

Health Care Market Oversight

Transaction 004

SDB Holdco, LLC

30-Day Review Summary Report

September 9, 2022



About this Report

This report summarizes analyses and findings from Oregon Health Authority’s preliminary (30-day) review of the proposed material change transaction of UnitedHealth Group. It accompanies the Findings of Fact, Conclusions of Law, and Final Order (“Preliminary Review Order”) issued by Oregon Health Authority on September 9, 2022. For legal requirements related to the proposed transaction, please reference the [Preliminary Review Order](#).

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If you have any questions about this report or would like to request more information, please contact hcmo.info@oha.oregon.gov.

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Executive Summary

The [Health Care Market Oversight](#) (HCMO) program reviews proposed health care business deals to make sure they support statewide goals related to cost, equity, access, and quality. After completing a review, the Oregon Health Authority (OHA) issues a decision about whether a business deal, or transaction, involving a health care company should proceed. On August 9, 2022 OHA received a completed [notice of material change transaction](#) from Specialty Dental Brands (SDB), a dental support organization.

Proposed Transaction

Specialty Dental Brands (SDB) is seeking to sell an ownership stake in the company to TSG Consumer Partners, a private equity firm. SDB is a dental support organization that provides business and non-clinical supports to specialty dentists in 20 states, including one practice in Oregon, OR Specialty Dental. SDB has existing majority private equity ownership (Leon Capitol Group). After the transaction, ownership in SDB will be split between management and dentist owners, TSG Consumer Partners, and Leon Capitol Group.

OHA's Review

OHA conducted a 30-day preliminary review of the proposed transaction. During the review, OHA gathered background information about the companies involved and assessed the likely impact of the transaction across four domains: cost, access, quality, and equity. OHA held a 14-day public comment period and received one public comment submission. The public comment letter raised concerns that private equity involvement in health care can lead to lower quality of care and worse health outcomes.

Key Findings



Cost

OHA does not have specific concerns about price increases resulting from consolidation, as there is no increase in consolidation. Ownership of the dental practices in Oregon will not change because of this transaction. The Entity has stated that they do not expect the transaction to have negative impacts on the price of health care services in Oregon. But, because many services provided by OR Specialty Dental are paid out of pocket, the practice could increase prices depending on if there are competing dental specialists nearby. OHA will monitor for price increases and other cost impacts in follow-up analyses.



Access

OHA does not have specific concerns about reductions in access to care resulting from this transaction. The entities have stated that the transaction is unlikely to affect access, as the transaction focuses on a change of ownership of the dental support organization (DSO), but not the practice. OHA will monitor for access issues in follow-up analyses.



Quality

OHA does not have specific concerns about quality of care for this transaction. While there are broader concerns about the negative impacts of private equity involvement on quality of care, patient outcomes, and provider experience, OHA does not have access to specific quality information for the entities involved. OHA will continue to monitor quality impacts in follow-up reviews.



Equity

OHA does not have specific concerns about equity for this transaction. There are more general potential concerns about access to care and impact of private equity involvement for low income and vulnerable populations. OHA will monitor for equity impacts in follow-up reviews.

Conclusions and Decision

Based on preliminary review findings, **OHA approved this transaction on September 9, 2022.** (See [Review Order 004 – SDB](#) and [Review Summary Report](#).) OHA made this decision based on these criteria:

1. **The transaction is unlikely to substantially reduce access to affordable health care in Oregon.** The transaction represents a partial change in the indirect ownership of the DSO that provides business support services to a specialty dental practice in Oregon. The transaction will not increase consolidation in the market for dental support services or specialty dental services in Oregon. In the notice of material change transaction, SDB states that “[t]he transaction is not expected to have any negative impact on the price of or access to health care services within Oregon ...”
2. **The transaction is not likely to substantially alter the delivery of health care in Oregon.** The transaction is not expected to alter the delivery of specialty dental services by the dental practice involved in the transaction. It does not change the ownership of the dental practice itself nor the types of support services the practice receives from SDB.

OHA will monitor the impact of the transaction by conducting follow up analyses one year, two years, and five years after the business deal is completed. During these reviews, OHA will analyze the impact of the transaction on quality of care, access to care, affordability, and health equity, specifically following up on concerns or observations noted in the Findings & Potential Impacts section of the Review Summary Report. OHA will also assess whether the parties to the transaction have kept to the commitments stated in the notice of transaction regarding cost, access, and quality of care.

Introduction

In 2021, the Oregon Legislature passed [House Bill 2362](#), giving the Oregon Health Authority (OHA) the responsibility to review and decide whether some transactions involving health care entities should proceed. In March 2022, OHA launched the Health Care Market Oversight program (HCMO). This program reviews proposed health care transactions such as mergers, acquisitions, and affiliations to ensure they support statewide goals related to cost, equity, access, and quality.

The HCMO program is governed by [Oregon Revised Statute 415.500 et seq.](#) and [Oregon Administrative Rules 409-070-0000 through -0085](#).

In the authorizing statute, the Oregon Legislature specified what types of proposed transactions are subject to review and the criteria OHA must use when analyzing a given proposed transaction. The Oregon Legislature also authorized OHA to decide the outcome of a proposed transaction. After analyzing a given proposed transaction, OHA may approve, approve with conditions, or reject it.

The Health Care Market Oversight program fits within OHA's broader mission of ensuring all people and communities can achieve optimum physical, mental, and social well-being through partnerships, prevention, and access to quality, affordable health care.

On August 9, 2022, OHA confirmed receipt of a complete [notice of material change transaction](#) regarding the acquisition of SDB Holdco by TSG Consumer Partners. The notice outlines the intent TSG Consumer Partners to purchase an ownership stake in SDB.

OHA reviewed the notice of material change transaction and determined, based on the facts in the notice, that the transaction is subject to review. The entities party to the transaction meet the revenue thresholds specified in [Oregon Revised Statute 409-070-0015](#) and the proposed transaction is otherwise covered by the program in accordance with [Oregon Revised Statute 409-070-0010](#). After receipt of the complete notice of material change transaction, OHA began a preliminary review of the proposed transaction. Preliminary reviews must be completed within 30 days of OHA's confirmation of receipt of a complete notice. This report describes the transaction, OHA's approach to the review, its findings, and OHA's conclusions based on these findings.

On August 18, OHA sent a request for additional information to the Entity. OHA received a response with requested information on August 23, 2022. On August 29, OHA sent an additional information request to entities and tolled the review period pending a response. OHA received a response on August 30, 2022. Accounting for tolling the review period, OHA revised the date to complete the preliminary review to September 9, 2022.

Proposed Transaction

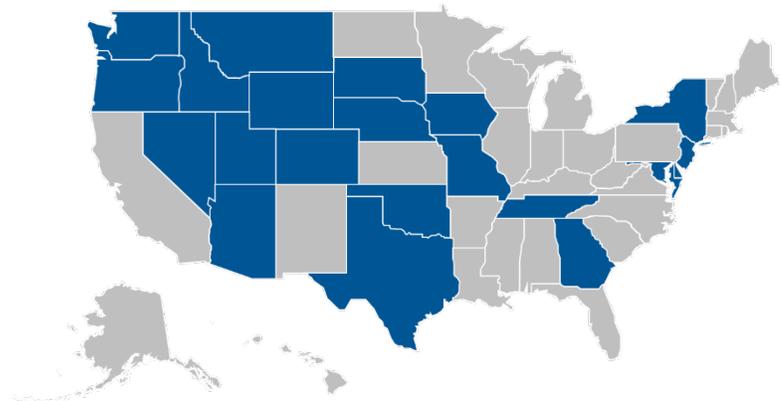
On August 9, 2022, OHA confirmed receipt of a [Notice of Material Change Transaction](#) (“notice”) from Specialty Dental Brands (“Entity” or “SDB”), a dental support organization. The notice describes plans to restructure the company’s equity ownership, resulting in approximately one-third of the company’s membership interest being held by TSG Consumer Partners, a private equity firm.

