

Dental/DSO Industry Newsletter

Dental/DSO Industry Market Intelligence

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CALENDAR OF EVENTS

Becker's seeking DSO speakers for two 2024 dental conferences

The conferences includes its Spring Future of Dentistry Roundtable, which will be held on June 19–21 at the Swissôtel in Chicago, and its Fall Future of Dentistry Roundtable, on Oct. 30–Nov. 1 at the Hyatt Regency in Chicago.

For more information, please click [here](#).

Dentistry's Role in Complete Health: We Make People Healthy!

In this ADA symposium, attendees will learn how dentistry can change the trajectory of the nation's health and prevent chronic disease. The event will be held June 21–22, 2024 at ADA HQ in Chicago on Friday 8 a.m.–5:45 p.m.; Reception 5:45–6:45 p.m., and Saturday 8 a.m.–Noon.

For more information, please click [here](#).

SmileCon 2024

Registration for SmileCon 2024 opens May 8, where participants can join dental professionals on October 17–19 in New Orleans.

For more information, please click [here](#).



Please contact us if you would like to post information regarding your upcoming events or if you'd like to guest author an article for this newsletter.

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GET TO KNOW

Robert A. Marchant



Robert A. Marchant

Partner and Co-Chair, Dental/DSO Industry Team

Robert focuses his practice on transactional matters, including cross-border transactions, private equity, mergers and acquisitions, venture capital, private debt and equity financings, and day-to-day counseling of companies. Robert has counseled dental service organizations and has been in the dental space for years. He has worked throughout the United States with DSO formations, DSO business structures, DSO-related combinations and restructurings, as well as other aspects of a dental operation. Robert is a trusted advisor and is known as a practical problem solver.

What Rob wants you to know about the dental/DSO industry: It is an ever-evolving market and industry. While there are many tried and true approaches to organizing a group practice (whether through the use of a dental support organization), there is always room for innovation and finding a way to build a better mousetrap, so to speak. Successful dental support organizations and group practices will be the ones that can innovate and pivot their model to match what investors and other potential acquirers seek when partnering with a dental support organization. Additionally, it is so important to build a platform for investment. The days of duct-taping an organization together to achieve a perceived EBITDA number is not a successful strategy and hasn't been for years. Focus should be on the organization and the organization is all about the people. In my experience, organizations that fail have human issues and don't understand what makes a successful organization—a happy and loyal employee base.

When Rob isn't practicing law, he is: Creating memories with the family. Renovating our 1895 farmhouse.

Rob's favorite movie: Rocky. No question about it. There have been many others that I like and enjoy watching, but nothing compares to Rocky. Now, before I get run out of Dodge for saying this, realize that all movies and experiences have context. I remember watching this movie with my older brother David who also loved the movie. When I watched this movie for the first time with my brother, he was the person I looked up to and admired most, so naturally, it became my favorite movie.

