**National Disability Insurance Scheme**

**Annual Financial Sustainability Report**

**2020-21**

**Sarah Johnson BCom FIAA**

**Scheme Actuary**

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## Executive Summary

An annual financial sustainability report (AFSR) is required under section 180B of the NDIS Act and provides an assessment of the financial sustainability of the National Disability Insurance Scheme (“the Scheme”, or NDIS). The AFSR is produced using data at 30 June each year and a summary of each year’s AFSR has been included in the NDIA annual report. This report uses data to 30 June 2021 to project the future cost of the Scheme. It includes analyses and discussion on recent Scheme experience, best estimate projections of future participant numbers and average payments (based on emerging experience and future expectations), scenarios relating to plausible variances in the projections, and recommended strategies to address risks to sustainability.

The previous such report was an interim update to the AFSR released on 3 July 2021.[[1]](#footnote-2) It was based on data to 31 December 2020, with commentary about experience to 31 May 2021 (the “previous review”). References to the “previous review” throughout this report refer to results contained within that report.

Financial sustainability

The *NDIS Insurance Principles and Financial Sustainability Manual*[[2]](#footnote-3) outlines the NDIS’ insurance model in detail and defines financial sustainability as the state where:

* *The Scheme is successful on the balance of objective measures and projections of economic and social participation and independence, and on participants’ views that they are getting enough money to buy enough goods and services to allow them reasonable access to life opportunities - that is, reasonable and necessary support;*
* *Contributors think that the cost is and will continue to be affordable, under control, represents value for money and, therefore, remain willing to contribute.*

The current government expectation of Scheme cost is included in the annual Portfolio Budget Statements (PBS)[[3]](#footnote-4), noting it is not only the financial cost of the Scheme that is important within the context of financial sustainability, but also the outcomes achieved by the Scheme.[[4]](#footnote-5)

Projection model

In projecting future Scheme costs, assumptions on both the number of participants in the Scheme and the average payment per participant are required. The number of participants each year is derived based on assumptions on both the number of participants entering and the number of participants exiting the Scheme. Average payments are based on current payment levels which are then inflated each year.

Participant characteristics and levels of support need differ substantially amongst participants in the Scheme. Therefore, assumptions on participant numbers and average payments are calibrated by different participant cohorts. Specifically, assumptions are derived by age group, disability, level of function, gender, and whether the participant resides in Supported Independent Living (SIL).[[5]](#footnote-6) This results in approximately 2,000 unique cohorts.

Assumptions have been set using both past Scheme experience and expectations of future Scheme performance. That is, the best estimate projection in this report is not simply an extrapolation of past Scheme trends; rather, a forward-looking approach is taken, which assumes operational initiatives undertaken by the NDIA will result in past trends not necessarily continuing to the same extent.

As with any projection, there is uncertainty in the results. As the Scheme continues to mature, Scheme experience can change, perhaps materially, resulting from the decisions and actions of the Agency and governments, and this would affect the eventual trajectory of participant costs. Uncertainty is explored further in Section 6.1, where plausible high and low case estimates of Scheme cost are quantified.

Number of participants

The number of the participants in the Scheme each year, and the projection of future participants is presented in Figure 1. In 2024-25 it is estimated that there will be 670,400 participants in the Scheme (of which 633,596 are under the age of 65 years), and in 2029-30 it is estimated that the number of participants will increase to 859,328 (of which 798,341 are under the age of 65 years). These figures are significantly higher than originally envisaged by the Productivity Commission - the 2017 Productivity Commission Study report[[6]](#footnote-7) assumed 582,860 participants in the Scheme at 2029-30 (of which 513,162 would be under 65 years). In 2029-30 the number of participants is therefore estimated to be 276,468 (or 47%) higher than estimated in the 2017 Productivity Commission Study report.

The projected number of participants at this review is compared to those from the previous review in Figure 2. It shows that the projection at this review is very similar to the previous review, with the projection having reduced by 1.8% by June 2025 and 1.3% by June 2030.

Figure Comparison of actuals, future projections (total, and participants aged 0 to 64) and 2017 Productivity Commission estimates

Line graph showing comparison of actual participant numbers and future participant projections. Actual totals were 164,297 as at 30 June 2018, 286,015 as at 30 June 2019, 391,999 as at 30 June 2020 and 466,619 as at 30 June 2021.
PC estimates were 264,150 as at 30 June 2018, 447,341 as at 30 June 2019, 473,653 as at 30 June 2020, 485,877 as at 30 June 2021, 520,834 as at 30 June 2024, 532,042 as at 30 June 2025 and 582,860 as at 30 June 2030. 
The 2020-21 FSR Projection for total participants is 630,327 as at 30 June 2024, 670,400 as at 30 June 2025 and 859,328 as at 30 June 2030.
The 2020-21 FSR projection of participants between ages 0 and 64 is 598,491 as at 30 June 2024, 633,596 as at 30 June 2025 and 798,341 as at 30 June 2030

Figure Comparison of participant numbers to previous review

Line graph showing comparison of actual participant numbers and future participant projections. Actual totals were 164,297 as at 30 June 2018, 286,015 as at 30 June 2019, 391,999 as at 30 June 2020 and 466,619 as at 30 June 2021.
The Dec20 FSR Projection as at 30 June 2024 is 643,229, 682,760 as at 30 June 2025 and 870,761 as at 30 June 2030.
The 2020-21 FSR Projection as 30 June 2024 is 630,327, at 30 June 2025 this is at 670,400, at 30 June 2030 this number has increased to 859,328The two drivers in the growth in the number of participants are the rate of new entrants to the Scheme, and the rate at which participants exit the Scheme. The rate of new entrants to the Scheme continues to be very high, especially in the geographical areas where the Scheme has been operating for several years. As an example, the rate of new entrants in geographical areas that commenced in 2013 was 341 per 100,000 people over 2020-21, which is approximately 93% higher than the 30 June 2020 AFSR assumed rate of 177 per 100,000 people, and 28% higher than the rate assumed at this review of 267 per 100,000 people.

Figure 3 Observed new incidence rate by phasing year and assumptions at 30 June 2020 and 2021[[7]](#footnote-8)

Bar chart showing Observed new incidence rate per 100k people by phasing year and assumptions at 30 June 2020 and 2021. The June 2021 projection assumption is at 267 per 100,000 people, and the projection assumption for June 2020 was 177,  The actual for 2013 is 341, for 2016 is 303, for 2017 is 344, for 2018 is 328 and for 2019 is 423.

The assumption adopted at this review (267 per 100,000 people), is lower than the rates recently observed but higher than the rate assumed at 30 June 2020 and prior reviews. This is based on an assumption that the longer term rate of new entrants will be lower than previously observed. The adopted assumption is approximately 80% of the observed experience (and approximately 70% for adult participants, where there is greater uncertainty about the longer term number of new participants). There therefore remains upside risk in this assumption (that is, the risk that participant numbers will be higher).

In response to this uncertainty the Agency has undertaken further analysis to understand the reasons for the high number of new entrants. Specifically, a sample of recent adult new entrants from early geographic areas was analysed. 61% of the sample was regarded as likely to be true new incidence[[8]](#footnote-9) (and can therefore be regarded as indicative of future levels of new incidence).

For the remaining 39% it is less clear whether they represent true new incidence or previously unmet need[[9]](#footnote-10) (who would therefore **not** be regarded as indicative of future levels of new incidence). Many of these participants where there is uncertainty have interacted with the justice and/or mental health systems, and it is plausible to expect that it has taken some time for participants such as these to access the Scheme. Based on the analysis of this sample, the assumed rate of new incidence has been left unchanged since the previous review, as the current assumption does not appear unreasonable. Nonetheless there remains a high degree of uncertainty around this underlying assumption (especially considering the range of disabilities and conditions of participants entering the Scheme). This is further explored in Section 6.1 of this report.

The rate at which participants exit the Scheme for reasons other than mortality is also lower than expected. Section 25 of the NDIS Act allows participants to enter the Scheme to receive early intervention support, and it was assumed that some participants would receive this support and then be supported by mainstream and community services. However, the rate of non-mortality exits compared to expectations in the year to 30 June 2021 (as seen in Figure 4 and Figure 5 below), is considerably less than the current long term assumption. For example, non-mortality exit rates were assumed to be 1.02% for 0-6 year olds, and the rate in the past year to 30 June 21 was 0.75%.

Similarly, for participants aged 7+ years, the actual non-mortality exit rate experience to 30 June 2021 remains noticeably lower than the long term assumptions.

Figure Actual versus expected non-mortality exits for participants aged 0 to 6

Bar and line graph showing actual versus expected non-mortality exits for participants aged 0 to 6. The Long Term expected non-mortality exit rate is 3.09%, 
The 2021-22 Expected non-mortality rate is 1.02%
The actual non-mortality exit rates were 2.19% in the quarter ending June 2018, 1.10% in the quarter ending June 2019, 0.45% in the quarter ending June 2020, and 0.75% in the quarter ending June 2021.

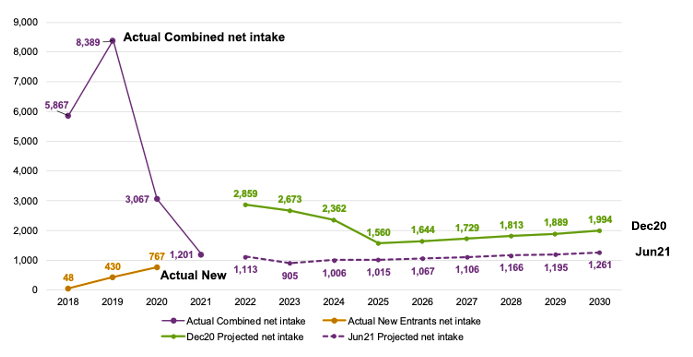
Figure Actual versus expected non-mortality exits for participants aged over 7

Bar and line graph showing actual versus expected non-mortality exits for participants aged over 7. The Long term expected non-mortality exit rate was 1.41%,
The 2021-2022 expected non mortality exit rate is 0.46%
actual non-mortality exit rates were 1.02% in the quarter ending June 2018, 0.62% in the quarter ending June 2019, 0.52% in the quarter ending June 2020, and 0.60% in the quarter ending June 2021.


There remains significant uncertainty around these assumptions. In light of this uncertainty the long-term exit rate assumptions have remained unchanged from the previous review. It continues to be assumed that rates of exit will increase as participants receive early intervention supports, and the NDIA focuses on ensuring participants continue to meet the access criteria (as per the NDIS Act). As the current long-term assumption is considerably higher than observed experience, there again remains upside risk in this assumption (that is, the risk that participant numbers will be higher). An alternative scenario regarding the rate of non-mortality exits is considered in Section 6.1.

Since the previous review, analysis has been undertaken to understand the composition of the new SIL participant intake between those participants transitioning from existing schemes and those who were new to disability supports. This indicated that the number of new SIL participants who were new to disability supports is lower than the assumption at the previous review. Figure 6 below highlights that the revised projection is more in line with the actual new entrant net intake than was the previous projection.

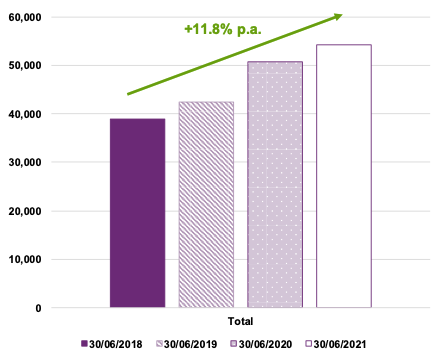
Figure SIL participants intake experience to date and trajectory[[10]](#footnote-11)



Average payments per participant

Average annualised payments have continued to increase year on year (Figure 7). Average payments have increased by 11.8% p.a. over the last four years.

Figure 7 Average annualised payments over time[[11]](#footnote-12)



Over the past four years, the mix of participants in the Scheme has changed. That is, as the Scheme has rolled out across the country, the proportion of participants by different characteristics has changed. In particular, the proportion of children in the Scheme is higher in 2020-21 compared with 2017-18, and the proportion of SIL participants in the Scheme is lower in 2020-21 compared with 2017-18.

Analysing the change in average payment over time by whether or not participants are in SIL indicates that the average annual increase in average payment has been consistently high across both participant groups. Specifically, the average annual payment has increased for SIL participants by 12.0%p.a., and the average annual payment has increased for non-SIL participants by 17.1%p.a. (Figure 8). These averages are higher than the overall average (of 11.8%p.a.), as the proportion of participants in SIL has decreased over the period. The average inflation over the past three years (removing the effect of change in mix) was 14.9% p.a.

Figure 8 Average annualised payments over time by SIL group[[12]](#footnote-13)

Bar and line graphs showing average annualised payments per participant increasing by 12% per annum over time for SIL and 17% per annum for Non-SIL participants.

Figure 9 analyses the change in average payment over time by age band for participants not in SIL[[13]](#footnote-14). The average increase for 0 to 14 year olds is 13%p.a., the average increase for 15 to 24 year olds is 12%p.a., the average increase for 25 to 64 year olds is 21%p.a., and the average increase for participants aged over 65 is 22%p.a. For participants not in SIL, average payments have increased at a faster rate for adults (those aged over 25) and reflect material increases in the hours of attendant care support received by these participants.

Figure 9 Average annualised payments over time for non-SIL participants by age band[[14]](#footnote-15)

Bar and line graphs showing average annualised payments per participant over time for non-SIL participants by age band. There was a 13% increase per annum for 0 to 14 years, 12% increase per annum for 15-24 years, 21% increase per annum for 25 to 64 years, and 22% increase per annum for those aged 65+.

A forward looking approach to inflation has been adopted, that is, it is not assumed past trends will continue. Inflation is expected to be 6.7% in 2021-22 and 3.5% in 2022-23. These figures include the impact of the change in mix in Scheme population (with average reported functional capacity increasing[[15]](#footnote-16)), and the consequent expected reduction in average payment per participant. The historic average shown implicitly includes change in mix, and so the most appropriate comparison to past experience is the total including change in mix.

Figure 10 and Table 1 below, which compare historic inflation experience with the adopted total inflation in this review, shows that the forecast inflation (including change in mix) is below the observed average over the preceding three years. In particular, the assumed rate of 9.7% from 2020-21 to 2021-22 is higher than future years noting that just over half of this inflation has already occurred in the latter half of 2020-21[[16]](#footnote-17). There is considerable uncertainty regarding these future levels of superimposed inflation, and the impact of different scenarios is quantified in Section 6.1.

Table Comparison of historical inflation experience and adopted total inflation[[17]](#footnote-18)

| Inflation on Payments | Average Annual rate over the previous 3 years | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2029-30 | Thereafter |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2020-21 AFSR |  | | | | | | |
| Normal Inflation |  | 3.0% | 3.2% | 3.2% | 3.2% | 3.2% | 3.2% |
| Superimposed Inflation |  | 9.7% | 5.0% | 3.0% | 1.1% | 0.0% | 0.0% |
| Total (excl change in mix) | 14.9% | 12.7% | 8.1% | 6.2% | 4.3% | 3.3% | 3.3% |
| Change in mix | -3.1% | -5.6% | -4.4% | -3.2% | -2.3% | -0.7% |  |
| Total (incl change in mix) | 11.8% | 6.7% | 3.5% | 2.9% | 1.9% | 2.6% |  |

Further, adopted total inflation at this review (excluding change in mix) is higher than the previous review for the next three years (Figure 11).

**Figure 10 Comparison of historic inflation experience and adopted total inflation**[[18]](#footnote-19)

Bar and line graph showing Comparison of historical inflation experience and adopted total inflation. The average annual rate over the previous 3 years Total excluding change in mix) is 14.9% the change in mix is -3.1% and the total (including change in mix is 11.8%) For the years 2021-22 Normal inflation is 3.0%, superimposed inflation is at 9.7%, Total excluding change in mix is 12.7%, change in mix is -5.6% and the total including change of mix is 6.7%. For the years 2022-23 the normal inflation is 3.2%, superimposed inflation is 5.0%, total excluding change in mix is 8.1%, change in mix is -4.4%, total including change in mix is 3.5%. For the years of 2023-24 the normal inflation is 3.2%, superimposed inflation is 3.0%, Total excluding change in mix is 6.2%, change in mix is -3.2%, total including change in mix is 2.9%, for the years of 2024-25 the normal inflation is 3.2%, superimposed inflation is 1.1%, total excluding change in mix is 4.3%, change in mix is -2.3% and the total including change in mix is 1.9%. For the years of 2029-30 normal inflation is 3.2%, superimposed inflation is 0.0%, total excluding change in mix is 3.3%, change in mix is -0.7%, total including change in mix is 2.6%

Figure Comparison of adopted total inflation with previous review[[19]](#footnote-20)

A bar and line chart showing a comparison of adopted total inflation with previous review. The graph details a drop for 2020-21 AFSR (excluding change in mix) from a high of 12.7% in 2021-22 to 3.3% in 2029-30, a similar story for Dec20 AFSR (excluding change in mix) from 9.9% in 2021-22 to 3.5% in 2029-30. Dec20 AFSR (including change in mix) drops from 5.2% to 3.2% in the same period of time and the same trend is true for 2020-21 AFSR (including change in mix) which drops from 6.7% in 2021-22 to 2.6% in 2029-30 

Total participant costs

Combining the information on the projected number of participants and projected average payment per participant, results in total participant costs of $29.2 billion in 2021-22, $41.4 billion in 2024-25, and $59.3 billion in 2029-30 (on an accrual basis).[[20]](#footnote-21)

Table 2 Projected participant costs (cash and accrual basis)

| Participant costs ($m) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2029-30 |
| --- | --- | --- | --- | --- | --- |
| Participant Costs (cash basis) |  | | | | |
| Participant Costs (0-64) | 26,994 | 30,965 | 34,345 | 37,067 | 51,471 |
| Participant Costs (65+) | 1,837 | 2,464 | 3,114 | 3,748 | 7,012 |
| Total Participant Costs (cash basis) | 28,831 | 33,429 | 37,459 | 40,814 | 58,483 |
| Total Participant Costs (accrual basis) |  | | | | |
| Participant Costs (0-64) | 27,359 | 31,386 | 34,812 | 37,569 | 52,169 |
| Participant Costs (65+) | 1,864 | 2,501 | 3,161 | 3,803 | 7,115 |
| Total Participant Costs (accrual basis) | 29,223 | 33,886 | 37,973 | 41,373 | 59,284 |

As noted above, this projection is not simply an extrapolation of past trends. Instead, a forward-looking approach has been adopted for new entrants, non-mortality exit rates, and inflation in average payments. The scenario analysis in Section 6.1 considers a range of uncertainties in relation to these key assumptions.

Comparison with previous AFSR

The projected participant costs are approximately $3.9 billion **higher** than the previous review in the four years to June 2025, and about $1.0 billion **lower** in 2029-30 (Table 3).

Table Total Participant costs (accrual basis) compared to previous review

| Projected Participant Costs ($m) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2029-30 | Total 2021-25 |
| --- | --- | --- | --- | --- | --- | --- |
| 2020-21 AFSR | 29,223 | 33,886 | 37,973 | 41,373 | 59,284 | 142,455 |
| Dec20 AFSR | 28,139 | 32,900 | 36,906 | 40,659 | 60,324 | 138,603 |
| Difference | 1,085 | 987 | 1,066 | 714 | -1,040 | 3,852 |

The sources of variance between this projection and the previous review are shown in   
Table 4:

* Changes to assumptions regarding population numbers (predominantly the number of new participants entering Supported Independent Living) have **reduced** the projection by $5.0 billion in the four years to June 2025 and $3.2 billion in 2029-30
* Higher base payment assumptions (i.e. the average payment per participant in the immediate future), resulting from higher recent payment experience have **increased** the projection by $3.5 billion in the four years to June 2025 and $1.4 billion in 2029-30
* An increased allowance for future inflation (i.e. **in addition** to the higher base payment assumptions), has **increased** the projection by $7.1 billion in the four years to June 2025 and $2.6 billion in 2029-30
* A reduction of 8.5% in the allowance for the average payment for new entrants has **reduced** the projection by $1.8 billion in the four years to June 2025 and $1.9 billion in 2029-30. This reduction arises from new entrants, on a mix-adjusted basis, being observed to cost less than existing participants.

Table Variance between this projection and previous review

| Total Participant costs – accrual basis ($m) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2029-30 | Total 2021-25 |
| --- | --- | --- | --- | --- | --- | --- |
| Updated population numbers and assumptions | -486 | -1,121 | -1,513 | -1,882 | -3,163 | -5,002 |
| Updated base payment assumptions | 818 | 849 | 901 | 967 | 1,404 | 3,535 |
| Updated inflation assumptions | 866 | 1,613 | 2,262 | 2,422 | 2,646 | 7,163 |
| Lower cost of new entrants | -112 | -354 | -584 | -793 | -1,927 | -1,843 |
| Total impact of experience and modelling | 1,085 | 987 | 1,066 | 714 | -1,040 | 3,852 |
| Updated population numbers and assumptions | -1.7% | -3.4% | -4.1% | -4.6% | -5.2% | -3.6% |
| Updated base payment assumptions | 2.9% | 2.6% | 2.4% | 2.4% | 2.3% | 2.6% |
| Updated inflation assumptions | 3.1% | 4.9% | 6.1% | 6.0% | 4.4% | 5.2% |
| Lower cost of new entrants | -0.4% | -1.1% | -1.6% | -1.9% | -3.2% | -1.3% |
| Total impact of experience and modelling | 3.9% | 3.0% | 2.9% | 1.8% | -1.7% | 2.8% |

Comparison with PBS and Productivity Commission estimates

Projected participant costs are higher than the most recent 2021-22 Portfolio Budget Statements (Table 5), and higher than the 2017 Productivity Commission costing (

Table 6).[[21]](#footnote-22)

Table 5 Projected total Participant costs (accrual basis) compared to PBS

| Comparison to Portfolio Budget Statements (PBS) ($m) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | Total |
| --- | --- | --- | --- | --- | --- |
| 2021-22 Portfolio Budget Statements (PBS) | 26,487 | 28,257 | 29,425 | 31,884 | 116,053 |
| Participant costs from Jun21 AFSR (cash basis) | 28,831 | 33,429 | 37,459 | 40,814 | 140,534 |
| Estimated costs for support provided but not yet paid | 392 | 457 | 513 | 558 | 1,921 |
| Participant costs from Jun21 AFSR (accrual basis) | 29,223 | 33,886 | 37,973 | 41,373 | 142,455 |
| Participant costs, compared to Portfolio Budget Statements | 2,736 | 5,629 | 8,548 | 9,489 | 26,402 |

Table Projected total Participant costs (accrual basis) compared to estimates of Scheme costs in the 2017 PC study report[[22]](#footnote-23),[[23]](#footnote-24)

| Participant costs – accrual basis ($b) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2029-30 |
| --- | --- | --- | --- | --- | --- |
| 2017 Productivity Commission report | 25,158 | 26,740 | 28,351 | 30,555 | 40,915 |
| *less operating costs* | -1,450 | -1,503 | -1,511 | -2,054 | -2,784 |
| 2017 Productivity Commission participant costs | 23,708 | 25,238 | 26,839 | 28,500 | 38,130 |
| Baseline projected participant costs (accrual basis) | 29,223 | 33,886 | 37,973 | 41,373 | 59,284 |
| Difference | 5,515 | 8,649 | 11,133 | 12,872 | 21,154 |

The 2021-22 PBS included an increase in future expenditure for 2021-22 onwards compared with the 2020-21 PBS (of $12.0 billion). A comparison of actual participant costs and previous Portfolio Budget Statements is shown in Table 7, with a negative amount reflecting underspend on participant costs and a positive amount reflecting an overspend.

**Table 7 Comparison of actual participant costs and PBS estimates**

| Total Participant Costs ($m) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Portfolio Budget Statements 2021-22 |  | | | |  | 26,487 | 28,257 | 29,425 | 31,884 |
| Portfolio Budget Statements 2020-21 |  | | | | 21,720 | 23,807 | 24,022 | 24,315 |  |
| Portfolio Budget Statements 2019-20 |  | | | 16,262 | 20,903 | 22,116 | 23,361 |  | |
| Portfolio Budget Statements 2018-19 |  | | 15,139 | 19,537 | 21,064 | 22,300 |  | | |
| Portfolio Budget Statements 2017-18 |  | 8,045 | 14,267 | 17,856 | 19,165 |  | | | |
| Portfolio Budget Statements 2016-17 | 3,487 | 8,813 | 15,905 | 20,077 |  | | | | |
| Actual participant costs (accrual) | 2,238 | 5,418 | 10,460 | 17,589 | 23,347 |  | | | |
| Actual participant costs compared with latest PBS | -1,249 | -2,627 | -4,679 | 1,327 | 1,627 |  | | | |

Operating Costs

The Agency maintains a detailed activity-based costing of its operations. The operating expenses adopted in this AFSR are based on this internal model. In 2020-21 actual operating expenses (at $1.5 billion) were lower than budgeted in the PBS by $40.7 million, or 2.7% (Table 8). In 2020-21 operating costs represented 6.3% of participant costs.

Table Actual operating expenses compared to expectations for 2020-21

| Operating expenses – full year to 30 June 2021 | $m |
| --- | --- |
| Actual | 1,481.0 |
| Budget (from 2019-20 PBS) | 1,521.7 |
| Difference (Actual – Budget) | -40.7 |

Operating expenses, as a percentage of participant costs, are projected to reduce over time, as the relative cost of bringing new participants into the Scheme is expected to reduce, and also because the average payment per participant is expected to increase at a faster rate than the inflation rate assumed to underpin the Scheme’s operating costs (Table 9). Operating costs are forecast to be 6.0% of participant expenses in 2021-22, reducing to 5.0% in 2024-25, and 4.1% in 2029-30.

Table Agency operating costs

| Operating and Participant Costs ($m) | 2022 | 2023 | 2024 | 2025 | 2030 |
| --- | --- | --- | --- | --- | --- |
| 2020-21 AFSR |  | | | | |
| Participant Costs (accrual basis) | 29,223 | 33,886 | 37,973 | 41,373 | 59,284 |
| Operating Costs | 1,760 | 1,879 | 1,978 | 2,055 | 2,452 |
| As a % of Participant Costs | 6.0% | 5.5% | 5.2% | 5.0% | 4.1% |

The forecast operating costs of $1,760m in 2021-22 are approximately $250m (or 18%) higher than those in 2020-21 (and a similar amount higher than the amount allowed for in the 2021-22 PBS), however this variance is regarded as relatively small in the context of the sustainability risks relating to participant costs which are identified in this report, and the recommended operating expense range in the 2017 PC study report, of 7-10%.[[24]](#footnote-25)

Variability in cost projections – scenario analysis

The projections presented in Section 5 of this report represent the “baseline” estimate of Scheme population and costs. As highlighted throughout this report, there is considerable uncertainty in relation to these projections, and the actual cost may vary from the baseline projections possibly significantly. More specifically there is significant uncertainty in relation to:

* **Numbers of new entrants to the Scheme** – observed numbers of new participants, whilst slightly lower than the previous review are significantly higher than those forecast in earlier reports and in the 2017 PC Study Report. Whilst the number of new entrants per annum is reducing it is unclear when they will stabilise and at what level
* **The average payment for new entrants to the Scheme** - there are relatively few years of experience from which to determine the average payment for new entrants, compared to existing participants. As more new entrants enter the Scheme the relative average payment for new entrants may vary substantially from that previously observed
* **Rates of non-mortality exits** – observed rates of non-mortality exits are significantly lower than forecast in in previous reports and in the 2017 PC Study Report and the long term rates assumed may not eventuate.
* **Rates of superimposed inflation** – average payments per participant have grown at rates substantially exceeding normal inflation for several years. Whilst some of the pressures giving rise to past increases remain, these would not be expected to continue indefinitely and hence past rates of inflation do not provide definitive guidance regarding likely future rates of inflation.
* **Numbers of participants transitioning into Supported Independent Living** –there is only one year of experience of participants transitioning into Supported Independent Living following all geographic regions gaining access to the Scheme. Longer term SIL participant numbers are therefore based on relatively little experience.

To consider the uncertainty inherent within the projection revised projections have been calculated for a number of scenarios. These consider a range of plausible outcomes in relation to the uncertainties above. Table 10 shows the range of plausible scenarios estimated. Comments about specific scenarios are as follows:

* *Two additional years of high inflation* is assumed at the same rate as observed over the past three years, which is higher than that assumed in the baseline projection
* *Higher long term new incidence assumptions* are consistent with the rate observed over the past year which is higher than that assumed in the longer term in the baseline projection
* *Lower non-mortality exit rates* are consistent with those recently observed, which are lower than those assumed in the longer term in the baseline projection
* *Higher cost of new entrants* assumes new entrants having the same average payment as existing participants in the same cohort[[25]](#footnote-26)
* *One year less of high inflation* assumes that inflation reduces to a lower long term level one year earlier (i.e. the long-term assumption is adopted from 2027-28 onwards compared with 2028-29 onwards in the baseline projection).
* *Lower long term new incidence assumptions* projects new entrants consistent with that assumed at 30 June 2020, which is about 33% below current assumptions
* *Lower cost of new entrants* assumes new entrants having average payments 17% below existing participants, consistent with the recent observed experience (under the baseline projection the cost of new entrants is assumed to be 8.5% lower than existing participants)
* *Other* scenarios include
  + variances in the number of SIL participants (200 less p.a. in the reduction scenario and 500 more p.a. in the increase scenario)
  + lower general population growth (i.e. lower growth in the Australian population)
  + three additional years of new entrant numbers in excess of the long term rate (i.e. the new incidence rate stabilises in 2026-27 instead of 2023-24).

The plausible range estimated in 2024-25 is between $39.0 billion and $47.8 billion, whilst the plausible range estimated in 2029-30 is between $53.2 billion and $74.2 billion.

