National Seniors Australia

2025-26 Pre-Budget Submission

January 2025

National Seniors
AUSTRALIA

NSA is a not-for-profit organisation established in 1976. With the help of our members and supporters, we seek to achieve better outcomes for all older Australians. We do this through our core advocacy and research activities and by providing information and services to older people.

Acknowledgement of Country

National Seniors Australia is located in Brisbane and Canberra.

We acknowledge the traditional custodians of the land and waters in which we operate, the Turrbul and the Ngunnawal and Ngambri Peoples and honour and value their continuing culture and contribution and pay our respects to their elders, past, present, and emerging.

Executive Summary

National Seniors Australia (NSA) is the peak consumer body representing older Australians. With a community of more than 250,000 nationwide, NSA is well placed to reflect the views of older Australians. Our priority is to protect, defend and promote their interests.

Rising living costs continue to be felt by all and are stretching household budgets. Even those who are relatively comfortable are concerned about the impact of ongoing price inflation. The 2025 Federal Budget provides an opportunity to reset the direction of government policy to ensure firstly, our standard of living does not go backwards and secondly, those in need receive the assistance they require. The Federal Budget also provides an opportunity to leverage the experience, skills and resources of older people to build a better nation.

This submission puts forward 16 policy recommendations to improve outcomes for older Australians and future generations of seniors.

We recommend an immediate increase to the Age Pension rate to address pension poverty; a Pensioner Concession Card+ to provide additional concessions to pensioners most in need; a fair approach to deeming rates and the exemption of all employment income from the Age Pension income test.

In the area of health, we support the Royal Australian College of General Practitioner's (RACGP) call for a 40% increase to Medicare rebates for General Practitioner (GP) consultations longer than 20 minutes; a Productivity Commission review of private health to suppress rising health costs and their impact on inflation; higher private health rebates for low-income earners; and dental care subsidies for seniors in need.

We also advocate for housing policies to boost supply, including: incentives to boost investment in affordable housing for seniors; pension rule changes to support older people sharing their home or downsizing; and further improvements to rent assistance payments.

In banking, we are calling for the proposed levy on banks to be used to allow Australia Post to obtain an authorised deposit-taking institution (ADI) licence so it can provide banking services to communities where essential banking services are not being offered.

NSA also wants changes to Age Pension gifting rules to give older people a greater incentive to make financial contributions to charities and to younger generations; and for a cabinet minister to hold a portfolio as Minister for Ageing and Population Ageing.

This suite of policy recommendations will help to address cost-of-living pressures facing older (and younger) people and ensure older people feel that government is in their corner.

Chris Grice
Chief Executive Officer

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Chair

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Key recommendations

Cost of living

Recommendation 1:	Increase the Age Pension by $10 per day to address cost-of-living pressures.
Recommendation 2:	Create a Pensioner Concession Card+ to provide additional concessions and supports for pensioners with limited means.

Tax and transfer system

Recommendation 3:	Continue to freeze deeming rates while interest rates remain high and use this time to create a fair and transparent method for calculating deeming rates in the future.
Recommendation 4:	Exempt employment income from the Age Pension income test.

Health

Recommendation 5:	Increase the Medicare Rebate by 40% for GP consultations longer than 20 minutes to reduce out-of-pocket health costs.
Recommendation 6:	Direct the Productivity Commission to conduct a full review of the private health system.
Recommendation 7:	Increase the value of the Private Health Insurance Rebate for people on low incomes.
Recommendation 8:	Create a targeted Seniors Dental Benefits Scheme to help seniors access essential dental care.

Housing

Recommendation 9:	Create targeted incentives to encourage retail investment in affordable housing for older Australians.
Recommendation 10:	Remove disincentives for older people to rent out rooms in their home, including negative impacts on pension entitlements and liabilities for Capital Gains Tax (CGT).
Recommendation 11:	Exempt excess sale proceeds from the Age Pension assets test for Home Care Package (HCP) recipients to support downsizing into smaller, age friendly homes.
Recommendation 12:	Increase the maximum rate of Commonwealth Rent Assistance (CRA) and tie indexation to changes in rental prices rather than the overall Consumer Price Index (CPI).

Aged Care

Recommendation 13:	Immediately increase the number of home care packages to quickly reduce wait times to three months.

Banking

Recommendation 14:	Use the proposed bank levy to assist Australia Post to obtain an authorised deposit-taking institution (ADI) licence to provide essential banking services in areas where these do not exist.

Intergenerational

Recommendation 15:	Increase Age Pension gifting limits to support older people who give to charity and higher limits for gifts used for first home deposits and the retirement of Higher Education Loan Program (HELP) debt.
Recommendation 16:	Ensure a Cabinet minister has responsibility as the Minister for Ageing and Population Ageing.

COST OF LIVING

Recommendation 1:

Increase the Age Pension by $10 per day to address cost-of-living pressures.

Overview

- Cost-of-living pressures remain high, even as headline inflation declines. These pressures are felt most by those with limited means who struggle most with cost-of-living increases.
- The Organization for Economic Cooperation and Development (OECD) estimates that 19.7% of people aged 66-75 and 27% of people aged over 75 in Australia live in relative income poverty.[i]
- While the Grattan Institute has claimed the proportion of pensioners in poverty is lower, due to high levels of home ownership in Australia, home ownership rates are declining with the prospect of an entrenched two-tenure system in the future, in which greater numbers of older people will never afford their own home.[ii]
- Evidence from NSA's own research suggests that even homeowners believe the pension is inadequate for a basic lifestyle in retirement, with the median amount required to achieve a basic lifestyle estimated at:[iii]
  - $10,000 per year more than the current Age Pension rate for a single person
  - $15,000 per year more than the current Age Pension rate for a couple.

