

DE

DENTAL ECONOMICS®

THE NATION'S LEADING BUSINESS JOURNAL FOR THE PROFESSION

p. 41 | DSO tactics
Jay Geier

p. 50 | Implant failure and penicillin allergy
Scott Froum, DDS

Dentistry's perceived threats: Are they always what they seem?



Dental therapists are good for both patients and dentists
Frank A. Catalanotto, DMD p. 16

Staffing stress: Your nemesis?
JoAn Majors, RDA, CSP, CVP p. 22

Consultants: Money down the drain?
Sharyn Weiss, MA p. 30



Considering an IDSO partnership? Consider your age first

Chip Fichtner

IN MARCH 2022, LARGE PRACTICE SALES (LPS) COMPLETED OVER \$50 MILLION of practice partnership transactions, at record values, for doctors under the age of 40. These young doctors partnered with a very astute invisible dental support organization (IDSO) to accelerate their practice growth while potentially creating generational wealth with their new silent partner. The doctor's final choice out of the nine qualified IDSO bidders was based upon the potential growth in the value of their 49% retained ownership over their long, future career.

Hundreds of IDSOs are actively seeking practice partnerships with general practices and all specialties across the US. IDSOs, some more than 30 years old, quietly purchase 51% to 90% of a practice for cash at today's low tax rates. Doctors retain partial ownership in either the practice, the IDSO, or both and continue to lead their practice under their brand, team, and strategy for years or decades.

A GROWING SHIFT

Over the last five years, we've seen a significant reduction in the average age of our doctor-clients. IDSO partnership is not a first step to a transition; it's an opportunity to build wealth over time utilizing the offensive and defensive resources of a larger partner.

Doctors benefit from the many resources of an IDSO, which include reduced administrative burdens, lower costs, and enhanced marketing and recruiting, plus, in some cases, higher reimbursement rates. However, the primary driver for younger doctors is the long-term upside value gains in their retained ownership in a larger group. Each of the IDSOs is different in their operational approach and potential upside. Some will provide spectacular results of 10 times or more of the dentist's initial equity value, and others will fail.

Contrary to popular belief, the great IDSOs are not interested in managing practices nor homogenizing them. Their goal is to silently invest in great dentists and support practices to achieve more profitable growth with fewer dentist headaches. As silent partners, they don't interrupt the doctor's unique and proven success formula that generated the practice's multi-million-dollar value.

WHY AGE MATTERS

As more dentists understand IDSO partnership, the average age of IDSO partner dentists is dropping dramatically. A 40-year-old dentist today is more valuable to an IDSO than one who is over 60. The IDSOs believe that they will create decades-long partnerships with young dentists, a concept not as likely to happen with older doctors. The value discrepancy can be significant. As more younger doctors pursue an IDSO partnership, IDSOs have more practices to choose from. This doesn't mean that older doctors can't still achieve record values in today's frenzy, but younger doctors will achieve the highest values.

As a real-world example of the age/value difference, we recently had two very similar, multi-doctor oral and maxillofacial surgery (OMFS) practice clients on the East Coast. One had an average dentist age of 54 and the other 41. The younger practice achieved a 19% premium in value

after both practices went through a bidding process with 10 IDSO suitors.

The bidders were from across the IDSO spectrum including OMFS only, multi-specialty, and dental trifectas (pediatric, orthodontic, and OMFS only). Both clients achieved record values, but it proves that age matters.

The number of new IDSOs is exploding due to the influx of new capital into dental practice consolidation. At least 30 new IDSOs have formed so far in 2022, including two that were formed with large LPS clients as the initial platform acquisitions.

Hundreds of IDSOs are actively contacting dentists directly. Dentists should be aware that not all IDSOs will succeed as spectacularly as they promise, and that each one is unique in its rewards and risks. Careful due diligence on a prospective IDSO partner is critical to understand exactly what the future will hold for the doctor, both operationally and financially. It will also literally pay to meet with five or more qualified IDSOs before making a decision. Multiple bidders drive up practice values, and more important, enable doctors to evaluate all of their many options in partnership today, no matter their age. **DE**

Editor's note: Large Practice Sales is a financial supporter of *Dental Economics*.



Chip Fichtner is the founder of Large Practice Sales, which specializes in invisible IDSO transactions for large practices of all specialties. The company has completed more than \$500 million in

transactions in the last 12 months. Learn more at largepracticesales.com.