

SUBMISSION FRAMEWORK/OUTLINE

In presenting this submission the author traverses a number of the more important aspects embodied within the implementation plan of the National Disability Insurance Scheme Proposal.

Aspects addressed:

Background international experiences

Current variation in Assessment Panels in Australian

Cost— Variation in Estimates

'Grandfathering'— current recipients of services and supports

Administration Cost— is the stated amount achievable?

Current variation in States and Territories Expenditure

- A snapshot of variations

An Overview of WA Recipients in 2010-2011

NDIS Agreements

Launch Sites /Conditions/Agreements

'Grandfathering'— Extracts: Variation in published statements

Commonwealth/State Agreements

Portability

Phasing in Clients over Three Years

Emerging pressures on proposed system

BACKGROUND INFORMATION IN RESPECT TO THE NDIS

Brief Overview of Past International Experience

Disability Insurance in A Multi-Pillar Framework
Leo Aarts & Philip De Jong - Leiden & Amsterdam Universities

Paper presented to the World Bank Conference— Washington DC Sept 1999

Extracts from Statements for Due Consideration

Compensation means transferring income from one party (disability program contributors) to (disability benefit recipients). P.1

Assessments of impairments and their limiting consequences involve difficult and painful judgements by the individual afflicted and equally cumbersome verifications by the members of the individual's social setting. P.3

The presence of impairment is necessary but not sufficient— some impairments have no incapacitating effects at all. P.3

Between 1970 and 1980 the Dutch beneficiary volume more than doubled, and it kept growing until 1994. As a result, until today the Dutch social welfare system is kept hostage by a massive volume of disabled beneficiaries. P.8

The inherent slack in the definition of disability risk may be reduced by using unambiguous assessment protocols. P.16

Moral Hazard for Program Gatekeepers

- Inclined to pursue a **conflict avoiding strategy** towards claimants, both to reduce their workload and the psychological burden of being strict i.e. lenient interpretation of eligibility rules.
- The lack of cost consciousness among those who screen eligibility conditions as **they are not confronted with the financial consequences of their adjudicative practices**.
P.19

Current Disability Assessment and Advisory Teams in Australia

Examples of Variation in Assessment Panel Expertise and Membership, e.g.

Tasmanian composition

1. Specialist Nurse (Disability)
2. Psychologist
3. Occupational Therapist
4. Social Worker
5. Speech Pathologist

Western Australian composition— At least three non-Commission Members

- 1 A person with a disability
- 2 A family member of a person with a disability.
- 3 A representative of a disability advocacy organisation.
- 4 A representative of a disability sector organisation.
- 5 One senior officer of the Commission.

Chaired by a person independent of the WA Commission

(Source: WA Policy No. 136 Nov.2012)

Examples of Variation in Cost Analysis:

Andrew Baker— The Centre For Independent Studies & Author of The New Leviathan: A National Disability Scheme— Improving Lives or Just a Welfare Monster In the Making?

Headline: The NDIS will cost \$22 billion a year.

The AGA's (Australian Government Actuary) review incorporates these very important variables in its \$22 billion estimate . . . when it is up and running.

Executive Summary: 'The NDIS will be a monster of a government program. It will start big and get bigger, and grow to become the new leviathan of the Australian Welfare State.'

'The actual budgetary cost of the NDIS will be substantially more than the commission's estimates and substantially more than the figures being used in the public debate.'

(Source: The Centre For Independent Studies— 24 August 2012.)

(*Comparative Cost— The Medicare Levy raised \$8.3 billion in 2010-2011.)

NDIS POLICY FORUM— Briefing Paper: Shaping The Legislation— 16 Jan 2013

'The proposed legislation for the NDIS is expected to cost about **\$15 billion a year** when fully implemented in 2018-19'

(Source: Details of the Bill— 2.3 Page 4)

NDIS Costings – Review by the Australian Government Actuary

'With the introduction of the NDIS means that the available data cannot be relied upon to provide a precise picture of the likely clients of the scheme. As a result, there is inevitably uncertainty around the cost estimates.' P1

Note: Western Australia has suggested that operational costs may have been underestimated i.e. salary for Local Area Co-ordinators may be too low. P2.

The PC found that the number of people shown as having primary psychiatric disability in the 2009SDAC was around half the number estimated by experts in context of the work on mental health for the 2011 budget. P4.

