

State of the Dental Economy – Q3 2022 Update

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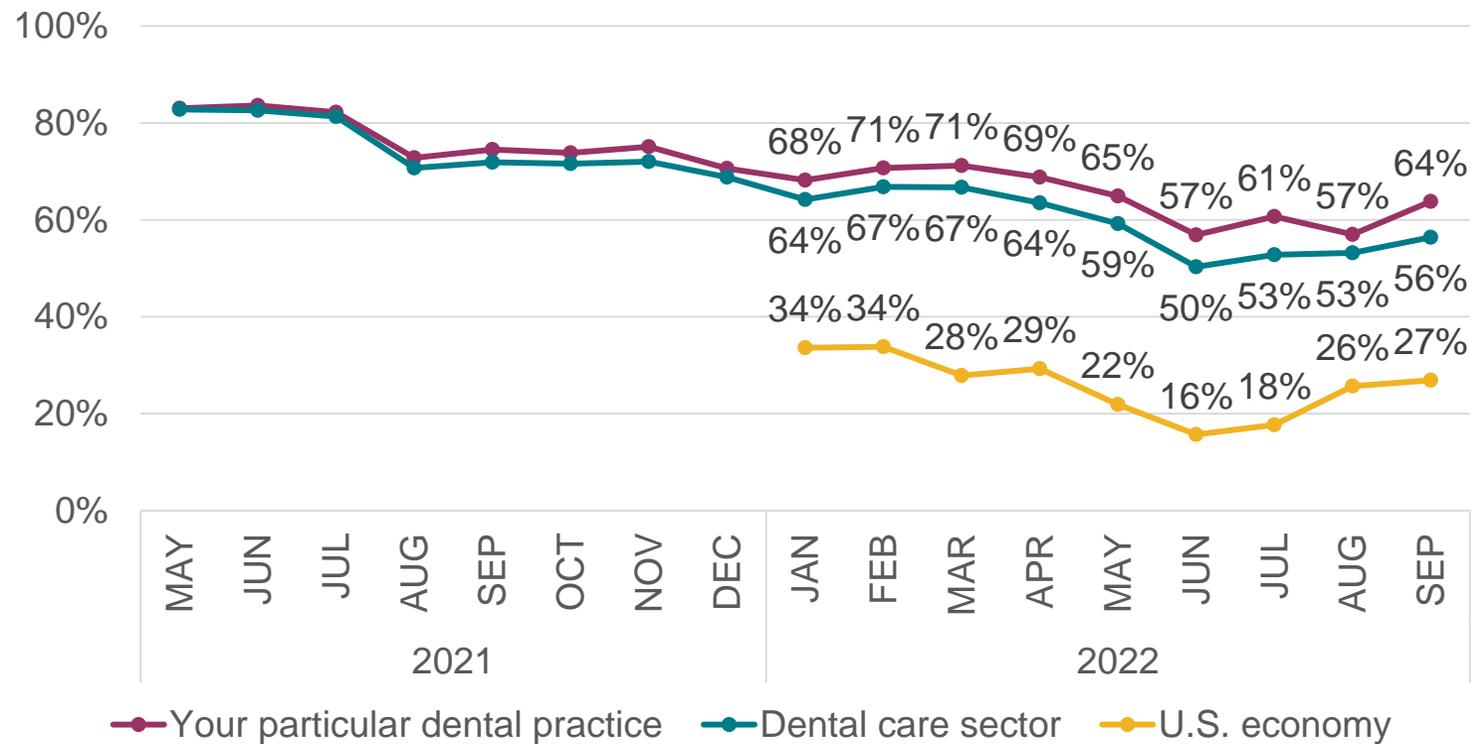
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Data Sources for Today

- **HPI Economic Outlook and Emerging Issues in Dentistry:** *monthly* data drawn from HPI's monthly polling of dental offices.
- **Bureau of Economic Analysis:** *monthly* data on household consumption spending in a variety of economic sectors.
- **Bureau of Labor Statistics:** *monthly* data on the number of jobs (not people) as well as inflation in various sectors of the economy.
- Lots and lots of details in the PPT appendix...please enjoy in your own time.

Overall Economic Outlook among Dentists

Looking ahead to the next six months, how confident are you in the recovery of the following? (Percentages indicating “very” or “somewhat” confident.)

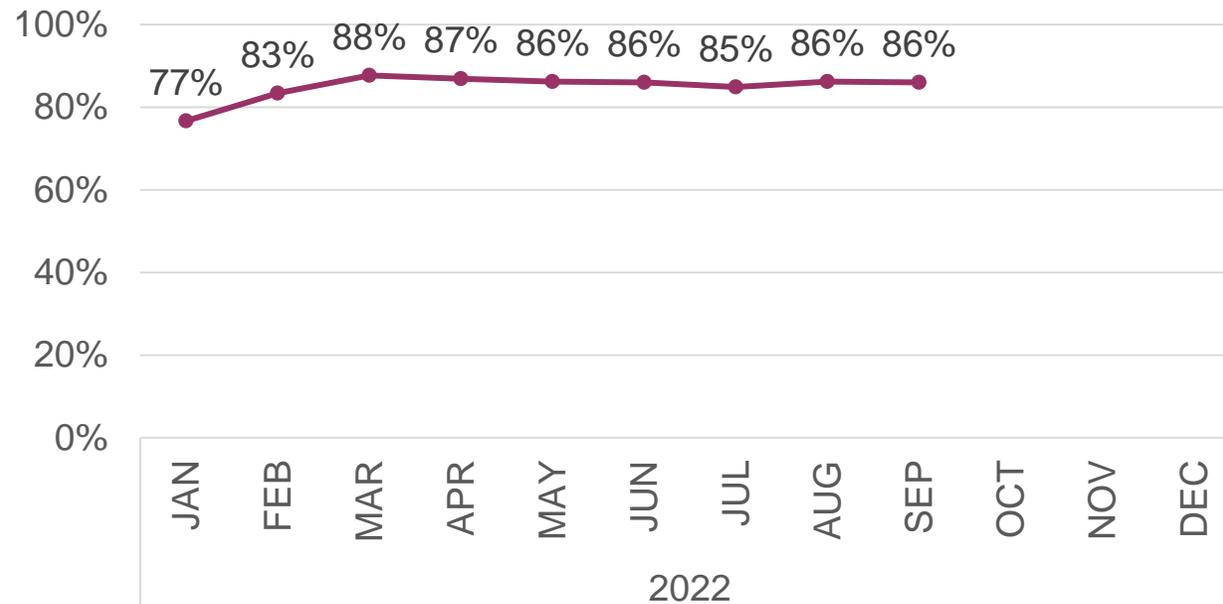


Dentists' confidence in economic recovery has improved modestly since its low in June 2022.

Source: HPI EOEID monthly polling

Practice Schedules

How full was your dental practice's appointment schedule last week?



