25 July 2007

Mr Elton Humphery
Secretary, Community Affairs Committee.
Parliament House.
CANBERRA ACT 2600

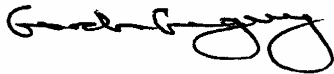
Dear Mr Humphery

Inquiry into the cost of living pressures on older Australians

Please find attached a Submission on this matter from the National Rural Health Alliance.

We trust the information in this Submission will be of value to the Senate Committee in relation to this important matter.

Yours sincerely



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Executive Director, NRHA

Submission to the Senate community affairs committee

COST OF LIVING PRESSURES ON OLDER AUSTRALIANS

July 2007

National Rural Health Alliance
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THE COST OF LIVING PRESSURES ON OLDER AUSTRALIANS

The National Rural Health Alliance is the peak non-government organisation for rural and remote health in Australia. It is comprised of 27 national organisations, representing both the providers and consumers of health services in non-metropolitan areas.

The NRHA's vision is equal health by the year 2020. This is an ambitious target given that, currently, health status is poorer in rural and remote areas than the major cities, and health risk factors there more common.

The current inquiry into the cost of living pressures on older Australians is particularly relevant for the NRHA because older people represent a greater proportion of the total population in rural and remote areas than in the major cities.

This differential is caused largely by the effects of internal migration. Young people leave the country to pursue work, study and other experiences, and older people move to country and coastal areas to benefit from the positive aspects of country life. These two flows are offset by the inability of older people in many places to remain in their home area because of insufficient aged care facilities and services.

Not only is a higher proportion of the population elderly in rural and remote areas than in the cities, but also their health is generally poorer. Australians living outside major cities have shorter life expectancy, higher death rates, and are more likely to have a disability compared to city dwellers, even when taking into account the poorer health of Indigenous Australians, who make up a greater proportion of the population in more remote areas.

Many rural and remote communities have suffered over recent times from the reduction and loss of local services, including aged and community services and community infrastructure, as a result of local and global economic forces. These same forces, however, have meant that selected areas have been growing so fast that the impact on older people there is due to quite different circumstances. The particular challenges for older people living in rapidly growing areas comprise one of the focuses of this submission.

The submission will deal with six particular issues in all:

- the impact of petrol prices;
- the impact of rapid economic growth in more remote areas;
- the need for universal health care;
- specific characteristics of the aged care sector in rural and remote areas;
- a brief scan of the specific matters in the Inquiry's Terms of Reference; and
- the NRHA's proposal on a refurbished remote zone tax rebate.

Transport and petrol prices

The difficulties relating to transport in rural and remote areas are well known. Because there are few people and large distances, there is relatively little public transport. Many people rely on the road infrastructure and transport by private motor vehicles. The road infrastructure is poor in more remote areas and susceptible to interruption in certain seasonal and climatic conditions. The greater use of motor vehicle transport on some unsafe roads and over greater

distances is also a main contributor to the high rates of vehicle crashes and injury in rural areas, including for older people.

Private transport has become significantly more costly due to increased petrol prices. The increase in retail fuel prices in city areas is compounded for rural people by the fact that fuel has to be shipped to rural and remote areas and retail prices include the goods and services tax (GST), which is incurred both on the transport component as well as the retail component of the total price. The existence of the GST therefore compounds the cost of living effect of petrol prices (and other goods) for people in more remote areas.

Private motor vehicle transport is, in any case, a means of transportation made increasingly unsafe and unavailable to those of advancing years. The longitudinal study of women's health based at the University of Newcastle has undertaken work on the impact of advancing years on women's mobility, due to their lessened ability and/or willingness to drive. It confirms that transport is a major concern for older people.

> “For many, driving is not only a means of transport, but also a means of independence and identity. Moreover, alternative forms of transport may not be acceptable because of difficulties with physical access, availability, convenience or cost. These problems are particularly true in rural areas where subsidized public transport is less frequently available.
>
> Among older women in the Australian Longitudinal Study on Women’s Health, driving is the major form of transport, especially for those in rural and remote areas.
>
> Older drivers have been shown to have high prevalence of conditions such as vision and hearing problems that can hinder driving abilities.
>
> While older drivers account for a small proportion of motor vehicle crashes, they do have a proportionally higher risk of accidents when compared with younger age groups.
>
> Many older drivers voluntarily reduce their driving, avoid driving at night or in rain, or cease driving altogether, or they may be forced to give up their drivers licence following an assessment of their fitness to drive.
>
> Many older drivers feel that driving is very important for their well being and driving may be the only available means of transport and autonomy, especially for older people in rural areas.” (Julie Byles *et al*; paper at 9th National Rural Health Conference, NRHA, 2007.)

