

CHAPTER 2

COMMONWEALTH CONCESSION CARDS

*'We are not machines that can live on basic goods and services...
there is also an element of quality of life.'*¹

History of concessions

2.1 The Commonwealth first issued a concession card in 1951, entitled the Pensioner Health Benefit (PHB) Card. The recipients of the PHB Card (age, invalid and widow pensioners) were entitled to free pharmaceuticals, free hospital treatment and other health benefits. The introduction of Medicare in 1984 meant a concession card was no longer needed to access free public hospital treatment. However, the PHB still entitled holders to other health treatments such as dental and hearing services and concessional pharmaceuticals through the Pharmaceutical Benefits Scheme (PBS).

2.2 A travel concession identifier - Travel Concession 1 (TC1) - was added to the PHB, to enable States/Territories to identify people entitled to concessions on public transport. The PHB/TC1 continued to be used, with more pensioners becoming eligible and various Commonwealth concessions being added by way of legislation until 1993, when the concession system was partially reformed and the card was renamed the Pensioner Concession Card (PCC).

2.3 Until 1993, the PHB/TC1 was issued to pensioners after they had qualified through a 'fringe benefits' income and assets test, which effectively meant that only full pensioners received the concession card. A separate card, called the Pharmaceutical Benefits Card (PBC), was issued to part pensioners and only included access to low-cost pharmaceuticals on the PBS, without access to State/Territory concessions available to holders of the PHB/TC1.

2.4 State/Territory and local governments used the PHB/TC1 as an entitlement test for their own concessions, such as discounts on council rates, electricity, water and sewerage charges, garbage disposal and motor vehicle registration. A complex system of concession entitlements developed in each State/Territory.

2.5 In the early 1980s, a Health Benefit Card (HBC) was introduced to give Sickness Allowees access to the same Commonwealth health benefits as

1 Welfare Rights Centre, Transcript of Evidence, pg FCA 137.

pensioners. The States/Territories recognised this card for some health, education and transport concessions.

2.6 In 1982, the Health Care Card (HCC) was introduced to allow low income earners the same Commonwealth health benefits then available to pensioners holding a PHB/TC1. Eligibility for a HCC was set at an income level just above the cut off point for unemployment benefits. State/Territory governments provided limited concessions on rates, service charges and public transport for holders of the HCC.

2.7 In 1993, the government extended PHB/TC1 - renamed the Pensioner Concession Card (PCC) - to all part pensioners, abolishing the 'fringe benefits' income and assets test previously required to obtain the card. This meant that any person receiving a pension, whether full or part pension, was automatically issued with a PCC. This extension granted the PCC to 374,000 people in 1993 as a result of extensive negotiations with State/Territory governments.

2.8 The Commonwealth Government agreed to a once only specific purpose payment, in order to alleviate the extra cost which would be borne by the States/Territories (because of the range of service concessions they would offer to holders of a PCC).

2.9 The Commonwealth Seniors Health Card (CSHC) was introduced in 1994, to give low income retirees (people who are not pensioners but who have the same or lower income as age pensioners) access to similar Commonwealth concessions as holders of the Pensioner Concession Card. States/Territories do not provide concessions for holders of this card.

Purpose of concessions

2.10 A number of the organisations making a submission to the Inquiry defined what concessions are and to whom they should be made available. The most common theme was articulated by the Australian Council of Social Service (ACOSS) who drew their definition from a 1984 Department of Social Security publication. ACOSS defined a concession as:

Any good, service or assistance towards purchasing a good or service which is available on concessional terms to pensioners, beneficiaries and/or people with limited means but which is not generally available on concessional terms to everyone in the community.²

2 Submission no. 24, pg 100.

2.11 Although they have developed in a fairly haphazard way, concessions play an important role in the maintenance of Australia's welfare safety net. Concessions are not designed to be an income source for low income Australians. Rather, they are designed to supplement income, allowing all Australians to use essential health care services and to maintain social living standards by ensuring access to electricity, heating, transport and telephone services, as well as encouraging or maintaining home ownership.

