

The Economy's Impact on Dentistry

California Association of Dental Plans
May 28, 2009

John R. Luther, DDS
Senior Vice-President,
Dental Practice and Professional Affairs

ADA American Dental Association®

Overview

- Economic Environment
- Impact on Dentists
- Dentists' Open Ended Comments



Key Economic Forces – 4 Fs

What Got Us to Where We Are Today?

Foreclosures

- Initial Regional Impact & Broader Impact on Housing Wealth

Food & Fuel - Inflation & Deflation

- Significant fluctuations in the prices of food and fuel

Financial

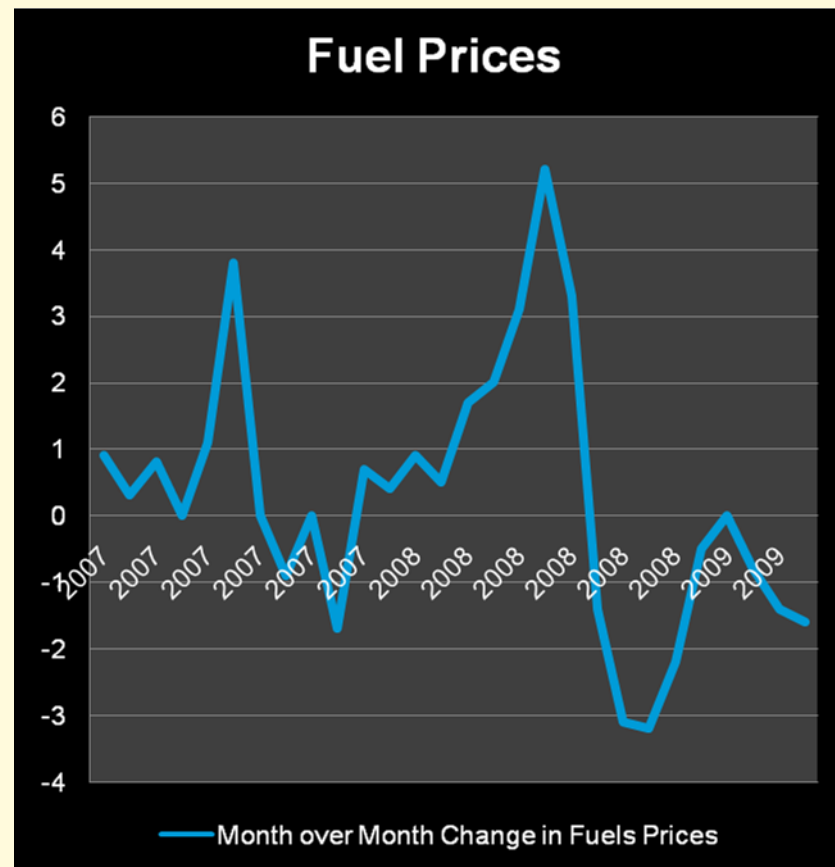
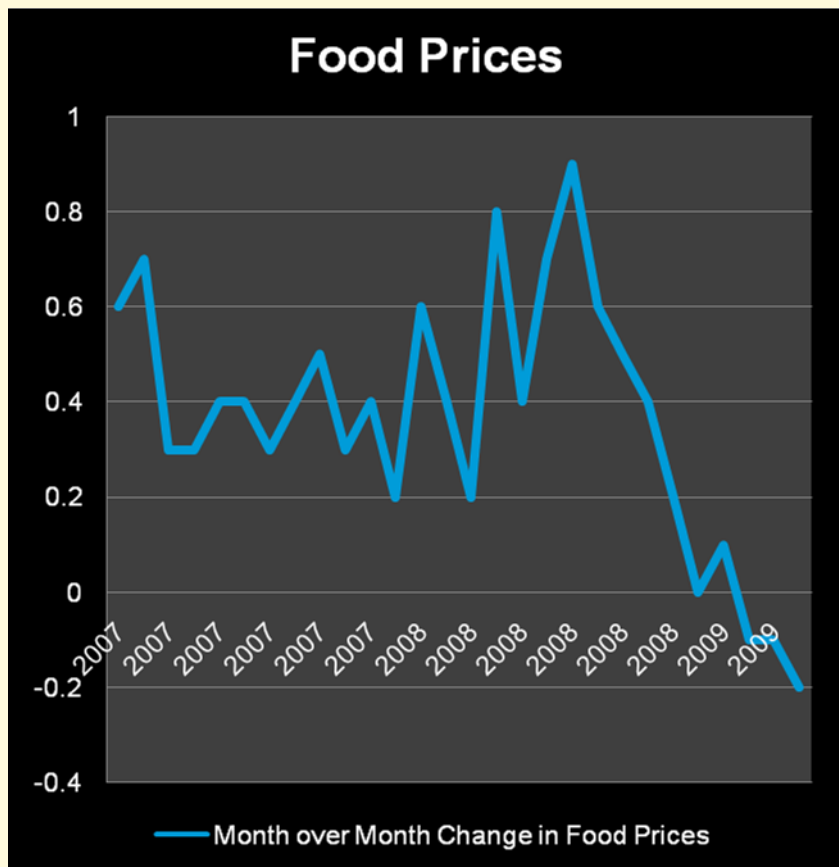
- Loss of Wealth & Crisis of Confidence

Fear & Unemployment

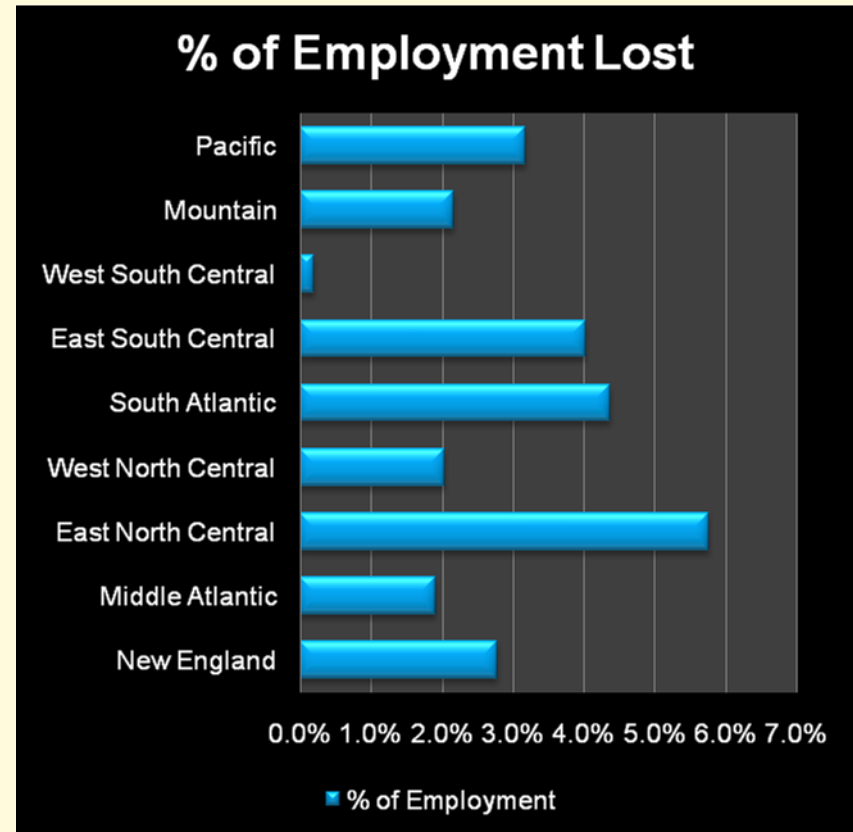
- *Uncertainty and lack of confidence*

Is Confidence Returning?

