Corus Orthodontists: An OSO for changing times

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Dr. Paul Helpard, Founder and CEO of Corus Orthodontists, discusses the emerging Orthodontic Support Organization (OSO) landscape and its history. He shares his unexpected journey to create an alternative OSO model focused on nurturing and empowering the next generation of orthodontists to advance the specialty and focus on patient care.
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A brief history of orthodontic consolidation

The first attempts at orthodontic consolidation occurred in the 1990s with companies such as Orthodontic Centers of America (OCA), Apple Orthodontix, and OrthoAlliance.[1] OCA was the largest of the three, and by 2001 it had acquired its two major competitors. The OCA model developed by acquiring existing orthodontic offices in exchange for cash and stock and establishing de novo offices in underserved areas. Their reported strategy involved attracting and treating patients with simple malocclusions for fees significantly lower than the national average. They provided business services and marketing & advertising for their affiliate orthodontists and practices.[2]

After raising capital several times, OCA went public in 1994 and experienced rapid growth totaling 537 centers by the end of 1999.[3] It expanded internationally, added pediatric practices into its platform, and provided consulting support to general dental practices. Over time, OCAs financial performance did not meet market expectations, and its stock value began to decline at the turn of the millennium. By 2001, OCA was faced with numerous lawsuits throughout the US filed by more than 150 affiliate orthodontists, arising out of the company's loss of stock value, lack of true management supports, and poor relationships with their doctors. The orthodontists claimed that the company was not meeting its obligations under the management service agreements and that those agreements breached state dental practice laws. By early 2003, the courts sided with the doctors and invalidated their agreements.[4] This, combined with an overstatement of its patient receivables and other accounting inaccuracies, led to a 40% loss in trading value and the eventual delisting of its stock. By 2006, the company filed for Chapter 11 bankruptcy protection, and its chief financial officer was under indictment for accounting fraud.[5,6]

The undoing of OCA was a combination of aggressive growth, poor financial performance, inadequate management services, regulatory irregularities, weak relationships with affiliate doctors, and financial fraud.

Thankfully, the industry has evolved. DSOs and OSOs today are more durable, well-funded, and mindful of the importance of managing clinicians delivering patient care. Orthodontists and investors alike are more diligent about how they conduct business. And, although DSOs have been around for decades, they have continued to evolve, taking into account hard-learned lessons from the past.

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My story and the evolution of the modern OSO

I graduated from my orthodontic residency at the University of Iowa in 1996, at the peak of the first attempts at orthodontic consolidation. I watched with satisfaction as OCA failed, not really understanding why at the time but feeling that it was better for me and my solo practice. I have always been, and continue to be, a staunch supporter of the doctor-owned, traditional orthodontic practice.

My vision for the future of orthodontics started to change when several of my referring dentists sold their practices to large DSOs more than ten years ago. Seemingly overnight, I felt my business was at risk. Would those dentists I built relationships with continue to provide referrals, or would they move to in-house orthodontic services? At the time, as more and more GPs were acquired by corporate groups, I truthfully wasn't sure what the future would look like for my orthodontic practice.

In response, I studied the DSO space with skepticism for several years. Through my research, I came to understand that today's groups were different. They were a new breed of consolidators who developed business models that overcame the shortcomings of the originals. They treated their doctors well, they provided real supports to their practices, and their strong financial performance attracted investors.

Several years later, US and Canadian support organizations focused explicitly on orthodontics—Orthodontic Support Organizations (OSOs)—emerged onto the market. I was approached to join one of these groups in the early stages and ultimately decided not to proceed. I still had fundamental concerns with their models:

(1) These new consolidators were primarily financially driven and transferred the undervalued equity in our private practices into the hands of their investors. If equity was granted to the doctors, it was often in a dual-class structure with the doctor's shares having lesser value than the external investors.

(2) I questioned what the emergence of these groups would mean for the new graduate in orthodontics. Would they have the same opportunities for success that my generation had? The cost of orthodontic education is now at an all-time high, resulting in average debt levels of over $400,000.[7] At the same time, practice valuations are also at an all-time high with the increased demand from Corporate groups. These factors make it incredibly difficult for a young doctor to set up their own practice, or to buy a practice in the traditional sense.

(3) In many of these new models, the treating doctors were associates, paid a per diem, with no vested interest in the success of the practice. How would this impact the patient experience, continuity of care, and community involvement?

Even with these concerns, it was clear there were benefits to consolidation: world-class management support and systems to make practices more efficient and aid doctors in delivering care, the ability to compete on a larger scale with new entrants such as direct-to-consumer models, the ability to invest in innovation and lead the evolution of the specialty. My greater concern was that if there wasn't a solution to consolidation created within the specialty, by doctors with no outside influence, it would be imposed on the specialty, and we could all become like pharmacists, working for large chains with no relationships with our patients or our communities. Knowing consolidation in orthodontics was inevitable, I thought there had to be a better way to do this to create a net positive for our practices and our patients. If solo practice was behind door #1, and corporate behind door #2, there had to be a door #3.

