



RECESSION & DENTISTRY

by Kim Schneider, Assistant Editor

“On Aug. 9, 2007, and the days immediately following, financial markets in much of the world seized up. Virtually overnight the seemingly insatiable desire for financial risk came to an abrupt halt as the price of risk unexpectedly surged.”

Former Federal Reserve Chairman Alan Greenspan wrote these words in a December 2007 feature for *The Wall Street Journal*. Describing what may be the most definitive start date of the current economic recession, Greenspan portrays the sub-prime loan crisis as inevitable.

In the early 2000s, a recession led the United States government to cut interest rates. According to the Federal Reserve, the U.S. Federal funds rate was

lowered 11 times from 6.5 percent in May 2000 to 1.75 percent in December 2001. This encouraged lenders to offer home loans to lower income borrowers.

Fannie Mae and Freddie Mac loosened their lending standards and it wasn't long before the private sector had joined in the business of mortgage bonds. According to a Reuters article posted on April 23, 2007 the market value of U.S. owner-occupied homes more than doubled in value to \$18 trillion in the last decade.

Once the housing bubble popped, the U.S. economy began to deflate. The effects of the sub-prime loan crises were immediate to banks that had taken on more risk than they could handle. U.S. citizens across the country with risky

home loans began foreclosing on their homes.

Federal Reserve Chairman Ben Bernanke spoke to the Economic Club of New York about the state of the economy on Oct. 13 of 2008: “at the root of the problem is a loss of confidence by investors and the public in the strength of key financial institutions and markets.”

Bernanke continued, explaining how what started as a subprime loan crisis, penetrated the foundation of global economics: “large inflows of capital into the United States and other countries stimulated a reaching for yield, an underpricing of risk, excessive leverage, and the development of complex and opaque financial instruments that

seemed to work well during the credit boom but have been shown to be fragile under stress.”

Today, the recession is apparent and what started in the housing market has effected every aspect of the economy, even dentistry.

The Patient

If patients feel the effects of a hard economy, dentists will too.

Each month the Bureau of Labor Statistics publishes an economic news release on employment. May's release showed another month of job losses and the unemployment rate rose to 9.4 percent. “Since the start of the recession in December 2007, the number of unemployed persons has risen by 7.0 million, and the unemployment rate has grown by 4.5 percentage points,” the news release reported.

There are several challenges to being

unemployed. One is maintaining health insurance. Although some health clinics reported a surge in business right after layoffs, employee health care benefits eventually expire and leave the unemployed seeking independent coverage or government aid.

Miriam Williams is 28 and lives in Louisville, Kentucky. In mid-October of 2008, Williams was laid off from the radio broadcasting company where she was a copywriter. Williams has been looking for a job ever since.

“It’s been difficult to try and stay in that field,” Williams said. As a hobby and self-promotion tool, she writes a blog called The Pink Slip Blog—Living Life Laid Off. Williams is one of many bloggers who have turned to the Internet to vent about job hunts and offer advice while currently unemployed.

Williams did not see her pink slip coming. When the ax fell, she was frustrated that she had been paying

health insurance premiums for over a year only to lose her insurance before she had taken full advantage of her benefits.

“In September I had to sign up for another year of health insurance, and it was being automatically deducted [from my paycheck],” Williams remembered. “So if I had known I was going to get laid off a month later, I would not have bothered with the health insurance for even that month.”

Williams found the COBRA payments to retain her insurance too expensive to maintain. In addition to the price tag, the offered benefits were limited and Williams was not happy with the coverage.

When it came time to shop for independent health insurance, Williams recalls that the process was frustrating. She budgeted the health plan into her living expenses and she used her remaining 401K money (“down to a very small amount”) to

Abandoned Detroit

Kevin Bauman has been capturing abandoned houses on film for years. “I actually began photographing abandonment in Detroit in the mid 90’s as a creative outlet” Bauman writes on his website, www.100abandonedhouses.com. When Bauman began, he wanted to shoot 100 abandoned homes. He admits that it sounded like a lot at the time, but now realizes that the number of abandoned houses in Detroit is in the thousands.



feed a health savings account.