'The States casting doubt on the PC's population estimate. Disability pension recipient numbers and the number of people with a severe or profound core activity are both considerably higher than the Tier 3 population . . . **effectively. The PC is allowing for a significant level of unmet demand in the current system.**' P5

Note: **'It would be a matter for decision by States and Territories whether or not to 'grandfather' these clients. Cases without significant need could have services withdrawn.'** P6

Some Conclusions to the AGA Review

It is not intended that the NDIS would 'grandfather services' to those who are receiving services under the current arrangements. P 12.

Operational Costs:

The PC assumed a cost per LAC of \$80,000. We have adopted a unit cost assumption of \$120,000. This leads to a 50% increase in the assumed cost of a LACs (or about \$274 m. in today's dollars). P 16.

A number of States have indicated that significant numbers of those receiving support at present would not be eligible for individualised supports under the NDIS and this has the potential to reduce the estimated cost. P 18.

We have assumed a cost-per-initial assessment of \$600.

Administration Costs

We have assumed that regional administration costs (apart from LACs and assessors) will be 2 percent of the annual cost of care and support, 2 percent is assumed to drop to 1% in year 2 and then 0.8% thereafter. *** P 17.

Risks

Statements:

1. The PC report has undoubtedly raised expectations in the disability community.
2. Expectations may be unreasonably high.
3. Costs depending upon robust assessment systems and efficient service provision. P.30

*** COMMENT— Is 0.8% administration costs achievable???

COAG CONSULTATION – REGULATION IMPACT STATEMENT— NDIS

Assessment/Grandfathering/Transition.

People who have existing or previous support needs assessments, such as people currently in the disability service system, may wish to provide those assessments to the NDIS or consent to the NDIS obtaining and using that information to determine their support needs. P 77

Individualised Support Package: would need to be approved and signed by a delegate in the NDIS.

Extract :

' While the plan belongs to the participant, the part setting out the NDIS funding component would need to be approved and signed by a delegate in the NDIS.

The outcomes of the participant's plan would be measured against the objectives the participant has nominated as being important to them ; and the cost effectiveness of supports provided.'

P78

Query : Who makes this judgement ?

Current State and Territories Expenditure

Data displayed on Pages 12 and 29 of the NDIS- COAG Consultation— Regulation Impact Statement clearly highlights a current huge variation in per capita expenditure by States in all areas of accommodation and support e.g.

Accommodation	\$ per user	–	NSW	\$114,809	V	S.A.	\$ 40,425
Community Support	\$ per user	–	QLD.	\$6,844	V	S.A.	\$3,342
Community Access	\$ per user	–	NSW.	\$15,899	V	SA.	\$4,545

(Source: NDIS- COAG Consultation – Regulation Impact Statement – P. 12 & 29
Ref: Tables 1, 3 & 7 of PC. Attached (Attachment A))

The above huge variation may be a legacy embodied within previous CSDTA and NDA agreements. For instance, the statistics from the above stated document display that South Australia had 8.5% coverage whereas Western Australia had only 4.6% coverage. A contributing factor to the above situation may have been due to Commonwealth contributions in the mid 2000's. In the 2004-2005 allocation, funds were allotted as follows:

- The Commonwealth contributed \$63m. to South Australia— **40% more** than the amount of \$45m that it contributed to Western Australia.
- At the same time the South Australian Government contributed \$137m, which was **37% less** than the amount of \$218m, which the Western Australian Government contributed to the overall care of its disabled citizens.

For an explanation and clarification of how this situation may have arisen, refer to the following attached correspondence:

Senator Kay Patterson, Minister Family & Community Services— 1 March 2005 Attachment B
Extract from CSTDA document 9 April 2004 Attachment C
Response: Roger Barson, Disability & Carers Branch, 2 March 2005 Attachment D
Response: Bob Kucera, WA Minister for Disability Services. November 2005 Attachment E
Attachments: B, C, D & E

The Western Australian Disability Service Commission in the Annual Report 2011-2012, indicates that in the 2010-2011 year the cost for Hostel, Community Residential and Supported Community Living was on average \$104,914 per person. This increased to \$117,155 in the 2011-2012 year represented an increase of **11.7%**.

