REFINITIV STREETEVENTS

EDITED TRANSCRIPT

PRVA - Q3 2024 Privia Health Group Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 07, 2024 / 8:00AM ET

CORPORATE PARTICIPANTS

Robert Borchert Privia Health Group Inc – SVP, Investor & Corporate Communications

Parth Mehrotra Privia Health Group Inc - Chief Executive Officer, Director

David Mountcastle Privia Health Group Inc - Chief Financial Officer, Executive Vice President

CONFERENCE CALL PARTICIPANTS

Albert Rice UBS Investment Bank - Analyst

Andrew Mok Barclays Bank - Analyst

Richard Close Canaccord Genuity Corp. - Analyst

Jailendra Singh Truist Securities, Inc. - Analyst

Jamie Perse Goldman Sachs Group, Inc. - Analyst

Sameer Patel Evercore ISI - Analyst

Matthew Gillmor KeyBanc Capital Markets Inc. - Analyst

David Larsen BTIG, LLC - Analyst

Jeffrey Garro Stephens Inc. - Analyst

Ryan Langston TD Cowen - Analyst

Daniel Grosslight Citigroup Inc. Exchange Research - Analyst

Olivia Miles Robert W. Baird & Co. Incorporated - Analyst

Jack Slevin Jefferies - Analyst

Jessica Tassan Piper Sandler & Co. - Analyst

Thomas Kelliher RBC Capital Markets - Analyst

Adam Ron BofA Securities - Analyst

PRESENTATION

Operator

Thank you for standing by. My name is Max, and I'll be your conference operator for today. At this time, I would like to welcome everyone to the Privia Health third quarter conference call. (Operator Instructions)

I would now like to turn the call over to Robert Borchert, SVP, Investor and Corporate Communications. Please go ahead.

Robert Borchert - Privia Health Group Inc – SVP, Investor & Corporate Communications

Thank you, Max, and good morning, everyone. Joining me are Parth Mehrotra, our Chief Executive Officer; and David Mountcastle, our Chief Financial Officer. This call is being webcast and can be accessed in 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 comments, we will open the line for questions. 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 are preliminary and are not final until our Form 10-Q for the third quarter ended September 30, 2024, 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 7, 2024. 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'd like to hand the call over to our CEO, Parth Mehrotra.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Thank you, Robert, and good morning everyone. Privia Health posted another strong quarter of financial performance as we continue to execute very well operationally and drive growth across all our markets. This morning, I'll cover some key highlights and provide a business update. Then David will discuss our recent financial performance and provide an update to our 2024 guidance outlook, before we take your questions.

During the third quarter, our momentum continued across all aspects of the business. In particular, implemented providers increased 13.1% and adjusted EBITDA was up 25.8% from a year ago as we drove operating leverage while investing in new markets. Our strong year-to-date performance and high visibility through the remainder of the year gives us confidence to increase guidance to at or above the high end of the initial range for all metrics. Our results continue to validate the success of our diversified, broad-based business in the current healthcare environment.

CMS released 2023 results for the Medicare Shared Savings Program in late October, and Privia's Accountable Care Organizations delivered another year of strong results. Our 10 ACOs in aggregate achieved shared savings of $176.6 million, a 34.1% increase from 2022. This success is a testament to the dedication and skill of our physicians, who provide exceptional, high-value, cost-effective care to nearly 195,000 Medicare patients in the program.

Our Q3 ending cash balance, pro forma for cash to be received for 2023 MSSP shared savings, is approximately $473 million with no debt. This positions us well to support our organic growth, business development initiatives, and provides us with substantial financial flexibility.

Today, we also announced our entry into the state of Indiana in partnership with a multispecialty practice of more than 35 providers. We are excited to continue expanding our footprint and introducing the Privia business model to providers in the Midwest. Our pipeline for new market business development remains robust, coupled with a very strong balance sheet to deploy capital in the current environment.

In addition, our Growth team has delivered a record number of new provider signings in existing markets year-to-date, providing us with excellent visibility going into 2025. The strength of Privia's business model, strategy, and execution is validated by our consistent growth and operating performance over the past seven years, including the last four as a public company. This slide shows empirically how we have compounded growth across all key business and financial metrics, including free cash flow, through a variety of macroeconomic conditions.

From 2018 to 2024, we experienced a full economic cycle driven by COVID, two political administrations and now a challenging Medicare Advantage and Medicaid environment. We have consistently balanced growth and profitability during the past seven years while building one of the largest ambulatory care delivery networks in the country.

