What's wrong with dental socialism?

By Graham Middleton, BA, MBA

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Karl Marx sat in a library in London and wrote the Communist Manifesto. Marx was fortunate to be supported by a wealthier benefactor. His Manifesto's loftier ideals didn't work out in practice. Parts of his Manifesto were unadulterated rubbish.

While the 1917 Soviet revolution in Russia espouses Marx's principles of socialist virtue, in practice, Communism quickly morphed into the human forerunner of George Orwell's Animal Farm. Just as the pigs in Orwell's classic re-wrote the rule that 'all animals are equal' to read 'all animals are equal but some animals are more equal than others', the ruling Communist party's officials used their power to oppress the population and provide benefits to themselves.

There is an element of socialism in all successful societies, and the real issue is in defining the limits beyond which it impedes both economic development and personal freedom. As citizens we understand the need to live in a lawful, protected society with reasonable access to good infrastructure and for our society to provide for those genuinely unable to look after themselves. Provision of endless taxpayer funded benefits which go beyond this usually end up hurting the fabric of society. The Spanish, French, Italian and particularly Greek economies, which have overdosed on socialism, are visibly in an awful mess. The Turkish people who are now lucky not to have been admitted into the European union or the European currency and which could never afford a heavy dose of socialism, have emerged relatively much stronger than they were a few years earlier. However, welfare in Turkey tends to be contained within the extended family unit.

The provision of a universal taxpayer funded dental scheme, which remains the long-term aspiration of the Federal government's Department of Health bureaucrats, is a significant jump towards a larger socialist economy. The bureaucrats aspiring to manage such a scheme have a high degree of self-interest. The more programs they can get the government to fund, the greater the proportion of the federal budget that the department of health administers and the more public servants it can employ. This results in a greater number of senior assistant secretary and deputy secretary positions. It greatly increases the promotion prospects of the public servants involved.

It's apparent that a universal national dental scheme remains their objective, even though the Gillard government has found itself unable to fund such a scheme at this time, having been caught in its own web of promises to balance the budget while dealing with its earlier spending excesses.

Political manoeuvring over the CDDS

Dentists have become caught in the middle of the political manoeuvring in respect of the CDDS. This scheme was introduced by the Howard government, but would have been an initiative put forward by the Department of Health. It turned out to have bad features which created excessive demand and pushed it over budget. The Rudd and Gillard governments tried to close it down in successive budgets but Coalition senators voted against it, probably as reprisal for Labor voting against its own legislation in past periods and they were supported in their vote by the Greens, whose policy platform included a demand for a universal dental scheme. Ultimately the Greens have supported its abolition.

The Death of CDDS

The CDDS will die to be replaced by funding of $346 million over three years to reduce dental waiting lists, or about $115 million a year. Given that a universal dental scheme has been costed at up to $13 billion per year, the $115 million is a veritable drop in the bucket. However, a universal scheme remains an aspiration of the Health Department's bureaucracy.

A disaster for the dental profession

A universal scheme would turn out to be a disaster for the dental profession. Indeed, it already has to a degree because the decisions which have produced the current substantial over-supply of dentists were clearly a deliberate tactic of the Department of Health to provide a dental workforce to meet the anticipated surge in demand that a universal publicly funded dental scheme would create. The Department of Health gets to advise the Department of Education on the number of dental places that should be funded in dental schools and the Department of Immigration in respect of the immigration program for dentists. The bureaucrats appear to have based their assumptions implicitly on the law of supply and demand in that pricing would fall as the supply of dentists and dental appointments rose, hence creating a large pool of dentists that would drive dental costs down and enable them to control a dental budget. However, economists specialising in health economics have long observed that significant elements of the medical professions are able to generate increased demand for their own services. It is likely that dentists would be able to do likewise. Dentists setting up new practices with today's expensive fit-out and equipping costs having too few patients would be sorely tempted to promote overly expensive treatment plans in order to meet their cost of practice. Unfortunately the bureaucrats have got their numbers drastically wrong.

Recent Dental Board of Australia figures reveal the vast increase in dental numbers, about which the health department bureaucracy has been silent. This is a cruel hoax on many dental students entering the increasing number of and expansion of existing dental programs in Australia, as well as dental immigrants studying for Australian Dental Council exams. When they qualify, many will have extreme difficulty finding future positions as dentists. However, as most will obtain part-time employment, they will not show up in unemployment statistics.

If dental treatment was fully funded by government, the inevitable flow-on effect would be a blowout in dental scheme costs. As has been demonstrated repeatedly elsewhere in healthcare, this leads to the government demanding that the public service looks for 'savings' which in turn results in a series of restrictions being placed on the various health programs. This would inevitably occur in respect of dental treatment. It happened in South Africa and the United Kingdom and those schemes were disastrous.

