

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

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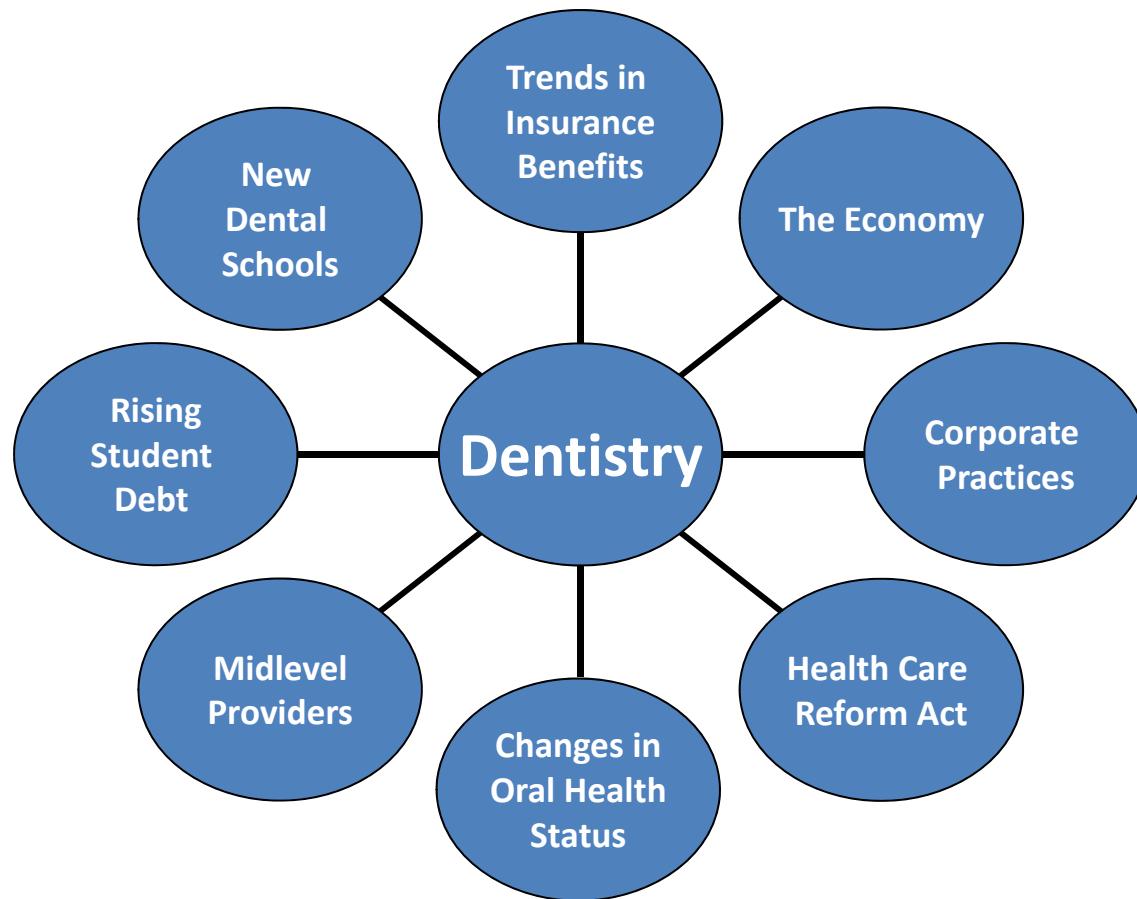
Director

ADA Council on Dental Practice

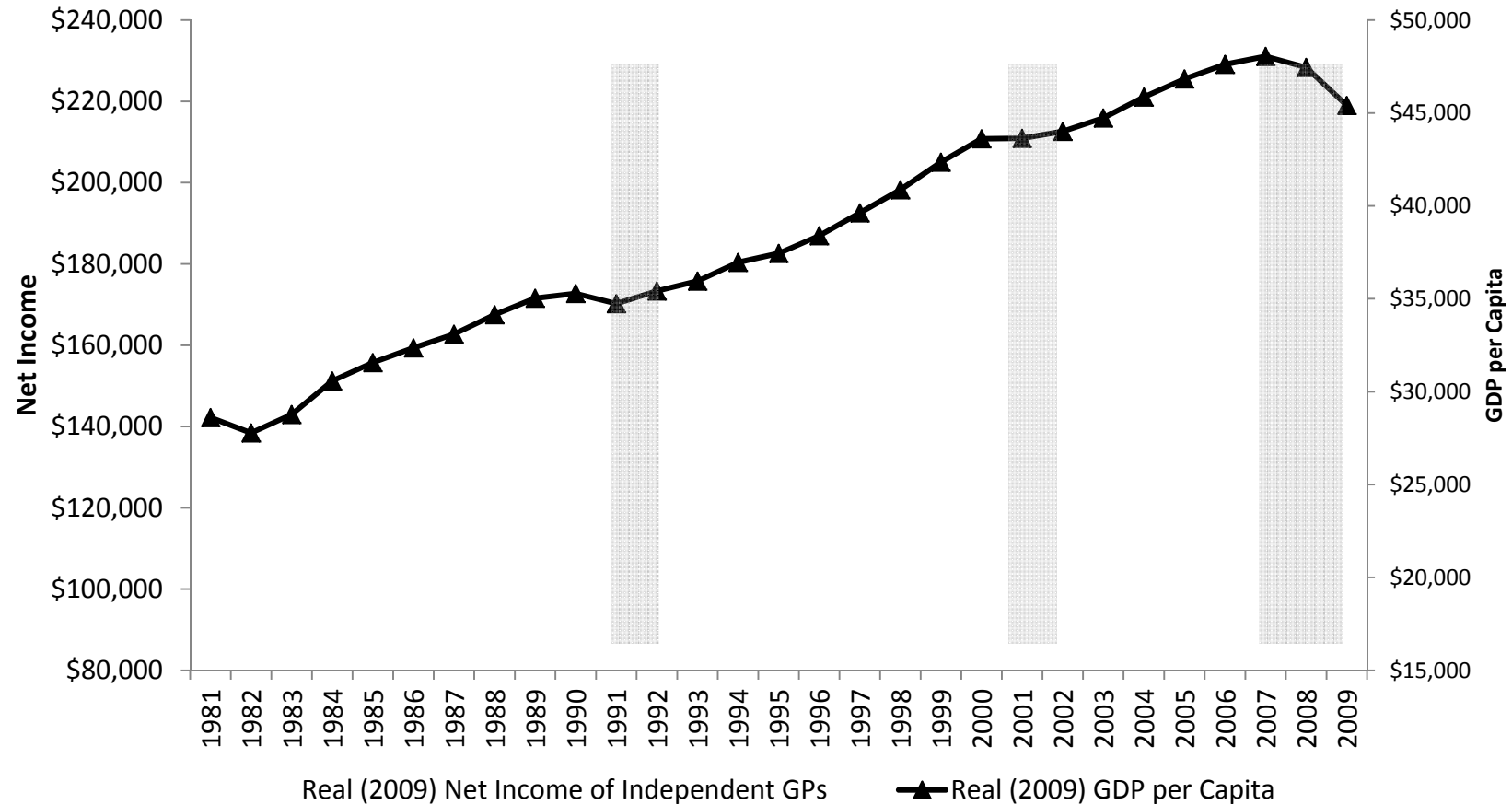
Division of Dental Practice and Professional Affairs

