



National Disability Insurance Scheme— Rules for the Scheme Actuary 2013

I, WILLIAM RICHARD SHORTEN, Minister for Financial Services and Superannuation, determine these rules under section 180C of the *National Disability Insurance Scheme Act 2013*.

Dated 25 June 2013.

WILLIAM RICHARD SHORTEN
Minister for Financial Services and Superannuation

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Part 1 Preliminary

1 Name of instrument

These Rules are the *National Disability Insurance Scheme—Rules for the Scheme Actuary 2013*.

2 Commencement

These Rules commence on the later of:

- (a) the day after they are registered; and
- (b) 1 July 2013.

3 Interpretation

In these Rules:

Act means the *National Disability Insurance Scheme Act 2013*.

Agency—see section 9 of the Act.

Board—see section 9 of the Act.

annual financial sustainability report—see section 9 of the Act.

NDIS means the National Disability Insurance Scheme (as defined in section 9 of the Act).

risk management arrangements, of the Agency, means all of the systems, structures, cultures, processes, policies and people that identify, assess, mitigate and monitor all sources of risk, both internal and external, to financial sustainability.

Part 2 General performance of duties

4 Scheme actuary to advise on NDIS processes

- (1) The scheme actuary must advise the Agency on how processes, systems and tools of the NDIS relating to the matters set out in subsection (2) can best be developed and implemented to enable the scheme actuary to perform his or her duties under section 180B of the Act effectively, and in particular to allow the scheme actuary to be satisfied that the NDIS is financially sustainable.
- (2) For subsection (1), the matters are:
 - (a) ensuring that decisions about whether applicants meet the access criteria are made efficiently, consistently and correctly;
 - (b) monitoring, assessing and reporting on consistency and correctness of those decisions;
 - (c) ensuring that decisions about participants' needs, participants' plans and statements of participants' supports are made efficiently, consistently and appropriately;

- (d) monitoring, assessing and reporting on consistency of resource allocation across regions, planners, disability type and other groupings as appropriate;
- (e) monitoring, assessing and reporting on consistency in cost and participant outcomes across different providers of support;
- (f) evaluating and reporting on NDIS outcomes and performance, including against key performance indicators;
- (g) ongoing research into continuous improvement and best practice;
- (h) the NDIS risk management framework.

5 Scheme actuary to report on estimated future expenditure

The scheme actuary must at least once each quarter produce a report estimating future expenditure of the NDIS, comparing the experience of the NDIS with the projections in the previous annual financial sustainability report or more recent projections, making use, where appropriate, of information produced by the systems, processes and tools mentioned in section 4, and commenting on any changes in the projections. The scheme actuary must provide a copy to the Board.

6 Data for annual financial sustainability report and quarterly future expenditure reports

- (1) The scheme actuary must advise the Agency of:
 - (a) the data, information and reports that the scheme actuary will need; and
 - (b) the persons that he or she will need to consult;
 in order to prepare an annual financial sustainability report or a report on estimated future expenditure under section 5.

Note: The Agency is required to make arrangements to enable the scheme actuary to perform his or her duties—section 180F of the Act.

- (2) The scheme actuary must take reasonable steps to verify the consistency, completeness and accuracy of the data provided by the Agency and to resolve any discrepancies.

7 Professional standards

In preparing an annual financial sustainability report, the scheme actuary must have regard to the Code of Professional Conduct of The Institute of Actuaries of Australia and any other relevant professional guidance published by The Institute of Actuaries of Australia.

Part 3 Content of annual financial sustainability report

8 General assessment and recommendations

The scheme actuary must include the following matters in an annual financial sustainability report:

- (a) an overall assessment of the financial sustainability of the NDIS that identifies the key risks and issues impacting on the financial sustainability of the NDIS;
- (b) a discussion of the key risks and issues identified and, where these have an adverse impact on financial sustainability, recommendations designed to manage the risks or address the issues.

9 Recent experience

The scheme actuary must include the following matters in an annual financial sustainability report:

- (a) a summary of the participant data at the effective date of the annual financial sustainability report;
- (b) a section that identifies and comments on significant features or trends in the recent experience of the NDIS, including any impacts due to external factors, and covers the following:
 - (i) changes in the number and characteristics of participants (including in relation to access criteria and assessed support needs);
 - (ii) changes in the distribution of support package costs;
 - (iii) participant outcomes;
 - (iv) the Agency's operating expense experience;
 - (v) the total cost of the NDIS;
 - (vi) deviations in actual experience from expected experience, and the reasons for the deviations;
 - (vii) any other relevant experience, including the use of innovative approaches;
- (c) comments on any steps taken or proposed by the Board and senior management of the Agency to address areas of deviation and adverse experience;
- (d) any recommendations of the scheme actuary in relation to areas of deviation and adverse experience.

10 Projections

The scheme actuary must include the following matters in an annual financial sustainability report:

- (a) projections of future experience in the form of the best estimates of the following matters, with discussions of the projections:
 - (i) future expenditure on care and support—presented as a set of cashflow projections over the long run, both in future dollar terms and as a percentage of GDP;
 - (ii) lifetime cost of care and support to standardised new entrant cohorts—presented in the form of net present values, both in discounted dollar terms and as a percentage of GDP;
 - (iii) future expenditure on care and support to current participants on the assumption of no change in the scheme design—presented in the form of a projection of net present values, both in discounted dollar terms and as a percentage of GDP;
- (b) a discussion of any changes in the projections since the previous annual financial sustainability report or other more recent set of projections provided by the scheme actuary to the Board, including the reasons for the change and any implications for the financial sustainability of the NDIS;
- (c) any recommendations of the scheme actuary in relation to any adverse changes in the projections;
- (d) a justification of the methodology and key assumptions used to prepare the projections;
- (e) comments on the extent to which the valuation assumptions are based on the historical experience of the NDIS and, if the assumptions have changed since the previous annual financial sustainability report, the reasons for that change and the consequences of the change;
- (f) a practical discussion of the level of uncertainty that surrounds the projection, including sensitivity or scenario analysis, a discussion of the main drivers of uncertainty, and any recommendations of the scheme actuary for managing uncertainty.

11 Administrative infrastructure, processes and risk management

The scheme actuary must include the following matters in an annual financial sustainability report:

- (a) a discussion of the Agency's administrative infrastructure, its administrative processes and risk management arrangements (*risk management arrangements* are defined in section 3);

- (b) comments on the adequacy of the Agency's processes, including on the suitability and adequacy of:
 - (i) any decision support tools; and
 - (ii) its data and information systems; and
 - (iii) its processes for monitoring emerging experience and responding to adverse movements in emerging experience;
- (c) any recommendations of the scheme actuary in relation to any inadequacies.

12 Other material matters

The scheme actuary must include the following matters in an annual financial sustainability report:

- (a) a section identifying and discussing any other matters that the scheme actuary believes are material to the financial sustainability of the NDIS;
- (b) comments on the extent to which any previous recommendations have been acted on by the Agency.