

Orthodontic Partners: Emerging Orthodontic Service Organization to Watch

An Interview with Dr. Jeff Kozlowski, Dr. Jamie Reynolds, and Dr. David Sarver

At Bentson Copple & Associates, LLC we take interest in DSOs and other, national orthodontic platforms. One organization that we have followed for the better of two years is the formation of Orthodontic Partners, a national organization with a singular focus on partnering with orthodontic practices. We had a chance to get to know their private-equity partners as they looked into the orthodontic space and our team has known their Founding Doctors, Dr. Jeff Kozlowski, Dr. Jamie Reynolds, and Dr. David Sarver who has joined them as Founding Partner and Clinical Director, for many years.

As the company formed and built a management team, we also had the opportunity to get to know the CEO, Chip Hurlburt. Our goal in the *Bentson Copple reSource* is to offer education, and we think this interview with founding partners of Orthodontic Partners is one that will inform you, not only about them but how Orthodontic Service Organizations (OSOs) like Orthodontic Partners will be offering alternatives to orthodontists of all phases of their practice lifecycle.

Q: Jeff & Jamie, tell us the Orthodontic Partners story from a founder's perspective.

A: We founded Orthodontic Partners in response to several trends or disruptive forces. The first is economic. As the average practice has grown larger and the cost of an orthodontic education grown more expensive, it's harder for younger associates to fund the acquisition of a practice. This presents a particular challenge when it comes to larger practices like ours. The second factor is competitive: traditional referral sources are increasingly keeping their orthodontic referrals in-house. That means it is increasingly important to reach the consumer directly. The third factor is one Jamie and Jeff well aware of as co-founders of OrthoFi - the importance of responding to the changing needs of the customer, such as more flexible payment terms.

Through our work with OrthoFi, we were aware of the attention that the orthodontic community was attracting from the investment community. The key for us was finding a CEO and investment partner who shared our vision for building a different type of organization: one that is focused on responding to the needs of the market, but which would also offer a unique value proposition to the partner orthodontist or prospective new associate.

Q: David, what motivated you to join with Jamie and Jeff in this new organization, and what role do you see Orthodontic Partners playing in the future of the profession?

A: The practice of orthodontics has become more complex and more competitive over the years, and the landscape of the profession today looks quite different from when I began in

private practice 35 years ago. Not only has treatment evolved, but the business side of orthodontics has become both more important and more challenging.

We are creating a group where high-quality patient care is the center of our mission, and doctors are encouraged to share ideas and best practices - to help all who are involved grow as practitioners. At the same time, helping orthodontists with the "business side" is crucial to allowing doctors whose primary focus is providing high-quality care to compete in the evolving orthodontic landscape. We are working to build a different kind of orthodontic service organization - one that provides the benefits of being part of a large organization while allowing the doctor to maintain many aspects of private practice, with the most crucial being autonomy over patient care and the choices made in the clinic. We hope by building Orthodontic Partners, we can secure the future of the profession by maintaining high-quality patient care and experience and contributing to future innovation through collaboration among some of the profession's leading practitioners.

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Q: Jeff & Jamie, how has it gone so far?

A: It's been exciting. While each of our practices has been serving patients for years, Orthodontic Partners is essentially a fast-growth startup. So, not only are we still involved with each of our respective practices, but also with establishing best practices at Orthodontic Partners, building the infrastructure for the new organization, and making time to discuss partnership opportunities with interested doctors across the country.

We've already built a central service team led by our CEO, Chip Hurlburt, who brings a wealth of experience operating fast-growth, mission-oriented businesses. Chip's last business had over 5,000 employees with operations in eight states serving nearly 60,000 people each year.

Q: Jeff & Jamie, what are the main benefits of Orthodontic Partners for the orthodontic practitioner and the orthodontic patient?

A: We believe that Orthodontic Partners offers a better choice for the practitioner who sees the dynamic changes impacting our profession and is open to a different partnership opportunity. Our vision is to enable partner doctors to retain the feel of private practice while experiencing the benefits of participating with a larger, group practice. The key to this vision is flexibility for our partner doctors and their teams.

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First and foremost, we see joining Orthodontic Partners as an investment by the doctor in his or her practice. All doctors joining with Orthodontic Partners will continue to use their practice name and brand. Partner doctors also retain the clinical autonomy to practice in the manner they

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choose, while becoming part of an organization dedicated to quality care for patients and remaining a great place for their teams to work. Our vision is to create an orthodontist-led organization made up of some of the best and brightest minds from within our profession. We like to think of this as a Super-Study Group with partners who are equally invested in our clinical and business success.

Flexibility is the word that embodies our approach to each practice transition. We don't have a "one size fits all" approach. Instead, our approach is customized based on each doctor's goals and desires.

Regardless of career status, joining with Orthodontic Partners allows doctors to capitalize on the investment in their practice in a few ways. Partner doctors can take some chips off the table by selling their practice and becoming part of Orthodontic Partners. These doctors can then choose to receive their upfront proceeds in cash or invest a portion of their proceeds in the equity of Orthodontic Partners and, as the group grows over time, reap the financial benefits of this investment.

From a patient perspective, a key benefit of joining with Orthodontic Partners is the effort we put in place to enhance patient care and improve customer service. All of these initiatives stem from shared best practices with multiple, high-performing offices, as well as the collective experience of the Orthodontic Partners leadership team.

Q: Jeff and Jamie, is there a particular type of practice that will benefit most from joining Orthodontic Partners?

