SUBMISSION ON

PRIORITIES FOR THE FEDERAL BUDGET 2014-15

Prepared by
COTA National Policy Office

January 2014
COTA Australia

COTA Australia is the national policy vehicle of the eight State and Territory Councils on the Ageing (COTA) in NSW, Queensland, Tasmania, South Australia, Victoria, Western Australia, ACT and the Northern Territory.

COTA Australia has a focus on national policy issues from the perspective of older people as citizens and consumers and it seeks to promote, improve and protect the circumstances and wellbeing of older people in Australia. This submission incorporates the views of our members developed through various consultation mechanisms and agreed by the National Policy Council.

Authorised and co-authored by:
Ian Yates AM Chief Executive
iyates@cota.org.au
0418 835 439

Prepared and co-authored by:
Jo Root
National Policy Manager
COTA Australia
jroot@cota.org.au
02 6282 3436

GPO Box 1583
Adelaide SA 5001
08 8232 0422

www.cota.org.au
CONTENTS

Executive Summary .................................................................4
Introduction ..............................................................................5
Ageing ......................................................................................5
  Recommendation 1 ...............................................................5
Health .......................................................................................5
  Recommendations 2-3 ..........................................................6
Aged Support and Care .............................................................7
  Recommendations 4-6 .............................................................8
Workforce Participation ............................................................9
  Recommendations 7-9 .............................................................9
Housing and Homelessness .....................................................10
  Recommendations 10-12 ......................................................11
Income Support .........................................................................11
  Recommendations 13-14 ......................................................11
EXECUTIVE SUMMARY

COTA is urging the Government to use this Budget to lay firm foundations for dealing with the ageing of the population in the coming years. To do this we have recommended the development of a whole-of-government action plan on ageing that would set the policy framework for future actions (Recommendation 1).

We are also recommending actions across five key areas:

1. Health
2. Aged Support and care
3. Workforce Participation
4. Housing and Homelessness
5. Income Support

Health
Access to good quality health services is a priority. We are calling for a systematic review of Medicare to ensure this is a reality and for no increase in out of pocket expenses for health services (Recommendations 2 and 3).

Aged Support and Care
The current aged care reform agenda includes strategies to support increased demand and a range of initiatives designed to improve service delivery. This must continue and be enhanced. We are calling for reorientation of the service system to one which is consumer directed and takes a restorative approach to service design and delivery. (Recommendations 4-6).

Workforce participation
Increasing workforce participation of older people would contribute to improved productivity in the economy and the wellbeing of individuals. COTA is asking for action to remove remaining age limits on superannuation, assistance for small and medium sized enterprises to employ more mature age workers and raising the superannuation preservation age to 62 (Recommendations 7-9).

Housing and Homelessness
The shortage of affordable housing is affecting older people, particularly those in the private rental market. COTA is calling for an immediate increase in Commonwealth Rent Assistance and long term investment in social housing. We are also calling for continued Commonwealth funding to address the needs of people who are homeless (Recommendations 10-12).

Income Support
The gap between pensions and allowances has widened too far, particularly for single people. Single people who rely on allowances are living in poverty. COTA is calling for an immediate increase of $50 per week for single people on allowances and improved indexation of allowances (Recommendations 13 and 14).
**INTRODUCTION**

Australia’s population is ageing and this trend will accelerate as the baby boomers move into older age. In 2011 there were 3 million people over the age of 65, making up around 14 per cent of the population; this figure will rise to over 8 million in 2050 or 25 per cent of the population. This will have significant budgetary implications, for revenue and expenditure.

We understand the budgetary constraints the Government is facing and its desire to bring the Budget back to surplus. COTA made a submission into the National Commission of Audit and the recommendations in this submission echo those we made to the Commission.

The Government has commenced a number of reviews in key areas of particular interest to older people including the tax system, financial services, regulation of superannuation, Medicare Locals, mental health services and electronic health records. COTA will be looking for opportunities to have input into those reviews. We believe it is important that they are completed and their findings used to inform future policy initiatives.

**AGEING**

In our submission to the National Commission of Audit we stressed the need to put in place policy settings that encourage the full participation of older people as workers, carers, volunteers, investors and consumers.

There have been a number of reports in the last few months, including one by the Productivity Commission, that purport to propose solutions to the alleged crises that demographic change will create for public finances. COTA believes that these reports tend to respond to population ageing in a piecemeal fashion and fail to identify or understand the need for an integrated set of policies to address both the opportunities and challenges of demographic change.