WHAT ARE WE CALLING FOR?

- The Federal Government should provide a one-off increase to the base rate of the Age Pension of:
  - $10 per day for a single pensioner
  - $15 per day for a pensioner couple.

Budget impact

- An increase to the base rate of $10 / day (single) and $15 / day (couple), would cost an estimated $7.5billion (this is based on the Age Pension rate as at 1 January 2025):
  - A $70 / week increase for a single pensioner would equal $593.55 / week
  - A $105 / week increase in a couple's weekly pension would equal $894.30 / week.

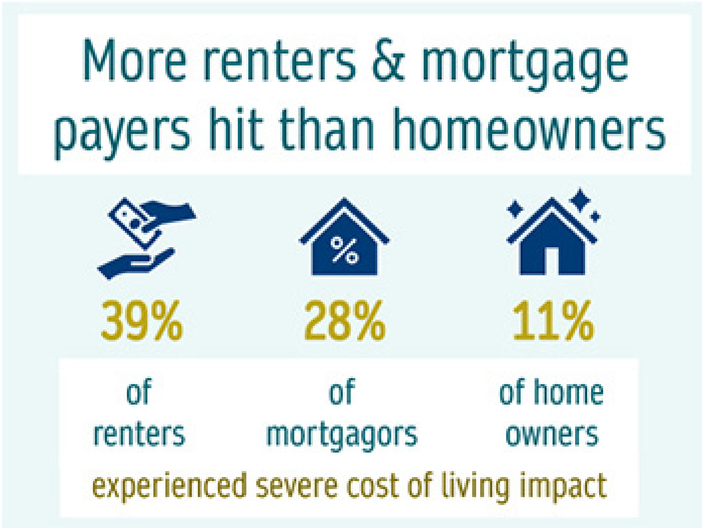

Fig 1: Percentage of households experiencing severe cost-of-living impacts by housing type[iv]

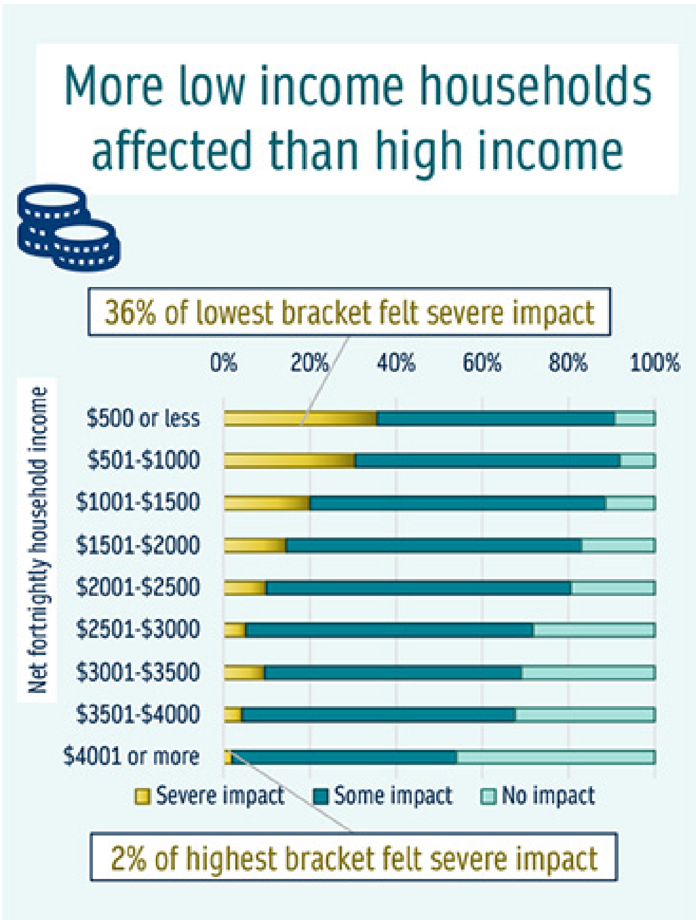

Fig 2: Impact of cost-of-living pressures on households by household income[v]

Recommendation 2:

Create a Pensioner Concession Card+ to target additional concessions and supports to pensioners with limited means.

Overview

- Commonwealth Concession Cards are used to provide access to subsidised services and concessions by all levels of government.
- All pensioners, regardless of their means, are eligible for the same concessions via the Pensioner Concession Card (PCC):
  - For example, a homeowning couple can have up to $1 million ($1,003,000) in assets (not including the principal place of residence) and receive the same concessions associated with a PCC as a couple with no assets and no home.
- There is no simple way to target additional concessions to those most in need.

WHAT ARE WE CALLING FOR?

- PCC+ holders would receive all existing PCC benefits but could receive additional concessions, e.g., higher concession rates on energy, council rates, medicines, etc.
- The Commonwealth would use existing customer data to assess PCC+ eligibility.
  - A person's income and assets (adjusted for housing wealth) are already used to determine the amount of Age Pension they receive and could be used to determine eligibility for a PCC+ based on appropriate criteria.

Budget impact

- Initially, there would be limited cost to the Federal Government in terms of administration and promotion costs associated with the new PCC+ card.
- The main cost would be associated with funding any new concession/s.
- However, because these will be targeted, the cost will be small, yet the impact significant. For example, if 20% of pensioners (500,000) were assessed as living in poverty and eligible for the PCC+, the Federal Government could use it to administer a targeted Seniors Dental Benefits Scheme (SDBS) – see Recommendation 8. If a PCC+ holder was eligible for $500 per year for dental under the SDBS, this would cost $250million per year. In comparison, providing the SDBS to *all* pensioners would cost $1.25billion.[vi]

TAX AND TRANSFER SYSTEM

Recommendation 3:

Continue to freeze deeming rates while interest rates remain high and use this time to create a fair and transparent method for calculating deeming rates in the future.

