



Overcoming Rising Costs and Economic Challenges in Dentistry



Even as patient flow slowly began to recover from the stark and sudden freeze precipitated by the initial rise of SARS-CoV-2, dentists faced continuing obstacles. To name a few, staffing difficulties worsened, PPE costs failed to return to normal levels and reimbursement rates remained low (an issue which far preceded the pandemic).

As of June 2022, [prices of goods and services](#) were up 9.1% from a year prior – the largest 12-month increase since 1981. As a result, overhead costs for dental practices skyrocketed while families tightened their belts and patient traffic decreased. According to a Delta Dental Institute survey, nearly half of adult Americans and [42% of dental and healthcare workers](#) have delayed or canceled a dental appointment in the last two years based on concerns about rising prices rather than COVID-19.

The cost of dental care lags behind overall inflation hikes. According to Dental Tribune, “Data from the Consumer Price Index for August showed that the annual inflation rate for dental services was 4.7%. This figure is based on the price paid for dental services by patients and insurers and is well below the U.S. inflation rate for all items, which stands at 8.2%. In effect, this means that increases in the cost of running dental clinics are not being matched by increases in income.” Dental practices continue to operate with suppressed production dollar generation and dentists’ income as the result of the disproportionately low cost of care.

Despite these challenges, dental professionals have reason to remain optimistic. In this text, the individual issues behind inflation and underearning are explored and offered solution with strategic action.

“We will always have uncertainty. Uncertainty is a recession. Uncertainty is a pandemic. Uncertainty is a staffing shortage. Uncertainty is what the insurance reimbursements will be next month or next year. Uncertainty is the emergence of competition. But with everything that I see, I think dentists have a fantastic opportunity at an outstanding career.”

ROGER LEVIN | CEO OF LEVIN GROUP; COLUMNIST FOR AGD IMPACT PRACTICE MANAGEMENT

Inflation Defined

In order to understand its effects on the dental industry, one must examine inflation on a more granular scale. While most readers are likely familiar with the general concept of inflation, it is important to establish a working definition for the sake of both reference and continuity.

Global management and consulting firm McKinsey & Company defines inflation as “a broad rise in the prices of goods and services across the economy over time, eroding purchasing power for both consumers and businesses.”



[The rate of inflation](#), e.g., the aforementioned 9.1% annual increase recorded last June, is measured by the consumer price index (CPI). The CPI determines the purchasing power of consumers based on its measurement of inflation. The CPI itself is a product of the U.S. Bureau of Labor Statistics (BLS), which releases a [monthly CPI report](#) which details changes in the prices of goods and services for the previous month and the previous year.

The BLS calculates the CPI based on fixed “baskets,” or sets of goods and services. These baskets are composed of the offerings of tens of thousands of retailers and service establishments as well as tenant and landlord data identifying the cost of rent. Annual CPI is found by dividing the value of current year’s basket by that of the previous year’s and multiplying the total by 100. This provides the foundation for determining various rates of inflation based on given periods of time.

Factors Contributing to the Current Rate of Inflation

Inflation alone is not indicative of economic challenges per se. In fact, controlled inflation is typically a sign of a growing economy. The U.S. Federal Reserve and other central banks maintain policies designed to sustain [approximately a 2% inflation rate](#) per year. There are multiple forms of inflation, and this can be considered “built-in” inflation. However, more severe rates are typically caused by two other varieties, both of which pertain to the concept of supply and demand.

Cost-push Inflation

This occurs when the demand for a good or service remains the same, while the supply for that good or service is reduced or limited. This causes an increase in cost as demand remains unchanged. Cost-push inflation often occurs when the supply chain is affected by military conflict, natural disasters or similarly monumental events like a pandemic.

Demand - stays the same →

Supply - goes down ↓

Cost - goes up ↑

Demand-pull Inflation

This occurs when the demand for a good or service increases while the supply remains the same. Unlike the previous example, the scarcity is caused by an increase in desire for that good or service rather than some external event limiting its production. Demand-pull inflation often occurs either during times of economic abundance or a return to relative normalcy after leaner times, such as after a war or recession.

