Institute of Actuaries of Australia

How system design impacts the funding mix for people injured in accidents

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1. Introduction

1.1 Preface

A variety of funding sources may be used to meet the needs of people who suffer injuries; including personal savings, spousal income, compulsory insurance, private insurance, employers, community support and the three levels of Government – Local, State / Territory and Federal.

How much each funding source gets used depends on the circumstances of the injured individual – whether they are single or partnered, whether they have children and where they live. The mix of funding sources used also depends on the cause of the injury. For injuries occurring in the workplace or on the roads, each state and territory has in place a compulsory insurance scheme to provide funding for injured persons. Importantly, each of these schemes has unique design features, and this can lead to differences in the level of funding provided between jurisdictions for such accidents.

If the level of funding provided by a compensation scheme is reduced, one of two things will happen to individuals in the scheme – their standard of living will reduce and/or they will seek more funding from other sources. In particular, they may draw upon social security, which is funded through general revenue collected in a consistent manner from all jurisdictions. This means that a jurisdiction with more generous scheme benefits could find itself subsidising other jurisdictions, as it pays for its own higher scheme benefits, while at the same time paying taxes which are used disproportionately to fund other jurisdictions with less generous benefits.

In this paper, we examine this concept in more detail. We provide a "proof of concept" model to show how the funding mix for jurisdictions can be estimated by looking at the characteristics of the individuals in the jurisdiction as well as the design features of the compensation scheme in place. This allows us to comment on the potential for cost transfers between jurisdictions. An understanding of the potential for cost transfers is relevant to considerations of future scheme harmonisation as well as considering the extent to which the costs of injury are socialised and met by general revenue.

The funding provided by accident compensation schemes covers a range of costs incurred as a result of the injury. This includes loss of earnings, medical and care costs, and may include amounts for pain and suffering. For the purpose of this paper we have narrowed our scope to focus primarily on the funding of *loss of earnings* for *workplace injuries* in particular. In section 5 we discuss how we would expect the results to change if we focus instead on road accidents, or sporting and other accidents. We also discuss the implications of the proposed National Injury Insurance Scheme and National Disability Insurance Scheme on our results.

1.2 Structure of the paper

The paper is structured as follows:

- In section 2, we present a few examples of differences between compensation schemes in Australian and New Zealand jurisdictions.
- In section 3, we model the funding mix for an injured individual – what funding sources are used based on their circumstances. These include whether they are single or partnered, whether they have children, which jurisdiction they reside in and how long ago their injury was.
- In section 4, we model the funding mix for a cohort of injured individuals – what funding sources are used by a group of people who are initially receiving compensation benefits from a scheme. This incorporates the mix of individuals by household structure, the duration they remain on scheme benefits for and what happens after they cease to receive benefits. We then consider how cost transfers at a jurisdictional level might be estimated.
- In section 5 we discuss how our results might change if we had allowed for other factors in our model. These include the cause of the accident, the presence of a National Injury Insurance Scheme and socio-economic or demographic differences between jurisdictions.
- Finally in section 6 we summarise our conclusions.

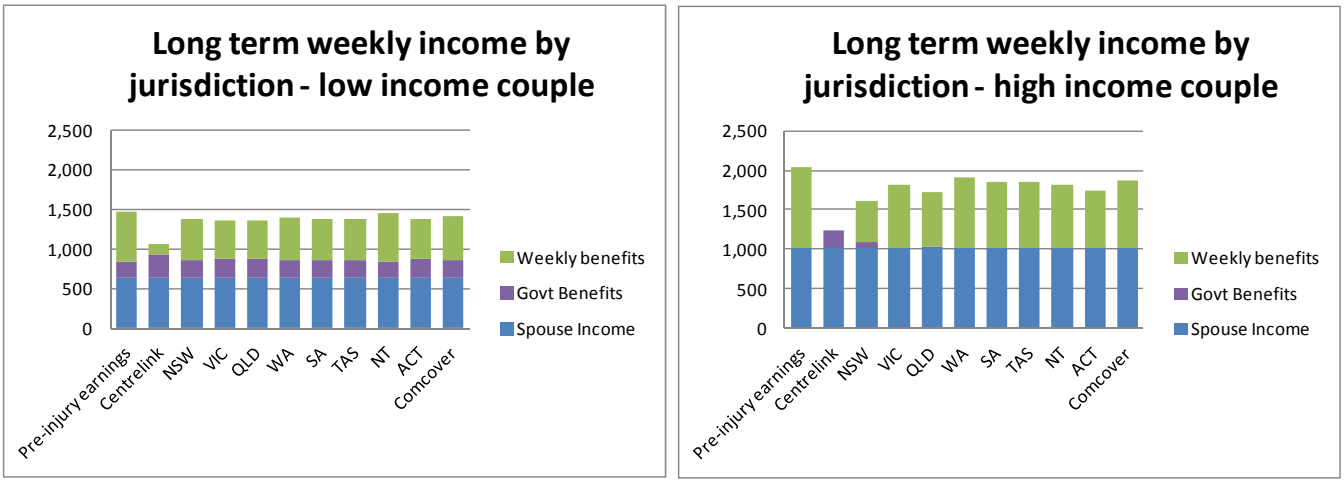
2. Case studies of differences between jurisdictions

2.1 Permanent impairment benefits

The premise of this paper is that there are differences in the design of compensation schemes between jurisdictions, and that these differences give rise to potential cost transfers between individuals in different jurisdictions. In this section we present an example of one such difference.

The figures below compare the household income for couples living in different jurisdictions, where one person is injured and is receiving long-term weekly income compensation. For comparison, we have also included the pre-injury scenario as well as the weekly benefits paid by Centrelink for those on the Disability Support Pension (DSP).

Figure 1 *Comparison of long-term income benefits by jurisdiction*



Notes:

- The low and high income series correspond to annual pre-tax incomes of around $35,000 and $70,000 respectively.
- The green "Weekly benefits" series shows post-tax weekly income. We have allowed for most of the features of the Australian tax system, including progressive income tax, the 1.5% Medicare levy and the low income tax threshold. The DSP amount is shown in green for the Centrelink column in the low income chart.
- The purple "Govt Benefits" series includes an estimate of the rent assistance and family tax benefits available to the household. The actual value of Centrelink benefits depends on the specific circumstances of the injured person.
- The assumptions used in this case study are shown in Appendix 7.1.

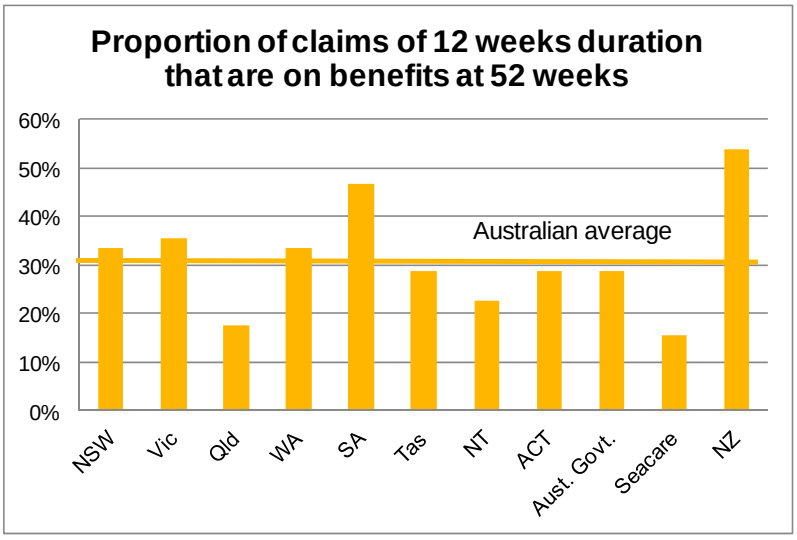
There are differences between the jurisdictions in terms of the amount of compensation for lost income available to the household of a long-term claimant. This is particularly evident for the high income couple.

This is just one of the many design differences between the compensation schemes in different jurisdictions. The interested reader is encouraged to review the Comparative Performance Monitoring Report produced by Safe Work Australia for an overview of such differences.