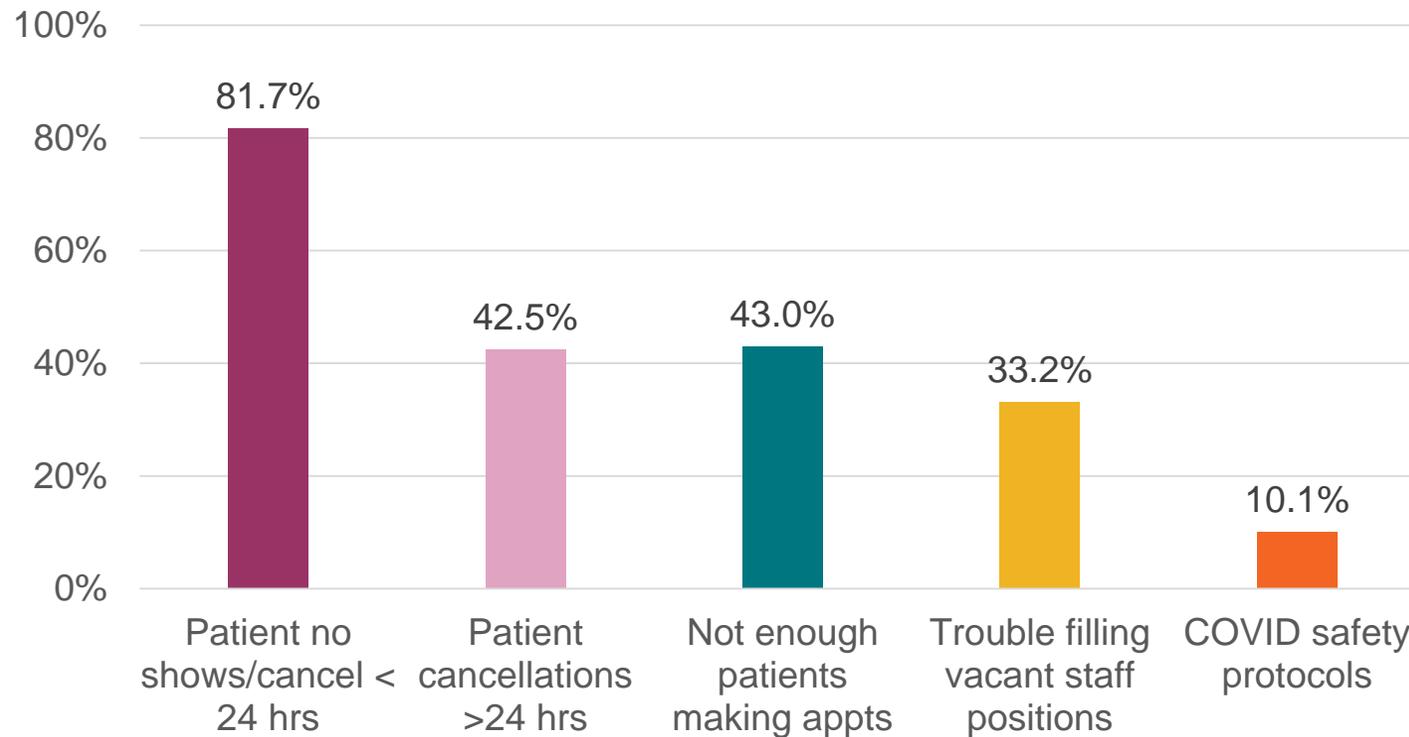
Dental practice schedules have been in a steady state since early 2022.

In September, dentists indicated that their schedules were 86% full, on average nationally.

Source: HPI EOEID monthly polling

Scheduling Barriers

Which of the following factors prevented your dental practice's appointment schedule from reaching 100% last week? (Select all that apply.)

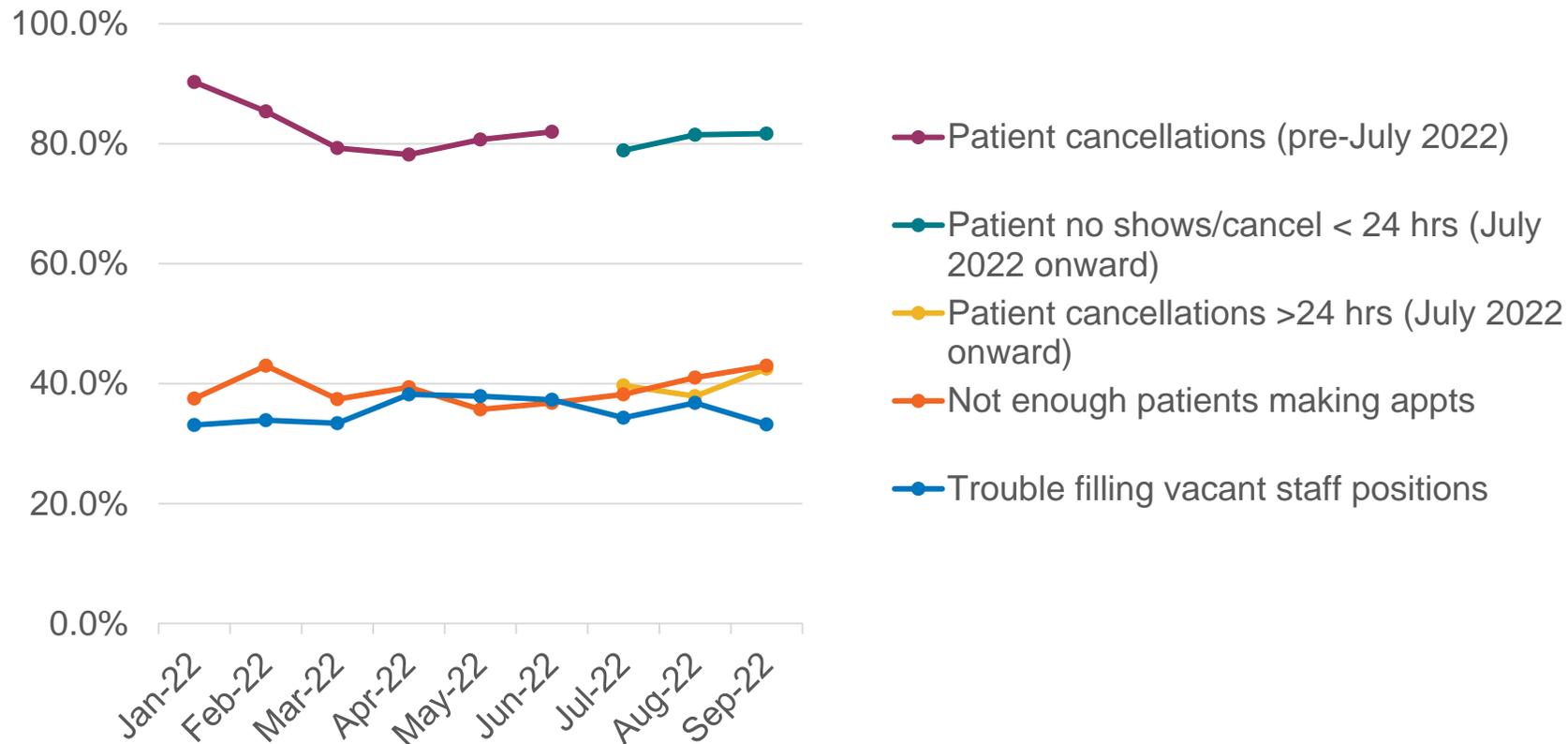


Patient no-shows and late cancellations remained the most common reason for unfilled practice schedules in September. Beyond that, lack of patients and staffing shortages play a role.

Source: HPI EOEID monthly polling

Scheduling Barriers

Which of the following factors prevented your dental practice's appointment schedule from reaching 100% last week? (Select all that apply.)

