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IOM.V - Q4 2020 Assure Holdings Corp Earnings Call

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PRESENTATION

Operator

Greetings and welcome to Assure Holdings Fourth Quarter and Full Year 2020 Earnings Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Scott Kozak, Assure's Director of Investor and Media Relations. Thank you. You may begin.

Scott Kozak - Assure Holdings Corp. - Director of Investor & Media Relations

Good morning, 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, 2020. Joining us today are Assure Holdings' Executive Chairman and CEO, John Farlinger; and Founder and Director, Preston Parsons; as well as other members of the management team.

Before we start, please note that remarks in this conference call may contain forward-looking statements within the meaning of applicable securities laws about Assure's current and future plans, expectations, intentions, results, levels of activity, performance, goals or achievements or any other future events or developments. 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. Such forward-looking statements include, but are not limited to, the statements related to the following: Assure's balance sheet, whether Assure will uplist to a major U.S. exchange in 2021, Assure's financial position and cash flow, Assure's ability to recover material portion of the uncollected claims from 2018, the recovery of the outstanding claims owed to Assure by private health insurance company's Louisiana affiliate and negotiation of a new in-network agreement with this payor, Assure's billing and collections processes, Assure achieving 50% of its commercial volume in contractual rates with payors, the scaling of Assure's business, the effects of COVID-19 on Assure's business, the rescheduling of the cases postponed in 2020, the acquisition of Sentry Neuromonitoring and the expected effects thereof, Assure's expansion plans, the number of procedures Assure expects to perform in 2021, whether Assure will win facility-wide contracts with hospitals in the areas in which the company operates, the launch of Assure's telehealth offering and the expected effects thereof and Assure's plans for the development of clinical research initiatives.

Many factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the following: Assure may not maintain a strong and flexible balance sheet for 2021, Assure may not uplist to a major U.S. exchange, Assure's cash flow may not continue to be positive, Assure may not recover a material amount of the claims from 2018, Assure may not recover the outstanding claims owed to Assure by private health insurance company's Louisiana affiliate and negotiation of a new in-network agreement with this payor. Assure's billing and collections process may not continue to be effective, Assure may not achieve 50% of its commercial volume in contractual rates with payors, Assure may not be able to successfully scale its business. COVID-19 have a negative impact on Assure's business in 2021, the case to be formed -- to be performed by Assure in 2020 may not be rescheduled, Assure may not complete the acquisition

of Sentry Neuromonitoring, the acquisition of Sentry Neuromonitoring may not result in additional revenue for Assure, Assure may not expand its business into other states, Assure may not perform at least 14,000 procedures in 2021, Assure may not win facility wide contracts with hospitals in areas in which the company operates Assure may not experience profitable growth in 2021, Assure may not sign additional agreements with medical device distributors in 2021, Assure's newly launched telehealth services may not have the desired positive impact on the company's business and Assure may not continue with its plans for the development of clinical research initiatives. As a result, Assure cannot guarantee that any forward-looking statements will materialize, and you 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 statement, whether as a result of new information, future events or otherwise.

During this call, we may refer to certain metrics such as adjusted EBITDA, managed cases and number of procedures, which are non-GAAP measures and do not have any standardized meaning under GAAP, and are, therefore, unlikely to be comparable to similar measures presented by other issuers. For a reconciliation of certain non-GAAP measures, please consult the most recently filed 8-K associated with the filing of the earnings release for the 3 months and year ended December 31, 2020, which is available on the SEC website. Assure believes that these measures may offer useful supplemental information but are subject to inherent uncertainties and limitations and rely on various assumptions by the company and should, therefore, not be relied upon for the purpose of making an investment decision.

For additional information on these assumptions, uncertainties and risks, please consult the cautionary statement regarding forward-looking information contained in the company's earnings release dated March 26, 2021, and most recently filed 8-K associated with the filing of the earnings release for the 3 months ended December 31, 2020, which is available on the SEC website. Please note that Assure reports in U.S. dollars, and all dollar amounts to be expressed today are in U.S. currency.

I would like to remind everyone that this call will be available for replay through April 9, starting at 3:00 p.m. Eastern today. A link to the 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 written consent of Assure Holdings is strictly prohibited.

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

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Thank you, Scott, and hello, everyone. Before we get started, I want to take a moment to thank Assure's team members for their ongoing resilience and commitment. This past year revealed the true character of Assure and its values, and I'm proud of the dedication and perseverance we exhibited as we continued to support our surgeons and to serve our patients through a challenging year for everyone.

Now I'd like to turn to our financial performance. During the fourth quarter of 2020, Assure generated strong improvement across our financials, driven by a 36% increase in procedures achieved compared with the year earlier despite the impact of COVID-19. In addition, the company strengthened its balance sheet. In the fourth quarter, we announced an equity private placement of \$10.5 million led by multiple prominent U.S. institutional investors. Assure also realized gains of \$1.2 million associated with the forgiveness of the SBA loan relating to the CARES Act. The net effect of these changes is -- shows a great improvement in working capital and the equity position of the company.

A stronger and more flexible balance sheet will help us maintain stability and get bigger faster, uses including organically extending our operational footprint into new states, strategic acquisitions and the launching of our telehealth offering. With this infusion, we have hit the ground running in 2021 and are preparing for a year of accelerated and profitable growth.

While our full year 2020 results were negatively impacted by a number of factors that we will discuss shortly, I am pleased to report that Assure is accelerating all aspects of our business in 2021. Our S-1 registration statement was declared effective by the U.S. Securities and Exchange Commission in February, and we are evaluating a potential uplisting to a major U.S. exchange in 2021.