Demand - goes up ↑

Supply - stays the same →

Cost - goes up ↑

In considering the sequence of major events that have occurred over the past several years, it becomes clear how both cost-push and demand-pull inflation have played roles in the current global economy. The pandemic wreaked economic and financial havoc for countless business, families and individuals. Jobs and subsequent incomes were lost, businesses closed (temporarily and permanently), customer and patient flows slowed due to quarantines and health-related fears, and infrastructures of supply slowed down, halted or broke down. When the pandemic became more controlled and less severe, the world began to open back up and the economy began to recover. This resulted in a surge of consumer spending by those individuals and families, which created an increase in demand while supply remained unchanged – the perfect climate for demand-pull inflation.

However, it was not long after this surge that economic landscapes were rocked once again. The conflict between Russia and Ukraine created supply chain breakdowns in many key areas. The two countries both provide significant portions of the world's supplies of wheat, corn, coarse grains and sunflower oil, leading to a reduced food supply. Russia's role in transportation-related goods like palladium and platinum and energy resources like oil led to shortages as well. While demand had leveled out after the post-COVID recovery, the reduced supply of goods laid the foundation for cost-push inflation.

Inflation-related Challenges in the Dental Industry

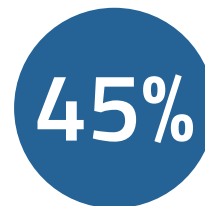
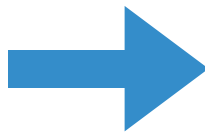
Becoming equipped with a better understanding of inflation and the root causes of its current rates more fully demonstrates its effects on the dental sector. Becoming familiar with or reviewing these root causes will help readers in considering respective potential solutions, which will be addressed subsequently.

Disproportionate Rates of Inflation

The record-breaking 9.2% year-to-year hike in the price of goods and services pertained to the fixed basket used by the BLS to generate the consumer price index and calculate the rate of inflation. This basket uses sources across a broad spectrum of sectors and industries to provide the most accurate average figures. However, rates of inflation fluctuate when only considering one of the many areas that is used to generate the CPI. The rate of the increase for dental care around the same time of the initial overall 9.2% annual jump sat at 4.7%, barely over half of the overall increase. This means that in addition to the foremost hurdles of inflation, dental practices are put at a further disadvantage: the cost of services rendered does not keep up with the rate of inflation overall.



of adults acknowledge oral health
is vital to their overall health



of those same adults had delayed or canceled a dental
appointment as a result of rising prices and inflation

Reduced Patient Flow

The optimist might assume, since the cost of dental care did not surge as sharply as other goods and services, patients would still prioritize oral health and continue scheduling visits. After all, [recent research](#) has shown that 95% of adults acknowledge oral health is vital to their overall health. Unfortunately, this same study revealed approximately 45% of those same adults had delayed or canceled a dental appointment specifically as a result of concerns surrounding rising prices and inflation. Additionally, 42% of dental and healthcare workers chose to delay or forgo dental appointments for the same reason. While the cost of dental care has remained affordable in relation to products and services in other areas, for many consumers it is still an open question as they decide where to redirect their reduced spending power.

Reduced Case Acceptance Rates

Many dentists continue to struggle to get patients to move forward with proposed treatment plans. Often, patients are unconvinced or in denial of the severity of an issue. Others are concerned about the cost or are uncertain of the extent to which care will be covered by dental benefits. Inflation-related concerns and tightening budgets are making a difficult task even harder. Even ideal patients who were previously amenable to accepting dental advice and directives may take pause when even the most pressing procedures or treatment plans are proposed.

