

Why the largest U.S. orthodontic practices have quietly partnered with IDSOs

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

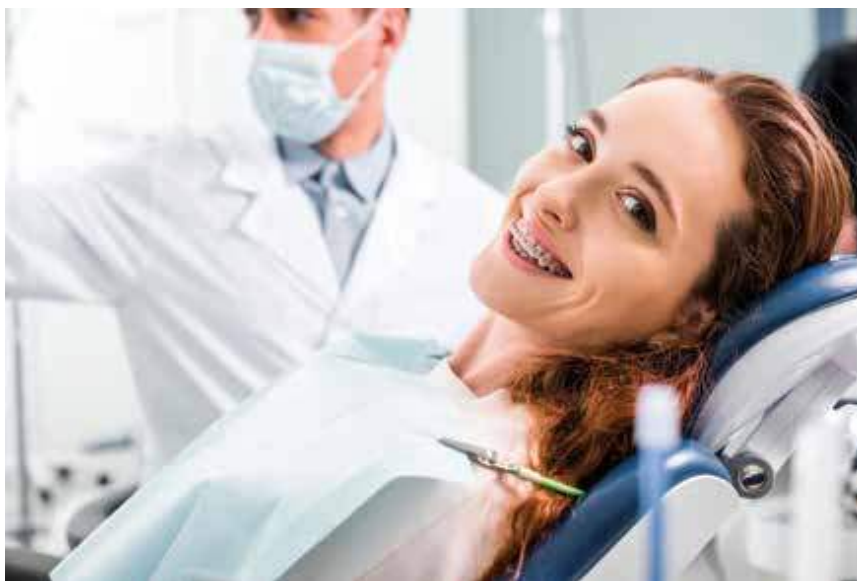
Over the last 10 years, over 1,000 orthodontists have quietly partnered with Invisible Dental Support Organizations (IDSO). An IDSO becomes a doctor's silent partner by buying 51% to 80% of a practice for cash up front at today's low tax rates. Doctors remain as owners, with their brand, team, and full autonomy for years or decades. Practice performance can be enhanced with captive patient referral sources, and the upside in a doctor's retained ownership can be far greater than competing alone.

IDSO partner practices benefit from the resources of a larger silent partner to reduce administrative burdens of banking, payroll, accounting, benefits administration, compliance, credentialing, tax, and legal. Doctors can also access 30% lower costs on supplies including clear aligners. And practices benefit from their partner's professional, full-time recruiting and marketing teams.

While there are now almost 1,000 IDSOs and DSOs in the U.S., including 12+ ortho-only IDSOs, in the last 3 years, many new Dental Trifecta IDSOs have been created. They focus only on partnering with pedo, ortho, and OMS practices in the same regions. They are competing with the ortho only, pedo/ortho, and multi-specialty IDSOs for great orthodontic practices nationally. In an LPS process, growing practices are achieving new record values, often with six or more eager, qualified bidders from which doctors can choose the right partner.

Tens of thousands of dental practices have quietly partnered with IDSOs over the last 35 years in all 50 U.S. states. Some may have only a few practice partners and others over 700. IDSO's size gives them leverage in multiple areas including the cost of team benefits.

IDSOs are eager for growing orthodontic practices with at least \$1.5 million in collections, and the younger the doctor, the more valuable the practice. In LPS' \$1.0 billion of completed



IDSO partnerships in the last 24 months, over \$150 million have been for doctors in their 30s.

The IDSOs act as a doctor's silent partner. Their goal is to support a practice, not to micromanage or homogenize it to meet some corporate standard. Doctors retain full autonomy, not just clinically, but also in how they hire, fire, and lead their teams. The owner doctor makes decisions, not the IDSO.

Ultimately, the IDSO can also provide doctors with a known exit strategy at retirement, years or decades in the future. Thousands of doctors have achieved dramatic increases in the value of their retained ownership over time. Some have exceeded 300%, 500%, and 1,000% or more when they selected the right IDSO partner.

Doctors today should understand the potential value of their practice in an IDSO partnership. Values achieved by LPS for orthodontic practices in the last 6 months have exceeded 3X collections and 10x EBITDA. Doctors who own their real estate also have two great options. They either gain an AAA credit tenant for decades, or, due to their new IDSO tenant, the value of the real estate increases in a sale to a Real Estate Investment Trust (REIT), now or in the future. **OP**



Chip Fichtner is co-founder of Large Practice Sales which completed over \$1.0 billion of IDSO partnerships in 2022 and 2023. Over the last 40 years, he has built, bought, and sold public and private companies in a variety of industries, and has been featured in numerous media outlets. His tolerant wife of 34 years allows him to live on his airplane visiting clients every week.



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