Rapid Fluctuations in Food and Fuel Prices



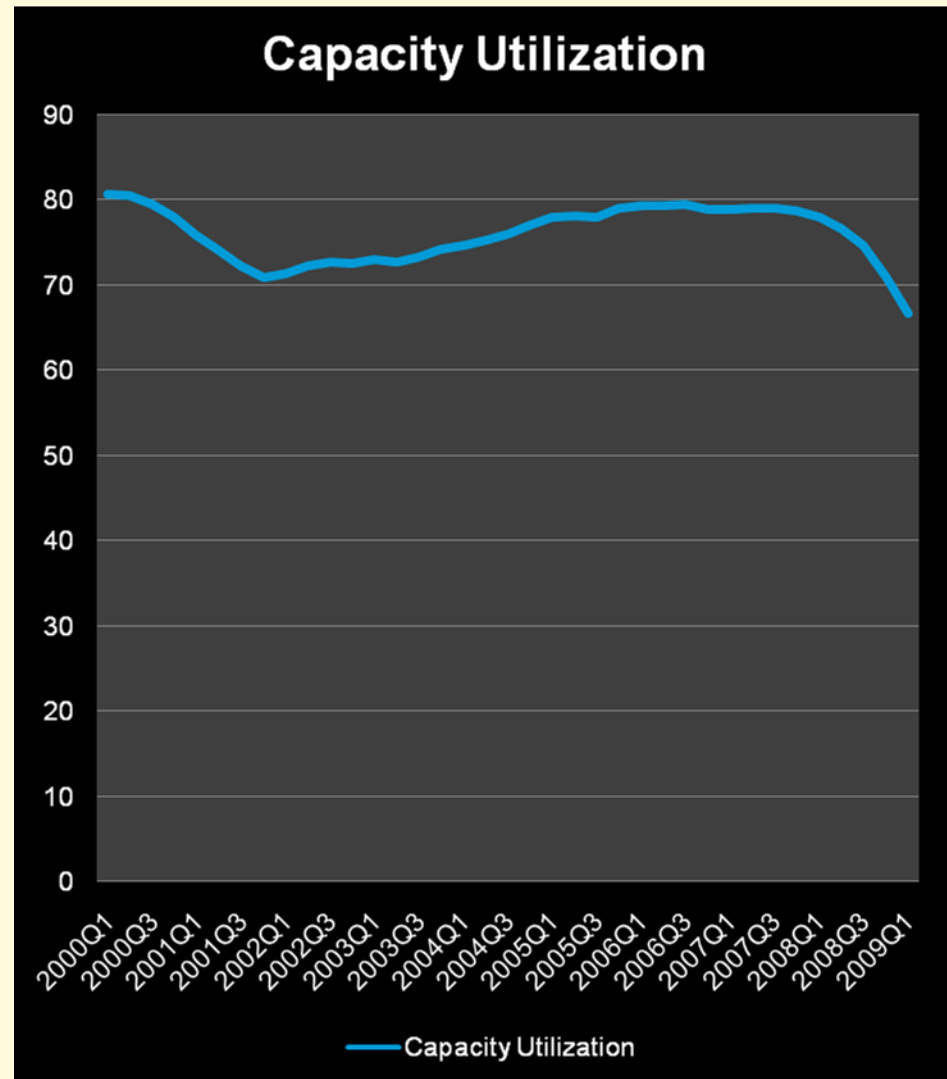
Employment Lost Since Start of Recession



Source: U.s. Bureau of Labor Statistics, April 30, 2009.

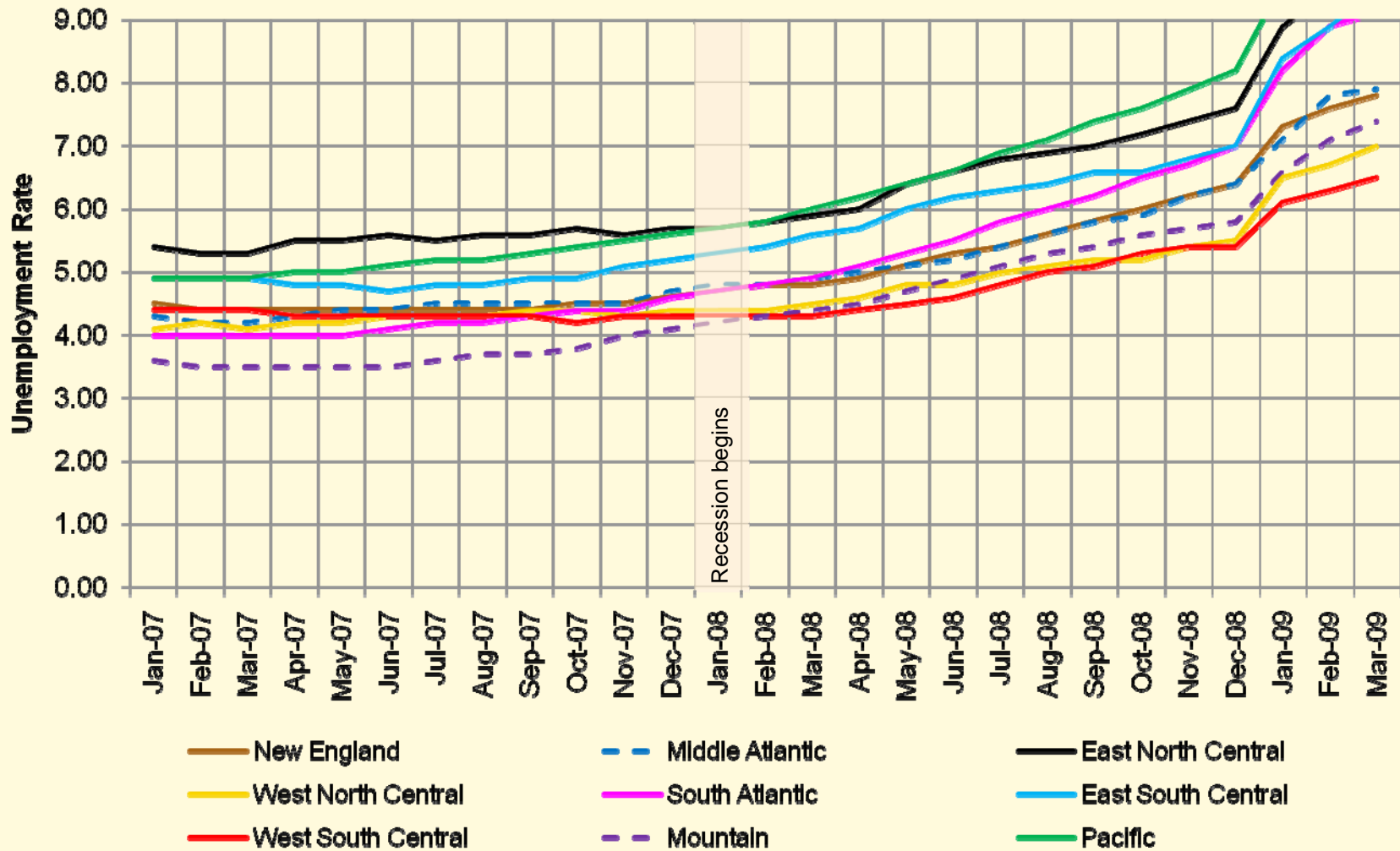
The Real Economy - Declining Capacity Utilization in the Manufacturing Sector

