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A BETTER TRACK FOR THE NDIS

Fix the flaws that caused blowout

Pru Goward

ECONOMICS

THE CENTRE FOR INDEPENDENT STUDIES

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Contents

Introduction

The National Disability Insurance Scheme (NDIS) has delivered significant benefits to people with disabilities and their families, including improved quality of life, greater participation in employment and community activities, and enhanced support for carers. However, despite these achievements, the scheme is now widely regarded as financially unsustainable, inconsistent in its application and uncertain in its delivery of value for money.

The reforms proposed in Health Minister Mark Butler’s late April National Press Club speech are a major course correction that highlights the financial unsustainability of the scheme and the need to reduce expenditure growth. He warned that a majority of Australians believe the NDIS is broken and in danger of losing its social licence, and acknowledged that even containing growth to 8% was difficult — and yet would not be sufficient to ensure the NDIS’s sustainability.

In early 2024, the government introduced the National Disability Insurance Scheme Amendment (Getting the NDIS Back on Track No. 1) Bill that was supposed to usher in reforms to make the scheme sustainable.

Despite the subsequent reforms undertaken in 2025, the scheme’s Actuary has warned of a further $13b “blow out” over the next four years. In his speech, Mr Butler pledged to reduce nominal expenditure growth to 2% per annum over the four-year Forward Estimates, before returning to 5%.

He conceded that inflation over the next four years will be "jumping around a bit" and it is clear that overall, the government will reduce NDIS expenditure in real terms. This will require extraordinary reductions in spending which will take enormous conviction, courage and speed of implementation.

While the government’s growth targets are unambiguous, the proposed changes to achieve them are not. Further detail will be required before anyone, including the members of parliament who will vote them into law, can be confident the measures will achieve their stated purpose.

The Minister has identified several areas of reform, most significantly improving eligibility rules to reduce the number of participants, expanding mandatory provider registration and improving the integrity of the current payments system. He alluded to other measures that will require negotiation with the states, and little detail was provided.

Although the Minister highlighted the extraordinary growth in the social and community participation supports budget, from $4b to $12b in four years, exactly how this “runaway” cost could be reduced is unclear. The speech was strong on admiring the problem but short on remedies.

Clearly, the government now accepts that the number of participants in the NDIS needs to be reduced. Formerly, it has consistently baulked at the eligibility assessment hurdle and it is welcome news that eligibility will now be decided by standardised, evidence-based assessments of a person’s functional capacity, consistent with the legislation.

The previous practice of allowing immediate entry entirely on the basis of diagnosis for certain conditions, will also cease. Those conditions have included severe cerebral palsy, quadriplegia and mental disorders including schizophrenia and Levels 2 and 3 autism.

While unstated by the Minister, the area of greatest controversy is the diagnosis of L2 autism; there has never been much doubt that severe non-verbal autism, cerebral palsy and quadriplegia contribute to a substantial reduction in function. The requirement that eligibility be based on functional assessments of all conditions is heavy-handed; because some self-evidently involve serious impairment. However, as I outline later in this paper, there has long been a need for such assessment in the case of conditions where the degree of impairment is less clear.

The unanswered question is who will conduct those assessments. Will they be assessors employed by the NDIA, in line with the assessment of NDIA supports and Disability Support Pension applicants, or will they continue to be clinicians and allied health professionals employed by applicants? Treating clinicians would no doubt claim they already base their diagnosis primarily on evidence-based functional assessments. After all, there are no brain and body scans or blood tests that incontrovertibly diagnose many conditions, including L2 autism. For conditions that do not allow for automatic entry, such as PTSD and various forms of arthritis, independent assessment will also be necessary.

If the government fails to require that eligibility assessments are conducted by independent professionals, it is difficult to see how the new eligibility rules will reduce the number of participants from the forecast of well over 900,000 participants (and annual cost of $70b by 2030) to the government's desired number of 600,000 participants.

The government's stated determination to lift the integrity of the payments system is welcome and long overdue. An online payments system that required providers and self-managed participants to provide proper invoices was recommended in 2024 and is apparently still not in operation. The development of high-integrity large online payment systems that are also user-friendly is an enormous task, particularly for one of this scale. Designing and training providers to use such a system is the work of several years. If the government wishes to reduce expenditure growth to 2% within a year, interim, old-fashioned methods such as random audits will be necessary, along with provider education and the very public shaming of providers found to be defrauding the NDIS.

The government says it is also keen to reduce fraud by requiring the registration of a greater number of providers; however, the number is unspecified. Registration does not guarantee a reduction in fraud and again, should be accompanied by random audits to ensure proper service delivery. It is disappointing that the government has not required all providers who work directly with participants to undergo safety screening and has overlooked the large number of unregistered therapists providing therapeutic supports to participants. These represent significant financial and also clinic risk; to ensure professional standards, all therapists funded by the NDID should be registered.

This paper argues that the NDIS's current predicament stems primarily from fundamental design flaws in the original legislative framework, compounded by shortcomings in implementation. In particular, the NDIS's rights-based approach — initially centred on the provision of "reasonable and necessary" supports — lacked clear financial boundaries, consistent definitions, and robust mechanisms for assessing value. This created strong incentives for over-diagnosis, over-provision of services, and expansion beyond the scheme's original intent to support a relatively small proportion of the population with severe and permanent disabilities. The recent move to "reasonable and necessary plan budgets" has also not been accompanied by greater definition and clear financial boundaries.

As the government has now acknowledged, the scheme now supports significantly more individuals than anticipated, with costs escalating rapidly and outpacing other major social programmes.

This growth has been driven by high entry rates — particularly among children and individuals with psycho-social or developmental conditions — low exit rates and increasing average support costs per participant. Together, these factors have placed substantial pressure on the federal budget and raised concerns about long-term fiscal sustainability.

The purpose of this paper is to understand how these failures of financial sustainability, value for money and fairness have occurred. That is, why a national scheme intended to support less than 3% of the population or only those with severe disabilities, has in less than a decade, exceeded all forecasts of its rate of expenditure growth, including those once regarded as the most outlandish.

NDIS budget growth has occurred at such a rate the scheme is now on par with, or exceeds, other social support programs for larger, vulnerable populations and even universal schemes such as Medicare.

The paper further highlights weaknesses in eligibility assessment processes, including reliance on treating clinicians but also the broad interpretation of key criteria such as "permanency" and "functional impairment". The minister considers Administrative Review Tribunal and Federal Court decisions have limited the government's ability to improve the Scheme; all the more reason the government should amend the legislation and reduce the capacity for legal adventurism.

Finally — and separate to the notions of value for money and financial sustainability — is the matter of consistency and fairness, another essential feature of good public policy. The electorate must have confidence in the scheme. Access to the NDIS and the provision of supports have been inconsistent, often disputed and unfair.

This has required an entirely separate section of the Commonwealth's administrative law review body, the Administrative Review Tribunal (ART) — formerly the Administrative Appeals Tribunal (AAT) — to address the failings of the agency and the Act itself. These include the resolution of unmet or perhaps unreasonable expectations of participants and their families.

In 2023-24, the most recent year for which figures are available, although 86% of the AAT's work involved immigration and refugee cases, NDIS reviews made up 4% of the AAT's workload, the second-highest share.[1] AAT, ART and Federal Court decisions have significantly broadened the scope and therefore the cost of the NDIS, and legislative remedy has not been applied.

The factors driving the scheme's other basic public policy failures, to deliver value for money, consistency and fairness for participants, are reviewed separately and corrective policy options explored.

Addressing the many perverse incentives in the NDIS, created by the legislation's rights-based approach and lack of a clearly-defined financial framework, must be central to reform. The outcomes of the scheme's perverse incentives include, but are not limited to: over-diagnosis of psycho-social and psychological disabilities; failure to ensure participants, children and those with treatable (that is, non-permanent) conditions and the elderly, are supported to exit the NDIS; and the over-provision of supports or the provision of supports of doubtful benefit.

While recent reforms have begun the task of improved financial accountability, there is much more to be done. There is no clear financial framework with appropriate guardrails around the scheme's foundational principles of "reasonable and necessary" and "choice and control". Independent and consistent assessment processes for both the determination of eligibility and access to paid supports of evidence-based value, would reduce the risks of over-diagnosis and over-provision of supports. These are essential features of a financially-sustainable system.

To address these challenges, the paper proposes a comprehensive reform agenda aimed at restoring sustainability, accountability, and fairness. Key recommendations include the introduction of standardised and independent eligibility assessments, clearer legislative definitions of support criteria, stronger evaluation of therapies and services, enhanced financial oversight, and a greater emphasis on early intervention pathways to reduce long-term reliance on the scheme.

Overall, while the NDIS remains a vital component of Australia's social policy framework, substantial reform is required to ensure it can continue to deliver meaningful support to those most in need in a financially sustainable and evidence-based manner.

Mr Butler's speech confirmed everything people feared, and it is now clear the NDIS is even further off track. However, his aims to rein in numbers and cost cannot be achieved without words being turned into action.

This paper presents details of the reforms needed for a better track.

NDIS background and history

The unsustainability of the NDIS stems from flaws in its legislative framework and, compounding those flaws, poor implementation.

The NDIS Act was legislated by the Gillard government in 2013. It commenced national operation in 2020 after the completion of several trials and bilateral agreements with the states and territories, which until then had been responsible for housing and caring for people with disability.

The genesis of the scheme lies with the Commonwealth's treaty powers. When Australia ratified the UN Convention on the Rights of People with Disabilities in 2008, a significant additional cost fell to the states and territories. Not only did the states and territories now require more funding to provide appropriate and aspirational support for individuals, the Disability (Access to Premises–Buildings) Standards 2010 (Building Standards) also required the states and territories to meet the requirements of the UN Convention. In 2002, the Disability Standards for Accessible Public Transport 2002 (Transport Standards) had begun the process of upgrading public transport infrastructure, but ratifying the Convention conferred an obligation on Australia to upgrade its public infrastructure.

Under the National Disability Agreement (NDA) 2008, revised 2012, Australian states and territories became responsible for upgrading public transport and building access to meet the requirements of the UN Convention. The states and territories buckled under the cost, which included significant investment in upgrades, such as elevators and wheelchair accessible ramps at every train station. Local government was also required to upgrade its infrastructure, as were large commercial premises.

During, and following ratification, the federal parliament also mounted several parliamentary inquiries examining the plight of Australians with disabilities. The terrible circumstances in which many people with disability lived were publicly well-ventilated at the time as part of intensive awareness raising by disability rights and support groups.

In 2007, the Senate Standing Committee on Community Affairs identified significant unmet need for specialist disability services and recommended additional funding for accommodation and support. This was followed by the Inquiry into Disability Discrimination and Other Human Rights Legislation and Amendment Bill. There were also inquiries into access to premises in 2009 and into the migration treatment of people with a disability. These inquiries took a rights-based approach to the reform of disability services, rather a public-policy approach that would have balanced those rights with affordability, individual responsibility and sustainability. Even the language of the Productivity Commission's 2011 Inquiry, which concluded that the existing disability support system was "underfunded, unfair, fragmented and inefficient" inferred a rights-based approach that prioritised the choices of the individual and supported their aspirations over the need for a more measured scheme based on financial sustainability.

As a result, and in combination with states and territories raising repeated concerns about the cost of meeting obligations they had played no role in negotiating, the federal government elected to take responsibility for an insurance scheme to support people with disability. The NDIS has never been an insurance scheme in the usual sense but is instead an assistance scheme. While its architects might have pledged it would increase overall productivity by giving people with disabilities and carers the chance of more paid work, it has instead created a large care-sector workforce that is sufficiently well-paid to enable existing carers to remain carers and drawn workers away from other parts of the economy, contributing to declining productivity.[2]

Unsurprisingly, the states and territories welcomed the transfer of their responsibilities for the care of people with disabilities to the federal government's NDIS. They continued their investment in public infrastructure upgrades. It should be noted that many western countries, including the United Kingdom and France, have still not completed refitting their public infrastructure to meet their Convention obligations.

The Gillard government's 2013 legislation more closely reflected the rights-based and aspirational tone of the UN Convention in a way governments had not done previously, with, for example, the Convention of the Elimination of Discrimination Against Women.

In the case of the operating principles and frameworks in the National Disability Insurance Scheme Act (2013), there is no clear guidance regarding the degree to which value for money (for participants as well as taxpayers) should be balanced against the ambitious objects and requirements of the Act. In 2024, more detailed additional operating rules were legislated; but while the NDIS Operational Guidelines advise the costs and benefits of supports need to be considered,[3] the legislation and its supporting documents do not provide further definition or measurement of value for money.

