

Research Brief

Dentist Earnings Not Recovering with Economic Growth

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Key Messages

- *Dentists' earnings are not rebounding despite several years of economic recovery since the Great Recession.*
- *Low dentist busyness levels and decreased wait times indicate additional capacity is available in the dental care system.*
- *Given that dental spending is expected to remain sluggish while the supply of dentists is expected to increase, 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 is a steady decrease in dental care use among adults which began well before the recent economic downturn and shows no sign of reversing.³ Recent analysis shows that a "new normal" may be emerging in terms of dental spending, demand for dental care, and dentist earnings.⁴

In this research brief, we present updated data on dentist earnings through 2013. 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.⁵ Response rates to the Survey of Dental Practice from 1982 to 2013, our period of focus, varied from 14–50%. The most recent year for which data are available is 2013 and the response rate was 18.4%. The survey oversampled specialists and selected states 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 per-capita 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 and oversampling within selected states. In addition, estimates for the years 2000 through 2013 were weighted to compensate for survey nonresponse bias with respect to these dentist characteristics: age group, general practitioner or specialist status, ADA membership status, and county population corresponding to the dentist's location. Since our primary period of focus is from 2000 onward, we did not compute nonresponse bias weights for data prior to 2000; in addition, we lack the supplemental data necessary to consistently apply this type of weighting prior to 1995. As this is the first year we are reporting weighted estimates, results are not comparable to our previous analyses of dentist earnings. More specifically, the weighted income estimates in this current analysis are generally lower than in our previous reports.

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

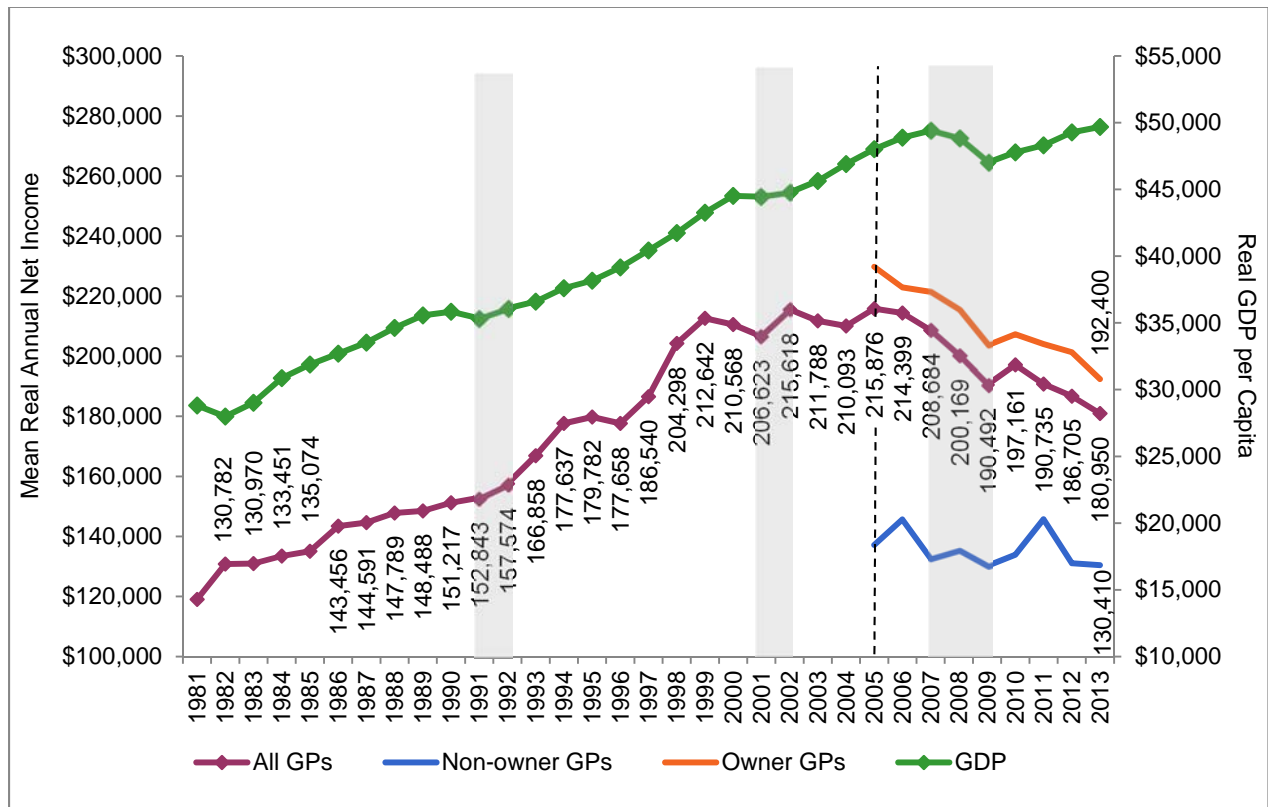
GDP per capita has increased each year from 2009 to 2013, and has fully recovered to pre-recession levels. The U.S. economy is clearly in steady recovery.

