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9 September, 2020

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Dr Nugent

REVIEW OF THE FINANCIAL SUSTAINABILITY REPORT

This letter provides my review of the seventh annual Financial Sustainability Report (FSR) prepared by the Scheme Actuary. Specifically, this review comments on version 2.0 of the 2019-20 annual FSR.

THE ANNUAL FSR

Subsection 180B(1) of the *National Disability Insurance Scheme (NDIS) Act 2013* provides that the Scheme Actuary will prepare an annual FSR. Subsection 180E(2) of the *NDIS Act* requires that the Reviewing Actuary review and report on each annual FSR. Part 3 of the *NDIS Rules for the Scheme Actuary* (Attachment One) sets out certain requirements in respect of the contents of the FSR.

The FSR provides a long term projection of the Scheme's expected costs, using assumptions which have been informed by the actual experience of the Scheme.

This FSR projects that the total costs on a cash basis in 2029-30 will be $7.4bn (15.9%) more than last year's FSR. The models show that total costs in 2039-40 are projected to be $22.0bn (25.1%) higher than last year's model. This review examines these changes with a view to helping understand potential risks to the scheme's sustainability.

THE PROJECTION MODEL

At the highest level, projected costs are a function of the projected number of participants, average participant costs and an allowance for future inflation.

- Participant numbers are projected for each future year for each combination of age, gender, disability, level of function, SIL status and duration.

- Participant numbers in each category are projected using experienced-based new entrant and exit assumptions for that cohort and are multiplied by the assumed average cost assumption for the cohort.
- Assumed payments are based on the observed payment experience for the three months to 31 March 2020 for mature participants. A discount is applied for first year participants. Analysis of average costs for the three months to 30 June 2020 has been used to determine a 'pandemic adjustment' applied to the 2020-21 year. At this level there are just over 2,000 categories.
- Superimposed inflation is added at the support category level.

This year functionality was introduced to model the transition of participants with developmental delay who are later diagnosed with autism or an intellectual disability. As this transition used to be treated as an exit and new entrant, this new functionality results in a corresponding reduction in the level of non-mortality exit rates, relative to the prior FSR.

The only other explicit transitions within the model are ageing and exit. There is an implicit transition for SIL participants as these are modelled in proportion to the population in the modelled categories. There is no explicit allowance for deteriorating level of function.

Based on the model's design I have found it helpful to first consider the overall results (i.e. the forecast total cost), then to consider the projection through the lens of the expected numbers of participants, their costs and the future inflation of those costs.

PROJECTION RESULTS: COMPARISON OF YEAR ON YEAR COST PROJECTIONS

Table 1 compares the total projected costs in selected future years from this FSR with those in last year's FSR.

Table 1: Total Projected Costs (Cash Basis, inc. operating costs)

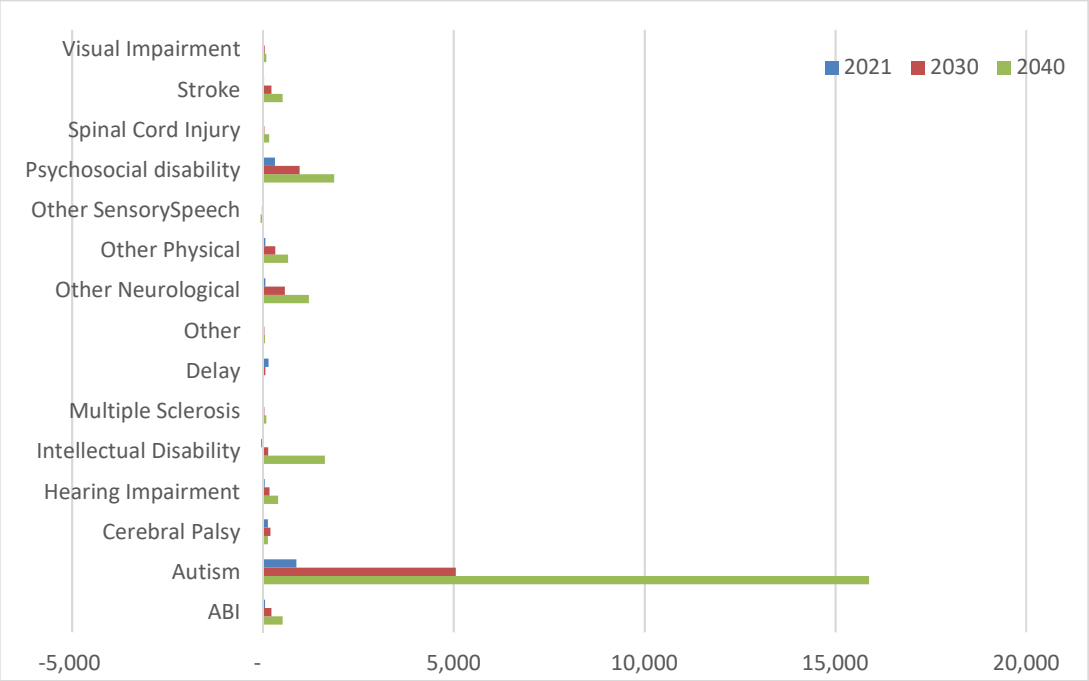
Year	This Year		Last Year		% Change
	$bn	%GDP	$bn	%GDP	
2019-20			$17.8	0.89%	
2020-21	$23.6	1.25%	$22.1	1.06%	7.0%
2021-22	$27.3	1.34%	$25.5	1.16%	7.0%
2022-23	$30.2	1.40%	$28.4	1.23%	6.3%
2023-24	$32.8	1.44%	$30.6	1.25%	7.0%
2024-25	$35.8	1.49%	$32.8	1.27%	9.3%
2029-30	$53.9	1.72%	$46.5	1.38%	15.9%
2034-35	$77.2	1.89%	$63.8	1.45%	21.1%
2039-40	$109.5	2.10%	$87.5	1.54%	25.1%

The columns headed $bn are the projected total nominal costs arising from this year's and last year's FSR. These same results are expressed as a percentage of the respective GDP forecasts at the same time. The column headed '% Change' is the percentage change in the projected nominal costs from the prior FSR. The percentage may not be exact due to rounding.

