



ADVISORY

Disability care and support

Discussion paper – September 2011

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cutting through complexity

Overview and background

As part of the Australian Government’s commitment to developing a National Disability Strategy, it instructed the Productivity Commission to investigate a national disability care and support scheme to examine alternative approaches to funding and delivering disability services. The Productivity Commission (PC) provided its final report, *Disability Care and Support* to the government on 31 July 2011 and it was released to the public on 10 August 2011.

The fundamental conclusion from the report is that the current arrangements for disability services, and in particular, care and support, are underfunded, fragmented and systemically flawed, and that a co-ordinated national social insurance scheme that covers all Australians is feasible and achievable.

The final report proposes a new universal National Disability Insurance Scheme (NDIS) as well as a new no-fault National Injury Insurance Scheme (NIIS) comprising a ‘federation of individual state and territory schemes’, which would provide fully-funded care and support for eligible participants.

Summary of proposal for the new schemes

The NDIS and NIIS will not entirely replace any of the current systems. They will sit alongside the current accident compensation systems and mainstream services such as health and aged care. People with a disability will likely receive benefits and services from more than one arm of the system, depending on the severity of injury or disability and nature of the support required.

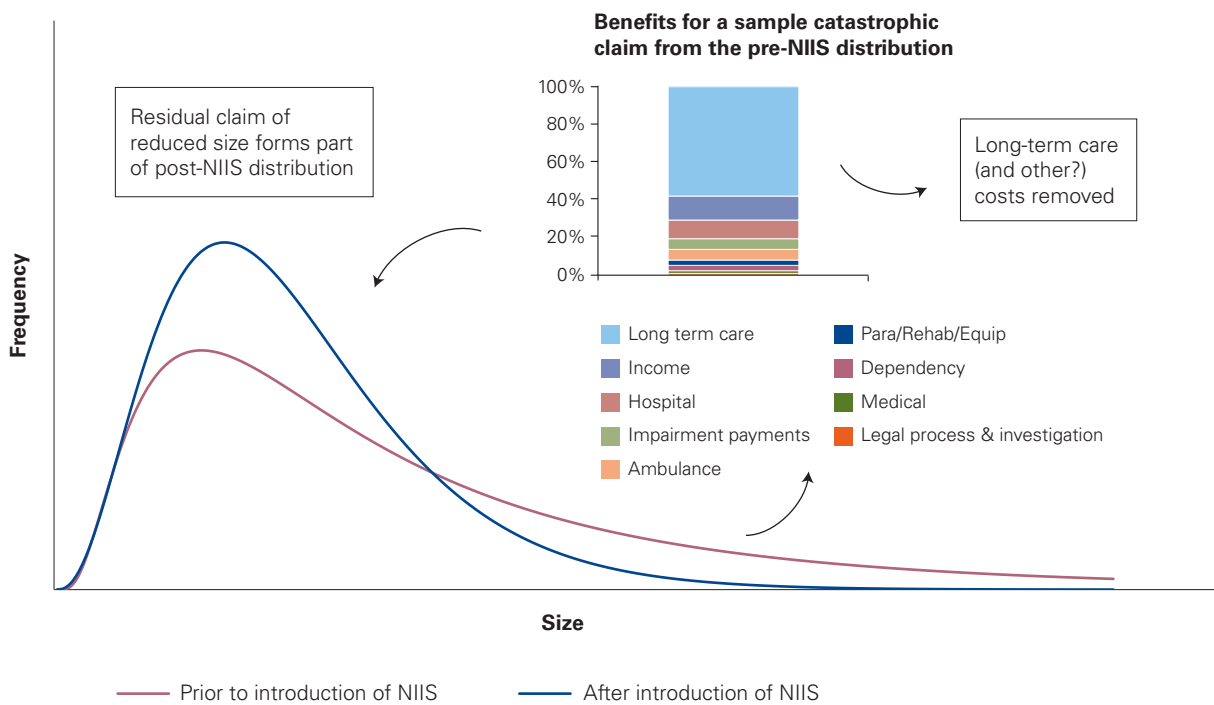
National Disability Framework

NDIS	Tier 1	<ul style="list-style-type: none"> • Eligibility: All Australian residents • Provides insurance against the costs of care and support in the event of significant disability (congenital or acquired before pension age) • Promotion of opportunities, social awareness, community involvement 	Mainstream Services <ul style="list-style-type: none"> • Health, Education, Transport, Aged Care, Mental Health, Palliative Care. • Includes some disability support for those not eligible for tier 3 or NIIS, or accident compensation schemes.