ADA American Dental Association®

Key Forces Affecting Dentistry

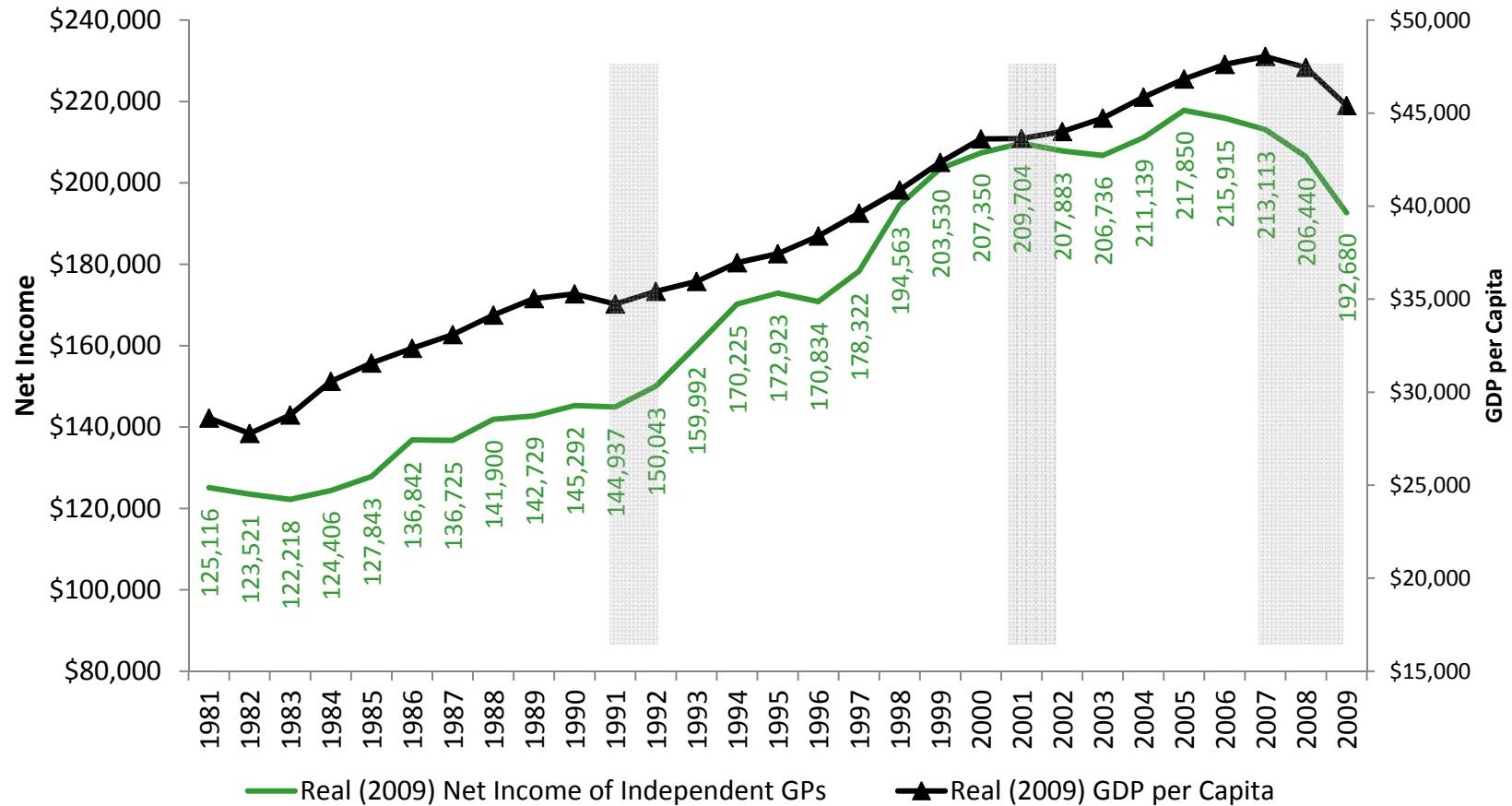


The Great Recession of 2008



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

$$\text{Net Income} = \underbrace{\frac{\text{Gross Billings}}{\text{Visit}} \times C}_{\text{Gross billings collected per visit}} \times \underbrace{\frac{\text{Visits}}{\text{Patient}} \times \frac{\text{Patients}}{\text{Population}} \times \frac{\text{Population}}{\text{Dentist}}}_{\text{Visits per capita}} - E$$

Where:

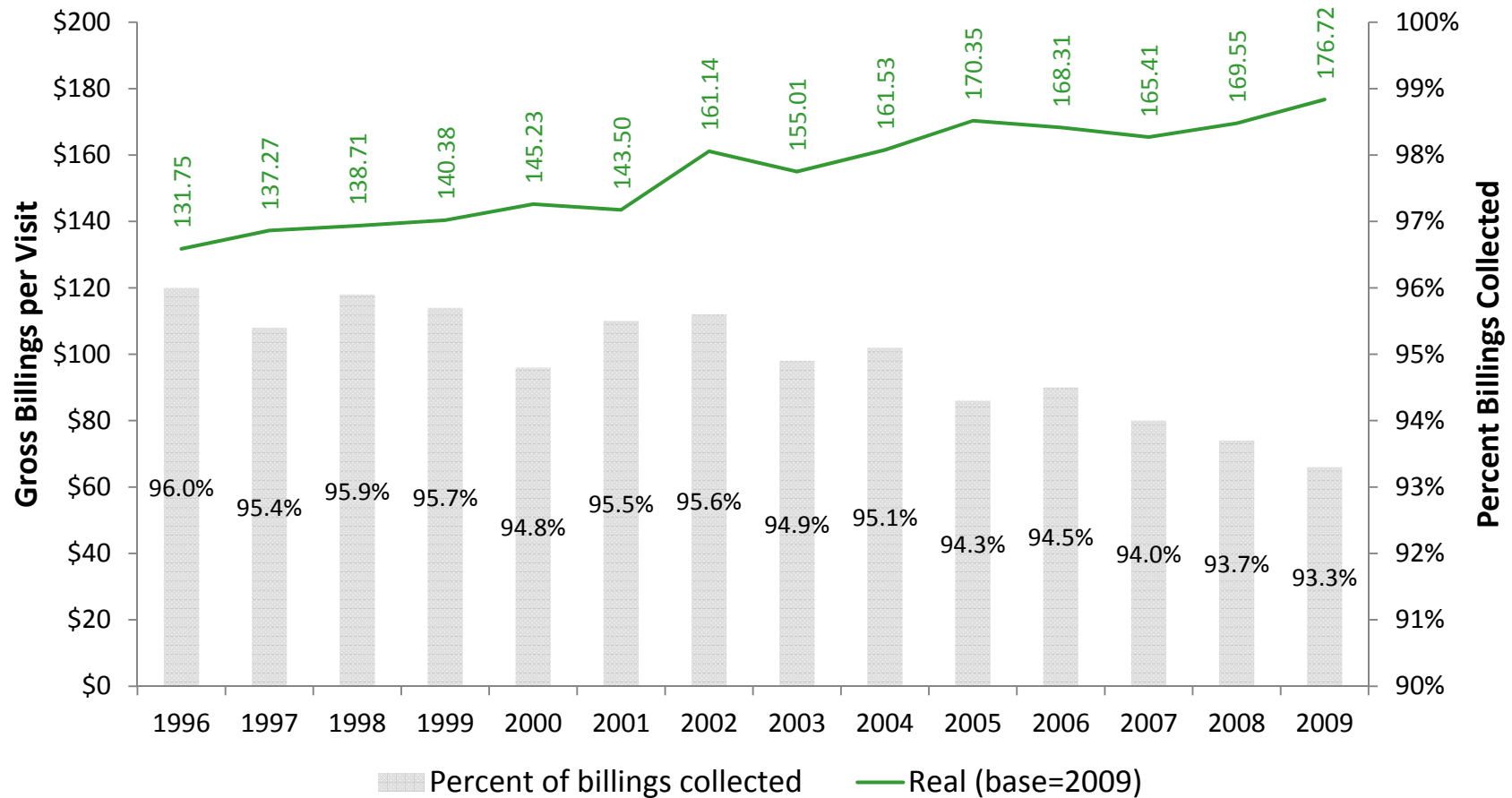
C is average collection rate on gross billings