2.12 The Council On The Ageing (Australia) (COTA (A)) outlined the importance of concessions for pensioners in achieving these living standards. COTA (A) emphasised that Commonwealth, State/Territory and local government concessions are all necessary to help pensioners maintain their quality of life:

*Concessions are a critical part of pensioners' entitlements which includes cash income (the pension), a core of free services (especially health services) and discounted costs for essential services including water, electricity, telephones, etc.*³

2.13 The Australian Pensioners' and Superannuants' Federation (AP&SF) highlighted the differing benefits available to concession card holders, all of which contribute to quality of life. AP&SF said in their submission to the Inquiry:

*...Concessions may have a range of purposes. They may supplement a cash income (by saving money); they may promote certain activities (eg travel) by removing obstacles including affordability, inconvenience (of finding change for instance); or they may provide a security safety net so that, in the event of ill health or other misfortune, money does not become an obstacle to an reasonable quality of life (or even life itself).*⁴

Current Commonwealth concession cards

2.14 Cards issued by the Commonwealth provide holders (and some dependents) with Commonwealth concessions relating to pharmaceuticals,

3 Submission no. 23, pg 93.

4 Submission no. 34, pg 185.

health services, telephone charges and rail travel. All States/Territories use Commonwealth concession cards to determine eligibility status for their own government and council concessions on services such as council rates, electricity and water charges, motor vehicle registration and public transport.

2.15 Commonwealth concession cards are issued by the Department of Social Security or the Department of Veterans' Affairs. There are three main cards:

Pensioner Concession Card (PCC)

2.16 The PCC offers the most comprehensive range of Commonwealth and generally, State/Territory, concessions. It is available mainly to long term pensioners and designed to ensure access to essential health services. The PCC is issued annually, to all current pensioners and eligible customers. At April 1997, there were 3,180,064 people with a PCC. Table 2.1 briefly details the PCC recipients and the concessions they receive.

Health Care Card (HCC)

2.17 The HCC is available to people receiving so-called 'short term' income support payments, usually classed as benefits/allowances rather than pensions. It is also available to those receiving the income-tested Family Payment at the maximum rate and people in the workforce receiving a low income, subject to a means test of the household income averaged over four weeks. At April 1997, there were 2,149,566 people holding a HCC. Of these, 231,684 had received the HCC because of low income.

2.18 The HCC entitlements, outlined in Table 2.2, include PBS pharmaceuticals at the concessional rate and limited State/Territory concessions. As well as those receiving Social Security payments, the HCC is offered to some people re-entering the workforce and therefore losing their payments under the Sole Parent Pension, Job Search/Newstart Allowance, Partner Allowance, Special Benefit and Youth Training Allowance. Providing the HCC for this extra six months is designed as transitional assistance for re-entering the workforce.

Commonwealth Seniors Health Card (CSHC)

2.19 The CSHC was introduced in 1994 to give low-income retirees whose income is below the cut off point for an age pension, but whose high assets exclude them from pensions, access to the same Commonwealth health benefits as pensioners. It is also available to people who would, subject to an income and

assets test, qualify for an aged pension, but who are excluded by their insufficient length of residence in Australia (10 years' residence is required to qualify for the age pension). In April 1997, there were 37,844 people holding a CSHC.

