



## Episode 107: Integration Over Aggregation in Oral Surgery, With Trevor Maurer

### Episode Summary

“For us to invest in a business and not improve it doesn’t make sense as an investment,” says [Trevor Maurer](#), CEO of OMS360, a Shore Capital-backed dental platform specializing in oral surgery. In this conversation with McGuireWoods partner and host [Geoff Cockrell](#), Trevor explains how OMS360 invests and improves its partners’ practices through its operating system, which optimizes the patient journey through time and motion studies.

Observing that “the days of rack-and-stack are over,” Trevor emphasizes the importance of integration over aggregation. “If you can really integrate and create synergies, driving better patient outcomes and performances,” he says, “investors will want to be a part of your business.”

### Transcript

Voice over (00:00):

This is the Corner Series, a McGuireWoods Series exploring business and legal issues prevalent in today's private equity industry. Tune in with McGuireWoods partner Geoff Cockrell as he and specialists share real-world insight to help enhance your knowledge.

Geoff Cockrell (00:19):

Thank you for joining another episode of the Corner Series. I'm your host, Geoff Cockrell. Here at the Corner series, we try to bring together deal makers and thought leaders at the intersection of healthcare and private equity.

(00:31):

Today, I'm joined by Trevor Maurer from OMS360, which is a Shore Capital-backed dental platform. Trevor's the CEO of OMS360. Trevor, if you could give an introduction of yourself and then we can jump into some discussion.

Trevor Maurer (00:46):

Sure. Geoff, thanks for the invitation and hosting and thanks for the accurate pronunciation of my last name. You nailed it.

Geoff Cockrell (00:53):

Perfect.

Trevor Maurer (00:53):

So my background, Canadian by birth and education, and then spent my early career in large companies, healthcare businesses at Procter & Gamble and Novartis. And then in '96 I came down here to Atlanta to see the Olympics and just decided I really needed to move here, moved into Novartis Medical Device marketing and then really never looked back. Spent the remainder of my career in multi-site healthcare in terms of optometry, general dentistry, most recently and currently oral surgery in the US, and so I've been in healthcare, hate to say it, over 30 years.

Geoff Cockrell (01:32):

It's great to have you join. Trevor, there's been a lot of consolidation in the dental arena in general. If you think of investing in healthcare, the policy aims of the country, we're wanting to have greater access, we're wanting to improve outcomes, we're wanting to control system costs. We're also wanting to improve patient experience, improve provider experience. When you think of OMS360, where in that arena of goals do you see your competitive advantage and how do you get there?

Trevor Maurer (02:05):

Jumping right into it, I would see our competitive advantages are overwhelming focus on patient care. Everything we do supports that, which takes care of the rest. Even in terms of, we'll talk a little bit of alignment and staff motivation and compensation, and as you think about those things, if you start with the patient at the center, the financials will come if you do it right.

(02:27):

So it's maybe a rudimentary way to say it, but in terms of if you think about a patient at oral surgery practice, nobody really wants to be there. Typically, they're there because they have to be. There's other things that have failed along the way. So they want great outcome, they want safety, they want speed, and they want it all yesterday.

(02:50):

So the patient experience, we took a really deep look at what that journey looked like in our partner's practices, and literally time and motion studies in terms of value added, non-value added time. And when our surgeon partners were practicing at the top of their license or using their license at all, versus some other mid-level work that could be done in the practices.

(03:11):

And we developed this staffing model in this 360 operating system coined after our name, OMS360, that through following the patient journey and spending time and motion studies on team and surgeons, we've been able to optimize that patient experience to get them the best result in the shortest amount of time for the patient in the safest way possible.

Geoff Cockrell (03:30):

And when you're out talking to candidate practices that might be a tuck in acquisition or you're going to affiliate with, how different is what you do versus what they were doing? What kind of improvement levels do you guys bring to the table in that search?

Trevor Maurer (03:46):

A lot of different ways to measure that. The easiest way probably to understand is the end financial outcome and our practices on average grow low to mid 20% organically a year. And that's just through different staffing models that support the doctor better. It could be maybe use of more operatories and certainly more utilization of team around the surgeon.

(04:10):

And it's interesting because when you start talking that way to people early in the process, some just opt out. That's not what they're looking for. They're looking for someone to come and say, "Hey, listen, we're going to buy your practice. You're not going to change a thing and it's going to be amazing."

