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Building a national psychosocial pathway outside the NDIS

Australian Psychosocial Alliance
Australia's leading providers of psychosocial support services

Purpose

This paper sets out the decisions governments should make through the next National Mental Health and Suicide Prevention Agreement to build a nationally coherent pathway for psychosocial supports outside the NDIS.

Australia has the foundations of a psychosocial support ecosystem, but effectiveness is constrained by system conditions not model design. Access is poor because of a lack of scale, and fragmented, short term and insufficient funding, workforce instability and poor integration with the broader system. The next Agreement is the opportunity to strengthen the ecosystem through clear investment benchmarks, agreed roles and responsibilities and a service mix that responds to the fluctuating, episodic and long-term nature of psychosocial disability. It needs to focus on earlier intervention, in life and in episode, to reduce the impact of mental ill health and future disability.

Key messages

- Psychosocial support is the missing piece of our mental health system.
- Nearly 500,000 people are missing out on the support they need. Their family members, carers and kin are also affected.
- It works for people, famiies and carers. It improves health and wellbeing. Without this support people are more likely to become isolated, homeless, more mentally unwell and disabled. It reduces avoidable demand for hospital treatment and crisis care.
- It works for governments too. Emerging Australian economic evidence show that well-designed community based psychosocial support programs deliver significant cost offsets to the health system.
- It is time for new investment which provides the right support at the right time in local communities. People have waited long enough; and no one should be left behind when it comes to mental health support.

The next Agreement must commit governments to measurable access targets, staged investment, a defined service mix, a national minimum data set and commissioning settings that support sustainable community-managed mental health delivery.

Why this matters now

The design of psychosocial supports outside the NDIS is now a central test of national mental health reform. The Australian Government-commissioned unmet needs analysis estimated that 493,640 people aged 12–64 who required psychosocial support were not receiving it through the NDIS or other government-funded programs in 2022-23. This included 230,520 people with severe mental illness and 263,120 people with moderate mental illness[1]. The wellbeing of their families, carers and kin is also impacted.

This unmet need predates NDIS reforms and the downturn in access to the NDIS since 2024. Without a credible psychosocial pathway, the number of people with substantial functional impairment left between systems will only increase. Reform must protect NDIS access for people with permanent and significant psychosocial disability, while also establishing a clear, adequately funded pathway for people who need psychosocial support outside the NDIS.

> *"The health system is screwed and people like me who have complex mental health and physical health issues honestly get pushed away. I'm either too old for the youth help that's available but also too young for many other programs."*

The problem to solve

Psychosocial support sits between clinical mental health care, disability supports, housing, employment and family and community connections, including informal supports. Yet the current system is not designed as a pathway. It is a patchwork of Commonwealth, State and Territory programs with inconsistent eligibility, intensity, duration, data, commissioning and local availability.

The problem is also not one of coordination; it is insufficient scale, uncertain access and a lack of agreed policy architecture. It undermines the role and effectiveness of community-managed mental health and lived experience-led support and without national investment goals and a defined service mix, new investment may simply reproduce or entrench the same gaps and issues.

What governments should agree in the next Agreement

Decision required	Recommended position	Why it matters
National pathway	Establish a psychosocial pathway for people outside the NDIS, while protecting NDIS access for people with permanent and significant psychosocial disability.	Ensures NDIS reform does not leave people without a clear route to support.
Investment benchmark	Set a staged goal for states and territories to move towards 30% of mental health investment dedicated to community psychosocial support, with transparent reporting.	Creates a measurable reform trajectory and addresses historic underinvestment.
Year 1 scale-up	Use foundational supports funding to lift access first for people aged 25–64 with severe mental illness, expand the Commonwealth Psychosocial Support Program for moderate need, and fund group programs and a distinct youth psychosocial residential and outreach stream.	Turns unmet needs analysis into access targets and supports a coordinated national response.
Service mix	Fund an agreed mix of individual recovery support (including housing linked), group-based support, residential rehabilitation, step-up/step-down services , lower-intensity ongoing community connection programs and family/carer support.	Matches real-world needs, which fluctuate over time and cannot be met by short, low-intensity episodes alone. National consistency.
Commissioning	Agree to develop a national commissioning framework for psychosocial supports outside the NDIS that rectifies inefficiencies, promotes sector sustainability and privileges lived experience governance and workforces.	Prevents strong model design being undermined by short contracts, inconsistent and inadequate pricing, underfunded delivery, excessive administrative burden and unstable workforce settings.[3] Builds a sustainable specialist psychosocial support sector.

