SECOND READING

SPEECH

Wednesday, 2 December 1998

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES
Mr COSTELLO (Higgins—Treasurer) (10.26 am)—I move:

That the bill be now read a second time.

This bill reflects the government's commitment to ensure that older Australians will benefit from a better and fairer taxation and income support system. It demonstrates that the needs of older Australians remain a priority for this government.

The government announced, as part of the taxation reforms, a four per cent increase to the full age pension. Increased rates of assistance will be provided to ensure that recipients receive a real (after CPI) increase in their pensions of 1.5 per cent, thereby enabling them to receive a fair share of the benefits of the new tax system.

The government is committed to quarantining this increase from the formula used to calculate residential aged care fees. This bill amends the Aged Care Act 1997 to implement these commitments.

Currently, the basic fee is 85c in the dollar of the maximum single rate age pension. While the pension is being increased by four per cent as a compensation measure, the basic fee will not rise. Effectively, the fee becomes 85c in each 104c of pension. Accordingly, the proportion of the pension represented by the fee falls from 85 per cent to 81.5 per cent. Thus, setting the proportion of pension payable in residential care fees at 81.5 per cent ensures that the full four per cent increase to pensioners is passed on.

It also removes the possibility that residential care providers could seek to gain a windfall by charging care recipients extra in fees. Providers will be limited by legislation to only charging 81.5 per cent or face the possibility of sanctions being imposed if they exceed this amount.

This bill also ensures that non-pensioners are protected from increases in residential aged care fees as a result of the pension increase. Currently non-pensioner fees rise in line with indexation to pensions. This bill breaks this nexus with pension indexation ensuring that the four per cent increase in the pension does not cause the non-pensioner fee to rise.

Lastly, this bill ensures that war widows and widowers will continue to pay the same in income tested fees as other care recipients with the same total incomes. This amendment is necessary to maintain parity in fees as a result of changes to the pension withdrawal rate under the taxation compensation package for older Australians.

Not only does this bill guarantee that no older Australian will be worse off, it ensures that pensioners will be considerably better off as a result of the taxation reforms. The pension increase will see single aged pensioners receiving an extra $15.50 per fortnight and pensioner couples an extra $25.50 per fortnight—which is a large increase in income for older Australians. This increase lifts the full pension rate above the minimum level of 25 per cent of male average weekly earnings that is already guaranteed in legislation by the government.

This bill demonstrates that the needs and aspirations of older Australians continue to be of primary importance to the government. Older Australians will continue to benefit from access to quality residential care based on need.

Full details of the measures in the bill are contained in the explanatory memorandum which I present and which has been circulated to honourable members.

I commend this bill to the House.

Debate (on motion by Mr Crean) adjourned.