Navigating Career Decisions in Dental Service Organizations: Practical Advice for Students, Residents, and Educators

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Abstract: The dental practice market continues to experience unprecedented changes, including the increasing presence and influence of dental service organizations (DSOs)—corporate entities that provide support and practice management for group practices in such areas as financial operations, human resources, marketing, and legal services. At the same time, increasing percentages of new dental graduates are choosing to pursue an initial career path in corporate dental practices. As a result, new graduates and others making a transition into private practice are likely to encounter complicated, multifaceted variables related to associateship opportunities. Experts in dental education are articulating a need for more instruction in practice management, particularly related to DSOs. Accordingly, this Perspectives article discusses issues in five broad categories focused on vetting career decisions in DSOs: business systems; the dental team and patients; clinical dentistry; compensation and professional development; and ownership positions. In addition to explaining the importance of these areas, the authors provide specific questions prospective associates should ask in considering these career options. These considerations should be useful for students and specialists who are preparing for their dental careers and for the educators who help to guide them.

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Dental students transitioning into the marketplace now face increasingly complex decision making. The career path for the many general dentists and specialists requires a delicate process of securing an associateship and pursuing future ownership. The nuances of this career path embrace many variables: employment agreements; staff management; methods of practice valuation; evaluation of existing technology, needed updates, IT security, and social media presence;[1] government compliance; and strategies to finance a practice purchase. Is it little wonder that, in crowded dental school curricula with limited time and faculty resources, 15-18% of graduating seniors in recent years have reported feeling "unprepared" in practice management, with another 30-33% "somewhat unprepared"?[2-4] Career path choices for dental students may also be compromised by early evidence suggesting an alarmingly low level of financial literacy in this group regarding concepts such as debt, debt management, personal budgeting, and insurance.[5]

About half (50.5%) of seniors graduating from U.S. dental schools in 2016 planned to enter private practice immediately after graduation.[4] Of those, the largest share (42%) were still taking the traditional route of becoming an associate dentist in a practice with a sole proprietor; however, a growing percentage (37.6%) planned to enter a group practice: 16.5% in a group practice with multiple locations, 14.5% in a corporate-owned group practice, and 6.6% in a group practice with a single location. Weintraub calls this trend a "huge shift . . . with graduates increasingly becoming employees of corporate-owned, associate, or other group practices."[6]

In 2015, as this trend was becoming clear, Badger et al. explored the curricular implications of helping students make informed decisions about private practices, including those managed by dental

service organizations (DSOs).[7] In DSOs—corporate entities that provide support and practice management for group practices in such areas as financial operations, human resources, marketing, and legal services—Badger et al. noted that "Dentists may be owners, employees, or independent contractors . . . in exchange for a salary or commission."

More recently, Brown asserted that "it may be prudent to expand the dental curriculum in practice management and add content on group practice. Future practitioners should know the important issues in deciding between an independent practice and a large group practice. Students should be aware of the different types of affiliations possible between a group and its practitioners. Also, they should be aware of which management functions the group's management will handle and which are left to the practitioners under the various affiliations."[8]

Some have argued that the so-called "Platinum Age" of dentistry has been somewhat tarnished because of such factors as rising student loan debt, flattened dental expenditures, and fewer dental visits.[9] Third-party payer reimbursements also continue to pinch practice profit margins. Nevertheless, dentistry is still rated a top profession to pursue, especially in health care.[10] With larger numbers of new dentists and specialists entering group practices managed by DSOs, it becomes more important to prepare those graduates to make smart decisions in pursuing that career option.

The purpose of this Perspectives article is to provide practical advice for those considering an initial career path in a DSO-managed practice. It aims to answer this question: What are the critical issues to understand and evaluate from the perspective of someone considering employment with a DSO? We have organized the most salient issues into five broad categories: business systems; the dental team and patients; clinical dentistry; compensation and professional development; and ownership positions. The categories and their underlying points emerged from our career counseling of hundreds of dental students over many years, with particular attention to DSOs. Some of the topics reviewed here apply to other associateship career options, and some of the points discussed are narrow or granular in nature, while others are more global. Such is the conceptual landscape of dental associateships generally and with DSOs particularly. Other resources have described how and why models of dental practice are shifting toward larger, multi-practitioner practices and the growth, structure, and characteristics of DSOs.[11-16] While not focused specifically on DSOs, associateship issues are also discussed elsewhere.[17-19]

Issues When Considering DSO Employment

Business Systems

The value proposition for any large DSO is based on the belief that a dental practice supported by its business platform will be more efficient and sustainable than a practice based on another model. Dentists have utilized dental consultants for many years to improve office systems. The strength of the DSO's business platform should be a factor in the decision to join a DSO. The organization should be comfortable sharing the strengths of the platform with associates seeking to join the dental practice, including key metrics to measure both the individual practitioner and the practice. The measures of success, or metrics, should be clear and consistent.

