

HOW TO USE CORPORATE DENTISTRY THE WAY THEY USE YOU

By Jason P. Wood, Esq.

For those that follow my writings, I am a fervent supporter of dentists owning their own practices, rather than doctors working for someone else. But I also happen to have a thorough understanding of the complex nature of corporate dentistry and participate in the negotiations of solo doctors and corporate-aligned outfits on a weekly basis. Knowing that young doctors are inundated with the “fear of debt” in dental school, many young dentists are foregoing practice ownership in exchange for the “security” of a paycheck from corporate dentistry. So a few years ago, a few other advisors and myself began asking the question: how can we use corporate dentistry to create a better dentist?.

Before we get started however, a brief understanding of some core terminology. When I speak of corporate dentistry I am discussing dental service organizations (“DSO”) or “large group practices” or another type of organization that manages the non-clinical aspect of managing and operating a dental practice. Think Heartland Dental or Pacific Dental Services. Generally speaking, almost every state permits some form of DSO-managed dental practices to operate within their state. 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. 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. It is estimated that more than 8,000 dentists currently work for DSO companies in the United States and this number is growing.

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

Clinical activities

(can only be performed by a dentist)

- 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

Very briefly, 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.

Potentially more control over schedule (although reality is very different in the vast majority of DSOs).

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.

Potentially much less money over the course of a career

Not realizing their dream of owning a dental practice.

According to the ADA, the average dental school graduate in 2011 had over \$215,000 in student debt.¹ As a result, the younger generation of dentists are becoming paralyzed by fear of the existing debt they have and are adverse to assuming more debt on establishing a new dental practice or acquiring an existing one. This in turn causes them to search for "job security" in an effort to satisfy loan obligations garnered from undergraduate and dental school. Many young dentists are unfortunately foregoing the proven historical benefit of owning a dental practice in exchange for knowing they will be receiving a paycheck from a DSO.

¹ Todd Bosley "Navigating Your Dental School Debt" *Journal of the American Student Dental Association*, Summer 2012.

So how does a young doctor make things work with the large debt load on their back? Very simple: Learn and adapt. Use the DSO in the same way they are using you and then GET OUT!

Your first year out of dental school should be focused on increasing your hand speed and learning case acceptance and understanding who you are as a dentist. Guess what? DSOs are great for this. They will insure that you are extremely busy, thus forcing you to become faster than you thought possible. They will train you on how to sell dentistry, thus teaching you important verbal and non-verbal techniques that will help your doctor-patient interaction as it relates to patient treatment and case acceptance. In addition, you will learn a tremendous amount about yourself and about your profession. You will come to know what you love doing and what you despise by working for corporate dentistry. You will sometimes be pushed to do things that you may disagree with and there will be moments in time where your character will be challenged. Make no mistake about it, working for a DSO will stretch you in ways that will change who you are, however understanding that and knowing that there is an end will help you to better navigate those tricky issues.

Once you are approaching the end of your first year working in corporate dentistry, you need to escape. Statistically, if you don't own your own practice within five (5) years of leaving dental school, you will most likely never own your own practice. It is human nature. We become accustomed to the lifestyle we are currently living and become more risk averse. DSOs know it, and that is why they make things a little sweeter those first few years.

Here is the reality of what you can accomplish as a young dentist versus what you will be told:

1. With one year of experience you will be able to qualify for either a start up or a practice acquisition loan;
2. The bank will care about your credit score and what your living expenses are.
3. The bank cares most about how much you can produce, which will help them determine what you can "manage" in a practice. This is why it is so important to learn how to produce and increase your hand speed during your first year out of dental school. If you can show that you can produce \$500,000 in doctor production, then you will qualify for a practice that produces at least \$800,000 in overall revenues.

Do you see why hand speed is so important yet? The faster you are, the higher you can produce. The higher you can produce, the bigger the practice you can qualify for. The bigger the practice you can qualify for, the more disposable cash flow you will have. The more disposable cash flow you have, **THE QUICKER YOU GET OUT OF DEBT!**

One year of experience in being a real world dentist is all you need to be successful in this industry. Owning your own practice (your own business) has always been the safest path to economic freedom in this industry and the advent of corporate dentistry does nothing to change that (although they spend a lot of money trying to make you believe it). By working for a DSO, you will learn how to become a better dentist and a better businessperson. You just can't fall prey to the allure of that paycheck.

Last piece of information to calm your nerves about whether you can own your own practice or not and the debate going on in your head about the "risk" associated with owning your own practice. I figure if the banks know this, you might as well too. Out of all of the businesses throughout the United States of America, lending money to a dentist has the second lowest default rate historically than any other business (less than a 1% default rate).

In the new world of dentistry, you have two options. Use corporate dentistry to better yourself, or be used by corporate dentistry to the benefit of its shareholders.