from numbers to better quality plans (the right plans will lead to the correct signals to the supply side of the market).</p> <p>Greater focus on pre-planning.</p> <p>More specialisation of planners.</p> <p>Allow NDIA more flexibility over its staffing arrangements.</p>
	<p>Increase funding to the sector from \$8 billion per year to \$22 billion in 2019-20.</p>	<p>Ensure funding arrangements do not create incentives for cost-shifting by jurisdictions.</p> <p>Ensure funding arrangements are based on insurance principles.</p>	<p>Clearly delineate what supports are provided to participants, and what are not.</p> <p>Establish clear boundaries around 'who' provides 'what'.</p> <p>Establish a reserve fund to allow the scheme to take a long-term approach to participant needs.</p>
	<p>Build the supply side of the scheme — both in terms of the scale and scope of provider services, and the size of the workforce to deliver supports.</p>	<p>The supply side of the scheme may not respond fast enough to meet participant demand.</p>	<p>Implement independent price monitoring and regulation to get the right price signals to encourage supply.</p> <p>Bolster market stewardship through better collaboration among governments, providers and the NDIA.</p>

## 4 Modelling the costs of the scheme

In 2011, the Commission estimated that a national disability insurance scheme would cover 411 000 participants and cost \$13.6 billion (gross) at maturity. The NDIA's current projections are that the NDIS will cover 475 000 participants and cost \$22 billion at full scheme commencement.<sup>2</sup>

The NDIA's estimates are based on a more refined costing methodology than that used by the Commission in 2011, and are broadly consistent with the Commission's 2011 modelling after accounting for wage and population growth. Of the \$8.9 billion difference between the Commission's original estimates and the NDIA's current estimate, \$6.4 billion is due to pay rises awarded to social and community services employees by the Fair Work Commission in 2012. Adding population changes and the cost of participants aged over 65 years (who were not included in the Commission's estimates), the estimates come within one per cent of each other (table 3).<sup>3</sup>

Table 3 Comparing the Commission's and the NDIA's costings

	<i>Participant numbers</i>	<i>Scheme costs (\$ billions)</i>
<b>Productivity Commission estimates 2011<sup>a</sup></b>	<b>411 250</b>	<b>12.82</b>
Population projections to 2019-20	49 544	1.54
Inflation in disability sector (wages)	..	6.38
Participants aged 65 years and older	15 285	1.09
<b>Updated Productivity Commission estimates 2017</b>	<b>476 079</b>	<b>21.84</b>
<b>The NDIA's projections for participants 2017<sup>b</sup></b>	<b>473 653</b>	<b>21.76</b>
Difference (%)	2 426 (0.5%)	0.08 (0.4%)

<sup>a</sup> Excluding operating costs and offsets associated with the National Injury Insurance Scheme and assumed efficiency dividends. <sup>b</sup> Excluding operating costs (\$1.5 billion), offsets associated with the National Injury Insurance Scheme (\$0.7 billion) and assumed efficiency dividends (\$0.3 billion). .. Not applicable.

### It is too early and the data are too limited for new cost projections

In terms of reliable cost data, it is still very early days in the transition to full scheme. And while the transition experience should inform estimates of full scheme costs, the NDIA has decided that, at this early stage, the data have too many limitations to update the prevalence and package cost assumptions. Important limitations include small and unrepresentative trial

<sup>2</sup> While the gross cost of the NDIS is estimated to be \$22 billion in 2019-20, the scheme is expected to reduce the funding required for a range of government programs. A review by the Australian Government Actuary in 2011 estimated that these offsets were about \$11 billion.

<sup>3</sup> Participants must be aged under 65 years to *enter* the NDIS but can remain in the scheme after they reach 65 years.

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populations, and concerns about the integrity of transition data. Approaches to planning and assessments were also changed at the beginning of the transition period (July 2016).

The Commission supports the NDIA's approach to projecting scheme costs, including the decision to delay integrating data from the trial and transition. We therefore did not revise the projections of scheme costs for this study. However, it is imperative that new data are incorporated into the NDIA's assessment of longer-term costs as soon as possible. The Commission's assessment is that, in the absence of major new data reliability issues, there should be sufficient data for the NDIA to update the estimates of scheme costs based on scheme experience for the 2017-18 Annual Financial Sustainability Report.

## **5 Insights from the trial and transition period**

### **Costs in the trial phase aligned with expectations**

Given the uncertainties around the costings of the scheme before it commenced, an important rationale for trial sites was to inform more reliable estimates of full scheme costs (and for testing and refining the scheme). At the end of the trial phase:

- the number of participants with an approved plan (30 281) was 83 per cent of bilateral estimates (36 307) (there were 35 695 people who had been determined eligible but who did not necessarily have an approved plan)
- the average annualised package cost was \$36 049.

The scheme, at the end of the trial, also came in under budget — there was a surplus of about 1.5 per cent of the funding envelope over the three years. However, this was in large part because not all committed supports were used — in 2015-16, 76 per cent of committed supports were used.

### **Transition — the latest data**

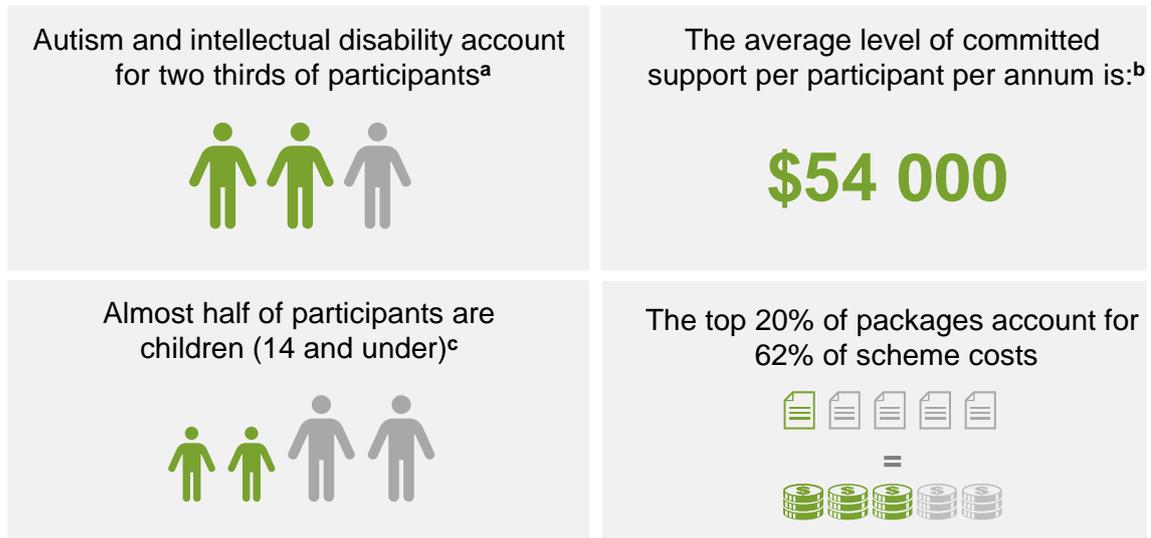
Post-trial data are also available. At the end of June 2017, an additional 86 000 people were eligible for the scheme, taking the total number of participants to 122 065. About 90 000 participants are currently active<sup>4</sup> and have an approved plan. Some insights from the transition data are presented in figure 4.

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<sup>4</sup> Participants who have not exited the scheme.

Figure 4 **Key insights from the transition data**

Data at 30 June 2017



<sup>a</sup> Psychosocial disability is the next most common disability, accounting for about 6 per cent of participants. <sup>b</sup> The annualised average level of committed support for packages after 1 July 2016. For participants with multiple plans over the time period, the latest plan is used. <sup>c</sup> NDIA modelling projects that the percentage of scheme participants who are aged 14 years and under will decrease to 30 per cent by 2019-20.

## Emerging cost pressures

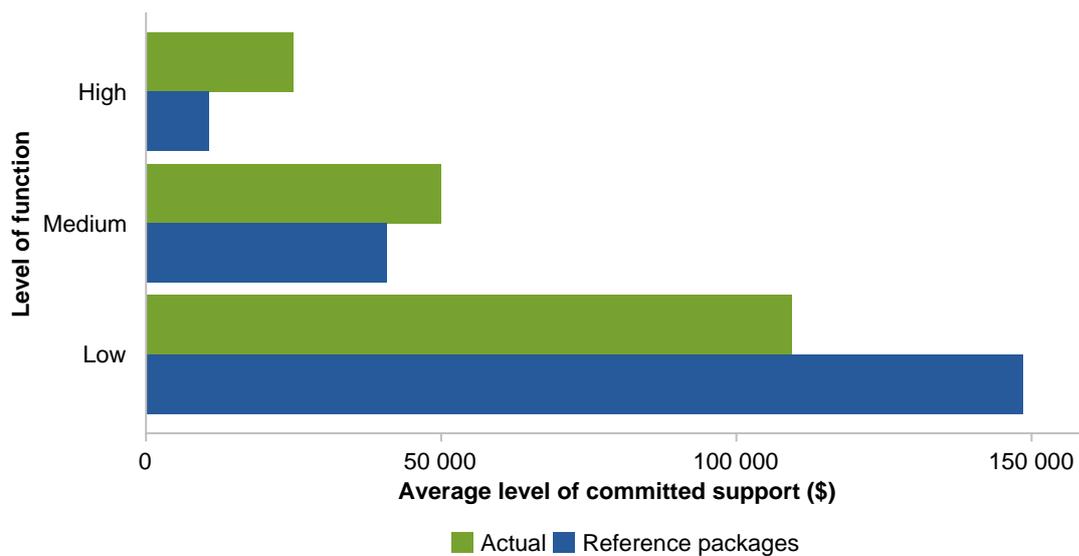
The Commission compared trial and transition data with the assumptions in the NDIA's modelling. Noting the limitations of the data, scheme costs are broadly on track compared to expectations.

- For most disabilities, participant numbers broadly match the modelling assumptions for all but the largest disability groups. However, there are more children with autism and intellectual disability than expected.
- Average package costs (for plans effective from 1 July 2016) are broadly in line with modelling assumptions (after accounting for disability, age and level of function).<sup>5</sup> However, there are differences when the data are disaggregated by level of function. The average package cost for participants:
  - with low levels of function is \$40 000 less than expected
  - with medium levels of function is \$9000 higher than expected
  - with high levels of function are higher on average by \$14 000 (figure 5).

<sup>5</sup> For the position paper, the Commission conducted the same analysis with data from the first three quarters of transition, and found that package costs were higher than modelling assumptions.

- Utilisation rates — the proportion of committed supports that are used by participants — are lower than expected. Underutilisation is currently more than offsetting the increase in scheme costs attributable to higher prevalence rates for children.

