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Q1 2021 Privia Health Group Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Privia Health quarterly conference call. (Operator Instructions) As a reminder, this call may be recorded.

I would now like to introduce Robert Borchert, Privia's SVP of Investor and Corporate Communications.

Robert Borchert

Thank you, Jeff, and good afternoon, everyone. Joining me on today's call are Shawn Morris, our Chief Executive Officer; Parth Mehrotra, President and Chief Operating Officer; and David Mountcastle, our Chief Financial Officer.

This call is being webcast and can be accessed from the Investor Relations section of our company website at priviahealth.com. Today's press release highlighting our financial and operating performance, as well as the slide presentation accompanying our formal remarks are posted on our IR website pages. Following Shawn and Parth's opening comments, we will open the line for questions. We ask that you please limit yourself to one question and one follow up, so we can get through the full queue in a timely fashion.

The financial results reported today and in the press release are preliminary and are not final until our Form 10-Q for the first quarter ended March 31, 2021, 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 our view of our business as of May 27, 2021. 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 in conjunction 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, and reconciliations of these measures to comparable GAAP measures are included in our press release and the accompanying slide presentation posted on our website.

With that, I'll now turn the call over to Shawn.

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Thank you, Robert. Good afternoon, everyone. I'll provide a brief performance summary, including an overview of our investment thesis, growth strategy and our first quarter performance as well as an update on where we are seeing momentum and continued success in our business. Then Parth will cover a more detailed review of our financial and operating performance and outlook for the year before we take your questions.

Engagement with physicians is absolutely key as reimbursement models in the U.S. health care market shift to value-based care. Privia Health is purposely building a next-generation physician organization that engages with and organizes physicians into large-scale medical groups covering wide geographic areas in each state. Our model has proven to move providers in a thoughtful and successful manner to value-based care over time, generating over $430 million in savings since 2014.

Our strategy is simple but elegant and difficult for others to replicate as we work to achieve massive scale quickly. We have built a comprehensive technology solution directly for our providers to address the key pains they face each and every day. And our solution directly aligns with providers' financial success and facilitates physician autonomy while preserving their current ownership structures.

Our value is reflected in our high provider retention rates and Net Promoter Scores from both providers and patients. A differentiation of the Privia platform is our ability to support all providers, all patients and across all reimbursement models from commercial to Medicare Shared Savings, Medicare Advantage and Medicaid. This differentiation aligns with our provider, health system and payer partners as they look to serve all health care consumers.

We enter and expand in new and existing markets with our capital-light financial model. This does not preclude us in the future from acquiring a minority or a majority stake in an anchor medical practice or even opening a de novo clinic. We will continue to be good stewards of capital, taking a smart and thoughtful approach in making financially-sound business decisions. These decisions will be grounded in solid market dynamics and demographics and predicated on market density targets and profitable growth.

We are well positioned to continue to monetize our platform and drive growth through 5 core strategies. Let me walk through each on the next slide. First, we organically grow our existing practices by increasing the number of providers, increasing their patient panels and helping our providers be more productive. Number two, we look to move markets at scale to value-based care by participating in a variety of risk arrangements as they evolve in each of our geographic markets. Third, we expect to capitalize on the white space opportunities in our existing markets by adding new providers and monetizing the Privia platform by adding and expanding ancillary services such as labs, imaging, pharmacy and clinical research when and where it makes sense. We also plan to enter new states or geographic markets and then repeat steps 1 through 3. And finally, we will be opportunistic in acquiring or investing in other service models that expand our platform.

It's important to spend a couple of minutes reviewing our approach to taking risk across many different value-based reimbursement models. First and foremost, Privia Health already participates in multiple value-based care programs across commercial, Medicare, Medicare Advantage as well as Medicaid. In fact, our medical practices deliver care to more than 720,000 attributed value-based lives in more than 70 risk-based payer contracts today. We already have scale and we'll continue to grow attributed lives and move more of those lives into full risk arrangements over time.

