

Report on the sustainability of the scheme

1 July 2013 to 30 September 2014

November 2014

Prepared by the Scheme Actuary

Introduction

This report presents analysis on the scheme experience to 30 September 2014 for the seven NDIS trial sites, including:

- **Participant satisfaction.** Participant satisfaction remains high. On a scale of very poor (-2) to very good (+2), with neutral being 0, participant satisfaction is at 1.67.
- **Participant numbers.** 10,939 participants were eligible for the scheme (95% compared with the bilateral target). This is an increase of 2,354 participants over the quarter. 8,880 participants had an approved plan (77% compared with the bilateral target), which is an increase of 1,564 participants over the quarter.
- **Total scheme costs.** Considering the number of participants who have entered the scheme and distribution of packages committed to these participants, the scheme is within the full scheme funding envelope.

The report also includes information on:

- **The amount of support committed to participants,** including trends, the distribution of packages committed to participants, and actual payments made to date.
- **Continuous improvement** to the scheme to ensure scheme sustainability, including the development of references packages and an outcomes framework.

It is important to note that it is early stages in the roll out of the NDIS. Scheme experience will emerge over time and allow more thorough analysis of financial sustainability.

Scheme experience (1 July 2013 to 30 September 2014)

Participant satisfaction

Participant satisfaction with the Agency has remained very high in recent months. Satisfaction is reported on a scale of very poor (-2) to very good (+2), with neutral being 0. The participant satisfaction level is currently 1.67, consistent with the June results.

Eligible participants

As at the 30 September 2014 (Table 1):

- 10,939 participants were eligible for the scheme (95% compared with the bilateral target). This is an increase of 2,354 participants since 30 June 2014.
- 8,880 participants had an approved plan (77% compared with the bilateral target). This is an increase of 1,564 participants since 30 June 2014.
- The number of participants relative to the bilateral agreements is slightly higher compared with the end of June results (95% compared with 91%), whereas, the number of participants with approved plans relative to the bilateral agreements is in line (77% compared with 78%).
- The actuarial baseline model used a different methodology to determine the likely number of participants in each trial site. This analysis resulted in different estimates to the bilateral agreements – most notably South Australia, where approximately double the number of participants is expected. The number of participants in the scheme to date compared with the actuarial baseline model is included in Appendix A. As the trial sites were resourced in line with the bilateral agreements, the estimate of the number of participants in the actuarial model is difficult to achieve.

Table 1 Eligible participants and participants with approved plans

1 July 2013 to 30 September 2014	NSW	SA	TAS	VIC	ACT	NT	WA	Total
Number of expected participants (bilateral agreements)	3,508	2,346	821	4,412	162	150	165	11,563
Number of participants (active & inactive participants)	3,098	2,833	928	3,694	171	36	179	10,939
<i>Percentage deemed eligible compared with expected</i>	<i>88%</i>	<i>121%</i>	<i>113%</i>	<i>84%</i>	<i>106%</i>	<i>24%</i>	<i>108%</i>	<i>95%</i>
Number of participants with current approved plans (active & inactive participants)	2,648	1,839	838	3,318	103	31	103	8,880
<i>Percentage with approved plans compared with expected</i>	<i>75%</i>	<i>78%</i>	<i>102%</i>	<i>75%</i>	<i>64%</i>	<i>21%</i>	<i>62%</i>	<i>77%</i>

Trends in plan approvals

The number of participants receiving their first approved plan was lower in the September quarter compared with the June quarter across all trial sites with the exception of South Australia. Some of this decrease is due to the workload associated with plan reviews, and also in part to phasing schedules in the bilateral agreements (Figure 1).

In the September 2014 quarter, plan reviews represented approximately half of plans approved in the New South Wales and Victorian trial sites (52% and 49% respectively), whilst in the South Australian trial site only 16% of plan approvals are plan reviews, and in the Tasmanian trial site 73% of plan approvals are plan reviews.

For the new trial sites in 2014/15, the majority of plan approvals for the first quarter were in the month of September. The Northern Territory and Western Australian trial sites did not schedule any plans approvals in the first month of operations (Figure 2).

Figure 1 Participants with approved plans by month compared with the bilateral agreements and the actuarial model – NSW, SA, TAS and VIC trial sites