**Figure 5 Average annualised committed support compared with reference packages, by level of function<sup>a,b</sup>**  
Plans effective from 1 July 2016



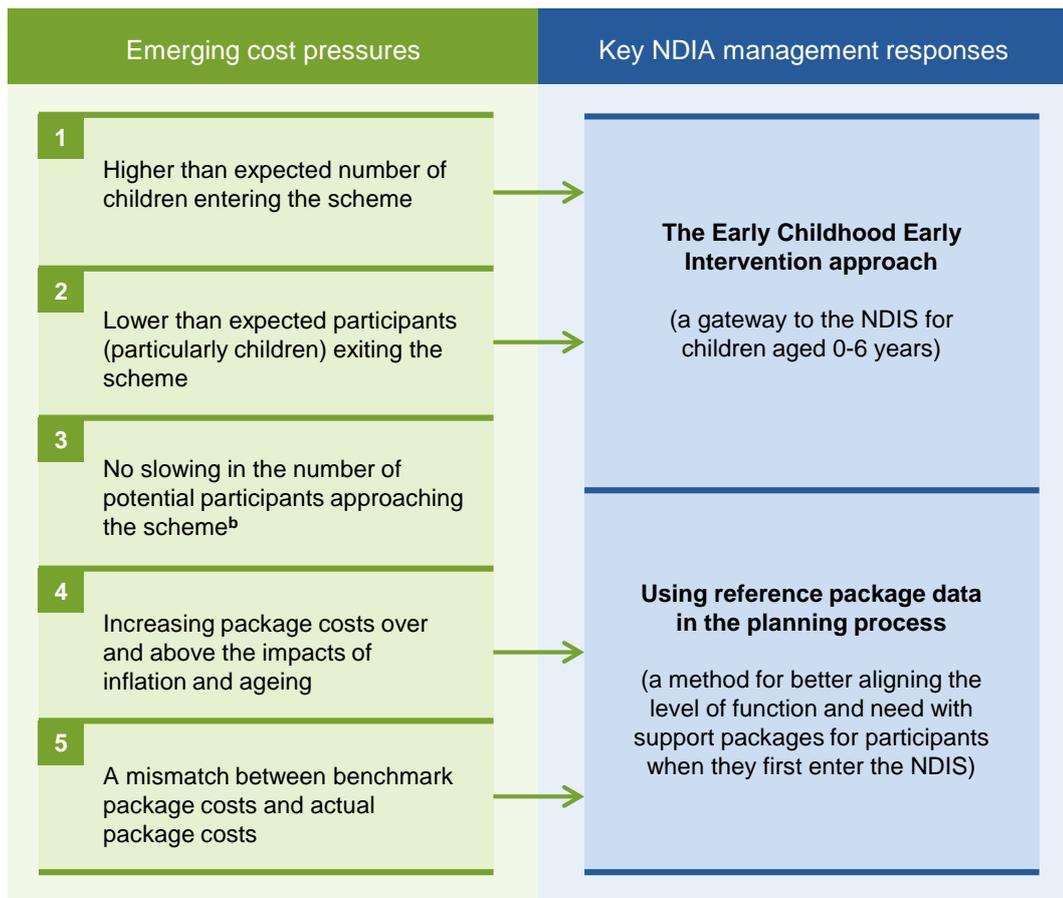
<sup>a</sup> Reference packages are the average package cost assumed in the NDIA’s long-term modelling based on age, disability and level of function. They are *not* what an individual should expect to receive in an individualised funded package at any given time. <sup>b</sup> For participants with multiple plans over the time period, the latest plan is used.

The NDIA is tasked with ensuring the NDIS is financially sustainable. The insurance approach involves identifying and managing emerging cost pressures. The NDIA has identified five early cost pressures that need to be managed for the full scheme going forward (figure 6).

- The number of children entering the scheme is higher than expected.
- The number of people approaching the scheme in trial sites that have been operating the longest (since 2013) is higher than would be expected if only people with newly acquired conditions were approaching the scheme.
- The number of participants exiting the scheme is lower than expected (particularly for children entering under the early intervention requirements).
- Levels of committed support tend to increase as participants move to their second and third plans (over and above the impacts of inflation and ageing).
- There is greater than expected variability in package costs for participants with similar conditions and levels of function (suggesting inconsistencies in planners’ decisions).

While the NDIA has not updated its baseline cost projections to reflect these cost pressures, it has put in place initiatives to address them. These include the Early Childhood Early Intervention (ECEI) approach for children aged 0–6 years (section 6, box 3), and the use of reference package data in the planning process to reduce variability in the level of support provided to participants (section 7, box 4).

Figure 6 The NDIA’s responses to emerging cost pressures<sup>a</sup>



<sup>a</sup> The NDIA’s two main responses to emerging cost pressures. The NDIA has also initiated several smaller projects to address emerging cost pressures, such as an analysis of reasonable and necessary costs across the lifespan of participants. <sup>b</sup> Potential participants continuing to approach the scheme is not a cost pressure that can easily be addressed by the NDIA.

While it is too early to conclusively assess the effectiveness of these initiatives, there are some signs from 2016-17 data that the new planning process may be helping to alleviate cost pressures related to package costs.

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## Benefits are already being realised

Realising the benefits of the scheme is critical for the wellbeing of people with disability and for ensuring that the community continues to be willing to pay for the scheme. However, at this early stage, only some of the benefits are being realised.

The NDIS Outcomes Framework and a National Institute of Labour Studies evaluation of the NDIS provide some early insights (based on trial data) into the scheme's benefits. Both find that the NDIS has:

- increased supports — more hours of support, a wider range of supports and greater access to equipment — than under the previous system
- on average, improved wellbeing of NDIS participants and their families and carers
- given people more choice and control over their supports
- increased social participation for some scheme participants and their carers.

The Commission also received numerous submissions supporting these findings. As one disability advocate said:

... I have seen the life changes in people with disability who now have NDIS funding. They are now accessing community, having a good life and have hope for their futures. The burdens are off the family, some aged carers, and there is job creation. Broken wheelchairs are now being replaced and people who never had wheelchairs, now have and can access the community. I now see happy people.

However, not all are reporting improved outcomes under the NDIS. The groups at risk of having a less positive experience include those with psychosocial disability, complex and multiple disabilities, and language and cultural barriers, as well as people with disability transitioning into the community from the criminal justice system, the homeless and the socially isolated.

Participants reporting that they were satisfied or very satisfied with the scheme has also fallen since the scheme entered the transition phase — from 95 per cent in 2015-16 to 84 per cent in 2016-17. This could be linked to the speed of the rollout, and changes to the planning process (discussed below).

## 6 Scheme eligibility

The eligibility criteria are the main instrument available to influence how many people will be able to access individualised supports through the NDIS. It is important that these criteria are clear, aligned with the objectives of the scheme, and rigorously upheld.

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When the Commission designed the national disability insurance scheme, it recommended that, to be eligible for the scheme, individuals should:

- have a disability that is or is likely to be permanent
- have significantly reduced functioning in self-care, communication, mobility or self-management and require significant ongoing support, or be in an early intervention group where there is good evidence that the intervention is safe, significantly improves outcomes and is cost effective
- meet residence and age requirements.

The eligibility criteria for the NDIS are broadly in line with what the Commission recommended, 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 criteria allow more people to qualify for individualised supports under the NDIS than the Commission included when costing the scheme.

### **Adding learning or social interaction — what effect?**

The Commission was unable to assess the effect of adding learning or social interaction to the eligibility criteria, because the NDIA does not collect data on which (or how many) of the six activity domains are relevant to each participant when they enter the NDIS. Speech Pathology Australia, however, said that their members who are NDIS providers are not providing services to children whose *only* disability relates to learning and literacy.

The NDIA should collect data at entry on the domains to provide information on the impact of each part of the eligibility criteria on participant numbers (and therefore scheme costs). This information would also allow for more granular analysis of who is in the scheme and what their needs are likely to be (and could also be used by the NDIA in its monitoring and forecasting roles).

### **Adding developmental delay — what effect?**

The evidence suggests that providing individualised supports for children with developmental delay can improve outcomes for individuals and reduce costs — it is therefore consistent with the early intervention insurance principles of the scheme.

A review undertaken for the Department of Social Services (DSS) estimated that about 11 600 children with developmental delay or global developmental delay would be eligible for support under the scheme at a cost of \$155 million each year. While no definitive data are available to test this estimate, trial site data (which may not be reflective of full scheme prevalence rates) suggest higher prevalence rates than the estimate provided to the DSS.

For children with developmental delay to be eligible for individualised supports, they need to have a delay across multiple domains. This suggests that the eligibility criteria set an

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appropriately high hurdle. However, the NDIA tested a sample of children who entered the NDIS during trial with the PEDI-CAT assessment tool and found that 40 per cent of the children did not have any identified deficits compared to the normal range for their age.

The NDIA's recently introduced ECEI approach (box 3), put in place in response to the higher than expected number of children entering the scheme in the trials, should tighten the entry pathway for children aged 0–6 years, and help ensure that only children who meet the eligibility criteria receive supports through the scheme. The NDIA is also developing an early intervention approach for the 7–14 years cohort.

### **Box 3      Early Childhood Early Intervention**

The Early Childhood Early Intervention (ECEI) approach is designed to be a 'gateway' to the National Disability Insurance Scheme for children aged 0–6 years. It aims to ensure that only those children who meet the eligibility criteria of the NDIS become participants of the scheme. Under the ECEI approach, families meet with an early childhood intervention service provider to discuss the needs of their child. The provider then identifies appropriate supports for the child and family, and whether the supports should be provided through the NDIS or through mainstream services. As the National Disability Insurance Agency put it, 'the ECEI approach aims to ensure children are provided with the right level of support at the right time for the right length of time'.

The ECEI approach is also aimed at ensuring early intervention supports are effective and result in the exits expected in the 0–6 years cohort. The National Disability Insurance Agency plots a child's progress against development milestones and supports the child to access mainstream supports when NDIS supports are no longer required.

It is too early to gauge the success of the ECEI in upholding the eligibility criteria of the NDIS and to assess its effectiveness in supporting children who are not eligible for individualised supports. However, given that children receiving early intervention supports are one of the largest groups in the scheme, it is critical that the NDIA builds an evidence base to inform the types of intervention that are most beneficial and should be funded. The NDIA has developed an evaluation and monitoring framework for the ECEI approach, but the effectiveness of this framework is yet to be tested.

### **The role of diagnostic lists**

The NDIA maintains a list (List D in the latest NDIA operational guidelines) that allows for streamlined entry into early intervention supports for children who have a condition on this list. List D contains about 130 conditions, including Global Developmental Delay.

Maintaining such a list represents a trade-off. The appeal of such a list is that it places less onus on families to demonstrate eligibility, reduces the administrative burden on the NDIA and provides a degree of certainty for the families of children with these conditions. However, the list can also affect incentives, and can be an overly-generous entry gateway if set too expansively. Also, if diagnosis forms the basis of early intervention, a child would remain eligible for early intervention supports so long as their condition is present, even if

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the expected benefits from early intervention have been realised (or are unlikely to be realised).

The NDIA also maintains a list of conditions (List A) that allows for streamlined entry into the NDIS through the disability requirements.

While there is little evidence that these lists are resulting in people entering the scheme who would not meet the wider eligibility criteria, the NDIA did point to Autism Spectrum Disorders as potentially representing a difficulty for List A:

... there is evidence to suggest that use of the diagnosis process for autism may differ from the process's intent (resulting in access to the Scheme where eligibility requirements would not otherwise be met).

Because the lists are a key entry pathway, monitoring them is essential to ensure they work as intended. A process for quickly changing the lists as new information comes to light is necessary, as is transparency about what is on the lists and why changes are made.

## **Psychosocial disability and the NDIS**

In 2011, the Commission recommended that people with psychosocial disability (the term used to describe disabilities that can arise from mental health issues) be supported through the NDIS. This was on the basis that:

- the day-to-day support needs of people with significant and enduring psychosocial disability are often the same as people who have an intellectual disability or an acquired brain injury
- some important parts of the care requirements of people with psychosocial disability — namely community supports — are best met through the NDIS
- providing supports to people with psychosocial disability through the NDIS provides them with the wider benefits of the scheme, including individualised supports and more choice in what supports are provided, when and by whom.

These points remain salient, and lend support to people with psychosocial disability being supported through the NDIS. And, while the Commission heard a range of views about whether the NDIS is the 'right' vehicle to provide support to people with psychosocial disability, most stakeholders supported its inclusion.

Concerns were also raised about the need for permanency under the NDIS Act being incompatible with the recovery models used in supporting people with psychosocial disability. However, the investment approach of the NDIS and the recovery model of mental health are both about building capacity, and appear to be well aligned. The NDIS Rules and operational guidelines accept that a permanent condition may be episodic requiring different levels of support at different times.

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Scheme participant numbers suggest that people with psychosocial disability are able to demonstrate that their condition is, or is likely to be, permanent. At the end of June 2017, about 6000 people with psychosocial disability received individualised supports. And data to December 2016 shows just over 80 per cent of people with psychosocial disability who lodged an access request to the NDIS were eligible for the scheme.