Table 2.1 Pensioner Concession Card

<i>Persons eligible for a PCC</i>	<i>Commonwealth concessions</i>	<i>State/Territory concessions *</i>
Those who are receiving:	PBS pharmaceuticals at \$3.20 per prescription	Discounts on:
Age pension		Rates
Wife pension	Telephone allowance of	Electricity
Disability Support pension	\$15.40 per quarter	Water
Carer payment		Motor vehicle registration
Mature Age Allowance	Free hearing aids and concessional maintenance	Drivers licence renewal
Mature Age Partner Allowance		Public transport
Service pension	Australian National Railways concessions	Recreational activities - eg
Partner service pension		fishing licence, art gallery admission, etc.
Invalidity Service pension	Free redirection of mail for one month	
Partner service pension (invalidity)		
Carer Service pension	Postal concessions for the blind	* varies between States/Territories, consult Appendix A
Income support supplement		
Widow pension		
War widows receiving part age pension		
Newstart mature age allowance		
Disability Wage supplement		
and those over 60, in receipt of the following for 9 continuous months:	Some private sector concessions are also offered.	
Newstart Allowance		
Sickness Allowance		Some private sector concessions are also offered.
Special Benefit		
Widow Allowance		
Partner Allowance		
Benefit Parenting Allowance		

Source: Department of Social Security submission, Appendix A

Table 2.2 Health Care Card

<i>Persons eligible for a HCC</i>	<i>Commonwealth concessions</i>	<i>State/Territory concessions</i>
Low income earners, and most people receiving a Social	PBS pharmaceuticals at \$3.20 per prescription	Some health, household, transport and recreation

Security payment other than a pension, including:		concessions, varying widely from State to State.
Newstart Allowance		
Special Benefit		* Consult Appendix A
Drought Relief Payment		
Partner Allowance		
Benefit Parenting Allowance		
Widow Allowance		
Sickness Allowance	People receiving	
Youth Training Allowance	Sickness Allowance	
Family Payment	are entitled to free	
(at maximum rate)	hearing aids and	
Mobility Allowance	concessional	
(but not receiving a Disability Support Pension)	maintenance	
Child Disability Allowance		
People on DEETYA CDEP programs		
Austudy recipients who meet the low-income HCC income and assets test		
Farm Household Support		

Source: Department of Social Security submission, Appendix A

Table 2.3 Commonwealth Seniors Health Card

<i>Persons eligible for a CSHC</i>	<i>Commonwealth concessions</i>	<i>State/Territory concessions</i>
Australian residents who are not receiving a pension but are of age pension age, who have income at or below the age pension disqualifying limit: \$20,966 per annum per single \$35,027 per annum per couple	PBS pharmaceuticals at \$3.20 per prescription	None

Source: Department of Social Security submission, Appendix A

Veterans' Health Cards

2.20 Additional to the concession cards already described, the Department of Veterans' Affairs (DVA) issues health treatment cards to war veterans and their widows at two levels:

- Gold Repatriation Health Card - entitles the cardholder (including WWI and WWII veterans, disabled veterans, widows and dependents) to free treatment for all health conditions; and

- White Repatriation Health Card - entitles holder to treatment for specific health problems recognised as being service related.

2.21 These cards are only used for identification of health treatment eligibility. They do not officially attract any other Commonwealth or State/Territory government concessions.

2.22 DVA also issues the War Widows Concession Card (TC1) to war widows who are not entitled to the Pensioner Concession Card or Commonwealth Seniors Health Card. State governments, excluding Tasmania, the Australian Capital Territory and the Northern Territory, offer some concessions to war widows and DVA issues the TC1 card as a means of identification for the States. However, the TC1 card does not entitle the holder to any Commonwealth concessions. At July 1997, there were 20,000 holders of a TC1 card.

Student Concessions

2.23 Student concession cards, providing public transport concessions and limited other discounts, are issued by State/Territory education authorities, schools and universities. While these concessions are recognised as very important to the student cardholders, they fall outside the scope of reference for this Inquiry, which is dealing with Commonwealth concessions.

