

Assessing an Invisible Dental Support Organization Partnership

Chip Fichtner

With more than 1,000 invisible dental support organizations (IDSOs) in the United States today, opportunities abound for doctors who are considering monetizing their practice value. Many IDSOs are looking to become a doctor's silent, supportive partner by buying 51% to 80% of the practice for immediate cash. In an IDSO partnership doctors retain ownership and continue to lead their practice with their brand, team, and full autonomy. In such a partnership, the potential value of the retained ownership can become far greater than remaining independent.

Invisible DSOs have become increasingly well-established, with some being more than 30 years old and having 750 or more partner practices. In 2024, investors pumped billions of dollars into IDSOs, including the world's largest asset manager, BlackRock, which now owns four invisible DSOs in the United States. Invisible DSO partnership enables doctors to become co-investors with some of the world's largest and smartest money managers.

Theoretically, an invisible DSO differs from a traditional corporate DSO in that the organization does not micromanage or homogenize its partner practices. The doctors—not the IDSO—continue as owners, leaders, and decision-makers of their practice. The doctors make not just the clinical decisions, but also decisions regarding who to hire/fire, what products and labs to use, what procedures to perform, and which payers to accept.

In a typical doctor-to-doctor transition or sale, a practice usually will be valued at 60% to 100% of collections; the same values will be achieved in a 100% sale to a traditional DSO. In an invisible DSO partnership, doctors commit to stay as owners and leaders for at least 3 years and preferably 5 years or more. While IDSO partnership typically does not offer a short-term exit, values can be far higher than most doctor-to-doctor transitions or sales to a traditional DSO. In 2024, the author's firm completed IDSO partnerships valued at over 300% of collections in more than \$150 million of transactions.

Growing practices with at least \$400,000 in EBITDA (earnings before interest, taxes, depreciation, and amortization), whether they are a general practice or any specialty, may qualify for high-value

IDSO partnerships. The doctor's age can be a factor as dozens of the author's firm's clients in the past 2 years have been under 50. Doctors over the age of 60 may need to have one or more enthusiastic young associates in the practice to achieve maximum value.

Besides providing millions of dollars in cash at long-term capital gains tax rates to help doctors diversify their investment portfolio, reduce risk, and secure their family's future, an invisible DSO also lends valuable support to help partner practices grow and become more profitable. Such a partnership reduces administrative burdens. Size provides leverage, which benefits all the partner practices in the IDSO. Each invisible DSO has different



Invisible DSO partnership enables doctors to become co-investors with some of the world's largest and smartest money managers.

resources, but those that are qualified to bid on the author's firm's clients all generally offer such benefits as: higher reimbursement rates from payers; 25% discount on supply costs; improved team benefits at lower costs; internal recruiting teams; professional marketing services for new patient attraction; ownership opportunities for associates and, in some

cases, key team members; and potentially dramatic increases in the doctors' retained ownership over time.

Investors and their doctor partner owners in IDSOs are eager to grow the organization's value and monetize that value, typically in a sale to a larger investor. The largest invisible DSO in the United States completed its third "recapitalization" in 7 years in 2024. Its value—and the doctors' equity—increased from \$330 million in 2017 to more than \$3.8 billion in 2024, representing an impressive 11x return in 7 years.

Not all invisible DSOs are as successful as others, and some may fail. Doctors should understand all the elements of an IDSO partnership and the attributes and risks of a specific IDSO before moving forward. For most doctors, their practice is their largest asset. Monetizing a part of its value in an invisible DSO partnership should be done with great care and consideration and with the help of a specialist professional. Doctors should know their options in advisors and choose one that specializes in invisible DSO partnerships and will protect the doctor's interests, not the IDSO's. A growing practice should be presented at least five qualified bidders from which to choose its invisible DSO partner.

ABOUT THE AUTHOR



Chip Fichtner

Cofounder and Principal, Large Practice Sales (largepracticesales.com), which specializes in invisible DSO transactions for larger dental practices of all specialties

LPS | Large Practice Sales
Monetizing Larger Dental Practices

877-692-8156
CBI@LargePracticeSales.com

