

Research Brief

Despite Economic Recovery, Dentist Earnings Remain Flat

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Key Messages

- *Dentists' earnings remain sluggish despite being three years removed from the Great Recession.*
- *Low dentist busyness levels and reduced patient wait times indicate additional capacity is available in the dental care system.*
- *The coming years are a period of major transition in the dental care sector and the prospects for dentist earnings remain unclear.*

Introduction

Dentistry is a profession in transition. Previous research has shown that a broad set of factors intersected in the early 2000s that led to a decline in average dentist net income.^{1 2} One of these factors was a steady decrease in dental care use among adults which began well before the recent economic downturn. Clearly, more than just cyclical economic effects are affecting the dental care sector in the United States. In fact, a recent comprehensive, forward-looking analysis convincingly demonstrates that important structural changes are occurring within dentistry and a 'new normal' may be emerging in terms of dental spending, demand for dental care, and dentist earnings.³

In this research brief, we present updated data on dentist earnings through 2012. We discuss the policy implications of our findings.

Data & Methods

We rely on data from the American Dental Association Health Policy Institute's Survey of Dental Practice. This annual survey is conducted on a nationally representative random sample of 4,000 to 17,000 dentists in private practice. According to the most recent data available, 92.2% of active dentists in the United States are in private practice.⁴ Response rates to the Survey of Dental Practice from 1982 to 2012, our period of focus, varied from 14–50%. The most recent year for which data are available is 2012 and the response rate was 14.3%. The survey oversampled specialists to ensure an adequate number of responses for statistical analysis. During data cleaning, outliers were screened and dropped from the analysis where appropriate.

The survey asked dentists a variety of questions related to their practice including their net income. Net income is defined for “you only” and is income left over after practice expenses and business taxes and is to include salary, commission, bonus and/or dividends, and any payments made to a retirement plan on the dentist's behalf.

The survey defined owner dentists as “sole proprietors” (the only owner/shareholder) or “partners” (one of two or more owners/shareholders). Employed dentists were defined as non-owners compensated on a salary, commission, percentage or associate basis.

A survey question on busyness offered four choices: (a) Too busy to treat all people requesting appointments, (b) Provided care to all who requested appointments but was overworked, (c) Provided care to all who requested appointments but was not overworked, (d) Not busy enough, could have treated more patients.

We compared the trend for dentist net income to gross domestic product (GDP), a basic measure of economic activity. We obtained inflation-adjusted GDP data from the Bureau of Economic Analysis and population data from the Census Bureau. We adjusted dentist earnings for inflation using the all-item consumer price index (CPI).

Estimates were weighted, where appropriate, to compensate for oversampling of specialists. We tested for statistically significant differences in means over time using t-tests. We used a chi-square test to test for significant differences in proportions. SAS Version 9 was used in this analysis.

Results

GDP per capita has increased each year from 2009 to 2012, and has approached its pre-recession level. The U.S. economy is clearly on the road to recovery.

In 2012, average annual net income was \$193,640 for general practitioner dentists (GPs) and \$289,880 for specialists. Average annual net income was \$202,760 for owner GPs and \$146,040 for non-owner GPs (Figure 1). When adjusted for inflation, average incomes have remained about the same for GPs since 2009. They have decreased for specialists steadily since 2007 (data not shown). Clearly, our analysis indicates that dentists' average net income levels have not matched the rebound in the U.S. economy.

The percentages of dentists self-described as “not busy enough” in 2012 were 37% for GPs and 36% for specialists, comparable to the substantial levels of the previous year (Figure 2). Among GPs, 42% of solo practitioners (a single, owner dentist in the practice) indicated they were not busy enough compared to 30% of non-owner GPs (Figure 3). This difference was statistically significant. Average wait times also

