

# Why dental practice consolidation is accelerating

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**IN THE LAST 60 DAYS OF 2021**, invisible dental support organizations (IDSOs) monetized more than \$4 billion in value for their doctor partners and investors. That was in addition to \$1.4 billion in the first 30 days of 2021 for a single IDSO. In 2022, there will be tens of billions of dollars returned to doctors and investors as dozens more IDSOs and DSOs recapitalize or sell to larger investors. Some doctors and investors will achieve returns of three to 10 times or more on their equity in many of these transactions, some in less than three years.

Today, hundreds of IDSOs in all 50 states are eager to partner with dentists of every specialty. IDSOs purchase 51% to 90% of a practice at record values for cash up front. Doctors retain ownership and continue to lead their practices as owners—with the doctor's brand, team, and strategy—for years or even decades. An IDSO partnership is not a short-term transition strategy, but rather a wealth-building partnership.

Doctors benefit in an IDSO partnership through the resources of a large, silent partner to grow their practices better, faster, and more profitably. Every IDSO is different, and their support services vary significantly. Most IDSOs will reduce the doctor's administrative burdens and costs and provide superior marketing and recruiting, with some achieving higher reimbursement rates from payors. IDSOs act as silent partners and do not attempt to micromanage or homogenize their partner practices.

The majority of IDSOs partner only with general practices, but specialty-focused IDSOs are growing exponentially. There are now a dozen IDSOs partnering only with oral and maxillofacial surgery (OMFS) practices with another 13 for orthodontics. Endo and perio also have multiple single specialty IDSOs. Some of the fastest

growing IDSOs are the dental trifecta groups, which partner with pediatric, orthodontic, and OMFS practices that are in the same regions. Expect to see multiple new implant-focused IDSOs as well.

## THE ADVANTAGES ARE NUMEROUS

Doctors as young as 30 are entering into IDSO partnerships. They may not want to work as employees for a branded DSO, but many are excited about the support in a partially owned practice. The potential to achieve generational wealth over time via their retained ownership with an IDSO partner can be very attractive.

Dental practice consolidation has been a lucrative and safe investment for more than 30 years and is attracting new investors. Many IDSOs are backed by private equity (PE), family offices, and small business investment companies, and some will go public in 2022. The third largest PE firm in the world, KKR, has owned Heartland Dental, the largest DSO in the US, since 2018, and has helped Heartland add more than 400 practices in 2021. In August, Blackstone, the largest PE group in the world with more than \$650 billion in assets, entered the dental consolidation frenzy by acquiring Deca Dental. This did not go

unnoticed by the other 3,000-plus global investment firms. Fortunately for doctors, new capital drives up practice values.

Most practices will receive interest from five and sometimes 10 or more qualified IDSOs in a properly advised bidding process. Multiple bidders not only create significantly higher practice values but enable doctors to meet many prospective partners. Doctors should understand all their options and choose the IDSO that is the right fit for their practice vision with the best equity potential. There are more eager IDSO partners than exceptional practice partnership opportunities. Great doctors are in a very powerful position to achieve partnerships with many qualified IDSOs.

Whether you're considering an IDSO partner or not, you should understand your practice value in today's market. Doctors can confidentially learn the potential value of their practice in an IDSO transaction without cost or obligation. **DE**



**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 \$500 million in transactions in the last

12 months. Doctors can confidentially learn the potential value of their practice in an IDSO transaction with no cost or obligation by calling (855) 533-4689, emailing [dentec@largepracticesales.com](mailto:dentec@largepracticesales.com), or visiting [invisibleidso.com](http://invisibleidso.com).