While the Commission does not support changing the eligibility criteria to relax the definition of permanency and how it relates to psychosocial disability, it does recommend a change in the way that people with psychosocial disability engage with the scheme. A psychosocial gateway, involving specialised staff, designed in consultation with experts in mental health, has the potential to improve how the scheme engages with people with psychosocial disability at an operational level.

Estimating the number of people with psychosocial disability eligible for the scheme is difficult because a robust and comprehensive database from which to draw is lacking. While there are estimates by a number of stakeholders and agencies, they vary greatly. It would be beneficial for the different methodologies to be made transparent, so they can be used to better project the numbers of participants with psychosocial disability at full scheme.

Concerns about gaps in support for people with psychosocial disability not eligible for the NDIS are discussed in section 8.

## **7 Supports and plans**

### **Scope of supports**

The NDIS is designed to cover specialist disability supports that are reasonable and necessary. This includes supports that help people with disability to:

- pursue their goals and maximise their independence
- live independently and be included in the community as fully participating citizens
- participate in the community and in employment.

The extent of support coverage directly impacts the costs and benefits of the NDIS — too little will result in lost benefits within the scheme, but too much could create cost pressures and pose a risk to the financial sustainability of the scheme.

The scope of supports covered by the NDIS is governed by legislation, rules and guidelines and, over time, will be shaped by court and tribunal decisions. What legislation and case law say about reasonable and necessary supports is important because it sets parameters for how the NDIA can operationalise support allocation. It also provides future courts and tribunals with a framework for evaluating whether decisions about supports have been properly made.

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Ongoing monitoring and evaluation can help ensure that the body of law around reasonable and necessary supports is operating in a way that is consistent with community expectations and the objectives of the scheme. The review of the NDIS Act scheduled for 2021, agreed to by COAG, should look at the impact of court decisions on the content of the law as well as other issues raised in this study relating to the drafting of the NDIS Act.

## **About plans and the planning process**

The planning process is about matching scheme participants with supports. It involves conversations between the participant and the NDIA to ascertain each participant's goals and aspirations, level of function and appropriate supports. The NDIS Act requires that a plan is developed and, where possible, is individualised, directed by the participant, and maximises participant choice and control.

The quality of planning processes is a key determinant of the success and long-term sustainability of the NDIS — it influences what costs are incurred; the predictability of costs; the market for disability supports; outcomes for participants; and the integrity of, and community support for, the scheme.

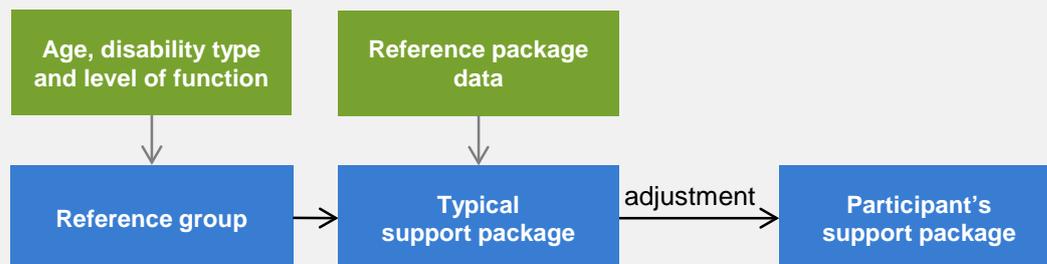
## **Participants need to understand the planning process**

The planning process has changed significantly since the NDIS commenced in 2013. At the beginning of the transition period the NDIA introduced a new process for determining participants' support packages, using reference package data (box 4). This approach has resulted in more plans being in line with benchmark costs (compared to the trial period). As with all insurance-based schemes, the tools and processes for handling claims and assessing entitlements are a matter of ongoing refinement. This is necessary to ensure that the insurance scheme remains 'on track' and is viable in the long term. Dynamic processes are also important to allow the scheme to adapt to changing circumstances or incorporate information that becomes available over time.

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#### Box 4 Using reference package data in planning

Participants are first allocated a 'typical support package', based on their reference group (which is determined by their age, disability type and level of function). The typical support package may include funding across the following eight core domains: daily activities; social participation; consumables; transport; home modifications; assistive technology; capacity building; and support coordination.



For each participant, the level of funding is adjusted according to the participant's circumstances. This is done using a questionnaire, which asks the participant about each of the domains, including what supports they already have in place, and whether these are sufficient and sustainable. For example, where it is reasonable that sustainable informal, community or mainstream supports continue to assist the participant, or where the participant believes that other informal, community or mainstream supports may provide a better outcome, funding is adjusted in the participant's support package.

In light of this, it is important that stakeholders can access accurate and up-to-date information about planning processes. Clear messaging about how and why things are changing is also important to maintain the credibility of evolving planning practices.

The NDIS planning process is complex and confusing, and often lacks clarity and transparency. It is difficult to access information about assessment tools that are used by the NDIA and how support allocation is determined. There is also limited information to help scheme participants and their families, carers and advocates navigate the planning system. Scheme participants are often not aware of their rights and options, such as their entitlement to request a face-to-face meeting or have an advocate present during the planning meeting.

There needs to be greater transparency and clarity around the NDIA's planning processes. There also needs to be clear and up-to-date information about what participants should expect during the planning conversation, when it will occur, and how the information gathered during the conversation will be used.

### Phone planning

The move to transition saw a shift from face-to-face to phone planning. The NDIA adopted this approach to allow people to enter the scheme as quickly as possible, with the intention of adjusting and improving plans over time. During trial, people indicated that they wanted to join the scheme as soon as they could. The speed of the transition placed a lot of pressure on the NDIA to finalise plans quickly and phone planning was part of the solution.

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But there is a lot of dissatisfaction with phone planning (box 5). A number of participants said they felt rushed during their planning meetings. As one study participant put it:

... the transition time pressures [appear] to have resulted in a reduction in the time available to assist people to resolve their plan; in some cases this is reported to have reduced to a 30 minute phone call. This could not be further removed from the feature of a 'person centred model of care and support' that is meant to distinguish the NDIS from previous approaches.

### **Box 5            Dissatisfaction with phone planning**

Social Support & Precarious Workforce Research Discussion Group:

... some participants are not fully aware that the phone conversation occurring with the NDIS staff member is actually their planning process occurring. This confusion is also evident in the NDIS marketing of phone-planning as a 'planning conversation', where the suggestion is you will 'talk-about' the plan whereas the reality is that it is a full and structured assessment and plan procedure.

The Disability Services Commissioner:

Planners are not providing clear and accessible information about the planning process including when and how planning will take place. A sister of a participant said that someone from NDIA had rang her while she was in the car. They advised that they were 'only collecting answers' and it would 'only take a minute'. Following that conversation, her sister received a plan for approval from the NDIA, with less funds than she had previously received.

Alzheimer's Australia:

Annie called the Parkinson's 1800 support line as she worried about an over the phone NDIS planning session that had taken place earlier that day. Annie's volume and quality of speech has been impaired due to Parkinson's and she also requires longer to respond to questions. She felt rushed and because her response is delayed she felt that the assessor didn't get a clear indication of her needs. Annie and a Parkinson's Nurse Specialist were able to take the time [to] put information together in order to apply for a review for Annie's plan.

Blind Citizens Australia:

[Phone planning] severely compromises the ability of people who are blind or vision impaired to demonstrate the difficulties they may face with completing tasks like reading, navigating the environment or household chores.

The Commission also heard (on numerous occasions) that participants were called with no forewarning of the planning conversation, or were not informed that the call was a planning conversation (so the person was not prepared and could not have an advocate present).

An individualised approach to planning is a key feature of the NDIS and sufficient time is required to match participants with the supports that are right for them. Phone planning can mean that planners do not 'get the full picture'. For example, the living environment of participants may not be adequately reviewed (which means issues such as accessibility, safety and appropriate assistive technology can be difficult to identify).

Phone planning is not appropriate for some participants, including those with particular accessibility requirements, mental illness, cognitive impairment and neurodegenerative diseases, and people of culturally and linguistically diverse backgrounds. However, it may be appropriate for others, particularly if there is adequate pre-planning. The Commission

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recommends that the NDIA review its protocols relating to phone planning. The NDIA recently said that, in response to feedback from scheme participants, it intends to use face-to-face planning as a default approach.

## **Pre-planning**

The pre-planning phase of the planning process has not received adequate attention. As a result, many participants are ill-prepared for planning, and this is affecting the quality of plans. The NDIA acknowledged that, because of the speed of the transition, it was not able to engage Local Area Coordinators (LACs) in time to provide participant and community development during the pre-planning stages.

A greater focus on pre-planning should make phone planning suitable for a larger pool of participants. LACs need to be in place six months in advance in the areas in transition to assist with pre-planning. This is a better (and potentially less costly) approach than trying to ‘fix’ plans over time. It will also mean that participants are better able to exercise choice and control (and this is more likely to induce a provider response).

## **Planners need more disability knowledge**

Planners’ limited disability knowledge is a real concern (box 6). Many advocacy groups said that planners do not have sufficient knowledge of particular disabilities or the impact that particular conditions have on people’s lives, and they often do not know what supports are most effective for the participant’s disability. Alzheimer’s Australia, for example, reported that a person with Multiple Sclerosis (MS) was asked by the LAC at a planning meeting, ‘How long will MS last?’.

Planners should, at a minimum, have a general understanding about different types of disability. There should be specialised planning teams for some types of disability, including psychosocial disability. The NDIA should also make better use of expertise from within the industry, including by getting specialist disability organisations or service providers more involved in the planning process. A risk-based approach to managing potential conflicts of interest that could arise from such arrangements should be adopted by the NDIA. This would also mean that the NDIA would not need to compete with others in an already thin market to recruit planners with specialist qualifications or experience.

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## Box 6 **Planners — not enough disability knowledge**

### MND Australia:

LAC's do not have the expertise to support people with [motor neurone disease]. ... They have no understanding of MND and the disability it creates. They attempt to plan via a telephone conversation, when speech and communication can be one of the early losses created by MND.

### Alzheimer's Australia:

Peter, the carer of a woman with younger onset dementia, felt unprepared when he and his wife attended their first NDIS planning session. ... The NDIS planner had no understanding of dementia and the needs of people living with dementia and as a result the planning session focused on physical needs and solutions ... Feedback from people with progressive neurodegenerative diseases has revealed that [LACs] have also shown insufficient knowledge of their disease, the impact of that condition on their lives, the most effective service interventions and the degenerative and fatal nature of their disease.

### Amaze:

Amaze's 2017 survey found: 65% of respondents rated their planner's knowledge and understanding of autism as none to moderate a level (with the remainder rating the planner's knowledge as high). ... given 30% of participants identify autism as their primary diagnosis, a high level of ongoing training in autism will be a necessity to developing and maintaining their capacity to reliably develop plans.

### New South Wales Government:

... planner knowledge and capability is highly varied, as is their interpretation of reasonable and necessary supports and understanding of interim working arrangements with mainstream services. Approved supports are less likely to be based on a participant's needs and more on a planner's knowledge of the disability and/or how effectively the participant or their carer advocate for certain supports.

## 8 **Boundaries and interfaces — the NDIS and services outside the scheme**

People with disability, their families and carers rely on a wide range of services — including mainstream services, specialist disability services and community supports. For the NDIS to work efficiently and effectively, the interface of the scheme with these other services must be as seamless as possible.

While the level of funding provided to the NDIS recognised that the aggregate level of funding available to people with disability was inadequate, it was not expected that the NDIS would fill *all* the service gaps that predated the scheme. Providing services to people with disability remains a shared responsibility between all levels of government.

The interface between supports for people with disability will take time to clarify, but in the meantime it is important that governments do not prematurely withdraw from services, as any gaps that emerge will place added burdens on people with disability and their families. As the interface issues become clearer, it is important that incentives do not exist for individuals to prefer one system over another. Most critically, the NDIS should not be seen as an oasis of support, surrounded by a desert where little or nothing is available.

