

CHAPTER 5

COST PRESSURES

5.1 The inquiry received numerous anecdotal reports from retirees and organisations arguing that the cost of living had outstripped inflation and created greater financial pressure for older households. The validity of some of these accounts was supported in quantitative data considered by the committee.

5.2 The cost pressures faced by older people reflect, in part, the general rise in prices and expenses experienced across the broader community. However, the spending patterns of different demographics can be extremely diverse and this is the case with older people. In particular, older people are more vulnerable to certain expenses—particularly those that represent essentials or basic costs of living—which consume a greater proportion of their expenditure. Older people are also subject to the additional costs that uniquely affect their demographic, due to increasing health and mobility problems commensurate with ageing.¹ Further, many older people are on fixed incomes, which means that rises in cost of living, if not met by increases in pension indexation or superannuation levels, can erode discretionary income or make previous spending habits unaffordable.

5.3 There are disagreements within the research community about the most appropriate means of collecting quantitative data to assess the impact of cost pressures on the community and, specifically, older people. Historically, most assessments of whether or not individuals live in poverty involve their after-tax income levels, which provide a measure of consumption capacity. However, standard of living is often more appropriately measured by actual consumption. Both measures have different strengths and limitations and more accurate assessments should take into consideration a range of measurements.

5.4 Problems with expenditure measurements are the inclusion of large one-off purchases that distort findings, and the possibility that a person may choose to consume little even though their capacity to consume is considerable. Furthermore, it has been argued that people who are forced to use savings, or to rely on credit, to finance general expenses are people who should be included among the poor. Both systems are complicated by the inclusion of issues such as capital gains and superannuation.

Rising cost pressures across the community

5.5 In many respects, the impact of rises in the cost of living is influenced by the effects on particular goods and services. According to a study by the *Herald Sun*, the

1 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 9.

consumer price index has risen by 35 per cent since 1997 but this rise has been surpassed by increases in the costs of essential services and commodities, such as food, petrol, public transport, child care, insurance, medical bills and education. Electricity and gas prices have also risen, although according to the *Herald Sun* article regulatory controls and industry efficiency have limited the impact on households. Many of these increases have been afforded through a greater use of credit, with credit card debt having spiralled from \$7.6 billion to \$40 billion over the past decade.²

5.6 Other media reporting has suggested similar rises. *The Canberra Times* cited ABS data and reported that over the past five years the CPI has increased by 14.5 per cent, the cost of living for age pensioners has increased by 15.8 per cent and there have been some even higher rises in essential costs. For example, over the period, fruit and vegetables rose by 41.9 per cent, health bills by 31 per cent, housing costs by 20.6 per cent and fuel prices by 45.5 per cent.³

5.7 The seventh and most recent Household Expenditure Survey undertaken by the Australian Bureau of Statistics also highlights that some of the steepest rises in the cost of living have been in basic and essential costs. The survey found that the largest rises between 1998-99 and 2003-04 in average weekly expenditure on goods and services included housing costs, medical care and health expenses, miscellaneous goods and services, domestic fuel and power, household services and operation, and recreation. Over this period, these commodities experienced rises of 47.3 per cent, 41 per cent, 38.9 per cent, 32 per cent, 31.5 per cent, 29.1 per cent respectively. The lowest rises were in personal care, household furnishings and equipment, food and non-alcoholic beverages, transport, alcoholic beverages, clothing and footwear, and tobacco.⁴

Expenditure patterns of older people

5.8 Although this data has demonstrated a rise in cost of living pressure across the community, many submissions to the inquiry argued that the cost pressures faced by older people outstripped those of the rest of the community. Older people do not form a completely homogenous sub-group, although as a sub-group their spending patterns tend to be different to average households. This was discussed earlier in this report in chapter three with respect to the appropriateness of indexation for the aged pension.

5.9 Older people also have lower and fixed incomes, as well as lower discretionary spending than other demographics. Further, some of the submissions to the inquiry pointed to issues that placed additional financial strain on the expenditure of older people. This includes cost rises in basic and essential goods and services that

2 Ian Royall, 'Feeling the squeeze: Households hit by rocketing price of living', 23 June 2007, *Herald Sun*, p. 11.

3 Danielle Cronin, 'Not gone, nearly forgotten', 1 September 2007, *Canberra Times*, p. 4.

4 Australian Bureau of Statistics, *Household Expenditure Survey: Summary of Results, 6530.0, 2003-04*, pp 8-10.

have outstripped inflation; above-inflation rises in health costs; the increasing user pays system that had transferred a greater proportion of out-of-pocket costs onto older people; and the imposition of the GST.

5.10 COTA submitted that the key expenditure items for older persons generally have risen at a greater rate. While transport costs rose on a par with the CPI at 18 per cent, housing costs rose by 47 per cent, recreation by 29 per cent, food and non-alcoholic beverages by 20 per cent, health practitioner fees by 44 per cent, health insurance by 34 per cent and domestic fuel and power by 32 per cent.⁵

5.11 Queensland Shelter highlighted a list of expenses it considered to have put particular pressure on older people:

The GST, increased user pays costs, removal of some medications from the PBS and pressures on services such as dental care were referred to as having all played a part. The GST has been 'blamed' for increases in insurances and utilities. Coupled with all these are the current unrelenting private rental costs and increased petrol costs.⁶

5.12 COTA submitted that older persons have been particularly affected by recent social and economic changes, with more costs shifted to the individual. It argued:

Cost pressures being experienced by older people are exacerbated by other social and economic changes including introduction of regressive indirect taxes, increases in user pays chargers in former public enterprises, co-payments for medical and pharmaceutical services and lack of accessible transport and affordable housing.⁷

Higher proportional expenditure on basics and essentials

5.13 Older people in lower income brackets spend a greater proportion of their income on basics and essentials such as domestic fuel and power, food and non-alcoholic drinks and household services. They spend comparatively less on recreation, clothing, footwear, alcohol and personal care.⁸

5.14 St Vincent de Paul⁹ and the Brotherhood of St Laurence¹⁰ submitted the proportional differences in the budgets of older people on some of these items. St Vincent de Paul estimated that pensioners spent proportionately more than the average household calculated in the CPI and were more sensitive to rises in food (30.68 per

5 COTA Over 50s, *Submission 96*, p. 8.

6 Queensland Shelter, *Submission 45*, p. 3.

7 COTA Over 50s, *Submission 96*, p. 4.

8 COTA Over 50s, *Submission 96*, p. 10.

9 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp. 4-6.

10 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 9; National Seniors, *Submission 60*, p. 12.

cent), household utilities (57.14 per cent), health (26.2 per cent), and communications (38 per cent). In contrast, aged pensioners spend proportionately less on housing (25 per cent), transport (22 per cent), alcohol (25 per cent), childcare (nil) and education (97 per cent).¹¹

5.15 These findings were consistent with ABS data, which has highlighted the divergent spending patterns of high income earners compared to low income earners—which includes many older people. On 13 key categories of goods and services, high income earners tend to spend a greater proportion of their incomes than low income earners. However, low income earners are more sensitive to rises in five of those areas: housing costs, food and non-alcoholic beverages, household services and operation, domestic fuel and power and tobacco.¹²

5.16 The ABS has also highlighted that aged pension households have the highest proportion of expenditure allocated to food and both age pension and self-funded retiree households have a higher proportion of expenditure on health costs.¹³ The proportion of older people with deteriorating health or disability increases with age, which imposes greater demand for health and aged care services. For example, according to the Australian Institute of Health and Welfare, during 2005–06 people aged 65–74 years made an average of 8 visits per person to a GP while those aged 85 years and over made 9.5 visits.¹⁴

5.17 Similarly, the Brotherhood of St Laurence noted that older people often face higher costs associated with ageing, such as health care, medications, hospital admissions, in-home care services, mobility aid and equipment, as well as home modifications to accommodate reduced mobility.¹⁵ Along with this, as health declines, some older people may have to pay for services such as motor vehicle and car maintenance that were formerly performed by them.¹⁶

5.18 The higher emphasis on spending on essentials for older people was also borne out in some of the anecdotal accounts submitted to the inquiry. The submission of Bernard and Barbara Murray recounts their experiences as pensioners of the impact

11 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4–6.

12 Australian Bureau of Statistics, *Household Expenditure Survey: Summary of Results, 6530.0, 2003-04*, p. 5.

13 Australian Bureau of Statistics, 6463.0 – Analytical Living Cost Indexes for Selected Australian Household Types, June 2007, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/6463.0?OpenDocument>, (accessed 29 August 2007).

14 Australian Institute of Health and Welfare, *Older Australians at a Glance 4th Ed.*, November 2007, p. viii.

15 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 9.

16 Mr David and Ms Elizabeth Jeffrey, *Submission 113*, p. 1.

of rises in the cost of essentials, notably food and petrol, on other expenditure. They asserted:

Every year of the past ten, my wife has been complaining that our meagre income is barely keeping up with the ever increasing cost of food...Over those years we have bought very little in the way of new clothes or shoes. The rising cost of petrol over the past couple of years now has us thinking twice about travelling very far from home and the need to multipurpose our trips.¹⁷

5.19 Similarly, according to the *Herald Sun* study on the rises in cost pressures since 1997:

Among the [financial] losers were the elderly, who were doing it tough because a higher proportion of their income was spent on essentials such as food and utilities. They have also not enjoyed the benefit of lower interest rates because most have paid off their homes.¹⁸

Groceries and food

5.20 Food and groceries are key elements of older people's weekly expenses. As was mentioned earlier in this chapter, St Vincent de Paul submitted that older people were more sensitive to rises in the cost of these items.¹⁹ Similarly, National Seniors argued that ABS data demonstrates that older Australians spend around 20 per cent of total weekly expenditure on food.²⁰

5.21 A large number of submissions highlighted concerns about the affordability of, or impact of rises in, groceries and food prices. Part of the perceived rise in prices was attributed to higher transportation and freight costs, particularly as a result of petrol price increases. However, the committee received conflicting information about the movement in the price of food and groceries—much of this variation was the result of when information was surveyed. This illustrates the need to be careful about relying on data from a certain period and the need for context, such as a comparison with CPI. Nevertheless, the data available to the committee seemed to suggest that food generally has increased at a faster rate than the CPI over the past decade as outlined below.