In 2013, average annual net income was \$180,950 for general practitioner dentists (GPs) and \$283,900 for specialists. Average annual net income was \$192,400 for owner GPs and \$130,410 for non-owner GPs (Figure 1). When adjusted for inflation, average incomes have decreased significantly since the peak value of \$215,876 which occurred in 2005 and have actually decreased since 2009, the end of the Great Recession. The changes from 2005 to 2013 and from 2009 to 2013 are both statistically significant. Net incomes have decreased for specialists steadily since 2007 (data not shown). Clearly, our analysis indicates that dentists' average net incomes are not recovering with the rebound in the U.S. economy.

busy enough" in 2013 were 36% for GPs and 37% for specialists, comparable to the substantial levels of the previous year (Figure 2). Among GPs, 41% of solo practitioners (a single, owner dentist in the practice) indicated they were not busy enough compared to 25% of non-owner GPs (Figure 3). Average wait times did not decline in 2013 and appear to have made a slight turnaround, although more data are needed. The average wait time for a GP appointment has decreased from 9.6 days in 2001 to 4.8 days in 2013 for a patient of record. A new patient waited an average of 10.8 days in 2001 compared to 5.7 days in 2013 (Figure 4). Taken together with the decrease in busyness, these data suggest that significant unused capacity is available in the dental care system.

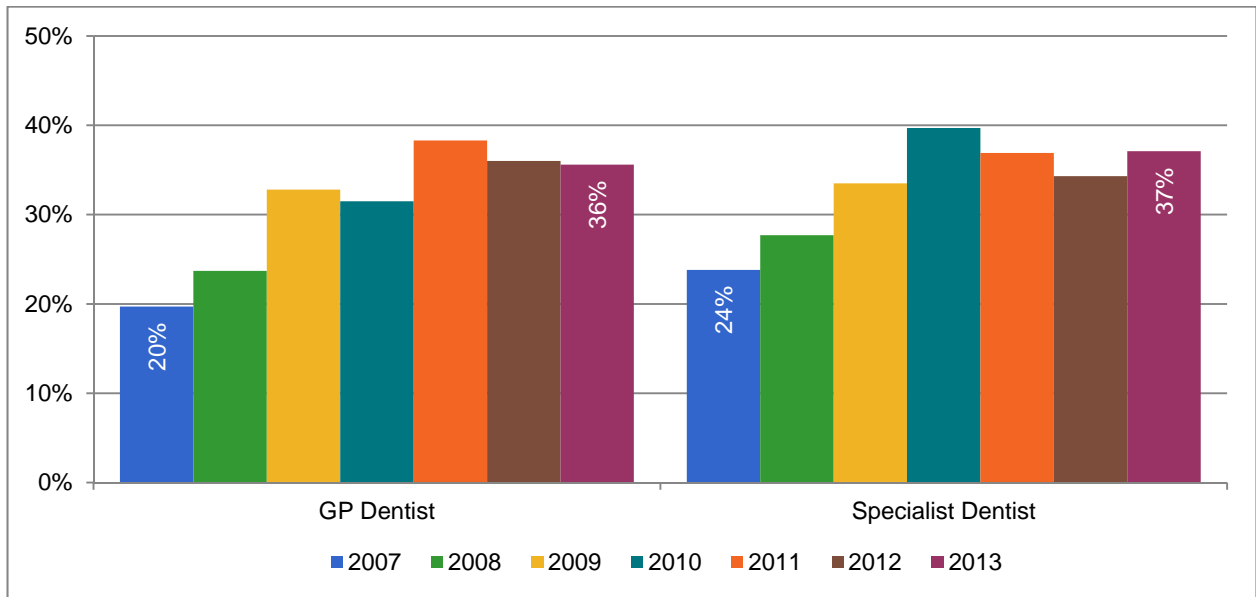
The percentages of dentists self-described as "not