In addition, the deliberate breadth and diversification of our business model -- partnering with every physician specialty, seeing every patient in any reimbursement model with any payer -- has helped us deliver consistent and sustainable results over time for both our medical groups and our shareholders. This foundation of our business model results in strong recurring revenue and EBITDA that we expect to continue to compound one quarter at a time for years to come.

Privia continues to progress well toward our long-term vision to build one of the largest ambulatory care delivery networks in the nation. Our footprint comprises 4,642 implemented providers caring for over 5.1 million patients across 14 states and the District of Columbia. This highlights our ability to build large scale, high quality community-based medical groups across every state we operate in. Our gross provider retention remains over 98%, and our Net Promoter Score of 85 highlights our very high patient satisfaction.

Privia now serves over 1.2 million attributed lives across 100-plus commercial and government programs. Total attributed lives increased 14% from Q3 a year ago, positioning Privia as a balanced and highly diversified value-based care organization. Commercial attributed lives increased 14% from last year to reach 770,000. Medicare Advantage attributed lives increased more than 24% from a year ago, and attributed lives in Medicaid programs increased 41.7% year-over-year. This growth in attributed lives across programs was driven by new provider growth and related patient attribution as well as new value-based contracts in certain programs.

The diversified nature of our value-based contracts across the risk spectrum is a core value proposition to our medical groups. This deliberate and flexible approach is key to driving consistent and sustainable future earnings growth. We are seeing real-time validation of this strategy in the current healthcare environment.

Now, I'll ask David to review our 2023 MSSP performance, recent financial results, and our updated 2024 guidance outlook.

David Mountcastle - Privia Health Group Inc - Chief Financial Officer, Executive Vice President

Thank you, Parth. We continue to see solid performance across our value-based care book, especially in the Medicare Shared Savings Program. Across our 10 ACOs, we lowered utilization and costs significantly below that of peer ACOs during 2023. This performance was even better when compared to fee-for-service Medicare. We generated total shared savings of $176.6 million, up 34.1% from a year earlier. We operate one of the country's largest ACOs in the Mid-Atlantic region, caring for about 60,000 patients in the MSSP Enhanced Track.

We delivered savings of 10.6%, which for the third year in a row was the highest savings rate of all ACOs with greater than 40,000 attributed lives. 81% of our MSSP lives were in downside risk in 2023. For 2024, we have 9 ACOs in MSSP with 6 in the Enhanced Track.

During the 2023 performance year for MSSP, Privia's ACOs managed over $2.3 billion in medical spend, 27% greater than in 2022. Remember that in Practice Collections and GAAP revenue, we only recognize our share of gross shared savings, which was $117.4 million for performance year 2023. This significantly understates our spend under management in our top line.

Our aggregate savings rate was 7.6% across all 10 ACOs, or 8.2% when you exclude the Delaware ACO Privia proactively exited at the end of 2023. This performance continues to demonstrate our success at generating increased savings and profitability while we look to add additional value-based and downside-risk contracts over time.

Turning to our operational and financial performance, Privia showed continued strength through the third quarter of 2024. Our implemented provider count grew 138 sequentially from Q2 to reach 4,642 at September 30, an increase of 13.1% year-over-year. The continuation of solid ambulatory utilization trends, new implemented providers and additional attributed lives led to Practice Collections increasing 2.3% from Q3 a year ago to reach $739.9 million.

As we previously mentioned, the flexibility of our operating model enabled us to shift attributed lives out of capitated agreements at the beginning of 2024 for improved contribution margin and mitigate potential downside. Excluding third quarter 2023 revenue from the renegotiated Medicare Advantage capitation agreements, Practice Collections increased approximately 10.9% year-over-year in the third quarter of 2024.

Adjusted EBITDA increased 25.8% over Q3 last year to reach $23.6 million, a margin of 23.3% of Care Margin. This is a 290 basis-point improvement from a year ago as we continue to generate operating leverage while increasing investments in existing and new markets. For the first nine months of 2024, Practice Collections increased 4.5% to reach $2.18 billion. Care Margin was up 10.6%, and adjusted EBITDA grew 19.3% to reach $65.5 million.

Our business model continues to generate very strong free cash flow, coupled with no debt and a pro forma cash balance of approximately $473.5 million. As noted in the table on this slide, we expect to receive $117.4 million in cash from CMS by the end of 2024 as payment for the Privia ACOs' portion of shared savings generated in the 2023 performance year of MSSP. As you may recall, we received the CMS payment in the fourth quarter last year as well.