The projected increases to the costs of the scheme are significant. Factors underlying these increases are considered further in this letter, before commenting of the impact on scheme sustainability.

Figure 1 shows that the majority of the increase are costs associated with participants with autism, which represents 64% and 69% of the increase in 2030 and 2040 respectively.

Figure 1: Change in Total Projected Costs by Disability ($m)



Separately to considering the movement in costs by disability, supported independent living (SIL) costs have again impacted the movement in the projection in this year's FSR.

- 2020 Experience: At June 2020, SIL participant numbers were 7% lower than expected in the prior FSR, whilst payments were around 7% higher. Average costs were 14% above expectation.
- Forecast: SIL participant numbers prior to 2030 are lower than forecast in the 2019 FSR. However, any lower participant numbers has been more than offset by increases in the average cost. Projected costs have been increased by 6% in 2021 and 15% ($2.6 billion) in 2030, over the prior FSR. This constitutes 33% of the increase in total projected costs 2030.

Higher than expected new entrants with Autism and increases in average SIL costs in 2019-20 increase the starting position for the FSR. This experience informs the projection, the results of which show that scheme sustainability remains sensitive to the impact of Autism and SIL costs.

Participant Numbers

Methodology

The methodology for estimating participant numbers has altered from that which was used at June 2019. The new methodology explicitly projects the expected participant numbers from the date of the report (30 June 2020) and is based on the actual profile of new entrants, rather than being constrained by the expected NDIS population at June 2023. New transition functionality introduced for this FSR is noted earlier in this letter.

The model considers three categories of new entrants, these comprise:

- Individuals transitioning from prior State/Territory and Commonwealth Schemes
- Individuals with pre-existing disabilities (prior to 30 June 2023) that were not supported in pre-existing schemes, but are eligible for NDIS benefits ("unmet needs" or "new to support").
- Future, new incidence of disabilities.

Those in the first two categories are assumed to fully transition into the scheme by 30 June 2023, with the majority transitioning prior to 30 June 2022. Only future new instances of disablement are projected from 30 June 2023.

Total Projected Participant Numbers

The movement in the total projected number of participants is summarised in Table 2. At June 2020 there were 6.2% more participants in the scheme than expected in the prior FSR. This shows that a significant part of the increase in the forecast population is attributable to experience that has already occurred. Future year's projections are also further increased on the prior FSR. The projected number of participants is 17% higher after 20 years.

Table 2: Total Projected Participant Numbers (,000)

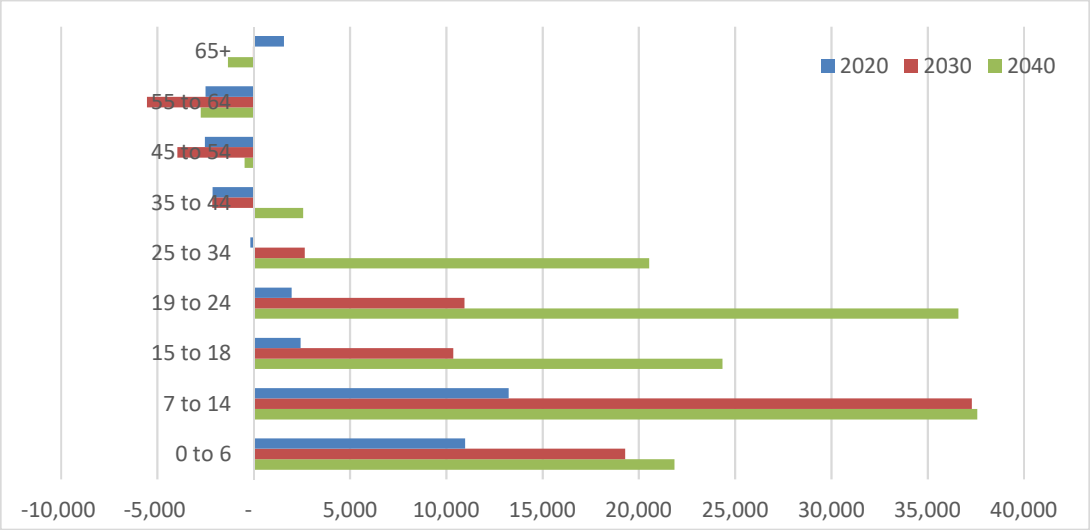
30 June	This Year		Last Year		% Change
	No.	% Popln	No.	% Popln	
2020	392.0	1.5%	369.1	1.4%	6.2%
2021	456.3	1.8%	423.9	1.6%	7.7%
2022	500.1	1.9%	470.6	1.8%	6.3%
2023	532.3	2.0%	501.5	1.9%	6.1%
2024	558.1	2.1%	523.7	1.9%	6.6%
2025	583.5	2.1%	544.6	2.0%	7.1%
2030	705.5	2.4%	636.6	2.2%	10.8%
2035	822.7	2.6%	719.1	2.3%	14.4%
2040	936.2	2.9%	797.3	2.4%	17.4%

Projected Participant Numbers by Age & Disability

Figure 2 shows the movement in the total participant numbers by age, compared to the prior FSR. At June 2020 the scheme has a significantly higher number of participants age 14 and below than previously expected. Projections at 2030 and 2040 are consistent with the observed experience in 2020. By 2030, there are projected to be around 57,000 more participants aged 0 to 14 and around 21,000 more participants aged 15 to 34. By contrast, above aged 34 there are projected to be around 9,000 fewer participants. Figure 3 shows that these additional participants were primarily participants with autism or developmental delay.