Staffing Challenges

During the pandemic, the industry at large saw a mass exodus of dental hygienists. As of August 2021, [less than half of these hygienists](#) had returned to their roles. As of May 2022, 40% of participants in an ADA Health Policy Institute survey said they were still recruiting hygienists, suggesting that the August 2021 figure had not grown much, if at all. What's more, the dental hygienist role is not the only one with a lean labor pool. ADA HPI studies have found dental assistants to be in similarly short supply. This means understaffed practices will need to spend more on recruiting while fully staffed ones will likely need to increase wages and salaries to prevent staff members from leaving for a higher-paying competitor or finding a new career path altogether.

Increased Overhead Expenses

While the rates for dental care have not risen to meet the overall rate of inflation, the equipment necessary to provide it has; in some cases, PPE may have even exceeded this rate. According to [a recent poll](#), nearly 50% of dentists have seen the price of surgical masks double and the price of gloves triple. These sharp spikes would be difficult for a practice to manage in the best of times, but even more so when the resulting production dollars only go half as far as in the past.

What's more, the cost of real estate is increasing. Dentists who do not own their physical locations will spend more each month in rent to stay open, under demands from landlords. In markets where property values have skyrocketed in recent years, commercial property owners face higher property taxes. Beyond payroll, it is difficult to name a higher recurring expense on a dental practice's profit and loss than real estate.



Surgical masks
are now 2X
more expensive



Disposable gloves
are now 3X
more expensive

Low Reimbursement Rates

Even before the one-two punch of COVID-19 and record-breaking inflation, low reimbursement rates were a leading challenge for U.S. dentists. At present, these rates have generally remained stagnant or even decreased when compared to pre-pandemic rates. Despite recent global and domestic events, providers continue to balk at the notion of increasing rates. ADA Practice Institute Vice President Dr. Krishna Aravamudhan had this to say about the situation: “I’m sorry I am the bearer of bad news, but I think this is going to be financially challenging. I think [the insurance] industry, they are well aware of the data but we are not really seeing the market step up and say, ‘Let’s raise rates.’”

Inflation-related Challenges in the Dental Industry

Those dentists who have made it this far are clearly equipped to handle adversity, and with every set of imposing challenges comes a set of solutions for those ready to take on the task. Below are some strategies to help dentists manage and overcome the rising costs and economic challenges they currently face.

Increasing Patient Flow at Minimum Cost

When office traffic is down, it is the instinct of many dentists to make a play for new patients. This often entails pouring more into the marketing budget. While there is nothing wrong with wanting to attract new patients, at present, it may not be the best strategy. Increased marketing efforts and promotional offers may stand to attract new patients, but it does not guarantee their quality. It is likely that you will spend more on these initiatives than you will generate with an influx of deal-shoppers and one-time cleanings.



Instead, focus on what you have. Your existing and returning patients are the people that matter most, especially during lean times. Try [reactivating current patients](#) who have nothing on the books. Sending out an email blast to your database costs you nothing and stands to get more appointments on the books and rekindle relationships with return patients. Even if it has been a while, they are more likely to pursue dental care with someone they know and trust. You can also devise a strategy to reduce no-shows. This may entail charging a full appointment fee for appointments missed without prior notice or establishing a three-strike rule before graciously sending serial no-showers elsewhere.

Increasing Case Acceptance Rates

It is likely that most dentists are acutely aware of the revenue their practice would have generated had they hit a 100% rate of acceptance for proposed treatment plans. While 100% is a lofty goal, making a concerted effort to increase case acceptance stands to earn them a healthy sum without the legwork of attracting new patients and burning themselves out with a high-quantity low-margin approach. One of the greatest hurdles to case acceptance is patient education. When patients truly understand the reality of their case and the associated risks, they are much more likely to move forward. This is true even in more difficult economic times.



By enlisting the help of CBCT scans, dentists stand to increase production while helping more patients maintain their oral health.

