

The dental numbers disaster of 2013

By Graham Middleton, BA, MBA



“Students beginning dental school in 2014 are likely to graduate to an unemployment queue at the end of their courses in 2018...”

Australian dentistry is facing its biggest crisis in the practising memory of dentists. It is now realising the extent of the damage perpetrated on it by scheming Canberra bureaucrats and political failure.

There can be little doubt that the profession would be in much better shape today if Canberra-based bureaucrats didn't constantly interfere. The Canberra-centric bureaucracy has a core belief that it knows what is best for the nation, but in reality its true belief is “what is good for the Commonwealth public service is good for Australia”. Hence the Department of Health, which actually treats no patients, believes it is better suited to run hospitals than the state health departments which actually have been running hospitals since the beginning of state government.

Our weird federal budgeting system

Our system of budgeting requires that Commonwealth departments regularly give up 1% or 2% of the budgets in a so-called efficiency dividend, with that money recycled and added to the next budget pool to fund “new government initiatives”. Cabinet ministers regularly exhort their departments to dream up new initiatives which they can take to cabinet. If successful, these departmental initiatives become government policy initiatives and are announced and re-announced on numerous occasions for government political purposes. The

department which is good at arming their minister with new policy initiatives and facts to back them up may win back a lot more in funding than it loses by way of efficiency dividends. There was a heavy element of truth in the British television series *Yes Minister*, which demonstrated how effectively the bureaucrat Sir Humphrey Appleby was able to “capture” his minister, Jim Hacker.

The influences of the left

A national Denticare scheme akin to a Medicare scheme has long been a part of the extensive wish-list of those on the left of politics, particularly the Greens. The further left, the longer their wish-list becomes. The far left always believe that its grandiose visions can be funded by heavier taxes. They also have an intrinsic belief in government's ability to regulate every nook and cranny of our economy, oblivious to the fact that doing so drives businesses offshore, stifles initiative, destroys the economy and leads to unemployment of the very people that it espouses to be most concerned about looking after.

The bureaucratic vested interest

If a group of public servants in the health department are able to successfully persuade their minister, who in turn persuades cabinet, to initiate a fully funded national dental care scheme, then such a scheme would require a substantial number

of federal public servants to administer it. The section of the health department responsible for dentistry would grow into a much bigger division to administer the scheme and there would be an increased number of higher-ranking senior positions which would likely be filled by the architects of the proposal. They get to be promoted and to preside over a large number of subordinates. That's the way bureaucratic empires are created in state and federal public services. The fact that they become a significant cost item in a budget is overlooked. Federal programs are administered by Canberra-based Commonwealth public servants. Some public servants are children of public servants who then marry other public servants and whose children espouse to join the public service. It's a bureaucratic tribe all of its own.

The health bureaucrats advocating the national dental scheme had assiduously gone about increasing the numbers of dentists on the basis that they would need a bigger workforce to carry out all the dental treatment which would be demanded by the public when the nirvana of free treatment arrived. Unfortunately, the wheels fell off Treasurer Swan's budgeting and it became apparent that a national dental care scheme could not be fitted into either the current budget or the forward estimates. However, the aspiration remained alive as demonstrated by the report of the National Advisory Council on Dental Health, where a majority view indicated an aspiration for a national scheme funded by a progressive taxation system. It is probable that the minority view was that of the ADA member. It got worse as the poorly designed Medicare Chronic Disease Dental Scheme (EPC), which had carried over from the Howard government days, had long been earmarked as an offset. Due to budgetary pressures, this scheme was axed with a one-year plus delay on a replacement scheme. As the government budget position has worsened significantly, a new scheme may not occur. Furthermore, a federal election is to occur before such a scheme arises. If, as appears possible, a Coalition government gets elected, its only concern is to slightly increase funding for treatment of those on public dental waiting lists. Even that may have to wait, as the rapid increase of government debt and successive budget deficits make it likely that an incoming government would undertake no spending initiatives until after it has had an extensive audit of Commonwealth finances and identified substantial savings.

The impact on dentists

The Medicare CDDS was running at about \$1 billion per year. I have talked extensively with dentists and it is apparent that this can be divided into two categories of treatment.