5.22 St Vincent de Paul undertook research on the comparison between general inflation and the cost of some basic food items between 1990 and 2005. During this period, the research found that the cost of dairy and related products rose 41 per cent more than the inflation rate, and bread and cereals by 34 per cent greater than

17 Mr Bernard and Mrs Barbara Murray, *Submission 86*, p. 1.

18 Ian Royall, 'Feeling the squeeze: Households hit by rocketing price of living', 23 June 2007, *Herald Sun*, p. 11.

19 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

20 National Seniors, *Submission 60*, p. 7.

inflation. However, it found that meat and seafood rose at 7.2 per cent less than inflation, and fruit and vegetables rose at 21.6 per cent less than inflation.²¹

5.23 ABS data indicated that over the past 12 months food prices fell by 2.3 per cent, despite a rise in the CPI of 0.1 per cent. However, over the preceding ten years, food costs rose by 41.3 per cent, outstripping the CPI rise of 29.1 per cent.²² The National Association of Retail Grocers (NARGA) argued that fresh foods such as vegetables, fruit and a range of meats increased at 'significantly higher rates of price increase' than the CPI and food in general. Over the same period average wages rose by 47 per cent.²³

5.24 These accounts were generally consistent with anecdotal reports on the budgets of older people. For instance, Mr Keith Thomson highlighted that his gross supermarket bills for January to June 2007 had risen by 23.9 per cent over the expenses incurred from January to June 2006.²⁴ Similarly, Ms Patricia Strachan asserted that her weekly food and grocery bill has risen by 40 per cent over the past three years.²⁵ As was argued by Mr Donald White, older people do not have the same flexibility in accommodating rises in the cost of food as some other expenses.²⁶

5.25 National Seniors and APSL QLD argued that their members were cutting down on their food costs including, in some cases, through the purchase of cheaper and inferior food items, which potentially has negative consequences for their health.²⁷ APSL QLD argued:

If as a result of rising costs Pensioners and Superannuants are forced to reduce their daily food intake both qualitative and quantitative then we expect a deterioration in the well being of their health which would likely result in further pressure on our national health system.²⁸

5.26 Some submissions highlighted the importance of specials, cut-price supermarkets, discontinued lines and, in some cases, out-of-date items to be able to afford such commodities.²⁹ However, it was argued by some that transportation

21 St Vincent de Paul Society National Council, *Winners and Losers: the Story of Costs, Social Policy Issues Paper 2*, 19 December 2004, pp 11-12.

22 Australian Bureau of Statistics, *Submission 43*, p. 8.

23 National Association of Retail Grocers of Australia, *Submission 59*, p. i.

24 Mr Keith Thomson, *Submission 114*, p. 2.

25 Ms Patricia Strachan, *Submission 186*, p. 1.

26 Mr Donald White, *Submission 32*, p. 1.

27 National Seniors, *Submission 60*, p. 7; Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 1.

28 Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 1.

29 This included: Mr Graham Sharpe, *Submission 82*, p. 1; Name withheld, *Submission 48*, p. 2; Ms Elayne Whatman, *Submission 134*, p. 1; Mr J M & Mrs W E K Harris, *Submission 140*, p. 1; Miss P A Robb, *Submission 151*, p. 3.

problems and lack of competition between supermarkets in particular areas, inhibits many from the opportunity to take advantage of these remedies. In addition, some older people suffered limited mobility, which inhibits their capacity to exercise choice.³⁰

5.27 Other submissions painted a more dire situation. Some highlighted that certain foods such as meat were being omitted from diets,³¹ that donations of food were relied on from friends and charities,³² or that some older people were forced to skip meals because of cost pressures.³³ Mr L D Arrowsmith stated that:

Some are reduced to raiding dumpsters to retrieve bread, fruit, vegetables, canned goods and sometimes meat that have been discarded by our large grocery chains as it is bruised or out of date and considered un-saleable. However when these items are considered luxuries by the disadvantaged, raiding a garbage bin is a means of avoiding starvation.³⁴

5.28 These anecdotal accounts are consistent with the submissions from community organisations. The Salvation Army Southern Territory reported that it had been required to increase assistance to older people. It noted that it was increasingly providing Emergency Relief to many older people on low incomes for the first time. The Salvation Army highlighted the consequences of cost pressures with respect to food:

Increased food costs cause people to purchase cheaper, less healthy food lines or to go without food. A significant percentage of older Australians presenting for assistance at Salvation Army services are assisted with food and/or food vouchers. In some cases, it has become necessary to provide fresh food and prepared meals to ensure older people are eating appropriately and regularly.³⁵

Transport costs

5.29 According to information submitted by St Vincent de Paul, pensioners spend proportionately less of their incomes on transport (22 per cent) than average households.³⁶ However, it became evident during the inquiry that the smaller budgets of many older people, such as those dependent on pensions, can mean that rises in the cost of transport, especially petrol, still have a disproportionate effect.

30 These included: Ms Maxine Visser, *Submission 88*, p. 1; Mr Don and Mrs Elma Butler, p. 1; Ms Winifred O'Keeffe, *Submission 21*, p. 1; Name withheld, *Submission 149*, p. 2.

31 Ms Enid Randon, *Submission 170*, p. 1.

32 Mrs Margaret Ryan, *Submission 100*, p. 4.

33 Name withheld, *Submission 133*, p. 1; Mr Cy D'Oliveira, *Submission 131*, p. 2.

34 Mr L D Arrowsmith, *Submission 126*, p. 4.

35 Salvation Army Australia Southern Territory, *Submission 136*, p. 6.

36 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

5.30 ABS data provided to the inquiry showed that over the past 12 months automotive fuel costs rose by 1.4 per cent, which was higher than the CPI increase of 0.1 per cent. National Seniors maintained that older people were less able to accommodate the rises than other segments of society. In particular, National Seniors argued that the rises over the past year have increased the proportional spending of older people on transportation by 9.7 per cent for pensioners and 8.2 per cent for self-funded retirees.³⁷

5.31 Further, ABS data also shows that automotive costs have increased substantially over the past ten years, outstripping CPI, with a rise of 61.3 per cent compared to 29.1 per cent.³⁸ Similar accounts were provided to the inquiry by other submissions. For example, Bernard and Barbara Murray recorded their expenditure on petrol and distances travelled in 2002 compared to 2006. They argued that their fuel costs had increased by 39 per cent over the four years, which far outstripped their pension increase.³⁹

5.32 The Salvation Army and the Aged Care Lobby also argued that older people face prohibitive transportation costs with respect to registration, insurance, licensing and maintenance.⁴⁰ Another submission observed that motor vehicle registration and third party insurance increased by 70 per cent between June 2003 and June 2007.⁴¹ The Superannuated Commonwealth Officers' Association argued that some government charges, such as Motor Vehicle Registration fees in the ACT, are now adjusted according to a wage based indexation, which has far outstripped the CPI over the past 17 years.⁴²

Rural and regional retirees

5.33 Notably, many of the submissions to the inquiry raised concerns about the impact of the cost of living for older people in rural and regional areas. The Salvation Army submitted that, nationally, twenty-five percent of people over the age of fifty-five seeking emergency assistance from the Salvation Army are from rural and regional areas.⁴³ Transport-related costs are a particularly prominent cost pressure for older people living in rural and regional Australia. A lack of locally-based essential services (notably, health services), mean people must travel to larger towns and cities

37 National Seniors, *Submission 60*, pp 7-9.

38 Australian Bureau of Statistics, *Submission 43*, p. 8.

39 Bernard and Barbara Murray, *Submission 86*, p. 1.

40 Salvation Army Australia Southern Territory, *Submission 136*, pp. 6, 8; Aged Care Lobby Group, *Submission 40*, pp 1-3.

41 Name withheld, *Submission 27*, p. 1.

42 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9.

43 Salvation Army Australia Southern Territory, *Submission 136*, additional information, 5.12.07, p. 1.

to access such services. Participation in social activities may also require significant travel.⁴⁴

5.34 Many older people tend to own older less fuel efficient vehicles and lack the finances to replace them. With petrol price rises and a greater need to travel to access services, older people in rural and remote areas are particularly impacted on. Some pointed out that the rise in petrol prices has increased the cost of living for older people in rural and regional areas because of the compounding effect on food and grocery prices as well as increases in transport costs.⁴⁵ Consequently, the National Rural Health Alliance called for a revision of the remote zone tax in order to off-set these costs to better recognise population and demography changes since the zone boundaries were drawn up—in 1945—and the rebate established—in 1984-85.⁴⁶

Consequences of high transport costs

5.35 The evidence provided to the committee highlighted various consequences of the increasing unaffordability of transport for older people. Of particular concern was the impact of higher petrol costs on the usage of private motor vehicles to attend medical appointments.⁴⁷ Others noted the importance of affordable, accessible transport for independence, visiting family and friends, participating in community activities, providing volunteer services and providing care for grandchildren.⁴⁸ The Salvation Army argued that many older people were risking driving uninsured vehicles because of the prohibitive cost of insurance cover.⁴⁹

5.36 The Aged Care Lobby Group argued that public transport did not offer a viable alternative to private transport because it was often either expensive or inaccessible.⁵⁰ St Vincent de Paul made the same argument, noting that public transport costs had increased by three times the rate of the CPI. Although public

44 Salvation Army Australia Southern Territory, *Submission 136*, additional information, 5.12.07, pp 1-2.

45 Combined Pensioners and Superannuants Association of NSW Inc – Bellingen Branch, *Submission 56*, p. 1; National Rural Health Alliance Inc, *Submission 91*, pp 3, 5.

46 National Rural Health Alliance Inc, *Submission 91*, pp 3, 5.

47 These included: National Seniors, *Submission 60*, p. 8; Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6; Combined Pensioners and Superannuants Association of NSW Inc – Bellingen Branch, *Submission 56*, p. 1; Aged Care Lobby Group, *Submission 40*, pp. 1-3; Thirroul Retired Mineworkers' Association, *Submission 4*, p. 1; Professor Frank Vajda, *Submission 5*, p. 1; Ms Irene Kirkwood, *Submission 120*, p. 1; Mr L D Arrowsmith, *Submission 126*, p. 1; Name withheld, *Submission 139*, p. 1; Mr J M & Mrs W E K Harris, *Submission 140*, p. 1.

48 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6; Salvation Army Australia Southern Territory, *Submission 136*, pp 6, 8.