Design parameters for a credible psychosocial pathway

The APA supports Mental Health Australia's Fundamental Principles for Psychosocial Supports Outside the NDIS. These parameters are informed by and complement these principles.

1. Program design must recognise **fluctuating and episodic support needs,** including periods where people require more intensive support to remain safe, connected and housed.
2. **Duration must be flexible.** Planning should allow short- to medium-term episodes of care, extended episodes of up to around two years where required and an ongoing group or community connection component for people who need low-level continuity.

   "Joining groups helped with my social skills, thus alleviating my mental distress."
3. **Expand supportive housing models.** A mix of housing and support models is required. 31,000 people with mental health issues are homeless or at risk of homelessness. Individual recovery support needs to be matched to growth in access to new and existing housing programs and infrastructure.
4. **Young people require a specific pathway.** This cannot be met through headspace alone. Youth residential rehabilitation and specialist psychosocial outreach should be available in every PHN or local mental health planning area and designed to integrate with headspace, schools, family supports and youth clinical services.
5. Residential models should include outreach. Community-managed mental health providers can strengthen existing residential models by providing 24-hour staffing where appropriate, integrated outreach and planned transitions into ongoing community support.

   "APA has really helped me to grow into an independant young person. They've been there for me when I needed help but they've also let me take control of my own life".
6. **National consistency** in the mix of services available but designed in response to local needs and situations.
7. **Lived experience must be embedded in governance, design and delivery.** Program guidelines should require and be funded to ensure lived experience leadership, peer workforce development and co-design as core operating requirements.
8. Community managed mental health as the building block for the delivery of psychosocial support. Commissioning supports sustainable investment in this sector, across workforce, market development and quality initiatives.

What the first investment package should do

The first investment package should be framed as a **staged national access guarantee**. It should not attempt to solve all unmet need in one year, but it must be large enough to improve access in every jurisdiction and demonstrate a credible trajectory towards national coverage.

APA modelling suggests an initial package should include:

- Increased state and territory psychosocial investment from $805M to approx $2B to meet ~60% of demand among people aged 25–64 with severe mental illness (92,000 people).
- Increased investment for the Commonwealth Psychosocial Support Program from $136M per annum to $544M per annum to meet 45% of demand among people aged 25–64 with moderate mental health needs (~74,000 people).
- $15.25M to fund at least one standalone group-based psychosocial program in each local mental health planning area.
- A $76M psychosocial youth stream that includes residential rehabilitation and specialist outreach in each local mental health planning area.

Jurisdictional allocations should reflect population need, current service levels, current state and territory contributions, and local delivery costs. Some jurisdictions will require a higher relative contribution because current investment and access are lower against need. Every jurisdiction should work towards the same national access benchmark, while recognising different starting points.

Investing in psychosocial support delivers value and outcomes

> *"This service saved my life and assisted me in ways that no other service, psychologist, psychiatrist, emergency department, Lifeline, GP, or case worker ever has."*