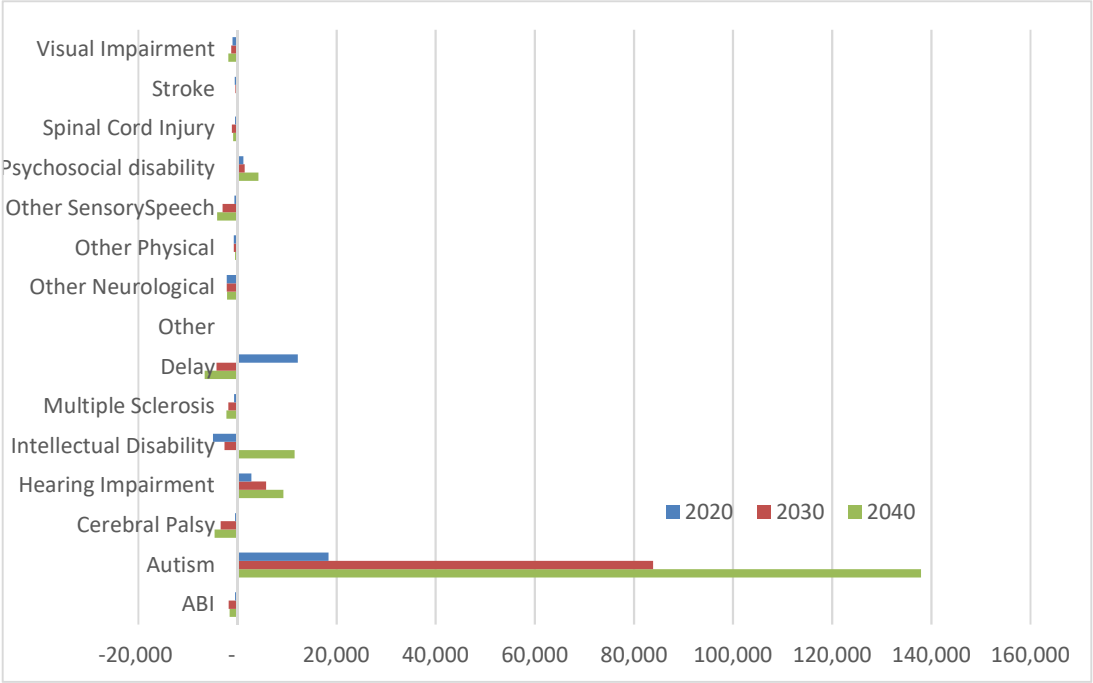
Figure 3 shows the same information, by disability.

Figure 2: Change in Total Participant Numbers by Age



At June 2020 the scheme has a significantly higher number of participants age 14 and below than previously expected. Projections at 2030 and 2040 are consistent with the observed experience in 2020. By 2030, there are projected to be around 57,000 more participants aged 0 to 14 and around 21,000 more participants aged 15 to 34. By contrast, above aged 34 there are projected to be around 9,000 fewer participants. Figure 3 shows that these additional participants were primarily participants with autism or developmental delay.

Figure 3: Change in Total Participant Numbers by Disability



The number of SIL participants at June 2020 is 1,748 (6.8%) lower than expected. The projection of SIL participants has been reduced from the 2019 FSR for the period prior to 2030. At 2030, SIL numbers are expected to be the same as projected in the 2019 FSR. After 2030, the projection steadily climbs to be 8.0% higher than the 2019 FSR at June 2040.

New Participant Numbers

The changes in the model from 2019 to 2020 mean that it is not consistent to compare the number of new entrants between the two models at a granular level. This letter presents the total number of new entrants in the 2020 FSR and comments on the high level trends.

Figure 4 indicates that the majority of new entrants are expected at ages below 15. As many of these individuals are expected to persist in the scheme, higher numbers of total participants at older ages will build over time, as reflected in Figure 2.