The National Disability Act has two functional elements; eligibility for the scheme and the provision of benefits. Other legislation concerned with the provision of financial benefits, such as the Social Security Act, is heavily focused on definition and measurement of eligibility and payments received.

In the case of NDIS eligibility, applicants must be aged less than 65, be Australian citizens or equivalent and has a disability that is attributable to one or more impairments that is permanent and:

24 (c) the impairment or impairments result in substantially reduced functional capacity to undertake one or more of the following activities:

(i) communication;

(ii) social interaction;

(iii) learning;

(iv) mobility;

(v) selfcare;

(vi) self-management; and

(d) the impairment or impairments affect the person's capacity for social or economic participation; and

(e) the person is likely to require NDIS supports under the National Disability Insurance Scheme for the person's lifetime.

Significantly, establishing the applicant's functional capacity and demonstrating it is substantially reduced may be determined by the Applicant's treating clinicians or an allied health professional of their choice.

The provision of benefits for people with disabilities, particularly profound disabilities, is difficult to determine and measure. Similarly, many supports are not easily evaluated — particularly psycho-social supports, but also those associated with daily living, such as gardening, housecleaning and personal care. This evidentiary difficulty does not mean it should not be attempted. The NDIA's attempt to do so, the NDIS Evidence Advisory Committee, was belatedly established in April 2026.

The National Disability Act's operational centrepiece has been (until 2024) the right of NDIS participants to receive government funded "reasonable and necessary supports". While this term does not appear in the UN Convention, *reasonable* accommodation is referenced, to ensure that people with disability enjoy equal rights with others. Denying such accommodation is considered discriminatory. Similarly, the UN Convention specifies that people with disability should be able to exercise their legal rights, as well as to receive community, residential, in-home and rehabilitation services, as *necessary*.

The NDIS Act heavily borrowed from these concepts in its general principles, S 4, where it declared that reasonable and necessary supports should support the pursuit of goals and independence, enabling those with disability to be fully participating in the community and employment.[4]

These are far-reaching and ambitious ends, capable of a wide range of clinical meaning and legal interpretation which is unqualified by the requirements of overall affordability.

Reasonable and necessary supports were defined in Section 34 of the NDIS Act, requiring that a funded support *"address the needs of a participant…goals and aspirations…facilitate social and economic participation… be effective and beneficial".*

These requirements had a clear emphasis on the rights of the participant and are expressed in those terms. Absent were the overriding public-policy qualifications that limited these rights to what is affordable and reasonable for governments, with limited resources and other competing responsibilities, to provide. The rapid growth in support expenditure until 2025 could fairly be placed at the feet of this section of the original Act.

Despite the many shortcomings of the legislation, it was well set up to test design flaws through the transition phase, when disability services and those people living in state or territory funded group homes were transitioned to federal control. During this period, 2013 to 2016, several pilot NDIS schemes were established in various regions. These were intended to inform NDIS designers of operational difficulties and to identify risks and unintended consequences. The legislation also required the scheme's Actuary to provide Annual Financial Sustainability Reports, (AFSRs) as another source of guidance.

The trial phase finished on 1 July 2016, and the national roll-out commenced shortly afterwards. By 2020, the NDIS was operating nationally, apparently without any review of the pilot schemes (although focus groups provided some consumer feedback). Early design mistakes and cost overruns identified by successive AFSRs during the development period appear not to have been identified or corrected. There is no public reporting of the National Disability Insurance Agency (NDIA) response to these reports.

The trials were a lost opportunity to make the NDIS sustainable and assure value for money before consumers and potential consumers began to adapt their expectations to the scheme's aspirational and unlimited horizon — at which point, change at the political level became more difficult and expenditure rose rapidly. That the NDIS has now been reviewed and is being reformed is commendable, but it has taken years of unheeded warnings before a government chose to act. There is more to do.

The NDIS Act of 2024 provides more value for money caveats. Several support types are no longer eligible for funding and a Fair Pricing Mandate for all providers has been introduced to prevent providers charging the NDIS more than reasonable rates. Therapy supports have moved to a single national price, now aligning with Medicare and private health standards. There are also more explicit requirements that participants ensure their plan's funds are spent only on authorised NDIS supports.

The most significant of the 2024 reforms relates to the determination of support funding. The previous reliance on the concept of *reasonable and necessary* support is now described as the 'old framework'. This framework is being phased out, and participants are transitioning to a new supports planning framework. In this new framework, a reasonable and necessary participant plan budget is determined by NDIS assessment, not on advice from allied health and clinical professionals who may be the participant's treating professional. The concept of 'reasonable and necessary support' has been superseded.

The new Rules stipulate that the NDIA will calculate a participant's *reasonable and necessary budget*, drawing on a needs assessment conducted by an Agency funded assessor in cooperation with the participant. Presumably, the term reasonable and necessary has been retained and applied to a participant's supports budget to keep faith with the original rights-based approach. Once support needs are determined by an assessor, the Agency's internal budget method rules are applied and a reasonable and necessary Budget established. Needs assessors will be trained and answerable to the NDIA (they should also be independent of the participant).

These new rules divide the participant's plan into stated and flexible supports with assigned pricing limits to determine an overall plan budget. No criteria for determining a reasonable and necessary plan budget for a participant's needs are provided, other than the requirement that each support be directly linked to impairment(s) the NDIA has agreed were the basis of the participant's entry to the NDIS.

While these new provisions may reduce the costs of participants' plans, they also invite litigation. If participants believe the funded supports prevent them from achieving their *goals and aspirations* (one of the Act's objects) or that supports related directly to their functional impairment have been wrongly excluded, or that the budget assigned is insufficient to be reasonable and necessary. Some participants or their families will be better than others at negotiating which supports may be included.

The scheme's overriding commitment to enabling people with disability to enjoy full social and economic participation and pursue their goals and ambitions remains as the object of the act, qualified by the Act's stipulation that *"regard is to be had to the need to ensure the financial sustainability of the NDIS".*

No definition of financial sustainability is provided in the legislation and there is no guidance about what or how '*regard'* is to be had. Since the NDIS is structured to currently provide personalised supports for around 750,000 people, any requirement that the decision-maker (at the individual participant level) ensure the scheme's overall financial sustainability is an impossible task. The requirement for financial sustainability, although quoted in vain by the NDIS at ART and court hearings, has no obvious application. In other words, while the NDIA is required to ensure the NDIS is financially sustainable, and the legislation requires the NDIA and the scheme Actuary to have regard to it, the legislation provides no mechanism for this to occur in a system where the overall financial outcome is the summation of financial decisions made at the individual participant level by assessors and then by the application of a pricing model.

The desired outcomes for participants rest on receiving supports that are beneficial to their goals and aspirations. These include the provision of a wide range of carer support hours (for housework, shopping and social excursions, for example), therapies and capacity building supports. Some previously-funded therapies have now been proscribed, although music and art therapy remain permissible, despite the NDIS advising they "do not meet the evidentiary standards required". The NDIS Evidence Advisory Committee (NDIS EAC) has advised it will consider this further. There is no financial limit applied to a participant's plan.

While the NDIA will apply its new pricing model to cost supports, parents — desperate to see their child's functionality improve — may press for novel therapies they hope will make a difference to their child's life. Testing the application of the 'reasonable and necessary plan' budget rules for daily living and therapeutic supports is not straightforward even if they are directly related to an impairment.

If the concept of reasonable and necessary plan funding is now the central commitment of the legislation — as seems to be the preference of the government — the concept of 'reasonable and necessary' requires further legislative definition. Only then will there be adequate guidance for NDIS assessors, participants and their families without recourse to expensive and uncertain litigation. In the absence of more stringent definition of a reasonable and necessary budget, no doubt the Federal Court will be kept as busy as it was in the early years of the original Act, when it sought to define reasonable and necessary supports on behalf of a government which had overlooked the need to do so.

Choice and control is another principle built into the legislation that has had unintended outcomes. Giving people with disability choice and control, in the same way as people without disability have choice and control in their lives, is a fine ambition — and again, reflects the rights-based approach. It grants participants the right to manage the money provided for their supports as they see fit, to elect to manage their authorised plan funds — which may amount to hundreds of thousands of dollars annually — as they choose. This includes the selection of care workers, therapists, equipment, technical aids and housing. Despite the application of a pricing model to the determination of a plan budget, self-managing participants may also negotiate higher costs than the NDIS Pricing Arrangements allow, within the budget envelope. If the participant is unable to manage their budget, a designated family member may do so. This is quite unlike any other demand-driven benefits scheme and has historically enabled around 90% of participants to manage their money independently of the NDIS, either directly or with a plan manager. Although they are required to acquit the funding satisfactorily, financial mismanagement — and potentially abuse without commensurate benefit being enjoyed by the participant — has occurred. In March 2026, the NDIA advises, the establishment of a 24-agency Fraud Fusion Taskforce (FFT) has seen a substantial increase in criminal convictions, (23 convictions between 2022-2026), gaol sentences and disruption[5]. Overall savings have amounted to $880m. Subsequently, the NDIS parliamentary committee has been tasked with investigating fraud and non-compliance.[6]

Financial unsustainability

While the NDIS Act requires the scheme to have "regard to ensuring its financial sustainability", it does not define it. This should be rectified. However, both the scheme's Actuary and the NDIA are required to report annually on financial sustainability and have, in the absence of guidance, developed their own definitions.

Actuarial reports assess NDIS sustainability, identify risks and estimate future expenditure. While actuarial reports have never declared the NDIS to be unsustainable, a political rather than an economic or actuarial term, they invariably point to financial pressures, risks and rapid increases in NDIS expenditure. The NDIA's reporting has determined sustainability by monitoring participant and government satisfaction with the NDIS.

Financial sustainability is likely to be a challenge for any unrestrained, demand-driven benefits scheme. It is not the first time financial sustainability of a demand-driven scheme has become a critical issue; as the Total and Permanently Incapacitated (TPI) scheme serving World War Two veterans became increasingly generous over the late 1950s to 1970s, claims that the TPI pension was being 'rorted' or 'milked'[7] led to the overhaul of veterans' entitlements in 1994.

Despite lack of definition, there is repeated inference in both the Actuarial and NDIA annual sustainability reports that sustainability is demonstrated by the readiness of governments to continue to fund it. The electorate determines, intuitively and inchoately, whether they consider the NDIS to be satisfactory, and then governments decide the terms on which it will continue to be funded.

Undoubtedly, rising levels of public dismay about the scheme's cost have driven the present government to consider modifications to the NDIS to recover its sustainability.

Financial sustainability is more easily understood by what it is not. Generally, expenditure growth is considered unsustainable when one or two conditions hold.

First, when it continues to grow faster than government revenue or population, thus taking up a greater share of a government's budget each year, crowding out other government funded programs and contributing to government debt. Crowding out brings political pressure from other interest groups, while the end point of expanding government debt is higher interest rates and the ire of the bond market.

Second, if this expenditure growth has been unintended — that is, government forecasts of program expenditure (such as the NDIS) have underestimated real expenditure growth — perverse incentives such as over-diagnosis and treatment, fraud, administrative mismanagement or a combination of all three are the most likely contributors. In other words, a continuous gap between expected and actual expenditure, where actual is always the greater, is an indicator of fundamental flaws in a program's design and execution.

Significant levels of perverse incentives, fraud and administrative mismanagement in any undertaking — private or government — are unacceptable to shareholders and taxpayers alike. Such an undertaking is financially unsustainable, meaning the situation cannot continue.