The Report

The recent report of the National Advisory Council on Dental Health provided a mish-mash of dental numbers but failed to solicit current registrations from the Dental Board of Australia. The most recent Dental Board figures are that there are 18,902 registered dentists, including 1448 specialists, of which 329 general dentists and 23 specialists are registered but not practising. These numbers are dramatically above those quoted in the report, and point to the obvious inaccuracy of the report when indicating a shortfall of dentists out to 2020. A cynic might be forgiven for thinking that the report's authors deliberately confused the issue of the number of dentists, since acknowledging a surplus may have indicated that the policy settings of the Department of Health bureaucrats have been badly wrong. The report did state, but not emphasise, that:

- The oral health of Australians had improved in recent decades;
- Adult Australians were attending dental appointments more frequently; and
- The availability of dental appointments had improved.

These aspects were not elaborated on and to do so would have called into question the objective of the majority of the committee to introduce a national dental scheme.

Such reports are usually written by one or two committee members, not the whole committee and are frequently modified in draft form after discussion between authors and senior bureaucrats. In bureaucrats' eyes, a good report carries no surprises. It is careful to contain some facts contrary to the objective, but not to emphasise them. Unsurprisingly, the report indicated that the majority of the committee were in favour of a universal national dental scheme funded by a progressive system of taxation, i.e. socialised dentistry. It's likely that the ADA representative was in the minority against such a proposal. Essentially reports generated by committees are political exercises towards a goal rather than dispassionate analysis of facts.

The ups and downs of Medicare

Cuts in expenditure in healthcare occur regularly in various budget items. Some examples are:

- The original Medicare related common fee to doctors did not keep pace with practice costs, so year by year doctors found themselves working harder for less, but if they worked extra hard and saw more than a specified number of patients they got 'please explains' from Medicare. Eventually the doctors revolted and started dropping out of the Medicare bulk billing scheme in large numbers and a catch up in payments was provided, but inevitably this, too, will be cheese-pared away. When I go to the doctor, I pay his fees and claim part of it back from Medicare. Medical treatment is no longer universally free under Medicare;
- The pharmaceutical benefits scheme is in perpetual tension, with cost-cutting such as reducing rebates to pharmacists to compensate for the addition of new items to the schedule;

- Radiology services suffered significant cuts in government rebates last year. The public service advised the Minister that radiologists were making too much money and arbitrarily cut their fees; and
- Private health insurance rebates have recently been cut for high-income earners.

The lesson for dentists is that when a government of whatever political persuasion promises 'free' health services, the promise never lasts. It is inevitably modified, means tested, rationalised, rationed or otherwise reduced.

The Canberra bureaucrats who set out to sell a universal 'free' dental scheme to the government knew full well that the weight of historical evidence indicates that such a scheme cannot remain universally free. It too will inevitably have its funding reduced in real terms. The first target for this reduction will inevitably be payments to dentists which will either be reduced or simply not indexed sufficiently such that over a period of time the real income of dentists falls.

Insidious effects

Once people have had free treatment, they become disinclined to pay. Some dentists who have provided CDDS treatment found that patients simply would not make appointments for necessary follow-up treatment, even though many of them were visibly well off. Those patients demanded more free treatment and if it wasn't available, they preferred to wait for the government to provide more free treatment. Dentists can't build a good practice out of intermittent government funding.

Another insidious effect is the readiness of health bureaucrats and government ministers to refer to 'greedy dentists' in order to give their scheme a moral imperative of 'containing dentists' fees'. Never mind that there are many well-conducted practices which are vastly more efficient in respect to the amount of treatment that they provide than those staffed by government employees.

Many years ago, as an army officer, I got sick of visiting the barracks clothing store to usually find a sign saying 'closed for stocktake' or, alternatively, that if it was open the item I wanted was not in stock. One day I remarked to a group of officers in the mess that it was about time the army got out of the clothing business and soldiers bought their uniforms at a clothing store downtown, as is the case for school uniforms. My comments were regarded with horror as a form of military treason. In the late 1980s, the Defence Department smartened up a bit and a whole host of bureaucratic services which had been provided in-house became contracted out. A couple of years later, the school uniforms my sons needed were provided by the very efficient Bob Stewart's clothing store in Kew. Every year, Bob Stewart's manages to stock a full range of uniforms for a large number of Melbourne's schools. Not only that, when it comes to supplying uniforms to the new kids, he employs as temporary staff a number of recent old boys from across a range of schools who are able to tell the parents what items are needed immediately and what items can wait until the winter semester. Bob Stewart's is more efficient than any army clothing store that I ever saw.

When periodically a mention of a dental scheme has been written of in major newspapers, it's often been followed by letters arguing that the mouth is part of the human body, so if trips to the doctor are paid for by the government, why not trips to the dentist? However, only some patients receive treatment which is free at the doctor's, as many doctors now restrict common fees to those with healthcare cards. It also begs the question as to why we can't have fully funded personal access to dieticians, podiatrists or physiotherapists; their activities all relate to some aspect of the human body as well.

