



PRIME MINISTER
CANBERRA

Reference: B11/2997

Senator Bob Brown
Senator for Tasmania
Parliament House
CANBERRA ACT 2600

29 NOV 2011


Dear ~~Senator~~ Brown

Thank you for your letter of 7 November 2011 regarding a costing on providing British Nuclear Testing participants with Gold Cards.

In accordance with our agreement, your request for a costing on this policy proposal was sent to the Minister for Finance and Deregulation, Senator the Hon Penny Wong. This costing has been completed and is attached to this letter.

I have provided a copy of this letter and attachment to the Treasurer and the Minister for Finance and Deregulation.

Yours sincerely


Julia Gillard

COSTING REPORT

Name of policy costed:	Provision of Automatic Gold Cards to all Defence Personnel Participants in British Nuclear Testing (BNT) in Australia
Person making the request:	Senator Bob Brown, Leader of the Australian Greens
Date received:	9 November 2011
Summary of policy:	Treatment for all conditions under the <i>Veterans' Entitlements Act 1986</i> (VEA) would be provided to all surviving former Australian Defence Force (ADF) personnel who participated in certain British Nuclear Tests conducted in Australia in the 1950s and 1960s.
Additional information requested (including date):	Not applicable
Additional information received (including date):	Not applicable

FINANCIAL IMPLICATIONS (Outturn prices)(a)

Impact on	2011-12	2012-13	2013-14	2014-15	2015-16
Underlying Cash Balance (\$m)	-0.1	-33.0	-31.9	-30.8	-29.3
Fiscal Balance (\$m)	-0.1	-36.2	-31.8	-30.7	-29.2

(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 positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Costing assumptions:

- Commencement of policy is assumed to be 1 July 2012.
- The estimated eligible beneficiary population is 1,829 in 2012-13 and falls to 1,385 in 2015-16. This reflects the mortality profile (declining numbers) of surviving BNT participants which is assumed to be similar to that of the Korean War veteran cohort.
- Average utilisation of health services for this cohort is assumed to be the same as for existing Department of Veterans' Affairs (DVA) Gold Card holders.
- It is assumed that all members of the eligible cohort would claim their entitlement, and they would do so upon commencement of the policy.

- During the period before date of commencement, eligible people would be advised to claim the new entitlement by:
 - DVA, in the case of BNT participants who are already clients of the department; and
 - the Australian Nuclear Veterans' Association, in the case of those people not known to DVA.
- The majority of departmental expenses are incurred in 2011-12 and 2012-13, and relate to activities such as implementing new policy, handling client enquiries, processing new claims, and implementing IT systems changes. It is estimated that the implementation of this policy would require additional staffing for DVA of 3.5 FTE over four years.

Qualifications.

Assumptions underpinning this costing are subject to the following risks:

- That the actual health service utilisation of the eligible cohort may be significantly higher or lower than the amount estimated.
- That not all members of the eligible cohort will apply to receive their new entitlements.
- That the *Mortality and Cancer Incidence 2006* study of BNT participants (commissioned by the Repatriation Commission) did not identify all members of the eligible cohort, and that a significant number of new members may come forward to claim their new entitlement.

Further information

- Payments to providers for health treatment services to veterans are paid retrospectively by Medicare Australia on behalf of DVA. This would result in a difference between the fiscal balance and underlying cash impacts in the first year of operation of this proposed new policy.
- The method used to estimate* the costs of the policy was as follows:

Total cost = NGC x POP, where:

- NGC (net cost per Gold Card) = annual full cost to DVA of each Gold Card less the savings to the Medicare Benefits and Pharmaceutical Benefits Schemes.
- POP (net BNT beneficiary population) = estimated surviving ADF BNT population** less ADF BNT population already issued with a Gold Card based on other VEA eligibility.

* DVA was consulted in estimating the BNT population and Gold Card costs.

** The surviving BNT population was estimated by adjusting the BNT cohort identified for the *Mortality and Cancer Incidence 2006* study for Korean War veteran mortality rates (closest comparable cohort).