1. Capacity Utilization has dropped 12 percentage points since the start of the recession in December 2007.
2. Capacity Utilization dropped four (4) percentage points in the first quarter of 2009.



Source: Data download from Federal Reserve, Economics and Statistics, May 19, 2009.

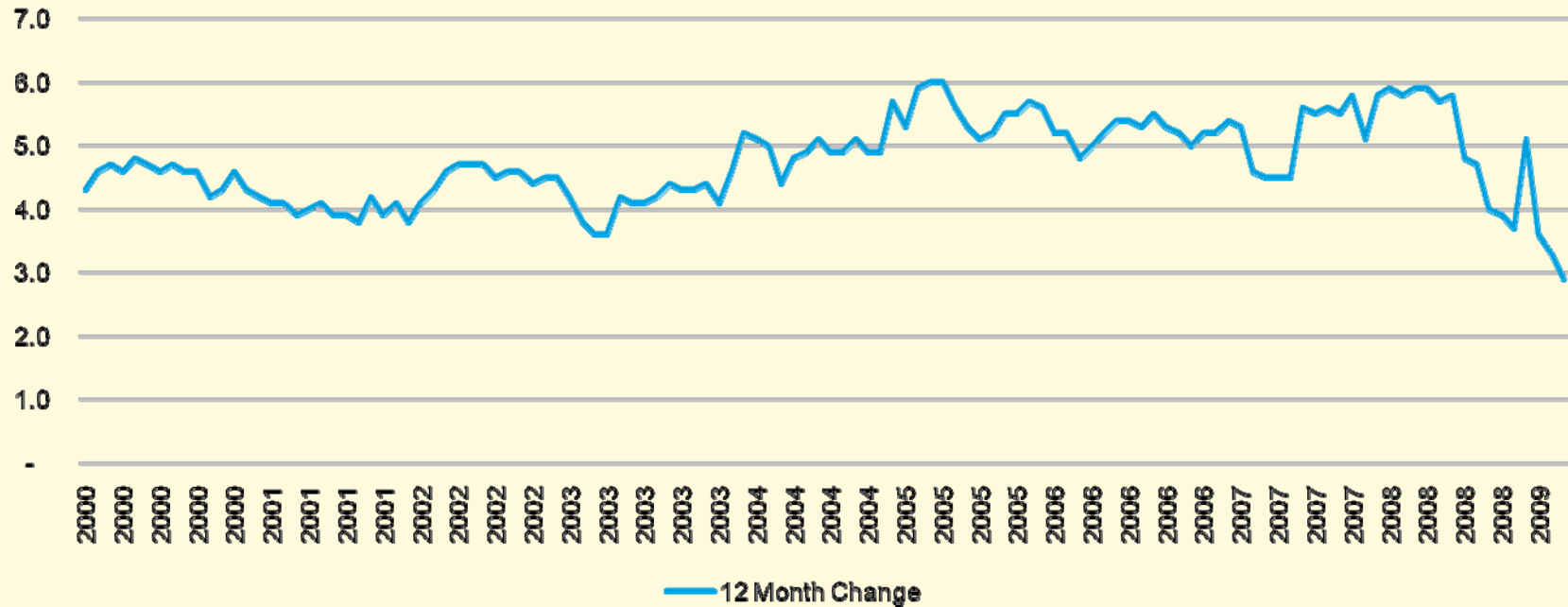
2007 – 2009 Unemployment Rates



Source: U.S. Bureau of Labor Statistics, April 30, 2009.