For total overall services to 23,412 clients the cost per capita rose from \$24,368 to \$28,083—an overall increase of **15.2%**.

(Source: DSC Annual Report 2011-2012 Pages 25 & 29.)

Detailed Analysis of WA Recipients in 2010-2011— CAP Bulletins 25, 26 & 27

The attached document illustrates within each category the following:

- The number of applicants
- People recommended for support
- Family Carer Age Under 65yrs, over 65yrs and **over 75 yrs.**
- Number supported.

This analysis is indicative of the demand for support across the whole age range.

Western Australia CAP (25) Data 2010-2011 Round 1

	<u>Accommodation Total</u>	<u>People</u>	<u>Family Carer Age</u>		<u>Cohort \$. Ave</u>	<u>Funding</u>	<u>Funding Available</u>
Support (A)	Applied	Recommended	Under 64 years-	Over 65	Funding		
	404	90	370	44			\$10,852,906
Funded : 0 – 64 yrs.			20	75 yrs +			
65 + yrs.				14 (1 + 13) = 34			
						+ \$172,268	
Accom . Support (B)	99	29	23	6 (3 + 3) = 29	63		
(IFS)							
Int.Family Support	176	59	46	13 (8 + 5) = 59	\$32,726		\$1,930,879
					59		
ATE	211	29	8	8 (1 + 7) = 16	\$31,002		\$496,616
					16		

WA. Data CAP (26) - Round 2

<u>Accommodation</u>							
Support (A)	362	77	115	31			\$7,773,069
Funded : 0 – 64 yrs.				25		\$165,384	
65+ yrs.				7 = 32			
				+			
Accom. Support (B)	92	15	14	1 = 15	47		
(IFS)							
Int.Family Support	148	33			\$32,148		\$1,060,890
Funded:				28 + (4 + 1) = 33	33		
ATE	230	39			?		\$844,935
Funded :				9 + (2 + 1) = 12	12		

WA. Data CAP (27) - Round 3

<u>Accommodation</u>							
Support (A)	365	60		129			
Funded : 0-64 yrs.				28	\$143,677		\$7,758,558
65+ yrs.				+(1 + 7)			
					36		
Accom.Support (B)	99	18			+		
(IFS)							
Funded :				13 + 5 (2 + 3)	18 = 54		
Int. Family Support	147	27			\$36,787		
Funded:				27 + 0 = 27	27		\$993,272
ATE	243	27			\$26,053		
Funded :				11 + 9 (6 + 3) = 20	20		\$521,060

Total Allocated : Accommodation A & B= \$26,384,533 / IFS = \$3,985,041 / ATE = \$ 1,862,611

Comment: Ageing carers of the disabled need top priority in their efforts and hopefully Item 26. c. of the Reform and Policy Directions Statement, National Disability Agreement will be strictly adhered to i.e. **Making Older Carers a Priority.**

It is of interest to note that in July 2010, at the time of the Productivity Commission's Enquiry, Western Australia had 780 unfunded applicants in the three categories that could have been supported at a cost of \$50.36m (approximately). It is assumed that this support could be given without very little further administration costs.

NDIS AGREEMENTS

Launch Sites

South Australia's Agreement

Launch Sites: 1 July 2013— existing and newly eligible children aged 0 – 5 yrs.

1 July 2014— existing and newly eligible children aged 0 – 13 yrs.

1 July 2015— existing and newly eligible children aged 0 – 14 yrs.

Funding: South Australia has earmarked \$20 m. over the next three years for the launch.

Recipients: About 4,800 children are already receiving disability services in SA.

It is expected to cover about 5000 children who will benefit in the first stage.

(Source: COAG Update July 2012 and December 2012)

***** Historic variation in Commonwealth funding— South Australia V Western Australia*****

SA Premier's comment— "Everyone should make a contribution, especially those states behind the game on disability service".

(Source: The Australian 2 August 2012)

ACT's Agreement

Launch: 1 July 2013

Recipients: 1,400 people currently supported— up to 5,000 will be supported. People under 65

Funding: ACT \$27m

(Source: COAG Update July 2012 and COAG Update December 2012)

Tasmania's Agreement

Launch: 1 July 2013

Recipients: **950** approx. 15-24 year old Tasmanians— current and potential disability service clients. Admin. - ?? Gateway Services.