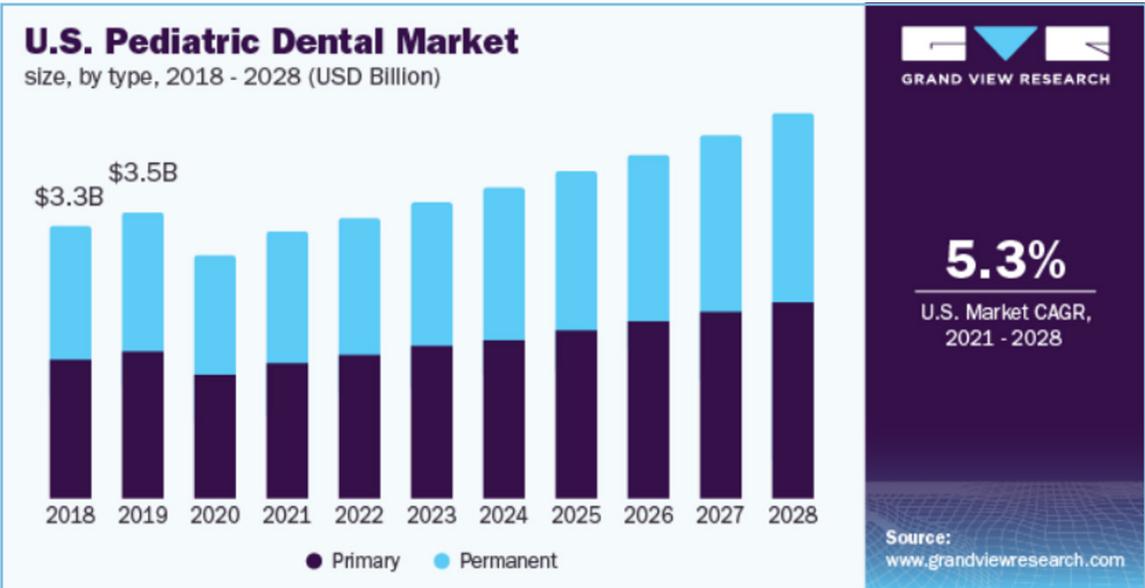
The best thing about being an attorney with a focus on the dental/DSO industry is: Explaining new concepts to prospective clients. Developing relationships with clients, consultants and other advisors. Guiding clients as they make life-changing decisions.

KEY FINDINGS

DSOs expanding reach into pediatric dental care

Organizations large and small must focus on their cybersecurity strategy in order to boost cyber defense, security, and compliance to protect against damages from data exposure In a strategic leap, two DSOs have expanded capabilities into pediatric care, boosting comprehensive care tailored to young patients

DSOs have been recognizing the strong demand for pediatric dental services, driven by factors such as a growing population of children and expansions in state reimbursement programs. Other factors that are influencing a greater push to expand pediatric dentistry services include favorable operating costs and steady revenue streams of hygiene services. The U.S. pediatric dental care market is poised to rise, [according](#) to market reports, at a compound annual growth rate (CAGR) of 5.5% until 2028.



DSOs are expected to continue to shape the future of pediatric care, and the latest move by Straine Dental Management and Sage Dental illustrates how these investments in the pediatric dental arena will elevate patient care and broaden their reach. Straine Dental Management (SDM), based in Sacramento, California [ventured](#) into pediatric dentistry by affiliating with Myers Pediatric Dentistry & Orthodontics in Florida. This move marks their first foray into the specialized field, emphasizing their commitment to comprehensive care for young patients. SDM said that the move to establish the company’s first pediatric practice and related offerings signifies a “crucial milestone” into specialized care for young patients.

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KEY FINDINGS (cont'd)

Another move is by Sage Dental, a Boca Raton, Florida-based DSO whose mission of “community-minded dental care for all” includes 65 locations. Sage Dental made its debut in pediatric dental care and orthodontics with the acquisition of its first dedicated pediatric office, which paved the way for the launch of its new brand, [Sage Dental Kids](#). The brand has a mission to provide tailored dental services for children while ensuring a seamless experience for parents. Sage Dental aims to keep these young patients within their network throughout their lives, with plans for further expansion. The organization has [said](#) “Comprehensive dental care for your children should not cost a fortune” and they accept most dental insurance plans, including Florida Healthy Kids and other [insurance plans](#).

The American Academy of Pediatric Dentistry (AAPD) [said](#) in 2019 that the number of pediatric dentists in the United States to increase by more than 60% within the next decade, which will be available in order to address unmet need of children, including those who have public insurance, as well as those who lack care, or could have potentially never been to a dentist.

Sources: Becker’s Dental and DSO Review, Straine Dental Management, Sage Dental, Dental Tribune, The American Academy of Pediatric Dentistry

President Biden signs \$1.2T spending bill: implications for dental organizations

The bill allocates funds to dental-related programs, emphasizing critical areas such as access to care, oral health literacy, dental research, and workforce development.