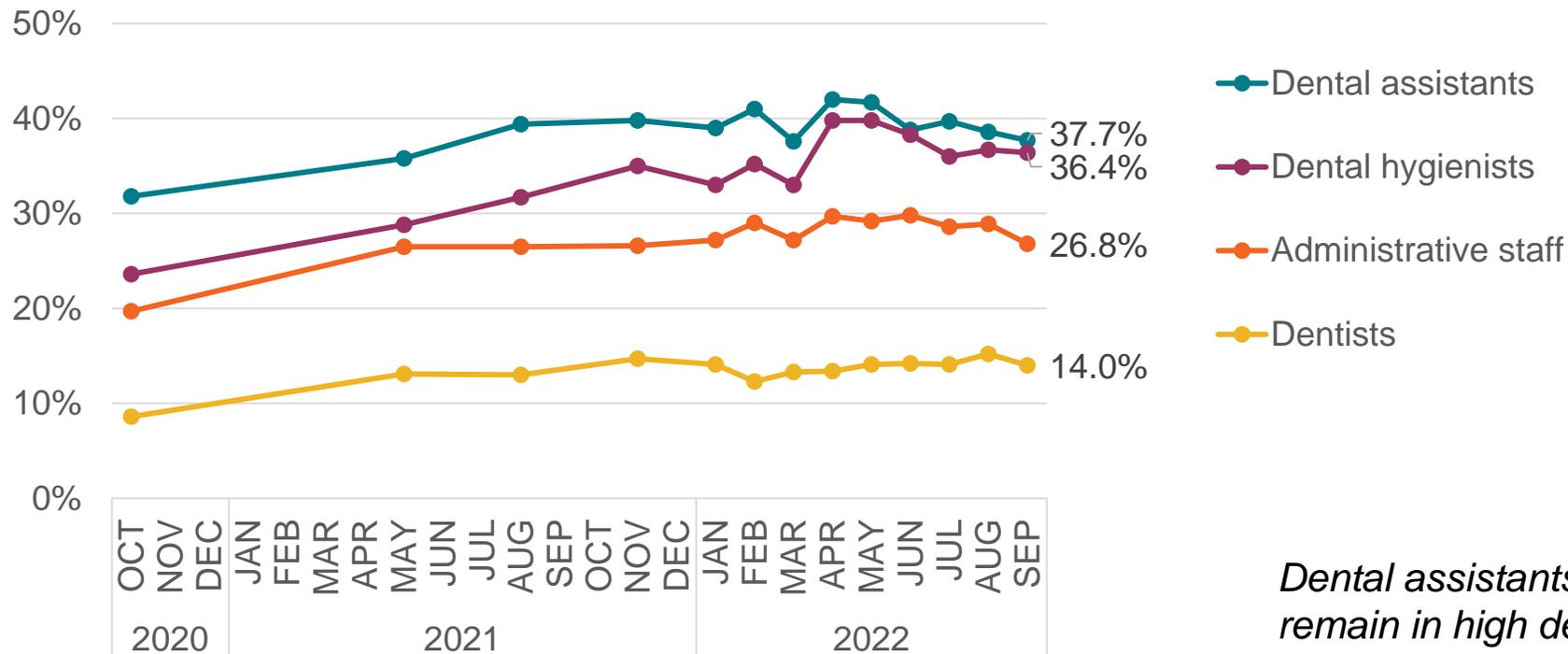


Low patient demand is becoming slightly more prominent and staffing shortages slightly less prominent when it comes to factors limiting patient volume. This might signal early stages of demand for dental care slowing down. But let's wait for more data.

Source: HPI EOEID monthly polling

Dental Team Recruitment

Have you recently or are you currently recruiting any of the following positions in your dental practice? (Percentages indicating “yes.”)



Dental assistants and dental hygienists remain in high demand in dental practices. Filling positions is extremely difficult.

Source: HPI EOEID monthly polling

Increased Practice Costs

How have prices changed for your practice in each of the following categories of expenses over the past 12 months?



The vast majority of dentists indicated increases in most expense items.

Supplies and materials, staff wages, and lab fees have had the most substantial increases in price.

- Increased more than 20%
- Increased 11-20%
- Increased 1-10%
- Stayed about the same
- Decreased 1-10%
- Decreased 11-20%
- Decreased more than 20%

Source: HPI EOEID monthly polling

Insurance Reimbursement Steady

How has the average reimbursement level from all insurance companies in your practice changed in the last 12 months?

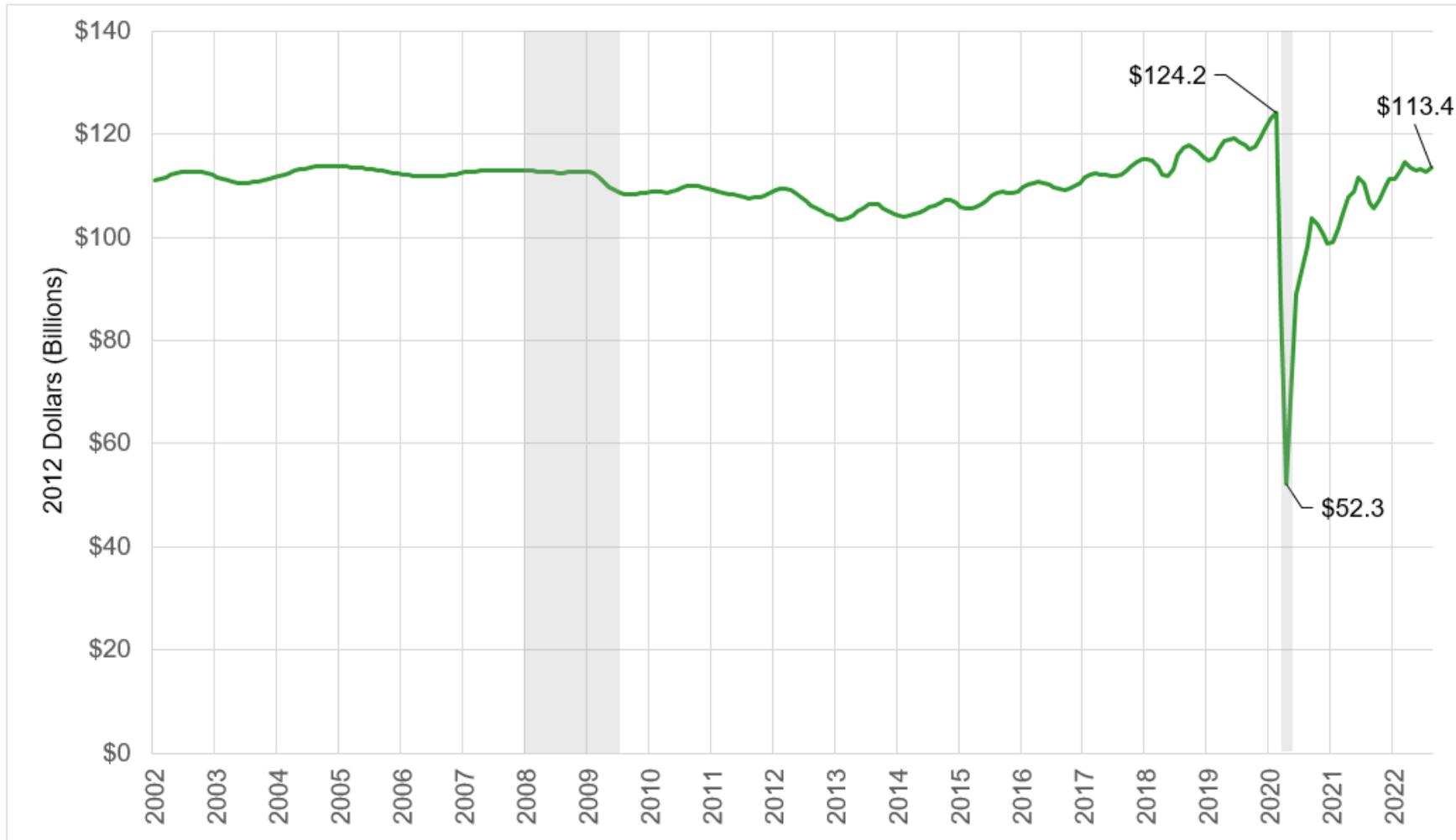


- Increased by more than 10%
- Increased by 6-10%
- Increased by 1-5%
- Stayed about the same
- Decreased by 1-5%
- Decreased by 6-10%
- Decreased by more than 10%
- My practice does not participate in any insurance networks

The majority of dentists report that insurance reimbursement rates have stayed roughly the same over the past year. One in four indicated that their insurance rates have decreased.

