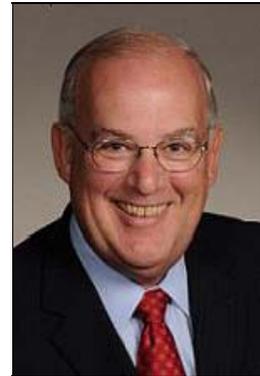


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A Monthly Newsletter from Executive Director Richard W. Valachovic, D.M.D., M.P.H. The views and opinions expressed in this letter are those of the author and do not necessarily reflect those of the American Dental Education Association.

*In this month's letter, ADEA Executive Director Dr. Rick Valachovic seeks answers to what is causing the rise in student debt and asks whether dental education is still a wise investment.*



### **Student Debt: Cause or Symptom of Current Ills?**

\$200,000. That was the [average debt burden](#) carried by dental students graduating in 2010. Thirteen percent of the class had debt exceeding \$300,000. These numbers are startling, no question about it. But are they cause for alarm? Are they behind the dearth of dentists willing to practice in community settings or the fact that dentists approaching retirement age may have trouble selling their practices? And what is responsible for the rise in tuition that is fueling the rise in debt? Are dental schools to blame for this state of affairs?

Let's start with some numbers. In 2009 constant dollars, the average resident tuition and fees for first-year students at U.S. dental schools rose 57% from \$20,914 in 2000-01 to \$32,934 in 2009-10. That rise is consistent with cost increases throughout higher education and compares favorably with increases for undergraduate education. According to the [American Institute for Economic Research](#), the price of college [tuition and fees](#) rose 92% between 2000 and 2010. So what accounts for these dramatic increases

I put this question to Dr. Bryan Cook, Director of the Center for Policy Analysis, and Ms. Melanie Corrigan, Director of National Initiatives, at the American Council on Education (ACE), the major coordinating body for all of the nation's higher education institutions. They pointed out that education is a labor intensive and inherently costly enterprise. Health care benefit and technology costs are rising, and so is the cost of financial aid as more low-income students apply. And in the public sector, Melanie identified the decline in state support as the largest cost driver. Why? Bryan put it this way, "Higher education is one of the few things that receive state funding yet have a built in revenue stream, so policymakers know they can cut support, and institutions will raise tuition."

The February 2011 issue of [Post Secondary Education Opportunity](#), a policy research letter, illustrates this phenomenon in stark terms. A line graph showing the revenue

sources for higher education from 1952-2009 reveals an inverse relationship between state and local funding and the cost of tuition. The share of higher education revenues contributed by families declined from 50% in 1952 to 30% in 1980 as state and local government contributions increased. But when these government expenditures began to decline, family contributions began to rise until the lines representing these two funding streams crossed paths around a decade ago. By 2009, state and local governments were contributing only 38% of the cost of higher education, the smallest share on record, and families were picking up more than half of the tab.

When I last broached this subject in the [August 2010](#) issue of *Charting Progress*, 36 states had cut their support for higher education for FY 2010. That number increased to 40 for FY 2012, so the picture is no brighter. It's interesting to note that the federal contribution has remained relatively constant since the late 1960s but rose in the last

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two years in an attempt to compensate for reductions in state spending precipitated by the economic downturn. Unfortunately, those funds, allocated through the [American Recovery and Reinvestment Act](#) of 2009, have expired so the impact of state budget cuts will now be felt in full. Tuitions are up this year, and current students risk graduating with even more debt than their recent predecessors.

Some in the practice community blame student debt for the rapid rise in the growth of corporate dental practices. These businesses are growing at about 14% a year, meaning fewer young dentists are looking to go into independent private practice. This has created anxiety among private practitioners who are approaching retirement age. The economic downturn has hit their savings hard, and even if they are able to sell their practices, we are currently in a buyer's market. With purchase prices averaging 70 to 80% of gross receipts, few can expect to live on the income from the sale of their practices alone.

Despite this trend, the vast majority of dental school graduates still choose eventually to set up practice on their own or with others. Even with incomes declining slightly in recent years, dentistry as a profession is still an attractive proposition. Average incomes for independent dentists were \$225,950 for full-time practitioners and \$167,940 for part-timers according to the latest survey by the American Dental Association. With 37% of dentists practicing fewer than 1,600 hours a year, those are substantial incomes indeed. Specialists earned even more, \$305,820 on average. Student debt, even when it tops \$200,000, looks far more manageable in this context. Some might phrase it this way: Would you take out a loan for \$250,000 if you knew that it could return \$200,000 a year for the rest of your working life?

Dr. Jack Brown, the Editor of the *Journal of Dental Education* who is a dentist with a Ph.D. in economics, acknowledges that the calculus is more complex for students from disadvantaged families who need to contribute to the family income. "Even though it's still a good deal in the future," he says, "they may need to contribute to family income in the present, not four to eight years later. If they graduate with \$250,000 in debt, that will affect their decisions. Will they go on to specialty training, which delays their earnings and creates more debt? Will they delay getting married or starting a family?"

And, I might add, will they choose to practice in communities and settings where their annual income will be a much smaller portion of the debt they've incurred? Make no mistake. State disinvestment in higher education has consequences—not just for individual students and their families, but also for society at large.

Last month, President Obama traveled to the University of Michigan to speak out against the rising cost of higher education and to challenge states and institutions to do more to keep tuitions low. While I welcome his attention to this issue, and his administration's efforts to expand the federal role in supporting students and the institutions they attend, I am concerned about the impression that outsiders might derive from one of his remarks: "We are putting colleges on notice," he said. "You can't keep -- you can't assume that you'll just jack up tuition every single year."

I know from my conversations with dental schools deans all over the country, that none of them turn to tuition hikes lightly. What's more, many of them—especially those at state funded institutions—have tackled the challenge of diminishing state support with remarkable resilience and creativity. The University of Michigan is one such school, as you may remember from my [August 2010 Charting Progress](#).

What does all this tell us? I agree that schools have to do all that they can to mitigate significant increases in tuition, but we should recognize that our institutions have already embraced this challenge and signaled their intention to do more. It is far less clear that the states are prepared to provide the type of financial support that sustained American higher education in the 1970s and early 1980s.

Bryan Cook shares my concern about state disinvestment. He expressed sympathy for state legislators who are being forced to cut budgets, but he also pointed out that in the long term, "investment in higher education will create more tax revenue, minimize state support for low-income people, and create a more robust labor market."

According to [The Economics of Dental Education](#), coauthored by Jack Brown and the late Larry Meskin, the total annual expenditures per dental school graduate averaged \$79,000 in fiscal year 2002, but ranged from \$40,000 to \$143,000. As the authors

point out, this variation is too wide to be solely explained by variation in the cost of doing business in different regions. In other words, some schools are structuring their programs more efficiently than others. Innovations such as clinical simulation that accelerate the pace at which students become productive clinicians; the greater use of community-based education to shift some clinical operating expenses to the community; and regional initiatives that share faculty and other resources among schools are some of the ways dental schools are creating efficiencies and controlling costs.

I'll explore one approach that may hold promise for reducing the cost of dental education—speeding up the curriculum—in next month's *Charting Progress*.



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