

## Mental Health Financial Safety Net Needs Immediate Reform

Cohesive, equitable and timely mental health support for Australians is being challenged by a complex financial safety net that needs immediate reform, a new Actuaries Institute report finds.

*The Mental Health Financial Safety Net: Unifying Australia's Fragmented Systems* report explores the cost and affordability of consumer access to mental health care, examining a variety of public and private funding supports available for treatment, care and recovery services.

It identifies 22 separate supports – including Medicare, the Pharmaceutical Benefits Scheme, workers' compensation schemes, helplines, and life and private health insurance – that collectively form a financial safety net to prevent individuals falling into poverty or debt while they access mental health care.

“Australia's mental health safety net is being challenged significantly and its long-term viability is at risk,” says lead author and Actuaries Institute member Cindy Lau.

There's a broad pattern of cost shifting from one part of the safety net to another amid structural gaps in how the mental health care system is funded, accessed and integrated as a whole.

“Rising demand is exposing structural weaknesses across the system – from inconsistent access and affordability to duplication, regulatory misalignment, and unmet need. The financial safety net is uneven, with a growing risk that people experiencing mental ill-health will fall through it.”

The report estimates the safety net provides at least \$18.5 billion annually in direct funding to cover the personal cost of mental health treatment or as income support for those experiencing mental ill-health.

However, it warns the safety net's ability to deliver cohesive, equitable and timely support is being challenged by multiple strains on the complicated patchwork of funding sources, service providers and administrative structures.

The report provides eight recommendations to help strengthen the safety net, including:

- Embedding a whole-of-system priority investment approach to identify and implement reforms for integration and sustainability of the safety net
- Implementing a national mental health data strategy
- Providing more effective affordability relief for at risk and financially vulnerable people
- Redesigning insurance products to provide more appropriate and cohesive support

“Australia has made significant progress in recognising and responding to mental health but the current system is unsustainable and the issue is growing,” Ms Lau says.

“Our recommendations involve short-term investment to rebalance funding responsibilities, expand the safety net, and enhance its long-term sustainability. Without reform, the strain on people and systems will almost certainly worsen.”

Of the over \$18.5 billion in funding, nearly \$4 billion comes from insurance - \$2.2 billion from life insurance and income protection, \$0.9 billion from workers' compensation and over \$0.65 billion from private health insurance.

Despite financial assistance provided under the safety net, Australians still incurred \$1.4 billion in out-of-pocket costs for mental health care provided by psychologists, allied health professionals, GPs and psychiatrists in the year to June 2025.

These challenges are eroding the financial safety net, leaving people with unmet needs and many patients seeking more affordable options that respond to their individual circumstances. People also face difficulties accessing care due to geographical and cultural barriers, while the fragmented nature of the sector's funding is creating gaps in vital care provision.

“The fragmented coordination of mental health funding and service delivery is failing too many Australians. Addressing this challenge requires collective action. This report puts forward

recommendations to create a more integrated and sustainable system that strengthens support for those who need it." says Elayne Grace, CEO of the Actuaries Institute.

The Report can be viewed [here](#).

Lead author [Cindy Lau](#) is available for interview.

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### Recommendations to strengthen Australia’s Mental Health Financial Safety Net

Priority Area for Actions	Immediate (2025-26)	Medium-Term (2027-28)	Long-Term (2028+)
 <p>Whole-of-system Priority Investment Approach</p>	<p>Embed a whole-of-system priority investment approach targeting the issue of affordability, focusing on:</p> <ul style="list-style-type: none"> <li>Identifying duplication, funding gaps and cohorts at risk</li> <li>Evaluation equity and financial protection</li> <li>Implementing reforms for integration and sustainability</li> </ul> <p>consider as part of Government's response to the PC's Review of the National Mental Health Agreement.</p>		
 <p>Data Capability and Systems Intelligence</p>	<p>Implement a national mental health data strategy to address the immediate affordability challenges.</p>	<p>Develop a coverage and outcome framework that models and monitors the cost of failure points in the Mental Health Financial Safety Net.</p>	
 <p>Affordability Relief for At Risk Groups</p>	<p>Provide more effective affordability relief for financially vulnerable groups in relation to chronic conditions and frequent psychiatric service use.</p>		
 <p>Private and Public Sector Coordination</p>	<p>Develop a shared, evidence-based framework for assessing mental ill-health, and ensure claims pathways are trauma-informed and streamlined.</p>	<p>Review the coordination and integration of private and public funding mechanisms. E.g. gaps between Medicare, Private Health Insurance (PHI), Life Insurance and state-based Work Cover (WC) schemes.</p>	<p>Identify opportunities for coordinated investment (e.g., pooled funding) to address gaps in prevention, continuity, and recovery of mental health care.</p>
 <p>Product Design Reform</p>	<p>Redesign insurance products and pursue innovations that provide more appropriate and cohesive mental health support. This includes, for example, extending coverage for evidence-based community mental health supports, offering less intensive cover in the more affordable product options and designing cover tied to the financial loss and to the principle of indemnifying income.</p>		

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### Actuaries Institute

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