



**Federal  
Pre-Budget  
Submission  
2017-18**

## Who we are

Representing 200,000 members and supporters aged 50 and over across the country, National Seniors is the consumer lobby for older Australians and the fourth largest organisation of its type in the world.

Our members trust us to fearlessly and independently reflect their views to government, business, media and society.

The recommendations in this document are drawn from the membership grassroots through surveys, letters, emails, telephone calls, volunteer state policy advisory groups and a diverse and experienced Board.

The development of these recommendations is supported by highly qualified policy staff and our respected research arm.

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## Investing in older Australians

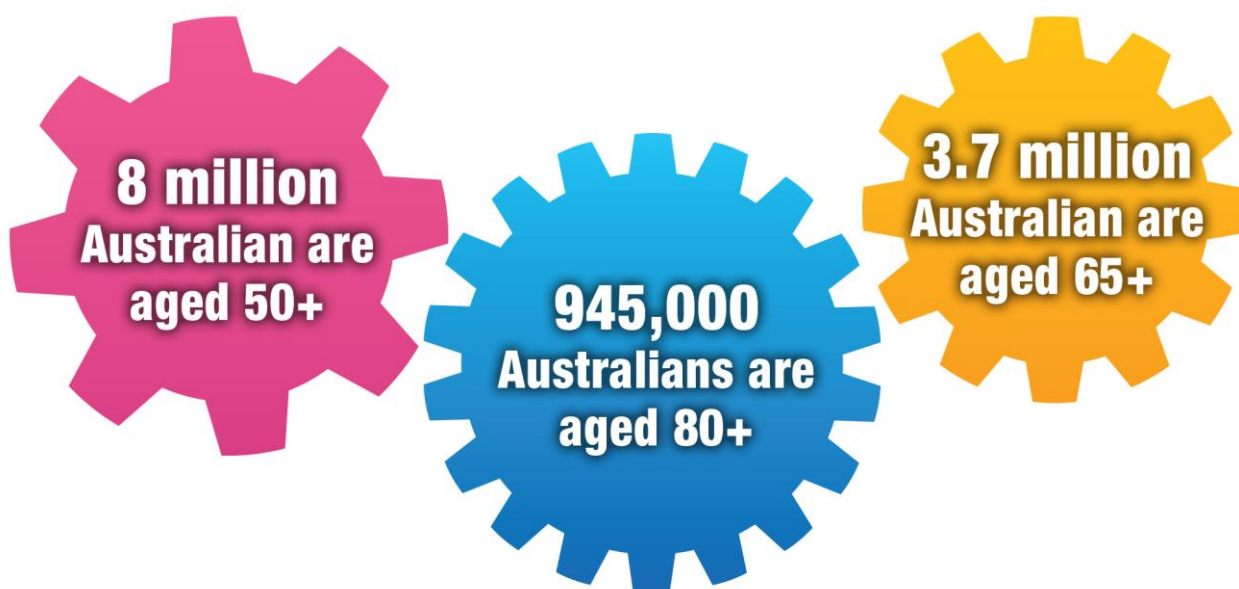
The path to a more prosperous nation can only be achieved by enabling older Australians to contribute fully to society.

As the population ages, older people continue, more than ever, to make an important contribution to economic and social wellbeing of the Australian community.

Through paid employment, volunteering and care-giving roles, the over-55s contribute an estimated \$90 billion a year to the economy and community alone<sup>1</sup>. This contribution will only increase as the number of people over 50 doubles by 2050<sup>2</sup>.

It is critical that the tax and transfer system enables all Australians to accumulate wealth to support themselves in older age. This will make more Australians self-sufficient in retirement and provide the economy with capital that can be invested to support future economic growth. Encouraging wealth accumulation is the key to the future prosperity of Australia.

Given that Australians aged 50 and over make up one-third of Australia's population<sup>3</sup>, they will undoubtedly play a critical role in overcoming the challenges facing the economy.



**Older Australians should not be targeted by budget measures that undo years of hard work and careful planning.** Older Australians acknowledge that these testing economic times and support efforts to promote economic growth and budget repair, but they also expect that this is done in a considered manner that is both fair and equitable.

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<sup>1</sup> National Seniors Productive Ageing Centre (NSPAC). 2009 *Still Putting In: Measuring the Economic and Social Contributions of Older Australians*. National Seniors Australia: Melbourne (Data updated in 2014).

<sup>2</sup> Australian Bureau of Statistics. 2014. *Does Size Matter? - Population Projections 20 And 50 Years From 2013*. Projections by the Australian Bureau of Statistics state that the proportion of people aged 65 years and over would increase to 19% in 2033 (from 14% in 2013). The working age population would decrease to 63% of the population, and there would be 59 'dependents' for every 100 'workers' in 2033. The proportion of people aged 85 and over would increase to 3%.

<sup>3</sup> <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3101.0Jun%202016?OpenDocument>

**To support economic self-sufficiency and wealth accumulation, government must increase mature-age workforce participation.** This can be achieved by promoting and valuing age diversity in the workplace, encouraging female workforce participation and by ensuring that workers have the skills and knowledge required as the economy continues to transition.

**Government should assist older Australians to make use of information technologies.** Digital literacy and cyber safety skills are essential for social and economic engagement in modern Australia. They are also critical to the efficient delivery of health and social services in the future.

**There is a need to ensure that the health of all Australians is maximised and maintained as they age.** This not only supports individual wellbeing, but enhances participation in productive activities, such as employment, and minimizes the social and economic costs of ill health throughout an individual's life.

**Older Australians need to be aided to access appropriate housing options that enable ageing-in-place.** This will reduce pressure on health and community services and reduce the cost of delivering these services. Older Australians should also be assured that they are adequately protected if they choose to live in retirement villages.

**Support for vulnerable older Australians is also critical.** Older Australian's should expect high quality aged care services, which provide competent and caring assistance to address complex needs. There should also be adequate protections in place to reduce the risk of elder abuse.