Figure 4: Number of Forecast New Entrants by Age

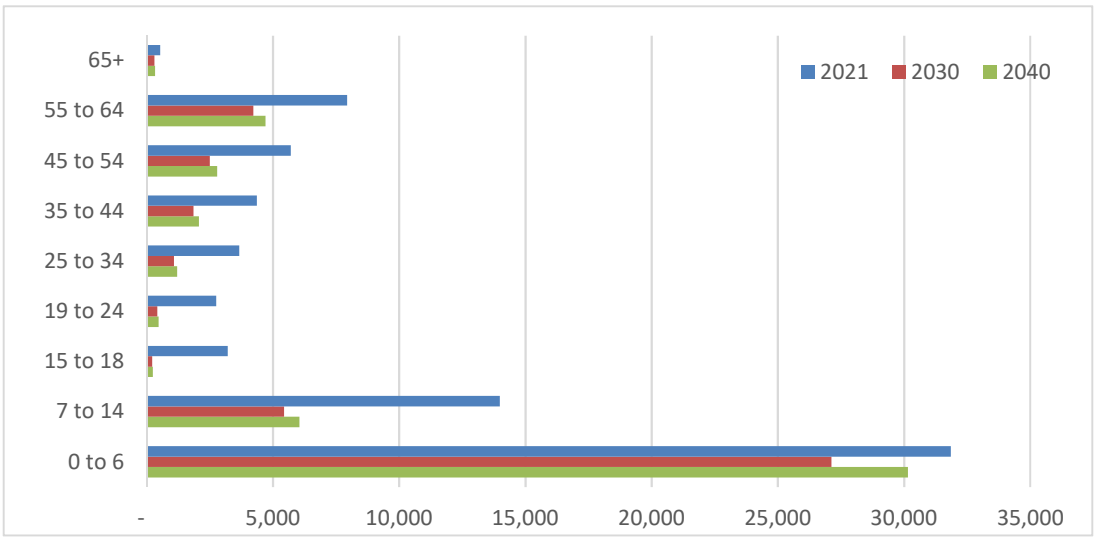
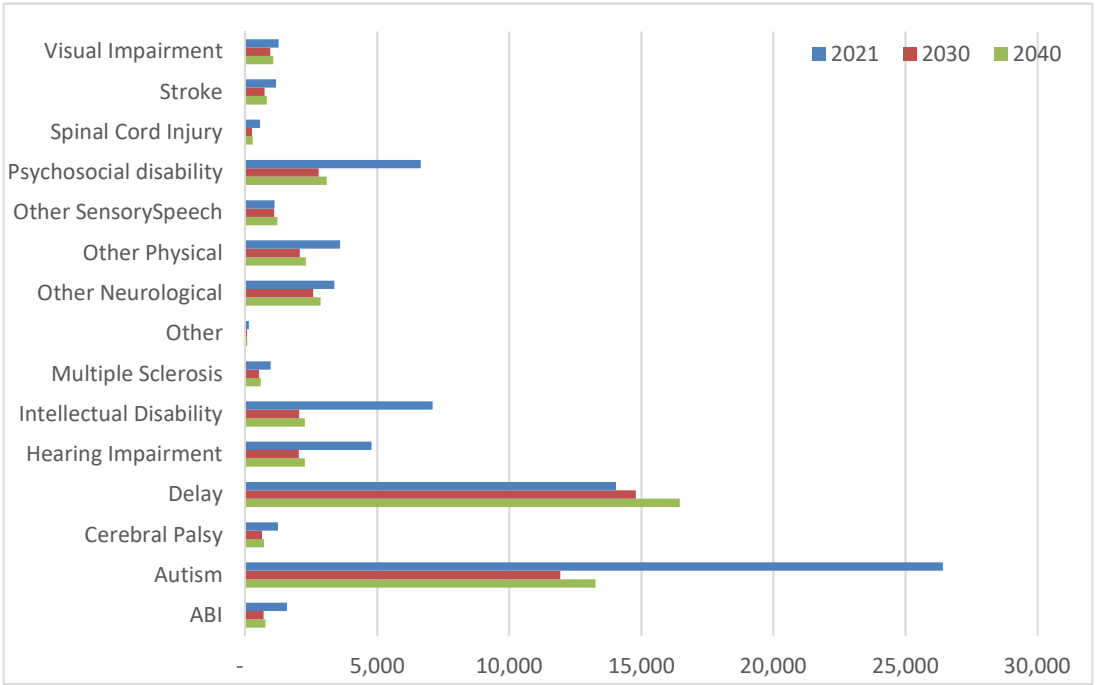


Figure 5 shows that the majority of forecast new entrants are associated with autism and developmental delay. This reflects the experience in 2020.

Figure 5: Change in Number of New Entrants by Disability



Overall there has been a material increase in the expected number of new entrants. The new incidence of disability has increased from 142.3 per 100,000 population to 177.1 per 100,000. This is an increase of around 24%. The increase is predominantly associated with participants with autism, developmental delay and an intellectual disability. These three categories plus psychosocial disability are the main contributors to increased new entrants into the future.

Autism

The increased numbers of participants with autism is a function of a larger starting population, a higher forecast numbers of new entrants with autism in 2021 and higher numbers of new entrants with developmental delay that are diagnosed with autism, and therefore transition to the autism class over time. This may be attributable to a growing population with autism, and possibly, changes in how scheme eligibility requirements have been implemented over time.

The forecast numbers of participants with autism, at June 2023, from successive FSRs is set out in Table 3.

Table 3: Expected No. of Participants with Autism at 30 June 2023

Year	2023 FSR Forecast (,000)	Increase over Prior	SDAC Population with Autism (,000)	FSR as % Latest Available SDAC
2009			64.4	
2012			115.4	
2015			164.0	
2017	95			58%
2018	125	30 (32%)	205.2	61%
2019	150	25 (20%)		73%
2020	198	48 (32%)		96%

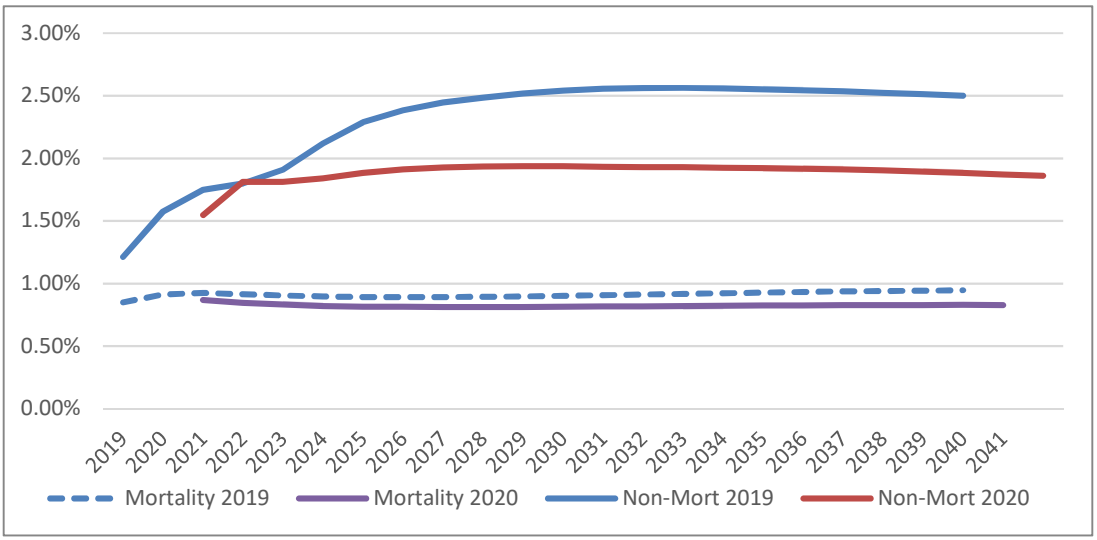
The expected number of participants with autism in 2023 has more than doubled since the 2017 FSR. Examination of successive SDAC reports also shows that the number of people reporting with autism in the wider population has also increased significantly. There is clearly significant uncertainty in forecasting this cohort of NDIS participants. Whilst I do not have sufficient information to comment on what proportion of the population with autism have a significant impairment to satisfy scheme eligibility criteria, the observation that the FSR forecast appears to be growing faster than the SDAC population also questions whether scheme eligibility for this cohort has changed over time.

