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Productivity Commission

Disability Care and Support

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The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

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31 July 2011

The Hon Bill Shorten
Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Dear Assistant Treasurer

In accordance with Section 11 of the *Productivity Commission Act 1998*, we have pleasure in submitting to you the Commission's final report into Disability Care and Support.

Yours sincerely

Handwritten signature of Patricia Scott in black ink.

Patricia Scott

Presiding Commissioner

Handwritten signature of John Walsh AM in black ink.

John Walsh AM

Associate Commissioner

Terms of reference

I, Nick Sherry, pursuant to Parts 2 and 3 of the Productivity Commission Act 1998, hereby refer a national disability long-term care and support scheme in Australia to the Productivity Commission for inquiry and report by 31 July 2011. The Commission will begin the inquiry in April 2010.

Background

The Australian Government is committed to developing a National Disability Strategy to enhance the quality of life and increase economic and social participation for people with disability and their carers.

The Commonwealth, along with the States and Territories, has a major investment in disability specific support. However, there remains a significant level of unmet demand for disability services which impacts upon the lives of people with disability, their families and carers. Demographic change and the anticipated decline in the availability of informal care are expected to place further pressure on the existing system over the coming decades.

While Australia's social security and universal health care systems provide an entitlement to services based on need, there is currently no equivalent entitlement to disability care and support services.

The Government is committed to finding the best solutions to improve care and support services for people with disability. An exploration of alternative approaches to funding and delivering disability services with a focus on early intervention and long-term care will be an important contribution to the National Disability Strategy.

Scope of the review

The Productivity Commission is requested to undertake an inquiry into a National Disability Long-term Care and Support Scheme. The inquiry should assess the costs, cost effectiveness, benefits, and feasibility of an approach which:

- provides long-term essential care and support for eligible people with a severe or profound disability, on an entitlement basis and taking account the desired outcomes for each person over a lifetime
- is intended to cover people with disability not acquired as part of the natural process of ageing
- calculates and manages the costs of long-term care and support for people with severe and profound disability
- replaces the existing system funding for the eligible population

-
- ensures a range of support options is available, including individualised approaches
 - includes a coordinated package of care services which could include accommodation support, aids and equipment, respite, transport and a range of community participation and day programs available for a person's lifetime
 - assists the person with disability to make decisions about their support
 - provides support for people to participate in employment where possible.

In undertaking the inquiry, the Commission is to:

1. Examine a range of options and approaches, including international examples, for the provision of long-term care and support for people with severe or profound disability.

The Commission is to include an examination of a social insurance model on a no-fault basis, reflecting the shared risk of disability across the population. The Commission should also examine other options that provide incentives to focus investment on early intervention, as an adjunct to, or substitute for, an insurance model.

2. The Commission is to consider the following specific design issues of any proposed scheme:

- eligibility criteria for the scheme, including appropriate age limits, assessment and review processes
- coverage and entitlements (benefits)
- the choice of care providers including from the public, private and not-for-profit sectors
- contribution of, and impact on, informal care
- the implications for the health and aged care systems
- the interaction with, or inclusion of, employment services and income support
- where appropriate, the interaction with:
 - national and state-based traumatic injury schemes, with particular consideration of the implications for existing compensation arrangements
 - medical indemnity insurance schemes.

3. Consider governance and administrative arrangements for any proposed scheme including:

- the governance model for overseeing a scheme and prudential arrangements

-
- administrative arrangements, including consideration of national, state and/or regional administrative models
 - implications for Commonwealth and State and Territory responsibilities
 - the legislative basis for a scheme including consideration of head of power
 - appeal and review processes for scheme claimants and participants.
4. Consider costs and financing of any proposed scheme, including:
- the costs in the transition phase and when fully operational, considering the likely demand for, and utilisation under different demographic and economic assumptions
 - the likely offsets and/or cost pressures on government expenditure in other systems as a result of a scheme including income support, health, aged care, disability support system, judicial and crisis accommodation systems
 - models for financing including: general revenue; hypothecated levy on personal taxation, a future fund approach with investment guidelines to generate income
 - contributions of Commonwealth and State and Territory governments
 - options for private contributions including copayments, fees or contributions to enhance services.
5. Consider implementation issues of any proposed scheme, including:
- changes that would be required to existing service systems
 - workforce capacity
 - lead times, implementation phasing and transition arrangements to introduce a scheme with consideration to service and workforce issues, fiscal outlook, and state and territory transitions.

The Government will establish an Independent Panel of persons with relevant expertise to act in an advisory capacity to the Productivity Commission and the Government, and report to Government throughout the inquiry.

The Commission is to seek public submissions and to consult as necessary with the Independent Panel, State and Territory governments, government agencies, the disability sector and other relevant experts and stakeholders.

Nick Sherry

Assistant Treasurer

[Received 17 February 2010]

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The Commission's report is in two volumes. **This volume 1 contains the Overview, the Recommendations and chapters 1 to 10.** Volume 2 contains chapters 11 to 20, Appendix A and the References. Appendices B to N will only be available on the Commission's web site (<http://www.pc.gov.au>). Below is the table of contents for both volumes.

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Acknowledgements

This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA project was initiated and is funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). The HILDA survey is managed by a consortium led by the Melbourne Institute of Applied Economic and Social Research, The University of Melbourne.

A range of published and unpublished data from the Australian Bureau of Statistics is also used throughout this report.

Abbreviations

ACC	Accident Compensation Corporation (New Zealand)
AIHW	Australian Institute of Health and Welfare
BoD	burden of disease
COAG	Council of Australian Governments
CSTDA	Commonwealth/State Territory Disability Agreement
CTP	compulsory third party insurance
DALY	disability adjusted life year
DIG	Disability Investment Group
DSP	Disability Support Pension
EFT	equivalent full time
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
HACC	Home and Community Care Program
IAC	Industries Assistance Commission
IC	Industry Commission
LTCSA	Lifetime Care and Support Authority (New South Wales)
LTCS	Lifetime Care and Support Scheme (New South Wales)
MAIB	Motor Accident Insurance Board (Tasmania)
MS	multiple sclerosis
NDA	National Disability Agreement
NDIA	National Disability Insurance Agency
NDIS	National Disability Insurance Scheme
NES	National Employment Standards
NHMRC	National Health and Medical Research Council
NHS	National Health Service (United Kingdom)

NIIS	National Injury Insurance Scheme
PC	Productivity Commission
QALY	quality of life year
SACS	Social and Community Services
SCS	Survey of the Community Sector
SDAC	Survey of Disability, Ageing and Carers
TAC	Transport Accident Commission (Victoria)
VET	Vocational Education and Training