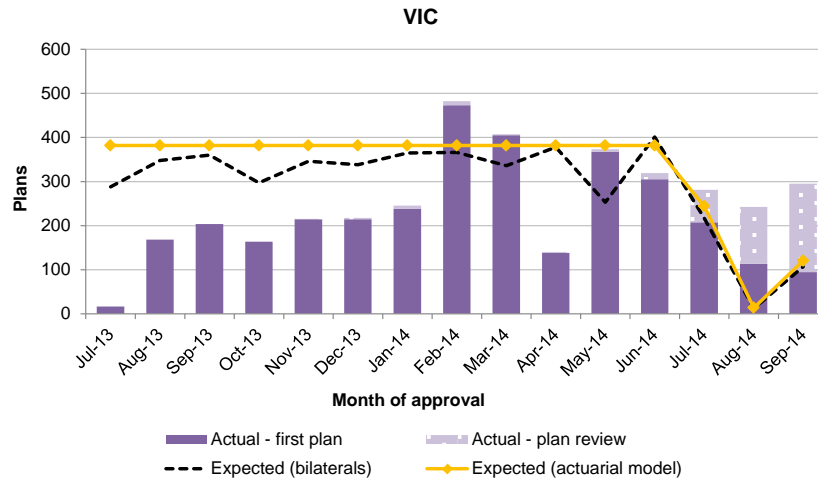
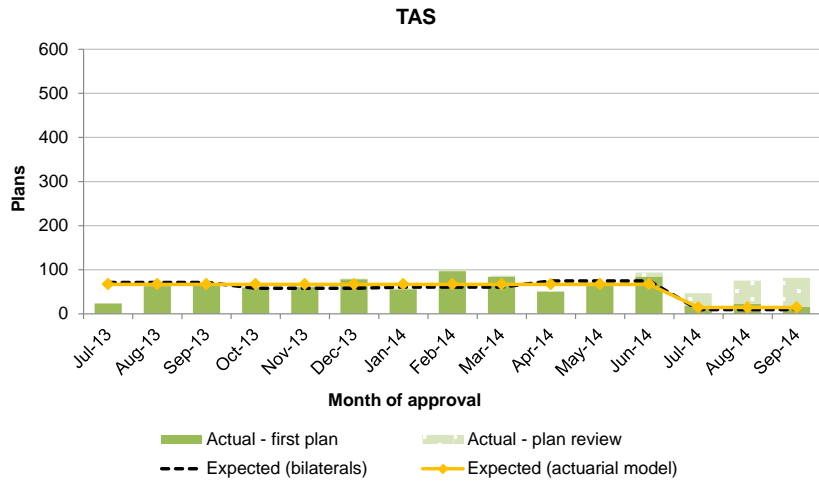
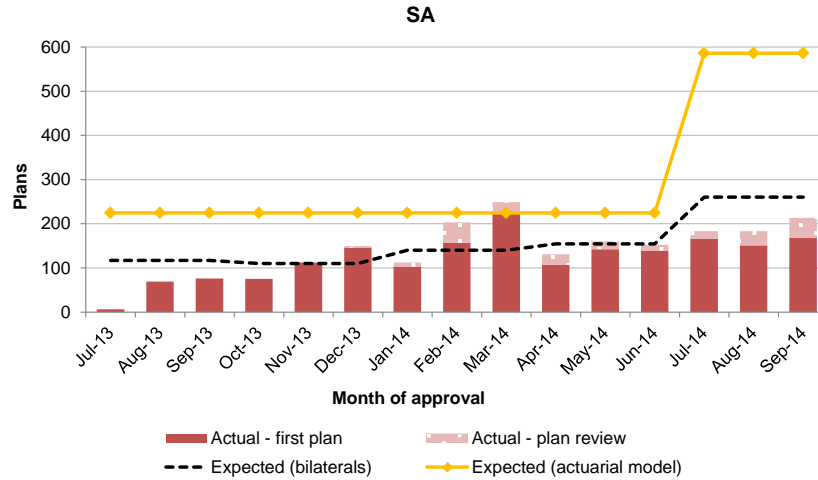
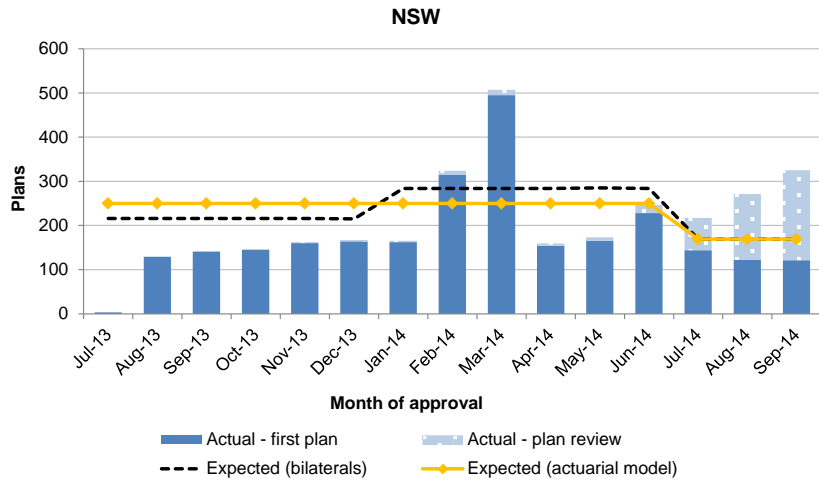
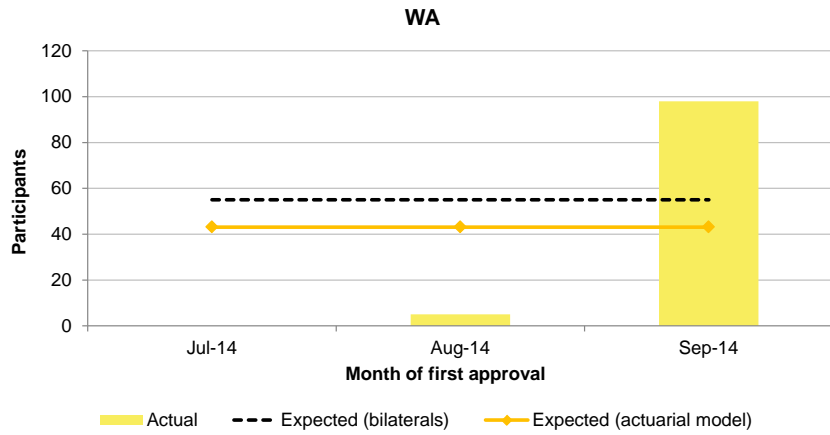
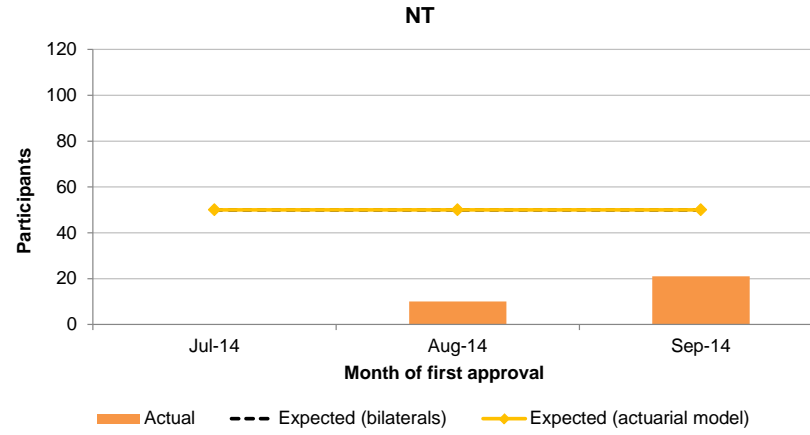
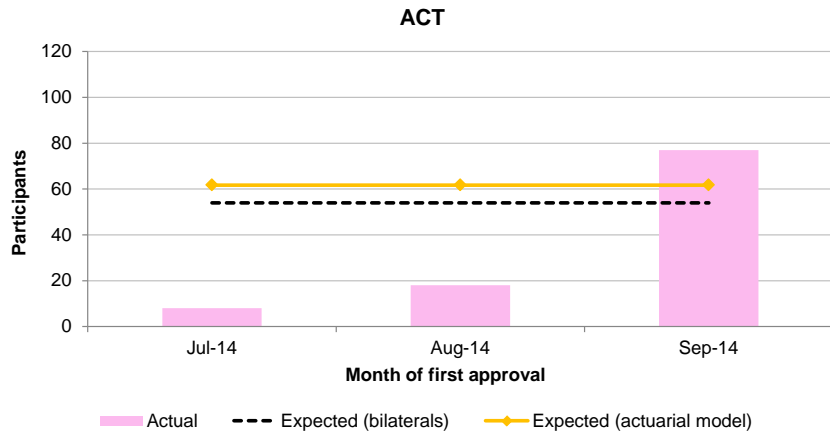


