

The National Disability Insurance Scheme: a quick guide

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What is the National Disability Insurance Scheme?

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 state and territory governments. The NDIS commenced on 1 July 2013, beginning with a trial phase known as the [NDIS Launch](#). Transition to the full scheme began in July 2016 as the NDIS started being progressively introduced across Australia. The NDIS is [now available](#) in all states and territories, with the remaining areas of Western Australia progressively expected to join by July 2020.

The NDIS is a [new model](#) of funding and delivering supports for people with disability. It takes an insurance-based approach and moves from the previous system of block funding to a fee-for-service, market-based approach (discussed further below). It is based on the premise that people with disability each have different support needs and should be able to exercise choice about the supports they need.

The main component of the NDIS is individualised packages of support to eligible people with disability. When the NDIS is fully implemented, it is expected that around [475,000 Australians](#) will receive individualised supports.

The NDIS also has a broader role in helping all people with disability—approximately [4.3 million Australians](#)—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. And, like many other Australian Government social policy programs—such as Medicare, the Pharmaceutical Benefits Scheme (PBS) and income support payments—the NDIS is an uncapped (demand-driven) scheme.

Objectives and principles of the National Disability Insurance Scheme

The NDIS was established under the [National Disability Insurance Scheme Act 2013 \(NDIS Act\) \(Cth\)](#). 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 accessing, 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 National Disability Insurance Scheme replacing?

The NDIS is a major reform to disability support in Australia. It is the first national approach to the provision of disability supports and largely replaces state and territory-based disability care and support systems provided under the [National Disability Agreement \(NDA\)](#). Introduced by the Council of Australian Governments (COAG) in 2009, the NDA was the fourth iteration of the Commonwealth State Territory Disability Agreement. These agreements have provided the national framework for disability support services in Australia since 1991.

The NDA set out the roles and responsibilities for each level of government and agreed objectives and outcomes for people with disability. Under the NDA, 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. Responsibilities under the NDA remain until the NDIS is fully rolled out.

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’.

The dominant funding model in the previous disability support system was block funding, whereby governments fund service providers directly with lump sum payments. The Productivity Commission recommended a shift from block funding to ‘individualised’ or ‘self-directed’ funding, whereby people with disability have an individual budget they can spend on goods and services. The intention of self-directed funding is to give people with disability decision-making power as consumers and control of their budgets.

Following the release of the Productivity Commission’s report, the Gillard Government began working with the states and territories to establish the NDIS.

What is meant by ‘insurance scheme’?

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

[According to Bruce Bonyhady](#), former Chairman of the NDIA, the insurance approach can be contrasted with the ‘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. As 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 approach, 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:

- meet the [residency requirements](#) (be an Australian citizen, permanent resident or a [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’.

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 training 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.

NDIS participants have a planning conversation with a representative of the NDIA—an Early Childhood Early Intervention Coordinator, Local Area Coordinator, or NDIA planner—to identify a set of supports agreed as [‘reasonable and necessary’](#) to meet their goals. These are then included in the participant’s ‘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 National Disability Insurance Scheme cost?

The cost of the NDIS will [increase substantially](#) as it is progressively introduced, before stabilising. In 2019–20, it is [estimated](#) that the annual cost will be \$17.5 billion (a reduction from the [previous estimate](#) of \$20.7 billion, largely as a result of the ‘slower than expected transition of participants into the NDIS’).

By 2022–23, the NDIS is expected to cost \$24.8 billion. From 2019–20 to 2022–23, NDIS expenses are expected to total \$88.1 billion. It is important to note, however, that the Australian Government will only be responsible for just over half of the total estimated costs (\$45.7 billion), with state and territory governments contributing the remaining funding.

The NDIS represents a substantial new government program. In 2019–20, the NDIS is [estimated](#) to be the seventh largest program by expenses. At full scheme, the majority of NDIS costs will be for individualised supports with the NDIA [aiming to keep operating costs](#) at approximately 7.0 per cent of the costs of the NDIS. However, the Productivity Commission has argued 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 gross domestic product.

In October 2017, the Productivity Commission released the [final report](#) of its review into [NDIS costs](#). The Productivity Commission noted that the costs of the NDIS were broadly on track with long-term modelling; however, this was partly due to not all committed supports being utilised. The report estimated that the planned timetable for participant intake would not be met by 2019–20: ‘the participant intake will not match the estimates in the Bilateral Agreements — adjustments need to be made now on a state-by-state basis’.

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. State and territory governments and the Australian Government jointly provide funding based on [bilateral agreements](#), with funding coming from a combination of sources.

Under the various agreements, 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).

In the [2017–18 Budget](#), the Australian Government proposed to raise the Medicare levy by half a percentage point to 2.5 per cent of taxable income to help fund its contribution to the NDIS. Shortly before the 2018–19 Budget, the Government [announced](#) it would not be increasing the Medicare levy as it could ‘fully fund’ the NDIS without doing so.

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

Governance arrangements

[Governance](#) of the NDIS is shared between the Australian and state and territory 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 [Disability Reform Council](#), which is a [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 NDIS’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).

The [NDIS Quality and Safeguards Commission](#) was [established](#) in December 2017 to oversee the quality of NDIS services, regulate providers, investigate complaints, and provide nationally consistent protections for participants. It started operating in New South Wales and South Australia from 1 July 2018 and will progressively begin operating in other states until achieving national coverage on 1 July 2020.

Implementation challenges and questions

The NDIS is a major and complex reform. It has raised expectations of a transformation in the provision of support to people with disability, but it has and will face a range of [challenges as it is implemented](#).

Questions that will need to be considered as the scheme matures include:

- How much ‘[choice and control](#)’ will be available to NDIS participants and what will ‘[reasonable and necessary supports](#)’ mean in practice?
- How will the NDIS ensure equitable access to supports for [Indigenous people](#)?
- How will the NDIA address gaps in services for people with [psychosocial disability](#)?

- How will [continuity of support](#) be ensured for people who are [not eligible](#) for the NDIS?
- Will the NDIA be able to reach the [planned intake](#) of 475,000 participants by 2019–20?
- Why are participants not [utilising](#) all of the committed supports in their plans? [Reasons could include](#) participants facing difficulties navigating the system, a relatively immature market for support co-ordination and plan management, and insufficient market capacity to supply supports. This raises a further question of how such issues will be addressed.
- How will [risks](#) to the financial sustainability of the NDIS be managed?
- 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 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

- L Buckmaster and S Clark, [The National Disability Insurance Scheme: a chronology](#), Research paper series, 2018–19, Parliamentary Library, Canberra, 2018.
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- 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.
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- Productivity Commission, [National Disability Insurance Scheme \(NDIS\) costs](#), Study report, Productivity Commission, Canberra, October 2017.
- J Whalan, P Acton and J Harmer, [A review of the capabilities of the National Disability Insurance Agency](#), NDIA, January 2014.

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