Table Plausible range of cost outcomes

| Scenarios – all participants ($m) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2029-30 | Total  2021-25 |
| --- | --- | --- | --- | --- | --- | --- |
| Baseline Projection | 29,223 | 33,886 | 37,973 | 41,373 | 59,284 | 142,455 |
| Cost increase scenarios |  | | | | | |
| Two additional years of high inflation | 1,183 | 2,508 | 3,247 | 5,240 | 10,180 | 12,179 |
| Higher long term new incidence assumptions | 0 | 76 | 500 | 1,253 | 6,272 | 1,828 |
| Lower non-mortality exit rates | 15 | 82 | 233 | 488 | 2,655 | 818 |
| Higher cost of new entrants | 113 | 355 | 585 | 794 | 1,929 | 1,845 |
| Other | 150 | 269 | 689 | 1,301 | 3,275 | 2,409 |
| Total of cost increase scenarios | 1,461 | 3,290 | 5,253 | 9,075 | 24,312 | 19,079 |
| Plausible high case (variance) | 1,264 | 2,726 | 3,883 | 6,470 | 14,872 | 14,344 |
| Cost reduction scenarios |  | | | | | |
| One year less of high inflation | -871 | -1,217 | -1,697 | -2,015 | -3,718 | -5,800 |
| Lower long term new incidence assumptions | 0 | 0 | 0 | 0 | -1,789 | 0 |
| Lower cost of new entrants | -113 | -355 | -585 | -794 | -1,929 | -1,845 |
| Other | -60 | -98 | -177 | -268 | -1,918 | -603 |
| Total of cost decrease scenarios | -1,044 | -1,670 | -2,459 | -3,077 | -9,354 | -8,249 |
| Plausible low case (variance) | -917 | -1,364 | -1,960 | -2,403 | -6,125 | -6,645 |
| Plausible high case (total) | 30,487 | 36,613 | 41,855 | 47,843 | 74,156 | 156,799 |
| Plausible low case (total) | 28,306 | 32,523 | 36,012 | 38,970 | 53,159 | 135,811 |

The plausible high and low case scenarios shown combine the various components of variance. Low positive correlation is assumed between the various components, resulting in the overall plausible scenarios being less extreme than the totals of the individual components.

It is also noted that the range adopted includes considerably more upside (that is, higher costs) than downside (that is, lower costs) risk. This results from considerably greater upside risk relating to superimposed inflation (that is, superimposed inflation could be higher), new incidence rates (that is, new incidence rates could be higher) and exit rates (that is, exit rates could be lower).

## Introduction

An annual financial sustainability report (AFSR) is required under section 180B of the NDIS Act and provides an assessment of the financial sustainability of the National Disability Insurance Scheme (“the Scheme”, or NDIS). This report includes analyses and discussion on recent Scheme experience, best estimate projections of future participant numbers and costs (based on emerging experience and future expectations), and strategies to address risks to sustainability.

Background

The purpose of the NDIS is to provide reasonable and necessary funding to people with a permanent and significant disability so that they have choice and control over the supports and services they need to pursue an ordinary life. A key cornerstone underlying the operation of the Scheme is strong insurance principles, where evidence‑based decisions on access and planning are made by drawing on objective information on individuals and the longitudinal data that is collected on participants in the Scheme. Experience is closely and regularly monitored to allow emerging risks and issues to be identified and where required, remediation strategies to be implemented.

Importantly, the Scheme has a lifespan, person-centric approach to its model of support for people with disability, where early investment in core, capacity building and capital supports are anticipated to drive better outcomes for participants and their family/carers over their lifetime.

The *NDIS Insurance Principles and Financial Sustainability Manual*[[26]](#footnote-27) outlines the insurance model in detail and defines financial sustainability as the state where:

* *the Scheme is successful on the balance of objective measures and projections of economic and social participation and independence, and on participants’ views that they are getting enough money to buy enough goods and services to allow them reasonable access to life opportunities - that is, reasonable and necessary support;*
* *contributors think that the cost is and will continue to be affordable, under control, represents value for money and, therefore, remain willing to contribute.*

The current government expectation of Scheme cost is included in the annual Portfolio Budget Statements (PBS), noting it is not only the financial cost of the Scheme that is important within the context of financial sustainability, but also the outcomes for participants achieved by the Scheme.

Outcomes for participants and their families/carers are reported regularly in the NDIA’s quarterly reports to Disability Ministers, and more detailed analysis and data is available on the NDIA Data and Insights website.[[27]](#footnote-28)

Current financial sustainability position

The NDIS has been in operation since 1 July 2013. The first three years of the Scheme were a trial period, and this was followed by the transition period which commenced on 1 July 2016, with the Scheme progressively rolled out across the country within four years. Since inception, the National Disability Insurance Agency (“the Agency”, or NDIA) has had an increasing focus on improving participant experience. For example, from 2017 there was significant work undertaken on the participant pathway to improve the participant experience, a need to improve the speed of internal decision‑making[[28]](#footnote-29), and a need to improve access to reasonable and necessary disability supports by growing provider markets to meet the increased demand. Several financial sustainability issues have also been building over the years, the impacts of which are becoming increasingly significant.

Specifically, these financial sustainability issues are evident when compared to the PBS. Between 2016-17 and 2018-19, total Scheme costs trended well below the estimates in the PBS. This was primarily due to participants entering the Scheme more slowly than initially anticipated in the bilateral agreements between the Commonwealth and State/Territory governments. However, in 2019-20, Scheme costs exceeded the 2019-20 PBS for the first time (costs were $17.6 billion compared with $16.3 billion). Costs in 2020-21 have also significantly exceeded the 2020-21 PBS (participant costs of $23.3 billion compared with the PBS estimate of $21.7 billion).

The 2021-22 PBS included an increase in future expenditure for 2021-22 onwards compared with the 2020-21 PBS (of $12.0 billion). A comparison of actual participant costs and portfolio budget statements is shown in Table 11, with a negative amount reflecting underspend on participant costs and a positive amount reflecting an overspend.

Table Comparison of actual participant costs and PBS estimates

| Total Participant Costs ($m) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Portfolio Budget Statements 2021-22 |  | | | |  | 26,487 | 28,257 | 29,425 | 31,884 |
| Portfolio Budget Statements 2020-21 |  | | | | 21,720 | 23,807 | 24,022 | 24,315 |  |
| Portfolio Budget Statements 2019-20 |  | | | 16,262 | 20,903 | 22,116 | 23,361 |  | |
| Portfolio Budget Statements 2018-19 |  | | 15,139 | 19,537 | 21,064 | 22,300 |  | | |
| Portfolio Budget Statements 2017-18 |  | 8,045 | 14,267 | 17,856 | 19,165 |  | | | |
| Portfolio Budget Statements 2016-17 | 3,487 | 8,813 | 15,905 | 20,077 |  | | | | |
| Actual participant costs (accrual) | 2,238 | 5,418 | 10,460 | 17,589 | 23,347 |  | | | |
| Actual participant costs compared with latest PBS | -1,249 | -2,627 | -4,679 | 1,327 | 1,627 |  | | | |

The estimates in the 2021-22 Portfolio Budget Statements now also exceed the estimates in the 2017 Productivity Commission study report by $12.1 billion over the four years to 2024-25. A comparison of the 2021-22 PBS estimates with the 2017 PC estimates is included in Table 12.

Table Comparison of 2017 Productivity Commission estimates[[29]](#footnote-30) and PBS estimates

| Total Participant costs ($m) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | Total |
| --- | --- | --- | --- | --- | --- |
| 2017 Productivity Commission Estimates | 23,664 | 25,158 | 26,740 | 28,351 | 103,914 |
| Portfolio Budget Statements 2021-22 | 26,487 | 28,257 | 29,425 | 31,884 | 116,053 |
| Difference | 2,823 | 3,099 | 2,685 | 3,533 | 12,139 |

Reliances and limitations

This work was conducted for the sole use and benefit of the NDIA to assist with monitoring, reporting, and management of the financial sustainability of the Scheme.

No liability is accepted for loss or damage arising from the use of this document by the Agency or third parties for other than the purpose stated above, or for any use of this document, without a full understanding of the reliance and limitations noted herein, or for errors or omissions arising from the provision of inaccurate or incomplete information.

It is the responsibility of the Agency and third parties to ensure that recipients of copies of, or extracts from, this document understand the reliances on which any conclusions in this document are based.

Given the long-tail nature of the Scheme, experience continues to be relatively immature and many aspects remain difficult to interpret. Specifically, estimation of future expenditure based on past experience is inherently challenging given the relative size, complexity, and immaturity of the Scheme, meaning there is significant uncertainty in the projection. In addition, in emerging experience to date, issues have been identified with the current resource allocation process, and in particular the lack of a mechanism for robust assessment of support need. As the Scheme continues to mature, and staff, operational and governance capabilities improve, there is an expectation that the Scheme experience will change, perhaps materially, and this would affect the eventual trajectory of participant costs.

Future events, which cannot currently be predicted, may also occur and would have an unexpected impact on Scheme experience and thus the projections in this report. For example, the COVID-19 pandemic over the 2020 and 2021 calendar years was an unforeseen event that posed some initial uncertainty to participant experience, outcomes and cost trajectory of the Scheme over the short and medium term.

Lastly, more data on Scheme experience is available in NDIA quarterly reports and on the NDIA Data and Insights website.[[30]](#footnote-31)

## Information and data integrity

An integral part of an insurance model is the collection of accurate data in a timely manner. This is because quality data drives the ability of the Agency to monitor emerging experience, perform meaningful analyses, project the financial position of the Scheme and, hence make consistent evidence-based decisions to support the Scheme objectives. The success of the Scheme is dependent on the availability and quality of the data and information collected.

The data collected by the Agency is varied and broad-reaching, and covers information across each step of the participant pathway, from Scheme access and eligibility to participant plan approval, plan implementation and plan review. Payments for disability supports and the outcomes for participants and their family/carers are also collected regularly to track progress of participants and the Scheme. The information being collected enables the Agency to continually build one of the most comprehensive, longitudinal data sources on disability in the world.

Information and data used for analysis

The actuarial analysis underpinning this report relies upon the Agency’s case management system, finance system and data warehouse, as well as external sources (such as various industry benchmarks and population surveys). While there is a substantial amount of data in the current Client Relationship Management (CRM) system, this section focuses on the data utilised for the analysis presented in this report.

The analysis in this report is based on data at 30 June 2021, unless stated otherwise. The sources of data are summarised in Table 13.

Table Summary of data utilised for actuarial analysis

| **Data** | **Description** |
| --- | --- |
| **Access requests to the NDIS** | * Demographic information (age, gender, disability, geographic location, living arrangements and other participant profile information) * Contact details * Access request date * Outcome of request (for example: eligible, ineligible) |
| **Payments to service providers** | * Service provider submitting the claim for payment * Participant for whom the support was provided * The support item and cost of support provided * Dates of when the support was provided |
| **Payments to participants** | * Participant submitting the claim for payment * The support category provided * Total cost spend on support category * Period of reimbursement |
| **NDIS participant plans** | * Plan approval date * Length of plan * Participant goals * All plan budgets included in the plan * Mainstream and informal supports * Level of function[[31]](#footnote-32) * Reference package and typical support package |
| **In-kind supports data** | * Unit record in-kind support details from State/Territory programs including details on support type, level and duration of coverage. |
| **Data provided by the State/Territory and Commonwealth governments** | * List of clients receiving support from service providers in the previous disability system, including age and contact details. This data is loaded into the Client Relationship Management (CRM) system for the National Access Team to contact potential participants. * Projected Scheme costs and numbers from the State, Territory and Commonwealth bilateral agreements. |
| **Australian Bureau of Statistics (ABS) population projections** | * 3222.0 Population Projections, Australia, 2017 (base) to 2101 (Series B). This was published in November 2018. * 3235.0 Regional Population by Age and Sex, Australia. This was published in August 2020. |
| **Data on outcomes** | * For participants entering the Scheme from 1 July 2016, data on outcomes has been collected from 98.7% of all participants, with the intention to collect information from all participants. |
| **Financial information** | * Data from the SAP[[32]](#footnote-33) CRM system were reconciled with financial information in SAP. |
| **ABS Survey of Disability, Ageing and Carers** | * Prevalence of disability in Australia, including demographic and socio‑economic profile of people with disabilities. |
| **Economic information** | * Government economic forecasts for GDP * Inflation indicators * Australian Life Tables – published in October 2019 * Population forecasts – estimated for the 2021 Intergenerational Report |

## Modelling approach

An experience‑based projection model has been used to project Scheme participant numbers and average payments. The modelling approach splits participants into cohorts based on characteristics which reflect expected differences in average payment, new entrant rates and/or exit rates between different groups of participants. The characteristics allowed for are age, primary disability type, level of function, gender, whether a participant is in SIL arrangements, and the duration that a participant has been in the Scheme. Separate average payment, new entrant and exit assumptions have been developed for each of these cohorts. These assumptions are described in more detail through this report.

The assumptions in the projection model are at a national level. This best reflects the nationally consistent approach of the Scheme and enables the experience-based projection model to utilise the greatest volume of available data to inform assumptions.

Figure 12 summarises the modelling approach in graphical format, with the main components of the modelling approach noted below.

Participant numbers

* Aggregate participant numbers for ages 0 to 64 are estimated using actuarial techniques[[33]](#footnote-34) up until the assumed Steady Intake Date[[34]](#footnote-35) of 30 June 2024.
* The number and profile of participants expected to enter the Scheme in each projection year is based on the historic profile of participants, by:
  1. True new incidence of disability; and
  2. Previously unmet need for disability supports.[[35]](#footnote-36)
* Annual population projections are calculated by exact age and cohort by adding participant intake to the starting population, subtracting mortality and non‑mortality exits, and ageing the remaining participants by one year.
* Each cohort is differentiated by age band (summarised into nine groups), primary disability and level of function (57 groups), gender (two groups) and whether a participant is in SIL (two groups). This leads to 2,052 unique cohorts.
* The profile of participants at 30 June each year has also been determined by cohort.
* There is also a transition model to explicitly allow for participants who enter the Scheme with developmental delay, but are later determined to have autism or an intellectual disability. Some participants with a developmental delay will transition to another disability once a diagnosis has been made. This transfer typically happens between the ages of 5 to 8, although this can also occur outside of these ages.
* The number of participants in SIL arrangements is modelled based on an assumed proportion of each cohort, with the increase in the total number of SIL participants being based on recently observed experience. SIL participants are modelled specifically as, despite only comprising 5.4% of all participants, they contribute significantly to Scheme costs (34% over 2020-21).

Participant costs

* Participant costs are estimated by cohort using annualised payment levels for the three months to 31 May 2021 for “mature participants”, i.e. participants who were active at both 28 February 2021 and 31 May 2021, and had their first plan approved on or prior to 29 February 2020. Allowance is made for monthly seasonality typically observed and payments in June 2021 were checked to ensure that they did not vary substantially from those assumed.[[36]](#footnote-37)
* Explicit allowance is made for variance in average payment per participant for future new entrants, relative to the broader Scheme population.
* Costs are projected on a cash flow basis, representing the estimated rate of outflows from the Scheme (noting in-kind supports are expected to be used evenly throughout a participant’s plan). Projected costs are split between 15 different support categories.[[37]](#footnote-38)
* Inflation of costs is added in future years from both normal inflationary sources and sources of superimposed inflation.
* Accrual factors are derived for each of the 15 different support categories to convert the participant costs from a cash basis to an accrual basis.

Total Scheme costs

* Operating expenses are added to total participant costs to calculate total Scheme costs.
* Comparisons are made to relevant benchmarks and alternative, plausible scenarios are presented to reflect uncertainty within the projections.

Figure Schematic of modelling approach

Diagram describing the model approach. Participant numbers at the end of each year is equal to the starting participant population plus new entrants minus exits. Base average participant cost assumptions has been calibrated using recent payment experience, with inflation applied in subsequent years to calculate future cost assumptions. Total Scheme spend on participant costs is equal to number of participants multiplied by average costs per participant. Factors that affect the uncertainty of Scheme experience and the projection include: agency policy initiatives, SIL numbers and cost, unanticipated sources of superimposed inflation, non-mortality exits, impact of COVID-19, interactions with mainstream interfaces, erosion of informal supports and increase in utilisation.

## Scheme experience

This section includes trends in Scheme experience to 30 June 2021. Comparisons of actual experience are made to projections from the previous review, and where relevant the 2020-21 PBS estimates.

### Participant numbers

There were 466,619 active participants in the Scheme as at 30 June 2021. This is an increase of 8% in the Scheme population since 31 December 2020 (from 432,649 active participants), and 19% since 30 June 2020. This reflects the net effect of intake and exit of participants from the Scheme over the past 12 months. This can be seen in Figure 13 below.

Figure Active participants in the Scheme by quarter over the past 3 years

Line graph showing active participants in the scheme by quarter. Participants increased by 113,682 or 66.0% in the 12 months ending 30 June 2019, 105,984 or 37.1% in the 12 months ending 30 June 2020, and 74,620 or 19.0% in the 12 months ending 30 June 2021.

Experience since previous review has been relatively stable[[38]](#footnote-39)

The Scheme population of 466,619 active participants as at 30 June 2021 was 0.4% (or 2,073) lower than that expected from the previous review.It assumed 36,043 additional participants would enter the Scheme in the six months to 30 June 2021. Actual experience was broadly consistent with this, with an actual result of 33,970 additional participants in the six months to 30 June 2021 (6% lower net intake than expected).

The comparison of actual experience to that expected from the previous review is shown in Figure 14, Figure 15, Figure 16 by key participant characteristics (SIL status, age band, disability type and level of function respectively).

Figure 14 illustrates that there were fewer (3%) than expected participants in SIL as at 30 June 2021.

Figure 15 illustrates that actual participant numbers across most age groups were in line with expected projections. The biggest differences were in the cohort of children aged 0 to 6, where there were 2,050 fewer participants (2.8% lower than expected), followed by 7 to 14 years olds where there were 1,106 more participants (0.9% higher than expected). Intake of children aged 0 to 6 continues to remain significantly higher than the original Productivity Commission (PC) assumptions.

Figure 16 illustrate that actual participants across most disability groups were in line with expected projections. The most notable deviations arose from autism and developmental delay disability groups. There were 5,021 (3.4%) more participants with autism than expected who entered the Scheme. This was offset by 6,031 (11.3%) fewer than expected participants with developmental delay.

Since the introduction of the disability-specific participant pathway for people with psychosocial disability, the proportion of participants with psychosocial disability has been increasing. However, it should be noted that the number of participants with a psychosocial disability remains lower than the estimate in the 2011 Productivity Commission report.

Figure Profile of Scheme participants as at 30 June 2021 – actual versus expected by SIL type

Bar graph showing Profile of Scheme participants as at 30 June 2021 – actual versus expected by SIL group. The Actual SIL came in at 25,320 whereas the expected SIL was 26,116. For the Non-SIL the actual was 441,299 and the expected was 442,577

Figure Profile of Scheme participants as at 30 June 2021 – actual versus expected by age band

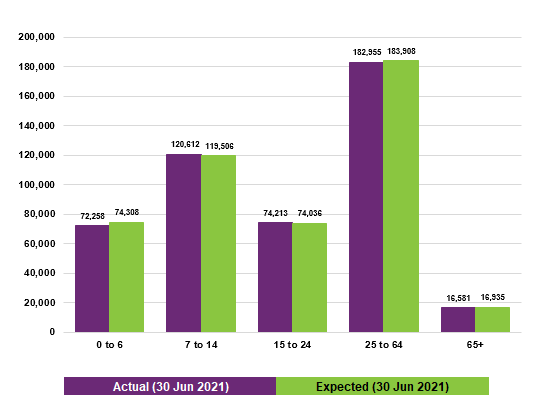
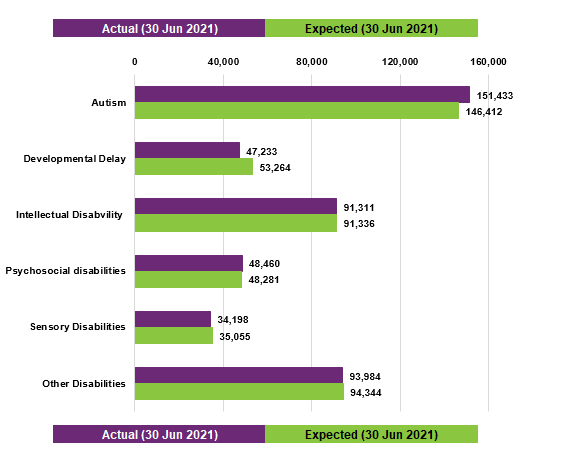


Figure Profile of Scheme participants as at 30 June 2021 – actual versus expected by disability group



The distribution of the reported level of function continues to shift

A persistent shift in the reported distribution of function is observed within the participant population. This can be seen in Figure 17 which shows the reported functional distribution for participants who entered the Scheme prior to 30 June 2017. It indicates that over time the proportion with a high level of function has decreased, and the proportions with medium and low levels of reported function have increased. Given the relative lack of ability to control the consistency of functional assessments, it is likely that this trend reflects inconsistent assessments over time. It has been associated with increasing costs (as participants with lower function on average have higher support packages and hence average payments). This trend has also been observed for participants who entered in later years (post 2017).[[39]](#footnote-40)

Figure Change in reported functional distribution from 30 June 2017 to 30 June 2021[[40]](#footnote-41)

Bar and line graph showing trend of change in functional distribution as described above. Percentage of high level of function has decreased while rates of medium and low function have both increased.

Growth in participants in supported independent living has slowed

Overall, approximately 5.4% of Scheme participants currently have SIL arrangements, an increase of 1,201 participants over the last 12 months. The increasing number of participants in SIL is mainly due to existing participants moving into SIL and, to a lesser extent, new entrants with SIL arrangements in place transferring from existing programs into the Scheme.

However, the proportion of Scheme participants with SIL arrangements continues to decrease over time (Figure 18), as the growth in SIL participant numbers is lower than the growth in total participant numbers. This can be also be seen below in Figure 19 which shows the split of new participants between those new to disability supports, and those who transitioned from State/Territory and Commonwealth programs. This gradual change in mix reduces the overall (Scheme level) average payment per participant as the new participants have a lower cost, on average, than existing participants.

Figure Active participants in the Scheme by quarter over the past 3 years, split by SIL type

Bar and line graph showing active participants by SIL and Non-SIL over time.  Non-SIL participants made up 92.7% of the total participants at the end of June 2018, 92.9% of the total participants at the end of September 2018, 92.6% of the total participants at the end of December 2018, for 2019 this gradually increased to 93.4% of total participants,  94.3% of total participants at the end of December 2020 and at 94.6% of total participants at the end of June 2021. Active participant numbers have steadily increased each quarter from June 2018 at 172,333 to 466,619 at  30 June 2021

Figure SIL participants intake in the Scheme by quarter over the past 3 years, split by access entry group[[41]](#footnote-42)

Bar graph showing SIL participants intake in the Scheme by quarter over the past 3 years, split by access entry group, the entry groups are New to disability support, State and Commonwealth and Combined, The numbers for new to Disability support has increased from 74 in September 2018 to 291 in June 2020 with a slight dip in the numbers occurring in March 2019 and September 2019, State and Commonwealth numbers are quite varied and at September 2018 were at 1,362, for December 2018, these were at 2,855, March 2019 2,449, June 2019 1,723, September 2019 602, December 2019 623, March 2020 565, June 2020 1,277. The combined numbers are also varied, coming in at 282 for September 2020, 351 at December 2020, 285 in March 2021 and 283 in June 21

Figure 20, Figure 21 and Figure 22 below compare the actual number and proportion of participants with SIL arrangements as at 30 June 2021 against expectations from the previous review by various participant characteristics:

* The number of participants in SIL arrangements is slightly lower than expected (Figure 20).
* The number of participants in SIL arrangements has been lower than expected across the majority of disability types, with the exception of participants with other disability and stroke (Figure 22). The number of SIL participants with an intellectual disability continues to account for the majority of the participants in SIL arrangements.[[42]](#footnote-43)
* The majority of SIL participants are aged 25 and above, similar to expectations, with about 12% of all participants over the age of 25 in SIL arrangements (Figure 21).

Figure Profile of participants in SIL as at 30 June 2021 – actual versus expected by SIL type

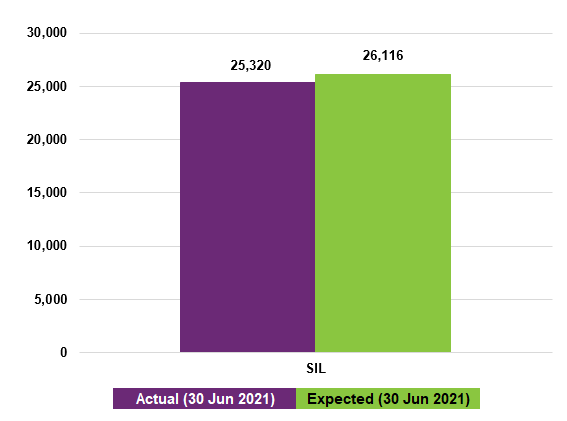
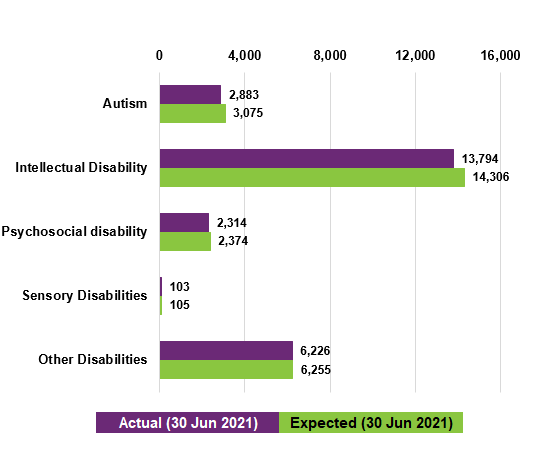


Figure Profile of participants in SIL as at 30 June 2021 – actual versus expected by age band

Bar chart showing Profile of participants in SIL as at 30 June 2021 – actual versus expected by age band. For the age group of 0 to 14 the actual was slightly lower than expected, this is true across the age groups 15 to 24, 25 to 64 and 65+


Figure Profile of participants in SIL as at 30 June 2021 – actual versus expected by disability group



Prevalence rates continue to increase[[43]](#footnote-44)

Participant intake was expected to decline in the 2020-21 financial year as transition from the State/Territory arrangements concluded. Some decline was observed in the experience in the six months to 30 June 2021, where intakes were fewer than expected in the previous review and the 2020-21 PBS estimates.

However, the prevalence rates of mature regions[[44]](#footnote-45) continue to exceed benchmark levels assumed in the original Scheme design. Figure 23 displays the rate of participant intake by phase-in quarter. The development curves show the proportion of active participants aged from 0 to 64 (compared to the general population) in the Scheme at specific development points in time. Increases over development time reflect participants entering the Scheme while reductions reflect participants exiting the Scheme and/or turning age 65.

It was expected that these prevalence curves would “flatten out” over time. However, the Scheme population in these regions continues to increase above general population growth, and prevalence rates for ages 0 to 64 have thus continued to rise in the more mature sites. As an example, the unbroken dark purple line represents the prevalence rate of all regions that phased into the Scheme in the September 2013 quarter (e.g. Barwon and Newcastle). It is evident that even after 29 quarters (more than seven years), there is still an upward trend in the number of participants entering the Scheme and this trend is yet to taper off (which would indicate growth in line with population growth.

Figure Participants as a proportion of Australian population since phase-in date – aged 0 to 64[[45]](#footnote-46)

Complex line graph showing participants as a proportion of the Australian population by regions grouped by phase-in date as described in the content.

Non-mortality exit rates remain well below expected

Within the context of financial sustainability, it is important to understand the emerging exit experience of participants. Participants may exit the Scheme for various reasons and are analysed in two categories for projection purposes:

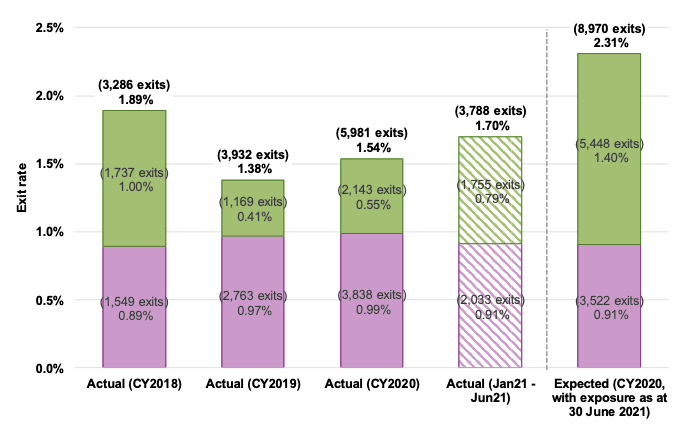
* **Mortality exits:** participants who have died.
* **Non-mortality exits:** participants who no longer meet the Scheme’s eligibility criteria, have chosen to leave the Scheme of their own accord, or have chosen to move into residential aged care if over the age of 65.

Figure 24 shows the exit experience in the 2018, 2019, 2020 and first half of 2021 calendar year, compared to long term expectations from the previous review.

The non-mortality exit experience has been showing an increasing trend from 0.41% in CY2019 to 0.79% in the six months to 30 June 2021 (CY2020) but remains well below long term assumptions (1.40%).

Mortality exit rates have remained broadly in line with recent experience – at 0.99% in CY2020 and 0.91% in the six months to 30 June 2021 compared to 0.97% in the previous calendar year (CY2019).

Figure Actual versus expected – mortality and non-mortality exit rate



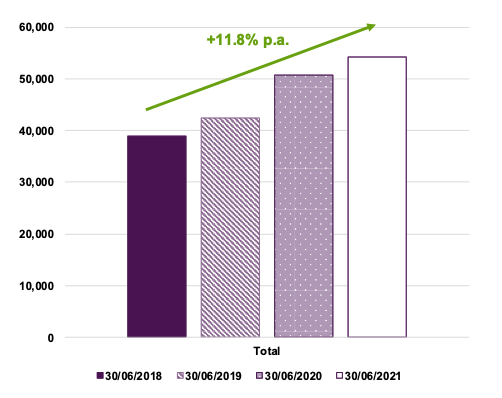
### Average payment per participant

Average payments have continued to track above projections

On a cash basis[[46]](#footnote-47), there were $12.5 billion in payments made in respect of participant costs in the 6 months to 30 June 2021. Over this period, total payments were 5% higher than projected in the previous review (that is, $12.5 billion compared with $11.9 billion). The variance in total payments compared with that expected was predominantly caused by increases in average payments per participant, particularly for non-SIL participants (which were 6% higher than expected). Participant numbers were relatively close to expected since the previous review.

Experience has demonstrated that average annualised payments have continued to increase year on year. The annual increase in average payment is 11.8%p.a. over the last four years (Figure 25).