One additional point I want to make before relaying the progress we made in 2020 and early 2021. Trent Carman, our Chief Financial Officer, is retiring from Assure at the end of March. Trent has served in this role with distinction since 2018 and played an important role in helping the

company delivering -- with helping the company deliver on our corporate objectives while building a strong finance team with deep expertise. Although Trent is retiring, he's going to continue to act as an adviser to Assure in 2021.

I'm pleased to announce that John Price will be promoted to Chief Financial Officer of Assure, effective March 31. John has been serving as our Vice President of Finance. John Price has over 25 years of experience at accounting, financial planning and analysis as well as business process improvement, and I have confidence in him stepping into this role. I'll be working with his closely as we work to deliver profitable revenue growth and strong cash collections while, at the same time, investing in key strategic initiatives that further differentiate Assure's position in intraoperative neuromonitoring industry. I also want to point out that John was a key driver in helping to complete an accelerated S-1 and will be working closely with me as we embark on an uplisting process.

Next, I'll transition to advancements we are making on our three corporate objectives. As a reminder, they are: number one, improving the performance of our billing and collections function; number two, developing an in-network revenue stream; and number three, scaling our platform through both organic growth and M&A activity. I'll first address the progress of our billing and collections objectives. I'm very proud of Assure's revenue cycle management team and the success they had in meeting their objectives in 2020. Since taking over this function in February of last year, Assure has made substantial progress on collections. We've also invested heavily in this function by hiring a seasoned leader, staffing a twenty person internal billing and collections team and migrating to a platform that has automated and integrated what historically has been an entirely manual revenue cycle management process.

Results from these improvements are readily apparent. The company's total collections, including a combination of technical intraoperative neuromonitoring services, and cash collected from Provider Network Entities for professional IONM services was a record \$23.9 million in full year 2020, including a record \$6.5 million for the fourth quarter of 2020. Comparatively, in 2019, full year cash collections were \$15.9 million, including \$2.4 million in the fourth quarter. The company also collected a record \$13.8 million in full year 2020 for IONM revenue that it retains 100%. This included \$3.7 million in the fourth quarter of 2020. In comparison, 2019 full year cash collections were \$8 million for IONM revenue that it retained 100%. This included \$1.3 million in the fourth quarter.

The company was operationally cash flow positive over the period from March to December of 2020. We expect this trend to accelerate and for Assure to be cash flow positive in 2021. In part, this reflects Assure's success collecting from our significant backlog of legacy cases in which services we provided but we had not yet been compensated for. During 2020, we successfully monetized over \$1.2 million from claims originating in 2016 and 2017. In March and April of 2020, we refiled all uncollected 2018 claims and expect the recoveries to be material, with collections occurring during 2021 and beyond. Once collected, these funds will be categorized as revenue as these amounts had previously been written off and fully reserved.

One additional topic I want to update with regards to collections was the continued reserving of claims associated with a private health insurance company that we previously disclosed, which was significantly written off as of December 31, 2019. This reserve is mainly associated with the payor's Louisiana affiliate, which failed to reimburse the company despite Assure providing outstanding services. Negotiations with this payor are ongoing, and Assure is confident that will ultimately result in the recovery of a portion of these claims. Our goal in this matter is to settle this dispute, receive a payment and negotiate a new in-network contract with this payor.

Further, we are gratified by the progress we have made in revenue cycle management, but we also recognize that important work still remains. We remain confident that Assure is making the advances necessary to improve collections, drive accounts receivable and reduce days outstanding. This will continue to be the focus of investment as we consider it a key differentiator for Assure and the intraoperative neuromonitoring space. We fully believe that this investment in data, analytics and automation will be an important catalyst for ongoing success, and the company intends to drive significant progress and development in this area.

This dovetails into our second key corporate objective, which is the development of a new network revenue stream. In-network agreements help Assure reduce risk, minimize complexity, accelerate the timing of payments and protect our liquidity. On cases performed for patients covered by insurance with whom we have reached contractual terms, payments will be made at set reimbursement rates and collections on claims will be reduced all the way down to 30 to 45 days from a range of several months to more than a year on average. Overall, across all markets, we now have more than 20% of our total commercial volume in contractual rates with the payors, either directly or indirectly. Our goal is to reach 50% by the

end of 2021. This is an aggressive goal. I want to point out that very few of our intraoperative neuromonitoring peers have a scale in terms of procedure volume, nor the organizational expertise to strike similar deals.

In-network agreements with the terms we are seeking become more attainable when we bring significant procedure volume into the negotiations. This fits with our third objective, which is expanding Assure's scale. In terms of monthly procedures, Assure returned to pre-pandemic levels in May and exceeded them for the remainder of 2020. In fact, the company reported a 54% increase in managed case volume in full year 2020. Having said that, it should be noted that while our business has come back in terms of overall case counts, the company has seen COVID-19 related disruption in certain markets we serve at various points in the summer, the fall and the winter and even through the first quarter of 2021.

The pandemic has undeniably slowed our growth from what we expected to deliver in 2020. As hospitals and surgeons battled the pandemic, it left far fewer opportunities to discuss new business. COVID-19 has continued impacting our procedure count in particular markets in early 2021, and we are monitoring the situation closely. But we do not anticipate a mandate to hold elective procedures, similar to what we experienced last March and April in 2020. Nevertheless, Assure is preparing for any potential development and are prepared to take appropriate action. One additional point on case counts, given the type of complex invasive procedures we provide service for, the company anticipates that the majority of Assure's cases postponed in 2020 will ultimately be rescheduled in 2021.