Category 1: two existing patients of dentists who obtained a medical GP's referral under CDDS and took it back to their normal dentist. These patients will probably be prepared to pay for follow-on treatment since they have a past history of attending that dentist's surgery and paying for treatment.

Category 2: these are patients who hadn't been to a dentist for years and only attended because it was free. In many cases, they were obviously able to afford dentistry, but had not prioritised dental care. When they learned via community groups that if they went to particular doctors they could receive a Medicare funded voucher worth \$4250 for dental treatment under the CDDS, they happily lined up for the free handout. Of course, some people who couldn't afford the treatment and who really needed it weren't sufficiently connected to learn about the program and

were effectively elbowed out of the queue by those who learned of it. When dentists advised many of these patients that they needed to extend the treatment beyond that funded by CDDS, they were told that they were not prepared to pay and would wait for another government handout.

That's always been a problem in that government hand-outs breed an additional level of dependence beyond the deserving poor.

Patients in category 1 will probably remain patients, but those in category 2 won't. Thus far our initial estimates are that about half of the CDDS patients fall into each category, which suggests that about \$500,000,000 of dental fees have been removed from the profession. This equates to 1000 dentists generating \$500,000 each. We acknowledge that some dentists generate substantially higher fees and some a good deal less, but there are a great number of dentists grossing around \$450,000-\$550,000 per annum. As a rough estimate, cancelling the CDDS will mean that 1000 average dentists become unemployed or, alternatively, 2000 full-time dentists become part-time dentists. In reality, there are widely differing effects depending on the proportion of CDDS in a practice and how recently the practice had been established. We have heard of estimates of practices with as much as 90% of fees which would almost certainly have been from new patients unlikely to pay for follow-on treatment, while at the other extreme there are practices with only a tiny amount and all of that from existing patients who produced a form from their doctor.

Other numerical forces

The Graduate Careers Council of Australia figures show that the number of dentists in full-time employment approximately four months after graduation have been:

2006	97.3%
2007	95.3%
2008	93.2%
2009	93.8%
2010	93.6%
2011	93.9%
2012	83.6%

This tells us that employment deteriorated markedly for those dentists who completed their training in 2011 and were seeking employment in early 2012. It was clear from that data that job vacancies had disappeared. We don't yet have the figures for the 2012 graduates, but anecdotal evidence from dentists and some recent graduates indicates that graduates at the end of 2012 have been lucky to achieve even part-time employment as dentists, with a multitude unemployed and having great difficulty in finding jobs in dentistry, as they are competing with dentists displaced by the closure of the Chronic Disease Dental Scheme. It has also been apparent that overseas trained dentists completing the Australian Dental Council exams have been having increasing difficulty in obtaining employment, with some applying for chairside assistant jobs.

Dentists increasing faster than population

The oversupply of dentists has been compounding as the number of dentists and dental auxiliaries being produced has been growing at a rate which far exceeds population growth. According

to the Australian Institute of Health and Welfare, between 2006 and 2011 the number of dentists employed in dentistry increased from 10,404 to 12,734 i.e. a compound annual increase of 4.12% per year. Several dental schools were yet to produce their initial graduates in that timeframe.

The number of commencements in dental schools increased from 335 in 2007 to 542 in 2011, a compound increase of 12.78% per annum over a four-year period.

The number of completions increased from 164 to 362 over the same period, a compound increase of 21.9% per annum, but again some dental schools were yet to graduate their initial classes.

Dental auxiliary course enrolments increased from 903 to 1264 over the four years to 2011, a compound annual increase of 8.77%.

Overseas trained dentists sitting Australian Dental Council exams are additional to these numbers. Recently about 250 have been qualifying at ADC exams.

The total dental population, including auxiliaries, increased from 15,258 in 2006 to 18,803 in 2011, representing a compound annual increase of 4.27%. With some newer courses yet to graduate, the rate of increase is set to accelerate. Simple extrapolation indicates that the total number in 2013 would be about 20,443 but it could be higher.

Australian population growth

The Australian population grew at an annual rate of 1.52% in the five years to 2011, so the dental population is growing at about three times the rate of growth of the population.

It is inevitable, given the above figures, that the employment of recent graduates would hit the wall, which it did in 2012 with graduates looking for employment at the beginning of 2013 suffering a far worse situation because of the Medicare CDDS closure.