Figure Average annualised payments over time[[47]](#footnote-48)



Over the past four years, the mix of participants in the Scheme has changed. That is, as the Scheme has rolled out across the country, the proportion of participants by different characteristics has changed. In particular, the proportion of children in the Scheme is higher in 2020-21 compared with 2017-18, and the proportion of SIL participants in the Scheme is lower in 2020-21 compared with 2017-18.

Analysing the change in average payment over time by whether or not participants are in SIL indicates that the average annual increase in average payment has been consistently high across both participant groups. Specifically, the average annual payment has increased for SIL participants by 12.0%, and the average annual payment has increased for non-SIL participants by 17.1% (Figure 26). Each of these average increases are similar to or higher than the overall average (of 11.8%), as the proportion of participants in SIL has decreased over the period. The average inflation over the past three years (removing the effect of the change in mix) was 14.9% p.a.

Figure Average annualised payments over time by SIL type and in total[[48]](#footnote-49)

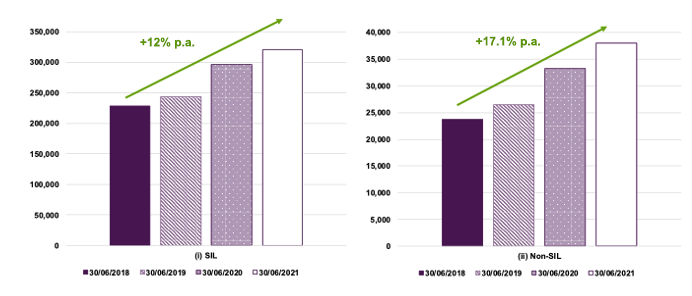
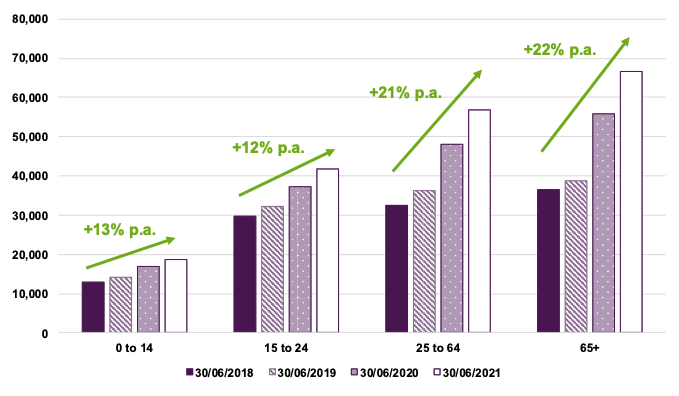


Figure 27 analyses the change in average payment over time by age band for participants not in SIL. The average increase for 0 to 14 year olds is 13%, the average increase for 15 to 24 year olds is 12%, the average increase for 25 to 64 year olds is 21%, and the average increase for participants aged over 65 is 22%. For participants not in SIL, average payments have increased at a faster rate for adults (those aged over 25) and reflects a material increase in the hours of attendant care support these participants are receiving over time.

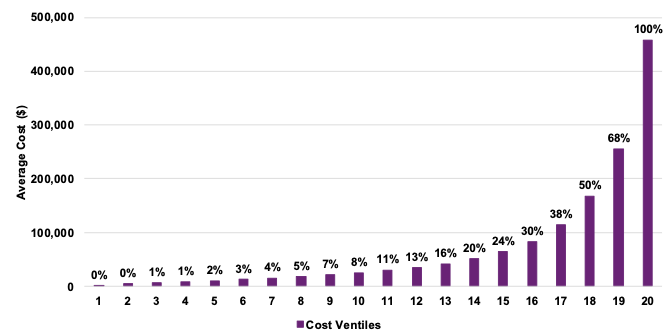
Figure Average annualised payments over time for non-SIL participants by age band[[49]](#footnote-50)



The distribution of Scheme cost is highly skewed

The Scheme supports participants with a diverse range of needs. Of the payments over the 12 months to 30 June 2021 to mature participants[[50]](#footnote-51), 50% related to the top 10%[[51]](#footnote-52) of participants when ranked by cost over the period. Conversely, the bottom 40%[[52]](#footnote-53) of participants represent 5% of payments made (Figure 28).

Figure Average payment and cumulative percentage of Scheme cost by ventile (5% band)



This distribution does not vary greatly even when removing the impact of SIL participants (who have far higher payments on average). 45% of payments are made in respect of the top 10% of non-SIL participants, whilst only 7% are made in respect of the bottom 40% of non-SIL participants (Figure 29).

Figure Average payment and cumulative percentage of Scheme cost by ventile (5% band) – non-SIL only

A bar chart showing the average payment and cumulative percentage of Scheme cost by ventile (5% band) for non-SIL participants only. The graph shows that 45% of payments are made in respect of the top 10% of non-SIL participants, whilst only 7% are made to the bottom 40% 

These observations are common in long-tail insurance schemes, and understanding these trends assist with monitoring Scheme sustainability.

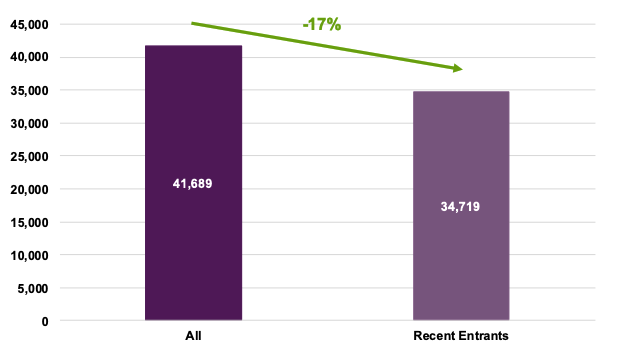
The average payment per participant is lower for new entrants (on a mix-adjusted basis)

Since the previous review, a further analysis of 200 recent new entrants was undertaken to understand the drivers of the higher than expected number of new entrants. This review indicated that insufficient evidence was gathered regarding the level of function determined for 45% of the participants in the sample. This finding indicates broad uncertainty regarding the functional capacity of new entrants, and more specifically to the use of the level of function as a determinant of the average payment of new entrants. (The average payment for future new entrants assumed in these projections is based on the participant’s level of function along with their age, primary disability and SIL status).

Analysis was therefore undertaken to identify any difference in average payment between new entrants that entered the Scheme in more recent years and the overall average payment for participants who form the basis of the payment per participant assumptions.

The analysis indicated that the average payment for recent non-SIL new entrants is approximately 17% lower than the average payment for all participants, on a mix-adjusted basis[[53]](#footnote-54) (Figure 30). Given that age and primary disability are relatively objective, it is reasonable to infer that this variance results from the average payment for new entrants with a given level of function varying from that of the population more broadly.

Figure 30 Mix-adjusted Non-SIL average payment



### Total payments

Figure 31 below illustrates Scheme spend on participant supports by quarter on a cash basis. The rapid growth in Scheme spend reflects the higher than expected number of active participants and higher than expected average payments per participant described in the sections above.

Figure Scheme spend (cash basis) on participant supports by quarter over the past 3 years ($)

Bar chart showing scheme spend (cash basis) on participant supports by quarter over the past 3 years ($) incremental payments over 3 years. 9,711 million was spent between September 2018 and June 2019, 17,227 million between September 2019 to June 2020 and 23,319 million between September 2020 and June 2021 

Overall payments have been higher than expected

Comparing actual experience to expectations (based on the previous review) by various participant characteristics highlights emerging trends and key cost pressures on the Scheme. Figure 32, Figure 33 and Figure 34 show total payment levels on a cash basis by SIL status, age band and disability group. Note that the payment experience is impacted by emerging participant mix, as well as trends at the support category level.

Compared to expectations from the previous review, this shows:

* Higher than expected payment experience for non-SIL participants (Figure 32).
* Higher than expected payment experience for participants across all ages groups except 0 to 14 (Figure 33).
* Higher than expected payment experience for psychosocial and other disabilities, somewhat offset by lower than expected payment experience for intellectual disabilities and sensory disabilities (Figure 34).

Figure Total payments ($m) in the six months to 30 June 2021 by participant profile – actual vs expected by SIL status

Bar chart showing a Higher than expected payment experience for non-SIL participants and slightly lower than expected payment experience for SIL participants.

Figure Total payments ($m) in the six months to 30 June 2021 by participant profile – actual vs expected by age band

Bar chart showing a higher than expected payment experience for participants across all ages groups except 0 to 14 

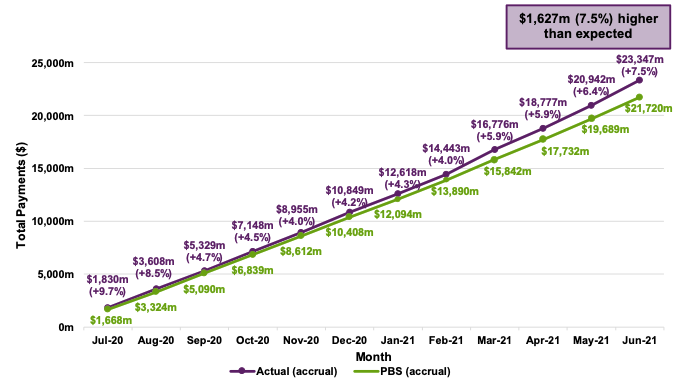
Figure Total payments ($m) in the six months to 30 June 2021 by participant profile – actual vs expected by disability group

Bar chart showing a higher than expected payment experience for Psychosocial disabilities, Autism and other disabilities, partially offset by lower than expected payment experience for intellectual disabilities and sensory disabilities

### Actual vs Expected from 2020-21 PBS Estimate

Figure 35 shows that total cumulative payments (on an accrual basis) have tracked above the 2020-21 PBS estimates since the start of the 2020-21 financial year. By June 2021, actual experience exceeded the projected amount by 7.5%, an equivalent of $1,628m.

Figure Total Payments (accrual basis) in the 2020-21 financial year – actual vs expected[[54]](#footnote-55)



Cumulative participant numbers have also tracked above the PBS estimates since the start of the 2020-21 financial year. The Scheme provided supports to an additional 23,387 participants, or 5.3%, compared to the projection.

Figure Total active participants in the 2020-21 financial year – actual vs expected

Complex line chart showing the Total active participants in the 2020-21 financial year – actual vs expected.
The cumulative participant numbers have also tracked above the PBS estimates since the start of the 2020-21 financial year. The Scheme provided supports to an additional 23,387 participants, or 5.3%, compared to the projection

### Historic utilisation

Plan budgets represent the dollar amount of support that has been made available to participants in their plan. Historically, there is a reasonably significant gap between plan budgets and supports which are actually utilised. The proportion of plan budgets which are used is referred to as the ‘utilisation rate’.

After being relatively flat for several years, utilisation has increased over the past several months, which can be seen when considering plan budgets by support year. Over the three year period to 30 June 2020, utilisation rates were essentially flat, between 70% and 71% of plan budgets, however in the past year the utilisation rate has increased to 74%.

Table 14 provides an overview of utilisation rates[[55]](#footnote-56) by support year as at 30 June 2021.

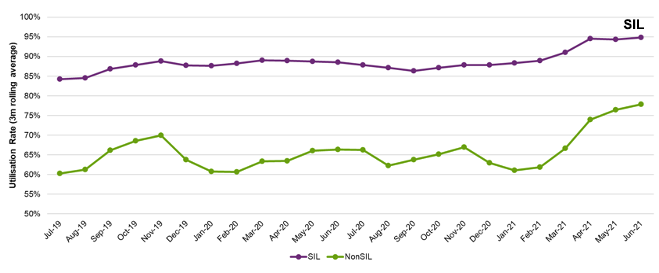
Table Estimated utilisation rate by support year as at 30 June 2021

| Utilisation component | 2016-17 and prior | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Total |
| --- | --- | --- | --- | --- | --- | --- |
| Plan budgets ($m) | 4,816 | 7,775 | 14,582 | 24,648 | 32,096 | 83,918 |
| Payments to date ($m) | 3,348 | 5,436 | 10,368 | 17,287 | 22,139 | 58,578 |
| Estimated future payments ($m) | 0 | 2 | 13 | 66 | 1,679 | 1,760 |
| **Projected ultimate payments ($m)** | 3,348 | 5,438 | 10,381 | 17,352 | 23,819 | 60,337 |
| Utilisation to date (%) | 69.5% | 69.9% | 71.1% | 70.1% | 69.0% | 69.8% |
| Projected ultimate utilisation (%) | 69.5% | 69.9% | 71.2% | 70.4% | 74.2% | 71.9% |

A consistent result is observed when separating the experience between participants in SIL and those not in SIL. Whilst the utilisation rate is consistently higher for participants in SIL arrangements, the utilisation for both SIL and non-SIL participants has increased significantly since January 2021 (Figure 37).

The increases are observed across almost all support categories, especially Core supports such as Non-SIL Daily Activities, which had the biggest increase since January 2021. This is followed by increase in other Core supports (Social and Community and Consumables) and Capacity Building Daily Activities.

Figure Three month rolling utilisation rates by SIL type from July 2019 to June 2021



Also noteworthy is that utilisation has consistently been observed to increase, the longer participants have been in the Scheme. This is shown in Figure 38 which shows the breakdown of utilisation rates by plan number. Utilisation of plan budgets for participants on their first plan is 53%, compared to 78% for participants on their fifth plan. This increase in plan utilisation, with increased duration in the Scheme, is implicitly reflected in the allowance for superimposed inflation.

Of the increases in utilisation rate observed since January 2021, the maturing of the participant mix has contributed between 20% and 30%, with the remainder of the increase coming from an overall increase in utilisation within each cohort.

Figure Utilisation of plan budgets by plan number from 1 October 2020 to 31 March 2021 based on data to 30 June 2021[[56]](#footnote-57)

Bar chart showing utilisation of plan budgets by plan number from 1 October 2020 to 31 March 2021 based on data to 30 June 2021. The calculation of utilisation by plan number excludes participants with in-kind supports as it is not possible to accurate separate in-kind payments and plan budgets between plans. Only utilisation of plan budgets between 1 October 2020 and 31 March 2021 is shown. For all plans, this stands at 68% and gradually works its way from 1 at 53% to 5+ at 78%

## Projections

This section includes the projection of Scheme costs from 2021-22 to 2029-30, using data as at 30 June 2021. The methodology for the projection is included in section 3. As outlined in section 4 of this report, actual payment experience over the past six months exceeded projections undertaken at the previous review. It also exceeded the 2020-21 PBS estimates over the past twelve months, driven by higher participant numbers and higher average payments per participant. The projections take into account this experience, and also adopt a forward-looking view regarding future Scheme inflation (i.e. future assumed inflation is lower than inflation recently observed).

### Total participant cost projections

Combining participant number projections with average payment assumptions result in total participant cost projections for each financial year on a cash basis. An allowance for support provided as at by 30 June 2021 but not yet paid takes the projected costs from a cash basis to an accrual basis.

Participant number projections

Table 15 shows that the Scheme is projected to have a Steady Intake Date[[57]](#footnote-58) population at 30 June 2024 of over 630,000 participants, of whom 598,000 are expected to be aged 0 to 64. This is equivalent to a prevalence rate of 2.77% of the Australian general population aged 0 to 64.

Table Baseline projection of participant numbers

| Number of participants as at June 30 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
| --- | --- | --- | --- | --- | --- | --- |
| 2020-21 AFSR | | | | | | |
| 0-64 years | 450,038 | 508,974 | 559,846 | 598,491 | 633,596 | 798,341 |
| 65+ years | 16,581 | 21,483 | 26,587 | 31,835 | 36,804 | 60,987 |
| **Total** | 466,619 | 530,457 | 586,433 | 630,327 | 670,400 | 859,328 |
| Prevalence (0-64) | 2.10% | 2.39% | 2.61% | 2.77% | 2.90% | 3.49% |

Table 16 and Table 17 show the split in the projection between existing participants and future participants (i.e. new entrants post 30 June 2021). 43.5% of projected participants in 2029-30 are estimated to be current Scheme participants, with 56.5% being new entrants to the Scheme.

Table Spilt of participant numbers between existing and future participants

| Number of participants as at June 30 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
| --- | --- | --- | --- | --- | --- | --- |
| Existing Scheme participants | 466,619 | 457,715 | 445,815 | 432,888 | 420,023 | 373,426 |
| Future participant intake | 0 | 72,741 | 140,618 | 197,439 | 250,377 | 485,902 |
| **Total Number of Participants** | 466,619 | 530,457 | 586,433 | 630,327 | 670,400 | 859,328 |

Table Proportional split of participants between existing and future participants

| Number of participants % as at 30 June | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
| --- | --- | --- | --- | --- | --- | --- |
| Existing Scheme participants | 100.0% | 86.3% | 76.0% | 68.7% | 62.7% | 43.5% |
| Future participant intake | 0.0% | 13.7% | 24.0% | 31.3% | 37.3% | 56.5% |
| **Total Number of Participants** | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Participant costs projection

Projected participant costs on an accrual basis are $29.2 billion in 2021-22, increasing to $59.3 billion in 2029-30. This is equivalent to 1.37% of GDP in 2021-22 and 1.95% of GDP in 2029-30 (Table 18).

Table Baseline projection of participant costs (and comparison to GDP)

| Participant Costs ($m) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2029-30 |
| --- | --- | --- | --- | --- | --- |
| Participant Costs (cash basis) |  | | | | |
| Participant Costs (0-64) | 26,994 | 30,965 | 34,345 | 37,067 | 51,471 |
| Participant Costs (65+) | 1,837 | 2,464 | 3,114 | 3,748 | 7,012 |
| **Total Participant Costs (cash basis)** | 28,831 | 33,429 | 37,459 | 40,814 | 58,483 |
| **Participant Costs (accrual basis)** |  | | | | |
| Participant Costs (0-64) | 27,359 | 31,386 | 34,812 | 37,569 | 52,169 |
| Participant Costs (65+) | 1,864 | 2,501 | 3,161 | 3,803 | 7,115 |
| **Total Participant Costs (accrual basis)** | 29,223 | 33,886 | 37,973 | 41,373 | 59,284 |

| Participant Costs as % of GDP (accrual basis): | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2029-30 |
| --- | --- | --- | --- | --- | --- |
| Total Participant Costs (all) | 1.37% | 1.56% | 1.67% | 1.74% | 1.95% |
| Total Participant Costs (0-64 years) | 1.28% | 1.44% | 1.53% | 1.58% | 1.72% |

Table 19 shows the participant cost projections on an accrual basis, split between existing Scheme participants and future participant intake (post 30 June 2021). In 2029-30, 63.3% of projected cost relates to current Scheme participants, with 36.7% relating to new entrants.

Table Breakdown of participant costs between existing and new participants

| Participant Costs ($m) - accrual basis | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2029-30 |
| --- | --- | --- | --- | --- | --- |
| Existing Scheme participants | 27,917 | 30,227 | 31,735 | 32,722 | 37,546 |
| Future participant Intake | 1,306 | 3,659 | 6,238 | 8,650 | 21,738 |
| Total Participant Costs | 29,223 | 33,886 | 37,973 | 41,373 | 59,284 |

| Participant Costs (%) - accrual basis | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2029-30 |
| --- | --- | --- | --- | --- | --- |
| Existing Scheme participants | 95.5% | 89.2% | 83.6% | 79.1% | 63.3% |
| Future participant intake | 4.5% | 10.8% | 16.4% | 20.9% | 36.7% |
| Total Participant Costs | 100% | 100% | 100% | 100% | 100% |

### Comparison with previous AFSR

This section compares the 2020-21 AFSR cost projections with those from the previous review. The projected participant costs are approximately $3.9 billion **higher** than the previous review in the four years to June 2025, and about $1.0 billion **lower** in 2029-30 (Table 20).

Comparisons with the 2021-22 PBS Estimates and the 2017 PC Study report are shown in Section 6.3 and more detailed comparisons with the previous review are shown in Appendix C.

Table Comparison of 2020-21 AFSR with 2019-20 AFSR

| Projected Participant Costs ($m) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2029-30 | Total 2021-25 |
| --- | --- | --- | --- | --- | --- | --- |
| 2020-21 AFSR | 29,223 | 33,886 | 37,973 | 41,373 | 59,284 | 142,455 |
| Dec20 AFSR | 28,139 | 32,900 | 36,906 | 40,659 | 60,324 | 138,603 |
| Difference | 1,085 | 987 | 1,066 | 714 | -1,040 | 3,852 |

The sources of variance between this projection and the previous review are shown in Table 21:

* Changes to assumptions regarding population numbers (predominantly the number of new participants entering Supported Independent Living) have **reduced** the projection by $5.0 billion in the four years to June 2025 and $3.2 billion in 2029-30
* Higher base payment assumptions (i.e. the average payment per participant in the immediate future), resulting from higher recent payment experience have **increased** the projection by $3.5 billion in the four years to June 2025 and $1.4 billion in 2029-30
* An increased allowance for future inflation (i.e. **in addition** to the higher base payment assumptions) has **increased** the projection by $7.1 billion in the four years to June 2025 and $2.6 billion in 2029-30
* A reduction in the allowance for the average payment for new entrants, has **reduced** the projection by $1.8 billion in the four years to June 2025 and $1.9 billion in 2029-30. This reduction arises from new entrants, on a mix-adjusted basis, being observed to cost less than existing participants.

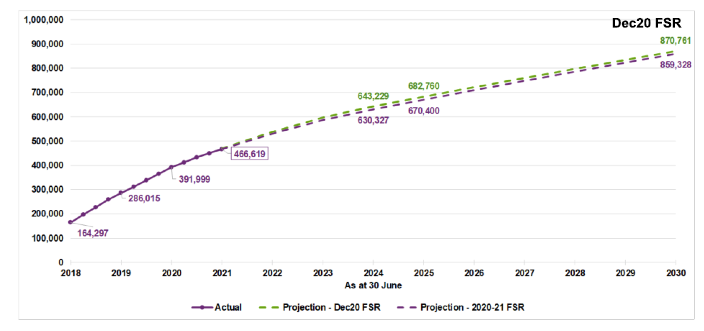
Table Participant cost projection movements since previous review due to experience and updated assumptions

| Total Participant Costs – accrual basis ($m) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2029-30 | Total 2021-25 |
| --- | --- | --- | --- | --- | --- | --- |
| Updated population numbers and assumptions | -486 | -1,121 | -1,513 | -1,882 | -3,163 | -5,002 |
| Updated base payment assumptions | 818 | 849 | 901 | 967 | 1,404 | 3,535 |
| Updated inflation assumptions | 866 | 1,613 | 2,262 | 2,422 | 2,646 | 7,163 |
| Lower cost of new entrants | -112 | -354 | -584 | -793 | -1,927 | -1,843 |
| Total impact of experience and modelling | 1,085 | 987 | 1,066 | 714 | -1,040 | 3,852 |
| Updated population numbers and assumptions | -1.7% | -3.4% | -4.1% | -4.6% | -5.2% | -3.6% |
| Updated base payment assumptions | 2.9% | 2.6% | 2.4% | 2.4% | 2.3% | 2.6% |
| Updated inflation assumptions | 3.1% | 4.9% | 6.1% | 6.0% | 4.4% | 5.2% |
| Lower cost of new entrants | -0.4 | -1.1% | -1.6% | -1.9% | -3.2% | -1.3% |
| Total impact of experience and modelling | 3.9% | 3.0% | 2.9% | 1.8% | -1.7% | 2.8% |

### Participant projections

The current projections indicate a marginal reduction in projected participant numbers, compared to the previous FSR (Figure 39). Whilst the projected participant numbers are slightly lower, the trajectories of the two projections are largely unchanged.

Figure Projected participant numbers (all ages)



New incidence

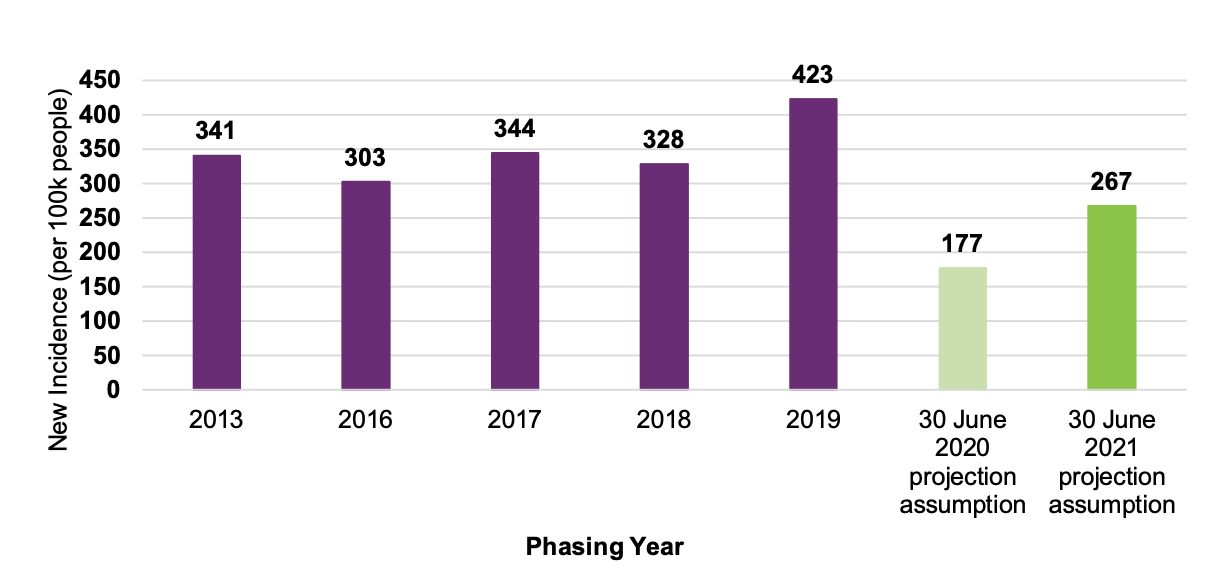
In setting future assumptions relating to new incidence, it is necessary to estimate, of the observed experience, the proportional split between

* *True new incidence* – i.e. participants who acquired their disability relatively recently, or who have only recently met the necessary criteria for access to the Scheme. These participants **would** therefore be indicative of likely longer term levels of new incidence.
* *Previously unmet need* – i.e. participants who acquired their disability some years prior who only accessed the Scheme recently (for various reasons). These participants **would not** therefore be indicative of likely longer term levels of new incidence.

At the previous review new incidence assumptions were increased significantly, in response to observed experience being significantly higher than previously assumed. This was observed in particular in geographic areas which phased into the Scheme at least three years earlier (and which therefore would be expected to be relatively representative of longer term expected experience). The range of disabilities and conditions of participants entering the Scheme also contributes to the challenge in setting future new incidence assumptions.

The adopted assumption at this review, as well as the assumptions adopted at the 30 June 2020 review as well as observed experience by phasing year is shown in Figure 40.

Figure 40 Observed new incidence rate by phasing year and assumptions at 30 June 2020 and 2021[[58]](#footnote-59)



The assumption adopted at this review (267 per 100,000 people), which is unchanged from the previous review, is higher than assumptions adopted prior to the previous review, but lower than the rates observed. The adopted assumption is approximately 80% of the observed experience (and approximately 70% for adult participants, where there is greater uncertainty about the long term number of new participants). There therefore remains upside risk in this assumption (that is, the risk that participant numbers will be higher.

To assist in refining this assumption, a sample of recent new entrants from these earlier geographic areas was analysed. This analysis is summarised below in Table 22. Key findings are discussed below:

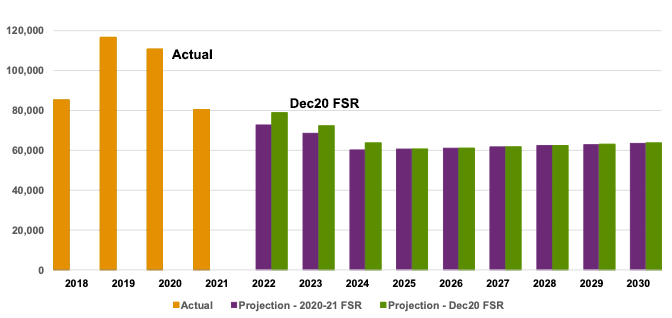
* 61% of the sample are regarded as likely to be true new incidence. This figure comprises participants who acquired their disability in the past three years (29%) as well as participants with a disability acquired more than three years previously but where there was a recent event, or change in circumstances giving rise to their gaining access to the Scheme (32%).
* For 39% of the sample it is less clear whether they represent true new incidence or previously unmet need. Many of these participants have interacted with the justice and/or mental health systems for years, and it is plausible to expect that it has taken some time for participants such as these to access the Scheme and that the number of such participants will eventually drop

Table 22 Analysis of sample of recent new entrants[[59]](#footnote-60)

|  | | | | | **Number** | **Percentage** |
| --- | --- | --- | --- | --- | --- | --- |
| **Likely to be true new incidence** | | | | | | |
|  | **Disability Acquired within past 36 months** | | | **58** |  | 29% |
|  | **Disability Acquired prior to past 36 months** | | |  |  |  |
|  |  | Recent loss of Informal supports | | 13 |  |  |
|  |  | Previous application denied | | 25 |  |  |
|  |  | Substantial functional impairment now reached | | 13 |  |  |
|  |  | Recent life-stage event (employment, education) | | 14 |  |  |
|  | **Sub-total** |  | | **65** |  | 32% |
| Total |  |  | |  | 123 | 61% |
| **Unclear if true new incidence** | | |  | |  |  |
|  | Interface with Justice and/or Mental Health System | | | 48 |  |  |
|  | Other |  | | 30 |  |  |
| Total |  |  | |  | 78 | 39% |
| Grand Total | |  |  | | 201 | 100% |

Based on the analysis of this sample, the assumed rate of new incidence has been left unchanged since the previous review, as the current assumption (about 70% of the observed rate for adults) appears reasonable (with 61% of the sample being likely to be true new incidence and 39% being uncertain). Nonetheless there remains a high degree of uncertainty within the assumptions, which is further explored in the scenario analysis discussion presented in Section 6.1.

Past and projected new entrants are shown in Figure 41 which shows that projected new entrant numbers are expected to reduce from more than 80,000 in 2020-21 to approximately 60,000 per year in 2023-24.

Figure 41 Past and Projected New Entrants[[60]](#footnote-61) 

Exits – mortality and non-mortality

Both mortality and non-mortality exits assumptions have been revised since the previous review. Mortality exit assumptions has been revised slightly upwards reflecting recent experience. Short term non-mortality exit assumptions have been revised downwards, also reflecting recent experience. Long term non-mortality exit assumptions have remained unchanged as it continues to be assumed that rates of exit will increase as more children exit the Scheme after receiving early intervention support, and the NDIA focuses on ensuring participants continue to meet the access criteria (as per the NDIS Act).

