Orthodontic education - The times they are a changin'

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Guest Editor

A resident about to graduate from one of the seventy accredited orthodontic programs in the US and Canada is facing a very different scenario than in previous years due to three factors: the current economic climate, the cost of attending a program and increased student debt. The AAO website provides an online document titled Accredited Schools which in 2003 I exported to Excel and analyzed the results. I repeated the exercise with the latest version of this document and will present some conclusions which are dependent upon the AAO document being up to date and accurate. I have also used another resource, a Bentson Clark and Copple resident survey completed recently which was emailed to 967 current residents and received a total of 461 responses.

The cost of attending an orthodontic program has increased significantly for some programs. The numbers presented here represent only those costs associated with the program so living expenses such as housing, meals and transportation must be added. A very interesting fact is that there is a large financial spread among our 70 programs. Today the best financial program **pays** residents $160,000 over the length of the program while the most costly program **charges** a residents a total of $240,000 (Table 1). The five highest paying programs are hospital based so most likely the large stipends are available through GME funding assistance. <Graduate Medical Education Reimbursement and **Residency Funding**>

Since 2003, 20 programs have decreased resident charges (range $644 to $105,112). Two have stayed the same. On the other hand, 48 programs have raised resident charges (range $1740 to $118,153).

So we currently have the equivalent of 21 two year programs, 13 two and a half year programs with the majority (36) at three years (Table 2).

Changes from 2003 with the addition of new programs and adjusting the number of residents admitted have caused an increase in the number of graduates from 358 to 390, an increase of 32.

The Bentson Clark and Copple resident survey has revealed some significant changes that may alter the course of future events for recent graduates. The most striking issue is the fact that in 2010, 34% of our orthodontic residents graduated with more than $300,000 of student debt. Today that percentage remains high at 36%.

A recent graduate with a $300,000 debt after a six month grace period would begin paying off this debt of $300,000 over 20 years at 7% which equals $2325.90 paid with after tax earnings. This would equate to $27,910.80 annually in after tax payments which, depending on earnings would likely equate to almost $40,000 in gross income.

This creates a possible scenario in which a recent graduate with little or even a negative net worth may not be able to acquire funding to either start a practice or acquire one. Since opportunities are limited to become an associate in a private practice the only remaining possibility for income for this individual may be one of the clinic chains that provides orthodontic care, doing orthodontics for a pediatric dental office or GP group or working for multiple practices doing day work. For those residents with good credit who have found a practice to purchase with good cash flow, they must think big by looking at practices with high net income to cover high expenses. Looking at a small satellite or fixer-upper won't provide the cash flow to service educational debt and have enough left over for living expenses. Current owners selling to these residents may be required to carry some of the purchase debt in the form of a note, thus sharing the risk with an institutional lender.

According to the survey, 53% o the current residents plan to purchase a practice, 25% desire to associate only while only 11% plan to undertake a startup. In July of 2010 according to the AAO's Practice Opportunities Service there were 132 practices for sale with 674 recent graduates looking for an acquisition. Today that ratio has improved somewhat with 158 practices for sale with 443 individuals looking for an acquisition. It is

Table 1. Range of residency finances for the total program length in 2003 and in 2010

Year	#Programs	Attendees are **Paid**	#Programs	Neutral	#Programs	Attendees are **Charged**
2003	19	$1452 to $141,772	5	No cost	44	$200 to $170,172
2011	18	$1401 to $160,672	2	No cost	50	$3000 to $240,000

Table 2. Program lengths have increased as follows:

Year	24 Months	26–27 Months	30–33 Months	34–36 Months
2003	21	9	9	29
2011	15	6	13	36

important to note that these numbers may not reflect all potential practice sales as a senior doctor may have registered his/her sale information with one of the commercial acquisition companies and not the AAO's Practice Opportunities Service. Ten years ago the number of providers and seekers were fairly evenly balanced, but in 2007 we saw the number of seekers start to overcome the number of providers. One could assume this situation will improve when our economy begins to turn around and those providers waiting for their 401K's to improve see it happening. When asked to "Indicate your personal experience with locating an orthodontic practice you intend to purchase or work within" a full 57% of the current residents answered difficult or extremely difficult. And when asked "If starting your own practice, indicate your personal experience with selecting a location" 63% of our respondents answered difficult or extremely difficult. And finally the Bentson Clark and Copple resident survey tells us that 38% of our current residents are female.

These indicators lead us to some words of wisdom:

- Obtain the publication "Guide to Postdoctoral Programs" from the American Student Dental Association. This volume provides a great amount of detail about each program which will assist in deciding which programs meet your application requirements. http://www.asdanet.org/
- When applying to a graduate orthodontic program, an applicant must consider how the costs associated with each program will affect ongoing financial health, especially when starting out with some accumulated student debt.
- Develop post graduation plans very early to get the network working. Attend and participate in society and alumni functions that put you in contact with practicing orthodontists and sign up with the AAO's Practice Opportunities Service and the other placement services.
- Residents with significant educational debt must look at larger practices with the cash flow to not only service the debt, but also provide enough for living expenses.
- The institutions are still lending money to recent graduates with high debt and the portfolio continues to perform above almost all other comparative medical/dental purchase loans.
- Sellers willing to owner finance will attract buyers.
- Program chairs must endeavor to increase clinical income when they can negotiate an arrangement to keep most of the additional income for resident stipends.
- Program chairs, for the good of their residents, need to ensure that time away from the program is adequate to perform due diligence on a practice they are planning to acquire.

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