COTA believes that an overarching national action plan is needed to deliver on a long term vision for ageing in Australia. This needs to be a whole of government plan that looks at all aspects of people’s lives including employment, health, income support, aged care, housing, education and training. Most states and territories have some form of such a plan and it would be most advantageous to have a national plan so that there is a coherent and coordinated approach.

The action plan would identify priorities and, most importantly, address sequencing issues so that the policies build on each other and lead to long term benefits for individuals and the economy as a whole. An important first step would be the release of the next Intergenerational Report (IGR), which is now due, with the Budget in May 2014. This would help ensure the policy debate is based on the most up to date information.

**Recommendation 1**

*The Government publish an updated Intergenerational Report and then develop a long term whole of government ageing strategy to inform future policy development. This plan should be completed by the end of 2014.*
HEALTH

Access to affordable and quality health care is consistently identified as a priority issue for older Australians. This includes access to primary health care, hospital based services, medications, information and activities that help people age well.

Older people clearly value Medicare and want to see the continuation of a universal health system that ensures equity of access to health care regardless of means. There is a growing perception that the universality of Medicare has been diluted and access to health services is dependent on income and geographic location.

It is clear that health costs are rising with forecasts showing that health will rise from 9 per of GDP to 12 per cent in 20 years if the current policy settings are not changed, raising concerns about the sustainability of Medicare.

There is growing acceptance that there need to be changes to the way health is funded and delivered to ensure that the community is getting benefit from the increased spending and that the benefits are distributed appropriately.

The current fee for service model does not deliver good health outcomes for people with complex and chronic conditions. There is a need to move to a more performance based funding arrangement that pays for health outcomes for consumers and improves the capacity of health professionals to work with their patient to manage their conditions. A comprehensive review of Medicare would facilitate discussion of how to achieve this.

Recommendation 2

The Government commission a full independent review of Medicare to look at how it can be remodeled to improve access to health care. This would include looking at out of pocket costs for health and how to minimize them.

One suggestion which has been getting some attention in the context of the work of Commission of Audit is the introduction of a co-payment on GP visits to try to reduce demand for Medicare services.

Out of pocket expenses for medical services have risen significantly with nearly 20 per cent of health costs now coming from individuals’ own resources and this does not include private health insurance premiums or taxes. This means that all Australians pay more than $1000 per year out of their own pockets to access health care. For people with children or those with multiple and chronic conditions the amount paid could be considerably more.

We are already seeing 1 in 10 people putting off going to a GP because they cannot afford it. A new co-payment would increase that number and could lead to higher costs downstream as a result of people not seeking treatment early enough.

COTA joins many other groups in opposing this proposal as inequitable as it disproportionately impacts on poor people and leads to deferral of necessary as well as unnecessary treatments. Much of the evidence suggests that it increases costs downstream as people delay seeking treatment and then require more extensive and expensive interventions as their medical
condition has progressed.

**Recommendation 3**

*The Government not introduce any budget initiative that seeks to increase co-payments for health services.*

**AGED SUPPORT AND CARE**

As our population ages there will be increased demand for aged support and care services. The Government’s reform agenda includes strategies to support increased demand and a range of initiatives designed to improve service delivery. It is imperative that Government maintain and honour its commitment to this reform agenda.

However, as identified in the Government’s *Healthy Living Better Ageing* policy more needs to be done to ensure the aged care system provides quality services to older Australians and is sustainable in the long term.

Ultimately COTA believes the current rationed system needs to be replaced by a model which provides a level of Government resources to an older person to support them to live as independently as possible. Giving the resources to the older person enables them to continue to manage their own life and tailor services to meet their specific and individual requirements which will change over time. This will require the aged care service system to shift from its current welfare entitlement model to one which operates from a market basis, driven by the needs and expectations of our ageing population.

The current reform agenda provides an opportunity to lay the foundations for this shift as well as to provide more immediate improvements to people’s access to, and experience of, aged care services. This can be done in a way which will more effectively manage and control public expenditure. Action required includes:

1. Development and implementation of a process and system which accurately assesses older people for aged care services;
2. Provision of information which assists older people in making decisions about the most appropriate services to support them to live as independently as possible;
3. Service delivery that mirrors and supports the ageing process which is more frequently a series of ups and downs rather than a linear progression of decline and loss of function; and
4. Initiatives to attract and retain an appropriately skilled aged care workforce so that older people can get the services and support they need.

In practical terms this requires a greater level of investment in the *My Aged Care* Gateway (the Gateway) to enable it to deliver an information and assessment service as originally conceived by the Productivity Commissions *Caring for Older Australians* report.