Figure 42 (ages 0 to 6) and Figure 43 (aged over 7) below compare actual non-mortality exit rates over the 12 months to 30 June 2021 by quarter with the long term non-mortality exit rates and 2021-22 expected non-mortality exit rates based on 12 months to 30 June 2021 exposures.

Figure Actual versus expected non-mortality exits for participants aged 0 to 6

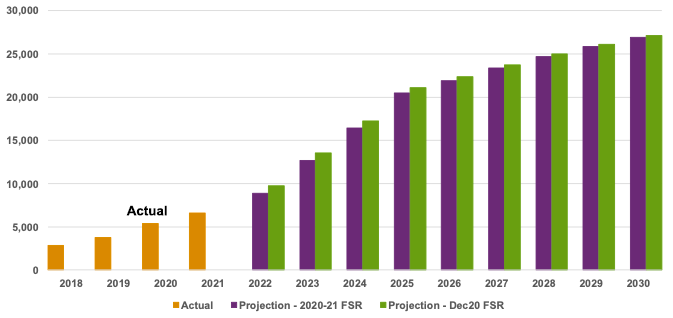
Bar and line chart showing actual versus expected non-mortality exits for participants aged 0 to 6. The graphs belowcompare actual non-mortality exit rates over the 12 months to 30 June 2021 by quarter with the long term non-mortality exit rates and 2021-22 expected non-mortality exit rates based on 12 months to 30 June 2021 exposures.
The 0-6 long term expected non-mortality exit rate is 3.09% and the 0 to 6 2021-22 expected non-mortality exit rate is 1.02%


Figure Actual versus expected non-mortality exits for participants aged over 7

Bar and line chart showing actual versus expected non-mortality exits for participants aged 7 and over. The graphs below compare actual non-mortality exit rates over the 12 months to 30 June 2021 by quarter with the long term non-mortality exit rates and 2021-22 expected non-mortality exit rates based on 12 months to 30 June 2021 exposures.
The 7+ long term expected non-mortality exit rate is 1.41% and the 7+ 2021-22 expected non-mortality exit rate is 0.46%

Past and projected Scheme exits are shown in Figure 44 which shows that exits are expected to increase from less than 7,000 in 2020-21 to over 20,000 per year by 2024-25, which result from an increase in the exit rate as well as the scheme population.

Figure Past and projected exits



Scheme population projection

The expected number of participants at the end of each year is calculated as the starting participant population adding on participant intake and subtracting participant exits over the year. The resulting participant projection by age group is shown in Table 23 below.

Table 23 Projected participant numbers by age band

| **Number of participants As at 30 June** | **2021** | **2022** | **2023** | **2024** | **2025** | **2030** |
| --- | --- | --- | --- | --- | --- | --- |
| Children (0 to 14) | 192,870 | 222,274 | 246,098 | 262,728 | 275,599 | 315,719 |
| Young adults (15 to 24) | 74,213 | 86,267 | 98,193 | 109,819 | 121,833 | 191,015 |
| Adults (25 to 64) | 182,955 | 200,433 | 215,555 | 225,943 | 236,164 | 291,608 |
| Older adults (65+) | 16,581 | 21,483 | 26,587 | 31,835 | 36,804 | 60,987 |
| **Total** | **466,619** | **530,457** | **586,433** | **630,327** | **670,400** | **859,328** |
| Children (0 to 14) | 41.3% | 41.9% | 42.0% | 41.7% | 41.1% | 36.7% |
| Young adults (15 to 24) | 15.9% | 16.3% | 16.7% | 17.4% | 18.2% | 22.2% |
| Adults (25 to 64) | 39.2% | 37.8% | 36.8% | 35.8% | 35.2% | 33.9% |
| Older adults (65+) | 3.6% | 4.0% | 4.5% | 5.1% | 5.5% | 7.1% |
| **Total** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

Young adults represent a growing proportion of the Scheme’s participant numbers as the children from the intake of prior projection years begin to age and transition into older age bands. Table 24 illustrates the projections split by disability group.

Table Projected participant numbers by disability group

| **Number of participants as at 30 June** | **2021** | **2022** | **2023** | **2024** | **2025** | **2030** |
| --- | --- | --- | --- | --- | --- | --- |
| Autism | 151,433 | 175,257 | 198,056 | 217,468 | 236,946 | 337,908 |
| Intellectual Disability | 91,311 | 98,114 | 104,590 | 110,136 | 115,551 | 143,716 |
| Psychosocial Disability | 48,460 | 55,595 | 61,676 | 65,835 | 69,735 | 88,180 |
| Developmental Delay | 47,233 | 60,496 | 70,138 | 76,848 | 80,867 | 89,250 |
| Sensory | 34,198 | 37,970 | 41,270 | 43,853 | 46,160 | 57,179 |
| Other | 93,984 | 103,024 | 110,704 | 116,187 | 121,141 | 143,095 |
| **Total** | **466,619** | **530,457** | **586,433** | **630,327** | **670,400** | **859,328** |
| Autism | 32.5% | 33.0% | 33.8% | 34.5% | 35.3% | 39.3% |
| Intellectual Disability | 19.6% | 18.5% | 17.8% | 17.5% | 17.2% | 16.7% |
| Psychosocial Disability | 10.4% | 10.5% | 10.5% | 10.4% | 10.4% | 10.3% |
| Developmental Delay | 10.1% | 11.4% | 12.0% | 12.2% | 12.1% | 10.4% |
| Sensory | 7.3% | 7.2% | 7.0% | 7.0% | 6.9% | 6.7% |
| Other | 20.1% | 19.4% | 18.9% | 18.4% | 18.1% | 16.7% |
| **Total** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

The expected increase in projected participant numbers from 2021 to 2030 is consistent with the previous review. Autism and intellectual disability continue to be the largest drivers of new incidence for future projections. Over time the proportion of autism participants in the Scheme is expected to continue to increase and the proportion of developmental delay participants is expected to reduce, as some participants with developmental delay are assumed to receive an autism diagnosis over time.

SIL population projection

Table 25 presents the projections split by whether or not the participant is in SIL.

Table Projected participant numbers by SIL type

| **Number of participants as at 30 June** | **2021** | **2022** | **2023** | **2024** | **2025** | **2030** |
| --- | --- | --- | --- | --- | --- | --- |
| Non-SIL | 441,299 | 504,024 | 559,095 | 601,982 | 641,041 | 824,174 |
| SIL | 25,320 | 26,433 | 27,338 | 28,344 | 29,359 | 35,154 |
| **Total** | **466,619** | **530,457** | **586,433** | **630,327** | **670,400** | **859,328** |
|  | | | | | | |
| **SIL as a % of Total Scheme Population** | |  |  |  |  |  |
| Projection | 5.4% | 5.0% | 4.7% | 4.5% | 4.4% | 4.1% |

The number of participants with SIL arrangements is projected to increase over time to reflect both existing participants moving to SIL arrangements and a small number of new entrants to the Scheme accessing SIL. However, it is expected that the vast majority of new entrants into the Scheme will not require SIL which results in the projected proportion of participants in SIL decreasing over time.

Since the previous review, analysis has been undertaken to understand the composition of the new SIL participant intake between those participants transitioning from existing schemes and those who were new to disability supports. This indicated that the number of new SIL participants who were new to disability supports is lower than the assumption at the previous review.

Figure 45 below highlights that the revised projection is more in line with the observed net intake over the past year compared with the previous projection. SIL intake for 2022 and 2023 financial years is assumed to be a combination of new entrants and a small number of transitions from residential aged care. From FY2024 onwards, the SIL projections are driven by transition of existing Scheme participants into SIL arrangements.

Figure SIL participants intake experience to date and trajectory[[61]](#footnote-62)

Line chart showing SIL participants intake experience to date and trajectory. The chart highlights that the revised projection is more in line with the observed net intake over the past year than the previous projection. The figures are as follows, The actual combined net intake for 2018 is 5,867, in 2019 it's 8,389, 2020 it's 3,067, 2021 it's 1,201. The actual new entrants net intake  for 2018 is 48, 2019 430 and 2020 it's 767. The Dec20 projected net intake for 2021- 2022 is 2,859, 2022- 2023 is 2,673, 2023-2024 its 2,362, for 2024-2025 its1,560, for 2025-2026 its 1,644, 2026-2027 is 1,729, 2027-2028 is 1,813, 2028-2029 is 1,889 and 2029-2030 is 1,994. Jun21 Projected net intake for2021- 2022 is 1,113, for 2022- 2023 is 905 for 2023- 2024 it's 1,006, for 2024-2025 it's 1,015, for 2025- 2026 it's 1,067, for 2026- 2027 it's 1,106, 2027-2028 is 1,166, 2028-2029 1,195 and 2029- 2030 it's 1,261

### Average payment assumptions

Scheme experience over the past twelve months has reflected higher average payments per participant than expected when compared to previous assumptions. The base average payment assumptions were derived using 31 May 2021 data, reflecting the actual payment experience over the 3 months to 31 May 2021.

This can be seen in Table 26 which displays the projected average annual payments (in current dollars) by grouped disability and age band for the 2021-22 financial year:

* The average annualised payment amount for all Scheme participants in 2021-22 is $55,800.
* Children have lower average annualised payments than adults, reflecting a higher proportion of early intervention participants, less usage of SIL arrangements and more informal supports, primarily provided by parents.
* Participants with intellectual disability and other disabilities[[62]](#footnote-63) have the largest average payments.
* Participants with sensory disabilities[[63]](#footnote-64) and developmental delay have the lowest average payments.

Table Average annual payments ($) by age band and disability group in 2021-22 (current dollars)

| **Disability Group** | **0 to 6** | **7 to 14** | **15 to 18** | **19 to 24** | **25 to 34** |
| --- | --- | --- | --- | --- | --- |
| Autism | 23,200 | 20,300 | 35,400 | 64,100 | 88,000 |
| Intellectual Disability | 28,300 | 30,500 | 52,100 | 80,600 | 100,900 |
| Psychosocial Disability |  | 18,600 | 39,300 | 61,900 | 55,100 |
| Developmental Delay | 12,300 | 9,800 |  |  |  |
| Sensory | 10,200 | 7,800 | 8,000 | 11,100 | 15,300 |
| Other | 39,100 | 47,400 | 74,900 | 110,800 | 124,500 |
| **Total** | **17,000** | **21,900** | **41,100** | **71,700** | **88,300** |
| **Disability Group** | **35 to 44** | **45 to 54** | **55 to 64** | **65+** | **Total** |
| Autism | 109,100 | 121,600 | 138,700 | 161,500 | 34,600 |
| Intellectual Disability | 117,600 | 141,700 | 153,800 | 164,700 | 90,500 |
| Psychosocial Disability | 55,200 | 56,300 | 60,500 | 64,800 | 57,300 |
| Developmental Delay |  |  |  |  | 12,000 |
| Sensory | 20,700 | 22,100 | 21,600 | 22,800 | 14,700 |
| Other | 112,600 | 103,700 | 97,700 | 96,000 | 96,000 |
| **Total** | **90,500** | **91,300** | **91,300** | **93,200** | **55,800** |

Similarly, the expected average annual payment assumptions (in current dollars) in 2021-22, split by support category and age band, are shown in Table 27. The averages presented in the tables below are a weighted combination of the assumptions by cohort for each support category.

Table Average annual payments ($) by age band and support category in 2021-22 (current dollars)

| **Support Category** | **0 to 6** | **7 to 14** | **15 to 18** | **19 to 24** | **25 to 34** |
| --- | --- | --- | --- | --- | --- |
| Consumables | 600 | 700 | 700 | 800 | 1,100 |
| Daily Activities | 2,300 | 7,100 | 19,500 | 37,700 | 51,600 |
| Social Community Civic | 300 | 1,800 | 7,000 | 19,200 | 22,000 |
| Transport | 700 | 1,800 | 3,000 | 2,000 | 1,900 |
| Assistive Technology | 600 | 500 | 600 | 700 | 1,000 |
| Home Modifications | 0 | 100 | 100 | 300 | 800 |
| CB Daily Activities | 11,600 | 8,000 | 6,000 | 4,500 | 4,300 |
| CB Employment | 0 | 0 | 900 | 2,700 | 1,300 |
| Support Coordination | 200 | 500 | 1,300 | 1,600 | 2,100 |
| Remaining CB | 700 | 1,400 | 2,000 | 2,200 | 2,200 |
| **Total** | **17,000** | **21,900** | **41,100** | **71,700** | **88,300** |
| **Support Category** | **35 to 44** | **45 to 54** | **55 to 64** | **65+** | **Total** |
| Consumables | 1,300 | 1,500 | 1,700 | 1,900 | 1,000 |
| Daily Activities | 55,300 | 58,300 | 58,400 | 59,300 | 30,700 |
| Social Community Civic | 19,700 | 16,700 | 15,600 | 15,400 | 10,200 |
| Transport | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 |
| Assistive Technology | 1,400 | 1,700 | 2,300 | 2,800 | 1,100 |
| Home Modifications | 1,100 | 1,400 | 1,600 | 1,600 | 600 |
| CB Daily Activities | 4,500 | 4,800 | 5,400 | 5,900 | 6,800 |
| CB Employment | 900 | 700 | 500 | 400 | 600 |
| Support Coordination | 2,500 | 2,700 | 2,600 | 2,600 | 1,500 |
| Remaining CB | 2,100 | 1,800 | 1,500 | 1,600 | 1,600 |
| **Total** | **90,500** | **91,300** | **91,300** | **93,200** | **55,800** |

### Inflation assumptions

Participant costs are assumed to increase over time with inflation, both from normal inflationary sources (such as general increases in wages and consumer prices) and from additional cost pressures, referred to as “superimposed inflation”. Superimposed inflation may arise from a variety of sources including price increases in excess of normal inflation, increased volumes of service being utilised by participants, reductions in levels of informal support received by participants, and increases in scope of supports provided by the Scheme. These increases may be reflected in increased plan values, increased plan utilisation, or a combination of both.

Observed increases in average payment per participant (at an aggregate level) are also influenced by ongoing changes in the mix of participants. Specifically, new entrants to the scheme have lower impacts on functional capacity than existing participants. Taken in isolation this change will lead to a reduction in average payment per participant (which will be observed as offsetting other sources of inflation which increase the average payment per participant). Changes in average payment resulting from participant mix are not explicitly modelled; rather they arise as a function of assumptions relating to new incidence, and mortality and non-mortality exits by cohort.

Normal inflation

The adopted normal inflation rate for the coming five years is 3.0% to 3.2% per annum, and then continues at 3.2% per annum in the longer term. This comprises:

* **3.5% per annum for attendant care rates[[64]](#footnote-65)**, which for the 2021-22 to 2024-25 years comprises a 3.0% per annum increase due to changes in minimum wages, as well as an additional amount of 0.5% per annum to allow for the increase in the superannuation guarantee rate. For the 2025-26 and later years, a 3.5% per annum increase has been adopted due to expected changes in minimum wages, as it is expected that by this time Australia will have returned to a higher inflation environment; and
* **Rates varying between 1.8% and 2.5% per annum for the remaining support categories** (predominantly assistive technology, home modifications and therapy supports). This increase is based on the Consumer Price Index forecasts currently adopted by the Commonwealth Treasury department, in which the 2.5% per annum increase adopted in the 2023-24 and later years is based on the target Consumer Price Index range set by the Reserve Bank of Australia.

These rates have been increased since the previous review, when short term rates were 2.6% to 2.8% p.a. The increases arose from an improved economic outlook following Australia’s relatively successful response to the COVID-19 pandemic at the time that the Treasury forecasts were set (Q4 of 2020-21), noting the increase in COVID-19 cases over July and August 2021 and hence likely deterioration in short term outlook.

Table Selected normal inflation rates

| **Normal inflation** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2025-26** | **Long-term** |
| --- | --- | --- | --- | --- | --- | --- |
| Attendant care | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% |
| Other supports | 1.8% | 2.3% | 2.5% | 2.5% | 2.5% | 2.5% |
| **Overall** | **3.0%** | **3.2%** | **3.2%** | **3.2%** | **3.2%** | **3.2%** |

Superimposed inflation

Superimposed inflation is defined as the increase in average payments above the normal inflation rate (after allowing for the change in mix of participants). In the early years of the Scheme, this inflation reflected the dynamic and rapidly changing environment of a newly established Scheme. However, these high levels of superimposed inflation have persisted each year, despite the increasing maturity of the Scheme. This is evidenced in the observed inflation rate of 11.8% p.a. over the past three years for Scheme participants (or 14.9% p.a. when the effect of the change in population mix has been removed).

The sustained high levels of superimposed inflation remains one of the most critical sustainability pressures for the Scheme given its material impact on projected costs. Whilst a number of specific sources of future superimposed inflation have previously been identified and modelled, a substantial proportion of past superimposed inflation arises from sources which are not able to be directly modelled, in particular increases in hours of care provided to participants and a shift from informal (unpaid) attendant care to paid care. Forward superimposed inflation assumptions have therefore been set at this review at an aggregated level, taking into consideration:

* observed high past levels of superimposed inflation and the likelihood that the forces giving rise to that growth are likely to continue (albeit at lower levels) for at least the next two-three years,
* the current utilisation rate (which will, in time, exert a ceiling on the total volume of supports provided), and
* the ability of the market to continue to expand and hence provide greater future volumes of service to participants.

It is recognised that substantial judgment is involved in the setting of these assumptions. Alternative scenarios are considered in Section 6.1. The adopted superimposed inflation is shown in Table 29.

In particular, it is noted that the assumed rate of 9.7% in 2021-22 (i.e. the increase from 2020-21), whilst producing an overall inflation rate of 6.7% which is well below the level observed in recent years, is high in absolute terms, and well above the long term level assumed. In relation to the future superimposed inflation assumptions, the following should be noted:

* The average cost per participant for the three months to June 2021 was $57,431. This was 6.0% higher than the overall average payments for participant for the 2020-21 year
* The three months to June are typically high cost months, which would mean that higher payments would typically be expected over these three months. However the change in mix referred to above would (all else being equal) lead to lower payments per participant. Combining the effects of seasonality and change in mix with the most recent payment experience results in an increase of 5.2% relative to the average payment per participant in 2020-21
* The 9.7% shown in Table 29 Impact of adopted superimposed inflation assumptions on payments therefore comprises 5.2% which has already occurred and 4.3% is assumed to occur in future. This remaining (i.e. future) superimposed inflation of 4.3%, combined with inflation assumed in future years, means that there is an allowance for a total of 14.4% future superimposed inflation
* This total future assumed superimposed inflation of 14.4% is significantly lower in the context of **average per annum** inflation of 14.9% in the three years to 30 June 2021 (the majority of which was superimposed inflation)
* However, given that plan utilisation at 30 June 2021 was slightly below 80%, total future payment inflation of 14.4% would result in total utilisation of approximately 90% based on current plan values. Current plan values can therefore be regarded as providing some upper bound on the level of possible future inflation, noting that future inflation in plan values would increase the level of non-utilised funds and hence create capacity for further inflation.

Table Impact of adopted superimposed inflation assumptions on payments[[65]](#footnote-66)

|  | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **Total after 2024-25** |
| --- | --- | --- | --- | --- | --- |
| Superimposed inflation | 9.7% | 5.0% | 3.0% | 1.1% | 0.4% |

Total inflation

Normal inflation has been combined with superimposed inflation rates to calculate total inflation. Table 30 and Figure 46 below detail the underlying normal and superimposed inflation assumptions adopted for each projection year, with a comparison made to historic inflation experience. The comparison to historic experience is shown both including and excluding changes in population mix. Additionally, Figure 47 compares the total adopted inflation with the previous review.

Table Comparison of historic inflation experience and adopted total inflation[[66]](#footnote-67)

| **Inflation on payments** | **Average annual rate over the previous 3 years** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** | **Thereafter** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **2020-21 AFSR** |  | | | | | | |
| Normal inflation |  | 3.0% | 3.2% | 3.2% | 3.2% | 3.2% | 3.2% |
| Superimposed inflation |  | 9.7% | 5.0% | 3.0% | 1.1% | 0.0% | 0.0% |
| **Total (excl change in mix)** | **14.9%** | **12.7%** | **8.1%** | **6.2%** | **4.3%** | **3.3%** | **3.3%** |
| Change in mix | -3.1% | -5.6% | -4.4% | -3.2% | -2.3% | -0.7% |  |
| **Total (incl change in mix)** | **11.8%** | **6.7%** | **3.5%** | **2.9%** | **1.9%** | **2.6%** |  |

It is evident that the Scheme has experienced high levels of historic inflation, and these levels substantially exceed the adopted total inflation assumptions in the projections. Given that a proportion of past superimposed inflation arose from price increases in excess of normal inflation, and that future such increases are less likely, a lower rate of future superimposed inflation is regarded as reasonable, although this assumption remains highly uncertain.

Figure Comparison of historic inflation experience and adopted total inflation[[67]](#footnote-68)

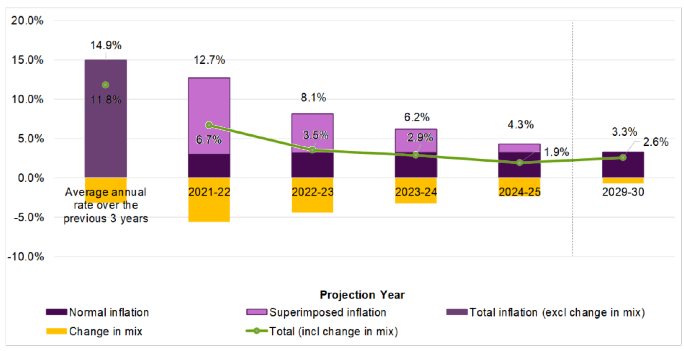
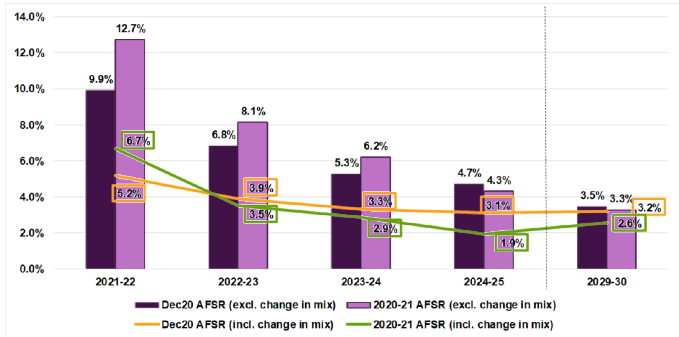


Figure Comparison of adopted total inflation with previous review



Average payment per participant assumptions after inflation

Table 31 shows the projected average payment by SIL status and the growth in average payment by year, as well as the components of this growth, split between base inflation, superimposed inflation, and change in mix.

Table Average annual payments ($) by SIL status and inflation components

| **Average Cost Per Participant ($)** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- | --- |
| **June 2021 Projection** |  |  |  |  |  |  |
| Non-SIL | 38,000 | 42,200 | 44,900 | 46,800 | 48,000 | 53,100 |
| SIL | 321,500 | 343,000 | 355,900 | 368,800 | 381,500 | 453,200 |
| **Total** | **54,200** | **57,800** | **59,900** | **61,600** | **62,800** | **69,500** |
| **Total Growth** |  |  |  |  |  |  |
| Non-SIL |  | 11.2% | 6.3% | 4.4% | 2.4% | 2.5% |
| SIL |  | 6.7% | 3.8% | 3.6% | 3.5% | 3.5% |
| **Total** |  | 6.7% | 3.5% | 2.9% | 1.9% | 2.6% |
| **Change in Mix** |  |  |  |  |  |  |
| Non-SIL |  | -4.1% | -3.4% | -2.6% | -2.1% | -0.7% |
| SIL |  | -0.4% | -0.3% | -0.2% | -0.1% | 0.1% |
| **Total** |  | -5.6% | -4.4% | -3.2% | -2.3% | -0.7% |
| **Normal inflation** |  |  |  |  |  |  |
| Non-SIL |  | 2.9% | 3.1% | 3.1% | 3.1% | 3.2% |
| SIL |  | 3.4% | 3.4% | 3.4% | 3.4% | 3.4% |
| **Total** |  | 3.0% | 3.2% | 3.2% | 3.2% | 3.2% |
| **Superimposed inflation** |  |  |  |  |  |  |
| Non-SIL |  | 12.7% | 6.8% | 3.9% | 1.4% | 0.0% |
| SIL |  | 3.6% | 0.7% | 0.4% | 0.1% | 0.0% |
| **Total** |  | 9.7% | 5.0% | 3.0% | 1.1% | 0.0% |

Table 32 details the resulting average annual payments by age group in each projection year after total inflation has been applied to the base average cost assumptions. Actual average annual payments for 2020-21 are also included for comparison.

Table Average annual payments ($) by age group and projection year

| **Age group** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| Children (0 to 14) | 18,500 | 20,800 | 23,000 | 23,700 | 26,200 |
| Young adults (15 to 24) | 53,300 | 58,800 | 61,800 | 61,900 | 63,900 |
| Adults (25 to 64) | 88,800 | 93,700 | 100,000 | 101,800 | 110,500 |
| Older adults (65+) | 89,400 | 96,500 | 106,600 | 109,200 | 119,400 |
| **Total** | **54,200** | **57,800** | **61,600** | **62,800** | **69,500** |
|  |  |  |  |  |  |

Average annual payments increases each year across all age groups. Table 33 illustrate the percentage change in average annual payments by age group and projection year. The average annual payments, and therefore percentage change each year is impacted by the change in the mix of participants.

Table Change in average annual payments ($) by age group and projection year

| **Age group** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30\*** |
| --- | --- | --- | --- | --- | --- |
| Children (0 to 14) |  | 5.6% | 4.7% | 3.0% | 2.0% |
| Young adults (15 to 24) |  | 3.5% | 1.6% | 0.1% | 0.7% |
| Adults (25 to 64) |  | 3.7% | 2.9% | 1.9% | 1.6% |
| Older adults (65+) |  | 6.2% | 4.0% | 2.4% | 1.8% |
| **Total** |  | **3.5%** | **2.9%** | **1.9%** | **2.1%** |

The greatest growth in average annual payments occurs for participants aged 0 to 14 and over 65.

Table 34 below displays the projected average annual payments (in 2024-25 dollars) by grouped disability and age band for the 2024-25 financial year. The following table shows that:

* The average annualised payment amount for all Scheme participants in 2024-25 is $62,800 in 2024-2025 dollars.
* Children have lower average annualised payments than adults, reflecting a higher proportion of early intervention participants, less usage of SIL arrangements and more informal supports, primarily provided by parents.
* Participants with intellectual disability and other disabilities[[68]](#footnote-69) have the largest average payments.
* Participants with sensory disabilities[[69]](#footnote-70) and developmental delay have the lowest average payments.

Table Average annual payments ($) by age band and disability group in 2024-25 (2024-25 dollars)

| **Disability Group** | **0 to 6** | **7 to 14** | **15 to 18** | **19 to 24** | **25 to 34** |
| --- | --- | --- | --- | --- | --- |
| Autism | 27,000 | 25,400 | 40,600 | 72,900 | 99,400 |
| Intellectual Disability | 37,000 | 33,500 | 59,300 | 95,500 | 116,300 |
| Psychosocial Disability | 8,300 | 31,200 | 48,300 | 71,700 | 67,000 |
| Developmental Delay | 14,400 | 12,300 |  |  |  |
| Sensory | 12,500 | 9,300 | 9,800 | 13,800 | 17,700 |
| Other | 53,600 | 55,200 | 81,600 | 121,800 | 143,400 |
| **Total** | **19,300** | **26,500** | **45,100** | **79,900** | **101,100** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Disability Group** | **35 to 44** | **45 to 54** | **55 to 64** | **65+** | **Total** |
| Autism | 123,500 | 131,600 | 150,900 | 190,300 | 43,100 |
| Intellectual Disability | 136,100 | 157,800 | 170,500 | 193,400 | 100,800 |
| Psychosocial Disability | 67,300 | 67,900 | 72,500 | 78,700 | 69,600 |
| Developmental Delay |  |  |  |  | 14,100 |
| Sensory | 24,500 | 25,600 | 25,800 | 27,300 | 17,700 |
| Other | 129,200 | 117,200 | 108,200 | 114,100 | 109,700 |
| **Total** | **104,300** | **101,700** | **100,900** | **109,200** | **62,800** |

Similarly, the expected average annual payment assumptions (in 2024-25 dollars) in 2024-25, split by support category and age band, are shown in Table 35. The averages presented in the tables below are a weighted combination of the assumptions by cohort for each support category.

Table Average annual payments ($) by age band and support category in 2024-25 (2024-25 dollars)

| **Support Category** | **0 to 6** | **7 to 14** | **15 to 18** | **19 to 24** | **25 to 34** |
| --- | --- | --- | --- | --- | --- |
| Consumables | 700 | 800 | 700 | 900 | 1,200 |
| Daily Activities | 2,700 | 8,300 | 20,200 | 39,400 | 56,700 |
| Social Community Civic | 300 | 2,200 | 7,600 | 21,800 | 26,100 |
| Transport | 700 | 2,200 | 3,300 | 2,400 | 2,300 |
| Assistive Technology | 600 | 500 | 500 | 700 | 1,100 |
| Home Modifications | 0 | 100 | 100 | 300 | 1,000 |
| CB Daily Activities | 13,200 | 9,900 | 7,100 | 5,300 | 5,100 |
| CB Employment | 0 | 0 | 1,400 | 4,300 | 2,100 |
| Support Coordination | 300 | 700 | 1,600 | 2,000 | 2,700 |
| Remaining CB | 800 | 1,800 | 2,600 | 2,800 | 2,800 |
| **Total** | **19,300** | **26,500** | **45,100** | **79,900** | **101,100** |
| **Support Category** | **35 to 44** | **45 to 54** | **55 to 64** | **65+** | **Total** |
| Consumables | 1,500 | 1,700 | 1,900 | 2,200 | 1,100 |
| Daily Activities | 61,700 | 62,400 | 62,000 | 67,400 | 32,900 |
| Social Community Civic | 23,500 | 19,500 | 18,100 | 18,800 | 11,800 |
| Transport | 2,100 | 2,000 | 2,000 | 2,100 | 2,100 |
| Assistive Technology | 1,600 | 2,000 | 2,600 | 3,300 | 1,200 |
| Home Modifications | 1,300 | 1,600 | 1,800 | 2,000 | 700 |
| CB Daily Activities | 5,300 | 5,700 | 6,200 | 7,100 | 8,100 |
| CB Employment | 1,500 | 1,000 | 800 | 600 | 1,000 |
| Support Coordination | 3,400 | 3,500 | 3,400 | 3,500 | 1,900 |
| Remaining CB | 2,400 | 2,300 | 2,100 | 2,200 | 2,000 |
| **Total** | **104,300** | **101,700** | **100,900** | **109,200** | **62,800** |

### Operating expenses

The Agency maintains a detailed activity-based costing of its operations. The operating expenses adopted in this AFSR are based on this internal model. In 2020-21 actual operating expenses (at $1.5 billion) were lower than budgeted in the PBS by $40.7 million, or 2.7% (Table 36). In 2020-21 operating costs represented 6.3% of participant costs.