Figure 2 Participants with approved plans by month compared with the bilateral agreements and the actuarial model – ACT, NT and WA trial sites



Committed support and actual payments

At 30 September 2014, 8,880 participants (active and inactive) have approved plans, and \$395.3 million of support has been committed to these participants (Table 2).

Of this \$395.3 million:

- It is estimated that \$138.0 million (35%) was provided in 2013/14 (including actual paid to date). The funding envelope based on the bilateral agreements for 2013/14 is \$148.8 million, including both cash and in-kind. Hence, for participants who have entered the scheme in the first year, committed support for 2013/14 is around 93% of the funding envelope (Table 2).¹
- \$245.4 million (62%) is estimated to be provided in 2014/15. This compares with the funding envelope based on the bilateral agreements for 2014/15 of \$440.8 million, including both cash and in-kind. Therefore, for participants who have entered the scheme to date, committed support for 2014/15 is around 56% of the funding envelope for 2014/15 (Table 2). Note: a very large proportion of the committed supports for 2014/15 are for participants who have entered the scheme in 2013/14. Of the \$245.4 million estimated to be provided in 2014/15, \$82.7 million (34%) is estimated to be provided over the period 1 July 2014 to 30 Sep 2014.
- \$11.9 million (3%) is estimated to be provided in 2015/16.

Stockton (a large residence in the Hunter trial site) impacts the funding envelope significantly – removing Stockton from the analysis results in committed support of \$354.1 million (a reduction of \$41.2 million) of which \$130.6 million (37%) is expected to be paid in 2013/14.

¹ Note that the amount of committed supports expected to be provided in 2013/14 has increased since the end of June 2014. The main reasons for this increase include correction of errors in funded supports entered into Siebel, funded supports being added and quotes from providers being received and updated in plans.

Table 2 Committed support to date and amount committed to be provided in 2013/14, 2014/15 and 2015/16^{2,3}

	Total		Total (excl. Stockton)	
Expected to be paid (\$m)				
2013/14	\$138.0	35%	\$130.6	37%
2014/15	\$245.4	62%	\$212.3	60%
2015/16	\$11.9	3%	\$11.2	3%
Total	\$395.3	100%	\$354.1	100%
Funding envelope for 2013/14 (\$m)	\$148.8		\$148.8	
Expected to be paid in 2013/14 as a proportion of 2013/14 funding envelope		93%		88%
Funding envelope for 2014/15 (\$m)	\$440.8		\$440.8	
Expected to be paid in 2014/15 as a proportion of 2014/15 funding envelope		56%		48%

Actual payments to service providers as at 30 September 2014 were \$104.9 million, of which \$77.6 million relates to supports provided in 2013/14.⁴

Actual payments to date:

- for supports provided in 2013/14 represent 56% of all committed supports expected to have been provided in that year.
- for all supports provided to date represent 48% of committed supports expected to have been provided in the first fifteen months of the scheme.⁵

² Supported accommodation in 2013/14 was excluded from the Tasmanian estimate as this was paid for by the Tasmanian State government.

³ State governments have not made all monthly payments.

⁴ An off-system reconciliation process was undertaken to date to determine the amount of in-kind provided in 2013/14, this estimated that a further \$12.1 million supports were provided in-kind in 2013/14.

