The rise of DSO – California's stand against corporate interference in dental practice relevance to South Africa

SADJ JUNE 2026, Vol. 81 No.5 P302-P303

Mr KC Makhubele – CEO, South African Dental Association

The rise of Dental Service Organisations (DSOs) in South Africa is fundamentally altering the landscape of oral healthcare delivery. What began as a trickle of corporate interest in private practices is growing into a significant wave, with DSOs now controlling an increasing share of the dental market. This transformation raises profound questions about professional autonomy, clinical decision-making, and the future of dentist-patient relationships in our country.

Against this backdrop, a recent legislative development in California deserves our close attention. Senate Bill 351, which took effect on January 1, 2026, represents one of the most comprehensive attempts by the American government to limit corporate interference in medical and dental practice . For South African dentists watching the steady consolidation of corporate dentistry, this law offers both a warning and a potential roadmap.

What California's SB 351 actually does

The California law targets Hedge Fund and Private Equity Group (HFPEG) owners of dental pra ctices with remarkable specificity. It prohibits these corporate entities from interfering with the professional judgment of dentists in making healthcare decisions. More concretely, it bars them from:

- Determining what diagnostic tests are appropriate for a particular condition
- Interfering with referrals or consultations with other practitioners
- Dictating treatment options available to patients
- Setting quotas for how many patients a dentist must see or how many hours they must work

The law also strips corporate owners of control over patient medical records, it prevents them from hiring or firing clinical staff based on competency, and removes their authority over coding, billing, and the selection of medical equipment and supplies.

Perhaps most significantly for employed dentists, SB 351 voids any contract clauses that would prevent a departing practitioner from competing with the practice or from speaking out about quality of care, ethical challenges, or revenue-increasing strategies employed by the corporate owner.

The South African context: DSOs on the rise

The relevance of California's move to South African dentists lies in the parallel trajectory of our own dental market. DSOs are expanding rapidly across South Africa, acquiring established practices and employing growing numbers of recent graduates. The model is familiar: corporate entities handle administration, marketing, and supply chain management while dentists focus on clinical care – at least in theory.

In practice, some South African dentists employed by DSOs are reporting concerns remarkably similar to those that prompted California's legislation. Productivity pressures, restrictions on referral patterns, limitations on treatment options based on cost considerations, and corporate oversight of coding and billing decisions have become recurring themes in professional conversations.

The fundamental tension is structural. DSOs, by their nature, answer to investors seeking returns. Dentists, by training and ethical obligation, answer to patients seeking care. When these interests align, the model works beautifully. When they diverge, the dentist's professional judgment should prevail – but the corporate structure does not always make that outcome automatic.

Could South Africa follow suit on the Californian example – A pre-emptive necessity.

The question for our profession is whether South Africa might someday adopt similar protective legislation. The answer depends on several factors.

First, there is the matter of existing law. South Africa's Health Professions Act of 1974 establishes the Health Professions Council of South Africa (HPCSA) and provides for control over the training, registration, and practices of health practitioners. However, the Act predates the modern DSO phenomenon and does not specifically address corporate ownership structures or the division of authority between clinical and business decision-makers.

Second, there is the question of regulatory appetite. California's SB 351 emerged from years of growing concern about private equity influence in healthcare, culminating in bipartisan legislative action. South Africa has not yet reached that tipping point, but the continued expansion of DSOs suggests we may be moving in that direction.

Third, there is the matter of enforcement mechanisms. California's law empowers the Attorney General to seek injunctive relief and recover attorneys' fees for violations. Any South African equivalent would require clear enforcement pathways and meaningful penalties to be effective.

What South African dentists should watch for

For SADA members, several developments bear watching:

Contract provisions: The specific clauses that SB 351 targets – non-compete agreements, non-disparagement clauses, and provisions that cede clinical authority to corporate entities – are already present in many South African DSO employment contracts, in one form or the other. Members should review their own agreements with these concerns in mind.

Regulatory signals: The HPCSA's stance on corporate practice of dentistry will be crucial. In recent years, some confusion arose within the healthcare sector regarding the Health Professions Council of South Africa (HPCSA) position on corporate ownership of healthcare practices. This followed amendments to the Ethical Rules of Conduct published in 2023, which introduced broader provisions for collaboration and multidisciplinary practice models. These changes led some stakeholders to interpret that corporate entities might now be able to own or employ practitioners within healthcare practices.

The HPCSA subsequently clarified that this was **not the case.** Through its Business Practices Policy and related communications, the Council reaffirmed its long-standing position that **professional healthcare practices must be owned and controlled by registered practitioners.** Corporate entities may therefore **not directly or indirectly own a healthcare practice or share in professional fees or profits derived from patient care.**

What remains permissible is the provision of **non-clinical support services by corporate entities,** such as administration, billing, IT systems, financing, or premises rental. These arrangements must be conducted on an arm's-length basis and may not function as a mechanism for sharing in professional income.

In essence, the HPCSA has clarified that **while corporate service arrangements are allowed, corporate ownership or profit participation in professional healthcare practices remains prohibited,** and clinical control must remain with registered practitioners.

International precedent: California is unlikely to be the last jurisdiction to act. Other American states are watching SB 351 closely, and similar legislation may emerge elsewhere. These developments will provide both models and cautionary tales for any future South African efforts.

CONCLUSION

As Dr. Laurance Jerrold observed in his commentary on SB 351, "This is the kind of legislation that our governing body will have to follow closely as it not only winds its way through the California courts, but also as other states adopt similar legislation."

For South African dentistry, the rise of DSOs presents both opportunities and challenges. Corporate investment can bring modern equipment, efficient systems, and expanded access to care. But it must not come at the cost of clinical autonomy or ethical practice. California's experiment in drawing clear lines around corporate authority deserves our attention – not because we should copy it blindly, but because it forces us to ask what lines we would draw in our own context.

The relationship between organised dentistry and corporate dentistry is complex and evolving. Watching how it unfolds elsewhere may help us shape a future that serves both our profession and our patients.

The SADA will continue to monitor developments in corporate dentistry regulation both locally and internationally. Members with concerns about employment contracts or corporate practice structures are encouraged to contact SADA for guidance.