Table Actual operating expenses compared to expectations for 2020-21

| **Operating expenses - full year to 30 June 2021** |  | **$m** |
| --- | --- | --- |
| **Actual** | | **1,481.0** |
| Budget (from 2019-20 PBS) | | 1,521.7 |
| Difference (Actual - Budget) | | -40.7 |

Operating expenses, as a percentage of participant costs, are projected to reduce over time, as the relative cost of bringing new participants into the Scheme is expected to reduce, and also because the average payment per participant is expected to increase at a faster rate than the inflation rate assumed to underpin the Scheme’s operating costs (Table 37). Operating costs are forecast to be 6.0% of participant expenses in 2021-22, reducing to 5.0% in 2024-25, and 4.1% in 2029-30.

Table Operating expenses for the 2020-21 AFSR as proportion of participant costs

| **Operating and Participant Costs ($m)** | | | **2022** | **2023** | **2024** | **2025** | **2030** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **2020-21 AFSR** |  |  |  |  |  |  |  |
| Participant Costs (accrual basis) | | | 29,223 | 33,886 | 37,973 | 41,373 | 59,284 |
| **Operating Costs** | |  | **1,760** | **1,879** | **1,978** | **2,055** | **2,452** |
| As a % of Participant Costs | |  | 6.0% | 5.5% | 5.2% | 5.0% | 4.1% |

The forecast operating costs of $1,760m in 2021-22 are approximately $250m (or 18%) higher than those in 2020-21 and a similar amount higher than the amount allowed for in the 2021-22 PBS. In adopting an estimate which is considerably higher than both the actual expenses in 2020-21 and budgeted expenses in 2021-22 it is noted that:

* Development of stronger non-compliance payment controls and fraud mitigants, together with continued focus on sustainability initiatives and the continued improvement in participant experience (as prescribed by the Participant Service Guarantee), and associated outcomes requires significant investment. This investment needs to take the form of frontline capability and capacity, as well as strategic investments in broader organisation capabilities. Without adequate operational funding for the Agency, risks associated with participant costs increases, which is quantified in Section 6.1.
* The adopted level of operating expenses essentially assumes a consistent level of resources per participant supported. Any reduction in operating costs below this level is consistent with reductions in resources, increased workloads and less capacity to support participants and manage risk, including fraud and integrity.
* In the 2017 PC study report[[70]](#footnote-71), a target operating expense range of 7-10% was recommended, and the adopted level of expenses is therefore well below the recommended range. The adopted expense rate is also at the lower end of, or below the range of expense rates seen in comparable injury support schemes around Australia, even allowing for the greater scale of the Scheme.
  1. Lifetime cost estimates

In addition to annual projections, the AFSR is required to include estimates of lifetime cost[[71]](#footnote-72) for participants. These estimates summarise the average expected payments made for Scheme supports over participant’s entire lifetimes. They provide a useful benchmark to monitor the financial sustainability of the Scheme, as better outcomes for participants should generally result in lower long-term costs of disability support in the future. Therefore, as more experience emerges, the lifetime cost estimates for participants may be expected to reduce, on average.

Average participant lifetime costs have been projected based on the assumptions underlying the baseline projections, excluding operating expenses, and then discounted to a present value as at 30 June 2021 assuming a long term discount rate of 5.0% per annum for all future years.[[72]](#footnote-73)

22.

Table 38 shows these calculated average lifetime costs by disability type, which are then applied to the estimated annual population of new entrants in 2021-22.

Table Average Payments & Total Lifetime Costs for New Entrants in 2021-22

| **Disability Type** | **New Incidence population (2021-22)** | **Average Lifetime Costs ($m)** | **Total Lifetime Costs ($m)** | **Total Lifetime Costs  (%)** |
| --- | --- | --- | --- | --- |
| ABI | 914 | 1.77 | 1,618 | 2% |
| Autism | 12,303 | 1.76 | 21,649 | 32% |
| Cerebral Palsy | 679 | 1.99 | 1,349 | 2% |
| Hearing Impairment | 2,672 | 0.16 | 429 | 1% |
| Intellectual Disability | 3,749 | 2.11 | 7,914 | 12% |
| Multiple Sclerosis | 638 | 1.13 | 719 | 1% |
| Developmental Delay | 24,599 | 0.84 | 20,551 | 31% |
| Other | 937 | 0.79 | 738 | 1% |
| Other Neurological | 2,602 | 0.96 | 2,491 | 4% |
| Other Physical | 2,511 | 0.57 | 1,432 | 2% |
| Other Sensory/Speech | 433 | 0.05 | 22 | 0% |
| Psychosocial disability | 5,193 | 1.13 | 5,848 | 9% |
| Spinal Cord Injury | 276 | 2.15 | 592 | 1% |
| Stroke | 1,020 | 1.23 | 1,259 | 2% |
| Visual Impairment | 653 | 0.56 | 367 | 1% |
| **Total** | **59,178** | **1.13** | **66,978** | 100% |
|  |  |  |  |  |
|  |  | Projected GDP (2021-22) | 2,131,988 |  |
|  |  | **% of GDP** | **3.14%** |  |

The total lifetime cost for an annual cohort of new incidence is projected to be $67.0 billion based on current long term assumptions, representing 3.14% of projected GDP for 2021-22.

Ongoing monitoring of changes in lifetime costs at the support category level will provide insight into how long-term costs for Scheme participants may change over time, prior to the actual experience being reflected in the assumption base. For example, participants utilising more capacity building supports may increase lifetime cost estimates today, but could also indicate a reduction in future lifetime costs if capacity building is able to reduce their needs for other supports in the long term.

22.

Table 38 indicates that about 75% of total lifetime costs attributable to an annual cohort of new entrants into the Scheme are for participants with Developmental Delay, Autism and Intellectual disability.

The figures above relate to one year of (future) new entrants to the scheme. The total lifetime cost for the 466,619 existing participants in the Scheme has been estimated to be $940.5 billion. The average lifetime cost estimate of these participants is $2.0 million; this is significantly higher than the average of $1.1 million for new entrants due to the different disability and age distributions of the two populations. In particular the profile of current participants is skewed to towards those with lower functional levels compared with new entrants. The new incidence cohorts have a greater number of higher functioning children, many of whom have entered the Scheme through the early intervention requirement (Section 25 of the Act), and who are expected to exit the Scheme and hence have a lower average lifetime cost.

## Scenario analysis and comparisons to benchmarks

* 1. Scenario Analysis

The projections presented in Section 5 of this report represent the “baseline” estimate of Scheme population and costs. As highlighted throughout this report, there is considerable uncertainty in relation to these projections, and the actual cost may vary from the baseline projections, possibly significantly. More specifically there is significant uncertainty in relation to:

* **Numbers of new entrants to the Scheme** – observed numbers of new participants, whilst slightly lower than the previous review are significantly higher than those forecast in earlier reports and in the 2017 PC Study Report. Whilst the number of new entrants per annum is reducing, it is unclear when they will stabilise and at what level.
* **The average payment for new entrants to the Scheme** - there are relatively few years of experience from which to determine the average payment for new entrants, compared to existing participants. As more new entrants enter the Scheme the average payments for new entrants may vary substantially from that previously observed.
* **Rates of non-mortality exits** – observed rates of non-mortality exits are significantly lower than forecast in in previous reports and in the 2017 PC Study Report and the long term rates assumed may not eventuate.
* **Rates of superimposed inflation** – average payments per participant have grown at rates substantially exceeding normal inflation for several years. Whilst some of the pressures giving rise to past increases remain, these would not be expected to continue indefinitely and hence past rates of inflation do not provide definitive guidance regarding likely future rates of inflation.
* **Numbers of participants transitioning into Supported Independent Living** – there is only one year of experience of participants transitioning into Supported Independent Living following all geographic regions gaining access to the Scheme. Longer term SIL participant numbers are therefore based on relatively little experience.

To consider the uncertainty inherent within the projection revised projections have been calculated for a number of scenarios. These consider a range of plausible outcomes in relation to the uncertainties above.

As there are differing relative impacts of the scenarios on existing participants and new participants, the impact of each of these scenarios is shown separately for existing participants, new participants, and in total. The total Scheme projection, split between existing participants and new entrants (from 1 July 2021 onwards) is shown in Table 39.

Table Split of participant costs between existing and new participants

| **Participant Costs ($m) - accrual basis** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| Existing Scheme participants | 27,917 | 30,227 | 31,735 | 32,722 | 37,546 |
| Future participant intake | 1,306 | 3,659 | 6,238 | 8,650 | 21,738 |
| **Total Participant Costs** | **29,223** | **33,886** | **37,973** | **41,373** | **59,284** |

***Existing Participants***

Table 40 shows various scenarios in relation to existing participants. Comments on specific scenarios are as follows:

* Lower long term non-mortality exit rates (equal to the rate observed over the past year) adds $0.5 billion in 2024-25 and $2.7 billion in 2029-30
* Continuation of current rates of superimposed inflation for two additional years adds $4.1 billion in 2024-25 and $6.4 billion in 2029-30
* Higher numbers of SIL participants adds $0.5 billion in 2024-25 and $1.5 billion in 2029-30

Table Scenarios regarding existing participants

| **Scenarios - existing participants ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** | **Total 2021-25** |
| --- | --- | --- | --- | --- | --- | --- |
| **Baseline Projection** | 27,917 | 30,227 | 31,735 | 32,722 | 37,546 | 122,601 |
| **Population (variances to baseline)** |  |  |  |  |  |  |
| Higher SIL numbers (+500 p.a.) | 135 | 210 | 362 | 524 | 1,524 | 1,231 |
| Lower SIL numbers (-200 p.a.) | -54 | -84 | -145 | -210 | -610 | -493 |
| Lower non-mortality exit rates | 15 | 82 | 233 | 488 | 2,655 | 818 |
| **Cost (variances to baseline)** |  |  |  |  |  |  |
| One year less of high inflation | -832 | -1,086 | -1,418 | -1,594 | -2,354 | -4,930 |
| Two additional years of high inflation | 1,130 | 2,237 | 2,714 | 4,145 | 6,447 | 10,226 |
| 1%p.a. additional long term inflation | 136 | 435 | 767 | 1,121 | 3,266 | 2,459 |
| 1%p.a. less long term inflation | -136 | -432 | -756 | -1,094 | -3,032 | -2,417 |
| **Population (variances to baseline)** |  |  |  |  |  |  |
| Higher SIL numbers (+500 p.a.) | 0.5% | 0.7% | 1.1% | 1.6% | 4.1% | 1.0% |
| Lower SIL numbers (-200 p.a.) | -0.2% | -0.3% | -0.5% | -0.6% | -1.6% | -0.4% |
| Lower non-mortality exit rates | 0.1% | 0.3% | 0.7% | 1.5% | 7.1% | 0.7% |
| **Cost (variances to baseline)** |  |  |  |  |  |  |
| One year less of high inflation | -3.0% | -3.6% | -4.5% | -4.9% | -6.3% | -4.0% |
| Two additional years of high inflation | 4.0% | 7.4% | 8.6% | 12.7% | 17.2% | 8.3% |
| 1%p.a. additional long term inflation | 0.5% | 1.4% | 2.4% | 3.4% | 8.7% | 2.0% |
| 1%p.a. less long term inflation | -0.5% | -1.4% | -2.4% | -3.3% | -8.1% | -2.0% |

***New Participants***

Table 41 shows various scenarios in relation to new participants. Comments on specific scenarios are as follows:

* Higher rates of new incidence (if long term rates are equal to the rate observed in the past year) add $1.3 billion in 2024-25 and $6.3 billion in 2029-30
* Slower transition to the Steady Intake Date (three additional years) adds $0.7 billion in 2024-25 and $1.6 billion in 2029-30
* Higher average payments for new entrants (if new entrants have the same average payment as existing participants in the same cohort) adds $0.8 billion in 2024-25 and $1.9 billion in 2029-30
* Continuation of current rates of superimposed inflation for two years adds $1.1 billion in 2024-25 and $3.7 billion in 2029-30
* The projections of the cost of new entrants are relatively insensitive to variations in general population growth and numbers of SIL participants

Table Scenarios regarding new participants

| **Scenarios - new participants ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** | **Total 2021-25** |
| --- | --- | --- | --- | --- | --- | --- |
| **Baseline Projection** | 1,306 | 3,659 | 6,238 | 8,650 | 21,738 | 19,854 |
| **Population (variances to baseline)** |  |  |  |  |  |  |
| Lower long term new incidence assumptions | 0 | 0 | 0 | 0 | -1,789 | 0 |
| Higher long term new incidence assumptions | 0 | 76 | 500 | 1,253 | 6,272 | 1,828 |
| Lower general population growth | 0 | -4 | -17 | -35 | -171 | -56 |
| Higher SIL numbers (+500 p.a.) | 15 | 23 | 40 | 58 | 169 | 137 |
| Lower SIL numbers (-200 p.a.) | -6 | -9 | -16 | -23 | -68 | -55 |
| Three extra years to reach steady state | 0 | 36 | 287 | 718 | 1,581 | 1,041 |
| **Cost (variances to baseline)** |  |  |  |  |  |  |
| Lower cost of new entrants | -113 | -355 | -585 | -794 | -1,929 | -1,845 |
| Higher cost of new entrants | 113 | 355 | 585 | 794 | 1,929 | 1,845 |
| One year less of high inflation | -39 | -131 | -279 | -421 | -1,363 | -870 |
| Two additional years of high inflation | 53 | 271 | 533 | 1,096 | 3,733 | 1,953 |
| 1%p.a. additional long term inflation | 6 | 53 | 151 | 296 | 1,891 | 506 |
| 1%p.a. less long term inflation | -6 | -52 | -149 | -289 | -1,755 | -496 |
| **Population (variances to baseline)** |  |  |  |  |  |  |
| Lower long term new incidence assumptions | 0.0% | 0.0% | 0.0% | 0.0% | -8.2% | 0.0% |
| Higher long term new incidence assumptions | 0.0% | 2.1% | 8.0% | 14.5% | 28.9% | 9.2% |
| Lower general population growth | 0.0% | -0.1% | -0.3% | -0.4% | -0.8% | -0.3% |
| Higher SIL numbers (+500 p.a.) | 1.1% | 0.6% | 0.6% | 0.7% | 0.8% | 0.7% |
| Lower SIL numbers (-200 p.a.) | -0.5% | -0.3% | -0.3% | -0.3% | -0.3% | -0.3% |
| Three extra years to reach steady state | 0.0% | 1.0% | 4.6% | 8.3% | 7.3% | 5.2% |
| **Cost (variances to baseline)** |  |  |  |  |  |  |
| Lower cost of new entrants | -8.6% | -9.7% | -9.4% | -9.2% | -8.9% | -9.3% |
| Higher cost of new entrants | 8.6% | 9.7% | 9.4% | 9.2% | 8.9% | 9.3% |
| One year less of high inflation | -3.0% | -3.6% | -4.5% | -4.9% | -6.3% | -4.4% |
| Two additional years of high inflation | 4.0% | 7.4% | 8.6% | 12.7% | 17.2% | 9.8% |
| 1%p.a. additional long term inflation | 0.5% | 1.4% | 2.4% | 3.4% | 8.7% | 2.5% |
| 1%p.a. less long term inflation | -0.5% | -1.4% | -2.4% | -3.3% | -8.1% | -2.5% |

***Combined impact***

Table 42 shows the combined effect of scenarios relating to existing and new participants. Comments about specific scenarios are as follows:

* *Two additional years of high inflation* is assumed at the same rate as observed over the past three years, which is higher than that assumed in the baseline projection
* *Higher long term new incidence assumptions* are consistent with the rate observed over the past year which is higher than that assumed in the longer term in the baseline projection
* *Lower non-mortality exit rates* are consistent with those recently observed, which are lower than those assumed in the longer term in the baseline projection
* *Higher cost of new entrants* assumes new entrants having the same average payment as existing participants in the same cohort[[73]](#footnote-74)
* *One year less of high inflation* assumes that inflation reduces to a lower long term level one year earlier (i.e. the long-term assumption is adopted from 2027-28 onwards compared with 2028-29 onwards in the baseline projection).
* *Lower long term new incidence assumptions* projects new entrants consistent with that assumed at 30 June 2020, which is about 33% below current assumptions
* *Lower cost of new entrants* assumes new entrants having average payments 17% below existing participants, consistent with the recent observed experience (under the baseline projection the cost of new entrants is assumed to be 8.5% lower than existing participants)
* *Other* scenarios include
  + variances in the number of SIL participants (200 less p.a. in the reduction scenario and 500 more p.a. in the increase scenario);
  + lower general population growth (i.e. lower growth in the Australian population);
  + three additional years of new entrant numbers in excess of the long term rate (i.e. the new incidence rate stabilises in 2026-27 instead of 2023-24).

Commentary on the ranges derived is a follows:

* The plausible range estimated in 2024-25 is between $39.0 billion (5.8% lower than baseline) and $47.8 billion (15.6% higher than baseline)
* The plausible range estimated from 2021-22 to 2024-25 is between $135.8 billion (4.6% lower than baseline) and $156.8 billion (10.1% higher than baseline)
* The plausible range estimated in 2029-30 is between $53.2 billion (10.3% lower than baseline) and $74.2 billion (25.1% higher than baseline)

Table Overall plausible high and low scenarios[[74]](#footnote-75)

| **Scenarios - all participants** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** | **Total 2021-25** |
| --- | --- | --- | --- | --- | --- | --- |
| **Baseline Projection** | **29,223** | **33,886** | **37,973** | **41,373** | **59,284** | **142,455** |
| **Cost increase scenarios** |  |  |  |  |  |  |
| Two additional years of high inflation | 1,183 | 2,508 | 3,247 | 5,240 | 10,180 | 12,179 |
| Higher long term new incidence assumptions | 0 | 76 | 500 | 1,253 | 6,272 | 1,828 |
| Lower non-mortality exit rates | 15 | 82 | 233 | 488 | 2,655 | 818 |
| Higher cost of new entrants | 113 | 355 | 585 | 794 | 1,929 | 1,845 |
| Other | 150 | 269 | 698 | 1,301 | 3,275 | 2,409 |
| **Total unfavourable** | **1,461** | **3,290** | **5,253** | **9,075** | **24,312** | **19,079** |
| **Plausible high case (variance)** | **1,264** | **2,726** | **3,883** | **6,470** | **14,872** | **14,344** |
| **Cost reduction scenarios** |  |  |  |  |  |  |
| One year less of high inflation | -871 | -1,217 | -1,697 | -2,015 | -3,718 | -5,800 |
| Lower long term new incidence assumptions | 0 | 0 | 0 | 0 | -1,789 | 0 |
| Lower cost of new entrants | -113 | -355 | -585 | -794 | -1,929 | -1,845 |
| Other | -60 | -98 | -177 | -268 | -1,918 | -603 |
| **Total of cost decrease scenarios** | **-1,044** | **-1,670** | **-2,459** | **-3,077** | **-9,354** | **-8,249** |
| **Plausible low case (variance)** | **-917** | **-1,364** | **-1,960** | **-2,403** | **-6,125** | **-6,645** |
| **Plausible high case (total)** | **30,487** | **36,613** | **41,855** | **47,843** | **74,156** | **156,799** |
| **Plausible low case (total)** | **28,306** | **32,523** | **36,012** | **38,970** | **53,159** | **135,811** |

The plausible high and low scenarios shown combine the various components of variance. Low positive correlation is assumed between the various components, resulting in the overall plausible scenarios being considerably less extreme than the total of the individual components.

It is also noted that the range adopted includes considerably more upside (unfavourable) than downside (favourable) risk. This results from considerably greater upside risk relating to superimposed inflation, new incidence rates and exit rates.

### Historic AFSR projections

The projections in the AFSR will always contain uncertainty. With each update of the AFSR, projection assumptions balance both the emerging experience (considering the significance and duration of the trends), and future expectations. Projections of Scheme costs do not only consider past trends but also consider future operational responses. As a result future projections can look quite different to historic experience. Updates to assumptions consider both the significant growth in the Scheme over the past five years and the relative immaturity of the Scheme. As more and more data becomes available and as the Scheme continues to evolve, the projection of Scheme costs does as well.

The Scheme started slowly with 30,000 participants by the end of the third year (30 June 2016), and this increased to 90,000 by 30 June 2017. The experience in the first four years did not provide enough evidence to re-forecast the Scheme (from the Productivity Commission estimate). However, the experience in the first four years of the Scheme indicated a number of emerging risks to sustainability which have persisted. The 2015 -16 AFSR summary identified risks to the Scheme of:

* Higher than expected numbers of children entering the Scheme
* Increasing package costs over and above the impacts of inflation and ageing (“superimposed inflation”)
* Potential participants continuing to approach the Scheme
* Lower than expected participants exiting the Scheme
* A mismatch between benchmark package costs and actual package costs.

These risks were quantified in scenario analysis undertaken for that report (and subsequent reports including this one).

The 2017-18 AFSR (using data at 30 June 2018) included an experience-based projection to forecast Scheme costs, as have subsequent AFSR projections. Consequently, the projection has changed over time reflecting the emerging Scheme experience. The changes in both estimates of participant numbers, average payments per participants and total participants costs is below.

Table Total participant costs – AFSR projections, 2017 PC estimates and 2021-22 PBS estimates

| **Total participant costs ($b)** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PC estimates** |  |  |  |  |  |  |  |  |
| 2017 Productivity Commission Estimates | 7.7 | 14.7 | 20.8 | 22.2 | 23.7 | 25.2 | 26.8 | 28.5 |
| 2017 Productivity Commission Estimates (including unanticipated costs) |  |  | 21.9 | 23.8 | 25.5 | 27.2 | 29.0 | 30.8 |
| **PBS** |  |  |  |  |  |  |  |  |
| Portfolio Budget Statements 2021-22 |  |  |  |  | 26.5 | 28.3 | 29.4 | 31.9 |
| **AFSR** |  |  |  |  |  |  |  |  |
| 30 June 2021 AFSR projection |  |  |  |  | 29.2 | 33.9 | 38.0 | 41.4 |
| 31 December 2020 AFSR projection1 |  |  |  |  | 28.1 | 32.9 | 36.9 | 40.7 |
| 30 June 2020 AFSR projection |  |  |  | 22.3 | 26.1 | 28.9 | 31.4 | 34.3 |
| 31 December 2019 AFSR projection |  |  |  | 21.8 | 25.4 | 28.5 | 31.4 | 34.2 |
| 30 June 2019 AFSR projection |  |  | 16.7 | 21.1 | 24.2 | 26.9 | 28.9 | 30.8 |
| 30 June 2018 AFSR projection2 |  | 9.5 | 16.0 | 20.3 | 23.6 | 26.6 | 29.5 | 31.7 |
| **Comparison with actuals** |  |  |  |  |  |  |  |  |
| Actual participant costs (accrual) | 5.4 | 10.5 | 17.6 | 23.3 |  |  |  |  |
| Actual participant costs compared with June AFSR |  | 0.9 | 0.8 | 1.0 |  |  |  |  |
| 1 Previous review, released on 3 July 2021 2 Projections have been adjusted from a cash basis to an accrual basis using accrual factors from the 30 June 2019 AFSR | | | | | | |  |  |

Total participant cost projections have been revised upwards for each successive AFSR projection. Nonetheless actual costs for each of the past three years have exceeded the estimate from the most recent AFSR by amounts between $0.8 billion and $1.0 billion, highlighting the challenge of achieving accurate projections of Scheme cost even in the short term.

Table 44 below highlights the difference between the 30 June 2021 AFSR projections with the 2017 PC estimates (including unanticipated costs), 2021-22 PBS and the 30 June 2018 AFSR projections over the next four years.

Table AFSR projections compared to 2017 PC estimates, 2021-22 PBS estimates and 2018 AFSR projections

| **Total participant costs ($b)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** |
| --- | --- | --- | --- | --- |
| 30 June 2021 AFSR projections compared with 2017 PC Estimates | +3.7 | +6.7 | +9.0 | +10.6 |
| 30 June 2021 AFSR projections compared with 2021-22 PBS | +2.7 | +5.6 | +8.5 | +9.5 |
| 30 June 2021 AFSR projections compared with 30 June 2018 AFSR projections | +5.6 | +7.2 | +8.4 | +9.7 |

While a component of the increases in the AFSR projection over time is from a greater intake of participants than previously expected, particularly in regions that phased in during the trial period, the main driver is the average payment per participant which has continued to significantly increase. This is discussed in further detail below.

Table Participant numbers - AFSR projections, 2017 PC estimates and 2021-22 PBS estimates

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Total participant numbers** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** |
| **PC estimates** |  |  |  |  |  |  |  |  |
| 2017 Productivity Commission Estimates | 264,100 | 447,300 | 473,700 | 485,900 | 497,700 | 509,300 | 520,800 | 532,000 |
| **PBS** |  |  |  |  |  |  |  |  |
| Portfolio Budget Statements 2021-22 |  |  |  | 468,700 | 531,000 | 565,300 | 583,100 | 590,700 |
| **AFSR** |  |  |  |  |  |  |  |  |
| 30 June 2021 AFSR projection |  |  |  |  | 530,500 | 586,400 | 630,300 | 670,400 |
| 31 December 2020 AFSR projection |  |  |  |  | 537,900 | 596,600 | 643,200 | 682,800 |
| 30 June 2020 AFSR projection |  |  |  | 456,300 | 500,200 | 532,300 | 558,100 | 583,500 |
| 31 December 2019 AFSR projection |  |  |  | 443,200 | 485,200 | 518,400 | 544,000 | 568,500 |
| 30 June 2019 AFSR projection |  |  | 369,100 | 423,900 | 470,600 | 501,500 | 523,700 | 544,600 |
| 30 June 2018 AFSR projection |  | 306,200 | 380,500 | 426,600 | 465,100 | 499,300 | 521,000 | 541,700 |
| **Comparison with actuals** |  |  |  |  |  |  |  |  |
| Actual participant numbers | 172,300 | 286,000 | 392,000 | 466,600 |  |  |  |  |
| Actual participant numbers compared with June AFSR |  | -20,200 | 22,900 | 10,300 |  |  |  |  |

Participants entered the Scheme more slowly than initially anticipated in the bilateral agreements between the Commonwealth and State/Territory governments. The PC estimates also assumed that participants would initially enter the Scheme more rapidly. Participant projections for each successive AFSR projection have been revised to reflect the pace at which participants have entered the Scheme, with increases in assumptions at each review to 31 December 2020. In the 30 June 2021 AFSR, participant intake assumptions have been revised downwards slightly to reflect the emerging experience of lower than expected participant intake into the Scheme relative to expectations at the previous review. However future projections remain well above all earlier estimates as well as the PC estimates.

Table Average participant payments - AFSR projections, 2017 PC estimates and 2021-22 PBS estimates

| **Average participant payments** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PC estimates** |  |  |  |  |  |  |  |  |
| 2017 Productivity Commission Estimates | 39,900 | 41,300 | 45,100 | 46,400 | 48,200 | 50,100 | 52,100 | 54,100 |
| 2017 Productivity Commission Estimates (including unanticipated costs) |  |  | 47,500 | 49,500 | 51,900 | 54,100 | 56,300 | 58,500 |
| **PBS** |  |  |  |  |  |  |  |  |
| Portfolio Budget Statements 2021-22 |  |  |  |  | 53,000 | 51,600 | 51,200 | 54,300 |
| **AFSR** |  |  |  |  |  |  |  |  |
| 30 June 2021 AFSR projection |  |  |  |  | 58,600 | 60,700 | 62,400 | 63,600 |
| 31 December 2020 AFSR projection |  |  |  |  | 55,900 | 58,000 | 59,500 | 61,300 |
| 30 June 2020 AFSR projection |  |  |  | 52,500 | 54,500 | 55,900 | 57,700 | 60,100 |
| 31 December 2019 AFSR projection |  |  |  | 52,600 | 54,600 | 56,900 | 59,200 | 61,500 |
| 30 June 2019 AFSR projection |  |  | 51,100 | 53,100 | 54,200 | 55,300 | 56,300 | 57,700 |
| 30 June 2018 AFSR projection1 |  | 39,800 | 46,500 | 50,200 | 52,900 | 55,300 | 57,900 | 59,700 |
| **Comparison with actuals** |  |  |  |  |  |  |  |  |
| Actual average participant payments (accrual) | 41,400 | 45,600 | 51,900 | 54,300 |  |  |  |  |
| Actual average participant payments compared with AFSR |  | 5,800 | 800 | 1,800 |  |  |  |  |
| Projections have been adjusted from a cash basis to an accrual basis using accrual factors from the 30 June 2019 AFSR | | | | | | | | |

Assumptions for average participant payments have generally been revised upwards at successive AFSR projections. This reflects the emerging experience of sustained significant growth in actual average participant payments over an extended period of time. Despite these substantial increases, the AFSR projections have under-projected average payments in each following year. Projections have assumed operational initiatives would lead to reduced inflation in average payments over time, however, inflation has not subsided. Further detail on average participant payments by SIL type over time can be seen in [Appendix E](#_Appendix_E:_Historical).

Actual inflation and assumed inflation assumptions are included in

Table 47. Lower inflation is assumed at this review, primarily as a result of the change in mix of participants (with fewer assumed future SIL participants).