Our financial interests are closely aligned with our providers as we share upside and downside risk and we are executing on an intentional long-term plan to enable those providers to transition profitably to value-based care. One very important dynamic on our top line is that our practice collections and revenue dollars only reflect deeper service collections, care management fees and shared savings. Under our current partial risk contracts, we are not recognizing the full per member per month premium for our Medicare Advantage lives. We certainly expect this to change as we move more of these lives from partial to full-risk arrangements.

The Privia Health leadership team has decades of experience in managing and underwriting risk. We will remain focused on profitably transitioning practice to partial and full-risk models within both existing and new markets.

Let's move on to performance. We started 2021 with such strong first quarter results that were at or above the high end of the estimated ranges we provided in April during our IPO process. On a year-over-year basis, practice collections increased 5.1%. Care margin was up 9.7%. And we continue to drive operating leverage through our Privia platform, which helped to deliver platform contribution and adjusted EBITDA growth of 26% and 41%, respectively. Our strong top line performance in Q1 was generated through both our fee-for-service and value-based care models, of which we expect value-based care to grow faster as more lives move to partial and full risk. And as Parth will highlight, we are continuing to add attributed lives across a number of value-based programs while also continuing to grow organically add providers in our existing markets.

As we achieve same-store growth, we are also executing on a number of growth initiatives to enter new markets and leverage our operating structure to drive margin expansion.

Now I'll ask Parth to provide additional detail on our first quarter performance and outlook for the remainder of 2021. Parth?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

Thanks, Shawn. Over the past 7 years, Privia Health has proven its operating model, and has delivered strong organic growth with double-digit historical top line expansion. We expect that level of growth to continue in 2021, given the high forward visibility of our model. As you will see in the chart on the top row of this slide, growth in implemented providers and value-based attributed lives led to a 5.1% increase in practice collections in the first quarter from the same period a year ago. Of note, in mid-2020, one large medical practice in our Mid-Atlantic market decided to leave our platform and align with the local health system. In this case, we decided not to utilize our capital resources to retain that practice. Despite this departure, we experienced growth in implemented providers in Q1 2021 over Q1 2020, and that growth continued sequentially from year-end 2020 through the first quarter of 2021.

Our care margin increased 9.7% from Q1 of last year. This is essentially the gross profit generated by Privia Health after cost of care delivery, which in our model includes patient care, physician and provider costs, medical claims, cost to build and operate care center locations and our providers' share of any shared savings in value-based contracts.

We showed significant operating leverage with platform contribution increasing 25.9% year-over-year as we continue to scale our operations and leverage our technology platform. This operating leverage further translated into adjusted EBITDA growth, which was up 41% from the first quarter a year ago as we scale our sales and marketing, platform development and corporate G&A costs.

Adjusted EBITDA margin as a percentage of care margin expanded 420 basis points year-over-year in the first quarter of 2021 to reach 18.9%. Our performance this quarter is a great reflection of the inherent operating leverage of our platform as we move down the P&L.

Turning to our full year 2021 guidance. We are confident in our business momentum and outlook for the remainder of the year. We expect to increase the number of implemented providers by 11.8% to 13.7% over 2020 and value-based attributed lives by 7% to 10% as we continue to move providers and their patients to risk-based reimbursement programs. Practice collections are expected to grow 11.1% to 12.6% year-over-year and reach $1.445 billion to $1.465 billion for 2021.

As we stated in our IPO prospectus, in our model, practice collections include collections in both states with corporate practice of medicine laws and states with no corporate practice of medicine laws. So, as our business grows in states where we don't own the medical groups due to corporate practice laws, our practice collections will grow faster than GAAP revenue.

Our care margin is expected to expand by 14.6% to 17.8% over full year 2020 to reach $215 million to $221 million, and we expect the operating leverage in our model to drive adjusted EBITDA growth in 2021 of approximately 22.4% at the midpoint of our guidance range.

There are a few other assumptions I wanted to highlight with regard to our 2021 guidance. There were some modifications to our pre-IPO stock option program as well as some additional equity grants as part of our IPO, as we previously disclosed in our IPO prospectus. We expect the fully diluted weighted average number of common shares outstanding to be 110 million to 120 million for full year 2021, which includes the pre-IPO period of about 4 months. Related to that, we expect our noncash stock compensation expense to be in the range of $195 million to $205 million in Q2 and $245 million to $255 million for full year 2021, primarily related to our pre-IPO stock option program.

