

The pediatric specialist gold rush driving up practice values

Chip Fichtner discusses how pediatric dental practices can benefit from the resources of a large, silent partner

In September of 2022, an Invisible Dental Support Organization (IDSO) that focuses on Dental Trifectas partnering only with pediatric, orthodontic, and OMS practices, recapitalized at a new record value approaching \$2 billion dollars. Large Practice Sales (LPS) partnered 110 practices with this unique IDSO in less than 36 months, and all of them achieved extraordinary gains on their retained ownership — some over 500%.

This recapitalization event has increased the value of larger pediatric practices nationally. LPS clients as young as 32 are now completing partnerships with IDSOs for the creation of long-term generational wealth, not just the high initial values in an IDSO partnership. Out of \$612 million of LPS transactions in 2022, over \$100 million were completed for doctors under 40. Some of the initial partnership values exceeded 400% of collections and 12x EBITDA.

IDSOs become a doctor's silent partner by purchasing 51% to 90% of a practice for cash up front at today's low tax rates. Doctors retain ownership in the balance and continue to lead the practice with their brand, team, and strategy for years or decades. Doctors retain full autonomy and freedom and are not micromanaged. They benefit from the resources of a large, silent partner including unique recruiting tools, enhanced marketing, admin burden reduction, lower costs, and higher reimbursement rates.

The Dental Trifecta IDSOs can achieve record values due to their internal organic growth rates far higher than typical IDSOs due to the creation of internal referral networks. Doctor partners in a Dental Trifecta IDSO are now able to monetize their patient referrals via their common ownership in the IDSO.

Captive referrals have been a part of the many ped/ortho IDSOs for many years. But the addition of OMS has multiplied referrals, growth rates, and IDSO values. Many ped/ortho IDSOs are now converting to Dental Trifectas by adding OMS partners. Several of the single specialty OMS and Ortho IDSOs are now eager to add the other two legs of the Dental Trifecta stool — pediatric practices are the most valuable piece of the puzzle.



Pediatric dentists are the biggest beneficiary of the Dental Trifecta “gold rush” as they are the gateway to all dentistry and the critical base of the Dental Trifecta. Practice values are achieving new records. A typical LPS pediatric client will have six to ten or more qualified bidders from which to choose their IDSO partner. More bidders equal higher values and broader choices in partnership for doctors.

Doctors partner with IDSOs for multiple reasons. Some are relieved to reduce the headaches of growing practice management challenges. Others are eager to monetize a part of their life's work for millions in cash today to diversify their investment portfolios. Many doctors now understand that associates can no longer become a doctor's long-term transition strategy. Today's high practice values prevent associates from buying in to a practice under traditional models.

The multispecialty IDSOs are also eager bidders on pediatric practices nationally. Each of the dozens of well capitalized IDSOs has different support levels, initial values, and transaction structures. Doctors choose the IDSO partner that is the best fit for them both culturally, operationally, and financially. Pediatric specialists should understand all of their options.

Doctors can confidentially learn more about the IDSO opportunity and the value of their practice without cost or obligation. Contact LPS to schedule a discovery call to understand what is happening in your area today. Ultimately, larger practices will either join an IDSO or compete with many. **PD**

This information was provided by Large Practice Sales.



Chip Fichtner is the founder of Large Practice Sales (LPS), which specializes in invisible DSO transactions for large practices of all specialties. The company has completed more than \$500 million in transactions in the last 12 months.

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