How Key Forces Are Reshaping Dentistry and Myth Busting the Trend Towards Group Practice

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Key Forces Affecting Dentistry

- New Dental Schools
- Rising Student Debt
- Midlevel Providers
- Changes in Oral Health Status
- Health Care Reform Act
- Corporate Practices
- The Economy
- Trends in Insurance Benefits

Dentistry
The Great Recession of 2008

Source: Surveys of Dental Practice (various years), Bureau of Labor Statistics, and Bureau of Economic Analysis.
Drop in Dentist Income Preceded the Great Recession

Source: Surveys of Dental Practice (various years), Bureau of Labor Statistics, and Bureau of Economic Analysis.
Arithmetic of Net Income

\[
\text{Net Income} = \frac{\text{Gross Billings}}{\text{Visit}} \times C \times \frac{\text{Visits}}{\text{Patient}} \times \frac{\text{Patients}}{\text{Population}} \times \frac{\text{Population}}{\text{Dentist}} - E
\]

Where:
- \( C \) is average collection rate on gross billings
- \( E \) is average practice expenses per dentist

The following factors could potentially account for the reduction in average real dentist net income since 2005:

- average real gross billings per visit decreased;
- average collection rate on gross billings decreased;
- average number of visits per year to a dentist among the population who saw a dentist decreased;
- percent of the population who visited a dentist in the last year decreased;
- population to dentist ratio decreased;
- average real practice expenses increased.
Billings per Visit Up, Percent Collected Down

Source: Surveys of Dental Practice (various years) and BLS’ Consumer Price Index.
Percent of Population with a Dental Visit Down, Number of Visits per Patient Down

Number of Dentists Up, Population to Dentist Ratio Down Slightly

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of GPs</th>
<th>Population to GP Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>119,493</td>
<td>2.254</td>
</tr>
<tr>
<td>1997</td>
<td>120,250</td>
<td>2.267</td>
</tr>
<tr>
<td>1998</td>
<td>123,197</td>
<td>2.239</td>
</tr>
<tr>
<td>1999</td>
<td>123,625</td>
<td>2.273</td>
</tr>
<tr>
<td>2000</td>
<td>124,151</td>
<td>2.261</td>
</tr>
<tr>
<td>2001</td>
<td>126,097</td>
<td>2.274</td>
</tr>
<tr>
<td>2002</td>
<td>126,546</td>
<td>2.249</td>
</tr>
<tr>
<td>2003</td>
<td>129,096</td>
<td>2.248</td>
</tr>
<tr>
<td>2004</td>
<td>130,335</td>
<td>2.274</td>
</tr>
<tr>
<td>2005</td>
<td>130,054</td>
<td>2.260</td>
</tr>
<tr>
<td>2006</td>
<td>132,118</td>
<td>2.256</td>
</tr>
<tr>
<td>2007</td>
<td>133,688</td>
<td>2.263</td>
</tr>
<tr>
<td>2008</td>
<td>134,492</td>
<td>2.264</td>
</tr>
<tr>
<td>2009</td>
<td>136,717</td>
<td>2.246</td>
</tr>
</tbody>
</table>

Source: Distribution of Dentists in the United States by Region and State, various years, 1996 to 2009; and U.S. Census Bureau.
### Annual Percent Changes for All Variables

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Real net income</td>
<td>2.74%</td>
<td>-3.02%</td>
</tr>
<tr>
<td>Real gross billings per visit</td>
<td>2.90%</td>
<td>0.92%</td>
</tr>
<tr>
<td>Percent of population with a dental visit</td>
<td>0.39%</td>
<td>-1.25%</td>
</tr>
<tr>
<td>Visits per patient</td>
<td>-0.27%</td>
<td>-1.14%</td>
</tr>
<tr>
<td>Ratio of U.S. resident population to GP</td>
<td>0.10%</td>
<td>-0.31%</td>
</tr>
<tr>
<td>Practice expenses per owner</td>
<td>3.73%</td>
<td>0.78%</td>
</tr>
<tr>
<td>Percent gross billings collected</td>
<td>-0.20%</td>
<td>-0.27%</td>
</tr>
</tbody>
</table>
Riding the Baby Boomer Wave


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Restorations Down across All Ages

All restorations per user of dental care

Insurance Coverage Declining

Employer-sponsored health insurance coverage for persons under age 65, 2000-10

Source: Kaiser Health Foundation.
Patients Paying More Out of Pocket

Source: National Health Expenditure (NHE) Amounts by Type of Expenditure and Source of Funds: Calendar Years 1997-2009.
What Have We Learned Thus Far?