49 Salvation Army Australia Southern Territory, *Submission 136*, pp 6, 8.

50 Aged Care Lobby Group, *Submission 40*, pp 1-3.

transport concessions had lessened the impact of these rises, the increase in the concession charges was still steep.⁵¹

Housing costs

5.37 Housing costs are an important factor in determining standards of living. According to St Vincent de Paul, aged pensioners spend proportionately less on housing (25 per cent) than the average household calculated in the CPI.⁵² This is largely because older people have a high rate of home ownership, compared to other segments of the community.⁵³ Although housing is a necessity, there remains some discretion in the quality of housing secured and the consequent impact on cost pressures. Individuals or families that are purchasing their property or renting from private landlords have a higher proportion of income associated with housing, which has an impact on disposable income and standard of living. In contrast, those that own their own home or receive government housing have much lower housing costs.⁵⁴

Private rental accommodation

5.38 Non-home owners form a minority among the older population in Australia and a lower proportion than other age groups. However, COTA argued that this still constitutes 97 000 couples and 188 000 singles who are at risk of poverty.⁵⁵ The Brotherhood of St Laurence provided similar data to the committee and argued that the proportion of the population over the age of 65 in rental accommodation constitutes 14 per cent. Half rent through state housing and half rent through the private market.⁵⁶

5.39 The Brotherhood of St Laurence also argued that private renting older Australians spend an average of 33 per cent of income on housing, which constitutes a higher average proportion of income on housing than any other age group in any form of housing. It attributed this to the higher rate of home ownership in Australia than other countries, which has resulted in often shorter term private rental agreements with reduced security of tenure and increased probability of rent increases.⁵⁷

51 St Vincent de Paul Society National Council of Australia, *Submission 92*, p. 9.

52 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

53 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 6-7.

54 Harry Greenwell, Rachel Lloyd and Ann Harding, 'An Introduction to Poverty Measurement Issues', December 2001, *National Centre for Social and Economic Modelling Discussion Paper No: 55*, pp 13-14.

55 COTA Over 50s, *Submission 96*, p. 7.

56 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 15.

57 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 15.

5.40 There are a variety of circumstances that lead to older Australians being in rental accommodation. These include long-term renters, those forced through difficult financial circumstances to enter rental housing, and those that have moved into age-specific housing (such as retirement complexes and assisted living villages) and communal housing.⁵⁸

5.41 Irrespective of the circumstances that have led to being in private rental accommodation, older renters are usually on fixed incomes, which provide a much more limited capacity than some other segments of the population to afford rises in accommodation costs.⁵⁹ Aged and Community Services Australia argued that this section of the older population is at the greatest degree of income stress.⁶⁰ Similarly, according to Queensland Shelter, older renters are more likely to be living in poverty or at substantial risk of it.⁶¹ Numerous submissions raised concerns about the cost of private rent and the adequacy of the level of rental assistance, particularly in relation to market increases in rental costs.⁶²

5.42 St Vincent de Paul highlighted that between 1990 and 2005, while home owners' expenses rose at a rate substantially below the CPI (mainly due to falling interest rates between 1996 and 2001), rents increased at about the rate of the CPI.⁶³ The Bellingen Branch of the Combined Pensioners and Superannuants Association of NSW argued that increased house prices were forcing up rental costs to the point where pensioners and low income retirees struggle to afford housing.⁶⁴ Ms Tracey-Ann Douglas from Queensland Shelter speculated that interest rate rises will have a

58 Australian Housing and Urban Research Institute, *Rental Housing Provision for Lower-Income Older Australians: AHURI Final Report No. 96*, May 2007, p. viii-ix.

59 COTA Over 50s, *Submission 96*, p. 7.

60 Aged & Community Services Australia, *Submission 64*, p. 2.

61 Queensland Shelter, *Submission 45*, p. 2.

62 These included Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 3; St Vincent de Paul Society National Council of Australia, *Submission 92*, pp. 4-6; Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 15; COTA Over 50s, *Submission 96*, p. 7; Salvation Army Southern Territory, *Committee Hansard*, 23 August 2007, p. 22; Queensland Shelter, *Submission 45*, p. 2; Council of Social Service of New South Wales, *Submission 54*, p. 4; Catholic Social Services Australia, *Submission 95*, p. 8; Aged and Community Service Australia, *Committee Hansard*, 23 August 2007, p. 79; Older People Speak Out, *Submission 94*, p. 3; Australian Council of Social Service (ACOSS), *Submission 211*, p. 1; Mrs Zoe Ray, *Submission 75*, p. 2; Ms Beth Butler, *Submission 104*, p. 3; Ms Marion Vann, *Submission 202*, p. 1; Ms Shirley Prout, *Submission 97*, p. 2; Name withheld, *Submission 180*, p. 1; Mr Lindsay Kayess, *Submission 115*, p. 2; Miss P A Robb, *Submission 151*, p. 3; Ms Dorothy Ratnarajah, *Submission 156*, p. 1; Mr L D Arrowsmith, *Submission 126*, pp. 2-3; Mr Geoff Ball, *Submission 206*, p. 1; Mr Ralph Foster, *Submission 199*, p. 1; Mr Andrew Ball, *Submission 85*, p. 1; Mr Ronald Davis, *Submission 89*, p. 2.

63 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

64 Combined Pensioners and Superannuants Association of NSW Inc – Bellingen Branch, *Submission 56*, p. 2.

significant impact on rent increases with owner-mortgagors of rental accommodation passing on the interest rate increases to their tenants.⁶⁵ Along with this the growing number of mortgagors at risk of losing their homes due to interest rate rises may be forced into the private rental market putting further strain on the supply of affordable rental accommodation.⁶⁶

5.43 Older People Speak Out maintained that rental assistance had failed to increase to meet the costs resulting from an increased demand for rental accommodation.⁶⁷ This was illustrated by the submission of the Council of Social Service of New South Wales (NCOSS). NCOSS argued that the average Commonwealth Rent Assistance payment was \$69 per fortnight, while the median rent of a one bedroom dwelling in the middle ring of Sydney in June 2006 was \$260 per week.⁶⁸ Dr Paul Henman made the point that rent assistance is increased with reference to the CPI and is independent of increases in housing costs specifically. In effect, rent assistance rates do not take account of the varied growth in rents across the country.⁶⁹

5.44 Similarly, according to COTA, the ABS data from 2003-2004 estimated that the average disposable income required for people living in private housing to maintain an average standard of living was \$549 per week.⁷⁰ This is in contrast with the income received by singles and couples on the maximum pension and in receipt of rent assistance, which are \$319.55 and \$536.70 respectively.⁷¹ It was noted that the discrepancy between rental costs and rental assistance was particularly pronounced for single pensioners, because accommodation requirements were often the same whether a household was comprised of a single or couple.⁷² Thus the apparent greater vulnerability of single pensioners to living in poverty was again underscored.

Consequences of rental stress

5.45 The committee considered evidence that suggested older people are suffering from an increasing difficulty in finding affordable accommodation and paying their rent. Further, the committee was presented with evidence that suggests rental stress is undermining the affordability of other basic items such as food, groceries and utilities

65 Ms Tracey-Ann Douglas, Queensland Shelter, *Committee Hansard*, 8 February 2008, p. 19.

66 Ms Tracey-Ann Douglas, Queensland Shelter, *Committee Hansard*, 8 February 2008, p. 21.

67 Older People Speak Out, *Submission 94*, p. 3.

68 Council of Social Service of New South Wales, *Submission 54*, p. 4.

69 Dr Paul Henman, *Committee Hansard*, 8 February 2008, p. 5.

70 COTA Over 50s, *Submission 96*, p. 7.

71 The amounts for the single and couple pensioners on the maximum rate and in receipt of rent assistance were calculated using the full-rate pension information provided in Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 25, and the rent assistance rates provided in COTA Over 50s, *Submission 96*, p. 7.

72 Mr Lindsay Kayess, *Submission 115*, p. 2.

bills.⁷³ Ms Dorothy Ratnarajah argued that many older people are reliant on emergency relief to help with food costs.⁷⁴

5.46 Mrs Veronica Howell submitted that 'sky-rocketing rents' in her retirement village has meant that she has had to give up a number of activities such as running a small car, participating in U3a classes and visiting family. Further, she stated that she is now dipping into her savings 'trying to survive'. Mrs Howell noted that a number of other residents are in similar situations and proposed that special financial assistance be provided:

Many of the residents at this village are in their eighties and being forced out because the pension, including the rent allowance barely covers the rent. Housing Commission cannot provide housing (waiting lists currently running at approximately five years and nothing is being built), so my suggestion is that government give special needs financial assistance to keep these people in their homes until the Housing Commission can provide suitable housing for them.⁷⁵

5.47 The submissions of Older People Speak Out and Queensland Shelter also argued that older non-home owners were increasingly being forced into private rental accommodation, because of rising inaccessibility of public housing.⁷⁶ Mr Andrew Ball noted that he had been forced into the private rental market because of a lack of government housing. He provided an account to the inquiry about his experience of financial stress living in private rental:

We face astronomical, outrageous and ever increasing rent hikes which, like everything else, strips and rapes our inadequate meagre income on a monthly basis. My rent alone already takes more than 2/3rds of my fortnightly pension and I am left with less than \$100.00 a fortnight to pay for basic living expenses such as food, medications, petrol, electricity, phone and, God forbid, anything else that crops up. Clearly we always run out of money long before we run out of days within our fortnights.⁷⁷

5.48 Further, Ms Tracey-Ann Douglas from Queensland Shelter told the committee that the growing lack of affordable, appropriate rental housing is resulting in a growing number of elderly homeless people.⁷⁸

73 This included Queensland Shelter, *Submission 45*, p. 2; Older People Speak Out, *Submission 94*, p. 3; Mr Andrew Ball, *Submission 85*, p. 1; Ms Dorothy Ratnarajah, *Submission 156*, p. 1; Australian Council of Social Service, *A Fair Go For All Australians: International Comparisons, 2007*, p. 30.