Assuming the expectations underlying the 2020 FSR persist, the proportion of participants with autism will grow from 33% in 2020-21 to 41% in 2029-30. Consequently, the proportion of scheme costs attributable to autism will also grow. This year's FSR forecasts that autism costs will grow from 18% of total payments (0.23% of GDP) in 2020-21 to 28% (or 0.48% of GDP) in 2029-30.

Exit Rates

In this year's FSR, exit rates have also been updated to reflect observed mortality experience and the change in the transition models in the projection methodology. Figure 6 illustrates the impact of these changes on crude exit rates.

Figure 6: Aggregate Exit Rates by Projection Year



There is a small reduction in the overall crude rate of mortality by around 0.1% pa. Changes to the mortality rate loadings at the category level result in increases to the assumed rates of mortality for most projection categories, on average. However, updating population mortality to the 2015-17 Australian Life Table and the age and gender profile of scheme participants offset this increase.

Non-mortality exit rates are unchanged from the 2019 FSR for all disabilities, with the exception of participants with developmental delay. This is a function of the new transition methodology.

Summary: Participant Numbers

The forecast number of participants is significantly higher than the previous years' forecast (around 139,000 higher at 2040). A population which is forecast to be 17.4% larger will account for a significant proportion of the projected 25% increase in total costs.

This increase is almost completely attributable to a larger population of participants with autism (around 138,000) and participants with intellectual disability (around 11,600), offset by around 6,600 fewer participants with developmental delay. The balance is attributable to an increase in participants with a hearing impairment (around 9,300) and psychosocial disability (around 4,300) being offset by small decreases across a range of cohorts. Virtually all of the increase is expected to occur below age 35.

This increase is underpinned by a higher starting population of around 23,000 additional participants, coupled with around 79,000 additional new entrants to 2040. This figure is more than made up of around 120,000 additional new entrants with developmental delay or autism, offset by other categories of disability.

Given the age profile of participants with autism and developmental delay, Figure 7 of the FSR shows that the prevalence of disability underpinning the projections assume that

around 1 in 9 boys age 7 will participate in the NDIS. The prevalence rate for males is expected to reduce to around 1 in 50 males by age 21. Put another way, around 80% of the participating 7 year olds are expected to exit the scheme by age 21. This example underlines the critical importance to the sustainability of the scheme, of settings around and adherence to eligibility criteria (for both entry and exit), and reviews thereof as experience changes.

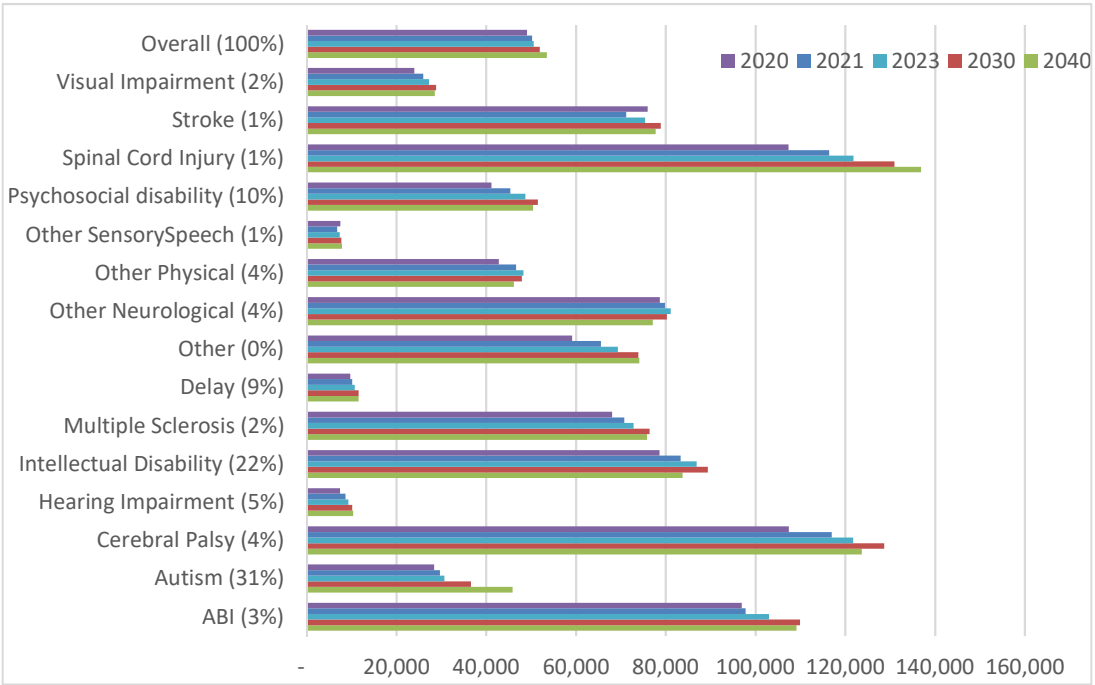
Average Costs

Care must be taken when examining average costs as they are, by definition, averages. This can mask underlying trends, such as changes in the mix of participants that make up that average. Nevertheless, they can illustrate areas where increases are occurring, even if further investigation is required to fully understand the cause.