Source: HPI EOEID monthly polling

Expenditure on Dental Services



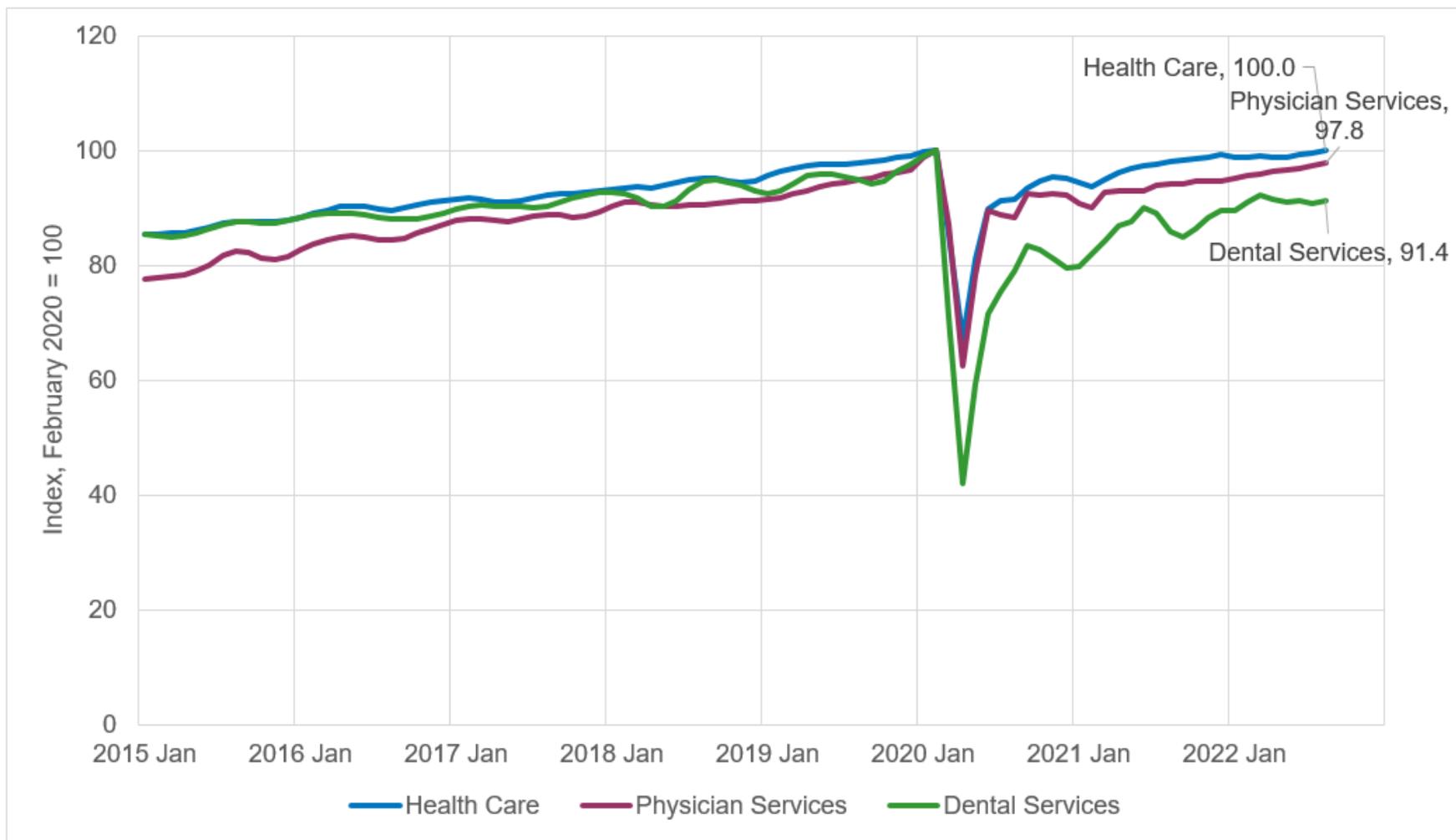
Spending on dental services in August was estimated to be \$113.4 billion at an inflation-adjusted, seasonally-adjusted, annualized rate.

This represents a change of...

- +0.7% from 1 month prior
- +6.4% from 12 months prior
- -9% from pre-pandemic levels