Looking forward, Assure is pursuing a number of opportunities to accelerate our growth in 2021. These efforts include: firstly, opportunistically acquiring high-quality intraoperative neuromonitoring companies at attractive valuations. Last month, we announced that Assure had signed a term sheet to acquire Sentry Neuromonitoring, a joint commission certified provider, and one of the largest intraoperative neuromonitoring service providers in Texas, for a purchase price of \$3.5 million. Sentry primarily serves the Greater Houston Region, but its operational footprint extends within Texas to Dallas-Fort Worth and Austin and also includes Kansas and Missouri. In 2020, Sentry performed more than 5,500, intraoperative neuromonitoring procedures, and more than 50% of these procedures were with commercial insurance payors. The company currently employs 34 full-time staff, including 24 technologists, supporting more than 50 surgeons at over 50 facilities.

Our insight into the Texas market, given that Texas is Assure's single largest state in terms of procedure volume, has given us great visibility into the opportunities that Sentry offers with regard to maximizing certain relationships to win new business, improved collections and cash flow on a per-procedure basis and further leveraging scale to negotiate in-network contracts with payors in the local market. Later in this call, Preston will offer more insight on the Sentry acquisition specifically and M&A opportunities in intraoperative neuromonitoring more broadly. We expect to be active on the M&A front during the balance of 2021.

Secondly, we'll be organically expanding into additional states and extending our reach within the states where we already maintain a sizable presence. In fact, we expect to increase our procedure count by at least 40% in 2021 to 14,000 procedures on the strength of organic growth alone. We recently announced a major expansion in Arizona, and we are very close to entering multiple new states. We look forward to updating the market when our first cases are performed in these new markets.

Thirdly, we're building a platform for selling to hospitals directly. The cost and disruption hospitals are experiencing as a result of COVID-19 are opening the door for a value proposition that Assure is marketing as an outside -- as an outsourced provider of intraoperative neuromonitoring services. We anticipate winning larger, facility-wide contracts that could generate thousands of procedures annually as many hospitals transition to outsourcing intraoperative neuromonitoring, which for them is a noncore service as well as a cost center. We believe that Assure's hospital offering will be an important growth driver in 2021 and beyond.

Fourthly, Assure is driving more revenue and capturing more margin from our professional invoices. The company is improving performance in this area by negotiating a larger share of the managed services fees with new surgeons we're adding to our platform. We're already having success in negotiating higher revenue share agreements with existing surgeons in our network. We anticipate that our work in this area will result in a 7-figure lift in terms of annualized revenue on an annual basis going forward. Given that these agreements have been made through 2020, the related results will fully bear out in fiscal 2021 and beyond.

Fifthly, our growth strategy is aimed at distributor outreach. We rolled out our channel program in late 2020 with outreach accelerating in 2021. We already have contracts signed with a number of medical device distributors and expect to sign numerous additional partners to these efforts.

Sixth and finally, Assure, through its wholly owned subsidiary, is launching our new telehealth offering. We are excited as we transition our currently outsourced neurologist services, our intraoperative neuromonitoring, to an in-sourced function. To support this effort, early this month, we made our first 2 hires for professional neurology services. This new telehealth offering will be a straightforward transition as we simply replace third-party vendor relationships with professional services furnished through a professional corporation under management by Assure Holdings or a wholly owned subsidiary.

Bringing the function inside the organization will allow us to control quality of service in all aspects of our offerings. This is important for a number of reasons. Number one, it's a key consideration for payors as we negotiate new in-network agreement; secondly, it strengthens our offering as we position to sell directly to hospitals; thirdly, it allows us to leverage our scale in terms of case volume and facilities, and it captures a greater share of the revenue and margin on each intraoperative neuromonitoring procedure. The initial intraoperative neuromonitoring professional oversight services will function as a platform we can build from as we attempt to offer additional and adjacent services around neurology. Overall, we believe this service will create additional margin in our existing operations and as we add organic growth and make acquisition targets. Essentially, it makes the rest of our business much more profitable and valuable. We expect to expand our professional neurology services through 2021 and beyond. Frankly, we consider our telehealth offering to be Assure's greatest potential opportunity and point of leverage.

My final comment on scale is that Assure is much more efficient from a financial performance perspective, particularly revenue, EBITDA and free cash flow when volume is at the 20,000 procedure level as compared to 10,000 procedures in 2020 or 6,400 procedures in 2019. Although our full year 2020 financial results did not meet our expectations for multiple reasons that we will discuss shortly, I am proud of our greatly improved balance sheet flexibility, our cash collection improvements and continued organic growth. We still grew our procedures by over 50%, while many of our larger competitors are struggling to keep existing business. Assure is optimistic and focused on delivering against each of our objectives in 2021.

In terms of our operational outlook, notwithstanding the impact of COVID-19 and the related ongoing uncertainty, the company has forecasted 14,000 total procedures for full year 2021 based on organic growth alone. If reached, this would represent a record number and an increase in cases of more than 40% compared with 2020. Any M&A, including the Sentry acquisition, would be on top of the 14,000 forecasted cases.

In addition, I want to make clear that we regard 2021 as the year for expanding growth, building infrastructure and competencies, capturing market share and driving consolidation in the intraoperative neuromonitoring industry, even if it comes at the expense of short-term profits. We believe that we're in the early innings of transforming the intraoperative neuromonitoring sector, and Assure intends to be at the forefront, capturing market share, driving best practices and creating differentiators in the industry.

