REFINITIV STREETEVENTS

TRANSCRIPT

PRVA.OQ - Q1 2023 Privia Health Group Inc Earnings Call

EVENT DATE/TIME: MAY 04, 2023 / 8:45AM ET

REFINITIV

CORPORATE PARTICIPANTS

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

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

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

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

CONFERENCE CALL PARTICIPANTS

Adam Ron BofA Securities, Research Division - Research Analyst

A.J. Rice Crédit Suisse AG, Research Division - Research Analyst

Andrew Mok UBS Investment Bank, Research Division - Analyst

Whit Mayo SVB Securities LLC, Research Division - MD of Equity Research & Senior Research Analyst

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

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

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

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

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

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

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

Joshua Raskin Nephron Research LLC - Research Analyst

Lisa Gill JPMorganChase&Co,ResearchDivision-MD,HeadofU.S.HealthcareTechnology&DistributionEquityResearchandSeniorResearchAnalyst

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

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

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Privia Health Q1 2023 Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Robert Borchert. Robert, please go ahead.

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

Thank you, Kyle, and good morning, everyone. Joining me today 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 be accessed from the Investor Relations section of priviahealth.com. Today's press release highlighting our financial and operating performance and the slide presentation accompanying our formal remarks are posted on the Investor Relations pages of priviahealth.com.

Following our prepared remarks, 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 and in the press release are preliminary and are not final until our Form 10-Q for the first quarter ended March 1, 2023 is filed with the Securities and Exchange Commission, which was filed earlier today.

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 May 4, 2023. Such statements, including those related to our future financial and operating performance and future business plans and objectives are subject to risks and uncertainties that may cause actual results to differ materially. As a result, these statements should be considered 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. Now I'll turn the call over to Shawn.

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

Thank you, Robert. Good morning, everyone. Privia Health delivered solid first quarter results to start 2023 as we continue to execute in each of our markets. We remain focused on driving towards our long-term vision to build Privia Health into one of the largest ambulatory care delivery networks in the nation. Our market momentum and highly aligned partnership model continue to drive growth on multiple fronts and support our high-level confidence in our 2023 outlook. This morning, I'll review a few business highlights, Parth will offer a market and operational update, and then David will discuss our recent financial performance and our 2023 guidance outlook before we take your questions.

During the first quarter, Privia Health continued to execute at a very high level with Practice Collections increasing more than 17% year-over-year. Adjusted EBITDA was up almost 14% as we continue to increase our number of provider partners and invest in our recent new market entries. This performance was again driven by continued same-store growth as well as our new provider additions in existing markets. In the last few months, we've entered 4 new states and have already signed new providers in our medical group platforms in Connecticut, North Carolina and Ohio.

We continue to see a very strong sales funnel with potential new providers across our markets and are maintaining a healthy business development pipeline as we look to enter additional states over the next few years. Separately, we are very excited and have launched and priced this morning a large secondary offering of the company's total diluted shares outstanding. This transaction substantially reduces or eliminates Goldman Sachs and Pamplona Capital's ownership. We are also very excited to welcome a number of new long-term oriented investors, including Durable Capital Partners and Rubicon Founders among others who purchased shares in this transaction. The entire Privia team looks forward to executing on our strategy, continue to create value for our shareholders in years to come.

In other news, we recently announced that I plan to retire at the end of June and our Board of Directors named Parth Mehrotra to succeed me as Chief Executive Officer of Privia Health. I decided that now it was an opportune time to step away from my operating role, to spend more time focused on my personal interest. I will remain on the Privia Board, and I look forward to continuing to track Privia's future success. Parth and I have worked very closely together over the last 5 years. As many of you know, Parth has been an integral part of establishing Privia's presence in many new states, taking our company public in 2021 and directing Privia's growth. We expect a very smooth transition, and it will be exciting to watch Parth and our leadership team drive Privia's next phase of growth. It's been a privilege to interact with many of you and more than 900 Privians dedicated to improving health. Now I ask Parth to provide a market and operational update.

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

Thank you, Shawn. It has been an absolute pleasure to work with you and our privilege to succeed you as CEO. We continue to expand Privia's national footprint, which now includes more than 3,700 implemented providers in our medical groups, caring for over 4.4 million patients in 970 locations. We believe our scale and diverse provider and payer partnerships offer a true differentiator as we build one of the largest multi-specialty medical groups and ambulatory care delivery networks in the country that can improve patient outcomes and reduce costs.