Table Actual and assumed rates of growth in average payments per participant

| **Total growth rate** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 30 June 2021 AFSR projection |  |  |  | 6.7% | 3.5% | 2.9% | 1.9% |
| 31 December 2020 AFSR projection |  |  |  | 5.2% | 3.9% | 3.3% | 3.1% |
| 30 June 2020 AFSR projection |  |  | 1.2% | 3.8% | 2.6% | 3.1% | 4.2% |
| 31 December 2019 AFSR projection |  |  | 1.3% | 3.9% | 4.1% | 4.0% | 3.9% |
| 30 June 2019 AFSR projection |  | 12.0% | 3.8% | 2.0% | 2.0% | 1.9% | 2.4% |
| 30 June 2018 AFSR projection | -3.7% | 16.8% | 7.9% | 5.3% | 4.4% | 4.8% | 3.1% |
| Actual experience as at 30 June | 10.3% | 13.7% | 4.7% |  |  |  |  |

As noted above, the AFSR projection is not an extrapolation of past trends. Instead, assumptions have been set using a forward-looking approach. Hence, there is significant upside risk in the projection. Appendix F summarises the range of scenarios that have been considered in historic AFSR projections.

### Comparison with PBS estimates and the Productivity Commission estimates

Comparison with Portfolio Budget Statements

The baseline projection is higher than the estimate of reasonable and necessary supports included in the 2021-22 PBS over the next four years (Table 48).

Table Total Participant costs (accrual basis) compared to PBS

| **Comparison to Portfolio Budget Statements (PBS) ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **Total** |
| --- | --- | --- | --- | --- | --- |
| **2021-22 Portfolio Budget Statements (PBS)** | **26,487** | **28,257** | **29,425** | **31,884** | **116,053** |
| Participant costs from Jun21 AFSR (cash basis) | 28,831 | 33,429 | 37,459 | 40,814 | 140,534 |
| Estimated costs for support provided but not yet paid | 392 | 457 | 513 | 558 | 1,921 |
| **Participant costs from Jun21 AFSR (accrual basis)** | **29,223** | **33,886** | **37,973** | **41,373** | **142,455** |
| **Participant costs, compared to Portfolio Budget Statements** | **2,736** | **5,629** | **8,548** | **9,489** | **26,402** |

Comparison with 2017 Productivity Commission report

The baseline projection can be compared against the projections outlined in the 2017 PC study report[[75]](#footnote-76), updated for unanticipated costs (Table 49).

Table Estimates of Scheme costs in the 2017 PC study report[[76]](#footnote-77)

| **Participant costs - accrual basis ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| 2017 Productivity Commission report | 25,158 | 26,740 | 28,351 | 30,555 | 40,915 |
| *less operating costs* | -1,450 | -1,503 | -1,511 | -2,054 | -2,784 |
| **2017 Productivity Commission participant costs** | **23,708** | **25,238** | **26,839** | **28,500** | **38,130** |
| *add unanticipated costs:* |  | | | |  |
| Decrease in NIIS offset as not fully operational | 463 | 507 | 552 | 599 | 864 |
| Children with developmental delay | 452 | 511 | 567 | 621 | 845 |
| School transport | 387 | 409 | 426 | 443 | 539 |
| Personal care in schools | 269 | 292 | 304 | 316 | 385 |
| Disability related health supports | 242 | 270 | 296 | 320 | 420 |
| **Participant cost allowing for unanticipated costs** | **25,521** | **27,227** | **28,984** | **30,800** | **41,182** |
| **Baseline projected participant costs (accrual basis)** | **29,223** | **33,886** | **37,973** | **41,373** | **59,284** |
| **Difference** | **3,703** | **6,659** | **8,988** | **10,573** | **18,102** |

Table 49 shows that based on the 2017 PC study report, the expected annual cost of the Scheme in 2021-22 was $25.2 billion, or $23.7 billion attributable to participant costs.

By allowing for unanticipated costs such as children with developmental delay, school transport, personal care in schools, disability related health supports and an NIIS offset for motor/workplace injuries only, the annual participant cost of the Scheme is about $25.5 billion. By comparison, the baseline projected participant costs in 2021‑22 are about $29.2 billion, or about 15% above the 2017 PC estimate, allowing for unanticipated costs.

This difference is expected to continue to grow. By 2029‑30, the baseline projected participant costs ($59.3 billion) are 44% above the 2017 PC estimate of $41.2 billion, after allowing for unanticipated costs. This difference is driven by higher expected future participant intake and significantly higher average payments in the baseline projection and is reflective of the emerging experience over the recent period.

## Outcomes

The achievement of participant outcomes is critical to the financial sustainability of the Scheme. As an insurance-principles based support model, the Scheme takes a lifetime approach to supporting people with disability. This means investing in participants in the short term in order to maximise their opportunities for independence and economic and social participation over their lifetime.[[77]](#footnote-78) Over time, the Scheme is expected to help participants engage more in the community, thereby reducing their need for funded supports. This would be a positive reflection on the Scheme’s functions and demonstrate the effectiveness of the Scheme in helping participants achieve better outcomes while simultaneously reducing the long-term costs of disability support, especially compared to the old disability systems.

As the cost of the Scheme increases, it becomes increasingly important for the Agency to demonstrate how the Scheme is successfully building the capacity of participants to increase their independence and economic and social participation. The perception of the Scheme by the general public, who contribute through taxation, needs to be considered to ensure the Scheme receives ongoing support from the community. A positive cost/benefit analysis, where there is evidence of marginal gains being achieved with the funding, will help to demonstrate the success of, and engender trust in the Scheme.

Central to the NDIS Outcomes Framework is a series of questionnaires that collect information on how participants and their families/carers are progressing in different areas (domains) of their lives. The questionnaires are administered approximately annually to track changes in individual outcomes over time. Consistent with the insurance principles on which the Scheme is based, this longitudinal data is able to be used to assess the relationship between participant outcomes, funded supports at an individual participant level, and ultimately overall Scheme costs.[[78]](#footnote-79) An insurance-based approach considers the lifetime average payment for participants (including early investment), and the outcomes achieved across participants’ lifetimes.

* 1. Participant outcomes

#### Economic and social participation

Understanding changes in participants’ economic and social participation is important for understanding whether the reasonable and necessary supports funded by the Scheme are resulting in better participant outcomes. In the NDIS Corporate Plan 2020-2024, Aspiration 2 is “*a* *quality experience and outcomes for participants”*, and there are specific performance metrics and targets outlined, such as the proportion of participants in work and the proportion of participants involved in community and social activities. Changes in outcomes have been measured for participants who have been in the Scheme for at least two years, to allow sufficient time for the reasonable and necessary supports provided by the Scheme to have an influence on participant outcomes.

Sections 7.1.1 and 7.1.2 show analyses of participant outcomes as at 30 June 2021. It is worth bearing in mind that the global COVID-19 pandemic that took hold from early 2020 has had an impact on at least some participant and family/carer outcomes, such as employment and community participation. The nature and extent of the impact to 30 June 2020 has been investigated using multiple regression models, the results of which are summarised in a publicly available report.[[79]](#footnote-80) Comparing outcomes before the start of the pandemic with those during the pandemic identified a number of indicators potentially affected by the pandemic; the longitudinal analysis showed that participants aged 15 to 24 were less likely to deteriorate between baseline and second review in relation to wanting to do certain things in the last 12 months but being unable to, when the later response occurred during the COVID period. For families and carers of participants aged 0 to 14, the longitudinal analysis showed that they were more likely to deteriorate over two years with respect to having a paid job. However, they were less likely to deteriorate in having people they can ask for practical help.

The ‘*Baseline outcomes for NDIS participants 30 June 2020*’ report[[80]](#footnote-81) (which summarises the baseline results for NDIS participants entering the Scheme during the four year period from 1 July 2016 to 30 June 2020), as well as the ‘*Longitudinal outcomes for NDIS participants 30 June 2020*’ report[[81]](#footnote-82) (which summarises longitudinal outcomes for families and carers of NDIS participants who have been in the Scheme for one year or more at 30 June 2020), have both been publicly released.

Employment

The NDIA recognises the critical role of employment in boosting the well-being, economic security and social inclusion of people with disability. From a sustainability perspective, when an NDIS participant works they contribute to the economy, NDIS participants use less support for other activities to fill their days, and family members and carers can also return to work and contribute to the economy. The NDIA has a target of 30 per cent of working-age participants in paid employment by June 2023 (relative to a current rate of 23 per cent). The NDIS Participant Employment Strategy 2019-22[[82]](#footnote-83) which was released on 30 September 2019, sets out how this target will be reached. The strategy aims to improve employment outcomes for participants and people with disability more broadly, and to guide the Agency over the next two to four years in becoming a leader and advocate of disability employment.

The table below shows the progress against the NDIA’s corporate plan metrics for the participant employment rate at entry, first, second, third and fourth plan review, for participants who entered the Scheme between 1 July 2016 and 30 June 2017.

Table Longitudinal changes in participant employment outcomes between baseline and subsequent plan reviews

| **Participant employment rate** | **Baseline** | **Review 1** | **Review 2** | **Review 3** | **Review 4** | **2020-21 Target** |
| --- | --- | --- | --- | --- | --- | --- |
| Aged 15 to 24 years | 12% | 16% | 21% | 25% | 26% |  |
| Aged 25+ | 26% | 26% | 24% | 21% | 22% | 24% |
| **Aged 15+ (average)** | **23%** | **24%** | **23%** | **22%** | **23%** |  |

Further details about the employment outcomes for NDIS participants can be found in the publicly available report titled “Employment outcomes for NDIS participants as at 31 December 2020”.[[83]](#footnote-84)

Social and community participation

The table below shows the progress against the NDIA’s corporate plan metrics for the participant social and community engagement rate at entry, first, second, third and fourth plan review, for participants who entered the Scheme between 1 July 2016 and 30 June 2017.

Table Longitudinal changes in participant social and community engagement outcomes between baseline and subsequent plan reviews

| **Participant social and community engagement rate** | **Baseline** | **Review 1** | **Review 2** | **Review 3** | **Review 4** | **2020-21 Target** |
| --- | --- | --- | --- | --- | --- | --- |
| Aged 15 to 24 years | 32% | 38% | 44% | 45% | 46% |  |
| Aged 25+ | 36% | 41% | 47% | 48% | 50% | 50% |
| **Aged 15+ (average)** | **35%** | **40%** | **46%** | **47%** | **49%** |  |

A proportion of this growth in community participation is likely a result of participants becoming involved in groups for people with disability. This improvement in participant social outcomes provides evidence of the effectiveness of Scheme supports, as assistance with social and community participation is a core funded support in participants’ plans.

#### “Has the NDIS helped?”

Participants who have entered the Scheme since 1 July 2016 have been asked “Has the NDIS helped?” at each participant plan review, allowing the Agency to gain valuable longitudinal insights. The results shown in this section of the report are based on responses provided at the first participant plan review, compared with those from the most recent review, for participants who have been in the Scheme for at least two years. The results are based on outcomes recorded from 1 July 2016 to 30 June 2021, and trial participants have been excluded.

On the whole, perceptions of the Scheme have been positive, with participants and their families/carers more likely to report that the Scheme had helped them in various areas of their lives the longer the participant was in the Scheme. These results, based on data as at 30 June 2021, suggest a growing level of support for the Scheme by its participants and the family members and carers of participants. This helps demonstrate the effectiveness of the Scheme and in the long term strengthens the ongoing financial sustainability of the Scheme.

Table 52 below summarises opinions on whether the Scheme has helped, by domain, for children from birth to before starting school. Across all domains, opinions improved between the first and their most recent plan review.

Table “Has the NDIS helped?” – for children from birth to before starting school

| **Proportion of positive responses** | **Review 1** | **Most recent plan review** | **From Review 1 to Most recent plan review** |
| --- | --- | --- | --- |
| Child's development | 92% | 95% | **** |
| Child's access to specialist services | 91% | 95% | **** |

Table 53 below shows the proportion of positive responses by domain for children from starting school to 14 years of age. The percentage responding positively was lowest for the proportion of parents and carers that felt the NDIS had improved their child’s relationship with family and friends. The percentage responding positively was highest for the parents and carers that felt that their child had become more independent as a result of the NDIS.

Table “Has the NDIS helped?” – for children from starting school to 14

| **Proportion of positive responses** | **Review 1** | **Most recent plan review** | **From Review 1 to Most recent plan review** |
| --- | --- | --- | --- |
| Child's independence | 60% | 70% | **** |
| Child's relationship with family and friends | 48% | 57% | **** |

Table 54 below summarises the percentage of positive responses on whether the Scheme has helped, by domain, for young adults aged 15 to 24. Opinions on whether the Scheme has helped vary considerably by domain for this young adult group. The percentage of positive responses is highest for participants that said that the NDIS had helped them with daily living activities. A reduction in positive responses was recorded for participants that felt that their involvement with the NDIS improved their health and wellbeing at their most recent plan review, compared to their first review.

Table “Has the NDIS helped?” – for young adults aged 15 to 24

| **Proportion of positive responses** | **Review 1** | **Most recent plan review** | **From Review 1 to Most recent plan review** |
| --- | --- | --- | --- |
| Health and wellbeing | 64% | 48% | **** |
| Daily living activities | 61% | 69% | **** |

Table 55 below shows the proportion of positive responses for adults aged 25 and older. For adult participants aged 25 and older, opinions on whether the Scheme has helped them are highest for participants that said the NDIS had helped them with daily living activities, followed by participants that felt that their involvement with the NDIS improved their health and wellbeing.

Table “Has the NDIS helped with health and wellbeing?” and “Has the NDIS helped with daily living activities?” – adults aged 25 and older

| **Proportion of positive responses** | **Review 1** | **Most recent plan review** | **From Review 1 to Most recent plan review** |
| --- | --- | --- | --- |
| Health and wellbeing | 51% | 58% | **** |
| Daily living activities | 71% | 82% | **** |

* 1. Family and carer outcomes

The NDIS Outcomes Framework measures outcomes for the families and carers of participants as well as participants, recognising that the outcomes for people with a disability and the people who care for them are likely to be closely linked. Families and carers of participants who are well supported under the Scheme and who are achieving greater independence and social and economic participation, are likely to find the caring role easier and to experience increased wellbeing and greater opportunities for social and economic participation themselves. This improved situation for families and carers should in turn translate into further improved outcomes for participants[[84]](#footnote-85).

The ‘*Baseline outcomes for families and carers of NDIS participants 30 June 2020*’ report[[85]](#footnote-86) (which summarises the baseline results for families and carers of NDIS participants entering the Scheme during the four year period from 1 July 2016 to 30 June 2020), as well as the ‘*Longitudinal outcomes for families and carers of NDIS participants 30 June 2020*’ report[[86]](#footnote-87) (which summarises longitudinal outcomes for families and carers of NDIS participants who have been in the Scheme for one year or more at 30 June 2020), have both been publicly released.

The table below shows the progress against the NDIA’s corporate plan metrics for parent and carer employment rate outcomes at entry, first, second, third and fourth plan review, for participants who entered the Scheme between 1 July 2016 and 30 June 2017. This is a key finding from the perspective of financial sustainability.

Table Longitudinal changes in parent and carer employment rate outcomes between baseline and subsequent plan reviews

| **Parent and carer employment rate** | **Baseline** | **Review 1** | **Review 2** | **Review 3** | **Review 4** | **2020-21 Target** |
| --- | --- | --- | --- | --- | --- | --- |
| Aged 15 to 24 years | 43% | 47% | 49% | 52% | 53% |  |
| Aged 25+ | 52% | 56% | 52% | 51% | 52% | 50% |
| **Aged 15+ (average)** | **44%** | **48%** | **50%** | **52%** | **53%** |  |

## Information systems and risk management approach

The agency’s Information systems (comprising case management, finance and data warehouse) and risk management approach are important infrastructure in ongoing financial sustainability.

* 1. Information systems

#### Case management systems

The Agency currently uses SAP Customer Relationship Management (CRM) as its case management system. The CRM system was deployed as a Minimum Viable Product on 1 July 2016 and is hosted and maintained by Services Australia. The primary objective of this delivery was to enable critical operational activities, such as plan approvals and payments. This approach did not meet the needs of the Agency, and as a consequence, has meant the implementation of necessary enhancements to the CRM has not been straightforward. The existing system has a number of limitations, in particular an over-reliance on manual and off-system business processes, and limited capability to prioritise and direct work to the appropriate staff member to complete a task. This is mitigated somewhat by PANDA reporting which provides a single view of work for planning staff (work in progress) and leadership through individual and team dashboards. Business Intelligence (BI) tools consolidate and prioritise CRM work according to Service Level Agreements. Business Data Owners approve definitions with the oversight of the Data Management Committee.

The NDIA is rolling out an alternative Cloud Environment (ACE) business system. ACE is a true case management system, implemented by Salesforce, where the end-to-end business process for service delivery activities will be managed on-system. This includes the creation of work items, the allocation and prioritisation of work, the interactions between the Agency, participants and other external parties, the supporting materials to ensure consistent decision making, and the tracking of activities to agreed service levels and timeframes. The implementation of ACE is expected to provide and enable better oversight on queues of work and streaming and prioritisation of work based on risk, urgency and other factors.

The first release of ACE went live in February 2021. This release implemented Supported Disability Accommodation (SDA) application and dwelling enrolment processes. As of July 2021, the ACE data is available in the Enterprise Data Warehouse for reporting and analysis purposes. Data management considerations are being incorporated into ACE build requirements which will ensure the quality of data recorded in the new business system. In 2022 an initial major release of ACE will occur which will improve the participant pathway (access and planning) from a system perspective.

#### Finance systems

SAP Finance is the Agency’s finance system and was introduced on 1 July 2016. All payments to and from the Agency are made using SAP Finance. In line with Services Australia’s practice, the Agency uses the SAP Public Sector Collection and Disbursement (SAP PSCD) system as an intermediary between the SAP CRM and SAP Finance (operated by Services Australia as a shared service). Work is being undertaken to design and implement additions to the Agency’s claims and payment functionalities to include e-invoicing and real-time payments capabilities.

#### Data warehouse

Over the past 12 months, the strategic Enterprise Data Warehouse Platform (Integrated Data Store 2.0 or IDS2) has been built. The data users and reporting functions are being transitioned to this new IDS2 platform, and the transition is scheduled to be completed in 2021.

The installation of the IDS2 platform was a pre-requisite for data ingestion, analysis and usage, from future sources like the ACE CRM.

The transition will realise significant benefits for the Agency, such as:

* Unification of disparate data sources to a common source of truth. This ensures integrity across the Agency’s reporting, BI and analysis functions
* Enables decommissioning of the legacy data platform and processes, thus reducing maintenance and resourcing demands
* Facilitate integration with strategic data sources (like Salesforce), with minimal disruption to end users
* Transition to IDS2 offers an opportunity to establish enterprise standards, best practices in nomenclature and development standards
* Data quality and data exceptions can be identified sooner in the data processing lifecycle, which minimises impacts to reporting and data analysis
* Data cleansing is standardised, and ensures robust data loads and extractions.

A stable data warehouse platform is expected to enhance integration with reporting and analytical tools and, continue improving the quality and width of data being recorded and reported.

While good progress was made in improving data integrity, by adoption of a strategic data warehouse and better data quality standards, there are improvements still to be made.

The areas of focus in 2021-22 will be:

* Integration of the ACE CRM to the strategic data warehouse platform
* Extending capability to ingest unstructured data from wider sources (like through a data lake)
* Enhance data design, transformation capability and processes.
  1. Risk management

The Agency has a structured approach to identifying, managing, escalating and communicating key risks. This is critical to the effective and efficient delivery of the Scheme. The Agency is committed to ensuring that participant supports, provider services and other critical business functions are maintained or quickly restored in the event of a significant outage, incident or crisis. The proactive use of risk management within the Agency has enabled effective business planning and operations with an evidence-based approach within the appetite set by the Board.

On an annual basis, the Board determines the strategic risks for the Agency, which are directly aligned to the Corporate Plan. The Board determined nine strategic risks for 2020-21 in the areas of:

* Participant Experience
* Participant Outcomes
* Partner Performance
* Provider Market Quality
* Financial Sustainability
* Scheme Integrity
* People Capability and Capacity
* ICT Delivery and Support
* System Interruption.

The strategic risks are monitored against key indicators and performance is reported to the Board Risk Committee on a quarterly basis. The strategic risks are complemented by operational risks and controls which are owned and managed at group level.

The Agency has established and practically tested its Business Continuity Management Framework (most recently during the COVID-19 pandemic and NSW floods) to ensure the rapid resumption of participant and provider services and critical business activities in emergency situations.

The Agency’s integrated risk management system has been enhanced to provide a single platform for managing operational, strategic and regulatory risks, audit recommendations, incidents and business continuity plans. The system gives accountable executives extended visibility to the risks and controls within their business and the broader Agency, and provides for a connected risk environment through which inter-dependencies can be identified and managed.

Risk management summary

While the Agency’s tools, processes and procedures are adequate for an entity at this level of maturity, they should continue to evolve with the Scheme. Future development in risk maturity should focus on better embedding positive risk behaviours and a risk culture within the Agency, continuing to improve the depth of its risk management processes, implementing systems to better support consistent decision-making (particularly around access and plan budgets), better governance and implementation of policy changes, and focusing on the need to proactively manage financial sustainability risks.

Managing the strategic and operational risks discussed in this section such that they are at an acceptable level is fundamental to the success of the Scheme. While strategies to mitigate these risks are articulated in current risk reporting, it will be important to monitor the effectiveness of these strategies in real time to ensure that they are having the desired impact, as well as continuing to actively manage these risks to an acceptable level in future.

## Recommendations

The AFSR is required, to include “*a discussion of the key risks and issues identified and, where these have an adverse impact on financial sustainability, recommendations designed to manage the risks or address the issues*” [[87]](#footnote-88). This section sets out the recommendations arising from the analysis undertaken in development of this report, that are intended to manage identified risks and achieve greater certainty in relation to the long term financial sustainability of the Scheme.

Embed insurance principles in NDIS culture and communications

The financial sustainability of the NDIS is central in the NDIS Act and a key expectation outlined in the Ministerial Council’s Statement of Strategic Guidance for the NDIA’s Board[[88]](#footnote-89). The NDIA is committed to deliver the Scheme in line with the requirements of the NDIS Act and within a sustainable level of funding.

To meet this commitment, the NDIA’s financial responsibilities and associated insurance principles must be clearly understood by all NDIA stakeholders (participants, disability groups, NDIA staff, partners and other stakeholders) and embedded into the long-term future of the Scheme. NDIA initiatives, including those recommended below, must be underpinned with communications that emphasise the Scheme’s intent and its insurance principles.

***Recommendation 1****: The NDIA should ensure that NDIS insurance principles are embedded in its strategic communications with participants, disability groups, staff, partners and other stakeholders.*

Focussing on participant outcomes

The NDIA needs to be effective in supporting participants to achieve positive outcomes by ensuring support costs are expended, as much as possible on early intervention enabling participants to achieve improved economic and social participation outcomes. This is central to the purpose of the NDIS, and will have longer term benefits for financial sustainability via reducing future reliance on funded supports over participants’ lifetimes.

Whilst the agency is assisting participants to set goals and achieve outcomes, further work is required to:

* Understand the supports available that are evidence-based and have proven to be effective for other participants
* Monitor a participant’s progress towards significant outcomes
* Measure the impact of different types of support or “pathways to outcomes”.

***Recommendation 2****: The NDIA should continue work on prioritising, implementing and measuring the impact of initiatives that aim to improve participant outcomes.*

A number of projects are in progress and should be a priority for completion in the coming year:

* Increasing the capacity and capability of NDIA staff and partners to find, generate and use evidence for decision-making through a range of activities led by the Research and Evaluation Branch
* Developing “supported decision guides” to help participants make informed, evidence-based choices
* Completing and releasing the “Participants Like Me” interactive web tool, for participants to access information on the supports and pathways that have helped other participants to reach their goals
* Providing participants with support to make more structured goals, through additional fields in the CRM, to enable them to clearly communicate their expectations to providers and other people supporting them.

***Recommendation 3****: The NDIA should prioritise the completion of existing projects that support participants to make and communicate informed, evidence-based decisions.*

The NDIA should continue to focus its research on the evidence base for a range of clinical and non-clinical supports and publish these in accessible formats. In particular, the provision of early intervention supports should benefit a participant by reducing their future need for disability supports. The NDIA can facilitate better lifetime outcomes whilst achieving long-term cost reductions by supporting participants with information on evidence-based early intervention supports.

***Recommendation 4****: The NDIA should continue to make progress in reviewing, developing and communicating the evidence base for different forms of early intervention supports.*

Given its scale and market influence, the Agency could develop further initiatives to foster innovation in the delivery of supports in the market, thereby increasing choice and control for participants. This may also involve increasing the awareness of different service delivery methods, such as therapy through online platforms, to assist participants who have difficulty finding the ‘right’ providers in their area or who are in remote locations. Another option is encouraging providers to invest in new technologies, support types and markets, e.g. providers who have the technologies (or would be able to invest in new technologies) to enter new markets and/or expand their support type offerings.

In general, the Agency could focus on empowering and enabling participants to select the support and delivery channels that best suit them, their lifestyle and time commitments, and then request these from providers.

***Recommendation 5****: The NDIA should continue to develop initiatives that provide participants with a greater range of service options to suit their own needs and circumstances. This includes innovations in market development and provider service delivery.*

Consistent and equitable agency decision-making

Given the baseline cost projections, and related uncertainty described in this report, it is imperative that NDIA aims to improve the certainty of the Scheme’s costs over the long-term, through improvements to the consistency and equity of decision-making and the quality of information provided from and to prospective participants and participants.

In July 2021 the Commonwealth and State/Territory disability ministers agreed to work in partnership with those with lived disability experience to co-design a person-centred assessment approach that delivers consistency and equity in access and planning outcomes. This is consistent with the NDIS Act and its insurance principles.

A foundational component of this equity and consistency is an approach to assessment of function which achieves robust and consistent assessment of participants’ functional capacity, as well as their environmental and personal circumstances (to the extent that these circumstances are relevant to determining reasonable and necessary supports for participants).

***Recommendation 6****: The NDIA should, consistent with the NDIS Act, actively pursue via co-design an assessment approach which measures functional capacity in line with relevant chapters of the International Classification of Functioning, Disability and Health, and which incorporates environmental and personal factors that are salient to the determination of reasonable and necessary supports.*

***Recommendation 7****: The NDIA should co-design new guidance materials with medical and allied health practitioners, to ensure more consistent evidence is received and that the NDIA makes more consistent decisions on access requests and the development of plan budgets.*

***Recommendation 8****: The NDIA should implement stronger controls on the type and quality of evidence accepted to ensure consistent minimum standards are adopted across the NDIA’s access and planning functions.*

The number of exits from the Scheme continues to be below expected long-term levels, due to challenges in measuring the benefit of early intervention and the continuing need for Scheme supports.

***Recommendation 9****: The NDIA should reassess eligibility for participants who entered through early intervention as part of the normal course of business, whilst providing reassurance to those who exit the Scheme that it will be available to them in the future should their circumstances change.*

***Recommendation 10****: The NDIA should ensure that the co-designed assessment approach is appropriate for eligibility reassessments in addition to access and planning decisions, for instances where it is appropriate to undertake a reassessment in line with the purposes of the Scheme. This would provide consistency in Scheme entry and exit processes.*

Within the current CRM system, the date when disability is acquired is often incomplete or not reliably captured. This limits the ability to analyse new incidence of non-congenital disabilities, which means projections of new entrants cannot be reliably modelled using date of disability acquired.

As identified at the previous review, and discussed in Section 5.3 of this report, the number of new participants has been significantly higher than previously assumed, in particular in geographic areas which phased into the Scheme at least three years earlier. Uncertainty exists as to the degree to which this unfavourable observed experience represents true new incidence”, “previously unmet need” or expansion of eligibility.

***Recommendation 11****: The NDIA should undertake further detailed analysis to better understand the drivers of higher than expected new entrants, to increase confidence in long term assumed new incidence rates.*

Scheme scope and coverage

There needs to be continued focus on the National Disability Strategy and the Applied Principles and Tables of Support (APTOS) to ensure that planners and participants systematically identify and access supports provided by other systems. The NDIA must develop proactive strategic responses to incentivise the continuation of these supports. This would include support for plan implementation to allow participants to connect with alternative services when needed.

***Recommendation 12****: The NDIA should focus on plan development and implementation processes to systematically ensure that participants identify and are supported to access appropriate supports from other service systems.*

The NDIA should be proactive in identifying trends in AAT matters that have the potential to significantly impact the ongoing financial sustainability of the Scheme. In response to such trends the NDIA should ensure that there is clarity on Agency policies and in operational guidelines. It is anticipated that the Agency’s focus on improving the consistency, equity and transparency of its decisions should result in fewer AAT cases over time.

***Recommendation 13****: The NDIA should continue to focus on risks to financial sustainability associated with mainstream interfaces and themes from AAT cases.*

Improving operational processes

Quality assurance reviews demonstrate significant improvements over the past year, including more comprehensive documenting of plan decisions in participant records. It is important for the Agency to continue undertaking risk based quality assurance reviews to better understand Scheme experience and continue to improve processes.

***Recommendation 14****: The NDIA should ensure that the results of ongoing quality assurance reviews are embedded as operational improvements.*

The quality assurance reviews highlighted possible improvements in ICT system controls to support accurate decision-making. In particular, the Agency’s CRM does not fully support end-to-end participant planning, or referrals to higher delegates. It also does not enforce mandatory requirements in the Operational guidelines such as recording interactions, relying on Agency staff to comply with these policies and increasing the scope for manual errors or omissions.

The implementation of ACE provides an opportunity to ensure that consistent controls are built into the system to better support the decision making process. The incorporation of business intelligence around key business processes would also assist in ensuring more effective and consistent decision making.

***Recommendation 15****: The NDIA should embed improved controls into current and future CRM to ACE system changes to improve the integrity of the participant planning process.*

The NDIA’s documentary evidence requirements are lower for services rendered to participants by non-registered suppliers. This reduces the NDIA’s ability to identify fraudulent or “sharp” practices, for example providers charging for supports that were not provided, charging multiple times for the same service, or charging unreasonable amounts. The Agency’s fraud detection efforts would be strengthened through consistent documentation requirements for services rendered, irrespective of a supplier’s registration status.

