

Senior Officials Working Group Paper: Rationale Underpinning Funding Options under the NDIS

This paper reflects discussions between officials, but does not necessarily reflect the views of any State, Territory or Commonwealth Government.

Following their 13 April 2012 meeting, COAG released high-level principles to guide governments' consideration of the National Disability Insurance Scheme.

They noted that the 'design and implementation of a National Disability Insurance Scheme is the responsibility of all governments' and 'the development and implementation of a National Disability Insurance Scheme will be a shared responsibility of the Commonwealth and States and Territories.'

Principle 2 is most relevant to the funding arrangements for an NDIS. This states that:

Resourcing arrangements for a National Disability Insurance Scheme should:

- a. Provide certainty of future resourcing recognising the projected ongoing growth in demand and the need for incentives for containment;
- b. Provide adequate funding to address assessed needs;
- c. Be fiscally sustainable for all levels of government;
- d. Be based on an assessment of the costs of meeting reasonable and necessary care and support needs of an individualised funding approach;
- e. Be transparent regarding contributions from jurisdictions;
- f. Not create any disincentives for carers and family members to provide support;
- g. Ensure that no jurisdiction is disadvantaged by:
 - i. historically high levels of funding for disability services, recent increased investment in disability services or additional investment in the lead up to the launch of a National Disability Insurance Scheme; and
 - ii. having already undertaken foundation reforms required to implement a National Disability Insurance Scheme.
- h. Support a social insurance approach.

The high-level principles that accompanied the COAG Communique stated that:

'Approximately 70 per cent of disability care and support services are funded by State and Territory Governments. To develop a national scheme, it was recognised that the level and share of Commonwealth funding will need to increase.'

The Productivity Commission report recommended that the NDIS may allow people to choose whether to transition from the NDIS to the aged care system or to stay in the NDIS when they reach the age of 65 (for Indigenous people when they reach the age of 50).

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Next Steps

In order to progress consideration of the policy rationale underpinning the funding splits, agreement to a baseline figure for State funding is needed for full scheme implementation. Deputy Heads of Treasuries will progress this and inform the Funding and Governance Group.

The Australian Government Actuary has been commissioned to work with all jurisdictions to reconcile the numbers provided by both the Commonwealth and State and Territory jurisdictions. It has been agreed that jurisdictions will look closely at the data and assumptions sent out by the NDIS taskforce and will highlight any issues with the Australian Government Actuary. Timing for these arrangements will be discussed at the Senior Officials Working Group of 26 June. It is intended that agreement on the numbers will be reached in time for both the Council of Australian Governments meeting on 25 July 2012 and the Heads of Treasuries meeting of 3 August 2012 and will underpin discussions on the funding for a full NDIS.

Funding

Depending on the fiscal circumstances, decisions and priorities of each individual jurisdiction, funding for the NDIS could come from:

- Current disability service expenditure
- existing revenue sources over time ;
- expenditure reductions in other areas (realignment of spending priorities); and
- new revenue sources (new taxes);
- offsets of current revenue sources; and
- user contributions.

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Full Scheme Roll out

Negotiations between States and Territories and the Commonwealth are currently ongoing in relation to the launch. The first stage of the NDIS was announced by the Commonwealth in the 2012-13 Budget.

Lessons learned during the first stage of the scheme about scheme costs, implementation and on-the-ground operation will inform when and how the full scheme proceeds.

The timing of the ramp up from the end of the first stage to a full scheme will be informed by information obtained from the first stage, including the capacity of the NDIA to undertake assessments and ability to recruit and train the workforce. The ability of contributing parties to ramp up their funding contributions will also be considered. Options for phasing in funding over time will influence jurisdictions' capacity to contribute funding for the full scheme and their consideration of funding shares for the full scheme.

Appendix A: Costings of options by jurisdiction

Estimates of 2018-19 costings by jurisdiction have not been provided because of the process in train to confirm the accuracy of the underlying data. Estimates will be provided in due course once the underlying data and assumptions have been agreed.

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Appendix B: User Contributions

Another potential funding source that could be considered is a user contribution by individuals for some services above a standard benefit level. This has the potential to increase the efficiency of the scheme while allowing enhanced choice.

At an individual level, user contributions would need to be designed carefully to set appropriate incentives and contribute to funding the scheme, but without constraining access to those without financial resources.

Jurisdictions have a range of different charging mechanisms for programs. Further consideration and work is needed on any possible cost recovery options.

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