Source: U.S. Bureau of Economic Analysis

Expenditure on Select Health Care Services, Indexed to February 2020

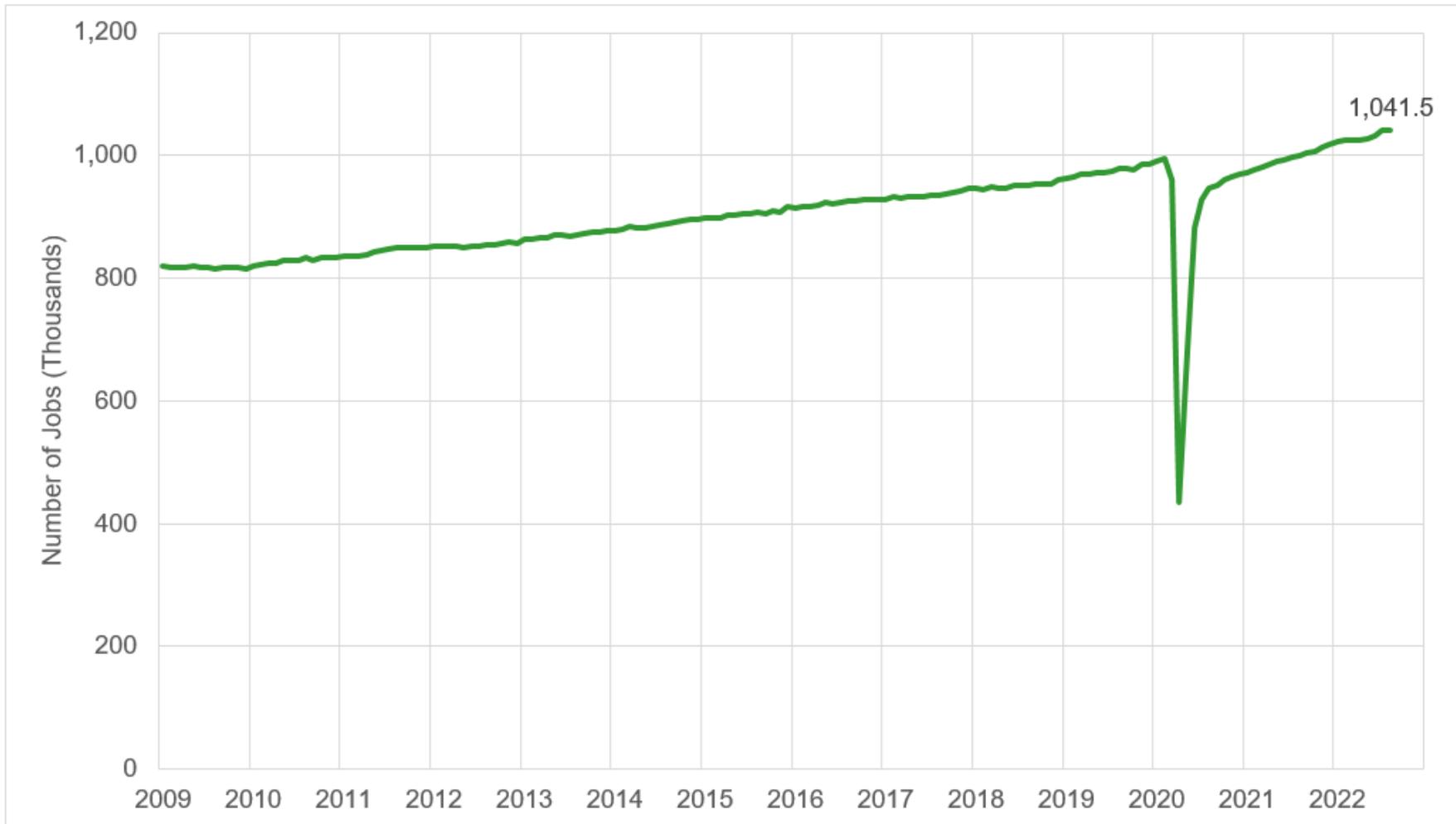


Spending on dental services remains below pre-pandemic levels.

Spending on health care services overall has recovered to pre-pandemic levels; spending on physician services has nearly recovered.

Source: U.S. Bureau of Economic Analysis

Number of Jobs, Offices of Dentists



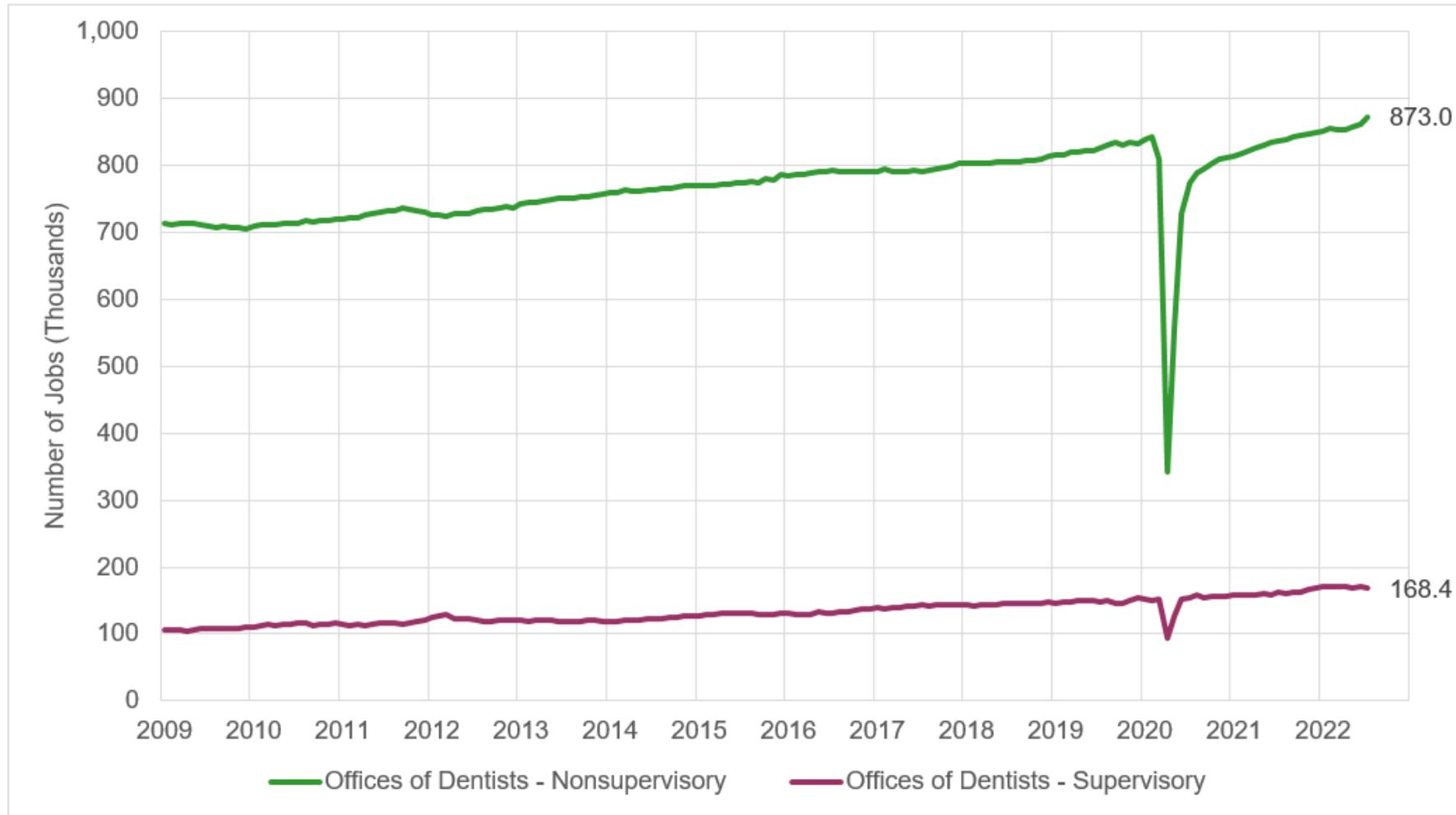
Source: U.S. Bureau of Labor Statistics

The number of jobs in dental offices in August was at an all-time high with a change of...

- +0.01% from 1 month prior
- +4.3% from 12 months prior
- +4.8% from pre-pandemic

It is important to note that these data measure the number of jobs in dental offices, not necessarily the number of people working in dental offices.