(04:24):

That's not our messaging at all. We're going to change a number of things, but we're going to agree together on what those levers are, what those value creation levers are. But for us to invest in a business and not improve it, it doesn't make sense as an investment. You wouldn't imagine going to public markets looking for a stock that doesn't have a growth or some sort of improvement plan in the business. I think that transparency has really helped us.

Geoff Cockrell (04:46):

Your reputation in the market is certainly consistent with that, and I definitely, and I've done scads and scads of dental-related deals and your descriptor of not changing things at a local practice, there's certainly that model out there. I've not seen recently that model really be the winning one. It's hard to create a unified culture, unified systems, without really implementing your imprint on the business in a much more direct way.

Trevor Maurer (05:17):

Geoff, I'm sure you've spent a lot of time talking about this, but we talk a lot about integration versus aggregation. I think we'd agree in the days of rack and stack are over. There's not a lot of value

creation built in just cobbling together a bunch of disparate businesses. But if you can really integrate and you can really drive synergy and you can drive better patient outcomes and better performance, then it's a great business that people want to invest in and be a part of.

Geoff Cockrell (05:42):

So Trevor, if the data is correct that the overall dental industry in the United States is not growing meaningfully, it might be shifting around but it's not overall growing, is that also true for oral surgery as a subsector within it or is that subsector actually growing?

Trevor Maurer (06:00):

Geoff, I think the most frustrating thing for me about coming out of some of my earlier career posts at Procter & Gamble and Avartis for data was everywhere and bountiful and accurate, is I just don't generally believe a lot of data in dentistry. So you have to get it from a lot of sources, but cobbling together all those sources. I'd agree with you.

(06:14):

Obviously dentistry is pretty flat, but oral surgery is growing low single digits. I'd say two to five, three to five range, depends on who you believe. And so I'd say oral surgery is growing a little faster than general dentistry, but not fast enough to satisfy investors to not do anything to the business and just be happy with that rate of growth.

Geoff Cockrell (06:33):

How do you guys think about the relationship of an oral surgery practice to general dentistry? There's a model that would pull both of those under one house, so you have the general dentist and they're referring into your oral surgery part of the business. The contrary view is that you want to maintain the referral patterns inbound and to bring general into oral surgery into a single business is counterproductive. How do you think about that question?

Trevor Maurer (07:01):

I think about it a lot. So when we started this as a single specialty oral surgery company, there's a lot of questions in pressure from whether it's sellers or brokers or industry experts that you got to be multi-specialty and you got to be GP as well, and you got to bring them all together in this ecosystem. And I just haven't seen that be as effective as choice and competing for the business.

(07:22):

The referrals are a huge part of our business. It's by far the biggest piece of our business. We invest heavily in it. It's really important to serve the referrals in a bunch of different ways, and I think it could be too limiting for me to view multi-specialty or GP and oral surgery rolled up together for us in the way we do our business to make sense.

Geoff Cockrell (07:44):

What about the size and open space question? Meaning general dentistry is huge, it's been consolidating for a long time and still has a lot of unconsolidated parts of it. Oral surgery is obviously smaller. How consolidated is oral surgery, or do you see a lot of open space to grow and continue consolidating?

Trevor Maurer (08:07):

It's consolidating quickly, so it's not at the level of general dentistry yet, but it won't take long to get there. As you said, it's a lot smaller, obviously. Again, back to data, there's 6,500 to 9,000 oral surgery practices in the US and obviously way more than that in general dentistry. Count the numbers, 150,000 general dentists, maybe I would say it's also reasonably biased.

(08:26):

The Southeast in oral surgery is low 20% consolidated in our view, whereas maybe the entire nation is high teens. And I don't know what dentistry figures you're using, I'm seeing that in the 35 to 45% range. What are you seeing for general dentistry consolidation?

Geoff Cockrell (08:42):

Yeah, the numbers to your earlier point, you hear all sorts of numbers that hard to know what is based in reality and what's not, but that's about what I've heard as well.

Trevor Maurer (08:51):

Yeah, I think we're approaching 60% the penetration of group practices and oral surgery relative to general dentistry, but I think specialty-specific oral surgery is growing faster. It's catching up faster for sure.

Geoff Cockrell (09:03):

When you think about alignment with your providers, if you were to put in rank order what the providers are most interested in, what would you name as one, two and three?

Trevor Maurer (09:15):

Well, I hope we've got it right. We have four that we focus on people, quality, delivery and finance. So I hope that's really important. Our providers, when they partner, they're really excited about the 360 operating system and our six phases of the patient journey and how we can prove the practice and the experience that their patients get and the experience that their referrals get.

