



# Build Wealth With an IDSO Partnership

Strategies to find the right fit and maximize practice value

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**I**n 2022, there are many new options available for virtually all larger practice owners who are interested in monetizing a part of their business. The number of invisible dental support organizations (IDSOs) that are eager to become silent partners with great general practices and specialist practices is growing every week. In the fourth quarter of 2021 alone, successful investors created four new IDSOs focusing on oral and maxillofacial surgery practices and five multispecialty IDSOs.

Unlike the short-term retirement strategies offered by many DSOs, IDSO partnership is a long-term wealth building strategy that can be attractive to doctors who are as young as 30. IDSO practices are not homogenized and rebranded like in the DSO model, in which the doctors are employees instead of owners. In the IDSO model, doctors retain partial ownership of the practice and/or parent IDSO and continue to operate under their own brands and use their own teams and strategies for years or even decades. They are provided with access to extensive resources but are not micromanaged.

## Types of IDSOs

Although the specific benefits and expectations of IDSO partnerships can vary substantially, there are several basic types of IDSOs, including the following:

- **General practice-focused.** The majority of IDSOs are focused on general practices and are eager to grow regionally and, in some cases, nationally. They may employ specialists within their general practices, but they do not partner with specialty-only practices. Currently, there are more than 100 general practice-focused IDSOs actively seeking partners in the United States.
- **Multispecialty-focused.** Many of the larger IDSOs partner with both general and specialist practices across broad geographies. With more than 50 multispecialty IDSOs active today, this option is available to great practices in every state.
- **Single specialty only.** In the last 36 months, more than 50 IDSOs have been formed to exclusively focus on specialty dental practices (eg, oral and maxillofacial surgery, endodontics, orthodontics, pediatrics,

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periodontics, implant-only). Several specialty groups have already monetized billions of dollars for their doctor partners through recapitalizations, including more than a billion dollars realized in November 2021 alone. In the months ahead, billions more are expected to be added to that harvest for doctors and their investors.

### Finding the Right Partner

Practice owners should explore all of their options. Before choosing a partner, it is a good idea to speak with at least 10 qualified organizations and to meet with 5 or more. Each IDSO is unique regarding its operational approach, investor quality, management experience, and potential for gains in the value of its retained ownership over time. Bidding contests drive up value, but more importantly, they help enable you to choose the best partner for your personal goals.

Although IDSOs approach doctors directly, practice owners who jump into a partnership without considering their alternatives are potentially leaving millions of dollars on the table—both initially and over the long term. Some IDSO partners will have the potential to multiply a doctor's retained equity by 3, 5, or even 10 times, whereas others will fail. Knowing the difference can be critical to your future. There are many strategies that doctors can employ to maximize the value of their practices in a partnership agreement, including the following:

- **Become a new platform for investors entering the dental con-solidation frenzy.** Larger, growing practices may be attractive to private equity, family offices, small business investment companies, and other investors as a potential platform from which to build a new IDSO. Today, many new IDSOs are being formed by investors who have proven track records of starting, building, and monetizing such organizations.
- **Become an entry point for an existing IDSO not yet in your area.** A higher value can be achieved if a practice can provide an entry point or regional platform for an established IDSO seeking geographic expansion. Oftentimes, the first practice in an area achieves a higher value when compared with similar practices in the same area that join the group later.
- **Become a “tuck-in” for an IDSO with an existing footprint in your area.** Depending on your practice's “fit” for a particular IDSO looking to enter your area, it may receive a higher valuation by an IDSO that is already in your area. Specialty practices often attain higher values using this strategy.

### In the Know

With the seeming inevitability of increased taxes in the coming years, it would behoove all doctors to at least have an understanding of the potential initial and long-term value of their practices in today's active IDSO market. The COVID-19-related earnout payments can add significant value to growing practices when structured properly. You can confidentially learn the value of your practice in an IDSO transaction without cost or obligation, and you might be surprised by the number

### ABOUT THE AUTHOR



Chip Fichtner is the founder and principal of Large Practice Sales, an advisor that completed more than \$500 million in IDSO transactions in the last 12 months for large practices of all specialties.