The significant legislative move has some key implications for dental organizations, which they should be aware of. President Biden’s statement underscores the bipartisan nature of this funding bill, and acknowledges that compromises were necessary. As dental organizations navigate these allocations, they will play a pivotal role in advancing oral health, promoting literacy, and ensuring quality care for all. Implications include:

Access to Care Enhancement:

1. **The Centers for Disease Control and Prevention (CDC)** Division of Oral Health receives \$20 million in funding. This allocation aims to bolster initiatives that improve access to dental care for underserved populations.
2. **The Health Resources and Services Administration (HRSA)** continues its commitment to oral health training programs with a budget of \$42 million. These programs support post-doctoral training grants, predoctoral dental grants, and dental faculty loan repayment programs.
3. **State Oral Health Workforce grants** receive additional funding, ensuring the continuity of workforce development efforts across various dental disciplines, including general, pediatric, and public health dentistry.

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KEY FINDINGS (cont'd)

Oral Health Literacy Campaign will educate public on oral health practices:

1. The bill allocates \$300,000 specifically for an oral health literacy campaign. This campaign aims to raise awareness and educate the public about oral health practices.
2. HRSA is directed to identify evidence-based strategies for promoting oral health literacy within its divisions.

Ryan White Dental Program will ensure oral healthcare to vulnerable populations:

The Ryan White Dental Program, which plays a crucial role in providing dental services to people living with HIV/AIDS, receives \$13.6 million. This funding ensures the program's continuity and supports oral health care for vulnerable populations.

Military dental research:

While most oral health programs receive funding at the fiscal year 2023 level, military dental research stands out as it remains exempt from budget constraints, allowing for continued advancements in dental research within the military context.

The Indian Health Service Dental Health Program:

The program was given \$252.6 million to continue its work in providing quality dental care to American Indians and Alaska Natives.

The package also included funding extensions for workforce programs, including the National Health Service Corps, Teaching Health Centers and Community Health Centers, through Dec. 31.

Sources: ADA News

GENERAL DENTISTRY NEWS

University of Mississippi Medical Center School of Dentistry piloting after-hours clinic

The clinic is catering to patients who aren't able to access dental care through typical business hours. This clinic operates once a month, from 5:00 p.m. to 8:00 p.m., and provides services that include X-rays, exams, extractions, fillings, root canals, and cleanings. The university is also experimenting with new technology, including an artificial intelligence assistant capable of recording patient information and additional notes. The pilot program will continue until July, and could become permanent, if successful.

Source: The University of Mississippi Medical Center

UK Vogue looks at top trends in dental

According to Vogue UK, the dentistry industry has been playing catch up with its complexion counterpart over the past decade. In the skincare industry, there has been a boom in non-invasive, preventative facial procedures that is being translated to the dental industry. Vogue spoke to leading London dentist, Brandon Nejati to understand the top trends that are facing the industry. Some of the trends include:

- **A prevention mindset**—According to a report by Cetas Healthcare, minimally invasive procedures now account for 40% of treatments. Since the pandemic, people are becoming more aware of dental health as a component of general health.
- **Digital meets artistry**—Technological developments transforming dentistry, with AI and 3D printing increasingly having an impact on all stages of treatment.

Source: British Vogue

ADA responds to CMS request for information, supports data transparency of Medicare Advantage plans

The American Dental Association (ADA) has responded to a request for information from the Centers for Medicare and Medicaid Services (CMS), advocating for improved transparency and reporting by insurers. Here's a summary of the ADA's position:

- **Support for Public Reporting:** The ADA endorses the public disclosure of data such as the proportion of Medicare Advantage beneficiaries filing claims for dental services and the usage of procedures by category.
- **Insurer and Consumer Spending:** The ADA backs the reporting of metrics related to insurer and consumer spending to enhance understanding and accountability.
- **Benefit Utilization:** The ADA believes that publishing Medicare Advantage plan data will help consumers assess if promised benefits are translating into increased access to dental care.
- **Plan Satisfaction:** Transparency in plan satisfaction results is supported by the ADA to evaluate the effectiveness of supplemental dental benefits.

The ADA's response aims to foster an environment where patients, researchers, and physicians can make more informed decisions based on clear and accessible data.

