



# Industry Leaders' Perspectives: The Future of Dental Support Organizations and Dental Practice

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## Industry Leaders' Perspectives: The Future of Dental Support Organizations and Dental Practice

Dental Support Organizations (DSOs) have experienced consistent growth in the last couple of decades as more providers seek the competitive and patient-support activities that such organizations provide. This growth has led to significant third-party investment. In the past decade alone, more than 25 private equity firms have invested significantly in DSOs. As discussed in this white paper, there are a number of reasons to believe that DSOs will continue to be a hot area for growth and investment activity. A number of DSO leaders see opportunities for achieving greater efficiency through consolidation as well as trends outside the industry, such as the changing insurance climate, that may benefit DSOs.

The term DSO encompasses a broad range of business models. Generally, DSOs offer practitioners support in a range of administrative, financial, technical, marketing and managerial matters. The advantages for practitioners are clear. Practitioners benefit from access to technology and services that are beyond the means of most solo practitioners. The practitioner also is freed from administrative tasks so that he or she may focus on patient care. Patients also see significant benefits from greater convenience and oftentimes lower prices, and from being seen by practitioners with access to the latest dental training and technology. Such factors explain why the rate of DSO growth has outpaced the dental industry as a whole. In 2012, Dental Care Alliance reported that members of the Dental Group Practice Association, renamed Association of Dental Support Organizations (ADSO) in 2014, had grown by 18 percent while the dental industry's growth was 5.5 percent.

DSOs come in a variety of business structures. Generally, a DSO works with one or more professional groups of dentists who oversee the clinical aspects of the practices affiliated with the DSO. The DSO is usually responsible for managing the technical, marketing and administrative functions of affiliated practices. DSOs and their affiliated professional groups are generally keenly attentive to state laws on which business models are permitted. In order to speak more generally about the industry, the authors have not attempted to describe in-depth how each DSO has structured its operations to comply with these requirements.

For this white paper, the authors interviewed 12 leaders who have been involved in shaping the industry, including senior managers of DSOs, leaders of the ADSO and investment bankers experienced in DSO transactions. The white paper includes insights gleaned from these interviews on successful DSO business models, challenges to the industry and what the future may hold for DSOs.



### **Richard Beckman, Chief Executive Officer**

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Richard Beckman is the chief executive officer at Great Expressions Dental Centers. Mr. Beckman also serves as ADSO vice president and chair of the ADSO Ethics Committee. Mr. Beckman joined Great Expressions in 1998. During his tenure, the company's revenue has increased from \$10 million to \$300 million, grown from 21 locations to 200, and been on the Inc. 5000's list of fastest-growing companies for six consecutive years. Great Expressions has been a leader in providing preventative dental care, orthodontics, surgery and cosmetic dentistry. Mr. Beckman recently won 2014 Entrepreneur of the Year for Consumer Services in the Michigan and Northwest Ohio region. Mr. Beckman has taken an active role in the communities in which Great Expressions operates, such as by donating to University of Detroit Mercy Dental School and Nova Southeastern University Dental School and providing monetary and staffing assistance to St. Vincent DePaul in Detroit which, among other services, runs a dental clinic with more than 2,000 annual patient visits.

### **KEY INSIGHTS**

The DSO model offers a number of advantages over traditional solo practices. DSOs allow dentists to focus their efforts on clinical care rather than spending a significant amount of time and energy focused on back office issues. DSOs also offer a means to improve patient outcomes. For example, Great Expressions has a 12-person national doctor panel that meets quarterly to review results and discuss the clinical direction of the dental group. The panel reviews the latest trends in dentistry to ensure that Great Expressions-affiliated practices are abreast of cutting-edge technology and procedures.

DSOs also have the ability to track data from a number of practices to compare rates of procedures. These mechanisms allow DSOs to encourage conversations among practitioners about changes and improvements in dental procedures and pricing. Great Expressions also reviews practice data to determine if its practices has the right mix of generalists and specialists in the right locations. The use of review panels and technology has allowed Great Expressions to be proactive in ensuring the ethical operations of its business and affiliated providers.

