

# RECOGNISING OLDER AUSTRALIANS

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# RECOGNISING OLDER AUSTRALIANS

## OVERVIEW

Older Australians, whether approaching or in retirement, will benefit significantly from this Budget. The Government has made substantial reforms that will deliver financial security to Australians in their retirement, and gives due recognition to the valuable contribution that older Australians make to our social and economic fabric.

Central to the Government's policy are its two key pension election promises to older Australians which have not only been kept but have been added to:

- the Government has underlined its commitment to twice yearly indexation of the pension to maintain its real value; and
- more significantly, and for the first time ever, this Government has built into the Budget bottom line its commitment to maintain pensions at 25 per cent of Male Total Average Weekly Earnings (MTAWE), ensuring that increases in community living standards will also be passed through to pensioners.

A major criticism of the current social security system is that it is too complex for customers and staff to understand fully. One of this Government's top priorities is to reduce the complexity and intrusiveness that characterises the social security system after years of Labor rule. Older Australians in particular deserve a system that is comprehensible, rational and well-integrated.

Hand in hand with our commitment to a simpler, more easily understood system is a commitment to improved customer service. Age pensioners and other retirees need ready access to a range of information to assist them with the decisions facing them on and during retirement. It is vital that the Commonwealth Government continues to become more active in helping people understand the range of options open to them, and better able to deliver services in a personalised way. Older Australians deserve nothing less.

Securing pension rights in this way, however, in no way diminishes the Government's commitment to encourage people to make greater provision for their retirement during their working lives. Greater self provision will allow retirees to maintain a standard of living more in keeping with their pre-retirement lifestyle. Superannuation and other forms of private saving will continue to play a vital role in ensuring greater financial security in retirement.

In that regard, the Government has announced a number of measures to expand the choice of superannuation arrangements which will be beneficial to those individuals currently approaching retirement. These measures include:

- providing capital gains tax exemption on the sale of a small business for retirement;
- introducing Retirement Savings Accounts;

- increasing the age limit for superannuation contributions; and
- introducing a superannuation spouse rebate.

Moreover, the Government is implementing its commitment to introduce a tax rebate for low income self funded aged people. This measure builds on the Government's earlier decision to reduce the provisional tax uplift factor from 8 per cent to 6 per cent from the 1996-97 income year, thus providing an important reduction in the provisional tax burden for many older Australians.

Recognising the contribution and sacrifices made by veterans to the independence and well being of this Nation, a number of measures have been introduced in this Budget of direct benefit to the Veteran Community. For example, the Department of Veterans' Affairs (DVA) will be able to assist a number of veterans currently assisted by the Department of Social Security (DSS), and certain anomalies in the operation of the Defence Service Homes Scheme will be removed.

The desire of veterans and the general community to commemorate the sacrifice and courage of those who have served in all conflicts and wars has also been recognised in this Budget.

Older Australians will also benefit significantly from the implementation of the Government's election commitment to provide tax incentives for low to middle income earners to purchase private health insurance.

At the same time, through its Healthy Seniors Initiative, the Government will focus on improving the health of older people. The Government will also specifically address the concerns of older Australians in each of the four streams of the National Campaign Against Violence and Crime.

Every year more than 500,000 older people use aged care services funded through the Aged and Community Care Programme. These services include residential care in nursing homes and hostels, community care, and assessment.

This Budget will help frail older people and their carers by ensuring a strong and viable residential aged care sector, improving service quality and consumer choice and expanding the community support services available to older people.

In particular, the nursing home and hostel sectors will be merged into a single and much simpler funding system and regulatory framework. Reforms also target the quality of nursing home buildings and the quality of residential care.

The frail aged will particularly welcome the Government's initiatives to liberalise the current eligibility requirements for the Carer Pension under the National Carer Action Plan, and to expand respite care and other services for carers through the National Respite for Carers Programme. Moreover, in recognition of the value of carers to the community, the Carer Pension will be renamed Carer Payment.

## **RETIREMENT INCOMES — SELF PROVISION**

### **Making Superannuation Fairer and More Flexible**

The Government has taken important steps in this Budget to make superannuation a fairer and more flexible retirement savings system for all Australians.

These measures will be significant in encouraging self provision for retirement and coping with an ageing population. The benefits will flow to all Australians. In addition, the Government has announced a number of measures to improve the access for older Australians to superannuation, as well as steps to expand the choice in superannuation arrangements which will be particularly beneficial to those individuals currently approaching retirement.

The Government is concerned to make the superannuation system fairer. For this reason, from 7.30 pm EST on 20 August 1996, tax deductible contributions made to superannuation funds by or on behalf of high income earners, will be subject to a surcharge of up to 15 per cent.

While this measure reduces the superannuation concessions provided to already well off people, it will not affect people already in retirement. Nor will it affect already accrued benefits, including all past contributions and earnings on those contributions.

### ***Capital Gains Tax Exemption on the Sale of a Small Business for Retirement***

Many small business people direct all of their earnings into their business, which is both their livelihood and their retirement saving plan. Recognising this, and reflecting its election commitment, the Government will allow individuals to claim an exemption from Capital Gains Tax (CGT) on the sale of a small business where the proceeds are used for retirement. It is intended that this measure will have the following features.