***Recommendation 16****: The NDIA should strengthen its ability to detect fraud through increasing the supporting data and documentation requirements for payments to non-registered suppliers.*

## Acronyms and definitions

Acronyms

|  |  |
| --- | --- |
| AAT | Administrative Appeals Tribunal |
| ABS | Australian Bureau of Statistics |
| AFSR | Annual Financial Sustainability Report |
| CB | Capacity Building |
| CRM | Client Relationship Management |
| CY | Calendar Year |
| GDP | Gross Domestic Product |
| ICT | Information and Communications Technology |
| ILO | Independent Living Option |
| LCE | Lifetime Cost Estimates |
| NDIA | National Disability Insurance Agency |
| NDIS | National Disability Insurance Scheme |
| NIIS | National Injury Insurance Scheme |
| NSW | New South Wales |
| PBS | Portfolio Budget Statements |
| PC | Productivity Commission |
| RAC | Residential Aged Care |
| SAS | Statistical Analysis System |
| SDA | Specialist Disability Accommodation |
| SIL | Supported Independent Living |
| YTD | Year To Date |

Definitions used in this report

|  |  |
| --- | --- |
| 2019-20 AFSR | *National Disability Insurance Scheme: Annual Financial Sustainability Report 2019-20*  A summary was included in Chapter 3.2 of the *National Disability Insurance Agency Annual Report 2019-20*, from pages 93 to 97.  The annual report was tabled on 15 October 2020:  [National Disability Insurance Agency Annual Report 2019-20](https://www.ndis.gov.au/about-us/publications/annual-report) |
| Accrual basis | Cost is based on when the service was actually provided to the participant, recognizing that some services are paid for after the end of a period. |
| ACE | A cloud-based case management system from Salesforce used by the Agency |
| the Agency | National Disability Insurance Agency |
| Bilateral agreements | Agreements signed between the Commonwealth government and the States/Territories |
| Cash basis | Cost is based on when the cash is paid out by the Agency, regardless of when the support was provided |
| COVID-19 pandemic | Ongoing global pandemic of coronavirus disease (March 2020), with references to the ‘first wave’, ‘second wave’ and later waves |
| In-kind supports | Before the NDIS was established, States/Territories and the Commonwealth governments paid providers to deliver services to people with disability. States/Territories and the Commonwealth continue to pay for some services. State/Territory and Commonwealth governments receive a revenue offset. |
| Level of function | A participant’s functional ability, measured using a range of widely accepted and validated tools which were selected based on expert advice from professionals with specialist disability knowledge, such as disability organisations, clinicians and researchers. |
| Mature participants | Participants who were active at both 28 February 2021 and 31 May 2021, and had their first plan approved on or prior to 29 February 2020. |
| NDIS Act | *National Disability Insurance Scheme Act 2013*, as amended |
| New entrants | All participants entering the Scheme |
| Participant intake | All participants entering the Scheme |
| Participants new to disability supports | Participants accessing disability supports for the first time, regardless of whether the disability was existing or newly acquired. |
| 2017 PC study report | Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Study Report, Canberra |
| Plan budgets | The reasonable and necessary supports outlined in a participant’s plan that will be funded for a specific duration. Most typically this is one year although durations vary across participants. Plan budgets represent the dollar amount of support that has been made available to participants in their plan. |
| Portfolio Budget Statements | The purpose of the Portfolio Budget Statements is to inform Senators and Members of Parliament of the proposed allocation of resources to government outcomes by agencies within the relevant portfolio. Estimates of government expenditure in the Portfolio Budget statements are on an accrual basis. |
| Previous Review | National Disability Insurance Scheme: 31 December 2020 (Dec20) Financial Sustainability Report (FSR), released on 3 July 2021. This was based on data to 31 December 2020, with commentary about experience to 31 May 2021. |
| Previously unmet need | Participants who acquired their disability some years prior who only accessed the Scheme recently (for various reasons) |
| SAP | SAP is a software company that makes enterprise software. Also known as Systems, Applications and Products in Data Processing. |
| the Scheme | National Disability Insurance Scheme |
| Steady Intake Date | The point in time where participant intake primarily represents participants with new incidence of disability. For this report 30 June 2024 has been assumed. |
| Superimposed inflation | Inflation over and above normal inflation. Normal inflation includes the consumer price index and increases in the minimum wage. |
| Supported Independent Living | This includes help and/or supervision of daily tasks to help participants live as independently as possible, while building their skills. It is most commonly used in shared living arrangements |
| Trial period | From 1 July 2013 to 30 June 2016 |
| Transition period | From 1 July 2016 to 30 June 2021 |
| True new incidence | Participants who acquired their disability relatively recently, or who have only recently met the necessary criteria for access to the Scheme. |

## Appendix A: Average Payment Assumption setting details

Average payment assumptions have been calculated separately for each of the 15 different support categories, with different types of participant costs treated as follows:

* Payments to participants and providers are treated on a cash basis (when the cash is paid out by the Agency, regardless of when the support was provided).
* Payments relating to in-kind supports are treated on an accrual basis (when the service was actually provided to the participant).[[89]](#footnote-90)
* Payments relating to Residential Aged Care (RAC) supports have been removed due to the infrequent occurrence of cross-billing payments which distort the payment experience in a given period. Costs relating to RAC are allowed for separately in the projection.

The key components considered in setting payment assumptions are discussed below.

The most appropriate averaging period for payment experience

The selection of an averaging period must balance the need to reflect recent experience with minimising volatility of cost patterns by cohort and support category. The adopted averaging period is the three months to 31 May 2021.[[90]](#footnote-91) By modelling the payments based on the three-month period, the projections align more closely to recent payment experience, which continues to increase over time, while still ensuring there is sufficient stability in cost patterns.

Annual average payment assumptions have been calculated for mature participants[[91]](#footnote-92) in each cohort[[92]](#footnote-93) based on the average annualised payments experience of this three-month period, inflated to 30 June 2021[[93]](#footnote-94).

Impact of seasonality on the payment experience

Seasonality refers to fluctuations in payment levels over a period of time due to factors such as the number of business days, public holidays and provider claiming behaviour. By utilising a shorter period to inform average payment assumptions, the seasonality impact can result in understatement or overstatement of costs. Hence, the average annualised payments assumptions need to be modified to allow for the seasonality impacts resulting from the use of the three months to 31 May 2021 as the averaging period. The two key drivers of seasonality appear to be the number of business days in the period, and participant and provider behaviour.[[94]](#footnote-95) The seasonality impact also tends to differ at a support category level.

Analysis of previous payments experience between 2018 and 2021 indicated that the overall payments average for the year after removing inflationary impacts was 3% lower than the three-month payment period to 31 May 2021.

Table 57 shows that seasonality factors have been adopted at the support category level, mostly driven by observed payment relativity[[95]](#footnote-96) and to a lesser extent, the number of business days relative to the rest of the year. Overall, payment assumptions have been decreased by 3% to allow for the seasonality impact.

Average monthly payments for Transport are mainly driven by the number of fortnightly payments made in a given month. This is due to the fortnightly periodic cash payments made directly to the majority of participants, unique to Transport, which comprise 46% of payments within this support category.

Table Adopted seasonality factors by support category

| **Support Category** | **Adopted Seasonality Factor** |
| --- | --- |
|
|  |
|
| **Core** |  |
| Daily Activities |  |
| *SIL supports* | -1% |
| *Non-SIL supports* | -3% |
| Social Community Civic | -5% |
| Consumables | -5% |
| Transport | -3% |
| **Capital** |  |
| Assistive Technology | 0% |
| Home Modifications | 0% |
| **Capacity Building** |  |
| CB Daily Activities | -8% |
| Support Coordination | -4% |
| CB Employment | 0% |
| Other CB supports | -8% |
| **Total** | **-3%** |

Allowance for time in Scheme

Participants in their first year in the Scheme are observed to have lower average payments, which is likely to arise from time taken to familiarise themselves with the Scheme and the process of accessing supports. Average payment assumptions are therefore set based on “mature participants”, defined as those who were active at both 28 February 2021 and 31 May 2021, and had their first plan approved on or prior to 28 February 2020 (i.e. those who had been active for at least 12 months as at 28 February 2020).

A reduction in average payments is therefore adopted for participants in their first year to account for the lower rate of payment. The adopted assumption is 80% (of the average payment for mature participants) for non-SIL participants and 90% for SIL participants. These assumptions have been relatively stable in the past twelve months and are unchanged from the previous FSR.

Residential Aged Care

Supports for participants in Residential Aged Care (RAC) are currently being met through the aged care system. These costs are recorded in the CRM, but are irregular, distorting the payment experience in a given period. As a result, these payments have been excluded from the payment experience and the resulting base average payment assumptions, and instead allowed for separately in the model. The impact of this adjustment is an increase of 1.4% to the participant cost projections spread over the next five years. The allowance is expected to decrease over time as younger participants in RAC move into alternative SIL or ILO arrangements, and as a result payments to these participants are captured on-system and become more regular in nature.

Adjustment for “SIL indicator” issue

Operational changes in the way SIL is entered into the plan in the CRM (support category level, rather than at the support line item level) from 1 July 2020 has limited the ability to accurately identify SIL participants, as the support category is not detailed enough to distinguish between SIL supports and other activities of daily living. Since SIL participants are higher cost than non-SIL participants, not adjusting for this misclassification would overstate the average payment assumptions for non-SIL participants.

To mitigate this issue, a manual review was completed of participants who were in SIL prior to 1 July 2020 but not flagged as SIL as at 31 May 2021. This involved identifying participants who were receiving SIL in-kind supports in the 2020-21 FY as well as matching on participants with payments for SIL items in their current plan. However, there are cases where a participant’s SIL status is still uncertain. In these cases these participants were excluded from the payment analysis and did not contribute to the average payment calculations.

As at 31 May 2021, 713 participants have been identified as likely SIL participants. The Agency has and is continuing to implement processes to reduce the impact arising from this operational change, with fewer participants now identified as likely SIL participants.

Payments for participants aged 65 years and over

Payments for participants aged over 65 years are assumed to increase at the rate of 1.0% per annum above the normal wage inflation rate for participants whose primary disability is acquired brain injury, spinal cord injury, autism, intellectual disability or cerebral palsy, up to a maximum loading of 25.0%. These primary disabilities are expected to have average payment assumptions that increase with age, although there is limited experience to support this to date. The average age for the 65 years and over age group will increase gradually over time as the Scheme matures. Hence, average payments for this cohort should increase above normal inflation until a more mature state is reached. The estimated impact is an $11 million (or 0.03%) increase in projected costs over 2022-23, increasing to around $220 million (or 0.4% higher) by 2029-30.

## Appendix B: Comparison to previous review – detailed tables

##### ***Participant Costs***

Table Baseline projection of participant costs (cash basis) – compared to the previous review

| **Projected participant costs ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| **2020-21 AFSR** |  |  |  |  |  |
| Participant Costs (cash basis) |  |  |  |  |  |
| 0-64 years | 26,994 | 30,965 | 34,345 | 37,067 | 51,471 |
| 65+ years | 1,837 | 2,464 | 3,114 | 3,748 | 7,012 |
| **Total Participant Costs (cash basis)** | **28,831** | **33,429** | **37,459** | **40,814** | **58,483** |
| **Dec20 AFSR** |  |  |  |  |  |
| Participant Costs (cash basis) |  |  |  |  |  |
| 0-64 years | 25,916 | 30,049 | 33,597 | 36,705 | 52,778 |
| 65+ years | 1,783 | 2,387 | 3,025 | 3,680 | 7,140 |
| **Total Participant Costs (cash basis)** | **27,699** | **32,436** | **36,622** | **40,385** | **59,918** |
| **Difference** |  |  |  |  |  |
| Participant Costs (cash basis) |  |  |  |  |  |
| 0-64 years | 1,078 | 916 | 748 | 362 | -1,306 |
| 65+ years | 55 | 78 | 89 | 68 | -128 |
| **Total Participant Costs (cash basis)** | **1,132** | **994** | **837** | **430** | **-1,435** |
| **% Difference** |  |  |  |  |  |
| Participant Costs (cash basis) |  |  |  |  |  |
| 0-64 years | 4% | 3% | 2% | 1% | -2% |
| 65+ years | 3% | 3% | 3% | 2% | -2% |
| **Total Participant Costs (cash basis)** | **4%** | **3%** | **2%** | **1%** | **-2%** |

Table Baseline projection of participant costs (accrual basis) – compared to the previous review

| **Projected participant costs ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| **2020-21 AFSR** |  |  |  |  |  |
| Participant Costs (accrual basis) |  |  |  |  |  |
| 0-64 years | 27,359 | 31,386 | 34,812 | 37,569 | 52,169 |
| 65+ years | 1,864 | 2,501 | 3,161 | 3,803 | 7,115 |
| **Total Participant Costs (accrual basis)** | **29,223** | **33,886** | **37,973** | **41,373** | **59,284** |
| **Dec20 AFSR** |  |  |  |  |  |
| Participant Costs (accrual basis) |  |  |  |  |  |
| 0-64 years | 26,328 | 30,479 | 33,858 | 36,954 | 53,135 |
| 65+ years | 1,811 | 2,421 | 3,049 | 3,705 | 7,189 |
| **Total Participant Costs (accrual basis)** | **28,139** | **32,900** | **36,906** | **40,659** | **60,324** |
| **Difference** |  |  |  |  |  |
| Participant Costs (accrual basis) |  |  |  |  |  |
| 0-64 years | 1,031 | 907 | 954 | 616 | -967 |
| 65+ years | 53 | 80 | 112 | 98 | -73 |
| **Total Participant Costs (accrual basis)** | **1,085** | **987** | **1,066** | **714** | **-1,040** |
| **% Difference** |  |  |  |  |  |
| Participant Costs (accrual basis) |  |  |  |  |  |
| 0-64 years | 4% | 3% | 3% | 2% | -2% |
| 65+ years | 3% | 3% | 4% | 3% | -1% |
| **Total Participant Costs (accrual basis)** | **4%** | **3%** | **3%** | **2%** | **-2%** |

Participant Costs by SIL and Non-SIL

Table 60 shows the impact of the changes in emerging experience and assumptions compared with the previous review on projected participant costs, split between participants in SIL and those not in SIL. Projected costs for non-SIL participants have significantly increased (6% in 2021-22 and 8% in 2024-25). For participants in SIL, costs have decreased by 1% in 2021-22, and further decreases to 15% in 2026-27 and 18% by 2029-30. Cost projections are impacted by a decrease in projected participants, particularly those in SIL, offset by increasing average payments per participant.

Table Change in projected participant costs by SIL type (cash basis)

| **Participant Costs ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| **2020-21 AFSR** |  |  |  |  |  |
| SIL | 8,876 | 9,570 | 10,268 | 11,007 | 15,647 |
| Non-SIL | 19,955 | 23,860 | 27,192 | 29,807 | 42,836 |
| **Total** | **28,831** | **33,429** | **37,459** | **40,814** | **58,483** |
| **Dec20 AFSR** |  |  |  |  |  |
| SIL | 8,939 | 10,306 | 11,632 | 12,863 | 19,132 |
| Non-SIL | 18,760 | 22,129 | 24,990 | 27,522 | 40,787 |
| **Total** | **27,699** | **32,436** | **36,622** | **40,385** | **59,918** |
| **Difference** |  |  |  |  |  |
| SIL | -63 | -737 | -1,365 | -1,856 | -3,484 |
| Non-SIL | 1,195 | 1,730 | 2,202 | 2,285 | 2,049 |
| **Total** | **1,132** | **994** | **837** | **430** | **-1,435** |
| **% Difference** |  |  |  |  |  |
| SIL | -1% | -7% | -12% | -14% | -18% |
| Non-SIL | 6% | 8% | 9% | 8% | 5% |
| **Total** | **4%** | **3%** | **2%** | **1%** | **-2%** |

Participant cost projections have increased for non-SIL and decreased for SIL relative to the previous review (Table 60). This results in a neutral impact on the projection by 2026-27, and a decrease in total participant costs in 2029-30.

Participant Costs by Age Band

Table Change in projected participant costs by age band (cash basis)

| **Participant Costs ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| **2020-21 AFSR** |  |  |  |  |  |
| Children (0 to 14) | 4,318 | 5,143 | 5,850 | 6,373 | 8,183 |
| Young adults (15 to 24) | 4,715 | 5,610 | 6,427 | 7,165 | 11,760 |
| Adults (25 to 64) | 17,962 | 20,213 | 22,068 | 23,529 | 31,528 |
| Older adults (65+) | 1,837 | 2,464 | 3,114 | 3,748 | 7,012 |
| **Total** | **28,831** | **33,429** | **37,459** | **40,814** | **58,483** |
| **Dec20 AFSR** |  |  |  |  |  |
| Children (0 to 14) | 3,961 | 4,714 | 5,359 | 5,908 | 8,090 |
| Young adults (15 to 24) | 4,281 | 5,081 | 5,821 | 6,541 | 10,980 |
| Adults (25 to 64) | 17,674 | 20,254 | 22,416 | 24,256 | 33,708 |
| Older adults (65+) | 1,783 | 2,387 | 3,025 | 3,680 | 7,140 |
| **Total** | **27,699** | **32,436** | **36,622** | **40,385** | **59,918** |
| **Difference** |  |  |  |  |  |
| Children (0 to 14) | 356 | 428 | 491 | 465 | 93 |
| Young adults (15 to 24) | 434 | 529 | 605 | 623 | 781 |
| Adults (25 to 64) | 288 | -41 | -348 | -727 | -2,180 |
| Older adults (65+) | 55 | 78 | 89 | 68 | -128 |
| **Total** | **1,132** | **994** | **837** | **430** | **-1,435** |
| **% Difference** |  |  |  |  |  |
| Children (0 to 14) | 9% | 9% | 9% | 8% | 1% |
| Young adults (15 to 24) | 10% | 10% | 10% | 10% | 7% |
| Adults (25 to 64) | 2% | 0% | -2% | -3% | -6% |
| Older adults (65+) | 3% | 3% | 3% | 2% | -2% |
| **Total** | **4%** | **3%** | **2%** | **1%** | **-2%** |

Participant Costs by Disability Group

Table Change in projected participant costs by disability group (cash basis)

| **Participant Costs ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| **2020-21 AFSR** |  |  |  |  |  |
| Autism | 5,856 | 7,216 | 8,545 | 9,797 | 17,586 |
| Intellectual Disability | 8,878 | 9,838 | 10,670 | 11,376 | 15,030 |
| Psychosocial Disability | 3,088 | 3,744 | 4,290 | 4,716 | 6,817 |
| Developmental Delay | 667 | 857 | 1,013 | 1,113 | 1,273 |
| Sensory | 551 | 648 | 731 | 796 | 1,092 |
| Other | 9,791 | 11,126 | 12,211 | 13,017 | 16,685 |
| **Total** | **28,831** | **33,429** | **37,459** | **40,814** | **58,483** |
| **Dec20 AFSR** |  |  |  |  |  |
| Autism | 5,350 | 6,622 | 7,876 | 9,133 | 17,025 |
| Intellectual Disability | 8,526 | 9,606 | 10,552 | 11,412 | 15,538 |
| Psychosocial Disability | 3,217 | 3,966 | 4,603 | 5,131 | 7,718 |
| Developmental Delay | 760 | 954 | 1,112 | 1,235 | 1,603 |
| Sensory | 554 | 650 | 732 | 803 | 1,147 |
| Other | 9,292 | 10,637 | 11,748 | 12,671 | 16,887 |
| **Total** | **27,699** | **32,436** | **36,622** | **40,385** | **59,918** |
| **Difference** |  |  |  |  |  |
| Autism | 506 | 594 | 668 | 663 | 561 |
| Intellectual Disability | 352 | 231 | 118 | -36 | -508 |
| Psychosocial Disability | -129 | -222 | -313 | -414 | -901 |
| Developmental Delay | -93 | -97 | -99 | -122 | -329 |
| Sensory | -3 | -2 | 0 | -7 | -56 |
| Other | 499 | 489 | 463 | 346 | -202 |
| **Total** | **1,132** | **994** | **837** | **430** | **-1,435** |
| **% Difference** |  |  |  |  |  |
| Autism | 9% | 9% | 8% | 7% | 3% |
| Intellectual Disability | 4% | 2% | 1% | 0% | -3% |
| Psychosocial Disability | -4% | -6% | -7% | -8% | -12% |
| Developmental Delay | -12% | -10% | -9% | -10% | -21% |
| Sensory | -1% | 0% | 0% | -1% | -5% |
| Other | 5% | 5% | 4% | 3% | -1% |
| **Total** | **4%** | **3%** | **2%** | **1%** | **-2%** |

##### ***Participant Costs by Support Categories***

Table 63 shows projections by support categories have shifted substantially compared to the previous review. The greatest difference is the decrease in the longer term in projected participant costs for the Core Daily Activities support category, and is driven by a relative decrease in the projected number of SIL participants in the longer-term.

For the Capacity Building Daily Activities support category, projected costs are higher than the previous review. This reflects the higher payment experience, and is impacted by the projected increase in intake of children, a cohort that spends a substantial amount on this support category.

Table Change in projected participant costs by support category (on a cash basis)

| **Participant Costs ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| **2020-21 AFSR** |  |  |  |  |  |
| **Core** |  |  |  |  |  |
| *Daily Activities* | 15,852 | 17,947 | 19,800 | 21,407 | 30,417 |
| *Social Community Civic* | 5,289 | 6,184 | 6,994 | 7,684 | 11,650 |
| *Transport* | 881 | 1,059 | 1,209 | 1,336 | 1,948 |
| *Consumables* | 532 | 616 | 689 | 747 | 990 |
| **Capital** |  |  |  |  |  |
| *Assistive Technology* | 552 | 634 | 705 | 758 | 972 |
| *Home Modifications* | 311 | 372 | 419 | 446 | 579 |
| **Capacity Building** |  |  |  |  |  |
| *CB Daily Activities* | 3,517 | 4,191 | 4,796 | 5,279 | 7,156 |
| *Support Coordination* | 750 | 947 | 1,111 | 1,218 | 1,735 |
| *CB Employment* | 315 | 469 | 569 | 648 | 1,139 |
| *CB Choice and Control* | 363 | 456 | 535 | 592 | 854 |
| *Other CB supports* | 469 | 554 | 632 | 699 | 1,042 |
| **Total** | **28,831** | **33,429** | **37,459** | **40,814** | **58,483** |

| **Participant Costs ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| **Dec20 AFSR** |  |  |  |  |  |
| **Core** |  |  |  |  |  |
| *Daily Activities* | 15,098 | 17,398 | 19,489 | 21,405 | 31,549 |
| *Social Community Civic* | 5,159 | 6,015 | 6,795 | 7,509 | 11,609 |
| *Transport* | 707 | 850 | 969 | 1,078 | 1,632 |
| *Consumables* | 543 | 629 | 704 | 770 | 1,067 |
| **Capital** |  |  |  |  |  |
| *Assistive Technology* | 668 | 767 | 853 | 928 | 1,246 |
| *Home Modifications* | 283 | 344 | 382 | 416 | 566 |
| **Capacity Building** |  |  |  |  |  |
| *CB Daily Activities* | 3,305 | 3,930 | 4,493 | 4,995 | 7,099 |
| *Support Coordination* | 673 | 850 | 999 | 1,105 | 1,624 |
| *CB Employment* | 481 | 703 | 839 | 951 | 1,655 |
| *CB Choice and Control* | 326 | 408 | 478 | 532 | 795 |
| *Other CB supports* | 456 | 541 | 621 | 695 | 1,075 |
| **Total** | **27,699** | **32,436** | **36,622** | **40,385** | **59,918** |

| **Participant Costs ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| **Difference** |  |  |  |  |  |
| **Core** |  |  |  |  |  |
| *Daily Activities* | 754 | 549 | 310 | 2 | -1,131 |
| *Social Community Civic* | 130 | 170 | 199 | 175 | 41 |
| *Transport* | 174 | 209 | 241 | 258 | 316 |
| *Consumables* | -12 | -13 | -14 | -23 | -77 |
| **Capital** |  |  |  |  |  |
| *Assistive Technology* | -116 | -133 | -149 | -170 | -274 |
| *Home Modifications* | 29 | 28 | 37 | 30 | 13 |
| **Capacity Building** |  |  |  |  |  |
| *CB Daily Activities* | 212 | 261 | 303 | 284 | 57 |
| *Support Coordination* | 78 | 97 | 112 | 113 | 112 |
| *CB Employment* | -166 | -234 | -270 | -303 | -516 |
| *CB Choice and Control* | 37 | 48 | 58 | 60 | 59 |
| *Other CB supports* | 13 | 12 | 11 | 4 | -34 |
| **Total** | **1,132** | **994** | **837** | **430** | **-1,435** |

| **Participant Costs ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| **% Difference** |  |  |  |  |  |
| **Core** |  |  |  |  |  |
| *Daily Activities* | 5% | 3% | 2% | 0% | -4% |
| *Social Community Civic* | 3% | 3% | 3% | 2% | 0% |
| *Transport* | 25% | 25% | 25% | 24% | 19% |
| *Consumables* | -2% | -2% | -2% | -3% | -7% |
| **Capital** |  |  |  |  |  |
| *Assistive Technology* | -17% | -17% | -17% | -18% | -22% |
| *Home Modifications* | 10% | 8% | 10% | 7% | 2% |
| **Capacity Building** |  |  |  |  |  |
| *CB Daily Activities* | 6% | 7% | 7% | 6% | 1% |
| *Support Coordination* | 12% | 11% | 11% | 10% | 7% |
| *CB Employment* | -35% | -33% | -32% | -32% | -31% |
| *CB Choice and Control* | 11% | 12% | 12% | 11% | 7% |
| *Other CB supports* | 3% | 2% | 2% | 1% | -3% |
| **Total** | **4%** | **3%** | **2%** | **1%** | **-2%** |

Participant Costs as proportion of Gross Domestic Product (GDP)

Total participant costs (accrual basis) are estimated to represent 1.37% of GDP in 2021-22, increasing to 1.78% in 2025-26 and 1.95% in 2029-30. For ages 0 to 64, this is 1.28% of GDP in 2021-22, 1.60% of GDP in 2025-26 and 1.72% of GDP in 2029-30. Scheme costs as a proportion of GDP are projected to be slightly higher than the previous review (Figure 49).

Figure Comparison of Participant Costs (accrual basis) as a proportion of GDP

Bar chart showing total participant costs (accrual basis) based on 2020-2021 AFSR cost projections are estimated to represent 1.37% of GDP in 2021-22, increasing to 1.78% in 2025-26 and 1.95% in 2029-30

Bar chart showing a comparison of participant Costs (accrual basis) as a proportion of GDP for ages 0 to 64. Based on 2020-2021 AFSR cost projections this is 1.28% of GDP in 2021-22, 1.60% of GDP in 2025-26 and 1.72% of GDP in 2029-30

## Appendix C: Reconciliation to previous review

Table 64 shows the main drivers of movements in participant numbers as well as the total movement from the previous review.

Table Change in projected participant numbers from previous review (31 December 2020)

| **Change in projected participant numbers As at June 30** | **2022** | **2023** | **2024** | **2025** | **2030** |
| --- | --- | --- | --- | --- | --- |
| **Dec20 FSR** *FSR model as at 31 December 2020* | **537,900** | **596,647** | **643,229** | **682,760** | **870,761** |
| **a) Dec20 FSR, with 6 months of experience** *Dec20 FSR model with 1 Jan 2021 to 30 June 2021 experience* | -1,402 | -687 | -3 | +555 | +1,484 |
| **b) Population growth and life table** *Impact of updated population growth assumptions and life table assumptions* | +73 | +127 | +155 | +226 | +366 |
| **c) Participant projection** *Impact of new population assumptions* | -6,182 | -9,694 | -12,921 | -12,691 | -11,407 |
| **d) Lower New Incidence assumptions** *Impact of updated new incidence assumptions for over 65* | -51 | -101 | -147 | -191 | -375 |
| **e) Change in exits assumptions** *Impact of lower non-mortality experience and higher mortality assumptions* | +120 | +141 | +15 | -258 | -1,501 |
| **2020-21 FSR model** *Projections based on assumptions in this report* | **530,457** | **586,433** | **630,327** | **670,400** | **859,328** |
| **Total movement from Dec20 FSR to 2020-21 FSR model** | **-7,443  (-1.4%)** | **-10,214  (-1.7%)** | **-12,902  (-2.0%)** | **-12,360  (-1.8%)** | **-11,433  (-1.3%)** |

The projected number of participants at 30 June 2022 has reduced by about 7,400 compared to the Dec20 FSR, mainly driven by a downward adjustment of the population assumptions reflecting lower than expected active participants as at 30 June 2021.

While there are less active participants in the Scheme, there are more young participants in the Scheme, in particular age 7 to 14, increasing the number of active participants projected.

Table 65 shows the main drivers of movements in participant costs as well as the total movement from the previous review.

Table Change in projected participant costs (cash basis) from previous review (31 December 2020)

| **Change in projected participant costs (cash basis)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| **Dec20 FSR** *FSR model as at 31 December 2021* | **$27.7b** | **$32.4b** | **$36.6b** | **$40.4b** | **$59.9b** |
| **a) Dec20 FSR, with 6 months of experience** *Dec20 FSR model with 1 January 2021 to 30 June 2021 experience* | -$0.1b | +$0.2b | +$0.2b | +$0.1b | +$0.2b |
| **b) Population growth and life table** *Impact of updated population growth assumptions and life table assumptions* | +$0.0b | +$0.0b | +$0.0b | +$0.0b | +$0.1b |
| **c) Participant projection** *Impact of new population assumptions* | -$0.1b | -$0.3b | -$0.5b | -$0.6b | -$0.6b |
| **d) Lower New Incidence assumptions** *Impact of updated new incidence assumptions for over 65* | -$0.0b | -$0.0b | -$0.0b | -$0.0b | -$0.0b |
| **e) Change in exits assumptions** *Impact of lower non-mortality experience and higher mortality assumptions* | -$0.0b | -$0.0b | -$0.0b | -$0.0b | -$0.1b |
| **f) Change in SIL Assumptions** *Impact of updated SIL propensity assumptions* | -$0.3b | -$1.0b | -$1.5b | -$1.7b | -$3.0b |
| **g) SIL base payments assumptions** *Impact of updated payment assumptions for SIL only* | +$0.5b | +$0.6b | +$0.6b | +$0.7b | +$1.0b |
| **h) Non-SIL base payments assumptions** *Impact of updated payment assumptions for all participants* | +$0.3b | +$0.3b | +$0.3b | +$0.3b | +$0.4b |
| **i) Normal inflation** *Impact of higher normal inflation assumptions* | +$0.1b | +$0.3b | +$0.5b | +$0.7b | +$1.3b |
| **j) Payment adjustment - RAC** *Impact of allowing for Residential Aged Care supports* | +$0.5b | +$0.5b | +$0.5b | +$0.5b | +$0.5b |
| **k) Superimposed inflation** *Impact of updated superimposed inflation assumptions* | +$0.2b | +$0.8b | +$1.2b | +$1.2b | +$0.8b |
| **l) Lower average costs of New Entrants** *Impact of allowing for lower average costs of New Entrants* | -$0.1b | -$0.3b | -$0.6b | -$0.8b | -$1.9b |
| **2020-21 FSR model** *Projections based on assumptions in this report* | **$28.8b** | **$33.4b** | **$37.5b** | **$40.8b** | **$58.5b** |
| **Total movement from Dec20 FSR to 2020-21 FSR model** | **+$1.1b  (+4.1%)** | **+$1.0b  (+3.1%)** | **+$0.8b  (+2.3%)** | **+$0.4b  (+1.1%)** | **-$1.4b  (-2.4%)** |

In 2021-22, the projected participant cost is about $1.1 billion higher than the previous review, mainly attributable to increases in base payment and inflation assumptions by support category, which reflect the higher than expected average payments experience over the past 12 months.

