Regulation Impact Statement

Name of proposal: Child and Adult Public Dental Scheme

Office of Best Practice Regulation (OBPR) ID number: 20127

Child and Adult Public Dental Scheme
Regulation Impact Statement summary

Problem	Recommended option
Access to public dental services.	Option 2 – Child and Adult Public Dental Scheme
Poor oral health leads to poorer overall health outcomes such as visits to the GP or emergency department, hospitalisations that could have been prevented, and complications for other illnesses. Good oral health involves ongoing maintenance for life but dental care in Australia can be very expensive. Thirty per cent of adults avoid seeking dental treatment due to cost. Public dental services face great pressure in providing services to eligible people. The existing Commonwealth funded Child Dental Benefits Schedule is poorly targeted as children already had good visiting patterns prior to its commencement. Utilisation has also been low at around 30 per cent of eligible children. This proposal closes the Child Dental Benefits Schedule to fund the proposed new Scheme in part. As private dentists will not have direct access to the new Scheme there will be deregulation offsets achieved through the closure of the Child Dental Benefits Schedule.	This measure will provide funding to the states and territories to improve access to public dental services by establishing an ongoing capped special appropriation under the *Dental Benefits Act 2008*. Funding will be made available to the states under a National Partnership Agreement (NPA) to operate from1 July 2016 for an initial five year period. The Commonwealth contribution under the program will be set at 40 per cent of the efficient price of the dental service, with states contributing the remaining costs. With the additional Commonwealth funding available, more services will be provided which will have a positive impact on waiting lists. The intention is that both adults on concession cards and all children will be eligible to receive public dental services under the program. The *Dental Benefits Act 2008* will be amended to close the Child Dental Benefits Schedule and to implement the Child and Adult Public Dental Scheme. The new scheme will commence on 1 July 2016.

Background

The Government has proposed a new national Child and Adult Public Dental Scheme to be introduced from 1 July 2016. The Scheme is to be implemented through a new five year National Partnership Agreement (NPA) that will provide funding to the states and territories (the states) to assist them with the delivery of public dental services to children and

concession card holder adults, supported by an ongoing special appropriation. Funding for the Scheme is offset by ceasing the existing Child Dental Benefits Schedule (CDBS) and from not continuing with the current NPA on Adult Public Dental Services.

The Commonwealth would pay 40 per cent of the national "efficient" price of dental services provided or purchased by the states. The high level principles underlying the Scheme will be set out in a NPA.

The closure of the CDBS and the establishment of the new scheme will require amendment of the *Dental Benefits Act 2008* before 1 July 2016.

Problem Definition

- Although Australians' oral health has improved over the past three decades, largely through the introduction of fluoridation in the 1960s, poor oral health among adult Australians is still widespread. Across the population as a whole three out of 10 adults have untreated tooth decay. The rate is more than twice this among adults on low incomes and Aboriginal and Torres Strait Islander people. Rural and remote populations are also at greater risk of poor dental health.

- Poor oral health leads to poorer overall health outcomes such as visits to the GP or emergency department and complications for other illnesses. This also leads to greater costs to the health system.

- Good oral health involves ongoing maintenance for life. However, dental care in Australia can be very expensive. Thirty per cent of adults avoid seeking dental treatment due to cost.

- Public dental services face great pressure in providing services to eligible people.

- The CDBS is significantly underutilised, with only around 30 per cent of eligible children having accessed the scheme. The CDBS is also a poorly targeted use of Commonwealth funding, in that it is substituting Commonwealth expenditure for other sources of funding. Before the introduction of the CDBS, around 80 per cent of children visited a dental practitioner in a 12 month period.

Objective of Government Action

- The Scheme will better utilise existing Commonwealth dental funding.
- The Scheme will consolidate Commonwealth effort to target funding where it is most needed, to assist the states to provide more services to children and concession card holder adults, irrespective of where people reside.

Policy Options

Given the overall fiscal circumstances facing the Commonwealth, the only options considered were those that did not increase the Commonwealth's fiscal exposure.

Option 1 (Status Quo)

Option Overview

The current Commonwealth funding arrangements for dental services are provided through the Child Dental Benefits Schedule (CDBS) and the National Partnership Agreement (NPA)

on Adult Public Dental Services. Under the CDBS, eligible children can receive up to $1,000 worth of dental treatment, capped over two calendar years. Under the NPA, $155.0 million is being provided to the states and territories during 2015-16 for the treatment of 178,000 additional public dental patients.