To this end, this submission provides a number of recommendations, which seek to:

- improve the sustainability and fairness of the tax and transfer system
- encourage saving and investment
- increase mature age employment
- enable older people to readily and safely embrace technology
- promote improved and equitable health outcomes in later life
- provide more suitable housing options for older people
- protect older Australians in retirement villages
- increase the quality of aged care, and
- prevent elder abuse.

The recommendations outlined in this submission will create a more sustainable economic system, while maximising health and wellbeing outcomes for people as they age. Implementing these recommendations will also ensure that older Australians are treated with dignity and respect.

We urge government to adopt these recommendations.

## Recommendations

### Retirement Income

1. Commit to fair and equitable reform of the tax and transfer system.
2. Amend the Age Pension taper rate changes which took effect on 1 January 2017.
3. Maintain existing concession card eligibility rules.
4. Maintain the current taxation and transfer system treatment of the family home.

### Employment

5. Provide an early intervention reskilling program for “high risk” mature-age employees, *before they become unemployed*, that promotes career planning, identifies skill deficits and provides access to training opportunities for at risk mature-age workers *before they become unemployed*.
6. Create a subsidiary program of the New Enterprise Incentive Scheme (NEIS) for mature-age entrepreneurs.
7. Assist women to re-enter or remain in the workforce by acknowledging and supporting the important role played by grandparent childcare.
8. Promote age friendly workplaces by establishing a Prime Minister’s Employer Champion Award to recognise Australian businesses that demonstrate best practice in employing older people

### Digital Literacy and Cyber Safety

9. Deliver initiatives that enable older Australians to make use of information technology innovations by building digital literacy and cyber safety skills.

### Health

10. Remove the inequity within the PBS by reducing the safety net threshold for a low-income single person or a single concession card holder to 66 per cent of the threshold of a couple or family.
11. Continue to substitute cheaper generic medicines and negotiate more favourable purchasing agreements with drug companies to increase access to medicines.

### Housing

12. Implement a ‘Rightsizing’ pilot program that exempts up to \$250,000 from the sale of the home for other productive uses.
13. Develop nationally consistent laws governing retirement villages and establish a retirement housing commissioner with oversight of retirement villages nationally.

## Aged Care

- 14.** Improve the quality of residential aged care by developing a comprehensive workforce strategy.
- 15.** Ensure that aged care funding takes into account the staffing levels and the skills mix required to deliver of these services to an adequate standard.
- 16.** Maintain the government guarantee for aged care lump sum accommodation payments.

## Elder Abuse

- 17.** Develop a national elder abuse prevention strategy which includes a national prevalence study and national public awareness campaign.
- 18.** Develop nationally consistent laws governing decision making instruments, such as enduring powers of attorney and advance care directives; create a national online register of enduring power of attorney documents.

## Budget Measures

National Seniors recommends the Commonwealth Government adopt the following budget measures.

### Retirement Income

#### **1. Commit to fair and equitable reform of the tax and transfer system.**

Economic growth and development requires a degree of certainty. While a level of risk is inherent in markets, government plays an important role in constraining excess risk by setting policies and rules that enable individuals to confidently engage in economic activity.

While government may, from time-to-time, seek to change policy settings and rules as a means of addressing changing behavior, economic conditions and public expectations, Australians require a level of certainty and confidence, especially in retirement.

Those close to or in retirement need to know that the decisions they make will not be negatively impacted by constant rule changes. This is especially important given that people have limited capacity to alter their economic situation once they have left the labour market.

National Seniors feels that the retirement income system is being regularly changed with what appears to be little foresight, planning or gain. Our members feel that they have been asked time-and-again to tighten their belts to deliver budget repair at significant personal cost.

While older Australians are conscious of the need for ongoing economic reform and budget repair, they feel they are being constantly and disproportionately targeted when many remain untouched and others are being offered generous tax cuts.

Low-income part-pensioners and self-funded retirees, in particular, have been on the receiving end of a myriad of cuts, which have impacted on their income and entitlements. This is undermining their confidence in government.

National Seniors supports, for example, calls to establish an independent tribunal to assess the base rate of the pension in order to deliver a fair and decent standard of living to recipients<sup>4</sup>.

Ultimately, older Australians want to see a commitment by government to fair and equitable reform of the tax and transfer system so that seniors are not being asked to disproportionately shoulder the burden of economic reform and budget repair.

### Pensions and concessions

#### **2. Amend the Age Pension taper rate changes which took effect on 1 January 2017.**

#### **3. Maintain existing concession card eligibility rules.**

The changes to asset test thresholds and taper rates, which came into effect in 1 January 2017, are of significant concern to National Seniors members. While the increase to the assets test free

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<sup>4</sup> Smith, W. and Hetherington, D. 2016. The Adequacy of the Age Pension in Australia: An assessment of pensioner living standards. Benevolent Society [http://percapita.org.au/wp-content/uploads/2016/10/Pension-Adequacy\\_Final.pdf](http://percapita.org.au/wp-content/uploads/2016/10/Pension-Adequacy_Final.pdf)

