

National Disability Insurance Scheme

Key points

Costing the NDIS Financial Sustainability Framework

- National Cabinet has committed to an NDIS Financial Sustainability Framework, which will provide an annual growth target for the total costs of the Scheme (Commonwealth and State costs) of no more than 8 per cent by 1 July 2026, with further moderation of growth as the Scheme matures.

If pressed on the costing methodology

- Treasury have made some technical assumptions in order to cost the ‘further moderation of growth’ over the medium term, and are better placed to provide further advice on these assumptions.

If pressed on how the 8 per cent target was determined

- Growth in Scheme costs was always expected to moderate over time, as the Scheme reaches maturity and the number of new entrants stabilises.
- The 8 per cent annual growth target represents a further moderation in the growth of Scheme costs, which are already projected to reduce (in fiscal balance terms) from 13.9 per cent in 2023-24 to 11.1 per cent in 2025-26, before further moderation to 8 per cent in 2026-27.
- 8 per cent annual growth is still double the 4 per cent cap in the annual growth of state and territory contributions under bilateral agreements. Growth in Commonwealth contributions to the NDIS are currently projected to remain above 8 per cent over the next decade.
- 8 per cent annual growth is also higher than nominal GDP growth, which as at the 2023-24 Budget is forecast to be 5 ¼ per cent in 2026-27.
- The NDIS is still projected to remain the fastest growing Commonwealth payment. Annual total expenditure is still projected to double over the next eight years, from \$40.0 billion in 2023-24 to \$79.5 billion in 2031-32 (fiscal balance terms).

Drivers of growth in NDIS costs since the 2022-23 October Budget

- In the absence of Government action to moderate cost growth, Scheme costs were projected to grow by a further **\$17.8 billion** in fiscal balance terms over four years from 2023-24 compared to the 2022-23 October Budget. This projected growth comprises:
 - **\$17.2 billion** over four years from 2023-24 in increased Scheme costs as projected by the Scheme Actuary as part of an interim

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Annual Financial Sustainability Report (AFSR) undertaken using an additional five months of data up to November 2022 (the 2022-23 October Budget figures were based on data to June 2022) comprising:

- \$7.0 billion due to more participants transitioning into Supported Independent Living (SIL) arrangements than expected
 - \$4.4 billion due to additional growth in plan budgets above normal inflation
 - \$3.5 billion due to more new entrants than expected (excluding participants with SIL supports)
 - \$1.9 billion due to updates to assumptions around actual payments to participants, based on observed payment data
 - \$0.5 billion due to normal inflation being higher than expected, with both CPI and the Wage Price Index higher than forecast
- \$0.5 billion over four years from 2023-24 resulting from the Government's decision to provide a new direct pathway to Australian citizenship for eligible New Zealand citizens who hold a non-protected Special Category (Subclass 444) visa, announced on 22 April 2023 (BP2, p159).
 - \$104.7 million over four years from 2023-24 resulting from the Government's decision to deliver on its election commitment to provide a permanent visa pathway for existing Temporary Protection Visa (TPV) and Safe Haven Enterprise Visa (SHEV) holders, announced this Budget (BP2, p161-2).
 - \$9.3 million over four years from 2023-24 resulting from the Government's decision to achieve a planning level of 190,000 places for the 2023-24 permanent Migration Program, announced this Budget (BP2, p10).
 - This growth is partly offset by an improvement of \$103.1 million in fiscal balance terms over four years from 2023-24, resulting from an adjustment in the estimates to account for updated projections of the number of NDIS participants in residential aged care.

Moderation in growth resulting from NDIS sustainability initiatives

- The measure *Improving the Effectiveness and Sustainability of the National Disability Insurance Scheme* notes the funding in this measure to improve the administration of the Scheme will reduce additional growth

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in Scheme expenses by \$15.3 billion over four years from 2023-24 (BP2, p197-8).

- This projected reduction in expenses was costed by the NDIS Scheme Actuary. A breakdown of the components of the \$15.3 billion is provided at [Attachment A](#).