Entities Involved

The main entities involved in this transaction are Specialty Dental Brands (including numerous subsidiaries), OR Specialty Dental, TSG Consumer Partners, and Leon Capital Group.

Specialty Dental Brands

Specialty Dental Brands (SDB) is a dental support organization founded in 2017 and headquartered in Tennessee. The company is privately held and focuses on building a network of specialty dental practices, including pediatric dentistry, orthodontics, oral surgery, and endodontics. The company partners with more than 200 dental practices in 20 states, including Oregon, Washington, Idaho, and Nevada.¹



(The map shows states with **SDB partnering dental providers**.)

SDB provides business supports for practices in the following areas:

- Human resources
- Finance
- Marketing
- Data & IT
- Legal & Compliance
- Operations

SDB markets itself as having a different model than “traditional DSOs.”ⁱ Website materials discuss how traditional DSOs may have business practices that drive provider turnover or infringe on clinical care practices.² For example, SDB states that they do not dictate what materials or equipment dentists use and will not interfere or “meddle” with autonomy and choices of dental providers.³ SDB advertises that its model provides autonomy around product selection, clinical control (which is legally required for dental practices in Oregon), and “growth oriented initiatives to deliver high-quality patient care.”



SDB promotional material, <https://specialtydentalbrands.com/practice-owners/>

SDB Subsidiaries and Affiliated Business Entities/ SDB MTN West Partners and SDB Partner Aggregator

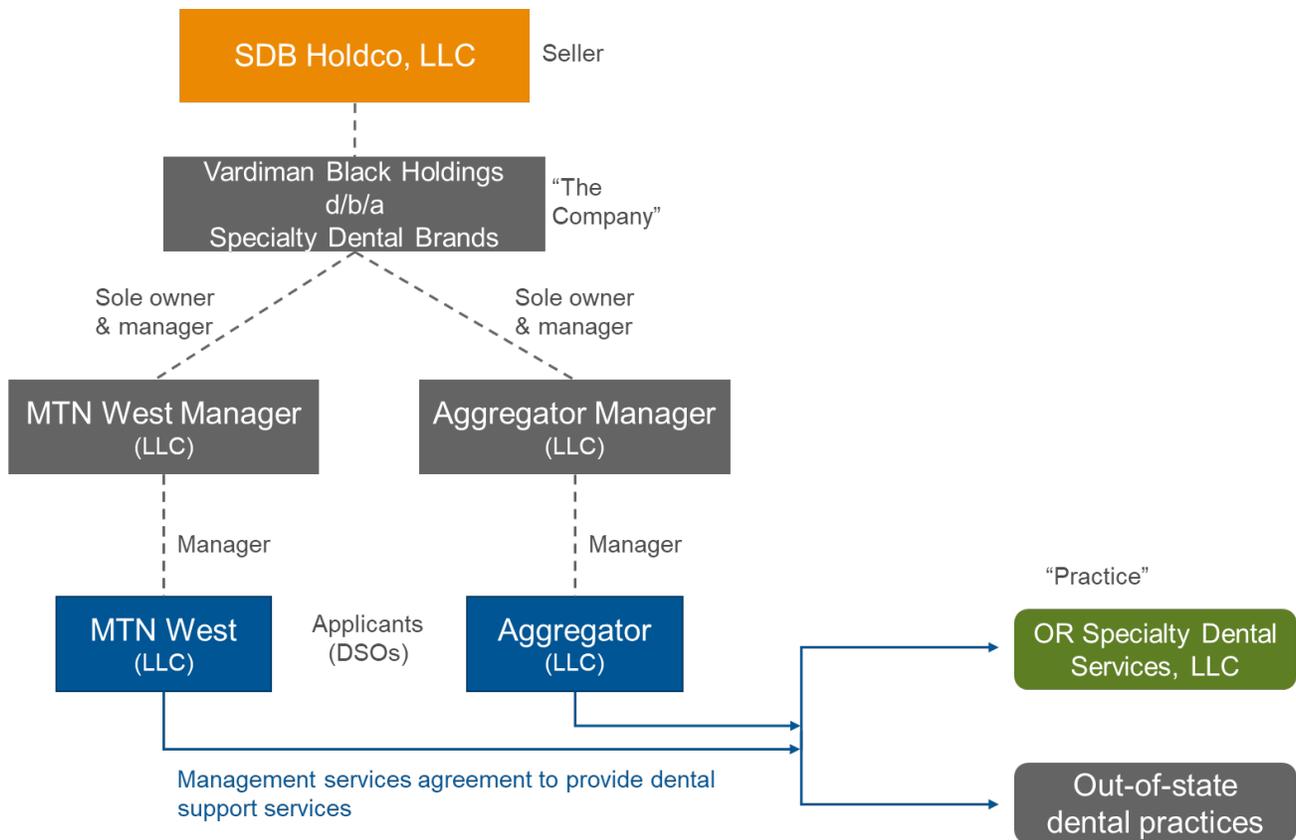
SDB has a complex corporate structure with many subsidiaries and associated entities. The Notice of Material Change Transaction was filed by two business entities that operate in Oregon:

- **SDB MTN West Partners, LLC** (MTN West) is a private, for-profit dental support organization registered in Texas. MTN West was incorporated in 2020 and registered to do business in Oregon April 27, 2022. MTN West is a member-managed companyⁱⁱ.
- **SDB Partner Aggregator, LLC** (Aggregator) is a private, for-profit dental support organization registered in Texas. Aggregator was incorporated in 2022 and registered to do business in Oregon August 8, 2022. Partner Aggregator is managed by Vardiman Black Holdings, LLC.⁴

The diagram below shows the relationships between SDB entities that are included in the notice materials. SDB Holdco is the parent company of Specialty Dental Brands. SDB owns and manages two business entities (MTN West Manager and Aggregator Manager), both of which manage the two dental support organizations (MTN West and Aggregator). These DSOs provide business support services to dental practices.

ⁱ A common practice among DSOs is marketing themselves as atypical or different from “traditional” DSOs.

ⁱⁱ In a member-managed company, all members, or owners, have collective control over company decisions and share a responsibility for day-to-day running of the business. In manager-managed companies, a professional manager or certain elected members have management authority and are accountable for decisions. Other members in a manager-managed company are passive investors and not involved in business operations.



According to Secretary of State Busine Registry in states where SDB has partners, SDB holds many other associated business entities which are not included in the chart above. In the notice, SDB notes that the organizational structure includes regional subsidiaries that allow individual dentist owners to hold equity interests. Most of these companies do not have websites and many use registered agent services companies in lieu of naming an SDB officer in filings that request the name and address of a registered agent.^{iii 5}

OR Specialty Dental Services

OR Specialty Dental Services, LLC (OR Specialty Dental) is a dentist-owned dental practice providing orthodontic and oral and maxillofacial surgery services with six locations in Oregon. OR Specialty Dental is a newer business entity that initially registered with the Oregon Secretary of State on February 3, 2022. SDB executed management services agreements with OR Specialty Dental Services in 2022.

The table below shows dental providers that participate in this practice. OR Specialty Dental is in the process of acquiring the assets of these practices and transitioning the previous provider practices into a single practice.

