



4 October 2016

Committee Secretary
Senate Community Affairs Legislation Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

By email: community.affairs.sen@aph.gov.au

RE: INQUIRY INTO THE NATIONAL DISABILITY INSURANCE SCHEME SAVINGS FUND SPECIAL ACCOUNT BILL 2016

I refer to the *Inquiry into the National Disability Insurance Scheme Savings Fund Special Account Bill 2016* (the Savings Fund Special Account Bill). Suncorp welcomes the opportunity to contribute to the discussion in respect to the proposed creation and management of the Savings Fund Special Account Bill as a method for the Commonwealth to meet its funding obligations for the National Disability Insurance Scheme (NDIS).

Executive Summary

Suncorp supports the general approach in creating the Savings Fund Special Account, and adds the following comments for consideration. -

1. Explore the earmarking of funds to the Savings Fund Special Account in accordance with a prescribed formula, as recommended by the Productivity Commission;
2. Continue publically underwriting the NDIS and the National Injury Insurance Scheme (NIIS);
3. Continue the design of the NDIS and NIIS to provide care and supports on a needs basis – a move away from the compensation model;
4. Continue to apply insurance principles to the operation of the NDIS and NIIS; and
5. Explore the role of personal injury statutory schemes have in re-designing their schemes to promote earlier social and economic participation, thus creating savings for Commonwealth health, welfare and disability schemes.

The Suncorp Group

Suncorp Group Limited, and its related bodies corporate and subsidiaries (collectively 'Suncorp'), offer a range of financial products and services including banking (Suncorp Bank), general insurance, compulsory third party



(CTP) insurance, workers compensation insurance, life insurance and superannuation across Australia and New Zealand

Suncorp has about 13,500 employees and relationships with nine million customers. Suncorp Group Limited is a top 20 ASX-listed company with \$96 billion in assets.

Suncorp provides a wide range of insurance products to small and medium sized businesses as well as to corporate customers. These products are distributed nationally, both directly and indirectly, through intermediaries.

Suncorp provides workers compensation insurance in most available jurisdictions around Australia. CPT insurance is provided in New South Wales, the Australian Capital Territory, Queensland and South Australia.

The key to Suncorp's success in insurance is its portfolio of well-known insurance brands - AAMI, GIO, Suncorp, Vero, Apia and Shannons are some of the brands in the Suncorp Group that have built reputations for insurance innovation and customer service.

Suncorp has consistently taken a leadership role within the industry to advocate necessary reform to personal injury statutory schemes. We have published a number of white papers on the issues of competitive underwriting, scheme design and no-fault lifetime care. As Australia's largest private personal injury insurer, we take this role seriously and will continue to support reform that improves the lives of our customers. Copies of these white papers are available upon request.

This submission is made on behalf of Suncorp's Personal Injury Portfolio and Products division.

Suncorp in the Community

Suncorp's community-focused activity is centred on risk management, injury prevention, social participation and quality of care for those who are injured or have a disability. We value the communities in which we live and work, and have entered into partnerships with a range of organisations that are also dedicated to making a difference in the lives of people who have been affected by personal injury.

Our community partners include Youngcare, Adapted Physical Activity Program, James Cook University, Advance Queensland, Queensland Police, RYDA and Fatality Free Friday. Suncorp also works with youth education initiatives such as the P.A.R.T.Y. Program and has a partnership with the Driver Education Centre of Australia, which aims to address some of the root causes of severe personal injury on Australian roads.

In respect to Youngcare, it is a not-for-profit organisation that aims to raise awareness and funds to provide more appropriate accommodation options for young people with high care needs. With an estimated 7,500 young Australians currently living in aged care nursing homes, and limited alternatives available, Youngcare sets out to build Australia's first age-appropriate facility.

Since 2011, our partnership with Youngcare has enabled over 160 people to avoid admission into aged care, creating approximately \$8.9 million in annual savings to the health and aged care system.



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The Savings Fund Special Account Bill

The new Savings Fund Special Account has been described as the ‘future fund’¹ to meet the funding shortfalls of the NDIS, in a transparent manner. The full cost of the NDIS when it becomes fully operational from 2019-20 is predicted to be \$22 billion.²

The Commonwealth’s share of this cost is \$11.2 billion of which \$6.8 billion is secured through existing funding (\$1.1 billion per year); the Commonwealth share of the Medicare Levy (\$3.3 billion per year) and redirected funding currently provided to the States for specialist disability services (\$1.9 billion). This leaves a funding shortfall of \$5 billion.