After expenses attributed to the program, we then share approximately 60% with our providers for their participation and success in MSSP, leaving net cash of approximately $51.5 million to Privia. Our year-to-date free cash flow was $87 million, pro forma for the net cash expected to be received from CMS.

Our updated 2024 guidance highlights the strength and resiliency of our operating model and diversified book of business in the current healthcare environment. We are raising guidance for all of our metrics to the high end of our initial range, with attributed lives expected to be above the high end.

We now expect approximately 90% of our full-year adjusted EBITDA this year to convert to free cash flow given our capital-light operating model. Privia's business momentum and diversified book of business has positioned us well to drive organic provider growth and increase operating leverage for long-term adjusted EBITDA and free cash flow growth as we build our national footprint. We continue to target annual adjusted EBITDA growth of 20% or greater.

We look forward to continuing to serve our physicians, providers, and health system partners and their patients on our long-term journey together. We are now ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Joshua Raskin, Nephron Research.

Unidentified Participant

Hey, good morning. This is actually Marco on for Josh. I'm looking at just the Indiana expansion. It looks like the entry is coming with a relatively modest starting footprint, at least compared to some of the previous state entries we've seen. So we're just hoping you could provide a little more detail around the anchor practice. Any thoughts around whether it takes long to scale that state given the lower starting point? Thank you.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

So I mean, it's fairly consistent with how we've entered some other states. Washington was similar size. When we entered Georgia back in the day, Gulf Coast back in the day and Texas, very similar sizes. So as we've said, we can have an anchor partner of all shapes and sizes. You can start with 0, you can start with 400, you can start with 35. So it's fairly consistent from a historical perspective.

And we're building large scale dense medical groups over 5, 10 years. So the strategy is no different in Indiana as it is in the other 13 states. And we think there's a big opportunity, a lot of independent providers who need a solution like Privia in the state of Indiana. So we're really excited to get going.

Robert Borchert - Privia Health Group Inc - SVP, Investor & Corporate Communications

Next question, please.

Operator

A.J. Rice, UBS.

Albert Rice - UBS Investment Bank - Analyst

Thanks everybody. I know it's a bit early, but I just thought I would ask. As you at this early date think ahead to '25, what are some of the headwinds and tailwinds that you'll call out for us that we should keep in mind once we do our modeling?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, I appreciate the question, A.J. So obviously, not going to provide '25 guidance yet. But if you just look at empirically last four years as a public company -- when we sit on December 31, close to 90%, 95% of all our business financial metrics that we guide to are very predictable with that rate. Our guidance annually has been very narrow ranges. We've consistently come at the high end or above the high end for most of the metrics over the past four years, including this year's guidance.

I think that is underappreciated. So while there's always anxiety at this point of the year, if you're saying we're having a good year, we had a record sales year, I don't think it'll be any materially different. The key headwinds, tailwinds remain the same every year. The biggest variability is, could we have materially misjudged our value-based care book in its entirety? And we mitigate that with over 100 programs diversified across all lines of business. That's kind of the biggest source of variability.

Other than that, there's the fee-for-service book which ebbs and flows with the utilization trends. But given how large the platform has become now, there's a lot of diversification to it and we take that into account. New markets are never included in our guidance when we guide. So if we enter new states that come with material provider additions or we do any business development activity or acquisitions, we've usually not included that.

As we've said, we are going to target 20% EBITDA growth even in the current environment, which is challenging from a Medicare Advantage perspective in taking risk. You've seen our performance this year. We said the same thing in January, February this year and we grew EBITDA 25%. So we feel really confident going into '25 with the strength of the platform, proven results and close to $500 million of cash to deploy and take advantage and keep growing the platform.

Operator

Andrew Mok, Barclays.

Andrew Mok - Barclays Bank - Analyst

Hi, good morning. You raised the free cash flow conversion from 80% to 90% today. Does that higher free cash flow number reflect outperformance? Or is that driven by outperformance in 2023 MSSP results relative to your initial accruals? And is there any change to your expectation for minimal growth in shared savings revenue for 2024? Thanks.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yeah, I appreciate the question, Andrew. So I think it's outperformance across all lines of business. You're seeing it in the strong fee-for-service book. You're seeing it in the value-based care book, MA, MSSP, commercial. So it's fairly broad-based, which is the strength of the platform. It generally follows top line and bottom line metrics prior to the cash flows. So if adjusted EBITDA is towards the high end, and we have effectively zero Capex for the first nine months, then that flows pretty much straight down. We're still going through our NOL.

