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2024–25 Budget Issues Brief no. 25

NATIONAL DISABILITY INSURANCE SCHEME FUNDING

Key points

- The Government is providing \$468.7 million over five years from 2023–24 to support people with disability and get the National Disability Insurance Scheme (NDIS) back on track.
 - This includes funding to detect and address fraud and noncompliance, upgrade the NDIS Quality and Safeguards Commission’s ICT environment to better safeguard NDIS participants, and respond to key NDIS Review recommendations.
- On 27 March 2024, the Government introduced the National Disability Insurance Scheme Amendment (Getting the NDIS Back on Track) Bill 2024 No. 1 (the Bill) to Parliament.
 - Changes included in the Bill will provide NDIS participants with greater transparency and flexibility in relation to their plans.
 - The Bill will moderate growth in NDIS expenditure by determining NDIS participant plan budgets more consistently based on participant need, supporting participants to spend in accordance with their plans, clarifying the information that participants need to provide to support plan reassessments, and clarifying what types of supports can be funded.
- Payments related to the NDIS are expected to increase by \$1.3 billion in 2023–24 and \$14.6 billion over 4 years from 2024–25 (\$15.9 billion over 5 years from 2023–24). This comprises:
 - \$1.0 billion in 2023–24 and \$14.4 billion over four years from 2024–25, based on revised projections from the NDIS Actuary showing increased expenditure on supports for NDIS participants
 - \$0.3 billion in 2023–24 and \$0.2 billion over four years from 2024–25, due to accounting adjustments relating to state and territory ‘in-kind’ supports and updates to estimates of NDIS participants in residential aged care.
- The NDIS legislative reforms being undertaken by the Government as part of the *National Disability Insurance Scheme – Getting the NDIS back on track* measure are expected to offset these increases and moderate the additional growth in NDIS payments by \$14.4 billion over four years from 2024–25.
 - Taken together, payments related to the NDIS are expected to increase by \$1.5 billion over five years (\$1.3 billion in 2023–24 due largely to unavoidable spending, and

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\$0.3 billion over four years from 2024–25 from accounting adjustments related to state and territory ‘in-kind’ supports, updates to estimates of NDIS participants in residential aged care, and impacts from migration decisions).

- Total NDIS participant costs are now projected to be \$40.7 billion in 2023–24 and \$207.6 billion over the four years from 2024–25 in underlying cash terms (or \$42.4 billion in 2023–24 and \$211.3 billion over the four years from 2024–25 in fiscal balance terms). This is broadly consistent with the 2023–24 MYEFO estimates.
- Total NDIS participants as at 31 December 2023 were 646,449.¹

Key facts and figures

2024–25 Budget funding to get the NDIS back on track

- The Government will provide \$468.7 million over five years from 2023–24 through the measure *National Disability Insurance Scheme - getting the NDIS back on track*. This funding includes:
 - \$160.7 million over four years from 2024–25 (and \$24.6 million per year ongoing) to upgrade the NDIS Quality and Safeguards Commission’s ICT environment, to better protect the safety of NDIS participants, reduce regulatory burden on NDIS providers, and improve cyber security
 - \$129.8 million over two years from 2023–24 (announced on 30 January 2024) for initial design and consultation work in response to the findings of the NDIS Review, including to reform how supports are determined and funded, and to develop additional foundational supports outside the NDIS
 - \$83.9 million over two years from 2023–24 (announced on 18 February 2024) to commence work on boosting fraud detecting information technology systems at the National Disability Insurance Agency (NDIA), to further safeguard the integrity of the NDIS
 - \$45.5 million over four years from 2024–25 (and \$13.3 million per year ongoing) to establish a NDIS Evidence Advisory Committee, to provide independent and transparent advice to Government on the efficacy and cost-benefits of supports funded by the NDIS
 - \$23.5 million over two years from 2024–25 for Services Australia to continue fraud investigation and response activities as part of the Fraud Fusion Taskforce

¹ NDIS Quarterly Report, Quarter 2 2023-24.

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- \$20.0 million over two years from 2024–25 for initial design and consultation work on reforms to help participants and people with disability navigate services
- \$5.3 million in 2024–25 for the Independent Health and Aged Care Pricing Authority to work with the Department of Social Services and the NDIA to undertake initial work to reform NDIS pricing arrangements, including reviewing existing pricing approaches and developing a pricing data strategy.
- The Government will also establish a NDIS Implementation Advisory Committee and a NDIS Implementation Working Group, to oversee implementation of reforms recommended by the NDIS Review and agreed by Government.
- The Government has already provided partial funding for this measure in previous updates.

