Australian Government
Department of Social Services

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2014-15 Budget - Changes to the Commonwealth Seniors Health Card (CSHC)

What was announced in the budget?

Indexation of CSHC income limits

In line with the Government's election commitment to seniors, the income thresholds for the CSHC will be indexed annually in line with the Consumer Price Index (CPI) from 20 September 2014.

This change means modest variations in income will not affect eligibility to the CSHC and will reduce uncertainty for self-funded retirees. This is the first time CSHC income thresholds have increased since 2001.

From 20 September 2014, CSHC income thresholds are $51,500 per annum for singles, $82,400 annually for couples (combined income) and $103,000 annually (combined income) for couples who are separated by illness or respite care. These amounts will be indexed in September each year.

This policy demonstrates the Australian Government's commitment to older Australians. As a result of this change it is estimated a further 27,000 people will access the CSHC by 30 June 2018.

Cessation of the Seniors Supplement

Currently holders of a CSHC receive the Seniors Supplement, which is $886.60 annually for singles and $1,336.40 combined for couples.

Subject to the passage of legislation, the Government will cease payment of the Seniors Supplement. This will help ensure that payments to senior Australians remain targeted to those who need them most, and to ensure the sustainability of the CSHC.

Holders of a CSHC will continue to be eligible for all their other current entitlements attached to the card such as:

- medicines listed on the Pharmaceutical Benefits Scheme (PBS) at the concessional rate
- access to PBS prescriptions, generally without charge, for the remainder of the calendar year after reaching the PBS Safety Net
- bulk-billed general practitioner appointments, at the discretion of the doctor (the Government provides financial incentives for general practitioners to bulk-bill concession card holders)
- a reduction in the cost of out-of-hospital expenses, through the lower Extended Medicare Safety Net threshold.

CSHC holders will also receive the Energy Supplement, which will remain at its current rate ($366.60 annually for singles and $275.60 annually for each member of a couple) from 1 July 2014.

Changes to the CSHC income test

From 1 January 2015, income from account-based superannuation income streams will be included in the CSHC income test. The assessment of account-based income stream account balances will be the same for CSHC holders as for Age Pensioners and will align with the measure to deem the balances of account-based income streams of Age Pensioners from 1 January 2015.

Deeming assumes that financial investments are earning a certain rate of income. The actual returns from the recipient's investments, whether in the form of capital growth, dividends or interest, are not used for the income test assessment, even if the investment returns are above the deeming rates. The current deeming rates (from 1 July 2014) are 2 per cent for the first:

- $48,000 of a single person's total financial asset.
- $79,600 of a couple's total financial assets.

A higher deeming rate of 3.5 per cent applies to financial investments above these amounts.
The deeming rates are monitored on an ongoing basis to ensure they reflect available returns.

Deeming rates reflect the rates of return people can earn from their financial assets:

- The lower deeming rate reflects that many people choose to have savings in investments with high accessibility and safety, which tend to provide relatively low returns.
- The higher deeming rate reflects that people with more savings may seek higher returns on some of their investments, either by accepting lower accessibility or higher risk.

This measure, which will commence on 1 January 2015, will include grandfathering provisions. Grandfathering is a provision in which an old rule continues to apply to existing situations while a new rule applies to future cases. Account-based income streams commencing prior to 1 January 2015 by existing CSHC holders will be exempt from the new provision and excluded from assessment.

Examples of grandfathering arrangements to apply after 1 January 2015

Example 1 –Irene is the holder of a CSHC on 31 December 2014. Her account- based income stream was purchased prior to1 January 2015.

Irene is 75 years old, married, and the holder of a CSHC on 31 December 2014. Irene and her husband have a combined annual adjusted income of $75,000 per year. Irene also has $1 million in a tax-free account-based income stream, which was purchased before 1 January 2015. **Because of the grandfathering provisions, Irene will not be affected by the changes to the treatment of account-based income streams in the CSHC income test, which come into effect from 1 January 2015.**

Irene will continue to be eligible for the CSHC and have access to the benefits provided by the card.

Example 2 –Jasmin claims CSHC on or after 1 January 2015.

Jasmin is single, aged 64, and turns 65 on 15 January 2015. Jasmin is a self-funded retiree and is drawing down on her account-based income stream account balance of $2 million. She also receives $5,000 per annum from a term deposit. Jasmin lodges a claim for the CSHC on 15 January 2015. Under the CSHC income test from 1 January 2015, Jasmin's account-based income stream is assessed under the deeming rules as earning $68,462 per year.

Combined with her taxable income, her total assessable income would be $73,462, which is above the annual CSHC income test limit of $51,500 for singles.

Therefore, Jasmin's claim for a CSHC is rejected.

Example 3 –Sachin changes his account-based income stream after 1 January 2015.