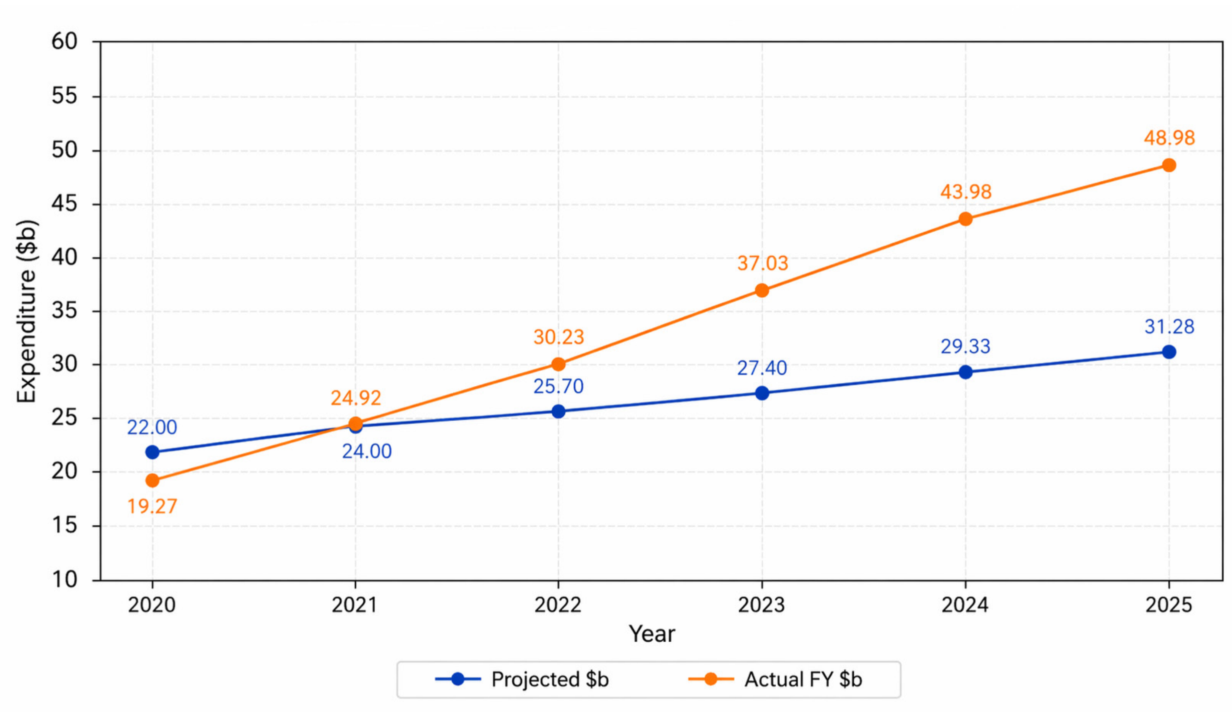
In the case of the NDIS, crowding out, pressure on government debt levels and unexpected and perverse outcomes have all occurred, confirming financial unsustainability derived from all three.

From the time of its conception, costs associated with the NDIS have been consistently revised upwards. As Professor Andrew Baker observed in his 2012 paper, *The New Leviathan: A National Disability Insurance Scheme,* estimates had already been revised upwards from $11 billion to $15b between 2011 and 2012. This revision had occurred well before the NDIS became fully operational in 2018-19. By then, the scheme's actuaries had been forced to revise upward again, estimating the cost at $22b annually for 411,000 participants. As another example, see Figure 1 for the difference between the projections made in 2016-17 and the actual costs in those financial years.

Considered grossly pessimistic at the time, Baker's paper estimated that by 2023-4, the NDIS would provide funded supports for around 500,000 (not 411,000) participants at a cost of $29.5b per year. The NDIS total cost was made up of supports and administrative costs of the more than 8,000 public servants running the scheme.

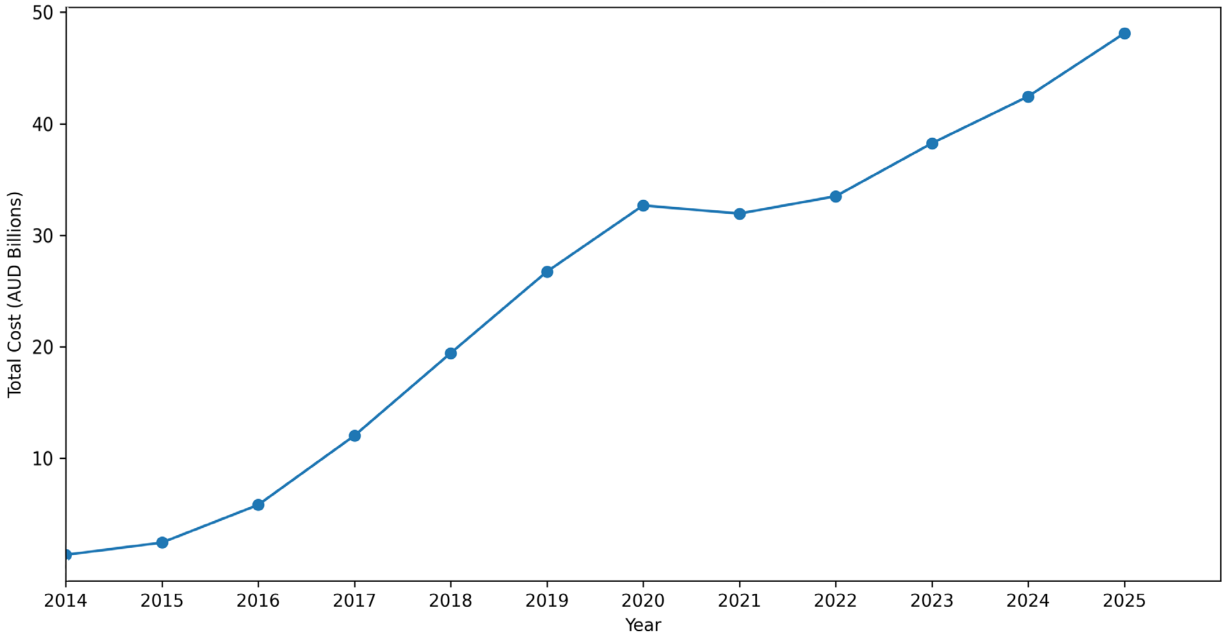
In fact, by 2024-5, all earlier forecasts, including Baker's, were demonstrably under-estimates; NDIS actual running costs were over $48b and forecast to be $58b in 2027-8. In these circumstances, Baker's estimated expenditure figure in 2012 of $29.5b would have been extremely welcome news.

Figure 1: 2016-17 NDIS Projected vs Actual Expenditure ($b)



Sources: NDIS Annual Reports, Annual Financial Sustainability Reports

Figure 2: Growth in NDIS Total Cost (2014-2025)



Sources: NDIS Annual Reports, Annual Financial Sustainability Reports

From the time the NDIS became operational in 2020, actuarial estimates of the expected participant population became more realistic, in fact overshooting the actual figure in several years. Similarly, expenditure projections became more realistic.

Despite this, by 2020 the NDIS was growing well ahead of expectations. The reform measures subsequently introduced are expected to yield savings over time, but not (initially) reductions in the number of participants.

The history of the NDIS is replete with examples of under-estimated expenditure growth; another one will not go astray. The scheme's own internal AFSR was initially for a total budget of $59.3b by 2030.

Other actuarial projections, such as Taylor Fry, forecast expenditure in 2029-30 to be somewhere between $52.2b and $74.2b and considered the AFSR forecast was optimistic. Today, AFSR's projected forecast is $89.4b by 2031-32. Projected expenditure is, on the estimate of the Government Actuary, now expected to reach $125b by 2034.

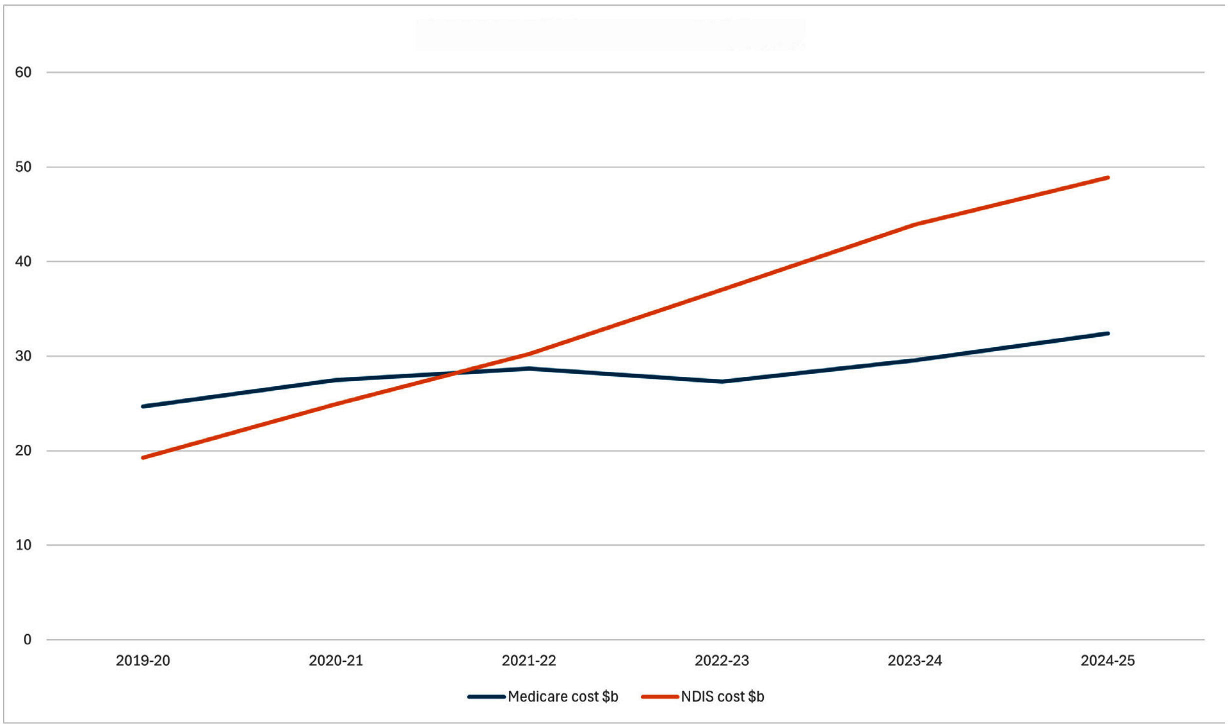
Other social support schemes have been, by contrast with the NDIS, more contained. Over the four-year period to 2027-28, Federal Treasury forecasts Medicare payments to rise to $71.1b (17% growth). Notably, Medicare is a universal scheme for 26 million people and an ageing population, while the NDIS serves a small share of the population of those under 65, with the addition of some who have aged in the NDIS but elected to remain in it after the age of 65 — in total around 2.8% of the population.

Despite Australia's ageing population, spending on aged care services, for example, increased by a modest 28% between the six years from 2018-19 to 2022-23. NDIS spending doubled in that time.

The expenditure of this older group is estimated to be around $0.5b. Over the years, actuaries have noted that although people reaching 65 years had the option of leaving the NDIS for the aged care system, few did so.

Even if NDIS expenditure was contained to the 8% per annum announced as part of the government's 2024 reform package, growth over the forward estimates period would compound to 36% — more than double Medicare's expenditure growth. A 36% growth assumes expenditure can

Figure 3: Rise in Medicare costs vs NDIS costs



Sources: NDIS Annual Reports, Annual Financial Sustainability Reports

be curtailed. Notably, recent reforms to the NDIS are expected to slow the rate of expenditure growth. The AFSR 24-25 report of NDIS expenses establishes that 2027-28 expenses are now likely to be a mere $58.126b, $200m less than expected before the reforms commenced. However, by 2034-5, the reforms will have reduced anticipated expenditure only by just over 4%.

The government has most recently announced its determination to restrict expenditure growth to 2% per annum for two years. This is less than inflation and implies a real reduction in expenditure.

While the Minister has outlined some of the mechanisms intended to achieve such a dramatic reduction, releasing the modelling would have provided greater transparency to the community and the sector about how these mechanisms will operate.

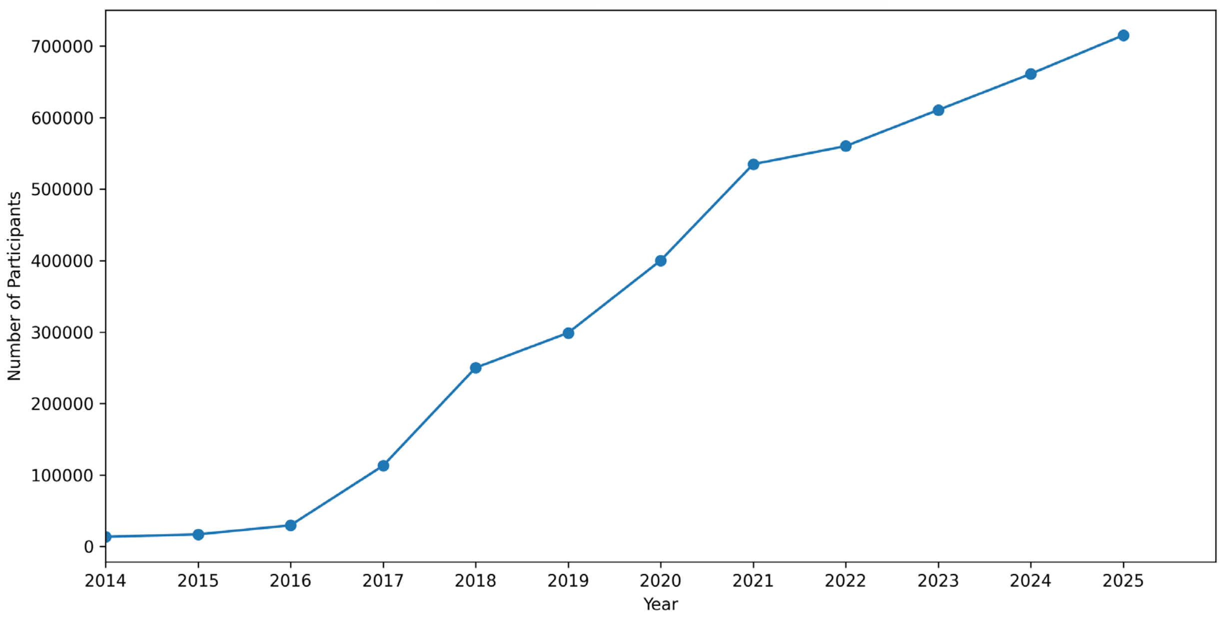
Transforming from a scheme growing at rates of ten or twelve percent, to one shrinking in size, over the course of two years, is a significant and courageous ambition.

