



Policy costing

Pensioner dental plan	
Party:	Australian Labor Party
Summary of proposal: This proposal would provide public dental services to Commonwealth seniors health card, pensioner concession card and health care card holders aged 65 years and over. Funding for each eligible individual would be capped at \$1,000 over two consecutive calendar years and be administered consistent with the Child Dental Benefits Schedule. This proposal would commence on 1 July 2020.	

Costing overview

This proposal would be expected to decrease the fiscal balance by \$2,436 million and the underlying cash balance by \$2,421 million over the 2019-20 Budget forward estimates period. In fiscal balance terms, this impact reflects an increase in administered expenses of \$2,316 million and an increase in departmental expenses of \$120 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, which increase as eligible cardholders take up dental services. Differences between the fiscal and underlying cash balances reflect differences between when appointments are held and subsidies are paid to dental care providers.

The financial implications of the proposal are highly sensitive to assumptions about the projected number of eligible cardholders, the expected take-up of the proposal, the demand for services following the introduction of subsidised dental care for the eligible cohort, and the type and cost of dental services provided.

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 due to 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	-	-674	-870	-891	-2,436
Underlying cash balance	-	-664	-866	-891	-2,421

(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.

- Indicates nil.

Key assumptions

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

- 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 \$820 (growing in line with the consumer price index) over each two-year period.
 - This average is based on historical use and prices of services that would be used in the course of routine dental care, adjusted to allow for those with low, medium and high dental care needs.
 - Around 80 per cent of users would be either low or medium users.
- 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.
- Cardholders with more than one card would use the same number of overall services as recipients holding one card.
- There would be no change to products offered by private health insurers as a result of this proposal.

Methodology

Administered expenses were calculated by multiplying the projected number of eligible cardholders by the assumed take-up rate and the assumed annual dental subsidy amount.

The Department of Social Services provided historical data on the number of cardholders per potential combinations of the three card types for 2016-17 and 2017-18 for persons aged 65 years and older. The PBO has projected these over the period to 2029-30, using projections of the number of age pension recipients.

Projections of cardholder recipient numbers were also adjusted to account for people holding both a Commonwealth seniors health card and a pensioner concession card.¹

The total subsidy amount per participant for dental services was 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 eligible cardholders 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 types of services that these age groups 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 consumer price index, wage cost index and efficiency dividend data as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Health provided 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 cardholder numbers for the Commonwealth seniors health card, pensioner concession card, health care card and any combination thereof; and Age Pension customer projections as at the 2019 Pre-election Economic and Fiscal Outlook.

Australian Bureau of Statistics, *Australian Demographic Statistics, June 2018*, ABS Cat. No. 3101.0, 20 December 2018.

Australian Bureau of Statistics, *Life Tables, States, Territories and Australia, 2015-2017*, ABS Cat. No. 3302.0.55.001, 30 October 2018.

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

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

Australian Institute of Health and Welfare, 2010. *Age and the costs of dental care*.

Australian Institute of Health and Welfare, 2016. *Oral health and dental care in Australia 2015*.

Choice, 2017. *What's the average cost of a trip to the dentist?* [Online] Available at: <https://www.choice.com.au/health-and-body/dentists-and-dental-care/dental-treatment/articles/dental-fees#average-cost> [Accessed 31.01.2019].

¹ On 1 January 2017, the assets test for pensioners changed, making some pensioners ineligible for the Age Pension (and hence the pensioner concession card) and they became eligible for the Commonwealth seniors health card. On 9 October 2017, their pensions were reinstated (and hence their pensioner concession card). Access to the Commonwealth seniors health card has been continued to enable continued eligibility for the Energy Supplement.

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 11.02.2019].

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 18 March 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 – Pensioner dental plan – financial implications

Table A1: Pensioner dental plan – 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
Expenses													
<i>Administered</i>													
<i>Persons holding a Commonwealth seniors health card only</i>	-	-66	-86	-88	-90	-93	-95	-98	-100	-103	-105	-240	-923
<i>Persons holding a pensioner concession card only</i>	-	-552	-713	-731	-749	-773	-788	-816	-828	-860	-874	-1,996	-7,684
<i>Persons holding a health care card only</i>	-	-4	-5	-5	-5	-5	-5	-6	-6	-6	-6	-14	-53
<i>Persons holding both a Commonwealth seniors health card and a pensioner concession card</i>	-	-15	-17	-17	-16	-16	-15	-15	-14	-13	-12	-50	-151
<i>Persons holding both a Commonwealth seniors health card and a health care card</i>	-	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3	-7	-28
<i>Persons holding both a pensioner concession card and a health care card</i>	-	-3	-3	-3	-4	-4	-4	-4	-4	-4	-4	-9	-36
Total – administered	-	-642	-827	-847	-867	-894	-910	-942	-955	-989	-1,004	-2,316	-8,875
<i>Departmental</i>													
<i>Department of Human Services</i>	-	-30	-41	-42	-43	-44	-44	-45	-46	-47	-47	-114	-430
<i>Department of Health</i>	-	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-6	-21
Total – departmental	-	-32	-43	-44	-45	-46	-46	-47	-48	-49	-49	-120	-451
Total – expenses	-	-674	-870	-891	-912	-940	-956	-989	-1,003	-1,038	-1,053	-2,436	-9,326

(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: Pensioner dental plan – 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
Payments													
<i>Administered</i>													
<i>Persons holding a Commonwealth seniors health card only</i>	-	-65	-85	-88	-90	-93	-95	-98	-99	-103	-105	-238	-921
<i>Persons holding a pensioner concession card only</i>	-	-543	-710	-731	-749	-772	-788	-815	-828	-859	-874	-1,984	-7,669
<i>Persons holding a health care card only</i>	-	-4	-5	-5	-5	-5	-5	-6	-6	-6	-6	-14	-52
<i>Persons holding both a Commonwealth seniors health card and a pensioner concession card</i>	-	-15	-17	-17	-16	-16	-15	-15	-14	-13	-12	-49	-151
<i>Persons holding both a Commonwealth seniors health card and a health care card</i>	-	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3	-7	-28
<i>Persons holding both a pensioner concession card and a health care card</i>	-	-3	-3	-3	-4	-4	-4	-4	-4	-4	-4	-9	-36
Total – administered	-	-632	-823	-847	-867	-893	-910	-941	-954	-988	-1,004	-2,301	-8,857
<i>Departmental</i>													
<i>Department of Human Services</i>	-	-30	-41	-42	-43	-44	-44	-45	-46	-47	-47	-114	-430
<i>Department of Health</i>	-	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-6	-21
Total – departmental	-	-32	-43	-44	-45	-46	-46	-47	-48	-49	-49	-120	-451
Total – payments	-	-664	-866	-891	-912	-939	-956	-988	-1,002	-1,037	-1,053	-2,421	-9,308

(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.