⁵ There is a lag between when supports are provided and when the scheme actually pays service providers for the support.

Trends in average package cost

The average annualised package cost across all trial sites at the end of September is approximately \$39,087 including Stockton, and approximately \$35,207 excluding Stockton.⁶ Average annualised package costs on a monthly basis are presented in Figure 3 and Figure 4.

The average package costs for participants in the trial sites that commenced on 1 July 2014 are not representative of the overall average cost due the way that existing participants are being brought into the scheme. The average annualised package cost in the New South Wales, South Australian, Tasmanian and Victorian trial sites is approximately \$38,800 including Stockton and approximately \$34,800 excluding Stockton.

Note: the average annualised package cost for 2014/15 is \$36,750 reflecting the inflation factor included in the bilateral agreements.

As noted in the June 2014 quarterly report, the phasing of participants into the scheme affects the average annualised package cost. In particular:

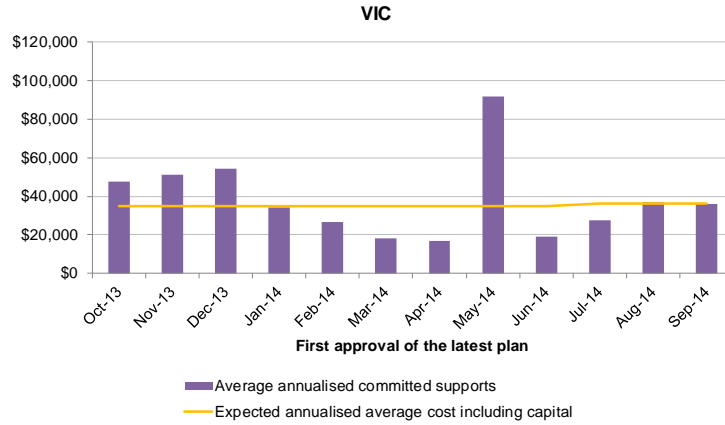
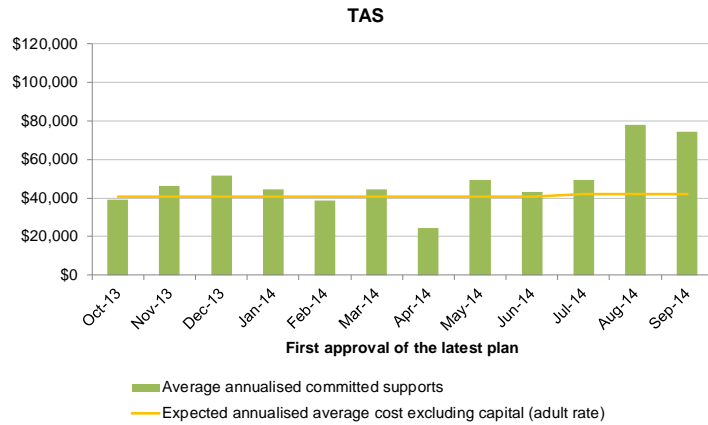
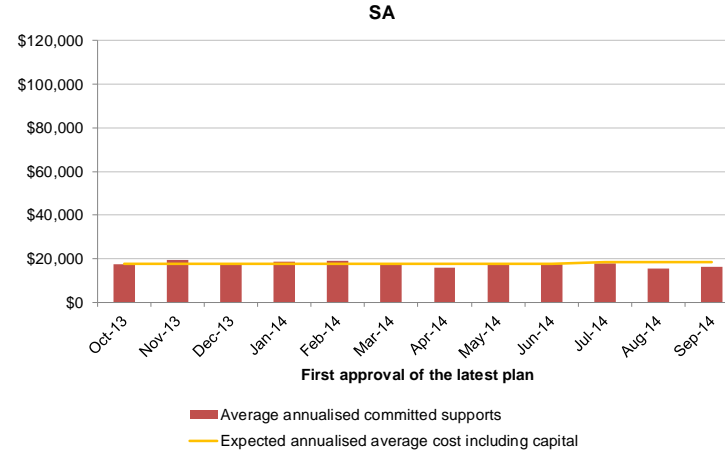
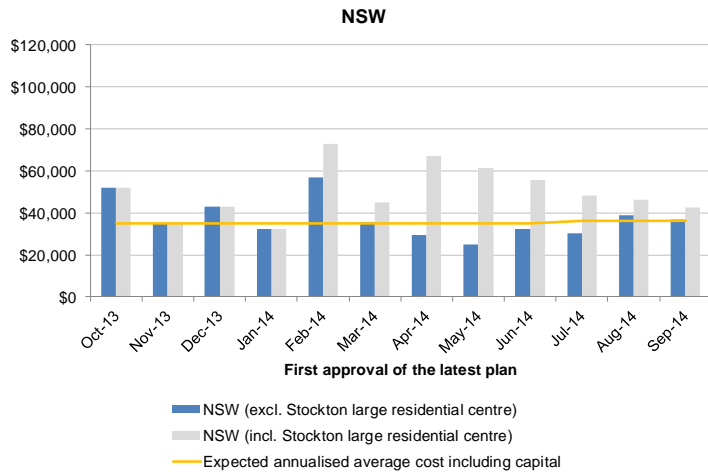
- A high number of shared supported accommodation participants were phased into the Victorian trial site in May 2014. This explains the spike in May as these participants have a relatively higher average package cost.
- In New South Wales, residents of the Stockton large residence began receiving approved plans in February. There are currently 175 Stockton residents with approved plans and this significantly distorts average annualised package costs in this trial site. In addition, a high number of participants in supported accommodation were phased into the New South Wales trial site in February which is a further reason behind the spike in February.

