

Research Brief

A Proposed Classification of Dental Group Practices

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Key Messages

- *The number of group practices in the United States is increasing; they are expanding and changing in character and structure. Understanding the evolution of group practices has been difficult because past discussions and research have suffered from a lack of specificity, and the information gathered was less insightful.*
- *A classification system for group dental practices is needed that would allow studies to be done and comparisons made in a more useful manner and allow a better understanding of contemporary dental group practice.*
- *Six basic types of group practice are identified and described.*

Introduction

Dentistry is a profession in transition; change is occurring in many aspects of the profession. We are currently experiencing one of the more significant changes in the dental practice environment – the growth of large, multisite, group practices. Historically, a group practice was held to be a practice comprised of three or more dentists. Not only are group practices in the United States expanding, their character and structure are changing as well. This evolution is of great interest at this time. Unfortunately, there has been little research on this subject.

Kent Nash, Ph.D. wrote in the *Journal of the American Dental Association* in 1991, “Most dentists in private practice today own or share in the ownership of their practice. The dentist in most cases is a solo practitioner, a sole owner, and the only dentist in the practice treating patients. Dentists in ownership positions represent about 91.0 percent of all practicing dentists, and solo practitioners account for about two-thirds (67.0 percent) of all dentists.”¹ The *Distribution of Dentists* survey conducted by the American Dental Association Health

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Policy Institute in 2012 updated that information, finding a reduction in the proportion of dentists who were owners from 91.0 percent to 84.8 percent and a reduction of the proportion of dentists who were solo practitioners from 67.0 percent to 57.5 percent.²

Data from the 2007 Economic Census conducted by the U.S. Census Bureau,³ the latest data available, show the number of office sites controlled by multiunit dental companies increased by 49.0 percent to 8,442 in 2007. Dental firms with more than ten offices and the number of offices they controlled increased from 157 in 1992 to 3,009 in 2007. Growth is continuing.

Not only has there been an increase in the number of group practices and the number of dentists involved in group practices, but there has also been a change in the configuration of some, with nonprofessional corporations managing practices and private equity groups investing significant funds in group practices.⁴ Questions of “ownership” of practices have arisen and are being tested in some states.⁵ In addition, entry of these entities into the practice of dentistry has stirred interest among traditional stakeholders in the potential impact on the quality of care patients receive. Some believe they exert pressure on practices to provide expensive and sometimes unnecessary care, especially for beneficiaries of government assistance programs,^{6,7} while others do not.^{8,9}

Past research on group practices has yielded some information of interest, but suffered from a lack of specificity in the various types of group practices in developing the sample used in the gathering of data. The information that was gathered clumped various types of practice together rendering the analyses and conclusions less meaningful. More broadly, there is no definitive, accepted framework for classifying the alternative practice models that would fall under the umbrella of “group practice,” “corporate practice” or “retail dentistry.”

A classification system for dental group practices is needed in order to proceed with research aimed at understanding the implications of alternative organizational set-ups. This system must be simple and general enough to be useful. It should recognize the cardinal feature or features which provide the commonality that practices in any category possess to place them into a distinct category. Besides being useful for guiding further research, this system will help provide a common lexicon to facilitate the understanding of the group practice arena by dental students, new dentists and dentists seeking to transition from their current state of practice to group practice.

In this research brief, we propose a new classification system for dental group practices, with the aim of disentangling the complex factors that are most important to understanding how dentists organize into groups.

Methods

The Classification

In understanding the overall classification scheme, it may be useful to consider its structure as similar to a biological classification system: the system as the “family,” each of the six classifications as a “genus,” and the individual plans within the six classifications as the “species.”

No practical system for classifying group dental practices can be precise, since there are unique variations among group practices even within general categories. However, based on the nature of group dental practices, they appear to cluster by significant *sine qua non* commonalities. We focus on a few key characteristics that we believe are of interest to the dental care community and have also been posited by others as important when it comes to various outcomes of interest such as practice efficiency, provider satisfaction and patient outcomes.

Results

We group dental practices into six categories.

Throughout our classification, 'group' refers to two or more dentists that are somehow affiliated with each other.

Table 1: Classification of Dental Group Practices

| | |
|---|--|
| Dentist Owned and Operated Group Practice | An aggregation of a variable number and/or type of dentists in a single practice that may be located at a single or multiple sites completely owned and operated by dentists, usually organized as a partnership or professional corporation. |
| Dental Management Organization Affiliated Group Practice | A group practice that has contracted with a dental management organization to conduct all of the business activities of the practice that do not involve the statutory practice of dentistry, sometimes including the ownership of the physical assets of the practice. There are several types of dental management organizations and there can be significant variations in the nature of the agreements between the dentist and the dental management organization. |
| Insurer-Provider Group Practice | A group practice that is part of an organization that both insures the health care of an enrolled population and also provides their health care services. |
| Not-for-Profit Group Practice | A group practice that is operated by a charitable, educational or quasi-governmental organization that often focuses on providing treatment for disadvantaged populations or training healthcare professionals. |
| Government Agency Group Practice | A group practice that is part of a government agency. It is organized and managed completely by the agency. All dentists are government employees or contractors and operate according to agency policies. |
| Hybrid Group Practice | A group practice that does not clearly fit into any of the above categories and can exhibit some characteristics of several of them. |

