

Timing an invisible dental support organization (IDSO) partnership



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In the last 35 years, over 10,000 GP and specialist practices have quietly partnered with IDSOs. Many are eager to become a doctor's silent partner providing resources to decrease costs, accelerate growth, and reduce administration headaches. However, of the over 1,000 IDSOs, 900 are on the blacklist. The blacklist consists of the IDSOs not invited to bid on LPS client practices for a variety of reasons.

IDSOs become a doctor's silent partner by purchasing 51% to 80% of a practice for cash at today's low tax rates. Doctors continue leading their practice as owners with full autonomy for years—or even decades. If doctors choose the right IDSO partner, their practice will not be micromanaged or homogenized.

Doctors must choose their IDSO partner carefully. Most IDSOs will promise full autonomy and massive future increases in the value of the doctor's retained ownership. And in many cases, these promises will be kept. However, in others, they will not.

Increase in value

Fortunately, the largest IDSO in the US completed its third recapitalization in Q4 2024. Its value increased from \$330 million to over \$3.8 billion in seven years. Since 2017, LPS has advised dozens of client practices to partner with this IDSO. Doctors achieved increases in the value of their equity ownership from 200% to over 1,000%, depending on when they joined.

Initial values are important, but with a creative partnership structure and the right IDSO, long-term equity value can be far greater than a practice's initial value.

IDSO partnership is not a short-term transition or retirement strategy. Doctors typically commit to continue

leading their practice for three to five years or longer. Young doctors are choosing IDSO partnership to access resources and capital for growth and expansion, as well as gaining more time with their young families.

The support provided by an IDSO will vary significantly depending upon the doctor's chosen partner. Some may have only a few dozen practice partners and limited support capabilities while others have hundreds of practice partners across dozens of states with thousands of team members.

Tips for timing

Any larger practice owner eager to achieve a high value will choose an IDSO partnership to monetize all or part of their life's work. The value of growing practices today is setting records. In a typical doctor-to-doctor sale that I see, values might achieve 60% to 100% of collections and 4x EBITDA.

- Consider your age. If a doctor is older than 55, they will achieve a higher value today than at 60 and beyond. The younger the doctor, the more valuable they are today.
- Think like an investor. Buy on dips and sell into rallies. The US is currently experiencing the proverbial "irrational exuberance" rally across virtually all asset classes. Gold was up 27% in 2024 and the S&P 500 increased by 24%.

- A doctor's practice is often their largest investment, and diversification is preached by any competent financial advisor. Liquidity can be valuable in troubled times and can yield 5% without risk today. Having no debt is also an attractive, sleep-inducing feature of an IDSO partnership!
- If the inevitable recession arrives, practice growth may stop and EBITDA, and thus practice values, may decline. Higher values are achieved when a practice is growing than when it shrinks.
- Over \$8.0 billion was invested by sophisticated global investors (not just private equity) in new and existing IDSOs in 2024. Many of these will offer unique, early-stage opportunities to experience the massive equity upside opportunities available to doctor partners who choose the right IDSOs, and do not succumb to the risks of those on the blacklist.

All doctors should at least understand the value of their practice. Dental practice consolidation is accelerating, and smart doctors understand that they will ultimately join an IDSO or compete with many others—it's only a matter of time. **DE**

Large Practice Sales completed more than \$1.0 billion in IDSO partnerships in the last 24 months with dozens of IDSOs nationally. He has built, bought, and sold 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 airplanes visiting clients every week. Learn more at largepracticesales.com.



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