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While there is much detail yet to be worked through, establishing clear and robust boundaries (and appropriately tailored supports) is essential to the fiscal sustainability of the NDIS, and for the surrounding network of supports.

## **Linking people to the right services**

The Commission's 2011 report recommended a bridging and capacity building service for people with, or affected by, a disability (known as Tier 2 supports). The ILC program is a key component of the NDIS. It is designed to provide information, linkages and referrals to people with disability, their families and carers, with community and mainstream supports. The focus of ILC is on individual development and community inclusion.

ILC will be important for scheme sustainability. It is expected to reduce reliance on NDIS funded support over time by:

- reducing the demand for individualised supports and the need for supports within funded packages
- making supports more effective at helping people achieve their goals.

In July 2017, the NDIA began rolling out the ILC program. Funding for ILC will gradually increase over transition (from \$33 million in 2016-17 to \$131 million in 2019-20). The timing of ILC funding is determined by governments (it starts with a small budget that increases over time) and has prevented the NDIA from investing in ILC activities and rolling out a national ILC framework. At the same time, State and Territory Governments are withdrawing from existing ILC-type activities.

It is a false economy to have too few resources for ILC activities in the transition period — it is critical to have structures in place to ensure that people eligible for the NDIS can access the scheme, and those who are not eligible can access supports and services outside the NDIS.

ILC funding should be increased to the full scheme amount (\$131 million) for each year during the transition and be focused on national ILC activities. The effectiveness of the ILC program in improving the outcomes for people with disability and its impact on the sustainability of the NDIS should be assessed as part of the 2023 review of NDIS costs, when data on ILC activities will be available.

## **Interface with mainstream services is not clear at an operational level**

The Australian Government has entered into bilateral agreements with State and Territory Governments to delineate the types of services to be provided and funded by the NDIS and mainstream services. Schedule 1 of the *National Disability Insurance Scheme Rules (Supports for Participants) 2013* (Cwlth) sets out the rules to determine whether the NDIS or another system is most appropriate to fund specific supports for individuals.

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COAG has accountability for the NDIS and the *National Disability Strategy*, and through its Disability Reform Council (DRC), receives reports and advice on progress and risks. While the principles agreed to by COAG on the boundaries between the NDIS and mainstream services are clear, greater clarity is required at the operational level. This will prevent duplication, gaps and cost shifting by the NDIA, and the Australian, State and Territory Governments.

The boundary issues are yet to be tested. However, the *National Disability Strategy* should be strengthened to include more detail around boundaries (based on challenges faced when seeking to operationalise boundaries), and greater accountability. At review points of National Agreements and National Partnership Agreements under the Intergovernmental Agreement on Federal Financial Relations, parties should agree to specific commitments and reporting obligations that are consistent with the Strategy. As the DSS said:

Translating the National Disability Strategy into tangible results for people with disability, their families and carers is a major factor in successful implementation of the NDIS.

Adding a standing item to the agenda of each COAG council that is responsible for services that interface with the NDIS to discuss any gaps in service provision would also help build clarity around what services governments will provide, and ensure ongoing monitoring and solutions for potential future gaps. The Councils should put forward issues to be resolved and suggested actions to the DRC.

### **Concerns that some people with disability may be left without services**

Many are concerned that, as disability support programs are rolled into the NDIS, people using these services (including those not eligible for the NDIS) may no longer receive continuity in support. This is a key risk to the financial sustainability of the NDIS — and one that the NDIA has little control over.

Mental health services are an area of particular concern. The National Mental Health Commission's report on Mental Health Programs and Services estimated that about 700 000 Australians experience a severe mental illness in any one year. According to the NDIA, about 64 000 people with primary psychosocial disability are expected to be eligible for individual packages in the NDIS at full scheme.

Clearly, there needs to be support for people with mental health illnesses outside of the scheme — a responsibility that remains (largely) with State and Territory Governments. However, governments are withdrawing their funding for a number of mental health support programs and using this funding to offset part of their contribution to the NDIS. At this stage, it is unclear what supports will be available for people with a mental illness who do not meet the NDIS eligibility criteria. This should be clarified as a matter of urgency.

The implications of this are significant. Not only is uncertainty distressing for those with mental illness, any gap in support places an additional call on the generosity of informal support. Gaps could also place pressure on the financial sustainability of the NDIS if they

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encourage scope creep, or force those who are unlikely to meet the eligibility criteria to test their access for fear of having few supports should they not qualify for the scheme. Mental health and psychosocial disability are a key priority of the DRC, but more clarity is required.

While the Australian and State and Territory Governments have agreed to provide continuity of support for disability services outside the NDIS, in practice there is confusion and uncertainty about what services will continue to be provided and/or funded. Governments need to be clearer about how they will approach continuity of care, and transparent about what disability services they will continue to provide for people who are not eligible for the NDIS.

Gaps in disability services need to be quickly identified (possibly with the assistance of ILC and LACs) and managed, to ensure the sustainability of the overall scheme. The NDIA and the Australian and State and Territory Governments should report regularly to the DRC on boundary issues.

## **9 Market readiness**

The market-based approach of the NDIS means that there will be significant changes in the way that supports are demanded by, and provided to, participants. This disruption of the disability supports market is designed to maximise the choice and control of participants, while also giving providers incentives to efficiently and effectively deliver the supports that participants want and need.

While the scheme will drive efficiencies, the increase in funding and considerable unmet need in the disability support sector means that the number of workers and providers will need to grow quickly over the transition period. For example, the NDIS workforce will need to more than double from 2014-15 to 2019-20. The scale, scope and capacity of providers will also need to expand substantially. As the success of the NDIS relies on providing the right supports to participants, market readiness will affect costs during transition and beyond.

### **Providers face challenges to be ready for the NDIS**

To meet the needs of NDIS participants, there must be a significant increase in the quantity, quality, range and responsiveness of disability supports.

In making the transition to a market-based system for disability supports, providers are facing the prospect of workforce shortages and coming to grips with operating in a market that will, for some time, be characterised by price caps. The shift in the business model, from a block-funded to a fee-for-service environment, is highly challenging for many.

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## Prices are critical for market development and participant outcomes

Participants exercising choice and control will increasingly drive the price of disability supports. And these prices will drive providers to supply the supports that participants most value, and encourage competition and innovation among providers. Allowing the market to determine the price of supports is an important tenet of the NDIS — it will contribute to both participant outcomes and the financial sustainability of the scheme.

However, prices are currently regulated. The NDIA sets maximum prices (‘price caps’) for many of the supports provided by NDIA-registered providers to:

- ensure value for money for participants — as the price of supports may be bid up too quickly before the sector grows sufficiently to meet the increased demand
- encourage the market supply of disability supports.

In practice, the NDIA must balance these two objectives. If prices are set too high, this will encourage the supply of supports, but reduce the purchasing power of participants. If prices are set too low, this could lead to a shortage of particular supports. Striking the right balance is difficult. From a long-term perspective, price regulation should not linger for years, have excessive scope, nor skew the market (such as by benefiting some providers or participants over others).

The Commission heard from many stakeholders that the NDIA’s pricing methodology has, in some cases, led to perverse incentives, poor participant outcomes and hindered market development — especially for supports required by participants with complex needs. According to the NDIA, existing providers (many who previously relied on block-funding) are finding it difficult to adjust to the fee-for-service model.

The NDIA, on completing its 2017-18 price review, commissioned McKinsey & Company to review its pricing approach. The report will be completed at the end of 2017.

The Commission agrees with the NDIA’s findings from recent reviews that the communication, transparency and timeliness of the pricing process needs to be improved. Price regulation of NDIS supports should be administered by a body with relevant capabilities and necessary resources. Prices of supports should be regulated as narrowly and for the least time possible, as well as be:

- transparent, with wide public consultation and publicly available information, including all assumptions used in any pricing models
- more granular and targeted by setting prices for supports at the state and territory level, with an expectation that price signals could be set at a more disaggregated regional level where possible
- evidence-based, with the collection of data and public reporting on providers’ characteristics and costs
- supported by clear and limited legislative authority

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- timely (giving providers sufficient time to phase in changes and be responsive to market conditions) and reviewed on a regular basis
  - used only when there is clear evidence that unregulated prices are likely to lead to inflation that would harm participants.

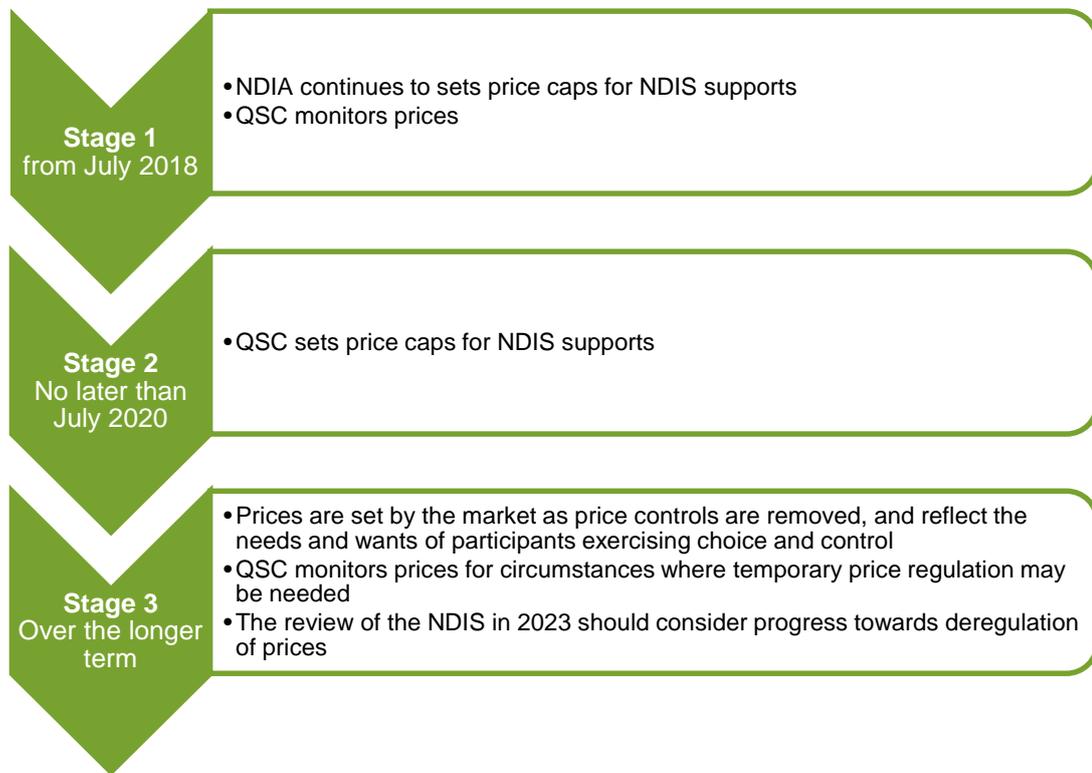
The Commission is concerned that while ever the price-setting mechanism is held within the NDIA, there is an incentive for it to be used to offset budget pressures. Prices should be set with market development as the primary focus. To better reflect the above principles, the Commission proposes moving towards the deregulation of prices in three stages (figure 7).

- The first stage reflects the current situation: the NDIA continues to set price caps for NDIS supports. But to provide additional oversight and improve the transparency of price-setting, the NDIS Quality and Safeguards Commission (QSC) should begin monitoring prices from its commencement in July 2018, particularly to highlight price settings it considers to be inconsistent with longer-term market development.
- The second stage (following the end of transition) addresses the greater need (see above) to ensure strong and competitive markets that provide a sufficient quantity of supports to meet the demand from 475 000 participants. To that end, the QSC should take over the role of price regulator no later than July 2020.
- The third stage is characterised by the longer-term removal of price controls by the QSC as markets for disability supports become more fully developed (which will occur at different times in different jurisdictions). The review of NDIS costs in 2023 should consider the state of market development including progress towards deregulation of prices. Following deregulation, there will still be need for the QSC to monitor prices to ensure that participant outcomes are being achieved through the ongoing provision of safe and quality supports.

