For calculating a compensation reduction amount (CRA), two of the key inputs are determined in consultation with the NDIA Scheme Actuary. These inputs are essential for the final determination of a CRA, as outlined in the National Disability Insurance Scheme (Supports for Participants – Accounting for Compensation Rules) 2013 :

1. Expected Lifetime Cost: the participant's expected lifetime cost, as described in Rule 3.13(e).
2. Expected Lifetime: the participant's expected lifetime, as per Rule 3.7.

Expected lifetime cost

The Chief Executive Officer, advised by the NDIS Scheme Actuary, evaluates participant characteristics and scheme experience to determine the value of the reasonable and necessary supports. This value is known as the expected lifetime cost.

Calculation components

The calculation includes the following components:

- Net present value: calculated over the participant's expected lifetime based on age, gender, primary disability, functional capacity, injury date and award date.
- Functional Capacity Assessment: results are mapped to a standardised level of function score to group participants with similar characteristics.
- Mortality Rate: based on observed scheme mortality experience as detailed in the most recent Annual Financial Sustainability Report (AFSR) and considers future mortality improvements in the general population.
- Non-mortality rate assumptions: participants are assumed to not leave the scheme for any reason other than mortality.
- Payment assumptions: based on the emerging NDIS payment experience, which is monitored annually, and then adjusted for assumed rates and past and future inflation and discounting.

Long-term view

The calculation takes a long-term view of participant circumstances based on their characteristics. It does not consider other factors, such as their current informal supports or NDIS plan details, which may vary significantly over a participant's lifetime.

Expected lifetime

The Chief Executive Officer, advised by the NDIS Scheme Actuary, calculates the expected lifetime used to amortise a participant's compensation reduction amount (CRA). This calculation follows accepted actuarial standards and considers the participant's characteristics:

- age
- gender
- primary disability type
- functional capacity assessment result.

Calculation components

The calculation includes the following components:

- Life expectancy: the expected future lifetime of the participant is based on their characteristics.
- Functional capacity assessment: results are mapped to a standardised level of function score to group participants with similar characteristics.
- Mortality rate: based on observed scheme mortality experience as detailed in the most recent AFSR and considers future mortality improvements in the general population.

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