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CORPORATE PARTICIPANTS

David Mountcastle Privia Health Group, Inc. - Executive VP, CFO & Principal Accounting Officer

Parth Mehrotra Privia Health Group, Inc. - CEO & Director

Robert P. Borchert Privia Health Group, Inc. - SVP of IR & Corporate Communications

CONFERENCE CALL PARTICIPANTS

Adam Ron BofA Securities, Research Division - Research Analyst

A. J. Rice UBS Investment Bank, Research Division - Analyst

Whit Mayo Leerink Partners LLC, Research Division - MD of Equity Research & Senior Research Analyst

Brian Tanquilut Jefferies LLC, Research Division - Senior Equity/Stock Analyst

David Larsen BTIG, LLC, Research Division - MD and Senior Healthcare IT & Digital Health Analyst

Elizabeth Anderson Evercore ISI, Healthcare Technology & Distribution Analyst

Gary Taylor TD Cowen, Research Division - MD & Senior Equity Research Analyst

Jack Senft William Blair & Company L.L.C., Research Division - Research Analyst

Jailendra Singh Truist Securities, Inc., Research Division - Analyst

Jamie Perse Goldman Sachs Group, Inc., Research Division - Associate

Jeffrey Garro Stephens Inc., Research Division - MD & Analyst

Jessica Tassan Piper Sandler & Co., Research Division - VP & Senior Research Analyst

Joshua Raskin Nephron Research LLC - Research Analyst

Richard Close Canaccord Genuity Corp., Research Division - MD & Senior Analyst

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Privia Health Third Quarter Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Robert Borchert, SVP, Investor and Corporate Communications. Please go ahead.

Robert P. Borchert - Privia Health Group, Inc. - SVP of IR & Corporate Communications

Thank you, Gigi, and good morning, everyone. Joining me today are Parth Mehrotra, our Chief Executive Officer; and David Mountcastle, our Chief Financial Officer. This call is being webcast can be accessed from the Investor Relations section of priviahealth.com. Today's financial press release and slide presentation are posted on the Investor Relations pages of priviahealth.com. Following our prepared remarks, we will open the line for questions. And we ask that you please limit yourself to one question only and return to the queue if you have a follow-up, so we can get to as many questions as possible. The financial results reported today and in the press release are preliminary and are not final until our Form 10-Q for the third quarter and 9 months ended September 30, 2023, is filed with the Securities and Exchange Commission.

Some of the statements we will make today are forward-looking in nature based on our current expectations and view of our business as of November 3, 2023. Such statements, including those related to our future financial and operating performance and future business plans and objectives are subject to risks and uncertainties that may cause actual results to differ materially. As a result, these statements should be considered along with the cautionary statements in today's press release and the risk factors described in our company's most recent SEC filings. Finally, we may refer to certain non-GAAP financial measures on the call. Reconciliation of these measures to comparable GAAP measures are included in our press release and the accompanying slide presentation posted on our website.

Now I'll turn the call over to Parth.

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

Thank you, Robert, and good morning, everyone. Privia Health delivered another solid performance in the third quarter as we continue to execute on multiple fronts to extend our market reach and drive future growth. This morning, I'll provide an overview of key business highlights, then David will discuss our MSSP and recent financial performance and our 2023 guidance outlook before we take your questions. As we build one of the largest ambulatory provider network in the nation and positively impact care delivery, the Privia Health operating model continues to gain market share with providers. We experienced solid new care center and same-store provider additions as we increased our provider density in existing states. We added 235 implemented providers in the quarter and a record 499 implemented providers through the first 9 months of 2023, which highlights our momentum. In addition, our year-to-date gross provider attrition in 2023 remains near the lowest in our company's history. These factors helped drive practice collections growth of more than 18%.

Adjusted EBITDA was up 20% in Q3 versus the same quarter a year ago as we continue to scale our operating model in existing states, while increasing our number of providers and investing in new states. Today, we announced our entry into the state of South Carolina. We are partnering with Greenville ENT and Allergy Associates as our anchor partner in launching Privia Medical Group, South Carolina. We expect the Specialty group practice with approximately 20 providers to be implemented on the Previa platform in the first half of 2024. South Carolina is the sixth new state we've entered over the past 12 months, and we are excited about our significant progress in expanding our national presence. In addition, as you can see from our financial performance, we are absorbing all new market entry costs while delivering year-over-year EBITDA and free cash flow growth at the mid-to-high end of our original guidance. We continue to expand Priviaâ€™s national footprint, which now includes more than 4,100 implemented providers in our medical groups caring for over 4.7 million patients. Our more than 1,000 care center locations span across 14 states and the District of Columbia. We remain focused on building one of the largest multi-specialty medical groups and ambulatory care delivery network in the country. And our scale and diverse provider and payer partnerships are true differentiators.

