

Silent partners provide unique benefits for implant focused practices

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

Thousands of doctors across the United States have chosen to quietly sell a part, but not all, of their larger practices to Invisible Dental Support Organizations (IDSOs). These groups have been acquiring interests in larger practices of all specialties for decades. You have probably not heard of them as they are not the nationally branded chains. The practice values we have achieved for clients of 1.5X to over 4X collections have been shocking to many doctors.

Cash now, more later

IDSOs typically purchase from 60% to 90% of a practice for cash upfront at long-term capital gains tax rates. The goal of the doctors and the IDSOs is to grow the practice bigger, better, and faster by utilizing a larger partners' resources, benefiting both the doctors and their silent partner.

In these transactions, doctors continue to run the practice as owners under their brand, team, and leadership for years or decades into the future. Senior doctors view it as the first step to a transition. The younger doctors view an IDSO partner as an opportunity to build empires in which they have ownership, yet with no risk. The partner provides capital for expansion internally through new office build-outs or acquisitions of complementary or competitive practices. Doctors have options to exit their retained equity at a date in the future that is negotiated up front.

Secured future, reduced costs

Doctors not only benefit from a secured financial future with millions of dollars in the bank and a known exit, but also access multiple support options provided by their IDSO partners. These resources include payer negotiation leverage, lower team benefit costs, superior marketing, synergies

with other practices owned by the IDSO, and reduced supplies costs.

In the implant world, IDSOs that buy thousands or tens of thousands of implants from virtually all of the implant vendors are often paying half or less than what a typical single doctor might pay today. Size has its privileges.

Retained ownership upside

The ownership retained by the doctor may be in the practice itself, the parent company, or in a combination of both. Doctors will make this decision based upon the partner they choose, the value offered, and the potential upside with their new IDSO partner. Historically, some doctors have made extraordinary gains far in excess of their initial practice value from parent equity. As the IDSOs grow, their investors harvest the value increase in the group, which can often benefit all of the doctors in the IDSO group.

Support not management

Most IDSO operating philosophies are to invest in historically successful practices with great doctors and teams. Their goal is to help, but not micromanage. They count on the doctor to lead and grow the practice and do not dictate daily aspects of the practice including office hours, team members, marketing, or strategies. And none of them are involved clinically in any way whatsoever.

Timing is everything

While the U.S. economy and society has recently had its bumps, the demand from the IDSOs for great practices has not waned. To counterbalance recent practice disruptions, most IDSOs are offering creative purchase structure options. These can enable doctors to increase their transaction consideration for their practice performance after an initial 2020 transaction. Doctors should also be aware of the potential changes in federal tax rates, which may be impacted by the upcoming presidential election. Timing could be critical.

Smart doctors should understand the value of their practices to an IDSO today. LPS makes this possible through a confidential,

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not all, of
large practices

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