



## COST OF COMPLIANCE FOR AUSTRALIAN DENTAL PRACTICES

### Introduction

A study conducted by Access Economics has found that the average core cost of regulatory compliance is \$64,200 for each dental practice in Australia. This cost increased by \$14,000 over a one year period.

### Background to the study

In response to the frustration experienced by dentists with the increasing amount of regulatory 'red-tape', Access Economics undertook an analysis of the cost for Australian dental practices of complying with various government regulations.

It was recognised by dentists that dental practices are subject to a large and varied amount of regulation that does not generate any significant benefit to the community. Particular areas of concern related to some of the unnecessary compliance burden associated with aspects of occupational licensing, record-keeping, administration, infection control and other environmental regulations.

To understand the cost of compliance, the study compared:

- what happened prior to the regulation;
- what would happen if the regulation were removed; and
- what happens where regulations differ, for example, across States/Territories.

### Part one — incremental costs

Access Economics' initial study identified compliance costs as those 'incremental' costs that would not be undertaken in the absence of regulation. This methodology excluded those costs that would be associated with the appropriate operation of a proper dental practice. It therefore identified those costs which were imposed by regulation but which resulted in no apparent benefit to the quality of care delivered by the dental surgeon.

The estimate of the cost of these incremental compliance costs for dental practices ranged from \$13,500 to \$14,300 per practice depending upon the practice location. It was estimated that an Australia-wide average of \$14,000 per annum was incurred. *It was then estimated that the 'incremental' cost of compliance nationally for private dental practices was \$61.1 million per annum.*

Of the costs identified, it was estimated that 41% were associated with business regulation, 34% with environmental regulation and 19% with infection control.

### Part two — total/gross costs

At the same time as reporting these results, Access Economics indicated that the nature of the study suggested that the figures quoted would represent a significant understatement of the total compliance cost of a dental practice.

This led to the second stage of the study, which examined the 'total (or gross)' regulation-related costs of conducting a dental practice. This included regulatory costs incurred by businesses in complying with requirements such as:

- educating staff to keep abreast of regulation requirements;
- staff time needed to comply with regulations;
- hiring of any additional staff required to meet the additional administrative burden;
- the non-staff component of maintaining and developing compliance systems such as clinical equipment, additional consumables or IT software; obtaining external advice (lawyers, accountants, architects etc); and any associated costs of advertising, travel and the like.

*Part two of the study indicated that the gross regulation-related cost for dental practices in Australia averaged \$64,200 per annum.* This equated to a total regulation-related cost for dental practices across Australia of \$301.7 million. Of these costs 40% were associated with infection control; 30% with business regulation and 11% with continuing education and development.

### Concluding remarks

The studies concluded that while dentists are generally supportive of regulation, there was growing concern that rising compliance costs ultimately lead to increased costs of providing dental care.

Regulatory burdens on dental practices must be continually reviewed to ensure there is a clear beneficial relationship between imposition of regulation and patient benefit and safety. The ADA calls on all regulatory authorities to accompany new regulations with a cost/benefit analysis.