Funding: Tas. Contribution \$20m Commonwealth— \$?

(Source: Tas. Disabilities and COAG Update December 2012)

NSW Agreement

Launch: 1 Jul, 2013— Hunter Region (Overall population – 650,000 approx)

Recipients: **10,000**— significant and profound disabilities will have needs assessed and start to receive support. *** ?

Funding: NSW Govt—Current expend \$550m + \$35m (new \$'s)

Commonwealth— \$300m – (\$244m Individual support & \$61.8 for Local Area Coordinators)

*Commonwealth will fund 100% of Local Area Coordinators in the Launch sites.

'The Commonwealth agrees to bear 100% of the risks for the NSW launch site. This includes population, financial and transition costs.'

*** Aust Gov't. agreed to meet the total cost overrun** associated with the average package cost.

\$20,779 benchmark figure stipulated.

NSW Update:

140,000 individuals will be funded by 2018

Commonwealth's Contribution— \$3.32 billion— 51.4 %

NSW Contribution— \$3.13 billion— 48.6%

(Source: J. Macklin— media releases Aug 2012 and Dec 2012, COAG Update— Dec 2012 and The Australian— July 2012)

Victorian Agreement

Launch: 1 July, 2013— Barwon Region (Overall population-- 303,000)

Recipients: 5000— with profound and significant disabilities.

Funding : Victorian Gov't. \$300m ---- Commonwealth \$190m
\$25m.

Transition Agency— Geelong

(Source: Vic. Dept. Of Planning and Community Development.

J Macklin, media release— August 2012

COAG Update— Dec 2012)

Queensland

Funding Position: Prefers a levy @ \$850 approximately, for the average taxpayer similar to a Medicare Levy. Appears to be closely in line with Option 6 of PricewaterhouseCoopers Report Oct.2009 i.e. **\$ 772.74 per working person PA— 1.22% of taxable income.**

(Source: **The Australian— 28 July 2012**

PricewaterhouseCoopers Report Oct 2009 Page 7 Section 6.1.)

Update: 13 Dec 2012: Premier Campbell Newman offered up to \$1.77 bn to roll out the scheme from 2018, hoping for a 56% Com. /44% State agreement.

Expression of Concern.

The following statement by Dr R Chalmers, Director General of the WA Disability Services Commission, aptly sums up the concerns that would be foremost on the minds of the disabled, their carers and the general public within the community.

“I would like to see a greater clarity around funding, governance and eligibility for the new national scheme.”

(Source: DSC Annual Report 2011-2012. P7)

Western Australia's Proposal

Launch Sites: 2 sites—1 July 2014, 2 sites—1 July, 2015

Funding: \$270m per annum (WA— \$135m, Commonwealth \$135m) Admin. WA NDIS Board.

Individual recipients involved—**7700** (approx)

No reference to current CAP funded recipients in the proposed launch sites. *

(Source: WA NDIS Update, Sept 2012)

WA Request to Establish a Launch Site in Partnership with the Commonwealth Government.

Comment:

It is extremely difficult to fathom the reason or rationale why Western Australia's offer to the Commonwealth Government to host launch site/s has not been accepted to date.

The specific data available indicates that the Western Australian government's offer was more comparable in most respects than those offered by some other States and the ACT ie.

	Finance State Contribution	Finance Commonwealth Contribution	Management	
Western Australia	50%	50%	Shared / Joint	*
New South Wales	48.6%	51.4%		**
Victoria	?? – No overall cost stated-	awaiting a response from Minister Macklin's Office		
South Australia	59.4%	40.6%		***
Tasmania	59.4%	40.6%		***
ACT	59.4%	40.6%		***
Queensland	44%	56 % (On offer by the QLD Gov't.)		****

(Source: *WA & NDIS Update— Sept 2012
** Media Release— Dec. 2012
***Bilateral Agreements – Schedules B,C,D &E
****ABC News— PM- 13 Dec. 2013)

The data above coupled with the demographics of a State that traverses from north to south of the entire continent, has very remote towns and settlements, regional hub cities , many indigenous families and contributes significantly to the Commonwealth’s overall revenue, as well is reputed Australia wide as competently and efficiently delivering disability services and supports, leaves one in wonderment— **why?** This is particularly so when the National Disability Agreement states in the Preliminaries, page 3.3 ‘*This National Agreement has been established to affirm the commitment of all governments to work in partnership.*’

GRANDFATHERING --- NDIS

UNCERTAINTY PREVAILS

Various Responses

Extracts, data etc for consideration and analysis.