We are ahead of our growth plan in each of our new markets and expect to add new implemented providers in Connecticut, North Carolina and Ohio before the end of this calendar year. Privia's value-based care platform continues to be one of the broadest, most balanced and diversified in the industry. We cover more than 1 million attributed lives across more than 100 at-risk payer contracts in commercial and government programs.

Total attributed lives increased more than 22% from a year ago, driven by our new ACOs in 2023, including our partnerships with Community Medical Group in Connecticut and Beebe Healthcare in Delaware.

Our quarter end attributed lives includes the impact of a joint decision with a health plan partner to pause one capitated MA risk arrangement for performance year 2023. The health plan terminated its relationship with the technology services provider earlier this year. And as a result, given the health plan's near-term operating challenges, we both decided to pause the capitated arrangement. We will continue to serve these MA patients as before with a focus on improving patient outcomes and reducing total cost of care, and we'll jointly reevaluate the downside risk arrangement for performance year 2024.

Overall, our value-based book of business performed very well in 2022 and in the first quarter of 2023. And there remains a significant embedded opportunity for us to thoughtfully move MA lives into capitated arrangements over the next few years. Now I'll ask David to review our recent financial results and 2023 outlook.

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

Thank you, Parth. Privia Health delivered another solid quarter of performance in the first 3 months of 2023. Our implemented provider count of 3,716 was up 10.3% year-over-year. Solid ambulatory utilization trends, new implemented providers and additional attributed lives led to practice collections increasing 17.3% from Q1 a year ago to reach $658.9 million. We continue to generate operating leverage with adjusted EBITDA up 13.9% over Q1 last year to $16.9 million. Total value-based care comprised 33.8% of total GAAP revenue in the first quarter of 2023 compared to 27.1% in Q1 a year ago, which highlights our thoughtful move to at-risk contracts over time.

The strength and resiliency of our operating model is highlighted by our solid Q1 performance, diversified book of business and strong aggregate performance in our value-based and capitated arrangements. With this continued business momentum, we are reiterating our full year 2023 guidance. We expect practice collections to grow 14.5% to more than $2.7 billion and adjusted EBITDA to increase 18.3%, both at the midpoint of our guidance. With 4 new states and 3 new ACOs in 2023, we plan to continue to invest across our business enterprise to support our significant expansion. Our balance sheet and capital position continue to be very strong with cash of more than $311 million and no debt. Our 2023 adjusted EBITDA guidance absorbs approximately $8 million to $10 million in new market entry and expansion investments.

We expect our new markets to scale significantly in the coming years as we grow our provider base and attributed lives in these new states. Given our capital efficient partnership model with annual capital expenditures of less than $1 million, we expect 80% to 90% of our adjusted EBITDA to convert to free cash flow. We remain focused on growing and expanding our business for many years to come and investing to support this growth as we build our national footprint. We are now ready to take your questions.

QUESTIONS AND ANSWERS

Operator

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

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

Great. First, congrats to you, Parth. And Shawn it has been great working with you. I know you'll continue to be on the Board, but I think this is a great transition. I just really want to understand a little bit better the timing of physician implementation. As I look at your guidance, it appears to be fairly conservative to us as you move throughout the year and just want to understand kind of the timing of things.

I heard you talk about the health plan pause, but any incremental color you can give into the new markets would be really helpful. And then just as a quick follow-up, Parth, I thought it was very interesting, your new compensation package. And we've had a number of questions just around who that peer group is. And maybe if you can talk about some of the metrics that you're going to be measured against over the next year?

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

Thank you, Lisa, I really appreciate it. So just take them in order. So #1, as we stated, we are ahead of our plan on implemented providers in the new states, Connecticut, North Carolina and Ohio, and we expect to implement some providers in those states before the end of the year. As you know, that's a 5- to 6-month process, but the visibility we have through the sales pipeline gives us that confidence. And again, from a guidance perspective, it's still Q1. We have pretty good visibility, and we'll update the guidance as we go through the rest of the year. And I'd also like to mention, this obviously does not include any new states, and we are pursuing business development throughout the course of the year as we've done in past years. As and when we have updates, we'll obviously update the guidance.

