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Commonwealth funding of dental services

Eleanor Malbon and Melanie Conn
Social Policy section

Issue

Australians spend over $7.6 billion a year on dental services, which are not covered by Medicare. Nearly a fifth of Australians have delayed or avoided necessary dental care due to cost. This scenario has led to increased calls for the Australian Government to provide additional funding or add dental services to Medicare. Historically, there have been contested views about Commonwealth funding to improve dental service affordability and access, and the way forward is still being debated.

Key points

- Most dental services in Australia are funded by individuals, with some assistance from private health insurance.
- State and territory governments deliver targeted public dental services to children and concession card holders.
- The Australian Government contributes funding towards basic dental services for eligible children. It also supports state and territory dental services through public hospital funding and indirectly through the private health insurance rebate.
- The history of dental funding reform is largely a sustained debate over the Commonwealth's role and includes discussion about universal versus targeted approaches.
- While cost is a major barrier to reform, opportunities for targeted approaches exist, such as for seniors and Aboriginal and Torres Strait Islander peoples.

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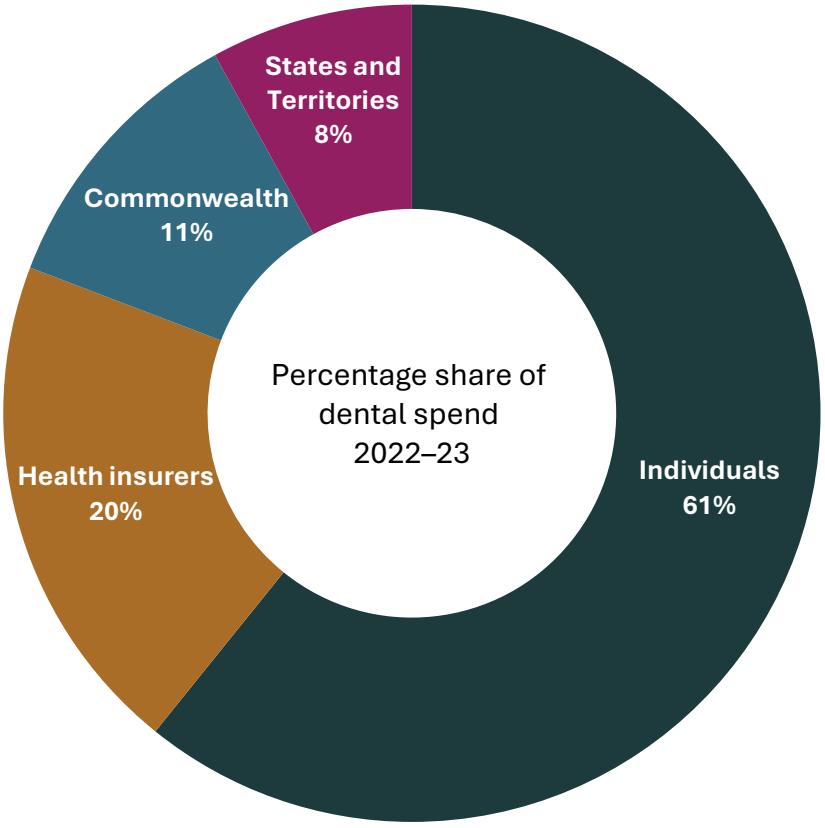
Context

Who pays (and can't pay) for dental services?

In 2022–23, $12.5 billion was spent on dental services in Australia. Individuals spent more than $7.6 billion, health insurers close to $2.5 billion, the Commonwealth nearly $1.4 billion, and state and territory governments nearly $1 billion (Figure 1).

Concern about dental affordability and access is long-standing. The Australian Bureau of Statistics reports that in 2023–24, 17.6% of people delayed or avoided seeing a dental professional due to cost (Table 14.3). This was exacerbated for people in areas of most socio-economic disadvantage (27.3%) or with a long-term health condition (20.8%) [see Table 15.2].

Figure 1 **Percentage share of dental spend 2022–23**



Source: Parliamentary Library graph using data from the Australian Institute of Health and Welfare.

Current arrangements for Commonwealth funding of dental services

Table 1 outlines key current Commonwealth dental funding arrangements.

