



## Policy costing

Addressing funeral benefits inequity	
Party:	Australian Labor Party
Summary of proposal: The proposal would increase the amount of financial assistance for funeral benefits available under the <i>Veterans' Entitlements Act 1986</i> so that it matches the assistance available under the <i>Military Rehabilitation and Compensation Act 2004</i> , and index the amount paid using an equivalent method. The proposal would have effect from 1 January 2020.	

### Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$100.5 million over the 2019-20 Budget forward estimates period. This impact entirely reflects an increase in administered expenses.

The proposal would be expected to have an impact that extends beyond the 2019-20 Budget forward estimates period. Financial implications over the period to 2029-30 are included at [Attachment A](#).

No departmental expenses have been included in this costing as the proposal is not expected to involve a significant change in the complexity of administering funeral benefit claims.

The estimated financial implications are sensitive to the projected number of funeral benefit recipients covered under the *Veterans' Entitlements Act 1986*.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-16.2	-30.2	-27.5	-26.6	<b>-100.5</b>
Underlying cash balance	-16.2	-30.2	-27.5	-26.6	<b>-100.5</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

### Methodology

The financial implications were estimated by calculating the total estimated funeral claim expenses under the proposal less the total estimated funeral claim expenses under the baseline.

The total estimated funeral claim expenses under the proposal were calculated by multiplying the projected number of funeral claims under the *Veterans' Entitlement Act 1986* by the increased entitlement amount and allowing for the higher rate of indexation over time.

- The entitlement amount was increased to \$12,503.62 at the proposed start date and indexed by the same arrangement as those applying under the *Military Rehabilitation and Compensation Act 2004* thereafter.

The total estimated funeral claim expenses under the baseline were calculated by multiplying the projected number of funeral claims by the baseline payment amount.

The estimated number of funeral claims was calculated by multiplying the historical ratio of funeral benefit claims to total exits by the projected *Veterans' Entitlement Act 1986* population.

All estimates have been rounded to the nearest \$100,000.

## Data sources

Department of Veterans' Affairs 2017, *2016-17 Annual Report*, p. 51 & 195.

Department of Veterans' Affairs 2018, *2017-18 Annual Report*, p. 22.

Department of Veterans' Affairs, 2019. *MRCA Rates & Allowances 20 March 2019*. [Online] Available at: <http://clik.dva.gov.au/compensation-and-support-reference-library/payment-rates/current-payment-rates/20-march-2019/mrca-rates-allowances-20-march-2019> [Accessed 09.04.2019].

Department of Veterans' Affairs, 2019. *Population projections — executive summary — June 2018*. [Online] Available at: <https://www.dva.gov.au/about-dva/statistics-about-veteran-population> [Accessed 11.04.2019].

The Department of Finance provided indexation parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

## Attachment A – Addressing funeral benefits inequity – financial implications

**Table A1: Addressing funeral benefits inequity – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2019– 20	2020– 21	2021– 22	2022– 23	2023– 24	2024– 25	2025– 26	2026– 27	2027– 28	2028– 29	2029– 30	Total to 2022–23	Total to 2029–30
<b>Expenses</b>													
<i>Administered expenses</i>	-16.2	-30.2	-27.5	-26.6	-23.9	-21.7	-21.1	-19.3	-18.9	-18.4	-18.3	-100.5	-242.1
<b>Total – expenses</b>	<b>-16.2</b>	<b>-30.2</b>	<b>-27.5</b>	<b>-26.6</b>	<b>-23.9</b>	<b>-21.7</b>	<b>-21.1</b>	<b>-19.3</b>	<b>-18.9</b>	<b>-18.4</b>	<b>-18.3</b>	<b>-100.5</b>	<b>-242.1</b>

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (b) Figures may not sum to totals due to rounding.