

Pre-Budget Submission 2026–27

Submission to the Treasury

30 January 2026



Acknowledgments

About Neami National (Neami)

[Neami National](#) is a national not-for-profit organisation that provides mental health and wellbeing, housing and homelessness and suicide prevention services to over 34,000 people each year.

Acknowledgment of Country

We acknowledge Aboriginal and/or Torres Strait Islander peoples and communities as the Traditional Custodians of the land we work on and pay our respects to Elders past and present. We recognise that their sovereignty was never ceded.

Acknowledgement of Lived Experience

This submission is indebted to the contributions of people who access and deliver Neami services. We thank them deeply for the expertise and time they shared with us.

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Contents

About Neami National	4
Executive summary	5
Policy context and rationale	6
Priority 1: Address unmet psychosocial need outside the NDIS	8
Priority 2: Build a sustainable psychosocial support Workforce	9
Priority 3: Reform funding and commissioning for community mental health	10
Priority 4: Expand community-based alternatives to hospital crisis care	11
Priority 5: Strengthen housing and physical health responses	11
Conclusion	12
Endnotes	13

About Neami National

Neami National (Neami) is one of Australia's largest community-based mental health providers, delivering community mental health, suicide prevention and housing and homelessness services to more than 34,000 people each year across 40 different Indigenous lands.

Our program and service experience ranges from needs-driven, localised and place-based services to national and/or highly scalable programs including Medicare Mental Health Centres, crisis stabilisation services and integrated mental health and homelessness programs.

For almost 40 years, Neami has worked alongside our consumers, families and communities to improve wellbeing, strengthen independence and support social and economic participation.

Neami's policy and advocacy positions are informed by lived experience, service delivery evidence and system-level analysis. We draw on the experiences of people who use our services, as well as insights from our workforce and partners across the health, social and community sectors. Our focus is on implementing practical reforms that strengthen system performance and improve outcomes for people facing mental health challenges.

This submission outlines priority investments and reforms required in the 2026–27 budget to address unmet psychosocial need, relieve pressure on hospitals and emergency departments, and support Australia's productivity, housing stability and population health.



Executive summary

Australia continues to experience significant unmet psychosocial need. Almost 500,000 people aged 12 to 64 years, living with moderate to severe mental health challenges are unable to access community-based psychosocial support leading to preventable crises, avoidable emergency department presentations and deeply traumatic experiences of care.¹

Unaddressed mental health challenges are estimated to cost the Australian economy up to \$70 billion each year through lost productivity, absenteeism and reduced workforce participation.² At the same time, escalating housing stress, cost-of-living pressures and barriers to accessing affordable physical healthcare are compounding distress and driving poorer outcomes, particularly for people already experiencing disadvantage.

Consequently, the impacts of unmet psychosocial need are extending well beyond the health system.³ When people are unable to access timely, relational and community-based support, costs are shifted to other parts of government, including hospitals and emergency departments, homelessness services, the justice system and child and family services. This fragmented, crisis-driven response is more expensive, less effective and significantly more harmful for individuals and communities.

Despite successive inquiries and reform commitments, investment in community mental health and psychosocial supports has not kept pace with need. Services remain underfunded and are frequently commissioned through short-term contracts that undermine workforce stability and sustainability, and impact service quality and continuity of care.⁴⁵ The consequences of maintaining a status quo in mental health are being felt across the health system, housing and homelessness services, the broader economy—and critically, in our communities.

The 2026–27 budget represents a critical opportunity for the Australian Government to shift from crisis-driven expenditure to preventative, community-based investment. This reflects recommendations from peak bodies such as Mental Health Australia, Suicide Prevention Australia, and the Productivity Commission, who emphasise a greater focus on prevention and early intervention. Well-targeted investment in community mental health generates significant economic benefits, with system-wide returns estimated at up to \$21 billion annually.⁶⁷

This budget also plays a pivotal role in shaping the next National Mental Health and Suicide Prevention Agreement, providing an opportunity to set clear funding signals and a long-term, coordinated approach to addressing unmet psychosocial need.

Strategic investment in community-based mental health and psychosocial support will reduce pressure on hospitals, improve health and social outcomes and deliver strong economic returns through improved workforce participation and reduced downstream costs across multiple government portfolios.

