



# Q1 2021

# DSO Newsletter

Dental Support Organizations Market Intelligence

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## Key Issues

### Industry continues to struggle with employee recruitment and retention

DSO thought leaders recently [weighed in](#) on how they feel 2021 is progressing for the industry and what they think will be the major issues going forward. Staffing and recruitment were the biggest challenges they highlighted. Because some employees made the decision not to return to work post-COVID and others continue to struggle with balancing kids at home with their work schedules, this has meant more creative scheduling and, in some cases, higher compensation in some markets.

This is an ongoing trend that an [ADA survey began highlighting](#) in Oct. 2020 where roughly one-third of dental practices said they were facing difficulty recruiting dental team members during the economic recovery following the spring lockdowns. They also found, and continue to report, that DSO-affiliated practices and large groups were recruiting more heavily than non-DSO and solo practices. Among dentists hiring for any position (i.e., hygienists, assistants, administrative staff or dentists), the majority said it had been extremely or very challenging compared to before the COVID-19 pandemic. Nearly 80% said it was extremely or very challenging to recruit hygienists and roughly 70% said the same for assistants.

This is also reflected in recent May 2021 poll. The ADA [found](#) dentist assistants and dental hygienists continued to be the most in-demand dental staff roles with 35.8% and 28.8%, respectively, and that owner dentists were currently or recently recruiting for these roles.

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## Key Issues (continued)

Steven Jones, Co-Founder & Chief Operating Officer, CORDENTAL Group [discussed](#) the negative impacts his group have been experiencing in 2021 from staffing issues. Although CORDENTAL retention rates have always been maintained at 98%, he says the group is struggling to add new team members. The going rates for dental hygienists and EFDAs have skyrocketed creating a need to adjust the business model to hopefully yield what the organization considers an acceptable best practice's return, he says.

Many of the thought leaders agree with Jones, adding they don't expect staffing issues to improve until at least Q4 of 2021.

*Sources: Group Dentistry Now.com on April 27, 2021; American Dental Association on October 14, 2020, May 17, 2021*

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## Mergers & Acquisitions on the rise

Individual dental practices were hard hit by the pandemic and many practices closed for all but emergency services during the spring lockdowns of 2020, [according to](#) Dentistry Today. For some practices, expenses are up because dentists have decided to space patient visits out to reduce contact points. Others have incurred extra cleaning costs and are using more PPE. These trends have increased dentists' interest in selling their practices to investors or joining DSOs. The consolidation trend was accelerating before the pandemic, but concerns about reduced revenue and increased overhead have more dentists considering their options.

George Radigan, Vice President of Business Development for North American Dental Group (NADG) [says](#) he thinks there will be a strong push from sellers towards the end of 2021 because of the potential tax increases that could come from President Biden's tax reform. Most practitioners, he says, are analyzing and concluding that they are better off selling earlier, under the current tax treatment, rather than waiting another couple of years. Heidi Arndt, RDH, CEO, Strive Dental Management [agrees](#) M&A will be very strong in 2021. She predicts the larger DSOs will continue to be active in their M&A efforts. She also notes that larger DSOs have the advantage of knowing how to do transitions well, allowing them to rapidly improve operating efficiencies after closing. This is a key advantage for them, and it allows them to provide a strong valuation and quick closing, she said.

*Sources: Dentistry Today on Nov. 2020; Group Dentistry Now.com on April 27, 2021*

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## Dental Service Organization News

### [U.S. dental market expected to grow \\$15B+ by 2027: three factors driving demand](#)

The factors expected to drive the demands of the U.S. dental equipment industry include:

- Cosmetic surgery;
- The aging of the American population; and
- Advancement in dental procedure due to advanced technology

Some other factors are poor oral hygiene, smoking habits and diabetes. Furthermore, the demands of prosthetic, preventive and surgical dentistry will also contribute to this market. However, lack of proper reimbursement and the high cost of dental procedures hinder market growth.