ⁱⁱⁱ A "registered agent" is an individual or business whose purpose is to receive legal documents and official mail on behalf of a business. Registered agents may be used to establish a local (in state) address for a business that is located out of state.

Provider	Specialty	Locations	Year Registered ^{iv}	Acquired by OR Specialty Dental
Willamette Valley Oral & Maxillofacial Surgery Inc.	Oral & maxillofacial surgery	Salem	2000	February 2022
Yenne & Schofield PC	Orthodontics for children, adolescents, and adults	Bend, Dallas, Keizer, Salem, West Salem	1994	August 2022 ^v

According to Oregon Secretary of State business filings, OR Specialty Dental shares a mailing address with SDB (in Nashville, TN) and has the same principal place of business address as Willamette Valley Oral & Maxillofacial Surgery, Inc. The registered agent for OR Specialty Dental is a company called Registered Agent Solutions, Inc. (Registered Agent Solutions has a principal place of business and mailing address in Texas.)⁶ OR Specialty Dental currently has no website.

OR Specialty Dental has two management services agreements: one with MTN West and one with Aggregator. OHA requested additional clarity about the two agreements from the Entity and received this response:

The terms of the two management services agreements are materially identical. The fact that there are two separate management services agreements is a function of the timing of the two clinical asset acquisition transactions, which, as noted, occurred in February and August of 2022. In practice, the DSO services will be delivered by the same personnel, with the same leadership and within the same operational infrastructure to OR Dental Specialty Services, LLC as a single practice.

TSG Consumer Partners

TSG Consumer Partners (TSG) is a private equity firm that focuses on consumer brands and retail sectors. Founded in 1987, TSG is headquartered in California with offices in New York, Connecticut, and England.

Some of TSG’s notable investments include Stumptown Coffee Roasters, Planet Fitness, and Pabst Blue Ribbon Beer. According to its website, TSG does not currently have other health care or dental companies in its portfolio, though it does partner with a veterinary care company and pain relief medicine brand.

LHP Dental Holdings, LLC

LHP Dental Holdings, LLC (LCG) is a limited liability company registered in Delaware. LCG has held a significant ownership stake in SDB; according to the Notice:

Before the transaction, LCG and management owned, directly or indirectly, 100% of Seller

^{iv} “Year Registered” refers to the year the practice was initially registered as a business with the Oregon Secretary of State.

^v Though OR Specialty Dental’s acquisition of Yenne & Schofield, P.C. occurred after the launch of the HCMO program, the entities did not submit a transaction notice to OHA. This could be because the entities involved did not meet revenue thresholds for review.

with individual dentist owners owning equity interests at various regional aggregator subsidiary entities within the organizational structure.

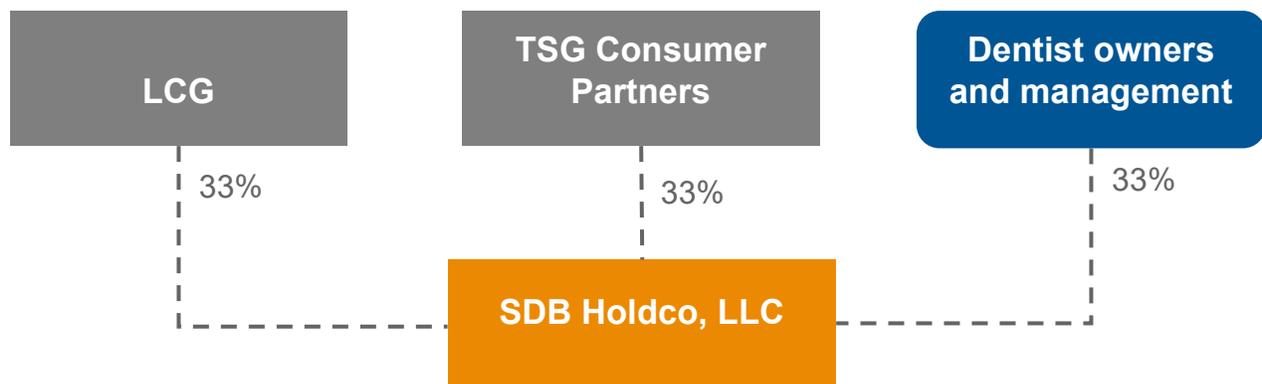
Leon Capital Group

Leon Capital Group is a private equity firm founded in 2009 and based in Texas. Leon Capital Group's portfolio includes a focus on partnerships with health care companies, including DSOs, behavioral and mental health services, ophthalmology and retina care, and veterinary services.⁷ On their website, SDB is listed as one of Leon Capital Group's active investments. Leon Capital Group states that they lead buyouts, provide growth capital, and provide strategic convertible debt capital.^{vi}

The Leon Capital Group website also states that the firm's CEO "founded and currently operates Specialty Dental Brands, the largest specialty dental business in America, with 200 pediatric, orthodontic and oral surgery clinics across 19 states."⁸

Transaction Terms

After the transaction, ownership in SDB will be held by LCG, TSG Consumer Partners, and individual dentist owners and management, with each group holding a 33.3% interest in SDB. (See the diagram below.)



According to the notice: *[TSG] will have board representation and approval rights over certain material actions, but the membership interests held by the equityholders [sic], including [TSG], do not otherwise have voting rights.*

Rationale for the Transaction

The purpose of the transaction is to generate income for current owners. The transaction seeks to restructure the equity ownership of SDB, resulting in a partial liquidity event for LCG, management, and individual dentist owners.^{vii} After the transaction, TSG will acquire an ownership stake in the business. LCG, management, and dentist owners will "cash out" some of their ownership shares.

^{vi} Convertible debt is a form of financing where a business borrows money with the intent to repay the loan by converting the debt into equity or shares in the company.

^{vii} A partial liquidity event allows investors in a business to convert their ownership stakes into cash or liquid securities.

Post-Transaction Plans

The Entities do not anticipate negative impacts on access to health care in Oregon or the price of services. The notice states that services provided to OR Specialty Dental will not change with the transaction.

The notice includes the following statements from the Entity:

- *The transaction is not expected to have any negative impact on the price of or access to health care services within Oregon...*
- *The management services agreements currently in place between the Applicant and the Practice will not change as a result of the proposed transaction.*
- *[SDB] will provide the same administrative support services to [OR Specialty Dental] following the change.*
- *By removing the administrative burden imposed by managing day-to-day non-clinical operations, dentists are free to focus on their patients and improving the quality of care and better outcomes.*
- *... the proposed transaction will not result in a decrease in competition. The transaction does not involve competitors or the consolidation of providers of health care service providers.*

Overview of Dental Support Organizations

What is a dental support organization (DSO)?

Dental support organizations (DSOs) provide non-clinical and business supports to dental providers.^{viii} Regulation of DSOs varies by state, with some states limiting dental practice ownership by DSOs and/or the role of DSOs. By law in Oregon, DSOs may only provide non-clinical support; only a licensed dentist may own, operate, conduct, or maintain a dental practice or office in Oregon.^{ix}

The diagram below shows the types of services typically provided by dentists and DSOs.

