

## **THE PROS AND CONS OF DSO's**

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In the late 1980's, a phenomena in the dental industry began to occur with the introduction of dental service organizations ("DSO"), also known as "MSO's", "large group practices" and "corporate dentistry". DSO's offer management services to dentists in dental practices, and generally own all of the hard assets of the practice (i.e., dental equipment, fixtures, leasehold rights, etc.) while having no ownership or control over patient care. The DSO-managed dental practices are becoming more and more prevalent in today's marketplace and although the American Dental Association does not specifically track the number of DSO-managed dental practices, the number of dental group practices having more than ten offices increased from 157 in 1992 to 3,009 in 2007.<sup>1</sup> The purpose of this article is to provide an overview of DSO's.

Generally speaking, almost every state permits some form of DSO-managed dental practices to operate within their state. While DSO's are not traditionally favored by the dental industry "establishment", in order for these arrangements to be legal, a dentist must be in charge of all clinical and related matters, whereas the DSO generally provides the management support. Six states - Arizona, Mississippi, New Mexico, North Dakota, Ohio and Utah permit practice by business corporations, in some form of ownership by non-licensees or corporate employment of dentists.<sup>2</sup> However, such corporate dentistry/DSO's have no control over the practice of dentistry by dentists in connection therewith. The more control the DSO has over the dentist, the more likely the court is to find that the contracts between the DSO's and the dentists are void.<sup>3</sup>

State dental laws and regulations prohibit the ownership of dental practices by non-dental professionals in all but a handful of states, and even in those limited exceptions, the law is clear that clinical decisions are the exclusive purview of the licensed dentist. Non-clinical activities which are not considered professional matters (and over which the dental board has no authority), are handled by the DSO. It has been estimated that typically, 60% of a solo practitioner's time is spent in patient care, with the other 40% on administrative duties, whereas in DSO managed practices, the clinical services performed by the dentist may be as high as 90% of their time in the office.<sup>4</sup>

In order to operate legally in most states, DSO-managed dental practices will divide the activities along the following guidelines:

Clinical activities<sup>5</sup>  
(can only be performed by a dentist)

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<sup>1</sup> Bungalow to Big Box? DSO's Could Change the Face of Dentistry While Charting Progress, ADA June 13, 2014

<sup>2</sup> Survey of State Laws Concerning Corporate Law of Dentistry, 2012, Moriarty Leyedecker

<sup>3</sup> Investigative Report on the Corporate Practice of Dentistry, Academy of General Dentistry, 2013

<sup>4</sup> Will Large DSO Managed Practices be the Predominant Setting for Oral Health Care By 2025? Journal of Dental Education May, 2015

<sup>5</sup> Toward a Common Goal: The Role of Dental Support Organizations in an Evolving Profession, ADSO, July 1, 2014

- Patient evaluation and diagnosis
- Determination of treatment options
- Patient Treatment
- Hiring/firing/employment (including compensation) of dental professionals
- Hiring, training and supervision of dentists and hygienists
- Preparation and ownership of patient treatment records
- Clinical protocols
- Clinical QA and peer review activities

#### Non-Clinical Activities

(Can be performed by anyone, including a dentist)

- Bookkeeping, accounting and tax preparation
- Payroll administration and processing
- Payor relations, billing and collections
- Banking and financing
- Creation and placement of dentist-approved advertising, promotion (social media), marketing
- Information technology
- Human resources
- General office management
- Property management
- Housekeeping
- Risk management: legal and regulatory, compliance, insurance

According to the ADA statistics, the average dental school graduate in 2011 had over \$215,000 in student debt.<sup>6</sup> This in turn puts tremendous pressure on the young dentist to pay back these loans and not incur additional debt by taking out a loan to start or buy a practice. Informal surveys conducted by the author of the senior classes at one dental school over a period of years had a common result, with less than 20% of graduating seniors seeing themselves as practice owners within five years of graduation, whereas 50% or more saw themselves in a DSO practice situation. While not a scientific poll, it does reflect what a lot of people in the dental industry have been observing in recent years.

Let's summarize what the strengths and weaknesses of the DSO are for the young dentist.

#### Pros

More clinical, patient treatment, less administrative practice duties.

In larger DSO's, more "coaching" on case management, case acceptance and patient awareness of dental services.

Less time spent on managing dental practice.

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<sup>6</sup> Todd Bosley "Navigating Your Dental School Debt" *Journal of the American Student Dental Association*, Summer 2012.

Potentially more control over schedule.

### Cons

Potential for less broad based practice of dentistry, with frequent referrals to specialists within DSO's.

Not necessarily learning the business side of dentistry.

Not having as much freedom with their time as solo practitioners have.

Not realizing their dream of owning a dental practice.

### Conclusion

DSO's are here to stay. One article suggests that by 2025, 50% of all dental practices would be operated by DSO's.<sup>7</sup> The DSO-managed practices may be attractive to the younger dentists coming out of school with a lot of debt and certainly they are a great training ground for the young dentist, as they typically provide intensive training in order to get the new graduate up to speed and help them with case acceptance. However, DSO's do not really afford true dental practice ownership to the dentist (other than patient records) and may not be as financially and professionally rewarding as solo practice ownership.

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<sup>7</sup> See Note 4 above.