Recent changes to Commonwealth concessions cards

2.24 On 1 July 1997, the Department of Social Security (DSS) reduced the number of concession cards it issues from four to the three outlined above. Prior to 1 July 1997, DSS issued a Health Benefits Card (HBC) to recipients of Sickness Allowance. The change means that people receiving Sickness Allowance are now issued with a Health Care Card. The concessions attached to the HBC and the HCC are almost the same, except that holders of a HBC were also eligible for free hearing aids and concessional hearing services. DSS has assured the Committee that although HCC holders in general are not eligible for hearing services, those who are in receipt of the Sickness Allowance (ie previous HBC holders) are still eligible. At April 1997, there were 14,610 people holding a HBC.

Commonwealth concession entitlements

2.25 Commonwealth concession entitlements are summarised in the following paragraphs.

Pharmaceutical Benefits Scheme

2.26 While the Commonwealth provided free pharmaceuticals to ex-service men and women from 1919, other members of the Australian community did not receive this benefit until the 1950s. In late 1950, a scheme was introduced under the *Pharmaceutical Benefits Act 1947-1949* to provide all members of the community with free access to 139 'life-saving and disease-preventing drugs'. In 1951, the *National Health Service Act 1948-1949* was amended to provide all pensioners and their dependents with access to a wide range of free medicines. In 1954, the *National Health Act 1953* was implemented, bringing the above two schemes together to form the precursor to today's Pharmaceutical Benefits Scheme (PBS).⁵

2.27 The PBS is a list of pharmaceuticals that the Commonwealth Government agrees to subsidise for sale to the Australian community. Patients currently pay a maximum of \$20 for drugs listed on the PBS and the Commonwealth Government subsidises pharmacists for the balance. Once a patient has spent \$612.60 on PBS pharmaceuticals within a calendar year (this amount rises in line with the Consumer Price Index), the maximum cost drops to \$3.20 per prescription.

2.28 Holders of Commonwealth concession cards - the Pensioner Concession Card, Health Care Card or Commonwealth Seniors Health Card - are entitled to a concessional rate for PBS prescriptions. Concession card holders pay \$3.20 for drugs listed on the PBS. Once concession card holders have spent \$166.40 in a calendar year, their medicines reduce from \$3.20 to being provided free of charge.⁶ This system of concessional and free pharmaceuticals is called the PBS Safety Net. The limit that concession card holders must reach before qualifying for free PBS pharmaceuticals increases in line with the Consumer Price Index (CPI).

2.29 Pension payments, and some benefits/allowances where the recipient is suffering a temporary illness, include a Pharmaceutical Allowance of \$5.40 per fortnight, designed to assist with the PBS concessionary co-payment of \$3.20 per prescription.

Australian National Rail

2.30 A long-standing agreement between the Commonwealth and the States allows Pensioner Concession Card holders to travel at half-fare between State capital cities, by using a combination of the State and AN rail networks.⁷ PCC

5 Sloan, C *A history of the Pharmaceutical Benefits Scheme, 1947-1992*, AGPS, Canberra, 1995.

6 Health Insurance Commission, *Annual Report 1995-96*, pg 35.

7 Submission no. 32, pg 152.

holders may also access one free AN rail journey per year within their State of residence. The AN rail network includes the *Ghan* (Adelaide - Alice Springs), the *Indian Pacific* (Sydney - Adelaide - Perth) and the *Overland* (Adelaide - Melbourne).

2.31 The recent sale of AN Rail has some implications for concessions offered on AN fares. This is discussed in greater detail in Chapter 8.

Commonwealth Hearing Services Program

2.32 Holders of a Pensioner Concession Card are eligible for free and discounted hearing services provided by the Department of Health and Family Services. This includes hearing testing, free hearing aids, maintenance and battery supply (\$25 charge per year). As outlined above, Health Care Card holders who are receiving the Sickness Allowance are also entitled to these concessions. The 1997-98 Budget included an announcement that Commonwealth Seniors Health Card holders would no longer be eligible for free or concessional hearing services.

