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FQ4 2018 Earnings Call Transcripts

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S&P Global Market Intelligence Estimates**

**Estimates Data not available.

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Call Participants

EXECUTIVES

John Allen Farlinger
Executive Chairman & Interim CEO

Preston Thomas Parsons
Founder & Director

Trent J. Carman
Chief Financial Officer

ANALYSTS

Martin Gagel

Unknown Analyst

ATTENDEES

Unknown Attendee

Presentation

Operator

Good afternoon, and thank you for participating in today's Conference Call to discuss Assure Holdings Financial Results for the Fourth Quarter and Full Year Ended December 31, 2018. Joining us today are, Assure Holdings Executive Chairman and Interim CEO, John A. Farlinger; CFO, Trent Carman; and Assure's founder and Director, Preston Parson.

Before we start, please note that remarks on this conference call may contain forward-looking statements about Assure's current and future plans, expectations, intensions, results, levels of activity, performance, goals or achievements or any other future events or development. Forward-looking statements are based on information currently available to management and on estimates and assumptions made based on factors that management believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements.

As a result, Assure cannot guarantee that any forward-looking statements will materialize and are cautioned not to place undue reliance on these forward-looking statements. Except as may be required by law, Assure has no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. For additional information on these assumptions and risks, please consult the cautionary statement regarding forward-looking statements contained in the company's earnings release dated April 15, 2019. Please note that Assure reports in U.S. dollars and all dollar amounts to be expressed today are in U.S. currency.

I would now like to remind everyone that this call will be available for replay through April 29, starting at 7:30 p.m. Eastern today. A link to a webcast replay of this call was also provided in the earnings press release. Any redistribution, retransmission or rebroadcast of this call in any way without the expressed consent of Assure is strictly prohibited.

Now, I would like to turn the call over to the Executive Chairman and Interim CEO of Assure Holdings, John Farlinger. John?

John Allen Farlinger
Executive Chairman & Interim CEO

Thank you Dana, and good afternoon, everyone. Also attending from the management team of Assure are, Alex Rasmussen, Executive Vice President of Operations; and George Sims, Director of Sales who is attending by phone. Paul Webster, our VP of Strategy, was planning to attend but he's in the middle of onboarding a second billing company and is preoccupied in meetings outside the office, as well the majority of our Board members are also attending by phone.

To begin, 2018 proved to be a challenging, yet transformative year for Assure, highlighted by significant progress in our expansion efforts outside of Colorado, resulting in a 79% increase in managed case volume. In fact, we executed our multi-state expansion strategy that saw us perform cases in 5 new states, Louisiana, Pennsylvania, Texas, Michigan and Utah, with Colorado representing 64% of our revenue versus 100% during 2017.

We also significantly bolstered the company's leadership and management team with the Board appointments of Scott Page, the former CEO of CoBiz Bank, a multibillion dollar NASDAQ reporting entity; and Dr. Christopher Rumana, a Board certified neurosurgeon, with extensive healthcare management experience at several medical facilities. We also appointed a new CFO, Trent Carman who has brought a wealth of knowledge in the out-of-network healthcare industry and managing the finance part of the public company. He's been instrumental in building and further developing our revenue cycle processes and implementing controls and procedures. In addition, we brought on a new Vice President of Strategy, Director of Revenue Cycle Building, 2 Regional Vice Presidents and strengthened our highly skilled technology team, which now exceeds 30 people. I believe we're well positioned to accelerate growth through 2019.

We've also made progress in expanding Assure's potential investor base in the U.S. to receiving DTC Eligibility and uplisting to the OTCQB market in February of 2019. This was an important step forward as it will allow us to introduce our unique story to additional investors in 2019. It also lays the groundwork for uplisting to a major U.S. stock exchange in the near future.

Despite our substantial growth during the fourth quarter of 2018, as we did in each of 2016 and '17, we performed a cash collection analysis for our historical out-of-network billings, which showed that the amount of revenue collected was less than the amount accrued in 2017 and '18. We've taken swift actions to mitigate the chances of further variances, which Trent Carman will speak to in much greater detail in a few minutes.