2.2 Duration on benefits

The length of time on benefits is a metric which captures a range of differences between compensation schemes. Many of these relate to differences in scheme design (rather than scheme management or the profile of individuals in the jurisdiction). The figure below shows the propensity for someone receiving benefits at 12 weeks to still be receiving benefits at 52 weeks – a measure of duration. [1]

Figure 2 ***Duration on benefits***



Queensland, the Northern Territory, and Seacare have significantly lower proportions of claims remaining on benefits at 52 weeks than the Australian average, whilst SA and NZ are significantly above average.

We expect there would be some relationship between the average duration on benefits for a scheme, and the proportion of compensation costs which are transferred to individuals and the public sector. In particular, a lower duration on scheme benefits would be expected to correlate with a greater reliance on other benefits, if the cost of injuries is held constant. However, we note that the cost of injury may be reduced if return-to-work outcomes are improved; so it is not necessarily the case that a lower duration on benefits necessarily implies a greater cost transfer.

[1] Safe Work Australia, Comparative Performance Monitoring Report

3. Funding mix for an injured person

3.1 Potential funding sources

The funding available to persons suffering accidents in Australia can be grouped into three broad sources:

- Individual – including personal savings, private insurance and spousal income
- Government (Federal, State or Territory and Local) – including Centrelink, Medicare and Public Hospitals
- Compulsory insurance– compensation schemes for workers' and CTP

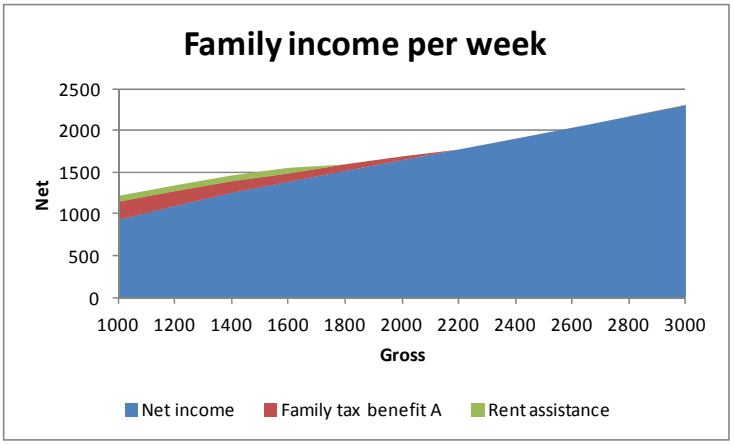
We separate out compulsory insurance from the other funding sources as this is where we think cost transfers might arise from. Differences in design between jurisdictions could lead to a greater or lesser reliance on the "safety net" of Government funding. This is an issue where Government funding is collected across the jurisdictions – such is the case with income tax collected by the Federal Government.

3.2 Social security available to those on scheme benefits

For those on lower incomes, the social security system provides additional benefits in the form of the Family Tax Benefit (Part A) and rent assistance. A greater level of benefits is available to couples than singles. The ability to access these additional funding sources can supplement household income, where one member is injured and is receiving income replacement from a compensation scheme.

The figure below examines the relationship between pre-tax and post-tax income, including such government benefits.

Figure 3 ***Comparison of pre-tax and post-tax income, with additional Government benefits***



Notes:

- Figures are shown for a family of four, with two adults and two children. The family is renting and both adults have the same level of pre-tax income.

Social security benefits are available for those on a combined pre-tax income of $2,000 per week.

3.3 Overview of model approach

For modeling purposes we have focused on the funding of lost income for people injured in the workplace. Workplace injuries constitute 10-25% of all injuries[2], and over half of the funds paid to injured workers by most compensation schemes relates to lost income[3].

We allow for the following factors in our model:

- Household structure: whether a person is single or partnered and whether they have children. In our model we include four common household structures – couple with two children ("family"), couple with no children ("couple"), single with two children ("single parent"), single with no children ("single").
- Income level: how much a person earned before they were injured. In our model we included two representative income levels, being $35,000 p.a. pre-tax income ("low income") and $70,000 p.a. pre-tax income ("high income"). Around 15% of tax payers would exceed the "high income" level, while around 40-45% would be at the "low income" level or lower.[4]
- Scheme design: common design features. In our model we consider step downs (reductions in benefit level at particular durations post injury), impairment tests (which ensure only those who are seriously injured remain on long-term benefits) and the use of lump sums (and whether these are well managed).

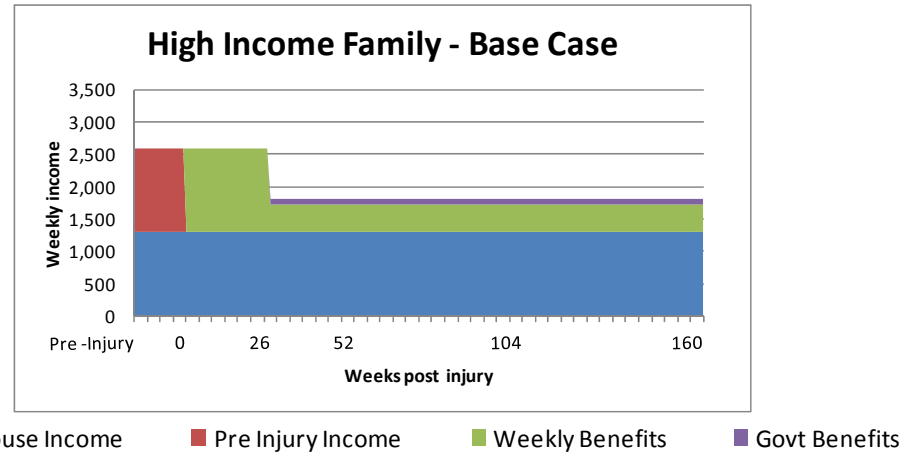
For each of these factors, we examine the funding from the three broad sources listed in section 3.1. We have not considered any personal savings or private insurance which the individual may have, nor have we made allowance for personal assets which reduce eligibility for Government funding.

We have not attempted to split out the various levels of Government funding in our model. This is a fairly complex area, and arguably is not that relevant when modeling income replacement, as the logical alternative is social security and this is largely funded through general revenue collected by the Federal Government. For other benefit types such as medical & related, it may be more important to distinguish between the various levels of Government, since cross transfers between jurisdictions will not arise where both revenue and expenditure is within the jurisdiction.

3.4 Example of model assumptions

The chart below presents an example of this approach. A person is injured – they have a given household structure, income level and jurisdiction (e.g. "High income family"). For this individual we have determined their payment level from various funding sources, at each week post injury.

Figure 4: ***Payment assumptions for a high income family in Base Case jurisdiction***



The shaded areas are as follows:

- Pre Injury Income (red) – The weekly income that the injured person was earning before they were injured. This corresponds to $70,000 p.a. pre-tax income for the high income category. For simplicity, we used pre-tax

[2] National Health Survey 2004-05
[3] Safe Work Australia, *Key Workers' Compensation Information, Australia*, 2011
[4] Australian Taxation Office, Taxation statistics 2008–09 Table 9: Personal tax

amounts in our model. Given our progressive tax system, moving to a post-tax model reduces the gap between different household incomes.

- Spouse Income (blue) – The weekly income that the injured person's partner earns. In both of the "couple" structures we have assumed the partner is employed, and earns an equivalent income to the injured person's pre-injury income.
- Weekly Benefits (green) – The income compensation payments from the relevant workers' compensation authority. In the example above, the person receives compensation at 100% of their pre-injury earnings for 26 weeks, after which a step down occurs to a fixed benefit level which is unrelated to their pre-injury earnings. As the person above is a high income earner, this step down removes a large proportion of their income.
- Government Benefits (purple) – While these figures present payment levels for claimants who are continuing to receiving scheme benefits, there may still be a potential to access Government funding as well. In the example above, the injured person becomes eligible for a family tax benefit after the 26 week step-down reduces their income to a lower level.

3.5 Jurisdictional differences

There are a host of differences in benefit design and impairment tests between jurisdictions. These include the level of benefits, their relation to pre-injury earnings, and whether they step down over time.

