The New York State Dental Journal

Volume 88 | Number 6 Article 2

11-1-2022

The Managed Care Solution to the Dental Student Loan Crisis

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The Managed Care Solution to the Dental Student Loan Crisis

Enforceable cost-control mechanisms can fix skyrocketing student loan debt.

Current policies and legislation treat only the symptoms of soaring dental student loan debt: delayed interest accrual; deferred payments; reduced loan origination fees; refinancing options; interest and principal tax deductions; income-based repayment with debt cancellation. These are all palliative measures that, although helpful, fail to address the root causes of the crisis: misplaced incentives and failed accountability.

Incorrect assumptions within the student loan program obscure these underlying problems and, thus, inhibit effective reform. A managed loan model, that is, managed care concepts applied to a financial aid system, will expose false premises and implement market mechanisms that incentivize and hold dental schools, students and the government accountable to control education costs, limit borrowing and maximize loan repayment.

False Premises, Disincentives and Failed Accountability

Four false premises operate in the dental student loan process.

- **First false premise:** Reduced state funding, combined with inflationary increases in operating expenses, fully justify the annual escalations in dental school tuition and fees. Data, however, indicate that, for many schools, the amount of tuition increases far outweighed the total amount of lost funding and increased expenses.

In 2019, the average total cost of a dental school education, including tuition, instruments, instructional materials, health services and other fees, stood at approximately $251,000 for state residents and $321,000 for non-residents. These figures represented an approximately 100% increase from 2009, which followed a prior 100% increase from 2000-2009. Many analysts blame a significant portion of these cost increases not on lost funding or inflation, but on school overexpansion and overhiring targeted to enhance the reach of schools' reputations, attract research grants and facilitate faculty promotions.

The existing loan process offers schools no incentive to control costs since the federal government continues to lend students more money to cover the tuition increases. In addition, prospective students continue to apply to dental schools at these higher tuitions because, at least for now, they believe their future income will cover their mounting debt. Under these circumstances, schools face little accountability for financial mismanagement or unjustified tuition increases.

- **Second false premise:** Schools and loan agencies publish accurate and complete estimates regarding dental educational costs. In fact, schools knowingly do not inform prospective student borrowers of inevitable cost increases, such as planned 4% to 5% annual tuition hikes, approximately 7% accruing interest on principal while in school, 3% loan origination fees and infla-

tionary increases in living expenses into their predictions. In some cases, the actual costs for tuition, fees and living expenses alone run 28% higher than the overall cost estimates listed online.

Intentional cost underestimates falsely mislead students to undertake debt load that unexpectedly expands beyond their means. Estimates of average total dental student debt often represent only principal borrowed. The American Dental Education Association calculated the average 2020 dental school graduate debt at $304,824. However, adding missed earning opportunity costs due to a full-time school commitment of $255,000 and accrued interest at 7% to this average individual debt yields an effective average total cost or debt of $653,759.

- **Third false premise:** The government cautiously limits amounts financed to each borrower's verified need. To the contrary, the federal government offers both students and their parents unlimited amounts for educational and, since 2006, living expenses. Overlending and the resultant overborrowing disincentivizes students to live within their means while in school and schools to minimize spending and tuition increases.
- **Fourth false premise:** Universal loan forgiveness equitably reduces debt. Debt forgiveness, however, does not mean debt forgotten. The 1965 Higher Education Act required U.S. taxpayers to guarantee repayment of federal student loans, resulting in an exponential increase in the number and amounts of loans. As taxpayers unfairly subsidize unpaid and forgiven loan debt, it creates more opportunity for well-endowed schools to increase tuition. In addition, it lets the biggest borrowers off the hook since studies show that most of the savings from universal loan cancellation accrue to higher income individuals who borrow more money and, ultimately, receive up to eight-times the debt relief as lower income borrowers.

Impact of Uncontrolled Student Debt

Burgeoning dental student debt imposes multiple deleterious effects on oral healthcare and the economy. Graduates with high debt require higher income immediately upon graduation to service their debt. This urgent financial demand disincentivizes them to practice in underserved areas or participate in lower paying benefit plans, such as Medicaid, decreasing access to care. Rather, this debt incentivizes them to impose higher fee schedules that increase the overall cost of care and, regrettably, sacrifice quality for increased production. These highly leveraged graduates then impose an overall drag on the economy when they delay purchasing a practice, house, car and starting a family.