It is undeniable that the supply response to the scheme is less than what will be required to deliver supports to participants.

The NDIA's cautious approach in setting prices was commensurate with the uncertainties around cost pressures early in the scheme, but the pace and growth of market development now needs to be accelerated. Vesting price regulation powers in the QSC will ensure that market development (and participant wellbeing) receives the focus that it needs, and reflects its increasing importance over time as the scheme rolls out.

Figure 7 The PC's recommended path for NDIS price deregulation



Without better oversight and transparency of price signals in the near term to achieve the required significant increase in supply, the benefits of the NDIS will not be fully realised. These concerns were raised by numerous stakeholders, including many of the governments funding the scheme. The Victorian Government, for example, said:

It is important to separate the price-setting function from the NDIA and then clarify the role and accountability to be retained by the NDIA. Victoria considers that there is also an immediate need to consider areas where NDIS pricing may be inhibiting market growth or risking provider failure (particularly in areas or services in which there are thin markets). In some areas, the NDIA appears to have applied flawed assumptions to its calculation of prices. Examples include low allowances to train, supervise and recruit direct support staff, unrealistic assumptions around the amount of time staff need to spend undertaking non-client facing functions, and low assumptions around the proportion of overall costs devoted to overheads (particularly during the transition period). Victoria considers that these areas should be corrected as soon as possible.

Independent price monitoring and regulation will benefit participants, providers, and the community. Participants will be assured that quality and safety standards are considered in the pricing of NDIS supports. Providers will have greater certainty that price setting will be transparent and evidence-based. And the community can be confident that the funds they have contributed to the scheme will be spent in a way that best balances the needs of market development and the interests of participants.

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## Thin markets need more attention

When creating a new market for disability supports, there is a risk that, in some areas, or for some types of supports, the market (the number of providers or participants) will be too small to support the competitive provision of services ('thin market'). Thin markets are not new — they have been, and will continue to be, a persistent feature of the disability support sector.

In the absence of government intervention, there will be greater shortages, less competition, and ultimately poorer outcomes for participants. Participants at most risk are those who:

- live in outer regional, remote or very remote areas
- have complex, specialised or high intensity needs, or very challenging behaviours
- are from culturally and linguistically diverse backgrounds
- are Aboriginal and Torres Strait Islander Australians
- have an acute and immediate need (crisis care and accommodation).

The NDIA has not, to date, developed a Provider of Last Resort policy, or its Market Intervention Framework, and this has led to concerns about continuity of services. These policies should be published as soon as possible.

More flexible funding, service delivery and other measures tailored to specific circumstances are also needed. The NDIA should consider the widest range of approaches, including block-funding.

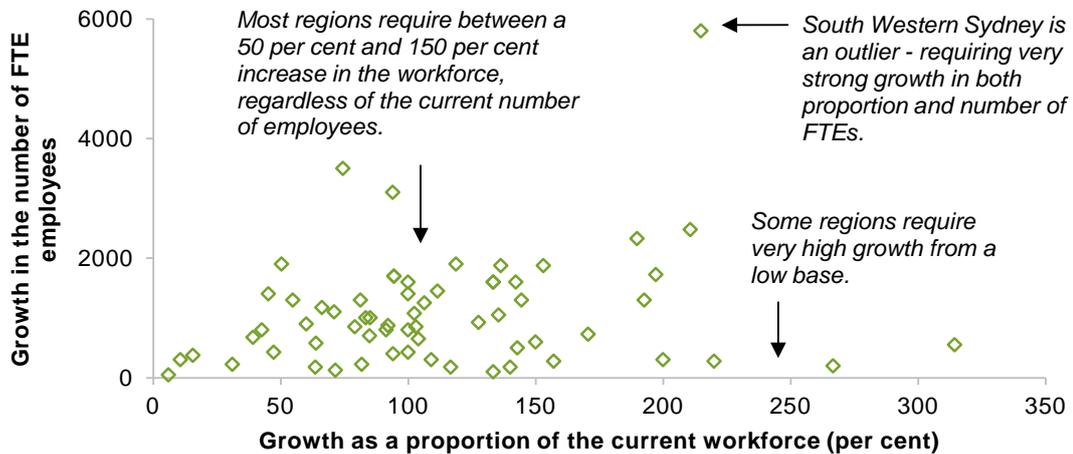
The NDIA should also collect and publicly release granular data, feedback and reports on thin markets, including when Provider of Last Resort arrangements are used. This will help inform the appropriateness and effectiveness of market interventions. Regardless of the approach chosen, there is a need for transparent reporting and evaluation of thin market arrangements, and collaboration between the Australian and State and Territory Governments.

## The workforce is not growing fast enough

As the NDIS provides more individualised supports for people with disability, the workforce needed to provide those supports will need to both increase and become more diverse. There is broad consensus that the number of full-time equivalent positions will need to roughly double over the transition period — at a local level, some regions will need to triple their workforce or more to meet demand (figure 8).

Figure 8 **Variation in workforce growth required in different regions<sup>a</sup>**

Each dot represents the growth in the amount of full-time equivalent (FTE) employees needed relative to the current situation, both in terms of the number and proportion, between 2015-16 and 2019-20.



<sup>a</sup> The NDIA's market position statements provide 'low and high' estimates for the number of FTE disability workers at present and what will be needed in the future. To derive these estimates for growth, the midpoints of each range are used. No data are available for Western Australia. Regions are areas consisting of several local government areas.

Several policy changes are recommended to mitigate the potential workforce shortage over the short term, including:

- meeting the desires of many existing workers — who are qualified and experienced, and usually work part-time — to work additional hours
- trialling different approaches to help fund volunteer organisations to provide participant supports
- allowing for skilled migration where residual shortages remain persistent.

### Building the workforce is a long-term exercise

While these measures will help to address workforce shortages in the transition period, more attention also needs to be paid to the longer-term development of the workforce.

The responsibility for workforce development is currently shared jointly between the DSS and the NDIA — with the former having 'oversight' of workforce development and the NDIA allocated the task of 'market steward'. The DRC also plays a role in workforce development issues, along with the relevant State and Territory Government departments.

The current fragmented landscape of roles and responsibilities for workforce development is understandable given the breadth and reach of the scheme, and the speed of implementation, but is unacceptable. The risk is that a fragmented workforce policy may

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lead to inaction, or result in duplication or unnecessary programs at a time when the scheme can least afford it. While some progress is being made to better coordinate the activities of different jurisdictions, much more needs to be done.

A ‘big tent’ approach to workforce development remains appropriate, but the roles and responsibilities of different parties should be clarified and made public. This is a big task, and is not yet being given the attention it needs.

- State and Territory governments should have more responsibility for workforce development issues over the transition period, as they have the best experience of where there has been historically unmet need and the approaches best suited to solve such issues in particular jurisdictions.
- The Australian Government should retain oversight of the scheme, and focus on areas that affect the supply and demand of care workers from an economy-wide perspective, including the interaction of the NDIS with other care sectors (such as aged care) and monitoring trends in the supply of skilled workers through tertiary and vocational education.
  - The Australian Government should adjust immigration policy where necessary to address workforce shortages.
- The NDIA is best placed to provide more granular detail to governments on where supply gaps are emerging, or likely to emerge.
- Governments should also regularly consult with providers on emerging workforce policy issues, such as where the incentives of the scheme may be affected by other laws and regulations like minimum standards, conditions of State and Commonwealth awards, and training and development.

Over the long term, the workforce development responsibilities of State and Territory Governments will diminish as the NDIS is fully rolled out and supplants their existing disability support programs. Even then, State and Territory Governments should remain ‘in the tent’ when it comes to workforce policymaking given the interaction between the NDIS and other mainstream services.

### Building the evidence base is also important

Existing data on the size and scope of disability care workers and the organisations they are employed by are poor, and not commensurate with the importance of the NDIS. The DSS (the agency currently tasked with market development oversight) said that ‘a significant limitation to assessing the NDIS market readiness is the availability of market and workforce data’. To address this deficiency, the Australian Government should fund the collection of more fit-for-purpose data by the Australian Bureau of Statistics and the university sector.

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## Participants need help to make the most of the NDIS

The NDIS is about giving participants more choice and control over their supports. While some participants will be ready to manage and work with the NDIS to implement their plans, others will be less so, and may find it difficult to get the most out of the scheme. This in turn will reduce the overall benefits and financial sustainability of the scheme.

How ready participants are to make the most of their plan will depend on a number of factors, including: an individual's capacity; their network of informal carers and peers; the assistance provided under the NDIS; how ready the market is to provide supports; and the complexity of the scheme. As participants spend more time in the NDIS, there will also be some degree of 'learning by doing'.

However, some scheme participants are finding it hard to understand and interact with the NDIS, particularly because the scheme is a new way of allocating and supplying disability supports. There is a lack of useful information about providers and their services. Providing timely, accessible and useful information to participants about providers will help people with disability access their NDIS supports, and better exercise choice and control.

Supports provided in plans give some assistance to participants to implement their plans, including through support coordination (a key means to bolster the readiness of participants with complex needs). However, there is some evidence that support coordination is being provided to participants for only a fixed period of time. The NDIA should allocate support coordination based on need, rather than time.

Intermediaries can also help participants navigate the NDIS, as they can provide tailored supports to participants to manage their plans, including helping to pay providers and hire workers. Intermediaries are especially important for those who may struggle to deal with the administrative burden of managing their own affairs (while allowing participants to retain choice and control). They can also reduce scheme costs by reducing the administrative burden for the NDIA and aggregating participants' purchases of common supports.

However, the take-up rate of intermediaries to date has been slow. Only 11 per cent of participants in the transition period are using intermediaries. To encourage greater use of intermediaries, the NDIA should provide more information to participants and planners about the roles and use of intermediaries. Intermediaries should also be closely monitored to ensure that safeguards are in place to protect participants and providers. And the NDIA should continue to assess the capacity of participants to self-manage on a case-by-case basis.

Disability advocates also play an important role and help participants in a way that NDIS supports cannot. They can help participants get better plans, find supports, navigate the new scheme with its new jargon and complexities, and provide systemic advocacy about difficulties faced by people with disability. However, many State and Territory Governments have reduced or ceased funding for disability advocacy — rolling it into NDIS funding of supports instead. As advocacy remains important over the transition period, the Commission

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recommends that funding be restored by jurisdictions that have ceased or reduced funding, and data collection and evaluation of disability advocacy be increased.

## **More effective government stewardship of the market is needed**

As discussed above, there are substantial challenges developing the market supply of disability supports. While some progress is being made, there are still difficulties in growing the number of providers and the disability care workforce, as well as helping participants to become informed and effective consumers (figure 9). This is occurring at a time when the rapid pace of the rollout — and growth in demand for supports — is at its greatest. Based on experience to date, there will be a shortage of disability supports under the scheme.

Many of these challenges could have been anticipated. This highlights the need for more effective market stewardship by governments (including by the NDIA). As the Agency said:

Market stewardship recognises that when governments implement policies to increase consumer choice and adopt market-based delivery, they must also oversee how the marketplace develops.

Just as providers, workers and participants need to change their approach to disability supports, so too must governments.

The responses from jurisdictions have varied, and their effectiveness is unclear. Although some of the variation reflects jurisdictional differences (including the rollout timetable), it also highlights the uncertainties around the roles and responsibilities of governments under the NDIS. In practice, this has led to gaps, duplication and shifting of responsibilities. This is a risk to the scheme, and to the wellbeing of participants and their families.

While the bilateral agreements provide some level of detail about ‘who is responsible for what’, more rigorous communication, public reporting and coordination of market stewardship activities are needed. The DRC should immediately clarify and publish the specific and practical delineation of market stewardship roles, responsibilities and accountability arrangements of Australian, State and Territory Governments. Where governments, their agencies and/or the NDIA are responsible for a market stewardship task, there should be clear and transparent reporting about the specific outcomes they are to achieve, the timeframe in which it is meant to occur, and progress towards that goal. Governments should also coordinate their market stewardship actions across all sectors, particularly with other care sectors and mainstream services.