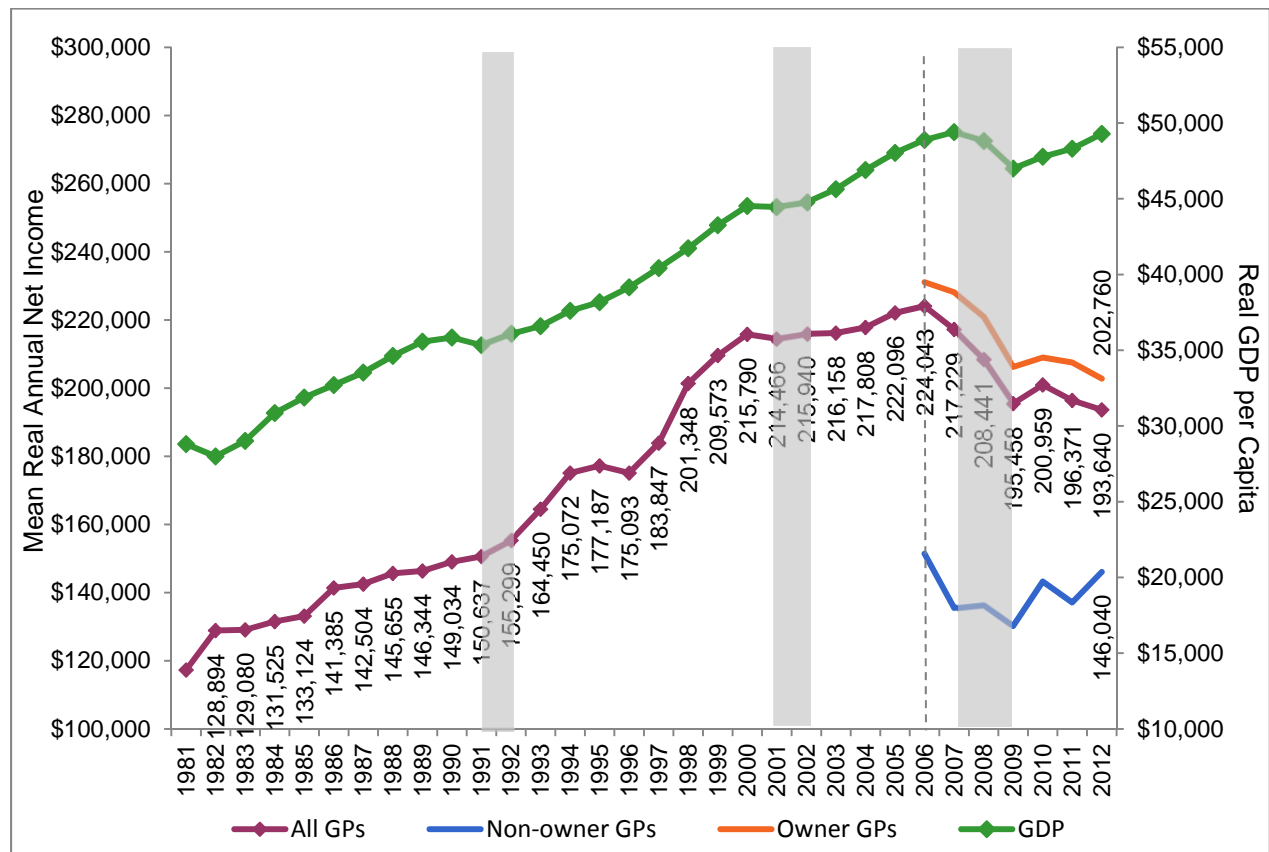
continue to decline. The average waiting time for a GP appointment has decreased from 9.9 days in 2001 to 4.6 days in 2012 for a patient of record. A new patient waited an average of 11.3 days in 2001 and 5.4 days in 2012 (Figure 4). These changes were statistically significant. Taken together with the decrease in busyness, these data suggest that significant unused capacity is available in the dental care system.

Average practice expenses per dentist have decreased slightly for GPs and specialists by less than one percent per year (on average) from 2005 to 2012,

based on inflation-adjusted dollars, and excluding owner-dentist salaries in the expense calculation. These changes were not statistically significant.