So if you look at our average EBITDA to free cash conversion over the past 4 years, it's been over 100%, which is 3x to the closest comp that is actually profitable and generates any free cash. So I think it's a key source of differentiation and we continue to expect to do that. So that's the first part of the question.

On the second part --

Robert Borchert - Privia Health Group Inc - SVP, Investor & Corporate Communications

Shared savings ...

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Sorry. Could you repeat the second part of the question? I don't think you were clear.

Andrew Mok - Barclays Bank - Analyst

Minimal growth in shared savings revenue this year. But it looks like shared savings came in ahead, so I just wanted to know if there's any change in expectation?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yeah, I got it. So yes, I think -- look, when we started the year, if you read our transcript and as you recall from the call from our Q4 results last year, we entered the year with what we anticipated to be pretty significant headwinds in MA. We took our capitation book down. And so at that point, our view was if we were able to have a pretty flat year from a shared savings perspective, that'll be actually a good year. And that's what we factored into our guidance.

I think we outperformed that, even though everything we anticipated came to fruition from a headwinds perspective in MA, Star Scores, V28, utilization, benefit plan changes, no changes to Part D. And so I think with that perspective that was our guidance. And I think we have outperformed across all lines of business.

That's reflected in shared savings being a little bit higher, which is reflected in the results. There'll always be some quarter-over-quarter variability. But if you look at year-over-year, I think it's a little bit better than what we anticipated. So we've kind of plan for the worst and hope that we outperform.

Operator

Richard Close, Canaccord Genuity.

Richard Close - Canaccord Genuity Corp. - Analyst

Yes. Thanks for the question. Congratulations on the continued success here. It was great to hear the year-to-date signings commentary and the strong pipeline part. I was wondering if you could just talk to us a little bit about the discussions with potential physicians or physician practices.

What are the key topics or problems that they are asking about when they're discussing potentially joining Privia? And has this changed at all over time?

And then the follow up, as you talk about these signings, maybe a little bit more new market versus same-store performance.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yeah, appreciate the question. So generally speaking, nothing fundamental has changed in our value proposition or discussions when the sales team's out there speaking with new provider groups. I think what's different is we have validated the strategy. Our results are now publicly available over the last four years. And I think the platform and the performance differentiates itself.

That leads to really good performance by our physicians that are on the platform. And that snowballs the flywheel, where a very high percentage of the top of the funnel are referrals from our existing physician groups. That leads to really high conversion rates. That's backed by really good empirical data and performance at the practice level, at the market level, at the company level.

So I think as there's disruption in the space and we end up being the outperformer and a survivor, a lot of groups looking to partner with an entity like ours which has a really unique value proposition, keeping the groups independent or autonomous or in their legacy ownership structure while helping them across all lines of business, every specialty, every patient, every payer, doing value-based care in every single type of arrangement that's out there, commercial, MA, MSSP, Medicaid.

It's just a very different value proposition, and the typical practice in America reflects that kind of composition. And so I think you're seeing the snowballing effect. I think our performance, both same-store and with new providers reflects that. We are able to grow these practices organically on a per physician basis, per provider basis, seeing more patients, getting higher yield per patient both on the fee-for-service book and the value-based book, and then organically growing those practices by adding additional providers or additional locations, which is a very key value propositions.

These are very small businesses that just started these operations years ago and were just not formalized or organized or didn't have a partner that could help them in such a broad way. So I just think it's a combination of all of that, that is leading to some of the sales momentum that we've had.

Robert Borchert - Privia Health Group Inc - SVP, Investor & Corporate Communications

And then he was asking about new signings, existing versus newer markets.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, I think new signings are very broad-based, too. We're in 14 states. There's variability state-by-state, year-by-year, but our strategy is to grow every single state and build big dense groups. So you can have a couple of states, outperform one year and then you replenish the pipeline. But in aggregate, you're seeing really broad-based performance across all of our states.

Operator

Jailendra Singh, Truist Securities.

Jailendra Singh - Truist Securities, Inc. - Analyst

So I want to go back to the new partnership provider announcement in Indiana. Congrats on that. A few questions there. First, what does the timing look like for implementation? And were there any monetary considerations like you have had in the past?

