

## **Additional Senate Estimates**

### **Outcome 3.1 Disability and Carers – 3 May 2021**

#### **Opening Statement**

I am greatly honoured to be addressing you today as the Minister for the National Disability Insurance Scheme (NDIS).

The NDIS is a world first, that Australians can be rightly proud of.

It is based on the guiding principles that people with a disability have the same rights as all other members of Australian society and should be supported to participate in and contribute to social and economic life to the full extent of their ability.

What I have learned in my first month as Minister for the NDIS is that each person considers this scheme from a different lens – whether that be through a human rights lens, an equity lens, individual empowerment lens, an affordability lens or whether one has access to an integrated mainstream system of supports – the common themes are fairness, consistency, transparency and respect.

I believe that despite the differing lenses we are actually all talking about the same outcome.

I've had the opportunity to see first-hand the impact the NDIS has had on the lives of so many Australians.

I have several family members who have had their lives changed by the NDIS and have been a passionate supporter of the NDIS since its inception.

As at 31 December 2020 there were more than 432,000 participants benefitting from the NDIS which is now tracking towards 450,000.

More than 50 per cent of these participants are receiving supports for the very first time, with those who transitioned from state and territory programs receiving 50 per cent more funding under the NDIS.

At the core of this is the NDIS which is founded on strong insurance principles, which takes a lifetime, person-centric approach to funding supports, where early investment in disability related supports are expected to drive better outcomes for participants, their family and carers over their lifetime.

In general, until recently, the focus of the NDIA has been on establishing itself while transitioning participants into the scheme and implementing initiatives to improve the participant and provider experience.

Encouragingly, we are seeing evidence that these efforts are delivering – with longitudinal outcomes data demonstrating participant outcomes are improving the longer they are in the NDIS.

Under the NDIS Act, the Government must fund reasonable and necessary supports to participants who meet the eligibility criteria – the funding is not capped in a traditional sense like a grant program, but instead is limited by the principle of reasonable and necessary.

I have also discovered that no two people have the same opinion on what reasonable and necessary is – something we must collectively address.

What I can clearly see is the challenges that exist in understanding and delivering reasonable and necessary supports to participants that are respectful, fair, consistent and flexible, while ensuring the Scheme remains affordable.

These challenges are exacerbated by the need to strengthen ecosystem of community and mainstream supports for all people with a disability outside of the NDIS.

A truly effective National Disability Strategy - as was envisaged and recommended under the Productivity Commission's original report – including a functioning Tier Two to provide a wider range of community based options.

These challenges are front of mind as I work with the NDIA Board and state and territory disability ministers to continually improve the scheme.

So how do we balance these competing challenges to ensure the NDIS can be the best it can be, not just as short-term funding injections to meet the immediate unmet needs, but an affordable NDIS that endures for people with disability long into the future?

How do we stop the drift from the original intent that this is a social insurance scheme, and not become a welfare entitlement scheme?

The NDIS timeframe has always been an incredibly ambitious one, and has now been rolled out across the nation.

The Scheme is very close to reaching the participant numbers at full scheme of 476,000 anticipated by the Productivity Commission in 2017.

The NDIA anticipates the scheme will exceed 530,000, and even higher if current participant growth rates continue.

There has been a lot of discussion about the 'sustainability of the NDIS' in recent months, and is something which I want to address as we do need to consider this further to ensure we realise a scheme that can financially endure for many generations to come.

### **Sustainability Challenges**

At the moment the costs of the NDIS are increasing significantly more than was ever expected.

The NDIS funding and decision making model is like no other, sees the state and federal governments share the funding and decision making responsibilities, but with Commonwealth funding uncapped and the states capped with a 4% annual increase.

In the 2020-21 Budget, the Commonwealth Government has budgeted to increase its contribution to NDIS participant plan costs by an additional \$3.9 billion between 2020-21 and 2023-24.

The escalation of growth was forewarned by the Productivity Commission in its original report on the design of the NDIS.

The continuing growth in the number of participants combined with significantly higher costs per participant, means participant supports are tracking to exceed the \$22 billion estimated at full scheme by the Productivity Commission in its 2017 review.

Participant supports are expected to approach \$25 billion in the 2021-22 financial year alone, and this when we still expect over 80,000 Australians to add to the scheme.

Between 2016-17 and 2019-20, NDIS costs were less than estimated due to growth in participant numbers averaging 100,000 per year rather than 150,000 per year included in State and Territory agreements.

The lower total outlays due to lower participant numbers masked the rapid growth in costs per participant.

Scheme growth beyond earlier forecasts is a cost to the Commonwealth as contributions and growth are fixed for the seven states on full scheme agreements.

This financial year I expect the Commonwealth will meet at least 51 per cent of participant support costs nationally, and next year this will increase to 54 per cent.

The Commonwealth also meets 100 per cent of the NDIA's operating costs.

The total amount paid in 2019-20 was \$17.2 billion, and expenditure in the first nine months of 2020-21 is already \$16.7 billion.

Trends over the past three years are suggesting average payments per participant is increasing by around 12.5% per year. This is well above:

- Wage inflation (1.5% to 2.5% per year)
- The future portfolio budget estimates (around a 2% increase per year)
- The assumptions in the 2017 Productivity Commission review (around 4% increase per year).