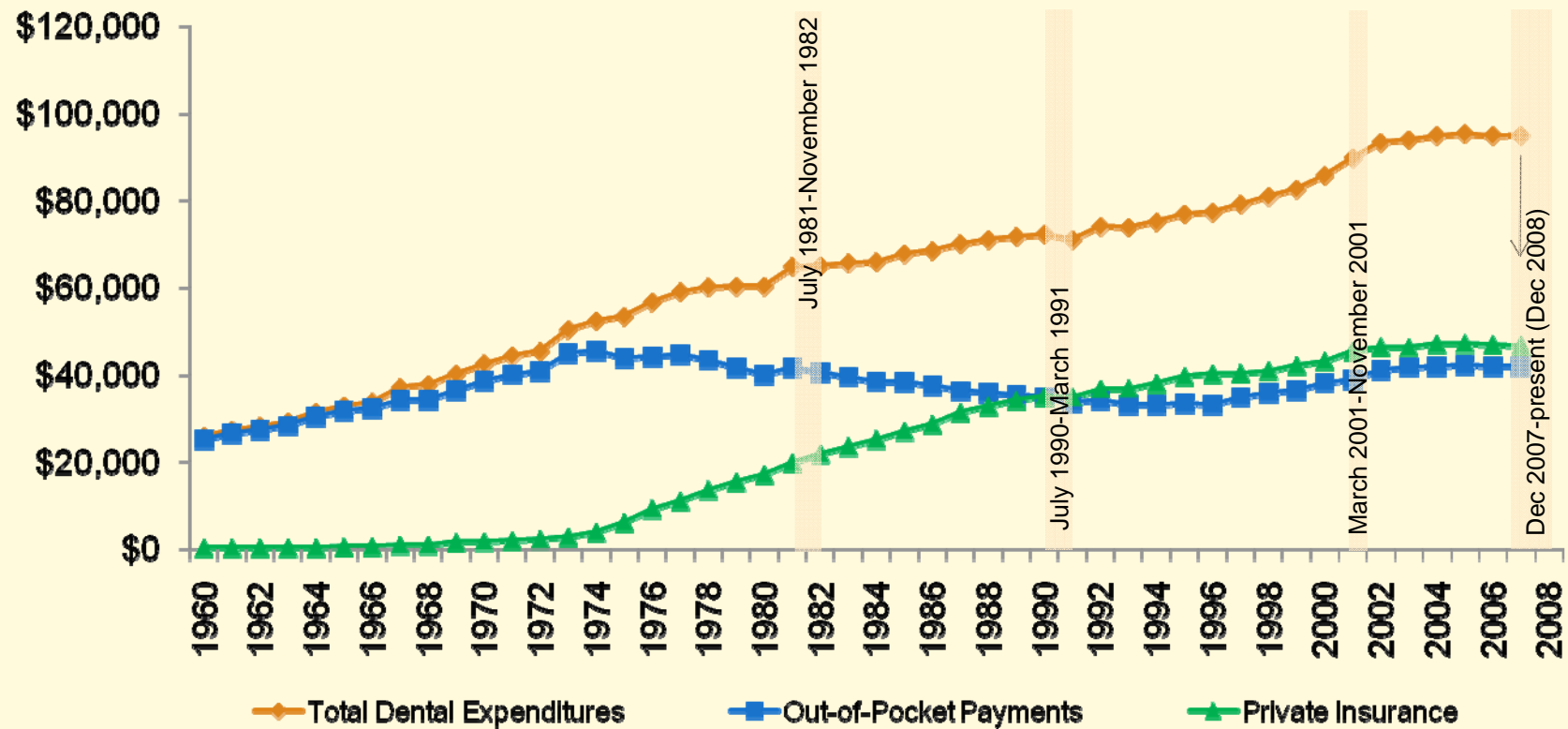
Dental Services Component of CPI

12 Month Change - Dental Services Component of the Consumer Price Index



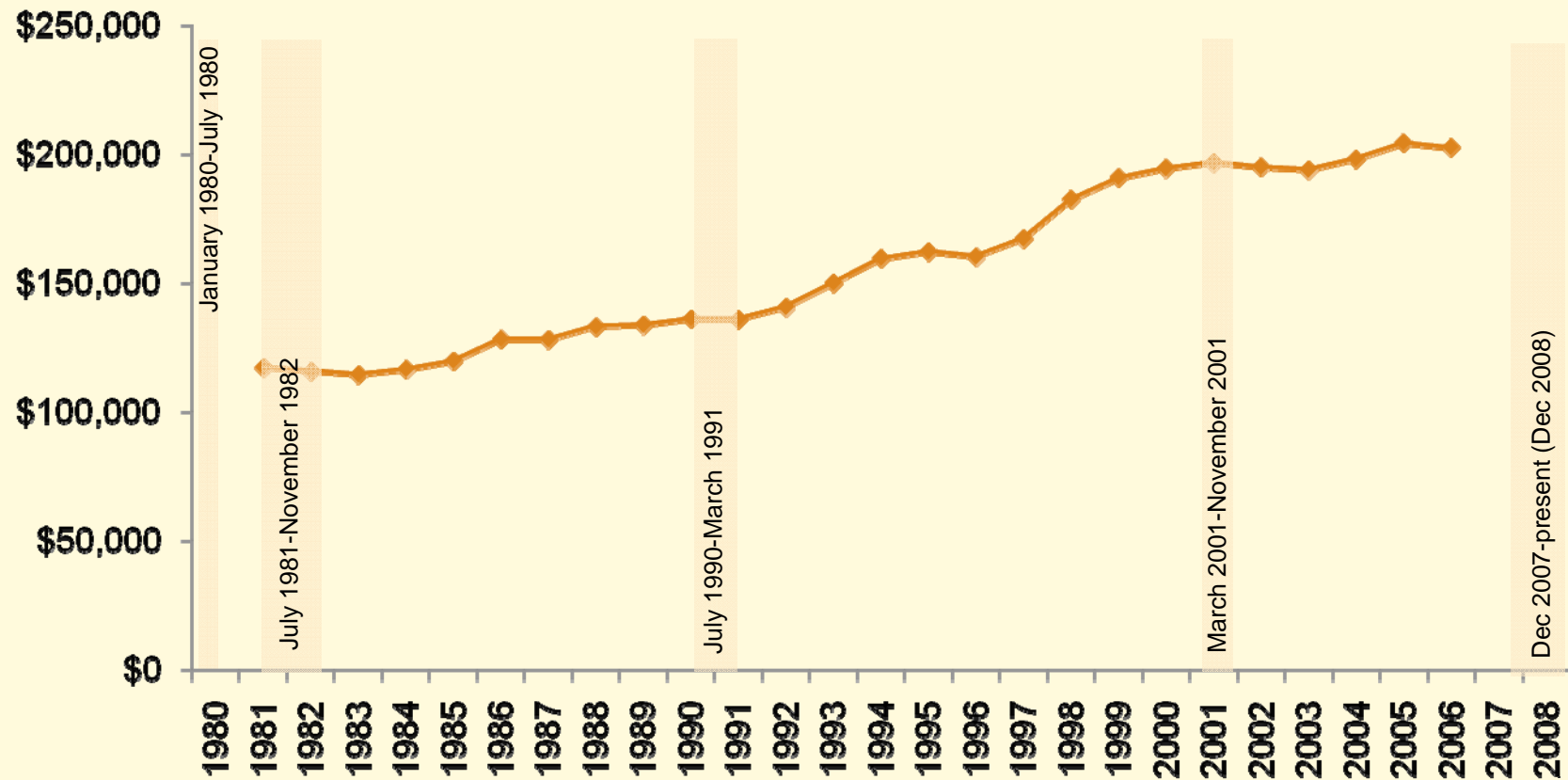
Source: Bureau of Labor Statistics, April 28, 2009 Download.

Total Real (Base=2007) Dental Expenditures by Source of Payment (Millions of Dollars): 1960 - 2007