Net cash proceeds from the IPO and Anthem private placement were approximately $212 million, so our quarter end pro forma cash balance was approximately $294 million. And with about $34 million in debt outstanding at the end of Q1, our net cash position of about $216 million gives us sufficient capital and liquidity to pursue our various growth drivers.

Given our highly efficient growth and expansion model, we expect CapEx to be less than $1 million for all of 2021, and we continue to expect high free cash flow conversion. And finally, we expect our expected tax rate to be in the 25% to 27% range for the full year. We do have a deferred tax asset that will offset much of our cash tax payments this year.

In closing, since this is our first earnings call as a public company, all of us at Privia are really excited to embark on this new chapter in the company's history post the IPO. We continue to transform health care delivery experience with our purposeful platform and believe Privia is on the right side of history.

We look forward to continuing to serve all our stakeholders, which include our physicians, providers and health system partners, our patients who entrust their care to our medical groups, our various private and public payer partners, all Privians and care center staff, and our investors who have entrusted us with their capital. We take our responsibility to serve all of you very seriously.

With that, operator, we're now ready for the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Lisa Gill of JPMorgan.

Lisa Gill - JPMorgan Chase & Co, Head of U.S. Healthcare Technology & Distribution Equity Research and Senior Research Analyst

Shawn and Parth, congratulations on your first quarter as a publicly-traded company. I really just wanted to start with your comments around shifting to full risk. I know during the IPO process, you talked about several hundred thousand Medicare lives. So if we think about shifting under Medicare to full risk, can you maybe just walk us through a time line of when your expectations are that you will have some full-risk arrangements within Privia?

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Yes. Thank you for the question. I'll touch on that, and maybe Parth can weigh in also if he chooses to. We've structured our contracts in a way, as we talked about through the IPO process, on the Medicare Advantage side to build attribution, get to some form of partial risk and then move into full risk over time. We think it's critically important to do that because we actually share upside and downside with our physicians. And, at the same time, it's -- we think it's the disciplined and appropriate thing to do. We're kind of looking forward to that. And, in the near future, over the coming quarters, we'll do that when we feel it's disciplined and appropriate time to do that with our physicians. Parth, anything you want to comment on?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

Yes. Lisa, two other things to add. One is, I just want to make clear, today we do take downside risk in a lot of our contracts, both Medicare Advantage as well as MSSP with CMS. So while it's not full risk, there is downside risk in over 100,000 lives with CMS already. They could potentially move over to direct contracting, as we said during the IPO process, once we figure out the equivalency of the benchmarks and so forth. And then even in MA, we are taking some downside risk.

The second comment I wanted to make is with respect to timing. As you know, we are highly incentivized given our fee structure as we earn 3 or 4x on our value-based book versus the fee-for-service book to profitably move and ensure that there are shared savings in those contracts. And so make no mistake, we are incentivized as a company and our providers are looking to do the same.

Lisa Gill - JPMorgan Chase & Co, Head of U.S. Healthcare Technology & Distribution Equity Research and Senior Research Analyst

Okay. And just to confirm, though, that there's no full risk at all in the 2021 guidance? So I could view this as kind of maybe 2022, 2023 opportunity. Just want to make sure that I have that correct.

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Yes, that's correct.

Parth Mehrotra - Privia Health Group, Inc. - President & COO

No, nothing in 2021, and then we'll obviously let you know when we get to 2022 guidance.

Operator

We'll take the next question from the line of Jailendra Singh of Crédit Suisse.