Great Expressions focuses on ways to improve access, improve the patient experience and deliver the highest-quality patient care. To that end, Great Expressions seeks to accept all types of insurance and offer all dental specialties. “If a patient seeks to access one of our providers, we will do whatever we can to offer services to that individual,” said Mr. Beckman. Offering greater access is not antithetical to offering the highest-quality care. Great Expressions also focuses on the needs of its providers and ensuring that they receive the training they need and have access to the latest in dental technology.

In the next five years, the dental industry will continue to be a mix of DSOs and solo practices. The business and regulatory landscape will reflect the competition among these entities. Great Expressions has positioned itself well to deal with change by affiliating with a number of different practices types and by accepting a wide range of insurance plans.



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Doug Brown is the chief executive officer at Affordable Care, Inc. Mr. Brown has been a leader in the DSO space since 1995. In 2004, Doug brought together DSO industry leaders, which led to the formation of the Association of Dental Support Organizations (ADSO). Doug is the ADSO's immediate past president and currently serves as co-chairman of the Government Affairs Committee. Doug has been CEO of Affordable Care since 2011. Affordable Care manages the Affordable Dentures brand, which provides services for approximately 220 dental practice affiliates in 40 states. Affordable Dentures is the largest and fastest growing provider of denture and implant services in the U.S.

### **KEY INSIGHTS**

The DSO industry will continue to be an active area for deals in the coming years. Small and midsize DSOs have been a particularly hot area of DSO deal activity. Such companies will continue to grow and either develop their own management infrastructure or sell to established DSOs.

The DSO model offers strong growth potential because it centralizes management expertise, technology and training. DSOs are able to market, install customized IT systems and offer targeted training in ways that are not possible at the private practice level.

DSOs will need to continue to monitor the regulatory environment. State law and dental boards have varying requirements on management of dental practices. Additionally, the DSO model is relatively new and evolving. Traditional dental practice owners may feel threatened by the emergence of DSOs because of the competitive advantage in consolidating the management and marketing of practices. For example, in the denture space, a DSO-managed practice may charge one-third of the fees, offer same-day service and reduce the number of follow-up visits needed, compared with a non-supported practice. In the next five years, the DSO industry will continue to grow, with individual DSOs developing business models that offer a unique "special sauce" to practices. In order to ensure that growth, individual DSOs and their partners, such as the ADSO, must continue to demonstrate strong compliance programs and effectively communicate with regulators to clear up any misconceptions about the industry.



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Vito Dacchille is the chief executive officer of InterDent, Inc. Mr. Dacchille joined InterDent in December 2013. He previously served as chief operating officer for ConsoliDent, Inc., which had dental offices in nine states, including Florida, Michigan and Georgia. InterDent provides services to dental offices and multi-specialty dental practices in eight states. InterDent manages five brands – Gentle Dental, Smile Keepers Dental, Dedicated Dental, Southwest Dental and Blue Oak Dental Group – and provides support services to more than 178 affiliated dental offices employing more than 450 dentists. Its network of affiliated offices provides comprehensive dentistry to more than one million patients annually. Services include general dentistry, orthodontics, periodontics, endodontics, pedodontics and oral surgery.

### KEY INSIGHTS

DSOs offer clinicians true autonomy to practice dentistry. Rather than being pulled away from patients to consider issues potentially outside of their expertise, such as

negotiating leases and financing, the clinician can focus on educating patients on treatments and providing high-quality care. The goal at InterDent is to provide support so that affiliated dentists can give patients the best dental experience possible to ensure that they come back and recommend InterDent-supported practices to their friends and family. This means supporting dentists so they can offer evening and Saturday hours, accept as many types of insurance as possible, develop new payment methods, and locate in convenient retail areas.