Dentists and dental practices	<ul style="list-style-type: none"> • Patient care and visits • Patient records • Clinical staff training and supervision 	<ul style="list-style-type: none"> • Clinical practice standards • Board certification and licensing
Dental support organizations	<ul style="list-style-type: none"> • Billing and collections • Insurance contracting and negotiations • Technology solutions • Accounting and taxes • Facilities management • Payroll 	<ul style="list-style-type: none"> • Marketing • Supply and equipment purchasing • Human resources • Compliance and legal • Professional education

In return for these services, dentists pay management fees to DSOs. Some DSOs operate a chain of practices with shared branding, with newly acquired practices rebranded when they join the DSO. Other DSOs work more behind the scenes and dental practices retain their original branding when they affiliate with the DSO. Ownership models of DSOs may also vary:⁹

- Dentist-owned group practices: Dentists are the sole shareholders and have control over all decisions. They may contract with a third-party DSO for business supports or have in-house business supports.
- Outside management: Ownership of these entities may be by non-dentists or dentists. Dental practices may establish business services agreements with third party DSOs or DSOs may acquire practices and assume operational, but not clinical, control. Revenue is tied to management services fees, and profits are tied to dental practices' revenue streams.
- Private equity ownership: Private equity firms seek to make a profit by increasing the company's valuation, often with the goal of selling the company for a profit.

The table below outlines some of the potential benefits and drawbacks of the DSO model for dentists and patients.

^{viii} A DSO may also be referred to as dental service organization, dental management services organization (DMSO), or dental partnership organization (DPO). While the terminology varies, the services and business structures are fairly similar.

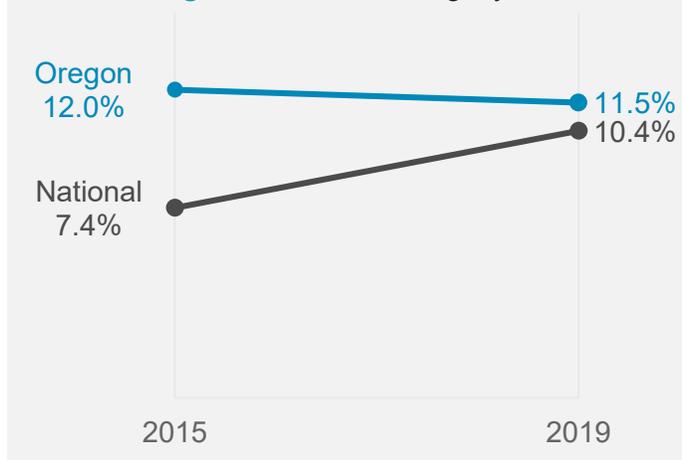
^{ix} Oregon Revised Statute [679.020](#) states that only a person licensed as a dentist by the Oregon Board of Dentistry may own, operate, conduct or maintain a dental practice, office or clinic in this state.

Proposed benefits of DSOs ¹⁰	Criticism of DSOs
More time for dentists to focus on patient care Greater access to capital Greater buying power for supplies and equipment Greater negotiating power for payments Acceptance of more insurance plans Better work/life balance for dentists Guaranteed salary	Less autonomy for dentists Pressure to maximize profits Production pressures Lower quality of care for patients Business decisions interfering with care DSOs are not held to the same ethical standards as dentists ¹¹

The changing landscape for dental practices

Historically, most dentists were part of a small practice where they oversaw both direct patient care and business operations. The industry has been changing in the past several decades, with more dentists joining larger groups, corporate dentist practices, and contracting with DSOs to oversee business operations. The percentage of dentists who are sole or part owners of their practices has declined steadily, from 85% in 2005 to 73% in 2021.¹²¹³ At the same time, more dental practices are partnering with DSOs to provide support. In 2015, 7.4% of dentists in the U.S. were affiliated with a DSO; by 2019, it had increased to 10.4%. Oregon's trend looks a bit different; in 2015, 12% of dentists were affiliated with DSOs; in 2019, 11.5% were.¹⁴¹⁵

From 2015 to 2019, the percent of dentists partnering with DSOs increased **nationwide**, while in **Oregon**, it decreased slightly.



These changes are driven by a combination of factors:

- **Demand for dental services has increased.** Health care transformation efforts, including the Affordable Care Act and Oregon Coordinated Care Organizations, have expanded coverage of dental benefits, making more services available for more people.
- In the past, more services were patient paid. **Greater coverage means that insurance payments are more common**, requiring some providers to develop the capacity to negotiate rates and submit claims at an increased volume.
- The **rising cost of dental education** may encourage new dentists to use DSOs. New dentists graduating with a substantial amount of student loan debt are less able or willing to take on additional debt to set up their practice.
- **Increased consolidation among commercial dental insurers has driven consolidation among dental providers** in order to maintain negotiating power.¹⁶
- **Shortages of dental providers also contribute to shifts in how dentists practice.** The Health Resources and Services Administration (HRSA) estimates that there is a shortage of 11,785 dental providers in the United States, with 69 million people living in health professional shortage areas.¹⁷ Nearly every county in Oregon has a health professional shortage area designation, indicating that access is limited for some populations.

How can DSOs impact dental care?

Even though DSOs focus on business supports, DSO practices can still influence dental care for patients. How DSOs impact care can vary widely depending on what activities the DSO performs on dentists' behalf.

DSOs may set production and revenue goals for dentists, which could drive quantity over quality of dental services. In a 2012 report, the Center for Public Integrity found that some DSOs offered bonuses for higher revenue and scored dentists based on production.¹⁸ Production goals may encourage dentists to overtreat patients. The Center for Public Integrity also reported evidence of overtreatment of children with cavities.¹⁹ These types of profit-maximizing approaches may be especially pronounced with DSOs that have private equity backing.

DSOs may negotiate rates with insurers on behalf of the practices they support. This gives them greater negotiating power with insurers than individual practices, which may lead to higher payment rates for providers and prices for services.

DSOs may purchase equipment and supplies for multiple practices in bulk. This affects what equipment, technology, and supplies dentists use. DSOs' greater buying power also typically means they can obtain goods at lower prices. These economies of scale have the potential to lower costs for dental practices.

DSOs may determine what types of insurance are accepted. By supporting billing and negotiations with payers, DSOs may help providers to expand the types of insurance they accept or may narrow the types of insurance a provider accepts. When a provider changes the types of insurance they accept, it could mean that some existing patients may have to pay out-of-pocket for services previously covered by their insurance, whereas others may have to pay less out-of-pocket.

DSOs may drive decisions about where dental practice offices are – and are not – located. DSOs that are focused on revenue generation may be less inclined to support practices located in sparsely populated areas, lower income areas, or areas with high numbers of individuals without insurance coverage.

The Role of Private Equity

Private equity firms have demonstrated a growing interest in investing in DSOs.²⁰ Private equity firms invest in private companies (i.e. companies that are not publicly traded) and seek to generate high returns on investments. The goal of a private equity firm is to generate profits for investors, typically within 3-7 years. Private equity firms purchase dental practices and DSO with capital from pension funds, sovereign wealth funds, high-net-worth investors, and university endowments. To achieve high returns, they seek to expand companies, often through acquisitions of smaller companies. They also aim to decrease costs (for example, by increasing the use of less expensive staff), increase revenue (for example, by emphasizing more expensive services or increasing volume), with a goal of reselling the company at a profit or pursuing an initial public offering (IPO) within a few years.²¹

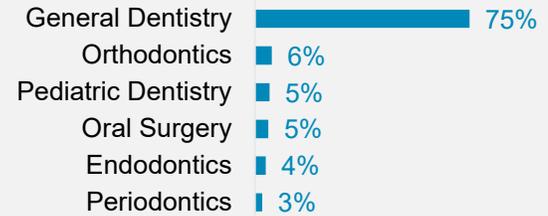
About Specialty Dentistry Care

Types of specialty dentists

Specialty dentists receive education and training in a specific area. In Oregon, specialty dentists make up roughly 25% of all dentists, and most dentists are general dentists.²² Common types of specialty dentists include:²³

- **Orthodontists** focus on the diagnosis and treatment of misaligned teeth or jaws.
- **Pediatric dentists** focus specifically on the needs of children and teens.
- **Oral and maxillofacial surgeons** focus on treating diseases, injuries, and defects of the hard and soft tissues of the mouth, jaw, and face.
- **Endodontists** specialize in the care and treatment of dental pulp and the root of the tooth.
- **Periodontists** provide care for gum-related diseases.
- **Prosthodontists** specialize in replacing missing or broken teeth.