- The measure will operate in a manner consistent with the announcement in the Budget to provide CGT rollover relief for small business. In particular, taxpayers who would otherwise be eligible to claim CGT rollover relief will be allowed to claim the CGT exemption on the disposal of assets on or after 1 July 1997.
- To be eligible for the exemption, a taxpayer's total net business assets, including both passive and active assets, must not exceed \$5 million. The exemption will be restricted to businesses not wholly engaged in passive investment and will only apply where a direct interest in business assets is sold.
- Individuals will be allowed to claim the CGT exemption on up to a maximum capital gain of \$500,000. Taxpayers who claim the CGT exemption on the disposal of an asset will not be allowed also to claim CGT rollover relief on the purchase of a subsequent like asset.
- The exemption can be claimed by a person aged 55 or older, or by younger people if the proceeds are rolled over to a superannuation fund or an Approved Deposit Fund to be preserved until the superannuation preservation age (currently age 55).

- Amounts exempt from CGT will not attract a further deduction, nor will they be subject to superannuation contributions tax when rolled over to a fund. Such amounts will not be subject to Eligible Termination Payment tax when taken directly for retirement on or after age 55. Amounts exempt from CGT will be subject to the Reasonable Benefit Limits.

This measure will present small business people with a greater opportunity to provide for a secure retirement while continuing to invest and develop their businesses during their working lives. It will be a major benefit to older Australians who operate small businesses and are currently approaching retirement.

### ***Retirement Savings Accounts***

In fulfilling its commitment to provide Australians with greater choice in superannuation, the Government will allow banks, credit unions, building societies and life offices, which meet appropriate prudential standards, to provide superannuation in the form of Retirement Savings Accounts (RSAs) without a trust structure. The accounts will receive the same taxation benefits and be subject to the same retirement income standards as other superannuation products.

RSAs will not replace existing superannuation funds, but will expand the range of options for consumers. The accounts will be a simple, low cost, low risk product. They will complement existing arrangements by increasing competition and choice in the superannuation industry, thereby putting downward pressure on fees and charges, and encouraging better standards of service.

RSAs will be required to provide a guarantee of the member's capital and any interest or investment returns credited to the member's account. Because of the capital guarantee, RSAs may yield relatively modest returns compared to 'balanced portfolio' products. RSAs are, however, likely to be particularly suitable for older people who wish to protect their accumulated superannuation benefits from capital erosion and be assured of stable returns in the years just before retirement.

### ***Age Limit for Superannuation Contributions Increased***

As announced prior to the election, the Government will allow persons over age 65 to continue contributing to a regulated superannuation fund. Individuals will be allowed to continue contributing to a regulated superannuation fund up to age 70, provided they maintain a bona fide link with the paid workforce; that is, they are gainfully employed for at least 10 hours per week over the year. The measure will take effect from 1 July 1997. This will allow time for superannuation funds to make necessary changes to their trust deeds and for the required legislative amendments to be made.

The increased age limit will replace the existing transitional arrangements which permit funds to accept, before 30 June 2000, personal and employer contributions in respect of gainfully employed members who were at least 60 years old on 1 July 1990 and who are under 70 years old. These transitional arrangements were harsh and inequitable in that individuals born on 1 July 1930 could contribute to superannuation



until age 70, whereas people born the next day could generally only contribute until age 65.

The measure will also help those who have had poor access to superannuation by increasing the age at which individuals are generally allowed to make superannuation contributions. In particular, the measure will benefit women who leave the workforce to care for children, and others whose workforce experience has been characterised by breaks, by providing a longer period in which to accumulate an adequate retirement income.

The exemption age for the Superannuation Guarantee arrangements will also be increased from 65 to 70 years. This will provide consistency with the increase in the age limit for superannuation contributions.

#### ***Superannuation Low Income Spouse Rebate***

The Government is committed to adapting the superannuation system to reflect people's actual social and workforce experiences. For older people particularly, the superannuation system has operated within a rigid framework with many people, especially low-income women, not having access to their own superannuation plans.

To assist such people prepare for retirement, the Government is meeting its election commitment to introduce, from 1 July 1997, a tax rebate for contributions to a superannuation fund or Retirement Savings Account of a non-income earning spouse or working spouse with an annual income below \$10,800. The rebate of 18 per cent will be paid to a contributing spouse for contributions of up to \$3000.

This measure will have particular significance for low income, older women who may have had very little chance to save for their retirement in the past.

#### ***Tax Rebate for Low Income Aged Persons***

In accordance with the Government's election commitment, a tax rebate (equivalent to the level of the existing pensioner tax rebate) will be provided to low income aged persons. As a transitional measure, the rebate for 1996-97 will be at a level equivalent to half the pensioner rebate for 1996-97. The amount of the transitional rebate will be announced in March 1997. Those low income aged persons who qualify for the rebate will receive their full rebate entitlement with respect to the 1997-98 income year.

The tax rebate will be available to persons at or above age pension age (currently 60.5 for women and 65 for men) who are considered to be residents for Age Pension purposes (ie, individuals who have been resident in Australia for at least ten years) and who have incomes below the pensioner rebate cut-out threshold. As an indicator of the income thresholds that are likely to apply, the cut-out thresholds applicable to pensioners for 1995-96 were \$20,441 for a single person and \$31,730 for a couple (\$39,244 for a couple separated due to illness). These thresholds are revised each year in line with indexation of pension levels.