74 Ms Dorothy Ratnarajah, *Submission 156*, p. 1.

75 Mrs Veronica Howell, *Submission 228*, p. 1.

76 Older People Speak Out, *Submission 94*, p. 3; Queensland Shelter, *Submission 45*, p. 2.

77 Mr Andrew Ball, *Submission 85*, p. 1.

78 Ms Tracey-Ann Douglas, Queensland Shelter, *Committee Hansard*, 8 February 2008, p. 19.

5.49 Research by Australia Fair in its comparisons with other OECD countries showed that there are between eighty and one hundred thousand evictions from rental accommodation each year, primarily for unpaid rent. Various segments of the community are represented, but the report highlighted that this includes older men as one of the key demographics.⁷⁹

5.50 The Australian Housing and Urban Research Institute (AHURI) highlighted in its submission two reports on the housing of older Australians, which suggest the number of older people living in private rental accommodation and the degree of financial stress they experience will increase over time. Its report on rental housing argued that the number of lower-income Australians aged 65 and over living in rental households is anticipated to increase by 115 per cent between 2001 and 2026. It maintained that this will exceed the supply capacity of the social housing system. Further, due to the aging of the population and longer life-spans, the greatest increase will be in the 85 and over age range with an increase of 194 per cent of low-income renters. The increase in sole older person householders in rental accommodation is due to increase by 120 per cent with two-thirds of these households being women.⁸⁰

5.51 AHURI pointed to the emergence of new private sector providers of affordable rental housing since 1999. However, the financial problems of some of these providers more recently have resulted in a decline in interest by investors and companies in the market. AHURI emphasised the need to ensure affordable private rental housing remains sustainable and appropriate for the needs of older people.⁸¹

Social housing

5.52 The Commonwealth State Housing Agreement for public and social housing assists a large number of people, including a considerable proportion of older people. In June 2005, 27.64 per cent of public housing tenants were aged 65 and over, while this demographic constituted only 12.6 per cent of the general population. In 2005-06 this amounted to 96 082 public housing households with a primary tenant aged 65 and over.⁸²

5.53 Community Housing is rental housing managed by non-government and local government organisations for people on low to moderate incomes, particularly with special housing needs. Community housing includes a mix of government and non-

79 Australian Council of Social Service, *A Fair Go For All Australians: International Comparisons*, 2007, p. 30.

80 Australian Housing and Urban Research Institute, *Rental Housing Provision for Lower-Income Older Australians: AHURI Final Report No. 96*, May 2007, p. viii.

81 Australian Housing and Urban Research Institute, *Rental Housing Provision for Lower-Income Older Australians: AHURI Final Report No. 96*, May 2007, p. xi-xii.

82 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 68-69.

government funding. The proportion of frail aged tenants ranges from 16.5 per cent in Tasmania to 1.3 per cent in the ACT.⁸³

5.54 Although community and public housing supports large numbers of low-income older people, the committee received evidence that a greater number of older people were in need of this support. Older People Speak Out called for a new Commonwealth and State housing agreement to increase funding to the States to acquire or build more public housing accommodation.⁸⁴

5.55 During the hearing in Melbourne, Aged and Community Service Australia told the committee that churches and charities were large providers of community housing—50 000 units of housing in total—but that this did not accommodate a very high proportion of those in need. It was argued that the sector has not been directly supported by any form of public funding since the 1970s. Over 30 000 units remain from the period of Commonwealth funding but since that time the industry has grown following attainment of funding and cross-subsidisation.⁸⁵

5.56 NCOSS also highlighted new spending initiatives by the NSW Government in 2006-07, but indicated that these were also unlikely to solve the problem of limited social housing. It submitted that the NSW Government announced spending of \$80 million on new homes and \$15 million for modification to existing homes for older people, which would increase available housing by 289 for 2006-07. However, the waiting list for public housing is over 50 000 in NSW.⁸⁶

5.57 AHURI underscored the importance of further initiatives to increase the accessibility and availability of private renting to meet anticipated housing shortfalls. It argued:

The social housing system alone is unlikely to be able to adequately respond to the anticipated increasing demand for older person's rental housing. The overall capacity of the public housing system has been falling during the last decade, measured in terms of the total number of public housing dwellings provided. Furthermore, under current policy settings, older people seem likely to struggle to maintain priority in a public housing system relative to other high needs groups. The capacity of housing associations to increase supply to older people is limited, other than through attracting extensive private sector investment.⁸⁷

83 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 69-70.

84 Older People Speak Out, *Submission 94*, p. 3.

85 *Committee Hansard*, 23 August 2007, p. 77.

86 Council of Social Service of New South Wales, *Submission 54*, p. 4.

87 Australian Housing and Urban Research Institute, *Rental Housing Provision for Lower-Income Older Australians: AHURI Final Report No. 96*, May 2007, p. xi.

Home ownership costs

5.58 Private home-owners have also faced considerable rises in housing costs, most notably rates and associated charges such as water levy and supply charges, following the boom in property values that have occurred over the past decade. The Palm Beach and Whale Beach Association brought the committee's attention to instances in Pittwater Shire where rates have increased by more than 50 per cent in a year. It argued that the rates system employed did not consider capacity to pay and disadvantaged older Australians. It argued:

In many cases, the worst affected are older Australians who purchased their homes many years ago, raised their families within the area and expected to enjoy the last years of their life in the homes that they established. With restricted incomes, their only options are to incur a significant reduction in their standard of living, reverse-mortgage their homes to supplement their income stream or sell their home and move to another location.⁸⁸

5.59 Various submissions from different parts of Australia maintained that pensioner concessions were not adequate to cover the substantial rises that had occurred in rates. The Palm Beach and Whale Beach Association noted that the maximum concession for NSW is \$250.⁸⁹ The submission of Ms Anne and Mr Bill Byrne argued that Council rate rebates in Enfield in NSW are a fixed dollar amount and have not risen since 1996, despite the rise in rates.⁹⁰ The Ethnic Communities' Council of Victoria made a similar point, noting that the maximum concession for Victoria was \$168—substantially less than required to assist with meeting average property rates.⁹¹ A submission from Queensland, by Mr Brian Smith, maintained that the rates subsidy was last increased in 1992, whereas his rates have increased from \$900 to \$1 450 over the past two years with a further increase of \$100 expected over the next year. A submission from the ACT argued that council taxes, fees and charges increased by 9 per cent, or more than four times the increase in the retirement income.⁹²

5.60 Further, the Palm Beach and Whale Beach Association highlighted concerns about potential measures to ameliorate the impact of increases in rateable land value, such as arrangements with a council to defer rates payments and reverse mortgages. As discussed in chapter two, such arrangements involve the accumulation of debt through compound interest until a property is sold, either by the owner or as part of a deceased estate. The Association argued that these circumstances could result in development of negative equity or the erosion of asset value precluding or

88 Palm Beach and Whale Beach Association, *Submission 50*, p. 2.

89 Palm Beach and Whale Beach Association, *Submission 50*, pp 2-3.

90 Ms Anne and Mr Bill Byrne, *Submission 1*, p. 1.

91 Ethnic Communities' Council of Victoria, *Submission 53*, p. 2.

92 Mr Stephen Thompson, *Submission 215*, p. 3.

undermining the capacity of the home-owners to cover the cost of entering or accessing aged care facilities and services during the final years of their lives.⁹³

5.61 The evidence presented to the inquiry also highlighted that older people had faced other increases in housing costs, including mortgages, insurance, maintenance and repairs.⁹⁴ It was argued that many retiree home-owners are increasingly finding insurance costs unaffordable and are allowing their policies to lapse, which causes further financial and emotional stress in the event of property damage, theft or loss. The Superannuated Commonwealth Officers' Association argued that insurance costs have outpaced the CPI since the early 1990s, partly as a result of the introduction of GST in June 2000 and increases in state and territory stamp duties on general insurance.⁹⁵

Household utilities

5.62 Various submissions highlighted concerns about the rising costs of natural gas, electricity and telecommunications and their impact on older people. The Superannuated Commonwealth Officers' Association argued that between 1990 and 2005, utility rates rose 16.7 per cent above inflation and absorbed greater proportions of older people's incomes.⁹⁶ Similarly, ACOSS argued that ABS data indicated the CPI had risen by 18 per cent over the five years up to 2003-04, while increases in spending on domestic fuel and power had increased by 32 per cent. It was noted that the poorest households spend nearly double their proportion of household expenditure on utilities in comparison to wealthier households.⁹⁷ Similar rises in water prices were reported to the committee. For instance, National Seniors argued that water charges rose steeply in July 2007 in various parts of the country, with an increase of more than eight per cent in Western Australia, 23-25 per cent in metropolitan Brisbane and 13 per cent in New South Wales.⁹⁸

Consequences for older people of rises in utility costs

5.63 A number of submissions underscored that older people were disproportionately affected by utilities bills because they spend a greater proportion of

93 Palm Beach and Whale Beach Association, *Submission 50*, pp 2-3.

94 National Seniors, *Submission 60*, p. 6; Salvation Army Australia Southern Territory, *Submission 136*, p. 8; Mr Graham Sharpe, *Submission 82*, p. 3; Name withheld, *Submission 48*, p. 2; Ms Shirley Prout, *Submission 97*, p. 2; Ms Shirley Fong, *Submission 119*, p. 1.

95 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9.

96 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6.