These specific questions about business systems should be asked by applicants as part of the vetting process:

1. Describe how appointments are scheduled and confirmed.
2. What are the financial policies and collections procedures for patients?
3. What procedures are in place to fill late-cancelled appointments?
4. What key practice indicators are tracked? These could include gross and net production goals, third-party reimbursement percentages/adjustments, collection/production ratio, overhead expenses per category and overall, utilization percentage (number of appointments available/number completed), new patients per month, and recall effectiveness (total due/total provided).

The Dental Team and Patients

A key area of interest for the associate should be the structure of the team interactions in the practice. For example, what are the channels for formal communication, and what team meetings are included, e.g., morning business huddles and staff development meetings? Does the platform include training and career advancement for the entire team? What is the makeup of the team, and how is a dentist's primary team determined? Perhaps most importantly, what

is the turnover of team members annually, and does the DSO measure the satisfaction of team members? Team members are the people who will help the practitioner become more successful, so questions about this should be encouraged, such as these:

1. How is an associate involved in staff management and team-building (e.g., hiring, evaluating, disciplining, training, meetings, dismissing)?
2. What are the organization's expectations for production and collections for the associate and broader practice, including dental hygiene? How do the DSO's and the associate's expectations align for production and collections; for the associate and broader practice; and for dental hygiene?
3. What specific team member support will exist in the practice(s): number and experience of chairside dental assistants for the associate (including expanded duty assistants where applicable), front office personnel, and dental hygienists?
4. What training will the DSO provide to develop the associate's skill in communicating with and managing patients?
5. How will the associate's and the practice's online presence be monitored and managed?

Clinical Dentistry

Clinical issues for associates in DSOs include the input they have, if any, in the selection of dental materials and equipment and the choice of laboratory services. We have heard horror stories from associates in DSOs and other types of practices about inequitable allocation of patients. Accordingly, a potential associate should ask these questions as part of vetting a DSO career opportunity:

1. What influence if any does the DSO have in the process of treatment planning?
2. What dental materials and equipment will be available to the associate, how are related decisions made, and what role does the associate have in decision making for materials and equipment?
3. What laboratory will be utilized, and who owns the laboratory: the DSO, or is it independent? What is the quality of the fabricated cases? Are special incentives provided for using DSO-owned laboratories, or are disincentives/higher costs incurred for using laboratories not owned by the DSO?
4. What is the patient population in the practice(s) in terms of demographics, dental needs, and third-party payers such as preferred provider organizations and Medicaid?
5. If there is more than one dentist in the practice (and there usually will be), how will existing and new patients be assigned? For example, will new patients be assigned proportionately to all practitioners unless patients request a specific one?
6. How will associate-provided "redo" cases be managed? Does the associate have to cover additional costs?
7. What does a typical clinical schedule look like for the day, week, and month?

Compensation and Professional Development

Compensation is a major consideration for any associate who is evaluating multiple opportunities. The evaluation must go deeper than percentages and bonuses and should focus on clinician activity along with lifestyle interests. Accepting a position that limits the scope of clinical activity may be an excellent short-term financial decision but may have a negative impact on one's marketability in the future. Equally important to many millennials are the lifestyle considerations of location, work schedule, or availability of outreach opportunities.

The lure of a signing bonus can be very appealing to a cash-poor dentist, but it is usually attached to a difficult to fill position or a longer term contract. The terms of the signing bonus also need to be fully understood since they may involve recapture or repayment provisions; one should ask how many signing bonuses are completely paid-out. The total compensation will generally include a guaranteed salary of some duration and a bonus component based on the productivity of the clinician. It is this bonus component that must be completely understood and documented to prevent misunderstandings and lost opportunity.