Next, I'd like to pass the call to John Price to go through the financial results. But before I do that, I want to personally, on behalf of myself and the Assure board, thank Trent Carman, for all of his hard work and dedication over the past 2.5 years. It was a challenging time as we dealt with a host of issues, including stabilizing this business; recreating the Assure business model; bringing revenue cycle management in-house; and ultimately, capitalizing the company. And I thank Trent and appreciate what he has done and understand that he's at a point in time in his life where he wants to take some time off. We wish him the best.

John, over to you.

John Price

Thank you, John. I also would like to thank Trent whom I look forward to continuing to work with as he transitions to his new role as an adviser. Now with regards to reporting financials, I will first provide narrative on the full year 2020 results and then offer a brief overview on factors that impacted the company's financial results. After that, I will discuss our fourth quarter financial results and conclude by highlighting areas of focus for 2021.

For the full year 2020, total revenue was \$3.5 million compared to \$17.7 million in 2019. Annual revenue was negatively impacted by substantial restrictions on elective surgeries in March and April 2020 and linger in certain markets as a result of challenges associated with the COVID-19 pandemic. Overall, managed case volumes still increased 54% in 2020 to a record 9,914 cases versus 6,414 cases in 2019, primarily driven by Assure's existing network and the acquisition of Neuro-Pro in November 2019. However, case volumes were depressed from existing surgeon relationships

and the pandemic impeded new business development. Having said that, the primary factor impacting revenue was our lower revenue accrual rate. The company's technical revenue accrual rate for 2020 was approximately 37% of the technical revenue accrual rate for 2019. To provide additional context, we began quarterly true-ups, which were based upon historical cash collections, in the third quarter of 2020. Previously, we performed biannual true-ups. When completing this analysis, based upon the third and fourth quarter revenue true-ups, the average revenue per procedure for technical and professional cases decreased approximately 7% when compared with the second quarter 2020. The key point here is that the business stabilized during the second half of 2020 as degradation in revenue per procedure witnessed only a minor adjustment in the second half of 2020 when compared with the year earlier period.

Full year adjusted EBITDA, as defined in our press release, was negative \$14.4 million compared to \$5.7 million in 2019. The decline in net income and adjusted EBITDA relate primarily to the previously mentioned reduced technical and professional revenue accrual rate. Having said that, total operating expenses increased to \$11.8 million versus \$10.4 million in the prior year period, primarily due to the building out of Assure's in-house billing and collections department after terminating our former third-party provider in 2019; higher professional expenses associated with our recent fundraising activity; the S-1 filing; and general and administrative expenses required to support our growth initiatives, including the hiring of new employees.

For 2020, our equity investments, or our PEs, was negative \$1.2 million compared to \$1.3 million for 2019. The 2020 figure was primarily due to a decline in average revenue accrual rate per case. The company collected a record \$23.9 million in full year 2020 compared to \$15.9 million in 2019. Revenue figures referenced relate to a combination of technical IONM service and cash collected from PEs for professional IONM services. Revenue related to technical IONM services only and excluding cash collected from PEs for professional IONM services, the company collected a record \$13.8 million in full year 2020 compared to \$8 million in 2019.

Now moving on to the fourth quarter results. Managed cases increased 36% to a quarterly record of 3,057 cases compared to 2,242 cases in the fourth quarter of 2019. Total revenue in the fourth quarter was \$6 million compared to negative \$4.7 million in the fourth quarter of 2019. Gross margin for the fourth quarter of 2020 was 52%, which reflects lower technical revenue accrual rate per case, as I previously mentioned; the fixed-cost nature of technologists expense; the building of the revenue cycle management function in 2020 versus utilizing a third-party billing company in 2019, which fee was variable depending on the amount billed; an increase in operating expenses associated with building an operational platform capable of supporting our growth; the impact from the continued reserving of claims associated with the previously identified payors' Louisiana affiliate which has failed to reimburse the company despite Assure providing outstanding service. Our accrual forecast currently reports \$0 dollars for all these claims. We are still performing cases in the state and anticipate reaching a resolution to this dispute.

The final factor I want to highlight was a proactive reserving of uncollected claims during the second quarter of 2020 related to 2018 invoices. As a reminder, our former third-party billing company made very limited efforts to pursue these claims. And during March and April 2020, we rebilled all 2018 claims. While we acknowledge the process will take time and extend beyond the balance of 2021 to produce results that we anticipate, we expect to ultimately recover a meaningful portion of these claims.

Earnings from equity investments were \$0.3 million during the fourth quarter of 2020 compared to \$0.1 million in the fourth quarter 2019. Net loss for the fourth quarter was negative \$0.5 million compared to a loss of negative \$6.7 million in the fourth quarter 2019. Our adjusted EBITDA improved in the fourth quarter of 2020 to a positive \$803,000 compared to a negative \$8.2 million in the prior year's quarter.

Turning to our balance sheet. Assure ended the year with \$4.4 million in cash compared to \$59,000 at the end of 2019. We also ended the year with \$17.4 million of working capital compared to \$22.1 million at the end of 2019. Total bank debt, lease liabilities, convertible debentures and acquisition debt at the end of the year was \$7.6 million compared to \$11.6 million at the end of 2019.

Before concluding, I want to highlight Assure's 2021 goals from the perspective of its financial funding. We are focused this year on tightly managing expenses and improving collections. John has already noted the steps that the company is taking to execute these objectives.

Now I'll turn the call over to Preston Parsons, who will provide an update on developments driving Assure's future growth.

