

Create a Pensioner Concession Card+ to make it easier for local, state, and federal governments to target additional concessions and supports to pensioners with limited means.

Overview

- Recent NSA research shows low-income seniors experience higher rates of severe impact from rising living costs. As Figures 2 and 3 show, almost 40% of older renters and more than 30% of older households in the lowest income brackets (<\$1,000 per f/n) said they experienced severe cost-of-living pressures – much higher than other groups.¹⁴
- Commonwealth Concession Cards (DSS and DVA) are used to provide access to subsidised services and cost-of-living concessions at all levels of government. All pensioners are eligible for concessions via the Pensioners Concession Card (PCC).
- There is currently no simple way to target concessions to those most in need – all pensioners receive the same concessions regardless of wealth and income.
 - For example, a homeowning couple can have up to \$1 million (\$1,003,000) in assets (not including the principal place of residence) and receive the same concessions associated with a PCC as a couple with no assets and no home.
- Even at a conservative estimate of return, a couple with a large assets base, will have significantly higher income overall than a couple solely reliant on the pension with no assets. They can also draw on this wealth to fund consumption without significantly diminishing their overall income because the pension increases as private income and savings reduce.

WHAT ARE WE CALLING FOR?

- Government should offer a targeted PCC+ concession card to enable the delivery of additional pensioner concessions to those most in need, e.g., higher concession rates, dental subsidies, cheaper medicines or health care rebates.
- The Commonwealth would use existing customer data to tailor PCC+ eligibility to those most in need.
 - The OECD estimates poverty among people aged 65 and older in Australia is 20%.
 - A person's income and assets are already used to determine the amount of Age Pension they receive and could be used to determine eligibility for a PCC+ based on an appropriate criterion.
 - Pension poverty, adequately adjusted for housing wealth could be used to determine who would be eligible for additional support via a PCC+ (e.g., the same way that pension means test rules treat homeowners and non-homeowners differently).
 - Determining who would be eligible would require Treasury modelling to ensure only those most in need were receiving access to additional support.

Why is the policy needed?

- If governments want to provide additional support to pensioners experiencing higher cost-of-living pressures, they cannot do this under the current system.
- Under the existing concessions system, government can only deliver additional support to all pensioners even when there may be a need to deliver additional support to those most in need.
- This makes the cost of providing additional concessions or supports prohibitive, resulting in a lack of action from government.
- A PCC+ provides a tool to efficiently target additional support to those in need.

Budget impact

- The cost of providing a targeted PCC+ would be relatively small and involve administrative costs with setting up a new card within the existing system and costs associated with updating existing communications to include the new card.
- The main cost would be associated with funding any new concession/s, however, by targeting concessions the cost to government will be small but the impact large.
- For example, if 20% of pensioners (500,000) were assessed by Treasury as living in poverty, government could use the PCC+ to:
 - a) administer a targeted Seniors Dental Benefits Scheme (SDBS – see Recommendation 7). If under an SDBS, a recipient was eligible for \$500 per year for dental, this would cost \$250m per year to cover 500,000 pensioners holding a PCC+. Providing a SDBS to all pensioners would cost \$1.25b.¹⁵
 - b) administer additional relief for those most in need (see Recommendation 2). Under the recent Energy Bill Relief Fund, all pensioners were eligible for up to \$500 to offset energy bills at a cost of \$1.25b. Under a PCC+ card, government could have provided additional relief to 500,000 pensioners in need. For example, an additional \$250 rebate for PCC+ holders would cost only \$125m compared to \$625m for all pensioners.
- A benefit of the PCC+ is that it provides additional support to pensioners with limited means and additional support as pensioners spend down their savings later in life.