



Parliament of Australia
Parliamentary Budget Office

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Parliamentary Budget Officer

Senator Richard Di Natale
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *Expanding Denticare* (letter of 24 June 2016).

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

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

25 June 2016



Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	Expanding Denticare
Summary of proposal:	<p>The proposal would not proceed with the 1 July 2016 cessation of the Child Dental Benefits Scheme (CDBS) and would:</p> <ul style="list-style-type: none">from 1 July 2017, extend eligibility to the CDBS to aged pension recipients and full benefit income support recipientsfrom 1 July 2018, extend eligibility to the CDBS to Commonwealth Seniors Health Card (CSHC) holders and all other concession card holders. <p>The proposal would be partially offset by not proceeding with the recently announced national Child and Adult Public Dental Scheme (CAPDS). The CAPDS was announced in the 2016-17 Budget.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	15 June 2016
Date costing request received:	24 June 2016
Date costing completed	25 June 2016
Expiry date for the costing:	Release of the next economic and fiscal outlook report

Costing overview

This proposal would be expected to decrease the fiscal balance by \$6,112.7 million and decrease the underlying cash balance by \$6,044.6 million over the 2016-17 Budget forward estimates period. In fiscal balance terms, this impact reflects an increase in administered expenses of \$5,914.8 million and in departmental expenses of \$197.9 million.

The proposal would have an ongoing financial impact beyond the 2016-17 Budget forward estimates. The ongoing annual impact would be in line with the impact in 2019-20 growing by population growth, demographic changes and indexation (equating to annual growth of

around 5 per cent per year). A breakdown of the financial implications of this proposal is provided at [Attachment A](#).

The underlying cash balance impact of this proposal differs from the fiscal balance impact due to claims processing lags which would see a proportion of claims processed and paid in a different year to which the service is provided and the expense recorded.

This costing is considered to be of low reliability. This is due to a large number of assumptions and the limited availability of current data on dental attendance and service patterns. In particular, the estimates in this costing would be affected by changes in major variables, including the extent to which the introduction of subsidised dental care would affect demand for services.

Table 1: Financial implications (outturn prices)^{(a)(b)}

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	81.2	-1,774.1	-2,186.3	-2,233.5	-6,112.7
Underlying cash balance	51.2	-1,738.1	-2,172.2	-2,185.5	-6,044.6

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing the proposal, it has been assumed that:

- All individuals who choose to visit a dentist would be able to see a dentist, and there is no restriction on how many dentists a patient can visit for treatment services.

Relating to departmental expenditures, it has been assumed that:

- Recipient eligibility would be assessed at a point in time prior to the beginning of each phase-in period. Once eligible, individuals would not have their eligibility reassessed prior to the scheme becoming universal.
- One letter would be sent to each individual in their first year of eligibility advising them that they are eligible for the scheme.

Relating to behaviour, it has been assumed that:

- The base proportion of individuals who attend the dentist is 64 per cent, as is reported by the Australian Institute of Health and Welfare (AIHW).
- In line with the 2008 PricewaterhouseCoopers report, *National Health and Hospital Reform Commission: Costing a Social Insurance Scheme for Dental Care* (PWC Report), growth in the proportion of people visiting the dentist following the extension of the CDBS to newly eligible persons is estimated to be a flat increase of 11.5 per cent.
- On average, the cost of an eligible adult accessing the expanded CDBS would be around 50 per cent higher than the cost of eligible children based on historical data on use of dental services by age group.

Methodology

No longer proceeding with the 1 July 2016 cessation of the CDBS

The estimated increase in administered and departmental expenses of not proceeding with the cessation of the CDBS was based on modelling provided by the Department of Health (Health) that informed the 2016-17 Budget measure, *Child and Adult Public Dental Scheme*.

Expansion of eligibility for CDBS

Administered expenses

Administered expense estimates were derived by taking the number of persons eligible in each year multiplied by the proportion of persons expected to access the scheme. This number was then multiplied by the expected average cost of adults using the range of services provided under the CDBS.