Continuing to improve our processes and controls around collections is a large focus in 2019, so much so that we believe this is a core competency, and will continue to bring in resources in-house to more efficiently manage this in the go forward. Additionally, we're very focused on the management procedures pipeline, and we expect it to grow rapidly. In fact, we project to nearly double the amount of procedures performed in 2019 to an amount exceeding 5,000 or more, and to expand into at least 3 more states.

As a reference point, we did 958 procedures in Q1, which is a 36% lift over the 2018 run rate number. Each successive month in 2019 showed consistently higher results. As our reputation for being a best-in-class intra-operate neuromonitoring provider continues to spread, we also look forward to executing the various expansion opportunities and into other verticals during 2019. Before Preston walks you through the entire -- or our future growth initiatives in further detail, I'd like to pass the call to our CFO, Trent Carman. He'll go through the results of our fourth quarter and full year 2018 in detail. Trent?

Trent J. Carman
Chief Financial Officer

Thanks, John. Good afternoon, everyone, and thank you for joining us. Total revenue in the fourth quarter was negative $3 million compared to $4.7 million in the fourth quarter of 2017. Excluding the reduction in revenue associated with our cash collection analysis that John just mentioned, total revenue would have increased 40% to $6.6 million in the fourth quarter of 2018. This was due to continued increase in cases generated from our surgeon network, the onboarding of additional surgeons and the continued expansion into new states. For the full year, total revenue was $14.8 million compared to a revised $15.8 million in 2017, and again, excluding the reduction in revenue from our cash analysis, total revenue would have been 65 -- up 65% to $26 million. This was on a 79% increase in the managed case volume to 2,799 for 2018.

Before discussing our results further, I wanted to provide some color on our revenue recognition policy. In 2016, '17 and '18, we recognized a set amount of revenue for each technical and professional case. The amount of revenue was based upon historical collection information for technical and professional cases that the company receive from its billing and collection company. During the fourth quarter of 2018, the company reviewed its collection experience for technical and professional cases and determined that the original estimate of revenue was higher than the company's actual cash collection experience. As such, the company revised its estimate of revenue for each open and -- each open technical and professional case downward to the actual cash collection experience.

This resulted in a $9.6 million adjustment being recorded during the fourth quarter of 2018, of this amount, $3 million related to 2017. It is important to note that for open 2017 cases we have collected 81% to date through the end of the year of the new revenue amount that we have recorded.

Going forward, we have identified and addressed several areas within our billing and collection process that have been enhanced. First, we have added a new billing and collecting company to assist our increased volume of claims. Secondly, we've lowered the revenue for all cases going forward, both professional and technical. Third, we are working towards getting quicker resolution of all open cases. And finally, our cash receipts and revenue adjustments will be updated on a semiannual basis, starting in June of this year.

Although we understand the billing process better than ever before, we will continue to allocate the necessary time and resources to enhance the process through strengthening our staff and bringing more of the collections in-house during the latter part of 2019.

Moving on to the rest of the income statement. Gross margins in the fourth quarter of 2018, excluding the decline in revenue associated with our cash collection analysis, decreased slightly to 83.7% from 84.7% in the same prior period. Part of the decrease relates to additional technicians that we added for our expansion efforts. Total operating expenses increased to $2.4 million compared to $700,000 in the prior year period, primarily due to staffing additions to support the growth of the company and legal and professional fees and costs related to various issues in 2018.

Earnings from equity investments decreased $1.9 million during the fourth quarter of 2018 versus the fourth quarter of 2017 due to the $2.3 million of reduced earnings recorded for the Provider Network Entities as a result of the aforementioned cash collection analysis being performed on the Provider Network Entities as well.

