

The insurance model: the NDIS and NIIS

Presentation to the NDS State Conference
QLD: The insurance model

Sarah Johnson
PricewaterhouseCoopers
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Recommendations of the Productivity Commission

Two Schemes

- National Disability Insurance Scheme (NDIS)
- National Injury Insurance Scheme (NIIS)

Why two schemes?

- Existing well-run schemes
- Closer links to acute hospital and rehabilitation
- Pricing incentives for injury prevention
- Fully-funded and prospective –v- PAYG and retrospective
- Model for NDIS
- 2020 Review

The National Disability Insurance Scheme (NDIS)

- “... underfunded, unfair, fragmented and inefficient...”
- How do we address current arrangements?
 - double funding from \$7.2b to \$13.7b, funded by the Commonwealth
 - introduce a national assessment process for eligibility and entitlement, based on support need
 - create a NDIA, with localised coordination and innovation
 - replace block-funding with individual packages, introducing supported choice and control.



National Disability Insurance Scheme (NDIS)

NDIS Tiers

Tier 1

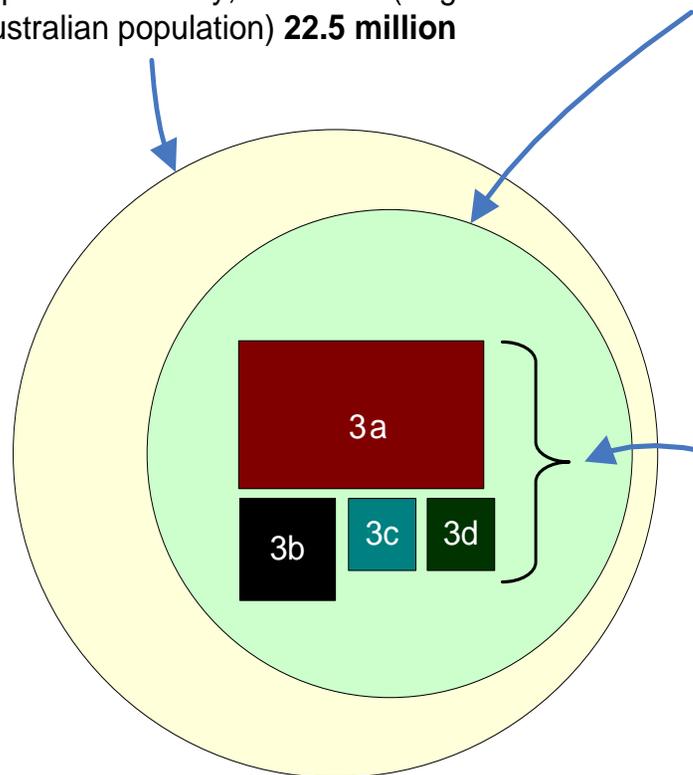
Social participation, minimising the impact of disability, insurance (target = Australian population) **22.5 million**

Tier 2

Information, referral, web services, and community engagement. Target = all people with disabilities (**4 million**) and their primary carers (**800 000**)

Tier 3

People receiving funding support from the NDIS
Target = people aged 0 to the pension age with sufficient needs for disability support and early intervention



(3a) People with intellectual, physical, sensory, or psychiatric disabilities who have significantly reduced functioning (330 000)

(3b) Early intervention group (80 000)

(3c) Others optimally supported (unknown, but modest)

(3d) Funded support for some carers

Total = around 410 000

The National Injury Insurance Scheme (NIIS)

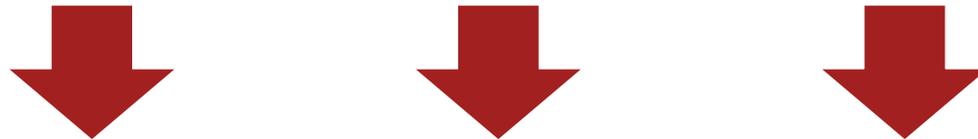
Federation of state-based lifetime care and support schemes – covers all major injury regardless of cause (special consideration of cerebral palsy)

Prospective and fully-funded by a range of mechanisms to be determined by states:

- existing levies and premiums
- savings and offsets
- “user pays” on a range of activities – eg local rates and taxes

Small national coordinating unit linking with NDIS

Estimated 1,000 new entrants per year at a total gross incurred cost of \$1.8b per annum, or \$830m extra to be funded by states



National Injury Insurance Scheme (NDIS)

Key features of both schemes

Universal insurance cover

Insurance-based governance framework

Surety of funding base

Support based on reasonable and necessary need

Support focused on the individual and their carers

Choice and Control

Key features of the “insurance model”

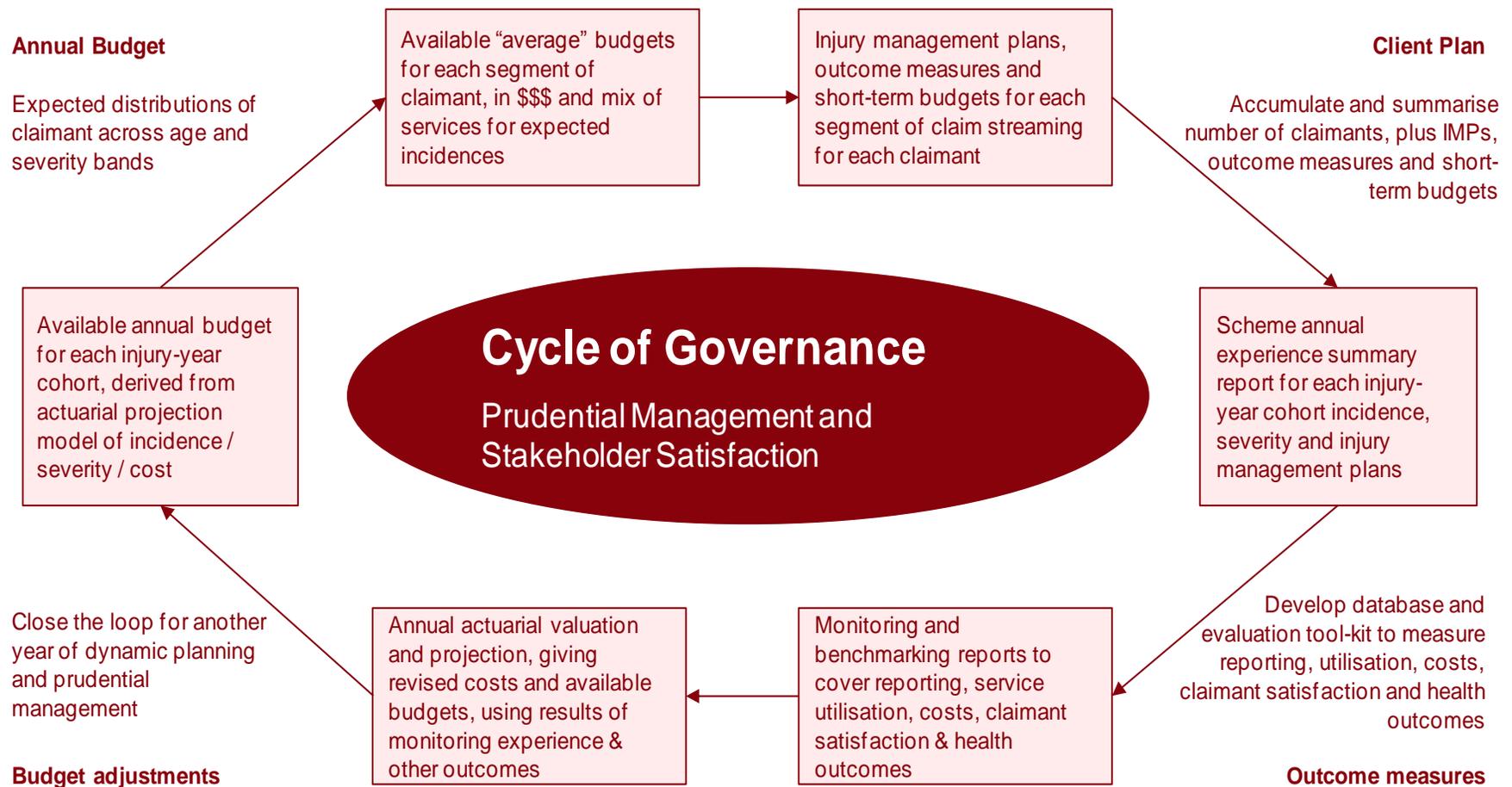
What the proposed NDIS is not

1. Private insurance
 - premium income determined by risk-based underwriting
2. European-style social insurance
 - levy based on worker and employer contributions and covers income replacement benefits
3. Medicare
 - no “contract” for planning or outcome focus, lack of information and lack of prudential (insurance-style) governance
4. Accident compensation
 - different benefit structure, lump sum compensation culture, dispute focus

Benefits of an “insurance approach” (parallels in commercial insurance)

1. Risk pooling (insurance)
 - unpredictable and unaffordable – a community responsibility
2. Individual “entitlement” (claim)
3. Risk estimation (underwriting)
 - notion of reasonable and necessary support need – how many and how much? Short-term cost escalation, but long term benefit.
4. Prudential governance (liability management)
 - reporting on notional fully-funded liability brings cost escalation into sharp focus
5. Planning for positive outcomes (claims management)
 - early intervention, active support, outcome planning, focus on eligibility and assessment process