NDIS legislative reform

- The National Disability Insurance Scheme Amendment (Getting the NDIS Back on Track) Bill 2024 No. 1 (the Bill) was introduced into the Parliament on 27 March 2024. The Bill continues the work of the Government to improve outcomes for NDIS participants and will support the effective and sustainable operation of the NDIS.
- The Bill creates a new reasonable and necessary budget framework for NDIS participant plans, aligned with the original intent of the NDIS to support people with permanent and significant disability as part of a broader system of supports.
- The Bill provides for a needs assessment process and method for calculating the total amount of a participant’s funding at a whole-of-person level, to be specified in NDIS rules and/or other legislative instruments. These instruments will be developed in consultation with people with disability, and health and allied health technical professionals.
- The Bill includes a new definition of ‘NDIS supports’, to clarify which supports will be funded by the NDIS, and which supports will not.
- The Bill will also allow the CEO of the NDIA to specify the total funding amount under a participant plan, and will clarify the requirement that an NDIS participant may only spend NDIS funding in accordance with their plan.
- These changes are projected by the NDIS Actuary to moderate growth in NDIS payments by \$14.4 billion over four years from 2024–25, taking into account the annual growth targets under the NDIS Financial Sustainability Framework which take effect from 1 July 2026. The projected moderation in growth takes into consideration the expected impact and implementation timeframes of the legislative changes. This includes changes that will have a more immediate

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impact, such those to support participants to spend in accordance with their plans, as well as the impact of the proposed new needs assessment and budget model as part of the new planning framework for the NDIS.

- The impact of these legislative changes are in addition to the impact of the administrative changes announced in the 2023–24 Budget through the measure titled *Improving the Effectiveness and Sustainability of the National Disability Insurance Scheme*.

Changes to the NDIS estimates

- The current NDIS estimates (as at the 2023–24 MYEFO) are based on the 2022–23 Annual Financial Sustainability Report, which uses data up to June 2023. The NDIS Actuary has subsequently updated the projections using data up to December 2023. This update projects additional payments of \$1.0 billion in 2023–24 and \$14.4 billion over the four years from 2024–25 compared to the 2023–24 MYEFO estimates and taking into account the NDIS Sustainability Framework targets from 1 July 2026. The impact of these changes on the NDIS estimates, by year, are included in the *National Disability Insurance Scheme – getting the NDIS back on track* measure as related payments variations.
- Budget Paper No.1, Statement 3, shows that the Government has increased the NDIS participant cost estimates (in underlying cash terms) by \$1.3 billion in 2023–24 and \$0.3 billion over four years from 2024–25, compared to the 2023–24 MYEFO (refer Table 1 below). This incorporates:
 - the increase of \$1.0 billion in 2023–24 and \$14.4 billion over four years from 2024–25 consistent with the NDIS Actuary’s December 2023 projections, once the impact of the NDIS Financial Sustainability Framework is accounted for
 - a decrease of \$14.4 billion over four years from 2024–25 due to the moderation in expenditure growth from NDIS legislative reform
 - an increase of \$269.6 million in 2023–24 and \$236.8 million in 2024–25, due to changes in the accounting treatment of state and territory ‘in-kind’ contributions
 - an increase of \$20.7 million over four years from 2024–25 from the 2024–25 Budget measure *Permanent Migration Program - 2024–25 planning levels and multi-year planning*
 - an increase of \$7.7 million in 2023–24 and \$5.2 million over four years from 2024–25 from revisions of expenditure estimates for NDIS participants in residential aged care.
- Budget Paper No.2, Statement 6, shows that expenses related to the NDIS are estimated to increase by \$11.1 billion over four years from 2023–24 to 2026–27 and \$4.5 billion in 2027–28

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(or \$15.6 billion over five years from 2023–24), prior to the impacts of the NDIS legislative reforms.

- This \$15.6 billion increase to expenses is different to the \$15.9 billion increase to payments due to the timing of payments, and because accounting adjustments relating to state and territory ‘in-kind’ contributions impact payments but not expenses.
- NDIS participant costs are projected to grow in underlying cash balance terms by:
 - 11.1 per cent in 2024–25
 - 10.6 per cent in 2025–26
 - 8.1 per cent in 2026–27
 - 8.1 per cent in 2027–28.
- Projected growth in fiscal balance terms is 9.3 per cent in 2024–25, 9.5 per cent in 2025–26, 8.0 per cent in 2026–27 and 8.0 per cent in 2027–28, consistent with the commencement of the NDIS Financial Sustainability Framework from 1 July 2026.
- The Commonwealth share of participant costs is projected to grow in underlying cash balance terms by 11.9 per cent in 2024–25, 11.9 per cent in 2025–26, 9.6 per cent in 2026–27 and 9.4 per cent in 2027–28 (refer Attachment A).

