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UNDERSTANDING THE ROLE OF PRICE CAPS IN NDIS MARKETS

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Summary

Price caps are a core regulatory tool of the National Disability Insurance Scheme (NDIS). The National Disability Insurance Agency (NDIA) sets maximum prices to protect participants from excessive charges while maintaining provider viability, encouraging efficient delivery, containing short-term costs, and influencing budgets and market outcomes.

We examine how market prices and service volumes (measured in hours) responded to the 1 July 2025 NDIS price caps adjustments using detailed service usage data from Kismet, a healthtech company that operates as a plan manager for the NDIS. These adjustments varied across services, with some caps increasing, some decreasing, and others remaining unchanged. This variation allows us to study how markets respond to both upward and downward changes in regulated prices. Our analysis focuses on short-run responses in the weeks following the price cap changes. Our results show:

- **For services with price cap increases:**
  - Market prices rose immediately: a 1% increase in the price cap led to a 0.61% increase in prices charged by providers.
  - Aggregate service volumes remained unchanged in the short run.
  - Even providers pricing well below the cap before the change raised their prices when caps increased.
- **For services with price cap decreases:**
  - Market prices fell immediately: a 1% decrease in the cap led to a 0.9% decrease in market prices.
  - Overall service volumes remained broadly stable, though small reductions were observed for services facing the large cap cuts.
  - While all providers reduced prices after a cap reduction, those previously pricing at the cap adjusted substantially more, with prices falling by 1.11% per 1% cap decrease, compared with 0.3% for providers with pricing headroom.
- **For services with unchanged caps:**
  - No change in market prices or service volumes was observed.

Taken together, these results show that market prices adjusted rapidly following cap changes in both directions, while short-run service volumes remain broadly stable, with small contractions concentrated in services facing larger cap reductions. We observe a clear asymmetry in market response: when caps increase, prices rise at similar rates across all providers (including those with pricing headroom), whereas when caps decrease, all providers lower prices, but those previously at the cap adjust substantially more than those with pricing headroom. With scheme expenditure and participant numbers continuing to grow, these results suggest that price cap adjustments affect both expenditure and service provision, highlighting a trade-off that warrants ongoing monitoring of provider behaviour over time.

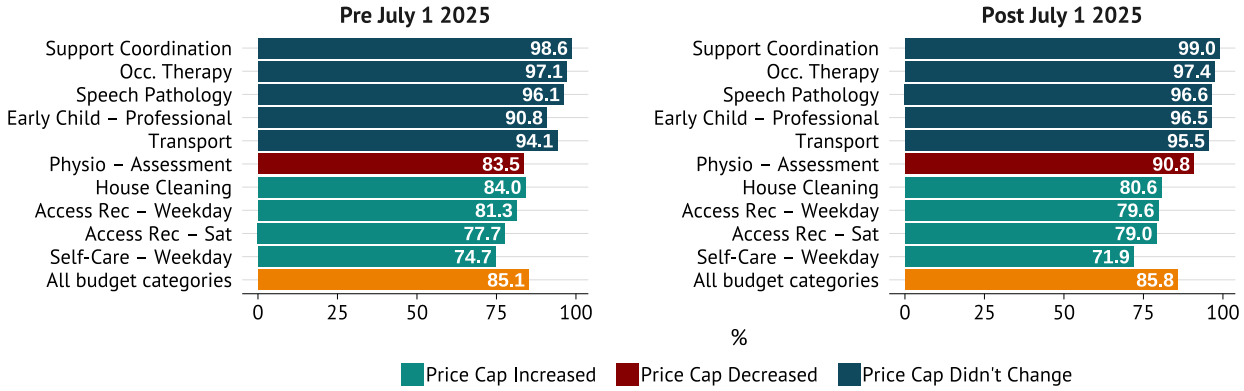
Role of Price Caps in NDIS Market

NDIS spending has surged to $48.5 billion in 2024-25, with costs expected to reach $52.3 billion in 2025-26, making it one of the Commonwealth's largest social programs (Commonwealth of Australia, 2025). NDIS spending is the equivalent of around 1.7% of Australia's GDP and represents a significant share of total federal spending (Gifford, 2024). When it was launched over a decade ago, the NDIS was expected to grow gradually and support up to approximately 410,000 people with permanent and significant disability in the long run (Productivity Commission, 2011). Today, it supports more than 700,000 people, and costs have grown faster than anticipated (National Disability Insurance Scheme, 2025). Managing this growth is now a top government priority.

Unlike traditional service delivery models, where the government directly contracts providers, the NDIS operates through individualised budgets that participants use to purchase supports and services they need. These purchases take place in

decentralised markets that operate under regulated price limits. Price caps were designed to guide the NDIS market in its early stages by encouraging efficient service delivery and containing its short-term costs, with the expectation that efficiency would improve over time as competition increased (NDIS Review, 2023). However, price caps now serve a dual function. They not only limit what providers can charge but also influence participant budgets, because budgets are indexed to the caps, and changes generally flow directly through to the funding participants receive. Importantly, decreases in price caps do not reduce funding in existing participant plans, though they will apply to new plans.[1] Together, these features make price caps a key lever for influencing scheme spending, making it important to understand how cap adjustments affect market prices and service provision in practice.

Figure 1: Share of services priced at or within 5% of the Price Cap



Sources: e61 Institute; Kismet

Our data show a substantial clustering of prices around the cap. Kismet service usage data indicate that, for most support categories, providers charge at or just below the relevant price cap (see Figure 1). In highly specialised services such as occupational therapy, speech pathology, and support coordination, more than 90 percent of claims are priced within five percent of the cap.

This pattern of prices clustering at the cap can arise through several distinct mechanisms, each with different implications for market behaviour and scheme costs.

In some cases, when caps are set below the market-clearing price, that is, the price that would prevail absent regulation, they are strictly binding and will directly constrain what providers can charge. In other cases, even when caps are set above the market-clearing price, they may still influence pricing behaviour. Recent empirical evidence from credit card markets (Knittel & Stango, 2003) and European petrol markets (Verboven & Martin, 2025) is consistent with price caps influencing pricing behaviour beyond directly binding providers.

Several demand-side features of the NDIS are also relevant to understanding provider behavior. Participant demand for many supports is relatively price-insensitive: services are often essential, substitutes are limited, and participants have pre-funded budgets rather than open-ended out-of-pocket costs. Because participant budgets are indexed to price caps, participants generally do not benefit from seeking lower prices, as any savings cannot be easily repurposed for services outside of their plan. These institutional features weaken the role of consumer price sensitivity in disciplining providers.[2] In this setting, providers face little risk of losing clients by charging closer to the cap when it increases, since higher prices are largely

1 For more details, see: https://www.ndis.gov.au/participants/using-your-plan/managing-your-plan/understanding-pricing-changes and https://www.ndis.gov.au/providers/pricing-arrangements/making-pricing-decisions/annual-pricing-review.

2 Byrne et al., 2025 show that when demand is relatively inelastic, the short-run cost of price leadership is lower, making it less costly for firms to initiate price increases and coordinate the market on a higher-price equilibrium.

absorbed by adjusted budgets. This highlights how demand-side design features can weaken price discipline, rather than necessarily reflecting weak competition among providers.[3]

Finally, if caps fall below the cost of efficient provision, providers may respond through exit, reductions in service quality, or by avoiding more complex cases. While these mechanisms are conceptually distinct, the available data do not allow us to disentangle their relative importance. Instead, we take a first step by examining how prices and service volumes respond to cap adjustments, which provides evidence on the degree to which caps bind and influence market outcomes under the current NDIS design.

Recent changes introduced through the 2024–25 Annual Pricing Review, including increases in the caps for some service types and decreases for others, provide useful variation to study market responses (National Disability Insurance Agency, 2025). We assess how prices and service hours changed following these adjustments to provide initial evidence on the role of price caps as a policy lever and how they might shape market outcomes under the NDIS.

Price Cap Adjustments

On 1 July 2025, the NDIA implemented a series of price-cap adjustments based on the 2024–25 Annual Pricing Review and advice from the Independent Pricing Committee (IPC).[4] These changes were announced on 16 June 2025 and affected around 66% of the NDIA support items that have their prices capped, with some services receiving increases, others experiencing decreases, and many remaining unchanged (see Box 1). The increases were concentrated among the supports provided by disability support workers and nurses, consistent with increasing labour and operating costs. In contrast, several therapy supports saw reductions in their hourly caps after the IPC found that the existing NDIS prices were well above broader market benchmarks. Other services, such as certain coordination supports, maintained their existing caps.

Together, these adjustments reflect a recalibration of price limits to better align with underlying costs and market conditions. The resulting mix of increases, decreases, and stable caps provides valuable variation for examining how regulated prices shape market outcomes in the NDIS market.

For services with price cap increases, the share of claims priced within 5% of the cap falls slightly after 1 July, while for services with cap decreases, the share rises, consistent with caps becoming more binding when lowered and less binding when raised (see Figure 1).

The 2025 update also introduced a number of structural changes that complement the cap adjustments. These included tighter limits on billable travel time for therapy supports, the removal of remote and very remote loadings for plan-management monthly fees, and the transition to nationally consistent pricing for therapy professions previously priced differently across jurisdictions.[5] While these reforms were intended to improve price consistency and transparency, our analysis focuses on how market prices and service volumes respond to changes in price caps.

3 In Appendix A, we outline a simple framework for understanding how price caps, market competition, and demand-side design features jointly determine market prices and service provision.

4 The Government established the IPC in September 2024 to review the NDIA's pricing approach and recommend changes to support a higher-quality, sustainable disability services market, including assessing how price limits are set and whether more effective methods could be used. For more information, see https://www.ndis.gov.au/providers/pricing-arrangements/making-pricing-decisions/independent-pricing-committee.

5 The transition to nationally consistent pricing for some therapy professions generated the regional variation in cap changes that we analyze in this note.