97 Australian Council of Social Service (ACOSS), *Submission 211*, p. 5.

98 National Seniors, *Submission 60*, p. 9.

their incomes on these expenses.⁹⁹ Community service organisations submitted that the cost of utilities is having an adverse effect on their clients. St Vincent de Paul calculated that, as a proportional measurement, older people spend 57.14 per cent more of their incomes on utilities than the average household.¹⁰⁰ ACOSS argued that during 2003-04, 38 per cent of low income households could not pay electricity, gas or telephone bills on time and nine per cent were unable to heat their home.¹⁰¹ According to the Council of Social Service of New South Wales (NCOSS), in April 2007, NSW Country Energy reported that 330 of the 450 people on their Hardship Program were over the age of 55, with the people on the program most likely to be older people in either drought affected areas or living in private rental accommodation.¹⁰²

5.64 The importance of cooling and heating for older persons in poor health was brought to the committee's attention. Numerous submissions raised concerns about potentially significant health consequences of the inability to afford to use utilities as needed.¹⁰³ Older people tend to spend a greater proportion of time in their homes, which requires greater expenditure on heating and cooling. They also tend to live in older homes with poorer insulation and require more heating due to greater sensitivity to changes in temperature. In some submissions it was argued that older people are coping with cost increases in gas and electricity by simply relying on a greater use of blankets or going to bed early. In turn, this can bear negative health impacts:

Excessive utility costs cause some older people, particularly in the winter months, to sit in the cold, or go to bed rather than use electricity or gas. This can be the cause of, or further impact pre-existing health conditions

99 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6; Ethnic Communities' Council of Victoria, *Submission 53*, p. 2; Women's Action Alliance (Australian) Inc, *Submission 93*, p. 2; St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

100 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

101 Australian Council of Social Service (ACOSS), *Submission 211*, p. 5.

102 Council of Social Service of New South Wales, *Submission 54*, p. 6.

103 These included Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6; Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, pp. 1-2; Women's Action Alliance, *Committee Hansard*, 23 August 2007, p. 50; Brotherhood of St Laurence, *Committee Hansard*, 23 August 2007, p. 37; COTA Over 50s, *Committee Hansard*, 23 August 2007, p. 62; Salvation Army Southern Territory, *Committee Hansard*, 23 August 2007, p. 18; Ethnic Communities Council of Victoria, *Committee Hansard*, 23 August 2007, p. 44; Name withheld, *Submission 105*, p. 1; Name withheld, *Submissions 108*, p. 1; Ms Shirley Fong, *Submission 119*, p. 1; Ms Elayne Whatman, *Submission 134*, p. 1; N P Krishnan, *Submission 132*, p. 2; Name withheld, *Submission 139*, p. 1; Ms Dorothy Ratnarajah, *Submission 156*, p. 1; Mr Leonard Hainsworth, *Submission 183*, p. 2; Mrs Teddy Thompson, *Submission 99*, p. 3; Ms Joan Cordeau, *Submission 179*, p. 3.

resulting in the deterioration of their overall physical and emotional well being.¹⁰⁴

5.65 A number of submissions expressed concern that anticipated future developments would compound the financial stress and associated health deterioration of older people. Notably, the Superannuated Commonwealth Officers' Association argued that the drought would likely lead to increased pressure on utility rates.¹⁰⁵ Other submissions argued that utility costs are scheduled for continuing steep increases, with NSW electricity prices set for increases of over 20 per cent in real terms over the next three years,¹⁰⁶ and Queensland electricity costs due to increase by 7-8 per cent each year over the next three years.¹⁰⁷

5.66 Also, concerns were raised about the potentially disproportionate impact on older people of the introduction of new and clean technologies or carbon trading schemes to cope with sustainability of energy resources and the environment. It was argued that many older residents lacked the financial capacity to purchase new modern energy efficient appliances to lower their energy usage.¹⁰⁸

Health care and medical expenses

5.67 Some of the submissions to the inquiry argued that health costs are rising. In particular, St Vincent de Paul argued that hospital and medical costs increased at three times the CPI rate between 1990 and 2005,¹⁰⁹ while the Ethnic Communities' Council of Victoria argued that these costs have increased by more than twice the inflation or CPI rate since 1990.¹¹⁰

5.68 The inquiry also received evidence that a higher proportion of the cost burden has been shifted on to individual patients, with greater requirements for patient contributions. For example, Dr Paul Henman posed the question: has access to health care for retirees been compromised by rises in the pharmaceutical benefits scheme patient contribution and the 'considerable reduction in GP bulk-billing'?¹¹¹

104 Salvation Army Australia Southern Territory, *Submission 136*, p. 6. See also Mr Don and Mrs Elma Butler, *Submission 37*, p. 1.

105 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6.

106 Council of Social Service of New South Wales, *Submission 54*, p. 6.

107 Wide Bay Women's Health Centre, *Submission 55*, p. 6.

108 Wide Bay Women's Health Centre, *Submission 55*, pp. 5-6; Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6; Thirroul Retired Mineworkers' Association, *Submission 4*, p. 3; Name withheld, *Submission 149*, p. 2; Australian Manufacturing Workers' Union, *Submission 204*, p. 6; Catholic Social Services Australia, *Submission 95*, p. 5; Brotherhood of St Laurence, *Committee Hansard*, 23 August 2007, p. 33.

109 St Vincent de Paul Society National Council of Australia, *Submission 92*, p. 8.

110 Ethnic Communities' Council of Victoria, *Submission 53*, p. 2.

111 Dr Paul Henman, *Submission 218*, p. 7.

5.69 ACOSS argued that the proportion of health care paid directly by patients has increased in recent years. It amounted to \$16.5 billion in 2004-05, which accounts for 20 per cent of health care funding. In 1994-95 the figure was \$6.7 billion or 13 per cent (in current prices). ACOSS argued that the greatest real growth in out-of-pocket expenses between 1997-98 and 2004-05 was in aids and appliances, medications, dental services and ambulance services. ACOSS speculated that the growth in such costs could discourage people from seeking medical attention or place people in financial hardship because of their health care needs.¹¹²

The importance of health costs for older people

5.70 The Government's health spending per capita is much greater on older people than the rest of the population. In 2005-06, those aged 65 and over accounted for approximately 13 per cent of Australia's population, but absorbed 29.3 per cent (72.6 million) of the Medicare services. Between 1996-97 and 2005-06, the number and value of services provided increased at a greater rate for older people than the rest of the population. Total Medicare services increased by 24.4 per cent or 2.5 per cent per year, while total services to those aged 65 and over increased by 54.7 per cent or 5 per cent per year. During this period total benefits in real terms increased by 37.8 per cent or 3.6 per cent per year, compared to 65.2 per cent or 5.7 per cent per year for those aged 65 and over.¹¹³

5.71 The Productivity Commission has also indicated that older people consume more health services on a per capita basis than other people. For example, it suggested that average costs for men aged 65-74 are more than 18 times those for men aged 15-24. Hospital and Medicare costs follow similar age-profiles. Consequently, health expenditure on people over the age of 65 is four times more per person than for those under 65, and rises to 6-9 times for the older groups.¹¹⁴

5.72 Irrespective of the degree of the rises in health care, various submissions argued that the higher proportion of spending on health by older people makes them more sensitive to rises in their costs. In addition, as argued by ACOSS, the higher health costs come at a time when older people have moved out of employment and possess reduced incomes.¹¹⁵ St Vincent de Paul submitted that pensioners spend 26.2 per cent more than the average household on health.¹¹⁶ National Seniors similarly argued that older people spend more on health and made the point that self-funded retirees are further disadvantaged by not receiving the same concessions as accessible

112 Australian Council of Social Service (ACOSS), *Submission 211*, pp 2-3.

113 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 53-54.

114 Productivity Commission, *An ageing Australia: Small Beer or Big Bucks?*, 2004, pp 16-17.

115 Australian Council of Social Services (ACOSS), *Submission 211*, p. 2.

116 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

under a pension concession card.¹¹⁷ ACON argued that health care costs are even higher for some same-sex couples, who do not receive the same access to Medicare and PBS safety nets and other health related entitlements as heterosexual couples.¹¹⁸

5.73 Anecdotal reports submitted to the inquiry were also consistent with research data suggesting pensioners were facing increasing health costs. For example, Mr David and Ms Elizabeth Jeffrey—recipients of an aged pension and disability pension respectively—recounted the range of health care costs that put pressure on their budget. Their submission explained that Ms Jeffrey suffers from spondylitis, scoliosis, arthritis and severe sinusitis and Mr Jeffrey from Parkinson's Disease and Type 2 diabetes, which severely affects his day to day living:

The podiatrist, chiropractor and physiotherapy are 100% out of pocket expenses unless we belong to a Private Health Fund and in that case the benefit received is only approximately \$20 per visit leaving a gap of anything up to \$60+. The gap payment for the Medicare covered medical expenses is often more than 50% of the fees charged. Elizabeth suffers from chronic sinusitis and there are no medications on the PBS for treating this condition and she pays \$40-\$50 per medication.¹¹⁹

The Pharmaceutical Benefits Scheme

5.74 The Pharmaceutical Benefits Scheme (PBS) is the Commonwealth Government's subsidy of the cost of medications used by the community and substantially reduces an individual's out-of-pocket expenses. The general co-payment is limited to \$30.70 while concessional patients' - including PCC and CSHC holders – co-payment is limited to \$4.90 per prescription. In 2007 a safety net threshold of \$1 059 applied, with general patients and their families' payments limited to \$4.90 per prescription once the threshold has been reached. The threshold for concession card holders is \$274.40 beyond which PBS prescriptions are provided without charge.¹²⁰

5.75 The Government covers 88 per cent of the cost of PBS subsidised medicines for those aged 65 and over. A pharmaceutical allowance of \$5.80 is also paid fortnightly to assist pensioners with the cost of PBS prescriptions. The PBS includes a range of new and expensive drugs for age related conditions including diabetes, arthritis, osteoporosis, Alzheimer's disease, macular degeneration and cancer treatments. Due to the increasing range of pharmaceutical treatments available over the past ten years, there have been increases in maximum patient charges. Despite this,

117 National Seniors, *Submission 60*, p. 7.

118 Aids Council of New South Wales, *Submission 212*, p. 10.

119 Mr David and Ms Elizabeth Jeffrey, *Submission 113*, p. 2.

120 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 55-56.

the proportion of total PBS costs met by concessional patients has fallen from 11.6 per cent in 1995-96 to 10.2 per cent in 2005-06.¹²¹

5.76 Notwithstanding the Government's substantial investment in the PBS, various submissions raised concerns about the affordability of the PBS for older people on low incomes. Of particular concern was that the price rises for PBS medicines are outstripping pharmaceutical allowance increases.¹²² Mr Brian Smith argued that the pharmaceutical allowance was initially set at a level equivalent to one prescription but has risen minimally, while the cost of prescriptions has effectively doubled and the cut-off point for free scripts has also risen.¹²³

5.77 Numerous concerns were expressed about medications not covered by the PBS. The Salvation Army highlighted the financial burden on older people that require such medications to manage ongoing health conditions.¹²⁴ Similarly, Mr Charles Groves argued that many over-the-counter medications for pain relief are required on a daily or weekly basis and consume a large proportion of pensioners' incomes.¹²⁵ Further, the Aged Care Lobby Group argued that the removal of some items from the PBS—such as caltrate—has made some older Australians unable to afford supplements recommended by their doctors.¹²⁶

5.78 St Vincent de Paul noted that while medical and dental costs have risen by three times and twice the rate of the CPI respectively, the PBS has helped ensure the cost of pharmaceuticals remains in line with the CPI.¹²⁷ However, another submission noted that even small increases in the cost of prescriptions could have a substantial effect on the affordability of pharmaceuticals as older people often require several medications. One disability pensioner indicated he averaged 8-10 scripts per month totalling up to \$50.¹²⁸

5.79 Echoing the concerns outlined above, ACOSS argued that the user pays costs in health care have resulted from a range of factors including the de-listing of a substantial number of medications from the PBS and increases in PBS co-payments of 20 per cent. ACOSS argued that the increase in the PBS co-payment appears modest, but is considerable considering the weekly income of a full pensioner and the reality that many are on multiple medications. Further, it highlighted that the Medicare Safety

121 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 56.