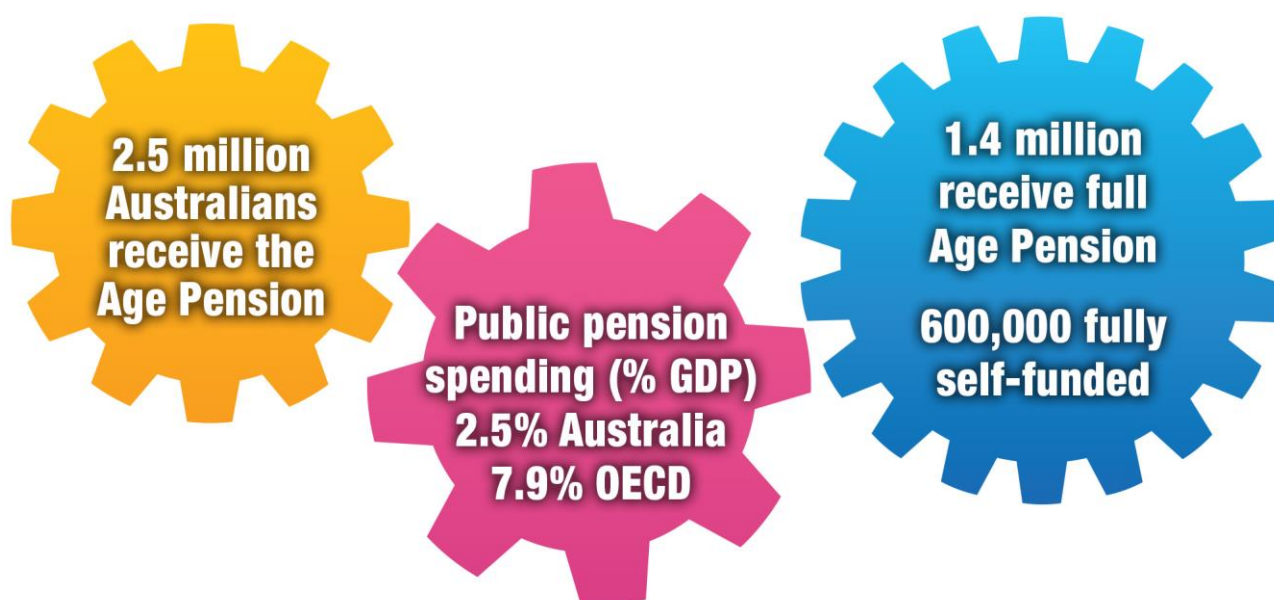


area is welcomed and will improve the situation for around 170,000 pensioners, roughly 330,000 Age Pension recipients will lose either some or all of their pension and associated concessions.

This change has been ill-considered and poorly implemented. It has impacted thousands of Australians who have prudently planned and saved for their retirement.

What is of most concern is the fact that these changes create perverse incentives for middle income households to spend rather than save for their own retirement<sup>5</sup>. Many retirees will be worse off than those receiving a part-pension with less assets and are, in essence, being encouraged to spend or divert asset wealth to remain eligible for the Age Pension and associated concessions.

This will dramatically undermine any potential gains and result in a diminishing of the capacity of older Australians to contribute to their retirement over the long-term because they would have diminished their productive asset wealth.



National Seniors believes that the taper rate should be reduced to minimise these perverse outcomes. The decision to double the taper rate from \$1.50 to \$3.00 is too severe and a more reasonable rate of \$2.00 should be considered that promotes economic reform that is fair. This will lessen the impact of the current changes, which has been considerable in many instances.

Government should also make a commitment to maintain concession card eligibility rules to ensure that there are no further negative impacts for older Australians in the future. Concessions are an important tool to reduce cost of living pressures faced by older Australians so should be maintained.

Any future rule changes must be phased in over time and be considered with regard to their impact on older Australians as well as the sustainability of the retirement income system as a whole.

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<sup>5</sup> Ingles, D. and Stewart, M. 2015. 'Why pensioners are cruising their way around budget changes' in *The Conversation* <https://theconversation.com/why-pensioners-are-cruising-their-way-around-budget-changes-42544>

## The family home

### 4. Maintain the current taxation and transfer system treatment of the family home.

National Seniors is opposed to including the family home in the Age Pension means test. Not only does the family home represent a stock of wealth that can be drawn on in later life to pay for the costs of aged care but it also represents a significant social, emotional and psychological resource that connects older people with family, friends and community and contributes to the maintenance of health and wellbeing.

Owner occupied housing represents the principal form of lifetime savings for most Australians and is a critical source of security in retirement. As with superannuation, favourable tax treatment of owner occupied housing compensates for bias in the income tax system against longer term savings.

Concessional treatment under the Age Pension means test is also appropriate, not only because it provides incentives for people to save for their retirement but also because all the evidence shows that retirees who do not own their home – particularly full pensioners – face a very high risk of poverty.

## Employment

Increasing workforce participation amongst the over-50s is critical to Australia's ongoing prosperity.

Older Australians have the potential to make a significant contribution to the economy. Research estimates we lose \$16.2 billion a year by failing to utilise the skills and experience of older people who want to work<sup>6</sup>. Furthermore, it is said that a five per cent increase in the paid employment of Australians aged 55 plus would add \$48 billion to the economy<sup>7</sup>.

The economic imperative to utilise mature-age workers is great. As the relative balance between the working and non-working population changes, it will become more difficult to attain an adequate tax base to support government spending. It is essential that government support greater workforce participation among older Australians to increase economic growth and government revenue.

Not only does increased workforce participation increase government revenue but it also enhances self-sufficiency, reducing the risk of poverty and economic dependency in old age. Many older Australians are underemployed or discouraged from working or looking for work because they find it difficult to obtain appropriate opportunities. Those lucky enough to find work are often employed part-time but want to work more hours. Those that can't find work are likely to face long-term unemployment.

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<sup>6</sup> Updated figure from National Seniors Australia 2009. *Experience Works: The mature age employment challenge*.

<sup>7</sup> Australian Human Rights Commission (AHRC). 2013. *Fact or fiction? Stereotypes of Older Australians*.

- *Older Australians are often discouraged from looking for work with many holding the view that employers think they are too old.* In September 2013, it was estimated that 66,800 people over 55 were discouraged from looking for work<sup>8</sup>.
- *A large number of older Australians are underemployed for long periods of time.* In September 2013, it was estimated that 52,000 part-time workers aged 55 and over had been underemployed for more than 12 months or more<sup>9</sup>.

There are also important benefits to business of having age-friendly workplaces. Hotel chain Accor, for example, created a program to provide opportunities for experienced workers as part of their commitment to creating a diverse workforce, which capitalizes on the unique skills and experience of mature workers<sup>10</sup>.

Government can support mature age employment by funding and promoting research which demonstrates the benefits of age-diversity in the workforce. It can also provide direct assistance for mature-age employees to help them to remain engaged in the workforce.

### Career planning and reskilling

- 5. Provide an early intervention reskilling program for “high risk” mature-age employees, *before they become unemployed*, that promotes career planning, identifies skill deficits and provides access to training opportunities for at risk mature-age workers *before they become unemployed*.**

Older workers have always been vulnerable in redundancy exercises and are traditionally the first to go and last to be rehired. The problem is particularly acute in trade exposed sectors such as manufacturing where the threat of redundancy is high.

To address this problem the Federal Government should develop a comprehensive mature-age career development program that identifies workers less likely to find new jobs because of skills deficits and provides these “high risk” individuals with opportunities for career planning, training and reskilling, and options to have existing skills and experience recognised *before they become unemployed*.

High risk workers should be provided with opportunities to engage in career planning activities, which identify skill deficits and future work options and match this with relevant training to improve their chances of either retaining their current employment or gaining new employment.

High risk workers should be provided access to reskilling activities while still in employment. This could be facilitated by providing subsidies to engage in relevant skill development activities.

Employees without formal qualifications but with experience should be given priority access to a skills assessment service that determines whether they can receive formal recognition for the skills and experience they possess. Such a service was provided as part of the Investing in Experience

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<sup>8</sup> Australian Bureau of Statistics 2013. 'Persons not in the labour force who were discouraged job seekers, selected characteristics—by sex' in *Persons Not in the Labour Force, Australia, September 2013* cat. no. 6220.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6220.0September%202013?OpenDocument>

<sup>9</sup> Australian Bureau of Statistics 2013. 'UNDEREMPLOYED PART-TIME WORKERS, Duration of current period of insufficient work—By selected characteristics—By sex' in *Underemployed Workers, Australia, September 2013* cat. no. 6265.0

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6265.0September%202013?OpenDocument>

<sup>10</sup> Accor 2016. 'Experienced Workers' Accessed 13 January 2016 <http://jobsataccor.com.au/diversity/experienced-workers/>

(Skills Recognition & Training)(IIE-SRT) program, which offered skills assessment and gap training so that mature age workers could attain a nationally recognised qualification at the Certificate III to Advanced Diploma level.

The recently announced Skills Checkpoint Pilot<sup>11</sup> provides the beginnings of a program to deliver career planning, training and skills recognition to workers at high risk of unemployment. National Seniors believes that this program could be strengthened and expanded to provide a comprehensive career planning and skill development program for older workers. This should include removing the current upper age limit of 55 in recognition that people are working far beyond traditional retirement age.

To be truly effective, this program would need to be promoted widely to employees and employers, involve a tool to identify high risk workers, provide an up-to-date assessment of skills requirements and offer high risk candidates with priority access to training and reskilling opportunities backed by incentives, subsidies and tax concessions.

## Entrepreneurship

### **6. Create a subsidiary program of the New Enterprise Incentive Scheme (NEIS) for mature-age entrepreneurs.**

The proportion of people over 55 who are self-employed has risen dramatically over the past 25 years. The number of people aged over 55 who are self-employed is now on par with the number aged from 35 to 44 and 45 to 54 when it was roughly one-third less some 25 years ago. While self-employment may be a response to difficulties in finding employment<sup>12</sup> it can also occur because an individual sees an opportunity to capitalise on their knowledge and experience.

Some older Australians are keen to use this knowledge and experience to start their own business. As entrepreneurs, they are likely to possess some of the following advantages: networks; industry experience; technical and managerial skills; and a strong financial base. These individuals may have interesting and viable business ideas but would benefit from enhanced planning skills. They might also not be aware of the technological innovations that could enhance the profitability and sustainability of their business proposal.

National Seniors recommends that mature-age entrepreneurs have access to a modified version of the existing NEIS program to enable them to develop a self-employment opportunity.

There are a number of positive social and economic benefits for seniors participating in creating and maintaining their own business, such as being able to continue to participate in the workforce. Older people can be deterred from reaping these benefits because of the complex administrative procedures required to start a business and the lack of capital. Education and training is required to help start and maintain self-employment.

While the NEIS scheme is available to anyone over 18, targeted assistance for seniors is only available to NEIS recipients over 50 who are classified as Non-Allowee Mature Age (NAMA). NEIS recipients classified as NAMA are not eligible for the NEIS Allowance but must have the financial

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<sup>11</sup> Department of Education and Training 2016. 'Skills Checkpoint Pilot' Accessed 5 January 2016  
<http://www.education.gov.au/skillscheckpointpilot>

<sup>12</sup> Spoehr, J., Barnett K. and Parnis. E. 2009. *Experience Works: The Mature Age Employment Challenge*, Adelaide: The Australian Institute for Social Research/National Seniors Australia.

capacity to support themselves during the 15 month NEIS assistance period, which includes an intensive seven week training period in which recipients complete a Certificate IV in Small Business and develop a business plan<sup>13</sup>.

Senior entrepreneurs who do not have the financial capacity to support themselves during the initial stages of starting a business should have access to targeted support and training through the NEIS scheme, which recognises and builds upon the unique skills and knowledge they possess.

As part of the mature-age NEIS scheme, dedicated support could be made available for start-ups focused on innovation. Information and assistance could be provided to assist mature-age entrepreneurs to take advantage of the opportunities available in the current economy.

### Female workforce participation

#### **7. Assist women to re-enter or remain in the workforce by acknowledging and supporting the important role played by grandparent childcare.**

More needs to be done to assist women's workforce participation and support their ability to accumulate adequate superannuation incomes in retirement by providing flexible childcare options.

Affordable childcare is the single most important factor supporting female workforce participation<sup>14</sup> and with it women's capacity to earn an adequate retirement income. Without access to affordable childcare, mothers will be forced out of the workforce to undertake caring duties.

A lack of affordable childcare forces women to disengage from the workforce or work part-time when their preference might be otherwise. Parents not only face high costs when placing children in formal care to return to work but also struggle to find suitable options for children when they are very young, which discourages the use of formal childcare. In its place, many parents rely on grandparents to fill the gaps in the formal childcare system. These grandparents play a central role in transitioning between parental care and more formal care options, such as daycare, preschool and school<sup>15</sup>.

Female grandparents, in particular, are increasingly reducing their workforce participation to provide care for grandchildren to enable daughters and daughters-in-law to re-enter the workforce<sup>16</sup>. This strategy is critical for future self-sufficiency in retirement, because it enables women to re-enter the workplace and continue their career progression at a time when this is most likely, which assists in building adequate superannuation balances for later retirement.

National Seniors believes that recognition of the role of grandparents in filling the gaps in the formal childcare system must be acknowledged. Grandparents should not be forced to compromise their own financial security because the current childcare system fails to provide parents with adequate care options.

Policies which enable grandparents to engage in critical care activities that fill the gaps in the formal system should be explored. This could include extending leave and right to request leave

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<sup>13</sup> Greater Melbourne Employment and Training Services 2012. *New Enterprise Incentive Scheme: An Australian Government Initiative*. [http://www.gramets.com.au/neis\\_nama.pdf](http://www.gramets.com.au/neis_nama.pdf)

<sup>14</sup> Kvist, J. 2015. *ESPN Thematic Report on Social Investment: Denmark*. Brussels: European Commission.

<sup>15</sup> Hamilton, M, & Jenkins, B. 2015. *Grandparent childcare and Labour market participation in Australia* (SPRC Report 14/2015). Melbourne: National Seniors Australia 2015

<sup>16</sup> Hamilton & Jenkins 2015. *Ibid*.

provisions or by extending childcare subsidies to working grandparents who engage in childcare duties for very young children when parents need to return to the workforce.

### Age-friendly workplaces

#### **8. Promote age friendly workplaces by establishing a Prime Minister’s Employer Champion Award to recognise Australian businesses that demonstrate best practice in employing older people.**

A Prime Minister’s Employer Champion Award would encourage astute businesses to lead in adapting to an ageing workforce. Award criteria would cover recruitment practices; training, education and career development opportunities; built environments; and alternative work options such as flexible hours, job-sharing and phased retirement. Importantly, this is about corporate Australia driving change and being recognised for it.

## Digital Literacy and Cyber Safety

#### **9. Deliver initiatives that enable older Australian’s to make use of information technology innovations by building digital literacy and cyber safety skills.**

“Extraordinary technological change is transforming how we live, work, communicate and pursue good ideas”<sup>17</sup>. While the pace of this extraordinary technological change is having largely positive impacts on the economy, many older people are not able to make use of these changes and are disadvantaged as a result.

While internet use has increased among people aged 65 and over it still lags behind that of the total population. From July 2014 - June 2015, only 79 per cent of people aged 65+ accessed the internet compared to 94 per cent of people aged 18+<sup>18</sup>. Furthermore, people aged 65+ have a much lower frequency of internet use. This is concerning given that online services are increasingly essential to modern life.

For pensioners or lower income earners, household internet access can be a financial burden. Pensioners don’t necessarily have the economic means to purchase the requisite equipment to access the internet safely at home. Rapid technological change requires constant upgrading of hardware and software, which can be costly for those requiring limited use.

Yet the larger issue facing seniors is having the confidence and skills to use technology. According to National Seniors’ research, the three biggest barriers to using the internet are: not knowing how to use the internet; being confused by the technology; and being concerned about security and viruses, all of which affected more than 60 per cent of survey respondents<sup>19</sup>.

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<sup>17</sup> Australian Government 2016. ‘National Innovation and Science Agenda’ Accessed 10 January 2016 <http://www.innovation.gov.au/>

<sup>18</sup> Australian Communications and Media Authority (ACMA) 2017. ‘Digital lives of older Australians’ Accessed online on 13 January 2017 at <http://www.acma.gov.au/theACMA/engage-blogs/engage-blogs/Research-snapshots/Digital-lives-of-older-Australians>

<sup>19</sup> National Seniors Productive Ageing Centre 2011 *Older Australians and the Internet: Bridging the Digital Divide* National Seniors: Melbourne

Poor access for seniors is concerning given that major private and public services are shifting online. Access to online health, education, social networks, government services, shopping and banking requires a basic level of digital literacy as well access to software and hardware.

Unfortunately, many older people struggle to adapt because they have not had the benefit of using technology throughout their lives or because they have a physical or cognitive impairment that makes it difficult to utilise these technologies.

National Seniors research also indicates that some older Australians continue to have big concerns about cyber-safety, to the extent that they are either limiting the ways in which they use the internet, or not using it at all. Older people are at much higher risk of online scams and fraud simply because they lack the confidence and skills to use new technologies.

More resources are required to help them make use of information technology and to better understand how they can protect themselves against online scams. Doing so will enable older Australians to take better advantage of the rapid technological change occurring in society.

## Health

Affordable and accessible health care is essential for the wellbeing of all Australians. As life expectancy increases, good health is especially important for older Australians as this facilitates mobility, social inclusion, mental and physical wellbeing, and lessens the need for costly acute care interventions.

Cost of living pressures remain an ongoing issue for senior Australians. The over-50s generally report financial stress in meeting the cost of their health care.

There is clear need for ongoing reform the health system to make it more efficient and cost-effective. The current review of the Medicare Benefits Schedule is a good start. Work is also required to rein in the cost of specialist fees and the impact of these fees on the cost of private health cover and the cost of the private health insurance rebate into the future.

The shared responsibility for health under federalism needs reform because it makes patient care disjointed and harder to coordinate, which is especially problematic for those with chronic conditions.

National Seniors supports the need for health system reform and offers the following recommendations as a means of striking a balance between improving equity and access to care and reducing the burden of health care costs.

### Pharmaceutical Benefits Scheme

- 10. Remove the inequity within the PBS by reducing the safety net threshold for a low-income single person or a single concession card holder to 66 per cent of the threshold of a couple or family.**

Access to affordable medications and health care is essential for the wellbeing of older Australians and directly impacts the ability of older individuals to contribute to the economy and community.

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Singles, pensioners and concession card holders have to accrue the same level of out-of-pocket costs as a couple or family to become eligible for the Pharmaceutical Benefits Scheme safety net. The same general or concessional safety net threshold is applied to a family unit regardless of whether the unit consists of an individual, a couple or a family with multiple dependent children.

The single Age Pension of \$867.00 per fortnight is 66 per cent of a couple's pension of \$1307.00 per fortnight. Yet the single person would take longer to accumulate the required number of prescriptions to reach the PBS safety net threshold.

National Seniors believes that the safety net threshold should be reduced in line with the difference between the single and couple Age Pension rates to reflect the lower income available to single pensioners.

### **11. Continue to substitute cheaper generic medicines and negotiate more favourable purchasing agreements with drug companies to increase access to medicines.**

The total cost of benefit-paid pharmaceuticals in 2012-13 was \$10.1 billion, of which government contributed \$8.5 billion and individuals \$1.6 billion in out-of-pocket expenses. Spending on the benefit-paid pharmaceuticals grew on average by 4.9 per cent a year over the ten years to 2012-13<sup>20</sup>.

While the total cost of PBS medicines has slowed over the past three years, National Seniors believes that more could be done to reduce the cost of essential medications.

The Grattan Institute has estimated that Australia could save \$1.3 billion a year – 14 per cent of the entire PBS budget – if an independent board managed drug purchasing decisions within a capped budget, negotiated cheaper agreements with drug companies and increased the uptake of generic medicines. This could be achieved by adopting the model used in New Zealand, which has significantly contained growth in drug prices. The New Zealand Pharmaceutical Management Agency (PHARMAC) has an independent expert board which is charged with the task of achieving the best health outcomes achievable from pharmaceutical treatment within a defined amount of funding available<sup>21</sup>.

National Seniors believes that adopting purchasing models that are proven to be efficient and effective will assist Government to provide the best possible price for drug purchasing.

## Housing

### Downsizing

### **12. Implement a 'Rightsizing' pilot program that exempts up to \$250,000 from the sale of the home for other productive uses.**

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<sup>20</sup> Australian Institute of Health and Welfare (AIHW) 2015. *Health expenditure Australia 2013–14: analysis by sector*. Health and welfare expenditure series no. 55. Cat. no. HWE 65. AIHW: Canberra.

<sup>21</sup> Duckett, S.J. with Breadon, P., Ginnivan, L. and Venkataraman, P., 2013. *Australia's bad drug deal: high pharmaceutical prices*. Grattan Institute: Melbourne.



Older Australians require age-appropriate housing. This can be achieved by encouraging and enabling rightsizing. Unfortunately, the financial barriers to rightsizing mean that only a small percentage of older Australians choose to move to more suitable housing.

Changes to Age Pension asset test thresholds will create further disincentives to downsizing. Older people will be better off moving to a home that is more, rather less expensive or paying higher up-front fees in retirement villages to remain eligible for the Age Pension and related concessions.

Many older Australians live in housing inappropriate for their needs. This increases the risk of injury and hospitalisation and can precipitate early entry into residential aged care, when it would be more cost-effective and appropriate to stay living at home (for both the individual and government).

Many seniors are reluctant to downsize later in life and are justified in fearing the impact on their Age Pension. The absence of incentives limits opportunities for older Australians to consider changing their housing arrangements.

Without action, older Australians will continue to have little choice but to lock up large sums of wealth in their family home. This wealth could be better used to pay for health, aged care or other productive purposes.

National Seniors' proposed *Rightsizing Program* would enable up to \$250,000 of excess sale funds to be quarantined from the Age Pension means test. Funds would be deposited in a secure savings account which could be used to pay for age-friendly home modifications, health and aged care costs or other relevant activities. Excess sale funds could alternatively be invested in government infrastructure bonds or other secure investment products which contribute to national economic development and productivity, such as the Australian Government Future Fund.

National Seniors believes that government must explore different ways to unlock the value of the family home, which allow seniors ongoing ownership and control of what is for many their primary asset. Older Australians are rightly uncomfortable with existing reverse mortgage products on offer so there is a need to explore alternative arrangements. A rightsizing program is just one example of the options available to government.

A rightsizing scheme would enable older Australians to downsize to more appropriate housing; allow retirees to age-in-place; release funds tied up in bricks and mortar; stimulate the housing and renovation market; increase the supply of larger houses and provide a source of capital for economic development.

## Retirement villages

### **13. Develop nationally consistent laws governing retirement villages and establish a retirement housing commissioner with oversight of retirement villages nationally.**

National Seniors members are dissatisfied with existing state and territory legislation governing the retirement village sector. National Seniors has made a number of submissions to state and territory governments on behalf of members on this issue<sup>22</sup>.

Many older people enter a retirement village with expectations that the housing arrangements will provide autonomy, security, social connectivity, amenity and affordability. In practice, they are subsequently locked into village living arrangements that are not what they anticipated, including unaffordable increases to ongoing fees and charges and reduced service standards as well as rigid processes for exiting the village.

There are a range of issues arising from state and territory retirement village legislation.

- Product disclosure requirements are often inadequate making it difficult for prospective residents to clearly understand the costs associated with retirement villages. This is particularly problematic given that departure fees are both complex and significant.
- There is often a lack of clarity about maintenance fees and utility charges, exacerbated by unclear rules about the rights and responsibilities of residents and operators in determining how these are set.
- Residents can be forced to pay ongoing fees and charges while waiting for a property to sell and wait a considerable time for deposits to be refunded. This provides little incentive for village operators to actively resell a property, which is particularly problematic for those moving to an aged care facility requiring bond payments.
- Dispute resolution processes can also be problematic. Residents are often wary of making complaints because they are required to resolve these in the first instance with the village operator directly or are required to use costly and complicated arbitration processes when dissatisfied with an operator's response.

National Seniors believes that the ongoing reviews of state and territory legislation<sup>23</sup> are offering piecemeal reform. They are not addressing the underlying power imbalance between village operators and residents inherent in the various legislation. In some instances, there have been excessive delays in completing these reviews, as has occurred in Queensland.

The Commonwealth Government should initiate a process to develop nationally consistent legislation for retirement villages with a view of strengthening protections for residents. This should be supported by the establishment of a retirement housing commissioner to monitor compliance and resolve disputes involving residents in retirement villages, as already occurs in Western Australia and New Zealand.

## Aged Care

The aged care sector is undergoing significant change as a result of ongoing reforms to the funding, administration and delivery of services. While these changes have the potential to improve

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<sup>22</sup> See for example submissions made in the following jurisdictions: SA, Vic, ACT and Qld.

<sup>23</sup> SA, ACT, QLD and Vic have recently or are currently undertaking reviews of respective legislation in the past two years.

outcomes for older people and their families, much more needs to be done. National Seniors believes that there is an immediate need to address issues relating to the quality of care in residential aged care facilities.

### Aged care workforce

#### **14. Improve the quality of residential aged care by developing a comprehensive workforce strategy.**

National Seniors believes that the quality and quantity of staffing in the aged care sector must be improved as part of ongoing sector reform to ensure the best care possible.

Research undertaken by Access Economics for National Seniors has shown that positive outcomes for residents are directly related to both the *quality* and *quantity* of care. “High quality care is a function of skills and training associated with those providing care, and the amount of care provided”<sup>24</sup>. Staff need to know what they are doing and have enough time to do it properly.

The absence of a comprehensive aged care workforce strategy combined with recent cuts to government funding for education and training will have a profound impact on the capacity of the sector to attract and retain the workforce required to provide care. This is particularly important as the proportion of aged care residents requiring higher levels of care rapidly increases<sup>25</sup>.

A workforce strategy that outlines how the current and future workforce needs of the sector will be met is essential. Funding for workforce training to ensure an adequate pool of highly skilled workers available for the sector is also vital. The strategy must address the quality of training provided to ensure that the workforce has the skills required to meet the needs of working in the aged care environment. The strategy must also outline how to develop a workforce cognisant of people from diverse cultural and language backgrounds.

### Staffing levels and skills mix

#### **15. Ensure that aged care funding takes account the staffing levels and skills mix required to deliver these services to an adequate standard.**

Staff numbers and skills mix are critical to quality of care and must be looked at as part of ongoing reform of the aged care system.

National Seniors is concerned that the staffing levels and skills mix within the aged care sector are not meeting the needs of aged care consumers. The care needs of older people are increasing, yet the quantity and quality of care is declining. Not only is the proportion of staff employed as direct care workers declining, so too is the proportion of direct care staff with higher level skills and qualifications associated with nursing.

National Seniors is particularly concerned about the greater reliance on unskilled workers in the residential care setting. As the Productivity Commission noted in its *Caring for Older Australians* report, providers have an incentive to employ a high proportion of lower qualified personal carers to

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<sup>24</sup> National Seniors Australia 2010. *The Future of Aged Care in Australia: A public policy discussion paper prepared for National Seniors Australia*. National Seniors Australia: Brisbane.

<sup>25</sup> Australian Institute of Health and Welfare (AIHW) 2016. Care needs in residential aged care' Accessed 14 January 2016. <http://www.aihw.gov.au/aged-care/residential-and-home-care-2013-14/care-needs/>

minimise their costs<sup>26</sup>. This places increasing pressure on lower skilled staff who are not adequately trained to deal with the more complex needs of residents and clients.

While many of the personal carers working in this setting provide exceptional support to residents, it is concerning that the number and proportion of higher skilled nurses is declining when these individuals are often responsible for delivering timely medical care to residents.

The reduction in registered nurses also places greater pressures on existing registered nurses who have less time for clinical work and work longer hours to ensure that tasks are completed. This fact has been acknowledged by the Productivity Commission, which found that higher proportions of lower qualified workers result in excessive workloads for nurses spending a large amount of time on administrative tasks at the cost of their caring activities<sup>27</sup>.

Work is required to ascertain how best to support the introduction of appropriate skills mix in aged care. The Productivity Commission has suggested, for example, that care prices take into account the appropriate mix of skills required for the delivery of those services<sup>28</sup>. National Seniors believes the Productivity Commission's original proposal has merit and that this should be explored further.

### Lump sum accommodation payments

#### **16. Maintain the government guarantee for aged care lump sum accommodation payments.**

The value of bonds held by providers is growing significantly every year. The total value of aged care accommodation bonds was estimated at \$18.2 billion in 2014-15. This was a 16.6 per cent increase on the previous year.

While the bond pool is spread across the sector and managed by individual providers, there is always a risk that a provider may default, requiring government to take action to repay a resident's lump sum accommodation payment. The government's Accommodation Bond Guarantee Scheme (the Scheme) provides the mechanism to ensure that bonds can be repaid should a provider become bankrupt or insolvent. To reduce the risk of default, Government requires that aged care providers meet certain prudential standards.

The Aged Care Financing Authority is currently undertaking a review of the Scheme and the feasibility of alternative arrangements<sup>29</sup>. National Seniors is aware of recommendations made in reports from the Productivity Commission and National Commission of Audit to change the mechanism used to provide a guarantee.

While there will always be a risk of default, it is important to note that the number of defaults has so far been limited. The scheme has only been activated eight times since it was introduced in 2006 at a total cost of \$42.7 million as at July 2015<sup>30</sup>. While the Government has the capacity to use the industry levy as a means to recoup the costs of providing the guarantee they have not chosen to do this thus far.

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<sup>26</sup> Productivity Commission 2011. *Caring for Older Australians*. Report No. 53, Final Inquiry Report. Productivity Commission: Canberra.

<sup>27</sup> Productivity Commission 2011. *Ibid.*

<sup>28</sup> Productivity Commission 2011. *Ibid.*

<sup>29</sup> Letter from Hon Sussan Ley MP to Ms Lynda O'Grady Chairman Aged Care Financing Authority 4 November 2015.

[https://agedcare.health.gov.au/sites/g/files/net1426/f/documents/11\\_2015/response-letter-from-minister-ley-work-program.pdf](https://agedcare.health.gov.au/sites/g/files/net1426/f/documents/11_2015/response-letter-from-minister-ley-work-program.pdf)

<sup>30</sup> Australian Government Department of Finance 2016. *Commonwealth Consolidated Financial Statements* Commonwealth of Australia: Canberra. <http://www.finance.gov.au/publications/commonwealth-consolidated-financial-statements/>

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In recent surveys of National Seniors members, there was an overwhelming consensus that the Australian Government should continue to guarantee accommodation bonds. Ideally, both government and providers should share any costs associated with refunding lump sum accommodation payments if a provider becomes bankrupt or insolvent.

Government should bear a degree of the cost of the guarantee as a means of encouraging it to further strengthen prudential standards. This is important because the risk of bankruptcy and insolvency can be lessened by the existence of strong prudential requirements backed by government's capacity to monitor compliance.

It is also important that government share a burden of the cost of providing a guarantee because it is the key funder of aged care services. The risk of provider bankruptcy and insolvency will depend on the sustainability of funding models and the capacity of these models to adequately reflect the cost of providing care. Government should not be shifting the cost of recovering bonds when it may be partly at fault through changes to funding.

Providers should bear a degree of the cost of providing a guarantee because this will encourage the sector to strengthen financial management practices. It is important that the cost to providers is kept low to ensure that this does not shift the financial burden onto aged care consumers, who will ultimately be required to meet any increased costs. Providers are already facing cost pressures as a result of recent moves to withdraw funding from the sector and therefore government should be cautious about increasing this burden as this will ultimately increase the risk of default.

National Seniors believes that government must continue to guarantee accommodation bonds. Should any change to the current scheme occur, the cost of providing the guarantee should be shared by government and aged care providers equally. This will spread the costs and strengthen each parties' interest in protecting lump sum accommodation payments in the future.

## Elder Abuse

### Prevention strategy

#### **17. Develop a national elder abuse prevention strategy which includes a national prevalence study and national public awareness campaign.**

National Seniors strongly supports a national response to elder abuse. A national strategy or plan, as suggested in a recent Australian Law Reform Commission (ALRC) discussion paper<sup>31</sup>, would focus attention on this largely hidden problem and enable coordinated and consistent responses across jurisdictions.

As part of this national strategy, National Seniors recommends that State, Territory and Commonwealth Governments commit funds to develop a national research effort to evaluate the prevalence of elder abuse and gain a better understanding of the circumstances in which it is most likely to occur. This could be used to develop more targeted and effective prevention strategies.

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<sup>31</sup> Australian Government Australian Law Reform Commission (ALRC) 2016. *Elder Abuse Discussion Paper*. DP83 ARLC: Sydney. <https://www.alrc.gov.au/publications/elder-abuse-dp83>

National Seniors supports a national elder abuse public awareness campaign as part of a national strategy. This campaign should outline the risks of abuse and highlight the mechanisms that can be used to minimise this risk.

### Decision making instruments

#### **18. Develop nationally consistent laws governing decision making instruments, such as enduring powers of attorney and advance care directives; create a national online register of enduring powers of attorney documents.**

While elder abuse incorporates physical, psychological, social and sexual abuse and neglect, National Seniors is particularly concerned about the increasing prevalence of financial abuse among older people. Evidence in Queensland has shown, for example, that 65 per cent of reported elder abuse cases also involve financial abuse as a secondary form of abuse<sup>32</sup>.

National Seniors supports the recommendation of the ALRC to develop consistent laws governing enduring powers of attorney as a means of improving protection for older Australians<sup>33</sup>. Enduring powers of attorney documents should be fully executable throughout Australia, but currently are not<sup>34</sup>, because they come under separate state and territory legislation. Nationally consistent legislation would improve the efficacy of these arrangements and make their administration more cost-effective<sup>35</sup>.

National Seniors recommends that nationally consistent laws covering decision making instruments be developed across the different states and territories. It is highly problematic that an someone must have separate legal instruments in place in each state and territory to be covered by these instruments. A power of attorney or advance care directive written in one jurisdiction should apply in all other jurisdictions. This is not currently the case

National Seniors also supports the ALRC's recommendation for a national online register of enduring documents. This would ensure verification, accountability and help to deter abuse. The introduction of a national online register would need to consider how this impacts on the privacy of the principal and how this impacts on the costs to consumers to ensure that it did not act as a deterrent to the use of enduring powers of attorney<sup>36</sup>.

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<sup>32</sup> Elder Abuse Prevention Unit 2015. *The EAPU Helpline: Results of an investigation of five years of call data*. Report for the International Association of Gerontology and Geriatrics Asia & Oceania Regional Congress 2015.

<sup>33</sup> Queensland Law Society 2011. *Joint issues paper: elder abuse* June 2011 Accessed 4 November 2015 [http://www.qls.com.au/files/d04c1d3a-0fc1-4e2b-87e1-a08200f16913/elder-abuse\\_issues-paper\\_v6.pdf](http://www.qls.com.au/files/d04c1d3a-0fc1-4e2b-87e1-a08200f16913/elder-abuse_issues-paper_v6.pdf)

<sup>34</sup> Commonwealth of Australia 2007. *Older people and the law*. House of Representatives Standing Committee on Legal and Constitutional Affairs, Canberra, September 2007.

<sup>35</sup> Wuth, N. 2013. 'Enduring Powers of Attorney: With limited remedies – it's time to face the facts!' in *Elder Law Review*. 7, 1.

<sup>36</sup> Wuth 2013. *Op cit*.



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# **National Seniors**

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