Privia serves approximately 1.1 million attributed lives across more than 100 at-risk payer contracts in commercial and government programs. Total attributed lives increased more than 29% from a year ago. This positions our business as one of the broadest, most balanced and diversified value-based care platforms in the industry. The diversity of our value-based book of business is core to the strength of our operating model. Our commercial attributed lives increased 35% from a year ago to $675,000. Across our commercial, Medicare Advantage and Medicaid value-based contracts, we own care management fees as well as incremental shared savings in addition to fee-for-service reimbursement. We offer a highly differentiated value proposition to payers to drive better patient outcomes and lower costs. This generates financial benefits for providers, payers and Privia across a broad population. As we noted last quarter, there remains a significant embedded opportunity for us to move our Medicare Advantage lives into upside and downside risk arrangements over the next few years.

We remain focused on thoughtfully moving to increased risk arrangements while continuing to provide significant opportunities for EBITDA and free cash flow growth. Our strong overall performance could not be accomplished without the strength of our 4,000-plus physician and provider partners as well as the hard work and dedication of all Privia employees.

Now I'll ask David to review our 2022 MSSB performance, recent financial results and 2023 outlook.

David Mountcastle - Privia Health Group, Inc. - Executive VP, CFO & Principal Accounting Officer

Thank you, Parth. We continue to see solid performance across our value-based care book, including our success in the Medicare shared savings program in the 2022 performance year. The results publicly released in late August show that across our 7 ACOs, we lowered utilization and cost significantly below that of our peer ACOs. This performance was even better when compared to fee-for-service Medicare. We generated total shared savings of almost $132 million, up 32% from a year earlier. We operate one of the country's largest ACOs in the Mid-Atlantic region, carrying for about 61,000 patients in the MSSP enhanced track. We delivered savings of 10%, which for the second year in a row with the highest savings rate of all ACOs with greater than 40,000 attributed lives. With 77% of total MSSP lives and downside risk in 2022, Privia Health is well positioned to expand further into and succeed in value-based care arrangements across the risk spectrum. For the 2022 performance year, we have 10 ACOs in MSSP with 7 in the enhanced track.

During the 2022 performance year for MSSP, Privia Health's ACOs managed over $1.8 billion in medical spend. However, we only recognized our share of the gross shared savings and practice collections and GAAP revenue, which was approximately $91 million. This performance clearly demonstrates our success in transitioning to value-based and downside risk contracts over time as we generate increased profitability. Privia Health's operational execution continued to deliver strong financial results in the third quarter of 2023. Our implemented provider count was 4,105 up 14.2% year-over-year. New implemented providers and strong ambulatory utilization trends led to practice collections increasing 18.2% from Q3 a year ago to reach $723.5 million. Adjusted EBITDA was up 20% over Q3 last year to $18.8 million, highlighting our ability to continue to generate operating leverage as we expand and grow in existing and new markets. For the first 9 months of 2023, practice collections increased 16.4% from a year ago to almost $2.1 billion. Care margin was up 18.7% and adjusted EBITDA grew 18% to reach $55 million. Our business profile continues to show very strong cash generation, coupled with no debt and pro forma cash balance of approximately $371 million. As noted in the table on this slide, we received $91.2 million in cash from CMS in October as payment for Privia Health's portion of shared savings generated in the 2022 performance year of MSSP.

As you may recall, we received the CMS payment in fourth quarter last year as well. We then share approximately 60% with our providers for their participation and success in MSSP, leaving net cash of approximately $40.7 million to Privia. Our year-to-date free cash flow was $57.3 million, pro forma for the net cash received from CMS. Our updated 2023 guidance highlights the strength and resiliency of our operating model and diversified book of business. We are raising our guidance for implemented providers and platform contribution to above the high end of our initial ranges and maintaining our previous updated guidance for the other metrics as communicated in our Q2 report. Our year-to-date performance gives us a very high level of confidence to achieve our updated guidance and close the year strong. Our robust financial and operating model is enabling us to deliver EBITDA and free cash flow growth while absorbing approximately $10 million in new market entry and expansion costs in 2023. We expect our new markets to scale significantly in the coming years as we grow our provider base and attributed lives in these new states while delivering proven unit economics similar to our more mature markets.