The Gateway should provide wide ranging information to older people and their families as well as undertaking eligibility assessments. It should be able to contract out to relevantly qualified locally based organisations to undertake face to face wellness based comprehensive assessments which result in the provision of short and long term services based on the needs of
the person at the point of time the assessment occurs. Many older people are assessed at a
time of crisis, including when they are hospitalised, and this often results in locking in higher
levels of ongoing service delivery than is required in the longer term. In a worst case scenario
people enter residential aged care when they could be supported to return to their own home
which is what the majority of older people prefer.

Research has proven that short term restorative service provision is beneficial to the older
person and means that people need no, or less, services for up to 5 years with an estimated
$12,500 per person reduction in service delivery expenditure\(^1\).

A consumer directed and restorative care model requires significant cultural change for service
providers and staff. Workforce initiatives that equip aged care staff to operate and deliver
services in this way must be developed and funded to support successful implementation. This
would be in addition to initiatives which attract new and retain existing staff (including higher
wages and improved career pathways). The $1.1b previously allocated to the workforce
supplement could be redirected to such initiatives.

**Recommendation 4**

*The Government maintains and honours its policy and financial commitments to aged care
reform.*

**Recommendation 5**

*The Government invests in establishing and enhancing the Gateway as the key entry,
information and assessment point for aged care services.*

**Recommendation 6**

*The aged care system be reoriented to be consumer directed and adopt a restorative
approach to service design and delivery. The $1.1b workforce supplement funding should be
used to support workforce initiatives that will support staff to operated in this reoriented
system as well as to attract and retain staff to ensure services are able to be provided.*

**WORKFORCE PARTICIPATION**

Australia has relatively low levels of workforce participation of older people compared with
many OECD countries. Over the last decade there has been a significant increase in the number
of older people working. In 2012, 63 per cent of men and 44 per cent of women 60-64, and 34
per cent of men and 20 per cent of women 65-69 were in the workforce. However, there is still
room for improvement and increasing workforce participation of this group remains a public
policy priority.

Individuals should be able to choose when to leave the workforce and they should have access
to a range of employment opportunities. In addition, work gives people access to higher
incomes, both during their working life and in retirement. The economy benefits because there

\(^1\) Lewin, Alfonso and Alan *Evidence for the long term cost effectiveness of home care reablement programs* Clinical
Interventions in Aging 2013 8 1273 - 1281
is less reliance on the Age Pension and other Government funded income support, the Government’s revenue base is increased and a valuable source of skills and experience is not unnecessarily lost to the economy.

Older Australians have indicated that they would like to work longer and better prepare for their future. Increasing workforce participation by older Australians is critical for both individuals and the economy as a whole.

The previous Government abolished the upper age limit for compulsory superannuation contributions which has been identified as key barrier to continuing workforce participation. However, the age limits on personal contributions still exist and this is an area that needs to be addressed.

**Recommendation 7**

*The Government abolishes the upper age limits on personal contributions to superannuation.*

There have also been other initiatives included in the Experience Plus package to provide wage subsidies for mature age jobseekers, additional mentoring and training and some intensive support for longer term mature age unemployed. The Government’s proposed Senior Employment Incentive Program (SEIP) which gives employers up to $3,250 for employing an older worker should also make a difference. However, the international evidence shows that wage subsidies on their own are not enough and so we are suggesting some other measures which should sit alongside SEIP.

In addition, there is a growing awareness that the labour market is changing and employers face skill shortages if they do not embrace the mature age workforce. Many larger companies have already implemented measures to retain older workers or actively recruit older people by offering flexibility, reskilling and other incentives. The small and medium sized enterprises have possibly been slower to adapt and many need some assistance to adapt their work practices and workplaces to accommodate older workers.

**Recommendation 8**

*The Government funds a consultancy service to provide support for small and medium sized enterprises to restructure their workplaces to allow them to have a more age diverse workforce.*

There has been much discussion about the potential savings to be achieved by raising the eligibility age for the pension from the 67 it will be in 2023 to 70 and even beyond. This is seen as way of increasing workforce participation of older people and reflecting the significant increases in longevity we have experienced in Australia.

The problem with this approach is that it ignores the significant barriers older people face to stay in the workforce, both attitudinal and legislative. The Australian Law Reform Commission’s report *Access All Ages* detailed the legislative barriers including upper age limits on personal superannuation contributions and much work has been done on the age discrimination at play in the Australian workforce. Clearly more needs to be done to remove this discrimination and make it possible for people to remain in the workforce before the age pension age can be increased.
Otherwise all we would be doing is consigning older people who lose their jobs to an extra period living on Newstart and sliding further into poverty.