In Oregon, the majority of dentists practice general dentistry.



How specialty dentistry differs from general practice dentistry

General dentists focus on regular care of patients' oral health and provide both preventive and restorative services. The table below shows some services that are typically provided by general versus specialty dentists, though it's worth noting that some dentists provide services from both categories. This is also not a comprehensive list of services.

General Dentistry Services	Specialty Dentistry Services
Regular cleanings	Braces and teeth alignment/ straightening
Dental x-rays	Dental implants
Patient education	Cleft palate surgeries
Fillings	Cancerous tissue removal
Tooth whitening	Dentures, bridges, and veneers
Tooth extractions	Root canals
Referrals to specialty dentists	Complex or impacted tooth extractions

How payments work for specialty dentistry

Payments for specialty dentistry vary by the type of specialty. Pediatric dentistry provides a lot of preventive care that is typically covered by insurance, including Medicaid. Other specialty services, such as braces or tooth implants, are less likely to be covered by insurance and are often fully or largely paid by patients.

OHA's Review

OHA performed a preliminary review of the transaction to assess its potential impact on Oregon's health care delivery system. The review explored impacts in four areas (domains): cost, access, quality, and equity. OHA's analysis followed the guidelines and methods set out in the HCMO Analytic Framework published January 31, 2022.²⁴ The framework is grounded in the goals, standards and criteria for transaction review and approval outlined in OAR 409-070-0000 through OAR 409-070-0085.

Background Research and Literature Review

OHA conducted background research on the entities involved in the transaction to understand more about the proposed transaction, the entities involved, and recent developments in the dental sector. OHA consulted publicly available sources, including press releases and media reports; Securities & Exchange Commission (SEC) filings; business filings with the Secretary of State in Oregon and other states; entity websites; state agency, professional association, and third party entity reports; reports commissioned by local, state, and federal government; and other relevant governmental communications.

OHA also considered articles and research reports about the impact of DSOs on cost, quality, access, and equity, and the role of private equity in dentistry.

Requests for Information

In addition to the information provided in the notice, OHA made two information requests of SDB to clarify and supplement the notice, to which SDB responded. Through these requests, OHA sought more information about the entities involved in the transaction, how their roles may change post-transaction, and the organizational structure of SDB.

Public Input

OHA solicited public comments on the proposed transaction during the preliminary review. On August 9, 2023 OHA posted a comment form to the [Transaction Notices and Reviews](#) page of the HCMO website and emailed subscribers to HCMO program updates to inform them about the opportunity to provide comment. OHA accepted comments through August 23, 2022, via the form and by email to hcmo.info@oha.oregon.gov.

Analysis

OHA's analysis assessed the current state of the entities involved in the transaction, related industry trends, and the likely impact of the proposed transaction on the delivery of specialty dental care in Oregon. The table below describes the types of analysis OHA typically performs in each domain.

Domain	Analysis
Cost	<p>Analyses under the cost domain explore how the transaction may affect the prices consumers and payers (e.g., insurers, employers, and governments) pay for dental care services in Oregon and overall spending on dental care services for Oregonians. Prices and spending for dental care services may be affected by the degree of competition between providers offering similar services within a service area.</p> <p>For this review, OHA used evidence from research and reports to understand how payments work for specialty dental services and identify potential implications for costs.</p>
Access	<p>Analyses under the access domain explore how the transaction may affect the range of services available in the market, types of providers and provider-patient ratios, characteristics of the patient population, and any barriers to access, including transportation burdens and limitations by insurance type.</p> <p>Consolidation and change of ownership in the health care market can impact the range and type of services offered in the service area. Changes in population demographics can alter demand for some services and shifts in the labor market can impact availability of specific provider types, potentially affecting the financial viability and profitability of offering certain health care services in a region.</p> <p>For this review, OHA used publicly available data on Health Professional Shortage Areas from Health Resources and Services Administration (HRSA) and Oregon’s Office of Rural Health, as well as information from other public reports and research.</p>
Quality	<p>Analyses in the quality domain explore how the transaction may affect patient outcomes and the experience of care. Consolidations and ownership changes in health care can impact clinical practice, including staffing ratios, time spent or number of visits with patients, timeliness of care, and the patient’s experience of care, all of which can have adverse effects on patient outcomes. Analyses in the quality domain consider current indicators of quality and assess potential impacts of the transaction on quality of care.</p> <p>For this review, OHA used publicly available data from the American Dental Association Health Policy Institute about provider experience and other publicly available reports and research.</p>
Equity	<p>Analyses in the equity domain explore how the transaction may affect the Entity’s ability to assess for and equitably meet the needs of the population it serves. Consolidations and ownership changes in health care can disproportionately impact availability of health services for populations who already experience health inequities, including people of color, low-income families, and residents of rural areas. Equity-focused analysis considers the entities’ ability to serve a patient population that is representative of the community in which they operate. OHA also looks for evidence that the Entity is actively identifying and addressing inequities in access to or quality of care across their patient population.</p> <p>For this review, OHA looked at the Entity’s statements about equity in the notice, current charity care and community benefit practices, and reports on disparities in access to care.</p>

Claims-based analysis was not possible for this review. See Appendix B for more detailed discussion of claims-based analysis.

Findings & Potential Impacts

OHA compiled available data and information to understand and examine the potential impacts of the transaction across four domains: access, cost, quality, and equity. To assess the potential impacts of the proposed transaction on Oregon residents' equitable access to affordable care, OHA considered the following:

- Terms of the proposed transaction and change in ownership structure associated with those terms.
- Characteristics of the market for oral health services.
- Statements made by entities about expected impacts of the transaction on access, quality, equity, and cost in the notice of material change transaction.
- Public comments on the transaction received during the comment period.
- Publicly available data, research, and reports on the impact of the DSOs and private equity on patient care

Given that OHA has limited data sources specific to SDB, the transaction impacts a limited footprint of providers in Oregon, and the transaction is occurring many levels removed from patient care in the organizational structure, OHA does not have specific concerns about this transaction. However, we acknowledge that there are general concerns with private equity involvement in health care and will monitor this transaction for those outcomes.

Overview

OR Specialty Dental Geographic Service Areas

OR Specialty Dental operates locations in Marion, Polk, and Deschutes counties (see the map below). Five of the locations provide orthodontic services, and one location in Salem provides oral and maxillofacial surgery services.



Bend is the largest city in Central Oregon, surrounded by rural and remote areas. OR Specialty Dental locations in Marion and Polk counties are located in more densely populated areas but are still adjacent to rural and agricultural areas.

The table below shows the percentage of people with different types of health insurance coverage for those living in Deschutes, Marion, and Polk counties.²⁵

County	Private*	Medicare	Medicaid/OHP	Uninsured
Deschutes	51%	18%	27%	4%
Marion	45%	15%	35%	6%
Polk	50%	16%	29%	5%
Oregon State	51%	15%	29%	5%

*Private coverage includes individuals with commercial insurance, as well as those with military coverage, such as TriCare, VA, or Champus.