122 Mr Stan Smith, *Submission 111*, p. 1; Ms Millicent Seddon, *Submission 145*, p. 1; Mr Brian Smith, *Submission 81*, p. 1; Mr Graham Sharpe, *Submission 82*, p. 3; Mr Geoff Irwin, *Submission 30*, p. 1.

123 Mr Brian Smith, *Submission 81*, p. 1.

124 Salvation Army Australia Southern Territory, *Submission 136*, p. 8.

125 Mr Charles Groves, *Submission 11*, pp 8, 10, 12.

126 Aged Care Lobby Group, *Submission 40*, p. 3.

127 St Vincent de Paul Society National Council of Australia, *Submission 92*, p. 8.

128 Name withheld, *Submission 169*, p. 1.

Net and PBS Safety Net thresholds mean that pensioner potentially face annual out of pocket expenses of at least \$794 or 6 per cent of their total income before they receive further relief.¹²⁹

Accessing medical care

5.80 Various issues were raised during the inquiry with respect to the access of older people to medical care, including: affordability of private health insurance; waiting times for treatment; out-of-pocket expenses; the cost of travel to medical appointments and medical care access for older people in rural and regional areas. Research by AMP and NATSEM shows that the issue of access is of greater importance to older people in their second phase of retirement. While the early phase is characterised by good health and a spending focus on leisure, the second phase has a greater emphasis on health with higher incidence of health problems and age-associated disability.¹³⁰

5.81 Also, health problems are more likely to afflict lower-income older people.¹³¹ The Brotherhood of St Laurence and the Health Services Union argued that poor health is closely linked to poverty.¹³² The Brotherhood argued that chronic disease reduces the capacity to work and increases the risk of disadvantage and poverty. However, the rates of chronic disease are also greater in low income communities.

Private health insurance

5.82 The importance of the private health insurance rebate for continuing affordability of health care for older people emerged during the inquiry.¹³³ The average payments for private health insurance made by households headed by a person over 65 increased by only 2.9 per cent between 1998-99 and 2003-04 in real terms. This relatively low increase resulted from the introduction of the private health insurance rebate in 1999 and the increased number of people over 65 covered by private hospital insurance. In April 2005, the rebate was increased from 30 per cent to 35 per cent for those aged 65-69 and 40 per cent for those aged 70 years and over. Consequently, the proportion of people aged 65-74 with private dental insurance rose from 31.5 per cent to 47.8 per cent between 1988 and 2005. More than 1.2 million over 65 Australians are covered by private hospital insurance. By March 2007, there

129 Australian Council of Social Service (ACOSS), *Submission 211*, p. 4.

130 AMP & the National Centre for Social and Economic Modelling, 'Tomorrow's Consumers', December 2006, *AMP.NATSEM Income and Wealth Report Issue 15*, p. 2.

131 Simon Kelly & Ann Harding, 'Funding the Retirement of Baby Boomers', 2004, *Agenda Volume 11 (2)*, pp 100, 107.

132 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 17; Health Services Union, *Submission 63*, p. 3.

133 National Seniors, *Submission 60*, p. 8; Name withheld, *Submission 27*, p. 2.

were an additional 100 000 persons receiving the higher rebates than when they were introduced.¹³⁴

5.83 However, some of the submissions to the inquiry argued that private medical insurance was inaccessible due to the cost of premiums and the increasing shift of costs of treatment to the patient in the form of the gap.¹³⁵ In particular, the Superannuated Commonwealth Officers' Association argued that the rapidly rising cost of private health insurance above the CPI was resulting in an increased number of lapsed insurance policy holders in the older age bracket.¹³⁶ For others keeping their insurance active, the committee heard it could be a real struggle. For example, Ms Norma Gardner submitted:

My specialist Neuro Physician does not see public patients. He only sees private patients...The spAp [single person's Aged pension] is not enough for someone like me, who needs Private Health Insurance. The Medicare rebate is also not sufficient to meet the costs of these specialists who all charge above the Medicare fee schedule. Similarly, the Government's Pharmaceutical Allowance does not meet the needs of someone in my situation who needs a lot of different medications.¹³⁷

5.84 Ms Joan Cordeau noted that her doctor did not bulk-bill even for those with a PCC.¹³⁸

Waiting times

5.85 Older people unable to afford private health insurance and, therefore, dependant on the public health system are experiencing longer waiting times to receive surgery. These delays can impact on quality of life and can result in deterioration of health, an increased risk of further complications, longer and more costly treatments or admission into higher needs care as well as impeding social participation,¹³⁹ For example, the Aged Care Lobby Group asserted that waiting time for knee and hip replacements can be about two years, which requires older Australians to live in pain and experience social isolation due to immobility.¹⁴⁰

134 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 57-59.

135 Mr P J and Ms BM McGowan, *Submission 161*, p. 1; Ms Marion Vann, *Submission 202*, p. 2.

136 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 10.

137 Ms Norma Gardner, *Submission 121*, pp 1-2.

138 Ms Joan Cordeau, *Submission 179*, p. 3.

139 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 10; Salvation Army Australia Southern Territory, *Submission 136*, p. 8.

140 Aged Care Lobby Group, *Submission 40*, p. 2.

Access to services in rural and regional areas

5.86 The access to health care for older people in rural and regional areas was also raised during the inquiry. The National Rural Health Alliance (NRHA) argued that many of the problems afflicting older people are exacerbated in rural communities because older people represent a greater proportion of the rural population. Further, people in rural communities have poorer health, shorter life expectancies, higher death rates and higher incidences of disability compared to city dwellers. The Alliance argued that many in these communities have suffered from reduced local medical services and competition including aged and community services and infrastructure, doctors and pharmacists. NRHA argued that many older Australians in rural communities maintain their private health insurance despite a lack of accessible facilities in their communities because of the possibility that they may move to a capital city or require private patient status in the event of an emergency.¹⁴¹

Cost of transport

5.87 A number of witnesses were concerned about problems in accessing medical care for older people due to transport costs. In particular, the lack of available and affordable public transport in many outer suburban, regional and rural areas was highlighted.¹⁴² The Council of Social Service of New South Wales (NCOSS) argued that the closure of local hospitals and the decline in home visits by general practitioners also contributed to this problem with accessibility.¹⁴³ Along these lines, the Cancer Council maintained that changes in health service delivery to older people increased the need for affordable, accessible transport. These changes include: early discharge policies; increased ambulatory and day-surgery procedures; a diminishing number of medical practitioners that make home visits and declining doctor numbers in regional areas.¹⁴⁴

Preventative health care and nutrition measures

5.88 Health problems inevitably grow as people age, but there are various lifestyle factors that impact on health status and risk profile. This includes delay or acceleration of onset, and the course and the morbidity of health problems.¹⁴⁵ In particular, poor dental health can cause malnutrition, which in turn is a primary cause of other often terminal diseases and injuries.¹⁴⁶ In 2004, the Hon. Peter Costello, Treasurer, highlighted the importance of a shift from treatment of illness to preventative health

141 National Rural Health Alliance Inc, *Submission 91*, pp 2, 4.

142 Australian Manufacturing Workers' Union, *Submission 204*, p. 13.

143 Council of Social Service of New South Wales, *Submission 54*, p. 6.

144 Cancer Council Australia, *Submission 90*, p. 4.

145 Department of Human Services, *Victorian Population Health Survey 2004: Select Findings*, February 2004, p. 8.

146 Australian Nursing Federation, *Submission 61*, p. 5.

care on the sustainability of health care funding faced by the challenge of demographic change caused by an ageing population. He argued:

Living a healthy lifestyle can significantly reduce the occurrence of many common conditions that prevent people from participating fully in the workforce....preventative medicine would take some pressure off the doctors and hospitals who treat the sick, and mean the sustainability of the system as a whole would be enhanced. Most importantly, it would bring benefits in terms of improved quality of life for individuals, with consequent benefits for workforce participation and productivity. Rebalancing to preventive medicine would represent 'value for money' in a health system facing rising costs and an ageing population.¹⁴⁷

5.89 According to the Victorian Department of Human Services, the most important foods for preventative health include fresh fruit and vegetables, milk, bread and cereals. Milk, bread and cereals are important sources of nutrients and a balanced diet. Vegetables and fruit have preventative benefits regarding coronary heart disease, hypertension, some forms of cancer (such as colon, lung and gastrointestinal cancers), obesity and type-2 diabetes. Further, poor consumption of fruit and vegetables has been identified as a risk factor with the development of a number of chronic diseases including some that particularly affect older people. These diseases include coronary heart disease, stroke and various types of cancer - notably cancers of the mouth, pharynx, oesophagus, stomach and lungs.¹⁴⁸

5.90 However, the capacity of older Australians to engage in preventative measures can be affected by the costs of living. Concerns were raised about difficulties affording a healthy diet – notably, fresh fruit, vegetables, milk and meat - due to the increasing costs of groceries.¹⁴⁹

Dental care

5.91 Since the abolition of the Commonwealth Dental Health Program in 1996 and the 1998 inquiry into dental services, there has been substantial debate about access and responsibility related to dental health care. In September 2007, the Health Insurance Amendment (Medicare Dental Services) Act 2007 was enacted to improve access to dental treatment under Medicare for people with chronic conditions and complex care needs. The former government's announced scheme was to enable eligible patients to access Medicare benefits for dental services of up to \$4 250 (including any Medicare Safety Net benefits where applicable) over two consecutive calendar years. This amount was intended to be used for any combination of dental

147 The Hon. Peter Costello, Treasurer, 'Australia's Demographic Challenges', 25 February 2004, www.treasurer.gov.au/tsr/contents/speeches/2004/003.asp, (accessed 13 July 2007).