Jailendra Singh - Crédit Suisse AG, Research Division - Research Analyst

It's actually Jailendra Singh from Crédit Suisse. I had that before as well. Congratulations on your first quarter as a public company, Shawn and Parth. This is your first call as a public company, so I think it's very important for you to spend some time on kind of educating the investment community about how your model is differentiated. I mean over the past few months, several tech-enabled PCP companies have gone public. Some opening new clinics and centers, some following a partnership approach, some are payer-agnostic, some focused on Medicare. I understand the overall market opportunity is big enough for all of them to succeed. But just curious, like, if you can spend around your unique differentiation, your model versus others and how that impacts physicians' willingness to work with Privia over others.

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Jailendra, thanks for the question, and thank you for all the work you've done and building a long-term relationship with us. Yes, it's a great question. We talked a lot about it during the IPO process. And I'll start, Parth will have some things to add, I'm sure.

But if you think about physicians out there, we got or upwards of 2,700-plus signed over 2,500 on the platform itself, and we just think it's really critical on those physicians in those 650 care centers to -- I mean their desire is not to practice value-based care on one cohort. I mean they see all kinds of patients from commercial to Medicare, traditional that's going through an MSSP product, through Medicare Advantage, through Medicaid, and they want to provide that high value, meaning cost-effective, high-quality, differentiated patient experience to everybody that walks through their door and who they see virtually.

So I think we attract the physician that wants to do that with their self-selection. Our land-and-expand model, where we move into a market and build our medical groups at scale over states or multiple states, and we just believe you utilize all the patients that walk through the door, because that's the way physicians want to practice, to move markets at scale to value-based care.

I think it's highly differentiated compared with some of the other ones. And our doctors share upside and downside with us. We're not backstopping on risk when they get in it. They know they need the tools. They know they need talent. They need the technology. And they come to us desiring to move there, but they know we'll be very thoughtful, and we'll be very disciplined, and we'll move there together. But at the same time, they're just as interested in moving to risk as we are, and they know it can be rewarding. But at the same time, the last thing you want to do with a group of doctors or anyone is fail early. So we think it's critical to that. Parth, anything to add?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

Yes. Thanks, Shawn. Jailendra, I would have 4 quick things, quick points. Number one is just to add to what Shawn said. We are agnostic to every geographic market we enter given our diversity of how we partner with providers and payers. So if a market has not evolved into a very heavy Medicare Advantage market with a lot of seniors, that's totally fine for us, and we are willing to form these large medical groups and then play the long game.

The second is it also enables us to partner with very different types of provider groups. So while we are very primary care-centric, we are also focused on other specialists, OBs, pediatricians and so forth in building out these large medical groups. And all of them play a role in value-based care, as we know.

The third thing I would say is our unique platform also allows us to partner with health systems, which is differentiated with their employed or affiliated practices, which opens up a big TAM for us. As we know, 50% or 60% of providers are employed or affiliated with health systems today in the U.S.

And then the last thing I would say is with respect to payers, both CMS and the private payers, our ability to provide a solution across all lines of business from commercial to MA is a key differentiation, and we look forward to doing that.

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Thanks, Parth. Jailendra, the only thing I'd add, apologize for getting back in, but as you guys know, we sell providers a tech stack that's highly differentiated. When a provider joins us as a partner, they leave their technology behind, they leave all their contracts behind. We form that single tax ID medical group. So having that type of technology is a really big advantage of scaling and distributing information to and from payers and to and from patients, from physicians.

Jailendra Singh - Crédit Suisse AG, Research Division - Research Analyst

Okay. And my follow-up, I was wondering if you could share some thoughts around your decision to not participate in the direct contracting program, especially given the company's exposure in fee-for-service and its ability to generate savings on the platform? And would you consider participating in the future if the program is opened up again?

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Thanks, Jailendra. Direct contracting is interesting. If you looked at Privia and at the management team's background, we are a big supporter of government programs. We've got 90,000 Medicare Advantage lives and we're taking risk on 100,000 MSSP lives. So we really we appreciate, understand and are very disciplined in the way -- about our understanding of government programs.