The DSO industry is likely to change in the coming years. In the recent past, the top 15 DSOs have grown significantly and many of the obvious deals have been done. The big deals in the next one to two years are likely to be amongst the top 15 DSOs. It would not be surprising if a large private equity firm sought to merge two of the largest DSOs to eliminate perceived redundancies. Given the pressures on payors to find value, there will be corresponding pressure on providers to seek competitive advantages through economies of scale.



## **Quinn Dufurrena, DDS, JD, Executive Director**

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Quinn Dufurrena is the executive director of the Association of Dental Support Organizations (ADSO). Dr. Dufurrena is a trained dentist with more than 30 years in healthcare delivery and healthcare policy analysis, including nearly 20 years of experience with DSOs. He has practiced dentistry in a variety of sectors, including the military, private practices and nonprofits. He also has advised policymakers on teledentistry, electronic healthcare records, data privacy and rural healthcare. As the executive director of ADSO, Dr. Dufurrena heads the national association for DSOs. The ADSO's mission is to communicate the benefits of DSOs to enable dentists to focus on providing high-quality dental care.

### **KEY INSIGHTS**

The term DSO is an umbrella term. The ADSO currently has 35 DSO members, each of which has a very different business and operational model. Some focus on providing cutting-edge technology to affiliated practices while others concentrate on reducing costs to serve

Medicaid/underserved populations. Over the next five to 10 years, competition will refine these models and new models are likely to develop. To serve a broader array of DSO models, the ADSO is expanding its membership to DSOs with \$10 million to \$30 million in annual revenue, beginning in January 2015. This expansion should allow smaller DSOs to discuss and collaborate with larger DSOs to learn what it takes to grow and consolidate their operations to achieve greater efficiencies.

These trends will be part of an overall expansion of the DSO market. The DSO industry continues to grow rapidly with patient visits to DSO-affiliated practices increasing by as much as 25 percent over a two-year period. Dr. Dufurrena believes that growth in the industry is likely to continue. This does not mean the end of independent practices. Instead, the dental industry likely will mirror other healthcare sectors, such as optometry, where independent optometrists continue to operate individual practices, even with the popularity of companies like LensCrafters. Faced with this competition, and perhaps not understanding that both models will exist in the future, some private practice dental offices have pushed for changes in corporate practice of dentistry rules. ADSO and the wider DSO industry are seeking to combat potential misperceptions by educating dentists, patients and policymakers on the value they provide. While DSOs have

various models, they share a goal of supporting dentists to provide access and high-quality care to patients. Such goals should be supported by all groups.



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Andrew Matta is the chief medical officer and founding partner of North American Dental Group (NADG). NADG provides services for the following affiliated brands: Refresh Dental, Corner Dental, Dental Express, Precision Endodontics, Dental Implant Centers of Pittsburgh, Dental Care of Michigan and Dental Care of Indiana. NADG's network offers services in general dentistry, endodontics, orthodontics, restorative dentistry, cosmetic dentistry, dental implants, oral surgery and emergency dental care. NADG has affiliated with approximately 70 offices in Ohio, Pennsylvania, Michigan and Indiana, and has been on the Inc. 500's list of fastest-growing companies for the last two years. Dr. Matta continues to provide clinical care and is the director of the St. Vincent Hospital dental residency program in Cleveland, Ohio. Dr. Matta received his doctorate in medical dentistry from the University of Pittsburgh. He also participates in Give Kids A Smile and Change A Life, which are programs to

provide dental care to at-need children and individuals.

**KEY INSIGHTS**

The DSO model offers a number of advantages to both starting and established clinicians. Most DSOs work with at least one affiliated group of dentists. By working with a DSO and its affiliated dental group, new and established dentists gain access to business management support and current technology and training resources. Particularly for dentists early in their careers, this model provides a base of patients through the affiliated dental group as well as the means to grow that base through marketing support from the DSO.