Neami recommends a focused package of reforms and investments across five priority areas:

1. fully addressing unmet psychosocial need outside the NDIS
2. building a sustainable psychosocial support workforce
3. reforming funding and commissioning for community mental health
4. expanding community-based alternatives to hospital-based crisis care

5. strengthening housing and physical health responses for people with mental health challenges.

Policy context and rationale

Unmet psychosocial need and system pressure

Unmet psychosocial need remains a central failure of Australia's mental health system. Psychosocial support builds people's skills, confidence and resilience by working alongside individuals to strengthen their existing capabilities, social connections and capacity to navigate daily life. Further, it assists people to overcome systemic, structural and practical challenges that impact wellbeing and mental health.

These supports represent a critical upstream investment-strengthening protective factors, improving overall wellbeing and preventing the escalation of distress into acute crisis or long-term impairment. All of which are consistent with national calls to rebalance mental health spending toward prevention and early intervention.

People who cannot access timely, relational and community-based support are more likely to present in crisis to emergency departments and inpatient units. This contributes to hospital overcrowding, ambulance ramping and escalating costs. These services are not designed nor able to provide a truly therapeutic response to people in distress exposing individuals to distressing and often traumatic care environments. This perpetuates fear and distrust of services and reinforces a cycle of care avoidance that leads people directly back to crisis admissions and emergency care.⁸

Community mental health and psychosocial supports are a proven means of reducing acute demand. When people receive support earlier and for long enough to build trust, skills and stability, they are less likely to deteriorate into crisis and more likely to sustain engagement with housing, employment and physical healthcare.

Housing stress, cost of living and mental health

At least 31,000 Australians living with mental health challenges experience homelessness or housing insecurity.⁹ People living with serious and persistent mental health challenges are over-represented in the homelessness sector and are one of the fastest-growing cohorts accessing Specialist Homelessness Services.¹⁰ This cohort is also one of the most excluded groups in our society whose complex interplay of mental health challenges, untreated health needs, and stigma and discrimination contribute to pervasive homelessness.^{11 12}

Housing instability and cost-of-living pressures are now among the most significant drivers of distress seen across Neami services. Rising rents, limited social housing supply and insecure tenancies are undermining mental health, increasing homelessness risk and making recovery difficult to sustain.

While recent housing investments are welcome, housing supply alone is insufficient for people living with serious or episodic mental health challenges. Without integrated, ongoing psychosocial and tenancy support, many people are unable to secure or maintain housing. This results in cycling between homelessness, hospitals and crisis services.

Support to secure and sustain housing integrated with wrap-around homelessness and mental health and wellbeing support drives improved physical health, mental health and

wellbeing outcomes. This reduces expenditure associated with inpatient treatment and other high-cost or avoidable interventions across the health,¹³ justice¹⁴ and welfare sectors.¹⁵

Integrated programs such as the Housing and Accommodation Support Initiative (HASI)¹⁶ and sustaining tenancies programs offer evidence of proven, cost-effective models that support people living with mental health challenges to secure and maintain housing. Sustaining tenancies programs are broadly successful in supporting people to maintain their housing and in the case of social housing tenants, save an average of \$8,814 per eviction for the government.¹⁷



Neami's published [position statement on serious and persistent mental health and homelessness](#) highlights the disproportionate rates of homelessness experienced by people with serious and persistent mental health challenges and the failure of crisis-driven responses to deliver sustainable outcomes. It recommends a Housing First approach with integrated mental health and psychosocial supports, underpinned by a 10-year National Housing and Homelessness Plan.

In the 2024–25 financial year, Neami's psychosocial support-based homelessness services [supported over 2,500 people in New South Wales, Victoria and South Australia to secure housing or sustain an at-risk tenancy](#). Further, 150 people sleeping rough were supported to secure permanent housing in the Geelong Zero Project, one of many such housing first projects delivered as part of the national [Advance to Zero Initiative](#).

People supported through these services receive a consumer-led, holistic response that recognises how housing insecurity, mental health challenges and broader social determinants interact and compound one another. Support is relational and practical: with support from mental health trained workers, individuals are assisted to stabilise housing, strengthen financial capability, navigate service systems, and address other personal priorities that affect wellbeing. This integrated approach enables progress across multiple life domains simultaneously, reducing reliance on crisis responses and supporting sustained housing and mental health outcomes.

Physical health inequity

People living with mental health challenges experience significantly poorer physical health outcomes and reduced life expectancy compared with the general population.¹⁸ Comparative to the broader population, individuals living with severe mental health challenges are 2.5 times at greater risk of cardiovascular disease and double the risk of respiratory disease.¹⁹²⁰

Cost pressures, access barriers and fragmented service systems mean many people delay or avoid physical healthcare, often until conditions become advanced or life-threatening.

These disparities are further reinforced by systemic barriers. Diagnostic overshadowing, fragmented service systems, financial barriers and difficulties navigating healthcare during periods of distress mean many people delay or avoid physical healthcare altogether. As a result, preventable conditions often escalate until they require acute,

emergency or inpatient care—placing avoidable pressure on hospitals and increasing long-term health expenditure.

Community-based psychosocial supports play a critical enabling role in addressing physical health inequity. By providing relational, ongoing support, psychosocial services assist people to engage with primary care, attend appointments, manage medications, address health literacy and sustain engagement with treatment over time. This integrated approach improves physical health outcomes while reducing avoidable hospitalisations and emergency department presentations.

Improving physical healthcare access for people with mental health challenges is therefore both a moral and economic imperative. Investment in integrated psychosocial and health responses delivers downstream savings to the health system, supports workforce participation and reduces long-term disability and income support costs.

Priority 1: Address unmet psychosocial need outside the NDIS

Recommendation 1: Commit to a funded, time-bound plan to fully address unmet psychosocial need by 2030²¹

Neami supports calls from Mental Health Australia and the wider mental health sector for a nationally coordinated approach to addressing unmet psychosocial need outside the NDIS. Temporary or piecemeal funding uplifts are insufficient to resolve a structural gap affecting hundreds of thousands of people and will only lead to further fragmentation of the system.

The Australian Government should:

- Work with states and territories through the next National Mental Health and Suicide Prevention Agreement to agree a detailed, costed plan to fully address unmet need by 2030, including clear expenditure benchmarks and transparent reporting mechanisms, as recommended by Mental Health Australia.²²
- Progressively increase Commonwealth investment in community-based psychosocial supports to better reflect the scale of psychosocial disability and unmet need, and to reduce long-term costs across health, housing, justice and income support systems.
- Engage and fund, at minimum, the following mental health peaks that represent diverse lived experiences, in development of the next Agreement:
 - National Mental Health and Consumer Alliance
 - Mental Health Carers Australia
 - Gayaa Dhuwi.
- Ensure sustainable funding is directed to evidence-based, community-managed services capable of delivering flexible, relational and recovery-oriented support.

Addressing unmet psychosocial need will reduce crisis demand, improve quality of life and deliver substantial downstream savings across health, justice and housing systems.

Priority 2: Build a sustainable psychosocial support workforce

Recommendation 2: Develop and fund a national psychosocial support workforce strategy

Australia faces a critical shortage of mental health workers, with the psychosocial workforce largely invisible in national planning.²³ Without deliberate action, workforce shortages will continue to constrain service availability and quality.

A psychosocial workforce strategy should:

- quantify current and future workforce demand across community-based psychosocial services
 - include targeted strategies to attract and retain diverse workers, including peer workers, Aboriginal and Torres Strait Islander social and emotional wellbeing workers, bicultural workers and specialist roles
- establish clear career pathways, professional development and education options
- align with state and territory workforce strategies to maximise impact and avoid duplication.

Recommendation 3: Fund community mental health services to offer competitive, secure employment

Sustainable workforce development depends on funding settings that reflect the true cost of community mental health service delivery and provide sufficient certainty for organisations to plan, invest and retain skilled staff. Adequate indexation and secure contract lengths are essential to stabilising the workforce and ensuring services can operate safely and effectively over time. The Australian Government should increase funding to enable community-managed organisations to:

- offer secure employment contracts
- pay wages competitive with other care sectors
- invest in supervision, training and workforce wellbeing.

These measures align with sector-wide calls to reform funding models in ways that strengthen sustainability, reduce workforce attrition and incentivise quality, continuity and outcomes, rather than short-term activity or narrow performance metrics.



Neami has published a [position statement examining the growing scale of unmet psychosocial support need alongside workforce shortages](#) in community mental health services. The statement calls for a coordinated national workforce strategy and funding reforms that improve sustainability, support workforce retention and ensure community-based services can deliver early intervention, continuity of care and long-term value for public investment.

Priority 3: Reform funding and commissioning for community mental health

Recommendation 4: Reform contracting practices to support service quality and sustainability

Current funding and commissioning approaches undermine the stability and effectiveness of community mental health services. Short-term contracts, inadequate indexation and underfunding of indirect costs place organisations, workers and service users at risk.

The Productivity Commission has repeatedly identified short-term funding cycles, fragmented commissioning and limited contract flexibility as barriers to integrated, efficient care. Reforming contracting arrangements is a necessary precondition for collaborative commissioning, prevention-focused investment and improved system productivity. This has been recognised in the Review of the PHN Business Model and Mental Health Flexible Funding Stream commissioned by the Department of Health, Disability and Ageing.²⁴

Longer-term, outcomes-oriented funding enables governments to shift from cost-shifting between portfolios to shared accountability for population-level outcomes.

Neami recommends:

- five-year funding agreements for established evidence-based programs
- transparent and adequate indexation linked to wage growth, CPI and superannuation increases
- a standardised approach to funding indirect costs that reflects the real cost of safe, compliant service delivery
- minimum notice periods for contract cessation or non-renewal.

These reforms are essential to maintaining service continuity, workforce stability and value for public investment.



Neami's published [position statement on reforming commissioning and funding for community mental health](#) outlines how short-term, fragmented and under-costed funding arrangements are undermining service sustainability and workforce stability. It calls for sector-wide reform, including longer-term contracts, full indexation, funding that reflects the true cost of service delivery, and commissioning approaches that are flexible, collaborative and lived-experience led.

Priority 4: Expand community-based alternatives to hospital crisis care

Recommendation 5: Invest in Medicare Mental Health Centres and crisis alternatives

Medicare Mental Health Centres,²⁵ Safe Spaces²⁶ and community-based crisis stabilisation services are demonstrably reducing emergency department presentations and improving people's experiences of care. They provide accessible, non-stigmatising entry points to the mental health system and support people experiencing high levels of distress, including suicidal ideation.

The Australian Government should:

- ensure centres are adequately funded to operate as integrated, community-embedded hubs
- provide five-year funding contracts for Medicare Mental Health Centres, Safe Spaces and crisis stabilisation centres
- expand investment in peer-led, community-based alternatives to emergency department presentations.

Strengthening these services will reduce pressure on hospitals while delivering safer, more humane responses to distress. Committing to five-year contracts will embed and integrate these services into communities creating a joined-up and responsive system.

Community-based crisis alternatives also play a critical role in suicide prevention, providing timely, non-clinical responses to distress and reducing reliance on emergency departments, consistent with national suicide prevention priorities.

Priority 5: Strengthen housing and physical health responses

Recommendation 6: Expand integrated housing and mental health support programs

The Australian Government should partner with states and territories to:

- expand access to integrated housing and psychosocial support programs
- embed mental health support within housing and homelessness responses
- ensure people exiting hospitals or homelessness services are not discharged into housing instability.

Recommendation 7: Improve access to physical healthcare for people with mental health challenges

People living with mental health challenges experience significantly poorer physical health outcomes and markedly reduced life expectancy compared with the general

population. People with severe mental illness are around 2.5 times more likely to experience cardiovascular disease and twice as likely to experience respiratory disease, contributing to preventable morbidity, mortality and high-cost hospital admissions.²⁷ They are also more likely to be unemployed or underemployed.²⁸

Neami recommends:

- reducing cost barriers to primary and specialist care
- supporting integrated models that connect psychosocial services with physical healthcare
- prioritising early intervention to prevent avoidable morbidity and mortality.

Conclusion

Neami thanks the Treasury for the opportunity to contribute to the 2026–27 budget. We believe that investment in community-based mental health and psychosocial support is a smart fiscal strategy. It reduces pressure on hospitals, supports housing stability and workforce participation, and delivers long-term economic and social returns.

Importantly, these investments support whole-of-government objectives by reducing future demand across health, housing, justice and income support portfolios and by improving productivity and participation over the life course.

Neami urges the Australian Government to use the 2026–27 budget to shift decisively toward prevention, early intervention and community-based care. Doing so will improve outcomes for individuals and communities while building a more sustainable, equitable and productive mental health system for Australia.

Endnotes

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