Parliamentary Budget Office

Policy costing

Putting dental care into Medicare		
Person/party requesting the costing:	Mr Adam Bandt MP, Australian Greens	
Date costing completed:	27 August 2024	
Expiry date of the costing:	Release of the next economic and fiscal outlook report	
Status at time of request:	Submitted outside the caretaker period	
	☒ ~~Confidential~~ – *Authorised for public release on 2 September 2024*	☐ Not confidential
Summary of proposal: The proposal would create Medicare Benefits Schedule (MBS) items for preventative and therapeutic dental services, including regular check-ups and teeth cleans, crowns, orthodontic treatment, oral surgeries, periodontics and prosthodontics. The MBS would include coverage of all items listed in the 13th edition of the Australian Schedule of Dental Services and Glossary (the handbook). The MBS benefit for each item would align with the Child Dental Benefits Schedule (CDBS) (or scaled Veterans Dental Schedule (VDS) schedule rates where CDBS pricing is not available). The proposal would begin 1 July 2025.		

Overview

The proposal would be expected to decrease the fiscal balance by around $45.6 billion and the underlying cash balance by around $45.0 billion over the 2024-25 Budget forward estimates period (see Table 1). This reflects an increase in both administered and departmental expenses. The underlying cash balance impacts differ from the fiscal balance impacts due to time lags between when services are delivered and when subsidies are paid to health care providers.

The proposal would be expected to have an impact beyond the 2024-25 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2034-35 is provided at Attachment A.

Table 1: Putting dental care into Medicare Putting dental care into Medicare– Financial implications ($m)[(a)(b)]

	2024-25	2025-26	2026-27	2027-28	**Total to 2027-28**
Fiscal balance	-	-14,163.3	-15,018.8	-16,424.5	**-45,606.6**
Underlying cash balance	-	-13,663.3	-14,918.8	-16,424.5	**-45,006.6**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) PDI impacts are not included in the totals.
- Indicates nil.

Uncertainties

The financial implications of the proposal are highly uncertain and sensitive to assumptions about the eligible population, the utilisation rate and the type of dental services consumed under the policy, as well as the supply-side response to the proposed policy change.

For example, the proposal may result in changes to products offered by private health insurers, which may have a flow-on impact to insurance rebates provided by the Commonwealth Government. This has not been factored into this costing due to the high degree of uncertainty associated with the potential flow-on effects.

It is highly uncertain whether there would be sufficient supply of qualified dental professionals to meet the increased demand for dental services under the proposal. Reflective of the supply constraints, this costing applies a gradual phase-in over 5 years to reach the assumed final (static state) utilisation rate of 85% by 2030-31.

The impact of including the approximately 30% of handbook items not covered by the CDBS or VDS is highly uncertain. With a lack of data on any existing service volume or demand for those services and no official fee information, the Parliamentary Budget Office (PBO) has needed to make a range of assumptions in order to provide an indicative impact. The estimated impacts are highly sensitive to these assumptions which are outlined in *Key assumptions* below.

The flow-on impact for the broader public health system from the proposal is not included in this costing, as the impact is highly uncertain given the complex interactions across the relevant sectors.

Key assumptions

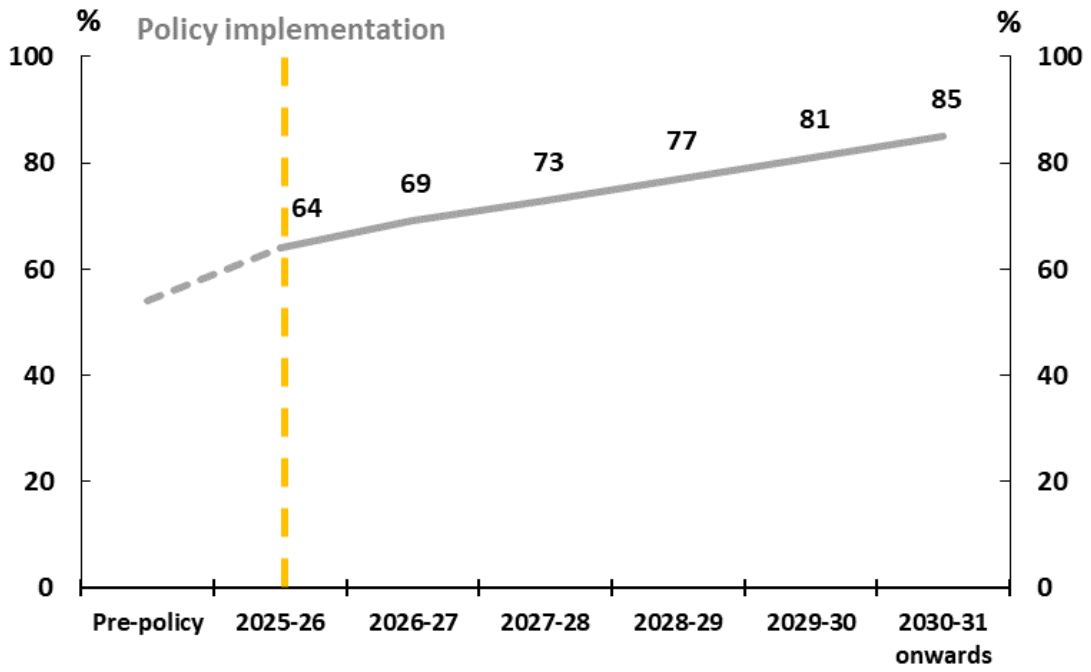
The PBO has made the following assumptions in costing this proposal.

