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Trends and Expectations for Dentistry

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By Christopher J. Smiley, DDS
Editor-in-Chief

Trends and Expectations for Dentistry

The Choo Choo Grill in Grand Rapids was a short walk from my father's dental office and was known for great hamburgers with a thick slab of onion. My dad called it a "gold mine," and he was more than a bit envious of the owner who flipped burgers and chatted up the lunchtime crowd. Unfortunately, business trends tarnished that gold mine over the years. By the late 1960s, large fast-food chains dominated the market. They had scaled and systematized operations with two all-beef patties and special sauce and enjoyed powerful backing from corporate investors to finance their growth.

Dentistry, on the other hand, continued to chug along. Come 1986, my wife and I graduated from dental school and joined my father's solo practice. The economy was sluggish then, and it took convincing to get the bank to provide financing to add a fourth operator. Forty years and four additional operatories later, the landscape has changed. Our practice operates under 70% overhead. In contrast, the profit percentage from a McDonald's franchise has fallen to the low single digits.¹

Economic trends and dentistry's profitability have caught the eye of venture capitalists seeking a place to park their money. Dentistry has become one of the more attractive options, and most private equity groups in health care either own a dental platform or are looking to add one.² They recognize the potential return on investment from DSOs to scale dentistry's profitability, introduce efficiencies, leverage group bargaining, and broaden service capacity to achieve economic performance beyond a stand-alone practice.

Many solo practitioners protest that they would never consider corporate practice, believing they would lose

independence and the ability to make decisions for their patients and their practice. There is a perception, perhaps grounded in experience, that DSOs are dentistry's equivalent of the big box store that spelled doom for mom-and-pop retail on Main Street. Despite this pushback, ADA market analysis projects that large-group and DSO practices are becoming the dominant model for care delivery. The availability of capital investing in this boom explains one side of the growth of corporate dentistry, but what trends are driving clinicians, young and old, to join with DSOs?

Economic trends and dentistry's profitability have caught the eye of venture capitalists seeking a place to park their money. Dentistry has become one of the more attractive options, and most private equity groups in health care either own a dental platform or are looking to add one.

Dr. Ray Cohlma, the newly installed executive director of the ADA, recently spoke before the MDA Board of Trustees on the urgency to address trends within the profession to ensure the viability of organized dentistry. He noted that the number of dentists age 55 and older leaving the workforce increased sharply in 2021.³ Eleven percent of dentists plan to retire within two years, growing to 31% within the decade, Cohlma noted.⁴ A result is that many practices will flood the market for sale or consolidation, and some may simply close their doors. Trends for the number of qualified purchasers further favor a DSO sale or purchase by

an entrepreneurial dentist willing to buy several offices to one day attract further consolidation.

Dental students graduate with an average debt of \$304,824.⁵ This educational debt burden limits a new practitioner's ability to invest in opening or purchasing a practice.⁶ The percentage of dental school seniors who plan to join a DSO-supported practice has also increased, from 12% in 2015 to 30% in 2020, according to the 2020 American Dental Education Association Survey of U.S. Dental School Seniors.

DSOs are expanding rapidly into specialty practices,
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Editorial

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and evolving in their approach.⁷ It may be surprising to learn that market penetration of DSOs is 15-20% and is projected to grow to over 40% within the next decade. In fact, the doctor down the street may already have sold or affiliated with an Invisible DSO (IDSO), and you haven't recognized it, because the public face of the practice hasn't changed. IDSOs may purchase a 51% share or more of the business and keep the clinical team and management approach in place. This model may appeal to practitioners who are not looking to retire and are seeking to benefit from the resources of a corporate partner.⁸

Traditional solo practice will be outcompeted by delivery models that

can access group purchasing discounts, negotiate fee schedules, and cope with emerging trends for reimbursement. The remaining solo practitioners will be less agile than the DSOs to address change and have the resources to modernize, purchase the latest equipment, and attract employees who seek competitive compensation packages.

Back in Grand Rapids, the Choo Choo Grill remains open and fills a niche in the old neighborhood. I believe there will always be a niche for traditional dental practice too, but trends identified by the ADA HPI show that fewer dentists are working as solo practitioners. Roughly 2 in 3 dentists were in solo practice in 1999, which decreased to 1 in 2 by 2019.

Those seeking that niche need to tailor their systems and the services they offer to where they can best compete, recognizing that there still is a place for a simple burger with a thick slab of onion. ●

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