However COTA believes that consideration should be given to increasing the age for accessing superannuation, which is moving to 60, and the age at which income from superannuation is tax free, currently 60. If these were more closely aligned to the age pension it would remove a disincentive to remain in the workforce for a number of older people. As a minimum they could increase as the age limit of age pension increases, keeping the current 5 year gap.

Recommendation 9
The Government links the preservation age and age for tax free superannuation incomes to the eligibility age for the Age pension, raising both to 62 years by 2023.

HOUSING AND HOMELESSNESS

Access to affordable and appropriate housing is a key issue for older people, influencing their wellbeing, their capacity to continue to contribute and their choices about support and care as they age. Housing is a key component of the cost of living for older people, particularly for those who do not own their own homes.

The private rental market is often the only option for older Australians as there is a critical shortage of public and social housing in Australia and while older people are still a significant proportion of current tenants they are not usually rated as a priority for new entry to social housing. Private rental prices are often beyond the capacity of people living on income support and housing stress is a cause of homelessness. The latest data on the use of specialist homelessness services show that 36 per cent of clients cite reasons relating to housing affordability as the reason for needing to use the service.²

Commonwealth Rent Assistance often means the difference between having or not having a home. However, it has not kept up with the increases in private rents, particularly in metropolitan areas, and does not reflect the geographical difference in rents that people face. Whilst we see long term solutions for increasing the supply of affordable housing as critical an increase in the CRA for the lowest income groups is an important measure as it would start to reduce the gap between the level of subsidy received by people in public housing and people in private rental who may have similar incomes and needs. COTA believes this is an important measure that would move some of the more disadvantaged people out of the risk of homelessness.

Recommendation 10
The Government increases the maximum rate of Commonwealth Rent Assistance by 30 per cent.

The longer term solution to housing affordability requires national action on the supply of housing. Social housing forms an essential part of the housing stock by providing low income

people and people who are homeless or at risk of homelessness with a pathway to secure long term accommodation. It is the long term tenure as well as the low rent which make it particularly valuable to older people so they do not have to move around, can maintain links to a community and feel confident about accessing services if they need them.

There needs to be renewed investment in social housing to increase the stock of housing for low income households. COTA supports the call from ACOSS and others for a dedicated Affordable Housing Growth Fund which could be financed by the use of a Housing Supply Bond to leverage private investment into affordable housing. This funding could only be used to expand the stock of affordable housing but be flexible enough to allow housing providers to provide mixed tenure developments.

**Recommendation 11**

*The Government establish an Affordable Housing Growth Fund of $750 million in the first year rising to $billion over 5 years.*

COTA is concerned about the increase in homelessness amongst older people, particularly older women, and the increase in older people suffering from housing stress. There was an increase of 14 per cent between 2011-12 and 2012-13 in the number of people over 55 seeking support from specialist services. This underestimates the number of people who are homeless or at risk of homelessness amongst older people who are reluctant to use specialist services, particularly when they are homeless for the first time.

COTA believes there is a role for the Commonwealth and urges the government to maintain its funding commitment at the current levels in real terms. This could be done without a national agreement although getting the States and Territories to commit to a matching effort would increase its effectiveness.

However the funding is organized, there need to be measures specifically targeted to older people as the current services are often not appropriate for them and they are not identified as a priority group.

**Recommendation 12**

*The Government provides funding for homelessness services at the current level and provide adequate indexation to maintain its value.*

**INCOME SUPPORT**

COTA helped to create and provides ongoing support to the Fair Go for Pensioners Coalition to push for reforms in the pension system. COTA was a participant in the Harmer Review of pensions and supported the increase in pensions and associated reforms introduced in 2009.

We believe it is now time to do the same for people of working age. COTA’s primary interest is in the needs of older people, many of whom are of pre-age pension age, seeking work and facing significant barriers to re-entering the labour market if they become unemployed. Most people over 50 years old on allowances are on Newstart and make up just over 25 per cent of the Newstart population.

---

The gap between Newstart Allowance and pensions is currently about $150 a week for a single person and that gap is widening all the time because of the differential indexation approaches. If the current indexation arrangements are maintained and there are no real increases in the allowance Newstart will only be worth half the pension in 20 years’ time. It is clear that measures need to be taken to ensure the gap does not get any wider. This could be addressed by changing the indexation from CPI to movements in full time wages.

**Recommendation 13**

*The Government increases Newstart allowance payments by $50 per week from March 2015.*

**Recommendation 14**

*From 2014 allowance payments are indexed every six months to movements in a standard Australian Bureau of Statistics measure of typical fulltime wage levels.*