# As the NDIS tightens, who absorbs the risk in regional NSW?

## Key finding

*The NDIS was designed as social insurance, but the proposed reset is toward tighter individual cost control and market discipline in places where markets are thin and information is uneven.*

*For many Hunter and Central Coast communities, that creates a real risk of shifting costs and responsibility onto families, carers, local services, and regional labour markets.*

## Context

This week's announcement signals a shift in the National Disability Insurance Scheme (NDIS) from expansion to containment and redesign. The main elements are:

- stronger eligibility settings based on assessed functional need
- tighter payment integrity and evidence requirements
- expanded provider registration
- slower participant growth and lower scheme spending growth, and
- a stronger focus on scheme sustainability.

Nationally, headline numbers include an expected 160,000 reduction in eligible NDIS participants by 2030, down from 760,000 today – and compared to a projected growth to 900,000 with no policy changes.

The federal government's NDIS reset is not just a fiscal correction. In the Hunter and Central Coast, it is a test of whether a national social insurance scheme can be tightened without shifting risk onto regions that already have thin provider markets, above-average participation, and heavy dependence on the care economy. The immediate policy question is not whether reform is needed, but how to redesign a system that is now load-bearing without withdrawing the foundations before alternatives are in place.

In the Hunter and Central Coast, where Indigenous participation is above the state average and provider markets are already thin in some LGAs, blunt reform instruments are most likely to affect people with genuine need — which is precisely the issue that transition design needs to address.

## Implications

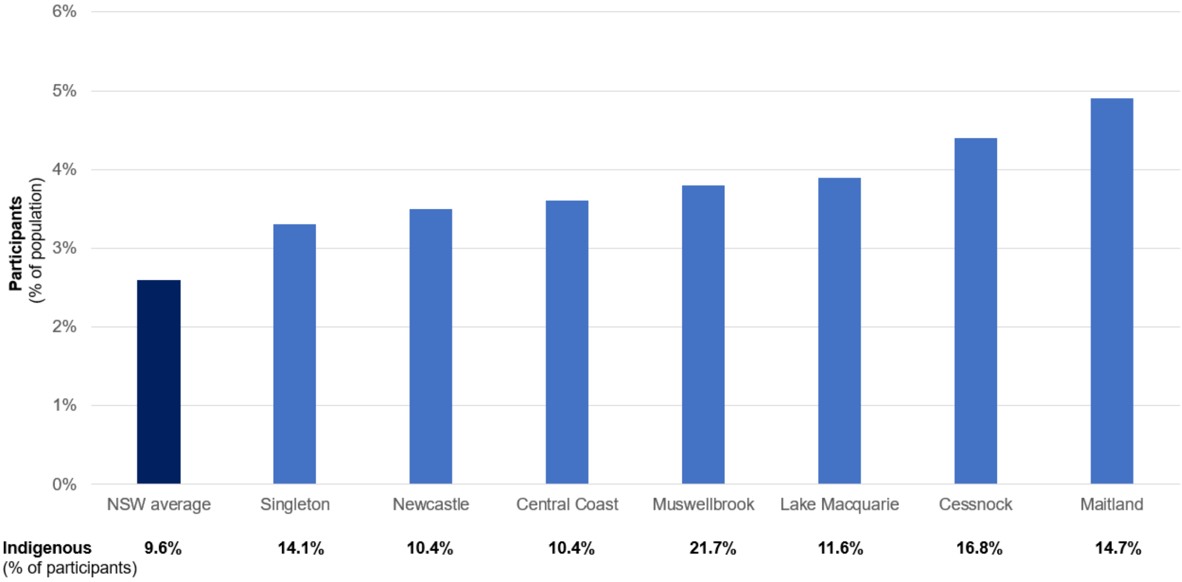
### Regional Exposure

Our analysis shows that the Hunter and Central Coast are materially more exposed than NSW overall. Several LGAs have participant shares above the state average, and Indigenous participation is also above average in a number of areas.