Adjusted EBITDA, as defined in our MD&A, was negative $6.5 million in the fourth quarter of 2018 compared to $4.2 million in the prior year quarter. This decrease was primarily attributable to the reduction in revenue from the cash collection analysis. Excluding this -- excluding this, excuse me, adjusted EBITDA increased 7% to $4.5 million compared to fourth quarter of 2017. For the full year, adjusted EBITDA was $6.7 million compared to revised $12 million. Revenue from cash collection analysis, adjusted EBITDA was up 59% to $19.1 million. This was primarily driven by the aforementioned continued expansion of the platform.

Net loss was $5 million or negative $0.11 per share compared to a revised net loss of $10 million or negative $0.31 per share for the fourth quarter of 2017. For the full year, net income increased to $4.3 million or $0.10 per diluted share compared to a revised net loss of $5.5 million or negative $0.17 per share in 2017.

As a reminder, net income in 2017 was impacted by a $16 million performance share compensation expense. Excluding the reduction in revenue from our cash collection analysis, pre-tax income would have been $18.5 million, while excluding the performance share impact in 2017, pre-tax net income would have been $8.7 million.

Turning to our balance sheet. We ended the year with and $831,000 in cash compared to $215,000 at the end of 2017. Subsequent to the end of 2018, we signed a new $2 million term loan plus a $1 million operating line of credit for a total of $3 million with our bank. We plan to use the proceeds from both of these facilities for working capital and general corporate purposes along with funding our future expansion plans.

With that, I'll turn it over to Preston Parsons who will give an update on future growth and business development initiatives.

Preston Thomas Parsons
Founder & Director

Thanks a lot, Trent, and good afternoon, everyone. As John previously mentioned, we significantly grew the business in 2018, and plan to carry that momentum forward in 2019 with a growing pipeline of expansion opportunities. We've already begun 2019 with a strong start as we announced 2 additional partnerships in the State of Louisiana. When we first entered this state, we saw the opportunity to grow our platform and these new partnerships further validate our strategy. We now operate in a total of 10 facilities and work with 15 spine and neurosurgeons within Louisiana. So it's fair to say, we've quickly developed a significant brand in that area.

In addition to expanding in states that we currently operate in, we also anticipate entering 3 new states in 2019. We are in the latter stages of legal due diligence for the states of Nevada, Georgia and Arizona.

We have identified strategic partners and relationships that we will look to be add into the Assure platform in 2019. As we continue to expand our geographical footprint, we also expect to increase our managed case volume in 2019. In fact, we project to double our managed cases this year going from approximately 2,800 procedures last year to more than 5,000 for 2019. The sales and operations team have done a great job of refining our onboarding process, and we're getting better and more efficient with each new partnership we enter into. So I'm confident we will be able to handle this amount of growth in the coming year.

Despite the fact we had another fantastic year of managed case growth, we're not nearly satisfied. We are constantly exploring new ways to maximize the great potential of this company, and in doing so, we have identified several opportunities for growth, one of which is to garner more revenue from the professional services. Historically, we have only secured a small percentage of the revenue from the professional services via our partnerships with surgeons. We have recently been able to capture significantly higher percentages of that revenue, and we will continue with that model going forward. In addition to that, we are currently working on what we believe to be a disruptive new model where we would be able to provide services directly to entire hospitals and hospital systems. This is an exciting growth opportunity made possible by our developing reputation as a best-in-class service provider. This would allow us to not only capture 100% of the technical revenue, but also 100% of the professional revenue as well. We look forward to keeping our investors apprised of this opportunity in the coming months and further developing it over the coming years.

Overall, we believe 2019 will be another pivotal year of growth for Assure. Ultimately, we want to provide as many patients as possible the best-in-class neuromonitoring services that have become the standard of care and help provide valuable information to warrant surgeons before permanent injuries occur. With our most significant issues now behind us, and a strong foundation to build off of, we are well positioned to increase our platform's reach as we continue to execute on our expansion initiatives into new states, new surgical verticals and become more efficient in our billing and collections process.

With that, I'll turn it over to the operator.

Operator

Thank you, sir. At this time, we'll be conducting a question and answer session. [Operator Instructions].

Our first question comes from the line of Martin Gagel with Leede Jones Gable.