Box 1: Price Cap Changes

Price cap increases	Price cap decreases	No change in price cap
• Assistance with Daily Living • Delivery of Health Supports • Intensive and Complex Behaviour Supports • Psychology (NSW-Vic-QLD-ACT) • Group Activities	• Physiotherapy • Podiatry • Dietitian Services • Monthly Plan Management Fee • Psychology (WA-SA-Tas-NT)	• Occupational Therapy • Speech Pathology • Support Coordination

In order to understand these market dynamics, we draw on rich private-sector data provided through the Kismet platform. The dataset captures activity at the service level, enabling detailed tracking of market prices and quantities over time. For each service, we observe the unit price charged, quantity delivered in terms of hours, date and location, as well as basic demographic information such as age and gender. This level of detail allows us to precisely track how providers set prices, the length of appointments, and any travel time billed by providers, as well as how participants use services across support types, regions, and cohorts.[6]

Price Cap Changes, Market Prices and Service Provision

A core objective of the NDIA pricing framework is to ensure that price caps support both participant access and a sustainable provider market (NDIS, 2025). We examine how providers responded to the price cap changes introduced on 1 July 2025, comparing outcomes for services with cap increases, cap decreases, and unchanged caps.

Importantly, while the composition of services differs across these groups, our analysis compares outcomes within narrowly defined service types over time. This allows us to isolate how prices and service provision adjust around the reform, without relying on comparisons across fundamentally different supports.

Price Cap increases

On 1 July, 50% of NDIA-approved services saw an increase in their legislated price caps. These adjustments were targeted at supports where the NDIA concluded that existing caps did not fully reflect underlying costs or workforce pressures, including for services provided by disability support workers and nurses.

We illustrate the immediate market response around 1 July 2025 in Figure 2. The market prices are normalised to their pre-July price caps (indexed to 100), which allows comparisons across services with different price levels. Market prices rise sharply on 1 July 2025 and continue to increase slightly in the weeks that follow (Figure 2A), while service hours remain stable (Figure 2B).[7]

Our analyses, controlling for supplier, service type, location, state, region, and day-of-week patterns, show that:

- A 1% increase in the price cap led to a 0.61% increase in the prices charged by providers.[8]
- We find no meaningful change in the supply of these services. The total hours invoiced, which are measured as the daily aggregate service hours provided, remain stable after the change.

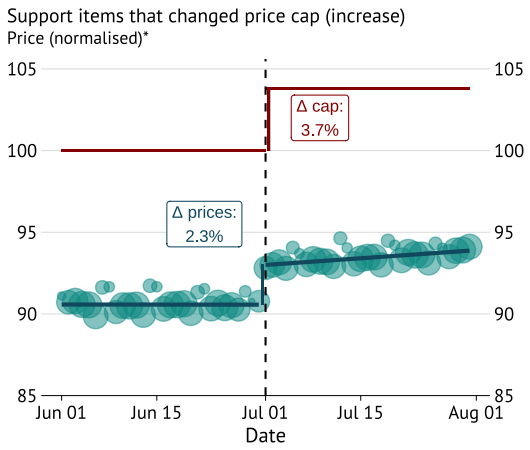
When we split the sample by June pricing behaviour of providers[9], we find that:

- **For providers charging close to the cap prior to July 1 (within 5%):**
  - A 1% increase in the price cap led to a 0.59% increase in prices (Table A.6).
  - Despite higher prices, service hours remained unchanged for these providers (Table A.7).
- **For providers pricing further below the cap prior to July 1:**

6 The richness of the data allows us to isolate the impact of price-cap changes on service prices, separately from other policy adjustments introduced at the same time (such as changes to billable travel costs).
7 There are substantial differences between services provided on weekdays and weekends; therefore, we present them separately.
8 See Appendix Table A.1 for regression results.
9 Providers are classified using their June average price-to-cap ratio, calculated across all services they provide. Those with a ratio of at least 95% are classified as pricing within 5% of the cap; all others are classified as below the cap. See Appendix Section A.4 for full results by June pricing behaviour.

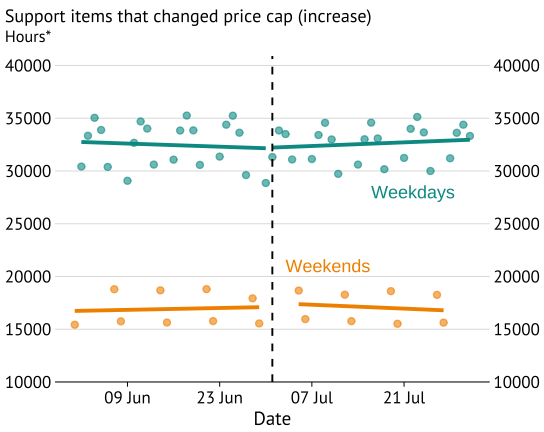
Figure 2: Responses to price cap increases

A: Prices and Price Caps normalised to pre-July cap



* Within each service, prices and caps are normalised to the pre-July cap to enable comparison across service types
** Points show normalised prices by service and day; point size reflects the number of observations.
Sources: e61 Institute; Kismet

B: Total Invoiced Hours



* Total hours of services provided on a given date, aggregated across all providers and for all service types with price cap increases.
Sources: e61 Institute; Kismet

- A 1% increase in the price cap led to a 0.59% increase in prices (Table A.8).
- We observe a modest increase in service hours among these providers with greater pricing headroom, equivalent to approximately three additional minutes per provider per day, or an average increase of 1.2 per cent relative to the pre-July service hours (Table A.9).

The response to cap increases demonstrates both the power and limitations of price regulation in the NDIS market. Price caps appear to have acted as an immediate lever over market prices, with providers adjusting within days. Even providers pricing well below the cap raised their prices when caps increased, and they did so at similar rates to providers already close to the cap. However, we observe no meaningful change in service hours in the short run following cap increases.

Price Cap decreases

The 2024–25 Pricing Review also introduced price cap reductions for several services, including decreases of up to 18.1% for physiotherapy in states WA, SA, Tas, and NT. The NDIA justified these reductions on the basis that observed market prices and workforce benchmarks suggested that previous caps exceeded reasonable cost levels for some services.

As expected for services where the new cap was set below the prevailing market prices, providers adjusted their prices quickly. Prices fell sharply on 1 July, aligning closely with the new lower caps (Figure 3A), while service hours remained broadly stable (Figure 3B).

Our analyses show that:

- On average, caps decreased by 8.9%, and market prices declined by 8%, implying a pass-through of 0.89% for each 1% reduction in the cap (Table A.3).
- We find no meaningful change in service provision following the price cap decrease (Table A.4).

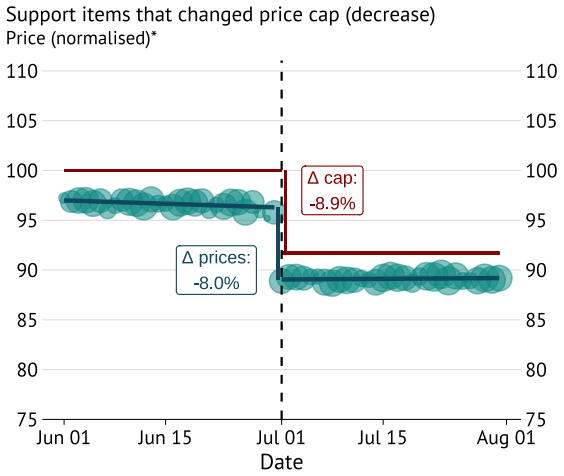
When we split the sample by price behavior in June, we find that:

- **For providers pricing close to the cap prior to July 1 (within 5%):**
  - A 1% decrease in the price cap led to a 1.11% decrease in prices (Table A.6).[10]

10 The greater-than-one pass-through reflects two mechanisms: bunching around the cap pulls down prices for providers at and just below the old cap; additionally, high-cost providers at the cap may reduce service provision when the new cap falls below viable operating levels, shifting composition toward lower-cost providers and pushing average prices down further.

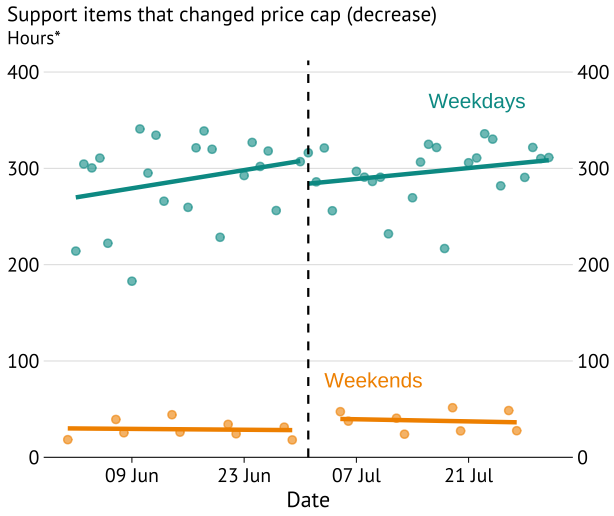
Figure 3: Responses to price cap decreases

A: Prices and Price Caps normalised to pre-July cap



* Within each service, prices and caps are normalised to the pre-July cap to enable comparison across service types
** Points show normalised prices by service and day; point size reflects the number of observations.
Sources: e61 Institute; Kismet

B: Total Invoiced Hours



* Total hours of services provided on a given date, aggregated across all providers and for all service types with price cap decreases.
Sources: e61 Institute; Kismet

  - Service provision declined by around 3 minutes per provider per day (Table A.7).

- **For providers pricing further below the cap prior to July 1:**
  - A 1% decrease in the price cap led to a 0.29% decrease in prices (Table A.8).[11]
  - Service provision did not change in response to the cap decrease (Table A.9).

We observe an asymmetry in how prices respond to cap changes. When caps increase, prices rise across all providers, including those with pricing headroom. When caps decrease, pass-through is highly uneven. Providers pricing close to the cap prior to July 1 reduce prices more than one-for-one with the cap and contract service provision, indicating that cap reductions might bind for high-price providers and push some below viable operating levels. In contrast, providers pricing further below the cap exhibit limited price pass-through with no change in service provision. This asymmetry implies that cap increases may raise provider revenues while cap decreases might reduce expenditure by constraining high-price providers, though with some risk to supply among providers pushed below viable pricing levels.

Price Cap Decrease Case Study: Physiotherapy

Physiotherapy provides a clear illustration of the effects of cap reductions. Prior to 1 July, physiotherapy caps were $193.99 in the eastern mainland states (NSW, QLD, VIC, ACT) and $224.62 in the other states (WA, SA, TAS, NT). The introduction of a uniform national cap of $183.99 on 1 July generated substantial regional variation in cap changes:

- A $10 (5.2%) reduction in the eastern mainland states, and
- A $40.63 (18.1%) reduction in the other states, the largest cap decrease in this review.

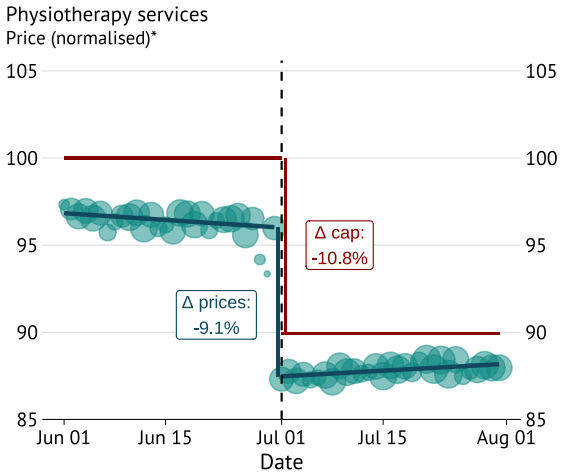
Nationally, a 10.8% decrease in the cap resulted in a 9.1% reduction in average prices (Figure 4A), representing a pass-through of 0.84 (Table A.10). Splitting by geography:

- **Eastern Mainland states**: A 1% reduction in price caps decreased market prices by 0.85% (Table A.10).
- **Other states**: A 1% reduction in price caps decreased market prices by 0.83% (Table A.10).

11 The response among providers pricing further below the cap might be driven by mechanical adjustment. For some providers, the cap reduction was large enough that their pre-July price exceeded the new limit, making subsequent reductions mechanically binding. Our data show this applies to approximately 49% of services from below-cap providers.

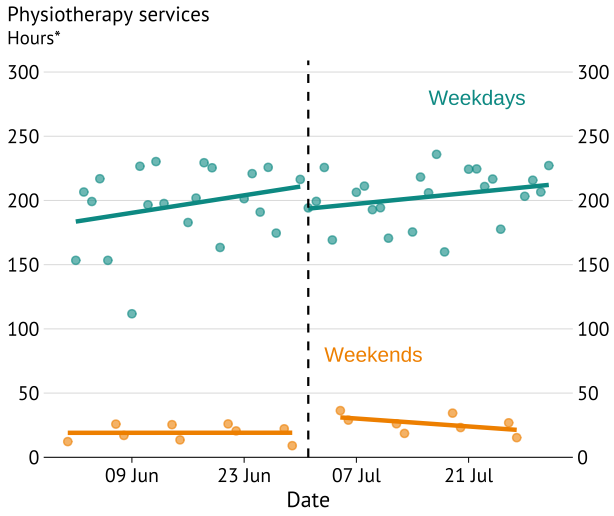
Figure 4: Physiotherapy Case Study

A: Prices and Price Caps normalised to pre-July cap



* Physio prices and caps are normalised to the relevant pre-July cap to enable comparison across service types.
** Points show daily normalised prices; point size reflects the number of observations.
Sources: e61 Institute; Kismet

B: Total Invoiced Hours



* Total hours of physiotherapy services delivered on a given date, aggregated across all providers that offer physiotherapy.
Sources: e61 Institute; Kismet

Across Australia, physiotherapy service provision declined slightly following the cap reduction. Providers in both eastern mainland states and other states reduced service provision by roughly 2.3 minutes per provider per day, a 4.4% decrease from the pre-July mean (Table A.11). In the eastern mainland states specifically, providers reduced provision by 2.1 minutes per day (4% decrease), while providers in other states reduced by 2.1 minutes per day (4.1% decrease). While modest in absolute terms, the immediacy of these responses suggests that short-run supply adjustments can occur in response to a price cap decrease.[12]

Price Cap Increase and Decrease Case Study: Psychology

The new national pricing system provides us with another interesting case study in psychology. Under the revised schedule, the national price cap for psychology services was set at $232.99. Prior to July 1, caps differed across regions:

- $222.99 in the eastern mainland states (NSW, VIC, QLD and ACT); and
- $244.22 in the other states (WA, SA, TAS and NT).

As a result, providers in the eastern mainland states faced a cap increase on 1 July, while providers in the other states faced a cap reduction. This divergence allows us to examine how providers offering the same service respond to cap changes in opposite directions (Figures 5A and 6A).

Prices responded strongly in both regions.

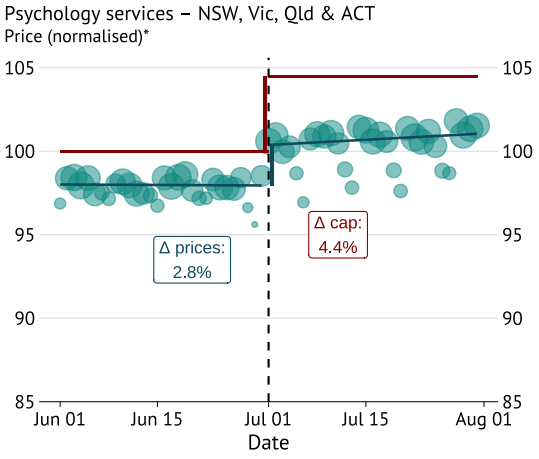
- In the **eastern mainland states**, where the caps increased, a 1% rise in the price cap led to a 0.63% increase in market prices (Table A.12).
- In contrast, in the **other states**, a 1% fall in the cap led to a 0.69% decline in prices (Table A.12).

In NSW, Victoria, Queensland and the ACT, where caps increased, we find no significant change in the quantity of psychology services provided (Figure 5B). Providers appear to have maintained service volumes despite higher prices.

12 Our data capture only claims through one plan manager, so the observed average of about 52 minutes of NDIS physiotherapy per provider per day may underestimate the full NDIS caseload if providers serve through multiple managers. Among physiotherapists actively serving NDIS participants, caseload shares vary widely, ranging from 10% to 100% of total clients, and many report actively reducing their NDIS share in response to stagnant pricing (Australian Physiotherapy Association, 2024), suggesting the scheme represents a minority of most providers' total workload. This flexibility allows swift compositional reallocation to clients funded through alternative sources such as private health insurance, workers' compensation, compulsory third-party (CTP/TAC) schemes, or the Department of Veterans' Affairs.

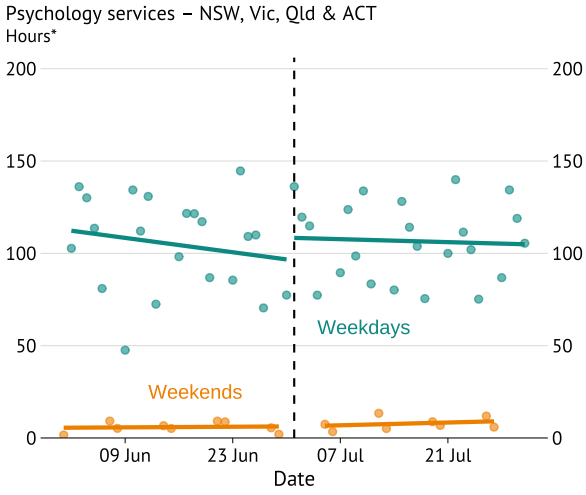
Figure 5: Psychology Case Study: NSW, Vic, Qld & ACT

A: Prices and Price Caps normalised to pre-July cap



* Psychology prices and caps are normalised to the relevant pre-July cap to enable comparison across service types.
** Points show daily normalised prices; point size reflects the number of observations.
Sources: e61 Institute; Kismet

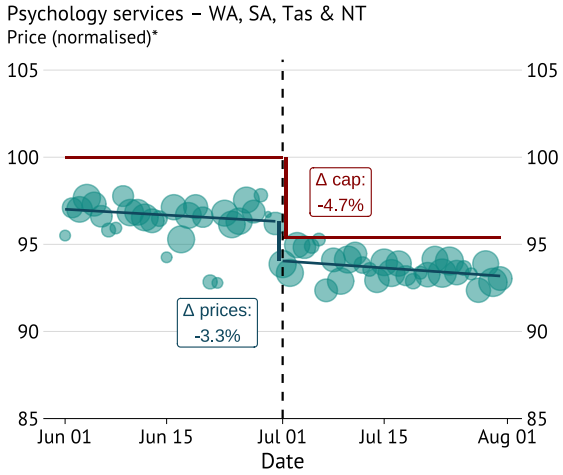
B: Total Invoiced Hours



* Total hours of psychology services delivered on a given date in NSW, Vic, Qld & ACT, aggregated across all providers that offer psychology.
Sources: e61 Institute; Kismet

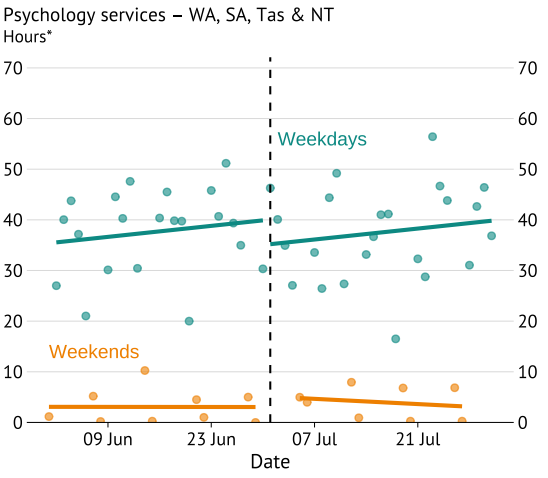
Figure 6: Psychology Case Study: WA, SA, Tas & NT

A: Prices and Price Caps normalised to pre-July cap



* Psychology prices and caps are normalised to the relevant pre-July cap to enable comparison across service types.
** Points show daily normalised prices; point size reflects the number of observations.
Sources: e61 Institute; Kismet

B: Total Invoiced Hours



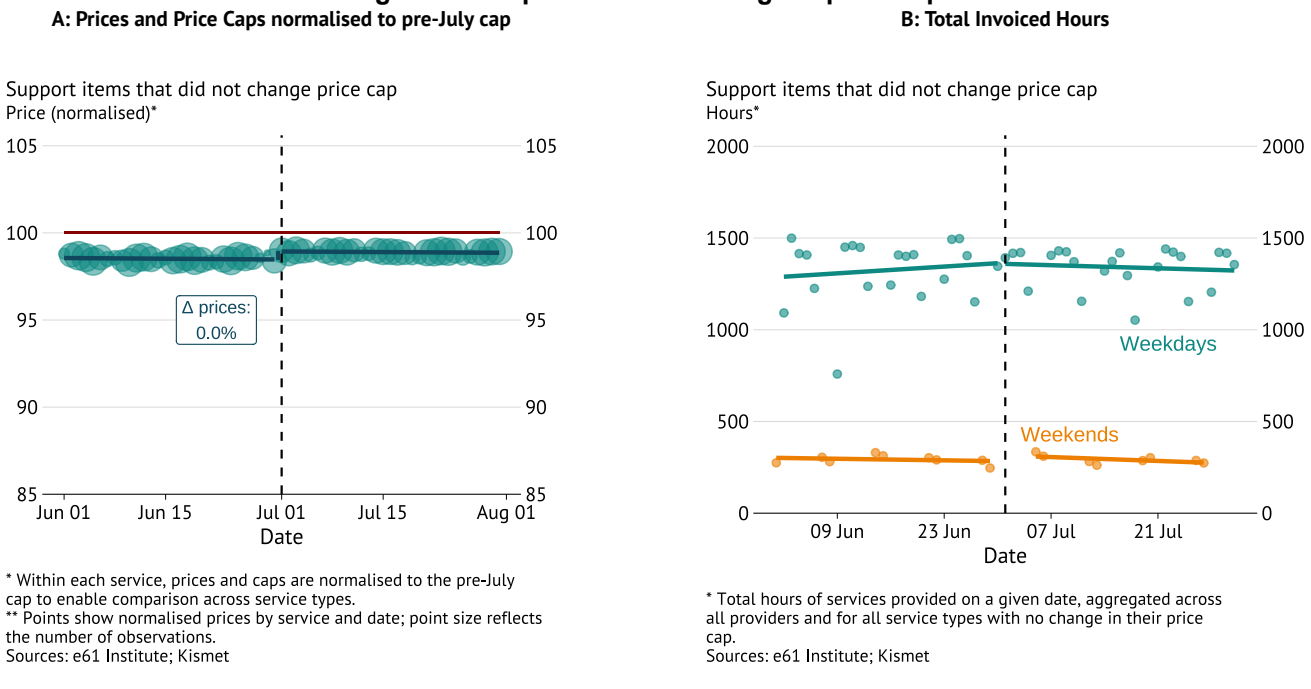
* Total hours of psychology services delivered on a given date in WA, SA, Tas & NT, aggregated across all providers that offer psychology.
Sources: e61 Institute; Kismet

In the other states, the decrease in price caps was accompanied by a small but meaningful reduction in supply. Providers reduced the amount of psychology support delivered by around 0.064 hours per day, equivalent to approximately 3.8 minutes per supplier per day or a 5.8% decrease from the pre-July mean (Figure 6B). While modest, this response suggests some short-run sensitivity of service provision to cap reductions.[13]

These results are consistent with price caps strongly shaping market prices, with providers adjusting prices within days of the cap change, whether caps move up or down, while short-run supply responses are limited and appear more likely to emerge when caps are reduced rather than increased.

Unchanged Price Caps

Figure 7: Responses to no change in price cap



* Within each service, prices and caps are normalised to the pre-July cap to enable comparison across service types.
** Points show normalised prices by service and date; point size reflects the number of observations.
Sources: e61 Institute; Kismet

* Total hours of services provided on a given date, aggregated across all providers and for all service types with no change in their price cap.
Sources: e61 Institute; Kismet

For the remaining 46% of capped services, price caps did not change. Many of these items (such as speech pathology and occupational therapy) have had static caps for several years despite rising costs, with providers pricing at approximately 99 per cent of the cap on average (Figure 7A). The Pricing Committee noted concerns about affordability, participant access, and the need for additional cost evidence as reasons for maintaining these caps.

In the absence of cap changes, we do not observe any change in prices (Figure 7A). Total invoiced hours continue along existing trends, indicating limited short-run changes in service provision at the aggregate level (Figure 7B).

This group provides a useful benchmark: the lack of price response among the services with no cap change, compared with the magnitude of price movements among the cap-increase and cap-decrease groups, suggests that those responses are driven by cap changes rather than economy-wide pricing pressures.

Conclusion and Policy Discussion

The 1 July 2025 price cap changes provide an important real-world test of how the NDIS provider market responds to changes in regulated pricing. Using detailed service-level data, we document how market prices and service provision adjusted following cap increases, decreases, and instances where caps remained unchanged. The patterns we observe have direct implications for pricing policy and market design.

13 As with physiotherapy, our data likely underestimate the full NDIS caseload for psychology (observed at around 65 minutes per provider per day). However, the profession-specific context differs: among psychologists actively serving NDIS participants, NDIS clients account for 55% of their caseload on average (Australian Psychological Society, 2024), with considerable heterogeneity. Roughly one-third carry NDIS loads exceeding 70% of their practice, while another third have NDIS shares below 30%. For the latter group, reallocation toward alternative funding sources, including Medicare and private health insurance, is feasible; for the more NDIS-dependent segment, adjustment is likely to be slower.

Price caps play a central role in shaping market prices. Across both cap increases and decreases, providers adjusted prices quickly, with price changes closely aligned with movements in the cap. When caps are raised, prices follow; when caps are lowered, prices fall accordingly.[14] As a result, the NDIA has substantial short-run influence over market prices through its cap-setting decisions, highlighting the role of price caps as a key lever for expenditure control. The speed and completeness with which price changes flow through to participant expenditure underscore the importance of careful calibration and evidence-based adjustments.

Short-run service provision responds only weakly to price changes on average. Across cap increases and cap decreases, we observe limited short-run changes in hours delivered at the aggregate level. Providers do not materially expand service provision when prices rise, and while small reductions in service provision emerge for some services facing cap cuts, these adjustments are modest in size and concentrated among providers most exposed to the change. This suggests that price caps are a more effective lever over prices than over supply in the short run.

The asymmetry in market responses has important implications. When caps increased, prices rose across all providers, including those with pricing headroom, without expanding service provision. When caps decrease, all providers reduce prices, but those previously at the cap show substantially larger adjustments than those with pricing headroom, while the latter show only modest reductions.

Finally, while our analysis tracks prices and quantities at a granular level, it does not capture changes in service quality or intensity. We observe how providers adjust prices and hours, but not how the services participants receive may change in less visible ways, such as shorter sessions, less intensive support, or the avoidance of more complex cases (Gaynor et al., 2015). Incorporating quality measures would be important for understanding the broader welfare impacts of pricing reforms, including how changes in regulated prices may affect service delivery beyond observed prices and hours.

14 Evidence from Australia's national physician fee schedule reform also shows that changes in regulated payments can pass through into fees and expenditures, and in some cases, providers capture part of subsidy increases through higher charges (Jun & Scott, 2023).

References

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A.1. How Price Caps Shape Market Prices

This framework is intended to clarify the mechanisms through which price caps can affect observed prices and quantities in the short run, rather than to provide a full structural model of the NDIS market.

To understand how price caps affect market outcomes, we rely on a simple model of firm behaviour under price regulation. The model highlights how the effects of a price cap depend on three key factors:

1. The level of the price cap relative to the unregulated market price,
2. The elasticity of demand, and
3. The degree of market competitiveness.

Model

Consider a market with N firms producing a homogeneous good. Let $P(Q)$ denote the inverse demand function, where total output is $Q = \sum_{i=1}^{N} q_i$. Firm i chooses q_i to maximize profits:

$$\pi_i = P(Q)q_i - C_i(q_i),$$

where $C_i(q_i)$ is the cost function with marginal cost $MC_i = C_i'(q_i)$.

First-order condition

Each firm takes into account that the total output Q changes when it changes its own output:

$$\frac{dQ}{dq_i} = 1 + \theta_i,$$

where $\theta_i = \frac{dQ_{-i}}{dq_i}$ is the *conjectural variation* or *conduct parameter*, and $Q_{-i} = \sum_{j \neq i} q_j$ denotes the output of all other firms.

The first-order condition for profit maximization is

$$P(Q) + P'(Q)q_i(1 + \theta_i) = MC_i.$$

Markup expression

Rearranging,

$$\frac{P(Q) - MC_i}{P(Q)} = -\frac{P'(Q)q_i(1 + \theta_i)}{P(Q)}.$$

Using the definition of the (absolute) price elasticity of market demand

$$|\varepsilon_D| = -\frac{P(Q)}{QP'(Q)},$$

we can rewrite the markup rule as

$$\frac{P(Q) - MC_i}{P(Q)} = \frac{(1 + \theta_i)s_i}{|\varepsilon_D|},$$

where $s_i = \frac{q_i}{Q}$ is the firm's market share.

Market-level markup

Aggregating across firms (weighted by market shares) gives the industry-level markup:

$$\frac{P - MC}{P} = \frac{1}{|\varepsilon_D|} \sum_{i=1}^{N} (1 + \theta_i)s_i^2.$$

Let the *conduct parameter* at the market level be

$$\kappa = \sum_{i=1}^{N} (1 + \theta_i)s_i^2,$$

so the generalized markup formula becomes

$$\boxed{\frac{P - MC}{P} = \frac{\kappa}{|\varepsilon_D|}}.$$

Special cases

Perfect competition:	$\kappa = 0$	$\Rightarrow P = MC,$
Cournot competition:	$\kappa = H = \sum_i s_i^2,$	
Monopoly or full collusion:	$\kappa = 1$	$\Rightarrow \frac{P - MC}{P} = \frac{1}{\lvert\varepsilon_D\rvert}.$

Unregulated Market

In an unregulated market, the optimal markup satisfies the following condition:

$$\frac{p^* - c}{p^*} = \frac{\kappa}{|\varepsilon_D|}$$

where

- p^* is the unregulated (equilibrium) price,
- $|\varepsilon_D|$ is the absolute value of demand elasticity, and
- $\kappa \in [0, 1]$ measures *market conduct* (or market power).

The unregulated equilibrium price can therefore be expressed as:

$$p^* = \frac{c}{1 - \kappa/|\varepsilon_D|}.$$

Less elastic demand (smaller $|\varepsilon_D|$) or less competitive markets (higher κ) yield higher equilibrium prices.

Introducing a Price Cap

Under regulation, firms must set $p \leq \bar{p}$, where $\bar{p}$ denotes the price cap. Two cases arise:

1. **Binding cap** ($\bar{p} \leq p^*$): The firm is constrained and sets $p = \bar{p}$. Prices move one-for-one with the cap.
2. **Non-binding cap** ($\bar{p} > p^*$): In a competitive market, the cap is irrelevant. In less competitive markets with inelastic demand, the cap acts as a *focal point* and firms set prices closer to the cap even when it lies above cost.

We can express this behaviour as:

$$p = \begin{cases} \bar{p}, & \text{if } \bar{p} \leq p^* \quad \text{(binding cap)} \\ (1 - \phi)p^* + \phi\bar{p}, & \text{if } \bar{p} > p^* \quad \text{(non-binding but focal cap)} \end{cases}$$

where $\phi \in [0, 1]$ measures the *degree of price anchoring* to the cap.

The anchoring parameter ϕ increases when demand is less elastic or competition is weaker:

$$\frac{\partial \phi}{\partial \kappa} > 0, \qquad \frac{\partial \phi}{\partial |\varepsilon_D|} < 0.$$

Thus, the *pass-through* of cap changes to market prices is:

$$\frac{\partial p}{\partial \bar{p}} = \begin{cases} 1, & \text{if the cap binds,} \\ \phi(\kappa, |\varepsilon_D|), & \text{if non-binding.} \end{cases}$$

In other words:

- When the cap binds, prices follow the cap one-for-one.
- When it does not bind, the price response depends on market structure: in thin, inelastic markets, prices still move with the cap ($\phi \approx 1$); in competitive, elastic markets, they do not ($\phi \approx 0$).

In practice, binding caps and focal-point effects can generate similar short-run price responses in observed data, making them difficult to distinguish over short time horizons.

Quantity Implications

If participants have fixed budgets B and face an hourly price p, the number of hours purchased is approximately:

$$H = \frac{B}{p}$$

This implies the mechanical relationship:

$$\frac{\Delta H}{H} \approx -\frac{\Delta p}{p}$$

This **demand-side** relationship suggests that when prices rise, participants can afford fewer hours with their fixed budgets, and vice versa. However, in the NDIS context, this mechanical relationship is often muted in practice due to budget adjustment, under-utilisation, and supply constraints.

Demand-side constraints:

- Participants often under-utilise their budgets and their budgets are adjusted according to price caps, so small price changes have limited impact on hours consumed.

- Many services are essential rather than discretionary, making demand price-insensitive.
- Participants may lack information to effectively shop around based on price.

Supply-side constraints:

- Providers are capacity-constrained by workforce availability, limiting supply responsiveness.
- Specialized qualifications and licensing create barriers to rapid expansion.
- In thin markets, few providers exist to absorb increased demand.

How Supply Responds to Cap Changes

When caps increase:

Providers face higher revenue per hour, which creates competing incentives:

- **Expansion incentive**: Higher margins could support investment in capacity (hiring, training).
- **Income effect**: Some providers may choose to work fewer hours while maintaining revenue.
- **Capacity constraints**: In the short term, providers cannot easily expand due to workforce limitations.

In practice, capacity constraints typically dominate in the short run, meaning total hours supplied change little even when caps increase. Over time, sustained higher margins may attract entry or expansion, but this adjustment is slow.

When caps decrease:

Lower revenue per hour creates different supply responses:

- **Exit risk**: Providers whose costs exceed the new cap may exit the market
- **Volume compensation**: Some providers may increase hours to maintain total revenue
- **Quality reduction**: Providers may cut costs by reducing service quality or refusing complex cases.
- **Market segmentation**: High-cost providers may exit, while low-cost providers remain.

The net supply effect depends on how close providers' costs are to the new cap. If the cap falls below many providers' cost structures, significant exits may occur.

These mechanisms imply asymmetric quantity responses: capacity can be lost relatively quickly through exit or service reduction, but is slower to expand through entry or hiring.

Equilibrium Quantity Effects

The observed change in service hours reflects the interaction of demand and supply constraints:

As a result:

- When caps increase, prices rise but total hours change little or fall slightly (capacity constraints bind; some providers may reduce hours at higher rates)
- When caps decrease, prices fall but total hours change little or rise slightly (if remaining providers increase volume) or fall (if providers exit)

The direction and magnitude depend on:

- How binding capacity constraints are
- Whether budgets were fully utilized before the change
- The gap between provider costs and the new cap level
- Time horizon (short-run vs long-run adjustments)

Hence, **price caps primarily affect prices rather than quantities**—consistent with inelastic demand and limited competition. In the short run, the quantity of services delivered is determined more by provider capacity and participant needs than by price levels. In the long run, sustained price changes may affect provider entry/exit decisions and thus service availability, but these adjustments take time.

Implications for Policy

This analysis reveals that:

1. **Cap increases primarily transfer revenue to providers** rather than expanding service availability in the short run
2. **Cap decreases create exit risk** that may reduce access, particularly in thin markets
3. **Quantity responses are asymmetric**: easier to lose capacity (through exits) than to gain it (through entry/expansion)
4. **Cost control vs access trade-off**: lowering caps reduces expenditure but risks reducing service availability

Understanding these dynamics is essential for predicting how cap adjustments affect the scheme's dual objectives of affordability and access.

A.2. Empirical Specification

A.2.1 Market Prices

A.2.1.1 Sample Construction

This analysis uses invoice-level data on NDIS services observed in the Kismet data. For the market price analysis, the sample is restricted as follows:

- Observations are categorised into whether they are for a service that experiences a price cap increase, a price cap decrease, or no change in price cap on 1 July 2025, and any services where there is no price cap are excluded. Regressions are estimated separately for each category.
- The sample excludes any billed travel time, services delivered in *Remote* or *Very Remote* areas, and any observations with implausibly low prices (unit prices below $0.50).
- Observations with missing prices or price caps are dropped.

A.2.1.2 Reduced Form

We first estimate reduced-form regressions for log market prices and log price caps. For invoice i, supplier j, state s, service type k and week t we estimate:

$$\log(Y_{ijsrk}) = \alpha_j + \beta_1 \text{Post}_t + \beta_2 f(t) + \beta_3 (\text{Post}_t \times f(t)) + \gamma_s + \delta_r + \theta_k + \lambda_d + \varepsilon_{ijsrk}, \tag{14}$$

where:

- Y_{isjrt} denotes either the observed market price or the regulated price cap,
- Post_t : indicator equal to one for weeks on or after 1 July 2025,
- t : weeks relative to the reform date, with $t = 0$ corresponding to the week of 1 July,
- $f(t)$: a flexible polynomial in weeks relative to the reform date, allowing for smooth underlying time trends on either side of 1 July 2025.
- α_j : supplier fixed effects,
- γ_s : state fixed effects,
- δ_r : region dummy distinguishing major city and regional areas,
- θ_k : service type fixed effects,
- λ_d : day-of-week fixed effects.

Standard errors are clustered at the state level.[15] All specifications include a linear trend in relative weeks and allow this trend to differ before and after the reform via an interaction between Post_t and $f(t)$. This structure flexibly captures short-run dynamics around the policy change. We focus on an eight-week window around 1 July, four weeks before and four weeks after the reform, which captures immediate market responses while avoiding confounding from other policy changes or seasonal factors.

15 The results are robust to clustering at the state and service level.

A.2.1.3 Instrumental Variables Specification

For services experiencing a price cap increase or decrease, we additionally estimate a two-stage least squares (2SLS) specification to isolate the pass-through from price caps to market prices.

In the first stage, log price caps are instrumented using the post-reform indicator:

$$\log(C_{ijsrk}) = \pi_1 \text{Post}_t + \pi_2 f(t) + \pi_3(\text{Post}_t \times f(t)) + \gamma_s + \delta_r + \theta_k + \lambda_d + \alpha_j + u_{ijsrk}, \tag{15}$$

where C_{ijsrk} denotes the regulated price cap.

In the second stage, log market prices are regressed on the fitted values of log price caps:

$$\log(P_{ijsrk}) = \alpha_j + \beta\widehat{\log(C_{ijsrk})} + \beta_2 f(t) + \beta_3(\text{Post}_t \times f(t)) + \gamma_s + \delta_r + \theta_k + \lambda_d + \varepsilon_{ijsrk}. \tag{16}$$

where P_{ijsrk} denotes the observed market price.

A.2.2 Service Provision

A.2.2.1 Sample Construction

For the supply analysis, the sample is constructed as follows:

- Invoice-level observations are aggregated to the **supplier–day–service type** level, which forms the unit of observation for the supply regressions. Quantity supplied is measured as the total number of service hours delivered by a provider for a given service type in a given day.
- Observations are categorised into whether they are for a service that experiences a price cap increase, a price cap decrease, or no change in price cap on 1 July, and any services where there is no price cap are excluded. Regressions are estimated separately for each category.
- The sample excludes billed travel time, plan-management services, provider travel, and other non-comparable service items. Observations with implausibly low prices (unit prices below $0.50), or with implausible quantities (greater than 24 hours or below 10 minutes in a day) are excluded.
- The window of observations is restricted to four weeks before and four weeks after the reform date.

A.2.2.2 Reduced Form

We estimate reduced-form regressions for the quantity of services supplied. For supplier j, state s, service type k, region r, and week t, we estimate:

$$Q_{jsrkt} = \alpha_j + \beta_1 \text{Post}_t + \beta_2 f(t) + \beta_3(\text{Post}_t \times f(t)) + \gamma_s + \delta_r + \theta_k + \lambda_d + \varepsilon_{jsrkt}, \tag{17}$$

where:

- Q_{jsrkt} denotes the quantity of services supplied, measured in hours,
- Post_t : indicator equal to one for weeks on or after the reform,
- t : weeks relative to the reform date, with $t = 0$ corresponding to the week of 1 July,
- $f(t)$: A flexible polynomial in weeks relative to the reform date, allowing for smooth underlying time trends on either side of 1 July 2025,
- α_j : supplier fixed effects,
- γ_s : state fixed effects,
- δ_r : region dummy distinguishing major city and regional areas,
- θ_k : service type fixed effects,
- λ_d : day-of-week fixed effects.

Standard errors are clustered at the state level. As in the price analysis, all specifications include a linear trend in relative weeks and allow this trend to differ before and after the reform via an interaction between Post_t and t. This structure captures short-run changes in supply around the policy change.

A.3. Main Results: Market Prices & Service Supply

The following section contains the results tables for the main specification.Tables are structured as follows:

- Left-hand table reporting impact of cap change on **market prices**:
  - Column 1 reports results of Equation 14,
  - Column 2 reports the results of Equation 15, and
  - Column 3 reports results of Equation 16
- Right-hand table reporting impact of cap change on **service supply**:
  - Column 1 reports results of Equation 17, and
  - Column 2 reports the results of Equation 17, removing region fixed effects.

A.3.1 Price Cap Increase

Table A.1 and Table A.2 report the main regression estimates for the relationship between price cap increases and market prices, and between price cap increases and service supply, respectively.

For Columns 1 and 2 on both tables, the coefficient of interest is *Post (Jul 1+)*, which estimates the change in the outcome variable at July 1. For Column 3 of Table A.1, the coefficient of interest is on *Log Cap Price*, and represents the percentage change in prices associated with a 1% increase in price cap.

Table A.1: Impact of price cap increases on service prices

	(1) Price	(2) Cap	(3) Price (2SLS)
Post (Jul 1+)	0.023***	0.037***	
	(0.002)	(0.000)	
Week (relative)	0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)
Post × Week	0.002***	-0.000	0.002***
	(0.000)	(0.000)	(0.000)
Log cap price			0.608***
			(0.044)
Supplier FE	Yes	Yes	Yes
State FE	Yes	Yes	Yes
Item FE	Yes	Yes	Yes
Region FE	Yes	Yes	Yes
Day-of-week FE	Yes	Yes	Yes
R-squared	0.928	1.000	0.861
Pre-period mean	4.020	4.165	4.021
Observations	707777	707777	709362

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A.2: Impact of price cap increases on service supply

	(1) Quantity	(2) Quantity
Post (Jul 1+)	0.003	0.003
	(0.012)	(0.012)
Week (relative)	0.029***	0.029***
	(0.004)	(0.004)
Post × Week	-0.043***	-0.043***
	(0.007)	(0.007)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	No
Day-of-week FE	Yes	Yes
R-squared	0.574	0.574
Pre-period mean	3.769	3.769
Observations	416392	416392

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

In the above results tables, the main coefficients of interest can be interpreted as follows. For those services that saw an increase in their price cap:

- At 1 July, we observe prices increase by 2.3% (Table A.1, Column 1) and price caps increase by 3.7% (Table A.1, Column 2)
- A 1% increase in the price cap increased market prices by 0.61% (Table A.1, Column 3); and
- There is no statistically significant response to the provision for those services whose price cap increased (Table A.2, Column 1). This holds when we remove region fixed effects (Table A.2, Column 2).

A.3.2 Price Cap Decrease

Table A.3 and Table A.4 report the main regression estimates for the relationship between price cap decreases and market prices, and between price cap decreases and service supply, respectively.

For Columns 1 and 2 on both tables, the coefficient of interest is *Post (Jul 1+)*, which estimates the change in the outcome variable at July 1 for services whose caps decreased. For Column 3 of Table A.3, the coefficient of interest is on *Log Cap Price*, and represents the percentage change in prices associated with a 1% decrease in price cap.

Table A.3: Impact of price cap decreases on service prices

	(1) Price	(2) Cap	(3) Price (2SLS)
Post (Jul 1+)	-0.080***	-0.089***	
	(0.017)	(0.018)	
Week (relative)	-0.001	0.000	-0.001
	(0.000)	(0.000)	(0.000)
Post × Week	-0.000	0.000	-0.000
	(0.001)	(0.000)	(0.001)
Log cap price			0.892***
			(0.055)
Supplier FE	Yes	Yes	Yes
State FE	Yes	Yes	Yes
Item FE	Yes	Yes	Yes
Region FE	Yes	Yes	Yes
Day-of-week FE	Yes	Yes	Yes
R-squared	0.756	0.923	0.311
Pre-period mean	5.327	5.363	5.326
Observations	34664	34664	35333

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A.4: Impact of price cap decreases on service supply

	(1) Quantity	(2) Quantity
Post (Jul 1+)	-0.030	-0.030
	(0.018)	(0.018)
Week (relative)	0.011***	0.011***
	(0.003)	(0.003)
Post × Week	0.004	0.004
	(0.008)	(0.008)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	No
Day-of-week FE	Yes	Yes
R-squared	0.375	0.375
Pre-period mean	0.934	0.934
Observations	19202	19202

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

In the above results tables, the main coefficients of interest can be interpreted as follows. For those services that saw a decrease in their price cap:

- At 1 July, we observe prices fall by 8% (Table A.3, Column 1) and price caps decrease by 8.9% (Table A.3, Column 2)
- A 1% decrease in the price cap decreased market prices by 0.89% (Table A.3, Column 3); and
- There is no statistically significant response in provision for those services whose price cap decreased (Table A.4, Column 1). This holds when we remove region fixed effects (Table A.4, Column 2).

A.3.3 No Change in Price Cap

Table A.5 reports the main regression estimates for the relationship between stable price caps and market prices, and between stable price caps and service supply. For Columns 1 and 2, the coefficient of interest is *Post (Jul 1+)*, which estimates the change in the outcome variable at July 1.

Table A.5: Impact of no change in price caps on service prices and supply

	(1) Price	(2) Quantity
Post (Jul 1+)	0.001	-0.033
	(0.001)	(0.020)
Week (relative)	0.000	0.000
	(0.000)	(0.003)
Post × Week	0.000	0.000
	(0.000)	(0.007)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	Yes
Day-of-week FE	Yes	Yes
R-squared	0.946	0.418
Pre-period mean	4.927	1.142
Observations	224694	100990

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

In the above results table, the main coefficients of interest can be interpreted as follows. For those services that saw no change in their price cap:

- At 1 July, we observe no change in prices (Table A.5, Column 1)
- There is no change in service provision (Table A.5, Column 2).

A.4. Results by June Pricing Behaviour

This section presents a heterogeneity analysis examining how service prices respond to price-cap changes for two groups of providers: those pricing close to the cap and those pricing further below it prior to the reform. This distinction is informative because providers already charging near the cap are more likely to be directly constrained by regulated prices, while providers pricing below the cap may have greater scope to adjust prices independently of the cap. Splitting the sample in this way also allows us to assess which group of providers is primarily driving the average price responses observed in the main results.

Providers are classified based on their pre-reform pricing behaviour across services. Providers whose average price to cap ratio throughout June was at least 95% are classified as pricing within 5% of the cap, while all other providers are assigned to the below-cap group.

A.4.1 Providers previously charging within 5% of the cap

Table A.6: Impact of price cap changes on service prices - Providers charging within 5% of cap

	(1) Cap increase	(2) Cap decrease
Log cap price	0.585***	1.109***
	(0.029)	(0.049)
Week (relative)	0.000	0.000
	(0.000)	(0.000)
Post × Week	0.001***	-0.002**
	(0.000)	(0.001)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	Yes
Day-of-week FE	Yes	Yes
R-squared	0.966	0.434
Pre-period mean	4.307	5.358
Observations	398791	27717

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A.7: Impact of price cap changes on service supply - Providers charging within 5% of cap

	(1) Cap increase	(2) Cap decrease
Post (Jul 1+)	-0.017	-0.047**
	(0.010)	(0.016)
Week (relative)	0.038***	0.014**
	(0.003)	(0.004)
Post × Week	-0.051***	0.003
	(0.002)	(0.011)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	Yes
Day-of-week FE	Yes	Yes
R-squared	0.589	0.379
Pre-period mean	3.615	0.944
Observations	255876	14764

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The above coefficients for the sample of providers charging within 5% of the cap can be interpreted as follows:

- **Services that experienced a price cap increase:**
  - A 1% increase in the price cap increased market prices by 0.59% (Table A.6, Column 1); and
  - There is no statistically significant response in service provision (Table A.7, Column 1).
- **Services that experienced a price cap decrease:**
  - A 1% decrease in the price cap decreased market prices by 1.11% (Table A.6, Column 2); and
  - Service provision falls by around 2.82 minutes per day per provider, corresponding to a 5% decrease relative to the pre-July mean (Table A.7, Column 2).

A.4.2 Providers not previously charging within 5% of cap

Table A.8: Impact of price cap changes on service prices - Providers not charging within 5% of cap

	(1) Cap increase	(2) Cap decrease
Log cap price	0.592***	0.293**
	(0.100)	(0.118)
Week (relative)	-0.000	-0.003***
	(0.001)	(0.001)
Post × Week	0.004***	0.004
	(0.001)	(0.002)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	Yes
Day-of-week FE	Yes	Yes
R-squared	0.842	0.108
Pre-period mean	3.665	5.210
Observations	310571	7616

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A.9: Impact of price cap changes on service supply - Providers not charging within 5% of cap

	(1) Cap increase	(2) Cap decrease
Post (Jul 1+)	0.045**	0.013
	(0.015)	(0.010)
Week (relative)	0.013	0.001
	(0.009)	(0.004)
Post × Week	-0.030	0.012
	(0.024)	(0.006)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	Yes
Day-of-week FE	Yes	Yes
R-squared	0.567	0.372
Pre-period mean	4.010	0.902
Observations	159570	4436

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The above coefficients for the sample of providers **not** charging within 5% of the cap can be interpreted as follows:

- **Services that experienced a price cap increase:**
  - A 1% increase in the price cap increased market prices by 0.59% (Table A.8, Column 1); and
  - Service provision increased by around 3 minutes per day per provider, corresponding to a 1.2% increase relative to the pre-July mean (Table A.9, Column 1).
- **Services that experienced a price cap decrease:**
  - A 1% decrease in the price cap decreased market prices by 0.29% (Table A.8, Column 2); and
  - There is no statistically significant response in service provision (Table A.9, Column 2).

A.5. Case Study: Physiotherapy

This section presents estimation results for the physiotherapy case study. Physiotherapy provides a particularly informative case study because the introduction of a uniform national price cap on 1 July generated substantial heterogeneity in the size of cap reductions across states.

Prior to the reform, caps were $193.99 in the eastern mainland states (NSW, QLD, VIC and ACT) and $224.62 in the other states (WA, SA, TAS and NT); the move to a single national cap of $183.99 therefore implied a modest $10 (5.2%) reduction in the eastern mainland states but a much larger $40.63 (18.1%) reduction in the other states—the largest cap decrease observed in this review. This sharp regional variation provides a clear setting in which to examine how the magnitude of cap reductions translates into price and supply responses.

Table A.10 reports the estimated impact of these price cap decreases on physiotherapy prices, with results shown for national averages in Column 1, the eastern mainland states (NSW, VIC, QLD and ACT) in Column 2, and the other states (WA, SA, NT and TAS) in Column 3. Table A.11 reports the corresponding estimates for physiotherapy supply, using the same column structure: national results in Column 1, eastern mainland states in Column 2, and other states in Column 3.

Table A.10: Impact of price cap decreases on physiotherapy prices

	(1) All physio	(2) East States	(3) Other States
Log cap price	0.839***	0.848***	0.830***
	(0.033)	(0.094)	(0.021)
Week (relative)	-0.000	-0.000	-0.001
	(0.000)	(0.000)	(0.001)
Post × Week	0.000	0.001	-0.000
	(0.001)	(0.001)	(0.001)
Supplier FE	Yes	Yes	Yes
State FE	Yes	Yes	Yes
Item FE	Yes	Yes	Yes
Region FE	Yes	Yes	Yes
Day-of-week FE	Yes	Yes	Yes
R-squared	0.486	0.136	0.691
Pre-period mean	5.283	5.232	5.371
Observations	24250	15142	9270

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A.11: Impact of price cap decreases on physiotherapy supply

	(1) All physio	(2) East States	(3) Other States
Post (Jul 1+)	-0.039***	-0.035***	-0.035*
	(0.007)	(0.003)	(0.016)
Week (relative)	0.010***	0.007**	0.013**
	(0.000)	(0.001)	(0.004)
Post × Week	0.011**	0.014**	0.005
	(0.004)	(0.003)	(0.006)
Supplier FE	Yes	Yes	Yes
State FE	Yes	Yes	Yes
Item FE	Yes	Yes	Yes
Region FE	Yes	Yes	Yes
Day-of-week FE	Yes	Yes	Yes
R-squared	0.429	0.478	0.361
Pre-period mean	0.870	0.878	0.855
Observations	13172	8265	4903

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The coefficients can be interpreted as follows:

- **All physio services:**
  - A 1% decrease in the price cap decreased market prices by 0.84% (Table A.10, Column 1); and
  - Service provision falls by around 2.3 minutes per day per provider, corresponding to a 4.4% decrease relative to the pre-July mean (Table A.11, Column 1).
- **Physio services provided in the eastern mainland states (NSW, VIC, QLD and ACT):**
  - A 1% decrease in the price cap decreased market prices by 0.85% (Table A.10, Column 2); and
  - Service provision falls by around 2.1 minutes per day per provider, corresponding to a 4.0% decrease relative to the pre-July mean (Table A.11, Column 2).
- **Physio services provided in the other states (WA, SA, TAS and NT):**
  - A 1% decrease in the price cap is associated with a 0.83% decrease in prices (Table A.10, Column 3); and
  - Service provision falls by around 2.1 minutes per day per provider, corresponding to a 4.1% decrease relative to the pre-July mean (Table A.11, Column 3).

A.6. Case Study: Psychology

This section presents estimation results for the psychology case study. Psychology provides another interesting case study because the introduction of a new national pricing system on 1 July generated price-cap changes in opposite directions across states.

Under the revised schedule, a uniform national cap of $232.99 was introduced. Prior to the reform, caps were $222.99 in the eastern mainland states (NSW, VIC, QLD and ACT) and $244.22 in the other states (WA, SA, TAS and NT). As a result, providers in the eastern mainland states experienced a cap increase, while providers in the other states faced a cap reduction. This divergence allows us to examine how providers offering the same service respond to cap changes of differing direction and magnitude.

Table A.12 reports the estimated impact of these price-cap changes on psychology prices, with results shown for the eastern mainland states (NSW, VIC, QLD and ACT) in Column 1, and the other states (WA, SA, NT and TAS) in Column 2. Table A.13 reports the corresponding estimates for psychology supply, using the same column structure: eastern mainland states in Column 1, and other states in Column 2.

Table A.12: Impact of price cap changes on psychology prices

	(1) East States	(2) Other States
Log cap price	0.633***	0.694***
	(0.047)	(0.068)
Week (relative)	-0.000	-0.001***
	(0.000)	(0.000)
Post × Week	0.001***	0.001***
	(0.000)	(0.000)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	Yes
Day-of-week FE	Yes	Yes
R-squared	0.157	0.207
Pre-period mean	5.384	5.461
Observations	10775	4328

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A.13: Impact of price cap changes on psychology supply

	(1) East States	(2) Other States
Post (Jul 1+)	0.024	-0.064**
	(0.066)	(0.012)
Week (relative)	0.011***	0.009**
	(0.001)	(0.002)
Post × Week	-0.013	0.010***
	(0.022)	(0.001)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	Yes
Day-of-week FE	Yes	Yes
R-squared	0.428	0.346
Pre-period mean	1.072	1.103
Observations	6761	2641

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The coefficients can be interpreted as follows:

- **Psychology services provided in the eastern mainland states (NSW, VIC, QLD and ACT), where price caps increased:**
  - A 1% increase in the price cap increased market prices by 0.63% (Table A.12, Column 1); and
  - There is no statistically significant response in service provision (Table A.13, Column 1).
- **Psychology services provided in the other states (WA, SA, TAS and NT), where price caps decreased:**
  - A 1% decrease in the price cap decreased market prices by 0.69% (Table A.12, Column 2); and
  - Service provision falls by around 3.8 minutes per day per provider, corresponding to a 5.8% decrease relative to the pre-July mean (Table A.13, Column 2).

A.7. Robustness Checks

The following section presents a series of robustness checks designed to assess the sensitivity of our results to alternative specifications. Across all checks, the key findings remain qualitatively unchanged.

For each robustness exercise, results are reported in a consistent format. The left-hand table presents estimates of the impact of price cap changes on service prices, reporting results from Equation 16 separately for services experiencing a price cap increase (Column 1) and a price cap decreases (Column 2). The right-hand table presents the corresponding effects on service supply, reporting estimates from Equation 17 separately for services with price cap increases (Column 1) and decreases (Column 2).

A.7.1 Excluding children

This section outlines results under the main specification, but removing any observations of NDIS participants under the age of 18. This is to ensure that any changes in prices or supply are not driven by the reduced service provision to children during the school holidays, which coincide with the price cap changes across all states and territories.[16]

Table A.14: Impact of price cap changes on service prices (excl. children)

	(1) Cap increase	(2) Cap decrease
Log cap price	0.604***	0.812***
	(0.049)	(0.059)
Week (relative)	0.000	-0.001**
	(0.000)	(0.001)
Post × Week	0.002***	-0.000
	(0.000)	(0.001)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	Yes
Day-of-week FE	Yes	Yes
R-squared	0.862	0.283
Pre-period mean	3.996	5.303
Observations	637272	24118

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A.15: Impact of price cap changes on service supply (excl. children)

	(1) Cap increase	(2) Cap decrease
Post (Jul 1+)	-0.063***	-0.043*
	(0.010)	(0.019)
Week (relative)	0.021***	0.008***
	(0.003)	(0.002)
Post × Week	-0.016*	0.004
	(0.007)	(0.005)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	Yes
Day-of-week FE	Yes	Yes
R-squared	0.575	0.407
Pre-period mean	3.839	0.878
Observations	372929	13268

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

When we exclude services provided to children, the estimated effects are similar in magnitude to those in the headline results, indicating that the core findings are robust to this alternative specification. The coefficients can be interpreted as follows:

- **Services experiencing a price cap increase:**
  - A 1% increase in the price cap increased market prices by 0.6% (Table A.14, Column 1); and
  - Service provision falls by around 3.8 minutes per day per provider, corresponding to a 1.6% decrease relative to the pre-July mean (Table A.15, Column 1).
- **Services experiencing a price cap decrease:**
  - A 1% decrease in the price cap decreased market prices by 0.81% (Table A.14, Column 2); and

case

Taken together, these results closely mirror those from the main analysis, suggesting that the estimated effects are not driven by services provided to children and are unlikely to reflect changes in demand associated with school holiday periods.

16 In Australia, school holiday dates vary by state. The 2025 winter school holidays started on either 21 June (NT), 28 June (QLD) or 5 July (NSW, VIC, ACT, SA, WA & TAS), and ended on either 14 July (QLD & NT) or 21 July (NSW, VIC, ACT, SA, WA & TAS).

A.7.2 Main results, clustering standard errors at the state and service level

This section reports results from the main specification with standard errors clustered at **both the state and service levels**. In the baseline specification, standard errors are clustered at the state level only.

Table A.16: Impact of price cap changes on service prices (state x service)

	(1) Cap increase	(2) Cap decrease
Log cap price	0.608***	0.892***
	(0.047)	(0.066)
Week (relative)	0.000	-0.001**
	(0.000)	(0.000)
Post × Week	0.002***	-0.000
	(0.001)	(0.001)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	Yes
Day-of-week FE	Yes	Yes
R-squared	0.861	0.311
Pre-period mean	4.021	5.326
Observations	709362	35333

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A.17: Impact of price cap changes on service supply (state x service)

	(1) Cap increase	(2) Cap decrease
Post (Jul 1+)	0.003	-0.031
	(0.015)	(0.026)
Week (relative)	0.029***	0.011**
	(0.006)	(0.004)
Post × Week	-0.043***	0.004
	(0.010)	(0.012)
Supplier FE	Yes	Yes
State FE	Yes	Yes
Item FE	Yes	Yes
Region FE	Yes	Yes
Day-of-week FE	Yes	Yes
R-squared	0.573	0.376
Pre-period mean	3.771	0.934
Observations	415452	19194

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The coefficients can be interpreted as follows:

- **Services experiencing a price cap increase:**
  - A 1% increase in the price cap increased market prices by 0.61% (Table A.16, Column 1); and
  - There is no statistically significant response in service provision (Table A.17, Column 1).
- **Services experiencing a price cap decrease:**
  - A 1% decrease in the price cap decreased market prices by 0.89% decrease in prices (Table A.16, Column 2); and
  - There is no statistically significant response in service provision (Table A.17, Column 2).

Overall, these results closely align with those from the baseline specification, suggesting that the findings are not sensitive to the choice of clustering level and are robust to accounting for correlation in outcomes across both states and services.

A.8. Results by State

This section presents results from a heterogeneity analysis that estimates the main specification separately by state group. Splitting the sample by state group allows us to assess whether price and supply responses to price-cap changes differ across regions facing different market conditions and regulatory environments, and to identify whether the aggregate results are driven by particular state groups. The tables report estimates for each state group using the same specification and outcome definitions as in the main analysis.

Table A.18: Effect of price cap changes on market prices, by state group

	NSW/ACT (1) Increase	NSW/ACT (2) Decrease	VIC (3) Increase	VIC (4) Decrease	QLD (5) Increase	QLD (6) Decrease	WA/SA/TAS/NT (7) Increase	WA/SA/TAS/NT (8) Decrease
Log cap price	0.490***	0.584***	0.621***	1.181***	0.754***	0.862***	0.561***	0.883***
	(0.000)	(0.002)	(0.000)	(0.000)	(0.000)	(0.000)	(0.030)	(0.058)
Week (relative)	0.001***	-0.001***	-0.000***	0.000***	-0.001***	-0.000***	0.000***	-0.001**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)
Post × Week	0.001***	0.002***	0.002***	0.001***	0.003***	-0.000***	0.001***	-0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)
Supplier FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State FE								
Item FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Region FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Day-of-week FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.844	0.057	0.877	0.134	0.868	0.170	0.863	0.360
Pre-period mean	4.054	5.213	4.014	5.227	4.024	5.243	4.004	5.411
Observations	142598	4471	191369	5457	166569	6796	212592	18806

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A.19: Effect of price cap changes on service supply, by state group

	NSW/ACT (1) Increase	NSW/ACT (2) Decrease	VIC (3) Increase	VIC (4) Decrease	QLD (5) Increase	QLD (6) Decrease	WA/SA/TAS/NT (7) Increase	WA/SA/TAS/NT (8) Decrease
Post (Jul 1+)	-0.014	-0.011	0.040	-0.040	0.000	-0.014	-0.003	-0.039
	(0.020)	(0.008)	(0.035)	(0.075)	(0.019)	(0.073)	(0.011)	(0.021)
Week (relative)	0.012	0.016*	0.029***	0.001	0.032***	0.014*	0.038***	0.012**
	(0.011)	(0.005)	(0.003)	(0.004)	(0.006)	(0.004)	(0.001)	(0.003)
Post × Week	-0.023	-0.020*	-0.060*	0.021	-0.038*	0.002	-0.047***	0.006
	(0.008)	(0.006)	(0.016)	(0.030)	(0.016)	(0.025)	(0.003)	(0.004)
Supplier FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Item FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Region FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Day-of-week FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.569	0.518	0.599	0.466	0.595	0.455	0.569	0.322
Pre-period mean	3.622	0.875	3.758	0.939	3.910	0.838	3.766	0.980
Observations	84616	2333	108112	3206	102832	3555	119850	10080

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The coefficients in the above tables can be interpreted as follows:

- Services provided in **NSW & ACT**
  - Services that experienced a price cap *increase*:

    - A 1% increase in the price cap increased market prices by 0.49% (Table A.18, Column 1); and
    - There is no statistically significant change in service provision (Table A.19, Column 1).
  - Services that experienced a price cap *decrease*:
    - A 1% decrease in the price cap decreased market prices by 0.58% (Table A.18, Column 2); and
    - There is no statistically significant change in service provision (Table A.19, Column 2).
- Services provided in **Victoria**
  - Services that experienced a price cap *increase*:
    - A 1% increase in the price cap increased market prices by 0.62% (Table A.18, Column 3); and
    - There is no statistically significant change in service provision (Table A.19, Column 3).
  - Services that experienced a price cap *decrease*:
    - A 1% decrease in the price cap decreased market prices by 1.18% (Table A.18, Column 4); and
    - There is no statistically significant change in service provision (Table A.19, Column 4).
- Services provided in **Queensland**
  - Services that experienced a price cap *increase*:
    - A 1% increase in the price cap increased market prices by 0.75% (Table A.18, Column 5); and
    - There is no statistically significant change in service provision (Table A.19, Column 5).
  - Services that experienced a price cap *decrease*:
    - A 1% decrease in the price cap decreased market prices by 0.86% (Table A.18, Column 6); and
    - There is no statistically significant change in service provision (Table A.19, Column 6).
- Services provided in **WA, SA, Tasmania & NT**
  - Services that experienced a price cap *increase*:
    - A 1% increase in the price cap increased market prices by 0.56% increase in prices (Table A.18, Column 7); and
    - There is no statistically significant change in service provision (Table A.19, Column 7).
  - Services that experienced a price cap *decrease*:
    - A 1% decrease in the price cap decreased market prices by 0.88% (Table A.18, Column 8); and
    - There is no statistically significant change in service provision (Table A.19, Column 8).

A.9. Results by SEIFA Background

This section presents results from a heterogeneity analysis estimating the main specification separately by SEIFA group. Splitting the sample by area-level socioeconomic disadvantage allows us to assess whether price and supply responses to price cap changes vary systematically across communities with different socioeconomic characteristics, and to examine whether the aggregate results are driven by services operating in more or less disadvantaged areas. The tables report estimates for each SEIFA group using the same specification and outcome definitions as in the main analysis.

Table A.20: Effect of price cap changes on market prices by SEIFA group

	SEIFA 1–3 (1) Increase	SEIFA 1–3 (2) Decrease	SEIFA 4–5 (3) Increase	SEIFA 4–5 (4) Decrease
Log cap price	0.658***	0.892***	0.521***	0.898***
	(0.062)	(0.076)	(0.041)	(0.037)
Week (relative)	0.000	-0.001	0.000**	-0.001
	(0.001)	(0.000)	(0.000)	(0.001)
Post × Week	0.001***	0.000	0.003***	-0.001
	(0.000)	(0.001)	(0.001)	(0.001)
Supplier FE	Yes	Yes	Yes	Yes
State FE	Yes	Yes	Yes	Yes
Item FE	Yes	Yes	Yes	Yes
Region FE	Yes	Yes	Yes	Yes
Day-of-week FE	Yes	Yes	Yes	Yes
R-squared	0.861	0.276	0.862	0.350
Pre-period mean	4.020	5.325	4.023	5.328
Observations	453201	21301	258350	14180

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A.21: Effect of price cap changes on service supply by SEIFA group

	SEIFA 1–3 (1) Increase	SEIFA 1–3 (2) Decrease	SEIFA 4–5 (3) Increase	SEIFA 4–5 (4) Decrease
Post (Jul 1+)	0.015	-0.045	-0.043	-0.036
	(0.020)	(0.032)	(0.037)	(0.023)
Week (relative)	0.035***	0.012***	0.015***	0.009
	(0.001)	(0.001)	(0.002)	(0.012)
Post × Week	-0.053***	0.017	-0.013	-0.003
	(0.006)	(0.012)	(0.011)	(0.010)
Supplier FE	Yes	Yes	Yes	Yes
State FE	Yes	Yes	Yes	Yes
Item FE	Yes	Yes	Yes	Yes
Region FE	Yes	Yes	Yes	Yes
Day-of-week FE	Yes	Yes	Yes	Yes
R-squared	0.574	0.406	0.630	0.407
Pre-period mean	3.772	0.945	3.769	0.917
Observations	263092	10963	152170	8075

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The coefficients in the above tables can be interpreted as follows:

- Services provided in areas of **lower to middle socioeconomic advantage (SEIFA Quintiles 1, 2 & 3)**
  - Services that experienced a price cap *increase*:

        - A 1% increase in the price cap increased market prices by 0.66% (Table A.20, Column 1); and
        - There is no statistically significant change in service provision (Table A.21, Column 1).
    - Services that experienced a price cap *decrease*:
        - A 1% decrease in the price cap decreased market prices by 0.89% (Table A.20, Column 2); and
        - There is no statistically significant change in service provision (Table A.21, Column 2).
- Services provided in areas of **higher socioeconomic advantage (SEIFA Quintiles 4 & 5)**
    - Services that experienced a price cap *increase*:
        - A 1% increase in the price cap increased market prices by 0.52% increase in prices (Table A.20, Column 3); and
        - There is no statistically significant change in service provision (Table A.21, Column 3).
    - Services that experienced a price cap *decrease*:
        - A 1% decrease in the price cap decreased market prices by 0.9% (Table A.20, Column 4); and
        - There is no statistically significant change in service provision (Table A.21, Column 4).