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HealthCare Appraisers' Industry Insight

TRENDS IN DENTAL PRACTICE MANAGEMENT: DENTAL SUPPORT ORGANIZATIONS

C.J. LAIRD, Med AND BRANDON J. BILLEAUDEAU, MPA

Similar to many other segments of the healthcare industry, the practice of dentistry is responding to the shifting market demands impacted by the advent of new technology, changing consumer preferences, and regulatory hurdles. One notable response to such changes is the rise of Dental Support Organizations, or “DSOs,” which serve to “contract with dental practices to provide critical business management and support including non-clinical operations, [thereby] allowing dentists to maximize their practice with the support of professional office management.”¹ Furthermore, the growth of DSOs has allowed for increased access to dental services for traditionally underserved populations.²

HealthCare Appraisers has observed that the relationship between dental practices and DSOs usually takes form of a comprehensive management services agreement between the parties, whereby the DSO performs essentially all of the non-clinical functions required to operate the dental practice, thereby assuming the preponderance of the business risk. In such arrangements, for example, the DSO may not only perform management and administrative services common to most management services organizations, but may also own or lease the space in which the practice operates, own or lease the medical and non-medical equipment utilized by the practice, maintain responsibility for procuring and ordering supplies, and employ all non-clinical staff. In essence, the services provided by the DSO enable the dental practice to focus exclusively on providing clinical services. Such arrangements also provide dentists with a new, more flexible, and risk averse option for practicing dentistry than traditional physician-owned practices. Their popularity has also driven growth of dentistry into new physical locations, such as Aspen Dental’s new collaboration with Walgreens.³

As with all healthcare arrangements, those involving dental practices are not immune to regulatory scrutiny. However, DSOs may also introduce a unique regulatory concern regarding state corporate practice of dentistry laws, which restrain the ownership and/or control of dental practices by non-dentists. It is crucial that careful consideration is given to the various federal and state healthcare laws before implementing a DSO arrangement.

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A management services agreement between a dental practice and a DSO with non-dentist ownership may implicate a state’s corporate practice of dentistry laws, in which case, the parties must clearly establish their roles and responsibilities and ensure that all clinical decisions are made by licensed dental providers to the benefit of patients. Equally as important is the potential implication of federal and/or state anti-kickback prohibitions and ensuring that the DSO receives fair market value compensation for its services - a concept that is oftentimes unfamiliar with corporate owners/investors of a DSO and counterintuitive to their profit-driven agenda.

¹ Association of Dental Support Organizations, *About DSOs*, <https://www.theadso.org/about-dsos/> (last accessed Jun. 4, 2019).

² Margaret Langelier et al., *Trends in the Development of the Dental Service Organization Model: Implications for the Oral Health Workforce and Access to Services*, Oral Health Workforce Research Center, School of Public Health, University at Albany, SUNY (Aug. 2017), available at http://www.oralhealthworkforce.org/wp-content/uploads/2017/09/OHWRC_Trends_in_Dental_Service_Organization_Model_2017.pdf.

³ Mackenzie Garrity, *How Aspen Dental grew to more than 750 offices explained by Dr. Arwinder Judge*, Becker’s Dental Review (Apr. 17, 2019), <https://www.beckersdental.com/dso-dpms/34505-how-aspen-dental-grew-to-more-than-750-offices-explained-by-dr-arwinder-judge.html>.