Overview

- Deeming rates are used as part of the Age Pension income test; to determine eligibility for the Commonwealth Seniors Health Card and to determine co-contributions for aged care services.
- Since 2012, government has undermined confidence among retirees by failing to reduce deeming rates in line with previous methodology (prior to 2012 the upper threshold followed the RBA cash rate followed the RBA cash rate – see Figure 3 for details).
- While the Federal Government periodically reduced deeming rates after 2012, retirees viewed this only occurring as result of political pressure. There is no logical basis for the change in methodology in 2012, except to reduce budget outlays.
- Older people welcomed the commitment to freeze deeming rates until July 2025, but with the cash rate higher than the upper deeming rate, there is a risk that when the freeze ends, a return to the post-2012 methodology will mean:
    - Hundreds of thousands of pensioners will have their pensions cut
    - Some Commonwealth Seniors Health Card holders will lose this benefit
    - Aged care costs will increase for seniors subject to means testing.

WHAT ARE WE CALLING FOR?

- Continue to freeze deeming rates while interest rates remain high and use this time to create a fair and transparent method for calculating deeming rates in the future.
- The previous method (pre-2012), where the upper rate mirrored the RBA cash rate and the lower rate was a proportion of this, would be a fair approach. With the RBA cash rate high, any change to the deeming rate should be phased in incrementally when indexation of the Age Pension occurs in March and September.

Budget impact

- Returning the deeming rate to the pre-2012 methodology would result in a modest saving to government via a small reduction in pension payments and other benefits depending on the RBA cash rate at the time. Any savings to government should be reinvested into other measures that are targeted at those impacted.

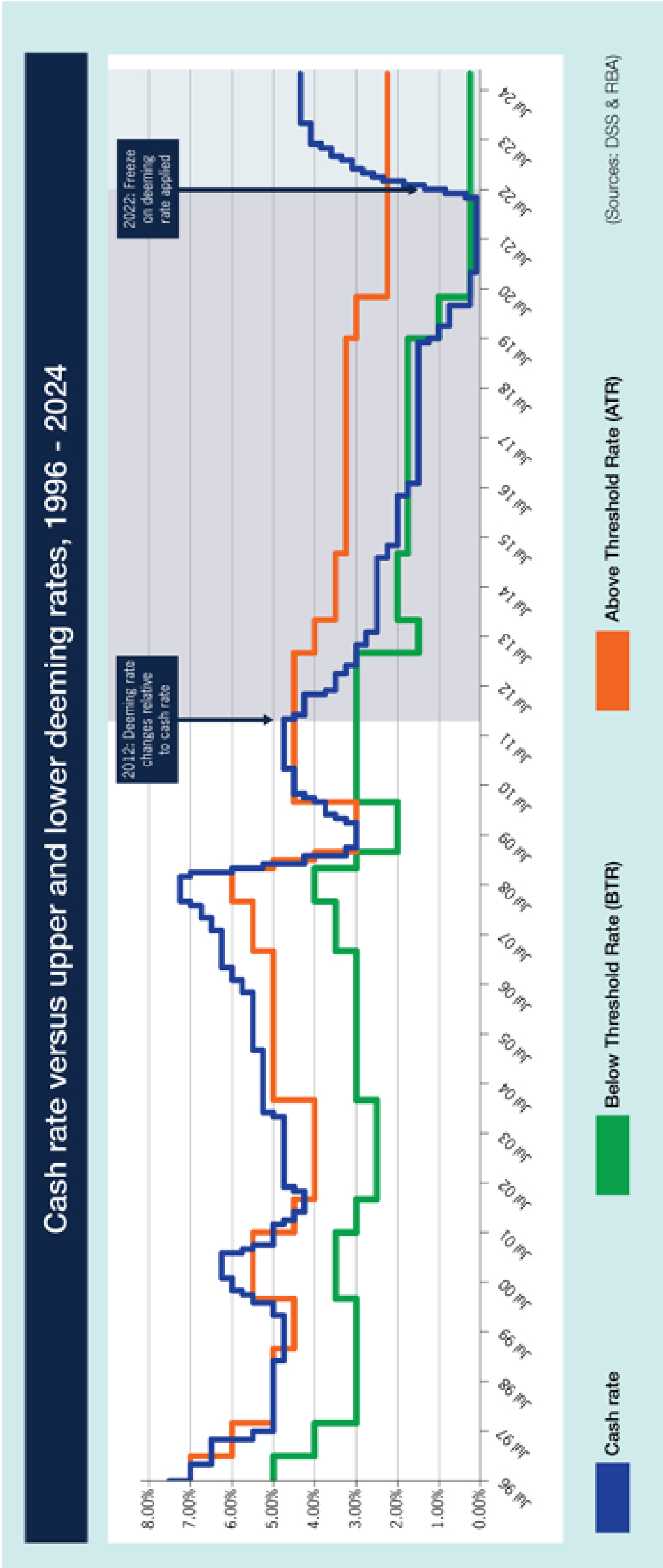

Fig 3: Deeming rates vs RBA cash rate (as at 31 October 2023).

Recommendation 4:

Exempt all employment income from the Age Pension income test.