One of the best avenues for patient education is 3D cone beam computed tomography (CBCT) imaging. 3D CBCT scanners provide a fully three-dimensional rendering of a patient's dentition with pristine quality. When clinicians can help patients visualize their case from every angle and zoom in on problem areas, it bridges the gap between their explanation and a patient's limited knowledge of dentistry.

Decreasing Overhead Expenses

The most logical way to combat high overhead is by decreasing it. Cutting costs within reason is a good place to start, but only in ways that will not compromise quality or alienate the dental team. For example, researching products like PPE and finding effective, less expensive alternatives could lead to significant savings over time.

However, the best way to face rising overhead is to generate more money without additional expenses. Increasing production among existing patients is perhaps the best way to do this, but it is not the only way. Another effective strategy is implementing a referral strategy. Train your staff to get in the habit of asking patients if they have friends or family members in search of a new dentist or asking if they would mind recommending the practice. As evidenced by the study above, most people still see the value of maintaining their dental health. People are more likely to visit a dentist recommended by someone they trust. It saves them the time and energy of research and removes the apprehension of visiting a new dentist. What's more, making this simple ask costs the practice nothing.

Attracting and Retaining Qualified Staff

The right dental team members are critical to providing the best care and maintaining a level of operation that allows the practice to reach production goals. Be sure to look at the pursuit of both as investments rather than expenditures. A talented and competent team is your greatest asset. If you are understaffed, consider offering a signing bonus to motivate candidates sifting through countless open positions. Also consider investing in a third-party recruiter that works in the dental space, so you can focus your time and energy on the practice.

If you are fully staffed with a strong team, put your focus on retention. Give them the same respect you give your favorite patients, and be aware of their needs. If this means giving raises and bonuses, remember: you are investing in success. A respectable raise will likely cost less than you would otherwise spend on recruiting and training, not to mention the opportunity cost of being understaffed, overworking other team members, jeopardizing the quality of care and potentially losing returning patients.

Also consider investing in technology that will simplify office workflow and make their job easier. For example, 3D imaging with intuitive software, responsive support and short scan times make diagnosis faster and less involved, thus lowering levels of stress.

Investing in technology =



Simplified office workflow



Intuitive software



Responsive support



Faster diagnosis



Lower stress levels

Reduced Reimbursement Rates

Indeed, there are steps practice owners can take to mitigate reduced insurance reimbursement. In-house membership plans are an increasingly popular method of doing so. Typically, these membership plans offer a predetermined set of treatments and procedures in exchange for a monthly or yearly fee. Many practices choose to offer different tiers to apply to a wider range of patients with varying needs.

Membership plans are a great way to attract people without dental coverage, but they are also commonly utilized by insured patients looking to fill certain gaps in their current plans. One of the most appealing aspects of these plans is that you can likely charge a competitive price while still making more on a given procedure than you would when at the mercy of a provider.



There is a trend among independent dentists of dropping one dental benefits provider at a time, starting with the one with the lowest rates of reimbursement. This can be a good long-term approach to rightsizing the dental practice's adjusted gross income.

Conclusion

In recent years, dental professionals have faced what can only be described as a cascade of challenges, hurdles and external threats. It almost feels unfair, given the importance of dentistry and the health motivations of those who work in the field. Times of economic strife may seem bleak, or even insurmountable, but by maintaining a focus, examining each issue and sticking to a strategy of solution, a committed dentist will prevail.



Ready to increase case acceptance rates now?

**Enhance patient education and production with
3D cone beam computed tomography (CBCT) imaging.**

Yes, I want to schedule a demo with a PreXion 3D cone beam specialist so I can get:

- ✓ A clear understanding of how easier-to-read images give way to improved diagnostic capabilities, increased revenue and easier treatment planning
- ✓ Clarity on how to angle and zoom in on problem areas to help patients visualize their case and treatment
- ✓ Insight into exactly how a fully three-dimensional rendering of a patient's dentition with pristine quality can encourage quicker treatment acceptance
- ✓ A comparison of the attributes of various 3D CBCT scanners and how each stacks up in increasing practice production

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