A: We've found that Orthodontic Partners resonates with doctors at various stages of their professional careers. Some mid-career doctors find themselves struggling with the inevitable strains associated with rapid growth. Here, the partnership can be helpful in managing the impact of growth on the clinical side of the business side of the practice. In these situations, Orthodontic Partners can help with systems to ease the burden associated with growth. Perhaps that involves offloading some of the more mundane aspects of practice operations. It could be leveraging our centralized marketing resources - or it may involve assisting with human resources or training. One big positive is the opportunity to offer a wider

range of benefits offerings including multiple health insurance plans and comprehensive 401K to all the team members in your office.

For other doctors, particularly those later in their careers, the focus may be on ensuring a smooth practice transition, identifying, and onboarding a new associate, and integrating the associate into the practice. Most recently, much of the focus has been on helping our practices respond to the changes and challenges brought about by COVID-19.

We also feel very strongly that Orthodontic Partners should serve as a model for the Orthodontic Service Organization (OSO) of the future. In that regard, it's vitally important that our partner practices offer development opportunities for younger associates who are early in their careers. We seek to provide training around best practices developed at Orthodontic Partner offices and offer associates an opportunity for meaningful full-time employment with career development and a financial upside.

Q: Jeff & Jamie, is Orthodontic Partners focused on a specific geography of the country?

A: Our aspiration for Orthodontic Partners is to build an enduring organization with a national reach. To us, that begins with finding the right partners who share our vision for being part of a world-class organization. We're having conversations across the country. We're also seeking to add practices in proximity to our existing locations and in proximity to some of our newly added practice locations.

Q: Jeff & Jamie, you're using private equity backing to help fund the company. Can you tell us about your near and long term strategy and why you went this route?

A: Our decision to partner with a private equity firm was informed, in part, by our experience as co-founders of OrthoFi where we didn't have a partner in the early years. We've come to appreciate the wisdom associated with having the right equity partner. Funding, while important, was a secondary consideration.

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Over the last few years, we've talked with quite a few private equity firms. We selected FFL Partners because of their experience in the healthcare space and their shared vision to build an enduring, best-in-class organization.

The team at FFL Partners also impressed us with their track record of working with partner doctors in a variety of healthcare fields from general and pediatric dentistry to

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ophthalmology, optometry, urgent care, and behavioral health. In short, they are experienced. But, beyond that, they also have scale. They are investing out of their fourth fund and it's a \$2 billion fund. That experience spans start-ups and larger healthcare businesses. The FFL team felt like the right partner not just for the next two-to-three years but the next five, seven or even 10 years.

It probably comes as no surprise that building an OSO takes significant financial resources and this is certainly an important consideration in partnering with a private equity firm. However, from experience, we can tell you that an often-overlooked resource in building a business is its track record. The right partners are invaluable in responding to - and also avoiding - the inevitable bumps associated with building a new business.

We are confident that FFL brings us the right mix of size, resources, and experience to help us turn our vision into a reality. It's that expertise coupled with the track record of our CEO and leadership team plus our own experiences with OrthoFi that we think will prove invaluable.


Q: Jeff & Jamie, what can we expect from Orthodontic Partners in 2020 and during the next decade?

A: We look forward to partnering with premier orthodontists and practices across the country and continue to develop our best practices - which will evolve as we add doctors with different areas of clinical focus and expertise. David will be serving as our Clinical Director and Chair of our Clinical Advisory Board. We plan to tap into the expertise of a wide range of influential clinicians in developing our Advisory Board composed of some of the best and brightest in our field representing a wide range of expertise.

We also look forward to building clinical-supplier alliances from across the orthodontic industry including those around braces (both twin and self-ligation), clear aligner therapies, sleep apnea, digital orthodontics, 3D-printing, Class 2/3 correction, and others. We do not believe the

clinical evolution of orthodontics is close to finished, and we look forward to partnering with some of the world's best practitioners to build a clinical advisory and education platform that helps propel the specialty forward.

Q: Jeff & Jamie, anything else you'd like the readers of the *Bentson Copple reSource* to know about Orthodontic Partners or the orthodontic market in general?

A: We believe that the future for the profession is bright, but the next decade will undoubtedly look different from the last. Consolidation is coming to our profession. There are a number of external challenges facing the profession today that are very different than those encountered in the past. Orthodontic Partners represents a very focused effort to offer an alternative to help secure the future of our profession. We think we have created a more flexible organization for every stage of one's professional career. We're really excited to be laying the groundwork for what we believe will be an enduring model of practice both now and well into the future. 

*Dr. Dr. Jeff Kozlowski and Dr. Jamie Reynolds are among the nation's leading voices and lecturers on clinical efficiency and accelerated orthodontics. They are co-founders of OrthoFi, which has dedicated itself to making cutting-edge orthodontic treatments more affordable for consumers. Dr. Kozlowski is a practicing orthodontist and the founder of Kozlowski Orthodontics with three locations in Southeastern Connecticut. Dr. Reynolds is a practicing orthodontist with Spillane & Reynolds Orthodontics with four locations in metropolitan Detroit. Drs. Reynolds and Kozlowski founded Orthodontic Partners to meet the needs of practitioners seeking an orthodontist-centered service organization amid changing times. Dr. David Sarver is an accomplished author who has worked to advance both the art and science of orthodontics. Widely respected for his book, *Esthetic Orthodontics and Orthognathic Surgery*, he has also co-authored the surgical text *Contemporary Treatment of Dentofacial Deformity* with Dr. Proffit and Dr. White, and co-authored the 4th and 5th editions of Proffit's classic textbook, *Contemporary Orthodontics*. His most recent book is *Dentofacial Esthetics: From Macro to Micro*. He has given more than 400 professional presentations worldwide, and is a practicing orthodontist in Birmingham, Alabama. For more information about Orthodontic Partners, please contact Wylan Simpson, VP Partner Development, at wylan.simpson@orthodonticpartners.com or 616-737-9407.*