The most exposed locations are not the same as the largest population centres. Maitland and Cessnock stand out on participation rates, while Muswellbrook, Singleton and Cessnock also show elevated Indigenous participation and thin provider markets. This combination matters because it means reform pressure will not be absorbed evenly across the region.

Maitland and Cessnock stand out — at 4.9 and 4.4 per cent respectively — as substantially more exposed than the state average.

**Figure 1: Participants by LGA vs NSW**




These are also areas with high Indigenous participation: Muswellbrook records 21.7 per cent Indigenous share of NDIS participants, Cessnock 16.8 per cent, Maitland 14.7 per cent, and Singleton 14.1 per cent compared with the NSW average of 9.6 per cent.

## Labour market impacts

The NDIS has helped reshape employment in health and social assistance, especially across regional Australia. In the Hunter Employment Region, health and social assistance already accounts for 18.4% of the workforce compared to 15.4% in NSW overall, indicating a stronger local economic foundation in care-sector activity.

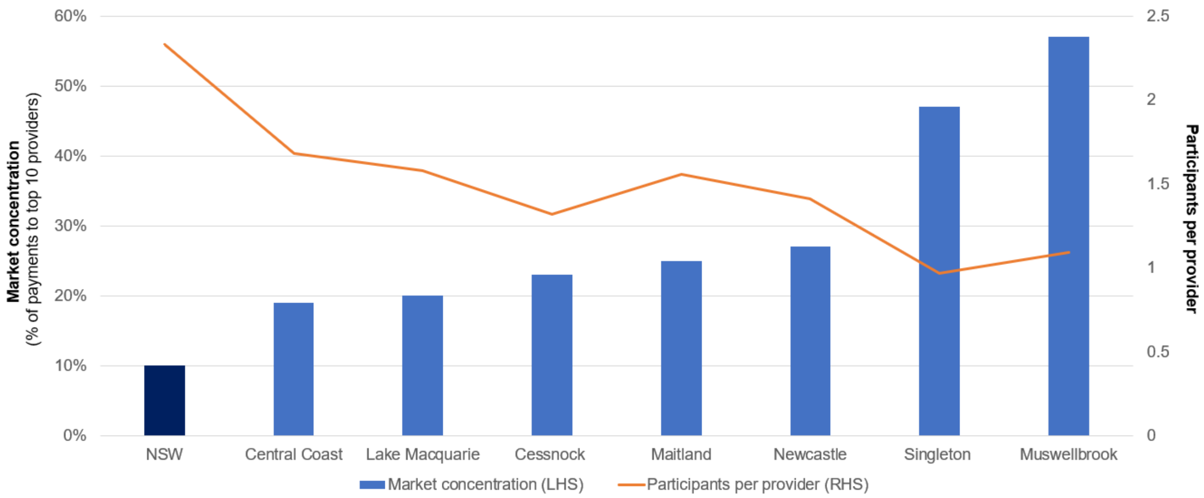
That foundation is important because a fall in participant numbers, tighter eligibility, or lower plan values will affect more than scheme budgets. It will also affect jobs, business turnover, and local spending in towns where disability support services are a significant part of the economy. In smaller centres, a single provider exit can have outsized effects.

## Provider market fragility

The strongest vulnerability in the Hunter is not simply high participant numbers. It is the structure of the provider market. In parts of the Upper Hunter, market concentration is high and participants per provider are extremely low, which means many providers are operating on very small client bases.

In the Upper Hunter LGAs of Muswellbrook and Singleton, market concentration is extreme — the top 10 providers account for 47 to 57 per cent of total payments — but there are very few participants per provider (around 1, compared with over 2 for NSW as a whole). This reflects a long tail of small, low-volume providers who are more exposed to payment integrity reforms, registration requirements, and any reduction in participant numbers.

**Figure 2: Market concentration and participants per provider by LGA vs NSW**




That makes these markets fragile. Even modest changes in eligibility, compliance, billing rules, or participant demand can trigger provider exits, reduce service choice, and create access gaps. These risks are most acute in regional communities, where thin markets are less able to absorb shocks, and NDIS participants have further to travel to health services and hospitals.

In Newcastle and Central Coast, market concentration is lower (27 and 19 per cent respectively) and participants-per-provider ratios are higher — suggesting a more resilient, diversified market.

### The information asymmetry problem

Consumer-driven markets require informed consumers with real choices. In practice, advocacy capacity determines outcomes more than need — those with stronger family support, better information, and more time to navigate the system get larger plans. Those with higher needs but less navigational capacity get left behind.

This isn't incidental. It's structural. And reform that aims to improve market mechanisms — mandatory registration, tighter billing rules, eligibility reassessment — without addressing information asymmetry will replicate the same dynamics.

## Why this matters now

The immediate question is not whether reform is necessary, but who bears the risk of changes. When a national scheme tightens, the budget line stays in Canberra — but the risk moves to regions, to families, to informal carers, to providers, and to people with disability themselves. That risk falls hardest where markets are thinnest and navigational capacity is lowest.

### Where do participants go?

People whose eligibility is tightened do not lose their support needs — they lose an individually funded pathway to meet them. The transition design question is what replaces that pathway, and whether the mainstream systems expected to absorb the load are resourced to do so. State-managed disability services, community health, primary care, and informal care all carry part of this burden. For the Central Coast, with its high concentration of youth, autism and moderate-to-high functional impairment, getting transition arrangements right is not a secondary concern.

### What happens to the workforce?

The NDIS has not just funded disability support — it has reshaped the regional labour market. Health and social assistance is now the Hunter's single largest employing sector, and a significant share of that growth has been NDIS-driven. That means the workforce question and the participant question are inseparable: you cannot redesign one without affecting the other.

A reduction of 160,000 participants nationally represents a substantial withdrawal of scheme funding. If Hunter and Central Coast experience proportional reductions, potentially 3,000–5,000 participants across the region could exit the scheme over five years.

The direct workforce implications are not trivial: health and social assistance is already the Hunter region's single largest employing sector, and many of those jobs — particularly in smaller Upper Hunter towns — exist primarily because of NDIS funding flows. There are likely to also be indirect workforce implications. An unintended consequence of NDIS tightening may be flow-on caring impacts to local families, with negative impact on women's participation rate in the wider workforce.

### Can provider markets withstand reform?

The Upper Hunter's provider market is already thin. Many providers are dependent on a small number of clients. Mandatory registration requirements, tightened payment integrity rules, and any reduction in participant numbers could accelerate provider exit from the NDIS scheme — potentially creating genuine access deserts in Muswellbrook, Singleton, and surrounding areas. This is a different problem from urban markets where competition and scale provide resilience.

An unintended consequence of provider exits may be increased demand on local health services, and at a time when they are already likely to be strained by the temporary increase in populations as significant infrastructure buildouts gather pace.

## How to get more information

The Institute for Regional Futures' May Economic Breakfast, held on 20 May, brought together providers, researchers, policymakers and community stakeholders to examine the regional implications of NDIS reform, including workforce impacts, service accessibility and the parts of the Hunter and Central Coast most exposed to change. Discussions also explored potential policy responses to support providers and participants through the transition.

IRF is the only organisation currently providing LGA-level analysis of NDIS reform impacts for the Hunter and Central Coast. Journalists seeking additional regional data or comment should contact IRF via the University of Newcastle's media team.

*This issues paper draws on IRF analysis of NDIS Explorer (Q2 FY2025/26) and ABS 1410.0 population data by LGA; national and regional employment data from ABS/Antipodean Macro/Macrobond; and Minister Butler's National Press Club address of 22 April 2026.*