

# \$5bn hit as NDIS fund dwindles

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## EXCLUSIVE

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Scott Morrison is under pressure to find savings of at least \$5 billion a year in this year's budget to pay for the National Disability Insurance Scheme, as a fund set up by the former Labor government to finance the scheme will start running down from next year and be depleted by 2019-20.

The NDIS, which will finance support services for people with disabilities and their families, is budgeted to cost about \$22bn a year once it is fully operational from 2020, or about 1 per cent of GDP, with responsibility divided between the commonwealth and the states.

The main funding for the scheme — the increase in the Medicare levy from 2 per cent to 2.5, which was included in former Labor treasurer Wayne Swan's final budget, and cuts to other disability programs — will only cover its cost to 2016-17, with a shortfall growing beyond that.

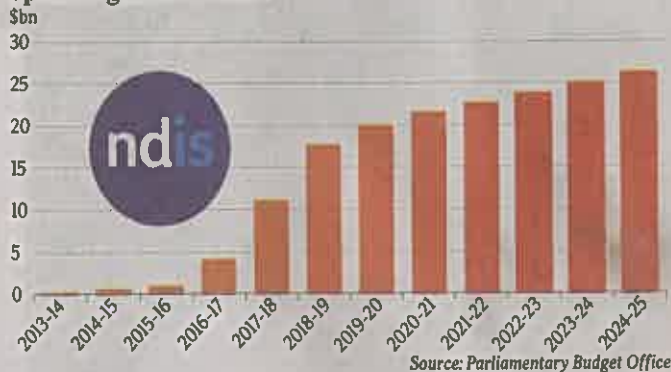
Social Services Minister Christian Porter said yesterday that the government remained fully committed to implementing the NDIS and was working to provide the scheme with sustainable support from savings.

"We are not funding the NDIS gap from borrowings or by raising more income tax or any other general levy," Mr Porter said.

The prospect of deficits stretching into the next decade led Future Fund chairman and former treasurer Peter Costello to caution yesterday against his own fund being run down to cover shortfalls.

"On one view, if you draw down heavily and there were large unfunded liabilities, you'd exhaust your capital over a period of time,"

## Spiralling annual costs



## INSIDE

**The real battle over the Future Fund will be Peter Costello's attempt to keep the politicians' grubby fingers off the nation's money.**

JOHN DURIE  
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Mr Costello said. "On another view, you could have a permanent life and still make some contribution to the government."

This year will be the first time that the full cost of the NDIS is reflected in the budget forward estimates which will cover the four years to 2019-20. The shortfall will keep rising beyond that, with Finance Minister Mathias Cormann saying it is expected to reach \$8bn by 2028-29.

Deloitte Access Economics partner Chris Richardson said that with the increase in the Medicare levy and cuts to other disability programs failing to cover the cost, other savings would have to be found.

"The problem is that the cost of the scheme takes off like a rocket but the revenue from the Medi-

care levy increase and cuts to other disability services follow a flat line — that only works for a while," Mr Richardson said.

He said that while there was a strong argument that a rich nation such as Australia should have a scheme such as the NDIS, the community had to accept the need to pay for it either through cuts to other spending or through increased revenue.

The cost of the scheme escalates rapidly from \$1.1bn this year, to \$4.3bn next and \$19.2bn by 2018-19. An analysis of the cost, prepared by University of Sydney professor Richard Madden, shows that the increase in the Medicare levy and cuts to existing disability programs will exceed the costs of the scheme by \$6.5bn in the start-up phase through to 2016-17.

Under arrangements established by Mr Swan in his final budget, this excess is put into a fund — the Disability Care Australia Fund — to cover future NDIS costs. However, the fund has little effect on the hit to the budget from the NDIS, with drawings counted as budget spending.

The budget does not treat funds as if they were drawing on

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