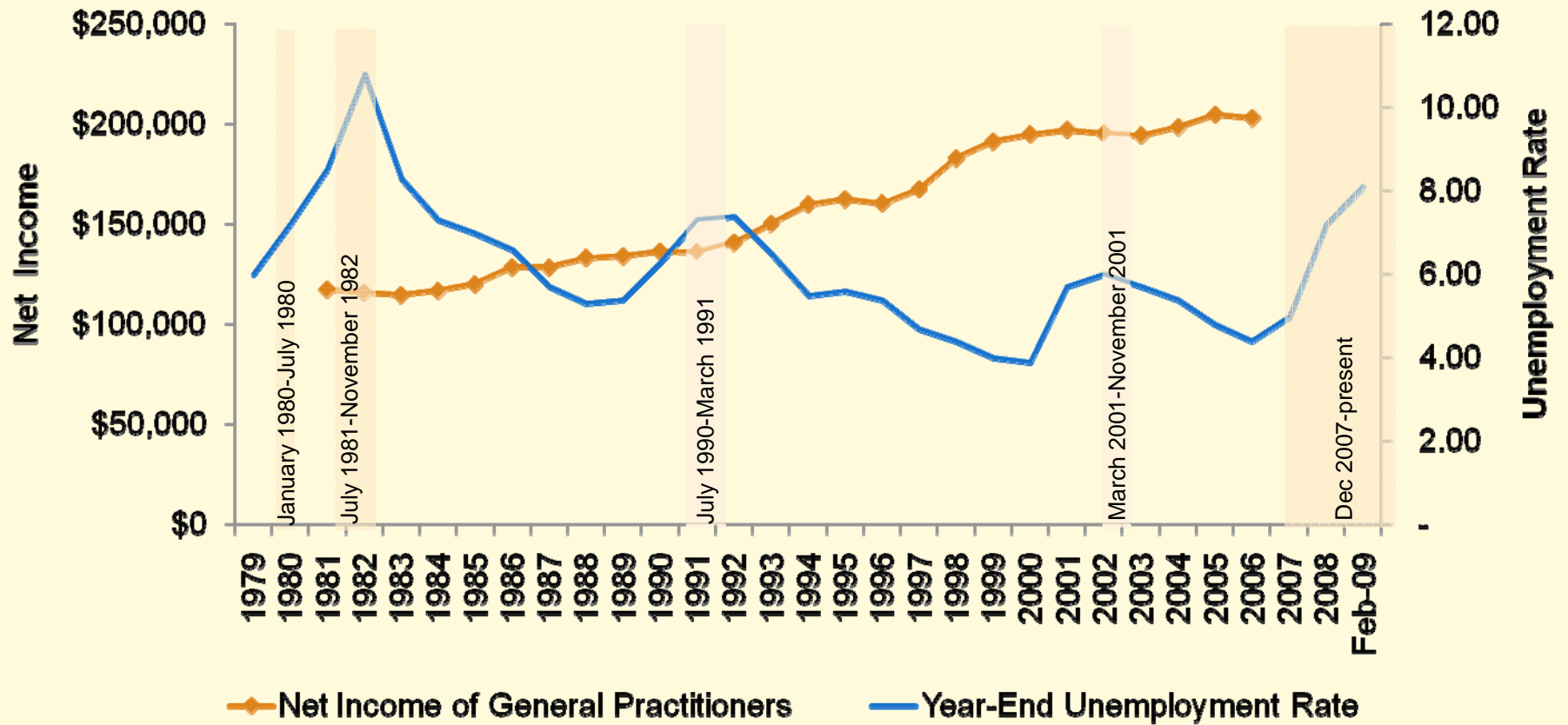
Source: Download from CMS Website, January 7, 2009.

Real (Base=2006) Net Income of Independent General Practitioners



Source: American Dental Association, *Survey of Dental Practice*, Selected Years.

Real (Base=2006) Net Income of Independent General Practitioners and the Unemployment Rate



ADA Survey of Economic Confidence of Dentists

E-mail Survey of Dentists

- Dental Practice Metrics – gross billings, collections, adjustments and write-offs, accounts receivable, new patient volume, open appointment time, treatment plan acceptance rate
- Confidence Measures – net income expectations, confidence in gross billings, confidence in economic conditions
- Open Ended Question – What is your biggest challenge facing your practice and what are you doing to overcome it? (3rd and 4th Q, 2008)
What have you done to offset the effects of the recession, and has it made a difference? (1st Q 2009)

ADA Survey of Economic Confidence of Dentists

- Repeated Quarterly
- Dentists Surveyed
 - December 8th-December 16th, 2008 (re: 3rd Q 2008)
 - February 20th- February 27th, 2009 (re: 4th Q 2008)
 - April 20th - April 29th, 2009 (re: 1st Q 2009)

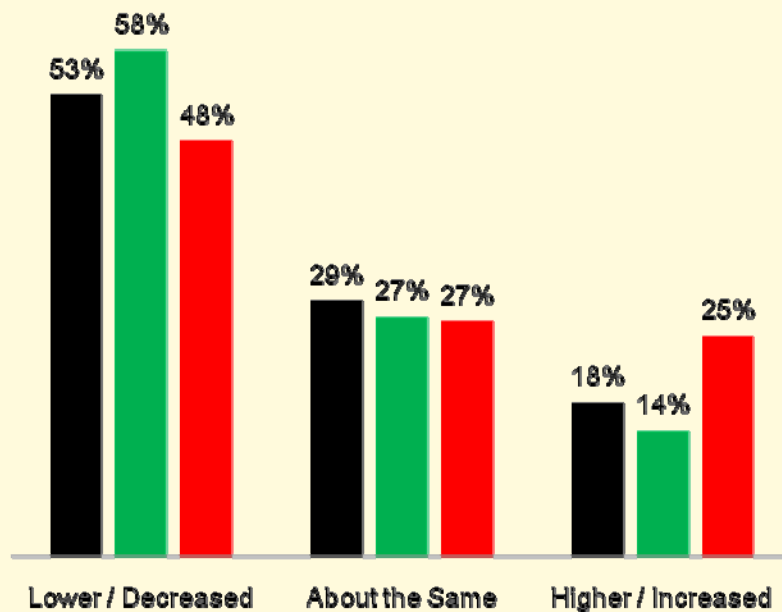
ADA Survey of Economic Confidence of Dentists

	Q3 2008	Q4 2008	Q1 2009
Surveys returned	1,749	1,699	1,745
Adjusted Response rate	10%	10%	10%
Percent of Respondents to Open – Ended Questions	47%	51%	46%