- The supply of dental services would increase each year so that there would be sufficient qualified dental professionals available to meet the increased demand for services. This would allow the aggregate utilisation to reach 85% within 5 years of policy implementation.
- The aggregate utilisation rate would increase from the 54% baseline utilisation rate in 2024-25 to around 65% in 2025-26, before increasing by around 4 percentage points each year to reach 85% in 5 years. It would remain at that level for the rest of the costing period (Figure 1).
- The increase in 2025-26 reflects an immediate increase in demand for dental services from people currently covered under private health insurance. These utilisation rate assumptions are informed by existing CDBS utilisation data for minors and the National Survey of Adult Oral Health 2017-18 for adults.
- The National Survey of Adult Oral Health 2017-18 shows that of individuals aged 15 and above:
  - 70% of those privately insured and 43% of those uninsured attended a dentist in the last 12 months.

  - 26% of those privately insured and 52% of those uninsured reported they avoided or delayed dental care due to cost.

- The utilisation rate for individuals who are currently eligible for the CDBS would remain at its average over the past few years, at around 35% throughout the costing period. Children not eligible for the CDBS are assumed to have similar utilisation rates to their parents.
- The utilisation rate for adults with private health cover (comprising 52% of the eligible adult population) would increase from 70% in the baseline to reach long-term utilisation rates (85%) immediately once the proposal is implemented.
- The utilisation rate for adults without private health cover would rise from 43% in the baseline to reach long-term rates (85%) over 5 years.
  - The assumed lack of full utilisation is consistent with domestic and international experience. That experience suggests that financial incentives alone are not likely to result in full utilisation in the presence of remaining, albeit lessened non-financial barriers, such as access constraints, differences in the perceived importance of dental care and concern related to dental visits. The assumption of an 85% utilisation rate is similar to the utilisation rate of 82% assumed in the Canadian Parliamentary Budget Office's 2020 *Cost Estimate of a Federal Dental Care Program for Uninsured Canadians*[1].

Figure 1: The aggregate utilisation rate under the proposal



- The average benefit per service in 2025-26 would be approximately $67 for minors, $142 for adults aged 18 to 64 years and $137 for seniors 65 years old and above. It would be indexed as per current Medicare indexation arrangements over the costing period.
  - The average benefit per service for minors (aged 2 to 17 years) was modelled based on current CDBS item pricing and service mix and indexed to 2025-26 prices.

[1] Office of the Parliamentary Budget Officer (Canada) (2020) *Cost Estimate of a Federal Dental Care Program for Uninsured Canadians*.

  - The average benefit per service for adults (age cohorts 18 years and above) was based on the current VDS item pricing and service mix and indexed to 2025-26 prices, with a 7.5% reduction to account for differences between the CDBS and VDS schedule fees.
  - The higher service price in adults reflects the significantly higher proportion of adults and seniors accessing higher cost service items including bridges and crowns not available on the CDBS but available on the VDS.
- Any changes to funding contribution from states and territories as a result of this proposal, would be met by the state and territory governments.
- For handbook items that are not covered under the CDBS or VDS and subsequently do not have pricing information, PBO has assumed that the average benefit of these services will be the same as the average benefit under the VDS.
- Service volumes per participating adult would increase by around 53% under the proposal, reflecting the broadened scope of available services and removed financial barriers to accessing care.

Methodology

The administered costs were calculated by multiplying the average benefit per service by the estimated increase in service volume.

- The average benefit per service under each policy option was estimated as per *Key assumptions*.
- The eligible population was estimated using general population projections, excluding the projected number of temporary visa holders, both provided by the Treasury.
- The service volume under the proposal was estimated by multiplying the estimated eligible population by the utilisation rate and the services per participating person discussed in *Key assumptions*.
- The increase in service volume was estimated by taking the difference between the service volume in the baseline and the service volume under the proposal.

Ongoing departmental expenses for administering the program were calculated by multiplying the estimated increased services by the estimated unit cost for administering the affected service items provided by Services Australia.

A one-off establishment cost of up to $50 million was included in the first year for Services Australia and the Department of Health and Aged Care to implement the new dental scheme, consistent with experience from previous similar budget measures.

Financial implications were rounded consistent with the PBO's rounding rules[2].

[2] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Data sources

Australian Bureau of Statistics (2022) *National Health Survey 2020-21*, accessed 22 August 2024

Australian Dental Association (2019), *The Australian Dental Health Plan*, accessed 22 August 2024

Australian Institute of Health and Welfare (2023) *Oral health and dental care in Australia*, accessed 22 August 2024

Australian Institute of Health and Welfare (2023) *Oral health and dental care in Australia, Data*, accessed 22 August 2024

Australian Research Centre for Population Oral Health (2019). *National Study of Adult Oral Health 2017-18*, accessed 22 August 2024

The Department of Health and Aged Care provided the following data:

- CDBS data 2018 to 2023

The Department of the Treasury provided Australian demographic projections across the forward estimates and medium term.