Recent NDIS media coverage

- Recent media coverage of the NDIA has included some incorrect figures. Further detail is provided at [Attachment B](#).

NDIS mentioned in the Budget papers

Overview: 'Stronger foundations for a better future'

Page 5: 'Getting the NDIS back on track' is mentioned as a 'key Budget initiative'.

Page 7: Under 'A better future for our Federation' it is noted 'This Budget also delivers on the commitment by Federal, state and territory governments to an NDIS Financial Sustainability Framework, ensuring the Scheme continues to provide life-changing outcomes for future generations of Australians with disability.'

Page 55: 'Getting the NDIS back on track' is listed as a point under 'Making room for what's urgent and essential'.

Page 57: Under 'Managing the Budget responsibly' it is noted 'The Government has also identified responsible, calibrated improvements to the NDIS in the medium term, including initiatives to improve the effectiveness and quality of the NDIS. This contributes to the NDIS Financial Sustainability Framework, to ensure the scheme is here to stay and can continue to provide life-changing outcomes for future generations of Australians with disability. The Government will work with the disability community and states and territories to implement the Framework so that every dollar goes to support those who need it most.'

Page 59: Under 'Improving Disability Support' there is a section titled 'Getting the NDIS back on track', which includes information on the \$732.9 million provided for NDIS sustainability initiatives, and the NDIS Financial Sustainability Framework.

Budget Paper 1

Page 2: The 'Budget Overview' notes the commitment by Federal, state and territory governments to an NDIS Financial Sustainability Framework, ensuring the Scheme continues to provide life-changing outcomes for future generations of Australians with disability.

Page 9: The text notes National Cabinet's commitment to an NDIS Financial Sustainability Framework.

Page 16: The text notes the Government’s commitment to ensuring the effectiveness of the NDIS.

Page 18: Under ‘Improving disability support’ there is information on the \$732.9 million provided for NDIS sustainability initiatives (including \$48.3 million to ‘fight fraud’), and the NDIS Financial Sustainability Framework.

Page 82: The text notes ‘The medium-term outlook remains under pressure from fast-growing payments, including interest, the NDIS, defence, health and aged care. The Government is taking meaningful steps to reduce the structural deficit, including through moderating growth in NDIS spending and a fairer, more sustainable tax system.’

Page 97: The text notes ‘The substantial improvement in the medium-term fiscal outlook since the October Budget largely reflects the upwards revision to projected tax receipts, lower interest payments due to lower debt levels and interest rates, and moderation in growth of NDIS costs.’ It also notes ‘NDIS Commonwealth-funded participant payments are lower by 0.3 percentage points of GDP in 2032–33.’

Page 98: Chart 3.7 shows revisions to major payments since the 2022-23 October Budget. The text underneath notes ‘NDIS Commonwealth-funded participant payments growth is expected to average 10.4 per cent over the projections period compared to 13.8 per cent in the October Budget (2022-23 to 2032-33). This reflects the commitment of National Cabinet to an NDIS Financial Sustainability Framework to moderate growth in the Scheme costs over time.’

Page 99: Chart 3.8 shows average annual growth in major payments 2023–24 to 2033–34. It shows that the NDIS will remain the fastest growing Commonwealth payment, though growth over the projections period (2023–24 to 2033–34) is lower than at the 2022-23 October Budget.

Page 104: The ‘Major increases in payments from parameter and other variations since the October Budget’ section notes ‘Payments related to the NDIS are expected to increase by \$1.8 billion in 2023–24 and \$1.7 billion over 4 years from 2023–24 to 2026–27. The increase over the forward estimates is lower than would have otherwise been expected due to \$732.9 million to improve the NDIA’s capability, capacity and systems which will moderate growth in participant support costs from 2023-24.’

- Note these figures only include estimate variations, not the impact of measures, so do not include the impact of the NDIS Financial Sustainability Framework or migration decisions.

Page 130: Under ‘Expense estimates’, the text notes movements in expenses are broadly consistent with movements in cash payments, with exceptions including the NDIS, where there is an expected time lag between the receipt of

reasonable and necessary support services and the lodgement of claims relating to those services.

