COTA
For older Australians

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Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Submitted by email to: community.affairs.sen@aph.gov.au

Dear Secretary

Social Services and Other Legislation Amendment (Lifting the Income Limit for the Commonwealth Seniors Health Card) Bill 2022 [Provisions]

Our thanks to the Committee for the opportunity to provide a submission on this Bill to lift the income limit for the Commonwealth Seniors Health Card.

COTA Australia

COTA Australia is the national consumer peak body for older Australians, which through policy development, advocacy and representation seeks to achieve an equitable, just, and inclusive society for Australia's more than eight million older Australians. COTAs have been identifying the needs of, and issues affecting, the welfare of older Australians since the first COTA was formed in 1951.

COTA Australia's members include the eight State and Territory COTAs (Councils on the Ageing). Through over 45,000 individual members and supporters of the COTAs, and the COTAs' wide range of ageing sector and seniors' organisation members COTA Australia directly represents over 500,000 older Australians.

COTA Australia's focus is on national policy issues from the perspective of older people as citizens and consumers and we seek to promote, improve, and protect the circumstances and wellbeing of older people in Australia. Information about, and the views of, our constituents and members are gathered through a wide variety of consultative and engagement mechanisms and processes.

COTA Australia support for the Bill

We note that this Bill arises from an election commitment made by the former Coalition government during the recent Federal Election campaign, which was matched by the then Opposition, now the Government, and is now being legislated in accordance with that commitment. We welcome this prompt honouring of another election commitment, which we have seen occurring across a number of portfolios.

COTA Australia supports the proposed lifting of the income limit for the Commonwealth Seniors Health Card (CSHC). The different components of Australia's income security system have all evolved over time in response to evolving societal contexts and expectations. Originally the CSHC was introduced to provide Commonwealth concessional health supports to people who did not qualify for the age pension because of the Assets Test but had income that was similar to or even

less than the Income Test cut-off. At present the income limit for CSHC is $57, 761 single compared to a pension cut-off point of $56,295. Similarly for couples the CSHC limit is $92,416 compared to a pension cut-off of $86,154. There is not much of a gap between the two limits.

Increasing the CSHC eligibility limit to $90,000 for singles and $144,000 for couples introduces a larger gap or "buffer zone" between age pension cut-off and CSHC cut-off. We understand there are currently around 420,000 CSHC holders and that this change will make about 44,000 more people eligible in the first year, rising to over 50,000 in a few years.

CSHC gives you eligibility for pensioner level PBS concessions and in principle for bulk billing of GP and other health service charges. While initially it did not create eligibility for State and Territory level concessions, it now does so for various concessions in different jurisdictions, sometimes at lower rates than for a pensioner.

Over many years we have been aware that older people whose income and/or assets fall in the range where they may or may not just qualify for the age pension, try and arrange their affairs to be pension eligible, not so much for the small amount of part pension, but to be eligible for the health benefits, and in more recent years other concessions on things like utilities and rates. While research does not indicate that a large proportion of retirees drastically reorganise their finances in this way, we know from a large amount of anecdotal evidence from older people and financial planners that a significant number of people do so.

The proposed increased income limits for CSHC will create a larger "buffer" between pension eligibility and complete "self-funding", with eligibility for concessions continuing while in the "buffer". These concessions include significantly cheaper PBS scripts, a lower cap on expenditure on medicines, the probability of being bulk billed by GPs and other health services, and concessions on utilities like power, and water, and local government rates (noting these vary between jurisdictions). This will significantly reduce the incentive to manipulate their financial arrangements.

There is also a constant refrain from older people who are not pension eligible, who are self-funded retirees, that they resent not being eligible for the health and other concessions, and their extra expenditure on these items can in effect reduce their other disposable income to less than that of a part pensioner in similar financial circumstances. This will also be addressed by this change.

Support from older people

We know from our numerous and varied engagements with older people that for the initially estimated 44,000 self-funded retirees who will benefit from this measure, it will be very welcome. This is particularly so during a time when the pressures on maintaining one's quality of life and financial independence in older age are being felt acutely. Cost of living pressures on the basics of daily life are particularly challenging for people on modest and fixed incomes.

Over the past couple of weeks, we have heard from many self-funded retirees applauding the CSHC eligibility income threshold lift. They are saying, firstly, that it offers greater assurance they will be able to retain their financial independence for longer, thereby lessening the likelihood of needing to call on the aged care pension for assistance. They also feel validated by the nation acknowledging 'finally' that being a self-funded retiree with what others might see as a comfortable nest egg, does not guarantee immunity from the mounting cost of living pressures currently being experienced by all in the community.

