



Evolving OMS market: DSOs and other options

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Part 1 of 2: This article details the ins and outs of DSOs and what OMSs should consider when applying and interviewing for positions with such organizations. Part 2 will explore private equity-affiliated practices.

The topic of whether to join a DSO practice or independent private practice remains pertinent today – with evolving options, challenges and market conditions. There are many factors relevant to new OMSs entering the field and young providers who recently joined a practice but have not yet become partners.

Each OMS's circumstances vary, with differing personal and professional priorities. However, they all contemplate key factors when searching for a job and building a career. These factors encompass practice location; the total compensation package; the compatibility with practice owners, associates and personnel; and the potential for co-ownership and increased earnings within the practice.

Traditionally, the two most common approaches to beginning a career in oral and maxillofacial surgery were joining an established practice as an associate and purchasing an existing practice from an OMS who is retiring or transitioning to partial retirement.

OMSs now have two other career avenues: participating in practices sponsored and supported by a DSO or affiliating with a private equity organization.

Working in a multispecialty DSO setting

The multispecialty DSO models come in a variety of formats that range from larger, corporate entities with multistate operations to smaller, more localized organizations. A multispecialty or DSO model is a structure in which the OMS becomes the organization's OMS specialty division – or part of the division, if other OMSs work with the DSO. Both multispecialty and DSO organizations appeal to OMSs and other providers by freeing them from the administrative and operational duties that come with running a business.

The DSO model is implemented by a contractual arrangement in which the clinical practice entity pays

the DSO's management services organization (MSO) a percentage of practice collections in exchange for administrative and operational duties. Functionally, the MSO is responsible for employing the non-clinical staff, billing/collections, payroll and benefits, insurance, facility management/maintenance, etc.

The multispecialty DSO offers specialists a captive patient referral base. For example, an orthodontist might refer a patient to an OMS who works within the same DSO. Sharing teams and facility overhead can help lower overall costs, which can in turn help drive up profits. DSOs also advertise themselves to patients as "one-stop shops," so they are inclined to recruit more specialists to increase their offerings, such as pediatric dentistry, cosmetic dentistry, endodontics, orthodontics and oral and maxillofacial surgery.

Pros: Reasons to join a DSO

The upside to joining a DSO includes:

- **Fewer administrative duties** – For most OMSs in a private practice setting, after the daily clinical work is completed, it's time to be a manager and take on things like collections, accounts payable and personnel tasks. Joining a DSO permits OMSs to primarily focus on their clinical functions, relieving them of the burden of financial, operational and human resources management, therefore improving work-life balance and lessening the frustrations that often lead to exhaustion and burnout.
- **Financial backing** – Compared to typical small private practice offers, new OMSs often discover that the base pay, sign-on bonuses and expense allowances are more lucrative with DSOs. Additionally, DSOs provide financial resources and support, including a marketing budget and investments in additional equipment, to enhance the OMS's practice expansion opportunities.
- **Student debt assistance** – Help from a DSO paying down student loans can be attractive in a compensation offer.
- **Ownership distributions** – The opportunity to become partners by acquiring equity in the sponsoring organization affiliated with the DSO may be an option for OMSs. This can mean increasing an OMS's income

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with cash distributions from shared profits and the possibility of buy-out if the DSO is subsequently sold.

- **Availability of enhanced training and clinical expansion** – DSOs, on balance, tend to have greater budgetary reserves to support the expansion of an OMS's clinical skills by subsidizing special training in surgical procedures as well as continuing education programs. This support tends to contribute to professional growth, skill enhancement and staying at the forefront of industry trends.
- **Referrals and mentors** – Employees of multispecialty organizations may benefit from built-in referral sources. If there are multiple OMSs already on board, the DSO also may have a mentoring source (not unlike a single specialty private practice arrangement), enhancing opportunities for collaboration and knowledge-sharing.