Quarterly Economic Confidence Survey –Practice Metrics

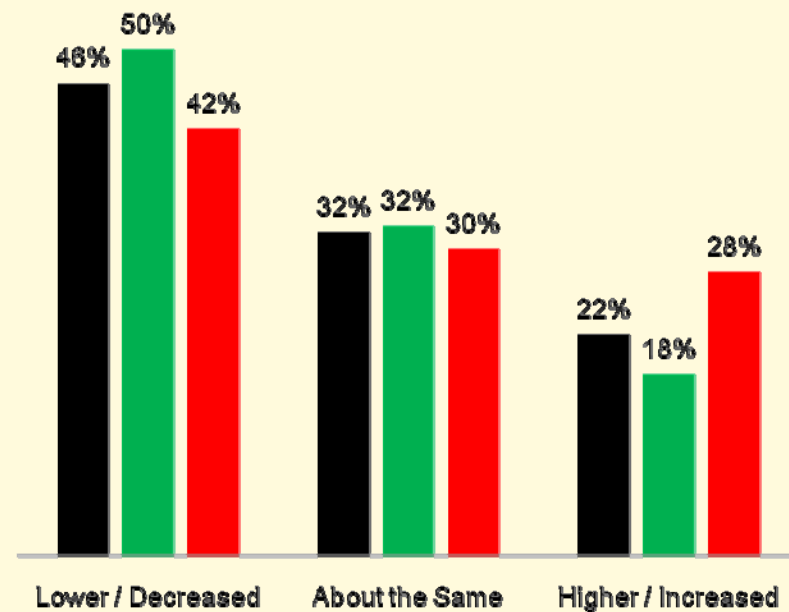
Net Income

■ 2008-03 ■ 2008-04 ■ 2009-01



Gross Billings

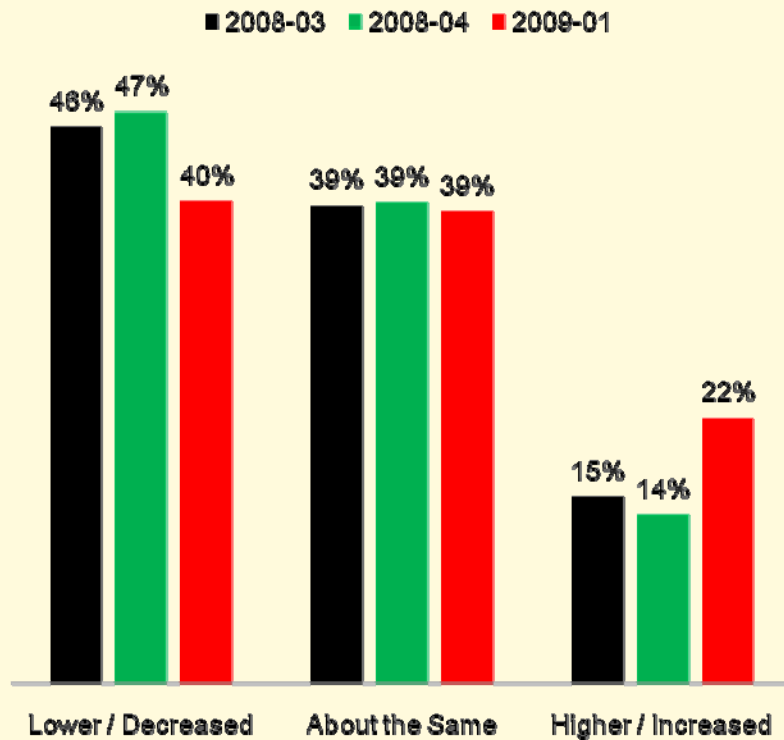
■ 2008-03 ■ 2008-04 ■ 2009-01



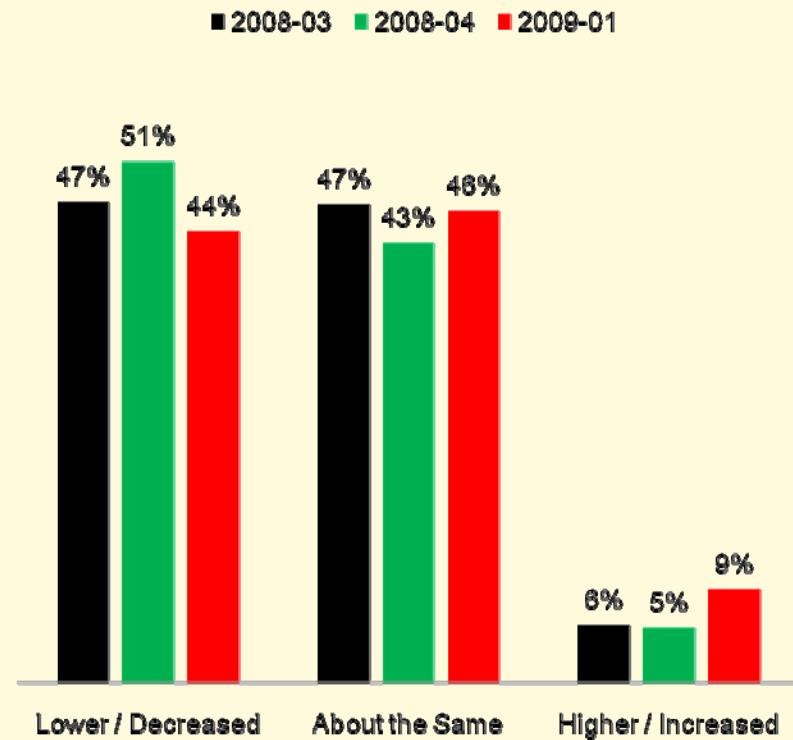
Source: American Dental Association, "Economic Confidence Survey, April 20 – April 29, 2009". The questions posed to respondents are designed to measure the direction of net income, gross billings or other metrics relative to the prior quarter.

