COTA
For older Australians

COTA AUSTRALIA POLICY ALERT

May 2015 No. 13

FEDERAL BUDGET 2015

In last year's federal Budget the most vulnerable older Australians, including pensioners, were asked to accept a disproportionate share of the burden of the government's 'budget repair' agenda.

The measures to achieve this were harsh and largely unacceptable to the Australian public. In this year's Budget the government has shifted gear to some degree, especially backing away from last year's most damaging Age Pension measures.

In this budget older Australians have fared well in regard to aged care, but less well on income security, with the government continuing its focus on cutting spending on the Age Pension. There are some gains for older people in the health budget, but overall funding pressure continues in this area.

COTA has been calling for a Retirement Incomes Review since April last year, and there is now widespread support for it across the retirement incomes sector, business sector, and political spectrum.

COTA is particularly disappointed that so soon after an Intergenerational Report that emphasised the pressures of a longer-lived and ageing society, there is no attempt in the Budget to create a new vision and narrative around ageing, or to develop new measures for good health, participation and well-being for older Australians. It is, at the end of the day, a budget which addresses older people largely in terms of aged care and pensions.

It is also a great disappointment that the government did not choose to announce a comprehensive, independent Retirement Incomes Review in this Budget and that there have since been mixed signals from government about holding such a review.

COTA has been calling for a Retirement Incomes Review since April last year, and there is now widespread support for it across the retirement incomes sector, business sector, and political spectrum.

For further information please contact:
Ian Yates AM Chief Executive iyates@cota.org.au ph 08 8232 0422
Sue McGrath National Policy Manager smcgrath@cota.org.au ph 02 6282 3436

Social Services Minister, Scott Morrison confirms pension changes in Budget

Ian Yates AM, Chief Executive, COTA Australia, responding to the Budget on ABC News.

Continuing to make piecemeal changes to the retirement incomes system without a clear vision of the desired overall outcome or understanding of the interactions between parts of the system is inefficient, ineffective and irresponsible. COTA calls on both the Coalition Government and Labor Opposition to rethink their positions and agree to engage with all other stakeholders in an expert review.

This Policy Alert focuses on measures most likely to impact specifically on older people as that is COTA's direct concern. It does not cover all the more general measures that will have an impact on older people, particularly in the health and social services arenas. COTA will continue to work closely with other organisations including the Consumers Health Forum, the Australian Council of Social Service, the Federation of Ethic Communities Councils of Australia, and others, to ensure the impact of broader Budget measures on older Australians is understood and their rights and interests are protected.

Age Pension

Pension Eligibility – the Assets Test

The government will save $2.4 billion over five years (just under $1 billion per year in a full year) by doubling the withdrawal or 'taper' rate at which pensions are reduced once the minimum asset thresholds are exceeded, while at the same time partly offsetting this by increasing the thresholds. The changes proposed to occur from January 2017 include (figures including all categories of pension, not just the age pension):

- The allowable value of assets in addition to the family home, in order to qualify for a full pension, will increase from $202,000 to $250,000 for single home owners and from $286,500 to $375,000 for couple home owners;
- Pensioners who do not own their own home will receive an increase in their threshold so that it is $200,000 more than homeowner pensioners;

BUDGET BUDGET

- Above those thresholds the withdrawal or 'taper' rate will change from its current level of $1.50 per fortnight reduction in pension for every additional $1,000 in assets above the minimum threshold, to $3.00 per $1,000.
- This will result in all current part-pension couples who own their own home with additional assets of less than $451,500 getting a higher pension. Couples who don't own their own home and have asset holdings up to $699,000 in January 2017 will be better off; For singles the maximum threshold point, below which pensioners will be better off, will be $289,500 for home owners and $537,000 for non-homeowners;
- Over 170,000 or 4% of pensioners will be better off including about 50,000 who will become full pensioners;
- Due to the changes the maximum allowable value of assets to qualify for a part pension will reduce from $1.15 million plus the family home for couples to $823,000 plus the family home;
- Over 327,000 or 8% of pensioners will be worse off as a result, including around 91,000 (2%) who will lose any part pension;
- Over 3.5 million or 88% of pensioners will be unaffected by this proposal
- All people currently receiving a part pension and affected by the scaling back of the maximum asset threshold will be guaranteed continued eligibility for the Commonwealth Health Seniors Card (CSHC) or Health Care Card, which provides the same concessional access to pharmaceuticals as given to those on the pension.

Withdrawal of last year's Age Pension Budget measures

As a consequence of the new proposal, the government will NOT proceed with last year's Budget measures to:

- Change pension indexation arrangements to reduce the value of the pension over time;
- Freeze income test thresholds and deeming thresholds for the pension for three years from 2017;
- Reset deeming thresholds for pension income testing from September 2017 before freezing them.

Income Test – increased income test from Superannuation Defined Benefits

- Government will save $465.5 million over five years by capping the proportion of income from defined benefit superannuation that can be excluded from the income test at 10% from 1 January 2016.

Portability of payments

- From 1 January 2017, recipients of the Age Pension, Wife Pension, Widow B Pension and Disability Support Pension who have lived in Australia less than 35 years will have the period they can be paid their full basic means-tested pension rate while absent from Australia reduced from the current 26 weeks to 6 weeks in a 12 month period.

BUDGET BUDGET

- After 6 weeks absence from Australia, pensioners who have lived in Australia for less than 35 years will be paid at a reduced rate proportional to the period the person has lived in Australia as a permanent resident between the ages of 16 and Age Pension age.

COTA COMMENT

COTA strongly welcomes the announcement that last year's measure to change pension indexation arrangements has been dropped, along with the proposals to freeze eligibility thresholds for pension and pension related payments for three years and to significantly lower deeming thresholds.

This damaging package will not go forward because of robust and persistent advocacy by pensioner and community groups which supported and strengthened political opposition in the Senate. COTA congratulates all supporters of the ***Hands Off The Pension*** campaign for refusing to accept the attack on the adequacy of the pension and winning through to have it removed from consideration.

The one remaining component from the package still in play is the gradual increase in the pension age to 70 years by 2035. COTA will continue to lobby the Federal Government to introduce robust measures to tackle and eliminate widespread age discrimination in employment and to promote and enable mature age employment before further raising the pension age.

COTA also argues that pension age-eligibility policy must take account of the reality that continuing to work into later years is not viable for people in some occupations, or for some individuals on a range of health grounds. Disability pension arrangements post the McClure Report must provide for this.

Although most of the main threats to the pension from last year have been removed, the 2015 Budget clearly demonstrates that the Government remains determined to reduce spending on the pension. Pensioners will continue to be dismayed that they are the frontline target of Government fiscal policy and ask why even a small proportion of pensioners should be in the firing line while wealthy people who were never going to be eligible for the pension continue to receive generous financial subsidies from the taxation system to finance the inheritance of their children. The 2015 Budget did not tackle this important issue, or even address it by announcing a Retirement Incomes Review.

In this context, COTA views the measure to change the asset test thresholds and taper rate as coming from a fairer basis than last year's moves to reduce the value of the pension in ways that would have had the greatest impact on those who can least afford it – full pensioners with no other sources of income and little or no assets. However, the details of the 2015 Budget measure will need close examination in order to understand its longer term impacts on various cohorts of current and future pensioners, on longer term issues such a paying for aged care, and for the interactions of the pension and superannuation systems.

COTA will join with others in the community and the parliament to closely scrutinise the specific settings in the proposal to seek the fairest and most sustainable pension outcome.

COTA will join with others in the community and the parliament to closely scrutinise the specific settings in the proposal to seek the fairest and most sustainable pension outcome.

In regard to the changes to the pension income test for some defined benefit superannuants, under current arrangements some defined benefit superannuants are able to have a large proportion of their superannuation income excluded from the pension income test. COTA understands that most of these superannuants are in State Government defined benefit schemes. We also understand that 65% of those defined benefit scheme superannuants will be unaffected by the change, while about 46,000 people in this situation will be negatively affected.

The Government argues that the measure will increase fairness and equity by bringing the treatment of this group of retirees in line with the treatment of self-funded retirees and pensioners. COTA agrees that this appears to be the case, but will look closely at the changes.

COTA will oppose the changes to age pension portability announced in the Budget. We will work closely with organisations like the Federation of Ethnic Communities Councils of Australia (FECCA) to clarify the impact of this measure and further investigate its longer term implications.

FECCA has already made the following statement:

> *Nearly 40% of Aged Pension recipients and nearly 30% of Family Tax Benefit recipients were not born in Australia. It is concerning to see the inclusion of these provisions, as they will disadvantage a significant proportion of the Australian population who were born overseas and maintain ties with their places of birth.*

COTA notes that no rationale has been advanced for this measure. The Age Pension involves different circumstances to most other pensions.

Aged Care

There were major policy announcements in aged care:

Home Care Packages

- From 1 February 2017 all Home Care Packages will be allocated directly to consumers by an enhanced *My Aged Care Gateway* rather than allocated to service providers as happens now.
- As a result older Australians will have direct control of their own aged care funding packages to choose the supports that best suit their needs and circumstances, who will provide it and how. $73.7 million will be provided over four years to support the implementation of this initiative;

Streamlining aged care at home and in the community

- The government plans that from 1 July 2018 the Commonwealth Home Support Programme (CHSP) and the Home Care Packages (HCP – CDC) program will be combined into a single program designed to assist people stay at home longer by receiving support and care services in their home and community.

Aged Care Complaints Arrangements

- From 1 January 2016 responsibility for the Aged Care Complaints Scheme will be transferred from the Secretary of the Department of Social Services to the greater independence of the Aged Care Commissioner.

Aged Care Quality Accreditation Services

- The government will expand the scope of cost recovery for residential aged care accreditation services, saving $30.7 million over four years which will be a Budget saving. It will introduce a new fee schedule from 1 July 2016 to recover the full operating costs of accreditation, education and training performed by the Australian Aged Care Quality Agency.
- The government has flagged ending the Quality Agency monopoly over accreditation and will move to allow other qualified accreditation bodies to undertake aged care accreditation (but not at this stage unannounced visits). This happens in the hospital sector.

Aged Care means testing

- Government savings of $26.2 million over five years from 1 January 2016 by aligning aged care means testing arrangements for residents who pay accommodation costs by periodic payment with the arrangements for residents who pay with a lump sum through removal of the rental income exemption under the aged care means test.

Short term restorative places

- Short term restorative care places including the current Transition Care program will be incorporated into the aged care planning ratio from 1 July 2016, ensuring that the growth in short term restorative care places matches the growth in the aged population. This will result in savings of $56.2 million over four years due to restorative places being cheaper than residential care.

Aged Care Workforce Development Fund

- Redesigning and renaming the Aged Care Workforce Fund to the Aged Care Workforce Development Fund. The new fund has taken a savings cut of $40.2 million over 4 years.

BUDGET BUDGET

Dementia and Aged Care Services Fund

- Redesigning the Aged Care Service Improvement and Healthy Ageing Grants (ACSIHAG) fund into the Dementia and Aged Care Services Fund to support more appropriate care services for frail older Australians and people with dementia. The new fund will be somewhat narrower in focus and has also taken a savings cut of $20.1m over 4 years.

...older Australians will strongly welcome the Budget measures to give them direct control of their own aged care funding packages, have access to an independent complaints system, and introduce a streamlined approach to home care delivery.

COTA COMMENT

COTA believes that older Australians will strongly welcome the Budget measures to give them direct control of their own aged care funding packages, have access to an independent complaints system, and introduce a streamlined approach to home care delivery. COTA sees the changes in home care as a significant step towards an NDIS-style model for aged care which is great news for older people and their families.

Currently, the funds for older people's home care packages are given to aged care service providers rather than the older person directly. The change to provide funding directly to the consumer from February 2017 is the outcome of many years advocacy by older people and the sector and will allow the recipient to have much greater choice about what kinds of support best suit their needs and circumstances, who will provide it, and how.

This will result in more older people being able to stay in their homes longer as they age because the services they purchase will more closely match their needs. It will reduce current inefficiencies in which people take a service because it is the only thing on offer, rather than one that is tailored to support them.

COTA also believes that the change will drive up the quality of service provision as older people will be able to shop around for the best provider to meet their particular needs and will be able to move from one provider to another if they are not satisfied with the service being provided. It will reduce red tape for service providers who will then be able to put more resources into front line service delivery.

Older people will also have more flexibility to use their funding for medium term needs, being able for the first time to save some of their care funds for something more significant - like a piece of equipment for which there is no other funding available.

COTA's also strongly welcomes Minister Fifield's announcement post Budget that he has asked the Aged Care Sector Committee to develop a 'roadmap' by the end of 2015 as to how principle of attaching aged care funding to the consumer can be applied in residential aged care, consistent with appropriate levels of investment certainty.

COTA also warmly welcomes the decision to combine the Commonwealth Home Support and Home Care Packages Programs, which both COTA and NAVCA have proposed. Combining these two programs will ensure older people have a much simpler and smoother process to access care and have more control over what support they receive. It will also result in higher quality service provision as service providers adapt and change to meet the needs of their clients and have less red tape to deal with.

The measure to move the aged care complaints scheme out of the Department of Social Services and to the Aged Care Commissioner is also very welcome. COTA has long called for a more independent complaints scheme. Having complaints managed by an independent umpire will give older people greater confidence in how complaints are handled.

Carers

Measures announced include:

Carer Support National Gateway

- $33.7 million over four years from 2015-16 to create a national gateway for carers to access information, support and referral to carer-specific supports and services.

Child Care - Grandparent Child Care Benefit

- There was no announcement in the Budget about the future of the Grandparent Child Care Benefit, but the delivery mechanism, at least, of the benefit will need to be changed because of the Budget measure to introduce a new single Child Care Subsidy and Child Care Safety Net.

COTA COMMENT

COTA welcomes the funding commitment to create a national gateway for carers. Older Australians make up a significant proportion of the carer workforce and better access to information will make a significant, positive contribution for this group and all carers. The value of this measure, which will involve a website and national call centre, is that it carers will be able to source information in their own right. However, COTA agrees with the statement made by Carers Australia on this measure, that while the gateway will provide an initial point of contact for carers it will not replace advice and referral across a very diverse range of issues and services currently provided by specialists in carers and carer services.

We have included the changes to the Child Care benefit even though there was no specific announcement made about the impact of the Budget measures on the existing Grandparent Child Care Benefit, because of the importance of this benefit to some older Australians. COTA understands that the intention is maintain the benefit, but that there will need to be discussion on how it is to be delivered. We will advocate strongly for maintenance of the benefit through an appropriate delivery mechanism.

Health

Among an extensive mixed bag of initiatives and cuts we noted:

Adult vaccination

- A new vaccine on the National Immunisation Program provided free to people aged 70-79 to help prevent shingles (Zostavax®) from 1 November 2016.

MBS

- New and amended listings to the Medicare Benefits Schedule including remote, routine monitoring of implanted cardiac devices and telehealth consultations with ophthalmologists;
- Medical Benefits Schedule review and reform: continuing the Medical Services Advisory Committee's activities; an expanded MBS Review process; and the establishment of a Primary Healthcare Advisory Group.

PBS

- New and amended listings on the Pharmaceutical Benefits Scheme including treatments for colorectal cancer, breast cancer, MS and melanoma;
- Extension of increases to the Pharmaceutical Benefits Scheme safety net thresholds by an additional year in 2019.

eHealth

- $485.1 million over four years to continue the operation of the eHealth system, make systems and governance improvements and trial opt-out arrangements.

COTA COMMENT

COTA welcomes some of the specific measures in the Budget to fund new listings on the MBS and PBS that will make an important contribution to the health of older Australians. The provision of a Shingles vaccine provided free to over 70s is particularly welcome.

Advances in e-Health systems and arrangements announced in the Budget will also be valuable to older Australians. Older people and those with chronic illness often have complex and multiple health records. The option for a single view of a summary of a patient's information from across the health system could greatly benefit in the medical treatment of patients.

However, this Budget has not done anything to lessen COTA's concern about the overall state of health funding. COTA agrees with the concern expressed by the Consumers Health Forum (CHF) that many of the harshest measures in last year's health budget - relating to hospital funding, Medicare payments to doctors, dental funding and Indigenous health programs - remain.

BUDGET BUDGET

COTA is particularly alert to the potential for increases in out-of-pocket expenses paid by older people and other high users of the health system. This is one of the biggest concerns for older Australians and we would have liked to have seen measures to help reduce expenditure for this group of people.

In particular, COTA is disappointed that the Budget did not fund more in the area of preventative health programs targeted at older Australians, consistent with the Government's agenda for longer term workforce participation and healthy ageing.

We are also disturbed that the Budget did not rescind last year's measure (currently not yet implemented) to increase PBS co-payments. Keeping the possibility of the co-payment in play, together with the measure in this year's Budget to tighten the safety net for medicine subsidies, leads COTA to be very concerned that older Australians are facing further increases to already high out-of-pocket health expenses.

Employment

Mature age employment remains a major policy issue at a time when government seeks to significantly extend working life. Budget measures were limited:

Changes to Restart

- From 1 July 2015 the Government will establish a single wage subsidy pool of $1.2 billion over four years through the consolidation of: the Long Term Unemployed Wage Subsidy; the Youth Subsidy; the Restart Subsidy; and the Tasmanian Jobs Program;
- Employers will be able to access the Restart subsidy of $10,000 over 12 months, rather than the current 24 months.

COTA COMMENT

COTA is disappointed with the Government's Budget response to mature age employment. In light of intense Government rhetoric that older Australians must continue on in paid employment for longer periods given the ageing of the population, it is very unfortunate that the Budget provides no support to create the conditions that would enable this.

The only Budget measure addressing older workers relates to Restart, the existing wage subsidy program to encourage employers to take on workers over 50. The measure announced a change to Restart to reduce the time an employer needs to keep employing the subsidised worker before receiving the full incentive payment. The Government argues that the change is in order to encourage stronger take up of the subsidy.

COTA will watch closely to see if this is the outcome, but at present we are not convinced that it will result in an improvement in ongoing employment outcomes for older workers and are fear that it will lead to churn through the program.

We are also concerned by the announced change to consolidate a number of wage subsidy programs into a single funding allocation. COTA will closely examine the stated guidance to providers and actual practice on the ground to see whether older workers are receiving a fair share of subsidised places.

COTA will watch closely to see if this is the outcome, but at present we are not convinced that it will result in an improvement in ongoing employment outcomes for older workers and are fear that it will lead to churn through the program.

BUDGET BUDGET