Cons: Reasons to avoid a DSO

There are factors that may deter some OMSs from partnering with a DSO. These include:

- **Less independence (clinical and non-clinical)** – Typically, an OMS working for a DSO will have little autonomy over the business side of the practice, such as scheduling, support personnel, equipment and instrument selections, supply vendors and the like. Compared to a private practice setting, these types of choices are practically non-existent. Pursuant to the legal rules against the "corporate practice of dentistry," there is, on paper, a clear distinction between the non-clinical authority of the DSO managers and their influence on the OMS's clinical decision-making; however, larger organizations inherently affect how an OMS manages procedures and patients indirectly.
- **Reliability of the DSO's personnel systems and controls** – Due to their corporate nature and typical

multi-office structure, DSOs are susceptible to the managerial pitfalls of de-centralization when it comes to leading, organizing and controlling support staff. Turnover tends to be higher in DSOs, resulting in understaffing in important positions. This results in having to reset relationships with support workers from time to time, losing valuable synergies previously established. High turnover can be chaotic, especially in the areas of surgical assistance and patient scheduling.

OMSs who join a DSO also must be prepared to encounter potential variations of personnel systems and controls happening within the DSO's multiple office locations. Although the DSO will strive to streamline and present itself as having a unified set of policies and procedures from office to office, that often is not the reality due in part to the legacy of how the individual practices conducted themselves before becoming a member of the larger organization.

- **Less flexible contracts** – The initial employment (or in some cases, independent contractor) agreements presented by private practices tend to be less restrictive on new OMSs compared to those offered by DSOs. It is common for DSO legal counsel to encourage the DSO to develop rigid contract provisions with streamlined wording and little, if any, wiggle room for exceptions that private practice contracts tend to permit. Areas such as schedule flexibility, criteria to qualify for bonuses, permission for outside activity (moonlighting) or outside business ventures, time-off policies and non-compete clauses can be very difficult to negotiate with a DSO.
- **Access to financial information** – OMSs who join DSOs likely will be limited in terms of the amount of financial data they receive from the DSO pursuant to their contracts. Largely, the data shared will be what are necessary for the OMS to verify the accuracy of their salary and bonus payments. Contrasted with a private practice setting where top-line revenues and overhead costs usually are known to the associate surgeons, DSOs may not provide complete financial transparency, including information that could prove vital to the OMS's financial plans. Similarly, the associate providers have little, if any, information or input on future decision-making, developments leading to more practice acquisitions by the DSO, or the possibility of the sale of the DSO to a larger entity.



Analyzing multispecialty and DSO models

To make an informed decision about joining a DSO, new OMSs must conduct thorough due diligence, which involves researching and comparing this option to others like becoming an associate or buying an existing practice.

One of the most demanding aspects of due diligence for OMSs is evaluating the market conditions for OMS services in the DSO's service area.

Learning about the general dentistry and specialty services market offered in an area can be accomplished in a variety of ways, including asking questions during interviews, speaking with other providers or individuals in the area, and researching demographic data on the internet.

Furthermore, during the interview process with potential employers, OMSs should seek information about each practice's financial health and the earnings/profits generated for its owners.

Other questions to contemplate

When analyzing how the DSO offer compares to other options, the OMS also should consider the following factors:

- **Compensation package** – Guaranteed annual base or day rate, signing bonus, incentive production bonuses, moving expenses, student debt assistance, expense allowances, benefits and time off.
- **Scope of services** – Opportunity to handle preferred case types.
- **Clinical autonomy and independence** – Confronting or dealing with practice protocols or procedures imposed by non-specialist providers.
- **Availability of mentoring** – Willingness to work with no mentor if there is only one OMS in the DSO.
- **Facilities, equipment and support personnel** – Desirable location, modern office and equipment, and knowledgeable, tenured staff personnel (both administrative and surgical).

- **Financial support** – DSO-subsidized functions at the organizational level as well as a personal annual allowance for entertainment, educational functions and the like.
- **Opportunity for ownership** – Criteria for ownership, timing, pricing and profit projections/expectations. ■

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Information in this article is intended to provide accurate and timely guidance. However, it should neither be construed as client-specific advice nor used alone to resolve specific legal or practice management problems. Consult your personal attorney or consultant for specific legal or business advice.

Course to explore practice models

To learn more about DSOs, check out Practice Priorities: Understanding Key Considerations: Exploring DSO and Private Practice Options. This in-person course, to be presented May 4 at the Educational Weekend in Nashville, Tenn., will offer a deep-dive into all aspects of DSOs and how private practices can compete with them. To register, visit AAOMS.org/EduWeekend or email pminquiries@aaoms.org with questions.

Register today!

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Practice Priorities: Understanding Key Considerations: Exploring DSO and Private Practice Options

May 4

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