Taking it further, one can ask why a whole range of goods and services aren't provided by the government. My answer is that if an army clothing store couldn't provide an efficient service to a military barracks housing several thousand soldiers, what chance have national schemes got of providing anything with significant efficiency?

Dead weight losses

Economists use a term called dead weight losses. Basically, any service which involves participation of third parties such as government agencies or health funds means that a portion of the economic benefit which is normally shared between the dentists (fees) and the patients (treatment) is diverted to meet the additional administrative costs of running the government department or health fund concerned. This means that the dentist's fees get clipped and/or they have to cope with extra in-practice administration to provide the same amount of treatment. The patient also pays extra taxes or health insurance premiums to assist in paying the administrative overheads. The concept of the service being free is an illusion. It can be more accurately viewed as a make-work program for Department of Health bureaucrats and/or health fund bureaucrats.

Health insurance

My wife and I have hospital cover, but we have long elected not to have general (ancillary) cover, because close examination of the PHIAC data reveals that health insurers make reliable profits on their general insurance tables where they can ration benefits, but periodically face the risk of cost in hospital tables rising above net premium income, because they find it near impossible to ration services of a serious medical nature. If the average citizen understood this, they would desert their general insurance cover in droves, retaining only hospital cover.

The Canberra culture

Canberra began its existence as a planned capital approximately midway between Sydney and Melbourne in an area which had previously been given over to grazing land. Its formation was a political compromise at federation between New South Wales and Victoria, neither of which wished to see the other's capital become the capital of Australia permanently. Step by step, the major organs of the federal government and its administrative arms became centralised in Canberra. The major industry of Canberra revolves around the federal public service and organs of government. A multitude of public servants are married to other public servants. Many had parents and grandparents who were public servants. Many of the children of today's public servants look forward to the day when, having gained the obligatory degree at the Australian National University, they can join the public service.

Having once lived in Canberra for three years whilst a regular Army officer, I became acutely aware that it had a unique Canberra-centric culture. This revolves around the public service. To paraphrase the famous saying of 'what is good for General Motors is good for America', the belief of the public service is 'what is good for the public service is good for Canberra'.

The central view of the public service is that power and influ-

ence emanates from Canberra and from the major departments of state, radiating out from the departments of Prime Minister and Cabinet and Treasury.

While departments have regional offices, their senior managers and policy makers are Canberra based and have a Canberra-centric view of the nation. The fact that government stop and go decision making can cause chaos in dental practice or in other forms of business is at best only dimly understood in the corridors of power.

The health bureaucrats overseeing dental funding programs have the ability to retreat behind the shield of government policy when it suits them, saying:

"That was a decision taken by the government in the context of the federal budget."

In Canberra/political speak, the public assets 'saved' on cutting one spending program are then recycled through the budget process in the form of a 'government initiative'. Spending reductions are inevitably part of a loftier aim of fitting within the budget context, whilst the recycling of that money to some other part of the department is a political initiative taken by the government. The political staff surrounding ministers are always on the lookout for dramatic new initiatives, preferably ones that are free or can be met by robbing some other program without too much political fuss. This enables their spin doctors to put out endless announcements in the names of ministers giving the impression of hardworking and caring politicians. The fact that politicians work hard is generally true, but as a nation we'd probably be better off with less shuffling of budgets and quieter politicians.

It's noteworthy that the bureaucrats who on the one hand had been instrumental in pumping up dentist practice turnover via the CDDS can, when the scheme is replaced by one with a much lower funding limit, write lines for the minister extolling the scaled-down scheme as 'a new initiative improving the availability of dental care' or 'an initiative to reduce dental waiting lists' or similar meaning political speak, never mind that it is obviously untrue.

The inevitable result of the combination of the political games played by the Canberra versions of 'Yes Minister' Jim Hacker and his public service chief, Sir Humphrey Appleby, is that almost everybody who has dealings with either senior politicians or senior Canberra-based public servants learns to be cautious. For example, a Defence program for new naval ships or for armoured vehicles for the Army might be announced and re-announced a dozen or more times, with appropriate political fanfare, but until actual contracts are signed and payments made, nothing is certain. Such programs are frequently cancelled, often after millions of dollars have been spent and the final choices of contractors have been narrowed down to a list of two, with a recommended front-runner. The choice not to proceed occurs when a last minute revision of federal government budget figures reveals the need to find savings of another $250 million. By this stage the respective tenderers have spent millions of dollars in providing all of the documentation for examination by the government. They have organised subcontractors, laid out plans for local manufacturers, done studies of how many qualified staff are available in the appropriate areas, etc, only to find that the federal budget chops the program out without adequate explanation.