We continue to expect 80% to 90% of our adjusted EBITDA to convert to free cash flow this year, given our capital efficient partnership model and annual capital expenditures of less than $1 million. We remain focused on building Privia Health into one of the largest ambulatory care delivery networks in the nation, and we look forward to continuing to serve our physicians, providers and health system partners and their patients.

Operator, we are now ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Joshua Raskin, from Nephron Research.

Joshua Raskin - Nephron Research LLC - Research Analyst

I guess starting with just what is the upside of the implemented providers coming from? I'm just curious if that's more in some of these new markets that you've been building out or in some of the older networks and the density, I think that Parth spoke to. And then conversely, I guess the other question would be, are you seeing more competition for providers? I'm thinking specifically for sort of big health system opportunities.

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

So it's a combination, as we had noted in our prepared remarks, we've had a record implemented providers in the first 9 months, and that's reflective of very strong sales, and that happens with a 5-month lag. We're seeing very good increase in density in the existing states. And then we've obviously added 6 new states as we noted. So it's really very broad-based, which is really good to see. I think our model is gaining a lot of traction. It's a very proven model with unit economics proven, and everybody we speak to understands what they are partnering with Privia for. So I don't think we've seen an increase or decrease in competition that we did last year or the year before. A lot of the participants have been around for a while. So I just think we're gaining a lot of traction and momentum and a lot of new sales are coming from referrals from our existing physicians, which just speaks to the strength of the model, that's what you'd like to see.

Operator

Our next question comes from the line of Elizabeth Anderson, from Evercore ISI.

Elizabeth Anderson - Evercore ISI, Healthcare Technology & Distribution Analyst

Can you talk about a little bit more detail on the MSSP accrual? I think there's some continued out there in the market that perhaps sort of missed expectations. So just kind of explain to us like I know you provided the math, which was helpful. How you kind of think about that? How you think about the accruals there versus performance? And anything else you could say on that would be helpful.

David Mountcastle - Privia Health Group, Inc. - Executive VP, CFO & Principal Accounting Officer

Our methodology is fairly consistent as we've noted in prior quarters on the earnings call. We get data from CMS on a quarterly basis. We are updating both the prior year accruals as well as the current year based on that data. So at this point of the year, with 2022 results finally trued up and the payment received is obviously nothing in the accruals from a '22 perspective, that's not reflected. And then our ‘23 accruals reflect all the data we received so far. So we update that every quarter. Our guidance reflects those updated estimates. So I'm not sure what we are referring to from a market expectations perspective, but our methodology has been fairly consistent, and that's reflected in our guidance.

A.J. Rice - UBS Investment Bank, Research Division - Analyst

Maybe I know it's early, but when you look out because obviously, we have to pull these thoughts together and think about 24 at this early date. Any thoughts on puts and takes or things we should keep in mind, even if you're not ready to give specific guidance, but generally, as we think about the year ahead.

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

Look, it's fairly consistent from past years. We'll guide ‘24 when we issue what Q4 results early next year. The puts and takes are pretty much similar to what you'd expect. You're seeing very strong provider additions this year. That's the number 1 factor. You're seeing attributed lives grow. So that impacts our value-based book. Obviously, we'll update our estimates on shared savings across our very diversified value-based book of business across commercial and MSSP as we get new data. So that will be number 3. And then obviously, we've entered 6 new states, as we mentioned. So momentum in those states, investments in those states. I think we'll be number 4 as we have communicated this year, we've absorbed about $10 million of that cost. You'll expect that to continue. And then obviously, we are scaling our operating model. As you can see, the outperformance on platform contribution. The unit economics are really proven in the most mature markets. We're able to deliver that down the P&L and into free cash flow. So I think you'll hope to see that continue into next year. So those, I think, are the key puts and takes, and we'll tally it all up, try to close the year strong and then issue guidance early next year.

Operator

Our next question comes from the line of Jailendra Singh, from Truist Securities.

Jailendra Singh - Truist Securities, Inc., Research Division - Analyst

I actually wanted to follow up on Elizabeth's question and let me ask that question slightly differently. So shared savings figure was down $19 million sequentially. I understand it includes MSSP results. Did you have any true-up related to that program in the quarter? And more important, there's a lot of focus on your non MSSP savings in that item as well? Maybe spend some time like what key business out there? And how have been trends in those businesses?

