



Parliament of Australia
Parliamentary Budget Office

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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 regarding *Denticare* (letter of 14 August 2013).

The responses 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

19 August 2013



COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Denticare
Summary of proposal:	<p>The proposal would, in a staged approach, introduce a dental benefits schedule, accessible to all Australians covering up to \$1,000 over two years for routine and therapeutically necessary dental care. It would absorb the Child Dental Benefits scheme which provides basic dental care for children aged 2-17 in families receiving Family Tax Benefit Part A.</p> <p>The first year would provide subsidies for dental care to 18 year olds, all recipients of the aged pension and other individuals receiving full benefit income support payments. In the second year, 19 year olds and all concession card holders would also be eligible, with 20 year olds and children not eligible for the Child Dental Benefits scheme covered in the third year. In the fourth year, subsidies for routine dental care would become universally available to all Australians.</p> <p>The proposal will have effect from 1 January 2015, with coverage for all Australians from 1 January 2018.</p>
Person/party requesting costing:	Senator Christine Milne, Australian Greens Party
Date costing request received:	14 August 2013
Date costing completed:	19 August 2013
Date of public release of policy	13 August 2013
Additional information requested (including date):	Clarification was sought from Senator Christine Milne's office on 16 August 2013 as to what indexation would be applied to the capped benefits, arrangements for providing benefits for therapeutically necessary dental care, and the profiling of the incremental offsetting savings.
Additional information received	On 16 August Senator Christine Milne's office provided advice that the capped benefits would be indexed by CPI, and confirmed the arrangements for providing benefits for therapeutically necessary dental care and the profiling of the incremental offsetting savings, as outlined in the key assumptions below.

POLICY COSTING – ELECTION CARETAKER PERIOD

Agencies from which information was obtained:	<ul style="list-style-type: none"> • Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) • Department of Health and Ageing • Department of Human Services • Department of Education, Employment and Workplace Relations
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Costing overview

This proposal is expected to decrease the underlying cash balance by \$4.7 billion and decrease the fiscal balance by \$4.9 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses over this period.

This proposal will have a financial impact that grows significantly beyond the forward estimates period as the proposal is phased in. In the first full financial year of the universal dental scheme in 2018-19, the proposal is expected to decrease the fiscal balance by \$8.5 billion, with the proposal having a growing impact beyond that year that is in line with the annual increases in cost driven by population growth, demographic changes and growth in fees for dental services. These estimates exclude the costs of children covered under the Child Dental Benefits scheme as these estimates are already factored into the budget bottom line.

Departmental expenses are expected to be approximately \$250 million over the forward estimates period and have been included in the costing. It is anticipated that some costs will be incurred prior to the start date of 1 January 2015 as system upgrades will be required and individual eligibility will need to be determined.

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

A detailed breakdown of the administered, departmental and offset components of the costing is included at [Attachment A](#).

This costing is considered to be of medium 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 will be affected by changes in major variables including the expected take up rate and growth in the number of dental services provided at each visit.

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

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-14.8	-769.0	-1,754.3	-2,195.4
Fiscal balance (\$m)	-14.8	-794.6	-1,847.4	-2,249.2

(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

The costing request specified that the \$1,000 cap over two years (indexed by CPI) could only be used for routine dental care services. The PBO costing has assumed that the routine services outlined in Attachment B are covered. This list is based on 20 common dental services (excluding crowns) provided by the Australian Dental Association as published by the Private Health Insurance Ombudsman (see data sources).

In line with additional information provided 16 August, once the scheme is fully implemented from 1 January 2018 a treating dentist would have the option of seeking authorization to access an additional benefit of up to \$2,000 over a 24 month period to treat patients with complex needs that make a crown or bridge therapeutically necessary.

Also in line with additional information provided on 16 August, the profile of offsetting savings from the National Partnership with the states and territories to expand public dental services for low income earners would match the coverage profile under Denticare. Accordingly once low income earners were fully covered under the Denticare scheme the National Partnership would be ceased and used as an offsetting saving for Denticare (see Table A3 of Attachment A).

The PBO has also made the following assumptions:

- The ABS Population Forecast Series B is the most appropriate estimate of the future population for the purpose of this costing
- All individuals who choose to visit a dentist will be able to see a dentist, and there is no restriction on how many dentists a patient can visit for treatment services
- New dental items covered under Denticare are excluded from the Medicare safety nets
- Children will first attend a dentist when they are two years old consistent with the current eligibility of the Child Dental Benefits scheme (announced in the 2012-13 MYEFO), and
- The costs of the Child Dental Benefits scheme are currently factored into the budget bottom line and reflect the coverage of the same dental services assumed to be covered under Denticare. Therefore, the costing assumes there will be no additional costs for children covered under the existing scheme

Following discussion with Department of Human Services the PBO has assumed:

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

The PBO has used the following behavioural assumptions:

- 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 implementation of Denticare is estimated to be a flat increase of 11.5 per cent. That is, once Denticare is fully implemented, 71.5 per cent of the population are expected to access the scheme.

POLICY COSTING – ELECTION CARETAKER PERIOD

- The PBO assumes the number and type of dental services provided at each visit will be unchanged.
- On average each person who accesses the scheme will attend the dentist 2.34 times a year, which is the current estimated average for persons who visit the dentist, as reported in the Oral health and dental care in Australia report by the AIHW.
- The average cost of attending a dentist 2.34 times a year in 2015 is estimated to be \$485.42. See Methodology for further information.
- Dental service fees will continue to increase each year in line with the growth observed between 2010 and 2011.