Market Share & Consolidation

It's difficult to estimate how many DSOs operate in Oregon and to calculate market share, as these data are not readily available. Based on publicly available data, there are at more than a dozen DSOs with partners and locations in Oregon.^{26 27} One source estimates that, nationally, there are more than a dozen DSOs that specialize in oral surgery and even more that focus on orthodontics.²⁸ This suggests that dental practices looking to partner with a DSO have multiple options.

OHA does not have concerns about consolidation resulting from this transaction.

Ownership of the dental practices in Oregon will not change as a result of this transaction. In the notice of material change transaction, the Entities state *"the proposed transaction will not result in a decrease in competition."* The entities also state that *"[t]he transaction does not involve competitors or the consolidation of providers of health care service providers."* Given that the transaction entails a change of ownership of the DSO and not the dental practices in Oregon, consolidation of specialty dental provides will be unchanged.

Access

Access to dental care in Oregon

Dental care is essential to health and well-being, however, many people in Oregon do not get regular dental care. In 2016, only 65% of adult males and 69% of adult females had at least one dental visit in the past year. In 2016, only half of children under the age of five had a dental visit within the previous year.²⁹

Low-income families and communities are less likely to get dental care; only 48% of adults with incomes below the Federal Poverty Level had teeth cleaning in the last 12 months, compared to 72% of adults living above the Federal Poverty Level.³⁰

One way to understand access is to look at whether there are shortages of providers in a geographic area. Shortages of dental providers can be an issue in many areas: Oregon has one dentist per 1,745 people and some rural and frontier areas have no dentists.³¹ A Health Professional Shortage Area (HPSA) is a federal designation identifying geographic areas and specific groups of people within geographic areas that face a shortage of providers. Some federal programs use HPSA designations to make decisions about how to distribute resources. All three counties where OR Specialty Dental operates locations have a HPSA designation for specific populations, detailed in the table below.³²

County	Type of HPSA Designation
Deschutes County	Medicaid eligible population
Marion County	Low-income migrant seasonal work population
Polk County	Low-income migrant seasonal work population

How DSOs can influence access to care

Access to dental care is a challenge for many communities in Oregon, particularly in rural and frontier areas. Most Oregon counties meet the requirements for federal dental HPSA designation, which means that there is a lack of access to dental care in these counties for particular populations. Migrant farmworkers, people with unstable housing, people with Medicaid coverage, and people with low incomes may face more barriers to accessing dental care.³³

DSOs can impact access to care in several ways:

- Staffing and capacity: By managing business operations, partnering with a DSO could result in a provider having more time for patient care, thus increasing access. In a 2015 survey, dentists that worked for DSO-affiliated large group practices reported spending less time on non-clinical tasks than dentists who worked for dentist-owned large group practices.³⁴ DSOs may also support human resources functions, including recruitment and hiring of staff, and determining staffing levels.
- Locations and facilities: DSOs often manage facilities and may drive decisions about where dental practice offices are – and are not – located.
- Services offered: DSOs may drive dentists toward providing more profitable services, such as cosmetic procedures or more expensive treatments.³⁵
- Populations served: DSOs may influence the types of insurance coverage a practice accepts, including whether to accept patients covered by Medicaid.

Entity statements about access

SDB does not anticipate that the transaction will negatively affect access. In the notice, they stated:

The transaction is not expected to have any negative impact on the price of or access to health care services within Oregon, as the transaction involves an indirect investment in a DSO that provides administrative support services to the Practice, which is comprised of one Oregon oral and maxillofacial surgery provider and one Oregon orthodontic services provider group. The Applicant will provide the same administrative support services to Practice following the change.

OHA does not have specific concerns about reductions in access to care resulting this transaction.

The Entity has stated that the transaction is not expected to impact access to care. OHA will monitor for access issues in follow-up analyses.

Cost

Provider Payments

Many medical insurance plans do not include dental coverage and dental coverage is often provided through separate dental plans.

OR Specialty Dental provides dental services, such as orthodontics (including braces and Invisalign), wisdom teeth removal, and dental implants. These types of services often have limited or partial coverage by commercial dental insurance plans – especially for children – and are not usually covered by the Oregon Health Plan (OHP) or Original Medicare.^{36 37} Some Medicare Advantage plans may offer some coverage for these types of services. Limited insurance coverage means that many of these services have high co-pays or are fully paid by patients.

OR Specialty Dental also provides some services, such as jaw surgery and surgeries to treat facial trauma or cancer, that may be covered by commercial, Medicaid/OHP, and Medicare insurance plans. According to the websites of affiliate dental providers, OR Specialty Dental locations accept insurance and offer financing options to patients.

How DSOs can influence the cost of care

DSO business practices have the potential to influence costs and prices of care in many ways:

- Payment negotiation with insurers: DSOs can determine what types of insurance are accepted and negotiate rates with insurers on behalf of the dental practice. When pooled with other dental practices, a DSO's increased negotiating power can influence the payment rates that insurance companies pay for services. This can result in overall higher health care costs.
- Payments from patients: DSOs can influence the prices that patients pay, which is especially important given that so much of dental care is paid directly by patients.
- Buying power: DSOs that work with multiple practices can offer greater buying power for supplies, technology, and equipment, which can, in turn, drive what supplies, technology, and equipment dentists use. These economies of scale have the potential to create efficiencies for dental practices, though there is a risk that management fees and administrative costs outweigh any efficiency gains.³⁸
- Production goals: DSOs may set production and revenue goals for dentists, which could drive quantity over quality of dental services. In a 2012 report, the Center for Public Integrity found that some DSOs offered bonuses for higher revenue and scored dentists based on production.³⁹
- Overtreatment and “upselling” services: Production goals may encourage dentists to overtreat patients. The Center for Public Integrity reported evidence of overtreatment of children with cavities.⁴⁰ These types of profit maximizing approaches may be especially pronounced with DSOs that have private equity backing.

Research from health care has surfaced some of the ways that private equity can impact prices and the costs of care. A recent study found that private equity acquisitions of physician practices is associated with increases in health care spending and utilization.⁴¹

OHA does not have specific concerns about price increases resulting from consolidation.

The Entity has stated that they do not expect the transaction to have negative impacts on the price of health care services in Oregon. Because many services provided by OR Specialty Dental are paid out of pocket, the practice could increase prices depending on if there are competing dental specialists nearby. OHA will monitor for price increases and other cost impacts in follow-up analyses.

Quality

While medical and behavioral health providers have well-established sets of standard quality measures, standard quality measures for dental providers are not well-established. OHA does not have available data sources to understand quality outcomes for OR Specialty Dental or SDB-affiliated practices. OHA instead considered available public information related to quality of dental care to highlight general trends and potential concerns.