In the September quarter the average annualised package cost in Tasmania was high. This is because participants who entered the scheme in early 2013/14 with existing shared supported accommodation arrangements have had plan reviews. The supported accommodation cost for these participants in relation to supports provided in 2013/14 was funded by the Tasmanian state government, and is now funded by the NDIS.

Note: Average annualised package cost is not an appropriate measure of scheme performance when considered in isolation from other metrics. It is important to consider the number of scheme participants, the distribution of packages committed to these participants, and actual payments for supports provided. All of these factors contribute to the overall cost. Further, the projections and modelling presented in this report do not use average annualised package cost – the modelling focuses on the supports provided to a participant over their lifetime, rather than considering annual package amounts.

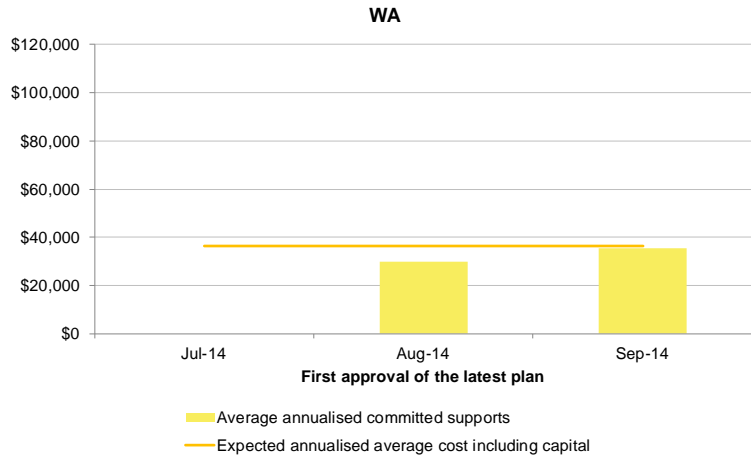
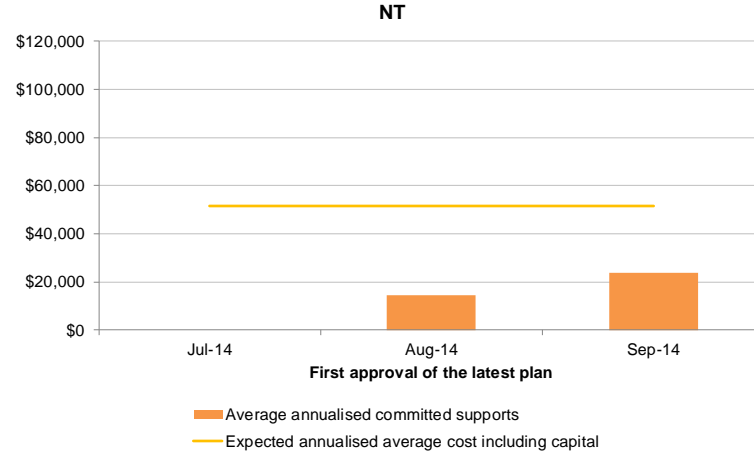
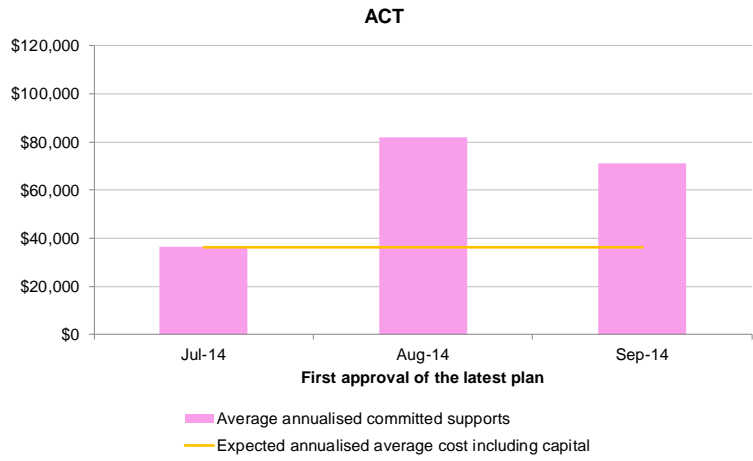
⁶ New South Wales did not specify the average cost of providing supported accommodation in the Stockton large residential centre and hence an estimate has been used. There were 175 Stockton residents with approved plans at the end of September 2014.

Figure 3 Average annualised committed package cost by trial site – monthly averages⁷ (NSW, SA, TAS and VIC)



⁷ For Tasmania the average annualised committed supports include supported accommodation costs from 1 July 2014 onwards, as the cost of supported accommodation was funded by the Tasmanian state government in 2013/14.

Figure 4 Average annualised committed package cost by trial site – monthly averages (ACT, NT and WA)



Distribution of package costs

The distribution of support packages differs from expected across all trial sites (Figure 5 and Figure 6). In particular, a higher proportion of low cost participants were expected compared with actual experience, and there is a higher proportion of participants receiving mid-range packages than expected. This is consistent across all trial sites with the exception of the Australian Capital Territory trial site, which is affected significantly by the phasing schedule.

The shape of this distribution, and particularly the lower proportion of low cost participants, explains why the actual number of participants is somewhat lower than the actuarial projections, which expected a higher number of low cost participants in line with the Productivity Commission model.