Overview

- Latest ABS figures show 329,900 job vacancies.[vii] In some key sectors, such as healthcare and social assistance, job vacancies remain stubbornly high (60,900 or 18% of total vacancies).[viii]
- Current pension rules discourage older people from remaining in the workforce.
    - Only 3.3% of people on the Age Pension declare earnings from employment.
    - Age Pension recipients lose 50c in the dollar from their pension if they work more than the rules allow. This discourages some people from working past pension age, undermining the retention of mature and skilled workers at a time of high labour force demand.
- Age Pension rules are complex and confusing and cause many to not work or to work in the black economy to avoid impacting their pension.
- Deloitte Access Economics estimate a 5% increase in older worker participation (over 55) will result in a $47.9bn increase to GDP ($60bn in 2022).[x]
- With women generally having lower superannuation balances, allowing them to retain their pension, even when they work, will help to address the gaps in retirement savings and income, boosting financial wellbeing in retirement.
- While the Federal Government announced a permanent increase in the Work Bonus of $4,000 from 1 January 2024, this is a one-off bonus suited to periodic workers and not ideal for people who work regularly past pension age.

WHAT ARE WE CALLING FOR?

- Exempt employment income from the Age Pension income test to simplify the pension system and encourage more older people to remain in the workforce if they need and want to.

Budget Impact

- According to Deloitte modelling, this policy is estimated to be cost neutral if 8.3% of pensioners take up the opportunity to go back to work from additional income tax raised (this estimate does not include other tax gains, e.g., additional GST from spending, etc.).

HEALTH

Recommendation 5:

Increase the Medicare Rebate by 40% for General Practitioner (GP) consultations longer than 20 minutes to reduce out-of-pocket health costs.

Overview

- Almost 80% of older Australians (aged 65 and over) live with at least one chronic health condition, and approximately 28% are managing three or more.
- Arthritis is the most prevalent chronic condition among older people affecting 49% which translates to about 1.8 million individuals.
- Unfortunately, Medicare rebates for GP consultations have failed to keep up with the GP costs, increasing out-of-pocket costs for patients and decreasing the proportion of people who are bulk billed.
- From 1995 to 2022, Medicare Benefits Schedule (MBS) annual average indexation rate was 1.1% compared to Consumer Price Index (CPI) of 2.42.
- The average government cost when a patient visits an emergency department is $692, compared to $89.90 for 20 to 40 minutes with their GP for early diagnosis and preventative care. Investing in primary care interventions for people with chronic health conditions will provide benefits to the budget bottom line, while improving the health and wellbeing of older people.
- Improving Medicare rebates will also benefit people under the age of 65 who are still in the workforce making it easier to find a bulk-billing GP or reducing the out-of-pocket fee GPs charge.

WHAT ARE WE CALLING FOR?

- Medicare rebates for GP consultations longer than 20 minutes should be increased by 40% as recommended by the Royal Australian College of General Practitioners (RACGP). An additional increase should be applied to geographic areas outside major cities – Modified Monash Model (MMM) 3-7. This will help GPs to better support and manage chronic conditions for older Australians, especially those in regional, rural and remote areas.
- Monitoring should be undertaken to identify if any GPs are using the increase to the rebate to unfairly increase their fees.

Budget Impact

- RACGP estimate this will save patients $215.7 million per annum.[xi]

Recommendation 6:

Direct the Productivity Commission to conduct a full review of the private health system to suppress rising health costs and their impact on inflation.

Overview

- In 2018, Federal Labor's policy in Opposition was for the Productivity Commission to conduct a full review of the private health care system.
- The Productivity Commission (through its precursor, The Industry Commission) last undertook a full review of private health insurance in 1998.[xii] Despite several subsequent government and industry reviews and processes, including the ACCC PHI Ombudsman and the PH Ministerial Advisory Committee (2016 – 2018), private health insurance holders continue to face a never-ending cycle of premium increases, product limitations and soaring out-of-pocket costs.
- The rising cost of hospital admissions, technologies and specialist fees are pushing up premiums for patients and contributing to overall inflationary pressures in the economy.
- It is time for government to undertake a systemic review with the view to redesign the private health care system with fit-for-purpose policy settings.

WHAT ARE WE CALLING FOR?

- A reference to the Productivity Commission to undertake an in-depth inquiry into the private health care system with a particular focus on the:
  - Growth of private health insurance premiums and out-of-pocket expenses
  - Value and scope of product offerings covered by private health insurance
  - Reforms needed to minimise premiums and out-of-pocket costs
  - Reforms needed to suppress price inflation in the private health care sector.

Budget Impact

- In 2022-23, the Productivity Commission completed seven inquiries and other government commissioned projects. The cost of these inquiries and projects ranged from $1.3 – $5.3 million.[xiii]
- As we are recommending a full and comprehensive inquiry, into what is a complex system, it is likely the cost to government would be towards the upper end of previous inquiry costs.

Recommendation 7:

Increase the value of the Private Health Insurance (PHI) Rebate for people on low incomes.

Overview

- People on lower incomes have the most marginal attachment among seniors to PHI due to cost pressures and capacity to pay.
- National Seniors research shows some older people are stretching to their financial limits to hold on to PHI.[xiv]
- They maintain PHI to avoid public hospital waiting times for procedures commonly required by older people and so they can choose their own doctors.[xv, xvi]
- Downgrading or relinquishing PHI are ways some older people reduce expenditure and manage financially in later life, however this is undesirable as it increases pressure on the public health system.
- The indexation freeze on PHI rebate income thresholds and the ongoing reduction in the rebate via the Rebate Adjustment Factor over the past 10 years has eroded the level of government financial support for PHI.