Preston Thomas Parsons - Assure Holdings Corp. - Founder & Director

Thank you, John. Hello, everyone. I would like to highlight a few important elements we're advancing as we support our platform for future growth. First, I'd like to revisit the Sentry acquisition, which John touched on in his remarks. We believe that this has the potential to become highly accretive for Assure. To provide some context, in looking at the current state of the IONM industry and a vast amount of our competitors, many companies have struggled to make the necessary changes and adoptions regarding revenue cycle management and infrastructure to continue to be successful in the current challenging environment.

Sentry is a joint commission certified company with an extensive history of clinical excellence and deep-rooted relationships with many surgeons and with hospitals. They have many long-standing, dedicated employees with a substantial depth of knowledge of the IONM industry. Unfortunately for Sentry, and much like many of our other competitors, their reliance on third-party billing companies and those companies' lack of performance put Sentry in a difficult position financially. During our discussions with Sentry, its leadership began to learn and understand the ways we are going about things differently than our competitors in regards to revenue cycle management, infrastructure build-out and an overall commitment to excellence with the many other differentiators you've heard us discuss today. They came to appreciate how disruptive our approach will be in the IONM. industry.

The degree to which this resonated with Sentry is evident in the terms of the deal negotiated. Sentry sought to be compensated primarily in Assure stock rather than cash because they believe, as we do, how important our approach to revenue cycle management, proper infrastructure and a disruptive vision will be in driving continued growth and the ability to capture additional market share. We are excited to enter into an agreement to purchase Sentry, in part because the organization is like-minded to us here at Assure, and I anticipate a smooth transition after the acquisition is complete. Further, I want to be clear that we do not believe this agreement with Sentry is an outlier. We think it is broadly representative of what we are seeing across the IONM industry, and it's an important reason why we are so bullish about our expansion opportunities in 2021 and beyond.

Next, I will briefly compare the acquisitions of Sentry with the Neuro-Pro deal we completed in 2020. I'll first point out that Neuro-Pro is essentially exactly where we forecasted it to be right now, and we could not be more pleased with how the acquisition has performed from a financial and strategic standpoint. To be clear on the comparison of acquisitions, the situations are not exactly apples-to-apples because Sentry was in a different financial situation than Neuro-Pro. However, as a point of reference, we acquired Neuro-Pro and its approximately 2,500 cases per year, which had a favorable revenue mix of 80% commercial insurance payors, for \$7.5 million. Conversely, we are acquiring Sentry and it's approximately 5,500 procedures per year, which maintains a solid but less favorable 50-50 revenue mix between commercial and government insurance, for \$3.5 million, including \$1.25 million in cash paid over a 36-month period and \$2.25 million in Assure stock. As part of the transaction, we will also receive Sentry's old accounts receivable, which we intend to rebuild. This represents additional upside for Assure. Sentry's operational footprint also provides Assure with entry into 2 new states, Missouri and Kansas, that we can build from.

As John said, what gives us so much confidence in turn this around and making Sentry profitable is that Assure is doing the same procedures in the same states but getting paid more meaningfully on a per-procedure basis from the same insurance companies. As a result, we believe we can improve Sentry's billing and collection issues fairly quickly and that it will generate repeatable, profitable revenue for Assure.

Next, I will touch briefly on the competitive environment we are seeing in the IONM industry. Factors that have been impacting Assure up until 2020, including the use of largely ineffective third-party billing companies in absence of the in-network agreements with insurers and long collection cycles, continue to generate significant headwinds for our industry peers who struggle dealing with these obstacles. These ongoing issues have been exacerbated by complications associated with COVID-19, which has added further strain for our industry competitors operational performance and liquidity positions.

Recently, we have seen multiple competitors go out of business in the markets we serve. This includes smaller local players and, in some instances, more sizable state and regional providers. Assure sees a lot of opportunity in this environment, both from an organic growth and an opportunistic M&A perspective. As John referenced, the funds raised in our recent offering creates opportunities for Assure to be opportunistic and strategic buyer in the IONM market.

The next topic I will highlight is the appointment of Dr. Isador Lieberman to Assure's Medical Advisory Committee. By way of background, Dr. Lieberman is a fellowship trained orthopedic and spinal surgeon. He is currently the President and Director of Texas Back Institute's Scoliosis & Spine Tumor program. Prior to joining Texas Back, he served as teaching faculty at the University of Toronto. Then he was recruited to the Cleveland Clinic to lead their spine program. Dr. Lieberman's research interests include clinical outcomes in spinal surgery, biomechanics of spinal implants, robotics for spinal surgery and disk replacement technologies. He has conceived and developed a number of spinal surgery instruments and implants and hold over 30 U.S.-issued patents. I'm excited that Dr. Lieberman will be applying his surgical and clinical research expertise to projects Assure is undertaking in collaboration with the surgeons at the Texas Back Institute to help determine how IONM contributes to the safety, efficacy and positive outcomes during complex and invasive procedures.

Finally, I want to briefly update our first research project we are undertaking in collaboration with surgeons at the Texas Back Institute. We are well underway with this project after receiving approval to begin the research project and are now finalizing the data collection part of the process. After this is complete, we will quickly move to analyzing and preparing the results of the study as a white paper. Assure believes it will be a leader in the development of clinical research relating to IONM, including facilitating improvements through integration, techniques and tools available as well as the advancement and optimization of patient care. In addition, given the significance insurance companies put on data-driven studies, we believe the clinical research we produce will help support our revenue cycle manager team and act as a catalyst for the signing of a new in-network agreements.

And with that, I'll turn it back over to our operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Jim Sidoti with Sidoti & Company.

