



Policy costing

Protect Medicare and expand it to cover dental care, expanding to universal dental coverage by 2025

Party: Australian Greens

Summary of proposal:

This proposal consists of two components.

- Component 1 – Re-instate indexation

This component would modify the indexation arrangements for Medicare rebates paid by the Commonwealth Government under the Medicare Benefits Schedule (MBS) by bringing forward the re-indexation of other general practitioner services (other GP services) and 58 diagnostic imaging items from 1 July 2020 to 1 July 2019.

This component would also index rebates associated with those diagnostic imaging services not previously indexed, from 1 July 2019.

- Component 2 – Bringing dental care into Medicare

This component would expand the Child Dental Benefit Schedule to provide eligible recipients with up to \$1,000 over two years for routine and therapeutic dental care.

Eligibility for the new dental scheme would be expanded gradually as follows:

- everyone under 18 and eligible for Medicare, from 1 July 2019
- all age pension recipients, from 1 July 2020
- all individuals receiving full benefit payments, from 1 July 2021
- all other concession card holders, from 1 July 2022
- all persons eligible for Medicare, from 1 July 2025.

Costing overview

This proposal would be expected to decrease the fiscal balance by \$6,178 million and the underlying cash balance by \$6,138 million over the 2019-20 Budget forward estimates period. In fiscal balance terms, this impact reflects an increase in administered expenses of \$5,896 million and an increase departmental expense of \$282 million.

The proposal would be expected to have an impact which extends beyond the 2019-20 Budget forward estimates period. Detailed financial implications for the proposal over the period to 2029-30 are included in [Attachment A](#).

Departmental expenses reflect the cost of delivering the proposal and processing subsidies for the new dental scheme, which increase as the number of eligible recipients increase.

The proposal has slightly different impacts on the fiscal and underlying cash balances which reflect differences between when appointments are held and subsidies are paid to health care providers.

The financial implications of Component 1 of this proposal are sensitive to the projection of diagnostic imaging service volumes and to indexation arrangements under the budget baseline.

The 2019-20 Budget measure *Guaranteeing Medicare – strengthening primary care* re-introduces indexation for other GP services from 1 July 2019. This means that there would be no financial implications under this proposal for re-indexing other GP services as these are already included in the budget baseline.

The 2019-20 Budget measure *Guaranteeing Medicare – improved access to diagnostic imaging* introduces indexation for ultrasound and x-ray diagnostic imaging services from 1 July 2020. The financial implications of Component 1 are therefore the sum of the implications of:

- bringing forward indexation to 1 July 2019 for ultrasound and x-ray diagnostic imaging items and the 58 diagnostic imaging items in the 2017-18 Budget measure *Guaranteeing Medicare – indexation*
- indexing those diagnostic imaging services items that are not to be re-indexed under the baseline, with indexation commencing from 1 July 2019.

The financial implications of Component 2 of the proposal are highly sensitive to assumptions about the projected number of eligible recipients, the demand for services following the introduction of subsidised dental care for the eligible cohort, and the type and cost of dental services provided. It should be noted that the cap on Government contributions will somewhat protect against any increases in fees charged.

The proposal may result in changes to products offered by private health insurers, and consequently insurance rebates provided by the Commonwealth Government. This has not been factored into this costing, given the high degree of uncertainty associated with this effect.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-518	-1,249	-1,996	-2,418	-6,178
Underlying cash balance	-511	-1,235	-1,982	-2,410	-6,138

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

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

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

Component 1 – Re-instate indexation

- Future growth in the service volume of diagnostic imaging items would be in line with historical growth.
- Indexing schedule fees would have no impact on the Extended Medicare Safety Net benefits.
- The shares of total MBS expenses between the Department of Health and the Department of Veterans' Affairs would be constant over the period to 2029-30, and equal to their shares in the 2019-20 Budget measure *Guaranteeing Medicare – improved access to diagnostic imaging*.
- Indexation parameters would be in line with current MBS indexation arrangement, using wage cost index 5.
- After indexation has been brought forward, the timing of regular indexation would be unchanged, occurring on 1 July each year.