Sachin is 80 years old, single and the holder of a CSHC. Sachin has an annual adjusted income of $47,000 per year from investments. Sachin is also drawing down on his account-based income stream, which he purchased in 2008. Because of the grandfathering provisions, there is no income assessed against this product. However, on 20 February 2015 Sachin decides to change his existing account-based income stream to another account-based income stream product. As a result, he loses his grandfathered status for this product and deemed income of $10,000 is assessed against the account balance of his new account-based income stream.

Because Sachin's adjusted taxable income is now $57,000 (as only account-based income streams purchased prior to 1 January 2015 are grandfathered) he loses eligibility to his CSHC because this is above the annual CSHC income test limit of $51,500 for singles.

Example 4 –David is a member of a couple. David and his partner Deb both own an account-based income stream.

David is aged 68 and the holder of a CSHC on 31 December 2014. David has a balance of $500,000 in an account-based income stream, from which he is deemed to receive $15,962 per year. He also receives $45,000 taxable income per year from property investments. Under the CSHC income test from 1 January 2015, David's tax-free income stream payment of $15,962 per year is not assessed and is grandfathered. However, his partner Deb is 64 years old (turning 65 in February 2015) and has an account-based income stream deemed to earn $30,000annually. The combined income of David and Deb is assessed to be $75,000 annually ($45,000 + $30,000), which is still below the CSHC income threshold of $82,400 for couples.

David would therefore retain his CSHC.

Additionally, if Deb applies for a CSHC when she turns 65 in February 2015, she would also meet the combined couple income test as David's grandfathered account-based income stream, which is deemed to be worth $15,962 annually, is not included in her assessment.

Example 5 –Ron has an account-based income stream with a reversionary provision.

Ron is aged 85 and is the holder of a CSHC on 31 December 2014. Ron has a balance of $1.2 million in a tax-free account-based income stream which is deemed to earn $40,806 per year. His partner Julie is a former public servant and receives a public service pension which is taxed. Julie's pension is worth $52,000annually. As Ron's account-based income stream is grandfathered and not included in the CSHC income test, the total combined couple income for Ron and Julie is assessed as $52,000annually.

Ron's account-based income stream has a reversionary provision, which means his account-based income stream will revert to Julie on his death. If Julie is a CSHC holder at the date of reversion, the account-based income stream will continue to be excluded from the CSHC income test.

When Ron passes away, his account-based income stream retains its grandfathered status and will not be counted in the CSHC income test for Julie.

Increasing the length of time a person can retain their CSHC if they go overseas from six to 19 weeks

From 1 January 2015, a CSHC holder will be able to travel overseas for up to 19 weeks before their card is cancelled. Nineteen weeks is the current period of time that a person receiving an income support payment such as Carer Payment or Parenting Payment Single (and who has had their payment suspended at six weeks for being overseas) has before they are required to lodge a new claim for their payment. This change will reduce the administrative burden on Centrelink and seniors.

A person who is absent from Australia on 1 January 2015 when the new rules come into effect, and is the current holder of a CSHC, will benefit from the increased portability period for the CSHC from six to 19 weeks. This is shown in the examples below.

Portability of the Energy Supplement will not change and will continue to be payable only for a maximum of six weeks overseas.

Example 1 – CSHC holder overseas from 1 December 2014 to 1 March 2015.

Barry is a CSHC holder who travelled overseas on 1 December 2014. Barry returned to Australia on 1 March 2015, remaining outside of Australia for the whole of this period. Barry's CSHC was cancelled in January 2015 after he had been outside Australia for 6 weeks. Because the total length of Barry's absence from Australia (1 December 2014 to1 March 2015) is less than 19 weeks, his card will be re-activated when he returns to Australia. Barry will not need to claim a new CSHC and will retain his grandfathering status on any account-based income stream he held before 1 January 2015.

Example 2 – CSHC holder absent from Australia from 1 November 2014 to 27 December 2014.

Jenny is a CSHC holder who travelled overseas on 1 November 2014. Jenny returned to Australia on 27 December 2014. Jenny's CSHC was cancelled after she had been outside Australia for 6 weeks. Because Jenny returned to Australia in 2014, her situation is not affected by the new 19 week CSHC portability legislation coming into effect on 1 January 2015. Due to the Christmas close down period, the Department of Human Services will allow Jenny 14 days after returning to Australia (until 10 January 2015) to lodge a new claim for the CSHC. If Jenny's claim is granted, it will be backdated to 27 December 2014 and she will retain her grandfathering status on any account-based income stream she held before 1 January 2015.

Example 3 – CSHC holder absent from Australia from 1 October 2014 to 12 March 2015.

Kylie is a CSHC holder who left Australia on 1 October 2014 and plans to return to Australia on 12 March 2015. Because Kylie's CSHC was cancelled after she was outside Australia for 6 weeks and her total absence is more than 19 weeks, she will need to make a new claim for a CSHC on her return to Australia. Kylie will not be covered by the grandfathering provisions and will have any account-based income stream she holds included in the assessment for her CSHC.

The increase in the portability period from six to 19 weeks only applies to customers who are issued their CSHC by Centrelink. Different portability rules apply to customers who are issued their CSHC by the Department of Veterans' Affairs.