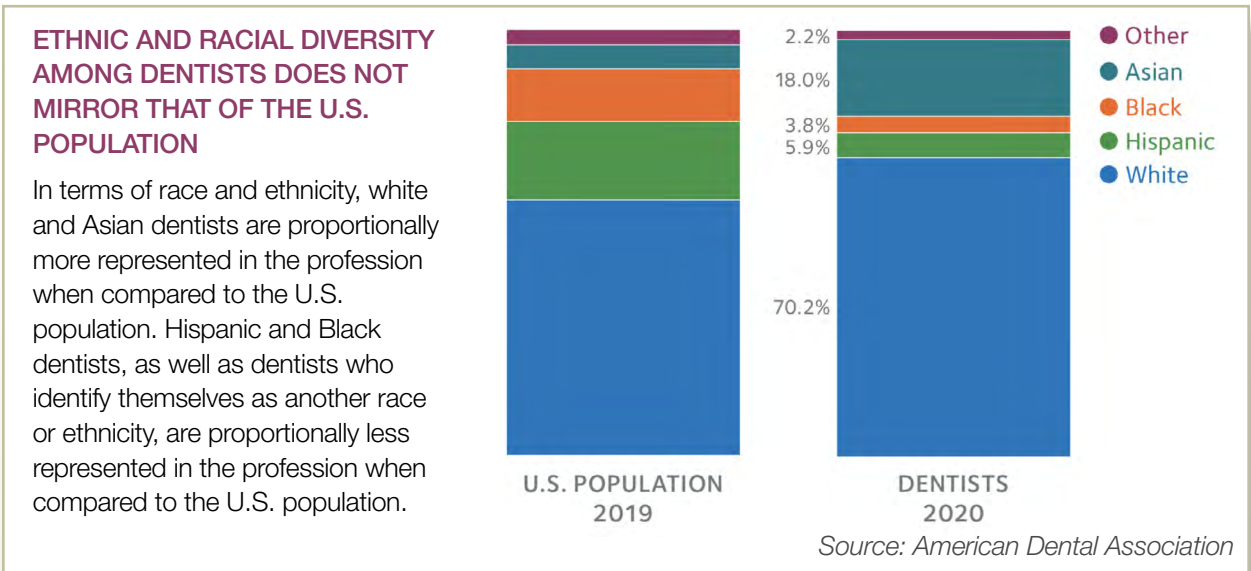
*Source: Becker's Dental + DSO Review on May 17, 2021*

**Dental Service Organization News** (continued)

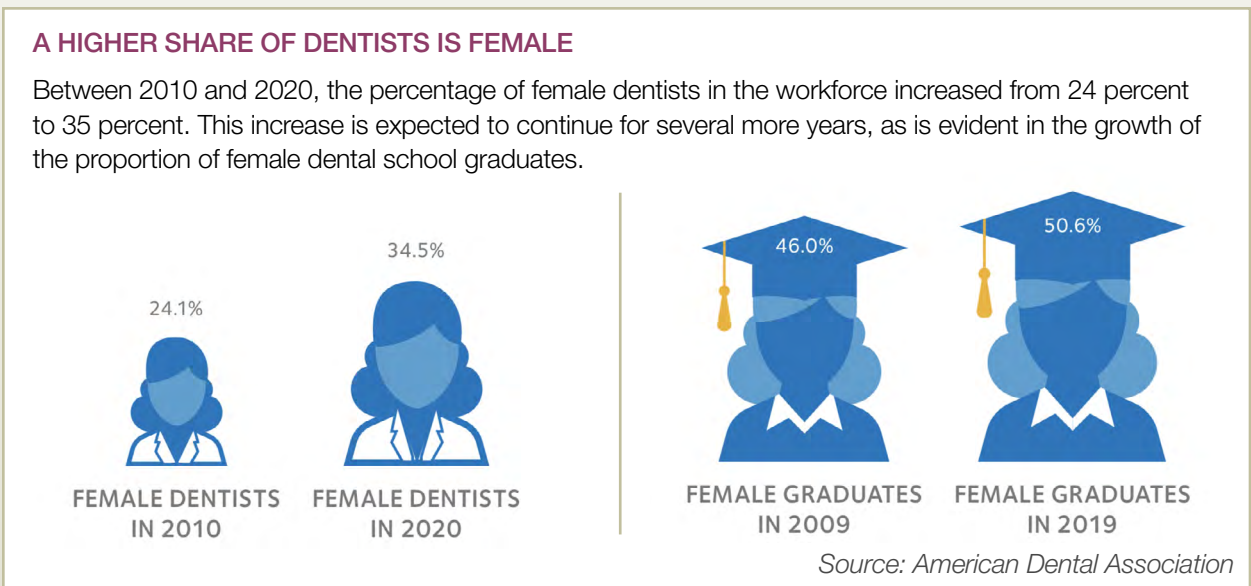
**ADA provides key facts about the U.S. dentist workforce**