Martin Gagel

Trent, you were mentioning when you're talking about your billing per procedure that you collected and I missed it. So if you could just -- 81% of what you had build on revenues, could you just -- I didn't quite get what you were stating there, if you know what I'm referring to, could you elaborate on that?

Trent J. Carman
Chief Financial Officer

Sure. So if you look at the 2017 revenue that we recorded at the new revised amount per technical claim, through the end of 12/31/2018, we've collected 81% of that revenue amount. So...

Martin Gagel

So you collected 81% of what you had originally billed in 2017?

Trent J. Carman
Chief Financial Officer

With -- at the new revised rates that we -- in the fourth quarter of 2018, we brought all of our open claims down to a revised amount per claim, and of that, we are at 81% of that amount collected through the end of 2018. That's correct.

Martin Gagel

Okay. So you're expecting -- remaining 19%, you still expect to collect, correct?

Trent J. Carman
Chief Financial Officer

So we've got all year to collect that this year before we would start to write those claims off, obviously. So that's correct. We have 19% left to go.

Martin Gagel

Got you. And I think you're -- you would charge the insurance company a fixed rate per procedure and now you're going to -- and you collected a certain portion of that. You'll be now -- fixed rate per procedure will be a smaller amount. Can you give an indication on how much less you're going to be billing per procedure going forward?

Trent J. Carman
Chief Financial Officer

We haven't disclosed, historically, and -- for competitively sensitive reasons what our billing amounts are. Some people could obviously do some algebra and calculate a rough approximation, but obviously, we're sensitive on disclosing that to the public at this point in time, but we've never disclosed it.

Martin Gagel

Okay. All right. Okay. You know, you have so many numbers in there, I'm going to need to work through it and follow up with some questions this afternoon or tomorrow.

John Allen Farlinger
Executive Chairman & Interim CEO

Martin, it's is John. I think we're getting it. Trent's point is, you've got 80% of the amounts collected for '17 in the 12 months. Over the following 12 months, we expect to be able to collect the majority of that remaining 20% during 2019. He hasn't went through that when calculated what we've collected in the first 4 months yet, but there will be some number where that balance will have came down. Yet again, of course, we've had good collections over the first 4 months of the year. Okay?

Martin Gagel

Okay. All right. Yes. I think that's my only question for now. I'm going to have collect some of these numbers and get back to you.

John Allen Farlinger
Executive Chairman & Interim CEO

Thank you.

Operator

Our next question comes from the line of Bob Brown with Olsen & Company.

Unknown Analyst

As I understand it, I know, because so many numbers were thrown out so quickly. We significantly reduced our revenue and profit for 2016, 2017 and maybe 2018. And we awarded a lot of incentive compensation by granting equity to executives of the company. The award I assume was based on the higher revenues and the higher profits that we originally recorded. Are those executives going to return any of that incentive compensation that was paid to them?

John Allen Farlinger
Executive Chairman & Interim CEO

Bob, it's John Farlinger. Let me try it. You asked a couple of questions there, and let me try to bifurcate them and break them down. Fortunately -- I think Trent's done a fairly good job of explaining really the adjustments that have taken place at the end of '18, which you're right. They do agree -- they do relate to adjustment that could've made in '18 and '17 with the right down of the revenue. In fact, about $3 million of the adjustment relates to 2017 revenue. We, however, did not restate -- this was a change in accounting estimates. It does not require restatement. So the full effect of this adjustment was taken in Q4. That being said, the performance shares could be relate to a different issue. They're not related to sales or revenue performance. They're related to an EBITDA number exceeding $7.5 million being earned in 2017. There is no restatement. So firstly, there would not have been -- and we've discussed this at length, there would not have been a restatement of '17. But even if there would've been, the -- that number was exceeded in '17. And in fact, we've collected the equivalent, as at the end of December, of 99% of the number needed to hit that target. So from our perspective, it's pretty much a finalized issue. The performance shares have not been issued yet, but they will be issued at some point in the future based upon the earnings numbers. And then in the case of Preston Parsons, he linked his performance payout to collecting cash equivalent to the CAD 7.5 million that was really set up at the point in the time the RTO was done. And that was the deal struck between the investors and the 2 founders. But my point is the earnings numbers were get and the secondary target of actually collecting enough cast to earn it, in Preston's case, has also been met.