Dentist Owned and Operated Group Practice

This type of dental group practice is most familiar to dentists and the dental care system because it has been the most common form of group practice historically. These groups are aggregations of a variable number and/or type of dentists within a single dental practice that is completely owned and operated solely by dentists. The size of the groups varies widely, from two dentists working at one office location to a

large number of dentists working across multiple office locations. These dentists could be any combination of general practitioners and/or specialists.

The distinguishing characteristic of these groups is that they are completely owned by dentists and the operation of the group practice is under the control of those owner dentists. The legal structure of these groups may be a single proprietorship, a partnership or a professional corporation. Dentists working in a group

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may be the proprietor, a partner, a co-owner, an employee or a contract dentist. Some minor administrative services can be outsourced to vendors, but the vast majority of business functions are carried out by the practice owners.

Dental Management Organization Affiliated Group Practice

This type of group consists of a variable number or type of dentists that are affiliated with dental management organizations. These management organizations are known by a variety of names (e.g., dental service organization, dental management service organization, group dental organization, franchise). But their core function is the direct provision of or significant support in decision making related to the management of activities of a dental practice that do not involve the statutory practice of dentistry.

Laws in many states prohibit the ownership of dental practices by nondentists and/or restrict the influence nondentists can have on clinical care treating patients.¹⁰ For this reason, dental practices within this category are commonly organized into two separate corporations—a professional corporation that is made up of the dentists in the practice and a management corporation that operates or provides services to the practice. The relationship between the two corporations is determined by a contract or series of contracts that vary from group to group.

This category of group practice is fairly new to the dental care sector and is still not very well understood by the dental community. The responsibilities of the management company in providing services to the dental practice vary according to the agreements between it and the professional corporation of dentists. In some instances, the management company owns all of the physical assets of the practice. In North Carolina, the true ownership status of some practices

organized in this manner has been challenged; this case documents the complex arrangements between the two corporations that allegedly cloud the ownership issue. The central issue is the extent to which the management corporation, through its control over the operations of the practice, might be considered as engaging in the practice of dentistry.¹¹

Irrespective of the challenges to ownership status, most management agreements involve responsibility for personnel management, supplies and equipment purchases, office space, patient flow, office policies, practice analytics and fee setting, revenue management and marketing—in essence, all of the major non-professional aspects of a practice.

One new development that has garnered media attention,¹² as well as the interest of policy makers, is the involvement of private equity firms in dentistry. A few high profile investments of this nature have raised the issue of the influence of investors, who typically require significant returns, on management corporations and, in turn, on clinical decision making.^{13,14,15,16}

In examining the nature of group practices that are affiliated with dental management organizations and how it varies, seven basic characteristics are useful to examine:

- The type of practice organization
- The ownership structure of the professional organization affiliated with the management organization
- The ownership structure of the management organization
- The status of dentists in the professional organization
- The involvement of private equity firms
- The number of dentists and number office sites in the practice

Table 2: Key Characteristics of Dental Management Organization Affiliated Group Practices

| Characteristic | Description | Options |
|--|---|--|
| Type of Practice Organization | This captures the general set-up and branding arrangements. Franchise practices have agreements for the practice to identify itself under the franchise brand name, regardless of the ownership of the practice, and to abide by the specific franchise specifications and rules regarding use of the franchise name. Management affiliate practices are able to identify and brand the practice as they wish but have access to a suite of managerial services. Mixed practices is a category reserved for those practices that do not easily fall into the aforementioned categories. | Franchise Management Affiliate Mixed |
| Ownership Structure of the Professional Organization | The ownership of the professional organization is restricted to dentists in most states. The ownership may be held by a dentist who is an entrepreneur or by a group of participating dentists, with the remaining dentists employed by the corporation in various categories. Some professional organizations have a path for nonowner dentists to become owners and some do not, or they have restrictions on who may become owners. There may be different categories of ownership. | Entrepreneur Participating dentists Path to ownership |
| Ownership Structure of the Management Organization | The owners of the management organization need not be dentists, although there are some that happen to be owned by dentists. The owner may be an entrepreneur or a corporation, investment fund or a private equity firm. There may or may not be an opportunity for dentists to become owners of the management organization from within the cadre of involved dentists. | Entrepreneur Corporation Private equity group Path to ownership |
| Status of Dentists in the Professional Organization | Dentists in these types of group practices may be owners, partners if there are multiple owners, and employees or private dentists who contract with the group practice to provide care for patients. | Owner Partner Employee Contractor |
| Involvement of Private Equity Firms | There may or may not be participation of private equity firms in the management organization, or that information may not be available. In the event that private equity firms do participate, it will be good to know just what their involvement is if it goes beyond just passive investing. | Involved Not involved Uncertain |
| Number of Dentists and Number of Office Sites in the Practice | This information will be helpful in better understanding the nature and the market effects of group practices that are affiliated with management organizations that will most probably be influenced by practice size and the number of dentists within the group. This division of group practices by size will enhance any analysis of observations and facilitate any analysis within categories. | Fewer than 25 25 to 50 51 to 100 101 or more |