6. Accountability (accountability)
 - constant surveillance and transparency

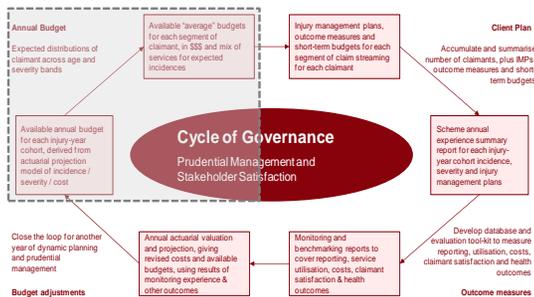
The NDIS cycle of governance



Source: PricewaterhouseCoopers

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Funding



How much will the NDIS cost?

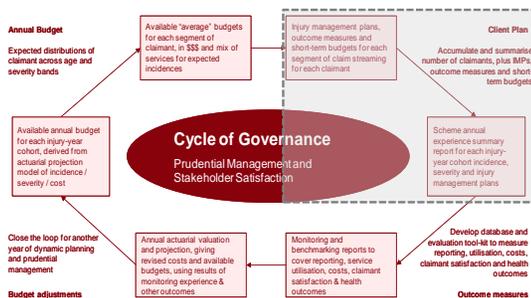
The Productivity Commission's estimate of \$13.7b (or \$15b) for 410,000 people in Tier 3 was the product of a detailed analysis of the available data on Australians with a disability and their reported need for support.

Important to understand the following for the eligible population:

- “Average” frequency and nature of support needs
- To what extent the support needs are naturally available
- How this information varies across Australia
- How this information varies and might change across different types of people

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Planning



What will my package look like?

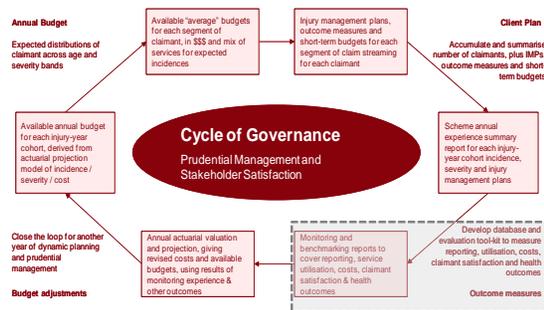
Implicit in the PC's costing was the accumulation of a support package for each individual, which varied according to their support needs and likely trajectory of disability.

To ensure fairness and sustainability in the system, the actual support package provided to each individual must reflect certain characteristics of the individual's life, opportunities and expectations, such as:

- The extent of their functional limitations, and their particular frequency and nature and trajectory of support needs
- Their individual living circumstances, opportunities and natural supports
- Their vision and expectation – their “plan”

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Supports



What supports were used?