Many dentists may find the collaborative aspect of working at a DSO-affiliated practice particularly appealing. Professional Dental Alliance (PDA), NADG's affiliated dental group, encourages a team approach to dentistry. PDA dentists work together on cases and there are frequent opportunities to collaborate. A network of dentists within a single organization allows for centralized peer review and review of patient concerns. For example, PDA has a peer review system involving chart audits as well as a privileging system that considers the entire course of treatment.

A challenge for DSOs is integrating a new practice or group under an existing operational framework. Integration may

mean, amongst other things, changes to the practice's technology and culture. NADG works with PDA and the new clinician to ensure the fit of the relationship. For example, NADG and PDA seek clinicians that are committed to a collaborative approach to dentistry. After the dentist joins, NADG and PDA continue to work with the practice to ensure the relationship is productive. For new practices, the integration process can take as long as a year.



### **Naimish Patel, Co-Founder & Executive Chairman**

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Naimish Patel is the co-founder and executive chairman of Tru Family Dental. Mr. Patel co-founded Tru Family Dental in January 2014 along with his partner Brandon Halcott. Tru Family Dental currently manages three practices in the Chicagoland area and is seeking to grow through affiliation with a particular interest in expanding in the Midwest. Tru Family Dental is focused on creating a network of successful neighborhood dental practices to provide lifetime quality care to patients. In addition to his role with Tru Family Dental, Mr. Patel works as a senior advisor at Long Point Capital where he oversees two successful investments in Cumming Group and UMA Enterprises, which have combined revenues of over \$175 million.

### **KEY INSIGHTS**

A newly formed DSO faces a number of challenges in getting the business off the ground. For example, it is important early on to have a chief clinical officer (CCO) to assist with evaluating practices from a clinical perspective and working with clinicians if the founders are not clinicians

themselves, as is the case with Tru Family Dental. Having a CCO is important to ensure the highest-quality care to patients. The CCO may be involved with the recruitment, hiring, integration and ongoing professional development of clinicians. The CCO also may ensure that the DSO provides a high level of patient care through reviewing charts and discussing patient diagnoses with clinicians. Tru Family Dental initially attempted to affiliate with a practice where the dentist was willing to stay on as the company's CCO. However, finding the right mix of a strong practice and like-minded clinician with management expertise proved to be challenging. The company quickly shifted its focus to hiring a very experienced CCO who had the mix of operational expertise coupled with a strong clinical-care background, which resulted in the hire of Dr. John Yang as its CCO. Dr. Yang oversees all aspects of Tru Family Dental's patient care, including recruiting, professional development, mentoring and clinical review. His clinical expertise is also invaluable in ensuring that all Tru Family Dental support initiatives are designed around meeting the needs of its practitioners, thus ensuring the highest clinical care and experience for its patients.

Tru Family Dental currently is not pursuing opening de novo practices due to the cost, time and infrastructure required to successfully execute such a strategy.

Instead, Tru Family Dental has focused on affiliating with existing practices where the dentist is either looking to offload the management burdens to a DSO or looking to leave the practice. However, particularly for a newly formed DSO, it is important to identify clinicians who align with the mission of the DSO. The DSO is there to support the clinician in delivering outstanding care. Thus, it is important that the clinician be interested in a partnership approach. There are advantages and disadvantages to working with dentists at different stages of their careers. For example, newer dentists may require more attention and guidance, but also may be more willing to embrace the support from the CCO. More tenured dentists may be more set in their ways, but may be more appreciative of the DSO services provided that allow him or her to offload the administrative burden of the practice. Eventually, Tru Family Dental wants to move to both affiliations and opening new practices, but first seeks to establish a critical mass of existing practices.