Source: ADA News

DSO EXPANSION & CONSOLIDATION

DSOs were active across Texas, Florida and Georgia in March

The expansions in the states included practices specializing in pediatric care, dental implants, and other key areas in Texas, Florida and Georgia in March 2024. Some notable additions include:

- Affordable Care opened an Affordable Dentures & Implants practice location in Weatherford, Texas.
- MB2 Dental added its 700th practice to its network with the addition of a new dental practice in Anna, Texas.
- Specialized Dental Partners expanded its network through a partnership with Bass & Hall Dental Implant & Perio Partners in Plano, Texas.
- Straine Dental Management entered Florida with the affiliation of Myers Pediatric Dentistry & Orthodontics in Middleburg and Jacksonville, Fla.
- Sage Dental acquired Children's Dentistry in Tampa, Fla., its first office dedicated to pediatric dental care and orthodontics.
- Benesch represented U.S. Oral Surgery Management in its addition of Collier Oral Surgery & Implant Center in North Naples, Fla., as a partner practice.
- Foundation Dental Partners partnered with a dental practice in Atlanta.
- Smile Partners USA partnered with John Binkley, DMD, of Collins Hill Dental in Lawrenceville, Ga.
- Imagen Dental Partners added Neil Browning, DMD, who leads a practice in Lawrenceville, Ga.

Source: Becker's Dental & DSO Review

Sage Dental plans to expand its new pediatric brand

Jonathan Kaufman, Chief Marketing Officer at Sage Dental said that the Sage Dental Kids and Orthodontics brand is distinct from other DSOs and private practitioners. He said that the organization's plans to expand its brand by building life-long relationships to patients. He believes that the qualities that attract patients to Sage Dental practices include the integration of high-quality care, advanced clinical technologies, and comprehensive services, with a dedicated focus on creating a child-friendly environment and experience in order to foster long-term relationships with young patients. The goal is for them to begin their dental journey as children and remain part of the Sage family for life.

Source: Becker's Dental & DSO Review

OTHER DSO NEWS

DSO affiliation expected to continue as technology advancements improve efficiencies

Becker's identified several trends that could impact DSOs in the coming year. Despite ongoing staffing challenges in the dental industry, including difficulty in filling dental hygienist and dental assistant positions, dentists affiliated with a DSO are more concerned about shortages than those who are not affiliated, according to a [survey](#) from the ADA's Health Policy Institute. Technology advancements are leading to more optimism in the industry as improvements to efficiency and improved care are increasing interest among dentists in affiliating with a DSO. Currently, 13% of dentists are [affiliated](#) with a DSO as more dentists are looking to group practices.

Source: Becker's Dental & DSO Review

Benevis says its dedication to underserved patients is what drives its mission

The dental healthcare and orthodontics delivery organization reiterated its commitment to providing care to underserved communities, and to improving access to oral healthcare for patients who are covered by Medicaid and/or CHIP. Dr. Mohamed Khamsi said this dedication is what brought him to Benevis and is what shapes the practice's approach, which includes more outreach and bigger patient loads for those who tend to be forgotten by other organizations that place greater emphasis on margins and profit gains. Benevis separately announced the release of its [Dental Home Playbook](#) to educate healthcare providers on the importance of helping patients establish a dental home for orthodontics and routine dental care.

Source: Benevis Practice Services

PRIVATE EQUITY DEALS

Private equity firms still see plenty of M&A opportunity in the dental space

According to PE Hub, this year has already seen many private equity deals in the dental care space, with plenty of room for more consolidation. Around 70% of the dental industry is still **fragmented**, with an estimated 100,000 dental practices still being run by solo practitioners. GTCR, BlackRock, KKR and Martis Capital are some of the firms who have invested in dental care companies this year and experts say there is still plenty of opportunity for M&A in the sector.