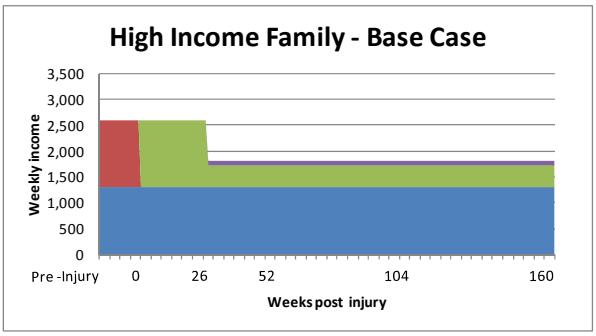
For our model, we consider 3 variants in benefit design which reflect some of the differences seen in actual designs across Australian jurisdictions. The table below outlines the characteristics of our hypothetical scheme examples:

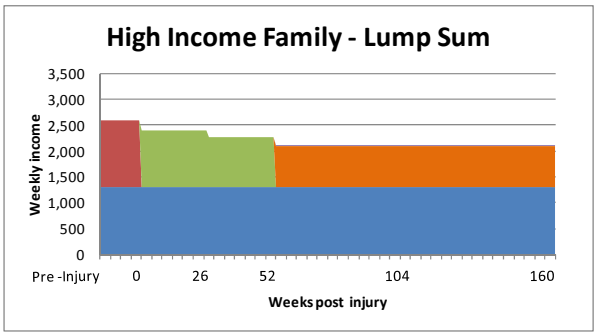
Table 1 Jurisdictions used in modeling

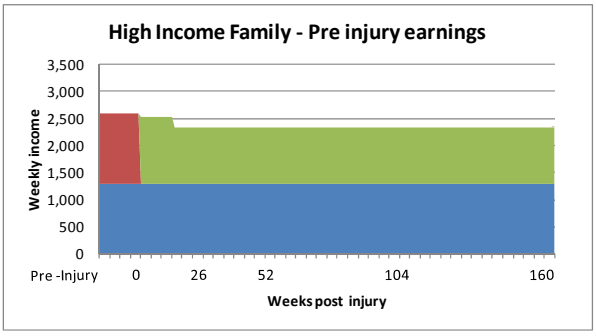
Jurisdiction	Characteristics
Fixed $ step-down	100% of pre-injury earnings for the first 26 weeks Fixed compensation rate after 26 weeks (unrelated to pre-injury earnings)
Lump sum	80% of pre-injury earnings for the first 52 weeks All claimants receive a lump sum at 52 weeks
Pre-injury earnings	95% of pre-injury earnings for the first 13 weeks 80% of pre-injury earnings after 26 weeks Impairment test at 130 weeks

The figures below show these assumptions for the high income family household structure:

Figure 5 ***Jurisdictional comparison for high income families***







Spouse Income Pre Injury Income Weekly Benefits Govt Benefits Lump sum Income

In the fixed $ step-down jurisdiction, much of the household's income will come from the spouse once the step down at 26 weeks reduces the scheme benefit level. This is also the case for the Pre injury earnings jurisdiction, although to a lesser extent.

In the Lump sum jurisdiction, the funding level after the lump sum is received will depend on how well the lump sum is managed. In the figure shown above, the payment level is a little lower than what was being paid by the scheme prior to the lump sum. We discuss lump sums in more detail in section 3.8.

A small amount of additional Government funding may be accessed by low income households via the Family Tax Benefit Part A and Rent Assistance, or after step downs reduce scheme benefits to a sufficiently low level.

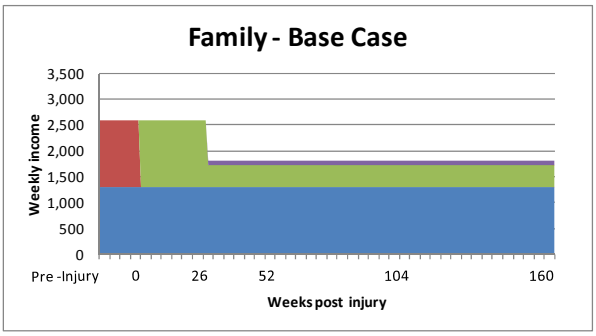
3.6 Household structure

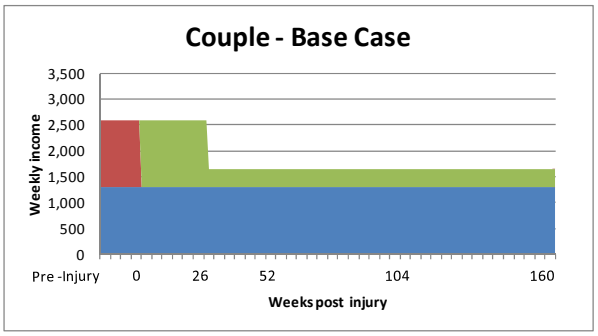
We allow for the four most likely household structures in our model. These cover two dimensions:

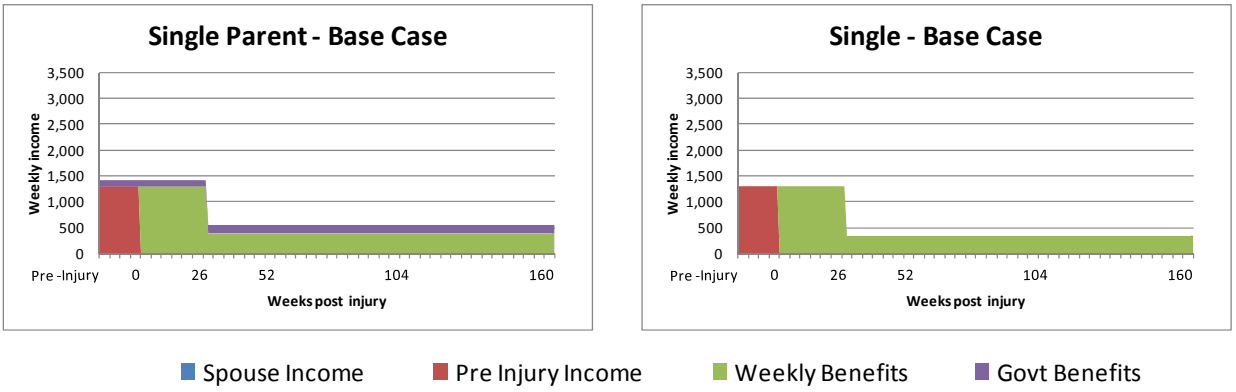
- Single or partnered – the presence of a spouse provides an alternative source of income, which may prevent the injured person from drawing on government benefits even if compensation payments are reduced. However, it also lessens the impact on the household income.
- Parent or not – the presence of children can increase the level of Government funding available. Of course, it also influences the funding required to sustain the household structure. We have assumed 2 children for the purpose of determining Government related benefit levels.

The figures below highlight some of the differences between household structures in the model:

Figure 6 ***Household structure comparison for high income individuals – Fixed $ step-down jurisdiction***







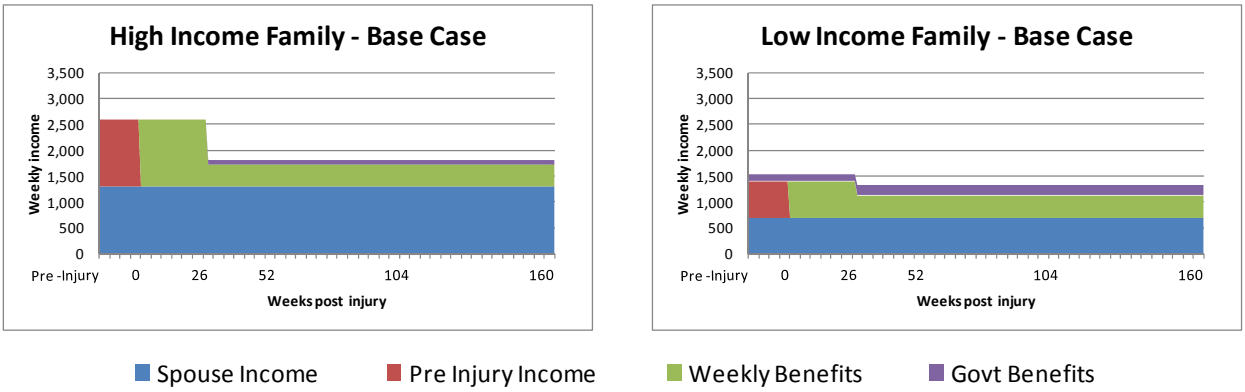
For the partnered household structures ("family" and "couple"), the spouse's income becomes the main income source after the 26 week step down in scheme benefits. For the parent household structures ("family" and "single parent"), Government benefits are also available. This is only the case after the step down for the family, while the single parent received similar benefits pre-injury.