Suncorp supports the general approach in respect to the Savings Fund Special Account collecting underspends and savings within the NDIS and other Commonwealth portfolios that will help meet this shortfall. Review of the Savings Fund Special Account before 1 July 2027 is also supported.

Funding Recommendations Made by the Productivity Commission

The Productivity Commission made recommendations in respect to the funding of the NDIS by establishing–

- a mandatory annual insurance premium as a way to avoid the yearly battle through the budget process to secure sufficient funding in competition with other government spending initiatives;³
- a special account; and
- a legislative provision requiring the Australian Government to earmark funds according to a prescribed formula (a rate applied to a growing income base), to ensure a stable revenue stream.⁴

Rather than introduce a separate funding mechanism for the NDIS, the Medicare levy was increased by half a percentage point from 1 July 2014. The money raised from this increase is placed into a DisabilityCare Australia Fund for 10 years, which is only drawn upon to fund the additional costs of delivering the NDIS.

Whilst the Medicare Levy is an important contribution to the NDIS (\$3.3 billion per annum), it only provides a portion of the Commonwealth’s annual new contributions to the NDIS at full scheme. Arguably neither the Medicare levy nor the funding for the Savings Fund Special Account is calculated in accordance to a prescribed formula, as recommended by the Productivity Commission.

To secure stable funding into the future, establishing a prescribed formula does have merit and should be explored further. The financial sustainability of the NDIS is crucial to realise the economic benefits of the scheme.⁵

¹ Joint Media Release, Senator the Hon. Mathias Cormann, Minister for Finance & The Hon. Christian Porter MP, Minister for Social Services - *New NDIS account to lock in funding*, 16 March 2016 - <http://www.financeminister.gov.au/media-release/2016/03/16/new-ndis-account-lock-funding-0>

² In 2011 PricewaterhouseCoopers found that – without the NDIS – government expenditures on disability would increase to two-to-three times the projected costs of the NDIS – PricewaterhouseCoopers – *Disability expectations, Investing in a better life, a stronger Australia*, November 2011 - <http://www.pwc.com.au/industry/government/assets/disability-in-australia.pdf>

³ Productivity Commission, *Disability care and support, Inquiry report*, 54, 2 volumes, Canberra, 31 July 2011, vol. 2., page. 573.

⁴ Productivity Commission, *Disability care and support, Inquiry report*, 54, 2 volumes, Canberra, 31 July 2011, vol. 2., pages 659-660

⁵ National Disability Services – Economic Benefits of the NDIS Factsheet, 13 July 2016 - https://www.nds.org.au/images/factsheets/ndis_economic_benefits.pdf



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Back to Basics Scheme Design

It is timely to re-affirm the basic principles and design of the NDIS design. In response to the disability support system found to be underfunded, unfair, fragmented, and inefficient and giving people with a disability little choice and no certainty of access to appropriate care and support,⁶ the design of the NDIS was devised.

The main function would be to fund long-term high quality care and support (but not income replacement) for people with significant disabilities, on a needs basis. Everyone would be insured but around 460,000 people would receive scheme funding support. The scheme represents major social and economic reform, supporting people with disability and their carers into early social and economic participation.⁷

Suncorp has consistently argued that the public sector is best placed to underwrite catastrophic personal injury care and has been a keen advocate of the NDIS and the NIIS. There is a clear social benefit in governments retaining this function, as the cost of capital the prudential regulator requires would be prohibitive based on the 'long-tail' nature of these claims and the volatility of claims costs over the lifetime of the injured person.

The public sector is well equipped to provide services through a lifetime care scheme that deliver appropriate care and support. This design feature is better for injured people and more cost effective for the scheme as care and supports are provided on a needs basis, rather than relying on a lump sum that may or may not be adequate in the long term.

It is important that to note that the NDIS and NIIS is based on insurance principles that require estimating the cost of reasonable and necessary supports, promoting an efficient allocation of resources based on managing the long-term costs of supporting people with disabilities and their carers while maximising the economic and social benefits.

This involves consistent application of eligibility criteria, and the timely and efficient delivery of reasonable and necessary supports, including early intervention. Actuarial modelling is to be used to estimate and manage the costs of care and support across the life-course of individuals and monitor, evaluate and report on the overall performance of the NDIS.⁸

Put simply, insurance principles create an incentive to make short term investments that maximise lifetime opportunities and reduce long-term costs, in contrast to the welfare approach which seeks to minimise costs in a particular year.⁹ It is noted that a similar approach - the investment approach – is adopted in the New Zealand welfare scheme.¹⁰ Suncorp fully supports an insurance based approach for the NDIS and NIIS.