	Tier 2	<ul style="list-style-type: none"> • Eligibility: People with disability and carers (potential number of users is high) • Provides information and referrals to mainstream services and community support groups 	
	Tier 3	<ul style="list-style-type: none"> • Eligibility: People who require a high level of care or are in targeted early intervention groups • Provides individualised support on an assessed needs basis. • Includes cerebral palsy or other conditions deemed ‘acts of God’, and enduring psychiatric disabilities 	
NIIS	<ul style="list-style-type: none"> • Eligibility: New catastrophic injures from accidents (except work accidents). Cerebral palsy and ‘acts of God’ transferred to NDIS. • Intention to include care and support benefits on a no-fault basis. Scope of benefits to be agreed by states. 		
Accident Compensation Schemes	<ul style="list-style-type: none"> • Eligibility: Accidents not assessed as being catastrophic and eligible for NIIS, some accidents eligible for NIIS (non-care and support component), all work related accidents • Provides benefits not included in the NIIS, for some NIIS participants (dependent on nature of scheme – fault or no-fault) • Provides benefits as per the relevant scheme, for claimants not eligible for NIIS. 		



For participants eligible for Tier 3 of the NDIS, that scheme will become a single central provider of funding for specialist disability supports. However, for the NIIS there will be ongoing interaction between the continuing accident compensation schemes and the NIIS. The figure below illustrates that the transfer of the care and support components of eligible claims to the NIIS will alter the distribution of claims within existing schemes and insurance products.

Impact of the NIIS on claim size distribution for accident compensation insurance



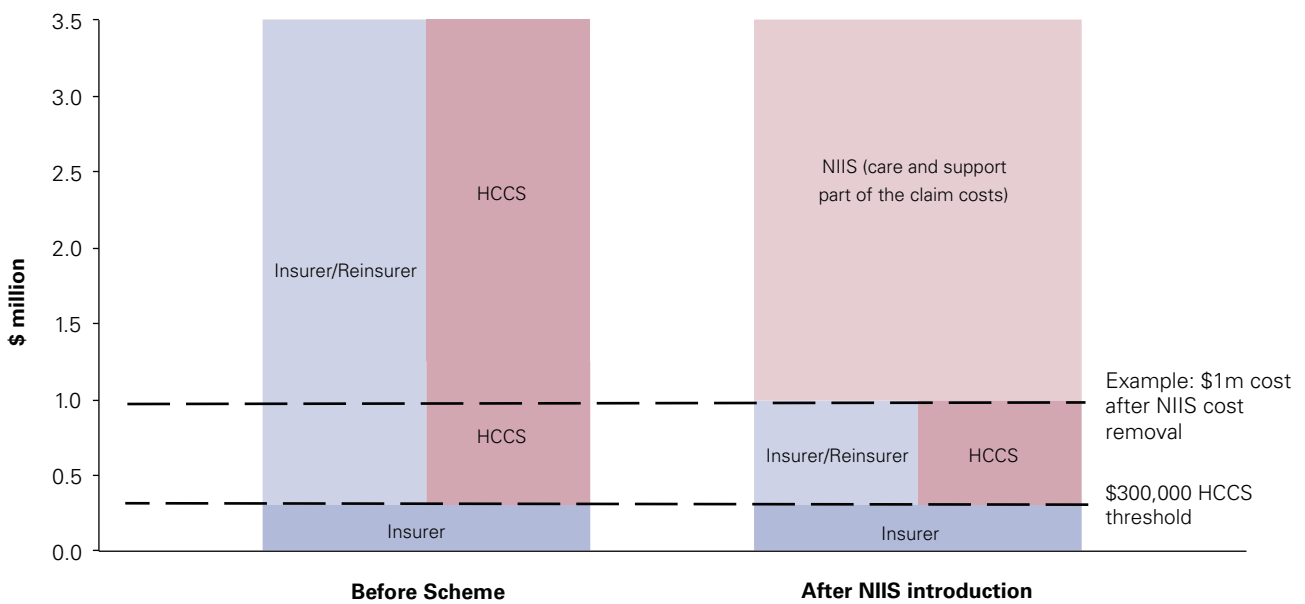
Note: The above graph is illustrative only, and is not a quantitative analysis of impact