It's new as we talked a lot about. We're very successful in the programs we're in. And to make a move because we share upside and downside risk with our providers, it's important for us to understand that program and move there in kind of a thoughtful and disciplined way, and we will do that. So I would anticipate us working in many government programs as the guidelines are more clear and what they're trying to accomplish. And anything you want to add there, Parth?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

No, I think you covered it, Shawn. The one thing, Jailendra, is we have a pretty big MSSP book of business, as we've talked about. So obviously, as we work through with CMS and understand new programs like direct contracting and how the equivalency works from an economics perspective, that's a big factor into our catalyst in the existing markets. But yes, as these programs open up and we feel we can do better, we'll obviously look to move into those.

Jailendra Singh - Crédit Suisse AG, Research Division - Research Analyst

Congrats again.

Operator

Next question from the line of Sandy Draper of Truist Securities.

Sandy Draper - Truist Securities, Inc., Research Division - MD of Equity Research

I'll add my congratulations. I guess a question but also incorporating in maybe sort of the way I think about something, I want to make sure that I'm thinking about the business right. I think as Jailendra said, there are lots of different models out there. A lot of people use care margin, different type of terms out there. When I think about care margin and platform contribution for you guys, I think about care margin as how efficient the practices are in delivering care and generating savings. And then platform contribution as the next level down is how efficient Privia is at a corporate level to deliver profitability. So one, am I thinking about that right? And then two, because you're guiding to both, how do you think about the difference in visibility to guide to a care margin where some of that is maybe out of your control versus guiding to platform contribution, where some of those elements may be more in your control because it's your spending, not necessarily the doctors' care? So we'd love to just hear your thoughts on that.

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Thanks, Sandy. A couple of questions in there. Parth, do you want to touch on them?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

Yes. Sandy, thanks for the question. Yes. So I'll move a step-up, Sandy. Our practice collections has 2 components, as you know, a fee-for-service book and a value-based care book. The one key difference, as we outlined, is in a partial risk value-based book, what we are recognizing in practice collections is essentially the shared savings. So that can equate to the medical margins in a full-risk contract, as some other companies state. So number one, I think it's important to know the differentiation where it's not apples-to-apples, and our practice collections understate the true extent of the total medical premium revenue or medical costs.

Our care margin, just to make one minor correction in how you define it, is all the dollars that come to Privia after we've made all payments to physicians. So that includes their portion of the shared savings, their portion of any of the fee-for-service or value-based payments. So nothing will add the care margin line or below those of the physicians in our model. So we have very good visibility at both the practice collections level and the care margin level because we understand what our fees are on those books of business. And then below that is all our operating costs to support our practices, which is also in our control. So I think we have good visibility in all 3.

Operator

Next question from the line of Ryan Daniels of William Blair.

Ryan Daniels - William Blair & Company L.L.C., Research Division - Partner & Co-Group Head of Healthcare Technology and Services

And I'll add my congratulations on the quarter and recent IPO. I want to talk a little bit about the provider pipeline. Obviously, a big part of your growth is additions to the platform, and you've been very successful there. So a 2-part question. One, just getting an update on the outlook for the remainder of the year and then into 2022. And then number two, I think another unique thing about your platform that you didn't discuss is the ability to work more with health systems to help them with provider alignment or enable their medical groups or maybe an alternative for groups that aren't functioning well under hospital ownership that could work well under your model. So could you share a little bit on those 2 topics as well?

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Yes, Ryan, thank you for the congratulations. I'll start us off kind of high level and let Parth kind of dive into those. I mean, interesting enough, our pipeline we feel really good about it going into this year as well as next year. We started off the year really well with a strong quarter. And on health systems, as Parth mentioned earlier, I believe it was Lisa or Jailendra that asked about the question about differentiating. I mean it's something our peers are not doing is working with a health system. And we learned through COVID, because we started this about 3 years ago with a health system down in Florida, that we're trying to accomplish quite a bit of things around their group and having higher performance, especially on the value-based care side and looking for high-performing technology.

But when we went through COVID, a lot of health systems reaching out, ones that were similar to the ones we work with from an IDN perspective, others that kind of cross the gamut of what they play -- what they want to do with their employee group, but probably most importantly, what they see possible to do with the community physicians that aren't employed today.