How DSOs and private equity can influence quality of care

Per state law, only licensed dentists in Oregon should be making decisions about patient care, but in practice, a DSO can make decisions that impact the quality-of-care patients receive. For example, production goals set by DSOs may encourage dentists to overtreat patients. Some dentists and DSOs have been investigated for overtreatment and “upselling” services. For example, the Center for Public Integrity reported evidence of overtreatment of children with cavities, particularly among corporate dentist practices.⁴² A Congressional report cited evidence of unnecessary or excessive procedures at some private equity-backed dental practices, including inadequate anesthesia and x-rays that were billed but not preformed.⁴³ These types of profit maximizing approaches may be especially pronounced with DSOs that have private equity backing. In 2018, Kool Smiles, a chain of private equity backed dental clinics, agreed to a \$23.9 million settlement for allegedly submitting false Medicaid claims for medically unnecessary procedures performed on children.⁴⁴

Research from other health care sectors has found that quality often declines with private equity ownership. One study found that private equity ownership of nursing homes increased the probability of death, decreased the number of nurses per patient, increased the amount billed for care, and led to patient mobility declining and pain intensity increasing among patients.⁴⁵

SDB and quality of care

On an episode of the podcast Becker’s Dental & DSO Review, SDB’s CEO discussed the companies approaches to increasing revenue, and specifically addressed “upselling” versus delivering quality care to patients with specific needs. He gave the example of screening adult patients for whether they have fluoridated water and recommending fluoride for patients who have well water or live in municipalities without fluoride in water.⁴⁶ (The quote to the right has been edited for clarity.)

The other part of volume is - is there an opportunity for any additional services? I’m not talking about upselling...but there is some argument for fluoride... You’re saying ask that one question while you’re talking to them... anyone on well water, we should talk to them about fluoride. So that’s another way on the volume side instead of just having the exam, x-ray, pro fee, you might have exam, fluoride, x-ray, pro fee and you’ve added one more service.

- CEO of Specialty Dental Brands

Provider Experience

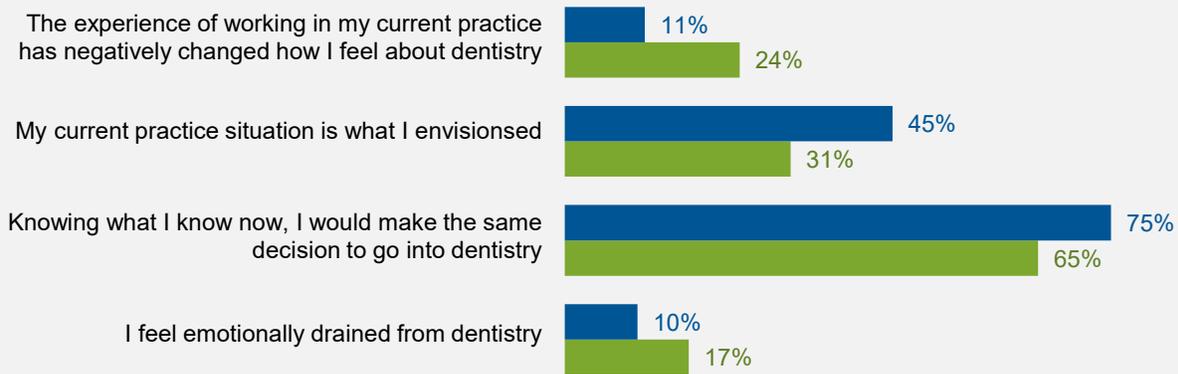
A 2015 survey by the American Dental Association looked at job satisfaction among dentists who work for large group practices.⁴⁷

The study compared dentists who worked for practices affiliated with a DSO with dentists who worked for dentist-owned and operated practices. DSO-affiliated dentists reported:

- Lower satisfaction with income
- Lower salary ranges
- Less time spent on non-clinical tasks

- Higher satisfaction with having weekends off
- More likely to have negative overall feelings about dentistry (see chart below)

DSO-affiliated dentists were more likely to report negative feelings about dentistry than dentists working for **dentist-owned practices**.



OHA does not have specific concerns about quality of care for this transaction.

We acknowledge that there are many broader concerns about the negative impacts of private equity involvement on quality of care, patient outcomes, and provider experience. OHA will continue to monitor quality impacts in follow-up reviews.

Equity

Charity Care and Community Benefit

SDB did not provide information about charity care or community benefit in the notice and does not include any related information on its website. According to the biographies listed on the websites for providers associated with OR Specialty Dental, one dentist provides care to patients without insurance through other programs and locations in the area. Two OR Specialty Dental providers mention that they support the onsite dental clinic at the Boys & Girls Club, which uses volunteer dentists to provide care to uninsured children.

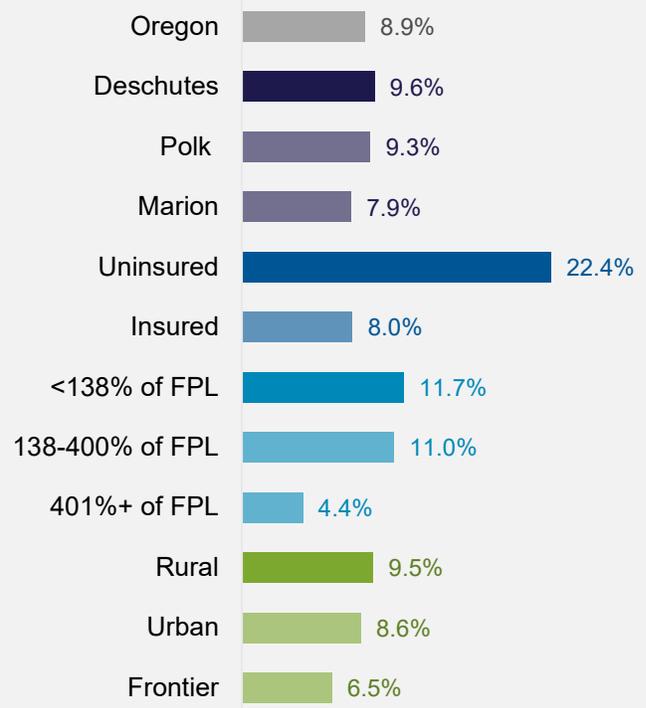
Disparities in Access

Access to care can be a challenge for low-income individuals and families, including those with Medicaid coverage and particularly those living in rural areas or who face language, transportation, and other barriers. People with low-income are more likely to report problems due the conditions of their mouth and teeth. In 2015, 48% of adults with low-income in Oregon avoided smiling due to the condition of their mouth and teeth, compared with 20% of adults with high-income. In 2015, 57% of adults with low-income in Oregon reported difficulty biting or chewing due to the condition of their mouth and teeth compared with 14% of adults with high-income.)⁴⁸

Racial and ethnic disparities persist in access to dental care. In 2017-2018, 48% of White adults in the U.S. had a dental visit in the past year, compared to 28% of Hispanic adults and 29% of Black adults.⁴⁹ Some populations also encounter more cost barriers when seeking dental care. In 2019, 29% of Hispanic seniors in the U.S. reported cost barriers to getting dental care, compared with 11% of White seniors.⁵⁰

The 2019 Oregon Health Insurance Survey asked people whether they had delayed dental care due to cost. People without insurance coverage were the most likely to delay care. Of the counties served by OR Specialty Dental, Deschutes County had the highest rate of delaying dental care due to cost. People with incomes less than 138% and 138-400% of the federal poverty level (FPL) and people living in rural areas also reported high rates of delaying care. (See chart to the right for more information.)

This chart shows the percent of people in Oregon reporting that they delayed dental care due to cost, by different groups.



Disparities in Quality and Outcomes

A 2013 Congressional report looked into deceptive business practices among some dentist practices and DSOs.⁵¹ The report found evidence of unnecessary treatment and harm to patients among some clinics that focused on low-income and Medicaid-eligible children. The practices targeted in the report were associated with private equity-backed DSOs. The report found that:

Despite state laws against the corporate practice of dentistry, numerous states have allowed companies... to operate dental clinics under the guise of management services agreements. These practices appear contrary to the purpose of state law requiring clinics to be owned and operated by licensed dentists. The result is poor quality of care, billing Medicaid for unnecessary treatment, and disturbing consumer complaints.

