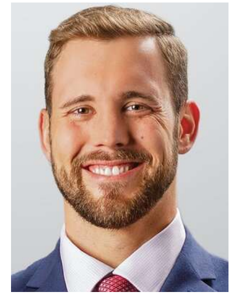
NC Dental Review Change Counters Tougher National Trend

By **Jacob Bolton, Eric Scalzo and John Saran** (August 24, 2026)



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On July 7, North Carolina enacted S.L. 2026-41, Section 38A.2, eliminating the North Carolina State Board of Dental Examiners' long-standing requirement that parties submit dental management arrangements to the board for review and a compliance determination before execution.

For 25 years, that framework functioned as a front-end gatekeeper for transactions or arrangements involving dental support organizations. Parties may now enter management arrangements without obtaining board review or a compliance letter. The board, however, retains full authority to investigate and enforce North Carolina's Dental Practice Act.

This change stands out because it runs directly counter to the national movement toward stronger corporate practice of medicine and dentistry restrictions. During the past two years, states have revised CPOM doctrines, added reporting requirements, required ownership disclosures and strengthened enforcement mechanisms.

In North Carolina, which once operated one of the country's most intrusive CPOM review regimes for dentistry, lawmakers have chosen the opposite approach.

North Carolina's CPOM History

North Carolina's Dental Practice Act ranks among the nation's most restrictive corporate practice of dentistry frameworks.[1]

The statute defines the "practice of dentistry" broadly enough to reach any person or entity that "owns, manages, supervises, controls or conducts any enterprise" where dentistry occurs. Section 90-29(b)(11) of the Dental Practice Act therefore grants the board authority that extends well beyond the treating dentist.[2]

In 2001, the board adopted the management arrangements rule, which took effect on April 1, 2001.[3] The rule required licensed dentists and management companies to submit virtually all management arrangements to the board for review and a compliance determination. The requirement covered new, amended and renewed agreements, as well as changes involving ownership and practice locations.

This advance review regime gave the board direct visibility into every dental management relationship in the state and effectively allowed it to block noncompliant structures before execution. Industry participants immediately challenged the rule. Affordable Care Inc., Dental Care Partners Inc. and other management companies filed suit, but the North Carolina Court of Appeals ultimately upheld the board's authority in 2002.

The North Carolina General Assembly reinforced that framework in 2011 and 2012. S.B. 655 further codified requirements governing dentist management company agreements and established a six-member task force to study the board's review process and recommend improvements.[4] The board also developed informal review standards that extended beyond the statute and regulations.

For roughly 25 years, the advance review requirement governed dental management arrangements and distinguished North Carolina as one of the few states that exercised direct, transaction-level oversight of dental management structures before execution.

Industry Trends: The 2025-2026 Resurgence of CPOM Restrictions

State legislatures set a record in 2025 for healthcare transaction and CPOM legislation. More than a dozen states proposed approximately 30 bills addressing noncompete restrictions, ownership disclosures, CPOM expansion and transaction reporting requirements.

Oregon's S.B. 951, signed on June 9, 2025, established what many view as the country's strictest CPOM framework. The law imposed dual-role restrictions, service line limitations, continuity agreement requirements, noncompete restrictions and a private right of action. A private lawsuit filed in April in the U.S. District Court for the District of Oregon — Eugene Emergency Physicians PC v. PeaceHealth — which later settled, provided the first test of the statute's enforcement power.[5]

California also expanded its CPOM framework in 2025. S.B. 351 codified CPOM principles and granted direct enforcement authority to the attorney general, while A.B. 1415 expanded the transaction review authority of California's Office of Health Care Affordability.[6]

Legislatures continued that trend in 2026. At least six states passed new legislation. Vermont's H. 583, signed on June 15, created the state's first CPOM law by limiting private equity involvement in clinical decision-making and requiring management services organization ownership disclosures. The Colorado Dental Board finalized rules on June 30, prohibiting dental support organization-owned practices and restricting DSOs from providing both leasehold and equipment services. Delaware enacted a moratorium on private equity acquisitions of nonprofit hospitals.

Most significantly, California made CPOM enforcement a central priority in 2026. California Attorney General Rob Bonta's settlement with Aspen Dental Management Inc., announced on May 7, marked the state's first enforcement action under S.B. 351. The settlement imposed $2 million in penalties, $300,000 in restitution and a 36-month compliance monitor. It also required operational and management services changes.[7]

Bonta followed with a second major settlement involving Carbon Health Technologies on June 26. That settlement imposed $4.4 million in penalties and an additional $100,000 penalty against the company's co-founder, while requiring a substantial restructuring of the company's friendly professional corporation model.[8]

Meanwhile, the pending appeal in Art Center Holdings Inc. v. WCE CA Art LLC in the California Second Appellate District, where the attorney general has advocated an expansive CPOM enforcement theory through an amicus filing, could further reshape the landscape through a decision addressing continuity agreements.