Impacted Parties

- state and territory governments; and
- private dentists.

Impact Analysis

As these programs are already in place, there will be no change to the regulatory burden. Under the CDBS, the dentists will continue to be required to obtain financial consent and to train staff in the processing of claims under the program.

The states are responsible for the delivery of public dental services and would continue to deliver services to concession card holder adults and children.

Option 2 – Child and Adult Public Dental Scheme

Option Overview

This measure will provide funding to the states and territories to improve access to public dental services by establishing an ongoing capped special appropriation under the *Dental Benefits Act 2008*. Funding will be made available to the states under a National Partnership Agreement (NPA) to operate from1 July 2016 for an initial five year period. After the fourth year, the program will be reviewed and the outcome of the review will inform the policy parameters of the next Agreement.

The Commonwealth contribution under the program will be set at 40 per cent of the efficient price of the dental service. With the additional funding available, more services will be provided which should reduce waiting times.

Both adults on concession cards and all children will be eligible to receive public dental services under the program.

The CDBS will be closed from 30 June 2016 (although benefits will still be paid for eligible services provided on or before that date).

Impacted Parties

- state and territory governments and individuals seeking public dental care; and
- private dentists.

Impact Analysis

There will be an impact on state and territory governments which are responsible for the provision of public dental services, as the amount of Commonwealth assistance will increase from an estimated $200 million in 2015-16 to over $400 million each year over the forward estimates. Under this option, the additional Commonwealth funding will enhance the existing mechanisms in place to provide additional services with the increase in funding.

The states will continue to manage their waiting lists through controls such as co-payment arrangements; will determine state-specific eligibility criteria (subject to the

Commonwealth's policy intent that all children will be eligible for public dental services); and will continue to provide services based on clinical need.

Low income adults (predominantly concession card holders) who can generally only afford to receive dental care from public dental services have poor oral health and poor dental visiting patterns. About half do not attend a dentist annually, and of those who do about half attend only to address an urgent problem.

Before the National Partnership Agreement (NPA) on Treating More Public Dental Patients that began in 2012-13 national average waiting times for adults for general treatment were over two years. The Commonwealth investment under that NPA of $344 million over three years saw an additional 400,000 average complexity patients treated and national average waiting times for adults for general treatment reduced from 20 months to less than one year.

The states achieved this through a range of measures including employing additional temporary staff, extending opening hours for clinics, and increasing the contracted use of private sector dentists to deliver services to public dental patients.

Under the new Scheme, which will see a Commonwealth contribution of over $400 million a year, a sustained ongoing reduction in waiting times should be achievable. The Commonwealth estimates that services should be available to an additional 600,000 average complexity patients who could not afford services in the private sector.

In the short term under the new Scheme it is expected that the states will continue the range of measures introduced under the NPA to increase service volumes and hence reduce waiting times. In the medium term the assured source of funding made available through the special appropriation under the new Scheme should allow them to expand infrastructure and workforce and reduce their reliance on contracting with the private sector. The final impact on the distribution of public service provision between the public and private sectors is uncertain.

The closure of the CDBS is not expected to have a significant impact on private sector dentists. While the CDBS has been in operation for almost two and a half years, only thirty per cent of eligible families (or around 750,000 children annually) have made use of the scheme.

Before the introduction of the CDBS around 80 per cent of children – or about 4.4 million children – visited a dental practitioner annually. This proportion has been stable for many years.

Of the children who visited a dentist annually before the CDBS began in 2014 some 3.7 million were treated in the private sector using private health insurance or families' own resources. This strongly suggests that the CDBS simply substituted Commonwealth funding for other sources of funding for dental services for children. The Commonwealth expects that closure of the CDBS will see a return to the service and funding patterns that applied up until the end of 2013.

Given the low utilisation of the CDBS, the direct financial impact on private sector dentists is expected to be minimal. The government will continue to subsidise the cost of private health insurance, which pays benefits for many private sector dental services, through the private

health insurance premium rebate. There will, however, be a reduction in the regulatory burden on private sector dentists due to the closure of the CDBS, as set out in Appendix 1.

In summary the new Scheme will more effectively target Commonwealth assistance at low income adults with poor oral health and poor dental visiting patterns who attend public dental services.