Figure 5 Distribution of package costs by trial site – NSW, SA, TAS and VIC trial sites

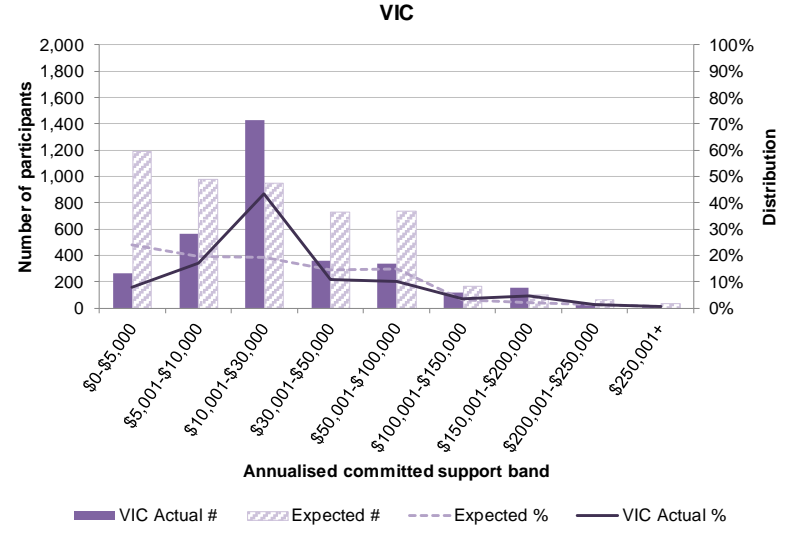
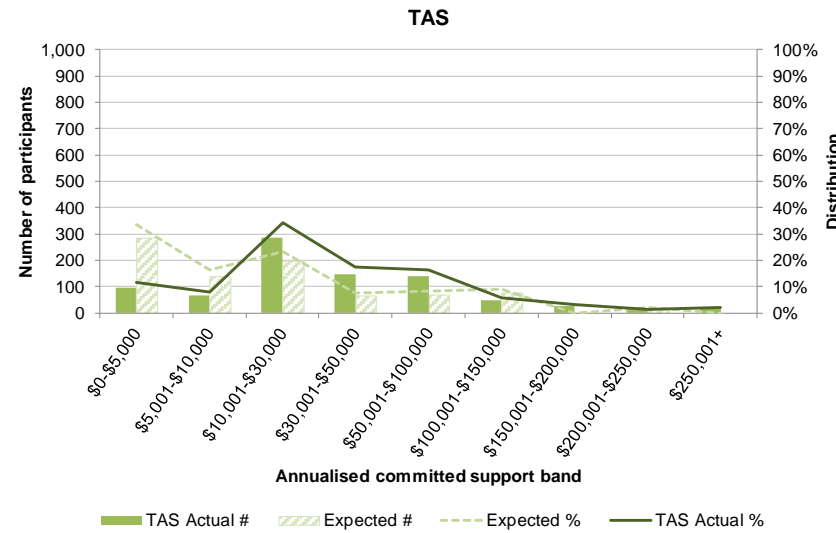
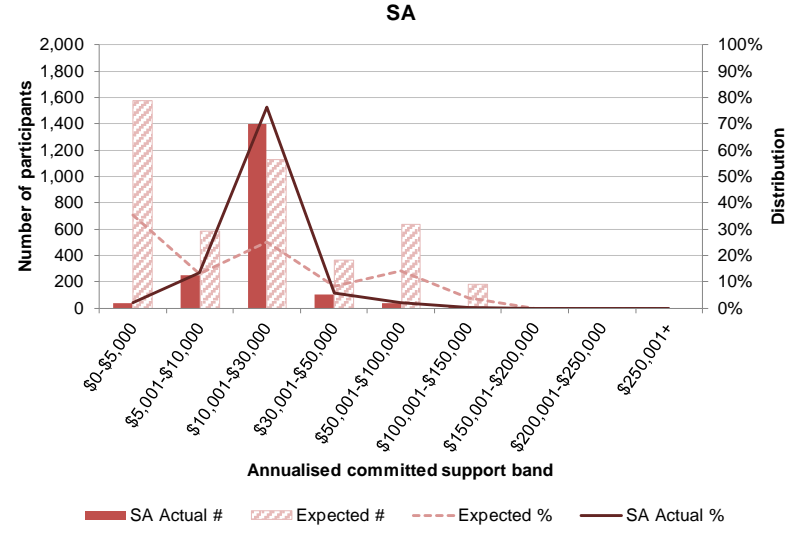
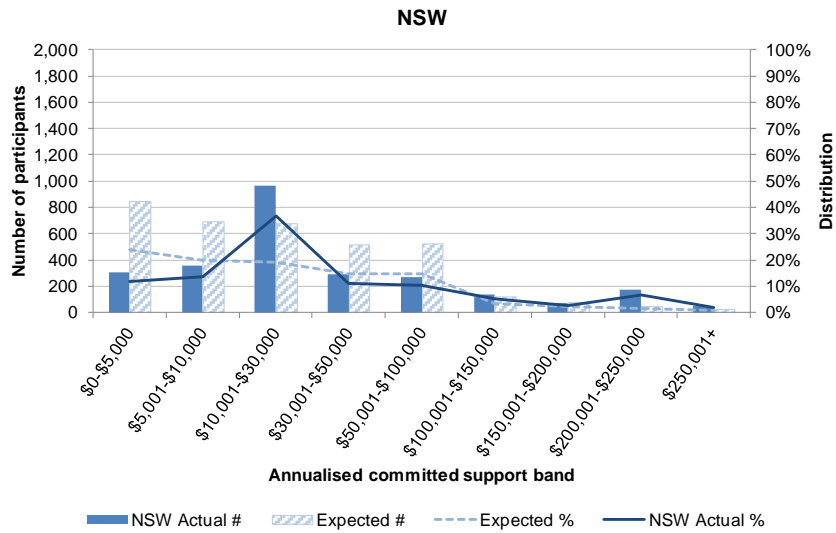
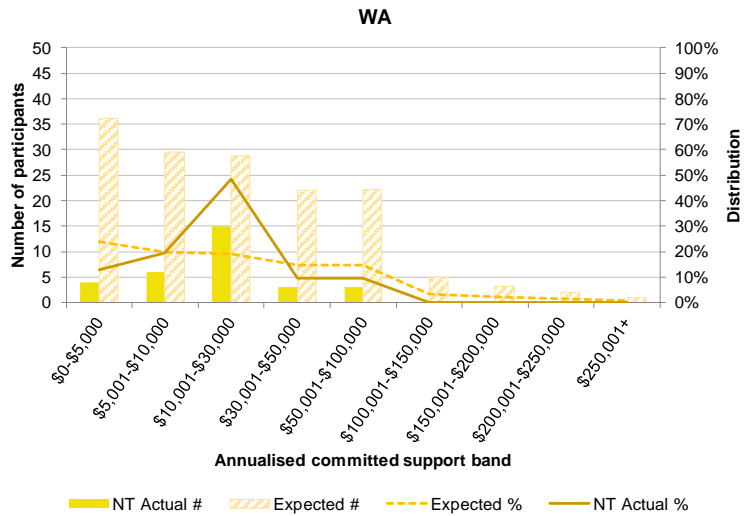
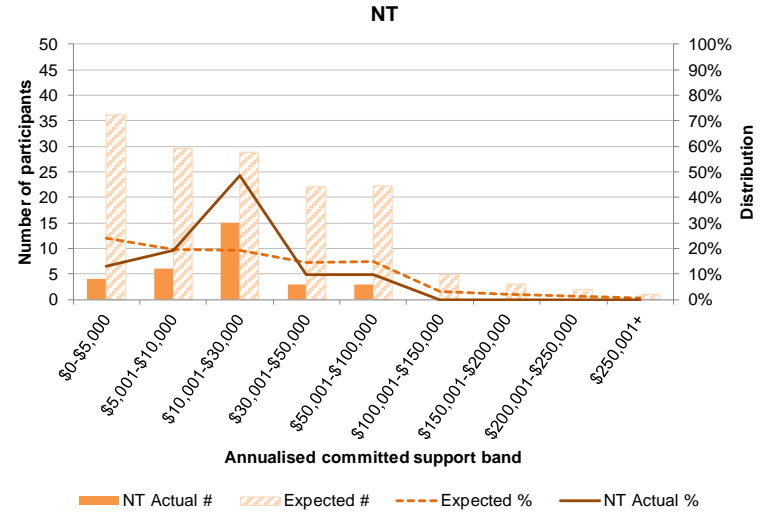
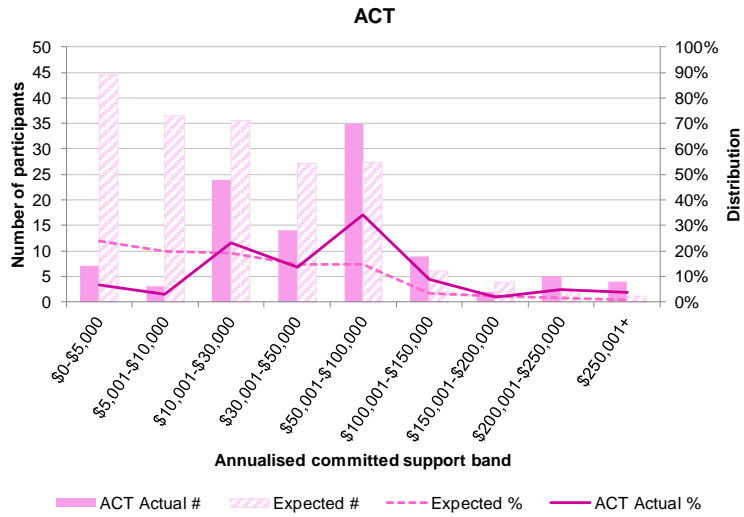