And then on your follow-up questions, on #1, again, our focus has been to get fully aligned with our shareholders from a value creation perspective that happened prior to the company being public and the details which were filed with the SEC suggests that the entire initial grant for my request to the comp committee was to tie it to a relative total shareholder return metric, which will be the Health Care Services Index. And it will be -- it vests on a cliff basis in 4 years. So that just aligns from a true long-term perspective, and that's the mindset we have in running the business and creating value for shareholders.

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

Lisa, thank you. Obviously, I've enjoyed being here for over 5 years and have a lot of confidence in Parth and the team and excited to stay on the Board of Directors. And as I noted in the prepared remarks, just see the company grow and hit this next phase.

Operator

Your next question comes from the line of A.J. Rice from Crédit Suisse.

A.J. Rice - Crédit Suisse AG, Research Division - Research Analyst

Best wishes, Shawn and congratulations Parth as well. Maybe just because it's the topic du jour, the Medicare final rate notice has been out there. Obviously, the bids for next year get submitted in June. Can you just comment on your discussions? I know your model in taking on the risk in MA tends to be very specific to different relationships. But what kind of discussions are you having? Is it making people think they want to accelerate the path to risk on the physician's side? Is it saying, hey, we need to pause here. How do we think about the final rate notice and how that's changing the push to take on more risk in your MA book?

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

Yes. Thanks, A.J. It's Parth. I appreciate your comments. And then to your question directly, it kind of validates our model more so than jumping into full risk 100%. We've not really seen any change in our discussion with both our payer partners as well as provider groups. And this model that we have are thoughtfully moving up the risk spectrum. As and when the providers are ready, the payers are ready, I think in this kind of an environment where you really have to go geography by geography, look at the density, look at the panels, look at the health plan partner and make that decision and do it thoughtfully so that neither entity is burned in the process. So I think that's validating our strategy more so as folks are being much more thoughtful as to how they construct this. But we are seeing a lot of momentum across those discussions, both with payers and then obviously, our medical groups.

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

Thanks A.J.

Operator

Your next question comes from the line of Andrew Mok from UBS.

Andrew Mok - UBS Investment Bank, Research Division - Analyst

Looking at the equity alignment agreement with Novant, should we be thinking of this deal as a template for your strategy going forward when it comes to implementing providers alongside large health system partners? And can you explain the thought process and rationale restructuring the deal in this way?

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

Yes. Thanks, Andrew. I appreciate the question. Look, I think when it comes to big large health systems, especially of that size, it's a very significant commitment on their part. We are talking about thousands of providers, and that significantly changes the dynamic of the relationship and the depth of the partnership, as you can imagine, and those decisions are never made lightly. And those are also very long term in nature. You cannot reverse them overnight, if you will.

So I think we are very comfortable in having a structure that aligns our partnership and the depth of that relationship, if that includes a certain amount of equity if they make that kind of commitment. And again, the decision will be health system by health system. It just depends on the nature of the strategic objectives of that particular health system and our strategy in that particular geography. But it is an incentive arrangement and the reason for that is that sometime in the future, we can get that kind of book of business.

Operator

Your next question comes from the line of Sean Dodge from RBC Capital Markets.

Sean Dodge - RBC Capital Markets

This is Philip Keller on for Sean. And also congratulations to Shawn and Parth on the transition. So I wanted to check back in on the Surgery Partner's partnership. I mean, even more comfortable in the first year, can you give us an update maybe on the status of that implementation, Montana? And anything you can share in terms of performance metrics tied to that partnership? I guess more specifically, I'm looking to understand how you're measuring success there and what you need to see before potentially kind of expand that relationship to the other states?

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

Yes. Thank you. So the relationship is going really well. The Montana Group has been live now for some time, for many months, and that's going well. And then both companies obviously are evaluating relationships in other states and that was the genesis of the partnership. We have certain other groups in some other states that are implemented. So again, we've proven that out in more than just one state. And then, obviously, there's a broader strategic alignment on their value oriented in what they do. You've seen some of their recent announcements, including with a health system, where we also partnered with in Ohio.

So I think we're going to look forward to as we both develop and grow those relationships, try and work together and bring a very unique offering to our payer partners from a value perspective and how we construct these networks in a multi-specialty medical group with an outpatient facility attached to it. And you can reduce total cost of care in a pretty meaningful way with those strategies. So we'll continue to work. This is going to be a multiyear discussion and strategy with them. So we look forward to executing on it.

Operator

For our next question, it comes from the line of Gary Taylor from Cowen.

