

# **DISABILITY REFORM: FROM CRISIS WELFARE TO A PLANNED INSURANCE MODEL**

## **THE ISSUE**

Almost every Australian family has been touched by caring for a family member with a disability, or knows of a family doing so. Many of these families fall through a huge gap in Australia's social services network. With the numbers of Australians with a disability increasing all the time, this issue affects every one of us.

Those who acquire a brain injury through workplace injury or a motor vehicle accident usually receive financial support. However, for those who acquire injuries as a result of other accidents or are born with a disability there is generally no automatic financial support.

The costs of caring for these marginalised Australians are shuffled between families, State Governments and the Commonwealth Government.

We therefore need to plan ahead before the current unmet and under-met needs become overwhelming. As a nation we must address this crisis in care and support. This is an issue for every Australian.

## **THE RECOMMENDATION**

The time is right to reform the disability sector: to shift from the current crisis-driven welfare approach to a planned and fully-funded **National Disability Insurance Scheme** that will underwrite sustained, significant, long-term improvements in meeting the needs of people with disabilities and their families.

## **THE BACKGROUND**

The recent outcry over the Carers' Allowance bonus payments, the plight of young people in nursing homes, the carers aged in their 80s and 90s desperately concerned about what will happen to their adult children still living at home when they die, the relinquishment of disabled young children by their parents because they receive insufficient family support, the dearth of early intervention therapy despite overwhelming evidence that it leads to better and lower cost outcomes in the long term, and the absence of urgently needed specialist mobility, lifting and communication devices are all symptoms of the problems affecting people with disabilities and their families.

To date these problems have been analysed in a welfare framework, leading to demands for more support, without any discussion of how these needs should be funded. In

essence, the cost of caring for people with disabilities represents a very large unfunded liability.

In the next 15 to 20 years, the size of this unfunded liability will grow significantly due to increasing incidence of disability at birth<sup>1</sup> (older mothers, IVF and increased survival rates amongst very low birth-weight babies), increasing numbers of people with acquired brain injuries (due to alcohol and substance abuse, and domestic and street violence), people with disabilities living longer and others acquiring disabilities as they grow older. Based on population projections, Australia's population will increase by around 3 million people over the next 15 years and almost 2 in every 5 of these people will have or acquire a disability<sup>2</sup>.

At the same time, the number of informal carers per head of population is expected to decline sharply, as older carers become too infirm to look after their children and die. Amongst young families the capacity to provide care for a disabled child is declining, because for more and more families both parents need to work to pay the mortgage and meet other necessary expenses. (According to the National Centre for Social and Economic Modelling the number of principal carers for every 100 older persons needing informal care will fall from 57 in 2001 to 35 in 2031<sup>3</sup> and according to Access Economics the replacement value of informal care, Australia-wide, is **\$30.5 billion** annually<sup>4</sup>.)

The projected increase in the proportion of the population with disabilities and declining informal support through unpaid carers will lead to very large increases in the costs of disability, which under present arrangements will add to government outlays.

We need to plan ahead before the current unmet and under-met needs become overwhelming. The situation is similar to the problem identified in the 1980s, when it was recognised that an ageing population dependent on old age pensions would place an unacceptable burden on taxpayers. This led to the development of compulsory superannuation.

## **THE SOLUTION**

To cover the growing costs of disability, which is a risk faced by everyone in the community, there needs to be a fully-funded universal **National Disability Insurance Scheme (NDIS)**. It could be funded from a number of sources, including as a special supplement to the Medicare levy, private medical insurance, third party car insurance and/or workplace insurance.

---

<sup>1</sup> Victorian Birth Defects Reports and other sources

<sup>2</sup> Estimates calculated based on ABS Disability Australia, 2003, ABS Disability, Ageing and Carers, Australia, 2003, ABS Population Projections, 2004 to 2101

<sup>3</sup> National Centre for Social and Economic Modelling (NATSEM) 2004. Who's going to care? Informal care and an ageing population. Report prepared for Carers Australia

<sup>4</sup> Access Economics Pty Limited August 2005. The Economic Value of Informal Care. Report prepared for Carers Australia

The costs of such a scheme would be very modest. For example, to extend the current no-fault workplace and motor vehicle accident schemes in Victoria to all people who are catastrophically injured would cost only around \$20 per annum if it were added to third-party insurance premiums<sup>5</sup>. Similarly, to meet the life-time care needs of people born with severe and profound disabilities would require a very small addition to the Medicare levy or private medical insurance rates.

The models for a NDIS already exist, as there are already fully-funded no-fault insurance schemes to meet the needs of people injured in the workplace in NSW, Victoria, SA, NT and the Commonwealth and in car accidents in NSW, Victoria and Tasmania.

The advantages of these schemes are very significant. First, with an insurance model the families of people with disabilities can have confidence that the needs of their family member will be met, reducing stress and risks of family breakdown. Second, a life-time approach to care ensures that early intervention and equipment is available immediately following diagnosis or injury, leading to better and lower cost long-term outcomes. Third, active case management facilitates as normal a life as possible and minimises the risks of over-dependence on publicly funded support. Fourth, a NDIS would provide funding for research, development of best practice models and public education to reduce the incidence of risky behaviours leading to disability.

These outcomes, all of which have been achieved under the Transport Accident Commission and WorkCover schemes in Victoria, can be contrasted with cases in which people with disabilities receive lump sum insurance payouts. In NSW a recent study shows that within 20 years 95% of accident victims are accessing government funded disability support.

A national insurance-based model would also be much more equitable than present arrangements, where there are large differences between states. There are also major inequities between the few who have access to multi-million dollar payouts and the majority who receive very little support, and between the treatment of identical injuries depending on how they are acquired. For example, a brain injured car accident victim in Victoria is covered, while a brain injured physical assault victim is not.

The contrast with a National Disability Insurance Scheme could not be starker: it would be equitable and enable people with disabilities and their families to be in control, make choices and plan their lives with confidence.

Bruce Bonyhady, Chairman, Yooralla and President, Philanthropy Australia

Helen Sykes, Chair, The James Macready-Bryan Foundation

April 2008

---

<sup>5</sup> John Walsh, Anna Dayton, Chris Cuff and Peter Martin March 2005. Long Term Care Actuarial Analysis on Long-Term Care for the Catastrophically Injured and more recent calculations