SUBMISSION TO THE SENATE INQUIRY INTO THE ABBOTT BUDGET CUTS

Prepared by
COTA National Office

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COTA

COTA Australia is the peak national policy body of older Australians. Its members are the eight State and Territory COTAs (Councils on the Ageing) in NSW, Queensland, Tasmania, South Australia, Victoria, Western Australia, ACT and the Northern Territory. COTA Australia focuses on national policy issues from the perspective of older people as citizens and consumers and seeks to promote, improve and protect the circumstances and wellbeing of all older Australians, promote and protect their interests, and promote effective responses to their needs.

INTRODUCTION

COTA welcomes the opportunity to provide comment to the Senate Inquiry into the Abbott budget cuts. COTA understands that various groups are lobbying hard for changes to the budget and the final outcome of this activity is not yet known. Our comments are therefore focused on the situation at the time of writing.

COTA believes a review of budget cuts and their impact is valuable. However, the lack of consultation and the surprise nature of many budget measures will require further comprehensive analysis of the impact of budget once lobbying for change is complete and measures are passed, or not, by the Senate.

In this submission COTA has addressed sequentially those terms of reference on which we comment.

ISSUES

a. any reductions in access to services provided by the Commonwealth;

While COTA has limited expertise to comment on the effect of public sector job cuts, we do believe that these cuts will impact on service delivery and on the consumers who access these services. COTA has seen a large increase in inquiries since the budget was handed down—most of these inquiries are focused on changes to pensions and health costs. It is our view that government services must be resourced to deliver timely and accurate information to people about how these changes will affect them and what they must do to comply with any new policies.

COTA believes Centrelink will be an important conduit of information in this regard.
COTA has particular concerns around staffing at Centrelink. Centrelink services should be maintained at levels that will assist older people to alleviate their concerns about how this budget will affect their income and the affordability of essentials to meet their everyday needs.

b. the provision of other services, programs or benefits provided by the Government affected by the budget;

The 2014-2015 budget announced a cut of $1.3 billion to Commonwealth funding of concessions through the *National Partnership Agreement on Certain Concessions for Pensioner Concession Card Holders and Seniors Card Holders.* For concessions to continue, State and Territory governments will have to pick up this shortfall. COTA is extremely concerned this will lead to many pensioners losing some (or all) of their State and Territory concessions, given the financial pressure facing those governments at present.

This National Partnership Agreement has two components:

- Commonwealth contribution to the provision of certain concessions to pensioners relating to council rates, utility bills, motor vehicle registration and public transport.[1]
- Commonwealth contribution to the provision by State governments of designated public transport concessions to all Australian Seniors Card holders using public transport services, irrespective of the Senior Card holder's state of residence.

Essentially, since 1993 the Commonwealth has compensated States and Territories for measures it took that increased the coverage of pensioner concessions; more recently it has funded some of the costs of reciprocal public transport concessions. Both of these supports have been axed to make room for Commonwealth budget savings.

Concessions make an important contribution to the quality of life of many senior card holders as they help with the cost of living and stretch pension income further.

COTA understands that many State and Territory governments have agreed to continue funding concessions for the present financial year.[2] However, COTA is concerned that the financial pressure facing State and Territory governments, coupled with their relatively small capacity to raise revenue, will see these concessions fall in value and potentially disappear.

This is happening now in Western Australia where the cost of living rebate that is provided to assist seniors with cost of living increases has been halved. Single Senior Card holders now receive $82 (formerly $164) and couples receive $123 (formerly $246) per annum. The WA State government has announced its intention to review all other concessions and COTA has serious concerns that further cuts are inevitable. COTA also understands that the Northern

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1 Council of Australian Governments, 2013, *National Partnership Agreement on Certain Concessions for Pensioner Concession Card Holders and Seniors Card Holders,* 8.

2 COTA understands that Victoria, South Australia, NSW, QLD and ACT Governments have committed to retain concessions for the current financial year. The Tasmanian Government has committed to retain concessions for the 2014-15 year and across the Forward Estimates. Western Australia and Northern Territory have made changes to concessions to offset the withdrawal of Commonwealth Funds.

Territory government has reduced the eligibility criteria for certain concessions, preventing self-funded retirees from accessing this important assistance.