And related to that, this is new partnership announcement for the company in quite some time. A lot of things have changed over the past 12 to 18 months, including in the past 24 hours, some directly relevant to the company, some not. Keeping that in mind, how would you describe your approach with this new partnership compared with your prior partnership in terms of implementation, expansion, push for value-based care, technology, just anything you think that your approach is going to change this time versus a year back to your specs?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

So on the first half -- yes, we've acquired the tax ID. We'll own 100% of the medical group, 100% of the ACO entity that we'll establish and the MSO entity. So all three is 100% owned by the company. There's a immaterial small monetary consideration that will be over time. And so -- and that's very consistent with, again, how we've entered some other states. So nothing different, but it's just a normal thing for us to disclose. We would expect to implement them with the typical lag of four or five months. So you should expect that early next year in Q1 sometime. So that hasn't changed.

And then to the second half of the question, look, our strategy has been the same. I mean, we said in our prepared remarks we've had -- I've been here through three political administrations. We've been public through 2. Our strategy is pretty much the same. I think with the cash balance we have, we think we can see a lot of opportunities and be aggressive with business development in a very accretive manner, try and grow the business or inflect growth over 20%, hopefully. We are EBITDA, cash flow buyers.

I think as the disruption happens in our space, there are a lot of provider groups that will look for a new home. I think we are very well-positioned, just building on the previous question, to continue to partner with such groups. So we're going to be as aggressive as we can running the company pretty efficiently. But nothing fundamental has changed in terms of doing deals, implementing faster or slower.

Like it's pretty much the same. A new business development activity just depends on when they can hit. There was a 12-month period when we entered four or five states. We've entered one state this year. That could accelerate -- not accelerate, it'll be what it'll be. But I think we continue to operate with the same cadence.

Operator

Jamie Perse, Goldman Sachs.

Jamie Perse - Goldman Sachs Group, Inc. - Analyst

Hey, thank you. Good morning. You just mentioned the rapid kind of expansion in new markets you had a couple years ago. I wanted to spend a minute on that and just -- if you can update us how those maturing or ramping markets are doing versus your expectations, just how physician recruiting is going in those markets? And then you've always talked about the year one, year two EBITDA headwinds from new markets. How much are you absorbing here in 2024 and how should we think about the progression of those headwinds into next year?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yeah. Thanks for the question. So all markets generally progress over time as we expect. I mean, it's been a pretty consistent approach. We have a 5 to 10 year view on these states. So some states can be slightly slower, faster year-over-year. But in general, we feel really good about all the markets that we entered in that '21, '22, '23 timeframe.

And you can see most of these markets lead to operating leverage improvements subsequently. So we entered four new states '22 to '23. If you look at that slide 5 that we showed, you can clearly see the data. You can see our EBITDA growth '22 to '23 was a little bit muted, around 20%. And we absorbed some of those costs and now we've grown EBITDA 25%. When we've not entered -- we just entered one state and we even had headwinds in MA, we took our capitation book down. So despite that, EBITDA's grown 25%, which was faster than the previous year.

So our unit economics are really proven. How we enter these markets, build our budgets, go about our business is very consistent, it's a very replicable strategy. And so we anticipate this going in. And so if we actually enter a lot of new markets, EBITDA growth might slow, but we'll articulate that clearly as we did in the past. So I think the results just speak for themselves and the operating leverage you're seeing reflects that momentum. The sales results we are talking about reflects that momentum. You can see all that very empirically in the financial results. So that just speaks for itself.

Operator

Elizabeth Anderson, Evercore ISI.

Sameer Patel - Evercore ISI - Analyst

Hi guys. This is Sameer Patel on for Elizabeth Anderson. Congrats on the quarter. Just kind of following up on some of the points that have been mentioned here. You kind of mentioned that you're still targeting 20% EBITDA growth. Is it safe to say that for next year, 2025, realizing you're not providing guidance, but that the 20% growth can be maintained even after absorbing, let's call it, the $2 million to $3 million headwind from Indiana?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yeah, so that's a long-term guidance. There'll be a year it will be lower. There'll be a year it will be higher. We're at 25% this year. We stopped giving specific guidance on new market entry costs. Like that's part of doing business, that's part of growing the company. So it's all reflected in. We're going to target 20%-plus with new market costs, increasing operating leverage in existing markets, headwinds in MA. Whatever the case might be, that's our target.

Now that's over a long-term. It's not a year-by-year target. So there could be years we are lower, years we are higher. We could do business development, so on so forth. So I think from everything we see, we have good momentum in the business. You can see our results this year. And we feel pretty good about next year.

Sameer Patel - Evercore ISI - Analyst

Got it. And just as a follow up -- I think you answered this, but you mentioned that Indiana would be 100% owned just from a modeling perspective. That implies it would fall into the patient care fee-for-service line, right, not the admin?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

No, you will see that basically it means that GAAP revenue would reflect all the top line. So I think what you're saying is accurate.