Figure 7 summarises the average costs per participant in specific future projection years. In Figure 7 and Figure 8, values are presented in 2020 dollars, where the effect of the projections' normal inflation has been removed. Increases may therefore be attributable to (amongst other things) superimposed inflation, the effect of ageing and increasing plan utilisation over time.

The percentages in the vertical axis show the proportion of the participant population in each category in 2020.

Figure 7: Projected Average Costs per Participant by Projection Year

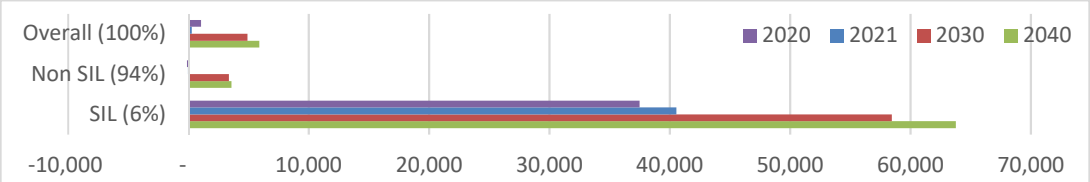


Disabilities with high average costs (e.g. spinal cord injury and cerebral palsy) are expected to experience significant increases over the projection period. Participants with autism,

whilst expected to incur a relatively lower average cost, also show a significant increase in expected costs in 2030 and 2040. Further, participants with autism are expected to be a growing proportion of participants over the period.

Increasing SIL costs drive increased average costs. Whilst the assumed average costs have been increased across almost all age groups and disability types in this FSR, Figure 8 illustrates that these increases are primarily attributable to a 14% increase in SIL in 2020-21. This increase is largely due to experience that already occurred in 2019-20. In the outer projection years, non-SIL contributes more significantly to increased costs over time (noting the different proportions of participants), although SIL continues to account for over 50% of the increase in average scheme costs.

Figure 8: Change in Projected Average Costs by SIL Status from 2019 FSR



Inflation assumptions also contribute materially to increases in forecast costs. This is considered further in the following section.

Inflation

The projection contemplates inflation in two parts; 'normal' and superimposed inflation.

'Normal' inflation is that which is associated with general wage and price increases. Table 4 shows the change in 'normal' inflation from the prior FSR. Lower initial inflation more closely reflects the current economic climate, before reverting to Treasury medium term forecasts.

Table 4: 'Normal' Inflation Assumptions

FSR	2020	2021	2022	2023	2024	2025	2026
2019	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
2020		3.0%	3.0%	3.0%	3.5%	3.5%	4.0%

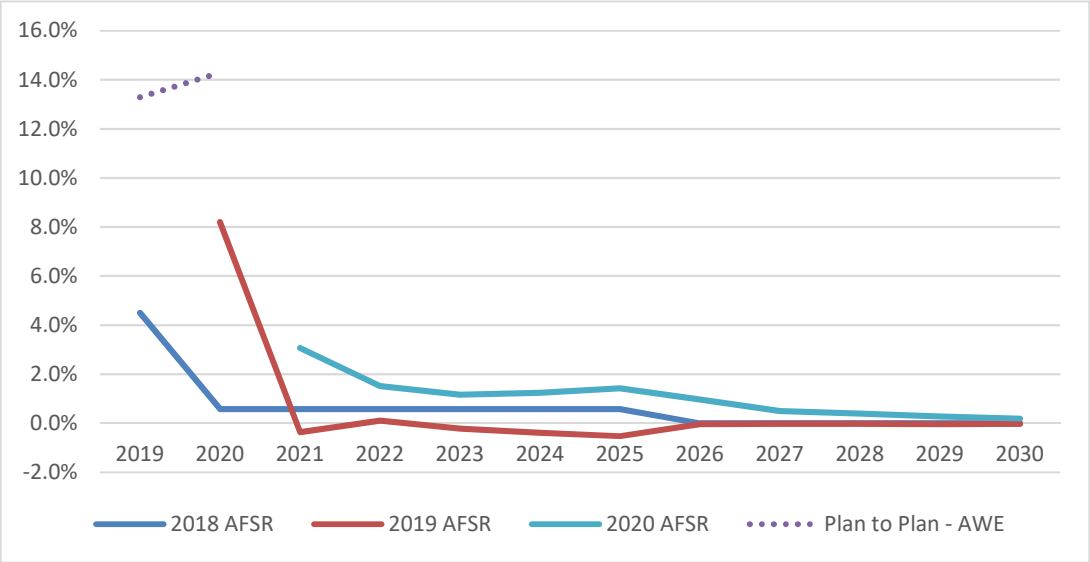
Superimposed inflation refers to inflation in payments that is not explained by 'normal' inflation or modelled changes to plans and their utilisation. Examples of causes of superimposed inflation include; utilisation rates increasing at higher rates than expected, changes to NDIS support pricing, additional supports being included in plans due to policy changes, cost shifting from other schemes or AAT decisions, a change in the profile of participants within categories (e.g. due to reclassification of the level of function) and competition issues in the supply chain.

Superimposed inflation is set at the payment category level and separately for SIL and non-SIL participants. To illustrate the effect of superimposed inflation on average payments, I have compared the rate of increase in average payments when superimposed inflation

assumptions are set to zero with the results from the FSR projection. The average superimposed inflation assumptions adopted in recent FSR reports is set out in Figure 9.

