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~~Don't Fall Victim to DSO Tactics~~

Dental Service Organizations (DSOs) backed by private equity groups have been cannibalizing the dental industry for some time, but the wolf that used to be dressed in sheep's clothing is now in an Armani suit. ~~Their~~ sales and marketing tactics continue to get more sophisticated and aggressive. Independent practice owners exhausted by ongoing consequences of ~~COVID~~ have become especially vulnerable prey.

I'm not against an independent owner selling their practice, but I can't abide seeing them robbed of the business's true value through misleading and manipulative tactics. Recognize the following well-disguised tactics for what they are, and be prepared to defend yourself and your business until the time comes when selling may be right for you, ~~and you know~~ how to do it ~~in~~ the right way.

1. Instill ~~Fear That You Must Sell Now~~

Fear is the most commonly used tactic to manipulate the decisions and actions of others, ~~i.e.,~~ fear of what you will lose by not doing what ~~they~~ want you to. DSOs would have you believe ~~that~~ if you don't sell now, you won't have the opportunity to do so later because there won't be buyers. ~~There~~ will always be buyers for viable, profitable practices. Wait for the time and circumstances ~~that are right for you~~ based on how long you need income, then make an educated, well-informed decision without succumbing to fear tactics.

2. Entice ~~You with a Big Dollar Figure~~

It's human nature to get excited at the prospect of getting the biggest check you've ever seen. DSOs use this to pressure practice owners into moving too quickly without fully understanding the terms. For example, you may find out ~~that~~ a $3 million ~~offer—with~~ the implication ~~being~~ that you would receive a $3 million ~~check—is~~ actually structured so ~~you'd~~ receive only half ~~up front~~, plus some amount in stock, and another ~~million~~ in five years. If the DSO is resold within that period, the new owners ~~may have no~~ legal obligation to fulfill terms of prior agreements and you may never see that final payment.

3. Appeal to ~~Your Pain Points~~

DSOs skillfully bait doctors by addressing typical pain points, such ~~as: hassle~~ of handling administration when you'd rather just treat patients~~;~~ constant concern over cash flow and earnings~~;~~ stress of feeling you're not good enough at the business management aspects~~;~~ feeling burned out and questioning how long you can keep doing this. Don't believe for a minute ~~that they can—or want to—run~~ your practice better than you can learn to do yourself. We coach our clients to cut the bait by saying, "I don't need your money. So what do you bring to the table? Why would this be better for me, my team and my patients?" You'll find it's not.

4. Exaggerate ~~Claims~~

~~Their~~ brochures tell you what you want to hear, claiming to expertly handle all the administrative ~~functions—billing~~, marketing, recruiting, hiring, team-building—so you don't have to. We encourage our clients to be seen as a patient in one or more of their offices. Talk to the doctors and staff to get an idea of the culture and attitudes. Does everyone appear to be working as a cohesive team? Does the look and feel suit you? A

DSO with hundreds of units uses a cookie-cutter approach to minimize costs, so you won’t see any personalization, team-building, or “family culture.” You need to decide if that’s really what you want for your patients and your ~~people~~, especially if the office will continue to have your name on the door.

5. Offer to ~~Appraise Your Business for You~~

You need to pay to have your ~~own~~ business professionally appraised so you have a good handle on what it’s worth from your ~~vantagepoint — not~~ just today~~,~~ but as a steady revenue stream and for its ~~long term~~ growth potential. Even if ~~they offer~~ to do it for free, don’t allow the buyer to do the appraisal for you. That’s a conflict of interest~~,~~ and is essentially letting the buyer set the price. DSOs have no interest in the long term so their appraisals are guaranteed to be low. Even worse, once they do the appraisal, you could inadvertently find yourself locked into doing business with only them. Invest in knowing what your practice is worth short and long term so you can make a fact-based decision. If you decide to sell, you can negotiate based on accurate information and have confidence in your outcome.

6. Require a ~~Non-Disclosure Agreement~~

~~A DSO~~ will ask you to sign a ~~Confidentiality or Non-Disclosure Agreement~~ as soon as you start a discussion, no matter how introductory it may seem to you. They will try to intimidate you by making this seem like a requirement right up front, but it’s not. It’s their way of prematurely locking you in. Once signed, you can’t shop around for other ~~buyers; you can’t continue~~ to gather information, seek advice or compare notes with others to find out if they deliver on their ~~claims; and~~ you definitely can’t ask colleagues who sold to them how they're financially~~ making out~~. ~~Their~~ stable of lawyers will ensure you don't try.

Sell at the ~~Right Time in the Right Way~~

~~Not if, but when, you are~~ approached about selling your practice, you must take control of your fate and your long-term financial future. The alternative is to unwittingly sell your life's work for less than it's worth~~,~~ and/or cave during a moment of weakness, believing all you've been told by the buyer. The time will come when selling your business may be the right thing for you to do. ~~Do~~ it in the right way by~~:~~

- ~~Learning~~ how to make the practice as viable and profitable as possible~~;~~
- ~~Understanding~~ the value of what you have before you sell it~~;~~
- ~~Being~~ knowledgeable about the buyout process ~~with the benefit of~~ expert legal advice~~; and~~
- ~~Knowing~~ who you're selling to in the long term.

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Jay Geier is an advocate for independent dentists and world authority on growing independent practices. He is the founder and CEO of Scheduling Institute, a firm that specializes in training~~ and development~~, and coaching doctors on how to transform their private practices into thriving businesses ~~that~~ they can keep for a lifetime of revenue or sell for maximum dollar. His mission now~~, after 25+ years,~~ is educating dentists on how to stay independent, grow a successful practice, and preserve and protect their legacy and their financial future. To hear more from Jay, subscribe to his *Private Practice Playbook* podcast at **podcastfordoctors.com/dentec**.