Eligibility for the rebate will be determined on the basis of family income as is the case for a pensioner couple. The rebate will be transferable between partners, provided both partners meet the pension income, age and residency criteria. This means that any unused rebate of one partner may be added to the rebate of the spouse where the spouse has, or would have, a tax liability. The transferability of the pensioner rebate presently only applies where both partners are pensioners, and will be extended to the situation where either one or both partners are non-pensioners provided that the abovementioned criteria are met.

This measure builds on other assistance to older people which the Government has provided since the election. In particular, the Government has reduced the provisional tax uplift factor from 8 per cent to 6 per cent for the 1996-97 income year, thus providing an important reduction in the provisional tax burden for many retirees.

## **RETIREMENT INCOMES — AGE PENSION**

### **Adequacy**

The Government has demonstrated its commitment to maintaining the single rate of pension at 25 per cent of Male Total Average Weekly Earnings (MTAWE) by factoring associated outlays into the Forward Estimates. This is the first Government to commit the Budget in this way and is evidence of the high priority this Government places on ensuring the adequacy of pension payments.

One of our pre-election commitments was that pensions would continue to be indexed twice a year in line with changes in the Consumer Price Index (CPI). This commitment will be met.

Indexation of pensions ensures that increases in prices, as measured by the CPI, are reflected in rates of payment, while the MTAWE commitment ensures that pensioners also share in increases in community living standards. Together, these measures demonstrate the strength of the Government's commitment to maintaining an adequate Age Pension as a safety net payment for those in need.

### ***Pension Bonus Plan***

The Pension Bonus Plan, under which people of age pension age could defer taking up their pension entitlement in return for an increased pension at a later date, did not proceed in the context of this Budget. Work is proceeding on developing the structure of the Pension Bonus Plan and appropriate strategies for its implementation, and it will be considered in a future Budget context.

### **Better Targeting and Simplification**

#### ***Removal of the Deeming 'Free Area'***

Currently, where the interest rate on the first \$2000 (singles)/\$4000 (couples) in cash and deposits with banks, building societies and credit unions is below the 5 per cent deeming rate, the actual interest rate is used for means test purposes. From

March 1997, the 5 per cent deeming rate will apply to these amounts. This measure will reduce intrusiveness and further simplify means test rules. It will also improve the effectiveness in targeting assistance to those most in need and encourage income support recipients to maximise the returns on their savings.

- On average, pensioners and allowees could lose payment of 25 cents per week and the maximum loss would be \$1 a week as a result of the measure. However if pensioners and allowees invest to earn a 5 per cent per annum return, they will be better off overall as their income will increase.

#### ***Removal of Superannuation Assets Means Test Exemption for Over 55s***

Age pensioners have their superannuation assets taken into account under the income and assets tests. Those people below age pension age generally have superannuation assets exempted for means test purposes, although superannuation savings are not subject to compulsory preservation once a person reaches age 55. The Government believes that, people aged 55 and over who have retired, or who have poor prospects of returning to work, should use all the assets at their disposal, including superannuation assets, to provide for themselves before turning to the community for support through the social security system. Therefore, from September 1997, the treatment of the superannuation assets of those aged 55 and over and on income support for at least 9 months will be brought into line with that for age pensioners.

#### ***Special Rural Task Force***

The Government will be establishing a Special Rural Task Force to consider the impact of the Social Security assets test on people in rural areas. The Task Force will consider and make recommendations to Government on a range of matters, including the operation of the hardship provisions for social security payments, the impact of the assets test where farmers are unable to sell or sub-divide their farm or where the farm is not viable, the inter-generational transfer of farms, and valuation arrangements for farm homes and curtilage. The Task Force will be made up of industry and community representatives and is likely to be convened soon after the Budget.

#### ***Rationalisation of Payments on Transfers from Allowance to Pension Payments***

Current practice when transferring customers from allowance to pension will be amended to avert windfall gains for customers during the transfer period. This will ensure that there is no overlap of payment.

#### ***Assistance for Widows and Partners***

To simplify current assistance to widows and partners, the phase out of widow B pension will be hastened by having no new grants of widow B pension from March 1997. Widow allowance will continue to be available for older widows under age pension age. Further assistance will be provided to older women who have lost the support of a partner and have difficulty in returning to work. From March 1997, the Widow Allowance will be extended to women aged at least 50 years old who were widowed, divorced or separated after turning 40 years of age. This measure will be of

particular benefit to older women who lose their partner before turning 50 and, as a result, have no option but to apply for unemployment payments if they require assistance.

As well, to further simplify the social security payment structure, widow B pensioners, widow allowees, partner allowees, mature age allowees and mature age partner allowees of age pension age will be deemed to be eligible for Age Pension and will be automatically transferred to that payment. People in these customer groups will continue to be transferred automatically to the Age Pension as they reach age pension age. Subject to a two year migrant waiting period, immediate access to the Age Pension will be provided to otherwise qualified women who are widowed, provided that both the woman and her partner were Australian residents at the time she was widowed.

