



**The Hon Jenny Macklin MP
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Mrs Julia Irwin MP
Chair
Standing Committee on Petitions
Parliament House
CANBERRA ACT 2600

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Dear Mrs Irwin *Julia*

Thank you for your letter of 4 September 2008 enclosing a copy of the petition submitted by Disability and Age Pensioners of Logan, Bethania and Beenleigh that was presented to the Standing Committee on Petitions by Mr Brett Raguse MP, Member for Forde. I apologise for the delay in replying.

The petition called for an increase in Pharmaceutical Allowance and food vouchers.

As you know, the Pharmaceutical Allowance is paid to help pensioners and some allowance recipients with the cost of prescriptions. Although it does not represent a full subsidy of the concessional co-payment, it provides some help with pensioners out-of-pocket costs for the Pharmaceutical Benefits Scheme listed items.

An indexation process is carried out each year, using the Consumer Price Index, to see whether there should be any increase to Pharmaceutical Allowance. The indexation process for Pharmaceutical Allowance and the co-payment has been carried out for 2008. The concessional co-payment is \$5. As Pharmaceutical Allowance is \$5.80 a fortnight, due to the size of the Consumer Price Index increase and the requirement to round Pharmaceutical Allowance down to the nearest 10 cents, there was no increase to Pharmaceutical Allowance in 2008.

Despite increases to prescription costs for concessional patients in 2008, individuals and families are protected from large overall expenses for Pharmaceutical Benefits Scheme listed prescriptions by the safety net arrangements, in combination with the payment of Pharmaceutical Allowance.

Under the Pharmaceutical Benefits Scheme Safety Net, Pharmaceutical Benefits Scheme scripts for concessional patients are generally free after the purchase of 58 scripts in the 2008 calendar year. This helps to protect people from high pharmaceutical costs.

Although there is a difference between Pharmaceutical Allowance and the co-payment, a Pharmaceutical Allowance recipient with a concession card will pay around \$139.20 a year for most prescription medicines. Beyond this, the Pharmaceutical Benefits Scheme Safety Net ensures that any further Pharmaceutical Benefits Scheme prescriptions can be obtained free of charge for the rest of the calendar year.

There are no plans to introduce food vouchers. However, the Australian Government has announced a \$10.4 billion Economic Security Strategy to strengthen the Australian economy in the face of the global financial crisis.

Feedback received by my Department during recent consultations also made it clear that the Government needs to take urgent action to assist pensioners with the cost of living pressures they are facing now.

The Government has responded to these messages by delivering a \$4.8 billion down payment to pensioners, providing them with immediate financial help in the lead up to comprehensive reform of the pension system. This builds on the \$7.5 billion in support provided in the Government's first Budget, bringing new spending since the election on pensioners, seniors and carers to \$12.3 billion.

The \$4.8 billion down payment will be made available through a payment of \$1,400 to single pensioners and \$2,100 to couples. Payments will be made automatically in the fortnight beginning 8 December 2008 to those on eligible payments as at 14 October 2008. Where only one member of a couple is eligible, the person will receive half of the couple rate.

The lump sum payment will be paid to eligible recipients of Age Pension, Carer Payment, Disability Support Pension, Wife and Widow B Pensions, Partner Allowance, Widow Allowance, Bereavement Allowance, Department of Veterans' Affairs Service Pension, Department of Veterans' Affairs Income Support Supplement and people of age pension age who receive Parenting Payment, Special Benefit or Austudy.

For the first time, lump sum payments are being extended to include Disability Support Pensioners.

People receiving Carer Allowance will also receive an additional \$1,000 for each eligible person in their care.

The Government is also reforming the pension system to prepare Australia for the challenges of the future and is committed to getting it right for the long term. These payments are intended to provide additional support between the Government's announcement of the down payment and when long-term reforms are delivered in the context of the next Budget.

The Pension Review is investigating the appropriate levels of income support and allowances, the frequency of payments, and the structure and payment of concessions or other entitlements. The review will be completed by the end of February 2009.

Thank you again for writing.

Yours sincerely

JENNY MACKLIN MP