Under-estimates of expenditure increases are matched by under-estimates of participant numbers. In 2012, participants in the NDIS were anticipated to be around 411,000 by the time the scheme commenced nationally in 2020. In fact, by mid-2020 just under 400,000 were enrolled, but numbers escalated from there.

Over 2021 and 2022, NDIS numbers grew by 15% and 14% respectively; by June 2025 they reached 739,414,000 participants. They continue to rise.

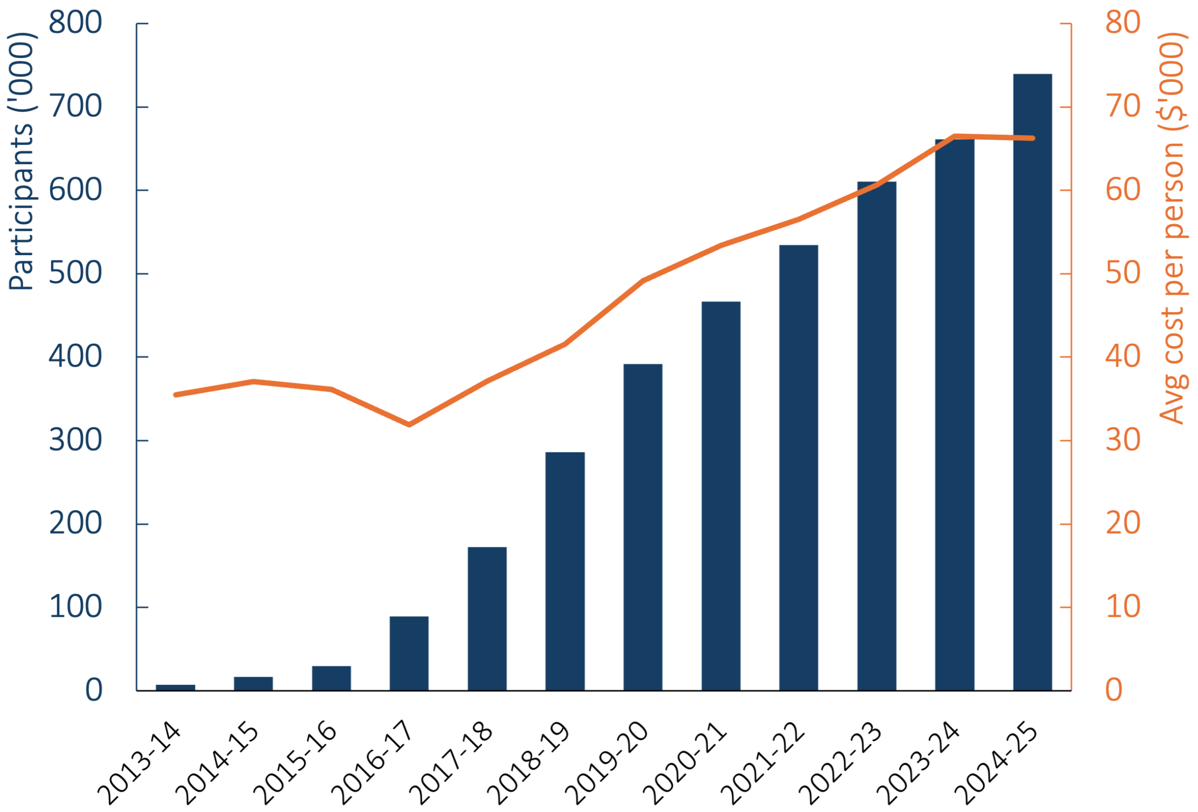
The NDIA now expects the number of participants by June 2026 to be 741,077, yet another increased projection on a few years ago, but the reforms will need to have kicked in fast and hard to contain it even to that number.

Figure 4. Growth in NDIS Participants (2014-2025)



Sources: NDIS Annual Reports, Annual Financial Sustainability Reports

Figure 5. Growth in Average Cost per NDIS Participant (2014-2025)



Sources: NDIS Annual Reports, Annual Financial Sustainability Reports

Although the average age of participants is rising as the NDIS ages, government actuarial figures (AFSR) show participants under the age of 18 make up more than half the NDIS population and 20% of overall costs. In the September 2024 Quarterly Report, children made up 69% of new participants.[8] Historically, demand-driven schemes have developed clear and robust cost controls, but it has taken time.

Australia's pension schemes, regulated by the Social Security Act, have developed hundreds of requirements and clauses, all designed to control pension expenses. Inventive anti-fraud programs are a regular part of Social Security's administration and, if like the 'robodebt' initiative, they are over-zealous and punitive, other programs take their place after appropriate periods of discretely apologetic leniency.

Medicare over-servicing and doctor fraud appear to be regulated by a combination of extremely adverse publicity and attendant professional ruin with sophisticated data matching that detects unusual patterns of service.

Medicare provider numbers are carefully limited and the list of eligible medical procedures also tightly contained. These systems have taken decades to evolve — as no doubt will NDIS systems, with the added difficulty of an Act rich in aspiration and purpose as well as vigilant, able and politically-sophisticated advocacy groups.

Risk drivers

Actuarial firm Taylor Fry was tasked with reviewing the NDIS's Annual Financial Sustainability Report (AFSR), in 2021 and identified three key risk factors for financial unsustainability, which have not changed since:

- high rate of increase in the number of NDIS entrants;
- low exit rates;
- declining functionality of participants and the changing volume and breadth of supports.

These are in addition to government inflation forecasts beyond the control of the NDIS.

High rate of increase in NDIS numbers

Admissions

Access to the NDIS requires that an applicant be aged under 65, meets residency requirements and has disability attributable to impairments which are likely to be permanent and result in substantially reduced functional capacity. Not unlike the notion of 'reasonable and necessary', the concepts of permanency and functional capacity are subjective, assessed by clinicians of varying outlooks, professionalism and capacity. They are frequently litigated.

The high rate of increase in NDIS numbers is statistically attributable to the diagnosis of Autism Level 2 particularly, global developmental delay and to broadening eligibility more generally. In the years 2021 and 2022, the number of participants with autism increased by 21% and 18% respectively,[9] [10] far exceeding population growth.

However, the NDIS's annual AFSR identified the unexpectedly high number of children entering the scheme with autism, sensory disorders and global delay as early as 2017-18, well before the NDIS commenced nationally. At that point, an independent review would have been possible. By 2021, it had become too politically difficult for government to address.

Autism at Levels 2 and 3 severity provides automatic entry to the NDIS. The diagnosis must be provided by either a multi-disciplinary team, paediatrician, psychiatrist or clinical psychologist using the Diagnostic and Statistical Manual of Mental Disorders (DSM-V) diagnostic criteria. These assessors, as observed by Professor Steven Schwartz's paper, *Swimming in a Sea of Diagnoses*, are incentivised by government systems that enable treatments for those with diagnosed conditions to be eligible for Medicare or NDIS funding.

Further, since the diagnosis may be provided by the applicant's treating clinician, there is the risk of personal relationships — particularly with an applicant's parents — clouding the judgement of the assessor, no matter how professional or experienced. While it is impossible to identify the over-diagnosis without reviewing every participant's eligibility, these incentives would logically contribute to there being more participants than the NDIS was initially intended to support.

In 2018, 29% of NDIS participants had a primary diagnosis of autism; by June 2023,[11] that had grown to 35% of participants. Of these, 78% were children and 70% of those were male. Notably, 97% of applicants with autism were assessed as eligible for the NDIS, suggesting either generous eligibility criteria or generous clinical assessments.

Applicants are assessed by either psychologists or psychiatrists applying DSM-V criteria. Of those children who were admitted to the NDIS based on a diagnosis of autism, 63%, had an assessment of medium functionality.

The Australian Bureau of Statistics reported a 41.8% increase in autism incidence for the Australian population between 2018 and 2022, mostly among boys. Autism rates for people under 25 (3.1%) are now 10 times higher than for those over 25.[12]

These much lower rates of autism in adulthood cannot be entirely explained by poor diagnosis in later years; they may be explained by over-diagnosis or unreliable diagnosis methods applying to children. Alternatively, the significant gap between childhood and adulthood rates suggests autism is either not always a permanent condition or that parents are more likely to seek a diagnosis for their child than adults are for themselves.

While some researchers, including those at the Australian National University[13] have linked the sharp rise in autism in children to the availability of NDIS funding, other research suggests Australia's rate of diagnosed autism has simply caught up with the rest of the world and that China, South Korea and the USA have higher autism rates. To understand whether autism has been incentivised by the NDIS, a deeper piece of statistical analysis would be required, including an improved understanding about how clinicians apply the DSM-V tests.

Participants with psycho-social disabilities constitute the fourth largest group (after autism, intellectual disabilities and developmental delay). This number includes those with various disorders, such as oppositional defiance disorder and post-traumatic stress disorder, PTSD. Their number grew by 16.4% in a single year from 2018-19 and continues to grow faster than population increase. Again, the assessment of psycho-social disabilities is the responsibility of clinicians engaged by the families.

As with autism, the rapid growth in this cohort suggests that eligibility methodology requires review. This review should seek to establish a consistent and measurable assessment tool, applied by independent assessors or assessors appointed by the NDIA, consistent with the approach now being taken to the funding of supports.

Currently, applicants are required only to provide reports and assessments from clinicians of their choice upon request.[14] The government's decision to stem the tide by establishing a diversionary early intervention program for children, Thriving Kids, may well not achieve its purpose.

While the NDIS approach to the assessment of impairment is based on affording applicants' choice and control, consistent with their human rights, that is not applied in other legislation. The Social Security Act assesses applicants for the adult Disability Support Pension in several ways, but almost always requires applicants to attend a Job Capacity Assessment with a health professional and/or a Disability Medical Assessment with a government-contracted doctor, unless they meet "manifest criteria".

For consistency and fairness, applicants to the NDIS should also be required to undergo assessment with an independent government-contracted doctor unless they also meet "manifest criteria". These are diagnoses already included in the Act's List A which allow for automatic entry to the NDIS upon application, although the NDIS may still require proof of substantial reduction in functionality.

Once a participant in the NDIS, generous support packages are available. There has never been a limit set on the amount that may be spent on an individual, and even the reforms stipulate only that the overall costs of supports be '*reasonable and necessary'*, rather than be capped.

Lack of both independent diagnosis and definition of a reasonable and necessary plan budget risk incentivising over-diagnosis and provision of supports, including expensive supports.

The large number of children now participating in the NDIS constitute a long and expensive projected cost of the scheme. There are no projections available for the child cohort but if they are to remain in the NDIS for the average life span, the cost to government of support, welfare benefits, other government activities foregone or the additional taxation required of future generations, will be considerable.

Recent reform opportunities based on early intervention are designed to curtail the entry of large numbers of children to the NDIS in future years but are far from being nationally operational. Opportunities for improving early intervention and diversion into state-based systems and out of the NDIS are explored in more detail later in this report.

In addition to the increase in autism and other mental health related diagnoses, the NDIS has struggled for overall consistency in access requirements, determined by S 24 of the Act. To meet the requirements of this section an applicant must demonstrate that the impairments are:

1. Permanent; and
2. Substantially reduce functional capacity.

In these two requirements lie some of the expansion in NDIS numbers, but also its variable consistency and fairness. Permanency, for example, is made more complicated by the legislation's proviso that:

> *"an impairment or impairments that vary in intensity may be permanent… an impairment or impairments that are episodic or fluctuating may be taken to be permanent"*.