‘As noted in the discussion on population issues above, **it is not intended** that the NDIS would *grandfather* services to those who are receiving services under the current arrangements.’
(Source: NDIS Costings— Review by the Australian Government Actuary—Aug 2012, Page 12)

‘When the first stage commences, a person’s current support arrangements will continue until they have had a planning conversation with the Agency . . . Some eligible individuals will already have a current assessment of their care and support needs and this **will be able to be used as part of the planning conversation** with the Agency.’
(Source: NDIS Enquiries Team response 5 Dec 2012)

‘Service providers will be mapped and arrangements required for ‘*grandfathering*’ agreed, service arrangements mapped, current contractual and sources of current funding and value understood.’
Source: COAG Consultation— Regulation Impact Statement— NDIS, Dec 2012 P.84

ACT— Query: What will happen to existing care and support arrangements? Dec. 2012
Response:

‘No one will be disadvantaged by the commencement of the NDIS. If an individual currently receives care and support, these arrangements will continue. Once assessed for an NDIS individual support package, individuals will have the opportunity to choose whether to stay in their current service arrangement **or** have their care and support needs met in another way’

Western Australian Government’s Stated Position on ‘Grandfathering’ WA Proposal for Launch – NDIS My Way

WA is the only State to furnish a Definitive Response : ie.

‘People with existing packages, services and supports will retain their current arrangements unless there is a significant change in their circumstances.

(Source: Western Australian and the National Disability Insurance Scheme Update, Sept 2012-P6.)

As ‘grandfathering’ of current services and supports is of major concern for many, Mr Tony Windsor MP, Member for New England has twice written before 27 November 2012 to the Minister for Families, Community Services and Indigenous Affairs, the Hon Jenny Macklin MP,

seeking clarification on 'grandfathering' current support and services in the proposed NDIS. As to date no response has been forthcoming.

Commonwealth / State Agreements Variations

It is noted that some clauses appear in one State's agreement but not in any other State's agreement. The question arises to what purpose when the same basic economic considerations also apply to other jurisdictions? For example:

- As stated in the Victorian Agreement, 'By mid— February 2013 the Agency will complete a comprehensive review of prices for service to be provided under the NDIS including supported accommodation and agree a policy on pricing with the Commonwealth and Victoria for supported accommodation, with an expectation that the price will not decline in real terms for the period of the launch unless there is sound evidence for doing so.' **Source: Victoria— Appendix A -13**
- As stated in the NSW Agreement: 'Both parties agree to develop a comprehensive agreement to govern the secondment, contracting or assignment of NSW Government officers and transfer any functions to the Agency before commencement of the launch.'
Source: NSW— Human Resourcing, clause 2

Why, therefore, aren't such conditions or considerations afforded to other States or Territories?

PORTABILITY

One of the basic fundamental principles espoused to be essential for the successful implementation of an NDIS is that of **PORTABILITY**.

Unfortunately the only reference to portability can be found in the ACT Agreement.

This begs such questions, what happens to the 5 year old South Australian who has been assessed and is awarded a package and subsequently the family moves interstate to NSW, Vic, ACT or WA? What provision will be made for the continuance of this child's support? Similarly, the 16 year old Tasmanian, afflicted with cerebral palsy, epilepsy etc. awarded a package and moves interstate prior to 2018?

**Process of Phasing in Clients over three years or longer
Transition Agency/Agreements— depending on cash flow— e.g.:**

<u>NSW</u>	Newcastle—	Year 1
	Lake Macquarie & Kanangara—	Year 2
	Maitland—	Year 3
	Possible use of staggered (i) age cohorts *	
	(ii) Postcode boundaries *	
<u>Victoria</u>	Dependent on cash flow Other conditions to be decided	
<u>ACT</u>	staggered age cohorts; local government areas; postcode boundaries; and the unmet support needs	
<u>Tasmania</u>	(a) All clients aged 15-24 currently receiving a specialist disability service transition to the NDIS: and (b) new clients include those that are known from the current needs register.	