The figures above suggest that the greatest proportionate impact on household income is for the Single.

3.7 Pre-injury income level

The figure below examines the post-injury income for pre-injury high and low income families, for the fixed $ step-down jurisdiction.

Figure 7 ***Pre-injury income comparison for families in Fixed $ step-down jurisdiction***



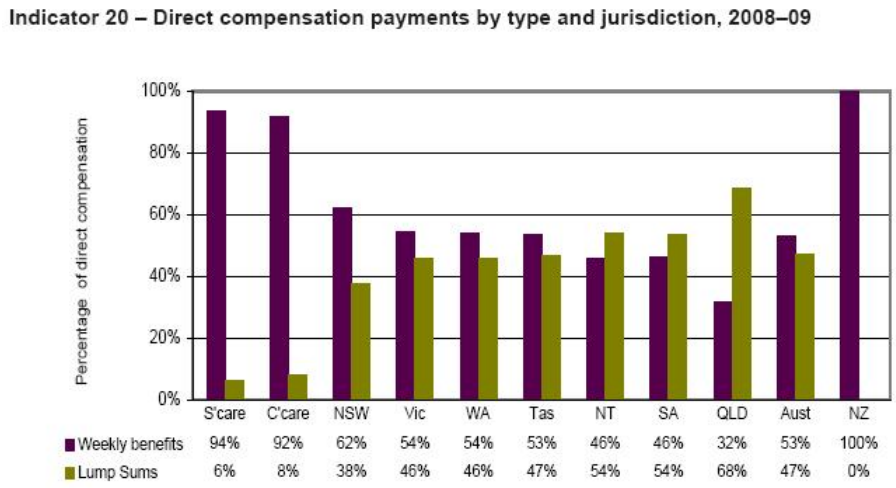
Both families are paid the same fixed amount after 26 weeks (with an additional allowance for dependants). Hence, there is a greater reduction in percentage terms for the high income family than there is for the low income family. The impact on the low income family is further reduced by the availability of additional Government funding which cushions the impact somewhat.

3.8 How well lump sums are managed

The figure below shows the proportion of direct compensation paid as lump sums across the jurisdictions of Australia & New Zealand[5]

[5] Safe Work Australia, Comparative Performance Monitoring Report

Figure 8 Direct compensation payments by type and jurisdiction

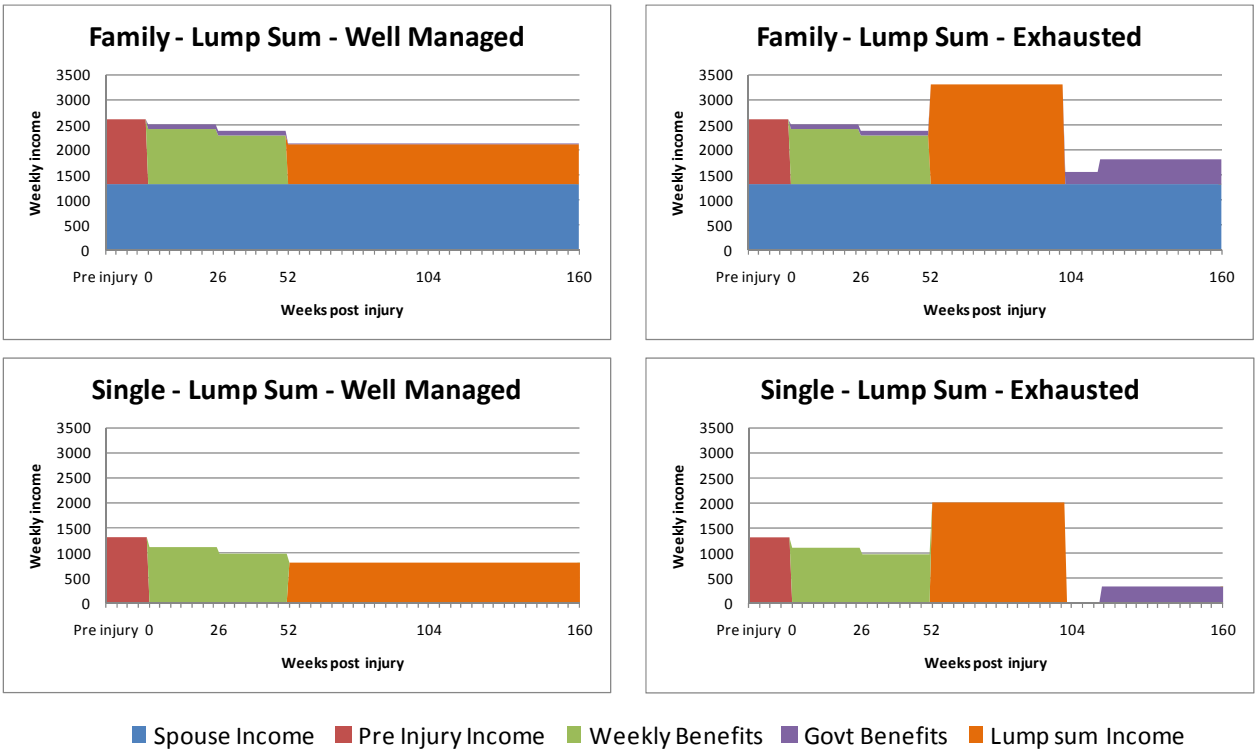


The use of lump sums differs between jurisdictions, with QLD using lump sums for 68% of its direct compensation while NSW uses it for just 38%.

Lump sums allow injured persons to continue to be funded by the scheme despite no longer being claimants. While this may have no apparent bearing on the funding source used, it does mean that the funding level received depends on how well the lump sum is managed (as well as the ability of the Government to restrict access to social security for the period that the lump sum is designed to cover).

The figure below shows examples of lump sum amounts which are either well managed or which are spent at a high rate and then exhausted prematurely. This has been shown for both the family and single household structures, in our Lump sum jurisdiction.

Figure 9 ***Lump sum comparison for families and singles in Lump Sum jurisdiction***



These charts suggest the management of lump sums can have a significant impact on household income. As the lump sum is designed to cover lost income, the government has an exclusion period where a person who has received a lump sum is ineligible for the Disability Support Pension. This exclusion period (in weeks) is calculated as 50% of the lump sum paid (which we have assumed is the income component) divided by the threshold at which no benefits are paid –

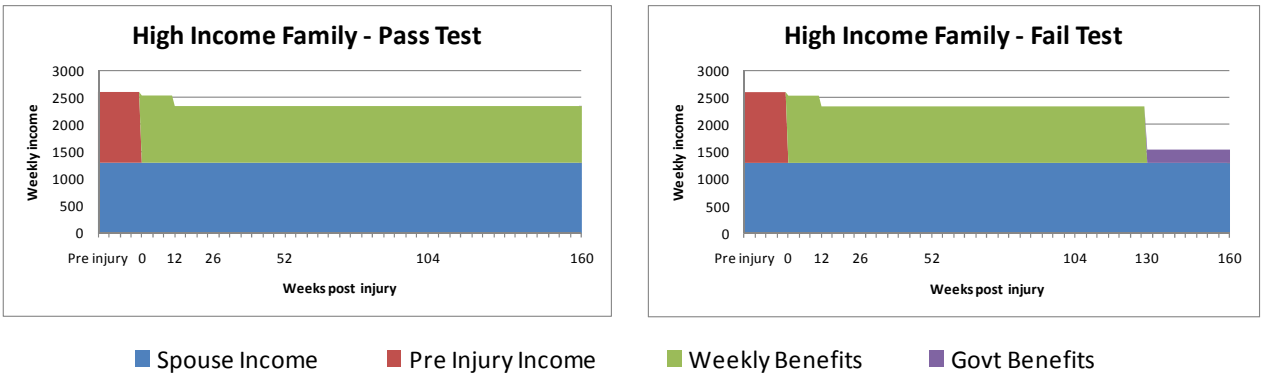
currently $804.30 per week. As shown in the figures above, this means that a single who poorly manages their lump sum could potentially end up with no money and no access to government funding.