The significant increase in the price of fuel, particularly in more remote areas, will exacerbate these practical and health issues.

Economic growth in rural and remote areas

The strong economic growth being experienced in Western Australia and Queensland, largely in the resource sector, is fuelling and underpinning Australia's continued economic well-being. However, it has significant adverse effects on the cost of living pressures on older people in those areas.

The insatiable demand of the resource sector for labour, and its unequalled ability to pay, means that other commercial enterprises as well as private families find it difficult to obtain labour for

maintenance or development. These market forces impact on commercial and non-government organisations in a number of ways. Community service organisations such as those provided by Frontier Services (one of the NRHA's Member Bodies) are finding it intensely difficult in those regions to maintain services due to the inability to recruit and retain staff. Accreditation of their facilities has become even harder because of the short supply of tradespeople.

Small businesses, not in the sector and therefore unwilling or unable to pay competitive prices for labour, are closing. Families are unable to obtain tradespeople for necessary maintenance.

While business in the resources sector and its related transport operations are experiencing rapid growth, other businesses and local areas are losing their infrastructure and their sustainability. What is required is government intervention, through the taxation system, regional development, labour market programs, and community service support, to ensure that other parts of those rapidly developing States are able to maintain quality of life and community resilience. Such programs as these will, among other things, help to offset the cost of living pressures experienced quite differentially by older people in rapidly growing areas.

The need for universal health care.

The NRHA is among those organisations concerned with erosion of the universality of Australia's health-care system. More and more, it is becoming the case that people can only obtain immediate health interventions if they have the capacity to pay. In general there is a clear difference in the level of access to health services for those able to afford private health insurance, and others. However, many people in rural and remote areas are in fact maintaining their private health insurance despite the lack of private health facilities in their local area. They do this because of the possibility that they may one day move to the capital city or, in an emergency, have private patient status in the public hospital system.

One of the broader issues for people in rural and remote areas, especially older people in need of a range of health care, it is that if there is no local doctor there is in effect no access to Medicare. Similarly, if there is not a local pharmacist, there is no access to the PBS. This means that people affected in this way do not receive the services to which their tax payments have been committed over the years.

Rates of bulk billing are much lower in rural areas than in the cities, due largely to the lack of competition among GPs. This means that upfront payment, and payments over and above the schedule fee, are more commonly required in rural and remote areas, including from older people.

As income falls with advancing years, there is greater pressure on people to make savings by not holding private health insurance, for instance, or by not undertaking necessary health interventions when they know there will be a co-payment. This is on top of the situation in which, in aggregate, rural and remote people already have lower incomes than people in the major cities. Very few of them benefit directly from the resources boom.

The NRHA’s overriding concern, like that of many others, is that Australia is becoming a society in which individualism and self-attention are seen as the dominant and desirable culture, rather than the notion of shared community and mutual support for quality of life.

The aged care sector

Despite some particular supports from the Australian Government for aged care infrastructure and services in rural areas, it is still the case that many small rural communities do not have

aged care services necessary to retain their elderly population. People from many remote areas are faced with yet another disadvantage: having to relocate from the place that has been their home for three-quarters of a lifetime to a regional centre or capital city.

The NRHA was involved in the move to establish the new viability supplement for community care -- to be added to the pre-existing supplement for residential aged care. This is the sort of special intervention, recognising the particular needs of aged care services in the country, that is particularly welcome[1]. However much more needs to be done. There is a chronic shortage of health-care workers, and it is worse in rural areas. There is a substantial differential between pay rates for nurses and carers in the aged care sector, as distinct from the acute care sector, and this is an ongoing difficulty for those running services for older people.

Continued reform of planning and funding for rural and remote aged care services will be critical to ensure older people receive quality service provision that meets their needs. Small communities require flexible and community responsive solutions. Services in rural and remote areas face higher costs than their metropolitan counterparts and other specific difficulties by virtue of their location, including the allocation of beds and packages in small, unviable numbers; lower real estate prices (which translate to lower bond payments with which the facilities can undertake capital works); higher costs of construction; less consistent occupancy rates due to smaller catchment areas and less capacity to reduce costs if occupancy fluctuates; and a resident mix determined by the realities of the local community which limits their capacity to balance low/high care residents[2].