In addition, the data is suggesting for participants on their fifth plan, the average payment is more than doubling compared to their first plan.

In the early years of the NDIS, this inflation reflected the dynamic and rapidly changing environment of a newly established scheme. However, these high levels of inflation have persisted over time.

Most interestingly, despite qualitative and longitudinal outcomes data clearly demonstrating participant outcomes are improving the longer they are in the NDIS.

The data shows that since 2017 there is a significant drop in those classified as high functioning and significant increase in those who are classified as low functioning.

This suggests to me that either the Scheme is failing to provide people with support they need and are being funded for, or there is clearly inconsistency in how functional impairment is assessed over time.

I have also heard from many stakeholders that there is an increasing reliance on individual funding through the NDIS, and access to the NDIS being seen as an “all or nothing” solution to Australian disability system.

It has been put to me by advocates that this fear of losing funding in an “all or nothing” model is contributing to the exponential cost growth.

The data also clearly shows that those with lower socio-economic status on average have lower plan budgets than those with a higher socio-economic status – which suggests those who have greater means have greater access to systems, assessments and reports – leading to inequities.

This issue of fairness and consistency has been raised with me consistently over the past month by advocates and participants.

This ongoing growth in payments and plan values has been clear for some time and is in part the result of planners not having access to consistent, quality information when making their funding decisions, as well as a lack of clarity on what is and isn't paid for by the NDIS.

It has also been put to me that planners themselves don't like to say no – it is easier to say yes.

This is why the NDIA commenced this reform agenda some years ago, firstly with the trialling of independent assessments in the first pilot in 2018 and more recently with the second pilot and the commencement of a number of sustainability actions.

The NDIA has a legislative requirement to ensure the financial sustainability of the NDIS.

Reasonable and necessary supports must come with some boundaries.

Boundaries to ensure the Scheme is affordable, but more importantly so it is transparent, respectful and fair for all participants.

Boundaries which protect the rights of individuals and boundaries which allow flexibility and provide choice and control.

One of the key reforms that has caused concern in the sector involves the use of independent assessments.

Independent assessments were an element of the Productivity Commission's original design for the NDIS and were reinforced in the Tune Review as being an effective way to improve the quality and consistency of NDIA decisions.

They are also an important way of ensuring all Australians have equal access and support to gather the information the NDIA needs to make decisions about their eligibility for the scheme and their plans.

From the Government's perspective, the use of independent assessments is intended to provide a consistent, transparent and equitable way to capture information about a person's

functional capacity, with a goal to support the NDIA to make fairer decisions about a person's access to the NDIS and their plan funding.

They are also a tool intended to reduce the financial burden on people with disability, as they will be fully funded by the NDIS.

## **Conclusion**

The NDIA is a world first success story – we are now at a point in its history where we need to work on a range of strategies to ensure it is built to last for generations to come.

However, it is clear to me that some of the Government's proposed reforms to the NDIS have created anxiety and concern amongst the disability community about the future of this world-leading scheme.

We want to make sure the NDIS is here for generations of Australians to come, and that it works effectively alongside all other service systems. We also have a responsibility to manage increasing costs.

I have met with many participants and sector representatives over the past month and would like to thank those who contributed to the consultation process to date.

I want to work on this in a collaborative and respectful way, not just to continue to listen, but to work with the sector to identify what is working well and must be retained and also to identify problems, solutions and implementation pathways.

I also thank State and Territory disability ministers for their early engagement and willingness to work with the Commonwealth and the Sector to ensure that any proposed legislative changes deliver on its objectives.

As I said recently to State and Territory Ministers, we must now start considering the next round of funding agreements between the Commonwealth and States and Territories to ensure that the design and delivery of the scheme fairly reflects our shared commitment and responsibilities.

I would like to assure all existing participants, and the people that may benefit from the scheme in the future, that the NDIS will continue to provide a reasonable and necessary level of funding to meet their disability support needs and help them pursue their goals and aspirations.

I would also like to assure people with disability that the reforms are not intended to limit their ability to exercise discretion, choice and control in managing their NDIS funding. In fact, quite the opposite.

Participants and their families know best what kinds of supports are most effective in meeting their needs – and we will not diminish their ability to make such choices.

I am determined to find ways to provide more, not less, individual flexibility – but that will require legislation.

The Morrison Government is committed to always funding the NDIS as a demand driven Scheme, however in order to secure the future of the NDIS for current participants and all Australians should they need it, some action is needed to be taken now.

It is clear that the Commonwealth expenditure will continue to increase in support of the NDIS, particularly as we continue to add tens of thousands of new participants to the scheme.

Reform will ensure our decisions are fair and consistent and based on objective assessments of participants functional capacity, support needs and personal circumstances.

I am committed to openness and transparency. I want to build trust within the community. But most importantly I want to work together to build a fair NDIS that endures.

I have paused the NDIS reform while I undertake further consultation on the proposed NDIS reforms and outcomes of the Independent Assessment pilot, however change is essential.

My intent as Minister is to ensure the NDIS endures for many generations to come.

Thank you