Dr. Marc B. Cooper
President/Founder
The Ascendancy of Managed Group Practice
Since the future has yet to happen, many possibilities exist.

This is how I see the future of dentistry:

- This is not the truth.
- Not asking you to believe me.
- You need to think for yourself.
- You are responsible. You are the chooser.
- **Every choice has a consequence.**
“When it comes to the future, there are three kinds of people: those who let it happen, those who make it happen, and those who wonder *what happened.*”

*John M. Richardson Jr.*

*Professor of International Development American University*
"A newspaper is better than a magazine. A seashore is a better place than a street. At first it is better to run than to walk. You may have to try several times. It takes some skill, but it is easy to learn. Even young children can enjoy it. Once successful, complications are minimal. Birds seldom get too close. Rain, however, soaks in very fast. Too many people doing the same thing can also cause problems. One needs lots of room. If there are no complications it can be very peaceful. A rock will serve as an anchor. If things break loose from it, however, you will not get a second chance."
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Context

Decisive
We help dentists with the business side so they can focus on providing the best patient care.

Learn More

American Dental Partners is a leading provider of business services to multi-disciplinary dental groups in select markets across the United States. American Dental Partners affiliates with dental groups interested in building enduring organizations.

Highlights
American Dental Partners Announces the Reaccreditation of Carus Dental

Careers
American Dental Partners and affiliated groups offer exciting career opportunities.

A Message From The President
Many organizations talk about “responsibility” and “commitment,” but American Dental Partners and the affiliated dental groups put those words into action.
Evidence of Context Shift

- Midlevel Providers
- Loss of Individual State Licensing
- Multi-site, Multi-provider Practices
- Itinerant Specialists
- Managing by Risk and not Disease
- Rapid Growth of MSOs - DSOs
- Consolidations and Acquisitions
- New Dental Schools
- New 3rd Parties
- Corporate Competitors
Soyoung Kim of Reuters reports, Ontario Teachers acquires control of Heartland Dental:

Ontario Teachers' Pension Plan said on Monday it has agreed to take control of Heartland Dental Care Inc in a deal that values the U.S. dental practice management firm at about $1.3 billion, according to a person familiar with the matter.

Ontario Teachers, one of Canada’s largest pension funds, is buying a majority stake in Heartland, while founder and Chief Executive Rick Workman will retain a minority stake along with management and employees, the two companies said in a statement.
Dental Supplies on Amazon.com
Search on Amazon.com: dental supplies
Context determines what succeeds & what fails
Growth of Managed Group Practice to Divisional Practice was 20 to 1
(ADA and NADP)
The ADA recently reported that nearly **73%** of all dental patients last year had some type of 3\textsuperscript{rd} party, meaning, 73% of the available dental patient market either has insurance or is on Medicaid.

Furthermore, **92%** of all dentists are contracted with several major PPO plans as participating as in-network dentist.

That leaves only **8%** out there that are true fee for service practices. Even among the 8% fee for service, even those practices see a good majority of insured patients.

**“The facts are clear, our society has become accustomed to purchasing dental insurance and insurance is here to stay.”**

*The American Dental Associations 2012*
Dental Insurance U.S.

PPO Insurance

- 40% in 2010
- 74% in 2002
- 90% in 2018

NADP - 2011
Only **20%** of new dentists entered into some sort of dental practice ownership structure upon graduation in **2006** vs. **26% in 1989**.

Between **1989 and 2006** the number of dentists who work as employees has increased from **50% to 75%**.
Industry at a Glance
Dentists in 2012

Key Statistics Snapshot

Revenue: $109.6bn
Annual Growth 07-12: 1.0%
Annual Growth 12-17: 5.1%
Profit: $18.7bn
Wages: $42.2bn
Businesses: 153,763

Market Share
There are no Major Players in this industry.

Revenue vs. employment growth

Number of people with private health insurance

Products and services segmentation (2012)

Key External Drivers
Number of people with private health insurance
Federal funding for Medicare and Medicaid
Per capita disposable income
Number of adults aged 65 and older
Price of nonferrous metals

SOURCE: WWW.IBISWORLD.COM

SOURCE: WWW.IBISWORLD.COM
Couldn’t Be Better

Expenditures for Dental Care by Source

- Out-of-Pocket
- Insurance
- Public
- Projection

Dental Economics, March 2013
Figure 1: The Change Curve

<table>
<thead>
<tr>
<th>Stage</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>Status quo</td>
<td>Disruption</td>
<td>Exploration</td>
<td>Rebuilding</td>
</tr>
<tr>
<td>Reaction</td>
<td>Shock, denial</td>
<td>Anger, fear</td>
<td>Acceptance</td>
<td>Commitment</td>
</tr>
</tbody>
</table>

Change

James Collins, Jerry Porras, Jeanie Daniel Duck, Richard Pascal
Where is the majority of your membership on this curve?
Adoption Curve

- Innovators: 2.5%
- Early Adopters: 13.5%
- Early Majority: 34%
- Late Majority: 34%
- Laggards: 16%
- Tipping Point
Managed Group Practices – 17%
Tipping Point – 15% - 18%

Malcolm Gladwell – The Tipping Point
Context/System Change
Purchaser

DRIVER

Provider

PASSIVE

Patient

PASSIVE

Payer/Plan

DECISION MAKER

80 / 20 Rule

Solo     Group
IMPACT
Consolidation

Throughout the System

- Providers/Dentists
- Insurance / 3rd Parties
- Vendors
- Strange Bedfellows
Vodafone AirTouch with Mannesmann AG
$200 billion

AOL with Time Warner
$165 billion

comcast
verizon
The intention of consolidation is to:

- Increase Top Line Revenue - Production
- Decrease Costs – Fixed and Variable Expenses
- Increase P/E ratio
- Increase EBITDA
- Enhance Marketing
- Economies Scale
  (Contracting/Purchasing/Staffing)
Consolidation will only work when linked to Collaboration.
Domains of Thinking

Dentist

Individual

I/Me

Dental School
Dentist

Individual

I/Me

Dental School

Relationship

You and Me

Associate or
Beginning Practice
Dentist

Individual

I/Me

Dental School

Relationship

You and Me

Associate or Beginning Practice

Group

Us

Practice Owner
DSO
Internally Managed

MSO/DSO Regional and National

Concierge Practice

Solo/Family Practice

Multi-Provider

Multi-Provider / Multi-Location

SOLO PROVIDER