WHAT ARE WE CALLING FOR?

- Increase the PHI Rebate for people on low incomes, including older people, to ensure those most likely to vacate PHI are maintained within in the system and to boost membership among those most likely to take it up.
- Ensure the formulas used to calculate the rebate for people on lower incomes, supports maintenance of PHI cover into the future.

Budget Impact

- The budget impact of increasing and indexing PHI Rebates for people on low incomes will depend on the level the PHI Rebate is set for specific income groups.
- Expert modelling and advice should be sought to calibrate the PHI Rebate amount for lower-income groups to:
  - Maximise the positive impact on those under the most intense cost-of-living pressure
  - Maximise the return on investment for government
  - Reduce the cost to the public health system.

Recommendation 8:

Create a targeted Seniors Dental Benefits Scheme to provide seniors with assistance to meet dental costs.

Overview

- Older people are more likely to have poor oral health[xvii], especially those with low socioeconomic status and those living in residential aged care settings[xviii].
- Older people who cannot afford private dental care must rely on public dental services, which can involve being placed on lengthy wait lists.
- As people get older and increasingly frail, the ability to adhere to good oral health practices can decline dramatically.
- According to the final report of the Royal Commission into Aged Care Quality and Safety, poor oral health has many adverse consequences and interrelations[xix]:
  It can:
  - Affect a person's ability to speak, eat and socialise
  - Contribute to social isolation, functional impairment, pain and discomfort, ill health and even death
  - Contribute to health conditions, and is linked with other chronic conditions, such as diabetes, respiratory diseases and cerebrovascular diseases.

WHAT ARE WE CALLING FOR?

- Establish a Seniors Dental Benefit Scheme to provide $500 per year towards interventions to improve oral health outcomes among older people based on the existing Child Dental Benefit Scheme (CDBS).
- Initially, the scheme should be targeted to older people with limited means, including aged care residents, before expanding to other groups.

Budget Impact

- If eligibility was restricted to a subset of pensioners on low means using the proposed PCC+ and approx. 500,000 pensioners were eligible for the new card, the cost to government would be only $250 million per year[xx].
- If eligibility was expanded to all Pensioner Concession Card holders, the annual cost would be $1.25 billion per year.
- If eligibility was provided to all Age Pension Pensioner Concession Card holders and Commonwealth Seniors Card holders (as recommended by the Aged Care Royal Commission), the cost to government would total $1.54 billion per year.

HOUSING

Recommendation 9:

Create targeted incentives to encourage retail investment in affordable housing for older Australians.

Overview

- Housing Australia estimate the housing supply gap will reach 197,847 dwellings by 2027.[xxi]
- Home ownership rates are declining among people nearing retirement.
  - Since 1996, home ownership rates for the 50–54 age group decreased by eight percentage points (80% to 72%).[xxii]
- A recent report from the Australian Housing and Urban Research Institute (AHURI) argues Australia must prepare for a two-tenure future, which creates a rental market providing good quality, long-term housing, particularly for "lower-income, older renters with limited superannuation".[xxiii]
- Unfortunately, investment and incentives for retail investment in affordable housing suitable for older Australians, is limited:
  - Affordable housing, managed by a Community Housing Provider (CHP), attract a 10% additional discount on capital gains tax (CGT) but it is unclear if this is spurring individual investors to invest in affordable housing projects.
- Investors offering a dwelling as affordable housing via a CHP can benefit from tax deduction via the Deductible Gift Recipient (DGR) status of the CHP.
- It is unclear how many investors are participating and benefiting from these incentives and how many homes are being supplied through these incentives. Neither of these schemes provide a direct incentive to build new housing stock, which is critical to solving the housing crisis.
- Safe and simple investment options combined with targeted incentives could help increase investment in affordable housing for seniors, e.g., 16% of SMSF's $932.9 billion in assets are in cash and term deposits (March 2024).

WHAT ARE WE CALLING FOR?

Opportunities exist to leverage individuals to invest in affordable housing for older renters:

- Increase the current 10% additional CGT discount to 20% for investment in affordable housing when it applies to a newly built property.
- Exempt up to $250,000 from the superannuation Transfer Balance Cap when used to fund construction of newly built housing offered as affordable housing via a CHP.
- A modified version of the existing National Rental Affordability Scheme (NRAS) could be considered as a means to encourage investors to build new housing stock for use as affordable housing.
- Look into ways to encourage investors to invest in new Build to Rent projects offering stable long-term leasehold arrangements for older people.

Budget Impact

- Budget impact will depend on the type of concession or incentive offered. We recommend that Treasury undertake detailed analysis of the above policy options to ascertain which would provide greatest impact.