Component 2 – Bringing dental care into Medicare

- Persons eligible for Medicare would be equal to the projected Australian population minus projected temporary visa holders.
 - Temporary visa holders are generally not eligible for Medicare although visitors from some countries are treated under reciprocal arrangements.
 - The number of temporary visa holders in Australia each year would continue to grow at its average rate over 2013-14 to 2017-18.
- Welfare payment recipient numbers are assumed to grow in line with historical trends. This includes the proportion of recipients on full benefit payments.
- Take-up of the expanded scheme would be 65 per cent of the eligible cohort, based on current dental attendance rates for the Australian population and data for the Child Dental Benefits Schedule.
- On average, 80 per cent of costs would be incurred in the first year of treatment with the remainder incurred in the second year.
- The average total subsidy amounts per participant would be \$800 (growing in line with the consumer price index) over each two-year period.
 - This average is based on the historical cost and use of services that would be provided in the course of routine dental care, adjusted to allow for those with low (44 per cent), medium (33 per cent) and high (24 per cent) dental care needs.
- All eligible individuals who choose to visit a dentist would be able to see a dentist, and there would be no restrictions on how many dentists a patient can visit for treatment services. Eligible individuals would use either public or private providers.

Methodology

Component 1 – Re-instate indexation

The cost of this component was calculated by estimating the total expenditure on MBS rebates if all diagnostic imaging items were indexed from 1 July 2019, subtracting the total baseline expenditure on MBS rebates. The estimated total expenditure on MBS rebates under the proposed arrangements included allowances for the earlier start dates for re-indexation and the extended scope of which medical services would be indexed.

The cost of this component for the Department of Veterans' Affairs was calculated based on the ratio of its costs relative to those for the Department of Health in the 2019-20 Budget measure related to MBS indexation.

Component 2 – Bringing dental care into Medicare

Administered expenses for this component were calculated by multiplying the projected number of eligible payment recipients by the assumed take-up rate and the assumed annual dental subsidy amount.

The Department of Social Services provided projections of the different welfare recipient types over the 2019-20 Budget forward estimates period. The PBO has extended these projections over the period to 2029-30.

The total subsidy amounts per participant for dental services were calculated as a weighted average from likely participant profiles over each two-year period, as described above. This representative cost was applied to each of the welfare recipient components and grown by the consumer price index over the period to 2029-30. This was based on historical and projected prices for routine and therapeutic care, as well as the number of dental visits and type of services that these participants are likely to receive.

Ongoing departmental expenses for administering the program were grown by the appropriate wage cost index net of the efficiency dividend, and were based on the costs of administering the Child Dental Benefits Schedule. Departmental expenses in the first year of the proposal include additional funding for the Department of Human Services to expand the scope of the Child Dental Benefits Schedule to accommodate proposed additional cohorts.

Estimates have been rounded to the nearest \$1 million.

Data sources

The Department of Finance provided the 2019 Pre-election Economic and Fiscal Outlook indexation parameters.

The Department of Health provided the MBS expenditure model, historical MBS transaction data, including details on the 2019-20 Budget measures referred to in this costing, and data on historical and projected costs of the Child Dental Benefits Schedule.

The Department of Human Services provided departmental estimates for the Child Dental Benefits Schedule.

The Department of Social Services provided unit record data on transfer payment recipients.

Australian Dental Association, 2016. *Dental Fee Survey 2016*.

Australian Institute of Health and Welfare, 2006. *Practice activity patterns of dentists in Australia*.

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Commonwealth of Australia, 2019. *2019 Pre-election Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

Department of Social Services, 2019. *DSS Payment Demographic Data*. [Online] Available at: <https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details?q=dss> [Accessed 17 April 2019].

Grattan Institute, 2019. *Filling the gap – A universal dental scheme for Australia*. [Online] Available at: <https://grattan.edu.au/wp-content/uploads/2019/03/915-Filling-the-gap-A-universal-dental-scheme-for-Australia.pdf> [Accessed 16 April 2019].

Private Health Insurance Ombudsman, 2015. *Average dental charges 2015*. [Online] Available at: <http://www.privatehealth.gov.au/healthinsurance/whatiscovered/averagedental.htm> [Accessed 31 January 2019].

Attachment A – Protect Medicare and expand it to cover dental care, expanding to universal dental coverage by 2025 – financial implications

