

COVID-19 impact on practice values — short and long term

Chip Fichtner discusses how orthodontists can add liquidity and a strong growth partner to their practices

The effects of COVID-19 on dental practices nationally have been well publicized. However, many orthodontists are not fully aware of how it has impacted practice values in the short term and what the potential effects are in the long term. Fortunately, many groups that invest in orthodontic practices as silent partners have actually accelerated their activity levels during COVID-19. Great orthodontists can still monetize a part of their practice for cash now.

We have completed tens of millions of dollars in transactions since March 16. Many larger orthodontic practices can still achieve 2019 bubble level values from Invisible Dental Support Organizations (IDSOs) monetizing a part of their practice. For a brief moment, doctors can liquify some of what is probably their largest single asset for cash at the low 2020 federal tax rates.

The IDSO business model is to purchase a percentage, typically 60% to 90% of a growing practice for cash up front. The doctor retains an ownership interest in either the practice or the IDSO or both. Doctors continue operating their practice under the doctors' brand, team, and strategy for years or decades in the future, but with a known exit when they are ready. In the current economic climate, liquidity has become very attractive to doctors of all ages, and there are many operating benefits in addition to cash in your pocket now.

While IDSOs shrewdly attempt to deal directly with orthodontists on these transactions, the smart doctors seeking to maximize value with the right partner will engage an advisor. Attracting multiple bidders increases both short- and long-term value and ensures a properly structured transaction. Every IDSO is different, and every transaction is



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customized to meet the doctors' personal and business goals, both short and long term.

The benefits of having an IDSO partner

Many doctors value their sole ownership structure and have no desire to attract a partner. They believe that the world will continue as is, and that they can weather any storm alone. This may be true for some, but we know cases where an IDSO has partnered with a local orthodontist, and the other orthodontic practices in the community have declined significantly. An IDSO that also owns the pediatric dentists in town can change the referral dynamics overnight by partnering with an orthodontist. IDSO partnership is in some cases a defensive move.

One of the offensive tactics deployed by IDSOs' partner practices are their professional, direct-to-patient marketing. An IDSO that owns interests in dozens or hundreds of orthodontic practices across the country has a very highly focused and experienced in-house marketing team that is helping all of their orthodontist partners. When they partner with one of your

competitors, marketing dynamics in your town will change.

Due to their size, many IDSOs will purchase supplies more efficiently, including clear aligners of all brands. Their team benefits packages will typically provide better coverage at lower cost and some have very impressive internal recruiting groups.

By design, an IDSO partner seeks doctors who want to remain as the leaders and owners of their practices for years or decades. While the average age of LPS clients is about 50 years old, younger doctors are discovering that IDSOs can provide growth capital and management expertise for rapid expansion. The right IDSO can help doctors grow their practices via acquisitions of competitive or complementary practices in which they will be owners, as well as the retained interests in their original practice.

In the coming economic turmoil, liquidity and a strong growth partner may be very valuable resources for any doctor. The process to learn the potential value of your practice with an IDSO partner is confidential and at no cost or obligation. You have nothing to lose by learning more about this attractive strategy. **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.