ORTHODONTIC PRODUCTS

WHY SILENT PARTNERS ARE RESHAPING ORTHODONTIC CONSOLIDATION

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AS CONSOLIDATION ACCELERATES, CHIP FICHTNER OF LARGE PRACTICE SALES EXPLAINS THE NUANCES OF THE INVISIBLE DSO MODEL, WHAT SEPARATES SUCCESSFUL PARTNERS FROM FAILURES, AND HOW ORTHODONTISTS CAN MAXIMIZE THEIR PRACTICE'S VALUE IN A CHANGING MARKET.

BY ALISON WERNER, Chief Editor of Orthodontic Products

For many orthodontists, the term "DSO" conjures images of corporate takeovers, lost clinical autonomy, and rebranded practices. But a different model has gained significant traction in the specialty, one that prioritizes a hands-off approach to clinical care while providing robust back-office support: the Invisible DSO, or IDSO.

The term, coined by Chip Fichtner, a founding partner of Large Practice Sales, who specializes in brokering deals between practices and DSOs, describes a partnership to support rather than dictate. "We originated it about eight years ago," Fichtner says of the term. "The idea was to separate those [organizations] that wanted to become your silent partner from those who wanted to command and control you. Functionally, it's a group that wants to become your silent partner, not your homogenization or micromanagement partner."

Unlike traditional DSOs that often dictate clinical and staffing decisions, IDSOs invest in successful practices to provide back-office support without rebranding. By leveraging collective scale, these partners can reduce overhead—lowering costs for supplies and team benefits by up to 25%, for example—while preserving the practice's clinical autonomy and original identity.

This shift in philosophy has reshaped the consolidation landscape. Fichtner points to Smile Doctors as a prime example. "They started out as a true DSO. In other words, they changed the names of the practices, told them what to do and how to do it," he says. Ultimately, a new CEO recognized that the organization was sacrificing valuable community brand equity, according to Fichtner. By pivoting to an IDSO model, the group accelerated its expansion, he says, growing from 200 practices to 580 today.

IDENTIFYING A QUALITY PARTNER

While the IDSO model is now dominant among the 13 major ortho-focused consolidators, not all are created equal. In fact, Fichtner warns that many are struggling financially. The key to identifying a stable, high-quality partner lies in looking beyond the surface-level pitch and scrutinizing its financial foundation and leadership.

"It starts at the top," he advises. "The best ones have financial backers who have been successful in multi-site health care consolidation, and even better, if they have had success in dental consolidation." An experienced investor brings more than just capital; they bring a proven playbook for growth and stability. "There's a lot of inexperienced money in health care consolidation that has come into the invisible DSO world and has failed, because having money is great, but having money that knows what to do with it is far more valuable."

Leadership is another critical factor. Fichtner notes that many of the failing groups are doctor-led. "The doctor thinks he can go from school where he learned how to create beautiful smiles to become an executive of a big business," he says. "The ones that are failing are the ones where orthodontists or dentists don't have the business training. Whereas you look at Smile Doctors, they brought in the CEO of Pei Wei, [a private equity-owned fast casual restaurant chain.] He knew nothing about dentistry, but he knew how to build a business rapidly."

For orthodontists vetting potential partners, red flags often appear in the deal structure. Fichtner warns that an IDSO with weak financials may offer deals with very little cash upfront and a high percentage of equity, often a signal that the group "doesn't have any money."

DEAL STRUCTURES AND DOCTOR OWNERSHIP

When an orthodontist partners with an IDSO, the deal can be structured in several ways, each with different implications for cash flow and long-term wealth creation. Fichtner outlines three common options.

The first option involves retaining direct ownership—selling 51% for cash upfront while keeping 49% of the practice's ongoing profits. Alternatively, doctors can trade that cash flow for equity in the parent company. "At that point, they're betting on the success of the parent, not just the success of their practice," Fichtner notes, which can be more profitable long-term if the parent company grows exponentially. A third, hybrid option allows doctors to take equity at both the practice and parent levels, balancing immediate cash flow with long-term upside.

Regardless of the structure, Fichtner stresses the importance of understanding one's position in the financial hierarchy. "The key question here is, when you take equity in the parent company, where are you in the capital stack? Meaning, are you shoulder to shoulder with the guys who put a billion dollars into the deal, or are you subordinated to them? Doctors need to understand exactly where their ownership interest rests relative to the money."