Source: PE Hub

Dental industry needs to look beyond M&A to drive growth

The dental industry is experiencing a significant consolidation phase, with approximately 13% of dentists now affiliated with dental service organizations (DSOs). The availability of affordable capital has been a key driver of this consolidation, although recent increases in interest rates and a decrease in available practices are prompting industry players to adapt their strategies and seek new avenues for growth. As the industry continues to consolidate, the competition for dental practices is expected to intensify, potentially raising practice valuations even if interest rates fall. Key players in the dental industry are expected to shift their strategies away from M&A to business tactics such as revenue cycle management and other forms of optimization, in order to ensure practices receive timely reimbursement.

Source: Inc.

Real estate investment company buys Heartland Dental property in Alabama for \$2M

Four Corners Property Trust, a real estate investment trust primarily engaged in the ownership and acquisition of high-quality, net-leased restaurant and retail properties acquired a Heartland Dental property for \$2 million. The property is located in a retail corridor in Alabama and is corporate-operated under a net lease with approximately four years of term remaining. The transaction was priced at a 7.7% cap rate on rent as of the closing date, exclusive of transaction costs.

Source: Four Corners Property Trust

PARTNERSHIPS AND INNOVATION

Dental product companies make Fortune’s 2024 innovative companies list

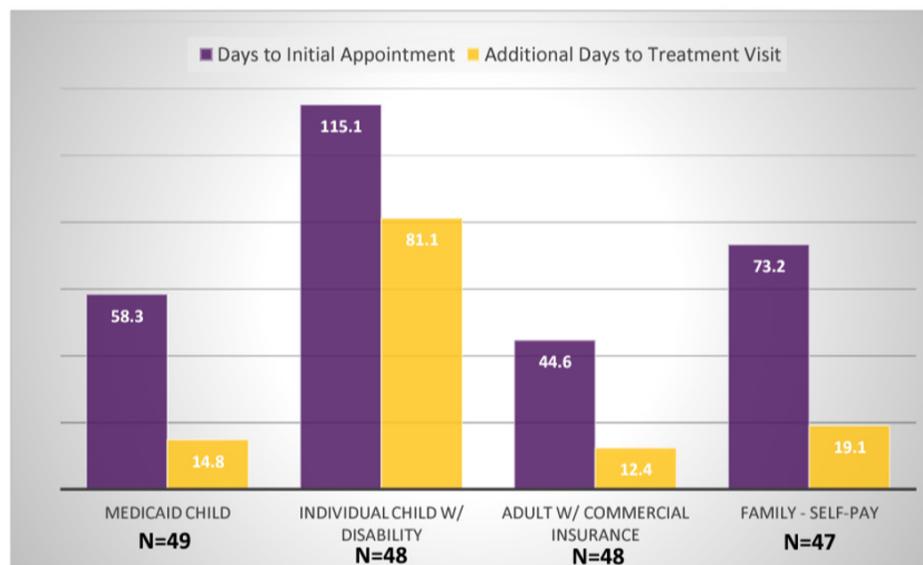
Align Technology, 3M, and Metlife are dental product companies that were [included](#) among Fortune’s list of 200 most innovative companies in 2024, which spans several sectors. The rankings were determined through employee surveys and a partnership with Statista, which conducted research in order to understand how the companies are innovating in a multitude of ways. The companies were honored for innovating through R&D inventions, efficient processes that have resulted in revenue growth and by leaders who inspire their teams through brainstorming and collaboration.

Source: Fortune

Collaborative partnership looks to improve dental care in rural West Virginia

West Virginia Oral Health Coalition and Harmony Health Foundation have partnered to utilize technology to improve dental care access in rural areas. The initiative comes after the release of a 2023 [report](#) that highlighted challenges that rural Virginians face when accessing health care. It includes grant funding from the Institute for Technology in Health Care that will pilot innovative solutions including point-of-care saliva tests and intuitive mHealth applications for smartphones where patients will be able to assess their oral health using salivary diagnostic tests and smartphone apps, receiving essential guidance on at-home oral health practices while awaiting dental appointments. Dental care appointment wait times in West Virginia have drawn concern, leading to policy recommendations, particularly surrounding groups outlined below.

Figure 1: Comparison of wait times in days of each mystery shopper scenario.



Source: Dentistry Today

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PARTNERSHIPS AND INNOVATION (cont'd)

Overjet CEO says robotics could be the next wave in dentistry

Co-founder and CEO of dental AI company Overjet, Wardah Inam predicted that dental AI will impact the industry in various ways, including through the introduction of new products that will improve the standard of care, particularly in the DSO space but also for solo practitioners. The technology has evolved and has gotten much better in its ability to detect, outline, identify, and quantify oral diseases. He believes dental AI will start to be applied more to improve administrative efficiencies and allow clinicians to spend more time with patients. He also believes there is a wave of dental robotics coming in the dental space.

Source: Becker's Dental & DSO Review

LITIGATION

Florida state attorney reassigned dental fraud investigation into "Tooth Fairy Heist"

Florida Governor Ron DeSantis issued an executive order reassigning an investigation into Dr. Howard Fetner, a Jacksonville dentist linked to the "Tooth Fairy Heist" arrests in Miami. The investigation covers allegations of false insurance claims, fraudulent schemes, criminal use of personal identification information, and grand theft. Three licensed Florida dentists were terminated by Dr. Fetner in December 2022 after they reported that their billing codes were being misused by their former employer, ACPDO Management, Inc., without their consent. The ongoing investigation could impact the dental community in Florida in various ways, including increased scrutiny over ethical conduct.

Source: Florida Daily

Data security incident affects Arizona dental provider

Risas Dental & Braces, a dental and braces provider that serves patients in Arizona, Colorado, Texas, and Nevada, said a data security incident may have impacted the protected health information of some patients. The company conducted a forensic investigation in Oct. 2023 and has sent notification about the incident and resources available to assist potentially impacted individuals. The forensic investigation determined that certain files stored on Risas' information systems may have been downloaded without authorization.

Source: Risas Dental & Braces

STAFFING

Legislation that proposes 32-hour workweek could have impacts in the dental industry

Senator Bernie Sanders has proposed a [Thirty-Two Hour Workweek Act](#), which aims to establish a standard 32-hour workweek in America without a reduction in pay. This legislation aims to be a step towards sharing the benefits of increased productivity from AI and technology with workers. The bill has sparked questions about its potential impact on productivity and the economy, and holds particular considerations for dentists. Sen. Sanders said regarding the proposed legislation that “[t]oday, American workers are over 400 percent more productive than they were in the 1940s. And yet, millions of Americans are working longer hours for lower wages than they were decades ago.” The bill would also prohibit discrimination against any employee for exercising their right to use their paid time off.

Source: NBC News

DSO model catering to the new workforce generation seeking work-life balance

As the industry evolves, DSOs are poised to be better suited than the traditional dental practice models to meet the expectations of younger generations of dentists and staff who are prioritizing financial stability, staff support, technology, and a balanced lifestyle. The traditional private practice model is struggling to adapt to these changing demands, especially regarding insurance reimbursements and operational costs. Consequently, DSOs are expected to continue shaping the future of dentistry, by being better suited to aligning with the workforce’s evolving needs and preferences.

Source: Becker’s Dental & DSO Review

Benesch: FTC final rule banning noncompetes grandfathered existing agreements for senior execs

The FTC voted 3-2 in favor of the [final rule](#), which bans noncompete clauses in employee contracts in most cases. While the rule would cover most employees, both retroactively and in the future, it wouldn’t cover in force agreements for senior executives in policymaking roles. As well, Benesch Law states the ban wouldn’t apply to individuals selling all or substantially all their ownership interests in a business. Benesch Law points out the final rule will likely be the subject of numerous court challenges to prevent it from being enacted in 180 days, so it’s unlikely that organizations will be required to make immediate changes to their operations. However, should the courts decide to allow the rule to go into effect, organizations will need to inform affected employees of when their noncompete clause is no longer valid.

Source: Benesch Law

For more information regarding our Dental Industry/DSO Practice, or if you would like to contribute to the newsletter, please contact:



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