James Philip Sidoti - Sidoti & Company, LLC - Research Analyst

I hope you can hear me. A lot on the call today, I just want to make sure I'm clear. It sounds like with regards to your growth initiatives, you have several. You have the expansion into telehealth; acquisitions, the one announced and others in the pipeline; and also the shift to in-network payors. Out of those 3, what do you think is going to have the most impact in 2021?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Jim, thanks for the questions. Strategically, we're all in on telehealth. And the reasons for that, we went through it on the call. But to date, for the most part, we've been kind of shut out on really maximizing margin from the neurologist service model, and we see a huge opportunity to take over the provision of those services. And just like we're doing with technologists, where we generate about 3x revenue to salaries, doing the same thing on the neurologist side and bringing a significant portion of that business inside the organization. And as we mentioned, we're already moving on that. We've already recruited and retained 2 full-time individuals, and we're looking for multiple other staff. what this does, in addition to creating additional margin, it makes every part of our business more valuable in existing markets, new states and even companies like Sentry and acquisitions where they're getting an ROI over their existing business, we think will outperform what they do. But as you add the provision of neurologist services to that equation, it makes the business significantly more profitable.

Now that's a decision that we are working on. We've been working on it for a while. We've got a business case. We're knee-deep in it now. And we think the impact of that will be partially felt this year, but it's next year and the years after, as we start to generate significant amounts of revenue, recurring revenue on the back of that. And with that, it also creates the ability to generate additional sources of revenues through offering adjacent services. It also strengthens our proposition to the hospitals in outreach. These are additional services that we can add as an inducement to get them to really outsource neurologist services.

I'm not taking away from the fact that going in-network is critical, it's obviously critical, and organic growth is critical. But over the next 3 months, a big part of our tactical plan will be around concluding Sentry, bringing it in-house, and there's a lot of integration work that needs to be done, obviously, as you add 50% of volume to your existing base. So strategically, it's telehealth, but right behind it are really the in-network contracting and continued M&A to get scale.

James Philip Sidoti - Sidoti & Company, LLC - Research Analyst

And it sounds like by expanding your telehealth offering, you'll be able to expand your market share even faster. Is that correct?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Well, it's a strong proposition as we go to the insurance companies. It shows that we control quality of service, so it improves that relationship. It makes every M&A target more valuable to us than most of our competitors. And it adds profitability into some of our states, which are not performing as well as others. And so it's critical. It's a decision we've been -- a process we've been working on for 8 to 9 months now, and we're finally at a point where, tactically, we're rolling it out.

James Philip Sidoti - Sidoti & Company, LLC - Research Analyst

Then with regards to the uplisting, it sounds like you've made some pretty significant progress. Do you expect that to be complete by the middle of this year? Or can you give us a little more color on your timeline for that?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

I can tell you what we've done. I don't want to commit to a deadline, but we've started discussions with NASDAQ on moving forward. We made the decision last fall to quickly accelerate an S-1 process. I think we did a very good job of getting it done very quickly, and we're going to attack the NASDAQ process with the same energy.

James Philip Sidoti - Sidoti & Company, LLC - Research Analyst

With regard to COVID, are you still having impacts in the current quarter? And do you think they will continue into the second quarter? And when do you think that starts to subside?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Pretty much dying down now across all of our states. We were impacted in January, there was -- as everyone can see from the news stories that were out there, particularly in Texas and Arizona. But for the most part, we're back to business now in March. And our procedure numbers are climbing this month, and we expect that to continue during April, May and June, into the second quarter.

James Philip Sidoti - Sidoti & Company, LLC - Research Analyst

All right. And then last one for me. This is the second pretty significant deal that you announced in Texas. Should we assume that you feel pretty confident in how reimbursement works in Texas and that you'll be able to be able to get paid for the procedures that Sentry has been doing?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Great question. I want to be clear, the price reflects the fact, as Preston outlined, we're acquiring this asset at, we think, a very, very reasonable price. Certainly, it's much cheaper than the Neuro-Pro acquisition. But it is a distressed asset. What makes us very optimistic is that it's a distressed asset in our biggest market. And we're competing with this group. We feel very comfortable with the culture, the people, et cetera, but they've had issues around revenue cycle management and scale. And I think we feel pretty good about the opportunity. We've done a lot of work on it. We like the deal. It gives us scale. We probably would be reticent to do this deal if it were in a market that we weren't operating in now. Because we've got relationships with the payors, we understand the payor climate and what we expect to realize, we're feeling pretty good about it.

Operator

Our next question comes from Alex Silverman with AWM Investments.

Alex Silverman - AWM Investment Company Inc. - Portfolio Manager

Congratulations on a very nice quarter, very nice results. And John, congratulations on your new role. Just a few questions here. What kind of revenue lift per procedure do you expect with the new telehealth offering?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Let me frame off, I think, what we -- what our analysis shows. And we've looked at what some of our better competitors are doing. We think each neurologist, Alex, can generate 2.0 to 3.0x salary out of the gate, and obviously, that's with scale. And as you look at the number of procedures we've got and simply delivering on our own business, it doesn't take long to figure out that as you add more neurologists, as you get to scale, that margin continues. Our target really is to be at about 3x salary as a rule of thumb. That's what we're getting on our techs. We see being able to do that on the back of the neurologist services.