Specific matters in the Inquiry's Terms of Reference

The price of essentials

It is well known that petrol, food and other essentials are more expensive in rural areas and much more expensive in remote areas. What is less well known is that the price differentials have been compounded by the goods and services tax, which is levied on both the wholesale price of a good at source, plus the transport component of the price landed in a more remote community. Consumers in remote areas have never been compensated for this differential resulting from the GST.

The Alliance has suggested that the remote zone tax allowance could be refurbished and this would be one means by which such compensation should be provided. This would benefit older people, and particularly those living in more remote areas, including in regions of rapid economic growth. In such areas older people have to bear the higher costs of rent, food and professional services, but do not benefit directly from the wages and salaries paid in the resources boom. In fact the remote zone tax allowance is long overdue for review and reform.

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[1] Some of these welcome initiatives were informed by the 2005 Hogan Review which confirmed that the subsidies paid for residential care were not adequate; that providing care to people living in rural and remote locations costs more than the standard subsidy arrangements acknowledge; and that existing policies for capital raising were inadequate.

[2] The NRHA and Aged and Community Services Australia have produced a joint position paper on aged care services in rural and remote areas. It is available on the NRHA's website and CD-ROM.

Household utilities

As will be evident from some of the foregoing, the Alliance believes that older people in areas of rapid economic growth deserve particular attention where income support for essential services is concerned. People in more remote areas are quite familiar with and accepting of higher prices for all goods and services. However, the unpublicised additional impact of the GST on the prices they pay, and now the impact of excess demand in regions of rapid economic growth, means that there are particular challenges to be met by older people in booming areas. Some of them may benefit directly from the boom but if they do not have direct engagement, they are having to compete for scarce goods and services from the basis of modest pensions or investment incomes.

The irony is that some other rural and remote areas in Australia suffer the consequences of quite different economic trends. Many areas have experienced the worst drought in living memory, and this has resulted in increased levels of financial stress for many households.

Adequate dental care

The Alliance is on the record as arguing strongly that the state of oral and dental health, including among older people and in rural and remote areas, is so bad that there should be substantial and ongoing investment in the matter from the Australian government. The NRHA was therefore pleased at the budget announcement concerning extension of dental care in some cases under Medicare.

However, the bid for increased national investment in dental health remains one of the top four issues for the NRHA. Attached is the relevant section from the Alliance's 2007 Budget Submission, which relates to this matter. The Committee's Inquiry may also like to take note of the detailed submission on national improvement in oral and dental health services that has been provided by the Australian Council of Social Service and the Australian Dental Association (available online at www.acoss.org.au).

Participation in the community

The Alliance's work is based on the principle that all citizens of Australia, irrespective of their location, means or ethnicity, should have access to a fair quality of life and good health. This underpins the Alliance's work on health and related issues.

More broadly, this aspiration or policy goal can be seen in the context of social inclusion. For older people in rural and remote areas there are already significant challenges to full social inclusion. Communications are more expensive and less secure. The physical distance between individuals is much greater. The cost of goods and services is higher. Poor health is more widespread and health risk factors more common.

What this means is that any cost pressures experienced by older Australians in remote areas will have particularly adverse impacts on their ability to participate in the community. This is part of the imperative for government programs which intervene in the free market for goods and services in rural and remote areas. Such interventions already exist to some extent in health, remote education and telecommunications in particular. In the health sector the Rural Health Strategy, comprised of a dozen targeted programs, makes up to some extent for the lack of equity and access to services that exist. However, there are still significant deficits where rural and remote lifestyles and community participation are concerned. These could be ameliorated through enhancement of the programs that exist and through other major initiatives such as reform of the remote zone tax system referred to above.

NRHA's proposal on a refurbished remote zone tax rebate

In common with other organisations concerned with ensuring the viability of communities and businesses in rural and remote areas, the NRHA believes that the current taxation zone rebates system is out of date and should be reviewed[3]. The taxation zone rebates recognise the disadvantages faced by taxpayers, including older people -- both pensioners and self-funded retirees, living in the remote taxation zone A and the less remote taxation zone B due to climate, isolation and the higher costs of living. It was last reviewed in 1993-94.

The geographic application, structure and level of the rebates are thoroughly out of date. They should be updated. Older people in remote areas have paid the same rates of tax as their peers in the major cities but have access to far fewer tax-funded services and facilities.

Overcoming the disadvantages and disincentives currently faced by taxpayers and businesses in remote areas will both enhance economic activity and improve equity between Australia's regions in terms of people's access to services and facilities[4].

