Federal Budget Submission

2020 – 2021

National Seniors Australia

102019351PAR

Recommendations

Priority 1: Fix Pension Poverty

Recommendation 1: An Independent Pension Tribunal

More than half a million people rely on the pension as their sole source of income. A single older person reliant on the pension survives on an annual income of around $24,000; a couple around $36,000. We know many people in this situation are struggling.

It reflects poorly on government when older Australians live in poverty

Compared to other OECD countries Australia has relatively high rates of poverty among seniors. Yet, at the same time Australia spends relatively lower amounts on pension entitlements (as a proportion of GDP).

The politics must be taken out of the pension process. An Independent Pension Tribunal is the first step to a fairer retirement income system.

What would an Independent Pension Tribunal do?

An Independent Pension Tribunal would take responsibility for calculating a fair and adequate pension rate.

It would work out the pension rate and any supplements based on need and circumstance. Its decisions would be accepted without debate in the same way monetary policy is set by the Reserve Bank.

The tribunal would hand down its determination every November to provide enough time to be accounted for in the May Budget.

Recommendation 2: Increase Commonwealth Rent Assistance

While many older Australians own their own home, around 15% do not[1]. These older people have not been able to secure the Australian dream and must seek shelter through the private rental market. Unfortunately, that market is often unaffordable. Rental costs have increased significantly over the past 10 years. While rents increased 29% over that period[2], Commonwealth Rent Assistance increased by only 23%[3]. This exposed older people to higher costs, lower living standards and increased risk of homelessness.

Increase the maximum rate of Commonwealth Rent Assistance (CRA)

Increasing the maximum rate of CRA is a simple way to address housing poverty in Australia. The maximum rate of CRA could be lifted to a proportion of average housing costs in a specific region. Housing costs in highly urban areas are much higher than in other areas. The maximum rate of CRA should be set by the Independent Pension Tribunal so pensioners who rent, receive enough income to meet reasonable living costs, no matter where they live.

Recommendation 3: An Adult Dental Benefits Scheme

Dentistry is an essential part of health care, yet it's not treated that way.

While dental care is essential to health and wellbeing, the cost of basic care has been largely privatised. Those able to afford private health insurance receive rebates when accessing private dental services; those without either foot the bill themselves or rely on overstretched and underfunded public dental services. Those in aged care have almost no access to dental care.

It is abhorrent that a country with a first-rate public health system like Australia has neglected this vital issue.

Expand the provision of basic dental care for pensioners, including those in aged care

A healthy mouth enables people to eat, speak and socialise without pain, discomfort or embarrassment. Poor oral health is also linked to chronic diseases, including stroke and cardiovascular disease. Good oral health lessens the incidence of other health conditions, reducing hospital admissions and saving the health budget many millions of dollars.

An Adult Dental Benefits Scheme, based on the Child Dental Benefits Schedule (CDBS), could provide older Australians an annual subsidy to help maintain their dental health. It would be especially useful to those living in aged care.

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It's time to take the politics out of the pension

All Australians deserve access to a safety net to avert poverty in older age. This safety net should be set independently and free from political interference. It should be based on need and provide adequate income for the basics in retirement. It should also include adequate support for those relying on the rental market and provide better access to dental care.

Priority 1: Fix Pension Poverty

Recommendation 1

An Independent Pension Tribunal

Recommendation 2

Increase Commonwealth Rent Assistance

Recommendation 3

An Adult Dental Benefit Scheme

Income poverty (66+)

25.7%
Australia

12.5%
OECD
(OECD, 2014)

1 in 5
Pensioners receive rent assistance
(DSS, Mar 2019)

$396
per year
Average amount spent by a household on dental
(AIHW, 2015-16)

Priority 2: Overhaul the aged care sector

Recommendation 4: Fund home care to meet demand

The number of people requiring home care packages is outstripping supply, resulting in unacceptable waiting times. More than 74,166 older Australians are waiting for level 3 and 4 packages. Of these, more than 38,164 have not been offered a lower level interim home care package. At the same time there are 59,830 waiting for level 3 or 4 packages who were also approved for residential care.[4]

Australians want to age in their home but can't do it safely without adequate support

National Seniors continues to hear of cases where people on the waiting list died before they received any assistance. Others were forced into residential care prematurely because their carers couldn't cope. We have members telling us of parents who are aged in their late 90s or are even 100+ who aren't receiving home care despite being approved for it.