The ADA provided [data](#) on the dental workforce from the past decade, including gender, age and race. They highlighted seven key facts about the dental workforce:

1. The average age of dentists was 49.4 in 2010 and 49.3 in 2020. Overall, 21.6% of dentists are between 45 and 54 years old, down from 25.1% in 2010;
2. The average retirement age for dentists in 2020 was 68.2;
3. The majority of dentists in 2020 were white and Asian, making up 88.2% of the dental workforce;



4. The percentage of women in the dental workforce increased from 24.1% in 2010 to 34.5% in 2020. The number of female dental school graduates also increased from 46% in 2009 to 50.6% in 2019;



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## Dental Service Organization News (continued)

5. The average number of hours dentists work in a week increased slightly from 34.8 in 2010 to 35.7 in 2019;
6. In 2019, 50% of private practice dentists were the sole dentist in their office; and
7. The number of dentists per 100,000 population was 61 in 2020, but the ratio varies in each state. Washington, D.C., had the highest ratio at 104, and Arkansas had the lowest ratio at 40.9. Overall, the ratio increased for most states between 2010 and 2020.

Source: *The American Dental Association on May 25, 2021*

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### How the pandemic has changed care: 1,712 dentists weigh in

Demand for orthodontic and cosmetic treatments at dental offices has risen since before the pandemic, according to [poll findings](#) from the American Dental Association's Health Policy Institute:

- Orthodontic treatments in the office: 10% of respondents said they have seen an increase;
- Whitening treatments in the office: 9.3% of respondents said they have seen an increase;
- Whitening using over-the-counter products: 9.7% of respondents said they have seen an increase; and
- Other cosmetic treatments in the office: 10.7% of respondents said they have seen an increase.

Source: *The American Dental Association on May 17, 2021*

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According to [GF Data](#)<sup>®</sup>, a firm that tracks valuation, leverage and deal terms on \$10-250 million private transactions from over 200 PE firms, multiples on dental practices on \$10-25 million deals averaged 6.4x Total Enterprise Value (TEV)/Adjusted EBITDA multiples compared to larger deals in dental practices. Deals in \$100-250 million TEV range had average multiples of 10.3x.

Larger deals also had significantly higher Trailing Twelve Month revenue growth averages—22.8% versus smaller acquisitions that had growth rates averaging closer to 12%.

## Mergers & Acquisitions

### [MB2 adds 300th practice, enters 30th state](#)

MB2 Dental added its 300th affiliated practice with Dr. Adrian Huang and Dr. Preston Huang, owners of Ninth East Dental and Canyon Road Dental in Provo, Utah. Additionally, MB2 entered its 30th new state, partnering with Dr. Joseph LaPonzina in Bel Air, Maryland. This comes after its January partnership with Charlesbank Capital Partners, a middle-market PE firm based in Boston and New York. A total of 300 people (dentists and employees) opted to invest a total of \$255 million alongside Charlesbank. The financial investment from Charlesbank was meant to fuel MB2 Dental's growth by providing additional liquidity and financial support, helping to add even more acquisition and de novo practices to its platform.

*Source: MB2 Dental on May 27, 2021*

### [Firmament-backed GPS Dental completes three add-on acquisitions in Q1 2021](#)

GPS Dental, an Arkansas-based DSO backed by The Firmament Group, partnered with three dental practices during the first quarter of 2021: ADC of Joplin, Hermitage Dental Group and Walnut Ranch Dental Spa. These partnerships represent a continuation of GPS's strategy to grow in the Southern and Midwestern United States

*Source: The Firmament Group on April 14, 2021*

### [Tru Family Dental in Southfield purchased by Heartland Dental](#)

Illinois-based Heartland Dental has acquired regional DSO Tru Family Dental. Tru Family was founded in 2014, the dental support organization has 10 offices in Illinois and 13 in Michigan. As a result of the acquisition, Tru Family Dental will access increased resources and support services including drawing on clinical and leadership training, as well as improved equipment and, purchasing methods.