3.9 Impairment tests

Several schemes require injured persons to undertake a test for permanent impairment at a particular duration post injury. This is used to determine whether there is any capacity for work and whether this is likely to change. If there is no capacity for work, the injured person may receive income benefits until retirement age; however if there is capacity to work, the person may no longer be eligible for benefits from the scheme.

The figures below show how this applies for an injured person in a high income family who either passes or fails an impairment test at 130 weeks in the Pre-injury earnings jurisdiction.

Figure 10 ***Impairment test comparison for high income family***



For the individual who fails the test, spousal income becomes the primary source of income for the family.

The family may also be eligible for some Government benefits via the Family Tax Benefit Part A and rent assistance.

If the person is close to the impairment threshold, they may fail the impairment test but still be eligible for a Disability Support Pension. However, as this is means tested against spousal income, our high income family would not be eligible for this.

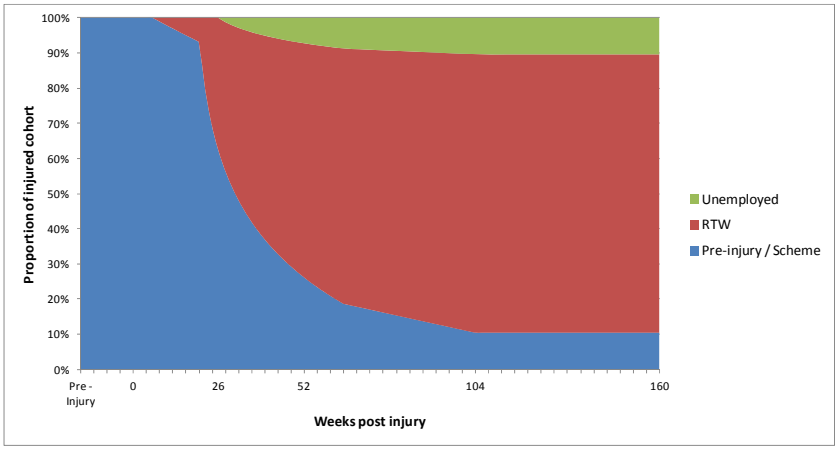
4. Funding mix for a cohort of injured people

In this section we take the *individual* assumptions from section 2 and attempt to derive a picture of the overall cost for a *cohort* of injured persons in a given jurisdiction. We need to allow for both the number of persons receiving scheme or Government funding, as well as the mix between household structures and income levels. The overall cost pattern can then be compared between jurisdictions to examine potential cross transfers.

4.1 Number of claims

The figure below shows the assumed distribution in the Fixed $ step-down jurisdiction of a cohort of claimants, between those who remain on benefits, those who return to work and those who become unemployed, at each week post injury.

Figure 11 Number of claimants in Fixed $ step-down jurisdiction.



The fixed $ step-down case has the following features:

- At the point of injury, all injured persons become eligible for income replacement from the scheme. There is no reporting or processing delay; they commence receiving payments immediately.
- Over time, scheme claimants (shown in blue) return to work (shown in red). This happens predominantly 6-12 months post injury. A steady state is reached at 104 weeks post injury whereupon any claimants still on benefits will continue to receive scheme benefits until retirement or death.
- A proportion of scheme claimants will move on to social security rather than return to work when they leave the scheme (shown in green). We assumed such claimants receive the Disability Support Pension, which is somewhat conservative as the benefit level is higher than would be received under NewStart for those who are unemployed. This occurs for claimants leaving the scheme after 26 weeks, with around 10% unemployed in the steady state after 104 weeks. In practice, the Age, Widows and other pensions may also serve as sources of Government funding at longer durations.
- The unemployment assumptions effectively allow for an impairment test (which some claimants will fail) as well as lack of durable return to work.

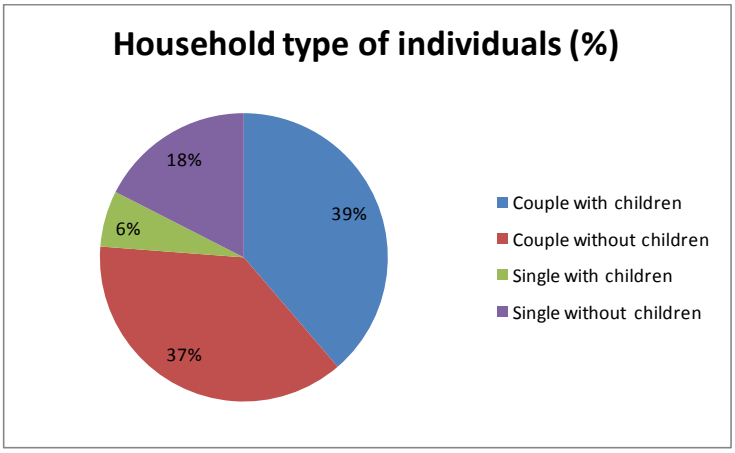
4.2 Mix of claims

4.2.1 Household structure

In section 2 we outlined a range of payment assumptions. These were split by the four household structures outlined in section 3.5. For our cohort of injured persons, we have based the mix of household structures on the HILDA survey[6] as shown in the figure below.

[6] Families, Incomes and Jobs, Volume 6: A Statistical Report on Waves 1 to 8 of the Household, Income and Labour Dynamics in Australia Survey

Figure 12 ***Split of individuals by household structure***



Notes:

- This split has been used for all delays post injury.
- Children are defined as being aged 14 and under, to align with some of the government benefits.
- The split is for persons in the HILDA survey; the distribution for compensation claimants may be different

4.2.2 Income level

For each household type, we also needed a split between high and low income households. The high and low income levels were initially selected on either side of the median income, so that low income households would be eligible for some Government support while high income households are not. Hence, an *even* split between these two seemed appropriate for modeling purposes.

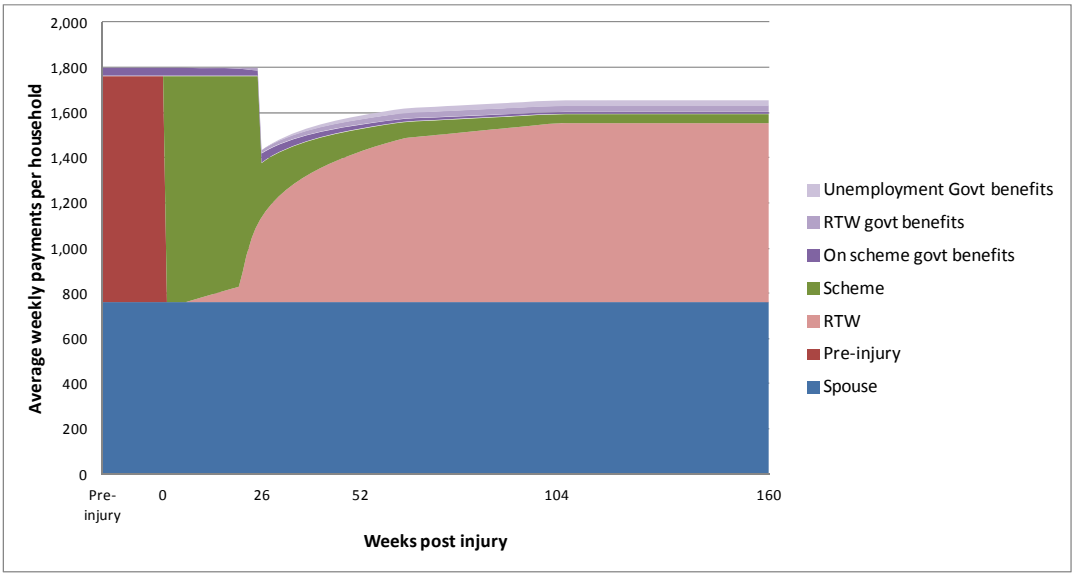
We acknowledge a more accurate model would consider both a more granular distribution of income levels as well as the income characteristics of compensation claimants in particular.

