



Parliament of Australia
Parliamentary Budget Office

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Parliamentary Budget Officer

Senator Jacqui Lambie
Senator for Tasmania
Shop 4/22 Mount Street
BURNIE TAS 7320

Dear Senator Lambie

Please find attached a response to your costing request, *Veterans' entitlement: expanded Gold Card* (letter of 11 May 2016).

The response to this request will be released on the PBO website (www.pbo.gov.au).

If you have any queries about this costing, please do not hesitate to contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

17 May 2016



Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	Veterans' entitlement: expanded Gold Card
Summary of proposal:	<p>This proposal would amend the <i>Veterans' Entitlements Act 1986</i> to provide that all veterans who have served in 'war or war-like operations' are eligible for medical treatment, regardless of whether the condition or injury was caused by war or contracted during war or war-like operations.</p> <p>The proposal would have effect from 1 July 2016.</p>
Person/party requesting costing:	Senator Jacqui Lambie
Date costing request received:	11 May 2016
Date costing completed:	17 May 2016
Date of public release of policy:	11 November 2015
Additional information requested (including date):	<p>On 12 May 2016, the Parliamentary Budget Office (PBO) sought clarification about which veterans would be eligible for the Gold Card under this proposal and whether retrospective treatment costs outlined in the <i>Veterans' Entitlements Amendment (Expanded Gold Card Access) Bill 2015</i> would be reimbursed under the proposal.</p>
Additional information received (including date):	<p>On 12 May 2016, the office of Senator Lambie clarified that all veterans who have 'qualifying service' would be eligible for the Gold Card and that retrospective treatment costs would not be reimbursed under the proposal.</p>
Agencies from which information was obtained:	Department of Veterans' Affairs (DVA)
Expiry date for the costing:	<p>This costing advice is valid until release of the <i>Pre-election Economic and Fiscal Outlook</i> report.</p>

Costing overview

Access to the Gold Card is currently determined by the nature of defence service and incapacity of a veteran on a case-by-case basis. The proposal would expand access to the Gold Card under the *Veterans' Entitlement Act 1986* to all veterans who have served in 'war or war-like operations' which, for the purpose of this costing, is defined as veterans with 'qualifying service'.

This proposal would be expected to decrease the underlying cash balance by \$3,609 million and decrease the fiscal balance by \$3,681 million over the 2016–17 Budget forward estimates period. The decrease in fiscal balance reflects an increase in administered expenses of \$3,590 million and an increase in departmental expenses of \$91 million. A breakdown of the financial implications for the period 2016–17 to 2019–20 is included at [Attachment A](#).

This proposal would have an ongoing impact that extends beyond the forward estimates period similar to that estimated in 2019–20, over time reducing in line with the expected decline in the total veteran population.

The underlying cash balance implications of this proposal differ from the fiscal balance implications because there is a small delay between the recognition of medical treatment expenses incurred by DVA and the payment of these expenses.

A table of the average increase in Commonwealth administered expenditure per eligible veteran for the period 2016–17 to 2019–20 under this proposal is included at [Attachment B](#). These amounts do not necessarily represent the average saving to an eligible veteran's healthcare spending.

This costing is considered to be of medium reliability. The costing would be sensitive to changes in the eligible population and the level of future Gold Card claims.

Table 1: Financial implications (outturn prices)^(a)

(\$m)	2016–17	2017–18	2018–19	2019–20	Total
Underlying cash balance	-892	-933	-902	-872	-3,609
Fiscal balance	-974	-933	-902	-872	-3,681

Footnote:

(a) A negative number for the underlying cash balance indicates an increase in payments in cash terms. A negative number for the fiscal balance indicates an increase in expenses in accrual terms. Totals may not add due to rounding.

Key assumptions

It is assumed that veterans who became eligible under this proposal would have the same level of healthcare expenditure as existing Gold Card holders.

Methodology

The administered financial implications of expanding access to the Gold Card under this proposal were calculated by multiplying the estimated increase in the number of Gold Card holders by the average cost per Gold Card. The increase in the number of Gold Card holders was calculated by subtracting the expected number of Gold Card holders with 'qualifying service' under current policy settings from the total number of veterans with 'qualifying service' who would be expected to be entitled to a Gold Card under this proposal.

This increase in expenditure is partially offset by savings that arise due to veterans no longer claiming benefits under current arrangements. These benefits are Medicare benefits, Pharmaceutical Benefits Scheme (PBS) benefits, and benefits provided to current White Card holders who become eligible for a Gold Card under this proposal.

DVA advised that there would be no offsetting savings from reduced legal proceedings associated with Gold Card claims as a result of this proposal.

Departmental financial implications were calculated by multiplying the estimated increase in the number of Gold Card holders by the current average departmental costs to DVA of administering the Gold Card. This increase is partially offset by a reduction in the costs of administering current White Card holders who become eligible for a Gold Card under this proposal.

Administered financial implications have been rounded to the nearest \$10 million. Departmental financial implications have been rounded to the nearest \$1 million.

Data sources

DVA provided the number of veterans with 'qualifying service' and the average cost per Gold Card.

Average Medicare and PBS costs were derived from Central Budget Management System data provided by the Department of Finance and population projections provided by the Treasury.

Attachment A: Veterans' entitlement: expanded Gold Card – financial implications

The following tables give a breakdown of the financial implications for the period 2016–17 to 2019–20.

Table A1: Underlying cash balance^(a)

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20 ^(b)
Department of Health - administered	60	60	60	60	240
Department of Veterans' Affairs - administered	-930	-970	-940	-910	-3,760
Department of Veterans' Affairs - departmental	-22	-23	-22	-22	-89
Total	-892	-933	-902	-872	-3,609

Footnotes:

(a) A positive sign indicates a decrease in outlays. A negative sign indicates an increase in outlays.

(b) Totals may not add due to rounding.

Table A2: Fiscal balance^(a)

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20 ^(b)
Department of Health - administered	70	60	60	60	250
Department of Veterans' Affairs - administered	-1,020	-970	-940	-910	-3,840
Department of Veterans' Affairs - departmental	-24	-23	-22	-22	-91
Total	-974	-933	-902	-872	-3,681

Footnotes:

(a) A positive sign indicates a decrease in expenses. A negative sign indicates an increase in expenses.

(b) Totals may not add due to rounding.

Attachment B: Average increased Commonwealth expenditure per eligible veteran

**Table B1: Average increased Commonwealth expenditure per veteran with
'qualifying service'^(a)**

(\$ per veteran)	2016–17	2017–18	2018–19	2019–20
Veteran with a White Card	18,500	18,500	18,500	18,500
Veteran with no card	21,000	21,000	21,000	21,000

Footnote:

- (a) This amount represents the average increased expenses incurred by the government under this proposal and not the average saving to an eligible veteran's healthcare spending which would be expected to be less than these amounts.