148 Department of Human Services, *Victorian Population Health Survey 2004: Select Findings*, February 2004, pp 8, 10.

149 Wide Bay Women's Health Centre, *Submission 55*, p. 5; Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6; Mr Charles Groves, *Submission 11*, pp 2, 4, 6.

services covered by Medicare under this measure, depending on the clinical needs of the patient. New Medicare items were introduced for some dental services, based on the current Department of Veterans' Affairs (DVA) Schedule of Dental Services, with some modifications. The estimated cost of the measure was \$384.6 million over four years and was expected to provide support to approximately 200 000 patients.

5.92 In addition, FACSIA highlighted the improvement in general dental health between 1988 and 2005. It was noted that during this time the number of people over 65 with fewer teeth than needed to sustain a healthy diet declined by one third, the proportion with no teeth halved and more of their dental problems were treated. The number of people over 65 who visited a dentist in the preceding 12 months rose from 54 per cent to 67 per cent.¹⁵⁰

5.93 FACSIA noted that the increased use of services has primarily involved utilisation of private services, which coincided with a rise in the affordability of such services as a result of rises in the disposable income of older people and the introduction of the private health insurance rebate in 1999 and its increases in 2005.¹⁵¹

5.94 The Commonwealth has supported the training of dentists and other oral-health professionals. In 2007-08, the Government provided \$65.1 million over four years for a new School of Dentistry and Oral Health at Charles Sturt University, with pre-clinical and clinical facilities in Orange and Wagga and dental education clinics in Albury, Bathurst and Dubbo, to deliver services to public patients. Also, 240 new training places for dental and oral health students will be provided over five years. Further, \$12.5 million was provided over four years to support up to 30 annual clinical placements for dentistry students in established rural training settings.¹⁵² The Government also provided dental care funds for veterans, Defence Force personnel, some Indigenous Australians, subsidised relevant medications under the PBS for dental treatment, provided Medicare benefits for oral surgical medical services and provided Medicare benefits for services for people with chronic conditions and complex care needs.¹⁵³

5.95 The new Labor Government has committed to establish a Commonwealth Dental Health Program that will support up to one million needy Australians to receive dental treatment. This will help address about 650,000 Australians, many of them pensioners, currently languishing on public dental waiting lists. The government has committed to provide \$290 million over three years for the new Commonwealth Dental Health Program. In exchange for this funding, States will be required to meet performance and reporting requirements. The Commonwealth and States are discussing parameters for the program, including eligibility arrangements.

150 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 57.

151 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 57.

152 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 58.

153 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 58.

Accessibility and affordability of dental care

5.96 Despite the Government's investment in dental health, some of the submissions called for the incorporation of greater dental health care coverage under Medicare.¹⁵⁴ Concerns focused on the affordability and accessibility of adequate dental care. The inquiry was inundated with anecdotes of difficulties in accessing dental health care, similar to those already outlined regarding general health treatment. Of particular concern are the long waiting lists for public dental care and the large out-of-pocket expenses for those seeking to circumvent those waiting lists - particularly those on pensions. People with private health insurance, including those with extra cover, raised concerns about the high costs that were incurred following dental treatment, despite their private cover.

5.97 According to St Vincent de Paul, dental costs have risen at twice the rate of inflation.¹⁵⁵ Similarly, the Health Services Union argued that between 1992-93 and 2002-03 the inflation for dental health costs was 50.5 per cent compared to 20 per cent for general inflation. It was also argued that a greater proportion of dental health costs are borne by individuals compared to other health services (68 per cent compared to 20 per cent).¹⁵⁶ Mr Colin Burt relayed his experiences in trying to access dental care:

Due to inadequate free dental care for the elderly, with very long waiting times and poor quality care when it arrives many are forced to use private dentists whose costs are disgraceful. I was recently in need of three simple extractions and was told that an estimate of costs was not possible but that the dentist charged "at the rate of \$500 an hour". **Dentistry should be brought under the ambit of Medicare** and bulk billing for pensioners should be encouraged.¹⁵⁷

154 These included Association of Independent Retirees, *Submission 2*, p. 6; Older People Speak Out, *Submission 94*, p. 5; Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 2; Superannuated Commonwealth Officers' Association, *Submission 52*, p. 5; Council of Social Service of New South Wales, *Submission 54*, p. 7; Combined Pensioners & Superannuants Association of NSW Inc – Bellingen Branch, *Submission 56*, p. 1; Health Services Union, *Submission 63*, p. 3; Aged & Community Services Australia, *Submission 64*, p. 2; National Rural health Alliance, *Submission 91*, p. 11; Older People Speak Out, *Submission 94*, p. 5; Catholic Social Services Australia, *Submission 95*, p. 7; Salvation Army Australia Southern Territory, *Submission 136*, p. 11; Australian Manufacturing Workers' Union, *Submission 204*, p. 16; Aids Council of NSW, *Submission 212*, p. 6; Mr Robert Patterson, *Submission 9*, p. 1; Ms Dorothy Davies, *Submission 71*, p. 1; Mr Graham Sharp, *Submission 82*, p. 3; Mr Robert Shortridge, *Submission 84*, p. 2; Mr Colin Burt, *Submission 106*, p. 1; Name withheld, *Submission 123*, p. 2; Ms Virginia Boskovic, *Submission 160*, p. 3; Mr Wayne Koch, *Submission 164*, p. 5; Mr Keith & Mrs Evelyn Devereux, *Submission 201*, p. 1; Ms Pat Wood, *Submission 210*, p. 1.

155 St Vincent de Paul Society National Council of Australia, *Submission 92*, p. 8.

156 Health Services Union, *Submission 63*, pp 2-3.

157 Mr Colin Burt, *Submission 106*, p. 1.

5.98 According to the Health Services Union a larger proportion of older people are eligible for public dental health care than the broader population. This extends to 43.8 per cent of those aged 55-74 and 67.7 per cent of those aged 75 and over, compared to 26.1 per cent of the broader population.¹⁵⁸

5.99 However, FACSIA submitted that many older people eligible for public dental services use private services because they often face waits of up to 2-3 years in the public system.¹⁵⁹ The Health Services Union estimated 650 000 people are on waiting lists with waiting times up to seven years. Many, it was argued, who are turning to private treatment as a result of the waiting time are opting for cheaper treatment, such as tooth removal rather than remedial treatment.¹⁶⁰

5.100 The theme of long waiting lists recurred through various submissions. Numerous submissions highlighted the adverse effect that delayed treatment had on older people's psychological or physical well-being.¹⁶¹ The Australian Manufacturing Workers' Union (AMWU) noted that the Australia Fair Survey found that over half a million persons are on long waiting lists with an average waiting time of 27 months, and that 40 per cent of Australians cannot access dental care when needed.¹⁶² Miss P A Robb submitted that the waiting lists at her local public dental clinic were four years for even basic procedures.¹⁶³ Other submissions recounted long waits for dental treatment including Ms Elayne Whatman who waited for 13 years for dental treatment,¹⁶⁴ Mr Cy d'Oliveira who waited for 10 years,¹⁶⁵ and M L D Arrowsmith who is expecting to wait a total of six years.¹⁶⁶

158 Health Services Union, *Submission 63*, pp 2-3.

159 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 58.

160 Health Services Union, *Submission 63*, pp. 2-3.

161 These included Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 2; Thirroul Retired Mineworkers' Association, *Submission 4*, p. 1; Australian Council of Social Service (ACOSS), *Submission 211*, p. 4; Women's Action Alliance (Australian) Inc, *Submission 93*, p. 2; Aged Care Lobby Group, *Submission 40*, p. 3; Salvation Army Australia Southern Territory, *Submission 136*, p. 7; Newcastle Combined Pensioners Area Council, *Submission 189*, p. 1; Australian Manufacturing Workers' Union, *Submission 204*, p. 15; National Seniors Goodna Redbank Branch, *Submission 39*, p. 2; Combined Pensioners and Superannuants Association of NSW Inc – Bellingen Branch, *Submission 56*, p. 1; Ms Virginia Boskovic, *Submission 160*, p. 3; Ms Dorothy Davies, *Submission 71*, p. 1; Ms Irene Kirkwood, *Submission 120*, p. 1; Name withheld, *Submission 149*, p. 2; Mr Robert Shortridge, *Submission 84*, p. 2.

162 Australian Manufacturing Workers' Union, *Submission 204*, p. 15.

163 Miss P A Robb, *Submission 151*, p. 3.

164 Ms Elayne Whatman, *Submission 134*, p. 1.

165 Mr Cy D'Oliveira, *Submission 131*, p. 1.

166 Mr L D Arrowsmith, *Submission 126*, p. 1.

5.101 It was argued in a number of submissions that private dental treatment is unaffordable for low income seniors without private health insurance, especially without expanded eligibility for Medicare rebates for treatment. But in several cases, it was argued, the cost of dental care has risen to the point where many retirees are abandoning private coverage and resigning themselves to the long waiting lists. It was also submitted that the long waiting lists are resulting in limited preventative care, avoidable pain, deteriorations in health, developments of secondary health problems, and more costly work being required. Mr Charles Groves recounted his problems to the committee in trying to receive dental health assistance:

My main problem is my teeth have been loose in my upper teeth over the past few years. Although I can get an appointment at the Stafford Dental Hospital if my case is urgent, my part plate needs replacing. I have been told by the Dental Hospital I will have to wait another two years (I have been waiting 5 years) to get a new set of dentures.¹⁶⁷

5.102 The Tasmanian Department of Health and Human Services cited a 2002 report from the Auditor-General to argue that the axing of the Commonwealth Dental Health Scheme has had a devastating impact on the provision of dental care. As a result, in 2006, the No Interest Loans Network of Tasmania introduced a loans scheme to assist low income clients to afford dental care.¹⁶⁸

5.103 NCOSS submitted that the abolition of the Commonwealth Dental Health Scheme impacted substantially on low income and disadvantaged groups of older Australians who were subsequently denied quality health care:

The Commonwealth Dental health Program introduced in 1993 gave disadvantaged older people limited access to dental care. Since the Commonwealth Dental Health Program was not renewed in 1996, waiting lists have grown by 29% and remain unacceptably high, despite limited funding increases by State Government. There are currently 650,000 people on waiting lists for public dental care in Australia with the average waiting time of 27 months.¹⁶⁹

5.104 NCOSS called for greater access to free dental services for all those with concession cards. Further, NCOSS argued for greater Commonwealth funding, to be matched by the states and territories who would also need to fulfil responsibilities under the National Oral Health Plan, such as fluoridation, health promotion, planning and accessibility.¹⁷⁰