COTA also observes that State governments are reticent to reduce pensioner concessions in the lead up to elections. States such as New South Wales, South Australia, Queensland and Victoria have committed to continuing to make up the shortfall left by the federal budget in the short term. It is unclear, however, whether concessions will continue to be funded once upcoming elections in these states are held in this financial year.

COTA believes the Commonwealth has a role to play in securing these concessions for the long term. Its capacity to raise revenue from a broad base in a progressive manner confirms this proposition. The swift withdrawal of funds to support concessions has left the States and Territories little time to rearrange budgets. In jurisdictions where the cost of providing these concessions has not been picked up by the relevant government, older people face an immediate reduction in their quality of life through reduced access to community and higher costs for essential services.

COTA has real concerns for older people in rural and regional communities for whom a reduction of concessional support will be compounded. For example, people in rural and regional areas of NSW face energy costs that are approximately 29% higher than those in metropolitan areas.[3] Any reduction in energy concessions will therefore have a strong impact on older energy consumers in rural and regional areas. In addition, the lack of public transport in rural NSW sees people rely increasingly on car ownership—a necessity that could become unaffordable if motor vehicle registration concessions were reduced or removed.

c. Commonwealth – State relations and the impact of decreased Commonwealth investment on service delivery by the states;

Health

COTA does not support any budget measures that diminish older people's access to health services. We are on the public record as being opposed to increases in out of pocket expenses such as co-payments for GP visits and diagnostic services, and increases to the cost of medications under the Pharmaceutical Benefits Scheme (PBS).[4] COTA also believes that budget savings derived from indexing Commonwealth funding of hospitals to CPI and population changes[5] rather than indexing to efficient health costs as had been agreed in the *National Health Reform Agreement*[6], ignores the evidence that shows health costs are rising by around

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3 Australian Energy Regulator, 2013, *State of the Energy Market*, 134.

4 Please see COTA's submissions to the Senate Inquiry into Income Inequality (August 2014) and Senate Inquiry into Out of Pocket Costs in Australian Healthcare.

5 Australian Government, 2014, Budget 2014-15, Budget Paper Two, Part 2 Expense Measures: Health.

6 Council of Australian Governments, *National Health Reform Agreement*, A3, 13.

double the average rate of inflation. It also ignores the cost of new treatments and procedures which are being introduced all the time and are part of a world class health system.

COTA also has concerns about older people's access to quality and timely healthcare services as a result of the cuts to hospital funding announced in the 2014-15 budget. The cessation of Commonwealth funding guarantees for hospitals and changes to funding indexation will see a withdrawal of $1.8 billion from hospitals around the nation.[7] How States and Territories will make up this shortfall over time is not immediately clear. In South Australia's case for example, the State government has proposed that waiting times for elective surgery will 'more than double' and there will be barriers to 'adopting new life-saving technology.'[8]

Having signed the *National Health Reform Agreement* and the *National Partnership Agreement on Improving Public Hospital Services*, States and Territories should rightly expect funding to be provided in a manner consistent with these agreements and would have made their own financial commitments on this basis. COTA is apprehensive that the States and Territories will seek to wind back services and hinder access to hospital beds in efforts to make up drastic funding shortfalls that they had no capacity to predict.

All levels of government are aware that running any health system requires careful planning and secure funding streams. COTA believes that cutting hospital funding without consultation or warning does not bode well for relations between the Commonwealth and State/Territory governments or for the future of health service delivery. Delivering quality health outcomes for consumers requires good faith and trust between the parties. Without it, short-term fixes will erode efficiencies, the capacity for long-term planning and effective strategies for prevention. In COTA's view the Commonwealth has a responsibility to monitor whether these funding cuts have a disproportionately negative effect on health consumers in less populous jurisdictions where governments may have a reduced capacity to make up funding shortfalls.

At the time of writing, it is unclear whether the legislation to enable GP and other health related co-payments will pass. If these co-payments are introduced, we may see additional costs shifted to the States and Territories as efforts to avoid primary health costs result in more complicated presentations in the acute sector of the healthcare system. Ultimately, it will be consumers who pay and those without the capacity to access private care to make up public hospital shortfalls will bear the brunt of these cuts.