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

I wanted to ask about a couple of things. One, the $3.3 million of negative prior-year development, I think that's just new disclosure on the roll forward table. But given those contracts are obviously pretty new, was curious on what was driving that and how it's influenced your reserving this year, if at all?

And then also, there were about $3.5 million of add-backs to EBITDA beyond just the stock comp add back. That amounts a little larger than we typically see from you. And I know you pride on not adding a lot of stuff back. So just wanted to see if there was any more detail on that $3.5 million?

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

Thanks, Gary. So on the first one, it's related to the capitated book. A large part of that was due to on this one agreement that we highlighted in the prepared remarks around the pausing of the capitated arrangement with the health plan, in particular, given the operating challenges they faced as they went through that change.

All of that is recognized in Q1, so we don't see any further downside from that. So I don't think you should expect that to continue through the rest of the course of this year. So that was pretty much it from that perspective. And then on the adjusted EBITDA add back, it was onetime costs, legal-related, some deal related. Obviously, we've had a very busy business development activity over the last few months. And so some of that is purely onetime in nature in addition to certain severance costs.

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

Appreciate it. Is there any management participation in the secondary offering that got priced?

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

No, it was totally secondary by pre-IPO investors, largely Goldman Sachs and Pamplona. There was no management participation.

Operator

And your next question comes from the line of Whit Mayo from SVB.

Whit Mayo - SVB Securities LLC, Research Division - MD of Equity Research & Senior Research Analyst

Just looking at AR days in the quarter, they were up a lot, and I recognize there's a lot that influences that. But maybe, Parth, if you could help us understand some of those factors influencing that number, maybe MSSP, maybe some of the capitated stuff. And maybe just comment broadly on MSSP performance versus expectations in the quarter?

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

Yes. Thanks, Whit. So the AR is mainly related to the capitated book as that's grown over the last 18 months or so as we've gone from 0 to 30,000-plus lives. So obviously, they'll normalize year-over-year once that book becomes a little stabilized. It's not related to MSSP. That's been fairly normal as we get paid sometime in Q3, as you know. And overall, our value-based book, as we said in our prepared remarks, overall has performed really well. We're very pleased with the results from all the data we see. Our accruals are updated this quarter. So the results for the quarter and the guidance reflects where we are today. And obviously, we'll update those as we move forward. But so far, everything we've seen, we're very pleased with.

Operator

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

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

Congratulations to Parth and Shawn. It was great getting to know you and working with you. Can you guys just clarify when was the capitated contract terminated? And then just what the impact is on the 40,600 capitated lives as of 1/1/123? And I guess just kind of what is the headwind that the reiterated guidance is absorbing related to the pause of that capitated contract? And should we expect a sequential step down in capitated revenue in 2Q?

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

Thank you, Jess. So I'll take those in order, just a few points. So number one, the situation involved our partner and, as many of you have Written, another public company, so we're going to be respectful of their disclosure on this matter. But overall, as far as we are concerned, this was an example of a risk that was not in our control and it validates our decision to share the risk with the health plan partner in such arrangements, especially as we are starting out in these arrangements for the first year. And we're looking for a lot of consistency.

So all prior period impact is fully reflected in our Q1 results, and there will be no further downside impact to 2023, and that was the reason for us to pause. And again, it demonstrates the strength and diversification of our book and how well we performed in the rest of the value-based book, given our results this morning for Q1 and our confidence for the rest of the year. So we don't see any further downside impact from this book.

And then, more importantly, as we reevaluate the decision in future years, in these lives, there will be upside. So the one change you'll notice from the last quarter when we reported, if you look at the bubble chart under MA, the downside risk lives are now 23%, and that's down. So we have a little over 31,000 lives that are currently in capitated arrangements, and that's down from the prior report.

Operator

For your next question, it comes from the line of David Larsen from BTIG.

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

Congrats on a good quarter. Can you talk about the difference in expected margin between MSSP deals and also capitated deals? It's kind of my understanding that the capitated deals can actually be much higher risk, obviously, and leaner margin long term. And Parth, I like how you bear risk responsibly. And then also, over what period of time should we see EBITDA increase for new market that you enter into? Any color around that would be great.

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

Yes. Thanks, David. So broadly speaking, Privia's take rate on shared savings is effectively the same on the 2 books of business. We shared at 60-40 with our doctors, how we split the pie with the health plan differs. So for MSSP in the enhanced track, it's a 75-25 split with CMS. And then in a capitated arrangement, that can vary differently by geography, by health plan. So that's the first difference. But our take rate overall is the same.