North Carolina's Move Against the Tide

Against this backdrop of expanding state oversight through legislation, regulation, enforcement actions and multimillion-dollar settlements, North Carolina's decision to eliminate its advance review requirement marks a clear outlier. While other states seek authority that resembles North Carolina's former model, North Carolina has chosen to relinquish that authority.

For decades, North Carolina possessed a tool that many states now seek to build. The board reviewed agreements before execution, assessed compliance and effectively blocked nonconforming structures. Regulators enjoyed direct, real-time visibility into every dental management arrangement in the state.

North Carolina has now replaced that framework with an enforcement-based model. The board retains investigative authority, but it no longer reviews transactions before execution.

Our View: Why North Carolina Made This Change

S.L. 2026-41 provides no legislative rationale for eliminating the advance review requirement. Accordingly, the observations below reflect informed commentary rather than documented legislative intent. In our view, lawmakers likely reevaluated the costs and benefits of a regulatory framework created 25 years ago.

Transaction-level review regimes require substantial resources. Oregon's Health Care Market Oversight program, for example, may retain outside attorneys, economists, actuaries and other advisers as transaction volume grows.

The North Carolina dental board faced similar demands. Staff and outside counsel reviewed management arrangements, amendments, renewals, ownership changes and related submissions on an individualized basis. As the DSO industry expanded, the administrative burden likely increased as well.

At the same time, continued front-end review likely generated diminishing compliance benefits. The board's scrutiny initially encouraged providers and management companies to adopt compliant structures. Following the 2001 rule and the subsequent statutory changes in 2011 and 2012, operators increasingly structured arrangements to satisfy the rule's substantive requirements, including written agreements, defined service scopes, appropriate compensation methodologies and limits on clinical control.

As compliance practices matured, the value of reviewing every arrangement likely declined while administrative costs continued to rise. The board may have concluded that its enforcement authority alone can address outliers without requiring universal advance review.

Stakeholders, however, should not view this regulatory shift as a relaxation of compliance expectations. Board personnel no longer need to devote resources to advance review. As a result, the board may redirect those resources toward investigations, audits and enforcement actions. The substantive requirements of the management arrangements rule remain fully intact, and regulated parties should expect continued scrutiny of noncompliant arrangements.

In our view, removing this front-end regulatory red tape should encourage greater investment in North Carolina's dental and broader healthcare services market. Eliminating preexecution review shortens deal timelines and reduces transaction costs and closing uncertainty, which should make North Carolina a comparatively more attractive jurisdiction for DSOs and other healthcare investors than states tightening CPOM oversight.

This deregulatory step may also make it politically harder to enact new healthcare mergers and acquisitions or CPOM restrictions in the state going forward. Once a regulatory tool is relinquished and investment activity increases, reinstating advance review or adopting new transaction notice requirements would face a more established industry presence and the burden of justifying a return to a framework the Legislature just repealed.

Implications for Practices and Next Steps

No prior review is required.

Parties may execute management arrangements without submitting them to the board for advance review or a compliance determination.

Existing requirements continue to apply.

Long-standing requirements governing written agreements, fair compensation structures and limitations on control of clinical matters remain in effect.

Risk shifts rather than disappears.

The board retains authority to review and challenge arrangements, particularly when complaints or investigations arise.

Parties can close transactions faster.

Transaction timelines no longer depend on board review periods.

Parties face fewer administrative requirements.

Parties no longer need to submit every amendment, attest to all current and future agreements, or report DSO-level ownership changes to the board.

Conclusion

North Carolina's elimination of its advance review requirement departs sharply from the national trend toward expanded CPOM oversight. The development also offers a useful lesson for states considering increasingly aggressive review regimes.

Front-end review imposes real and compounding administrative costs, and regulators should weigh those costs against the incremental compliance benefits such review provides. Policymakers should also build mechanisms that allow periodic reassessment of whether continued advance review remains justified or whether targeted enforcement can achieve the same objectives more efficiently.

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[1] N.C. Gen. Stat. Chapter 90, Article 2.

[2] N.C. Gen. Stat. § 90-29(b)(11).

[3] 21 NCAC 16X .0101.

[4] S.L. 2012-195.

[5] https://www.hklaw.com/en/insights/publications/2026/05/an-update-on-the-implementation-and-implications-of-oregons.

[6] https://www.hklaw.com/en/insights/publications/2025/09/californias-private-equity-bills-head-to-gov-newsom-for-round-2.

[7] https://www.hklaw.com/en/insights/publications/2026/05/the-recent-california-ag-settlement-is-a-wake-up-call.

[8] https://www.hklaw.com/en/insights/publications/2026/06/california-ag-settlement-again-targets-friendly-pc-model.