How many dentists are now unemployed?

If we make the assumption that two part-time dentists are equivalent to one fully employed dentist plus one unemployed dentist, then the combination of the impact of the ceasing CDDS and of the overproduction of dentists indicates that there may be the equivalent of 1200 to 1500 qualified dentists who are unemployed as at March 2013.

Some of these may be employed in non-dental occupations, having given up the search for dental vacancies. It is inevitable that where dental vacancies disappear, some leakage will occur from the dental profession to other callings. As significant unemployment in the dental profession is a recent phenomenon, it is too early to assess what the long-term wastage rate will be. The recent Health Workforce Australia report titled *Health Workforce by Numbers - Issue 1, February 2013*, indicated that the number of dental students who completed courses leading to provisional registration were:

2003	227
2004	220
2005	230
2006	228
2007	193
2008	351

2009	475
2010	426
2011	430

Students commencing courses leading to provisional registration as dental practitioners have been:

	Local	Int'l	Total
2007	336	72	408
2008	444	75	519
2009	515	113	628
2010	440	63	503
2011	504	96	600

It should be noted that overseas students are now permitted to remain in Australia and practice on graduation and it is expected that most will.

The number of permanent visas granted to overseas dentists including specialists was:

Financial year	No.
2007	104
2008	92
2009	156
2010	202
2011	173
2012	216

These numbers do not include dental hygienists, technicians or therapists.

In addition, temporary 457 visas granted to dentists and specialists numbered:

Financial Year	No.
2007	100
2008	161
2009	157
2010	145
2011	155
2012	167

Why the 457 visas?

457 visas have been a topic of contention recently for other reasons. Essentially, 457 visas are granted to an employer who cannot get skilled workers in Australia. Given the rapid increase in the dental workforce, it begs the urgent question as to why 457 visas are being granted to dentists. In the 2011/2012 financial year, a total of 375 permanent visas for dentists, dental hygienists, therapists and technicians were granted and a further 246 temporary 457 visas were granted for these categories. There can be no surprise that many dentists who graduated in 2011 had not found work four months later, or that 2012 graduates are, in many cases, unemployed.

Out of date data

One issue is that collection of basic numbers is quite slow. Most figures represent calendar years and are released one calendar year behind the present, while even the financial year figures are to 30 June 2012 at the latest. Bodies such as Health Workforce Australia need to be much quicker at collating and disseminating data. Too many decisions are being made or postponed because of out-of-date numbers. Is it really too hard for HWA

to determine from the Dental Board of Australia how many dentists are registered one month prior to putting out a report with numbers?

What we don't know

We are uncertain as to the precise break-up of unemployed dentists vis-à-vis dentists forced to work part-time but wishing to work full-time and we acknowledge that some dentists working part-time don't wish to work full-time.

We don't know the precise flow-on impact of the Medicare CDDS ceasing at this stage. Those practices with a lot of CDDS patients would have worked very hard to clear the work so that they could bill it prior to the cessation on 30 November 2012. To do that they in turn would have pushed back non-CDDS patient bookings into December. Their longer-term patient book didn't become apparent until several weeks into 2013 and hence the worst of the unemployment and underemployment arising from cessation of this program would have begun to be felt in February and March 2013.

Vacant surgeries and spare equipment

From talking to many dentists, we know that there are a multitude of equipped operatories which are lying unused and many more which are only used for a day or two a week. All substantial population centres have a surplus of dentists and many dental practices have surplus surgeries and spare equipment.

To have the true evidence to push the government, it will be necessary for the ADA to collect the above data.

The role of the Australian Dental Association

It's been apparent for about five years that Australia has been headed for a surplus of dentists, with early indicators being the drying up of country locum vacancies and a proliferation of practice start-ups in areas as diverse as Geelong, Darwin and north-west Sydney. Only recently, however, has the ADA compiled substantial information and begun lobbying government more vigorously. This is great, but it's also a case of shutting the gate after the horses has bolted.

The oversupply of dental labour is the most substantial issue facing the dental profession for the future and vigorous action is needed to force the government to cease dental immigration programs and reduce the funding for dental places across dental schools to realistic numbers.