Number of Jobs, Offices of Dentists

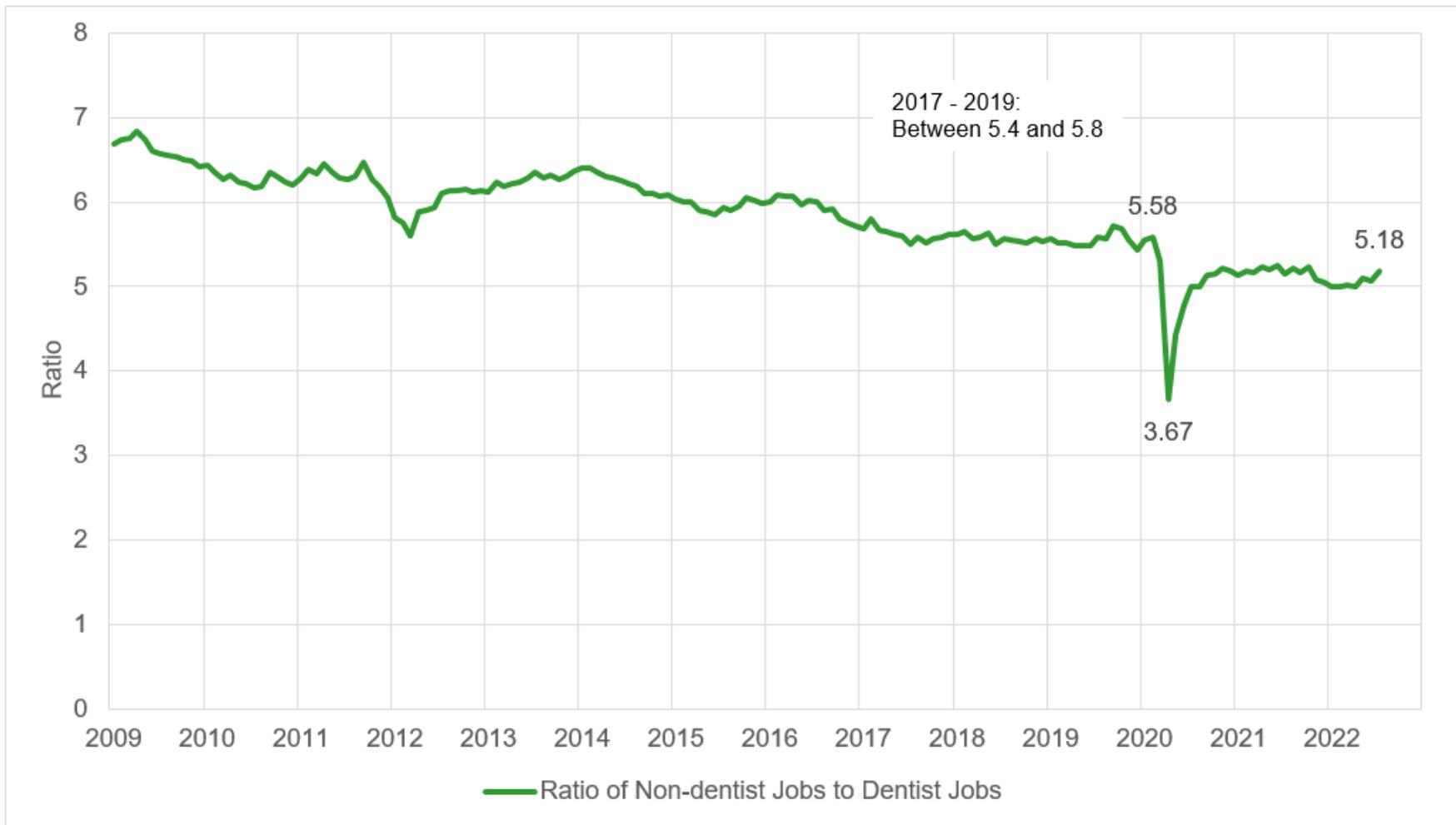


Source: U.S. Bureau of Labor Statistics

The BLS includes "supervisory" jobs and "nonsupervisory" jobs.

We assume "supervisory" jobs are mainly dentists and "nonsupervisory" jobs are mainly hygienists, assistants, and administrative staff.

Number of Jobs, Offices of Dentists, Dentists vs. Non-dentists

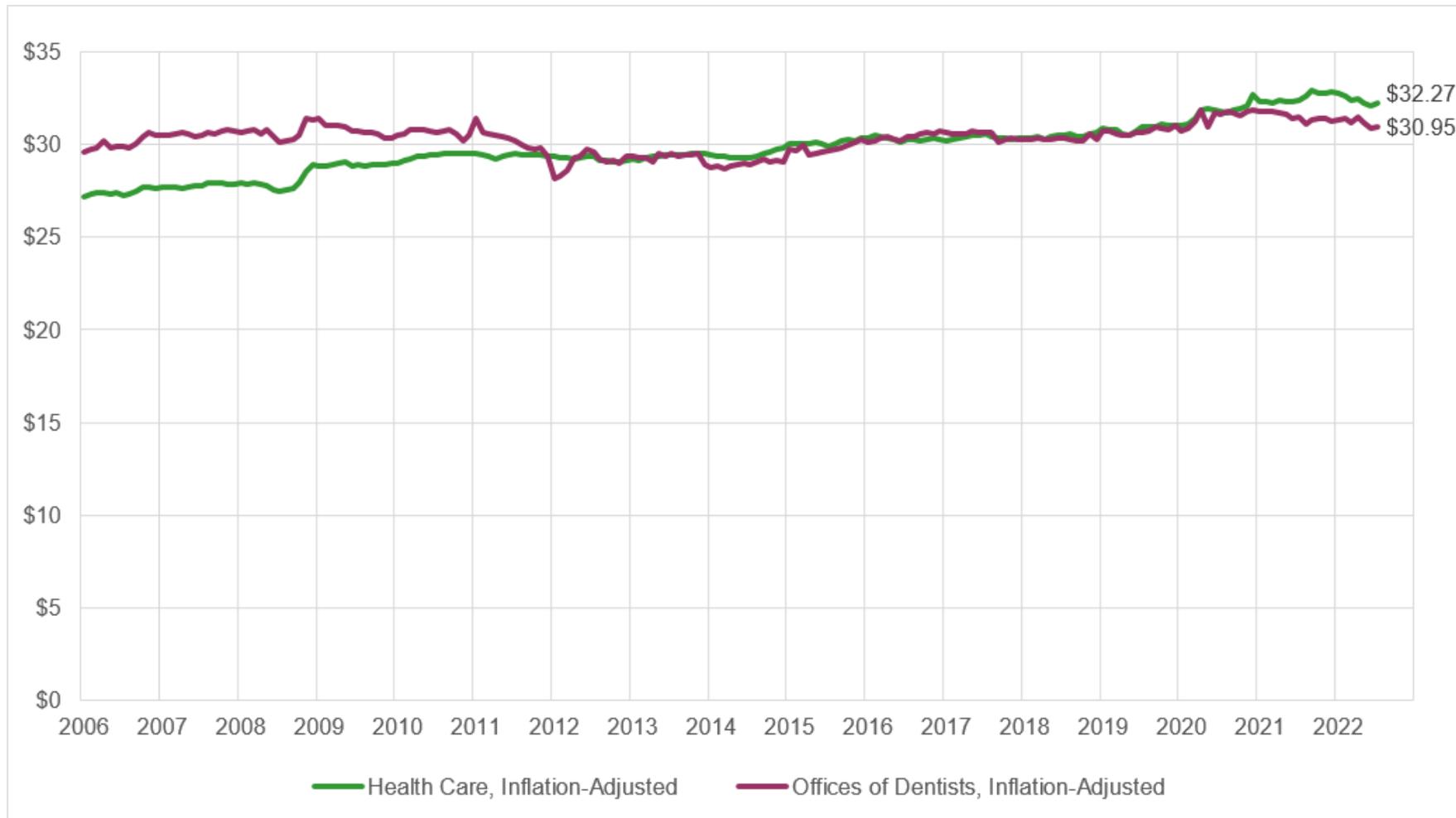


Source: U.S. Bureau of Labor Statistics

The average number of non-dentist jobs per dentist jobs is below pre-pandemic levels.

This corroborates our HPI polling data showing how significant staffing shortages are in dental offices. The data also suggest a “new normal” when it comes to the staffing mix in dental offices.