Housing

In COTA's view the Commonwealth has a role to play in ensuring there is a nation-wide response to increases in homelessness and access to affordable housing for all age groups.

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7 Australian Government, 2014, Budget 2014-15, Budget Paper Two, Part 2 Expense Measures: Health.

8 South Australian Government, South Australian Government's Response: the 2014-15 Budget Cuts, 5.

An increase in homelessness among older people (particularly women) is a key concern for COTA. Older people's risk of poverty increases exponentially if they are not home owners—especially if they access housing through the private rental market. Housing stress is a cause of homelessness; the latest data on the use of specialist homelessness services shows that 36 per cent of clients cite housing affordability as the reason for needing to use the service.[9] People over 55 are increasingly turning to specialist homelessness services with 14 per cent more people in this age bracket accessing services between 2011-12 and 2012-13.[10] 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 was concerned that the budget responded to the Commission of Audit's recommendation that housing affordability and the prevention of homelessness are primarily the responsibility of State and Territory Governments.[11] We are opposed to the resultant cuts to the *National Rental Affordability Scheme* ($235.2 million), the *National Homelessness Research Strategy* ($3.1 million) and the complete withdrawal of support for the *Housing Help for Seniors* ($173.1 million).

COTA acknowledges that the *Housing Help for Seniors* pilot had some design flaws. However, we believe it could have been redesigned slightly and been a useful vehicle for encouraging some older people to downsize and move to housing where they could successfully age in place.

While COTA welcomes the government's commitment to provide $115 million to the States and Territories over this financial year under the *National Partnership Agreement on Homelessness*, we are concerned that the budget outlines no funding provision beyond the current year.

Furthermore, we do not agree that this funding will provide much needed certainty for homelessness services as noted in the budget papers.[12] These services are experiencing increasing levels of demand and require long-term certainty about their funding in order to continue service delivery that is efficient and effective. Twelve-month funding cycles prevent adequate planning of resources and create additional costs associated with staff retention and turnover as funding cycles end. Users of these services also face uncertainty about whether the service will exist in the near future.

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9 AIHW, 2013, *Specialist homelessness services 2012-13. Cat. no. HOU 273*.
10 Ibid.
11 Commission of Audit, 2014, *Recommendation 38: Housing Assistance*.
12 Australian Government, 2014, Budget 2014-15, Budget Paper Two, Part 2 Expense Measures: Social Services.

The previous agreement, signed by the States and Territories in 2008, provided a four-year term for funding from 2009-2013.[13] COTA believes this level of certainty is needed to ensure homelessness services can continue to respond to increasing demands. Sadly, this certainty will be increasingly needed if programs to assist people to access affordable housing face permanent withdrawals of funding.

COTA also believes that the States and Territories' capacity to be efficient and effective is being undermined by the withdrawal of funding in important areas with little or no notice. State and Territory budgets are relatively inelastic. Shifting costs to these governments will have a broad impact beyond the impact on homelessness services and their clients as governments make expenditure cuts to meet these shortfalls.

COTA's submission to the *Senate Inquiry into Income Inequality* notes how the 2014-15 federal budget has the potential to compound negative effects on the nation's most vulnerable through cuts to health, housing and pensions. Cost shifting to the States and Territories will only add to this dynamic and could further concentrate disadvantage among vulnerable groups.

It is important that the Commonwealth government take a leadership role in the provision of funding that ensures the safety net is strong where people are unable to meet their essential needs. COTA understands that budget pressure exists at all levels of government. It is for this reason that it urges the government to act progressively, making savings in areas where people have enough resources to absorb those cuts without disadvantage.

d. the fairness and efficiency of revenue raising;

COTA does not recognise this budget as fair. We believe it's harshest measures are focused on the vulnerable and on expenditure, while the potential for raising revenue is largely unexplored.

COTA is an advocate for a progressive taxation system and a strong safety net for vulnerable Australians. We are concerned that this budget takes relatively mild and temporary measures in regard to high income earners while low-income earners face multiple actions that permanently and substantially affect their income and cost of living.

For instance, the Temporary Budget Repair Levy comes into force when an individual earns over $180,000 and the levy is only applicable to income over this sum. A person who earns

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[13] Council of Australian Governments, 2008, National Partnership Agreement on Homelessness, 17.

