

**Equity Research**  
Healthcare

## Private Company Spotlight

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## Company Snapshot



**One of the fastest growing independent medical groups in the United States**



**>2,300 providers in the Privia Health Network**



**2.3M patients**



**\$117M savings generated across various value-based programs in 2017**



**98% Privia provider renewal rate**



**Emerging health system partnership model set to augment organic growth**

## Privia Health, National Physician Organization

### Our Q&A With Privia Health Management

CEO Shawn Morris and COO Parth Mehrotra

#### 1. Tell us more about the genesis of the company, your background, and why Privia Health was founded?

Privia Health was founded to secure the future of independent providers. We form high-performing medical groups in each of our markets and help providers succeed in both fee-for-service (FFS) and value-based reimbursement environments. Of note, we meet providers where they are in their transition to value-based care, delivering tailored solutions and transforming their practices through our proprietary technology platform, practice management, and care coordination capabilities. Over time, these tools, capabilities, and best practices enable our providers to both participate and succeed in value-based environments as the markets mature.

Our unique partnership model also aligns our incentives with our physician partners and with those that are funding healthcare in our communities and nationally. There are many aspects to our national and local model that drive providers' success; in our view, one of the more important factors is that physicians retain their independence while still realizing the benefits of membership in a larger, scaled organization.

#### 2. What are the key areas, or pain points, in the healthcare experience that Privia hopes to address?

The main area of focus is on transforming already highly functioning independent physician practices by optimizing technology, revenue cycle management (RCM), patient engagement, and care coordination. We accomplish this by

bringing best-in-class talent, tools, and technology to the point of care.

We also seek to provide a unique, engaging patient experience, using technology to improve access and quality of care while also lowering the total cost of care and achieving industry-leading savings and quality measures in various value-based reimbursement programs across our markets. By doing this at scale, while also improving the satisfaction in our provider network, we are able to accomplish the "Quadruple Aim" of enhancing the patient experience, improving population health, reducing costs, and increasing provider satisfaction.

#### 3. Talk about the market opportunity and Privia's ability to scale to meet this opportunity?

We are operating in six states and jurisdictions (including Maryland, Virginia, Georgia, Central Florida, Texas, and the District of Columbia) and have partnered with more than 2,300 healthcare providers.

We started by partnering with small and large independent practices focused on primary care, pediatrics, women's health, and select subspecialties focused on treating chronically ill patients. These remain our primary focus areas and we aim to build relevance in each of our markets with all key constituents (patients, government, payers and employers).

While we originally only partnered with independent physician practices, we recently formed a joint venture with a leading regional health system in Florida to both support its current employed providers and expand its reach by attracting new independent providers in the region into the medical group. We believe this is an innovative model that represents a tremendous opportunity for Privia to provide a real alternative to physician employment for both health systems and affiliated physicians.

We also formed our first specialty vertical focused on women's health by partnering with some of the leading OB-GYN groups in our markets.

#### **How do you measure the success of your physician partners?**

We have achieved tremendous success since inception, which is demonstrated by both our strong organic growth and exceptional provider renewal rates (about 98%). We also have proven success in multiple reimbursement models; as an example, not only is Privia's Mid-Atlantic accountable care organization (ACO) the largest in the region, but it also performed significantly better than the largest hospital system-led ACOs in the market in 2017 (most recent full year with reported results).

More specifically, our Mid-Atlantic attributed lives (in the ACO) were roughly double our peers, and our generated savings rates were the highest in the region, while also achieving a 95% quality score (versus the peer average of about 90%). As another example, our Georgia ACO had the highest savings rate, and lowest overall patient admission and emergency department (ED) visit rate, of any Georgia-only group. Moreover, our savings rate of 6.1% was more than double the comparable-group

average, while inpatient admissions per 1,000 patients (of only 264) and ED visits per 1,000 patients (of only 579) were markedly below group averages.

Our proprietary Privia technology platform also has received numerous awards, including three consecutive MAP awards from the Healthcare Financial Management Association (HFMA) for high-performing RCM. Privia also was awarded the Patient Financial Communication award by HFMA for maintaining exceptional relationships with patients.

#### **4. What are the key market tailwinds that you believe can help foster growth going forward?**

In our view, employed and independent providers are seeking an alternative platform to help them navigate and succeed in an environment of shifting reimbursement mechanisms and consolidation among health systems, payers, and other sectors in the healthcare ecosystem.

Moreover, continued focus by the government, patients, and employers to seek better access, lower cost, and higher-quality care by empowering primary care providers is a powerful trend in our favor. Lastly, there are myriad challenges faced by independent providers today—especially smaller operators—that make it difficult to manage a viable practice. All of these trends should continue to provide a significant growth tailwind for Privia.

#### **5. Can you discuss your revenue model in a bit more detail; please share any relevant sales or operating metrics you can disclose as well.**

At Privia, we align our incentives with our physician partners by charging a

percentage of both FFS reimbursement and value-based payments. Accordingly, we do well if our providers do well. We also continue to align our incentives with those that fund healthcare—approaching every payer arrangement with a value-oriented approach.

We sign multiyear contracts with our physician partners, and have a highly predictable and recurring revenue model, coupled with a demonstrated ability to scale the business and achieve superior unit economics on a per-provider basis over time.

Overall, we are at a run-rate of more than \$1 billion in gross revenue across all our markets. The company also is profitable and cash flow positive, with improving margins driven by growth and the scaling of our operations.

#### **6. What development opportunities, or other value-added solutions, might Privia Health consider adding over the next several years?**

We will continue to move our providers and markets toward risk- and value-based reimbursement in each of our markets; we also seek to develop deeper capabilities to lower total cost of care, drive higher quality, and offer a differential patient experience. We focus on continual development of our technology capabilities, such as virtual health, and offering tailored solutions to both payers and employers.

In the same way that we meet providers where they are today, we must also meet our patients where they are and how they desire to be met (i.e., digital care through virtual visits, virtual on-demand urgent care, communication portals via email, text, and voice).

We already believe we separate ourselves from others here, yet see this as an area of continued investment moving forward.

In addition, we intend to build out our health system vertical by partnering with leading progressive, like-minded health systems across various geographies in the United States.

## **Background:**

Our conversations with private company executives aid our understanding of emerging trends in the healthcare services and technology sectors. For this spotlight, we interviewed Privia Health CEO Shawn Morris and COO Parth Mehrotra in order to better understand the company's growth opportunity in light of the changing U.S. healthcare reimbursement landscape (from fee-for-service to value-based healthcare). We also sought out details on the company's growth model, value proposition to key constituents, and its near- and longer-term investment objectives.

## **Company Description:**

Privia Health is a national physician organization meeting providers where they are to transform the healthcare delivery experience. Through high-performance physician groups, ACOs, and population health management programs, Privia works in partnership with health plans, health systems, and employers to better align reimbursements to quality and outcomes. The company's physician-led model, scalable systems, and proprietary technology not only reduce unnecessary healthcare costs and achieve better outcomes, but also improve the health of patients and the lives physicians served.

## **Relevant WB Research:**

**8/28/2018:** [Healthcare Mosaic: Death of the Independent PCP: Hospitals, Advanced Practices, and Managed Care Orgs Increasing Control of the Provider Market](#)

**11/30/2018:** [Healthcare Mosaic: Patient Engagement—The New "IT" in HCIT](#)

**3/5/2019:** [Healthcare Mosaic: Is Healthcare the New Retail? Why Healthcare Providers Need to Rethink Their Operating Models \(Quickly\)](#)

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DOW JONES: 25887.40  
 S&P 500: 2832.57  
 NASDAQ: 7723.94

Additional information is available upon request.

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