Source: KPMG Australia 2011



Medical indemnity contains additional complexity, as there will be further interaction with existing government subsidies. An example of this is the High Cost Claims Scheme (HCCS) which subsidises a proportion of eligible medical indemnity claims above \$300,000 – an example of these interactions is shown in the figure below.

Simplified example: Medical accident of \$3.5m before NIIS – interaction with HCCS



Source: KPMG Australia 2011

Response from government

The Prime Minister, Julia Gillard, has recently announced that the Government will provide \$10 million for work on the technical aspects of the scheme (which is consistent with the final report's estimate of expenditure required in financial year 2011/12).

The Council of Australian Governments (COAG) discussed the Productivity Commission's final report on disability care and support at its meeting on 19 August 2011. Participants agreed on the need for major reform of disability services in Australia through a National Disability Insurance Scheme, and will establish a Select Council of treasurers and disability services ministers to develop high level principles to guide consideration of the recommendations in respect of the NDIS, and then further consider and report back on those recommendations. This is expected to occur across 2011 and early 2012.

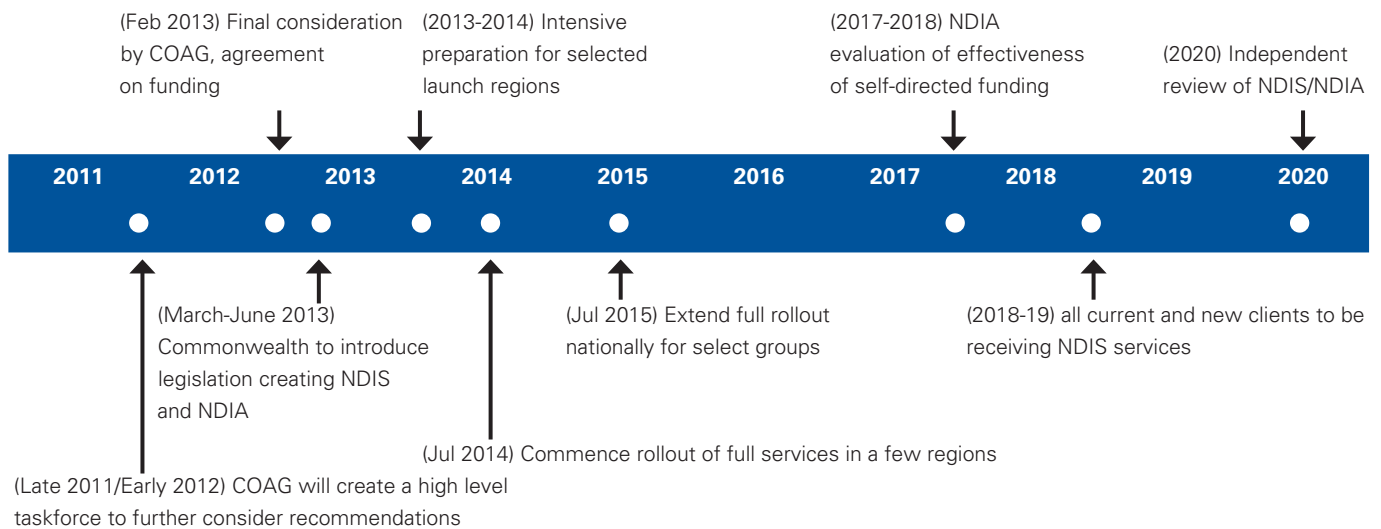
COAG has also agreed to work together to consider the Productivity Commission's recommendations regarding the NIIS.