*Source: Group Dentistry Now on Jan. 7, 2021*

### [Colosseum Dental Group to enter French market by acquiring Dentelia](#)

Colosseum Dental Group reached an agreement with Otium Capital, the current management team, and the founder and CEO Dr Alexandre Attia, to acquire a majority stake in Dentelia, a rapidly growing dental care provider in France. The acquisition expands CDG's footprint into France, the second-largest dental market in Europe and fosters its position as a pan-European dental care provider with more than 300 dental practices in nine countries.

*Source: Colosseum Dental Group, Jan. 20, 2021*

## Private Equity/Venture Capital

### [Tend raises \\$125M in Series C funding led by Addition](#)

Dental startup Tend raised an additional \$125 million in Series C funding. VC firm Addition led the round, with participation from existing investors including GV, Juxtapose, Redpoint and Zigg Capital. Tend has grown to serve more than 20,000 patients and 256 team members across six locations throughout New York City with plans to expand across the U.S. Tend says they will use the new funding to double down on their commitment to transform the oral healthcare industry by expanding their footprint nationally, investing in technology and patient experience and launching a suite of services and oral care products.

Tend's [service model](#) adds elements typically not part of a normal dental visit, such as taking blood pressure to identify patients with undiagnosed hypertension and talking with patients about smoking and diabetes, which both contribute to dental disease.

*Source: Tend on April 12, 2021; MedCity News on Oct. 21, 2019*

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### [Sesame raises \\$24M for its direct pay marketplace, which includes video dental consultations](#)

[Sesame](#), the direct-pay healthcare marketplace, raised \$24 million, bringing its total capital raised to just under \$50 million since its founding in 2019. The company says it will use the new funding to strengthen its marketplace and expand its nationwide telehealth offerings and in-person care. This latest funding round included new investments from Giant Ventures, Industry Ventures and Coefficient Capital. Existing investors General Catalyst, Entree Capital, and Atreides Management also contributed additional funds.

*Source: Sesame on Apr. 27, 2021*

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### [Oxford Finance leads \\$107M upside financing for Specialty Dental Brands](#)

Oxford Finance, a specialty finance firm that provides senior debt to healthcare services and life sciences companies worldwide, closed a \$107 million senior credit facility to Specialty Dental Brands, a dental services organization focused on pediatric dentistry, orthodontics and oral surgery. Proceeds from the transaction were used to fund four separate add-on acquisitions.

*Source: Oxford Finance on Jan. 13, 2021*

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### [Firmament launches Independence Dental](#)

New York-based PE firm The Firmament Group backed a veteran team of dental industry executive to form and launch the [Independence Dental Services](#), an integrated DSO with eight initial constituent practices. Independence Dental's management team has decades of experience in dental and healthcare services with a focus on growth through acquisition strategies. The organization's CEO, Lane Thériault, said his team and The Firmament Group "share the values and desire to partner with premier dental practices and practitioners."

*Source: The Firmament Group on Jan. 12, 2021*

## Private Equity/Venture Capital (continued)

### [Audax PE closes \\$1.7B continuation fund](#)

The fund is comprised of \$1.7 billion in capital commitments, which funded the purchase of portfolio companies from Audax Private Equity Fund IV, a 2012 vintage fund with \$1.25 billion in capital commitments. The largest of these Fund IV assets include 42 North Dental, a dental practice management company in NE.

*Source: Audax Private Equity on Jan. 14, 2021*

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### [Sentinel exits MB2 Dental](#)

Sentinel Capital Partners, a PE firm that invests in lower midmarket companies, sold MB2 Dental. During its partnership with Sentinel, MB2 grew from 85 affiliated practices to 275, and expanded its geographic footprint from six states to 24. In addition to MB2, Sentinel's prior dental investments include Castle Dental and Metro Dentalcare, Northeast Dental Management, and ReachOut Healthcare America.

*Source: Sentinel Capital Partners on Feb. 12, 2021*

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## Innovation & Future of Dental

### [Overjet's Dental Assist receives FDA clearance to bring AI to dental practices](#)

Overjet received FDA 510(k) clearance for its Overjet Dental Assist product. The software applies AI in real-time to aid dentists and hygienists and supports dental professionals in measuring mesial and distal bone levels in bitewing and periapical radiographs for the diagnosis and treatment planning of periodontal disease.

