Summary - Dental care market in Sweden

The Swedish Competition Authority has, at the Government’s request, analysed competition in the dental care market in Sweden and reviewed competitive differences between private care provision and public provision. Public dental care is provided by county councils under the National Dental Service (NDS).

Prices for adult dental care have increased by an average of at least 55 per cent since 1 January 1999, when price controls were abolished. Deregulation removed the fee ceiling for dental care imposed by the Government. Establishment control was also abolished. The fee scale that applied prior to this reform was established by the Government on 1 October 1997. Since then, the Consumer Price Index has risen by 7 per cent.

The free pricing system has been in place for five years, and the rate of price increase has slackened after an initial surge. This may indicate that the price level is in the process of stabilising.

Free pricing has allowed county councils to finance adult dental care without having to resort to subsidies drawn from revenue, and it has also enabled care providers to make needed investments and to enhance skills. In this regard, the reform programme could be described as a success. Some county councils dispensed open subsidies so that the NDS could continue to apply the regulated fee scale and not over-charge or treat patients unnecessarily. The fact that the expected surplus of dentists failed to materialise, and that the NDS experienced a shortage of staff instead, further contributed to the price increases by pushing up salaries.

Price trends are crucially dependent on how efficiently competition works in a given market. The Competition Authority’s analysis
shows that significant problems are present in the dental care market:

- Consumers often lack the information they need in order to make informed choices between care providers and types of treatment.
- Private dental care and the care provided by county councils (the NDS) do not operate under the same competitive conditions.
- Regulations affect competitive neutrality between the NDS and private dental care.
- The rules concerning staff competence limit the supply of dental services.

Information

The Competition Authority largely supports the proposals concerning price information put forward by the Swedish Consumer Agency (2003). These require care providers to give patients a written plan of treatment containing details of treatment alternatives, prices and the estimated total cost, and to specify the treatment recommended by the dentist. Under the proposals, care providers must also supply the patient with a price list to take home. In addition, patients must be able to compare the price list with the cost items both on the dental care receipt and in the plan of treatment without any great difficulty. The price list should further include information on how patients can lodge complaints. In the case of routine dental visits, written notices to attend should include details of what action is to be taken during the visit and the prices involved. Under the proposals, dental care providers would be required to submit details of their prices to the National Social Insurance Board (RFV).

In addition, the Competition Authority proposes that care providers’ price information be made available on the Internet and that the RFV
should be given responsibility for monitoring provider compliance with the price information rules. The question of whether the duty to supply information ought to be linked to economic sanctions should also be addressed.

**Competitive conditions**

County councils are required to plan dental care provision and offer quality dental care to residents in their geographical area. They are responsible for child dental care (provision to children and young people under 20), for specialist dental care, for the general dental care of adults to whatever extent is deemed appropriate, and for dental care to certain specific groups. Child dental care is financed by the county councils, but most of them apply a customer choice model that allows children and their parents to choose a private provider should they prefer. The special tasks that the county councils are required to perform impose heavy demands on their care programmes, and the extra costs to the NDS are often significant. If competitive neutrality is to be achieved between private and public dental care, the NDS must be compensated for this additional burden. Such compensation must not, however, exceed the total costs for the special tasks performed by the NDS. Otherwise it would constitute a form of subsidy that would distort competition between the NDS and private dental services.

Competitive conditions also differ due to the fact that the NDS is an administrative division of the county council structure while private dental care is operated by independent enterprises. The NDS cannot decide for itself what prices to charge for adult dental care, which means that it cannot as easily make swift price adjustments in response to new competitive conditions. Nor can the NDS compete on prices at local level, as prices must be uniform throughout the county council sphere, in accordance with the equality principle enshrined in the Local Government Act. Private enterprises have an advantage in such areas as the freedom to choose where to trade,
choice of clientele and fields of specialisation, and can also allocate profits, adjust salary scales and decide company dividends to achieve the greatest possible benefit in fiscal terms. Differences that are due to the provider being a county council administration or a privately owned enterprise can be reduced by means of organisational changes and by revising the rules governing both county council decisions on fees and county council accounting.

The Competition Authority takes the view that at organisational level all county councils should separate administrative duties from dental care provision. The NDS should be organised as a separate legal entity. The Competition Authority proposes that the Dental Care Act be amended to enable county councils to delegate decisions concerning fees for adult dental care to a special committee or board. Special regulations should be introduced under which county councils would be required to render separate accounts for their dental care and its various activities. County councils should purchase dental care via the procurement process to a greater extent than at present.

Regulations affecting competitive neutrality

The high-cost protection available to over-65s as part of the Swedish dental care insurance scheme includes a pre-assessment according to which patient fees may not exceed NDS prices in the county council area where the care is provided. The high-cost protection system applies to all prosthetics, i.e. crowns, bridges, implants and removable dentures. This ceiling works to the detriment of private dental care if county councils do not fully recover their costs for prosthetic treatment themselves.

The Competition Authority takes the view that this form of price control should be replaced by a pre-assessment that is competitively neutral, and proposes that the form and design of such an assessment be given closer consideration.
Dental care is not liable for taxation under the Value Added Tax Act. But as a result of the local government VAT refund system, county councils are reimbursed for VAT paid in connection with purchasing in non-taxable areas of activity. The system is designed to level the playing field when county councils and municipalities choose between providing services under their own management and procuring such services from external entrepreneurs. Private businesses in the dental care sector are not awarded any compensation, and input tax thus becomes a cost to them. This distorts competition between public activities and private enterprises in dental care when activities are directed at individual consumers.

The Competition Authority proposes that the National Dental Service be exempted from the local government VAT refund system. The best way of eliminating distorting effects on competition, however, is to extend VAT liability to areas that are currently exempt. For the time being, though, the EU’s Sixth VAT Directive (77/388/EEC) would appear to preclude such a solution in the case of dental care. Sweden should actively seek to bring about a change in the Directive so that value added tax can be introduced for adult dental care.

Staff competence

There are certain professional groups in the dental care system whose duties complement those of dentists and who can or should be able to perform such duties in competition with them. The Competition Authority feels there is good reason for allowing dental hygienists greater freedom to provide dental care, and proposes that this matter be given closer consideration.