David Mountcastle - Privia Health Group, Inc. - Executive VP, CFO & Principal Accounting Officer

Yes, in any typical year, we definitely have a lot of our true-ups, I'll say, in Q2 and Q3 of every year from the prior year. And so I think what you're seeing there is just some, I would say, normal variability that we see from on a quarter-over-quarter basis. We really take an annual and would probably say you really want to look at sort of a 12-month view of this. And on a 12-month rolling basis, you'll see that we're up pretty significantly from last year. And again, on a go-forward basis, that's really what we're using to look at it. So we're not expecting any.

Operator

Our next question comes from the line of Richard Close, from Canaccord Genuity.

Richard Close - Canaccord Genuity Corp., Research Division - MD & Senior Analyst

Congratulations. Just looking at the care margin, I think it was 13.1% of collections in the second quarter, ratcheted down to 12.7%, if I'm not mistaken here in 3Q. Just anything to call out on that would be helpful.

David Mountcastle - Privia Health Group, Inc. - Executive VP, CFO & Principal Accounting Officer

I think that's just pretty minor quarter-over-quarter movement. It's impacted by care management fees, shared savings on the value-based book, some fee-for-service trends in existing and new states. So again, nothing significant variability from our expectations. You can see from our guidance, it's pretty much in line with what we've outlined at the beginning of the year. So I would just say that, that's quarter-over-quarter variance.

Operator

Our next question comes from the line of Brian Tanquilut, from Jefferies.

Brian Tanquilut - Jefferies LLC, Research Division - Senior Equity/Stock Analyst

Nice work on the quarter. It's Jack Slevin for Brian. I wanted to ask a couple on care management fees line looked really strong in the quarter. One, are there any one-timers to call out? Or how should we be thinking about the progression of that going forward? And then two, we've been getting a lot of questions on commercial risk for you all. Can you just confirm where any commercial risk contracts would land? I would think it's in shared savings, but I just want to make sure that's not part of the contribution of that care management fee strength.

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

So we think this is one of the most underappreciated parts of our business. As we highlighted, we grew our commercial value-based lives very significantly. It's about 675,000. We're one of the only platforms that actually does commercial value based at this level of scale. We are partnering with a number of payers across our different states. So you see both care management fees and shared savings reflect that. We are typically, as we noted in our prepared remarks, we're getting $2 or $3 or $5 PMPM depending on the contract on these lives, which is a pretty significant step-up over the fee-for-service reimbursement for us to do all the work. And then obviously, we're getting shared savings on top of that based on certain quality and cost metrics. We think our ability to bend the curve for the payers, both self-insured employers, commercial payers, is a very significant value proposition. It's 50% of the U.S. population. It's not going away anywhere soon. It's not MA. And it's not a population where you can take full risk, but it's a population where you can make a pretty significant impact on the cost trends in health care. And I think we're a great platform to demonstrate that. So you're seeing some of the strength in the commercial book, and it's a very stable income stream as is reflected in the results. So we really like how that balances out some of the variability on the MA book.

Operator

Our next question comes from the line of Adam Ron, from Bank of America.

Adam Ron - BofA Securities, Research Division - Research Analyst

I wanted to follow up on A.J.'s question. When you mentioned the puts and takes for 2024, you really only mentioned tailwinds, whereas last year, you kind of emphasized that there was a tough comp from growing really quickly and from new markets starting out with not a lot of providers. It seems like the geographic entry costs are running at a really high exit rate given the 6-state entries that you mentioned. And so should we still be thinking about 30% long-term EBITDA growth guidance as like the run rate or how we should think about core growth from here? Or are there actual headwinds that we should be conflicted about?

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

We highlighted both tailwinds and headwinds. I mean the new market entry costs will continue into next year as demonstrated by these 6 new markets. I think we've been fairly consistent with that over the last few quarters. Obviously, shared savings is the other one where we'll just look at all the puts and takes on the MA book. You're hearing commentary about increased utilization, benefit design changes by payers, impact from V-28 coming. And so we'll just tally all that up and there will be puts and takes on both sides. So I think when we issue our guidance, we'll reflect all of that in our book. So it will be a combination of both as it always is.

Operator

Our next question comes from the line of Jack Senft, from William Blair.