*Source: Overjet on May 20, 2021*

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### [3D system SprintRay and SICAT make implant workflow more efficient through software integration](#)

SprintRay, manufacturer of 3D production ecosystems for dental practices, and SICAT, developer of 3D-based analysis and treatment planning software, say the integration of their respective software will simplify the handoff step between the SICAT IMPLANT planning software and the SprintRay 3D printing system. Dental professionals will be able to scan, plan and print biocompatible surgical guides as a result of this software integration. SprintRay CEO Ami Mansouri says that this new integration with SICAT represents an opportunity to simplifying the workflows of SprintRay customers.

*Source: AP Newswire on May 26, 2021*

## Innovation & Future of Dental (continued)

### [Symphony MedDent Solutions partners with Dentulu to introduce fleets of custom mobile dental offices](#)

Symphony MedDent, a **manufacturer of custom mobile point of care solutions for the dental and medical industries**, will offer several versions of their Mercedes mobile vehicles customized to the needs of the dental provider and powered by Dentulu's teldentistry and mobile dentistry logistics platform. Customized vehicles will serve as fully functional mobile practices offering services ranging from routine hygiene procedures to mobile surgical units providing dental implants and extractions. These specialty vehicles can service patients at their homes, place of business, or any other location of choice. Providers can purchase and finance their mobile dentistry units directly on the Dentulu website or mobile application. This partnership is in line with Dentulu's mission to lead the Uberization of Dentistry.

*Source: Digital Journal on May 25, 2021*

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### [Platform offers COVID-19 screening, appointment booking and telehealth](#)

Greyfinch, a dental software development company, released a web-based platform for assisting providers during the COVID-19 pandemic. Patients are pre-screened, scheduled, and connected to providers all within the same application. "Urgent-Hub" helps determine if the patient's need qualifies as urgent by using the state and federal directives for various healthcare sectors. Once screened, the platform allows the patient to book an appointment by selecting an in-person or telehealth visit.

*Source: DSO News on April 15, 2021*

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### [Henry Schein One's new dental software integrates dental, medical records](#)

Henry Schein One unveiled Consistency of Care, a software module that integrates dental and medical patient records. The American Fork, Utah-based Henry Schein subsidiary said the software aims to support the growing need for interoperability and information sharing between dentistry and medicine.

*Source: Henry Schein on May 11, 2021*

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### [Dental365 partners with Pearl to streamline clinical care](#)

New York City-based Dental365 is partnering with Los Angeles-based Pearl, a dental AI and computer vision solutions company, for efficiency, accuracy, transparency and patient care. Dental365 says merging evidence in patient radiographs detected by Pearl's AI diagnostic engine with the treatment data from a practice management system (PMS), Practice Intelligence offers dental practices an array of data-backed clinical insights. DSO clinicians, managers, and office personnel can apply those insights to inform treatment, training, staffing and procurement decisions that enable practices to ensure consistent optimal patient health outcomes.

*Source: Pearl on May 5, 2021*



## Innovation & Future of Dental (continued)

### Opinion: Thanks to COVID, AI is having its day in dentistry

The former Walmart Head of Dentistry, and now founder of DSO Great Lakes Dental Partners, discusses the technological disruption brought about by COVID. This past year, he says, changed many things and one of them is that AI no longer needs our help to advance in dentistry. Dentistry may have long existed as a cottage industry, but we're seeing a rapid increase in the absorption of small private practices into PE and DSOs. The wave of consolidation will help carry the new technologies forward, he says. He believes that AI will soon link dentistry, systemic medicine and electronic record keeping into a continuum that will bring a new level of consistency, clarity and convenience to patients, not to mention better outcomes.

