



Autonomy in DSO versus IDSO partnerships

AS THOUSANDS OF DOCTORS CONSIDER PARTNERING with an invisible dental support organization (IDSO) or selling to a DSO in 2023, their number one concern is the potential loss of autonomy. The definition of autonomy is interesting: “freedom from external control or influence; independence.” Every IDSO is different, but the essence of any IDSO is that owner doctors operate better practices than employee doctor-operated practices. To attract and retain owner doctors in IDSO partnerships, the maintenance of doctors’ autonomy is critical—not only to the doctor but also to the IDSO.

IDSOs typically purchase 51%–90% of a practice for cash up front. The doctors commit to continue to lead and operate their practices for years, or even decades. The IDSOs are investing in doctors who have been successful with their valuable local brand and unique strategies for patient care. They have no desire to homogenize their partner practices to meet some corporate standard. All partner practices are unique. IDSOs want to grow their partner practices with owner doctors, which, by definition, means that the doctors remain autonomous and continue to operate their successful practices as they have in the past.

WHAT CAN AN IDSO DO FOR YOU?

IDSOs will provide a variety of support services, but they don’t dictate how the owner doctors operate their already successful practices. Each doctor’s successful recipe is what the IDSO is buying. Their support services include banking, accounting, payroll, tax, benefits, and benefits administration, as well as compliance, credentialing, and vendor and payer negotiations. IDSOs don’t dictate hiring, firing, procedures performed, payers accepted, work hours, vacations, what brand of supplies to purchase,

or which lab to use. And unless you have antiquated software, the IDSO will not replace it. You may or may not find that same level of freedom in a 100% sale to a branded DSO.

The IDSO’s mission is to help doctors reduce administrative burdens so they can focus on patient care. Owner doctor partners share the same financial goals as the IDSO via common ownership. But owner doctors don’t have to be micromanaged as you might find in typical DSOs, which own 100% of a practice with employee doctors.

As advisors to dentists in IDSO transactions, we ensure that once a client doctor has met with six or more qualified bidders, the doctor will have direct conversations with multiple doctors who have partnered with the finalist IDSO bidders they are considering. Our goal is for our clients to fully understand what the future may look like with the IDSO partner long before they commit to partnership. These conversations confirm for the doctor that the IDSO promising autonomy delivers it.

Helping doctors understand that they don’t lose their autonomy is in part why Large Practice Sales completed more than \$100 million of IDSO partnerships in 2022 for doctors in their 30s. Young doctors

are now realizing that they can continue practicing as they are today, but with the support of an IDSO silent partner that helps their retained partial ownership become far more valuable over time than they could achieve as an independent practice. An IDSO partnership is not a short-term transition strategy; it’s a long-term wealth-building partnership with a silent partner that has very deep pockets.

FALLACY ALERT

While private equity groups are the well-known financial sponsors of many IDSOs, they are not the only capital sources. In fact, many IDSOs are backed by family offices, sovereign wealth funds, SBICs (small business investment companies), and other types of investors. Currently, values for growing practices are increasing despite Wall Street turmoil, higher interest rates, and stubborn inflation. The number of bidders for our clients is actually increasing. Last month, one client had 18 qualified IDSO bidders from which to select a new partner. Consolidation is accelerating. You will join an IDSO or compete with many in the coming quarters and years. **DE**



CHIP FICHTNER is the founder of Large Practice Sales, which specializes in Invisible DSO (IDSO) transactions for large practices of all specialties. LPS completed over \$600 million in IDSO partnerships in 2022. Learn more at largepracticesales.com.