Inflation assumptions in the first projection year have been below the experienced 'plan to plan' inflation in the same year for each of the last two years. To reflect this experience, superimposed inflation assumptions in the first projection year have been increased in successive FSRs. This results in the expected average costs in 2023, when examined by age band and disability being increased from the prior FSR in most categories. This indicates that inflation assumptions in the 2019 FSR are now considered insufficient.

Figure 9: Superimposed Inflation



Superimposed inflation assumptions have been increased in this FSR. In this FSR, superimposed inflation results in scheme costs being 11% higher in 2029-30, than if no superimposed inflation is assumed.

Despite the higher assumption, actual inflation of supports costs in 2020-21 needs to be significantly and urgently reduced, from what was experienced in 2019-20, to meet expectations. The high level of uncertainty associated with inflation assumptions suggests that it is conceivable that superimposed inflation could exceed the assumptions made over this period.

SIL

SIL costs are a significant proportion of total NDIS costs (just over a third). The assumed average SIL payment increased by around 14% in the last year. The increase in average SIL costs has been significantly higher than inflation. This rate of increase is forecast to reduce significantly to around 6.4% in 2020-21 (see 2020 and 2021 bars in Figure 9).

Some of the change in the average level of SIL costs was attributable to a changing mix of residents. The February quarterly report indicated that SIL numbers had reduced for high

functioning residents, whilst lower functioning residents were increasing. Average plan sizes for low functioning residents increased at a greater rate than those for high functioning residents.

Achieving the lower assumed 2020-21 inflation assumption in the face of a potentially changing population will need to be a short term priority. The materiality of SIL to total scheme costs means achieving this outcome will be important if the scheme costs and are to be consistent with the projection in 2020-21.

Plan Utilisation

Utilisation rates have been adjusted as follows:

Table 5: Utilisation Rates

FSR[1]	2020	2021	2022	2023	2024	2025
2019	76%	77%	78%	79%	79%	79%
2020		76%	78%	78%	79%	80%

Average utilisation rates have not altered substantially over the prior FSR. The FSR notes that there is uncertainty regarding the actual long term utilisation rate for the scheme.

There has been a reduction in the discount for first year participants. For non-SIL participants, this discount was reduced from 25% in the 2019 FSR to 20% in the 2020 FSR. For SIL participants, this discount was reduced from 15% in the 2019 FSR to 10% in the 2020 FSR.

Summary: Costs

Total future costs are forecast to be 25% higher in 2039-40 than in the prior FSR. This is partly attributable to higher participant numbers. However, average costs are also higher than previously expected, particularly for SIL participants from the first projection year. Over time, non-SIL participants are also contributing to higher average costs in a material manner. The average cost assumptions used in this year's FSR are experience-based.

Increases in the projected average costs can be attributed in part to increases that occurred in 2019-20, increases in superimposed inflation and reductions in the first year plan discount for all participants.

These changes highlight need to focus on the appropriateness of plan amounts and their movement from period to period.

[1] Sourced from Section 6.1 of the 2019 & 2020 FSR

Sustainability

The cost increases forecast in the FSR are significant. It is therefore important to ask whether this could represent a risk to the financial sustainability of the scheme.

To begin to consider this question it is helpful to define 'sustainability'. In 2017, the Productivity Commission report stated that the NDIA defines financial sustainability as:

- the scheme is successful on the balance of objective measures and projections of economic and social participation and independence, and on participants' views that they are getting enough money to buy enough high-quality goods and services to allow them reasonable access to life opportunities — that is, reasonable and necessary support; and

- contributors think that the cost is and will continue to be affordable, under control, represents value for money and, therefore, remain willing to contribute.

Sustainability is therefore achieved when a balance is met between meeting the reasonable needs of participants (social sustainability) at an acceptable and sustainable cost (financial sustainability). Both elements must be met for the scheme to be sustainable.

The 2020 FSR forecasts significant increases in future costs. In this section, I have therefore focussed on the financial element of sustainability. The 2017 Productivity Commission report listed the NDIA operational performance measures of financial sustainability in Table 11.1. These were:

2.1 Participant characteristics and their families	2.1.1. Access requests made by outcome 2.1.2. Eligible participants against bilateral targets, including key characteristics 2.1.3. Participants with approved plans against bilateral targets 2.1.4. Trends in plan approvals 2.1.5. Access request to plan approval within different timeframes 2.1.6. Ineligible participant numbers and key characteristics
2.2 Support Packages	2.2.1. Committed support 2.2.2. Actual payments 2.2.3. Average and median package costs by sub-groups of the population and for all participants compared with the expected averages and medians, including trends 2.2.4. Details of participants with second plans, including length and value of supports 2.2.5. Distribution of package costs
2.3 Projections	2.3.1. Cost of the NDIS in dollar terms and as a percentage of GDP (split by participants aged under 65 years and over 65 years). This measure will include NDIS operating costs

Items one and three in the dashboard deal more with the matter of social sustainability and have not been included here given the focus of this discussion.

Against item 2.1, the NDIA has reported growth in the number participants benefiting from the plan with associated improvements in metrics relating to plan approval.

Against item 2.2, average costs have been increasing at rates higher than inflation and at rates higher than what was expected in prior FSRs. Against item 2.3, the cost of the NDIS is expected to grow as a proportion of GDP.

Without an absolute statement of what is affordable for the scheme it is impossible to say that the scheme will breach a threshold regarding value for money, or willingness to contribute. Nevertheless, against the schemes own measures, many metrics are trending unfavourably and if these trends persist, this is likely to impact the schemes' sustainability.

The FSR clearly articulates the areas of concern in greater detail and this does not need to be repeated here.

CONCLUSION

I am satisfied that the FSR meets the requirements set out in the *NDIS Rules for the Scheme Actuary*.