Table A1: Protect Medicare and expand it to cover dental care, expanding to universal dental coverage by 2025 – Fiscal balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Component 1: Re-instate indexation													
<i>Administered</i>													
<i>Department of Health</i>	-65	-87	-111	-139	-170	-205	-245	-288	-336	-385	-440	-402	-2,472
<i>Department of Veterans' Affairs</i>	-1	-1	-1	-1	-1	-1	-2	-2	-2	-3	-3	-3	-17
Total – administered	-66	-88	-112	-140	-171	-206	-247	-290	-338	-388	-443	-405	-2,489
<i>Departmental</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – Component 1	-66	-88	-112	-140	-171	-206	-247	-290	-338	-388	-443	-405	-2,489
Component 2: Bringing dental into Medicare													
<i>Administered</i>													
<i>Additional benefits for everyone eligible for Medicare under 18</i>	-408	-568	-577	-624	-637	-687	-700	-753	-769	-824	-842	-2,178	-7,390
<i>Additional subsidies for age pension recipients</i>	-	-546	-704	-722	-739	-763	-777	-804	-817	-847	-861	-1,971	-7,581
<i>Additional subsidies for full benefit recipients</i>	-	-	-519	-662	-675	-690	-704	-721	-735	-753	-768	-1,180	-6,226
<i>Additional benefits for all other concession card holders</i>	-	-	-	-162	-210	-215	-221	-226	-232	-238	-244	-162	-1,748
<i>Benefits for all other persons eligible for Medicare</i>	-	-	-	-	-	-	-2,725	-3,479	-3,522	-3,591	-3,632	-	-16,949
Total – administered	-408	-1,114	-1,800	-2,170	-2,261	-2,355	-5,127	-5,983	-6,075	-6,253	-6,347	-5,491	-39,894
<i>Departmental</i>													
<i>Department of Human Services</i>	-43	-45	-80	-103	-110	-113	-198	-284	-288	-292	-296	-270	-1,851
<i>Department of Health</i>	-1	-2	-4	-5	-6	-6	-10	-14	-14	-15	-15	-12	-91
Total – departmental	-44	-47	-84	-108	-116	-119	-208	-298	-302	-307	-311	-282	-1,942
Total – Component 2	-452	-1,161	-1,884	-2,278	-2,377	-2,474	-5,335	-6,281	-6,377	-6,560	-6,658	-5,773	-41,836
Total	-518	-1,249	-1,996	-2,418	-2,548	-2,680	-5,582	-6,571	-6,715	-6,948	-7,101	-6,178	-44,325

(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: Protect Medicare and expand it to cover dental care, expanding to universal dental coverage by 2025 – Underlying cash balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Component 1: Re-instate indexation													
<i>Administered</i>													
<i>Department of Health</i>	-64	-85	-109	-137	-168	-202	-241	-284	-331	-380	-433	-397	-2,436
<i>Department of Veterans' Affairs</i>	-1	-1	-1	-1	-1	-1	-2	-2	-2	-3	-3	-3	-17
Total – administered	-65	-86	-110	-138	-169	-203	-243	-286	-333	-383	-436	-400	-2,453
<i>Departmental</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – Component 1	-65	-86	-110	-138	-169	-203	-243	-286	-333	-383	-436	-400	-2,453
Component 2: Bringing dental into Medicare													
<i>Administered</i>													
<i>Additional benefits for everyone eligible for Medicare under 18</i>	-402	-566	-577	-624	-636	-686	-700	-752	-769	-823	-842	-2,168	-7,375
<i>Additional subsidies for age pension recipients</i>	-	-536	-701	-721	-739	-762	-777	-804	-816	-847	-861	-1,959	-7,566
<i>Additional subsidies for full benefit recipients</i>	-	-	-510	-659	-675	-690	-704	-720	-735	-752	-768	-1,169	-6,213
<i>Additional benefits for all other concession card holders</i>	-	-	-	-160	-209	-214	-220	-226	-231	-238	-244	-160	-1,744
<i>Benefits for all other persons eligible for Medicare</i>	-	-	-	-	-	-	-2,678	-3,466	-3,522	-3,590	-3,632	-	-16,888
Total – administered	-402	-1,102	-1,788	-2,164	-2,259	-2,352	-5,079	-5,968	-6,073	-6,250	-6,347	-5,456	-39,786
<i>Departmental</i>													
<i>Department of Human Services</i>	-43	-45	-80	-103	-110	-113	-198	-284	-288	-292	-296	-270	-1,851
<i>Department of Health</i>	-1	-2	-4	-5	-6	-6	-10	-14	-14	-15	-15	-12	-91
Total – departmental	-44	-47	-84	-108	-116	-119	-208	-298	-302	-307	-311	-282	-1,942
Total – Component 2	-446	-1,149	-1,872	-2,272	-2,375	-2,471	-5,287	-6,266	-6,375	-6,557	-6,658	-5,738	-41,728
Total	-511	-1,235	-1,982	-2,410	-2,544	-2,674	-5,530	-6,552	-6,708	-6,940	-7,094	-6,138	-44,181

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

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

- Indicates nil.