Coordination among market stewards is important, but the release of timely, market-relevant data are also needed urgently. The Australian, State and Territory Governments should, with the NDIA and QSC, collect and publish disaggregated, tailored and forward-looking market data. This includes provider and workforce data, as well as qualitative information and feedback from liaison with market participants. A better evidence base would enable a deeper understanding of the market and in turn, inform risk-based market stewardship responses.

Figure 9 **The main actors, actions and Commission’s recommendations affecting market readiness**

				
Key issue	Provider readiness: Price Signals	Provider readiness: Non-Price Signals	Workforce readiness	Participant readiness
Responsible stakeholders	Price regulator (currently NDIA)	Provision of market information (NDIA)	Coordination of workforce development activities by Governments, DSS and NDIA	Assistance in plans (NDIA)
Main current actions	McKinsey & Company price review initiated by the NDIA	Changes arising from the NDIA provider pathway review	Sector Development Fund Workforce action plan developed by DSS	Changes arising from the NDIA participant pathway review
Commission recommends	Principles-based pricing  Independent price monitor and regulator (NDIS Quality and Safeguards Commission)	NDIA to release more frequent and granular data on participant demand  NDIA to make public its Provider of Last Resort policy and Market Intervention Framework	Better coordination between governments, providers and the NDIA to develop the workforce  Appropriate data collection  Trialling use of volunteers	Implement objectives of the eMarketPlace  Clarifying the supports that help participants  Encouraging use of intermediaries  Continue funding disability advocacy
<b>All of the market readiness issues suggest that market stewardship needs improvement</b>				
Clarify and make public the roles and responsibilities for each party Require transparent and regular reporting against outcomes Collect and make public disaggregated, tailored and forward-looking market data Coordinate market stewardship actions across all sectors				

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## 10 Governance

The governance arrangements for the NDIS are complex and reflect the shared responsibility of the scheme between the Australian and State and Territory Governments. While the NDIS is administered by an Australian Government Authority (the NDIA) under Commonwealth legislation and under the direction of an Australian Government Minister, it is designed and funded by the Australian, State and Territory Governments.

In 2011, the Commission recommended a single national scheme, and a single national agency, to provide disability care and support. The Commission considers that this is still the best model, and that Western Australia, the sole jurisdiction to remain outside the NDIS, should be in the national NDIS. The possibility of Western Australia joining the scheme is currently under consideration by the Western Australian Government.

### NDIS rules

Under the current governance arrangements, State and Territory Governments play a significant role in setting NDIS policy. For example, while the Minister for Social Services is responsible for creating NDIS Rules, Category A Rules require unanimous agreement from the Australian Government and each host jurisdiction.

There have been cases where NDIS rules have taken considerable time to implement. The process for implementing or amending Category A NDIS Rules should be streamlined, to ensure that swift changes can be made in response to developments that threaten the financial sustainability of the scheme. The Commission does not recommend that the requirement for agreeing to Category A NDIS Rules be changed from unanimous agreement. Instead, the process should be changed to encourage timely agreement to Rules without diluting the control of State and Territory Governments. This could be done, for example, by requiring governments to state whether they agree or disagree to a proposed rule introduction or change within a certain amount of time. No response could be taken as agreement to the proposal.

### The NDIA's operating costs and staff cap

The NDIA needs sufficient autonomy to manage the NDIS as an insurance-based scheme.

The NDIA is subject to a cap on operating costs. At full scheme the cap is set at 7 per cent of package costs. While capping operating costs could encourage efficiency, if the cap is set too low it could hinder the NDIA's ability to effectively manage the scheme. While similar types of schemes operate close to a 7 per cent average when they are close to maturity, they also typically have significant fluctuations in their annual operating expenses as a proportion of their overall expenses. A target of 7 to 10 per cent, with the expectation that the NDIA would sit at the bottom of this range, would give the NDIA the flexibility to smooth year-to-year fluctuations in spending, while still encouraging efficiency.

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The NDIA also has a full scheme cap of 3000 directly employed staff. Capping staff levels could lead to poorer outcomes, especially early in the scheme's life when the agency is building capacity and institutional knowledge, and developing first plans for many participants. The number of employed staff (and in-house skills) required will depend on the model adopted to undertake planning, and is likely to change as the scheme matures. The NDIA, as a corporate Commonwealth entity, should be given the independence to determine the most effective and efficient number of staff to deliver the scheme.

## **Monitoring the performance of the NDIS**

Performance reporting is important for ensuring outcomes are realised and that there is accountability when they are not. It is also an important component of the insurance approach. The performance of the NDIS is currently monitored and reported through a number of reports, including the quarterly report to the DRC and the Annual Financial Sustainability Report.

While the NDIA is still developing its performance reporting, there are some gaps in the framework and the reporting against the framework, especially around quality. As reporting on outcomes develops, evidence of good outcomes will be evidence of good quality plans, processes and experiences. However, this could take many years. In the meantime, reporting on measures and indicators of quality is needed, and should begin by June 2018.

There is also a need for improved public reporting of review processes. The NDIA should publicly report on the numbers of reviews, review timeframes, outcomes of reviews, and participant satisfaction with the review process. This would improve clarity, transparency and accountability around the effectiveness of the review process.

## **11 Funding**

To ensure that the integrity of the NDIS' objectives are maintained, the funding arrangements for the NDIS need to provide funding certainty and allow the scheme to operate in line with insurance principles. This requires:

- sufficient funding for the NDIA to take a lifetime approach to participant supports
- predictable funding that gives people with disability (and their families and carers), and those that may acquire a disability later in life, certainty that they will receive reasonable and necessary supports over their lifetime
- incentives for the NDIA to efficiently and effectively operate the scheme
- incentives for governments to take a collaborative approach to mainstream interfaces and other disability services.

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## The current funding arrangements

In 2011, the Commission's preferred funding option was for the Australian Government to be the single funder of the NDIS. This option was preferred on the basis that it would:

- provide certainty and clear lines of funding responsibility
- avoid the inefficiencies of the Commonwealth-State 'blame game' that can afflict shared funding arrangements
- reflect the Australian Government's capacity to raise efficient and sustainable taxes of the magnitude required.<sup>6</sup>

The Commission also recommended that the Australian Government direct payments from consolidated revenue into a National Disability Insurance Premium Fund using a legislated formula that provided stable revenue to meet the actuarially-assessed reasonable needs of the NDIS and included funding for adequate reserves.

The funding arrangement for the NDIS (expected to cost \$22 billion in 2019-20) is a pooled approach (this was the Commission's second, less preferred option), with funding from Australian and State and Territory Governments. In the first year of full scheme, the State and Territory Governments (assuming Western Australia joins the national scheme) will contribute a combined \$10.3 billion to the NDIS, and the Australian Government will pay the remainder. The arrangements are governed by a range of bilateral agreements that are to be revisited every five years. The NDIA does not have a reserve to manage fluctuations in expenditure.

## DisabilityCare Australia Fund arrangements should be phased out

A 0.5 percentage point increase in the Medicare levy provides some funding for the NDIS via the DisabilityCare Australia Fund (DCAF). The DCAF is managed by the Future Fund and is subject to management fees. A maximum of \$9.7 billion over 10 years will be credited to the State and Territory Governments to partially reimburse their NDIS contributions, with the remainder available to the Australian Government (at least 75 per cent of the revenue).

The Australian Government's 2017-18 Budget also included plans to increase the Medicare levy by (a further) 0.5 percentage point and credit it to the yet to be established NDIS Savings Fund (alongside other redirected savings, contributions from NDIS underspends returned to the Australian Government, and recommitted funds from the Building Australia Fund and Education Investment Fund (subject to legislation)). The NDIS Savings Fund is a special account ring-fenced within consolidated revenue and is not subject to management fees.

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<sup>6</sup> This option was subject to the State and Territory Governments reducing their taxes to avoid increasing the tax burden on Australians beyond what is necessary to provide additional funding to the NDIS.

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The DCAF arrangements will become less appropriate over time as State and Territory Government withdrawals become more frequent and the ‘churn’ of funds increases. The Commission recommends that the DCAF arrangements be discontinued after 2023-24<sup>7</sup> and that the Medicare levy funds for the NDIS be put into the proposed NDIS Savings Fund.

## **Escalation parameters**

As the NDIS is designed to be a no-fault scheme that covers the entire population, the contributions of governments to the NDIS can be thought of as an ‘insurance premium’ paid by individuals through their taxes. The current Bilateral Agreements provide that the State and Territory Government contributions will increase by 3.5 per cent each year (the ‘escalation parameters’) until 2023, subject to the outcomes of this study.

The current escalation parameters of 3.5 per cent are based on the long-term annual projections of the consumer price index of 2.5 per cent and a net population growth rate of 1 per cent. The threshold issue for escalation parameters is whether or not State and Territory Government contributions at full scheme and beyond should keep pace with scheme costs or maintain existing real per capita contributions.

The argued benefit of State and Territory Government contributions tracking scheme costs is to give them some ‘skin in the game’ to control costs. However, there are a number of factors that contribute to increasing scheme costs, and most of these are not within the control of the State and Territory Governments. State and Territory Government tax bases are also less efficient than the Australian Government’s, which means it is more costly for them to raise funds than it is for the Australian Government.

The Commission recommends keeping State and Territory Government NDIS contributions constant on a real per capita basis over time, as it is reasonable to expect that their tax revenue will grow with inflation and population.

On the basis of current projections of population and price growth post 2019-20, the currently agreed escalation parameters of 3.5 per cent are at the lower end of the likely range of values based on reasonable assumptions. An escalation parameter of 4 per cent would be more appropriate over the short to medium term, until they are reviewed in 2022-23.

## **Funding an insurance-based scheme**

Insurance schemes typically prepare actuarial forward estimates of costs over a period of time and adjust their insurance premiums in line with long-term actuarial projections of future scheme costs. Premiums are usually set at a level to allow reserves to build up to manage year-to-year fluctuations in costs and to set aside money for claims not yet finalised.

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<sup>7</sup> Governments have not negotiated payments to the State and Territory Governments after 2023-24.

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Having access to reserves also allows insurance companies to make upfront investments aimed at reducing scheme costs over the longer term.

For the NDIS to operate as an insurance-based scheme, the NDIA needs to have the autonomy to manage the lifetime risk of participant costs and to manage discrepancies between actual and estimated costs in any given year. The NDIA, rather than the Australian Government, is best placed to manage the costs of the scheme and risk of cost overruns because it has the best information to do so.

Increasing funding contributions in line with cost increases, with a buffer for risk, would provide the NDIA with sufficient certainty and flexibility to manage the costs of the scheme, rather than having to rely on injections of cash from the Australian Government (which should be rare in a well-run insurance scheme) under the current cost overrun arrangements. It would also provide greater certainty to governments about future contribution obligations.

Allowing the NDIA access to a pool of reserves could also result in improved lifetime outcomes for participants (as the NDIA could focus more on long-term investments) and provide assurance to the community that the scheme is insulated (to some extent) from the vagaries of the budget cycle. Governments should commit now to establishing a pool of reserves for the NDIA. The reserve entitlement should be calculated based on an actuarial and economic analysis of the optimal reserve amount and allowed to gradually accrue over time.

## **12 Data**

The NDIA collects data on participants when they access the scheme, when plans are developed, at plan implementation and at plan review. At full scheme, there will be data on about 475 000 scheme participants. And while the longitudinal dataset to support actuarial analysis of the scheme will take time to build (little data are currently available), as one study participant said, ‘the NDIA is building the most comprehensive population-based longitudinal database on disability in the world’.

The NDIA’s information and communication technology system needs to be fit for purpose to undertake the longitudinal data analysis, reporting and monitoring required to support the insurance approach of the NDIS. And there are some issues with the current system not being capable of extracting all the information required. Progress on enhancing the information and communication technology needs to be monitored by the NDIA.