Table 1: Changes to the NDIS estimates since the 2023–24 MYEFO

Underlying cash balance (\$billion)	2023-24	2024-25	2025-26	2026-27	2027-28	Total over 4 Years from 2024-25
2024-25 Budget	-40.7	-45.2	-50.0	-54.0	-58.4	-207.6
NDIS Actuary Dec 2023 projections	-1.0	-2.0	-3.8	-4.1	-4.5	-14.4
Changes to in-kind accounting treatment	-0.3	-0.2	0.0	0.0	0.0	-0.2
<i>2024-25 Migration Planning Program</i> measure	0.0	..	..	..	..	..
NDIS participants in residential aged care	..	..	..	..	..	..
NDIS legislative reforms	0.0	2.0	3.8	4.1	4.5	14.4
2023-24 MYEFO (baseline)	-39.4	-45.0	-50.0	-54.0	-58.4	-207.3

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Medium term

- Medium term projections for NDIS participant support costs are unchanged from the 2023–24 MYEFO and reflect the continued impacts of the annual growth targets under the NDIS Financial Sustainability Framework.
- NDIS Commonwealth-funded participant payments growth is expected to average 9.2 per cent over the medium term (2024–25 to 2034–35), compared to 10.1 per cent in the 2023–24 MYEFO (2023–24 to 2033–34).
- This average annual growth rate includes the commitment of National Cabinet to an NDIS Financial Sustainability Framework from 1 July 2026 through to the end of the medium term (2034–35).
- NDIS medium term projections do not yet reflect the increase in the cap on state and territory NDIS contribution escalation rates from 1 July 2028, agreed at National Cabinet on 6 December 2023 as part of negotiations around the next National Health Reform Agreement (NHRA). The Contingency Reserve includes a provision to reflect the outcomes of the December National Cabinet meeting. Changes to the medium term NDIS projections to reflect National Cabinet decisions will be considered once there is final agreement to the next NHRA, expected later in 2024.

Background

National Cabinet decisions

- On 28 April 2023, National Cabinet committed to a NDIS Financial Sustainability Framework to moderate growth in NDIS costs. The Framework provides an annual growth target for NDIS participant support costs of no more than 8 per cent by 1 July 2026, with further moderation of growth as the Scheme matures.
- On 6 December 2023, National Cabinet agreed to work together to:
 - implement legislative and other changes to the NDIS to improve the experience of participants and restore the original intent of the Scheme to support people with permanent and significant disability, within a broader ecosystem of supports
 - adjust state and territory NDIS contribution escalation rates, increasing from 4 per cent to be in line with actual Scheme growth, capped at 8 per cent, with the Commonwealth paying the remainder of Scheme costs growth, commencing from 1 July 2028.
- National Cabinet also agreed on 6 December 2023 to jointly design additional foundational supports, with:

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- foundational supports to be delivered through existing government service settings where appropriate, phased in over time
- funding to be agreed through new Federal Funding Agreements, with additional costs split 50:50, and final details to be settled through the Council on Federal Financial Relations
- additional expenditure for state and territories on new foundational disability services to be capped to ensure the combined health and disability reforms will see all states and territories better off.

2023–24 Budget measure

- In the 2023–24 Budget, the Government provided \$732.9 million over four years from 2023–24 through the measure *Improving the Effectiveness and Sustainability of the National Disability Insurance Scheme*, for initiatives to support the effective and sustainable operation of the NDIS. Funding included:
 - \$429.5 million over four years from 2023–24 to invest in the NDIA’s capability and systems, to improve processes and planning decisions
 - \$73.4 million over four years from 2023–24 to better support participants to manage their plans within budget, including assistance from the NDIA during the year and holding plan managers, support coordinators and providers to account
 - \$63.8 million over two years from 2023–24 to take a lifetime approach to ensure plans are more transparent and flexible for life events
 - \$56.4 million over four years from 2023–24 to strengthen supported independent living decisions, including by introducing a home and living panel with highly trained staff to improve consistency across decisions, and updating guidelines for planners to improve participants’ ability to live independently
 - \$48.3 million over two years from 2023–24 to invest in the NDIA’s ability to detect, respond to, and reduce non-compliant payments and fraud, and to develop a business case for new IT platforms and systems to detect and prevent fraud and non-compliant payments
 - \$29.3 million over two years from 2023–24 to support the quality and effectiveness of services provided to participants, through improving oversight of services and assisting participants to choose evidence-based supports

