

The clock is ticking on practice values

Chip Fichtner discusses how to grow a practice bigger, better, and faster

Very profitable orthodontic practices have achieved values of 2 times and 3 times plus collections from silent partners when properly advised, even during the COVID era. Practice values vary based upon multiple factors including profitability, growth rate, location, response to COVID-19, and most importantly, the doctor or doctors.

Many orthodontists are considering monetizing part of their practices in 2020. Reasons include expected tax increases in 2021, help navigating the impact of COVID-19, a desire to put millions in their pockets, and the security of having a large and resourceful partner eager to drive growth.

Silent partners are continuing to invest in great orthodontic practices today at what is close to 2019 bubble values. The Invisible Dental Support Organizations (IDSO) are buying between 60% and 90% of larger practices for cash now, with the doctor retaining ownership in either the practice, the IDSO, or both.

The essential business model of an IDSO is doctor ownership in the practice. While doctors own part of dozens or hundreds of practices across the country, each practice has an owner-doctor and operates under the doctor's brand, team, and strategy. Owner-led practices outperform employee-doctor managed practices. The IDSO is also the known buyer for the doctors' retained ownership when ready to retire.

The benefits to orthodontists of an IDSO partner are even more powerful as practices navigate the COVID-19 era. Their resources now include assistance in compliance with a myriad of new rules, procedures, and regulations. Historically, doctors were thrilled to monetize a part of their life's work with cash at low capital gains tax rates, yet retain significant upside potential through equity ownership. But today, an IDSO partner is even more valuable.



While an IDSO adds value from reductions in supplies and team benefit costs, many orthodontists are also excited to gain a partner with experienced, internal marketing teams. Direct-to-consumer new-patient generation tactics are needed now more than ever to drive the growth of your practice. An IDSO's professional marketing and management team can enable doctors to increase market share in their community and ride the new wave of adult orthodontics created by SmileDirectClub and others.

Interestingly, doctors as young as in their 30s are discovering that IDSO relationships can help them grow "bigger, better, faster" with an IDSO partner's capital and resources. The right IDSO can help the doctor create more long-term net worth than remaining independent. In part thanks to COVID-19, young doctors with a growth plan will have the opportunity to buy older doctors' complementary or competitive practices at bargain values. An IDSO partner can finance and facilitate these transactions for their partner doctors.

A common question among doctors exploring an IDSO partnership is, What changes? The answer depends upon the IDSO chosen by the doctor as each one is

different. However, without exception, the doctor makes 100% of the clinical decisions impacting patient care. Finding the right IDSO is similar to a dating process. You will want to meet with several, not only to find the right fit, but also to create a competition between the IDSO bidders to ensure that you achieve maximum value.

Value in an IDSO transaction is not only a function of the up-front cash, but also the long-term value of your retained ownership. Many doctors have made far more profit on the retained ownership than the gain on the initial transaction. The key is to choose the right partner and fully understand the future. Financial stability at the moment is critical.

The process to understand the potential value of your practice in an IDSO transaction is confidential, simple, and without cost, obligation, or risk. In the worst-case scenario, you will learn something new. Many doctors are shocked at what is possible. While the dental industry is changing, it will pay for doctors to explore all options to grow and prosper in the coming years. IDSOs may or may not be an avenue for every doctor, but now that IDSOs are in all 50 states, every wise doctor will want to understand them. **OP**



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 \$100 million of transactions in the past 6 months. Learn more at www.findmyorthodonticidso.com.