Figure 1: General Practitioner Dentist Earnings, 1981 to 2013



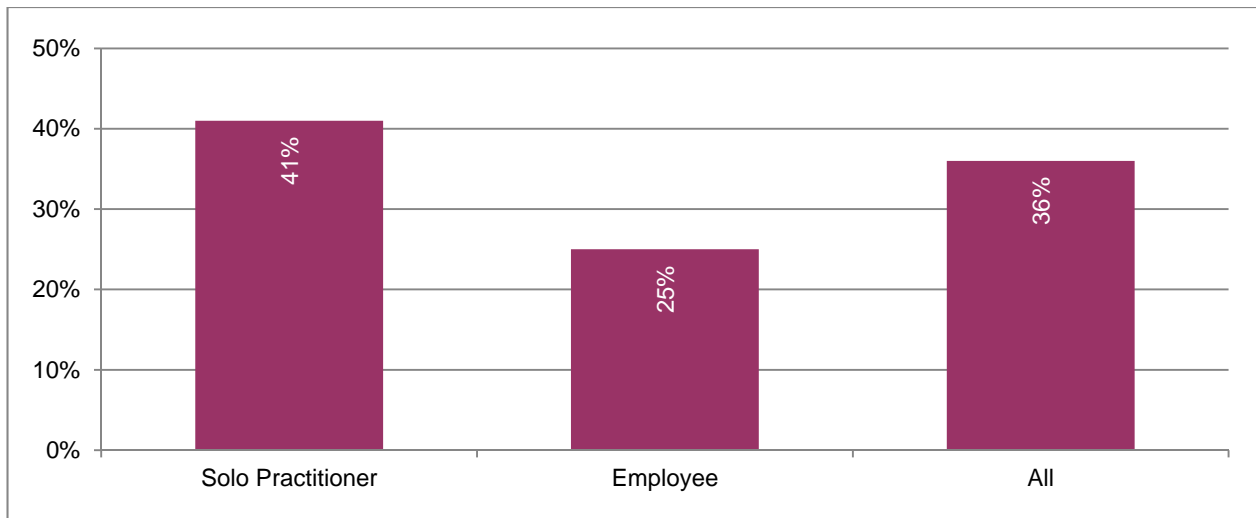
Source: ADA Health Policy Institute; Bureau of Economic Analysis; Bureau of Labor Statistics. Note: Net income data are based on the ADA Health Policy Institute annual Survey of Dental Practice with years 2000-2013 weighted to adjust for nonresponse bias. Shaded areas denote recession years according to NBER. GDP is deflated using the GDP deflator. Net income is deflated using the all-item CPI. All values are in constant 2013 dollars.

