

Dental Demographics: Why the Dentist to Population Ratio does Not Tell the Whole Story

By Edgar Radjabli

When a new dentist is looking to start a practice, they are most commonly told to “go where no one has gone before.” The traditional wisdom holds that if you go where there are the least dentists, you will be automatically successful. This idea is exemplified by the use of the Dentist to Population Ratio as the determining factor in evaluating a location’s saturation and potential for success. While not completely erroneous, the ratio only tells us half of the story. The only thing that we can really learn from this ratio, in fact, is the number of practices there are in an area, or in other words, the competition.

As any business consultant will tell you, the key to a successful business is grabbing market share. For any given service, there is a market, based on demand for that service and competition to serve this market in the form of the other businesses in the industry. A business with large market share will keep growing, be profitable and retain value, as exemplified by companies such as Microsoft and Google who control a large market share in their respective primary markets (operating systems and web search).

In dentistry, the key to understanding the potential of a location is not only to know the competition, by the dentist to population ratio, but also to understand the market for dental services. In a given area, such as a zip code, there is a certain amount spent on dentistry each year (as out of pocket expenses and also payments by insurance companies). This amount can be translated directly into the collections of the dental practices nearby. Any reputable dental demographics company should be able to provide you with this critical piece of the puzzle and give you information on what the dental market is in any given area.

While the total size of dental services market in a given area is a useful starting point, we can use two important variables which relate the market and population to further analyze and compare a given area. The first is the Dental Collections Per Capita, or per person. This is how much, on average, is collected for every person in a given area, regardless of whether or not they visited the dentist (in other words, it is the total dental market divided by the entire population of the area). For example, if 10 people live in a zip code and one of them visits a dentist for a total of \$1000 in dental care, the Per Capita ratio is \$100 per person. The second useful ratio is Dental Collections Per Patient, which is what the average collections are for a person who actually visits a practice and is thus a dental patient, which would be \$1000 in the above example¹.

¹ It’s worth noting that when comparing two areas, an area may have a higher Per Capita ratio and a lower Per Patient ratio (this would mean that in that area more people visit the dentist, but each one spends less than in the comparable area). This is because each ratio is affected by different demographic variables.

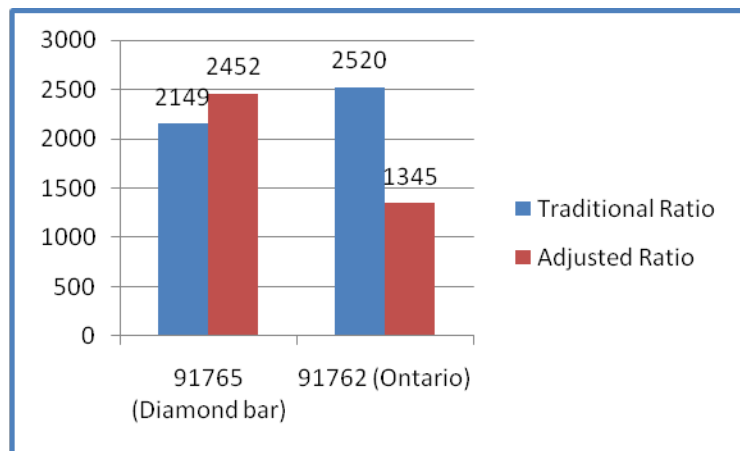
Evaluating the dental marketing and the competition together is the only way to gain a full understanding of the potential of an area. To illustrate why this is so critical, and why it avoids the mistakes commonly made by those who just look at the Dentist to Population Ratio by itself, we can look at a real-world example.

We have two zip codes, which we have calculated the Dentist to Population Ratios based on 2014 population and number of dentists.

	Traditional Ratio	Per Capita
91765 (Diamond bar)	2149	\$189
91762 (Ontario)	2520	\$100

Based on our standard Dentist to Population Ratio, the two seem similar; in fact Ontario is a little better. However, when we look at the crucial Per Capita Collections, we see a significant difference, with almost twice as much per person spent in Diamond Bar as in Ontario. In fact, while there is the same amount of competition in each zip code, the dental market is vastly different.

Although we now have useful variables to really see the true story in each zip code, it would be useful to have a direct comparison, which takes into account both the competition and the dental services market. For this purpose, we can use an Adjusted Dentist to Population Ratio, which is a mathematical relationship that connects both the competition and expenditures and allows us, for the first time in dental demographics, to compare two, vastly different areas on an equal basis. We then get the following comparison:



We can finally see, taking into account both competition and market via the Adjusted Dentist to Population Ratio, that we have a much higher potential in Diamond Bar than in Ontario.

When evaluating a location, it is important to understand both the dental market as well as the competition in the area. Only the two factors combined can paint a clear picture of the proposed site's potential and allow it to be compared to alternatives so that a dentist can make an informed and intelligent decision about where to locate a future practice.