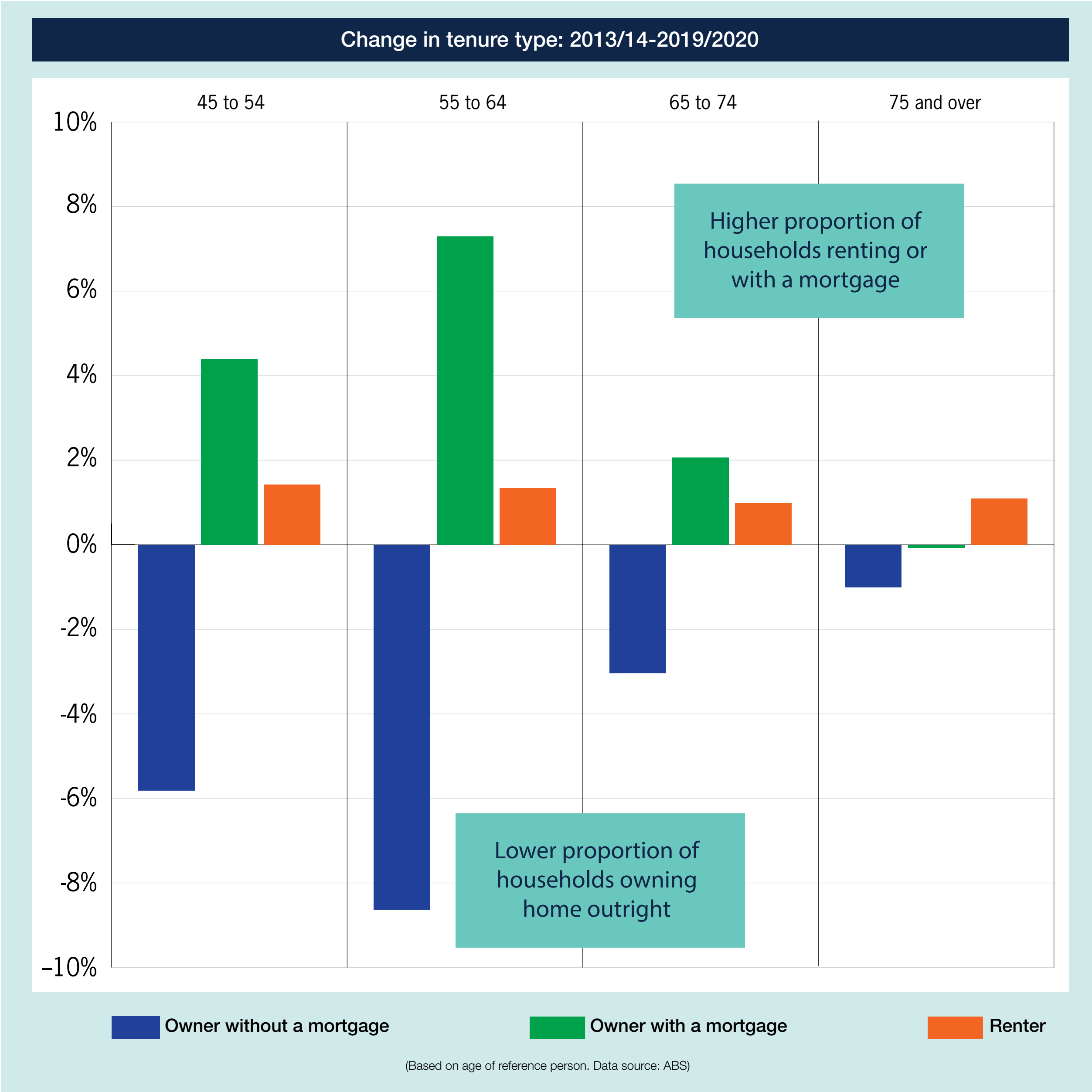

Fig 4: Change in relative proportion of households with a specific tenure type 2013-14 to 2019-20.

Recommendation 10:

Remove disincentives for older people to rent out rooms in their home, including negative impacts on pension entitlements and liabilities for Capital Gains Tax (CGT).

Overview

- Research shows a growing trend for older people to share housing.[xxiv] Sometimes this will take place in the home owned by an older person(s) and sometimes in a fully rented property.
- Older people report home sharing arrangements fulfill several needs. These include addressing loneliness, feeling safer, stronger social connections, and affordability. These benefits are relevant to both the older homeowner and older renter.
- House sharing is a relatively new phenomenon among older people and for older homeowners there are several barriers, including financial disincentives, a lack of information and concerns about risk.
- There is a need to address certain financial barriers that discourage older people from sharing their home – these include impacts on the pension and Capital Gains Tax (CGT) liabilities.
- There is also a need to ensure older people have the information they need to consider if this arrangement is right for them.

WHAT ARE WE CALLING FOR?

- Pensioners who own only a principal place of residence should be able to rent out a room in their home without affecting their pension. A limit could be placed on the amount that can be exempted.
- To support this change, government should create an education program to ensure older people make informed decisions. This should:
  - Outline the potential risks and benefits of house sharing
  - Inform homeowners of their rights and responsibilities as landlords.
- Government should also investigate the feasibility of exempting the principal place of residence from CGT liabilities when renting a room/s to a tenant.

Budget Impact

- There is likely to be limited budget impact from offering an income test exemption as the rate at which older people share housing is very low.
  - Only 1.3% of all households, where the reference person was aged 65-74, were classed as non-family group households.
  - In comparison, 36.4% of all households, where the reference person was aged 65 to 74 were lone person households.
- The cost of a CGT exemption needs to be investigated by Treasury if this is to be considered.

Recommendation 11:

Exempt excess sale proceeds from the Age Pension means test for Home Care Package (HCP) recipients over 80, to support downsizing into age friendly homes.

Overview

- The housing needs of people change as they age. Data suggests that 45% of households receiving a pension or government allowance had two or more bedrooms spare, some of which may be surplus to need.[xxv]
- Housing, which once might have been suitable, can become difficult to maintain and unsafe, due to changes to capacity and mobility.
- NSA surveys suggest as much as a third of older people are open to the idea of moving - 50% of respondents want housing that meets ageing needs, 43% want a smaller property and 40% are seeking lifestyle improvements[xxvi].
- However, our research also shows the cost of moving and impacts on pension entitlements create barriers to moving to age-appropriate housing in later life.

WHAT ARE WE CALLING FOR?