DSOs have potential to improve care for low-income populations

Some have characterized DSOs an essential part of the dental delivery system, particularly for low-income populations. A 2012 study by an industry research group looked at data from Texas and concluded that DSOs are providing dental care to “some of the poorest, most underserved segments of our society.”⁵² × A National Minority Quality Forum brief argued that by separating business aspects from patient care, pooling resources and creating efficiencies, DSOs can increase access to care for low-income populations:⁵³

× This study positioned itself as a rebuttal to a 2013 Frontline and Center for Public Integrity documentary, [Dollars and Dentists](#), that highlighted concerns and allegations of fraud among some DSOs.

OHA does not have specific concerns about equity for this transaction.

Again, OHA does have more general concerns about access to dental care and impact of private equity for low income and vulnerable populations. OHA will monitor for equity impacts in follow-up reviews.

Public Comments

OHA held a public comment period from August 9, 2022 through August 23, 2022. We received one submitted public comment letter from OSPIRG. The public comment letter is included as Appendix A: Public Comment. The letter highlighted concerns with the increasing involvement of private equity firms in health care and the potential for negative impacts on quality of care and health outcomes. The letter also highlighted the lack of clarity in the notice of material change transaction and encouraged OHA to seek additional information. The letter recommended continued monitoring of transaction impacts, including the impacts of non-health care entities in the ownership and management of health care services.

Private equity involvement in health care can provide some benefits like efficiency, but that efficiency can come at the cost of lower quality care and worse health outcomes.

- OSPIRG

Conclusions

Based on preliminary review findings, **OHA approved the transaction on September 9, 2022.** See [Findings of Fact, Conclusions of Law, and Final Order in the Matter of the Proposed Material Change Transaction of SDB](#), dated September 9, 2022.

The transaction was approved, per ORS 415.501(6)(b), because OHA determined the transaction does not have the potential to have a negative impact on access to affordable health care in Oregon. Specifically, the transaction meets the following criteria:

- 1. The transaction is unlikely to substantially reduce access to affordable health care in Oregon.**
- 2. The transaction is not likely to substantially alter the delivery of health care in Oregon.**

These criteria are specified in administrative rules for the Health Care Market Oversight Program and are consistent with Oregon law. Below is a summary of the main reasons, based on the findings described in this report, why OHA considers each criterion satisfied.

Approval Criteria

The transaction is unlikely to substantially reduce access to affordable health care in Oregon.

The transaction represents a partial change in the indirect ownership of the DSO that provides business support services to a specialty dental practice in Oregon. The transaction will not increase consolidation in the market for dental support services or specialty dental services in Oregon. In the notice of material change transaction, SDB states that “[t]he transaction is not expected to have any negative impact on the price of or access to health care services within Oregon ...”

The transaction is not likely to substantially alter the delivery of health care in Oregon.

The transaction is not expected to alter the delivery of specialty dental services by the dental practice involved in the transaction. It does not change the ownership of the dental practice itself nor the types of support services the practice receives from SDB.

Post-Transaction Monitoring

As required by statute, OHA will conduct follow-up analyses one, two, and five years after the transaction is complete. OHA’s monitoring will assess whether the Entity keeps the commitments included in the notice, including commitments that the transaction will not affect Oregon residents’ equitable access to affordable, high-quality dental services. More broadly, OHA will monitor changes to cost, quality, access and equity, and may also assess other measures relevant to each domain.

As part of the required monitoring activities, OHA may request additional information from the Entities. OHA will publicly publish findings and conclusions from follow-up analyses.

Acronyms & Glossary

Acronyms & Abbreviations

APAC	Oregon's All Payer All Claims database
CMS	Centers for Medicare and Medicaid Services
DSO	Dental Support Organization
HCMO	Health Care Market Oversight
HPSA	Health Professional Shortage Area
LCG	Leon Capitol Group
OHA	Oregon Health Authority
OHP	Oregon Health Plan
PE	Private Equity
PSA	Primary Service Area
SDB	Specialty Dental Brands
TSG	TSG Consumer Partners

Glossary

Competition: A situation in a market in which firms or sellers independently strive to attract buyers for their products or services by varying prices, product characteristics, promotion strategies, and distribution channels.

Concentration: A measure of the degree of competition in the market; highly concentrated markets are generally characterized by a smaller number of firms and higher market shares for individual firms.

Consolidation: The combination of two or business units or companies into a single, larger organization. Consolidation may occur through a merger, acquisition, joint venture, affiliation agreement, etc.

Health equity: OHA defines health equity as follows:

Oregon will have established a health system that creates health equity when all people can reach their full health potential and well-being and are not disadvantaged by their race, ethnicity, language, disability, age, gender, gender identity, sexual orientation, social class, intersections among these communities or identities, or other socially determined circumstances. Achieving health equity requires the ongoing collaboration of all regions and sectors of the state, including tribal governments to address:

- The equitable distribution or redistribution of resources and power; and
- Recognizing, reconciling, and rectifying historical and contemporary injustices.

Appendix A: Public Comment

Public comments are also posted to the [HCMO website](#).



August 23, 2022

TO: Oregon's Health Care Mergers Oversight Program
FR: Maribeth Guarino, Oregon State Public Interest Research Group (OSPIRG)
RE: SDB

OSPIRG is a consumer advocacy organization with members across the state. We appreciate the opportunity to provide some brief comments on the transaction filed by SDB.

We have some concerns about this merger that are similar to concerns we have raised in previous merger transactions filed with this program regarding the increasing stake private equity firms have taken in the health care industry. Private equity involvement in health care can provide some benefits like efficiency, but that efficiency can come at the cost of lower quality care and worse health outcomes.¹ We would encourage continued monitoring of this transaction for any negative effects stemming from the transition of ownership to a private equity firm (TSG) and the involvement of so-called 'non-health care entities' in the ownership and management of health care services.

We would also ask that the state require or provide further clarity about the transaction. The filing references "LCG" as the company undergoing the change, but it is unclear what this company is and where it falls in the plethora of entities involved in this transaction. Without this clarification, it would be difficult to evaluate whether the transaction would have an effect on cost or quality of care. We do appreciate that the notice indicates that the current service agreements will not change as a result of the transaction, but believe that the continued monitoring of the transaction will be the most telling indication of that.

¹ Maanasa Kona, "Understanding the Role of Private Equity in the Health Care Sector. Georgetown Center on Health Insurance Reform," 21 June 2022. <https://chirblog.org/understanding-role-private-equity-health-care-sector/>

Appendix B: Dental Claims Analysis

OHA analyzed claims from 2017-2019 using the All Payer All Claims database. While we were able to identify claims for one provider associated with OR Specialty Dental, Willamette Valley Oral & Maxillofacial Surgery, we were only able to identify services paid by medical insurance (such as surgeries to treat cancer) and were not able to identify claims paid by dental insurance. There were no claims associated with Yenne & Schofield orthodontists. Because the data are incomplete, we do not have representative information about patients who received care from OR Specialty Dental providers.

Many of the services provided by OR Specialty Dental – including orthodontics, dental implants, and wisdom tooth extractions – often have high co-pay amounts, if they are covered at all. Coverage for these types of services is generally provided through dental insurance, rather than medical insurance. Since many patients pay for services out of pocket, without submitting a claim to their dental insurance, information about services provided by OR Specialty Dental may be missing from our APAC database. APAC only began collecting claims from dental carriers in 2019 and not all carriers submit data to the program, so orthodontic services that are covered may still be absent from our current view of the data, particularly this 2017 – 2019 period.

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