Page 142: Under ‘Half a century of growth in the care and support workforce’, the text notes ‘Demand for disability supports, particularly those delivered through the NDIS, has also grown...’

Page 143: The text notes the long-term sustainability of the NDIS is critical, and mentions the Financial Sustainability Framework.

Page 190: The NDIS is listed in Table A.1: ‘Estimates of large measured tax expenditures’.

Page 202: The NDIS is third among the top 20 expense programs in the 2023-24 financial year (Table 6.3.1) – behind ‘Revenue assistance to the States and Territories’ and ‘Support for Seniors’.

Page 203: The NDIS is third among the top 20 payment programs in the 2023-24 financial year (Table 6.3.2) – behind ‘Revenue assistance to States and Territories’ and ‘Support for Seniors’.

Pages 214-215: This section notes ‘Expenses for the **assistance to people with disabilities** sub-function are expected to increase by 20.1 per cent in nominal terms and by 11.0 per cent in real terms over the period 2023-24 to 2026-27, largely reflecting an increase in the number of people with a disability participating in the National Disability Insurance Scheme and increases in individual support costs.’ The text also notes National Cabinet has committed to a NDIS Financial Sustainability Framework.

- Table 6.9.2 provides a breakdown of the components of this growth, which is driven by increases to the Disability Support Pension and the Carer’s Payment, as well as NDIS costs.

Page 279: Under ‘Risks to the Budget – Overview’, the text notes ‘For a number of demand-driven support programs, including the National Disability Insurance Scheme, aged care programs and health programs, outcomes depend on the wide range of factors that affect the take-up of and cost of these programs.’

Page 321: Under ‘Fiscal Risks’, the NDIS entry has been updated since the 2022-23 October Budget to note that the realisation of financial projections for the Scheme are dependent on the successful implementation of the NDIS Financial Sustainability Framework. Page 286 notes the NDIS entry has been modified.

Page 370: The NDIS is listed in a table outlining accounting reporting methodologies for different programs.

Page 396: The DisabilityCare Australia Fund (DCAF) is listed under ‘Financial Assets’. The DCAF was established to partially reimburse states and territories for expenditure incurred in relation to establishing the NDIS.

Budget Paper 2

Pages 197-198: ‘Improving the Effectiveness and Sustainability of the National Disability Insurance Scheme’ is the primary NDIS measure. It shows the spending associated with the NDIS sustainability initiatives, offset in 2026-27 by the impact of the first year of the Financial Sustainability Framework growth target.

Other NDIS-related measures include:

Page 195: ‘Disability Workforce COVID-19 Leave Grant’ (listed in Minister Shorten’s NDIS Budget media release)

Page 195: ‘Ensuring Robust Policy, Financial, Legislative and Governance Oversight of the National Disability Insurance Scheme’ (listed in Minister Shorten’s NDIS Budget media release)

Page 200: ‘Investing in Market Quality and Safeguards for People with Disability’ (listed in Minister Shorten’s NDIS Budget media release)

Page 207: ‘Younger People in Residential Aged Care’ (listed in Minister Shorten’s NDIS Budget media release)

Budget Paper 3

Pages 2 and 3: Box 1.1: ‘A better future for the federation’ notes that the Australian Government funds the majority of the NDIS and that its share grows over the forward estimates.

Page 50: Table 2.6: ‘Payments to support state community services’ details funding provided to support state community services from 2022-23 to 2026-27, including payments from DCAF.

Page 54: The ‘Payments from the DCAF’ table details the breakdown of payments by jurisdiction. Notes that funding amounts for WA are indicative estimates only as negotiations on drawdown arrangements (between the Australian Government and WA Government) are continuing.

Budget Paper 4

Pages 101 and 102: Resourcing for the NDIA and the NDIS Quality and Safeguards Commission is listed under Part 1: Agency Financial Resourcing.

Page 163: ASL for the NDIA and the NDIS Quality and Safeguards Commission is listed under Part 2: Staffing of Agencies.

