

# The National Disability Insurance Scheme: a quick guide

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## What is the National Disability Insurance Scheme (NDIS)?

The [National Disability Insurance Scheme](#) (NDIS) provides support to people with disability, their families and carers. It is jointly governed and funded by the Australian and participating states and territory governments. The NDIS is being introduced across Australia from July 2016, [except in Western Australia where it is still being trialled](#).

The main component of the NDIS is individualised packages of support to eligible people with disability. When the NDIS is fully implemented in 2019, it is expected that around 460,000 Australians will receive individualised supports.

The NDIS also has a broader role in helping people with disability to:

- access mainstream services, such as health, housing and education
- access community services, such as sports clubs and libraries and
- maintain informal supports, such as family and friends.

The NDIS is not means tested. Like many other Australian Government social policy programs—such as Medicare, the Pharmaceutical Benefits Scheme and income support payments—the NDIS is an uncapped (demand-driven) scheme.

## Objectives and principles of the NDIS

The NDIS was established under the [National Disability Insurance Scheme Act 2013 \(NDIS Act\)](#). The [NDIS Rules](#) are legislative instruments made under the *NDIS Act* which set out the operational details of the NDIS.

The *NDIS Act* also established the [National Disability Insurance Agency](#) (NDIA), the independent statutory agency responsible for administering the NDIS.

Objectives of the scheme outlined in the *NDIS Act* include:

- supporting the independence and social and economic participation of people with disability
- providing reasonable and necessary supports, including early intervention supports, for participants
- enabling people with disability to exercise choice and control in the pursuit of their goals and the planning and delivery of their supports
- facilitating the development of a nationally consistent approach to the access to, and the planning and funding of, supports for people with disability and
- promoting the provision of high quality and innovative supports to people with disability.

The [NDIS](#) is underpinned by an ‘insurance-based approach, informed by actuarial analysis, to the provision and funding of supports for people with disability’ (explained in more detail below). The *NDIS Act* also specifies that, in implementing the NDIS, regard must be had to ensuring its financial stability.

## What is the NDIS replacing?

The NDIS will largely replace the existing system of disability care and support provided under the [National Disability Agreement \(NDA\)](#). Currently, the Australian Government has responsibility for providing employment services for people with disability and funding for states and territories to assist with meeting the objectives of the NDA. State and territory governments are responsible for specialist disability services, such as accommodation support, respite care, community support, community access, and advocacy and information for people with disability.

According to the Productivity Commission’s [Report on Government Services 2016](#), 29.7 per cent of the \$8.0 billion spent on specialist disability services in 2014–15 came from the Australian Government, and 70.3 per cent came from the states and territories.

In 2011, the Productivity Commission [recommended](#) that Australia replace the existing system with a unified national scheme to fund long-term, high-quality care and support for all Australians who experience significant disability (to be known as the NDIS). It described the existing system as ‘underfunded, unfair, fragmented, and inefficient’, arguing that it gave people with a disability ‘little choice and no certainty of access to appropriate supports’.

Following the release of the Productivity Commission’s report, the Gillard Government began working with the states and territories to establish the foundations of the NDIS. The NDIS commenced on 1 July 2013, beginning with a trial phase known as the [NDIS Launch](#).

## What is meant by ‘insurance scheme’?

What is an insurance-based approach and how is it intended to differ from current arrangements?

[According to Bruce Bonyhady](#), Chairman of the NDIA, the insurance approach can be contrasted with the current ‘welfare approach’ to disability services, according to which ‘Governments plan for expenditures over a 12-month period to – at most – a five-year time frame [and] [a]s a consequence, the funds available for disability can change – depending on the economy, tax revenues and the requirements of other portfolios’. In contrast, under an insurance approach, ‘expenditure is factored in over the life of an individual – and scheme sustainability is measured by calculating the total future costs of all those who are insured’. This, argues Bonyhady, creates an incentive to make short-term investments in participants aimed at increasing their independence and participation in the community and the workforce in the hope of reducing long-term costs.

According to Bonyhady, a focus on reducing long-term costs also means that insurance schemes have an incentive to monitor gaps between forecasts and outcomes, as well as the benefits of the scheme for participants.

## Who may access individualised support packages?

To be eligible to receive individualised supports under the NDIS a person must meet certain [access requirements](#). These [include](#) that the person must:

- live in an [area where the NDIS is available](#)
- meet the [residency](#) requirements (be an Australian citizen, permanent resident or [Protected Special Category Visa](#) holder)
- meet the [disability](#) or [early intervention](#) requirements and
- be [under 65 years of age](#) when the access request is made.

[Requests for access](#) to NDIS individualised supports are made to the NDIA. Those found eligible are known as NDIS ‘participants’ and [usually](#) remain eligible for life.