If impairments vary between not being apparent to being debilitating, or between chronic, episodic or fluctuating, the work of the occupational therapist or assessor in assessing permanency is made infinitely more complex and subjective. Judgement, especially by a treating clinician, may well err on the side of generosity.

It is not known how many of the scheme's current participants have impairments that fluctuate in intensity or frequency, but these qualifications inevitably contribute to the risk of clinicians recommending admission to the NDIS for people who can function well for most of the time. The government should clarify permanency and remove caveats that make the assessment task more difficult, uncertain and subjective.

The meaning of 'permanency' has also been expanded by the courts beyond the notion of permanent damage or limitations. It now includes permanency arising from financial circumstances that prevent the applicant from accessing remedial treatment. This too, had not been envisaged by the NDIS architects.

Of recent note is the AAT 2023 decision in Davis and NDIA, upheld substantially by the Federal Court,[15] which allowed an applicant access to the NDIS because of impairments arising from her obesity.

While the debilitating nature of her impairments was unquestioned, the tribunal found that her impoverished circumstances made bariatric surgery or other weight loss therapy unaffordable, and that the physical risks to the patient associated with the surgery were also significant. On this basis, the tribunal deemed her obesity to be "*permanent*", thus meeting the access requirements.

The decision has opened the door to other access claims based on this expanded understanding of permanency beyond the nature of the impairment itself and may increase numbers in the NDIS. Permanency is an aspect of eligibility that is ripe for reform.

Under S 24 (1) (c) of the NDIS Act, applicants are refused admission to the scheme when they are unable to demonstrate "*substantially reduced functional capacity*"[16] in any one of *communication, social interaction, learning, mobility, self-care, self-management*. The impairment or impairments must also "*affect the person's capacity for social or economic participation".*[17] These terms are defined in the accompanying Rules but remain open to interpretation.

The Act's reliance on functionality requires NDIS applicants to be assessed by occupational therapists and psychiatrists or psychologists in the case of mental or cognitive functionality.

The NDIA frequently disputes the functionality reports provided by applicants. These reports are funded by applicants and are provided by either an occupational therapist or other clinician(s) of their choice, or both. While occupational therapists are professionally qualified, the NDIA does not stipulate a rigorous assessment methodology for applicants to the NDIS. For example, WHODAS 2.0 is a widely used assessment tool for a range of physical as well as psycho-social conditions. It is primarily a self-reporting instrument.

Assessment inconsistency abounds and as ART decisions frequently reflect, access may need to be decided by the ART weighing up competing and very different occupational assessments. Greater standardisation would be of enormous assistance to the NDIS's reliability, improve consistency and fairness and reduce referrals to the ART and courts.

This could be achieved by professional registration bodies and training institutions working with the Quality and Safeguards Commission to develop and implement a coherent and rigorous methodology which may be consistently applied by independent occupational therapists, physiotherapists, psychologists, psychiatrists, paediatricians and other clinicians engaged in this work.

In 2020, the NDIS introduced independent assessments to limit conflicts of interest for clinicians who both assessed, and were paid to provide therapy to, the applicant.

These independent assessments were also expected to provide greater standardisation, objectivity and transparency. This was strongly rejected by the then Labor Opposition and the disability community. Possibly, this explains the current government's reluctance to pursue the same, obvious path.

Today, functional assessments are still provided by applicants' clinicians. For psycho-social impairment, an applicant may rely on several sources of evidence, including self-assessment, to demonstrate their impaired functioning. The NDIA may require the applicant to undergo another assessment by a clinician of their choosing, but the applicant may refuse. These cases are then determined by the ART at considerable cost and delay.

Most recently, the government has announced it will review eligibility requirements further. It is difficult to see how it will reduce the number of participants in any other way.

It is true that the participant's support budget is then determined by an assessor using a standardised NDIA methodology, but if the participant has already been determined to have "substantially reduced functional capacity", there will then need to be funded supports.

The NDIS allows automatic entry to applicants with many well-defined conditions, given the severity of impairments associated with them, such as profound hearing loss, blindness, quadriplegia and severe cerebral palsy. It is not suggested that eligibility criteria for these identified diseases or disorders be changed, however it should be reviewed for less serious conditions such moderate autism.

Exits

The burgeoning number of new entrants is not alleviated by departures from the NDIS. It is for life, with few exceptions. For example, participants over the age of 65, when presented with the option of leaving the NDIS and joining the aged care system, almost always choose to remain in the NDIS. This reflects a combination of perverse incentives; the lack of community-based intensive-care schemes for elderly people living at home, limited aged care packages and means-testing in the aged care system.

NDIS participants are required to leave only if they enter a residential aged care facility. The AFSR of 20/21 projected that the number of participants aged over 65 was projected to rise by 267% between 2021 and 2030, much higher than the 77.4% increase for all younger participants and clearly the result of very low rates of exit. This increase in older participants has been revised upwards again and is now projected to rise by 479.4% between 2021 and 2030, greater than the 135.9% increase for younger participants. Expenditure for this older group is estimated to be $.5b. Participant numbers drive costs.

In addition to an unexpectedly long tail for a scheme that does not take entrants older than 65, children and young people are also over-represented. Despite the provision for early intervention, children rarely exit the NDIS.

S 25 of the Act, which allows access to the NDIS as a form of early intervention for impairments that are permanent or likely to be permanent, is another section which has enabled expansion of the NDIS. This section specifies that these participants receive funded supports that are:

> *"likely to benefit the person by reducing the person's future needs for supports in relation to disability".*

The Act is concerned with reducing future needs but does not specify that departure from the NDIS should or could be a goal of early intervention. The 2023 Bonyhady Review recommended that early intervention provisions should be changed to encourage exits from the NDIS. This is a complex task, requiring functional assessments throughout the child participant's journey and investment in treatments or supports that will enable independent living.

Encouraging departures by the provision of good early intervention should be a feature of the NDIS, as should regular reassessments of participants' levels of impairment to ensure they are receiving the necessary supports.

The Bonyhady Review also recommended children receive "foundational supports", to be provided by the states and territories in their health and education systems. Bonyhady found that the states and territories significantly reduced their foundational support programs after the commencement of the NDIS, leaving families with little choice other than to seek access to the scheme, another perverse outcome of the NDIS's implementation. While the states and territories have subsequently agreed to develop foundational supports, these must first be tested, implemented and continuously improved by state and territory health and education departments.

To date, no data on expected diversions to this early intervention pathway has been made available and Thriving Kids — a state-based early intervention program for children with autism and behavioural difficulties funded in part by the federal government — is only expected to commence in the second half of 2026, with full roll out in 2028. In any case, providing therapies and supports for children so they can live independently of the NDIS, is an uncertain path to exit. Many therapies and supports lack evaluation or reliable evidence of impact and the identification and application of effective early interventions will be a slow and torturous journey for the scheme. Bureaucratic and research inertia may well ensure that exit numbers remain low.

To better track the impact of therapeutic investments and child development for the large number of children in the NDIS, the repeat of functional assessments at key development points in childhood is warranted. The reform program has committed to doing so, but again, it is early days on how well these reassessments will be executed and whether children have been able to safely leave the NDIS.

Following amendments to the NDIS Act in 2024, the scheme's emphasis has changed to determining support needs using a standardised assessment tool, I-CAN, version 6, for participants aged over 16. The tool has not been operationalised or evaluated but it is a welcome move towards standardisation and transparency.

It will take time to embed in the assessment process, in line with the statement that *"In the first quarter of 2026 we will… finalise how the support needs assessment tool will be used during assessment meetings."*[18] While the I-CAN v6 is no guarantee of objectivity, it may improve it.

Participant fraud or evidence that the participant is no longer substantially impaired, are further grounds for removal from the NDIS. However, the numbers removed under these provisions are historically very low, noting even recent crackdowns on fraud attempts have focused on providers, not participants.

In addition to unexpectedly high numbers of entrants to the NDIS, and lower than expected departures, Taylor Fry concluded the scheme's financial sustainability was also affected by the costs of supports provided to each participant, independent of the number of participants.

Declining functionality of participants and the changing volume and breadth of supports

The average age of participants has increased as previously documented. As participants age, their disabilities become more medically complex and contribute to declining functionality. Decreasing mobility and declining capacity for self-care are unavoidable aspects of ageing, particularly for people already physically or cognitively compromised. The NDIS funds these additional age-related supports.

The changing nature of support services, a further risk factor for the scheme's financial sustainability, is driven by a combination of the number and unit costs of supports, including therapy costs.

Overall, average plan costs have risen at a significantly faster rate than inflation. The scheme's Actuary records the annualised plan budget for an active participant is $82,400 for 2024, representing plan inflation of 12.8% — well in excess of general price inflation. While recent reforms reduced plan inflation to 10.6% by March 2025, this remains well above of the government's target of 8% and still higher than inflation.

The increase in plan costs is no great mystery. There has been greater demand for therapists and care support workers driven by NDIS funding in addition to the Fair Work Commission's 2024 decision to increase care worker wages by 15%. Consistent with the past practice of treating therapists advising on therapy supports, demand for therapists has risen while the nature of therapy may have become more expensive and recommended frequency increased.

There have also been criticisms that NDIS supports are not means-tested, unlike every other care scheme in Australia other than Medicare.

Means testing, or at least the requirement for some co-payment from people with sufficient income, is one option that would reduce the overall cost of supports, depending on how withdrawal rates were applied. In practice, this will not change much for adults, most of whom rely on the Disability Support Pension.

For families with children in the NDIS, it will make a significant difference and needs careful calibration. Otherwise, families with children in specialist accommodation or requiring intensive support totalling hundreds of thousands of dollars a year may find it impossible to fund their children.

Specialist Disability Accommodation (SDA) alone costs between $50-$60,000 per annum and daily care costs for Supported Independent Living (SIL) total multiples more. Some will be forced to relinquish their children to the care of the state.

While means testing may encourage higher income families to discard supports they do not consider to be strictly necessary, it may also see the discarding of those they need but consider they can no longer afford.

Means-testing does not guarantee it would improve the NDIS's value for money or reduce over diagnosis and over-servicing of those either still eligible or not obliged to provide part payment. All these consequences need to be considered and carefully weighed against the certainty it would reduce overall government expenditure. It is not the best option.

Overall cost and value for money would be better driven by further restrictions on eligibility, over-servicing and the provision of supports of doubtful benefit than by means testing.

Value for money

Distinct from the NDIS's financial unsustainability is the question of whether the money is spent effectively. That is, whether it is value for money for people with disability, achieving optimal benefits for participants at the lowest cost. Value for money must be demonstrated for each support the NDIS funds, consistent with the Department of Finance's approach to other demand-driven benefit schemes. 95% of the NDIS's budget is spent on the provision of supports for participants, with the administration of the NDIA and its allied Quality and Safety Assurance Commission constituting the remaining expense.

While benefits to recipients as such are not included in the objects of federal Acts regulating unemployment, disability and retirement pension schemes, their implicit benefit — both individually and nationally — is the provision of an affordable social safety net. Even so, there is ongoing political and community debate about: what level of support constitutes value for money; the cost to taxpayers; the necessary level of payment; perverse incentives and unintended consequences. Similarly, public debate about Medicare rebates often involves arguments about unintended consequences such as incentives for fraud and over-servicing.

While the highly individualised and complex financing of participants' supports, in combination with the aspirational nature of the NDIS, make assessment of value for money difficult, that does not excuse a government from requiring a scheme of this magnitude to be subject to rigorous cost control. Value for money, as underscored by the Department of Finance's requirements, is an inherent part of good public policy legislation and needs to be carefully managed as it is in other welfare legislation. Without it, waste, lack of consistency, transparency and fairness become risks to the NDIS's integrity and overall effectiveness. Despite frequent review, significant risks of fraud; investment in therapies of doubtful value and financial mismanagement — by clients, providers and the NDIA — continue to be NDIS talking points.

NDIS participants are provided with services, specialised equipment, housing support and financial and administrative support, depending on need and level of impairment.

Overall, the cost of supports for NDIS participants in the financial year 2024-2025 was $46.4 b.[19] All this cost must represent value for money.

While standardised I-CAN v6 support assessments will assist in ensuring funded supports provide value for money, determining value, particularly for those with psycho-social impairments, will require extensive guard rails.

Service and equipment supports and costs

Activities of daily living

Most participants receive support with activities of daily living. This is assistance with any of dressing, toileting, house cleaning, even gardening and shopping. Access to community activities is additional. Costs include care workers; aids such as incontinence pads and equipment designed to enable participants to perform these tasks with assistance or independently.