Average Hourly Earnings, Employees, Inflation-Adjusted



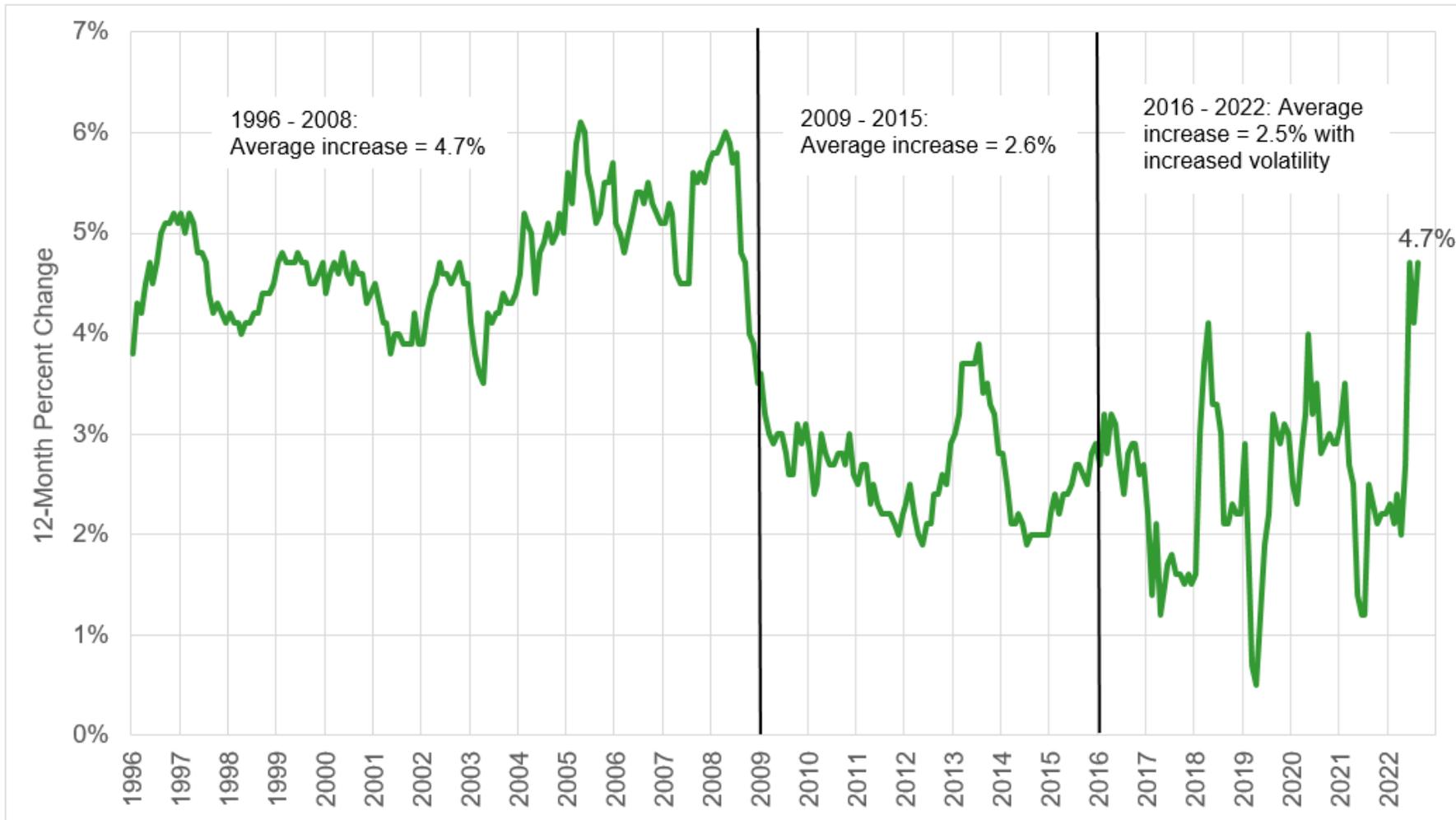
Inflation-adjusted wages of "nonsupervisory" employees in dental offices average \$30.95/h. This represents a change of...

- *+0.1% from 1 month prior*
- *-1.8% from 12 months prior*
- *+0.1% from pre-pandemic*

Note we assume "nonsupervisory" jobs in dental offices include hygienists, assistants, and administrative staff.

Source: U.S. Bureau of Labor Statistics

Consumer Price Index for Dental Services, 12-Month Change



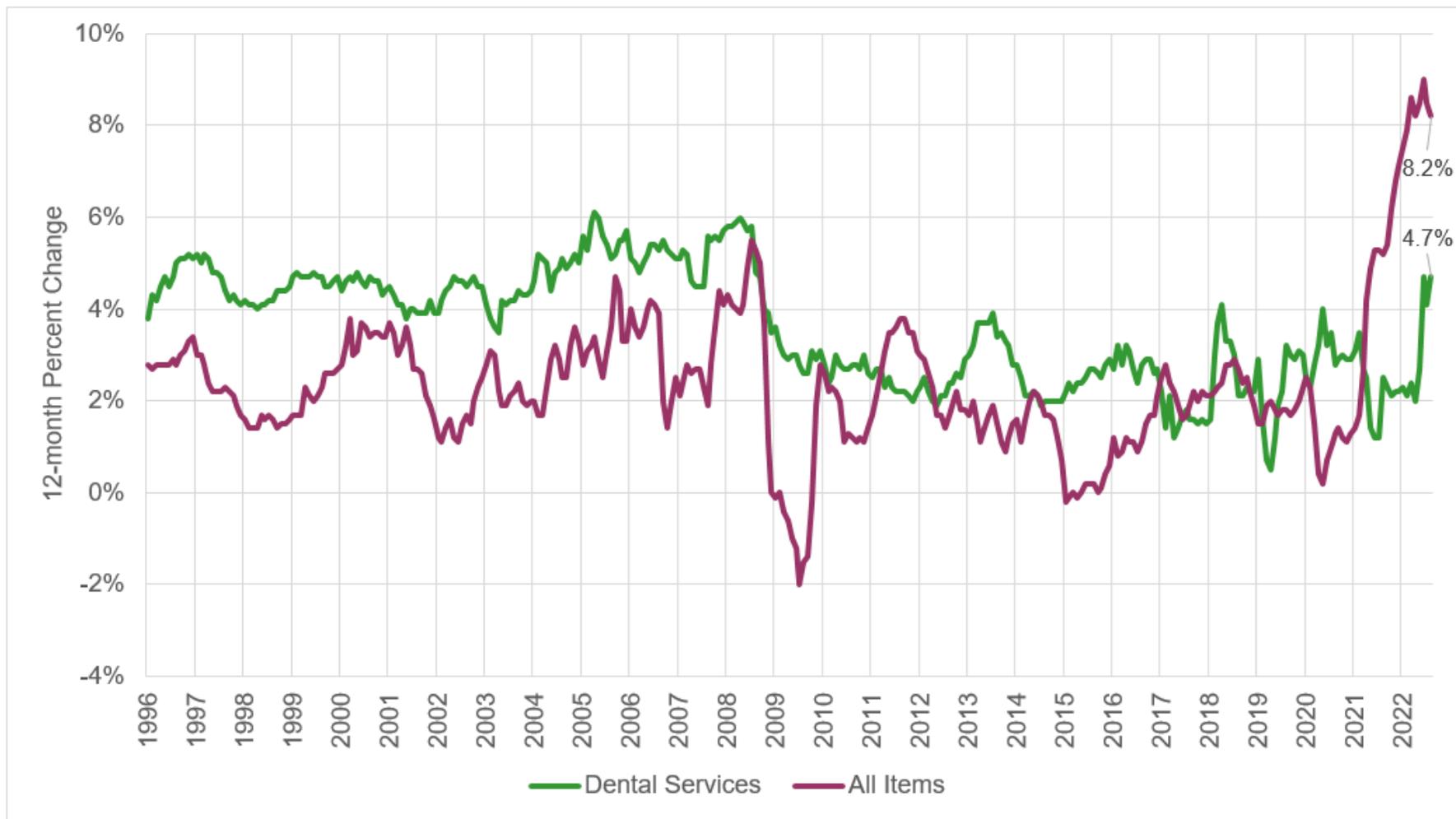
In August, the annual inflation rate for dental services was 4.7%.

This inflation rate is a 14-year high.