As many self-funded retirees have shared with us, especially those experiencing complex and costly health and wellbeing challenges, the CSHC offers a small, but well targeted economic buffer to assist with the costs of everyday living. Along with other older population groups, as relatively higher uses of medical and health services, self-funded retirees especially welcome the CSHC delivering considerable concessions for pharmaceutical benefits, the greater possibility of bulk billed general practitioner and other health service visits, and possibly public dental work. More generally, they

welcome being a CSHC holder providing ongoing access to several other federal, state, territory, and local government concessions.

In addition, and possibly more significantly for some, CSHC eligibility is perceived as a form of government recognition of their lifelong contribution to the Australia community. Quite apart from any actual 'monetary value' associated with the CSHC, a significant number of self-funded retirees have shared with us their belief that being a card holder symbolises the community's appreciation of their steady contribution to the nation over a lifetime, which continues today in areas such as childcare for grandchildren, volunteering, and personal/family caring roles.

The following is a small indicative sampling of comments which have been shared with COTA Australia:

> **Roderigo**. *I am proud of the fact I worked hard all my life and, even though I only earned an average wage, I provided for my family and put aside money for my wife and myself to enjoy a nice style of life in retirement. However, as much as I try and deny, it still irks me that others who had the same opportunities chose a less frugal lifestyle and end up with the aged pension and heaps of other taxpayer benefits. For me the CSHC is a clear sign from the Albanese Government my efforts are recognised and valued. That's enough for me.*
>
> **Susanne**… *this news brings me joy. I am 84 years old have always been a self-funded retiree. I cannot increase my income by working as I am not fit enough at 84 yet my medical and related expenses are high and keep growing. I am happy finally someone knows the world of self-funded retirees is no bed of roses and not all older people are pensioners or multimillionaires.*
>
> **Mick.** *To me this is adds a modicum of balance. You work hard, invest wisely and accrue a reasonable retirement amount then you are penalised. No pension. All my working life I have paid taxes and then in retirement the government who gleefully took my money is not prepared to give me any nod for my commitment to having worked hard. This change is significant not for any financial gain. Rather it offers the emotional comfort of feeling valued.*

Some alternative views

Notwithstanding COTA Australia's support for lifting the income limit for the CSHC we also wish to pass on concerns raised with us by some older people in relation to the CSHC eligibility changes.

First is the issue of ***bulk billing of GP services***. Over the past 12 months, this has become a red-hot issue. Increasing numbers of older people have told us of the difficulty experienced in accessing no gap, bulk billed GP services.

More recently, we have been advised that CSHC holders (and to a much lesser extent, Pensioner Concession Health Card holders) are being told by GP and medical clinics that their GPs will no longer provide bulk bill services without the person paying a gap payment. Over recent days we have heard from older people who, although they very much welcome the change to CSHC eligibility, are worried it may further exacerbate the GP access issues. Some fear that GPs may consider charging steeper gap payments as a way of establishing priority appointment lists. Others worry that without careful monitoring by government, increasing numbers of GPs will use the 20 September 2022 change as an 'pretext' to end no gap, bulk billed consultations (especially in the face of no significant increase to the Medicare rebate). As one older person warned,

> *"If government is not careful this policy is likely to be one that costs the poorer members of society while offering some pharmaceutical cost reductions to the more affluent. The increase,*

while applauded by us self-funded retirees, will most likely lead to a serious unintended consequence."

In COTA Australia's view the issue of bulk billing is a serious public policy problem, that needs to be addressed by the new government through the work of the Strengthening Medicare Task Force. Given that the new income limit for the CSHC will only increase total CSHC numbers by about 10% (depending how many who are eligible apply) the change will not materially alter the problem, and if it does at the margins it will only slightly accelerate a problem that needs to be solved overall.

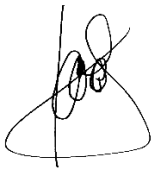
Secondly, some older people have expressed concern about ***increased financial debt for generations to come.*** They worry that the cost associated with extension of CSHC eligibility will add to the financial burden Australia will eventually need to confront. As **Roslyn** commented,

> *If you look at this responsibly, it is yet another example of middle-class welfare … Our country is burdened by debt and advocates have no end of good reasons to spend more – few (like me) of the need to spend less. At some point in the future, Australia, like so many countries, has to face the consequences. Unfortunately, this change bakes in yet another call on our social security system that has increasingly evolved to support those on higher incomes, including those in retirement (as I am).*

COTA Australia fully recognises the fiscal challenges facing the Federal Government and the need for all expenditure to represent value for money for taxpayers. In our view this change represents a good investment of a relatively small ($69.4 million over the Forward Estimates) sum, that will underwrite the health care costs of retirees who are, as a cohort, major users of the health care system.

Thank you again for the opportunity to convey our support for the change to CSHC eligibility, as well as the strong support from older people, and some concerns raised with us. Please feel free to contact me to follow up any aspect of this submission on iyates@cota.org.au or on 02 6154 9740.

Yours sincerely,



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