(09:34):

They're very, very concerned about their team, because typically they've got a loyal staff that's been there for a while. They don't want to make changes, but they want to make changes, so it's difficult. Obviously change is hard, hard to do effectively, and some people don't want to even at the team

level at the practice, even if the partner surgeon's on board. So I think in terms of alignment, there has to be cultural alignment.

(09:58):

So what are our values? It has to align. Ours have to be teamwork, integrity, growth orientation, excellence and respect. Growth orientation is one that people like to double-click on, because other ones seem pretty simple. What does growth orientation mean? And that's where people either self-select or lean in and get more excited about it.

(10:15):

And the team is typically less aligned on the growth piece because what they hear is, "I have to work harder and do more hours," when that's not necessarily the case, but they typically come into the conversation later. The other alignment that obviously is really important is economic alignment. I think one of the things that short capital does is our sponsor.

(10:31):

In their businesses, they have excellent economic alignment between those, a partner with us, versus we could do, for instance, higher cash deals with less stock for the partners. But then as we recapitalize the business, those partners wouldn't do as well and wouldn't be as aligned. In fact, Justin Ishbia, the founder of Shore, tells a story that he'll get some ribbing so to speak, that loses a lot of money, because the doctor-partners in a businesses have so much equity participation. But that's what he thinks drives the alignment in terms of performance of the businesses.

Geoff Cockrell (11:02):

And the alignment from an equity perspective, there's different schools of thought on how to go about that, whether it's kind of more of a local JV model, which does usually two things. One is it connects them at an owner level much closer to the level of business that they can actually directly improve its performance. It also tends to, those local JV equity models tend to cash flow at that level through the ownership, as opposed to merely second bites at the apple.

(11:32):

Other folks philosophically think everything should be at the top, but those often don't cash flow, because cash flows ultimately used for enterprise level debt. How do you think about where to lodge some of that alignment?

Trevor Maurer (11:45):

That's a great question, and we studied that from every angle. There's really good data to suggest that practices with local JV interests outperform those that don't. So I believe it. I don't have the data firsthand. We don't JV here at OMS360, but I believe that data in other businesses.

(12:04):



As we look at the data, the JV model selfishly for me personally as an investor would be better economically for me. Two reasons, the local practice tends to outperform, and if you look at the value growth in the parent company, equity typically outpaces the local, because you have to have a buyer for local in terms of how that rides across at a recapitalization event. And so I'm selfishly a proponent of JV at the local level because the practice outperform in the parent company equity becomes worth more.

(12:32):

I have to be careful I say this, because a lot of people I respect that run JV businesses, but I think it could be not as good for the seller or the partnering doctor, economically if they believe in the parent company equity. And that's the other big debate we could have for three hours.

Geoff Cockrell (12:44):

And there's been mixed levels of success on parent level equity. The parent level equity always has the potential of turning into an outright zero in ways that the JV is harder to envision that exactly happening. But for sure, there's a lot of different schools of thought.

Trevor Maurer (13:03):

It depends upon your thought bubble. I'm sure a lot about Shore Capital. They've never failed an investment. So they have really great track record and I've been involved with them for a while in other business as well in Southern Orthodontic Partners. And so with that as my baseline in that 86 or so companies that sure has participated in starting now, obviously I'm very supportive of parent company equity.

Geoff Cockrell (13:26):

How do you think about the other end of the market? It's always a bit of a conundrum in healthcare, certainly a conundrum in dental, maybe less so in what happens with some of the really big platforms. Can they continue growing and doing what they do forever or who buys them and what are their expectations? How do you think about that end of the market as you guys are growing and are eventually likely going to be a sale candidates? Where's the big end of the market headed?

Trevor Maurer (13:56):

Yeah, I love that. That's a campfire bourbon question for sure. So, if we can, we visualize that discussion. There's still a lot of runway, but if you look at consolidation in other markets, I mean the consolidators will start consolidating the consolidators, and you've already seen that in general dentistry to some extent. Sorry.

(14:13):

So I think you're going to start to see that in specialty, I guess you saw it recently with Smile Doctors acquisition of another sizable group. I think that's going to continue, the best outcomes for the doctor-partners and the investors in earlier stage companies like ours, like OMS360, I think we're still better

off going to another financial versus a strategic on the next bite, but you get two, three bites down the road. You can see why a strategic partner would make sense.