Operator

Our next question comes from the line of Norm Hill, a private investor.

Unknown Attendee

I had a couple of questions. First, earlier in the call, you mentioned that you guys have -- are in the process of hiring on a a billing company, a second billing company. And so when this second company comes on board and become acquainted with your company's processes?

John Allen Farlinger
Executive Chairman & Interim CEO

It's John. I'll take a shot at that. The second billing company went live today. So we're not -- we're not in the process of retaining that, we've retained them. And we went through a fairly significant wetting and looked at a number of options, externally in terms of bringing on a second billing company. And obviously, we did references, we talked to existing partners of the group that we chose and the feedback was pretty good. And in terms of the results we're obtaining, the feed back from the costumers and we're feeling pretty good about bringing them on board. Now, what leads to that, who knows how the results will pan out. But we're feeling that -- you know we grew pretty fast last year. There was tremendous pressure on our existing billing company to perform. We doubled. And in fact, we're positioning ourselves to double again this year. And we think it put tremendous pressure on the existing billing company. Adding a second, certainly makes sense. We've identified the markets and the markets where they'll be taking on almost immediately. But ultimately, we view this as a core competency and it should be obvious now based upon our messaging. We're going to bring a significant part of that business in-house before the end of the year. We've already hired 2 very senior people with a combined 30-plus years of experience in out-of-network billing to drive that process. And I think, you'll see as we learn, we adapt over the rest of the year that, that is a major focus for us and we've made the first of a number of hires over the balance of the year in terms of bringing up a good part of that within the walls of Assure going forward.

Unknown Attendee

That's definitely a step in the right direction. And as you guys gather more information relative to the collections process, are you able to identify, for example, maybe some insurance companies are going to be difficult to deal with? They're going to try dechip in terms of what they're willing to pay, or if they're willing to pay anything. So if you guys developed a solid credit databank of who you want to do business with?

John Allen Farlinger
Executive Chairman & Interim CEO

Yes. We've brought -- that's a great question. I think we know more about the business than we've ever known. And Paul Webster who's not on the call right now, and Trent, have done a fantastic job of stratifying every market that we're in and breaking it down by payer. And we're looking at all the key payers now across the states, who's paying us well, who's not paying us well, how we're taking steps to improve that process and it's also going to guide us as we look to go into new states. Because obviously, we want to be aligning ourselves within states where we have a dominant payer group that are working well with us going forward

Unknown Attendee

Got it. That's good. And also, if you feel like an insurance company has not paid an adequate percentage, or is just a total refusal state, will you guys use some kind of legal recourse to try to receive payment?

John Allen Farlinger
Executive Chairman & Interim CEO

It's John. I'm going to say, absolutely. But I'm going to turn it over to our CFO who has 20 years of experience of the enforcement side of this and actually taking next steps to deal with payers who don't honor their commitments to pay us. Trent?

Unknown Attendee

Is your nickname Dirty Harry?

Trent J. Carman
Chief Financial Officer

It's a terrible trend. I might carry some heat around form time to time, but I haven't picked up that nickname yet. So I mean your point is what -- spot on. I mean, when the insurance companies are denying or making -- ignoring your demands for payment and things of that nature, paying the patient in some cases and doing other gymnastics to avoid having to deal with us and try to put pressure on us, yes, I mean you have to play with them and sometimes it's not fair. We were talking just earlier about the playoff hockey and how the game has turned up a notch, let's just put it that way, when the playoffs started in the hockey arena for the NHL. And yes, we've got to do that here, and we're not going to sit idly by and let them push us around. We have to make our statement to show them that we're serious about collecting a reasonable amount for our claims. And so yes, we have started that process, and we will continue. And it's never any fun, as you can imagine, but at the end of the day, you have to do that, no question about it. So we are going to continue that process and it will be enhanced going forward, yes.