While participant cost is projected to continue to be higher than previous review, the difference is projected to be smaller over time and, in 2029-30, the projected cost is lower than previous review by 2.4% ($1.4 billion). The reduction is mainly driven by the lower SIL assumptions as well as the lower average costs for new entrants.

## Appendix D: State and Territory Breakdown

The projection model adopts a national view on its assumptions, and therefore its projected participant numbers and costs. A separate model has been developed to allocate projected national participant numbers and costs by State and Territory. The resulting participant numbers and costs by jurisdiction can be seen below in Table 66 and Table 67.

Table Projected participant numbers by jurisdiction

| **Participant numbers** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| NSW | 165,955 | 183,194 | 193,967 | 206,298 | 264,436 |
| VIC | 141,074 | 155,937 | 168,487 | 179,199 | 229,700 |
| QLD | 108,648 | 123,084 | 135,275 | 143,875 | 184,421 |
| SA | 43,226 | 46,083 | 48,659 | 51,753 | 66,337 |
| WA | 45,707 | 50,453 | 54,727 | 58,207 | 74,610 |
| TAS | 12,245 | 13,509 | 14,500 | 15,422 | 19,768 |
| ACT | 8,985 | 9,090 | 9,212 | 9,797 | 12,559 |
| NT | 4,616 | 5,085 | 5,499 | 5,849 | 7,497 |
| **Total** | **530,457** | **586,433** | **630,327** | **670,400** | **859,328** |

Table Projected participant costs by jurisdiction

| **Participant costs ($m)** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2029-30** |
| --- | --- | --- | --- | --- | --- |
| NSW | 9,270 | 10,724 | 12,005 | 13,079 | 18,742 |
| VIC | 6,808 | 7,855 | 8,720 | 9,501 | 13,614 |
| QLD | 6,502 | 7,695 | 8,780 | 9,566 | 13,708 |
| SA | 2,380 | 2,725 | 3,044 | 3,316 | 4,752 |
| WA | 2,543 | 2,934 | 3,284 | 3,578 | 5,127 |
| TAS | 765 | 896 | 1,016 | 1,107 | 1,586 |
| ACT | 463 | 498 | 524 | 570 | 817 |
| NT | 492 | 559 | 601 | 654 | 938 |
| **Total** | **29,223** | **33,886** | **37,973** | **41,373** | **59,284** |

## Appendix E: Historic average participant payments by SIL type

Table Previous AFSR projections – average participant payments (non-SIL)

| **Average participant payments (non-SIL)** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PBS** |  |  |  |  |  |  |  |  |
| Portfolio Budget Statements 2021-22 |  |  |  |  | 37,500 | 37,600 | 39,500 | 42,200 |
| **AFSR** |  |  |  |  |  |  |  |  |
| 30 June 2021 AFSR projection |  |  |  |  | 42,800 | 45,500 | 47,500 | 48,600 |
| 31 December 2020 AFSR projection |  |  |  |  | 41,900 | 43,200 | 44,200 | 45,400 |
| 30 June 2020 AFSR projection |  |  |  | 35,200 | 36,700 | 37,500 | 38,500 | 40,000 |
| 31 December 2019 AFSR projection |  |  |  | 35,900 | 36,800 | 37,500 | 38,400 | 39,500 |
| 30 June 2019 AFSR projection |  |  | 34,300 | 35,800 | 36,600 | 37,300 | 37,700 | 38,200 |
| 30 June 2018 AFSR projection |  | 23,900 | 30,000 | 32,700 | 34,400 | 35,700 | 37,500 | 38,700 |
| **Comparison with actuals** |  |  |  |  |  |  |  |  |
| Actual average participant payments (accrual) | 24,300 | 27,100 | 34,100 | 38,600 |  |  |  |  |
| Actual average participant payments compared with AFSR |  | 3,200 | -200 | 3,400 |  |  |  |  |

Table Previous AFSR projections – average participant payments (SIL)

| **Average participant payments (SIL)** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PBS** |  |  |  |  |  |  |  |  |
| Portfolio Budget Statements 2021-22 |  |  |  |  | 292,700 | 282,000 | 290,000 | 307,600 |
| **AFSR** |  |  |  |  |  |  |  |  |
| 30 June 2021 AFSR projection |  |  |  |  | 347,700 | 360,800 | 373,800 | 386,700 |
| 31 December 2020 AFSR projection |  |  |  |  | 345,400 | 359,400 | 372,600 | 382,500 |
| 30 June 2020 AFSR projection |  |  |  | 321,000 | 343,900 | 359,300 | 373,400 | 391,700 |
| 31 December 2019 AFSR projection |  |  |  | 320,300 | 341,400 | 361,300 | 382,100 | 403,600 |
| 30 June 2019 AFSR projection |  |  | 269,400 | 286,200 | 298,700 | 312,600 | 326,100 | 340,500 |
| 30 June 2018 AFSR projection |  | 261,600 | 279,400 | 292,900 | 304,600 | 314,600 | 326,800 | 340,100 |
| **Comparison with actuals** |  |  |  |  |  |  |  |  |
| Actual average participant payments (accrual) | 234,000 | 249,600 | 304,400 | 325,500 |  |  |  |  |
| Actual average participant payments compared with AFSR |  | -12,000 | 35,000 | 4,500 |  |  |  |  |

## Appendix F: Scenario analysis from previous AFSRs

This section summarises the cost projection scenarios considered in historic Annual Financial Sustainability Report projections since 2016-17. These scenarios assist in understanding the range of plausible projections based on reasonable alternative assumptions.

2016-17 Scenarios

| **Total participant costs ($m)** | **2020** | **2025** | **2030** |
| --- | --- | --- | --- |
| 2016-17 Baseline | 21,240 | 30,492 | 41,783 |
| Scenario 1a. Committed supports + utilisation of 85% | 20,436 | 28,943 | 38,863 |
| Scenario 1b. Committed supports + utilisation of 90% | 21,638 | 30,645 | 41,149 |
| Scenario 1c. Committed supports + utilisation of 100% | 24,042 | 34,050 | 45,721 |
| Scenario 2a. 1% p.a. superimposed inflation | 21,756 | 32,762 | 47,095 |
| Scenario 2b. 2% p.a. superimposed inflation | 22,279 | 35,179 | 53,022 |
| Scenario 2c. 10% p.a. superimposed inflation for 2 years | 25,509 | 36,619 | 50,179 |
| Scenario 2d. 5% p.a. superimposed inflation for 5 years | 23,897 | 38,551 | 52,826 |
| Scenario 3a. Increase incidence 0 to 18 by 15% | 22,345 | 32,201 | 44,258 |
| Scenario 3b. Reduce incidence 25+ by 5% | 20,662 | 29,676 | 40,695 |
| Scenario 3c. Combination of 3a. and 3b. | 21,766 | 31,385 | 43,171 |
| Scenario 4a. Halve non-mortality exits ages 0 to 64 | 21,240 | 31,315 | 44,041 |
| Scenario 4b. Double non-mortality exits for ages 65+ | 21,237 | 30,434 | 41,532 |
| Scenario 4c. Increase excess mortality by 50% | 21,168 | 30,017 | 40,583 |
| Scenario 4d. Reduce excess mortality by 50% | 21,252 | 30,899 | 42,984 |
| Scenario 5a. 5% of new incidence to highest LoF | 21,240 | 31,154 | 43,486 |
| Scenario 5b. 5% of starting population to highest LoF | 25,216 | 35,449 | 47,576 |
| Scenario 5c. Combination of 5a. and 5b. | 25,216 | 36,112 | 49,279 |
| Scenario 6a. Increase SSA Numbers by 10% | 20,970 | 29,684 | 39,818 |
| Scenario 6b. Increase SSA average cost by 25% | 21,822 | 30,939 | 41,570 |
| Scenario 6c. Combination of 6a. and 6b. | 22,495 | 31,880 | 42,796 |
| Scenario 7a. Remove age based loadings for 65+ | 21,176 | 30,068 | 40,729 |
| Scenario 10a. Exclude GI/MM from NIIS | 21,240 | 30,492 | 41,783 |

2017-18 Scenarios

Total participant costs ($m)

| **Total participant costs ($m)** | | **2020** | **2025** | **2030** |
| --- | --- | --- | --- | --- |
|  | 2017-18 Baseline | 15,638 | 31,715 | 44,395 |
| 1a | Higher Autism exits | 15,453 | 30,171 | 40,485 |
| 1b | Lower Autism exits | 15,676 | 32,099 | 45,579 |
| 2 | Intellectual disability new incidence hump 17-22 yrs | 15,638 | 32,008 | 46,518 |
| 3a | Higher Proportion of participants in SSA (SIL) | 17,636 | 35,769 | 50,034 |
| 3b | Lower Proportion of participants in SSA (SIL) | 15,405 | 31,197 | 43,556 |
| 3c | SSA cost innovation | 12,489 | 29,261 | 41,178 |
| 4a | Increased Number of adults | 16,276 | 38,193 | 53,883 |
| 4b | Decreased number of children | 14,213 | 30,962 | 43,463 |
| 4c | Increased new entrants | 15,887 | 36,377 | 50,143 |
| 5a | Committed supports and 100% utilisation | 18,957 | 38,064 | 53,473 |
| 5b | Committed supports and 75% utilisation | 13,839 | 28,548 | 40,105 |
| 7a | AAT and mainstream | 18,123 | 37,118 | 51,450 |
| 7b | AAT, mainstream and level of function movement | 18,400 | 37,686 | 52,236 |
| 7c | AAT access decisions | 16,670 | 34,352 | 47,592 |
| 8a | 3% pa superimposed inflation for 10 years | 15,676 | 35,882 | 55,465 |
| 8b | 0% superimposed inflation | 14,810 | 29,407 | 41,164 |

2018-19 Scenarios

| **Total participant costs ($m)** | | **2020** | **2025** | **2030** |
| --- | --- | --- | --- | --- |
|  | 2018-19 Baseline | 16,327 | 30,820 | 43,723 |
| 1a | Additional Cost of chronic health (low range) | 19,333 | 34,760 | 48,886 |
| 1b | Additional Cost of chronic health (mid range) | 20,770 | 36,644 | 51,356 |
| 1c | Additional Cost of chronic health (high range) | 22,404 | 38,785 | 54,162 |
| 2 | Lower autism and higher psychosocial disability numbers | 16,347 | 31,077 | 43,893 |
| 3 | Intellectual disability new entrants hump for 17-22yrs | 16,327 | 31,209 | 46,322 |
| 4a | Higher proportion of participants in SIL over long term | 16,434 | 32,930 | 48,951 |
| 4b | Long term SIL reached over 20 years | 16,302 | 30,331 | 42,573 |
| 4c | SIL cost innovation | 14,874 | 27,978 | 39,510 |
| 5 | 85%/100% utilisation rate for non-SIL/SIL respectively | 19,380 | 34,844 | 49,343 |
| 6a | Transport policy: Strict tightened eligibility | 16,125 | 30,469 | 43,215 |
| 6b | Transport policy: tightened eligibility &increased budget | 16,454 | 31,041 | 44,043 |
| 6c | Transport policy: tightened eligibility & bottom up approach | 18,800 | 35,115 | 49,941 |
| 7 | Steady intake date at 30 June 2020 | 16,425 | 28,286 | 41,344 |
| 8a | Additional 3% pa superimposed inflation from 2021 | 16,327 | 35,152 | 56,030 |
| 8b | Additional 1% pa superimposed inflation from 2021 | 16,327 | 32,264 | 47,825 |

2019-20 Scenarios

Total participant costs ($m)

| **Total participant costs** | **2020** | **2025** | **2030** |
| --- | --- | --- | --- |
| 2019-20 Baseline |  | 34,109 | 51,304 |
| Scenario 1a. => Continuation of historical superimposed inflation |  | 45,399 | 68,282 |
| Scenario 1b. => Removal of 1% p.a. additional superimposed inflation |  | 32,364 | 48,447 |
| Scenario 1c. => Alternative normal inflation |  | 33,332 | 46,735 |
| Scenario 2a. => Higher proportion of participants in SIL over long term |  | 37,230 | 60,805 |
| Scenario 2b. => Continuation of increasing SIL cost for 2 years |  | 37,909 | 57,276 |
| Scenario 2c. => SIL cost innovation |  | 31,119 | 46,600 |
| Scenario 3a. => 44,000 additional participants |  | 37,955 | 56,268 |
| Scenario 3b. => 60,000 additional participants |  | 38,430 | 56,879 |
| Scenario 3c. => 99,000 additional participants |  | 39,287 | 57,982 |
| Scenario 5a. => Steady Intake Date at 30 June 2021 |  | 33,207 | 50,180 |
| Scenario 5b. => Higher intake levels sustained for 3 years |  | 36,821 | 54,774 |

1. [NDIS Publications](https://www.ndis.gov.au/about-us/publications#afsr) [↑](#footnote-ref-2)
2. [Insurance Principles and Financial Sustainability Manual (PDF Download)](https://www.ndis.gov.au/media/833/download) [↑](#footnote-ref-3)
3. [Portfolio budget statement 2021-2022 (PDF Download)](https://www.dss.gov.au/sites/default/files/documents/05_2021/budget-2021-22_portfolio_budget_statements_11052021_1000.pdf) [↑](#footnote-ref-4)
4. Outcomes for participants and their families/carers are reported regularly in the NDIA’s quarterly reports to Disability Ministers, and more detailed analysis and data is available on the [NDIA Data and Insights website](https://data.ndis.gov.au/reports-and-analyses/outcomes-and-goals) [↑](#footnote-ref-5)
5. Supported Independent Living is modelled separately due to the high average payment per participant. SIL participants represent 5.7% of all participants, and 34% of payments made in the 2020-21 financial year to date. The average annualised payments year to date for SIL participants is $318,000, and $37,400 for participants not in SIL. [↑](#footnote-ref-6)
6. Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Study Report, Canberra (Table 2.3) [↑](#footnote-ref-7)
7. Observed new incidence rates for 2013 to 2019 phasing years show the number of new entrants per 100K population over the 2020-21 financial year in the relevant geographic areas which phased into the Scheme in that year [↑](#footnote-ref-8)
8. i.e. participants who acquired their disability recently, **or** those who have only recently met the necessary criteria for access to the Scheme. [↑](#footnote-ref-9)
9. i.e. participants who acquired their disability some years prior who only accessed the Scheme recently (for various reasons) [↑](#footnote-ref-10)
10. The impact of lower projected participants in SIL is shown in Table 4 below, which indicates a reduction in estimated cost of $5.0 billion in the four years to 2024-25. [↑](#footnote-ref-11)
11. Average annualised payments have been calculated on a cash basis using the 12 months over each year ending 30 June. [↑](#footnote-ref-12)
12. Average annualised payments have been calculated on a cash basis using the 12 months over each year ending 30 June. [↑](#footnote-ref-13)
13. For further information, refer to Addendum 2 to NDIA’s Quarterly Report to Disability Ministers at 30 June 2021: https://www.ndis.gov.au/media/3475/download?attachment [↑](#footnote-ref-14)
14. Average annualised payments have been calculated on a cash basis using the 12 months over each year ending 30 June. [↑](#footnote-ref-15)
15. New entrants to the Scheme have higher levels of functional capacity on average than existing participants, which means that the average functional capacity of Scheme participants is expected to increase over time, which (all else being equal) is expected to result in a reduction in average payment per participant. [↑](#footnote-ref-16)
16. Of the superimposed inflation of 9.7% in 2021-22, which represents the increase from the 2020-21 year to the 2021-22 year, 5.2% had already occurred at 30 June 2021, and the remaining 4.3% (compounded) is assumed to occur in future. [↑](#footnote-ref-17)
17. ibid [↑](#footnote-ref-18)
18. Total expected inflation shown is lower than normal inflation plus superimposed inflation because the change in mix of participants is expected to lead to reductions in average payment per participant (before allowing for normal inflation and superimposed inflation). The historic average shown implicitly includes change in mix, and so the most appropriate comparison to past experience is the total including change in mix. Of the superimposed inflation of 9.7% in 2021-22, which represents the increase from the 2020-21 year to the 2021-22 year, 5.2% had already occurred at 30 June 2021, and the remaining 4.3% (compounded) is assumed to occur in future. [↑](#footnote-ref-19)
19. ibid [↑](#footnote-ref-20)
20. Cost is based on when the service was actually provided to the participant recognising some services are paid for after the end of the period. Estimates in the PBS are on an accrual basis. [↑](#footnote-ref-21)
21. This projection is also higher than the 2021 Intergenerational Report projection which is based on the 2021-22 PBS in the short-term. [↑](#footnote-ref-22)
22. The Productivity Commission costings did not include an explicit allowance for children with developmental delay, for the student transport and personal care in schools in‑kind support programs and for disability related health supports, noting that these four items could account for an additional $1.5 billion per annum. [↑](#footnote-ref-23)
23. Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Study Report, Canberra (Table 2.3), excluding operating costs and interim years are calculated on a consistent basis. [↑](#footnote-ref-24)
24. Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Study Report, Canberra (Page 412). [↑](#footnote-ref-25)
25. Each cohort is a unique combination of age group, gender, primary disability, level of function and SIL status. There are a total of 2,052 cohorts which are separately projected. [↑](#footnote-ref-26)
26. [Insurance Principles and Financial Sustainability Manual (PDF Download)](https://www.ndis.gov.au/media/833/download) [↑](#footnote-ref-27)
27. [NDIS outcomes and goals](https://data.ndis.gov.au/reports-and-analyses/outcomes-and-goals) [↑](#footnote-ref-28)
28. In particular, over the past year, the Agency has made a concerted focus on clearing internal backlogs in several areas such as access decisions, first plans, assistive technology, internal reviews, and manual payments. [↑](#footnote-ref-29)
29. The 2017 Productivity Commission estimates were sourced from the 2017 Productivity Commission Study Report into NDIS costs (Table 2.3. pp 100) excluding operating costs, with interim years calculated on a consistent basis. [↑](#footnote-ref-30)
30. [NDIA Data and Insights Website](https://data.ndis.gov.au/) [↑](#footnote-ref-31)
31. As at 30 June 2021, it is estimated that 4% of participants who have ever had an approved plan have a missing or default level of function. [↑](#footnote-ref-32)
32. SAP is a software company that makes enterprise software. Also known as Systems, Applications and Products in Data Processing. [↑](#footnote-ref-33)
33. A chain ladder analysis, prevalence methodology and decay methodology have been used. [↑](#footnote-ref-34)
34. The estimated future date at which point in time where participant intake primarily represents true new incidence (in other words when participants with previously unmet needs have entered the Scheme). [↑](#footnote-ref-35)
35. Participants who acquired their disability some years prior who only accessed the Scheme recently (for various reasons). [↑](#footnote-ref-36)
36. Plan budgets represent the dollar amount of support that has been made available to participants in their plan. The proportion of plan budgets which are used is referred to as the ‘utilisation rate’, and the dollar amount of the plan budget used is referred to as ‘payments’. Payments are modelled as this is the actual cost to the Scheme. [↑](#footnote-ref-37)
37. The 15 support categories include four core support categories (Transport, Consumables, Daily Activities and Social Community Civic), two capital support categories (Assistive Technology and Home Modifications) and nine capacity building (CB) support categories (Support Coordination, CB Relationships, CB Lifelong Learning, CB Home Living, CB Health and Wellbeing, CB Employment, CB Daily Activities, CB Choice and Control and CB Social Community Civic). [↑](#footnote-ref-38)
38. The expected number of participants in this comparison is based on the estimates from the previous review. [↑](#footnote-ref-39)
39. For further information, refer to [Addendum 1 to NDIA’s Quarterly Report to Disability Ministers at 30 June 2021](https://www.ndis.gov.au/media/3476/download?attachment) [↑](#footnote-ref-40)
40. This chart only considers participants that were active at 30 June 2017. For further information, refer to Addendum 1 to NDIA’s Quarterly Report to Disability Ministers at 30 June 2021: https://www.ndis.gov.au/media/3476/download?attachment [↑](#footnote-ref-41)
41. For quarters prior to 30 June 2020, the split of intake by entry type has been shown, while for quarters after 30 June 2020, the overall number of new SIL participants are shown. The majority of new participants after 30 June 2020 would be expected to be new to disability supports. [↑](#footnote-ref-42)
42. About 54% of all SIL Scheme participants have an intellectual disability and 15% of participants with an intellectual disability are in SIL arrangements as at 30 June 2021. [↑](#footnote-ref-43)
43. Prevalence is defined as the proportion of the general population that have a disability and are accessing Scheme supports [↑](#footnote-ref-44)
44. The regions that commenced phasing during the Scheme’s trial and early transition period. [↑](#footnote-ref-45)
45. Excludes jurisdictions which phased participants in by age or other non‑standard phasing patterns (for example, South Australia, Tasmania and Northern Territory), as inclusion of these sites would lead to bias in development charts. [↑](#footnote-ref-46)
46. Dates of payments relate to when the payment was made, rather than when the support was provided. [↑](#footnote-ref-47)
47. Average annualised payments have been calculated on a cash basis using the 12 months over each year ending 30 June. [↑](#footnote-ref-48)
48. Average annualised payments have been calculated on a cash basis using the 12 months over each year ending 30 June. [↑](#footnote-ref-49)
49. Average annualised payments have been calculated on a cash basis using the 12 months over each year ending 30 June. [↑](#footnote-ref-50)
50. Those participants who had been in the Scheme for at least one year as at 30 June 2020 [↑](#footnote-ref-51)
51. The top 10% is equivalent to ventiles 19 and 20 [↑](#footnote-ref-52)
52. The bottom 40% is equivalent to ventiles 1 to 8 [↑](#footnote-ref-53)
53. This analysis includes Non-SIL participants for phasing financial years 2016-2019. The mix-adjusted average payment shows the average payment for each cohort on a comparable basis, i.e. based on a consistent mix of participants by age, disability type and level of function. The variance in average payment between all participants and recent entrants therefore relates purely to lower payments per participant, and not due to any change in mix. [↑](#footnote-ref-54)
54. PBS results have not been adjusted for the revised estimates in the recent 2021 Federal budget, which for June 2021 is $23,234m. Additionally, total payments in 2020-21 include $119.33 million spent on COVID-related expenses. [↑](#footnote-ref-55)
55. The utilisation rates shown are “ultimate” rates, considering both payments already made and payments for supports already provided but not yet paid. This is to allow for the impact of payment delays when calculating ultimate utilisation for a given support year. [↑](#footnote-ref-56)
56. Utilisation for all plans include both cash and in-kind supports. However, the calculation of utilisation by plan number excludes participants with in-kind supports as it is not possible to accurate separate in-kind payments and plan budgets between plans. Only utilisation of plan budgets between 1 October 2020 and 31 March 2021 is shown, as experience in the most recent quarter is still emerging. [↑](#footnote-ref-57)
57. The point in time where participant intake primarily represents participants with new incidence of disability. For this report 30 June 2024 has been assumed. [↑](#footnote-ref-58)
58. Observed new incidence rates for 2013 to 2019 phasing years show the number of new entrants per 100K population over the 2020-21 financial year in the relevant geographic areas which phased into the Scheme in that year [↑](#footnote-ref-59)
59. Sample comprises adult participants from geographic areas which phased into the Scheme in 2018 and earlier [↑](#footnote-ref-60)
60. Observed new incidence rates for 2013 to 2019 phasing years show the number of new entrants per 100K population over the 2020-21 financial year in the relevant geographic areas which phased into the Scheme in that year [↑](#footnote-ref-61)
61. The impact of lower projected participants in SIL is a reduction in estimated cost of approximately $5.0 billion in the four years to 2024-25 (as shown in Table 21). [↑](#footnote-ref-62)
62. In particular, participants with spinal cord injury, cerebral palsy and acquired brain injury. [↑](#footnote-ref-63)
63. This includes hearing impairment, visual impairment and other sensory/speech disabilities. [↑](#footnote-ref-64)
64. Applied to supports for Activities of Daily Living and Social and Community Participation. [↑](#footnote-ref-65)
65. Of the superimposed inflation of 9.7% in 2021-22, which represents the increase from the 2020-21 year to the 2021-22 year, 5.2% had already occurred at 30 June 2021, and the remaining 4.3% (compounded) is assumed to occur in future. [↑](#footnote-ref-66)
66. Ibid. [↑](#footnote-ref-67)
67. Total expected inflation shown is lower than normal inflation plus superimposed inflation because the change in mix of participants is expected to lead to reductions in average payment per participant (before allowing for normal inflation and superimposed inflation). The historic average shown implicitly includes change in mix, and so the most appropriate comparison to past experience is the total including change in mix. [↑](#footnote-ref-68)
68. In particular, participants with spinal cord injury, cerebral palsy and acquired brain injury. [↑](#footnote-ref-69)
69. This includes hearing impairment, visual impairment and other sensory/speech disabilities. [↑](#footnote-ref-70)
70. Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Study Report, Canberra (Page 412). [↑](#footnote-ref-71)
71. There is considerable uncertainty in the calculation of lifetime cost estimates in this section. There is limited longitudinal experience within the Scheme to inform assumptions, with most participants having been in the Scheme for five years or less. These estimates therefore reflect emerging experience, assuming the same average payments and exit rates were to continue over the lifetime of participants. [↑](#footnote-ref-72)
72. The adopted long term discount rate of 5.0% corresponds to the long term expectation for nominal GDP growth, which is the combination of average long term productivity growth of 1 per cent per annum, employment growth of 1.5 per cent per annum (noting employment growth is expected to fall over time due to the impact of ageing and slowing population growth on the labour force) and price inflation of 2.5 per cent per annum. This assumption is consistent with the long term discount rate used for Australian government superannuation liability valuations. [↑](#footnote-ref-73)
73. Each cohort is a unique combination of age group, gender, primary disability, level of function and SIL status. There are a total of 2,052 cohorts which are separately projected. [↑](#footnote-ref-74)
74. The plausible low and high case scenarios assume that the individual variance items are slightly positively correlated, with 20% pairwise correlation. [↑](#footnote-ref-75)
75. Productivity Commission 2017, *National Disability Insurance Scheme (NDIS) Costs*, Study Report, Canberra (Table 2.3). [↑](#footnote-ref-76)
76. The Productivity Commission costings did not include an explicit allowance for children with developmental delay, for the student transport and personal care in schools in‑kind support programs and for disability related health supports, noting that these four items could account for an additional $1.5 billion per annum at the Steady Intake Date. [↑](#footnote-ref-77)
77. By comparison, the previous disability support system took a welfare approach, generally providing short-term block funding which gave participants little choice and control over supports they received. [↑](#footnote-ref-78)
78. Other aspects of the NDIS Outcomes Framework include satisfaction surveys, usage of mainstream and community supports, and participant goals. [↑](#footnote-ref-79)
79. *“*[*Participant and family/carer outcomes: COVID-19 impact | Executive summary, to 30 June 2020*](https://data.ndis.gov.au/media/2771/download?attachment)*”*  [↑](#footnote-ref-80)
80. [*Baseline outcomes for NDIS participants 30 June 2020*’ report](https://data.ndis.gov.au/media/2521/download?attachment) [↑](#footnote-ref-81)
81. [*Longitudinal outcomes for NDIS participants 30 June 2020*’ report](https://data.ndis.gov.au/media/2530/download?attachment) [↑](#footnote-ref-82)
82. More details can be found here: [The NDIS Participant Employment Strategy 2019-22](https://www.ndis.gov.au/about-us/strategies/participant-employment-strategy) [↑](#footnote-ref-83)
83. https://data.ndis.gov.au/reports-and-analyses/outcomes-and-goals/employment-outcomes-participants-their-families-and-carers [↑](#footnote-ref-84)
84. Productivity Commission Inquiry Report. 2011. *Disability Care and Support* pp. 54-55,131 [↑](#footnote-ref-85)
85. [Baseline outcomes for families and carers of NDIS participants 30 June 2020](https://data.ndis.gov.au/media/2555/download?attachment) [↑](#footnote-ref-86)
86. [Longitudinal outcomes for families and carers of NDIS participants 30 June 2020](https://data.ndis.gov.au/media/2541/download?attachment) [↑](#footnote-ref-87)
87. *National Disability Insurance Scheme—Rules for the Scheme Actuary 2013* [↑](#footnote-ref-88)
88. [PB Statement of Strategic Guidance 2017 (PDF Download)](https://www.ndis.gov.au/media/412/download?attachment) [↑](#footnote-ref-89)
89. This approach was taken to remove any timing bias related to payments, given that there is a general lag between when supports are provided and when data is received from States/Territory and Commonwealth governments. [↑](#footnote-ref-90)
90. By comparison, the 2019-20 AFSR considered average annualised payments for the three months to 31 March 2020. [↑](#footnote-ref-91)
91. “Mature participants” are defined as those who were active at both 28 February 2021 and 31 May 2021, and had their first plan approved on or prior to 29 February 2020. [↑](#footnote-ref-92)
92. Separate projections are performed for primary disability, level of function, age, gender and whether or not a participant is in SIL. [↑](#footnote-ref-93)
93. Actual payments have been inflated to 30 June 2021 using a 6.1% per annum inflation rate over 2.5 months. This includes a normal inflation rate of 3.0% per annum and a superimposed inflation rate of 3.1% per annum, as per the adopted assumptions in the previous AFSR for the 2020-21 financial year. [↑](#footnote-ref-94)
94. For example, payments tend to exhibit a higher peak during May and June. This is likely to be due to providers finalising accounts in the lead up to the end of the financial year. [↑](#footnote-ref-95)
95. Payment relativity is defined as average annualised payments for the period relative to the overall average annualised payments for the financial year. [↑](#footnote-ref-96)