- The recent economic downturn does not fully explain the decrease in dentists’ income.
- Most concerning is a steady decline in utilization of dental care that began several years prior to the start of the Great Recession.
- The decline is related to a variety of factors.
- The decline is not disproportionately among the poor (These slides were not included in this presentation).
The Evolving Trend Towards Group Practice

Group Practice Organizations - Size Estimates

- 92% Solo/cooperative (1-4 dds)
- 3% Large Group practice (5-9 dds)
- 2% Larger group practice (10-19 dds)
- 3% Very large group practice (20+ dds)

The Geographical / Multi-Specialty Model

1. There are fewer locations generally focused in the same geographic area
2. Each location can have a revolving mix of dentists, which may include GPs and specialists
3. Some dentists may split time between different locations
4. Individual locations may be open or closed based on unique coverage requirements
The Franchise Model

1. Numerous offices, typically each with one dentist
2. This GPO may be composed of two business units
   • Practice Management Group
   • Equity Group (Equity may also be shared with the owner dentists)
3. Growth occurs through acquisitions and new locations
4. Examples of this model include the Heartland and Midwest Dental Groups
The Dental Services Model (DSO)

1. The DSO model is composed of:
   - Professional Practice Associations
   - Shared Administrator

2. The professional practice associations are composed only of dentists

3. The shared administrator provides all the administrative, financial, marketing and information services to the practices

4. The DSO owns the buildings, technology and employs the staff

5. An example of this model is American Dental Partners, Inc.
Estimated Growth of the Largest Groups

Hypothetical Market Share of the Largest Groups Among Private Practitioners

Myth: Only New Dentists Join Large Groups

<table>
<thead>
<tr>
<th>Age Cohort</th>
<th>Percent Practicing in Large Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>70-79 Years</td>
<td>5.1</td>
</tr>
<tr>
<td>65-69 Years</td>
<td>6.7</td>
</tr>
<tr>
<td>60-64 Years</td>
<td>6.8</td>
</tr>
<tr>
<td>50-59 Years</td>
<td>6.1</td>
</tr>
<tr>
<td>40-49 Years</td>
<td>7.8</td>
</tr>
<tr>
<td>30-39 Years</td>
<td>12.7</td>
</tr>
</tbody>
</table>

Myth: Dentists in Group Practice Don’t Join ADA

Percent ADA Members by Practice Size

<table>
<thead>
<tr>
<th>Practice Size</th>
<th>Member</th>
<th>Non Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solo / Cooperative (1 - 4 dds)</td>
<td>71.91</td>
<td>28.09</td>
</tr>
<tr>
<td>Large Group Practice (5 - 9 dds)</td>
<td>82.19</td>
<td>17.81</td>
</tr>
<tr>
<td>Larger Group Practice (10 - 19 dds)</td>
<td>81.32</td>
<td>18.68</td>
</tr>
<tr>
<td>Very Large Group Practice (20+ dds)</td>
<td>65.88</td>
<td>34.12</td>
</tr>
</tbody>
</table>

Myth: Dentists in Group Practice Don’t Value the ADA

Myth: Solo Practice Has Become Undesirable

Myth: There Is No Premium for Ownership

After controlling for age, gender, region, the average income differential is:

$71-$36K

Source: Health Policy Resources Center, Survey of Dental Practice, various years.
Myth: A Dental Education Isn’t Worth the Investment

Average Education Debt is Approaching Average Net Incomes

Source: HPRC Calculations based on ADA Survey of Dental Practice and ADA Survey of Dental Graduates, selected years.
“Healthy, Wealthy, Walking, and Non-Remote” patients have access to the best dental care in the world. Access solutions are needed on the left.
Determinants of Health

• 10% Access
• 20% Genetics
• 20% Environment

50% Behavior!