167 Mr Charles Groves, *Submission 11*, p. 2.

168 Tasmanian Department of Health and Human Services, *Submission 137*, p. 2.

169 Council of Social Service of New South Wales, *Submission 54*, p. 7.

170 Council of Social Service of New South Wales, *Submission 54*, p. 7.

Importance of adequate dental care

5.105 The Superannuated Commonwealth Officers' Association maintained that good dental health was crucial to avoidance of poor health. However, the growing inequalities in the access to and provision of dental care, particularly for low income older people—as outlined above, has implications for other health problems.¹⁷¹ NRHA also highlighted the importance of good oral and dental health. It argued:

Poor oral and dental health imposes significant risks to general health and exacerbates a number of physical and mental health conditions. They have a multiplier effect on other diseases and conditions, adding to the burden of disease and the cost of care, well beyond the cost of filling or extracting decayed or damaged teeth.¹⁷²

5.106 It was argued that other diseases and conditions exacerbated by poor dental health include pain and suffering, poor nutrition, social isolation, mental health conditions such as depression, respiratory disease, cardiovascular disease, immune deficiency diseases, cancer, head and neck surgery, and diabetes. These have implications for burdens on the general health system and budget, as well as impaired speech, reduced self-esteem, restriction of social and community participation and difficulties finding employment.¹⁷³

5.107 Access problems are having a particularly adverse effect on older people. National Seniors argued that Australia has the second worst adult oral health in the OECD and that 40 per cent of Australian adults cannot get dental treatment when needed. Older people in residential aged care facilities face further difficulties because of other medical problems and frailty.¹⁷⁴

5.108 The Council of Social Service of New South Wales (NCOSS), the Wide Bay Women's Health Centre and Catholic Social Services Australia also argued that older people make less frequent visits to dentists and experience more common oral diseases.¹⁷⁵ Catholic Social Services reported that the Australian Dental Association has noted that eligibility for public dental care is a consistent correlate of poor health, and older people are more likely to fit into this category.

5.109 The Aids Council of New South Wales (ACON) submitted that poor dental care has severe consequences for people living with HIV/AIDs. Certain oral

171 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 7.

172 National Rural Health Alliance Inc, *Submission 91*, p. 11.

173 National Rural Health Alliance Inc, *Submission 91*, p. 11; Council of Social Service of New South Wales, *Submission 54*, p. 6; Wide Bay Women's Health Centre, *Submission 55*, pp. 6-7; Tasmanian Department of Health and Human Services, *Submission 137*, p. 4; Aged & Community Services Australia, *Submission 64*, p. 1.

174 National Seniors, *Submission 60*, p. 10.

175 Council of Social Service of New South Wales, *Submission 54*, p. 7; Catholic Social Services Australia, *Submission 95*, pp. 6-7; Wide Bay Women's Health Centre, *Submission 55*, pp. 6-7.

conditions, such as candidiasis and hair leukoplakia, are often – if diagnosed - the first indications of immune suppression associated with HIV and the initial symptoms that lead to testing for HIV. ACON further argued that the conditions are treatable, but require regular dental care, which is increasingly difficult for HIV positive patients to access due to the limited funding available for public dental health care. ACOM emphasised that the impact of long delays on sufferers of chronic illnesses, such as HIV, is significant.¹⁷⁶

The Goods and Services Tax

5.110 Numerous submissions to the inquiry raised concerns about the contribution of the Goods and Services Tax (GST) to the rises in cost of living pressures.¹⁷⁷ It was noted that the GST placed an additional tax burden on existing taxes and imposts including fuel excise, stamp duty, insurance policies, telephone costs, energy bills, clothes, maintenance expenses, entertainment, and service fees for retirement villages. Witnesses argued that there is insufficient compensation for older people to cope with the imposition of the GST.

5.111 Various estimates were provided to the inquiry about the degree of additional financial burden generated by the GST on older people. An estimate of \$30 per week was suggested by the Combined Pensioners and Superannuants Association of NSW,¹⁷⁸ \$1 000 per year for a single older person according to Older People Speak Out,¹⁷⁹ and hundreds of dollars over the course of a year according to Mrs Audrey Kershaw.¹⁸⁰

176 Aids Council of New South Wales, *Submission 212*, p. 6.

177 These included Older People Speak Out, *Submission 94*, p. 3; Australian Manufacturing Workers' Union, *Submission 204*, p. 10; Women's Action Alliance (Australian) Inc, *Submission 93*, p. 3; Combined Pensioners and Superannuants Association of NSW Inc – Bellingen Branch, *Submission 56*, p. 1; Mr Bernard and Mrs Barbara Murray, *Submission 86*, p. 4; Mr Brian Smith, *Submission 81*, p. 1; Mr Geoff Irwin, *Submission 30*, p. 1; Mr Donald White, *Submission 32*, p. 1; Name withheld, *Submission 48*, p. 2; Mr Andrew Ball, *Submission 85*, p. 2; Mr S W Wales, *Submission 15*, p. 1; Ms Janet Heslewood, *Submission 22*, p. 1; Mr Len and Mrs Gladys Staff, *Submission 70*, p. 1; Mr Colin Burt, *Submission 106*, p. 1; Mrs Audrey Kershaw, *Submission 110*, p. 1; Mr Stan Smith, *Submission 111*, p. 1; Mr David & Ms Elizabeth Jeffrey, *Submission 113*, p. 1; Mr Keith Thomson, *Submission 114*, p. 1; Ms Norma Gardner, *Submission 121*, attachment 3; Mr Cy D'Oliveira, *Submission 131*, p. 2; Mr L D Arrowsmith, *Submission 126*, pp. 2, 4; Miss P A Robb, *Submission 151*, p. 3; Ms Virginia Boskovic, *Submission 160*, p. 1; Mr Wayne Koch, *Submission 164*, p. 11; Ms Denise Scassola, *Submission 166*, p. 1; Mr Leonard Hainsworth, *Submission 183*, p. 2; Name withheld, *Submission 185*, p. 1; Mr Ian Foote, *Submission 193*, p. 1; Mr Keith and Mrs Evelyn Devereux, *Submission 201*, p. 1; Ms Enid Randon, *Submission 170*, p. 1; Mr Mauri Gailein, *Submission 172*, p. 1; Ms Catherine Laing, *Submission 173*, p. 1; Mr R G Draper, *Submission 191*, p. 1.

178 Combined Pensioners and Superannuants Association of NSW, *Submission 46*, p. 1.

179 Older People Speak Out, *Submission 94*, p. 3.

180 Mrs Audrey Kershaw, *Submission 110*, p. 1.

5.112 Concern about the impact of the GST also emerged in a survey of older people conducted by the CPSA. All segments of the older population registered concern about the GST identifying it as a key cause of their financial stress. However, CPSA raised questions about whether the GST was the cause or merely a symbol of genuinely rising financial stress.¹⁸¹

5.113 FACSIA clarified that a range of measures were introduced by the Commonwealth Government in July 2000 to off-set the impact of the GST and the new tax system on older people. After accounting for CPI increases, these payments and indexations have increased the real value of the age pension by 16.8 per cent over the past 10 years. These measures included a permanent real increase to the pension with an additional 2 per cent increase in the pension, which is indexed to the CPI. Also in July 2000, the Government increased the maximum rate of rent assistance by 10 per cent, increased other payments by 2 per cent, increased income and asset free thresholds by 2.5 per cent, reduced pension taper rates (from 50 cents for 40 cents for each dollar of income over the threshold), reduced family assistance taper rates (from 50 cents for 30 cents for each dollar of income over the threshold) and paid the age persons savings bonus and self-funded retiree supplementary bonus for those with income from savings or investments.¹⁸²

Conclusion

5.114 The committee notes that the public is more sensitive to, and conscious of, price rises than price falls, especially those that are more recent in the memory of consumers and relating to staples. This was evident in the evidence before the committee, where many submissions raised concerns about recent price rises in food and petrol, although these items have fluctuated to include both rises and falls. It is also important to note that any assessments of cost pressures need to consider the complete array of expenses encountered by households, some of which decline as others rise. Further, a broad assessment of cost of living pressures over years has suggested increases have been steady, rather than dramatic.

5.115 However, on balance, the evidence submitted to the inquiry shows that Australian households have endured increased cost of living pressures over recent years. In many cases incomes have risen commensurately to compensate for these cost pressures. However, older individuals and households, especially those on below-average fixed incomes, are more vulnerable to any rises. Older people have lower levels of discretionary spending, spend a greater proportion of their incomes on essential commodities and services, and have less capacity to change their financial situations.

5.116 Various submissions raised concerns about the impact of the GST on the capacity of older people to cope with cost pressures. But the evidence provided to the

181 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp 8-9.

182 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 27.

inquiry suggests that the GST is largely a visible symbol rather than the cause of financial stress. In particular, the committee notes that not only was compensation provided for the introduction of the GST, but the GST replaced other taxes, notably wholesale sales tax. Wholesale sales tax, sometimes of 35 per cent, was imposed on various commodities purchased by older people under the pre-existing tax regime. It was also a cascading and hidden tax that contributed to a wide array of bills because it was on commodities used in service provision.

5.117 Another key issue that arose during the inquiry was the increasing costs and diminishing accessibility of medical and dental health care. The committee notes that the delivery of health care services is predominantly the responsibility of the states and territories. Nevertheless, considering the urgency of the situation, the Government has introduced dental care legislation to address some of the concerns that were raised during the inquiry, targeting certain vulnerable groups.

5.118 The committee is particularly concerned about the financial stress of certain sub-groups of the older population, which are particularly vulnerable to cost pressures. The evidence provided to the inquiry suggests that single older people in private rental accommodation receiving the maximum rate of the pension are the most vulnerable. People in this older demographic are over-represented in poverty calculations irrespective of the measure of poverty used.¹⁸³

5.119 In addition to the income measures discussed in chapter 3, the committee considers that the Government should increase its efforts to influence rises in rent paid by older people and others on low and fixed incomes. This should include a rise in rental assistance and appropriate indexation to ensure it retains its relative value. However, the Government may also need to increase incentives for private investors to keep rents at affordable levels and/or increase investment in community or government housing, which are not driven by profit motives.

183 Peter Saunders, 'Towards a Credible Poverty Framework: From Income Poverty to Deprivation', January 2004, *Social Policy Research Centre Discussion Paper No: 131*, p. 12.