Quarterly Economic Confidence Survey – Practice Metrics

New Patient Volume



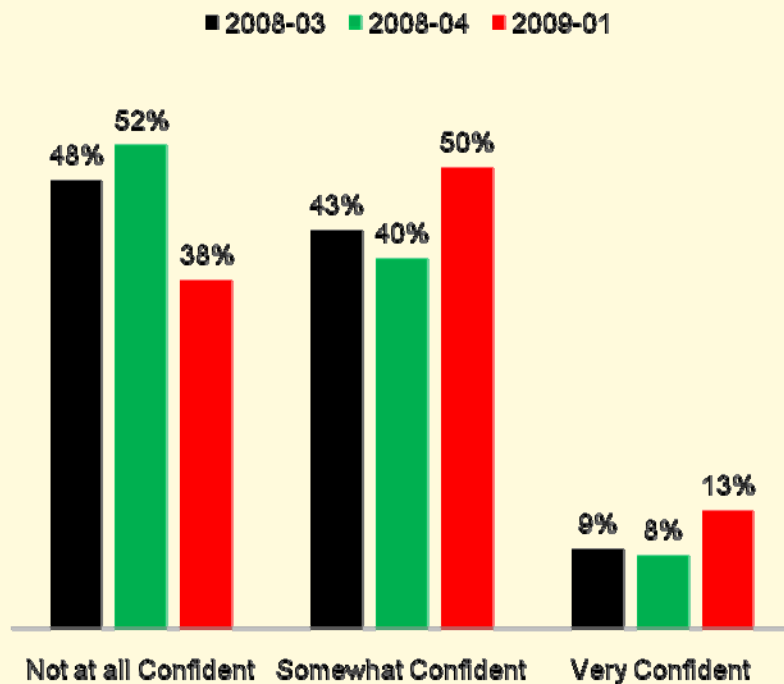
Treatment Acceptance Rates



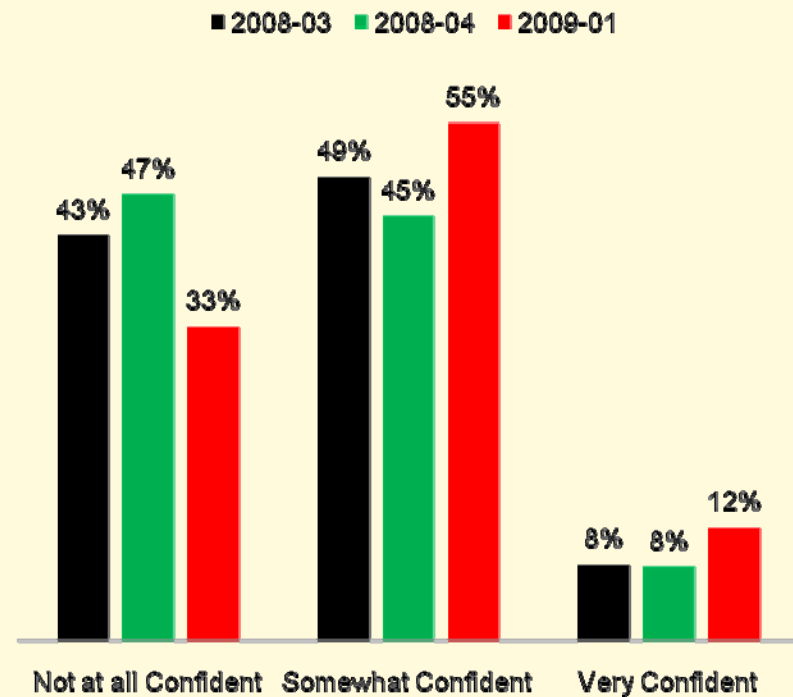
Source: American Dental Association, "Economic Confidence Survey, April 20 – April 29, 2009". The questions posed to respondents are designed to measure the direction of new patient volume, treatment acceptance rates or other metrics relative to the prior quarter.

Quarterly Economic Confidence Survey – Confidence Measures

Confidence in Future Gross Billings



Confidence in Future Economic Conditions of Their Practice



Source: American Dental Association, "Economic Confidence Survey, April 20 – April 29, 2009". The questions posed to respondents are designed to assess confidence in business volume and the economic circumstances surrounding his/her practice.

Gross Billings – by Region, 1st Q 2009

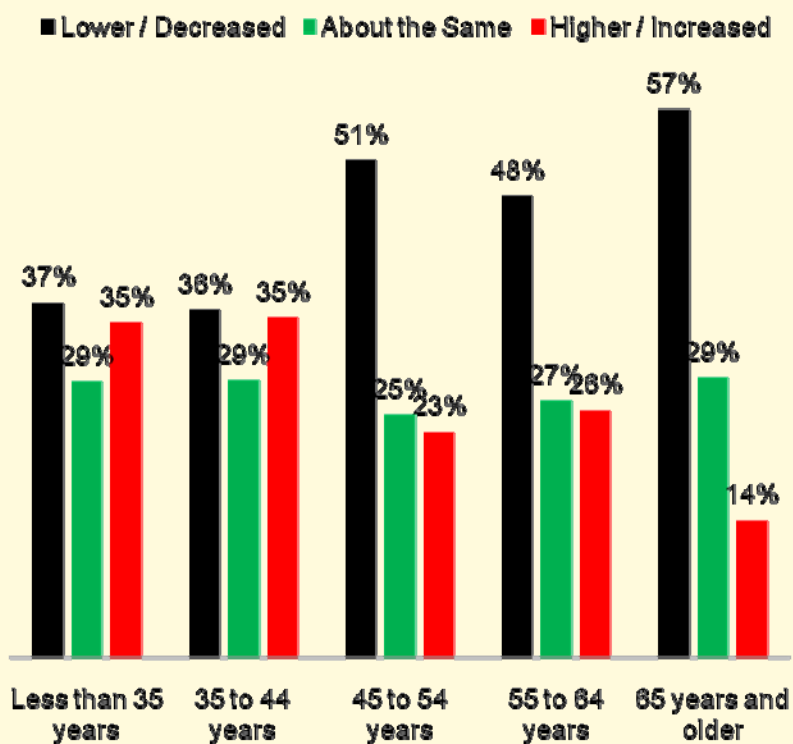
Region	Lower / Decreased	About the Same	Higher / Increased
New England	35%	36%	28%
Middle Atlantic	45%	29%	25%
East North Central	42%	28%	30%
West North Central	34%	33%	33%
South Atlantic	42%	30%	28%
East South Central	40%	31%	29%
West South Central	37%	31%	31%
Mountain	43%	32%	26%
Pacific	46%	29%	24%

Reporting Higher /Increased Gross Billings By Region

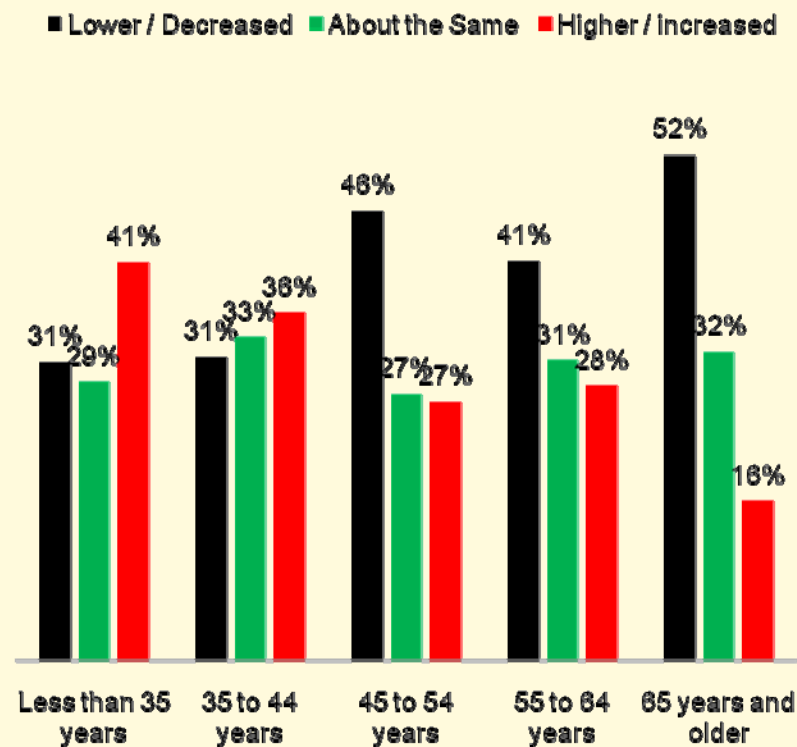
	2008-03	2008-04	2009-01
New England	21%	21%	28%
Middle Atlantic	24%	17%	25%
East North Central	20%	16%	30%
West North Central	24%	17%	33%
South Atlantic	14%	13%	28%
East South Central	22%	19%	29%
West South Central	27%	23%	31%
Mountain	25%	23%	26%
Pacific	24%	19%	24%

Age Specific Findings– First Quarter 2009

Net Income Change by Age



Gross Billings Change by Age



Source: American Dental Association, "Economic Confidence Survey, April 20 – April 29, 2009".

What Dentists are Telling Us

Open Ended Responses

Topic	3 rd Q 2008	4 th Q 2008
Marketing	167	97
Patient Financing	161	179
Staff Issues	86	57
Third Party Concerns	83	49
Control of Overhead	64	36
Practice Management	51	60
Self Improvement/Practice Improvement	29	42
Miscellaneous	48	39

What Dentists are Telling Us

Marketing: internal and external marketing; communicating more with patients; developing website.