Implementation issues

In chapter 19 of the final report, the Productivity Commission has provided an outline of what it sees as the implementation issues of this very complex new framework. The report acknowledges that implementation will be undertaken within a disability framework that has multiple jurisdictions, multiple sources of funding, established yet diverse systems, overlapping responsibilities, gaps and shortfalls in funding, and the involvement of public, private and volunteer organisations.

It emphasises that implementation cannot occur overnight and there will need to be a staged implementation.

NDIS Timetable



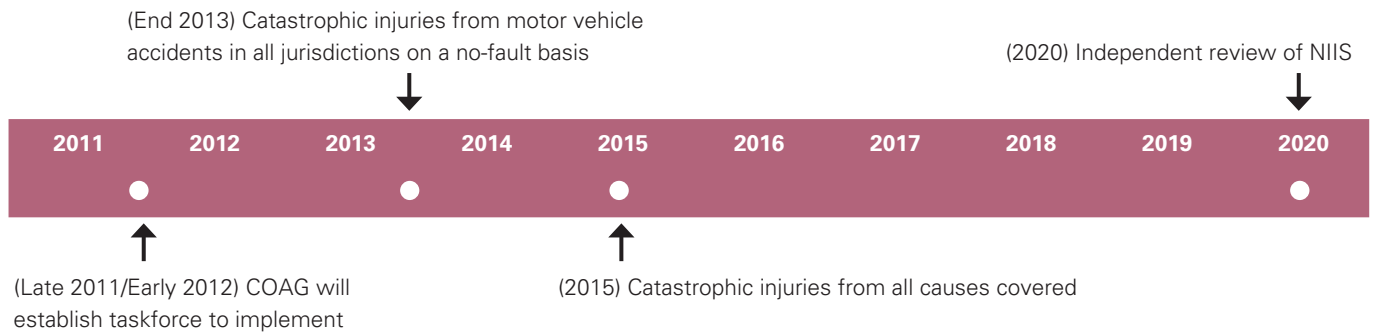
Source: *Disability Care, Productivity Commission Inquiry Report, 31 July 2011*

NDIS Timetable and issues to consider

The key issues that will require immediate consideration by the Select Council with respect to the NDIS, include:

- agreement on funding
- establishing memoranda of understanding and intergovernmental agreements
- development of an assessment toolkit
- defining quality and service standards for disability service providers
- consideration of any shortfall in the disability services workforce and establish a strategy to address the gaps
- establishing data collection standards
- agreement on the transition arrangements, including rollout stages.

NIIS Timetable



Source: *Disability Care, Productivity Commission Inquiry Report, 31 July 2011*

NIIS Timetable and issues to consider

Although the response to the NIIS is not as definitive at this stage, it will also involve a number of implementation issues. These will have implications for a number of stakeholders including:

- Each state government will need to determine which body will be responsible for implementing and overseeing the state's NIIS component. This may be an existing entity (such as an existing scheme or government insurance agency) or a new entity.
- Each of the state NIIS entities will need to agree on a common definition of catastrophic injury and common benchmark levels of care. The benchmark levels of care in the NIIS may differ from the NDIS. Input from existing compensation schemes and insurers regarding practical ways of defining these may also be required.
- Insurers, reinsurers and existing schemes will need to quantify the impact of the transfer of risk to either the NIIS or the NDIS. In particular, the allocation of cerebral palsy or other medical 'accidents' deemed to be 'acts of God' represents a potentially significant removal of cost from medical indemnity cover. The intention is to define the starting point of the NIIS scheme on a 'claims occurring' basis. This will further complicate the determination of the risk transferred to the NIIS where the existing insurance is 'claims made'.
- A decision on sources of funding will be needed from state governments. The final report primarily recommends levies on insurance premiums (motor vehicle accidents, medical accidents) or local council rates (general accidents), although some alternatives are suggested for bicycle, rail and aviation accidents. It is expected that insurers and local councils will be interested in the net cost to their policyholders or constituents – although to some extent this is merely a transfer of costs previously included in insurance (as per the previous bullet) to a levy for the NIIS, so there are some natural offsets. Variations in premium rating across states may occur, leading to further complexity for insurers operating in multiple states.
- Co-ordination will also be important – between insurers, compensation schemes, the NIIS and NDIS. Some NIIS beneficiaries may also have a residual insurance claim, so the sharing of data and the use of common assessment toolkits and provider databases will also be important.

Funding – sources and projections

The Productivity Commission’s updated estimate of the annual cost of the NDIS is approximately \$13.6 billion in 2018-19. The Commission has indicated that the preferred approach to funding this is from the federal government through a re-allocation of existing spending – approximately \$7.1 billion from existing disability programs (including both federal and state expenditures), and the remainder from other consolidated revenue.

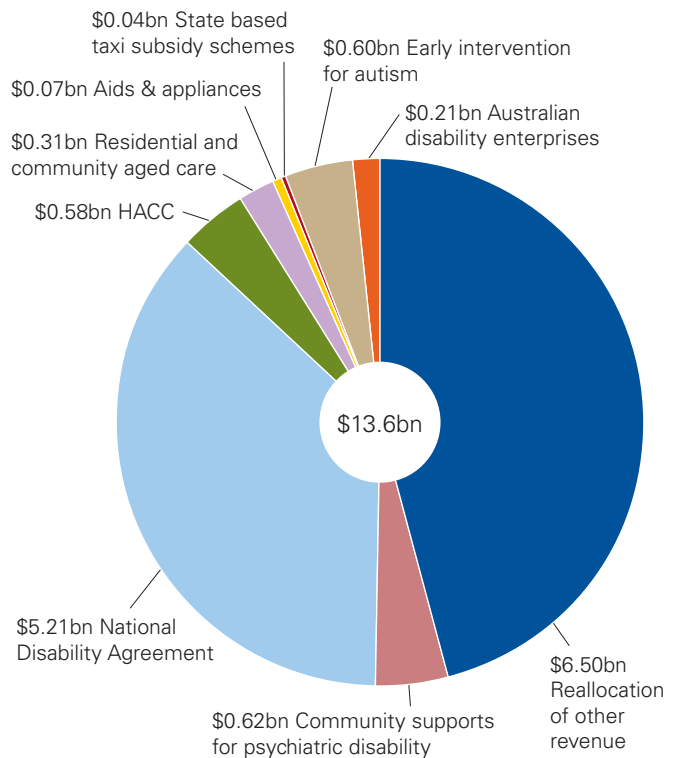
The build-up to this level of expenditure is expected to be gradual due to the phased scheme implementation (i.e. the additional groups of participants will be progressively included until the scheme is fully implemented in 2018-19), and in the long term, it is anticipated there may be further offsets due to the expected positive impact of early intervention, and the increasing number of catastrophically injured people who will be eligible for the NIIS once it is established, rather than the NDIS. However, there are significant potential variances around these estimates. This highlights the importance of the extensive monitoring proposed in the final report.

Additional issues that will need to be resolved include:

- Whether the shortfall in funding relative to existing disability expenditure should come from a reallocation of existing revenue (as per the Commission’s proposal) or be funded via an explicit (hypothecated) tax. A hypothecated tax may be politically difficult due to negative voter reactions to new taxes.
- The dependence on agreements with states and territories to pass their existing spending on disability back to the federal government, either through an explicit transfer, or implicitly through reductions in other transfers or special purpose payments from federal to state/territory governments.
- The amount to be contributed to the NDIS fund each year – whether through a formula defining contributions from consolidated revenue or through a tax.
- Ongoing independent actuarial assessments will be needed to determine whether the estimated costs require refinement. Feedback from a staged implementation will be especially useful in this regard.