John Allen Farlinger
Executive Chairman & Interim CEO

Norm, it's John, again. You know, we're looking at really a 2-stage process going forward. To date, we've been through one -- we went through the billing process, we send out a bill, we try to collect it, we try to be nice. We're in the process of retaining the secondary team, which are the guys who are going to play nice. They are true collections group with more years in the background. And if we don't get paid, we're going to hand it over to that team and they'll take a piece of the revenue, but they'll go after the enforcement side with all the payers who are not honoring their obligations to us.

Preston Thomas Parsons
Founder & Director

And let me add one more thing just to clarify that, it's Preston. That's not a collections agency to go after the patients. It's right, yes. It's the insurance companies and payers to honor their obligation to their patients.

Unknown Attendee

Got it. Okay. Well, that's good. It sounds like you guys are making significant progress in terms of identifying internally how you guys want to try to maximize the collections, cash collections, which obviously, is the critical element. And I think, you guys are doing a really good job. Had some hiccups here, but, hay, it's just part of the process to learn how to get there. Also, I -- earlier on the call, I don't know, did you guys make any kind of a 2019 EBITDA forecast?

John Allen Farlinger
Executive Chairman & Interim CEO

No, we didn't, Norm. And I think, for the time being, we're just going to state that we see ourselves doubling in procedures this year. And I'm sure many analysts in the room can pretty quickly figure out what that means in terms of revenue. And -- I think we feel pretty good, even though we've had some billing and collection issues. Part of the biggest challenge for us, really as a team and as a Board here, was really bringing the right people in. And that was probably the biggest challenge we had was getting the right people around the table last fall over the course of summer and the winter so that we're in a position to really take a run at the market during 2019. And I think we've done a great job of bringing on talent that have been there in the collection, the billing side, the expansion side. Alex has done a great job on the tech side of bringing on a very strong team of technologists. And right now, we've got -- and George Sims and his team have done a great job. We have more insight into more cases than we've ever had before in terms of expansion. And we've never felt better about the opportunity in front of us right now.

Unknown Attendee

No. I agree with you guys. I mean I think the business is phenomenal. And it's -- I guess it's just a matter of getting a grip on these various nuances that are incumbent in a business of this nature and it -- and yes, you guys are getting there, which is great. So I'll send Clint Eastwood over to give you guys a limited training session.

John Allen Farlinger
Executive Chairman & Interim CEO

Thank you, Norm.

Operator

Our next question comes from the line of Marshall Swartwood with Assure Holdings.

Unknown Analyst

I missed some of the discussions. I had a problem with my cell phone. I don't want to repeat, but I've been involved in this state for a couple years. And I've heard these platitudes coming out and there's also a good explanation for the screw up that you've just gone through. But one of the things I don't understand is, why in your quarterly reports, when you put a balance sheet in that report, I think, for my purposes, if I would've seen $27 million of receivables in a balance sheet for the 9 months, I would have been all over somebody that I had -- I finally went and got into the feeder and got a explanation as to way, gross adjusted most companies, certainly companies that are growing as fast as you guys are and have these challenges, include a condensed balance sheet. And there is nothing else that shows the receivables, which are -- turns out to be very critical for this company, this entity. Millions of dollars just kind of disappeared. I was starting to criticizing you for not putting the balance -- a balance sheet in. Is there any possibility of collecting any portion of that millions of dollars? I don't understand though that just evaporated. And I've been doing -- I have been investing in these companies for over 65 years, and I've never seen anything like this where it just went poof. Somebody explain that to me, please?

John Allen Farlinger
Executive Chairman & Interim CEO

Yes. Marshall, it's John. I'm going to let Trent start it off, but I want to add a few comments at the tail end of the conversation.