### ***One Pension Advance a Year***

Currently certain allowees and pensioners are able to receive advances of their payments which are then repaid from their ongoing fortnightly entitlements. To streamline the administration of this measure, advances will be limited to one advance per 12 month period.

### ***Rent Assistance Changes***

From 1 July 1997, the maximum rate of rent assistance for single people, without dependent children and sharing accommodation with others, will be reduced to two-thirds the maximum rate for singles living alone. This initiative is based on the premise that single sharers generally have lower costs of living compared to those living alone.

This measure will not affect sole parent pensioners with children, couples or boarders and lodgers. It is estimated that about 17,000 age pensioners in the community are likely to be affected. Changes to rent assistance for pensioners in nursing homes or aged hostels are described under Health and Aged Care below.

### ***Removal of Pensioner Concession Card Entitlement for Certain Ex-pensioners***

This measure will improve the targeting of the Pensioner Concession Card (PCC) and associated benefits. It will affect certain ex-pensioners whose income is too high for them to qualify for a pension but who, because of a 'saving' provision introduced in 1991, have continued to receive a PCC after going off the pension. For the last five years, these people have been receiving a range of concessions to which their peers, in comparable circumstances, are no longer entitled. It is fair for them to be brought under the same arrangements that apply to others.

This measure will come into effect from 1 July 1997 and approximately 6000 ex-pensioners will lose access to the PCC. These ex-pensioners can reapply for the pension if they wish and, if they are now entitled to even a small amount of pension, they will receive a PCC. Alternatively, they can test their entitlement to a Commonwealth Seniors Health Card or a low-income Health Care Card. In accordance

with its election commitment, the Government is simplifying the application form for the Seniors Health Card.

### ***Change to Voluntary Work Provision for Older Unemployed People***

Voluntary work can provide a person with valuable work skills and contacts. It can also improve a person's self-esteem and help the community. From 20 September 1996, people aged 50 and over will be able to undertake unlimited full-time voluntary work with an approved organisation and still remain qualified for social security allowances. While they will not be required to actively look for paid work while doing voluntary work, they will still be required to accept a job offer.

From 20 September 1997, people under 50 who have been on benefit for 12 months or more and who are not selected for intensive employment assistance can do unlimited voluntary work. Also from that date, people under age 50 who have been on a social security benefit for at least three months will be able to do up to six fortnights' voluntary work and satisfy the activity test.

### ***Extended Compensation Provisions to Age Pensioners***

Currently age pensioners have compensation payments treated as ordinary income. From 20 March 1997, new recipients of Age Pension receiving a compensation payment will have it treated in the same way as other income support recipients. This means, if they receive a periodic compensation payment, they will have a direct deduction from their pension and, if they receive a lump sum compensation payment, they may be precluded from pension for a period.

### **Customer Service**

An important focus for 1996 and beyond is on providing better information and more personalised services to older Australians. The aim is to inform people more comprehensively of the range of options open to them in retirement, to encourage a more proactive approach to retirement planning in the wider community and to reduce confusion about social security arrangements.

Set out below are some current initiatives that the Commonwealth Government is undertaking in this area.

### ***Shopfronts***

There is a growing perception in the community that the Departments of Social Security (DSS) and Veterans' Affairs (DVA) and the Australian Taxation Office (ATO) are not simply payment or collection agencies, but are also points of information and support facilities. New and more accessible **'one stop' service outlets** are being trialed to inform people better of the pension, tax and investment options available to them. The trial will also indicate whether older people find it useful to visit the one office in order to access services from the three Departments. This is expected to be a more efficient and cost effective way for the Government to deliver services. The pilot outlets are staffed by officers from each of the participating Departments, who will continue to

provide the services of each of their 'home' organisations. The outlets are located where there is a high concentration of older people:

- Camberwell, Vic (attached to the Camberwell DSS Office);
- Chatswood, NSW (attached to the Chatswood DSS Office);
- Robina, Qld Gold Coast (a DSS shop-front service);
- Fremantle, WA (attached to the Fremantle DSS Office);
- Braddon, ACT (attached to the Braddon DSS Office); and
- Launceston, Tas (attached to previous ATO premises).

From the middle of 1997, a new payment agency will be formed, based on the existing DSS network, with additional functions for CES registration, Austudy and childcare arrangements. The shopfront trials will form the basis of how the new agency delivers services to older Australians.

#### ***Streamlined Service to Pensioners who Interact with both DSS and DVA***

To improve customer services to pensioners with dual entitlements to DVA and DSS payments, the Government has decided to trial arrangements under which the DVA can, on an agency basis, and at the veteran's request, service and pay the pensions of veterans who also receive a disability pension from DVA. This will largely remove the need for these pensioners to deal with both agencies.

#### ***Financial Information Service***

Since its introduction in November 1989, over one million people have contacted the Financial Information Service (FIS). FIS is a free service to current and future Social Security and Veterans' Affairs pensioners, non-pensioner retirees and those planning their retirement. FIS aims to help people improve their standard of living in retirement by using their private resources to best advantage. The service is founded on the principle that pensioners will always be better off investing their assets wisely, rather than trying to arrange their affairs artificially to qualify for as much pension as possible. It serves the dual purposes of containing Age Pension expenditure so that it can be directed to those who most need it, while at the same time maximising pensioners' overall income. FIS officers provide information on the Social Security, Veterans' Affairs and taxation treatment of investments, discuss financial strategies and types of investments and help people to find the best source of financial advice.