And the obvious thing is we're paying for neurologist services on a per diem basis now. Those neurologists, those contracting companies are managing anywhere from 6 to 12 procedures at a time. As we start to do that, we will benefit from that lift, that scale, the quality of service. And we see this being very strategic for us as we control quality of service, and it really strengthens our offering in the IONM space going forward. I think we'll be very unique in terms of the competitive landscape and that we'll be on a footing where we can compete with the large players here and not have to worry about being able to compete from a margin standpoint, a pricing standpoint. And as you look at our strategy, our defined strategy of using our public company currency as an M&A tool, it makes every new acquisition were valuable to us than to other potential acquirers.

Does that kind of give you some perspective on how we're looking at it?

Alex Silverman - AWM Investment Company Inc. - Portfolio Manager

It does. What do you target for year-end this year? What percent of your procedures do you hope to have neuro provided in-house?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

We're starting with 2 major markets and a migration in Colorado and Texas. And to a degree, it's -- we're going to be cautious, but I think we're going to get more aggressive as we develop scale toward the second half of the year. We want to have 3 to 4 neurologists employed by the end of June, each neurologist capable of handling more than 2,000 procedures. So very quickly, you can start to extrapolate what that means in terms of scale, ROI, et cetera. So I think the first part is going cautiously April through June. But as we get more confidence, then starting to accelerate scale in the second part of the year.

Alex Silverman - AWM Investment Company Inc. - Portfolio Manager

Got it. Okay. That's helpful. The timing on closing of Sentry?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

We are in the final stages of closing diligence. We expect myself, a couple of members of the management team are going back there for some final diligence over the next week. But we would -- if everything goes well, we would expect to close in April.

Alex Silverman - AWM Investment Company Inc. - Portfolio Manager

Okay. And I apologize, I didn't quite follow you. Did you say their contracts in Texas are better than yours, or the other way around?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

No. They don't have any contracts with the payors per se. So there's no in-network contracting. We're outperforming them from an RCM standpoint. And so that gives us confidence around the lift that we can get really on the back of taking over the business. And we're competing with them in exactly the same markets in Southern Texas, Dallas-Fort Worth. And we're also very excited about getting into Kansas and Missouri on the back of this acquisition because it gives us a foothold with some key surgeons in those markets and allows us to get into Kansas City, St. Louis, Columbia, et cetera, from an expansion standpoint.

Alex Silverman - AWM Investment Company Inc. - Portfolio Manager

Got it. And then my last question. I wasn't quite sure if I heard you correctly. Did you say that past collections of bills that had been written off will be then run back through revenue, is that correct?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Yes. That's exactly right, Alex. What we do is we write everything off after 24 months. And after it's written off, if we collect it, that is net new revenue and it's incremental revenue to what we will already bill and collect. As a reference point, I looked back lastly, I know we said on the call that we've collected over \$1.2 million from 2016 and '17 that we rebilled starting last March, that number is now over \$1.7 million as of this morning. And I think we're going to have significant success, I believe that, over the balance of this year, collecting 2018 claims that were written off. And so we're grinding it out. We brought everything in-house last March. We rebilled everything. And our team is -- Sean and his team are hard at it, pushing really to be the best in the industry. And they've made a lot of progress in terms of data, analytics, visibility into collecting. And so we're very optimistic that we're going to see some very good results over the balance of this year, collecting on those old amounts that have been written off.

Operator

Our last question comes from David Schechter with Perspective Capital Management.

David Schechter

Nice to meet you, John Price. Congratulations on completing a very difficult year with an incredible upside coming into 2021. I want to focus on the fourth quarter where your cost of goods, as you pointed out, were nearly 50% of revenue, and ask how is that likely to change over the course of the next year or 2 as the scale and the business grows.

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

John, do you want to answer first or...

John Price

Dave, it's John. Listen, a couple of thoughts here. We anticipate that our margins are probably going to hold firm around the 50% number on the tech side. The challenge we've got right now is we're ramping up for growth, but it's not happened yet. And we started ramping up in December, January, February, with planned expansion into multiple new markets. And we, frankly, expected we would be live in one of those markets in March, it looks like it will probably be April. And we have a fair amount of growth planned in particularly Arizona and one other state that we expect to be live very shortly.

That hiring affects your cost of goods number because we're always hiring in advance of the revenue. And we're not talking about -- we're talking about 1,400 cases to be added. So it's not trivial. There is a fairly significant pipeline of new business that we are working on. And so we've been hiring in advance of revenue and growth. And I think that's -- it's affecting us in the short term. But the other issues are there's other spending that we're taking on, it's research, it's education. And there are other things that we're putting additional capital back into to drive the business. But I think safely, I feel comfortable roughly a 50% margin on the technologist side, and we're expecting similar margins or better on the neurologist side as we ramp up going forward.

David Schechter

So in the quarter, the revenue per case was something around \$2,000, a little under that. Is that what you expect to continue? Or do you see that improving or changing as, obviously, Sentry has a slightly different, not maybe a little worse, balance of their 5,500 cases, if they continue at that rate or grow? I mean you're going to be moving towards 14,000 cases organically, even leaving those aside. But how do you think that the revenue per case will change over the course of the next several quarters?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

David, let's break it down into really the two streams of revenue. One is the commercial side, the other is the government side. On the commercial side, it's going to be a function of the mix of revenue. We're looking to add about 40% of volume into new business and new markets. Time will tell how that plays out. We think a couple of the markets are going to be very strong for us based upon our research, particularly Arizona. I think those numbers will probably hold true. Time will tell. We don't see a significant degradation in the average revenue on the commercial side. There may be a slight uptick up or down based upon some additional downward pressure on the commercial side.