4.3 Results of projection

4.3.1 Fixed $ step-down jurisdiction

The figure below shows the reliance on various sources of funding at each delay post injury, for the Fixed $ step-down. The figure shows the *average* amounts received across all households in the jurisdiction.

Figure 13 Sources of funding – Fixed $ step-down jurisdiction



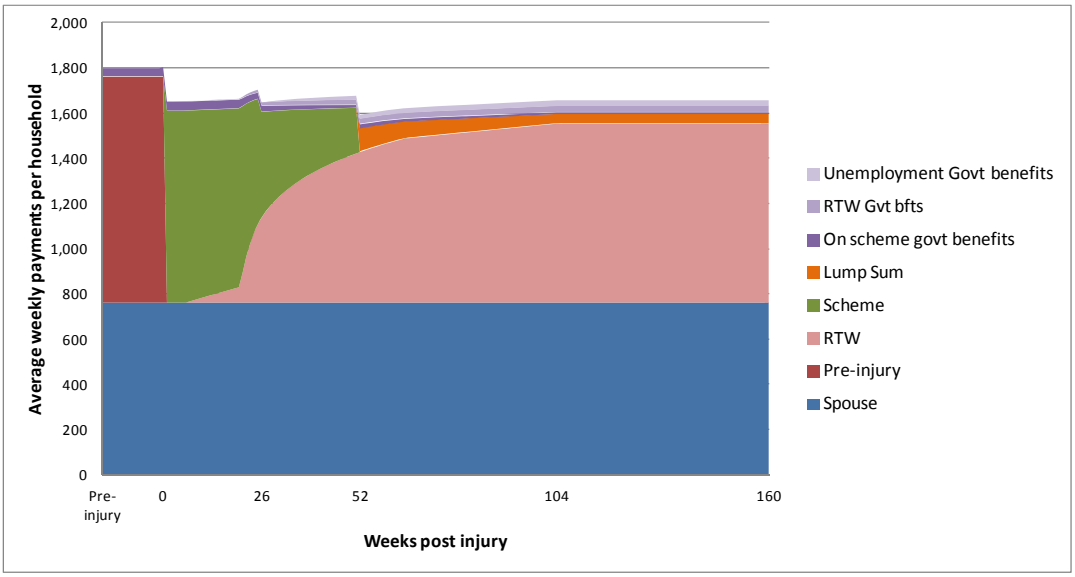
The figure can be interpreted as follows:

- The Pre-injury (red) and RTW (pink) segments are individual income earned by injured individuals in employment before and after their injury respectively.
- The Scheme (green) segment captures income benefits for scheme claimants. This is a significant proportion of overall funding prior to the step down in benefit levels at 26 weeks.
- The Spouse (blue) segment reflects spousal income, which is received by around 75% of households, based on the household split shown in section 4.2.
- The various purple segments capture the Government funding received by scheme claimants, non-claimants who have returned to work, and non-claimants who are now unemployed. This funding reflects the Family Tax Benefit, rent assistance and the Disability Support Pension for long-term injured persons not receiving scheme benefits. In the later delays, the majority of Government benefits relate to the unemployed segment.
- The gap between pre and post injury earnings (white space at the top) reflects an individual cost, which is either met through individual savings or else reflected in a reduced standard of living for the individual. This might be greater if we allowed for growth in real wages over time.

4.3.2 Lump sum jurisdiction

In this variation, the jurisdiction has similar claim numbers to the Fixed $ step-down, but with a lower initial benefit level and no step down at 26 weeks. In addition, at 52 weeks all claimants are paid a lump sum similar to that shown in section 3.8 and this is well managed by all claimants.

Figure 14 Sources of funding – Lump sum jurisdiction



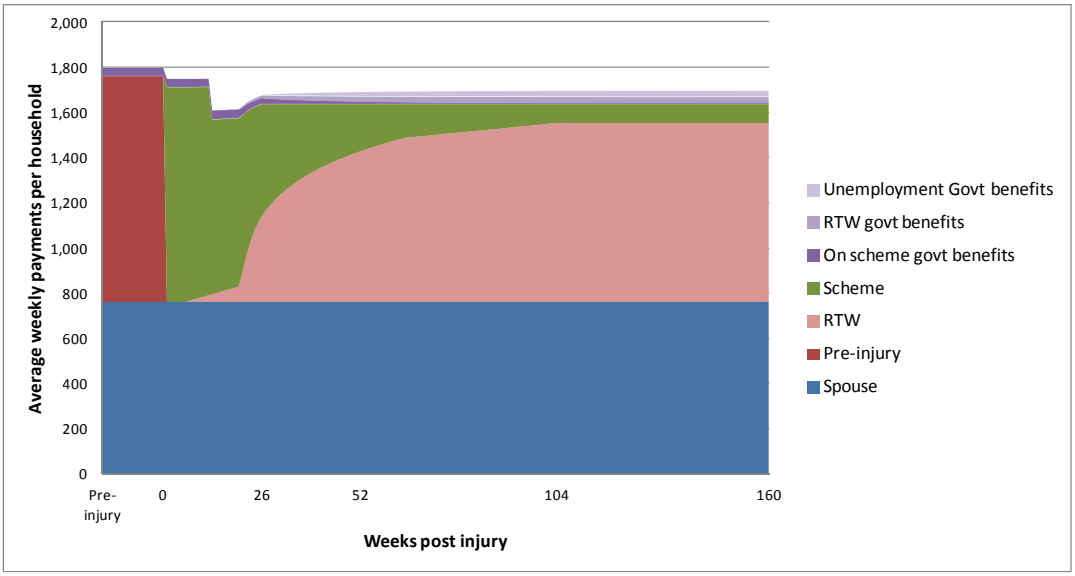
In comparison with the Fixed $ step-down the following may be observed:

- There is less of an individual cost at 26 weeks given the removal of the step down; however individuals are subject to an immediate personal cost as the initial replacement level is at 80% of pre-injury earnings and not 100% as in the Fixed $ step-down.
- The steady state is similar to the Fixed $ step-down, with the lump sum funding replacing periodic scheme income benefits, under the assumption that lump sums are well managed.

4.3.3 Pre injury earnings jurisdiction

In this variation, a different step down structure is used, with 95% of pre injury earnings paid for the first 13 weeks and 80% paid thereafter.