Almost -- not 100%, but a lot of these health systems don't desire to employ additional physicians. They like the Privia light model. It's very attractive to them and what type of relationship can we have with that health system, be that in a joint venture, be that in a bunch of different ways. And the way we start that process is we, first of all, want to see if their vision aligns with ours around value-based care, what they're trying to solution for. Is it a full technology replacement on the ambulatory side? Is it connecting back with something they already have? Is it -- obviously, it's always kind of how can their doctors perform better in value-based care and then it's always what can we do in the community together to kind of grow their physician alignment strategy without having to purchase doctors.

And I think these tend to be a little bit longer sales cycles, as you can imagine. Health systems are going to be that way. But I just believe we're on the front end of this kind of wave, and I think it's a solution that a lot of health systems out there, depending on their strategy, will actually desire to kind of think through and work through with us. Parth, do you want to add anything to that?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

The only thing I would add, just so folks appreciate, is the flexibility that we have in our model to pivot the strategy based on the needs of any particular health system. You can have a very large IDN, multiple states that's very happy with the employed group, and then we are really working with them on the community position that Shawn said. On the opposite end of the spectrum, you could have regional health systems, much smaller, who might say, "Look, we really don't want to employ any physicians, especially primary care. And could you help us get them out of employment and stand up as an independent viable practice while maintaining all the alignment that they have with us?" And I think across those spectrums, our model can really work with them.

And then most importantly, I think we are uniquely positioned to help them transition into value-based care. That model obviously is not naturally set up to succeed into risk contracts. And I think us working closely with physicians, their physicians and community physicians, can really help them do it.

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Yes. Thanks, Parth, Ryan, if you just think about sheer TAM that's out there and available -- the AMA put some things out in the last couple of weeks saying that over half the physicians are affiliated with some type of system, and there's less that are just purely employed. So if you're dependent upon one or the other, you don't have access to the other TAM. So we just think this opens us up -- as long as the strategy is aligned -- to a much larger TAM and we all know most systems, it's rare to see a system that's not struggling or wanting to do better kind of moving to value-based care.

Operator

Next question from the line of Josh Raskin of Nephron Research.

Joshua Raskin - Nephron Research LLC - Research Analyst

Here with Mr. Percher as well. So 2 questions. The first one, hopefully, just an easy one, just the S-1. I think you alluded to this, Shawn, in your prepared remarks. Had some estimates around GAAP revenues, care margin, platform contribution, EBITDA, et cetera, and seems like everything kind of came in at or above the high end of those ranges. So were there some specific areas of unexpected upside? Some trends that got a little bit better in terms of overall utilization of the system? Or was that just sort of appropriate levels of conservatism in light of the IPO?

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Josh, I don't think there was any material kind of changes. Parth, anything you think you could add there?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

Yes, sure. Josh, Eric, yes, thanks for the question. Two quick things. One is I think we saw strength in both fee-for-service and value-based books. Obviously, in the quarter, earlier about January, February, you're still in the midst of COVID in many states, and so there was some uncertainty around that. And then you got the Texas freeze, which obviously impacted folks going into the physician's practice or even conducting care virtually with the power outages. So I think despite all of that, it was much better than we expected.

On the value-based book, and I want to tie it to a question Sandy asked on our practice collections, we are recognizing just shared savings. So even slight outperformance in value-based shared savings translates down the P&L into EBITDA. And I think that's very important in our model, given the operating leverage we see, where if we outperformed on a value-based book, given medical margins, effectively, what we are recognizing in practice collections, you can see that outperformance on EBITDA as a lot of those dollars flow down to P&L. So I think that was a good surprise for us on the upside.

Joshua Raskin - Nephron Research LLC - Research Analyst

That makes sense, I guess, with potentially some of the lower utilization, maybe that hits fee-for-service. But on the value-based care side, if there's low utilization, that revenue is almost all EBITDA. Is that the right way to think about that?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

Yes, yes. That's right.

Joshua Raskin - Nephron Research LLC - Research Analyst

Okay. And then can you just speak to the timing of sort of setting up new entry in new markets? And January 1 is an important date, right? I think about contracts with Medicare Advantage and even commercial contracts tend to reset around that. But is this much more about finding the providers and signing the contracts? And then maybe any specific color on how we should be thinking about new market entry as we get closer to 2022?