Dental Services

2.33 The four year Commonwealth Dental Health Program, designed to reduce waiting lists for public dental health treatment, ceased operation at the end of 1996 as part of the 1996-97 Budget measures. The Commonwealth Dental Health Program supplemented State/Territory funding for dental treatment, enabling States/Territories to reduce their dental waiting periods. Dental services for concession card holders are now wholly provided by State/Territory governments, at State/Territory hospitals and dental health clinics. When the Program ceased operation, waiting periods for non-emergency dental care had been reduced to Commonwealth target levels.⁸ Anecdotal evidence now suggests the waiting periods are lengthening.⁹ The Committee has made a recommendation to review this decision in Chapter 7.

Eligibility for Commonwealth concessions

*'There are many needy groups in our community who will have a need, at some time in their lives, or maybe for the whole of their lives, for certain concessions.'*¹⁰

8 Transcript of Evidence, pg FCA 65.

9 *The Canberra Times*, 27 September 1997, 8 August 1997; *The Age* 15 April 1997, the *Sunday Age* 13 July 1997.

10 Council on the Ageing (Australia), Transcript of Evidence, pg FCA 319.

2.34 Eligibility for most Commonwealth concessions is determined by a person's eligibility for various means tested income support payments provided by the Department of Social Security, the Department of Veterans' Affairs and the Department of Employment, Education, Training and Youth Affairs. The following section outlines the income and assets tests required for access to the Commonwealth income support payments and therefore Commonwealth concession cards, with a view to clarifying arguments for extending eligibility for various cards.

2.35 The Commonwealth Seniors Health Card and the low-income Health Care Card, which are not determined by a person's eligibility for income support payments, are subject to a separate income test.

Income and assets tests

2.36 Qualification for Commonwealth income support payments relies on an income and assets test. The rate of pension or payment a person is eligible for is calculated first on income level, and then on the value of assets. The test which results in the lower rate of pension payment is the one which applies. There are many provisions and allowances built into these tests, such as hardship provisions, which are not detailed in this report. The Department of Social Security publication, *Information Handbook - A Guide to Payments and Services*, gives more information on eligibility criteria for income support payments.

Pensions - Income test

Table 2.4 *Income test for Social Security pensions (July 1997)*

	ALLOWABLE INCOME	
	Full pension	Part pension
Single	\$100 per fortnight	\$806 per fortnight
Couple(combined)	\$176 per fortnight	\$1,347 per fortnight
For each dependant child add	\$24 per fortnight	\$24 per fortnight

2.37 For every dollar that income rises above the allowable limits, the single pension is reduced by 50 cents and the pension of each member of a couple is reduced by 25 cents. When a pensioner’s partner does not receive a pension, the pensioner receives the partnered rate reduced by 25 cents for every dollar above the allowable income for a couple.

Pensions - Assets test

The following assets test excludes the value of the residential home.

Table 2.5 *Asset test for Social Security pensions (July 1997)*

	ASSET LIMITS	
	Full pension	Part Pension
Single homeowner	\$125,750	\$243,500
Single non-homeowner	\$215,750	\$333,500
Couple, homeowners	\$178,500	\$374,000
Couple, non-homeowners	\$268,500	\$464,000

2.38 For single pensioners, every \$1,000 of assets over the limit reduces the pension by \$3.00 per fortnight. For members of a couple, every \$1,000 of combined assets over the limit reduces each pension by \$1.50 per fortnight.

Health Care Card - Qualifying criteria

2.39 The HCC is automatically issued to people who apply and qualify for the following allowances/benefits:

- Youth Training Allowance;
- Newstart Allowance;
- Widow Allowance;
- Partner Allowance;
- Benefit Parenting Allowance;
- Sickness Allowance;
- Mobility Allowance (if not receiving pension);
- Special Benefit;
- Child Disability Allowance; and
- Family Payment (at maximum rate).

2.40 People receiving maximum payments for Austudy or the Community Development Employment Program (CDEP) from DEETYA (subject to the income test for the 'low income' HCC) must apply for the HCC on a separate application form.