$200,000 pays only $400 or two per cent of $20,000. A high-income earner will only pay this levy for a maximum of three years as the levy will cease to be charged on 30 June 2017.[14]

In contrast, measures aimed at those with low and fixed incomes are permanent and indiscriminate. Changes to age pension indexation from 2017 will permanently reduce its purchasing power, by at least $1600 per year after only four years and escalating after that.

Increasing the eligibility age for the age pension to 70 includes no mechanisms to support people who have physically taxing jobs, face age discrimination or those who live in rural and regional areas where employment opportunities are scarce.

Changes to Newstart that could see young people cut off from income support for six months are also permanent and COTA does not support this action. Taken together, this budget's actions will seriously compound disadvantage for our most vulnerable simply because the government is increasing its costs at the same time as its income is being reduced.

Older people, especially those totally reliant on the age pension, will be hit hard by this budget. It will result in reduced access to affordable housing, increases to out-of-pocket health expenses, the very real possibility of reduced access to hospitals and increased everyday costs due to removal of funding for pension concessions for essential services such as energy and non-discretionary charges such as council rates.

It is unfathomable why such drastic and hard-hitting cuts are necessary while the budget continues to support the well-resourced through such initiatives as negative gearing and superannuation tax concessions for high-income earners.

COTA understands the need to balance the budget. However, as tax concessions for superannuation are broadly equivalent to expenditure on the age pension, there is no logical reason why these tax concessions were not reviewed as a method to achieve savings the government insists are necessary. Claims of budget inequity are made stronger by the knowledge that 30 per cent of the value of superannuation tax breaks benefits the top 10 per cent of income earners, while those in the bottom five income deciles receive only 20 per cent of tax concessions.[15]

COTA believes a progressive taxation system would assist the government to address revenue shortfalls. We understand the government plans to produce a White Paper on taxation in the near future. It is our view that the recent review of Australia's tax system chaired by Dr Ken Henry is a strong foundation that any reform process should build on.

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[14] Australian Government, 2014, *Budget 2014-2015*, 'Budget Overview: Temporary Budget Repair Levy,' online at http://budget.gov.au/2014-15/content/overview/html/overview_06.htm.

[15] ACOSS, *Social Security Trends: Snapshot,* April 2014, 7.

h. the impact of the budget on retirement incomes and pensions;

The Age Pension

COTA does not accept that the Prime Minister's commitment to "no change to the pension" has been honoured by deferring most of the changes to 2017. The government is making major changes to the pension, breaking the commitments it made to current pensioners in respect to indexation and means testing, and to future pensioners in terms of the increase in pension age as well as the decrease in pension value. However, the three year delay in implementing these changes gives pensioners a short term breathing space. Unfortunately pensioners have no way of making good the shortfall in their incomes after September 2017.

We do not support changes to indexation arrangements for the age pension that will see it indexed only by movements in the Consumer Price Index in March and September. This is in contrast to former arrangements where it was indexed to the highest movement of either the Consumer Price Index (CPI), or the Pension and Beneficiary Living Cost Index (PBLCI), or to Male Total Average Weekly Earnings (MTAWE) whichever has risen further in the preceding period, with a benchmark against MTAWE.[16]

Benchmarking the age pension against MTAWE is an appropriate measure to ensure payments continue to have a relationship with community standards of living. Moving away from this measure will increase income inequality between people living on the age pension and people earning from employment.

Work done by the Australian Council of Social Service (ACOSS) has shown that the indexation of Newstart against CPI, with no relationship to wage increases, sees this group of recipients increase in the poverty statistics.[17] It also highlights the income inequality that exists between recipients of government pensions and allowances because of the variation of policy settings that exist in this arena.

In COTA's view it is completely unreasonable for budget measures to make such changes in the face of evidence that shows these steps will increase poverty among older people. COTA is also concerned that there is growing inequality between people on pensions and people on allowances; this difference in income levels for pensions and allowances becomes more important if the move to raise the eligibility age for the age pension to 70 is successful.