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- \$24.6 million over four years from 2023–24 to work with participants and providers to trial blended payment models, to increase incentives for providers to innovate service delivery and improve outcomes
- \$7.6 million over two years from 2023–24 to partner with communities to pilot alternative commissioning approaches to improve access to supports in remote and First Nations communities.
- The NDIS Actuary projected that together, these initiatives would moderate participant support cost growth by \$15.3 billion in fiscal balance terms over four years from 2023–24.
- The 2023–24 Budget measure also reflected National Cabinet’s decision on 28 April 2023 to commit to a NDIS Financial Sustainability Framework to further moderate growth in NDIS costs.
 - The Framework will provide an annual growth target for NDIS participant support costs of no more than 8 per cent by 1 July 2026, with further moderation of growth as the Scheme matures.
 - As at the 2023–24 Budget this was projected to moderate growth in NDIS participant support costs by \$622.8 million in 2026-27, and \$59.0 billion over the seven years from 2027-28 to 2033-34 (in underlying cash terms).

Contact (SES)

James Steen

Finance

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Attachment A

NDIS participant costs

Payments (\$million) Underlying Cash Balance	2023-24	2024-25	2025-26	2026-27	2027-28	Total over 4 Years
2024-25 Budget	-40.7	-45.2	-50.0	-54.0	-58.4	-207.6
<i>Growth%</i>		11.1	10.6	8.1	8.1	
Commonwealth share	-29.5	-33.0	-36.9	-40.4	-44.2	-154.5
<i>Growth%</i>		11.9	11.9	9.6	9.4	
<i>Commonwealth share%</i>	72.4	73.0	73.8	74.8	75.8	
States and Territories share	-11.2	-12.2	-13.1	-13.6	-14.2	-53.1
<i>State share%</i>	27.6	27.0	26.2	25.2	24.2	
2023-24 MYEFO	-39.4	-45.0	-50.0	-54.0	-58.4	-207.3
<i>Growth%</i>		14.0	11.1	8.1	8.1	
Change in estimates between Budget rounds	-1.3	-0.2	..	..	..	-0.3
<i>Comprising:</i>						
<u>Policy decisions</u>						
<i>Permanent Migration Program - 2024-25 planning levels and multi-year planning</i>	0.0	..	..	..	..	..
<i>Getting the NDIS back on Track (legislation)</i>	0.0	2.0	3.8	4.1	4.5	14.4
<u>Estimates variations</u>						
<i>December 2023 NDIS Actuary Projections</i>	-1.0	-2.0	-3.8	-4.1	-4.5	-14.4
<i>NDIS participants in residential aged care</i>	..	..	..	..	..	..
<i>In-kind payment timing adjustment</i>	-0.3	-0.2	0.0	0.0	0.0	-0.2

The difference between the fiscal balance and underlying cash variations is due to the timing of payments.

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Expense (\$million) Fiscal Balance	2023-24	2024-25	2025-26	2026-27	2027-28	Total over 4 Years
2024-25 Budget	-42.4	-46.4	-50.8	-54.9	-59.3	-211.3
<i>Growth%</i>		9.3	9.5	8.0	8.0	
Commonwealth share	-30.3	-33.8	-37.7	-41.3	-45.1	-157.9
<i>Growth%</i>		11.5	11.6	9.4	9.3	
<i>Commonwealth share%</i>	71.5	72.9	74.2	75.2	76.1	
States and Territories share	-12.1	-12.6	-13.1	-13.6	-14.2	-53.4
<i>State share%</i>	28.5	27.1	25.8	24.8	23.9	
2023-24 MYEFO	-41.4	-46.4	-50.8	-54.9	-59.2	-211.3
<i>Growth%</i>		12.1	9.5	8.0	8.0	
Change in estimates between Budget rounds	-1.1	..	..	..	..	..
<i>Comprising:</i>						
<u>Policy decisions</u>						
<i>Permanent Migration Program - 2024-25 planning levels and multi-year planning</i>	0.0	..	..	..	..	..
<i>Getting the NDIS back on Track (legislation)</i>	0.0	2.0	3.9	4.2	4.5	14.6
<u>Estimates variations</u>						
<i>December 2023 NDIS Actuary Projections</i>	-1.0	-2.0	-3.9	-4.2	-4.5	-14.6
<i>NDIS participants in residential aged care</i>	..	..	..	..	..	..
<i>Western Australia doubtful debts</i>	..	0.0	0.0	0.0	0.0	..

Figures include costs for NDIS participants in residential aged care.

The difference between the fiscal balance and underlying cash variations is due to the timing of payments.

The Western Australia (WA) doubtful debts variation relates to an underpayment of NDIS contributions by WA in 2023-24. Since 1 July 2023 the Commonwealth has invoiced WA in accordance with the expected terms of a full scheme agreement, while WA continues to make its NDIS contributions on the terms of the transition agreement. The difference is \$36.0 million in 2023-24.

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