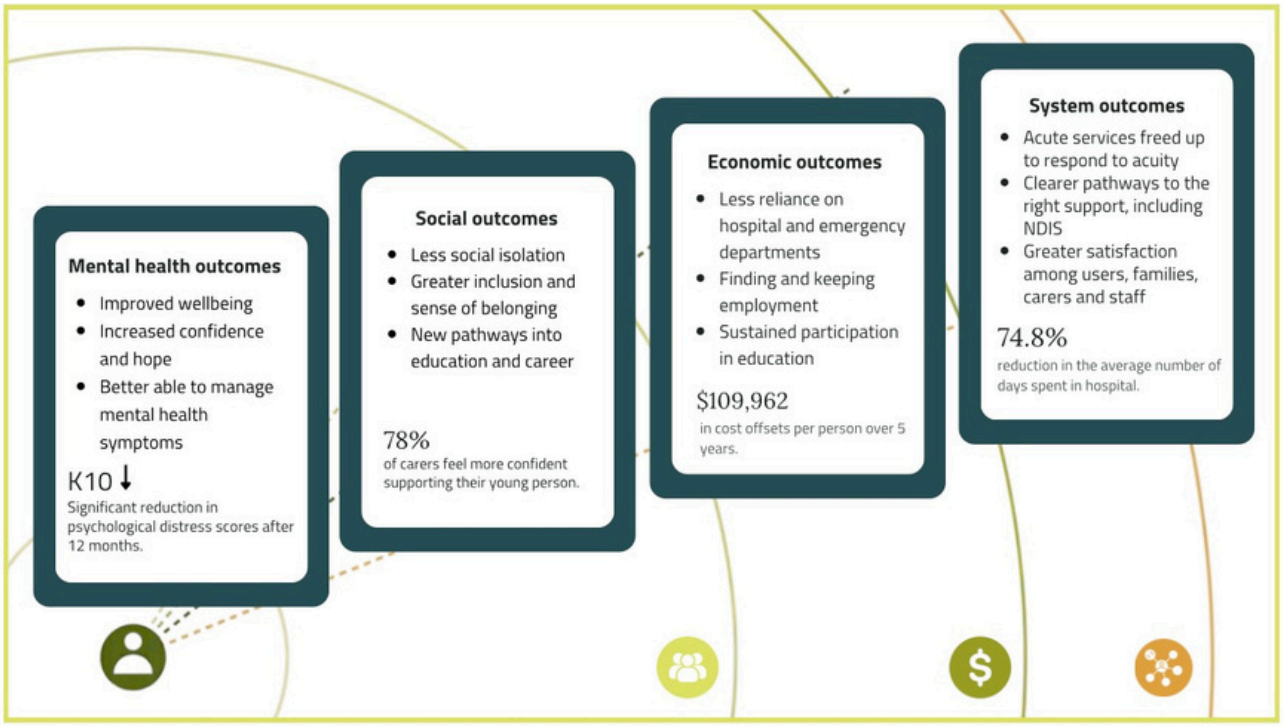
Community-managed mental health organisations are purpose-built to deliver recovery-oriented, relational and community-based support. They connect people with housing, employment, education, family and community, while providing flexibility that hospital and clinical settings are not designed to deliver.

Well designed community based psychosocial supports reduce avoidable demand on more expensive parts of the service system including across health, justice and homelessness. There is strong evidence of cost effectiveness and value for return on investment, and particularly to the health sector through reduced use of acute beds, clinical mental health care and emergency department use [5].

Psychosocial support also improves quality of life and can reduce disability. Quality psychosocial supports improve outcomes across multiple recovery domains. and for service outcomes across care coordination, individual recovery support, accommodation (housing), vocation and education, social and community connection models; as well as family psychoeducation [6]. Overall they strengthen people's social and economic participation and housing stability.

Australian and State Government inquiries and reports have identified the importance of psychosocial support as a core component of a contemporary mental health service system. However, despite the solid evidence and clear recommendations for investment in psychosocial support it has failed to translate into action.

Diagram 1: How investment delivers



Recommended process

The Federal Goverment should establish a time-limited psychosocial pathway taskforce to set the design parameters for the next National Mental Health and Suicide Prevention Agreement.

Membership should include community-managed mental health providers, peak bodies, lived experience leaders, carers and kin, Aboriginal and Torres Strait Islander expertise, researchers, Commonwealth, state and territory mental health and disability officials and the NDIA.

The taskforce should report within six months on: national investment goals; access targets by age, severity and jurisdiction; the service mix and model parameters; the NDIS interface; the role of youth services, including headspace; an approach to data collection and outcomes measurement; and staged implementation through the next Agreement.

> *"You can't get better when you don't know where your next meal is coming from or if a doctor's visit is going to send you broke or if you lose your accommodation. This is no way for anyone to live. I want to get better but without the right circumstances, support and opportunities it's not possible. I am just in constant survival mode."*

Key sources

[1] Health Policy Analysis (2024), Analysis of unmet need for psychosocial supports outside of the National Disability Insurance Scheme: Final report, prepared for the Australian Government Department of Health and Aged Care.

[2] Productivity Commission (2020), Mental Health, Inquiry Report No. 95, Vol. 3, Ch. 17 and Ch. 23.

[3] Nous Group (2021) Evaluation of National Psychosocial Support Programs: Final Report, prepared for the Australian Government Department of Health.

[4] Productivity Commission (2020) Inquiry into Mental Health [Final Report].

[5] Centre for Social Impact, University of Western Australia (2026), Capturing the Economic Value of Psychosocial Support: A Discussion Paper

[6] Harvey, C. et al. (2023), "Community-based models of care facilitating the recovery of people living with persistent and complex mental health needs: a systematic review and narrative synthesis", Frontiers in Psychiatry, 14, 1259944.

[7] MHA Advice to governments on evidence informed and good practice psychosocial services (Mental Health Australia).