⁶ Productivity Commission, *Disability care and support, Inquiry report*, 54, 2 volumes, Canberra, 31 July 2011, vol. 1., page 2

⁷ Attachment A to Communiqué, 13 April 2012: *High-level Principles for a National Disability Insurance Scheme*, at paragraph 5, page 1 - <https://www.coag.gov.au/node/315>

⁸ Attachment A to Communiqué, 13 April 2012: *High-level Principles for a National Disability Insurance Scheme* - <https://www.coag.gov.au/node/315>

⁹ ABC radio interview with Bruce Bonyhady – Chair, Board of the National Disabilities Insurance Agency, 22 February 2014 - <http://www.abc.net.au/radionational/programs/saturdayextra/steering-the-ndis/5273020>; B Bonyhady (NDIA Chairman), *The what? why? who? and market opportunities of the NDIS*, Brisbane, speech to the Committee for Economic Development of Australia, 5 November 2015.

¹⁰ Investment approach to welfare – Budget review 2016-17 Index, Don Arthur - http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201617/Investment



The Role of Personal Injury Statutory Schemes

Historically, personal injury statutory schemes have evolved to meet the changing needs of the community. There is no question that this must continue as the social and economic needs of the community change.

Typically, personal injury statutory schemes (particularly CTP schemes) are best described as compensation schemes based on fault. The big question today is the whether such schemes are fit for purpose for today's social and economic conditions in circumstances where the intergenerational report¹¹ identifies mounting pressure on Australia's future prosperity and the rise of the shared economy.

Suncorp has long argued that personal injury statutory schemes have a vital role to play in facilitating workforce participation. To do so, it is crucial that personal injury statutory schemes are aligned with the objectives of the NDIS and NIIS – that is, a move away from a compensation culture to focus on work, health and safety on the basis that work has health benefits.¹²

To achieve this, Suncorp believes the community would be better served with the following personal injury statutory scheme features:

- no-fault;
- defined benefits;
- first party;
- reduced or no common law; and
- competitive underwriting.

Suncorp is of the view that these scheme design features would promote earlier return to social and economic participation after an accident, and reduce unacceptable cost shifting to government schemes, including Commonwealth health, welfare and disability schemes.

No state or territory has a personal injury statutory scheme based on all of these scheme design features, but they may have some of the features. Further, the level of cost shifting from each state and territory personal injury statutory scheme to government health, welfare and disability schemes is generally unknown. Ultimately some cost shifting may be inevitable and perhaps even acceptable to a degree. The level of acceptable cost shifting needs to be carefully considered.

This is an area the Federal Government may wish to explore further. There is potential to offer financial incentives to state and territory governments for adopting personal injury statutory scheme designs that promote earlier social and economic participation.

¹¹ 2015 Intergenerational Report – Australia in 2055 - <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report>

¹² Maaïke van der Noordt; Helma IJzelenberg; Mariël Droomers; Karin - *Health Effects of Employment: A Systemic Review of Prospective Studies, 2014* - <http://www.medscape.com/viewarticle/831491>



Conclusion

Suncorp supports any efficient and cost effective method to ensure stable and sustained funding of the NDIS, as the scheme becomes fully operational. Stable and sustained funding is crucial to realise the economic benefits of the scheme. The economic benefits have been projected to be:

- supporting 25,000 to 40,000 people with a disability to find work;
- supporting 34,000 carers to return to the workforce;
- savings to the Commonwealth budget of \$1.5 billion to \$1.9 billion per annum through increase taxes and reduced income support;
- gross domestic product gain of \$18 billion to \$23 billion per annum from additional employment.¹³

Further, the NDIS (and the NIIS) should remain publically underwritten and operated on insurance principles. It is also timely to explore further, the role of personal injury statutory schemes have to promote earlier social and economic participation and potential savings it may have on Commonwealth Government schemes.

Suncorp is committed to work constructively with governments and stakeholders on aligning the principles of the NDIS (and the NIIS) to personal injury statutory schemes. Should you wish to discuss any of the points raised in this submission, please contact me

Yours faithfully

¹³ National Disability Services – Economic Benefits of the NDIS Factsheet, 13 July 2016 - https://www.nds.org.au/images/factsheets/ndis_economic_benefits.pdf