This report provides information on the economic aspects of dentistry in Australia in relation to national dental expenditure, source of dental funding, dental services and Gross Domestic Product (GDP), the private dental industry, dental fees inflation and household health services expenditure.

Estimates show:

♦ Total dental services expenditure for 2002–03 was estimated at $4.4 billion, 6.1% of total health services expenditure.

♦ Dental services expenditure is primarily funded by individuals (68%), with only 17% derived from government sources. This is in contrast to health services, which are 68% government funded and just 20% sourced from individuals.

♦ The average real rate of growth of dental services expenditure over the last decade was 3.9%, the same as the rate of growth in real GDP (3.9%).

♦ Dental fee inflation increased at a rate of 50.5% over the last decade, while the increase in general health fees was 29.7%.

♦ Oral surgeons and other dental specialists operated at higher than average profit margins (~33%), compared to general dentists whose profit margin was 25%, in 1997–98.

♦ Australians spent approximately $360 million on oral hygiene products or $49.92 per household in 1998–99.

### National dental expenditure

Total expenditure on dental services in Australia in 2002–03 was estimated at $4.4 billion, representing an increase of $289 million over the previous year.
Source of funding

Expenditure for dental services is sourced from either public (Australian Government, state/territory, local) or private (individual, insurance, other) funding sources. Health services (i.e. including dental services) are largely publicly funded, while dental services are primarily privately funded. Funding by source for health services and dental services expenditure is presented in Figure 3. In 2002–03, 68% of health services expenditure was funded by government sources while only 20% was sourced from individual out-of-pocket spending. This is almost the reverse of dental services expenditure, where the majority (68%) was privately funded by individuals and only 17% was government funded. Insurance subsidisation accounted for 15% of dental services expenditure compared to 7% for health services expenditure (Figure 3).

Figure 3: Comparison of expenditure by source, for dental services and health services, 2002–03

Comparison of dental expenditure by source of funding between states is presented in Figure 4.

Figure 4: Comparison of dental expenditure by source of funding, by state, 2001–02

Dental services and GDP

Figure 5 compares the annual real growth rates between dental expenditure and GDP over the period 1992–93 to 2001–02. GDP is one of the main indicators for the overall level of economic activity in Australia. The comparison highlights that on a year-by-year basis, economic growth in the dental sector was quite different to the general pattern of economic growth in Australia. However, the overall real average growth rate for both GDP and dental expenditure was the same at 3.9%.

Between 1999–2000 and 2001–02, there was significantly higher growth which presumably was an indirect effect of the Public Health Insurance Incentives Scheme and especially Lifetime Health Cover initiated in 2000. Earlier, in 1996–97 to 1997–98 and 1997–98 to 1998–99, the dental sector experienced negative growth rates of –2.2 and –2.1% respectively. This downward trend may be related to withdrawal of funding from the Commonwealth Dental Health Program.
Private dental services industry

This section of the report presents data, in respect to the 1997–98 financial year, from two Australian Bureau of Statistics (ABS) surveys of private sector practitioners and businesses involved in the provision of dental services. These were the first ABS surveys of the private dental industry (ABS, 1999; Catalogue No. 8551.0).

Private dental businesses

In the 1997–98 financial year, there were 5,257 businesses in the dental sector, comprising general dental businesses (88%), oral surgery businesses (2%) and other dental specialty businesses (10%). The majority were registered as sole proprietorships, followed by incorporated companies, partnerships and trusts (Figure 6).

The distribution of business type varied by the type of dental practice, with oral surgery businesses having the highest proportion (37%) registered as companies and the lowest proportion registered as sole proprietorships (53%) (Figure 6). This may be related to the common group practice style of oral surgery specialists.

Table 1: Profit margins and income return, 1997–98

<table>
<thead>
<tr>
<th>Type of private practice</th>
<th>General dental</th>
<th>Oral surgery</th>
<th>Other dental specialty</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income ($million)</td>
<td>$1,353</td>
<td>$59</td>
<td>$272</td>
<td>$1,685</td>
</tr>
<tr>
<td>Expenses ($million)</td>
<td>$1,013</td>
<td>$39</td>
<td>$180</td>
<td>$1,234</td>
</tr>
<tr>
<td>Profit margin (%)</td>
<td>25.2</td>
<td>34.1</td>
<td>33.8</td>
<td>26.9</td>
</tr>
<tr>
<td>Return per practitioner</td>
<td>$76,600</td>
<td>$183,000</td>
<td>$165,500</td>
<td>$87,000</td>
</tr>
</tbody>
</table>

Source: Dental services 1997–98, ABS (8551.0).

Dental inflation

The increase in real prices for dental services, health services and GDP across the 1994 to 2003 period is depicted in Figure 7. The annual estimates of price indices have been joined by a smoothed line to illustrate the trend in inflation across time.

Source: Health expenditure Australia 2002–03, AIHW.
Overall, the health services and dental services sectors had a higher rate of inflation than the economy in general as measured by the GDP deflator. Dental services expenditure experienced the highest rate of real growth in prices of 51% over the last decade, compared to health services, which had lower inflation at 30%, but was still higher than the GDP deflator of 20%.

**Household expenditure**

Figure 8 shows the change in household expenditure for different categories of health services, between 1993–94 and 1997–98, using estimates from the ABS household expenditure surveys.

<table>
<thead>
<tr>
<th>Category</th>
<th>1993/94</th>
<th>1998/99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dental</td>
<td>2.82</td>
<td>4.37</td>
</tr>
<tr>
<td>Specialist medical</td>
<td>1.49</td>
<td>2.53</td>
</tr>
<tr>
<td>Optician</td>
<td>0.99</td>
<td>1.24</td>
</tr>
<tr>
<td>General medical</td>
<td>0.61</td>
<td>0.77</td>
</tr>
</tbody>
</table>

Weekly household expenditure on dental services increased from $2.82 to $4.37 across the period, which represented the highest increase of $1.55 per week, or approximately $80 per household per year. This was followed by specialist medical fees which increased by $1.04 per week, optician fees which increased by $0.25 per week (or $13 per year) and general doctor fees which increased $0.16 per week (or $8.32 per year).

The comparatively higher increase of weekly household expenditure on dental fees may be attributed to the higher proportion of privately funded dental expenditure compared to general doctor and optician fees.

The average amount spent on oral hygiene products in 1998–99 was $49.92 per household. At an estimated 7.2 million households (ABS, 2002; Catalogue No. 3101.0), this amounts to an annual sum of approximately $360 million.

**Summary**

Dental services expenditure amounted to some $4.4 billion in 2002–03, contributing to 6.1% of total health services expenditure. The dental sector is predominantly privately funded, receiving only a small proportion of funding from government sources.

The private dental sector operated at a profit margin of 26.9% in 1997–98, with the majority of dental businesses registered as sole proprietorships (64%), followed by companies (25%), partnerships (8%) and trusts (2%).

Over the last decade, the dental sector has experienced high inflation (44%) compared to the general economy (18%).

**Data sources**


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