## What individualised supports are available?

Supports may be funded in areas such as education, employment, social participation, independence, living arrangements and health and wellbeing. They may include funding for:

- daily personal activities

- transport to enable participation in community, social, economic and daily life activities
- workplace help to allow a participant to successfully get or keep employment in the open or supported labour market
- therapeutic supports including behaviour support
- help with household tasks to allow the participant to maintain their home environment
- help by skilled personnel in arranging aids or equipment assessment, set up and training
- home modification design and construction
- mobility equipment and
- vehicle modifications.

The NDIS website provides [more detailed examples](#) of the kinds of supports that might be provided to participants.

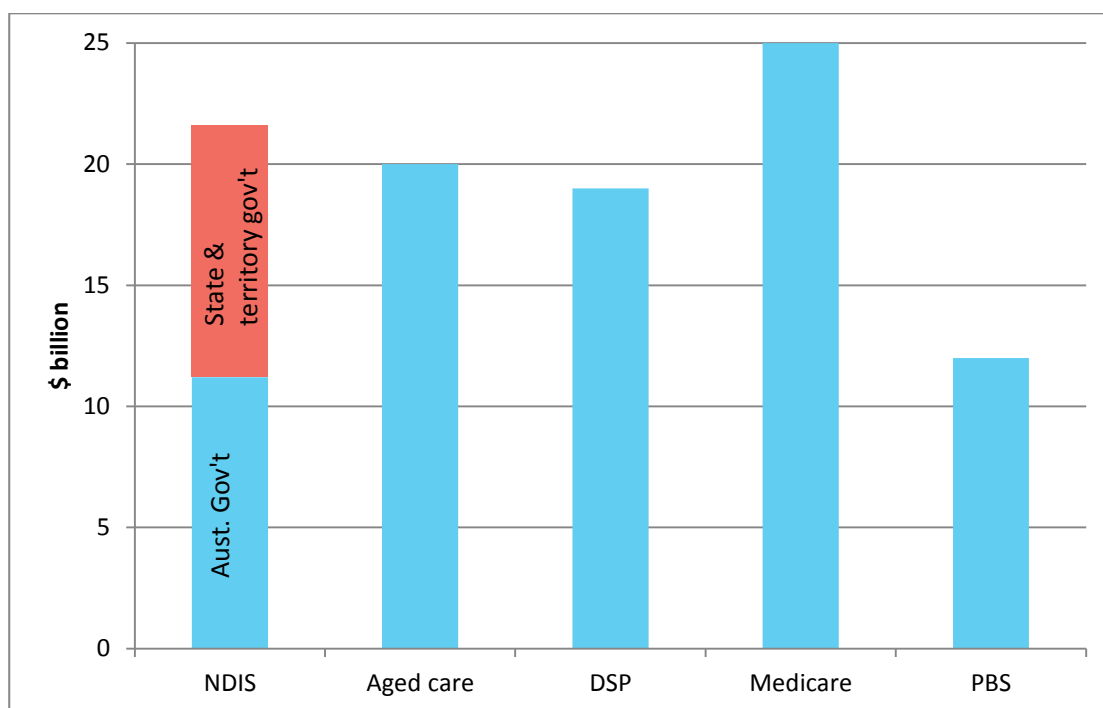
NDIS participants meet with the NDIA to identify a set of supports agreed as ‘[reasonable and necessary](#)’ to meet their goals. These are then included in their ‘NDIS plan’. Under the objects and principles of the NDIS Act, participants are [entitled](#) to exercise ‘choice and control in the pursuit of their goals and the planning and delivery of their supports’. Funds provided under an NDIS plan may be managed by the participant, the NDIA, a registered plan management provider or a nominee of the participant. Supports are provided by [registered providers](#) in what the NDIA envisages will be a competitive, ‘self-sustaining’ market.

### How much will the NDIS cost?

The cost of the NDIS will [increase substantially](#) over the next four years while it is progressively introduced: from around \$4.2 billion in 2016–17 to \$21.6 billion in 2019–20. It is important to note, however, that the Australian Government will only be responsible for just over half (\$11.2 billion) of the annual cost of the scheme.

When fully introduced, the NDIS will represent a substantial new government program. As can be seen in the figure below, the estimated annual cost will not be much more than the amount projected to be spent by the Australian Government on aged care or the Disability Support Pension (DSP), more than the current annual cost of the Pharmaceutical Benefits Scheme (PBS), and not substantially less than the current annual cost of Medicare.

**Figure: Projected NDIS expenditure compared with selected Australian Government programs (2019–20)**



Source: Australian Government, [Portfolio Budget Statements](#), (various), 2016–17, accessed 1 September 2016.

The most recent [NDIA annual report](#) projects that expenditure will increase gradually to 1.3 per cent of GDP in 2044–45, reflecting the increased cost of supports as NDIS participants age over time.

However, the Productivity Commission argues that while the NDIS will be a cost to government it will not be a cost to the economy. In its 2011 [report](#) recommending the introduction of the NDIS, it suggested that the benefits of the NDIS would outweigh the costs and add almost 1.0 per cent to Australia's GDP.

