

SILENT PARTNERS OFFER A LONG-TERM WEALTH BUILDING STRATEGY

By partnering with an invisible dental support organization, doctors can leverage group buy efficiencies and concentrate on care rather than administrative burdens

CHIP FICHTNER is a cofounder of Large Practice Sales, which specializes in invisible dental support organization partnerships for larger dental practices of all specialties. The company completed more than \$600 million in transactions in 2022. He can be reached at CFichtner@LargePracticeSales.com.



Consolidation is trending across virtually all industries, and dentistry is no exception. To gain a better handle on how practice consolidation is shaping the oral healthcare landscape, we asked Chip Fichtner, cofounder of Large Practice Sales (LPS), to offer perspective on the shift from traditional “single shingle” or group practice to the invisible dental support organization (IDSO) model.

What’s fueling the wave of dental practice consolidation?

Due to investors’ returns in IDSOs over the last 30 years, new capital continues to drive consolidation. Over \$5 billion was invested in IDSOs in just the last 120 days of 2022 by sophisticated investors – some of whom are new to the dental market, including the first sovereign wealth fund investment.

What distinguishes an IDSO from a conventional DSO?

The biggest difference is that IDSO investors believe in the value of the doctor’s local brand and ownership. In such partnerships, the IDSO always ensures that doctors remain as owners, not just employees (as is often the case with chain-style DSOs). Unlike the latter, IDSOs invest in practices where the dentist retains 100% autonomy and do not attempt to homogenize or micromanage their partner practices.

For dentists, what are the advantages of partnering with an IDSO?

Under the IDSO model, backers provide dentists liquidity for a part of their life’s work by purchasing 51% to 90% of a practice for cash up front at today’s low tax rates. Doctors retain ownership and continue to lead their practice as owners for years or even decades. In addition, IDSOs offer support services to reduce administrative headaches, including banking, payroll, taxes, benefits administration, compliance, and vendor and payer negotiations. Participating providers pay less for benefits and supplies and are reimbursed at higher rates than independent dentists. They can also tap IDSO resources for marketing and recruiting.

Any advice for clinicians who fear that by adding a silent partner they’ll lose control over independent practice?

This is a doctor’s No. 1 fear. In the LPS process, we ensure that clients speak directly with other dentists who have partnered with their chosen IDSO to hear directly, peer to peer, exactly what changes and what doesn’t. We have never had a client complain about losing autonomy.

How can dentists ensure the IDSO fits their practice goals and approach?

In the LPS bidding process, our clients typically have six to 10 qualified bidders from which to choose their future IDSO partner. They will speak with senior executives and doctors to understand that group’s approach,



in detail, long before they choose a partner. Each circumstance is different, and our goal is to help dentists find the best fit.

Why is an IDSO partnership a savvy long-term wealth building strategy?

LPS’ approach to discovering the right partner for our clients is based on the fact that dentists have different goals and that each IDSO is unique. By introducing clients to qualified IDSO bidders, clinicians can make an informed choice. The bidding process, by definition, also results in maximum value for providers. What sets LPS apart is that we are not paid by IDSOs, only by our doctor clients. Our sole incentive is to achieve the highest value with the best partner for each client.

Over the last 30 years, IDSO values have increased consistently, creating wealth for both the IDSO investors and dentists who have partnered with them. Many doctors have seen the value of their retained ownership increase by 300% to more than 1000% over time.

Any final thoughts?

In the “old days,” doctors’ exits were based on selling the practice to an associate. This option is declining, as more than 30% of new dental school graduates join a DSO. Today, a larger office’s only option to achieve market value is through an IDSO partnership. Notably, in 2022, LPS completed more than \$100 million in IDSO partnerships for dentists in their 30s! This partnership approach is not a transition strategy, but, rather, a long-term wealth building opportunity.

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