Assistance with daily living is the largest service cost to the NDIS budget. The Australian National Audit Office's 2021 (the most recent available) review of supports found 55% of all participants aged over seven received funding for assistance with daily living supports, averaging, at that time, $96,996 per year. By 2023-24, participants received disability support worker support for these activities at a cost of $22b, 51.8% of all support payments. Social and community participation cost a further $10b. This expenditure has grown at 21% per annum, far exceeding the growth in participant numbers.

There is no data available to determine which categories of participant receive daily living supports and with what impairments. However, the Participant Dashboard update of 28 September 2023 (the latest annual update available) makes for interesting reading and contains some clues. The Dashboard reports people with psycho-social disability make up 10%

of participants or 62,000 people, mostly aged over 35. They receive total supports of $4.25b, or an average of $68,548 per person. Participants with psycho-social impairments ranging from psychoses such as schizophrenia to Post Traumatic Stress Disorder and other clinically diagnosed neuroses, do not have mobility or cognition challenges, although they may have difficulties with organisational skills, motivation and self-awareness. Without more data it is impossible to determine whether the very high costs associated with those people with psycho-social impairments result from the provision of daily living supports such as gardening, cleaning or meal preparation, or from assistance animals or therapeutic supports such as psychology, music, art or swimming. Since more than half of all participants receive daily living supports, it is likely that psycho-social participants receive daily living assistance.

The provision of daily living supports should be provided only to those who are unable to function without them; that is, participants who are physically or cognitively unable to care for themselves. A good start would be a declaration of this kind in the legislation.

Current reform plans to assess participants support needs using the I-CAN tool must ensure care is not being provided to those with the physical and cognitive capacity to do their own housework, gardening and meal preparation. It would surprise most taxpayers to know that the NDIS does not know how many of its psycho-social participants have the cognitive and physical capacity to perform everyday tasks.

Disability support workers

Disability support worker wages and on-costs make up the bulk of support payments. The overall cost of support workers is determined by the NDIS's pricing model. In this model, the hourly cost of daily living assistance is determined annually and is the same, irrespective of whether workers are registered and accredited, unregistered sole traders or employees of large companies.

The Disability support worker cost model[20] shows the breakdown of the approved maximum fee payable:

- Base rate of pay, ($26.30 to $35.51 for a Level 1 worker); 52%.
- Employment on-costs such as annual leave and superannuation; 20%
- Administrative overheads and an assumed 2% profit margin; 28%.[21]

This model allows unregistered care workers to receive the same hourly payment as commercial providers which employ care workers but with the addition of overheads, training and other requirements to be met from the same fee. Such an arrangement incentivises care workers to become sole traders, thus able to keep the employment on-costs and the administrative overheads components of the fee in addition to the wage.

The growth in unregistered support workers is marked. In the financial year 2023-24, the number of unregistered support worker services grew by 24%, expenditure almost doubling in the 12 months. Unregistered providers are not required to meet quality controls and are effectively unscrutinised.

A recent UNSW Report estimated around two-fifths of NDIS spending goes to unregistered service providers, estimated to cost the scheme $18-19b annually. The average annual service cost paid to unregistered service providers is $34,800.[22] Although a small group of providers are paid over $1m annually, the average does not approach being a full-time wage and is a fraction of the $1.1m cost of services charged by registered providers. This modest average annual cost suggests unregistered services provide far less intensive and probably less regular support, partially supporting only a few clients, who may even be neighbours, friends or relatives.

The NDIS currently permits unregistered providers to serve clients unless a client's support plan is managed by the NDIA. 70-80% of NDIS participants (those with plans not managed by the NDIS) may therefore use unregistered providers, undoubtedly driving growth in unregistered support workers. The NDIA has no visibility of the nature of the services, their standards, or indeed their benefit to the participant.

Ordinarily, a government faced with arrangements that are obviously open to risks of abuse, fraud and even harm to vulnerable people, would require accreditation and screening checks similar to those required for people working with children. However, consistent with the NDIS's human rights approach, the principle of choice and control overrides these risks. Upholding the person's right to choice and control is intended to provide participants with autonomy, shifting power from the system to the individual. Accordingly, participants may hire the carers they prefer, including unregistered NDIS workers who are not required to meet accreditation requirements or screening checks. (However, all workers must follow the NDIS Code of Conduct).

It is impossible for the NDIS to determine whether clients receive value for money from unregistered workers, and for the NDIA to attempt to do so would undermine the principle of choice and control. Many participants choose unregistered support workers for the right reasons, including their behavioural difficulties which only certain people, perhaps family members who love and know the participant well, can manage. Those instances abound. But the potential also exists for unscrupulous people to provide unsatisfactory care — or no care at all. There is certainly fraud potential; the fine principle of choice and control has perverse incentives.

Unregistered provider expenditure is now a significant expense and growing rapidly. It requires urgent review to ensure participants are receiving value for money and protect the NDIS's integrity. The potential for criminals to manipulate the unregistered care market is another concern. Safety screening checks should be required of all support workers.

As far back as 2019, the Auditor General identified individuals using non-registered providers as a source of risk; this now needs to be addressed. It should be possible to preserve the principle of choice and control but subject to constraints intended to protect vulnerable people from exploitation or abuse and ensure they receive the benefits their plan has purchased.

Another option is to change the daily living support fee structure, with the 28% administration fee only being paid to registered providers. This would encourage registration and reduce the incentive to become an unregistered care provider. While this would be a saving to the NDIS, the alternative, to require registration of all support providers would reduce care risk and ensure the quality of support for participants. It would provide no saving for the scheme.

Registering providers lowers the risk of fraud because it imposes reporting requirements with heavy penalties for non-compliance. However, it is not a panacea, or we would see no fraud in commerce or government. It requires the NDIA to develop a strong compliance culture with mechanisms quickly able to detect fraudulent activity and a sufficiently robust surveillance regime for providers to be unwilling to take the risk.

Exhausted funding

As part of the federal government's agreement with the states, the NDIS is required to fully supplement funding with top-ups when a participant has exhausted their funding before the end of the budgeted plan period, usually annual. This was intended to protect the states from providing additional services but has unintentionally incentivised poor financial management by some 15% of participants and resulted in an estimated annual additional cost of $3.3b.

Self-managing participants, who are thus able to exercise choice and control, must be required to regularly account for their expenditure with the Agency. Appropriate software would easily enable this and provide better line of sight and rapid response by the Agency and indeed the participant. Participants unable to report their expenditure with adequate documentation and timeliness would transition to plan management by either a certified plan manager or the Agency. This now applies to participants who persistently exhaust their funds early. The NDIA has already moved to shorter funding blocks, usually quarterly. While the risk of over-runs remains, it is more limited in scale. High quality in-time reporting software should enable further reductions in over-runs.

Capacity building

A central purpose of the NDIS is to improve the lives of people with disability by maximising their capacity for independent participation in employment and the community.

The NDIS capacity-building budget, including therapy, is over $8.28b.[23] Capacity building includes the deployment of various therapies, but also assistance with improved social and employment participation through resume writing, assistance in viewing and applying for rental properties, improving life choices and daily living capacity building. It is not clear how many participants use daily living capacity building supports and at what cost or standard. Daily living capacity building requires immediate review to ensure these services provide value for money.

The size of the NDIS therapeutic supports market is a subset of the capacity-building budget of $8.28b. In 2023-24 therapies cost almost $2b. Registered therapists (providers) received 65%, or $1.3b of this market and unregistered therapists $0.7b. Overall, almost 60% of participants, including children, receive therapeutic supports.

Therapy is an expensive component of capacity building, especially for children, where early intervention is critical.

Unregistered therapeutic support providers grew by 60% in a single year to 2023-24.[24] As with unregistered support workers, unregistered therapists bring financial risk to the NDIS. These may be providers insufficiently trained, professionally unsuitable or who employ untested therapies which bring risks to participants. Unregistered therapists who have not been required to meet the standards set by the NDIA should not be funded.

In recognition of the importance of early intervention for children, the NDIA will now provide an Early Childhood Approach for children younger than nine with developmental delay and/or autism with low to moderate support needs. No formal diagnosis is required and the $4b Thriving Kids program — planned to launch in mid 2026 — will significantly bolster early-intervention capacity. It is intended to provide therapy at an early age for at-risk children and so divert them from entering the NDIS, assuming parents prefer this to the more difficult process of applying for their child to become a NDIS participant. Historically, the scheme's experience is that child applicants have been well supported by their clinicians' expert reports and assessments; 97% of those applicants with autism, for example, are successful in entering the NDIS. Around two thirds of them have moderate support needs. Unless child entry to the NDIS is explicitly made more stringent and less likely than 97%, it is unlikely that parents will choose not to apply for the scheme.

The adoption of a rigorous, consistent and independent assessment method for applicants to the NDIS is one way of ensuring children with milder impairments do not enter the scheme. In addition, from the commencement of the Thriving Kids program, there should be no applications from children with psycho-social and autism diagnoses permitted unless those children have first undergone Thriving Kids and are unable to demonstrate sufficient improvement.

It is also true that adults enter the NDIS with impairments related to psycho-social disabilities that may not be permanent, including PTSD. In the case of PTSD, applicants currently need to demonstrate that they have tried available and recommended evidence-based treatments, but that their impairment remains significantly disabling in any one of communication, social interaction, learning, mobility, self-care or self-management.

Many sufferers would find access to recommended evidence-based treatments expensive and uncertain. Potentially applicants could subsequently argue that their PTSD-related impairment was permanent, relying on the landmark

Davis[25] decision linking permanency with a person's financial resources. An early intervention program which provided therapeutic supports for adult applicants with conditions such as PTSD, would be of merit if it ultimately diverted applicants from the NDIS and gave them a better quality of life into the bargain.

Again, entry to the NDIS from sufferers of some psycho-social disorders should not be entertained until they have been through the early intervention pathway. It must be understood that many PTSD sufferers (or similar) are unable to fund their treatment and that Medicare does not provide sufficient access to ongoing therapy to make it effective for such a condition.

Accordingly, while an early intervention program for these adult applicants would need to be supported with government funding, it is likely to be cheaper than providing ongoing supports, including companion animals and assistance with daily living, for the course of a participant's lifetime. It would not prevent these participants remaining in the NDIS if the reassessment tool indicated functionality remained permanently and significantly reduced.

Rather than take an early intervention approach to psycho-social disorders, the NDIS now has more participants with psycho-social impairment than physical impairment in the scheme for life.

Therapy bundles

Historically, unstipulated bundles of therapeutic supports were funded from a global figure in a participant's capacity building plan. It is unclear how and why this practice emerged, but it risks financial waste if there was no requirement that the therapies be demonstrated to have made a difference to a participant's functionality.

The NDIS will now fund NDIS recognised supports as either *stated* or *flexible*. The reforms now explicitly allow for the bundling of therapies, but these therapies should be limited to those with a strong evidence-base and their impact on a participant monitored.

Stated supports are those which are obviously necessary, such as a wheelchair for a participant with quadriplegia. However, flexible supports should be required to show evidence of positive impact. The NDIA has recently announced a list of therapies it will not fund, which included various companion animal therapies, horse riding, swimming and music lessons not provided by specialised therapists. These changes are admirable, but the NDIA must ensure those flexible therapies it does fund demonstrate benefit for the participant.

The poor evidence base for therapies accessed by participants is a known problem. Many therapeutic supports are provided because the participant or their family believes them to be beneficial and the internet introduces families to an unfiltered array of therapy proposals. Parents of children with severe disabilities face enormous care burdens in addition to their day-to-day responsibilities as parents, householders and workers. Understandably, parents hope for therapies which will change their child's life.

While the NDIA will now independently assess what supports, including therapeutic supports, are likely to improve a participant's functioning and limit funding to these supports, the participant's progress in therapy should also be evaluated. This is a standard requirement for medical therapy, which must also demonstrate it is not overservicing patients. The NDIS should require evidence of benefit, at regular intervals, as a matter of course. Therapy which has not produced a tangible benefit should cease.

There are thousands of therapies available for people with disabilities. Currently, there is no standardised NDIS methodology for demonstrating the benefit of any one therapy and no consistency for participants about which therapies are determined to be beneficial for which disorders, how much therapy is desirable or at what age(s).

Unfortunately, despite the enormous investments Australian governments make in supports for vulnerable people, there is no organisation in Australia the NDIA can turn to for guidance about the effectiveness of therapy or other social interventions. Other countries recognised the need to fill this gap long ago; the UK has established the What Works Network to provide this guidance, and the USA has organisations such as the acclaimed Washington State Institute for Public Policy to provide standardised benefit-cost analyses for the Washington State Legislature.