And then the way we like to think about margin is given the revenue recognition on the top line, just a percentage margin is really not apples-to-apples comparison, MSSP versus MA given you start to recognize pretty significant top line in a fully capitated MA deal. But from a shared savings percentage basis, as you see in our largest ACO in mid-Atlantic, we are saving close to 10% theoretically, and that's an open access kind of product with CMS theoretically in a GAAP book of business with MA, you should expect over time to go at or higher than that number from a savings percentage perspective because you're managing the lives much more closely, you're taking more risk. So from that perspective, hopefully, the opportunity is bigger, and that's how we like to characterize the difference.

Operator

And for your next question, it comes from the line of Richard Close from Canaccord.

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

Congratulations, Shawn and Parth on the changes there. With respect to the new markets that you called out, Ohio, North Carolina and Connecticut. Can you just tell us -- they're running ahead of expectations, but can you tell us in terms of what you were expecting previously in terms of contribution on 2023?

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

Yes. So thanks, Richard. Overall, we thought we would be implementing providers sometime next year. I think that time line accelerated a little bit. From a top line and platform contribution perspective and EBITDA perspective, it will still be fairly muted this year, given when the providers get implemented later this year and the in-year contribution from them.

But I think it gives us good runway into starting 2024 in a pretty strong footing. And again, we are planning this journey in each of those states over a 4-, 5-year period to try and get to 400 or 500 providers. I mean, that's always our target. All these states have very significant TAM. We have a pretty large partnership model in each of those 3 states and the opportunity for us to partner with many providers. So that gives us the confidence to build these medical groups to that size over that period of time. So it will not be linear, but I think we're off to a good start, and we'll see how we execute.

Operator

And for the next question, it comes from the line of Jamie Perse from Goldman Sachs.

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

I just wanted to go back to the capitated arrangements you have. I think contribution last year was just over $260,000. Can you give us a sense of what you're seeing so far this year and how you're accruing costs relative to collections on that book of business so far this year?

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

Yes. Thanks, Jamie. So obviously, we're not going to go contract by contract, but generally speaking, on the remaining book, we obviously paused one arrangement as we outlined. But on the remaining book, it's better than last year, that's how we would expect. So obviously, all the prior period stuff is flushed out. But for 2023, if you can look at our disclosure both on the revenue that is disaggregated and the medical margin, you'll see that we are performing pretty well. If you compare the capitated revenue number of $78.2 million relative to the in-year health care costs incurred on that book. So you'll see, obviously, we are accruing at a much better clip for the in-year performance on those deals.

Operator

And for your next question, it comes from the line of Joshua Raskin from Nephron Research.

Joshua Raskin - Nephron Research LLC - Research Analyst

I'll add my congrats to both Shawn and Parth as well. Just focusing on the VBC lives that changed sequentially. Is that all MSSP or were you seeing some growth in the MA contract? And then getting back to this health plan pause, I just wanted to better understand, it sounds like there was a technology partner that changed at the health plan side. It sounds like that must have impacted performance, right, because the negative development, a couple of million bucks there. Is it fair to assume that you guys had been accruing last year, maybe even just very modestly positive savings or results or maybe nothing? And now in hindsight, it sounds like the performance on that contract in total was negative. Is that the right way to think about it?

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

Yes. Thanks, Josh. I'll take those in order. So #1, there's always movement at the beginning of the year on the overall attribution. It happens in commercial the most, as employers change sometimes their TPA or their health plan partners. So obviously, you see that and then the lives get reattributed to us. So you'll see some movement in commercial in Q1 and as the year progresses, that normalizes.

There could be some in MSSP as well if some of the beneficiaries used to go into MA. So we do see some of that movement, but we capture that back in the MA book because they're obviously not changing their PCP in most cases. But again, hopefully, that attribution normalizes in Q3, Q4 and -- sorry, by Q2, Q3, and that's what gives us confidence on our overall guidance range for that metric. And then on the health plan side, again, it was a pretty significant disruption that a health plan can face. Obviously, we were aware of this last year.