Jack Senft - William Blair & Company L.L.C., Research Division - Research Analyst

In terms of the 2023 adjusted EBITDA guidance, I know you noted $10 million in start-up costs for the new geographies and ACOs. Is this mainly a function of just entering the fixed dates over the past year, which is faster than the one state you targeted and initially guided to? Or is there something additional in there? And then just a quick follow-up, too. Do you have any earlier or maybe an updated view for the new geography costs next year? I know you aren't guiding for 2024 yet, but I know it's a topic of discussion in the past. So just trying to see what you're expecting there for next year.

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

So it's very similar to what we've said previously. We are spending anywhere from $1 million to $3 million in any new market. It's mainly comprised of sales and marketing, leadership, implementation costs, all those come in before we sell a single provider to join the platform. The size of spend correlates to the size of the market, and it's fairly consistent from that perspective. We've entered some of these new markets in the middle of this year. So obviously, the full run rate of cost you'll see that next year. And that's no different from what we've seen previously. So I think it's a normal part of doing the business. I think what's exciting for us is you can see the leverage on the P&L, where despite entering more new geographies, we are outperforming on platform contribution. That would have likely flowed into our performance on EBITDA as well, had it not been for some of the newer geographies in an accelerated manner. So our hope is that we can continue to scale the P&L and absorb these costs. We don't add them back, as you know. So I think we'll continue to do that. And on top of that, like we said, the existing markets are really scaling in our most mature markets are exhibiting unit economics, which are very consistent with our long-term margin profile. And so we're really excited to see that. And now it's all about just execution in all these new states and get them up the curve.

Operator

Our next question comes from the line of Whit Mayo, from Leerink Partners.

Whit Mayo - Leerink Partners LLC, Research Division - MD of Equity Research & Senior Research Analyst

I was just wondering what changes you guys are beginning to plan for an MSSP for 2024, any plans to move any of your legacy ACOs into the enhanced track, take advantage of some of the other changes? And are you planning for any new ACOs? And then I had just one clarification, David. Did you say in your prepared comments that you guys are paying or providing your physicians with 65% of the savings? I thought in my notes, I had that it was 60%, but maybe I just misheard you.

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

So we're going through our entire book. As you saw last year, we added 3 new ACOs. We have 7 out of 10 in Enhanced Track, so we make all those determinations in some of these new markets, you may add some of the lives in an existing ACO just given the timing. So we'll announce any new ones like we did last year in January-February time frame. So I think we'll just go through that. But it's been fairly consistent. We do this every year as we enter new states and look at the entire book and what makes sense for us. Sometimes it makes sense to move to the enhanced track sometime it doesn't. So again, I think we'll evaluate. I think all the existing ENHANCED tracks should expect that we'll continue to maintain an enhanced track. So I don't think we go backwards and we'll hopefully continue our good performance.

David Mountcastle - Privia Health Group, Inc. - Executive VP, CFO & Principal Accounting Officer

And our value-based care book is still 60-40. So I apologize if there was any mishearing there or whatever, but it's still 60-40.

Operator

Our next question comes from the line of Jeff Garro, from Stephens, Inc.

Jeffrey Garro - Stephens Inc., Research Division - MD & Analyst

Congrats on the quarter. I have a couple that I'll lump together on the capitated MA book. I was hoping that you could discuss the profitability for that book year-to-date. It looks like a pretty favorable inflection quarter-over-quarter. And it looks like you benefited from a small prior period development in the quarter. So good to see that reverse, but would love to get more detail there? And lastly, how should we think about year-to-date performance influencing Privia and providers' interest in growing that portion of the business in 2024 as you collectively make decisions about contracts for next year?

David Mountcastle - Privia Health Group, Inc. - Executive VP, CFO & Principal Accounting Officer

So you are correct. We are seeing some positive momentum in our full risk cap business. Again, our process for estimating that amount is the same. It's been this year as it is in years past. The more data that we receive from the payers as we get farther into the year, obviously, the better estimates that we have. And again, we're seeing some favorable trends in that business. Primarily, I would say, sort of a mix of higher premium yields and lower medical costs.