In the absence of an evidence-based approach to therapy, capacity building and daily living supports, assessors will struggle to determine which therapeutic supports proposed by the participant should be funded.

The Government has recently established a NDIA Evidence Advisory Committee (EAC), supported by three technical subcommittees, to provide government with evidence-based advice on NDIS supports. Eminent and highly qualified people make up the membership, however the workload before them is enormous and most already have academic or professional full-time workloads. Currently, they are considering three supports, including Positive Behaviour Support, PBS. There are many more supports and therapies which remain untested.

There are obvious limitations and compromises associated with appointing committees of successful people to review research and so the Committee's capacity to make a timely impact on the quality of supports provided is likely to be limited.

To address this shortcoming, the government would benefit from taking on the task of evaluation more broadly, covering not only NDIS funded supports and early interventions but those in other support systems, such as domestic violence and child protection, where early intervention is also a heavy investment. A properly established body for the evaluation of NDIS supports and early interventions would constitute a welcome start.

Evaluation invariably begins with systematic reviews of relevant therapies. The evaluation of therapeutic supports for participants with autism, the NDIS's single largest participant group, is instructive. A recent Autism Cooperative Research Centre (CRC) review of autism supports[26] for children under the age of 12, commissioned by the NDIS, found very few to have a reliable evidence base. The review noted that few of the systematic reviews were of high quality and that:

> *there was insufficient research evidence to understand the effect of interventions at the individual level (i.e., which interventions have a positive effect on which outcomes, for which children).*

The CRC also noted there was:

> *no consistent evidence as to whether the amount of intervention children received influenced the effects of intervention.*

The CRC review was a sad indictment of the many interventions provided to children in the NDIS; the CRC found almost all had been evaluated using medium, or low-quality methodologies. Canine and equine therapies, for example, while popular with families, scored very poor outcomes, or results could not be clearly interpreted.

If the NDIS is to continue to invest in early intervention supports for a significant proportion of its complex child clients, it is incumbent on the Agency to ensure all funded therapies are properly evidence-based, appreciating that individual responses will vary, and that evaluation will need to be multi-dimensional.

In the absence of any agreed or standardised means of evaluating therapeutic interventions, it will remain impossible to estimate how much of the therapy budget is value for money. This is even more complicated for child participants, where the optimal nature and intensity of a therapeutic intervention is also affected by the child's age, level of disability and stage of development.

The NDIS Quality and Safeguards Commission is the vehicle to develop a rigorous evaluation methodology for therapies being sought by participants. The provision of an evidence bank would provide guidance for therapists, evidence of better outcomes for participants and value for money. Participants' progress in each therapy should also be subject to ongoing monitoring and assessment; appropriate measures must be both identified and required by the Agency, rather than offered by therapists.

Other supports

Respite stays, or short term stays for therapeutic purposes, are funded under the NDIS as respite care. While their use no longer allows participants to “try new things” or “develop new skills”, respite stays continue to fund accommodation, personal care, food and agreed activities. Participants’ plans typically include $25,000 annually for respite stays although daily costs may reach $4,000 for high intensity support participants.

The guidelines advise that up to 28 days of short-term respite (STR) may be funded each year. They also clarify that the purpose is to give participants and their primary informal supports time apart to sustain and maintain the caring role.[27]

While there will be many occasions where respite stays provide genuine respite to a family member, it is clearly an area that needs to be carefully monitored to ensure it is not being used inappropriately.

Further information is needed to determine the extent of respite stay use and its cost, which participant categories use it and for what stated purposes. In the interests of reining in the rapid increase in the NDIS expenses, short-term respite is one expense category to restrict further without risking the well-being of participants.

Housing

A small number of NDIS participants (7%) receive speciality housing (SDA) and independent living supports (SIL). Annually, the SDA budget is $700m. Overall, SDA and SIL make up 37% of NDIS costs, or $15bn. While SDA funds the provision of specialist housing, SIL provides structured, often 24/7 support to these participants over and above the more limited assistance with daily living supports accessed by many most NDIS participants.

SDA and SIL for complex clients undoubtedly provide a greater quality of life for the participant than has been possible previously. These supports also enable families to live without the enormous physical strain of providing 24-hour care to their loved one, or in houses that were never intended to accommodate specialised equipment, sometimes disruptive or violent behaviours and non-family carers. There is ongoing debate about whether SDA clients should be in single or two-person (or more) accommodation, with advantages and disadvantages for all combinations. Single client dwellings are the most expensive option because the 24/7 care worker availability accompanying SDA clients cannot be apportioned to two or three occupants.

In some cases, a person’s support needs are such that 1:1 care is required for much of the day, in which case a single occupancy is justifiable. Participants with high-level autism and socially dysfunctional behaviour may also find it extremely difficult to live amicably with other participants, who will also have high needs. To assist with NDIS sustainability, it will be important to balance demands for single-client dwellings and shared dwellings against value for money. The small number of participants in SDA accommodation does not suggest an overservicing problem, but the NDIA disability housing sector could be incentivised to provide innovative and flexible housing solutions and the adoption of innovative technology to reduce associated SIL costs.

Financial planning and support coordination

Australia’s NDIS, unlike the UK or Netherlands disability-support schemes, allows participants to self-manage their funding. In the UK and Netherlands, self-management is the exception and most participants are directly managed by a government agency. In Australia, the reverse is the case. The NDIA manages 20-30% of participants’ plans, 11% are self-managed and 60-70% managed by commercial providers, known as plan managers.[28]

Commercial plan managers, who pay participants’ bills on their behalf, are paid at a cost to the NDIS of $500m per annum in commissions. While this represents a modest per-capita payment of $1,400 annually, it is not clear how cost-effective this is compared with NDIS plan management. There is a good chance commercial plan managers are cost-effective compared with NDIS administration, but more information is required. Plan managers are also registered with the NDIS Quality and Safeguards Commission, meaning they have met required standards of probity and competence. Overall, the roles of third parties such as plan managers and support coordinators have not been evaluated despite reportedly costing the NDIS $1b annually.[29] The federal government's 'Crack Down on Fraud' program commenced in November 2024 and demonstrates government concern about the level of fraud. The program claimed it stopped automatic payments for claims from almost 1,000 plan managers in 2024.

The 2023 review of the NDIS has already recommended plan management could be moved to an online payments platform and so reduce costs and risks. The development of a comprehensive online payment system would be a welcome advance but will take time. Historically, large technology system changes take years to successfully implement. In the interim, requiring all plan managers to undergo random auditing as well as risk-based auditing, would also assist in reducing financial mismanagement.

Similarly, there must be greater transparency for self-managed plans. The NDIA should be required to randomly audit self-managed plan participants with clear guidelines for determining when financial mismanagement has occurred. Participants who have mismanaged their plans would be either required to transfer to NDIA management or provide appropriate assurances to prevent reoccurrence. Repayment schedules would be applied in certain circumstances.

Many support coordinators provide admirable support to families struggling to navigate the world of supports and therapies. Anecdotally, there is much to recommend their assistance in organising and coordinating supports, including therapeutic supports provided in complex cases such as children with autism or development delay, especially for families where the parents are also low-functioning.

However, many are not registered or required to meet minimum standards established by the NDIA. Support coordinators, like therapists and support workers, should meet minimum standards, including satisfactory screening. For some participants this requirement may reduce their choice and control, but is a necessary protection, nonetheless.

Fairness

Access to the NDIS is also inconsistent, relying on the efforts of the applicant to obtain credible evidence of significant functional impairment. Families with greater resources are more able to afford the diagnostic assessments to the level required by the NDIS, than poorer families. Indigenous Australians, for example, while 2.5 times more likely to live with a severe disability, were until recently 28% less likely to be a participant in the NDIS than non-Indigenous Australians.[30]

Recent increased efforts to improve the access of Indigenous Australians resulted in a 9.7% increase in the second quarter of 24-25 alone.[31] Rigorous eligibility assessment tools will improve the NDIS's integrity.

Young people with schizophrenia, often estranged from their families, also struggle to access the diagnosis and advocacy necessary for admission, fail to show up for review hearings or meetings with NDIS officials and are lost to the system, despite their obviously impaired state. They may spend much of their adult life in institutional care, either in psychiatric wards or prison, or homeless and living on the streets.

The states and territory guardianship arrangements for these young people fail them badly; at ART hearings they may be unrepresented or represented by a disability advocacy group with no legal authority, rather than by the Public Guardian, which should have authority.

The NDIA has attempted to improve working relationships with state and territory guardianship bodies, so often under resourced and unable to provide appropriate support for adults under guardianship orders. It is imperative that the country's attorneys general bring this work to finalisation for the protection of what are some of the country's most impaired people.

Current reform initiatives

Following the Bonyhady Review's 2023 report *Working Together to Deliver the NDIS*, several reforms have been introduced. These were intended to reduce the number of participants and ensure supports were more cost effective and beneficial.

Recent data confirms the early success of the reforms. Child participation, which had been growing at 1% per quarter, is now stable, although still too high at 12.4% of boys and 5.6% of girls. Overall, almost 11,500 participants have been advised their eligibility needed to be reassessed. More recently, 1,200 NDIS participants were being reassessed each week. As at August 2025, the NDIS had 739,000 participants. However, a significant number of participants have had cuts to their plans and approval rates for access have declined in several mental health categories, including applicants with psycho-social impairments.

The intentions of recent government reforms for children are particularly significant; instead of entering the NDIS for life, with the participant living a life of learned helplessness and reduced social and economic participation, children will instead receive foundational supports from state and territory schools and health services to address developmental delays and enable them to live independent adult lives. Overall, the reforms have gone only part of the way to moving the NDIS to greater financial sustainability.

After the Act was amended in 2024 to improve accountability, the government appeared to change approach. In February 2025, Employment and Workplace Relations Minister, Amanda Rishworth, announced there would be no changes to eligibility:

> *"we are not planning to change eligibility…there's no changes around kicking people off the scheme and stopping people coming on".*

The government's about-turn on participation was at odds with the 2023 warnings of the Government Actuary

> *"uncertainty surrounding new entrant assumptions…is a key contributing factor to my conclusion that the base line projection [$125bn in 2034] is more likely to understate, not overstate."*

Minister Rishworth's declaration suggests there will be no significant reduction in NDIS expenditure, despite the concerns recently expressed by Health Minister Mark Butler, who has described the current annual growth rate of 10.3% as leading to a "blow out" which will take the NDIS "off track" and promised to cut participant numbers by 160,000 by the end of this decade.[32] If the government achieves this, it would be a good start to reining in the NDIS's excessive costs. However, much more needs to be done. And if participant numbers are unchanged, savings can only be made by reducing supports to participants. The supports provided to participants will need to be significantly less than the current average of $74,500 annually if budget growth is to be kept to 8% per annum.

Belatedly, the government has indicated its preparedness to review eligibility requirements. It might rue the day it opposed this when in opposition. Without better control of participant numbers, the NDIS is destined to continue its unsustainable financial growth. There needs to be another option which maintains the NDIS's integrity as well as its generosity of spirit.

The registration of NDIS providers is now a recognised means of fraud control. It should also provide greater protections to their vulnerable clients. However, registration alone does not minimise fraud risks. Provider education and awareness, random audits and online reporting mechanisms will also be required. The assistance of support coordinators and plan managers in reporting unusual patterns of payment or payment for services which have not been delivered, should be harnessed. The experience of banks and other large financial entities confirms the need for vigilance and robust systems to prevent fraud. For vulnerable clients, where fraud may be accompanied by client abuse and intimidation, prevention and early detection must be a well-resourced NDIS capability.

Conclusion and recommendations

The NDIS is intended to assist Australians with disability to lead better lives, have greater say in decisions affecting them, provide respite for exhausted families and greater work opportunities. It was also intended to raise national productivity.

It is now financially unsustainable unless other government activities are defunded to enable control of government debt. There is poor accountability for outcomes, significant incentives for fraud and financial mismanagement and, overall, doubtful value for money. The lack of value for money also erodes community support for the NDIS and trust in its administration.

The NDIS's adherence to providing participants with choice and control should not be at the expense of participant safety and fraud. The legislation's focus on enhancing the lives of people with disability and ensuring their full participation in society by the provision of reasonable and necessary support has not been tempered by reasonable financial circumspection.

The combination of ambitious goals for people with disabilities with unlimited funding, poor assessment requirements and limited evaluation of the benefits of supports has created an ecosystem of incentives for over-diagnosis and the over-provision of supports of often unknown effectiveness.