The benefit package represents a vital part of the compensation package and one in which DSOs tend to be very competitive. The provision of health insurance, professional malpractice insurance, and ancillary benefits like life and disability insurance can be worth over $1,000 per month. The ability to participate in a 401K or similar retirement package and the matching or profit-sharing components included are also benefits worth thousands per year.

The availability of continuing education (CE) and the provision of it at little or no cost to an associate should also be a major factor in evaluating opportunities. The large DSOs often tout the availability of their CE programs and may even have requirements for participation. It is important to understand the CE program and to be able to get a detailed syllabus and

schedule for participation. Some DSOs will have a well-defined curriculum for new associates, which is further evidence of their commitment to CE. Some opportunities may even be made available prior to signing a contract. There should also be a structured program of study clubs, clinical meetings, and individual mentoring/coaching in a DSO dedicated to clinician success. The following are suggested questions to ask specifically related to compensation:

1. What is the compensation package? Will the associate have a guaranteed salary and/or be paid on the basis of production, net production after insurance adjustments, or collections? Does the contract include a signing bonus? It is fairly common today for DSOs to offer a guaranteed base compensation of $120K to $140K or more for experienced associates, plus possibly a signing bonus of $10K or more. However, considerable variability in compensation exists across both across and within geographical regions, depending on marketplace patient demand and competition for providers. Future DSO associates would be wise to secure advice from a tax accountant in understanding the federal, state, and local income tax implications of guaranteed compensation packages and signing bonuses.
2. How many hours per week and how many days per week/year will the associate be expected to work?
3. How, if at all, does the dental hygiene department's revenue figure into the associate's compensation? Does the associate receive credit toward production/collections for overseeing exams and possibly a portion of the clinical work performed by dental hygienists? Beyond possibly the exam fee, most DSOs do not include dental hygiene revenue in calculating an associate's production/collection. This calculation is a controversial issue in associateships with considerable profitability for practice owners.[17,19] The disposition of dental hygiene income has a significant impact on an associate's income. To illustrate, an associate may supervise 1.5 full-time dental hygienists, for a potential of approximately 50 $50 exams/week ($2,500) over 50 weeks ($125,000). An associate receiving 30% compensation of their dental hygiene exam production would earn $37,500 more ($125K x 0.30) than an associate receiving no compensation for those exams.
4. Does the DSO pay for all or part of the lab bill? If only a portion, how is the lab bill specifically paid—out of the associate's total revenue produced ("off the top") or out of the associate's compensation ("off the bottom")? This difference in computational method may alter an associate's income by tens of thousands of dollars annually.[17] Figure 1 provides an example of the financial impact of how an associate's portion of the lab bill is paid. Laboratory expenses in general practice often range from 7 to 12%,[20] so a 10% figure is used in this example.
5. What benefits does the DSO offer, including health care, retirement, CE, sick or wellness leave, maternity leave, and vacation accrual/use?
6. What mentoring by senior dentists (in such areas as professionalism and interpersonal and clinical skills) will be provided?

100% of Lab Bill Paid by DSO

$500K x 0.30 = $150K Annual Income

50% of Lab Bill Paid from Associate Collections

"Off the Top" method:
$500K x 0.10 Lab Expense = $50K
$500K - $50K = $450K
$450K x 0.30 = $135K Annual Income

"Off the Bottom" method:
$500K x 0.30 = $150K
$150K - $50K ($500K x 0.10) = $100K Annual Income

Figure 1. Example of associate-generated collections of lab bill at 30% commission/compensation

Ownership Positions

Any associate who has a long-term goal of practice ownership and who is also considering a career track with a DSO should ask: What current ownership options are available in the larger corporation and local practice(s), and how specifically can I become an owner? DSOs vary considerably in their structure and ownership options. While DSOs may share many common characteristics and interests as evidenced by their association (theadso.org), ownership by employed dentists remains highly disparate. Some DSOs may not offer any practice ownership options. For those that do, there are three main possibilities: ownership of stock in the larger DSO corporation; ownership of the clinical side of a local dental practice or practices; and, looking toward the future, ownership of the business side of a local dental practice or practices. Figure 2 depicts these three ownership possibilities.