At the same time, we're pretty confident we're going to collect a fair amount of 2018 revenue that we've written off and 2017 revenue that we've written off. Whether those 2 counterbalance, don't know. And we're still on the final stages of cleaning up really the mess that we brought in from last year. But big picture, I think, on the commercial side, we're fairly stable right now.

On the government revenue, we are pushing hard to negotiate all of the commercial contracts with the hospitals so as to get more revenue from those surgeries. And as we've outlined on the call, we've been reasonably successful. We've doubled that revenue. And we now have penetration that's over 85% into those institutions. We're going to keep pushing to get more and more revenue from those hospitals. Separately, on the professional side, we are taking a bigger and bigger piece of the revenue that we're sharing with our surgeons because we can. We have leverage.

We think a lot of them will be hard-pressed to get the revenue that we're offering them even as we take a bigger piece of the pie. And for reference, when the company -- 2 to 2.5 years ago, we were getting 10% of that revenue. On every new deal, it's 40% or more. And in some states like Texas, it's significantly more now. And I think that will be another opportunity for us going forward, and that's, I think, a bigger piece of the professional side of the revenue.

And as I mentioned, on the professional side, it's simply a way for us to reallocate cash here, and rather than paying it to outside vendors, we're paying it to ourselves and then doubling down and taking margin, which I expect will be over 50% on those services as we go to scale later in the year.

David Schechter

That's terrific. In terms of the overhead, the G&A and S&M together were a little over 4 million, \$1 million in the fourth quarter. How do you see that playing out over the course of 2021? Do you see that as a stable number on a quarterly basis? Or do you see that growing as the business grows?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Couple of thoughts. We're not anticipating a massive increase in headcount at corporate. We've pretty much got a team of people that we think is capable of generating 2.0 to 3.0x growth here from where we are. There will be some additional staff on the finance side as we scale. We're in need of someone to drive our HR processes. But for the most part, the hiring will come from hiring revenue-generating employees, more techs who can generate revenue and neurologists or audiologists who can generate revenue for us on the professional side. So it's all about adding revenue-generating bodies over the balance of this year and create more recurring revenue.

David Schechter

That's great. And one last question in terms of the share count that should be assumed for division purposes here. What is the -- leaving aside any reverse splits or anything that might have to do with uplisting, what's the share count one should assume going forward into 2021, leaving aside M&A and reverse splits and anything else?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

John, do you want to give those numbers off of the...

John Price

Yes. Currently, including the private placement that we completed in December, you see our total shares outstanding, 56 million. Again, depending upon any type of reverse split that we may take a look at, obviously, that'll be reflected in our shares outstanding at that point. But other than that, I'm not anticipating any significant additional changes to the overall equity structure.

David Schechter

And if I can understand this correctly, the fully diluted, if we included all warrants, et cetera, et cetera, what would that number be?

John Price

Give me one second, I have that for you. So I think we would add in another -- it's about, I think, 7 million additional dilutive shares.

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Well, with the warrants, we're going to be pressing about 78 million shares fully diluted, if all the warrants were taken down, the stock -- the ESOP program were exercised. But obviously, David, there would be an inflow of cash with the exercising of employee stock options, warrants, et cetera.

David Schechter

Got it. So just going forward, anybody who cares about EPS numbers, which probably they don't, they care about revenue rates, but if they did, the right number to use right now is 56 million shares?

John Price

Correct.

Operator

At this time, this concludes our question-and-answer session. I would now like to turn the call back over to Mr. Farlinger for closing comments.

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Thank you. On behalf of the Assure team, we'd like to thank everyone for listening to today's call. Before concluding, I'd like to add a few last comments.

Firstly, we'll continue to improve the performance of our revenue cycle management function. I know I sound like a broken record, but this is a top priority at Assure and represents an important differentiator for us in the intraoperative neuromonitoring industry. Secondly, we're pleased to continue progressing against our goal of signing new in-network agreements as they make our collection cycle shorter. They further reduce our outstanding receivables balance, and ultimately, they improve cash flow. Thirdly, we're expanding our scale through the agreement to purchase Sentry Neuromonitoring as well as organic expansion within states we're currently operating in as well as new states that we plan to enter. Fourthly and finally, the company has taken numerous proactive steps to stabilize and improve our balance sheet as we focus on delivering 2021 with substantial gains, both from procedure growth perspective and also expansion in the company's top line, gross margin and cash flow numbers.

I want to be clear, Assure is willing to sacrifice near-term profitability as we begin to act as a consolidator in the intraoperative neuromonitoring industry. We believe we can capture market share and quickly accelerate scale over the balance of this year. With that, we stated that our S-1 has been declared effective. Our goal this year is to uplist to a major U.S. exchange, probably NASDAQ, over the balance of 2021, market conditions permitting.

In terms of our greatest opportunities going forward, Assure is focused on: number one, expanding our telehealth professional neurology services; number two, opportunistic M&A that leverages our public currency, an advantage that none of our intraoperative neuromonitoring-focused competitors can duplicate; three, utilizing and continue to utilize data, analytics and automation and using that as a key differentiator for revenue cycle management going forward; four, we want to uplist to a major exchange in 2021; and five, evangelizing our services to the insurance payor markets to facilitate the signing of new in-network contracts as we look to partner with the insurers going forward. It's a very unique position that Assure is taking, which is contrary to the rest of the market.

With that, I'm going to conclude. We thank all of you for your participation today, and we look forward to speaking to you at the end of Q1. Thanks for joining us.

Operator

Ladies and gentlemen, this does conclude today's conference. You may disconnect your lines at this time. Thank you for your participation. Have a wonderful night.

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