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Ken Strohschein is the chief information officer (CIO) at Great Expressions Dental Centers. Mr. Strohschein has more than 20 years of experience in information technology and has been with Great Expressions since April 2010. Mr. Strohschein joined Great Expressions as its vice president of information technology and was promoted to CIO in July 2013. In these positions, Mr. Strohschein has overseen a number of significant initiatives, such as creation of a data warehouse to manage data from all of the dental group's practices, creation of an appointment confirmation system to send patients reminders of appointments via emails and text messages, and installation of WiFi in every Great Expressions' practice. As CIO, Mr. Strohschein is responsible for overseeing all aspects of Great Expressions' technology. Mr. Strohschein currently is working on a number of projects, such as creation of an online portal to provide patients with information about past and future appointments and to allow patients to



submit data prior to appointments to cut down on in-office paperwork.

**KEY INSIGHTS**

DSOs have struggled with developing technology capable of scaling as additional practices affiliate and are opened. Many times the base system is designed around a single practice or a few practices and is not up to the task of reporting on tens or hundreds of practices. Further, there are few out-of-the-box solutions designed to meet the needs of DSOs. As a result, many DSOs have had to build their own systems from the ground up and potentially rip out existing infrastructure after reaching a critical mass of practices. Another challenge is to accommodate the diverse policies and procedures of different practices. For example, while it may be cheaper for a DSO to standardize electronic appointment reminders across practices, individual practices may want to cater to the particular communities in which they operate.

When developing new technology, a DSO also must consider its regulatory environment. For example, a system that allows patient data to move from dental to medical providers could improve clinical results. However, it currently would be very

difficult to implement, given HIPAA and related state laws that address patient health information privacy and security. Great Expressions has used technology to improve the patient experience by offering patients convenience through electronic email and text reminders and in-office WiFi. More importantly, technology has been used to improve clinical results, such as through better digital X-rays to improve diagnoses and imaging technology that allows specialists to see the work performed by the general practitioner. Great Expressions hopes to continue these efforts and develop systems that provide greater interactivity, such as allowing patients to access a portal to schedule appointments, view prior and upcoming appointments and track insurance and out-of-pocket payments. A number of DSOs have been working on similar systems to improve the patient experience and clinical outcomes. The ADSO has proven to be an invaluable resource for CIOs of different DSOs to come together, share resources and discuss best practices.



## **Jeffrey Sulitzer, DMD, Chief Clinical Officer**

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Dr. Sulitzer currently is the chief clinical officer at InterDent. Prior to serving as chief clinical officer, Dr. Sulitzer was a business consultant working for Cognizant Technology Solutions, a global technology and healthcare consulting services business. There, he was charged with driving organizational and management initiatives for leading healthcare payors and providers. Dr. Sulitzer brings with him more than 25 years of experience in the healthcare industry, working as a business leader with Aetna, Anthem BlueCross BlueShield, and other major healthcare entities. His background includes more than 15 years in clinical practice. Dr. Sulitzer is a graduate of Temple University's School of Dentistry, where he earned his doctorate in dental medicine.

### **KEY INSIGHTS**

A clinician has three lives – a professional life, a business life and a personal life. Realistically, there is time to live only two of these lives well. By handling the business aspects of the dental practice, a DSO allows clinicians to enjoy robust professional and personal lives. DSO-supported practices have particular appeal

for younger practitioners who may be starting families, have difficulty with the business and financial aspects of starting a practice, and have significant student loan debt.

DSOs help dentists experience the collaborative benefits of the medical field. Dentistry has long been an industry of individual practitioners. InterDent assists its affiliated dental practices to match younger and established dentists to collaborate in mentor/mentee relationships. Technology has created more opportunities for collaboration even when clinicians are not in the same office. Providing clinicians with the tools to encourage such communication can improve patient outcomes.

The perceived uncertain regulatory environment in many states presents a challenge to DSOs. DSOs must be attuned to the regulatory requirements of dental boards in the states in which they operate. The ADSO is an invaluable resource for ensuring good relationships with state boards and understanding existing or proposed regulatory requirements.