Trent J. Carman
Chief Financial Officer

Yes. Just to start out, I mean, when the company started, obviously, the amount of revenue that was going to be generated per claim was -- and collected was not known. It was not a known commodity. We were doing technical and professional claims. We knew the amount of the gross bill, which was higher than what we thought the revenue would be. So that the amount that was accrued for revenue was predicated upon information that was obtained relating to what competitors in this space had recorded and collected for their claims. So that was the genesis behind the original claims amount per case. If you look back in 2016, 2017, 2018, and the company had gone through an exhaustive analysis last year to validate that amount. Again, the information was somewhat limited because the company was in its nuances. There wasn't a lot of billing and collection information that was unique to the company. So what I did was go through in further detail information specific to the Assure cases, excluding what the other competitors had derived from their cases. And it showed that our collection experience was less than what was the other parties that we had used to originally record our revenue. So that's how it came about. And again, the information was -- utilized was during last year. So it's only a year ago that, that information was used, but now we're going to going forward, use our own collection experience. We will not use another party. We'll use that for purposes of recording revenue as we go forward. Any amounts though that were included in the adjustment in the fourth quarter, I mean, we've not just written those off and they're gone away. Those accounts are still open and valid, and we're going to continue to pursue our billing and collection on them. It's just we wrote down the estimate of what we've recorded for revenue. We will still continue to pursue collection, and hopefully, we'll collect more, let's be honest with you. But as of right now, that's how the original revenue was recorded, and how we adjusted it there in the fourth quarter.

Unknown Analyst

What was the actual accounted revenue per the December 31 audit -- accounts receivable? They were $27 million for 9 months. What were they for the 12 months?

John Allen Farlinger
Executive Chairman & Interim CEO

$22,175,000.

Unknown Analyst

How many?

John Allen Farlinger
Executive Chairman & Interim CEO

$22,175,000.

Unknown Analyst

You said $22 million...

John Allen Farlinger
Executive Chairman & Interim CEO

1-7-5, $175,000.

Unknown Analyst

All right. So you want to say you've got the -- you brought in the right people that you were lacking?

John Allen Farlinger
Executive Chairman & Interim CEO

Yes. Let me just bring up a couple of points. Last year, during the audit, we took this very seriously. We had an outside auditor. Now when you look at our recoveries, but also the recoveries of other companies in this space to see what they could -- what they will realize from a collection standpoint. This was at the end of December of 2017. There was an exhaustive amount of work done because we were concerned about the amounts that were being accrued and booked as revenue. We found at that point in time the numbers that Assure was booking were consistent with other companies were realizing, and actually the cash that was being collected was consistent with the numbers being accrued. By the end of 2018, what we found over the last 4 or 5 months that as the company continued to expand, the amounts being realized fell. And Trent is trying to point out the fact that there's 2 issues here. One is the amount being written off, and we have a policy that after 24 months if it's not collected, it's provided for and the AR is reduced. That's typically bad debt. Separately, what we went through was really a change in accounting estimates here to reflect the fact that the amounts that we're collecting and realizing were actually less than what we had initially accrued. That happened over the last 4 to 5 months. We did this analysis of last year. Doesn't mean we're writing it off. But from an accounting standpoint, what our orders insist on is that we accrue going forward the amounts that we're realizing. And in fact the AR should reflect the amounts that you're realizing. Hence, we had a retroactive adjustment for '17 and '18. It doesn't -- as Trent's point out, it doesn't mean we're writing it off. Going forward, we will adjust these numbers initially at the 6-month point of the year. They may go up, they may go down at that point in time based upon how we're collecting money. It's an accounting issue here. It's how large companies in the out-of-network space go through and bill and record revenue. We don't know how it's going to play out -- how it's going to -- the effect will be felt by the amount of dollars we collect per file going forward. All that we can say is, we're going to do it -- we're going to be on it, and ideally, I'd like to see it done every quarter going forward, even though it'll be a lot of work so that there won't be variances in the go forward. But I want to make sure there's 2 issues. One is the amount we're writing off and the other is really an adjustment that's made every quarter or every 6 months going forward based upon what we're collecting in a very limited period of time.

Unknown Analyst

Who makes that the -- who makes that decision, the amount -- the adjustment. Is that your Chief Financial Officer, accounting people or you, who?