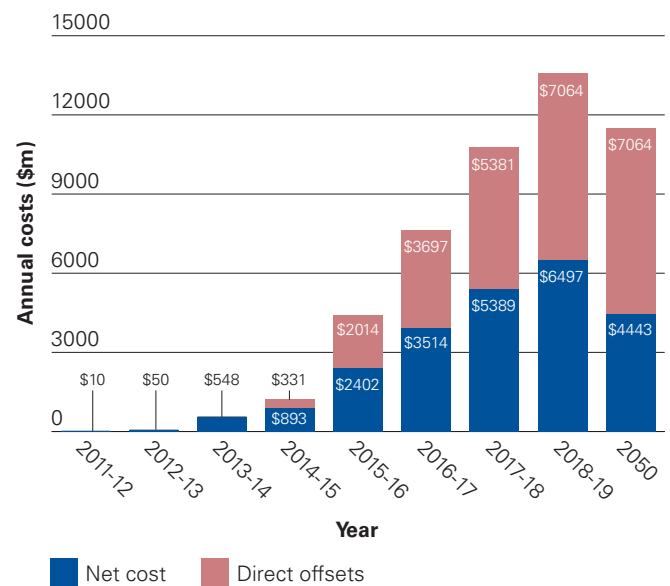
The NIIS is relatively smaller in scale, with additional net costs of \$0.8 billion estimated. As for the NDIS, this figure is subject to uncertainty. The final report proposes a mixture of levies on insurance premiums, transport tickets and council rates as desirable sources of funding as the preferred approach. This is subject to a final decision from each state, and variations from this recommendation, or between states are possible.

Proposed sources of funding



Source: Disability Care, Productivity Commission Inquiry Report, 31 July 2011

Estimated annual costs 2011-12 to 2018-19 and 2050



Source: Disability Care, Productivity Commission Inquiry Report, 31 July 2011



Memoranda of understanding (MOU) and intergovernmental agreements

The NDIS will continue to be just one part of a broader suite of services that are potentially relevant to people with a disability. The final report makes a number of recommendations which relate to the development of memoranda of understanding (MOU) and other agreements to ensure there is a clear delineation of responsibilities, communication protocols, referral protocols and funding arrangements. Specifically, the NDIS will need to proactively seek MOU and linkages with:

- state based health, mental health, aged care and palliative care sectors
- state based mainstream services such as housing, education, transport and employment
- community sector, not-for-profit (NFP) groups and other agencies to ensure there are no overlapping functions, agreements on working partnerships and that goals are consistent with NDIS objectives
- state medical and health institutions to ensure that the needs of individuals are met in an integrated fashion, and that there will be adequate funding for research, prevention and early intervention in areas where the NDIS and health institutions would mutually benefit.

The relationship between the NDIS and NIIS will also be important to ensure that the potential participants do not 'slip between the cracks' of the two schemes.

Eligibility and assessment toolbox

It is not intended for the NDIS and NIIS to address the care and support needs of all individuals, but where the needs are greatest. In order to achieve this, one of the first items that will need to be addressed is introducing workable and balanced assessment criteria. This will require definitions such as 'disability', 'long term' and 'permanent' that can be objectively and fairly applied. However, these concepts involve some level of subjectiveness and involve grey areas, which could potentially restrict access or blow out costs.

The Productivity Commission recommends a toolbox approach to assess support needs, and suggests that implementation should not be delayed because of imperfect tools. There may be some potential for such assessment tools to be shared between the NDIS and NIIS, enabling consistency between the two schemes. Again, decisions will need to be made on the definitions and framework to define 'reasonable and necessary' supports, i.e. the dividing line between needs and wants. Once the assessment toolkit is in place, this will flow into the implementation of self-directed funding for eligible participants.



