



Consumers Health
Forum **OF** Australia

SUBMISSION

EARLY RELEASE OF SUPERANNUATION BENEFITS

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Benefits. Canberra, Australia

P: 02 6273 5444

E: info@chf.org.au

twitter.com/CHFofAustralia

facebook.com/CHFofAustralia

Office Address

7B/17 Napier Close
Deakin ACT 2600

Postal Address

PO Box 73
Deakin West ACT 2600

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Introduction

The Consumers Health Forum of Australia (CHF) is the national peak body representing the interests of Australian healthcare consumers and those with an interest in health consumer affairs. CHF works to achieve safe, quality, timely healthcare for all Australians, supported by accessible health information and systems.

CHF is pleased to make a submission to the consultation on early release of superannuation benefits under compassionate and financial hardship grounds and for victims of crime compensation. CHF's interest in this issue is related to ensuring Australians have affordable access to the health services and that access to such services is based on need to capacity to pay. For this reason, we focus on comments on the principles and the questions relating to and the arrangements that should govern benefits released on compassionate or hardship grounds for medical treatment.

Despite the growth over the last two decades as detailed in the consultation paper early release of superannuation assets on compassionate grounds is a very small fraction of the total superannuation pool. This shows that superannuation is being preserved for retirement, which is its primary purpose. It is important to ensure the amount of regulation is not disproportionate to the problem we are trying to solve.

In summary we do not support tightening the rules and making it more difficult for people to access their superannuation for medical treatment. We would be concerned the rules were tightened and applied in a very rigid way that did not look at the circumstances of individuals. This would be counterproductive as people who could not access their superannuation funds might be consigned to a life of illness, low income and possibly welfare dependence. Health expenditure is an investment for both the community and the individual.

That said, we also believe that our superannuation arrangements should not be considered a replacement for existing health policies. We would argue that some of the more recent demands on superannuation to meet the at times burgeoning out of pocket costs associated with medical treatment is symptomatic of the weaknesses in the health system – a matter for policy debate in another portfolio where moves to reduce out of pocket pressures may have some impact on superannuation benefits released for medical treatment.

Principles

The discussion paper outlines four key principles: preservation, genuine hardship, last resort and fair and effective. CHF accepts that the primary purpose of superannuation is to provide income in retirement and so any measures which allow for early access need to carefully weigh up the impact on future incomes and quality of life for people when they retire. The paper provides this as a decision between preserving for future use or accessing now. It does not look at the impact of the use of the superannuation to enhance people's future lives.

We would argue, however, that a life course approach needs to be taken to this issue. CHF has argued that spending on health services is an investment for the community. Similarly

spending on health is an investment for an individual. This means we need to weigh up the impact of people accessing appropriate medical treatment earlier in life which allows them to continue to have productive lives and enhances their capacity to earn income in the future and so provide for themselves in retirement. We also know from the evidence around the social determinants of health that access to stable housing and employment lead to better long-term health outcomes. If people need early access to their superannuation to provide that housing, employment or housing then both the community, through reduced health expenditures, and the individual would benefit.

If this approach is taken, then it is clear the principles do not need tightening. Rather it suggests there is a need for a principle on long term impact on the consumer's capacity to work and generate future income. The discussion then becomes more a cost benefit proposition, with the loss of superannuation savings now balanced against the potential to put more into superannuation in the future.

CHF supports the principle that the rules should be fair and effective. They need to be equitable applied consistently but have some flexibility that considers the whole of people's lives and how the decision around early access will impact on them.

Early Release on Compassionate Grounds

It is clear from the data that early access for medical treatment is the main reason for early access on compassionate grounds.

Overall, we do not believe that the requirements need to be more prescriptive (Q 1.3¹). We believe that the current provisions for early release on medical grounds strike the right balance between preservation and ensuring access to necessary medical treatment. Whilst there has been some growth in claims for early release this was off a very low base and the total is still a very small proportion of the very large holdings in superannuation assets across the community. We think the low levels of claims show that people want their superannuation to be preserved and so are not claiming frivolously. They also show that superannuation trustees are aware of their responsibilities and do not support the use of funds for this purpose without good reason.