We expect a lot of consistency in how we get the data, claims data and so forth, and when you have some kind of disruption like this, there can be substantial delays in getting the data. Our accruals reflect what we see at the end of each quarter when we close it, and that's what's reflected in what we accrue and the results. And so obviously, there was some prior period noise with that. And that was obviously part of the reason why we decided to pause the arrangement jointly with the health plan. They shared some of the risk, some of the downside risk in this particular contract, and that validates our strategy to have them have some skin in the game so that when some kind of a disruption like this happens, you're making a much more thoughtful decision jointly. So I think hopefully, we'll reevaluate it for 2024.

Operator

Thank you. And for your next question, it comes from the line of Sandy Draper from Guggenheim.

Sandy Draper - Guggenheim

This is Mitch on for Sandy. And actually, all of our questions have been asked and answered. So I just wanted to share my and Sandy's congrats to both Shawn and Parth.

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

Thank you.

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

Thank you...

Operator

And for the next question, it comes from the line of Brian Tanquilut from Jefferies.

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

Congrats again to both of you guys and hopefully, Shawn, I'll see you around here in Nashville. I guess just one question for Parth, as I think about the 100-plus docs that you added during the quarter, maybe any color you can give in terms of the breakdown between organic recruitment and conversions from Privia Care Partners and what we're seeing in terms of the pipeline for both of those buckets of organic growth?

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

Yes. Thanks, Brian. Largely organic for this quarter, there were some Care Partners. And again, that's a longer-term strategy, and that will be in big chunks. All of Connecticut effectively, you could argue with Care Partners as we're starting that market with 1,100 provider, largest clinically integrated network. So converting as many of those will largely be Care Partners, and that's a big part of the strategy. But this was again as expected, most of these were sold last year. There was also some good organic same-store growth, which is becoming meaningful for us. We are in 970 physical sites with a very large installed base, and that's a very good organic growth for us. So we're really excited to see that happen too.

Operator

And for your next question, it comes from the line of Adam Ron from Bank of America.

Adam Ron - BofA Securities, Research Division - Research Analyst

So you did allude to the large embedded value-based opportunity within Privia's patient panels. But if you divide the number of attributed lives in the quarter by the number of patients across the patient panels that you report, I think it's like 4.4 million and you come up with that the percentage is around 130 basis points year-over-year the penetration rate, and it's actually down versus 2021. So is this the kind of rate penetration expansion that you expect or the penetration and value-based care should be relatively steady and that all new growth in value-based care lines have to come from new doctors? Or is there some expectation around increasing penetration? And if so, what is the timing of that? And what specifically are you looking for before you move more patients into risk?

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

Yes. Thanks, Adam. Great question. The uniqueness of our business is, we do value-based in all books, commercial, MSSP, MA and Medicaid. And there's a lot of opportunity, especially in the commercial book and then also sometimes in the Medicaid book, where you could have a lot of the existing lives move into value-based arrangements with a particular payer in that -- in specific geographies. The MA lives obviously have a much more well-understood pathway where we can have lives participate in MSSP or Medicare Advantage.

So I think there's a massive opportunity for us to move a lot of those 4.4 million patients in some form of value-based arrangements. It will not happen overnight. It's a -- we try and move these in big chunks. And you'll see them spread across all our books of business. And then the second part of that strategy is obviously to increase the level of performance, increase the level of risk and hopefully, that goes in tandem with increased level of performance and then, therefore, our ability to generate shared savings for our health plan partners, for the doctors and for us, and then our take rate is 40%.

So the operating leverage even on the existing book is pretty substantial. And then obviously, on top of that, as you're seeing with deals like Connecticut, that's a new geography, new clinically integrated network. We did not have close to 200,000 lives and 1,100 providers 2 quarters ago, and you can see the amount of opportunity we have in just expanding into new geographies with new doctors. And then also with new doctors in existing geographies that we can layer on top of that. So I think it's both same-store, same book of business and then new providers and new lives that come with them.

Operator

And for our next question, it comes from the line of Jailendra Singh from Truist.

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

Shawn and Parth, congrats and best wishes to both of you. Just a quick clarification, just going back to Jeff's question about what was the revenue impact of these 16,000 full-risk lives decline? I mean, I'm assuming that's captured in the guidance now and kind of incremental headwind. And then my main question, and I joined a little late, so apologies if you already covered this, it has seen that some strong utilization trends highlighted by some providers. I was wondering if you could talk about how were trends for you guys across the business line, anything meaningfully different to call out in terms of utilization between your payer class? And what are you assuming in terms of utilizing for rest of '23?