David Mountcastle - Privia Health Group Inc - Chief Financial Officer, Executive Vice President

Yes, that's correct. Right. Yes, it is fee-for-service revenue, not the ACO revenue.

Operator

Matthew Gillmor, KeyBanc.

Matthew Gillmor - KeyBanc Capital Markets Inc. - Analyst

Hey, thanks for the question. Wanted to ask about the practice collections' guidance. I think if I did the math right, the high end implied some sequential moderation in the practice collections into the fourth quarter. I was curious if that just sort of reflected some conservatism on your part or maybe some puts and takes with the capitated book. But just any comments there would be great.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yeah, I appreciate the question, Matt. So yes, we're just being prudent as we always have been. There's nothing that we see in the business that would lead us to suggest otherwise. We've got it to the high end. Hopefully, it'll be better. We'll see how it goes.

Operator

David Larsen, BTIG.

David Larsen - BTIG, LLC - Analyst

Congratulations on another good quarter. Do you have any thoughts on the recent physician fee schedule rule that was published? I saw there were some comments in there around higher reimbursement for advanced primary care, which seems like it could be a good tailwind for you guys.

And then just any thoughts on the impact, if any on like no reimbursement within Medicare for members when they're at home for telehealth?

And then just any comments on like home health. Like I imagine a lot of these practices of yours have nurse practitioners, some home health capabilities. Just any thoughts there? That's obviously a direction the industry's moving in.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

So overall, I think there are some headwinds, some tailwinds in fee schedule, MA cut, so on, so forth. All of that is factored in our guidance. There's no one-time outlier that we can highlight that would impact the results one way or the other or change our long-term outlook. I mean, these things have happened over the years. So there's really nothing specific that we can point to.

On your second part, yes, we have some capabilities. We don't do home health or home care in a really big way. We do have care managers that follow up with patients based on specific disease, specific programs, chronic conditions management, so on and so forth. It's not a huge part of our business. We do have those capabilities as part of our value-based care book, where we are trying to manage certain set of the population with high chronicity. But it's not like we are in the home a lot with our business model.

So over time, as we continue to expand, take risk, take more downside risk, that's a capability we can expand to. It just depends by geography, by population, so on and so forth. So I think you're right in suggesting that, that'll be a bigger part, but it's not for us today.

Operator

Jeff Garro, Stephens.

Jeffrey Garro - Stephens Inc. - Analyst

Yeah, good morning. Thanks for taking the question. I was hoping you could give us some updated thoughts on markets anchored by health system partners. I think there's been some variance in your experiences across Florida, Ohio, and North Carolina. So curious on the drivers there, as well as the overall outlook for that type of anchor partner in new markets. Thank you.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

So as you noted, we have three health system partners. It'll just be very specific to the partner what the strategy is, how we choose to enter in a particular state, why we feel a health system is a better anchor than our traditional approach. I think our model is very flexible to offer a very unique value proposition to health systems, help with their aligned affiliated providers or their employed group to land a home as they expand their presence across the state outside of the core MSAs that the health system has physical assets in.

And most of our partnerships are very long-term, long dated. So we feel pretty good about them. I don't think every partnership will go as we plan. There'll be some great ones over the years. There'll be some that won't pan out. And I don't think it's for everybody. But I think as part of our very diversified model, where we can enter a state by buying the tax ID of a medical group, an MSO entity, an ACO entity or partner with health systems, it just gives us another angle to enter a state if we think that's the most optimal way. But so far, every -- all the states are doing really well. We will see how that goes over the next few years.

Operator

Ryan Langston, TD Cowen.

Ryan Langston - TD Cowen - Analyst

Hi, good morning. Thanks. On the MA risk contracting side, 2025 still looks kind of challenging, but plans seem to be more willing to maybe help those capitated contracts be more successful. Obviously, you renegotiated some contracts earlier this year. I guess just maybe some high-level thoughts. Are you seeing any more activity, more willingness to share more risk from your payer partners maybe into next year and even in your discussions maybe for beyond into 2026? Thanks.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

So we've had a very differentiated view. Been a little bit of a broken record that if you want to do large scale value-based care in MA, you need to have a flexible strategy, full capitated, 100% downside risk works in certain geographies with certain populations, if you can manage, control that well. We're trying to do it in every state we operate in. So our strategy is to have a shared risk arrangement with our payer partners in as many places as we can, and then have appropriate contracts that reflect the reality on the ground from all the headwinds we articulated.