Williams' current health insurance lacks dental coverage. Oral hygiene is a priority for her, so she pays out of pocket for her dental work.

"I knew that it was time for [dental X-rays] and that was one of the very disappointing things about having already paid premiums that would have covered that," Williams recalled.

Williams still has not received dental X-rays. She can't afford them at this time and has only paid for check-ups and cleanings. From past experience as well as family history, Williams knows the importance of dental care. She admits to past problems with her teeth and this is one reason she is anxious to get X-rays.

Williams said seeking health insurance was difficult and proved expensive in the end.

"There were so many things with

stipulations on what was covered, and that was bizarre for me," she said. "[I'm] a 28-year-old woman who doesn't smoke and doesn't have any serious chronic problems."

William's health care coverage still seems less than adequate to her.

"My mom mentioned to me that if something [medical related] happens, we'd have to hope that it happens in a car accident because the coverage that the car insurance would provide would be better than the health insurance," she said.

The Profession

Dentistry has been called recession-proof by some, but few dentists are willing to go that far when speaking of their livelihood.

"Wrong!" was Dr. Bruce Donoff's reply. As an oral and maxillofacial surgeon and the Dean of Harvard

School of Dental Medicine, Donoff has a well-rounded perspective on how dentistry has been affected by the recession.

"I have never seen so many patients who tell me that they've lost their job," Donoff admitted. "That's got to have an effect somewhere down the line because if you lose your job you're going to lose your insurance."

Donoff has noticed patients shifting from faculty clinics to student clinics in an effort to save money.

In private practices, the schedule books are a little lighter these days.

"Currently, what I've noticed, there is definitely a slow-down in the number of appointments that are booked," said Dr. Lawrence Spindel.

Spindel is a New York University alumnus who owns a private practice in Manhattan. Spindel said that this is the third recession he's practiced through

"Detroiters were attempting to make life among abandoned and burned out houses," Bauman writes. "Often times, the neighborhoods were almost completely abandoned," he adds. Pictured below are four houses from the project, courtesy of Kevin Bauman.



in more than 25 years of practice.

Although appointments are slowing down now, 2008 proved quite different. In February of this year, Spindel told *Time* that 2008 was his best year ever.

“Once people have been terminated,” Spindel explained, “sometimes they’ll come in right at that time because they maintain their dental insurance and their flex spending has to be used up.”

Spindel remembers that these recently unemployed patients would ask for everything to be done within 30 days. As the unemployment rate steadily climbs, the number of workers laid off for prolonged periods of time is growing and employee benefits are quick to expire.

CNN Money reported a huge jump in unemployment in early May. Due to recent difficulties in the automotive industry, unemployment numbers are breaking records. The week ending May 2 marked the highest number of continuing claims since the Labor Department started tracking the data in 1967. The number of claims rose 202,000 from the previous week.

Although times are tough, Spindel says that he’s “really doing the same thing that I’ve always done.” He has not adjusted his practice management strategy and he has not laid off any support staff. Spindel noted that since the economy took a downturn, he may work only four to four and a half days a week as opposed to his usual five.

“Eventually this recession will be over,” Spindel said. “I guess the issue for dentists is to just adjust to the changing economics and wait it out.”

Dentists admit that their situation could be worse, but the profession is not untouched by the recession. Donoff

predicted what unemployed people like Miriam Williams have already done: Pick and choose what procedures they have done, given the economy.

“This is an economy that really is catastrophic in its impact,” Donoff says. “I mean, people don’t appreciate that, but it is.”

Donoff says that although dentistry is an attractive profession, it’s not just a business venture.

“Dentistry should serve the public’s health and I think in too many instances, it’s a business,” he says.

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**Dr. Bruce Donoff
Dean, Harvard School of Dentistry**

Spindel, who makes a living in private practice but is also active in organized dentistry as well as in academia, would agree.

“It’s our obligation to help care for our patients,” Spindel says. “If somebody is without a job, they have a real reason to put off dental treatment. I have to try to help them keep their mouths healthy while they’re in a holding pattern to some extent.”

Spindel has done more staging treatments than usual. He gave the example of excavating a tooth that needs a crown and filling it with Miracle Mix. This buys time until the patient can afford the crown. He said that he doesn’t want “to let mouths deteriorate just because somebody can’t afford ideal treatment.” Spindel says that he’s always practiced in this way but the number of patients who can’t afford a procedure has increased.