Unfortunately, some of the recent regulatory interest in the DSO model appears to have been spurred by private practitioners seeking to diffuse the perceived competitive threat posed by DSO-supported practices. To combat misconceptions about DSOs, InterDent focuses on educating the public

regarding the ways in which its business model enables its affiliated clinicians to have patient-centered practices. For example, InterDent seeks to be at the forefront of helping its affiliated dental practices to integrate dental and medical care to more effectively manage crossover diseases and conditions.



## DENTAL PERFORMANCE INSTITUTE

### **Diana Thompson, Founder and CEO**

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Diana Thompson founded the Dental Performance Institute (DPI) in 2011 and currently serves as its chief executive officer. Ms. Thompson has worked in various positions within the dental industry for 28 years, including the last 11 years as a business consultant and coach. Ms. Thompson is certified in employment compliance and HR management, and was nominated as a Best Practice Management Consultant by DrBicuspid in 2013. DPI specializes in improving dental practice operations, patient and referral base retention, financial growth, the startup process, brand awareness, business development, team building, conflict management and compliance. Ms. Thompson's DSO experience includes assisting with the creation of DSOs and providing organizational and management support to existing DSOs. Specifically, she regularly helps with standardization of office procedures, executive hiring, and staff and executive training.

### **KEY INSIGHTS**

The most common issue that arises when a practice or group of practices affiliates with a DSO is tied to a lack of communication. If a practice owner affiliates with a DSO and remains at the practice, the new dynamic between the DSO and practice can cause problems. For example, the previous owner and staff may resist efforts by the DSO to install new technology and business administration. Additionally, if the DSO is unaware of how the practice conducts its business, it may not appropriately tailor its support to the practice. Therefore, before any affiliation, the DSO must put parameters of communication in place. Essential to this process is establishing front-end communication. This includes pre-affiliation due diligence to observe the dynamics within the practice and interviewing staff. Equally important is patient communication prior to the finalization of the affiliation. DPI has been involved in crafting such communications, which generally includes sending letters to existing patients and training staff to alert in-office patients to the change. A failure to communicate with patients can result in significant patient turnover. DPI has seen patient bases drop by half, following an affiliation.

Personnel issues are also common in DSO affiliations. Having appropriate administrative staff in place is important to ensure that the management and technology installed by the DSO is appropriately adopted by the practice. Practices that struggle frequently lack administrative leadership. Another common problem is not sufficiently evaluating the strengths and weaknesses of the staff. For example, a practice may have an administrator with weak technical skills or a customer-facing staff member who is an introvert. Having the right team in place can make or break a business. This does not mean duplicating skills and personalities among staff members. A practice can benefit from having a variety of personalities that complement one another and solve problems using different approaches.

It is difficult to predict how the dental industry will develop in the next 12 months, let alone five years. The dental industry is currently in a state of rapid transition. The single provider model will not go away. DPI has had more clients seeking startup advice than ever before. However, the pace of older practitioners selling and transitioning from their practice to DSOs is also occurring at an increasing rate. Regulatory developments and patient preferences will continue to shape the industry. There will also undoubtedly be other challenges that arise and impact the direction and pace of change.



## David Vorhoff, Managing Director

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David Vorhoff joined Deloitte Corporate Finance LLC (DCF) as managing director in 2013. In this position, Mr. Vorhoff advises companies on financing assignments – including sales, mergers and recapitalizations – in such industries as healthcare, technology, business services, financial services and diversified manufacturing. Mr. Vorhoff has been involved in a number of transactions in the dental industry, such as advising Kids Care Dental Group, a leading pediatric dental platform, on its recapitalization with Sterling Partners. He has also advised on the sale of Children’s Dentistry and Family Orthodontics as well as the sale of Dentistry for Children. Both of these companies were recapitalized with Beeken, Petty O’Keefe & Company. Prior to joining DCF, Mr. Vorhoff served as the president, managing director and co-founder at McColl Partners LLC where he served as the head of the firm’s healthcare group. Mr. Vorhoff has 30 years of investment banking experience and has executed more than 200 advisory and financing assignments.