We do not believe there is a need to specify treatments which should be excluded (Q1.6) nor do we think it appropriate that the rules should specify the circumstances for when certain procedures can be deemed life threatening or alleviating acute and chronic pain or mental disturbance (Q1.7 and 1.8). These are clinical decisions that belong with the relevant clinicians in consultation with the patient, looking at the individual's medical history and their circumstances.

We do not support either the proposition to change 'alleviating' to 'treatment' for acute or chronic pain or to remove this completely and only allow early access for life-threatening

¹ We have put the question numbers from the discussion paper in where we are directly addressing the question asked. We have not answered all the questions.

conditions (Q1.11). One in five Australians live with chronic pain and it is the most common reason that people seek help. The total economic cost of chronic pain was estimated to be more than \$34 Billion in 2007 ² and is one of the most common reasons for people of working age to drop out of the workforce. Clearly there is a benefit to the individual and the community if we could reduce chronic pain as this would allow some people to continue in work and be productive.

Services for chronic pain are limited and many of them are not readily available in the public system. This means people need to go to the private system and access them either through using private health insurance or pay for them out of their own income. Even when people have private health insurance they are likely to have some gap payments with the benefits paid often being less than the fee charged. CHF is currently undertaking survey of consumers' experience with out-of-pocket medical costs and many of the respondents have highlighted services such as physiotherapy as being a major cause of out of pocket expense even when they have insurance.

For people with chronic pain treatment, curing is just not an option. Management regimes are almost exclusively focused on strategies designed to help alleviate and reduce the impact of pain. This means for many they need services over long periods and often for the rest of their lives. The costs of these build up over time, especially when there are significant gaps between insurance benefits and fees. Added to this is the possibility that pain is stopping them from working and they may well not be able to afford private health insurance premiums and it becomes clear that using their superannuation is the only way they can afford the treatments to help them.

However, we would support some tightening up of the references to medical specialists in SIS Regulation 6.19A (3) to ensure the practitioner is a specialist in a relevant field (Q1.12). We also think there may be some merit in requiring the practitioner to have an ongoing clinical relationship with the individual to reduce shopping around. This might also address the apparent growth in business models which help people access their superannuation for medical treatments.

We do not support the regulator being able to call for a second opinion from a practitioner that they approve (Q1.13). This calls into question the clinical judgement of the original clinician. It also puts the consumer to unnecessary expense and may cause them significant distress as a time when they are already under immense pressure of poor health and difficult financial circumstances. Noting that at least two medical practitioners, one of whom must be a specialist, must be involved in certification, we feel making the original clinician have relevant expertise and an ongoing clinical relationship with the individual as outlined in our response to Q1.12 above removes the need for a second opinion.

The consultation paper raises the issue of funds being accessed for out of pocket expenses even though some treatments and procedures are covered by the Medical Benefits Schedule (MBS) or private health insurance (p 4). This totally ignores the problem there is with

² Pain Australia Painful facts at www.painaustralia.org.au/about-pain/painful-facts

MBS rebates and private health insurance payments not fully meeting the costs of many procedures. This leave the individual with out-of-pocket expenses. As mentioned above CHF is conducting a consumer survey to get information about these out of pocket costs. Whilst we have yet to full analyse the data it is clear many people pay large out of pocket cost with responses showing costs of tens of thousands of dollars and some higher. They pay to avoid waiting times in the public system, so they can get on with their lives which, for many, means returning to work. For many superannuation is the only source of funds to meet these costs.

CHF supports the addition of dental treatment as a category for early access (Q1.10). We know that good dental health is important for overall health with a strong link between poor dental health and many chronic health conditions. Dental treatment is predominantly provided through the private system with some people using private health insurance to help meet the costs and others funding privately. Many face significant out-of-pocket expenses particularly when it is more complicated dental treatment.