The Department of Veterans' Affairs provided the following data:

- VDS Model and estimated costs for the VDS over the forward estimates
- Historical VDS utilisation data 2018-19 to 2022-23.

The PBO would like to thank the Parliamentary Library for their timely, impartial and confidential input into this response.

Attachment A – Putting dental care into Medicare – Financial implications

Table A1: Putting dental care into Medicare – Fiscal balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	**Total to 2027-28**	**Total to 2034-35**
Expenses													
Administered													
Dental cost	-	*-14,100.0*	*-15,000.0*	*-16,400.0*	*-18,000.0*	*-19,600.0*	*-21,200.0*	*-21,900.0*	*-22,600.0*	*-23,300.0*	*-23,900.0*	***-45,500.0***	***-196,000.0***
Total – administered	-	***-14,100.0***	***-15,000.0***	***-16,400.0***	***-18,000.0***	***-19,600.0***	***-21,200.0***	***-21,900.0***	***-22,600.0***	***-23,300.0***	***-23,900.0***	***-45,500.0***	***-196,000.0***
Departmental													
Program departmental	-	*-63.3*	*-18.8*	*-24.5*	*-30.9*	*-37.2*	*-43.8*	*-44.8*	*-45.7*	*-46.6*	*-47.4*	***-106.6***	***-403.0***
Total – departmental	-	***-63.3***	***-18.8***	***-24.5***	***-30.9***	***-37.2***	***-43.8***	***-44.8***	***-45.7***	***-46.6***	***-47.4***	***-106.6***	***-403.0***
Total – expenses	-	**-14,163.3**	**-15,018.8**	**-16,424.5**	**-18,030.9**	**-19,637.2**	**-21,243.8**	**-21,944.8**	**-22,645.7**	**-23,346.6**	**-23,947.4**	**-45,606.6**	**-196,403.0**
Total (excluding PDI)	-	**-14,163.3**	**-15,018.8**	**-16,424.5**	**-18,030.9**	**-19,637.2**	**-21,243.8**	**-21,944.8**	**-22,645.7**	**-23,346.6**	**-23,947.4**	**-45,606.6**	**-196,403.0**

(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.

\- Indicates nil.

Table A2: Putting dental care into Medicare – Underlying cash balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	**Total to 2027-28**	**Total to 2034-35**
Payments													
Administered													
Dental cost	-	*-13,600.0*	*-14,900.0*	*-16,400.0*	*-17,900.0*	*-19,500.0*	*-21,200.0*	*-21,800.0*	*-22,500.0*	*-23,200.0*	*-23,900.0*	***-44,900.0***	***-194,900.0***
Total – administered	-	***-13,600.0***	***-14,900.0***	***-16,400.0***	***-17,900.0***	***-19,500.0***	***-21,200.0***	***-21,800.0***	***-22,500.0***	***-23,200.0***	***-23,900.0***	***-44,900.0***	***-194,900.0***
Departmental													
Program departmental	-	*-63.3*	*-18.8*	*-24.5*	*-30.9*	*-37.2*	*-43.8*	*-44.8*	*-45.7*	*-46.6*	*-47.4*	***-106.6***	***-403.0***
Total – departmental	-	***-63.3***	***-18.8***	***-24.5***	***-30.9***	***-37.2***	***-43.8***	***-44.8***	***-45.7***	***-46.6***	***-47.4***	***-106.6***	***-403.0***
Total – payments	-	**-13,663.3**	**-14,918.8**	**-16,424.5**	**-17,930.9**	**-19,537.2**	**-21,243.8**	**-21,844.8**	**-22,545.7**	**-23,246.6**	**-23,947.4**	**-45,006.6**	**-195,303.0**
Total (excluding PDI)	-	**-13,663.3**	**-14,918.8**	**-16,424.5**	**-17,930.9**	**-19,537.2**	**-21,243.8**	**-21,844.8**	**-22,545.7**	**-23,246.6**	**-23,947.4**	**-45,006.6**	**-195,303.0**

(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.

\- Indicates nil.

Table A3: Putting dental care into Medicare – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances ($m)[(a)(b)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	**Total to 2027-28**	**Total to 2034-35**
Fiscal balance	-	*-290.0*	*-900.0*	*-1,600.0*	*-2,400.0*	*-3,300.0*	*-4,320.0*	*-5,450.0*	*-6,670.0*	*-7,980.0*	*-9,400.0*	***-2,790.0***	***-42,310.0***
Underlying cash balance	-	*-220.0*	*-750.0*	*-1,430.0*	*-2,210.0*	*-3,090.0*	*-4,080.0*	*-5,180.0*	*-6,380.0*	*-7,670.0*	*-9,060.0*	***-2,400.0***	***-40,070.0***

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the tables above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary[3].

(b) 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. 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.

\- Indicates nil.

[3] Online budget glossary – Parliament of Australia (aph.gov.au)