Page 170: Table 3.1: ‘Departmental Expenses Table’ includes departmental expenses for the NDIA with a breakdown of expenses administered in nature (Reasonable and necessary support for participants program) and departmental in nature (Agency costs program). Footnote (c) explains that the NDIA’s expenses are split in the table due to the difference in the nature of the NDIA’s total departmental expenses.

Page 173: Table 3.2: 'Net Capital Investment Table' includes expenditure by the NDIA on non-financial assets.

Date: 15 May 2023
Cleared by (SES): Mark Roddam
Last Printed:

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Attachment A – Breakdown of moderation in growth resulting from NDIS sustainability initiatives

Scheme Actuary projected reductions to Scheme expenses, relating to initiatives (\$b)	2023/24	2024/25	2025/26	2026/27	Total over 4 years
<i>Curb Cost Growth Through Better Planning And Budgeting</i>	0.414	0.474	0.534	0.587	2.030
<i>Implement a Life Course Planning Pathway for Targeted Intervention</i>	0.075	0.301	0.602	0.827	1.805
<i>Invest in the NDIA's Workforce Capability</i>	0.150	0.526	0.978	1.429	3.083
<i>Review controls around plan inflation (intra-plan inflation)</i>	0.226	0.978	1.730	2.256	5.189
<i>Refining Guidance and Tighter Controls of Supported Independent Living</i>	0.075	0.150	0.226	0.301	0.752
<i>Quality Markets and Providers</i>	-	-	0.451	0.526	0.978
<i>Other initiatives to support quality and effective service delivery</i>	0.226	0.376	0.451	0.451	1.504
Total projected reduction:	1.166	2.805	4.971	6.377	15.340

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<p>NDIS – Error in measure financials</p>	<p><i>Welfare boost 60 per cent higher than budget forecast – Karen Middleton, The Saturday Paper, 13 May 2023 (Attachment C)</i></p> <ul style="list-style-type: none"> The article incorrectly claims “The budget papers wrongly state that administrative changes being introduced to the National Disability Insurance Scheme (NDIS) this year will result in a \$489 million cut in the scheme’s administrative costs in four years’ time.” It incorrectly claims “But The Saturday Paper has confirmed there will still be a net outlay of about \$130 million on the administrative overhaul in 2026-27, not a \$489 million administrative saving as the budget papers suggest. A table detailing the cost of the measures has conflated spending on the administrative cost of running the National Disability Insurance Agency (NDIA) with savings to be made on payments through the NDIS itself. The error appears to have occurred during the budget compilation process.” 	<ul style="list-style-type: none"> The presentation of the financials for the measure ‘Improving the Effectiveness and Sustainability of the National Disability Insurance Scheme’ (pages 197-198 of Budget Paper 2) is correct. The measure presents the financial impact, in underlying cash terms, of the Government’s NDIS decisions in the Budget. This includes the investment in the NDIA’s operational funding (including a \$133.1 million negative impact on UCB in 2026-27) together with the reduction in Scheme costs in 2026-27 from the first year of the NDIS Financial Sustainability Framework (a positive impact on UCB of \$622.8 million). This nets out to a positive impact (saving) of \$489.7 million in 2026-27. In Budget Paper 2 a positive improvement to the UCB is presented in the measure tables as a negative figure, hence the figure for 2026-27 is -489.7. The moderation in cost growth of \$15.3 billion in fiscal balance terms over four years from 2023-24 described in the measure and projected by the Scheme Actuary has been treated as an estimates variation, and so is not presented in the measure financials. This is consistent with the treatment of previous changes to the program estimates resulting from the Scheme Actuary’s projections (rather than decisions of Government).
<p>NDIS – Source of reduction in growth beyond 2026-27</p>	<p><i>Welfare boost 60 per cent higher than budget forecast – Karen Middleton, The Saturday Paper, 13 May 2023 (Attachment C)</i></p> <ul style="list-style-type: none"> This article also claims “Beyond 2026, the budget shows the same administrative overhaul [Minister Shorten’s sustainability initiatives] can trim growth by about \$60 billion to the end of the next decade – a total of almost \$75 billion in costs recovered.” 	<ul style="list-style-type: none"> The projected savings from 2027-28 and beyond only account for the impact of the NDIS Financial Sustainability Framework, not Minister Shorten’s sustainability initiatives. No savings from Minister Shorten’s initiatives were included in the Budget beyond the forward estimates, given resourcing has only been provided for four years and their effectiveness over the long term is not yet certain. The Government has stated it will work with the disability community and states and territories to implement the Financial Sustainability Framework. This will need to include working through the details of how the Framework, and the projected reduction in growth, will be achieved on an ongoing basis.