Consultation

Consultations have taken place with jurisdictions, the Australian Dental Association (ADA), Consumers' Health Forum (CHF), the Australian Healthcare and Hospitals Association (AHHA) and Private Healthcare Australia (PHA). While discussions focused on an alternative public sector model to the option agreed by Government, the discussions covered principles which were broadly consistent with the new Scheme. This included discussions on consolidating existing funding arrangements and developing a new legislatively based proposal to support states in the provision of public dental services.

Nature of consultation

Teleconferences and face to face meetings were held with the jurisdictions, ADA, CHF, AHHA and PHA.

Impacted parties

The ADA does not support the exclusion of the private sector from accessing direct Commonwealth funding. The ADA also seeks further Commonwealth expansion of items and increased schedule fees under the CDBS.

AHHA was concerned that increasing funding for states would not result in a universal scheme, and would entrench differences between the states in how services are provided.

Other groups, including states and territories, were broadly supportive of the proposal.

Preferred Option

The Government's preferred option is option 2.

It considers that providing increased support to the states for public dental services which provide treatment for low income adults and children is a more effective use of taxpayers' funds than the CDBS, noting that only 30 per cent of eligible children utilised the CDBS and 80 per cent of children were already receiving dental treatment annually before the CDBS began.

By focusing additional resources on improving access for concession card holders and children, the ongoing NPA will fill a key gap in the dental system. The ongoing nature of the measure will provide the states with long term funding certainty, which will allow for the development of innovative models of care and will stabilize and improve waiting times.

Implementation

The broader principles of the Scheme will be established under a NPA, which operates under the Federal Financial Relations framework, with payments based in statute and paid via the Treasury through a specific purpose payment.

The states will provide information on the services they provide to the Department of Health, which will calculate the amount of funding payable. The Department will then recommend that payment be made by the Treasury.

The new Scheme will allow the states to maintain existing private sector arrangements in place and build on these where necessary.

It is proposed that the CDBS will close on 30 June 2016 and that the Scheme will commence on 1 July 2016. The closure of the CDBS would be communicated in writing to eligible patients and dentists by the Department of Human Services.

RIS Appendix 1

Regulatory Burden and Cost Offset (RBCO) Estimate Table

Average Annual Compliance Costs (from Business as usual)

Change in Costs ($m)	Business	Community Organisations	Individuals	Total change in Cost
Total by Sector	-$5.254	$	-$3.671	-$8.925

Cost offset ($m)	Business	Community Organisations	Individuals	Total by Source
Agency	$	$	$	$

Are all new costs offset?

❑ Yes, costs are offset, ***please provide information below***

❑ No, costs are not offset

✓ Deregulatory, no offsets required

Total (Change in costs - Cost offset) ($million): $

The RBM calculations focus on closure of the CDBS. They assume that closing the CDBS will lead to savings which are exactly equivalent to the regulatory costs associated with participating in the program.

The costing only relates to private sector regulatory costs: public sector dental services were excluded. The regulatory costs of participating in the CDBS apply to dental practices and patients and there are no costs for community organisations.

There is no up-to-date data on the number of private dental practices operating in Australia. The number of private dental practices involved in the CDBS was estimated using Australian Institute of Health and Welfare (AIHW) workforce data, advice from the Department's dental advisers about the structure of the industry and the likely ratio of employed dentists to dental practices, and departmental data on the number of dentists participating in the program. As of 2012, there were 10,254 employed private dentists in Australia. The calculations assumed the number of private dental practices in operation is 60% of this figure, i.e. 6152. 88% of dental practitioners participated in CDBS in 2015. By applying the same percentage to the number of practices it was calculated that there are 5414 private practices participating in the program. Public dental services were excluded.

In 2015, 780,150 children utilised the CDBS as private patients which we used as the basis for calculating the regulatory costs to the individual. Public patients using the program were excluded.

The key requirement for participating in the CDBS include checking eligibility and cap balance during dental visits, documenting informed financial consent between the dental provider and patient, and invoicing either by bulk billing or non-bulk billing methods. The average amount of time taken for dentists or their staff to perform these procedures was calculated based on advice from our dental advisers. Salary rates were sourced from Payscale.com and the standard non-wage labour on-costs multiplier was applied.

As both dentists and patients take part in these processes, similar timings for patients were applied, less the time for administrative tasks that are only undertaken by dental practices such as record keeping. The cost of patient time was calculated using the recommended cost of leisure time. Additional time for patients who are not bulk billed and need to seek reimbursement from Medicare via the various claiming channels available was also estimated.

There are no offsets required for the proposed Public Dental Scheme as government-to-government regulation falls outside the Regulatory Burden Measurement Framework.