### KEY INSIGHTS

Organizations where a private consolidator affiliates and opens new practices under a

single brand likely will continue to perform well in the DSO industry. There is a clear segment of DSOs who successfully integrate generalists and specialists in acquired or “linked” group practices and centralize their branding, administration and information technology. Many of these DSOs have performed well and continue to be appealing to investors.

There is a second, emerging model that is gaining interest from investors as well. This model seeks to provide dentists with the benefits of DSOs while allowing them to retain their independence and ownership. Demand for such models is a result of the competitive pressure that DSOs have placed on the dental industry. Although these models are still evolving, the trend is for the service to function as a virtual DSO where members either join a co-op and pay a percentage of revenue or pay a flat fee based on services utilized. Like DSOs, there eventually may be a number of different types of virtual DSOs, allowing a practice to select a provider according to its individual needs. For example, some providers may simply offer technical support solutions while others may operate akin to a franchise model.

Another trend that may affect the dental industry is on the payor side. States are likely to continue to move toward capitated models of dental care. Oregon has been an innovator in this regard and some cities,

such as Sacramento and Detroit, also have implemented capitated dental care models. Capitation reverses the financial incentive for healthcare providers. Instead of maximizing the number of procedures performed, practices must provide preventative care and lower-cost procedures to reduce the practice's costs on a per-patient basis. Where states have implemented capitated Medicaid models, some practices seek to enroll a number of Medicaid patients expected to receive a minority of the practice's total care provided. Such practices may continue to receive the bulk of revenues from commercial payors, but value the predictable patient base and source of revenue provided by Medicaid. Under a capitated model, an opportunity exists for provider networks, whether DSO or otherwise, to work together to spread out the provision of care to Medicaid patients to tap into the marginal capacity of each practice in the network.



## **Daniel M. Wechsler, President & Chief Executive Officer**

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Dan Wechsler took over as president and CEO of Smile Brands in March 2014. Mr. Wechsler was previously employed outside of the DSO industry, including positions at Valeant, Bausch & Lomb, Merck, and Pfizer. As a result, Mr. Wechsler brings a different perspective and strategic focus in leading Smile Brands than other DSOs do. Smile Brands provides support services to more than 1,300 dentists and hygienists in nearly 400 general and multi-specialty dental groups nationwide. Smile Brands operates three brands – Bright Now! Dental, Castle Dental and Monarch Dental – and earns approximately \$500 million in annual revenue.

### **KEY INSIGHTS**

Despite significant growth in the number of patients served, DSOs still have plenty of room for growth. The rate of patients visiting DSO-affiliated practices may increase from the current rate of 10 percent, to as high as 30 percent in the next five to 10 years. Such growth will allow DSOs to weather industry changes and shifts in financing. As the insurance landscape changes, both DSO-affiliated and individual

practices may have difficulty refusing to take dental insurance even if they historically focused on self-pay. Smile Brands has been able to experiment with various insurance models, such as accepting capitated rates for its patient populations, due to its size. To support these efforts, Smile Brands has hired former insurance company staff.

DSOs also provide significant technological and clinical benefits for affiliated practices. DSOs can negotiate with suppliers to reduce prices for their affiliated practices, benefitting the practice and the patient. DSOs also can work to increase opportunities for continuing education for its doctors. For example, Smile Brands has been working with the American Dental Association to ensure its dentists are getting appropriate clinical training and education. DSOs also have the ability to invest in modern equipment that may be beyond the means of many private practices. These efforts have improved, and should continue to improve, the quality of patient care. DSOs also can improve the quality of life of their practitioners by reducing their business and administrative burden, thereby allowing them to do what they were trained to do – care for patients. Collectively, these benefits suggest a continued trend toward a greater number of practices affiliating with DSOs, which will increase the overall efficiency of the dental industry.