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<p>NDIS – total savings figure</p>	<p><i>NDIS-funded disability services set for an overhaul as government seeks to slow forecasted growth – Andrew Probyn and Brett Worthington, ABC News Online, 10 May 2023 (Attachment D)</i></p> <p>This article, and several others, claims “the government is already banking \$74.3 billion in savings from the NDIS through trimmed growth forecasts”.</p>	<ul style="list-style-type: none"> • The \$74.3 billion figure appears to incorrectly combine two different figures: <ul style="list-style-type: none"> ○ the \$59.0 billion in reduced expenditure, in underlying cash terms, over seven years from 2027-28 to 2033-34, resulting from the NDIS Financial Sustainability Framework (this is \$59.9 billion in fiscal balance terms) ○ the \$15.3 billion in reduced expenditure, in fiscal balance terms, over four years from 2023-24, resulting from Minister Shorten’s NDIS sustainability initiatives. • The figure is not correct, as it: <ul style="list-style-type: none"> ○ combines two different accounting treatments (underlying cash balance vs fiscal balance) ○ does not include the \$1.1 billion increase to the NDIS estimates in 2022-23 ○ does not account for the projected upwards impact of the Scheme Actuary’s November 2022 interim projections (\$17.2 billion in fiscal balance terms over four years from 2023-24) or the Government’s migration decisions (\$0.6 billion over four years from 2023-24 in fiscal balance terms) ○ does not account for the downwards impact of the NDIS Financial Sustainability Framework in 2026-27 (\$0.6 billion in fiscal balance/underlying cash terms). • The total change in the estimates compared to the 2022-23 October Budget is a decrease of \$53.5 billion in fiscal balance terms (\$52.7 billion in underlying cash terms) over 11 years from 2023-24. This includes: <ul style="list-style-type: none"> ○ an increase of \$1.9 billion in fiscal balance terms (1.8 billion in underlying cash terms) over the four years from 2023-24 ○ a reduction of \$55.4 billion in fiscal balance terms (\$54.5 billion in underlying cash terms) over the seven years from 2027-28 to 2033-34.