Managed Loan Strategies Parallel Managed Care

Managed care in dentistry creates market mechanisms to distribute oral health resources with the primary goal to minimize costs. It refutes the assumption that our economy has the resources to deliver universal access to low-cost, high-quality oral healthcare without cost-control parameters in place. Managed care plans impose these

THE NEW YORK STATE DENTAL JOURNAL
NYSDJ

PRINTER
Fort Orange Press, Albany

NYSDJ (ISSN 0028-7571) appears three times a year in print: January, March and June/July. The April, August/September and November issues are available online only at www.nysdental.org. The Journal is a publication of the New York State Dental Association, 20 Corporate Woods Boulevard, Suite 602, Albany, NY 12211. In February, May, October and December, members have online access to the NYSDA News. Subscription rates $25 per year to the members of the New York State Dental Association; rates for nonmembers: $75 per year or $12 per issue, U.S. and Canada; $135 per year foreign or $22 per issue. Editorial and advertising offices are at Suite 602, 20 Corporate Woods Boulevard, Albany, NY 12211. Telephone (518) 465-0044. Fax (518) 465-3219. E-mail info@nysdental.org. Website www.nysdental.org. Microform and article copies are available through National Archive Publishing Co., 300 N. Zeebe Rd., Ann Arbor, MI 48106-1346.

controls in the form of reduced fee schedules, preauthorizations and utilization reviews. Cost-control policies shift the risk of loss from third-party payers to dentists. It forces participating providers to find a way to meet the standard of care while operating on a razor-thin profit margin. Importantly, managed care concepts use dentists' ethical commitment to place patients' best interests above dentists' own financial interests, in effect against dentists, to pressure practitioners to do more for less.

A managed loan plan would borrow strategies from managed care to pressure dental schools to reduce tuitions, the government to limit excessive lending and forgiving of debt, and students to borrow less and repay greater percentages of their loans. First, to reduce tuitions, the student loan process would develop a fiscal efficiency rating metric and evaluate and grade the effectiveness of each school's cost and tuition controls. Since, unlike dentists, schools do not operate under ethical constraints to place students' and taxpayers' financial interests above the school's financial interests, then the process would hold schools accountable and condition applicant loan eligibility, graduate repayment rate and school CODA accreditation upon a school's satisfactory rating for each institution.

For schools with unsatisfactory fiscal efficiency metrics, the government would limit or deny loans to that school's student applicants, increase the repayment rate for their graduate borrowers and withhold that school's full CODA accreditation.

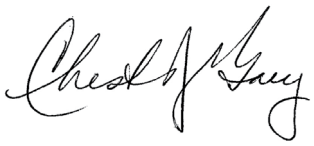
Second, to limit lending and borrowing amounts, the loan process would restrict government lending to a maximum loan schedule based on tuitions of schools with an average fiscal efficiency rating. In addition, it would require borrowers to pre-authorize requests for loans for living expenses and review student loan utilization patterns.

Third, to ensure equitable repayment, eliminate universal loan cancellation programs and install a solely income-driven payment plan. Under this program, higher income graduates pay more, lower income graduates less, and schools would pay a fee proportional to their student default rates and loan cancellation amounts. Also, increase opportunities for limited loan forgiveness in return for the borrower's commitment to public health service and teaching. In the end, these measures will reduce the debt unfairly passed on to taxpayers.

Reasons for Optimism

The dental student loan crisis stems from inefficiencies in a system that possesses all the elements necessary for its success. Patients demand quality oral healthcare. Sufficient prospective dental students aspire to meet the demand. Dental schools, with

highly qualified faculty and administrators, stand poised to deliver state-of-the-art education. The government makes funds available to finance the undertaking. Managed loan strategies will inject the incentives and accountability necessary to ensure the financial viability of the loan system and enable our future dentists to provide quality care to all patients.



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CALL FOR PAPERS

NYSDJ to devote issue to what lies ahead for oral healthcare team

The New York State Dental Journal is planning to devote its March 2023 issue to the topic "Profile of the Future Oral Healthcare Team," an examination of the current and future members of the oral healthcare workforce in dentistry. We are looking, in particular, for papers that explore improvements in the delegation of duties to uniquely trained individuals to increase access to cost-effective, quality oral healthcare. Interested contributors are asked to submit their papers electronically to the managing editor by Jan. 27, 2023. Address papers and queries to Mary Stoll, mstoll@nysdental.org; (800) 255-2100.

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Journal Editor Cited for Editorial Excellence

NYSDJ Editor, Chester J. Gary, D.D.S., J.D., accepts 2022 Gies Editorial Award presented by Denise Stewart, D.D.S., M.H.S.D., American Dental Education Association, on behalf of American Association of Dental Editors and Journalists and American Dental Education Association ADEAGies Foundation. Dr. Gary received second-place honors for his editorial "Parallel Pandemics," which appeared in the January 2021 *Journal*. Award presentation occurred Oct. 13 in Houston, TX, during AADEJ's Annual Meeting.