It is also imperative that access to the longitudinal dataset is made available to other researchers. The NDIA has a legislative basis for allowing others to use the NDIS data, but it is yet to establish policies for data sharing. A data sharing policy should be established.

But not all data relevant for assessing the effectiveness of the NDIS will be (or should be) collected within the scheme. A number of stakeholders raised concerns about data collections outside the NDIS discontinuing as State and Territory Governments wind down

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disability support services. It is important that data are available to examine the interface between the NDIS, other disability supports and mainstream services. The Australian, State and Territory Governments should commit to the ongoing funding of the Survey of Disability, Ageing and Carers and an expanded Disability Services National Minimum Data Set.



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# Recommendations and findings

## How is the scheme tracking?

### FINDING 2.1

The scale and pace of the National Disability Insurance Scheme (NDIS) rollout to full scheme is highly ambitious, and will not be delivered as scheduled in terms of participant intake. The rollout schedule risks the National Disability Insurance Agency (NDIA) not being able to implement the NDIS as intended and it poses risks to the financial sustainability of the scheme. The NDIA is cognisant of these risks.

### FINDING 2.2

The Productivity Commission supports the National Disability Insurance Agency's (NDIA's) approach to projecting scheme costs and the decision to delay integrating data from the trial and transition period to date. As such, the Commission has not revised its own projections of scheme costs.

However, it is imperative that new data are incorporated into the NDIA's assessment of longer-term costs as soon as possible. The Commission's assessment is that, in the absence of major new data reliability issues, there should be sufficient data for the NDIA to update the estimates of scheme costs on the basis of scheme experience for the 2017-18 Annual Financial Sustainability Report.

### FINDING 2.3

The National Disability Insurance Scheme, at the end of trial, came in under budget. But of concern to the Productivity Commission is that this was in large part because not all committed supports were used (in 2015-16 the utilisation rate was 76 per cent). While lower than expected levels of utilisation means lower scheme costs, it also implies poorer outcomes for participants.

Based on trial and transition data, scheme costs are broadly on track compared to the National Disability Insurance Agency's (NDIA's) long-term modelling. At this stage, early cost pressures (such as greater than expected numbers of children in the scheme) are being more than offset by lower than expected levels of utilisation.

The NDIA has put in place initiatives to address emerging cost pressures. It is too early to assess the effectiveness of these initiatives.

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## Scheme benefits

### FINDING 3.1

Early evidence suggests that the National Disability Insurance Scheme is improving the lives of many participants and their families and carers. Many participants report an increase in the amount of support provided, more choice and control over the supports they receive, improvements in their quality of care, greater independence and an increase in overall wellbeing.

### FINDING 3.2

Not all participants are benefiting from the National Disability Insurance Scheme. The groups at risk of having a less positive experience include those with psychosocial disability, complex and multiple disabilities, and language and cultural barriers, as well as people with disability transitioning into the community from the criminal justice system, the homeless and the socially isolated.

### RECOMMENDATION 3.1

The National Disability Insurance Agency should collect and publish data on whether or not participants eligible for individualised supports through the National Disability Insurance Scheme have employment restrictions. Data should be collected in a format similar to data collected on employment restrictions by the Australian Bureau of Statistics Survey of Disability, Ageing and Carers.

## Scheme eligibility

### RECOMMENDATION 4.1

When determining that an individual is eligible for individualised supports through the National Disability Insurance Scheme under the disability requirements, the National Disability Insurance Agency should collect data on which of the activity domains outlined in section 24 of the *National Disability Insurance Scheme Act 2013* (Cwlth) are relevant for individuals when they enter the scheme.

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#### RECOMMENDATION 4.2

The National Disability Insurance Agency should remove the Performance Indicator Target placed on Early Childhood Early Intervention partners that seeks to ensure that less than 50 per cent of children who connect with the partner are referred for access to the National Disability Insurance Scheme.

#### RECOMMENDATION 4.3

The National Disability Insurance Agency should make public a process for changing the conditions listed in List A and List D of the operational guidelines on access to the National Disability Insurance Scheme, including identifying under what circumstances a change in the lists may be considered.

#### RECOMMENDATION 4.4

The National Disability Insurance Agency should implement a psychosocial gateway. The gateway should be the primary pathway that people with psychosocial disability enter the National Disability Insurance Scheme.

The gateway should:

- use specialised staff
- operate on a face-to-face basis to the greatest extent possible
- consider models of outreach to engage people with psychosocial disability who are unlikely to approach the scheme
- provide linkages to both clinical and non-clinical services and supports outside the scheme
- collect data on both entrants into the scheme and people linked to services and supports outside the scheme.

## Scheme supports

#### RECOMMENDATION 5.1

The National Disability Insurance Agency (NDIA) should implement a process for allowing minor amendments or adjustments to plans without triggering a full plan review.

If required, the Australian Government should amend the *National Disability Insurance Scheme Act 2013* (Cwlth) to enable the NDIA to implement such a process.

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#### RECOMMENDATION 5.2

The National Disability Insurance Agency should:

- review its protocols relating to how phone planning is used
- provide clear, comprehensive and up-to-date information about how the planning process operates, what to expect during the planning process, and participants' rights and options
- ensure that Local Area Coordinators are on the ground six months before the scheme is rolled out in an area and are engaging in pre-planning with participants.

#### RECOMMENDATION 5.3

The National Disability Insurance Agency should ensure that planners have a general understanding about different types of disability. For types of disability that require specialist knowledge (such as psychosocial disability), there should be specialised planning teams and/or more use of industry knowledge and expertise.

## Boundaries and interfaces with the NDIS

#### FINDING 6.1

It is a false economy to have too few resources for Information, Linkages and Capacity Building, particularly during the transition period when it is critical to have structures in place to ensure people with disability (both inside and outside the National Disability Insurance Scheme) are adequately connected with appropriate services.

#### RECOMMENDATION 6.1

Funding for Information, Linkages and Capacity Building (ILC) should be increased to the full scheme amount of \$131 million for each year during the transition.

The effectiveness of the ILC program in improving outcomes for people with disability, the adequacy of its funding, and its impact on the sustainability of the National Disability Insurance Scheme should be reviewed as part of the next COAG agreed review of scheme costs in 2023. The ILC budget should be maintained at a minimum of \$131 million per annum until results from this review are available.

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#### RECOMMENDATION 6.2

The Australian, State and Territory Governments should make public — through the COAG Disability Reform Council (DRC) — their approach to providing continuity of support and the services they intend to provide to all people with disability (including the value of supports and number of people covered), beyond supports provided through the National Disability Insurance Scheme. Arrangements for continuity of support should be made clear before full scheme implementation.

The National Disability Insurance Agency should report annually to the DRC on boundary issues as they are playing out on the ground, including identifying service gaps and actions to address barriers to accessing disability and mainstream services for people with disability. The reporting should be used for ongoing monitoring, evaluation and improvements.

#### RECOMMENDATION 6.3

Each COAG Council with responsibility for a service area that interfaces with the National Disability Insurance Scheme (NDIS) should have a standing item on its agenda to address how these services interface with NDIS supports. The standing item should cover service gaps, duplication and other boundary issues, including ways to improve outcomes for people with disability. Each Council should put forward issues and proposed solutions to the Disability Reform Council for action.

At review points of National Agreements and National Partnership Agreements under the *Intergovernmental Agreement on Federal Financial Relations*, parties should agree to specific commitments and reporting obligations that are consistent with the *National Disability Strategy*. The Agreements should be strengthened to include more details around how boundary issues are being dealt with, including practical examples.

#### RECOMMENDATION 6.4

If the medical and general accident streams of the National Injury Insurance Scheme are not implemented, then State and Territory Governments should bear the additional costs borne by the National Disability Insurance Scheme because of the absence of these streams.

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## Provider readiness

### FINDING 7.1

In a market-based model for disability supports, thin markets will persist for some groups, including some participants:

- living in outer regional, remote and very remote areas
- with complex, specialised or high intensity needs, or very challenging behaviours
- from culturally and linguistically diverse backgrounds
- who are Aboriginal and Torres Strait Islander Australians
- who have an acute and immediate need (crisis care and accommodation).

In the absence of effective government intervention, such market failure will result in greater shortages, less competition and ultimately poorer participant outcomes.

### RECOMMENDATION 7.1

The National Disability Insurance Agency should address thin markets by:

- considering a range of approaches, including block-funding
- publicly releasing its Provider of Last Resort (POLR) policy and Market Intervention Framework discussed in the *NDIS Market Approach: Statement of Opportunity and Intent* as a matter of urgency
- collecting and making publicly available disaggregated data, feedback and reports on thin markets, including when POLR arrangements are used.

### RECOMMENDATION 7.2

Bilateral agreements regarding the full rollout of the National Disability Insurance Scheme should only include in-kind funding arrangements for services that are required to ensure continuity of support for existing clients. For in-kind services that persist past transition, a timetable for when they will be 'cashed out' should be included in bilateral agreements.

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## Pricing of disability supports

### FINDING 8.1

The National Disability Insurance Agency's approach to setting price caps to date has hindered market development by discouraging the provision of some disability supports. In some cases, it has led to poor participant outcomes, especially for those with complex needs. The benefits of the National Disability Insurance Scheme will not be fully realised if the Agency continues with its current pricing approach.

### RECOMMENDATION 8.1

The body responsible for regulating the price of supports under the National Disability Insurance Scheme should have relevant capabilities and the necessary resources to set price caps in a manner that is:

- transparent, with wide public consultation and publicly available information, including all assumptions used in any pricing models
- evidence-based
- supported by clear and limited legislative authority
- independent
- timely, particularly in giving providers sufficient time to phase in changes and be responsive to market conditions.

### RECOMMENDATION 8.2

The Australian Government should amend the *National Disability Insurance Scheme Act 2013* (Cwlth) to require the National Disability Insurance Scheme Quality and Safeguards Commission (QSC), upon its commencement in 2018, to monitor, review and report on the price caps for scheme supports set by the National Disability Insurance Agency (NDIA). This should include appropriate funding for the QSC to undertake price monitoring of scheme supports, and to continue the business characteristics and benchmarking study currently undertaken by National Disability Services and the University of Western Australia.

The Act should require the NDIA to provide any relevant data and information that is required by the QSC in its price monitoring functions. The NDIA should make public a summary of the report of the 2017 McKinsey & Company price review upon completion, and provide the full report to the QSC.

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#### RECOMMENDATION 8.3

The Australian Government should amend the *National Disability Insurance Scheme Act 2013* (Cwlth) to transfer the National Disability Insurance Agency's (NDIA) power to set price caps for scheme supports to the National Disability Insurance Scheme Quality and Safeguards Commission (QSC) by no later than 1 July 2020. The Act should require the NDIA to provide any relevant data and information that is required by the QSC in its price regulation functions.

Prices should only be regulated as narrowly and for as short a time as possible. As part of its price regulation functions, the QSC should:

- collect, de-identify and publicly release data on providers' characteristics, including the price, profits, costs and quality of services
- set price caps for supports at least at a state and territory level, which should be made public no less than 60 days before prices take effect
- comprehensively review and make public its price model on at least an annual basis. This review should be transparent, have wide public consultation, be evidence-based and evaluate the effectiveness of prices in meeting clearly defined objectives
- determine when to deregulate prices for supports, with particular regard to the type of support and region.

Progress towards price deregulation should be considered by the independent review of scheme costs in 2023.

## Workforce readiness

#### FINDING 9.1

The disability care workforce will not be sufficient to deliver the supports expected to be allocated by the National Disability Insurance Agency by 2020.

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#### RECOMMENDATION 9.1

The roles and responsibilities of different parties to develop the National Disability Insurance Scheme (NDIS) workforce should be clarified and made public by the beginning of 2018.