Disability services – quality of service and information for consumers

It is anticipated that the NDIS be a single (initial) contact and entry point for people when they acquire a disability. Information and referral services are likely to be of great value to people with disabilities and therefore it will be very important that the NDIS provide clear, consistent, accurate and up-to-date information.

The NDIS will need to have a centralised electronic database with numerous components:

- general information about specific disabilities, including expected impacts and most effective care and support
- information on mainstream and community services outside of the NDIS, including early intervention for specific disabilities that are not eligible for individualised funding
- a list of services, service providers, products and community groups in each area/region. Inclusion on the list may require registration and assessment of the service provider by the NDIS, as the intention is to include information on quality of service, using nationally consistent measures.

The effort required to compile this database should not be underestimated. The availability of such information will underpin the success of both tier two and tier three of the NDIS, both of which are intended to provide the consumer with greater choice and control over the services and provider used.

For disability service providers, the proposed changes suggest a change to the way the industry operates, including:

- greater demand and greater funding available for disability support services, with implications for workforce supply
- less block funding and greater focus on individual consumer choice, and customer service standards
- nationally consistent measures of service provider performance will be available to potential consumers. The disability services industry will need to work with the NDIS to develop appropriate measures of quality of service
- regulatory oversight from the NDIS in terms of setting efficient prices for services
- new opportunities, such as the emergence of disability support organisations (DSO) and an 'innovation fund' for trialling new approaches to disability services.

Workforce issues

One of the main issues that arises from the implementation of the NDIS, NIIS and proposals currently under consideration in respect of aged care is the supply of support workers they will require. Formal disability services currently employ approximately 70,000 people. The Law Council of Australia notes that there are reports of shortages of labour in this sector, and the Commission notes that implementing the NDIS and NIIS will likely exacerbate the shortage. As a result, the disability workforce will need to increase for the schemes to be sustainable.

Current challenges to increasing the workforce supply include an ageing workforce (impacting future supply), low wages in the disability sector, the timing of shifts (e.g. through the night) and heavy reliance on informal carers. The table below summarises the possible opportunities to increase the workforce supply as put forward by the Commission.

Existing staff wanting to work more hours
Low barriers to entry – formal training not compulsory
Greater support for informal carers
Improving public perception
Scholarships or training subsidies
Better working conditions for staff
Increase wages
Variable pricing of shifts based on the time of day
Immigration (if acute labour shortages)
Trialling payments to informal carers

Establishing data collection standards

The establishment of a comprehensive database is another key aspect of the success of the NDIS and NIIS, and data sharing between the two is possible. Information collected would be used for:

- i Monitoring the success of individual plans
- ii Development of benchmarks for assessment purposes
- iii Use in costing, funding and cash flow management
- iv Use in research and ongoing development and refinement of assessment tools and early intervention successes
- v Tracking what services are being accessed
- vi Enabling portability of assessment across various bodies and states/territories

Transition phases

The report recommends that the initial stage of the NDIS introduction would be based on a region (not an entire state) with a sufficient number of participants, followed by nationwide rollout. However, even the subsequent nationwide rollout is likely to involve stages based on groups of people, rather than all participants being included at once. Such a staged approach has advantages in terms of allowing information from the initial trial to flow back into the projections of participants, costs and workforce needs, while limiting any initial strain to the system. However, rollout in parallel with existing funding and disability supports may lead to complexities in respect of funding and other aspects.

Similarly, the NIIS is proposed to be rolled out in stages, with motor vehicle related injury recommended as the first source of injury to be included, and progressive rollout to other sources of injury in subsequent years.

Who will be affected?

The changes that will occur if the Productivity Commission’s recommendations are adopted will affect many stakeholders across Australia, including people with disabilities and their families, federal, state and territory governments, government agencies, insurers, compensation schemes, local councils, disability service providers, not-for-profit organisations, advocacy groups and workers (or potential workers) in the disability industry.

The implications for some of these groups have been noted in this document. If you would like to discuss specific implications for your organisation, please contact us.

Contact us

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