



## 2015/16 FEDERAL BUDGET SUBMISSION

### FROM THE HEARING CARE INDUSTRY ASSOCIATION

**TITLE:** Access to hearing services for low-income working-age Australians.

**PURPOSE:** To extend eligibility for the Australian Government Hearing Services Program to low income working-age Australians, subject to a means test.

**COST:**

Option 1 - \$238.5m over 4 years;

Option 2 - \$148.3m over 4 years with a \$100 co-payment.

**RECOMMENDATIONS:**

1. That access to the Australian Government Hearing Services Voucher Program be extended to low income Australians of working age (26-65 years), subject to a co-payment.
2. That this access be subject to a means test (nominally, \$37,000 p.a. which was the level was chosen by the previous Government for the Low Income Superannuation contribution).
3. That access be limited to those with eligible hearing loss in the same manner as now operates under the Australian Government Hearing Services Voucher Program.
4. That a co-payment of \$100 be instituted for those aged 26-65 to ensure that any extension to the Program is directed to the most highly motivated individuals.
5. That all contracted providers to the Program deliver these services to low income Australians to ensure the widest geographical coverage and the greatest possible choice for individual clients, i.e., extension of the Program to low income Australians should operate in exactly the same way as the Australian Government Hearing Service Voucher Program in every other respect.
6. That this enhancement to the Program commence from 1 January 2016.

## BACKGROUND:

- In May 2010, the Senate Community Affairs Reference Committee handed down a report with unanimous support. It was titled; *Hear Us, Inquiry into Hearing Health in Australia*. Recommendation #4 was that **eligibility for the Australian Government Hearing Services Program be extended to include all Australians, subject to a means test.**
- In 2011, a Sub-Committee of the Hearing Services Consultative Committee reporting to the Minister of Mental Health and Ageing advised Government on the implementation of this recommendation.
- In August 2014 HCIA was encouraged by Assistant Health Minister Senator Fiona Nash to bring forward a 2015/16 Budget submission.
- This submission gives effect to the recommendations of the Senate Community Affairs Reference Committee and Hearing Services Consultative Committee.

## KEY ISSUES

One in six Australians suffer from some degree of hearing loss and nearly half of them are of working age, that is 16 to 64 yrs. By 2050, this figure will increase to one in four.

For those between 45 and 65 years of age with hearing loss, the chance of being employed is 20% lower for men and 16% lower for women.

Access to the Australian Government Hearing Services Program is available (in the main) to:

- People under 26 years of age
- Pension concession card holders
- Health care card holders

This means there is a large number of Australians of working age with hearing impairment who have limited or no access to the program.

The most recent study into the economics of hearing loss was the comprehensive economic analysis by Access Economics in 2006, *Listen Hear – the Economic Impact and Cost of Hearing Issues in Australia*. That report placed the economic cost of hearing loss to Australia at \$11.75b (*\$14.5b\**) or 1.4% of GDP. This figure represented an average cost of \$3,314 (*\$4,093\**) per person per annum for each of the 3.55 million Australians who have hearing loss or \$578 (*\$714\**) for every Australian. The largest financial cost identified in the report was productivity loss, which accounted for well over half of all the financial costs (\$6.7b). The costs of hearing impairment included lost earnings, tax forgone, the cost of carers, welfare payments, education and support services and deadweight costs caused by the taxation needed to finance the welfare payments.

\*CPI adjusted amounts for 2014/15 are shown in brackets.

A large proportion of these costs will be ultimately borne by governments. Thus the value of retaining or re-engaging people with hearing loss in the workforce is very significant, and the opportunity costs to the nation of not addressing this issue, are substantial.

In making its recommendations, the Sub-Committee of the Hearing Services Consultative Committee extensively considered both an individual's eligibility to enter the program and income threshold levels. For the purposes of this Budget Submission, those levels remain unchanged.

## FINANCIAL IMPLICATIONS

Figures are based on the best estimate that was available to the Sub-Committee of the Hearing Services Consultative Committee in 2011. The explanation of these figures is detailed in Appendix 1. These figures have utilised 2008 Centrelink data. No more recent data is available to HCIA. They are clearly an over-estimate of eligible numbers today and hence over-estimate cost to Government.

### **Option 1:** If there is no co-pay\*

Year 1	2015-16	\$19.0m
Year 2	2016-17	\$58.5m
Year 3	2017-18	\$79.9m
Year 4	2019-20	\$82.1m
<b>TOTAL</b>		<b>\$238.5m</b>

### **Option 2:** If there is a co-pay of \$100\*

Year 1	2015-16	\$11.8m
Year 2	2016-17	\$36.3m
Year 3	2018-19	\$49.5m
Year 4	2019-20	\$50.7m
<b>TOTAL</b>		<b>\$148.3m</b>

These figures have been calculated with no offsetting savings. However, given the best available estimates, the cost of hearing impairment is \$3,314 (*\$4010\**) per person with a hearing loss, expanding hearing services with a one-off payment of \$1,410 accrues an economy-wide benefit of \$3,314 (*\$4010\**) per person.

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*\*2014/15 figures.*

## APPENDIX ONE

### ASSUMPTIONS FOR COSTINGS

- a. The number of people on an income below \$37k by age group informed by straight line extrapolation between known numbers of income below \$20k p.a. and income below \$40k p.a. This gives a number of potentially eligible hearing impaired people of working age (26 – 65) of 360,000\*.

Number of people 26-65 years with incomes less than \$40k = 402,747

Number of people 26-65 years with incomes less than \$20k = 117,419

Portion of years to be excluded to get \$20k - \$37k = 3/20

Therefore  $402,747 - ((402,747 - 117,419) \times 3/20) = 359,948$ . This has been rounded to 360,000.

\*NOTE: As mentioned above, these estimates utilise the most recent Centrelink data available to HCIA, which is from 2008. As a result of this, these numbers are likely to be an overestimate.

- b. Prevalence of hearing impaired by age:

▪ 25 – 34yrs	2%
▪ 35 – 44yrs	5%
▪ 45 – 54yrs	12%
▪ 55 – 64yrs	26%

- c. The number of people accessing the service annually would be 15% of those eligible without a co-payment and 10% of those eligible with a co-payment of \$100.
- d. That it would take 12 months for the scheme to build up to the figure of 15%. This build up would occur in a straight line thus, utilisation by six month period would be:
- Jan-June 2016 - no co-payment 3.75%; co-payment 2.5%
  - July-Dec 2016 - no co-payment 11.25%; co-payment 7.5%
  - Jan-June 2017 - no co-payment 15.00%; co-payment 10.0%

- e. The cost per person is \$1,410.00

- f. Indexation of 2.5% is assumed from Year 2

## Number of People Accessing Service

### **No Co-pay**

	People Accessing	Cost/ person in \$ *	Cost \$m
Year 1 2015 – 16	13,500	1410	19.0
Year 2 2016 – 17	40,500	1445	58.5
Year 3 2017 – 18	54,000	1480	79.9
Year 4 2019 – 20	54,000	1520	82.1
Cost over 4 years			\$238.5m

\*2.5% indexation used

### **\$100 Co-pay**

	People Accessing	Cost/ person in \$ *	Cost \$m
Year 1 2015-16	9,000	1310	11.8
Year 2 2016-17	27,000	1345	36.3
Year 3 2018-19	36,000	1375	49.5
Year 4 2019-20	36,000	1410	50.7
Cost over 4 years			\$148.3m

\*2.5% indexation used