E is average practice expenses per dentist

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

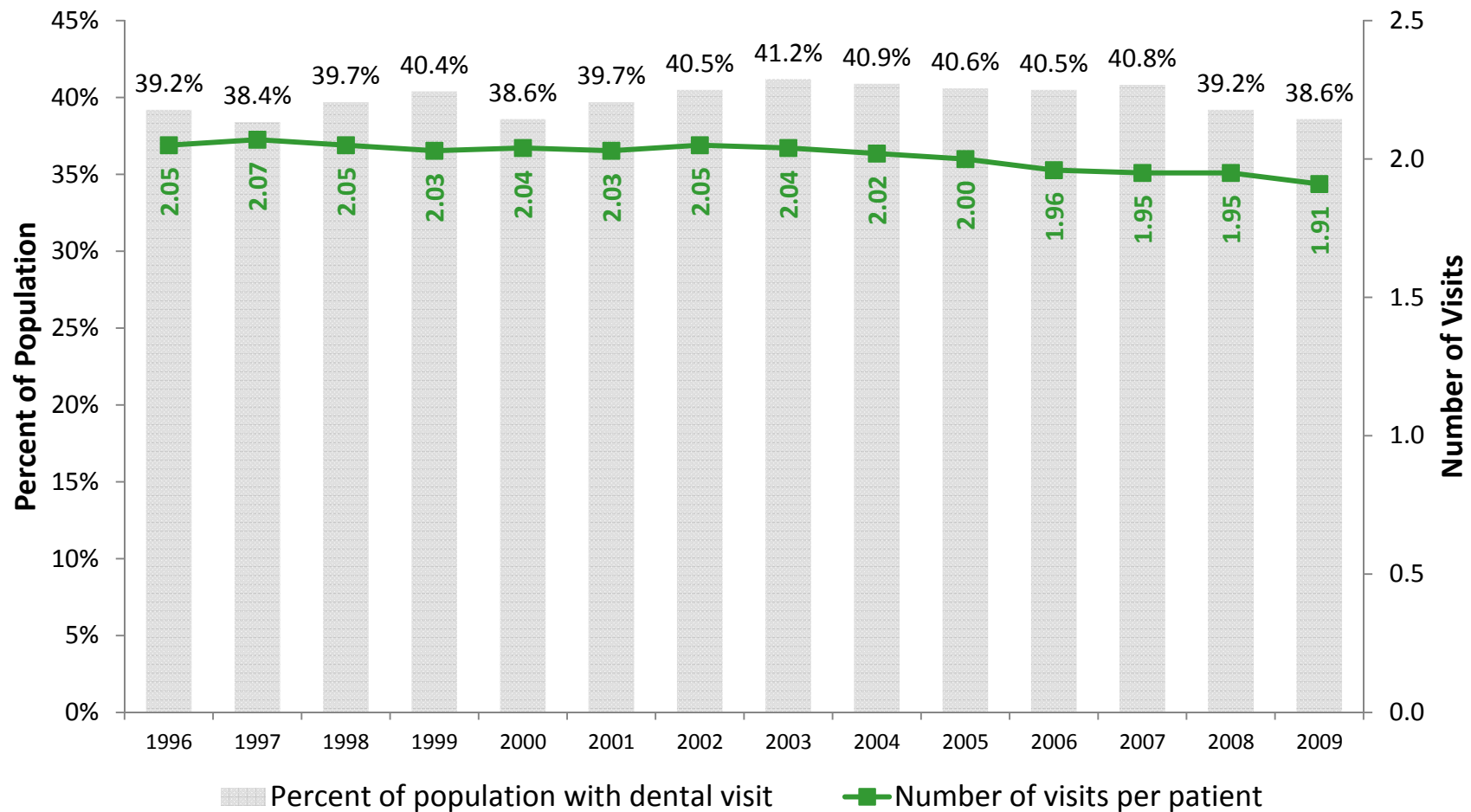
- ☐ average real gross billings per visit decreased;
- ☐ average collection rate on gross billings decreased;
- ☐ average number of visits per year to a dentist among the population who saw a dentist decreased;
- ☐ percent of the population who visited a dentist in the last year decreased;
- ☐ population 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



Source: Medical Expenditure Panel Survey, 1996 to 2009.

Number of Dentists Up, Population to Dentist Ratio Down Slightly

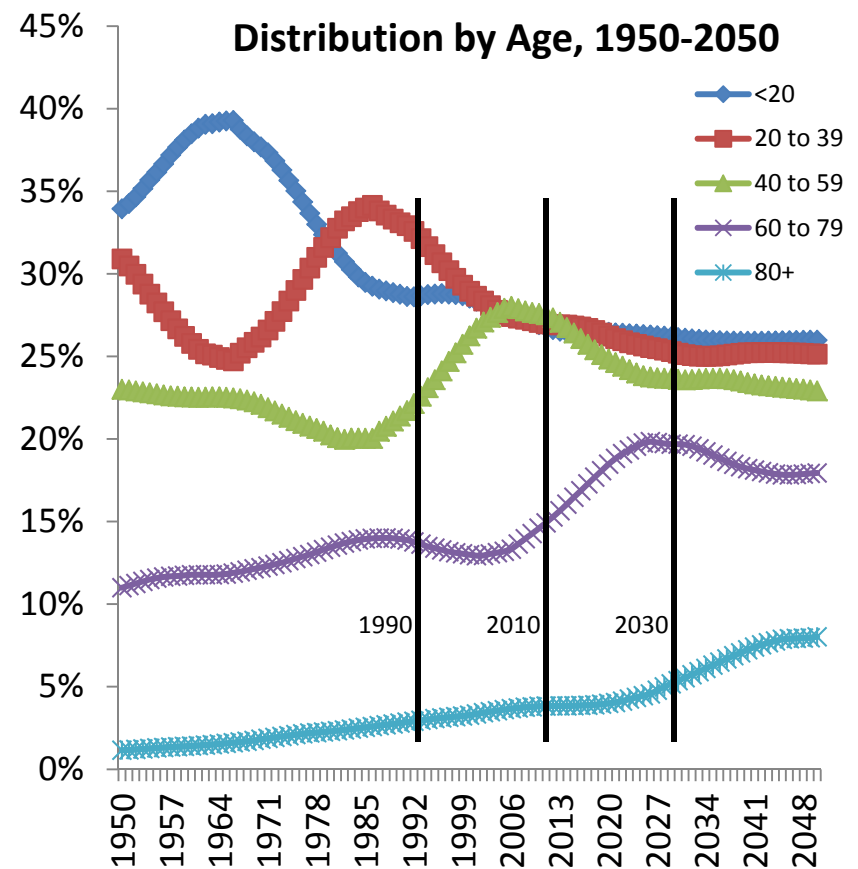
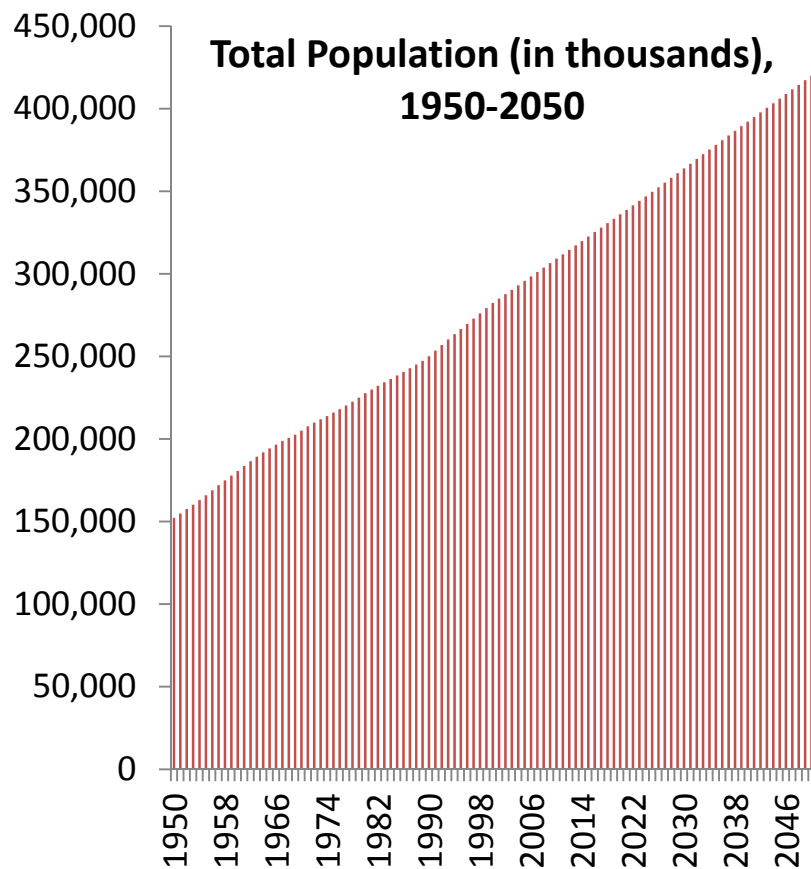


Source: *Distribution of Dentists in the United States by Region and State*, various years, 1996 to 2009; and U.S. Census Bureau.

Annual Percent Changes for All Variables

	Annual percent change: 1996-2005	Annual percent change: 2005-2009
Real net income	2.74%	-3.02%
Real gross billings per visit	2.90%	0.92%
Percent of population with a dental visit	0.39%	-1.25%
Visits per patient	-0.27%	-1.14%
Ratio of U.S. resident population to GP	0.10%	-0.31%
Practice expenses per owner	3.73%	0.78%
Percent gross billings collected	-0.20%	-0.27%