#### ***Revised Claims Process for Age Pension***

Those people qualifying for Age Pension will now be given a 'kit' of information to assist them to claim Age Pension as easily and efficiently as possible. These information packages will be widely distributed in 1996 through regional offices and community outlets. The packages will include an investment handbook covering the

principles of financial planning and investment, and a new claims package for new Age Pension claimants which includes information on the way investments are assessed under means test arrangements, their rights and ancillary services.

### ***Reviews***

As well as initial contact with DSS when first claiming Age Pension, the other area where many people will have ongoing contact with the Department is through the various review processes undertaken to update the records of pensioners' income and assets. The Government wishes to minimise unnecessary intrusion into the lives of age pensioners. At the same time it is also concerned to ensure that Age Pension, like all other income support payments, is correctly assessed in accordance with income and assets test rules designed to target payments to those most in need. DSS is looking at the processes under which payments to age pensioners are reviewed to ensure that while they do not intrude unnecessarily in the lives of pensioners, they are soundly based in terms of risk assessment.

## **VETERANS**

### **Support**

The majority of veterans are those who fought in World War II and have an average age of 71 years. The Government is committed to the maintenance of benefits for these and all veterans and in a number of initiatives in this Budget these services will be enhanced.

#### ***Medication Review Programme***

The goal of this programme is to improve the health of veterans through more efficient and effective use of medication. Through this programme DVA will increase the awareness amongst health care professionals and the general community of the nature and extent of drug related problems. This will include a review of the provision of pharmacist medication for selected high risk veterans. Veterans receiving multiple medications would include in-patients of public and private hospitals, those residing in hostels and nursing homes, as well as veterans living in their own homes. A number of studies have indicated that patients in these categories are all at risk of adverse drug reactions. The programme involves the development of evaluation techniques to measure the effectiveness of intervention, as well as estimating the economic impact of inappropriate prescribing. As more appropriate servicing patterns are achieved there will be a reduction in costs to the Government.

#### ***Review the 'Eligible Drugs' List for Veterans***

To ensure the provision of high quality health care for veterans, the Government has provided \$150,000 for one year to cover the cost of a high level clinical and academic consultants' review of the existing Repatriation Pharmaceutical Benefits Scheme (RPBS) schedule in response to veterans' and health care providers' concerns that the list's contents may be inadequate for veterans' optimum care needs and that anomalies exist. The consultants will also be asked to research and advise about new pharmaceutical items for consideration for RPBS listing.

#### ***Defence Service Homes Scheme (DSH) Loan — Remove Interest Penalty for Additional Advances***

This policy change will increase the flexibility of the Defence Service Homes Scheme to enable it to be more responsive to the changing housing needs of veterans and remove an anomaly in the current scheme. The change will enable veterans who seek less than the maximum loan of \$25,000, at an interest rate of 6.85 per cent per annum, to receive the balance at that same interest rate and not 10 per cent per annum as previously. As the greatest proportion of borrowers for maintenance and repairs are elderly veterans or widows, this policy change will remove the burden from them of paying what has effectively been a penalty interest rate.



### ***DSH Loan — to Widowers of WWII Women***

In the past, veterans who have been assisted by the DSH on the basis of their own service and are widowers of WWII ex-servicewomen have not been entitled to a second loan based on their status as widowers. This change extends the level of support by allowing entitlement to a second DSH loan by widowers of WWII ex-servicewomen and removes an anomaly in the current scheme.

### ***Other Support Measures***

#### ***Remove Anomalies on Spectacles and Footwear***

This policy extension will provide eligible veterans with a wider range of spectacle frames, providing more choice while maintaining quality of frames. Veterans and war widows will also be able to obtain graduated lenses instead of bi-focals and tri-focals, based on preference.

The footwear proposal will be of particular benefit to veterans in rural and remote areas as it extends the current policy to allow the issue of a third pair of medical grade footwear if the eligible veteran lives in a country area: that is, over 100km from the nearest footwear prescribing podiatrist, or where the veteran's occupation warrants it. This change reflects the higher rate of wear and tear footwear is exposed to in rural and remote areas.

#### ***Resourcing Ex Service Organisations' Practitioners under the Training and Information Programme***

This programme will provide direct funding for three years to major Ex Service Organisations in all States to enable them to employ additional practitioners to handle an anticipated increase in reviews to the Veterans' Review Board and to provide them with the information technology tools to enable them to maximise the efficiency of practitioners.

#### ***Asbestos Screening for Merchant Mariners***

This is a commitment to provide screening for asbestos related diseases to a relatively small group of veterans who may have been exposed to asbestos while at sea during WWII. The screening will be funded for two years at a cost of \$150,000 per year.

#### ***Funeral Benefits — Transportation of Remains***

This amendment allows entitlement to the cost of transportation of remains as part of a funeral benefit payable on the grounds of the veteran's financial need.

#### ***Increase the Rate of Victoria Cross Allowance***

The allowance to be paid to the three surviving Victoria Cross holders (two of whom are WWII veterans) will increase from \$250 to \$2700 per year, matching an increase in the UK Government allowance to British Victoria Cross holders.

## **Recognition**

### ***Australian War Memorial Code Compliance, Visitor Access and Refurbishment***

This policy will ensure that the Australian War Memorial, which commemorates the sacrifices of Australians over several generations, is refurbished in line with current building compliance codes applying to all Commonwealth buildings (including fire compartmentalisation, emergency exits and a disabled person's hoist) and incorporates visitor safety requirements. The changes will be incorporated at the substantially reduced cost of \$7.050 million over four years as they will be undertaken in conjunction with separately funded exhibition capital works presently planned. The work will address major deficiencies in access between levels and will ensure that the visitor circulation system is relevant to both young and older Australians.

There will continue to be no entrance fee to the Australian War Memorial.

### ***Commemorative Activities***

This programme is designed to meet the commemorative needs and expectations of veterans and the general community. It is a structured, ongoing, annual plan of commemorative activities enabling the *Australia Remembers* programme to extend to all conflicts and wars. This programme is also relevant to veterans and their dependants from those conflicts not yet commemorated, such as South Africa, Korea, Malaya, Borneo, Vietnam and other operations eg British Commonwealth Occupational Forces and peacekeeping forces all of whom have an expectation that they too will be recognised and their sacrifices officially commemorated. The programme will include a range of initiatives designed to encourage all Australians to understand and recognise the personal sacrifice and courage of those who served in all conflicts and wars. In particular, the programme will focus on educating our youth about the role Australia's veterans have played in shaping our past and our future.

### ***Vietnam Revisited***

The Government has already honoured its commitment to funding a return visit to Vietnam for Australian Vietnam veterans to commemorate the 30th anniversary of the landing of the First Australian Task Force and the Battle of Long Tan. In August, the 30 veterans, representing all those who served in Vietnam during 1962-73, returned to former battle grounds to commemorate the sacrifice of soldiers from both sides. The visit provides the highlight for the *Australia Remembers Vietnam — 30 Years On* commemorative programme.

### ***Increased Demand for Maintenance of Australian Office of War Graves (AOWG) Graves and Memorials***

The Government has provided additional funding for each of the next four years to ensure the maintenance of appropriate standards of care and maintenance for war graves by placing more work with the private sector for cemeteries in the metropolitan areas of Sydney, Melbourne and Brisbane. This approach will enable the AOWG to

cope with the increased demand for the care and maintenance of graves and memorials as some 1300 graves and memorials enter the AOWG's responsibility each year.

***Sandakan Memorial Park — Sabah, Malaysia***

Funding of \$780,000 over the next four years will ensure that the facilities at the Memorial Park are developed and expanded to present better the wartime history of the Prisoners of War (POW) camp and to commemorate those who died. The Commonwealth has a shared responsibility with the Returned and Services League for funding maintenance of the Memorial Park at a site adjacent to that of the wartime POW camp at Sandakan. The existing Memorial Park conveys little of the existence or nature of the POW camp. Enhanced, the Park and site of the camp will honour the sacrifice and suffering of the Australian and British POWs and serve to inform visitors via a Museum, Information Centre and walking trails.

***National Memorial to Service Nurses***

The Government is committed to commemoration of significant service and sacrifice in time of war. The Government will, therefore, contribute \$100,000 in 1996-97 to this memorial which meets a publicly acknowledged need for national recognition of the contribution made by Australian Service Nurses (both male and female) who have suffered and died in combat areas since 1899.

## **HEALTH AND AGED CARE**

### **Residential Aged Care Structural Reform**

There have been a number of reports in recent years that have highlighted major structural flaws in the residential aged care system. Nursing home and hostel providers have faced inadequate funding for dementia care, a crisis in capital investment and an inefficient and inflexible funding system.

Under this reform package, the nursing home and hostel sectors will be merged into a single residential aged care programme, with a single and much simpler funding system and regulatory framework to replace the two very different ones currently in place.

The existing separation between nursing homes and hostels has made residential aged care cumbersome and bureaucratic. More importantly, it has generated unnecessary problems for many older Australians who have fallen between the gaps, particularly people with dementia and those who have been forced to move from one facility to another as their care needs have changed. The creation of a single residential aged care programme means that frail older people will be properly funded for the care they need no matter where they are, nor how frail they are.

The reforms also target the quality of nursing home buildings. Many nursing homes operate in substandard facilities with problems such as crowded bedrooms. These facilities will improve dramatically with the extension of hostel-style resident entry contributions to nursing homes, linked to minimum building standards. In this way providers will have the incentive to invest in necessary new building, rebuilding or upgrading.

Quality residential care will be enhanced through the establishment, from 1 January 1998, of a national Aged Care Standards Agency. The Agency will work in partnership with the industry and consumers to ensure excellence through accreditation and peer review.

As our population ages, residential aged care will come under increasing pressure as demand for services grows. The structural reforms outlined in this Budget will give older Australians a strong, sustainable aged care sector. A vital key is the introduction of income tested subsidies. While some higher income residents will pay more, people who get the full Age Pension will not be affected by the income test. Access to care by the financially disadvantaged will be strongly protected.

These reforms are a necessary precursor to implementing the health and community services reforms endorsed by the Council of Australian Governments in June and Health and Community Services Ministers in July 1996.

### **Replace Rent Assistance with Higher Direct Subsidies**

From 1 July 1997, rent assistance paid to pensioners in nursing homes or aged hostels will instead be paid as higher direct subsidies to service providers. This will improve

the transparency and accountability of residential aged care funding. The standard resident contribution will be reduced to ensure that no one will be worse off. Special arrangements will be put in place to protect older people who receive part rent assistance.

### **Client Fees in Home and Community Care**

For every frail older person using residential care, there are four using community care services. Most community care is provided through the Home and Community Care (HACC) programme which is cost shared between the Commonwealth and State and Territory Governments. HACC includes services such as home help, personal care, meals on wheels and home nursing.

The Government is committed to maintaining 6 per cent real annual growth in HACC funding, but has done so in the context of improving equity in the system by asking people to pay a fair and reasonable contribution to the cost of their care.

At present, HACC clients in some parts of Australia pay fees, while many other clients do not. Charges also vary across the States and Territories. To address this problem, the Commonwealth will ask State and Territory Governments to implement a draft national client fees policy. This would ensure HACC clients across Australia receive fair and consistent treatment. People on low incomes or people who need a number of HACC services will also receive protection.

### **Healthy Seniors**

The Healthy Seniors Initiative is one of the ways in which the Government is targeting efforts to improve the health of older people. The Healthy Seniors Initiative forms part of a national approach to maintaining the ongoing good health of older Australians.

The Government will provide grants to innovative projects which facilitate good practice and a sustainable infrastructure for achieving good health and well-being for older people. These may include, for example: tailored exercise regimes suitable for frailer people; assistance to older people to cope with grief and loss; community based leisure and participation programmes; and projects which help older women who have become isolated to redevelop social networks.

The aim is to promote good health for senior Australians by removing the barriers that stop some older people from participating in physical, recreational and community activity, and to decrease the social isolation they suffer.

The project outcomes will be evaluated and disseminated through the Australian Health Ministers' Council processes.

### **Private Health Insurance**

Older people are the heaviest users of health services in the population. They will be helped to afford the cost of their health care by the Government's programme to provide financial incentives for people who have or take out private health insurance.

From 1 July 1997, the incentives will be available to single people with a taxable income of less than \$35,000 and to couples and families with a dependent child with a combined taxable income of less than \$70,000. The family income threshold increases by \$3000 for each additional child.

Those with hospital cover only will receive \$100 per annum if they are single, \$200 for a couple or \$350 for a family. Those with ancillary cover will receive an additional \$25 if they are single, \$50 for a couple or \$100 for a family.

Eligible people will be given a choice as to how they receive the incentive. They may choose to register with their health fund, in which case they will be charged lower premiums and receive the incentive through a payment to their fund, or they may choose to receive the incentive as a year end taxation rebate.

More than 800,000 older people currently have private health insurance.

The measure aims to halt the decline in private health insurance participation that poses a serious threat to the viability of the entire health system. Private health insurance is essential if Australia is to make the most efficient use of its hospital resources. This measure will assist in reducing public hospital waiting lists and will ensure public hospitals continue to receive much needed revenue through the treatment of privately insured patients. The private health sector and the public health sector are complementary. Both are essential if the health needs of the community are to be met.

#### **Pharmacies as Medicare Agents**

Medicare claiming facilities will be installed in about 400 selected pharmacies progressively over the next two years. This will protect and improve access to Medicare for older Australians and others, especially in rural and regional areas, where there are often no Medicare agencies at all. At the same time, 84 low use, low demand Medicare offices in areas serviced by the pharmacy facilities will be closed.

#### **Pharmaceuticals**

The Government has in place activities to encourage the wise or appropriate use of medicines. This is particularly important for the elderly who on average have a higher need for medication.

The Pharmaceutical Benefits Scheme (PBS) offers another support to older people to assist in meeting their medical costs. Age pensioners and other concession card holder who incur pharmaceutical costs over the safety net threshold are entitled to free prescriptions.

The annual increase in the costs of the PBS has averaged over 14 per cent in recent years. The Government has decided that more of the costs must be borne by users of the Scheme.

From 1 January 1997, copayments for people holding a concession card will increase from \$2.70 to \$3.20. At the same time, the safety net threshold (that is the PBS safety

net for concessional beneficiaries) will be increased from \$140.40 to \$166.40 a year. This will still represent the cost of 52 prescriptions.

Prescriptions will continue to be free after the safety net and pensioners will still receive the Pharmaceutical Allowance (at \$2.70 a week) in their pension to help cover the out-of-pocket costs of their medicines.

This will break the link between pharmaceutical allowance and the safety net and means that concessional patients, including those receiving pensions, will have a maximum out-of-pocket cost of \$26 before reaching the safety net.

- Since 1992, the concessional copayment has increased by only 10 cents or 0.9 per cent whereas the average PBS prescription cost for concessional patients has increased by 32.4 per cent.

The copayment for general patients (non cardholders) will increase to \$20 from 1 January 1997. The safety net of \$600 will only be changed on 1 January 1997 by the normal indexation for the cost of living. The copayment after the safety net will increase from \$2.70 to \$3.20 in line with the change for cardholders.

### **Musculoskeletal Medicine Clinics**

Musculoskeletal diseases such as arthritis are a major cause of morbidity among people aged 65 and over. The Government has recognised that the management of musculoskeletal diseases needs to be improved. It will therefore provide funding over three years to establish six public hospital clinics specifically to develop best practice protocols in this area and to provide education and training for the professionals involved in the care and treatment of people with musculoskeletal problems.

### **Topical Anti-Fungals**

The Schedule of Pharmaceutical Benefits is kept under review to ensure that taxpayers' money is used to best effect. It has been decided to delete topical preparations treating fungal infections from the Schedule. These products are usually used for treating mild conditions and most are available without the need for a prescription.

### **Dental**

The Commonwealth Dental Health Programme, a four year initiative announced in the 1993 Budget, has met its objectives one year sooner than expected. By the end of 1996, more than 1.5 million low income earners, including many elderly people, will have benefited from the improvements in access and quality that the programme has achieved.

The States have achieved considerable success over the past three and a half years in reducing waiting times and improving access for disadvantaged people and the task originally set for the programme is now essentially complete. The Government has decided to complete the programme now. Age pensioners and other concession card holders will continue to be able to use State and Territory public dental programmes.

## **Hearing Services**

Pensioners and veterans who have a hearing loss will be assisted by reforms to purchasing arrangements for hearing services through the introduction of a voucher system, redeemable at the government-run Australian Hearing Services, or at the participating private provider of their choice.

## **Conference for Older Australians**

A Conference for Older Australians will be established to provide on-going national coordination and advice on a strategy for the 1999 International Year of Older Persons. Membership of the Conference will be drawn from older Australians from a wide range of backgrounds and interests.

The Conference will also assist the Government by providing advice on medium to longer term policy issues affecting older people.



## **CARERS**

Carers play a vital role in our community and particularly in the support of the frail aged. This Budget improves the support services available to carers by providing significant extra funding for the National Respite For Carers Programme (NRFCP) which will augment existing respite funding and establish Carer Resource Centres across Australia. The programme gives greater assistance to carers, improving the coordination of respite assistance, and offering carers access to respite assistance in times of crisis or emergency for carers. An extra \$36.7 million above 1995-96 expenditure will be available over four years for these purposes comprising \$24.2 million in additional Budget funding and \$12.5 million in growth.

The NRFCP is linked to the Government's National Carer Action Plan (NCAP). Two initiatives under the NCAP will increase the flexibility of caring arrangements by liberalising the current eligibility requirements for carer payments. These initiatives:

- will increase from 42 to 52 the number of days a carer may temporarily cease caring in a calendar year without affecting their qualification for carer payment. This will enable carers to utilise respite care services more, thus easing the pressure of their caring responsibilities; and
- extend from 10 to 20 hours per week the time that carers may spend in employment, voluntary work, education or training, thus assisting them to develop, update or maintain skills whilst caring and enabling a smoother transition for them when they are able to return to work.

Carer Pensions will be renamed Carer Payment in order to provide better recognition of the valuable contribution and service made by carers to the community in return for their income support.

It is proposed that these measures will be introduced from July 1997.

## NATIONAL CAMPAIGN AGAINST VIOLENCE AND CRIME

Crime and violence are important issues for all members of society. Older people are often more fearful of crime based on a reasonable perception of vulnerability. The Government will specifically address the concerns of older Australians in each of the four streams of its National Campaign Against Violence and Crime (NCAVC) which are:

- **National crime prevention** initiatives to promote, develop and encourage best practice nationally.
- **Capacity building** with States and Territories, to respond to crime and violence in a proactive, strategic manner, including through the enhancement of Commonwealth mainstream policies.
- **Community education** to increase and influence public and professional awareness of crime and community safety.
- **National coordination** through the development of crime prevention data bases and sponsorship strategies.

Under the first stream, the NCAVC will fund a number of national developmental projects, which are likely to include a project aimed at reducing fear of crime. This project is of direct relevance to older people as they consistently report greater levels of fear than their actual risk warrants. This fear arises from a reasonable perception that they are more vulnerable to the effects of crime and violence. The Government also hopes to fund a project aimed at determining the most appropriate burglary prevention measures to reduce repeat victimisation. This too is of direct relevance to older people because, even though burglary is a property crime, it impacts on older people's feelings of personal safety.

Through the capacity building stream the NCAVC will assist Local Governments develop crime prevention strategies to support older people and improve their safety and security. Older people are often frightened when young people congregate in public spaces and projects will address this issue. Also under this element of the NCAVC, Commonwealth Government policies which impact on older people will be examined for their crime prevention implications. The NCAVC may also commission research into the incidence of elder abuse and preventative strategies in its second year.

Older people are an integral and valuable component of our society and like all Australians they deserve to live their lives free from fear and the threat of crime. They also need to be aware that they have a low chance of becoming a victim of crime and of the preventative measures they can take. These messages will be disseminated through Community Education programmes.

An audit of existing crime prevention initiatives will highlight best practice in improving the safety of older people. This material will be available as a public resource.