ANATOMY OF A VALUABLE PRACTICE

In today's market, an IDSO's interest in a practice is driven by a specific set of metrics that go far beyond top-line revenue. The most critical factors are growth, doctor age, and a stable plan for the future.

With orthodontic case starts declining nationally over the past few years, growth has become a precious commodity. Fichtner points to industry data showing a consistent year-over-year drop in starts since 2022, a trend he says many practices have masked by raising their fees. Consequently, investors look directly at case starts rather than collections as the true measure of health. In a market where volume is shrinking, a practice with flat numbers is considered stable, but one showing genuine growth is exponentially more attractive.

The age of the owner-doctor is another major variable in the valuation equation. "A doctor who's 40 is substantially more valuable than the doctor who's 60," Fichtner states bluntly. Investors are looking for leaders who will remain with the practice for at least five years post-transaction to ensure continuity. For doctors approaching retirement age, the solution is clear: "Get an associate," he advises. A practice led by a 60-year-old doctor with no clear successor is a tough sell unless it is in a highly desirable market or can be packaged with a pediatric or oral surgery practice to appeal to multi-specialty buyers.

A GROWTH STRATEGY, NOT AN EXIT

For younger orthodontists, partnering with an IDSO is increasingly viewed not as an exit strategy but as a vehicle for risk-free growth. Many orthodontists graduate with significant debt and the ambition to build a multi-office practice, but they lack the capital and business expertise to do so. An IDSO partnership can solve that problem.

"The young doctors have figured out that these aren't DSOs. They're not going to tell me what to do," Fichtner says. "I can access their resources, including their capital, to go build an empire, and I can own 49% of that empire without going to the bank and taking any personal risk."

The IDSO provides the capital for expansion, finances the negative cash flow inherent in a startup orthodontic office, leverages its purchasing power for equipment discounts, and deploys sophisticated marketing and recruiting teams. This allows the orthodontist to focus on clinical care and growth. And a young orthodontist who can articulate a detailed vision for growth and expansion is exactly what these groups are looking for. "They would rather grow their existing partner practices than buy more of them," he adds.

THE ROLE OF THE ASSOCIATE

In any partnership discussion, the role of associate doctors is paramount. They represent the future of the practice, and a quality IDSO will have a clear strategy for retaining them. This often involves granting them equity at no cost, which vests over time to create "golden handcuffs."

"The Invisible DSO wants to keep that doctor, and they want to give that doctor the upside of ownership," Fichtner explains. This approach solves a major recruiting challenge for the IDSO and provides the associate with a path to ownership without taking on debt. It also provides the selling doctor with a more valuable asset, as a practice with a clear succession plan is more attractive to buyers.

However, associates are often wary, having heard horror stories from peers whose doctors "chose poorly." A bad partnership can mean broken promises of autonomy, forced changes in clinical protocols, and a toxic work environment. To address these fears, Fichtner's process includes connecting the associate with other associates already working within the finalist IDSOs. This peer-to-peer conversation allows them to ask critical questions: What changed? What didn't? Are you glad you did it? This transparency helps ensure a good cultural fit and prevents associates from derailing a deal at the last minute.

MAXIMIZING VALUE THROUGH COMPETITION

Perhaps the most critical piece of advice Fichtner offers is to never accept an unsolicited, single-bidder offer. DSOs often approach doctors directly, leveraging personal relationships and promising a simple, broker-free transaction. The reality, he says, is that these doctors are often leaving millions of dollars on the table.

He recounts the story of a doctor in Tampa, Fla, with four offices who was about to sign a deal for $19 million. The doctor called Fichtner for a last-minute check. "I told him, 'I don't know what your number is, and I don't know who the buyer is, but I'll get you $10 million more,'" Fichtner recalls. After creating a competitive bidding process with 11 bidders, the practice sold for $42 million—$23 million more than the original offer.

The process isn't just about driving up the price; it's about finding the right partner. "If you've got a good practice, you're going to have at least five, six, eight qualified bidders," he says. "You ought to go through our process. You're going to get a higher value, but more importantly, you're going to get to figure out which bidder is the right fit for you. Because this is the rest of your career. It isn't about the money. It's about the cultural fit." **OP**

Chip Fichtner,
Founder of Large Practice Sales, has completed more than $1.0 billion in IDSO partnerships in the last 36 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.

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