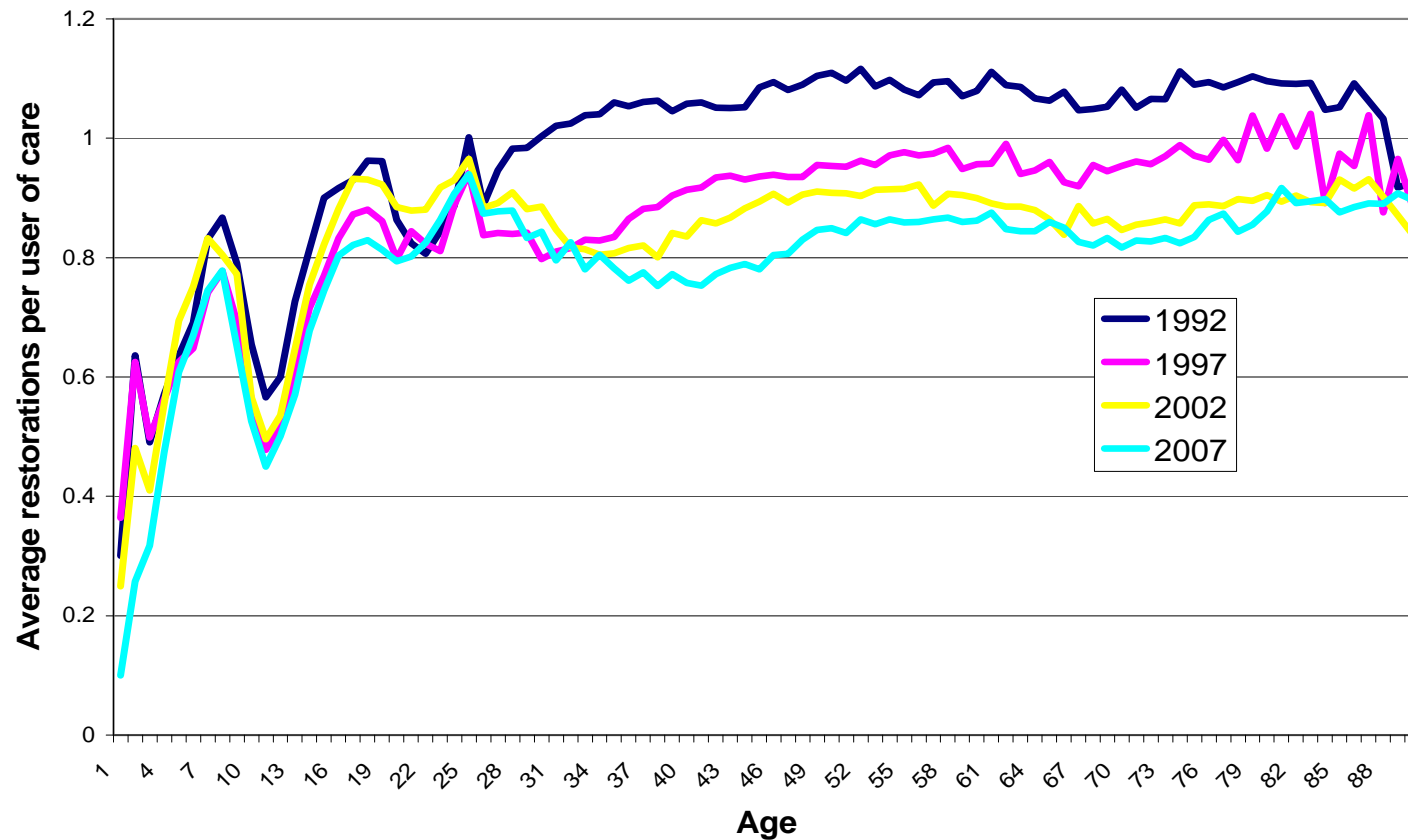
Riding the Baby Boomer Wave



Source: <http://www.census.gov/population/www/projections/downloadablefiles.html> Projections based on 2000 Census

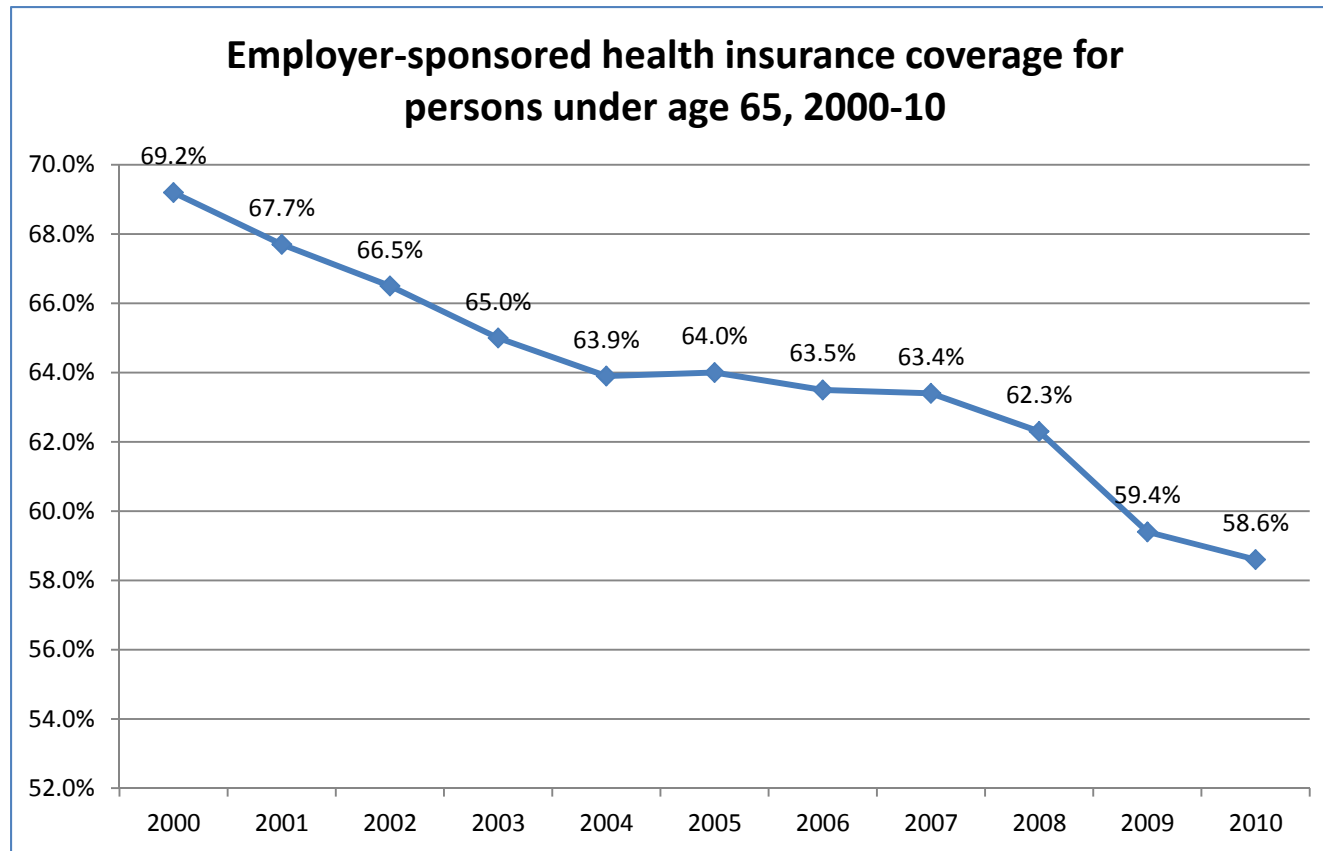
Restorations Down across All Ages

All restorations per user of dental care



Source: Eklund, S. Trends in Dental Treatment, 1992 to 2007. *J Am Dent Assoc*, Vol 141, No 4, 391-399.

Insurance Coverage Declining



Source: Kaiser Health Foundation.

Patients Paying More Out of Pocket



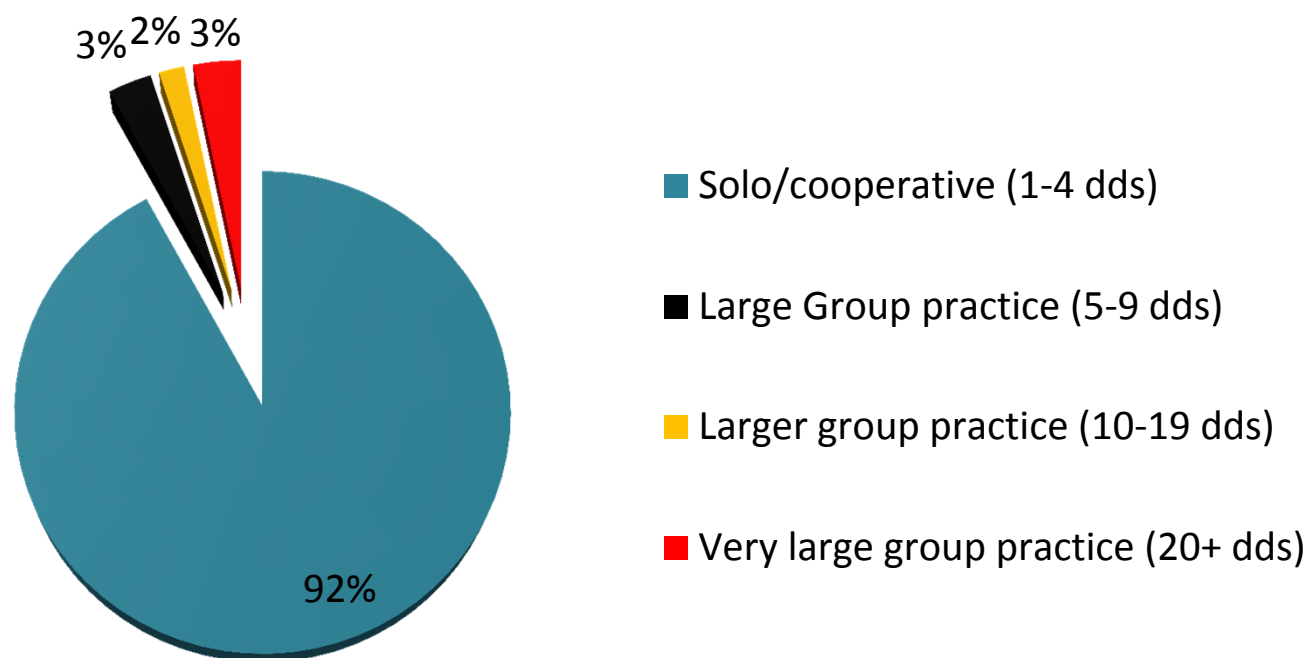
Source: National Health Expenditure (NHE) Amounts by Type of Expenditure and Source of Funds: Calendar Years 1997-2009.