Changes to funding in a public dental scheme will probably mean that practices which had expanded from two surgeries to three surgeries would be forced to retract, dispense with a couple of staff members and have an empty but fully equipped operating surgery which they had set up and paid for lying idle.

Exactly this situation occurs in respect of surgical waiting lists in hospitals, both public and private. Waiting lists for surgery, such as hip replacements, blow out. Once it becomes a political issue, state and federal politicians blame each other. They then find some money, often by cutting another budget and allocate it as 'an initiative to reduce hospital waiting lists for surgery'. The surgeons go from not being busy to working frantic hours. Just as they have dealt with the worst of the backlog and are reaching a steady workflow with an acceptable waiting time, hospital budgets are tightened, surgeons' fee for service programs are curtailed and the whole cycle starts over again.

The simple fact is that structural flaws preclude government ability to manage service delivery effectively in many areas. Just ask any dentist who has worked in a government dental clinic as well as private practice for an objective comparison.

The failed socialist experiment

After World War II, that part of Germany which was occupied by the USA, Britain and France became West Germany and developed as a capitalist, free market economy. That part of Germany occupied by Soviet troops became East Germany and adopted socialism. Eventually the differences in the standards of living of those living in the West became so much greater than that of the East that no amount of Communist party propaganda could mask the difference. Similar problems occurred across the Soviet satellites of Eastern Europe. Eventually the Communist party could no longer hold onto power and the Berlin Wall was torn down. The people in the East no longer had to drive bomb cars known as Trabants, but could work hard and buy BMW and Mercedes Benz vehicles. Gradually, East Germany became integrated into what is now Germany and there is no appetite to return to their former socialist state.

There is always the potential danger that in a world of Canberra public servants and politicians who aspire to announce new initiatives, government will embark into areas beyond its competence and beyond its long-term budgetary capacity to fund properly. Since it can no longer fully fund a whole range of medical services which were originally intended to be free under Medicare, it is abundantly clear that it does not have the capacity to provide a well-run, fully funded universal dental scheme on a long-term basis. Were such a scheme to come about during the years between its establishment and its inevitable long-term demise, the standard of dental care would fall for the majority of the Australian population.

The reality is that the vast majority of Australians are best able to spend their own money and make their own choices across a wide spectrum of services. The Canberra bureaucracy does not have the wisdom to provide comprehensive services across a whole range of areas, as has been demonstrated repeatedly by the failures of programs set up by the federal bureaucracy as government initiatives. For example, the now notorious ceiling insulation scheme or the green loans scheme or the building the education revolution scheme which misspent large sums of money. It is true that to some degree each of these schemes would have provided some benefits, but each had substantial flaws and each was administered by a federal government department; sometimes with the assistance of state government departments.

There is no logical reason why a government of any political

persuasion must fund dental services for all Australians. Such an arrangement can only result in massive dead weight economic losses and is not in the national interest. However, a very tightly targeted scheme for the very needy remains appropriate. This is best funded by restricting the issue of healthcare cards to every age pensioner couple who qualify, even though they may live in a $1.5 million house and have $800,000 or more of investment assets. Since Centrelink, as part of its pension entitlement administration regularly reviews recipients' assets and income, it is a relatively easy matter for government to dial down the threshold point of assets at which they issue a healthcare card. They can then pay for the essential dental care of the genuinely needy out of the savings gained from the more stringent issue of healthcare cards. Such an approach is anathema to the bureaucrats who want universal schemes for everybody. However, the bureaucrats have long confused their own aspirations and future promotion opportunities with the genuine needs of the Australian populace. Left too unchecked, bureaucracy becomes a threat to democracy.

Our democratic political system, with all its imperfections, is probably the best political system we're ever going to get, but periodically it indulges in excesses and inevitably periods of government where grand schemes are set up and excessive expenditure occurs are necessarily followed by periods of budgetary tightening and more austere management.

Urgent actions required

Given the vast increase in the numbers of dentists as evidenced by the latest numbers of registered dentists put out by the Dental Board of Australia, urgent action is required to:

1. Curtail dental immigration programs; and
2. Review the number of dental student places in dental schools and restrict numbers to the long-term steady state need.

Since the dental numbers have blown out because of the actions of health bureaucrats, it is unlikely that those bureaucrats are going to admit that they got the numbers wrong without sustained pressure from the dental profession. An appropriate step would be for the Australian Dental Association to undertake a national study of the numbers of underemployed dentists and underutilised dental surgeries and produce irrefutable evidence of the oversupply of dentists. It is likely that not until such evidence is undeniable will politicians demand bureaucratic action to reduce the numbers of dentists entering the system to a long-term steady state need.

For further information on this subject refer to my article *The ramifications of the introduction of a universal government dental scheme* in the March/April 2010 edition of this magazine.

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