Figure 15 Sources of funding – Pre injury earnings jurisdiction



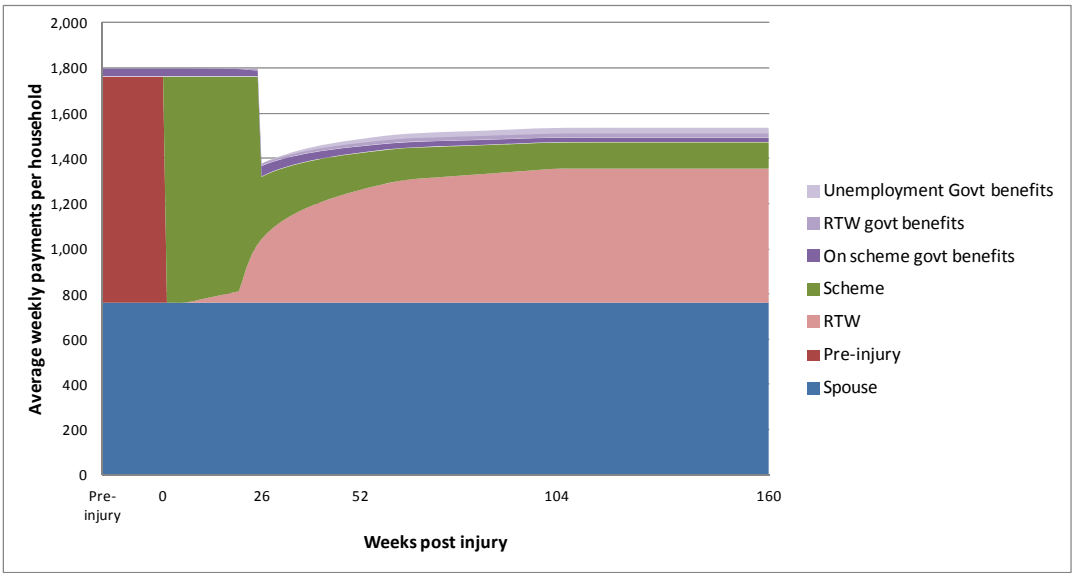
Using 80% of pre-injury earnings in the tail leads to a higher overall scheme payment level than for the Fixed $ step-down. In practice we might expect that a higher level of benefits would lead to increased propensity to remain on benefits; however we have used the same claim numbers as the Fixed $ step-down in this projection.

The changes to the step down structure are clearly reflected in the average funding received in the early delays. As with the Fixed $ step-down there is an increase in average funding around 26 weeks as the bulk of individuals return to work.

4.3.4 Fixed $ step-down jurisdiction with fewer claims return to work

In this variation, return to work outcomes are around 75% worse than for the Fixed $ step-down. This leads to more claimants remaining on benefits in the steady state.

Figure 16 Sources of funding – Fixed $ step-down but with fewer claims returning to work



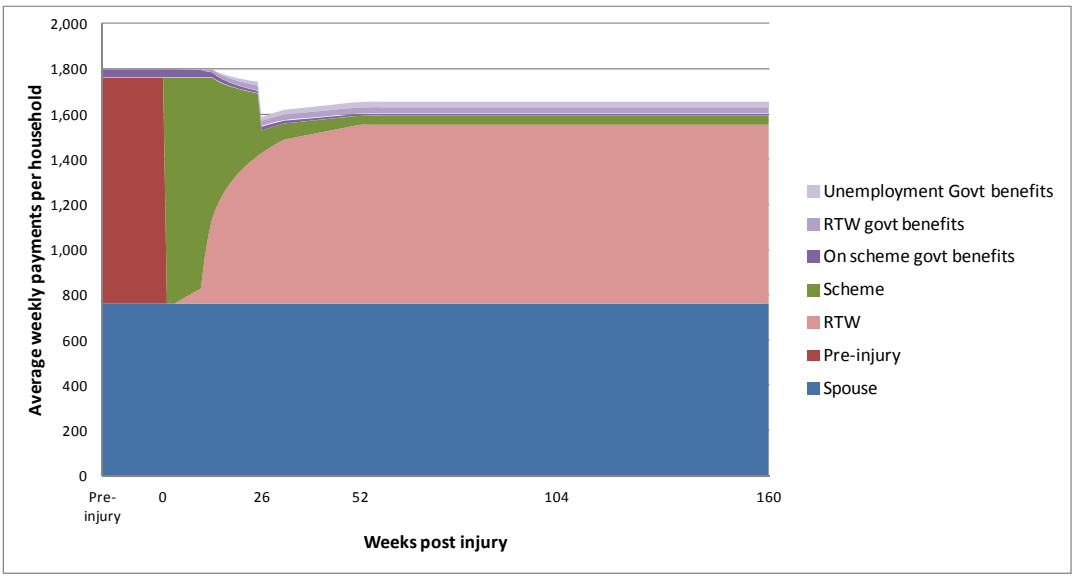
Scheme payments are larger in the tail as more claimants remain on benefits until retirement or death. There is also more “white space” at the top – indicating a greater personal cost.

This example illustrates that it is not only differences in scheme design – but also scheme claim management – which can impact the funding mix of injured persons.

4.3.5 Fixed $ step-down jurisdiction with claims returning to work faster

In this variation, claims are managed so well that they return to work twice as fast as for the Fixed $ step-down. The steady state is reached at 52 weeks instead of the 104 weeks for the Fixed $ step-down.

Figure 17 Sources of funding – Fixed $ step-down but with claims returning to work faster



There the drop down at 26 weeks has less of an impact as a greater proportion of claimants have already returned to work at that stage. The "white space" is less at most durations – although the lack of durable return to work means there is now some "white space" between 13 and 26 weeks post injury, where previously we assumed all claimants would remain on benefits and none would be unemployed.

4.4 Cost transfers between jurisdictions

The results above allow household funding sources to be compared for each delay post injury, for a *cohort* of injured claimants. By calibrating the projection assumptions to the cohort of injured workers in a given jurisdiction, and allowing for the time value of money, the present value of the costs borne by the scheme, and of those transferred to the individual or the government, can be derived.

5. Other considerations

In this section we discuss some additional factors which may influence the funding sources used, but which were not captured in our model.

5.1 Compulsory third party accidents

In some jurisdictions, persons injured in motor vehicle accidents must establish fault before they are eligible to claim. By limiting eligibility for scheme benefits, this transfers a greater share of funding to Government and individual sources. This leads to *more potential* for cross transfers – between jurisdictions with and without a fault basis.

The profile of claimants and the injuries they sustain will also differ between workers' and CTP. Both of these will influence the propensity to obtain funding from employment, the duration on scheme benefits and the level of benefits received.

5.2 Other accidents

For other injuries such as sporting and domestic injuries, private insurance will become an important funding source. Given that not all such injuries will be covered by insurance, we expect the transfer to Government would be greater.

5.3 Likely impact of National Injury Insurance Scheme

There is currently much discussion about a potential move towards a national injury insurance scheme, more similar to that currently in place in New Zealand. This would be expected to increase consistency between jurisdictions and hence lead to *less potential* for cross transfers.

5.4 Other design features

There are a number of scheme design features which were not captured in our modeling but which may impact the level of benefits for injured persons. These include:

- Reduced benefit levels where the injured person is assessed as having a capacity to earn but is not doing so – this applies for VIC, SA, TAS, NT & ACT.
- Differences in the definition of earnings, such as whether overtime and fringe benefits are included or the averaging period over which pre-injury earnings is determined – for example overtime and shift allowances are not included for VIC post 52 weeks or for WA for workers under an industrial award
- Financial limits on the total amount of weekly benefits that can be received. These would be expected to impact high income earners to a greater degree, as they will reach the limit at an earlier delay post-injury.

As with other differences, allowing for these would be expected to lead to *more potential* for cost transfers.

5.5 Other socioeconomic or demographic factors

Different jurisdictions may have different profiles of claimants, in terms of employment rates, average age, industry mix and so forth. These would be expected to impact on propensity to claim and return to work which will directly impact the mix of funding sources used, and hence the potential for cost transfers.

6. Conclusion

6.1 Final thoughts

Intuitively, inconsistency between jurisdictions in compensation scheme design features leads to the potential for cross transfers between schemes, the individual, and the Government – at least so long as there is a centrally funded "safety net".

In our paper we attempted to demonstrate this concept by building a model which includes many of the features of the system. While our jurisdictions were fictional, the results shown demonstrate the potential for measuring the impact that various design features have on the funding sources relied on by a cohort of injured individuals. In theory, it should be possible to capture the extent of cross transfers between jurisdictions. In practice, there are a host of inputs into the process, and this makes it difficult to build a reasonable model – at least using publicly available data.

6.2 Acknowledgements

We would like to thank the following people for their help and support:

- Michael Playford – for prompting us to write this paper and providing feedback on the draft paper
- Alice Huston and Claude Hakim – for their research into the level of funding available under different jurisdictions

7. Appendices

7.1 Case study – after-tax income for long-term claimants, by jurisdiction

The case study is based on the following progressive tax and government benefits schedules, as at October 2011. The resulting assumptions are highlighted in yellow.