- Recipient numbers
 - The number of full benefit income support recipients has been based on information provided by the Department of Social Services and the Department of Employment.
 - The number of concession card holders was derived by taking the number of individuals receiving an income support payment plus data available on Commonwealth Seniors Health Card holders and bereavement allowance recipients.
- Average cost per adult
 - The average cost per adult was calculated by multiplying the following factors together:
 - ♦ the average number of diagnostic, restorative, preventative and extraction services per visit by age group as detailed in *Practice activity patterns of dentists in Australia*, AIHW 2006
 - ♦ the average number of visits in a 12-month period as reported in *Oral health and dental care in Australia*, AIHW, 2014.

Departmental expenses

Departmental expense estimates for the Department of Human Services (DHS) in this costing were derived using information provided by the DHS. The majority of the costs were modelled on the proportion of departmental to administered costs for the CDBS.

The costing has included higher funding for information and communications technology (ICT) purposes due to significant work that would need to be undertaken to ensure systems could cope with the higher numbers of transactions. It would also be anticipated that some departmental costs would be incurred prior to the commencement date as system upgrades would be required and individual eligibility would need to be determined.

The departmental costs for Health were calculated based on the increased number of persons accessing the expanded CDBS and costs for administering similar sized programs.

Not proceeding with the CAPDS

The estimated savings from not proceeding with the CAPDS was based on modelling provided by Health that informed the 2016-17 Budget measure, *Child and Adult Public Dental Scheme*.

Data sources

The following data sources, in addition to information provided by agencies listed previously, were used in developing this costing:

- Australian Bureau of Statistics
 - Table B9 - Population projections, by age and sex, Australia - Series B.
- Australian Institute of Health and Welfare
 - Practice activity patterns of dentists in Australia, 2006
 - Oral health and dental care in Australia, 2014
 - Age and the costs of dental care, 2010
 - Proportion (%) of chronic conditions reported, by age group, 2004-05.
- PricewaterhouseCoopers
 - National Health and Hospital Reform Commission: Costing a Social Insurance Scheme for Dental Care, 2008.
- The Department of Finance provided the Central Budget Management System data for the 2016-17 Budget.

Attachment A: Expanding Denticare—financial implications

Table A1: Expanding Denticare—Fiscal balance^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Administered					
Not ceasing CDBS	-305.3	-310.2	-317.7	-335.2	-1,268.3
Extended eligibility for the CDBS	-	-1,825.0	-2,231.7	-2,278.8	-6,335.4
No longer proceeding with CAPDS	415.6	415.6	420.2	437.5	1,689.0
Total - administered	110.3	-1,719.5	-2,129.1	-2,176.5	-5,914.8
Departmental					
DHS	-27.3	-50.9	-53.6	-54.3	-186.2
Health	-1.8	-3.7	-3.6	-2.7	-11.7
Total - departmental	-29.1	-54.6	-57.2	-57.0	-197.9
Total	81.2	-1,774.1	-2,186.3	-2,233.5	-6,112.7

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Table A2: Expanding Denticare—Underlying cash balance^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Administered					
Not ceasing CDBS	-300.7	-305.2	-310.1	-317.6	-1,233.5
Extended eligibility for the CDBS	-	-1,793.9	-2,224.7	-2,247.0	-6,265.7
No longer proceeding with CAPDS	381.0	415.6	419.8	436.1	1,652.5
Total - administered	80.3	-1,683.5	-2,115.0	-2,128.5	-5,846.7
Departmental					
DHS	-27.3	-50.9	-53.6	-54.3	-186.2
Health	-1.8	-3.7	-3.6	-2.7	-11.7
Total - departmental	-29.1	-54.6	-57.2	-57.0	-197.9
Total	51.2	-1,738.1	-2,172.2	-2,185.5	-6,044.6

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.