COTA acknowledges that the age pension should be linked in some way to life expectancy, particularly life expectancy at the age of 60 or 65. However, it also needs to take into account that the average age of retirement is 61 and that while just over half of those who retire do so

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[16] Australian Government, Department of Social Services, 2014, *Pension Rates*, 10 March 2014.
[17] Australian Council of Social Services (ACOSS), 2013, *Poverty in Australia*

voluntarily, many retire for reasons beyond their control. In 2011, 12.2 per cent of male and 8.6 per cent of female workers retired involuntarily due to dismissal, pressure from employers or others at work to retire, inability to find another job or reaching compulsory retirement age.[18] An additional 35.3 per cent of men and 35.8 per cent of women retired involuntarily due to their own ill health or to care for a partner or family member.[19]

People who are forced to retire early will spend a number of years on Newstart or the Disability Support Pension before becoming eligible for the age pension. Indeed, over 80 per cent of people who go onto the full age pension at age 65 move across from another income support payment.

Superannuation and retirement savings

Along with the age pension, voluntary savings and compulsory superannuation are integral pillars of retirement income policy. COTA believes the government should do more to assist those on low-incomes across the generations to build savings that will help them to avoid disadvantage in retirement.

Tax concessions for superannuation are broadly equivalent to expenditure on the age pension. COTA is particularly uneasy about the way in which government support through superannuation tax concessions has been apportioned. COTA's submissions to recent Senate inquiries have called for a systematic review of retirement income.[20] We believe a review could assist in rebalancing the equation to deliver concessions that are more targeted towards those whose lack of income makes the accumulation of retirement savings difficult.

COTA also wants to stress that older people are not a homogenous group. Changes made to retirement income policy should take into account the current evidence that shows how past policies and systemic inequalities compound to create relative disadvantage for some groups in retirement. Mechanisms to avoid a continuation of this dynamic should be built in to any new policy regime.

Deeming Rates

COTA contends that a review of retirement income policy would facilitate constructive analysis of how a range of measures proposed in the budget will impact on retirement incomes. This should include the budget's aim to save over $32 million by resetting deeming thresholds for

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18 University of Melbourne, 2014, Families, incomes and jobs, volume 9: A statistical report on waves 1-11 of the Household Income and Labour Dynamics in Australia Survey, 115-116.

19 Ibid.

20 Please see COTA's submission to the Senate Community Affairs Legislation Committee Inquiry into Social Services and other legislation amendment (2014 Budget Measures No.1) Bill 2014 and the Social Services and Other Legislation Amendment (2014 Budget Measures No 2) Bill 2014 and COTA's submission to the Senate Inquiry into Income Inequality.

pension income testing from September 2017; the threshold for singles will be reduced from $46,600 to $30,000 and for couples from $77,400 to $50,000.

This measure will take the limit used for calculating deeming rates back to the amount it was in 1996. This is very unfair as it completely ignores the improvements in community living standards over the last 18 years and the impact of inflation on people's capital. Many people who have relatively small amounts of assets will be hit quite hard by this measure; it will have less impact proportionally on people with higher asset levels.

This could act as an incentive for people who are retiring with superannuation balances to spend more of the balance as there is a financial disincentive to keep it. Clearly, this could potentially increase reliance on the pension - which is presumably not the outcome the government is looking for.

The government has offered no rationale for this dramatic proposal. If there is a rationale for reviewing the deeming thresholds it should be considered in the proposed Retirement Incomes Review.

k. the impact of the budget on households

As discussed above, COTA is apprehensive about how States and Territories will respond as the Commonwealth increasingly shifts costs to them. It is impossible to know how long concessions for essential living costs will continue to be offered and at what rate. COTA believes it is important that the Senate keep a watching brief on how those on low and fixed incomes are affected by these cuts, especially in States/Territories that have limited financial capacity to maintain this support.

It is important to note that many of the government's deepest cuts were introduced in the budget with little warning and no process for prior consultation. COTA fears for older people on low, fixed incomes who cannot respond to increasing costs and reduced retirement income by drawing on savings or returning to the workforce. Developed without meaningful consultation, this budget is devoid of strategies to minimise disadvantage for vulnerable older people. Single age pensioners and those renting privately are already extremely vulnerable to poverty. It is inevitable that this situation will worsen as the purchasing power of pensions is eroded and the cost of essential items increases.