I researched several alternative health care consolidation models and found one in the optometric space that appealed to my desire to create a different path of ownership for future generations of orthodontists which closely mirrored the traditional solo practice model and kept the patient at the core of the equation.

I wanted a structure that would stand the test of time, creating a sustainable business for generations of orthodontists and their patients. Corus formed in October of 2019 when a group of 18 doctors from 12 practices in the US and Canada came together as a partnership network, without an external private-equity investor—we were 100% doctor owned and financed.

How Corus is different

Corus was created as an alternate option for orthodontists—a third option, between the solo practice and the corporate practice, designed to safeguard our specialty and create meaningful opportunities for future generations of young doctors to be owners and leaders in their practices and to create wealth for themselves.

Our partnership model is built on three basic tenets that differentiate us from other OSOs in the market today. First, all principal doctors practicing in the network must be shareholders and all shares are of the same class with the same value, rights, and obligations. Second, Corus will always be a doctor-controlled organization. And lastly, every doctor owns a professional corporation at the practice level, which is the custodian of the patient records. This preserves the doctor-patient relationship in a form identical to a solo practice. In contrast, other consolidation models typically have a nominee dentist/orthodontist who holds custody of the patient records for all practices in a given jurisdiction, which opens the door for associates to come and go without transferring care.

As a shareholder, each of our doctors own a portion of our collective practices. This is key to our shared success. And every doctor-owner leverages that vested interest in driving excellence and growth across the organization, to increase value for themselves and their fellow doctor shareholders. They continue to be practice and community leaders, maintaining the culture and legacy they have built, earning variable compensation tied to practice performance versus a fixed salary. And their shareholdings grow as the network succeeds.

All of this ensures that the wealth that Corus creates remains primarily in the hands of our doctors and not outsider investors. And importantly, doctors have access to liquidity at any time during the course of their career through an internal trading market, while those wishing to invest further have the opportunity to do so. This unique partnership empowers doctors to live the lifestyle they want, generate meaningful income, plan for their future, and above all, enjoy an unobstructed ability to put the patient first.

We do expect at some point on our journey to take on a minority equity investor to bring further strategic expertise and additional external liquidity to the organization as needed. However, we will always remain majority doctor-owned to ensure the longevity of our practices, the patient experience, and quality of care.

What we look for in our doctor partners

All OSOs have their own formula for selecting partners and growing their networks. For some, it could be based on a combination of practice size, EBITDA, operational metrics, competitive landscape, geography, cultural fit, career stage, mindset, amongst others. At Corus, we follow a rigorous approach looking at many of these with a special focus on cultural fit, growth mindset and excellence in patient care.

Most important in Corus' decision to engage a potential new partner is ensuring alignment to our culture and values. A big part of that cultural fit is finding partners who are supportive leaders and put people and their patients first. In addition, they should want to be part of something bigger. Our partners are collaborators with a strong desire to share and learn from their peers and lead and strengthen their teams and practice performance.

We look for partners who care deeply about their patients. They have built equity in their brands and have strong connections to their patients and communities. This is evident across the Corus network through customer satisfaction surveys. Our group patient satisfaction score, measured by Net Promoter Score (NPS), is in the 80's-clearly indicating that our partners are delivering exceptional experiences. Ultimately, our partners strive to leave a legacy that they feel proud of.

From a financial perspective, our ideal practice has greater than $2M in collections and demonstrates strong EBITDA. However, size and profitability are considered in the context of an operational analysis. The location of the practice, the quality of the facility and equipment, operational metrics such as year over year changes in starts, production and collections are also important. Treatment efficiency metrics and patients beyond the estimated completion date are some of the measures that give insight into the quality of care.

We feel compelled to advance and preserve the specialty for our future orthodontists. As such, we welcome new and younger orthodontists with aspirations of ownership who are interested in learning from the top orthodontists in the industry. We place them in a two-year associateship and accelerate their training through a fellowship program, followed by ongoing mentorship and a long-term practice opportunity.

That young doctor then has the opportunity to buy into Corus and own shares that have all the same rights and obligations as every partner in the company. They join a practice and function like a solo practitioner with the full supports that we provide them.

As an organization, we believe deeply in the sentiment that "those who go together, go further". As such, those who join us become woven into of the fabric of a network where orthodontists and their teams truly share in each other's success.

What we offer our partners

OSOs provide supports to help practices run more efficiently and effectively with varying degrees of clinical autonomy. From patient flow optimization, recruiting new team members, upgrading to new technologies and innovations, to preferred vendor pricing, there are experts to help. And, OSOs have the advantage of using data from across the network to strengthen performance. At Corus, we provide customized supports, a strong collaborative community of like-minded orthodontists who work together to shape our network and long-term financial benefit.

When a new doctor-partner joins our team, we provide supports tailored specifically to their practice with the goal of empowering doctors and all team members to provide the highest-quality, patient-centered care.

Our home office team can help optimize clinic capacity, conduct competitive studies to ensure the practice is appropriately positioned in the market, support compensation and workforce planning, identify and recommend new technologies at preferred pricing, develop marketing plans, and so much more. Being a partner in Corus means having a team of specialized expert consultants to support the efficient operation of all components of your practice.