The projection's assumptions are based on emerging scheme experience. There is considerable uncertainty when setting a number of assumptions for the FSR. These include the ultimate prevalence of disabilities, the rates of new incidence of disabilities and whether these rates are stable over time, non-mortality exit rates, long term SIL numbers, the ultimate rate of utilisation and future superimposed inflation. Although there is uncertainty around a number of the assumptions, the cost projections are significantly higher in this FSR than in previous reports and this is of concern.

Whilst many assumptions can have a material impact on future scheme experience, I draw particular attention to the 2020-21 assumed reduction in superimposed inflation as this requires immediate attention it if is to be achieved. Over the medium term, the effect of scheme eligibility on both new entrant rates and exit rates will also be critical to the outcomes forecast in this FSR eventuating.

I have been provided with access to the underlying models and have carried out sample checks on the model structure.

Whilst noting that (due to the immaturity of the scheme) there is material uncertainty in a number of the projection assumptions, I am satisfied that the results of the scheme projection are reasonable and within a range of reasonably likely outcomes.

The NDIS remains exposed to a number of risks relevant to the schemes sustainability. I believe that these risks are understood by the Sustainability Committee and that they are well articulated in the FSR.

S180E(3)

The Agency has taken the steps necessary for me to undertake this review, in accordance with subsection 180E(3) of the NDIS Act.

Yours sincerely

Guy Thorburn
Reviewing Actuary
Australian Government Actuary

ATTACHMENT ONE:

PART THREE: CONTENT OF ANNUAL FINANCIAL SUSTAINABILITY REPORT

8. GENERAL ASSESSMENT AND RECOMMENDATIONS

The scheme actuary must include the following matters in an annual financial sustainability report:

(a) an overall assessment of the financial sustainability of the NDIS that identifies the key risks and issues impacting on the financial sustainability of the NDIS;

(b) a discussion of the key risks and issues identified and, where these have an adverse impact on financial sustainability, recommendations designed to manage the risks or address the issues.

9. RECENT EXPERIENCE

The scheme actuary must include the following matters in an annual financial sustainability report:

(c) a summary of the participant data at the effective date of the annual financial sustainability report;

(d) a section that identifies and comments on significant features or trends in the recent experience of the NDIS, including any impacts due to external factors, and covers the following:

(i) changes in the number and characteristics of participants (including in relation to access criteria and assessed support needs);

(ii) changes in the distribution of support package costs;

(iii) participant outcomes;

(iv) the Agency's operating expense experience;

(v) the total cost of the NDIS;

(vi) deviations in actual experience from expected experience, and the reasons for the deviations;

(vii) any other relevant experience, including the use of innovative approaches;

(e) comments on any steps taken or proposed by the Board and senior management of the Agency to address areas of deviation and adverse experience;

(f) any recommendations of the scheme actuary in relation to areas of deviation and adverse experience.

10. PROJECTIONS

The scheme actuary must include the following matters in an annual financial sustainability report:

(g) projections of future experience in the form of the best estimates of the following matters, with discussions of the projections:

(i) future expenditure on care and support—presented as a set of cash flow projections over the long run, both in future dollar terms and as a percentage of GDP;

(ii) lifetime cost of care and support to standardised new entrant cohorts—presented in the form of net present values, both in discounted dollar terms and as a percentage of GDP;

(iii) future expenditure on care and support to current participants on the assumption of no change in the scheme design—presented in the form of a projection of net present values, both in discounted dollar terms and as a percentage of GDP;

(h) a discussion of any changes in the projections since the previous annual financial sustainability report or other more recent set of projections provided by the scheme actuary to the Board, including the reasons for the change and any implications for the financial sustainability of the NDIS;

(i) any recommendations of the scheme actuary in relation to any adverse changes in the projections;

(j) a justification of the methodology and key assumptions used to prepare the projections;

(k) comments on the extent to which the valuation assumptions are based on the historical experience of the NDIS and, if the assumptions have changed since the previous annual financial sustainability report, the reasons for that change and the consequences of the change;

(l) a practical discussion of the level of uncertainty that surrounds the projection, including sensitivity or scenario analysis, a discussion of the main drivers of uncertainty, and any recommendations of the scheme actuary for managing uncertainty.

11. ADMINISTRATIVE INFRASTRUCTURE, PROCESSES AND RISK MANAGEMENT

The scheme actuary must include the following matters in an annual financial sustainability report:

(m) a discussion of the Agency's administrative infrastructure, its administrative processes and risk management arrangements (***risk management arrangements*** are defined in section 3);

(n) comments on the adequacy of the Agency's processes, including on the suitability and adequacy of:

(i) any decision support tools; and

(ii) its data and information systems; and

(iii) its processes for monitoring emerging experience and responding to adverse movements in emerging experience;

(o) any recommendations of the scheme actuary in relation to any inadequacies.

12. OTHER MATERIAL MATTERS

The scheme actuary must include the following matters in an annual financial sustainability report:

(p) a section identifying and discussing any other matters that the scheme actuary believes are material to the financial sustainability of the NDIS;

(q) comments on the extent to which any previous recommendations have been acted on by the Agency.

ATTACHMENT TWO:

DUTIES OF THE REVIEWING ACTUARY

Section 180E of the Act sets out the responsibilities of the reviewing actuary as follows:

1. The reviewing actuary must, on request by the Board, review and report to the Board on actuarial reports and advice received by the Board.

2. The reviewing actuary must review and report to the Board on each annual financial sustainability report and summary prepared under section 180B.

3. The reviewing actuary must include in each of his or her reports under subsection (2) a statement whether he or she is satisfied that the Agency made all arrangements necessary for him or her to conduct the review to which the report relates.

4. If the reviewing actuary has significant concerns about the financial sustainability of the National Disability Insurance Scheme, or the risk management processes of the Agency, he or she must report those concerns to the Board as soon as reasonably practicable.