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

Yes. Thank you, Jailendra. So I'll just take them in order. So on the first one, as we noted, we recognized all prior period impact on that book in Q1. And despite that, our results are really strong. So that was largely more than offset by our good performance in the rest of the value-based book. On the top line side, again, both the fee-for-service and value-based book is performing very well. So there's a lot of offsetting. So we don't see any net impact, which gives us the confidence to maintain our guidance as we have. Obviously, if we eliminate capitated arrangement, you will add back the fee-for-service revenue because these lives are still with us. The doctors are still seeing these patients.

And so the net impact is much lower from that perspective, again, that bodes well for us having the confidence to maintain the guidance. So both from a top line or a bottom line perspective, we should not see any further net impact. There's some movement and there's some offsetting, and that's what gives us confidence at this point of the year to just maintain our guidance. And then we are seeing pretty good utilization trends. That has continued as we've gone through the stale end of the COVID period that is very consistent with last year. And again, our strategy is to be prudent when we plan for utilization and guide. And if there's a surprise, hopefully, is to the upside. So you're seeing some of that strength play out in our book even now. Ambulatory utilization has been much more stable as we've talked about previously versus surgery-oriented or specialty utilization, which can be lumpy, but we are seeing pretty good strong trends to continue across our book.

Operator

And for your next question, it comes from the line of Jeff Garro from Stephens.

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

I'll echo the congrats to Shawn and Parth. Just a bookkeeping question from me. Maybe I missed it, I jumped on late, but I want to see if you gave the Care Partners' number of providers at the end of period? And then my larger question is, seeing the cost of platform showing good leverage in the quarter, I'm just curious if there are any investments that you think you need the rest of the year for the platform and how to think of timing of any incremental spend there?

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

Yes. Thanks for the question. Just take them in order. So we're not breaking out care partners live separately, but they are all included in the 1 million-plus attribution. As we've said before, the Connecticut lives, about 200,000 thereabouts are all care partners, Beebe Healthcare in Delaware is all care partners as we outlined at the last quarter. So you can see some of the numbers there. But those will grow in chunks over as we do these deals, and it's better than what we expected. So we're pretty excited about that.

And then from a platform contribution perspective, again, the level of spend is fairly consistent during the course of the year because we are setting up these new states with sales implementation leadership teams and that spend is pretty standard and equally spread throughout the course of the year. But then obviously, as top line impact comes in, you start to see some more operating leverage. So again, from a modeling perspective, quarter-over-quarter, you should see similar trends to last year given all the MSSP results and payments happen in Q3. So you'll see the same trends pretty much, but the spend is pretty consistent.

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

Great. And then just following up on the Care Partners' side of things. I wanted to see if you could give any detail on the number of providers just knowing that I believe that's not included in the implemented provider count?

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

Yes. We're not breaking that out. I mean, it's the Connecticut providers, that's about 1,100, Beebe Healthcare was about 100 PCPs. We've disclosed that before. So it's similar to what we said last quarter.

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

Yes, and we expect to update the care partners number on an annual basis.

Operator

And for the last question, it comes from the line of Ryan Daniels from William Blair.

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

I'll add my congrats to both Parth and Shawn, it's been great working with you guys. My question revolves around more of the specialty care business. I know you're involved with ASCs, you do a lot in pediatrics, but we're hearing a lot of buzz in the industry about things like nephrology and CKD, oncology, et cetera. So I'm curious what your purview is there? If you look at going out more aggressively with some of the specialty groups and participating in some of those accountable care type organizations or risk-based contracting?

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

Yes. Thanks, Ryan. Really appreciate it. Look, we are consciously from day 1 have been building multi-specialty groups for this particular reason. 80% of the cost is downstream from the PCP. We have 52 specialties today in our platform. And I think it's a great opportunity for us going forward. We already participate in some programs in a pretty minor way, bundles and so forth. But I think going forward, as we both organically internally as well as through partnerships, you should expect us to look at some of these specialty specific strategies.

It will be, again, very disease-specific or specialty specific as you outlined, so -- and then geography specific where we have density in lives, and we can make a big impact. But I think it's a big part of our strategy going forward.

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

So if we have no further questions, Kyle, I'll ask Shawn Morris to just make a quick closing statement.

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

Sure. Thank you, everybody, for listening to our call today. I really have enjoyed getting to know you, and I look forward to talking to you more. We appreciate your continued interest and support for our company. Enjoy the rest of the day.