Patient Financing: patients not accepting treatment plan; patients delaying treatment; job losses; flexible financial arrangements; loss of insurance benefits.

Staff Issues: maintaining morale, motivation and performance; determination of adequate salaries during difficult times; maintaining benefits; finding/keeping qualified employees; possible reductions in staff; shortening staff work week; high personnel costs.

What Dentists are Telling Us

Third Party Concerns: patients do not understand their dental insurance benefits; patients only want treatment that is an insurance benefit; low Medicaid reimbursement rates; maximum dental benefits have not changed in 30 years; insurance carriers slowing payments.

Overhead Control: save money wherever possible.

Practice Management: cancellations; get patients in on a timely basis; maintain collection policy; collecting fees; maintain practice growth.

What Dentists Are Telling Us

Self/Practice Improvement: invest in new technology; lecture to community groups; learn more treatment procedures; remodel office; move office.

Miscellaneous: maldistribution of dentists; lack of referrals; neighborhood suffering; selling practice; too much debt; changing demographics.

Economic Confidence Survey – Next Steps

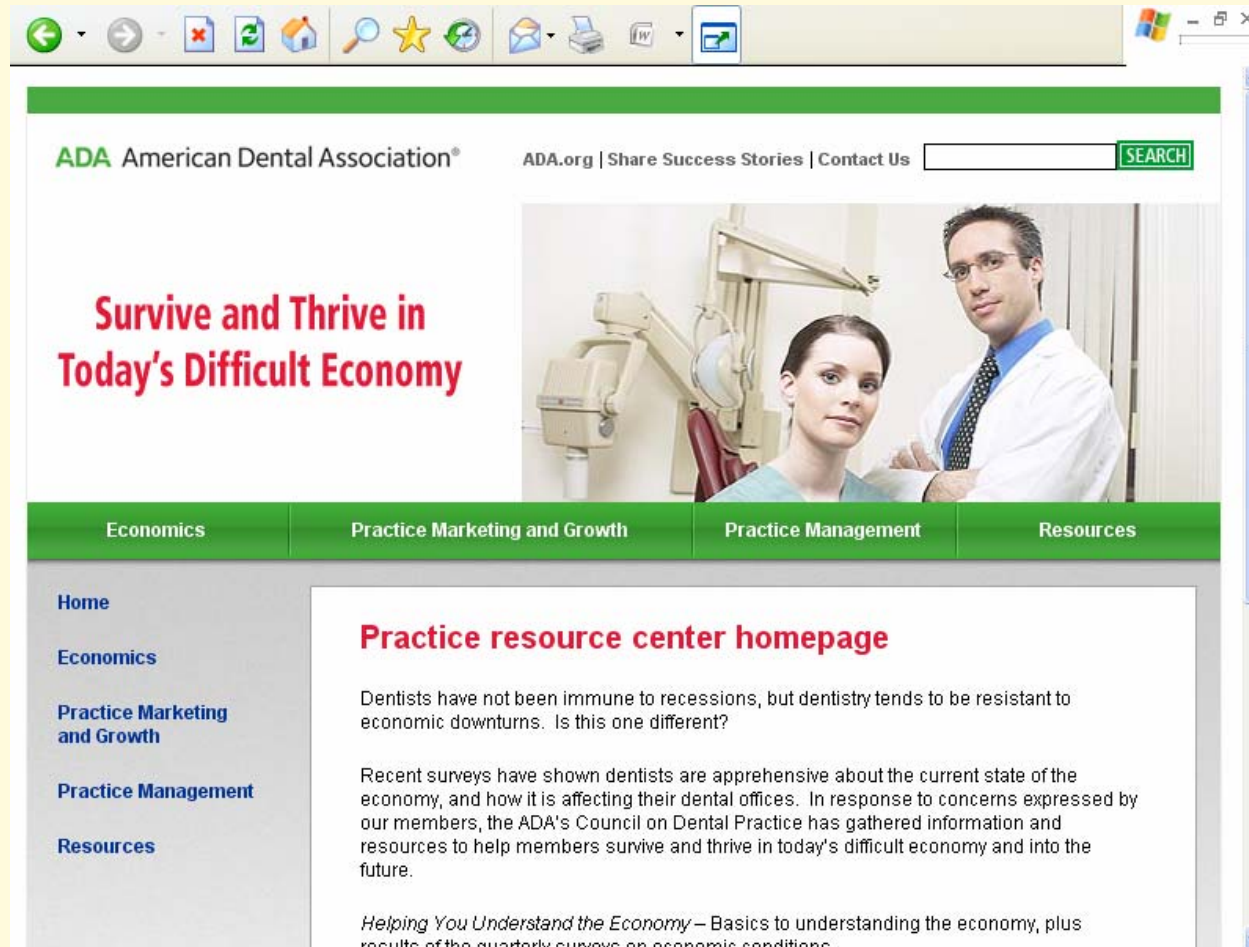
- Next quarterly survey scheduled for July 2009
- Will establish our baseline either after 4 or 6 quarterly surveys

*TRENDS TEND NOT TO BE INTERESTING UNTIL THEY BECOME
VERY INTERESTING!*

Current ADA Activities

- Quarterly Economic Confidence Survey
- ADA News Articles
- Subcommittee on Economic Issues (CDP)
- ADA.org Landing Page

Coming Soon: ADA.org Economic Landing Page



Questions

Contact Information:

John R. Luther, D.D.S.

lutherj@ada.org

312-440-2708

Appendix - Regional Assignment of States

REGION	STATES
NEW ENGLAND	CONNECTICUT, MASSACHUSETTS, MAINE, NEW HAMPSHIRE, RHODE ISLAND, VERMONT
MIDDLE ATLANTIC	NEW JERSEY, NEW YORK, PENNSYLVANIA
EAST NORTH CENTRAL	ILLINOIS, INDIANA, MICHIGAN, OHIO, WISCONSIN
WEST NORTH CENTRAL	IOWA, KANSAS, MINNESOTA, MISSOURI, NEBRASKA, NORTH DAKOTA, SOUTH DAKOTA,
SOUTH ATLANTIC	DISTRICT OF COLUMBIA, DELAWARE, FLORIDA, GEORGIA, MARYLAND, NORTH CAROLINA, SOUTH CAROLINA, VIRGINIA, WEST VIRGINIA
EAST SOUTH CENTRAL	ALABAMA, KENTUCKY, MISSISSIPPI, TENNESSEE
WEST SOUTH CENTRAL	ARKANSAS, LOUISIANA, OKLAHOMA, TEXAS
MOUNTAIN	ARIZONA, COLORADO, IDAHO, MONTANA, NEW MEXICO, NEVADA, UTAH, WYOMING
PACIFIC	ALASKA, CALIFORNIA, HAWAII, OREGON, WASHINGTON