From 2000 to 2011 the average percentage of gross billings collected by GPs decreased from 94.8% to 92.0%. The comparable decrease for specialists was from 94.9% to 91.0%. These changes were statistically significant. In 2012, these statistics stopped falling for the first time in years, equaling 92.1% for GPs and 91.8% for specialists. But it is too early to tell if this represents a reversal in the trend.

Figure 1: General Practitioner Dentist Earnings and the Economy



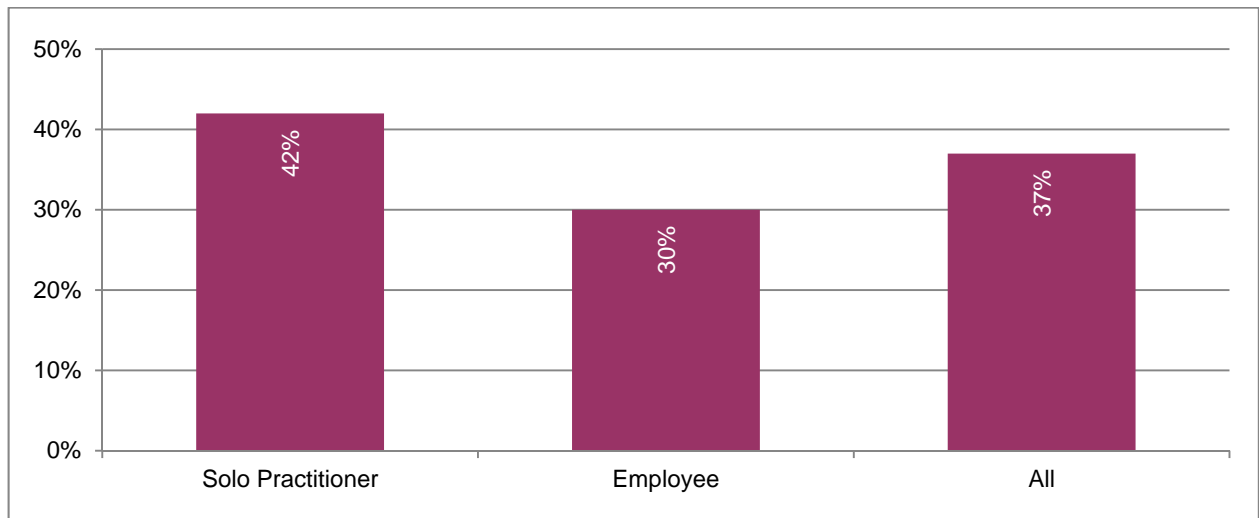
Source: ADA Health Policy Institute; Bureau of Economic Analysis; Bureau of Labor Statistics. Note: Net income data are based on the ADA Health Policy Institute annual *Survey of Dental Practice*. Shaded areas denote recession years according to NBER. GDP is deflated using the GDP deflator. Net income is deflated using the all-item CPI. All values are in constant 2012 dollars.

Figure 2: Percentage of Dentists “Not Busy Enough”