Note the inflation rate captures prices paid for dental services by both patients and insurers.

Source: U.S. Bureau of Labor Statistics

Consumer Price Index, 12-Month Change



Dental services inflation remains well below inflation overall in the economy.

Since early 2021, overall inflation has exceeded that of dental services, which has historically not been the case.

Source: U.S. Bureau of Labor Statistics

Key Takeaways

1. Through August, U.S. dental spending had recovered to 91% of pre-pandemic levels. However, spending levels have been stable the past several months. We are definitely in a "holding pattern".
2. Staffing shortages remain an important constraint to expanding patient volume. But they are not the whole story. An increasing share of dental practices report "not enough patients making appointments" as a limiting factor.
3. While the number of jobs in dental offices continues to rise, the average number of non-dentist jobs per dentist jobs is below pre-pandemic levels and is stable. This is further evidence of staff shortages but more importantly suggests we are in a "new normal" in terms of the staffing mix. Staffing shortages are not going away any time soon. Practices need to adjust.
4. Dental services inflation lags overall inflation in the economy. This could be explained, in part, by stagnant insurance reimbursement. The vast majority of dental practices have not seen reimbursement increases in the past year.
5. Increases in operating costs combined with stagnating insurer reimbursement are likely putting pressure on profits in dental practices as well as net income of dentists. More data to come from HPI!

Thank You!

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ADA American Dental Association®

Data Sources and Notes

Slide 3-9, Economic Conditions in Dental Offices

Source: Health Policy Institute *Emerging Issues and Economic Outlook in Dentistry* monthly polling data. Measuring the ongoing impact of the COVID-19 pandemic and other emerging issues in dentistry with over 3,000 dental practice nationwide reporting data. Core measures: economic outlook, fullness of practice schedule, schedule barriers, recruitment needs and associated difficulty. Complete reports with breakdowns available at [ADA.org/HPI](https://ada.org/HPI)

Data Sources and Notes

Slide 10, Expenditure on Dental Services

Source: U.S. Bureau of Economic Analysis (BEA), Table 2.4.6U, Real Personal Consumption Expenditures, Dental Services, Chained Dollars [Billions of chained (2012) dollars; months are seasonally adjusted at annual rates]. Available at <https://www.bea.gov/data/consumer-spending/main>, accessed Sep. 30, 2022. **Notes:** The BEA's Dental Services data are detailed level estimates, more likely to be either based on judgmental trends or on less reliable source data than estimates at higher level aggregates. BEA estimates of dental spending differ from those of the Centers for Medicare and Medicaid Services (CMS). In general, CMS includes government spending (e.g., Provider Relief Funds in 2020) towards the dental services category while BEA does not. Latest data point represents August 2022.

Data Sources and Notes

Slide 11, Expenditure on Select Health Care Services, Indexed to February 2020

Source: U.S. Bureau of Economic Analysis (BEA), Table 2.4.6U, Real Personal Consumption Expenditures, Chained Dollars [Billions of chained (2012) dollars; months are seasonally adjusted at annual rates]. All values on this figure are indexed to February 2020 values. Available at <https://www.bea.gov/data/consumer-spending/main>, accessed Sep. 30, 2022. **Notes:** The BEA's Dental Services and Physician Services data are detailed level estimates, more likely to be either based on judgmental trends or on less reliable source data than estimates at higher level aggregates (e.g., Health Care). Physician Services and Dental Services are subsets of the Health Care category. Latest data points represent August 2022.

Data Sources and Notes

Slide 12, Number of Jobs, Offices of Dentists

Source: U.S. Bureau of Labor Statistics (BLS), Current Employment Statistics, Offices of Dentists, seasonally adjusted. Available at <https://www.bls.gov/ces/data/>. Accessed Sep. 30, 2022. **Notes:** Number of jobs includes full- and part-time jobs and temporary jobs. Job count can exceed headcount of workers - a person working in two businesses is counted twice. These data exclude unincorporated owner dentists.

Data Sources and Notes

Slide 13, Number of Jobs, Offices of Dentists

Source: U.S. Bureau of Labor Statistics (BLS), Current Employment Statistics, Offices of Dentists, seasonally adjusted. Available at <https://www.bls.gov/ces/data/>. Accessed Sep. 30, 2022. **Notes:** Number of jobs includes full- and part-time jobs and temporary jobs. Job count can exceed headcount of workers - a person working in two businesses is counted twice. These data exclude unincorporated owner dentists. HPI assumptions are that within the BLS Industry category "Offices of Dentists," "supervisory jobs" are dentists and supervisory employees and "nonsupervisory jobs" are for those who are not primarily employed to direct, supervise, or plan the work of others.

Data Sources and Notes

Slide 14, Number of Jobs, Offices of Dentists, Dentists vs. Non-dentists

Source: ADA Health Policy Institute analysis of data from the U.S. Bureau of Labor Statistics (BLS), Current Employment Statistics, Offices of Dentists, seasonally adjusted. **Notes:** The statistic is the number of nonsupervisory jobs divided by the number of supervisory jobs in Offices of Dentists. HPI assumptions are that within the BLS Industry category "Offices of Dentists," "supervisory jobs" are dentists and supervisory employees and "nonsupervisory jobs" are for those who are not primarily employed to direct, supervise, or plan the work of others.

Data Sources and Notes

Slide 15, Average Hourly Earnings, Employees, Inflation-Adjusted

Source: U.S. Bureau of Labor Statistics (BLS), Current Employment Statistics, Offices of Dentists, seasonally adjusted. Available at <https://www.bls.gov/ces/data/>. Accessed Sep. 30, 2022. U.S. Bureau of Labor Statistics (BLS), Consumer Price Index, Dental Services, seasonally adjusted. Available at <https://www.bls.gov/cpi/data.htm>. Accessed Sep. 30, 2022.

Notes: Earnings are for nonsupervisory jobs, inflation-adjusted to July 2022 dollars using the CPI-All Items, seasonally adjusted. HPI assumptions are that within the BLS Industry category "Offices of Dentists," "nonsupervisory jobs" are for those who are not primarily employed to direct, supervise, or plan the work of others. Employment in the Health Care industry is approximately 16 million jobs: 5 million in Hospitals, 3 million in Nursing and Residential Care Facilities, 3 million in Offices of Physicians, 1.5 million in Home Health Care Services, 1 million in Offices of Dentists, 1 million in Outpatient Care Centers, and 1 million in Other Health Practitioners.

Data Sources and Notes

Slide 16, Consumer Price Index for Dental Services, 12-Month Change

Source: U.S. Bureau of Labor Statistics (BLS), Consumer Price Index, Dental Services, seasonally adjusted. Available at <https://www.bls.gov/cpi/data.htm>. Accessed Sep. 30, 2022.

Notes: The Consumer Price Index for Dental Services covers services that are performed and billed by private-practice dentists. The index collects prices on different payer types: patient self-pay (cash) and commercial or private insurance. (Source: <https://www.bls.gov/cpi/factsheets/medical-care.htm>)

Data Sources and Notes

Slide 17, Consumer Price Index, 12-Month Change

Source: U.S. Bureau of Labor Statistics (BLS), Consumer Price Index, Dental Services, seasonally adjusted. Available at <https://www.bls.gov/cpi/data.htm>. Accessed Sep. 30, 2022.

Notes: The Consumer Price Index for All Items is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The Consumer Price Index for Dental Services covers services that are performed and billed by private-practice dentists. The index collects prices on different payer types: patient self-pay (cash) and commercial or private insurance. (Source: <https://www.bls.gov/cpi/factsheets/medical-care.htm>)