South Australia

Note: The Agency will use best endeavours to ensure clients processed fit within the available funding envelope. In the first instance, client flow will be managed by staggered age cohorts. Further strategies will be considered.

Emerging Pressures.

It is anticipated that further pressures will be exerted in the very near future due to growth trends in autism and Foetal Alcohol Spectrum Disorder, 'an invisible disability'. The ABS states that in 2003 the number of Australians who had autism was estimated to be 34,200. This number increased to 64,600 in 2009, an increase of 89% with numbers to increase significantly. Of these 74% reported having a profound or severe core activity limitation.

Foetal Alcohol Spectrum Disorder is of major concern. In documentation by NOFASARD:

'With research undertaken by the Australian National Council of Drugs revealing that 450,000 children were living in families where binge drinking was problematic it can be argued that FASD is truly a hidden epidemic in Australia.'

'More broadly, foetal alcohol spectrum disorder occurs in up to 1 percent of live births and includes foetal alcohol syndrome and other nervous system birth defects attributable to alcohol consumed by the mother.'

SUMMATION

The proposed National Disability Insurance Scheme's supporting documentation, structure, implementation time line and overall thrust to establish, may leave the populace with many uncertainties, unknowns and unanswered questions to mull over. This aspect is most probably of utmost concern within the community— let alone the disabled and their carers.

Listed below are a few of these queries/concerns to be addressed:

- Uncertainty of the overall cost. Estimates vary from \$15 billion to \$22 billion by such reputable organisations as the Australian Government Actuary (AGA) and The Centre for Independent Studies (CIS).
- The rules for the NDIS are still unknown.
- The number of recipients varies from 410,000 to 500,000+
- Uncertainty as to the process that current recipients of State disability support and services will have to undergo.
- Portability uncertainty when recipients move from a participating State to a non-participating State during the launch stages of the scheme or even after. This is of particular relevance when **'all governments agreed that the funding and governance arrangements for the launch did not create a precedent for the full scheme.'**

What will be the outcomes for the disabled recipients if such a situation should arise?

* Many of the State/Commonwealth Agreements are impregnated with the term 'cash flow', that is totally dependent for the rate of introduction in all aspects of the NDIS.

Is there a contingency plan in place if detrimental circumstances eventuate or for any other reason? eg.

- (i) Lack of State/Commonwealth agreement.
- (ii) Lack of 'cash flow.'
- (iii) Cut back in funds due to decreased revenue within the economy.
- (iv) Escalating cost pressures.
- (v) **Inability to maintain management expenditure within the stated parameters i.e.**

2% of the annual cost of care and support— year 1

1% in year 2

0.8% thereafter (AGA statement)

- (vi) Sudden increase in the number of eligible clients from autism, FSSD or eligible asylum seekers.
- Concern by elderly carers, many who have cared for a disabled ‘offspring’, some for in excess of 30 years, who once again will be placed under great stress and distress with having to undergo the new assessment procedures still to be announced.
 - Launch site confusion over a three year period with regard to achieving a support package. As the majority of agreements indicate that access to the scheme may be determined by one or a number of the following determinates :
 - (i) Age cohort
 - (ii) Local government areas
 - (iii) Postcode
 - (iv) Unmet support needs
 - (v) Cash flow.

Questions which arise within this scenario include:

- Will the assessed eligible clients in the third tranche (2015-2016) receive equity in treatment and conditions as those in the first tranche of 2013-2014?
 - Will ‘cash flow’ determine what can be afforded in each tranche?
- Statements in documentation such as ‘Revenue generated by patronage of participants . . . may determine quality and price of service provisions’ obviously have implications for future standards and support services.
 - As has been previously mentioned in NDS communication ‘boutique providers’ may emerge. (Source: Preparing the Disability Sector for the New World. P 11)
 - Over time participants may envisage establishing Special Disability or Special Needs Trusts to supplement any deficiencies that may occur in their support package for whatever reason.

CONCLUSION

As stated by the Centre for Independent Studies, ‘Taxpayers deserve to have accurate information about the overall cost because they will be footing the bill.’

And from the author’s perspective:

“The disability community and their carers need assurance that services and supports are adequate and **SUSTAINABLE**”, otherwise much heartache will occur, particularly for elderly carers.’

Thank you for the opportunity to comment.

Brian O’Hart