

Large Practice Sales

Chip Fichtner explains that the value of part of your practice to a silent partner may surprise you

Dental Support Organizations (DSO) are a growing force in dentistry. They control up to 20% of the dentistry in the United States, and the number of doctors affiliated with a DSO is growing by 15% per year. Today's graduates are entering the workplace with a record amount of debt, and many are choosing the safety of DSO employment versus private practice.

These factors have a profound effect on the short- and long-term exit strategies of all doctors, but have a more immediate effect on orthodontists due to the typically higher values of their practices. A new graduate has little hope of buying a thriving orthodontic practice unless the selling doctor is willing to be the banker over an extended period of time.

One exit option for orthodontists of all ages is to sell 100% to a branded DSO. There are several in the U.S. who eagerly buy orthodontic practices with the doctor remaining as an employee for some period. For doctors nearing the end of their career, this is an option. But for doctors who are not interested in a short-term exit, there are other strategies which could be far more lucrative both initially and long term.

Invisible DSOs (IDSO) are groups that own interests in, but not all of, dozens or hundreds of practices across the country. Their model is to become an orthodontists' "silent partner." They purchase 60% to 90% of a practice for cash today with the doctor retaining an ownership interest in the practice, the new parent, or a combination of both. The doctor continues to operate the practice under the doctor's brand, management, and team for years into the future. However, the doctor gains a partner with the resources to accelerate practice growth, profitability, and with decreased administrative headaches.

Many doctors even under the age of 40 are attracted to this model as it enables



"I guess you DO get what you pay for. I was skeptical you could sell my practice at the number you projected. But you did and more. Thank you." — Dr. B., Orthodontist, Western U.S. (age 60)

them to secure their financial future with cash today, while continuing to benefit as an owner for 5, 10, 20 years, or more. They also may have the potential to create wealth through ownership in their new partner. Many orthodontists have made millions above the initial value of their practice over time.

Offensively, the IDSO partner can help the practice market more effectively, purchase supplies and team benefits at lower cost, and potentially provide new patients to the doctor through synergies with other partner practices in the area. IDSOs are also eager to provide the capital necessary for complimentary acquisitions or new office starts. Their focus is growth, and it can occur with zero risk to the doctor, even though they are an owner in the growing group.

IDSO partnership is also defensive; a real world example to consider. Our client, a very successful 50-year-old orthodontist in a town of 100,000 people, sold 70% of his practice to an IDSO that owned five pediatric practices near him. Previously, he received no referrals from this group. The pedo group was referring 1,500 orthodontic cases per

year to the other four orthodontists in town. Our client is now getting these referrals which justified the 3X-plus collections the IDSO paid for his practice. He still owns 30% of a practice that has more than doubled in value. The other orthodontists in town have seen their production drop precipitously and are now unsellable at almost any value.

Orthodontists are unique in the world of dental specialists as many are now dependent upon direct- to-consumer marketing. The other specialists still rely upon referrals from other doctors as their primary source of new patients. The great IDSOs have mastered orthodontic marketing and can become a formidable foe in the marketplace, whether branded nationally or locally.

Over time, you will either join a DSO or compete with many. The IDSO model achieves the highest value and can be attractive to doctors of all ages. You can learn the potential value of your practice to an IDSO through the confidential and no-obligation process provided by LPS. Many doctors are shocked as to the high values of their practices in today's bubble. **DP**



Chip Fichtner is the founder of Large Practice Sales, which specializes in invisible DSO transactions for large practices of all specialties. The company has completed more than \$100 million in transactions in the past 6 months. Learn more at largepracticesales.com.