Allowances and benefits - income test

2.41 People receiving allowances/benefits (either singles or couples) may earn up to \$60 per fortnight each before the full allowance is reduced. Entitlement is reduced by 50 cents for every dollar between \$60 and \$140 per fortnight. Any income greater than \$140 per fortnight reduces the allowance by 70 cents for each dollar of income.

2.42 People receiving Special Benefit payments have a dollar for dollar reduction of payment for any income earned.

Allowances and benefits - assets test

2.43 The assets test limits for allowances and benefits are the same as those for pension recipients, but there is no \$3 per \$1,000 taper for a part-payment.

2.44 Applicants for allowances who are under the age of 18 and still dependent on their parents, are subject to an income and assets test on their parents'

income. The parents' income is not tested if they themselves are receiving a Social Security pension, benefit or allowance, a Veterans' Affairs service pension or Austudy.

Income test for low-income Health Care Card

2.45 The Health Care Card (HCC) is also available to low income earners, who must verify their income for the previous four weeks. The Government announced in its 1997/98 Budget that the income testing period for the low-income HCC will increase from four to eight weeks in July 1998.

Table 2.6 Low income earners eligible for HCC (July 1997)

	<i>INCOME LIMITS averaged over four weeks</i>
<i>Single</i>	\$286 per week
<i>Couple</i>	\$476 per week
<i>Single/couple with one child</i>	\$510 per week
<i>For each additional child add</i>	\$34

Commonwealth Seniors Health Card

2.46 The Commonwealth Seniors Health Card (CSHC) has an income test similar to that of the Pensioner Concession Card. Assets and residency (length of residence in Australia) status are not included in qualification tests for the CSHC. This is because the card is designed to recognise that older retirees who have not lived in Australia long enough to qualify for a pension, or who have substantial assets but a low income, may need assistance with health costs. The income cut off points are similar to those for qualification for the age pension - \$20,966 pa (single) or \$35,027 pa (couple).

Concession card holders - what they earn

2.47 Several interest groups, including the Brotherhood of St Laurence, the Welfare Rights Centre and the Hobart Community Legal Service, told the Committee that the current concession cards did not adequately target low income people. Several others, notably interest groups representing general practitioners, complained that too many people, some of whom appeared wealthy, held Commonwealth concession cards.

2.48 As background for assessing claims for extending eligibility for Commonwealth concession cards (examined in Chapter 6), the following outlines current concession card holders' earnings.

Full pension rates (July 1997)

Table 2.7 *Full pension rates*

	<i>Full pension rate</i>
<i>Single</i>	\$347 per fortnight
<i>Couple</i>	\$290 per fortnight each

2.49 These rates are adjusted in line with the Consumer Price Index in March and September each year.

Part pension rates

2.50 People earning income above the allowable limits for the full pension rate (see Table 2.4) have their pension payment reduced by 50 cents for every dollar earned. The pension completely cuts out when earnings exceed \$403 per week. Any person receiving a part pension, even if it is only a few dollars per fortnight, is automatically issued with a PCC.

Full allowance and benefits rates (July 1997)

2.51 Rates of Social Security allowances/benefits vary according to age and circumstance. The following table outlines current rates of income support for people aged over 21. The Department of Social Security publication, *Information Handbook - A Guide to Payments and Services* should be consulted for more detailed information.

Table 2.8 *Allowance/Benefits payment rates (full payment)*

	<i>Payment rate</i>
<i>Single, no children</i>	\$321 per fortnight
<i>Single, with children</i>	\$346 per fortnight
<i>Couple, with or without children</i>	\$290 per fortnight each
<i>60 years old or over</i>	\$347 per fortnight

2.52 Low income earners may also receive Family Payments to assist with children's costs, and other supplementary allowances such as Rent Assistance, Remote Area Allowance, Education Entry Payments and Family Tax Payments.