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



Source: American Dental Association, Health Policy Resources Center, Large Group Practices, Sampling Frame, Unpublished Data, July 2009.

The Geographical / Multi-Specialty Model

Location 1

Location 2

Location 3

Location 4

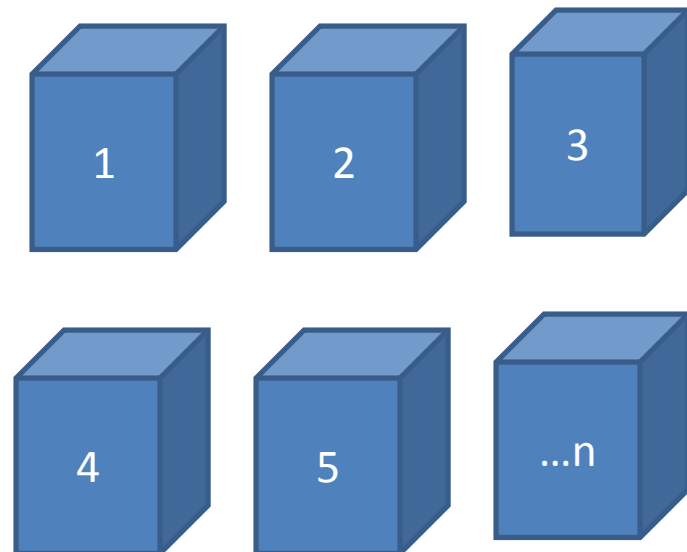
1. There are fewer locations generally focused in the same geographic area
2. Each location can have a revolving mix of dentists, which may include GPs and specialists
3. Some dentists may split time between different locations
4. Individual locations may be open or closed based on unique coverage requirements

The Franchise Model

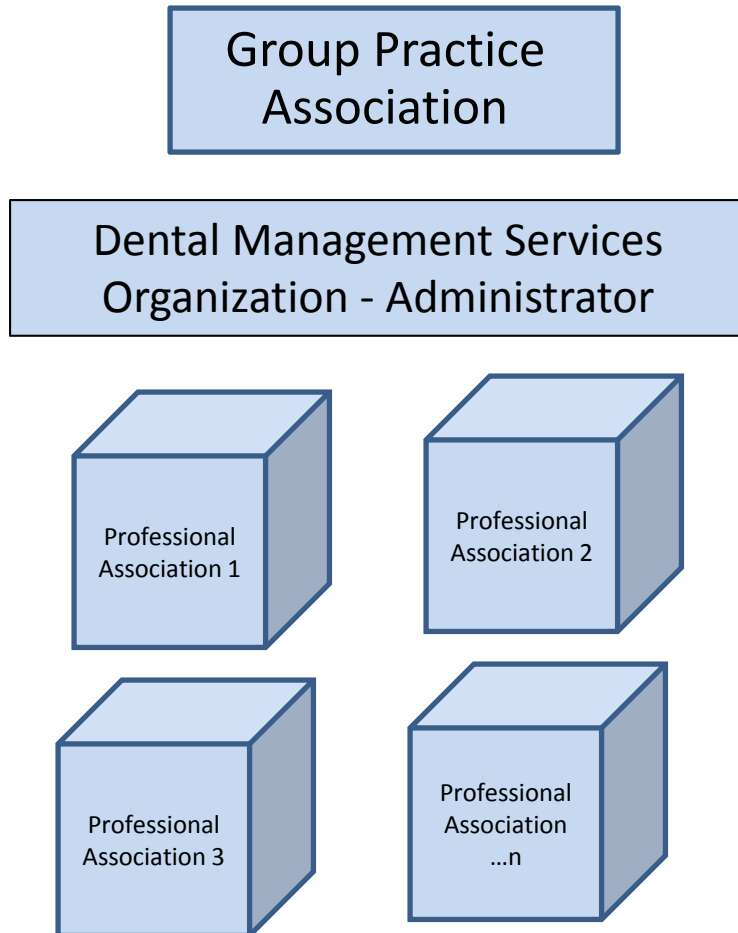
1. Numerous offices, typically each with one dentist
2. This GPO may be composed of two business units
 - Practice Management Group
 - Equity Group (Equity may also be shared with the owner dentists)
3. Growth occurs through acquisitions and new locations
4. Examples of this model include the Heartland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

Group Practice Organization

Locations



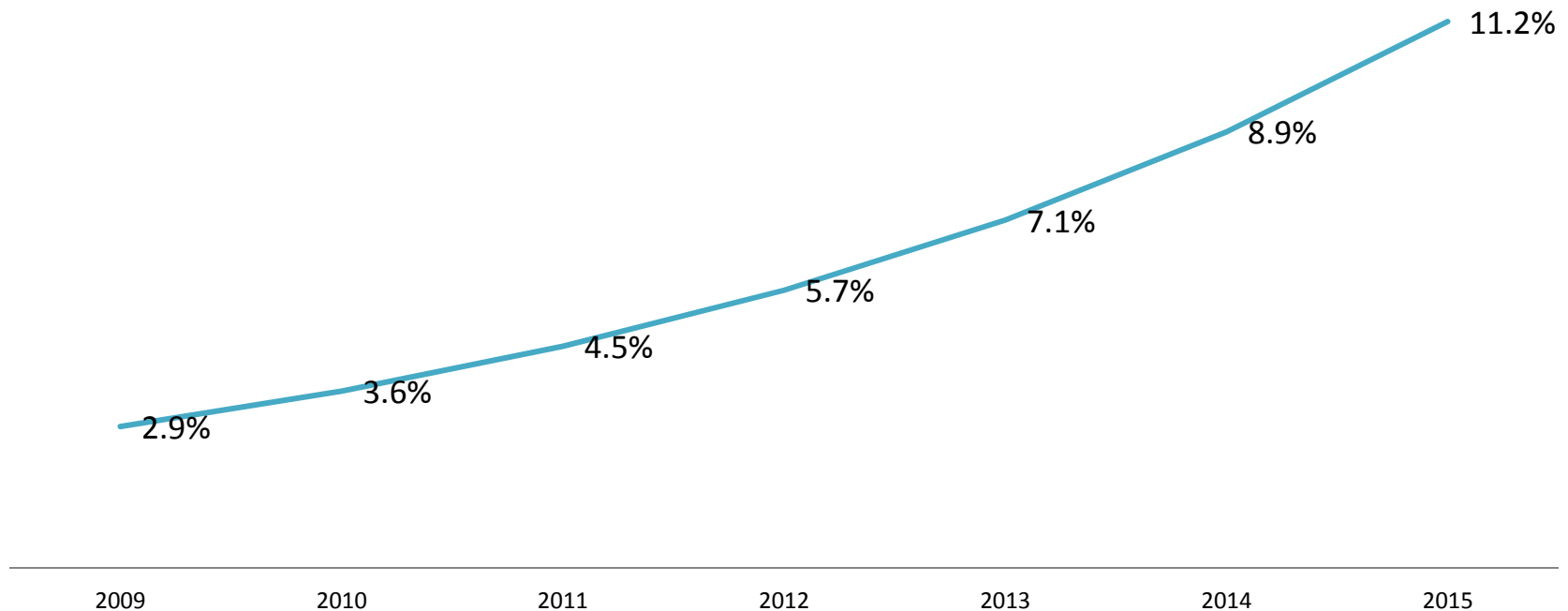
The Dental Services Model (DSO)