## How is the NDIS being funded?

Funding for disability has long been the subject of debates about cost and blame shifting between the Australian Government and the states and territories. Guaranteed future funding for disability services was part of the rationale for the NDIS.

The Productivity Commission [noted](#) that 'current funding for disability is subject to the vagaries of governments' budget cycles' and proposed that the Australian Government should finance the entire costs of the scheme from general revenue, or a levy 'hypothecated to the full revenue needs of the NDIS'.

The method of financing agreed between the Gillard Government and state and territory governments is different to the two main approaches proposed by the Productivity Commission. Participating governments jointly provide funding based on [intergovernmental agreements](#), with funding coming from a combination of sources.

First, existing money spent by the Australian and state and territory governments on disability services is being redirected to the NDIS.

In addition, funds for the NDIS are taken from the [July 2014 increase](#) to the Medicare levy (from 1.5 per cent to 2.0 per cent of taxable income). Revenue raised from increasing the Medicare levy is directed to a special fund—the [DisabilityCare Australia Fund](#)—for the purpose of reimbursing governments for NDIS expenditure. In contrast to the Productivity Commission model, the increased Medicare levy is not designed to meet the full revenue needs of the scheme (just as the levy only partially covers the annual cost of Medicare).

Finally, any NDIS funding not offset by the above sources must come from general budget revenue or borrowings.

### **Funding from 2019**

The Australian Government's share of NDIS expenditure in 2019 is [expected](#) to be around \$11.2 billion. The [Government estimates](#) that around \$6.8 billion of this expenditure will come from the redirection of existing disability funding and the Australian Government's share of the DisabilityCare Australia Fund, leaving \$4.4 billion to be sourced elsewhere.

The Government has [proposed](#) that this additional amount should come from budget savings directed to a special account—the NDIS Savings Fund—which [will](#) 'hold NDIS underspends, and selected saves from across the Government'. While savings may come from any portfolio, all savings [proposed so far](#) have been from the social services portfolio. [Legislation](#) to establish the NDIS Savings Fund lapsed with the dissolution of the 44th Parliament.

To the extent that it cannot be funded from these sources, the Australian Government's contribution will be a cost to the Budget—as are most other government programs that do not have dedicated funding sources.

## Governance arrangements

[Governance](#) of the NDIS is shared between participating governments. The main governance arrangements are:

- the NDIS is administered by the NDIA and is governed by a [Board](#)
- decisions on NDIS policy are made by the Standing Council on Disability Reform, which is a [Council of Australian Governments \(COAG\)](#) ministerial council
- the NDIA holds NDIS funds contributed by participating governments in a single pool, manages these funds, administers access to the NDIS and approves the payment of individualised packages
- the NDIS Board is responsible for the performance and strategic direction of the NDIA
- the NDIA Board is advised by [the NDIA's Independent Advisory Council](#) and
- the Australian Government Minister for Social Services administers the *NDIS Act*, and has the power to make the NDIS Rules and give direction to the NDIA (with the agreement of the states and territories).

## Challenges and questions

The NDIS has raised expectations of a transformation in the provision of support to people with disability, but it will face a range of challenges as it is introduced in coming years. Questions include:

- [How much 'choice and control'](#) will be available to NDIS participants and what will 'reasonable and necessary supports' mean in practice?
- How will disability service providers [adjust to the new market-based system](#)?
- Will there be sufficient [service providers](#) and [disability care workers](#) to meet demand?
- How will the interaction between the NDIS and mainstream supports, such as the [health system](#), be managed?
- How will the NDIS ensure equitable access to supports for [Indigenous people](#)?
- How will [risks](#) to the financial sustainability of the NDIS be managed? [Policy options](#) would most likely include tighter interpretation of access requirements and concepts such as 'reasonable and necessary supports'.
- How might [disagreements](#) between participating governments on decisions relating to the NDIS be resolved?
- Will the shared funding model blur responsibility for funding the NDIS, and hence [risk](#) the funding certainty the NDIS was intended to provide?

## Further reading

- Buckmaster L and Tomaras J, [National Disability Insurance Scheme Bill 2012](#), Bills digest, 72, 2012–13, Parliamentary Library, Canberra, 2013.
- Joint Standing Committee on the National Disability Insurance Scheme (JSCNDIS), '[Reports](#)', JSCNDIS website.
- National Commission of Audit, 'The National Disability Insurance Scheme', in [Towards responsible government: the report of the National Commission of Audit: phase one](#), February 2014, pp. 90–4.
- NDIS, '[Fact sheets and publications](#)', '[Quarterly reports](#)', and '[Annual reports](#)', NDIS website.
- Whalan J, Acton P and Harmer J, [A review of the capabilities of the National Disability Insurance Agency](#), NDIA, January 2014.
- Productivity Commission, [Disability care and support](#), Report, 54, Canberra, 2011.

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