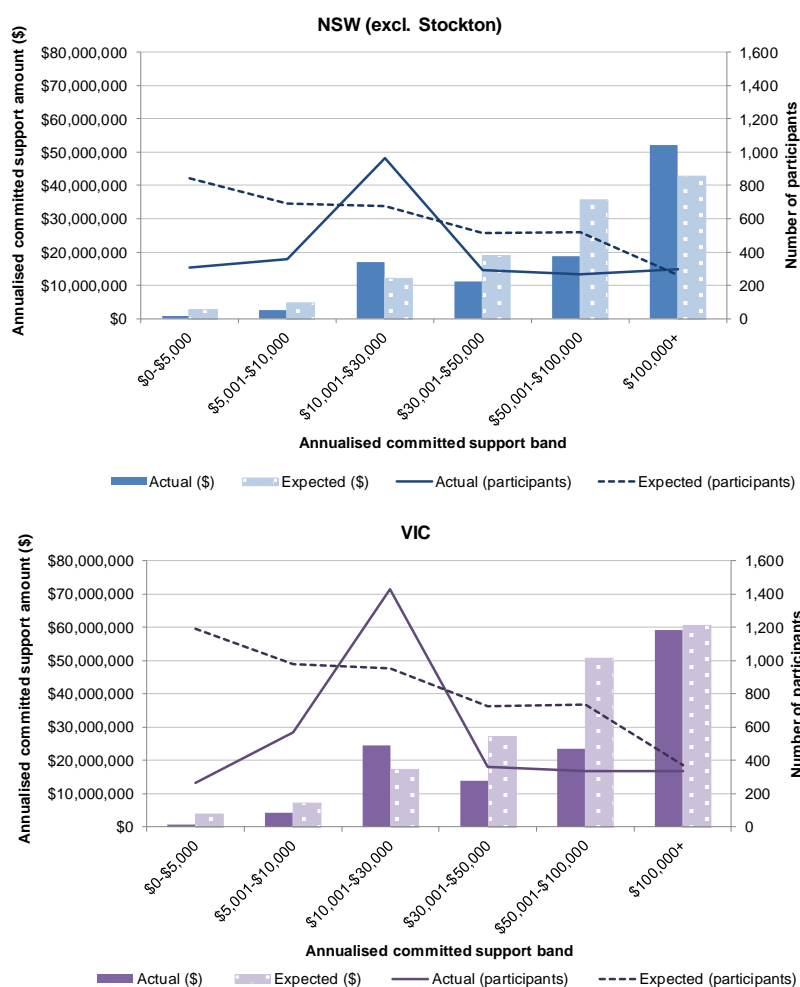
Figure 6 Distribution of package costs by trial site – ACT, NT and WA trial sites