Methodology

The administered estimates in the costing were derived by taking the number of persons eligible in each year and multiplying this by the proportion expected to access the scheme. This number was then multiplied by the average cost over a 12 month period of dental services. These components were derived using the following methodology.

Recipient numbers

- The number of full benefit income support recipients has been based on information provided by the Department of Families, Housing, Community Services and Indigenous Affairs and the Department of Education, Employment and Workplace Relations.
- The number of concession card holders was derived by taking the number of individuals receiving an income support payment plus data available on Commonwealth Senior Health Card holders and bereavement allowance recipients.
- The number of children (2-17 year olds) was adjusted for the estimated number already eligible for dental care under the existing scheme.

Average cost

The average cost was calculated by multiplying the following factors together:

- 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.
- National average dental charges in 2011 for services in each category as published by the Private Health Insurance Ombudsman, indexed by the growth rate of 2011 prices.
- Average number of visits in a twelve month period as reported in Oral health and dental care in Australia, AIHW, 2011.

Benefits for therapeutically necessary services

To determine the cost of an additional benefit of up to \$2,000 over a 24 month period for dentists providing therapeutically necessary crown or bridge services, recipient numbers were determined by data from AIHW 2004-05 percentage of chronic conditions reported by age group and the average cost was based on the average benefits paid under the former Chronic Dental Disease scheme. This cost only has an impact beyond the forward estimates given it does not take effect until full implementation of the scheme from 1 January 2018.

POLICY COSTING – ELECTION CARETAKER PERIOD

Departmental costs

The departmental estimates in this costing were derived using information provided by the Department of Human Services. The majority of the costs were modelled on the proportion of departmental to administered costs for the Child Dental Benefits scheme. The costing has included higher funding for ICT purposes due to significant work that would need to be undertaken to ensure systems could cope with the higher numbers of transactions.

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, 2011
 - 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
- Private Health Insurance Ombudsman
 - Average Dental Charges 2011 - <http://www.privatehealth.gov.au/healthinsurance/whatiscovered/averagedental.htm>
 - Average Dental Charges 2010 - <http://www.privatehealth.gov.au/healthinsurance/whatiscovered/averagedental2010.htm>

POLICY COSTING – ELECTION CARETAKER PERIOD

ATTACHMENT A: DETAILED BREAKDOWN OF COSTS

The following tables provide a breakdown of administered and departmental costs for each of the phase in years and the first full financial year of the universal scheme.

Table A1: Administered Expenses – financial implications (outturn prices)^(b)

Impact on	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Underlying cash balance (\$m)	-	-865.9	-1,970.9	-2,499.4	-5,253.9	-8,205.9
Fiscal balance (\$m)	-	-891.5	-2,064.0	-2,553.1	-5,517.4	-8,427.0

(b) 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.

Table A2: Departmental Expenses – financial implications (outturn prices)^(c)

Impact on	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Underlying cash balance (\$m)	-14.8	-68.7	-79.2	-86.8	-97.5	-102.4
Fiscal balance (\$m)	-14.8	-68.7	-79.2	-86.8	-97.5	-102.4

(c) 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.

As part of the Dental Package announced by the Government in the 2012-13 MYEFO, a National Partnership for adult public dental services was announced. As per the costing request, this proposal would replace this decision achieving savings of approximately \$1.3 billion to 2017-18 as detailed in Table A3.

Table A3: Savings from National Partnership for adult public dental services – financial implications (outturn prices)^(d)

Impact on	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Underlying cash balance (\$m)	-	165.6	295.8	390.8	390.8	-
Fiscal balance (\$m)	-	165.6	295.8	390.8	390.8	-

(d) A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

Table A4: Total cost – financial implications (outturn prices)^{(e)(f)}

Impact on	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Underlying cash balance (\$m)	-14.8	-769.0	-1,754.3	-2,195.4	-4,960.6	-8,308.4
Fiscal balance (\$m)	-14.8	-794.6	-1,847.4	-2,249.2	-5,224.1	-8,529.4

(e) 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.

(f) Equals the sum of the estimates in Table A1, Table A2 and Table A3.

POLICY COSTING – ELECTION CARETAKER PERIOD

ATTACHMENT B: DENTAL SERVICES COVERED

Table B1 shows the dental services included as ‘basic and routine’ for the purposes of this costing.

Table B1: Dental services considered to be basic and routine^(g)

Description	Category
Comprehensive oral examination	Diagnostic
Periodic oral examination	
Oral examination – limited	
Consultation	
Intraoral periapical or bitewing radiograph - per exposure	
Diagnostic model – per model	
Removal of plaque and/or stain.	Preventative
Removal of calculus - first visit	
Topical application of remineralising and/or cariostatic agents, one treatment	
Fissure sealing - per tooth	
Removal of a tooth or part(s) thereof	Extraction
Adhesive restoration – one surface – anterior tooth – direct	Restorative
Adhesive restoration – two surfaces – anterior tooth – direct	
Adhesive restoration – three surfaces – anterior tooth – direct	
Adhesive restoration – one surface – posterior tooth – direct	
Adhesive restoration – two surfaces – posterior tooth – direct	
Adhesive restoration – three surfaces – posterior tooth – direct	
Adhesive restoration – four surfaces – posterior tooth – direct	
Pin retention – per pin	
Cusp capping – per cusp	

(g) Based on 20 common dental services (excluding crowns) provided by the Australian Dental Association as published by the Private Health Insurance Ombudsman <http://www.privatehealth.gov.au/healthinsurance/whatiscovered/averagedental.htm>