Proposed action

The NRHA believes the tax zone rebates should be revised by:

- replacing the current Tax Zones A and B with zones based on the remote and very remote zones of the ASGC;
- restructuring the rebates to reflect the existence of large, modern cities and towns with good levels of resources and services in northern and central Australia and modern work practices such as fly-in, fly-out staffing; and
- lifting the value of the rebate to adequately reflect the current additional costs of accessing goods and services in remote and very remote Australia, and providing an incentive to individuals and businesses to settle in more remote areas. By targeting the rebates more closely the net cost of increasing the rates to incentive levels would be small.

The current geographic application of the rebate was established in 1984-85, based largely on the zone boundaries originally drawn up in 1945. Since those times the population and industries of rural and remote Australia have changed significantly and improved standards for measuring remoteness have been developed. As a result of research carried out during the 1990s the Australian Bureau of Statistics (ABS) has incorporated a remoteness structure based on the Accessibility/Remoteness Index of Australia (ARIA) into the Australian Standard Geographic Classification (ASGC). This remoteness classification has been widely accepted and used by government agencies and researchers, and the ABS intends to update it at the next census. Basing the rebates on an objective national remoteness classification which is subject to regular review would ensure that their application is on the basis of the latest available data on population and economic activity. Previous reviews of the zone allowance emphasised the need for it to be regularly reviewed.

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[3] Agriculture and Food Policy Reference Group 2006, *Creating Our Future: Agriculture and Food Policy for the Next Generation*, Report to the Minister for Agriculture, Fisheries and Forestry, Canberra, February. http://www.agfoodgroup.gov.au/next_generation.html

[4] The strategic underpinning of remote areas has long-term national benefits and so is a national responsibility, not something that can be left to individual employers to fix through workplace agreements.

Currently the rebates apply to two zones, A and B, with A being the most remote. If taxpayers live more than 250 km from a population centre of 2500 in either zone they are entitled to the maximum rebate. Thus, within the current structure there is some useful recognition of the impact of extreme remoteness within the zones. But residents of large, well-serviced and rapidly-growing towns such as Darwin in Zone A and Cairns and Townsville in Zone B receive the same rebate as tiny, isolated towns in the same zone. Using the Remote and Very Remote categories in the ASGC classification system as the eligible zones for the rebates would exclude places like Darwin, Cairns and Townsville that are classified Outer Regional.

The ASGC classification of remoteness provides a nationally consistent means of assessing the geographic restrictions Australians face in accessing goods, services and opportunities for social interaction. People who live in localities in the ASGC's 'remote' and 'very remote' zones have extremely significant restrictions on their ability to access a wide range of goods, services and opportunities for social interaction (Figure A). Using the boundaries of these zones would expand the geographic coverage of the rebates beyond the current boundaries of Zone A and Zone B and would recognise the difficulties faced by the 3 per cent of the population who live in remote and very remote Australia[5]. In 2000-2001 2.1 per cent of taxpayers lived in remote or very remote Australia[6].

The availability of the rebate to those who spend more than six months a year in specified zones is also anomalous. Fly-in, fly-out arrangements are specifically designed to overcome the difficulties that workers and their families would otherwise face in accessing goods, services and social interaction if they lived at the remote workplace. Families involved in fly-in fly-out work may well merit incentives for remote activity but the tax arrangements that apply to businesses and employees in such circumstances should not be confused with those that are designed to be compensation or incentive for permanent remote living.

The base level of the rebate has not changed since 1992-93[7]. In the less remote areas of Zone B it is now a derisory $57.00 a year. The average annual rebate to the 480,000 individuals in Zones A and B who have received it in recent years was $416. When the rebate was first introduced, its top level was equivalent to five weeks' wages a year. If this value had been maintained the top level would now be about $5,150.00 rather than the current $1,173.00. This higher rebate would have a significant impact on the incomes of taxpayers living in remote and very remote Australia. In 2000-2001 the average income in both zones was between $39,000 and $39,500. This average figure is likely to be much higher these days in those remote zones, because of the resources boom. The purpose of the new allowance system and of government intervention generally would be to support the incomes and well-being of older people who are not employed in the resources sector and who are not benefiting directly from the current boom.

