Date Introduced: 14 May 1985
House: House of Representatives
Presented by: Hon. Brian Howe, M.P., Minister for Social Security

Purpose

To implement the changes to family allowances and the financing of nursing homes announced in the Treasurer's statement on Government Expenditure Savings.

Background

A. Nursing Homes

Separate funding for nursing homes was introduced in 1963 when nursing homes were removed from the hospital insurance system. The Government paid a per patient subsidy to approved nursing homes to assist them in meeting the cost of accommodation and providing care. Organisations operating nursing homes for profit as well as charitable and religious bodies were eligible for the subsidy.

There were few conditions attached to the subsidies. Some organisations viewed subsidies as a guaranteed source of revenue. Consequently, the number of nursing home beds rose by over 100% in the years 1963 to 1972[1], far in excess of increases in aged population. As a result, controls on the payment of subsidies were introduced in 1972. Controls were placed on admissions and fees, and the growth in nursing home beds was limited to 50 per 1000 population aged 65 years or over in a particular locality. Between 1972 and 1984 the number of nursing home beds increased by 45%.[2]

An alternative method of funding non-profit nursing homes was introduced in 1974, the deficit financing scheme. Under this scheme, the Government meets the deficit, to an approved level, of non-profit nursing homes. As a result of this scheme there are currently four types of nursing homes:

- Private enterprise approved nursing homes;
- Non-profit approved nursing homes;
Non-profit deficit financed homes; and

State Government nursing homes.

In approved homes, the patient contributes a 'statutory minimum' amount, equal to 87.5% of the combined single age pension and supplementary assistance. The Government pays a nursing home benefit to the proprietor of the home, to make up the difference between the patient's contribution and the standard fee. If the home charges above the standard fee the patient pays the excess. Fees must be approved by the Government and can only be increased to reflect cost increases. Subsidies to this type of home were approximately $365m for profit and $66m for non-profit homes in 1983/84.

For deficit financing homes, the home may charge the minimum statutory contribution and the Government will guarantee to meet the home's deficit to an approved level. Total subsidies in this category were approximately $248m in 1983/84.

State Government nursing homes receive the same nursing home benefit as approved homes. Patients are required to contribute the minimum statutory contribution and any deficit in the home's financing is met by the relevant State Government. The Commonwealth contributed approximately $167m to such homes in 1983/84.[3] The following table shows total expenditure on nursing homes from 1980/81.

<table>
<thead>
<tr>
<th></th>
<th>$m</th>
<th>% charge over previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980/81</td>
<td>381.7</td>
<td>22.2</td>
</tr>
<tr>
<td>1981/82</td>
<td>571.4</td>
<td>49.7</td>
</tr>
<tr>
<td>1982/83</td>
<td>734.0</td>
<td>28.5</td>
</tr>
<tr>
<td>1983/84</td>
<td>845.5</td>
<td>15.2</td>
</tr>
<tr>
<td>1984/85 (est.)</td>
<td>1000.9</td>
<td>18.4</td>
</tr>
</tbody>
</table>


B. Family Allowance

Child endowment, the forerunner of the family allowance, was introduced in 1941 to compensate families with more than one child as the basic wage was calculated on a family unit of three. This initial scheme was largely financed through payroll tax. Under the 1941 scheme, a
weekly sum was paid for second and subsequent children irrespective of the parents' income and whether the child was employed. The subsidy was payable to the person responsible for the child's maintenance, usually the mother. With the introduction of the scheme, income tax concessions for children eligible for endowment was abolished.[4]

The scheme was slightly modified in 1947 when the basis of entitlement to child endowment was changed from the person responsible for the child's maintenance to the person responsible for the child's custody, care and control. The first child was made eligible for family allowance payments in 1950 at half the rate applicable for later children. The rate of payment to second and subsequent children was increased in 1945 and 1948.

Although there were no major changes to the operation of the scheme till 1964, the linking to payroll tax was altered. From 1946 child endowment was paid from the National Welfare Fund, which was also credited with the payroll tax receipts. This arrangement ceased in 1952, breaking the link between child endowment and payroll tax.

The rate payable to third and subsequent children was increased in March 1964 and, at the same time, children between the ages of 16 and 21 who were receiving full-time education became eligible for child endowment at the same rate as third and subsequent children. The graduation of payments for subsequent children was extended in 1967 when the payment to fourth and subsequent children was increased. The payments for third and subsequent children were again increased in 1971. Although these changes benefited larger families, the payment for first children had not been increased since its introduction in 1950 and payments for the second child had not altered since 1948.

The election of a Liberal/National Party Government in 1975 saw the introduction of 'family allowances', where subsidies were still based on the number of eligible children. The scheme was introduced to bring payments into line with changing money values and to correct inequities in the existing system where tax concessions were estimated to be three times the value of child endowment. Payments were again graduated, increasing from $3.50 per week for the first child, to $5 per week for the second child, $6 per week for the third or fourth child and $7 per week for subsequent children. At the same time the maximum age where student children were eligible for family allowance was increased to 25 years though it is not payable in relation to students receiving other Government assistance. In calculating the rate of payment, full-time students are classed as eligible children, so that the rate of payment in
respect of the student child will depend on the total number of eligible children. The extra cost of family allowances was largely met through the exclusion of child tax rebates from indexation. An income test, based on the child's earnings was proposed in 1978 but was withdrawn in the same year due to political pressures.

The scheme has remained basically the same since its introduction, though the rate of payment has continued to increase. Payments for third and subsequent children were increased in the 1981/82 Budget, while those for the first and second child were increased in the 1982/83 Budget. There has been no increase since then and a table containing the current rates follows:

<table>
<thead>
<tr>
<th>Child Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>First child</td>
<td>22.80</td>
</tr>
<tr>
<td>Second child (additional)</td>
<td>32.55</td>
</tr>
<tr>
<td>Third child (additional)</td>
<td>39.00</td>
</tr>
<tr>
<td>Fourth child (additional)</td>
<td>39.00</td>
</tr>
<tr>
<td>Fifth and later children (additional)</td>
<td>45.55</td>
</tr>
</tbody>
</table>


Outline

The Bill will have the following affects:

Nursing Homes: There will be no Commonwealth funding for new or additional services provided by the proprietor of a nursing home from 21 August 1985 unless the service had been approved before that date. The Minister estimates that this will save $0.5m each financial year.[5]

Family Allowances: The family allowance for student children over 16 years will cease from 1 November 1985. However, the allowance will continue for certain families in great need. The Minister estimates that this will save $20m in the period 1 November 1985 to 30 June 1986 and $30m in the full 1986/87 financial year.[6]

Main Provisions

Nursing home changes are implemented by clause 4 of the Bill which amends section 6 of the Nursing Homes Assistance Act 1974.

Changes to family allowances are effected by clause 6 of the Bill which inserts a new section 98 in the Social Security Act 1947.
For further information, if required, contact:

30 May 1985

Education and Welfare Group
LEGISLATIVE RESEARCH SERVICE

References

1. Private Nursing Homes in Australia, Report by the Senate Select Committee on Private Hospitals and Nursing Homes, p.23.
3. For all figures relating to cost see ibid., pp.4 and 5.
4. Although child endowment was intended to replace tax concessions, restricted tax rebates for children were introduced in 1942 and a system of tax deductions similar to that operating before child endowment was introduced in 1950.
6. Ibid., p.2345.