Inevitably, in the very long term, some form of equilibrium will occur as dentistry gets a bad name as a profession to enter and hence students cease applying for first year dentistry. However, it will take years for any such effect to flow back across dental numbers.

What of the dental corporates?

The explosive growth in dental corporatisation is now visibly past its zenith. Dental Corporation Ltd, which borrowed heavily to fund its practice acquisitions, was on-sold to Fortis Global, a Singapore company whose ultimate owners were the Indian Singh brothers. It has more recently been announced that Fortis Global have on-sold Dental Corporation to British-owned health insurer BUPA. The dentists who sold their practices to Dental Corporation would have overwhelmingly had non-preferred provider practices, but if they are still employed as lead dentists in

their old practices, they are now working for a health insurer! Furthermore, many of the early vendors had reached the end of their initial contracted employment period, generally five years, and a lot of them had been re-contracted but they are now obligated to produce a much lower EBIT. In other words, their continued presence in the practices is based on a lower profitability assumption. If I was a shareholder in an organisation which had reached that stage, it would hardly make me confident of its long-term profitability.

The other dental corporates will also face strains as the pressure of dental numbers leads to a degree of over-servicing across the profession and a spread of discount practices. To date, the corporate which has handled the situation best has been 1300SMILES, but we predict that it too will face declining return on equity if it continues to expand by buying practices outside its home base of Queensland.

Future students will graduate to unemployment

Students beginning dental school in 2014 are likely to graduate to an unemployment queue at the end of their courses in 2018. Those contemplating enrolling in dentistry courses next year need to be aware that due to the number of undergraduates already studying dentistry who will graduate over the five years between 2013 and 2017, the dental employment situation will grow much worse by the time that they expect to graduate. It is likely that this will occur even if dental immigration is cut out entirely as the pool of overseas trained dentists already here and studying for the Australian Dental Council examinations or re-sits of examinations will mean substantial dentists entering the workforce from this source as well as from the nine dental school programs now running. Simple extrapolation suggests that at the beginning of 2019, when these graduates hope to enter the dental workforce, the proportion of dentists and dental auxiliaries to population will have grown to one per 987 as compared to a current figure of about 1 to 1223. It beggars belief that jobs will be available for the graduating class of dentists of late 2018.

Tables of graduate salaries in the national press showing that dental graduates earn \$90,000 per year are misleading, as many graduates are either unemployed or only have part-time work. With dental numbers growing at a much faster rate than the population, those commencing dentistry in 2014 will graduate into a situation of worsening unemployment of dentists. Unless they have a parent who is a practising dentist prepared to create a space for them in their practice, most will have great difficulty in obtaining dental employment. Despite this, there are attempts by some dental schools to expand their course numbers and even a 10th school looking to start up!

Why Synstrat?

Dentists have asked why Synstrat took up this cause. The answer lies in the fact that we talk to dentists across Australia on a daily basis about accounting, practice performance, practice business issues and practice valuation matters and that several years ago, it became apparent that a surplus of dentists was building. Nobody seemed to be concerned and indeed the ADA seemed afraid to deal itself into the issue until comparatively recently. It was obvious to us that at some point many dentists were going to be adversely affected and since services to dentists are a major component of our business, we needed to highlight the issue.

About the author

Graham Middleton personally has been advising dentists on strategic, practice management, valuation and conflict resolution processes for 25 years, the last 18 as a partner and director of Synstrat Management Pty Ltd and Synstrat Accounting Pty Ltd. He was once a regular army officer and later Director Human Resources Manager, Attorney General's Department of Victoria. He is considered an expert on dental practice valuation and practice performance benchmarking and has spent many years advising dentists in respect of their business and financial strategy and measuring their practice and financial performance. He is the author of the Synstrat Guide to Practice Management, 50 Rules of Success as a Dentist and Buying & Selling General & Specialist Dental Practices. He is also a long-term contributor to Australasian Dental Practice. The Synstrat Group is an independent data-based organisation providing management, benchmarking, valuation, financial and accounting services to the dental profession. Synstrat Management Pty Ltd is a Licensed Dealer owned by its directors who work within the Synstrat Group. For more info, call (03) 9843-7777, see www.synstrat.com.au or email dental@synstrat.com.au