The extraordinary expansion of the NDIS, from being anticipated to provide supports for 400,000 people at a cost of $29b, to actually providing supports for 739,000 people, many of whom are children, at a forecast cost of $125b by 2034, has shaken public confidence to the core.

Proposed reforms

1. **To ensure the NDIS maintains high standards of assessment which applies thresholds for *significant* disability and *substantial* reductions which meet community expectations, the NDIS should develop standardised and objective assessment tools for autism and psycho-social disabilities.**

   Standardised eligibility assessment tools for other conditions where functionality is difficult to determine should also be explored. These tools would be developed in consultation with relevant clinical experts and administered by trained NDIS assessors, who will also be clinicians or therapists. Assessors who have treated the applicant could be consulted as part of an assessment, but formal assessment must be independent of the applicant.

   While recent reforms have introduced independent assessment tools to determine the provision of supports, this has not been applied to NDIS access assessments. The rapid growth in the number of participants with autism and psycho-social impairment cannot be satisfactorily explained except by the nature of the assessments provided to applicants. Applicants must have a permanent impairment that results in a significant disability which substantially reduces functional capacity.

2. **The legislation should be amended to clarify that "permanency" is to mean actual permanency, unless by exception a clinician can provide medical evidence for why a particular disease may be episodic in nature but still of significant impact.**

   The Act currently provides a definition of permanency, for the purposes of eligibility, which is qualified to include impairments of varying frequency and intensity. This makes the task of assessment more complex and unclear for clinicians and therapists. There is a significant risk, again with unlimited resources, of permanency being assessed generously and favourably to applicants.

   The community expects that only those with permanent, that is, chronic, impairments of sufficient intensity will be funded. More recently, the courts have expanded the notion of permanency to include the applicant's ability to afford remedial treatment. The decision has opened the door to other access claims based on this expanded understanding of permanency to include affordability for conditions such as PTSD, as well as the consequences of morbid obesity.

Without access to treatments not funded by Medicare, several impairments may become, or be considered to be, effectively permanent.

3. **There should be further benefit-cost analysis of the NDIS's potential use of its early intervention pathway for conditions such as morbid obesity and PTSD in adults.**

   Early Intervention is already being substantially redefined and shaped for childhood conditions, such as autism, with the Thriving Kids program, and the same should be possible for other conditions with known treatments.

4. **From the commencement of the Thriving Kids program there should be no applications from children with psycho-social and low-to-moderate autism diagnoses permitted unless those children have first undergone Thriving Kids and able to demonstrate insufficient progress.**

5. **Applications for the NDIS from sufferers of disorders with known treatments should not be entertained until they have been through the early intervention pathway.**

   This would not prevent these participants accessing the NDIS if a standardised assessment tool indicated functionality had become permanently and significantly reduced.

6. **Encouraging departures by the provision of good early intervention should be a highlighted feature of the NDIS.**

   To better track the development of children with autism in the NDIS, or adults with treatable conditions, the repeat of functional assessments is necessary. These functional reassessments should also be independent of the participant's treating practitioners.

7. **Amend NDIS legislation to clarify that a "reasonable and necessary plan" is limited to funding those supports recommended by assessors using I-CAN in legislation.**

   The impact this tool will otherwise have on improved support provision and better controlled expenditure is uncertain, with clear potential for litigation and review. The provision of trained assessors to determine the participant's supports and an overall reasonable and necessary budget provides standardisation and consistency and will mitigate the current over servicing risk.

   That will not prevent participants challenging the assessor's decision and without further definition being provided in the legislation, the ART and the Federal Court will again determine what the government intends.

8. **Review daily living capacity-building supports.**

   The NDIS capacity-building budget, including therapy, is over $8.28bn.[xxxiii] It is not clear how many participants use daily living capacity building supports, at what cost or standard, or with what outcomes. Daily living capacity building requires immediate review to ensure these services provide value for money.

9. **The NDIS Quality and Safeguards Commission should develop a rigorous evaluation methodology for therapies being sought by participants. The provision of an evidence bank would provide guidance for therapists, evidence of better outcomes for participants and value for money.**

   Participants' progress in each therapy must be subject to ongoing monitoring, and appropriate reassessment measures both identified and stipulated by the Agency, rather than offered by therapists. Therapy that has not brought a tangible benefit should cease. While the government has now excluded several therapies from funding, the NDIS EAC and consequently its assessors will find evidence of effectiveness of the hundreds of available therapies difficult to come by without such an evidence bank.

10. **It is imperative that Australia's attorneys general finalise the reform of guardianship arrangements with the NDIA for the protection of some of the country's most vulnerable people.**

    Guardianship arrangements for people with acute psychotic conditions such as schizophrenia, alcohol-related brain damage or significant cognitive loss, often prevent them from receiving the supports they need from the NDIS. The NDIA has attempted to improve working relationships with state and territory guardianship bodies, which are under resourced and unable to provide appropriate support for adults under guardianship orders.

11. **The NDIS should set a legislated, limited number of reasonable and necessary support plan levels, with a maximum funding amount set for each level of stated supports and the clear expectation that not all plans will require maximum funding.**

    The levels would be determined by the participant's degree of impairment, which could range from extreme needs (those in specialist accommodation and requiring 24-hour support) to high, medium, low needs and early intervention.

    Determining maximum funding of stated supports by level of impairment provides transparency for the NDIA and participants. Significantly, it further assists the NDIS's financial sustainability, fairness and consistency. It limits the NDIA's object of enabling all participants to meet their full potential and this may require amending the Act's objects to clarify that this is a necessy constraint. Flexible supports are implicitly less necessary to a participant's well-being and should be subject to rigorous evaluation.

12. **Screening checks should be required of all support workers.**

    It should be possible to preserve the principle of choice and control subject to protecting vulnerable people from exploitation or abuse from providers, planners, therapists and coordinators.

13. **The registration of support providers should be encouraged through incentives and participants who wish to retain unregistered support workers and providers should be required to demonstrate the need for this preference. Registration should be required for coordinators.**

14. **Unregistered therapists should not be funded.**

    Unregistered therapists bring financial risk to the NDIS. These may be providers insufficiently trained, professionally unsuitable or who employ untested therapies that bring risks to participants.

15. **Participants who self-manage their plans should be required to account for their expenditure with the NDIA on a weekly basis,**

using consumer-appropriate and well-designed software. Participants unable to account for their expenditure with adequate documentation and timeliness would transition to plan management by either a registered plan manager or the NDIA.

Self-managed participants require further protections to ensure they are able to receive ongoing support in their funded plans and minimise the risk of plan overspending.

16. **In the interests of reining in the rapid increase in the NDIA expenses, short-term respite may be restricted further without risking the well-being of participants. The current practice of assigning short-term respite to plan budgets, as a matter of course, should be reviewed.**

    Further information is needed to determine the extent of respite-stay use and its cost. Participants with lower levels of impairment may have less requirement for short-term respite than participants requiring intensive support by families and friends.

17. **The SDA sector should be consulted on ways to provide innovative and flexible housing solutions that ensure an optimal mix of housing types.**

    The small number of participants in SDA accommodation does not suggest an overservicing problem, and the NDIA disability housing sector is competitive and efficient. However, the provision of single-occupancy Supported Independent Living, SIL, services is 24-hour care and high cost. The SDA sector could be incentivised to provide well designed housing with innovative technology to reduce the cost of SIL.

Reform of the NDIS has already begun. It is fiercely contested by some disability rights groups and advocates, while others recognise that public concern has reached the point where the future of the NDIS is in question.

Current reforms will not succeed without greater control of NDIS eligibility to ensure it meets the original purpose of supporting only the most impaired in the community. Funding only supports which meet a rigorous standard of evidence of impact and favourable benefit cost outcomes will require further reform, as will the deployment of providers, coordinators, planners and therapists.

The improvements achieved since the Bonyhady Review demonstrate that reform of the NDIS, with reduced expenditure and better outcomes for people with disabilities, is possible with care and consultation. The government should not shy away from these further reforms if it is to meet the minister’s determination to restrict expenditure growth to 6%[xxxiv], or even less. While some proposed changes will be contentious, they will bring greater accountability and sustainability to a NDIS that sets out to do the best for some of our most vulnerable citizens — and of which Australians can be proud.

Endnotes

1 Administrative Appeals Tribunal 2023-24 At a Glance.

2 E61 Institute report 2024

3 NDIS Operational Guidelines *we need to consider the costs and benefits of the support, as well as the costs and benefits of alternative supports.*

4 *Reasonable and necessary supports for people with disability should: (a) support people with disability to pursue their goals and maximise their independence; and (b) support people with disability to live independently and to be included in the community as fully participating citizens; and (c) develop and support the capacity of people with disability to undertake activities that enable them to participate in the community and in employment.*

5 NDIS media release, 19 March 2026

6 Minister Jenny McAllister media release, March 2026.

7 John Whiting. *Be In It, Mate!* published 1977

8 PB Quarterly Report to Ministers, Q2 24-25.

9 Autism Summary June 2023, National Disability Insurance Scheme

10 ibid

11 ibid

12 Australian Bureau of Statistics, Autism in Australia 2022.

13 Maathu Ranjan, doctoral thesis, Crawford School Public Policy

14 NDIS Act **Section 26**
Requests that the CEO may make
(1) The requests the CEO may make under this subsection after a prospective participant has made an access request (see paragraph 20(1)(b)) are as follows:
(a) that the prospective participant, or another person, provide information that is reasonably necessary for deciding whether or not the prospective participant meets the access criteria;
(b) that the prospective participant do either or both of the following:
(i) undergo an assessment and provide to the CEO the report, in the approved form, of the person who conducts the assessment;
(ii) undergo, whether or not at a particular place, a medical, psychiatric, psychological or other examination, conducted by an appropriately qualified person, and provide to the CEO the report, in the approved form, of the person who conducts the examination.

15 NDIA v Davis, FCA 2022

16 National Disability Insurance Scheme Act, 2013, S 24 Disability requirements

17 ibid

18 Ministerial Quarterly Report Q2 2025-26.

19 Quarterly report to disability ministers Q2 2025-26 Summary Part A

20 Disability Support Worker Cost Model Assumptions and Methodology 2023-24

21 ibid

22 National Disability Insurance Scheme Annual Pricing Review 2025-26.

23 Quarterly Ministerial Report ibid

24 NDIA 2023-24 Report

25 National Disability Insurance Agency v Davis [2022] FCA 1002

26 Autism CRC: Interventions on the Autism Spectrum, A Synthesis of Research Evidence

27 Quarterly Ministerial Report 2025-26

28 Quarterly Report to Ministers, December 2024

29 *The Australian*, Natasha Robinson.

30 Disability Royal Commission

31 Quarterly Ministerial Report, ibid

32 *Australian Financial Review* 30 March 2026 and Health Minister’s speech to National Press Club 22 April 2026.

Australia's National Disability Insurance Scheme (NDIS) has become financially unsustainable and lacks consistent value for money, despite delivering important benefits to people with disabilities and their families. These problems are due to flaws in the scheme's original legislation, particularly its rights-based design, which prioritises "reasonable and necessary" supports without clear financial limits or consistent definitions.

This paper highlights the rapid and unanticipated growth in both participant numbers and expenditure, driven by high entry rates, low exit rates, and increasing support costs. Weak eligibility assessments, reliance on treating clinicians, and broad interpretations of "permanency" have contributed to over-diagnosis and expansion beyond the scheme's intended scope. At the same time, inconsistent access and frequent legal disputes undermine fairness and public confidence. The paper also questions whether NDIS spending achieves value for money, citing limited evidence for many funded supports, rising use of unregistered providers and risks of fraud and mismanagement.

To address these issues, it proposes a suite of reforms, including stricter and standardised eligibility assessments, clearer definitions of support criteria, stronger evaluation of therapies, improved financial oversight and greater emphasis on early intervention to reduce long-term participation. Overall, the paper calls for a more sustainable, accountable and evidence-based NDIS.

About the Author

The Honourable Pru Goward AO is a former NSW cabinet minister who held several social policy portfolios between 2011-2019. She has also been Australia's Sex Discrimination Commissioner, a university professor and a reporter and senior presenter with the ABC for nineteen years. More recently, she was a Senior Member with the AAT in the NDIS division. She is widely respected for her expertise in social policy issues, incisive analysis and strong championing of evidence-based policy development.

Related Works

Steven Schwartz. *Drowning in a Sea of Diagnoses. How medicalising distress is overwhelming Australia's mental health system and failing those most in need.* CIS Analysis Paper 100. February 2026.

Andrew Baker. *The New Leviathan: A National Disability Insurance Scheme.* CIS Policy Monograph 131. November 2012.

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