Insurer-Provider Group Practice

Within this category, the group practice is part of an organization that is both a dental insurer and provider of dental care. Health Maintenance Organizations (HMO) are examples of these insurer-provider organizations. These organizations contract with groups to provide or arrange for all the necessary health care each beneficiary needs, at a fixed cost per person for a fixed period of time, while still allowing for some cost-sharing through co-payments, etc. When dental care is included as a benefit, it is provided either through a Dental Health Management Organization (DHMO) or an in-house group dental practice.

A DHMO consists of a network of independent dental practices assembled by an insurer, some of which may be group practices, that agree to provide care for a fixed per patient amount per month. Each beneficiary must select a primary dentist for their routine care and for referral to specialists. Dentists receive periodic payments from all patients for whom they are the designated primary dentist, regardless of the services performed.

Larger HMOs frequently organize a dental group practice within the HMO to provide dental care or contract for that care with their own sponsored professional corporation. The HMO dentists are employees of the HMO, directly or through the professional corporation, and are generally salaried employees. The financial risk for the integrity of each beneficiary group is directly borne by the HMO.

The development of DHMOs began during the managed care era in health care and peaked when managed care came into general disfavor, DHMOs also lost favor with the public and plan purchasers. Their number has steadily eroded in the marketplace.¹⁷

A new organizational structure, developed through the Patient Protection and Affordable Care Act (ACA) has recently emerged within this category—the Accountable Care Organization (ACO). While dental care is not generally included within current ACOs, there could be increased opportunities for such integration in later phases of health reform. This is particularly true within the pediatric population where dental benefits are mandatory under the ACA.¹⁸

Not-for-Profit Group Practice

Dental group practices that are organized on a not-for-profit basis are generally devoted to treat disadvantaged populations, with a secondary mission to train healthcare professionals. They could be founded locally and associated with charitable organizations, educational institutions or part of the quasi-governmental safety net structure. These groups vary, reflecting the nature and mission of the sponsoring organization.

Through grants, the federal government has subsidized the development and operation of a national network of independent community health centers that comply with a comprehensive set of requirements related to services, organization, reimbursement and population served. Their governance must include patients of a Center. Federally Qualified Health Centers (FQHC) are required by federal law to provide dental care. They do so by hiring dentists to staff a Center's on-site clinic or by contracting with local dentists in their private practices. Clinics sponsored and funded by state and local governments also establish group practices at their treatment facilities.

Government Agency Group Practice

The United States government has several agencies that provide direct oral health care to individuals, as well as educational opportunities for health care providers. These are the U.S. Army, Navy, Air Force,

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Public Health Service, Veteran's Administration and others. These organizations operate one category of group practices that are fully owned and managed within the agency and are responsible for providing care for a specific population, such as the armed forces.

Dental treatment facilities are managed by the agency, which also determines policies for all aspects of care. Dentists are employees of the U.S. Government and can be employed for varying lengths of time, for a specific tour of duty, until they retire from service. There is generally a cadre of career dentists who are supplemented by a variable number of shorter-term employed dentists as needed. It is not uncommon for newly-educated dentists to join the federal services for a relatively short period of time to enhance their transition from dental student to practitioner.

Hybrid Group Practice

There may be group practices that do not fit exactly into any other category in this classification scheme. We expect new types of group practice to develop in the future, since the organization of dental practices is evolving, as is the profession in the dental marketplace. This category provides a place for them.

Discussion

Recent years have brought considerable change to the way dental practices are organized and this is an extremely complex issue. Accordingly, there are numerous ways to approach the classification of group practices. This classification system is one attempt to disentangle the myriad of characteristics and issues to

focus on the few that are most germane in capturing the issues debated today. These issues focus on the impact of alternative group practice arrangements on dentists and patients. We have tried to preserve what we feel are important distinctions while keeping the number of types to a practical and manageable level. As the evolution of group practice models continues, some practices may not fall easily into any category.

This classification system will hopefully facilitate continued study of the impact of practice configuration on patients and dentists, and practice operating efficiency. It also provides a common lexicon and nomenclature for referring to group practices of different kinds.

As the dental marketplace and dental group practices evolve, it will be interesting to observe which types expand and which types do not. It seems unlikely that any one form of dental practice will overwhelm the market. More likely, a variety of practices will evolve to satisfy the varied demands of patients and other stakeholders in the dental care system. Changes will inevitably occur; key factors for successful innovation are the changes that will enhance quality of care, efficiency of care delivery and availability of care for all who seek it.

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