Though Spindel acknowledges that

dentists worry about their income just like anyone else, he says there’s no point in worrying.

“If you’re providing a good service, they will stay with you,” Spindel said. “Continue providing the good service that you’ve been trained to provide.”

The Dental School

Dental school is one of the costliest educations around. Operating a dental school has the same high costs as medical school, yet limited resources when it comes to revenue.

“The economic downturn has really hit, in a significant way, the various revenue streams that come into dental school in order to support the educational programs,” says Dr. Ronald Valachovic, executive director of the American Dental Education Association.

These revenue streams include state funding for public schools, alumni contributions and investments. How can a school handle all the cuts?

“Obviously if you’re revenues are down, there are two ways to respond,” Valachovic says. “One is to see if you can find ways to enhance revenue, and the other is to diminish your expenses.”

Unfortunately, enhancing revenue will sometimes mean a hike in tuition. Likewise, diminishing expenses may cause lay offs.

Donoff of Harvard University says that they have been asked to trim their dependence on the endowment.

“The Catch-22 in all this is you have to maintain your programs,” Donoff says. When it comes to the bigger picture, Donoff says that this recession will



Park recognizes that dentists will feel the effects of the economy because the profession relies on the general public. California recently ended the adult portion of Denti-Cal, a state dental program that, according to Californiahealthline.org, may affect as many as three million adults and an “incalculable number of kids and other adults Medi-Cal doesn’t cover.” Park sees this as a major hit to his school as well as all dental schools in California.

Rather than succumbing to layoffs, Park is searching for more revenue. At Harvard, Donoff reported that the university offered voluntary retirements to some staff. Although there have not been any layoffs at Harvard Dental School, Donoff realizes that a prolonged recession could leave only one option.

Dental schools have been hit harder by recession in the past.

“I think that the most dramatic thing that we saw is what happened in the late ‘80s and into the 1990s when the economic downturn hit particularly private schools,” Valachovic says. Valachovic recognizes unique reasons for each school closure, but adds that in each case, “the financial aspects were important.”

probably take three to five years to run its course.

For public schools, the recession can be worse. Dr. No-Hee Park, dean of the University of California Los Angeles School of Dentistry, says he expects to lose 5 percent of state funding. And the dental school must pay utility fees previously paid by the university.

Park says he is prepared for rainy days. In states such as California, where government budgets are tight, public schools need more money than they receive from the state alone.

“Usually the state university [relies] on state money. Those days are gone. We received 11 million dollars from the state,” Park says. “What I need is 65 million dollars a year. How do you get the remaining 54?”

Although Park admits it would be a huge help if someone paid to name the school, he also recognizes that saving is the most important part of creating revenue.

“What I noticed is once you lose your budget, it is never restored,” Park says. “Even as the economy [gets] better, the lost budget [is] gone forever.”

“We see a lot of Denti-Cal patients,” Park says, “but other schools see far more Denti-Cal patients than us.”

Park is not only worried about the loss of revenue from the adult Denti-Cal program, but also the loss of experience.

“Adult Denti-Cal patients are good patients for our dental school,” he says. “Because they cannot come anymore, I wonder what is going to happen to our dental school quality.”

This recession does not compare with that time in dental education history.

“I don’t know of any schools now that are in the same sense of dread that occurred during that time,” Valachovic says.

Though Valachovic agrees with Donoff that the recovery from this recession will last years, he is optimistic about the future of dental education.

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Dr. Richard Valachovic
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American Dental Education Association

"I think in general we're on our way out [of the recession]," Valachovic says. "The kinds of things that our schools have done so far to address the economic situation while we maintain the quality of the educational program [are] really innovative. I think we're on our way, in my opinion, in the next couple of years and we'll survive quite well."

The Student

"You have to treat the students very well," Dr. Park says. He recalls telling faculty that the students are their customers and because of them, they have a job and an income.

Dr. Donoff agrees.

"The thing we try and protect is the student part of this," he says. "Trying to hold tuition as level as possible for the students is a very important part of this planning."