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

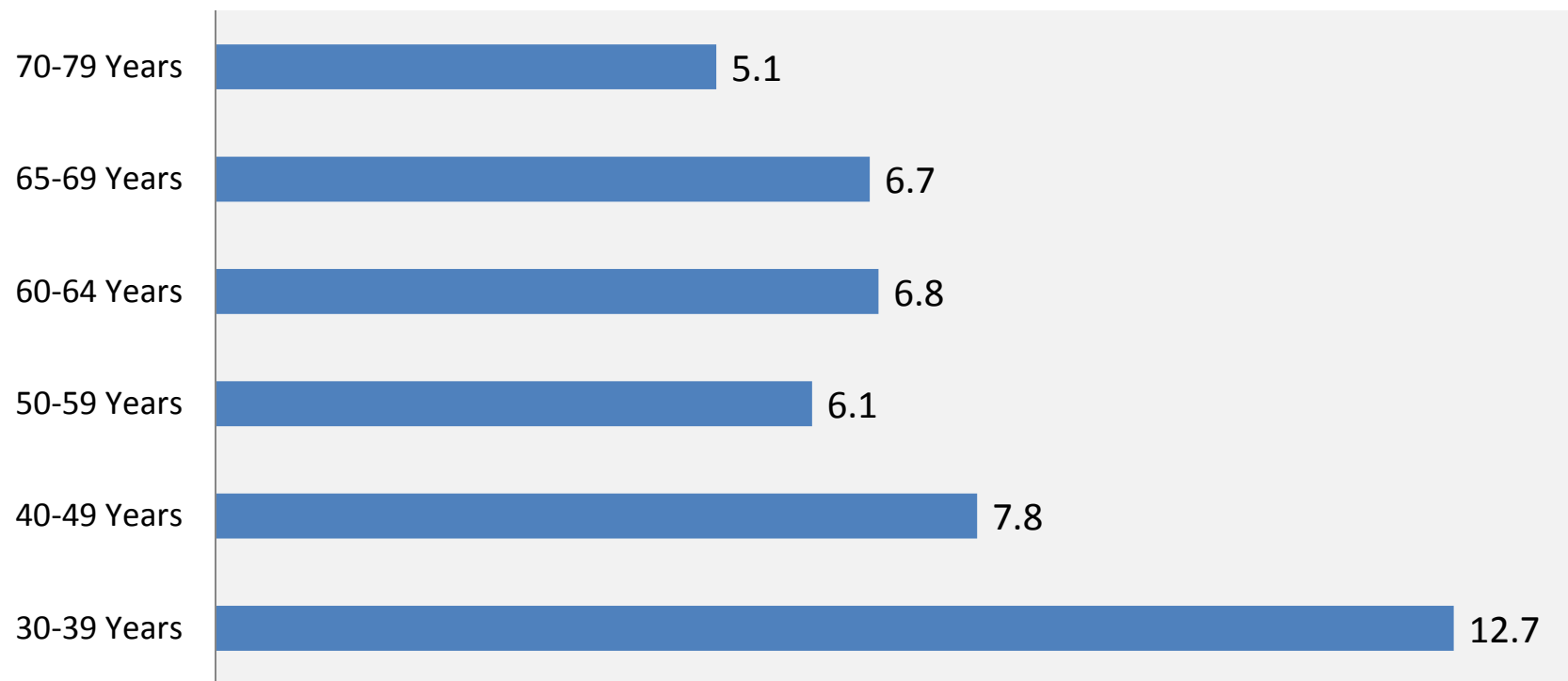
Hypothetical Market Share of the Largest Groups Among Private Practitioners



Source: American Dental Association, Health Policy Resources Center, Large Group Practices, Sampling Frame, Unpublished Data, July 2009.

Myth: Only New Dentists Join Large Groups

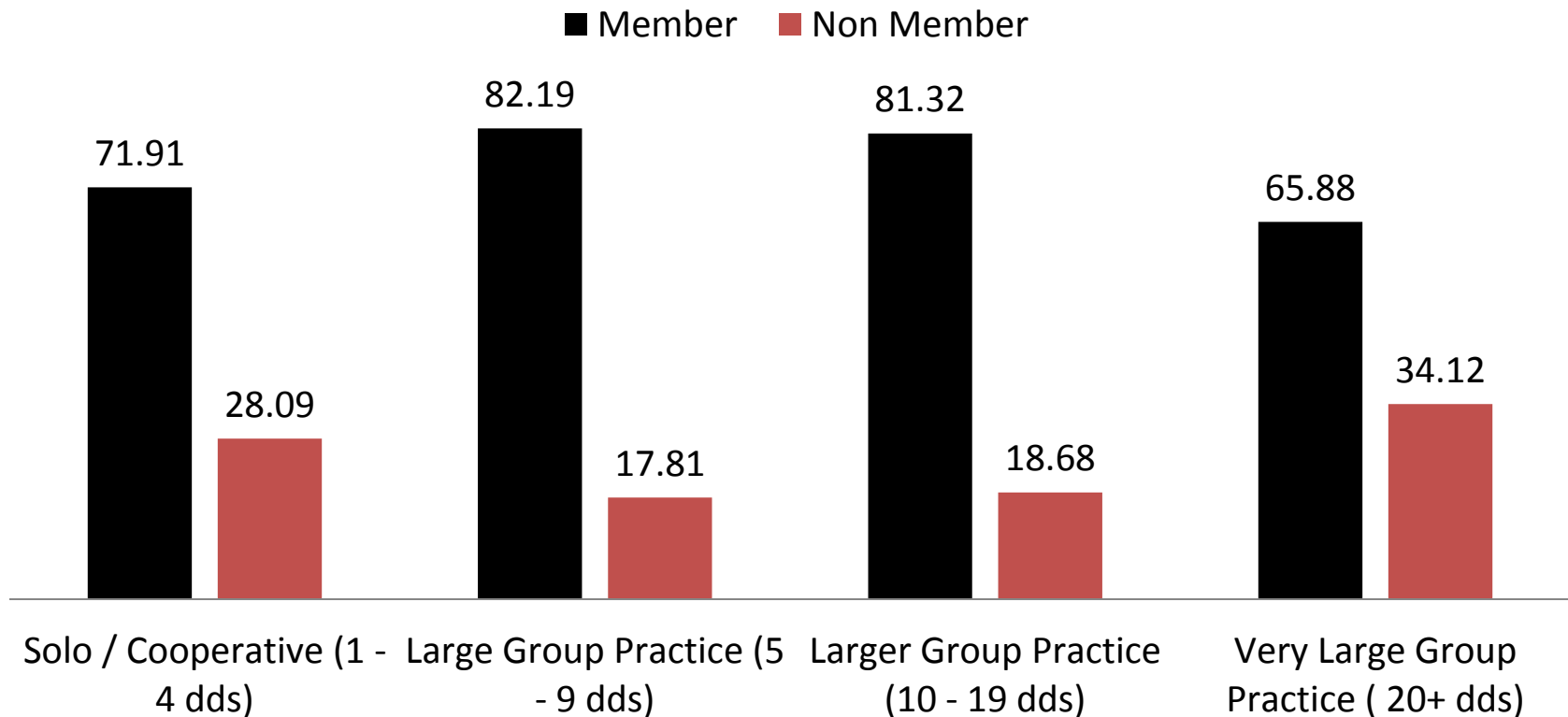
Percent of Each Age Cohort Practicing in Large Groups



Source: American Dental Association, Health Policy Resources Center, Large Group Practices, Sampling Frame, Unpublished Data, July 2009.

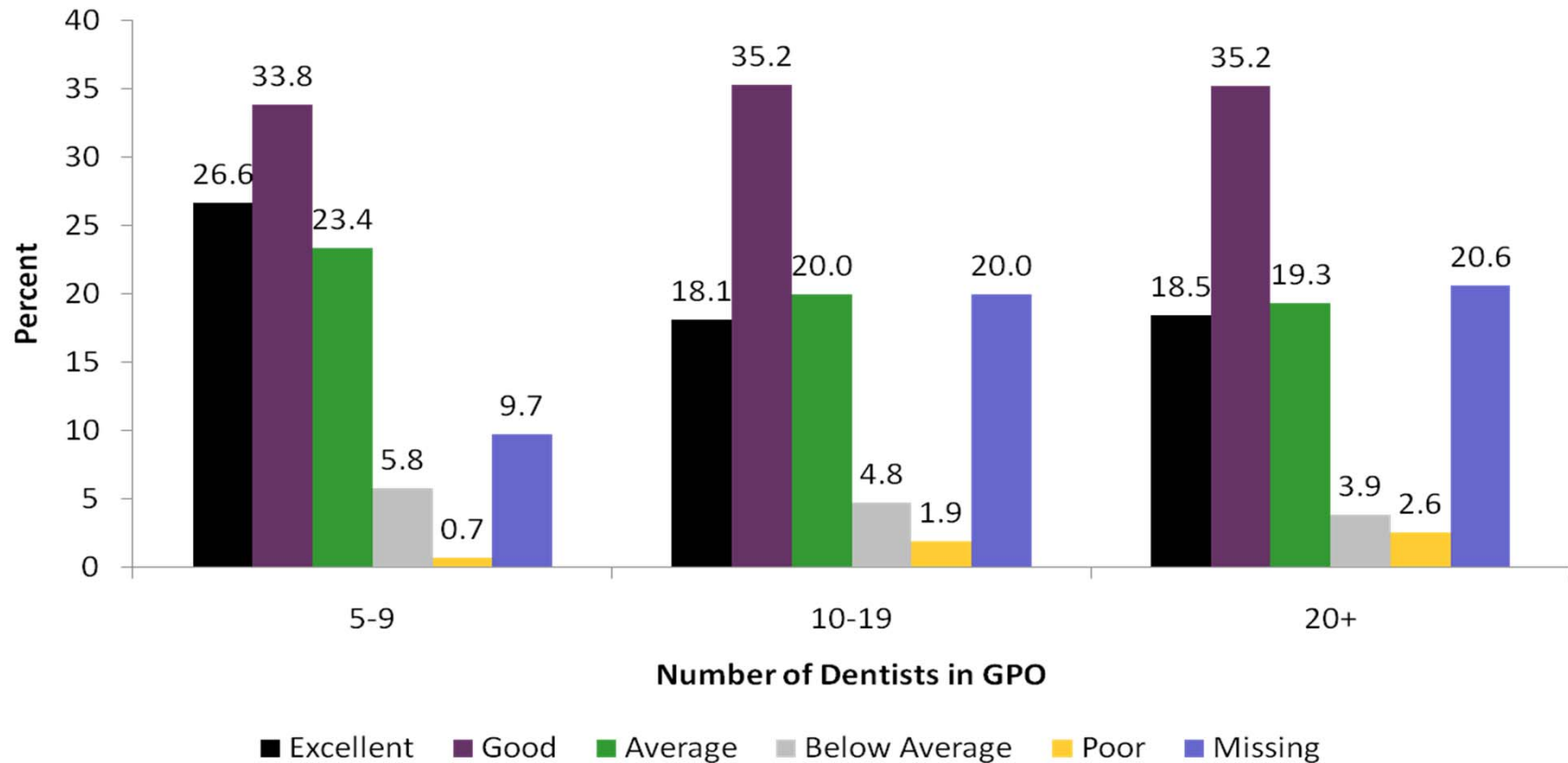
Myth: Dentists in Group Practice Don't Join ADA