Our view on the headwinds doesn't change. I think you've heard pretty much the same thing from all the payers that have reported recently. And this will go through '25, '26 easily. So I don't think you should expect us to massively increase our capitated book or take full 100% downside risk. In the near-term, I think we're going to be very thoughtful.

We do think we would continue to increase our attributed lives in the MA program like we've continued to do so this year. We think it's really differentiated, where we can take upside only risk, we can take 50-50 risk, we can have corridors. Our doctors are not going anywhere. The patients that they serve are not going anywhere.

And we are looking to slowly, steadily move towards a form of payment which optimizes care for the patients as well as rewards the doctors and our medical groups. And that doesn't necessarily need to be 100% capitation. I think that's just been a false view of the world in the past few years that you have to do 100% capitated deal to do risk in MA, and we just continue to differ from that view.

So we'll continue to grow our MA book. It's a big part of the strategy, where you convert a simple fee-for-service payment for an episode into a care management fee, shared savings, quality payments, take better care of patients and reward the doctors. So I think our strategy is going to be very consistent. I don't think you'll see us take 100% downside risk or capitation in a very big way given all the headwinds.

Operator

Daniel Grosslight, Citi.

Daniel Grosslight - Citigroup Inc. Exchange Research - Analyst

Hi, thanks for taking the question. I'd love to get your thoughts on the election now that it seems that the Republicans will control the Congress and the presidency. Does that change your view on fee-for-service versus value-based care in '25 and beyond? And in particular, does it change your view around MSSP and how a Republican administration may change the MSSP program?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

I mean, we said a little bit in our prepared remarks -- I mean, we've gone through three administrations since I've been here, two in the seven year view that we showed on slide 5 from our performance. We've been in the MSSP program going on close to 10 years, 9 years. Our business is on the right side of history. We are serving small community-based providers that have the best relationship with family members across the patient age cohort. These are small practices, lowest cost of setting in healthcare, best proximity to patients.

You saw that through COVID, post-COVID. These practices have diverse patient panels. They are able to do value-based care in the broadest possible way. We do that in commercial. We do that in MSSP. We've done that in MA. We are doing it in Medicaid. I think that's very differentiated. Irrespective of any administration, we've consistently heard that they want to support small community doctors, help them thrive, not go out of business. And I just think this platform from that perspective continues to be on the right side of the conversation.

CMS has been very consistent through administrations in trying to grow the MSSP program. They have a stated objective that I don't think will change, in trying to get all Medicare beneficiaries and some value-based arrangements by 2030. I think the MSSP program continues to do really well, as you saw with the recent results. So I think we are pretty excited irrespective of the administration to just continue with our strategy. So that doesn't change anything fundamentally for us.

Operator

Michael Ha, Baird.

Olivia Miles - Robert W. Baird & Co. Incorporated - Analyst

Good morning. This is Olivia Miles on from Michael Ha. I see you increased your Medicaid lives by about 14,000. Can you speak to what drove that? And overall, how do you view Medicaid value-based care? What do you believe is required to turn a profit there in terms of care delivery? And can you speak a little bit on the Medicaid model? Thank you.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

So as we stated in our prepared remarks, I mean, the growth was driven by both provider signings and their attributed lives that come with it as well as us entering some new Medicaid managed care contracts. If you look at the bullet under the Medicaid bubble on slide 7, 100% of these lives

REFINITIV

are in upside-only arrangements. So we're not taking any downside risk on Medicaid. It's a hard population to take downside risk. There are a lot of headwinds given redetermination factors in the past year, this year, going into next year.

But it shows the flexibility of our model, where we are able to enter into very thoughtful contracts with payers, take care of these lives in a differentiated manner, and then convert a very simple low fee-for-service payment into an additional care coordination fee, additional potential quality bonus payments, and obviously, some upside only shared savings if we come under the benchmark.

So I think it's a great way for us to add value, help the taxpayers, help payers in MA save costs. And then if our doctors are doing all that good work, reward the doctors with additional compensation. So another great example of how you can do value-based care in Medicaid where population density isn't that high across the board, you can have 0% to 15% Medicaid penetration depending on the location. But we are able to take those lives and move them into some value-based arrangements over time. So a good part of our strategy to continue to do that.

Operator

Jack Slevin, Jefferies.

Jack Slevin - Jefferies - Analyst

Hey, thanks for taking the questions and great job on the quarter. Most of mine have already been asked, so a couple maybe more niche ones. One, just to clean up. On the third quarter in shared savings, can you just confirm whether or not there was any sort of material impact from the changes CMS made to how they were treating the catheter codes related to the fraud scheme that took place in 2023?