Table 1 Selected Commonwealth funding for dental services

Activity	Description	Mechanism	Level of funding	Number of people benefitting
Child Dental Benefits Schedule (CDBS)	The Commonwealth provides means-tested capped benefits (up to $1,132[a] over 2 years) for basic dental services (excludes orthodontic, cosmetic or in-hospital dental services) delivered by private or public providers to children aged 0–17 years.	*Dental Benefits Act 2008* Dental Benefit Rules 2014	Estimated $325.9 million in 2025–26 (p. 76)	In 2021, 2,607,949 children were eligible; 959,517 used the CDBS (36.8%) (p. 13).
Funding to the states and territories for adult public dental services	The Commonwealth provides funding to the states and territories to support the delivery of additional public dental services to eligible adult dental patients.	Federation Funding Agreement – Health – Public Dental Services for Adults 2023–25[b]	$107.8 million in 2025–26[c] (p. 43)	Up to an additional 180,000 eligible dental patients are funded per year (based on 2023 figures).
Contribution to public hospital funding	The Commonwealth contributes funding to states and territories for each episode of public hospital dental services (admitted and outpatient).	National Health Reform Agreement	Estimated $178.8 million in 2020–21; $125.4 million in 2021–22 (calculated from Table 1)	Not available.

Activity	Description	Mechanism	Level of funding	Number of people benefitting
Private health insurance (PHI) rebate	The Commonwealth provides an income-tested rebate to help meet the costs of premiums for hospital, general treatment (including dental) and ambulance policies.	*Private Health Insurance Act 2007*	Estimated $825 million in PHI rebate paid out in dental claims in 2022–23 (Table A3)	Precise numbers of people accessing dental rebates are not routinely published, but 55.1% of the population (more than 15 million people) have general treatment (extras) cover. Singles earning above $158,000 and families earning above $316,000 are not eligible for any rebate.
Rebates for veteran gold and white card holders	The Commonwealth provides rebates to providers via the Veterans dental schedules. Veteran Gold Card holders receive treatment based on clinical need, and Veteran White Card holders receive treatment in relation to accepted disabilities.	*National Health Act 1953*	Estimated $90 million in 2022–23 (Table A3)	Precise numbers of veterans accessing dental rebates are not routinely published. As at September 2023 there were 104,543 Gold Card holders and 89,273 White Card holders.

a Benefit cap if 2025 is the first year of the 2-year period. The cap amount is indexed yearly on 1 January.

b The 2025–26 Budget provided $107.8 million in 2025–26 to extend the existing agreement to 30 June 2026 (p. 52). An amended agreement has not been published.

c Under successive agreements, annual funding has remained largely constant since 2017–18.

The Medicare Benefits Schedule funds some limited dental-related services, such as treating patients with an eligible cleft and/or craniofacial condition. In 2024, this incorporated approximately $9.6 million in benefits. The Commonwealth also provides grants (pp. 2–3) to:

- Royal Flying Doctor Service dental outreach services (around $5.8 million per year),
- population health dental research studies (estimated $2.3 million between 2023–24 and 2025–26)
- some targeted funding for Aboriginal and Torres Strait Islander people.

History of Commonwealth funding for dental services

Over the past 50 years, Australian governments have introduced and abolished a range of dental initiatives. In 1946 a constitutional change gave the Commonwealth powers to legislate with respect to providing dental services. However, successive Australian governments have generally regarded public dental services as state and territory responsibilities:

- The 1973–74 Federal Budget provided funding for a national school dental scheme (p. 78) but it was subsequently abolished in the 1981–82 Budget.
- Dental services were excluded from Medicare and its predecessor, Medibank, which commenced in 1975. Former Department of the Prime Minister and Cabinet Secretary, John Menadue, reported this was due to cost and anticipated resistance from the dental profession.
- In 1994 the Federal Government introduced the Commonwealth Dental Health Program, providing funding to the states and territories towards emergency and general public dental services. This was abolished from 1 January 1997 on the basis that the program had met the original target of 1.5 million people (p. 75).
- The 2004–05 Federal Budget included an Allied Health and Dental Health Care Initiative as part of the MedicarePlus package (p. 208). This provided for up to 3 annual dental consultations for those with dental problems significantly exacerbating chronic medical conditions. In response to low take-up rates, the 2007–08 Budget expanded benefits (pp. 9–10).
- In June 2008 the Government legislated a Medicare Teen Dental Plan; however, the Senate blocked its efforts to replace the previous Commonwealth dental scheme with a new promised program. The Coalition supported the existing scheme, while the Greens called for additional government funding for those with chronic illnesses (p. 2). An eventual compromise led to a National Partnership Agreement, providing additional funding to the states and territories, and an expanded CDBS replacing the Teen Dental Plan. These negotiated reforms reflect the Commonwealth dental commitments in place today.
- In 2016, the Federal Government proposed a new Child and Adult Public Dental Scheme for concession card holders to replace the CDBS and National Partnership Agreement. The Commonwealth would contribute 40% of funding (capped to CPI growth and

population after an initial transition period) but the states and territories would be responsible for program delivery (pp. 102–103). Following criticism from dental stakeholders and the Opposition, and a lack of support from some states, in December 2016 the Health Minister announced the proposal would not proceed.

Reform debate

Brief history of reform proposals

Alongside these practical reform challenges have been the more conceptual arguments regarding the Commonwealth's role in funding dental services. Some advocate for dental services to be a universal entitlement incorporated into Medicare. Others have argued for more targeted schemes providing free or low-cost dental services based on need.

Several inquiries have explored extending Medicare to include dental treatment based on universal access principles. These include the Layton inquiry in 1986, 2 Senate inquiries (in 1998 and 2003) – and a House of Representatives inquiry in 2006. The most recent is the 2023 Senate Inquiry on the Provision of and Access to Dental Services in Australia.

Proposals for targeted access to dental services involve limited free or subsidised access based on means-testing or population features such as age. The CDBS uses this targeted approach, which provides a potential delivery model.

Examples of targeted access proposals include the Australian Greens' 2011 plan to phase in Medicare-funded services over 5 years, giving priority to children and teens, the elderly, low income earners and those with chronic diseases. The Greens reannounced versions of this policy in 2013, 2016 and 2019. The 2012 report of the National advisory council on dental health canvassed a range of targeted arrangements, and several Senate inquiries have also recommended targeted approaches, including in 1998 and 2023.

The Royal Commission into Aged Care Quality and Safety (Recommendation 60) and the 2023 Senate inquiry (Recommendation 13) recommended a Seniors Dental Benefit Schedule modelled on the CDBS.

Universal access proposals to basic dental services, such as check-ups and fillings, have included:

- the Australian Democrats policy in 2004
- the National Health and Hospitals Reform Commission report to government in 2009
- the Australian Greens' 2022 and 2025 proposals to include primary dental services in Medicare.

What now?

The costs of increasing public access to primary dental services are regularly cited as a major barrier to reform in Australia. These costs are significant, with the Parliamentary Budget

Office estimating that including dental in Medicare could cost $45 billion over 3 years from 2025–26. Additionally, a specific seniors scheme across 10 years from 2024–25 could cost $15.6 billion capped or $19 billion uncapped (pp. 17–20).

During the 2025 election campaign, Prime Minister Anthony Albanese stated that the argument against fully including dental into Medicare was 'economic' (pp. 9–10). Minister for Health and Ageing, Mark Butler, expanded on this at a press club debate (pp. 12–13):

> ...although Labor has in its platform and [sic] ambition to bring dental into Medicare more broadly, we don't have the capacity to do that in the immediate future. ... [W]hen we were last in government, we introduced a Medicare style funding system for kids from families receiving family tax benefit. That's working terrifically well... There is a recommendation to consider an equivalent style scheme for seniors that would be interesting to look at. Very expensive, but interesting to look at.

Commonwealth, state and territory health officials have also been discussing dental funding reform, including options for public dental arrangements that better meet the needs of seniors and Aboriginal and Torres Straight Islander peoples (p. 2).

Debate continues on the future of dental funding reform, including on whether to pursue universal coverage or continue refining targeted schemes, and how to best address growing concerns about access to essential dental care for vulnerable groups.

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