The queue for accessing home care is a running sore and a profound policy failure

The royal commission's interim report has called on government to take immediate action to address shortfalls in home care. It would stop more older people from being forced into residential care. This is important because residential care results in declining health and greater public expense. Increased spending on additional home care packages is an investment in budget management and reflects what people want.

Recommendation 5: Improve staff-to-resident ratios

Feedback from National Seniors members highlights the link between quality and staffing in residential aged care. Many of our members are concerned about the skills and qualifications of staff and the number of staff available. At the very least, they should know that appropriately skilled staff will be available to meet their care needs.

Staffing is consistently viewed as the reason for poor care

Our members tell us that they want minimum staffing ratios. Why? Because they know, from their own experiences of aged care, the reason why a loved one did not receive adequate care, was because of the absence of adequately qualified staff. Minimum ratios, should be in place to ensure a basic level of care.

Publishing staff-to-resident ratios will improve quality and safety for people in residential aged care

The public needs better information about staffing. Providers should be aware of the number of staff and skills and qualifications, relative to the number of residents in their facility.

This information should be published and regularly updated on the My Aged Care website, so people are better informed when choosing a home.

Recommendation 6: Mature aged worker program

The aged care sector will find it increasingly difficult to attract and retain adequately skilled staff to work in aged care. Estimates suggest that the aged care workforce will need to quadruple by 2050 to deal with the rapidly increasing population of older Australians[5]. This is occurring at a time when there are increasing numbers of mature age workers struggling to find employment.

A pool of suitable workers

Part of the problem with aged care staffing is having a pool of adequately qualified workers who can attend to the complex social and emotional needs of frail older people. Mature age jobseekers have the potential to provide part of the workforce but are not provided with the right incentives to do this. Government could help to address this issue by providing a subsidised pathway for suitable mature aged jobseekers.

A dedicated program for mature aged care workers

National Seniors believes that a dedicated program for mature age jobseekers is required. This program should meet the costs of assessing candidate suitability, provide the required qualifications and deliver on the job training. Suitable candidates could be matched with employers to enable on-the-job training and mentorship.

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Urgent action is needed to fix the failed aged care system

The Aged Care Royal Commission has laid bare the failings of Australian aged care system. It is scandalous that older people are not properly looked after in their twilight years. All Australians are right to be concerned they will not receive adequate care when they are older.

Priority 2: Overhaul the aged care sector

Recommendation 4

Fund home care to meet demand

Recommendation 5

Improve staff-to-resident ratios

Recommendation 6

A mature aged worker program

16,000
Older Australians died on the home care waiting list in 2018
(Royal Commission, 2019)

1 in 2
Aged care homes have unacceptable staffing levels
(Royal Commission, 2019)

1 in 4
Australians on Newstart are aged 55+
(DSS, Mar 2019)

Priority 3: A fairer retirement income system

Recommendation 7: Lower the Age Pension taper rate

Retirees should not be penalised for saving for their retirement. In 2017, the taper rate was doubled. Instead of only losing $1.50 of their fortnightly pension for every $1,000 of assets, retirees now lose $3.00. Not only did 100,000 older Australians lose access to the pension but hundreds of thousands more had their pension reduced.

There is now a huge incentive for retirees to spend rather than save

Aside from the loss of pension, this new taper rate perverted the assets test. Single retirees with assets over $300,000 and couples with assets over $400,000 are now paying a wealth tax because their assets are not able to earn as much as they lose in pension. This creates a disincentive to save and an incentive to spend their wealth to achieve a higher pension and overall income. Retirees with modest wealth will likely spend their money, undermining their capacity to self-fund their retirement in the long-term. This is completely at odds with the intention of the retirement income system.

Reducing the taper rate will make the system fairer

Reducing the taper rate closer to $2.00 will make it more attractive for people to save more for their retirement.

It will take away the strong incentive to spend to get an adequate income in retirement. It will improve the capacity of retirees to sustain higher incomes for longer, taking pressure off government spending in the longer term.

Recommendation 8: Lower the Age Pension deeming rate

Deeming is the method used to determine a pension recipient's income from financial investments. It also determines eligibility for the Commonwealth Seniors Health Card and the fees payable in residential aged care.

Deeming rates have not kept pace with cash rate

Over the past 8 years, the RBA cash rate has fallen dramatically reducing returns on investments. However, there has not been a corresponding reduction in the deeming rate. Retirees who place even a small proportion of their money in safer term deposit accounts are being penalised because the deeming rate is much higher than the returns on offer. Many people put their money into term deposits because they don't have superannuation, they want to have access to cash for emergencies and fear losing their life savings on the share market. Many are rightly unwilling to risk the stock market with the threat of another GFC weighing heavily on their minds. Retirees should not be punished because they are being cautious.

The deeming rate needs to be cut further

The threat of further cuts to the cash rate and deposit rates, only heightens the need to cut deeming rates further. Better still, the government must take the politics out of deeming by creating a transparent independent method for setting the deeming rate. This should be done by an independent tribunal. Failure to do so will only reinforce the view that the government uses deeming to patch holes in the federal budget.

Recommendation 9: Align politicians' superannuation with the super guarantee

Politician's base pay is set independently by the Remuneration Tribunal. However, their rate of super is set by them. Politicians elected after 2004 have their superannuation set by parliament through the *Parliamentary Superannuation Act 2004*.

Super just like everyone else

Under the new 2004 scheme, politicians are provided with a superannuation contribution, which is deposited into a superannuation fund. When the new scheme was adopted the rate was set at 9%. This was in line with the Superannuation Guarantee (SG). However, in 2006 an amendment was passed to raise the contribution rate to 15.4%, reportedly to bring it in line with Commonwealth public servants.

Do politician's current superannuation entitlements meet community expectations?

An MP on a base salary of $211,250, would receive an annual super contribution of $32,532. A single term lower house MP would receive almost $100,000, while a single term Senator would receive almost $200,000. It raises fundamental questions about fairness. At a time when politicians are calling for spending restraint and for further delays in increasing the SG to 12%, it would be symbolic if politicians moved to align their own entitlements with the current SG.

A retirement income system with adequacy, sustainability certainty and fairness

Governments want people to be self-funded in retirement but make changes to the rules which undermine confidence in the system and penalise those who save. We must ensure that the rules that govern the retirement system are fair for all.

Priority 3: A fairer retirement income system

Recommendation 7

Lower the Age Pension taper rate

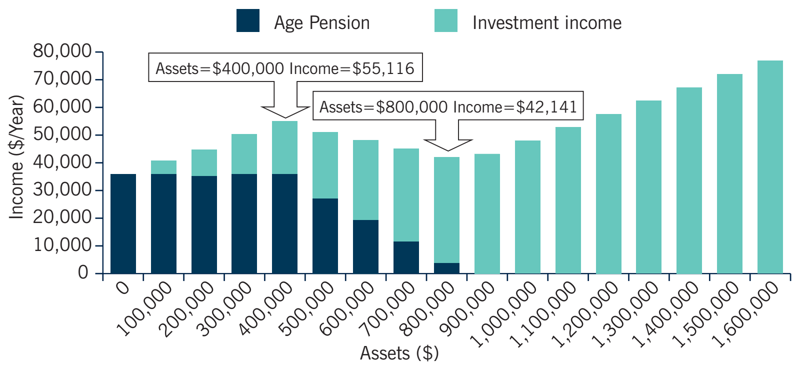
Recommendation 8

Reduce the Age Pension deeming rate

Recommendation 9

Align politicians' super with the Superannuation Guarantee

Estimated income based on current taper rate after 1 Jan 2017,
$3.00 per $1,000 of assets (home-owning couple)



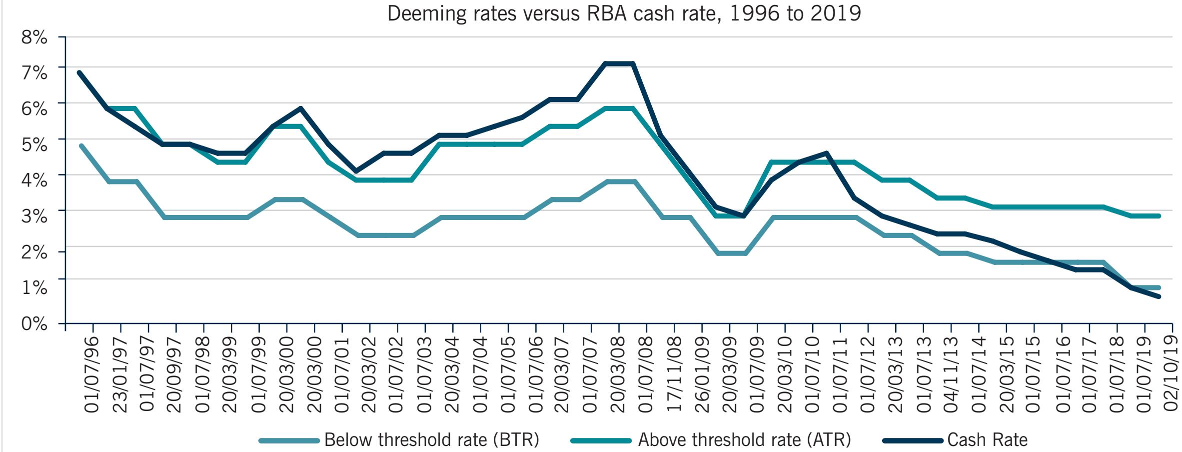
After 1.1.2017 $3.00 per fortnight for every $1,000 extra=$78 per year or taper rate of 7.8%

15.4%

Superannuation rate for parliamentarians

(DoF, 2019)

Deeming rates versus RBA cash rate, 1996 to 2019



Priority 4: Reduce out-of-pocket health costs

Recommendation 10: Mandatory publication of specialist fees

Specialist fees are not affordable, specialists can charge what they like. The bulk billing rate for specialist attendances is only 30%, leaving most people with significant out-of-pocket expenses.

Compounding this is a lack of market transparency. Comparing medical specialist fees is impossible for most people. Patients are often uncomfortable questioning the advice of a GP, which means they can be reluctant to shop around. Because patients bear upfront costs when attending an initial consultation they are unlikely to go elsewhere to get a better deal.

Specialist fees should be public knowledge

National Seniors welcomed the announcement by the Federal Government that specialist fees will be publicly available on a searchable website in the future. This will provide patients with a clear way of viewing the cost of visiting a specialist, allowing them to compare prices before they contact a specialist. As the ACCC argues, price transparency is a basic tool to encourage competition and reduce overcharging[6]. However, this will only be voluntary.

Publication should be mandatory

In order to have adequate transparency, all specialists should be required to publish their fees. Any system that is voluntary is open to exploitation, undermining the efficacy of the system. The Health Minister could withdraw access to the MBS subsidy for specialists who do not publish their fees. We call on government to remove any impediments to using Medicare data to publish specialist fees.

Recommendation 11: Restrict private health insurance premium increases

Older Australians are struggling to pay rising health insurance premiums. Private insurance premiums increased by 66% in the past 10 years. Private health care is becoming less affordable with many people downgrading or cancelling their cover. While much of this is driven by rising specialist fees and private hospital costs, it is not helped by confusing policies which are difficult to compare. The growing number of policy exclusions contributes to the declining affordability of health care.

Strong government action is required

Reform is occurring, albeit slowly. A survey of National Seniors members in late 2017 found that reducing private health insurance premiums would be the single most beneficial action that would assist our members to meet their health needs. This is not surprising given 85% of respondents held private health insurance. While premiums will only increase by an average of 3.25% in 2019, this is well above the rate of inflation of 1.6% (to Jun 2019).

Restrict premium rises

Government subsidies cannot continue to allow health premiums to escalate at odds with other parts of the economy. Holding down premium increases will send a message to the private health care sector that they must adopt reforms to drive down the cost of health care.

Recommendation 12: Increase rebates for specialist consultations

Professional services provided by a doctor have a corresponding MBS item number, schedule fee and Medicare benefit (rebate). Out-of-pocket costs are increasing because schedule fees and rebates are inadequate. Not only has there been an ongoing freeze on the schedule fee, but rebates for specialists are less than the schedule fee.

Out-of-pocket costs

As data shows, more and more patients are being referred to specialists[7]. Unfortunately, Medicare is not providing adequate rebates for these services. When a patient claims a rebate for a professional service by a GP, they can claim 100% of the schedule fee. However, if a patient visits a specialist, they can only claim 85% of the fee. For example, the schedule fee for a specialist consultation (Item 104) is $88.25, however the rebate is only $75.05 – 85% of the fee[8]. Patients are essentially contributing a co-payment for accessing a specialist to get the care they need.

Increase the Medicare benefit for specialist consultations

If govenment believes a speicalist service costs a certain amount, why does it only give 85% as a rebate? At the very least, an initial consultation to a specialist should attract a rebate at 100% of the schedule fee. The government should also investigate increasing the schedule fee for items where it has been set too low.

Government should also investigate whether paitents are being uneccesarily referred to specialists.

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Health costs are the largest concern of older Australians

National Seniors is calling on the Australian Government to address rising health costs. Health costs are rising faster than inflation. Confidence in the private health system and private health insurance is declining[9]. The rising cost of specialists, health insurance premiums and lack of transparency; combined with inadequate subsidies from Medicare all impact on rising costs.

Priority 4: Reduce out-of-pocket health costs

Recommendation 10

Mandatory publication of specialist fees

Recommendation 11

Restrict private health insurance increases

Recommendation 12

Increase rebates for specialist consultations

Average out-of-pocket patient contributions

GP

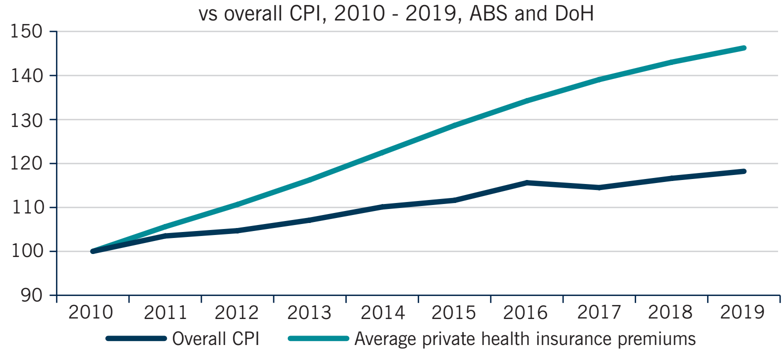
= $37.53

Specialist

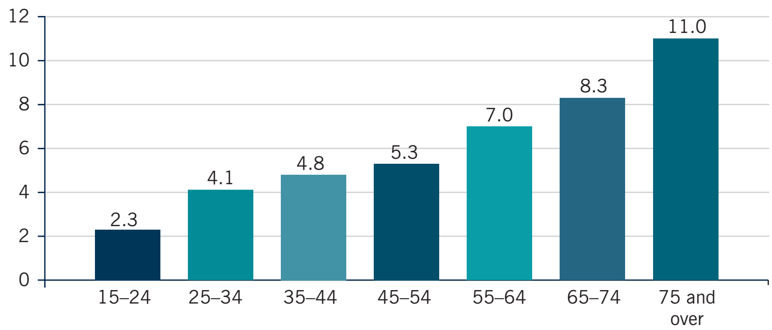
= $83.77

(DoH, 2018-19)

Increase in average private health insurance premiums (industry weighted average) vs overall CPI, 2010 - 2019, ABS and DoH



Proportion of household expenditure on medical care and health 2015-16, ABS



Medicare benefit (rebate)

GP

100%

Specialist

85%

Priority 5: A legacy for older Australians

Recommendation 13: Provide opportunities for older Australians to invest in the future

As has been noted recently, there is a need for investment in infrastructure projects to ensure the economy continues to grow[10]. The wealth of older Australians provides a significant opportunity. They continue to use safe investment options to protect their financial future. As the debate over deeming rates has shown, many older Australians choose to invest in safe products, such as term deposits. According to National Seniors research, they do this because they fear markets will again fail[11]. The average 80-year-old does not want to play the stock market, has little or no superannuation and seeks security in bank deposits. Particularly, because they are backed by a government guarantee.

At the same time, many older Australians are looking for ways of making a continuing contribution to future generations. Many want to make a positive contribution to ensure the environment is protected and improved for their children and grandchildren.

Energy and investment

There are many ways that older people can make a positive contribution, while protecting their own economic wellbeing. For example, the lack of energy storage to complement intermittent energy generation, through solar and wind, is one important opportunity. The Australian Government's initiative to increase the capacity of the Snowy Hydro scheme is the kind of project needed to enhance grid reliability while reducing energy prices and carbon emissions. With an estimated return on investment of more than 8%[12] and the backing of the Australian Government (as the owner of Snowy Hydro), such a project provides older investors with a means to achieve stable government backed returns. However, there is no opportunity for small retail investors like them to invest in such projects. The Australian Government could change this by giving seniors a practical opportunity to build the wealth of the Commonwealth. This could easily be done through issuing Snowy Hydro Green Bonds to help fund the project.

National Seniors believes a government guaranteed Snowy Hydro Green Bonds scheme, would:

- provide older Australians with safe returns
- contribute to economic development
- help stabilise energy prices, and
- support environmental sustainability for future generations.

Recommendation 14: Real homes, not aged care homes

Support for alternatives to residential aged care is desparately needed. Older Australians want to remain in their own homes when they grow old. They are uncomfortable with the prospect of residential care. They want to remain independent and may be willing to downsize to a property that is more suitable if these existed.

However, there is a lack of suitable housing alternatives. The recent tendency to construct large unit or apartment towers is not appealing to older people. These are often built in inner-city areas, away from an older person's community. Their mixed tenancy also makes them potentially undesirable. At the other end of the scale, older Australians are increasingly wary of dedicated 'seniors' options, such as retirement villages. Older Australians need other 'accessible' housing options, but efforts to ensure new housing meet basic voluntary standards have failed[13].

The market simply isn't delivering housing suited for older people

National Seniors has long supported the need for new and innovative downsizing options for older people. There is a distinct need for housing alternatives that continue to provide financial and social independence while offering easier access to care and opportunities for social interaction, should these be required. We believe that a better balance between independence and care can be obtained through innovative design. What is needed are smaller scale residential developments with accessible design, which allow older people to purchase a home co-located with other seniors without having to be locked into a village model. This sort of housing would be more suitable for those wishing to downsize, remain financially and socially independent but have the benefit of greater access to care. By co-locating, this will improve the costs and logistics of providing care and services as people age.

The Australian Government could facilitate this by providing innovation grants to developers and by working with state counterparts to ensure planning laws enable such innovations.

Older Australians want to make a continuing contribution for future generations

Older Australians care about the future. Many want to leave the world a better place. They already regularly give their time and money to do this. They are especially prepared to make a personal contribution when government shows leadership. We have seen this in the past with programs such as Landcare.

Priority 5: A legacy for older Australians

Recommendation 13

Provide older Australians opportunities to invest in the future

Recommendation 14

Real homes, not aged care homes

74.3%

Older Australians believe climate change is occuring
(Nat Seniors, unpublished)

80.2%

Older Australians are somewhat or very concerned about ending up in residential care
(Nat Seniors, 2012)

7 out of 10

older Australians concerned about another market collapse
(Nat Seniors, 2018)

36.4%

Older Australians live in homes without features suitable for ageing
(Nat Seniors, 2012)

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