- Excess proceeds from the sale of the family home (up to a cap) should be exempt from the Age Pension means test.
- The policy would be restricted to ensure it was targeted to those most in need. Eligible recipients should:
  - Be assessed as requiring a Home Care Package;
  - Be aged 80 or older
  - Have maintained their home as principle place of residence since reaching superannuation preservation age.
- The policy could require funds be placed into superannuation to boost private income.

Budget Impact

- The budget impact of this measure would be limited because many older people (80+) do not consider downsizing in later life and often continue living in their homes until they require residential aged care or pass away. People in this situation would receive the same level of pension if they were granted an exemption, which means there would be no cost for Treasury.
- Targeting the exemption will minimise impacts of people gaming the system to receive a benefit.

Recommendation 12:

Increase the maximum rate of Commonwealth Rent Assistance (CRA) and tie indexation to changes in rental prices rather than overall Consumer Price Index (CPI).

Overview

- The rental crisis in Australia is worsening as rental prices and competition for housing increase.
  - Over the two years to September 2024, rents increased approx. 15% compared to roughly 8% for overall CPI.[xxvii]
  - The proportion of the population who are renters is increasing steadily over time (rising from 27% in 1999 to 31% in 2019[xxviii]) with a rising proportion of older people now reliant on the rental market for housing.
- While two one-off increases to Commonwealth Rent Assistance (CRA) occurred in 2023 (15%) and 2024 (10%), this is not enough and will eventually disappear if regular indexation continues to be attached to general CPI and not to the rent component of CPI specifically.
- Increasing CRA again and indexing this to the rent component of CPI are simple and effective ways to address the housing problem facing older (and younger) renters into the future.

WHAT ARE WE CALLING FOR?

- The Federal Government should increase the maximum CRA payment by a further 5% and index future increases to the rent component of CPI (not overall CPI) in recognition that housing costs have increased far in advance of average inflation.
- To be more accurate, indexation of CRA should account for geographical inconsistencies by providing a differentiated maximum rate for different rental markets – this would be subject to more detailed data collection and reporting of rental CPI from the Australian Bureau of Statistics.

Budget Impact

- The cost of providing a further one-off 5% increase in CRA would be approx. $900 million over forward estimates.
- The budget impact of tying indexation to the rent component of CPI would vary depending on the trajectory of rental costs.
- Applying indexation to rent provides an incentive for government to address rent pricing because it creates budget implications from inaction. If rental costs were to fall relative to CPI, this would reduce budget outlay for CRA.

AGED CARE

Recommendation 13:

Immediately increase the number of Home Care Packages to quickly reduce wait times to three months.

Overview

- The Royal Commission into Aged Care Quality and Safety recommended the Home Care Package (HCP) wait list be cleared by immediately increasing the number of packages available and keeping it clear by allocating packages within one month of assessment.
- After making significant progress, the situation has gone backwards as people wait months for help – wait times for Level 4 medium priority packages are now up 12-15 months.
- Only 2,272 packages a quarter have been released on average since June 2023, compared to 10,171 a quarter between July 2022 and June 2023. This has contributed to a significant increase in HCP wait list. 76,000 people were on the wait list at the end of September 2024 – up from only 28,665 in June 2023.
- Government shouldn't wait for funding reform to release more packages.

WHAT ARE WE CALLING FOR?

- An immediate increase in the number of home care packages to reduce the number of people on the wait list to approx. 25,000 people by 1 January 2026 (at current levels this will require approx. 50,000 additional packages to be released).
- We acknowledge that even with these additional packages, wait times for home care services will be impacted by staffing issues. However, it is important to first address the wait list as a first step as this will send a signal to providers to increase capacity.

Budget Impact

- The cost of providing additional packages will be large. Based on the cost of providing 24,100 packages in the 2024 budget ($531.4 million) the cost of 50,000 additional packages will be above $1 billion. However, this will be a temporary budget outlay until changes to user pay from 1 July 2025 reduce overall spending.

BANKING

Recommendation 14:

Use the proposed bank levy to assist Australia Post to obtain an authorised deposit-taking institution (ADI) licence to provide essential banking services in areas where these do not exist.

Overview

- Face-to-face banking is an essential part of the banking system. However, bank closures, especially in regional and rural areas, are making the provision of face-to-face banking and cash difficult.
- The shift to online banking and the exit of banks from alternatives, will have the greatest impact on those who are digitally illiterate, vulnerable or simply need face-to-face support for complex banking issues (e.g., deceased estates).
- The wider shift to digital transactions for a range of products and services makes the provision of face-to-face banking difficult for banking institutions.
- In other sectors of the economy, there are provisions in place for the retention of infrastructure to support vulnerable cohorts. For example, in the telecommunications sector, a levy has been used to deliver infrastructure, such as fixed lines and payphones, in the transition to mobile technology.
- Banking services are increasingly being supported via third parties. Around 1,150 post offices are providing the only banking services in rural towns after banks closed 800 branches in regional Australia since 2017.[xxix] Bank@Post is available in 3,500 post offices, on behalf of 81 banks and ADIs, and is managing $10 billion in deposits and withdrawals each year[xxx]. However, the services provided are limited and the financial viability of this model is questionable. According to the Senate Inquiry into Banking Closures in Regional Australia:

> ***"While the Bank@Post service has been largely useful for basic, small transactions it is not an adequate substitute for full bank branches."***

WHAT ARE WE CALLING FOR?

- The Federal Government to use its proposed banking levy to support Australia Post to obtain an authorised deposit-taking institution (ADI) licence to provide banking services. Australia Post will be able to leverage its existing branch network (one of the largest retail footprints in Australia) to provide face-to-face banking services and access to cash in regional, rural and remote areas of Australia.

