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**The Hon Kevin Andrews MP  
Minister for Social Services**

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MC14-001088

Dr Dennis Jensen MP  
Chair, Standing Committee on Petitions  
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CANBERRA ACT 2600

Dear Dr Jensen

*Dennis*  
Thank you for your letter of 2 January 2014 enclosing a copy of the citizens' petition on Age Pension settings, health care for seniors and aged care. As the Minister for Social Services, my response addresses the Age Pension and aged care issues. I note that the petition has also been referred to the Minister for Health, the Hon Peter Dutton MP.

Our retirement income system, which is rated among the best in the world, provides comprehensive support for senior Australians. It consists of three parts or pillars:

- the taxpayer-funded means-tested Age Pension, which provides a safety net for people who are unable to support themselves fully in retirement;
- compulsory employer superannuation contributions through the Superannuation Guarantee, supported by taxation concessions; and
- voluntary private superannuation, also supported by taxation concessions and other private savings.

In most cases, retirement incomes of senior Australians are a combination of two or three of the above components, with the Age Pension the key component for many people. In addition, a range of Commonwealth and state concessions are also available to seniors to help with medical services, pharmaceuticals, transport and other living costs.

The Australian Government appreciates the important economic and social contribution senior Australians make to our community and seeks to ensure all pensioners' living standards are safeguarded by the Age Pension system. Eligibility for the Age Pension is not based on past income or contributions a person has made during his or her working life. It is funded from general revenue – in other words, by current taxpayers – and targeted through the means test to those who need it most. As a non-contributory social security payment, the Age Pension is designed to support a basic, acceptable standard of living that is also affordable to taxpayers.

Most income support payments, including the Age Pension, are indexed twice a year. Many OECD countries adjust social security benefits only once a year, according to changes in the Consumer Price Index for the previous year. In response to fiscal pressures, some countries no longer index pensions to wages growth and others have frozen automatic pension increases.

Base pensions are indexed in March and September, to the higher of the increase in the Consumer Price Index and the increase in the Pensioner and Beneficiary Living Cost Index. They are then benchmarked to 41.76 per cent of Male Total Average Weekly Earnings for pensioner couples combined. The wages benchmark ensures pensioners share in improvements in living standards over time, as measured by wages growth.

From 20 September 2013, the maximum total pension rate for single pensioners is \$827.10 a fortnight or \$21,504.60 a year, and the maximum rate for pensioner couples combined is \$1,246.80 a fortnight or \$32,416.80 a year.

The cost of the Age Pension programme is projected to be more than \$39 billion in 2013-14 and is expected to rise to \$48 billion in 2016-17. Any changes to income support payments, including pensions, have a substantial impact on government outlays and therefore need to be considered carefully in a Budget context.

The Government recognises the need for continued reform and better services across the aged care sector. The Healthy Life, Better Ageing policy, announced in September 2013, commits the Government to developing a five-year agreement with the aged care sector. This agreement will be known as the Aged Care Sector Statement of Principles and will include an action plan to reduce red tape across the sector. The Government is currently investigating ways to streamline functions to reduce administrative burden, while maintaining standards and quality of care. The Government is estimated to spend:

- \$14.3 billion on aged care programmes in 2013-14. This is 6.6 per cent higher than was spent in 2012-13. Total Australian Government expenditure on aged care over the period 2013-14 to 2016-17 is estimated to be \$63.1 billion;
- \$9.7 billion on residential care subsidies in 2013-14. This is 5.6 per cent higher than was spent in 2012-13; and
- \$1.2 billion on home care packages in 2013-14. This is 4.2 per cent higher than was spent in 2012-13.

One of the objectives of the *Aged Care Act 1997* (the Act) is to facilitate access to aged care services by those who need them, regardless of race, culture, language, gender, economic circumstance or geographic location. To give effect to this objective, the Act designates certain people as people with special needs. In accordance with the Act's objectives, the Secretary may decide under section 12-5 of the Act that a number of aged care places will be made available to focus on the care of particular groups of people.

Through the Aged Care Service Improvement and Healthy Ageing Grants fund, the Government provides support to a number of initiatives aimed at ensuring older people from Culturally and Linguistically Diverse (CALD) backgrounds can access aged care services that are specific to their needs. In particular, around 60 projects worth over \$15 million have been funded since 2011.

The Department of Immigration and Border Protection's TIS National service provides free interpreting services to residential aged care providers to facilitate service access and provision for CALD clients. This service was extended to providers of Home Care Packages in August 2013.

Thank you again for referring the petition.

Yours sincerely

**KEVIN ANDREWS MP**