John Allen Farlinger
Executive Chairman & Interim CEO

Yes. No. The CFO will do it. He'll give me his advice. And at the year-end, the auditors will go through. And they'll do a very extensive evaluation, which they just did here at Assure.

Trent J. Carman
Chief Financial Officer

It's not subjective. Just so you understand, there's not one piece of subjective information included in this, it's the actual cash that's been collected. And they go into various depository accounts. So it's very easy to amalgamate that information. And you compare it against the original amount of revenue that was recorded. And it comes up with a percentage, whatever that percentage is, and that's what we adjust all of the open AR balances too. So we don't add an additional fluff to it. Nothing -- whatever that percentage is, is what we will use going forward.

John Allen Farlinger
Executive Chairman & Interim CEO

And, Marshall, we realize your frustration here. And clearly, it's not ideal. And in fact, we're writing everything off that -- using that methodology. And I think we'll really collect a portion of it going forward because of that. But it's -- these are really the rules that the auditing firms and IFRS and the accounting standards are pushing on us going forward.

Unknown Analyst

Well. Actually, I guess, I'm frustrated because I know, some years ago, before I retired, I stay away from these smallest things. But this thing was so compelling, the story was so good, the concept was so good, and a guy that I tracked for a long time, he was at Kohlberg -- KKR, Kohlberg Kravis Roberts, KKR. Jerry Kohlberg, I tracked for a long time. And when he put -- he made a $25 million private investment in the [indiscernible] in your business, what's it called, specialties -- somebody specialties is in the IOM business. There is a big guy...

John Allen Farlinger
Executive Chairman & Interim CEO

Actually, specialty care it is, Marshall.

Unknown Analyst

Yes. Specialty care. So I thought if he is willing to step up then this must be some -- there's got to be something here that this guy is a very, very careful investor and he took a big position in that company, and of course, that's a private company. So I'm just frustrated with myself, not necessarily you guys, but I appreciate you listening to me anyway and...

John Allen Farlinger
Executive Chairman & Interim CEO

Marshall, happy to take this offline with you and have a conversation separately to go over the issues, if you feel it's more going forward. Okay?

Unknown Analyst

Well, I'm looking at it at some point, the average guy of my position. But I got to see some plus stuff coming in. One quarter report, it does have some caveats at why and now I have become -- I've got -- enough rhetoric, I want to see numbers. And I think -- it sounds like you've staffed up, and I've been impressed with a couple of directors you've added. And I figured, I get comfort -- those guys were quite impressive and I know they'd look at you with a fine tooth comb, I am sure, before they committed to put their reputation on that Board, so I got comfortable with that. So now it's up to you guys to put some numbers up.

John Allen Farlinger
Executive Chairman & Interim CEO

Okay. Thank you. We're going to try to deliver on that.

Operator

Ladies and gentlemen, we have reached the end of the question and answer session. I would like to turn to the call back to over to Mr. Farlinger for closing remarks.

John Allen Farlinger
Executive Chairman & Interim CEO

Yes. Thank you, and thank you, everyone, for the questions. Obviously, we covered a lot of ground in the last few minutes. I guess the last thing, if I believe in a couple of notes here at the end. Initially, I started the conversation, my conversation was a narrative with the fact that it was a challenging year last year, it was. But it was also a year where we made a lot of progress. And we made progress in terms of beefing up our Board, beefing up the management team and making progress so that we can officially expand beyond Colorado and into a number of other states. We're -- still, we're in the building process, we accept that, but we're getting a lot better at it and we know a lot more than we did last summer or last fall. And I think I -- to shareholders, all I can say is be patient, wait for the results over the first and second quarter of this year. I think the company has never been in a better position to expand and to exploit the market opportunities there for our services. And I think -- all I can do -- I realize the frustration that's there, all I can do is say is be patient. Our first quarter numbers will be out in about a month, and I think you will be happy with the progress we're making. And with that, I will leave you, and we look forward to coming back in a month and walk you through the first quarter results with you. Thank you.

Operator

Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation.