

National Disability Insurance Scheme
Annual financial sustainability report
2014-15

September 2015

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Scheme Actuary

Executive Summary

Introduction

The National Disability Insurance Scheme (NDIS) Act received Royal Assent on 28 March 2013, and the NDIS became fully operational on 1 July 2013 with the commencement of NDIS trial sites. A number of significant milestones in recent history contributed to the launch of the NDIS, and importantly the insurance approach to funding and supporting people with a disability over their lifetime.

The NDIS Act commits to the provision of reasonable and necessary supports, including early intervention supports, to all participants. Unlike the existing disability system, participants will be provided with reasonable and necessary supports and this introduces financial risk into the disability system. This annual sustainability report is required under section 180B of the NDIS Act, and provides an assessment of the financial sustainability of the NDIS after two years of operations.

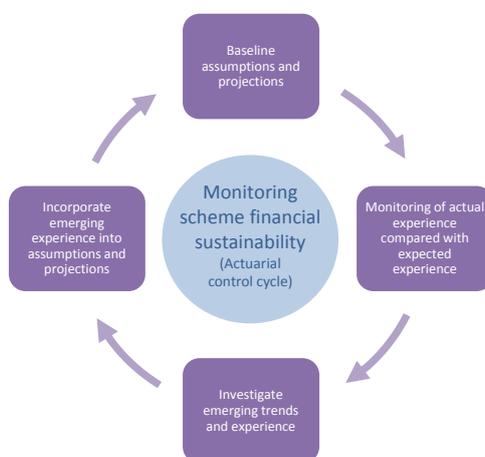
The framework for monitoring financial sustainability

Financial sustainability can be defined as a state where:

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

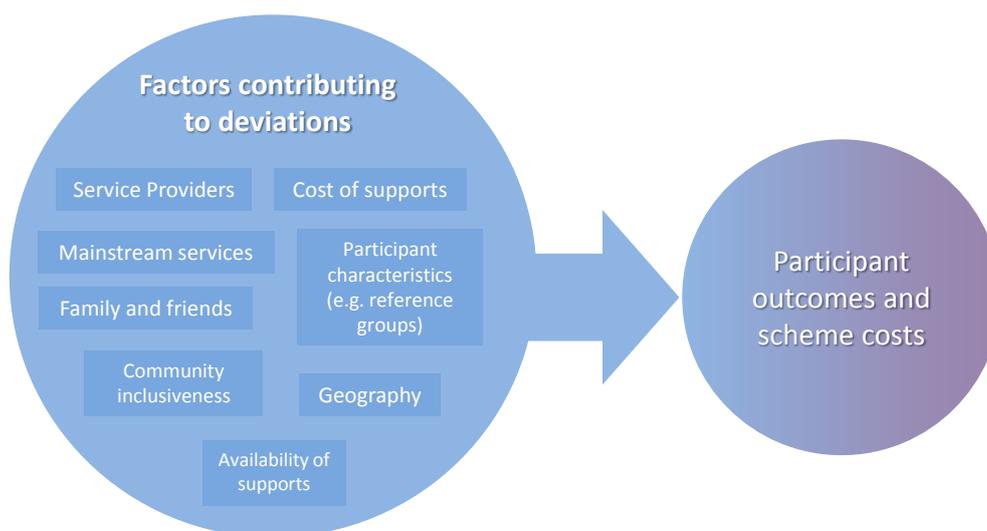
In order to continue to achieve financial sustainability a solid framework for monitoring financial sustainability is required (Figure 1). This framework includes continuous monitoring and evaluation of participant outcomes and costs.

Figure 1 Framework for monitoring financial sustainability



Specifically, the framework involves collecting data on the number of participants, the characteristics of these participants (to allow analysis of reference groups), the outcomes for these participants, and the cost of supports provided to participants. This allows a detailed understanding of deviations between actual and expected experience and hence identification of cost drivers. This information can then be used by the NDIS Board and NDIA management to implement any changes required to continue to ensure the NDIS remains financially sustainable.

Figure 2 Factors contributing to deviations



Scheme experience

As at 30 June 2015:

- 22,563 people had lodged an access request
- 19,817 participants were eligible for the scheme
- 17,303 participants had an approved plan.

The Productivity Commission estimates assumed that around 2.2% of the population under 65 years would be eligible for the NDIS – specifically 2.9% for 0-14 year olds, 1.8% for 15-49 year olds, and 2.4% for 50-64 year olds. Considering trial site experience to date:

- There is some evidence that there may be fewer low cost participants than expected, particularly in Newcastle LGA (in New South Wales). The number of medium and high cost participants across the trial sites is likely to be broadly in line with expected.

- The number of participants in the South Australian trial site is higher than expected,¹ and this experience for the 0-6 year age group is in line with the Victorian trial site. Hence, both the South Australian and Victorian trial sites have higher than expected numbers of children. The number of children in Newcastle LGA is in line with expectations. Work is underway to understand in more detail the reasons for differences between the trial sites.
- The number of participants in the Tasmanian trial site is in line with expected.

In addition to considering participant numbers, detailed analysis on the cost of the Barwon trial site and Newcastle LGA was undertaken, including possible estimates of the cost of these sites at full scheme based on actual experience. The costs of the trial sites based on scheme experience were compared with the Productivity Commission estimates. The estimated cost of both the Barwon trial site and Newcastle LGA using scheme experience is estimated to be between 90% and 100% of the Productivity Commission estimates.

The analysis on the Barwon trial site and Newcastle LGA indicates that, at this stage, departure from the Productivity Commission estimates is not warranted. Further, the differences between trial sites need to be more fully investigated and understood before this experience is incorporated into future projections. Overall, as further scheme experience emerges, so too will a better understanding of the number of participants and cost at full scheme.

Projections

In order to project the costs of the NDIS over time, a number of assumptions were required. These assumptions include:

- rates of new incidence by age and disability
- rates of exit from the scheme, both through mortality and because of no longer requiring NDIS support
- ageing in the scheme
- package costs over the participant's lifetime (including the impact of early investment)
- inflation
- estimates of the impact of accident compensation schemes and particularly the National Injury Insurance Scheme (NIIS)²

¹ The number of participants is higher than expected compared with the Productivity Commission estimates and significantly higher than the bilateral agreement.

² The proposed NIIS will see States/Territories put in place arrangements to cover the care and support needs of people seriously injured in motor vehicle accidents, the workplace, through medical misadventure, or other means (referred to as general injury), regardless of whether the individual was at fault in the accident.

- the time period over which the scheme transitions from trial sites to national coverage³
- operating costs.

Overall:

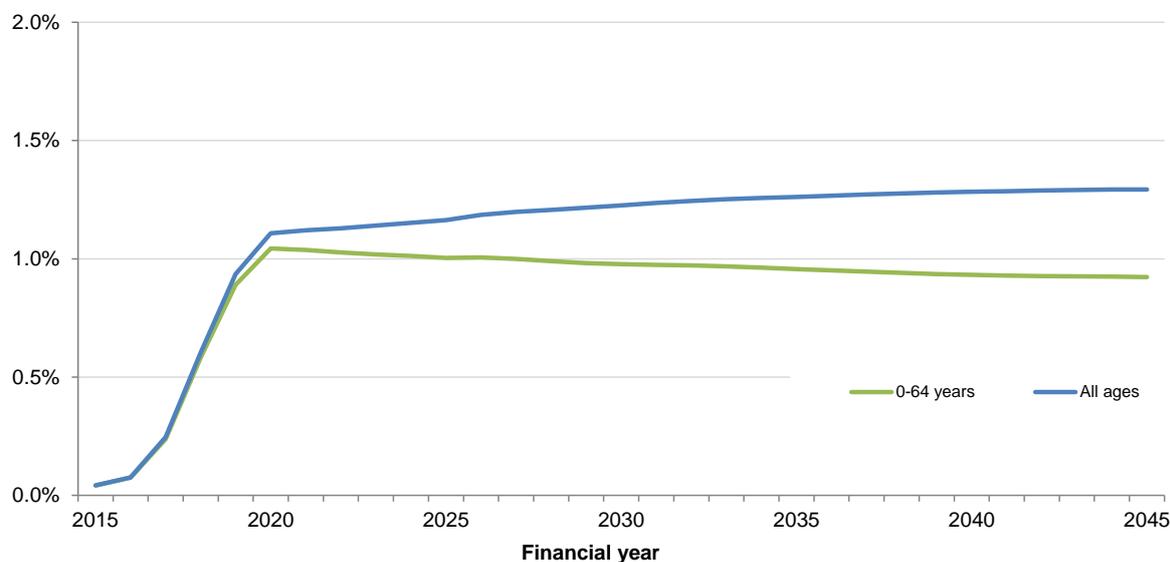
- Package costs at full scheme in 2019-20 are estimated to be \$21.9 billion, including \$1.2 billion for people aged over 65 years (Table 5.1).
- The effect of introducing the NIIS reduces the cost of the NDIS over time. Further, some people with serious injury are already covered under accident compensation scheme arrangements and hence do not require the support of the NDIS. The impact in 2019-20 reduces the total cost of the NDIS to \$21.2 billion.
- Including operating costs increases this to **\$22.4 billion**.

In 2044-45, over 65 year olds represent a much higher proportion of package costs – around 27% of costs compared with 5% in 2019-20. Further, the reduction due to the maturing of the NIIS increases – in 2044-45 this is \$6.1 billion (around 6% of total package costs).

Compared with the Productivity Commission estimates of full scheme costs, the estimates below are consistent when considering inflation and population growth, and only considering participants under the age of 65 years – 0.9% of GDP in the long term (see figure below). However, as participants age in the scheme the cost of the scheme increases from 0.9% of GDP in 2019-20 to 1.3% in 2044-45, with the additional 0.4% of GDP contributing to the cost of the aged care system.

³ At the time of writing no bilateral agreements on transition to full scheme were signed. Hence, the phasing of participants agreed for New South Wales and Victorian were not included in the modelling. This will only effect the transition years and not the full scheme projection.

Figure 3 Projected total cost as a percentage of projected GDP



These projections are in line with the analysis in the 2013-14 Annual Financial Sustainability Report.

Managing financial sustainability

In order to manage financial sustainability effectively, a number of key conditions must be met. These conditions were outlined in the 2013-14 Financial Sustainability Summary Report and are listed below, along with emerging experience and mitigation strategies identified throughout 2014-15.

- An ICT system which accommodates a longitudinal database, supports the insurance approach, provides expert support to front-line staff, and meets the needs of participants and service providers is required.

Additional funding for a new ICT system was announced in the May 2015 Federal Budget. DHS will become the NDIA's ICT supplier. The new system includes the build of a new case management system in SAP, and the hosting of a new data warehouse with longitudinal capability. The NDIA will need to monitor the build closely to ensure that the system does, indeed, deliver what is required.

- Sector capacity. The service provider sector will need to expand to meet the increased demand as the NDIS ramps up to full scheme. If demand increases at a rate that is faster than supply, then, at best, inflationary pressure will emerge. At worst, confidence in the scheme could be compromised. The market needs to expand at between 20% and 30% per annum over the three years (2016-17 to 2018-19) to meet the expected transition timetable. Work to understand the extent to which the market can grow at these rates is required. This is a complex task requiring specialist skills.

- Mainstream services need to bolster their support to people with a disability and meet their requirements under the National Disability Strategy. A number of current AAT appeals highlight the need for clearly defined intersections between the NDIA and the health system.
- The NDIA requires a sufficient operating budget to monitor and manage financial sustainability. It is important to invest in the resources required to ensure that package costs remain within expectations. It is worth noting that a 10% increase in the operating budget may result in additional expenditure of approximately \$150 million at full scheme, while an increase in package costs of 10% would result in an additional \$2 billion at full scheme. Inadequate resources (both staff and systems) increase the risk of extraordinary package cost inflation. Further work is needed to test the adequacy of the operating budget.
- Participants in the scheme need support to be able to build their capacity and exercise choice and control. Work to further support participants with plan implementation is underway, such as funding support co-ordination and holding plan implementation workshops.

List of abbreviations

AAT	Administrative Appeals Tribunal
ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
ARF	Access Request Form
CAC	Commonwealth Authorities and Companies
CALD	Culturally and Linguistically Diverse
CDRC	COAG Disability Reform Council
COAG	Council of Australian Governments
CPI	Consumer Price Index
CRPD	Convention on the Rights of People with a Disability
CSTDA	Commonwealth State Territory Disability Agreement
DCAF	DisabilityCare Australia Fund
DHS	Department of Human Services
DIG	Disability Investment Group
DSS	Department of Social Services
IAC	Independent Advisory Council
ICT	Information and communications technology
IGA	Intergovernmental Agreement
LAC	Local area co-ordination
LGA	Local Government Area
NDIA	National Disability Insurance Agency
NDIS	National Disability Insurance Scheme
NIIS	National Injury Insurance Scheme
NSW	New South Wales
NT	Northern Territory
OECD	Organisation for Economic Co-operation and Development
PC	Productivity Commission
SA	South Australia
SACS	Social and Community Services
SCFFR	Standing Council on Federal Financial Relations
SDAC	Survey of Disability Ageing and Carers
UN	United Nations

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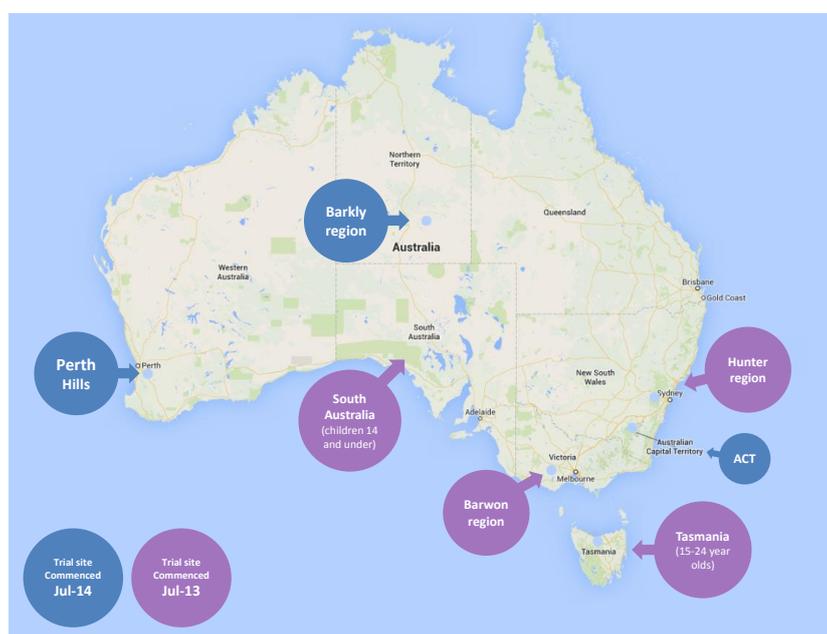
1 Introduction to the NDIS

The National Disability Insurance Scheme (NDIS) Act received Royal Assent on 28 March 2013, and the NDIS became fully operational on 1 July 2013 with the commencement of NDIS trial sites. A number of significant milestones in recent history contributed to the launch of the NDIS, and importantly the insurance approach to funding and supporting people with a disability over their lifetime. These milestones are discussed in Appendix A.

Currently the NDIS operates in seven locations (Figure 1.1):

- The Hunter trial site – Newcastle, Lake Macquarie, and Maitland Local Government Areas (LGAs) in New South Wales.
- The Barwon trial site – Greater Geelong, Surf Coast, Queenscliff and Colac-Otway LGAs in Victoria.
- The South Australian trial site – 0-14 year olds.
- The Tasmanian trial site – 15-24 year olds.
- The Australian Capital Territory
- The Perth Hills trial site - Swan, Kalamunda and Mundaring LGAs in Western Australia
- The Barkly region in the Northern Territory.

Figure 1.1 NDIS Operating Locations



The first four commenced on 1 July 2013 and the remaining three on 1 July 2014. Heads of Agreement signed by the Commonwealth government and all State/Territory governments (except Western Australia) outline that the full scheme will be rolled out between 2016-17 and 2018-19. The Commonwealth and the States/Territories are currently in the process of negotiating bilateral agreements for transitioning from the trial site phase to full scheme within the Heads of Agreement parameters. The NDIS legislation, intergovernmental agreements on trial sites, and heads of agreement are summarised in Appendix B.

This report describes the methodology for monitoring financial sustainability and provides an assessment of the financial sustainability of the NDIS after two years of operation.

1.1 The insurance model and principles

The NDIS Act provides that the objects of the Act are to be achieved by 'adopting an insurance-based approach, informed by actuarial analysis' (subsection 3(2)(b)), and the NDIS 2013-2016 Strategic Plan has as its second Goal: 'The NDIS is financially sustainable and is governed using insurance principles'.

Aspects of the insurance model are listed below. Comparison with traditional disability welfare systems is also discussed.

- The NDIS Act commits to the provision of reasonable and necessary supports, including early intervention supports, to all eligible participants (section 3(1)(d)). This is different from the traditional disability welfare model whereby the annual budget is fixed and hence once this money is exhausted for the year, people with a disability essentially either miss out on support altogether, or do not receive enough support. As NDIS participants can access reasonable and necessary support, a financial risk is introduced to the NDIS model which was not present in the disability system due to its fixed annual budget. This financial risk requires management, and the monitoring and management of this risk is discussed throughout this report.
- An assessment of reasonable and necessary support is undertaken for each individual considering their support needs, life stages and goals, and ways of achieving these goals. The traditional disability welfare model is program-based rather than individual-based, with individuals needing to slot into fixed service models that often do not meet their needs, and provide them with little choice and control over the services they receive and when they receive them.
- The NDIS introduces a focus on early investment in people with a disability to increase their independence, self-management, and economic and social participation. This will be beneficial, not only for participants but also for the long term cost of the NDIS. The traditional disability welfare model focuses on the annual budget rather than on early investment or the lifetime cost of the participant.
- The insurance model includes a strong ongoing cycle of projecting, monitoring, analysis and reporting (including this annual financial sustainability report). This analysis provides management with the information required to make informed decisions on achieving participant outcomes and management of scheme financial sustainability (this is described in more detail in section 2). The traditional disability welfare model reports ex-post on service outputs rather than projecting and then monitoring and reporting on individual and scheme outcomes.

The specific insurance principles developed leverage the insurance model described above:

1. The aggregate annual funding requirement will be estimated by the Scheme Actuary's analysis of reasonable and necessary support need. The aggregate funding requirement

will comprise equitable resource allocation at an individual and subgroup level, and will be continually tested against emerging experience. This requires a comprehensive longitudinal database.

2. The NDIS will focus on lifetime value for scheme participants, and will seek to maximise opportunities for independence, self-management, and social & economic participation with the most cost-effective allocation of resources. This will align the objectives of the NDIS with those of participants and their families. The lifetime value of scheme participants also needs to remain affordable for taxpayers.
3. The NDIS will invest in research and innovation to support its long term approach and objective of social & economic participation, and independence & self-management, for participants.
4. The NDIS will support the development of community capability and social capital so as to provide an efficient, outcomes-focused operational framework, local area coordination, and a support sector which provides a high quality service and respects participant social & economic participation, and independence.

1.2 Financial sustainability

Financial sustainability can be defined as a state where:

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

The financial sustainability of the scheme requires strong management. In order to manage financial sustainability, a detailed understanding of cost drivers, the trajectory of costs (both at the individual level and aggregate level) and risks to this cost trajectory is required. This report intends to inform this understanding.

1.3 The annual financial sustainability report in the NDIS legislation

The NDIS Act and Rules outline the requirement for the Scheme Actuary to produce an annual financial sustainability report. Specifically section 180B(1) of the NDIS Act:

The Scheme Actuary must do all of the following each time an annual report on the Agency under section 9 of the CAC Act is being prepared:

- a. *assess:*
 - i. *the financial sustainability of the National Disability Insurance Scheme; and*
 - ii. *risks to that sustainability; and*
 - iii. *on the basis of information held by the Agency, any trends in provision of supports to people with disability*
- b. *consider the causes of those risks and trends;*
- c. *make estimates of future expenditure of the National Disability Insurance Scheme;*
- d. *prepare a report of that assessment, consideration and estimation;*
- e. *prepare a summary of that report that includes the estimates described in paragraph (c).*

This report is the second annual financial sustainability report of the NDIS prepared by the Scheme Actuary.

1.4 Sections of this report

The sections of this report are as follows:

- An **executive summary**
- **Introduction** including the insurance model and principles, and how this model differs from the traditional disability welfare model, the definition of financial sustainability, and the purpose of the annual financial sustainability report (section 1).
- The **actuarial control cycle** which is the methodology for monitoring the financial sustainability of the NDIS (section 2).
- **Information and data**, including a description of the data available for actuarial analysis (section 3).
- Analysis of **scheme experience** (section 4).
- **Projections** of future expenditure based on experience and other relevant data, including scenario analysis (section 5).
- **Management of financial sustainability** and strategies to mitigate potential risks to financial sustainability (section 6).

1.5 Reliances and limitations

This work was conducted for the sole use and benefit of the National Disability Insurance Agency (NDIA) and the NDIS Board to assist with monitoring, reporting, and management of the financial sustainability of the scheme.

No liability is accepted for loss or damage howsoever arising in the use of this document by the NDIA or third parties for other than the purpose stated above, or for any use of this document, without full understanding of the reliance and limitations noted herein, or for errors or omissions arising from the provision of inaccurate or incomplete information.

It is the responsibility of the NDIA and third parties to ensure that recipients of copies of, or extracts from, this document understand the reliance on which any conclusions in this document are based.

This report has been prepared in accordance with all relevant Professional Code of Conduct guidelines of the Institute of Actuaries of Australia. Further, where appropriate, this report has also been prepared in accordance with the International Standard of Actuarial Practice 2: Financial Analysis of Social Security Programs.

2 The actuarial control cycle

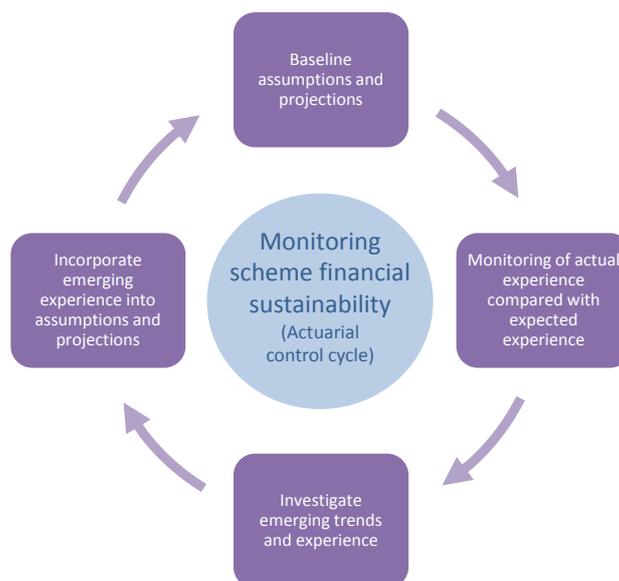
The actuarial control cycle is the methodology for monitoring scheme financial sustainability. This framework allows for continuous evaluation of the NDIS.

At a high level the key features of the actuarial control cycle are (Figure 2.1):

- **Setting of baseline assumptions and projections** including estimates of aggregate participant numbers and costs, participant numbers broken down into reference groups, and estimates of the distribution of annual and lifetime costs associated with each reference group. These baseline assumptions are used to project scheme costs both on an aggregated and disaggregated basis.
- **Monitoring of experience compared with expectations** – this requires monitoring participant outcomes and scheme costs based on a wide range of variables, both in aggregate and at the reference group level.
- **Investigation of emerging trends and experience** – using the information obtained in the monitoring, detailed analysis of where and why actual experience has deviated from expected experience is undertaken.
- The **emerging experience** identified in the monitoring and investigation is **incorporated into assumptions and projections** going forward.

A key feature of the actuarial control cycle is the continuous and cyclical nature of the process – this allows continuous evaluation of performance, both participant outcomes and scheme financial sustainability. This cycle is described in more detail in the remainder of this section.

Figure 2.1 Monitoring scheme financial sustainability (actuarial control cycle)



2.1 Baseline projections

An aggregate estimate of the number of people likely to receive an individualised support package under the NDIS and the cost of these support packages was derived by the Productivity Commission – approximately 425,750 people and \$15.3 billion (in 2014-15 values). A key purpose of the cycle of actuarial valuations (including this financial sustainability report) is to test the reasonableness of these estimates and to refine them as appropriate.

Additional assumptions have been developed to assist in monitoring the cost of supporting participants over their lifetime. These assumptions enhance the Productivity Commission modelling by determining the trajectory of costs - however, the overall Productivity Commission modelling parameters remain the same.

These additional assumptions divide the aggregate participant numbers into reference groups. Reference groups are groups of participants with similar characteristics. For each reference group:

- An average estimated expected cost (both an annual expected cost and an expected lifetime cost) was determined.⁴

⁴ Note: when these average annual costs are multiplied by the number of participants in each cohort, the total cost of support packages is \$15.3 billion. This average cost assigned to each cohort is the reference package.

- Assumptions on new incidence, mortality, and rates of exiting the scheme were determined.

Key variables in the reference groups are:

- Age – costs are assumed to increase with age.⁵
- Disability – this assists with projecting the trajectory of costs over time. For example, participants with degenerative disabilities are likely to require more support over time more quickly than participants without degenerative conditions.
- Severity indicators providing information on function.
- Level of informal/community support available.

Further information on reference packages is included in Appendix C.

In addition to the assumptions discussed above, it is also important to establish baseline participant outcomes across the lifespan, including key life transition points (such as starting school, entering the workforce, and leaving home). A participant outcomes framework has been developed and focuses on a number of domains across the life span. Underpinning the outcomes framework are the principles of independence, self-management, social inclusion, and economic participation. The adult participant domains are:

- choice and control
- daily activities
- relationships
- home
- health and wellbeing
- lifelong learning
- work
- social, community and civic participation.

Family/carer outcomes are also collected.

More detail on the outcomes framework is included in Appendix D.

⁵ The Productivity Commission assumed that for children aged 0-14 years, 30% of the average per person cost was assumed to be met by the NDIS.

2.2 Monitoring and investigation of actual experience

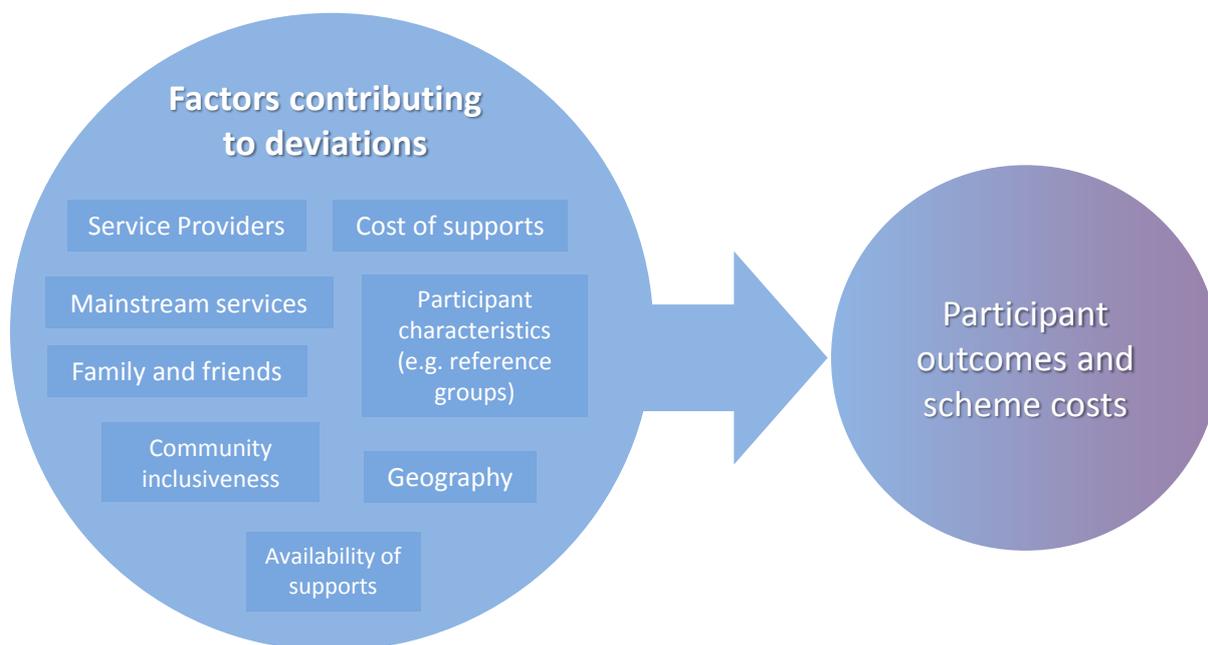
Actual experience is compared with expected experience and detailed analysis of deviations undertaken. The expected experience is derived from the baseline assumptions. Deviations include:

- higher or lower number of participants
- higher or lower scheme costs
- better or worse participant outcomes.

Detailed actuarial analysis as to the reasons for these deviations between actual and expected experience is then possible. Possible drivers of deviations include (Figure 2.2):

- specific participant characteristics (as determined using the reference group data)
- geography and community inclusiveness
- support from family and friends
- service providers
- availability of supports
- cost of supports – both unit cost and intensity of utilisation
- local area coordination and planning
- use of mainstream services.

Figure 2.2 Monitoring participant outcomes and costs



This new scheme experience is incorporated into scheme projections and forms the new baseline assumptions.

2.3 Continuous evaluation

The actuarial control cycle is the methodology for monitoring financial sustainability and participant outcomes. This methodology allows for continuous evaluation, and provides NDIA management and the NDIA Board with the information required to make decisions to continue to manage financial sustainability and improve participant outcomes.

As the scheme experience emerges this methodology will allow:

- Identification of successful early investment which leads to good outcomes, including detailed benefit-cost analysis. Life trajectories can be measured and compared for participants with similar characteristics.
- Identification of models of support which lead to increased independence by monitoring life trajectories.
- Benchmarking of participant groups across a number of factors including geography.
- Measurement of the change over time with regards to participant outcomes related to personal goals.
- Measurement of the reduction in the gap between Australia and other OECD countries in including people with a disability in society.

- Measurement of the reduction in the gap between people with a disability and people without a disability in Australia.

Importantly this analysis happens continuously – hence, continuous evaluation of the scheme, and distinguishes the insurance model from “time-limited evaluation”. This fundamental characteristic of the scheme reinforces the need for rigorous longitudinal data on scheme participants (discussed in section 3).

3 Information and data

This section provides a summary of the information available to undertake actuarial analysis and the systems from which this information is obtained.

3.1 Information systems

The NDIA currently obtains information from the following systems:

- **Siebel** - Siebel is the system used for case management. Front line staff enter information about participants and participant plans into the Siebel case management system. The Siebel system is also accessed by service providers to claim payments for supports provided to participants.
- **SAP** – SAP is the Agency finance system. All payments to and from the Agency are made using SAP.
- **Data warehouse** – The NDIA data warehouse is hosted by the Department of Social Services (DSS). The NDIA receives daily snapshots of Siebel into the data warehouse via text extracts. The actuarial team converts this information into useable metafiles. Note: the data warehouse does not have a longitudinal capability. At present the actuarial team combines daily data to provide a longitudinal record of participants.

The May 2015 Federal Budget announced that the Department of Human Services (DHS) would become the NDIA's ICT supplier. This includes the build of a new case management system in SAP, and the hosting of a new data warehouse. The new ICT system is being built for 1 July 2016, with a planned iterative release during the 2015-16 financial year. The NDIA is working in partnership with DHS to deliver an ICT system that:

- Supports evidence-based decision making by frontline staff
- Encourages the capture of data critical to the actuarial monitoring of the Scheme
- Improves the ability to monitor and mitigate participant cost and outcome risks
- Hosts a longitudinal data warehouse that enables actuarial monitoring.

NDIA will continue to internally design, build and manage the enterprise data warehouse from within the actuarial division. This will ensure that data is available and appropriate for actuarial analysis and operational reporting.

3.2 Data available for analysis

The following table summarises the data available in the current systems for actuarial analysis.

Table 3.1 Summary of data available for actuarial analysis

Data	Description
Access requests to the NDIS	<ul style="list-style-type: none"> Demographic information (age, gender, disability, Indigenous status, CALD status) Contact details Outcome of request (for example: eligible, ineligible)
NDIS participant plans	<ul style="list-style-type: none"> Plan approval date All supports included in the plan, including quantity and cost Length of plan Length of individual support in the plan (note: some support items within plans are for a shorter period of time than the length of the plan) Participant goals Mainstream and informal supports
Payments to service providers	<ul style="list-style-type: none"> Service provider submitting the claim Participant for whom the support was provided Type of support provided Quantity of support provided Cost of support provided Dates of when the support was provided
"Section 55 data" ⁶	<ul style="list-style-type: none"> List of clients receiving support from service providers in the existing disability system, including age and contact details.
Productivity Commission costings	<ul style="list-style-type: none"> The PC original costings of the NDIS. This was based on the 2009 ABS Survey of Disability, Ageing and Carers, and the cost of supports from accident compensation schemes, and State/Territory disability systems.
Epidemiological data	<ul style="list-style-type: none"> Incidence, prevalence and relative risk mortality on a range of disabilities, from accident compensation schemes, and the Burden of Disease Study.⁷
ABS population projections	<ul style="list-style-type: none"> 3222.0 Population Projections, Australia, 2012 (base) to 2101 (Series B) Projections of new participants entering the scheme.
Financial information	<ul style="list-style-type: none"> Data from Siebel were reconciled with financial information in SAP.

Note: data collection has commenced for reference groups and the outcomes framework (discussed in section 2.1) – however, these data are not available for this report.

⁶ Under section 55 of the NDIS Act, the NDIA CEO can request information held by other persons to ensure the integrity of the NDIS. This has allowed the NDIA to request information from service providers receiving funding under existing Commonwealth and State/Territory programs on the number of people they provide services to who might be eligible for the NDIS.

⁷ <http://www.aihw.gov.au/burden-of-disease/>

4 Scheme experience

This section describes the experience of the NDIS after two years of operations (2013-14 and 2014-15). Where relevant, comparisons to the Productivity Commission estimates of participant numbers and cost are discussed. More detail on the aspects of the participant pathway described in this section of the report is included in Appendix E.

Specifically this section includes analysis on:

- **Participants** – participant numbers and trends, participant characteristics compared with what was expected based on the Productivity Commission model and other baseline actuarial assumptions, and analysis of data provided by service providers receiving funding from existing relevant State/Territory and Commonwealth programs (section 55 data).
- **Committed supports and actual payments** – the amount of support committed, the distribution of committed support, types of support committed, and actual payments to service providers.
- **Comparison of experience across trial sites** – the prevalence of participants and the amount of committed support in plans is compared across trial sites.
- **Comparison of participants first and second plans** – analysis of the differences between the first and second plans for the subset of participants with more than one plan.
- **Detailed analysis on the Barwon trial site and Newcastle LGA** – analysis on the two geographical areas for all ages that commenced on 1 July 2013 in order to better understand likely full scheme costs by comparing the actual cost of these trial sites based on scheme experience with the Productivity Commission estimates.

4.1 Participants

4.1.1 *Scheme participant summary*

Scheme experience as at 30 June 2015 is compared with experience as at 30 June 2014 in Table 4.1.

Table 4.1 Summary – 30 June 2015 compared with 30 June 2014⁸

Statistics	30 June 2015	30 June 2014	Difference
Access requests	22,563	10,271	12,292
Participants	19,817	8,585	11,232
Participants with approved plans	17,303	7,316	9,987
Ineligibility rate	6%	8%	2%
Participants with more than one plan	6,551	263	6,288

Specifically at 30 June 2015:

- 22,563 people had lodged an access request (an increase of 12,292 from June 2014).
- 19,817 participants had been deemed eligible for the scheme (an increase of 11,232 from June 2014).
- 1,667 people (or 7% of people lodging an access request) had been found ineligible. Excluding people found ineligible due to not meeting the age or residency requirements, the number of people found ineligible reduces to 1,390 or 6% of people lodging access requests. This 6% ineligibility rate compares with 8% at the end of 2013-14.
- 17,303 participants had an approved plan, of whom 17,155 were active and 148 were inactive. The main reason participants were inactive is because they died or chose to leave the scheme. The number of participants with an approved plan has increased by 9,987 from June 2014.
- 6,551 participants have received a second plan, 369 participants have received a third plan and 16 participants have received a fourth plan.

More detail on the number of participants receiving an approved plan each month is included in Appendix E.

4.1.2 Key characteristics of participants

This section describes participant characteristics (including age, gender, Indigenous status, CALD status, and primary disability) across trial sites. Comparisons to the Productivity Commission estimates are discussed where possible, and in other instances comparisons with baseline estimates derived by the Scheme Actuary (baseline actuarial modelling) are discussed. Work is underway to capture data on outcomes and functional support need. This was discussed in section 2.

Currently, participants are being “phased in” to the scheme based on a schedule of programs and service providers. As a result, it is important to note that there is still some bias in the characteristics of participants who have entered the scheme to date (compared

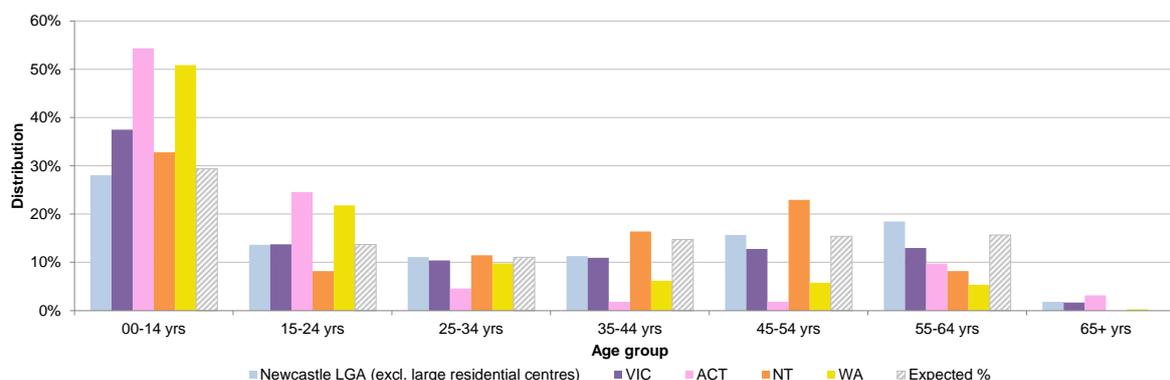
⁸ The ineligibility rate is after removing people ineligible due to age and residency requirements.

with full scheme), since not all participants have phased in. Four trial sites commenced in 2013 and three trial sites commenced in 2014. The trial sites that commenced in 2014 are less representative than the trial sites that commenced in 2013 due to phasing schedules.

Age

Comparison of participant ages with Productivity Commission estimates is most relevant for New South Wales⁹ and Victoria, as the Australian Capital Territory, the Northern Territory and Western Australia commenced in 2014 and so are more affected by the phasing schedule. To date, the Victorian trial site has a younger population than Newcastle LGA in the Hunter trial site (excluding participants residing in large residential centres), and the Victorian trial site has a higher proportion of children aged 0-14 years compared with expected. The Newcastle LGA in the New South Wales trial site is more in line with the Productivity Commission estimates - around 28% are aged 0-14 years and 27% aged over 50 years (Figure 4.1).

Figure 4.1 Eligible participants – age distribution



In addition to considering the age distribution of participants in the trial site, the prevalence of participants within the general population is also worth consideration. The Productivity Commission estimates assumed that around 2.2% of the population under 65 years would be eligible for the NDIS – specifically 2.9% for 0-14 year olds, 1.8% for 15-49 year olds, and 2.4% for 50-64 years olds.

Whilst trial site experience to date is not adequate to understand the number of participants at full scheme¹⁰, it is possible to estimate the structure of the trial site participant populations by using data on existing participants and additional data collected from the section 55 process (Figure 4.2). Using both scheme experience and section 55 data the following observations on the trial sites that commenced in 2013 can be made:

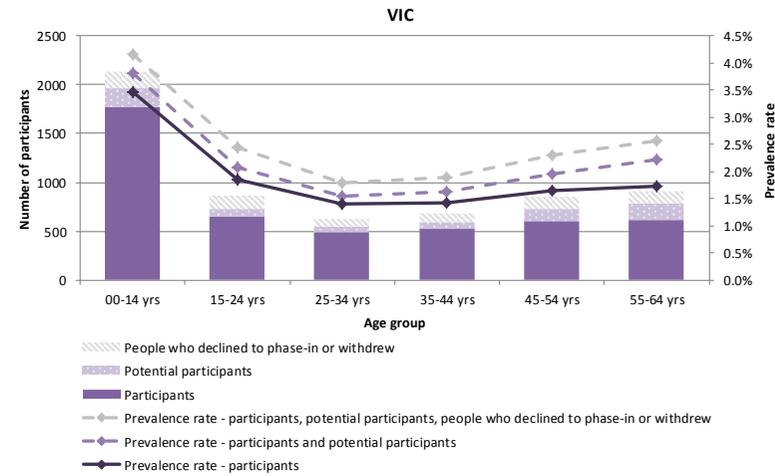
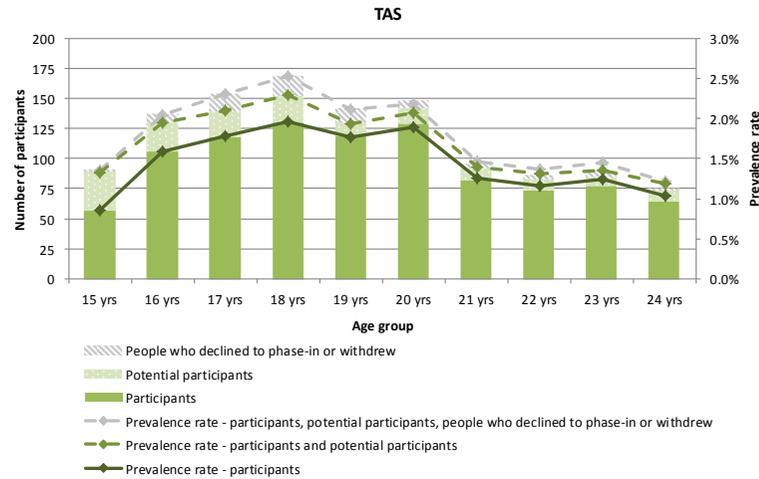
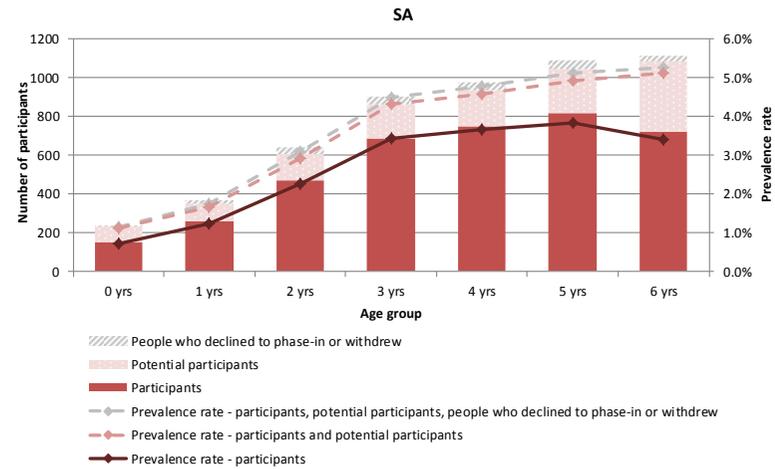
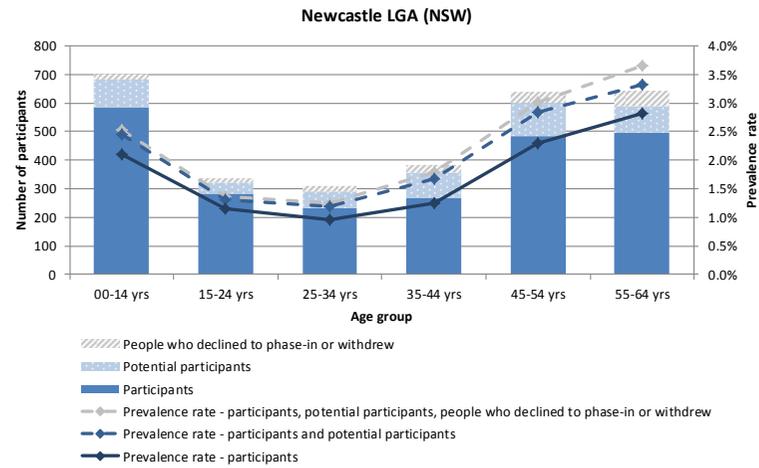
⁹ The Newcastle LGA is used for comparison rather than the entire New South Wales trial site as phasing of participants is most complete for this LGA.

¹⁰ At the end of June 2015, participants in the scheme represent approximately 4.1% of the expected number of participants based on the PC estimates.

- There is some evidence that there may be fewer low cost participants than expected, particularly in Newcastle LGA. The number of medium and high cost participants across the trial sites is likely to be broadly in line with expected.
- The number of participants in the South Australian trial site is higher than expected, and this experience for the 0-6 year age group is in line with the Victorian trial site. Hence, both the South Australian and Victorian trial sites have higher than expected numbers of children. The number of children in Newcastle LGA is in line with expectations. Work is underway to understand in more detail the reasons for differences between the trial sites, and the possible impacts of higher numbers of children are modelled in section 5.2.
- The number of participants in the Tasmanian trial site is in line with expected.

Overall, the experience is broadly in line with the Productivity Commission expectations. However, there are differences between trial sites which need investigation, and higher than expected numbers of children in South Australia and Victoria which also need investigation. Hence, it is not possible to depart from Productivity Commission estimates with any confidence. Note: differences between trial sites are further discussed in section 4.3.

Figure 4.2 Prevalence of participants¹¹

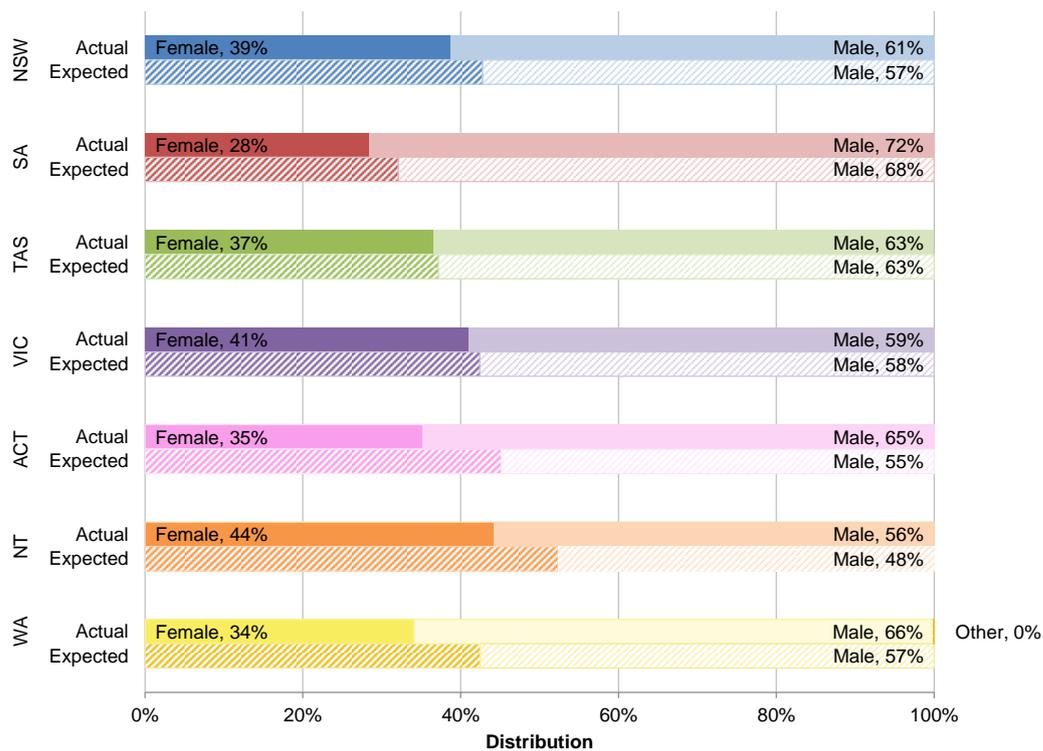


¹¹ Note: the vertical axis in each chart is different.

Gender

The proportion of males and females is largely consistent with the actuarial baseline estimates for the trial sites that commenced in 2013.¹² The South Australian and Tasmanian trial sites have relatively more males than females due to the specific age groups in these trial sites. In particular, the prevalence of autism is higher in males than females in these specific age groups. The trial sites that commenced in 2014 have relatively more males than females due to the specific age groups currently in these trial sites.

Figure 4.3 Active participants with approved plans – gender distribution



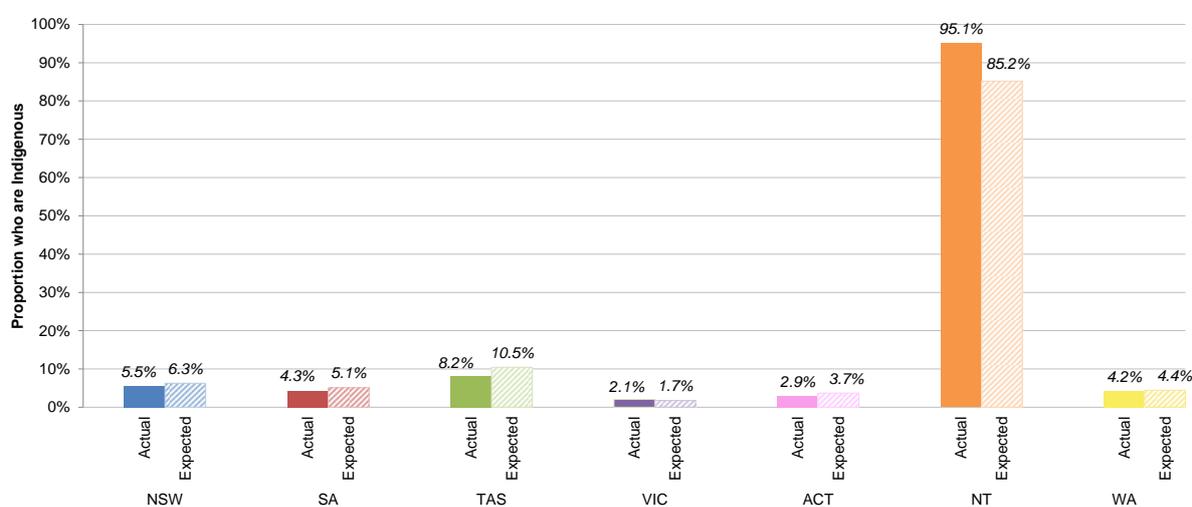
¹² These estimates were derived using information from the ABS Survey of Disability, Ageing and Carers.

Indigenous status

Not all participants in the Scheme have Indigenous status recorded in the system. Specifically 16% of records are “not stated”. Hence, comparison of Indigenous rates with expected rates is difficult. The figure of 16% has improved since June 2014, when it was 58%, due to detailed exception reporting to make sure these data are collected.

However, there are still fewer than expected Indigenous participants in the trial sites that commenced on 1 July 2013, with the exception of the Victorian trial site. These trial sites are more affected by the missing records. The proportion of Indigenous participants in the trial sites that commenced on 1 July 2014 is largely in line with expected, and higher in the Northern Territory.

Figure 4.4 Active participants with approved plans – Indigenous distribution



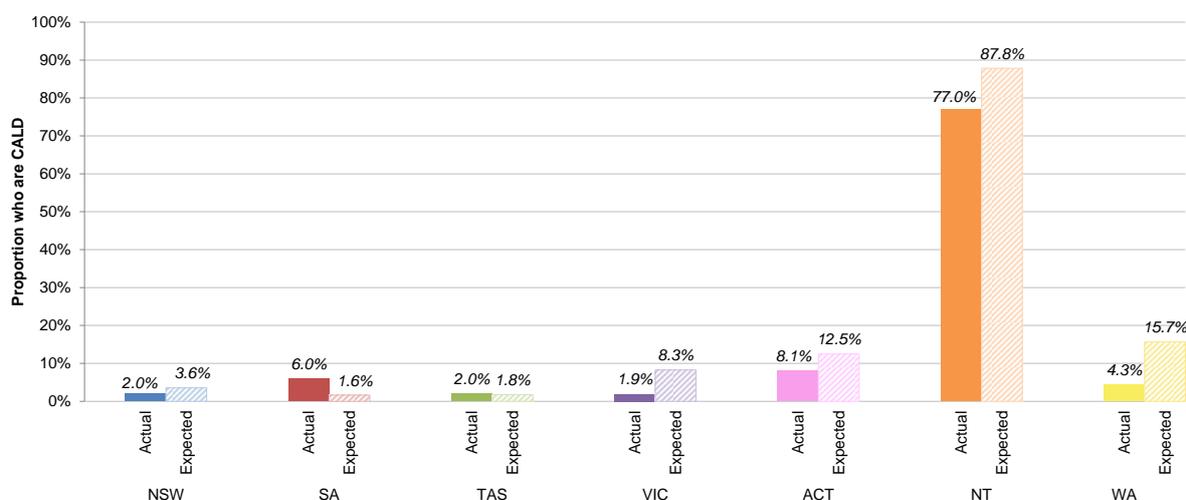
CALD status

CALD status is well completed in the system, with the data field filled in for 97% of participants. Detailed exception reporting is underway to make sure these data are collected.

CALD is lower than expected in New South Wales and much lower than expected in Victoria. CALD participants are currently significantly higher than expected in South Australia, and in line with expected in Tasmania.

CALD is also lower than expected in the trial sites that commenced on 1 July 2014.

Figure 4.5 Active participants with approved plans – CALD distribution



Primary disability

Autism and related disorders and intellectual disability (including Down syndrome) are the largest primary disability groups across all trial sites. In South Australia, developmental delay and global developmental delay are also large groups. There are some other variations between trial sites – there are higher proportions of participants with sensory and speech disability (including deafness/hearing loss) in South Australia, and psychosocial disability in New South Wales and Victoria.

It has been noted by planners that nominating a primary disability can be difficult and it is possible that there is some inconsistency in recording practices – for example, some people with Down syndrome may be recorded as intellectual disability. The list of disabilities needs reviewing to include more detail, and this review has commenced. Further, analysis of co-morbidities is required.

Figure 4.6 Active participants with approved plans – primary disability distribution (NSW, SA, TAS and VIC trial sites)

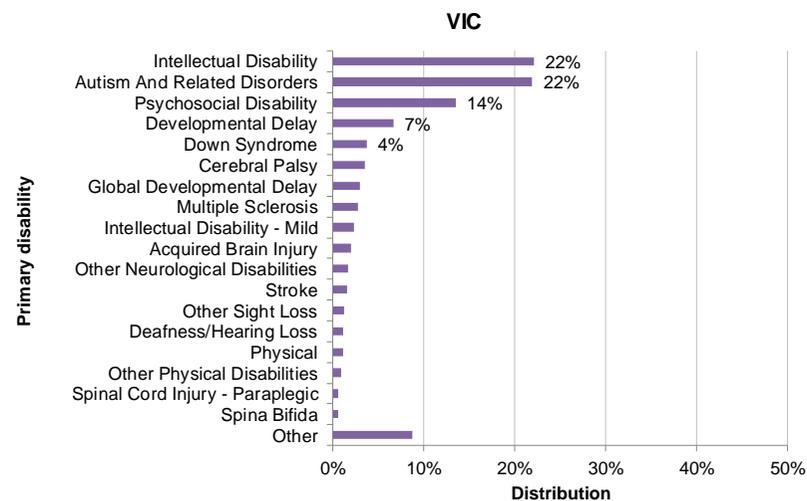
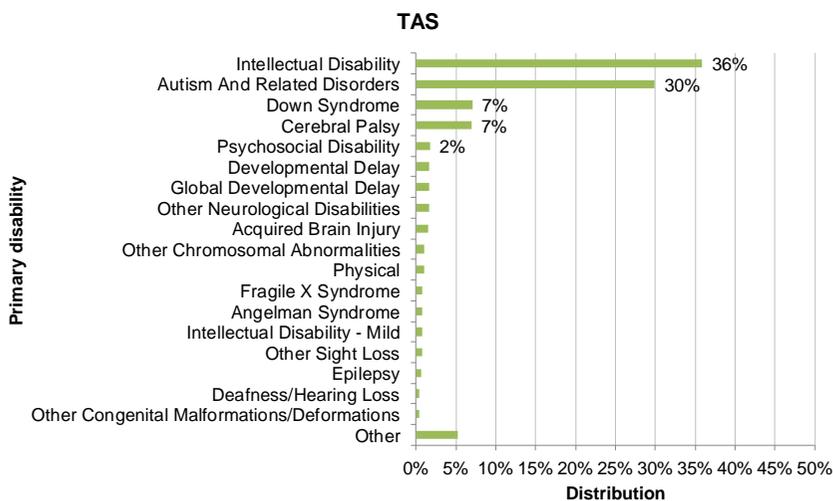
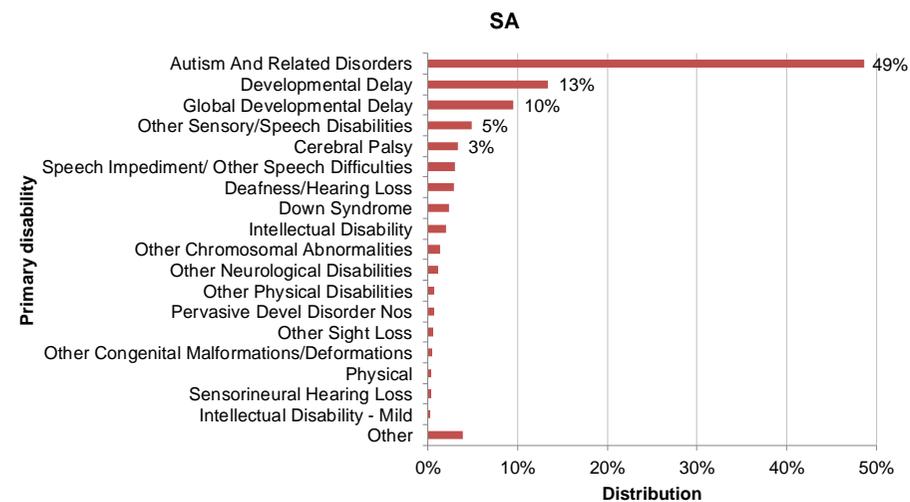
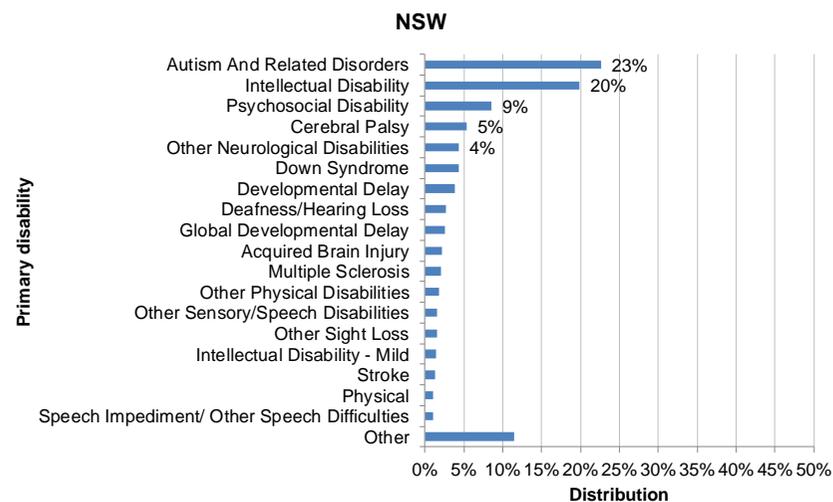
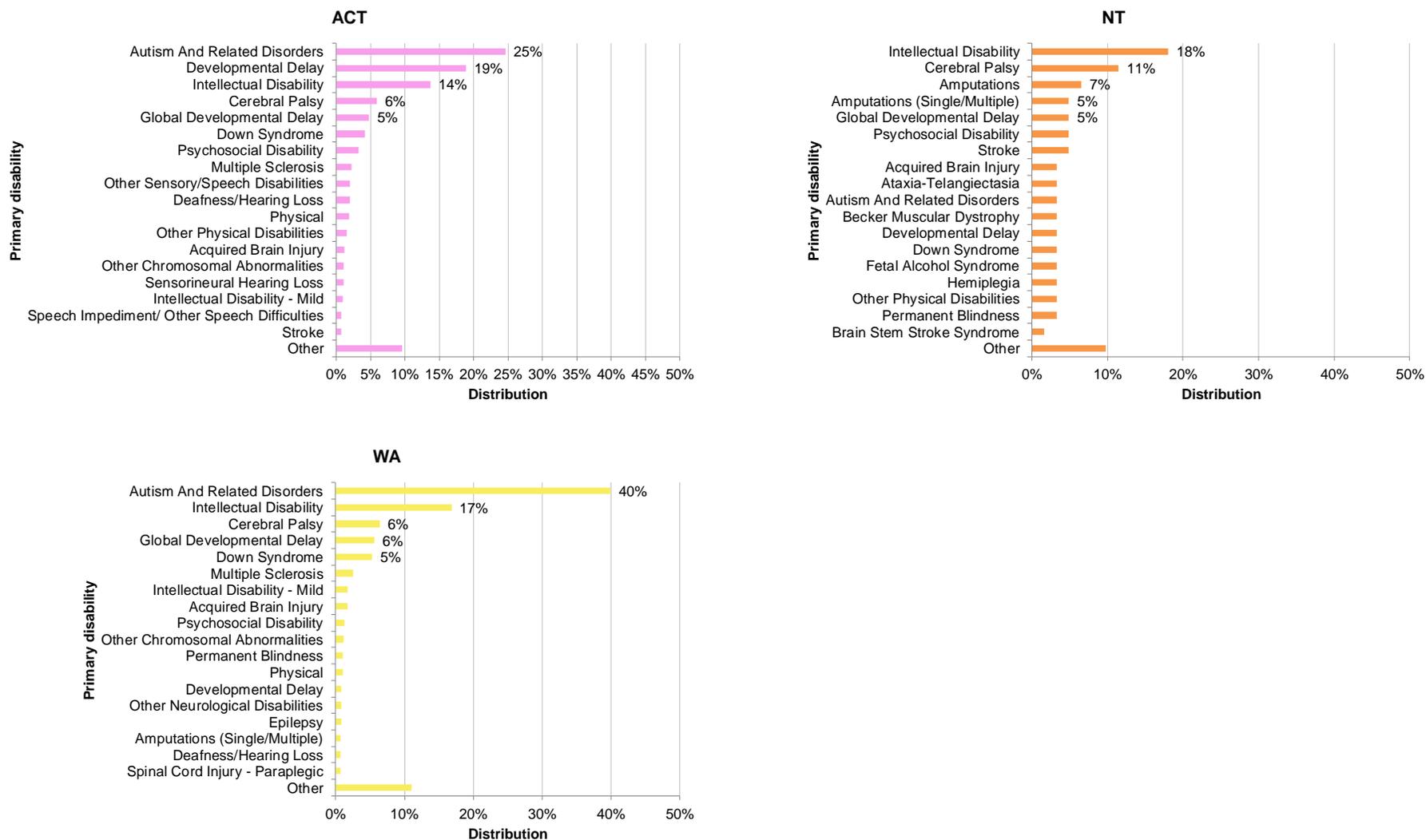


Figure 4.7 Active participants with approved plans – primary disability distribution (ACT, NT and WA trial sites)

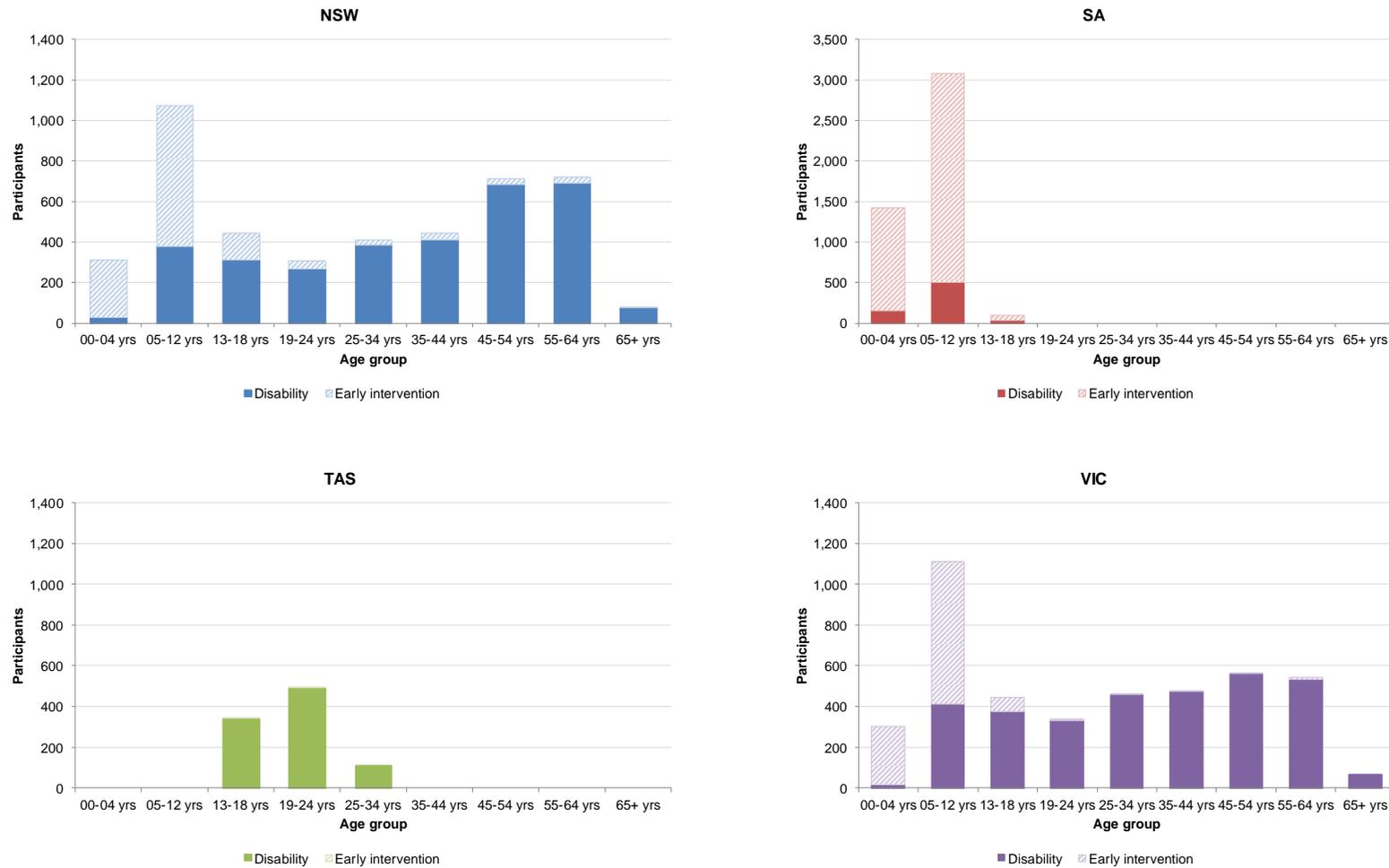


Disability and early intervention

People can be found eligible for the scheme because they meet the disability requirements (section 24 of the NDIS Act), or because they meet the early intervention requirements (section 25 of the NDIS Act).

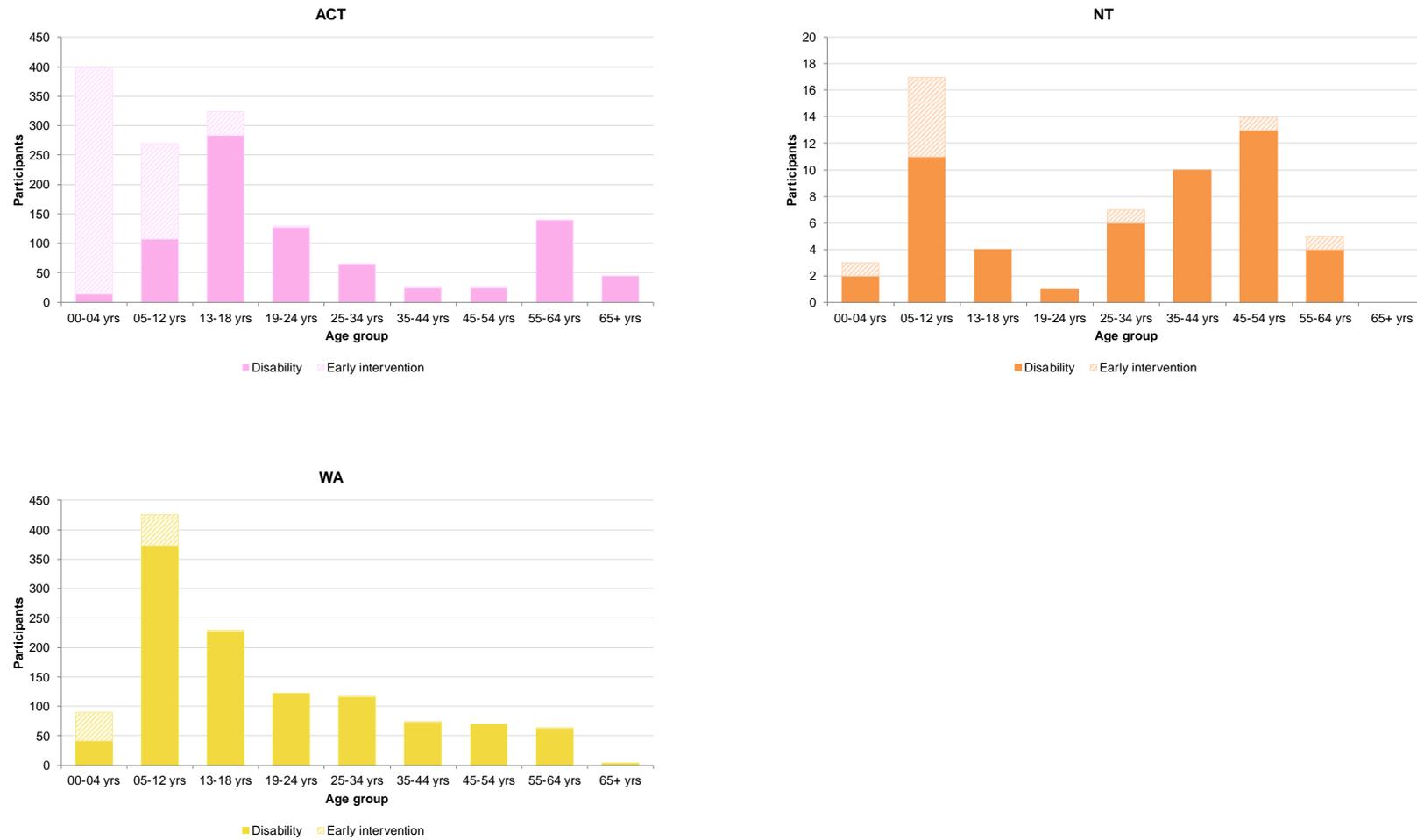
Participants in the younger age groups (particularly 0-12 year olds) often meet the early intervention requirements rather than the disability requirements. A small proportion of participants aged 13-18 have entered the scheme because they meet the early intervention requirements. From age 19 onwards almost all participants meet the disability requirements (Figure 4.8).

Figure 4.8 Active participants with approved plans – disability and early intervention (NSW, SA, TAS and VIC trial sites)¹³



¹³ Note: the vertical axis is different for the South Australian trial site.

Figure 4.9 Active participants with approved plans – disability and early intervention (ACT, NT and WA trial sites)¹⁴



¹⁴ Note: the vertical axis is different for the Northern Territory trial site.

4.2 Committed supports and actual payments

Committed support is the dollar amount of support that has been made available to participants in their statement of supports – referred to as the participant’s package.

4.2.1 Summary of committed supports

At the end of 2014-15, 17,303 participants have approved plans, and \$952.8 million of support has been committed to these participants.

Of this \$952.8 million, it is estimated that \$140.0 million¹⁵ (15%) was scheduled to be provided in 2013-14, \$479.9 million (50%) was scheduled to be provided in 2014-15, and \$332.9 million (35%) is scheduled to be provided in 2015-16 and beyond.

More detail on the amount committed compared with the bilateral agreements is included in Appendix G.

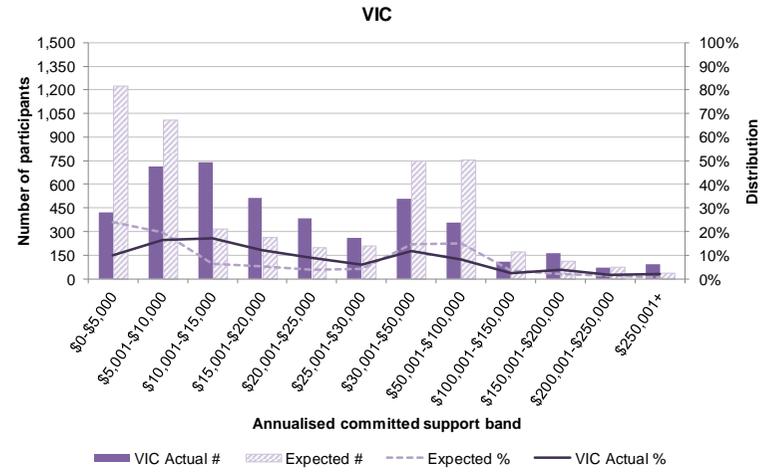
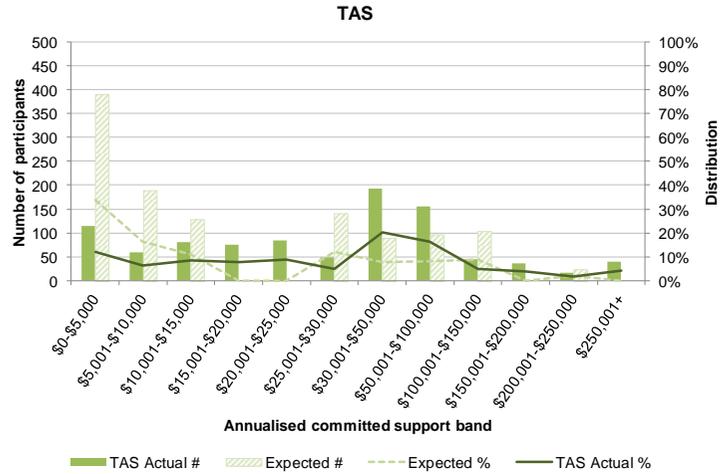
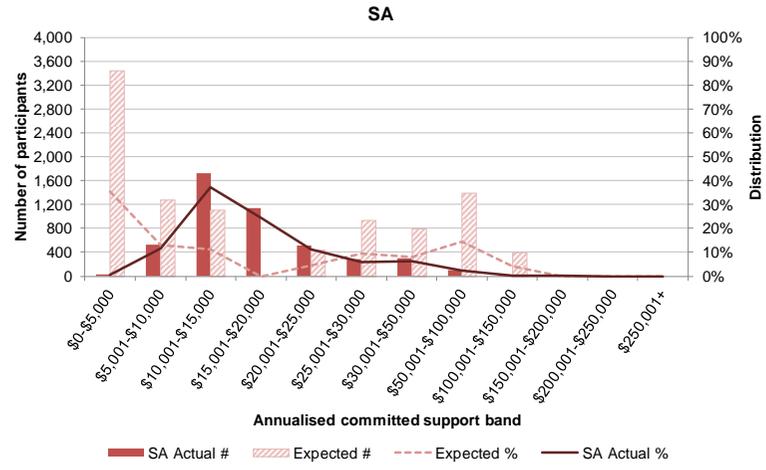
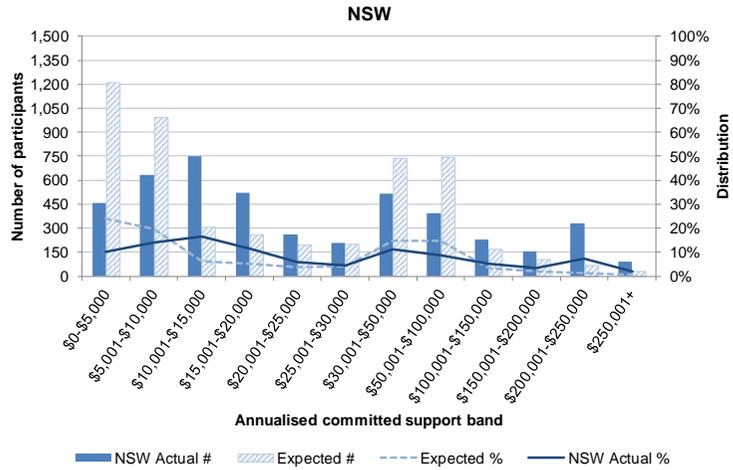
4.2.2 Distribution of costs

The annualised amount of a participant plan (support package) can vary from a few thousand dollars for a low cost participant to over two hundred thousand dollars for a participant in shared supported accommodation.

The distribution of support packages differs from expected across all trial sites (Figure 4.10 and Figure 4.11). In particular, a higher proportion of low cost participants were expected compared with actual experience, and there are a higher proportion of participants receiving mid-range packages than expected. This is consistent across all trial sites.

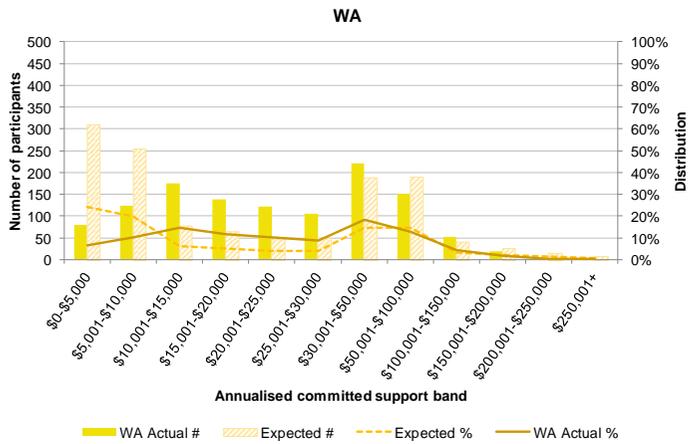
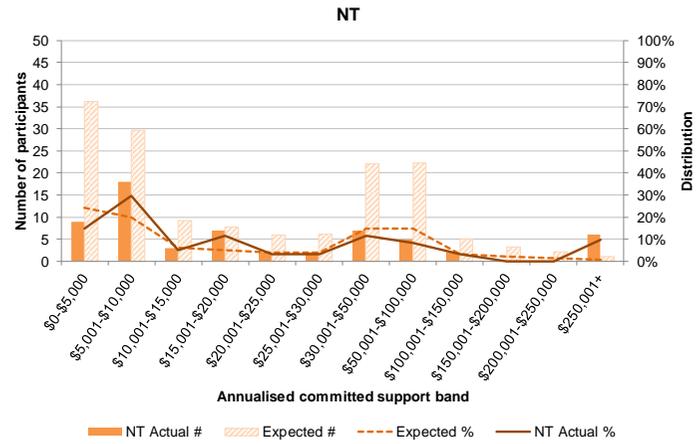
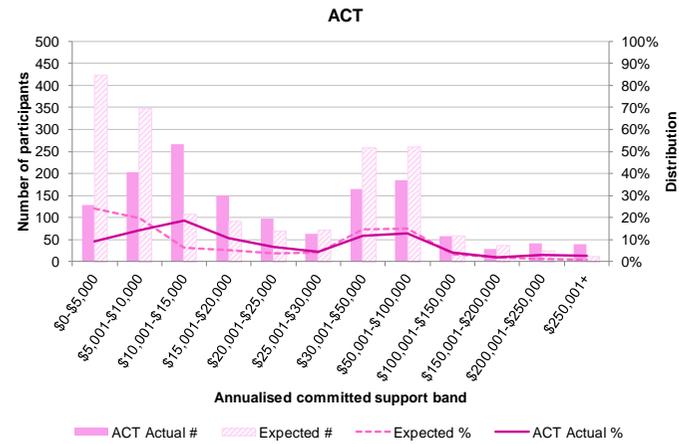
¹⁵ It is estimated that \$43.7 million of the \$140.0 million will not be utilised by participants. Hence, the estimated amount of support utilised in 2013-14 is \$96.3 million. Committed support in plans is considered a better measure of likely full scheme expenditure than actual utilised support at this point in time. This is because there are a number of scheme start-up issues at play as the scheme is new for participants, service providers and Agency staff.

Figure 4.10 Distribution of package costs by trial site – NSW, SA, TAS and VIC trial sites¹⁶



¹⁶ The vertical axis is different for each trial site.

Figure 4.11 Distribution of package costs by trial site – ACT, NT and WA trial sites¹⁷



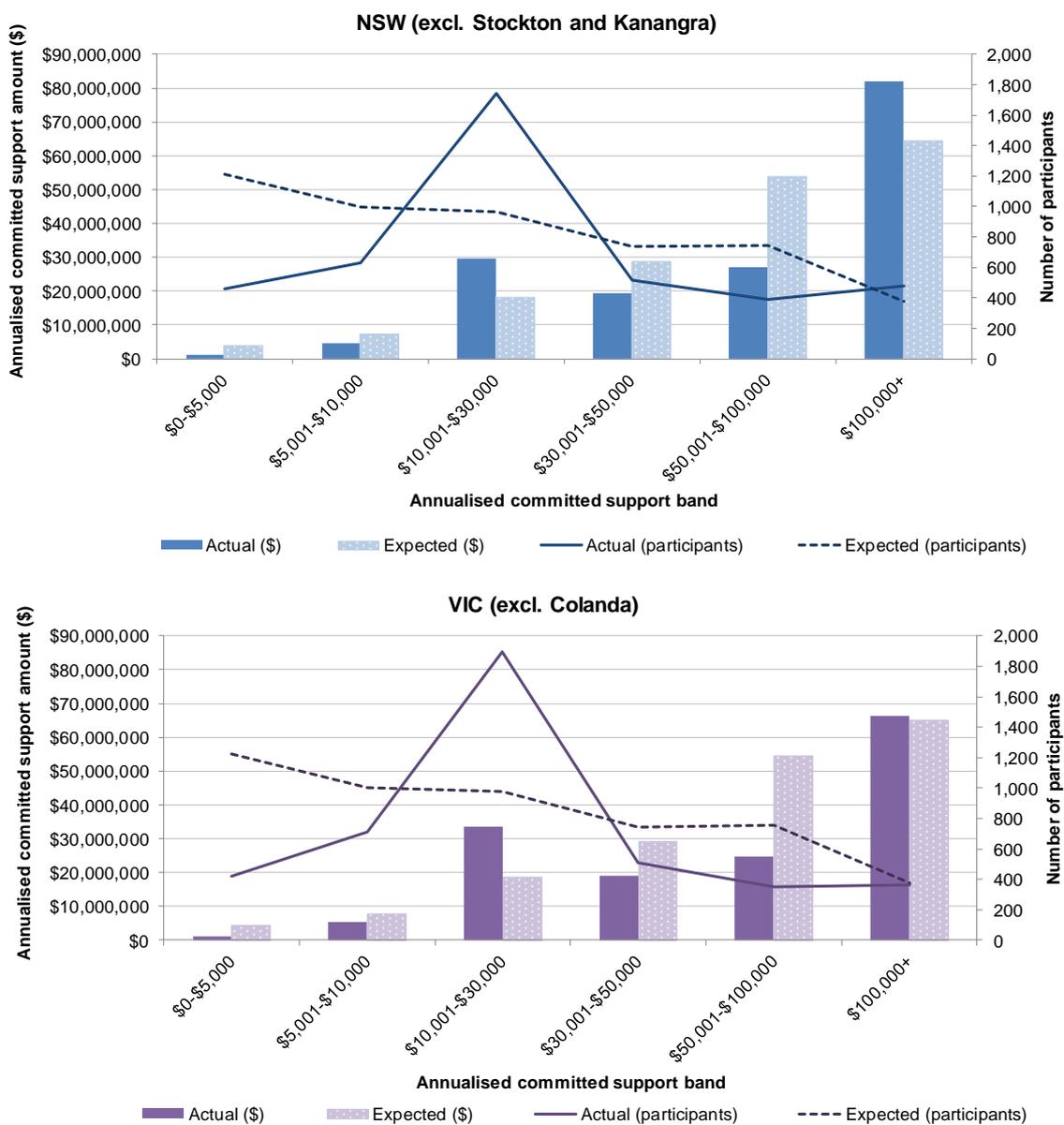
¹⁷ The vertical axis is different for each trial site.

The majority of participants in the New South Wales and Victorian trial sites have annualised package costs of less than \$30,000 and few participants have high cost plans of over \$100,000 (Figure 4.10). Of the 8,473 active participants with approved plans in the New South Wales and Victorian trial sites excluding the Stockton, Kanangra and Colanda large residences, 5,865 participants have an annualised package cost of less than \$30,000 (69%).

The discussion above considered the distribution of participants by support package amount. Figure 4.12 below considers the distribution of total committed support by support package amount. The total annualised package costs of the 5,865 participants with support packages of less than \$30,000 is \$75.9 million which represents only 24% of total committed supports. On the other hand, the total annualised package costs of the 841¹⁸ participants with support packages of more than \$100,000 is \$148.2 million which represents 47% of total committed supports. Therefore, the total cost of the scheme will be driven by the relatively few participants with high cost plans. Management of the total cost of these high cost participants is important in maintaining the sustainability of the scheme as they represent a large proportion of the annual cost of the scheme and also the scheme liability. The sensitivity of increases to the cost of this group is analysed in section 5.2.4.

¹⁸ Stockton and Kanangra are large residences in the Hunter trial site and Colanda is a large residence in the Barwon trial site. This is a high concentration of high cost people in one geographical area. For this reason Stockton, Kanangra and Colanda have been excluded from this analysis.

Figure 4.12 Total package costs and number of participants by trial site and annualised committed support band



4.2.3 Types of committed supports

The types and amount of supports committed (in dollar terms) (Figure 4.13) are fairly consistent across New South Wales and Victoria, with community participation, assistance with personal activities, and daily tasks in shared living arrangements being the most common support types (71% of committed supports in New South Wales excluding Stockton and Kanangra and 69% in Victoria excluding Colanda). Currently, when Stockton, Kanangra and Colanda are excluded from the analysis, New South Wales has a higher proportion of committed support in daily tasks in shared living arrangements compared with Victoria, which is driven by the higher proportion of participants residing in group homes.

In Tasmania the most common support type in dollar terms is community participation followed by daily tasks in shared living arrangements (together comprising 64% of committed support). A further 16% of committed support is for assistance with personal activities.

In South Australia the most common committed supports in dollar terms are early childhood supports and assistance for personal activities (totalling 79% of committed supports).

The distribution of support type for each trial site is very similar to the 2013-14 result. Early childhood supports are relatively higher in South Australia and therapeutic supports relatively lower compared with 2013-14. However, these two support types combined are similar between 2013-14 and 2014-15.

The distribution of committed supports for the trial sites that commenced in July 2014 (Figure 4.14) is affected by the phasing schedule of participants being brought into the scheme.

There is some anecdotal evidence of support being used in different ways from traditional support models. Some examples include:

- One participant has a trained dog which reminds her to take her medication and assist her to go out in public more easily.
- A young participant uses a tracking device via a phone application when catching the bus home from school. This means his parents know his whereabouts and can call him if needed.
- Participants are living together in a rental property. Each participant has chosen his or her own support providers and some supports are shared between the participants. Participants are exercising individual choice within their own household.
- A participant and her friend, who also has a NDIS package, attend a community based aqua-fitness program. They attend as friends and share their support worker.

Over time it is expected that more innovative models of support will develop and participant packages will be used in more flexible ways compared with the existing disability system.

Figure 4.13 Distribution of committed supports by trial sites – NSW, SA, TAS and VIC trial sites

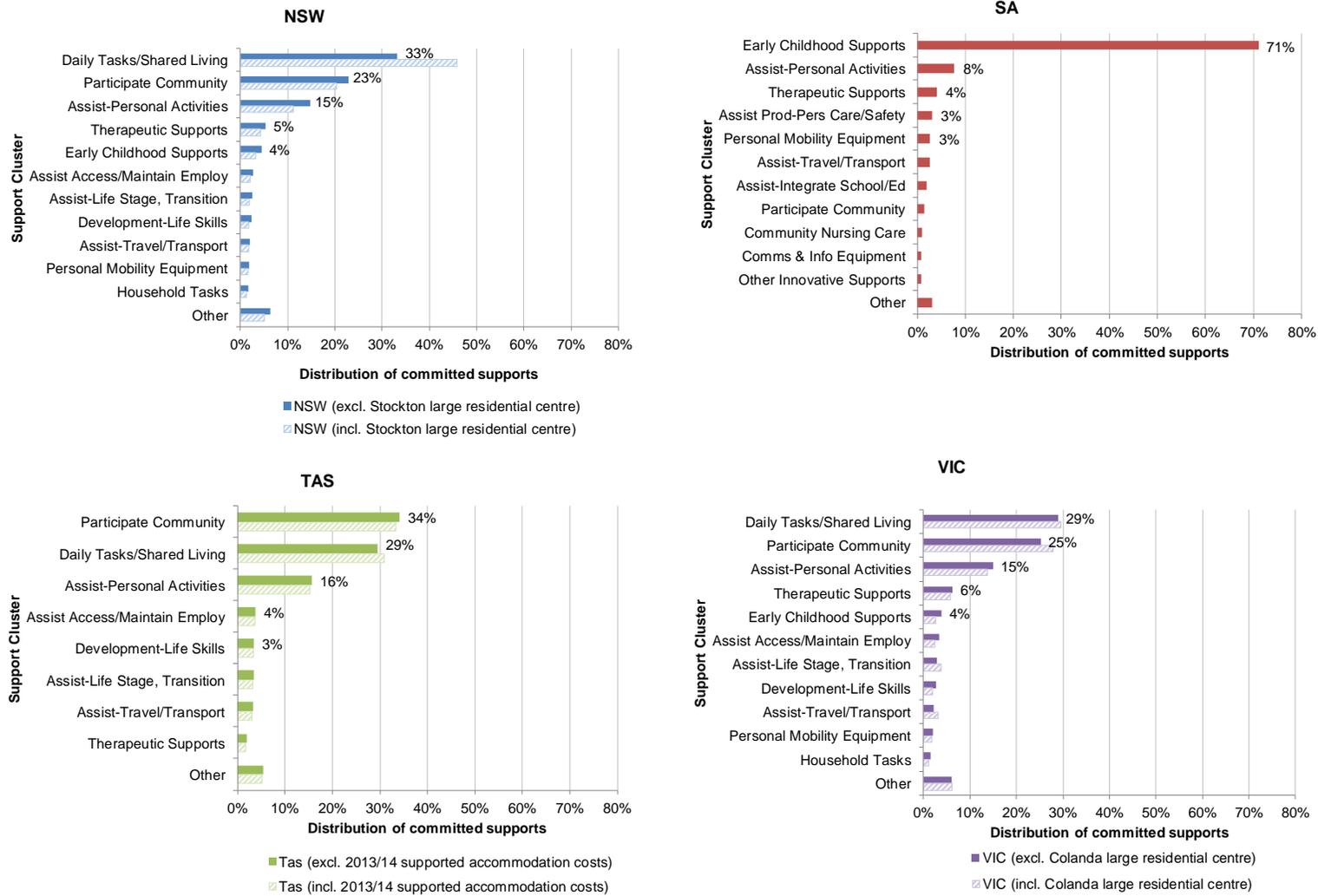
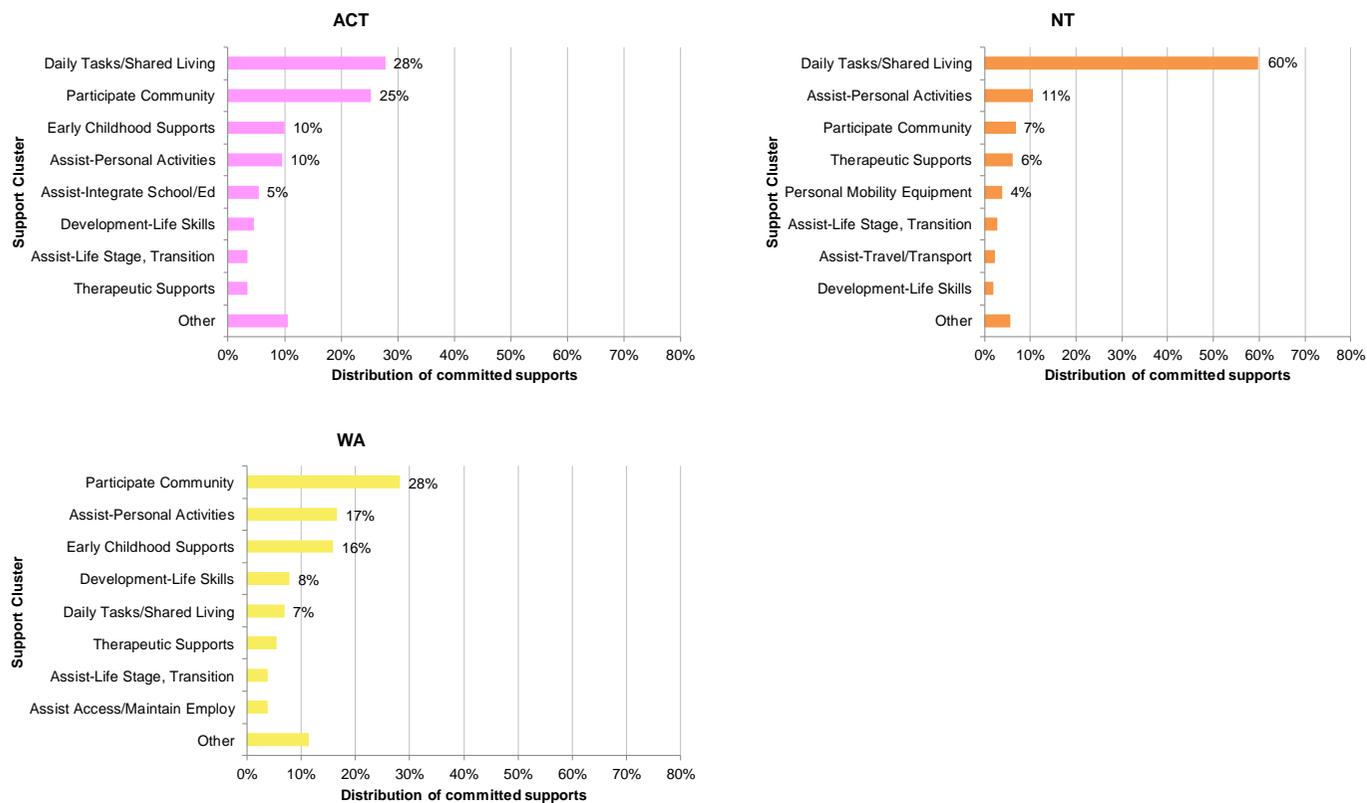


Figure 4.14 Distribution of committed supports by trial sites – ACT, NT and WA trial sites¹⁹



¹⁹ In the Northern Territory there were several participants in shared supported accommodation with high support needs who entered the scheme in November 2014.

4.2.4 Actual payments

Actual payments to service providers as at 30 June 2015 were \$414.9 million, of which \$90.3 million²⁰ relates to supports provided in 2013-14.

The amount paid to date is 65% of committed support in 2013-14, and 68% of committed support in 2014-15. The proportion of committed support utilised in 2014-15 is higher than the amount utilised in 2013-14, and this amount will increase as payments will continue to be made for support provided before 30 June 2015 (Table 4.2).

Table 4.2 Actual payments compared with committed support – payments as at 30 June 2015

	NSW	SA	TAS	VIC	ACT	NT	WA	Total
Payments (excl. the in-kind off system reconciliation), as a proportion of 2013-14 expected committed supports	56%	50%	54%	60%	n/a	n/a	n/a	57%
Payments (incl. the in-kind off system reconciliation), as a proportion of 2013-14 expected committed supports	74%	51%	55%	62%	n/a	n/a	n/a	65%
Payments (excl. the in-kind off system reconciliation), as a proportion of 2014-15 expected committed supports	44%	50%	57%	68%	36%	46%	30%	52%
Payments (incl. the in-kind off system reconciliation), as a proportion of 2014-15 expected committed supports	72%	53%	64%	73%	64%	98%	39%	68%
Payments (excl. the in-kind off system reconciliation), as a proportion of 2013-14 and 2014-15 expected committed supports	46%	50%	56%	65%	36%	46%	30%	53%
Payments (incl. the in-kind off system reconciliation), as a proportion of 2013-14 and 2014-15 expected committed supports	72%	52%	62%	70%	64%	98%	39%	67%

4.3 Comparison of experience across trial sites

Detailed analysis across trial sites was undertaken. In particular, the prevalence of participants by age and disability was compared, as well as the amount of committed support by age and disability. There are some emerging differences between the trial sites including:

- There are differences in the prevalence of participants relative to the general population across trial sites. In particular:
 - Overall prevalence of participants aged 0-6 years differs between the Victorian trial site, the South Australian trial site, and the Newcastle Local Government Area (LGA). The prevalence of participants with autism and developmental delay is higher in Victoria compared with Newcastle LGA, whilst the prevalence of other disabilities is in line. In South Australia, the prevalence of autism is in line with

²⁰ Includes adjustments for in-kind support provided but not invoiced through Siebel and capital committed in 2013-14 and provided in 2014-15.

Victoria. Early experience in the Australian Capital Territory trial site suggests that the prevalence of children is likely to be higher than in the existing trial sites.

- The prevalence of potential participants aged 7-13 years is higher in South Australia compared with the Victorian trial site and Newcastle LGA, based on section 55 data. Some of these potential participants received services from Education and/or Health but not from disability services (either South Australian or Commonwealth). Due to differences in funding arrangements between States/Territories, it is not easy to compare the extent to which this is happening across trial sites – that is, mainstream services in South Australia were funded to provide disability services by the Department of Communities and Social Inclusion.
- The prevalence of participants aged 45-64 years is higher in Newcastle LGA compared with the Victorian trial site – however, this difference is wholly driven by the Stockton large residence.
- Average package costs also differ across trial sites:
 - Package costs for 0-6 year olds at 30 June 2015 are higher in South Australia and Western Australia compared with New South Wales, Victoria and the Australian Capital Territory. This is driven by trans-disciplinary packages (Trans-D) – both the proportion of participants who receive these packages, as well as the amount of Trans-D support in packages.
 - The average package cost for participants aged 7-14 years is also higher in Western Australia than the New South Wales and Victorian trial sites. The higher packages in Western Australia are driven by the use of Trans-D packages at a higher average cost than the therapeutic supports used in New South Wales and Victoria. Western Australia also has high community participation and higher investment in the development of life skills.
 - The average package cost is higher in the 15-24 year age group in Tasmania compared with the New South Wales and Victorian trial sites. There are a number of factors driving the difference in average plan costs between the trial sites, including:
 - A higher proportion of people in long term shared supported accommodation in this age cohort in Tasmania. Participants in shared supported accommodation have significantly higher costs on average than other participants.
 - Higher average cost of non-shared supported accommodation participants in Tasmania compared to the other trial sites across a number of support clusters, in particular assistance with personal activities and participation in the community.

- The average package costs in the Australian Capital Territory are higher than the New South Wales, Tasmanian, Victorian and Western Australian trial sites across a number of age cohorts. The main drivers of this include:
 - Significantly higher average costs for participants in long term supported accommodation than other trial sites. This is seen in both the direct costs of group homes and the additional support provided to these participants (including support for participation in the community and assistance with life stages and transitions).
 - Legacy accommodation options, with short term accommodation being used to support the families while waiting for supported accommodation to become available.
 - Legacy of the Australian Capital Territory government respite programs, where some families have had access to a higher level of respite than considered reasonable and necessary by the NDIS.
 - Higher amounts of funding for participation in the community and assistance with integration into school/education across the age cohort than the other trial sites.

These differences warrant investigation and work has commenced to understand the differences in more detail. One reason for the differences between trial sites is likely to be the differences in the existing State/Territory disability systems both in terms of the people supported, and the models of support in place. Work on moving to a nationally consistent model will be required once more information is collected on the differences.

This additional work on understanding differences between trial sites and the actions taken to move to a nationally consistent model will be important in understanding the cost of the scheme when fully rolled out. Before the reasons for these differences are understood, and a strategy adopted to address these differences, it is not appropriate to depart from the Productivity Commission estimates with any confidence.

4.4 Comparison of first and second plans

At 30 June 2015, 47.7% of participants had had more than one plan in the trial sites that commenced in July 2013 (Table 4.3). Understanding differences between first and subsequent plans assists in understanding trends in scheme costs.

Table 4.3 Number of participants with first and second plans

Trial site	Participants	Participants with multiple plans	% participants with multiple plans
VIC	4,320	2,737	63.4%
NSW	4,533	2,101	46.3%
SA	4,646	1,293	27.8%
TAS	932	749	80.4%
Total	14,431	6,880	47.7%

The value of committed supports in the second plan (compared with the first plan) increased in New South Wales (14%), Tasmania (26%), South Australia (7%) and Victoria (2%). The large increase in Tasmania was due to the NDIA paying for shared supported accommodation from 1 July 2014 (Table 4.4). Some of the increase is also due to price increases and the impact of participants ageing. However, this does not explain all of the increase.

Table 4.4 Number of participants with more than one plan by trial site

Trial site	\$ value of committed supports (annualised)			% change in \$s
	First plans	Second Plans	Change in \$s	
VIC	123,993,962	126,317,578	2,323,615	2%
NSW	92,181,137	104,634,869	12,453,732	14%
SA	26,372,027	28,196,554	1,824,527	7%
TAS	37,787,626	47,651,751	9,864,125	26%
Overall	282,522,416	309,032,247	26,509,831	9%

Across all trial sites, increases in community participation and daily tasks/shared living were notable, and decreases in capital items were also notable.

Over time if plans continue to increase then this presents a risk to the financial sustainability of the scheme. Inflation over and above normal inflation is referred to as superimposed inflation and this must be monitored closely and carefully managed. Currently reporting is underway which “flag” participants whose second plan is higher than their first plan. These plans are then reviewed by Operational staff.

Section 5.2.5 of this report considers the financial impact of increases to plans over and above inflation and ageing.

4.5 Detailed analysis on the Barwon trial site and Newcastle LGA

Detailed analysis of the Barwon trial site and Newcastle Local Government Area (LGA) as at 30 June 2015 has been undertaken, including estimates of the cost of these sites at full scheme. These estimated costs of the trial sites based on scheme experience were compared with the Productivity Commission estimates. Analysis of NSW has been restricted to the Newcastle LGA as experience in Lake Macquarie LGA is not mature enough to provide a reliable estimate of scheme costs.

4.5.1 Analysis of Barwon trial site

As at 30 June 2015, 4,392 participants with an approved plan were in the Barwon trial site and the annualised amount committed to these participants was \$172.9 million. In addition to this, it is estimated that a further \$6.1 million will be required to provide supported accommodation places to current participants who live in permanent residential aged care.²¹ This cost has been included in order to reflect the true cost of support under full scheme. Allowing for this, the total cost of supporting current participants is estimated at \$179.0 million.

Potential participants are people who are currently in the Siebel case management system, identified through the section 55 process, or have withdrawn from the Scheme (noting these people may decide to enter the scheme in future). 912 additional people have been identified as potentially eligible. In addition to this, participants who did not receive any previous State or Commonwealth disability services will approach the scheme and some will be found eligible. There is uncertainty around the number of these new participants – in particular, understanding the number of participants who previously received no support, in addition to new incidence of disability. Considering scheme experience, rates of new incidence, and population data a range of between 155 and 310 has been included in the analysis.

The cost of potential participants (and participants who do not have an approved plan) has been estimated based on the programs they received in the section 55 data. An approximate cost was calculated for each of the programs in section 55 by looking at existing participants in the NDIS who previously received each program, including the combination of programs previously received. Based on this analysis, most groups of potential participants have an estimated average cost between \$15,000 and \$25,000. This reflects that higher cost programs have mainly been phased-in, with most future participants receiving lower cost programs. The exception to this is future participants who are currently in aged care – these participants are expected to have a much higher average cost of \$153,000, reflecting the cost of supported accommodation. In addition to this, trial site experience in 2013-14 and 2014-15 on participants not previously receiving services was used to estimate the cost of new participants (and participants without an approved plan who do not receive existing services).

If all potential participants were to phase-in to the scheme, the total annualised cost of the Barwon trial site is estimated at between \$211.2 and \$213.7 million (Table 4.5).

²¹ Information on participants in residential aged care is based on data obtained from the Department of Social Services. Data is at 30 June 2015.

Table 4.5 Estimated cost of participants and potential participants - Barwon – 30 June 2015

		Number of people	Estimated total annualised cost	Estimated average cost
Approved plans	(1a)	4,392	\$172.9m	\$39,400
Additional cost of providing supported accommodation places to aged care participants	(1b)		\$6.1m	
Approved plans with allowance for aged care cost	(1c) = (1a) + (1b)	4,392	\$179.0m	\$40,800
Eligible without an approved plan	(2)	348	\$6.5m	\$18,700
Total eligible	(3) = (1c) + (2)	4,740	\$185.5m	\$39,100
Potentially eligible	(4)	501	\$10.0m	\$20,000
In S55 not Siebel	(5)	187	\$4.5m	\$24,000
People found eligible, or with eligibility to be determined	(6) = (3) + (4) + (5)	5,428	\$200.0m	\$36,800
Possible new participants	(7)	155 - 310	\$2.5m - \$5.1m	\$16,300
Possible aged care participants	(8)	32	\$4.9m	\$153,000
Known potentially eligible and new clients	(9) = (6) + (7) + (8)	5,615 - 5,770	\$207.4m - \$210.0m	\$36,400 - \$36,900
Withdrawn	(10)	192	\$3.7m	\$19,500
Total participants and potential participants	(11) = (9) + (10)	5,807 - 5,962	\$211.2m - \$213.7m	\$35,800 - \$36,400

Note: in addition to the above, 303 people have been found ineligible for the scheme. A further 535 declined to phase-in to the scheme - work has been done at the trial site to review this group and confirm they do not wish to phase-in.

The actual cost is likely to be less than the amount in the final row of Table 4.5, as not all of the potential participants will phase-in. Table 4.6 shows how ultimate participant numbers and total annualised cost vary depending on the proportion of potential participants that enter the scheme. Note that potential participants include people in groups (4), (5), (7), (8) and (10) in Table 4.5.

Table 4.6 Estimated cost of participants and potential participants (sensitivity analysis) - Barwon – 30 June 2015

Proportion of potential participants that enter the scheme*	Total participants**	Total annualised cost**	Estimated cost in the actuarial baseline model	Cost as a % of actuarial estimate
25%	5,026	\$192.3m	\$212.3m	91%
50%	5,312	\$199.0m	\$212.3m	94%
75%	5,598	\$205.7m	\$212.3m	97%
100%	5,884	\$212.5m	\$212.3m	100%

* Potential participants include people in groups (4), (5), (7), (8) and (10) in the previous table.

** These numbers assume that the number of new participants is half way between the maximum and minimum value in the previous table.

The results indicate that if 25% of potential participants enter the scheme, the ultimate number of participants is estimated at 5,026 and the total annualised cost is estimated at

\$192.3 million, or 91% of the cost in the baseline model.²² If 75% of potential participants enter the scheme, participant numbers are estimated at 5,598 and total annualised cost at \$205.7 million, or 97% of the cost in the actuarial model. These results reflect the high uncertainty in the number of participants that will be found eligible for the scheme.

Overall the results suggest that the ultimate scheme cost of the Barwon trial site will likely be between 90% and 100% of the cost estimated in the baseline model which is based on Productivity Commission estimates.

4.5.2 Analysis of Newcastle LGA

The same methodology described above to estimate the full scheme cost of the Barwon trial was used to estimate the full scheme cost of Newcastle LGA.

As at 30 June 2015, 2,318 participants with an approved plan were in Newcastle LGA and the annualised amount committed to these participants was \$161.6 million. In addition to this, it is estimated that a further \$5.3 million will be required to provide supported accommodation places to current participants who live in permanent residential aged care.²³ Allowing for this, the total cost of supporting current participants is estimated at \$167.0 million.

The number of potential participants has been estimated to be between 501 and 731 (groups (4), (6), (7), (10) and (11) in Table 4.7). Further, a range of between 60 and 290 has been included in the analysis for new participants.

Potential participants in most groups have an average cost of between \$20,000 and \$50,000. The average cost of group (7) is higher than this as a result of the high cost of providing supported accommodation to aged care participants.

If all potential participants were to phase-in to the scheme, the total annualised cost of the Newcastle LGA is estimated at between \$191.4 and \$201.4 million (Table 4.7).

²² Note: user cost of capital is excluded from this amount and Colanda has been explicitly taken into account by increasing the total cost accordingly.

²³ Information on participants in residential aged care is based on data obtained from the Department of Social Services. Data is at 30 June 2015.

Table 4.7 Estimated cost of participants and potential participants – Newcastle LGA – 30 June 2015

Description		Number of people	Total annualised cost	Average annualised cost
Approved plans, as recorded in Siebel	(1a)	2,318	\$161.6m	\$69,700
Additional cost of providing supported accommodation places to aged care participants	(1b)		\$5.3m	
Approved plans with allowance for aged care cost	(1c) = (1a) + (1b)	2,318	\$167.0m	\$72,000
Eligible but no approved plan to date	(2)	87	\$3.1m	\$35,700
Total participants	(3) = (1c) + (2)	2,405	\$170.1m	\$70,700
Number of people in Siebel who are yet to have their eligibility assessed	(4)	179	\$4.0m	\$22,600
Total number of people in Siebel who may be eligible	(5) = (3) + (4)	2,584	\$174.1m	\$67,400
Number of people in section 55 data (not in Siebel) that may become eligible	(6)	73	\$3.0m	\$41,700
Estimated aged care, mental health and Enable participants	(7)	80 - 310	\$7.7m - \$13.1m	\$42,300 - \$95,600
Expected new participants (no previous state / commonwealth services)	(8)	60 - 290	\$1.2m - \$5.8m	\$20,100
Total potentially eligible and new participants	(9) = (5) + (6) + (7) + (8)	2,797 - 3,257	\$186.0m - \$196.1m	\$60,200 - \$66,500
Withdrawn	(10)	73	\$1.7m	\$22,949
Phase-In Declined	(11)	96	\$3.7m	\$38,059
Total participants and potential participants	(12) = (9) + (10) + (11)	2,966 - 3,426	\$191.4m - \$201.4m	\$58,800 - \$64,500

The actual cost is likely to be less than the amount in Table 4.7, as not all of the potential participants will phase-in. Table 4.8 shows how ultimate participant numbers and total annualised cost vary depending on the proportion of potential participants that enter the scheme. Note that potential participants include people in groups (4), (6), (7), (8) (10) and (11) in Table 4.7.

Table 4.8 Estimated cost of participants and potential participants (sensitivity analysis) – Newcastle LGA -30 June 2015

Proportion of potential participants that enter the scheme*	Total participants**	Total annualised cost**	Estimated cost in the actuarial baseline model	Cost as a % of actuarial estimate
25%	2,603	\$176.7m	\$192.7m	92%
50%	2,801	\$183.2m	\$192.7m	95%
75%	2,998	\$189.8m	\$192.7m	99%
100%	3,196	\$196.4m	\$192.7m	102%

* Potential participants include people in groups (4), (6), (7), (8), (10) and (11) in the previous table.

** These numbers assume that the number of potential participants is half way between the maximum and minimum value in the previous table.

The results indicate that if 25% of potential participants enter the scheme, the ultimate number of participants is estimated at 2,603 and the total annualised cost is estimated at

176.7 million, or 92% of the cost in the actuarial model.²⁴ If 75% of potential participants enter the scheme, participant numbers are estimated at 2,998 and total annualised cost at \$189.8 million, or 99% of the cost in the actuarial model. These results reflect the high uncertainty in the number of participants that will be found eligible for the scheme.

Overall the results suggest that the ultimate scheme cost of the Newcastle LGA will likely be between 90% and 100% of the cost estimated in the baseline model which is based on Productivity Commission estimates.

4.5.3 Summary of analysis

The cost of both the Barwon trial site and Newcastle LGA using actual scheme experience is estimated to be between 90% and 100% of the baseline model which is based on Productivity Commission estimates.

There are differences between the Barwon trial site and Newcastle LGA. In particular, the Barwon trial site is estimated to include more low cost participants than Newcastle LGA, and Newcastle LGA has a higher number of high cost participants than Barwon (after taking into account the Stockton Large Residence). This likely reflects that the Newcastle LGA has a higher proportion of group homes and younger people in aged care relative to Barwon.

This analysis will become more reliable in assisting with estimating full scheme costs as more experience emerges and more data is collected on participants (such as reference group information and the data from the outcomes framework). Further, as experience emerges in other trial sites, this same analysis will be undertaken.

²⁴ Note: user cost of capital is excluded from this amount and Stockton has been explicitly taken into account by increasing the total cost accordingly.

5 Projections

This section leverages the scheme experience to date and other available data to project the long-term costs of the NDIS. The scheme is far from maturity and limited scheme experience has emerged. Hence, these projections should be treated with caution.

5.1 Data, assumptions and methodology

5.1.1 Data

The data sources used in the projections are:

- **Scheme experience** including the number and profile of participants (age, disability, early intervention), and the distribution of plans across the lifespan for participants with different disabilities. Committed support in plans is considered a better measure of likely full scheme expenditure compared with actual payments at this point in time.
- **Epidemiological data** including information on incidence rates and mortality rates for different disabilities. These data are required to supplement scheme experience as the scheme is not mature enough for this experience to have emerged.
- **Research on severity measures for different disabilities** (discussed in section 2.1). This research assists with building a detailed profile of participants in the scheme, including costs across the lifespan.
- **ABS Survey of Disability Ageing and Carers (SDAC)** including information on the prevalence of functional support need across the population. The ABS SDAC was used in the original projections of the scheme and provides further checks on the scheme experience emerging.
- **ABS population projections** are used to determine the number of new participants entering the scheme each year (based on the incidence rates).

5.1.2 Assumptions and methodology

At a high level, the assumptions and methodology for the projections are as follows:

- The Productivity Commission estimate of full scheme participant numbers (around 425,750 in 2014-15) is assumed to be the best available at the current time. Scheme experience to date is mixed across the trial sites (section 4.1), and hence not enough evidence has emerged to develop a more reliable estimate than the Productivity Commission estimate.
- In order to project participant numbers, assumptions on exit rates and new entry rates are required. Each year, participants exit the scheme or remain in the scheme and age one year. In addition to this, new participants enter the scheme. This dynamic is

modelled based on the participant profile determined and the underlying general population.

- Assumptions on participants exiting the scheme were based on scheme experience and epidemiological data. These assumptions are broken down by age, disability and severity. Participants exit the scheme due to mortality, no longer needing support, and entering into residential aged care (in the case of participants aged over 65 years). More detail is included in Appendix H.
- Assumptions on participants entering the scheme (as a percentage of the general population) were based on scheme experience and epidemiological data. These assumptions are broken down by age, disability and severity. The general population was based on ABS projections of the Australian population. Further, it was assumed that the incidence of disability remained the same over time. More detail is included in Appendix H.
- Estimated annual costs are then applied to participants (broken down by age, disability and severity) for each year. These costs are informed by scheme experience and research on reference packages (discussed in section 2.1). Importantly this allows an estimate of the lifetime cost of participants who are currently in the scheme and estimates of lifetime costs for participants who enter the scheme over time. For each year, the annual cost across the whole scheme can also be determined based on the underlying profile of participants in the scheme for the year. More detail is included in Appendix H.
- Inflation is applied to participant costs considering wage rates (including the SACS award), and increases in CPI. Inflation of 4.3% per annum is assumed in the short-term reflecting current wage rates and the SACS award, with a long term assumption of 4% per annum. More detail is included in Appendix H.
- NDIA operating costs are based on a detailed activity-based costing of NDIA operations, and are in line with the agreed efficiency parameter of 7%.
- The potential cost of the National Injury Insurance Scheme (NIIS) is removed from the total costs from the start of full scheme. Estimates of the NIIS include consideration of the incidence of injury across motor vehicles, the workplace, medical misadventure and general injury by year, and the costs of care and support.²⁵
- The number of participants entering the scheme each year during the trial sites and transition years, is based on scheme experience for 2013-14 and 2014-15, information on phasing from the bilateral agreements, the actuarial estimates of the number of

²⁵ Estimates of the NIIS are based on Walsh et al, 2005: Long Term Care for Catastrophically Injured people, and the Productivity Commission, 2011: Inquiry into Disability Care and Support.

participants in each trial site, and consideration of when the scheme will be fully rolled out (as outlined in the Heads of Agreement).²⁶

- Lastly, the resulting costs are then compared with nominal GDP.

5.2 Results

This section presents the results of the analysis discussed above. A baseline projection is presented, along with six alternative projections. These alternative projections do not represent the range of possible outcomes that may eventuate over time - rather they are reasonable alternatives to the baseline projection. These alternatives are:

- Scenario 1: Lower numbers of low cost participants. This is based on experience in the New South Wales trial site and to a lesser extent the experience in the Victorian trial site. The experience suggests that the number of participants may be lower than the original PC estimates.
- Scenario 2: Higher numbers of children entering the scheme. This is based on experience in the Victorian and South Australian trial sites, where higher numbers of children with autism and developmental delay are entering the scheme.
- Scenario 3: High cost participants costing more than expected. This projection highlights the sensitivity around higher cost participants.
- Scenario 4: The value of plans increasing over time due to additional supports being added to plans and the amount of support in plans increasing over and above inflation and ageing impacts.
- Scenario 5: Higher numbers of participants entering the scheme before age 65. There will be incentives for people to enter the NDIS before age 65 years as NDIS packages appear likely to be more generous and provide more benefits than current aged care arrangements.
- Scenario 6: Higher costs associated with over 65 year olds. Very little scheme experience is available on people over the age of 65 years (and all of these people are actually 65 or 66 years old, so no experience is available past age 66). Hence, this scenario assumes higher average costs.

Scenarios 1, 5 & 6 were modelled in the 2013-14 Annual Financial Sustainability Report. Three additional scenarios have been modelled in this report to further highlight the sensitivity of costs to specific assumptions.

²⁶ At the time of writing no bilateral agreements on transition to full scheme were signed. Hence, the phasing of participants agreed for New South Wales and Victorian were not included in the modelling. This will only effect the transition years and not the full scheme projection.

5.2.1 Baseline

Overall (Table 5.1):

- Package costs at full scheme in 2019-20 are estimated to be \$21.9 billion, including \$1.2 billion for people aged over 65 years.
- The effect of introducing the NIIS reduces the cost of the NDIS over time. Further, some people with serious injury are already covered under accident compensation scheme arrangements and hence do not require the support of the NDIS. The impact in 2019-20 reduces the total cost of the NDIS to \$21.2 billion.
- Including operating costs increases this to \$22.7 billion.
- Including an efficiency dividend (of 0.35% per annum) due to early investment reduces this number to \$22.4 billion.²⁷

In 2044-45, over 65 year olds represent a much higher proportion of package costs – around 27% of costs compared with 5% in 2019-20. Further, the reduction due to the maturing of the NIIS is around 6% of package costs in 2044-45.

The estimates below are consistent with the PC estimates of full scheme costs when considering inflation and population growth, and only considering participants under the age of 65 years – 0.9% of GDP in the long term (Figure 5.1). However, as participants age over 65 years in the scheme the cost of the scheme increases from 0.9% of GDP in 2019-20 to 1.3% in 2044-45, with the additional 0.4% of GDP contributing to the cost of the aged care system.

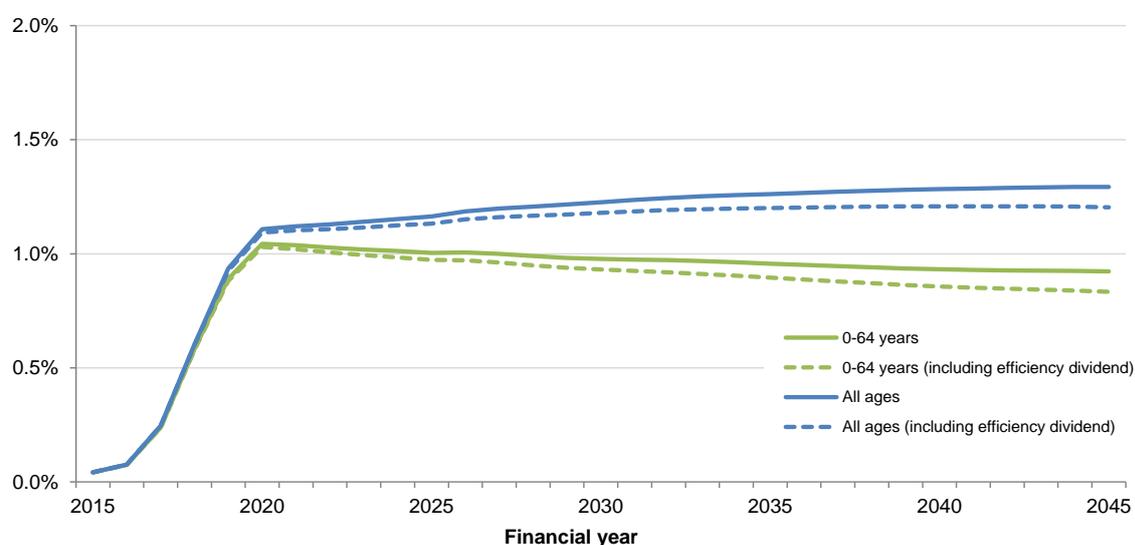
The PC provided a range around the full scheme estimate indicating that the estimate was uncertain. In order to better manage short term cash flow uncertainty, a buffer should be considered. This buffer would provide more certainty to funders of the scheme of their required contributions, and allow any fluctuations in experience to be managed by putting in place appropriate operational changes. Further, a buffer would allow the Agency to take a longer term view and invest early in participants to achieve reduced lifetime costs.

²⁷ The Productivity Commission assumed early investment would result in reduced costs in the future. This reduction is approximately 0.35% per annum and this has been used in the baseline modelling.

Table 5.1 Baseline projection of the NDIS

Baseline	2014	2015	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Total participants												
0-64 years	7,271	17,097	33,075	152,493	339,788	451,751	458,618	488,493	512,572	538,673	563,005	593,518
65+ years	45	206	480	2,042	5,121	11,530	17,055	45,918	74,221	95,052	114,280	125,204
Total	7,316	17,303	33,555	154,535	344,909	463,281	475,673	534,411	586,793	633,725	677,285	718,722
Uninflated total cost (\$m)												
0-64 years				\$3,147	\$8,290	\$13,497	\$16,752	\$17,769	\$18,629	\$19,704	\$20,662	\$21,867
65+ years				\$117	\$295	\$667	\$987	\$2,691	\$4,439	\$5,837	\$7,176	\$8,030
Total				\$3,264	\$8,585	\$14,164	\$17,738	\$20,460	\$23,068	\$25,541	\$27,838	\$29,897
<i>NDIS adjustment</i>				\$0	\$0	-\$291	-\$569	-\$849	-\$1,138	-\$1,402	-\$1,644	-\$1,861
Total after NDIS adjustment				\$3,264	\$8,585	\$13,873	\$17,169	\$19,611	\$21,930	\$24,139	\$26,194	\$28,037
Inflated total cost (\$m)												
0-64 years	\$139	\$475	\$940	\$3,424	\$9,407	\$15,975	\$20,681	\$26,768	\$34,143	\$43,938	\$56,057	\$72,180
65+ years	\$1	\$6	\$14	\$128	\$335	\$790	\$1,218	\$4,054	\$8,137	\$13,017	\$19,469	\$26,507
Total	\$140	\$481	\$953	\$3,551	\$9,742	\$16,765	\$21,899	\$30,822	\$42,280	\$56,955	\$75,527	\$98,687
<i>NDIS adjustment</i>	\$0	\$0	\$0	\$0	\$0	-\$342	-\$698	-\$1,271	-\$2,073	-\$3,107	-\$4,434	-\$6,106
Total after NDIS adjustment	\$140	\$481	\$953	\$3,551	\$9,742	\$16,423	\$21,201	\$29,551	\$40,207	\$53,848	\$71,092	\$92,581
<i>Operating costs</i>	\$128	\$208	\$304	\$758	\$1,365	\$1,693	\$1,468	\$1,828	\$2,814	\$3,769	\$4,976	\$6,481
Total after operating costs	\$268	\$689	\$1,257	\$4,310	\$11,107	\$18,116	\$22,669	\$31,378	\$43,022	\$57,617	\$76,069	\$99,062
Total after efficiency dividend	\$268	\$689	\$1,257	\$4,295	\$11,032	\$17,936	\$22,372	\$30,537	\$41,378	\$54,801	\$71,611	\$92,226

Figure 5.1 Projected total cost as a % of projected GDP



The baseline projection for 2014-15 uses the same assumptions as 2013-14. Experience in 2014-15 does not warrant any changes from these assumptions. However, there are small differences between the two projections:

- The estimated number of participants at the end of 2014-15 is based on actual experience which is lower than modelled in 2013-14. This also impacts the 2015-16 participant numbers as more enter the scheme in 2015-16 compared with 2014-15 in the previous modelling.

- Some small changes to the distribution of age, disability, and functional support level within the full scheme participant population due to further research on reference groups, and combined 2013-14 and 2014-15 experience.
- Updated GDP projections.

5.2.2 Scenario 1: Lower numbers of low cost participants

There is some evidence to suggest that the number of participants could be lower than the original PC estimate. The lower number is due to not as many low cost participants entering the scheme compared with the original estimate. Assuming the number of participants is 20% less than the PC estimate and that the participants who do not enter the scheme are low cost participants, there is a reduction in package costs in 2019-20 from \$21.9 billion to \$20.8 billion - a reduction of 5% (Table 5.2). Whilst these people may not be supported with an individual package, it is still likely that these people may require information, linkage, and capacity building.

Table 5.2 Scenario 1: 20% fewer low cost participants

Scenario 1	2014	2015	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Total participants												
0-64 years	7,271	17,097	33,075	121,994	271,830	361,401	366,894	390,794	410,058	430,938	450,404	474,814
65+ years	45	206	480	1,633	4,097	9,224	13,644	36,735	59,377	76,041	91,424	100,163
Total	7,316	17,303	33,555	123,628	275,927	370,625	380,538	427,529	469,434	506,980	541,828	574,977
Uninflated total cost (\$m)												
0-64 years				\$2,990	\$7,876	\$12,822	\$15,914	\$16,880	\$17,697	\$18,719	\$19,629	\$20,774
65+ years				\$111	\$280	\$634	\$937	\$2,557	\$4,217	\$5,545	\$6,817	\$7,629
Total				\$3,101	\$8,156	\$13,456	\$16,851	\$19,437	\$21,914	\$24,264	\$26,446	\$28,402
<i>NiIS adjustment</i>				\$0	\$0	-\$291	-\$569	-\$849	-\$1,138	-\$1,402	-\$1,644	-\$1,861
Total after NiIS adjustment				\$3,101	\$8,156	\$13,165	\$16,283	\$18,588	\$20,777	\$22,862	\$24,802	\$26,542
Inflated total cost (\$m)												
0-64 years	\$139	\$475	\$940	\$3,253	\$8,937	\$15,176	\$19,647	\$25,429	\$32,436	\$41,741	\$53,255	\$68,571
65+ years	\$1	\$6	\$14	\$121	\$318	\$750	\$1,157	\$3,852	\$7,730	\$12,366	\$18,496	\$25,181
Total	\$140	\$481	\$953	\$3,374	\$9,255	\$15,927	\$20,804	\$29,281	\$40,166	\$54,107	\$71,750	\$93,752
<i>NiIS adjustment</i>	\$0	\$0	\$0	\$0	\$0	-\$342	-\$698	-\$1,271	-\$2,073	-\$3,107	-\$4,434	-\$6,106
Total after NiIS adjustment	\$140	\$481	\$953	\$3,374	\$9,255	\$15,584	\$20,106	\$28,010	\$38,093	\$51,000	\$67,316	\$87,647
<i>Operating costs</i>	\$128	\$208	\$304	\$758	\$1,365	\$1,693	\$1,468	\$1,828	\$2,667	\$3,570	\$4,712	\$6,135
Total after operating costs	\$268	\$689	\$1,257	\$4,132	\$10,620	\$17,278	\$21,574	\$29,837	\$40,760	\$54,570	\$72,028	\$93,782
Total after efficiency dividend	\$268	\$689	\$1,257	\$4,118	\$10,549	\$17,106	\$21,291	\$29,038	\$39,196	\$51,892	\$67,787	\$87,279

5.2.3 Scenario 2: Higher number of children with autism and developmental delay

There is some evidence to suggest that the prevalence of children with autism and developmental delay could be higher than the original PC estimate (Section 4.3). Scenario 3 assumes that the total number of children at full scheme is 20% higher than the PC estimate. It is assumed that children exit the scheme at the same rate – hence, higher numbers of children with autism/developmental delay remain in the scheme for longer periods of time. In 2044-45 the impact on package costs is an additional 4.1% (Table 5.3).

Table 5.3 Scenario 2: Higher number of participants with autism and developmental delay

Scenario 2	2014	2015	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Total participants												
0-64 years	7,271	17,097	33,075	160,525	357,685	475,546	483,564	515,154	538,625	565,563	591,266	623,353
65+ years	45	206	480	2,114	5,365	12,113	17,623	46,388	74,545	95,207	114,314	125,205
Total	7,316	17,303	33,555	162,639	363,051	487,659	501,188	561,542	613,170	660,770	705,579	748,558
Uninflated total cost (\$m)												
0-64 years				\$3,186	\$8,476	\$13,800	\$17,140	\$18,255	\$19,199	\$20,358	\$21,392	\$22,671
65+ years				\$127	\$324	\$735	\$1,070	\$2,850	\$4,673	\$6,137	\$7,540	\$8,442
Total				\$3,313	\$8,800	\$14,536	\$18,210	\$21,105	\$23,872	\$26,495	\$28,932	\$31,114
<i>NiIS adjustment</i>				\$0	\$0	-\$291	-\$569	-\$849	-\$1,138	-\$1,402	-\$1,644	-\$1,861
Total after NiIS adjustment				\$3,313	\$8,800	\$14,245	\$17,641	\$20,256	\$22,735	\$25,093	\$27,288	\$29,253
Inflated total cost (\$m)												
0-64 years	\$139	\$475	\$940	\$3,466	\$9,618	\$16,335	\$21,161	\$27,500	\$35,189	\$45,397	\$58,037	\$74,834
65+ years	\$1	\$6	\$14	\$139	\$368	\$870	\$1,320	\$4,293	\$8,566	\$13,685	\$20,457	\$27,867
Total	\$140	\$481	\$953	\$3,605	\$9,986	\$17,205	\$22,481	\$31,794	\$43,754	\$59,082	\$78,494	\$102,701
<i>NiIS adjustment</i>	\$0	\$0	\$0	\$0	\$0	-\$342	-\$698	-\$1,271	-\$2,073	-\$3,107	-\$4,434	-\$6,106
Total after NiIS adjustment	\$140	\$481	\$953	\$3,605	\$9,986	\$16,863	\$21,783	\$30,522	\$41,681	\$55,974	\$74,060	\$96,595
<i>Operating costs</i>	\$128	\$208	\$304	\$758	\$1,365	\$1,693	\$1,468	\$1,828	\$2,918	\$3,918	\$5,184	\$6,762
Total after operating costs	\$268	\$689	\$1,257	\$4,363	\$11,351	\$18,556	\$23,251	\$32,350	\$44,599	\$59,892	\$79,244	\$103,357
Total after efficiency dividend	\$268	\$689	\$1,257	\$4,348	\$11,275	\$18,372	\$22,947	\$31,486	\$42,902	\$56,976	\$74,615	\$96,247

5.2.4 Scenario 3: Increase in committed support for high cost participants

Total scheme cost is driven by high cost participants (section 4.2.2). This scenario demonstrates the sensitivity of the overall cost to the packages for high cost participants. Specifically, this scenario assumes that the cost of participants with annual package costs greater than \$100,000 is 10% higher. In 2044-45 the impact on package costs is an additional 4.9% (Table 5.4).

Table 5.4 Scenario 3: Increase in the number of high cost participants

Scenario 3	2014	2015	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Total participants												
0-64 years	7,271	17,097	33,075	152,493	339,788	451,751	458,618	488,493	512,572	538,673	563,005	593,518
65+ years	45	206	480	2,042	5,121	11,530	17,055	45,918	74,221	95,052	114,280	125,204
Total	7,316	17,303	33,555	154,535	344,909	463,281	475,673	534,411	586,793	633,725	677,285	718,722
Uninflated total cost (\$m)												
0-64 years				\$3,307	\$8,711	\$14,181	\$17,606	\$18,674	\$19,582	\$20,712	\$21,720	\$22,984
65+ years				\$123	\$309	\$698	\$1,032	\$2,812	\$4,634	\$6,095	\$7,493	\$8,387
Total				\$3,430	\$9,020	\$14,880	\$18,638	\$21,486	\$24,217	\$26,807	\$29,214	\$31,371
<i>NiIS adjustment</i>	\$0	\$0	\$0	\$0	\$0	-\$291	-\$569	-\$849	-\$1,138	-\$1,402	-\$1,644	-\$1,861
Total after NiIS adjustment	\$0	\$0	\$0	\$3,430	\$9,020	\$14,589	\$18,069	\$20,637	\$23,079	\$25,405	\$27,570	\$29,510
Inflated total cost (\$m)												
0-64 years	\$139	\$475	\$940	\$3,598	\$9,885	\$16,786	\$21,736	\$28,132	\$35,891	\$46,187	\$58,929	\$75,866
65+ years	\$1	\$6	\$14	\$134	\$351	\$826	\$1,275	\$4,236	\$8,494	\$13,591	\$20,330	\$27,685
Total	\$140	\$481	\$953	\$3,731	\$10,235	\$17,612	\$23,010	\$32,368	\$44,385	\$59,778	\$79,259	\$103,551
<i>NiIS adjustment</i>	\$0	\$0	\$0	\$0	\$0	-\$342	-\$698	-\$1,271	-\$2,073	-\$3,107	-\$4,434	-\$6,106
Total after NiIS adjustment	\$140	\$481	\$953	\$3,731	\$10,235	\$17,270	\$22,312	\$31,097	\$42,313	\$56,671	\$74,824	\$97,446
<i>Operating costs</i>	\$128	\$208	\$304	\$758	\$1,365	\$1,693	\$1,468	\$1,828	\$2,962	\$3,967	\$5,238	\$6,821
Total after operating costs	\$268	\$689	\$1,257	\$4,490	\$11,600	\$18,963	\$23,781	\$32,925	\$45,275	\$60,638	\$80,062	\$104,267
Total after efficiency dividend	\$268	\$689	\$1,257	\$4,474	\$11,522	\$18,774	\$23,468	\$32,041	\$43,541	\$57,667	\$75,356	\$97,050

5.2.5 Scenario 4: Increasing costs associated with plan reviews

At 30 June 2015, the average increase in committed supports between first and second plans was around 9% across the trial sites. While package costs for many participants will be expected to increase with age and inflation, this suggests a level of increase above that implied by inflation and the change due to ageing in the scheme (“superimposed inflation”). Scenario 4 applies a superimposed inflation amount of 0.5% per annum to package costs, over and above normal inflation and ageing. In 2044-45 the impact on package costs is an additional 16.5% (Table 5.4).

Table 5.5 Scenario 4: Increasing costs associated with plan reviews and amendments

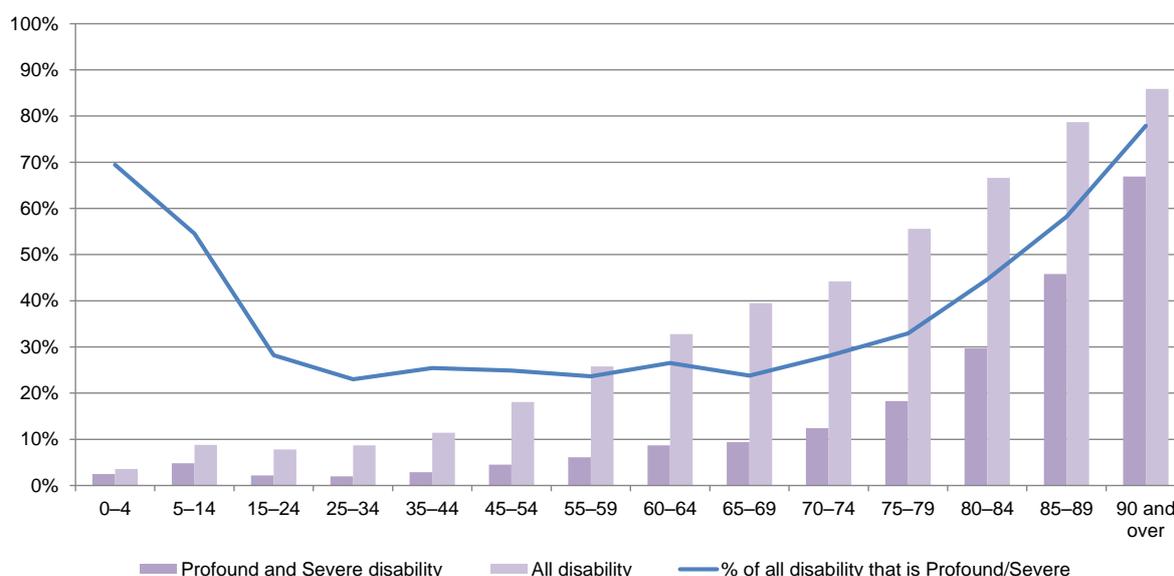
Scenario 4	2014	2015	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Total participants												
0-64 years	7,271	17,097	33,075	152,493	339,788	451,751	458,618	488,493	512,572	538,673	563,005	593,518
65+ years	45	206	480	2,042	5,121	11,530	17,055	45,918	74,221	95,052	114,280	125,204
Total	7,316	17,303	33,555	154,535	344,909	463,281	475,673	534,411	586,793	633,725	677,285	718,722
Uninflated total cost (\$m)												
0-64 years				\$3,147	\$8,290	\$13,497	\$16,752	\$17,769	\$18,629	\$19,704	\$20,662	\$21,867
65+ years				\$117	\$295	\$667	\$987	\$2,691	\$4,439	\$5,837	\$7,176	\$8,030
Total				\$3,264	\$8,585	\$14,164	\$17,738	\$20,460	\$23,068	\$25,541	\$27,838	\$29,897
<i>NiIS adjustment</i>				\$0	\$0	-\$291	-\$569	-\$849	-\$1,138	-\$1,402	-\$1,644	-\$1,861
Total after NiIS adjustment				\$3,264	\$8,585	\$13,873	\$17,169	\$19,611	\$21,930	\$24,139	\$26,194	\$28,037
Inflated total cost (\$m)												
0-64 years	\$139	\$475	\$940	\$3,457	\$9,543	\$16,284	\$21,182	\$28,081	\$36,687	\$48,358	\$63,193	\$83,343
65+ years	\$1	\$6	\$14	\$129	\$340	\$805	\$1,248	\$4,253	\$8,743	\$14,326	\$21,947	\$30,606
Total	\$140	\$481	\$953	\$3,586	\$9,883	\$17,089	\$22,429	\$32,334	\$45,430	\$62,684	\$85,141	\$113,949
<i>NiIS adjustment</i>	\$0	\$0	\$0	\$0	\$0	-\$342	-\$698	-\$1,271	-\$2,073	-\$3,107	-\$4,434	-\$6,106
Total after NiIS adjustment	\$140	\$481	\$953	\$3,586	\$9,883	\$16,746	\$21,731	\$31,062	\$43,357	\$59,576	\$80,707	\$107,843
<i>Operating costs</i>	\$128	\$208	\$304	\$758	\$1,365	\$1,693	\$1,468	\$1,828	\$3,035	\$4,170	\$5,649	\$7,549
Total after operating costs	\$268	\$689	\$1,257	\$4,344	\$11,248	\$18,440	\$23,199	\$32,890	\$46,392	\$63,747	\$86,356	\$115,392
Total after efficiency dividend	\$268	\$689	\$1,257	\$4,329	\$11,172	\$18,256	\$22,895	\$32,008	\$44,618	\$60,626	\$81,282	\$107,402

5.2.6 Scenario 5: Higher numbers of participants entering the scheme before age 65 years

In similar schemes to the NDIS, such as accident compensation schemes, research has shown that changes in benefit levels introduce behavioural impacts over and above the financial impacts of the changes.²⁸ In order to become a participant of the NDIS, a person needs to be found eligible for the scheme before age 65 years. Currently the NDIS care and support package appears likely to be higher and provide more advantages than the care and support received in the aged care system. Hence, there is an incentive for people to gain access to the scheme before age 65 years.

The prevalence of disability increases with age, and in particular the proportion of people with disability who have a severe/profound core activity limitation also increases (Figure 5.2). There is a high probability that people otherwise likely to report their disability between aged 65-74 years will have incentives to attempt to access the scheme before they turn 65 years in order to gain access to higher benefits for the remainder of their lifetime. Further, people with a disability, but not a severe/profound core activity limitation, may have incentive to access the scheme before age 65 years.

Figure 5.2 Prevalence of disability in Australia by age group²⁹



It is possible that with additional incentive to enter the NDIS rather than the aged care system, the reported prevalence of severe/profound core activity limitation could increase from 25% of all people with a disability to over 30% in the 55-64 year age group. This corresponds to a reported increase in new entrants to the scheme in the 55-64 year age

²⁸ Butler, Richard J. and Worrall, John D. (1991). Claims Reporting and Risk Bearing Moral Hazard in Workers' Compensation, *The Journal of Risk and Insurance*, 58:2, 191-204

²⁹ ABS Survey of Disability, Ageing and Carers, 2012

group by as much as 150%. This has a flow on effect to package costs over the long term. In 2019-20 this effect is not large (around \$177 million). However, this increases to \$10.5 billion by 2044-45 (Table 5.6), which is an approximate increase of 10.6% in package costs.

Table 5.6 Scenario 5: Increase in participants entering the scheme in the 55-64 year age group

Scenario 5	2014	2015	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Total participants												
0-64 years	7,271	17,097	33,075	152,493	339,788	451,751	461,569	501,418	528,307	555,526	580,222	612,670
65+ years	45	206	480	2,042	5,121	11,530	17,054	50,325	88,963	120,391	149,286	167,068
Total	7,316	17,303	33,555	154,535	344,909	463,281	478,624	551,743	617,270	675,917	729,509	779,739
Uninflated total cost (\$m)												
0-64 years	\$0	\$0	\$0	\$3,147	\$8,290	\$13,497	\$16,900	\$18,420	\$19,423	\$20,554	\$21,531	\$22,835
65+ years	\$0	\$0	\$0	\$117	\$294	\$663	\$981	\$2,907	\$5,191	\$7,152	\$9,012	\$10,237
Total	\$0	\$0	\$0	\$3,264	\$8,584	\$14,160	\$17,882	\$21,328	\$24,614	\$27,707	\$30,543	\$33,072
<i>NiIS adjustment</i>	\$0	\$0	\$0	\$0	\$0	-\$291	-\$569	-\$849	-\$1,138	-\$1,402	-\$1,644	-\$1,861
Total after NiIS adjustment	\$0	\$0	\$0	\$3,264	\$8,584	\$13,869	\$17,313	\$20,479	\$23,477	\$26,305	\$28,899	\$31,211
Inflated total cost (\$m)												
0-64 years	\$139	\$475	\$940	\$3,424	\$9,407	\$15,975	\$20,865	\$27,750	\$35,599	\$45,835	\$58,416	\$75,375
65+ years	\$1	\$6	\$14	\$128	\$334	\$785	\$1,212	\$4,380	\$9,515	\$15,949	\$24,449	\$33,791
Total	\$140	\$481	\$953	\$3,551	\$9,741	\$16,761	\$22,076	\$32,130	\$45,114	\$61,784	\$82,864	\$109,165
<i>NiIS adjustment</i>	\$0	\$0	\$0	\$0	\$0	-\$342	-\$698	-\$1,271	-\$2,073	-\$3,107	-\$4,434	-\$6,106
Total after NiIS adjustment	\$140	\$481	\$953	\$3,551	\$9,741	\$16,418	\$21,378	\$30,858	\$43,041	\$58,677	\$78,430	\$103,060
<i>Operating costs</i>	\$128	\$208	\$304	\$758	\$1,365	\$1,693	\$1,468	\$1,828	\$3,013	\$4,107	\$5,490	\$7,214
Total after operating costs	\$268	\$689	\$1,257	\$4,310	\$11,106	\$18,112	\$22,847	\$32,686	\$46,054	\$62,784	\$83,920	\$110,274
Total after efficiency dividend	\$268	\$689	\$1,257	\$4,295	\$11,031	\$17,931	\$22,546	\$31,815	\$44,336	\$59,838	\$79,259	\$103,108

5.2.7 Scenario 6: Higher cost associated with over 65s

There is very limited scheme experience to inform the costs of over 65 year olds in the NDIS. Specifically, there are just over 200 participants aged 65 years and none of these participants have aged past 66 years. Currently it is assumed that people over the age of 65 years have an annual cost which is 20% higher than the participants in the 55-64 year age group. This increases over time to around 25% to allow for ageing.

This scenario assumes a higher cost – an annual cost which is 30% higher than the 55-64 year age group increasing to over 35%. In 2044-45 the impact on package costs is an additional 1.4% (Table 5.7).

Table 5.7 Scenario 2: Increase in costs associated with the over 65s age group

Scenario 6	2014	2015	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Total participants												
0-64 years	7,271	17,097	33,075	152,493	339,788	451,751	458,618	488,493	512,572	538,673	563,005	593,518
65+ years	45	206	480	2,042	5,121	11,530	17,055	45,918	74,221	95,052	114,280	125,204
Total	7,316	17,303	33,555	154,535	344,909	463,281	475,673	534,411	586,793	633,725	677,285	718,722
Uninflated total cost (\$m)												
0-64 years				\$3,147	\$8,290	\$13,497	\$16,752	\$17,769	\$18,629	\$19,704	\$20,662	\$21,867
65+ years				\$123	\$310	\$700	\$1,035	\$2,821	\$4,653	\$6,127	\$7,538	\$8,442
Total				\$3,270	\$8,600	\$14,197	\$17,786	\$20,589	\$23,281	\$25,831	\$28,200	\$30,310
<i>NiIS adjustment</i>				\$0	\$0	-\$291	-\$569	-\$849	-\$1,138	-\$1,402	-\$1,644	-\$1,861
Total after NiIS adjustment				\$3,270	\$8,600	\$13,906	\$17,218	\$19,740	\$22,144	\$24,429	\$26,556	\$28,449
Inflated total cost (\$m)												
0-64 years	\$139	\$475	\$940	\$3,424	\$9,407	\$15,975	\$20,681	\$26,768	\$34,143	\$43,938	\$56,057	\$72,180
65+ years	\$1	\$6	\$14	\$134	\$351	\$828	\$1,278	\$4,249	\$8,528	\$13,662	\$20,451	\$27,867
Total	\$140	\$481	\$953	\$3,558	\$9,759	\$16,804	\$21,959	\$31,017	\$42,671	\$57,601	\$76,508	\$100,047
<i>NiIS adjustment</i>	\$0	\$0	\$0	\$0	\$0	-\$342	-\$698	-\$1,271	-\$2,073	-\$3,107	-\$4,434	-\$6,106
Total after NiIS adjustment	\$140	\$481	\$953	\$3,558	\$9,759	\$16,461	\$21,261	\$29,746	\$40,598	\$54,493	\$72,074	\$93,942
<i>Operating costs</i>	\$128	\$208	\$304	\$758	\$1,365	\$1,693	\$1,468	\$1,828	\$2,842	\$3,815	\$5,045	\$6,576
Total after operating costs	\$268	\$689	\$1,257	\$4,316	\$11,124	\$18,155	\$22,729	\$31,573	\$43,440	\$58,308	\$77,119	\$100,517
Total after efficiency dividend	\$268	\$689	\$1,257	\$4,301	\$11,049	\$17,974	\$22,431	\$30,733	\$41,796	\$55,492	\$72,661	\$93,682

6 Managing financial sustainability

The definition of financial sustainability is outlined in section 1.2 – a state where both participants are satisfied with their reasonable and necessary supports and improved independence and social/economic participation, and contributors continue to be willing to contribute based on perceived value for money.

In order to manage financial sustainability effectively, a number of key conditions must be met. These conditions were outlined in the 2013-14 Financial Sustainability Report and listed below, along with emerging experience and mitigation strategies identified throughout 2014-15.

- An ICT system which accommodates a longitudinal database, supports the insurance approach, provides expert support to front-line staff, and meets the needs of participants and service providers is required. Further adequate and accurate data must be collected.

Additional funding for a new ICT system was announced in the May 2015 Federal Budget. DHS will become the NDIA's ICT supplier. The new system includes the build of a new case management system in SAP, and the hosting of a new data warehouse with longitudinal capability.

Substantial work has been undertaken on an outcomes framework and reference groups. This work assists in building the data required to monitor and manage financial sustainability. A data model has also been developed for the new ICT system.

- Sector capacity. The service provider sector will need to expand to meet the increased demand as the NDIS ramps up to full scheme. If demand increases at a rate that is faster than supply, then, at best, inflationary pressure will emerge. At worst, confidence in the scheme could be compromised. The market needs to expand at between 20% and 30% per annum over the three years (2016-17 to 2018-19) to meet the expected transition timetable. Work to understand the extent to which the market can grow at these rates is required and detailed monitoring of the expansion will also be required.
- Mainstream services need to bolster their support to people with a disability and meet their requirements under the National Disability Strategy.

Appeals made to the Administrative Appeals Tribunal (AAT) in 2014-15 provide some indication of possible mainstream service interface issues. Participants have appealed to the AAT for the NDIA to fund such things as medical equipment, which is traditionally provided by the health system. Participants have also appealed for the NDIA to fund chiropractic services and remedial massage, which are supports with limited evidence base. Further, a person not found eligible for the scheme who presented with several health conditions (chronic back pain, obesity, diabetes, a heart condition, and depression), has appealed to the AAT to be found eligible. Eligibility to the scheme is not based on condition - however, it is worth noting that the original scheme costings did not include people with these health-related conditions. The potential impact on financial sustainability is measured after each AAT decision. There is also some anecdotal

evidence in South Australia where the NDIS provides support in schools when the school does not provide the support, even if the education system has responsibility to provide this support. For example, some schools not supporting children with a disability due to a lack of resources, and hence the NDIA paying for higher travel costs associated with children travelling greater distances to go to other schools. In some instances the NDIA is also paying for personal care in schools and behavioural support in schools.

- The NDIA requires a sufficient operating budget to monitor and manage financial sustainability. The government has stipulated that the operating budget cannot be higher than 7% of package costs at full scheme. It is worth noting that a 10% increase in the operating budget may result in additional expenditure of approximately \$150 million at full scheme, and an increase in package costs of 10% could result in an additional \$2 billion at full scheme. It is worth investing in the resources required to make sure that package costs remain within expectations.

A detailed activity-based costing was undertaken of the proposed Service Delivery Operating Model (SDOM). This costing remains within 7% of package costs. The assumptions in this model need to be tested and validated throughout 2015-16.

- Participants in the scheme need support to be able to build their capacity and exercise choice and control.

In both 2013-14 and 2014-15 less than 100% of support in plans has been utilised. Work undertaken with Operations and Finance indicates that the main reason supports are not being utilised is due to participant's not actioning their plans. Work to further support participants with plan implementation is underway, such as funding support co-ordination and holding plan implementation workshops.

- In 2014-15 many participants received a second plan. On the whole the value of second plans was higher than first plans after allowing for inflation and ageing impacts - referred to as superimposed inflation. The impact of this trend on sustainability was modelled in section 5.2.5. Targeted strategies are required to make sure that this trend does not continue.

Appendix A – Milestones leading to the implementation of the NDIS

The National Disability Insurance Scheme (NDIS) Act received Royal Assent on 28 March 2013, and became fully operational on 1 July 2013 with the commencement of NDIS trial sites. A number of significant milestones in recent history contributed to the launch of the NDIS, and importantly the insurance approach to funding and supporting people with a disability over their lifetime. These milestones included:

- In 2005, a report to insurance ministers on options for national long-term care arrangements for the catastrophically injured. This report proposed a no-fault insurance scheme for catastrophic injury and presented the case for this being a fair and financially sustainable way to support people with catastrophic injury.
- In 2006, the NSW Lifetime Care and Support scheme came into effect as the first insurance scheme model in Australia to be specifically designed for the care and support needs of people with major disability. This no-fault scheme supports people catastrophically injured in NSW in a motor vehicle accident. Once people are in the scheme their care and support needs related to the injury are met for life.
- In 2007, the Senate report into the funding and operation of the Commonwealth State Territory Disability Agreement (CSTDA) was released and recommend the development of a National Disability Strategy. The National Disability Strategy 2010-2020 was released in 2011 and sets out a ten year national policy framework for improving life for Australians with disability, their families and carers. It represents a commitment by all levels of government, industry and the community to a unified, national approach to policy and program development. Further, it aims to bring about change in all mainstream services and programs as well as community infrastructure.
- In 2008, Australia ratified the United Nations (UN) Convention on the Rights of People with a Disability (CRPD). The purpose of the present Convention is to promote, protect and ensure the full and equal enjoyment of all human rights and fundamental freedoms by all persons with disabilities, and to promote respect for their inherent dignity.³⁰
- In 2008, the idea for a NDIS was raised at the 2020 Summit. This was followed shortly by the establishment of the Disability Investment Group (DIG).
- In 2009, the DIG released its findings in *The Way Forward*. This report recommended a feasibility study into a NDIS in Australia. The DIG's recommendation was that the NDIS replace the current arrangements for funding disability services and work in a similar way to the no-fault injury insurance schemes that were currently operating in some States and Territories.

³⁰ United Nations, 2008. Convention on the Rights of Persons with Disabilities and Optional Protocol

- In 2009, the National People with Disabilities and Carer Council realised the *Shut Out* report, describing the experience of people with a disability and their families. The report found people with disabilities may be present in the community but most do not enjoy full participation in it. Further, the report found that discrimination and exclusion were frustrating features of daily life for people with a disability.³¹
- In 2009, the Productivity Commission (PC) was asked to investigate the feasibility of a NDIS. In August 2011, the final report of the PC's inquiry into Disability Care and Support was released. The report found the current disability system was underfunded, unfair, fragmented and inefficient. It also found that people with a disability had little choice and no certainty of access to appropriate supports.³² The Productivity Commission noted that the NDIS was an insurance scheme for all Australians and should support social inclusion and aim to minimise the impact of disability.
- In 2012 and 2013 the Intergovernmental Agreement for NDIS launch sites and a number of Heads of Agreement were signed between the Australian Commonwealth Government and the State/Territory governments. This saw:
 - The commencement of trial sites in New South Wales, South Australia, Tasmania, and Victoria in 2013
 - The commencement of trial sites in the Australian Capital Territory, the Northern Territory, and Western Australia in 2014
 - All States/Territories (except Western Australia) and the Australian Government agreeing to the full scheme being rolled out between 2016/17 and 2018/19.

These reports and milestones promote the independence, self-management and social inclusion of people with a disability, and highlight the importance of the insurance model in ensuring the financial sustainability of the scheme. The NDIS is ambitious, world-leading, and leverages all contemporary thinking on including and supporting people with a disability in Australian society.

³¹ The Australian Commonwealth Government, 2009. Shut out: The experience of people with disability and their families in Australia. National Disability Strategy Consultation Report prepared by the National People with Disabilities and Carer Council.

³² Productivity Commission, 2011. Disability Care and Support Inquiry Final Report.

Appendix B – The NDIS Act, intergovernmental agreements and the heads of agreement

Legislation

The National Disability Insurance Scheme (NDIS) Act received Royal Assent on 28 March 2013. The NDIS Act:

- outlines the objectives and principles of the NDIS
- states the criteria for becoming a participant in the Scheme, and the preparation of a participant's plan (including reasonable and necessary support)
- covers registration of services providers
- outlines the functions and responsibilities of plan nominees
- outlines requirements for participants who have received compensation payments
- establishes the National Disability Insurance Launch Transition Agency and states that the Commonwealth Authorities and Companies (CAC) Act applies to the Agency.
- states the functions of the Agency (including to deliver the NDIS, and manage, advise, and report on the financial sustainability of the NDIS)
- establishes the NDIS Board and the functions of the Board
- establishes the IAC and the functions of the IAC
- outlines the reporting requirements of the Board and the actuarial assessment of annual financial sustainability.

Intergovernmental Agreement on the NDIS Launch

The Intergovernmental Agreement (IGA) on the NDIS Launch was signed on the 7 December 2012. New South Wales, Victoria, South Australia, Tasmania and the Australian Capital Territory signed bilateral agreements with the Commonwealth on the operational and funding details for the roll-out of the NDIS in each launch site.

In May 2013 agreement was reached to commence trials of the NDIS in Western Australia, the Australian Capital Territory and the Northern Territory in July 2014.

The bilateral agreements outline:

- the funding arrangements for each launch site, including the contributions of the Commonwealth government and the State/Territory governments

- the cash and in-kind contributions of Commonwealth government and the State/Territory governments
- the timing of payments to the NDIA
- the participant intake schedule.

Note: the NDIA and Scheme Actuary were not a part of these negotiations. There are risks associated with stipulating both a participant intake and fixed funding flows based on an “average” participant.

Heads of Agreement

Agreement has been reached between the Commonwealth government and State/Territory governments (except Western Australia) on arrangements for the full rollout of the National Disability Insurance Scheme (NDIS). The Heads of Agreement between the Commonwealth government and each State/Territory government outlines the parameters for transition to full scheme arrangements within specific timelines. A summary of these parameters (particularly in relation to funding and timing) for each State/Territory is included in the table below.

Note: the NDIA and Scheme Actuary were not a part of these negotiations.

Table B.1 Summary of Heads of Agreements - funding and timing³³

NSW	<ul style="list-style-type: none"> • Commencement of full scheme roll out: 1 July 2016 • Implementation completed: 1 July 2018 • NSW contribution in 2018-19: \$3,133 million • Commonwealth contribution in 2018-19: \$3,319 million. • Other: <ul style="list-style-type: none"> • The capped, fixed contribution from NSW will be escalated at 3.5% from 2018-19 • The \$3,133 billion represents existing available funding for specialist and other disability services and supports of \$2,692 million and \$441 million in 2018-19 of capped in-kind services.
Victoria	<ul style="list-style-type: none"> • Commencement of full scheme roll out: 2016-17 • Implementation completed: 30 June 2019 • Victorian contribution in 2019-20: \$2.51 billion • Commonwealth contribution in 2019-20: \$2.6 billion. • Other: <ul style="list-style-type: none"> • The capped, fixed contribution from Victoria will be escalated at a rate agreed by COAG following a review by the PC in 2017 or at 3.5% from 2019-20 • In 2016-17, 2017-18 and 2018-19, Victoria will be in transition to full scheme. For this period Victoria will contribute 59.4 per cent of care and support package costs for an agreed number of eligible participants each year. The Commonwealth will contribute the remaining 40.6 per cent for care and support package costs. The Commonwealth will assume 100% funding when a participant turns 65 years of age (or 50 years of age if they are an Indigenous Australian). • The amount to be allocated to Victoria from the DisabilityCare Australia Fund

³³ Heads of Agreements (NSW, Victoria, Queensland, South Australia, Tasmania, ACT, and the NT).

	in 2019-20 (the first full year of the scheme in Victoria) is \$244 million, indexed at 3.5 per cent in subsequent years.
Queensland	<ul style="list-style-type: none"> • Commencement of full scheme roll out: 1 July 2016 • Implementation completed: 1 July 2019 • Queensland contribution in 2019-20: \$2.03 billion • Commonwealth contribution in 2019-20: \$2.14 billion. • Other: <ul style="list-style-type: none"> • The capped, fixed contribution from Queensland will be escalated at a rate agreed by COAG following a review by the PC in 2017 or at 3.5% from 2019/20 • In 2016-17, 2017-18 and 2018-19, Queensland will be in transition to full scheme. For this period Queensland will contribute 59.4 per cent of care and support package costs for an agreed number of eligible participants each year. The Commonwealth will contribute the remaining 40.6 per cent for care and support package costs. The Commonwealth will assume 100% funding when a participant turns 65 years of age (or 50 years of age if they are an Indigenous Australian). • The amount to be allocated to Queensland from the DisabilityCare Australia Fund in 2019-20 (the first full year of the scheme in Queensland) is \$197 million, indexed at 3.5 per cent in subsequent years.
SA	<ul style="list-style-type: none"> • Commencement of full scheme roll out: 2016-17 • Implementation completed: 30 June 2018 • SA contribution in 2018-19: \$723 million • Commonwealth contribution in 2018-19: Unstated • Other: <ul style="list-style-type: none"> • The capped, fixed contribution from SA will be escalated at a rate agreed by COAG following a review by the PC in 2017 or at 3.5% from 2018-19 • In 2016-17 and 2017-18, SA will be in transition to full scheme. For this period SA will contribute 59.4 per cent of care and support package costs for an agreed number of eligible participants each year. The Commonwealth will contribute the remaining 40.6 per cent for care and support package costs. The Commonwealth will assume 100% funding when a participant turns 65 years of age.
Tasmania	<ul style="list-style-type: none"> • Commencement of full scheme roll out: 2016-17 • Implementation completed: 30 June 2019 • Tasmanian contribution in 2019-20: \$232 million • Commonwealth contribution in 2019-20: \$245 million • Other: <ul style="list-style-type: none"> • The capped, fixed contribution from Tasmania will be escalated at a rate agreed by COAG following a review by the PC in 2017 or at 3.5% from 2019-20 • In 2016-17, 2017-18 and 2018-19, Tasmania will be in transition to full scheme. For this period Tasmania will contribute 59.4 per cent of care and support package costs for an agreed number of eligible participants each year. The Commonwealth will contribute the remaining 40.6 per cent for care and support package costs. The Commonwealth will assume 100% funding when a participant turns 65 years of age (or 50 years of age if they are an Indigenous Australian).
ACT	<ul style="list-style-type: none"> • Commencement of full scheme roll out: 2017-18 • Implementation completed: 30 June 2019 • ACT contribution in 2019-20: \$167 million • Commonwealth contribution in 2019-20: \$175 million. • Other: <ul style="list-style-type: none"> • The capped, fixed contribution from the ACT will be escalated at a rate agreed by COAG following a review by the PC in 2017 or at 3.5% from 2019/20

	<ul style="list-style-type: none"> In 2017 and 2018, the ACT will be in transition to full scheme. For this period, the ACT will contribute \$130 million in 2017-18 and \$137 million in 2018-19. This represents 59.4 per cent of package costs for up to 5126 eligible participants in 2017-18 and 5177 participants in 2018-19. The Commonwealth will contribute \$89 million in 2017-18 and \$93 million in 2018-19, representing the balance of package costs for the agreed number of participants, in addition to funding 100 per cent of package costs for people who turn 65 and choose to remain in the scheme and administration costs.
NT	<ul style="list-style-type: none"> Commencement of full scheme roll out: 2016-17 Implementation completed: 30 June 2019 NT contribution in 2019-20: \$99 million Commonwealth contribution in 2019-20: \$105 million. Other: <ul style="list-style-type: none"> The capped, fixed contribution from the NT will be escalated at a rate agreed by COAG following a review by the PC in 2017 or at 3.5% from 2019-20 In 2016-17, 2017-18 and 2018-19, the Northern Territory will be in transition to full scheme. For this period the Northern Territory will contribute 59.4 per cent of care and support package costs for an agreed number of eligible participants each year. The Commonwealth will contribute the remaining 40.6 per cent for care and support package costs, as well as funding 100 per cent of package costs for people who turn 65 and Indigenous participants who turn 50 and choose to remain in the scheme, and 100 per cent of scheme administration and overhead costs..

In addition to the information presented in the above table:

- The States/Territories funding will pay for participant supports including individualised support packages for scheme participants, and local area coordinators and other general supports as described in section 13(2) of the NDIS Act 2013.
- The Commonwealth will provide funding for individualised support packages for scheme participants, local area coordinators and other general supports as described by section 13(2) of the NDIS Act 2013, and all administration costs for the Agency.
- The Commonwealth will fund 100 per cent of the risk for the launch and transition period.
- The Commonwealth will assume 100 per cent of risk for full scheme subject to the review of scheme costs by the PC in 2017. Note: the Commonwealth is always committed to assuming a minimum of 75 per cent of risk and the States/Territories a maximum 25 per cent risk for client supports.
- The total contribution from the States and Territories will be reallocated in 2023 and every five years thereafter following the publication of the Census data in line with each State and Territory's share of the total national population.
- States/territories agree in principle to the National Injury Insurance Scheme (NIIS) minimum national benchmarks that have been developed through the Standing Council on Federal Financial Relations (SCFFR). This includes a no-fault motor vehicle scheme for people catastrophically injured in motor vehicle accidents and a no-fault scheme for people catastrophically injured in a workplace accident. Jurisdictions without equivalent motor vehicle and workplace schemes will be responsible for 100 per cent of the costs of

their citizens and visitors who enter the NDIS due to disability caused by relevant accidents within their jurisdiction. Further, jurisdictions will remain responsible for fault related injuries in public hospitals.

Appendix C – Reference groups

Reference packages aim to provide a benchmark level of funding support for participants with similar support needs and characteristics. They provide a link between resource allocation to individual participants and the overall funding envelope. Reference package amounts depend on age, disability type, and “severity” of disability, as measured by the chosen assessment tools.

The draft severity indicators are listed in the table below. Draft severity indicators have been developed for the main disabilities identified amongst participants. In addition to these indicators:

- WHODAS 2.0 is used if the disability is not on the list.
- Work is underway on a mental health severity indicator. At this stage the Health of Nation Outcomes Scale (HONOS) and Life Skills Profile 16 (LSP-16) have been identified as the most likely indicators.
- Ongoing work on the most appropriate tools for autism, intellectual disability, developmental delay and global developmental delay is occurring, including gathering information on the assessments that potential participants have already undertaken.

Table C.1 Draft severity indicators

Disability Type	Severity Indicator
Acquired Brain Injury	The Care and Needs Scale (CANS)
Autism	Vineland II Diagnostic and Statistical Manual of Mental Disorders (DSM-5) – Autism Spectrum Disorder
Cerebral palsy	Gross Motor Functional Classification Scale (GMFCS) Communication Function Classification Score (CFCS) Manual Ability Classification System (MACS)
Intellectual disability	Vineland II
Developmental delay	Diagnostic and Statistical Manual of Mental Disorders (DSM-5) – Intellectual disability
Global developmental delay	IQ test
Down syndrome	
Hearing impairment	Functional impact of hearing loss (developed by an expert panel for this project) Hearing Loss (Measured in decibels)
Multiple sclerosis	Disease Steps Expanded Disability Status Scale
Spinal injury	Level of lesion ASIA score (Level of completeness)
Stroke	Modified Rankin Scale
Vision impairment	Visual acuity level Visual field loss Functional Impact of vision loss (developed by an expert panel for this project)

As at 30 June 2015, reference group information had been collected for 635 participants. The data is being collected by the National Access Team.

Lastly, work is underway to incorporate a fourth variable into reference packages which measures the level of informal/community support available.

Appendix D - Participant outcomes framework

The NDIS Outcomes Framework will monitor the progress of participants and their families and carers in key life domains.

The purpose of the framework is:

- To assist with planning
- To allow indicators of Scheme performance to be constructed, so that Scheme progress can be tracked over time
- To identify drivers of good outcomes – for example, do certain models of support lead to better outcomes than other models?

There are two versions of the Outcomes Framework: a “Long Form” and a “Short Form”. The Short Form (SF) will contain questions relevant to planning and a small number of key indicators. It will be collected for all participants. The Long Form will contain a broader range of questions relevant to Scheme monitoring and will be collected for a sample of participants. Both forms will be collected longitudinally over time.

The SF has seven versions (four participant and three family versions) relevant to different life stages. The seven versions, and the domains in each version, are set out in the table below.

Table D.1 Short form domains and versions

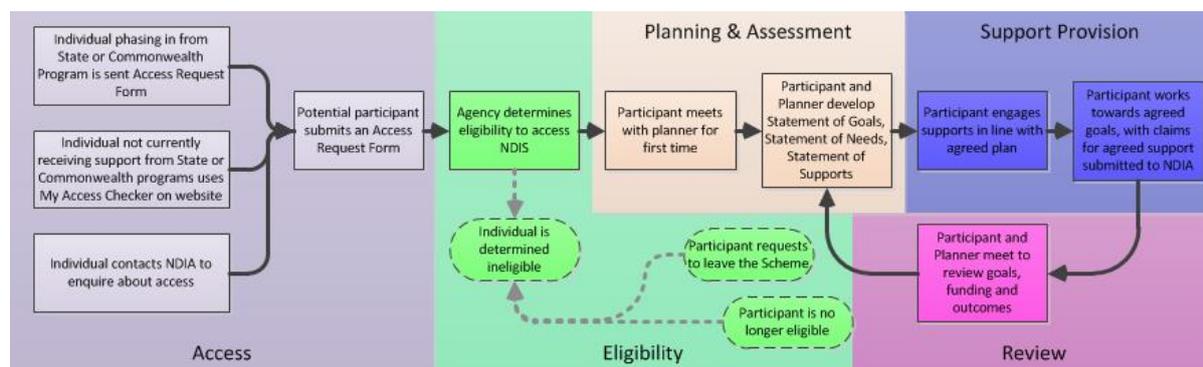
Domain	Participant version				Family version, for participant aged		
	Children 0 to school	Children school to 15	Young adults 15 to 24	Adults 25 and over	0 to 15	15 to 24	25 and over
1	Daily living	Daily living	Choice and control	Choice and control	Families know their rights and advocate effectively for their child with disability	Families know their rights and advocate effectively for their family member with disability	Families know their rights and advocate effectively for their family member with disability
2	Choice and control	Lifelong learning	Daily living	Daily living	Families feel supported	Families have the support they need to care	Families have the support they need to care
3	Relationships	Relationships	Relationships	Relationships	Families are able to gain access to desired services, programs, and activities in their community	Families are able to gain access to desired services, programs, and activities in their community	Families are able to gain access to desired services, programs, and activities in their community
4	Social, community and civic participation	Social, community and civic participation	Home	Home	Families help their children develop and learn	Families help their young person become independent	Families have succession plans
5			Health and wellbeing	Health and wellbeing	Families enjoy health and wellbeing	Families enjoy health and wellbeing	Families enjoy health and wellbeing
6			Lifelong learning	Lifelong learning			
7			Work	Work			
8			Social, community and civic participation	Social, community and civic participation			

Appendix E – The participant pathway

The steps in the participant journey are outlined in Figure E.1. In summary the steps in the process are:

- Access: individuals submit an access request form in order for their eligibility to be assessed.
- Eligibility: eligibility is assessed against the eligibility criteria specified in the NDIS Act (sections 24 and 25).
- Planning and assessment: Participants develop a plan with the NDIA Planner, which includes a statement of goals, a statement of needs, and a statement of supports.
- Support provision: participants engage supports in line with agreed plans.
- Review: plans are reviewed at the conclusion of each plan.

Figure E.1 NDIS participant journey



Access

In order to have eligibility determined, individuals are required by legislation to submit an Access Request Form (ARF). Individuals can initiate access via a telephone call to the NDIS call centre, the public website (using My Access Checker), visiting one of the NDIA offices, or being referred by a representative via any of the above methods.

State/Territory and Commonwealth funded programs are phasing in to the NDIS in accordance with the Bilateral Agreements (discussed in Appendix B). With information obtained under Section 55 of the NDIS Act (2013), the Agency also directly contacts potential participants who are current recipients of these phasing-in programs. Individuals contacted directly by the Agency must still submit an ARF, and can also decline to enter the NDIS.

Eligibility

The eligibility requirements for the NDIS are set out in Part 1 of the NDIS Act – becoming a participant. Broadly, a person must:

- Be under the age of 65 years when their access request is submitted.
- Reside in Australia, and be an Australian citizen or hold a permanent visa (or protected special category visa).
- Live in the trial site areas on 1 July 2013 for the trial sites commencing in 2013 and live in the trial sites areas on 1 July 2014 for the trial sites commencing in 2014. People can be found eligible for the scheme if they have moved into the area after 1 July 2013 if they have moved into the area not to receive supports under the Act, or in exceptional circumstances.

In addition to this a person must meet either the disability requirements (section 24) or early intervention requirements (section 25).

The disability requirements include:

- disability attributable to either intellectual, cognitive, neurological, sensory, physical and/or psychiatric impairment
- permanency - the impairment/s are or likely to be permanent
- substantially reduced functioning to undertake communication, social interaction, learning, mobility, self care, self management, and/or social or economic participation.
- a lifetime requirement – the person is likely to require support for their lifetime.

The early intervention requirements include:

- impairment attributable to either intellectual, cognitive, neurological, sensory, physical and/or a psychiatric condition that is likely to be permanent, or a child that has developmental delay.
- the supports provided will either reduce support need in the future; improve, mitigate or prevent deterioration of the person's capacity to undertake communication, social interaction, learning, mobility, self care, self management; or strengthen informal support.

Assessment and planning

Assessment and planning is a recurring interaction between the participant, their carers and the Agency planners. The participant plan must contain, at a minimum:

- An assessment of need.

- The participant's statement. The participant's statement contains the goals and objectives of the participant, captured in the participant's words. Each participant goal is assigned to one of eight life domains of the : daily activities, economic participation, social participation, education, health and wellbeing, independence, living arrangements.
- The statement of supports. This statement includes a list of the types and quantity of reasonable and necessary supports that will be funded by the NDIA. This statement should also include support provided by mainstream services, community and family. The availability of mainstream services, and informal support should be considered before formal funded supports.

The participant plan can cover a period of up to 12 months, and the outcomes of the plan's goals and objectives should be reviewed prior to the plan's expiration. The outcomes of the review should inform the contents of the following plan.

The supports provided by the NDIA are listed in the NDIA support catalogue, and include personal supports and training (for example, assistance with daily life tasks in shared living arrangement, assistance with daily life tasks at home, assistance to participate in the community, assistance with travel/transport, early intervention and therapy, household tasks, and skills-building supports), and assistive products and equipment.

Support provision

NDIS participants choose their providers and how they access supports. Some NDIS participants will have all or some of their plan's funds managed by the NDIS. These participants can only receive supports from providers who are registered with NDIA. Registered Providers are listed on the NDIS Registered Provider list. This list includes the name of the provider and the supports they are approved to provide.

Registered providers then make a claim for the support that they have provided to participants via the online Provider Portal.

Participants may also choose to self-manage the financial aspect of their plan. In this instance the NDIA pays instalments to the participant in advance of the participant purchasing the supports listed in their plan. Around 6% of participants currently self-manage their entire plan, and a further 33% manage a part of their plan. Note: participants can still self-direct their support if they are not financially managing their plan.

Lastly, some supports are provided in-kind. In-kind supports are existing Commonwealth or State/Territory government programs delivered under existing block grant or case-based funding arrangements. In-kind supports can reduce flexibility for participants as they are essentially accessing existing arrangements.

Local area co-ordination (LAC)

Participants and other people with a disability are also supported by local area coordination. Local area coordination is outsourced in the NSW and Tasmanian trial sites and insourced in the Victorian and South Australian trial sites. In Western Australia, the Australian Capital

Territory and the Northern Territory, Plan Support Co-ordinators undertake planning with participants and also the local area coordination function. The responsibilities of Local Area Coordinators include, but are not limited to, offering information to the local community, fostering inclusive communities through partnerships with agencies and services, and assisting individuals and families in making choices to achieve their lifestyle or support goals. A strong LAC model will assist in the financial sustainability of the scheme by connecting people with their community and mitigating the requirements for individualised funded support.

Continuous improvement

The NDIS is currently in a three-year trial stage. Processes are constantly reviewed and changes have been made through 2013-14 and 2014-15. The changes made were designed to improve processing efficiency and participant experience. Examples include:

- **Access:** Providers of supports funded under phasing in State and Commonwealth programs commenced the supply of details of potential participants. These details are used to invite potential participants to submit an Access Request Form, and provide information on the number of likely participants in trial site areas.
- **Eligibility:** The need to provide evidence of functional impairment was reduced for certain disability types, and participants previously receiving support from programs with similar entry criteria to the NDIS eligibility requirements were deemed automatically eligible.
- **Assessments:** To assure the availability of data critical to actuarial monitoring, the capture of disability-specific functional capability tools was introduced into the early stages of the participant pathway.
- **Pre-planning:** Recognising that participants entering the Scheme are likely unfamiliar with Agency processes and the demands of goal setting, pre-planning workshops were introduced to orient and prepare participants. These have resulted in improved participant experience and efficiencies at later stages of the participant pathway.
- **Planning:** Not all participants are ready to commence goal setting and planning when entering the Scheme. An Initial Plan concept was developed to provide participants with the time and support to conduct goal setting.
- **Coordination of Support:** Establishing connections with providers and engaging them to provide supports for many participants is a new skill. The introduction of a new support to assist participants to implement their plans has addressed this gap.
- **Coordination of Support:** The support catalogue used to allocate budgets to participant plans, and for the invoicing of services by providers, was transformed to align to the Agency's Outcomes Framework. This creates strong links between funding intent to improve outcomes in participants' life domains, and allows for the monitoring of the supports used to achieve those outcomes.

Further, in 2014-15 the NDIA established the Design Authority, charged with guiding the delivery of the full scheme Service Delivery Operating Model (SDOM). The resultant SDOM

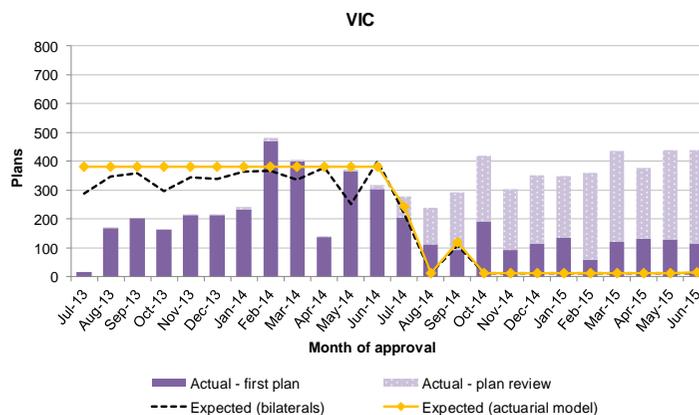
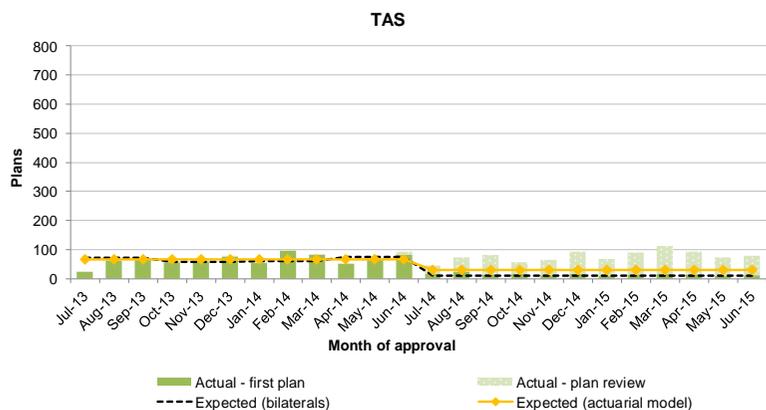
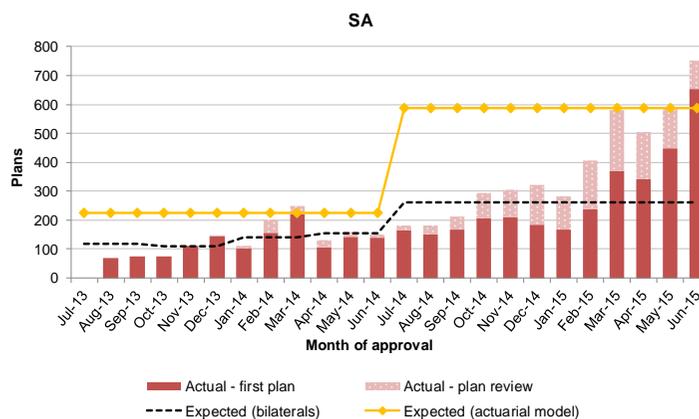
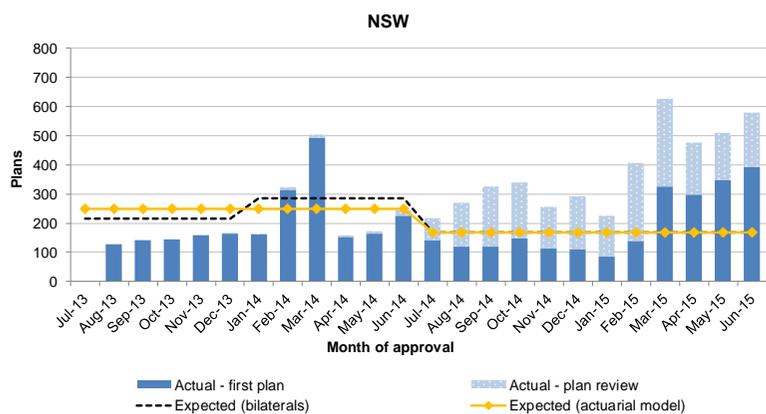
places a large emphasis on “streaming”, or segmentation of participants to pathways that more appropriately address the intensity of support that they require to interact with the Agency. It is envisioned that this will result in better participant experience, improved feeling of autonomy, and greater Agency process efficiency.

Appendix F – Trends in participant numbers by month

Looking at the number of participants who have entered the scheme each month (along with staffing numbers) assists with understanding the likely number of participants that will enter over the trial site period by month. Over the first two years of scheme experience:

- Very few participants received a first approved plan in July 2013 reflecting the fact that potential participants were required to submit an access form, and have their eligibility assessed before they could receive an approved plan.
- The number of participants receiving their first approved plans then remained fairly constant from August 2013 to January 2014 across all trial sites.
- There was a significant increase in the number of participants receiving their first approved plan in February and March 2014 across all trial sites. Some of this increase is due to the operational reforms introduced in January which reduced the administration involved in finding people eligible for the scheme and undertaking the planning process. Further, initial plans were introduced in late February. Initial plans assist participants to transition into the NDIS as quickly as possible.
- Lower numbers of plans were approved in April 2014. April included a number of public holidays which is likely to have impacted the number of plans approved. In the Victorian trial site, the lower number of participants receiving an approved plan in April was followed by a significant increase in May 2014. This was due to the phasing-in of shared supported accommodation participants from April 2014. The complexity of setting up shared supported accommodation participant plans resulted in a lower number of participants receiving an approved plan in April 2014. The majority of these plans were approved on 1 May 2014.
- For the trial sites that commenced in 2013, 33% of plan approvals were plan reviews. This differed by trial site with 33% in New South Wales, 39% in Victoria, 45% in Tasmania, and 24% in South Australia.
- Plan approvals in South Australia and New South Wales increased in the second half of 2014-15 due to a concerted effort to meet bilateral targets.
- In the Australia Capital Territory and Western Australia trial sites the number of plan approvals increases throughout the first quarter. In the last quarter of 2014-15, Western Australia focussed on plan implementation and hence plan approvals were lower. Plan approvals in the Northern Territory were highest in the first quarter of 2014-15 and increased again in the last quarter of 2014-15.

Figure F.1 Participants with first approved plans and plan reviews by month compared with the bilateral agreements and the actuarial model – NSW, SA, TAS and VIC trial sites³⁴



³⁴ The estimate of the number of participants in the bilateral agreements differed from the analysis undertaken to develop the actuarial model. The actuarial model used the Productivity Commission estimate as a starting point and allocated a proportion of this estimate to each trial site using the 2011 Census variables on age and need for assistance with core activities of daily living. In reality, the trial sites are resourced in line with the bilateral agreement, so a higher actuarial estimate is very difficult to achieve with available resources.

Figure F.2 Participants with first approved plans and plan reviews by month compared with the bilateral agreements and the actuarial model – ACT, NT and WA trial sites³⁵



³⁵ The estimate of the number of participants in the bilateral agreements differed from the analysis undertaken to develop the actuarial model. The actuarial model used the Productivity Commission estimate as a starting point and allocated a proportion of this estimate to each trial site using the 2011 Census variables on age and need for assistance with core activities of daily living. In reality, the trial sites are resourced in line with the bilateral agreement, so a higher actuarial estimate is very difficult to achieve with available resources.

Appendix G– Committed support compared with the bilateral agreements

As at 30 June 2015, 17,303 participants (active and inactive) have approved plans, and \$952.8 million of support has been committed to these participants.

Of this \$952.8 million:

- It is estimated that \$140.0 million (15%) was scheduled to be provided in 2013-14. The funding envelope based on the bilateral agreements for 2013-14 is \$148.8 million, including cash and in-kind. Hence, for participants who have entered the scheme in the first year, committed support for 2013-14 is around 94% of the funding envelope (Table G.1 and Figure G.1).³⁶

Note that the amount of committed supports expected to be provided in 2013-14 has increased since the end of June 2014. The main reasons for this increase include: correction of errors in funded supports entered into Siebel, funded supports being added and quotes from providers being received and updated in plans.

- \$479.9 million (50%) is estimated to be scheduled to have been provided in 2014-15. This compares with the funding envelope based on the bilateral agreements for 2014-15 of \$456.9 million, including both cash and in-kind. Therefore, for participants who have entered the scheme to date, committed support for 2014-15 is around 105% of the funding envelope for 2014-15 (Table G.1 and Figure G.2).³⁷
- \$332.9 million (35%) is estimated to be provided in 2015-16 and beyond, noting that this is all for participants who entered the scheme prior to 30 June 2015 and have a current plan that extends beyond this date.

Committed support compared with the funding envelope differs by trial site. For South Australia and Tasmania, the amount committed was above the funding allocation for 2013-14. Hence, on a committed basis, South Australia and Tasmania were higher than the funding envelope in 2013-14. For New South Wales and Victoria, the amount committed was below the 2013-14 funding envelope.

³⁶ It is estimated that \$43.7 million of the \$140.0 million will not be utilised by participants. Hence, the estimated amount of support utilised in 2013-14 is \$96.3 million. Committed support in plans is considered a better measure of likely full scheme expenditure compared with actual payments at this point in time. This is because there are a number of scheme start-up issues at play as the scheme is new for participants, service providers and Agency staff.

³⁷ On a committed support basis the funding envelope has been exceeded for 2014-15. However, as not all support has been invoiced the NDIS will be under the funding envelope for 2014-15.

For the Tasmanian trial site the amount committed is over the funding allocation for 2014-15. This is because the number of participants that have entered the scheme is higher than was expected according to the bilateral agreement and the cost per participant is higher than expected according to the bilateral agreement.

The New South Wales trial site has also exceeded the funding envelope for 2014-15. This is because of the Stockton and Kanangra large residence. When the Stockton and Kanangra large residence is removed from the analysis, the New South Wales trial site is at 81% of the funding envelope for 2014-15.

Table G.1 Committed support to date and amount committed to be provided in 2013-14, 2014-15, 2015-16 and beyond^{38,39}

	NSW		SA		TAS		VIC		ACT		NT		WA		Total (incl. large residential centres)	
Expected to be paid (\$m)																
2013/14	\$53.2	15%	\$12.7	11%	\$18.2	20%	\$55.9	19%	\$0.0	n/a	\$0.0	n/a	\$0.0	n/a	\$140.0	15%
2014/15	\$177.4	52%	\$50.1	45%	\$50.8	55%	\$155.6	53%	\$25.9	40%	\$1.4	46%	\$18.8	45%	\$479.9	50%
2015/16 and beyond	\$113.1	33%	\$49.1	44%	\$23.9	26%	\$84.0	28%	\$38.8	60%	\$1.6	54%	\$22.5	54%	\$332.9	35%
Total	\$343.6	100%	\$111.9	100%	\$92.9	100%	\$295.5	100%	\$64.7	100%	\$3.1	100%	\$41.2	100%	\$952.8	100%
Funding envelope for 2013/14 (\$m)	\$54.0		\$8.2		\$14.5		\$72.2		n/a		n/a		n/a		\$148.8	
Expected to be paid in 2013/14 as a proportion of 2013/14 funding envelope		98%		156%		126%		77%		n/a		n/a		n/a		94%
Funding envelope for 2014/15 (\$m)	\$153.1		\$50.7		\$32.2		\$164.3		\$25.9		\$5.2		\$25.6		\$456.9	
Expected to be paid in 2014/15 as a proportion of 2014/15 funding envelope		116%		99%		158%		95%		100%		27%		73%		105%

	NSW (excl. Stockton and Kanangra)		VIC (excl. Colanda)		Total (excl. large residential centres)	
Expected to be paid (\$m)						
2013/14	\$45.9	18%	\$55.9	21%	\$132.7	16%
2014/15	\$124.7	49%	\$139.5	51%	\$411.1	49%
2015/16 and beyond	\$81.7	32%	\$76.8	28%	\$294.3	35%
Total	\$252.2	100%	\$272.2	100%	\$838.2	100%
Funding envelope for 2013/14 (\$m)	\$54.0		\$72.2		\$148.8	
Expected to be paid in 2013/14 as a proportion of 2013/14 funding envelope		85%		77%		89%
Funding envelope for 2014/15 (\$m)	\$153.1		\$164.3		\$456.9	
Expected to be paid in 2014/15 as a proportion of 2014/15 funding envelope		81%		85%		90%

³⁸ Supported accommodation in 2013/14 has been excluded from the Tasmanian estimate as this is being paid for by the Tasmanian state government.

³⁹ State governments have not made all monthly payments. See section 2 for details.

Figure G.1 Comparison of committed supports expected to be provided in 2013-14 with the funding envelope

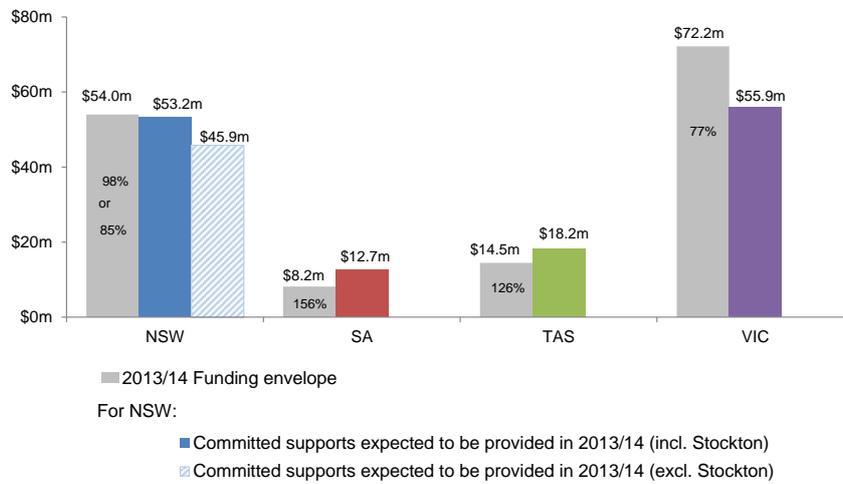
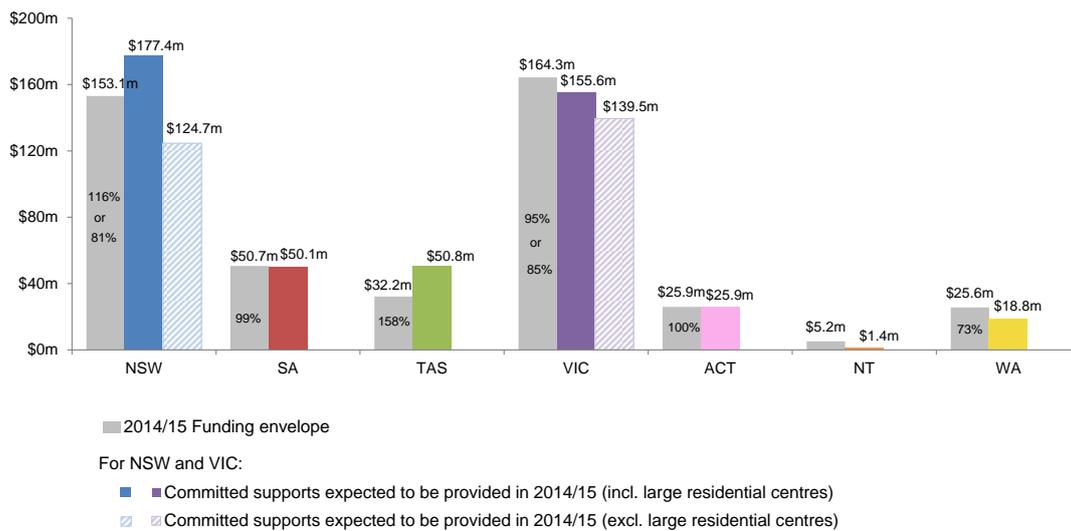


Figure G.2 Comparison of committed supports expected to be provided in 2014-15 with the funding envelope



Appendix H – Assumptions used in projections

This appendix details the assumptions used in the projections.

Breakdown of eligible participants at full scheme

Table H.1 Breakdown of eligible participants by age

Age group	%
0-4 years	6%
5-12 years	20%
13-18 years	9%
19-24 years	9%
25 - 34 years	14%
35 - 44 years	13%
45 - 54 years	14%
55 - 64 years	15%
Total	100%

Table H.2 Breakdown of eligible participants by disability

Disability	%
Acquired brain injury	3%
Autism	19%
Cerebral Palsy	5%
Deafness	3%
Down syndrome	5%
Intellectual disability	29%
Mental health	16%
Physical	4%
Sensory	1%
Paralysis	1%
Sight	2%
Stroke	1%
Multiple Sclerosis	2%
Other neurological	7%
Total	100%

Note: developmental delay and global developmental delay are included in intellectual disability.

Exit rates by age and disability

Table H.1 Exit rate by age

Age group	2020	2025	2030	2035	2040
0-4 years	-0.3%	-0.2%	-0.2%	-0.2%	-0.2%
5-12 years	-3.1%	-3.1%	-3.3%	-3.2%	-3.2%
13-18 years	-9.1%	-10.2%	-10.6%	-10.4%	-10.4%
19-24 years	-1.8%	-2.2%	-1.9%	-2.2%	-2.1%
25 - 34 years	-0.9%	-0.8%	-0.9%	-0.8%	-0.9%
35 - 44 years	-0.4%	-0.5%	-0.5%	-0.5%	-0.5%
45 - 54 years	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%
55 - 64 years	-1.3%	-1.4%	-1.3%	-1.4%	-1.4%
65 + years		-2.6%	-3.1%	-3.7%	-4.4%
Total	-2.1%	-2.3%	-2.4%	-2.6%	-2.7%

Table H.2 Exit rate by disability

Disability	2020	2025	2030	2035	2040
Acquired brain injury	-0.5%	-0.6%	-0.7%	-0.9%	-1.1%
Autism	-7.1%	-7.7%	-8.0%	-8.3%	-8.2%
Cerebral Palsy	-0.4%	-0.5%	-0.6%	-0.8%	-0.9%
Deafness	-1.7%	-1.8%	-1.8%	-1.9%	-2.1%
Congenital malformations	-0.2%	-0.3%	-0.4%	-0.5%	-0.6%
Intellectual disability	-1.0%	-1.1%	-1.2%	-1.3%	-1.4%
Mental health	-0.4%	-0.6%	-0.7%	-1.0%	-1.2%
Physical	-0.5%	-0.7%	-1.0%	-1.3%	-1.7%
Sensory	-5.9%	-5.7%	-5.6%	-5.6%	-5.6%
Paralysis	-0.9%	-1.1%	-1.3%	-1.6%	-1.9%
Sight	-0.5%	-0.7%	-0.8%	-1.1%	-1.4%
Stroke	-3.8%	-5.7%	-7.0%	-7.2%	-7.2%
Multiple Sclerosis	-2.9%	-3.4%	-3.9%	-4.3%	-4.6%
Other neurological	-0.5%	-0.6%	-0.8%	-1.1%	-1.4%
Total	-2.1%	-2.3%	-2.4%	-2.6%	-2.7%

New incidence by age and disability

The table below shows the rate of incidence per 100,000 people in each age band.

Table H.1 Rate of incidence by age

Age group	2020	2025	2030	2035	2040
0-4 years	531	529	529	530	531
5-12 years	230	228	226	225	226
13-18 years	40	40	40	40	40
19-24 years	50	50	51	51	51
25 - 34 years	32	32	32	32	32
35 - 44 years	34	34	34	35	35
45 - 54 years	41	41	41	41	41
55 - 64 years	68	68	68	68	67
Total	86	84	82	80	79

The table below shows the rate of incidence per 100,000 people in the general population.

Table H.2 Rate of incidence by disability

Disability	2020	2025	2030	2035	2040
Acquired brain injury	1	2	2	2	2
Autism	32	34	35	36	37
Cerebral Palsy	2	2	2	2	2
Deafness	3	3	3	3	4
Down syndrome	2	2	2	2	2
Intellectual disability	16	17	17	18	18
Mental health	9	10	10	11	11
Physical	4	4	4	5	5
Sensory	2	2	2	2	2
Paralysis	1	1	1	2	2
Sight	1	1	1	2	2
Stroke	2	3	3	3	3
Multiple Sclerosis	3	3	3	4	4
Other neurological	7	7	7	8	8
Total	86	91	95	99	103

Annual cost by age and disability

Table H.1 Annual cost by age

Age group	2020	2025	2030	2035	2040
0-4 years	\$23,182	\$26,991	\$32,780	\$39,936	\$48,648
5-12 years	\$19,896	\$24,670	\$29,894	\$36,361	\$44,268
13-18 years	\$35,509	\$43,194	\$52,255	\$63,149	\$76,393
19-24 years	\$44,716	\$57,084	\$70,958	\$85,395	\$105,408
25 - 34 years	\$51,231	\$60,370	\$74,057	\$93,804	\$113,904
35 - 44 years	\$55,287	\$66,979	\$80,082	\$94,355	\$115,738
45 - 54 years	\$63,967	\$77,951	\$95,445	\$115,451	\$137,769
55 - 64 years	\$64,213	\$78,043	\$94,827	\$115,356	\$141,154
65 + years		\$96,521	\$113,941	\$140,456	\$172,768
Total	\$46,046	\$57,775	\$72,297	\$90,332	\$112,189

Table H.2 Annual cost by disability

Disability	2020	2025	2030	2035	2040
Autism	\$27,093	\$33,070	\$40,945	\$51,206	\$63,589
Cerebral Palsy	\$84,933	\$106,875	\$133,790	\$166,584	\$206,086
Deafness	\$15,654	\$19,052	\$23,133	\$28,092	\$34,116
Down syndrome	\$53,260	\$68,186	\$86,662	\$109,879	\$137,988
Intellectual disability	\$51,863	\$66,084	\$83,619	\$105,906	\$133,044
Mental health	\$20,304	\$24,732	\$30,045	\$36,497	\$44,335
Physical	\$55,483	\$67,375	\$81,646	\$99,009	\$120,093
Sensory	\$19,233	\$23,429	\$28,464	\$34,590	\$42,069
Sight	\$19,450	\$23,632	\$28,649	\$34,764	\$42,195
Stroke	\$60,386	\$72,379	\$87,297	\$106,075	\$128,970
Multiple Sclerosis	\$60,119	\$73,590	\$89,948	\$109,113	\$132,854
Other neurological	\$69,592	\$84,547	\$102,471	\$124,298	\$150,777
Total	\$46,046	\$57,775	\$72,297	\$90,332	\$112,189

Appendix I – Inflation Assumptions

The inflation assumptions used in the projections are presented in Table I.1. The impact of the SACS award considers the proportion of supports that are wage related and the proportion of wage-related supports on the SACS award.

Table I.1 Inflation and SACS assumptions

Projected inflation rate	2016-17	2017-18	2018-19	2019-20	2020-21	Long-term
Economic inflation	3.0%	3.0%	3.0%	3.0%	3.0%	4.0%
Impact of SACS	1.3%	1.3%	1.3%	1.3%	1.3%	
Total	4.3%	4.3%	4.3%	4.3%	4.3%	4.0%

Long term projections of wage rates and CPI indicate that 4.0% is suitable.

Figure I.1 Wage price index inflation (%) from June 1999 to June 2015



Figure I.2 CPI inflation (%) from June 1999 to June 2015

