National Disability Services

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Committee Secretariat
Joint Standing Committee on the National Disability Insurance Scheme
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**Subject: Evidence from the State of the Disability Sector (2025) to inform the Committee's Annual Report**

Dear Committee Secretariat,

Thank you for the opportunity to appear before the Committee in October 2025 to discuss issues relating to the quality provider NDIS market. National Disability Services (NDS) welcomes the opportunity to contribute further to the Committee's Annual Report No.1 of the 48th Parliament.

NDS is Australia's peak body for disability service organisations, and Australia's biggest and most diverse network of disability service providers. Our valued members collectively operate several thousand services for more than 300,000 Australians with disability and employ a workforce of more than 100,000 people.

NDS is committed to a sustainable and diverse disability service sector, underpinned by the provision of high-quality, evidence-based practices and supports that strengthen, safeguard and provide greater choice for people with disability in Australia.

Since 2014 NDS has conducted an annual survey to measure the state of the disability sector. This letter summarises key findings from our 2025 State of the Disability Sector Report.

The report highlights current sector conditions and risks for provider viability, workforce capacity and participant outcomes, and proposes practical actions to stabilise the market and protect people with disability. The full report (attached to this submission) accompanied by an interactive dashboard is available from the NDS website (available at: https://nds.org.au/about/state-of-the-disability-sector-report).

The latest sector evidence demonstrates a precarious outlook:

**Operating conditions are worsening across the disability sector**

- 85 per cent of providers report that conditions have deteriorated compared to last year.
- Drivers include financial fragility, policy uncertainty, and operational strain.

Despite this, quality providers remain the sector's strongest asset. But they are under threat.

**Financial sustainability and continuity of support are at risk**

- 63 per cent of organisations reported a loss or only broke even in 2024–25. Just 35 per cent reported a profit.
- The average deficit of those providers reporting a loss was $294,000.
- 81 per cent of providers report they cannot continue delivering NDIS services at current prices.
- 16 per cent of respondents are considering leaving the disability sector.
- At the same time 77 per cent of respondents received service requests they could not meet due to capacity or funding constraints.
- Financial fragility is structural, not incidental, driven by:
    - Flat pricing models that fail to reflect cost diversity.
    - Disproportionate burden on providers delivering complex, high-quality supports.
- This picture is reflected in the report from the Independent Pricing Committee, which acknowledges current pricing undermines viability for providers who invest in infrastructure and support participants with more complex support needs.

Without urgent pricing reform, including cost-reflective and differential pricing, the sector risks losing providers critical to participant outcomes.

**Unfunded but essential supports**

- 77 per cent delivered unfunded supports last year at an average cost of $460,000 per provider.
- The total cost of this unfunded support amounted to $69.2m across 149 organisations.
- Supports delivered without funding included providing crisis responses, sustaining expired plans, and ensuring continuity during disasters.
- These supports are critical, not optional, yet uncompensated.

Providers are cross-subsidising government programs at their own expense. Without intervention, this compromises sustainability and participant safety.

**Strained relationships and policy uncertainty**

- Only 4 per cent of respondents say that the NDIA is working well with providers
- 92 per cent cite policy uncertainty.
- 80 per cent report that their staff are exhausted from ongoing NDIS changes, while 84 per cent of leadership teams spend excessive time on these changes.
- Frequent rule changes and limited consultation undermine strategic planning.

Genuine market stewardship and collaborative engagement are needed to stabilize the system and restore confidence.

**Quality Under Pressure**

- Compliance costs outstrip funding, particularly for registered providers.
- Quality is defined by person-centered, responsive, ethical support, but maintaining this standard is increasingly difficult under current conditions.

Immediate measures to support quality providers are critical to safeguard dignity, choice, and inclusion for people with disability.

## Doing more with less

Despite economic and operational conditions, quality providers continue to focus on improvements.