Ideally, dental schools always have the student in mind, but there is also an expectation that the student-turned-dentist will return the favor with donations.

Valachovic has noticed an increased awareness within development offices, which focus on alumni relations as well as donations, at dental schools. The schools are trying to engage alumni and help them to appreciate the value of their education as well as reciprocate by making a donation.

But even with steady tuition prices, dental school is expensive.

"Being in dental school, it's like you're in limbo because you already owe so much money but you can't stop [borrowing] and if they don't give you money, you can't pay your tuition," says Jeff Bonelli.

A third-year dental student at Detroit-Mercy, Bonelli knows how the recession can damage lives. No area in

the United States has been hit as hard as Detroit and surrounding towns. The auto industry was on the decline before the current recession, but recent government bailouts and bankruptcy in the auto industry has led to the devastation of entire cities in Michigan. As of May, the seasonally adjusted unemployment rate in Michigan was 12.9, the highest in the country.

"My dad works for Chrysler," Bonelli says. "So there's a lot of sleepless nights. He worries every day when you go to work it might be your last day there and you never know."

That day came in late April when Chrysler filed for Chapter 11 bankruptcy. In late May, Bonelli confirmed via e-mail that his father was temporarily laid off while Chrysler shut down operations to restructure financially.

Not only does the failure of the auto industry have personal effects on students,

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Jeff Bonelli, Detroit-Mercy ’10

but it also hits in a broader context.

Referring to the government bailout of General Motors, Bonelli explains the recent events could cut as many as 30,000 jobs in the Detroit area.

“That pays for a lot of taxes,” he says. In an already unstable area of the country, the loss of tax revenue can even further shake the economic foundation of the Detroit area.

For Bonelli, the biggest obstacle in paying for dental school is his home town of Windsor, Canada, just across the river from Detroit. His finances are complicated by restrictive Canadian bank loans as well as the exchange rate.

“Since our tuition went up and the [Canadian] dollar dramatically decreased, now we’re paying sometimes ten thousand dollars in currency exchange to pay tuition,” Bonelli says of Canadian students like himself.

Trying to fund his education, Bonelli has found many Canadian banks to cap professional school loans at \$150,000 Canadian. This amount cannot cover a full dental education. What’s more, interest accrues during school and must be paid while the borrower is still a student.

“So the problem is, [you] got a bank loan and you’re paying interest from your bank loan to pay off your loan,” Bonelli says. “It’s kind of like a double negative: you’re using a loan to pay off a loan.”

Since Bonelli does not have any collateral of his own, his parents took an increase on their mortgage to help him make up the remaining tuition for dental school.

“I thought about moving out to live on my own, but decided to stay in my parent’s house for a little longer to cut back and save some money,” Bonelli says.

At 27, Bonelli has accumulated a sizeable debt and lives in the house that is paying for his education. When he looks around Detroit, he sees abandoned homes and the destruction of the auto industry.

“It’s a scary situation,” Bonelli says. “[You’re] paying so much money for tuition and you see your patients disappear because they can’t handle the financial responsibility.”

Although difficult, Bonelli’s situation is not impossible. He says that he cuts back on social activities and he buys groceries rather than eating out. They are small adjustments, but like staying in his parent’s house, they save precious Canadian dollars that need to be converted into American tuition-paying dollars.

Most dental students have not been as directly affected by the recession as Bonelli. But unemployment has risen across the country and everyone has to face the reality of a hard economy.

As Dr. Spindel relates, the recession is not a reason to give up on dentistry.

“You should practice your profession and hopefully things will recover and we’ll see better times ahead.” ■



Matt Callow

Built in 1913, Michigan Central Station sits in the heart of Detroit. Vacant for many years, the building was added to the National Register of Historic Places in 1975 but plans for restoration were never carried out. On April 7, 2009, the Detroit City Council voted to demolish the building. Jeff Bonelli, a D3 student at Detroit-Mercy School of Dentistry, drives past the building regularly.

“It’s this beautiful building they’ve let gone to the wayside. Now it’s just broken down and it’s really sad to see. There are so many abandoned houses and abandoned buildings [in Detroit], it makes you think ‘how could they let it get this bad.’”