

Parliament of Australia Parliamentary Budget Office

> Phil Bowen PSM FCPA Parliamentary Budget Officer

Senator Christine Milne Leader of the Australian Greens Parliament House CANBERRA ACT 2600

Dear Senator Milne

Please find attached a response to your costing request, *Gold Card for nuclear veterans* (letter of 20 August 2013).

The response to this request will be released on the PBO website (www.aph.gov.au/pbo).

If you have any queries about this costing, please do not hesitate to contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen 2 August 2013



COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Gold Card for nuclear veterans			
Summary of proposal:	The proposal would expand eligibility to the veterans' Gold Card to include all defence personal participants in the British Nuclear Testing (BNT) in Australia. The proposal will have effect from 1 July 2014.			
Person/party requesting costing:	Senator Christine Milne, Australian Greens			
Date costing request received:	20 August 2013			
Date costing completed:	23 August 2013			
Date of public release of policy	10 August 2013			
Agencies from which information was obtained:	 Department of Veterans Affairs (DVA) Department of Finance and Deregulation (Finance) 			

Costing overview

This proposal is expected to decrease the underlying cash balance by \$82.6 million and the fiscal balance by \$85.2 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses. This proposal would have an ongoing effect beyond the forward estimates period.

Departmental costs of \$0.4 million over the forward estimates have been included in this costing for administration of this policy.

The underlying cash balance impact of this proposal differs from the fiscal balance impact because of a claims processing lag.

This costing is considered to be of high reliability because it is based on data provided by Finance and DVA.

Table 1: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-26.8	-28.2	-27.5
Fiscal balance (\$m)	-	-29.6	-28.1	-27.4

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

POLICY COSTING – ELECTION CARETAKER PERIOD

Key assumptions

As per advice provided by the DVA:

- the population eligible for the expanded eligibility to the Gold Card will be approximately 1,500 on 1 July 2014 declining to approximately 1,300 by 1 July 2016
- the cost per Gold Card would be \$22,800 in 2014-15 rising to \$25,000 by 2016-17, and
- the claims processing lag, which accounts for the difference between underlying cash and fiscal balance, is 9.52%.

Based on information previously provided by Finance, the PBO has assumed that the offsets for the Pharmaceutical and Medicare Benefits Schemes would be approximately \$3,500 per person in 2014-15 growing to approximately \$4,000 per person in 2016-17.

Methodology

The administered cost in each year was derived by multiplying the net cost per Gold Card (difference between Gold Card costs and Pharmaceutical and Medicare Benefits Schemes offsets) by the eligible population with the application of the claims processing lag to differentiate between underlying cash and fiscal balance. Departmental costs were then added to the administered total to arrive at the total impact.