

How economic swings dictate practice value

Chip Fichtner, Founder and Principal of Large Practice Sales

Growing businesses are worth more than shrinking ones. If you are interested in monetizing all or part of your practice, the time to harvest the value of your life's work is in a growing economy.

Know your practice value

Historically, doctors do not really think about the value of their practice until it is time to transition or retire. However, with the rapid growth of invisible dental support organizations (IDSOs), it will pay for every doctor to understand their practice value today.

Doctors can sell 51% to 80% of their growing practice for cash today at record values and at low tax rates in an IDSO partnership. Doctors continue to lead their practice as owners of their brand, with full operational and clinical autonomy for years or decades if they choose the right IDSO partner. They access the resources of a much larger, silent partner to grow bigger, faster, and more profitably with fewer administrative burdens.

IDSO partnership benefits

Some IDSOs have over 500 partner practices nationwide—and a few are over 30 years old. Their leverage and management resources can be beneficial to partner practices. Lower costs on everything and higher payer reimbursement rates will increase the profitability of every practice. The IDSOs can also solve the challenges of recruiting, new-patient marketing, and new technology adoption. Most of the IDSOs are now using AI; most independent practices are not.

Doctors of all ages can sell part of

their practice in an IDSO partnership today—not years from now when values will be different. IDSOs are attracting doctor partners much earlier in their careers. IDSO partnerships enable young doctors to access capital and resources for growth and expansion without personal risk. Doctors use the cash gained in an IDSO partnership to diversify their investment portfolios. They also avoid the reality of practice value erosion if their collections decline in a troubled economy. Timing is everything.

High-value partnerships

In many cases, practices in an IDSO partnership are valued at more than 200% of practice collections with some at over 300% of collections. But there are several limitations to consider:

- Doctors continue to lead their practice, as owners, for three or more years in most cases.
- Practices below \$1.5 million in collections need to grow before qualifying.
- Age matters. At age 60, practice values begin to decline without younger associates.



CHIP FICHTNER, FOUNDER AND PRINCIPAL OF LARGE PRACTICE SALES, has 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 airplanes visiting clients every week.

- Collections must grow yearly.

Rapid consolidation

In the last 10 years, over 50 new IDSOs began focusing only on specialty practices including OMS, perio, endo, pedo, and ortho. In addition, there are dental trifecta IDSOs that partner only with pedo, ortho, and OMS practices in the same communities, locking in new patient referral sources. Several surgical trifecta IDSOs are eager for perio, endo, and OMS only. The ADA reports that ortho is the most consolidated of all practice types—and OMS practices are rapidly consolidating due to recruiting challenges.¹

Achieving record values

IDSOs have been given billions of dollars for financing over the last three years. IDSO investors now include the largest global money managers, such as Blackrock, Blackstone, KKR, and Sovereign Wealth funds. IDSOs are eager to partner with growing practices in all 50 states. In a properly managed process, great practices will attract multiple qualified IDSO bidders. More bidders result in higher values and broader choices in partnership. However, IDSOs are not at all interested in partnering with shrinking practices.

Smart doctors will learn their practice value today and get a baseline value potential for the future. This can be done confidentially and without cost or obligation. **DE**

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