Percent ADA Members by Practice Size



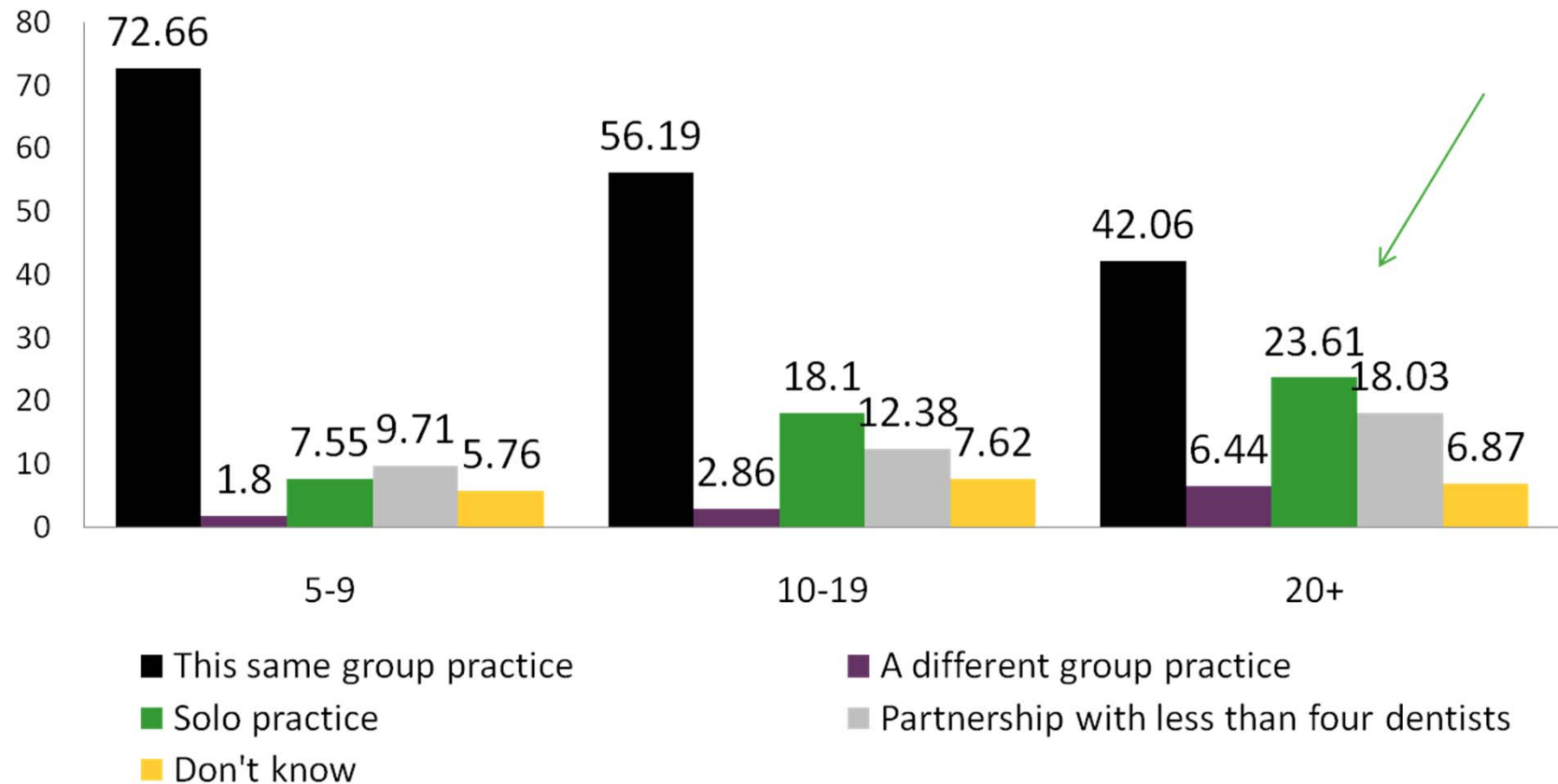
Source: American Dental Association, Health Policy Resources Center, Large Group Practices, Sampling Frame, Unpublished Data, July 2009.

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



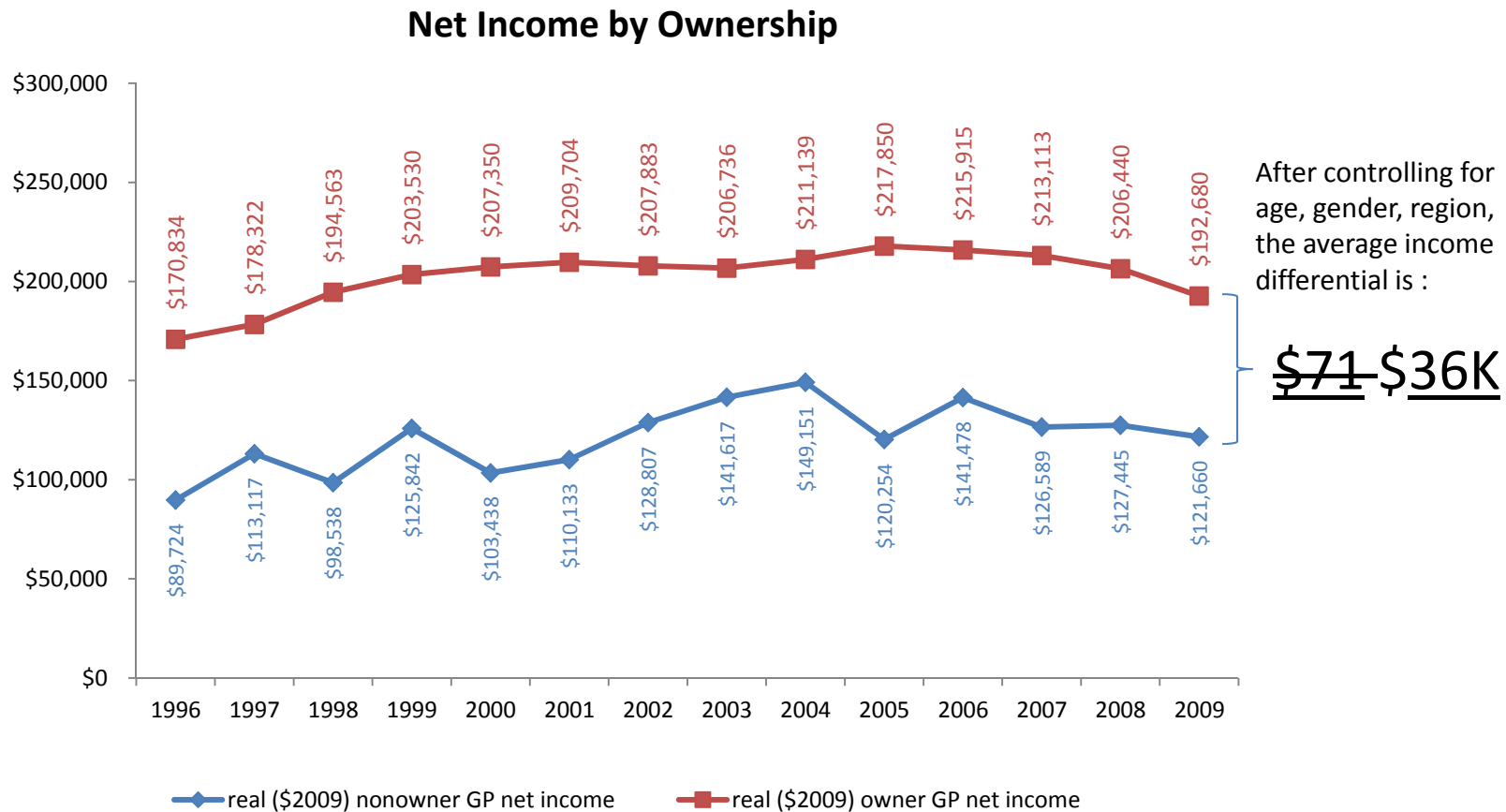
Source: American Dental Association, Health Policy Resources Center, Survey of Dentists in Large Group Practices, Unpublished Data, July 2009.