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Yes, Josh, I'll kick it off and Parth can even weigh in and maybe kind of speak to kind of what was in the model. But yes, our business is more around that anchor sale. We're recruiting an anchor out there. It seems to be a little bit longer term than depending on the size of the practice and kind of who you're working with and does their vision align with us. A smaller win probably kind of facilitates a little bit quicker, I guess, for lack of a better word. Health systems are longer, like I spoke to a while ago.

Then once you get landed that market, what we refer to as our machinery and kind of how we grow that is actually ramps up pretty well. And a lot of our physicians -- those we add on -- that same-store growth in the market are 5 docs in a practice and below. So that ramps up and kind of runs at a more predictable pace. And then finding those providers, having those discussions as it's an ROI business solution since we're not just selling a Medicare Advantage contract. There's something we're selling -- all the platform services that's going to do fee-for-service to value-based care, the wraparound kind of the ACO model that we run all of our value-based arrangements through and then the platform itself, where we're kind of -- where it makes sense in a value-based way. Or adding ancillaries that work long-term and value-based care as well as clinical research.

So it's an ROI solution sale. But it is about finding those markets and then the machinery kind of kicks in -- and over time. Parth, anything to add on what's kind of -- what are we thinking there?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

Yes, Josh, just to answer your question on timing. What's in the model is no new markets for 2021. So our guidance does not include anything, but we are actively, obviously, having multiple discussions.

In finding an anchor partner and opening a market, January 1 is not important. We can do it in the middle of the year. It just depends on the timing. You saw it last year, we opened up Tennessee in Q4 in the middle of COVID, end of Q3. So that really doesn't matter. And if we do that, we'll obviously update the guidance and provide the appropriate disclosure.

And then obviously, from a value-based contract perspective, mainly things reset 1/1 in a new market or an existing market. So MA attribution, et cetera, kind of with the AEP enrollment, that -- we're subject to the same time line as others.

Operator

Next question from the line of Richard Close of Canaccord Genuity.

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

Congratulations in order. Just a question. I appreciate the comments on the pipeline. Can you talk a little bit about the competitive landscape? Parth, you said you're having lots of discussions now. But are you guys the only game in town? Are the practices thinking about what they're doing now and choosing you guys? Or are there other players that you're essentially competing with in those discussions?

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Richard, I'll start. This is Shawn. Thanks for the congratulations. Doctors always have a choice in what they're going to do. And it's not just in this space of the physician enablement space, it's just in life in general. Think about when a physician graduates medical school, we can kind of guess at their age. Maybe they've got a young family, maybe they've got debt. They're thinking about kind of maybe more of a job type that could be with our health system. That could be in a downstream Privia Group. So they kind of come out of school. They've got other things on their mind besides kind of hanging a shingle and getting started. Obviously, there's some that do that.

As they kind of mature in age and I would even add confidence in the ability to kind of maybe kind of take care of more complex patients, some of them, they kind of come out, they want to join a group, maybe be a shareholder, hang a shingle. We have some -- obviously, we have some models that allow them to do that. And then sometimes towards the end of their career, they want to sell their practice. So we've got models that actually can transition docs and succession plan and so forth.

The docs that we tend to attract, Richard, are those docs that are going to be a little more entrepreneurial by nature. They're going to be looking for something much larger. They've come to the conclusion that they kind of have 10, 15, 20 years left in their practice. They're going to be doing this a while, they want to do it well, and they just don't want to do it in one cohort of patients and they don't want to be an employee. So it's a solution sale and they come to us as a partner, and we provide the services and kind of share that risk up and down with them and work them through this over a period of time. And we're really thoughtful about that dynamic because they can be an entrepreneur of 1 or they can be entrepreneurs of a practice of 400. So we're partners with them, and we really kind of think through that. Parth, anything you would add?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

Richard, just quickly on the competition piece. Look, I'm not going to comment on what other companies go after and how they're facing it. To tie to the answer we gave to the question Jailendra asked, our TAM, I think, is the broadest, given our solution set is also the broadest across all lines of business. And so I think we face competition from a wide variety of folks for different types of practices. There could be practices that -- obviously, those who want to stay independent and want a full solution set across all lines, we're the natural choice. If folks are only focused on MA, then obviously, we do face some competition from MA-only players. And then folks who want to sell, obviously, you can compete with health systems or other buyers of practices, private equity or Optum, et cetera.