- State and Territory Governments should rely on their previous experience in administering disability care and support services to play a greater role in identifying workforce gaps and remedies tailored to their jurisdiction.
- The Australian Government should retain oversight of workforce development, including how tertiary education and aged care policy interact and affect the development of the workforce.
- The National Disability Insurance Agency should provide State and Territory Governments with data and analyses held by the Agency to enable those jurisdictions to make effective workforce development policy.
- Providers of disability supports should have access to a clear and consistent mechanism to alert the National Disability Insurance Agency, the NDIS Quality and Safeguards Commission, and the Australian, State and Territory Governments about emerging and persistent workforce gaps.

#### RECOMMENDATION 9.2

The National Disability Insurance Agency should publish more detailed market position statements on an annual basis. These should include information on the number of participants, committed supports (disaggregated at a level of detail consistent with the guides used to set price caps), existing providers and previous actual expenditure by local government area.

The Australian Government should provide funding to the Australian Bureau of Statistics to regularly collect and publish information on the qualifications, age, hours of work and incomes of those working in disability care roles, including allied health professionals.

#### RECOMMENDATION 9.3

The Australian Government should adjust immigration policies where necessary to address National Disability Insurance Scheme workforce shortages.

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#### RECOMMENDATION 9.4

Some volunteer organisations are finding it difficult to provide supports to eligible scheme participants. There is merit in the National Disability Insurance Agency:

- considering whether volunteer organisations should be funded to cover both the initial costs of connecting participants with volunteers and ongoing costs of volunteer management. The Agency should consider whether this is best done through line items for scheme participants or through a more direct funding arrangement with volunteer organisations
- trialling different funding arrangements to cover ongoing costs of volunteer management and collecting data on the outcomes of participants that use such services to better evaluate the costs and benefits of volunteer organisations providing scheme supports over the longer term.

#### RECOMMENDATION 9.5

The National Disability Insurance Agency should collect data on the number of participants who make use of paid informal carers to deliver scheme supports, including the costs associated with such payments and their length of use.

#### RECOMMENDATION 9.6

The National Disability Insurance Agency should:

- ensure planners take into account the amount of respite care that is reasonable and necessary under an individualised support package, based on the amount of informal care that is expected to be provided by informal carers
- label short-term accommodation supports provided in participants' plans in a way that makes it clear that these supports can be used for respite
- better inform participants and their informal carers that core supports provided in individualised support packages can be used to fund additional in-home care or support in shared facilities to provide respite
- include specific measures to ensure a supply of respite services in its provider of last resort policies.

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## Participant readiness and market stewardship

### RECOMMENDATION 10.1

The National Disability Insurance Agency should:

- clarify to scheme participants and the community the role of support coordinators in relation to Local Area Coordinators, plan managers, mainstream services and advocates
- allocate support coordination to participants in their plans on the basis of need (and not for a fixed time period) in determining whether it is a reasonable and necessary support, pursuant to section 34 of the *National Disability Insurance Scheme Act 2013* (Cwlth).

### RECOMMENDATION 10.2

The National Disability Insurance Agency should provide accessible information to participants and the public about the providers available in the market and indicators of participant satisfaction with those providers. This information should be updated in as close to real-time as possible, and be consistent with the stated objectives of the eMarketPlace discussed in the *Integrated Market, Sector and Workforce Strategy*. It should be provided no later than 1 July 2018.

### RECOMMENDATION 10.3

The National Disability Insurance Scheme Quality and Safeguards Commission, upon commencement, should closely monitor the operation of intermediary services under the National Disability Insurance Scheme, and make changes to safeguarding rules and codes of conduct as necessary to ensure that intermediaries act in the best interests of participants.

The National Disability Insurance Agency should provide clear and timely information about the option for participants to self-manage their plans, and the role that intermediaries can play to assist them to undertake different tasks on their behalf. The Agency should continue to assess the capacity of participants to self-manage on a case-by-case basis, consistent with the provisions of the *National Disability Insurance Scheme Act 2013* (Cwlth).

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#### RECOMMENDATION 10.4

The Australian, State and Territory Governments should continue to fund disability advocacy organisations. State and Territory Governments should fund disability advocacy to 2019-20 by an amount that at least matches the per capita contribution of disability advocacy funding announced by the Australian Government.

The Australian, State and Territory Governments should also collect data from funded disability advocacy organisations about people with disability who use their services, and their outcomes. This data should be in a format that can be linked with data held by the National Disability Insurance Agency, and be made publicly available. The Department of Social Services should undertake an independent evaluation of advocacy funding at the beginning of 2020 to inform future funding arrangements, and thereafter periodically evaluate disability advocacy. These reports should be made public.

#### FINDING 10.1

The supply of disability supports in the short to medium term will not be able to meet participant demand resulting from the National Disability Insurance Scheme. This is due to a combination of factors, including rapid intake of the scheme, difficulties faced by participants to navigate the new markets for disability supports, difficulties by providers to adjust quickly to a new market-based model of service delivery, and underdeveloped market stewardship.

#### RECOMMENDATION 10.5

The COAG Disability Reform Council should immediately clarify and make public the roles and responsibilities of the Australian, State and Territory Governments with respect to market stewardship (those actions required to define and support the effective functioning of sustainable and enduring markets for participants and providers). This should include clear and transparent reporting of the specific actions and outcomes they are to achieve (including costs, benefits and risks), timeframes and progress towards goals.

The Australian, State and Territory Governments should:

- with the National Disability Insurance Agency and the National Disability Insurance Scheme Quality and Safeguards Commission, collect and make publicly available disaggregated, tailored and forward-looking market data, including provider and workforce data on supply gaps
- coordinate their market stewardship actions across all sectors, particularly with other care sectors and mainstream services.

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## Governance

### RECOMMENDATION 11.1

The *National Disability Insurance Scheme Act 2013* (Cwlth) should be amended to change the process for agreeing to Category A Rules to reduce the time it takes to implement or amend those rules.

The amendment should not change the requirement that there be unanimous agreement among the Australian Government and the host jurisdictions for implementing or amending Category A Rules.

### RECOMMENDATION 11.2

At full scheme, the annual operating budget for the National Disability Insurance Agency should be set within a funding target of 7–10 per cent of package costs with the expectation that, on average, it would sit at the lower end of the band.

The National Disability Insurance Agency should be required, in its annual report, to state the reasons why it has not met this target in any given year.

### RECOMMENDATION 11.3

The Australian Government should remove the cap on staff employed directly by the National Disability Insurance Agency.

### RECOMMENDATION 11.4

The Western Australian Government and Australian Government should put in place arrangements for Western Australia to transition to the National Disability Insurance Scheme. Any decision to join the national scheme should be made public as soon as possible.

### RECOMMENDATION 11.5

The National Disability Insurance Agency should publicly report on the number of unscheduled plan reviews and reviews of decisions, review timeframes, outcomes of reviews and stakeholder satisfaction with the review process.

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RECOMMENDATION 11.6

The *NDIS Quality and Safeguarding Framework* and associated regulatory arrangements should be examined as part of the first five-yearly review into National Disability Insurance Scheme costs in 2023.

RECOMMENDATION 11.7

The National Disability Insurance Agency (NDIA) should continue to develop and expand the performance reporting against the *Integrated NDIS Performance Reporting Framework*, including on outcomes, and Local Area Coordination and Information, Linkages and Capacity Building activities.

The NDIA should also fill gaps in its performance reporting, including reporting on plan quality (such as participant satisfaction with their plans and their planning experience, plans completed by phone versus face-to-face, and plan reviews). This work should be made a priority. The NDIA should begin reporting on measures and indicators of quality by June 2018.

The *Integrated NDIS Performance Reporting Framework*, and any additional reporting outside this framework included in the Quarterly report to the COAG Disability Reform Council (DRC), should be regularly reviewed by the DRC and refined as needed.

RECOMMENDATION 11.8

The National Disability Insurance Agency should better balance participant intake, the quality of plans and participant outcomes. This rebalancing should be explicitly tied to quality indicators that are publicly reported on (as per recommendation 11.7).

RECOMMENDATION 11.9

The Australian, State and Territory Governments should immediately start planning for a changed timetable for participant intake for the National Disability Insurance Scheme.

In doing so, the Australian, State and Territory Governments should ensure that adequate continuity of support arrangements are in place and assess whether additional resources are required to ensure the scheme meets its objectives. The issue of resourcing disability services under the changed timetable should be dealt with by the Treasurers and Ministers responsible for the disability portfolio in each jurisdiction, at the next COAG Disability Reform Council meeting.

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## Funding arrangements

### RECOMMENDATION 12.1

The DisabilityCare Australia Fund (DCAF) should be discontinued after 2023-24. All the Medicare levy funds hypothecated for the National Disability Insurance Scheme (NDIS) should be put in the proposed NDIS Savings Fund.

The reimbursement arrangements that currently apply under the DCAF should not be continued after 2023-24. If necessary, the impact of such reimbursements should be reflected directly in reduced contributions from the State and Territory Governments.

### RECOMMENDATION 12.2

From full scheme, the escalation parameters that determine the growth of State and Territory Government financial contributions to the costs of the National Disability Insurance Scheme should be set on the basis of population growth and inflation. This will maintain constant real per person contributions from the State and Territory Governments.

The Commission's assessment of projections of population and inflation over the period 2019-20 to 2023-24 suggests the escalation parameters should be set at 4 per cent, rather than the currently agreed 3.5 per cent.

The escalation parameters should be reassessed for the period beyond 2023-24, at 5 yearly intervals, based on the most contemporary projections of population and inflation at that time. The funding shares among the States and Territories should also be rebased according to the most contemporary census population data available at that time.

### FINDING 12.1

If funding contributions to the National Disability Insurance Scheme increase in line with projected scheme costs and there is an actuarially-assessed buffer for risk, then cost overruns in a mature scheme will only occur where cost increases are sudden and difficult to predict.

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#### RECOMMENDATION 12.3

From full scheme, the Australian Government should explicitly factor projected increases in scheme costs, based on the provision of reasonable and necessary supports, into the calculation of its contributions to the National Disability Insurance Scheme.

If cost overruns occur from full scheme, they should be funded by the Australian Government.

#### RECOMMENDATION 12.4

Governments should commit now to providing a pool of reserves for the National Disability Insurance Agency. The pool should build up gradually over time, with the target amount based on an actuarial and economic analysis of the optimal level of reserves.

## Data and evidence

#### RECOMMENDATION 13.1

Australian, State and Territory Governments should commit, by June 2018, to fund (on an ongoing basis) the Australian Bureau of Statistics Survey of Disability, Ageing and Carers, so it can be conducted every three years.

#### RECOMMENDATION 13.2

The Australian, State and Territory Governments should agree to expand the data collection for the Disability Services National Minimum Data Set to include supports to people with disability that are provided or funded by governments outside the National Disability Insurance Scheme (NDIS).

The data collected should include services provided to NDIS participants, but not provided by the NDIS.

A decision on the data to be collected should be made by June 2018, with the broader data to be included in the 2018-19 Disability Services National Minimum Data Set.

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#### FINDING 13.1

There are benefits from allowing researchers to have access to National Disability Insurance Scheme unit record data. Access could be provided by creating a de-identified longitudinal dataset and by allowing approved researchers access to bespoke and more detailed data sets on a case-by-case basis.

#### FINDING 13.2

The National Disability Insurance Agency should adopt a risk-based approach to sharing and release of data. A risk-based approach could include:

- open data that are able to be publicly released because they are non-sensitive
- a synthetic dataset that is more disaggregated but also non-sensitive, that is readily provided to researchers
- secure sharing of more sensitive data to researchers in an environment such as SURE
- better sharing of data with other relevant agencies such as the Australian, State and Territory Governments, with secure access and storage procedures put in place.

There are likely to be benefits, particularly in the early years of its operation, from drawing on the capability and expertise of more mature organisations such as the Australian Institute of Health and Welfare and Data61.

#### RECOMMENDATION 13.3

The National Disability Insurance Agency (NDIA) should engage with stakeholders on how data access will be operationalised. By July 2018, the NDIA should issue a statement outlining the organisation's goals for data sharing and an intended timeline for operationalising data sharing by the NDIA.