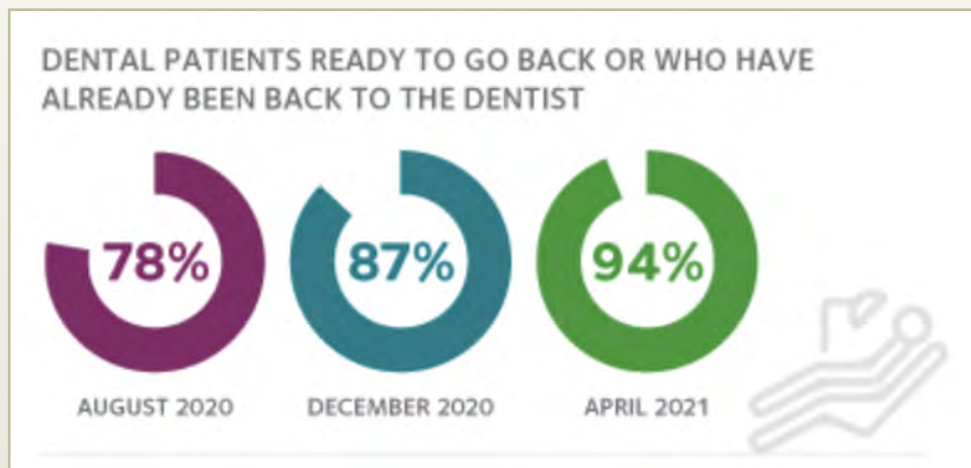
Source: *DentistryIQ* on April 23, 2021

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## Dental Practice News

### Consumer confidence in returning to the dental office hits new high

Consumer confidence in returning to the dental office hit a new high in April, with 94% of typical dental patients indicating that they are ready to go back or have already been back to the dentist, according to a poll jointly conducted by Engagious, the Sports and Leisure Research Group and ROKK Solutions. [The American Dental Association](#) (ADA) has been [tracking the economic impact](#) of COVID-19 on dental practices with the Health Policy Institute and has similar findings. The HPI expects an increase in patient volume in the coming months, largely dependent on the continued success of vaccine rollout.



Related: [Highest US dental patient volume seen since March 2020](#)—Becker's Dental + DSO Review

Source: *The American Dental Association* on Apr. 29, 2021

## Dental Practice News (continued)

### [USOSM experiences significant growth despite Covid-19 economic disruption](#)

Specialty management services company U.S. Oral Surgery Management (USOSM) has experienced growth this past six months, despite the widespread economic disruptions caused by COVID-19. Serving exclusively premier oral and maxillofacial surgeons, USOSM completed six new partnerships since October 2020. These partnerships include 11 locations in four states—Georgia, Oklahoma, Louisiana and South Carolina. The company also partnered with WestShore OMS Specialists, an oral and maxillofacial surgery practice in southwest Florida, marking the company's first partner in the state. Since its inception in later 2017, USOSM has formed partnerships with approximately 31+ practices.

*Source: Group Dentistry Now on May 19, 2021; Becker's Dental + DSO Review on May 3, 2021*

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## Litigation & Compliance

### [Invisalign maker must face dentists' antitrust claims](#)

A Calif. federal judge has refused to let Align Technology duck claims from two dental practices that the Invisalign maker violated antitrust laws by taking over the market for clear aligners and the mouth scanners used to make them.

*Source: Law 360 (sub. req.) on Apr. 12, 2021*

### [Mich. dental practice fined for COVID-19 violations](#)

Grand Blanc-based Michigan Dental Wellness Center was fined \$400 the Michigan Occupational Safety and Health Administration (MOISHA) for COVID-19 violations. The MOISHA inspection was initiated in response to an employee complaint. The citation was given for the following reasons:

- Lack of a written COVID-19 preparedness and response plan.
- Failure to require face coverings when social distancing couldn't be maintained.
- Not practicing social distancing to the maximum extent possible at the worksite.
- Not implementing industry-specific administrative and engineering controls for dental offices and not disinfecting high-touch surfaces.

*Source: Becker's Dental + DSO Review on Apr. 19, 2021*

**Litigation & Compliance** (continued)**[Calif. dental hygienists sue HHS, claim new rules limit dental access for Medicaid patients](#)**

Registered Dental Hygienists in Alternative Practice, represented by the AARP Foundation and Foley & Lardner, filed the [lawsuit](#). The group claims that Calif.'s new preauthorization process and 58% rate cut to periodontal maintenance often leave institutionalized Medi-Cal recipients without critical dental care.

*Becker's Dental + DSO Review on Jan. 6, 2021*

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