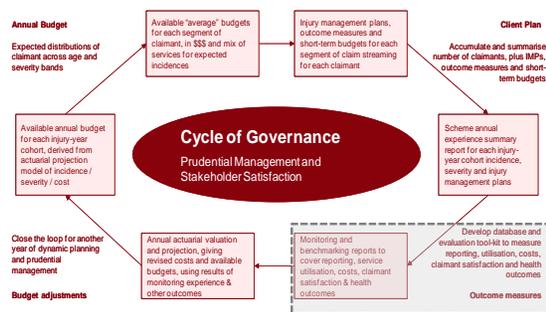
There will need to be a level of reporting of supports purchased with NDIS funding, both to acquit expenditure and also so others can learn. Some of this could be standard, some could be very individual and innovative.

Detailed analysis on supports purchased required to monitor experience:

- Types and of supports used, and who purchased from
- Frequency, intensity and cost of support used
- Nature of purchase – self-directed, packaged, shared service
- Service provider / support organisation, their location, capacity, cost and quality standards
- Innovations in support or service provision

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Outcomes



How successful were we?

There will also need to be a level of reporting on the extent to which each individual met their plans, had positive outcomes and were satisfied or not with their support provision.

Monitoring outcomes (individual level):

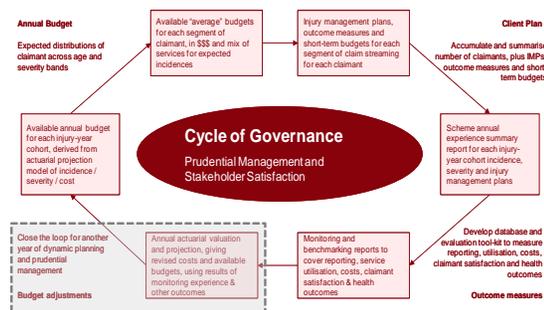
- Successful achievement against the predetermined plan
- Any major change or life transition point
- Review of functional limitations if appropriate, and any changes in frequency, nature and trajectory of support needs
- Review of individual living circumstances if appropriate, and opportunities and natural supports
- If appropriate, review of vision and expectation – their “revised plan”

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Monitoring, evaluation and reporting

How much did the NDIS cost, what supports did it provide and what were its outcomes?

The Australian people and government have a right to know how their \$15 billion was spent, what it achieved, and if it is the right amount.



NDIS will be publicly accountable in terms of its cost, delivery and outcomes. Within the insurance context, it will conduct continuous monitoring and annual actuarial valuations to report on:

- The actual number and type of participants, compared to those expected
- The actual utilisation and expenditure, compared to expected
- Any adjustments to the required annual cost, models of support or long-term liability
- Participant outcomes across a range of dimensions

Risks to implementation

Any departure from the Productivity Commission model will involve significant risk and probable lost opportunity

A federated model will not work

The risk of adopting multiple assessment tools and/or processes across jurisdictions is that inequity of eligibility and entitlement will emerge, perhaps over time, leading to either different costs of the system or the need to limit benefits and entitlements in some jurisdictions.

Adequate and certain funding is essential

Whether or not the Commonwealth will commit to the estimated cost, and if not, whether it will be successful in sharing the cost with the states, remains a major uncertainty in implementation. If the scheme is implemented without adequate funding, this inadequacy will filter down either to inadequate individual support packages or inequitable allocation of resources, with “winners and losers”, or both as at present. Some form of rationing will continue. This will lead to continued crisis situations, and will compromise the scheme’s ability to achieve positive outcomes and future planning.

Departure from the integrated insurance model

The integrated governance approach has not yet been understood in implementation to date. The existence of working groups with different responsibilities will mean that the deliverables from working groups are unlikely to be linked within an insurance model.

Premature and/or compromised launch options

The risk here is that a launch is attempted before all of the preliminary work and development has been adequately funded and supported. Work on target population, support packages and entitlement and assessment work will need to be ready.

Failure to buy into the NIIS model

Continued lack of clarity regarding funding commitments present the risk of compromising successful implementation of the NIIS, and in turn this would mean an even greater financial commitment required of the NDIS.

The NDIS is the most important enabler to a better life.