I do think even if folks are aligned with other models, they could participate in the Privia model given our flexibility across all lines of business. So no specific answer, unfortunately, for you, but our broad solution set and TAM allows us to go after many different kinds of practices that we think other models have some sort of limitation on.

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

Okay. And as a follow-up, can you provide any additional details? You mentioned the Anthem investment. Just any more information in relationship to maybe the collaboration agreement going forward?

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Yes. Richard, the Anthem agreement, they've invested $92 million at IPO. It is a collaboration agreement. It's nonexclusive. Obviously, they can work with any provider they want to. We can work with any payer we choose to. We contract with them in a couple of our states in a big way. I think it's a reflection of our performance with them, and they're excited if we could grow along with them and where they are, and if we can perform in similar manners. That's the way the arrangement works. And I don't think it's limited to an Anthem type of relationship. I think there's other payers out there, and obviously, who desire to -- for us to work in a very similar fashion. Parth, anything you'd add?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

No, thank you.

Operator

And our last question is from the line of Jessica Tassan of Piper Sandler.

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

Congrats on the first quarter. So 2021 guidance kind of suggests that practice collections are going to grow at roughly 2x the rate of revenue in 2021. So I was hoping you guys might be able to just review in terms of market mix and maybe reimbursement mix, what would drive practice collections and revenue growth rates to diverge in a given year? And then also what might drive them to converge in a given year or in 2021?

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Yes. Thank you. Parth, do you want to take that one?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

Yes. Jess, thanks for the question. So there were 2 drivers for that divergence. One is, obviously, as we grow faster in states with corporate practice laws, Texas, Tennessee, Florida, obviously, that's recognized in practice collection as non-GAAP revenue. And then secondly, we obviously have this anomaly of one practice that left us in Mid-Atlantic, which is a non-corporate practice state. So fully reflected in GAAP revenue, and therefore, that caused some of that divergence.

So I think over time, we'll guide you on mix if we open a new market, whether it's corporate practice or not so you can model that out, but it really depends on the mix going in as to how each book of business is performing in those mix of states.

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

Got it. And then just as utilization kind of comes back online, can you talk about the benefits to Privia relative to some models that might focus exclusively on primary care, both in terms of fee-for-service and value-based care revenue?

Parth Mehrotra - Privia Health Group, Inc. - President & COO

Yes, absolutely. It's a great question. Obviously, on the fee-for-service book, we benefit directly as utilization comes up. And so that's a direct benefit in all our markets. It also helps us that we have some select specialists. So it's not primary care-oriented 100%, and so you can see some of those utilization rates will come up more so, including the pediatricians as those visits got hit pretty hard with COVID. So I think that would benefit us tremendously relative to other MA-focused-only models.

And then on the value-based side, again, there's a reason we are thoughtful about taking full risk. COVID depressed utilization, so MLRs were lower across the board. And obviously, that's a headwind. In our value-based book, we've hopefully appropriately modeled the right amount of utilization going in, and partial risk contracts protect you if there's a spike in utilization. So if and utilization spikes up towards the second half predominantly as vaccinations increase, it will be interesting to see how different companies perform across the space.

Operator

Thank you. And I'm not showing any further questions. I would now like to turn the call back to Mr. Morris for any further remarks.

Shawn Morris - Privia Health Group, Inc. - CEO & Director

Thank you, operator. And more importantly, we want to thank each one of you for joining us on our inaugural earnings call. And we appreciate it, and we're looking forward to building a long-term relationship with each one of you, and look forward to speaking to each of you soon. Thanks a lot. Have a good evening.