- 93 per cent of providers were actively working on improving productivity.
- 60 per cent reported working on market research, strategies and planning.
- 44 per cent of providers were working on customer engagement.
- Over a third reported working on improving ICT, data reporting and use.
- 22 per cent were working on assistance with innovation, including using research evidence to develop quality services.

## Market stewardship is required to stabilise the NDIS market

The NDIS is operating in a period of sustained market instability, characterised by flat and uniform pricing, increasing compliance and workforce costs, thin and fragile markets, and cumulative disruption from ongoing reform. These conditions are undermining provider capability and, in turn, participants’ access to safe, high-quality supports. Left unaddressed, they risk further market polarisation, the loss of experienced quality providers, and growing inequity in access across geographies and participant cohorts.

Market stewardship is therefore not optional. It is a core responsibility of government and regulators to actively shape the conditions under which disability supports are delivered, rather than relying on provider churn, market exit or participant choice alone to correct systemic failures. Effective market stewardship requires coordinated use of pricing, payment, regulatory and data levers to stabilise the market, support quality provision, and ensure the Scheme remains sustainable over time.

The recommendations below should be read as a **coherent package of market stewardship actions**. Each represents a specific stewardship lever designed to correct structural weaknesses in current settings, improve alignment between cost, quality and outcomes, and provide the certainty and confidence required for providers to invest in workforce, governance and service continuity while maintaining participant access to supports.

## Recommendations

### Recommendation 1: Sustainable and independent pricing, including differential pricing

Transition NDIS pricing to the Independent Health and Aged Care Pricing Authority (IHACPA) to improve transparency, confidence and methodological rigour for participants, providers, governments and the community. Independent pricing is necessary to reduce policy-driven volatility and establish a credible, evidence-based foundation for pricing decisions across diverse service models and delivery contexts.

This transition should:

- Introduce differential pricing over a three-year period, consistent with recommendations of the NDIA's Independent Pricing Committee, to reflect differences in participant complexity, workforce capability, service models and delivery environments.
- Avoid further one-size-fits-all pricing decisions while am independent pricing framework is developed. The level of sophistication, consistency and system-wide coherence required to design and implement differential pricing can only be delivered through an independent pricing authority.

### Recommendation 2: Smarter, risk-proportionate regulation

Implement a graduated, risk-proportionate regulatory framework that applies consistent oversight across all providers, with requirements aligned to the level of risk, complexity and nature of supports delivered.

Regulation should balance safeguards with administrative burden and operate in concert with pricing and payment settings to reinforce quality and sustainability, rather than concentrating compliance costs on a narrow segment of the market.

### Recommendation 3: Immediately offset the costs of quality and compliance

From 2026–27, introduce higher pricing for registered providers via a direct payment mechanism outside participant plans to recognise the unavoidable costs of quality, safeguarding and compliance. This interim stewardship measure is required to stabilise providers investing in workforce capability, governance and quality systems while broader pricing reform is implemented, without reducing participant budgets or access to supports.

**Recommendation 4: Reform payment approaches**

Develop blended, grant-based or alternative payment mechanisms, including targeted commissioning in thin markets, to ensure essential quality functions and service access are funded and participants are not forced to choose supports based on price alone. Payment reform should support functions that cannot be efficiently funded through activity-based pricing, including supervision, workforce development, standing-ready capacity and service continuity.

**Recommendation 5: Clarity on foundational supports**

Agree and clearly communicate the total funding envelope, governance arrangements and implementation timetable for foundational supports, particularly for children and psychosocial supports. Clear sequencing and transition arrangements are essential to prevent service disruption, workforce instability and unintended cost-shifting between systems as reforms progress.

The 2025 State of the Disability Sector report presents a stark picture of a sector under sustained pressure. While providers continue to deliver quality services, structural challenges threaten the viability of organisations that the NDIS and broader disability ecosystem depend on. Urgent action is needed now to maintain a market that provides quality supports and services to people with disability.

We welcome the opportunity to discuss any aspect of the 2025 State of the Disability Sector report with the Committee at any time.

Michael Perusco

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