And then second one, maybe a bit more high-level. Just looking at the physician fee schedule and some of the changes on MSSP -- that introduction of the APCM codes that are going to be passive now rather than some of the time-based care management codes, does that change how you'll approach things at all? And do you think that changes market structure? I guess I'm thinking about some of the sort of call center-based care management companies that really just hit those codes hard as a way to generate revenue for practices. I'm just wondering if there's any opportunity that opens up going forward. Thanks.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

I mean, the short answer is, both of those don't have any material impact to how we approach MSSP or our results and so on and so forth. So that's the short answer. I mean, we don't -- we have CCM programs, et cetera, but that's part of just participating in the MSSP program broadly. It's not like we are a call center company doing what you just articulated. So both of those don't really impact us in a big way or change anything that we would do to approach the program.

Operator

Jessica Tassan, Piper Sandler.

Jessica Tassan - Piper Sandler & Co. - Analyst

Hi guys. Thanks for taking my question. I was hoping you could discuss the impact of benchmark rebasing on your MSSP performance. I think -- and this may be incorrect, but I think your largest ACO is in a rebasing year in 2024. So I guess what is the impact of that on your shared savings? And really we're just trying to understand what, if any, potential tailwind exists in 2025? Thanks.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yeah, I appreciate the question. So it's not the first time we're going to go through re-basement. Our largest ACO will be up, I think, next year. It's all factored in our guidance. We don't comment specifically on specific ACOs and what the impact might be. Our value-based book is very diversified. As we articulated, we're looking to grow EBITDA 20%. That factors in all these things.

There could be tailwinds, there could be headwinds based on how the benchmark gets set. So we'll just see how that plays out. I think it just speaks to our diversified strategy of having multiple ACOs, multiple states, multiple angles to do value-based care across all lines of business. It's very deliberate, very thoughtful to prevent exactly a stroke of the pen risk in one particular program or something idiosyncratic happening. It could happen. And we will just see how that goes. But nothing fundamentally changes from how we've approached rebasing in past years.

Operator

Sean Dodge, RBC Capital Markets.

Thomas Kelliher - RBC Capital Markets - Analyst

Hey, good morning. This is Thomas Kelliher on for Sean. Congrats on the quarter. Can you talk a little about the margins of your capitated book? And if possible, share any observable utilization trends into Q4?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yeah. So as you saw like on the capitated book, we had a little positive margin, better than what we expected on the small book that we kept under capitation. That was the hope that if we are continuing to do capitation, that we generate shared savings, make money for our providers, have savings for the payers, and then, obviously, have some positive contribution for the shareholders. So it's good to see that, that's played out better than we expected.

All the factors, whether it's utilization trends, star scores, V28, benefit design changes, all those headwinds continue to remain. We're just navigating them the best that we can. If we have a small capitated book, we're trying to manage that very carefully, and, hopefully, we will end the year on the positive side. We'll just see how it plays out in Q4. But our results so far reflect all the data we've received up to the point of reporting. And we'll see how that plays out. But the headwinds are there and we'll just continue to manage it very thoughtfully.

Operator

Adam Ron, Bank of America.

Adam Ron - BofA Securities - Analyst

Hey, thanks for the question. I think the number of attributed lives is growing just slightly above the number of implemented providers this year, but presumably there's a big backlog of doctors who could be doing more value-based care. So is there an opportunity to accelerate that attribution next year or anywhere in the near-term? Or does it make sense to just continue doing it kind of steadily and in line with your implemented provider growth over time?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Thanks for the question, Adam. So over the long term, I don't think it'll change materially. It follows implemented providers typically and the mix of those providers between primary care or gatekeeper providers, pediatricians, family medicine, internal medicine relative to specialists. We also add new programs. So that can increase attributed lives like you saw in the Medicaid book, where you can have existing patient panels and doctors, and we just don't have a value-based program, and then we enter into one. So that can lead to some acceleration.

We've done business development in the past to accelerate them. So when we entered Connecticut with one of the largest ACO entities there, you saw a pretty good jump in attributed lives in '23 as an example. So we're going to keep pulling all the levers. It's one of our two key units that drive the business. You have providers, then you have lives, and then that flows down the P&L. So our strategy is to continue to be thoughtful and keep doing it.

So it could accelerate in a year. It could be slower in a year. I think it just depends on how we see the environment, where we see opportunities. But over time, if we keep driving those 2 units, it usually bodes well for the business.

Operator

That concludes our Q&A session and this concludes today's conference call. You may now disconnect.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, 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.