(14:40):

And then ultimately, do you have to go public? That's the question for the big brands is where are they going to get capital big enough? Thankfully they've had success in the private equity markets, but I think you're going to start to see back what we saw in the early DSOs when they probably went public too early. But I think you're going to see that more.

Geoff Cockrell (14:56):

So Trevor, in the current environment for private equity investing in healthcare, there's a lot of blow back against private equity. And to me, in the companies that I know, I think the blowback is misplaced in the sense that I do think that private equity with the capital that it brings and more formal systems can really improve the things that society is interested in.

(15:21):

When I'm having conversations with folks, I always want to hear a little bit of their explanation of how you all are doing good in the world and the improvements that you're making, whether that is in outcomes or excellence or the way you were framing it earlier, but this is your moment for the private equity commercial. What's the impact?

Trevor Maurer (15:41):

Yeah, I've always been bewildered by the public's view that private equity investing in healthcare is bad for healthcare, and I wonder what's driving it or what bill's trying to get passed or that lobbying, where that's coming from. Because anything that I've been involved with, I've always been impressed. Again, it depends on the ecosystem you're in.

(15:58):

There are 14,000 private equity funds in the US. I don't know them all, not even close, nobody does. But the ones I've been involved with have all tried to have a thesis of improving the business, and the best way to improve a business is to improve the patient experience. Or if you're in retail, the consumer experience, you want to drive a better experience to have a better business. And so along those lines, it's hard for me to understand how that could be viewed as bad for the public.

Geoff Cockrell (16:26):

I totally agree. And the one area where I can see it is a dynamic that's very rarely present. It is possible to really aggregate market power in certain instances, and whenever someone's able to aggregate market power, there's the ability to misuse that market power. I just also find it very, very difficult in most businesses to ever acquire that kind of market power.

(16:51):



So whenever there's bad actor examples, whether that's health systems or private equity backed provider businesses, they tend to be very narrow ideas where that company was able to actually acquire really, really heavy market power. And that just doesn't happen very often.

Trevor Maurer (17:11):

Yeah, I mean, I guess you could liken it to the Walmart takeover of rural America, when the supermarkets came in and shut down small local stores. But Walmart did really well.

Geoff Cockrell (17:20):

Walmart did really well. So Trevor, there's certainly a vibe in certain corners of independent dentistry that view private equity as ending their industry. What would you say to them?

Trevor Maurer (17:35):

I would say, well, first of all, I respect everybody's choice. You should do exactly what you want to do as long as it's safe, ethical, and legal, but learn about it. I think there is a decent amount of uneducated view guidance, vile dislike towards large group practices or DSOs or whatever you want to call the space with a general lack of knowledge or willingness to listen. As recently as three years ago, I would meet with residents and they would have a vile response to we're destroying the industry.

(18:13):

They went to residency years ago expecting one type of an industry when they graduated, and now it's completely different. We're taking their future and a lot of negative and animosity, and now we have those discussions, and the majority of graduating residents are excited about working for a large group, because there's mentorship, there's a faster, more clear path to ownership and partnership.

(18:38):

They are now willing to listen to both sides, and there's good and bad tales on both sides, but there's just as many stories about a resident going to a private practice and not getting the partnership track at all or anything near what they thought they wanted with an independent practitioner, versus something bad that maybe happened when they went to large group practice. So I think what's happened at the residency level, however it happened, I think it primarily happened because of groups like ours spent time educating those residents.

(19:09):

There's a few proactive future thinking residency directors that encourage those visits, and they actually make it part of the curriculum because these are smart evidence-based learners, and they're going to get to the right information. And I think for a few years, it was shielded. So I would just say have a listen, take a look, think through the benefits from both sides and the drawbacks from both sides, and be open-minded about it, and you'd be amazed what you could learn, pro and con.

Geoff Cockrell (19:35):

On that. Trevor, I think we'll call this a wrap. It's been super interesting to talk to you and really appreciate you joining.

Trevor Maurer (19:42):

Thank you, Geoff. It's great to talk to you. Appreciate your time.

Voice over (19:47):

Thank you for joining us on this installment of the Corner Series. To learn more about today's discussion, please email host Geoff Cockrell at [gcockrell@mcguirewoods.com](mailto:gcockrell@mcguirewoods.com). We look forward to hearing from you. This series was recorded and is being made available by McGuireWoods for informational purposes only.

(20:05):

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