It is ironic that, while the tax zone rebate scheme has been neglected, the Regional Sponsored Migration Scheme (RSMS) allows employers in regional Australia to fill positions with international migrants if they cannot attract local workers. A revised and modernised tax zone

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[5] Australian Bureau of Statistics, 2001. ABS Views on Remoteness. Catalogue No. 1244.0. http://www.ausstats.abs.gov.au/Ausstats/free.nsf/0/FCC8158C85424727CA256C0F00003575/$File/12440_2001.pdf

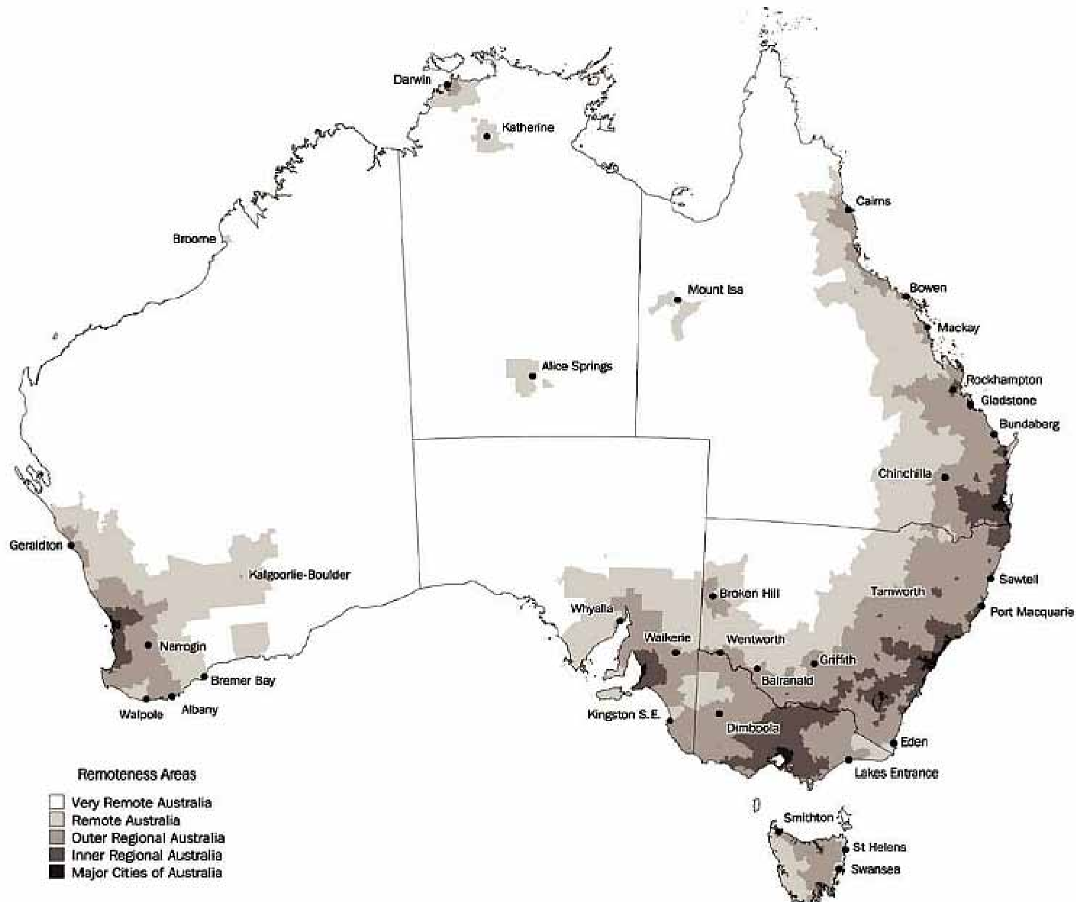
[6] Bureau of Transport and Regional Economics, 2004. Focus on Regions 3: Taxable Income, BTRE Information Paper 54, http://www.btre.gov.au/docs/infopapers/ip54/IP54.pdf

[7] The rebate comprises a base amount plus a percentage of other applicable rebates such as the dependent spouse and sole parent rebates.

rebate would complement the RSMS by sustaining those who already live in remote areas and attracting some existing Australia residents to relocate there[8].

Figure A: ASGC remoteness areas

(from Australian Institute of Health and Welfare 2004. Rural, regional and remote health: a guide to remoteness classifications. AIHW cat. no. PHE 53. Canberra: AIHW).



[8] "In 1945 taxation zone rebates were successful in attracting people to remote areas. With a genuine commitment and a general revision, they have the potential to do that job again." Barry Haase, Member for Kalgoorlie, 13 February 2006.