Level 1: corporate stock ownership in the larger DSO. This form of ownership allows the associate dentist to own corporation stock in the larger, typically privately held DSO, but not ownership in the local practice or practices in which the dentist works. "Privately held" means that this stock is not available for purchase by the general public. Some DSOs with this type of ownership may include corporate shares of stock as part of a compensation package, especially as part of a retirement portfolio benefit.

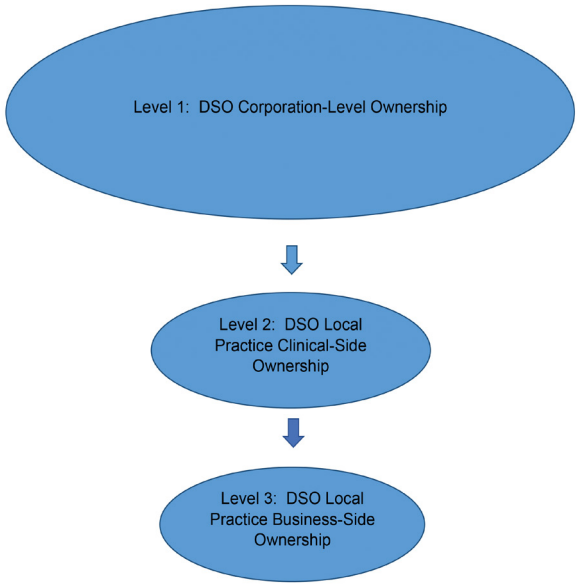

Figure 2. Levels of dental service organization (DSO) ownership

Level 2: stock ownership in the clinical side of the local practice(s). In most states, dentists must own 100% of the clinical side of the business as a matter of law. In these situations, the new associate dentist may become partners with a senior dentist or dentists, and the business entity is limited to clinical activity. All hard assets may be owned by another corporate entity that separates the business and clinical responsibilities.

Level 3: ownership in the business side of the local practice(s). A final and much less common form of DSO ownership involves the associate also owning a portion of the business entity operating at the dental office. This form enables the associate to participate in the asset base of the business entity and, as the assets are mostly held in this entity, provides for development of an equity position in the local business entity. The associate is participating in the increase in valuation of the business entity and has an asset that can be transferred to another dentist in the future.

Notably, current ownership models in DSOs embrace either Level 1 or Level 2 options, but rarely if ever both. Some DSOs currently offer Levels 2 and 3 ownership. This option is less common, but more entities are moving to this, especially smaller DSOs. We are unaware of any DSO models including all three levels. However, as more and more DSOs develop new models, it seems highly probable that combinations of ownership Levels 1 and 2, and conceivably all three levels, will arise for competitive reasons. Such emerging models would offer a wider variety of ownership positions more reflective of traditional ownership options for dentists.

Any dentist with a long-term goal of practice ownership who is also considering a career track with a DSO should ask these questions:

1. What current ownership options are available in the larger corporation and local practice(s)?
2. How specifically does an associate move into ownership?
3. How specifically will the value of the ownership position (stock) be determined? There are many methods of valuing a dental practice, and an associate should at least understand the basic approaches and how the financing for ownership will be arranged.[21-25] As with any business decisions, the associate should seek the independent counsel of an attorney and an advisor experienced in dental practice acquisitions.

Some DSOs simply employ dentists as staff members with no option whatsoever to own stock in either the larger corporation or any portion of the local practice. Dentists pursue their careers by providing dental services but without any expectation or possibility of ownership. Risks and rewards associated with ownership thus attend to the larger corporation.

Conclusion

DSOs are here to stay and are highly likely to grow in terms of numbers and market share. Business models will also continue to evolve to address the market demands of patients and dentists interested in career tracks. Dental students and later career dentists in transition will continue to consider DSO employment options. Focusing on the specific career variables with DSOs like those highlighted in this article will provide for more fully informed employment decisions. Asking and securing accurate answers to the questions posed should help both dentists and DSOs make mutually beneficial employment decisions. Nevertheless, continuing market changes will require all those in private practice to keep abreast of newly evolving models by accessing and critically evaluating information from multiple reliable sources.

Disclosure

Drs. Dunning and Lange are coeditors of *Dental Practice Transition: A Practical Guide to Management.* Mr. Davis holds a leadership position in Pacific Dental Services.

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