Figure 2: Percentage of Dentists “Not Busy Enough”



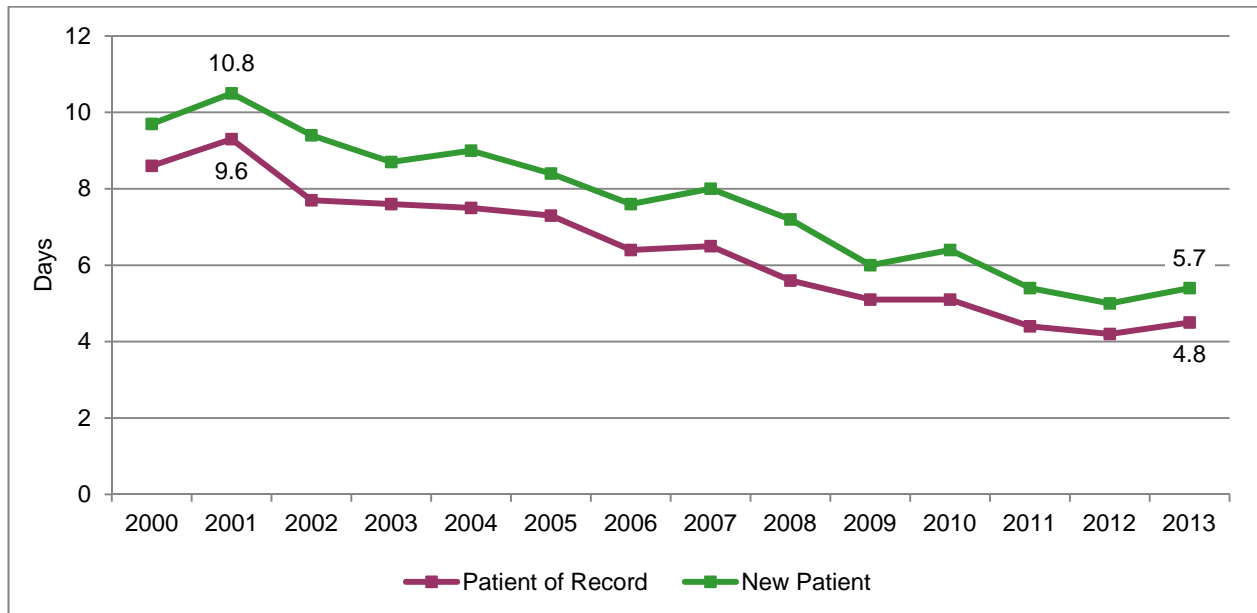
Source: ADA Health Policy Institute annual *Survey of Dental Practice*. **Note:** Indicates the percentage of dentists reporting they are “not busy enough and can see more patients.” Weighted to adjust for nonresponse bias.

Figure 3: Percentage of General Practitioner Dentists “Not Busy Enough,” 2013



Source: ADA Health Policy Institute annual *Survey of Dental Practice*. **Note:** Indicates the percentage 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. Weighted to adjust for nonresponse bias.

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. Weighted to adjust for nonresponse bias.

Discussion

With four full years of post-Great Recession data, dentist earnings are clearly not recovering. As previous research has shown,⁶ dentist earnings in the period since the early 2000s have been affected significantly by the demand for dental care and aggregate dental spending. The supply of dentists also has an influence on dentist earnings, as basic principles of economics would predict. In fact, recent years have seen a stagnation of dental spending, an increase in the number of dentists and, as a result, stagnant dentist earnings.⁷

Looking forward, there is significant uncertainty both in the general health care environment as well as economic conditions within the dental sector. A recent analysis⁸ shows that if current dental care utilization trends continue – and the most recent data show they are indeed continuing⁹ – dental spending in the U.S. will not return to the historically high, pre-Great

Recession growth levels. An important caveat, however, is the potential impact of the Affordable Care Act. There will be significant expansion in demand for dental care among Medicaid adults¹⁰ as well as a (much smaller) increase in private dental benefits coverage.¹¹ It is unclear how strong of an impact, if any, these changes will have on dental spending.

On the supply side, new research shows that the supply of dentists is expected to increase in the coming years.¹² If the dental sector is entering an era of stagnant demand for dental care and an increasing supply of dentists, this will have important implications for dental practices. A “new normal” of flat dentist earnings could be emerging. The ADA Health Policy Institute will continue to study the dental economy in the coming years through cutting edge data and research initiatives.

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