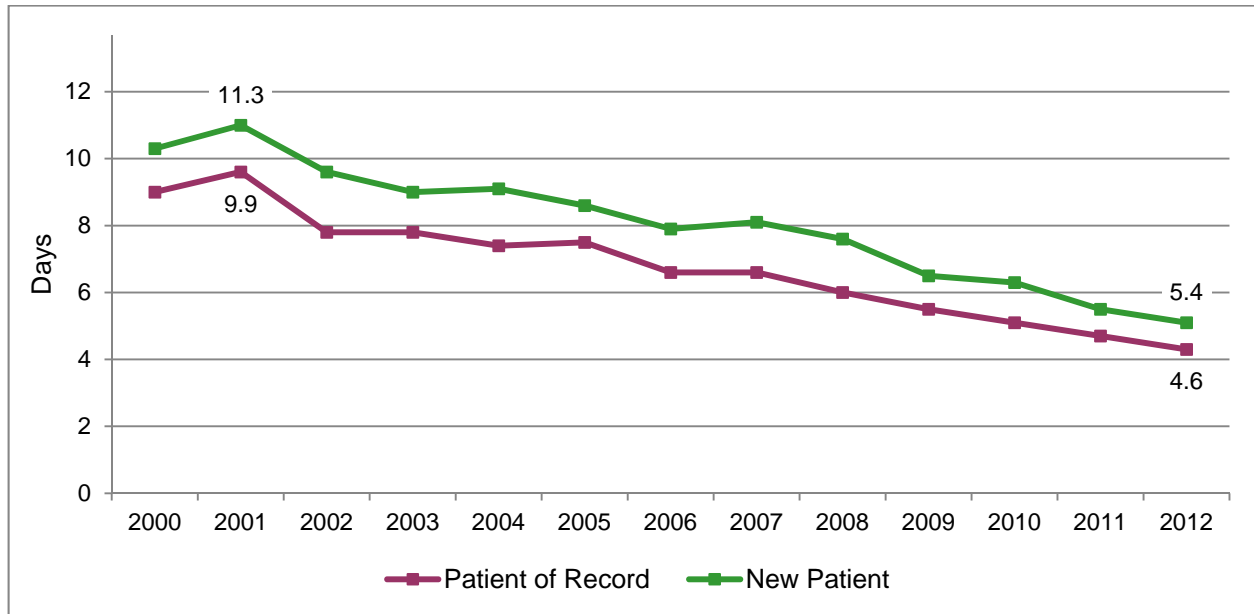
Source: ADA Health Policy Institute annual *Survey of Dental Practice*. **Note:** Indicates the percent of dentists reporting they are 'not busy enough and can see more patients.'

Figure 3: Percentage of General Practitioner Dentists “Not Busy Enough,” 2012



Source: ADA Health Policy Institute annual *Survey of Dental Practice*. **Note:** Indicates the percent of dentists reporting they are “not busy enough and can see more patients.” Solo Practitioner is a dentist working as the sole dentist in a practice. Employee is a non-owner dentist compensated on a salary, commission, percentage or associate basis.

Figure 4: Average Wait Time for General Practitioner Dentist Appointment



Source: ADA Health Policy Institute annual *Survey of Dental Practice*. **Note:** Indicates the average wait time in days for an appointment with a general practitioner dentist.

Discussion

Dentists' earnings remain sluggish. This is despite being three years removed from the Great Recession. One critical factor is what is happening on the demand side – patient volume is simply down, due to falling utilization rates among adults. In a separate research brief, analysis through 2011 shows that dental care use continues to decline among adults.⁵ This trend emerged in the early 2000s, years before the economic downturn.

On the supply side, the number of practicing dentists per capita in the United States has increased after years of stability, going from 59.8 dentists per 100,000 population in 2008 to 62.0 in 2011.⁶ The increased number of dentists is a result of two factors. First, dental school enrolment has increased considerably in recent years⁷ and these new graduates have entered the labor market.

Second, the average retirement age of dentists has increased dramatically in the past decade. According to the ADA's Health Policy Institute, the average age of retirement for dentists in 2001 was 64.8 and has increased to 68.3 in 2011. This increase has been steady and does not appear to be related to cyclical fluctuations in the economy.

An increase in the supply of dentists, in the face of sluggish demand,^{8,9} could also be one factor explaining flat earnings among dentists.

Looking forward, further changes in dental care use patterns may be on the horizon and will likely impact dentist earnings. As there is unlikely to be any major change in dental benefits coverage for adults due to the Affordable Care Act,¹⁰ in the short term the trend of declining dental care use among adults may persist. At

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the same time, dental care use and dental spending among elderly adults is on the rise,¹¹ while dental care use among children is stable.¹² A recent analysis¹³ shows that if current dental care utilization trends continue, national dental care spending will remain flat for years to come in the United States. This 'new normal' is likely to lead to a challenging practice

environment for dental care providers. On top of that, dental school enrolment continues to expand. Clearly, the coming years are a period of major transition and uncertainty and the prospects for dentist earnings remain somewhat unclear. The ADA's Health Policy Institute will continue to closely monitor these and other critical developments in the dental care system through this period of transition.

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