# 3.5 Letter from independent actuary

Australian Government
Australian Government Actuary

22 September 2026

Mr Kurt Fearnley AO
Chairman
National Disability Insurance Agency

Dear Kurt

**JUNE 2026 FINANCIAL SUSTAINABILITY REPORT – FINAL**

I am currently undertaking my review of the 2026 Financial Sustainability Report (FSR), as required by s180E(2) of the *National Disability Insurance Scheme (NDIS) Act 2013* (the Act). This letter summarises my preliminary findings as they relate to the financial sustainability statements presented in the draft Annual Report. The draft Annual Report presents a four-year experience-based projection and a final projection after allowing for the effect of Scheme reforms announced in the most recent Budget.

The experience-based projection illustrates the Scheme costs, excluding operational costs, largely assuming recent Scheme experience will continue, and that the impact of Sustainability Initiatives is fully recognised in the recent experience (i.e. no further impact is expected from these initiatives). I commend the introduction of an experience-based projection this year. This projection should exhibit a high level of continuity with recent experience. Overall, I regard the experience-based projection as being in the range of reasonably likely outcomes, however there is considerable uncertainty regarding the actual level of future Scheme expenses. There are some aspects of this projection which, I believe, may present additional risk that the actual Scheme expenses will exceed the projected expenses. Specifically: 1) The projection incorporates moderation of the number of new entrants with autism aged 0-14 where this experience has not yet emerged. 2) The projection may understate residential aged care costs as these costs are not assumed to grow in the same proportion as the number of participants aged over 65. 3) The outlook for inflation in the broader economy remains highly uncertain and no allowance is made for future wage decisions attributed to Gender Undervaluation. 4) Additional growth in committed supports is projected to reduce from 3.5% in 2025-26 to -0.7% in 2026-27. 5) The projection gives full credibility to the lower number of transitions into the high core support cohort in 2025-26. Given the high average expenditure of this cohort, the projection is sensitive to the assumed transition rate into the high core support cohort. This part of the projection is therefore dependent on the Agency considering the processes that led to the 2025-26 experience and ensuring this experience is repeatable.

The experience-based projection is then modified to allow for future Scheme reforms to result in the post-reform projection. The modifications aim to generate savings that are in line with those announced in the 2026-27 Budget, adjusted for timing changes and amendments made to the Bill in August 2026. This is achieved by adjusting the assumptions in the projection model. The post-reform projection is one scenario by which the announced savings may be achieved. At the time of writing, I have not yet been provided with sufficient detail to allow me to comment on whether the post-reform projection represents a best estimate of Scheme costs after the reforms are implemented.

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The likelihood of the post-reform projection occurring in practice is dependent on the implementation of the reforms by the Agency and the Department of Health, Disability and Ageing in a manner that produces impacts that are similar to those incorporated in this projection. I recommend the Agency and Department develop and share detailed plans underpinning the reforms that allow the Scheme Actuary to support (or amend) the assumptions made. This should also include input from the Executive Leadership Team (ELT), as has occurred in determining the experience-based projection.

I also note that implementation of the reforms will require a significant level of resources over the short term. Incorporating projected operational costs to reflect the activity that is required would strengthen the information provided and capture any offsetting of lower Scheme expenditure with higher operational costs. I recommend the Agency develop an activity based operational cost model to be included in future projections.

The absence of supporting plans for the Scheme reforms, the identification of dependencies (within and across agencies, departments and jurisdictions) and the analysis of resources required to implement those plans (operational costs and human resources) means it is not possible to opine on the degree to which the post-reform projection represents a best estimate of future outcomes. The Scheme reforms create additional uncertainty. The ongoing monitoring of the emerging experience against that which is expected across all reforms is now even more important than it was 12-months ago.

Scheme reforms are seeking to address financial sustainability pressures by reducing growth in expenditure to between 5% and 6% per annum in the medium term. The Annual Report presents a short-term projection. We will provide a more detailed review, including of the medium-term projections, in our report on the Scheme Actuary's Annual Financial Sustainability Report.

Whilst cost is a key element of sustainability, the NDIS Rules also require that the FSR reports on participant outcomes. Scheme sustainability is supported by both the quantity and quality of the Scheme expenditure. I expect the FSR will increase its focus on participant outcomes over time.

I will write separately on my review of the full Financial Sustainability Report.

Yours sincerely



Guy Thorburn
Reviewing Actuary, Australian Government Actuary