

National Disability Insurance Scheme (NDIS) explained & why it is not the same as Life Insurance

What is the NDIS?

The NDIS, or National Disability Insurance Scheme is aimed at providing long term, high quality support for people who have a permanent disability that significantly affects their communication, mobility, self-care or self-management. The intention is that participants will have more control over the care and support they receive, based on their individual needs.

The NDIS is required by the law that created it to provide sustainable support over the lifetime of Scheme participants. The National Disability Insurance Agency (NDIA) is an independent statutory agency charged with the implementation of the (NDIS).

Background and timeline

In 2010, the Government asked the Productivity Commission to undertake a public inquiry into a long-term disability care and support scheme. The Commission handed down its report on 31 July 2011, recommending the creation of a new national scheme (the NDIS) to provide insurance cover for all Australians in the event of significant disability.

The Commission's report said the main function of the NDIS should be to fund long-term, high quality care and support (but not income replacement) for people with significant disabilities. Increased funding, choice and certainty are the key features of the recommended scheme.

The Commission also recommended a separate scheme for people requiring lifetime care and support for catastrophic injuries, such as major brain or spinal cord injuries. This National Injury Insurance Scheme (NIIS) would provide fully-funded care and support for all cases of catastrophic injury. Unlike the NDIS, the Commission recommended the development of the NIIS be driven by the state governments.



Legislation to enact the NDIS passed on 28 March 2013 with the introduction of the NDIS ACT 2013. The legislation establishes the framework for the national scheme, including eligibility criteria, age requirements, and what constitutes reasonable and necessary support.

The Gillard government changed the name of the scheme to the far more apt title DisabilityCare Australia, which helps to avoid the confusion whereby the NDIS could have been mistaken as being a valid replacement for life insurance coverage.

However, in 2013, the incumbent Abbott government changed the name from DisabilityCare Australia back to NDIS.

The NDIS was launched on 1 July 2013 and will be progressively rolled out in stages over the next 5 years, beginning with selected areas – known as trial sites which will be based on either a specific region or on people of specific age ranges.

The lessons learned from the trials will help sort out any teething problems and determine the nature of the full NDIS rollout expected to commence from 1 July 2016. Full implementation of the NDIS is expected by 2018-19.

How will it work?

A person will make a request to become a participant in the NDIS. In order to be accepted, they must meet the access criteria.

In general terms, you have to be under 65 years of age when you submit your access request to the NDIS Agency and be an Australian citizen, permanent resident or New Zealand citizen who is a Protected Special Category Visa holder.

The NDIS does not have a proscriptive list of diagnostic categories that automatically entitle you to support or exclude you from support. The key question is the degree to which your significant and permanent disability, which can include people with mental health issues, limits your functional ability. Children must have a disability that is likely to be permanent or a developmental delay.

You may meet the disability requirements if:

1. you have an impairment or condition that is likely to be permanent (i.e. it is likely to be lifelong) and
2. your impairment substantially reduces your ability to participate effectively in activities, or perform tasks or actions such as communication, social interaction, learning, mobility or self-care unless you have:
 - assistance from other people or
 - you have assistive technology or equipment (other than common items such as glasses) or
 - you can't participate effectively even with assistance or aides and equipment and
3. your impairment affects your capacity for social and economic participation and
4. you are likely to require support under the NDIS for your lifetime.

An impairment that varies in intensity e.g. because the impairment is of a chronic episodic nature may still be permanent, and you may require support under the NDIS for your lifetime, despite the variation.

The NDIS will also adopt a focus on intensive early intervention, particularly for people where there is good evidence that it will substantially improve functioning or delay or lessen a decline in functioning.

What assistance will it actually provide to people in need?

There is some speculation that the introduction of the NDIS will lead to a reduction in the take-up of personal insurance, as consumers perceive they will be fully protected by it.

The NDIS is not a replacement for a life insurance policy, but many Australians are confused by the term 'insurance'.

The one fundamental thing the NDIS does not do is pay an eligible recipient any form of monetary compensation. It does not replace an individual's income; it does not pay a lump sum dollar benefit on Total and Permanent Disablement, death or upon diagnosis of a

specified medical event. It certainly won't allow you to pay off debt or your mortgage if you are permanently disabled or die.

However, a key benefit of the NDIS could be looking after those who were born with a severe disability as they wouldn't ever be eligible for personal insurance.

It should also be noted that any assistance received from the NDIS is not means tested and has no impact on *income* support such as the disability support pension or carers allowance.

What the NDIS will do is allow each eligible person to have a 'package' put together for them based on their individual needs and assessment after meeting a rigorous set of requirements and definitions.

Some of the benefits provided under the NDIS to eligible Australians (aged from birth to 65) are:

- Aids and appliances – e.g. artificial limbs and communication aids.
- Home and vehicle modification costs.
- Personal care – such as showering and general hygiene assistance.
- Domestic assistance – such as shopping, food preparation and cleaning assistance.
- Respite care.
- Guide dogs.

One growing concern is the actual cost and sustainability of the NDIS. The current levy will raise only \$3.3 billion per year (rising each year) with the total cost in year one of the scheme being estimated at \$22.2 billion. Fifty-three per cent of this is to be federally funded; the rest will come from the states. Funding has been allowed for up until around 2020-21, and increasing in each federal budget, but thereafter will rely upon new and increased funding being allocated.

This content is general in nature and has been prepared for information purposes only and does not constitute any specific recommendations. It has not taken into account your objectives, financial situation or needs and you must therefore assess whether it is appropriate, in the light of your own individual objectives, financial situation or needs, to act upon this content. We recommend that you obtain financial, legal and taxation advice before making any financial decision.

We provide external links for your convenience; however we do not accept responsibility for or endorse the content or condition of any linked site. Please let us know if you find any issues with the links provided.

You should refer to the Life Strategies Financial Services Financial Services Guide (FSG) in relation to any financial service provided to you.

LAST UPDATED March 2016