Tax Rates (2011)

0 - $6,000	Nil
$6,001 - $37,000	15c for each $1 over $6,000
$37,001 - $80,000	$4,650 plus 30c for each $1 over $37,000
$80,001 - $180,000	$17,550 plus 37c for each $1 over $80,000
$180,001 and over	$54,550 plus 45c for each $1 over $180,000

Disability Support Pension

Following rates apply, except if aged under 21 without children

Status	Pension Rate Per Week
Single	344.50
Member of a Couple	259.70

Rent Assistance

Can I get Rent Assistance?

You may be able to get Rent Assistance if you receive more than the base rate of Family Tax Benefit Part A and pay rent in the private rental market. If you have regular care of your child and you are no longer entitled to receive Family Tax Benefit Part A, you may still be eligible to receive the Rent Assistance component of Family Tax Benefit as long as you pay private rent.

You may also be able to get Rent Assistance if you pay:

- lodging, or board and lodging
- site fees (eg. caravan, mobile home), or
- mooring fees for a boat or vessel that you live in.

You will not be paid Rent Assistance if you:

- pay rent to a government housing authority (such as a Housing Commission)
- own or are buying the home in which you live (except for mobile and relocatable homes)
- are getting an Incentive Allowance, or
- pay less than the threshold amount of rent.

Rent Assistance may also be payable during temporary absences from Australia of up to 13 weeks if you are still receiving more than the base rate of Family Tax Benefit Part A.

Table 7: This table shows the Rent Assistance rates that may apply to Family Tax Benefit Part A. (Apply from 20 September 2011 to 19 March 2012.)

Family situation	*Maximum payment per fortnight*	*No payment if your fortnightly rent is less than*	*Maximum payment if your fortnightly rent is more than*
Single, one or two children	$140.14	$139.72	$326.57

Chart F—Rent Assistance

Family Situation	Maximum payment per fortnight	No payment if your fortnightly rent is less than	Maximum payment if your fortnightly rent is more than
Single, no children	$119.40	$106.20	$265.40
Single, no children, sharer	$79.60	$106.20	$212.33
Couple, no children	$112.60	$172.80	$322.93
One of a couple who are separated due to illness, no children*	$119.40	$106.20	$265.40
One of a couple who are temporarily separated, no children	$112.60	$106.20	$256.33

Rent Assistance for Singles

119.4
59.7

For Two Kids + Two Parents Renting If the benefit coming from Family Tax Benefit A is greater than $4197.50	Per Fortnight	Per Week
	140.14	70.07

Family Tax Benefit - Part A

		Max	Min		Max	Min
For Two Children (Between Ages 13-15)		12614.4 Per Year	4197.5 Per Year		242.5846 Per Week	80.72115 Per Week
		Benefit Paid Per Year			Benefit Paid Per Week	
Income Thresholds	46355	0.2		891.4423	242.5846	
	98112	0.2		1886.769		
Test income	112103			0		

Table 1: This table shows the maximum rate of Family Tax Benefit Part A that you may get

For each dependent child	*Payment per fortnight*	*Payment per year*	*Payment per year with supplement*
Under 13 years	$164.64	$4292.40	$5018.75
13–15 years	$214.06	$5580.85	$6307.20
16–17 years	$52.64	$1372.40	$2098.75
18–24 years	$70.56	$1839.60	$2565.95
In an approved care organisation 0–24 years	$52.64	$1372.40	N/A

Note: any child support payments that you or your partner get for your children are not counted as family income but may affect the amount of Family Tax Benefit you are paid. See 'Maintenance income test for Family Tax Benefit Part A' below.

Table 3: This table shows the base rate of Family Tax Benefit Part A

For each dependent child	*Payment per fortnight*	*Payment per year*	*Payment per year with supplement*
Under 18 years	$52.64	$1372.40	$2098.75
18–24 years	$70.56	$1839.60	$2565.95

Table 5: This table shows the income limits at which Family Tax Benefit Part A, including the supplement may not be paid ($pa)

No. of children 0–17 years	*No. of children 18–24 years*			
	Nil	*One*	*Two*	*Three*
Nil		$102 870	$115 219	$128 553
One	$101 312	$113 661	$126 996	$140 331
Two	$112 104	$125 439	$138 773	$152 108
Three	$123 881	$137 216	$150 551	$163 885

Note: depending on your circumstances (e.g. if you are eligible for Rent Assistance), the income limit may be different than stated. You should contact the Family Assistance Office for a more accurate assessment.

Family Tax Benefit - Part B

Family Tax Benefit Part B

Family Tax Benefit Part B gives extra assistance to single parent families and to families with one main income where one parent chooses to stay at home or balance some paid work with caring for their children.

You can claim Family Tax Benefit up to three months before the birth of your child or when a child enters your care.

Incomes Test (For Couples)

Chart C—Income test for pensions

(a) Income test for pensions†

Family situation	For full pension (pf)*	For part pension (pf)#
Single	up to $150.00	less than $1647.60
Couple (combined)	up to $264.00	less than $2522.00
Illness separated (couple combined)	up to $264.00	less than $3259.20

*Income over these amounts reduces the rate of pension payable by 50 cents in the dollar (single), 25 cents in the dollar each (for couples). For transitional or saved cases income over these amounts reduces the rate of pension payable by 40 cents in the dollar (single), 20 cents in the dollar each (for couples).

	Min	Max
Per Fortnight	264	2522
Per Week	132	1261

Scheme benefit figures

These were sourced from scheme websites.

7.2 Basis for model assumptions

7.2.1 Scheme benefit levels

Benefit levels were based on those available at scheme websites:

ACC - http://www.acc.co.nz/making-a-claim/what-support-can-i-get/ECI0028

NSW http://www.workcover.nsw.gov.au/injuriesclaims/benefitsentitlements/weeklybenefits/Pages/Weeklybenefitswhentotallyunfit.a

VIC http://www.worksafe.vic.gov.au/wps/wcm/connect/wsinternet/WorkSafe/Home/Injury+and+Claims/Benefits+Support+and+Er ent/Weekly+Payments/

QLD http://www.workcoverqld.com.au/rehab-and-claims/support-and-benefits/weekly-compensation/weekly-compensation-table

SA http://www.workcover.com/site/Workers.aspx#976*Weekly payments

TAS http://www.workcover.tas.gov.au/__data/assets/pdf_file/0005/163643/Workers_Compensation_Handbook_The_Basics.pdf

7.2.2 Government benefits

Social security / Centrelink *(income support & other financial support)*

See http://en.wikipedia.org/wiki/Social_Security_(Australia)

Income support – Age pension (unemployment, retired), Newstart Allowance (unemployment, working age adults), Youth Allowance (unemployment, teenagers), Austudy Payment, ABSTUDY, Disability Support Pension, Sickness Allowance, Carer Payment, Parenting Payment

Family Assistance – Family Tax benefit, Maternity Immunisation Allowance, Child Care Benefit

Other support – Rent Assistance, Pharmaceutical Allowance, Telephone Allowance, Pensioner Education Supplement, Concession cards, Prisons and psychiatric hospitals

In Australia, most benefits are subject to a means test.

http://www.centrelink.gov.au/internet/internet.nsf/payments/index.htm

In the model we included Disability Support Pension and Family Tax benefits A and B. These rates were sourced from the Centrelink website in August 2011.The Disability Support Pension pays up to $252.85 pw for a member of a couple and up to $335.45 pw for a single. We assumed that people who failed an impairment test or were otherwise no longer entitled to scheme benefits received this benefit. Family Tax benefit A pays up to $236.97 pw and is means tested off combined income of household. Family Tax benefit B pays up to $75.18 pw and all singles with dependants are eligible, for couples it is means tested against the lower earner.

7.2.3 Individual's income levels

From the ABS the median weekly income for Australian workers was $1,004.10 (http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/14AD25AF44DA6C8DCA25789400163FB9/$File/63020_feb%202011.pdf). Income levels were chosen as $700 pw for low income and $1300 per week for high income. These income levels were selected as to be around the median and to make the low income earner eligible for some government benefits and the high income earner not. Note that tax has not been included in the model.