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

And on the second half of the question, I think we are going to be very consistent with our process in assuming more risk. As we've stated previously, we take a much more thoughtful, very deliberate approach. We are not backstopping risk. We do it together with our providers, together with our medical groups. We look at each state, each risk pool and make that determination with the payer partner. We ideally like to have some payers have skin in the game versus jumping into 100% risk. That's just our preferred methodology. If you see the broader MA environment, again, with benefit design changes, some of the utilization commentary that you're seeing from a pretty broad number of managed care companies, some of the V-28 changes coming down the pike, new drugs being approved, so that impacts Part D from a risk equation perspective. I just think our thoughtful approach is more prudent in this kind of an environment. We don't think it's an environment where you blindly take risk. So we are looking, as we have said previously, to maximize shared savings, maximize earnings power for the payers, for us, for our providers. And so we'll just tally all that up and see if it makes sense to dial up the risk. You have to recognize our providers are not going anywhere, the patients that they see don't go anywhere. So then it's just a financial contract and a determination every year. And if it makes sense in this environment to dial up risk, we will. And if it doesn't, we won't. So I think we're just going to continue to take a very thoughtful approach.

Operator

Our next question comes from the line of Gary Taylor, from Cowen Inc.

Gary Taylor - TD Cowen, Research Division - MD & Senior Equity Research Analyst

Sorry to go back to the shared savings for a minute, but I was just hoping for a more direct answer that down $19 million sequentially is far more than the typical quarterly variability we see. So did you have to lower your accruals for the '22 performance year? Are you lowering what you've accrued year-to-date for the '23 performance year? And I mean the primary reason I ask is we just want to think about the run rate going forward, that line had been up 60% in the first half of the year, now only up 11%. So is it weighed upon by an accrual adjustment here and how to move back higher what we've been seeing in the first half of the year? Is that the way to think about the go-forward modeling?

David Mountcastle - Privia Health Group, Inc. - Executive VP, CFO & Principal Accounting Officer

Yes. So again, as I talked about earlier, I would really look at a 12-month view of this. So the change in the quarter was a mix of 2022 and 2023 estimates. It's not one or the other. We've got 100-plus contracts out there and some of the timing of this depends upon when in the year we get the final results from 2022. And if you look sort of our years over years, certain years, they come in at different times. It's really when we get the final information from the payers. So again, from a future modeling perspective, I'd really stress looking at a 12-month view and not looking at it on a quarter-by-quarter basis.

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

And Gary, the other color I would give is, this is spread across commercial, MSSP, MA. So unlike a one-line focused business, we can have variability that adjusts, to David's point, some of the data and the results in commercial can be more lagged than you typically see in MSSP or MA. CMS is very consistent in how they give us the data. It's a very structured program. Everybody gets it at the same time. That's not how it is in commercial sometimes. So again, our book of business is pretty diversified, and you can see some of that variability as a result. So the annual run rate is probably the best way to go about it. We understand that, that causes some quarter-over-quarter jumps like it did this quarter. But we've kind of maintained our view of the year. And when we give guidance, that's what we're looking at.

Operator

Our next question comes from the line of Jamie Perse, from Goldman Sachs.

Jamie Perse - Goldman Sachs Group, Inc., Research Division - Associate

Can you give us an update on how your implemented provider partners breakdown by primary care versus specialty, how growth is trending between the 2, if there's been any kind of mix shift? And just how to think about unit economics between those 2 categories.

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

So the broad mix on our 4,000-plus providers remains pretty consistent. We have about 60 to 65% that what we call as gatekeeper providers, so that's primary care, family medicine and total medicine. We also include OB/GYNs and pediatricians. So whoever is the first point of contact in the family. And then the remaining 35% to 40% given the states can be specialists. And again, there, we are more focused on the nonsurgical specialties endocrinology, pulmonology and so forth in some of the states where we have a health system partner that's on the platform, Florida is a good example with help for us. You can see the specialty mix skew the other side, as you would expect. But as we grow that business across the rest of the states and add more stand-alone independent providers, that mix kind of normalizes. So it just varies a little bit by state, but that's the overall mix. And so what we've implemented this year reflects that mix.

To the second question, the unit economics are pretty similar on both primary care and specialty on the fee-for-service book. We price that, obviously, specialists earn more per provider in certain specialties. And so the pricing reflects a very consistent unit economics. On the value-based book, obviously, the primary care has -- once we start MSSP, MA and start to get into some of the risk contracts, the unit economics significantly increased. The take rate is 40% on those shared savings versus the management fee on the fee-for-service. So the unit economics over time really increases in the primary care, and that's what we like to see in the business.

Operator

Our next question comes from the line of Jessica Tassan, from Piper Sandler.