Myth: Solo Practice Has Become Undesirable



Source: American Dental Association, Health Policy Resources Center, Survey of Dentists in Large Group Practices, Unpublished Data, July 2009.

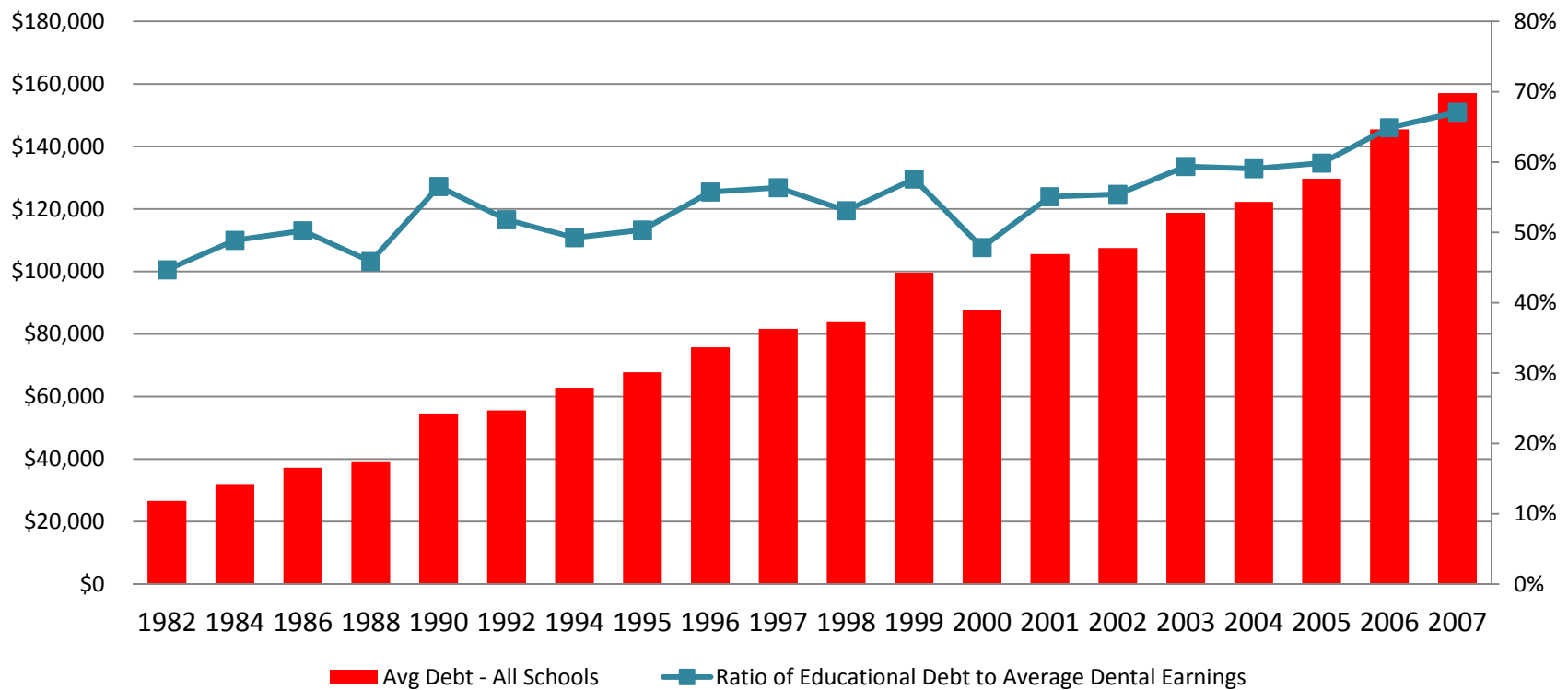
Myth: There Is No Premium for Ownership



Source: Health Policy Resources Center, Survey of Dental Practice, various years.

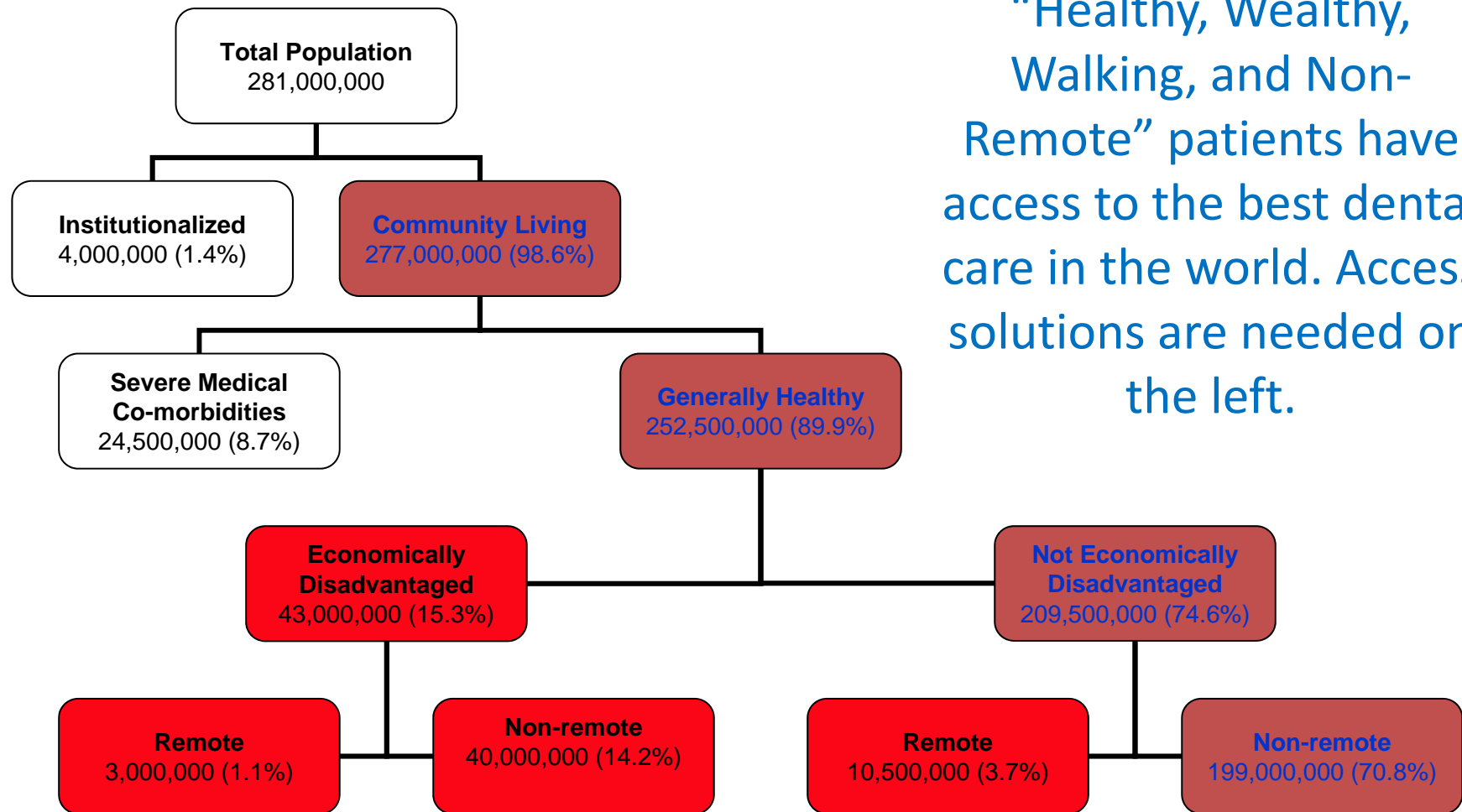
Myth: A Dental Education Isn't Worth the Investment

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.

The Access to Care PowerPoint Slide



Determinants of Health

- 10% Access
- 20% Genetics
- 20% Environment



50% Behavior!