Moves to change indexation arrangements could be in effect from 2017, meaning that 2.4 million current pensioners, of which 1.6 million are full pensioners (2014 figures), will have no option but to drastically cut their living standards to absorb what is effectively a decrease in their pension - one they could not plan for by increasing savings while working or rescheduling retirement.

COTA supports the need for better targeting of the age pension to ensure the system is sustainable into the future. However, it stresses that people who are reliant on the pension for all or most of their income should be assured that it will provide an adequate standard of living–if not it will not be a sustainable system at all.

Budget measures that increase health costs will hit older households hard as health is a key area of expense for older people. COTA is opposed to budget measures aiming to introduce co-payments for GP visits, diagnostic imaging and pathology that will only serve to increase these costs and reduce people's access to healthcare. In COTA's view this move threatens the universality of Medicare—an important leveller in Australian society and an imperative safety net. The budget's proposed increase to PBS out-of-pocket expenses for consumers only compounds this cost shifting measure.

COTA believes these steps are not an example of good health policy. Rather, these charges are regressive tax that will affect people on low incomes, regardless of age. There is strong evidence to show that people in the lowest income quintile spend a higher percentage of their income on health costs than other income groups.[21] Unlike other groups, people in the lowest income quintile have less capacity to pay increased essential costs because their income does not allow them to accumulate savings.

Lifting out-of-pocket expenses for care that is as commonplace as GP visits, and the tests and medications they prescribe, will have a long-term effect on the health of people with low-incomes. A cap on co-payments will reduce this barrier but it will still be significant for those who are already struggling. The Australian Medical Association (AMA) has already noted that the mere threat of lifting co-payments saw medical visits drop off dramatically.[22] A consumer survey on out-of-pocket expenses also shows that people delayed seeking medical assistance in order to meet other payments and this restricted access had impacts in people's stress levels and their ability to provide in other basic areas.[23]

COTA believes the health budget will be positively impacted if all Australians enter older age in the best possible health with no barriers to maintaining this status. Indeed there is evidence to show that facilitating well-being throughout the life-course is integral to ensuring the health of future generations.[24]

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21 ABS, 2012, *Household Expenditure Survey: Summary of results 2009-10, 6530*, 32.

22 Australian Medical Association, 2014, AMA Transcript-AMA President Dr Steve Hambleton, *Door stop interview*. https://ama.com.au/media/ama-transcript-ama-president-dr-steve-hambleton-doorstop-interview-22-may-2014

23 Consumer Health Forum of Australia, 2014, *Health Consumer Out of Pocket Costs survey: Results and Analysis,* 2.

24 Australian Institute of Health and Welfare, 2014, *Australia's Health 2014*, 265.

Linking access to healthcare with an ability to pay will not produce positive social or financial results.

It is difficult to gauge the impact of the total budget on older people—especially those who face multiple impacts as costs increase and pensions erode in value. Indexing the age pension using the Pensioner and Beneficiaries Living Cost Index (PBLCI) would have ensured that pensions would rise twice a year in line with increased costs faced by pensioner households. However, this will not occur under the planned CPI-only indexation and pensioners will fail to meet essential costs as a result.

The work done to generate the PBLCI will provide useful evidence about the status of pensions' purchasing power once budget measures are introduced. COTA believes this index should continue to be generated and should be included in careful analysis by a future Senate Committee formed to understand how households on low and fixed incomes have fared under this budget.

l. other matters the committee considers relevant.

Human Rights & Age Discrimination

The Budget announced $1.7 million of savings over four years by reducing the number of Human Rights Commissioners by one—leaving one Commissioner to take on a dual role. COTA is deeply disappointed that Age Discrimination Commissioner, Susan Ryan, has now been given a dual role as both Age Discrimination Commissioner and Acting Disability Discrimination Commissioner.

COTA was at the forefront of the push to have a stand-alone Age Discrimination Commissioner and we are seriously concerned that the position now has dual responsibilities of ageing and disability. There is a great deal of evidence that age discrimination is still having a serious impact on older people, especially with regard to employment.[25] We also believe that people with disabilities face significant discrimination in our society.