Jessica Tassan - Piper Sandler & Co., Research Division - VP & Senior Research Analyst

So I think the strength in commercial value-based care has really stood out to us. At the time of the IPO, I think we're thinking about those lives as a low single-digit PMPM. So just interested to know if that's still a reasonable assumption on those lives. And then is there an opportunity to sustain these really robust 2023 growth rates in 2024 through either lives growth or pricing or kind of both?

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

We would agree. I think that's a very underappreciated part of our business. You can almost think of our business model as on the fee-for-service side, it's a very ERP-like pricing model that has inherent inflators with the rates. So as we have inflators in the contracts, the management fee generally increases, and we are also looking at same-store provider, on a pure provider growth with patient panel increases. So that really helps on the same-store basis. Then if you add the PMPMs, that I would say is a -- from an analogy perspective -- a Netflix like $2, $3, $4 PMPM that's on top of the fee-for-service reimbursement we get. That's a very good margin business, and that adds to a very good annuity stream on top of that. We are doing very good work with a very broad population. And like we said previously in one of the questions, this really bends the curve for the payers. You can bend their MLR. You can bend the MLR for self-insured employers. We are having very advanced discussions with some of the payers on how do we take this model forward on the commercial book, very few medical groups take commercial risk and our density and the strength of our network and the platform allows us to do it at a very large scale in some of the geographies. So I think we're pretty excited about this book of business. Again, from a next year perspective, we'll guide in February, but it will be a combination of growth in providers, commercial attributed lives, contracts that we enter. As you can see, we serve 4.7 million patients, and the value-based book is about 1/4 of that or less than 1/4 of that with commercial at just $675,000. So our operating model is you get the providers, you get their lives, you optimize fee-for-service and then we layer in these value-based contracts, commercial MASS on top. And that can take 2 or 3 years in some of the new markets, but we think the earnings power is pretty strong and very stable when all that machinery works. You're seeing some of that play out in the numbers this year.

Operator

Our next question comes from the line of David Larsen, from BTIG.

David Larsen - BTIG, LLC, Research Division - MD and Senior Healthcare IT & Digital Health Analyst

Can you talk a little bit about how volumes trended in the quarter relative to your own expectations? And can you comment on obesity, diabetes, GLP-1s. It looks like your cash collections growth was very good. Are more volumes a positive for your fee-for-service book or a headwind because of the risk? Or does it all sort of net to be neutral?

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

So as we've said on previous calls, you almost have to distinguish between ambulatory gatekeeper doctors' volumes, which we have in a pretty predominant way in our book versus inpatient and surgical utilization. So the former has been running pretty strong. We expect it to be fairly strong from all the data we see. You see that in the numbers. And that's good utilization in our minds as individuals are seeing their primary provider across the age cohorts. I think the latter, you've seen some of the commentary from managed care companies. That has been trending high, but that does not impact us directly on the fee-for-service. On the value-based book, given the diversity of our book between commercial, MSSP and MA, we're fairly hedged in spikes in surgical or inpatient utilization. The commercial value book. We're not taking downside risk. It's very PMPM-based with some upside risk shared savings. So you don't see too much impact. MSSP is a relative benchmark program. So again, there could be some impact, but it's not that acute. And then what we are exposed to obviously is the MA book, and we're trying to manage that as much as we can. So from an overall perspective, I think we are seeing favorability across all lines of business.

And to the second question, look, it's too early on GLP-1s, I know it's a pretty hot topic given all the media news. I think we're still about 12, 24 months away to see some real empirical data. Our hope is that as utilization of these drugs takes up, gatekeeper providers, nonsurgical specialties, those that we have predominantly in our network should see more patient interaction as patients try to see the impact of these drugs and try to have more of a conversation as to how it's impacting their existing chronic condition or whatever it might be. So again, we think the ambulatory utilization should go up as a result. And then on the value-based book, as is broadly expected, if this leads to lower chronicity if it leads to lower surgical volumes as people are much more healthier, then that should impact positively on the value-based side. So we'll see how the empirical data plays out. But overall, I think we should be positive.

Operator

At this time, I would now like to turn the conference back over to Mr. Parth Mehrotra, for closing remarks.

Parth Mehrotra - Privia Health Group, Inc. - CEO & Director

Thank you for listening to our call today. We appreciate your continued interest and support of Privia and look forward to speaking with you again in the near future.