In addition to the management support, the value of being in a community of like-minded orthodontists cannot be understated. As partners who share in each other's success, everyone has a vested interest in their partners and team members' growth and development. In Corus, our partners have a network of doctors who are always willing to help. Whether for a second opinion on a difficult case, sharing their experience with a new treatment modality, or their learnings from a system implementation. We have doctor-led subcommittees to provide input and feedback on all projects—helping to shape our future.

Doctors are better able to minimize risk around the value of their equity by being a Corus partner as opposed to owning a solo practice. In solo practice, if something goes seriously wrong, everything could stop, including your income. We share all these risks together and support each other in the difficult times. Further you'll have the support of your partners to help you manage through any crisis. Whether an illness or personal emergency that takes a doctor away from the practice without warning, unplanned clinic staff turnover, or an unprecedented global event like the COVID-19 pandemic. We see this as one of our network's greatest strengths.

What we've created at Corus is a whole new way of practicing orthodontics. Yes, it's financially lucrative for our partners, but it's so much more than that. We are taking the best of traditional orthodontics and the best of corporate orthodontics and bringing them together into a new model that will be sustainable for all of us over the long term.

The future of the specialty and the OSO

The specialty of orthodontics has changed significantly over the past 25 years. What started as an esthetic revolution with the introduction of clear aligners in the late 1990's, led to a digital revolution in the diagnosis, treatment planning and delivery of care. This combined with new imaging and treatment techniques has enhanced the level of care to a point that Dr. Edward H. Angle, the father of the orthodontic specialty, could never have envisioned. Modern innovations are opening the door to more intelligent solutions that drive even better-quality outcomes for our patients. At Corus, we don't just want to be consolidators—we want to be leaders and innovators who play a pivotal role in the enduring growth of this amazing specialty.

As technology and the industry continue to evolve at a rapid pace, service organizations and solo practices alike are turning to these advancements to make practice operations more efficient. For example, the possibilities created by virtual treatment options not only reduces the need for in-person clinical visits, ultimately making treatment more convenient for the patient, but will lead to more profitability and improved production at the practice level by creating more doctor and chair time. We are now able to capture data points from across our entire network of practices to evaluate patient interactions, measure patient satisfaction, and accurately predict the cadence of clinical visits during treatment. Consolidators have a clear advantage in this space over the solo practitioner with access to more technical resources, management expertise, and funding.

It doesn't appear that the current form of orthodontic consolidation will fail like the originals. These modern OSO models are becoming a very real and viable option for orthodontists at every stage of their career. There is no one size fits all solution, and if you are a young doctor who wants the experience of buying or setting up a practice, then I encourage you to do that. In fact, many of the orthodontists who join Corus and similar OSOs are people who started on their own, got to a plateau and decided to partner with us to take their practice to the next level.

Regardless of your career stage, if you're considering an OSO as an option, my advice is this-do your research. Reach out to people in your network and spend time understanding the landscape and your options. Speak with doctors in the various organizations you're investigating. Have a conversation with each organization and ask the hard questions, particularly who makes the decisions and why. Share with them your business challenges, lifestyle needs, short and long-term goals. Get a feel for their culture, values, and economics. This will likely be the most important decision an orthodontist will make in their career.

I believe that our industry has room for everyone to continue to succeed and grow—whether traditional practice models, PE-backed corporate groups, or the alternative partnership-driven models like Corus. Not every model will be the right fit for every doctor, so it's ultimately essential for doctors to have the flexibility and choice to practice how they want. In the end, all of us are in this for our patients and to create beautiful smiles. And if we collectively keep that at the forefront, our specialty will thrive.

[1]Source-Colao BA. Now and Then – An Analysis of Current and Past DSO Models [editorial]. Group Dentistry Now, January 20, 2016

[2]Source-Orthodontic Centers of America Inc. Form 10-K, Fiscal Year Ended December 31, 2003. United States SEC, Commission File No.: 001-13457, Washington, D.C., 2004.

[3]Source-Orthodontic Centers of America, Inc. In: Tina Grant, editor: International Directory of Company Histories, Vol. 35: St. James Press, 2001:p323

[4]Source-File No. 3-12533, Order Instituting Proceedings, Making Findings, and Revoking Registration of the Securities Pursuant to Section 12(j) of the Securities Exchange Act of 1934 in the Matter of OCA, Inc. (Respondent). Release No. 55093, January 12, 2007

[5]Source-Complaint for Injunctive and Other Relief. Case 2:08-cv-00905-ILRL-SS. Securities and Exchange Commission (Plaintiff) v. Bartholomew F. Palmisano, Jr. (Defendant): Unites States District Court of Eastern District of Louisiana, filed February 07, 2008

[6]Source-Albright M. Former Orthodontic Centers of America Exec Charged With Falsifying Books [editorial]. In: The Times-Picayune, May 28, 2010, June 25, 2019

[7]Source-Student Loan Debt for 2008-2017 Orthodontic Graduates. American Association of Orthodontists 2017 Orthodontic Workforce Report, 2018:p25.