COTA believes there need to be dedicated Commissioners for each of the Age Discrimination and Disability Discrimination Portfolios to ensure these issues are addressed by the Human Rights Commission. In a recent interview, former Disability Discrimination Commissioner Graeme Innes noted he spent 60 hours per week dealing with disability matters.[26] COTA is concerned that the ability of the Human Rights Commission to reduce age discrimination and disability discrimination, and protect people from the negative effects of discriminatory practices, will be diluted under current arrangements.

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[25] COTA's submission to the Senate Inquiry into Income Inequality discussed Age Discrimination in detail. Please refer to it for references and further information.

[26] Judith Ireland, 2014, 'Human Rights Commission to spread extra load after Disability Commissioners Departure', *Sydney Morning Herald*, 12 June 2014.

COTA urges the federal government to consider the efficacy of this relatively small budget saving as it attempts to encourage older people and those with disabilities to increasingly support themselves through paid employment.

Aged Care

COTA welcomes the fact that the bulk of the current aged care reform package will continue intact. However, we have significant concerns about some of the aged care measures in the budget. A significant concern is the projected cut to the rate of real growth in the Commonwealth Home Support Program (currently the HACC program) from 6 per cent a year to 3.5 per cent after 1 July 2018. The Home Support Program usually provides the first line of support to people needing help to stay at home; it has been shown to be very effective in assisting people to stay living in the community for longer and out of more expensive residential care. Cutting the program makes no sense as it will actually result in higher overall costs over time. Home support services are still too few and never properly indexed anyway. This is a program area in which excess capacity makes sound economic sense.

COTA believes that the axing of the Aged Care Payroll Tax Supplement is completely unjustified and removed with minimal notice a key feature of aged care financial architecture that has been in place in one form or another for 47 years. It is a classic example of sovereign risk at a time when government is seeking to encourage greater investment in aged care to meet escalating demand.

This cut will see aged care providers having to pass on more than $650 million to consumers over the next four years in higher accommodation charges, or go broke. This is an indefensible strategy at a time when the demand for aged care is escalating and user charges have already been significantly increased.

On the other hand giving aged care providers back the $1.5 billion Aged Care Workforce Supplement over five years will do little for development of the aged care workforce. We argued for much more targeted measures or, failing that, for an injection of funds into home care packages which are too few at higher levels and underfunded over many years. However, we welcome the fact that the redirected funds at least do go to community aged care providers as well as to residential care. COTA also welcomes the 20 per cent increase in the viability supplement for rural and remote providers as this should help ensure that older people are able to stay in their local communities longer as they age rather than having to move to larger centres.

CONCLUSION and RECOMMENDATIONS

COTA supports the government's aim for a sustainable budget but does not believe this budget will meet that objective. We have made our concerns clear about the budget's failure to recoup revenue through an examination of tax concessions for high-income superannuants. Notwithstanding these concerns, COTA believes the government has not done enough to understand the consequences of its harshest cuts—especially in welfare and health.

COTA calls for a systematic review of retirement income policy where all budget impacts on the expenditure *and* revenue sides of the budget can be explored. COTA does not believe wholesale changes to retirement income policy can be taken without this review and we urge the government to postpone acting on these measures until it has examined the evidence and consulted with the community. This review should take place once the final report of the *Review of Australia's Welfare System* has been handed down.

COTA believes that shifting costs to the States and Territories will have serious consequences for people of all age groups. We are concerned that the Commonwealth has acted without warning to turn away from partnership agreements in key areas such as hospital funding, housing and concessions. It is only consumers who will pay if relations between the Commonwealth and States/Territories no longer include any element of trust and co-operation.

We urge the Commonwealth government to reinstate the *National Partnership Agreement on Certain Concessions for Pensioner Concession Card Holders and Seniors Card Holders* in the next financial year. To give certainty to concession recipients, the new agreement should provide a longer term for notice of any change.

COTA recommends any steps to reduce the government's exposure to a burgeoning health budget be taken after an independent review of Medicare looks at how it can be remodelled to improve access to good quality health care in an economically sustainable framework.

Finally, once measures in this budget have been finalised, COTA believes there is a need to examine the wholesale effects of this budget on low-income and vulnerable people. This step will help to ensure that the cost of budget sustainability is not disproportionately levied on those who can least afford it.