Budget impact

- The proposed levy would mean limited cost to Federal Budget.
- As Australia Post is government owned, any innovations that improve its financial viability will benefit the Federal Budget.

INTERGENERATIONAL

Recommendation 15:

Increase Age Pension gifting limits to support older people who give to charity and higher limits for gifts used of first home deposits and the retirement of Higher Education Loan Program (HELP) debt.

Overview

- As NSA research shows, older people want to contribute to society and are concerned about future generations[xxxi].
- With persistent fears about cost-of-living[xxxii] and retirement income, older people may be more conservative with their money and less inclined to give if this has a negative impact on their income and financial wellbeing.
- Older people do make significant contributions to charity (the 75+ age group had the highest donations of any age group[xxxiii]). Yet, while charity laws provide a tax deduction for people to donate, this provides an incentive only to people who pay tax. Older people with superannuation may not respond to tax deductions.
- Support from the 'bank of mum and dad' for younger people is growing and appears to be extending further into older age groups.[xxxiv] However, Age Pension gifting rules may restrict this behaviour. When a part-pensioner gives money beyond the $10,000 gifting limit, they lose access to wealth to support their own consumption, meaning they will be financially worse off. This could restrict gifting.
- The gifting limit of $10,000, set in July 2002, has not changed in more than 20 years despite strong inflation. For example, housing prices have risen on average 8.6% per annum from 2002 to 2020[xxxv] and inflation has increased on average by 2.6% per annum, yet gifting limits haven't. This means the amount of money an individual can legitimately give to charity has decreased in real terms.

WHAT ARE WE CALLING FOR?

- Increase Age Pension gifting limits in line with inflation (and index annually to maintain the real value of gifting). Based on average inflation of 2.6%, the overall gifting limit for a single pensioner should be at least $17,500. Based on the difference in the assets test for singles and couples, the gifting limit for a couple should be $26,500 per year.
- A higher gifting limit for gifts used of first home deposits and the retirement of Higher Education Loan Program (HELP) debt of $30,000 should be considered as this will ensure younger people will have adequate deposits to avoid Mortgage Lender Insurance (MLS) and to reduce the debt burden HELP places on the Federal Budget
- Government should also fund an ongoing campaign to explain gifting limits and how part-pensioners can give to charity and younger generations.

Budget impact

- Part-pensioners gifting beyond the $10,000 limit would receive a higher pension payment if the gifting limit was increased in line with inflation because the additional amount will not count towards the pension means test. However, this only impacts the budget where people were already intending to gift above the limit.

Recommendation 16:

Ensure a Cabinet minister has responsibility as the Minister for Ageing and Population Ageing.

Overview

- According to the 2023 Intergenerational Report, population ageing is one of five key forces shaping the Australian economy in the coming decades.[xxxvi]
  - In the next 40 years, the number of Australians aged 65 and over will more than double and the number aged 85 and over will more than triple, impacting on spending.
  - 40% of the projected increase in Australian Government expenditure from 2022–23 to 2062–63 is estimated to be due to demographic ageing.
  - Australian Government health spending is projected to grow from 4.2 per cent of GDP in 2022–23 to 6.2 per cent of GDP in 2062–63.
  - The number of people aged 80 and over is expected to triple to more than 3.5 million people by 2062–63. This age group is the major user of health and aged care services which are two of five fastest growing payment areas in the budget.
  - Overall workforce participation is expected to decline (from 66.6% to 63.8%). Yet, at the same time, the workforce in sectors associated with care and support will need to double by 2049–50, in large part due to population ageing.
  - Superannuation will play a greater role in supporting retirement income in the future with the proportion of people receiving no pension increasing to about 40% by 2062-63, increasing economic self-reliance.
  - Total superannuation balances will double to reach approx. 220% of GDP by 2062-63 ensuring that older Australians have significant impact on the economy.

WHAT ARE WE CALLING FOR?

- Federal Government to appoint a suitable Cabinet minister with responsibility as the Minister for Ageing and Population Ageing. The minister should have a focus on addressing the challenges associated with population ageing, be a member of the expenditure review committee and be focused on policy responses that support people as they age. The minister will have responsibility for the Intergenerational Report and monitoring the successful implementation of policy responses from the report.

Budget impact

- The minister will have dedicated staff responsible for undertaking substantive work supporting various deliverables related to ageing and population ageing, including convening relevant Interdepartmental Committees (IDC) with officials from representative agencies.

ENDNOTES

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iii. https://nationalseniors.com.au/research/research-2024/older-people-s-financial-wellbeing-and-preferences

iv. https://nationalseniors.com.au/uploads/Cost-of-living-snapshot-2-March-2023-Final.pdf

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vi. *Note: By targeting a higher payment at a smaller group, government could consider providing other pensioners with a small payment. E.g., $500 per year to PCC+ would cost $250m; $150 per year to remaining PCC holders would cost $300m; Total cost would be $450m compared to $1.25b per year if $500 was provided to all PCC holders.*

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xvi. https://nationalseniors.com.au/research/health-and-aged-care/a-carrot-and-a-big-stick

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xviii. https://www.aihw.gov.au/reports/den/231/oral-health-and-dental-care-in-australia/contents/summary

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xx. *Note: By targeting a higher payment at a smaller group, government could consider providing other pensioners with a small payment.*

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xxix. https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/BankClosures/Report/Chapter_2_-_An_essential_serviceaccess_to_financial_services_and_cash#Heading1193

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