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<p>NDIS – Sustainability initiatives and reduction in expenditure</p>	<p><i>‘Admin’ to save NDIS \$15bn: Labor – Sarah Ison, The Australian, 12 May 2023 (Attachment E)</i></p> <ul style="list-style-type: none"> • The article claims “Labor on Tuesday... revealed it expected to achieve \$74.3bn in NDIS savings over the decade.” • It claims “Treasury... warned costs would blow out by a further \$17.2bn over the next four years without “action”.” • It claims “Documents released two days after the budget show the government believes it can claw back the largest savings from implementing a \$73m reform aimed at ensuring participants better manage their plans within their budgets. This is expected to save more \$7bn [sic] over the next four years” The article goes on to describe the other elements of Minister Shorten’s NDIS sustainability package and the associated reductions in expenditure, and provides a table summarising these. 	<ul style="list-style-type: none"> • The \$73.4 billion figure appears to be a typographical error – it has appeared in several other media articles as \$74.3 billion, which is incorrect as outlined above. • The \$17.2 billion in additional expenditure over four years from 2023-24 was forecast by the NDIS Scheme Actuary, not the Treasury, using data up to November 2022. This does not account for a further \$0.6 billion in upwards cost pressure over four years from 2023-24 from Government migration decisions, bring the total upwards cost pressures to \$17.8 billion prior to the impact of the initiatives to reduce cost growth. • Finance has not provided any documents to the media disaggregating the projected reductions in NDIS expenditure from each of Minister Shorten’s sustainability initiatives, and does not have visibility of the documents described in the article. • The financials in the table in the article are correct, with the exception of: <ul style="list-style-type: none"> ○ ‘Strengthen supported independent living decisions’, which rounds to \$0.8 billion in savings not \$0.7 billion ○ ‘Invest in NDIA’s capability and systems’, which rounds to \$430 million in expenditure not \$429 million ○ ‘Lifetime approach to ensure plans are more transparent and flexible’, which rounds to \$64 million in expenditure not \$63 million. • Two of the five items listed combine the savings from more than one initiative: <ul style="list-style-type: none"> ○ Better support participants to manage their plan within budget (\$7.2 billion) combines ‘Curb cost growth’ (\$2.0 billion) and ‘Review controls around plan inflation’ (\$5.2 billion). ○ Support the quality and effectiveness of services provided to participants (\$2.5b) combines ‘Quality markets and providers’ (\$1.0 billion) and ‘Other initiatives to support quality and effective service delivery’ (\$1.5 billion). • Finance is unable to verify the ‘% reduction in growth’ figures in the table in the article – it is not clear what baseline has been used to calculate the percentages.
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NDIS – reduction in expenditure from addressing fraud and compliance	<p><i>Treasurer defends NDIS growth cap – The West Australian, 15 May 2023 (Attachment F)</i></p> <ul style="list-style-type: none"> The article claims “Dr Chalmers said of the \$74b in [NDIS] savings, \$15b would come from cracking down on fraud within the NDIS, with other savings from the growth cap”. 	<ul style="list-style-type: none"> The article references the incorrect \$74.3 billion savings figure as outlined previously. None of the \$15.3 billion in reduced expenditure in 2023-24 is attributable to the \$48.3 million initiative ‘Crack down on fraud and compliance’. This initiative is a continuation of existing fraud and compliance resourcing at the NDIA, as well as funding for a business case for system changes to address fraud and compliance. The \$15.3 billion in reduced expenditure is largely projected to result from more consistent and effective NDIA decision making and support, and better oversight of NDIS providers.
NDIS – staffing associated with fraud and compliance	<p><i>Shorten wants to save \$74b on NDIS: here’s how – Michael Read, Australian Financial Review, 12 May 2023 (Attachment G)</i></p> <ul style="list-style-type: none"> The article claims “The government has also allocated 200 people to work on fraud and compliance, but it hasn’t banked savings from this measure in the budget.” 	<ul style="list-style-type: none"> As part of the ‘Crack Down on Fraud and Compliance’ initiative in the <i>Improving the Effectiveness and Sustainability of the National Disability Insurance Scheme 2023-24 Budget</i> measure, 142.0 ASL were provided to the NDIA in 2023-24 and 2024-25 – not 200. <ul style="list-style-type: none"> The NDIA were previously provided 96.0 ASL each year from 2023-24 to 2025-26 as part of the <i>Fraud Fusion Taskforce</i> measure in the 2022-23 October Budget. The article correctly identified that no savings from the ‘Crack Down on Fraud and Compliance’ initiative have been included in the Budget estimates.
NDIS – changes to eligibility criteria	<p><i>NDIS promise sought – Tom Gillespie, The Chronicle, 16 May 2023 (Attachment H)</i></p> <ul style="list-style-type: none"> The article claims “Mr Shorten and Treasurer Jim Chalmers have assured participants the \$74bn in savings Labor wants to make over the next 10 years won’t come from changing eligibility criteria, with the government instead focusing on tackling services provider rorts, spiralling costs and rip-offs of participants.” 	<ul style="list-style-type: none"> Changes to NDIS eligibility criteria have not been factored in to the sustainability initiatives projected to moderate growth in costs by \$15.3 billion in fiscal balance terms over four years from 2023-24. The Government will work with the disability community and states and territories to work through the details of implementing the NDIS Financial Sustainability Framework.