EXTRACT FROM NRHA'S 2007 BUDGET SUBMISSION

PRIORITY 4 – Oral and dental health

For some time the Alliance, led by its consumer bodies, has identified additional investment in oral and dental health as its highest priority. This accords with the views of the Australian Council of Social Service (ACOSS) and the Australian Dental Association (ADA). The Alliance strongly supports the ACOSS/ADA proposal for the Australian Government to invest in oral and dental health by working through and with the States to cover the minimum costs of basic dental care for adults who cannot afford the cost of private fees[1].

If this were to happen the Alliance would encourage the Commonwealth to agree targets or benchmarks with the States for their (the States') own work in dental health, such as their school dental services, public dental care for older people on low fixed incomes, and fluoridation. There may be alternative means for the desirable national commitment of resources to oral and dental health through Medicare or Medicare-type initiatives.

The Alliance's specific proposals outlined here are partial and relate to the rural and remote dental health workforce. These limited proposals are, however, compatible with the larger national programs sought as they would build the capacity of the dental sector to deliver in rural areas, whether through targeted public investment or Medicare-type arrangements.

Poor oral and dental health imposes significant risks to general health and exacerbate 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. The costs include unnecessary pain and suffering, poor nutrition, social isolation and mental health conditions such as depression. Poor oral health can also adversely affect respiratory disease, cardiovascular disease and diabetes. At its worst, poor oral health reduces productivity and workforce participation.

Water fluoridation, recognised as an effective prevention measure for dental decay, is available to less than half of those living outside major cities. This is one reason why the underlying prevalence of dental decay and the need for treatment are higher for country than city people.

Health workforce shortages are especially marked for dental services. Public dental services have not kept up with demand over recent years. Private dentistry is less accessible to people with socio-economic disadvantage, which is generally more common in rural than metropolitan Australia. As a result, rural people have fewer available dentists and find them less affordable. The shortage of dentists in country areas is a national issue and the Australian Government should lead action on it in the first instance.

The Alliance's specific proposal for rural and remote areas has three elements.

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[1] It is proposed that it would cover the cost of a comprehensive oral health check or a basic course of treatment every two years for eligible adults. The money would be provided to the States/Territories to use flexibly, with the Commonwealth using its investment to leverage States' performance in programs for oral health promotion, dental services for concession card holders, developing dental health service infrastructure and programs for hard-to-reach populations, school dental health services and extending water fluoridation to rural centres.

1. Relocation incentives for city dentists

The first is to provide one-off incentives for dentists to relocate from urban to rural areas. This would be similar to schemes run by Rural Workforce Agencies to support general practitioners who move to country areas[2].

Up to 100 relocation incentives of $20,000 (on average) would be available. The program would be targeted at movements to 'areas of unmet need' and the scheme could be calibrated to offer higher amounts for areas of greatest need.

2. Oral and dental scholarships

The second element is to provide scholarships for rural and remote students, to increase the number of graduates likely to return to practise oral hygiene and dentistry in those areas.

Such scholarships, along the lines of those available for nursing, medicine and allied health, would increase the intake of rural people into undergraduate dentistry and oral hygiene courses. Rural students are significantly under-represented in the current cohort of dentistry students. This initiative would contribute to increases in the supply of oral and dental professionals to rural areas in the medium term.

3. Additional places in dental schools

Dentist graduation levels are one third lower now than 30 years ago and the growing shortage is felt more by country people. Significant developments have already occurred, including the establishment of three new Schools of Dentistry.

Australia ranks 19th out of 29 OECD countries in terms of supply of dentists. It is worse for rural people: whereas in major cities there are 56.2 dentists per 100,000 people, there are only 22.9 per 100,000 in remote and very remote Australia.

Further increases in undergraduate places are therefore warranted. Increasing the intake by another 60 places a year will increase workforce supply and improve its distribution. The Alliance would encourage the Schools of Dentistry to quarantine a proportion of places for students from rural areas, through special rural entry systems or other means.

Oral/dental target area	**Cost: 2007-08**	**Cost: 2008-09**	**Cost: 2009-10**
Relocation grants	$2.5 m	-	-
Oral and Dental scholarships	$0.5m	$1m	$1.5m
60 extra places in dental schools	$0.7	$1.4m	$2.1m
Totals	**$3.7m**	**$2.4m**	**$3.6m**

Rows 1 and 2 include 20% administration costs.

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[2] General practitioners also have access to additional rural incentives including 'rural retention payments' for designated areas. The success of this dentists' relocation scheme would be assessed after the first year. It may prove necessary to have additional incentives in place (not costed here), such as visiting arrangements for dentists to deliver services in areas of significant need through periodic visits of one or more day's duration.