The distribution of cost is highly skewed towards a small number of participants with high cost packages (Figure 7) – specifically, of the 5,741 active participants with approved plans in the New South Wales (excluding Stockton) and Victorian trial sites, 3,894 participants have an annualised package cost of less than \$30,000 (68%).

The total annualised package costs of the 3,894 participants with support packages of less than \$30,000 is \$50.0 million which represents only 23% of total committed supports. On the other hand, the total annualised package costs of the 591 participants with support packages of more than \$100,000 is \$102.1 million which represents 47% of total committed supports.⁸ Therefore, the total cost of the scheme will be driven by the relatively few participants with high cost plans.

Figure 7 Total package costs and number of participants by trial site and annualised committed support band



⁸ Stockton is a large residence in the Hunter trial site. This is a high concentration of high cost people in one geographical area. For this reason Stockton has been excluded from this analysis.

Continuous Improvement

The National Disability Insurance Agency continues to improve the scheme in response to scheme experience. This assists to ensure that the objectives of the scheme are being met for participants, and the scheme remains financially sustainable.

Two pieces of work that will continue to assist with achieving participant outcomes and financial sustainability are the development of the references packages and the development of an outcomes framework.

References Packages

Reference packages are being developed to assist with detailed monitoring of scheme experience, including analysis of potential cost drivers. Reference packages aim to provide an annual benchmark funding level of support for participants with similar support needs and characteristics. Reference packages also allow a referential link between resource allocation to individual participants (that is, the amount of funded support provided to each individual participant) and the overall funding envelope.

Outcomes Framework

Work is currently underway to develop an outcomes framework for measuring participant and family outcomes. The development of this outcomes framework considers how outcomes can be measured at the scheme level as well as the individual level.

The development of this framework has involved consideration of a number of domestic and international frameworks, and has included consultations with a range of experts and stakeholders, including the Independent Advisory Council.

Once finalised, this framework will include eight participant domains – choice and control, daily activities, relationships, home, health and wellbeing, lifelong learning, work, and social, community & civic participation – as well as outcomes related specifically to families.

Appendix A

This appendix provides a comparison of the number of participants in the scheme to date compared with the actuarial baseline model.

Table A.1 Participants compared with the actuarial baseline model

1 July 2013 to 30 September 2014	NSW	SA	TAS	VIC	ACT	NT	WA	Total
Number of expected participants (bilateral agreements) - (a)	3,508	2,346	821	4,412	162	150	165	11,563
Number of expected participants (actuarial model) - (b)	3,508	4,456	871	4,960	185	150	129	14,259
Number of participants (active & inactive participants)	3,098	2,833	928	3,694	171	36	179	10,939
<i>Percentage deemed eligible compared with expected - (a)</i>	<i>88%</i>	<i>121%</i>	<i>113%</i>	<i>84%</i>	<i>106%</i>	<i>24%</i>	<i>108%</i>	<i>95%</i>
<i>Percentage deemed eligible compared with expected - (b)</i>	<i>88%</i>	<i>64%</i>	<i>107%</i>	<i>74%</i>	<i>92%</i>	<i>24%</i>	<i>138%</i>	<i>77%</i>
Number of participants with current approved plans (active & inactive participants)	2,648	1,839	838	3,318	103	31	103	8,880
<i>Percentage with approved plans compared with expected - (a)</i>	<i>75%</i>	<i>78%</i>	<i>102%</i>	<i>75%</i>	<i>64%</i>	<i>21%</i>	<i>62%</i>	<i>77%</i>
<i>Percentage with approved plans compared with expected - (b)</i>	<i>75%</i>	<i>41%</i>	<i>96%</i>	<i>67%</i>	<i>56%</i>	<i>21%</i>	<i>80%</i>	<i>62%</i>