

National Disability Insurance Scheme (NDIS) funding in Budget 2018

Federal Budget drops Medicare Levy increase, opens the door to future funding instability

By David Richardson

Leading up to the budget there has been a good deal of concern over the status of the NDIS, also known as DisabilityCare Australia. It is important to understand just what is going on and how secure the funding might be.

Table 1 sets out the spending estimates of the NDIS, most of which is included in the category 'National Disability Insurance Scheme'. When the NDIS settles down, virtually all spending in the budget papers will be recorded in the second row of Table 1. In the interim there is the also line item 'Assistance to the States for disability services' which heads towards zero by the end of the forward estimates period. This is basically a transition arrangement whereby special purpose payments to the states for disability services are withdrawn as clients transition to the NDIS. As that happens, additional federal funding will go to the NDIS. There are also NDIS transition payments included in Table 1. These seem to reflect payments under assistance to the states which are returned to the federal budget and then spent on the NDIS—a temporary double-counting that reflects the structure of the deals with the states but nothing tangible.

Table 1: National Disability Insurance Scheme and related spending (\$ million)

|  2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | |
|---|--------------|---------------|---------------|---------------|---------------|
| National Disability Insurance Scheme | 7,816 | 16,695 | 20,734 | 22,355 | 23,647 |
| Assistance to the States for disability services | 1,522 | 954 | 173 | 0 | 0 |
| NDIS transition program | 519 | 435 | 97 | 46 | 16 |
| Total | 9,857 | 18,084 | 21,004 | 22,401 | 23,663 |

Source: Australian Government (2018) *Budget Paper No 1*, p 6-25.

An important aspect of the funding in Table 1 is that the total spending under the NDIS of \$83.4 billion over the forward estimates (2018-19 to 2021-22) includes a federal

contribution of \$43.2 billion with the states and territories making up the difference (\$40.2 billion).¹ The states' share is therefore close to 50 per cent, at 48.2 per cent.

As an incidental side effect, the budget papers now suggest a ceiling for spending at 24.8 per cent of GDP. However, bringing in the states' contribution to the NDIS has automatically added something of the order of 0.5 per cent of GDP to the spending side of the budget.

The Treasurer Scott Morrison said in the 2017 budget speech: 'To ensure the NDIS is fully funded we will legislate to increase the Medicare Levy by 0.5 percentage points in two years' time, when the extra bills start coming in'.² That proposal has been dropped because the government now believes there will be more than enough revenue. However, many critical stakeholders are concerned that funding is uncertain, particularly without the increase in the levy; the mechanism to finance the guarantee appears to have gone.

For a client joining as an NDIS participant, the legislation reads such that if you fit the criteria you join the scheme and are eligible for services.³ Hence on the face of it one might think the NDIS funding is similar to standing appropriations. Examples of arrangements funded by standing appropriations are, under the social security legislation, age pensions and similar payments, and, under the Medicare legislation, entitlements to various refunds and payments: if you fit the criteria you are automatically funded.

Under the NDIS, if you fit the criteria you then participate in the scheme – but the funding of the NDIS is limited.

Under Medicare, for example, the legislation reads 'All amounts payable by the Commonwealth under Part II or under an arrangement in force under section 129A [these set out the eligibility criteria for payment] shall be paid out of the Consolidated Revenue Fund, which is appropriated accordingly'.⁴

Compare the NDIS legislation which says 'There is payable to the Agency such money as is appropriated by the Parliament for the purposes of the Agency'.⁵ That money is appropriated under the annual appropriation acts. The present legislation provided \$1,026.1 million in relation to the NDIS.⁶ The agency concerned is the National

¹ Australian Government (2018) *Budget Paper No 1*, p 6-24

² Morrison S (2017) 'Budget speech', 8 May.

³ *National Disability Insurance Scheme Act 2013*.

⁴ *Health Insurance Act 1973*, S 125(1)

⁵ *National Disability Insurance Scheme Act 2013*, S 178 (1)

⁶ *Appropriation Act (No. 1) 2017-18, 2017*.

Disability Insurance Agency (NDIA), a statutory authority which is responsible for administering the NDIS in each state. The Social Services portfolio estimate informs us that the department has budgeted a total of \$7.2 billion as payments to the NDIA. It further informs us that:

Appropriations are made to DSS, as the responsible non-corporate Commonwealth entity, which are then paid to the National Disability Insurance Agency. This amount includes agency costs, Commonwealth cash contributions for reasonable and necessary support for participants and community inclusion, and capacity development grants.⁷

So while some funding is provided in the appropriation bills, the bulk of federal money is received in the department and then transferred to the NDIA. The total administered expenses for the NDIS is \$7.2 billion in 2018-19 as provided by the federal government.⁸ On top of that there are \$2.1 billion 'resources received free of charge' which would be some of the existing disability services now deemed to be part of the NDIS. Total funds from other (i.e. non-federal) sources are given as \$9.5 billion. These would be mainly State and Territory funds. All up the total comes to \$18.1 billion, the amount shown for 2018-19 in Table 1.

In addition to the appropriations, there is also the additional Medicare levy of 0.5 per cent that should be worth \$4.26 billion in 2018-19, increasing to \$5.02 billion in 2021-22 – but these amounts seem to have nothing to do with the spending.⁹ Generally the federal government eschews hypothecated revenues.

While the above fills in some of the funding details as budgeted for in 2018-19 and over the forward estimates it still leaves the funding uncertainty an open question. The 2018-19 budget papers list as one of its goals as ensuring 'the National Disability Insurance Scheme is fully funded'.¹⁰ Yet the government also says 'The Government is fully funding its share of the National Disability Insurance Scheme'.¹¹ That seems a major inconsistency; either the government is guaranteeing the scheme or leaving open a funding gap in the event that a state/s fails to deliver. There is also the question of whether fully funding the scheme actually means providing for everyone deemed

⁷ Australian Government (2018) 'Social Services Portfolio: Portfolio Budget Statements 2018-19', *Budget Related Paper No. 1.15*, p 22

⁸ *ibid* p 138

⁹ These calculations are based on the total collections under the Medicare levy as reported in BP no 1. p 5-18.

¹⁰ Australian Government (2018) BP no 1, p 1-2.

¹¹ Australian Government (2018) BP no 1, p 3-8.

eligible to take part in the scheme. Moreover, some of that would be the responsibility of the NDIA, a statutory authority not directly accountable to the government.

The stakeholders have indeed raised serious issues and perhaps in the future the best way forward would be a traditional guarantee that can only be offered by way of a standing appropriation to meet the needs of all who qualify.

An earlier paper by the Parliamentary Library pointed out the funding arrangements for NDIS are complex and risks 'future instability of financing'.¹² We have to agree.



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¹² Buckmaster L (2018) "'Fighting for funding': where to next for the NDIS?' *Parliamentary Library FlagPost*, 27 April.